

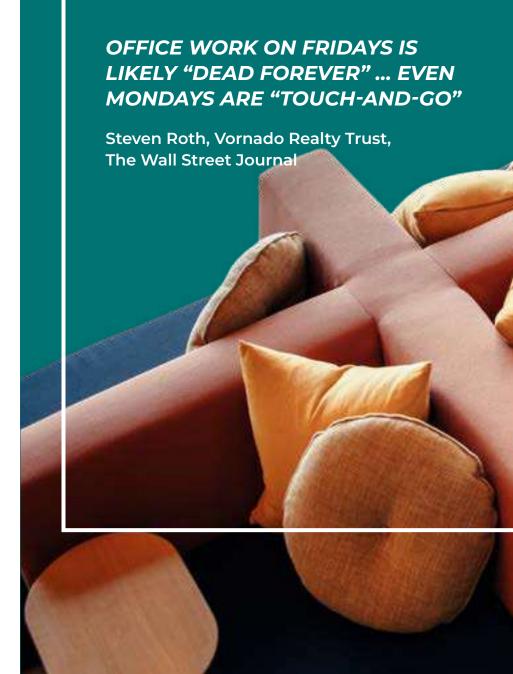


Not only ESG

Commercial real estate and the impact of work models on the property market

The commercial real estate market has for decades been said to be subject mostly to changes resulting from economic cycles, with its model and nature of operation and, above all, demand factors remaining relatively intact. This, however, is likely to change with an increased use of hybrid work and "work from anywhere" patterns, and - maybe ultimately - with shortening the work week to four days.

The future of the market is expected to be significantly impacted by new work patterns, ESG (Environmental, Social, and Corporate Governance), technological advances and Al (artificial intelligence).



Lower office usage, new location preferences and operational models of retail tenants, a high-tech warehouse boom and faster changes to site use are just some of the potential scenarios for the future. This is why developers and investors should start taking "the new reality" into account now and accordingly adjust their strategies to the evolving needs and capabilities of tenants.

A challenge facing tenants and owneroccupiers will be to ensure compatibility of their infrastructure with HR strategies and employee needs in terms of office location, fit-out and use.

With further technological advances, a revolution is taking place right before our eyes. The question is not if but when and how new work models and will reshape each segment of the commercial property market. This report aims to answer this question, in part at least, by indicating likely directions of change.



"A Brief History of Time" - OF WORKING TIME

Did Stephen Hawking work 7 days a week?

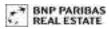
Stephen Hawking, one of the greatest minds of our times, is unlikely to have been on a 5-day work week schedule, working eight hours a day. Although as he used to say he spent on average just an hour a day studying at Oxford University, he used the remaining time he had so efficiently that he came up with some of the most amazing descriptions of physical phenomena ever.

This example seems to suggest that labour productivity and routine do not always go hand in hand and that it takes a number of other circumstances and personal attributes such as enthusiasm, perseverance, social bonding and a friendly workplace to be successful.

Is the more flexible work pattern a privilege for selected groups only? Can society and organisations function outside pre-determined place and time regimes? And where does the idea of a 5-day work week come from anyway?

The roots of our calendar lie in the Babylon of about 4,000 years ago. The seven-day week, as we know it, was invented by a civilisation that rose and fell within what is modern-day Iraq. Its ancient astronomers looked at the sky in wonder, fascinated by its seven celestial bodies:





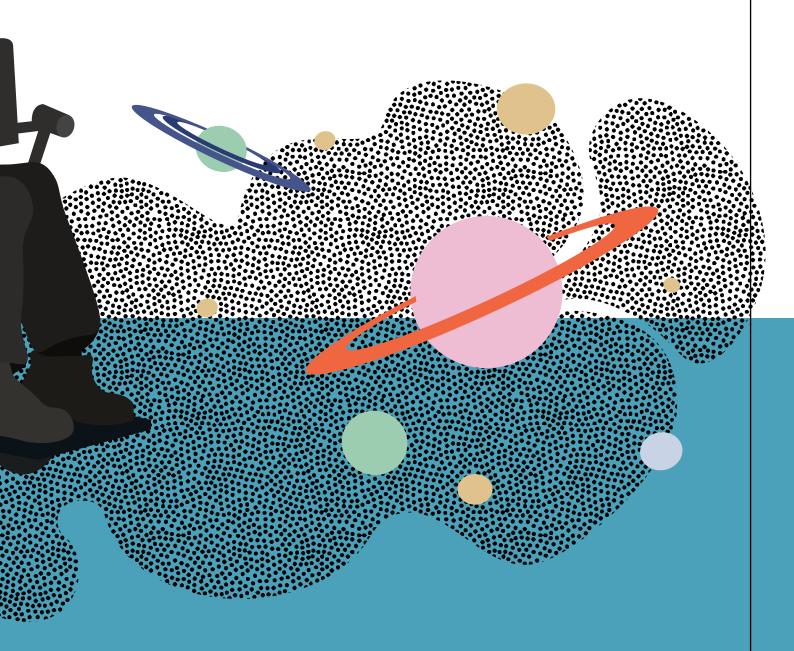


the Sun, the Moon, Mercury, Venus, Mars, Jupiter and Saturn, to which they assigned special significance and the days of the week.

The concept of the seven-day week was so strong that it spread across the entire Middle East. It was adopted by the Jews, who - while being the captives of the Babylonians, a civilization which had reached the height of its power at the time - uniquely reflected this way of measuring time in the Book of Genesis. They were followed by other cultures in nearby areas, including the Persian Empire and the Greeks. Ancient Romans worked an eight-day week during the Republic, with one day on trading and shopping. However, when the Romans began to conquer the lands ruled by Alexander the Great, they also switched to the

seven-day week. Finally, in 321 AD, the Emperor Constantine established Christianity as the state religion and decreed that the seven-day week should be the official Roman week, mandating the observance of Sunday as a sacred day and a day of rest from work.

The week did not always have seven days across cultures. The Chinese under the Shang dynasty had a ten-day week, while in 1929 - as part its fight against the Orthodox Church - the Soviet Union introduced a Soviet calendar with a five-day week to be replaced two years later by a six-day week with one day off work. As a result, the Christian Sunday would fall on different days of the week. The seven-day week was reintroduced in the USSR in 1940.



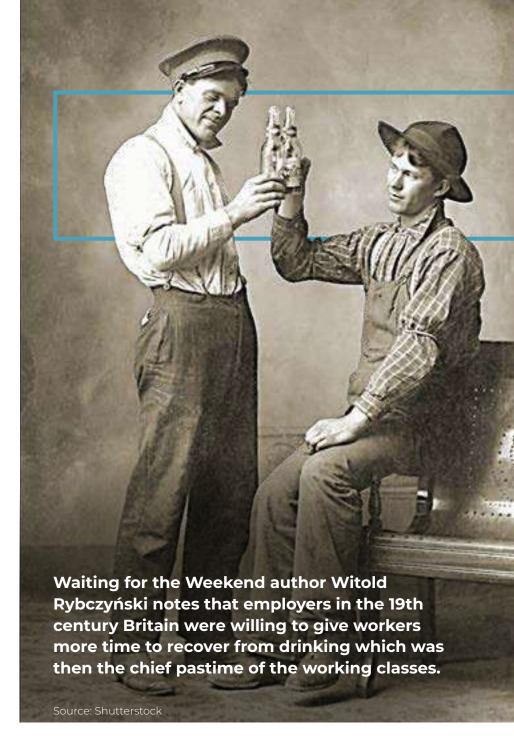
What about the weekend?

The origin of holiday days is traced back to the religious concept of Shabbat - a day devoted to God, not labour. In the Jewish tradition, Shabbat lasts from sunset on Friday to the fall of darkness on Saturday. By contrast, most Christians adopted Sunday as the day of worship and rest. With time, workplaces in western countries began to adapt to these practices to accommodate the needs of both religious communities.

The present-day concept of the relatively longer twoday 'weekend' first arose in the industrial north of Great Britian in the late 18th and early 19th centuries, when workers began to demand longer breaks due to the ongoing industrialisation and arduous working conditions - their work, unlike in farming, was not dependent on daylight and other needs of running a household. The Oxford English Dictionary traces the first use of the term 'weekend' to the British magazine Notes and Queries in 1879.

In 1908, the first five-day work week in the United States was instituted by a New England cotton mill so that Jewish workers would not have to work on the Sabbath day from sunset on Friday to sunset on Saturday.

Over the succeeding decades, particularly in the 1940s to the 1960s, an increasing number of countries adopted either a Friday-Saturday or a Saturday-

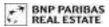


Sunday weekend to harmonise with international markets.

A series of work week reforms in the mid-to-late 2000s and early 2010s brought much of the Arab world in synchronisation with the majority of countries around the world, in terms of working hours, the length of the work week and the days of the weekend.

Apart from aspects related to lunar phases which also occur at intervals of about seven days, the length of both the week and the weekend is not only deeply rooted in cultural history, but it also has a religious and practical dimension. The example of the Soviet Union shows that it can also be used as a tool for ideological purposes.

So, while a change to the seven-day week seems unlikely, the question of a (greater) number of days off work is less controversial and has a more practical dimension related to the type of work,



"A BRIEF HISTORY OF TIME" – OF WORKING TIME

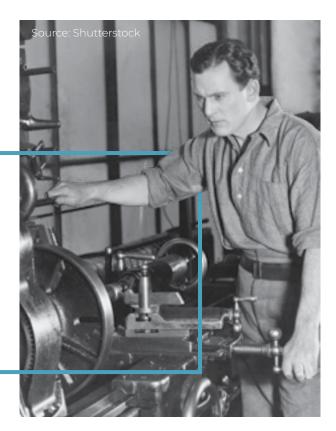
A SHORTER OR HALF-DAY SATURDAY WAS SEEN AS A NATURAL LEAD-IN TO SUNDAY'S DAY OF REST.

employee preferences, economics or advances in technology. From the business perspective, the possibility of offering more days off will ultimately depend on labour productivity which, however, can be defined in various ways. Productivity levels identified using established standards indicate that changes to the number of working days are unfeasible - at least for now.

The end of a five-day work week had long been anticipated. In 1965, a US Senate subcommittee predicted that Americans would be working 14 hours a week by the year 2000, and back

in 1928, John Maynard Keynes wrote that technological advancements would reduce the work week to just 15 hours within 100 years. Although these predictions did not materialise, data shows that we work on average less than about a dozen or dozens of years ago.

HENRY FORD BECAME ONE
OF THE FIRST EMPLOYERS
TO ADOPT A FIVE-DAY,
40-HOUR WORK WEEK
at his Ford Motor Company
plants in 1926.



The history of a free Saturday and a five-day work week in Poland

THE FIRST FREE SATURDAY FOR POLISH PEOPLE FELL ON 21 JULY 1973, WHICH WAS 50 YEARS AGO.

Since then, the number of free Saturdays was gradually increased. However, it was not until 1981 when every other Saturday was free, followed by three free Saturdays a month. With Poland's political transformation in 1989, the six-day work week turned into a five-day work week.



Starting point: Prioritising employee well-being

Well-being, work-life balance, productivity – these three themes have dominated the discussion around HR strategies in recent years. Leading employers are now dedicated to fostering workplaces that enhance the overall well-being of their staff. One of the strategic pillars of wellbeing is defining and implementing solutions that support a harmonious work-life balance. An employee who is overburdened, demotivated, and consistently torn between work and personal life cannot attain peak productivity, creativity, or job satisfaction.

To address this, organisations are now paying more attention to safeguarding the mental health of their employees. Well-being programs, psychological consultations, and internal procedures to reduce overtime are now common practice. Some forward-thinking employers also grant employees greater flexibility in the choice of time and place of work, allowing them to tailor their schedules to personal preferences and circumstances. Others are increasing the amount of leave available or even experimenting with unlimited holiday allowance policies.



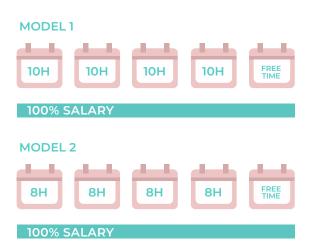


Why shorten the work week?

There's a growing proposition to further reduce the work week, with the aim of helping employees achieve a more balanced work-life equilibrium. The benefit anticipated for organisations is an increase in productivity. This is based on the notion that with less time to complete their tasks, people work more efficiently, prioritise their duties more effectively, and make sound business decisions in less time.

Organisations are experimenting with various models for a 4-day work week. Some are testing a compressed schedule where employees work 4 days a week for 10 hours a day, giving them an extra day off. Others are taking it a step further by offering full pay for fewer working hours, such as 4 days working 8 hours a day. These initiatives, which initially began as pilot projects in select branches of multinational corporations, are now garnering attention from governments, with recent discussions in Spain and the UK. The third potential model is a shorter work week with a reduced salary, but due to its similarity to non-full-time employment it is hardly a true 4-day work week.

THREE MODELS OF A 4-DAY WORK WEEK

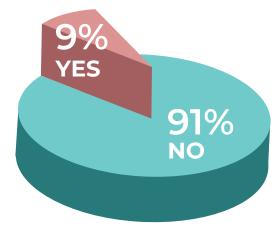




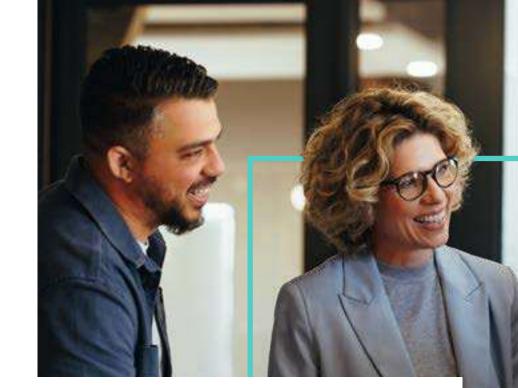
4-day work week in Poland

The concept of a shortened work week is not yet common in Poland. However, research by **Hays** shows that 1 in 10 Polish specialists has experience of working in such a model. For the majority of Polish professionals, though, the idea of working a 4-day work week model is still in the realm of imagination, with a nationwide pilot program unlikely to happen in the near future.

HAVE YOU EVER WORKED IN A 4-DAY WORK WEEK MODEL?



Source: Hays Poland "4-day Work Week. What do workers want?" Report, 2021



Shorter work week vs. pay

Respondents to the Hays survey express enthusiasm about the prospect of working 4 days a week if it goes hand in hand with full pay. This option is highly attractive to 96% of specialists and managers in Poland. A job offer that includes this arrangement would also be significantly more appealing to 87% of professionals.

In contrast, the compressed work week model, which condenses a full 40-hour week into four days of ten hours each, garners less enthusiasm, with only 52% of respondents expressing interest. Even a pay cut, the least appealing option, still has nearly one in five survey participants willing to consider it. This suggests a substantial portion of professionals value free time over higher remuneration.

WOULD YOU BE WILLING TO WORK IN THE FOLLOWING 4-DAY WORK WEEK MODELS?

	4 days of 8 hrs per day, 100% salary	4 days of 10 hrs per day, 100% salary	4 days of 8 hrs per day, 80% salary
Definitely yes	88%	15%	3%
Yes	6%	16%	5%
Rather yes	2%	21%	11%
Difficult to say	1%	9%	10%
Rather not	1%	17%	22%
No	1%	8%	16%
Definitely not	1%	14%	33%

Source: Hays Poland "4-day Work Week. What do workers want?" Report, 2021





A real alternative for today

In evaluating the feasibility of a 4-day work week, one should consider the transformation of the global labour market, particularly the rise of remote and flexible working. Recent years have demonstrated that specialists and managers are

receptive to remote and hybrid working models, as well as initiatives to reduce work hours. They are also increasingly interested in "work from anywhere" schemes, which enable them to work remotely from any location worldwide.





Hybrid models lead the way

Hays research shows that the majority of organisations in Poland work in a hybrid model (42%). In this category, the most common arrangement involves 2-3 days of office work per week, while almost one in five organisations provides full flexibility in terms of work location.

Professionals have grown accustomed to greater workplace flexibility and are reluctant to give it up. Of those with various work options, 43% would decline a fully office-based job offer.

A similar response is to be expected if the current organisation reintroduced a fully office-based model. 36% of employees would react by looking for another job, while 43% would accept it if additional conditions were met – such as higher pay, flexible working hours or additional benefits.

How would you describe your current working model?

Business perspective

6%	Fully remote
19%	People can work with complete flexibility, from home or the office
8%	Hybrid (4 days per week in the office)
24%	Hybrid (2-3 days per work in the office)
6 %	Hybrid (1 day per week in the office)
4 %	Hybrid (1-3 days per month in the office)
33%	Fully office based

Source: Hays Poland "Salary Guide 2023"



Would you accept a job if it was solely office based?

Employee perspective

19% YES

43% 28%

DEPENDS
ON THE OFFER

10% UNSURE

How would you feel if your organisation went back into the office full-time?*

Employee perspective

36%	I would look for work elsewhere	
20%	I would want working hours to be flexible	
19%	I would consider if my salary was increased	
9%	I don't really care – it doesn't change my plans	
4%	I would want a more comprehensive benefits package	
3%	I would be happier – I miss the office	
9%	It does not apply to my situation	, , ,

^{*} Only employees who currently work remotely or in a hybrid mode Source: Havs Poland "Salary Guide 2023"



"Work from anywhere"

Hybrid working models and flexible hours and benefits have gained popularity, and some employers are pushing the boundaries further with the "work from anywhere" model. This concept allows employees to work remotely from any location worldwide, whether it's their company office, a co-working satellite office, their home, or even abroad.

According to the Hays survey, 35% of organisations allow employees to work in a "work from anywhere" model. In practice, however, this is not a scheme that is available to every employee, with respondents indicating that it's either a privilege for select groups or a negotiation between individual employees and the organisation.

Does the organisation allow employees to work in a "work from anywhere" model?

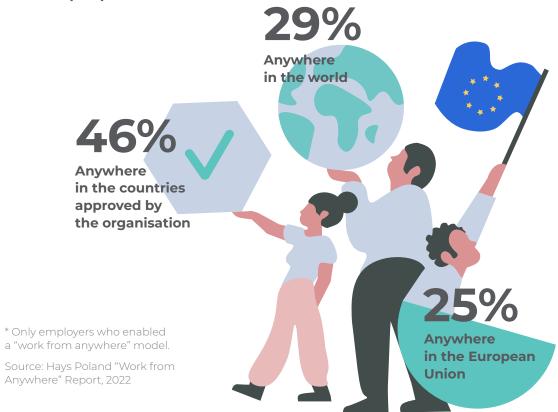


In Poland, the availability of the "work from anywhere" model usually depends on the type of work performed or the seniority of the position. The period and place where employees can work from are typically determined on an individual

basis. In most cases, employees can choose the country they wish to go to from a list of destinations approved by the employer. The same applies to the length of stay, which is usually negotiable.

In which geographical area does the company allow employees to work remotely?*





How long can employees work from abroad?*

Business perspective

4 %	Up to 1 week
4 %	From 1 to 2 weeks
12%	From 2 weeks to 1 month
3%	From 1 to 3 months
5%	From 3 to 6 months
5%	More than 6 months
67 %	This is determined on an individual basis

^{*} Only employers who enabled a "work from anywhere" model". Source: Hays Poland "Work from Anywhere" Report, 2022

Organisations implementing a "work from anywhere" model, similar to those exploring the 4-day work week model, believe it can enhance overall employee satisfaction, support work-life balance, and boost productivity.

What are the biggest advantages of the "work from anywhere" model?

Business perspective

85%	Increased employee satisfaction
73 %	Possibility for employees to maintain a work-life balance
71 %	Easier employee acquisition
39%	Increased employee loyalty
39%	Increased employee productivity
3 %	I do not see any benefit of this model
4 %	Other

^{*} Only employers who enabled a "work from anywhere" model. Percentages do not add up to 100, as it was possible to select more than one answer.

Source: Hays Poland "Work from Anywhere" Report, 2022

Any solutions now?

During the shift to remote work, employees have learned to work more efficiently, often structuring their days with meetings and specific tasks. Simultaneously, the use of technology-enabled tools has surged, reducing the time spent on mundane or administrative tasks. Consequently, there's room for discussion in Poland regarding a shortened work week. However, the implementation of such solutions requires a solid foundation within organisations, including high employee engagement, productivity, technology integration, optimised processes, and the employer's trust in employees.

At present it is still difficult to imagine a situation in which the 4-day work week is introduced by all businesses in Poland. A reduction in working time may not be feasible in every organisation or role, particularly in sectors requiring continuous service provision, such as medical facilities, logistics, or security. Additionally, it requires a resolution of overtime issues, achieving high productivity, and further digitalisation of the domestic economy – a journey Poland is still undertaking.

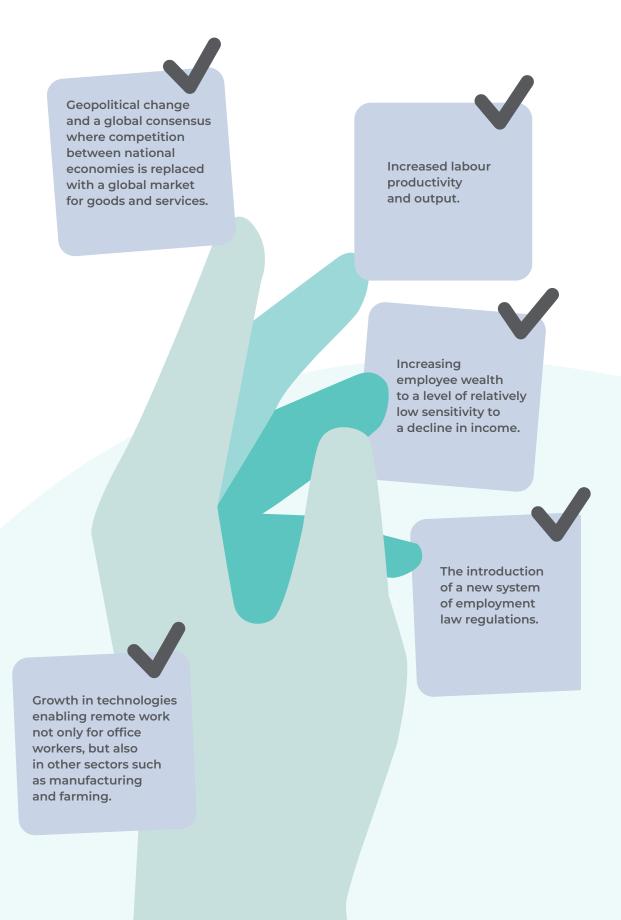
A more likely scenario involves organisations experimenting with other forms of working time reduction, such as offering extra holiday days, shorter Fridays, "work from anywhere" schemes, or implementing a 4-day work week in summertime. More and more projects of this type can be seen in the market, and there are many indications that they will become more popular in Poland in the near future.



CONDITIONS for the implementation of a 4-day work week

The implementation of a 4-day work week with an additional "statutory holiday day" and full pay would require meeting a number of very difficult conditions. Despite this, companies are very likely to increasingly embrace - on their own and as far as they can - alternative work models, including reduced working hours as part of a benefits package for employees. The type of work performed, the financial standing of a company, the labour market situation and access to suitable technologies will be key factors determining the adaptability of such an approach.

CONDITIONS FOR THE IMPLEMENTATION OF A 4-DAY WORK WEEK





Other human factors and HR management requirements:



Introducing new team and organisation management methods.



Shifting the prevalent mindset that prioritises physical presence over productivity.



collar and shift-workers.



An expert's opinion



Łukasz Grzeszczyk

EXECUTIVE DIRECTOR CEE, INVESTORS CONSULTING & TALENT LOCATION STRATEGY, HAYS POLAND

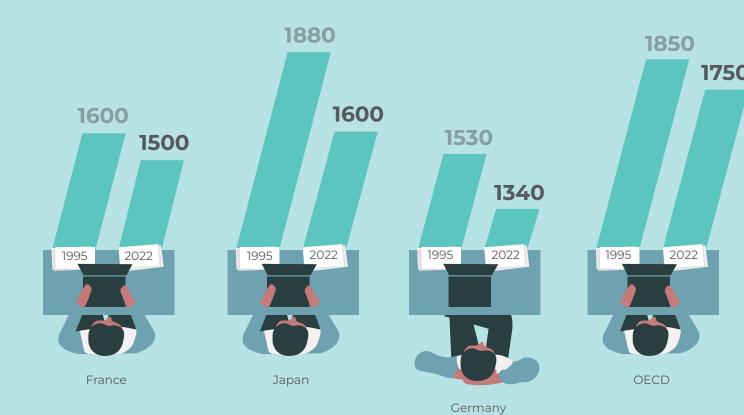
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Any change in work hours, remote work schemes, or supervision system requires preparation and improvements in many business areas. Reducing the work week requires a high level of employee engagement, appropriate tools, the optimisation of business processes, and providing teams and their managers with skills and technology that would make the 4-day work week a success. It is also crucial to prepare the company's clients for such change.

The decision to reduce working hours is a sensitive one for any company. Organisations already in the process of change, in the middle of a crisis situation, dealing with low employee engagement, staff or tech shortages, cannot afford to make any radical moves on this issue. This would simply threaten their business performance. It is also important to bear in mind the specifics of each sector or type of work they rely on. In many cases, the implementation of a shortened work week would require an increase in the workforce.

In conclusion, any decision to reduce working hours should be preceded by a thorough analysis of the company's situation, including an assessment of processes, resources, and potential risks.

LABOUR PRODUCTIVITY

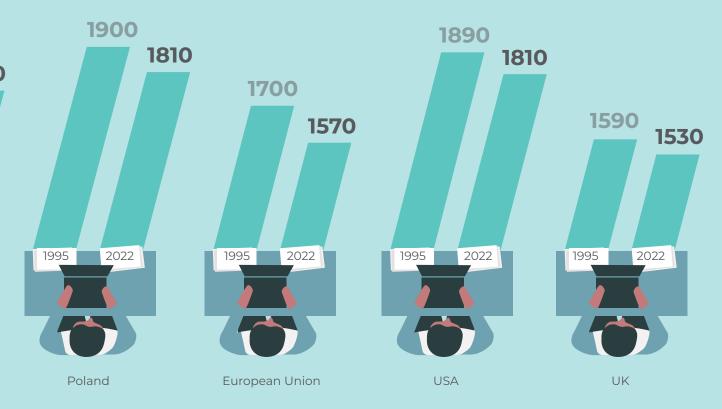




- Can we afford to work shorter?

Can we afford to reduce working times? This is one of key questions in analysing scenarios for the commercial real estate market. A similar question also arises in the wake of an increasingly widespread adoption of remote work where some research suggests that if such solutions are

implemented too fast, they may have negative economic consequences. The answer to this question - at least in part - can be found in analysis of productivity rates and demographic trends both in Poland and around the world.



Busy like Polish people

According to data from the 38 OECD member countries, Poland is among the world's ten hardest-working nations and is ranked fourth in Europe, only behind Greece, Malta and Cyprus. Unfortunately, the time spent on work does not translate into an increase in added value for the

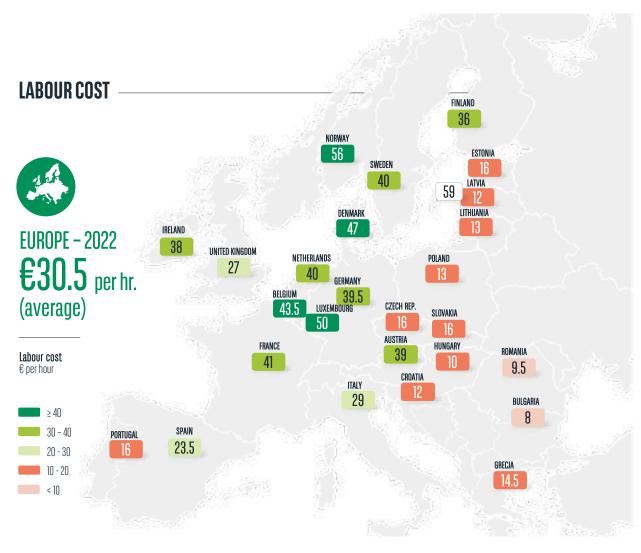
economy (and Polish people themselves), as evidenced by productivity and salary rates. It may be some comfort to employees to know that statistically people around the world work nearly 100 hours per year less than 30 years ago.

AVERAGE HOURS WORKED, POLAND VS CEE









Source: BNP Paribas Real Estate, EUROSTAT

Productivity

A poor technological base, bureaucratized economic processes and a skills gap are only some of the factors that may be responsible for relatively low labour productivity rates in Poland and Europe. According to the definition of the OECD, labour productivity is expressed as gross domestic product (GDP) to the number of hours worked and is generally a measure of how effectively means of production are used in a country.

According to data from the OECD, Poland's labour productivity per hour was USD 43.9 in

2022. Nominally, compared with other OECD countries, Poland is in the bottom half of the ranking with the rate of just under 18% below the average for the OECD members. It fares even worse compared to Germany and the US, where the productivity rate is 36% and 40% higher respectively. Despite the gap between Poland and the richest countries, Poland's strong growth in national productivity is positive. Using 2015 as a base, most European countries reported growth of below 10% in 2022, while Poland saw a 25% increase over the previous seven years.



- labour productivity growth in Poland between 2015 and 2022

In addition, of all the OECD member countries, Poland is ranked seventh for the compound annual growth rate, or CAGR, for labour productivity calculated between data for 2000 and 2022, which reached 3%. The strongest growth in the surveyed period was in Romania (4.7%), Latvia (4,1%) and Ireland (4%).

By contrast, a report from the Polish Economic Institute shows that labour productivity in Polish medium-sized enterprises is approximately EUR 30,000 per employee annually - just under half of the EU average and three times lower than for the European record holders. At the same time, there is a clear divide between the countries of Western Europe and Central and Eastern Europe. The former, particularly Benelux, boast much higher productivity rates than the countries which joined the EU post-2004. Labour productivity rises with the size of a company, with the productivity of Polish medium-sized enterprises being slightly closer to that for small rather than large companies. With innovative companies accounting for 37% of all medium-sized companies, Poland was well below the EU average of 63% and ahead of only Hungary and Romania.

"DIGITIZATION AND TECHNOLOGY ADOPTION CAN LEAD NOT ONLY TO SIGNIFICANT PRODUCTIVITY IMPROVEMENTS IN POLISH ENTERPRISES BUT CAN ALSO INCREASE THE ECONOMY'S RESILIENCE TO EXTERNAL SHOCKS, such as the COVID-19 pandemic or the dynamically changing global economic environment. Moreover, with challenges related to population aging, Poland's long-term growth and pace of catch-up with advanced economies will increasingly depend

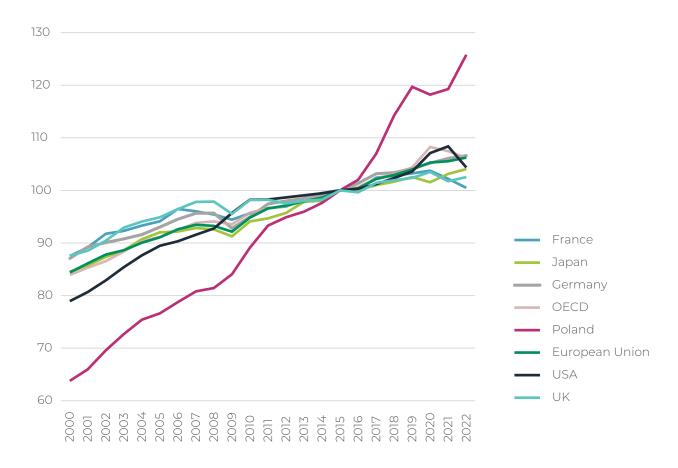
Source: World Bank, 2023

on productivity advances."



BNP PARIBAS REAL ESTATE

PRODUCTIVITY (USD, PPP, 2015=100)



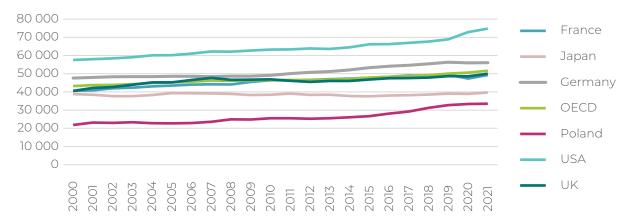


Productivity equals pay

In terms of average weekly wages, Poland is among ten OECD member countries with the lowest earnings. Although its CAGR has risen by around 2% per annum since 2000, Poland is still way behind other countries such as the US and Germany, with Polish people earning 45% and 60% of what their nationals earn respectively.

Poland, however, compares slightly more favourably with other CEE countries which, alongside the Baltic states, are showing similar trends for both the annual number of hours worked and average weekly wages. On both measures, Poland almost invariably leads the way in this part of Europe - Polish people work the longest hours, but in terms of earnings they are behind only Lithuanians. On the plus side, Poland is still an attractive location to source talent at competitive wages in comparison with western countries. To a large extent, this trend may have also contributed to Poland's low unemployment rate. People have jobs but many cannot afford to have a family, which is significantly impacting demographics - an important indicator of market potential.

AVERAGE WAGES (USD, 2016 PPP)



Source: OECD, 2023

AVERAGE WAGES (USD, 2016 PPP), POLAND VS CEE





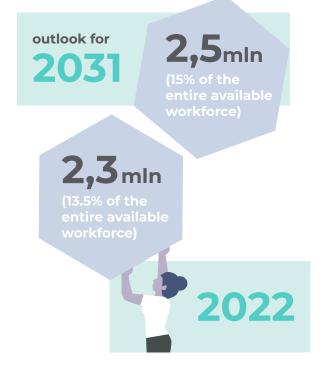


Demographics: Dark clouds over Poland and Europe

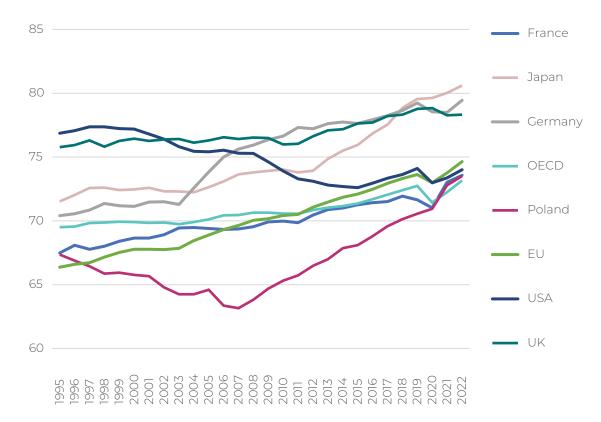
According to Oxford Economics forecasts, Poland's labour supply is expected to fall 3% from 17.5 million in 2023 to 16.9 million in 2031. The working age population, i.e. people aged 15-64, continues to steadily decline and is likely to shrink by 4.6% between 2021 and 2031. The pace of society aging is faster in Poland than in other European countries, with the average contraction in the EU working population for the same period expected to be 3.3%.

On the other hand, Poland saw one of the largest increases in economic activity rates in the past 10 years. In 2022, the share of economically active people in the working age population was 73.5%, up by 6.5 pp, nearly double the growth rate for the entire European Union and a threefold increase compared with the OECD countries.

THE NUMBER OF OFFICE WORKERS ACCORDING TO EUROSTAT (POLAND)



ECONOMIC ACTIVITY RATE [%]



Comfort of living: positive despite challenges

Despite lower wages, Poland ranks in the top tier of European countries for citizens' satisfaction. Recent life satisfaction surveys, regularly carried out by Eurostat as part of the EU's statistics on income and living conditions, have revealed that the level of overall life satisfaction for Polish people is 7.8 points (on a scale from 0 for not at all satisfied to 10 for completely satisfied), which is above the average for the EU member states. As part of the survey, Polish people also rated their job satisfaction (7.3 points) and financial satisfaction (6.3 points). High ratings were also confirmed by the 2022 partial survey, in which the overall life satisfaction for Polish people was 7.6 points, only slightly below the pre-pandemic 2018 level but above the 7.3 points recorded in 2013.

In addition, Eurostat's surveys show that Polish people are less keen or are unable to work from home as they did during the COVID-19 pandemic. Only 12.6% of employees say that they sometimes or usually work remotely compared with just over 18% in 2020. By comparison, in 2022, the percentage of people working remotely was approximately 40% for Scandinavian countries, about 24% for Germany, while the highest percentage of those working from home was in the Netherlands – more than half.





Source: Shutterstock





New work models: Yes, but a 4-day work week must wait

In the light of the above data, both Poland and Europe still have a long way to go before three statutory holiday days become a fact of life. Given the strong competition from the US and Far Eastern economies, making far-reaching arrangements in our region to reduce working hours without checking their impact on labour productivity may prove to be a shot in the foot. With geopolitical and economic conditions being what they are, a statutory 4-day work week could be implemented around the world only by way of a global consensus. This is, however, highly unlikely as the competition among global economies leaves no doubt about it. Our macro productivity needs to grow or someone else will outdistance us in the race – and no country or group of countries can let that happen.

The good news is that due to the pay gap between Europe and Poland, skilled employees from Poland will continue to be in great demand. Unemployment in this group will remain very low in the coming years and demographic changes that are unfavourable to employers will increase wage pressure.

Despite this optimistic scenario, office markets may not necessarily benefit from the growing number of office workers. Many job postings - both locally and globally - permit remote work as standard or as part of a benefits package for employees. As a result, not all office workers will automatically become office users. With many subleases being signed and some tenants downsizing office space, this mandates an indepth analysis of probable scenarios of events.

Technological ADVANCES

and artificial intelligence (AI)







How the development of new technologies will reshape the commercial property market, including the possibility of shortening the work week.

Advanced technologies are conquering the world, transforming nearly all industries and impacting the modern-day economy. For thousands of years, new discoveries and inventions have been boosting productivity and transforming societies, challenging simple non-creative activities and thereby unlocking space for more creative (higher added value) tasks. This process has been



Looking ahead, the commercial property market will almost certainly undergo deeper structural changes than ever before. Such changes will have both direct effects (as a result of the development of technologies driving the growth in efficiency of the prop-tech market) and, more importantly, indirect effects (as a result of the changing needs of companies which lease modern space and whose strategic decisions are key drivers of commercial property values). This transformation will naturally take place gradually and reflect the specific features of each market segment, but in about a dozen years from now the real estate landscape will definitely be completely different to what it is today.

New technologies and new ways in which businesses operate will impact both location decisions, space requirements and usage. This will apply not only to office space, but also to retail and warehouse space - albeit to a different extent. This will, in turn, be reflected in the decisions and strategies of developers and equity investors who should start now - at an even greater turning point - to think about their assets long-term.



ARTIFICIAL INTELLIGENCE a short story



Greek poet Hesiod
mentions a bronze man
in his "Works and Days",
widely belived to be Talos,
o metal guardian forged
by the God to protect
the island of Crete.



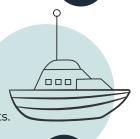
Arab scholar Al-Jazarl designs mechanical creations that can play various melodies and row boats, suggesting an early programmable device.





Nikola Tesla organizes on exhibition to present the first wireless, remotely controlled vessel: a small boat.

He reportedly tells a New York Times writer that it is the first of a race of robots.



1898

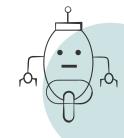
1206



1914

At the University of Paris, Leonardo Torres y Quevedo unveils his automation chess player.

The simple algorithm beats human opponents in endgame and signals if illegal moves are mode.



Czech writer Karel
Capek's science fiction
play *R.U.R" popularizes
the word "robot", which
in time replaces the
word "automation".



Inspired by 100 years pr publishes and Intellights "imitation known as the

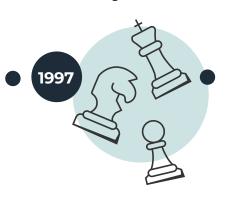
1920

1950

We now live in a world enmeshed in big data and Al. And yet, we're still nowhere near creating a true artificial replication of human consciousness.



IBM's Deep Blue computer defeats chess world champion and grand master Gary Kasparov, proving that Al flourished while out of the limelight.



Interest in Al builds.

John Hopfield invents
an associative neural network

and Paul Benloff proposes a quantum computing Turing machine. However, a second Al winter begins.







Leonardo Do Vinci

draws plans for his "artificial man". Mark Roshelm a roboticist famous for his work with NASA, recreated the machine in 2002 and found its movement fluid.



Thomas Boyes' essay

on inverse probability and binomial parameters is read to the Royal Society after his death. It becomes the basis for modern Bayesian interference and the Boyes' theorem.



Lady Ada Lovelace writes the first modern computer program. She and Charles Babbage, one of the first modern computer creators, make a brilliant duo with their respective focuses on software and hardware.



Mary Shelley anonymously publishes "Frankenstein or The ModernPrometheus".

Considered one of the first science-fiction novels, the tale is an early manifestation of Al in pop culture.



1843

n game" widely ne "Turing Test". A Dorthmouth conference coins the term
"Al" and boosts research. Frank Rosenblatt
invents the Perceptron and Stanford develops
MADALINE, the first artificial neural
network applied to a real-world problem.







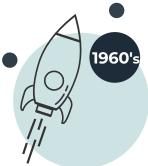


Gordon Moore,

co-founder of Intel, notes that the number of transistors on a microchip is doubling every two years, while the cost of computers is halved. This insight becomes known as Moore's Law.

Another popular film soon signals the winter's end. The first Star Wars movie, A New Hope, is released to roaring success. It makes two friendly and helpful robots, C3PO and R2D2, beloved cult classics.





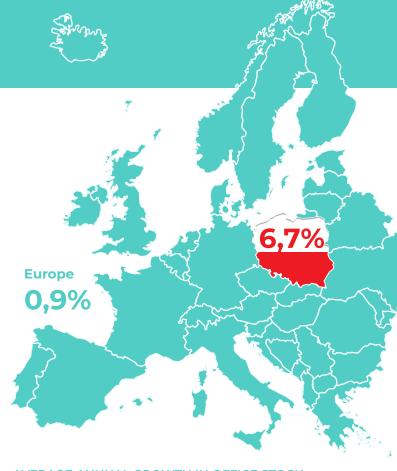
Stanley Kubrick's film "2001: A Space Odyssey"

reflects growing questions about AI, and excitement dies down even around ELIZA, the first interactive chatbot. An AI winter sets in.

Offices

As digitalisation has continued to progress over the years alongside the development of new management models, the roles and layouts of office space have also evolved. Meanwhile, office demand remained on an upward trajectory despite a gradual reduction in actual working times. This could be explained by economic growth and creation of a number of new technology-driven jobs which had hitherto existed only in science-fiction literature. It was business analysts and IT professionals who began to occupy more and more office space. In addition, the increase in the wealth of entrepreneurs and the emergence of unfulfilled needs resulting from an increasing variety of work patterns have resulted in a significant market segmentation. Alongside traditional centrally-located offices, there has also been a rise in offices in other locations offering various standards and lease options for BPO/SSC companies, as well as coworking and serviced offices suitable for flexible work models. This shows that modern technologies have so far driven the growth of the office market in terms of both total stock and type of available office space. However, what's next?

Al adoption on a larger scale will be one of key productivity drivers in the coming years – largely with regard to added value generated by office



AVERAGE ANNUAL GROWTH IN OFFICE STOCK (Q1 2010 - Q2 2023)

workers. Consequently, this – coupled with demographic changes that are unfavourable to employers - is likely to make the working time of office professionals even more valuable. Looking ahead, many companies that are cost-conscious will probably increase the scope of employee duties and a new equilibrium will be reached between remuneration and leisure time in the labour demand-supply relationship. At the same time, both sides of the equation will probably be looking for ways to save time in meeting basic employee needs, which may strengthen the role of remote work or "work from anywhere" as a real alternative to typical in-office work.





Scenarios for the future

Even with such an assumption for the office market, there are still many possible scenarios, including at least three that constitute a good point of reference.

In the first scenario, the proliferation of remote work is likely to help reduce the burden on transport infrastructure and enable some office commuters to make meaningful time savings. This will lead to a new level of balance with offices in central city locations probably being favoured. However, by no means will all office work concentrate in the city centre. On the contrary, non-central locations will increasingly see new office concepts emerge that will either provide a more flexible approach to desk leasing or allow for greater integration with other services (mixed-use schemes). This, of course, will involve a substantial share of remote work.

The second scenario provides for moving towards the concept of a 15-minute city, where there will be more offices opening and operating as head or satellite offices in the immediate vicinity of people's homes. This will, in turn, lead to urban decentralisation and a gradual disappearance of large office hubs, thereby disrupting the monoculture seen in many city districts. The share of remote work will be similar to or higher than that in the first scenario.

The third (most radical) option, which for the time being belongs to the realm of Star Wars due to the need for a major technological leap, is that most office workers work from home only or even from any other place on Earth. The office will only serve as a technological hub where robots and Al will be managing in-company infrastructure and communication, coordinating the work of dispersed professionals, and where our holograms or avatars will be attending meetings. This scenario is the least likely for now, but it appears to be only a matter of time before it materialises.



No matter which scenario unfolds, the near future will be a time of flexible, hybrid and decentralised offices that will support employees in various aspects of well-being, including better air quality, smart lighting, ergonomic furniture, sustainable practices and dedicated breakout spaces, to name just a few. Development processes will also include more projects transforming existing buildings and spaces in terms of their function and accompanying infrastructure. Another catalyst will be ESG and taxonomy prioritising sustainable and more modern buildings.

Greater flexibility will be linked to a wider use of technologies supporting work from anywhere in the world, exemplified by a virtual office such as Meta's Infinite Office or Jupe's work pods.

All this shows that the offices of the future will have to provide something more than just a desk - they should, as far as possible, offer better transport accessibility. Only then will they be able to successfully compete with work from home or work from anywhere.

In the medium term, we are likely to see more shorter leases, with companies securing resources for a specific number of employees or short-term projects. However, if the office becomes just a high-tech space, longer leases will probably make a strong comeback to ensure system continuity and business security.







Demand and supply

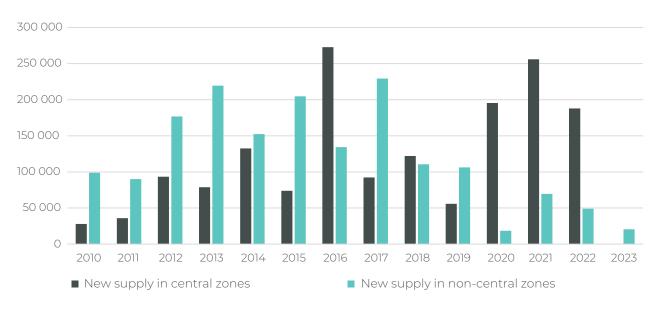
Both in the case of the original assumption and in practically all the surveyed scenarios, there is strong pressure on slowing down the pace of growth in traditional office stock. Going forward, globally, we are likely to see more demolitions and upgrades of existing office buildings than new developments. This will rather rarely take place in Poland, particularly in Warsaw, but temporary declines in office occupancy levels will be increasingly common - especially in secondary locations.

This trend is also reflected in the Warsaw office market data for the last dozen or so years. New supply figures and absorption rates for central zones (Śródmieście, City Centre West, CBD) and non-central zones show that the attractiveness of the central locations began to soar around 2019 although non-central locations had been strongly favoured for nearly a decade.



TECHNOLOGICAL ADVANCES AND ARTIFICIAL INTELLIGENCE (AI)

NEW SUPPLY IN WARSAW



Source: BNP Paribas Real Estate

ABSORPTION IN WARSAW (SQM)



Source: BNP Paribas Real Estate

Scenarios for the future

Further AI advances are likely to see employees who perform basic administrative duties - frequently in BPO (Business Process Outsourcing) / SSC (Shared Service Centers) - replaced by more efficient IT/AI systems. Since 2016, the BPO/SSC sector in Poland has accounted for approximately 17% of total leasing volumes. This has led to the

construction of several new office buildings with large floorplates and a basic fit-out standard - frequently in non-central locations. The long-term future of such buildings, however, is up in the air, especially as the amount of office space per employee in the near future will be smaller than before.





Business services centres by type

1803

Total number of business services centres in Poland in 2023

Number of business services centres set up in 2022 (most in Wrocław, Tricity and Poznań)

2,4%

Hybrid model

R&D

15,5%

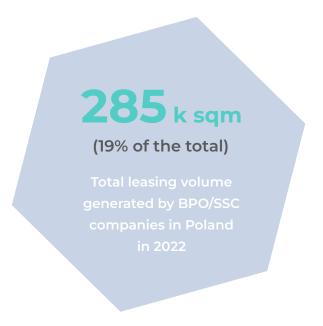
BPO

24,1%

SSC / GBS

45,3%

Source: Business Services Sector in Poland 2023, The Association of Business Service Leaders (ABSL). BNP Paribas Real Estate Poland



Source: BNP Paribas Real Estate

There is hope, however. Despite change happening, offices remain critical to companies and their employees, because workplaces create significant value and proved important to people during the Covid-19 pandemic. Such elements as the sense of community, better work-life balance, focused productivity and improved communication and collaboration between teams constitute a strong incentive that can hardly be ignored even with modern management methods. At the same time, although many office jobs will disappear, they will be replaced by new occupations which will, to a certain degree, offset the negative impact of demographics and new work models.

Technology vs a 4-day work week

Technology and Al-powered growth in productivity is likely to create space for the implementation of a 4-day work week, which, however, is unlikely to take place within a foreseeable timeframe. This is a much more complex process. It is significantly easier from the operational and organisational point of view to introduce flexible working time arrangements which coupled with remote work or work from anywhere options would be a win-win solution for both the employee and the employer.



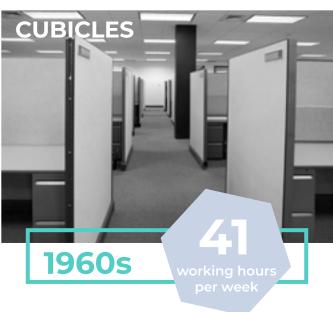


And what's next?

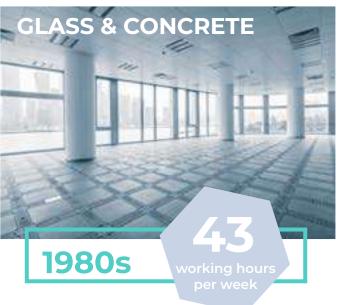
Technological advances have not curbed demand for offices. On the contrary, data shows that the office market has experienced unprecedented growth in recent decades. The arrival of AI may but does not have to result in a reversal of this trend. We may, however, be nearing a point where technology will establish a different order in which new work models will

begin to dominate, the office market will have to accept a slower pace of growth and buildings will have to offer tenants even more added value. Until the invention of the aeroplane, railways had seemed safe. However, that one 'black swan of technology' was enough for the change to become irreversible. What if someone invents a teleportation device one day?



















Source: internal study based on www.hubblehq.com





Retail and services

Changes in the retail segment, which is already transforming right before our eyes, will be even more radical. While cashierless stores are opening up, e-commerce is becoming increasingly effective at reaching customers with its offer. Many shopping centres are turning from shopping destinations into leisure venues with a large entertainment and F&B component. Less attractive large stores are becoming deserted and will have to reinvent themselves to attract customers or will have to be repurposed or remodelled in the future.

However, if you think that brick-and-mortar stores will soon disappear altogether, you are mistaken. Many 'human' habits are still with us and are likely to stay with us for long. Although online shopping has a strong advantage in some respects (comfort, a wide choice of e-stores and products, attractive promotions and ever faster deliveries), e-commerce is, for the time being, unable to replicate the physical contact with a product. Being able to assess the quality of an item in person or to try on shoes or clothes in a store remains priceless for many. Although brick-and-mortar shopping is back in favour among consumers post-pandemic, the upcoming change in this market sector, i.e. the merger of physical and digital sales channels, is becoming evident.

New technologies, including digital signage, will radically transform stores and the way people shop. Cash desks, sales staff and paper labels will disappear to be replaced by cashierless kiosks and electronic prices. Queues for fitting rooms will also become a thing of the past as

it will be possible to try on most clothes in a virtual mirror and order products with almost instant delivery. The actual shopping process will be nearly fully interactive and compatible with a consumer's smartphone. An appropriate app will also plan a route and indicate an optimal order of stores for a customer to visit. As you approach a store, you will receive a text message with a discount coupon valid only today and for the product that you have being thinking about for quite some time. This is how brick-and-mortar stores will attempt to attract customers, effectively competing with e-retailers.



Potential impact of AI on retail

FACIAL RECOGNITION
SOFTWARE, MACHINE
LEARNING, and natural
language enable virtual
agents to greet you
personally, anticipate
orders, and provide
directions

AUTONOMOUS
DRONES using deep learning technology complete last-mile delivery, and are able to handle obstacles or absent recipients

COMPUTER VISION
WITH DEEP LEARNING

identifies articles bagged by shoppers; adding data from sensors, Al allows non-stop checkout and automatic payment MACHINE LEARNING PERSONALIZES PROMOTIONS

to match shoppers' profiles, in-store beacons send offers to their smartphones as they browse through the store



INTERACTIVE SCREENS
AND TABLETOPS enabled
with computer vision and
deep learning can identify
articles and recommend
complementary products
and uses that fit shoppers'
lifestyle profiles

AN AUTONOMOUS
SHOPPING CART follows
you in the store, and
can find its way to your
vehicle or to a robot or
drone for home delivery

OPTIMIZE PRICES IN
REAL TIME, with machine
learning leveraging data
on competitors' prices,
weather, and inventory
levels to maximize revenues

AI-ENHANCED
ROBOTS continuously
track inventory,
recognize empty
shelves and replenish
them; other robots fill
bags in the warehouse

Source: "Artificial Intelligence: The next digital frontier", MGI, June 2017





The 4-day work week not for retail?

Shortening the work week in retail is, however, hard to imagine today. While some sectors of the economy could cease to operate on an additional holiday day (probably Friday), this will not apply to the retail sector in the foreseeable future. Many brick-and-mortar retail and service outlets are a clear response to shoppers' needs and should remain open practically every day to meet basic consumer needs. This is why working a 40-hour four-day week in the retail sector would call for significant changes to work organisation. Moreover, shortening the work week by eight hours would

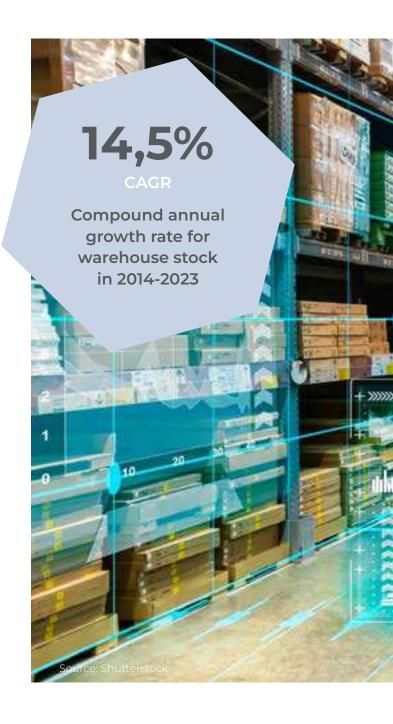
entail increasing headcount, an additional complication to the already tight labour conditions in retail. However, a wider adoption of technologies and automated customer service models will probably result in new solutions that could eliminate some barriers in the future and enable entrepreneurs to embrace flexible or shorter working time arrangements more fully. The F&B sector presents a more complex picture. Some people need to work unless you are happy with meals prepared and served by smart Al robots - this is not an impossible scenario at all.

Industrial and logistics

The industrial and logistics market has a bright future ahead. More technology in our lives means more space for its creation and storing production assets. This, coupled with the growth in global consumption, shows that the sector has great potential. Facts & Factors estimates that the global value of this market sector, as measured by annual revenue, will grow by an annualised 8.3% by 2028. In Poland, total stock of modern warehouse and production space has quadrupled over the last 10 years.

The new reality - in the light of the transformation of supply chains - also means an increased role and demand for last-mile delivery warehouses supporting an integrated network for distribution of goods and products, including e-commerce operations.

Changes will bring not only additional demand, but also more technologically advanced warehouse and industrial facilities. We expect that the implementation of the Internet of Things (IoT), virtual reality (VR), drones and continued digitalisation of operations will optimise the sector's efficiency, cut operating costs and allow for better stock control. This will, in turn, create space in the future for a more effective use of human resources and the adoption of flexible work models in the industry.



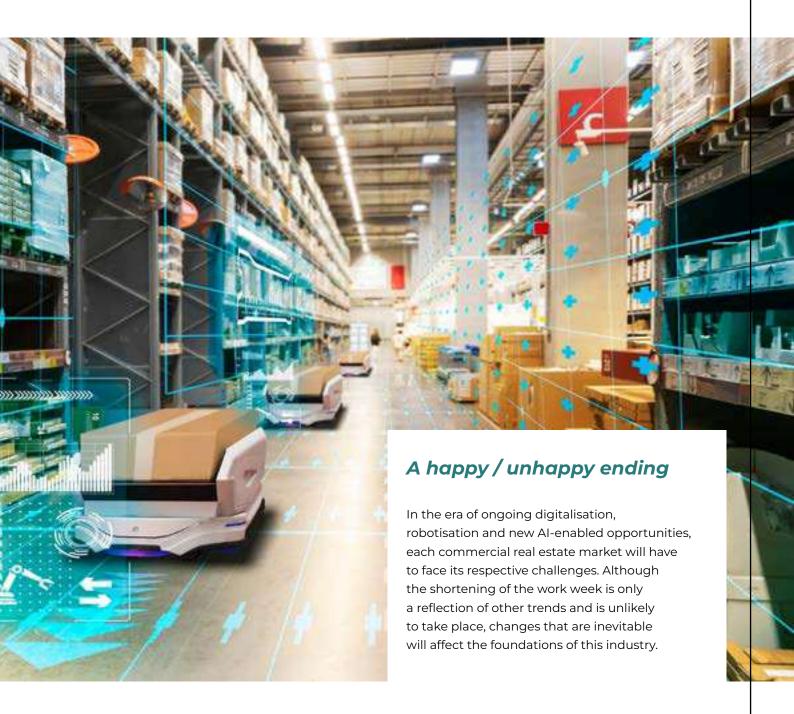




And what about a 4-day work week?

As robotisation is increasing and we enter another phase of the growth of Industry 4.0, there will be more and more space for employees to perform tasks remotely, but the introduction of the work from anywhere model or even a 4-day work week in many organisations, including manufacturing companies, seems unlikely at the moment. This, however, may change with the progress in 3D printing, automation, virtual representation of real-life

objects (digital twins) and other technologies. With the right strategy, organisational processes, technologies, and - most importantly - the right leadership, many more companies, teams and functions than you may think are likely to benefit from this approach. All this will, however, provide a strong boost to the growth of new types of warehouses and production space.



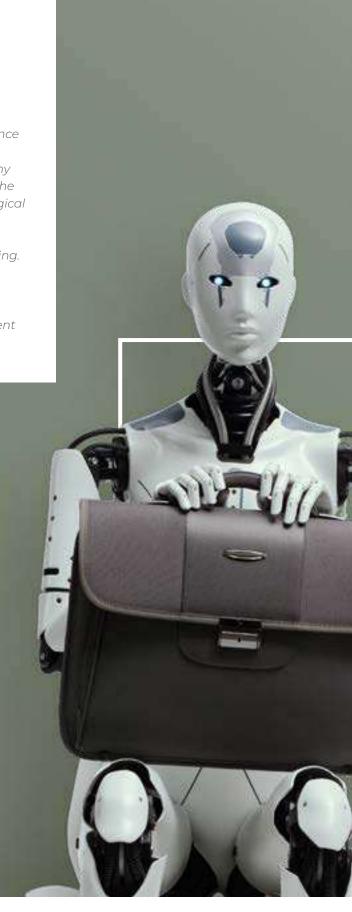
Okiem eksperta



Bolesław Kołodziejczyk BUSINESS & DATA DIRECTOR, BUSINESS INTELLIGENCE HUB

Data - preferably high quality data gathered on a continuous basis is increasing in importance in the commercial real estate market as in many other industries across the globe. Further technological advances will open up new possibilities of data acquisition and processing. This will help close inefficiency gaps on the market, which will become more transparent for all its participants.

Some experts believe that the era of technological singularity, i.e. a point in time at which computers surpass humans in terms of 'generalized intelligence', is not too far away. According to Ray Kurzweil, an MIT scientist and author of The Singularity is Near, this may occur as early as in 10 or 20 years. When this happens, it is likely that very few people will have (or be able) to work - and it will not be in 100 or even 50 years from now. By contrast, a similarly large body of experts, including Yoshua Bengio, a professor of computer science at the University of Montreal, say that in reality it is difficult to predict if and when this breakthrough will take place. No matter who is right or wrong there and whether 'real' artificial intelligence is created, technology will make a quantum leap, impacting commercial real estate and the office market in particular.









TURN

Feasibility Study



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THE FIRST signs of change?

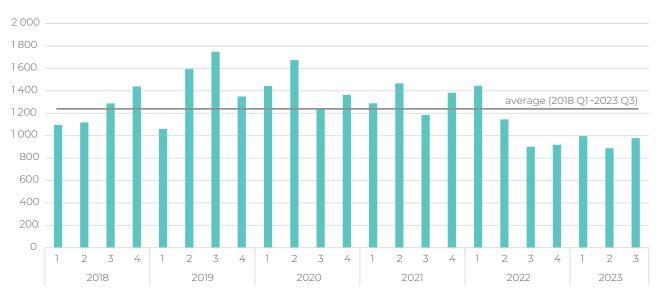
Office market trends

The past year has been a period of significant economic turmoil, from the still-reverberating consequences of the pandemic through to the aftermath of the war in Ukraine, rising commodity prices, supply chain disruptions, high exchange rate volatility and soaring energy bills. All these factors have significantly pushed up the costs of commercial real estate construction and fit-out, as well as the costs of leasing office space. This growth has been accompanied by an evolution of office design as companies increasingly embraced hybrid working models and focused on employee wellbeing and sustainability.

Flexibility, advanced technologies, health and wellbeing prioritisation in the office environment and concern for sustainability are key areas that will shape the office sector in the coming years.

Office leasing activity in Warsaw remains stable, but there is a growing trend towards optimising office footprints. The average office lease size in the Polish capital for the period January-September 2023 was approximately 952 sqm, down from 1,450 sqm for the whole of 2019.

AVERAGE OFFICE LEASE SIZE IN WARSAW



Source: BNP Paribas Real Estate Poland



The decline in the average office lease size in the Polish capital has been driven by the growing adoption of hybrid working patterns, rising office lease and maintenance costs, and the entry into the labour market of younger generations with a different view of what makes an attractive workplace.

are looking for new ways to attract talent.

Enabling teams to work in diverse places

A substantial proportion of tenants are also choosing to extend leases in their current locations where they are able to vacate some space and secure better rental conditions through renegotiations. As a result, renewals accounted for nearly 40% of all office deals signed in Warsaw in the first three quarters of 2023.

Virgin Money Spot,

Fujitsu



Companies in Western European countries are beginning to appreciate suburban office locations for allowing employees to cut commute times. In Poland, satellite offices are in their infancy, but many corporations will probably consider changing their consolidated model of operations into a dispersed one. The latter is more costly in the short term, but in emergency situations such as a pandemic will ensure customer service continuity and may be an important factor in the ongoing fight for talent.

In Poland, there are many satellite offices in medium-sized cities such as Opole, Rzeszów, Białystok and Radom, benefiting both employees and employers, as well as regional economies.

The hub and spoke work model based on satellite offices is a hot - though not new - trend on the office market. It benefits both employers and employees, as such offices are located outside cities and sometimes even abroad. The hub and spoke system is a corporate structure with headquarters (frequently in a city centre) and smaller offices that are usually located closer to employees' homes, largely in less central locations.

Research shows that two out of three remote workers value face-to-face interactions at work, because they are important to their career progress. Further technological innovations such as teleconferencing and a wide range of online tools have made communication between headquarters and branches easier than ever before. Thanks to this, employees are involved in a company's operations and can co-create its organisational culture without having to deal with the inconvenience of long commutes to a city centre.

Satellite offices can also increase diversity in the workplace. Remote employment, which is no longer reserved for employees living close to a company's headquarters, is opening up the doors for various demographics. Furthermore, expansion beyond the borders of a metropolitan area will open up a completely new market. Reaching new leaders, potential customers and business development opportunities are the key to growth, while adapting real estate

to a company's needs can reduce unnecessary costs. Downsizing, including reducing the operational costs of the main office, while taking advantage of the agility to scale offered by flex office providers is an effective solution in the post-pandemic era. Opening a satellite office has another advantage: it reduces carbon emissions and fuel consumption. It also supports the economies in cities and towns outside key metropolitan areas, providing jobs and boosting footfall for local services.

The pandemic has strengthened the need for contact with nature. Many people want to escape from the hustle and bustle of the city and to build their lives in a green and peaceful environment. With record numbers of people who have left New York for the suburbs or other parts of the country, there is no reason to rule out business expansion beyond urban areas. Progress and a life in harmony with nature - a beautiful dream.







Expert's view



Małgorzata Fibakiewicz HEAD OF OFFICE SPACE LEASING

Before the revolutionary concept of the 4-day work week is implemented on a large scale, we must first look at its roots, that is a need for more work flexibility and efficiency. This need, in the human aspect, can be met by hybrid work which allows for combining personal and work life more easily and effectively. Companies are taking note of this. The market is seeing a growing popularity of coworking and serviced offices which - being drivers of personal and social growth - tend to foster innovation and creativity. Forcing employees to go back to the old ways is, therefore, a dead end. New models such as the 4-day work week will unlock more time in the future, thereby further improving work efficiency.





GIDE

GIDE LOYRETTE NOUEL

On the four-day working week in labour law.

The Covid-19 pandemic and the challenges of working in a remote-work formula have sparked a return to the discussion of reduced working hours. Indeed, greater control over working time became a necessity in the reality of work performed from home, when the boundaries between private and professional time were gradually blurred. This discussion was reinforced by the debate accompanying the introduction of European legislation on worklife balance and the right to disconnect after working hours. The legislative direction adopted

at the European Union level has been and continues to be the strengthening of employees' rights to greater flexibility in the performance of their professional duties, including the combination of parental and labour functions. Working time and work intensity have also become the subject of numerous considerations concerning the (mental) health of employees and the increasing incidence of burnout. Covid-related isolation, a weakening of the bond between the employee and the team, a decrease in the effectiveness of teams,



However, reduced working hours are mostly associated with 35-hour working weeks and not the exclusion of one working day (8h) from the working week. Indeed, such a change could have a significant impact on the operation of the employer, or lead to an increase in the workload of the employee on those days when the employee is working. It requires a very individual approach, taking into account the specific nature of the employer's industry and the nature of the work performed by a particular group of employees.

Four-day working time experiments have been conducted with selected employers in Ireland, the United States, Canada, the United Kingdom, Belgium, Australia and New Zealand, among others. The selected employers temporarily introduced a reduced working time formula, but with wages unchanged. In most cases, the experiments yielded positive results, by increasing the sense of work-life balance and reducing the cost of living associated with, among other things, commuting to the workplace.

However, it should be stressed that they did not reduce the employee's salary, despite working fewer hours, which is an important factor in the positive evaluation of the experiment. Nor did they significantly reduce the employer's costs in maintaining the office, which was used less than before the experiment.

The experiments were also temporary in nature, which does not allow, in our opinion, to judge properly whether the positive effects would have a long-term effect. Some of the experiments also showed negative effects, i.e. increased pressure on employees to perform the same amount of tasks (sometimes increased during the peak season for a given service) in reduced working hours. In practice, this would mean an increase in the daily workload on an employee's working days, which numerically would mean that the existing working time standards would be maintained, but squeezed into four working days. It would therefore be a sham of making working time norms more flexible.



An in-depth debate on the four-day working week is still ahead of us, with the implementation and upcoming first evaluations of the application of European work-life balance regulations. These evaluations will allow us to confirm or revise our conclusions on whether the latest legal changes have introduced a better work-life balance, effectively impacted stress levels and increased individual and team productivity.

It should be noted that the topic of reducing working hours to 35 a week also became one of the elements of the election programme in the pre-election campaign in Poland in 2023. However, it seems that any change should be subject to discussions with social partners and would require a thorough assessment of the impact of existing legal solutions.







Expert's view



Joanna Jasiewicz

ADVOCATE,
EMPLOYMENT LAW
PRACTICE, GIDE

The implementation of a 4-day work week is an option that appears to be an optimal solution for employees, as it will provide a work-life balance. However, without challenging its concept, a closer look at it reveals that in practice the 4-day work week may not necessarily mean less workload, but may in fact result in longer working hours on the four working days. In addition, the impact of the shorter work week on the operations of an employer responsible for providing stable employment and pay has not been sufficiently explored.

Other challenges include work organisation and the potential consequences of implementing a 4-day work week beginning on different days of the week for individual groups of employees. Paradoxically, this may disrupt social peace in the workplace and even raise doubts about compliance with rules on non-discrimination of employees.

ADVANTAGES/ DISADVANTAGES

EMPLOYEE

Employees have a clear perspective of the potential benefits of working a 4-day week. Improved work-life balance and increased free time are seen as the primary advantages. They also associate a shorter working week with improved productivity and commitment to their job roles.



of respondents cite enhanced mental health as a benefit of a 4-day work week

ADVANTAGES

What do you see as the potential advantages of the 4-day work week?*

87%

Improved work-life balance

86%

More free time **74**%

Improved productivity

DISADVANTAGES

What do you see as the potential disadvantages of the 4-day work week?*

70%

Lower income

51%

Overtime

32%

More stress

Source: Hays Poland "4-day Work Week. What do workers want?" Report, 2021



^{*} The three most frequently indicated responses. Percentages do not add up to 100, as it was possible to select more than one answer.



of a 4-day work week

(business and employee perspectives)

EMPLOYER

Advantages of the 4-day work week for employers



ATTENTION

Poorly planned implementation of the 4-day work week, especially during times of structural changes, financial instability, unresolved overtime issues, staff shortages, or low employee engagement, can lead to increased employee turnover and decreased business profitability.

WHAT'S NEXT?

Scenarios for the commercial real estate market

Our analyses show that the implementation of a 4-day work week with current pay levels is highly unlikely in the foreseeable future. Key factors reshaping the market in the future are more likely to include new work models and technological advances facilitating remote work and changing the way people live.

Although remote work existed before the COVID-19 pandemic, it has now become mainstream in office work and - despite its challenges - it enables companies to recruit globally and tap into larger talent pools. As a result, it has become difficult to make plan offices for a pre-determined number of employees, with tenants now less willing to sign long-term leases and requiring maximum flexibility. Shorter leases also mean more risk for investors and thus a higher required risk premium. It will continue to be so until offices turn into technological hubs in which we will be working virtually and where infrastructure security will be critical to business operations. Only then will longer leases probably be made again.

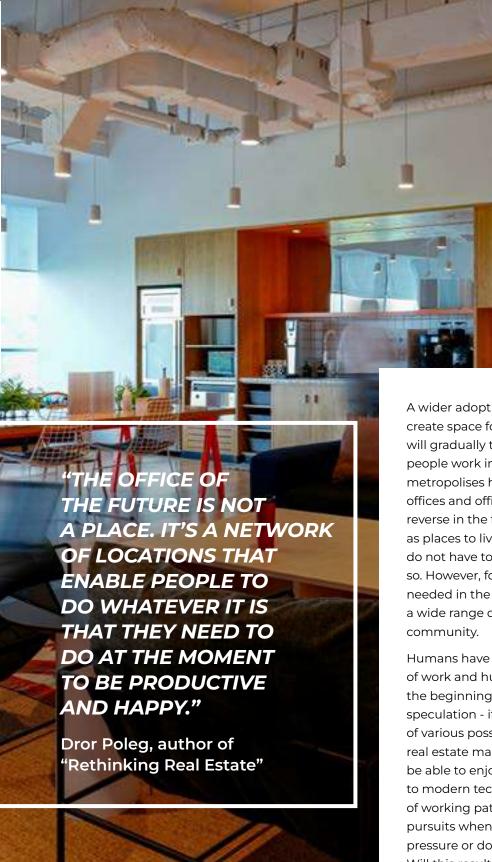
In addition, in such an environment the quality of office space and its adjustment to a work model will be of key importance to tenants. Amid the flight to quality, companies will opt for spaces providing a highly comfortable employee experience, both in terms of the quality of office space and commute times and options.

In many places across the globe there will be significant difficulties with sustaining demand



for offices. This is already a notable trend in the US, where office vacancy rates are close to 20%. The office market in Poland and in Warsaw in particular remains resilient and there is still space for its growth in the coming years. This, however, does not change the fact that its pace of growth will slow down visibly and the golden age





which office developers enjoyed post-1989 will never return. Modern technologies will, however, support the industrial and logistics market - a dark horse in the race to garner investors. This asset class will maintain solid foundations for further growth in the long term.

Source: Shutterstock

A wider adoption of remote work will, in turn, create space for alternative asset classes. Cities will gradually transform from places where people work into places where people "live". Many metropolises have been designed to prioritise offices and office workers. This situation will reverse in the future: cities will be treated mainly as places to live, based on the notion that people do not have to be there unless they choose to do so. However, for this to happen, magnets will be needed in the form of local facilities integrating a wide range of functions necessary for a local community.

Humans have speculated about the future of work and human development since the beginning of time, and - as with all such speculation - it appears that there are a number of various possible scenarios for the commercial real estate market. Will people of the new era be able to enjoy unlimited freedom thanks to modern technologies and a wider range of working patterns and to focus on pleasure pursuits when they are not under economic pressure or do not have to fight to survive? Will this result in lower productivity and turn us into inefficient Elois from The Time Machine, a novel by Herbert George Wells? Or will this foster creativity and create new needs - which we hope for - thereby boosting demand for real estate assets that are better suited to this modus operandi? Time will tell...

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