

A modern office interior with large windows on the left. A woman in a black blazer and white top stands in the foreground, holding a tablet. In the background, a man in a suit sits at a desk, and a woman is also working. The office has a contemporary design with blue and white tones.

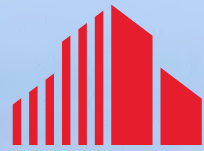
ASIA PACIFIC

REWORKING THE OFFICE



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01

EXECUTIVE SUMMARY



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CORPORATE OCCUPIERS HAVE LONG BEEN FACED WITH HAVING TO NAVIGATE MULTIPLE ECONOMIC FORCES AND CORPORATE STRATEGIES WHEN MANAGING THEIR OFFICE FOOTPRINT.

What is less usual is the level of uncertainty that currently exists in each. Overlay that with changing workplace strategies and the evolving needs of employees and it is easy to see that managing the corporate footprint has never been so complex. However, at the core of the issue lie four key considerations – Cost, Culture, Carbon and Community – under which the changing demands, needs and impacts on office spaces and strategies can be examined.

The office remains a vital component in workplaces and workspaces with clear evidence supporting the value of bringing people together. The most significant change is the role the office plays and how it can support the achievement of corporate goals. This means seamless alignment and integration of real estate strategy with finance, technology, and HR objectives, both for immediate and future needs.

In short, real estate leaders have an exciting opportunity to use an evidence-based approach to align capital and operational investment with what drives a productive, engaged - and inspired - workforce.





The office sector is going through structural change as organisations the world over seek to adapt their physical spaces to new ways of working and adjust their corporate real estate decision making.



Decision-making can be simplified to four key considerations: Cost, Carbon, Culture and Community – under which the changing demands, needs and impacts on office spaces and strategies can be examined.



Real estate leaders have an exciting opportunity to use an evidence-based approach to align capital and operational investment with what drives a productive, engaged - and inspired – workforce.

COST

- ▶ Economic growth has slowed, and corporates are looking at all areas of capital and operational expenditure and assessing the quality of every dollar spent – especially their real estate footprint.
- ▶ Most office markets across the region are considered tenant favourable, with rents likely approaching their low point.
- ▶ Looking forward, higher quality buildings in sought-after locations will experience greatest demand and recover earliest.
- ▶ For corporate occupiers, this suggests a first mover advantage for those willing to navigate the current market.

CARBON

- ▶ Environmental, Social and Governance (ESG) goals are essential to an organisation's long-term financial performance and corporate reputation.
- ▶ A number of tools and rating systems exist to design and measure sustainable workplaces including LEED, WELL, Fitwell and Reset.
- ▶ Benefits flow well beyond meeting ESG goals, positively influencing employee wellbeing and productivity.
- ▶ Companies should treat ESG initiatives as a way to meet multiple corporate goals, with return on investment (ROI) reflecting those benefits too.

CULTURE

- ▶ With the rise of flexible working, organizations need to work harder to foster a positive company culture that employees feel connected to and supported by, including by contributing to their wellbeing.
- ▶ Where flexible working practices are more prevalent, mandating office attendance is not the solution. Instead, focus should be on motivating employees to choose the office for certain experiences and 'earning the commute'.
- ▶ Office fit out design needs to evolve accordingly to cater to flexible modes of work and flexible workforces. A modern office needs to be as efficient and operationally effective at 50% capacity as well as near 100% capacity.
- ▶ Designing accessible, sensory-friendly environments helps everyone. Creating diverse, equitable and inclusive workplaces empowers people to feel safe and supported, to self-manage and to do their best work.

COMMUNITY

- ▶ Many workers thrive from deliberate engagement with both internal and external communities.
- ▶ By establishing connections with the local community - whether that be the wider community surrounding the workplace, other tenants in the building, or local community initiatives or causes - it results in increased loyalty, fulfillment and ultimately talent retention.
- ▶ Further connections can be made through charitable partnerships and developing ethical and social procurement initiatives.
- ▶ These actions enhance brand reputation and enable responses to social need as well as providing a point of difference to both potential clients and employees.



02

COST



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MACRO-ECONOMY AND OPERATING ENVIRONMENT

Interest rates in most economies are now at or close to peak. Rates are likely to be held at these levels until central banks are convinced inflation has been tamed, after which they are likely to pivot and cut rates to stimulate growth. This is forecast to begin in H1 2024.

MACRO-ECONOMY

The Asia Pacific economy remains robust compared to other regions, and is the only region forecast to record stronger growth in 2023 than 2022, at 4.0% compared to 3.1% respectively (Figure 1). This is in no small part due to stronger performance in mainland China as its economy continues to recover from a turbulent 2022. However, despite this headline result, much of the region is currently facing tougher conditions this year, brought on by the wider economic slowdown as central banks across the world continue to tackle inflationary pressures.

Regionally, inflation peaked at a little over 4% in late 2022 and has been slowing since, although it remains elevated across most of the region compared to longer-run averages. South Korea and Singapore are arguably further through the hiking cycle than other markets, but the impact remains the same – interest rates have risen substantially, which has driven up the cost of capital and therefore made companies more circumspect on either spending reserves or taking on debt to invest in business expansion.

CORPORATE GROWTH

This caution is warranted given drivers on the other side of the ledger. Corporate revenue growth showed relative strength through 2021 and into 2022 (Figure 2). Since then, growth has slowed which, while a broad measure, is symbolic of the wider economic slowdown. There has been little evidence of this spilling into labour markets yet, which remain exceptionally strong. Within Asia Pacific, unemployment is below 5-year pre-COVID averages across 10 out of the region's 14 major markets. Such tight labour conditions, and the resulting competition to secure high-quality talent together with cost-of-living increases, continue to place upward pressure on wages, especially in the services sector.

Labour markets are expected to remain tight, though wage pressures should cool as the labour market responds to softer economic conditions.

FIGURE 1: ASIA PACIFIC GDP GROWTH AND INFLATION

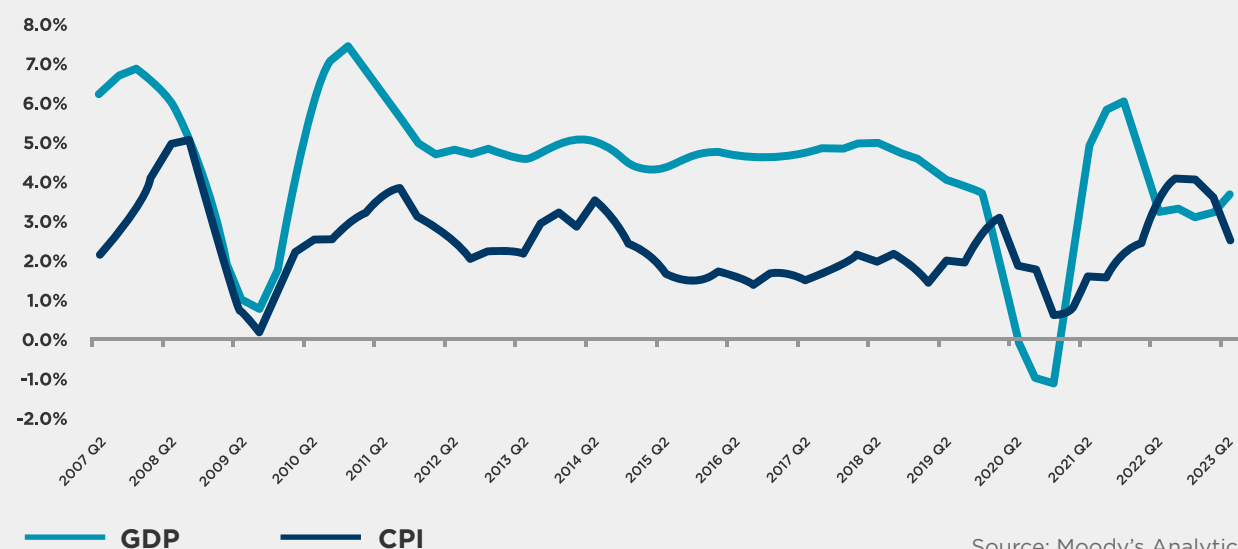
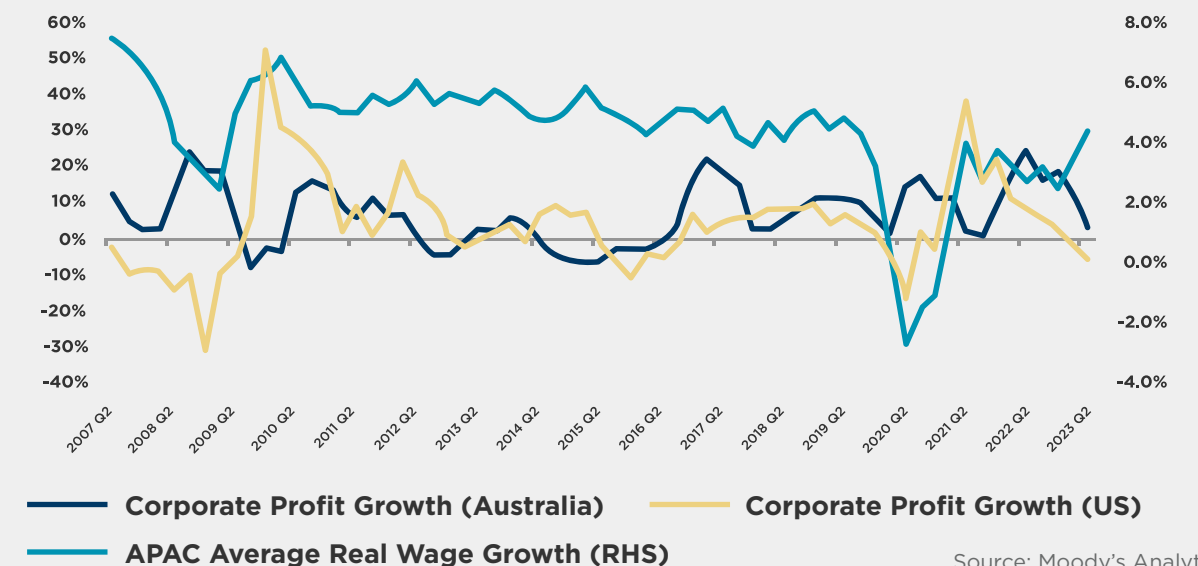


FIGURE 2: CORPORATE GROWTH FOR SELECT MARKETS AND ASIA PACIFIC AVERAGE WAGE GROWTH



Against this backdrop, corporates are looking at all areas of capital and operational expenditure and assessing the quality of every dollar spent.



THE MACRO-ECONOMIC AND OPERATING ENVIRONMENTS PLAY SIGNIFICANT ROLES IN AFFECTING CORPORATE COSTS, NOT LEAST AS WAGES ARE SINGULARLY THE LARGEST OPERATIONAL EXPENDITURE ITEM.

Higher quality buildings in sought-after locations will experience greatest demand and recover earliest.

After that, real estate is the second largest contributor to costs and here there is positive news as most markets across the region are considered tenant favourable.

Regional demand for office space has remained positive, with over 230 million square feet more office space occupied as at Q2 2023 compared to Q4 2019. Within the region, demand for office space is being led out of India as multi-national technology companies and domestic financial services firms continue to expand their operations. Corporate recovery is underway in mainland China, with both domestic and multinational companies both taking more space across its major cities.

While there is nuance at the local level, a common theme across the region though is “flight to quality” as companies seek to occupy the best quality accommodation within budget. Real estate is now seen as an integral tool to help meet several corporate goals across talent attraction and retention, sustainability and productivity and as such quality space is in greatest demand.



FIGURE 3: ASIA PACIFIC QUARTERLY GRADE A OFFICE NET ABSORPTION

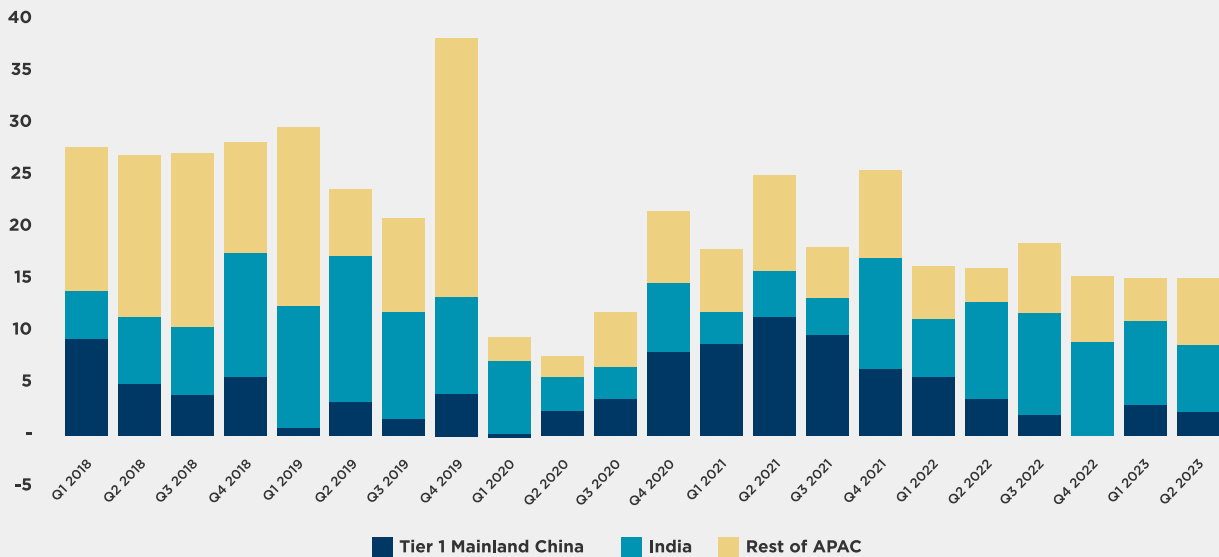
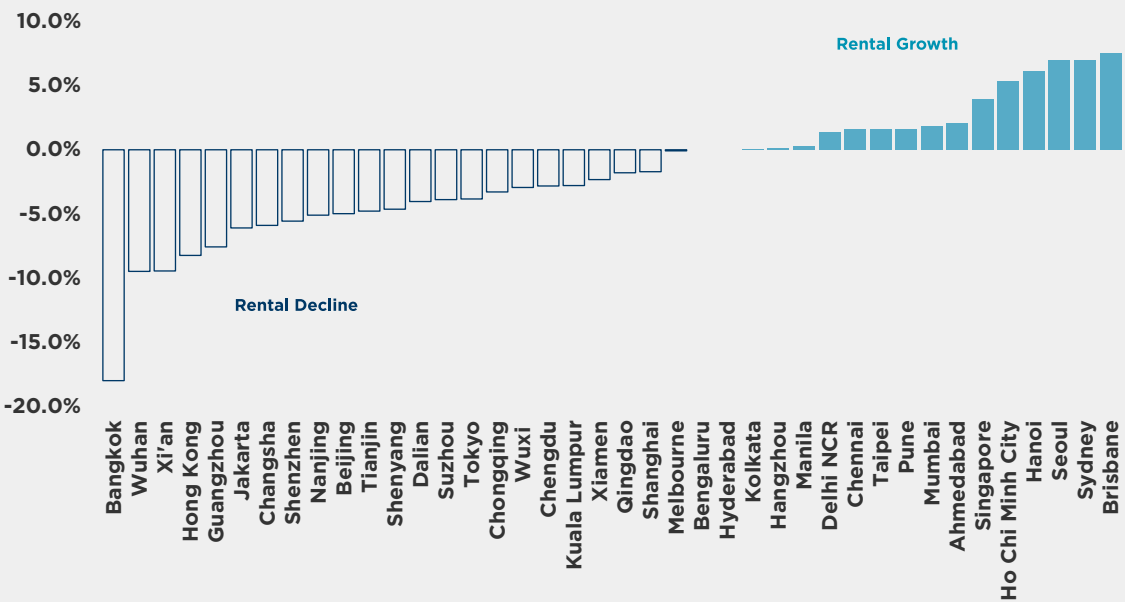


FIGURE 4: Q2 2023 GRADE A OFFICE RENTAL GROWTH (Y-O-Y)



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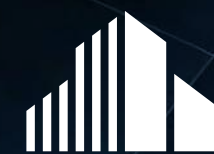
Notwithstanding these positive demand drivers, rental growth has lost momentum as COVID-delayed stock has been brought to market and vacancy has edged upwards. At the weighted regional, rents have dipped -1.6% year-on-year in Q2 2023 but with a range of -18% in Bangkok to +7% in Brisbane. However, rental growth is expected to recover in the next 18-24 months with three-quarters of markets in the region forecast to experience rental growth by 2025. As at Q2 2023, 88% (22 out of 25) of markets in Asia Pacific are currently over-rented – where a tenant is paying above average market rents – but this will decline through to 2026 as ongoing rental growth takes effect. This suggests there is a “window of opportunity” for occupiers to rethink their lease expiries before markets start to shift.

For corporate occupiers, this presents a conundrum. While the macro-economic environment suggests prudence is required most markets are broadly at their most favourable to tenants now, suggesting a first mover advantage for occupiers willing to navigate the current market.



03

CARBON



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COMPANIES' FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) GOALS HAS RAPIDLY ACCELERATED OVER THE PAST TWO YEARS. THERE IS NO CLEARER EXPRESSION OF THIS THAN TWO-THIRDS OF THE 5,000 COMPANIES THAT HAVE SET NET-ZERO CARBON COMMITMENTS HAVE DONE SO SINCE THE START OF 2022^[1].

Companies should treat ESG initiatives as a means to meet multiple goals, not only net zero carbon but also as a vital component of employee wellbeing, productivity and talent attraction. The ROI should reflect those benefits too.

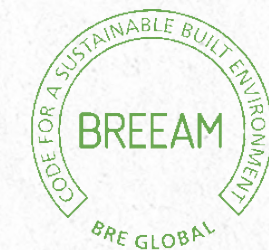
This is recognition that ESG goals are essential to an organisation's long-term financial performance, corporate reputation, and ability to attract clients, investment and talent.

Promisingly, many companies have already embarked on their respective journeys, with 42% of CRE executives indicating that they have already begun to implement measures to reach their stated goals and a further 27% planning to implement measures^[2]. Indeed, in many markets across Asia Pacific, it is likely that companies will be a driving force in improving building sustainability accreditation as they seek to occupy buildings which meet their stated goals^[3].

Aside from occupying buildings with high sustainability credentials, there are further measures that corporates can take to improve their workspaces. This comes through gaining accreditation for fit out design and operations. While many markets adopt their own local ratings systems for assessing either tenancies, base buildings, or both - such as NABERS in Australia, BCA Green Mark in Singapore and BEAM Plus in Hong Kong, as well as DBJ's Green Building Certificate and MLIT's CASBEE accreditation in Japan - there are more widely adopted certifications for assessing fit outs and operational spaces.

WELL, LEED and BREEAM are three of the leading certification programs that have been adopted across the world. Aside from the clarity they bring in understanding the design and operational performance of spaces, the fact that they are globally adopted means that multinational corporations can set a common performance requirement across all locations.

Many of the indicators included in these occupancy rating systems dovetail with base-building metrics to include assessments of air, light, thermal and water systems but then go further to also include the performance of spaces, healthy food availability, green purchasing, wellbeing and mental health amenities and policies. Occupiers should not think that they need to act alone. Landlord and tenant collaboration can have a huge impact on the occupier's ability to meet their sustainability objectives such as; access to data, the ability to submeter and facilities provided for recycling and composting - not to mention the role Green Leases can play in aligning incentives.



The return on investing in healthy and sustainable workspaces comes in many forms, starting with lower operating costs. While this is important from an office portfolio perspective, the benefits to employees have a much greater impact overall. Green spaces have continually been proven to drive superior outcomes including higher cognitive performance^[4], lower levels of sickness, higher productivity and greater creativity^[5].



25% TO 50%
ENERGY CONSUMPTION



11% TO 40%
WATER CONSUMPTION



12%
MAINTENANCE COSTS



14% TO 19%
TOTAL OPERATING COST SAVINGS

Furthermore, a sustainable, healthy workplace is a powerful tool in your talent attraction and retention strategy, considering the increased interest from the younger generation. Millennials, who globally make up 36 percent of the traditional workforce, are generally more health-conscious than their predecessors and are increasingly drawn to organisations that create workplaces that reflect their values.

WELLNESS CAN HELP DRIVE FINANCIAL PERFORMANCE



\$1,100b
Cost of chronic disease



\$300b
Cost of work-related stress



\$250b
Cost of work-related
injuries & illness



\$550b
Cost of disengagement
at work

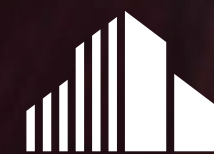
Source: Milken Institute, Uc-Davis, EIOSHA, Gallup

Sources: <https://sciencebasedtargets.org/> | <https://www.cushmanwakefield.com/en/insights/what-occupiers-want>
<https://www.cushmanwakefield.com/en/australia/insights/rethinking-the-office-sector> | <https://ehp.niehs.nih.gov/doi/10.1289/ehp.1510037#:~:text=On%20average%2C%20cognitive%20scores%20were,independently%20associat-ed%20with%20cognitive%20scores> | <https://convene.com/catalyst/office/green-offices-better-jobs/>



04

CULTURE



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DECISIONS AROUND LEASING SPACE CANNOT BE TAKEN SOLELY BASED ON MARKET CONDITIONS AND BUILDING QUALITY. CONSIDERATION NEEDS TO BE GIVEN TO OFFICE LOCATION, THE AMOUNT OF SPACE REQUIRED AND THE BEST WAY TO DESIGN ITS FIT OUT.

For the most part, location of space is the easier issue to resolve, as most companies are searching for accessible precincts that offer a high level of amenity. The amount of space and the fit out design need more careful analysis as not only do these factors impact each other, they also heavily influence company culture.

Companies are still treading a cautious path in establishing their workplace strategies. Labour markets remain tight, making attracting talent difficult and retaining talent essential. More flexible workplace practices have now become more common as a result, but this has come at a cost. Only 54% of people feel connected to their company culture⁷.

^[7] Experience per Square Foot™
A New Reason for the Office: Connection and Inspiration |
Cushman & Wakefield (cushmanwakefield.com)

More worryingly, wellbeing has plummeted in recent years with recent data showing that only 39% of employees have a sense of wellbeing. If not addressed, this will have serious consequences on productivity.

It is becoming increasingly clear that organizations need help to foster a positive company culture that employees feel connected to and that keeps them inspired and engaged in a hybrid physical-virtual world.



EMPLOYEE WELLBEING AND PRODUCTIVITY GO HAND-IN-HAND

Employees with high wellbeing are

3.6x more likely

to say they can do their best work compared to their peers with low wellbeing.

This is up from 2.5x in June 2022.

These employees are

3.4x more likely

to say they can be creative and innovative at their job compared to their peers with low wellbeing.

“Companies have long known that programs promoting work/life balance boost productivity, reduce turnover, and improve employees’ mental and physical health. And now it’s clear that they are also a powerful way to increase organizational diversity.”

Harvard Business Review, 2022

Source: C&W Experience Per Square Foot™ survey, results from January 1, 2021 - December 31, 2022, Region: APAC

Mandating employees back into the office is not the solution. While this may create an appearance of activity within the office, it has serious negative impacts on individual employees. The companies with the most productive and engaged employees, offer the choice of where and when to work, recognising that providing staff with autonomy, yields superior outcomes.



74%

of employees report positive experience and engagement when given choice about where to work



This drops to **48%** when attendance is mandated



85%

report positive experiences when given choice about when to work



This drops to **45%** when attendance is mandated

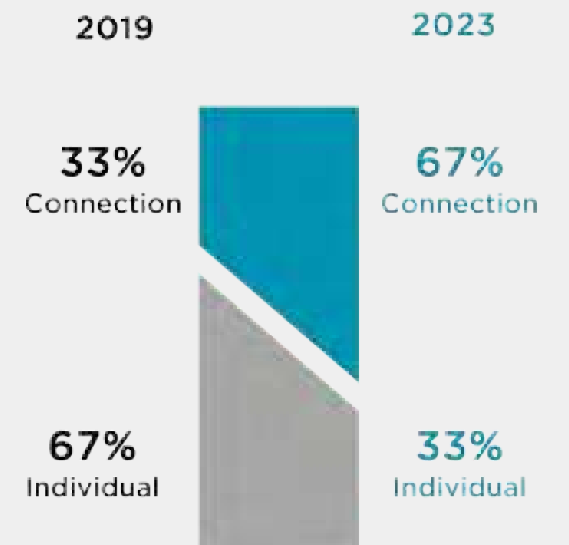


PURPOSE OF THE OFFICE



Source: XSF

DISTRIBUTION OF SPACE WITHIN AN OFFICE



Offering employees choice in when and where to work is only part of the solution. It is now irrefutable that the role of the office is non-binary. It needs to be a place that encourages connectivity, collaboration and innovation, but simultaneously needs to provide spaces that facilitate focussed work and encourages wellbeing. Standard fit out typologies therefore need to change, recognising that the traditional 70-20-10

divide between individual workspaces, collaborative spaces and support spaces is no longer optimal. However, moving to far in the other direction, over-prioritising collaborative space, ignores the needs of employees who cannot or do not want to work remotely and need space in the office to focus. Where the divide lands will be specific to each company and location though is likely to be nearer 30-40-20.

INCLUSIVE AND ACCESSIBLE WORKPLACES

Standards and expectations around both buildings and 'inclusive workplaces' are growing and addressing a wider range of disabilities. Organisations around the world are recognizing that diversity, equity and inclusion (DEI) incorporates forms of diversity that go beyond race, gender and religion to include physical and neurological differences with recent analysis estimated that 16% of the world's population experiences significant disability – some 1.3 billion people^[8]. The outcome needs to be a greater focus on dignified access and inclusive design.

It needs to be recognised that people interpret and navigate workspaces in their own individual way. The same environment that relaxes or energizes some people can overwhelm or threaten others. Equally spaces that are accessible to some, may not be to others. Considering the many ways in which people experience physical space—and designing for those diverse experiences — charts a clearer path to creating less stressful, more supportive places to work.



The benefits of accessible design are widespread. Updating offices to accommodate all individuals outweighs the cost implications, unlocking untapped talent, boosting productivity, enhancing reputation, and fostering innovation. Furthermore, the positives extend to social impact, employee satisfaction, customer perception, and overall business success.

STEPS TO ACCESSIBLE AND INCLUSIVE DESIGN



Accessibility Audits:
identify barriers and areas for improvement



Clear Communication:
be concise and provide information in multiple formats



Visual Supports:
use pictorial cues and visual instructions



Sensory Considerations:
adopt calming colours and noise reduction design



Training and Awareness:
encourage a culture of inclusivity



Person-centred Approach:
focus on individual needs and preferences



Supportive Technologies:
utilise technology to enhance access and participation



Collaboration and Partnerships:
seek expertise and guidance from specialist organisations



Continuous Feedback:
regularly assess effectiveness of design and access measures



Inclusive Hiring:
actively promote inclusive hiring practices



05

COMMUNITY



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WORKERS THRIVE FROM DELIBERATE ENGAGEMENT WITH INTERNAL AND EXTERNAL COMMUNITIES. PEOPLE USED TO COME INTO OFFICES BECAUSE THEY HAD TO. NOW PEOPLE COME INTO CBDS TO WORK, BUT ALSO TO ENGAGE IN THE BROADER SPECTRUM OF ACTIVITIES THAT CITY CENTRES OFFER.

In this context, external amenity and places, in which to build meaningful communities with others become an important component of the office worker's value proposition.

Not all communities need to be enduring. Experience or project-specific communities can drive value as a catalyst for innovation or regeneration. Large-scale development projects can take a decade to plan and deliver. In the meantime, the affected city quarters can be left to stagnate.

Modern placemaking strategies address this through the creation of 'meanwhile' uses, 'pop-ups' and other activation activities. This helps to give a sense of place, providing hints to the future brand of the location, and to provide a social nexus for local communities to engage in otherwise forgotten and excluded spaces. The communities that form around these meanwhile uses may transition into both permanent work and social communities over time. Some act as a bridge to the future.

CREATING CONNECTIONS

By establishing connections with the local community - whether that be the wider community surrounding the workplace, other tenants in the building, or local community initiatives or causes - it results in increased loyalty, fulfillment and ultimately talent retention. This is reinforced through global analysis that found 32% of Millennials thought business should improve society, 64% won't take a job if their employer doesn't have a strong CSR policy, and 83% would be more loyal to a company that helps them contribute to social and environmental issues.

Source: [deloitte-2019-millennial-survey.pdf](#)

The value of the office is clearly shifting with the want for connection increasingly being the reason most employees want to attend an office.

LESS VALUED REASONS FOR COMING INTO THE OFFICE



MORE VALUED REASONS FOR COMING INTO THE OFFICE



Source: XSF

Further options to build community include establishing social procurement and community-oriented supply chains. That is, using purchasing power to generate social benefits, adding value to procurement outcomes and supporting supplier and workforce diversity. To an extent Australia, and government bodies in particular, have been a leader here, requiring a proportion of suppliers and/or service providers come from local entities and under-represented communities.

Buying goods and services from a social procurement supplier enhances brand reputation and responds to a social need in a tangible way without added spend. It provides a point of difference and can attract purpose-driven employees who value an ethical and sustainable workplace.



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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.