

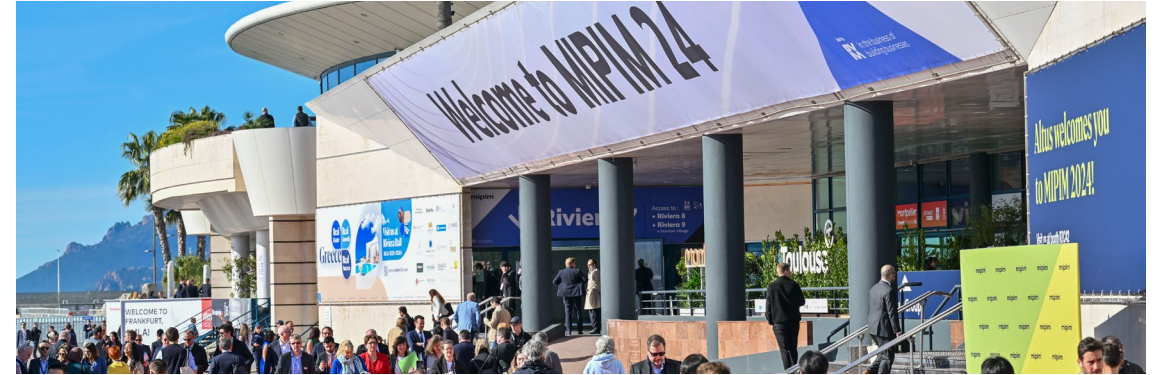
MIPIM 2024

Getting to Grips with the
New Real Estate Reality



Introduction

“Without a green future, there is no future.” These were the stark words of former Finnish Prime Minister Sanna Marin in her keynote speech at this year’s MIPIM, the leading annual four-day exhibition, conference and networking event for the world’s real estate professionals. This year’s event was described by organisers as the “most sustainable yet”, and environmental concerns were without doubt the dominant topic.



Real estate accounts for 21% of global emissions, and the sector is showing a growing sense of urgency in addressing the issue of global heating. “No matter who you speak to in the industry – building owners, developers, investors, architects – sustainability is now a massive priority,” says Mark Dixon, Founder and CEO of IWG.

The hybrid working model is increasingly being recognised as a key part of the solution to this challenge, with its potential to dramatically cut both building and transport-related emissions supported by a growing body of research.

The transformation of the workplace as a result of new flexible working practices was another major theme at MIPIM. “The way that people and companies use real estate as more and more move to hybrid working has changed everything,” says Dixon. “It won’t go back to what it was.”

The new work normal is changing not only

how offices are used, but also where they are located: people no longer want to work in one location, but in multiple locations – including those close to home – wherever they feel they can be most productive and most fulfilled. Property owners and developers who understand this new reality and act on it have everything to gain. As Marin put it in her keynote address: “When you do things first, you create opportunities.”

The sense of both challenge and new possibilities at the event was perhaps summed up best by Robert Thornburgh, CEO of the Washington-based Society of Industrial and Office Realtors. “Those who maintain a quick and nimble mindset will be best equipped to capitalise on whatever tomorrow brings,” he said.

In this paper we look at some of the most significant trends to have surfaced at MIPIM 2024.

“We know the real estate industry is one of the largest contributors to greenhouse gases, so there is a huge opportunity for it to support the decarbonisation of the global economy,” proclaimed Emma Harvey-Smith, Chief of Staff for the Green Finance Institute. In a sense, she was pushing at an open door, as there was strong agreement among attendees that when it comes to the environment, it is time to turn fine words about decarbonisation into concrete actions.

The sense of urgency was heightened by the fact that in the week before MIPIM, ministers and high-level representatives of key organisations had gathered at the Buildings and Climate Global Forum in Paris with the aim of adding new impetus to international collaboration for building decarbonisation and resilience. This followed the successful launch, at 2023’s COP28, of Buildings Breakthrough, a joint initiative by the governments of France and Morocco, together with the UN



Decarbonisation Takes Centre Stage



Environment Programme, aimed at making near-zero emissions in the buildings sector the new normal by 2030. So far, 27 countries have pledged their commitment, representing around 34% of the global population.

While acknowledging the fact that emissions have yet to start falling in the real estate sector, Roland Hunziker, Director of Built Environment at the World Business Council for Sustainable Development, told delegates at MIPIM that he was hopeful that increased buildings regulation around the world would soon start to turn the environmental dial: “You see cities such as London that are starting to require whole life carbon assessments on projects. Countries like Denmark and France also have quite advanced building regulations coming into force taking that kind of carbon budget approach, saying that new buildings can only have so much CO₂ per square metre.”

“It’s not just about increased regulation,” says Dixon. “It’s also about a new mindset. And when it comes to office space, tenant



Tenant expectations are becoming increasingly focused on green credentials when it comes to their workspace.

expectations are increasingly focused on green credentials, and companies are realising that an environmentally friendly building can not only help them meet their emissions targets but can also be a major talent magnet.”

Opting for the hybrid work model is the most effective way for companies to reduce their carbon footprint. Recent research by IWG and Arup in the UK and the US found that the switch can massively reduce urban carbon emissions caused by both building emissions and commuting. For example, it showed that if a worker in Los Angeles stopped commuting into the city centre every day and instead worked close to home, their carbon footprint would decrease by 70%. By downsizing their real estate portfolios as a result of hybrid working arrangements, companies can use office space far more efficiently, taking on only the space that they need, and make a further reduction in emissions: it is estimated that every unused desk in an office creates a tonne of unnecessary CO₂ each year, equivalent to driving a car 6,000 miles.

The reduction of carbon emissions is core to IWG's business model and all of its workspaces are certified carbon neutral. As a company, IWG is working towards reaching Net Zero emissions by 2040.

A Greener World with AI



“Technology has the capacity to truly transform the way buildings are managed for the better,” announced Matt Ellis, CEO of data-driven ESG real estate platform, Measurabl. Proptech has been hit by a difficult fundraising environment in recent times, but tech solutions that help real estate to decarbonise are thriving, particularly those that use artificial intelligence, as Measurabl does. “From reporting your portfolio’s environmental impact, and pinpointing the heaviest contributing factors, to developing solutions that assist in retrofitting existing buildings and cutting carbon emissions, the use of data is central,” said Ellis.

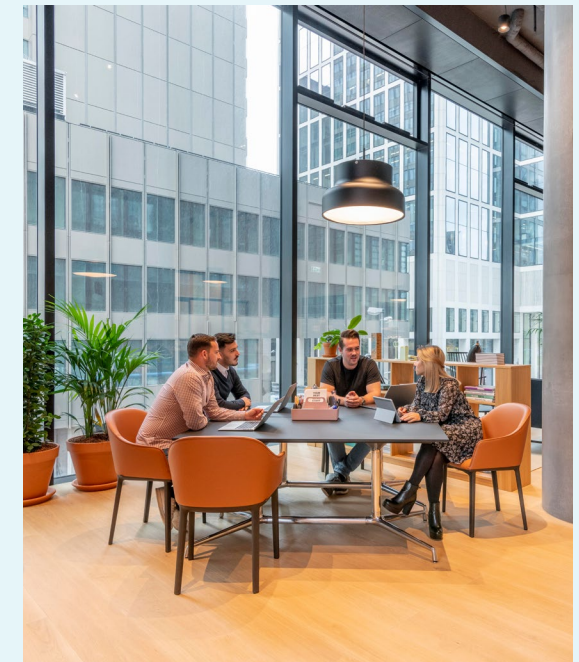
Angela Crowther, a Director at Arup, told a panel of tech experts that AI will have a huge role in turning buildings’ data into actionable insights, and the panel agreed unanimously that AI will rapidly accelerate the journey to Net Zero. There is currently a boom in technology that allows companies to fully understand how their employees are using their buildings by analysing sensor data on movement and interaction, as well as environmental conditions such as temperature, air quality and noise levels.

“We’ve been using AI at IWG for some time,” says Dixon. “Once you know exactly how a workspace is being used, AI can suggest new layouts to increase collaboration, interaction and wellbeing. The result is an increase in worker satisfaction and also a reduction in costs and carbon footprint.”

Many IWG flex spaces are using cutting-edge technology in other ways to increase sustainability. The Spaces location in the

OmniTurm Tower in Frankfurt uses specially coated glass that reduces the amount of both heat and glare entering the space. As well as making life more pleasant for workers, it has the added benefit of reducing the need for air-conditioning and artificial light and heat, ultimately cutting the building’s carbon footprint.

The WELL-certified WAVE building in Gdansk, home to a Spaces location, takes a novel approach to filtering air outdoors. The development incorporates an ‘anti-smog pavement’ of tiles coated with titanium dioxide. When sunlight hits the tiles, a chemical reaction takes place, neutralising hazardous airborne gases such as nitrogen dioxide.



Reuse,



Repurposing old buildings instead of demolishing them and constructing new ones is increasingly a key strategy when it comes to decarbonisation, as seen in IWG's Spaces Mailbox location.

"In the past few years, we have seen the industry reach a new frontier in terms of decarbonisation," said Cameron Thomson, Global Head of Sustainability for Citi Real Estate Services, which is currently carrying out a £100m overhaul of its iconic Citi Tower in London's Canary Wharf. The refurbished building will reflect new working patterns: it is designed to maximise collaborative workspaces, while also focusing on wellbeing, with state-of-the-art amenities and plenty of greenery.

Repurposing old buildings in this way instead of demolishing them and constructing new ones – and using recycled materials into the bargain – is a growing new strategy when it comes to decarbonisation. The building sector is increasingly concerned about the effects of embodied carbon: the millions of tons of CO₂ emissions released during the lifecycle of building materials, including extraction, manufacturing, transport, construction and disposal. "By re-using as many fixtures and materials as we can, we know we can significantly reduce lifecycle emissions," says Thomson.

In many cases, the greenification of existing buildings is the only way to meet emissions targets. In the US, real estate is responsible for around 40% of the country's carbon emissions, and the long-term goal is for the sector to be Net Zero by 2050. However, 80% of 2050's US stock is already in existence, meaning massive decarbonisation via retrofitting will be required.

"This is a subject close to my heart," says Dixon. "Refitting buildings in as green a way as possible makes perfect sense – and it can usually work out much cheaper than building from scratch."

In the centre of Birmingham, UK, the new Spaces Mailbox location vividly demonstrates how buildings can be converted in an environmentally positive manner. What was formerly a poorly performing retail mall has been transformed into a bright, airy space divided into human-scale zones. Overall, the existing configuration of the landmark building, which was once the location of the Royal Mail's main sorting office in the city, was retained, including the structure and finishes, in order to limit environmental impact.

Recycle

The use of recycled materials in new developments is also a growing trend. In Oslo, Spaces Tullinløkka is constructed from 80% recyclable materials. This includes bits and pieces from 25 refurbished or demolished buildings, including windows, wall tiles and even benches from an old swimming pool. Meanwhile, at Spaces Gasperich, home to HSBC in Luxembourg, recycled materials were incorporated in the build, including furnishings reused from an HSBC office in Switzerland. HSBC has also signed a groundbreaking 'green lease' for its use of the space, guaranteeing it will uphold the building's commitment to social and environmental sustainability – the first agreement of its kind in Europe for the bank.

The ultimate in terms of sustainable building is the cradle-to-cradle concept, in which materials are reused indefinitely or serve as 'nutrients' for new products. The goal is to create positive effects rather than simply trying to mitigate negative ones. The process can be seen in action at the newly opened Spaces The Cradle in Düsseldorf. For example, most of the fundamental elements of the building's structure, including its entire façade, are made from timber elements that come from sustainable forests in Europe.

"Every element used in the building had to be able to be taken back, disassembled and reused, and not just recycled, where it's chopped into pieces," says Maarten Jamin, Chief Design Officer at IWG. "I think we will see much more of this in the future."



**Spaces Tullinløkka
in Oslo, Norway is
constructed from
80% recyclable
materials.**

“Easy to get to but difficult to leave” is the blueprint for the perfect workplace now that hybrid working has become the norm, said Kunle Barker, co-founder of architectural and design firm Barker Walsh at a Places That People Want To Work session. Now that employees have adapted to new working practices, employers are paying more attention to their needs, he added.

Chief amongst these needs is the opportunity to work close to home. Research by IWG has found that more than three-quarters (77%) of workers consider a place to work nearer to where they live

a must-have for their next job move, while only one in five is now willing to commute for more than 30 minutes. This trend is driving demand for flexible workspace in the heart of local neighbourhoods across the world. IWG added more than 850 new locations globally in 2023, and the majority of them were in suburbs and small towns.

“Our aim is to expand our network locations deep into the heart of the communities where they are needed,” says Dixon. “What we are seeing is a major geographical shift in terms of where work is done. Businesses realise that a hybrid



IWG is targeting 1,000 new locations in the next year, the majority in suburbs and small towns.

model, which allows their employees to move seamlessly between local offices, city centres and home, is more productive and makes employees happiest. Key to this is the provision of high-quality, hi-tech workspaces within easy reach of people’s homes.”

A report by IWG and Arup showed that formerly sleepy commuter towns in the UK and the US are now booming as a result of this transformational trend. Local GDP in the towns in the study is forecast to increase by as much as 6% over the coming years. The benefits for

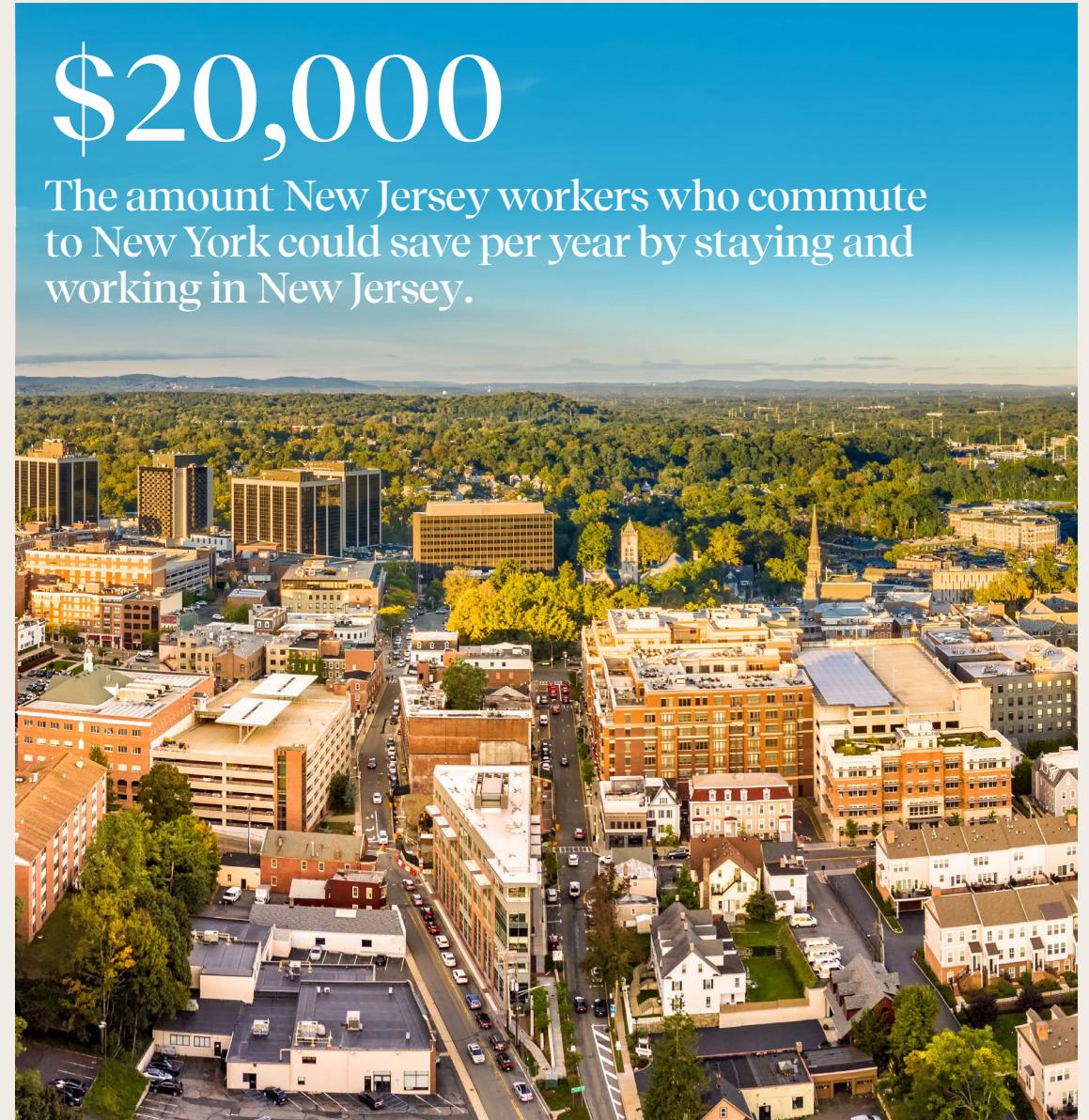
workers were recently summed up by Josh Gottheimer, the US Representative for New Jersey’s 5th congressional district, who is campaigning to give tax benefits to New York-based businesses that open offices in New Jersey, so that workers from the state don’t have to commute to the Big Apple every day. “When you add it all up – the expensive tolls, the cost of parking and gas, and the congestion tax – Jersey commuters would save \$20,000 a year to stay in Jersey,” he said. “Not to mention all the benefits of less stress, more productivity and time with families from the hours spent not driving.”

Work Moves Closer to Home

Recent research by Savills that was showcased at MIPIM revealed that landlords are increasingly recognising that flexible office space as a part of the amenity offering in a building can help support letting performance. Furthermore, as a result of the greater demand for tenant flexibility, there are an increasing number of corporate occupiers who will now only consider buildings which provide this offering. Building owners and investors are increasingly partnering with IWG to provide flexible workspace options: in

2023, the group signed twice as many partnerships as in the previous year.

“We had a lot of meetings at MIPIM with property investors, developers, institutions and insurance companies that understand that hybrid working is going to be a big part of real estate in the future,” says Dixon. “They are saying they want to have that within their portfolio in the same way that they have other amenities. There is huge demand for it, and they’re putting it in.”



The Changing Face of the City



In Greater Paris, more than 100 real estate projects and 42 urban policy districts will be built by 2030, fostering the growth of sustainable 15-Minute Cities.

“The role of cities is changing forever,” says Dixon, reflecting on a year in which MIPIM saw itself rebranded as a “global urban festival”, and the future of cities was a major theme. As the focus of many people’s working lives shifts to flexible workspaces closer to where they live, cities are taking on new roles. In the meantime, both within cities and

on their outskirts, so-called 15-Minute Cities are proliferating: self-sustaining neighbourhoods in which all amenities (including workplaces) are within a 15-minute walk or cycle ride.

One city that’s leading the way is Paris, home to this year’s Olympic Games, where Mayor Anne Hidalgo has enthusiastically

embraced the concept. Alexandre Dublanche, Chair of the Choose Paris Region, told MIPIM that the Games should be a starting point from which to think about the future of the entire region. New development includes the creation of four new Metro lines and the extension of another, allowing users to move between destinations on the outskirts of Paris

without having to go into the centre. This in turn will enable the creation of mixed-use developments in previously disadvantaged areas of the city. Between now and 2030, more than 100 real estate projects and 42 urban policy districts will be built in the vicinity of the new stations, revitalising them and fostering sustainable communities.

Flexible workspaces will be key to the success of creating these new 15-minute cities, and one of the stations in this new network, Le Bourget, recently saw the opening of the first Factories location by IWG in partnership with Perial Asset Management. The space is used by remote workers as well as tenants of the building. There are plans to open a further 50 Factories locations in the Paris region and beyond. In total, IWG expects its locations across the country to increase from 200 to 2,000, mainly in small towns and communities.

“It’s going to be very rapid growth, and that’s because France is one of the leading countries in Europe when it comes to focusing on employees’ wellbeing and enabling them to work locally,” says Dixon.

As fewer people commute into the centre of cities as a result of the rise of hybrid working, the role of traditional business areas is changing. Plans were announced at MIPIM to attract more “tourists and partygoers” to the City of London, making it a “multi-dimensional destination to rival the UK’s tourism magnets”. A similar trend

towards mixing business and leisure can be found in recent and ongoing landmark renovations elsewhere in London. The formerly derelict Battersea Power Station has been transformed into a mixed-use location combining shops, restaurants, a hotel and office space, including The Engine Room, a bespoke IWG workspace. And the famous Olympia exhibition and events centre is in the process of being transformed into one of London’s leading cultural hubs in a £1 billion redevelopment. This will include a cutting-edge IWG flex space situated across an entire floor of the One Olympia building.

“Places like London, whose economy has been geared to meet the needs of millions of itinerant office workers, will need to evolve in the future,” says Dixon. “The reduction in demand for traditional office space will allow areas to be reimagined and regenerated for leisure, housing and other purposes, with the potential to revitalise districts and improve infrastructure. You can see the trend happening in front of your eyes in places like Battersea and Olympia.”



Battersea Power Station has been transformed into a vibrant mixed-use development, complete with The Engine Room, a bespoke IWG workspace.

THE (15-MINUTE) CITY OF THE FUTURE

Saudi Arabia had a big presence at MIPIM, highlighting some of the megaprojects that are currently under construction in the kingdom as it transitions from fossil fuel dependency to a mixed economy. One of these is The Line, which will one day comprise a city of nine

million people that is 170km long but just 200m wide. It will feature no cars, be run entirely on renewable energy and residents will be able to access day-to-day essentials within a five-minute walk. Essentially it will be a 170km-long series of 15-minute cities.

IWG Goes From Strength to Strength

The company's latest annual results show record growth

In its latest full-year results, published in March, IWG posted the highest ever revenues in its 35-year history, with 10% growth in system-wide revenue to £3.3 billion achieved over the course of 2023, compared to the year prior. The Group also added a record number of new locations in a single year, with more than 850 additions to its global network – almost doubling the previous year's total. 95% of these new locations are being delivered via managed partnership agreements.

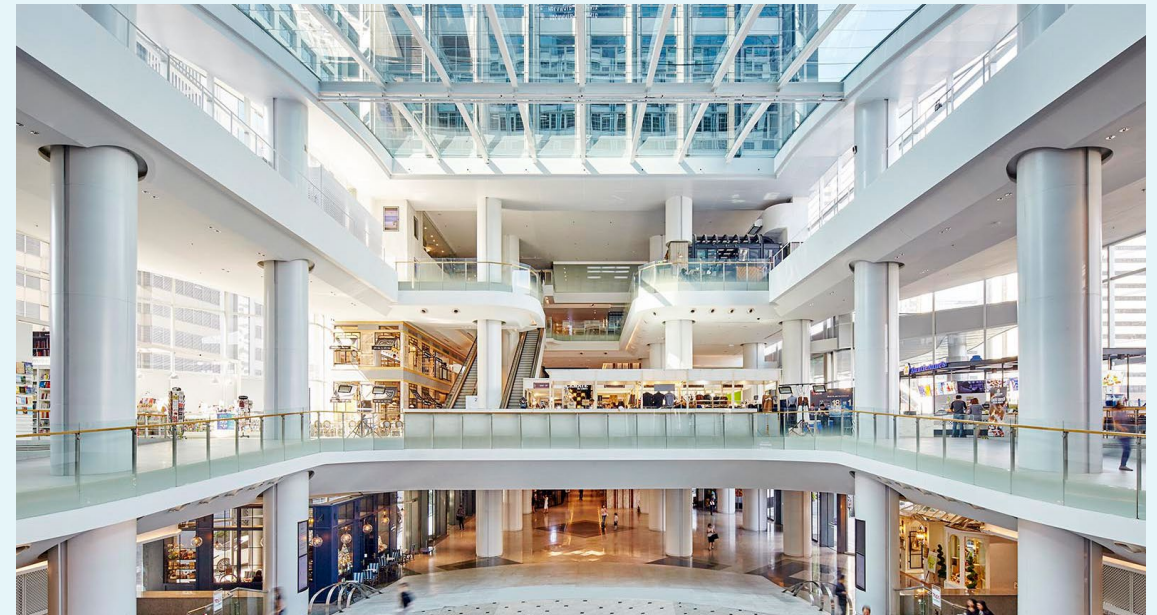
As the global leader in hybrid working, IWG now has over 4,000 locations in more than 120 countries, but the potential for further growth is exponential with an estimated 1.2 billion white-collar workers globally and a total addressable market valued at more than \$2 trillion (£1.57 trillion).

As IWG continues to go from strength to strength, the positive effects of the fast-growing hybrid model become ever clearer to see. In every corner of the world, millions of employees are leading happier and healthier lives by working wherever is most

convenient and fulfilling. In turn, companies are reaping the benefits of enhanced productivity and profits.

Most significant, however, is the immense potential of the hybrid model to greatly reduce carbon emissions and build a brighter, greener future for us all. Key to this future, is the provision of advanced, environmentally efficient hybrid workspaces in the heart of communities across the globe.

"We are making significant strides towards our aim of having an IWG centre within reach of every town, village and suburb in our key markets, while at the same time providing a once-in-a-lifetime opportunity for property owners and investors to turn buildings into thriving flexible workspaces," says Thomas Sinclair, IWG Group Chief Development Officer. "We look forward to continuing to expand our network further into the heart of communities, meeting the burgeoning demand from billions of white-collar workers and creating a brighter future for all."



You can capitalise on the flexible workspace revolution by partnering with IWG. Find out more at iwgplc.com/develop-a-location.