



CBRE RESEARCH



THE CBRE INSTITUTE

# SOLVING FOR THE FUTURE WITH AGILITY

AMERICAS OCCUPIER  
SURVEY REPORT 2018

**CBRE**

# RESPONDENT PROFILE



138  
RESPONDENTS




91%  
BASED IN THE  
UNITED STATES

## INDUSTRY BREAKDOWN

 26% BANKING & FINANCE

 21% TECH & TELECOM

 11%  
PROFESSIONAL  
SERVICES

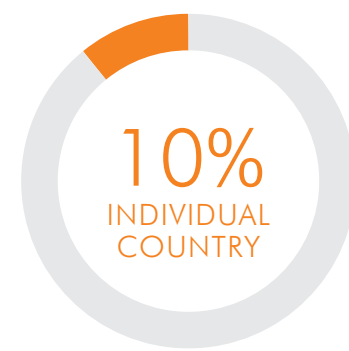
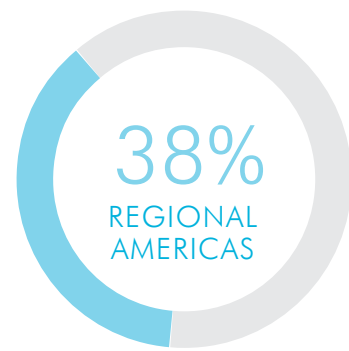
 9%  
HEALTH CARE  
& LIFE SCIENCES

 6%  
MANUFACTURING

 6%  
INSURANCE

 21%  
OTHER

## SPAN OF CONTROL



Note: the 2018 Americas Occupier Survey is the source for all charts and tables in this report.

# KEY FINDINGS

## HOW ARE CORPORATE OCCUPIERS SOLVING FOR THE FUTURE?

Americas-based real estate executives responding to the 2018 Americas Occupier Survey intend to remain agile in balancing today's requirements for highly efficient and experiential workplace environments designed to quickly adapt to future needs. The results of this year's survey highlight the impactful strategies executives are executing for the business lines and employees they serve:

### SOLVING FOR THE FUTURE WORKPLACE

#### **Reinventing Workplace Standards**

45% of respondents anticipate migrating to an activity-based workspace curated for employee effectiveness and future design flexibility.

#### **Phasing in Unassigned Seating**

52% of respondents anticipate implementing some level of unassigned seating in their workplace to promote space efficiency and space plan flexibility.

#### **Exploring Lease Flexibility**

The majority of respondents continue to evaluate creative office solutions, especially coworking, to satisfy their mandate for portfolio flexibility.

### SOLVING FOR THE FUTURE WORKFORCE

#### **Leveraging Amenities**

81% of respondents perceive amenities as integral to the employee experience, and engage landlords and other service providers to enhance these offerings.

#### **Enhancing Technology**

59% of respondents plan to introduce mobile apps to enhance the employee experience by helping them to navigate the built environment more efficiently.

#### **Managing Change**

46% of respondents are concerned with managing change, indicating they understand the importance this has on the success of new workplace strategy.

### SOLVING FOR THE FUTURE CRE TEAM

#### **Maintaining Influence**

69% of respondents report directly to a C-Suite level executive, creating opportunities for impactful strategies that align with corporate goals.

#### **“Upskilling”**

Respondents continue to create value by creating new capabilities, such as data management and analytics—an emerging area of interest this year.

#### **Securing Investment**

50% of respondents plan to secure increased funding to test and implement, where appropriate, new technology that is changing the real estate industry.



# THE AGILE WORKPLACE

To achieve an agile workplace is to create a space strategy that is inherently flexible, supported by technology and designed with the employee experience in mind.



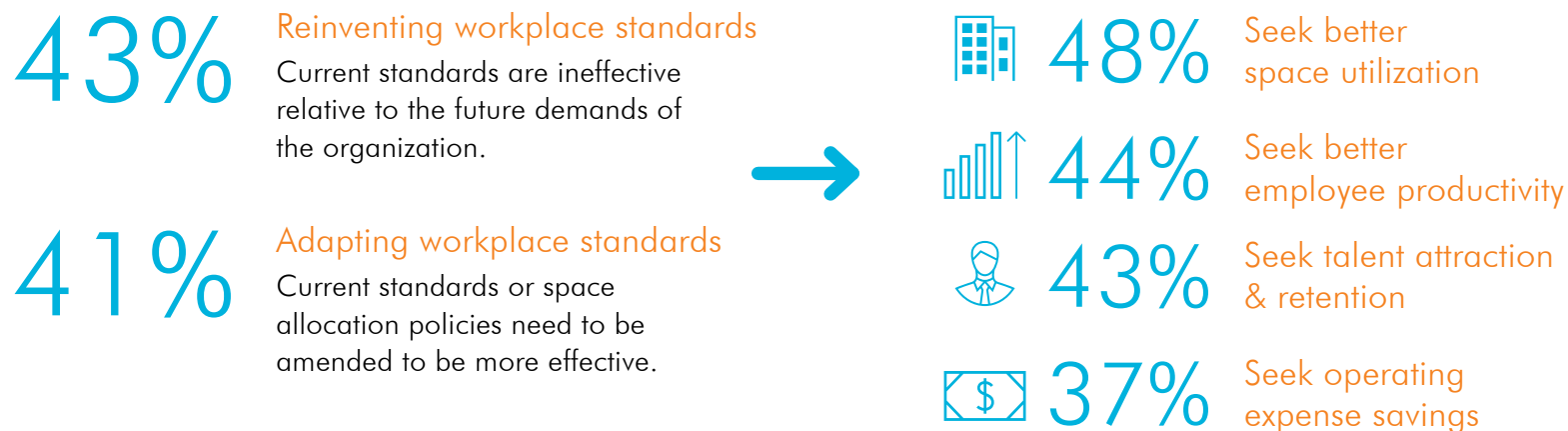
# EFFICIENCY & EFFECTIVENESS IN WORKPLACE DESIGN

## MAKING DECISIONS TODAY FOR THE FUTURE

Most respondents to the 2018 Occupier Survey are taking steps to create workplace strategies that meet the future demands of their organizations (Figure 1). Flexibility is now at the core of workplace decisions involving design, infrastructure, furniture and allocation. Ensuring the workplace can be flexible enough to meet changing business demands while also accommodating how employees want to work is critically important. A workplace can either enable

or inhibit collaboration, productivity and affiliation among a workforce that is widely distributed, continuously connected and highly time constrained. The desired outcome of these enhanced workplace strategies includes better space utilization and employee productivity (Figure 1). This highlights the intersection real estate professionals continue to navigate between cost efficiency and employee effectiveness.

### FIGURE 1: EFFECTIVE WORKPLACE STRATEGIES LEAD TO DESIRED OUTCOMES



Note: % of respondents indicating definition of current workplace strategy efforts

Note: % of respondents indicating driver is a key factor in approach to workplace strategy.

*A workplace can either enable or inhibit collaboration, productivity and affiliation among a workforce that is widely distributed, continuously connected and highly time constrained.*

# DEFINING THE MODERN WORKPLACE

## CONTINUUM OF WORKPLACE DESIGN STANDARDS



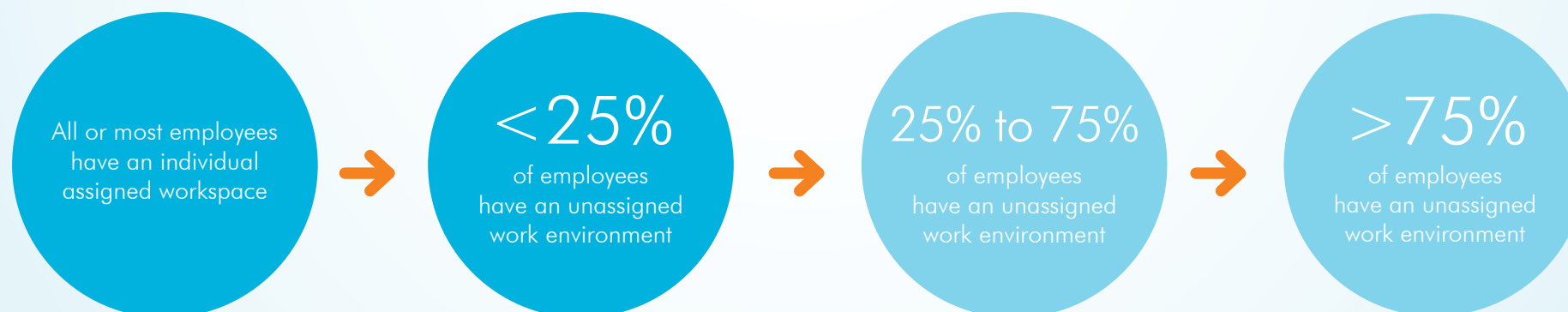
## CONTINUUM OF SEATING ALLOCATION STANDARDS

ASSIGNED ENVIRONMENT

TARGETED UNASSIGNMENT

PARTIAL UNASSIGNMENT

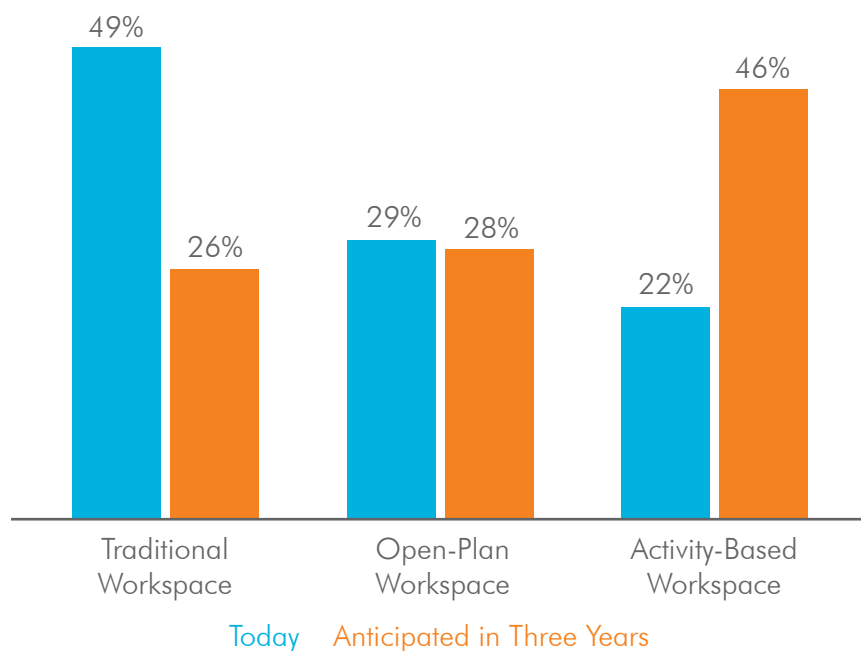
UNASSIGNED ENVIRONMENT



## EFFECTIVE SPACE FOR EMPLOYEE PRODUCTIVITY

### FIGURE 2: WORKPLACE DESIGN TRENDS

% of respondents indicating primary workplace design today and anticipated in three years



Workplace design once rooted in assigned office and workstation placement is undergoing a transformation as standards are revised to become more effective at meeting the demands of an evolving workforce and workstyle. Activity-based workspace (ABW) is the most anticipated design trend in the coming years (Figure 2). It is a design approach that allows users to freely move between a variety of individual and collaborative workspaces as their needs change throughout the day. An ABW environment is inherently more flexible, but must meet the needs of the organization to achieve effectiveness. The Leesman Index measures workplace effectiveness and suggests that employees with more mobile, complex jobs may adapt to ABW environments more easily than employees with less mobile and less complex jobs. Virtually all employees, regardless of generation or work profile, stand to benefit from an ABW environment when it is designed with their needs in mind and they are appropriately led through the change.<sup>1</sup>

*Workplace design once rooted in assigned office and workstation placement is undergoing a transformation as standards are revised to become more effective at meeting the demands of an evolving workforce and workstyle.*

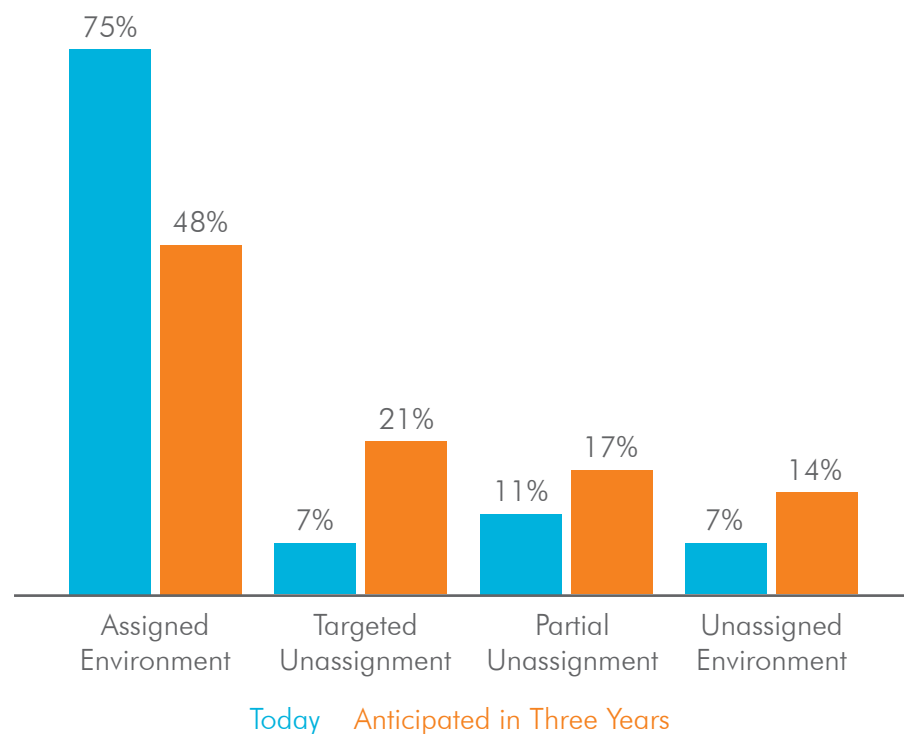
<sup>1</sup>The Leesman Index, *The Rise and Rise of Activity Based Working*, 2017.



## THE NEXT FRONTIER OF SPACE EFFICIENCY

### FIGURE 3: SEATING ALLOCATION TRENDS

% of respondents indicating primary seating allocation today and anticipated in three years



New seating allocation standards are challenging traditional assignments as real estate executives seek space efficiency gains through better space utilization. Some organizations are transitioning targeted groups into unassigned seating as the first step in their workplace transformation, while others are embracing this allocation standard more fully (Figure 3). Unassigned seating departs from a 1:1 seating assignment and provides significant space efficiency gains, as more people can be accommodated in the same square footage. Flexibility over the life of a lease is also an advantage to unassigned seating, as moves, adds and changes become significantly easier. Managing employees through this change is critical, so that the initiative is viewed as being additive to productivity and wellness instead of a pure cost-cutting measure.

*New seating allocation standards are challenging traditional assignments as real estate executives seek space efficiency gains through better space utilization.*

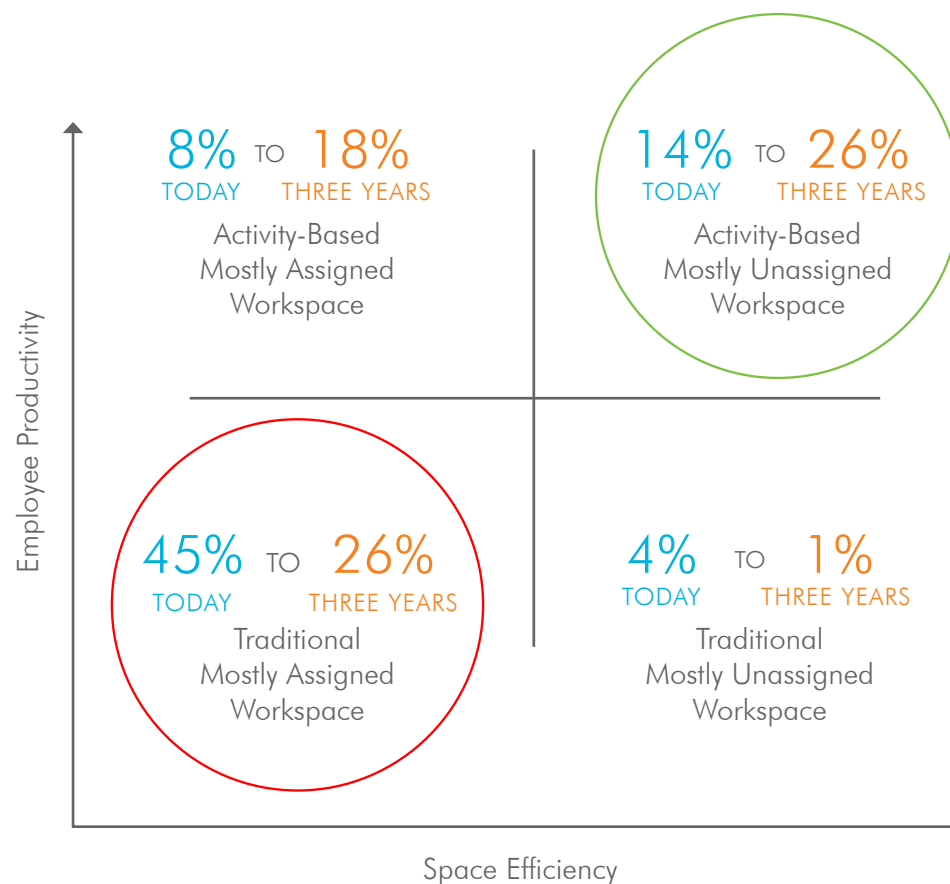
## THE UNASSIGNED ACTIVITY-BASED WORKSPACE

Combining workplace design and seating allocation standards uncovers some interesting insights. Forty-five percent of respondents indicate that traditional workplace design and assigned-space allocation are still the norm today. Use of this standard design is declining, as it is inefficient, static and favors individual work at the expense of collaboration. The trending design strategy to support agility is unassigned activity-based workspace that is both productive for the employee, efficient for the organization and flexible for adapting to future needs. Twenty-six percent of respondents anticipate migrating toward this design standard vs. 14% that consider themselves there today. Eighteen percent of respondents anticipate migrating to an activity-based workspace with limited unassigned seating, indicating a phased approach (Figure 4). Either way, these statistics highlight a clear deviation from tradition. Those implementing these strategies are early adopters and have limited experience by which to base their approach. Enlisting outside expertise and spending time on both the space design and change management efforts can help ensure a successful outcome that can be sustained.

*The trending design strategy to support agility is unassigned activity-based workspace that is both productive for the employee, efficient for the organization and flexible for adapting to future needs.*

## FIGURE 4: THE UNASSIGNED ACTIVITY-BASED WORKSPACE TREND

% of respondents indicating combined primary workplace design and seating allocation today and anticipated in three years



Note: mostly assigned is more than 25% assigned and mostly unassigned is less than 25% assigned seating.



# CONVENIENCE AND CHOICE IN EMPLOYEE EXPERIENCE

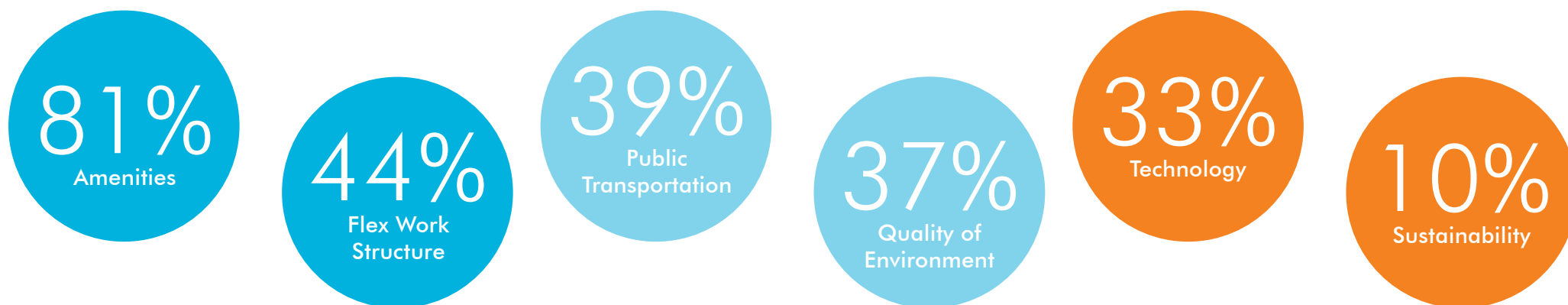
## CREATING THE POWER OF PLACE

Design is fundamental to real estate but it is not the final step in creating a workplace of choice. Real estate leaders are tasked with creating the sought-after experience that draws employees into an increasingly optional work environment. Supporting employees' personal lives at work through ease and convenience is part of the transformative role that real estate is expected to play. Consistent with last year's Occupier Survey results, respondents indicated

that amenities offering ease and convenience are most important to their labor force (Figure 5). After amenities, many believe that there are core experiences that must be met before any new offering is introduced. These include freedom of choice about where and when to work, access to convenient public transit, a quality work environment and seamless technology.

### FIGURE 5: WHAT IS MOST IMPORTANT TO YOUR WORKFORCE?

% of respondents that place offering among the top-three most important



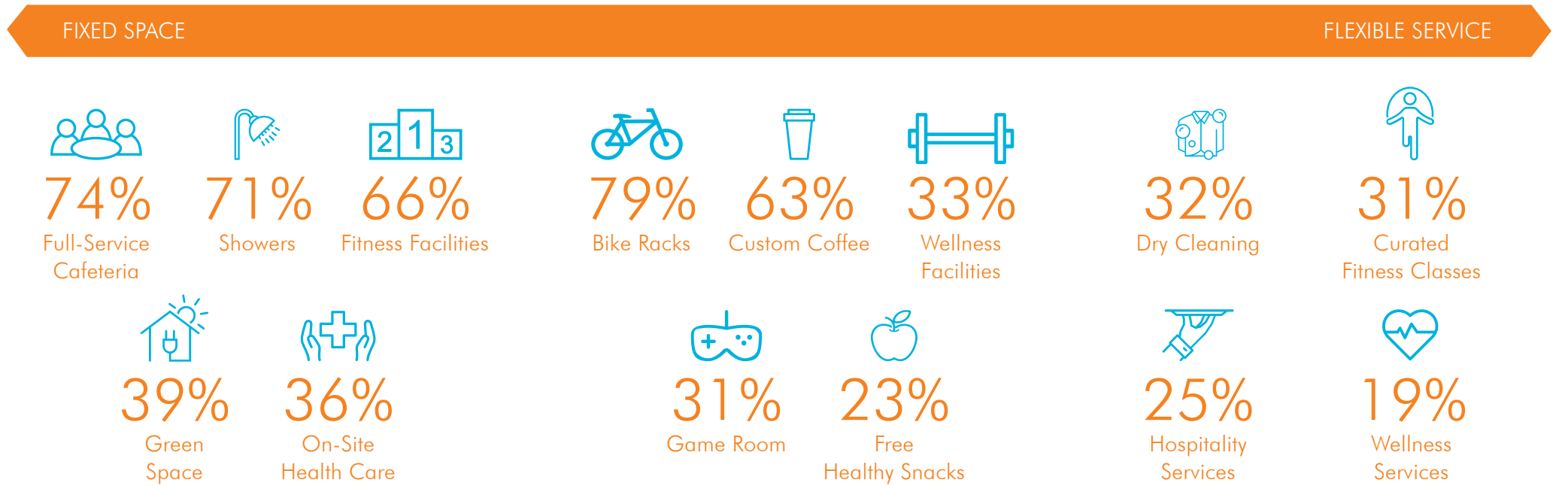
*Real estate leaders are tasked with creating the sought-after experience that draws employees into an increasingly optional work environment.*

## SERVICE IS THE MOST FLEXIBLE AMENITY

Since respondents consider that amenities are most important to the workforce today, we determined which ones are most commonly found in the workplace. These are often fixed-space offerings, such as cafeterias, fitness centers and showers. Less mainstream are service amenities, such as hospitality and wellness, which are inherently flexible, space efficient and easily tested in the workplace with little capital or commitment (Figure 6). They allow for efficiency

at the corporate level, while providing a curated experience for employees that supports their personal lives and provides unexpected positive experiences. Early adopters of service-based amenities will likely see reduced turnover, lower stress and higher productivity among their employees, which will compel the next wave of adopters.

FIGURE 6: WHAT WORKPLACE AMENITIES DO YOU PROVIDE?

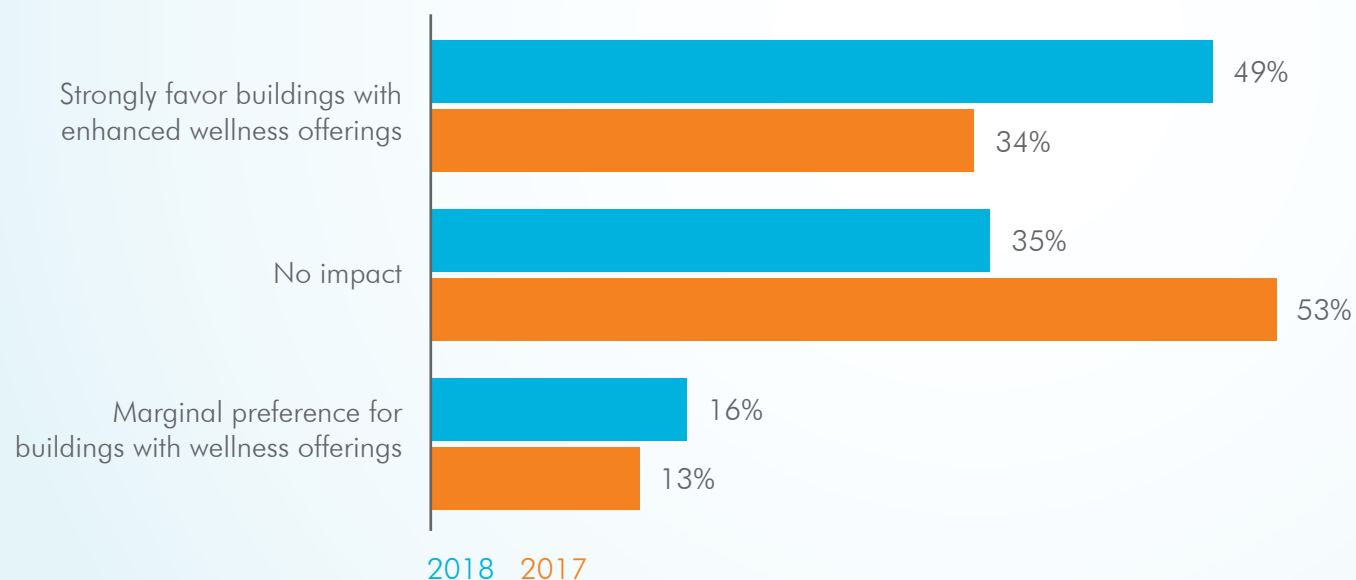


## IS THE WELLNESS TREND ALIVE AND WELL?

Seventy-four percent of survey respondents say their companies offer a formal wellness program, and an additional 11% plan to start one. It is widely accepted that wellness in the workplace is important, but the role companies play in pushing the wellness agenda varies. For example, only 19% of respondents indicate they provide wellness services as an enhanced amenity in their workplace. Delos, the founder of the well-building standard, stresses that creating a culture of health and wellness in which

employees actively participate is more than providing a gym, providing healthy items in the cafeteria or introducing a corporate challenge. Figure 7 illustrates that respondents want landlords to play a role in creating this culture. Many respondents are placing at least a marginal if not strong preference on selecting buildings with wellness offerings. This highlights the continued growth of the wellness conversation, but the reality that corporations aren't planning to solve the challenge alone.

FIGURE 7: WELLNESS AS A CRITERION FOR BUILDING SELECTION





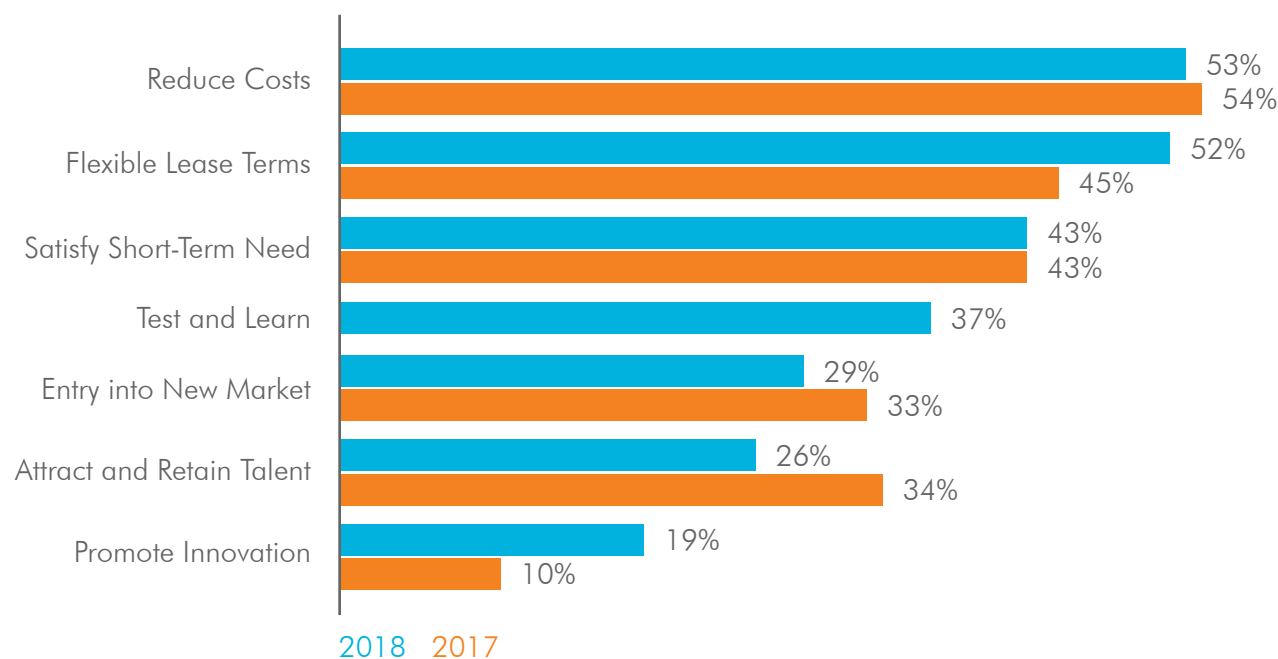
# FLEXIBILITY IN PORTFOLIO STRATEGY

## NEW MODELS FOR DECISION-MAKING

The framework for making lease decisions was once focused on building cost, location and amenities. Although these remain primary factors, flexibility is an equally important component of the decision-making process today (Figure 8). Solutions that satisfy this drive toward flexibility exist and must be part of any due-diligence process when evaluating space options. The benefits of choosing a flexible office solution or a more traditional lease agreement may not be

immediately apparent when comparing initial costs. The entire need must be evaluated, including capital required to build, operating expenses required to manage and resources required to infuse desired amenities and technology. Additionally, understanding the headcount sensitivity associated with any space need is always integral to a decision, as sometimes a more expensive but flexible option can save longer term costs in uncertain situations.

FIGURE 8: WHAT IS DRIVING YOUR DECISION TO UTILIZE FLEXIBLE OFFICE SPACE SOLUTIONS?





## THE FLEXIBLE OFFICE SOLUTION

The interest in flexible office solutions is a defining trend of this office market cycle. It has started a dialogue about the benefits of flexible space for both enterprise users and building owners. Corporate real estate executives are intrigued by a more optimal way to procure space. Building owners are curious about creating additional revenue from their assets. This trend has largely been driven by the growth of coworking and the sustainability of traditional serviced-office solutions. Today, the market is quickly responding with new

flexible models, often called “enterprise solutions,” that offer custom builds and managed, dedicated team space for large space requirements with mid-term agreements. Not always as flexible as more traditional models, they can be more customized and can remove the encumbrances of building out and managing space. These solutions often offer the technology and services that have become synonymous with many modern flexible office solutions.

*Corporate real estate executives are intrigued by a more optimal way to procure space. Building owners are curious about creating additional revenue from their assets.*

### FIGURE 9: RANGE OF FLEXIBLE OFFICE SOLUTIONS



## COWORKING AS A STRATEGIC SOLUTION?

Originally, coworking was largely intended to satisfy individual on-demand needs of freelancers and entrepreneurs. Enterprise users are increasingly testing this model for larger space needs that could solve a strategic shift toward flexibility. The primary demands driving the interest in flexible space options are cost savings and flexibility. Users looking for short-term space needs or entry into new markets have likely already bought into this model. For those looking for a true long-term strategic solution, the future is still unclear. If users can manage their costs more efficiently while releasing a portion of their long-term commitments on space, this will be a win-win solution. A deeper dive into the survey results provides additional insight into this strategy.

The number of respondents looking to use coworking for less than 50 employees in one location is rising (65% today vs. 85% in three years). A preponderance

of respondents plan to use this model as a strategic solution in the next three years, suggesting that those currently evaluating it are experiencing success. There are still 38% of respondents who are evaluating this strategy, and if proven successful could drive higher use as a strategic solution in the future.

Use of coworking for 50 or more employees in one location is also a popular strategy for survey respondents (54% today vs. 71% in three years). There is a core group of respondents currently using it as a strategic solution, while a smaller group is evaluating it. The most growth is occurring in those looking to test this model. This strategy could work if organizations see tangible cost benefits and do not see a detriment to employee effectiveness. The lasting impressions these spaces make on their users will play a role in creating the stickiness that is required to turn this strategy into a long-term solution.

FIGURE 10: COWORKING AS A SOLUTION FOR LESS THAN 50 EMPLOYEES IN ONE LOCATION

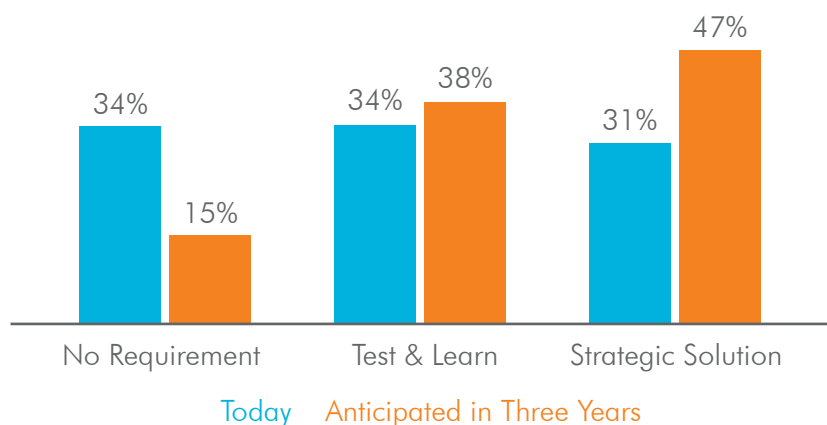
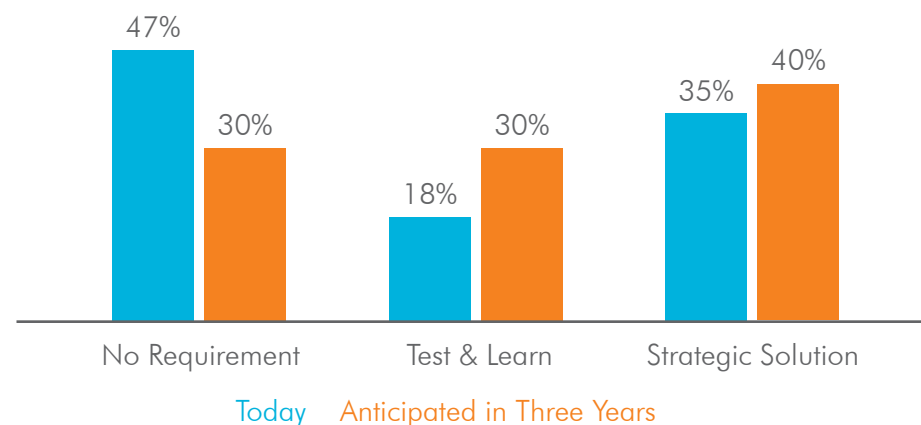


FIGURE 11: COWORKING AS A SOLUTION FOR MORE THAN 50 EMPLOYEES IN ONE LOCATION



# POSITION OF INFLUENCE

Real estate executives have earned an elevated position in the C-Suite by creating and implementing strategies to create value in a changing environment.



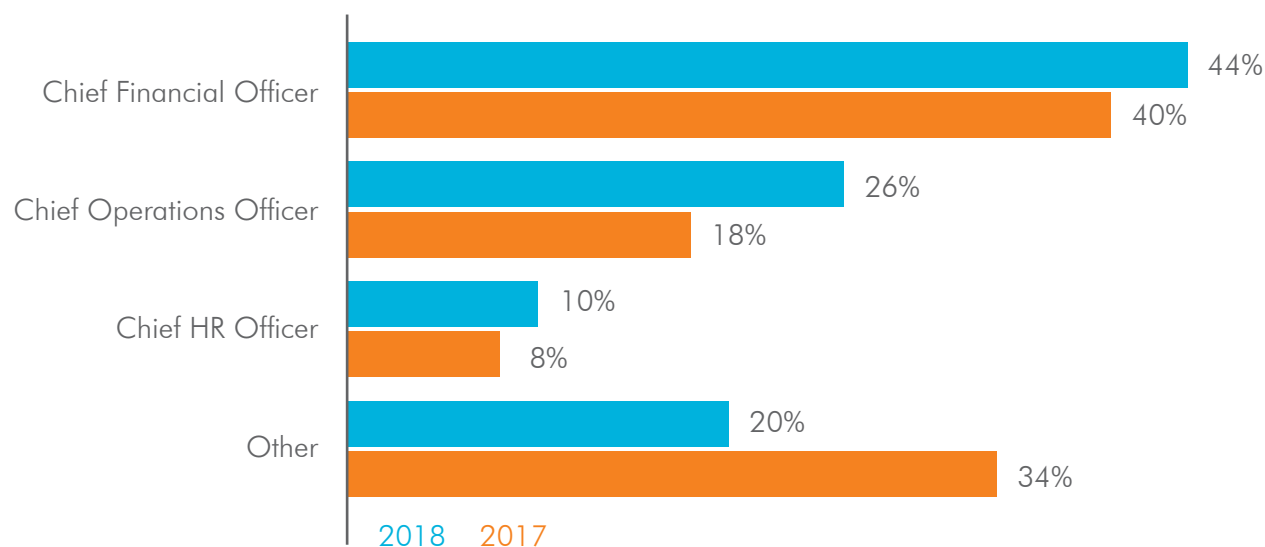
# ORGANIZATIONAL STRATEGY

## ENGAGING THE C-SUITE

Corporate real estate teams are positioned to influence the strategic decisions of the organization as most report directly to a C-Suite level executive. Those reporting to finance or operations executives continue to grow, reflecting the ownership that corporate real estate executives have in prudent cost management. A small but increasing number of executives are reporting to

human resources. This highlights the prominent focus that a growing number of organizations place on employees when making real estate decisions. Overall, the reporting structure of respondents is more consistent between finance, operations and human resources than ever before.

FIGURE 12: INFLUENTIAL REPORTING LINES



*Corporate real estate teams are positioned to influence the strategic decisions of the organization as most report directly to a C-Suite level executive.*

## TURNING CHALLENGE INTO OPPORTUNITY

Real estate professionals are challenged at the intersection of the C-Suite, the business and the employee (Figure 13). They must navigate the appropriate balance between:

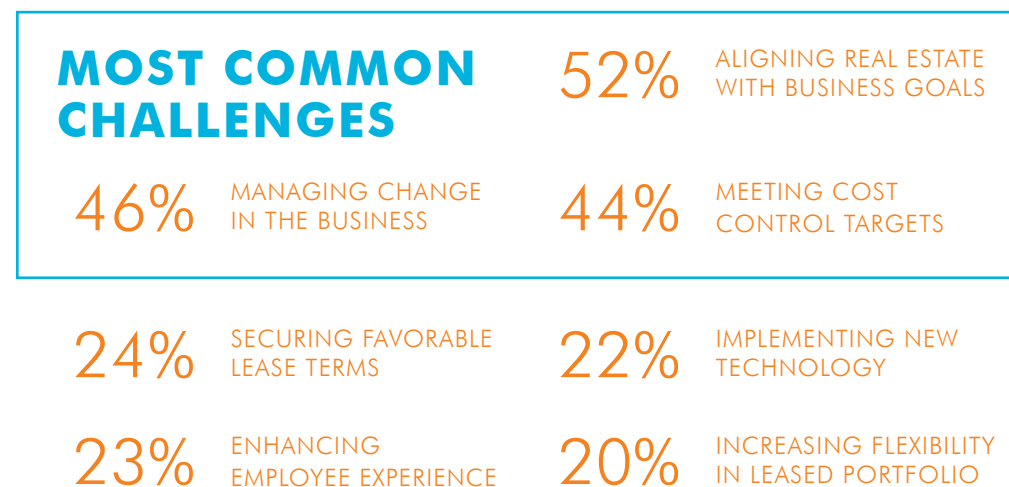
1. Providing solutions that meet the goals of the business.
2. Managing change at the employee level to promote successful outcomes.
3. Controlling expenses to meet the mandates set by the C-Suite.

Less common challenges tend to involve actions that can easily be assisted by a third party, such as securing favorable lease terms or implementing new technologies. This supports the finding that outsourcing remains a prevalent business practice among survey respondents. Fifty-nine percent report the use of multiple partners that are at least moderately if not strategically aligned, and 33% report use of a single partner. Very few report distinctly separate providers that are not aligned. CRE executives buying services in a siloed fashion without an integrated approach or vision may ultimately spend more time and resources managing complex patchworks of suppliers, processes and technology. These unintended consequences counter the goal of outsourcing, which is to leave the internal team the bandwidth to think strategically and manage relationships with the business lines.

*CRE executives buying services in a siloed fashion without an integrated approach or vision may ultimately spend more time and resources managing complex patchworks of suppliers, processes and technology.*

## FIGURE 13: GREATEST CHALLENGE FACING CORPORATE REAL ESTATE

% of respondents that place among the top-three most important challenges



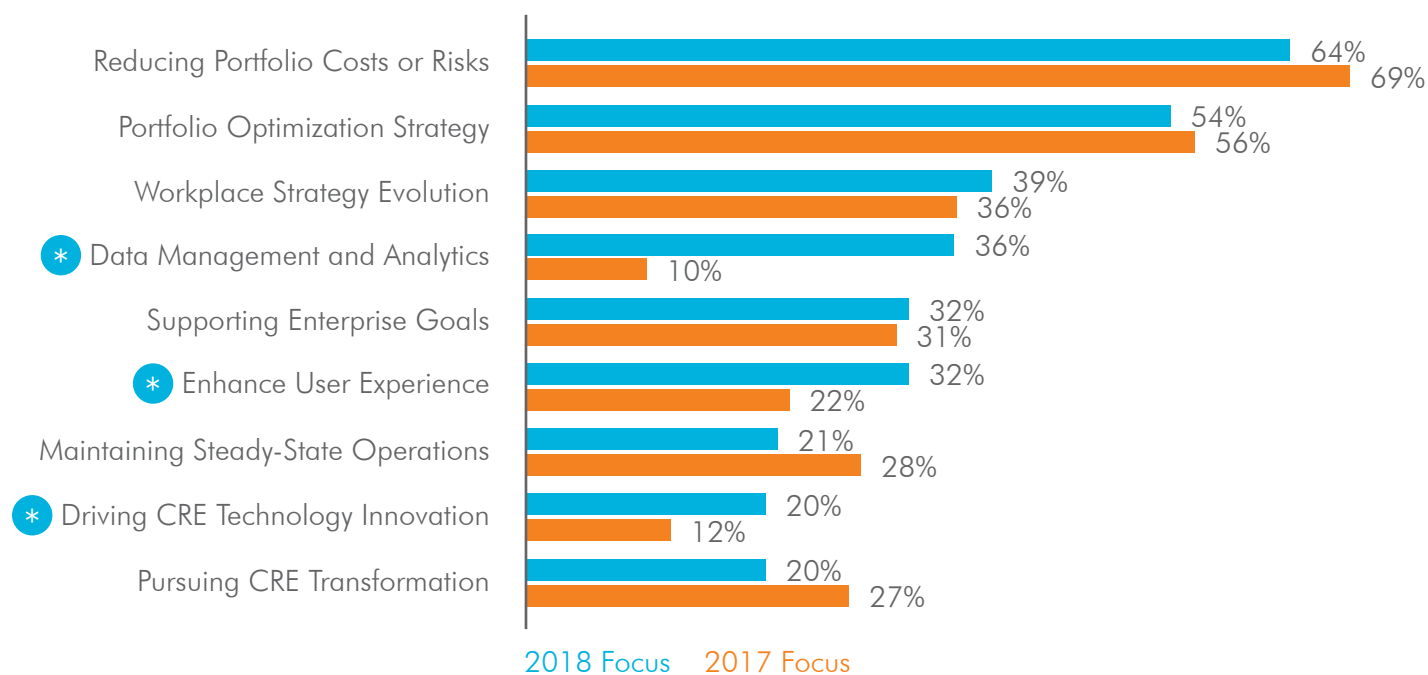
## THE VALUE CREATION JOURNEY

Our 2018 Occupier Survey reveals some interesting ways executives seek to create value for their organizations. Reducing portfolio costs and optimizing footprints remain top goals in keeping with an inherent cost-management focus. Three areas of increased interest have emerged this year: data management and analytics, employee experience and CRE technology innovation (Figure 14).

These goals showcase the shifting expectations of corporate real estate in organizations. Pure facilities management and cost reporting remain fundamental to the role real estate must play. Executives on this value creation journey are increasingly focused on providing data-driven strategies and employee-focused workplaces supported by technology.

### FIGURE 14: CORPORATE REAL ESTATE GOALS

Respondents selected all that applied



\* Three areas of interest that have emerged this year that were not as prevalent last year.



# A TECHNOLOGY DRIVEN ENVIRONMENT

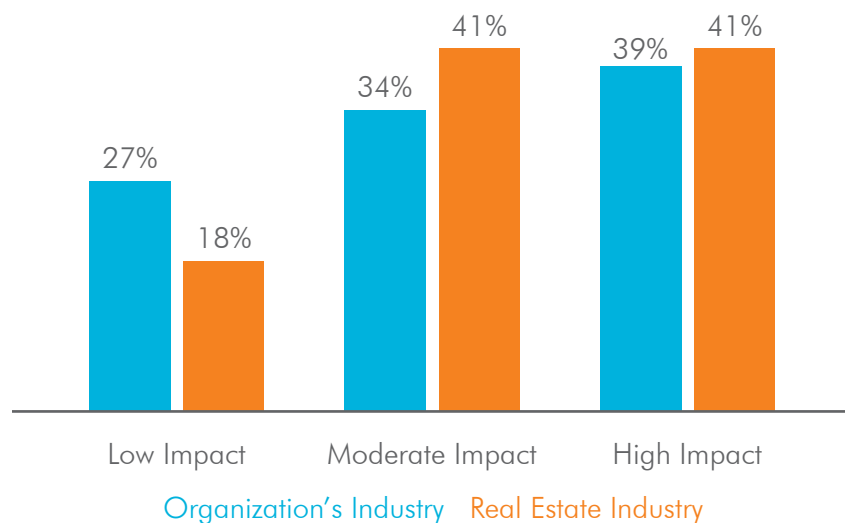


## PREPARING FOR IMPACT

A clear majority of respondents agree that technological innovation will have moderate to high impact on the enterprise and corporate real estate levels over the next three to five years (Figure 15). Showing threefold growth from 2016, investments in real estate technology ballooned to \$12.6 billion in 2017, according to data provider RE Tech. This has driven a call to action for corporate real estate teams to remain agile and enhance their monitoring of a widening

landscape of newly available tools. At present, this landscape is built upon a great deal of industry newcomers providing highly focused solutions. This in turn requires a combination of entities to source, store, secure, segment and solution the data now available. Developing and executing a CRE technology roadmap that allows one to benefit from technology available today, while maintaining flexibility to incorporate technology of tomorrow, is critically important.

FIGURE 15: WHAT IMPACT WILL TECHNOLOGY INNOVATION HAVE IN THE NEXT THREE YEARS?



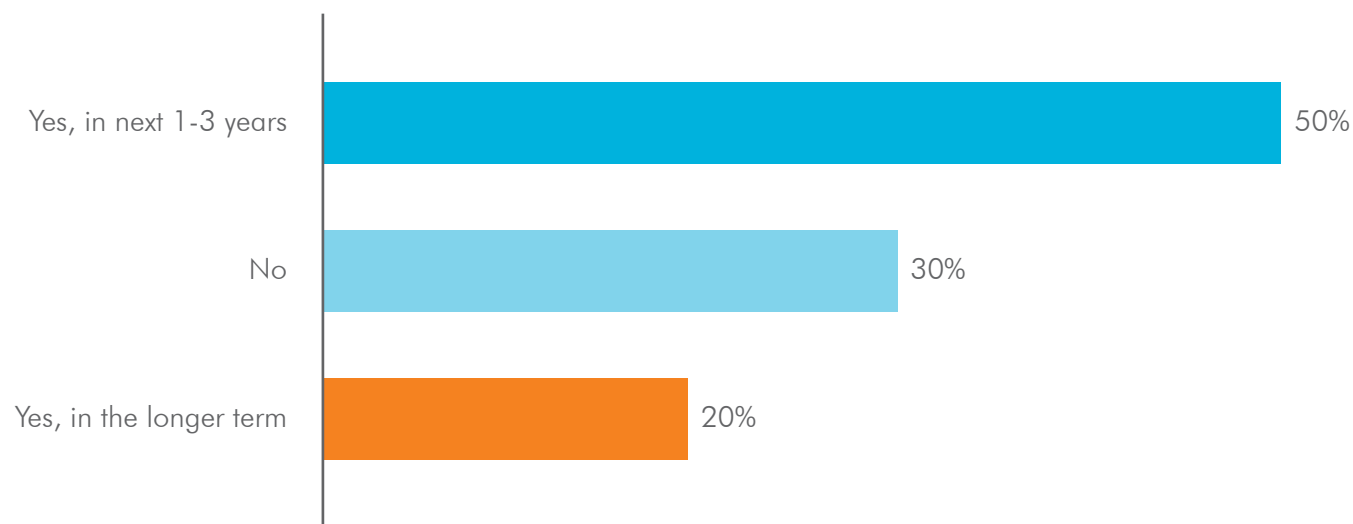
*Showing threefold growth from 2016, investments in real estate technology ballooned to \$12.6 billion in 2017, according to data provider RE Tech.*

## ACHIEVING THE VISION

Every great technology vision and correlating operational roadmap requires continuous investment in technology to succeed. It is encouraging that 50% of respondents expect to increase their investment in real estate technology in the coming three years, yet striking that 30% have no plans to do so (Figure 16).

Securing a funding mechanism and process to quickly test and learn from new technologies is critical to one's participation in the evolution of our industry. Having an open partnership among CRE executives and CIOs to strategize, coordinate and secure one's vision cannot be understated.

FIGURE 16: PLANS TO INCREASE REAL ESTATE TECHNOLOGY INVESTMENT



*Securing a funding mechanism and process to quickly test and learn from new technologies is critical to one's participation in the evolution of our industry.*

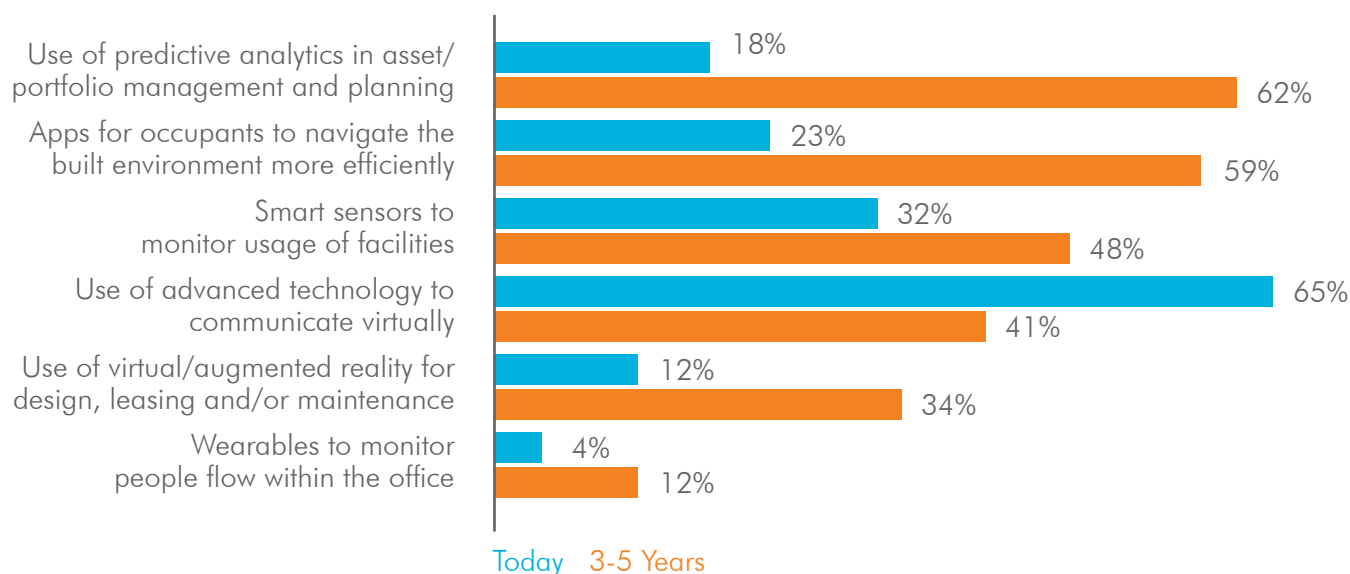
## THE RISE OF SMART

As real estate technology grows and matures, two connected yet separate categories of “smart building” have emerged: operational and experiential. In an operationally smart building, the facility manager gains added control over building systems and, through a combination of analysis and action, can drive more efficient building operations based on actual usage. In an experientially smart building, occupants gain added control over their environment and, through a combination of aggregation and on-demand capabilities, can curate a more efficient day based on personal goals. Under both scenarios, accelerating tech creates new frontiers in effective, efficient and engaging work experiences.

As this occurs, the use of predictive analytics, apps, sensors and virtual reality will come within financial reach for many. Respondents anticipate implementing this advanced technology over the next three to five years much more than they are doing today (Figure 17). Use of predictive analytics and smart sensors alone will change the nature of how decisions are made about space utilization and, in turn, dictate future growth or contraction. With expectations and capabilities on matching growth curves, forward-thinking real estate leaders leveraging newly available quantitative knowledge are sure to position our industry for a wave of change in the very near future.

### FIGURE 17: WHAT ADVANCED TECHNOLOGY HAVE YOU IMPLEMENTED OR PLAN TO IMPLEMENT?

Respondents selected all that applied



## CONCLUSION

The insight of our Americas-based respondents offers further proof that corporate real estate executives have a unique opportunity to drive impactful strategies for the business lines and employees they serve. As we continue to navigate through economic volatility, tight labor markets and the inevitable change being driven by technology, these executives are staying the course on a vision that has the best interests of their stakeholders in mind and meets today's needs while preparing for the future.

### SOME KEY THEMES TO CONSIDER INCLUDE:

✓ **Deviate from tradition**

Use the trend toward activity-based unassigned workspace to drive conversations in your C-Suite about this both productive and efficient strategy that occupiers are using to prepare for the future.

✓ **Test and learn**

Take an iterative approach to workplace transformation, and test strategies like unassigned seating, flexible office solutions and service-based amenities before embracing them fully.

✓ **Evaluate all options**

Procure space requirements by evaluating both traditional lease agreements and flexible office solutions. Models are rapidly changing and creative opportunities may exist.

✓ **Grow your capabilities**

Grow the skills of your corporate real estate team to create value for the C-Suite and business lines with data-driven actionable insights about the portfolio.

✓ **Focus on technology**

Prepare to invest in both operational and experiential technology by building a funding mechanism, IT partnership and process to test and learn.

✓ **Leverage your partners**

Utilize partnerships with landlords, service providers and third-party space operators to help solve your needs by providing flexibility, services, resources and expertise on demand where required.

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