

ARA Asset Management Limited

15 May 2021

The Future of Office - China Occupier Survey

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Changes in overall demand for space

2
Occupiers' strategy and agenda

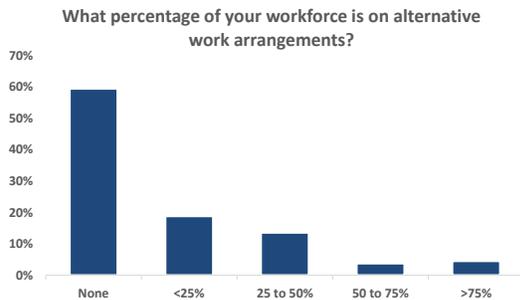
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Profile of respondents

Changes in the overall demand for office space

Overall demand for office space likely to remain relatively unchanged in the short- to medium-term

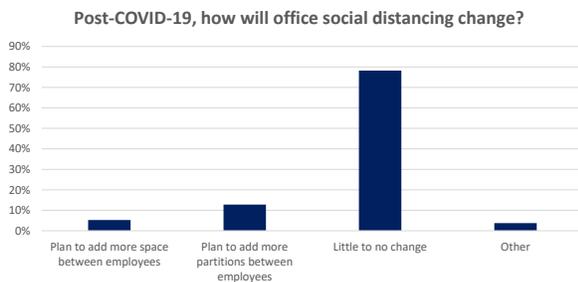
Number of workers in office likely to remain relatively unchanged

- Given China's early containment of local COVID-19 cases, **most firms surveyed have no employees on alternative work arrangements**
- Tenants still prefer their employees to work from office**, partly due to perceived challenges to achieving benefits of WFH, personal safety and security of data, and difficulty in the supervision of work
- Amongst the firms that do have employees on alternative work arrangements, 57% expect this model to stay.



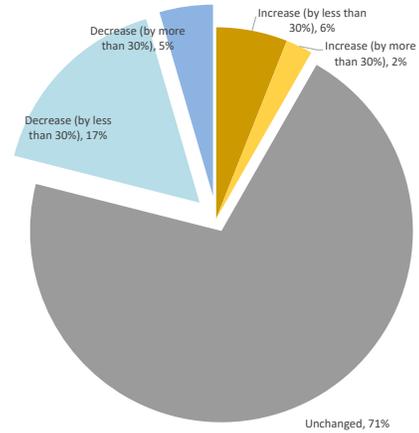
Little change anticipated on office space per worker

- Despite COVID-19, **most firms anticipate distancing between workers in the office to stay the same**. Those planning changes are largely looking to erect more barriers between employees rather than increase the amount of space between them.
- As a result, **the majority of respondents believe that office space per worker will see little change post-COVID**.



- Most occupiers **expect their physical office footprint to remain unchanged** in the near term.
- This is supported by earlier findings showing a preference for working from office and expectations that **office space per worker is unlikely to change**.
- The long-term outlook for office footprint is much more uncertain, as 76% of respondents believe it's too soon to tell. Of those with a clearer outlook, most **expect physical office footprint to stay the same**.

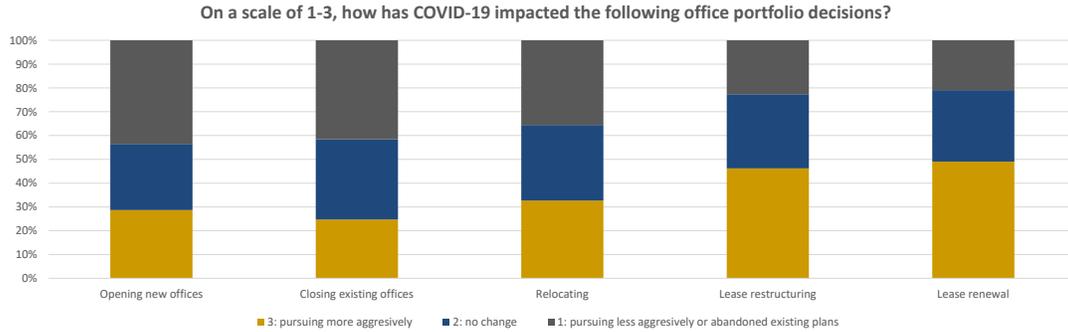
How is COVID-19 likely to affect your physical office footprint over the short-term (next 6 to 12 months)?



Occupiers' strategy and agenda

*Occupier leasing strategy set to remain largely unchanged
Hygiene, digitization, and wellness rise up the priority list of occupiers*

Occupier strategy unlikely to change significantly



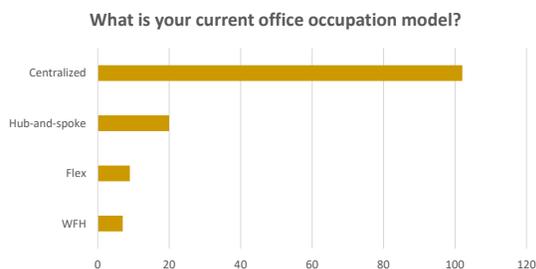
- Findings on future leasing needs are in line with the earlier result that most occupiers expect their physical office footprint to remain unchanged in the near-term.
- **Many occupiers are looking to stay in place**, with 49% looking to pursue lease renewals more aggressively and 46% intending to focus more on restructuring/renegotiating their lease.
- **The pandemic has also resulted in many occupiers dropping plans to make changes to their office portfolio.** A notable number of respondents stated that plans to open new offices and close existing ones have both been abandoned or are being pursued less intently.

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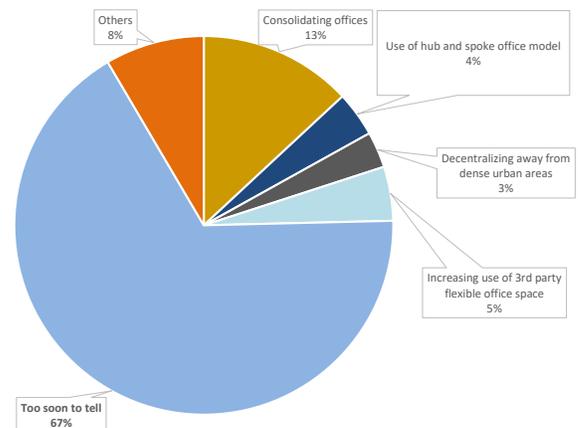
Office occupational models likely to remain unchanged



- Similarly, **most occupiers don't plan 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.
- There is still limited interest in alternative strategies such as hub-and-spoke models and decentralization, with most respondents believing that it's still too soon to make a decision.



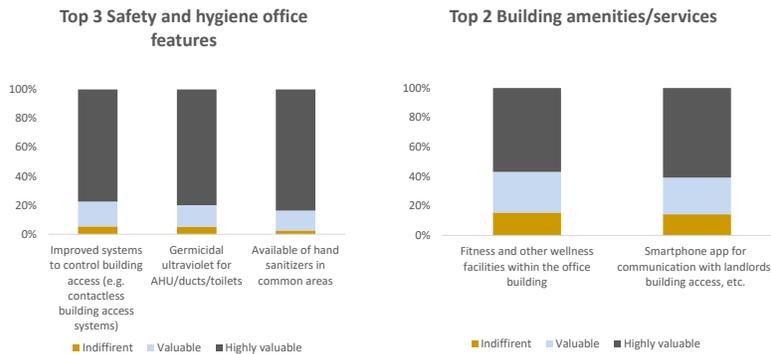
What office strategies are you currently considering?



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Hygiene, digitization, and wellness top of the agenda

- While office portfolio strategy is unlikely to see much change in response to the pandemic, certain office aspects are set to move up the priority list for occupiers.
- Tenants have expressed strong preference for **digitization** and **observable components** in the overall hygiene/safety features and building amenities



Overall summary and key takeaways



- Based on our survey results, **overall office space demand is likely to remain relatively stable** due to two key factors:
 1. The number of workers in the office is unlikely to shift significantly. As a result of China's early containment of COVID-19, the majority of firms have no workers on alternative work arrangements. Most firms prefer employees to WFO as well.
 2. The office space per worker is set to stay the same. Few firms are planning to increase the amount of office space per worker in response to the pandemic.
- **Office occupier strategy indicates that little change is on the horizon**, at least for now
 - Most occupiers are looking to stay in place. Many others have dropped plans, or are pursuing them less aggressively, to alter their office portfolio.
 - Office occupational models are also likely to see little change. The centralized (single-location) office model is set to remain dominant with limited demand for decentralization.
- **Hygiene, digitalization, and wellness** are moving **up the priority list** amongst office occupiers

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Profile of respondents

China 'Future of Office' survey – Respondent breakdown

133 total respondents
Survey performed in **Dec 2020**

Assets covered:

- Century Link
- BEA Finance Tower
- The Platinum

Profile of Respondents (Top 3):

36% Finance & Insurance
11% Wholesale & Retail Trade
8% Information & Communications

93% responding for China
7% responding for APAC

Contact Details



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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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