IMPACT OF REMOTE WORKING

on Mobility and Real Estate Offices

Arval Consulting

EXECUTIVE SUMMARY

ARVAL
BNP PARIBAS GROUP

BNP PARIBAS
REAL ESTATE

01

Introduction

> COVID-19 has caused unparalleled levels of change across the globe, affecting individuals and populations at home and at work. Neither the corporate nor the private mobility sectors were immune from disruption, and the pandemic has been a catalyst for the adoption of mobility solutions that reflect newer ways of living and working.

Lockdowns and the lingering trend for remote working have had a similar effect on real estate, as developers are now reconsidering exactly what residential and commercial premises should look like to best serve new and likely longstanding methods of transport and working.

Arval Consulting and BNP Paribas Real Estate have examined the trends that emerged during the pandemic and explored the ways in which Corporate Fleets, Corporate Mobility and Corporate Real Estate could be affected by new and accelerated habits, as companies make their way to the new normal.

02

Market Trends; COVID Impact

Remote Working

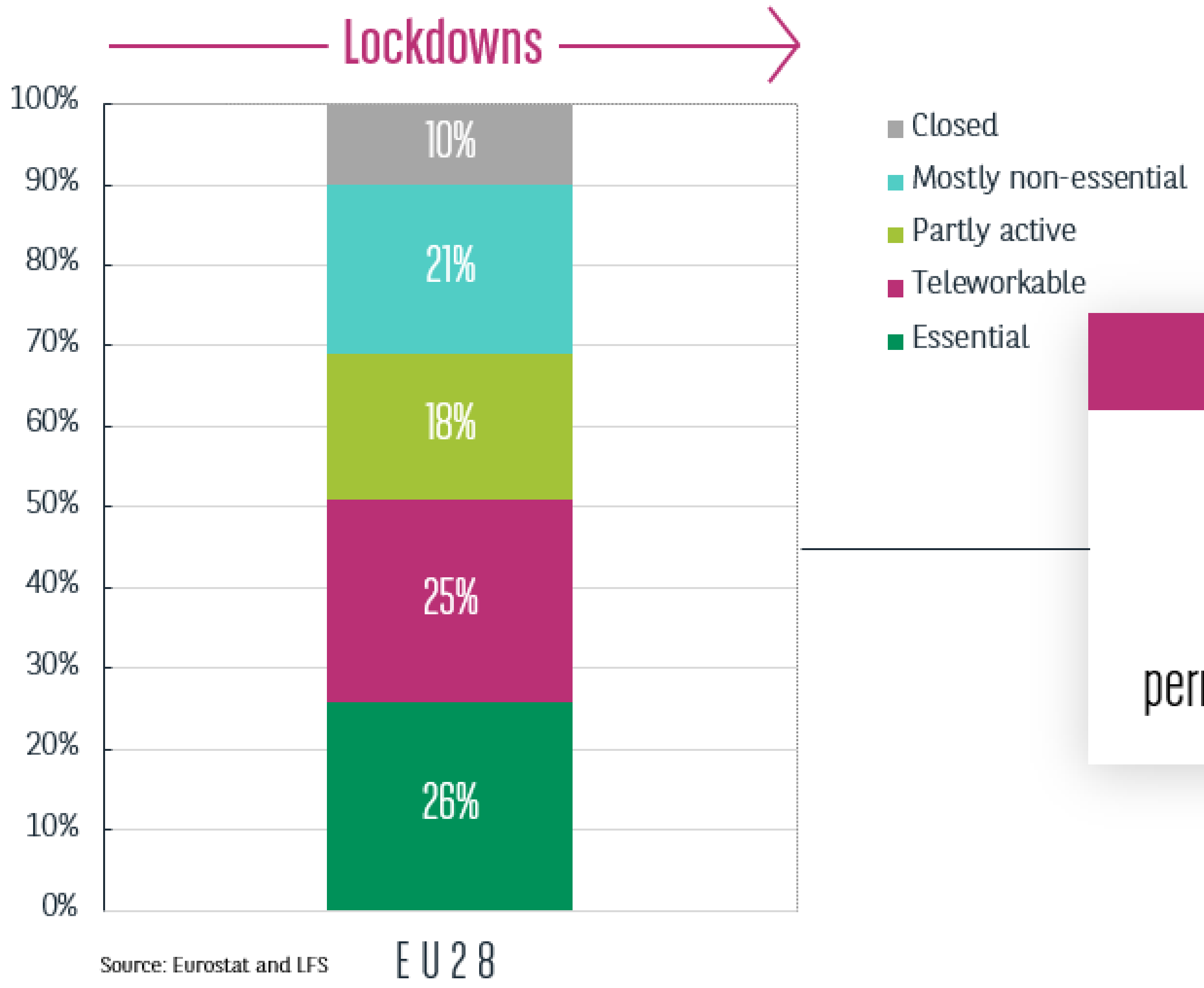
25% of EU employees could become completely 'teleworkable'

Working from home across Europe: **From 5.4% in 2018, to 25% possible**

Covid-19

EU average pre-pandemic

5.4%



Source: Eurostat and LFS

Post-Covid:

25% of the entire employment sector in Europe could be permanently "teleworkable"

Remote working was certainly not an unknown concept before the pandemic, but it was far from popular. Despite the abundance of technology to facilitate it, only 5.4% of employees in the European Union typically worked from home in 2018.

Home working clearly increased dramatically as COVID-19 spread and lockdowns forced employees to change their approach wherever possible, typically by interacting with colleagues via video conferencing software and messaging services.

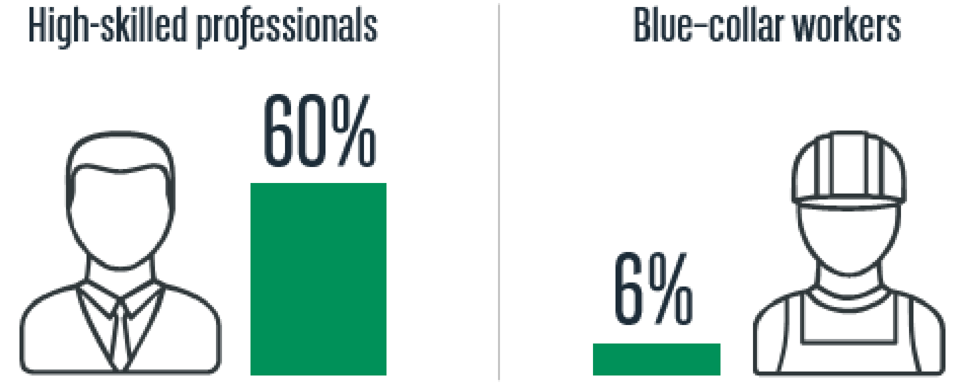
In April 2020, just 9% of EU employees said they worked from home daily before the pandemic and 6% did so several times a week. In April 2021, those figures rose to 16% and 31% respectively who would like to work from home after the pandemic. Many businesses have now become used to such a way of working, and it is believed that 25% of the entire EU employment sector could become completely 'teleworkable', with employees operating remotely for some or all of the working week in the post-COVID era.

However, remote working does not suit all industries. It is more difficult in sectors which rely heavily on employees' physical presence, such as agriculture, accommodation and food services or construction, whereas the likes of management and finance and insurance have extraordinary potential for extensive remote working. Furthermore, 60% of high-skilled professionals have teleworkable jobs, compared with just 6% of blue-collar workers.

Cultural factors also have a significant role to play, as even those industries and companies with the capacity for remote working are heavily influenced by their approach to the concept and willingness to adopt it.

Remote work not for everybody: **Industry profile – and culture – a key factor**

Share of teleworkable job between high-skilled and low-skilled individuals



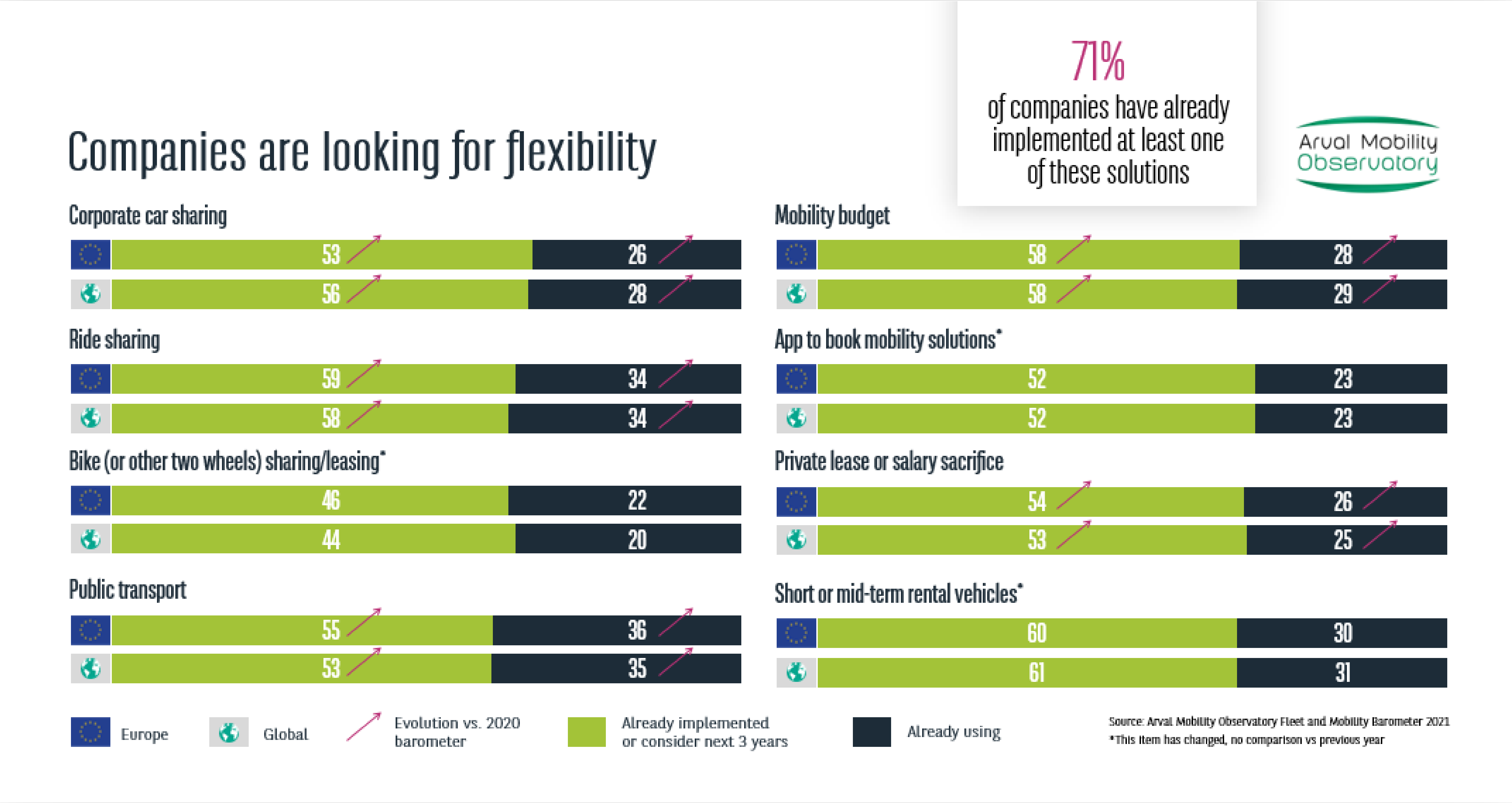
Source: JRC Technical Report, European Commission, 2020

Even within the same industry, **cultural differences exist and influence remote work.**

Source: Analysis of 2,000 tasks, 800 jobs, and nine countries", November 2020, McKinsey Global Institute

Mobility

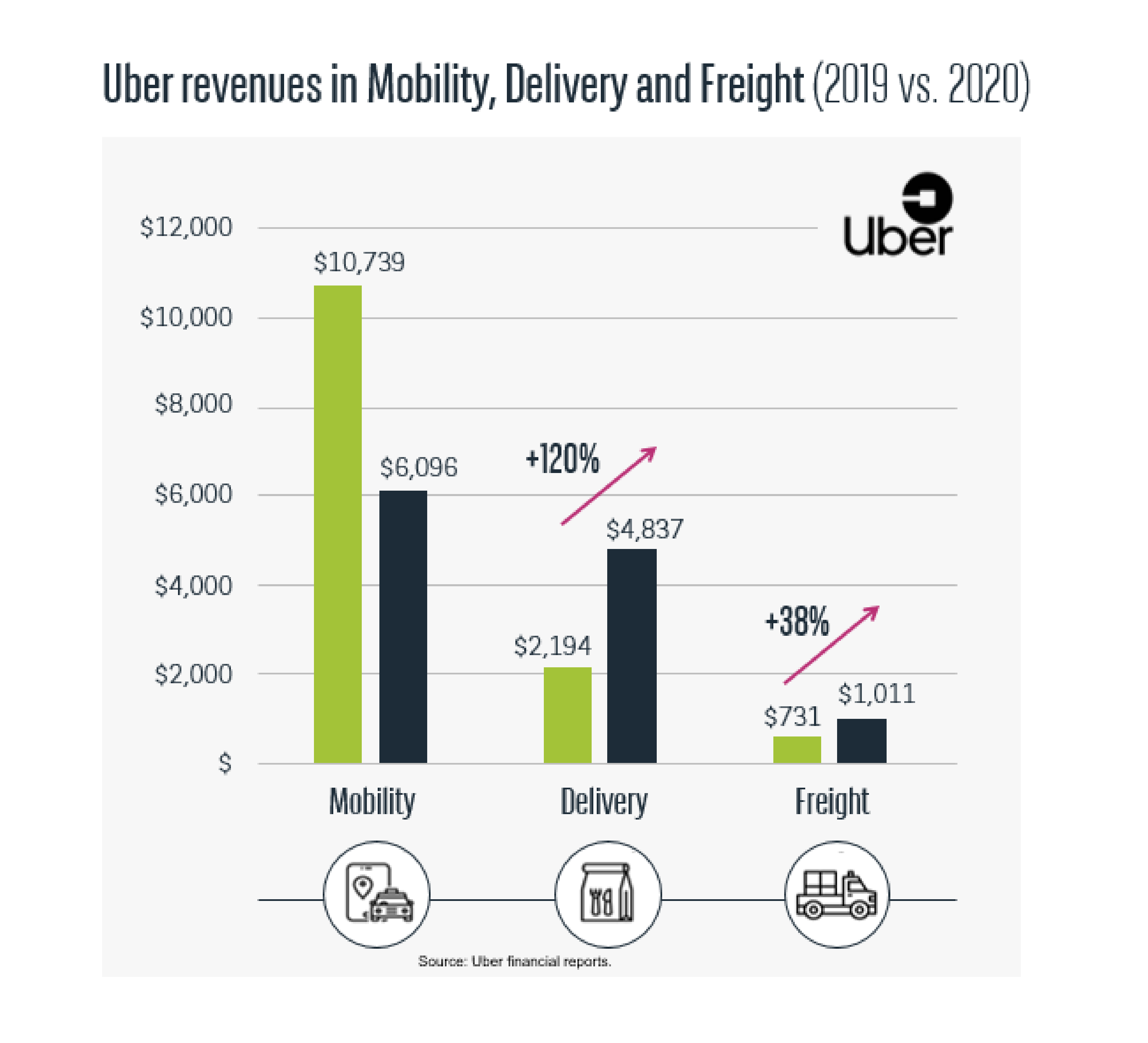
71% of companies have already implemented at least one alternative mobility solution

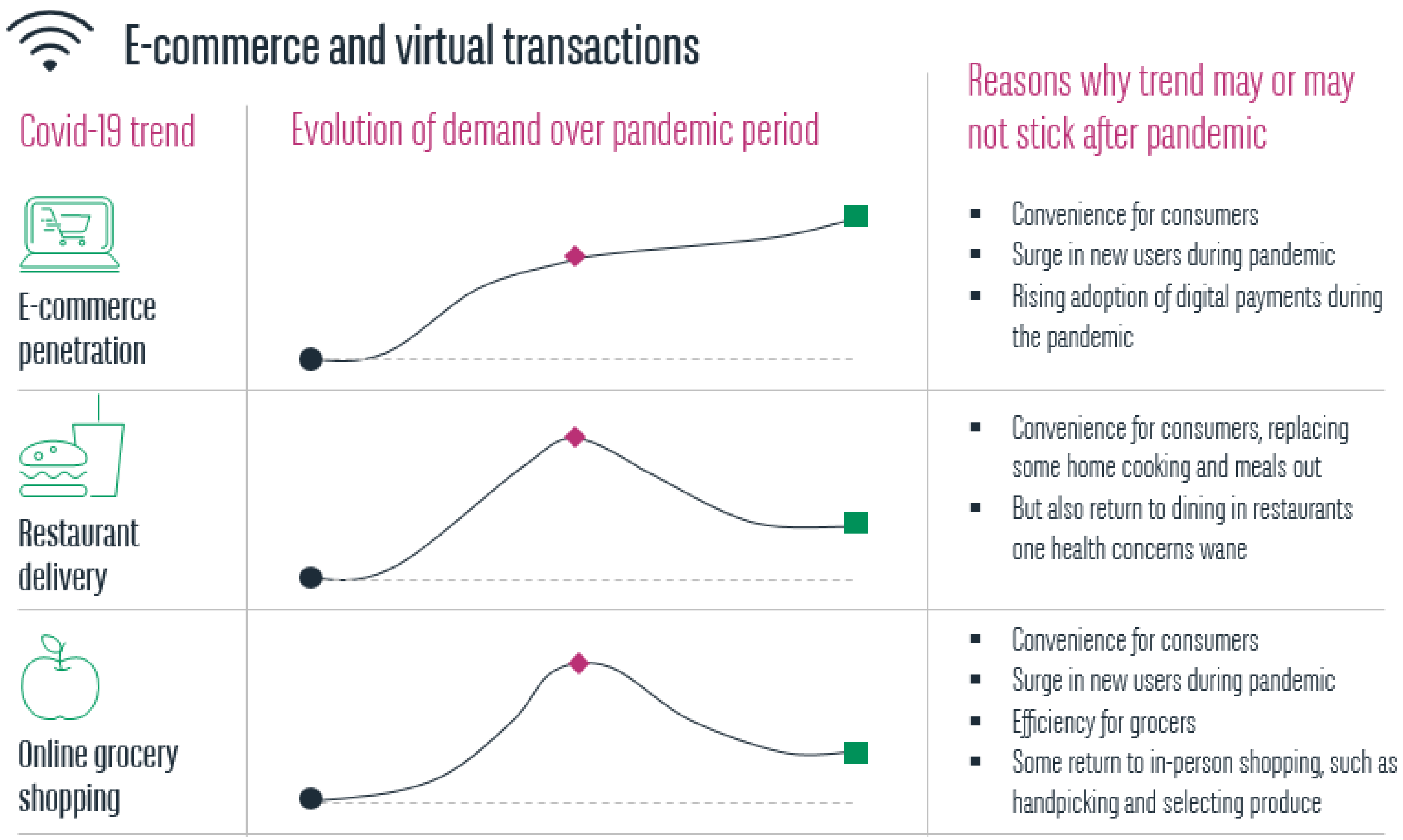


A number of important mobility trends were emerging before the pandemic, and many organisations were considering a change in their approach to business travel. High-level moves such as the shift from company car to company mobility policies, electrification and vehicle sharing, among others, were all at work in the corporate landscape, but one of the immediate impacts of COVID-19 was a short-term change in transport habits.

Consumers eschewed traditional public transportation systems such as buses, trains and city metros due to the fear of infection, while shared mobility solutions such as taxis, ride-hailing and vehicle rental also reduced. Personal vehicles – be they leased or owned – saw a significant increase in use and, early in the pandemic, many individuals chose to walk or use micromobility services, such as bicycles. The Arval Mobility Observatory's 2021 Fleet and Mobility Barometer revealed that 71% of companies have already implemented at least one such solution, which suggests that companies are looking for flexibility with respect to fleet mobility. While no single method is dominating, an increasingly broad range of mobility solutions.

Additionally, while ride-hailing businesses saw revenues from their traditional personal mobility services drop during the pandemic, their logistics, last-mile delivery and e-commerce services increased dramatically. Uber's revenue from its delivery arm rose by 120% between 2019 and 2020, and its freight revenues by 38%.





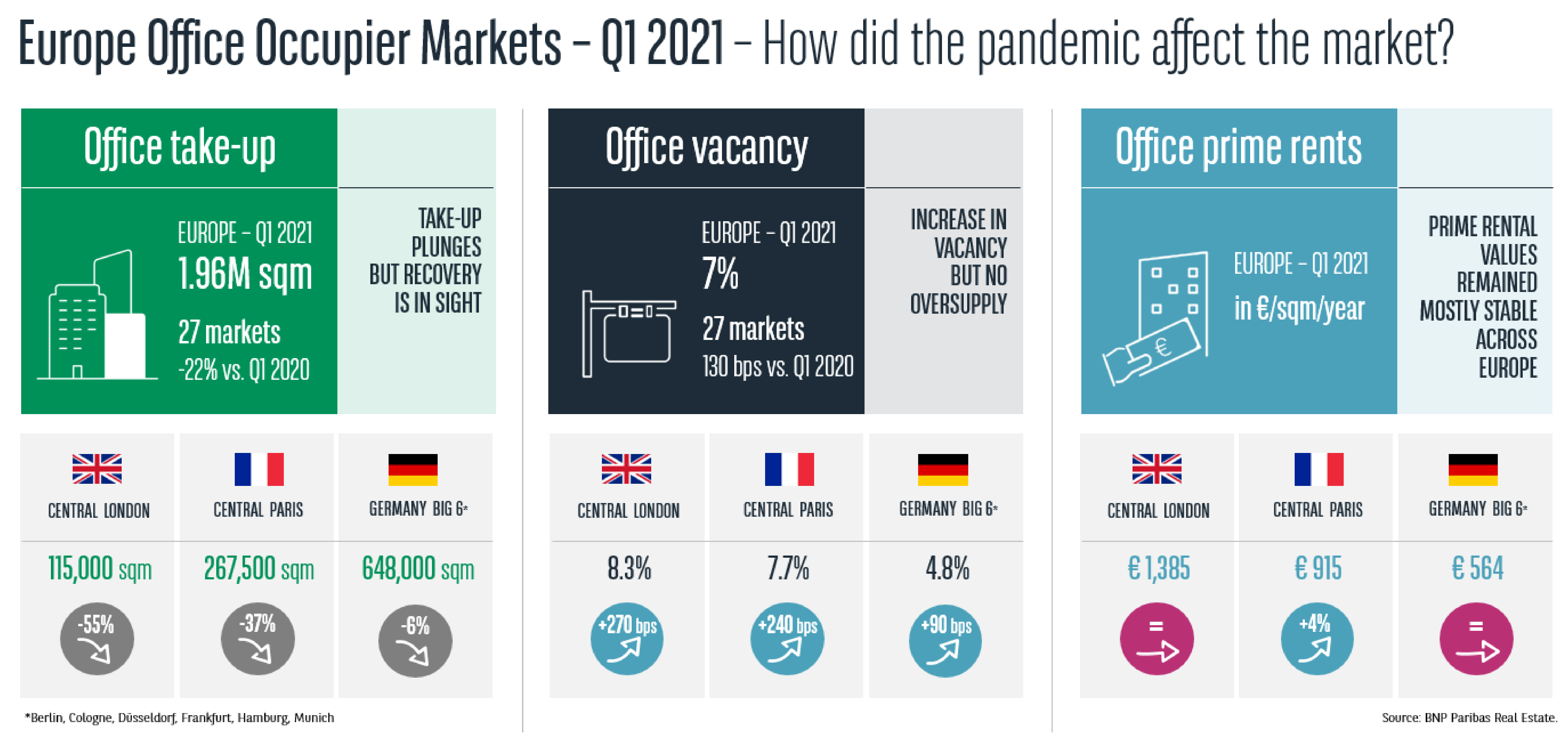
Thanks to the increase of e commerce, we expect an increase of LCVs fleet but also other new vehicles such as cargo bike for the last mile demand.

Source: McKinsey Global Institute analysis, Feb 2021

E-commerce, in particular, is expected to remain in strong demand and, indeed, continue to increase after the pandemic, due to its convenience for customers and the ubiquity of digital payments. Demand for LCVs is expected to increase in tandem, as are requirements newer vehicles, such as cargo bikes designed for last-mile deliveries.

Real Estate

Economic growth is expected to fuel office take up in the wake of the pandemic



IMPACT OF REMOTE WORKING ON MOBILITY AND REAL ESTATE OFFICES

Unsurprisingly, the pandemic severely affected European office markets, lockdowns and movement restrictions subdued activity in 2020 and in early 2021. Office take-up plunged; it was down 22% year-on-year to 1.96m square metres in quarter one of 2021 across the EU. However, the office markets entered the crisis with very strong fundamentals: extremely low vacancies, high rental values and dynamic demand. Office vacancies fell by a comparatively low 7% and were up 130bps in the same period, but there was not an oversupply of available locations. The first signs of recovery are already in sight in some markets, and the predicted economic rebound should support the market in the coming years.

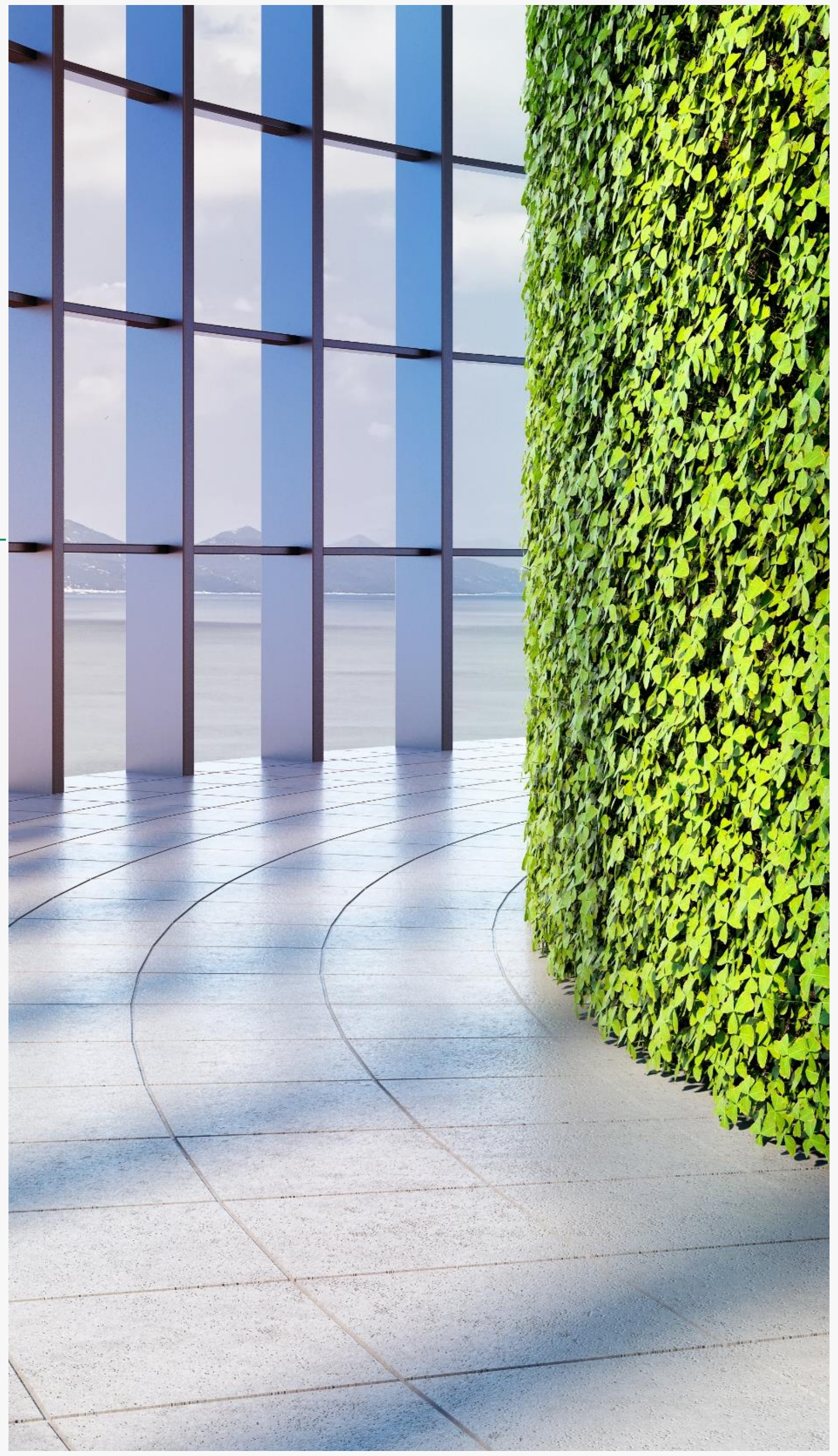
Economic growth is expected to fuel office take up in the wake of the pandemic, with take-up in major European markets predicted to increase across the board to 2023. A modest increase in new buildings and a more significant rise in second-hand ones is anticipated to create a 190bps upturn in office vacancies, leading to a general controlled increase across the 14 main European markets.

Prime rental values also remained mostly stable across Europe, which shows that such locations are coveted by clients. As of quarter one 2021, the office vacancy rate in major European central business districts ranged from a low of 1.3% in Munich to 6% in London's West End, but such locations are widely expected to remain the most sought after.

The rise in teleworking experienced during the pandemic is nevertheless likely to change the office usage and the organisation of work. Even though each company will determine its own new organisation, it is expected that a hybrid form of work will become the rule, with an average of two days per week of remote working. This will surely have an impact on the market. Companies may decide to reduce their office space due to the increase share of their workforce working remotely every day, but also to review their real estate strategy. More careful choices of location, easily accessible by all transportation means (from mass transit to soft mobility), a high-quality work environment and more flexibility should be keys to understand the future of the office markets.

Mixed-use Districts and Polycentric Cities

The '15-minute city' concept provides residents with a full suite of facilities to meet most of their daily needs within walking distance



As with corporate mobility, new trends were emerging within major European conurbations before the onset of the pandemic and are often motivated by environmental and efficiency gains. Polycentric city planning is among the ideas accelerated by COVID-19 as a direct response to residents travelling less and spending more time in their local areas.

The '15-minute city' concept, as detailed in Arval Mobility Observatory's article (https://mobility-observatory.arval.com/the-15-minute-city), would provide residents with a full suite of facilities – such as shops, parks and hospitals – to meet most of their daily needs within walking distance. The model is designed to reduce the need for residents to travel extensively beyond their local area, reviving a local way of life within major urban conurbations, and such plans have recently been implemented in cities including Paris, Madrid, Milan and Edinburgh. It was referenced in the C40 Mayors' agenda for a Green and Just Recovery – a network of the world's 96 megacities committed to addressing climate change.

The ‘20-minute neighbourhood’ is similar in theory, and champions the establishment of multiple amenities, such as access to local transport, nearby employment opportunities and schools within an equally accessible distance.

Mixed-use buildings could also deliver multiple efficiencies by combining the dual urban functions of office or other commercial space with residential areas. They have the potential to reduce environmental impact, as they take up less space, discourage car use and can combine new, second-hand or even formerly disused properties. Residents could live and work in the same location, all while encouraging livelier communities, as residents and employees coexist.

Such concepts champion the notion of ‘smart density’, which involves accommodating inevitably rising city populations within broader, decentralised areas, spread around the conurbation and necessitates less travel between neighbourhoods, which offers a more sustainable form of urban real estate growth and development.

03 Scenarios

WORKING REMOTELY, in the office or both?

It should not be a decision from the company only...
Employees' well being is the most important to ensure success of the transition to the new normal.

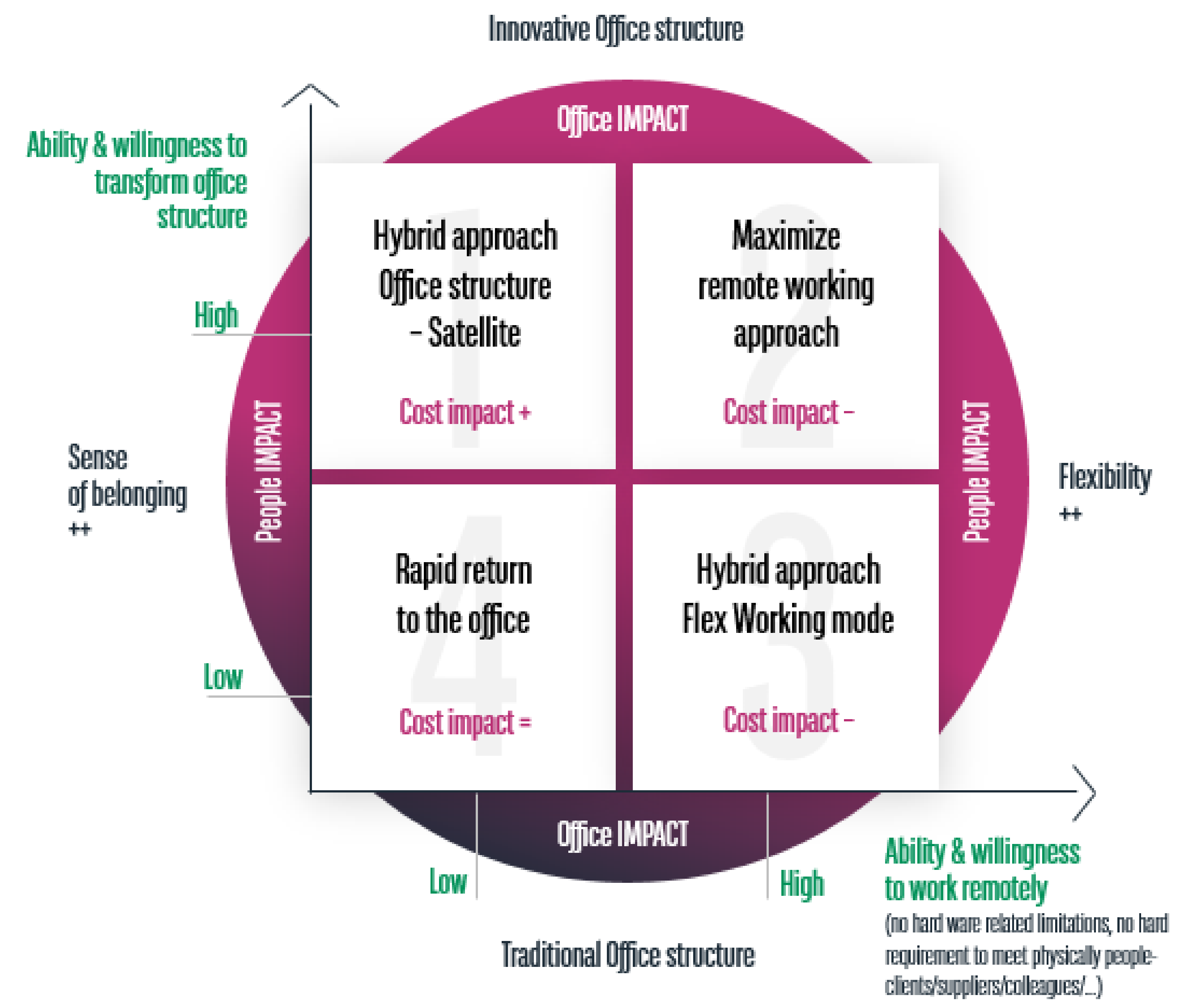
Employee wellbeing is vital for a successful transition to the new normal

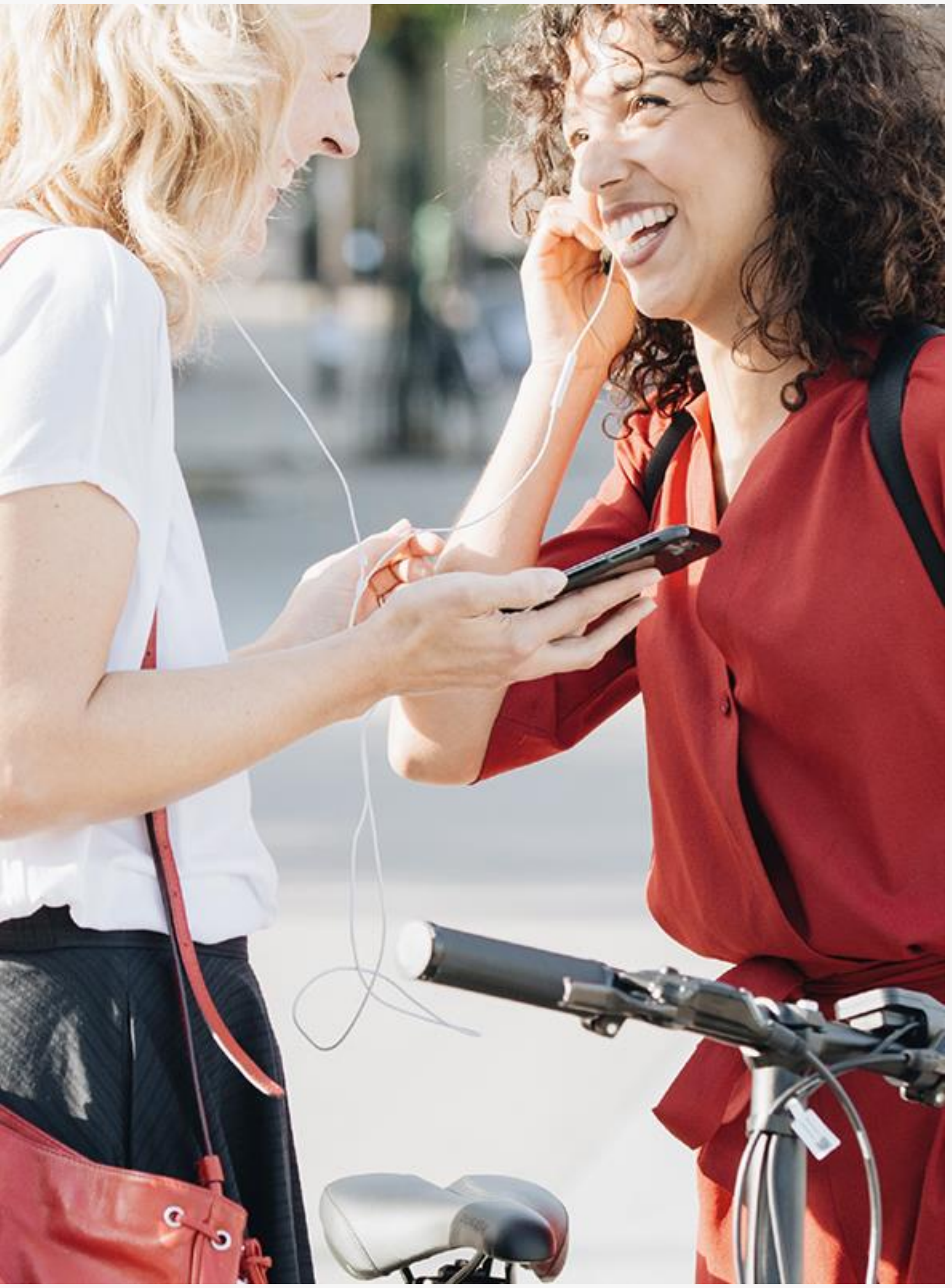
IMPACT OF REMOTE WORKING ON MOBILITY AND REAL ESTATE OFFICES

The 'new normal' has been a common term since the earliest days of the pandemic, but it is not a clear concept with respect to the long-term shape of corporate mobility and real estate. One of the biggest questions for businesses is whether they retain the widespread practice of remote working, resume with full-scale office work or proceed with a mixture of the two.

What is clear is that the decision should not be made purely by the company. Employee wellbeing is vital for a successful transition to whatever the new normal becomes, and staff should therefore be a part of the decision-making process.

Arval Consulting has developed a matrix, which illustrates a series of ways in which office and mobility structures could be transformed and both physical and remote working incorporated in the wake of the pandemic. It is based on the ability and willingness of the business to change its way of working and its office stucture; some methods bring savings, some additional costs. Although the matrix is designed to be applicable in the majority of cases, many other parameters could also be considered, such as country, industry sector and location of the office, among others.





Scenario 1:
Hybrid Approach – Office Structure – Satellite

Employees benefit from shorter commute times and well-located work environments

Our first scenario involves establishing a series of satellite offices in alternative but potentially cheaper locations around different city districts, closer to transportation hubs and employees' homes. The company's main headquarters, potentially in a central business district, would be retained but downsized, and used in a flexible manner. It typically suits sectors such as finance.

The advantages of this approach for the business include cheaper rents, the ability to keep certain offices open in the event of localised lockdowns. Employees benefit from shorter commute times, well-located work environments and the ability to physically return to work, forming a stronger connection with the company than in a predominantly or completely remote environment.

Disadvantages can be a lack of communication between departments and employees if they are split between multiple locations and high initial financial costs, as companies would have to provide employees with the same level of services and electronic devices across multiple locations. Multiple secondary office rents can also be high compared to long-term leases and the business takes on a greater overall number of rents and leases, while the spaces can produce difficulties with data security.

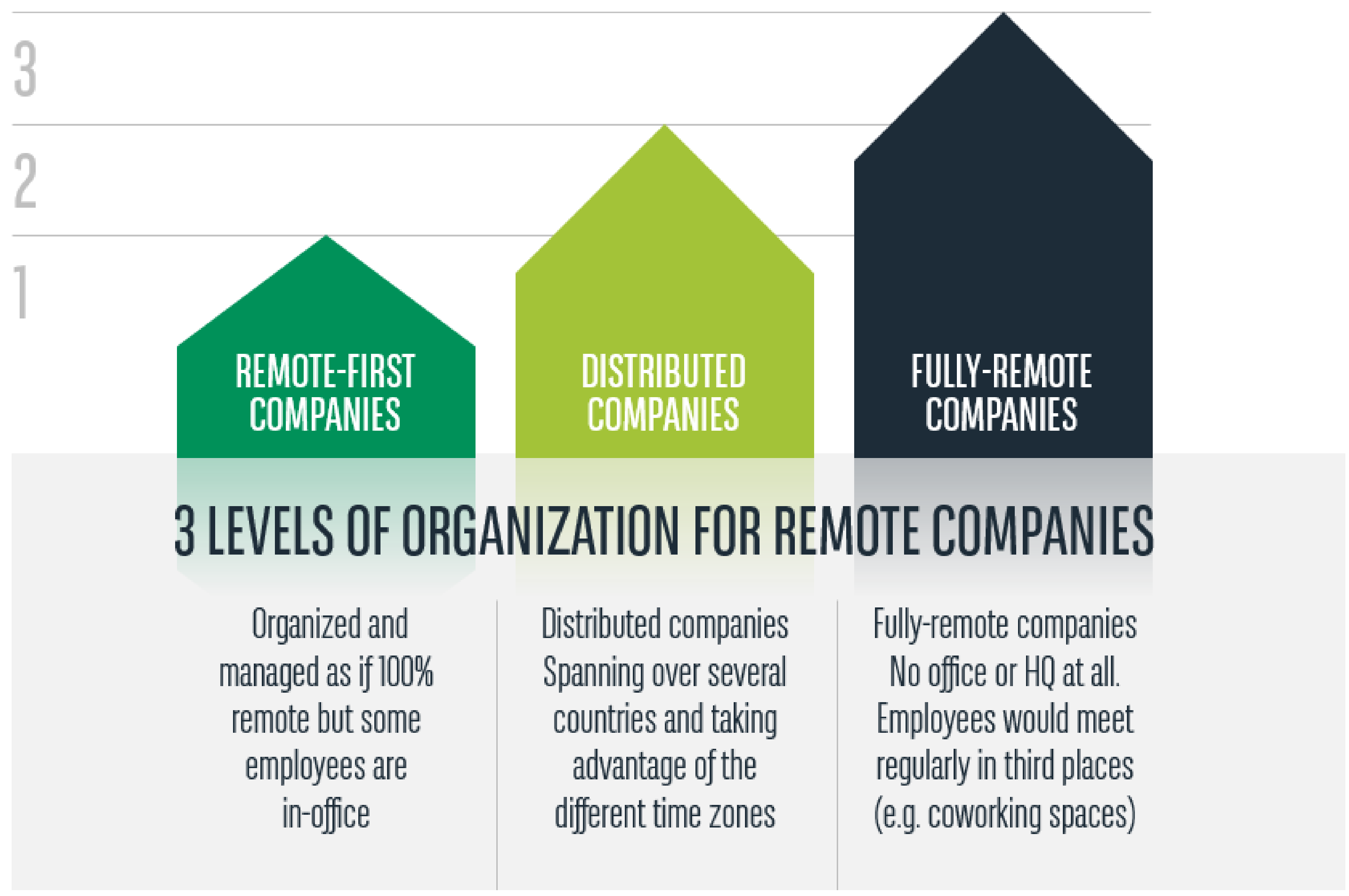
This approach as such has a minimal impact on traditional corporate fleets, as benefit and job-need cars remain unchanged. However, it could be an opportunity to offer to other employees alternative mobility solutions such as car sharing, ride sharing and bike schemes.

Scenario 2: Maximise Remote Working Approach

Real estate costs amount to nothing more than the occasional coworking space rental for team gatherings and it is extremely flexible

Our second scenario involves maximising remote working, the main benefit of which is cost, because office space drops to the bare minimum and real estate costs amount to nothing more than the occasional coworking space rental for team gatherings. It is also extremely flexible for employees as they can work from everywhere, but the drawbacks are a lack of physical interaction with colleagues and a feeling of detachment from the company.

This model typically suits the IT sector, and tech companies such as Frontastic and Edgar talk enthusiastically about the successes of their fully remote set-up which, among other perks, allows them to hire employees anywhere in the world.



There are three levels of organisation for remote companies: the first is a remote-first policy, whereby the business is run as if it were 100% remote but retains some employees in a physical office; the second is distributed companies which span several countries and take advantage of different time zones; the third is fully remote, with no physical premises whatsoever but occasional use of coworking spaces.

Under this model, benefit car drivers would be offered a mobility package instead of a company car only, which could be tailored to suit their individual needs, but there would be no change for job-need drivers. Mobility budgets, flexible packages and sharing concepts for urban and non-urban mobility would form part of the overall fleet offering for those without a car allowance.

Scenario 3: Hybrid Approach – Flex Working Mode

It represents an attractive balance for employees, who have the option of returning to a physical office but can tailor their location

Our third scenario comprises reshaping existing offices to create more collaborative areas, such as meeting rooms and larger work spaces, and introducing incentives to encourage employees to return to the office while still permitting them to work remotely where appropriate. Such incentives might include concierge services – open accessibility during evenings and weekends for parking, charging stations or car sharing locations.

The format sees employees share desks – which are not dedicated to specific individuals – and work, for example, two days a week at home and three days a week at the office. Also known as FlexOffice, this approach may suit medium-to-large companies in industries such as automotive or services and represents an attractive balance for employees, who have the option of returning to a physical office and therefore a greater attachment to the company, but they can tailor their working location according to their personal circumstances.

There would be no change to corporate fleets under this model, only that benefit car drivers would likely cover lower mileages. It also encourages car sharing, which could employ a mixture of vehicles with different powertrains, along with micromobility solutions such as scooters and e-Bikes – and may even produce unexpected future mobility patterns.

Scenario 4: Rapid Return to the Office

Such an approach suits companies and industries heavily reliant on physical work, such as construction

Our fourth and final scenario is a rapid return to the office – effectively a resumption of conventional business as it was before the pandemic. Such an approach would undoubtedly suit companies and industries heavily reliant on physical work, such as the construction sector, has zero impact on company organisation or corporate mobility and may be welcomed by employees keen to return to work and reform stronger links to the business.

However, it does not incorporate any learnings from working practices gleaned throughout the pandemic and does nothing to optimise or progress the company's fleet management. Furthermore, some employees may be reluctant to return to long commutes after a spell working from home.

04 Conclusion

Remote working has clearly boomed during the pandemic, and it is highly likely to remain in certain sectors. However, different industries and countries have not reacted to employees working from home in the same way, so the extent to which the practice lingers remains to be seen and is highly dependent on the organisation. Whatever the outcome, it is always best approached in consultation with employees.

The adoption of alternative mobility solutions has certainly been accelerated by COVID-19, as fleets increasingly turn to newer, cleaner and safer methods of transport. While such methods are expected to account for a larger portion of corporate mobility, they coexist alongside traditional forms of business transport.

As for real estate, the four scenarios identified by our matrix illustrate some of the decisions companies could make regarding their future approaches to remote and office-based working and their potential impacts. However, it is important to remember that many factors influence such decisions, therefore a wide variety of outcomes is likely.

Whatever the decision, Arval and BNP Paribas Group can support businesses with the major changes and developments in corporate mobility and real estate brought about by the pandemic, along with wider trends in the ever-changing corporate landscape.

About Arval and BNP Paribas Real Estate

> Arval further reinforces its ambition to become the leader in sustainable mobility with the launch of a set of new mobility services, which together represent an industry first.

This new offering is part of the strategic plan Arval Beyond recently launched with one main ambition: to become a leading player in sustainable mobility through the rollout of its 360° Mobility offer.

Arval Consulting has been operating since 2008 and has completed more than 10,000 missions in that time. We are active in 11 countries, provide support in a further 28 and we are committed to making your shift to new and sustainable forms of mobility a success.

Arval Consulting has recently launched a new approach "Arval Mobility Consulting" in response to the recent trends we exposed previously– including factors such as asset sharing of bikes, cars and scooters, concerns over environmental issues and the growth of Mobility as a Service (MaaS) – all of which have in turn been accelerated by the arrival of COVID-19.

Arval has evolved from a car-centric company into a mobility company. Corporates and their employees, in all geographies, will be offered the sustainable and state-of-the-art mobility options they need, and Arval Mobility Consulting is an important enabler to help corporates to make the right choices.

About Arval and BNP Paribas Real Estate

> BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: Property Development, Transaction, Consulting, Valuation, Property Management and Investment Management.

With 5,000 employees, BNP Paribas Real Estate as a one stop shop company, supports owners, leaseholders, investors and communities thanks to its local expertise across 30 countries (through its facilities and its Alliance network) in Europe, the Middle-East and Asia. BNP Paribas Real Estate is a part of the BNP Paribas Group, a global leader in financial services...

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