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A major upheaval reduced demand for office space on a global scale. The question now is, what's the future of the office?
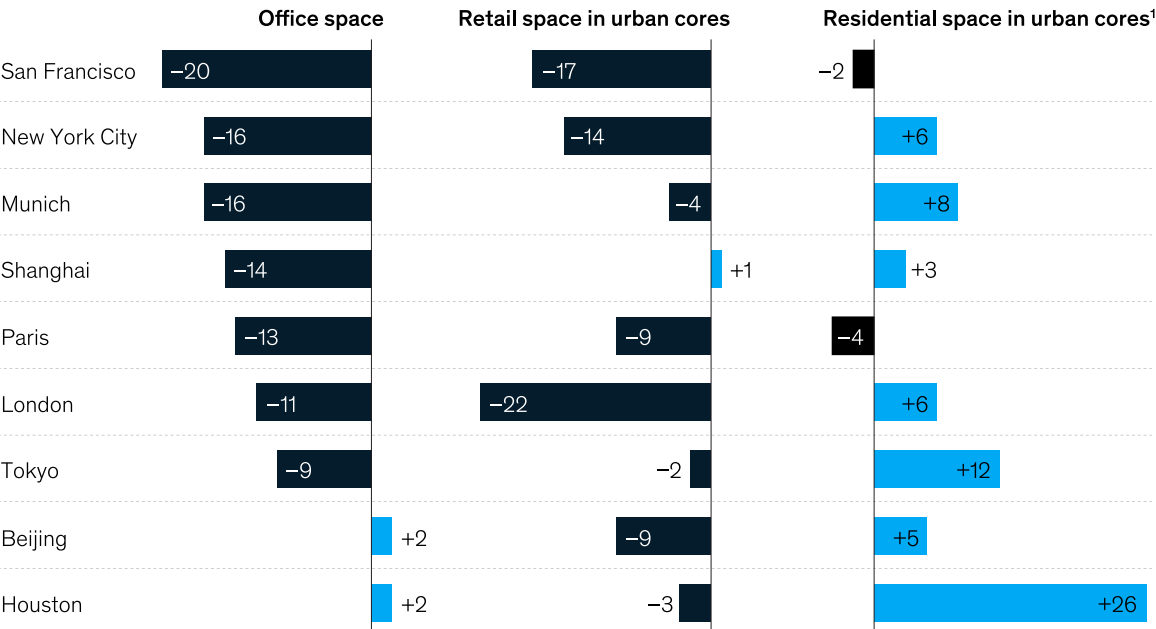
t's been a year and a half since McKinsey published "Empty spaces and hybrid places: The pandemic's lasting impact on real estate." The comprehensive report examined the effect the COVID-19 pandemic had on office attendance, occupancy, and demand. It also examined related factors, including residential moves from urban centers to the suburbs (which may mean fewer visits to the office) and online versus in-person shopping (which may affect the vibrancy of a downtown retail scene) (exhibit).

Exhibit

Demand for office space both affects and is affected by demand for retail and residential space.

Change in demand for real estate before prices adjust, moderate scenario, 2019–30, %

Negative ■ ■ Positive

	Office space	Retail space in urban cores	Residential space in urban cores[1]
San Francisco	−20	−17	−2
New York City	−16	−14	+6
Munich	−16	−4	+8
Shanghai	−14	+1	+3
Paris	−13	−9	−4
London	−11	−22	+6
Tokyo	−9	−2	+12
Beijing	+2	−9	+5
Houston	+2	−3	+26

Note: For details, see Exhibit E4 in "Empty spaces and hybrid places: The pandemic's lasting impact on real estate," McKinsey Global Institute, July 13, 2023.
[1]Demand for residential space in "superstar" cities (ie, cities with a disproportionate share of the world's urban GDP and GDP growth) is highly price elastic, so in the long run, these shifts would probably lead to a rebalancing of prices rather than an actual reduction in demand.

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The report concluded, in short, that demand for offices—at least as currently designed and delivered—is likely to be lower by 2030 in many cities. This reality poses a challenge to real estate owners, operators, and the companies that occupy offices: to conceive of a new generation of spaces that best supports

future achievements. But the behavioral sea change isn't just relevant to office stakeholders. Owners and operators of retail and residential real estate can also benefit by considering how patterns of life have changed and how to modernize properties in response.

This interactive presentation brings McKinsey's modeled data to life in a series of visual representations. It then proposes the four crucial attributes of the offices of the future: They need to be spaces with purpose, for connectivity, that are digitally enhanced, and that are oriented around sustainability. Join McKinsey experts in real estate and organizational performance in this deep dive into what happened, what could be next, and what's the future of the office.

The future of the office

The era of cubical-farm offices has ended—and it will not be missed.

The upheaval

The COVID-19 pandemic unraveled long-standing workplace norms and ushered in a new era for office real estate. While the effect varied by city, the global impact was a significant decrease in daily office attendance and an overall reduction in demand for office real estate.

3.5

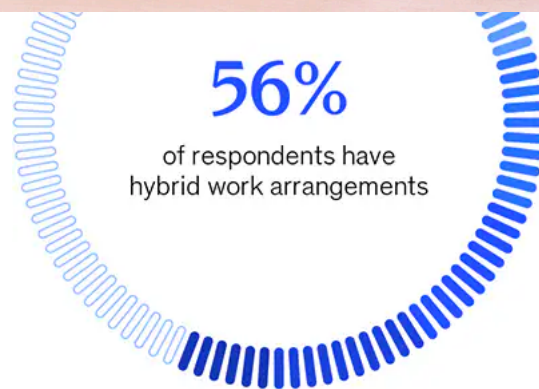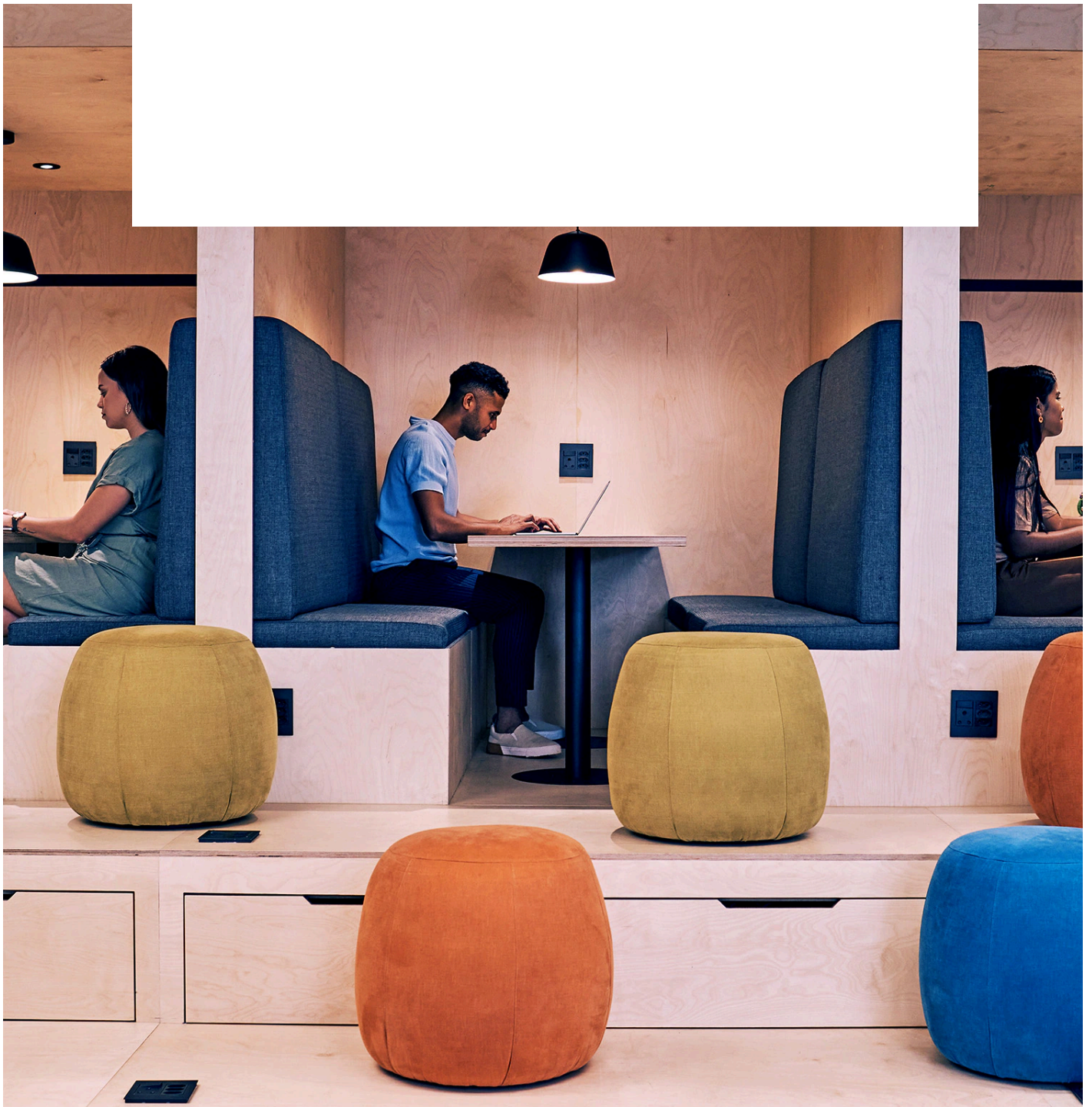days per week is now the stabilized average for office attendance

T

Le

the is the likely decrease in demand for office space in 2030 compared with 2019 in the median city studied
by
cri

At

−13%

ir

$800B

is the total value (in real terms) of office real estate at stake by 2030 in the nine cities studied

56%

of respondents have
hybrid work arrangements

Learn more about flexible work patterns

Offices for connection

Offices designed for connection provide physical spaces as well as technology intended to build bridges between people, teams, and organizations.

## Offices designed for connection might include these elements:

- They are places where workers can develop social capital, deepen their connections, and expand their networks.

- They are designed not just for day-to-day work but for activities including gathering, sharing knowledge, learning new skills, brainstorming, welcoming stakeholders, and celebrating.

- They are adaptable to the results of a test-and-learn strategy that gives leaders insight into how the workplace experience impacts performance.

- They encourage a positive connection between employees and the workplace by supporting well-being. Offices are designed to resolve the pain points in an employee's "customer journey" throughout the workday.

20%
of respondents working flexibly said the top reason they go to the office is "to work with my team"
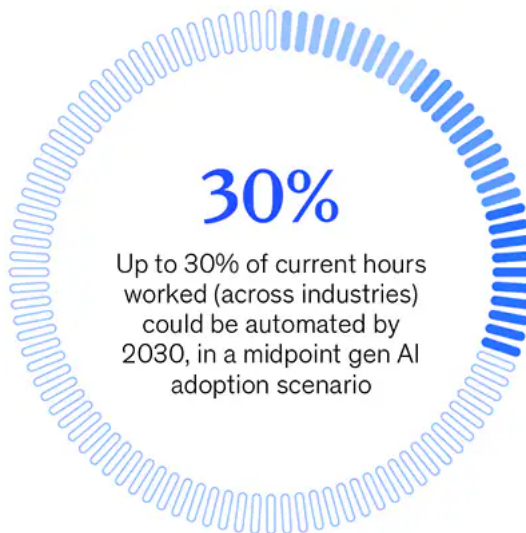
Dive into reasons for work preferences

Offices that are digitally enhanced

The digital office is one that both reflects the increasingly digital world and uses digital solutions to make offices more efficient, productive, comfortable, and responsive to change.
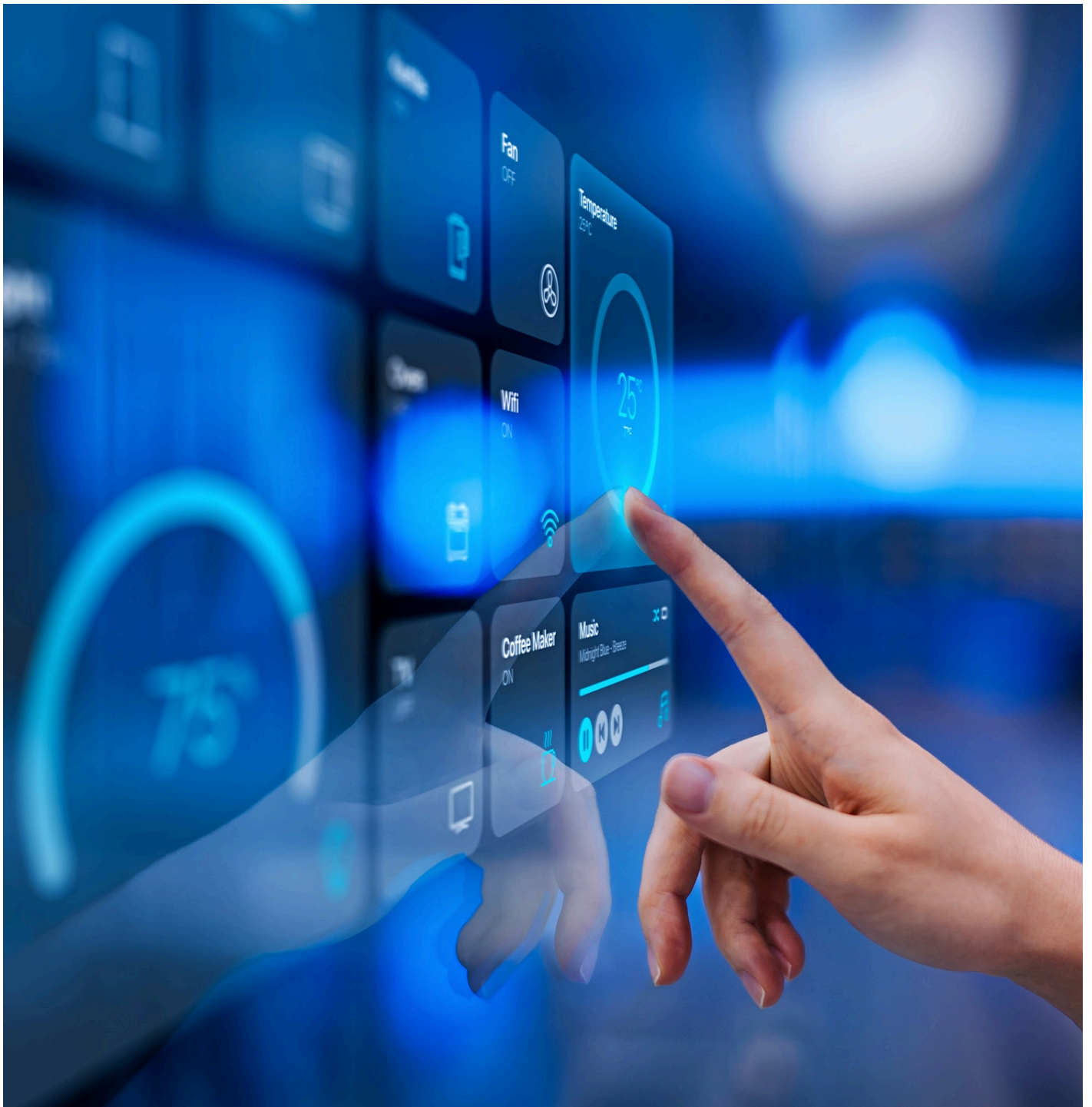
Digitally enhanced offices might include these elements:

- They are designed with generative-AI-assisted tools that integrate thousands of data points, including where natural light and foot traffic fall most regularly.

- They include modular elements that can be altered as work evolves, an important consideration as AI changes the nature of many jobs.

- They offer tenants not just space but also an integrated ecosystem of hardware, software, and services that make it easier and more productive to work from the office.

- They offer tenants insight into space and energy use, helping them make more efficient operational decisions.

30%

Up to 30% of current hours worked (across industries) could be automated by 2030, in a midpoint gen AI adoption scenario
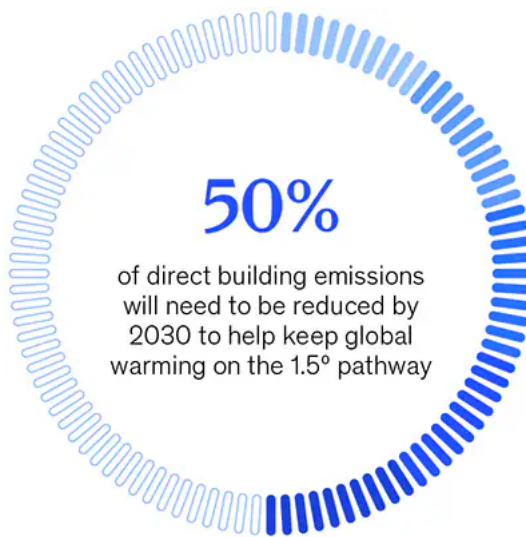
Explore the future of productivity

Offices that are sustainable

Offices that can be described as sustainable meet two general criteria. Their operators work toward decarbonizing building operations, ideally on a pathway to achieving net zero. They also support the well-being of their occupants by integrating natural elements, providing healthy air, and enabling access to the outdoors.

Offices that are sustainable might include these elements:

- They decarbonize building operations with existing technologies, including by using algorithmic approaches to creating net-zero plans.

- They collect data on energy use and emissions that enable tenants to both fulfill their reporting obligations and find strategic ways to lower them.

- They support well-being by integrating components such as greenery, natural light, outdoor space, and filtered air into their designs.

50%

of direct building emissions
will need to be reduced by
2030 to help keep global
warming on the 1.5° pathway

Read about decarbonizing building operations

We are celebrating the 60th birthday of the McKinsey Quarterly *with a yearlong campaign featuring four issues on major themes related to the future of business and society, as well as related interactives, collections from the magazine's archives, and more. This article will appear in the second themed issue, on the Future of Leadership, which will launch in January. See other issues in the series here, and sign up for the* McKinsey Quarterly *alert list to be notified as soon as other new* Quarterly *articles are published.*

How relevant and useful is this article for you?

☆ ☆ ☆ ☆ ☆

ABOUT THE AUTHOR(S)

This article was edited by Katy McLaughlin, an executive editor in the Southern California office.

This interactive experience is a collaborative effort led by McKinsey Global Publishing, with contributions from Dana Sand, Diane Rice, Janet Michaud, Julie Macias, Katie Shearer, Matt Perry, Maya Kaplun, Nayomi Chibana, Stephen Landau, and Vicki Brown.

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