

PAN-EUROPEAN OFFICE OCCUPIER SURVEY 2024

THE NEW EQUILIBRIUM
IN OFFICE NEED

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

Moving to the office's new role of fostering connection and demonstrating values

One of the most enduring aftereffects of the pandemic is the increased preference for remote work, leading to a drop in office space per employee.

It is an outcome adding further complication to offices as an asset class for investors on top of structural issues like higher finance costs and energy obsolescence. For occupiers thinking about the cost of unoccupied space, hybrid working raises the question of usefulness. It makes for a very uncertain environment in a sector traditionally seen as offering a clear pathway.

Yet hybrid working models simply magnify the post-war development in how information is processed. Technological developments contribute to change in the historic function of the office as an information processing "factory". That function is dissipating with more basic tasks becoming digitized and shunted towards data centers. The end point of this change is still unfolding as hybrid working develops with improvements in technology.

Consequently, the role and functions of the office have not entirely disappeared. Instead, they are also evolving in tandem with technology. It is leading to much higher expectations on environment quality from organisations and employees. The office is increasingly a place to meet people: colleagues and clients like to meet each other in nice places.

Remote meetings are decidedly functional in nature; their main purpose is to exchange basic information. The benefits of spontaneity, non-verbal communication, availability, and increased involvement are hard to replicate in a virtual environment. They all flow more easily in person. Companies like this way of fostering collaboration and building a strong company culture, and sense of belonging.

It also reflects the change in value of work generated out of offices. Work increasingly has higher value attached to it becoming less about information processing and more about creation. There is a drive towards offices that are an expression of ethical values. Buildings must deliver on ethical values in an operational sense. Modern companies prioritize having the right workspace to engage employees, attract and retain talent. They also want to address ethical concerns about environmental impact, energy efficiency especially, with evidence that substantiates claims.

Hybrid working is a new stage in office evolution as it transitions away from basic information processing. This process is by no means complete. The office remains an important part of operational infrastructure of a business, and increasingly serving as means to create both monetary and ethical value. Transition of this nature requires a comprehensive and forward-thinking approach to navigate the challenges of the evolving workplace landscape. As we move forward, the office will continue to adjust to the changing priorities of the modern workforce.



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Key takeaways



Working from home to a plateau



Offices asserting their value as a teamwork value



Office size optimisation mostly completed



Accessibility and comfort essential to office choice



Good momentum for office-based employment

Looking back over the past year, European economies narrowly avoided a recession. However, the big picture remains one of moderate growth.

DESPITE CHALLENGING TIMES, EUROPEAN ECONOMIES HAVE PROVED RESILIENT

There has been little to no growth over the past year, as high inflation and rising interest rates have taken a toll across the continent. That said, there have been pockets of resilience in the broader economy. Unemployment rates have stayed low and activity in the service sector has generally held up better than expected. This reflects a combination of factors including structurally tight labour markets.

Total employment held up much better than GDP during the pandemic, helped by the various government support schemes established to keep people in work. As such job losses were limited, and mostly concentrated in the consumer driven sectors such as the hospitality sector.

Meanwhile, office-based employment saw a very small fall in 2020 (-0.5%), which was followed by a strong rebound in 2021 (3.3%). The momentum carried over into 2022 (4.2%) and 2023 (3.3%), with both total and office-based employment growing strongly. Given this, from 2024 onwards we expect the pace of employment growth to ease.



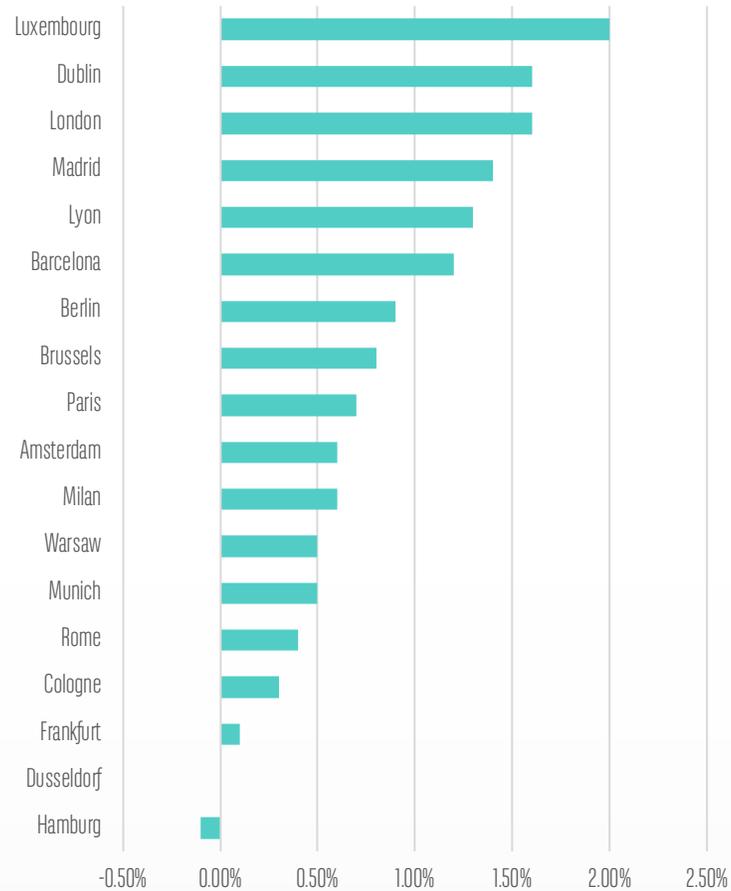
Still, office-based sectors will lead job creation in European cities over the next five years, growing by an average of 1.0% per year, compared to total employment growth averaging 0.7% per year, according to Oxford Economics. The employment increase represents just over 500,000 new office-based jobs across our 18 major cities.

While the outlook for office-based employment in European cities is generally positive, as always there is much variation across the cities. We forecast Luxembourg, Dublin, Madrid, and London to see some of the fastest growth in office-based jobs over the next five years, as shown in Chart 1.

Barcelona, Lyon, and Berlin should also see relatively fast growth in office-based employment over the period of 2023-27. We expect Berlin to comfortably outpace all other major German cities, continuing its recent dominance. Highly educated workforces are likely to provide major advantages for Brussels, Amsterdam, and Paris. Conversely the German cities of Frankfurt, Dusseldorf and Hamburg are likely to underperform their peers in terms of office jobs growth.

When considering absolute gains in office-based employment over the next five years, the ranking changes somewhat. Given its dominant size, we anticipate the largest increase to be in London, followed by Madrid and Paris—both also helped by their scale. As Europe's two largest cities and global centres of finance and business, London and Paris have by far the highest shares of office-based sectors in their total employment, 52% and 47% respectively, compared to the 18-city average of 35%. Therefore, it is not surprising that they come out near the top in terms of absolute gains in office-based jobs. For Madrid, we expect particularly strong gains in information & communication to drive office jobs over the medium term.

**Chart 1. Office-based employment
5yr Average Growth (% p.a.)**



Source: Oxford Economics



These favourable developments in the labour markets can help to mitigate some of the impact of structural changes in work patterns on demand for office space. Demand is now concentrated on prime assets, particularly in the central business districts (CBD) of the cities. With an already limited availability of space, we see attractive rental growth in prime assets in the main European CBD.



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1. Offices in the post-Covid era

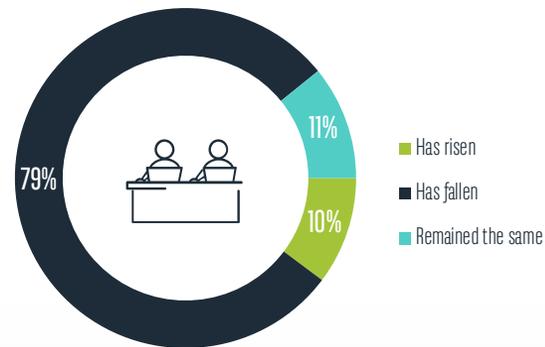
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Post-Covid office use

Irregular attendance makes office use more like commuting patterns

Compared with the pre-covid period, would you say that the occupancy level* of your offices ...

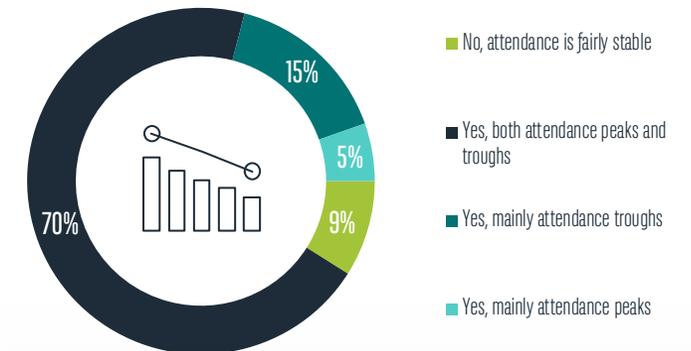


Working habits adopted during the pandemic have persisted. Consequently, office attendance is now below than the pre-covid period in the vast majority of companies, regardless of their size. Informal arrangements have become formalized into remote working practice in most organisations.

* average number of workstations actually used



Are there attendance peaks or troughs during the working week?



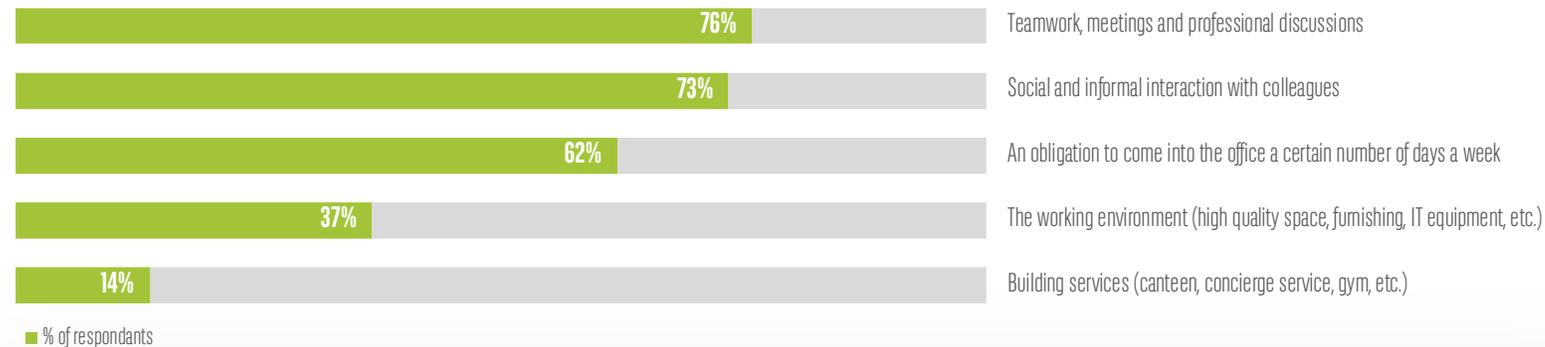
The primary outcome of remote working for organisations in the use of space is irregular attendance. Like transport commuting, offices now have peaks and troughs in usage. The unpredictability this implies, underlines the challenge to companies in managing and deciding optimum estate size

Office attendance

Teamwork top motivation for coming into the office

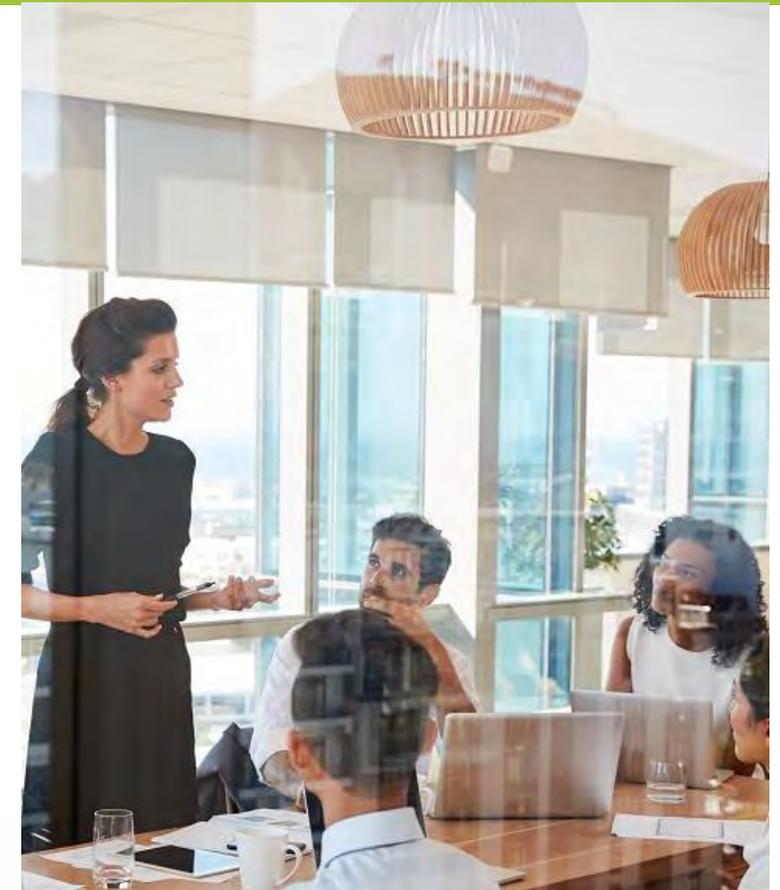
What do you think the main reasons are for staff to come into the office?

3 possible answers



Personal interactions are considered as the major reasons for employees to come to the office. Top of these is teamwork (meetings and professional discussions). Close behind is attendance for more social reasons of informal interactions with colleagues. This is a particularly strong feature of large companies where 82% view collaborative work as the most motivating factor.

The nature of working practices now established means that most respondents state staff also come to the office because it is a contractual obligation.



82%

Of large companies (over 1,000 employees) value teamwork. Collaboration via meetings and professional discussions is the primary motivating factor for office attendance

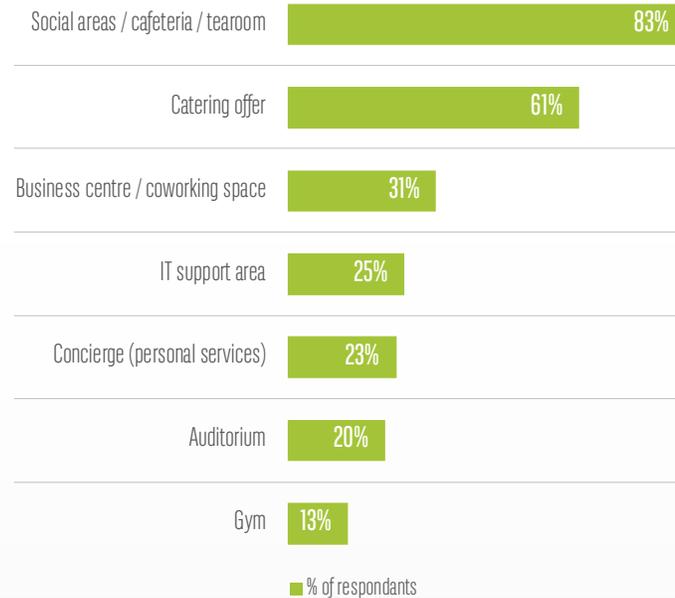
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Services preferred in an office building

Social facilities remain the most valued



What do you consider to be the most important services in an office building?
3 possible answers



Companies offer a mix of professional and personal services to help staff. Many of these require dedicated space in the office to function.

Of those services requiring space, it is not surprising to see that those that enhance social interactions are most valued given the motivation to meet colleagues.

There is a large preference for dedicated social areas (83% of respondents) that facilitate informal social exchanges. That possibly reflects their spontaneous nature and avoids need to exit the building or hold it in inconvenient locations in the office. In other words, formalized “water cooler” spots.

Also important is business space that allows for less structured and/or spontaneous teamwork interactions.

2. Hybrid working practices

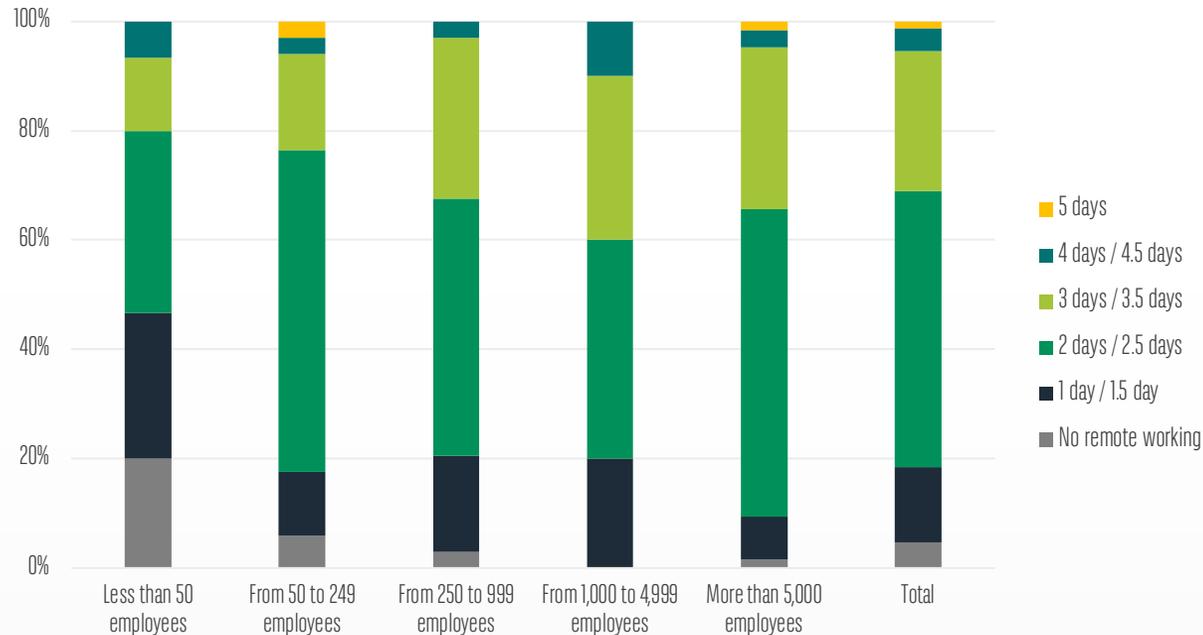
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Days of the week spent outside the office

Strongly embedded in large organisations

How many days a week on average do staff in your organisation work remotely?



The adoption of remote working is clearly positively correlated with companies' size.

Its frequency remains very limited in the smallest organisations. Almost 20% of organisations have no remote working.

51%

2 to 2.5 days of remote work is the most common pattern preferred in 51% of organisations.

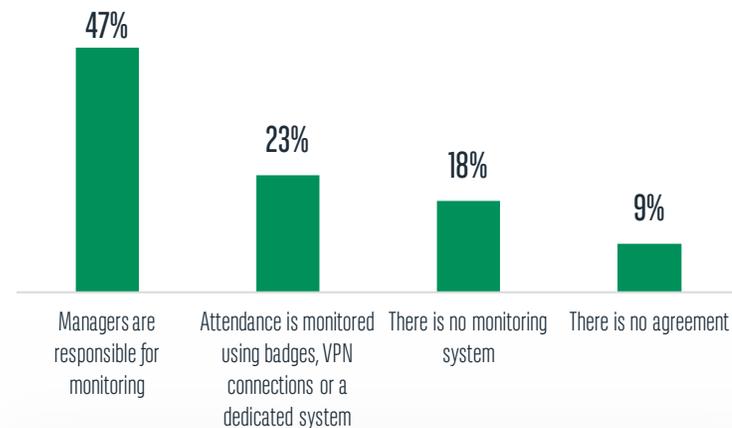
26%

3 to 3.5 days is common for 26% of organisations

Management of hybrid working

Flexibility is the key word for remote working practices

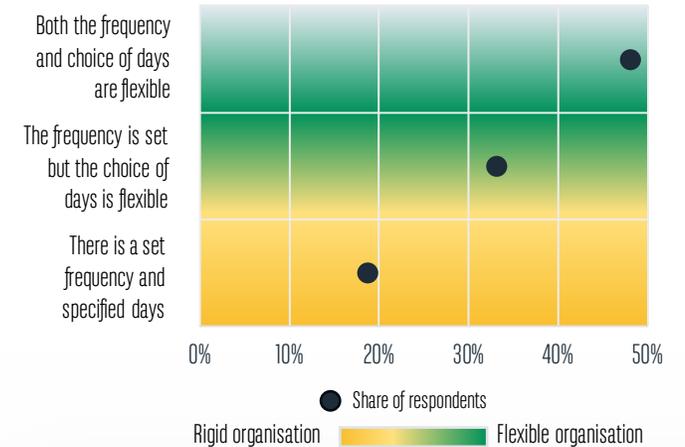
If remote working is covered by an agreement in your organisation, are there procedures to make sure that it is properly applied?



While most remote working seems governed by agreement (only 9% have none), the monitoring is largely carried out by managers (in a more or less formal way). Only 23% of organisations have set up formal tracking from badges, VPN connections, or a dedicated tool.



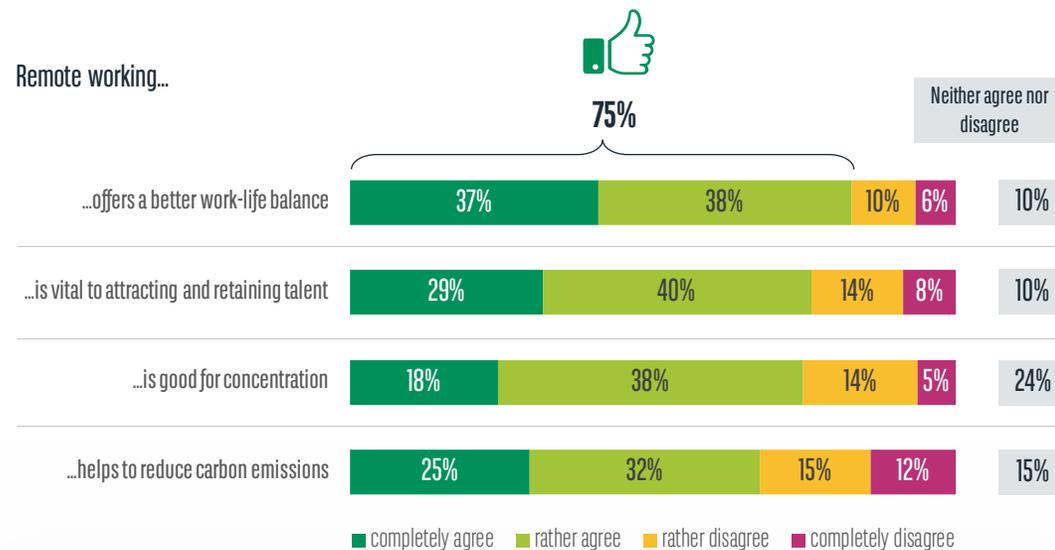
How is remote working organised in practice?



Flexibility is the key word for the majority of companies. Half of them offer complete flexibility to their employees on the frequency of attendance and the choice of days. Only one company in five sets both the frequency and some defined days.

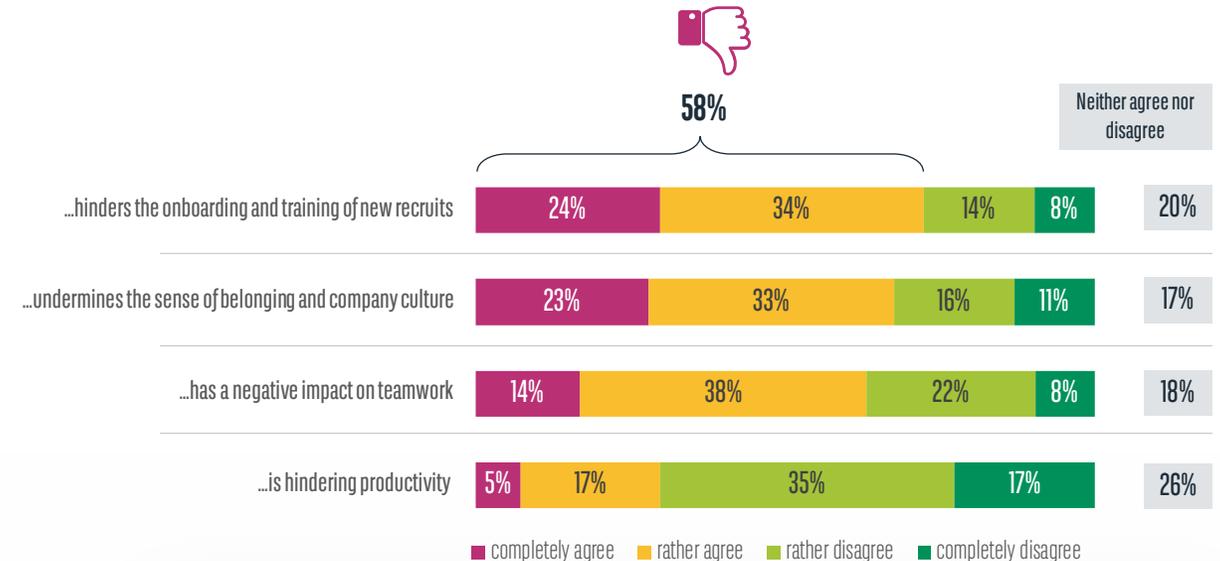
Pros and cons of remote working

Striking a balance between personal and business needs



Three-quarters of respondents believe that remote working allows to have a better work-life balance. Around 69% also agree that hybrid working arrangements are crucial to attract and retain talent.

Pros are mostly about benefits to staff whereas cons focus on the needs of the business.



The main recognized obstacle to teleworking relates to the onboarding and training of new recruits (58% of respondents), followed by the sense of belonging and company culture (56% for respondents).

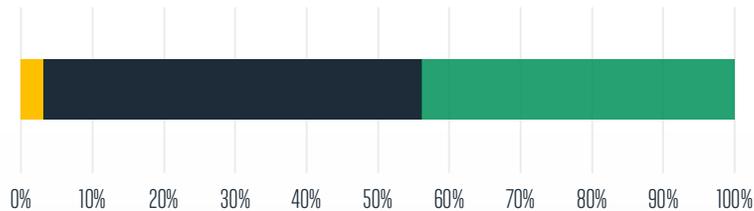
Productivity is an issue for less than one-quarter of respondents.

Immediate future of remote work adoption

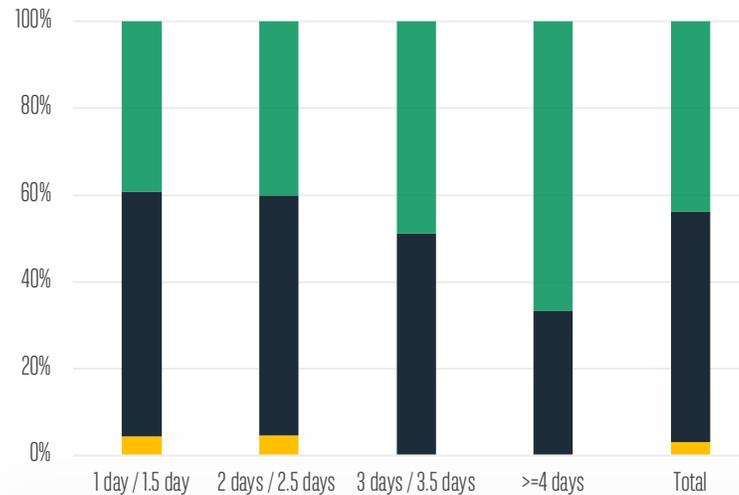
Hitting the peak: the upcoming plateau in remote working

How do you think remote working will develop in your organisation over the next year?

- The number of remote working days will increase
- The number of remote working days will remain the same
- Employees are being encouraged (or will be) to come back to the office more often



The deployment of working from home is expected to reach a plateau. Most organisations want to keep the same frequency, though many also aspire to reduce it.



Organisations permitting three to four days of remote work per week show stronger encouragement to employees to return to the office. If successful, this may see remote work eventually stabilise at around two days.

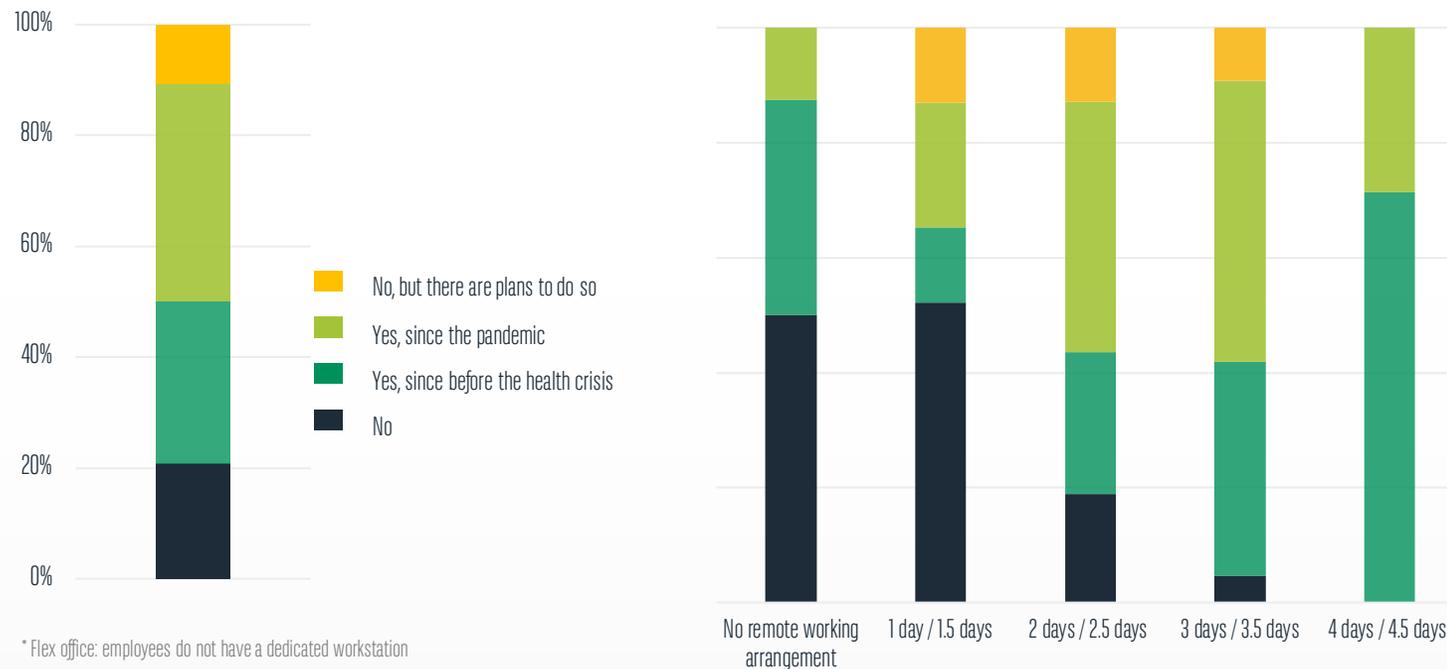


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Flex office uptake

Flex office space has become a component of real estate strategy

Has your organisation introduced a Flex Office* strategy?



The pandemic accelerated other workplace trends, especially in the configuration of real estate.

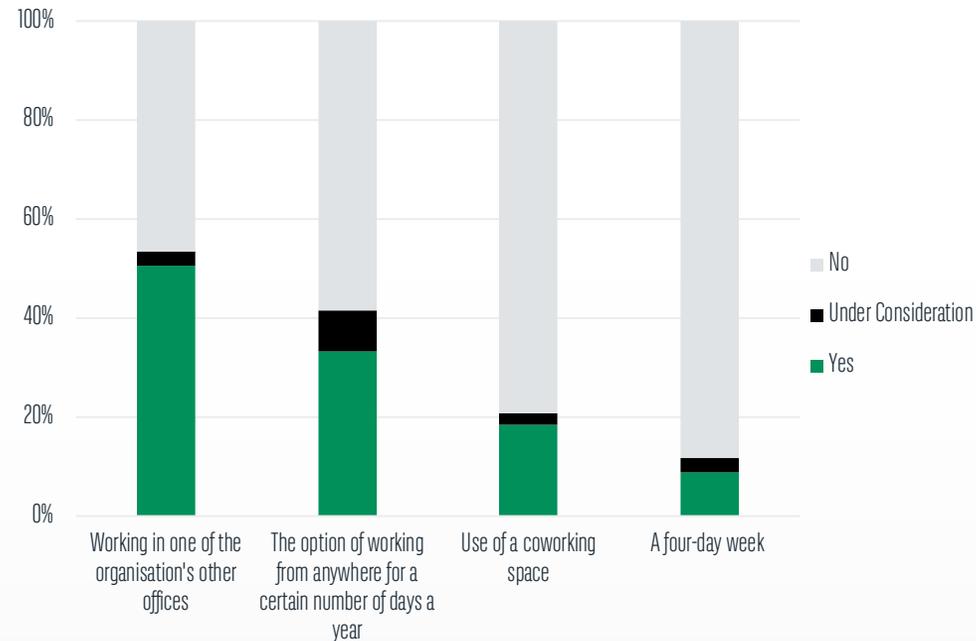
Before 2020, less than a third of organisations had implemented flex office space into their real estate footprint. By 2024, more than two-thirds have incorporated flex space as a component.

The widespread uptake of flex offices has gone hand in hand with acceleration in teleworking. Flex office provides organisations the ability to quickly scale space up and down as needed, while optimising their core longer leased office space.

Innovative working arrangements

Many organisations prefer staff to work in-house

Does your organisation offer other types of working arrangement?



Hybrid models challenge conventional notions of what is productive and effective when it comes to work.

One of the concepts being looked at again is the four-day workweek with several European countries running trial programmes. Currently, only 10% of interviewed companies have embraced this approach.

In contrast, working in another office of the company is viewed as preferable in half of the companies surveyed.

Complete mobility ("road warriors") to work anywhere is an option for one-third of companies.

It is more widespread than using coworking space shared by other companies, possibly due to privacy issues.

Better offices will embrace fluid working styles

Oliver Barth from Germany gives the expert's view on the meaning for offices.

“Working from home has come to stay” is a saying often heard in discussions summarizing the change in working habits observed since the outbreak of the Covid-pandemic in 2020. And it is true: hybrid working patterns are now a given in the majority of organisations with many employees working 2-3 days remotely per week. However, as much as the past four years have proven that working from home can be very efficient, managers and entire companies are experiencing a decrease in creativity, productivity and commitment. Moreover, a lack of personal interaction makes it a lot harder to build and develop a distinct company culture.

At the same time, the number of employees enjoying and actually demanding to work in the office is rising. They have come to realize that working onsite allows to socialize more easily with colleagues and peers and to learn from each other more effortlessly. They value the office for its function as a hub for informal interaction and spontaneous team meetings where also room for undisturbed work is provided. However, for many, the office has to earn their commute and that triggers a change in office space demand.



To meet their employees' work environment expectations, but also to drive their organisation's performance, managers now have very distinct office space requirements especially in terms of flexibility, location and fit-out.



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FLEXIBILITY AND EFFICIENCY

Office space shall be highly flexible allowing for the provision of cellular, duplex and group offices plus open plan including seamless space adjustments when and where needed. While this might not sound like news, adjustments towards activity-based working, desk sharing solutions and providing sufficient room for silent work, team meetings, conferences and social gatherings are increasingly sought after.

CENTRAL LOCATION

Occupiers' focus is very much on accessibility most of all by public transport, but also the variety of amenities in the office vicinity play an important role. Services, a lively gastronomy scene and a vibrant neighbourhood can be decisive in the end. Unsurprisingly, CBD's and central locations in general are highly sought after.

HIGH QUALITY FIT-OUT

In today's world, design and office space fit-out are ever more important. They are a powerful tool to personify a brand, enrich company culture and drive performance. They mirror professionalism and at the same time transport an attractive, high standard and sometimes even relaxed atmosphere. A lot is learned from the hospitality industry in this respect.

3. Real estate implications and preferences

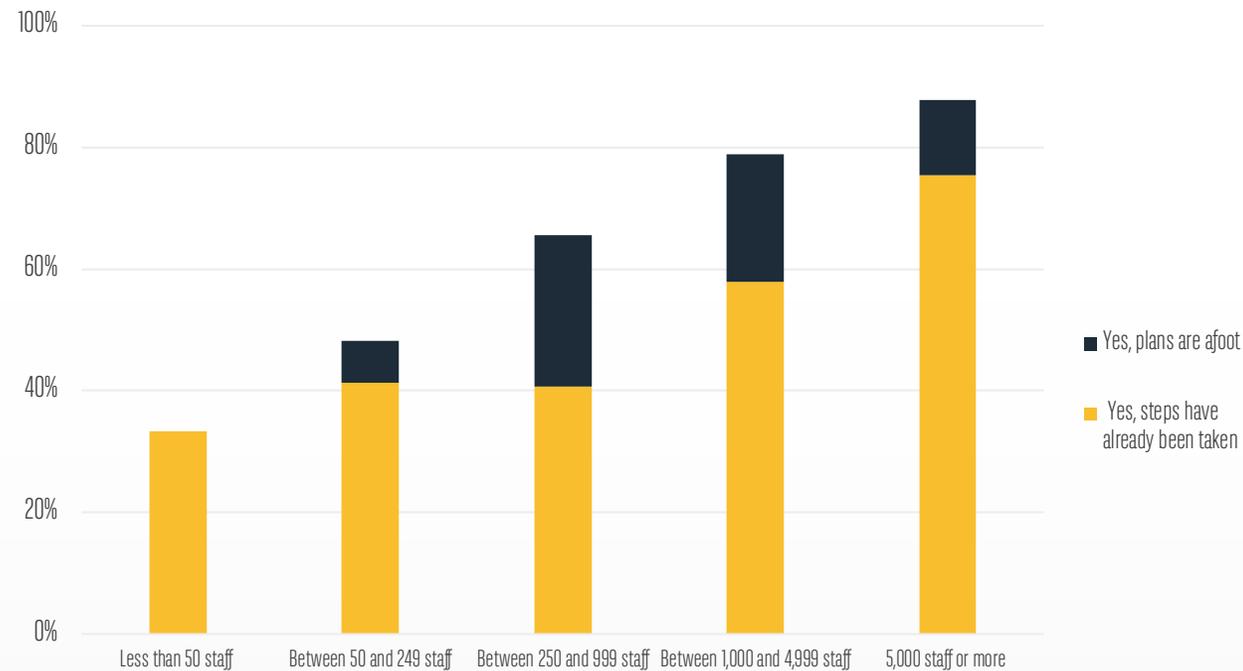
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Real estate strategy plans

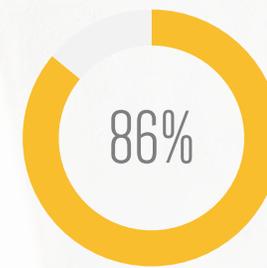
Large companies have already adapted their estate

Have new practices prompted your organisation to adjust its office space?



The widespread of new working models has led organisations to adapt their office spaces. Most companies, especially larger ones, have already realized their plans.

Much of the SME segment have already taken steps with more future activity likely to come from midscale companies.



Of large companies (over 1,000 employees) have adapted their office space or plan to do it to meet new working practices.

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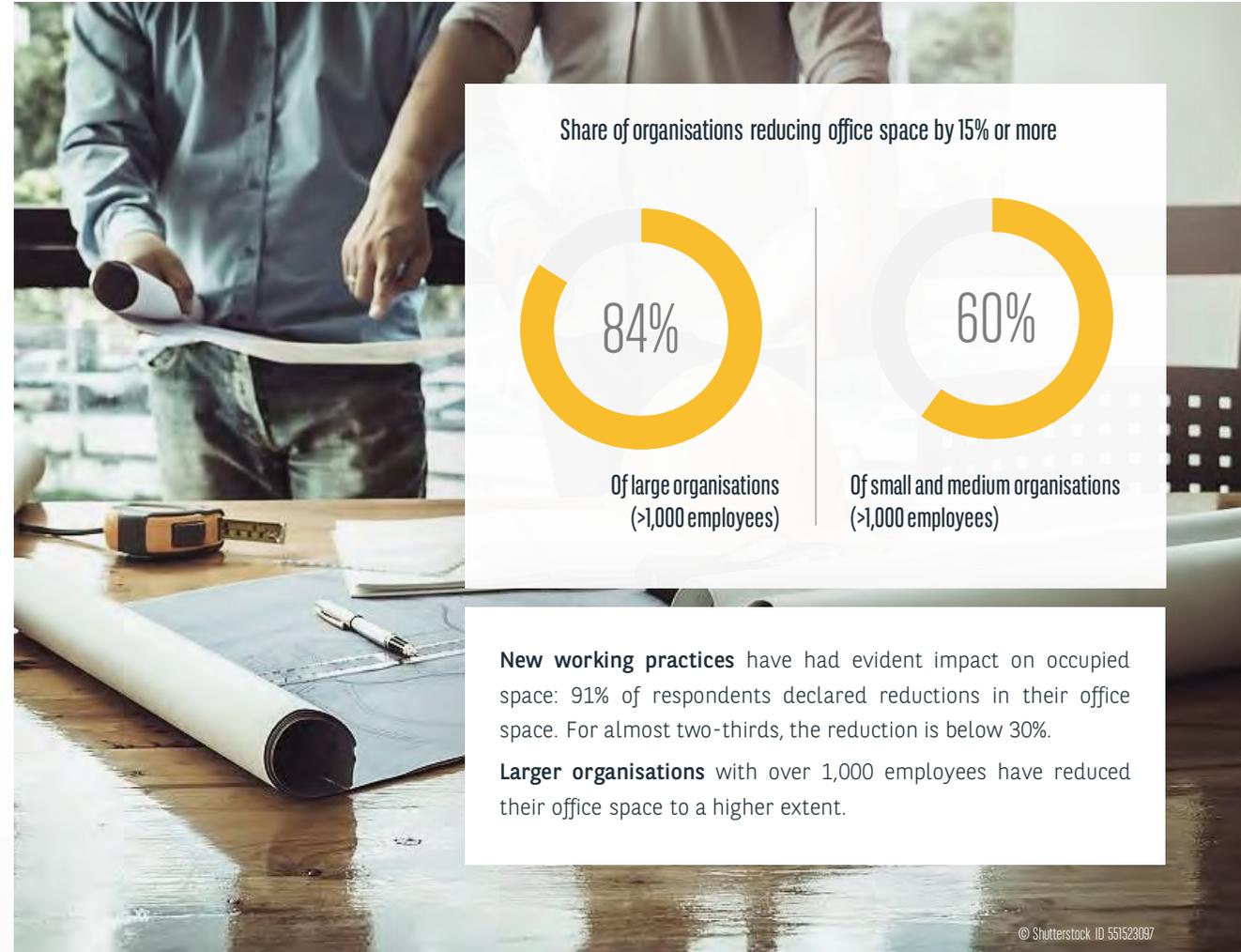
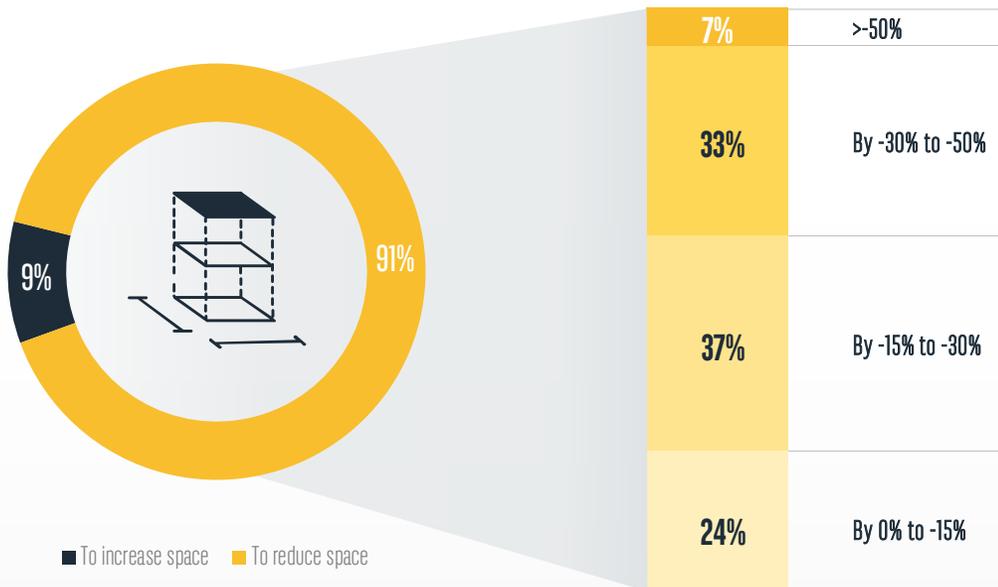
Real estate plan outcomes

Hybrid work has driven office space optimisation

If new practices have prompted your organisation to adapt their office space,...

... what action has been taken?

... by what order of magnitude?

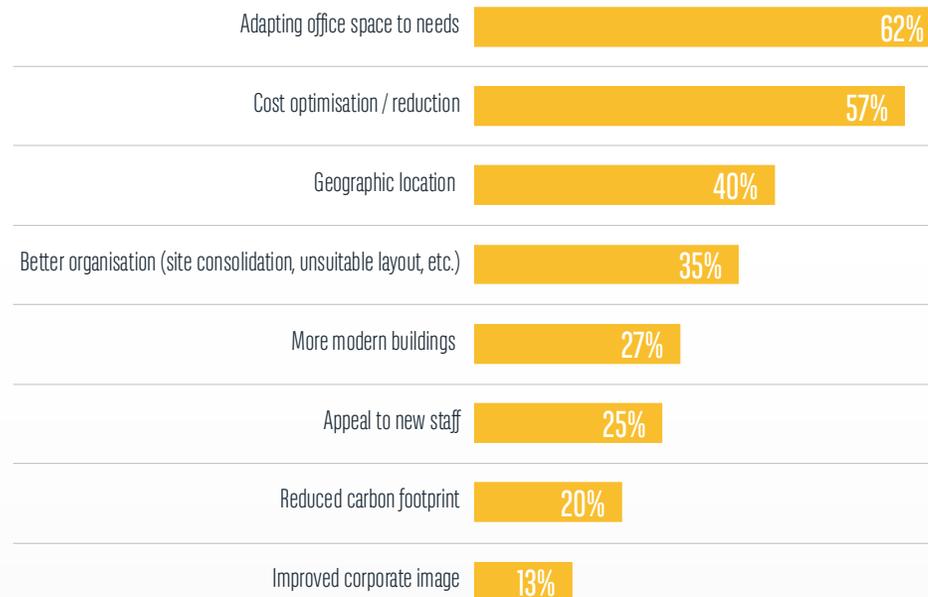


Factors driving real estate strategy

Cost optimisation and alignment behind portfolio decisions

What do you think are the main reasons behind office real estate decisions?

3 possible answers



71%

Of large companies consider cost optimisation in their real estate decisions

Hybrid working is a trend accelerator of the old factors in estate management: cost optimization and better alignment of real estate to the way the business works. Consequently, space suitability and costs remain the main drivers in updated plans.

For large organisations with over 1,000 employees, financial motivation is the most important criterion (71%).

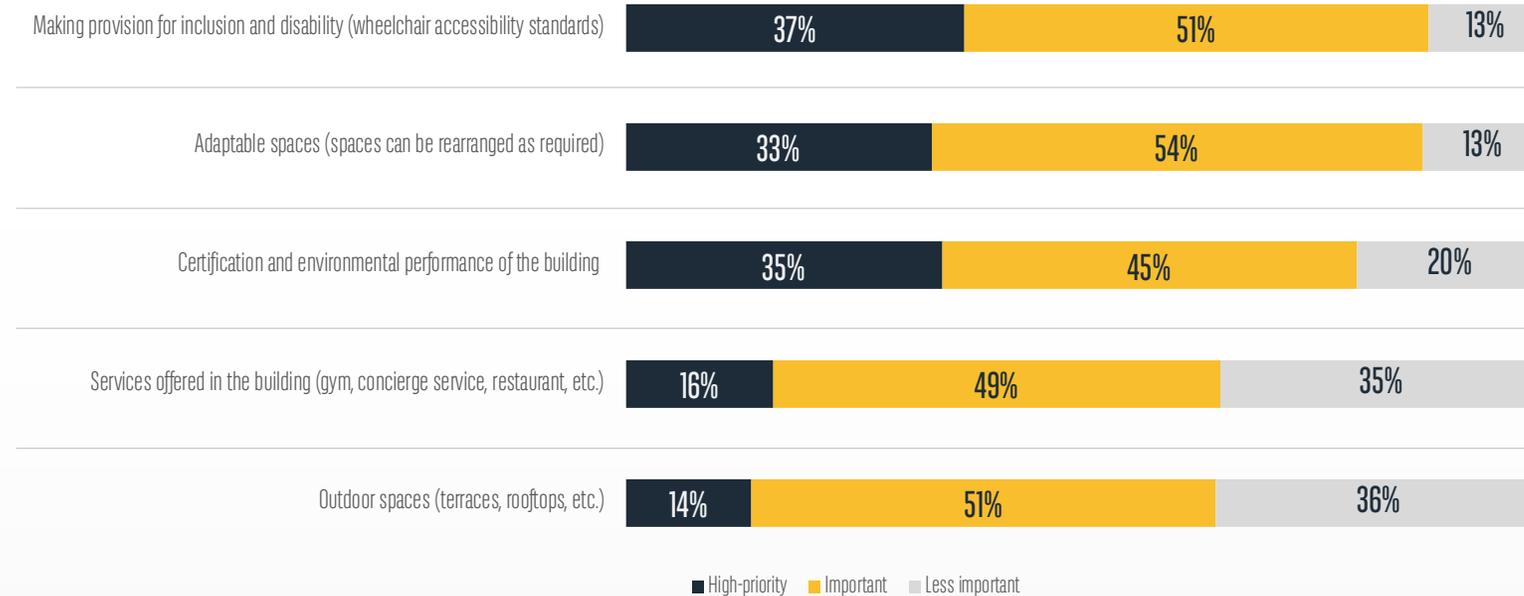
For smaller companies, geographic location is the second most important feature (51%) after adapting office space to needs (66%).

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Building features

Design promoting inclusion and freedom to adapt very important

How important are the following aspects of your establishment?



The most significant office features are layouts that foster inclusivity and adaptable space.

The combination of regulatory requirements and ethical considerations mean that almost 90% of respondents require design that promotes inclusion, especially for disabilities (such as wheelchair accessibility).

Adaptability is also extremely important from an operational viewpoint as it allows quick reconfiguration of space to meet new business needs.

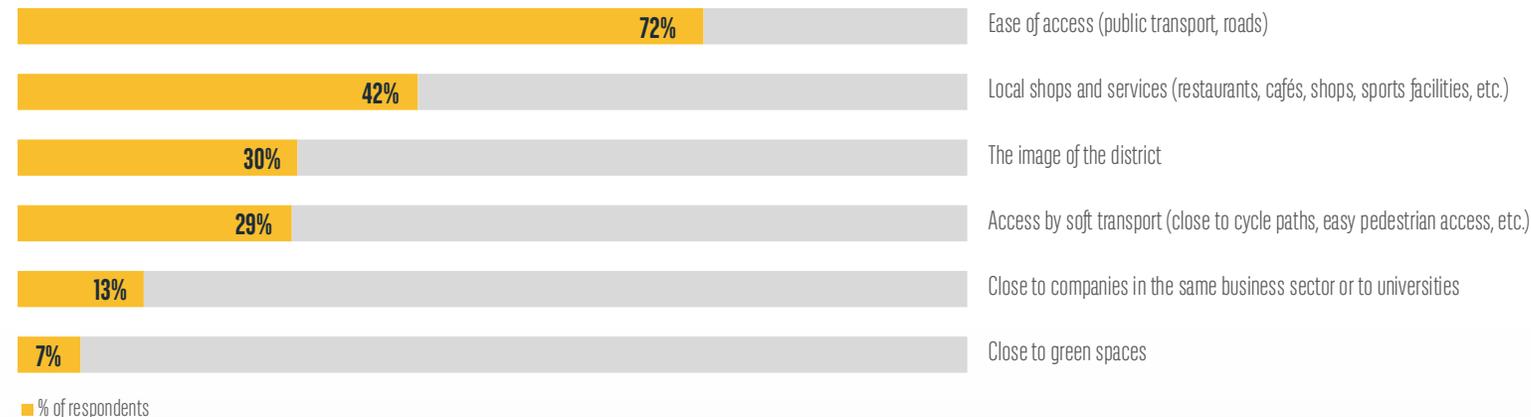
Building features such as gyms, concierge service and outdoor space are considered more secondary by occupiers.

Locational preferences

Convenience first

What do you consider the most important criteria for choosing an office location?

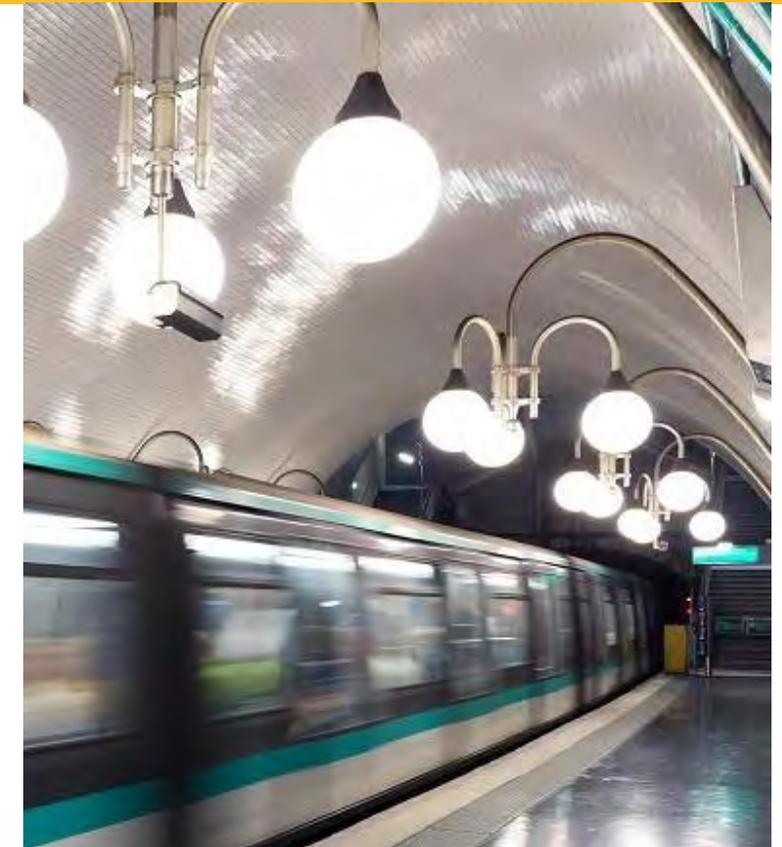
3 possible answers



With working from home, employees have become more reluctant to accept extended (and complicated) commutes. Indeed, the most important locational criteria, mentioned by 72% of respondents, is the ease of access by public transport and roads.

The presence of local amenities such as shops and services in the surroundings is also valuable, highlighted by 42% of respondents.

The harder practical features of office location take precedence over softer qualitative factors like image of the locale and its environmental balance.



72%

Of respondents mentioned the ease of access by public transport and roads

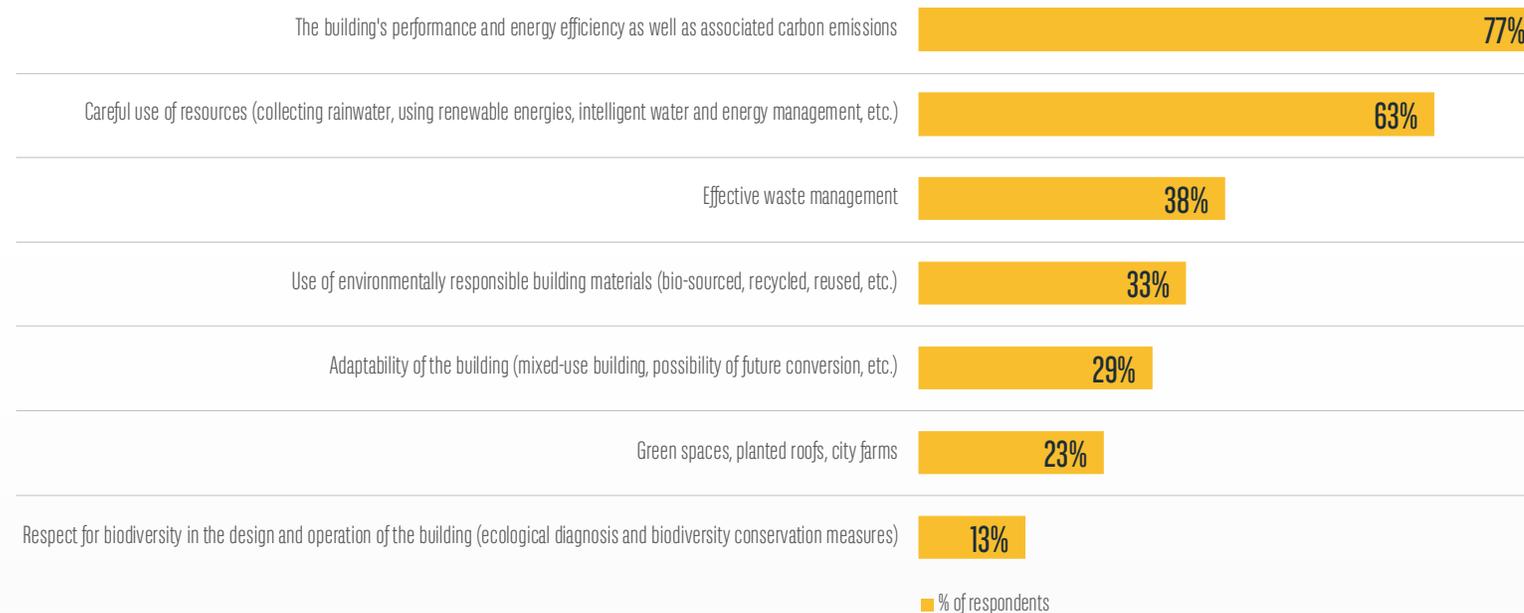
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Environmental criteria

Building performance is the main concern

What do you consider to be the most important environmental criteria for an office building?

3 possible answers



Of large companies (with over 5,000 employees) consider the building's energy efficiency as a major criteria

With the rolling introduction across Europe of new regulations on energy efficiency, building performance is one of the main environment concerns.

With many organisations having an objective to minimize their estate's ecological footprint, two thirds of respondents highlight the careful use of resources.

These two criteria are particularly important for large organisations where 91% want better energy efficiency, and 70% of them prioritise resource use.

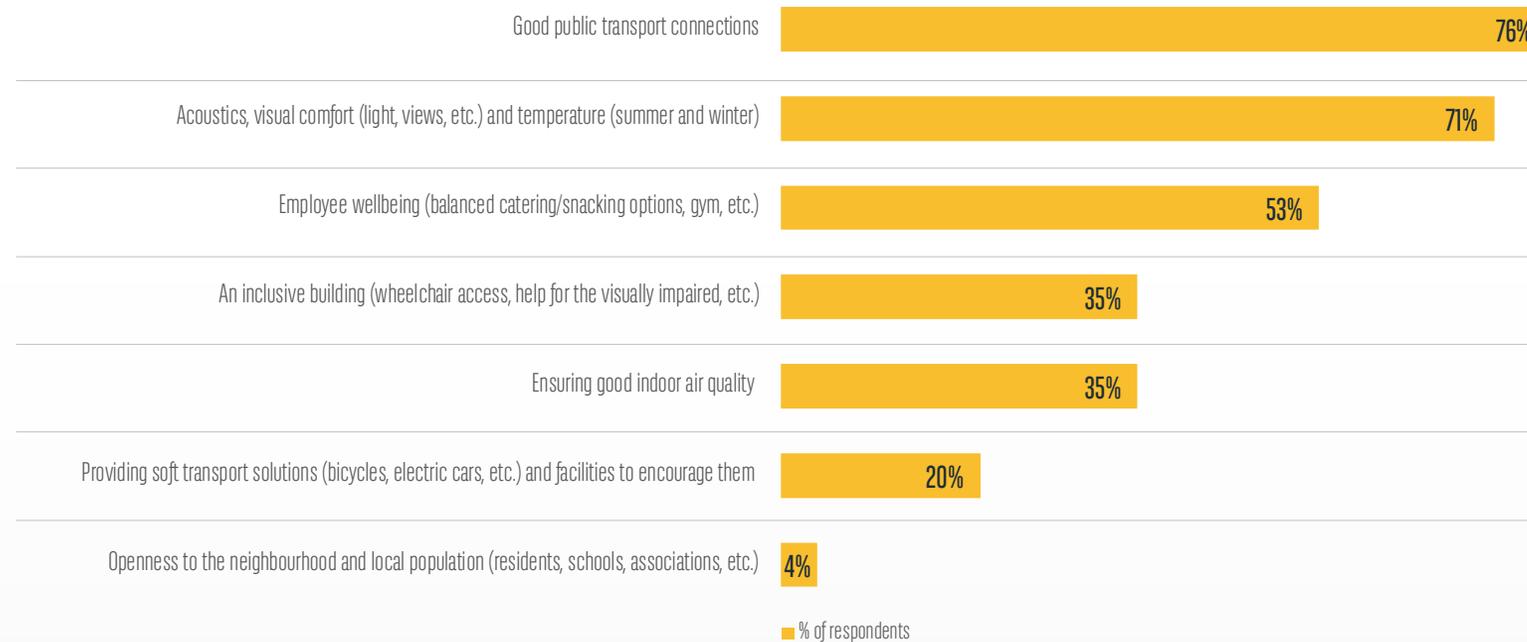
In contrast, smaller companies (43%) prefer buildings that have greater adaptability, either allowing mixed-use or offering the possibility of future conversion to an alternative use.

Social and civil criteria

Building liveability qualities important to comfort

What do you consider to be the main social and civic criteria for an office building?

3 possible answers



© Jacob Lund

Accessibility, comfort and wellbeing are considered as essential by the vast majority of companies.

The inclusiveness of the building is more important for larger companies (45%). Aside from regulatory obligations, they often have established policies on social commitments.

The factors of good light, sound and temperature factor highly in building criteria. In a well-designed building, these factors combine to increase wellbeing by improving comfort and productivity. They also contribute to staff health.

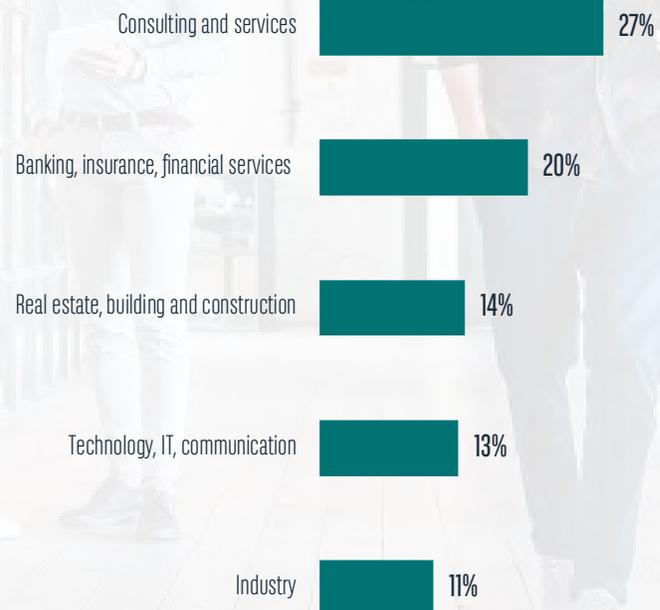
These factors also tied to environmental quality criteria. The design of buildings with highest environmental standards incorporates comfort factors as a goal.

About the survey

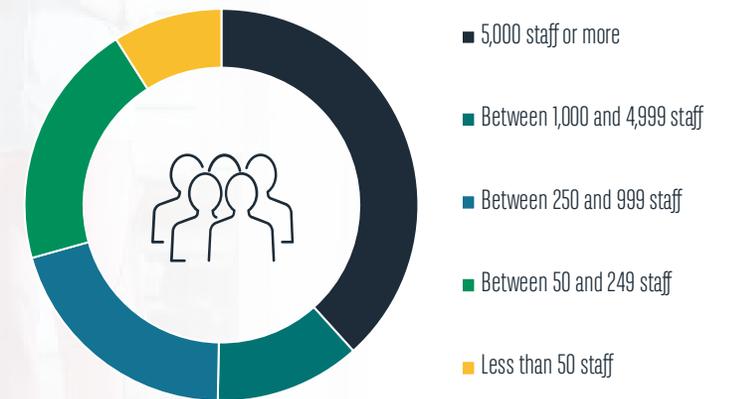


Survey conducted online during February and March 2024

Company's sector



Company's size



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