Knight Frank

Romania / Hungary / Bulgaria / Greece / Serbia

CSEE **Office Market** *Overview*

Stepping into a better era

2021-2022

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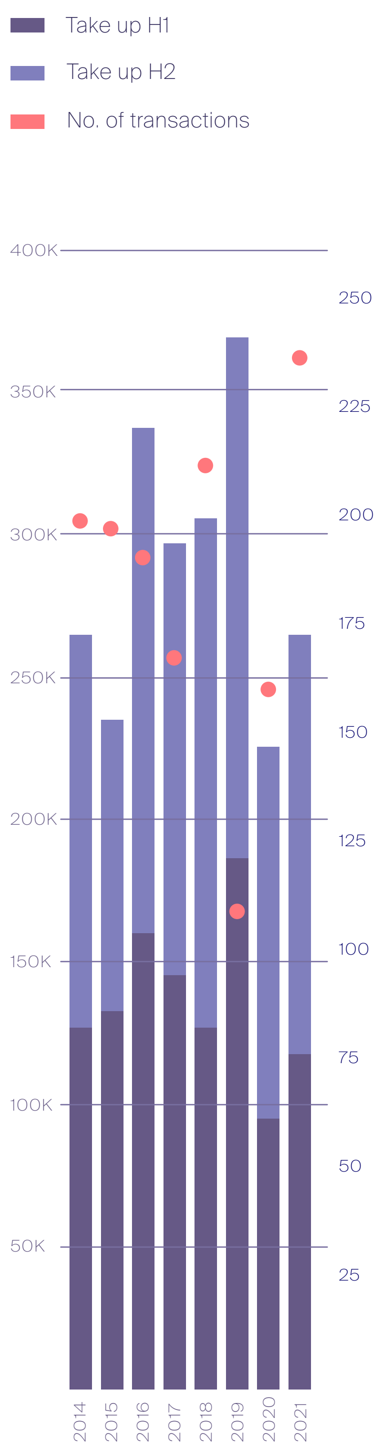
Contents

Bucharest Office Market

Demand
280,000 sq m



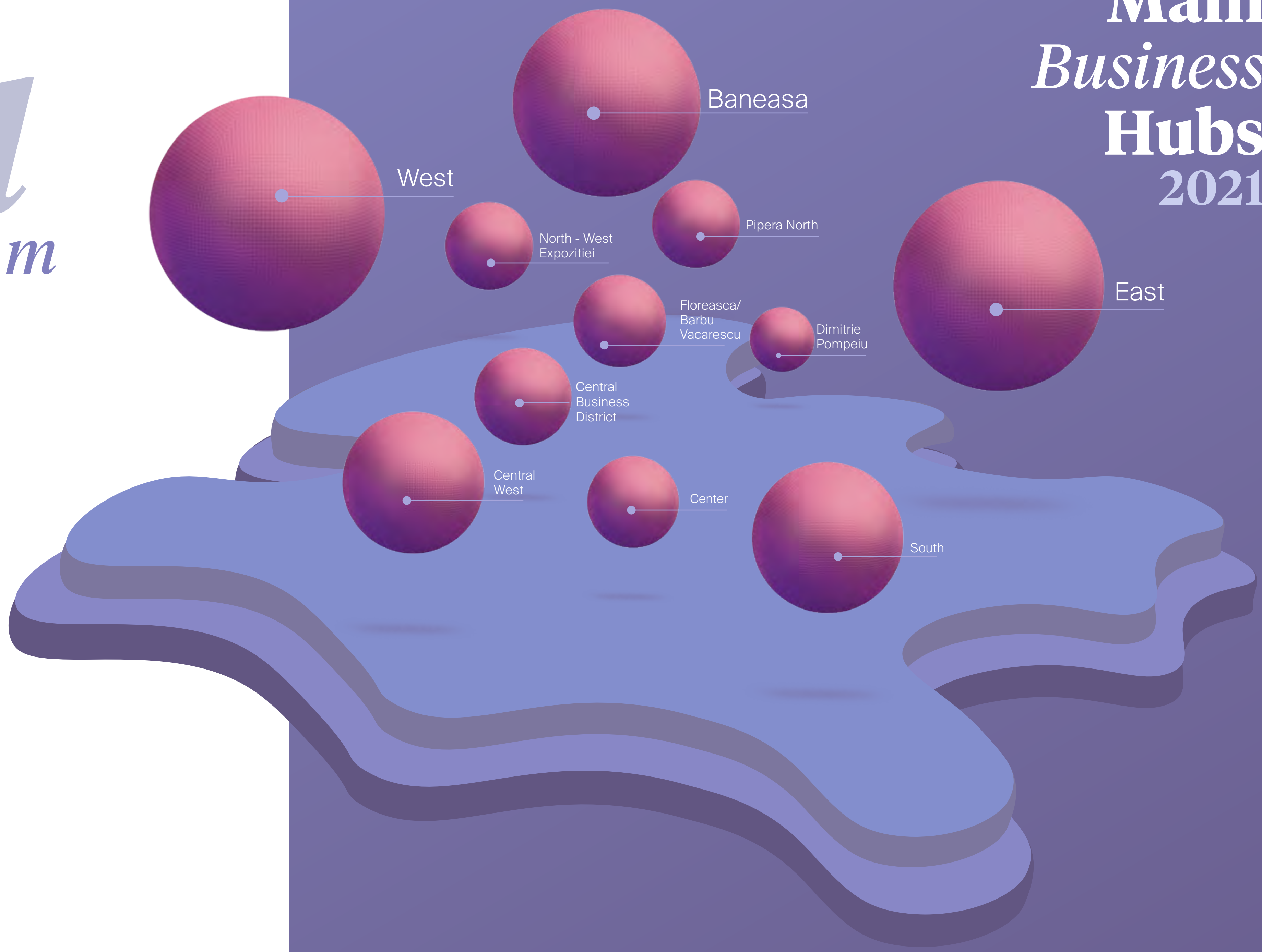
Almost 155,000 sq m were leased in H2 2021 after 125,000 sq m in the 1st half, bringing take-up to almost 280,000 sq m for the entire 2021. Although the increase is 18% higher than 2020, the result is still lower than the pre-pandemic levels.

The most sought-after submarkets in 2021 were Floreasca Barbu Vacarescu, which saw ~58,000 sq m of leasing activity (21% of total take up) and CBD and Center-West, with ~44,000 sq m of space leased each (16% of total take up each), followed closely by North-West Expozitiei with 14% of total take up.

Out of 280,000 sqm, 40% were renewals, 27% relocations, 18% new demand while pre-lease were 13%.
IT & Communication sector still makes up the largest share of demand, accounting for almost 35% of the total take-up, followed by Manufacturing/Industrial/Energy companies with 16% share and medical & pharma companies with 10% share.

238 transactions were signed in 2021, compared to 162 in 2020. Medium transactions between 1,000 sq m and 3,000 sq m were on top this year, accounting for almost 30% share of the total take-up. This was followed by transactions smaller than 1,000 sq m with a 26% share. When looking at deals by number, the most numerous were those below 1,000 sq m, accounting for almost 66% of the total take-up, followed by transactions between 1,000 sq m and 3,000 sq m with 24%.

Main *Business* Hubs 2021



Floreasca / Barbu Vacarescu
Stock: 570K sq m
Headline Rent: 14-16 €/ sq m/month

Central Business District
Stock: 353K sq m
Headline Rent: 16-18 €/ sq m/month

Center-West
Stock: 531K sq m
Headline Rent: 13-15 €/ sq m/month

North-West Expozitiei
Stock: 269K sq m
Headline Rent: 14-16 €/ sq m/month

Dimitrie Pompeiu
Stock: 441K sq m
Headline Rent: 11-13 €/ sq m/month

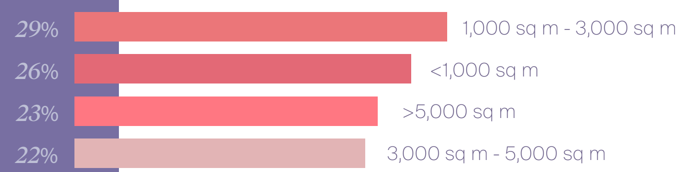
Pipera North
Stock: 211K sq m
Headline Rent: 8-10 €/ sq m/month

Center
Stock : 385K sq m
Headline Rent : 12-15 €/ sq m/month

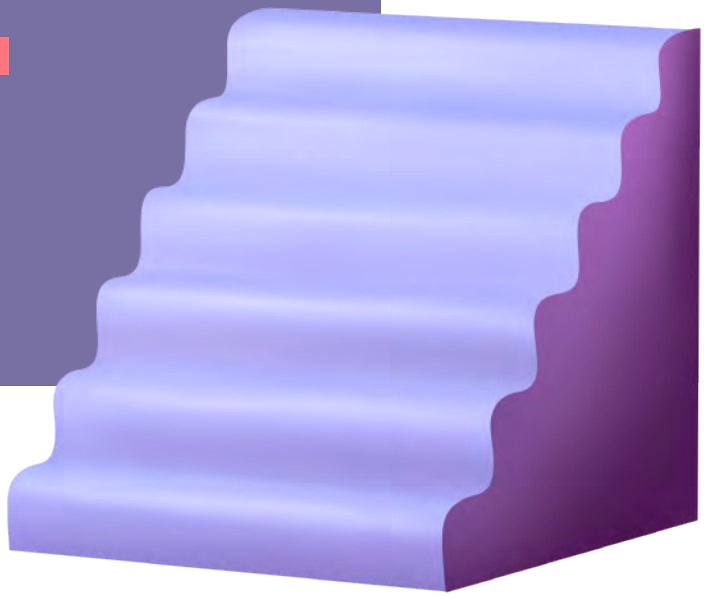
Baneasa
Stock: 182K sq m
Headline Rent: 12-14 €/ sq m/month

West
Stock: 158K sq m
Headline Rent: 12-15 €/ sq m/month

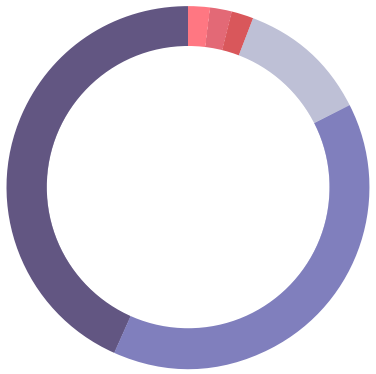
Break downs



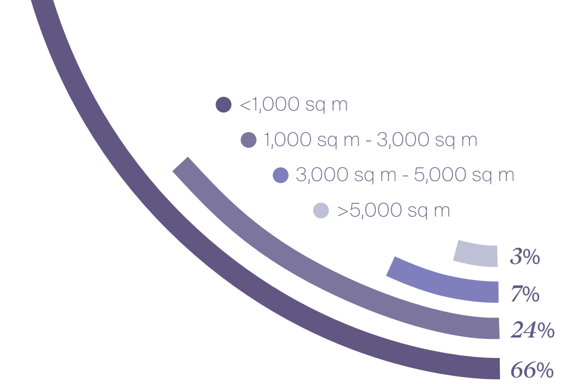
Breakdown of *take up by leased area 2021*



Breakdown of *take up by type of transaction 2021*



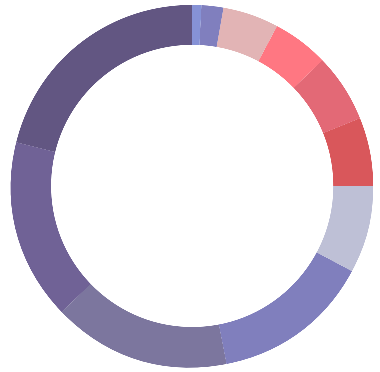
Breakdown of *take up by number of transactions 2021*

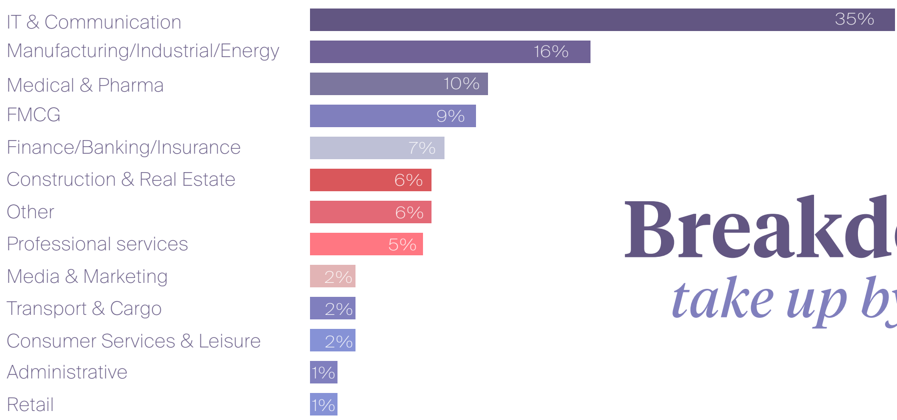


Vacancy 15%

At the end of 2020 the vacancy rate reached 15%, a higher level compared to end of 2020 (12%) influenced also by the new amount of deliveries that were not fully pre-let.

Geographic Breakdown *of take up 2021*



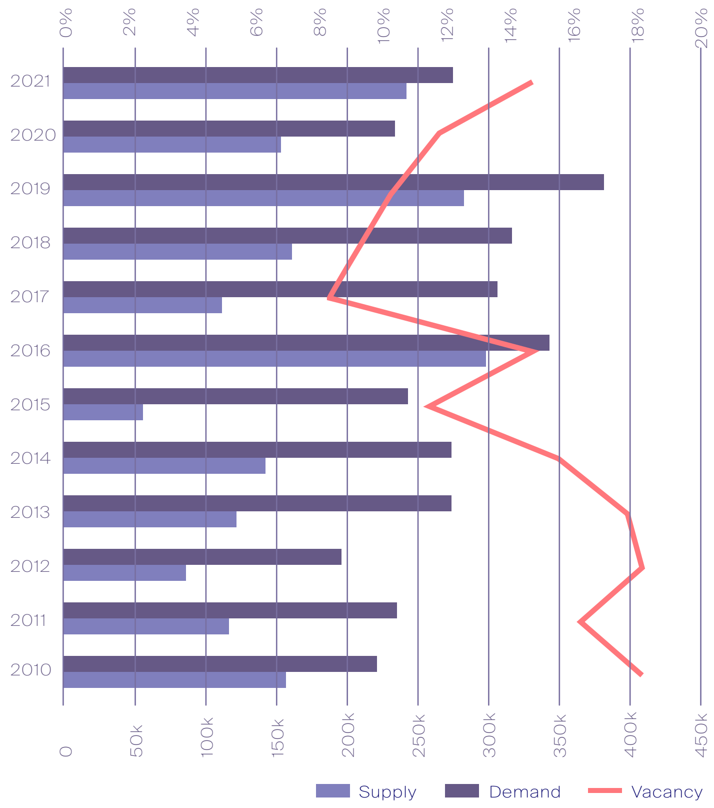


Breakdown of *take up by tenant activity*

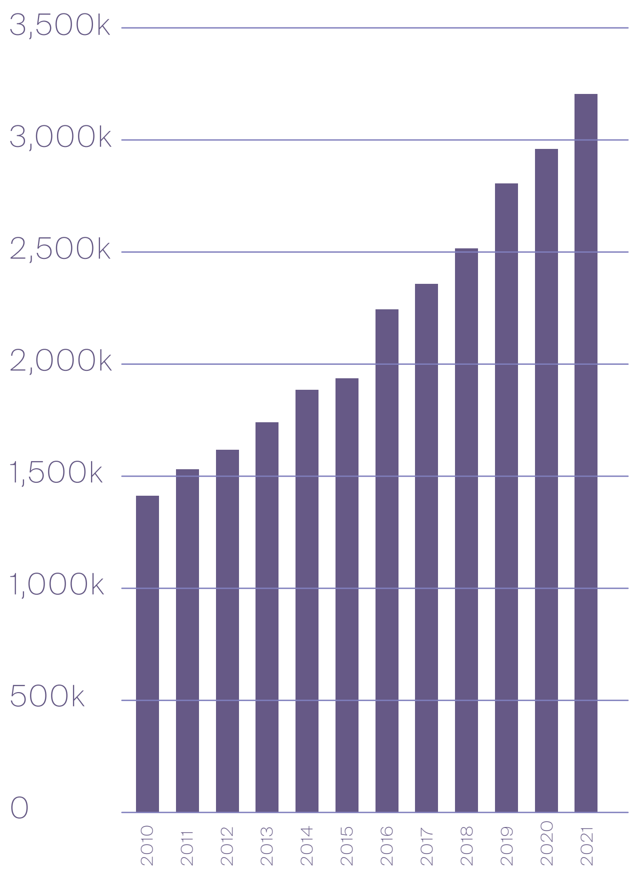
Supply

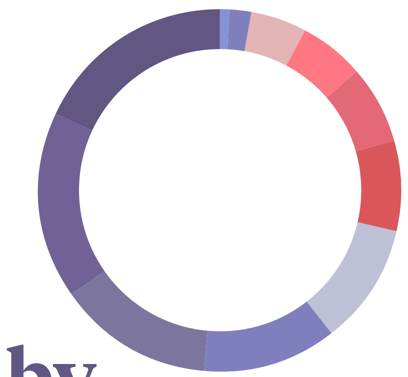
246,000 sq m

In 2021 the supply reached approximately 246,000 sq m, representing almost 60% increase compared to last year. Among the schemes, J8 Office Park (46,000 sqm) and One Cotroceni Park I (46,000 sqm) are the largest followed by U-Center I (~32,000 sq m) and Miro Offices (~23,000 sq m).



Modern Office stock
Annual evolution
sq m





Stock by
Submarket

18% Floreasca/ Barbu Vacarescu
17% Center-West
14% Dimitrie Pompeiu
12% Center
11% Central Business District
8% North-West (Expozitiei)
7% Pipera North
6% Baneasa
5% West
2% East
1% South

Stock

3.2 mil sq m

The submarket with the highest modern office stock is Calea Floreasca / Barbu Vacarescu (~570,000 sq m) followed by Center West area (531,000 sq m) and Dimitrie Pompeiu (441,000 sq m).

Rents

Generally speaking, the balance of power remains in favor of tenants, as illustrated by the granting of more generous rental incentives in the most buoyant market sectors. This has helped to maintain headline rents, with average rents for prime offices in prime locations at 18 EUR/sqm/month.

130,000 sq m in 2022

Forecast / Pipeline

We are expecting new office building deliveries on the Bucharest market, including schemes such as: AFI Tech Park II (~22,000 sq m), @Expo Campus I (~22,000 sq m), Sema London (~21,000 sq m), Tandem (~19,000 sq m) and other class A, extremely qualitative & upgraded projects.

For 2023-2024, although many projects are announced, it remains to be seen what the status of the building permits will be and how many of the announced projects will be delivered on the estimated dates.

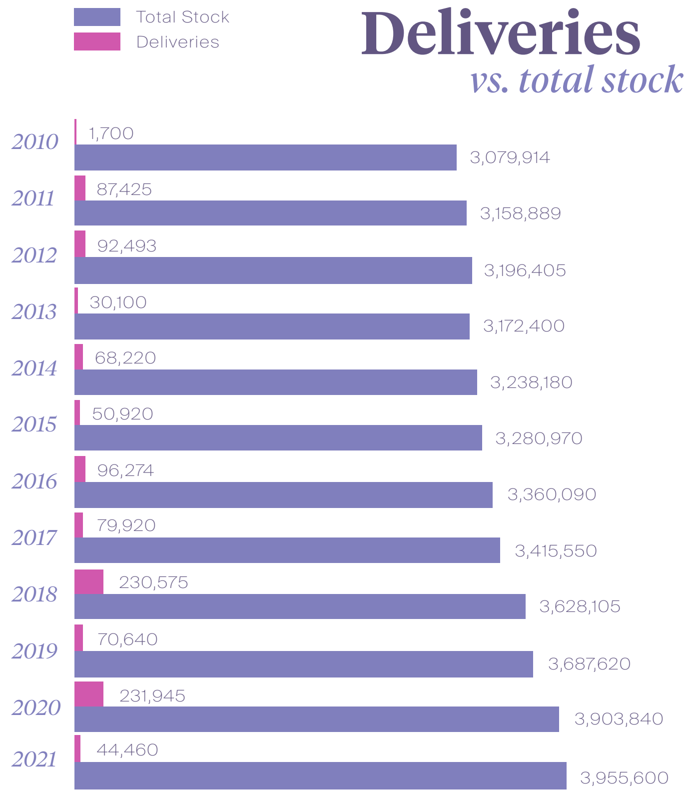
Budapest Office Market

Supply

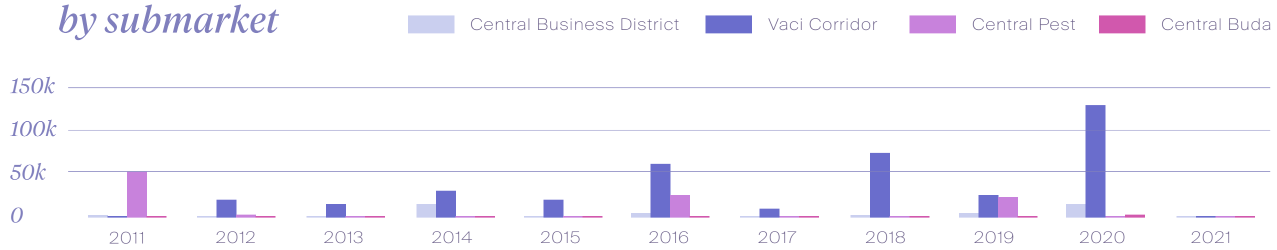
44,460 sq m

In 2021 44,460 sq m of class A office space was delivered to the Budapest office market, representing a significant drop compared to the same period last year (a total of 81,500 sq m). The new supply mainly concerned South Buda submarket by the completion of the second building of **BudaPart City** (19,760 sq m) and **Univerzum Office Building** (22,000 sq m), the new HQ of Evosoft. **JA4 Loft Offices** (2,700 sq m) in Non-Central Pest has also been completed in the second quarter of 2021. In H2 2021 there was no new supply coming to the market.

Deliveries *vs. total stock*



Deliveries *by submarket*

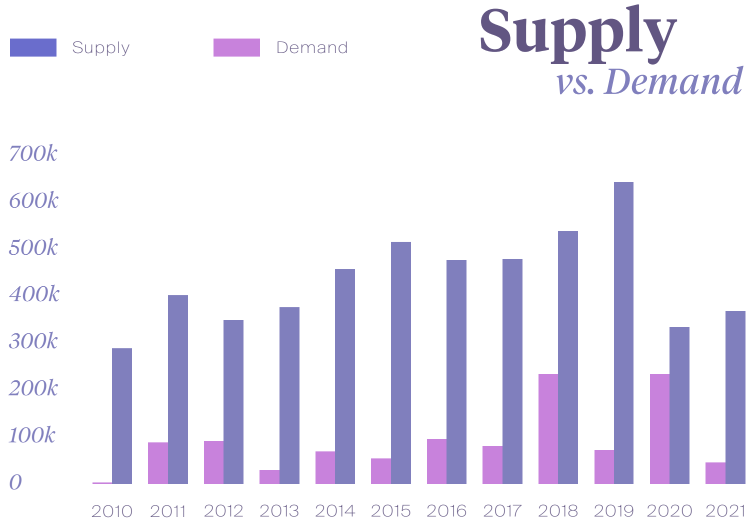


Stock

3,955,600 sq m

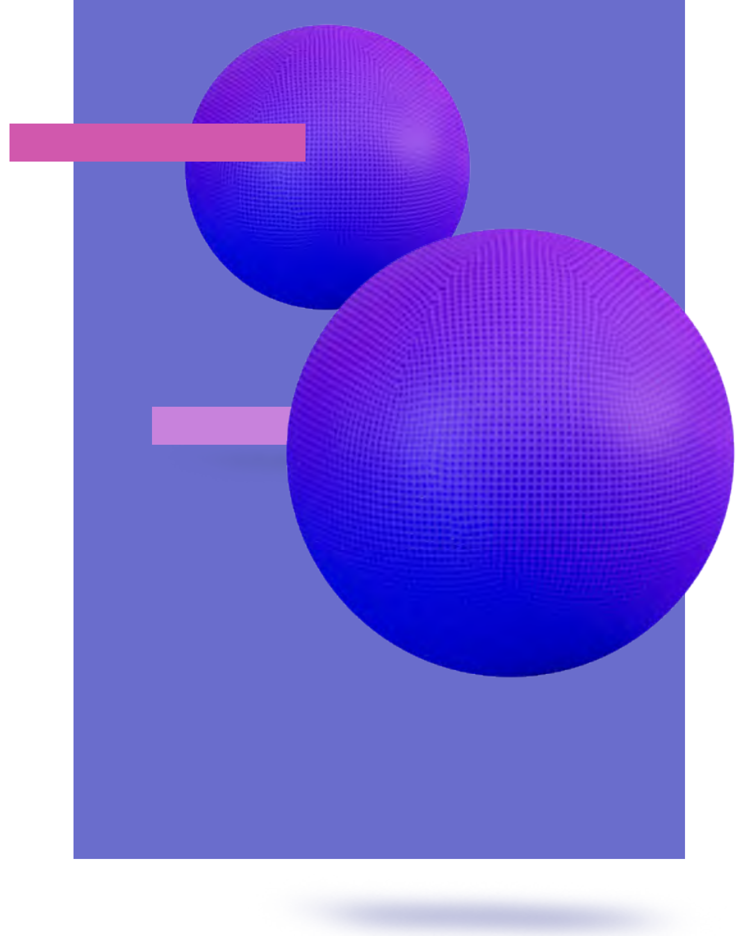
The total modern office stock currently adds up to 3,955,600 sq m, consisting of 3,301,750 sq m of 'A and B' speculative office space, as well as 653,850 sq m owner-occupied space.

Supply *vs. Demand*



Demand

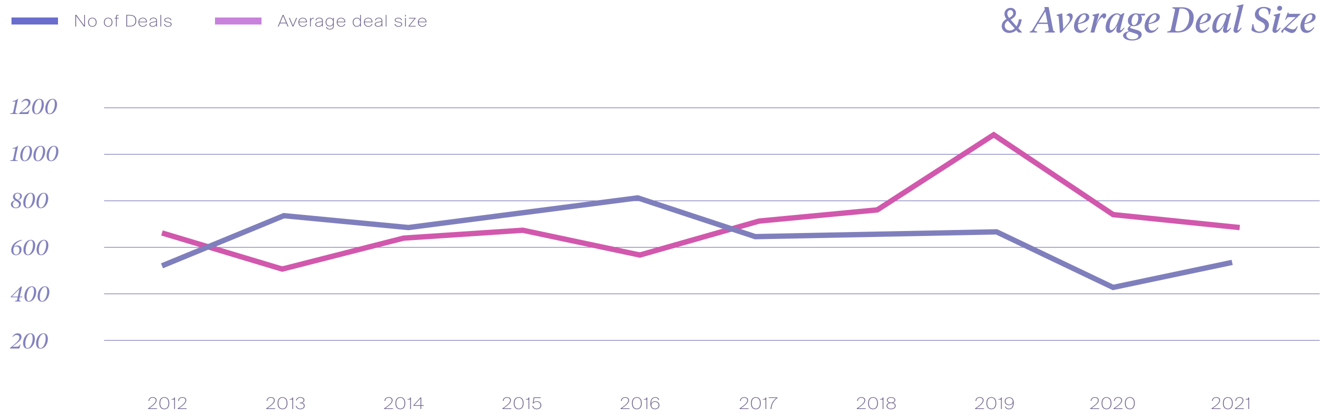
366,670 sq m



The total demand in 2021 started to show the rebound of the office market and presented slightly more than 9% increase compared to 2020. COVID vaccination rate of Hungary's population is at the top in the European Union and therefore restrictions were gradually lifted from April. This positive change is clearly showing in the demand of Q4 2021 – 112,280 sq m – 27% increase compared to the previous quarter and 23% increase compared to Q4 2020.

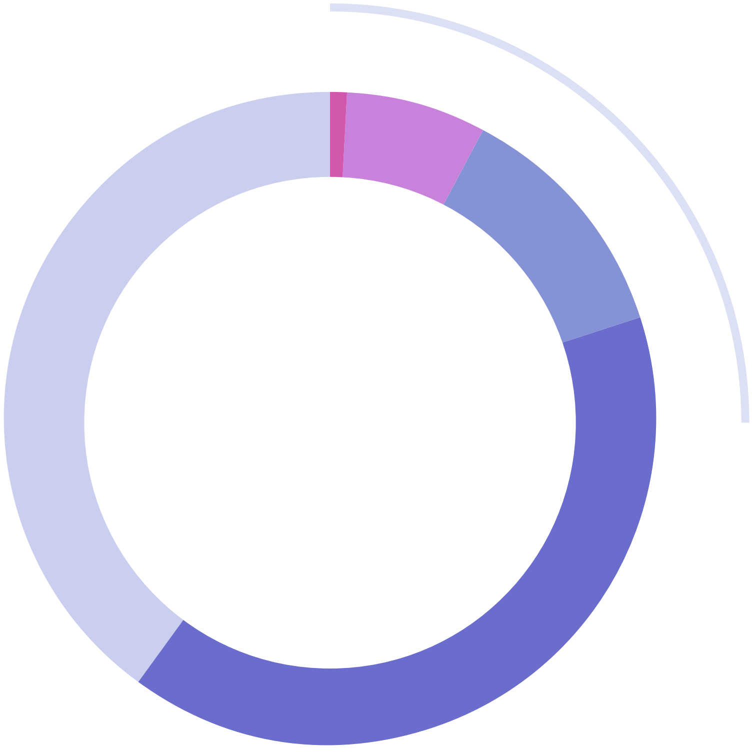
531 lease agreements were signed in 2021 and the average deal size amounted to an above average 692 sq m. The number of transactions was also increased compared to last year, with 449 office agreements in total, although the average size of the transaction decreased from 744 sq m. Renewals still represented a significant share making up 40% of the total leasing activity, whereas new leases were also 40 %. 12 % of the total leasing activity was made up of pre-lease transactions and almost 7,5 % of expansions, as well as 0,5% owner-occupier activity.

Total Deals *& Average Deal Size*

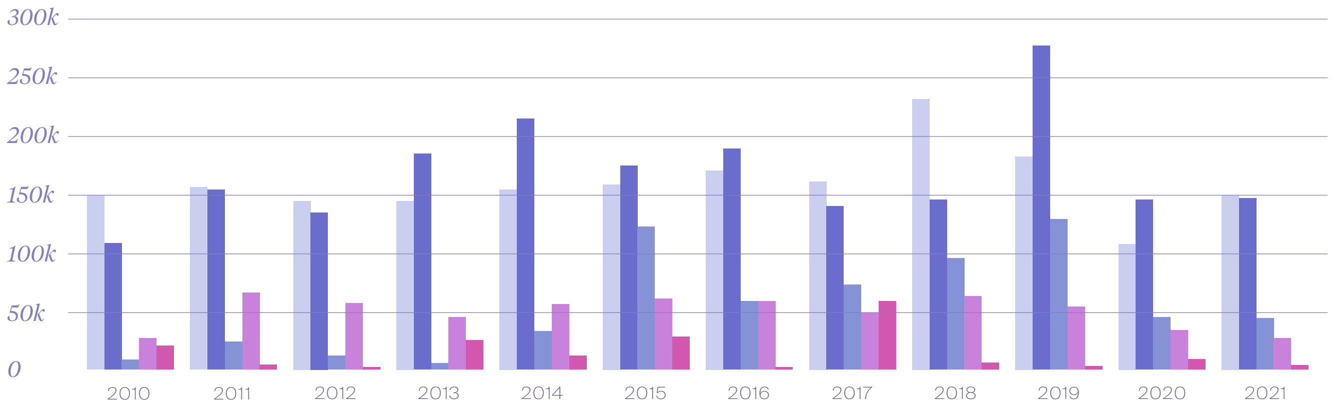


Demand by *type of transaction*

40% Relocation and New Demand
40% Renegotiation /Renewal
12% Pre-lease
7% Expansion
1% Owner Occupation



Demand by *type of transaction*



Relocation and New Demand
Renegotiation / Renewal
Pre-lease
Expansion
Owner Occupation

Rents

Avg. rent: 14.50 EUR / sq m
Prime rent 25.00 EUR / sq m

The Hungarian office market only witnessed a minimal rent correction in 2021, however tenant incentives are definitely increasing, as we predicted. Average rental fee in the new developments is between 14.5 – 17. 00 EUR / sq m, while average rent in existing buildings is a bit lower level at 13.50 EUR / sq m. There were no changes at prime rent either as it remained at 20-25.00 EUR / sq m. Although headline rents stood at the same level, fit-out contributions and rent-free periods slightly increased. This is due to decreasing demand and growing supply.

Key *transactions*

Size (sq m)	Submarket	Building	Type of transaction	Occupier
16,000	Váci Corridor	Center Point	Renewal & expansion	Közbeszerzési és Ellátási Főigazgatóság
14,450	Non-Central Pest	Corvin Innovation Campus	Pre-lease	IBM
13,780	Váci Corridor	Gateway Office Building	Renewal	Magyar Posta
11,500	Váci Corridor	Thirteen Globe	Renewal	Egészségbiztosítási Pénztár
7,180	Váci Corridor	Agora Hub	New lease	Huawei
5,250	South Buda	Office Garden	New lease	Confidential
5,000	Non-Central Pest	Liget Center	New lease	Undisclosed

Vacancy

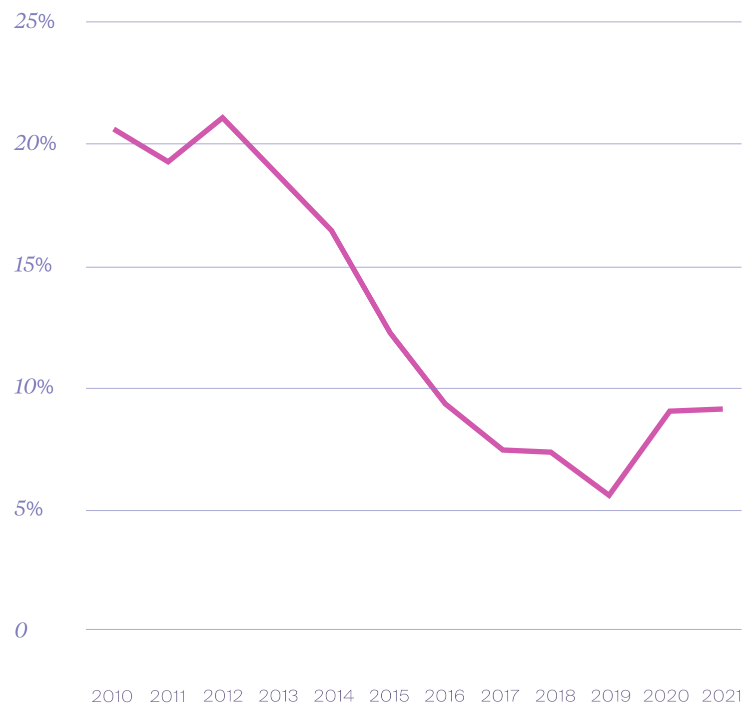
9,2%

The office **vacancy rate** increased to 9.2%, representing a 0.1 pps increase quarter-on-quarter and year-on-year. The lowest vacancy is registered in Central Buda with a 5.5% vacancy rate, while the highest vacancy rate is still in the Periphery submarket (31.1%).

Forecast

The Q4 2021 office market statistics continued to reflect the lingering challenges tied to the COVID-19 pandemic, yet the moderate recovery in annual gross demand, the increasing number of transactions and the largely stable vacancy rate give confidence, although the supply of sublease space is still significant presence.

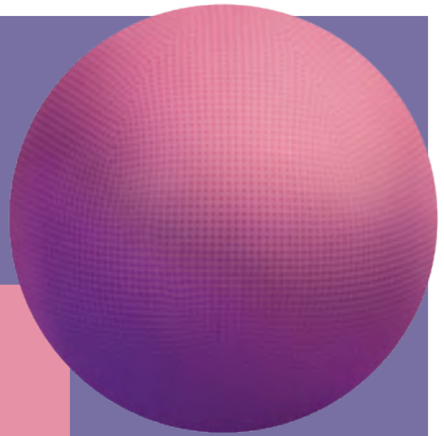
Vacancy *rate*



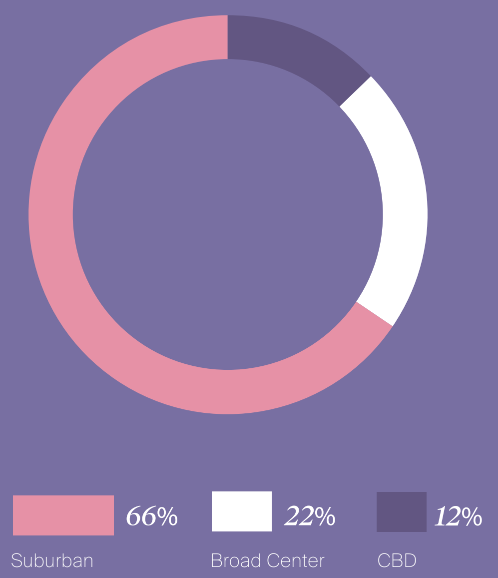
Sofia Office Market

Demand

154,000 sq m



Office demand
by submarket



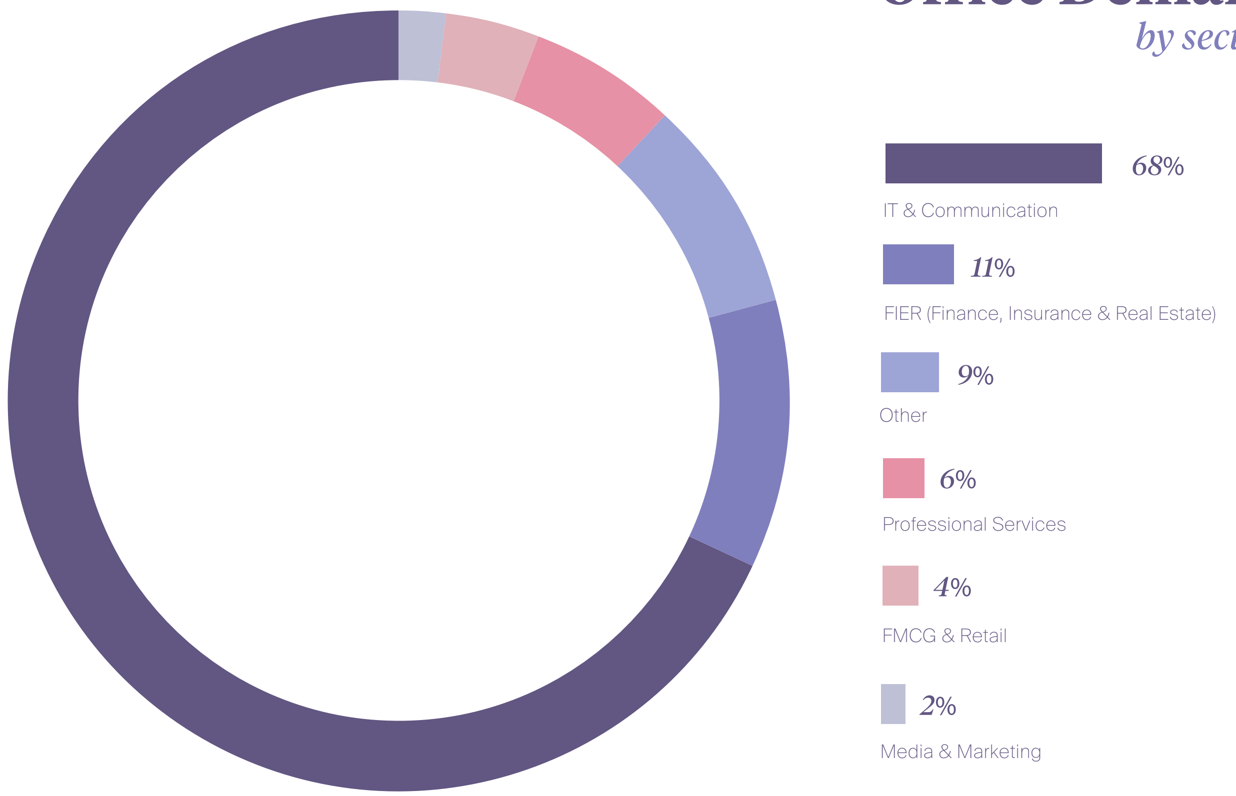
In 2021, 154,000 sq m of office space was transacted in Sofia, 42% above 2020, with expectations for further growth in 2022. Locations with the newest buildings are attracting the highest demand. Modern workplace solutions, safe work environments, as well as interior and design elements, which tackle the post-covid workplace standard continue to have a non-marginal effect on tenants' choices.

The leasing market remains driven by renewals and relocations, while new business and office expansions keep the smaller share. 2021 registered 153,991 sq m of new rents in Sofia for the year. These figures are more optimistic compared to 2020, but still about 12% below 2019, where new rents were 175,832 sq m. Net absorption remains low, with only 15,976 sq m increase of physically occupied space in the last quarter of 2021.

Covid measures and companies re-evaluating their office management strategy ahead remained significant considerations in 2021. The uncertainty of the situation with no lasting solution to the pandemic made companies be more careful and investigate ways to optimize their office space.

The forecast for 2022 is optimistic, with expectation for rise in demand, and employers looking for a slightly different office structure – comfortable and spacious open spaces, modern design solutions, and smarter offices.

Office Demand
by sector



Supply

For the second half of 2021 new office deliveries amounted to 52,000 sq m, whereas for the whole year the figure is 170,000 sq m. This represents an increase of 90% compared to 2020, when we saw a slowdown of office stock brought to the market.

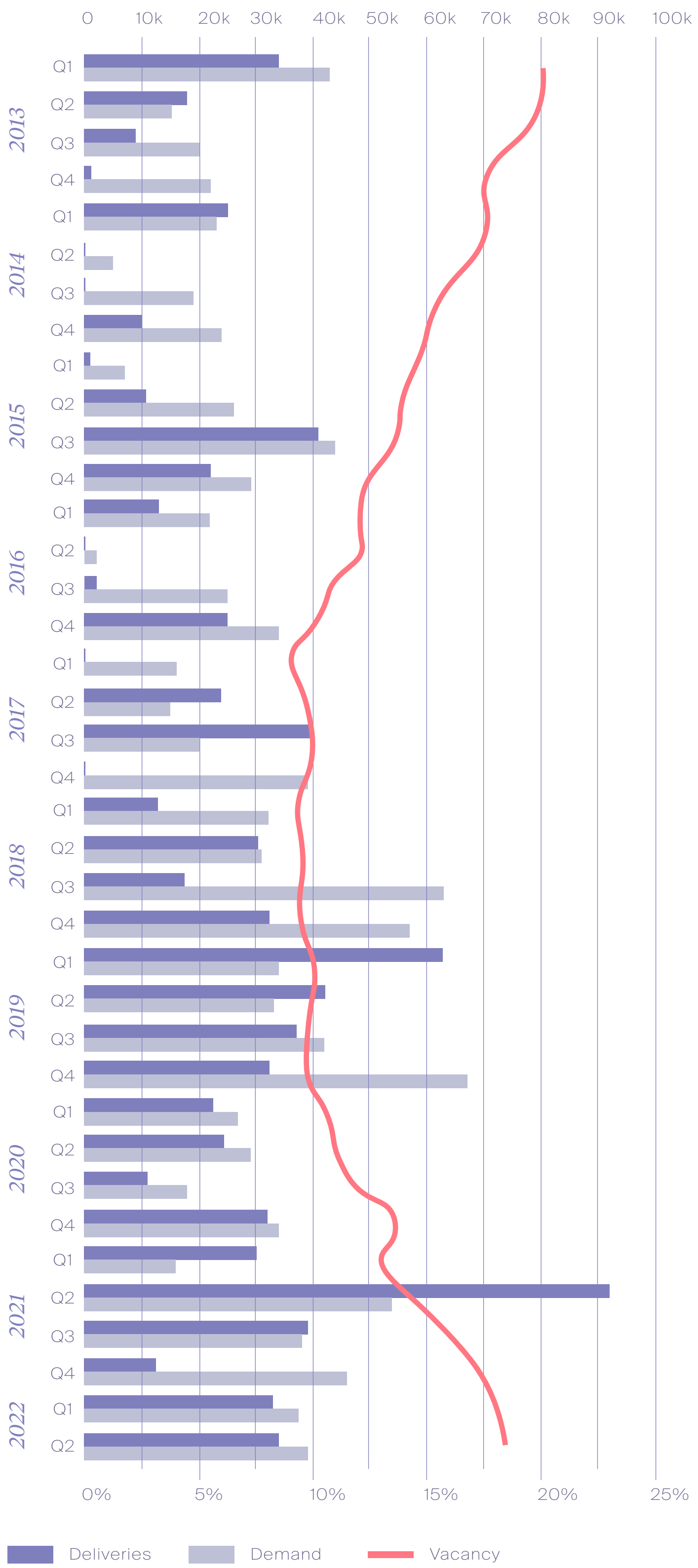
Compared to last year, and despite the pandemic, we are observing increased levels of construction in the capital, compared to 2020, with more than half completed in the Suburban submarket, followed by Broad Center and CBD.

Stock

2.34 mln sq m

Leader in office stock remains Suburban with around 66% of the total office stock with over 1,55 mln sq m, followed by Broad Center with about 22%, approximately 520,000 sqm, and 13%, 302,000 sq m, in CBD.

Demand
and New Deliveries (sq m)



Prime headline
Rent

Rents remained stable throughout 2021, with average rents between 12-14 EUR/sq m/month for class A office buildings, 15 EUR/sq m/m for prime offices in CBD and 8-11 EUR/sq m/m for class B office spaces. In Center and Suburban the figures stand at 12.50 EUR/sq m/m and 12.00 EUR/sq m/m, respectively.

While the most premium locations still retain higher rent levels, the gap between newly delivered buildings and already proven projects in established locations has slightly increased.

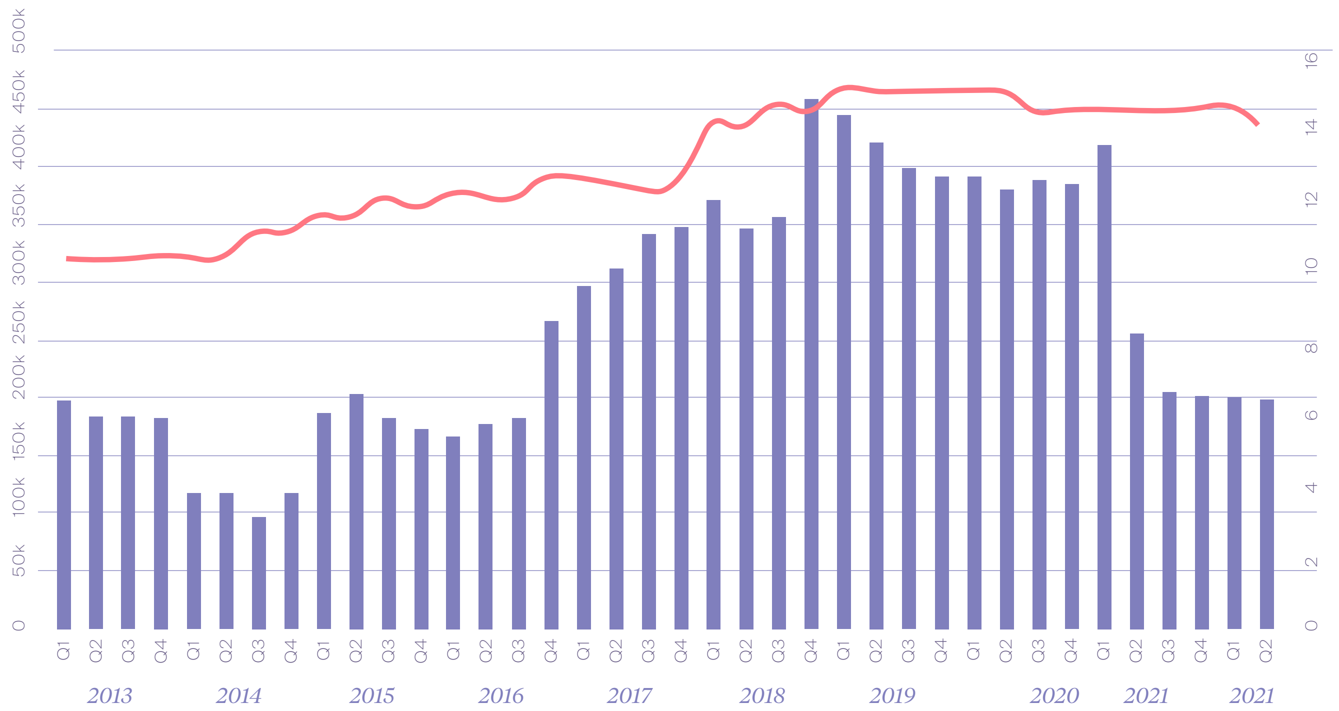
Vacancy
17.25%

The vacancy towards the end of Q4 of 2021 reached 17.25% of the total stock. This figure is equivalent to approximately 400,000 sq m available for immediate occupation. Compared to H1 2021, there is an increase of 300 basis points, the single biggest surge in vacant office space since the 2009-2011 oversupply.

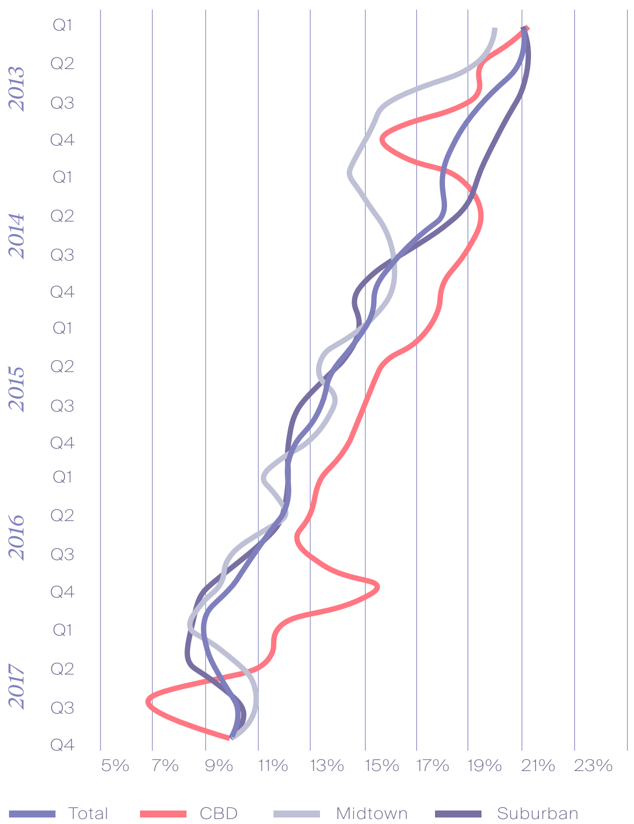
New deliveries and low levels of net absorption were the main causes for this vacancy level at the close of the year. Throughout 2022 we don't expect availability to increase considerably, given the limited amount of stock to be delivered as well as the return of major occupiers to standard office use.

Most of the other available office spaces remains in class B projects. Availability remained stable in CBD, decreased in Broad Center and rose in the peripheral submarkets in Q3 and Q4. As forecasted, towards the end of 2021 there was considerable availability in new projects released recently on the market. With growing transactional activity, we expect lower vacancy rates in 2022.

Office Space under construction
and average class A asking rent



Vacancy *rates*



Forecast

As more and more people are now fully vaccinated and less virulent variants are emerging, it seems that Covid is no longer seen as a major concern for tenants. In 2022, we expect take-up to come close to levels experienced in pre-pandemic conditions. However, despite the increase in activity, volumes are to remain below their long-term average.

Vacancies will be in the single-digit zone for quality and well-located properties, it could however become more structural for second-tier offices and offices located in secondary submarkets.

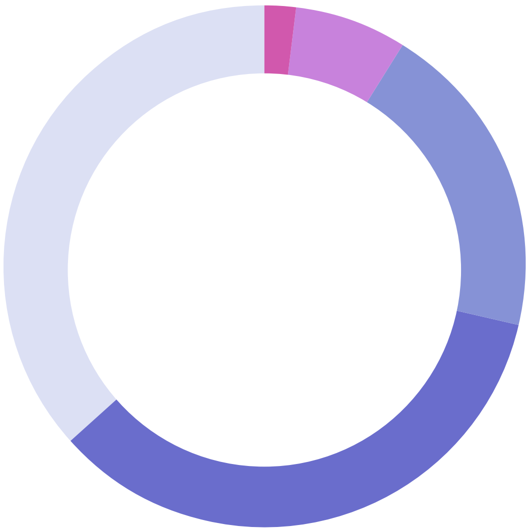
Following the completion of several successful projects in 2021, the expected new deliveries for 2022/2023 will amount to additional 110,000 sqm of class A office space. As a result, there will be a wide offering of available office spaces on the market, leaving diversified options for tenants.

Athens Office Market

Supply & Stock

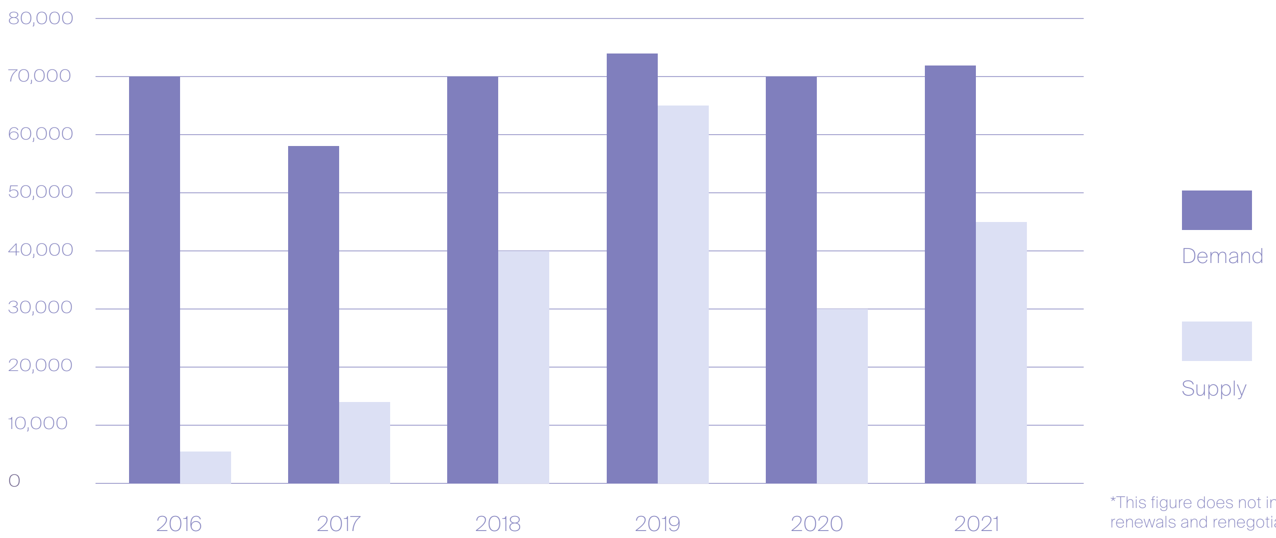
In 2021 the new supply of office space reached approximately 45,000, driving the stock to almost 2.6 mil sq m. The submarket with the highest office stock is North followed by CBD.

Stock by *submarket*



37% North
35% CBD & Center
20% South
6% Piraeus
2% West

Demand vs *Supply*



*This figure does not include renewals and renegotiations.

Demand

Although in the beginning of 2021, the actual transactions of the office leasing market were a bit slow, the relaxation of Covid19 restrictions has made the tenants to be more active in searching for relocation during the last months.

Relocation plans have been reactivated and there is a growing willingness to invest in office space once again. The take-up has reached 72,000 sq m while supply levels have slightly increased in volume as well in comparison with last year.

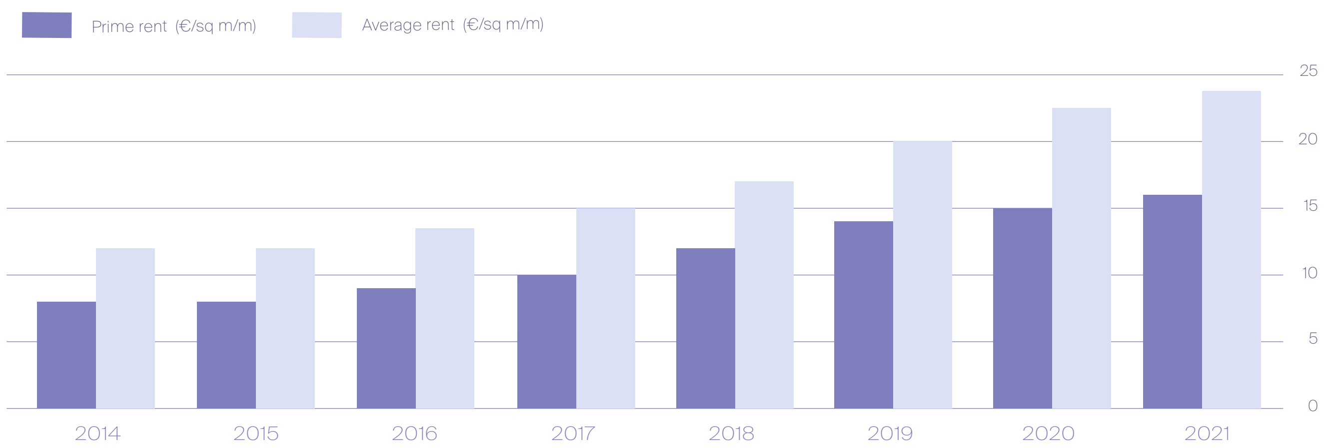
The demand in North Athens was the highest, but it seems that the dynamics of the office market is starting to shift due to the new large mixed-use urban projects which will be launched over the next few years.

Prime *average rent*

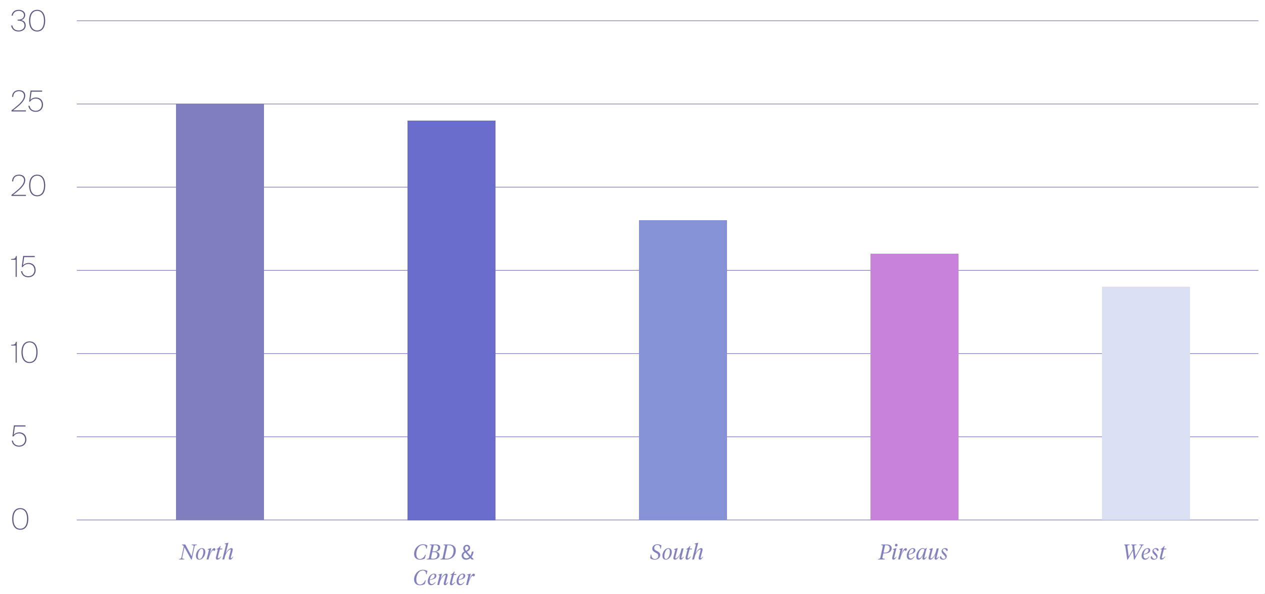
23.5 EUR / sq m / month

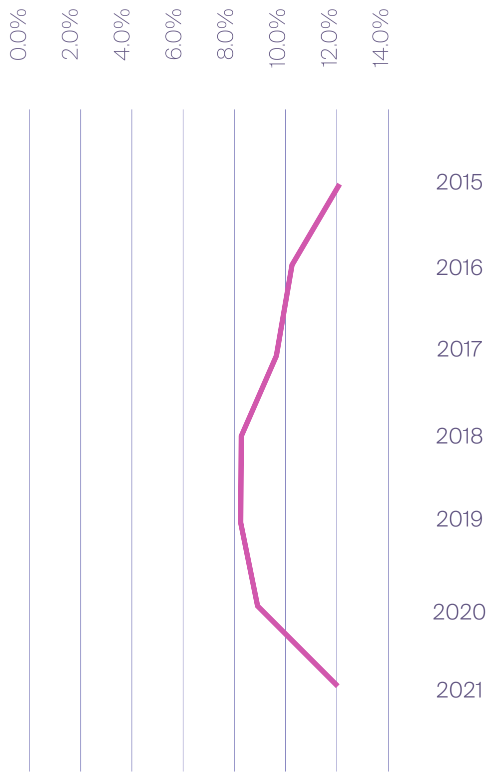
The prime rent was kept at the same levels during the second half of 2021. But comparing the rent with 2020, one can see the increase in the prime rent. (2020 it was 22.5€ vs 2021 it reached 23.5€). The average rents have remained stable.

Average vs *Prime Rent Evolution*



Prime
Average Rents
per submarket





Vacancy
12.0%

The vacancy rate in 2021 reached 12.0%, which is a high increase compared to 8.7% at the end of 2020. This increase in the average vacancy rate can be explained by the supply of modern stock and activated relocations. The prime vacancy of around 5% was maintained at the same level as the one in 2020, a fact explained by the lack of Class A office buildings.

Pipe*line*

Over 85,000 sq m are currently under construction and more than 250,000 sq m are expected to be delivered in the next 5 years. The new land acquisitions in the Northern area, new projects such as The Grid and the large mixed-use urban projects shows that investment interest is renewed.

Lamda Development and Brook Lane Capital plan to build a mixed-use tower with c.18,000 sq m near the Vouliagmeni metro station which will be completed in 2025. Another project worth mentioning in the South hub is the Alimos Office Park by Grivalia comprising two office buildings with a total 26,000 sq m GLA and will be completed by the end of 2023. Also, one of the largest investment projects is the Cambas Project. It is estimated that the new buildings will include Office Spaces which will reach 51,220 sq m.

Forecast

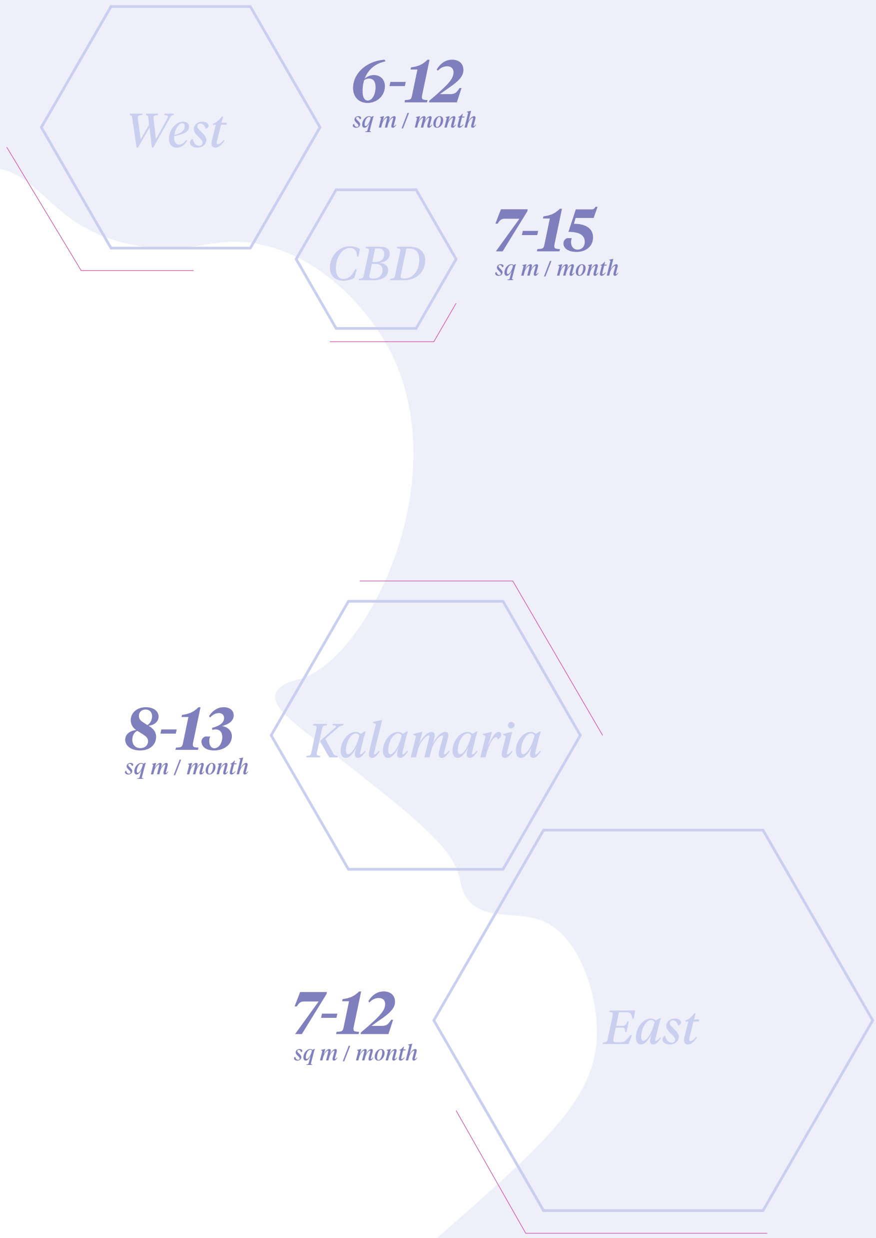
It appears to be an increased investment activity for the commercial real estate in Athens. There are several new development and reconstruction projects launched and will be launched in the upcoming years. According to the Hellenic Statistical Authority (ELSTAT) - data on construction activity, on an annual basis - there are particularly high growth rates recorded in the number of new permits for the construction of office spaces (52.2%).

Thessaloniki *Main Office* Hubs

Thessaloniki's office market has shown a consistency in comparison with other secondary markets in the region, despite the lockdown and covid-19 restrictions over the year. Demand maintained an increasing trend in 2021, especially at the second part of the year, driven mainly by the ease of covid-19 restrictions and an improvement in sentiment regarding the pandemic. This led to a rise in new developments, particularly at the western entrance as well as the eastern part, where developers are still able to find land plots for developing purposes.

Thessaloniki's CBD remains the area with the highest demand from tenants but lacks A Class office projects . Consequently, developers and investors tend to purchase and refurbish old buildings in order to meet the high standards of the occupiers.

The demand has a rising effect on rental prices as the vacancy rate in A Class buildings is decreasing. We are forecasting that the widely adopted hybrid working model; where applicable, will drive small/medium sized occupiers to seek more flexible solutions such as serviced office and co-working spaces.



West

- Western Entrance is the area that is very close to the port and the central railway station.
- The closest area to the city center with existing and upcoming A class office buildings
- Mostly preferred by International shipping companies and freight forwarders.

CBD

- CBD has the biggest demand for office spaces, especially on the 4 main streets- Tsimiski and Mitropoleos street, Nikis Avenue and Aristotelous square, despite the lack of A&B class office buildings.
- The majority of the existing stock is over 40 years old and consists of small units between 80-200 sqm.
- Most of the tenants are banks, law firms and agencies, medical facilities and educational institutes.

Kalamaria

- Kalamaria is the area with the highest demand for A&B class office buildings and also the lowest vacancy rate.
- Adrianoupoleos and Ethnikis Antistaseos streets are the main arteries which connect the airport with the city center. The main supply of office buildings can be found along these streets.

East

- Eastern Entrance has the biggest stock of A&B class office buildings and the largest pipeline of new projects.
- The first high technology business park that was developed in Greece, as well as the European Center of the Development of Vocational Training (CEEFOP) are located in this area, very close to International Airport of Thessaloniki.
- The majority of the multinational companies operating in Thessaloniki in industries like IT and professional services are located there.

Belgrade **Office** Market

Stock

1,005,000 sq m

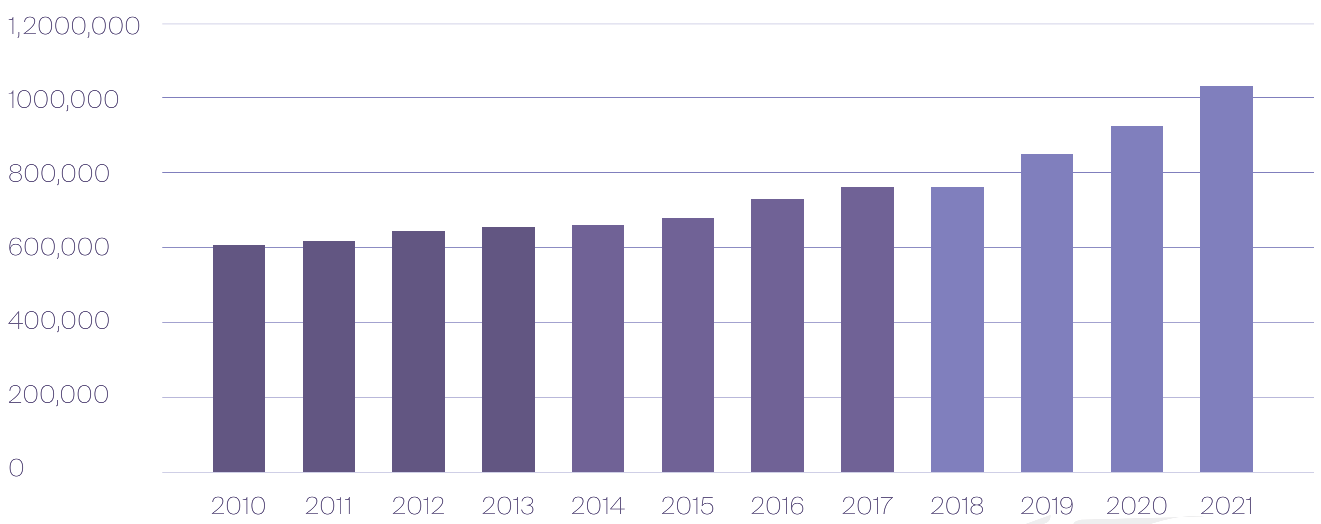
Compared to the first half of 2021, the second half of the year was a bit more static. No significant changes have occurred within the office market, towards the end of 2021. The stock level increased by approximately 4% compared to the first half of 2021, in this regard, the total stock level for the whole of 2021 is just over 1 million sq m. This level is expected to increase by a much higher percentage during 2022, if we take a look at the projects present within the office market pipeline; which are scheduled to be delivered by the end of 2022.

Work from home and hybrid working strategies are still being implemented, although not to an extent as they used to be throughout 2020. Companies are still looking for business premises, which can be seen from the growth in demand, which increased by about 40%. Companies are still looking for adequate business premises that will be in line with the procedures against Covid19.

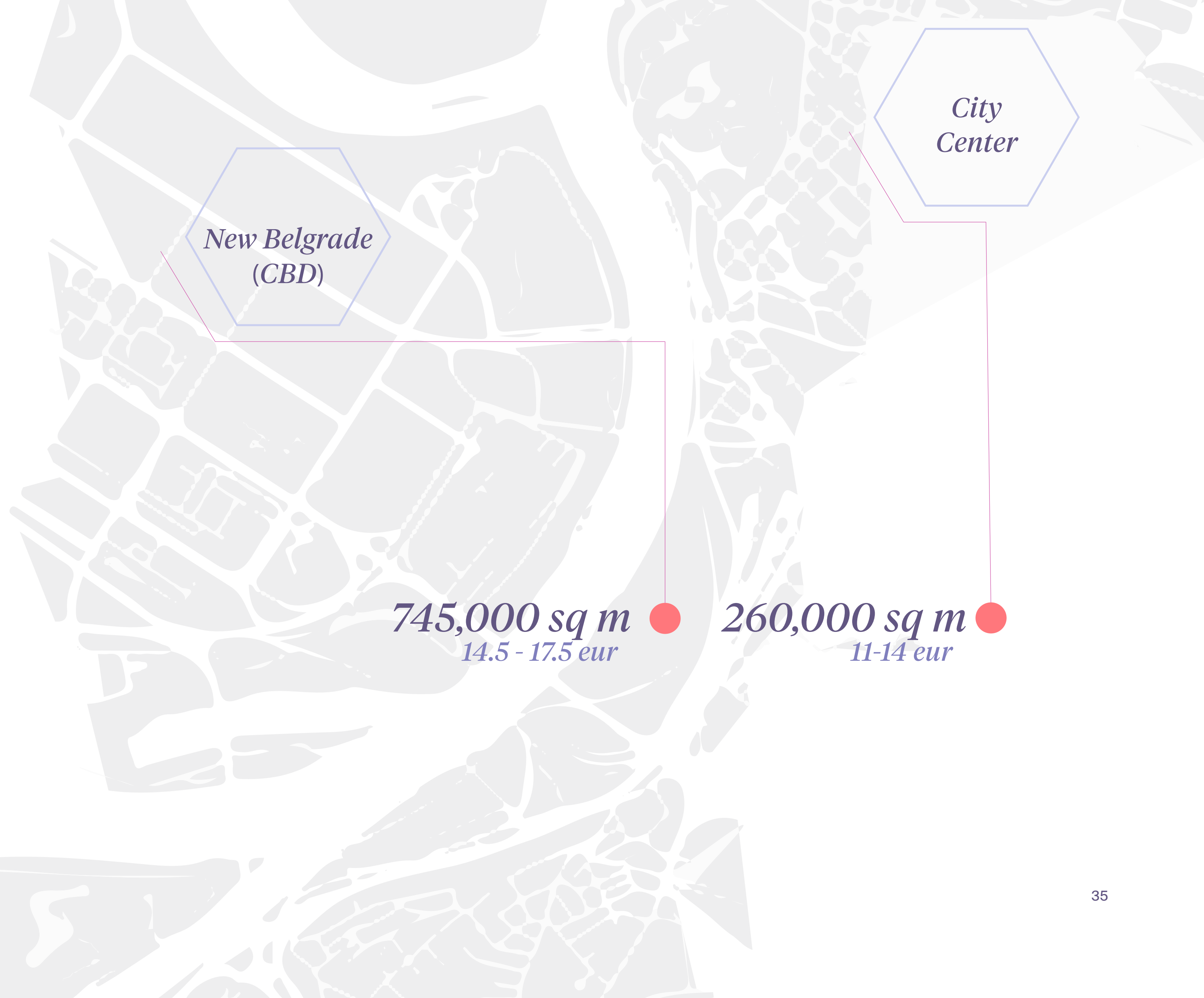
Given the lengthy office market pipeline, new class A buildings will be in line with the latest regulations to help prevent Covid19, which may further motivate companies to lease business premises. The most significant addition to the stock level throughout the second half of 2021, was the completion of Building 11 in Airport City, the most prominent business park in Serbia. The delivery of this class A building increased the stock level by 18,000 sq m.

Modern Office Stock

Annual Evolution



Belgrade *Office* Sub-markets



209,500 sq m

Supply.

New Belgrade (CBD) remains the most dominant sub-market when it comes to office space. A vast part of pipeline projects is being delivered in this part of the city, which is popular primarily for its content, accessibility to wide boulevards, and the large availability of parking spaces.

What was not the case before is that many new buildings within the pipeline are to be delivered in the City Center. The most remarkable being the Skyline project, developed by AFI Europe, which is one of the most modern office complexes not only in Serbia, but also in the region. Additionally, AFI Europe is also developing the AFI City Zmaj project, an Office Park between the city center and the airport, scheduled for 2023.

The biggest local developer, Marera properties is largely working on the refurbishment of two of the biggest landmarks in Belgrade; the Belgrade Palace, which is due to be completed in Q4 2022, as well as the BIGZ building.

Demand

The total demand for second half of 2021 has reached approximately 35,000 sq m which is almost double compared to the first half of 2021. With the vaccine rollout and the gradual easing of measures against Covid19, employees are slowly returning to their workplaces. Companies are still in search of modern business premises, which will comply with all the regulations in line with the Covid 19 pandemic. Most of the transactions were closed in New Belgrade, but we expect this to change with all the upcoming projects being developed in the City Center. The most active sectors were IT, consumer goods and professional services, respectively.

Prime rents

class A 14.5- 17.5 Euro/sq m

Overall rent price remained stable, with a slight increase of class A buildings, prime rents. Prime asking rents for grade A office buildings in the Central Business District vary from EUR 14.5 to EUR 17.5 /sq m monthly, whereas in the city center the levels range between 12-14 EUR/sq m. Service charge varies from EUR 3 /sq m to EUR 4.5 /sq m monthly and the add on factor is between 5%-12%.

Vacancy

7.0%

Compared to the first half of 2021, the vacancy rate has decreased by 0.5%, due to the lack of new stock, and an increase in demand by around 40%.

Snapshot

office projects under construction

Project	*Leasable area*
B23 Office Park	*57,000 sq m (delivery in phases)*
Green Escape	*14,000 sq m*
Skyline	*40,000 sq m*
GTC X	*17,000 sq m*
BIGZ	*34,000 sq m*
Belgrade Palace	*20,000 sq m*
AFI CITY ZMAJ	*27,500 sq m (delivery in phases)*

Forecast

Serbia is keeping its leader position in the region, as the volume of investment remains high and is expected to increase even further in the upcoming years.

We anticipate an even greater increase when it comes to demand, due to the upcoming pipeline projects and the additional easing of measures against Covid19 which as a result will reduce the number of people working from home. Certainly, some companies have realized that they can work productively from home as well and might be thinking about reducing their office space or leasing a coworking space, but this process is not easy, so we do not expect significant changes in this field.

Will hybrid working *continue post-pandemic?*

Tightening labour markets, four-day working weeks and the flight to quality are strengthening the argument for a hybrid working business strategy.

William Matthews
Partner
Knight Frank
Capital Markets Research

What is Hybrid *Working?*

We define hybrid working as the practice of delivering work from variable locations best suited to task. There are three key models:

1. When some staff operate full-time from the office and some full-time from non-office settings (most typically home) but on a fixed basis.
2. When staff have the flexibility/choice to work partially from the office and partially from non-office settings according to the nature of the task at hand.
3. A combination of the above two models across an organisation.

Hybrid working is often wrapped-up in wider debates about flexibility, home and dynamic working but, in our view, it is about the potential dispersal of staff across different workplace settings.

It is fundamentally about the 'where' of work. We also believe that it is important to consider the return to the workplace and the desire for flexibility in the context of labour markets, which in many cases are tightening rapidly, just as businesses are gearing up to expand.

(*i*) Hybrid *Working*

Our colleague, Lee Elliott, global head of occupier research, explores the pros and cons of the hybrid working model and the implications on the real estate industry below.

The tightening of the labour market has swung the

balance of power towards the employee. It is against this backdrop that leaders are attempting to grow their businesses. More than 70% of UK CEO's surveyed in PwC's 2022 CEO Survey expect to increase their headcount over the next 12 months – and almost one third of those are planning to increase headcount by more than 10% of existing levels.

The war for talent shows no signs of abating, whilst the challenge of recruiting becomes ever harder.

These dynamics are serving to influence the offers made to prospective employees. Whilst financial benefits still figure highly, there is growing evidence that the purpose, culture and flexibility of the organisation are increasingly important considerations for the employee. This is a direct response to the pandemic where many have re-evaluated their work, workstyle and work-life balance, as seen with the so-called Great Resignation in the United States.

(ii) Flexible *Working*

Requests for flexibility, emboldened by the remote working experience enforced by the pandemic, are rising. The corporate response has been, at least notionally, to move beyond a classically binary view on the 'where of work' – with employees either being seen to be office based or home based – towards a more fluid attitude to where work takes place.

Indeed, 75% of global CEOs responding to KPMG's Quarterly Global CEO Survey at the end of 2021 anticipated their organisations adopting hybrid workstyles. Tellingly, however, only one third of those respondents had actually implemented plans at the time of the survey. The journey to hybrid workstyles is in its infancy and there is clearly a long and winding road to run.

In this sense, the potential rise of hybrid working should be regarded as the next phase in the great global workplace experiment ushered in by COVID-19. As restrictions start to lift and employees re-engage with their offices and/or start to make greater demands about how and where they work, organisations will get a valuable read of the future that ultimately translates into new workstyles and potentially new demands on the workplace. Most businesses are still early in the evaluation phase of the experiment.

(iii) Prons *and cons*

Of course, there is no shortage of noise about the potential pros and cons of hybrid working. Advocates see hybrid as essential for attracting and retaining talent; for extending the geographical reach of organisations into untapped, distant, labour markets; for bringing greater efficiency to business processes and operations; and even to creating more sustainable businesses.

Detractors suggest hybrid makes inclusion and collaboration more difficult; negatively influences career development and progression; adversely affects the tacit learning so key to professional service firms; or brings a level of managerial duplicity and complexity that is highly inefficient. While this debate continues, hybrid will become one of the business buzzwords of 2022.

Companies need to be seen to be responding to the new world of work. However, we should be careful not to get swept away with the hyperbole or take the exception as the rule. The jury is still out and the upcoming implementation of hybrid working styles will provide test cases on which to build stronger evidence.

We fully expect the practical challenges of delivering hybrid working to become clearer over this year and anticipate growing concerns around its effect on corporate culture, connection and growth to amplify. This will ultimately lead to many organisations adopting an 'office first' stance with flexibility enabled through dynamic working and the permitting of home working according to function and role.

(iv) Implications *for real estate*

From a real estate perspective, the occupational markets will be characterised by more varied demand from businesses seeking to navigate the future world of work in their own ways. Designing and delivering workplace strategy will be more complex and bespoke than ever before but the office will absolutely be part of any solution.

We believe that any move towards hybrid working simply serves to accentuate the flight to quality already witnessed in major office markets. If organisations provide choice around the where at work, but want work to support culture, connection and growth, then they will be obliged to provide formal workplaces that offer an environment and experience well beyond that which someone can achieve at home and through virtual connection.

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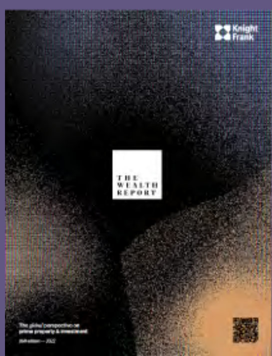

The Wealth Report 2022

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