KEY FINDINGS

• The 2017 CBRE European Occupier Survey shows that occupiers’ thinking is strongly focussed on introducing efficiency gains and enhanced workplace strategies, underpinned by greater use of technology.

• Asked to state the major challenges to their future operations, 64% cited economic uncertainty, which is higher than last year and well above any other factor. Technology disruption is also rising up the agenda.

• Corporate real estate goals focus on two elements: cost-reduction, and strategic alignment between real estate and wider business aims. Talent attraction is also key. C-suites accept the need to balance these different aims, so the quality of workplace and the capture of relevant high-quality information are pivotal.

• Nearly three quarters of companies have looked to boost the space efficiency of existing buildings in the past year. We expect this to continue or even accelerate, driving further evolution of workplace strategies and new approaches to flexible working.

• Location strategies are dominated by the trade-off between labour and skills, and costs. Raising labour productivity is a key driver of profitability in a low-growth environment, so it is important to be able to show the benefits, financial and non-financial, of policies aimed at the skills agenda such as workplace and wellness.

• Workplace programmes are driven by collaboration, cost and flexibility aims, and increasingly sit within a broader and growing wellness agenda. This already affects property decisions: over 70% of those who have or are planning to introduce a wellness programme have some degree of preference for WELL-certified buildings.

• In looking to make their space work smarter, occupiers are focussing on three tools: disruptive technology, flexible working strategies and the use of shared space.

• Occupiers are increasingly using technology to generate large and complex streams of data and in some cases to develop predictive analytics. While some applications are currently aimed at the basics of occupancy management, their future potential is enormous.

• Flexible working strategies are maturing and now widely endorsed at C-Suite level. Their focus is shifting towards the technologies needed to support them. Virtual desktop access and video conferencing are increasing in popularity, with “bring your own device” also rising.

• With corporates focussed on footprint efficiency, flexibility, people and technology, growing appetite for shared space is a natural consequence. This is rising, mainly as a short-term solution but with potential to underpin wider cultural aims and shifts towards more flexible property models.
MAKING SPACE WORK SMARTER

Efficiency gains and enhanced workplace strategies are driving occupiers’ decision making.

GOALS AND CHALLENGES

GREATEST FUTURE CHALLENGES

64% ECONOMIC UNCERTAINTY and technology disruption a growing concern

KEY FOCUS AREAS FOR CRE STRATEGY

90% OF OCCUPIERS say cost-reduction and business alignment

TOP COST-SAVING METHODS

70% Space efficiency programmes

58% Disposal of vacant space

DRIVERS OF ON/OFF-SHORE STRATEGY

86% COST 78% LABOUR & SKILLS

WORKPLACE STRATEGY

QUALITY OF WORKPLACE IS THE KEY FACTOR FOR CRE GOALS

65% Top workplace driver: Better collaboration

66% Top workplace factor for labour force: Indoor environmental quality

THE WELLNESS AGENDA IS COMING OF AGE

72% Prefer well-certified buildings

FUTURE TOOLS

SMART TECH – GETTING THE BASICS RIGHT

66% Aiming to optimise occupancy management

50% Technologies seen as key success factor

MORE DEMAND FOR SHARED SPACE

70% More interest over the next three years

Driven by: short term needs and lease flexibility

WHAT SHOULD ORGANISATIONS THINK ABOUT?

OCCUPIERS

Turn portfolio and workforce insight into advantage through intelligent application of building and workplace technologies.

INVESTORS

Future-proof assets to attract and retain tenants. Prepare for new forms of occupancy.

Source: CBRE Research, 2017
In recent years, major occupiers have looked to manage their cost base aggressively while remaining open to expansion and growth opportunities.

Some of the measures implemented early in the recovery cycle have been exhausted, but at the same time corporate thinking around workplace, wellness, and flexible working models has evolved into a new phase. Occupiers’ thinking is strongly focussed on introducing efficiency gains and enhanced workplace strategies, increasingly underpinned by greater use of technology.

The 2017 CBRE European Occupier survey covered 131 companies. Nearly 90% of the companies surveyed are headquartered in either Europe or North America, and two-thirds have a remit that is either global or EMEA-wide.

The survey covers a range of sectors, with four dominant components: technology and telecoms, banking and finance, professional services and manufacturing.

**FIGURE 1: SAMPLE COMPOSITION BY SECTOR**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology and Telecomunications</td>
<td>24%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>21%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>17%</td>
</tr>
<tr>
<td>Banking and Finance</td>
<td>19%</td>
</tr>
<tr>
<td>Insurance</td>
<td>3%</td>
</tr>
<tr>
<td>Healthcare and Life Science</td>
<td>4%</td>
</tr>
<tr>
<td>Distribution and Logistics</td>
<td>4%</td>
</tr>
<tr>
<td>Retail</td>
<td>2%</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>2%</td>
</tr>
<tr>
<td>Media</td>
<td>2%</td>
</tr>
<tr>
<td>Petroleum and Automotive</td>
<td>2%</td>
</tr>
<tr>
<td>Retail</td>
<td>2%</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>2%</td>
</tr>
<tr>
<td>Media</td>
<td>2%</td>
</tr>
<tr>
<td>Insurance</td>
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</tr>
<tr>
<td>Distribution and Logistics</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2017
THE BIG PICTURE

Asked to state the major challenges to their organisations’ future operations, 64% cited economic uncertainty as a concern, which is up from 58% last year and more than thirty percentage points higher than any other response this year. Political developments will have undoubtedly played a part in this, specifically uncertainty over the timing and terms of Brexit, and the changing policy regime in the US. The unusual nature of this cycle also plays a role, with Quantitative Easing and ultra-low interest rates part of the policy framework for many years but likely to be unwound soon. Heightened economic uncertainty is probably regarded by many occupiers as the default position, at least in the short-term.

Cost escalation and changing workforce preferences also feature for about a third of companies, although in the case of costs this is a lower reading than last year. Also heading lower is regulation and legislation – a major area of concern for the finance sector in recent years – suggesting that their expansion in risk and compliance has run its course and is no longer “new”.

One notable area of increase is technology disruption (up nine percentage points to 33%). Accelerating technological innovation, both as a potential business disruptor and also an opportunity, features strongly in occupiers’ thinking.

64%: Economic uncertainty is a key challenge

Asked to state the major challenges to their organisations’ future operations, 64% cited economic uncertainty as a concern, which is up from 58% last year and more than thirty percentage points higher than any other response this year. Political developments will have undoubtedly played a part in this, specifically uncertainty over the timing and terms of Brexit, and the changing policy regime in the US. The unusual nature of this cycle also plays a role, with Quantitative Easing and ultra-low interest rates part of the policy framework for many years but likely to be unwound soon. Heightened economic uncertainty is probably regarded by many occupiers as the default position, at least in the short-term.

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FIGURE 2: GREATEST CHALLENGES FOR ORGANISATION’S FUTURE OPERATIONS

<table>
<thead>
<tr>
<th>Challenge</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic uncertainty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost escalation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce/ talent preferences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology disruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tighter regulation or legislation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2017

OCCUPIER INSIGHT
- Scenario-plan.
- Stay close to political debates.

INVESTOR INSIGHT
- Assess and price risk in a more event-responsive occupier market.
- Build occupier sensitivities, including worst-case scenarios, into asset selection.
Brexit: The Changing Landscape

47%: Brexit a material issue
60%: Changes to trading arrangements or ability to operate in European markets are key concerns

Brexit is one of the key areas of uncertainty affecting occupiers. Nearly half see Brexit as a material issue for their operations, with activities in the UK seen as particularly susceptible.

The impacts are likely to be felt differently across sectors. In banking and finance, 71% of companies see the issue as significant or very significant, compared with 61% for professional services and only 25% in technology and telecoms. Among those who see Brexit as an issue, the main areas of concern are possible changes to trading arrangements or the introduction of tariffs (32%), future ability to operate in European markets (28%) and general policy uncertainty (27%).

A surprisingly small number have concerns around their ability to access sufficient skilled labour. Technology and telecoms companies typify this – none who see Brexit as important cite labour access as the reason. Large, mature tech occupiers – who comprise the bulk of the response base – have other issues to deal with including M&A deals such as Verizon with AOL and Yahoo! or disposal of unprofitable business lines. These may offer surplus capacity in various areas, including labour, and in any case they have robust systems for attracting talent – such as strong links with major tech universities – as well as inherent strengths of brand and reputation.

It’s a different story for the start-up community and SME’s, who are more concerned about possible labour shortages, as well as escalating wages and a reduction in funding. There is concern that Venture Capital funding to companies outside the EU will be reduced. Some medium-sized American tech companies say they have curtailed growth plans for London in favour of other locations in Europe, particularly Dublin.

FIGURE 3: THE SIGNIFICANCE OF BREXIT

| Source: CBRE Research, 2017 |

FIGURE 4: MAIN CHALLENGES OF BREXIT

| Access to sufficiently large/skilled labour pool | 2% |
| Exchange rate fluctuations | 8% |
| General policy uncertainty | 27% |
| Possible changes to trading arrangements/tariff introductions | 32% |
| Ability to operate in European markets | 28% |

Source: CBRE Research, 2017
Given this background, what are the main elements of corporate real estate (CRE) strategy, and what steps are involved in delivering it? CRE goals remain very diverse, but there are two clear strands: cost-reduction and strategic alignment between real estate and wider business aims, both of which are mentioned as essential by around 90% of companies. Clearly these aims can act against each other, and the challenge of balancing them is reflected in many of the priorities that follow. Talent attraction across the business is not far behind, with 77% citing this as a key goal of CRE.

Having a clear set of objectives is important; understanding how to achieve them perhaps even more so. The role of “productive and flexible workspaces”, in itself, as an enabler of these goals is rising (71% vs 57% last year), and so there is more focus on delivering space efficiency. The importance of enhanced C-Suite sponsorship has dropped sharply (29% vs 46% last year) indicating that CRE mandates are more mature and “permission” no longer necessary. The flow of high quality and accurate data to inform CRE decisions is down a little but still attracts a 68% response – we take this as evidence that capturing and using good multi-source information, and establishing a technology platform to do so, remains a high priority.

**OCCUPIER INSIGHT**

- Whatever it is get on with it - the C-Suite is already on board.
- Identify and gather required data.

**INVESTOR INSIGHT**

- Accept that space-flexibility is central to occupier agenda, and here to stay.
- Expect occupiers to adopt a more activist approach to their portfolios.

**FIGURE 5: MOST IMPORTANT CRE STRATEGY ELEMENTS**

- **90%** Cost-reduction
- **89%** Business integration/alignment with enterprise level goals
- **77%** Talent attraction and development to support the wider business

**FIGURE 6: ACTIONS NEEDED TO ACHIEVE CRE GOALS**

- Productive and flexible workspaces
- Better data quality and accuracy
- Improved C-suite/senior management sponsorship
WHERE IN THE WORLD AND WHY: WHAT DRIVES ON AND OFF-SHORE STRATEGIES?

The global pattern of a corporate’s footprint is affected by multiple factors. Two stick out though – high-quality labour and skills, and cost management. Of those who highlighted these factors, 78% regard labour and skills as essential or somewhat essential. The corresponding figure for cost was 86%, with business alignment the next highest at 64%.

The importance of labour and skills access has risen compared with last year’s survey. It also varies by country: companies headquartered in the UK give greater credence to labour and skills than to cost. The reverse is true for companies headquartered in continental Europe.

78%: Labour and skills is a key driver of global location strategy
91%: Companies headquartered in the UK see labour and skills as top priority

In a generally low-growth environment, boosting corporate profitability through productivity gains is widely seen as a priority. At this stage in the cycle though it is particularly relevant: unemployment fell in 24 of the 28 member states of the EU in 2016 and stands at 8.2% for the area as a whole.

At the same time, the need to manage costs is still paramount. This is evident in choice of specific locations and building-selection decisions as well. It is also leading to scrutiny by some sectors, especially finance, on the costs associated with high-cost CBD areas for functions that may be viable in cheaper locations.

At global level, locations that offer cost advantages as well as expanding skills pools are clearly attractive, particularly if they also offer strategic growth opportunities. Fifty percent see India as a favoured expansion destination over the next two years, with nearly 40% each highlighting South East Asia and China. Over 40% expect to be contracting in Western Europe.

**FIGURE 7: PORTFOLIO EXPANSION OR CONTRACTION?**

<table>
<thead>
<tr>
<th>Region</th>
<th>Contract</th>
<th>Stable</th>
<th>Expand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>40%</td>
<td>35%</td>
<td>14%</td>
</tr>
<tr>
<td>North America</td>
<td>39%</td>
<td>39%</td>
<td>23%</td>
</tr>
<tr>
<td>Central and South America</td>
<td>26%</td>
<td>48%</td>
<td>26%</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>22%</td>
<td>48%</td>
<td>30%</td>
</tr>
<tr>
<td>China</td>
<td>17%</td>
<td>44%</td>
<td>39%</td>
</tr>
<tr>
<td>South East Asia</td>
<td>13%</td>
<td>51%</td>
<td>36%</td>
</tr>
<tr>
<td>India</td>
<td>12%</td>
<td>38%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2017

**FIGURE 8: DRIVERS OF ON/OFF SHORE STRATEGY 2016**

- **Cost**: 86%
- **Labour & Skills**: 78%
- **Business Alignment**: 64%

Source: CBRE Research, 2017

**OCCUPIER INSIGHT**
- Analyse skills profiles of different markets.
- Refine ways to prove the benefits of workplace and wellness.

**INVESTOR INSIGHT**
- Assess the labour market characteristics of investment locations, because occupiers will.
- Favour locations where occupiers see scope for expansion.
DELIVERING EFFICIENCIES: FOCUS ON THE SPACE

70%: Space efficiency programmes had the greatest impact on reducing costs

Overwhelmingly, the focus of cost management is on driving efficiencies in the use of existing space by various means, including restructuring. This was highlighted by 70% of companies, up from 52% in the previous year. Closely linked, 58% say they are managing costs by disposing of surplus or vacant buildings.

This is part of what’s driving the evolution of workplace strategies and new approaches to flexible working. It is also partly pragmatic: other initiatives have already been pursued earlier in the cycle, such as Capex reductions and revised energy and supplier contracts. The progression of the cycle, with rents now having risen in many markets, makes lease renegotiations less attractive. Only 48% said they had successfully renegotiated leases on existing buildings over the past twelve months, compared with 67% last year.

There are some sector variations in these results. Technology and telecoms are more focussed on space efficiency and restructuring programmes (81%) and less concerned about disposals or lease renegotiation. By contrast, banking and finance companies favour disposal of surplus or vacant space (73%) including, in many cases, rationalisation of branch networks. Professional services companies also rate disposals as the preferred route.

We expect a continuation, and more likely an acceleration, of this focus on the efficiency and performance of the existing building footprint. This will require setting baseline metrics for existing performance, harvesting regular information to track it and understanding the impact of new or flexible approaches to work. This last area naturally links into the motives and contents of workplace and wellness programmes.

FIGURE 9: COST SAVING - DELIVERING EFFICIENCY

<table>
<thead>
<tr>
<th>Cost-saving Initiative</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space efficiency/restructuring programmes</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>Disposal of vacant or surplus space</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Lease renegotiation on existing spaces</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Capex/OPEX reduction initiatives</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Fit-out sourcing negotiations</td>
<td>20%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2017

OCCUPIER INSIGHT

- Identify cost-saving initiatives that can be introduced without detriment to strategic objectives.
- Develop the information base necessary to understand the cost profile of the existing portfolio.

INVESTOR INSIGHT

- Anticipate greater occupier decisiveness in identifying “core” and “marginal” operating locations.
WORKPLACE STRATEGY: COLLABORATION AND THE COST SAVING-BUSINESS AGILITY BALANCING ACT

65%: Collaboration with clients and colleagues is key driver of workplace strategy
66%: Indoor environmental quality important to the labour force

In pursuing objectives of both cost management and enhanced skills access, an ability to show the benefits of policies aimed at the skills agenda is critical. These include evaluating and demonstrating both the financial and non-financial benefits of workplace and wellness policies. The focus on workplace strategies is as strong as ever, and appreciation of the wellness agenda evolving rapidly – those who can deliver these goals commercially will have a clear advantage.

The desire for collaboration between customers, colleagues and co-workers is still the top driver of workplace strategy, cited by 65% of occupiers which is marginally down on last year. Higher readings in cost (61%) and business flexibility (47%) account for this decline, reflecting the dual CRE goals mentioned already.

This reflects a smart and creative approach to delivering space efficiency as well as aligning with wider corporate strategy. Collaboration drives more efficient occupation of floor space thereby reducing costs, while also driving enterprise innovation and progression, through encouraging sharing of ideas and group approaches to problem solving.

For technology occupiers, solving knowledge problems is at the heart of their business models. As this is often best solved through face-to-face group interaction, collaboration is seen as a “norm”. Nearly two-thirds see it as a driver of workplace strategy, whereas 70% cite costs.

Many professional services firms still occupy buildings in a very traditional way, but are looking to modernise. 74% highlight business agility and flexibility as the key driver of workplace strategy, and 70% are targeting better collaboration.

Overall, indoor environmental quality is seen as the most important feature to the labour force, according to 66% of companies. Technologies that enhance the internal environment are often expensive, indicating that cost-consciousness is not the overriding driver of workplace strategy. Employee and client experience is an increasingly important driver – almost a quarter mentioned it – reflecting the importance attached to indoor environmental quality, as well as flexible working and amenity provision.

This all gives rise to a need to measure more rigorously the value of both collaboration and quality and productivity of the indoor environment across a variety of workspace types. The capacity to do this is evolving and, since it is clearly at the forefront of CRE decision-making, we expect it to accelerate.
• Don’t sacrifice innovation for costs: collaboration efficiencies improve both.
• High quality working environments boost tenant appeal and income.
• But, drivers of workplace strategies aren’t the same for all occupiers.
• Future-proofed assets will be those best able to adapt to suit occupiers’ needs.

There is a broader and growing wellness agenda behind these findings. This is shown in the strong focus on customer experience and continued high ratings for elements of the workplace offer, such as indoor environmental quality and amenities.

Compared with last year, fewer companies say they currently have a wellness programme though a select group say they plan to introduce one in the future. This suggests a maturing in the understanding of what is meant by wellness, and acceptance that certain workplace features (for example, a canteen) do not in themselves constitute a wellness programme.

For those who currently have or intend to introduce wellness programmes (71%), the components are much broader, with a focus on awareness of health issues rather than facilities or more material programmes. This reflects a wider cultural change among European organisations. Wider awareness of stress, and its implications on wellbeing and productivity, is partly behind these results.

72%: Some degree of preference for WELL-certified buildings

For those who currently have or intend to introduce wellness programmes (71%), the components are much broader, with a focus on awareness of health issues rather than facilities or more material programmes. This reflects a wider cultural change among European organisations. Wider awareness of stress, and its implications on wellbeing and productivity, is partly behind these results.

WELLNESS IS COMING OF AGE
This will increasingly feed through to implementation – evidence of this can already be seen among large global occupiers, some of which are deploying a range of low to high-cost programmes aimed at attracting and retaining talent, engaging the workforce and ultimately boosting productivity.

This is already having an impact on building selection. 72% of those who have or are planning to introduce a formal wellness programme have some degree of preference for WELL-certified buildings. The wellness agenda is rapidly becoming a core pillar of workplace strategy.

**FIGURE 13: ELEMENTS OF WELLNESS PROGRAMMES WIDENING**

<table>
<thead>
<tr>
<th>Program</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health/wellbeing sessions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing healthy food options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mental health awareness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relaxation/mindfulness sessions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organised exercise programme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainable design/building certification</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2017

**FIGURE 14: WELLNESS AFFECTING BUILDING SELECTION**

- No impact: 28%
- Marginal preference for WELL-certified buildings: 39%
- Strongly favour WELL-certified buildings: 27%
- Will only occupy WELL-certified buildings: 6%
- No impact: 28%

Source: CBRE Research, 2017

**OCCUPIER INSIGHT**

- Companies now understand what ‘wellness’ means, so are devising implementation strategies.
- Consider the full range of tools available - building technology, facilities, wearable technologies - to support a wellness approach that is consistent with your aims and values.

**INVESTOR INSIGHT**

- Wellness influences occupiers’ building selection decisions.
- WELL-certification for new buildings, and retrofitting for existing ones, will become more important appraisal elements.
Implementing Workplace Strategy: Making Space Work Smarter

Running across all the elements of the corporate property agenda - CRE goals, on/off-shore strategy, workplace strategy and wellness - are the mechanisms through which occupiers can achieve their key aims.

This year the message is clear. Technology and innovative thinking underpin the tools that occupiers are deploying to make their space work smarter. The three key areas where they are focusing are: the application of disruptive technology, flexible working strategy and the use of shared space.

In order of priority, the application of disruptive technologies is focused on occupancy management (66%), facilities management (60%) and, only to a lesser extent, customer experience (49%).

With occupiers focussed on driving efficiency gains in their portfolios, they clearly see innovative technologies as one of their weapons, hence the focus on occupancy management as the main objective. In this sense, occupiers are focused on getting the basics right through measuring utilisation, internal occupancy patterns and people flows - generally managing space more efficiently.

 Occupiers are also using technology to generate vast and complex streams of data, about building usage and people. Among other things this helps to prove business cases for a wider range of CRE activities, and if harnessed intelligently and in sufficient volumes, can have forward-looking power. This is predictive analytics. The true capability of this technology is therefore yet to be fully utilised – and before it is, occupiers need to “walk before they can run” – but the potential is enormous. True leading edge technology and buildings will evolve over time to incorporate machine learning and cognitive technologies to

DISRUPTIVE TECHNOLOGY BEING USED: OCCUPANCY MANAGEMENT AND BEYOND

66%: Occupancy management is a key objective in the use of disruptive technologies
59%: See a role for smart building sensors in achieving key technology-driven aims

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Disruptive Technologies

- Smart building sensors
- Predictive analytics
- Personal environment control systems

Source: CBRE Research, 2017
enhance user experience and building performance even further. The risks associated with this process, including cybersecurity and personal privacy as well as impacts on social wellbeing and mindfulness will also need careful assessment.

Smart sensors are fast becoming the technology of choice through which occupiers look to achieve these goals, and to generate more connected metrics across people, places and things. They rank as the top tool across all objectives, scoring highest in occupancy management (71%), workforce productivity systems (70%) and building management (68%). More broadly, the growing volume of analytics connected to buildings will require a shift towards generating and using predictive analytics to turn insight into advantage.

**FIGURE 16: OBJECTIVES FOR DISRUPTIVE TECHNOLOGY**

- Innovative technologies can drive efficiencies within portfolios.
- Optimising use of workstations and cutting energy usage are just two examples, but the potential applications are vast.

**OCCUPIER INSIGHT**

- Evaluate the extent to which investment assets can incorporate the latest smart technologies, and whether new developments incorporate them from the outset.
- Assess the impact on ROI of paying for the smart tech of tomorrow.

**INVESTOR INSIGHT**

Source: CBRE Research, 2017
Flexible working strategies have matured. Their concepts and principles are now accepted, so only 51% regard C-suite endorsement as a success factor compared with 57% last year.

This hurdle having been crossed, the spectrum of success factors is broadening. The focus is now on the technologies and practical tools needed to support flexible working. Virtual desktop access and video conferencing have seen the biggest increases in popularity (up by 35 and 28 percentage points respectively), with “bring your own device” also rising considerably. On average, technology tools are highlighted as success factors for flexible working strategy by 50% of occupiers, up from 24% last year.

The need being expressed here could either be for better use and improved performance of existing technology tools, or the introduction of new technologies to raise standards.

OCCUPIER INSIGHT

- Prepare for changes in workforce demands around flexibility and work-enabling technologies.
- The rise of the millennial generation will force the evolution of flexible working strategies, which in turn will become increasingly integral to CRE strategy.

FLEXIBLE WORKING: THE NEXT PHASE

50%: Technology a component of successful flexible working strategy, compared with 24% in 2015

INVESTOR INSIGHT

- Flexible working will bring changes to building usage patterns and less need for workers to be in the office all the time. How adaptable are your assets to the new flexibility?

FIGURE 17: FLEXIBLE WORKING - ENABLING WORK THROUGH TECHNOLOGY

Source: CBRE Research, 2017
Growing appetite for shared space is a natural consequence of elements of the corporate agenda – space efficiency, flexibility, people and technology – as it satisfies many of these goals and looks set to rise.

The survey records 70% growth in interest in using shared space substantially or moderately over the next three years. This is driven by growth in co-working spaces in particular – almost half of European occupiers surveyed expect to have moderate or substantial use of co-working space by 2020. Growth in expected use of shared space is greatest in the Dutch, German and, to a lesser extent, UK markets.

70%: Growth in the interest expressed for substantial/moderate usage of shared space over the next three years

Co-working space emerging as the most popular form of shared space

So, what are the reasons why occupiers are using or considering shared space? The overriding theme is one of practicality. The main motivation for using shared space is as a short-term space solution (52%), closely followed by increasing lease flexibility (48%) and reducing costs (45%).

Until recently, shared space, particularly co-working, incubator and innovation space, has been the domain of SMEs and start-ups, partly for reasons of necessity and size, partly due to its cultural connotations. Over the last year or two, however, larger firms have been increasingly attracted due to the flexibility that shared space provides. Overspill space for project teams, temporary space between leases or experimental space to test partnering or knowledge-sharing with other firms, are all corporate demands that shared space can satisfy.

FIGURE 18: CURRENT AND FUTURE SHARED SPACE USAGE

FIGURE 19: GROWTH IN INTENDED USE OF SHARED SPACE STRONGER IN WESTERN EUROPE

OCCUPIER INSIGHT

- Consider the circumstances in which shared space might provide a solution to occupational needs.
- Be mindful that the scale and quality of the offer varies widely across the region.

INVESTOR INSIGHT

- Recognise expected growth in demand for this type of space, clearly signalled by occupiers.
- Think of this as a diversification opportunity, or even the emergence of a new asset class.

Source: CBRE Research, 2017

164% Netherlands

115% Germany

60% United Kingdom

38% Italy
FIGURE 20: WHICH SHARED SPACES ARE MOST ATTRACTIVE?

- Business incubator or accelerator
- Innovation centre
- Co-working space
- Serviced/furnished offices

Next three years
Currently

Source: CBRE Research, 2017

FIGURE 21: THE PRACTICALITY OF SHARED SPACE

- Need a short term space solution (52%)
- Increase flexibility in leasing terms (48%)
- Reduce costs (45%)

Source: CBRE Research, 2017

CONCLUSIONS

• High-levels of economic uncertainty, combined with the need to balance cost management with strategic alignment, frame the landscape that occupiers are working in.

• As a result, the focus is very heavily on securing efficiencies and refining workplace strategies within the existing corporate footprint.

• Separately, and in combination, greater technological innovation, enhanced flexible working strategies and growing use of shared space, are becoming integral elements of CRE strategy.

• Technology is being widely used to understand and manage space usage. It increasingly offers the potential for greater value-add through enhancing working environments, improving the quality of employee experience and ultimately supporting business performance.

• Turning insight into advantage through intelligent application of building and workspace technologies is the next challenge for forward-looking occupiers.

• These findings present challenges for investors and developers as well. There is a growing need to ensure that investments are future-proofed and capable of delivering the internal infrastructure to support these technologies and sustain buildings’ tenant appeal.

• Understanding the needs and investment characteristics of shared space will become more important.
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