

# ARA Asset Management Limited

15 May 2021

The Future of Office - Australia Occupier Survey

**1**  
Changes in overall demand for space

**2**  
Occupiers' strategy and agenda

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Profile of respondents

## Changes in the overall demand for office space

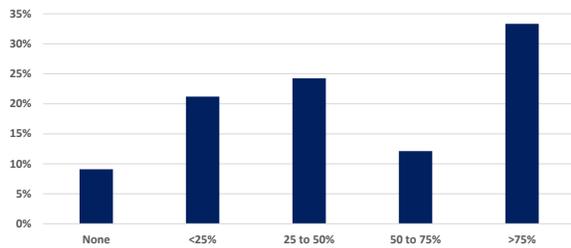
*Overall space demand likely to be relatively stable amid a long-term shift towards WFH  
Some occupiers may downsize their offices as they move most of their workforce to WFH arrangements*

## A structural shift towards greater WFH is likely

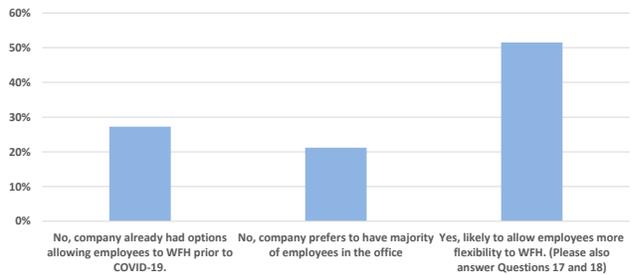


- At the time of this survey, Australia had largely contained the local COVID-19 outbreak. WFH orders in states like NSW had also ended. **Despite this, the majority of firms have some workers on alternative work arrangements.** Additionally, a **significant share of occupiers had over 75% of their workforce on alternative work arrangements.**
- **The move towards greater WFH is likely to be a long-term trend.** 52% of respondents are looking to allow employees more freedom to WFH going forwards. This shift is primarily to boost employee attraction & retention (55%) and employee productivity (36%).
- A shift towards WFH will not come without issues. The main anticipated challenges include maintaining team spirit (45%) and supervising workers (21%).

What percentage of your workforce is on alternative work arrangements?



Are your company's preferences with WFH likely to change over the longer-term (>12 months)?



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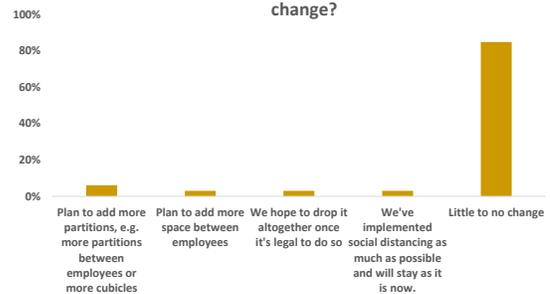
## Office space per worker likely to remain unchanged



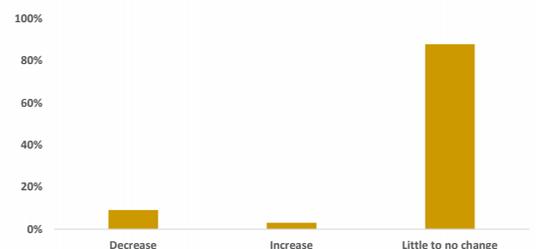
- Most respondents expect social distancing between workers in the office to stay the same.
- As a result, the large majority of respondents believe that office space per worker will see little to no change post-COVID.



Post COVID-19, how will office social distancing change?

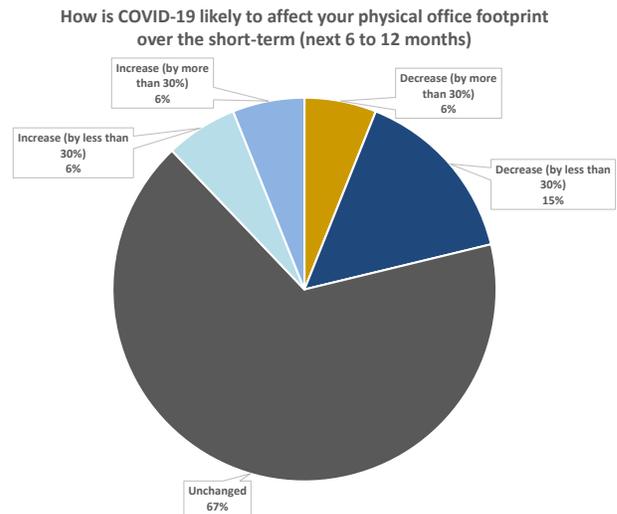


Post-COVID-19, will office space per worker change?



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- The majority of occupiers **expect their physical office footprint to remain unchanged in the near-term**, with 15% likely to downsize as they embrace WFH.
- The long-term outlook for office footprint is more uncertain, with 45% of respondents believing it's too soon to tell. Of those with greater clarity, majority expect their physical office footprint to stay the same, **but reconfigured to accommodate the rise of WFH**.
- Modifications could focus on improving physical offices for activities that are done better in person, such as collaboration and meeting clients.
- A few respondents expect their physical office footprint to shrink over the longer-term as they move the majority of their workforce to alternative working arrangements.

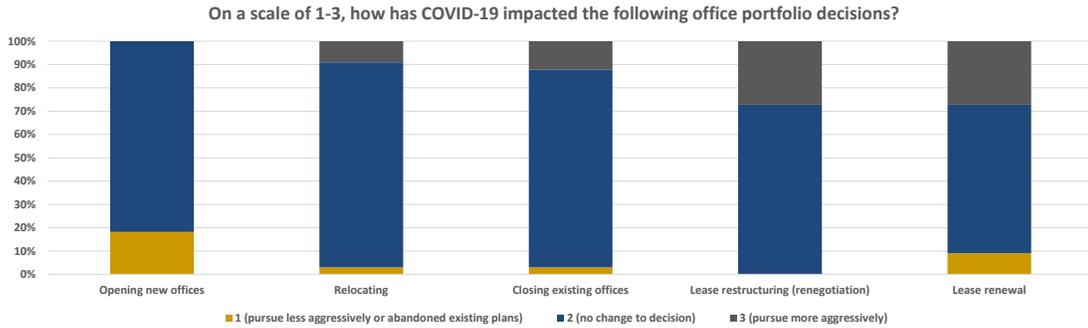


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## Occupiers' strategy and agenda

*Future office leasing needs are likely to see slight shifts while office occupational models stay unchanged  
Hygiene and end-of-trip facilities topped the agenda as technology receives less attention*

# Expect slight shift in office occupational strategy



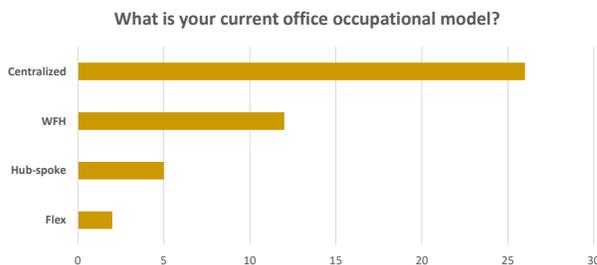
- **Future office leasing needs are likely to see slight shifts in response to the pandemic and the rising popularity of WFH.** 18% of respondents are pursuing the opening of new offices less aggressively while 12% have increased their focus on closing existing offices. This suggests that office leasing demand in Australia could face some downside going forward.
- On a brighter note, **some occupiers are also intent on staying put.** 27% are looking to pursue lease renewals more aggressively, likely in a bid to cut costs, while the same share of respondents plan to focus more on restructuring/renegotiating their lease.



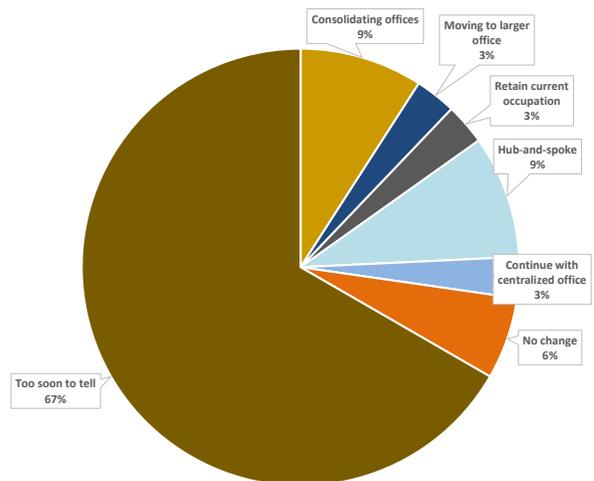
# Office occupational models likely to remain unchanged



- **Most occupiers have no plans to make significant changes to their office occupational model, at least in the short-term**
- The majority of tenants are currently using a centralized office model. Of these, many also have staff WFH.
- There is no definitive trend with office occupational models going forwards. Some respondents with a centralized office are looking towards hub-and-spoke models, and vice-versa.



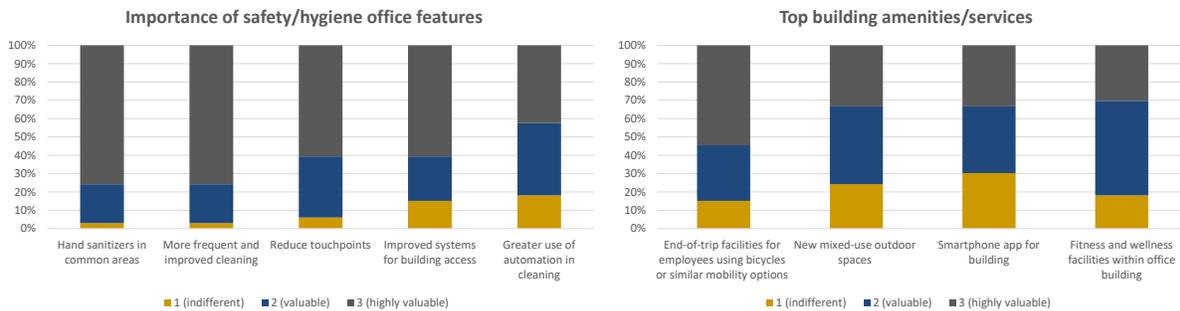
What office strategies are you considering?



## Hygiene and end-of-trip facilities topped the agenda



- Although office occupational models are unlikely to see much change, some office aspects are set to move up the occupier priority list.
- **Tenants expressed strong interest in all suggested hygiene and safety features.** Meanwhile, **end-of-trip facilities for employees using bicycles and similar mobility options** was rated as the **top building amenity**.
- **In contrast, respondents appeared to place less value on technology.** Improved building access systems and automated cleaning were ranked as the least important hygiene/safety features. Similarly, interest in a smartphone app for the building was relatively weak compared to other options.



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## Overall summary and key takeaways



- Based on our survey results, **overall office space demand in gateway Australian cities is likely to remain relatively stable.**
- Yet, signs of a short and long-term shift towards WFH suggests that **Australia's offices of the future may be reconfigured** to focus on activities that are better done in offices, such as collaboration or meeting clients. Office leasing demand could see some contraction as a small share of occupiers look to embrace WFH and downsize their offices in response.
- **The rising popularity of WFH is likely to result in some minor shifts in occupier leasing needs**, with the opening of new offices being pursued less intently and the closing of existing offices pursued more intently.
- However, **occupiers are not changing their office occupation models yet.**
- Accelerated by COVID-19, **hygiene has moved up the priority list amongst office occupiers.** End-of-trip facilities for employees using bicycles and similar mobility options was also rated highly. Comparatively, there was less importance placed on digitalization.

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## Profile of respondents

### Australia 'Future of Office' survey – Respondent breakdown

**33 total respondents**  
Surveyed in **Apr 2021**

**Assets covered:**

- 133 Mary St
- 300 Queen St
- 320 Pitt St
- 55 Currie St
- Southgate

**Respondent Profile (Top 3):**

- 21%** Professional, Scientific and Technical Activities
- 12%** Financial and Insurance
- 12%** Other Services

- 88%** responding for Australia
- 12%** responding for APAC

## Contact Details



**Sean Ng**

Sean Ng works as an Analyst at the Research & Strategy team at ARA Asset Management. His primary responsibilities include analysing the economic and property markets across Asia Pacific, and making strategic investment recommendations to the firm.

Prior to joining ARA in 2018, Sean worked at CPG Consultants, providing economic research to its Urban Planning and Integrated Solutions departments.

Having majored in economics at the University of Michigan, and equipped with brief experience in urban planning and facilities management, Sean offers an alternate approach to property market research.

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**Dr Chua Yang Liang**

Dr Chua Yang Liang heads up the Research & Strategy team at ARA Asset Management. He is responsible for monitoring the economic and property markets across Asia Pacific, and providing strategic advisory to the Firm.

Dr Chua has almost 20 years' experience in the research and planning-related field. His most recent stint was with JLL where he headed their research teams across South-East Asia.

Trained as an urban planner, Dr Chua brings to the Firm a different perspective to property market research and he publishes original papers covering property market updates as well as investment and property related matters.

Dr Chua obtained his doctorate and Masters in City Planning from the University of Pennsylvania, USA. He has a Bachelor of Science (Estate Management) First Class Honours, from the National University of Singapore.

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