

# WHAT APAC OCCUPIERS WANT

**5** OCCUPIER INSIGHTS  
FROM AROUND THE REGION



01

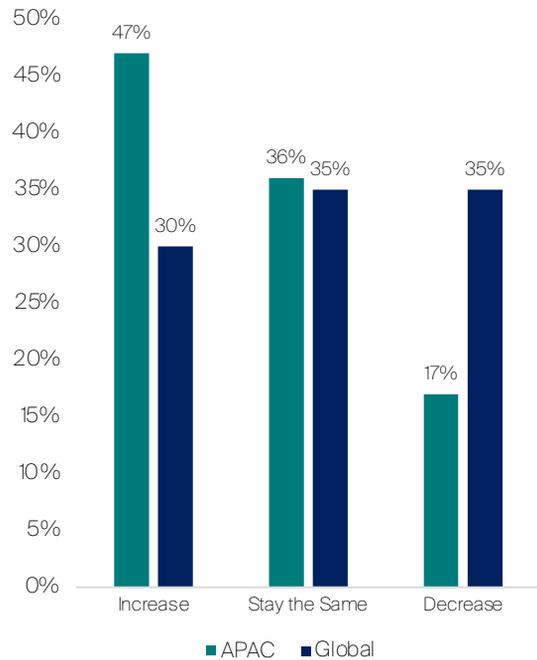
**APAC CORPORATES ARE STILL SEEKING TO EXPAND THEIR GLOBAL PORTFOLIO OVER THE NEXT THREE YEARS, DESPITE IMPACTS OF COVID-19.**

The COVID-19 pandemic has changed the way we live and work. Long-running conversations surrounding the traditional office model have only proliferated in recent times. In response, we are now seeing new trends in strategies for corporate real estate arise from businesses around the world.

When asked about expectations of change in their total amount of space in global portfolios, APAC respondents from the (Y)OUR SPACE 2021 global survey\* have been more bullish than their global counterparts. 30% more APAC respondents said that they are likely to increase rather than decrease space. Comparatively, there are 5% more global respondents who are likely to decrease their portfolios than increase.

\* (Y)OUR SPACE 2021 is our thought-leadership report covering occupiers & the changing workplace. It draws on responses from almost 400 international businesses with a combined headcount in excess of 10 million, providing unique insight into the workplace strategies and real estate needs of global companies. The survey was conducted between December 2020 and February 2021. For more insights on the global view, visit [knightfrank.com/your-space](https://knightfrank.com/your-space)

**Figure 1: Is the total amount of space in your global portfolio likely to increase, decrease, or stay the same over the next three years?**



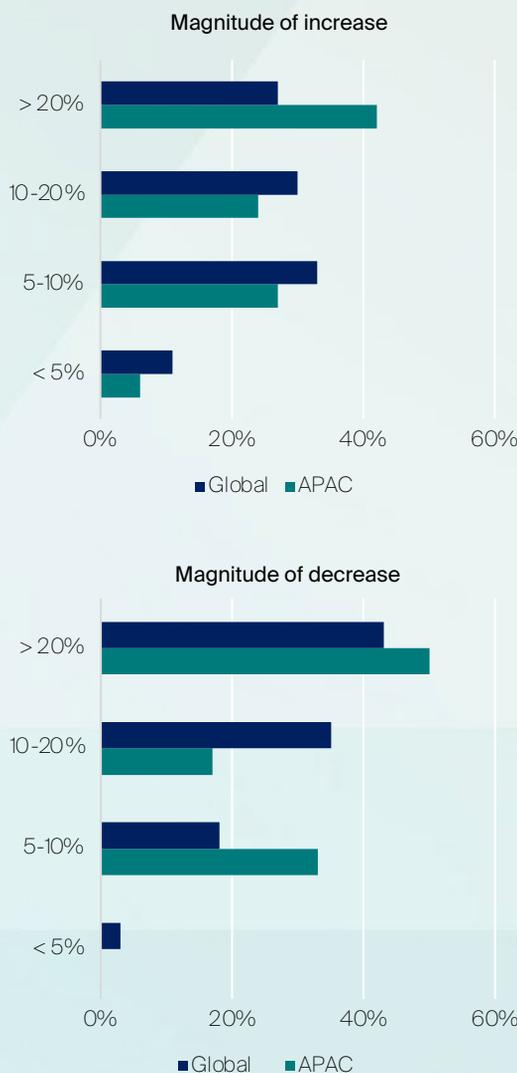
Source: (Y)OUR SPACE 2021 survey, Knight Frank APAC Research



This bullishness in strategy stems from better handling during the initial phases of the pandemic in 2020, with many developed APAC markets being global frontrunners in moving out of the COVID lockdowns. As a result, rosier expectations for the region's economic recovery in 2021 were abound. The IMF adjusted the GDP growth of developing and emerging Asia over 2021 to be 8.6% in April this year, up from the previous 8.3% in January. This is 3.5% higher than the IMF's forecast for global recovery in 2021, which is 5.1% in the April forecast.

These positive sentiments are not uniform, however. We observe a bifurcation in the survey results; among APAC respondents, those that seek to increase or decrease their real estate portfolios by a larger extent, more than 20%, is proportionally greater than that of global levels. The reason behind this is probably due to the K-shaped recovery arising from the pandemic. The better performing sectors such as technology, life science, and e-commerce players will continue to expand their footprints, but sectors related to the old economy will be more conservative when rationalising their office requirements.

Figure 2: What is the likely magnitude of that change?





02

# WFH WILL NOT HAVE AS LASTING AN IMPACT ON REAL ESTATE STRATEGY ON APAC OCCUPIERS, COMPARED TO GLOBAL.

We find that almost half of the global respondents, 48%, said they expect to see COVID-19, particularly the resulting work-from-home (WFH) trend, having a medium-term influence on their real estate strategy. Meanwhile, 1-in-4 said they expect a long-term, lasting impact from the pandemic.

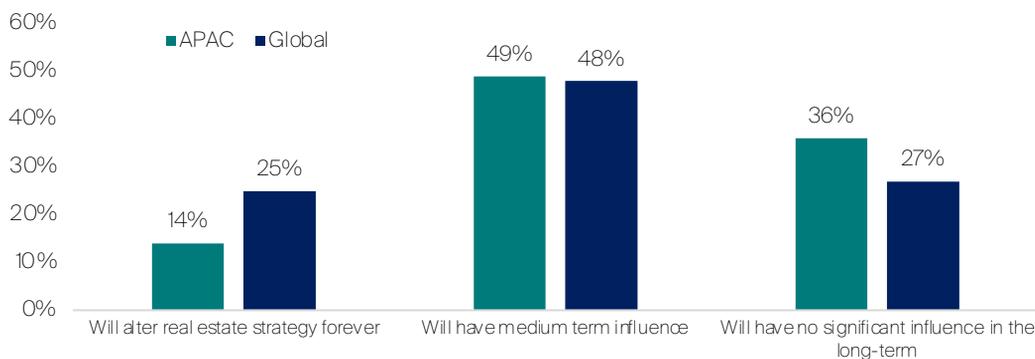
APAC respondents, however, are less likely to feel the same long-term impacts of COVID-19 on their real estate portfolios. Compared to the 25% globally, only 14% of APAC occupiers expect the pandemic to permanently alter their real estate strategies.

The survey results show that, on a global level, 2020's impacts on corporate real estate also extend to qualitative decisions made about the workspace. The emergence of WFH, work-from-

-anywhere and hybrid working models during the pandemic are making our relationships with the office more fluid. More workers are seeking to stay safe and healthy by cutting down commuting time on public transport where possible, while companies can save on costs by shifting away from the provision of superfluous dedicated personal workspaces.

Again, we observe APAC occupiers bucking this trend, exhibiting more resilience against these changes. With the early completion of lockdowns around the region, most markets have opened their economies and workplaces in lieu of controlled COVID-19 cases. Without the sustained restrictions on returning to workplaces, APAC firms do not feel the same pressures to adjust their space provision as much as their global peers.

Figure 3: Will COVID-19 have a lasting influence on your real estate strategy?





03

## RELOCATION OF APAC CORPORATE HQ FACILITIES WILL AIM TO ACHIEVE COST SAVINGS AND TALENT ACQUISITION.

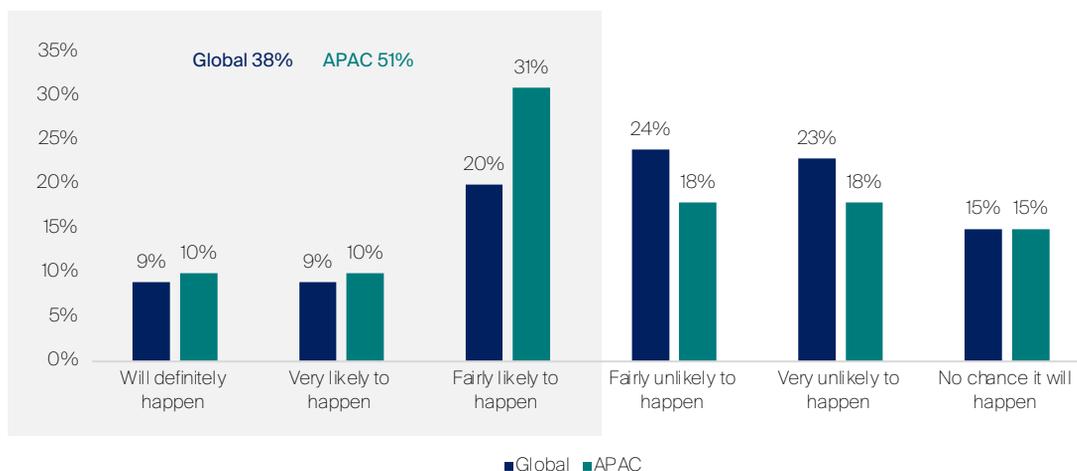
The role of the traditional headquarters (HQ) space has been called into question, during a period where rapid decentralisation was spurred on by COVID-19-related restrictions. While much of the focus has rightfully been centred around how much and how to organise real estate portfolios, there is also an important question in where exactly occupiers should look to settle.

In the (Y)OUR SPACE 2021 survey, we asked respondents what their likelihood of relocating HQ facilities is within the next three years. Globally, 38% of respondents said that they

were likely, very likely or definite in relocating their HQ facilities within this time frame, lending credence to the idea that a shift in location is on the minds of many businesses at the moment.

Contrasting the global results, Asia-Pacific responses are showing even more eagerness to shift their HQs. Slightly more than half (51%) are saying that a move is likely to happen in the next three years, which is about 13% higher than the proportion of global respondents answering similarly.

Figure 4: Likelihood of moving HQ facilities within the next three years?



Source: (Y)OUR SPACE 2021 survey, Knight Frank APAC Research

Figure 5: Key Drivers of Relocation Activity

	Global	APAC
Cost savings achieved	59%	66%
Change of workstyle influencing quantum and quality of space required	54%	19%
Business restructuring	31%	13%
Business transformation	26%	34%
Access to a different talent pool	22%	44%
Access to collaborators / external knowledge	12%	13%
Other	9%	0%

Source: (Y)OUR SPACE 2021 survey, Knight Frank APAC Research

For the key drivers of relocation, a majority of both the global and APAC respondents (66%) are citing cost savings as the main reason. However, the key difference between the global and APAC responses is the importance placed on having access to a different talent pool. APAC respondents ranked it much higher than a change of workstyle, which is considered to have greater influence on space requirements for global occupiers.



## GLOBAL FOCUS THE OCCUPIER MINDSET

Covid-19 has ushered in a new debate about the future of work and the workplace. Much of that debate has been extreme and abstract. How are occupiers really thinking on a global level? How has the future of workplace been altered?



While the trends observed in Asia-Pacific now may be deviating in some ways from global, it still largely follows the wider changes in occupier mindset towards the workplace. Knight Frank surveyed almost 400 global corporate real estate professionals from around the world, and the key findings on the shifting dynamics of real estate and workplace strategies are:

**Real estate still matters** – Despite recent claims of the death of the office, 90% of our survey respondents see real estate as a device that supports, facilitates, or portrays business strategy. Key amongst these strategic items are corporate brand and image, employee

well-being and increasing cross business collaborations.

**COVID-19 is a medium-term influence, but cost consciousness is high** – Despite how much COVID-19 has weighed on everyone's minds over the past two years, half of the survey respondents say the pandemic will only have medium-term impacts on their real estate strategy. It has, however, forced a more cost-conscious mindset to real estate decision making globally. 54% of respondents note that their cost saving targets had increased since the onset of the pandemic, with more than one-third now seeking to save more than 10% of their annual real estate expenditure.

**Flight to quality continues** – At the same time, there is a clear continuation of the flight to quality, with 46% of all respondents anticipating an improvement in the quality of the space they occupy over the next three years. Given cost consciousness, this infers a change in workstyles with a greater use of remote workplace settings combined with high-quality offices fulfilling hub functions that supports interaction, collaboration, education, and socialisation will occur.

**The form and function of office space will change** - This new notion of the office as a hub and flight to quality means more amenities and collaborative space are anticipated outcomes over the medium-term. On a space per person basis, de-densification is likely to occur in physical office occupancy. Occupiers will now look to incorporating both hot-desking and desk-sharing, and greater uses of technology and data to curate better workplace experiences.

**Greater connection required between net zero carbon commitments and real estate** - Four in ten of our survey respondents have a publicly stated net zero carbon emissions target, with three quarters of those having a target date of 'by 2030'. However, only 25% of respondents believe there is a complete recognition of the role of real estate in delivering these targets. Meanwhile, broader sustainability considerations are seen as being of only moderate influence in determining real estate strategy over the next three years.



Adapted from DR. LEE ELLIOTT, PARTNER, KNIGHT FRANK UK, author of (Y)OUR SPACE 2021

The second edition of Knight Frank's (Y)OUR SPACE can be downloaded as follows: <https://www.knightfrank.com/your-space>



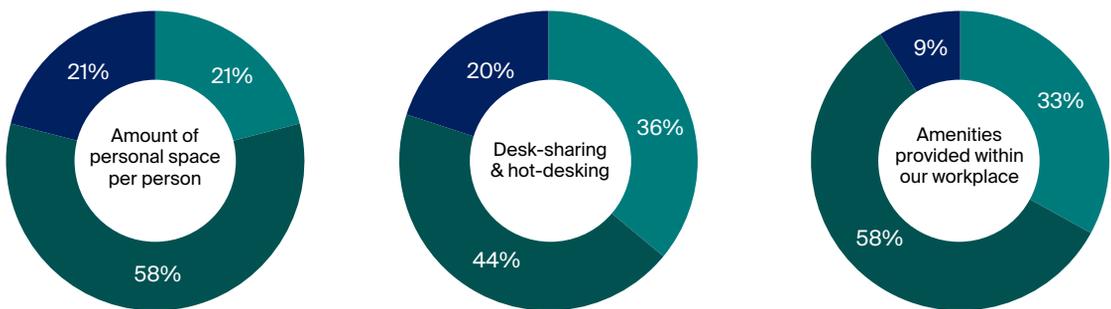
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## ADDITIONAL PROVISION OF AMENITIES TO CURATE BETTER EMPLOYEE EXPERIENCE IS PARAMOUNT TO OCCUPIERS.

Talent acquisition and retention is now hinging more on curating a better workplace experience through providing better locations, amenities, and incentives. A pivot to a well-located, mixed-use development could achieve all these objectives.

Among the APAC respondents of the survey, the types of additional provision they seek to add to their workplaces over the next three years include more desk-sharing and hot-desking capabilities, amenities, and data-driven products to improve real estate and workplace management.

Figure 6: Over the next three years, will the following aspects of your real estate increase, decrease, or stay the same?



	Amount of personal space per person		Desk-sharing & hot-desking		Amenities provided within our workplace	
Region	APAC	Global	APAC	Global	APAC	Global
Increase	21%	23%	36%	54%	33%	46%
Stay the same	58%	46%	44%	34%	58%	44%
Decrease	21%	31%	20%	12%	9%	10%

Source: (Y)OUR SPACE 2021 survey, Knight Frank APAC Research

Amenities refer to a broad ranging spectrum of provisions, but according to (Y)OUR SPACE survey results, the top three types identified by APAC respondents include food & beverage offerings, healthcare facilities and gym facilities. These are the types of offerings you would expect from a retail development, and therefore mixed-use assets with a retail

component will become more and more highly sought-after, over the traditional pure office buildings that are more predominant now. Mixed-use developments are typically at their most efficient and most effective when they leverage a diversity of uses and users to create a balanced, dynamic, and integrated development.

Figure 7: What services or amenities do APAC occupiers think staff will demand from their buildings over the next three years?

Type of Amenity





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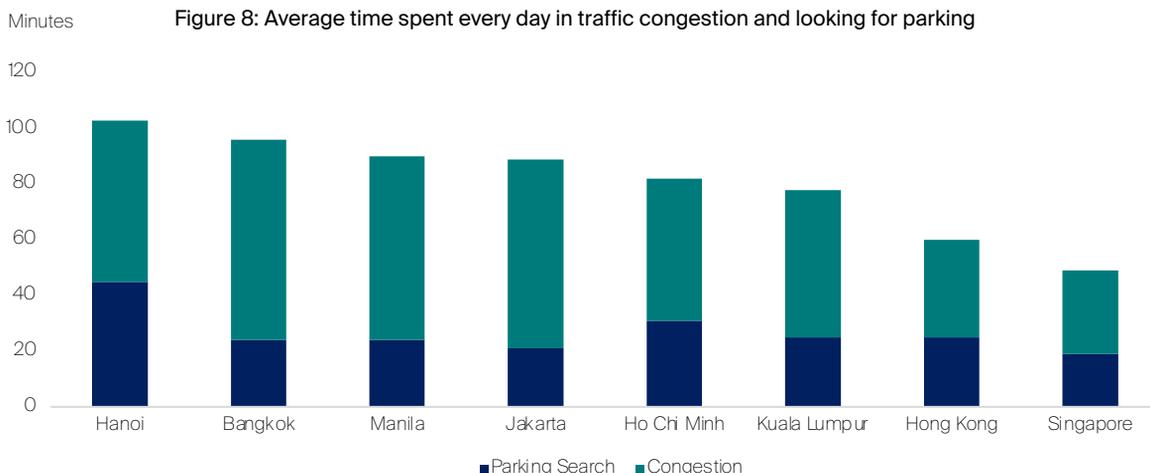
## DECENTRALISATION OF HQS IS A STRATEGIC TOOL FOR TALENT ATTRACTION BY OFFERING WORKERS A CLOSER PROXIMITY TO WORKPLACES.

As mentioned in Insight 3, a significant portion of APAC corporates are looking to move HQ facilities and are doing so to achieve their goals of talent attraction and access to different talent pools. However, the question remains – where exactly they are going and how does this affect existing real estate strategies. For that, we look beyond the (Y)OUR SPACE 2021 survey for further insights into this particular trend.

Some APAC cities are facing a new type of problem – long commute times. Particularly, in some developing and emerging countries, traffic congestion and a lack of parking space run rampant. According to a study conducted by Boston Consulting Group (BCG), three developing

markets see average commuters spend more than an hour in traffic congestion or in search for parking lots per day, such as Hanoi, Bangkok and Manila.

Morgan McGilvray, Senior Director, Occupier Services and Commercial Agency in Santos Knight Frank suggested in (Y)OUR SPACE that the Hub-and-Spoke Rebalancing model could address some of these traffic problems. As markets like the Philippines return to normal, a rethink is necessary, given many employees will not be able to fathom going back to that two-hour daily commute to centralised HQs. The “hub” offices of companies in the central business district (CBD) are gradually downsized, while a series of “spoke” offices are leased closer to where the employees live.



Source: BCG

Government policies are also shifting to support the agenda to improve accessibility for their workforces in some of these markets by decentralising the functions of the CBD. Investments are being made to build up the economies of scale in fringe and suburban areas to allow for them to accommodate similar hub functions as existing CBDs.

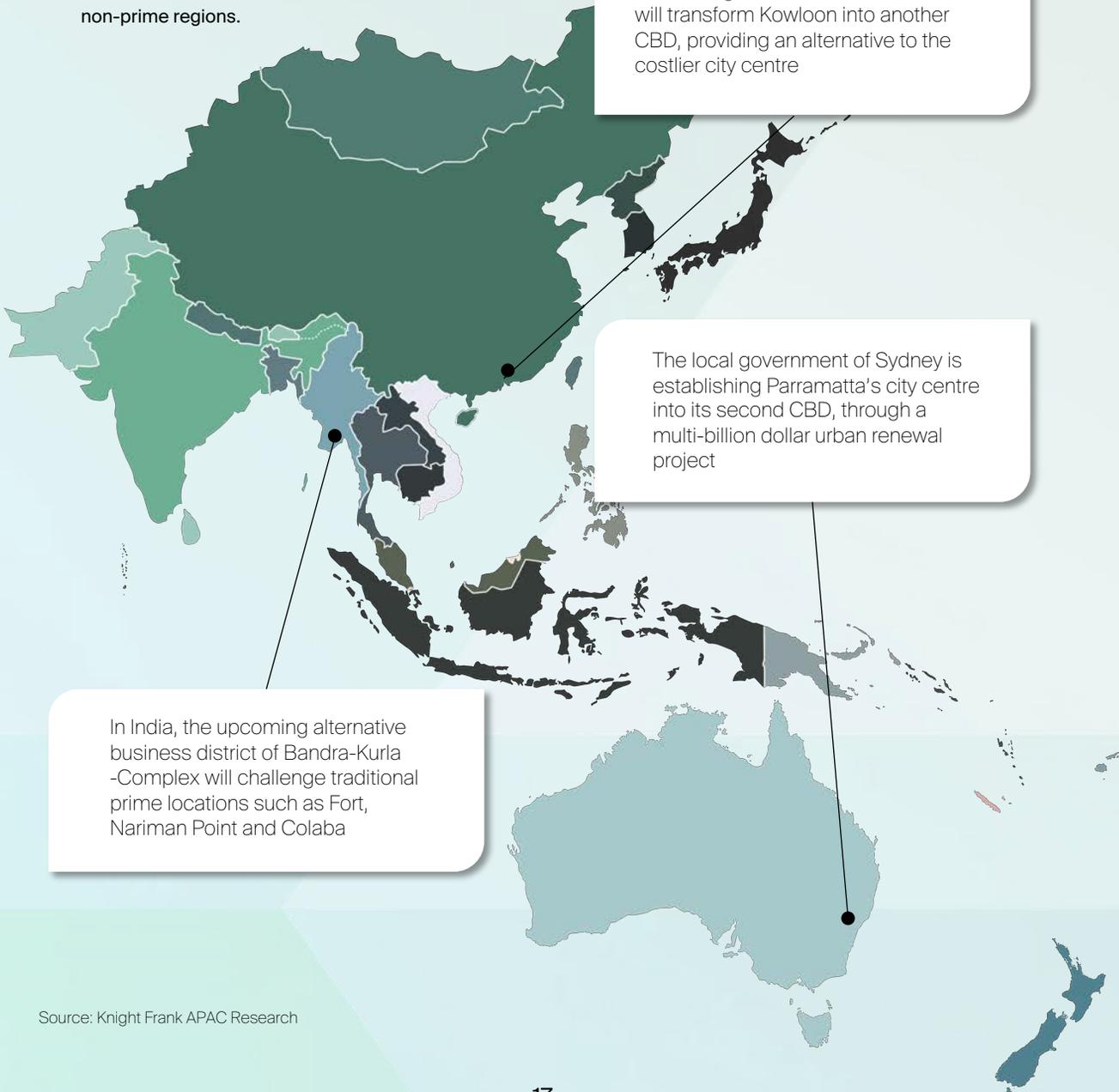
Combined with the temporary necessities of WFH and hybrid working models during the pandemic, the decentralisation of HQs is now also becoming a strategic tool for talent attraction by offering workers a closer proximity to workplaces.

**Figure 9: Examples of government policies decentralising central business districts to other non-prime regions.**

The "Energise Kowloon East" initiative will transform Kowloon into another CBD, providing an alternative to the costlier city centre

The local government of Sydney is establishing Parramatta's city centre into its second CBD, through a multi-billion dollar urban renewal project

In India, the upcoming alternative business district of Bandra-Kurla -Complex will challenge traditional prime locations such as Fort, Nariman Point and Colaba



Source: Knight Frank APAC Research



## SUMMARY WHAT IT MEANS FOR OCCUPIERS

Again, while these trends present challenges to the status quo, opportunities also arise as a result. In this case, new geographies will become key areas of economic development in the next

decade. Businesses must begin curating a better workplace experience through better and more amenities that seek to take care of employees' wellness and health.

### Demand

- ❖ APAC corporates are still seeking to expand their global portfolio over the next three years
- ❖ WFH will not have a lasting impact on real estate strategy on APAC occupiers

### Cost

- ❖ Relocation of APAC corporate HQs will aim to achieve cost savings and talent acquisition

### Talent

- ❖ Curate better workplace experience through better amenities and incentives
- ❖ Provide alternative working options

**For more insights on the global view, visit [knightfrank.com/your-space](https://knightfrank.com/your-space)**

**We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.**

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