



IMPACT ON
BELGRADE
OFFICE MARKET

OFFICE

OF THE
FUTURE

REVISITED



THREE NEW REALITIES SHAPING
HYBRID WORKPLACE STRATEGIES



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Since the new trends appeared in early 2021, much of the world finds itself in a different place relative to the global pandemic. Variants continue to impact communities — certainly no one has declared victory. Still, in many locations, life looks and feels closer to life before 2020.

Many companies are now trying to bring more office workers back into the office in earnest, even if those employees return fewer than five days a week. Yet despite the emerging optimism, business leaders are facing new challenges that may be every bit as difficult as the ones they faced in early 2020 when the pandemic emptied offices of people.

Belgrade Office Market also marks the same trend. Despite challenges noted in early 2020, the latest Survey shows that the hybrid model of working is well accepted by the majority of companies and is likely to remain.





This report first looks at three new realities, outlined below, that have significant implications as organizations experiment and develop new workplace strategies.



REALITY ONE:

Demand for office space is accelerating. An improving economy paired with strong office-using employment growth is driving office space demand.

Leaders recognize the value of bringing employees together, even if less frequently. Tenants are taking advantage of a favourable market with an eye to long-term space needs, especially the ICT, financial services, healthcare and life sciences industries

REALITY TWO:

Hybrid is here to stay.

Now is the time to embrace hybrid, close expectations gaps between the leaders and employees and cultivate a common understanding to optimize employee experiences. Organizations must answer “What does hybrid mean for us,” or run the risk of eroding employee engagement and business performance..

REALITY THREE:

The role of the office has changed.

Culture, collaboration and innovation now boost the office’s purpose. As offices and portfolios built for another time catch up with new needs, it’s forcing different kinds of business conversations and relationships between the leadership, and employees around the workplace.

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OFFICE SPACE IS STILL IN DEMAND

ECONOMICS, GROWTH &
OPPORTUNITIES ACCELERATE
OFFICE DEMAND

Demand is accelerating — and as with most office cycles, it is being driven by business expansion and job creation in some industries. In less than two years since the onset of the pandemic much of the world has returned to pre-pandemic employment levels.

Notably, sectors that tend to be office-based are faring better than others. In many countries, office-using employment is already back to Q1 2020 levels. And even in countries where employment hasn't fully recovered, it is on track to return by late-2022.

Belgrade Office Market has been expanding for several years, with a demand rate that has been high and healthy for several years and exceeds 100,000 sq m, with a positive trend in effective rent levels and a rate of available space that has been constantly declining.





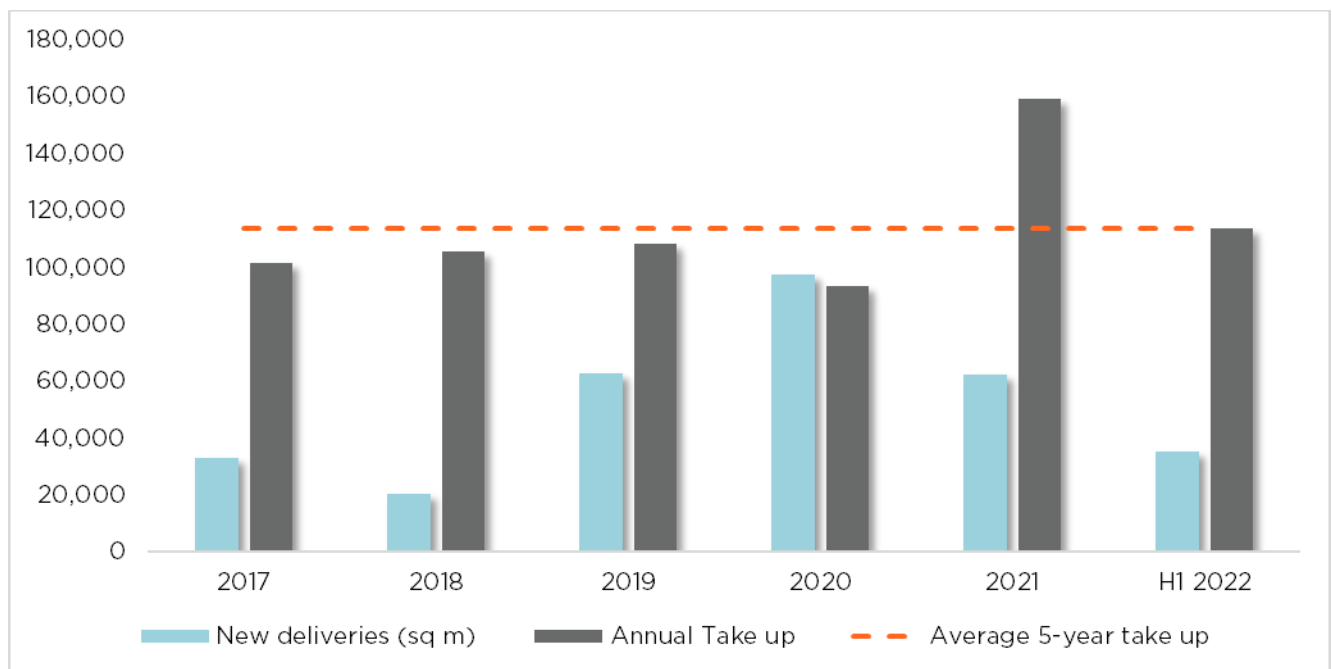
DEMAND FOR OFFICE SPACE IN BELGRADE INDICATES CONFIDENCE

The year 2020 started off with great momentum continuing from 2016-onwards, with high occupancy demand, low vacancy levels, strong development activity and overall solid market fundamentals. By the end of Q1 2020, the impact of the global slowdown on the back of COVID-19 pandemic became also visible in Belgrade office market and the market activity narrowed, causing the drop in the overall demand in 2020 by 12% as compared to 2019-results.

The figures have shown the signs of the recovery of Belgrade office market in 2021 as the annual take-up surpassed the record figure of 158,000 sq m. As compared to 2020-results, the take up grew by 70% in 2021, mostly thanks to a few very large transactions.

The highlight of the second quarter 2022 was the latest record take-up figures, amounting to 77,000 sq m, while H1 2022 leasing activity strongly exceeded 100,000 sq m. Moreover, it surpassed 113,000 sq m at the end of H1 2022, which is higher than the average annual take-up in the previous 5-year period.

BELGRADE OFFICE MARKET: SUPPLY VS DEMAND



Source: CBS International



2



HYBRID IS HERE TO STAY

To compete for talent in today's environment where one out of five people prefer never to be in the office, corporate leaders will need to create office environments that inspire employees and draw them in.



The ongoing pandemic had a long-term influence on flexible business models, such as coworking spaces and hybrid model of working. After positive experiences with home office mode during the pandemic, combined work mode from home and from office is likely to remain in **Belgrade Office Market**, which is confirmed in our latest Survey. More and more companies are considering the potential structural and organizational changes of the office space, thus demand for flexible workplace will be on rise, as a response of employers to social distancing.



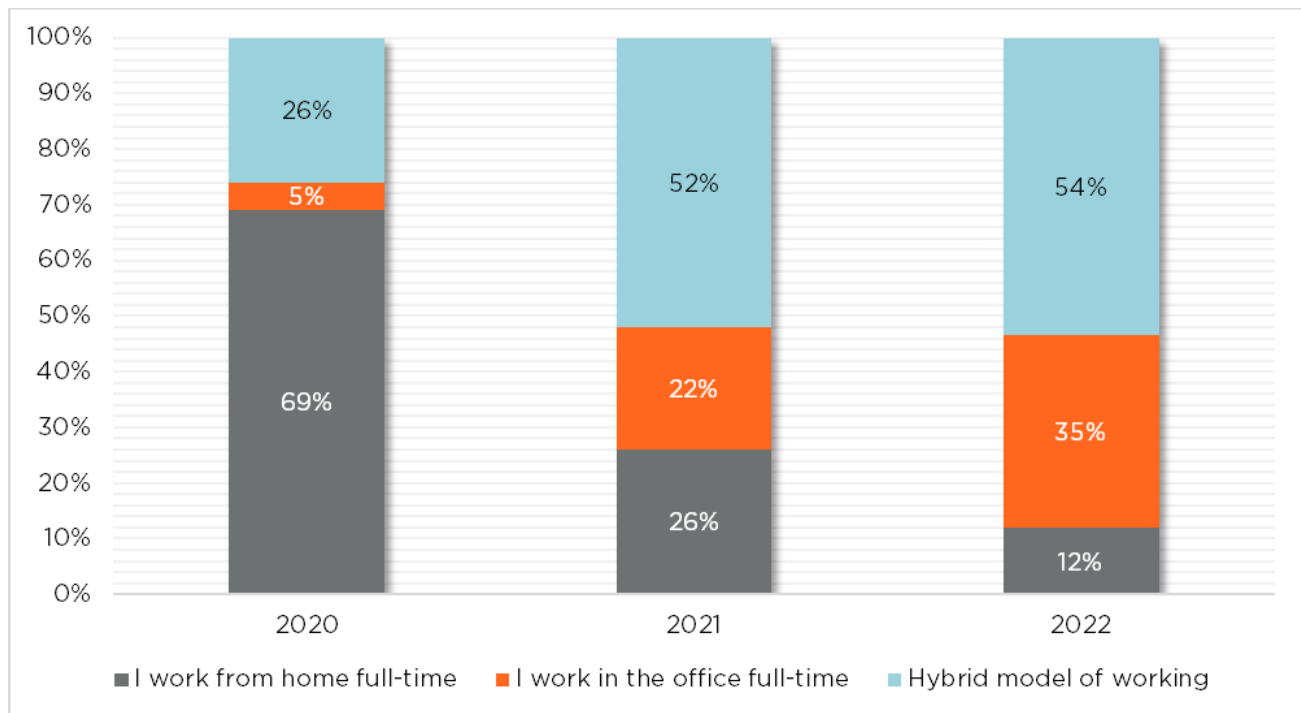
EMPLOYEE PREFERENCES TO WORK IN THE OFFICE POST-PANDEMIC

Two years since the start of the pandemic, most of the world has returned to pre-pandemic employment levels and a significant number of companies have returned to the offices.

CBS International has conducted the Survey “Traditional office vs. home office in changed business environment“. The survey provided the opportunity to our clients to express candid views and share their feedback on these important matters during COVID-19 situation. This survey was conducted in mid-2020 and was repeated in 2021 and 2022 for selected group of clients.

When it comes to Belgrade market, in 2020 69% of employees worked from home and 12% opted for hybrid model of working. In 2021, contrary to 2020-results, when only 5% of companies worked in the office full-time, in 2021, 22% of companies decided to work in the office full-time, while 52% had established some kind of hybrid way of working, which includes a combination of working from home and working from the office. In 2022, the share of the companies which regularly use the office space is further increased to 89%, either fully in the office (35%) or in the hybrid mode of working (54%).

BELGRADE OFFICE MARKET: SURVEY RESULTS 2020 vs 2021 vs 2022



Survey conducted by CBS International

Sample structure / size – companies operating in Belgrade, Serbia, 250 companies participated in the Survey and 50 companies in the tailor-made Interviews.

*Hybrid model presumes that at least 50% of the employees are working in the office mode, depending on the size of the office and possibility to comply with measures for COVID-19 prevention

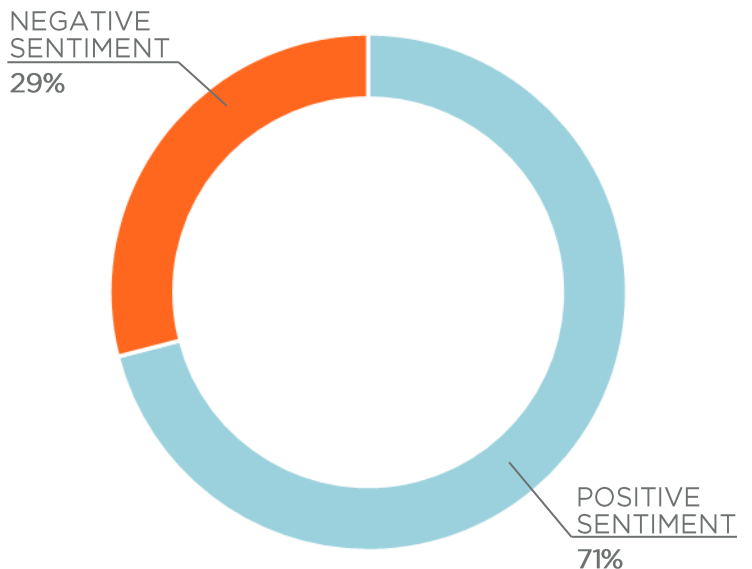


After two years of working in changed circumstances, this year's Survey results indicate that more than 70% of companies see numerous disadvantages in home-office way of working, of which the biggest challenges are in the way of evaluating and motivating employees, as well as organizing meetings, exchanging information and ideas, and maintaining business culture. Also, a decline in the productivity was recorded, but the creativity of employees in many companies was more visible.

For this reason, the main conclusion is that there is a tendency to return to offices, that is, that office space as a physical place for work will remain the preferred choice of most industries.

Companies that have adopted a hybrid work model intend to maintain that model as a strategy for the future period. Companies currently working from home have announced either adopting a hybrid model or returning to the office as a future strategy.

SENTIMENT FOR RETURNING TO THE OFFICE, BASED ON ONLINE DISCUSSIONS.



Survey conducted by CBS International





3

THE ROLE OF THE OFFICE HAS CHANGED

COLLABORATION, INNOVATION
& CULTURE DRIVE THE
OFFICE'S PURPOSE



Most organizations
believe offices are now
the place for building
culture and for inspiring
creativity and innovation

The office space is becoming more the center of creativity and innovation and the best place to build corporate culture.

As companies shift the focus more on these purposes, they will deemphasize individual dedicated desks and private offices in favor of creating more collaborative and specialty spaces.

It appears the shift will not always necessarily reduce the space per employee ratios as we are seeing many organizations recreating space to emphasize collaboration while still utilizing similar amounts of square meters. In fact, strong job growth has spurred many companies to add office space to host a larger workforce, even if in a more agile manner.

NEW STRATEGIES WILL IMPACT PORTFOLIO SIZE AND SPACE ALLOCATION DIFFERENTLY

There is not one standard for the future of the offices—not only from company to company but from location to location within the same organization's real estate footprint. Each

organization's real estate portfolio offers unique opportunities. What's required of leaders is to comprehensively review not only the physical characteristics, functionality and utilization

of existing spaces but the experience in each location to determine which spaces to keep, which to shed, and which to adapt to support a more agile workforce.

The following three scenarios show how an organization might transform its offices to accommodate growth, encourage collaboration and give employees choice.

BASELINE SCENARIO: PRE-PANDEMIC WORKSTYLE AND SPACE ALLOCATION

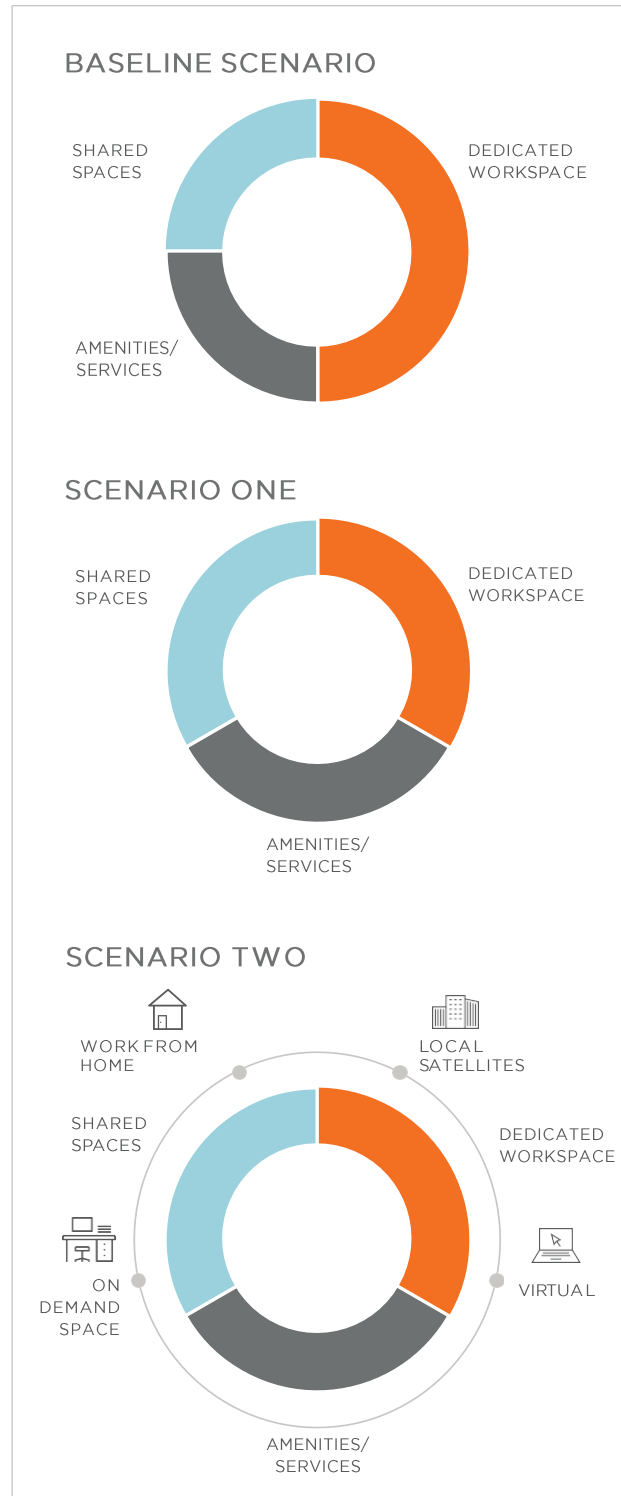
- + Pre-pandemic
- + Traditional in-office workstyle
- + High percentage dedicated to individual seats

SCENARIO ONE: SAME SIZE, BETTER EXPERIENCE

- + Seeks to increase space utilization, team and business performance and employee engagement with features not found while working from home
- + Space mix and amenities amplifies the office experience
- + Provides flexibility and choice
- + Increases collaboration, engagement and knowledge sharing
- + Improves network connectivity, equipment and workplace ergonomics

SCENARIO TWO: LESS SPACE, BETTER EXPERIENCE

- + Reduce core space and leverage entire ecosystem — home space, local satellite offices, on-demand space and third places
- + Enables employee's best work in the kind of space that fits the task
- + Enhances work-life balance and wellbeing
- + Proximity to ecosystem shortens commutes and increases productivity



THINKING DIFFERENTLY: WHERE TO START

Having determined that choice is an imperative for productivity and retention, as is alignment between the expectations of leadership and employees, how does one start designing an optimal hybrid solution?

It is a business challenge that requires an integrated approach from real estate, human resources, finance and technology leadership. No longer can these departments work independently. Rather they need to work cooperatively as the organization defines the brand, builds culture, develops and refines policies and creates reputation capital.

Change management also plays the crucial role, assisting with changing leadership mindset, work processes, physical spaces and or locations, integration points and communication patterns.

Organizational leaders need to be asking themselves the following questions:

- + What do we need to change about our culture to support hybrid working?
- + Do we have the right technology strategy to ensure equitable connectivity?
- + What policies are in place to support hybrid working?
- + Is leadership ready to advocate for and sponsor our organization's vision for the future workplace?
- + Is human resources, technology / IT, real estate, facilities management and internal brand aligned in implementation?
- + What are the day-to-day interactions an employee comes into contact with (e.g., events, meetings, reception, etc.) and are they maximizing employee experience?
- + Do we have the right variety of physical places to suit different activities (e.g. individual, collaborative, social, learning activities etc.)?

HYBRID WORKING IS ENABLED BY LEADERSHIP, CULTURE AND POLICIES



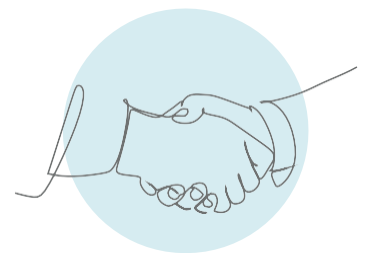
LEADERSHIP

- + Training
- + Support
- + Strategy & Vision



CULTURE

- + Inspiration
- + Inclusion
- + Wellbeing



POLICIES

- + Human Touch Points
- + Integrated HR, IT & Real Estate
- + Flexibility

FINAL THOUGHTS

CONNECTING OFFICE SPACE STRATEGY TO NEW WORKPLACE REALITIES



Regardless of what's next for your organization, here are some final thoughts to consider as you chart a hybrid workplace path.

Office space is still in demand. There is clear value both for employees and the business in bringing people together, even on a more flexible basis. Ensure alignment of all key stakeholders to implement a consistent and comprehensive workplace strategy and experience both for current return- to-office process and for a sustainable future.

Hybrid is here to stay. As workplaces shift towards more agility, leaders and employees will need to shift their mindsets from “My desk is where I work” to “I can work anywhere that supports my functionality, convenience and wellbeing.” Consider developing a new kind of flexibility. Make work-from-anywhere seamless by taking advantage of advances in digital innovation and technology to improve the workplace experience and enhance collaboration and innovation across the workplace ecosystem. Offer choice, permission and trust to employees.

The role of the office has changed. It is vital to understand employee's diverse priorities and current workplace experience in order to align operational investment on what matters most and will lead to improved employee experience and engagement. One size does not fit all — embrace an adaptive approach to test, measure and adapt. Create an office that is the physical manifestation of culture and provide spaces that support various types of activities that need to happen in the office— meet, connect, collaborate, re-energize — that will inspire people to choose the office over their home or a third place.



ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

ABOUT CBS INTERNATIONAL:

CBS International is a member of Cushman & Wakefield Alliance, a leading global real estate services firm. CBS International is the largest commercial real estate consultancy in Serbia in terms of revenue for twelve years, including 2021 (Source: The Serbian Business Registers Agency). As the regional leader, CBS International has been operational for nearly two decades in the real estate market and has an impeccable track record, providing a wide range of integrated services including: Office Agency, Retail Agency, Residential Sales and Leasing, Industrial Agency, Land Agency, Valuation and Development Advisory, Capital Markets, Market Research, Project Management, Property and Facilities Management and Marketing. For more information, please visit www.cw-cbs.rs

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