

ASIA PACIFIC
OFFICE
OF THE FUTURE **REVISITED**



+
THE CLOCK IS TICKING ON
WORKPLACE CHANGE



EXECUTIVE SUMMARY

- + The office demand growth drivers in many Asia Pacific markets are so strong that they will more than offset the impacts of flexible working, resulting in ongoing positive net absorption.
- + The predominant population migration flow in Asia Pacific is rural to urban and while cities of all sizes are forecast to grow, Asia's main cities are expected to remain the dominant economic and employment centres in the region.
- + The desire to work flexibly sits on a spectrum, with significant differences between markets. Accordingly, the speed of adopting flexible work practices will vary considerably with markets less familiar with flexible working likely to need greater assistance with change management. This needs to start with building trust between managers and team members alongside a shift to identifying new measures of individual and team success.
- + Asia Pacific is forecast outsized growth in Generation Z. This is the first generation who are digital natives and expect a seamless connection between the physical and the digital – the phygital. Outdated policies and technology are a deterrent to the brightest and most sought after and so employers will have an increasing need to become more progressive in their workplace strategy.
- + Changes to corporate workplace strategy and flexible working in particular should not be considered in isolation. Rather, these changes should be developed in conjunction with corporate goals and cultures toward sustainability, equity, inclusion and technology transformation. Focus on the people, not the place.
- + In the transition to greater workplace flexibility, the office remains vitally important. It is a destination to build community, but more importantly, it is a destination than can inspire and inspired workers are the most engaged.
- + Corporate occupiers who recognise the need for change early and start piloting new models earlier stand to reap the benefits through greater talent attraction, retention and engagement. There is no better time than now to begin – the clock has already started ticking.



INTRODUCTION

Cushman & Wakefield recently released “**Office of the Future Revisited**” in which a global view of how the demand for and use of office space is changing. Within the report, three realities were presented: (i) demand for office space is accelerating; (ii) hybrid is here to stay; and (iii) the role of the office has changed.

While all three of these realities are true for the Asia Pacific region, as a geographically large and culturally diverse region, we see nuance in how these realities manifest between markets. Not least we see differences in the pace of change, with Asia Pacific leading the world with regard to office demand, but lagging somewhat when considering the shift to hybrid working. Arguably this means that greater change management needs to be delivered as pressure builds from a growing, younger workforce. However, solutions and approaches will need to vary across the region. Consequently, the clock has started ticking on workplace transformation within the region and corporate employers are well advised to begin testing and piloting now to meet the needs of their current and future workforce.

In this report, we adopt a similar structure to the sister global report, focusing on demand for office space, flexible working practices, and the role of the office – but do so through the lens of the Asia Pacific region. We highlight the differences between markets, as well as identify the challenges and the opportunities for the region.

1

OFFICE SPACE IS STILL IN DEMAND

ASIA PACIFIC TO LEAD OFFICE DEMAND

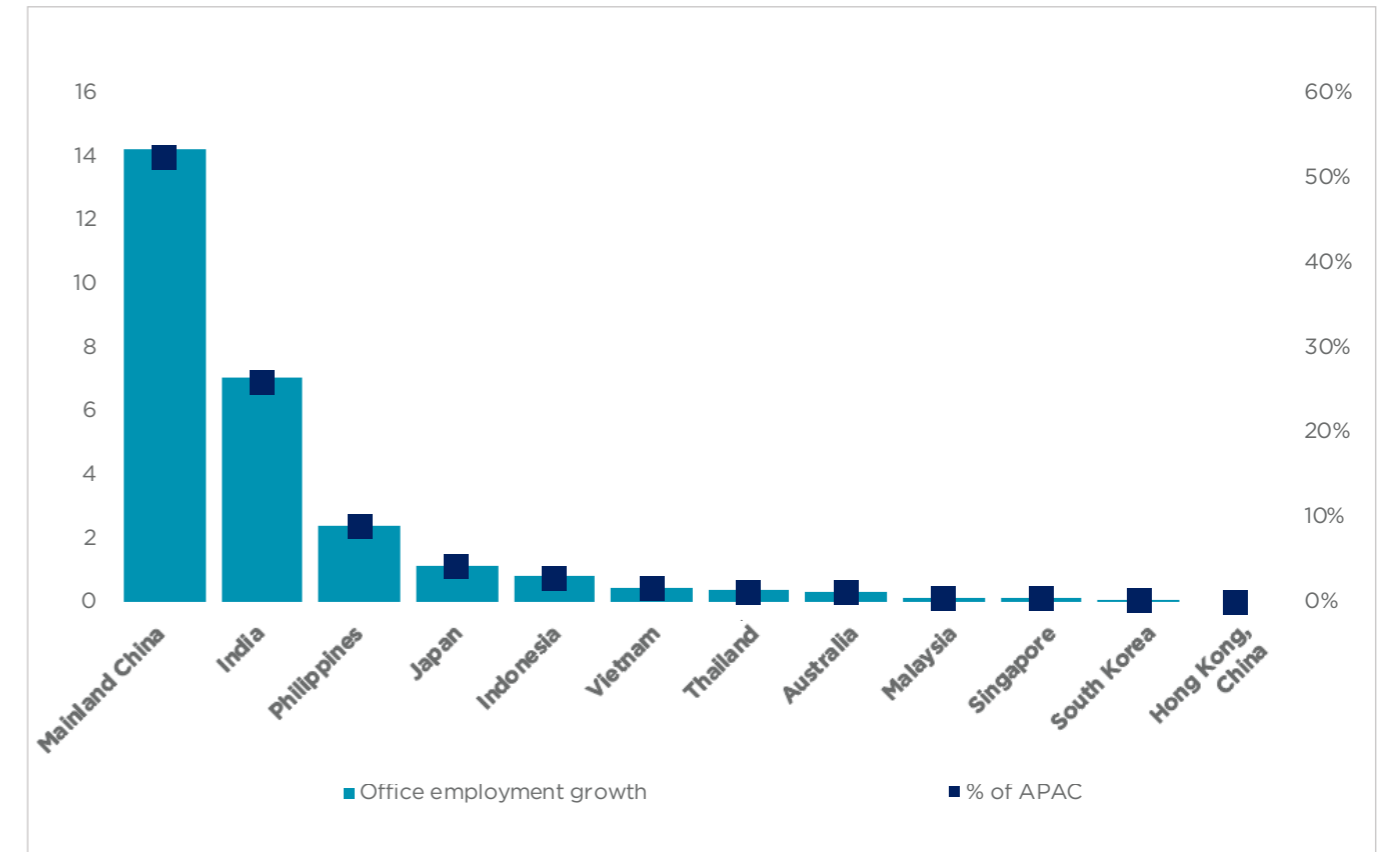
Notwithstanding the near-term difficulties encountered by markets as they emerge from the pandemic-related challenges over the past two years, the long-term outlook for Asia Pacific remains favourable and intact. Across a series of reports and articles, we have continued to highlight the growth drivers for the region over the decade ahead^{1,2}. Over the 2020-30 period, Asia Pacific is forecast to generate over 23 million office-using jobs, some 76% of the global total. In turn, this equates to over 1 billion square feet of office space demand, equivalent to filling the current stock of Shanghai seven times over. This level of demand is in no small part due to ongoing growth in Mainland China, which accounts for over 50% of office employment growth with strong support from India (26%) (Figure 1).



The office demand growth drivers in many Asia Pacific markets are so strong that they will more than offset the impacts of flexible working, resulting in ongoing positive net absorption.



FIGURE 1: OFFICE EMPLOYMENT GROWTH (MILLIONS), 2020-30



Source: Moody's; Cushman & Wakefield

While these forecasts have a 10-year horizon and consequently may be difficult to comprehend, they gain support from near term trends. In 2021, tier 1 markets in Mainland China, namely Beijing, Shanghai, Guangzhou, and Shenzhen, set a collective record for office net absorption at almost 36 million square feet (msf) compared to the previous peak of 30.5msf set in 2015. These four cities alone accounted for 42% of the regional total in 2021.

In a similar vein, Seoul set a near record in 2021 at 6.4msf compared to 6.5msf in 2015. Furthermore, despite significant difficulties associated with the Delta-variant of COVID-19,

over 21.5msf of space was absorbed in India with almost 11msf occurring in Q4 2021 alone. While it is recognised that such drivers are not universal across the region - for example Tokyo, Hong Kong and Kuala Lumpur all experienced negative net absorption over the year - the majority of markets are already experiencing an increase in office demand.

¹ Why Asia Pacific will grow and dominate the next decade
² Catch 22: Asia Pacific Commercial Real Estate Outlook 2022

2



HYBRID IS HERE TO STAY

GREATER CITY DOMINANCE MEANS LESS RISK OF URBAN EXODUS

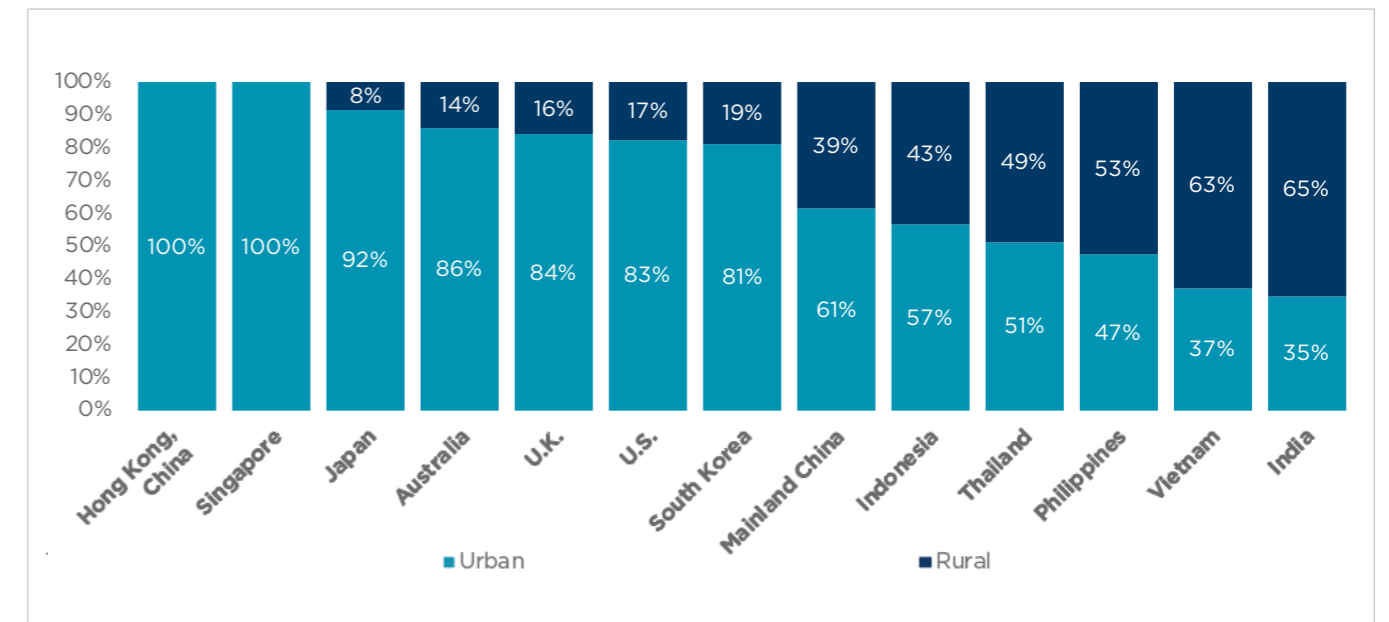
It is also important to recognise that the urbanisation of the Asia Pacific region is considerably different to that of the U.S. and to a lesser extent, parts of Europe. Within the U.S. there is a far greater degree of substitutability between cities or, to put it a different way, less urban primacy. The U.S. has long been known for the amount of internal migration that occurs between cities with Sun Belt locations attracting new residents, while those in New York and the Mid-West have not been as successful, at least in net terms. COVID-19 may have exacerbated these trends with larger cities such as New York and San Francisco experiencing greater out-migration flows, while smaller metropolitan areas were the beneficiary of these flows.



The predominant migration flow in Asia Pacific is rural to urban and while cities of all sizes are forecast to grow, Asia's main cities are expected to remain the dominant economic and employment centres in the region.

However, the central tenet here is the regular movement of labour between cities to either seek cheaper housing, new opportunities or because workplace flexibility allows greater levels of remote working.

FIGURE 2: URBAN VS RURAL POPULATION BY MARKET, 2020



Source: United Nations; Cushman & Wakefield

Migration patterns between cities do not occur to the same extent in Asia Pacific. In the first instance, in city-states such as Singapore and Hong Kong, there is no opportunity for such movement. Given their larger rural populations, migration flows in Mainland China, India and emerging markets in Southeast Asia are typically rural to urban, with migrants targeting the largest cities given they present the greatest opportunities for jobs.

During COVID-19, within some of these markets, such as India and Vietnam, it was observed that some workers (predominantly labourers) returned to rural homelands as urban daily virus caseloads soared, but there is evidence that these workers are now returning to the cities in droves with residential rents in Bengaluru, for example, recently increasing by 40%.

Elsewhere across the region, Tokyo continues to dominate in Japan and is the key beneficiary of internal migration of young professionals which is helping the city buck the wider population ageing trends at the national level.

Lastly, there has been some evidence of migration from capital cities to regional areas in Australia, though it needs to be placed into context. For the most part, Sydney and Melbourne were the largest net losers. Both cities have populations close to 5 million persons and net losses were less than 15,000 each.

LOWER AND SLOWER LEVELS OF FLEXIBLE WORKING IN ASIA PACIFIC

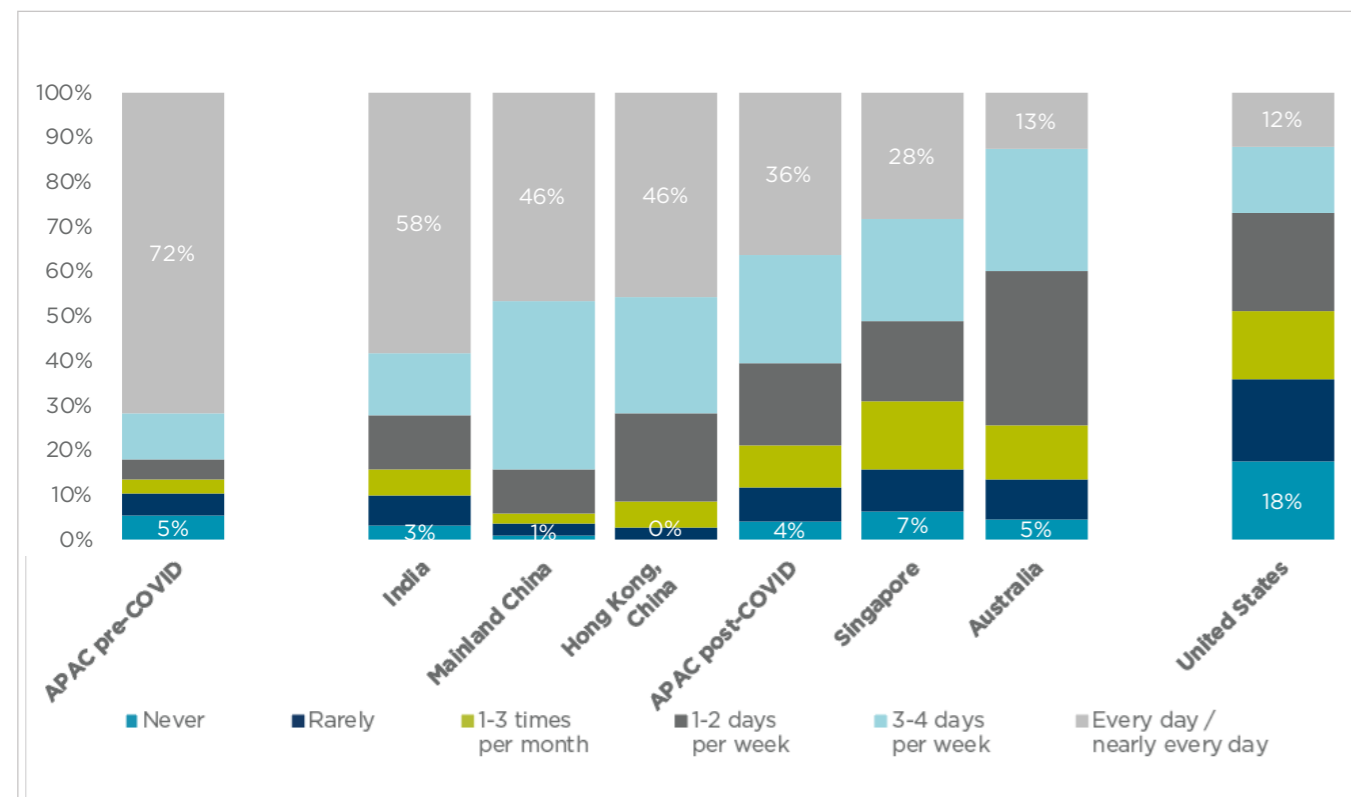
Analysis of data from Cushman & Wakefield's bespoke workplace strategy tool, **Experience per Square Foot™**, showed a universal global trend that employees, regardless of where they work in the world, generally wanted greater workplace flexibility post-pandemic, but again there is regional nuance.

It is interesting to note that office attendance pre-pandemic was remarkably similar across regions, however, when questioned about desired post-COVID office attendance, the shift to flexible working is much more pronounced in North America with more than 50% wanting to attend the office "3 days a month or less", as compared to 20% in Asia Pacific, though there is intraregional

variance. Hence, desire for flexible working is a spectrum. This spectrum can be observed geographically, generationally, as well as by seniority, department and between companies.

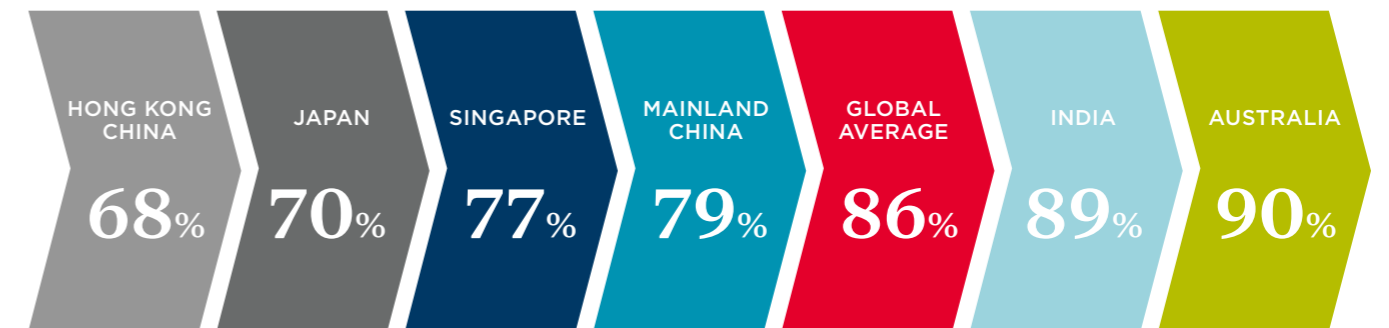
In the global report we highlighted many of these differences, but here we will limit analysis to geographical variance. Mainland China and India sit at one end of the spectrum, with low levels of desired flexible working, while Australia is towards the other end with greater desired levels of flexible working. The differences between these ends are 42% and 54% of respondents in India and Mainland China respectively wanting some form of flexible working, even if only one day a week, compared to 87% in Australia. By comparison the equivalent figure in the U.S. is almost 90%, desiring at least one day per week out of the office.

FIGURE 3: DESIRED OFFICE ATTENDANCE POST-COVID FOR SELECTED GEOGRAPHIES



Source: Experience per Square Foot™; Cushman & Wakefield

MARKET VARIANCE IN RESPONDENTS FEELING TRUSTED BY THEIR MANAGER



We see early evidence of these different expectations in the return to office trends between countries. In Mainland China, with the exception of cities under various levels of movement limitations, office occupancy was practically 100%. High attendance is also evident in other North Asian markets including Japan and South Korea, though it is noted that there is a difference between domestic companies and multinational companies, with the former generally having higher attendance.

The return to office has been slower in India, hampered by the Delta-variant and restrictions on public transport usage, but as these have lifted, so too has office attendance. Interestingly, it is evident that cities more heavily focused on the technology sector have lower attendance compared to diversified cities with the range being 50-80%. Lastly, the return has been slowest in Australia, with attendance at around 45% of pre-COVID levels, on par with London and the U.S. average, and Singapore which anecdotally sits at around 35-40% as mask restrictions remain in operation, but there is an upward trend as occupiers are starting to activate return to office plans.

There are several reasons for these variations including cultures of presenteeism, limited space in residential dwellings to work, and

infrastructure issues such as lack of internet bandwidth. It is also important to understand that employees need to be trusted to work remotely. Asia Pacific has the lowest level of managerial trust (being trusted by your manager), which further cements presenteeism.



Markets less familiar with flexible working are likely to need greater assistance with change management plans. This needs to start with building trust between managers and team members, as well as identifying new measures and behaviours of individual and team success.

3

THE ROLE OF THE OFFICE HAS CHANGED

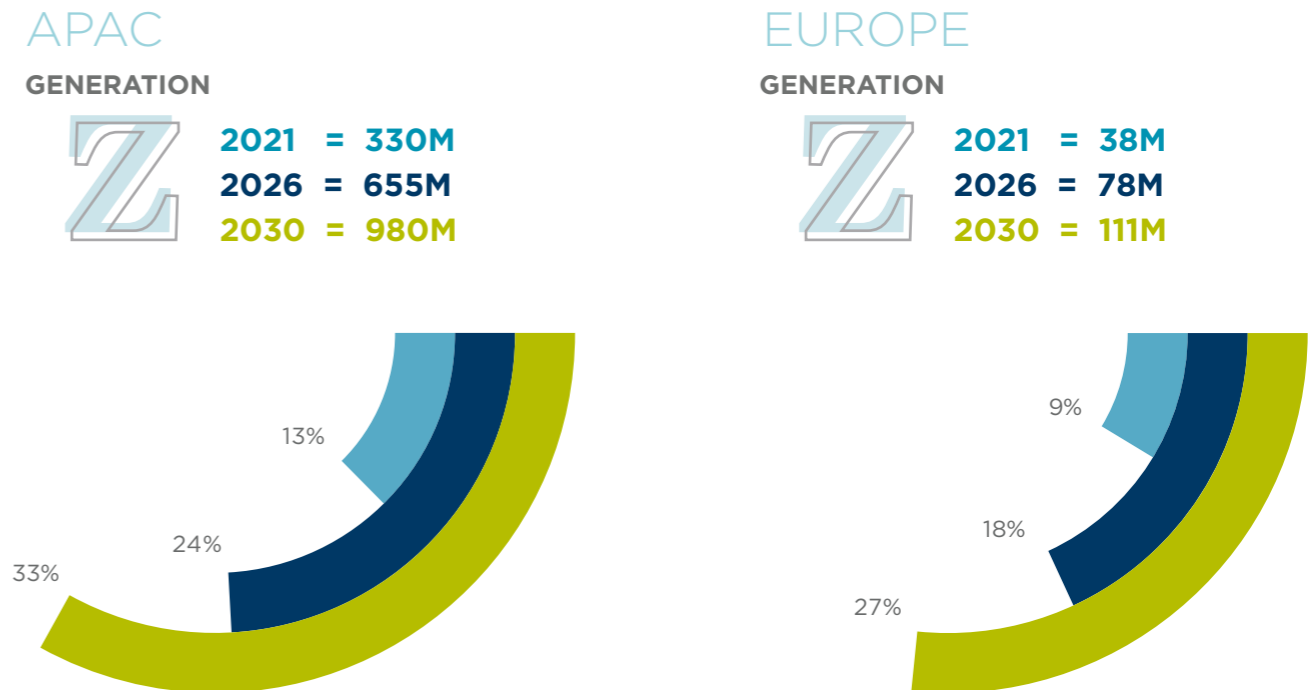
FOCUS ON GENERATION Z - THE PHYGITAL GENERATION

We noted above that there are different expectations for and experiences of working flexibly by generation. Currently, Generation Z (born 1997-2012) account for around 25% of the Asia Pacific population, but only approximately 13% of the working-age population (20-64yrs). Consequently, in aggregate analysis, the experiences of Generation Z are often over-powered by larger, older generations. It would be remiss not to focus on this generation, though, as by as soon as 2026, they will account for almost 25% of the 20-64 year old population and more than one-third by 2030. In numerical terms, the increase is from 330 million in the workforce in 2021 to 655 million in 2026 and nearly 1 billion by 2030. To put this into context, the equivalent scenario in Europe is 38 million (9%) in 2021 increasing to 78 million (18%) in 2026 and 111 million (27%) in 2030. Consequently, Asia Pacific will feel the weight of Generation Z more than other regions.

This is the generation that employers are trying to attract, and outdated policies and technology are a deterrent to the brightest and most sought-after talent.



FIGURE 4: SIZE OF GENERATION Z AGED 20+ YEARS AS % OF POPULATION AGED 20-64 YEARS



Source: United Nations; Cushman & Wakefield

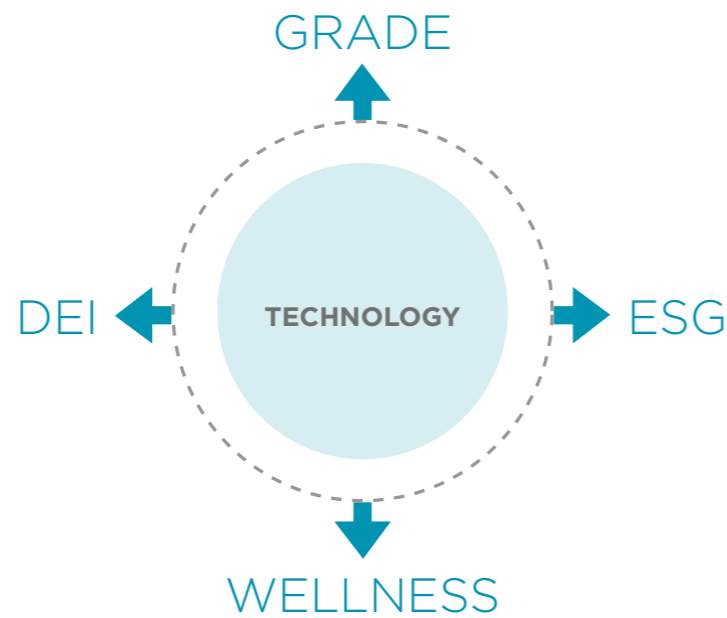
If we dig into this generation specifically, we know that like other generations, the enforced work from home period has dented their overall wellbeing. However, what we also know is that they have greater issues. A fundamental aspect is that Generation Z is really struggling to bond with their team, grow their network and undertake peer-to-peer learning. In other words, they are struggling to connect. But this doesn't mean they do not want to work remotely, with almost two-thirds wanting some form of flexible working.

While these two elements may present a paradox, it is a paradox that can be bridged via technology. Members of Generation Z are digital natives and expect a seamless connection between the physical and the digital - the phygital. Consequently, employers will need to focus on not only their workplace policies but also technology adoption to meet the needs of Generation Z employees. However, the demands will need to be navigated carefully as while cost remains the most significant driver of corporate real estate strategy in the region, talent retention and attraction runs a close second.

DEI AND ESG ARE ALLIES IN WORKPLACE TRANSFORMATION

The workplace is undergoing significant transformation outside of the rise of COVID-induced flexible working practices. Both Diversity, Equity and Inclusion (DEI) and Environment, Sustainability and Governance (ESG) have become increasing areas of focus for C-Suites and HR departments alike. While DEI has received significant attention for several years, it is apparent the pandemic has been used as a line in the sand on wellness, with individuals and corporate entities increasingly tying human health to environmental health.

Within this, technology is not just an add on, it is a means to enable change and a means to measure the impact of that change. After all, many of these things are about impact – a positive impact on wellbeing, a positive impact on the environment and a positive impact on society no matter how, or where, an individual works. It is for this reason that technology is at the heart of the future – the connection of the human experience, with the digital experience and the building experience.



Changes to corporate workplace strategy and flexible working in particular should not be considered in isolation. Rather, these changes should be developed in conjunction with corporate goals toward sustainability, equity, inclusion and technology transformation. Focus on the people, not the place.

CREATE COMMUNITIES AND INSPIRE

As the world reopens, everyone and everything will need to re-establish and re-activate their place in the new world order. That means treating locations as tourist destinations or business hubs, Central Business Districts (CBDs) as centres of economic production and the office as a driver of collaboration and innovation. The office will need to become more than just a beautiful space, but also have purpose as a destination that builds community. Humans are social animals and will naturally congregate in places and spaces with like-minded people, whether that is physically in person or digitally online.

We are already seeing corporate occupiers move in this direction. Prior to the pandemic, Cushman & Wakefield surveyed asset managers across the region on the future of proptech – overwhelmingly the view even back then was that creating digital communities was going to be a key focus going forward.

The impact of this is that while fit-out typologies are changing, with a greater focus on collaborative space, the shift in Asia Pacific is likely to be more limited at least in the near term. Fundamentally, this is due to a greater proportion of employees spending more time in the office and therefore requiring space for focused work. Rather, occupiers will likely turn to landlords to provide collaborative space and wellness activities elsewhere within the building for group use.

It is important to recognise that the future is not binary – office or remote – and that they are not mutually exclusive outcomes. Furthermore, again drawing on data from Experience per Square Foot™, there is something fundamental that we do know. The single largest driver of employee engagement and employee experience is being inspired. This is the challenge for landlords and occupiers alike – to create / reactivate spaces and places that inspire.

TOP 5 VARIABLES THAT CORRELATE TO EMPLOYEES DOING THEIR BEST WORK

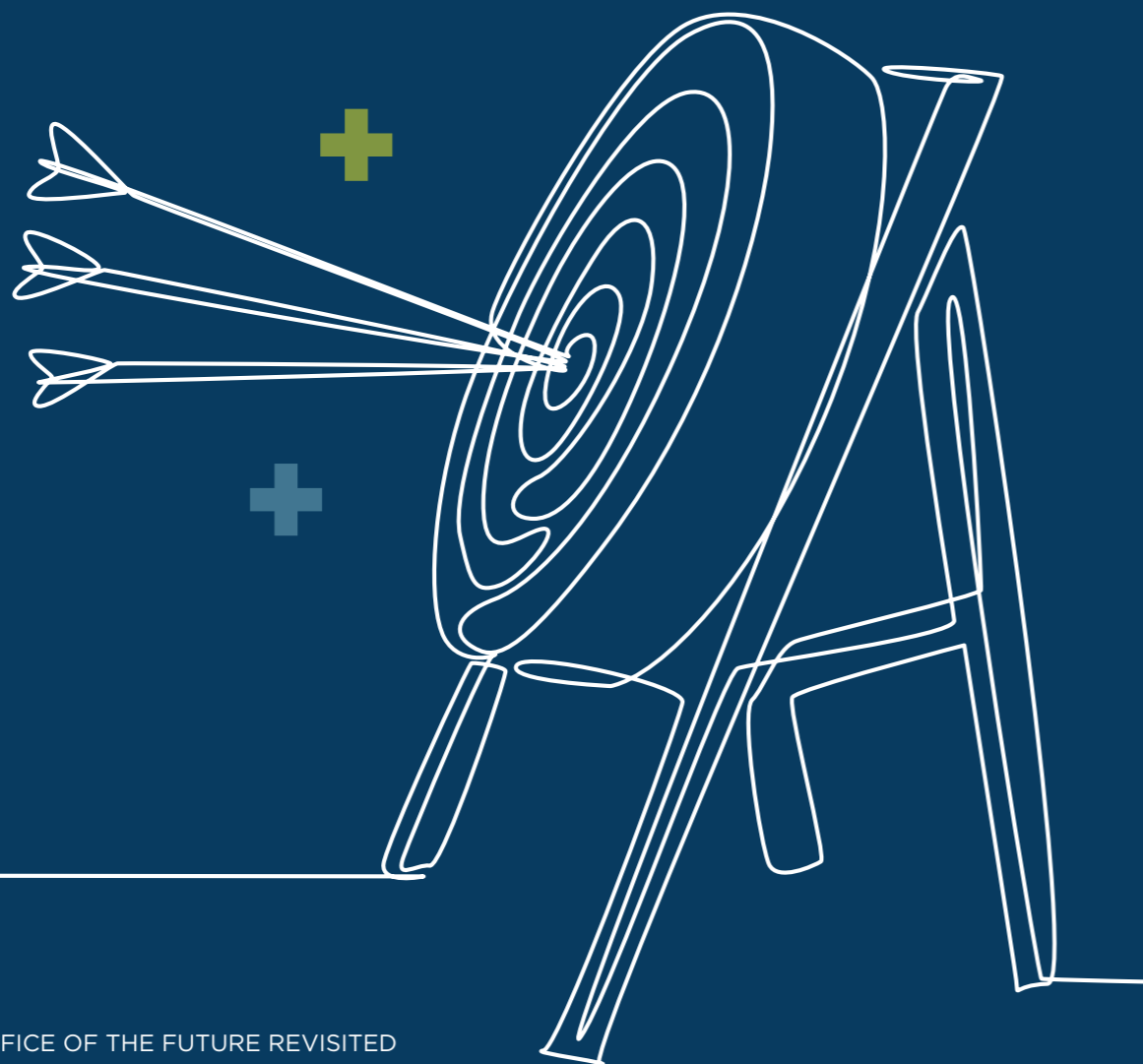


In the transition to greater workplace flexibility the office remains vitally important. It is a destination to build community, but more importantly it is a destination that can **inspire** and inspired workers are the most engaged.

CURRENT OFFICE SPACE STRATEGY SCENARIOS

WHAT ORGANISATIONS ARE PLANNING IN 2022

Based on the findings in the first part of the report, what should be abundantly clear that there's no universal solution to the hybrid workplace of the future. However, we can offer examples of how three different organisations have already begun to develop hybrid work models.



REDUCTION OF REAL ESTATE FOOTPRINT BY 50% THROUGH A REIMAGINATION OF THE WORKPLACE AND ROBUST CHANGE MANAGEMENT

Who: Global Pharma with 100,000 employees

Background: The company took the opportunity during the COVID-19 pandemic to aggressively optimise its real estate.

Specifically for a local office in the Asia Pacific region, the company wanted to reduce its 10,000 square metres (sqm) of space on two floors down to 5,000 sqm on a single floor without reducing headcount.

Working closely with partners and its employees, the organisation reimaged the workplace and implemented a change management project to guide employees from a dedicated desk approach to a new agile working style with a focus on collaboration spaces.

Outcomes

- ↓ Successfully reduced the total footprint by 50% with implementation of a robust hybrid work arrangement
- ↓ Successfully realigned workspace by increased proportion of collaborative space to 50% of footprint
- 😊 Positive employee adoption of the new hybrid work arrangement

AMPLIFYING CULTURE AND SUPPORTING HIGH GROWTH WITHIN THE SAME FOOTPRINT

Who: Global Fast Moving Consumer Goods Company with 100,000 employees

Background: Through a restack at an office in China (home to approximately 2,000 employees) the company wanted to amplify the organisation's core values, reflect their vibrant culture and accommodate significant headcount growth.

The company revamped its workplace to inspire employees to reach their full potential and support their daily needs. The new workplace was also designed to help shift people away from a traditional work style to an activity-based work style.

Implementing a data-led approach to change, the organisation also used a full-scale change management programme to support the project management of the physical office move.

Outcomes

- ↓ Successfully implemented desk-sharing and activity-based working that reduced the space per person requirements
- 😊 Strong senior management buy-in
- 😊 Smooth transition from a traditional working environment to a new shared environment, anchored in high levels of staff engagement

SUPPORTING THE FUTURE OF WORK – REIMAGINING THE PURPOSE OF OFFICE POST-PANDEMIC TO DELIVER BETTER SOLUTIONS FOR CLIENTS

Who: Cushman & Wakefield, 50,000+ employees

Background: Leveraging two offices in Singapore, Cushman & Wakefield developed a workplace ecosystem to better serve our clients and employees. In 2022, the same analytical methodology was used across both offices, which identified the need for a unique strategy for each, proving one size never fits all.



CUSHMAN & WAKEFIELD SINGAPORE CBD OFFICE

Background: Cushman & Wakefield took the opportunity to reimagine its work environment with a new location and designed a hybrid workplace to represent its continued growth and provide a “living brochure” that clients can also experience.

The new space was designed with employees at its forefront through qualitative and quantitative information gathering at all levels of the organisation. The results were clear – employees wanted a space that they can showcase to clients, along with a diverse and inclusive work environment where they can connect and belong.

A thoughtful occupancy planning, innovative workplace strategy and people-centric change programme was implemented from end-to-end to deliver an office of the future.

Outcomes

- ✿ Relocated to a Premium Grade Building equipped with Smart Building Technology and Building Construction Authority of Singapore (BCA) Green Mark Platinum Certification
- 🗨️ Shifted from Hot Desking to Activity-based Hybrid Working
- ↑ Expanded number of Work Points from 83 Workstations to 101 functional Work Points – 14 Focused Seats, 62 Workstations, 25 Touchdown Points
- ↑ 100% increase in collaboration spaces from 9 meeting rooms to 17 meeting rooms and 4 open collaboration areas, including a variety of “double up” collaboration spaces

C&W SERVICES SINGAPORE OFFICE

Background: During COVID-19, the company reconsidered the purpose of the workplace and decided to move from a traditional workplace setting to a hybrid workplace setting. It was transformed into a “Living Lab” of technology and innovation focusing on sustainability, wellness and agility. The transformed workplace features diverse well-being facilities and work settings.

Changing of behaviour and mindset were critical to ensure success for the entire organisation in the transition to a new way of working. An extensive change management programme was undertaken which included initiatives that allowed employees to contribute and provide feedback. A robust training programme was developed to provide knowledge and guidance as employees navigated this new experience.

Outcomes

- 🗨️ The “Living Lab” of C&W Services Singapore offers a variety of work settings that allow employees to perform at their best according to their daily activities
- ✿ The office is securing its Green Mark Platinum accreditation by the BCA
- 🗨️ Workplace technology applications enabled more efficient management of the facility, including seamless booking of desks and meeting rooms, a face recognition program for easier access, and smart toilet systems that better regulate the deployment of cleaners for a more hygienic and comfortable restroom experience



- ↑ 100% increase in well-being facilities which include a nursing room, prayer room, chill room, vending machines that dispense healthy snacks, as well as separate refrigerators and microwaves for halal and non-halal food items
- 🗨️ Barrier-free accessibility features include ramps, automatic doors, and 60 power-assisted height-adjustable workstations
- 😊 Positive employee adoption of the new way of working
- 😊 High levels of employee engagement indicating increased pride in their transformed workplace

FINAL THOUGHTS

There is little doubt that the future of the workplace has evolved rapidly since the onset of the COVID-19. Globally, we revealed three realities that the office remains in demands, hybrid is here to stay, and as a consequence the role of the office has evolved.

While these factors are true for Asia Pacific, the pace of change, at least right now, is slower than elsewhere. The combination of lower levels of flexible working prior to the pandemic together with cultural norms preferring the office mean that workplace transformation will take longer to occur.

However, pressure is already building, and will only increase as Generation Z continues to become more visible in the workforce. Ultimately, this means greater change management is required. Corporate occupiers who recognise this early and start piloting new models stand to reap the benefits through greater talent attraction, retention and engagement. There is no better time than now to begin - the clock has already started ticking.





ABOUT CUSHMAN & WAKEFIELD

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

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