

Adaptive Spaces

New Zealand Office Occupier Sentiment Survey 2023

REPORT

Hybrid working in
the New Zealand
workplace

CBRE RESEARCH
JULY 2023

CBRE



New Zealand forging the future of work

In recent years, New Zealand businesses have defied global trends and embarked on their own unique path.

Our experience throughout the pandemic as well as the subsequent 'return to office', has been significantly different from our global counterparts. However, data and insights specific to the New Zealand market have been scarce, leaving businesses to rely on regional information and word of mouth. To address this gap and provide comprehensive, quantifiable information on how New Zealand businesses are responding to current workplace practices, CBRE has conducted the first comprehensive survey of the Occupier Market.

The CBRE New Zealand Office Occupier Survey provides insights from 66 corporate real estate executives, whose organisations represent 13 sectors and occupy 221,000 sqm of office space across Auckland, Wellington and Christchurch.

This report identifies the key features of their organisational strategies in relation to the future of work, while also pinpointing the challenges encountered during this period of transformation.

How New Zealand Businesses are Adapting to Hybrid Working



1 in 5

Organisations expect to decrease hybrid working over the next two to three years.



94%

Of organisations support hybrid working.



3.2

Average number of days per week employees work from home.

days



59%

Is the average office utilisation across a typical week.

2 in 3

Organisations expect to change their real estate footprint over the next two to three years.



52%

Of organisations have made changes to their workplace design as a result of new ways of working.



Transformative Trends: Top Ten Insights

1

Hybrid working has become widespread, but office attendance varies based on industry, organisation size, and where decision-making sits.

2

Decisions on the nature and extent of hybrid working are typically made at the middle management and individual team level, but senior leadership influence on hybrid working practices is expected to increase.

3

The increased focus on office attendance does not signal a fundamental change to the prevalence of hybrid working but, more likely, we will see refinements to current practices.

4

The top challenge arising from hybrid working is keeping and building a strong culture when people are in the office less, however, hybrid working is widely considered to have had a positive impact on organisational culture.

5

There is a tendency for occupiers who don't measure office utilisation to overestimate attendance rates.

6

Organisations are implementing workspace design changes that reflect new workstyle norms, with a trend towards reducing desks and large meeting rooms, and increasing both collaborative and quiet spaces.

7

Hybrid working is leading to more efficient desk usage, however, with the majority of organisations still adopting fully assigned seating, there is some way to go in realising greater space efficiencies.

8

Location and building amenity requirements are evolving, with proximity to public transport being the most critical location/building level amenity for organisations.

9

Occupiers are responding to the increasing importance of building amenities by relocating to better quality office space, while those not looking to relocate are taking the opportunity to restructure existing leases.

10

Nearly a third of organisations are currently taking a wait and see approach to their real estate strategy, which likely reflects leadership uncertainties around the cost/benefit of hybrid working, and the optimal balance of office versus remote work.

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01

Hybrid Working



New Zealand taking the lead in adopting the hybrid working

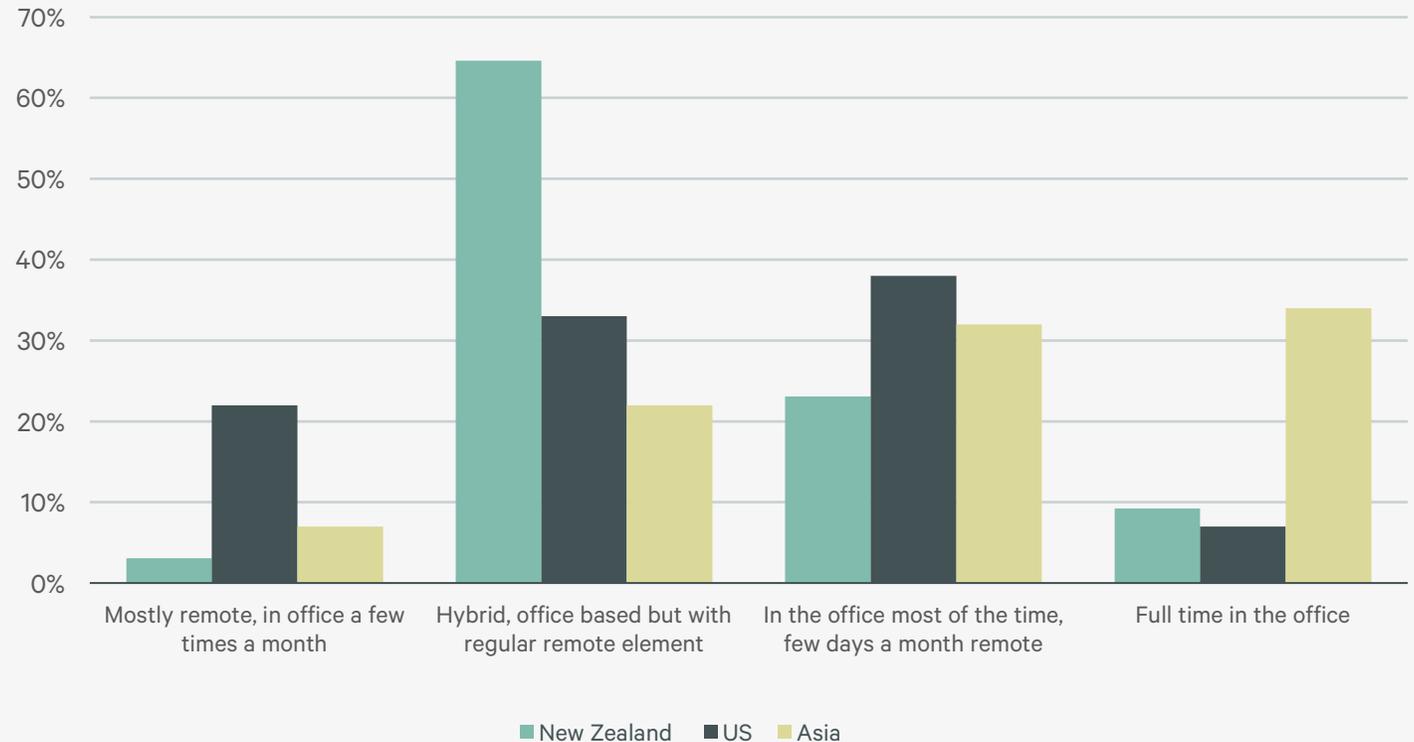
A hybrid working model is more widely adopted in New Zealand than in the US or Asia, which shows a greater prevalence of either remote or office-based modes.

Among New Zealand office occupiers, 94% of organisations have adopted hybrid working, with half of the participants having their employees in the office three days on average during a typical work week and 15%, three days a week. Only 3% of organisations adopted a predominantly remote working model while 9% are fully office based.

The contrast of the New Zealand experience with the US and Asia is notable. 22% of occupiers in the US are working to a predominantly remote model and a more balanced hybrid model only applies to a third of office occupiers according to CBRE's 2023 US occupier sentiment survey.

Across Asia, the balanced hybrid approach is even less prevalent, with predominantly office-based employment modes being adopted by two-thirds of occupiers according to CBRE's 2023 APAC occupier survey.

FIGURE 1: Office attendance and adopted workplace models



Decision-making, location, industry: the office attendance variables

Office attendance varies widely based on industry, organisational size, and where decision-making sits.

Average office attendance is 3.2 days a week, however, this varies widely. Industry differences are marked, with attendance ranging from 2.5 days a week for the public sector to 3.9 days a week for the legal sector. Smaller occupiers are also more likely to be predominantly office-based compared to large occupiers.

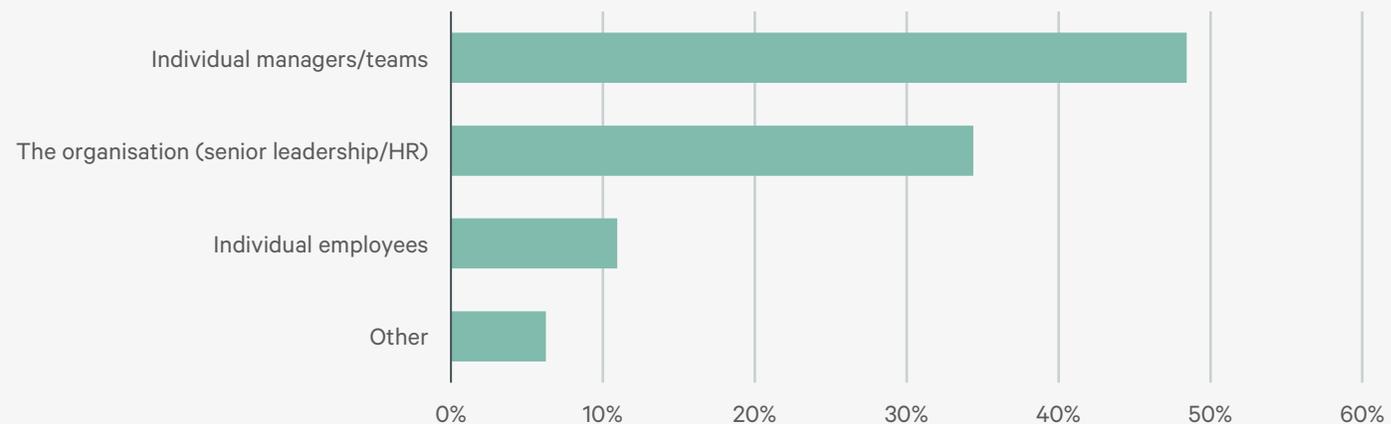
Who primarily makes the decision on office attendance also has an influence on time spent in the office. In organisations where individual employees are the primary determinants of when they go to the office, average attendance is 2.9 days a week, although there was a widespread of responses around this average. In private sector organisations where senior leadership/HR are the main decision-makers, attendance is higher at 3.4 days per week.

Decisions on the nature and extent of hybrid working are typically made at the middle management/individual team level in nearly half of organisations (with typical weekly attendance in this organisational model averaging 3.1 days per week). Individual employees determine office attendance in only 11% of organisations.

FIGURE 2: On average, how many days per week do employees in your organisation work from the office?



FIGURE 3: Who determines when/how often employees in your organisation work from the office vs remotely?



Leadership influence and the future of hybrid working

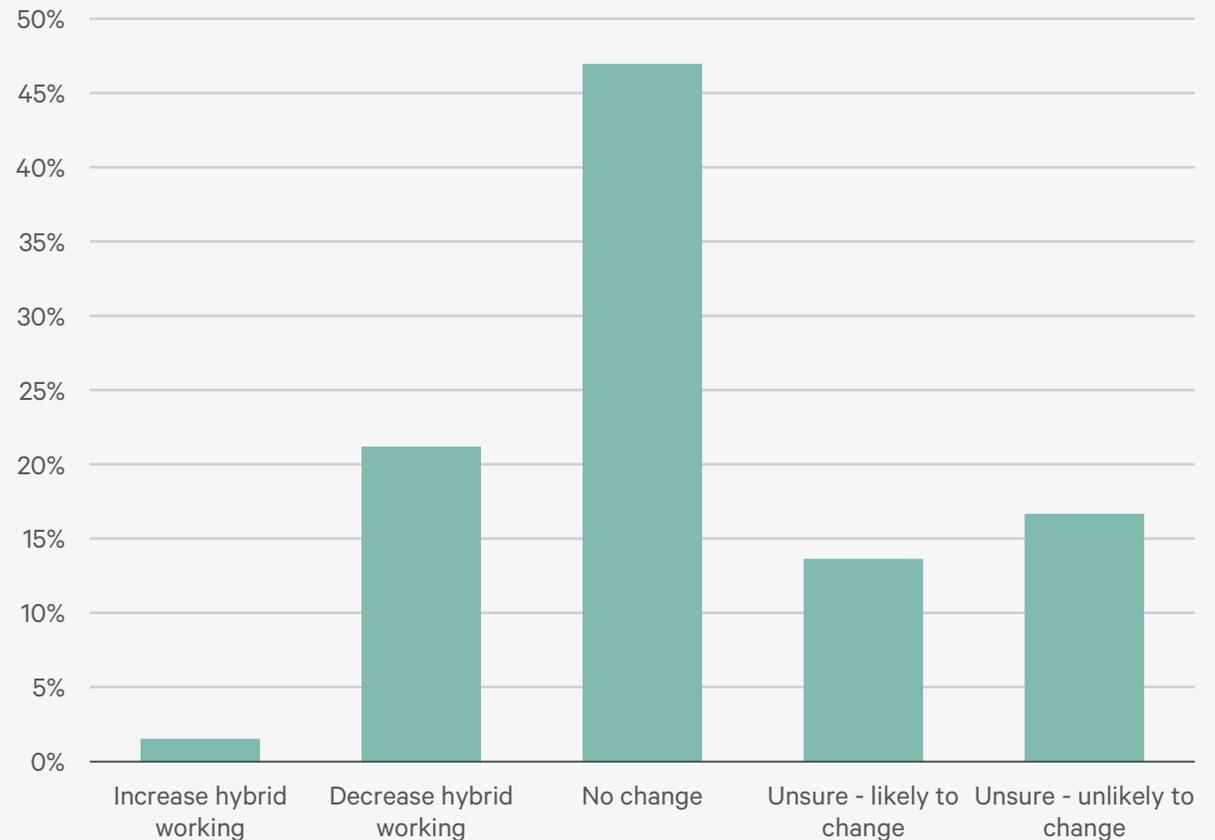
Senior leadership influence on decisions around hybrid working practices is expected to increase, leading to more time spent in the office.

The influence of senior leadership on hybrid working and office attendance is expected to increase in the next few years. The net result will likely be a reduction in remote working with 21% of organisations looking to decrease the extent of hybrid working during the next two to three years, compared to 2% expecting to increase it.

This does not mean that the prevalence of hybrid working practices will fundamentally change. Nearly two-thirds of respondents think that current hybrid practices won't, or are unlikely to, change. This indicates that we will likely see current practices being refined at the margins rather than a wholesale change back to a full-time office-based workforce.

The New Zealand survey results align well with CBRE's US survey which shows 38% of organisations expecting to increase office utilisation levels by putting greater emphasis on office attendance. It is generally medium-sized and larger organisations that are behind the curve in terms of reaching a steady state for their workplace model and there has been speculation around the impact of greater economic uncertainty on the emerging plans to increase office attendance. This wasn't specifically addressed in our New Zealand survey but CBRE's US survey indicates a split view on how weaker economic conditions are impacting their decisions around hybrid work. 45% reported no impact, while 40% reported increased urgency to get employees into the office.

FIGURE 4: Over the next two to three years, what are your organisation's plans regarding hybrid working?



A move to a greater presence in the office

Move to greater presence in the office reflects leadership concern about hybrid working's cost/benefit trade offs, and the optimal balance of office vs remote work.

Plans to boost employee presence in the office appear inconsistent with the view that hybrid working had a positive impact on organisational culture, with 73% of respondents believing that the experience has been at least “somewhat positive” compared to 8% citing it as having a “somewhat negative” impact. No respondents selected the “negative” option.

It is also noteworthy that survey respondents cited “keeping and building a strong culture when people are in the office less” as the top challenge arising from hybrid working.

These views indicate that significant effort is required to build a strong organisational culture in hybrid workplaces. Survey results show that hybrid working arrangements have been able to be managed in a way that maintained cohesive organisational dynamics after the start of the Covid-19 pandemic. However, the results also point to concerns that lower levels of face-to-face contact will have adverse longer-term consequences.

Leadership concerns around hybrid working are also evident in our open-ended survey question about what respondents would like to know more about. The majority of responses revolved around culture, best practice and what others are doing, and how to make a hybrid workplace function well for all stakeholders.

FIGURE 5: Overall, how would you describe the impact of hybrid working on the culture of your organisation?

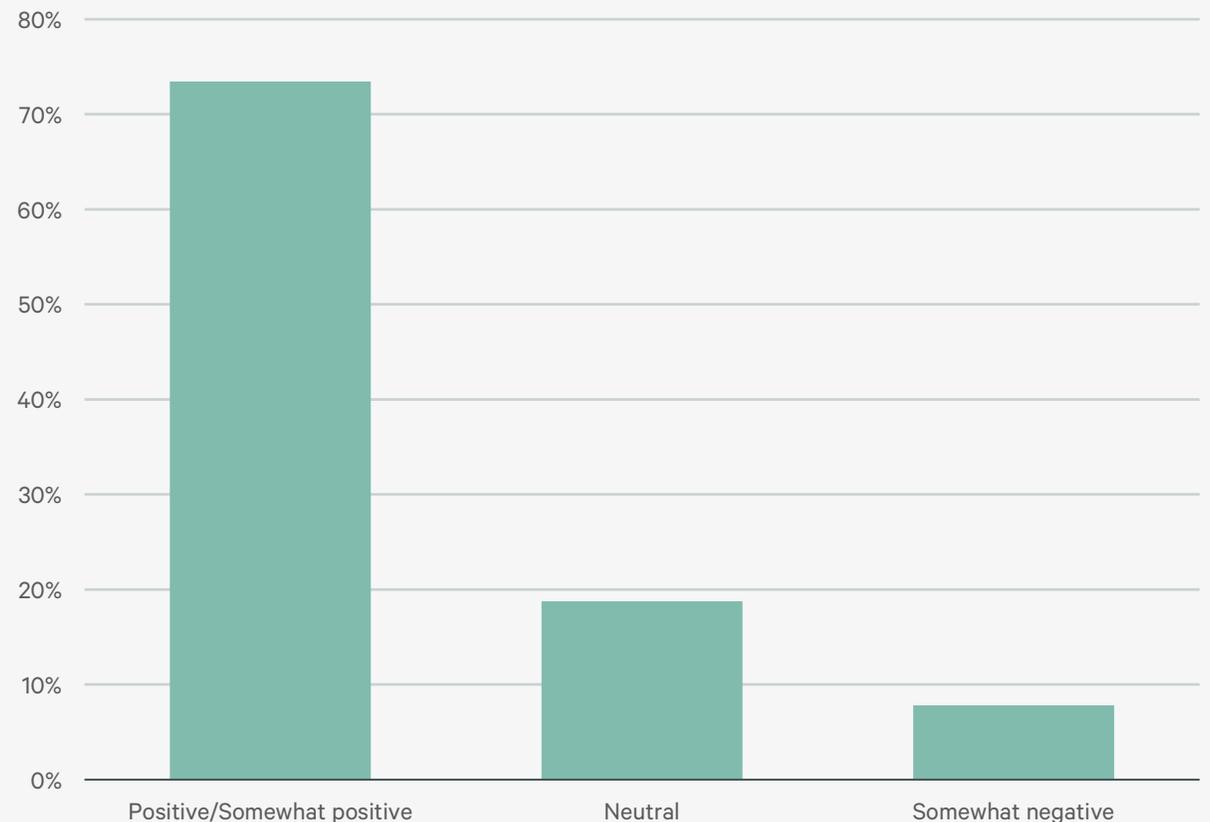
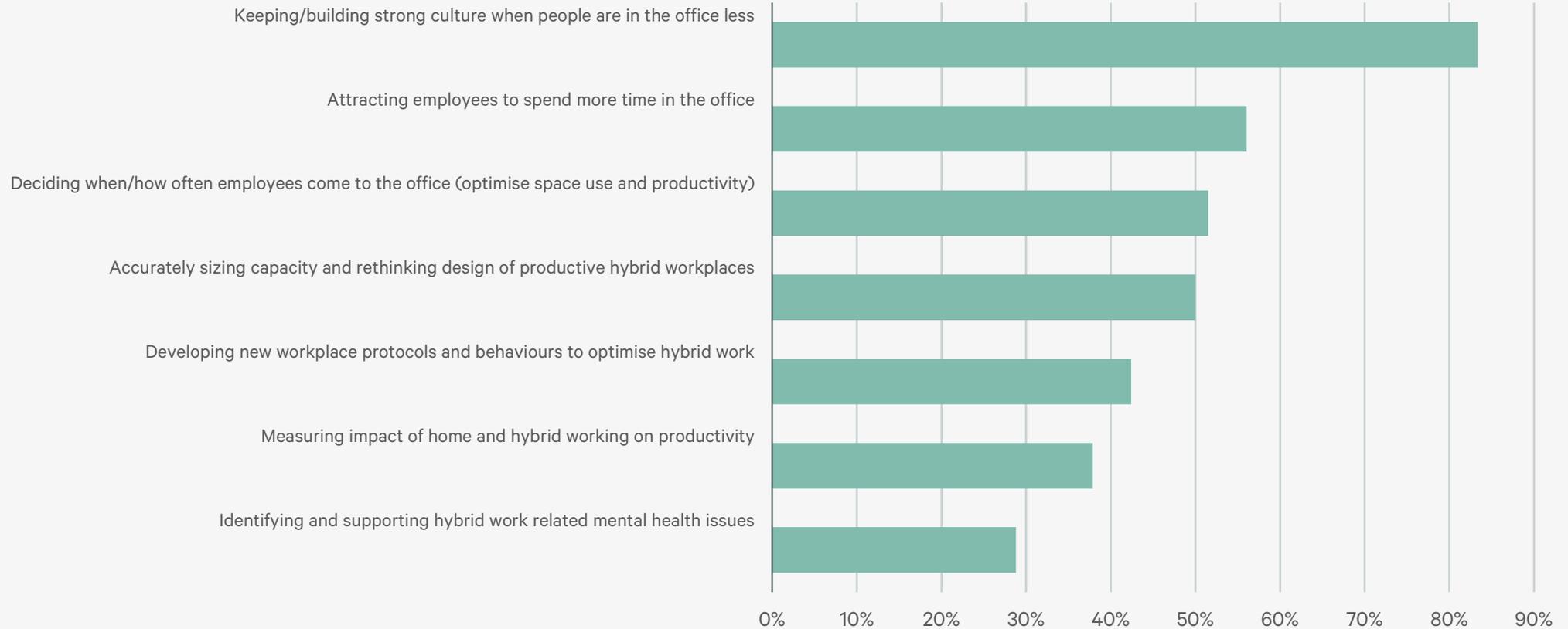


FIGURE 6: What are the top four challenges your organisation has faced in relation to hybrid working?

Making hybrid work

Hybrid workers report improved connectivity, productivity, well-being, and employer attachment but from an organisational perspective, significant effort is required to make these sustainable.

The positive impacts of hybrid working arrangements to date have been borne out by CBRE’s global Live-Work-Shop survey, which was undertaken in 2022 based on in-depth interviews with 20,000 people.

While employees have seen positive impacts across a range of variables from hybrid working arrangements, our survey results point to employer concern that over time, as staff turn over, the strong personal connections, the job knowledge, and the common understanding of organisational norms and values that were present in the initial stages of hybrid work arrangements are weakening.

An increasing challenge is effectively socialising new employees into organisational cultures, sustaining the cultural feel for existing employees, and maintaining professional networks and mentoring relationships that can be crucial not only for corporate advancement but also for everyday conversations, decisions and organisational effectiveness.

According to our survey, (as Figure 6 shows on the previous page) while moving towards lifting office attendance, employers are also making efforts by developing new workplace protocols and behaviours, providing greater support through wellness initiatives and learning and development opportunities, and rethinking workplace design and workplace quality.

FIGURE 7: Employees associate hybrid working with improved workplace experiences

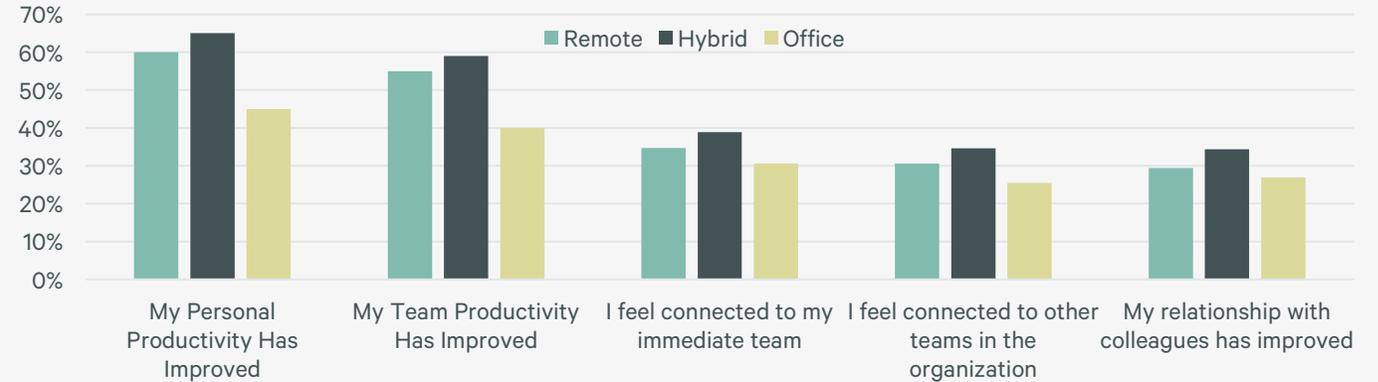
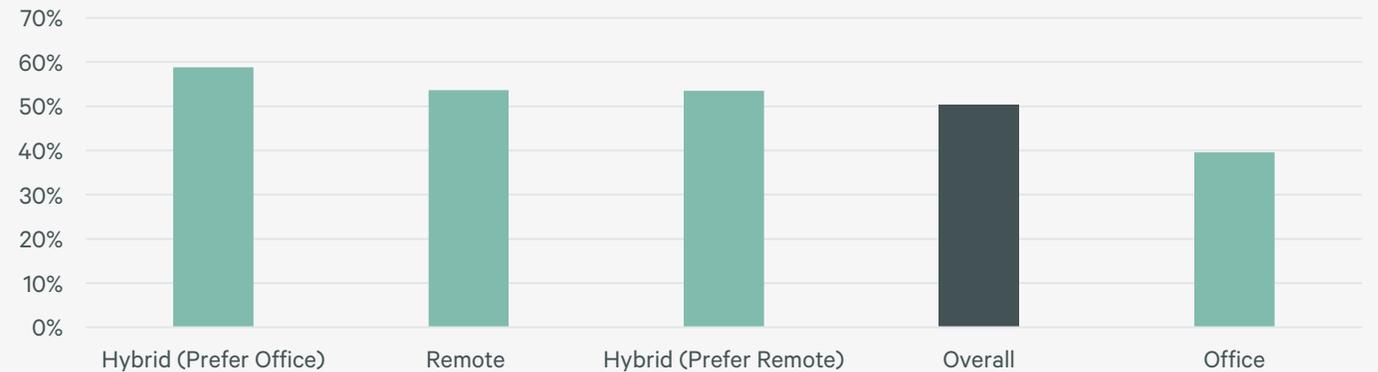


FIGURE 8: The trust I have in my current employer has strengthened



02

Workplace



New Zealand office utilisation is high compared to other geographies

The hybrid working rubber hits the road in a physical form via office utilisation rates. Nearly half of our survey participants measure this metric while others provided estimates. Their combined responses indicate office utilisation at 59% across a typical work week. It is important to note that this 59% is not relative to pre-Covid-19 utilisation rates as these were never 100%.

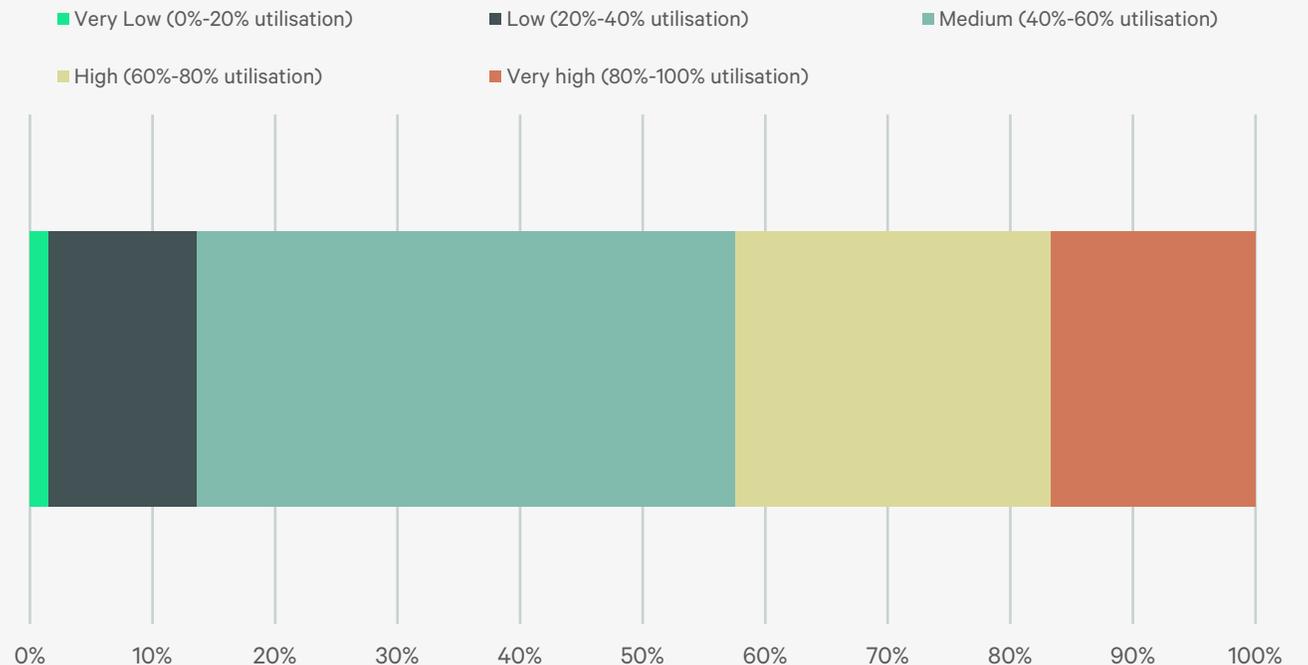
Corresponding with the predominantly hybrid workplace model New Zealand occupiers have adopted, most operate at 40% to 80% utilisation rates. 17% of organisations are above 80% utilisation with only 1.5% below 20%.

Our 59% average utilisation result compares favourably with the US, which fluctuated around 48% to 50% during late 2022/early 2023, although different measurement frameworks make accurate like-for-like comparisons difficult.

59%

average utilisation across a
typical work week

FIGURE 9: What is the current level of office utilisation for your organisation?



Google workplace mobility data

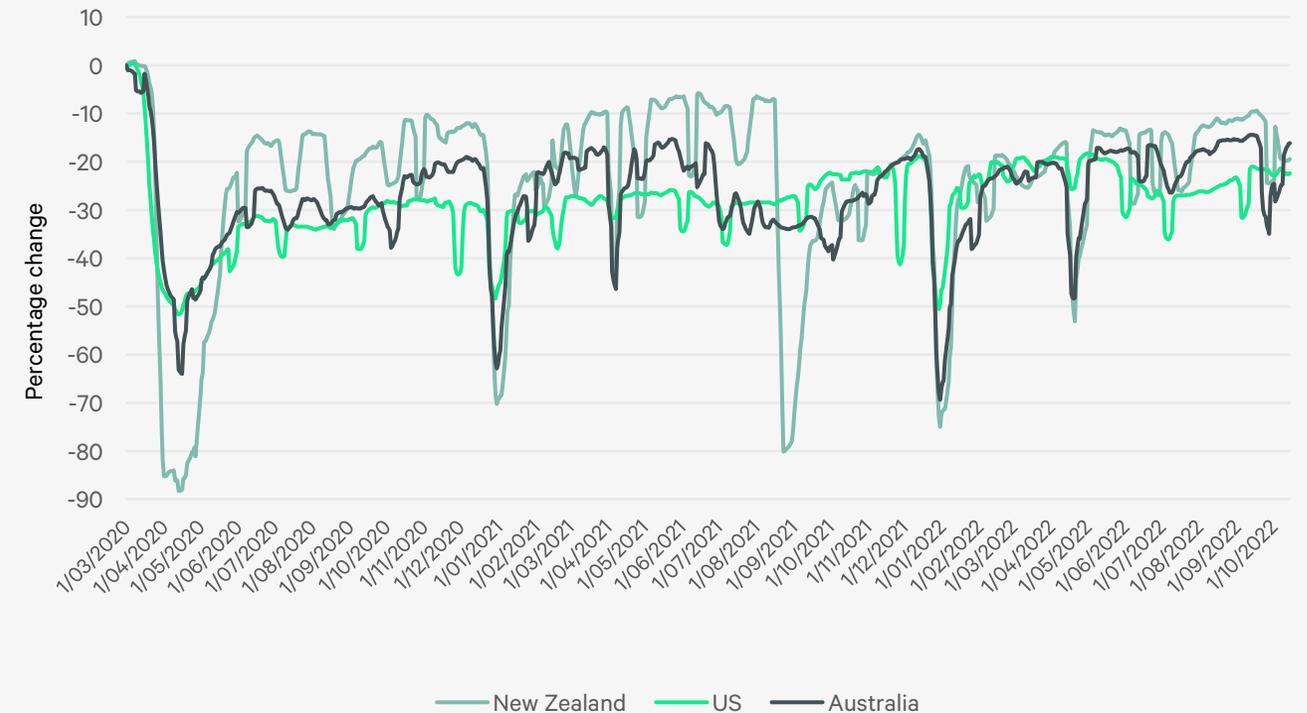
A more direct comparison can be gleaned from Google mobility data, although this is not available after October 2022. This shows New Zealand's average workplace visitation rates in the latter part of last year were 14% below an early March 2020 baseline, compared with Australia being 19% down, and the US 24% down.

New Zealand's average workplace visitation rates in late 2022 were

14%

below an early March
2020 baseline

FIGURE 10: Google Workplace Mobility



Efficiencies with hybrid desk usage

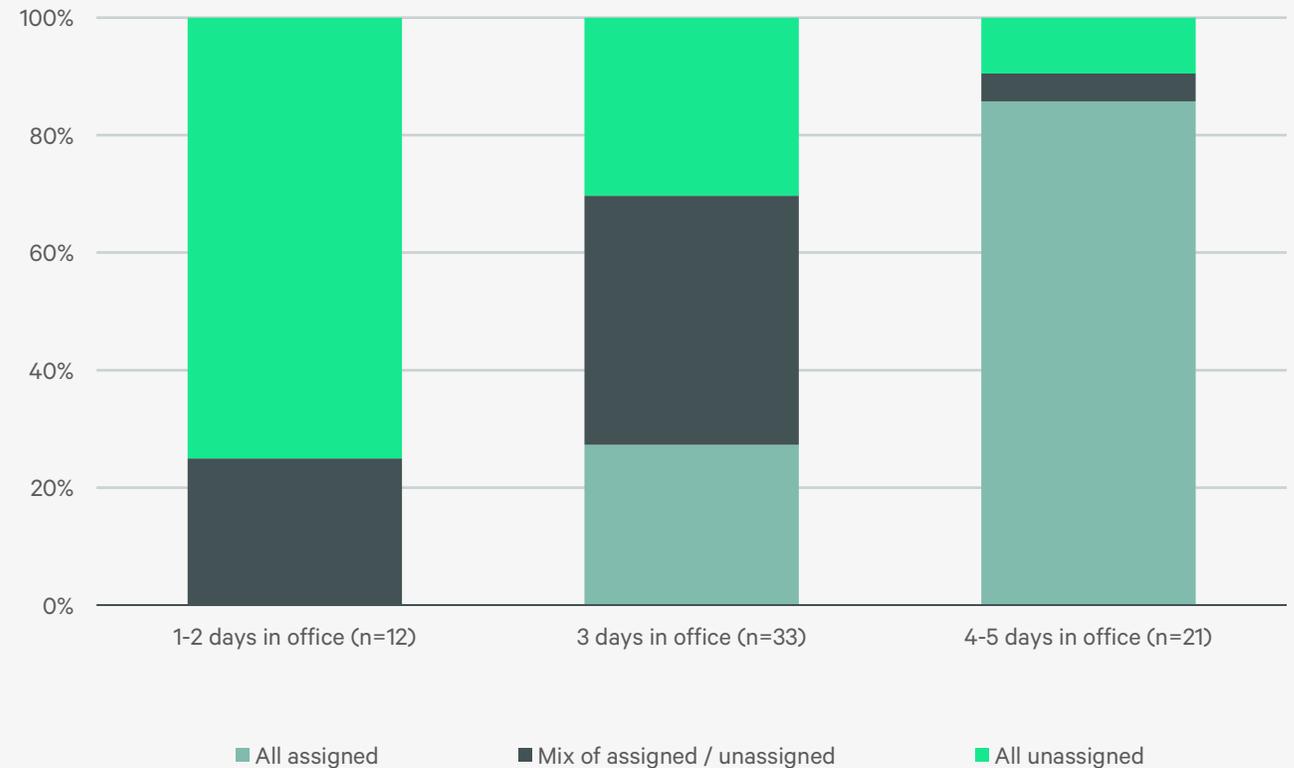
Hybrid work modes are leading to more efficient desk usage, although desk-sharing ratios remain modest.

Organisations are responding to changing work styles with greater flexibility and efficiency in office space usage. This shows up in the assignment of desks to individuals. In 86% of predominantly office-based organisations (where employees spend four to five days a week in the office), all desks are assigned to specific individuals. In contrast, none of the organisations that shifted to a predominantly remote mode (staff only spend one to two days in the office) have all desks assigned; 75% of them have all desks unassigned.

The interesting middle ground represents those who have adopted a hybrid working model of three days per week in the office. 42% of these organisations operate a mixed assigned/unassigned seating arrangement, but it's notable that 27% of these organisations still assign a desk to every employee.

30% of organisations that have adopted a hybrid working model where employees spend three days per week in the office have all unassigned seating. This indicates that there is a high potential to realise greater space usage efficiencies for 70% of organisations.

FIGURE 11: How are desks assigned within your organisation?



Modest desk sharing ratios

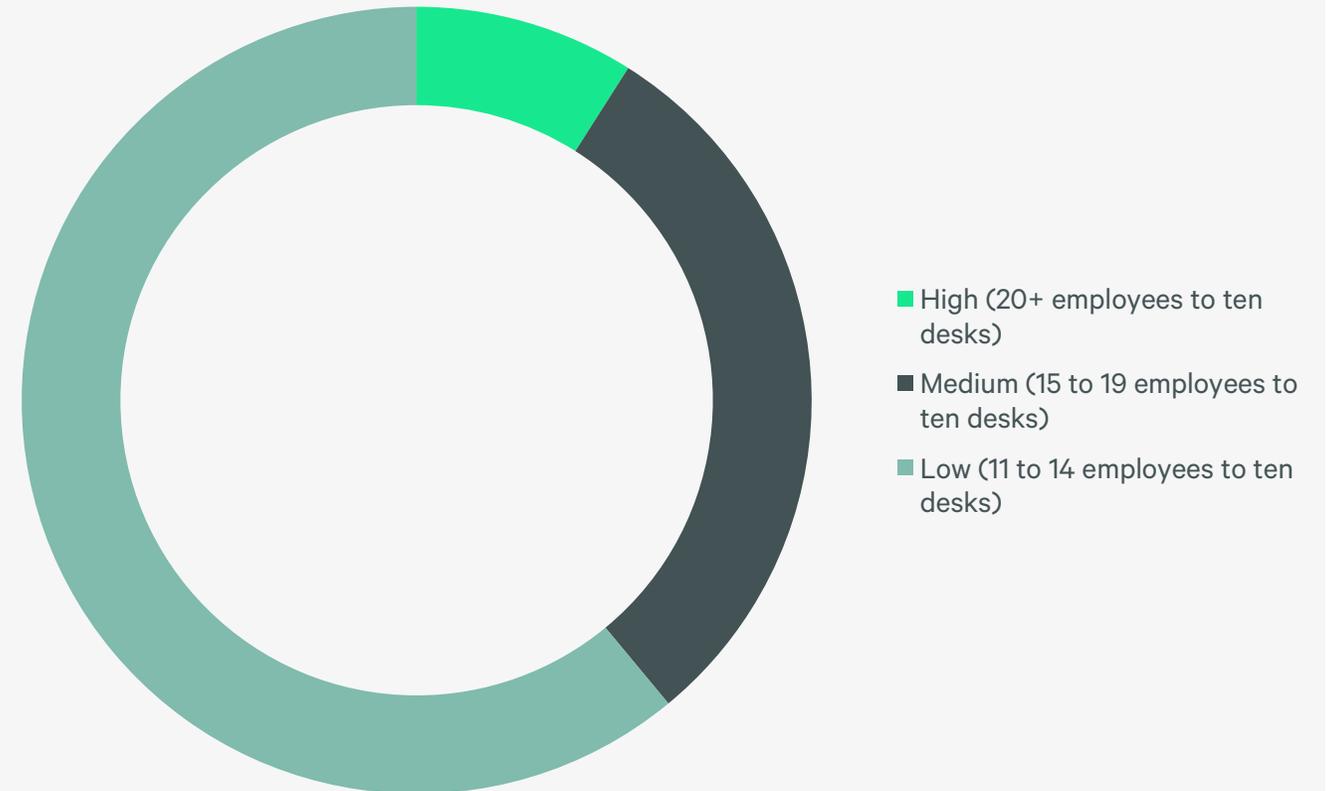
Furthermore, for those that have adopted unassigned seating, desk-sharing ratios (number of employees by number of desks) are modest.

In more than 60% of these organisations, there are 11 to 14 staff for ten desks. While predominantly remote working arrangements are much more prevalent in the US than in New Zealand, it is still notable that in the US 52% of occupiers are planning desk-sharing ratios of up to two employees per desk and 15% are planning up to a three to one ratio.

In more than
60%

of these organisations, there are
11 to 14 staff for ten desks

FIGURE 12: How would you describe the desk-sharing ratio for your organisation?



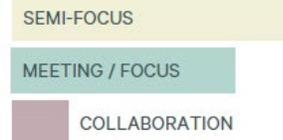
Efficient desk to support the employee activities

The following diagram shows three examples of workplace designs that suit different working styles.

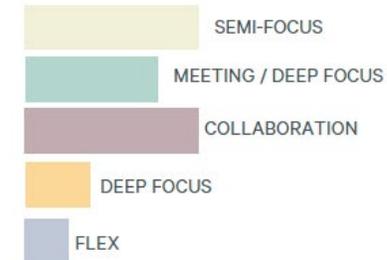
Any successful office of the future will have to reflect the needs of a hybrid workforce and provide adequate space arrangements for the activities that employees go into the office to undertake. Given the often very different nature of work that occupiers do, there is no uniform solution with some occupiers focusing on supporting more focused activities, while others put more emphasis on collaborative and flexible spaces.

Our survey, as well as our previous in-depth qualitative interview series with major businesses, further underpins the need for an occupier-specific approach when it comes to new workplace design. For some businesses (typically in the legal sector in our experience), the change may mean a move from partitioned offices to open plan, while for others the focus is on client centricity. One of the most important, and not yet fully understood, factors in this is the implication for space requirements. For many, the current interpretation of hybrid working's impact is a reduction in office space requirements compared to pre-Covid-19 norms. That may be the case for some organisations, but, as the diagrams show, this is not necessarily the base case as the use of office space evolves to cater for more collaborative activities with a lower requirement for individual workstations and desks.

Self-Organising Workplace



Attractor Workplace



Destination Workplace



New ways of working

Organisations are starting to implement workspace design changes that reflect the new ways of working.

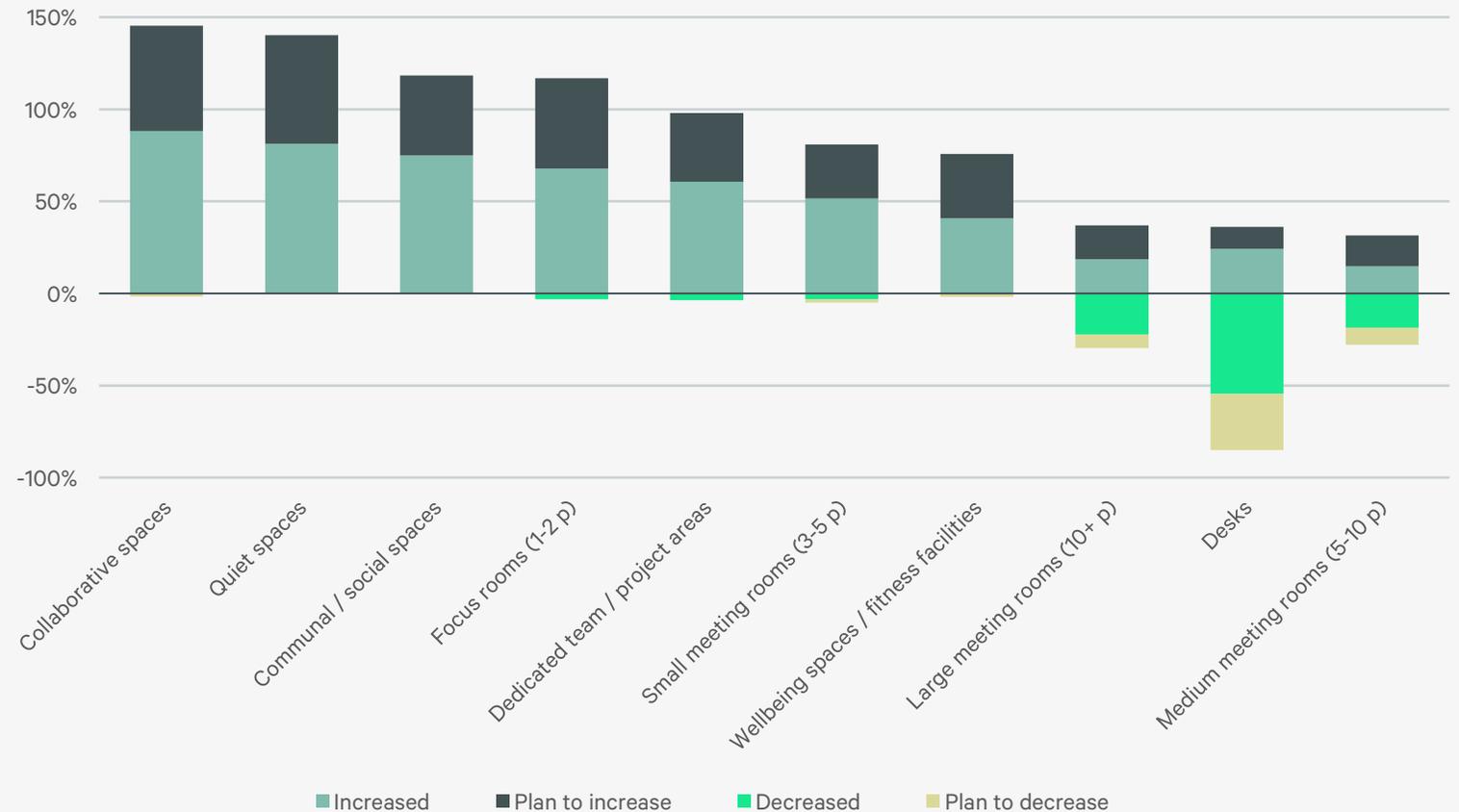
Nearly half of our survey respondents have already made changes in their workplace design to accommodate hybrid working.

Based on the increasing prevalence of unassigned seating, it is not surprising that nearly 90% of survey respondents have reduced, or are looking to reduce desk/workstation numbers. Space allocated to traditional generic meeting rooms is also on the decline.

These are offset by a raft of changes that are increasing the provision of communal and collaborative spaces at one end of the spectrum and more private quiet spaces and focus rooms at the other.

(Note the percentage scale in the chart reflects the fact that some organisations that have already implemented some of the practices are still planning to further implement these).

FIGURE 13: What changes has your organisation made to workplace design and what future changes is it planning to make?



03

Real Estate Strategy



Workplace amenity requirements are also evolving

Complementing workspace changes, location and building-specific requirements for amenity are also evolving.

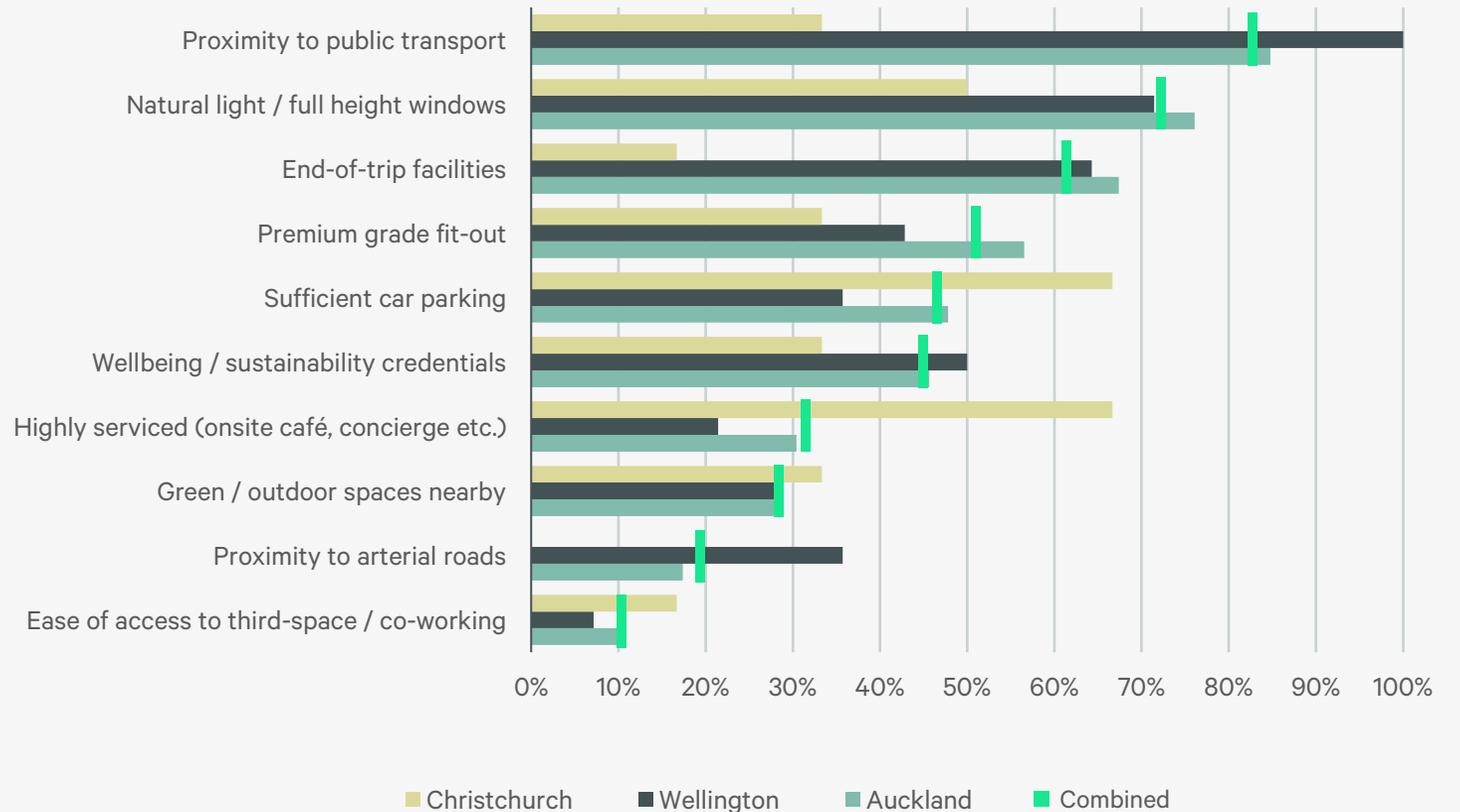
From a locational perspective, there is a greater focus on public transport with 83% of respondents indicating location close to public transport being the most important building/location-level amenity for their organisations. By contrast, sufficient car parking was cited by 46% of participants as important, with proximity to the main road network well down, cited as important by 20% of occupiers.

It is interesting that access to flexible space in the form of third-party and co-working providers is the least important amenity cited. This is surprising given the significant emphasis on this feature in other surveys both locally and overseas, and the significant growth of this sector in the past ten years.

What is important in addition to public transport proximity are building amenities that support active commuting modes (end-of-trip facilities) and a pleasant work environment supported by good levels of natural light and a high-quality workspace/fit-out.

Again, overall averages can hide significant disparities for some variables. For instance, public transport/active commute facilities are vital in Wellington and Auckland, but much less important in Christchurch.

FIGURE 14: Which building amenities are most important to your organisation/employees?



Occupiers pursuing workplace requirements... or taking a wait-and-see approach

On balance, occupiers are pursuing real estate strategies that support their new workplace requirements, although many are still taking a wait-and-see approach.

Occupiers are responding to the increasing importance of higher building amenities by seeking better-quality office space. 42% of survey respondents are currently pursuing, or planning to, relocate to better quality premises. Quite often, this quality upgrade move can also represent footprint consolidation. Many of those who are not looking to relocate are taking the opportunity to restructure existing leases.

At the same time, likely reflecting organisational leadership concerns around hybrid working's cost/benefit trade-offs and the optimal balance of office vs remote work, nearly a third of respondents are currently taking a wait-and-see approach.

Reinforcing the currently low importance of easy access to third-party/co-working space to occupiers we also see the use of co-working space as a low-ranked real estate strategy.

FIGURE 15: Which real estate strategies are currently being pursued or planned for by your organisation?

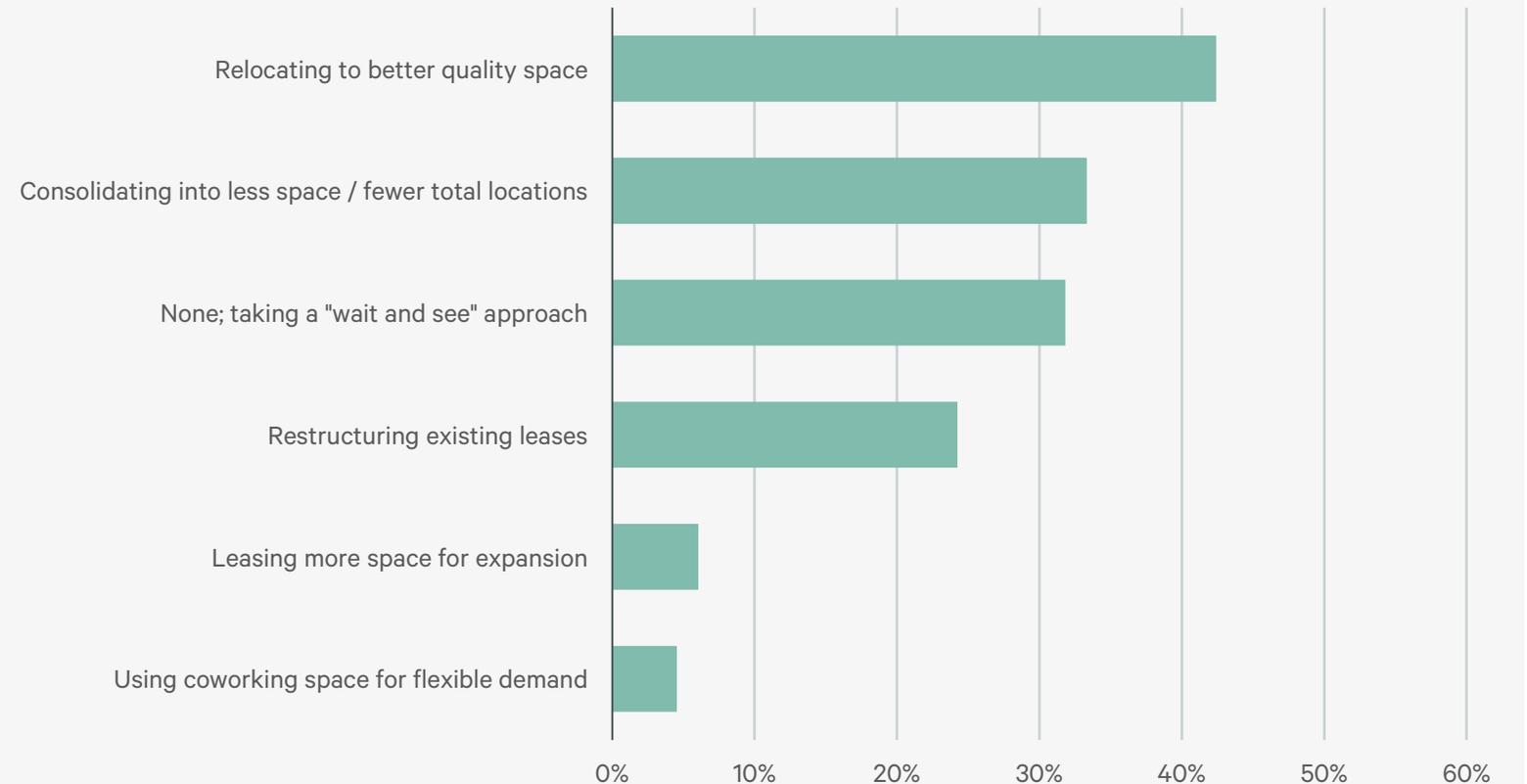
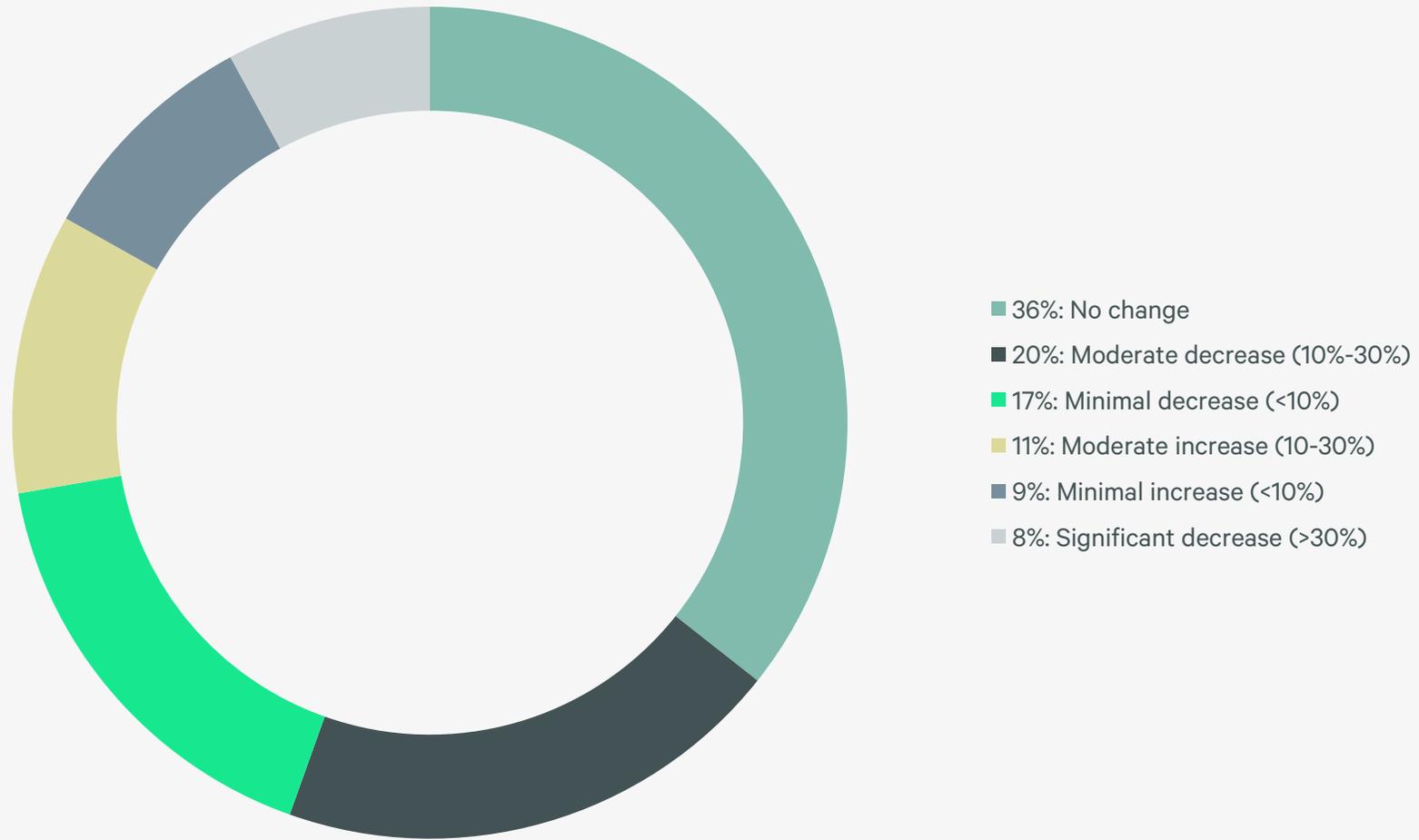


FIGURE 16: Over the next two to three years, what are the plans for your organisation's real estate footprint?



Auckland CBD net absorption in the past year benefitted from occupier moves to better quality space with the net gain driven by expanding occupiers and new market entrants

Our observations of actual occupier trends reinforce the survey results.

While the “flight to quality” trend predates the pandemic and has been a strong driver of office demand before 2020, the use of the term to describe occupier dynamics in the post-Covid era has increased. To gauge its impact on absorption, we analysed the Prime (Premium and Grade-A) take-up of occupiers in the Auckland CBD in 2022. Figure 17 shows the activity of 43 occupiers that have taken up at least 300sqm of Prime quality space. Figure 17 also shows the backfill impact of these moves where applicable. The total amount of space taken up by these 43 occupiers is just under 40,000sqm, about 5% of the total Auckland CBD Prime quality stock.

While there is a wide range of individual scenarios (from businesses relocating and contracting within the same grade to occupiers upgrading and expanding), the net demand impact of these moves has been an 8,000sqm absorption gain.

Grouping the various individual scenarios into the four main typologies of occupier moves (new entities, expansions, relocations within the same grade and relocations to better grade) reveals that the healthy net absorption was driven by new market entrants and businesses that retained their existing footprint and took up more space, as relocating occupiers (both within the same grade and to better grade) decreased their occupancy footprint at an aggregate level.

FIGURE 17: Auckland CBD Prime quality office take-up activity and backfill impact in 2022 by occupier

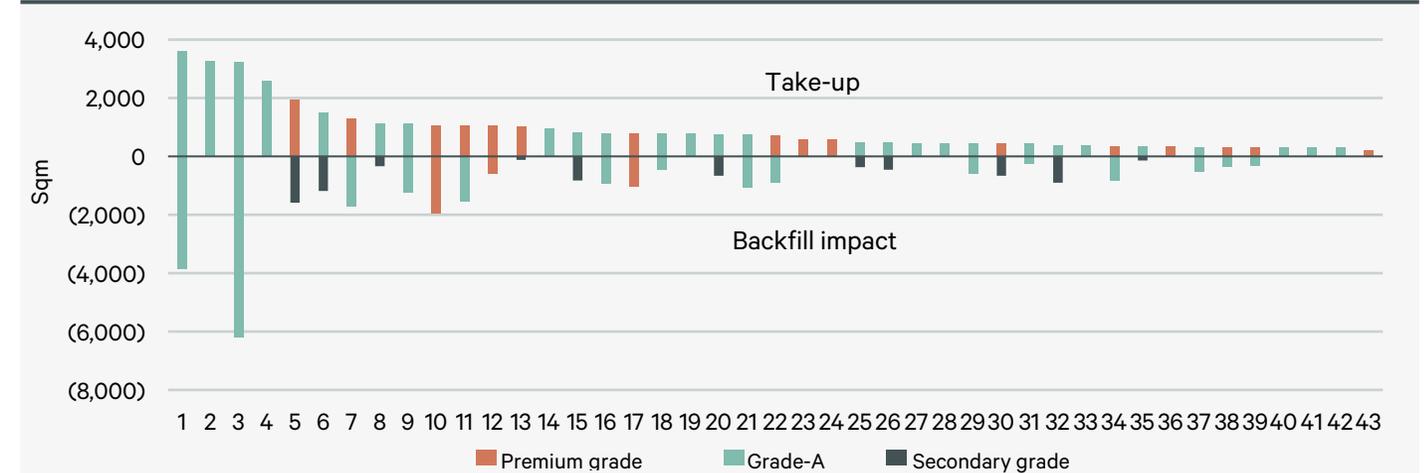
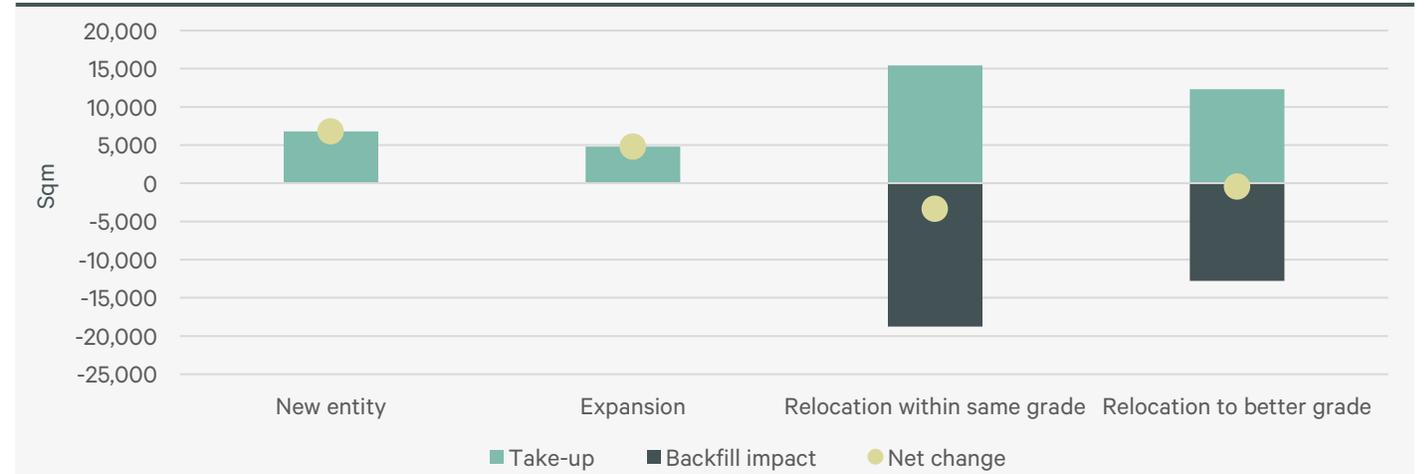


FIGURE 18: Auckland CBD Prime quality office take-up activity and backfill impact in 2022 by



04

Considerations for Occupiers



Considerations for Occupiers

1

There are multiple factors for occupiers to consider when pursuing an exceptional workplace experience. We recommend occupiers take the time to understand how they use their space, what building features they require and what amenities are important to their organisation.

The flight to quality has highlighted the growing expectation from workers that the workplace delivers an exceptional experience. Achieving this objective will likely incur additional costs, however, these can be offset by implementing flexible lease structures to enhance overall organisational agility and ensuring that the physical workspace is appropriately sized to meet the businesses current and future needs.

2

Occupiers should take the time to understand how their people are using the office and its amenity. Utilisation data will save money in the long term. We recommend tracking office utilisation so there is accurate data available when determining future space requirements. Without this data, occupiers can risk paying for excess space which is not being used or being inefficient in their use of space because space, as space could be redeployed more effectively.

3

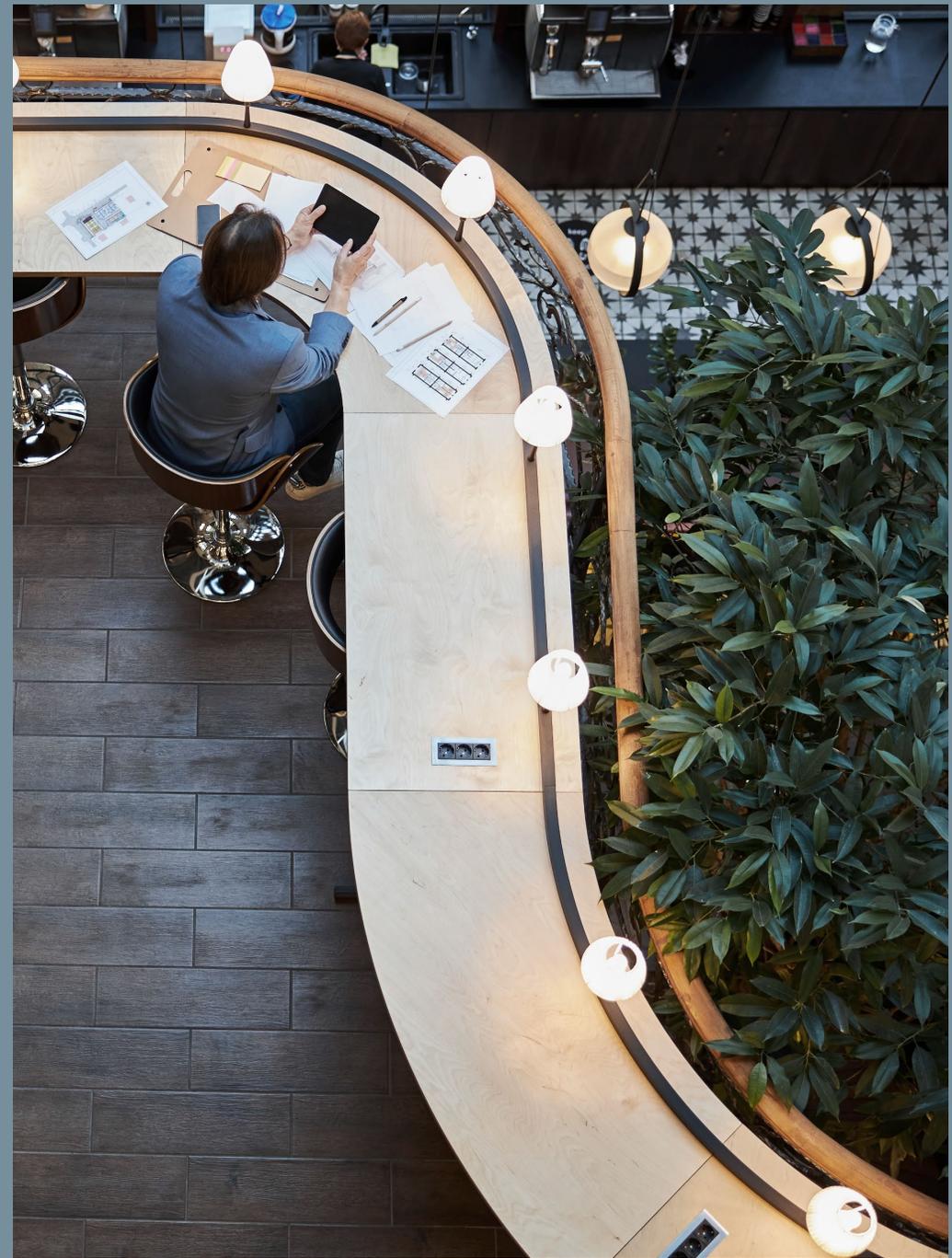
When occupiers are planning the future of their workplace design, they should start with their people. By understanding what attracts employees to work from the office and what spaces and settings best support the activities they perform in the office vs. remotely, occupiers can design the ultimate work environment. The overall space requirements for occupiers may not change because of hybrid working, but how the space is used will. It doesn't need to be a leap of faith when designing a great workplace experience and "earning the commute" from the home office.

4

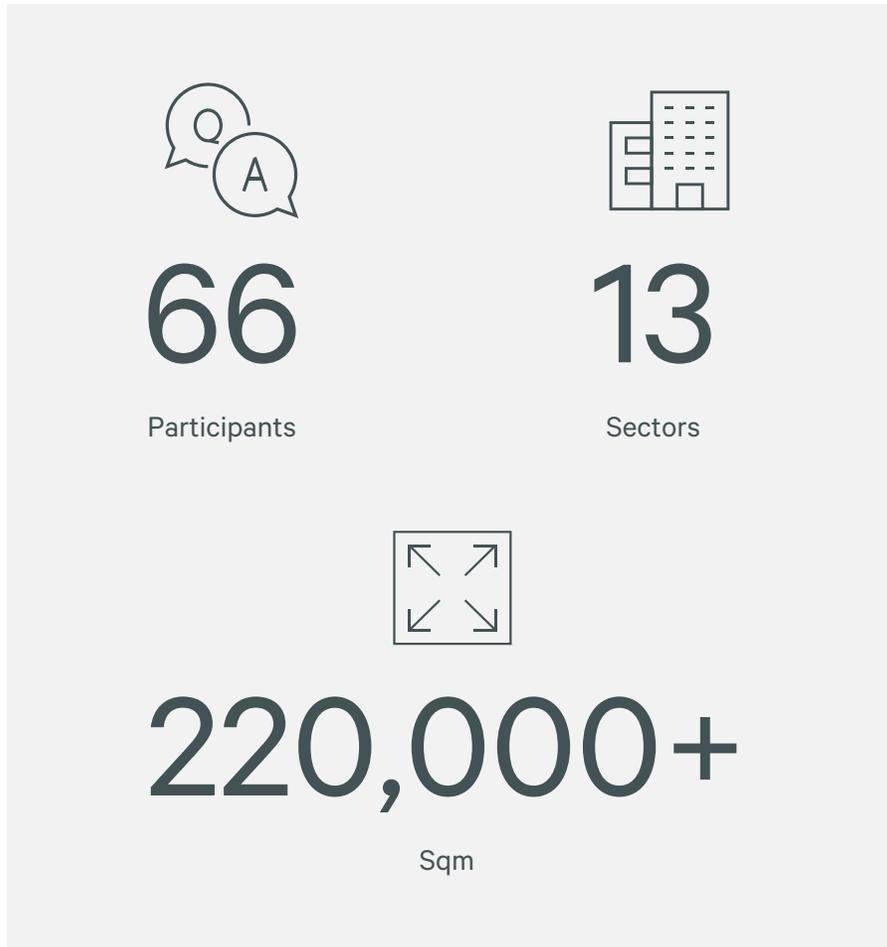
Occupiers should take a proactive approach towards understanding the key drivers of workplace culture within their organisation, with a particular focus on the influence of hybrid working.

Gaining an in-depth understanding of what truly matters to employees and pinpointing the specific challenges they and the business face in adapting to new ways of working is essential. Now that hybrid working has become the norm, it is crucial for businesses to refine their approach to overcome their own specific pain points and foster the desired workplace culture they seek to achieve. By addressing these pain points head-on, organisations can set themselves on the path to a thriving hybrid work environment.

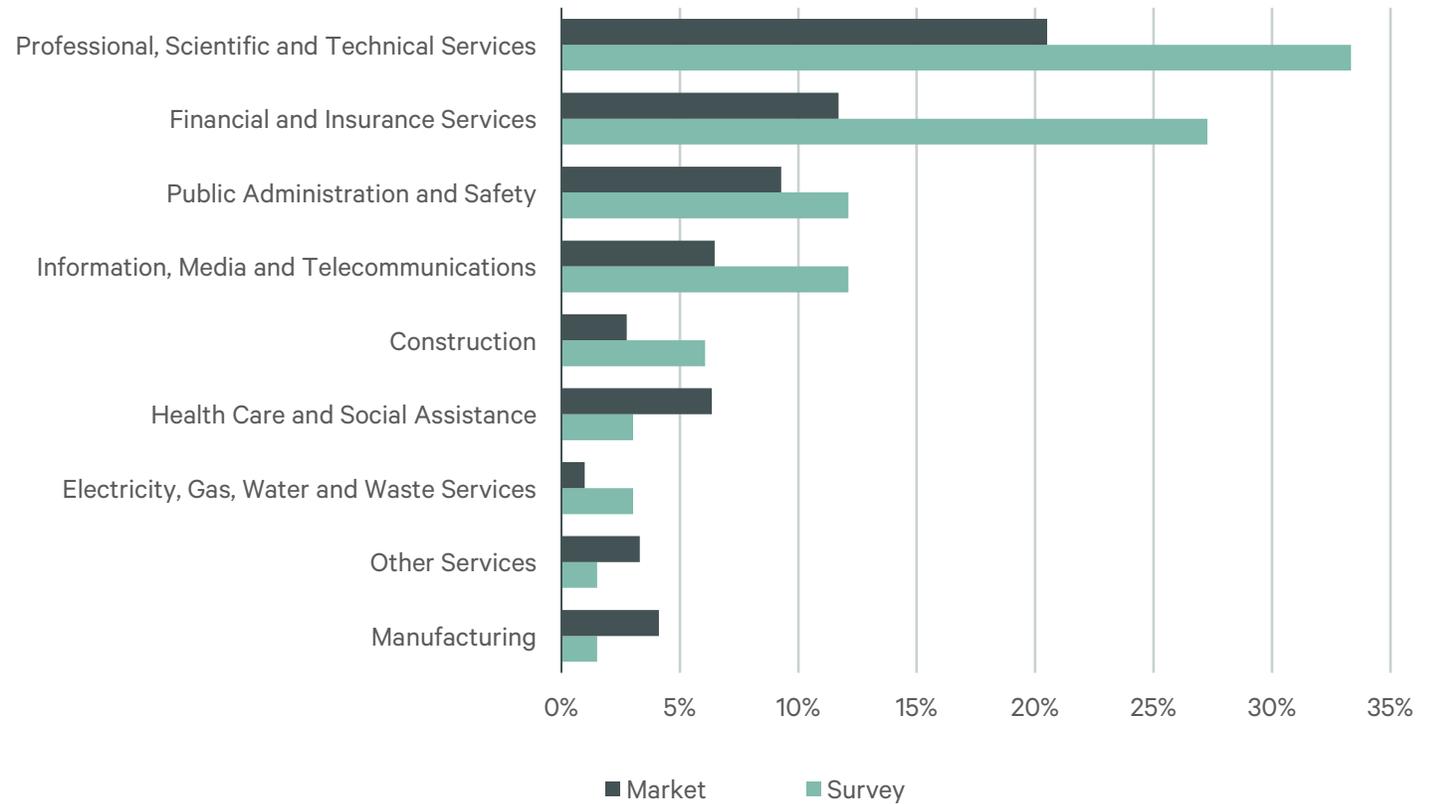
05
Survey
Profile



Profile of Survey Participants

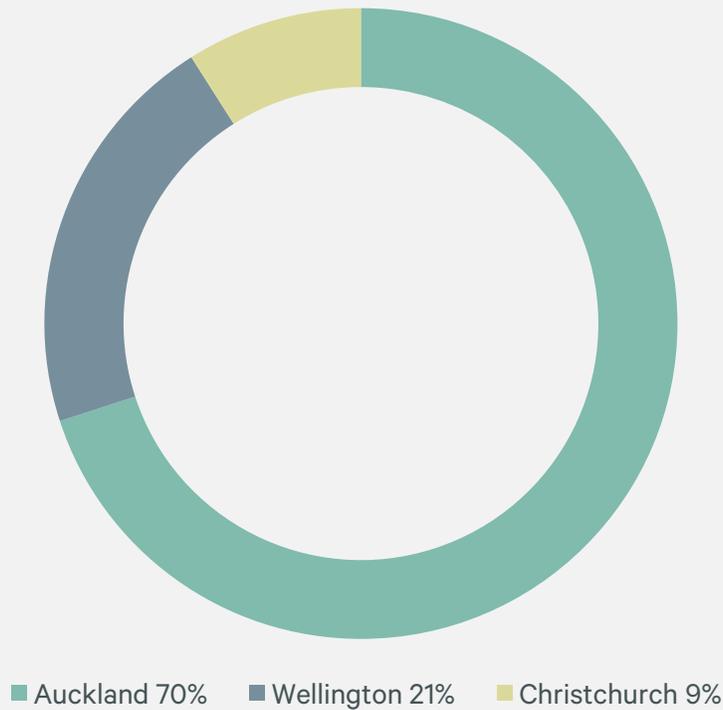


ANZSIC Industry Proportions – Market vs Survey

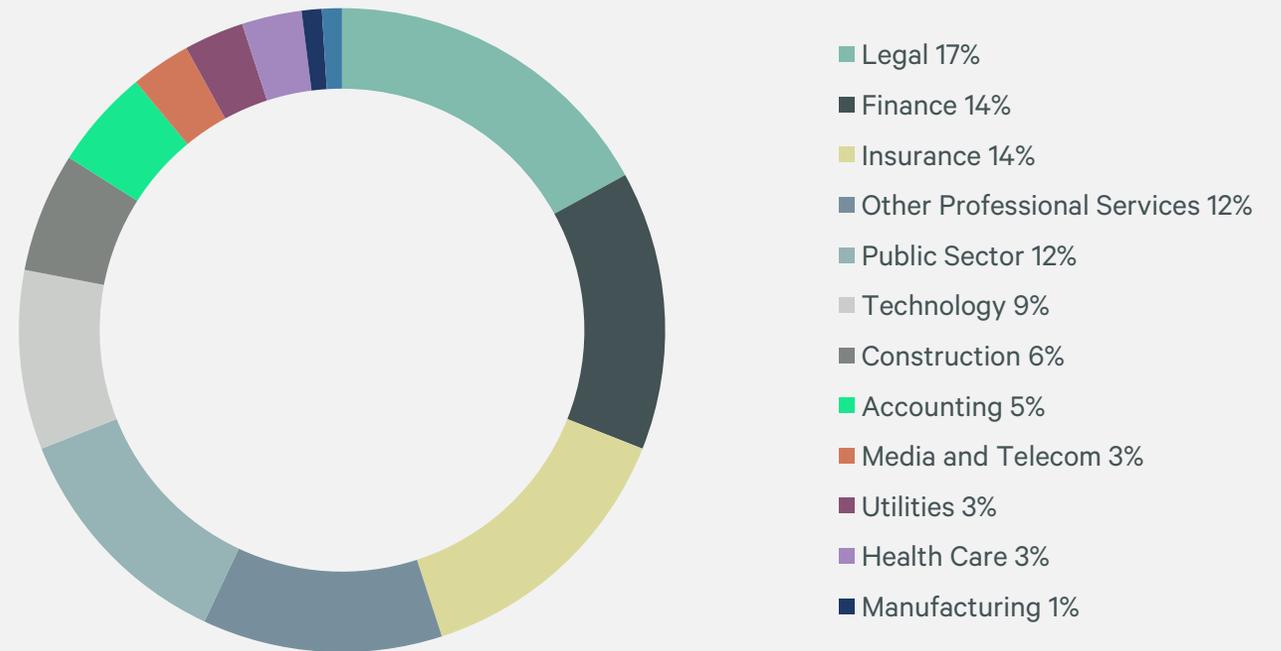


Profile of Survey Participants

Geography of Participants



Participants by Industry Sector



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