



SPRING 2021

OFFICE OCCUPIER SENTIMENT SURVEY

UNITED STATES RESULTS



CBRE

SPRING 2021 OCCUPIER SENTIMENT SURVEY

Well over a year into the COVID-19 pandemic, office occupiers remain focused in the near-term on workplace health and safety while keeping an eye on potential long-term changes in office usage. CBRE has conducted a series of occupier surveys throughout the pandemic to keep up with rapidly changing occupier sentiment. Our most recent survey, conducted in spring 2021, highlights the actions that occupiers are taking to facilitate a return to the office and accommodate new ways of working accelerated by the pandemic. While the health and safety of employees remains paramount, so is granting them the flexibility to better integrate their professional and personal lives. Even though occupiers agree that the office remains integral to the future of work, they recognize that the role it plays in satisfying the needs of talent is rapidly evolving. In turn, corporate real estate professionals are being tasked with developing more agile strategies in the face of portfolios that are bound by contractual obligations, depreciation schedules and cultural norms. While the headwinds are complex, the consensus among the C-Suite to drive change presents an opportunity to transform the physical office in ways that were once reserved for blue-sky thinking.

Julie Whelan

Global Head of Occupier Thought Leadership

Survey Details

DATE

April 2021

NUMBER OF RESPONDENTS

185 corporate real estate decision-makers

PORTFOLIO REGION

United States

COMPANY SIZE

45% < 100 employees

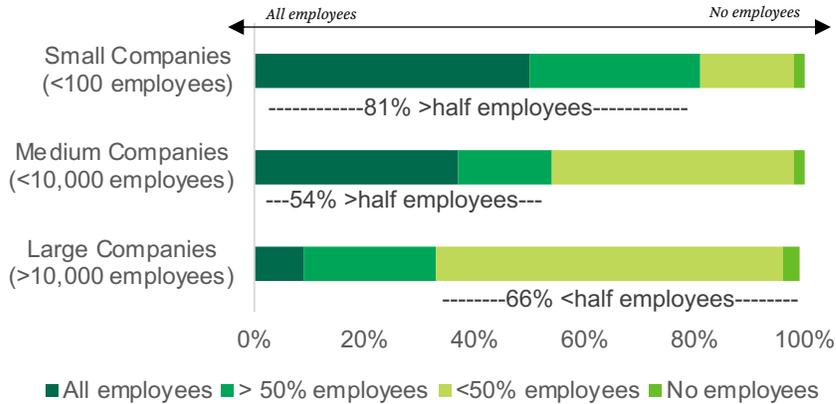
32% 101-10,000 employees

23% > 10,000 employees

THE NEW NORMAL IS NEAR

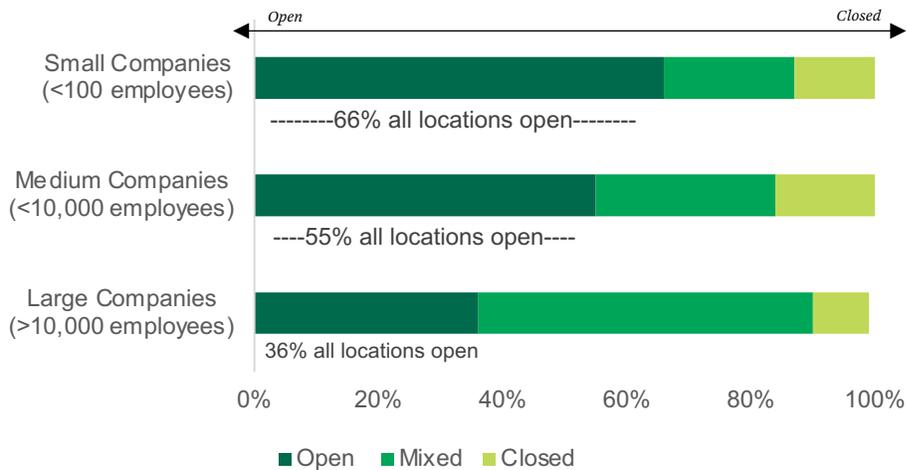
OFFICE OCCUPANCY REMAINS LOW BUT TICKING UPWARD

How many employees currently have access to an office space?

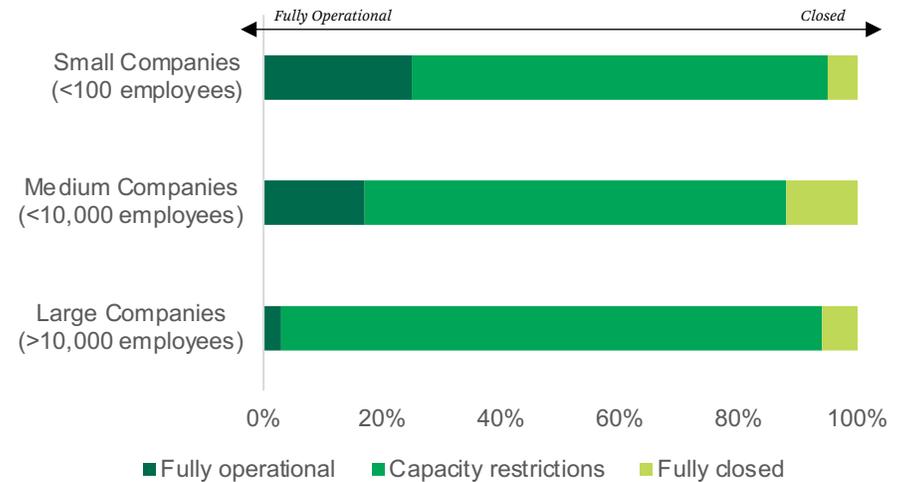


In the U.S., small companies have led the return to the office. Large companies have a longer journey as many of their employees remain in a full-time remote status. The process of getting employees back to the office remains ongoing, but early signs of life are emerging. According to Kastle Systems data, average office occupancy in the top 10 U.S. markets currently stands at 29% of pre-pandemic levels (June 2021 vs. March 2020) but is slowly increasing. The time is here to discover what the new normal holds.

How many locations are open for occupancy?

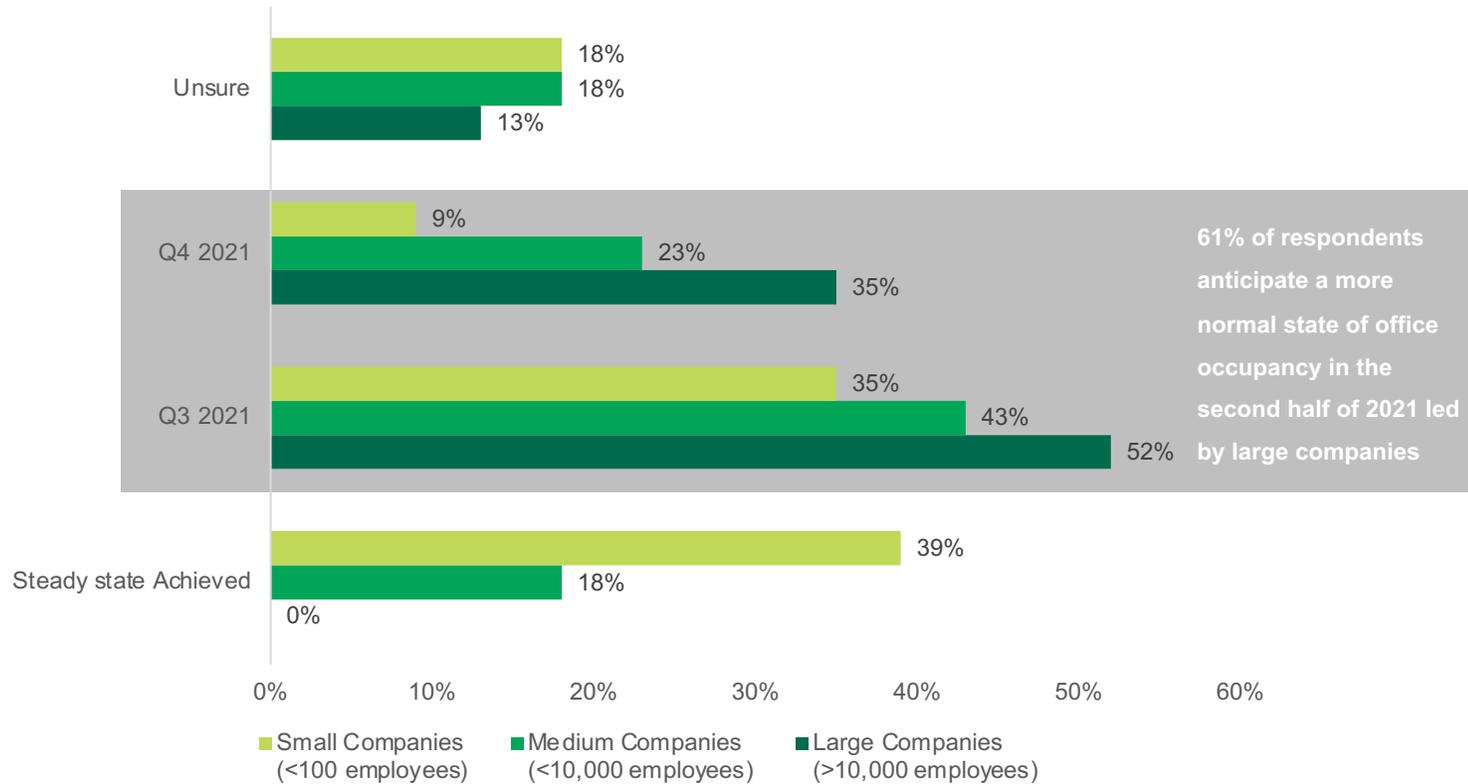


Are maximum capacity restrictions in place in open locations?



OCCUPANCY IS EXPECTED TO INCREASE THROUGHOUT 2021

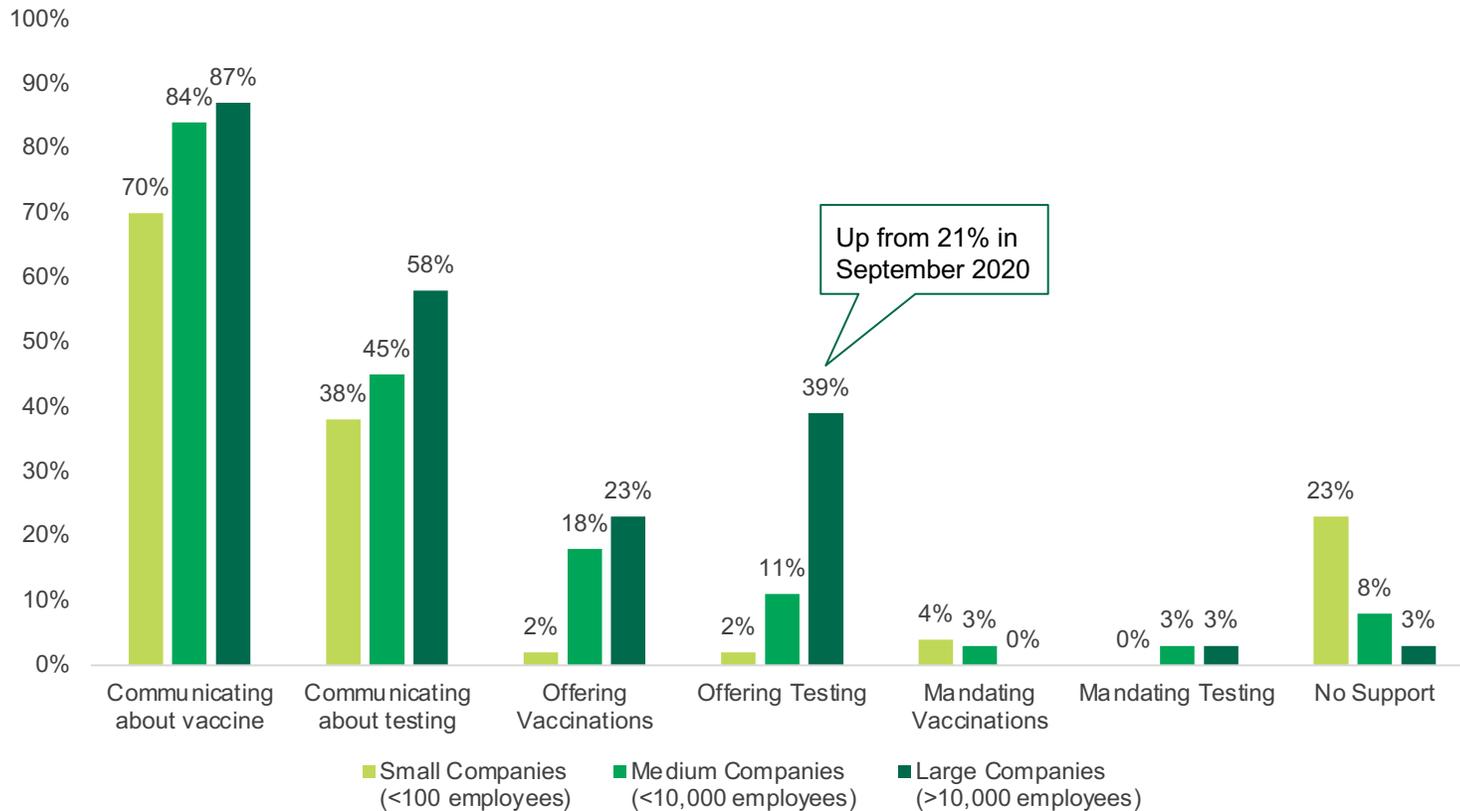
When will a more normal state of activity resume?



Companies across the U.S. are actively planning and influencing a return to the office. COVID infection rates are declining and vaccines are widely available. Sentiment as of April 2021 suggests that there will be a marked return to the office starting in Q3 2021 and ramping up as more people are fully vaccinated, new routines are established and the experiences of the first movers help spread the best practices. Assuming the pandemic remains relatively under control, office occupancy will increase dramatically, but not fully, in the fall before leveling off.

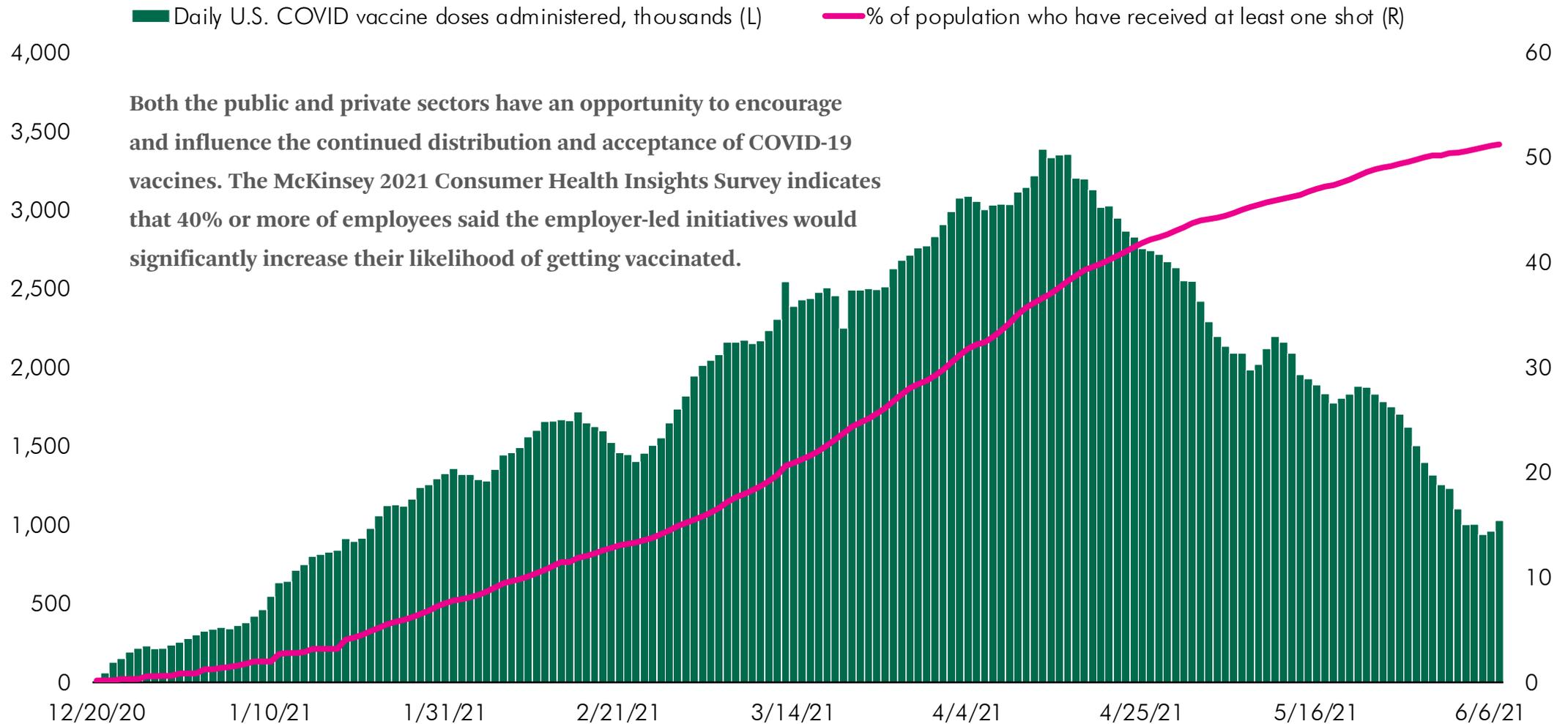
EMPLOYERS TAKE A SOCIALLY CONSCIOUS ROLE IN INFLUENCING VACCINE ACCEPTANCE

What COVID testing or vaccine-related support are you providing your employees?



To influence a return to the office, a large percentage of respondents report educating employees about the importance of getting vaccinated and of continued testing to support the health and safety of all. In some cases, respondents are offering the convenience of testing and vaccinations on-site. While few are mandating vaccinations before returning to the workplace, self-attestation of vaccination (with or without proof) seems to be the trend taking shape for fewer workplace restrictions (e.g., daily health screenings, masks). This support is integral to a return to the office since the top concern is the rate of community transmission and percentage of population vaccinated.

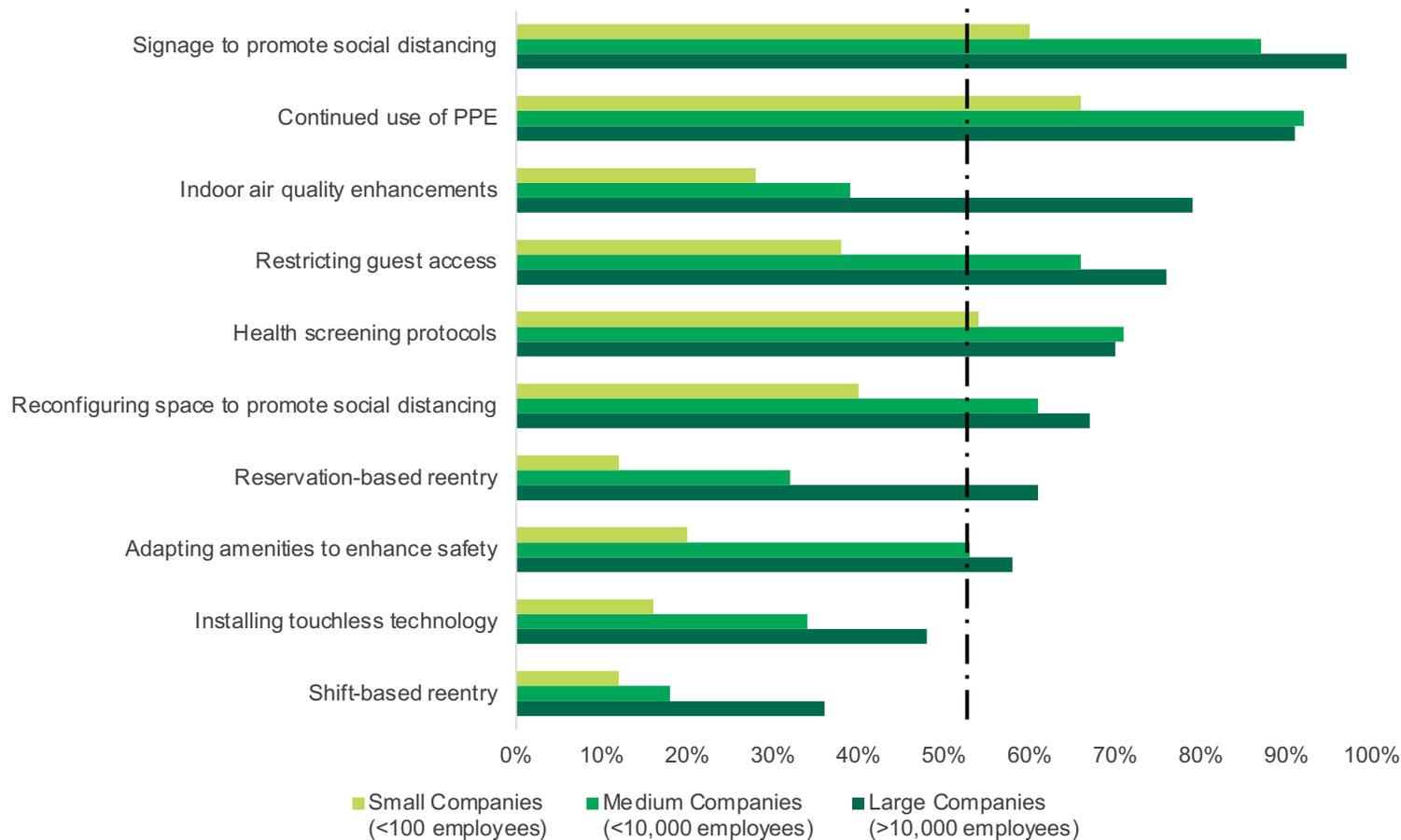
U.S. DAILY VACCINATIONS TRAILING DOWN



Source: Our World in Data, Macrobond, CBRE Research, 7 June 2021.

HEALTH & SAFETY MEASURES REMAIN IN PLACE

What measures are underway to ensure employee health & safety as reopening progresses?

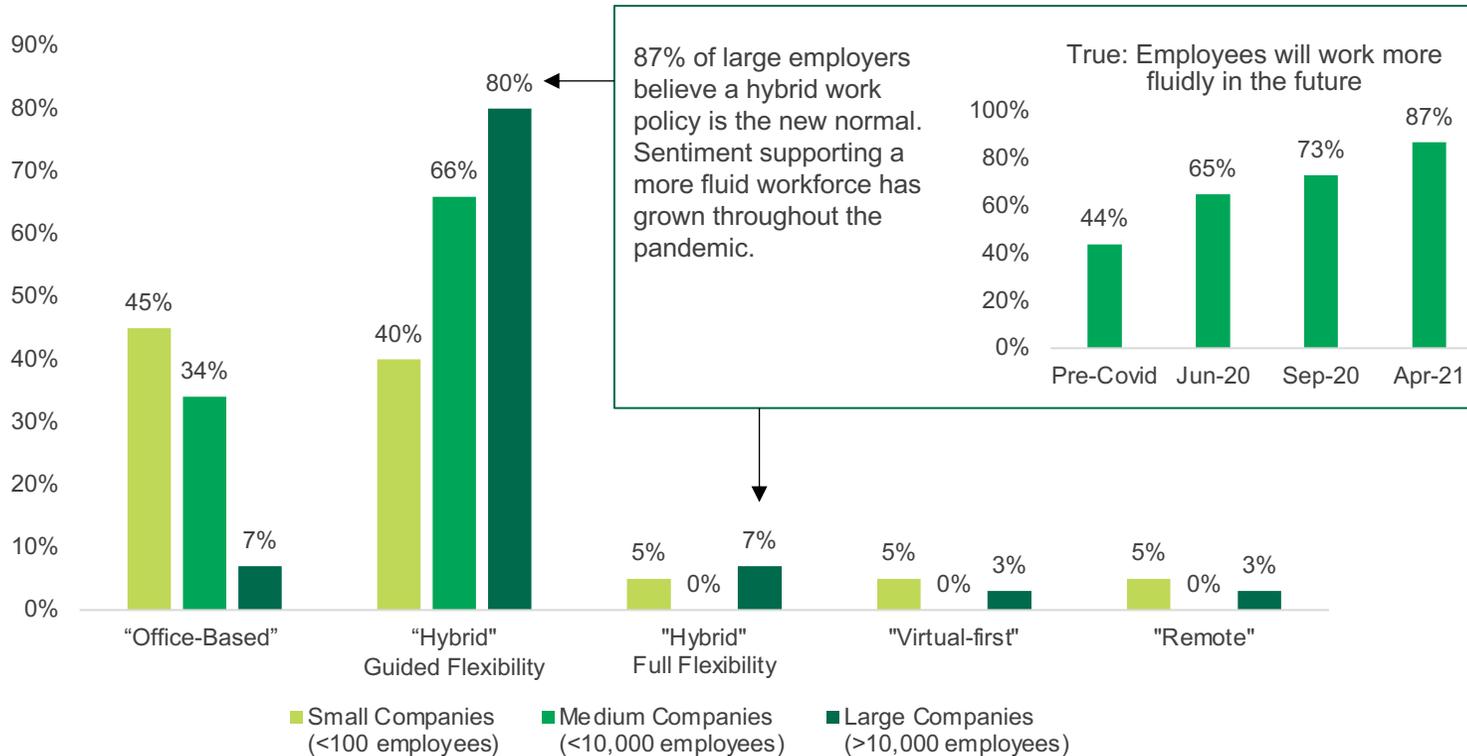


Many companies report health and safety protocols remain in place, including physical distancing and space reservations. This survey was conducted prior to revised CDC guidance for fully vaccinated people. The recognized impact of wellness in the workplace has created a heightened focus on building-level measures. Indoor air quality, filtration and monitoring are now the most important building level enhancements underway. Touchless technologies have also risen in importance, including contactless check-ins, automated entryways and auto taps and soap dispensers in restrooms.

**CARS ARE HYBRID;
PEOPLE ARE FLEXIBLE**

THE NEWFOUND FLUIDITY OF THE WORKFORCE IS DRIVING CHANGE

Looking ahead, which best describes your workplace policy intentions in a steady state for most of your employees?



Office-Based: Employees are expected to be primarily in the office with occasional flexibility.

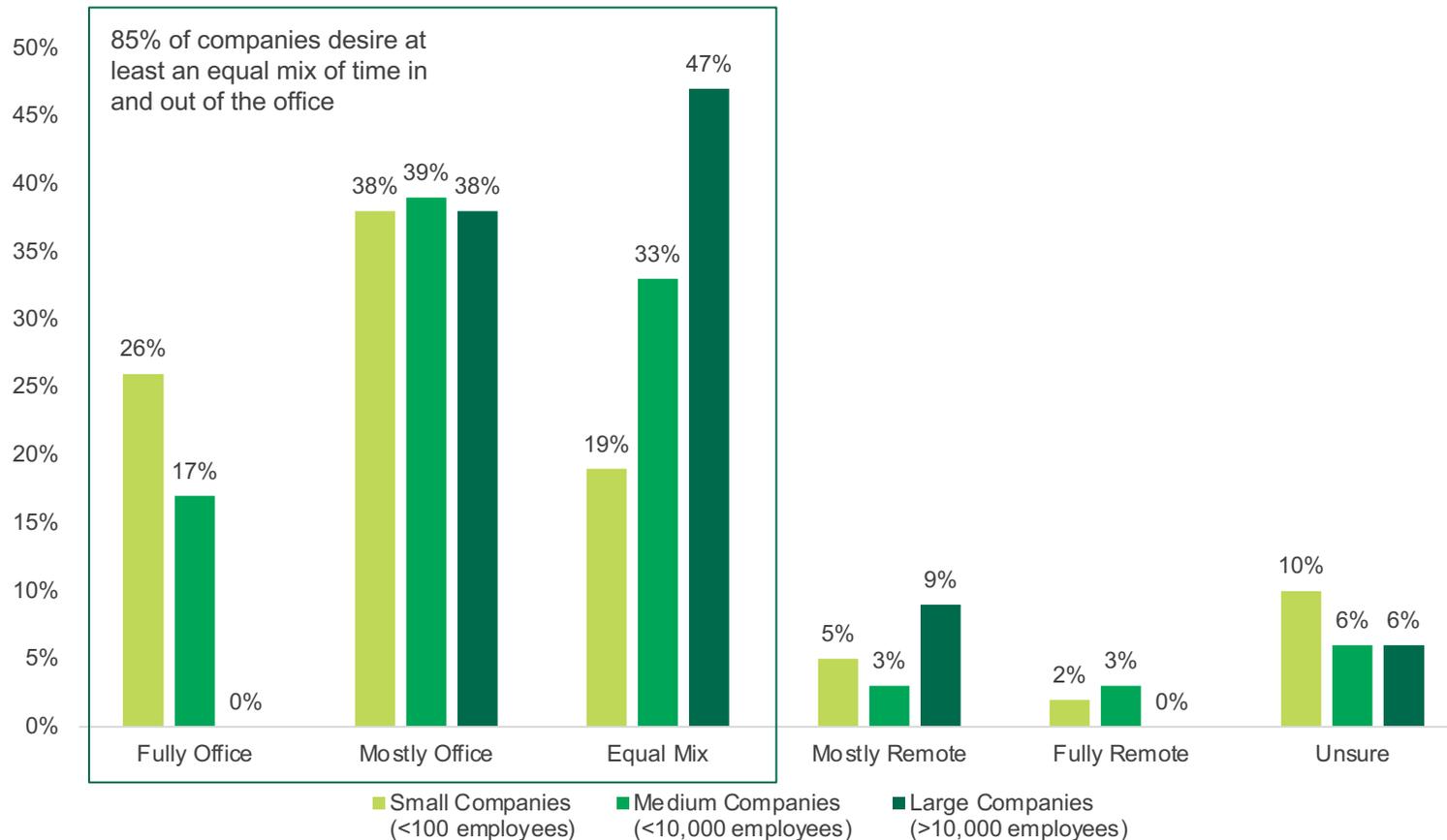
Hybrid: Employees have choice to work from the primary office or remote locations with varying levels of guidance based on company policy (guided flexibility vs. full).

Virtual-First: Employees are expected to be primarily remote with situational in-person meetings.

The intention to provide a more hybrid workplace policy has gained steam during the pandemic. Large companies have accelerated the pre-pandemic trend of instituting a more flexible workplace and culture for their current and future talent. 87% of large employers believe a hybrid work policy is their new normal vs. only 7% that will remain primarily office-based. Most respondents indicate they have strong consensus from C-Suite leaders to offer a greater degree of flexibility and choice to employees with company guidance. Conversely, many small and some mid-size companies are more likely to desire a primarily office-based workforce to maintain company culture and collaboration between employees.

THE DESIRE TO BRING TALENT TOGETHER OFTEN REMAINS A PRIORITY

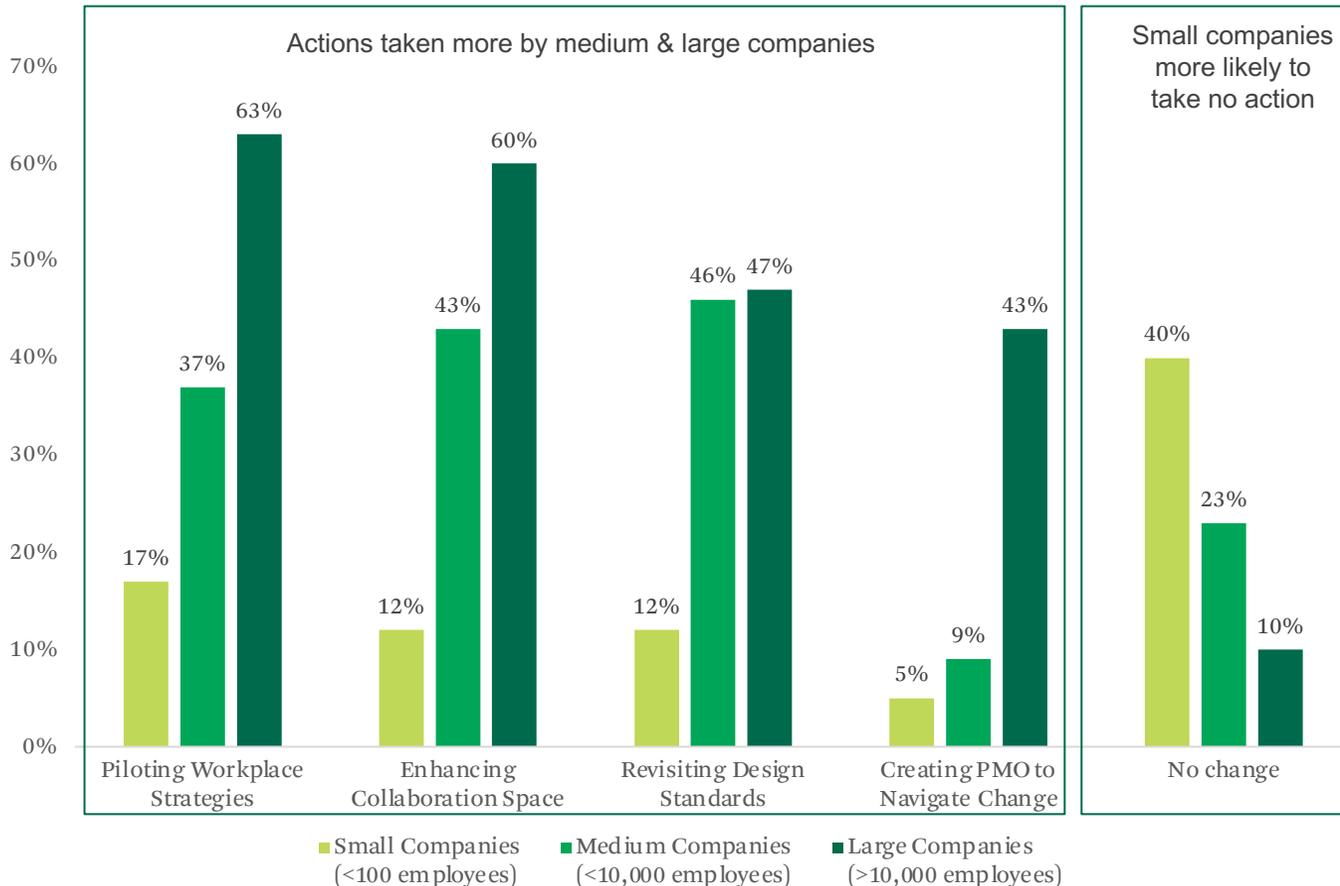
Looking ahead, which best describes the cultural norm in a steady state that your organization aspires to with workplace policy?



The survey indicates that most companies want employees to spend at least half of the week in the physical office. When designed and located with the right offerings in place to be more human-centric, the office can help attract and influence preferred behavior naturally. Additionally, clear workplace policies that capture the preferred company culture will help lead the new normal to which leadership aspires.

STEPS TO CHANGE THE ROLE OF THE OFFICE ARE UNDERWAY

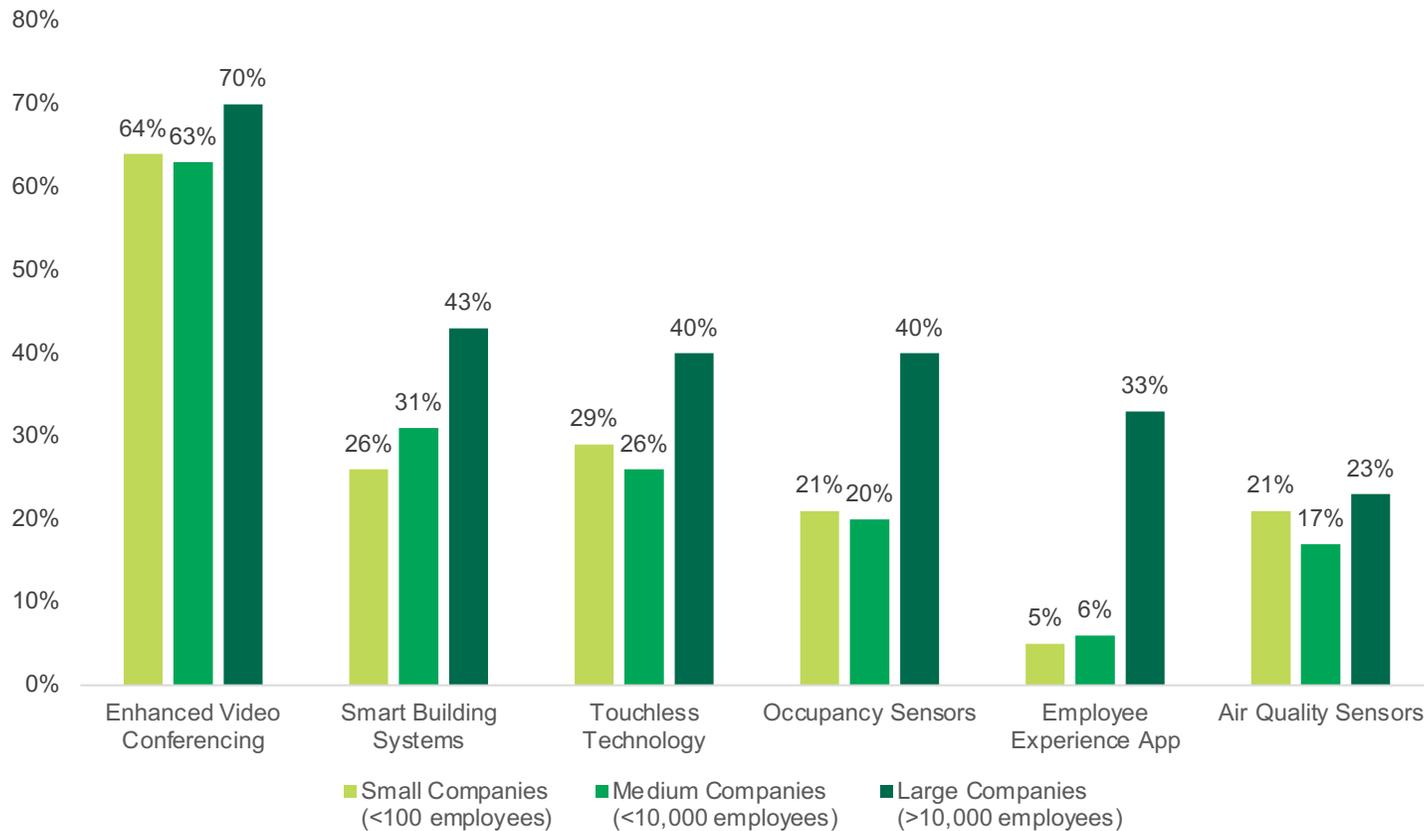
As you plan for steady state, what workplace strategy steps are you currently undertaking?



Collaboration, culture and engagement are the top three areas that companies want the workplace to support. To accomplish this, large companies are initially focused on enhancing collaboration space in their current workplace. This will have an immediate impact on employees' office experience and the productivity they can achieve when there. Many others are preparing for change by piloting new workplace strategies, challenging how standards have been set in the past or even creating cross-functional project management offices to help navigate all the change underway. Small companies predominantly favor no change, consistent with their sentiment to not significantly deviate from pre-pandemic working arrangements.

CRE TECHNOLOGY HAS BROAD IMPLICATIONS ON HEALTH, SAFETY & EXPERIENCE

Which of the following CRE technologies are you using or considering for the future steady state?



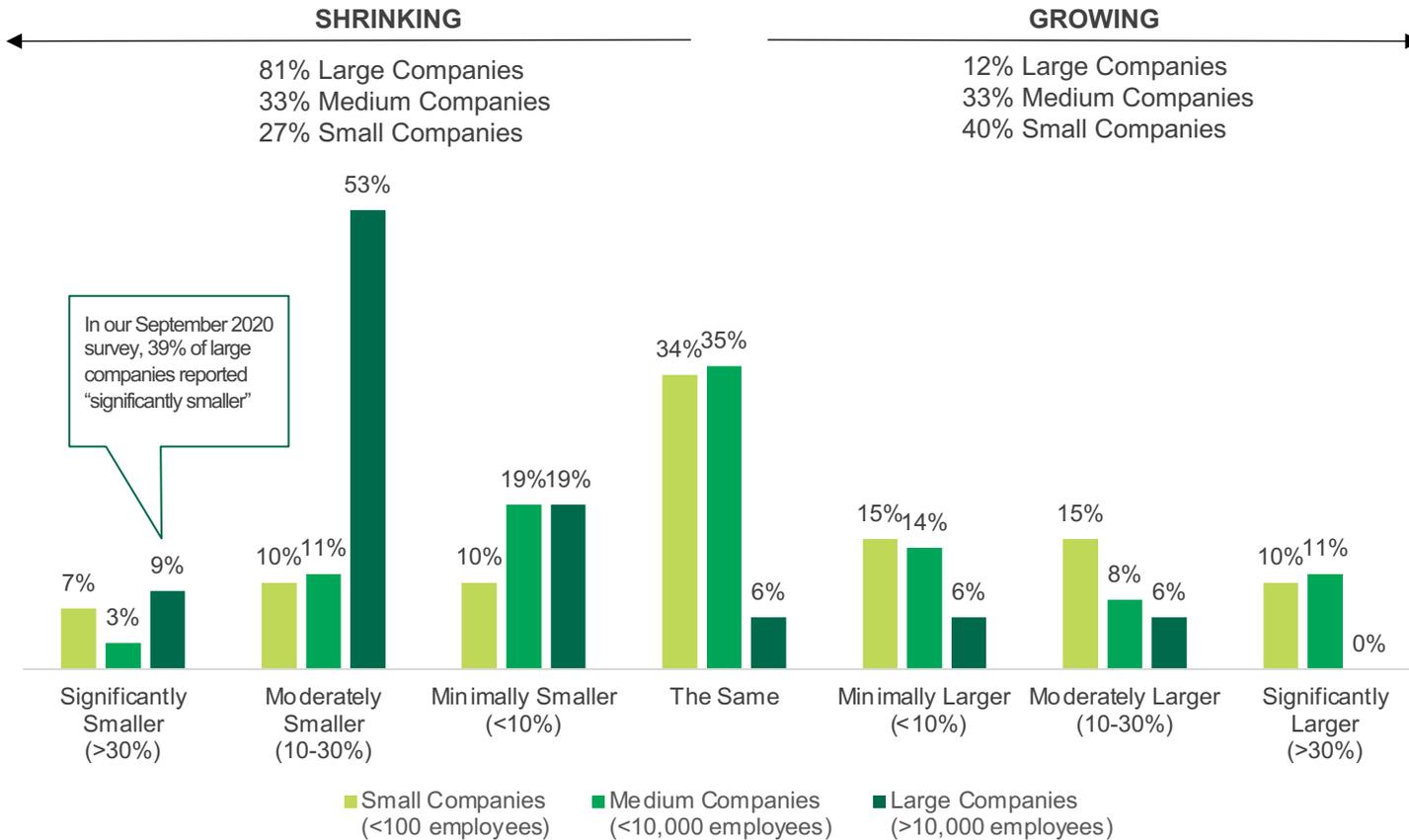
There is strong consensus that enhanced video conferencing is essential today and in the future. The challenge of fostering equity in a world where some people are together and others remote is a concern for many companies. With recent advanced video conferencing technologies, we are only just beginning to imagine the ways that technology can bridge the distance between the physical and digital world.

There is a broad array of technologies focused on health, safety, efficiency and experience that larger companies are especially interested in. With Proptech venture capital funding totaling \$24 billion in 2020, the infusion of technology into the built environment is a growing piece of building management and tenant experience.

THE OFFICE IS ALIVE AND WELL

THE QUEST FOR REAL ESTATE EFFICIENCY MODERATES

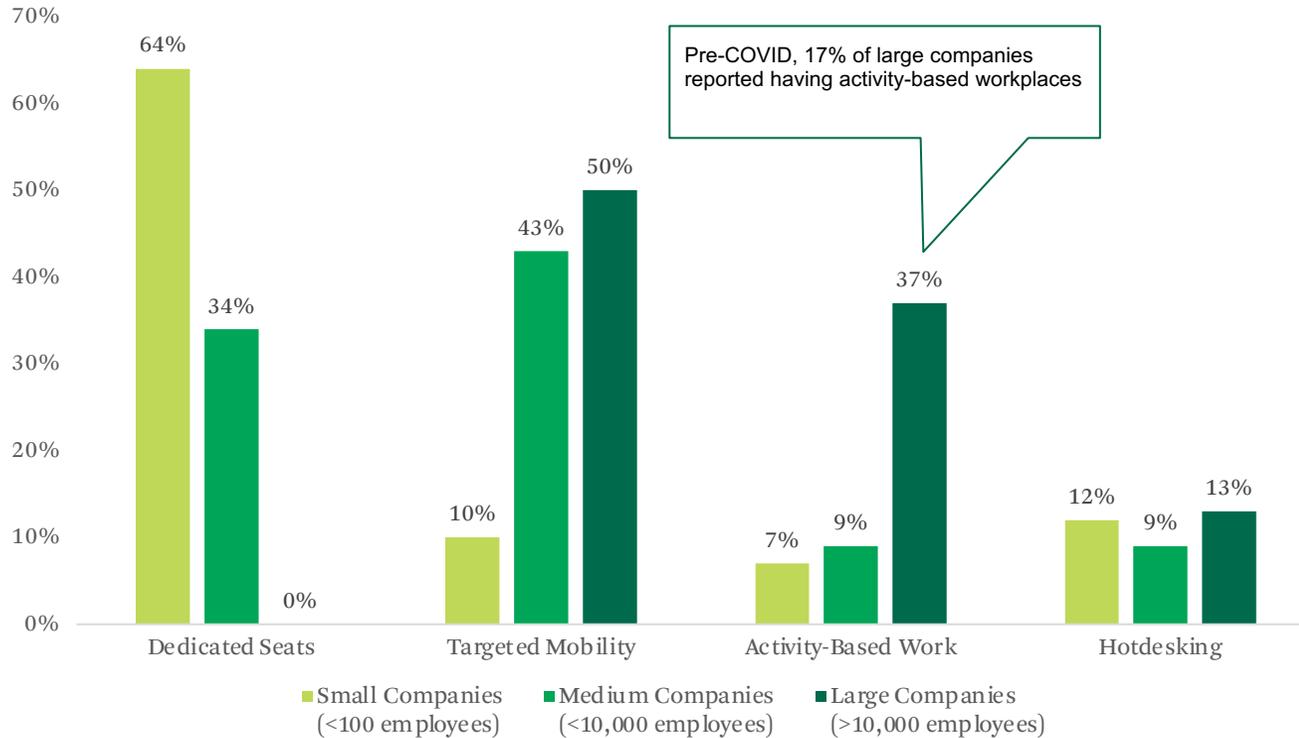
Which of the following best describes your long-term expectations for the total size of your portfolio over the next three years?



Earlier in the pandemic (September 2020), 84% of large companies indicated they would reduce their office footprints, with 39% believing they would be “significantly smaller.” While consolidation remains a focus for most large companies, many have since moderated their sentiment. Portfolio adjustments from more hybrid work are now thought to be less drastic than originally anticipated. This sentiment for less space is driven by structural changes to the workforce vs. cost and can still easily shift based on the reality that unfolds once a new normal takes hold.

DEDICATED USE OF OFFICE SPACE IS DIMINISHING

Versus pre-pandemic, what best describes the type of seating plans you anticipate in most of your workplace?



Targeted Mobility: A combination of dedicated and shared seats driven by workstyle and functional needs.

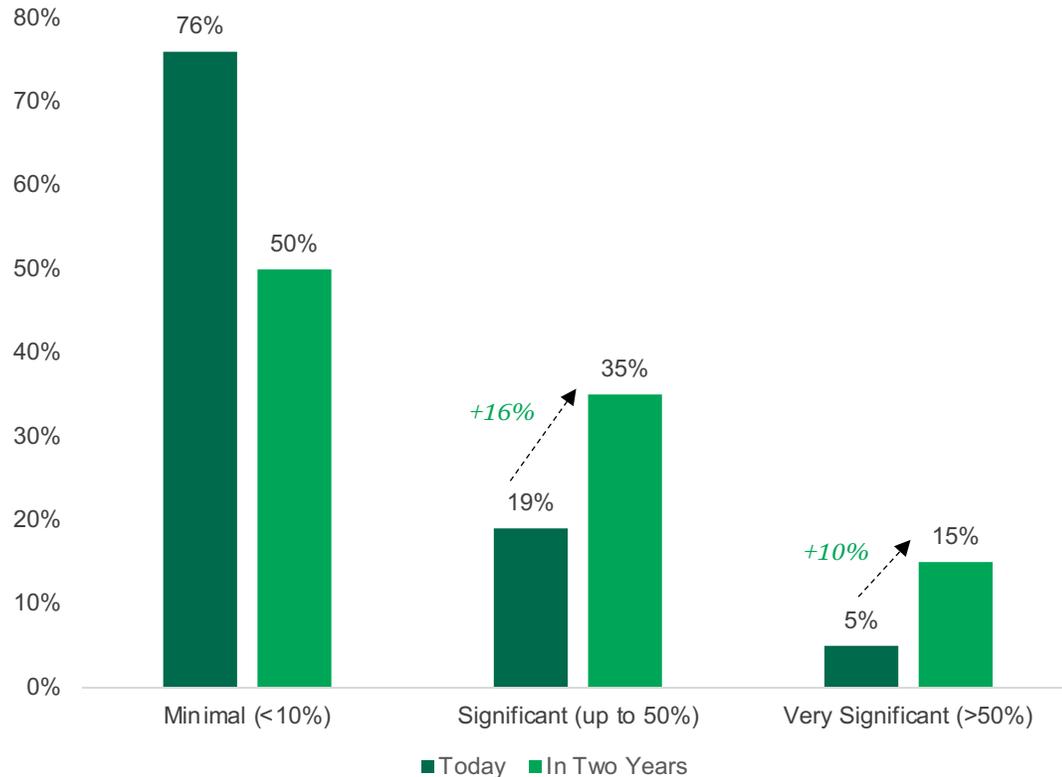
Activity-Based: A shared departmental neighborhoods with more variety in work setting choices.

Hot Desking: A majority of seats are unassigned and reservable.

Before the pandemic, occupancy studies revealed that office space was underutilized much of the time. Today, this is more widely acknowledged, especially as we anticipate the return of workers who use the office much differently than in the past. As a result, companies are looking to shift their seating plans away from one-to-one ratios and toward a desk-sharing basis. The return to the office will allow for a better understanding of how space should adapt to best support the workforce.

FLEXIBLE OFFICE SPACE WILL BE ONE SOLUTION

What percent of your portfolio is made up of flexible office space today? Over the next two years?



Increased dependence on flexible office space as part of a real estate portfolio strategy remains of keen interest to office occupiers. In the last real estate cycle, this type of offering did not exist to the extent that it is available today. Large companies are still testing how this fits in their operating models. Flexible office providers, and building owners themselves, are evolving to meet current and future demand. There are degrees of flexibility to meet every need, from on-demand to more private longer-term suite offerings. The flexibility inherent in this space offering, along with best-in-class technology and modern workplace design and amenities in many of these locations, makes flexible office space a favorable option worth exploring.

MEDIUM AND LARGE COMPANIES WILL LEAD FLEX GROWTH

What percent of your portfolio will be made up of flexible office space over the next two years? (increase over today)



TOP THREE REASONS WHY

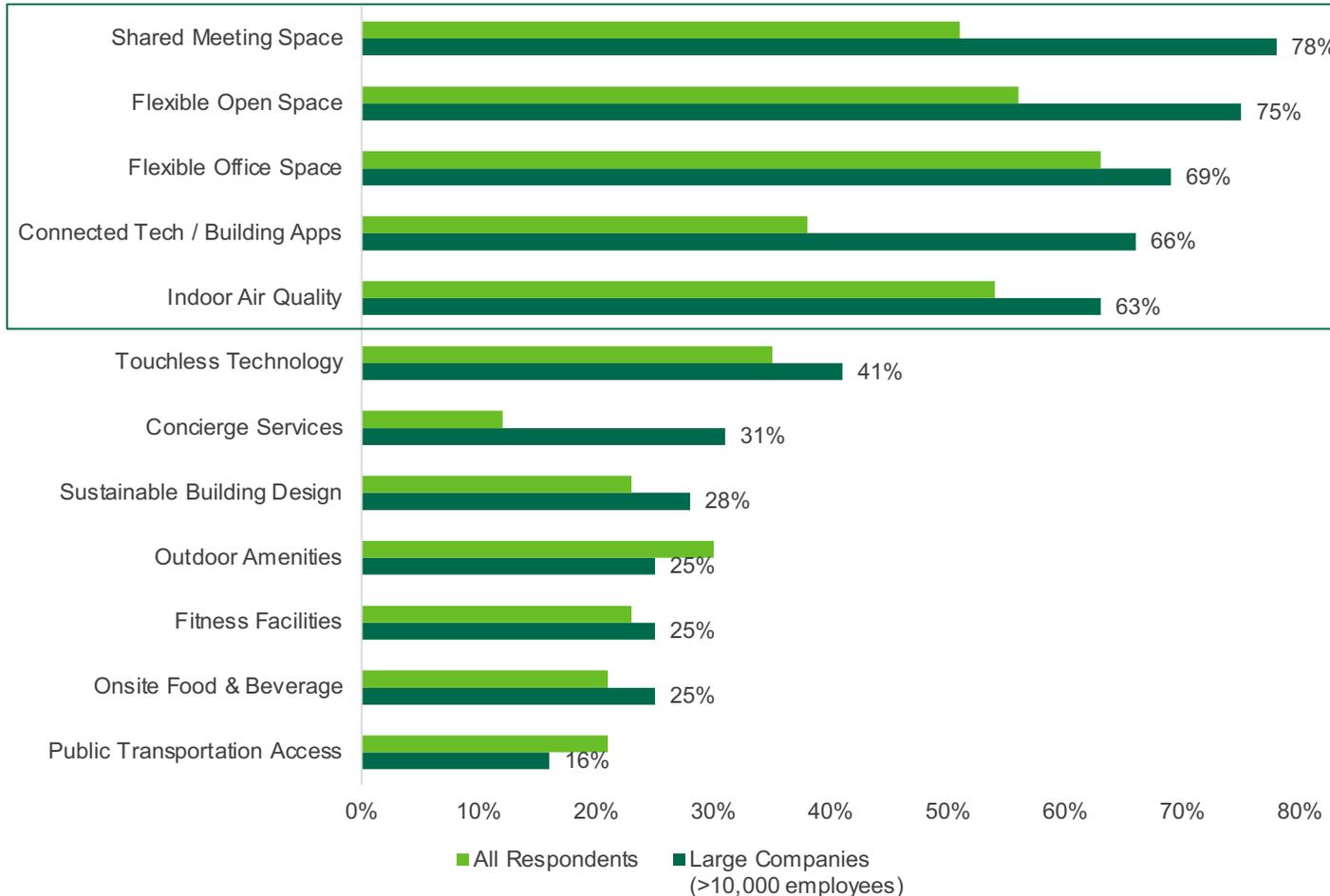
30% Offer employees more choice
 30% Solve for uncertain demand
 30% Reduce Capex

42% Offer employees more choice
 33% Enter new markets
 31% Reduce Capex

44% Reduce CapEx
 38% Test new models
 31% Enter new markets

WELLNESS, TECHNOLOGY & FLEXIBILITY TOP BUILDING AMENITY EXPECTATIONS

What will be the most in demand building amenity of the future?



Wellness, technology and flexibility are the top building amenity requirements of occupiers, especially large enterprise companies.

Planning for space has never been simple and the current environment is making it even more complex and uncertain. In readying for change and meeting employee expectations of a healthier, more digitized work environment, occupants are expecting more sophisticated offerings from their landlords. Some of these offerings, such as shared meeting space and flexible office space, allow occupiers to adjust costs by scaling their space up and down as needed. While some of the more traditional building amenities are lower on the priority list, this is likely because many are baseline criteria for occupiers.



FIVE TRENDS THAT WILL DEFINE THE SECOND HALF OF 2021

1. The return to the office will pick up speed in the second half of 2021.

Office occupancy across the U.S. will gradually increase starting this summer. Companies will have to guide a change in employee behaviors that have taken root since the start of the pandemic.

2. Employers will use social influence to encourage vaccinations.

Employers will use their influence to encourage more employees to be vaccinated. Education and guidance, rather than mandates, will be used to create a healthier and safer community of colleagues in the workplace.

3. Workplace policy on flexibility will become more defined.

As employees are welcomed back to the office, the reality vs. expectation around creating a human-centric culture of more flexibility will emerge. Feedback will allow for a stronger set of guiding principles to be created as lessons are learned.

4. Priority will be given to capital expenses that support teamwork.

Some changes will be more immediate, such as an increase in the number and type of collaboration zones, enhanced video conferencing and better air ventilation.

5. Tangible experience will clarify future planning.

As the challenges and benefits of new work styles become more evident, workplace transformation needs will take shape. Short-term renewals favored in 2020, coupled with the normal expiration cycle, will allow for real change as portfolio strategy becomes clear.

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