

Charting the Future of the Workplace

The Employee Workplace of Today Determines Tomorrow for Business

VIEWPOINT

The comparison of the future
workplace between the
Baltics and EMEA

CBRE BALTICS RESEARCH
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Market Sentiment

Over the past two years, the way of organizing a workplace has been reimagined. The spectrum of change has been drastic and speedy, requiring people to embrace the opportunity and reinvent workplace collaboration.

The pandemic opened our eyes to the fact that business could successfully expand, while not being physically in the office. The impact of the Covid-19 virus has helped to integrate new technologies in our daily lives to an extent never observed before. With new technologies, new mindsets have emerged.

Currently, with restrictions being fully removed in the Baltics, we anticipate that office occupiers will use the lessons learned in the pandemic and be able to make a well-informed judgement in terms of their own strategic choices. However, the distinction between temporary workplace arrangements and more permanent strategic solutions remains under consideration, with leading managers juggling business costs, work efficiency, and employees' satisfaction, trying to extract the optimal course of action.

In the autumn of 2021, CBRE Baltics conducted a survey among office occupiers all over the region, with the exercise being repeated in the spring of 2022 by CBRE across EMEA. As a consequence, this Viewpoint explores how the Baltics is responding to the hybrid working solution and compares the perception towards the future of the workplace within the wider EMEA region, now that the pandemic is withdrawing



Reinis Lauskis
Associate Director
Advisory & Transaction Services
CBRE Baltics

Projected Office Headcount
Growth for Next 3 Years, Baltics

52%

Expected Return Full Time to
Office in EMEA vs. Baltics

7 vs. 13%

Perceive Equal Mix of Remote &
Office-Based Work in Baltics

38%

“

While more than 50% of surveyed companies are expecting headcount growth in next three years only 25% are planning to increase office space during this period. This suggests that a hybrid working model will be introduced more actively.

Reinis Lauskis
Associate Director | Advisory & Transactions

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Emerging Trends in Workplaces

As the decision landscape clears, the top ten themes for occupiers in 2022 are summarized in Figure 1. The emerging trends concern the sentiment in the wider EMEA market and are mapped to the tendencies in the Baltic States.

While most trends are viable in both regions, some differences emerge. The most apparent deviation is that for EMEA occupiers repopulating offices is a pressing priority, whereas for occupiers in Baltics, it isn't. There are multiple reasons behind this phenomenon. One of them – timing. A Baltic Office Occupier Survey was conducted in autumn 2021, when the market was filled with uncertainty and companies were waiting for a more confident outlook. In comparison, an EMEA survey, conducted half a year later, indicated that once the pandemic evolved into the endemic stage, occupiers could plan more precisely for the future and consider employees returning to offices. The second reason is that Baltic economies were more resilient to the pandemic shock and repopulated offices sooner than the harder hit economies in EMEA. Consequently, as the basis for return differs, occupiers market sentiments diverge, as well.

Nevertheless, some trends have spread more uncertainty for occupiers in the Baltics. The portfolio strategy will be notched up in EMEA, which has not been evident in the Baltics. In addition, exercising lease expirations or contraction options is high up on the EMEA's region agendas, while Baltic occupiers are still renegotiating leases to attain market adjustments. Yet, subleasing is highly considerable in both regions.

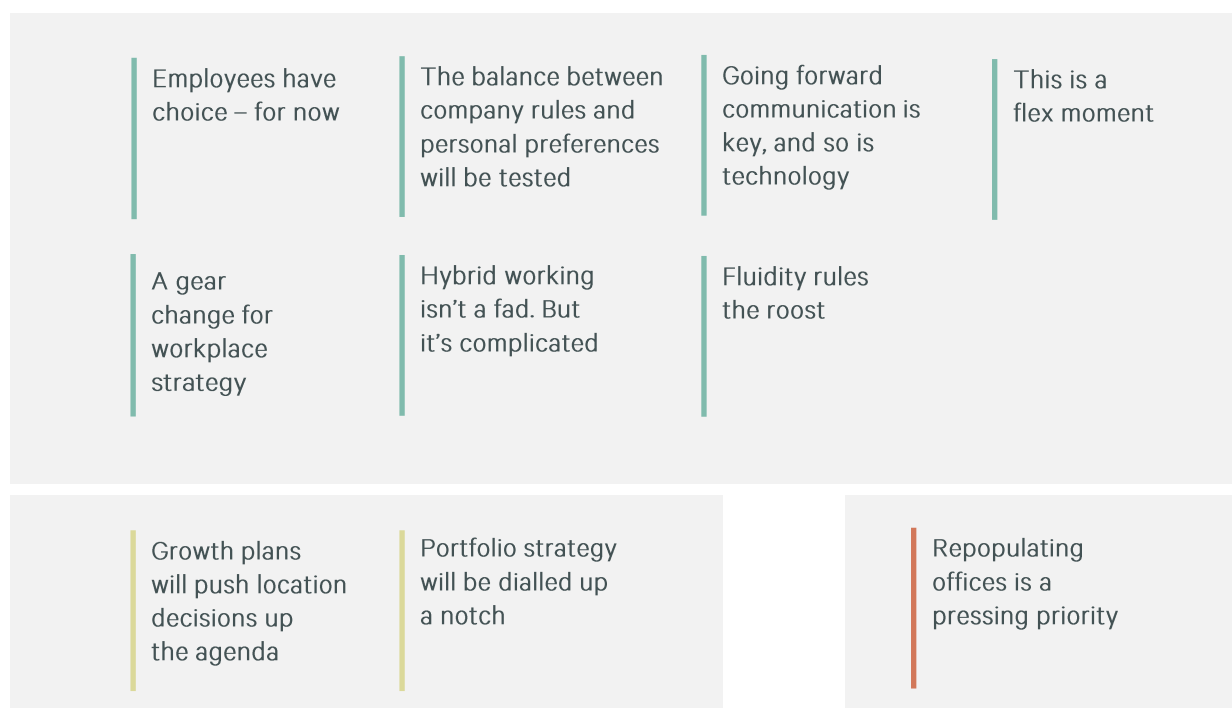
EMEA Office Trends Comparison to the Baltic States

Trend is **evident** for occupiers in the Baltics

Trend is **uncertain** for occupiers in the Baltics

Trend is **not evident** for occupiers in the Baltics

Figure 1: Consideration of Top Ten EMEA Occupiers' Themes for Baltics in 2022



Source: CBRE Baltics Research

Growth Plans

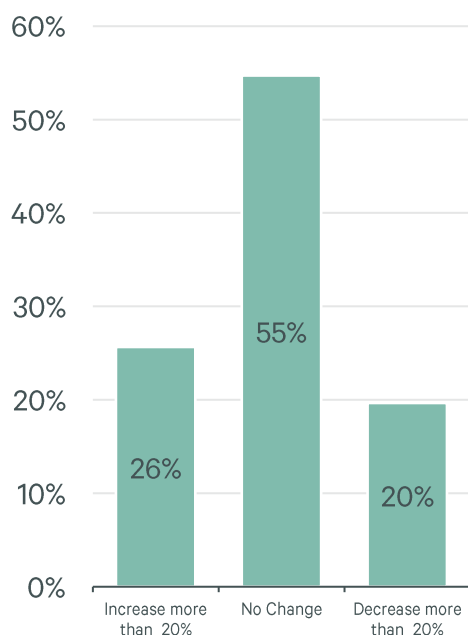
In EMEA, over 40% overall and nearly 60% of technology firms expect to expand the physical office space they occupy over the next three years. Most of this is the result of companies coming off the fence: the proportion expecting no change has fallen from 28% to 13%. Meanwhile, in the Baltics, more than half of the market occupiers (55%) do not anticipate changing their office size in the next three years. This is mostly evident in large corporations, where more than 60% of market players are resistant to expansion plans. As opposed to the EMEA region, only 26% of Baltic occupiers plan to increase their office space over the next three years.

The main reason behind this distinction is that EMEA occupiers see the need to allow employees to have the most comfortable workplace. In comparison, the Baltic occupiers are more conservative and are waiting to see what the future holds. Another factor why we can see such a difference is the structuring of the markets and their maturities. While in the Baltics, the office growth is mainly driven by the GBS & ICT sectors' expansion, which joined the market over the past decade, the markets are much more mature and saturated in EMEA economies. Thus, the changes in the EMEA region already come from inertia when business maturity drives the real estate decisions.

Days in Office

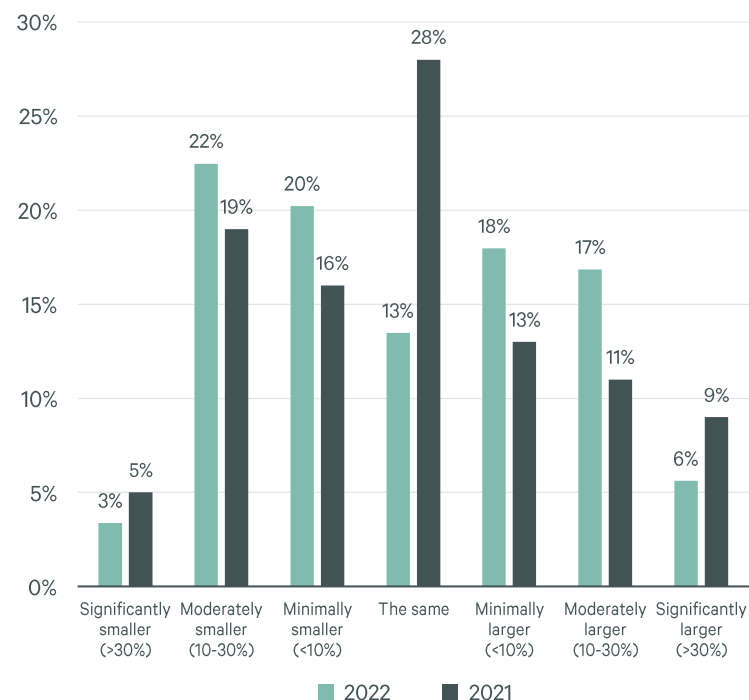
In EMEA, 43% of companies require (or plan to require) employees to visit offices on specific days. The employer keeps the right to choose the number of office days. Meanwhile, 38% of occupiers in the Baltics will require an equal mix of office and remote-based work. Real estate decisions are similar in this regard. An employer places trust and flexibility for remote work, while still demanding some days for teamwork in a traditional working environment. The message that companies send is that, with the advancement of technologies, the hybrid work model is a tolerable solution for corporations as long as the team fosters the skills of collaborating in the common office space.

Figure 2: Office Space Plans in Next Three Years in Baltics



Source: CBRE Baltics Research, Q3 2021

Figure 3: Expectations for Portfolio Size over Next Three Years in EMEA



Source: EMEA Office Occupier Sentiment Survey, 2022

Workplace Features

In the Baltic states, the companies that participated in the survey claimed that additional features and policies relating to the workplace are already being implemented. For example, 66% of the respondents outlined that socializing spaces have already been introduced, and another 18% plan to do so. Furthermore, more than half of the Baltic companies have thought about the comfort of the working area and have created more varied work environments, thinking about personal needs and ergonomics. No less attention is paid to relaxation, with ca. 18% of Baltic companies planning to introduce changes. At the same time, in EMEA countries, 63% of companies are focusing on enhancing or increasing communal areas and meeting rooms, 50% are planning to revisit the design standards, and 36% of the companies are improving or expanding workplace amenities and/or services, etc. Both surveys show that redefining the workspace is essential to occupiers, and many have already or are at least thinking about enhancing the environment for employees. After all, the employees' workplace of today determines tomorrow's results and achievements for businesses.

While the return to the office plans have been delayed, occupiers are now in a better place than last year financially and operationally and have more encouragement to return employees to the traditional set up. EMEA and Baltics surveys both showed that the office space will be more flexible, with technology and communication being the key players going forward.

Methodology

EMEA	BALTICS
<ul style="list-style-type: none"> • 466 responses 	<ul style="list-style-type: none"> • 117 responses
<ul style="list-style-type: none"> • Survey was conducted in Q2 2022 	<ul style="list-style-type: none"> • Survey was conducted in Q3 2021
<ul style="list-style-type: none"> • 24% of companies that participated in the survey were in Financial Services industries, 25% in Tech, Media, and Telekom, and 26% marked their industry as other 	<ul style="list-style-type: none"> • 27% of companies that participated in the survey were in the Tech and Telecommunications industry, 15 % in Financial Services and 15% marked their industries as other
<ul style="list-style-type: none"> • Survey was conducted by CBRE Research 	<ul style="list-style-type: none"> • Survey was conducted by CBRE Baltics Research
<ul style="list-style-type: none"> • The goal of both surveys was to see how the office occupiers responded to the pandemic and how they view the future of the workplace 	

Contacts

Robert Roode
Market Analyst
+372 56459222
robert.roode@cbre.ee

Ieva Vitaitytė
Market Research Manager
+370 65609710
ieva.vitaityte@cbre.lt

Reinis Lauskis
Advisory & Transactions
+371 28324165
reinis.lauskis@cbre.ee

Denis Rein
Advisory & Transactions
+370 69851716
denis.rein@cbre.lt

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