

Adaptive Spaces

Spring 2022 Asia Pacific Occupier Survey

REPORT

Crafting the Post-
Pandemic Office

CBRE RESEARCH

MAY 2022



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With the pandemic now well into its third year, most companies in Asia Pacific are displaying a clear shift towards embracing real estate strategies that recognise that the virus is here to stay. As flexible working patterns become the norm, the development of agile portfolios and real estate strategies must be prioritised.

The findings of CBRE's Spring 2022 Asia Pacific Occupier Survey, which was conducted from March-April of this year, indicate that a majority of Asia Pacific office occupiers are at the stage of implementing their post-pandemic real estate strategies. This report identifies the key features of these strategies and their expected outcomes while also pinpointing the challenges companies are likely to encounter during this period of transformation.



Real Estate Priorities in the Post-Pandemic Era

- 66% Adopting **Flexible Working** as the New Normal
- 53% Refining **Workplace** Strategies and Policies
- 48% Augmenting **Office Wellness and Sustainability**
- 37% Delaying the Return to the Office
- 19% Reducing Long-Term Portfolio Requirements

01

Adopting Flexible Working as the New Normal

01 — Binary Approaches to Flexible Working

While flexible working has seen widespread adoption over the past two years, many companies are still considering the degree of flexibility they provide so as to ensure productivity and connectivity with employees are maintained.

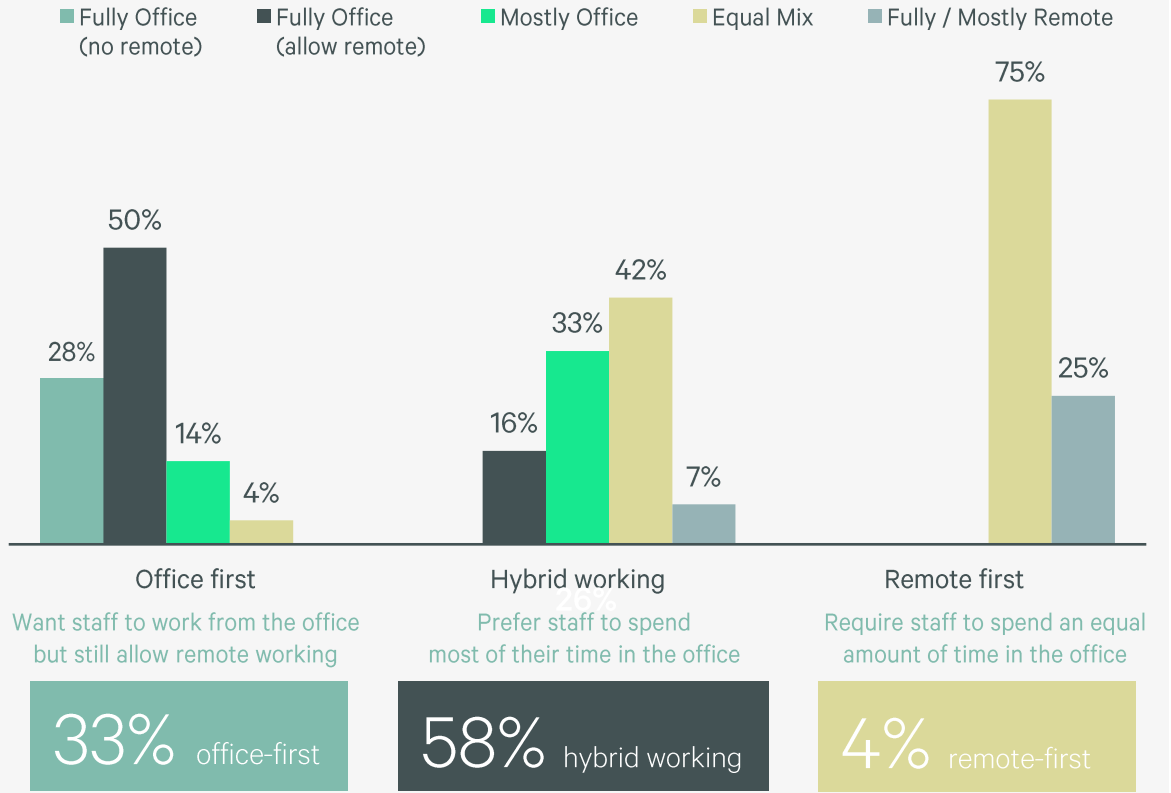
The survey found that ‘hybrid working’ and ‘office-first’ will be the two main approaches to flexible working, with only a very small number of companies planning to adopt a ‘remote-first’ method.

Hybrid working, which involves staff splitting their time between working from the office and from home, is the most popular option, selected by nearly 60% of respondents. However, around half of occupiers that adopt hybrid working want their staff to spend most or all their time at the office, with the remainder expecting an equal mix.

One-third of respondents, many of which were Asian companies, intend to retain an office-first approach, whereby employees would be required to primarily work from the office. A majority within this subset stated that they will still permit some remote working under certain circumstances, an approach CBRE defines as ‘just-in-case hybrid working’.

Compared to Asia Pacific, more companies in the U.S. and EMEA prefer hybrid working, with the total reaching 70% of respondents in each region. Only 19% and 10% of U.S. and EMEA respondents, respectively, prefer office-first working, well below the rate in Asia Pacific.

FIGURE 1: Future workplace policy intentions



Note: N=150; The percentage of respondents choosing “unsure” was not shown the chart above.
Sources: CBRE Research, March 2022

01 — Employees to Spend More Time in the Office

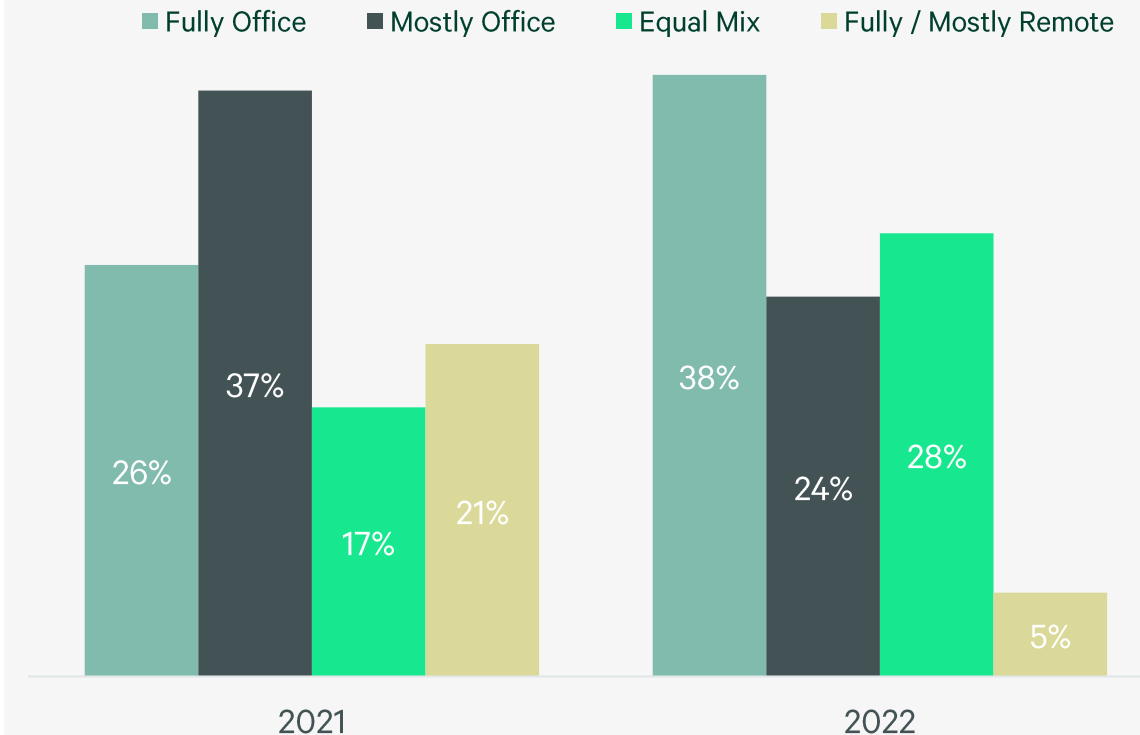
The number of occupiers expecting their staff to work fully from the office increased to 38% in this year's survey from 26% in 2021. Assuming the direct adoption of hybrid working and no change in headcount, this implies a reduction of 10-15% in office demand, compared to the slightly larger contraction of 15-20% extrapolated from last year's survey.

These findings align with recent on-the-ground findings by CBRE's brokers who have observed only a limited number of leasing deals involving the large-scale reduction of office space. Instances of subleasing and surrender space have also fallen compared to 2021.

More companies appear to be pursuing a strategy of relocating to a slightly smaller office while increasing their investment in interior fit-out and upgrading to a high-quality building.

Expectations of office attendance are higher in Asia Pacific compared to the rest of the world. While 38% of respondents in Asia Pacific expect their staff to fully work at office, just 5% or less in the U.S. and EMEA expect the same. About half of respondents in the U.S. and EMEA expect an equal mix of office and remote based working.

FIGURE 2: Expected frequency of working from the office in a steady state situation



Note: N=150.

Sources: CBRE Research, March 2022

01 — Guidelines and Policies Are Needed

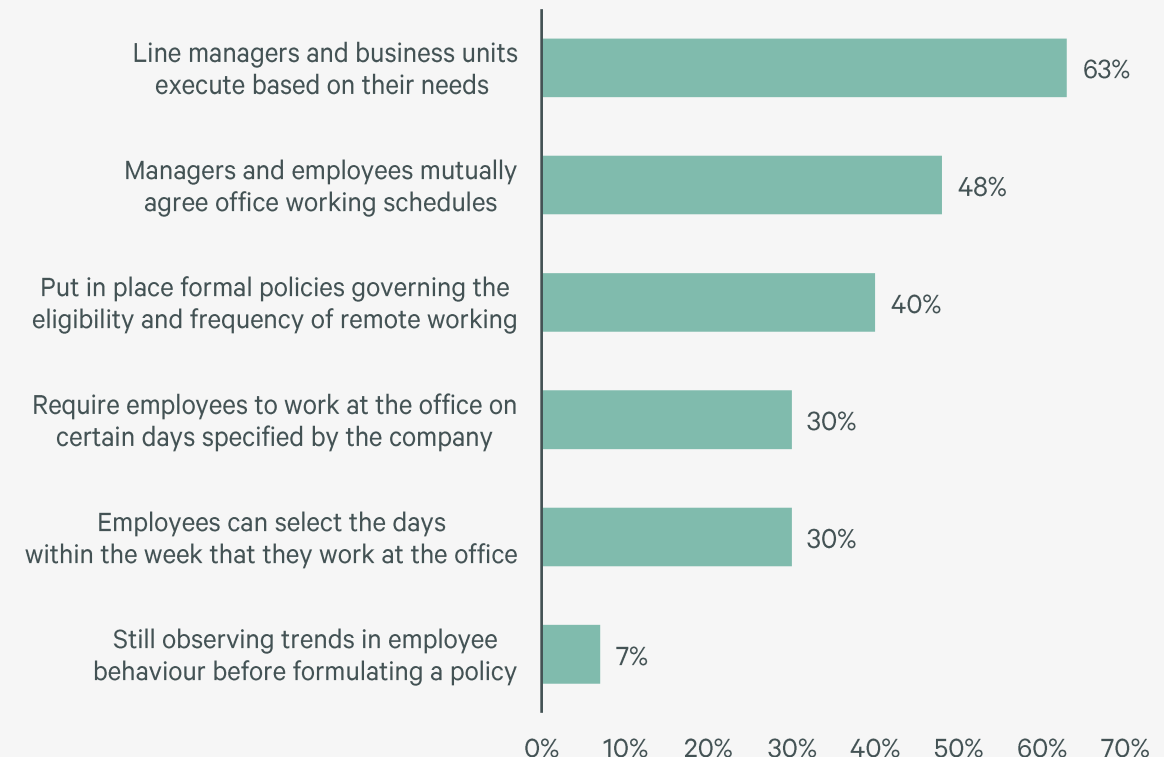
While there is a strong consensus for the adoption of flexible working, many companies are encountering difficulties when implementing flexible working policies and are cognisant of the impacts such measures will have on productivity.

Although 92% of companies adopting hybrid working provide employees with formal guidance related to working schedules and eligibility, companies are still tinkering with these measures and carefully formulating detailed regulations on where and when staff should be working. Some firms therefore continue to rely on head of business units or line managers to informally agree and monitor working arrangements with their individual teams.

Around half of respondents allow managers and employees to agree on when they should work at the office; a third mandate a fixed schedule of when staff should work at the office; and another third give workers the freedom to choose.

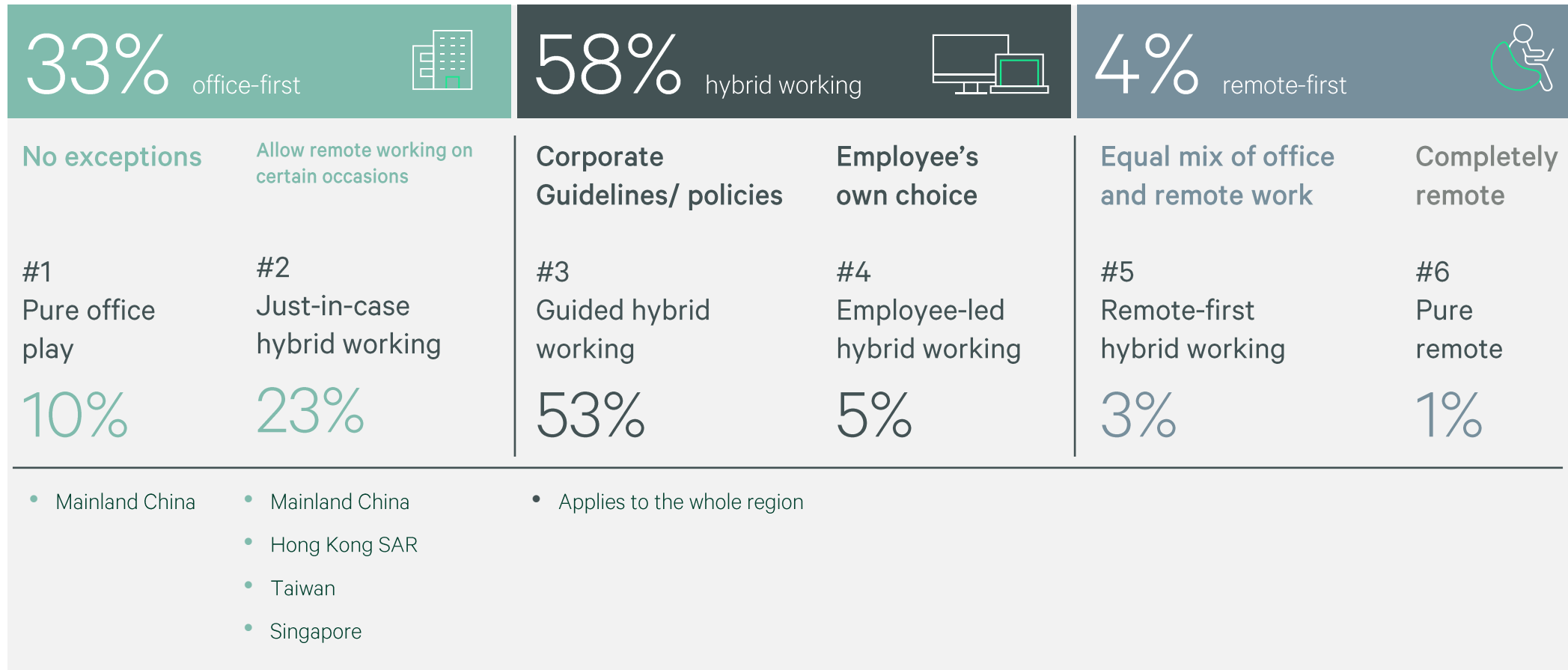
When more data and information related to hybrid working become available, CBRE expects companies to be in a better position to refine these policies into a more systematic approach.

FIGURE 3: Approaches to implementing hybrid workplaces



Note: N=150. Multiple selections applied.
Sources: CBRE Research, March 2022

01—The Six Approaches to Flexible Working



Sources: CBRE Research, March 2022

01 — Six Approaches to Flexible Working

Using the findings of the survey, CBRE has identified and defined six different work strategies for the post-pandemic era.

The most prevalent model is ‘guided hybrid working’, characterised by a mix of office-based and remote-based work governed by a set of corporate guidelines and policies. ‘Just-in-case hybrid working’, involving an office-first approach combined with some flexibility to allow remote working when necessary, is the second-most popular option.

Around 10% of companies, predominantly Asian firms, intend to retain a ‘pure office’ approach, while a very small minority of 9% of plan to pursue an ‘employee-led hybrid’, ‘remote-first’ or ‘pure remote strategy’.

Although the findings of the survey have been used by CBRE to distinguish these six approaches, CBRE believes there is no “one size fits all” strategy, even for individual departments or business lines within the same company. While back-office functions may be more suited to working remotely, client-facing roles or business critical operations are still best undertaken from the office.

CBRE anticipates a high degree of divergence across geographies, depending on the local working culture and availability of a suitable home environment for work. Companies are advised to evaluate different models and gain a thorough understanding of how employees wish to work before arriving at their solution.



02

Refining Workplace Strategies and Policies

02 — Refining Workplace Strategies and Policies



Another key priority for office occupiers in Asia Pacific is to improve workplace strategies and policies to ensure their offices remain suitable and relevant for flexible working. CBRE has used the survey findings to identify the following key concerns:

- 1 Improving Workplace Flexibility
- 2 Balancing “Me” and “We” Space
- 3 Utilising Technology (Smart Workplaces)
- 4 Selecting Futureproof Buildings

02— Creating the post-pandemic office



Improving
Workplace
Flexibility



Balancing
“Me” and
“We” space



Utilising
Technology
(Smart
Workplaces)



Selecting
Futureproof
Buildings

02—Improving Workplace Flexibility

While many companies began a shift to hot-desking and other forms of flexible seating several years before the pandemic, this process has accelerated sharply since 2020. The survey found that just 28% of companies retained fixed seating arrangements as of 2022, well below the 58% of firms who did so prior to the pandemic, with the adoption of Activity-based Working (ABW) expected to gain further momentum in the coming years.

CBRE has observed a significant variance in workplace configurations across different industries. While the financial sector will undergo the strongest shift away from fixed seating, companies in this industry will also adopt a policy of targeted mobility to accommodate the specific needs of critical and non-critical functions.

Although ABW will be the norm within the tech sector, some companies intend to allocate a certain number of fixed desks for employees in functions such as research and development. While professional services firms will maintain numerous fixed seats, some law firms are already introducing unassigned private offices for confidential work that can be reserved by staff. Companies in the life science sector require the fewest number of fixed desks and are mostly pursuing hotdesking.

By adopting flexible seating, companies will be able to increase their employee desk sharing ratio. However, achieving this will require the introduction of supporting technological and operational solutions as well obtaining the approval and participation of employees.

FIGURE 4: Companies’ office seating arrangements

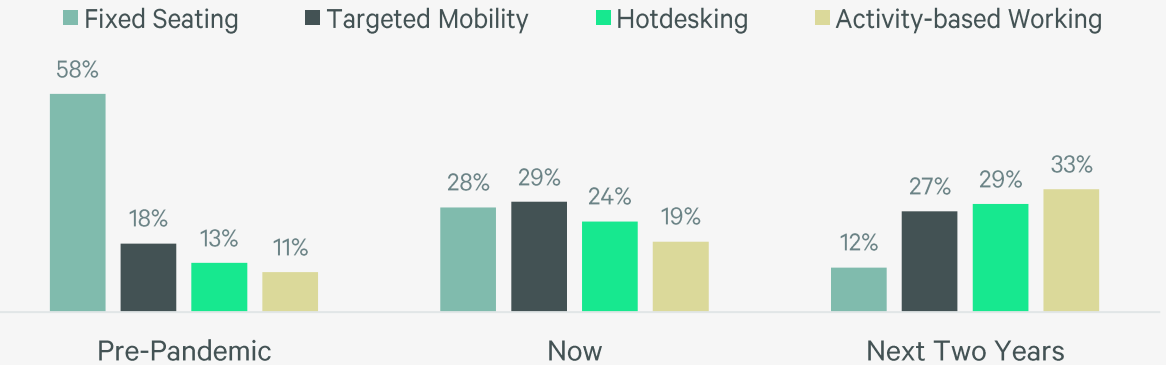
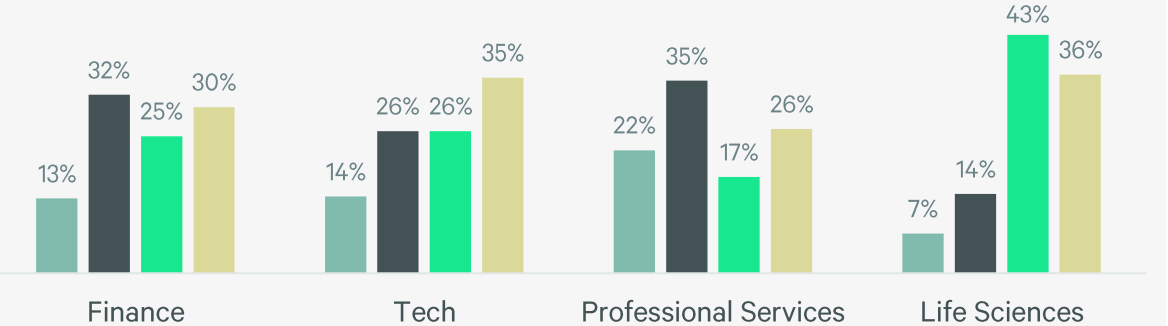


FIGURE 5: Companies’ office seating arrangements by industry (Two years from now)



Note: N=149. Multiple selections applied, rebased to 100% for each category.
Sources: CBRE Research, March 2022

02— Balancing “Me” and “We” space

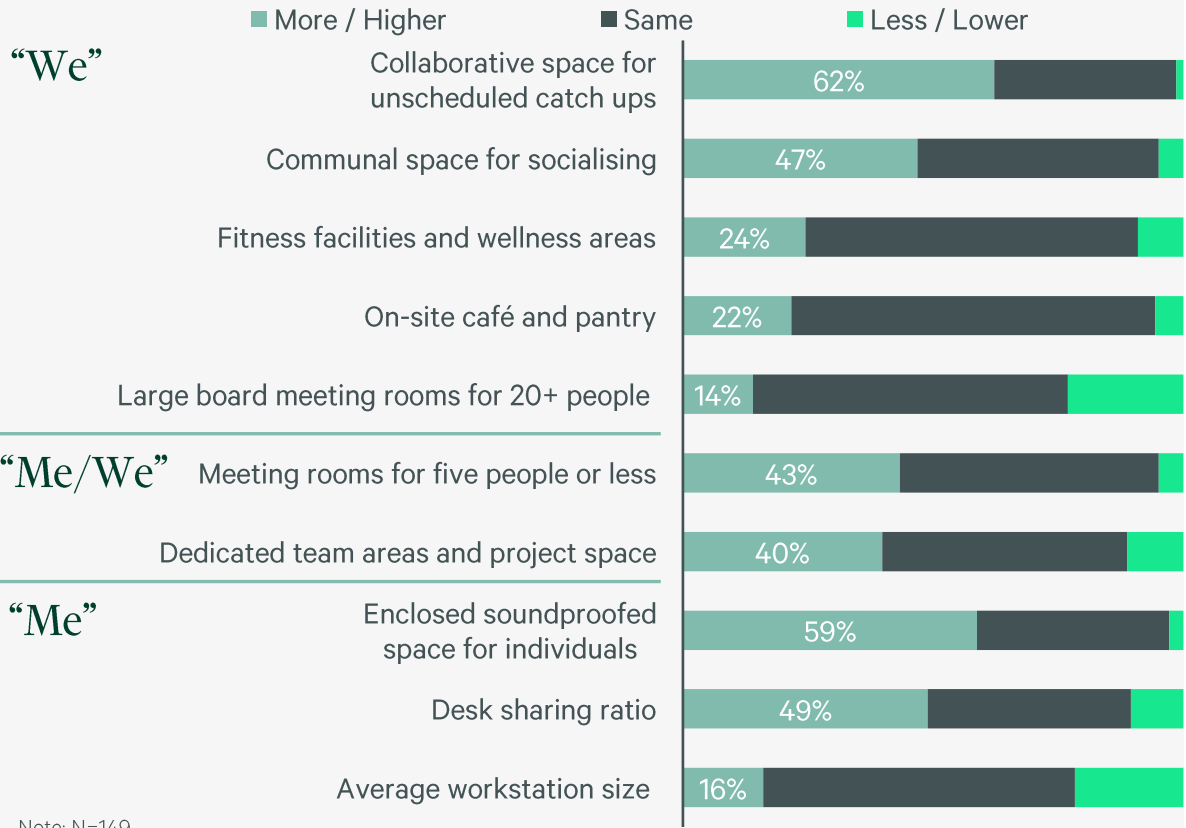
As the adoption of hybrid working tends to lead to focused work being performed remotely, the office will become a location for discussion, interaction and collaboration. However, this does not necessarily mean that companies will reduce the volume of “Me” space in their workplaces. Instead, CBRE expects occupiers to create more appealing “Me” space and more flexible “Me/We” space to entice staff to come to the office.

When considering “Me” space, occupiers were divided on whether to increase or reduce workstation size. However, there was a clear consensus toward providing more soundproofed space such as phone booths to accommodate meetings and phone calls, the duration of which has increased since the pandemic.

In the case of “We” space, respondents identified collaborative space for unscheduled catch-ups and communal space for socialising as the two types of space for which they expect demand to increase. In contrast, larger spaces for formal meetings are likely to see weaker demand as more meetings adopt a hybrid format involving smaller groups in the office being joined by multiple individuals dialing in from other locations.

CBRE also expects occupiers to increase their allocation to “Me/ We” space such as designated areas for project teams and smaller meeting rooms. This type of space possesses sufficient flexibility to also be used as “Me” space when locations for focused work are required.

FIGURE 6: “We” and “Me” space priorities



Note: N=149.
Sources: CBRE Research, March 2022.

02— Utilising Technology (Smart Workplaces)

Technology will be critical in supporting the adoption of hybrid working models and helping occupiers create smarter workplaces to provide a better user experience. About 60% of survey respondents intend to increase their investment in technology in order to achieve these goals.

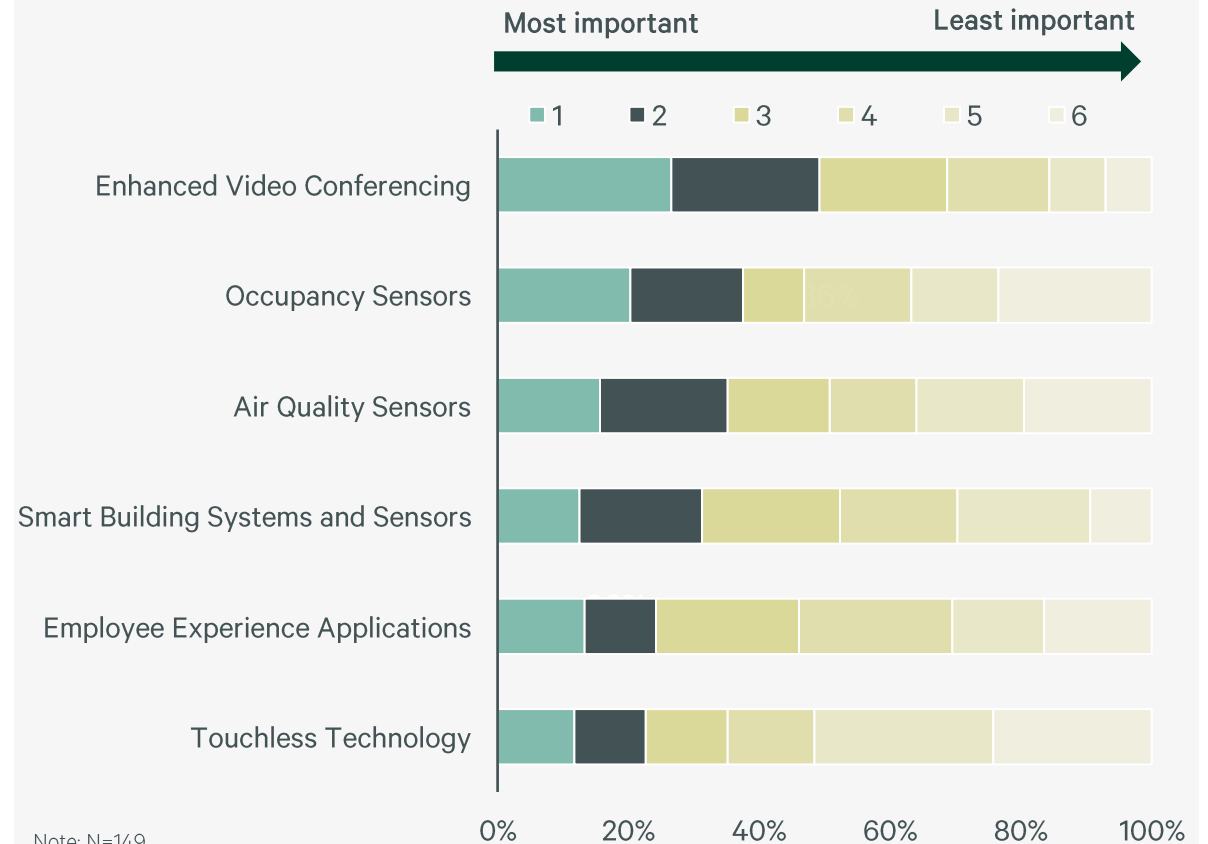
Enhanced video conferencing facilities are by far the most popular measure, with almost half of respondents ranking this option in the top two corporate real estate technologies. As most meeting rooms were designed pre-pandemic and therefore often lack the technological features to accommodate hybrid meetings, features such as audio, microphones, cameras, and lighting will need to be augmented.

Other priorities include occupancy sensors, which can help companies track space utilisation to make better-informed decisions regarding workplace design and management. Sensors to monitor air quality will also be keenly sought-after as lingering pandemic-related concerns prompt companies to improve air ventilation and filtration in the workplace.

Respondents displayed relatively little interest in creating their own employee experience applications or installing smart building features, with much of the responsibility in these areas having already been assumed by landlords.

CBRE believes that the creation of a high-functioning phygital workplace* with optimal space allocation will require substantial investment and demand close collaboration between corporate real estate teams and information technology, human resources, and finance departments.

FIGURE 7: Workplace technologies to be implemented in support of hybrid working



Note: N=149.

Sources: CBRE Research, March 2022.

* Phygital workplaces blend the physical office and digital tools to support and improve productivity and employee experience. They are also sometimes referred to as omnichannel offices.

02— Selecting Futureproof Buildings

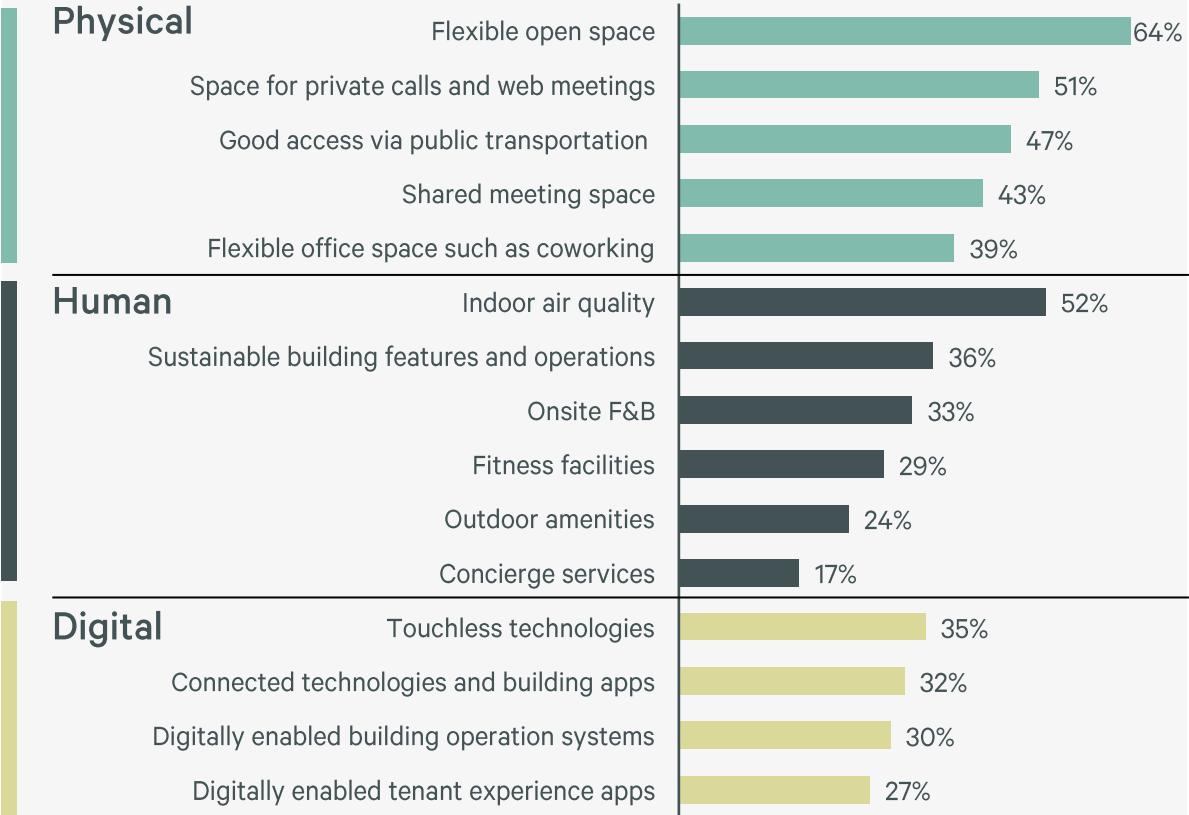
The adoption of hybrid working will require more sophisticated real estate and will drive demand for ‘futureproof’ buildings possessing a combination of leading-edge physical, human and digital elements.

In terms of physical attributes, survey responses pointed to a need for flexible office solutions with supporting services provided by landlords. Reflecting the shift towards hybrid working, flexible and open space that can be easily reconfigured will be especially sought-after. Other must-haves include private space for phone calls and online meetings; a flexible or shared office space or provider within the building; and good access via public transportation.

Demand for human features primarily centre on wellness, sustainability and community. Landlords must enhance indoor air quality and incorporate green building features and operations to meet occupiers’ requirements for a healthier working environment. While there is still demand for F&B, fitness and concierge facilities, these are now minimum requirements for most large occupiers.

Although the survey revealed relatively lower demand for digital features, this is largely due to the rapid progress made in introducing digital hardware to buildings since the onset of the pandemic and not indicative of a lack of interest. With many landlords already having incorporated touchless technologies in elevators and internal doors to reduce human contact, these features are now a prerequisite rather than a differentiator for occupiers to select a building.

FIGURE 8: Most sought-after building attributes



Note: N=149. Multiple selections applied.
Sources: CBRE Research, March 2022.

03

Augmenting Workplace Wellness and Sustainability

03— Employee Wellness is Top of the Agenda

With the pandemic having raised awareness about wellness and sustainability in the workplace, most occupiers are implementing or at least considering a range of related initiatives.

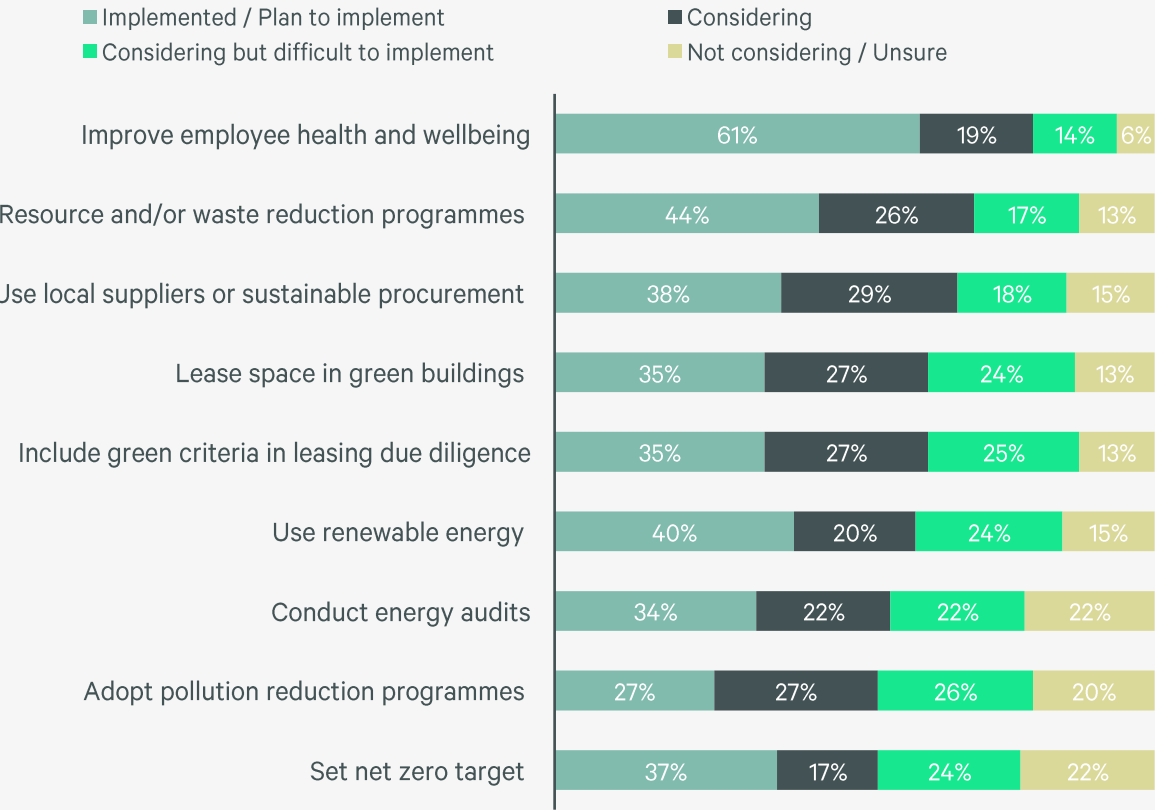
Measures to improve employee health and wellbeing have already been implemented by 61% of respondents, with a large number also prioritising resources usage and waste reduction.

While initiatives related to green buildings and leases remain popular, many respondents have found it difficult to adopt such measures in their existing properties. This is driving a wave of flight-to-quality to modern, high-quality green buildings, supported by a greater willingness on the part of many leading landlords to agreeing green leases with tenants.

Although 40% of respondents have already implemented or are planning to implement the use of renewable energy, adoption varies across the region as it is dependent on availability from the local electricity grid. Some landlords have incorporated solar panels into their buildings, but the energy generated remains small compared to total overall consumption.

More than 20% of occupiers are not considering adopting energy audits, pollution reduction measures or net zero targets. However, as more markets set decarbonisation targets and legislate stricter ESG reporting and disclosure, these areas will increase in importance. CBRE believes that in the medium to longer term, occupiers will need to develop more comprehensive and holistic ESG programmes to comply with carbon emission and energy efficiency requirements

FIGURE 9: Occupiers’ wellness and sustainability priorities



Note: N=143.
Sources: CBRE Research, March 2022.

03—Tech and Business Services Lead in Sustainability

The survey found that the technology and business services sectors are ahead of other industries in terms of achieving their sustainability objectives. The tech sector performed especially well across key performance indicators and leads other industries in areas such as setting net zero targets and using renewable energy in office portfolios.

Companies in the financial sector are encountering some difficulties in reaching sustainability goals, particularly regarding green buildings, green procurement, and pollution. Contributing factors may include the large size of many banks' portfolios and the fact that they tend to occupy space in CBDs or older financial districts where green building availability is limited.

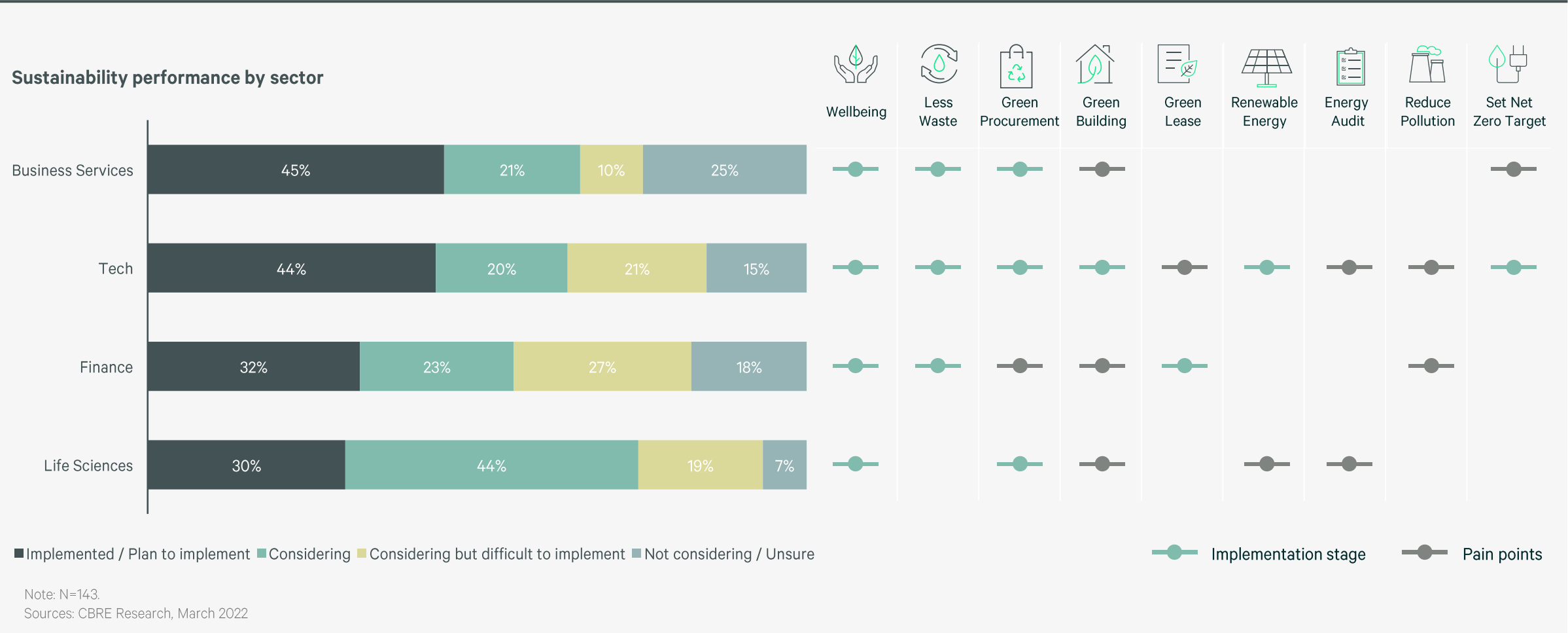
Occupiers in mainland China displayed more difficulties to implement these wellness and sustainability initiatives, with around 40% of respondents from this market stating that they find it hard to pursue such objectives.

China plans to reach peak carbon emissions by 2030 and become carbon neutral by 2060, lagging other countries in Asia Pacific such as Australia, Korea, Japan and Singapore, which aim to become carbon neutral by 2050. India's target for carbon neutrality is 2070.



03 — Tech and Business Services Lead in Sustainability Performance

FIGURE 10: Sustainability performance by sector



03— Interest in ESG Compliant Office Buildings

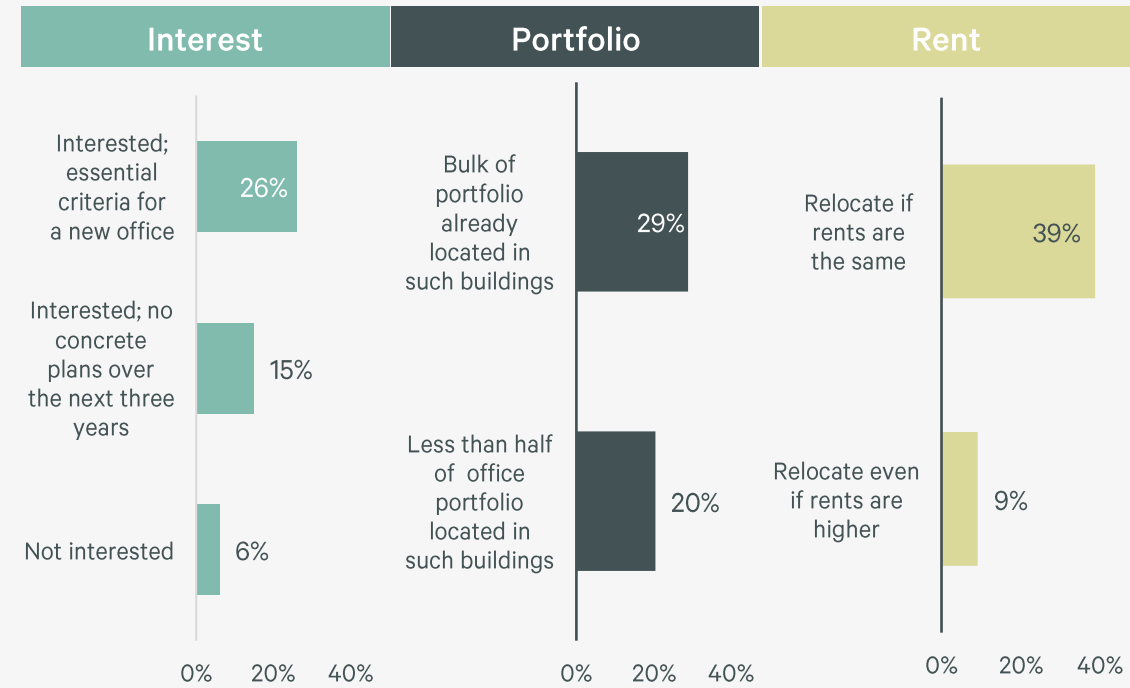
Despite indicating strong demand for ESG compliant buildings, fewer than 30% of respondents currently house a majority of their portfolio in such properties, a proportion well below that in Europe.

ESG-friendly buildings are widely considered by occupiers as an essential criterion for a new office. With limited availability being a key factor, there are considerable opportunities for landlords to develop more green buildings to cater to growing demand.

As more ESG compliant buildings are expected to be completed in the coming years, most occupiers believe they should not have to pay a green premium to relocate to such properties. Just 9% of respondents stated they would be willing to relocate to ESG compliant buildings at a higher rent, a percentage that was even higher among respondents in markets with relatively low ESG-friendly building adoption.

Occupiers remain cost cautious as they seek benefits and savings from the more efficient use of energy and utilities in ESG-friendly buildings.

FIGURE 11: Occupier demand for ESG compliant office buildings



Note: N=142. Multiple selections applied.
Sources: CBRE Research, March 2022.

04

Facilitating a Return to the Office

04— A Full-time Return to the Office Is Underway

With many markets in Asia Pacific having eased social distancing restrictions and permitted increases in office capacity, over half of companies have commenced bringing staff back to the office, either on a full-time or part-time basis.

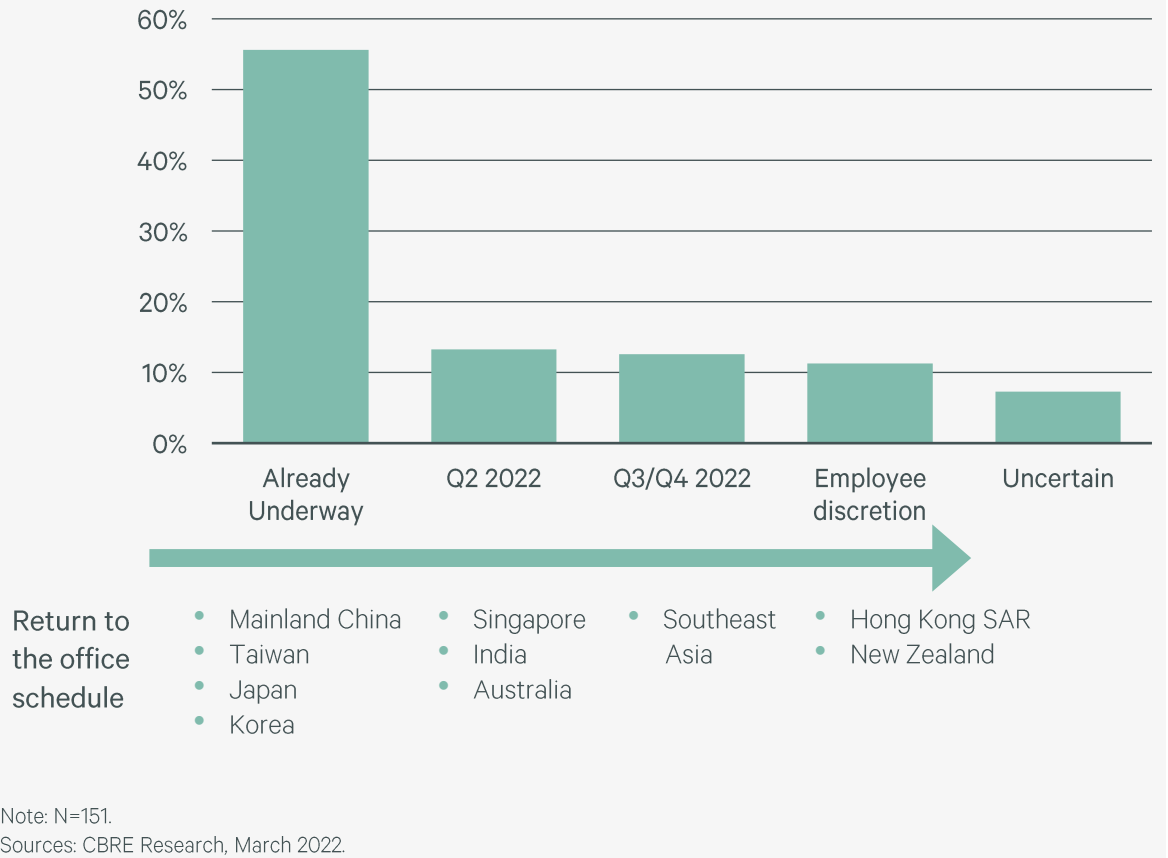
Companies in Asia Pacific are finding it less challenging to bring staff back to the office, with over 50% already having seen employees return as of Q1 2022, compared to around 40% in the EMEA and U.S. However, the pace of the return to office in these regions will pick up in the coming months and is likely to match that in Asia Pacific by summertime.

Mainland China, Taiwan, Japan, and Korea have led the return to the office, although several cities in the former, most notably Shanghai, saw the introduction of strict lockdowns in early Q2 2022 following an Omicron-driven surge in COVID-19 infections.

Respondents expect office attendance in Singapore, India, and Australia to pick up gradually over the April-June quarter, with Southeast Asian markets set to follow in the second half of the year. New Zealand and Hong Kong SAR anticipate an organic return to the office, with the latter already registering an increase in office attendance following the relaxation of pandemic-related restrictions in early May.

Besides cultural factors and shorter lockdowns, Asia Pacific’s smaller home sizes and extensive mass transit systems have helped support the return to the office.

FIGURE 12: Timeline for a return to the office



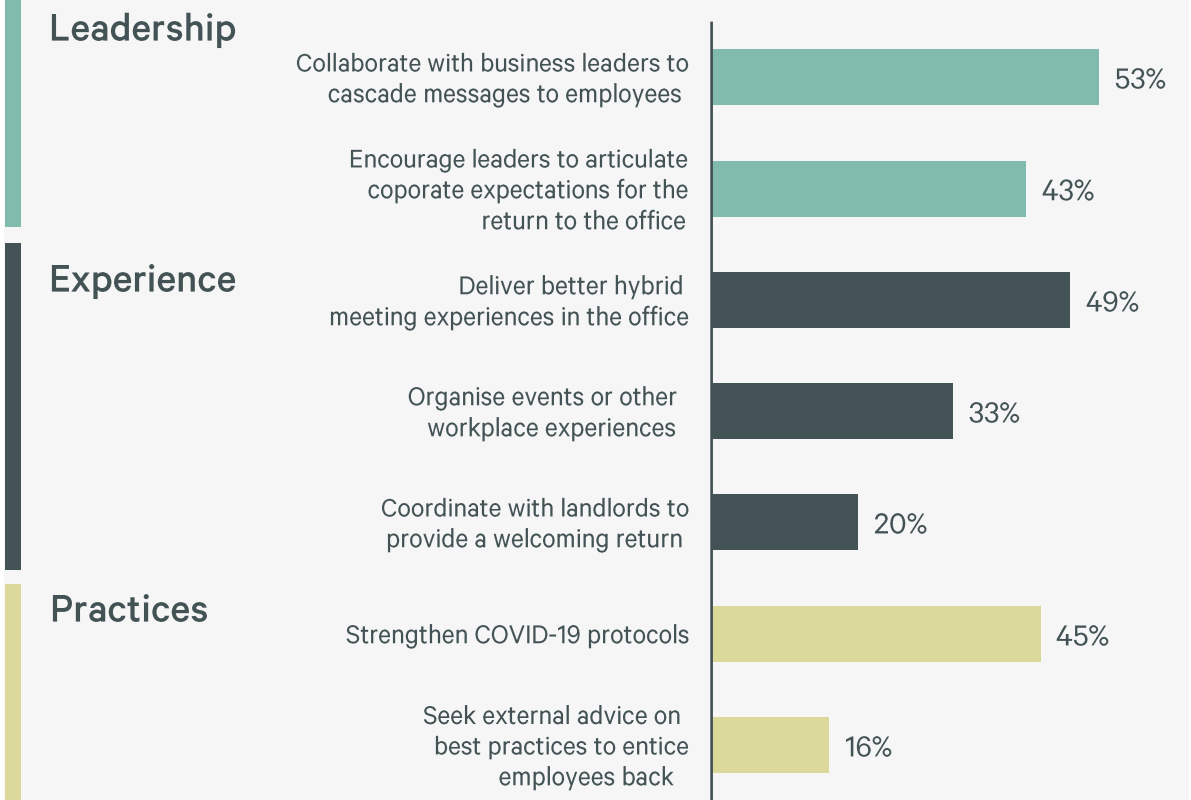
04 — Clear Messaging Is Key to Bringing Staff Back

Clear messaging and guidelines from leadership are key to facilitating a smooth return to the office.

A close collaboration between senior staff and line managers is needed to create a culture of transparency under which information related to office attendance, infections among employees and cleaning schedules can be disseminated.

Other steps to enticing employees back to the office include providing an enhanced workplace, with next-generation video-conference technology and social events among the most popular strategies. Many occupiers also plan to strengthen COVID-19 protocols such as mask wearing, meeting room capacity, and social distancing.

FIGURE 13: Key priorities to facilitate a return to the office



Note: N=149. Multiple selections applied.
Sources: CBRE Research, March 2022.

05

Pursuing Long-Term Portfolio Expansion

05— Healthy Long-Term Office Demand

As the pandemic enters its third year and the return to the office continues, occupiers are displaying more positive sentiment towards the long-term outlook for office demand. Around 47% of respondents intend to increase the size of their real estate portfolios over the next three years.

The adoption of hybrid working has seen many companies scale back their expectations of space reduction, with just 23% of respondents intending to decrease the size of their long-term real estate portfolios, a substantial reduction from 46% in 2020. While some companies are reducing the size of their offices, many are using the opportunity to upgrade to better locations and higher quality buildings.

With many Asian companies having completed major expansions in 2021, multinationals will drive the recovery of office demand in 2022, with 59% of such respondents stating that they plan to expand this year compared to 33% in 2021. This trend is consistent with those observed in CBRE's Spring 2022 U.S. and EMEA Office Occupier Surveys.

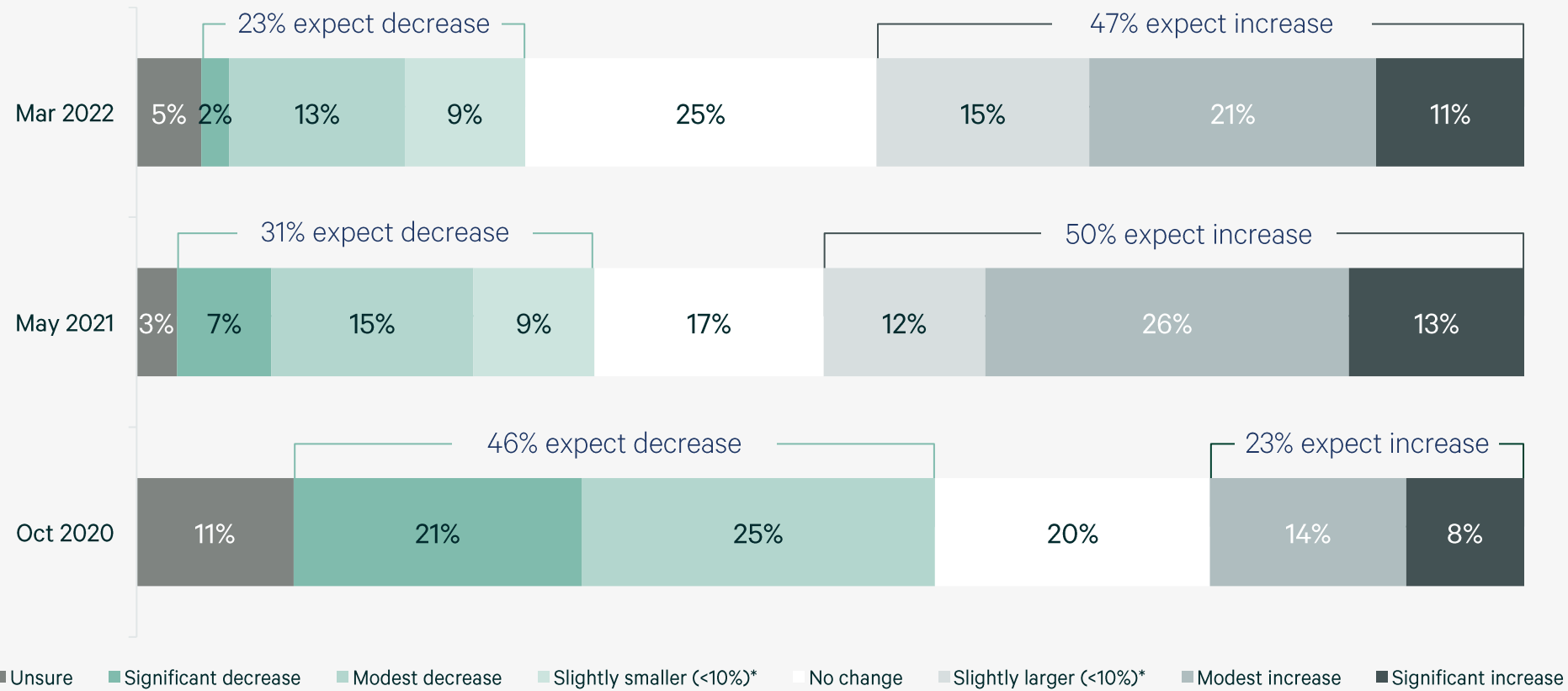
However, sentiment among non-Asian companies continues to diverge, with around 30% of firms expecting to continue to pursue a policy of portfolio optimisation over the next three years. Expansion by Chinese occupiers is expected to moderate following a phase of significant expansion in 2021. Their intention to grow is also being affected by the uncertainty under mainland China's zero-covid policy.

Although expectations of long-term portfolio growth are upbeat, short-term regional leasing sentiment weakened slightly at the beginning of the year following a surge in COVID-19 infections caused by the Omicron variant. Many occupiers are therefore opting to focus on lease renewals and re-negotiations ahead of the expected commencement of the upward rental cycle in H2 2022.

Interest in reducing space via exercising lease expirations and consolidation versus cost-neutral flight to quality received equal amounts of interest in the survey. Both strategies will result in weaker demand for older and lower quality buildings.

05—Healthy Long-Term Office Demand

FIGURE 14: Real estate portfolio expectations over the next three years



Note: N=150 in March 2022; N = 103 respondents in May 2021; N= 106 respondents in October 2020.
Sources: CBRE Research, March 2022.

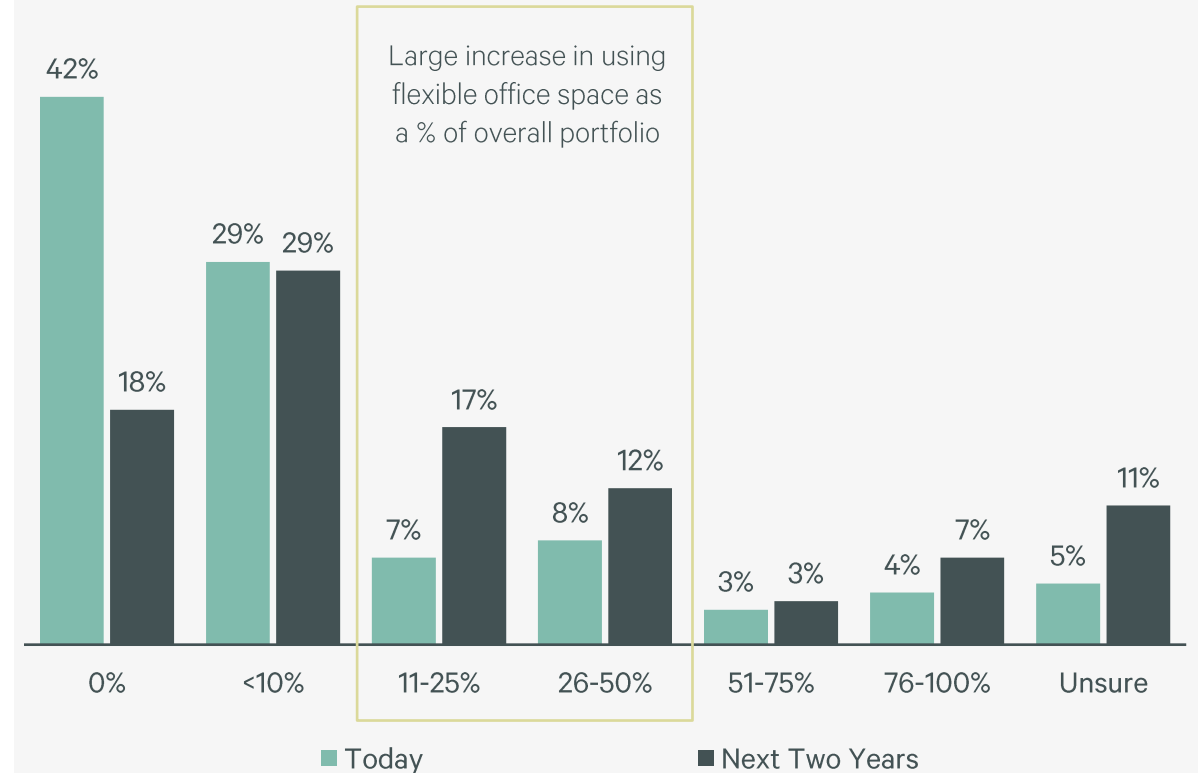
05— Greater Use of Flexible Office Space

With the pandemic having underlined the need for portfolio agility, demand for flex space such as coworking centres will gain momentum in the coming years. Survey respondents expect flex space to account for around 17% of overall real estate portfolios by 2024, up from about 11% currently.

As the flex space industry continues to evolve to meet occupier requirements, a broader offering, ranging from on-demand meeting space to customised private suites, is becoming available. CBRE expects firms in the tech sector to be the main users of flex space, with business services, finance, retail and life sciences companies also set to include flex components in their portfolios to a far greater extent than ever before.

Although CapEx savings remain a key motivation underpinning demand for flex space, the major driver is the need to support remote working. Most companies are now using flex space to provide interim solutions for a dispersed workforce; offer on-demand meeting and collaboration space for employees; and generally expand locational options to staff. These factors are especially important to large companies seeking to use flex space as a key component of hub and spoke models and agile networks.





FIGURE 15: Current use of flexible office and over the next two years



Note: N=150.

Sources: CBRE Research, March 2022.

Conclusion

KEY FEATURES				
<div></div> <div>Adopting Flexible Working as the New Normal</div> <div><p>Two main flexible working models:</p><ul style="list-style-type: none">(1) Guided hybrid working governed by regulations covering office attendance(2) “Just in case” hybrid working based at the office but allowing remote working in some cases</div> <div><hr/></div> <div><p>Still ascertaining how to formulate company-wide guidelines to maintain efficiency and equality across departments</p><p>Most companies continue to rely on managers and employees to agree working schedules</p></div>	<div></div> <div>Refining Workplace Strategies and Policies</div> <div><p>Higher budgets for better but slightly smaller workplaces</p><p>More space for collaboration and smaller-sized meeting rooms with video conferencing functions</p></div> <div><hr/></div> <div><p>New technology to enhance online meeting quality</p><p>Demand for landlords to support flexibility (e. g. provide suitable meeting space)</p></div>	<div></div> <div>Augmenting Office Wellness and Sustainability</div> <div><p>Focus on employee wellbeing with most occupiers now at implementation stage</p><p>Strong demand for green buildings but limited willingness to pay green premium</p></div> <div><hr/></div> <div><p>Uncertain about green leases and due diligence on sustainability</p><p>Low proportion of offices located in green buildings</p></div>	<div></div> <div>Facilitating a Return to the Office</div> <div><p>Over half of respondents already returned to the office</p></div> <div><hr/></div> <div><p>Potential lack of space to accommodate staff due to a stronger than expected return to the office</p></div>	<div></div> <div>Pursuing Long-Term Portfolio Expansion</div> <div><p>Mild dip in expansionary demand due to most Asian companies already completing such moves</p><p>Coworking space to support the return to work and adoption of hybrid working</p></div> <div><hr/></div> <div><p>Landlords advised to monitor return of demand from multinationals, especially those which have scaled back too excessively over the last two years</p></div>
CHALLENGES				

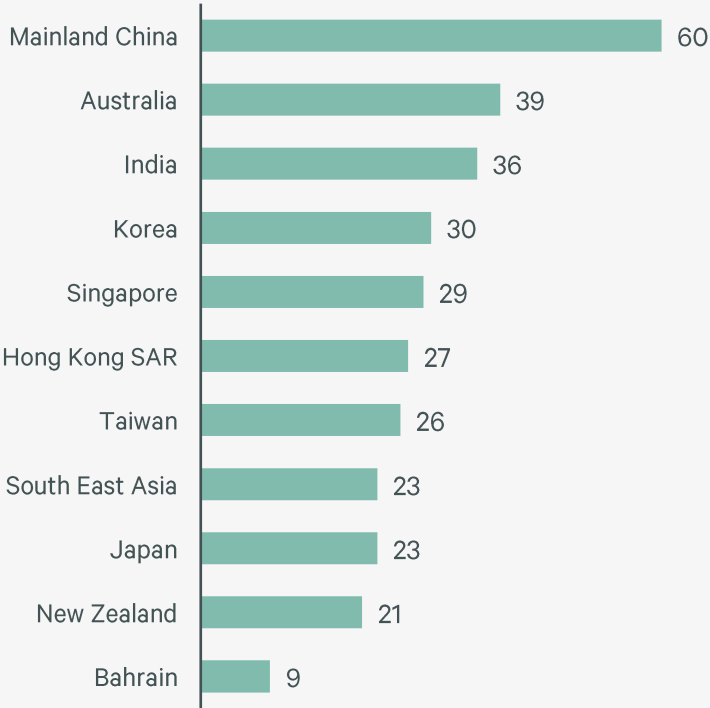
06

Survey Profile

06—Survey Profile

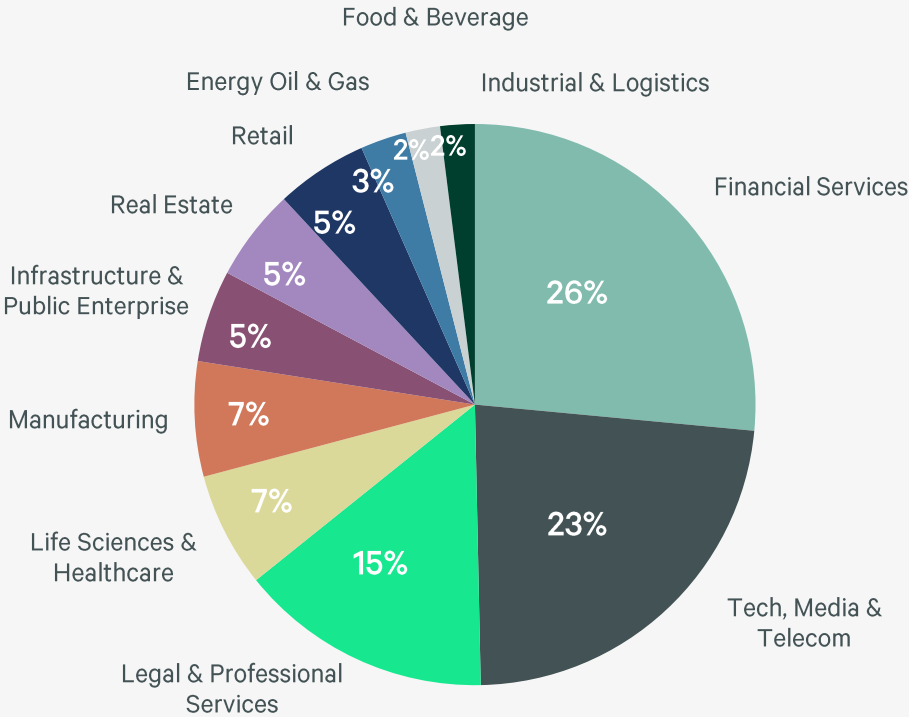
- The 2022 Asia Pacific Office Occupier Survey was conducted between February 16, 2022, and March 18, 2022.
- A total of 151 responses were received. 28% of respondents oversee their organisation’s portfolio in multiple Asia Pacific markets.

Number of respondents who oversee the following Asia Pacific markets



Note: Multiple selections applied.
South East Asia refers to the Philippines, Indonesia, Malaysia, Vietnam, Cambodia, & Thailand .
Sources: CBRE Research, March 2022

Respondents by industry



Sources: CBRE Research, March 2022

Contacts

Asia Pacific Research

Dr. Henry Chin

Global Head of Investors Thought Leadership
Head of Research, Asia Pacific
henry.chin@cbre.com.hk

Ada Choi, CFA

Head of Occupier Research, Head of Data
Intelligence and Management, APAC
ada.choi@cbre.com.hk

Cynthia Chan

Director
cynthia.chan@cbre.com.hk

Felix Lee

Manager
felix.lee@cbre.com

Advisory & Transaction Services

Luke Moffat

Head of Advisory & Transaction Services
luke.moffat@cbre.com

Paul Hubbard-Brown

Head of Accounts & Multimarket
Paul.hubbardbrown@cbre.com

Rohini Saluja

Head of Advisory & Consulting
Rohini.saluja@cbre.com

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