

TRENDBOOK

THE COVID-19 EFFECT #2

OFFICES

A NEW CHAPTER



BNP PARIBAS
REAL ESTATE

Real Estate
for a changing
world

HYBRID WORKSPACES ARE THE NEW NORMAL

INTRODUCTION



Thierry Laroue-Pont
Chairman & Chief Executive Officer at
BNP Paribas Real Estate

The real estate sector is today, more than ever, facing a number of challenges and opportunities. Our ways of working, whether in the office or remotely, are going to completely change. This doesn't however mean that we are wiping the slate clean. The last two years have allowed us to truly understand how successful different ways of working have been on a large scale, and to apply them to various kinds of business cultures and situations.

Remote working and the digitalisation of the company, along with the ways of

working of employees, have had an effect on the market value of offices, as well as the productivity of companies.

For example, within Ile-de-France's (the region which encompasses Paris) business park, one of the biggest in Europe, the *Institut Paris Région* and *Transilien SNCF* estimate that the health crisis has made working from home possible for 45% of people in the region¹. Market volumes could also decrease, but this could be mitigated by a possible increase in the space allocated for each employee, a direct contrast to the recent trend of densely packed office space. This has come as a result of the transformation of spaces, such as meeting rooms, and the expected growth in office employment.

Even if remote working has greatly accelerated and has become a solid part of HR strategies, the use of it is likely to slightly decrease, in a very structured way. The most common model is now one or two days working remotely, in line with the expectations of employees. Therefore, we estimate that the fall in commercial volumes is likely to stabilise.

Employees are now on the look out for collaborative working methods and a real sense of sharing. Let's not forget that many have hailed the return to the office as a way of getting back to normal working conditions.

¹. [Le mass transit au cœur des dynamiques d'emploi \(institutparisregion.fr\)](https://www.institutparisregion.fr)

Remote working has however had structural effects across Europe, notably in the development of third places. Large companies are more likely to introduce remote working policies, meaning that in countries such as Italy, where small and medium-sized enterprises are more common, the trend will likely not be as widespread.

The right balance between the two working methods is therefore still up for grabs but having a hybrid solution seems to be the way we are going. Certainly, the evolution of existing office stock could be a way of managing the increase in vacancy rates. This is likely to increase for locations on the outskirts of towns and cities, and within older or redundant buildings. Reverting office assets, or restructuring them in terms of services and size, could limit unused stock and as such increase their value.

I think we can dare say it; the office still has a bright future ahead of it.



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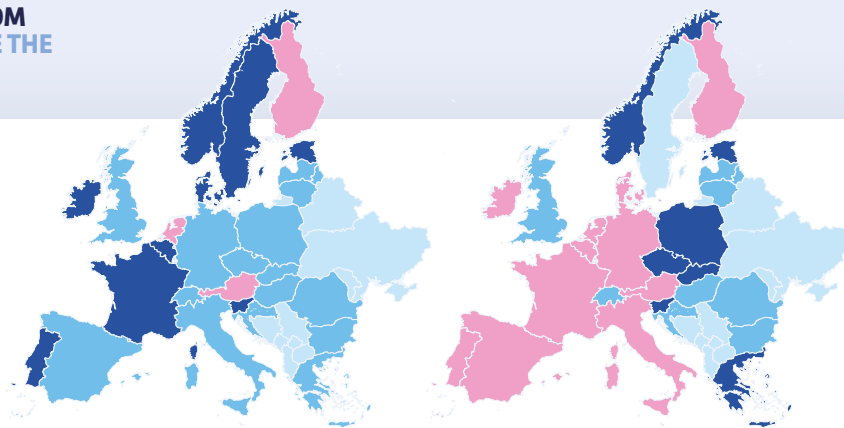
THE REAL ESTATE MARKET IN A NUTSHELL

Remote working becomes an integrated part of companies' strategies

Around three in ten organisations expect that more than 70% of their employees will work remotely in the next two to three years, up from just one in ten before Covid-19.¹

WORKING FROM HOME BEFORE THE PANDEMIC

5.4%
of employees working from home in 2019



WORKING FROM HOME IN 2020

12%
of employees working from home in 2020

Legend: No data available (light blue), Share of employees working from home 0% to 5% (medium blue), Share of employees working from home 5% to 10% (dark blue), Share of employees working from home >10% (pink)

Source: Eurostat



Take-up rate gradually rising

Of the 18 cities that were studied by BNP Real Estate Research International (January 2022) take-up progressed in Q4 2021 in comparison to Q4 2020 across a number of markets: Brussels (+46%), Central London (+46%)², Central Paris (+36%)³, Milan (+34%), and the six major German markets (+27%).

A return to take-up levels

Around **8.52 million m²** have been negotiated across the 18 principal European markets.⁴

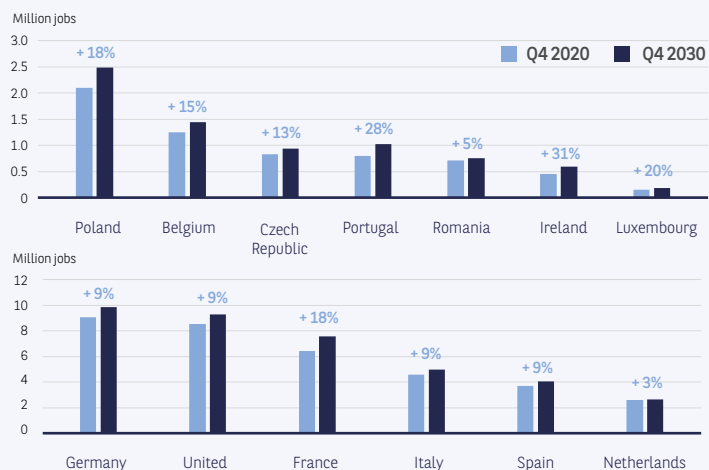
1. The Future of Work: From remote to hybrid, Capgemini Research Institute
 2. Neighbourhoods situated along the Thames; Docklands and Fulham/Hammersmith.
 3. Inner Paris + inner suburbs
 4. BNPRE Research, January 2022



A growing employment market

Thanks to robust GDP growth, office employment is expected to increase significantly in Europe over the next ten years. On average, the number of office jobs in the 13 countries listed should increase by 11%. This means office space will be needed to accommodate the changing workforce, complemented by remote working.

Expected employment growth, Q4 2020 vs Q4 2030



Source : Moody's

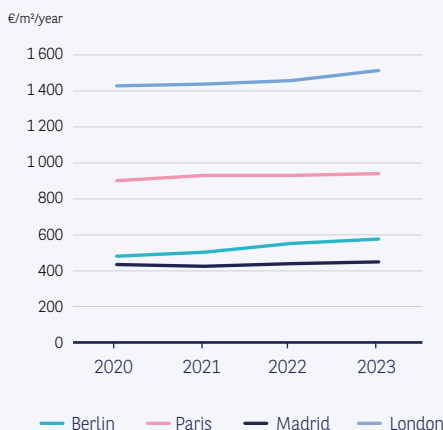
THE REAL ESTATE MARKET: A EUROPEAN SNAPSHOT



Slowly increasing rents

Although increasing, the vacancy rate for offices remains at a reasonable level in Europe. There is however still a shortage of offers in the central neighborhoods of large metropolitan areas, and for new offices. As a result, after several years of consecutive increases, prime rents remained generally stable throughout the crisis. Indeed, in markets such as Paris or Berlin, rents have increased, proving that the best assets are still as attractive as ever. The scarcity of supply in the coming years should allow further growth in values

Expected evolution of prime¹ rents in certain European capitals (€/m²/year)



Ireland

Dublin focuses on ESG related development

€744m of tenanted offices traded in Q4. This was easily the busiest quarter since 2019, partly due to Blackstone's €395m purchase of the Meta campus in Ballsbridge. This strong end to the year brought 2021 office turnover to over

€1.57bn – 31% above the 2020 figure and 14% above the 10-year average. Two factors should assist the office investment market in 2022. Firstly, while it will take time for organisations to settle on their occupational strategies for a post-pandemic world, the lifting of the Government's work-from-home guidance will provide a more certain planning environment, and this will percolate through to investor sentiment. Secondly, with a strong pipeline of office developments underway there will be further opportunities for ESG conscious investors to buy modern, high-spec newly developed buildings in Dublin.

[For the full Irish Investment Market at a Glance report, click here.](#)

UK

What is the outlook for London offices in 2022?

"As people emerge from post-lockdown there is still a need for hybrid working, so we have CEO's who are working to magnetize the workplace, and they are doing this by giving people more space per head and more collaborative space. Whilst they may be taking up less core space, they are demanding more flexible space, so more business lounges, more on-demand meeting rooms and more coffee shops and more gyms. Another key driver is that by 2030, all office buildings will have to be A or B EPC (Energy Performance Certificates) rated. Currently in London 80% do not fall into one of these categories, so whilst the return to the office and hybrid working may be an important issue, the lack of an EPC rating is far more important and I think that is what is going to drive activity over the next few years."

Stephen Wolfe, Head of Commercial, BNP Paribas Real Estate UK

[Watch more videos about the UK's commercial real estate market here](#)

Germany

Yield compression in offices continues

An indication of the high level of investor interest is the further decline in yields in the most sought after asset classes and locations. A limited supply of premium properties meeting high demand led to a further rise in prices in selected cases. For offices², net prime yields fell by 5 to 20 basis points in some cities in the fourth quarter. This applies to Cologne (2.60%), Frankfurt (2.65%), Düsseldorf and Stuttgart (both 2.75%), among others. In the three most expensive locations, Berlin (2.40%), Munich (2.50%) and Hamburg (2.55%), however they remained stable.

(Taken from Investment Market Germany At a Glance Q4 2021)

Spain

Demand for innovative office buildings in Madrid continues to expand

Although demand has slowed down due to the pandemic and the increase in remote working, the need for office spaces that meet the latest environmental sustainability and energy efficiency requirements is continuing to grow.

The markets of Las Tablas, Manteras and Julián Camarillo will contribute the most office projects to the market in the coming months. One of the most important deliveries planned for 2022 will be the inauguration of Alcalá 546, the future headquarters of L'Oréal, in addition to the annex building (Alcalá 544) made up of an area of approximately 10,400 m², currently available.

[Read the full article here.](#)



Find more BNP Paribas Real Estate research studies here

1. Highest rental values in the market

2. Lowest market rate

What did investment volumes in Europe look like in 2021?

Investment volumes in the real estate sector reached **€272.7 billion** across Europe in 2021, an increase of **15%** from the previous year and equal to pre-Covid figures, which demonstrates an excellent performance.

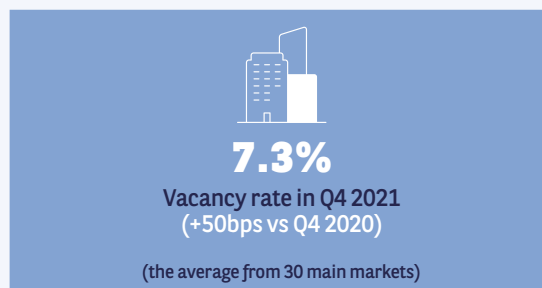
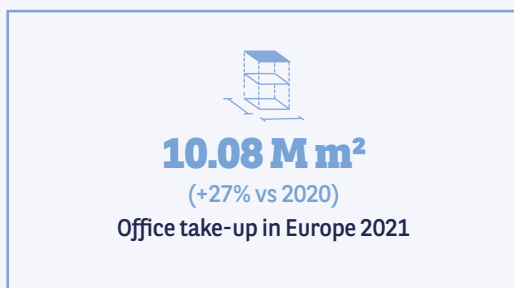
Olivier Ambrosiali, Deputy Director of Capital Markets France at BNP Paribas Real Estate clarifies this point by saying,

“This increase is not equally spread out across Europe. Sweden for example broke

records with the doubling of its annual investment volume. The UK and Ireland have also witnessed an increase, with the UK taking back its place as the leader of investment volumes in Europe, boosted in particular by North American investors. Ireland on the other hand has benefited from German interest for core operations.”

France, the Netherlands and Belgium have, conversely all seen a decrease in foreign investment.

Market data



The office real estate sector in 2021

Despite a tumultuous period, due to the uncertainty caused by the Covid-19 pandemic, European countries over the course of 2021 were gradually able to regain control of the situation, thanks in part to large-scale vaccination campaigns.

During Q2 of 2021, investment volumes in real estate were up **70%** from Q2 2020, with Q3 and Q4 following with moderate increases of **29%** and **+22%** respectively. Understandably, all assets within the real estate sector were affected, but for office investment, thanks to remote working establishing clear boundaries between modern and older units, it remained balanced.

Prime office yields

In 2020, the downward trend in office prime yields slowed down or came to a halt in most markets. Now with the reopening of the continent, markets have regained prime office yield compression except in Paris, Amsterdam and Dublin where it remains stable and in Warsaw where it has expanded.

Office Take-up in Europe

Take up across Europe began to recover from Q2 onwards and developed from thereafter. Whilst the overall result of 8.52 million m² transacted over Europe's 17 principal markets was below pre-crisis levels, BNP Paribas Real Estate believes that letting activity will shortly normalise.

Most markets show strong rebound in volumes, such as in Barcelona (**+85%** vs. 2020), Central

London and Brussels (**+46%** each), Central Paris (**+36%**) or in the six main German markets (**+27%**)

Prime rents

Whilst take-up slowed down, the prime market segment was unaffected by the crisis. For most markets, prime rental values remained stable over the pandemic. For Luxembourg (+10%) and Berlin (+8%), there has been the most substantial rises in values.



Find more BNP Paribas Real Estate research studies here



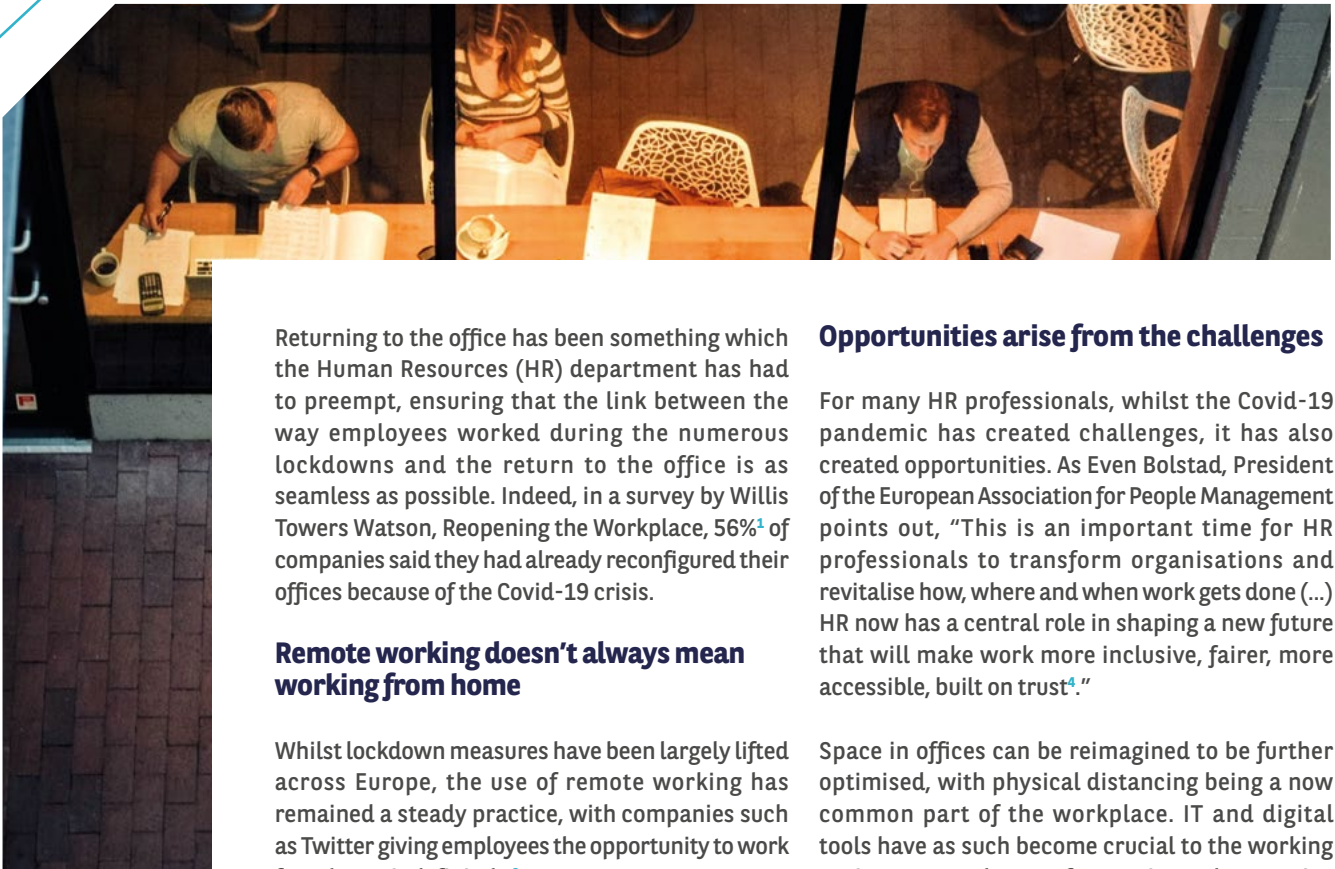
1

OUR NEW RELATIONSHIP WITH THE OFFICE

The health crisis has revolutionised how we interact with offices.

What can we learn from it in terms of reinventing our workspaces?

WHAT DOES THE RETURN TO THE OFFICE LOOK LIKE FOR HR PROFESSIONALS?



Returning to the office has been something which the Human Resources (HR) department has had to preempt, ensuring that the link between the way employees worked during the numerous lockdowns and the return to the office is as seamless as possible. Indeed, in a survey by Willis Towers Watson, Reopening the Workplace, 56%¹ of companies said they had already reconfigured their offices because of the Covid-19 crisis.

Remote working doesn't always mean working from home

Whilst lockdown measures have been largely lifted across Europe, the use of remote working has remained a steady practice, with companies such as Twitter giving employees the opportunity to work from home indefinitely.²

This has required the physical workplace to adapt, opening up to the increased use of digital tools and providing a seamless link between the workplace and remote working. In Germany for example, new legislation has been introduced to allow the greater use of video conferencing, in work councils or in court proceedings.

For employees, this kind of mentality can mean being given the opportunity to work more flexibly, from the office or other locations of their choice. In BCG's Workplace of the Future study, "Thirty-seven percent of companies expect that more than 25%³ of employees will work in hybrid models that combine remote and onsite work."

Opportunities arise from the challenges

For many HR professionals, whilst the Covid-19 pandemic has created challenges, it has also created opportunities. As Even Bolstad, President of the European Association for People Management points out, "This is an important time for HR professionals to transform organisations and revitalise how, where and when work gets done (...) HR now has a central role in shaping a new future that will make work more inclusive, fairer, more accessible, built on trust⁴."

Space in offices can be reimaged to be further optimised, with physical distancing being a now common part of the workplace. IT and digital tools have as such become crucial to the working environment and spaces for meeting and conversing have become enhanced for collaboration. Microsoft for example plans to go ahead with a multibillion-dollar renovation of its US headquarters, which will have fewer private offices and more team-based space⁵.

For HR professionals, the well-being, comfort and productivity of employees are paramount to the success of both the office building and the business. Adapting to a new hybrid, digital model is therefore essential for welcoming the future way of working.

1. Willis Towers Watson Reopening the Workplace 2020

2. <https://www.theguardian.com/technology/2020/may/12/twitter-coronavirus-covid19-work-from-home>

3. BCG Workplace of the future, 2020

4. European Association for People Management

5. <https://www.newyorker.com/magazine/2021/02/01/has-the-pandemic-transformed-the-office-forever>

WHAT ARE COMPANIES LOOKING FOR IN THEIR FUTURE OFFICES?

Workspaces are being restructured, becoming more collaborative and flexible.

Faced with the health crisis and under the impetus of public health bodies, companies have had to rethink their work organisation in order to safeguard the health of their employees. To provide social distancing, physical exchanges had to be limited. This meant reassigning tasks, upgrading employees' skills and deploying the digital tools needed to ensure remote communication could be carried out seamlessly. Depending on the type of structure, the digital transformation has been considerably accelerated, requiring a real push for adaptability.

In April 2020, out of a panel of 100 European employees surveyed¹, only **9%** said they worked from home every day and **6%** several times a week. On the same panel surveyed in April 2021, **16%** said they wanted to work from home every day and **31%** several times a week.

Remote working, although on the rise, is still not what everyone wants and employees and companies alike are calling for at least a partial return to the office. This is in order to regain social interaction and ease communication channels. Certainty, different types of employment are suited to working remotely and more specifically within companies that are best able to offer the appropriate equipment and organisation. According to a study by Boosters, Indeed², companies that operate within digitalised professions will be the most likely to follow the trend including IT, administrative support or marketing and customer service. For

some jobs however, it is harder to adopt such a practise, either because of data security requirements or because of the nature of the jobs themselves, which might include catering, equipment maintenance and cleaning services.

The question remains, however, whether companies that can afford to rollout remote working will choose to make it permanent after the pandemic. The preference for now seems to be for a hybrid mode of work, dividing the week between remote and on-site work. Another option is rethinking how offices are structured, by way of creating more social distance, more collaborative spaces and more modularity. The challenge tomorrow for players in the corporate real estate market will be to anticipate these changes and to offer innovative solutions that meet the needs of European organisations.

12% of employees in Europe partially worked remotely by mid-2021 compared to **3%** a year earlier.³

1. Eurofound, Living working and COVID-19 dataset April 2020 and 2021

2. <https://boost.rs/en/white-paper-boosters-remote-work/>

3. Digitalisation and teleworking, challenges and opportunities in the office market - September 2021 - By Pierre Schoeffler, Advisor to the Chairman of La Française Group and Philippe Depoux, Chairman of La Française Real Estate Managers



Richard Malle

Deputy Head of Business Services
in charge of Research, Innovation and Data
at BNP Paribas Real Estate



“The impact of the crisis on the office market is expected to be twofold. Firstly, we expect companies to retain a proportion of remote working, which will remain limited to a certain number of days per week, depending on the type of job and company. In Europe, the general consensus is two days a week in the office. This will have an impact on the use of offices, which may be smaller in size, but will respond to the need for greater flexibility. Offices will be more accessible, better connected to different modes of transport, especially sustainable transport, and more flexible in their use and organisation of workspaces”

WHAT LESSONS WILL THE CRISIS TEACH US FOR REIMAGINING THE OFFICE?



Sylvain Hasse | 
Head of Corporate Services
at BNP Paribas Real Estate



The idea of what is “normal” and “reliable” has been shaken by the health crisis, meaning that solid structures have become of key importance to us. The office is one such structure, both in what it embodies and what it represents.

However, we must not deny that the office is evolving, and it is not quite the same as it was last year. The crisis has certainly reinforced certain changes that were already underway over the last five years (remote working, co-working, digitalisation, etc.), it has solidified certain practises, such as the use of apps and new management styles but, above all, it has eliminated the unnecessary. What should we keep from the past? What new things should we incorporate into our daily lives to overcome this crisis and be ever more resilient?

“The office and remote work are allies, not enemies”

The structural changes that we have been experiencing in recent years are still ongoing and have simply been accelerated. The office remains and will remain a place to socialise in.

Humans structure themselves and evolve through interactions with others, so they need places to gather and evolve. But at the same time, remote working and more generally nomadism have been seen to provide many benefits. They allow for greater independence, considerable timesaving and increased comfort, even if working in this way 100% of the time is not desirable. There is little doubt that it would risk dehumanising our relationships and cutting us off from one another.

“The office remains a space for coming together and sharing knowledge”

The office is a space that we must constantly reinvent. We must continue to take pleasure in going there and above all go there for concrete reasons. In our lives, it is as important a place for socialisation as school or leisure. If we

manage to integrate all this, then the future of the office looks bright to me. I see it as a functional and interactive space, complementary to the greater freedom brought about by remote working.

Read the full article: [The office building and the new normal](#)



55%

the amount of time employees want to spend working in the office¹

30% of workplaces are currently setup as collaborative areas.

Meaning **70%** are still dedicated to individual work.²

1. Study by the Workplace Management Chair at ESSEC Business School conducted in September 2020
2. Soyez F., « Avec le télétravail, l'open space cédera-t-il la place aux espaces collaboratifs ? », Courrier Cadres

ACROSS EUROPE, HOW HAS COVID-19 CHANGED THE OFFICE?

The Covid-19 pandemic and the successive lockdowns in Europe have affected European countries differently meaning they have adopted different strategies regarding the management of their real estate assets and human resources. They do however share a common vision when it comes to returning to the office. In September 2021, whilst Ireland's on-site working rate stood at 15-25%, in Spain and France it was up to 75%¹. Differing strategies and policies are in place across Europe, but what does this mean for each country?



POLAND

"Over the past couple of years, we have been witnessing ESG's increasing role in the business world, i.e an initiative established for the sake of the natural environment, society and the maintenance of corporate governance, which are the fundamentals of sustainable development. A growing number of building owners and administrators are applying for green certifications, knowing that it increases the appeal of property for future users, has a positive impact on the environment through the use of various eco-friendly solutions, positively impacts upon the buildings prestige, and ultimately its value. Tenants continuously expect new office buildings to fit into the context of caring for the natural environment and the well-being of employees who will use the office "



Michael Karolkiewicz
Consultant Office Agency,
BNP Paribas Real Estate Poland



[Read the full article here](#)



THE NETHERLANDS

BNP Paribas Nederland, Arcadis, and G&S Vastgoed have announced their plan to move into joint new headquarters at the Zuidas in Amsterdam mid-2024. The shared ambition is to achieve a new standard for healthy, safe, and future-proof office buildings. Therefore, BNP Paribas Real Estate Netherlands and G&S Vastgoed have developed the RE\Define concept, an office design that has the well-being and productivity of employees as its heart. Sustainability is an important principle in developing this office building, meaning each partner now has a unique opportunity to set the bar high and use the building as a breeding ground for new sustainable concepts.

"The new headquarters in Amsterdam reflect our growth ambitions in The Netherlands. By bringing our various entities closer together in one headquarters, we will accelerate the One Bank strategy and clients will benefit fully from our interdisciplinary approach and broad international expertise."



Geert Lippens
CEO, BNP Paribas Netherlands



[Read the full article here](#)

1. BNP Paribas Real Estate Property Management, BNP Paribas Real Estate Research, Octobre 2021



BELGIUM

The office building must now respond to a new model of Attractiveness, Agility and a new form of Safety expected by its users. All of these aspects have been accelerated by Covid-19, which has also increased awareness. As proof, the vast majority of office schemes due to be completed on the Brussels office market will integrate these new standards, which also integrate environmental performance.

“One of the first buildings that fits into this new model is the NØR project in the heart of the Northern Quarter of Brussels. The NØR building is designed to be flexible and multifunctional in order to accommodate small organisations (from 800 m²) as well as larger tenants. It has a BREEAM Outstanding rating and has, among other things, breathtaking views of Brussels and a feng shui garden in the courtyard.”



Bertrand Cotard
Head of Letting & Sales,
BNP Paribas Real Estate Belgium



[Read the full article here](#)



FRANCE

“The office rental markets in France, and particularly in the Île-de-France region, were unsurprisingly hit hard by the health crisis. While technology has kept us all connected during times of lockdown, it is no substitute for human interaction. In the future, companies will have to favour more flexible and innovative solutions in order to support their employees in finding a balance between remote working and the recovery of economic activity. The office building will now have to respond to a new challenge, defined by attractiveness, agility and resilience.”



Eric Siesse
Deputy Director-General, Director of the Ile-de-France
Rental Offices Department, BNP Paribas Real Estate



[Read the full article here](#)



GERMANY

How can I make optimum use of my premises? What sound proofing is necessary? And how can the sense of well-being in offices be enhanced in the interests of strengthening the corporate culture?

“Right now, our key concern is to design work environments and workflows that ensure the staff feel comfortable”

With this in mind, it’s about analysing how offices can be organised along safe and flexible lines – now and in the future. The implementing of new measures comes in three steps:

- Analysis of the status quo and identification of “hotspots” to adapt office premises to changing rules and regulations, for example by reducing staff density or altering layouts and furnishings.
- Establishing efficient use of a building by drawing up new rules and processes, which help the staff to feel safe.
- Optimisation of a building’s service installations by implementing new technical measures in cooperation with planners. A digital occupancy schedule or new air filters in offices represent examples of possible options here.



Irene Drude
Director Project Solutions at BNP Paribas Real Estate Germany



[Read the full article here](#)



UNITED KINGDOM

"The pandemic has put an even greater focus on the human experience of an office, meaning we can expect to see a more customer centric approach in the quality and integration of services and facilities, more like in hotels and omni-channel retailing. Organisations of all sizes have been able to adapt their workforce successfully to a remote set-up, so the future office needs to go beyond just offering desks. Equally, as the pandemic continues we have heard of staff 'burnout' in the 'always on' culture of hybrid working. Developing culture and social capital, fostering collaboration, training and the induction of new hires are challenging activities in a hybrid model.

Ultimately, offices need to offer an exciting environment that people want to visit. Traditional landlords should consider supporting their tenants to deliver wider services, which in turn will help them to retain and attract tenants."



Victoria Goodings

Head of Workplace Strategy
BNP Paribas Real Estate, UK



[Read the full article here](#)



IRELAND

"The recent news that Tik Tok will lease 19,509 sq.m. (210,000 sq.ft.) at the Mapletree owned Sorting Office and KPMG's announcement to lease 31,866 sq.m. (343,000 sq.ft.) at Hibernia Reit's Harcourt Square scheme is a clear message to the market that the office as a place to work is far from its death bed which many naysayers have been predicting.

Remote working has been critical to business continuity for the past 12 months, however it has not been without its drawbacks. While the potential for enhanced flexibility and work-life balance is a clear advantage, the benefits of a physical office as more than just a place to work are worth reiterating. A recent survey by KPMG found that just 17% of global CEOs plan to cut office space over the next three years – a sharp decline on the 69% who planned to do so when surveyed last August."



Keith O'Neill

Executive Director, Head of Office Advisory,
BNP Paribas Real Estate Ireland



[Read the full article here](#)



SPAIN

Success in returning to the office lies in following a specific formula: carrying on as normal, whilst following the precautions laid out by the health authorities.

For Ignacio Gomez de Barreda Golmayo, Director Offices, Madrid, BNP Paribas Real Estate Spain, the most successful office model is a hybrid one, combining both remote working and face-to-face work. It is the only way to give employees greater flexibility and, in turn, to enable them to return to the office.

"At BNP Paribas Real Estate Spain, we have seen a greater appetite for office space during the first quarter of 2021 than expected. This is most likely due to the negative effects of having physical distance from peers and a decline in productivity when remote working. These factors have led to a large number of workers preferring to return to the office at least three days a week"¹



Ignacio Gomez de Barreda Golmayo

Director Offices, Madrid,
BNP Paribas Real Estate Spain



1. Oficinas: cuando el cambio de concepto se materializó en 2020

WHAT DOES THE FUTURE HOLD FOR CENTRAL BUSINESS DISTRICTS AFTER THE PANDEMIC?

Bankenviertel in Frankfurt, Canary Wharf in London, La Defense in Paris, the central business districts (CBDs) of the world have had to adapt in order to get back to something like normal. Whilst the pandemic quickly emptied these normally densely packed areas, since June 2021 things are once again picking up.

More than just a hub of companies, CBDs are primarily an ecosystem of human activity. Thanks to their strategic location and their transportation links, they are perfectly positioned to allow residents to live, work, wander around, all whilst having access to the essential services and shops that we see present in the 15-minute city model. How then are three CBDs across Europe adapting to life after a pandemic?

La Defense, Paris

Since the start of the health crisis, the footfall at La Defense plateaued at around "30-40%" of what is considered normal, explained Pierre-Yves Guice, CEO of La Defense in the Figaro newspaper.¹ "Remote working is not possible for every job, and the neighbourhood brings together all types of activity, surviving through its proximity to Paris and the 20,000 people who live there." Indeed, La Defense is not only made up of offices but brings together housing, cycle lanes, restaurants and leisure activities.

For Pierre-Yves Guice, he is not worried about the future of the Parisian CBD. "After the first lockdown, people came back on a large scale, and quickly. We were back to 65-70% of normal footfall, despite new regulations and the push for remote working." There are more signs of the return back

to La Defense, with 20-30% of employees now back at the office, and companies upping the number of people allowed in the office at one time. Pierre-Yves Guice believes that volumes of office take-up are level with the 10-year average and the company Total¹ are even building a new skyscraper. Many more projects are also planned, giving La Defense the opportunity to bounce back.

Offices certainly won't disappear, and will evolve to become places where socialising, creativity and sharing take place.

Canary Wharf, London

In the UK, the second biggest CBD witnessed a drop in footfall in shopping centres following the pandemic, with an increase of 2-5% in vacancy rates. This was coupled with around 120,000 jobs being suppressed. Despite this, CEO of Canary Wharf, Shobi Khan², is confident in the boost that housing will provide. Over the last decade, old offices which bordered the neighbourhood have been replaced with residential programmes, and around 180,000 people now live less than a mile from Canary Wharf. George Iacobescu former CEO of Canary Wharf² said in May 2021, during an interview with Bloomberg, "We are the heart of the whole area. Everybody has to come here if you want to take the tube, shop, sit in a park. You have to come to Canary Wharf."²

Bankenviertel, Frankfurt

Bankenviertel in Frankfurt (also known as *Mainhattan* for its position on the Main river) is one of the biggest CBDs in Europe in terms of the number of international companies who have headquarters there. Like with other European CBDs, German employees are spending less time in the office, in favour of remote working. This has led to an increase in vacancy rates of +13%, resulting in 1.29 million m² of vacant offices in 2021.³

The real estate market in Frankfurt is however now experiencing an upward trend, with strong demand for the office market. Companies are now preparing for a gradual return to the office and what they will need in doing so. Whilst new construction projects are up by 3%, preleasing rates are over 40%, demonstrating the substantial demand by companies for offices.³

For a number of years now, Frankfurt has occupied a strong place for office investors. Whilst investors had decreased during the pandemic (-28%) demand once again increased from 2021. Indeed, almost 78% of total investment volumes in the second trimester of 2021 were attributed to offices, equal to an increase of 25% from 2020.³

1. [Avec la montée en puissance du télétravail, quel avenir pour le quartier de la Défense ? \(lefigaro.fr\)](https://www.lefigaro.fr/actualite-france/2021-05-20/avec-la-montee-en-puissance-du-teletravail-quel-avenir-pour-le-quartier-de-la-defense-?lefigaro.fr)

2. <https://www.bloomberg.com/news/features/2021-05-20/after-brexit-and-the-pandemic-canary-wharf-is-reinventing-itself>

3. Office market Q3 2021, Frankfurt, BNP Paribas Real Estate Germany



WHAT DOES THE FUTURE HOLD FOR THE OFFICE?

Europe is back in the office but not everyone is going at the same rate. How has the workplace evolved in different countries and what does this mean for our professional relationships?

OFFICES MAY GET SMALLER BUT THEY WILL BE OPTIMALLY ORGANISED

The rise in remote working and the decrease in those in the office on a daily basis mean that office space could diminish. This however is not to say that the importance of the office reduces in anyway. Instead, office space will be optimised to be more flexible, more collaborative and more inclusive.



Office space is predicted to shrink by around

20 - 30%¹

due to new ways of interacting

1/3

of French and German workers will work remotely in 2022²

- > With more people working from home and less in the office, the idea of a dedicated desk is on the downturn
- > The idea of "hoteling" workspaces is now on the rise with desks being used for the employee who needs it that day
- > Office space, whilst reducing is becoming more flexible, able to adjust to the needs of those in the office that day. Companies like Google, Microsoft and Walmart have already announced proposals for hybrid work models that will allow employees to continue to work remotely at least a few days a week³



87%

of employees say the office is important for collaborating with team members and building relationships⁴

31%

of executives anticipate they'll need less total office space in three years⁴

- > With the possibility of offices getting smaller, the need to have more central locations increases, particularly with younger people not driving or having access to a car. The balance between more expensive, but smaller central locations vs bigger, further away offices is a trend we could see more of in the years to come
- > Along with reduced open plan areas, offices will have more collaborative space and the use of screens will become more present, in meeting rooms and even in cafes to give those on site the option of having an informal virtual meeting

1. BNP Paribas Real Estate International Research department

2. The Economist, Why Europe is a great place for digital nomads, October 2021

3. Here Come Hot Desks and Zoom Rooms. And Holograms? The New York Times, April 2021

4. It's time to reimagine where and how work will get done, PwC, January 2021

WHAT WILL OFFICE SPACE IN LONDON LOOK LIKE **IN THE FUTURE?**

Here Nick Deacon - Head of European Offices at Nuveen Real Estate and Paul Williams - CEO of Derwent London discuss what the future of the office in London might look like. From repurposing brown buildings to the unique appeal of London, according to these expert, the office is set to go through more changes.

The idea of what the office will resemble in the future is one that has been much talked about. What the layout will be, how many days people will spend inside the office building and what connections the office building will have to the home and third places are all subjects which experts across the world have been debating.

Paul Williams believes that, going forward, “people will incorporate a more hybrid work schedule, some days in the office, and the other days spent working from home or carrying out certain projects.”

“Everyone has to work hard at satisfying tenants needs” says Nick Deacon. “It is no surprise that the buildings that continue to lease in this market have been able to distinguish themselves through prime location, good amenities or are willing to be flexible with the renter.”

Brown buildings turn green and resilient

For many in the real estate industry, the challenge is how to turn brown buildings green. A number of actors feel that the main focus should be on repurposing existing stock and working to improve it. To do this though, the real estate industry as a whole needs to work collaboratively. “We can make the greenest building possible” says Paul Williams, “but if your occupier is not going to work with you, then you’re going to fail.”

Nick Deacon affirms this by saying that, “The industry knows what occupiers want. We have had conversations for the last decade about ESG and net-zero carbon but right now there is a huge skills gap between the rhetoric and actually applying it.”

How does London compare to continental Europe?

In terms of how London has managed the return to the office, it seems to have been done differently from other countries in Europe. Whilst in Paris or Berlin office occupancy rates are rising, in London there is a still a cautious attitude when it comes to getting back to the office.

However it seems that London is still destined to bounce back, with new more flexible ways of managing offices and an ever increasing focus on ESG commitments. With clear data and analytics becoming more and more important, the future of those in an office looks bright.

Read the full article: : <https://www.realestate.bnpparibas.com/what-will-office-space-london-look-future>



NOW CONNECTED: NEW HYBRID AND REVERSIBLE SPACES MANAGED ON BEHALF OF THIRD PARTIES, OWNERS, INVESTORS AND OCCUPIERS

L launched in June 2020 by BNP Paribas Real Estate and Now Coworking, Now Connected gives companies the opportunity to benefit from different professional and connected workplaces. These locations are part of the transformation of office practices and provide a real range of flexible offices throughout France.

This new real estate offer is both secure for owners and flexible and modern for occupiers. It offers an alternative way of operating real estate and enables investors and occupier companies to transform their premises to create hybrid co-working and corpo-working environments. It is also an ideal solution for workers, who see it as an opportunity to work in connected and adapted spaces, closer to their homes, but also for companies who optimise their management costs and the profitability of each m². Now Connected is a true response to market demand.

For more information: <https://now-connected.com/>



Pierre-Henri Dekeyzer
Managing Director of
Now Connected

“ We work with all types of businesses who want to be more agile and flexible. With Now Connected, we adapt to the new needs of companies and act as a true partner. Companies that want to work in a professional environment and in accordance with the new requirements of workplaces are free to use these spaces as they wish, to gather their team and not have to worry about anything else. We take care of the design, the welcome that is so important when returning to the office, the operation and management of the office space.”



Lauric Leclerc
Deputy Chief Executive Officer of
BNP Paribas Real Estate in charge of Property
Management and leader of the Now Connected
project

“ We support all kinds of stakeholders; an occupier in search of a new lease, an owner who wishes to rent their building, or a developer working to build and sell a tertiary asset.” ”

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SUSTAINABLE OFFICES, WHY CHANGE IS THE ONE THING YOU CAN COUNT ON

Stefanie Eisenbarth, Head of Project Solutions at BNP Paribas Real Estate Germany gives us her vision on how buildings must be conceived in order to better respond to the increased need for sustainability and flexibility.

Stefanie Eisenbarth, Head of Project Solutions at BNP Paribas Real Estate Germany gives us her vision on how buildings must be conceived in order to better respond to the increased need for sustainability and flexibility.

How can we respond to the increased need for sustainable buildings that is present in the real estate sector?

The new standards and labels, which have been developed over the course of the last few years within the real estate sector, demonstrate the fact that it is now easier and easier to create energy-efficient buildings. This is the case for skyscraper offices such as Timber Pioneer¹ by UBM Development and the real estate group Paulus in Frankfurt. Timber Pioneer has been characterised by its hybrid construction methods and low CO2 emissions, which have been combined with intelligent building automation. These factors have helped it achieve the German Sustainable Building Council's pre-certification in Gold.

What are the key elements when it comes to constructing the future office?

How we get around is central to this debate. Parking and charging solutions for electric cars and bikes are only going to become more important, along with ways to rent or lease bikes. Offers that encourage people to take public transport such as BahnCard or Jobticket (subscription services by Deutsche Bahn, the German national railway company) have also been put in place. Individual car parking spaces are simply no longer à la mode.

What do you think about the trend for modular offices?

Spaces that are versatile and adjustable encourage interactions and foster creativity, along with our ability to be innovative. This also means adapting to different needs and behaviours. Today, more than just having areas for concentration, employees are looking for spaces which encourage togetherness and collaboration. All of this means that the future office remains unshakeable.



Stefanie Eisenbarth
Head of Project
Solutions
BNP Paribas Real
Estate Germany



1. www.timber-pioneer.com

THE FACTORS CHANGING OUR WORKSPACES

The office has always been a hub of change. Now with growing concern for ESG criteria and the desire to build resilient cities, the office is once again transforming. How are technology, innovation and new ways of using the offices changing how we interact with our workplaces?



WHAT DOES A MIXED-USE BUILDING LOOK LIKE?

Mixed-use buildings are now being seen as one of the preferred solutions for transforming offices and creating resilient cities. In order to be considered truly mixed, a building must carry out a number of specific functions. The most common model for offices consists of integrating shops into the foot of buildings or using space within the buildings for housing or leisure activities. What's more, this mixed-use model aims to breathe new life into urban neighbourhoods.

Is there still value in keeping offices away from residential areas?

Cities are made to live, work, travel around in and enjoy. Because of a lack of space, structures built in industrial zones emerged, further prompting the need for mixed-use buildings. Limiting urban sprawl is as such a key priority. On average 24% of the total service area of buildings in the European Union (EU) is not residential. Almost a third (30%) of this non-residential space consists of offices (public and private).¹

Mixing different asset types: are horizontal or vertical building better?

Mixed-use vertical buildings are growing in popularity in city centres due to the shortage of available urban land and the high cost of land. The skyscraper, *Tour Innova* in Bordeaux (Carle Group) is a perfect example of this, as it reinvents the idea of mixed-use buildings by superimposing a residential building on an office, without being classed as a high-rise structure². It is however important to note that the ways of using the building are very different, in terms of the type of assets, so this type of model is more difficult to achieve.

Mixed-use: achieving visibility

Mixed-use buildings can also become emblematic. In Nagoya in Japan, the *JR Towers* are made up of offices (Japan Railways HQ), hotels, shops and transport infrastructure.³ These buildings are also open to everyone, meaning that they have become a central part of the city. The complex has also become part of JR's identity, and is now intrinsically linked to the company's image.

MIXED-USE BUILDINGS COMBINE THREE OR MORE USES INTO ONE SINGLE STRUCTURE:



1. European Commission EU Buildings Factsheets, 2013

2. Aia Life Designers

3. BNP Paribas Real Estate Research

BREAKING NEW GROUND WITH AN OFFICE-OPERATING PLATFORM

Nuveen Real Estate, one of the world's leading property managers, has become the first major landlord to implement a large-scale office operations model across its entire European property portfolio. This innovative platform, deployed in partnership with BNP Paribas Real Estate, shakes up traditional property management and will ultimately ensure a more transparent and efficient relationship between owner and occupier.

Anticipating what the office of tomorrow looks like

For Nuveen, this new platform is now an essential tool for increasingly efficient management of its commercial real estate assets in Europe. It will allow us to better understand the changing needs of users over time and space, in order to design flexible and adaptable office spaces, and to offer innovative solutions at a time of changing work practices

Nick Deacon

Head of European Offices - Nuveen Real Estate

"We believe that offices will continue to serve a purpose, but that they will not be able to continue to function as they have in the past. Occupier expectations have risen dramatically over the last five years. Technology, sustainability and well-being are now at the heart of their needs, and these trends have only accelerated with the pandemic. The office sector must therefore reinvent itself to remain relevant. It has to go beyond what is currently on offer - users are looking for what they cannot get at home. BNP Paribas Real Estate's European expertise and premium property management experience make it the ideal partner to achieve this."

Matching tenants expectations

For Nick Deacon, there is no doubt about the relevance of this new property management model.

"Today and in the post-Covid world, this 'client-centric' approach is more relevant than ever: for owners, employers and employees, the issues of social ties, health and well-being are paramount. Our service management platform has been designed with this in mind, to be as close as possible to the expectations of tenants, and to offer services that are not only an asset, but are now considered indispensable. In concrete terms, the platform will offer innovative services related to sustainable development, technology, connectivity and of course more traditional property management elements such as building maintenance and upkeep or rent and service charge collection."

Csongor Csukas is delighted to have been selected by Nuveen to accompany them in this project.



Csongor Csukas

Deputy Head of Property Management,
BNP Paribas Real Estate

"BNP Paribas Real Estate shares the same care for people as Nuveen. Beyond traditional property management, we are particularly attentive to human interaction and the user experience. The quality of the services offered to users is central to our thinking and the solutions we propose on a daily basis. Property management has evolved from simple property administration to the management of tenant relations, putting people back at the heart of our business, as we summarise in our "Human Estate" concept."

Read the full article:

<https://www.realestate.bnpparibas.com/strategic-partnership-bnp-paribas-real-estate-nuveen-real-estate-breaks-new-ground-office-operating>

W.I.R.E.D, THE FIRST IMMERSIVE REALITY REAL ESTATE DATA ANALYSIS TOOL

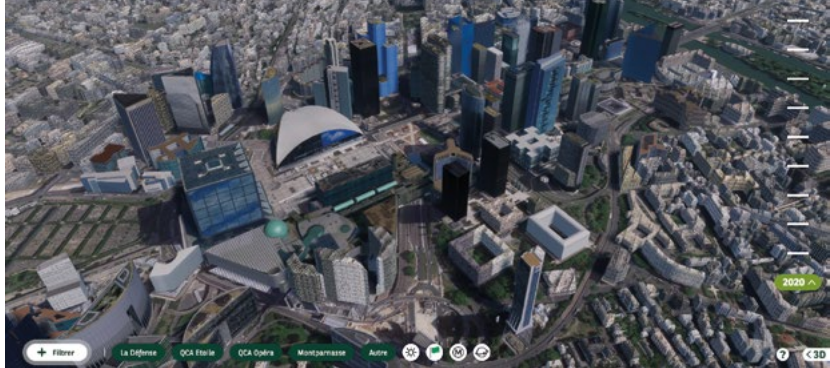
With the ability to accompany clients in their real estate strategies an ever-present concern, BNP Paribas Real Estate has developed a new data visualisation tool, **W.I.R.E.D** (Wearable Immersive Real Estate Dataroom). This 100% immersive tool was developed in collaboration with **UNITY 3D**, the leading platform for 3D video games and applications, and created within BNP Paribas' transformation hub, BivwAk! Combining data visualisation and 3D capability, W.I.R.E.D provides an interactive map of Europe, which can be used to assess certain areas and geographies in more depth.

Read the full article:
[BNP Paribas Real Estate launches W.I.R.E.D at VivaTech, the first real estate data analysis tool in immersive reality](#)

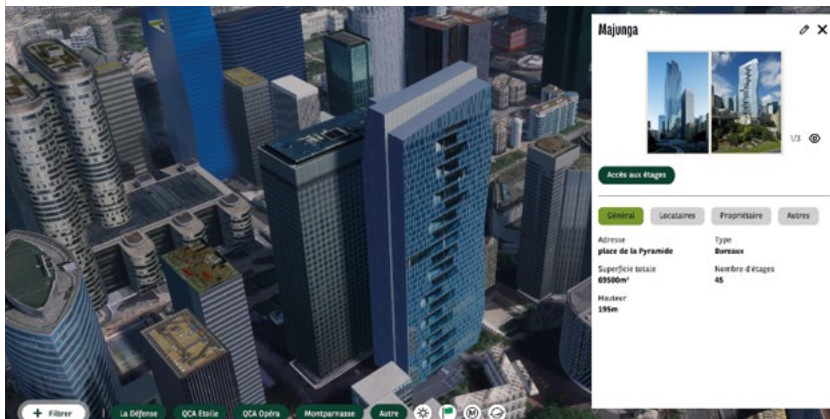
"W.I.R.E.D is a unique digital twin combining rich analysis and an exceptional experience. Its power lies in being able to immerse the user in the city, its neighbourhoods and its buildings. It offers access to the best real estate, socio-economic and environmental information, thanks to high-quality internal data, enriched by external data. Its agility enables targeted prospective analysis to be shared, by browsing the markets without constraints of either place or time"



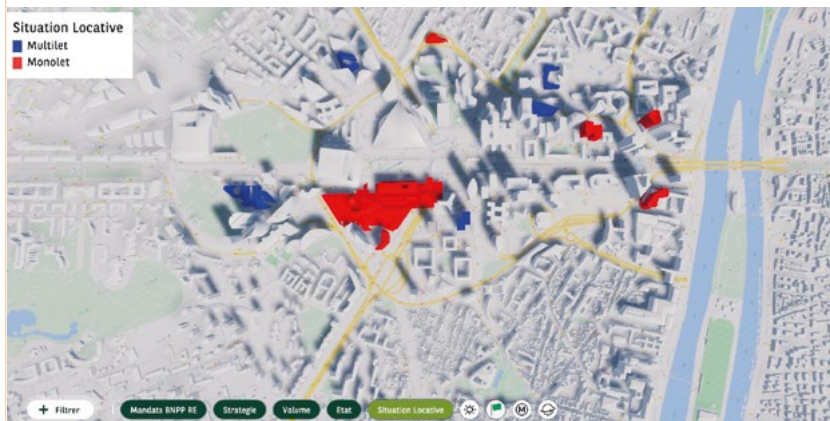
Florian Couret
 Head of Immersive Lab
 at BNP Paribas Real Estate



Currently **W.I.R.E.D** allows the user to access 10 million buildings, of which 1,000 are under mandate. This is done by cross-referencing BNP Paribas Real Estate data with open source data, from local authorities for example.



W.I.R.E.D can also be used to generate customised reports based on changes in rents, charges, market data, the environment and public transport, allowing BNP Paribas Real Estate teams to easily produce accurate and immersive market analysis.



Integrating the different facets of the real estate market, W.I.R.E.D allows future investors and occupiers to have their questions answered remotely, through a more sustainable and less costly experience. Different 3D data visualisation projections have already been presented to BNP Paribas Real Estate clients, demonstrating the relevance of this solution. For example:

- **A foreign investor is interested in the Greater Paris market and wants to compare it to other European markets. W.I.R.E.D is able to decipher the specificities of the different cities, to calculate the evolution of key fundamentals over the next few years and to visualise the targeted assets, today and in the future - all remotely.**
- **A client wants to find out about a major real estate project in Berlin. W.I.R.E.D is able to provide a virtual visit to the project, along with information about the different construction phases, filtered by year.**

Legal Information

BNP Paribas Real Estate is a simplified joint-stock company with capital of €383,071,696 and headquarters at 167, quai de la Bataille de Stalingrad 92867 Issy-les-Moulineaux Cedex, registered on the Nanterre Trade and Companies Register under no. 692 012 180.

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