GORDIAN KNOTS, REAL ESTATE AND SOCIAL RELEVANCE

According to legend, the region of Phrygia in Anatolia (in modern Turkey) was without a King, when an oracle of Telmissus decreed that the next man to enter the city driving an oxcart should become their king. This dubious honour fell to a peasant farmer named Gordias, whose son Midas then expressed the family's gratitude by dedicating the oxcart to the Phrygian god Sabazios, tying it to a post with an intricate knot of cornel.

Jean-Simon Berthèlemy: ***Alexander Cutting the Gordian Knot***

The oxcart still stood in the palace of the former kings of Phrygia at Gordium in the fourth century BC when Alexander the Great arrived, at which point Phrygia had been reduced to a province of the Persian Empire. An oracle had declared that any man who could unravel its elaborate knot was destined to become ruler of all Asia. Alexander the Great wanted to untie the knot but struggled to do so. He then reasoned that it would make no difference how the knot was loosened, so he drew his sword and sliced it in half with a single stroke.

Thus it was the Gordian Knot became a metaphor for solving a seemingly intractable problem with a radical approach ("*cutting the Gordian Knot*"). Modern real estate's Gordian Knot is encapsulated in the following two, mutually exclusive statements.

> *Real estate is created for customers, to help them meet their aspirations for their own organisations. And like all customers, they should have choice and influence over the real estate that they occupy.*
>
> *Real estate is created for investors, in order to yield long-term, secure income streams and capital growth. To achieve this, they demand uniformity of product and a dominant grip over the supply process.*

How can such an intractable dilemma be unlocked?

You could be forgiven for thinking over the past two years and more that real estate meant offices and that all office workers were free-wheeling lap top warriors. So all-consuming has the working from home debate been, that this far more important debate, with far greater potential impact than the Pandemic, has been somewhat neglected.

Whether we are talking about offices, shops, warehouses, learning environments, health facilities, cultural and leisure venues, food and beverage or industrial units, the one thing that is common to them all is the manner in which they are provided and managed. This boils down to institutional finance; speculative design and construction; hands-off management; adversarial supply chain relationships based on feudal principles and labyrinthine processes and language.

When these features collide with a world that is defined, as today's is, by change; ubiquitous and fundamental change, then we have the need for a realignment between the supply industry and the economic, physical and technological structures of twenty-first century urban economies. This is more important in the long-term than the WFH debate.

Modern real estate structures and processes were set in place in the aftermath of the second world war and themselves mirrored the rise of corporatism: large, slowly-moving, hierarchical and long-term organisations. For example, the Landlord & Tenant Act of 1954 (in the United Kingdom) established long-leaseholds, with onerous obligations, and alienation rights; they passively obstructed change and innovation.

But we live in a very different world now. Real estate cannot remain immune from the technological, social, economic and environmental changes that are taking place all around us. Indeed, real estate needs to evolve into being an active agent of those changes. And this means that old attitudes, practices and perceptions must change.

Perhaps above all else, real estate needs to demonstrate its social relevance. We all understand its economic relevance, and the two are not mutually exclusive. On the contrary, they should be mutually supporting. And we need more than 'box ticking' additions to process that simply add another layer of cost. We need instead wholesale change in industry priorities to untie our own Gordian knot. Here are three ideas to get the ball rolling.

First, there is a need for cultural changes; new skills and competencies. The real estate industry today reflects nineteenth century social structures and is riven by fragmentation: labyrinthine silos of activity, each with their own practices and arcane lexicon. The supply process is focused on the highly fragmented delivery of technical skills. To be socially relevant, real estate must reverse its focus on technical issues and learn how to support customers with a management-facing service.

We don't need more chartered surveyors, we need more customer focus, more curators, more experience managers. One of the most important challenges is to place the customer centre stage. An occupier business should not have to become part of the real estate industry in order to manage its occupation.

Secondly, one of the most important lessons from recent fundamental changes has been that real estate exists to support and enhance the activities that take place within. Today's real estate must be much more than compliant, functional and economic. These have to be taken as givens. Real estate has to go further. It must enhance productivity and performance: whether an office, a warehouse, a classroom or a shop, real estate must stimulate through appropriate settings, have the right systems and connectivity, provide the right environmental conditions and contribute to health and wellbeing.

Thirdly, we will need to see a shift in our shared concept of value. We need new measures and indices and fresh approaches. We need to focus on environment, social justice and business performance. It is a statement of the obvious, but real estate sits at the heart of communities – large cities and small towns. Yet too often real estate has ‘appeared’ without reference to the community within which it sits.

The decline of the high street started long before online shopping. Liberal planning in the 1980s brought us the retail park and shopping mall. Despite their obvious benefits – convenience, parking, choice and comfort – they swept in a new era of speculative real estate, provided to meet the needs of investors rather than those in the communities *around which* they were built. In doing so, they became less relevant: less something to be part of and more something to transact in.

From castles to condos

As corporate structures evolve they are becoming more permeable, more complex, less hierarchical, more agile and more outward-looking. Above all, they are evolving into networks of activity, in contrast to the corporate monoliths of the past. [1] Where once a building was seen as a castle, it must now be seen as a condominium. Real estate is increasingly a commodity; something to turn on and off as required.

In this sense the real estate sector – investors, facility managers, asset managers, designers and owners – everyone involved in the real estate process – must respond and evolve. It cannot remain immune from the changes that are taking place all around. Indeed, real estate has to be an active agent of those changes.

To do all of this will require a step change in how the industry articulates its social relevance. Whether that is in terms of building communities, improving living and working conditions, making cities work or saving the environment, change is imperative. We need to cut our own Gordian Knot; clinging to the *‘way we have always done things*’ is not tenable.

Dr Rob Harris
Principal, Ramidus Consulting Limited
https://www.ramidus.co.uk

References

[1] Harris R (2021) *From Clerical Factory to Digital Hub: London’s Global Office Economy* Routledge, London Available at: https://www.routledge.com/Londons-Global-Office-Economy-From-Clerical-Factory-to-Digital-Hub/Harris/p/book/9780367646721