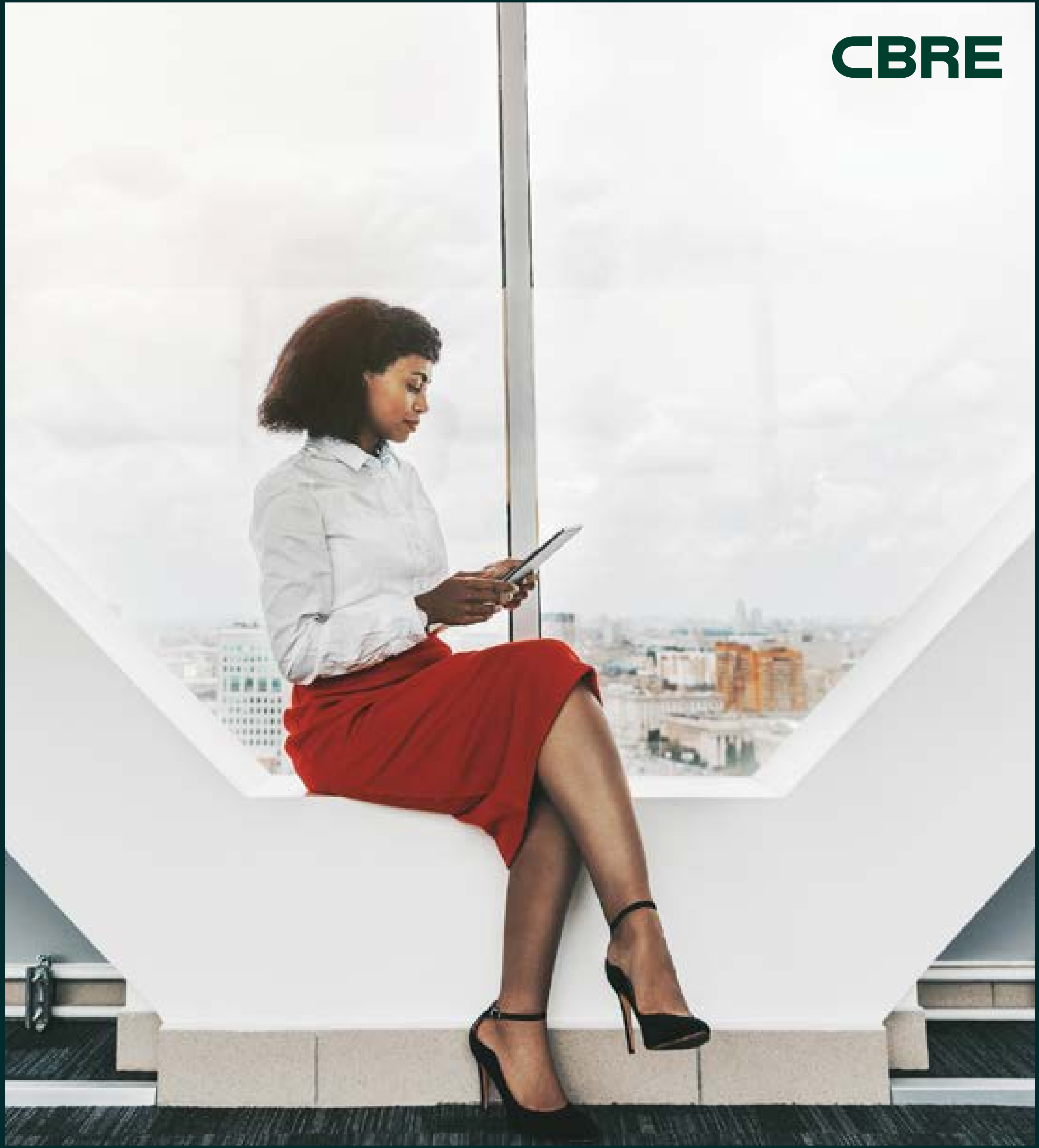
EMEA Results

EMEA Office Occupier Sentiment Survey

REPORT

Charting the Future of the Workplace

CBRE RESEARCH
MAY 2022



Key Findings

01

Introduction

Reactions to shock or trauma events are rarely straightforward, and usually go through a number of phases before settling into some kind of reshaped equilibrium. For much of the past two years, office-using companies have had to react to extreme changes, confine most of their workforces to home for long periods and, more recently, exercise great care in establishing protective health protocols to encourage them back.

MAY 2022

So where are we now on this spectrum of change? With restrictions in most of Europe now largely removed, we would expect office occupiers to be better able to make decisions that express their own strategic choices, rather than responding to external constraints. But are they? And is the distinction between temporary arrangements and more permanent strategic ones yet clear? Here are ten things that will feature strongly in occupiers' decision making in 2022 and beyond.

02

Repopulating offices is a pressing priority

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Plans to bring workers back to the office in greater numbers have not been fulfilled as quickly as organisations had hoped.

Our mid-2021 edition of this survey found that most companies were targeting the second half of 2021 as the key period for reopening or repopulating their offices. This didn't happen on the scale envisaged, mainly because Omicron intervened.

But the intention is as strong as ever. A significant majority (68%) expect to be promoting a more regular return to the office by mid-year, of whom 23% say the process is already underway and 45% are focusing on the first half of this year as the return period. More than one in six either favour an "organic" return or are not working to a fixed timeframe – perhaps an acknowledgment that a dose of pragmatism is still necessary while individuals and teams go through the process of adjustment to a new working pattern. There are some notable sector differences here: nearly 80% of financial companies are aiming for a more regular return by mid-year. By contrast, over a third of technology companies are allowing the process to take its own course without specifying a timeframe.

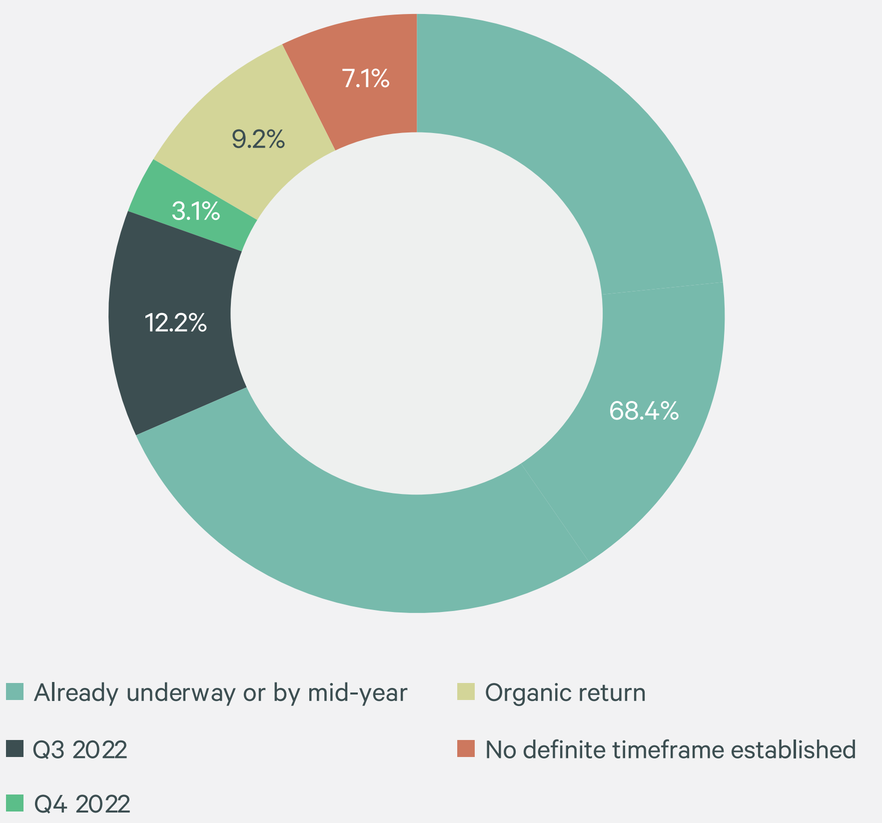
68% expect to be promoting a more regular return to the office by mid-year

23% of whom say the process is already underway

45% are focusing on Q1-Q2 as the return period

80% of financial companies are aiming for a more regular return by mid-year

Figure 1. Timeframes for encouraging a more regular return to the office



Source: EMEA Office Occupier Sentiment Survey, 2022

03

Employees have choice – for now

Employees have choice – for now

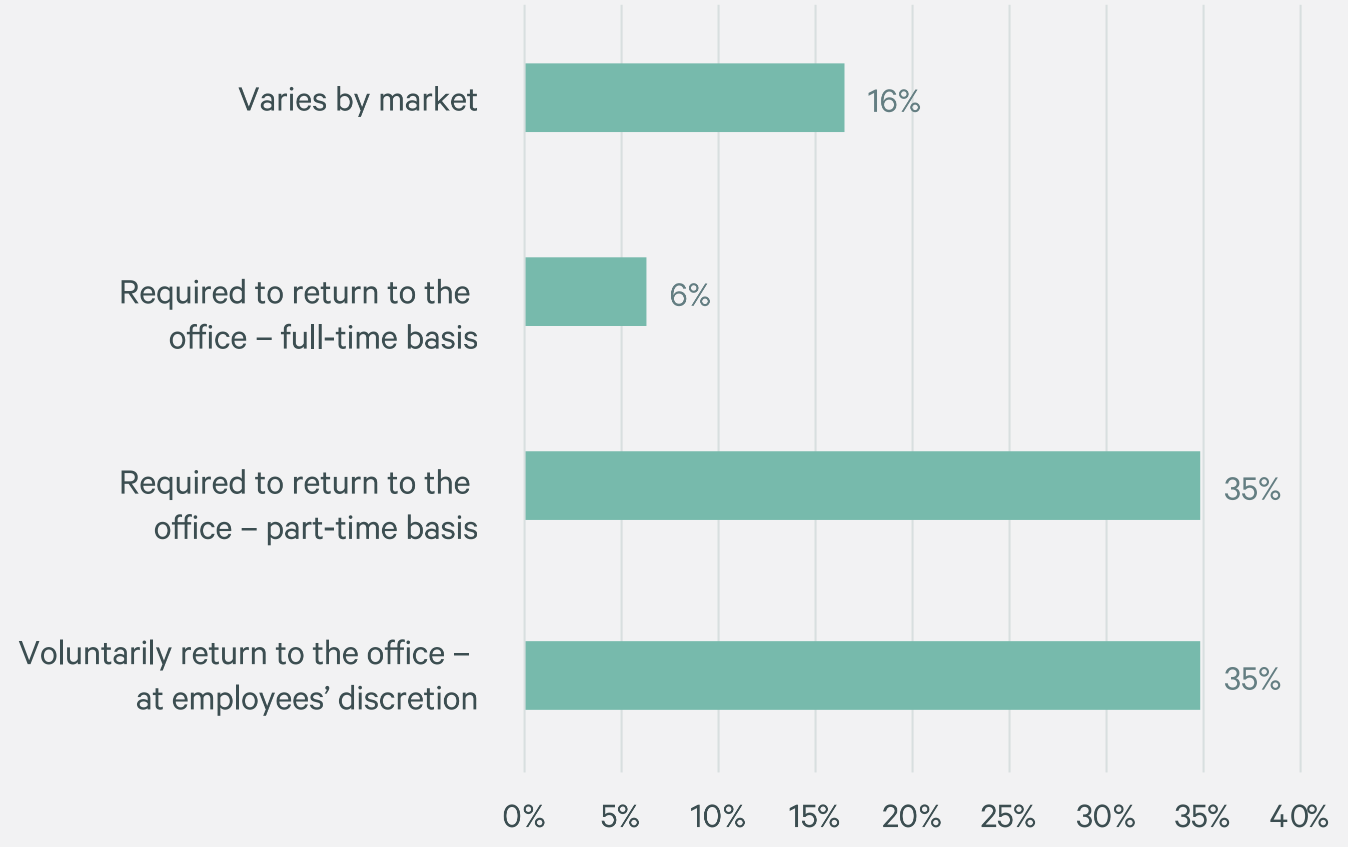
Timelines may have been established, but organisations are clearly favouring choice over decree.

Only 6% of companies are requiring employees to return to the office on a full-time basis; and 70% are permitting either a voluntary return to the office at the employees' discretion, or requiring return on a part-time basis. This last group almost certainly reflects an "experimental" component, and doesn't preclude imposing rules about the timing or frequency of office attendance – more on that later. But what does this process look like, and what steps are necessary to make it happen?

70%
permitting voluntary return

6%
requiring full-time return

Figure 2. Current guidance for employees regarding return to the office



Source: EMEA Office Occupier Sentiment Survey, 2022

04

It won’t happen on its own – communication is key, and so is technology

It won't happen on its own – communication is key, and so is technology

Whatever the intended timing and shape of return there is strong recognition that it needs to be pro-actively enabled, rather than just left to happen on its own.

It's not too much of a stretch to conclude that, without such measures, the process of returning to the office risks being prolonged or sub-optimal or detrimental to employee satisfaction.

This is particularly the case as there is some evidence that the Covid experience has prompted a fundamental reappraisal of job priorities. Purpose, choice and environment has become more important – meaning that it will be increasingly critical that companies are seen to address these aims.

Most prominently, decisive and consistent executive messaging (63%), and targeted communications and strategies (55%) are seen as pre-requisites. Curated events aimed at demonstrating the benefits of high quality office-based experiences (39%) are also highlighted. Technology is critical to this transition as well: harmonising the tech experience of home-based and office-based workers (48%) hints at an acknowledgment that hybrid working is here to stay (see point 7).

63%

decisive and consistent executive messaging

55%

targeted communications and strategies

39%

curated events aimed at demonstrating the benefits of high quality office-based experiences

48%

harmonising the tech experience of home-based and office-based workers

The other area of focus here is vaccination and testing. This is a complex and potentially contentious area – which might be why most organisations are stopping short of hard rules, preferring communication and encouragement.

Only 6% of companies have a “no exceptions” requirement for employees to show proof of full vaccination before returning to the office, and 43% have no mandate or policy in place regarding employee vaccination. This reflects the predominant approach to providing support on testing and vaccination: two-thirds of companies are providing communications to employees on testing and vaccinations; a third are offering testing on site; and a quarter are offering vaccinations on site where permitted by local jurisdictions. All in all, more carrot than stick.

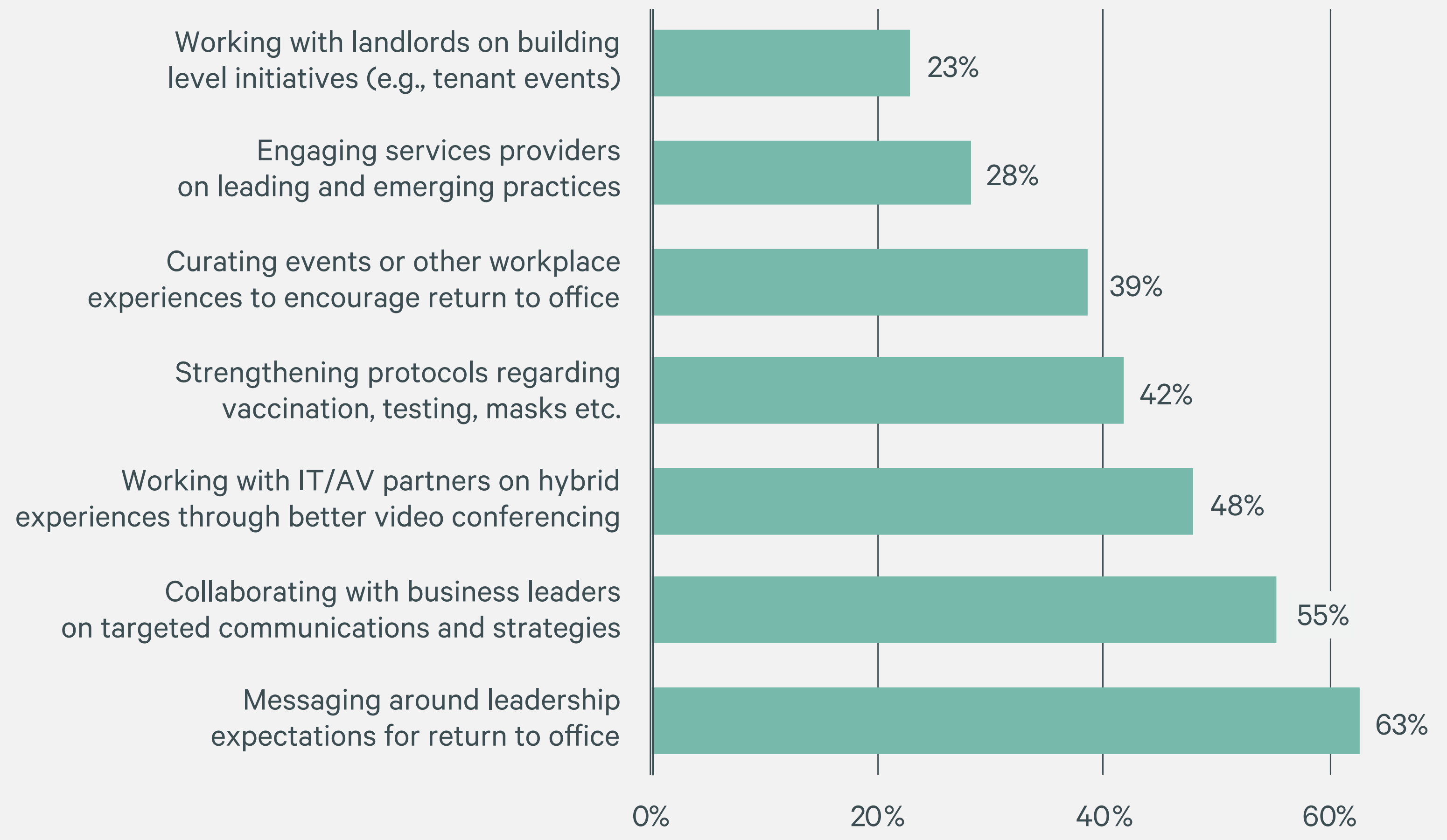
6%

have a “no exceptions” requirement for employees to show proof of full vaccination

43%

have no mandate or policy in place regarding employee vaccination

Figure 3. Methods of facilitating return to the office



Source: EMEA Office Occupier Sentiment Survey, 2022

05

Portfolio strategy will be dialled up a notch

Portfolio strategy will be dialled up a notch

The persistence of Covid has resulted in the delay of plans to return to the office, but it has brought other areas into sharper – and more positive – focus as well. Fewer than one in ten companies indicate that their real estate strategy is not changing at all.

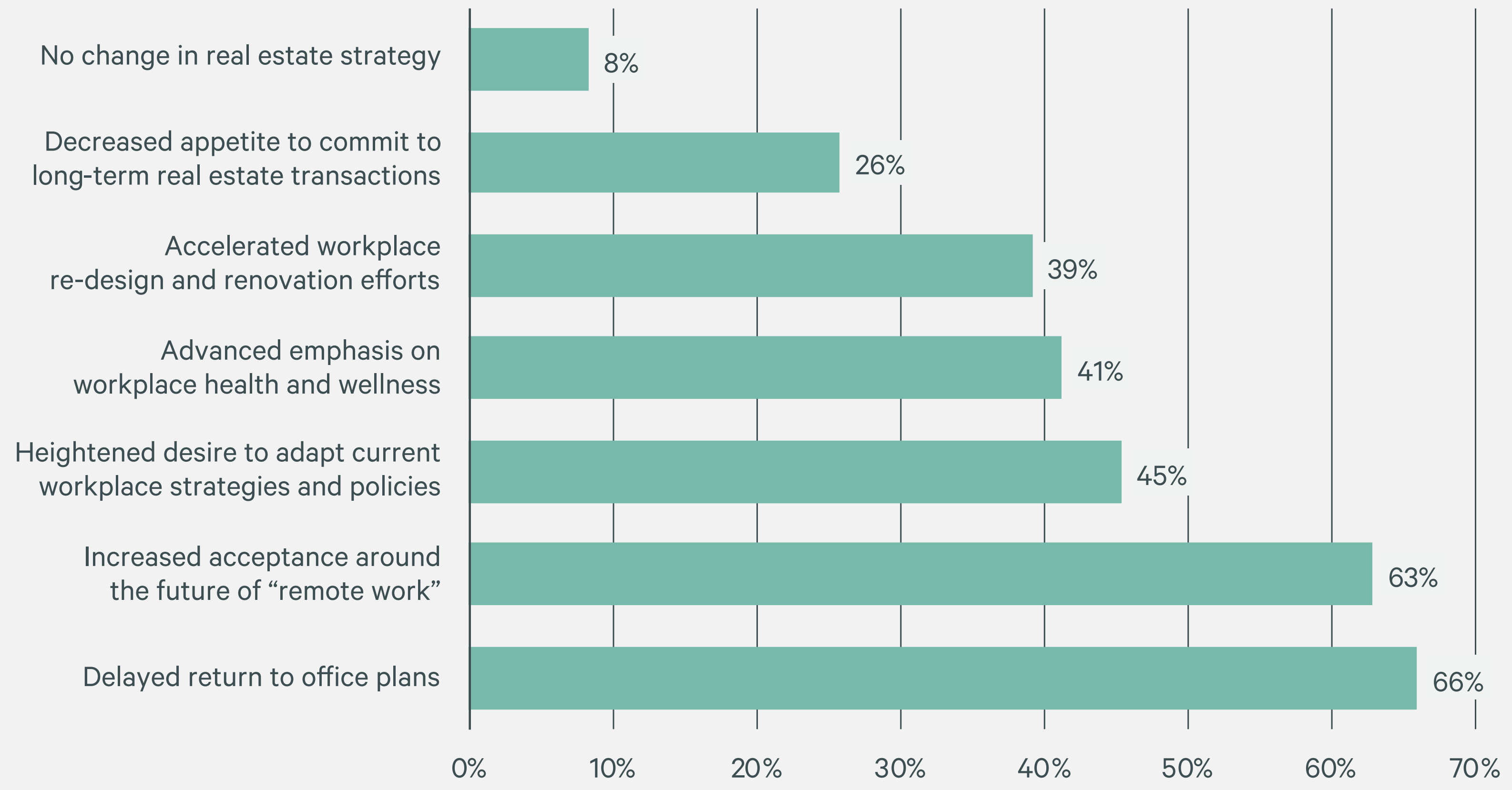
Nearly two thirds (63%) highlight increased acceptance of the future of remote work, and for very large companies the figure is even higher. In other words, any remaining C-suite reluctance or sense of remote working being a temporary "forced" change has been eroded.

Linked to this are a heightened desire for adaptability in approaches to workplace strategies (45%); increased emphasis on health and wellness (41%) and accelerated efforts towards re-design and renovation. Although a lower response, 26% note a reduced appetite to commit to long-term real estate transactions. In other words, agility and the scope to reset quickly have become more highly-prized. Will leases become even shorter?

8%

Fewer than 1 in 10 companies indicate that their real estate strategy is not changing at all

Figure 4. Perspectives on how Covid has changed real estate strategy



Source: EMEA Office Occupier Sentiment Survey, 2022

Portfolio strategy will be dialled up a notch

63% highlight increased acceptance of the future of remote work

41% increased emphasis on health and wellness and accelerated efforts towards re-design and renovation

45% heightened desire for adaptability in approaches to workplace strategies

26% note a reduced appetite to commit to long-term real estate transactions

06

Growth plans will push location decisions up the agenda

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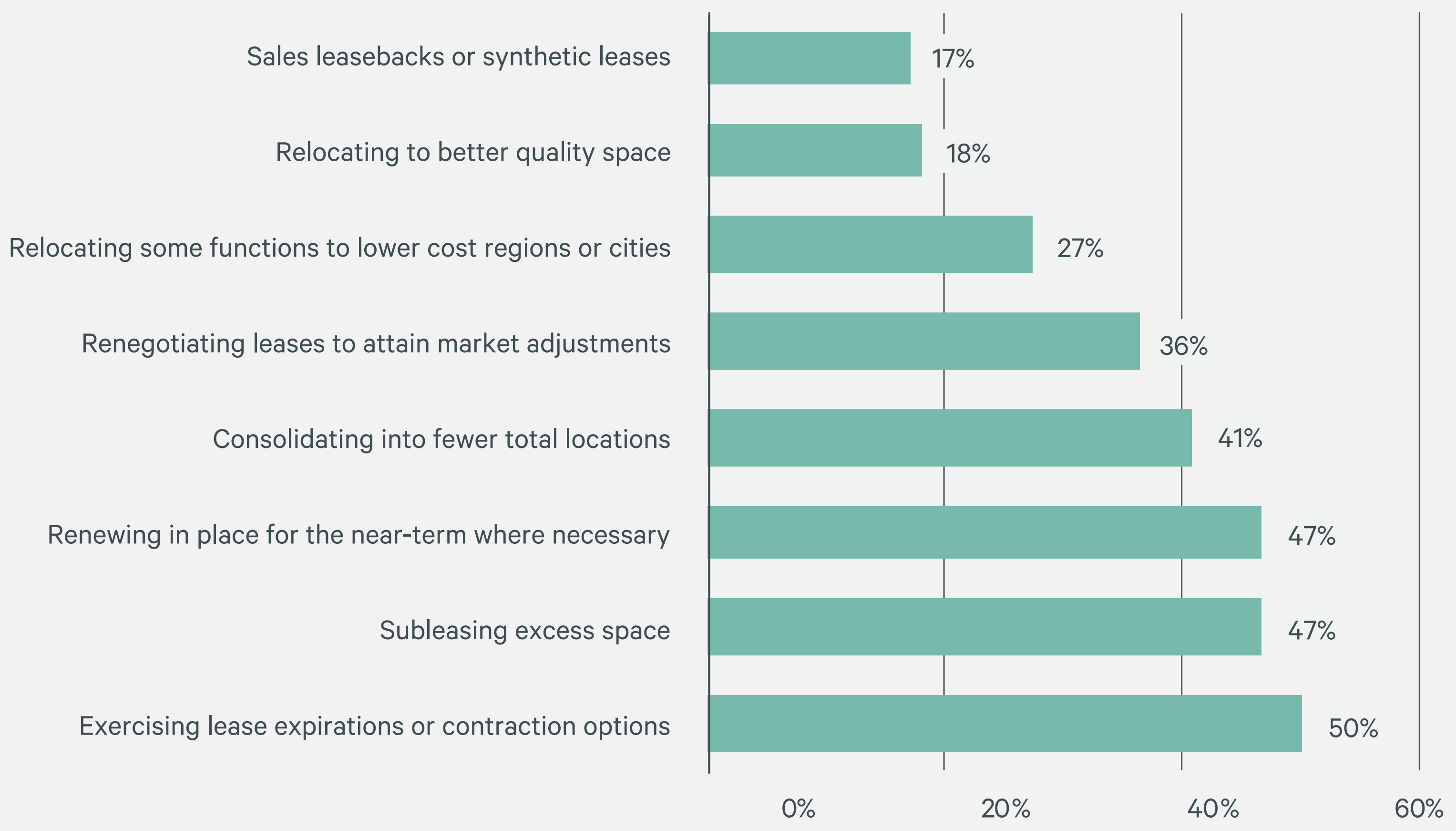
The priority areas for portfolio strategy are a mix of precautionary and expansionary. Measures such as exercising lease expiries or breaks, subleasing surplus space or taking short-term renewals all attracted close to 50% responses.

At the same time, the physical distribution of portfolios is coming more into focus. Over a quarter (27%) are considering relocating some functions to lower cost regions or cities. Cost isn't the only factor at play though: nearly one in five overall, and almost a third of financial companies, are planning to relocate to better quality space.

29%

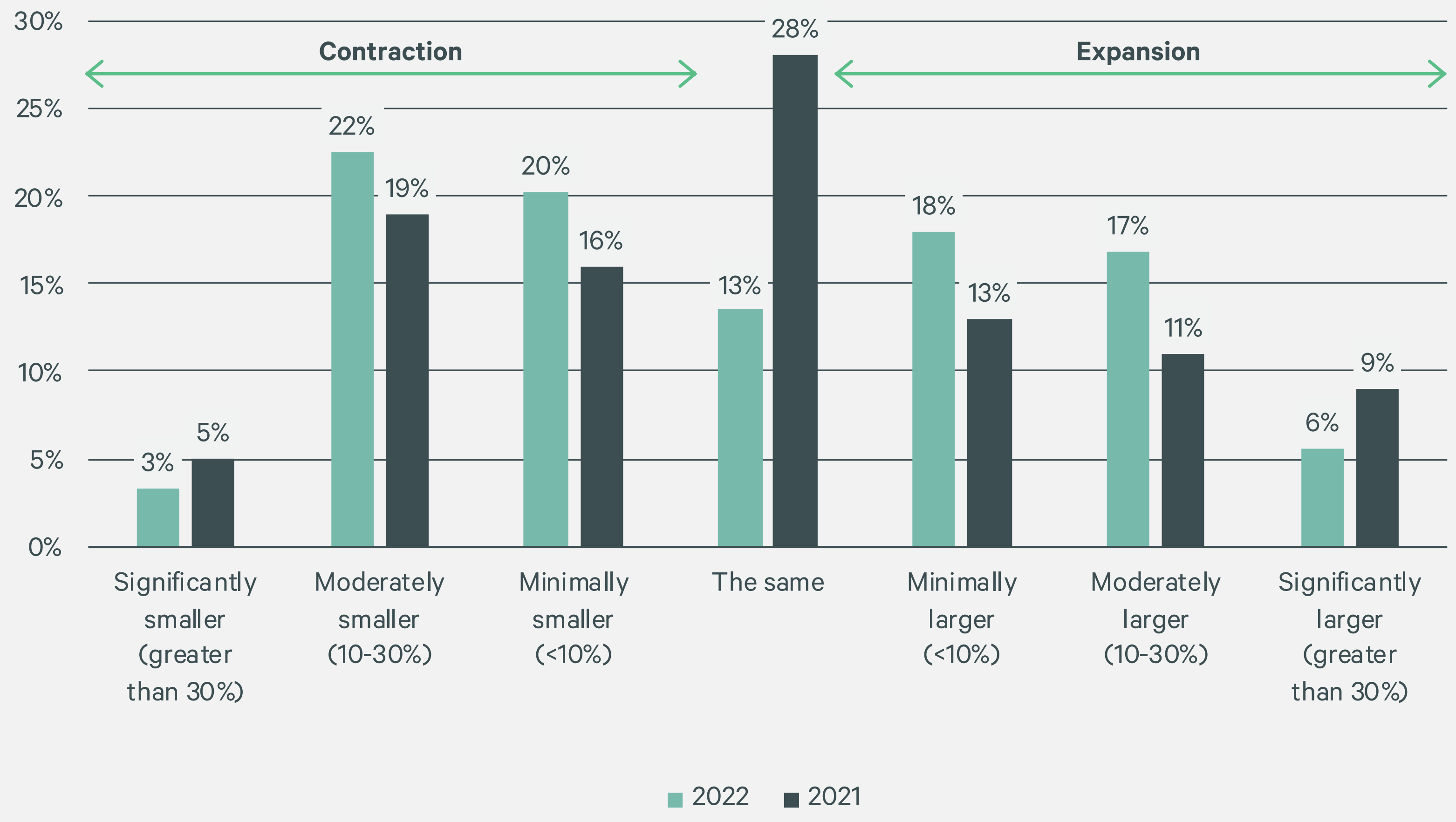
Almost a third of financial companies planning to relocate to better quality space

Figure 5. Current focus areas for portfolio strategy



Source: EMEA Office Occupier Sentiment Survey, 2022

Figure 6. Expectations for portfolio size over the next three years



Source: EMEA Office Occupier Sentiment Survey, 2022

And regardless of location, a growing number of companies expect their portfolios to expand.

A year ago, a third of companies were expecting to expand physically over the next three years. This has now risen to over 40% overall, and nearly 60% for technology firms. Most of this is the result of companies coming off the fence: the proportion expecting no change has fallen from 28% to 13%. Expectations of contraction have remained much the same at 45%.

41%

of companies expect their portfolios to expand over next three years

Whether expecting physical contraction or expansion, companies' reasoning for their position is very clear.

Of those expecting to contract, over 90% say that this is because hybrid working will result in them needing less space: the link between these two shifts seems to be getting clearer in corporates' thinking. And of those expecting to expand, this is overwhelmingly because of anticipated organic business or headcount growth (81%) rather than because of new workplace standards requiring a larger footprint (17%).

07

This is a flex moment

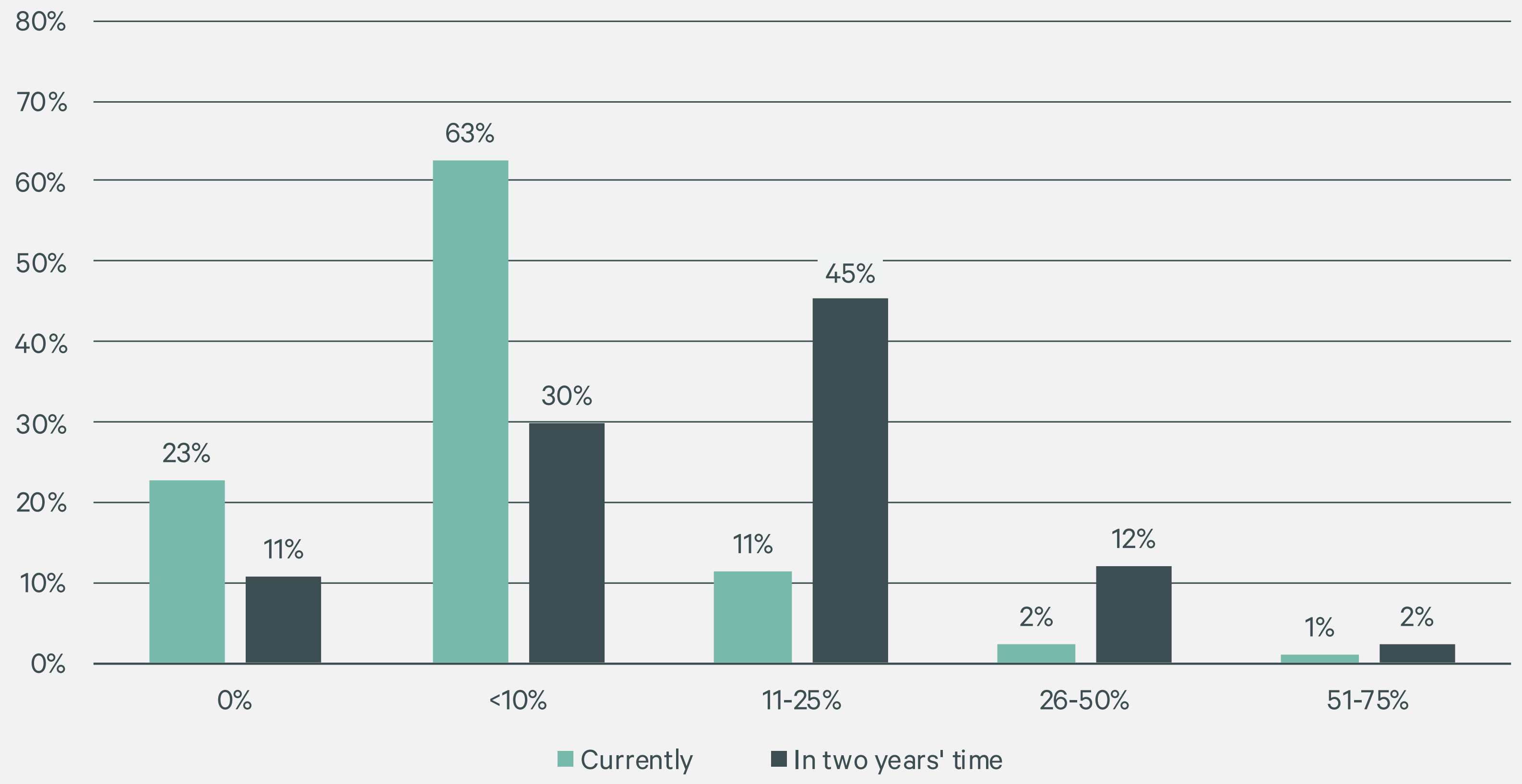
The rise and rise of flex office markets

On the face of it, a lot of these factors represent a positive backdrop for flex office markets.

And the survey evidence does indeed directly support this: the proportion of companies for whom flex space represents less than 10% of their portfolio halves from 86% now to an expected 41% in two years' time. And the proportion for whom flex is 11-50% of the portfolio rises from 13% to an expected 57% two years hence.

The motives behind this are varied. Compared with the position a year ago, the main areas of increase are: as a means of entering new markets (up from 20% to 32%) and to solve for uncertain demand (up from 14% to 24%). The agility benefits of much shorter lease commitments is reflected in the second of these, as is the fact that reduced capital expenditure was the single most popular factor (39%). The desire of occupiers to expand into new markets is consistent with flex office providers looking to do the same.

Figure 7. Current and future intentions for flex office use (% of portfolio)

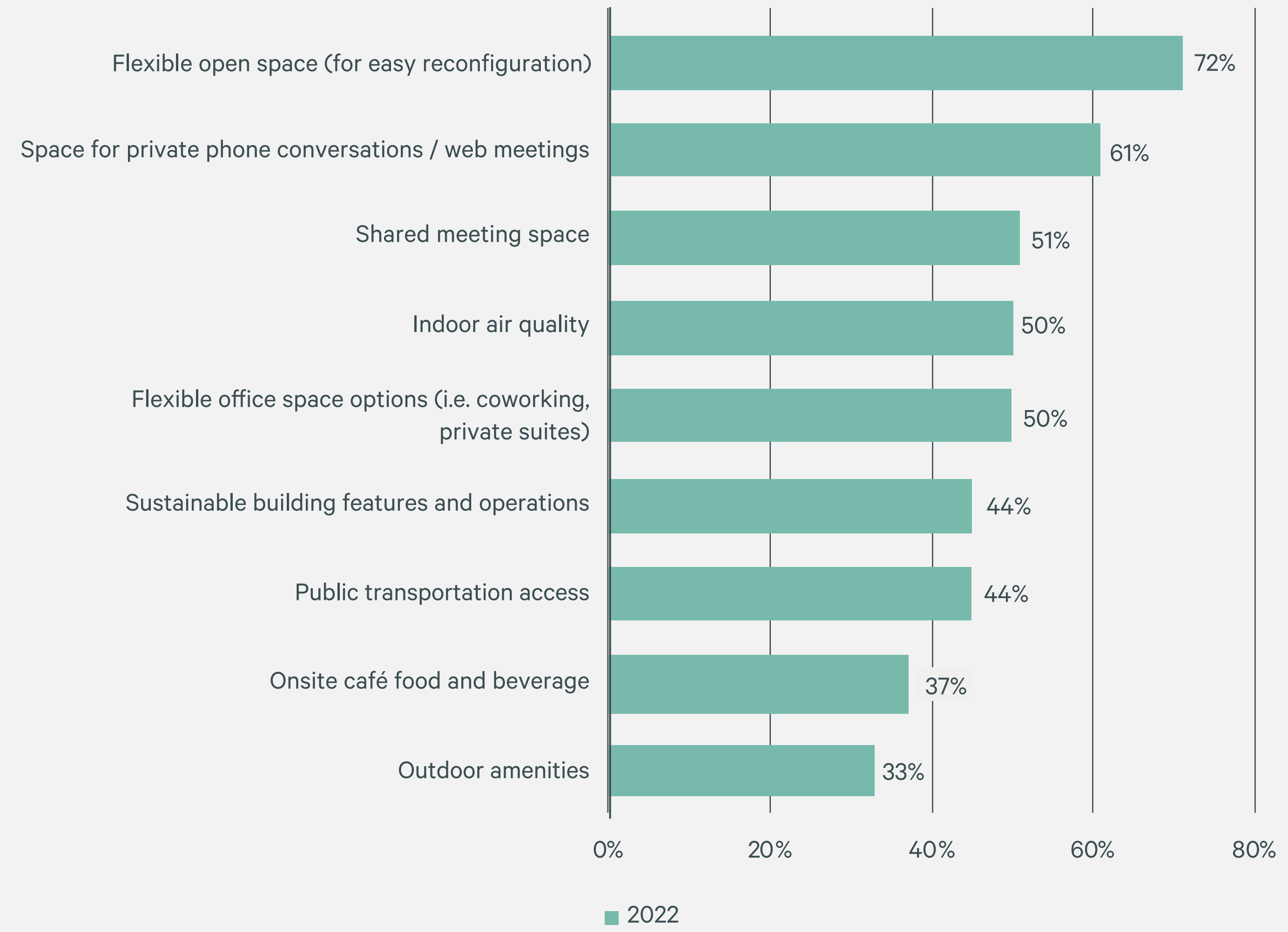


Source: EMEA Office Occupier Sentiment Survey, 2022

Interestingly, the ability to offer employees more choice over where to work was flagged by only 14% of respondents as a motive for taking flex space, compared with 35% last year. Does this suggest that occupiers are looking to satisfy this objective by other means?

Part of the answer might lie in the range of decision criteria used for choosing conventional office buildings. Nearly three quarters (72%) cite flexible open space that is easy to reconfigure, 61% mention space for private conversations and meetings, and over *half* point to shared meeting space. So providing choice within the office is clearly seen as important – as are sustainability and indoor air quality, which drive decisions for around half of companies. And technology gets a louder mention too: digital enablement and touchless or connected technologies will be more important. But choice is also being addressed in a wider, and more complex, sense – through the challenge of hybrid working.

Figure 8. Most in-demand building features



Source: EMEA Office Occupier Sentiment Survey, 2022

72%

cite flexible open space, that is easy to reconfigure

61%

favour space for private conversations and meetings

50%

highlight indoor air quality

Providing choice within the office is clearly seen as important

as are sustainability and indoor air quality, which drive decisions for around half of companies.

08

Hybrid working isn’t a fad. But it's complicated

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A clear majority (72%) of companies say that they are moving towards a 'hybrid workplace' model in which employees have a measure of choice within the framework of company guidance.

Not only is this appreciably higher than last year (55%), but most (56%) say that there is strong C-suite endorsement of this position and nearly two-thirds (65%) say that sentiment has actually strengthened in this direction during the pandemic.

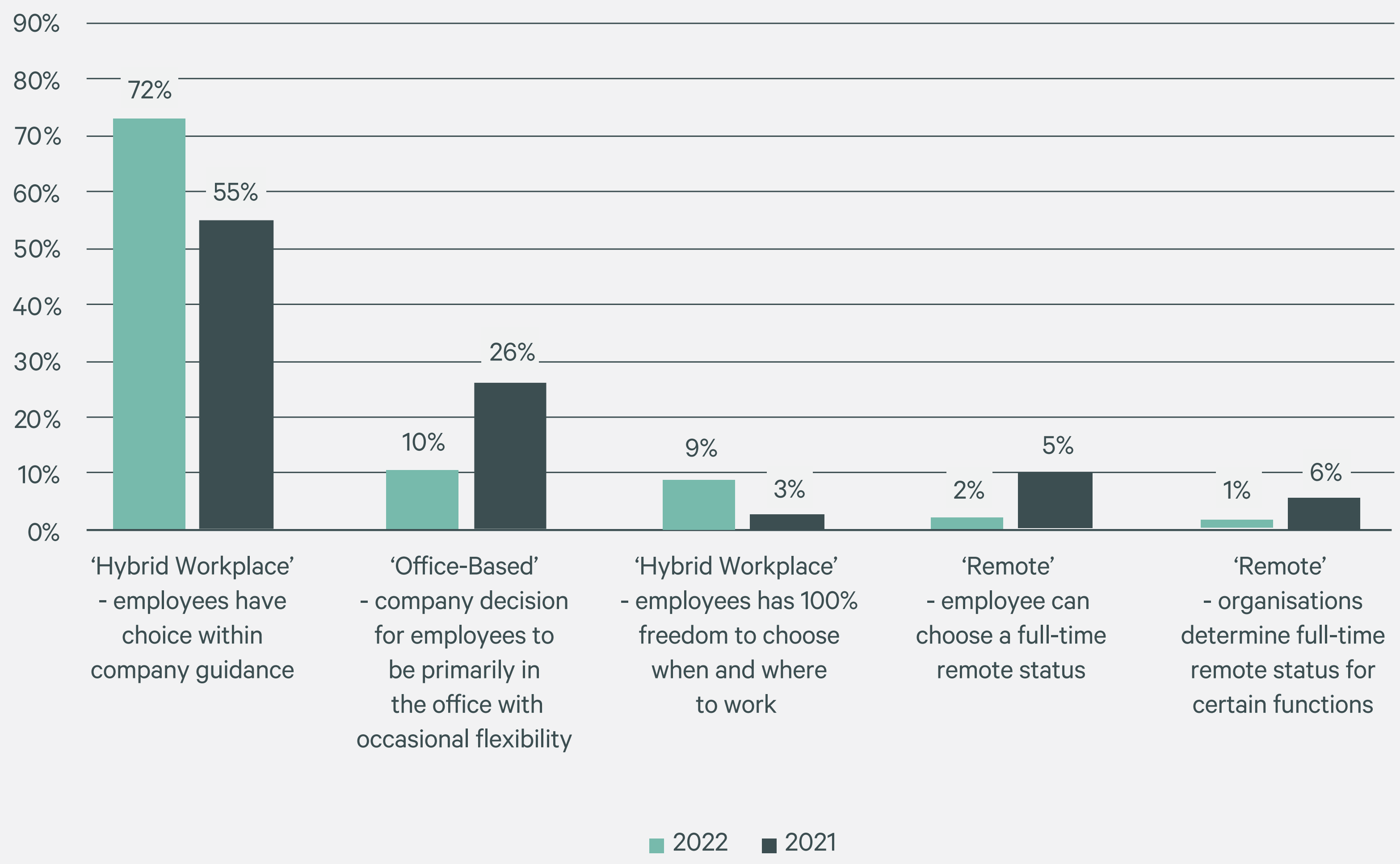
72%

of companies say that they are moving towards a "hybrid workplace" model

56%

say there is strong C-suite endorsement of this position

Figure 9. Future workplace policy intentions



Source: EMEA Office Occupier Sentiment Survey, 2022

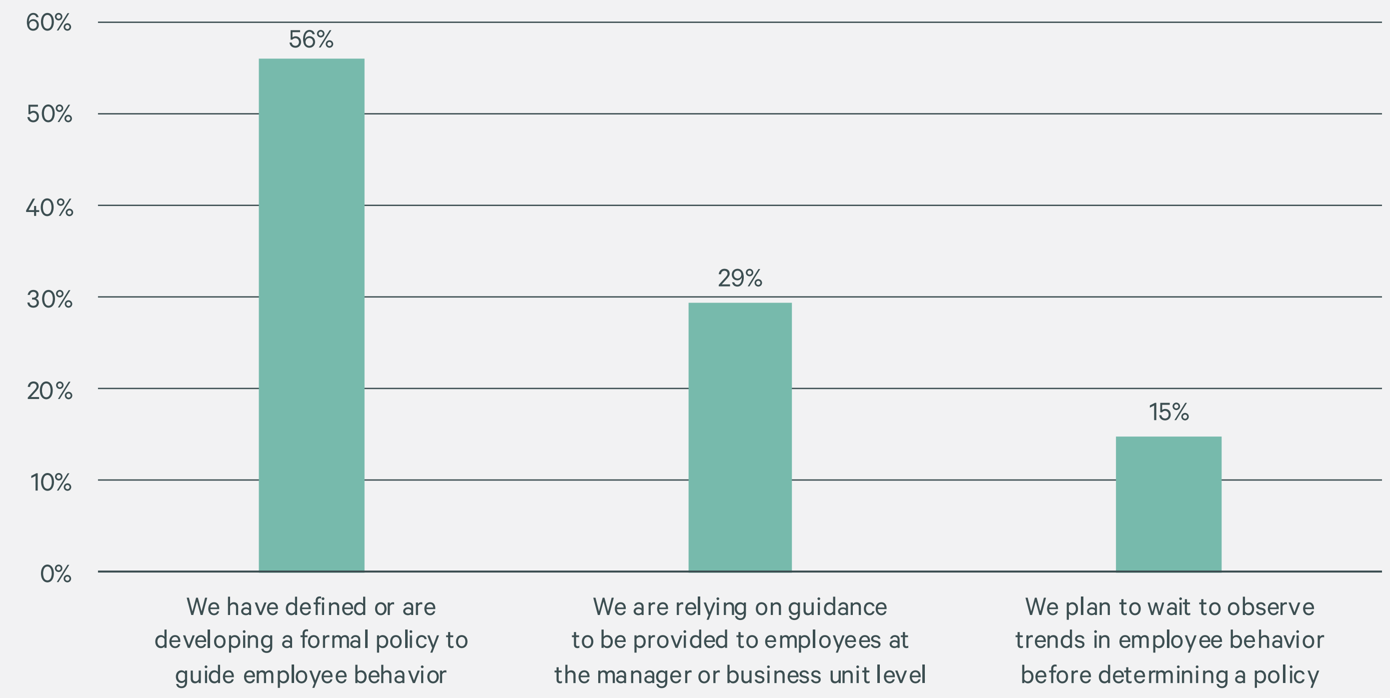
Moving towards a ‘hybrid workplace’.

So all pretty clear cut, right? Well, not so fast. It isn’t clear – yet – that companies have arrived at a fixed consensus on what the detail of these arrangements should look like. Or, even more fundamentally, who decides.

Only just over half (56%) say that they have written or are developing a formal policy to guide employee behaviour, with the balance (44%) saying that they are either relying on managers or business units to provide the guidance, or waiting to see what employees decide for themselves before enshrining this in policy.

There is a recognition here that there is a delicate balance to be struck. Imposing a policy from above removes ambiguity and establishes clear ground rules. But how far can it reflect the very wide spectrum of individual preferences and roles?

Figure 10. Frameworks for delivering hybrid work model



Source: EMEA Office Occupier Sentiment Survey, 2022

56%

have written or are developing a formal policy

44%

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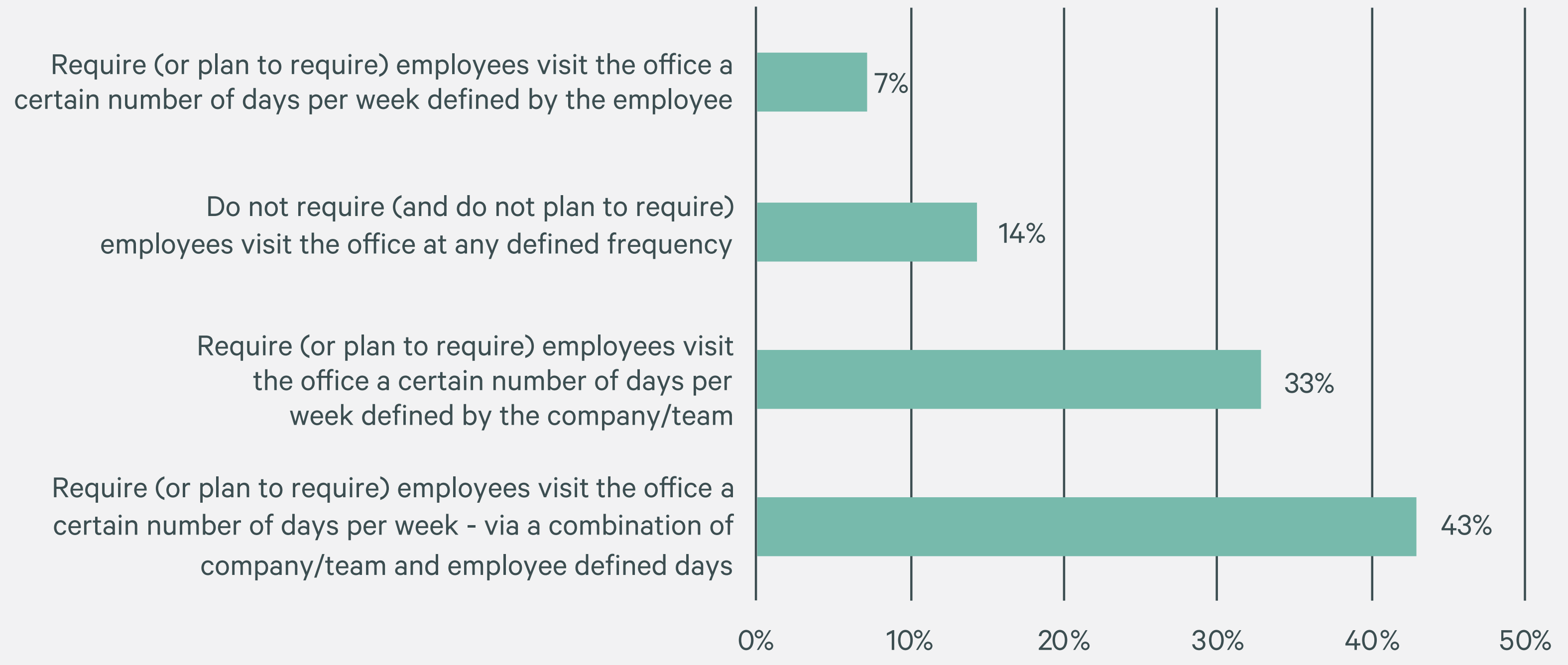
Figure 11. Guidelines for hybrid work arrangements



Source: EMEA Office Occupier Sentiment Survey, 2022

This conundrum is also seen in the guidelines for hybrid working.

Almost half (43%) prefer a zero-autonomy position in which employees will be required to come to the office a certain number of days per week. Most of the rest are offering some degree of autonomy, but opinion is split as to how much: a third (33%) will allow a measure of team-based decision on frequency of visits to the office. But as many as one in five either do not require (and do not plan to require) any defined frequency of visit, or will allow the employee to decide for her-or himself.

43%

favour employees being required to attend the office a certain number of days per week

33%

allow a measure of team-based decision on frequency of visits to the office

09

The balance between company rules and personal preferences will be tested

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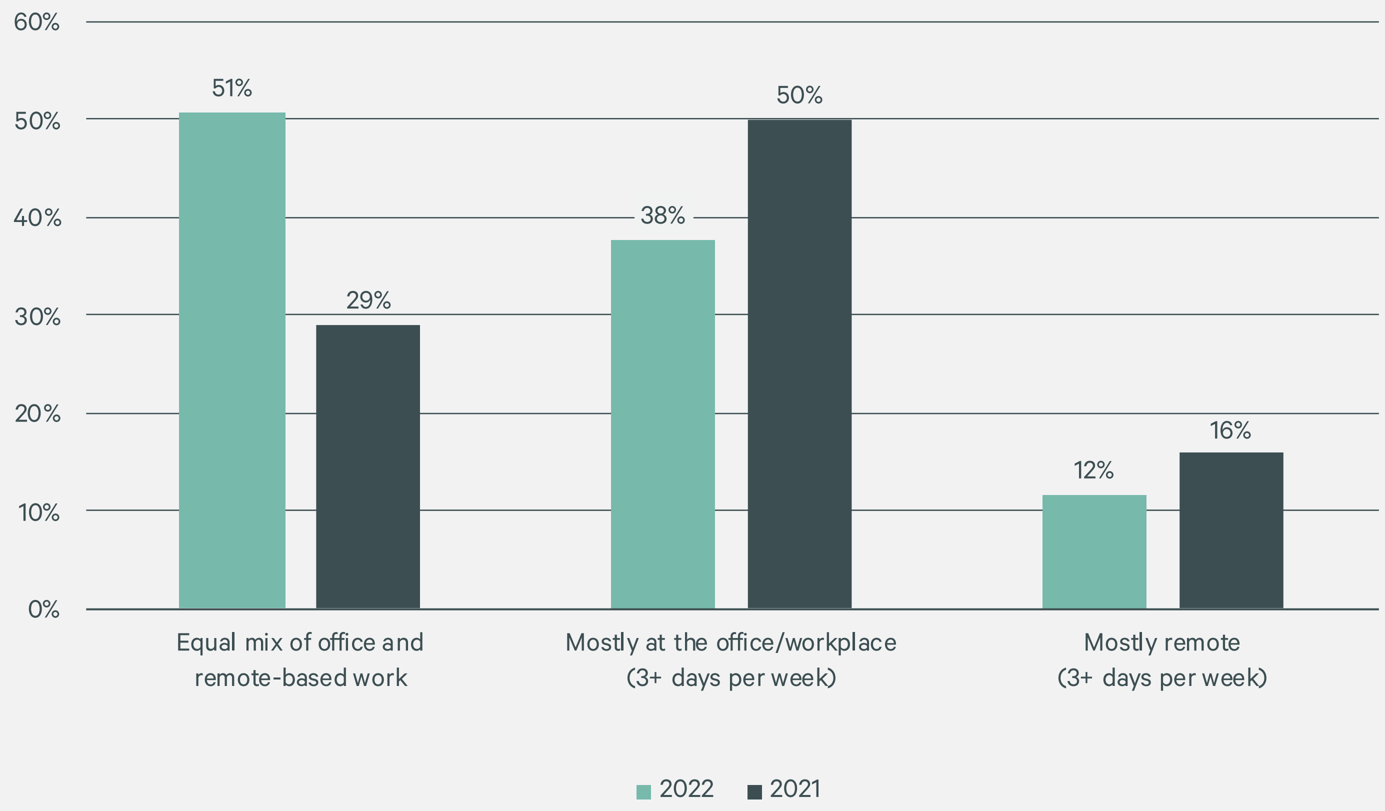
There are at least two decision axes here: how much personal autonomy to allow (see above), and the resultant time split between office and home.

The second one looks to be leaning towards an increasingly even mix between the two: 51% of companies aspire to an equal mix of office and remote-based work (up from 29% last year), while 38% think their workers will be at the office for three or more days per week (down from 50% last year). Majority-remote working remains unpopular (12%).

And generally less than a third of companies are offering anything from a menu of reimbursements or allowances to facilitate home working. This might be because they have already done it, and only need to do it once; or it might be a subtle means of encouraging workers back to the office.

Figure 12. Expected steady state distribution of working days



Source: EMEA Office Occupier Sentiment Survey, 2022

51%

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38%

think their workers will be at the office for three or more days per week

Alongside the findings on intended portfolio expansion this strongly suggests that companies will be using their offices less intensively and less regularly.

But on its own, that doesn't necessarily mean they will need less space.

10

A gear change for workplace strategy

A gear change for workplace strategy

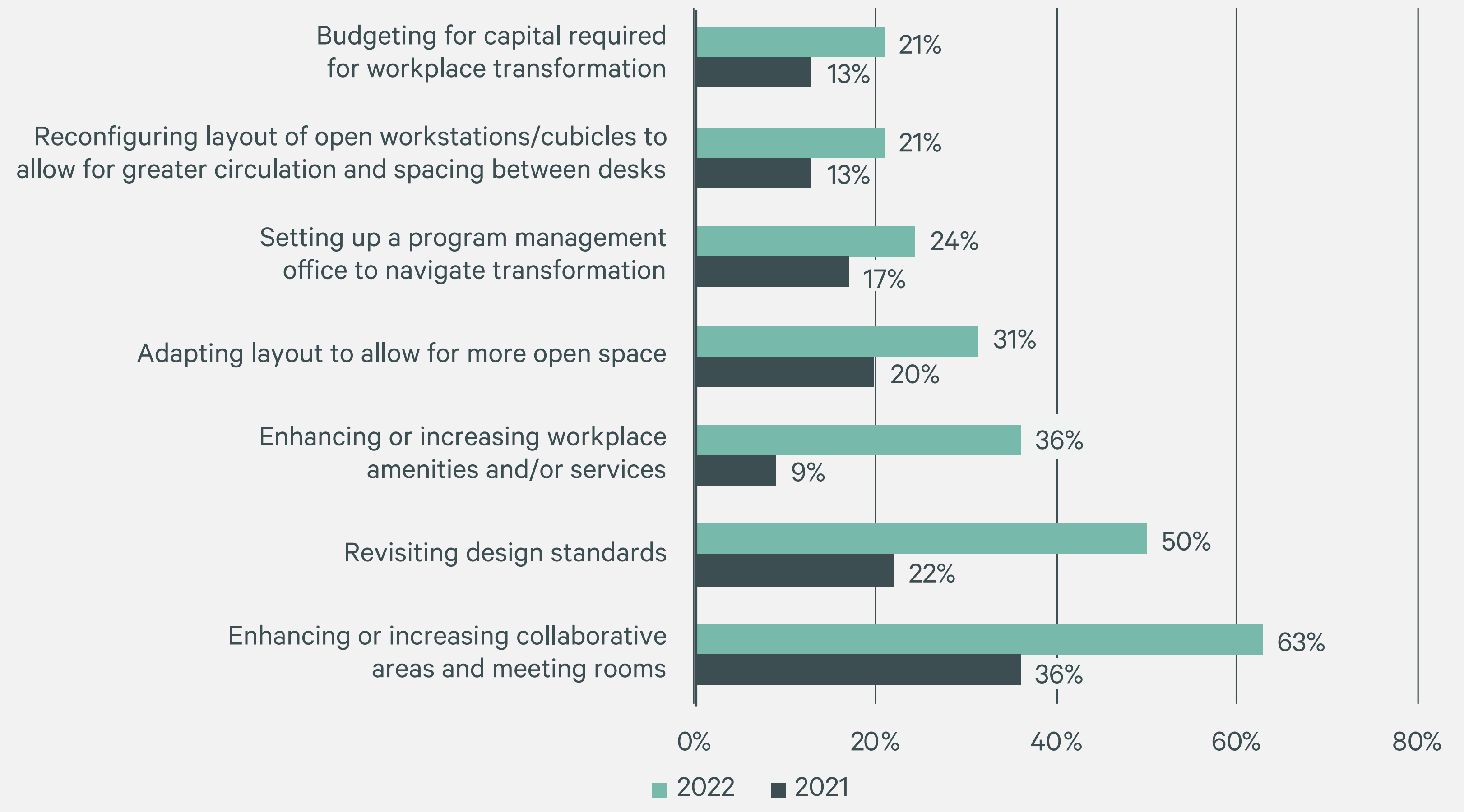
If there is one area where corporates seem to have concluded that the old rules just don't apply any more, it's workplace strategy. Every aspect of this is regarded as more important than it was a year ago.

The big numbers are in enhancing or increasing collaborative areas (up from 36% to 63%), and revisiting design standards (up from 22% to 50%). Very large companies report even higher levels of focus on these two aims. Enhancing or increasing workplace amenities (up from 9% to 36%) and altering layouts to provide more open space (20% to 31%) have also seen big rises.

63%

of companies focusing on enhancing or increasing collaborative areas and meeting rooms

Figure 13. Elements of current workplace strategy



Source: EMEA Office Occupier Sentiment Survey, 2022

Curating and managing these aims is a major undertaking, but perhaps one that companies are underplaying at present.

Less than a quarter (24%) intend to set up a programme management office to navigate this transformation and only 21% are explicitly budgeting for the capital required. Room for improvement on these points?

11

Fluidity rules the roost

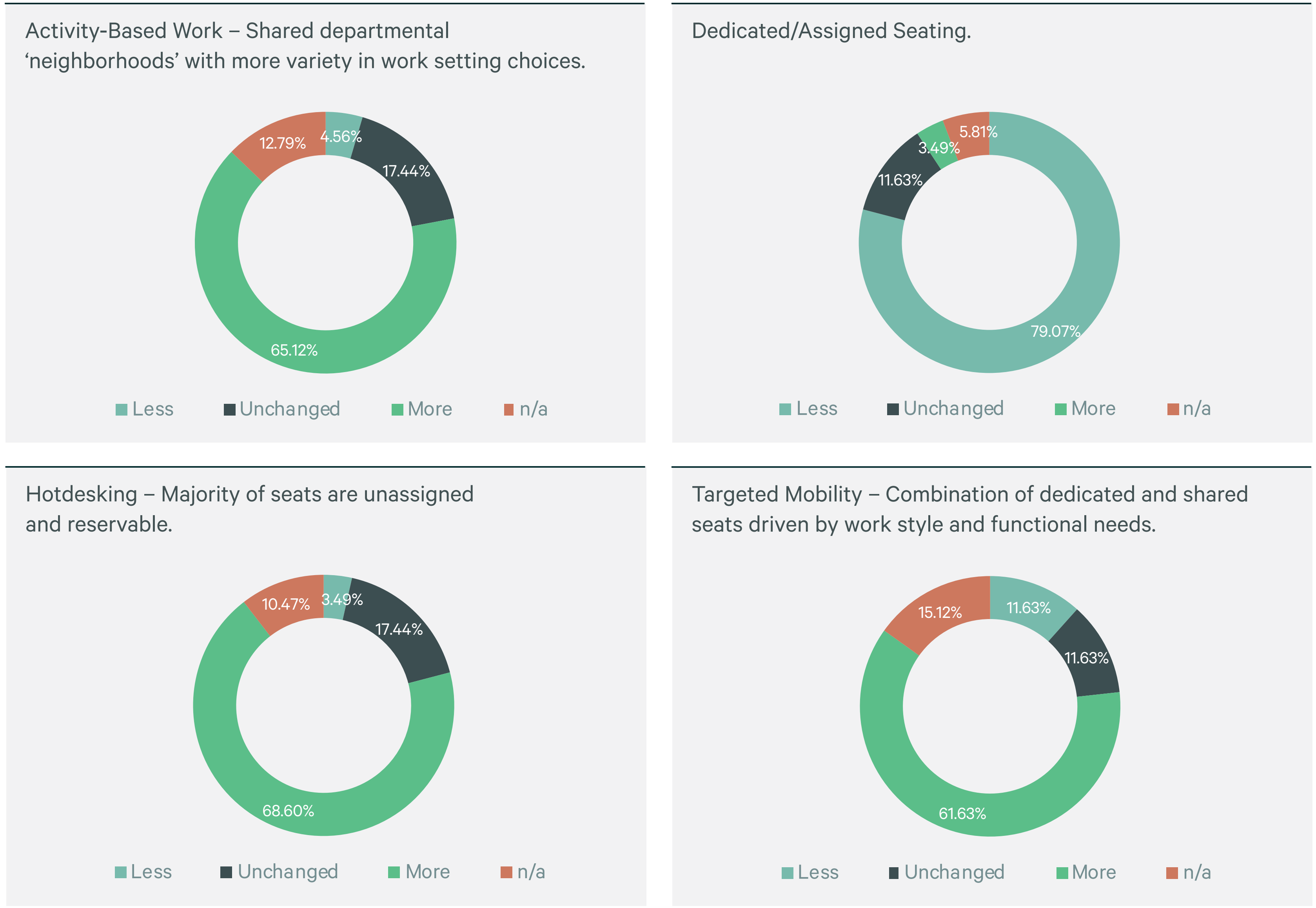
Fluidity rules the roost

All this focus on workplace strategy would be expected to affect layout and seating plans. And it will. More choice and more variety will be paramount.

More space will be devoted to (1) activity-based work (shared departmental “neighbourhoods” with choice of work setting), (2) hotdesking among unassigned seats, and (3) targeted mobility (a mix of dedicated and shared seats determined by workstyle and functional needs). For all three of these settings, over 60% of companies will be providing proportionately more space.

The obvious casualty is dedicated assigned seating – nearly 80% of companies will be downscaling this. Say goodbye to photos of your pet on your desk. And clear any papers away before you go home in the evening.

Figure 14. Changes in anticipated seating plans



Source: EMEA Office Occupier Sentiment Survey, 2022

12

Conclusions

Conclusions

Office occupiers face a complex matrix of issues as they adjust to - and indeed shape - a new reality.

While devising and activating plans has been delayed beyond original timeframes, organisations are better-placed than they were last year to make intentional, evidence-based strategic decisions rather than just reacting to external influences.

After a period of huge uncertainty, there is more clarity emerging over the direction of future real estate strategy – only a small minority of companies report no change in their real estate strategies.

But the extended period of "forced" decision-making may itself have affected both future priorities, and the steps necessary to effect a transition towards a clearer path. In particular, the acceptance – or endorsement – of the reality of hybrid working patterns has gained traction, with employee time being divided more equally between home and office. Sometimes though these amount to vague statements of intent: there is a clear need for strong senior-level messaging and change management to guide employees through this phase, and to establish and implement clear guidelines consistent with in-principle decisions for future work models.

As the decision landscape clears, here are the top ten themes for occupiers in 2022:

1. Repopulating offices is a pressing priority
2. Employees have choice – for now
3. It won’t happen on its own – communication is key, and so is technology
4. Portfolio strategy will be dialled up a notch
5. Growth plans will push location decisions up the agenda
6. This is a flex moment
7. Hybrid working isn’t a fad. But it's complicated
8. The balance between company rules and personal preferences will be tested
9. A gear change for workplace strategy
10. Fluidity rules the roost

There is increasing clarity on the direction of portfolio strategy, with more companies reviewing their locational footprint and considering expansion.

Flexibility, ease of adaptation, design standards, amenity and quality and range of working environments have all visibly risen up the corporate agenda in terms of both building selection and workplace strategy. Quality of user experience will be paramount.

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