

Lifeblood



Sustaining the vitality of
Australian businesses

The critical role of
buildings and workplaces



Our Knowledge is your Property

Introduction

Forecasting new expectations

The 'lifeblood' of any business includes its talent, reputation, knowledge, duty of care fulfilment and information and communications systems. Business vitality depends on the effective management of these core business components.

This report, for the first time, brings together knowledge on key emerging imperatives for businesses and demonstrates the link between these business changes and a revision in expectations for the performance of office buildings and workplaces over the next decade.

The five emerging business imperatives

1. The Transforming Workforce - battling for talent.
2. The Knowledge Economy - learning to compete.
3. Corporate Social Responsibility - defending reputation.
4. Duty of care - managing growing risk.
5. Business continuity - assuring information and communications.

Leading businesses in Australia have begun to address these five imperatives, but we now expect to see rapid uptake in awareness and action amongst the majority of businesses.

Within Lifeblood

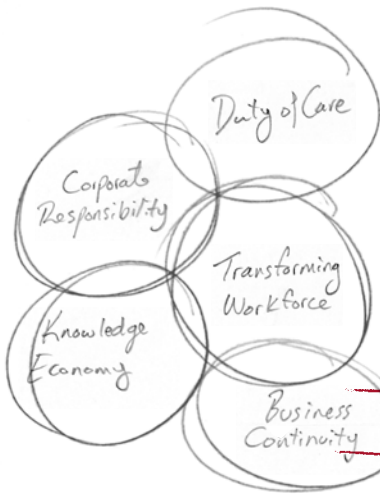
Lifeblood comprises five sections, each of which addresses an emerging imperative that will impact Australian business over the next ten years. It forecasts the implications of these imperatives for an organisation's physical building and workplace requirements.

The purpose of Lifeblood

Lifeblood will assist businesses to realise the strategic value of office buildings and workplaces in responding to these changes and achieving competitive advantage.

It will assist landlords, investors, developers and designers to supply office building stock that will respond to the changing demands of businesses.

This report represents a key milestone in Colliers International's Lifeblood programme, established in July 2004 to understand how property can best support sustainable business performance.



Methodology

Lifeblood makes forecasts for the emergence of the five imperatives based on the extrapolation of current trends. These trends are derived from an assembled body of research including:

- Recent publications by leading Australian and international authorities.
- Interviews and workshops with recognised Australian leaders in the relevant topics.
- The Colliers International Office Tenant Survey. This is an independent survey of property decision makers in businesses in Sydney, Melbourne and Brisbane. It examines their current, past and anticipated future thinking and actions regarding a range of issues impacting their office accommodation. It was commissioned by Colliers International and implemented by ACA Research (Colliers International, 2006).
- Observation of current activities and trends in business and property markets.

The propositions made within Lifeblood are a product of workshops run by the Colliers International Lifeblood Team. This team comprises senior Colliers International property, workplace and building engineering experts.

Selection of the five imperatives

The criteria for the determination of the five imperatives were:

- The ability to prove a strong case for the existence of trends which could reasonably be predicted and which would create serious implications for office-based Australian businesses over the next ten years.
- The expectation that each imperative will significantly impact the required performance of office buildings and workplaces.

Based on these parameters, a range of possible imperatives was examined by the Lifeblood research team before resolution on the five.

Some commonly discussed drivers of change, such as technology and terrorism, were not included because they were not deemed to satisfy the above criteria.

Why ten years?

The ten year time frame was chosen for the following reasons:

- It is long enough to begin to fully appreciate the powerful impact of these imperatives, but short enough to make a reasonable prediction.
- It reflects both the longer lease terms often used by tenants and the life cycle of building services upgrades.

A lot may happen in just 5 years

The 'Early Majority' is ready to move

In understanding the case for changing tenant demand in the market, it is valuable to consider the process by which a market typically transforms in response to new opportunities.

Assuming this market transformation follows the proven distribution curve for market uptake of technologies presented by marketing strategy guru Geoffrey Moore, we can now expect an acceleration of change in tenant demands.



Moore (1991).

When considering the uptake of advanced open work environments in Australia, one can point to 'Innovators' such as Lend Lease / National Australia Bank with their Campus MLC project, opened in North Sydney in the late 1990s.

Examples of the subsequent 'Fast Followers' in advanced open work environments include the National Australia Bank's flagship building National @ Docklands in Melbourne, Lend Lease's 30 The Bond in Sydney and the Ernst & Young Centre in Sydney; all completed in the last few years.

It is apparent that within the Australian business community there are now clearly 'Innovators' and 'Fast Followers' for most of the five imperatives and examples of these businesses are referred to throughout this report. We are now at the point where the 'Early Majority' will begin to move to actively address these imperatives in their office buildings and workplaces. This shift will have considerable implications for the Australian property industry.

Savvier tenants?

Businesses are slowly becoming more knowledgeable about building and workplace performance. As a result, Australian office space occupiers are becoming empowered to strategically address the five imperatives in their office building and workplace solutions.

They are learning from a variety of sources. The media has expanded its promotion of new building and workplace opportunities from just property sections to business and general news sections as well.

Schemes such as the Green Star and ABGR environmental rating tools (see page 34) and recent state government accommodation guidelines have recently helped create new benchmarks for building environmental performance.

Another indicator of a shift in tenant awareness is the emergence of new positions in businesses (some innovatively titled) as they begin to address the five imperatives. IAG now employs a 'Group Executive - Culture & Reputation', Ernst & Young a 'Partner - People & Culture', Lend Lease a 'Sustainable Investment Catalyst' and at Arup a 'Global Leader of Foresight and Innovation'.

Despite this progress, most of Australia's businesses have a long way to go in developing their knowledge of building and workplace performance to a level that achieves best strategic advantage.

Who in businesses is utilising the knowledge?

It appears that knowledge about leading-edge building and workplace performance is commonly retained within an organisation's property function rather than at a senior strategic decision making level.

For example, results from the Colliers International Office Tenant Survey indicated that only 27% of chief officer respondents were familiar with the Australian Building Greenhouse Rating (ABGR) scheme. In contrast, 63% of property managers were familiar with the ABGR (Colliers International, 2006).

These results would indicate that knowledge about this particular building and workplace topic is not always reaching the strategic decision makers.

Executive summary

How do we
action these ?

Who should
be involved
?

Executive summary

Australia's businesses are facing emerging imperatives for action around their talent, knowledge, duty of care fulfilment and information and communications systems - their lifeblood.

The next decade will prove increasingly challenging for businesses that do not form strategies now to meet these imperatives as they unfold.

The performance of office buildings and workplaces will be central to addressing these challenges and sustaining business vitality.

The five emerging imperatives

1. The Transforming Workforce - the attraction and retention of employees and associated 'Battle for Talent' amongst employers.

Employers will need to respond to a new set of expectations and values from a new generational and gender mix. Talented employees will be in greater demand and retaining mature age workers and the autonomous Generation Y will be key challenges. Supporting work-life balance and blend, personal wellbeing, learning, employee/employer values alignment and positive cultures will be essential.

These challenges will be exacerbated in 15 years time as the impacts of the aging workforce and declining fertility rate result in decelerating workforce growth.

2. The Knowledge Economy - effective mediation of knowledge (as opposed to information transfer).

By supporting interactions and quality relationships between employees, work environments will be critical to enabling effective knowledge mediation.

3. Corporate Social Responsibility - demonstration of high standards of performance in response to the increasing demands of stakeholders and potential risk to reputation.

Businesses will use their buildings and workplaces as tangible demonstrations of their environmental performance and concern for the wellbeing of employees and communities.

4. Duty of care - managing expanding liability, including that associated with indoor air quality.

Liability for building occupiers (including directors), owners and managers is growing. This is due to a blurring of the boundaries of responsibility between these parties, an expanding scope of requirements, government bodies becoming more aggressive with prosecution and growing employee expectations about their wellbeing. Thorough risk management is critical, including compliance to evolving codes and standards and responding to emerging areas of risk such as indoor air quality.

5. Business continuity - assurance of Information and Communications

Technology (ICT) operation in a time of continuing growth in dependence on these systems.

The rising financial impact of ICT interruptions is demanding more rigorous management of possible points of failure and security breaches in ICT systems and power.

The Colliers International Office Tenant Survey found that 44% of organisations surveyed do not expect any change in their staff culture over the next three years (Colliers International, 2006).

This report challenges this view. It is expected that the impact of the five imperatives will stimulate a change in outlook by many businesses and their leaders.

Australian business – equipped and motivated to meet the challenge?

Businesses should act now to develop strategies that address the impacts of the Lifeblood imperatives.

As the challenges which these imperatives herald continue to become more evident, we can expect to see the majority of Australian businesses change their strategy and behaviour in response. The necessity to address these imperatives in their building and workplace solutions will gather momentum.

The criticality of the Lifeblood imperatives is emerging at a time when Australian businesses are becoming more knowledgeable about building and workplace performance. However, much of this knowledge does not appear to be utilised by strategic business decision makers. Rather, it is being retained within the confines of specialist property divisions.

Addressing the imperatives will require the involvement of multiple business functions in accommodation and workplace decision making.

Implications for office buildings and workplaces

As businesses begin to utilise their buildings and workplaces to respond to these imperatives we can expect new levels of scrutiny on building attributes such as:

- The ability to accommodate open work environments which support community, efficient work practices, work/life style and knowledge mediation.
- Provision of community spaces for the building.
- Provision of lifestyle amenities in and around the building and accessibility to transport.
- Indoor Environmental Quality including:
 - Indoor Air Quality
 - Thermal comfort
 - Access to natural light
 - Visual connection to the outside
- Environmental performance with a focus on energy, water, waste and performance reporting.
- Access security that is comprehensive but unobtrusive.
- Compliance to evolving OHS and building code standards and the satisfaction of requirements in new areas of duty of care risk such as indoor air quality.
- The building's ability to achieve uninterrupted and secure information and communications systems.

Although many of these attributes may be recognised as being included within current building and workplace specifications, the impact of the five imperatives will greatly increase the required capability level of the building. This change may see a proportion of Australia's existing office building stock become obsolete.

The relationship between building occupiers and owners will evolve with the need for greater communication to ensure buildings continue to satisfy emerging business requirements.

The evolution of the business, and therefore property landscape, will present new challenges for property owners, developers and designers. They will be responsible for providing buildings which meet the evolving needs of business and the workforce.

*Will our building
be obsolete?*

*How do we
futureproof?*

Knowledge Systems

Knowledge Systems is a national Colliers International capability which investigates and responds to issues important to the property industry into the future.

Founded on the leverage of shared knowledge and innovation, Knowledge Systems executes projects which deliver enhanced return on property investment.

About the Lifeblood programme

The Lifeblood programme evolved from work conducted since 2001 by Knowledge Systems on the topic of 'Buildings for Strategic Advantage'. This included a series of Knowledge Forums which brought together leading practitioners to examine emerging workplace issues.

Lifeblood represents a key milestone in Colliers International's commitment to ensuring the continued relevance of property assets to business needs, and ultimately the improvement of returns to property occupiers and investors.

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About Colliers International

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“ We shape our
buildings and thereafter
they shape us ”

Sir Winston Churchill

28th October 1943, The House of Commons