

ARA Asset Management Limited

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The Future of Office - Singapore Occupier Survey

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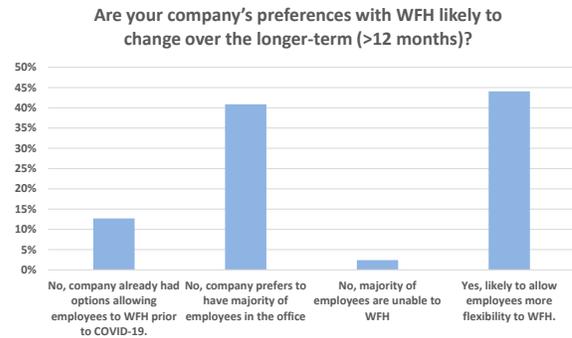
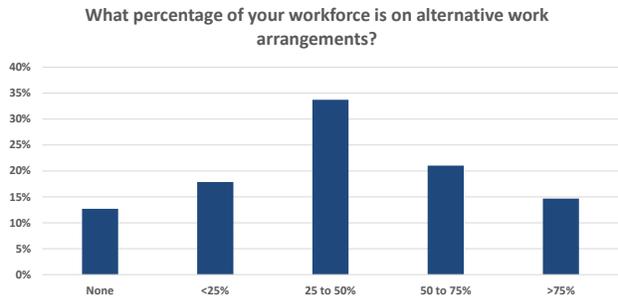
Changes in overall demand for office space

Overall space demand likely to be relatively steady despite signs of a long-term shift towards WFH

Structural shift towards greater WFH may be underway



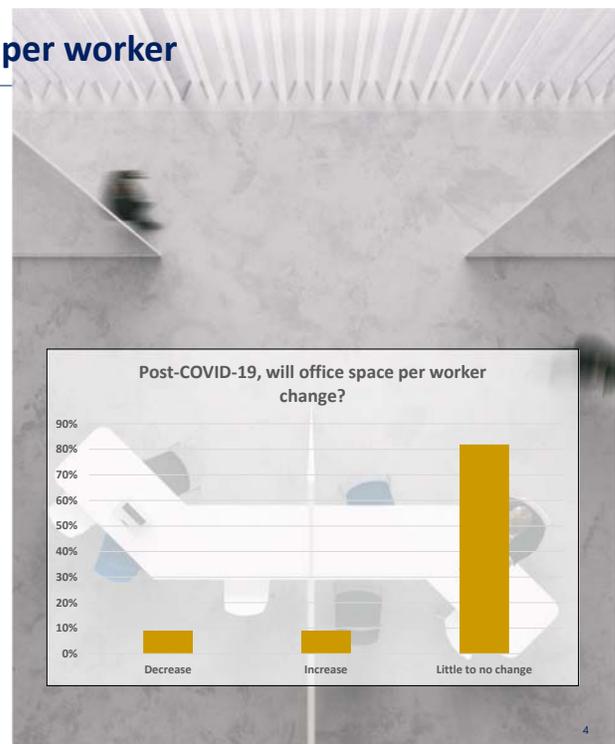
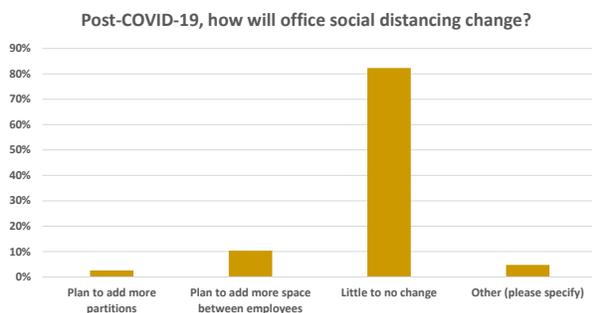
- Despite Singapore's containment of the local COVID-19 outbreak, **the large majority of firms have some staff on alternative work arrangements**. Government policies restricting the number of workers in offices may have partly contributed to this.
- **There are signs that a longer-term shift towards greater WFH is underway**. 44% of respondents said they will likely offer employees more freedom to WFH. The main reasons for this shift are business continuity purposes (38%) and greater employee productivity (27%).
- WFH will not come without challenges however. **Primary three concerns** to WFH include maintaining team spirit (36%), supervising workers (21%), and effective communication with workers (20%).



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Limited change anticipated on office space per worker

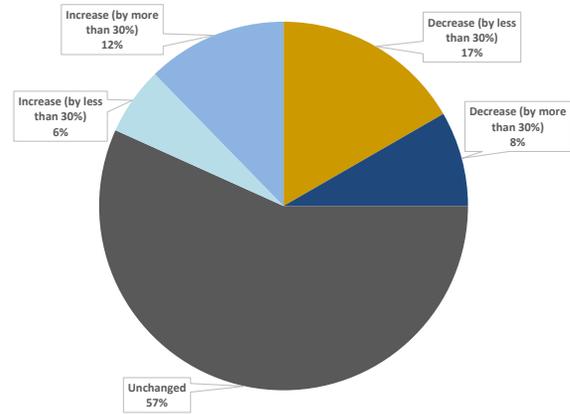
- Despite COVID-19, **most firms anticipate distancing between workers in the office to stay the same**. For those small proportion of firms who plan to make changes, they are largely looking to increase the space between employees rather than erect more barriers between them.
- As a result, **the large majority of respondents believe that office space per worker will see little change post-COVID**.



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- Most occupiers **expect their physical office footprint to remain unchanged** in the near-term
- The long-term outlook for office footprint is more uncertain, with 63% of respondents believing it's too soon to tell. Of those with a clearer outlook, most expect 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.

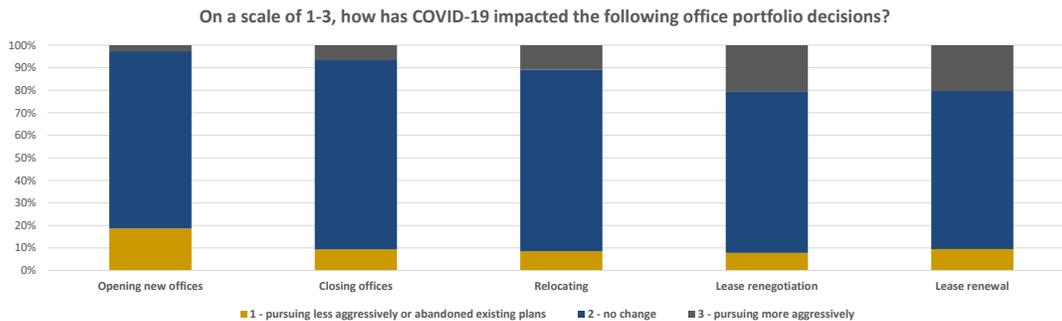
How is COVID-19 likely to affect your physical office footprint over the short-term (next 6 to 12 months)?



Occupiers' strategy and agenda

The pandemic is likely to have little impact on occupiers' overall leasing strategy and occupation models. However, it has boosted hygiene and digitization up the agenda.

Office occupational strategy unlikely to change significantly



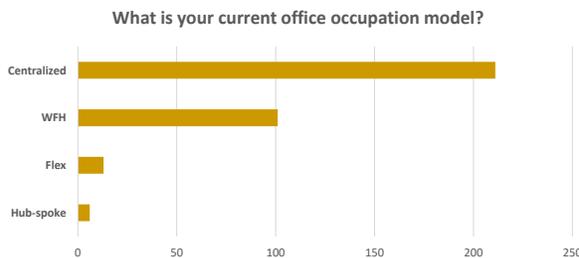
- On future leasing needs, responses echo the earlier finding that most occupiers expect their physical office footprint to remain unchanged in the near-term. **Generally, the pandemic has limited impact on office occupational strategy.**
- **One noticeable change is that 19% of respondents are pursuing the opening of new offices less aggressively amid the impact of COVID-19.** This could hurt overall leasing demand in the Singapore office market.
- **Some occupiers are also intent on staying in place.** 20% are looking to pursue lease renewals more aggressively, likely in a bid to cut costs, while 20% are intending to focus more on restructuring/renegeating their lease.

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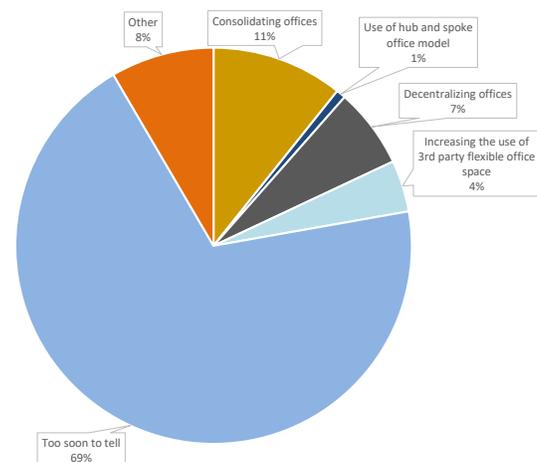
Office occupational models likely to remain unchanged



- Similarly, **most occupiers have no plans to make significant changes to their office occupational model**, at least in the short-term. Yet, there could be some consolidation (11%).
- The majority of tenants surveyed are currently using a centralized office model. Of these, many have staff WFH.
- Notably, there seems to be **limited demand for decentralization, hub-spoke office models, and 3rd party flexible office space.**



What office strategies are you currently considering?



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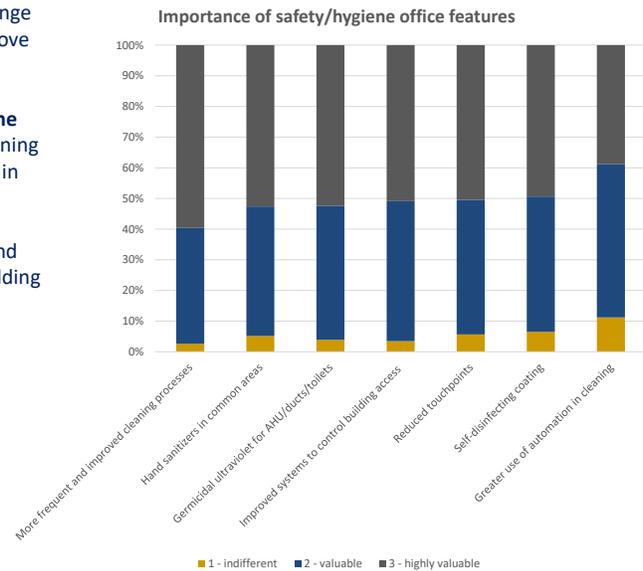
Hygiene and digitization topped the agenda



- While office occupational strategy is unlikely to see much change in response to the pandemic, some expectations are set to move up the list for occupiers.
- **Tenants expressed strong preference for all suggested hygiene and safety features.** While more frequent and improved cleaning was rated the most highly, tenants felt the use of automation in cleaning was less necessary, placing it last.
- **Digitization is also rising up the agenda.** Tenants in Suntec and 50ne Central rated “building smartphone” app as the top building amenity/service.



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Overall summary and key takeaways



- Based on our survey results, **overall office space demand should remain stable.**
- There are signs of a longer-term shift towards WFH. This suggests that **Singapore’s offices should be reconfigured** to focus on activities that are better done in offices, such as collaboration or meeting clients.
- Responses indicate that **occupiers’ strategy will likely see little change as a result of the pandemic**, at least for now.
- **Occupiers are not intent on changing their office occupation models in the short term.** Interest for alternatives including decentralization, hub-spoke models, and greater use of 3rd party flexible space is limited at this point.
- Accelerated by COVID-19, **hygiene and digitization are moving up the priority list amongst office occupiers.**

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Profile of respondents

Singapore 'Future of Office' survey – Respondent breakdown

252 total respondents

Assets covered:

Suntec

- Surveyed in **Apr 2021**

61 Robinson, 5One Central, and Capital Square

- Assets surveyed in **Jan 2021**

Respondent Profile (Top 3):

29% Finance & Insurance

18% Wholesale & Retail Trade

15% Information & Communications

71% responding for Singapore

29% responding for APAC

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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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