Adaptive Spaces

CEE Office Occupier Sentiment Survey

REPORT

Transforming to Meet the Future of Work

CBRE RESEARCH
JUNE 2023

Six key findings

1

THE LARGER THE COMPANY, THE MORE FREQUENT OFFICE VISITS
Although most companies want their employees at the office more than half a week, most weekly attendance rates range between 26-60%. However, more than half of the companies surveyed state that office usage has not settled yet and is expected to increase over time.

2

HYBRID AND ADJUSTABLE, BUT OFFICE SPACE PLAYS AN INEVITABLY IMPORTANT ROLE
87% companies are aiming at a minimum 3 days of office attendance in their future workplace policies. At the same time, a rotating schedule and the introduction of working from anywhere a certain numbers of weeks a year are among the top emerging policies.

3

PORTFOLIO OPTIMIZATION
The portfolios of 42% of CEE companies have contracted over the past three years, compared to 60% in Europe as a whole. The same trend is likely in the near future, with a higher number of companies expecting to contract.

4

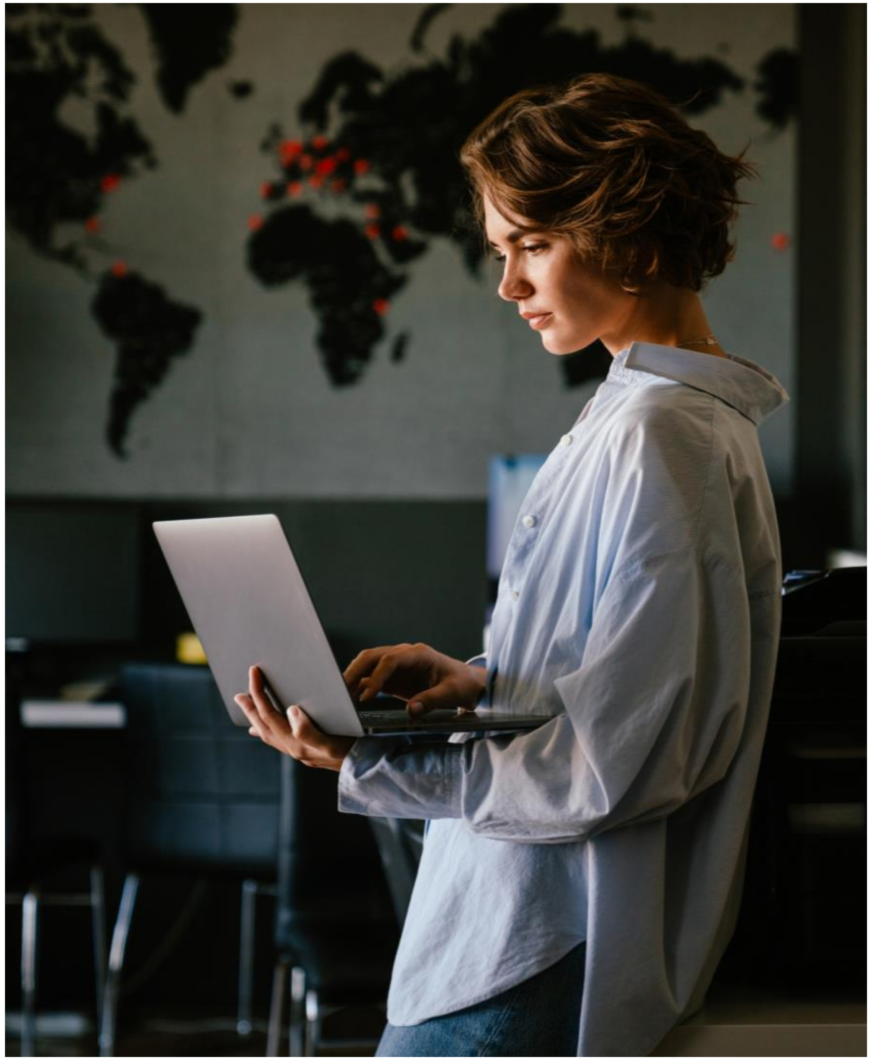
RESILIENCE
Companies seek quality and flexibility – shared building services and green lease clauses are in high demand. Business cycle proof lease clauses are particularly important for the professional and financial services sectors (60%).

5

FLEX SHARE IS GROWING AND THE WORKPLACE IS BROADENING
The share of companies increasing their flex allocations is growing – half of them are aiming at more than 10% of flex portfolio within two years. At the same time, CEE located companies are declaring their intention to increase the employee to desk ratios in two years' time.

6

ACCESSIBILITY AND SUSTAINABILITY ARE STEERING LOCATION DECISIONS
As accessibility has always been the top priority in the building-selection process, sustainable building features and operations have now made it to the top 4 criteria, rated higher than across Europe as a whole.



Office return rates are low, however this is not being declared as an end state

Bringing workers back to the office in large numbers is proving to be a greater challenge than many had anticipated. The reasons may include a reluctance to commute, vague or evolving mandates, or a preference for remote working among some employees.

Whatever the specifics, more than half of companies report current office attendance of 40% or lower; and only 9% are experiencing average attendance of 60% or higher.

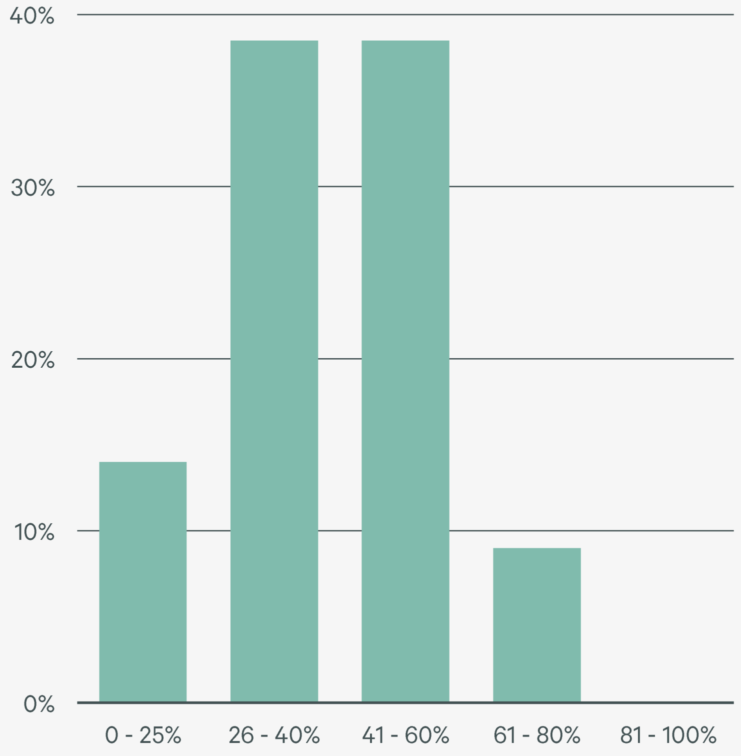
The larger the company, the more frequent office visits

Contrary to what is observed across the EMEA region, larger companies located in CEE (above 5,000 employees globally) report a higher show up rate than the smaller entities. Small companies have the maximum average attendance of 60% (40% of renspondents) and nearly one quarter of employees do not show up to the office more often than once a week.

At the same time, 51% of the companies surveyed state that the amount of office usage has not settled yet and is expected to increase over time. Most of the companies (76%) are targeting either the second half of this year or the first half of 2024 to reach this position, and only 17% either have a longer or open-ended timeframe. There are some differences among different sizes of company on this issue; large companies declare to be ready earlier than the smaller ones (55% indicate to be settled in H2 2023).

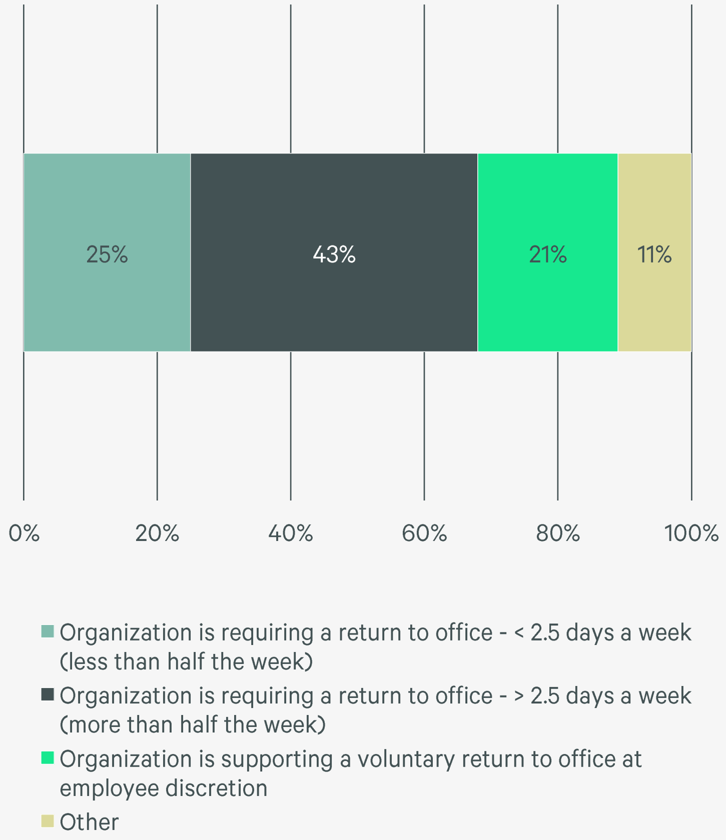
The current position still reflects a spectrum of opinion and policy guidance. Over two thirds of companies studied (68%) now have some level of requirement for office attendance in place, mostly (43%) for more than half of the working week.

Typical average weekly office attendance rates



Source: CEE Office Occupier Sentiment Survey, 2023

Current return to office guidance



Source: CEE Office Occupier Sentiment Survey, 2023

Hybrid work policies becoming more prescriptive and the approach to work arrangements more radical

Many companies are experiencing lower attendance rates than anticipated. The growth in attendance requirement is one means of addressing this, but tracking and enforcement are still very informal. Future guidelines and policies look likely to become a lot more prescriptive.

Heading for hybrid?

Half of the companies surveyed say their desired position is to have employees split their time equally between office and remote locations. A further 36% aspire to a position where employees are mostly at the office (3+ days per week), and only 12% are aiming for a mostly-remote solution.

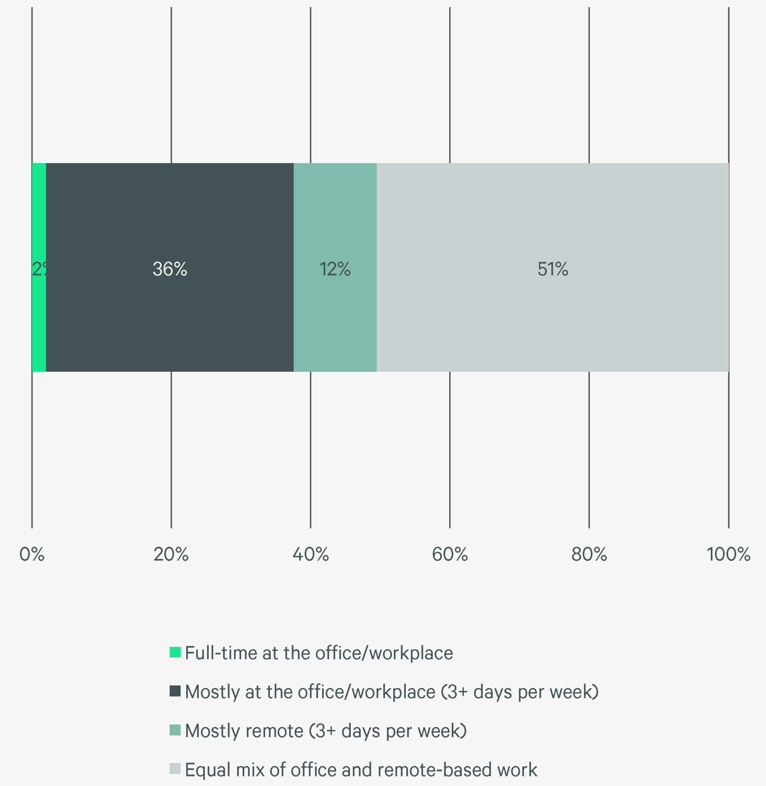
Spreading office attendance through rotation

Overall, permitting remote working for longer blocks of time is the most popular method (52%) particularly in terms of the implementation.

The most explored device (35%) is asking employees to visit the office on a rotating schedule. This helps both in fostering collaboration and team culture over longer time periods than, say, 2-3 days per week.

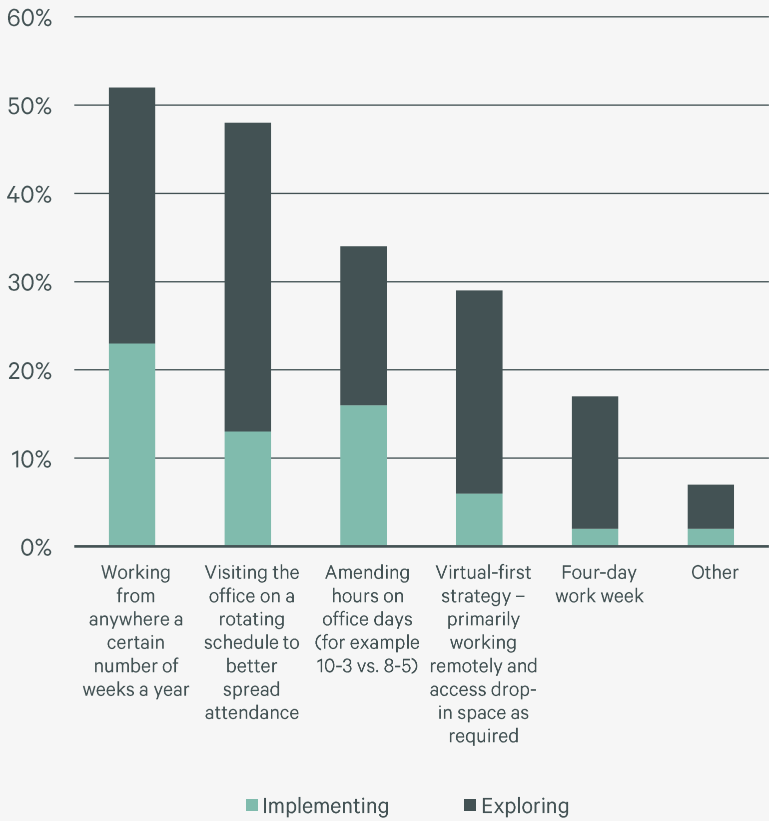
Optimal policy positions need case-by-case design, but consultation and soft persuasion to reinforce the core role of the office are vital.

Aspirations for future workplace policy



Source: CEE Office Occupier Sentiment Survey, 2023

Emerging workplace policies



Source: CEE Office Occupier Sentiment Survey, 2023

Rationalisation and quality enhancement

The focus on portfolio optimisation and contraction

The portfolios of 42% of companies in the survey have contracted over the past three years, compared to 60% in Europe as a whole. Directionally, the same trend looks likely over the coming three years, with an even higher proportion expecting to contract (59%). For the next 3 years we have to prepare for downsizing which may be more sharp than in other European locations due to the later timing of these decisions.

Portfolio strategies more multi-dimensional

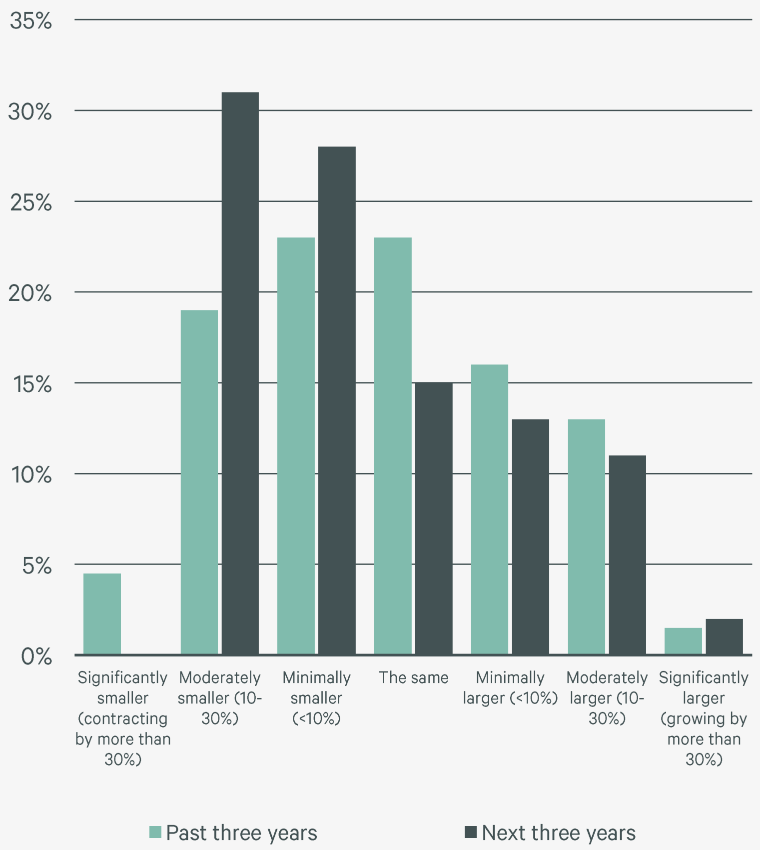
There are other areas of portfolio strategy aimed at consolidation, rationalisation or cost management, but also a number geared towards enhancing the quality profile of a portfolio.

Over 60% of companies are exercising lease expiries, breaks, or other contraction options; or renewing in place where the current location and lease remain fit for purpose.

Nearly half (48%) of the companies surveyed are relocating into better quality space for at least some of their functions, and a further 23% are exploring the possibilities for doing so.

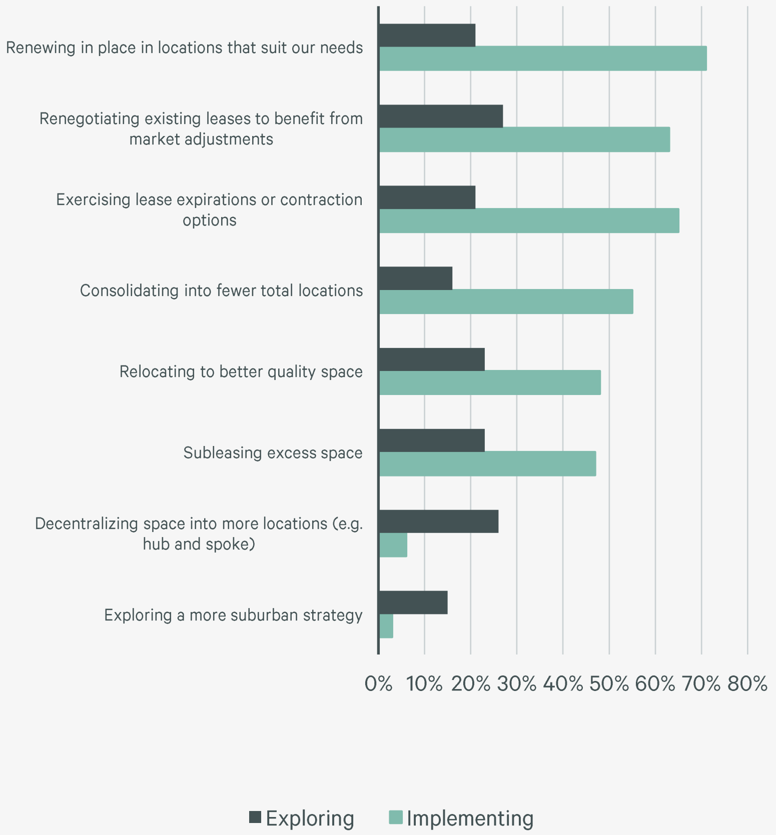
Footprint contraction is a widespread expectation, but not the only one. It is worth analysing the precise mix of rationalisation, efficiency and cost management measures that may be possible, but also to elevate the focus on portfolio quality as this will be a vital competitive advantage.

Focus areas for portfolio strategy



Source: CEE Office Occupier Sentiment Survey, 2023

Size trajectory of corporate real estate portfolios



Source: CEE Office Occupier Sentiment Survey, 2023

Appetite to modify lease structures

Companies' main strategic goals are coming to be more strongly reflected in their preferences for lease structures, particularly with respect to quality, flexibility and user experience.

Opportunities for multi-building collaboration

Two innovative areas for tenant-landlord collaboration emerge where an occupier has the same landlord across more than one building. One is executing leases in a primary building and also gaining access to shared space in the landlords' other buildings (38%).

The other is executing multiple traditional leases with the same landlord in different buildings. The second of these is already a possible route for large companies with strong buying power; the first may require more creative negotiation with landlords.

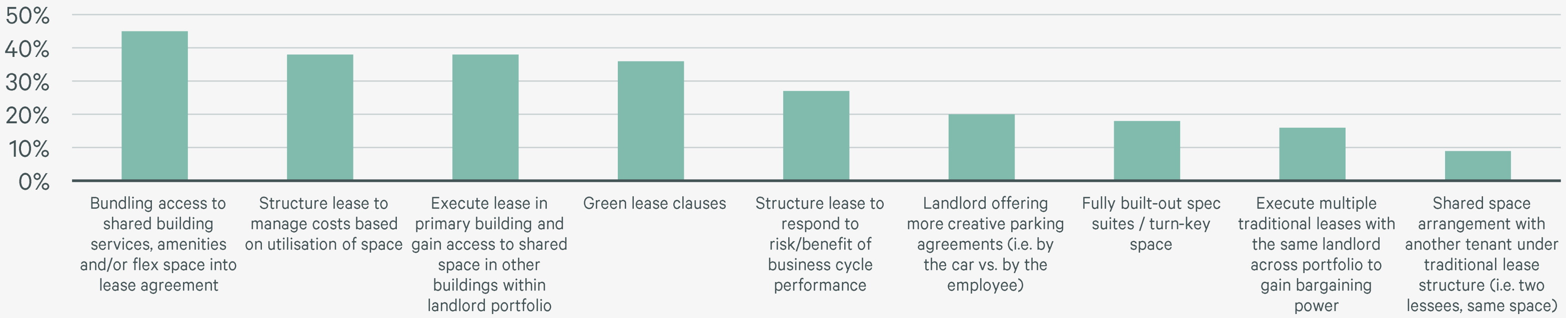
55%

Seeking more flexible expansion and contraction options on both new and renewed space

42%

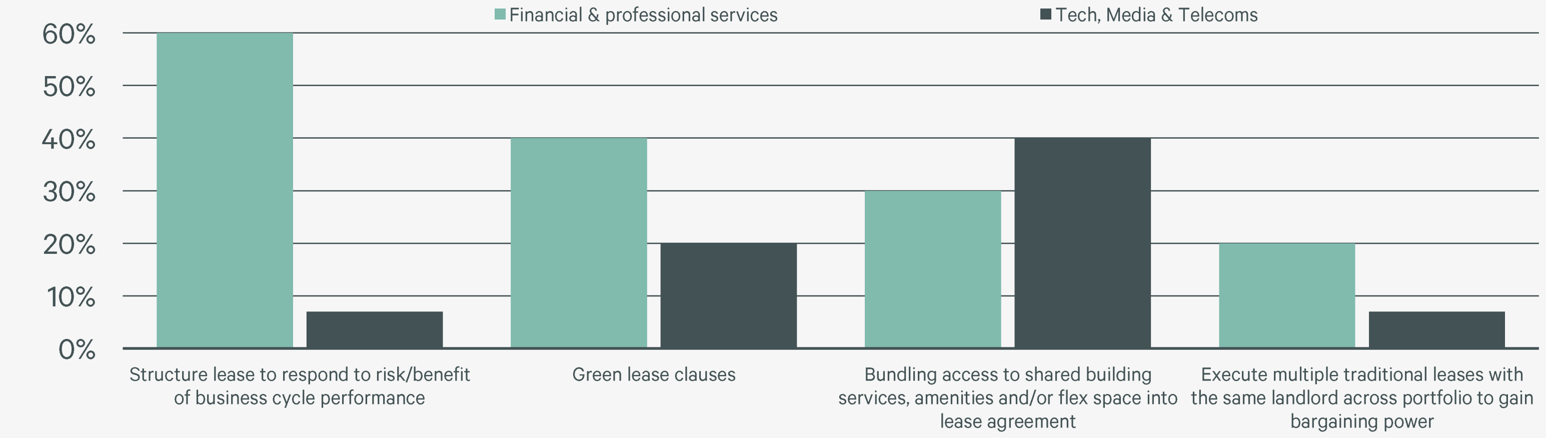
Seeking shorter lease terms on both new and renewed space

Desired lease features for future work arrangements



Source: CEE Office Occupier Sentiment Survey, 2023

Sectoral divergences



Source: CEE Office Occupier Sentiment Survey, 2023

Higher targets for flex office exposure and more dense workplaces

Growth in the appetite for flex office space in a portfolio continues unabated. Indeed, some occupiers are prepared to consider higher allocations of flex office space than has been the case in the past.

Nearly two-thirds (58%) of respondents say that flexible space currently comprises less than 10% of their portfolio, but 51% expect this to be the position in two years' time.

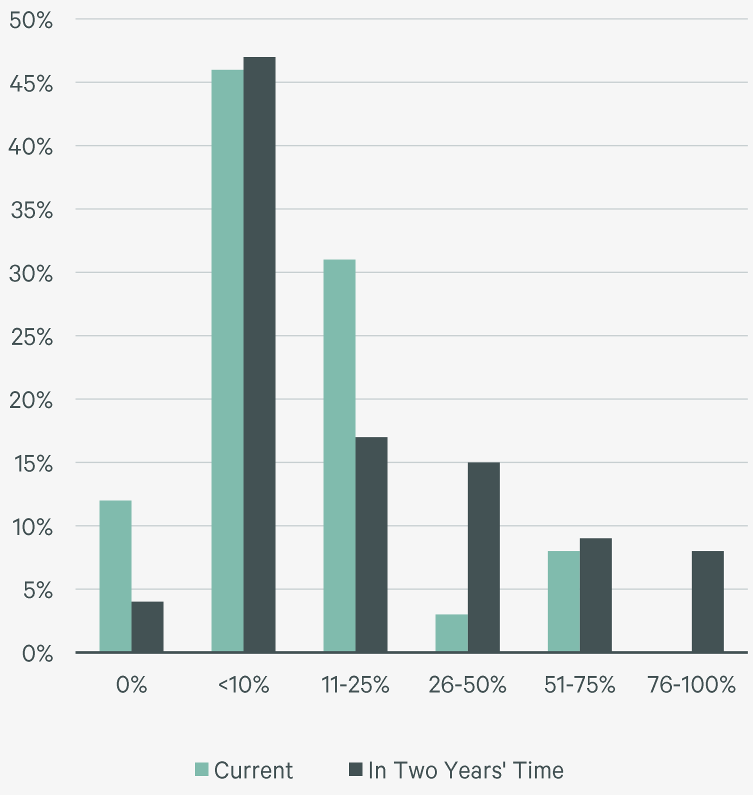
Willingness to go above the 50% rate of flex exposure looks to be rising. Currently this stands at 8%, rising to 17% in two years' time, as corporates are becoming more comfortable with higher flex allocations.

Desk sharing in focus

As a direct consequence of shifting towards activity-based work environments (76% of surveyed employers plan to increase this type of working environment), desk sharing ratios are changing. Ratios higher than 2:1 go from 10% to 21% in two years' time, whereas ratios of 1:1 or lower go in the opposite direction, from the current 28% to 5% in two years' time. The majority of companies (72%) aim at having between 1 and 2 employees per desk.

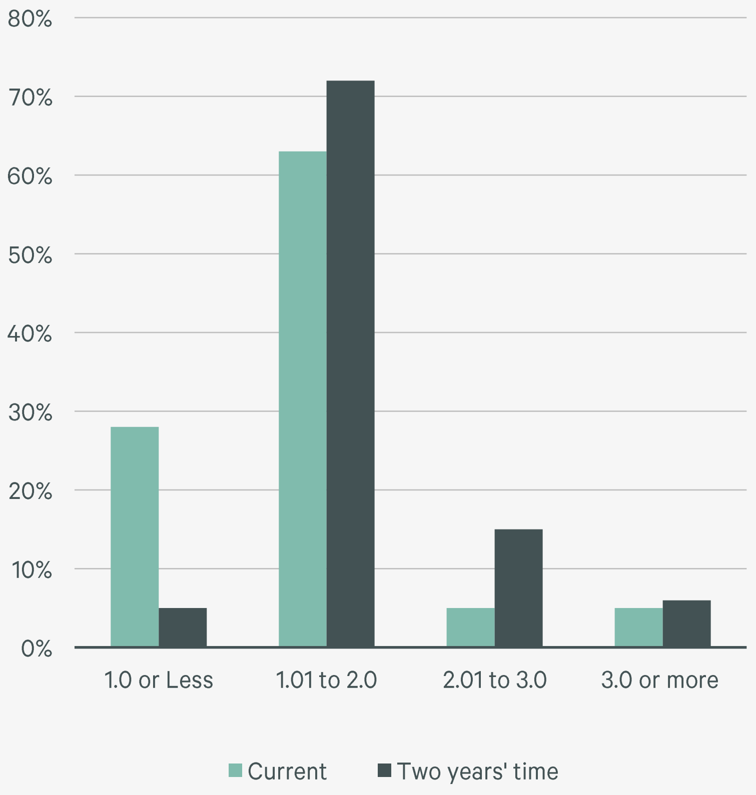
Companies are striving to provide more fluid seating arrangements, as part of the evolution of hybrid work strategies and the need to devote more space to collaboration. Higher desk sharing ratios are worth evaluating, as are the technologies needed to support the transition towards new workstyles.

Flexible office space allocations



Source: CEE Office Occupier Sentiment Survey, 2023

Typical employee-to-desk ratios



Source: CEE Office Occupier Sentiment Survey, 2023

Accessibility is defining location strategies and sustainability is driving building selection decisions

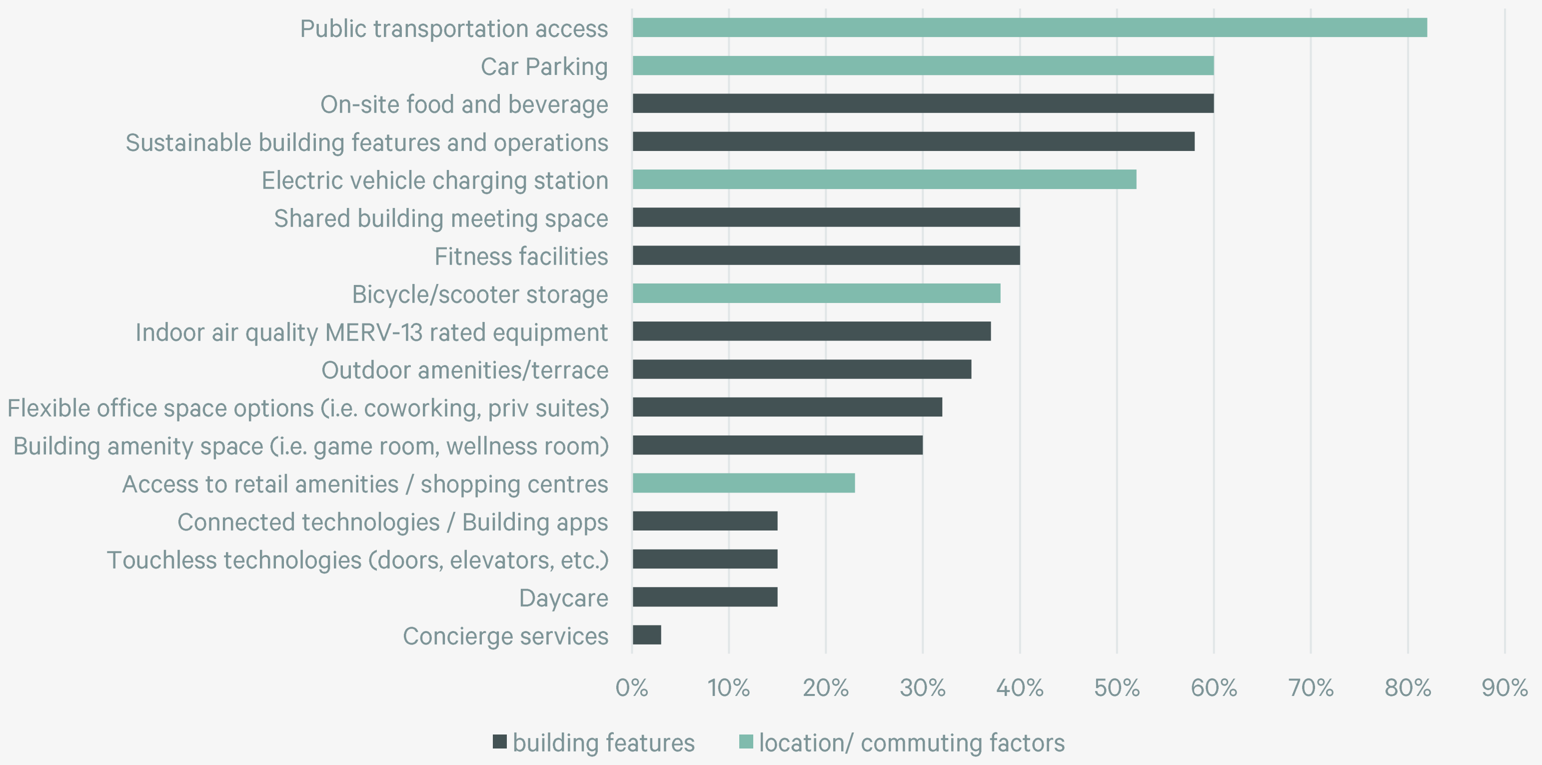
The culture, social and work-life balance shifts are finding their way into the mix of factors that drive corporate location and building-selection decisions. Public transportation access is by some distance the most important factor in selecting locations (82%), followed by car parking (60%), with either "ease of commute" factors such as electric vehicle (EV) charging points (52%) and bike or scooter storage (38%) also prominent.

Sustainable building features and operations are among the top four factors influencing location decisions (58%). A growing trend is being observed here, with 44% of European respondents indicating this feature in 2022 and 37% in 2021.

Among the sectoral differences worth mentioning is the high importance of shared building services for TMT companies (56%) and the importance of commuting services for Financial and Professional companies, where bicycle/scooter storage is listed among top 5 features, next to car parking and public transport access (92%).

Public transport access is, by some distance, the most important factor in selecting office locations; and sustainability is becoming progressively more important as a building-selection factor. The combination of features that generate high user experience should be on all occupiers' agendas.

Most desirable locational and building-selection criteria



Source: CEE Office Occupier Sentiment Survey, 2023

Survey Overview

62 CEE responses

CEE responses

19%	26%	13%	63%
Financial & professional services	Technology, media and telecoms	<1,000 employees	>5,000 employees

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