

Adaptive Spaces

Spring 2022 U.S. Office Occupier Sentiment Survey

REPORT

Top 10 office
trends taking
shape in 2022

CBRE RESEARCH
APRIL 2022





Despite a dramatic drop in COVID cases and the end of mobility restrictions, office usage in the U.S. remains muted. Corporate real estate executives appear eager to improve this by accommodating new ways of working that include a broad return to the office.

TOP TRENDS

CBRE's Spring 2022 Occupier Sentiment Survey reveals return-to-office strategies being employed by 185 corporate real estate executives with U.S. office portfolios. Most are now wholly focused on how to demonstrate the value of the office to their employees.

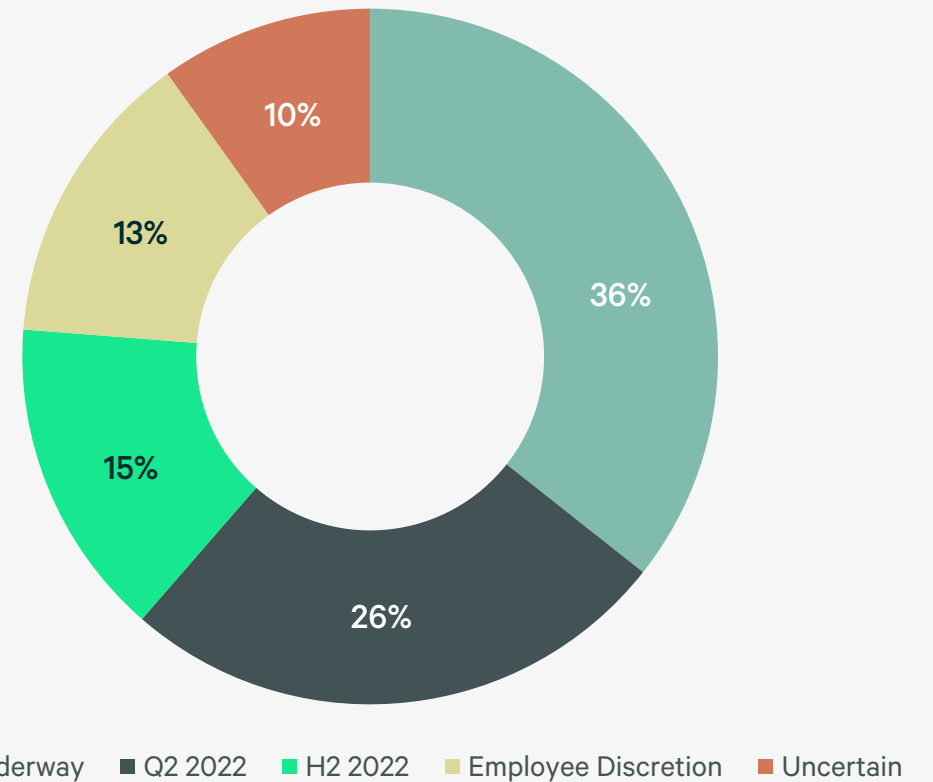
01 — A Return to the Office Takes Hold

CBRE's Spring 2022 U.S. Office Occupier Sentiment Survey indicates that office occupancy levels will increase this year.

While return-to-office plans were limited in 2021 due to COVID-19 variants, 36% of survey respondents this year indicated that a return to the office was already underway and another 26% indicated it would be by end of Q2 2022. This sentiment was led by small companies and mirrors the latest data on actual occupancy levels: Building security provider Kastle Systems reports that overall U.S. office occupancy stood at a pandemic-era high of 43% in early April. Office occupancy levels should continue to rise over the next several months as most survey respondents say they will return to the office in the first half of 2022.

When do you expect to encourage a more regular return to the office?

FIGURE 1: Return to Office Timeline



02 — Slow Return Likely

Survey results indicate that the strategies to influence employees' return to the office is split between being company vs. employee led.

Some companies are opting for prescriptive timelines (31%), while others are leaving the decision up to their employees (53%). The guidance that companies are providing seems to correlate with how soon they expect employees to return to the office. Those leaving it up to employee discretion expect that a return will take place slowly throughout the year, while those mandating a return are largely already doing so. Regardless of guidance, best practices to facilitate a return to the office include encouraging decisive and consistent messaging around leadership expectations at various levels of the company.

After two years of working from home, employees are planning new routines that involve time to prepare for an office commute on at least a semi-regular basis. Companies that are sensitive to employee needs and clearly communicate why the office is important will likely be more successful in effecting an engaged and sustained return.

Which of the following best describes current guidance for most employees regarding return to office?

FIGURE 2: Return to Office Strategies Underway

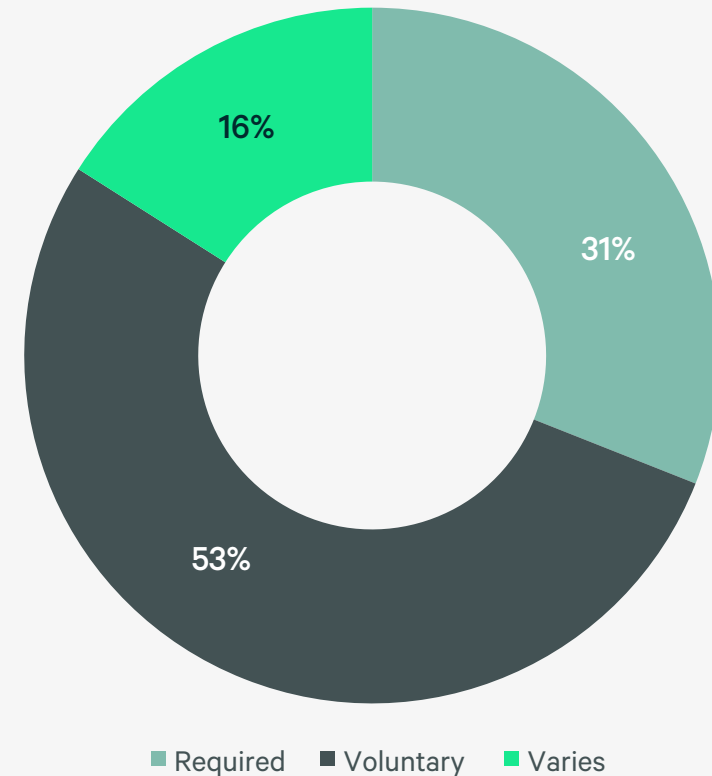
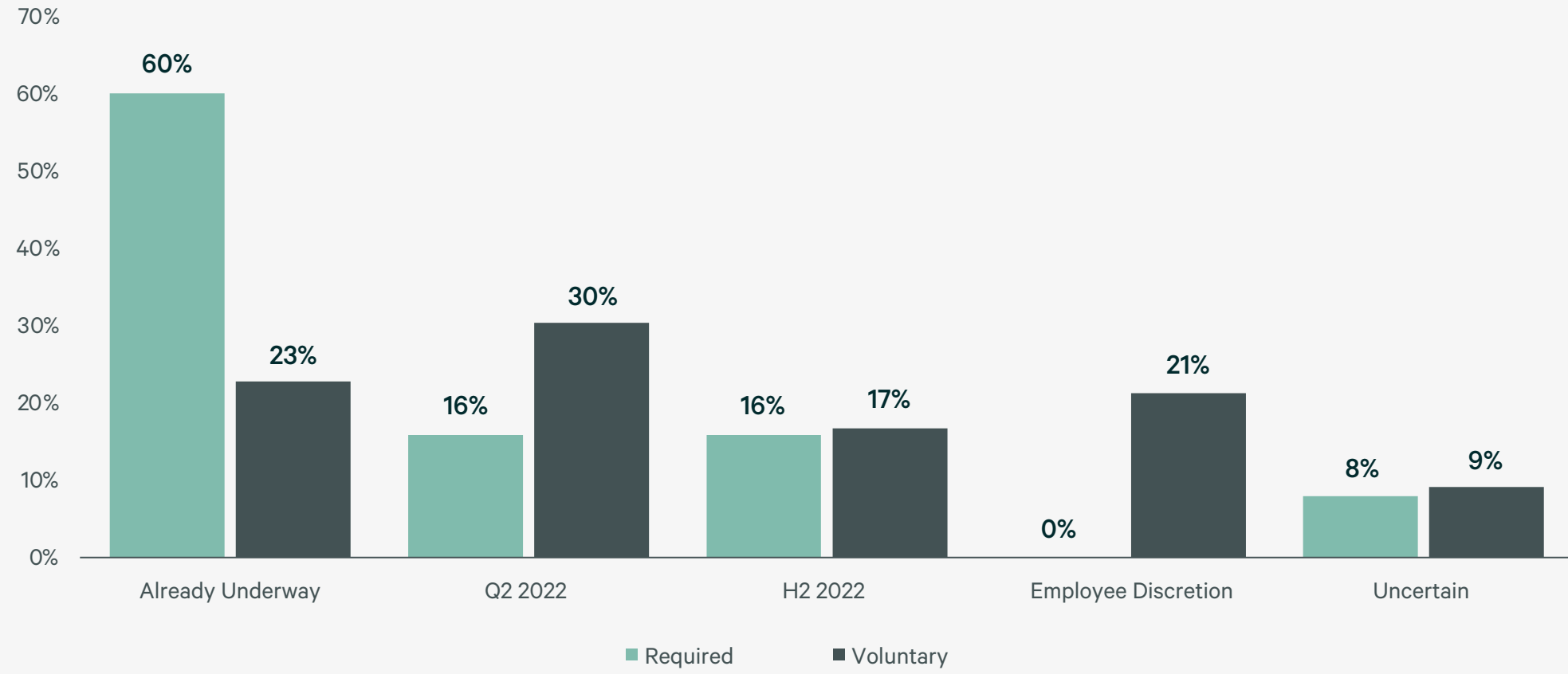


FIGURE 3: Return to Office Timeline by Current Guidance



Five Ways Companies are Facilitating a Return to the Office

65%

Providing decisive and consistent executive messaging on leadership expectations for a return to the office

58%

Collaborating with business leaders on targeted strategies for a return to the office

46%

Working with technology departments to deliver a more equitable hybrid working experience through enhanced video conferencing

40%

Strengthening COVID protocols around vaccinations, testing, masking, etc.

36%

Curating events or other workplace experiences to encourage a return to the office

03 — Sustained Support of Hybrid Working

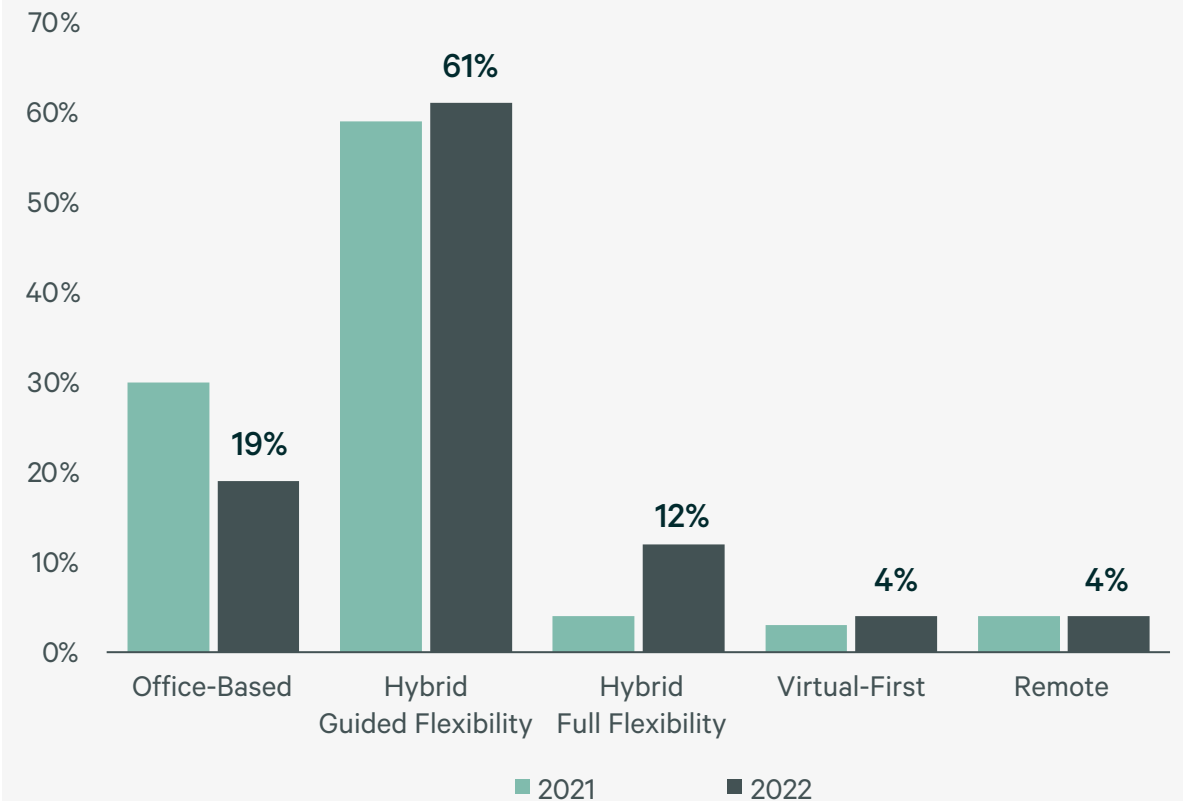
Companies' desire to foster a culture that supports hybrid working arrangements remains strong. Creating flexible schedules for employees while maintaining a level of predictability for the company (Hybrid/Guided Flexibility) remains the preferred method.

Survey respondents offering this type of flexibility report that consensus at the executive level has strengthened over the past two years. As a result, more than 80% of respondents plan to provide some level of guidance to employees as they return to the office. Clearly defining hybrid working is important for employees to operate within expectations. Some companies acknowledge that guidance could change in the future as more experience is gained.

Nearly 20% of survey respondents say they want to remain office based. However, some respondents indicate that executive consensus around this sentiment is weakening as they attempt to attract and retain talent in a tight labor market that demands more flexibility in work arrangements.

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

FIGURE 4: Workplace Policy Intentions



“ Fundamentally, there has to be a ‘why’.



Only when the C-Suite agrees on why employees should be in the office [e.g., collaboration, teamwork, connectivity, culture, compliance, mentorship] can the company best strategize on the ‘how’.

”

CBRE Global Workplace
Solutions Client

Three Strategies for Providing Employee Guidance on Hybrid Work Expectations



56%

Define a formal company policy to guide employee behavior



27%

Rely on guidance at the team or business unit level



17%

Wait to observe trends before determining a policy

04 — Focus on Office Presence

Companies' desire to have employees in the office is clear: 85% of respondents want employees in the office at least half the time, despite a hybrid policy.

Most plan to require how often employees will visit the office. Yet there is little consensus about how to achieve this. Survey respondents planning to set a required number of days in the office report that control of this will be left up to the company (44%), the employee (13%) or a combination of both (43%).

There is growing acknowledgement that offering employees more autonomy over the days they spend out of the office may allow them to better value the time they spend in the office. There is also growing acknowledgement of "presence awareness," or the importance of building transparency and predictability around where employees are working from to help drive meaningful interactions when in the office. Balancing employees' desire to remain autonomous while maintaining an element of predictability in the office is emerging as a major area of focus, discovery and learning.

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

FIGURE 5: Desired Mix of Office Attendance

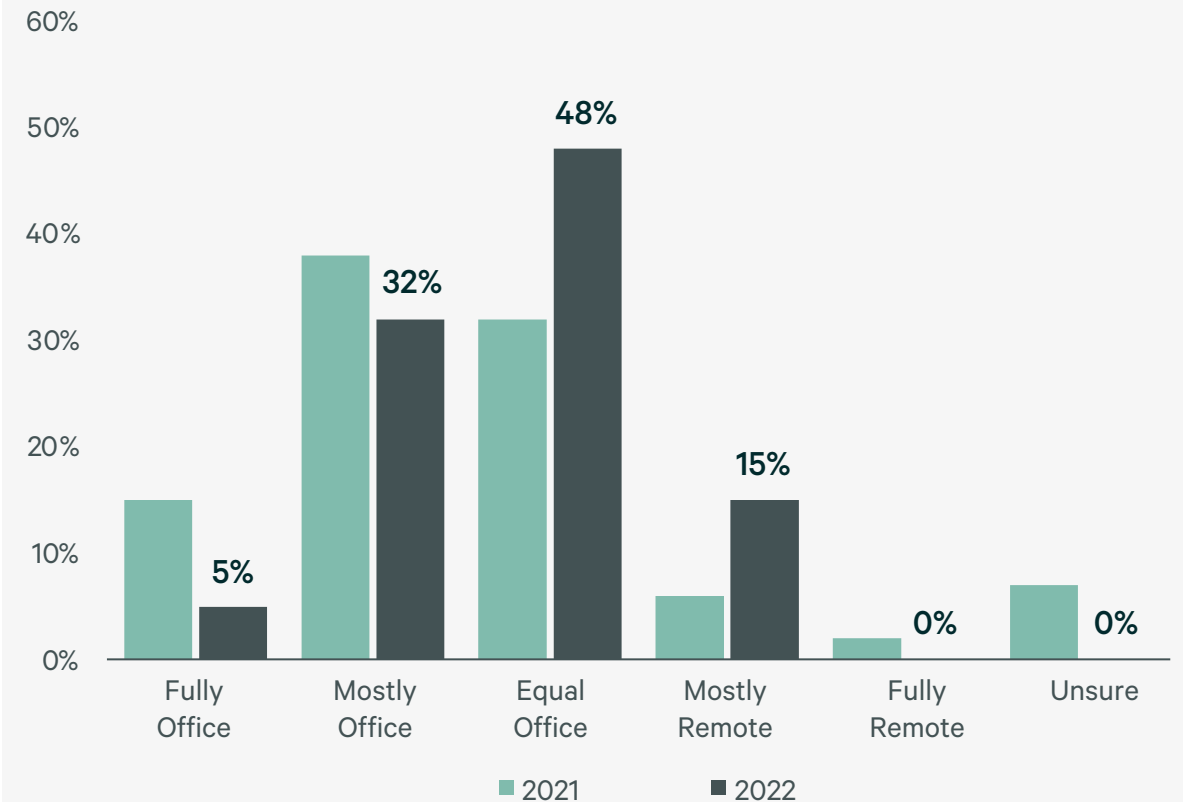
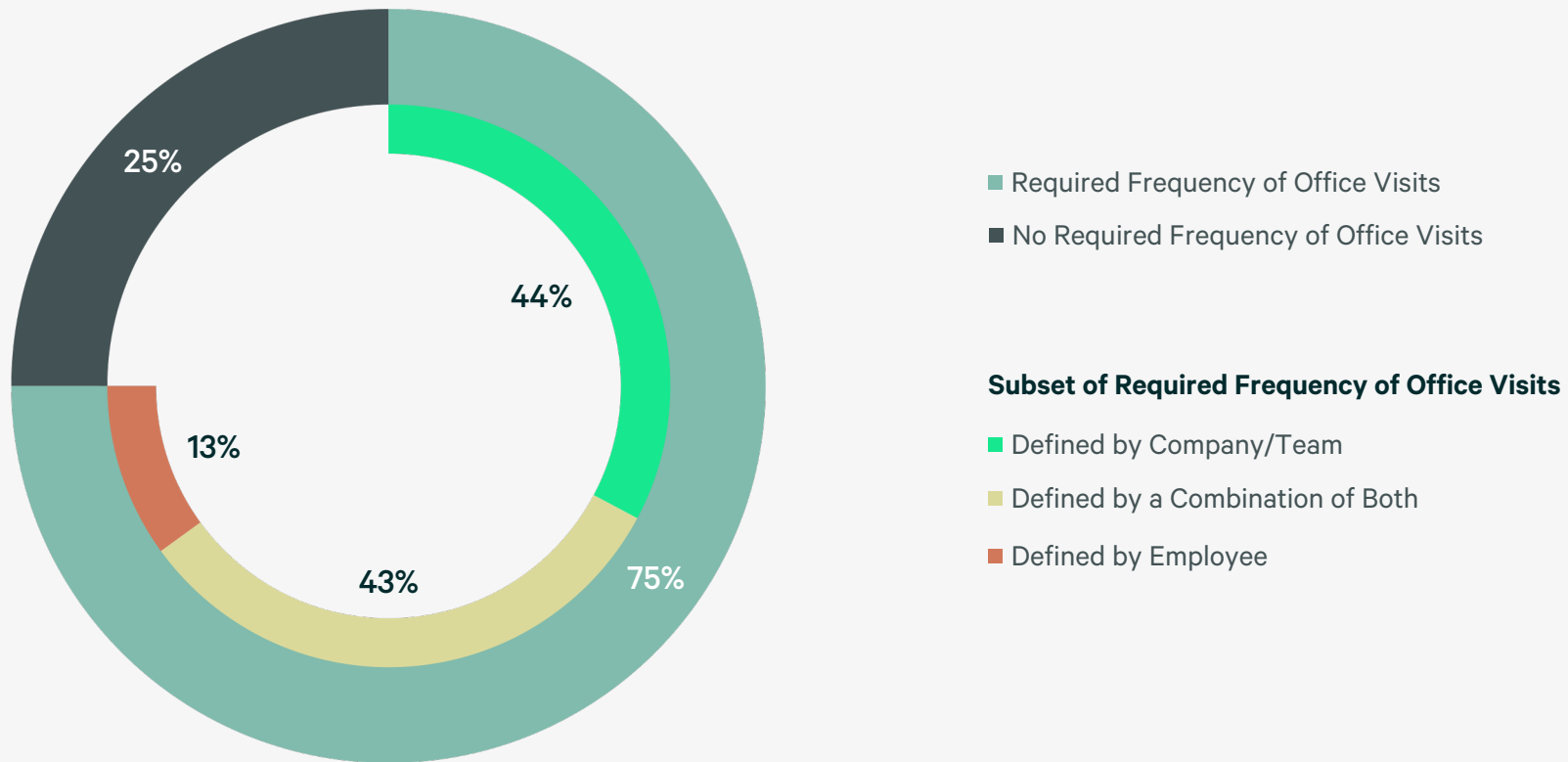


FIGURE 6: Strategy Upon Return to the Office



“

The most important
employee amenity in
the return to the office...



is other
employees.

Lenny Beaudoin

Executive Managing Director,
CBRE Workplace Strategy

”

05 — Varying Tenant Demand

Even with hybrid working arrangements, companies' sentiment toward expanding their office footprints has grown year-over-year.

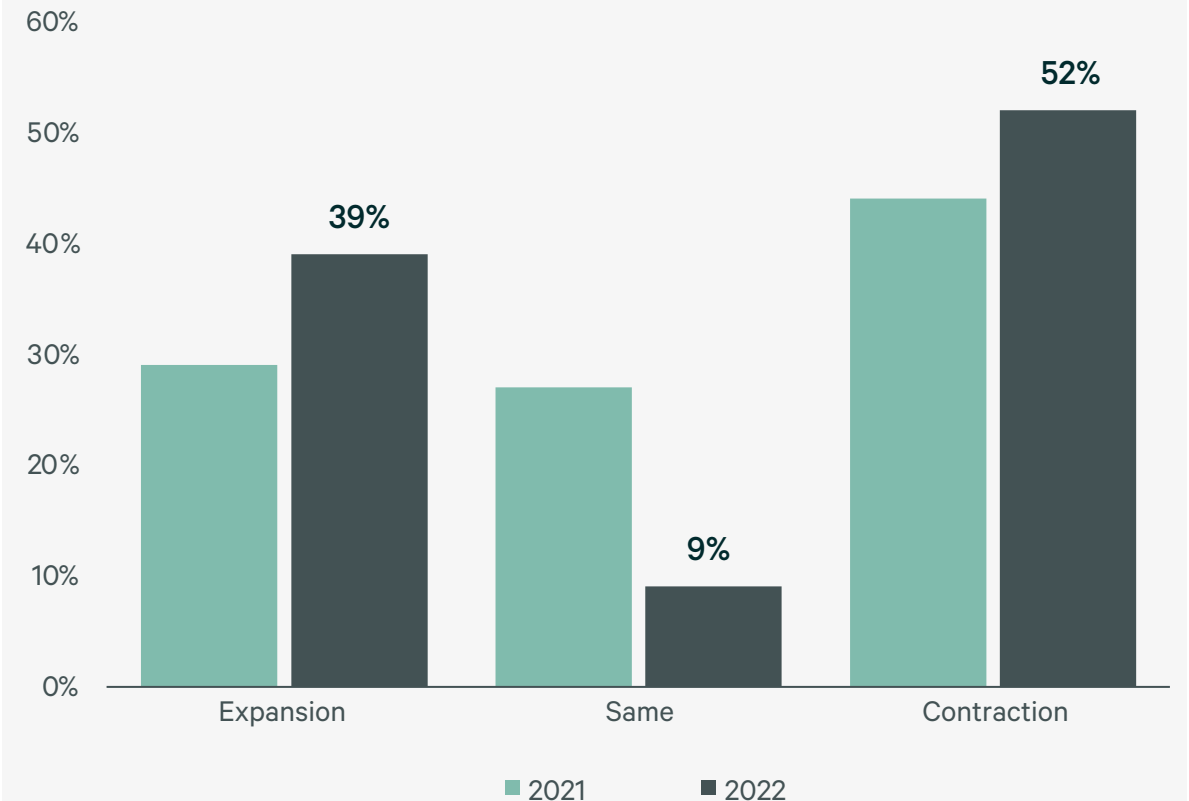
Respondents planning expansion say that business growth is the primary reason (76%). With office-using jobs near their pre-pandemic level and expected growth of 6% over the next two years, this expansionary sentiment is not surprising and has been an assumption of our office recovery forecasts.

Respondents anticipating contraction almost entirely indicate reasons associated with under-utilized office space due to hybrid working arrangements (84%). Fewer cite business contraction (12%) or expense reductions (18%). This sentiment toward contraction could easily reverse if office usage patterns reveal higher attendance on a regular basis.

Among large occupiers, contraction sentiment fell from last year: 62% expect contraction over the next three years vs. 81% in 2021. Space usage expectations will continue to evolve as companies better gauge office occupancy levels in the future.

Assuming only organic movement in the portfolio, which of the following best describes your long-term expectations for the total size of your portfolio over the next 3 years?

FIGURE 7: Portfolio Sentiment Strategy



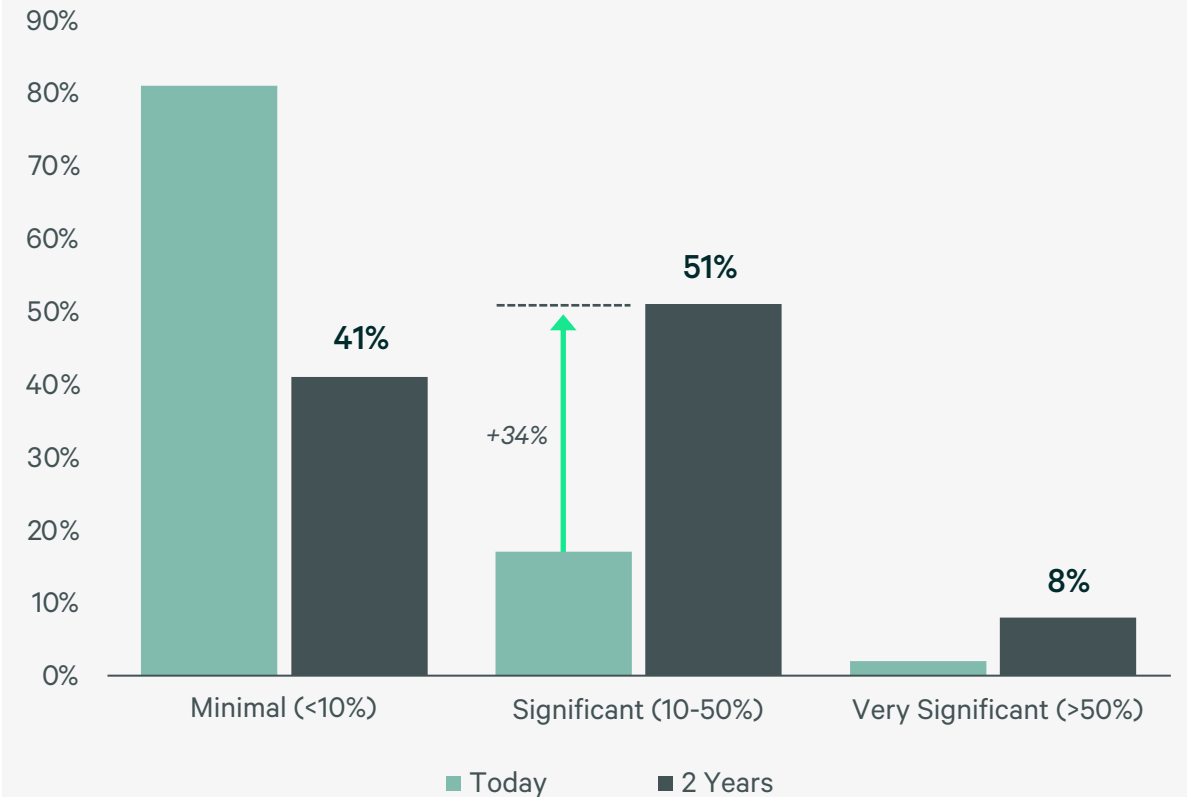
06 — Growth of Flexible Office Space Demand

2022 survey results were consistent with past sentiment indicating that flexible office space will play a bigger role for companies in the future.

More than half of respondents vs. 35% last year expect flexible office to make up a significant portion of their portfolio. Those planning to add more flexible office space will use it to test alternate workspace or occupancy models and designs, while reducing capital expenditure, offering employees meeting and collaboration space on demand and generally offering employees more choice over where to work. As companies grapple with new space utilization patterns, flexible office space is a viable strategy to satisfy immediate needs while preserving the agility to change course as lessons are learned.

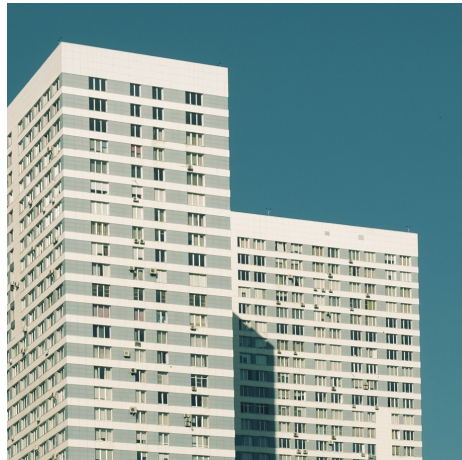
What percent of your portfolio is made up of flexible office space today? Over next two years?

FIGURE 8: Flexible Office Space Demand Growth



“
Although companies’ real estate portfolio mix has historically been a combination of leased and owned space, we see the trend shifting to...

a combination of leased, owned
and flex space in the future.



Craig Robinson
Chief Growth Officer,
Industrious



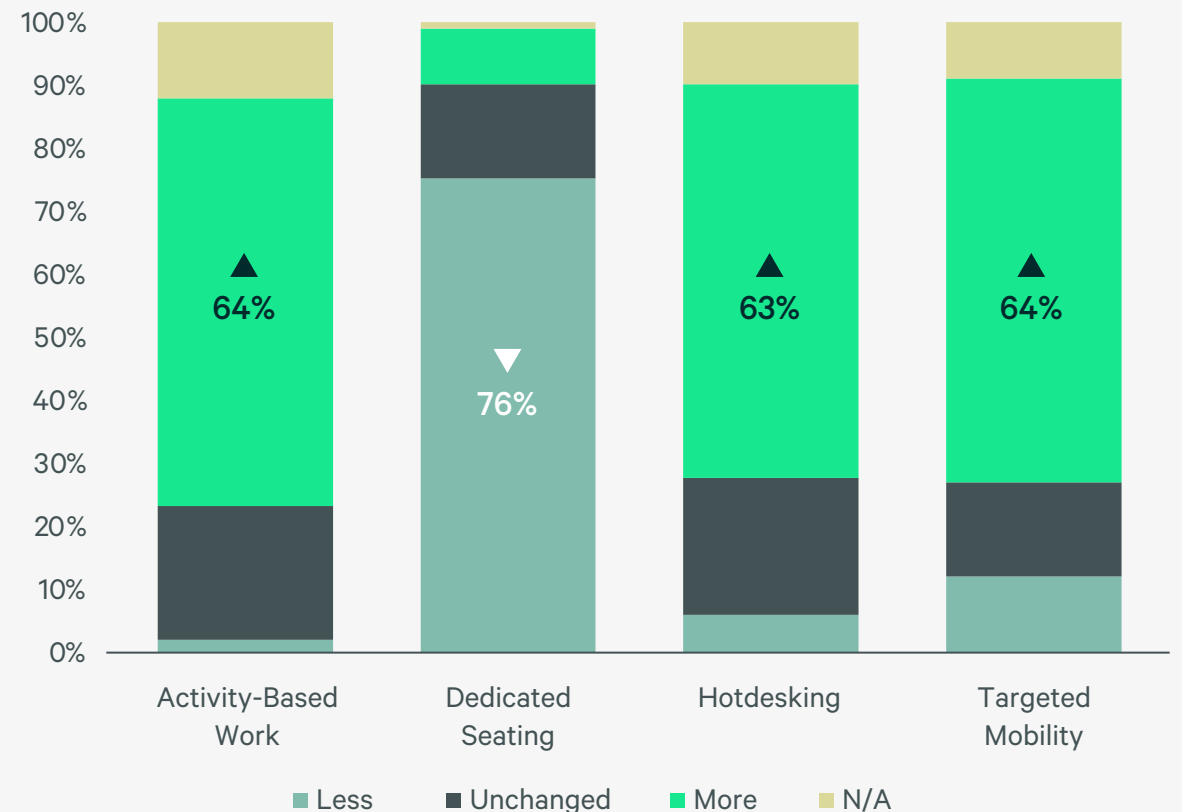
07 — Prioritizing Space Sharing

As companies plan for a return to the office under hybrid working patterns, there are space-sharing strategies being employed to mitigate the risk of office underutilization.

The most common occupancy strategy of assigned seating prior to the pandemic is giving way to a combination of activity-based assignments, hotdesking and targeted mobility. While shared seating was under consideration prior to the pandemic, the accelerated change since then has put this transformation on a fast track. Space sharing allows occupants more control over the entire space and when measured correctly allows companies to apply another layer of space usage efficiency. The extent and impact of space sharing on office demand will depend on how hybrid working arrangements are adopted. The requirement to satisfy peak occupancy periods and to implement new space design for collaboration will deter most companies from significantly reducing their office space in the near-term.

Looking ahead vs. pre-pandemic, what best describes the type of seating plans you anticipate in most of your workplace?

FIGURE 9: Shared Seating Intentions



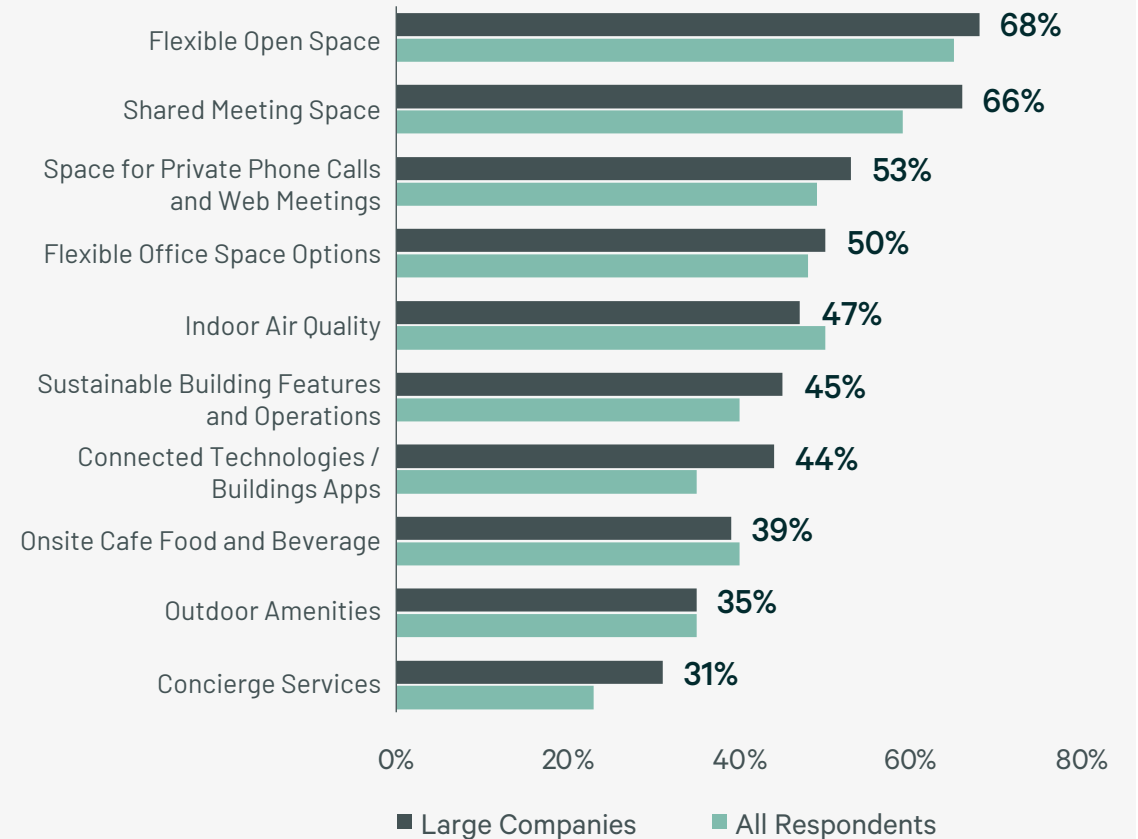
08 — Preference for Better Buildings

The most sought-after attributes of “better buildings” by large occupiers are mostly consistent with last year.

Sustainable building features and operations are increasingly important, as more companies strive to achieve net-zero carbon targets. Many landlords are shifting to operational real estate strategies that focus on experience and tenant satisfaction throughout the lease term vs. simply a long-term hold. Occupiers partnering with landlords to attract and retain talent is an essential way to enhance employees’ office experience.

What will be the most in-demand building attributes in the future?

FIGURE 10: Most Sought After “Better Building” Attributes by Large Companies



“
**Landlords are creating
better buildings...**

by aligning with tenant
requirements of flexibility,
experience and sustainability.

Mike Watts

President, Americas Investor Leasing,
CBRE

”



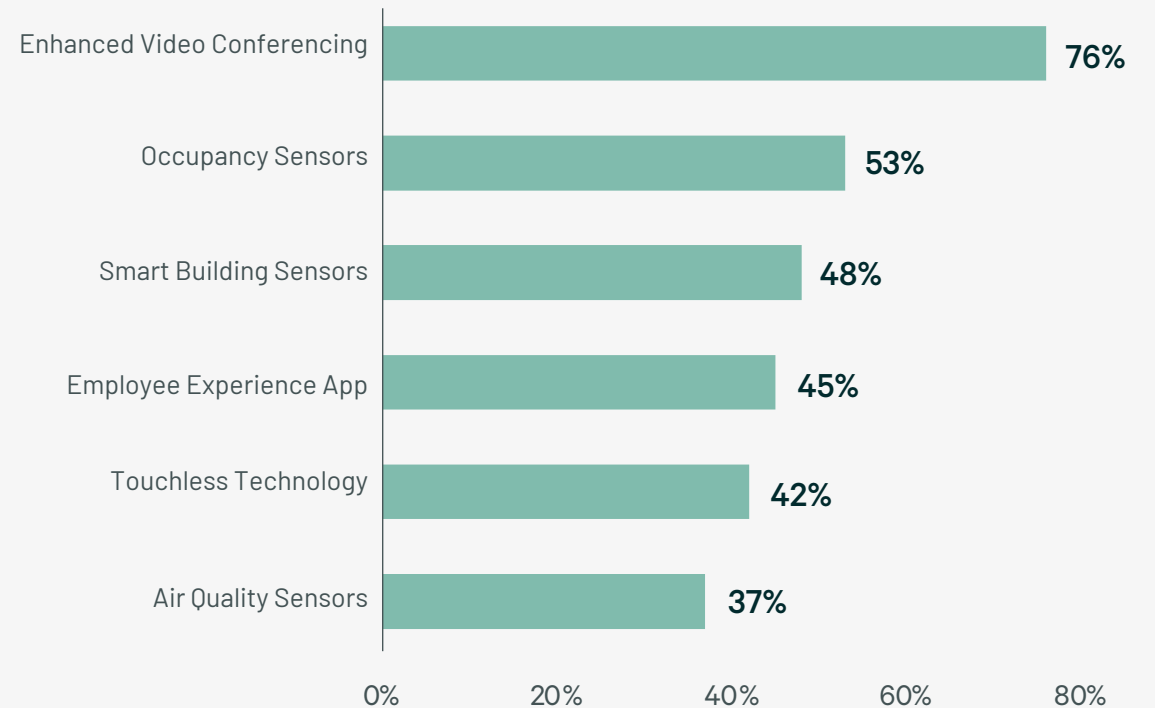
09 — Leaning into Technology

Occupiers are showing greater interest in blending the physical and virtual worlds to create affiliation between employees regardless of location.

Seventy-six percent of survey respondents ranked enhanced video conferencing as a top-three technology priority, with 44% indicating it is the No. 1 priority. Clearly, leveling the playing field between employees regardless of location is top of mind for companies. However, reimbursing computer hardware needs at home is not a priority, as most employers are focusing on actual office attendance rather than home office subsidies. Corporate real estate executives will lean into technology to drive more consumer-oriented experiences for employees, increase use of sophisticated mix presence collaborative tools and test new environments.

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

FIGURE 11: CRE Technology Adoption



Note: % of respondents that ranked each category as a top-three technology priority

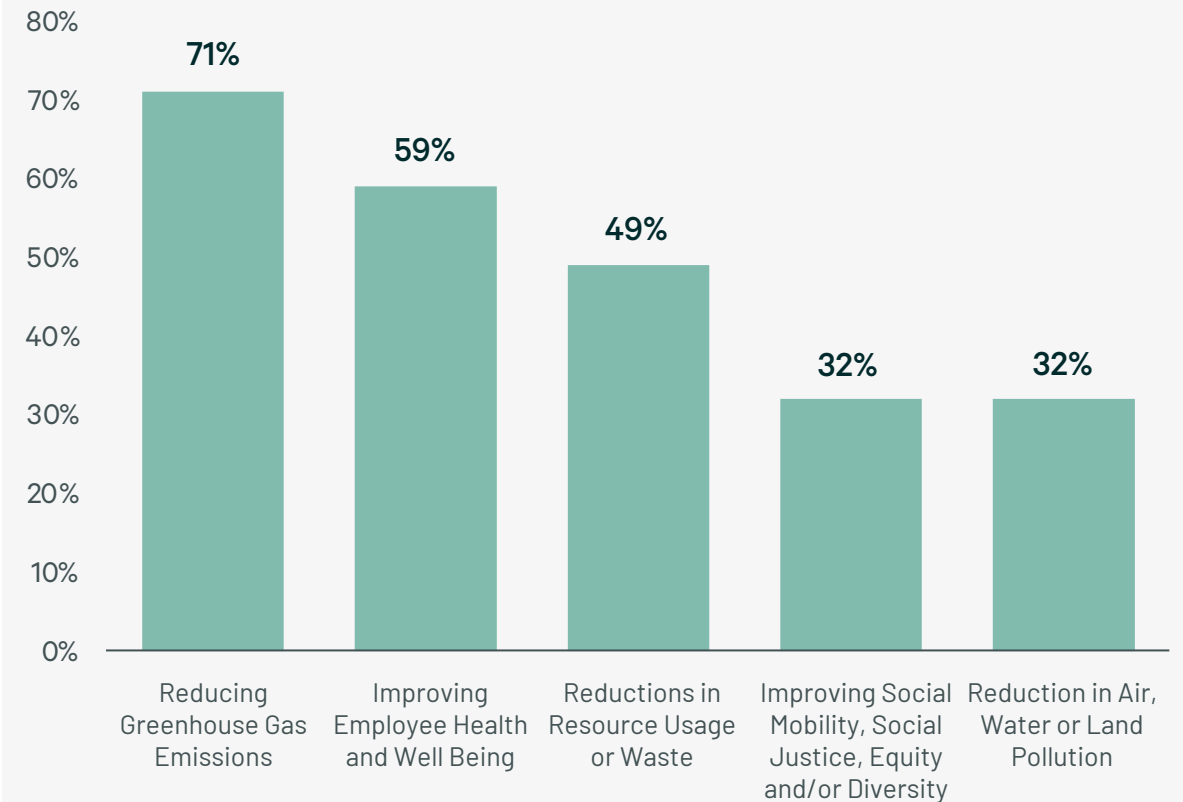
10 — Emphasis on ESG

As companies actively pursue a return to the office this year, they are increasingly considering how they can have a positive impact on environmental, social and governance (ESG) concerns.

Seventy-one percent of survey respondents are prioritizing a reduction in greenhouse gas emissions. This is even more important for large companies (89%), likely because they have large real estate footprints and many have agreed to achieve net-zero goals in the near future. Further, the Securities and Exchange Commission has proposed protocols to require public companies to report their carbon emissions.

What are your top three sustainability priorities for your real estate portfolio?

FIGURE 12: ESG Priorities





Generally, there is no one size fits all for a return to the office and how it will impact office demand and building preferences. But one thing is certain: Priorities are shifting as the office market recovery continues.

Companies are tasked with creating environments that make the value that employees place on being in the office equal to if not greater than the value they place on working remotely.

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