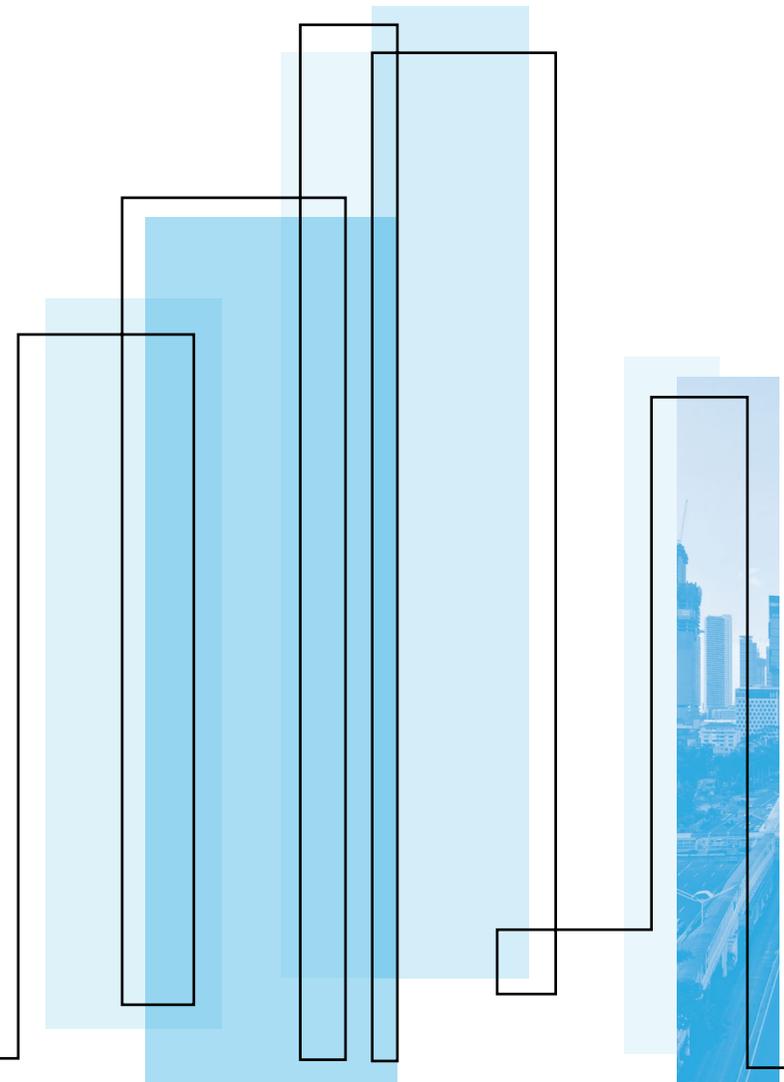
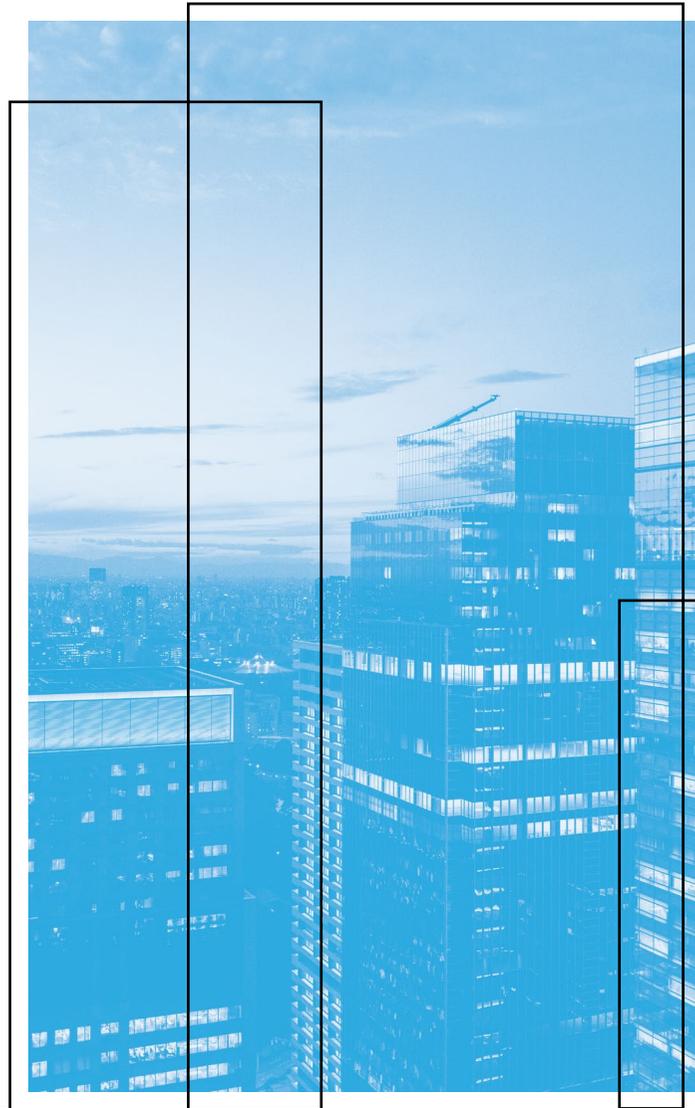


EAST ASIA PERSPECTIVE

Future of offices: in a post-pandemic world

➤ *Start reading*





COVID-19 has accelerated a range of pre-existing trends in the commercial property sector around health and wellbeing, activity-based working, flexibility and the drive for better space utilisation. Sustainability, smart buildings and the digital workplace are also reshaping the commercial offer. Taken together, these trends and developments will profoundly impact the kinds of workplaces likely to be needed in a post-pandemic world.

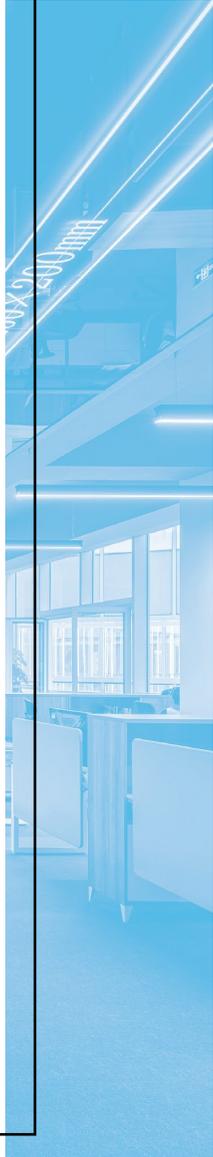
In this thought-piece we explore how East Asian workplaces could change in the years following the lockdown and look at developments in how people may work together both remotely and in the same physical location.

The commercial property market in an uneven East Asian region will look noticeably different in a post COVID-19 future.

When reports of a novel coronavirus in Wuhan began to emerge in late 2019, the majority of governments in East Asia implemented effective pandemic action plans which helped contain the spread of COVID-19. In almost all countries, this involved lockdown of a wide variety of businesses and millions of employees were asked to work from home where possible.

A culture of remote working had already been growing in East Asia before the crisis struck, although its prevalence lagged other regions¹. However, with lockdowns imposed across much of East Asia, hundreds of thousands of businesses gained first-hand experience of work from home (WFH). What impact might this experience have on the commercial property sector?

It seems reasonable to expect that remote working will become a more established pattern across East Asia as countries emerge from the initial crisis. This is because:



THE IMPACT OF 'SECOND WAVE' INFECTIONS WILL HAVE A DEBILITATING EFFECT

When initial lockdowns eased in East Asia, many workers returned to offices. However, a 'second wave' of infections triggered a return to home working in many places. In Hong Kong, for instance, government workers were sent back home to continue remote working after an initial reopening².

PROOF THAT REMOTE WORKING IS FEASIBLE

Tens of thousands of businesses now have first-hand experience of allowing employees to work remotely and this has largely been a success, thereby reducing concerns about remote working that many employers held.

POTENTIAL COST SAVINGS

With expenses in everything from energy to broadband usage to office rent reduced, many organisations will see remote working as an opportunity to cut some of their biggest financial commitments.

In this thought piece we first establish how the coronavirus has affected East Asian economies and we then explore the impact these changes may have on the commercial property sector.

FUTURE OF OFFICES

COVID-19's impact on the economy will change the commercial property market



To establish how the pandemic may affect the commercial property, we first need to understand how the outbreak has affected economies across the region.

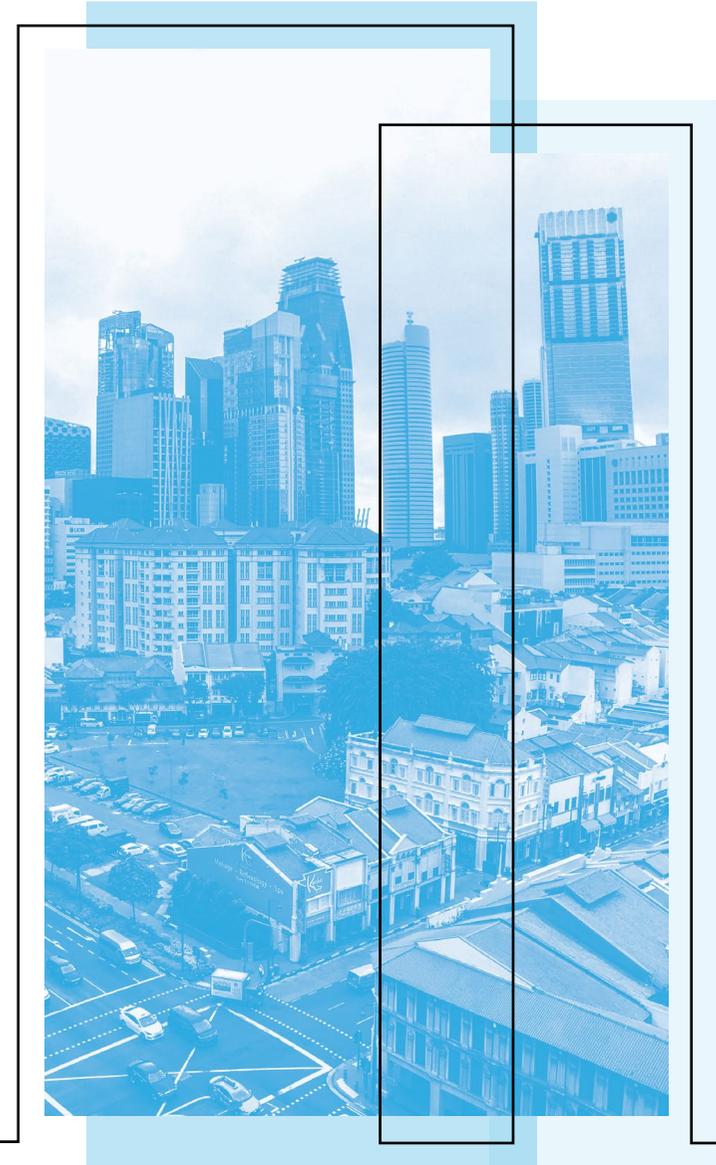
Perhaps the most obvious impact is that the rise in unemployment as businesses are forced to lay off workers. For instance, the unemployment rate in Hong Kong hit 4.2 per cent in March, the worst level in 9 years – similar rises are seen across the region. As the coronavirus takes a steep toll on the economy and the workforce, many will not have jobs to return to.

This will likely feed on through to the commercial property sector – in the short term office rentals will almost inevitably drop. If we take the 2003 SARS outbreak as a guide, commercial property rentals in Hong Kong and China dropped to historic lows in the aftermath of the outbreak (although they soon rebounded).

However, COVID-19 has happened in a very different world to SARS, where the technology to support remote working has improved drastically. Employers have realised that working from home is possible and employees are questioning the need to travel to an office. It is therefore likely that some of those who are still employed will now permanently work from home, and some employers will choose to downsize their leases or look for flexible office space rather than long-term leases.

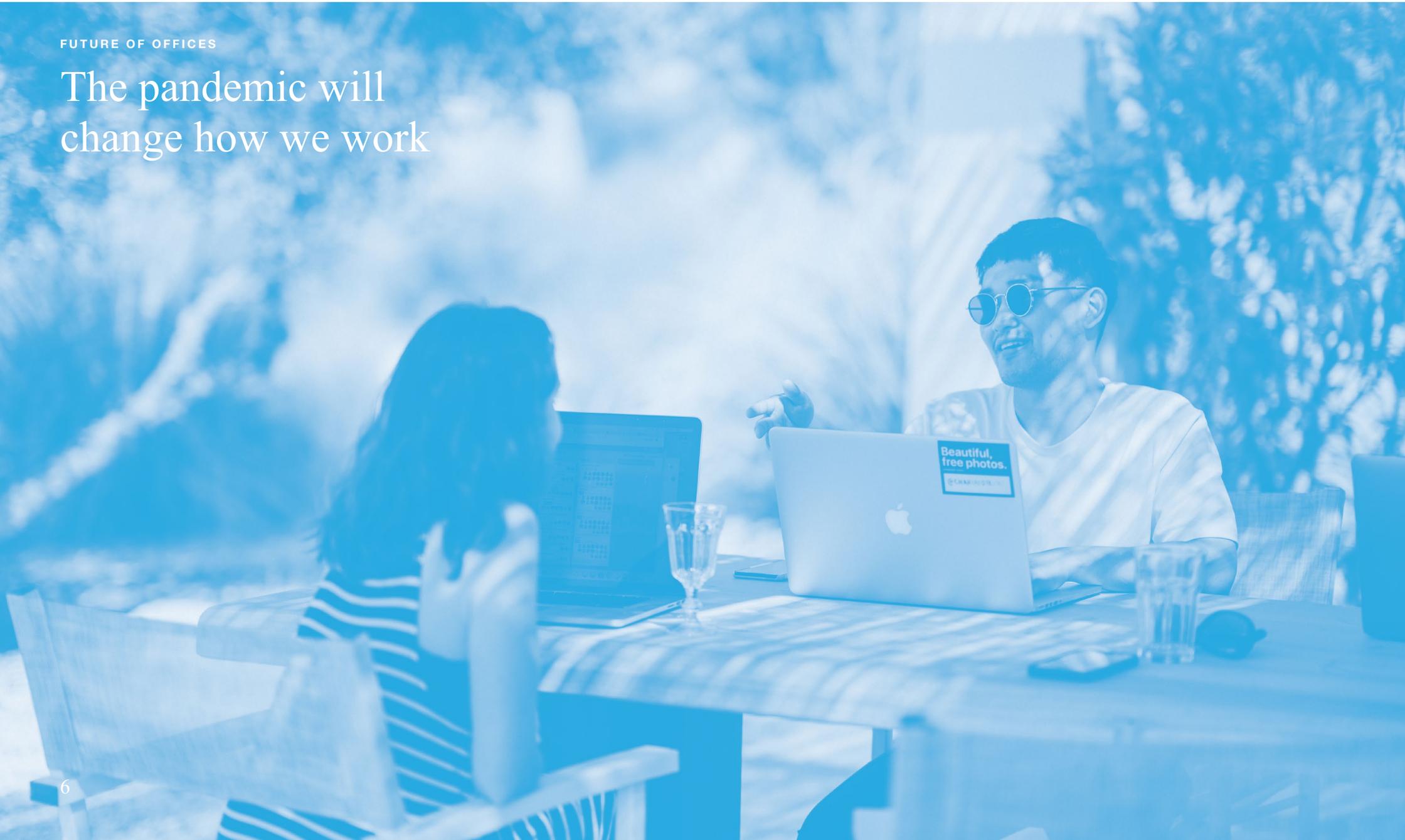
It is also likely that the outbreak will accelerate trends that were already emerging. In Singapore, for instance, the Urban Redevelopment Authority had taken steps to decentralise the CBD, creating a number of satellite business centres around the city³. This kind of trend can be expected to accelerate because people are likely to want to avoid cramming into public transport and all working in a central location.

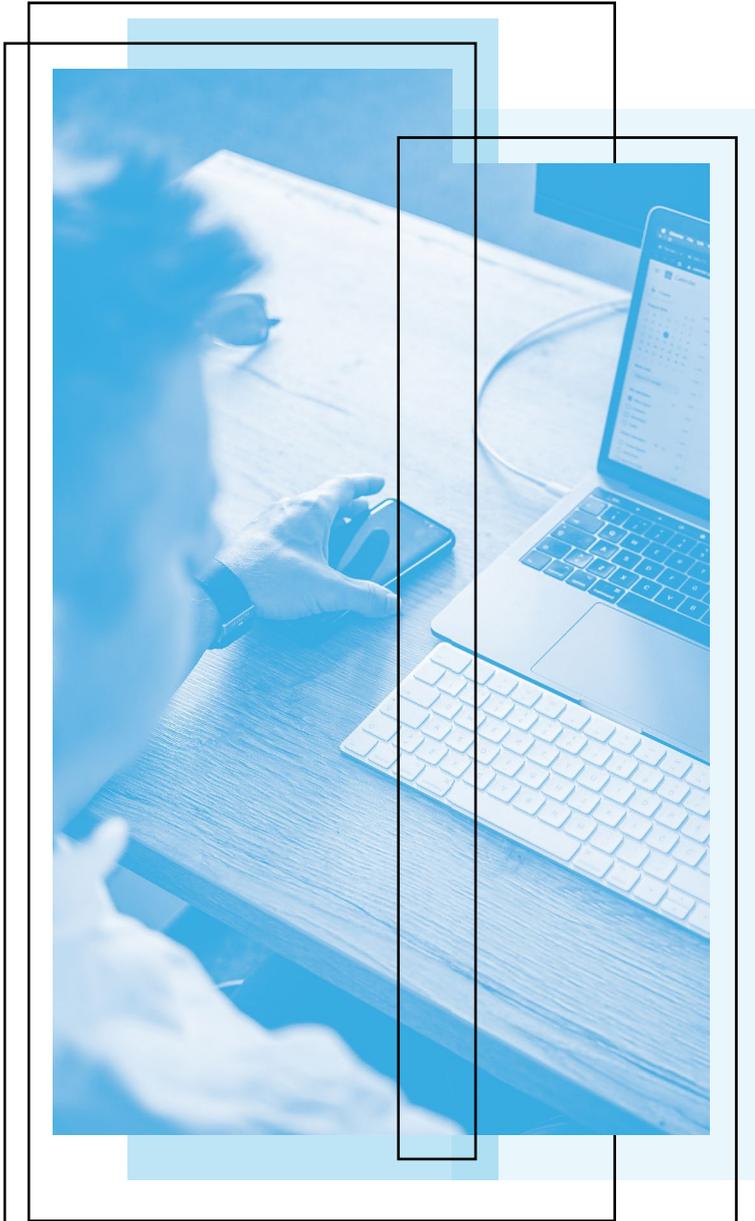
In the next section we describe in more detail the potential impacts on ways of working in East Asia.



FUTURE OF OFFICES

The pandemic will change how we work





East Asia is an enormous region with distinct economies, levels of development and working cultures. It is therefore impossible to generalise for a region of several billion people. Nonetheless, there is strong reason to believe that the pandemic will have a significant impact on working styles. Here, we describe some of the factors that commercial property companies need to consider.

ACCEPTANCE THAT REMOTE WORKING IS FEASIBLE

COVID-19 has already pushed millions of people in East Asia to work from home and data suggests that this will increasingly become part of the normal worker's day. It is predicted that 30 percent of people will work from home multiple days per week within a couple of years according to a new Global Workplace Analytics⁴.

Employers have now realised that employees can be productive when working remotely. Many are observing that time saved from commuting almost equalises the loss of productivity due to environment change, technical issues and lack of face to face collaboration.

CHANGE IN ATTITUDES TO OFFICE SPACE

If there is a shift toward blending remote and in-person work, this is likely to push corporate clients to reconsider the amount of office space they buy or lease.

SHORT TERM EFFECTS OF A RECESSION

It is now widely expected that a deep recession will impact the East Asia region, like the rest of the world. Commercial property firms are already seeing tenants ask if they can delay rent payments, leaving landlords to cover their mortgages and negotiate with banks.

PERSISTENCE IN POPULARITY OF OFFICES

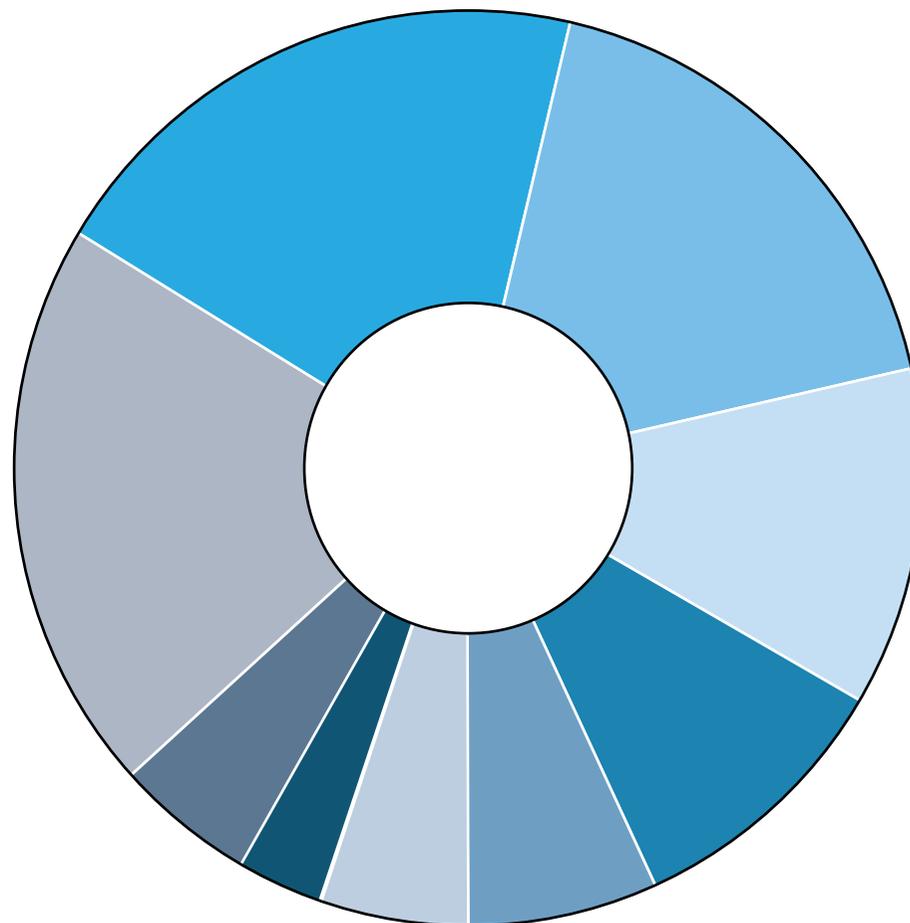
While the remote working trend will certainly be important, it is likely that in many countries this trend is being overexaggerated. Ultimately, work from home is not for everyone and many people in the region do not have a suitable home working environment. It is not uncommon to share space between three or four generations, where junior workers are often living with their parents. For many, this makes permanent remote working undesirable (see chart).

Even if Hong Kong enjoys the world's second fastest fixed internet broadband speed, focus work may be near-impossible when space is limited. As the COVID-19 situation is slowly easing in Hong Kong for instance, we have seen a large cohort of employees happily returning to the office, despite the commute or potential health risks.

NEITHER HERE NOR THERE

One possible trend is the emergence of employees working neither at home, cafes, nor at the office, but in a new type of co-working space that allows for a safer, more private, less social environment as Singapore's decentralised CBD project shows.

WHAT'S YOUR BIGGEST STRUGGLE WITH WORKING REMOTELY?
State of Remote Report 2020⁵



- 20% COLLABORATION AND COMMUNICATION
- 20% LONELINESS
- 18% NOT BEING ABLE TO UNPLUG
- 12% DISTRACTIONS AT HOME
- 10% BEING IN A DIFFERENT TIMEZONE TO TEAMMATES
- 7% STAYING MOTIVATED
- 5% TAKING VACATION TIME
- 3% FINDING RELIABLE WIFI
- 5% OTHER

In the next section, we explore what these trends might mean for offices of the future.

FUTURE OF OFFICES

Different perspective on the workplace





The COVID-19 pandemic's most immediate impact will be on office rental prices. However, unlike earlier crises, where the market rebounded to 'normal' fast, we expect the lockdown experience to have a more significant impact on what offices are for in East Asia.

There is no reason to believe that offices will disappear after the crisis (indeed, in countries where lockdowns have lifted, workers are filing back to offices as usual). They also remain popular in East Asia - a 2020 Gensler Research Institute Workplace Data Survey⁶ found that given the choice between home, a coworking space, a coffee shop or a well-designed office-style workplace, the office is still the place people want to be.

Ultimately the pandemic is a fork in the road. We have an opportunity to redefine what an office is, or choose to continue with the pre-existing model.

In the following sections, we look at the implications of several new types of office space which have recently started to emerge across the region. Today, we are still in the 'paradigm' of traditional corporate offices, yet the examples below provide some indication of what the future could look like.

PLACE: With decreased cash flow and investment appetite there likely will be opportunities for more retrofit projects, addressing ageing infrastructure and participating to urban regeneration.

WELLBEING: Arup has developed modelling and analytic capabilities that help illustrate the risks facing clients and develop solutions at different scales for possible immunity to the pandemic, such as for example new ways to quantify physical distancing to its people movement simulation software.

TECHNOLOGY: Many of the technologies used in China during the outbreak weren't new. For years China has been an early adopter in the rapidly growing sector of proptech, tenants can benefit from insights to rethink their interior layouts, optimise the number of desks as well as the use of meeting rooms and staff areas.

GERM-FREE OFFICE: Arup has developed with University of Hong Kong a plug and play IoT antibacterial system that protects spaces with smart air quality monitoring system combined with VUV-based photocatalytic air purification device.

When WeWork opened offices in Beijing Fun in 2018 (an urban regeneration site popular among culture-seeking young people and tourists) it marked an important moment in how office life is perceived in Asia's biggest economy. People at these sites are working in refurbished historic buildings with an antique look but stylish interior, surrounded by unique and inspiring architecture and an environment which reduces the feeling of performing a job inside a regular high-rise office building. Right across East Asia, employees are beginning to experience what it is like to work away from traditional CBD's and 'standard' offices.

At the same time, we are seeing opportunities for workplaces located in smaller urban centres or suburbs closer to where people live as people express frustration with the traditional commute (not to mention fears of disease spread on public transport). This could potentially lead to different types of headquarters going along with decentralised team structures towards a Team of Teams structure (see graphic).

A long-term shift from a highly centralised workplace model to one characterised by constellations of innovation nodes, where workers congregate to use facilities, collaborate or compete can be anticipated. Developers who

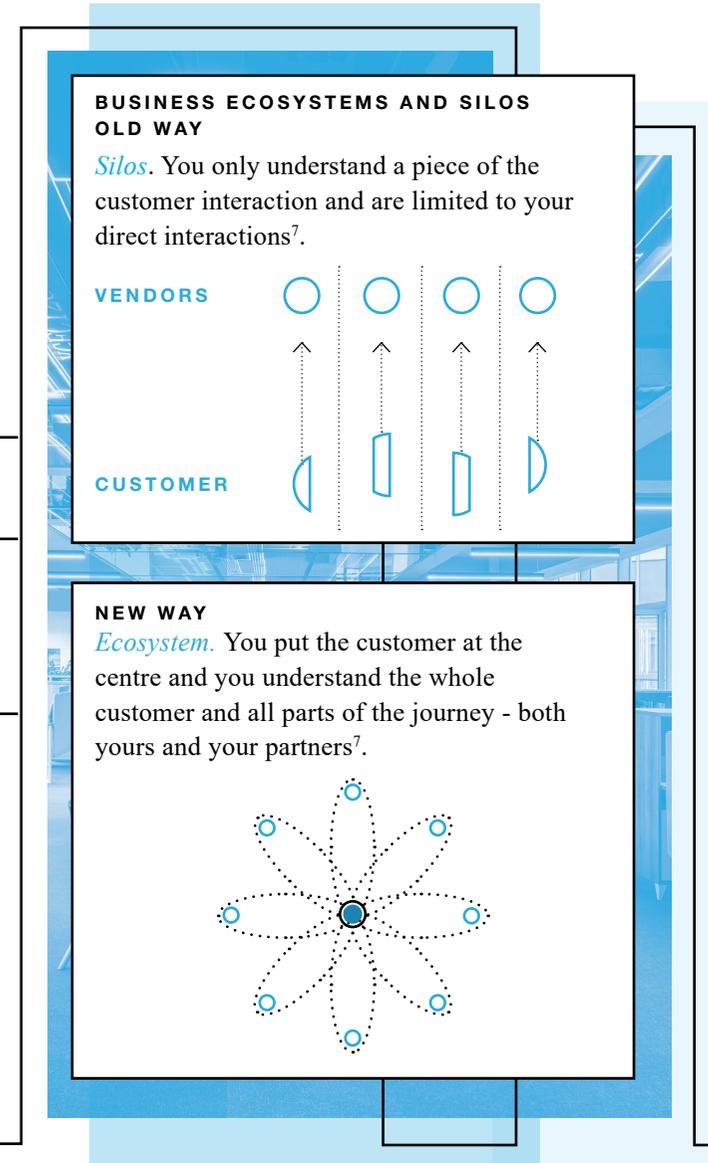
spot these trends can work hand in hand with city planners to define new areas for growth and invest in regeneration projects.

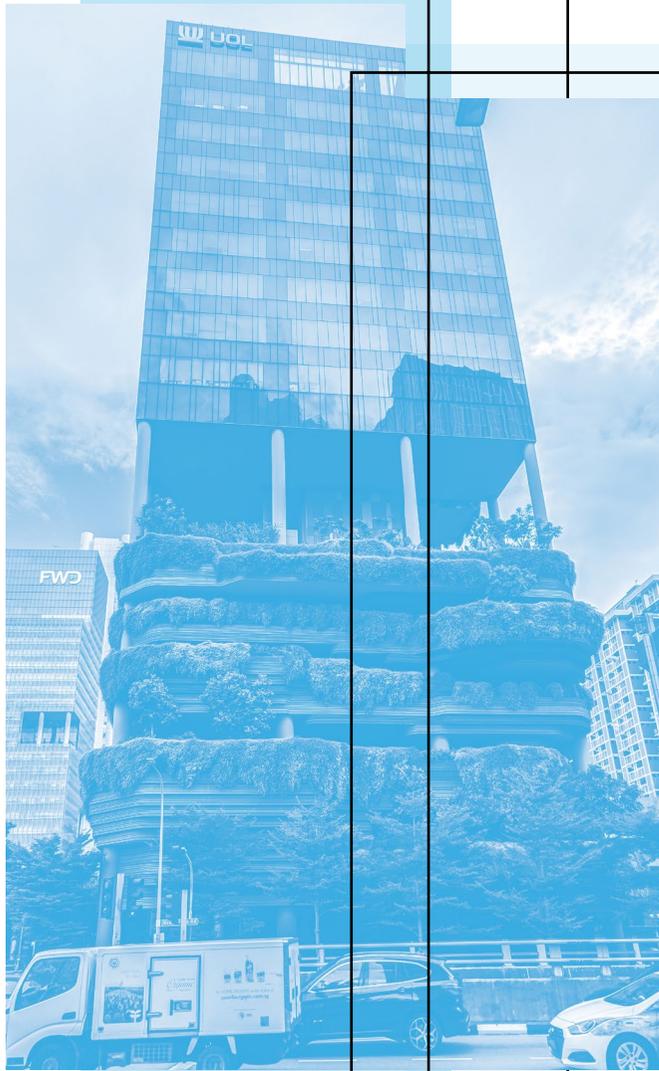
This is not an entirely new trend. Corporate office space tenants were already renting co-working spaces in addition to their fixed office space for multiple benefits:

Reduces ratio of fixed space (thus rental costs) to giving rental control flexibility.

Allows migration of fixed office to somewhere less central for non-client-facing functions but use co-working space in prime areas for client meetings.

Allows the management team to split and work at different locations for risk control during COVID-19 outbreak.





A NEW FOCUS ON WELLBEING

Although there are outliers, most office places in the East Asia region conform to the traditional workplace layout – rows of desks and meeting rooms with a primary focus on productivity. However, if work is possible anywhere, this could represent an opportunity to reimagine office design to be more ‘human centred’. Furthermore, the pandemic has made people ever more conscious of the health risks of working in close contact with others. What could the implications be for office design?

As the pandemic recedes, we can expect demand for high-quality spaces that support health and wellbeing, both from tenants and developers. There will be opportunities to explore new materials, façade design and MEP solutions for healthy office buildings.

A growing number of employers and building managers are installing air filters in offices, while relocation companies are offering indoor air-quality assessments to top-tier expats, and Starbucks built its enormous Shanghai Reserve Roastery to Leed Platinum standards, including air quality monitoring⁸.

Similarly, the 35,000 sq. ft JLL Hong Kong office has been designed with wellness and sustainability at its heart. The office also looks to boost its green credentials with two large ‘green walls’, plants throughout the office, low

emission furniture, an air purification system with real-time air quality monitoring and active encouragement of recycling and a move away from single use plastics⁹.

DE-DENSIFICATION OF THE WORKSTATION PLANNING

At least for a few years after the pandemic, physical distancing will remain a primary concern for many, affecting all kinds of interactions – not least at work. People will likely demand more space at work, and this would mean more private spaces or personal offices for individuals, and more distance between desks.

Rather than desk setups that face each other or are right next to each other, we might now be positioned to our colleague’s backs with more space between us. A conference room that normally fits ten people might now only hold chairs for five, and larger virtual and platform-based collaboration tools.

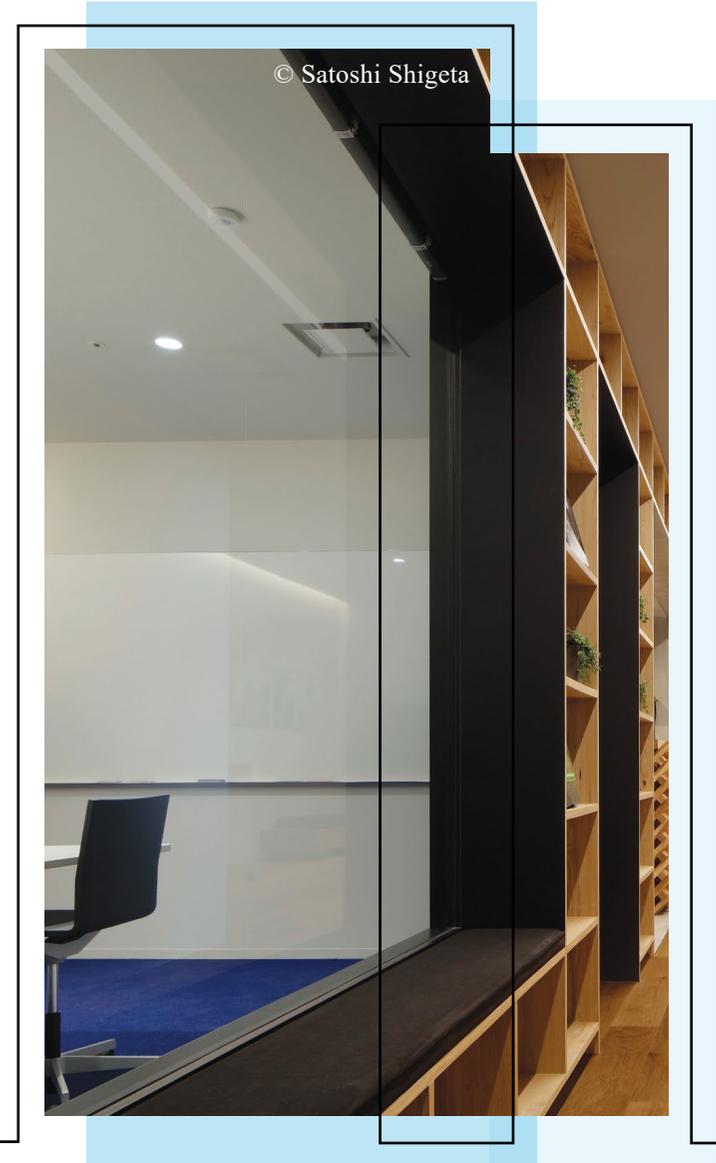
This is mainly an opportunity for top firms, with healthy financial assets who will be able to attract and retain the ever more demanding workforce while bearing increased cost per head ratio. Increased challenges for developers, tenants and designers will be on GFA and GLA better allocation, favouring space that adds value to the office workers, staff and leaders, as well as increasing efficiency.

RISE OF THE POD, END OF THE OPEN-PLAN OFFICE?

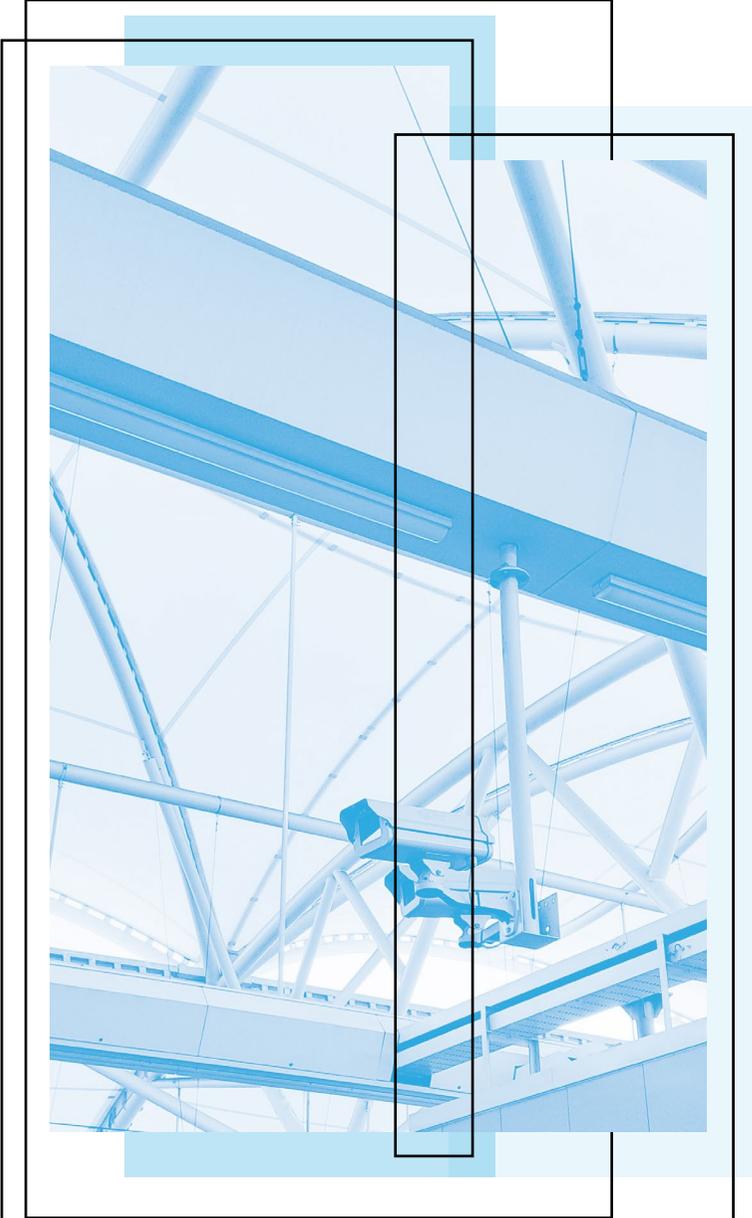
Research¹⁰ shows that employees take 62% more sick days when they work in open-plan office compared to those working in cellular offices. With people more conscious than ever of the life-threatening risks of airborne diseases, we may be moving towards more dividers and breakout pods, booth and focus rooms. We may in some cases also anticipate the end of hot desks and the redefinition of shared spaces.

FLEXIBILITY AND CIRCULAR WORKPLACE

As the economy recovers from COVID-19 there will be greater demand for flexible buildings that can be easily adapted for new uses in the event of future market disruptions, driven by circular and resiliency principles. As sector lines blur, new business ecosystems emerge. The premise is that technology makes it ever easier for sector boundaries to disappear and for whole new business ecosystems to emerge. In a knowledge-driven and digital economy, value is increasingly generated through open innovation, start-up ecosystems and advances in information technology. Traditional industries are being disrupted by agile and fast-moving players that are transforming established markets at pace and at scale.



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TECHNOLOGY

One of the most exciting trends which may be accelerated by the pandemic is the use of ‘proptech’ (property technology). This includes apps, the Internet of Things (IoT), sensors and robots to streamline property management - the COVID-19 outbreak brought the benefits of proptech into much sharper focus.

For landlords and operators, proptech allows them to monitor metrics such as occupancy ratio and real-time energy consumption, as well as technical problems like abnormal temperatures or excessive power consumption. Meanwhile, tenants can benefit from insights to rethink their interior layouts, optimise the number of desks as well as the use of meeting rooms and staff areas. Digital technologies make it easier for landlords and operators to monitor metrics, such as occupancy ratio and real-time energy consumption, allowing to either help expand revenue sources or save costs.

Besides proptech, we can also expect a rise in surveillance and building entry technologies too. This could be popular in countries which have used track and tracing to reduce the spread of COVID-19. It may also be backed by unions – reception staff in particular are exposed to potentially hundreds of people every day, so technology which puts more distance between them and visitors will be welcomed.

Expect to see technology entering all private and public spaces in the form of facial recognition, thermal cameras and other sensors at reception desks.

Finally, further technology adaptation and integration will be required to cater for rising demand in spaces that enable remote collaboration, life-like immersive audio and visual high-quality interactions.

We can expect commercial property companies to make significantly more use of these technologies as a differentiator.

GERM-FREE OFFICE

The post-coronavirus office, especially building lobbies, reception desks, and shared common areas, will likely see more frequent cleaning policies as well as features like antimicrobial properties woven into fabrics and materials, state of the art ventilation systems, addition of UV lights for more deeply disinfecting the office at night.

Manufacturers are integrating antimicrobial technology in interior design elements including faucets, window shades, paint, and door hardware — applying coatings that work to keep them cleaner from multiplying bacteria.

We will also see increased demand for integrated smart, contactless access systems in the elevators, lobby gates and office doors.



FUTURE OF OFFICES

Further case studies in East Asia



For more insights into how offices may change in a post-pandemic world, the following case studies provide valuable insights into emerging trends:

CHINA

At Shanghai Baoland Plaza, a Grade-A office building in the city, IoT connectivity helped reduce manpower to inspect facilities and equipment. The building installed Command Centre, a platform offered by JLL, to obtain real-time data from equipment and facilities through a building's current systems and employ wireless IoT sensors to monitor air quality, temperature, humidity, and energy consumption¹¹.

Chinese start-up 9am, is using data sensors integrated into office furniture to help provide information for the health and safety of employees. For example, sensors at workstations could be used to alert employees if they have been sitting for too long.¹²

HONG KONG

Global law firm Eversheds Sutherland adopting hotel-like office design.¹³

Eaton Club Hong Kong, an office-cum-leisure space which provides a facility where members can work, network and enjoy the benefits of a private members' lounge, complete with a bar and pantry.¹⁴

The Great Room in Taikoo is thoughtfully designed to increase casual collisions and heighten productivity. Each site is created by a hospitality designer to achieve the same elevated environment with sleek, sumptuous surrounds and perfect lighting.

JAPAN

At the GSK office in Tokyo, certain concessions were made to Japanese work culture—slightly more emphasis was put on traditional meeting rooms than in equivalent offices in the UK and the United States—but that this is a more community-orientated space than typically found is immediately obvious upon entry. A significant amount of space is given over to small, round tables, allowing for quick and informal discussions, with meeting rooms located in adjacent units.¹⁵

Slack's Tokyo office is located just opposite the city's Imperial Palace gardens and has been designed by locally based Suppose Design Office to “define a new traditional atmosphere”, mixing typical Japanese aesthetics with contemporary work culture. The perimeter of the office, which overlooks the verdant gardens, has been completed with a black-painted drop ceiling and flooring.

Chairs upholstered in dark grey fabric, stone benches and leafy potted plants have been placed at regular intervals.

It's intended to look like an engawa – a wooden or bamboo ledge that runs around the outside edge of traditional Japanese buildings. Shaded by the eaves of the building's roof, the area serves as an indoor-outdoor space where people can sit unaffected by the heat or rain.¹⁶

THAILAND

Hubba Thailand is a co-working environment situated right in the middle of a large residential community with the intent to create a workspace that would cater to every member of the families living in this area.¹⁷

SINGAPORE

At the JLL Asia Pacific offices, different types of work settings were designed, enabling employees to move to ‘desk for a task’ versus ‘desk for a day’. Employees use an app to access their lockers, book meeting rooms, and to see where empty desks are. This has led to employees chatting with those not in their department more frequently and preferring to lunch in the office rather than going out.¹⁸

Conclusion

In this thought-piece we have investigated some of the potential implications of the COVID-19 lockdown on the commercial property sector the East Asia region. East Asia was the first region to be affected by the virus and lockdowns, and is also the first place to begin reopening.

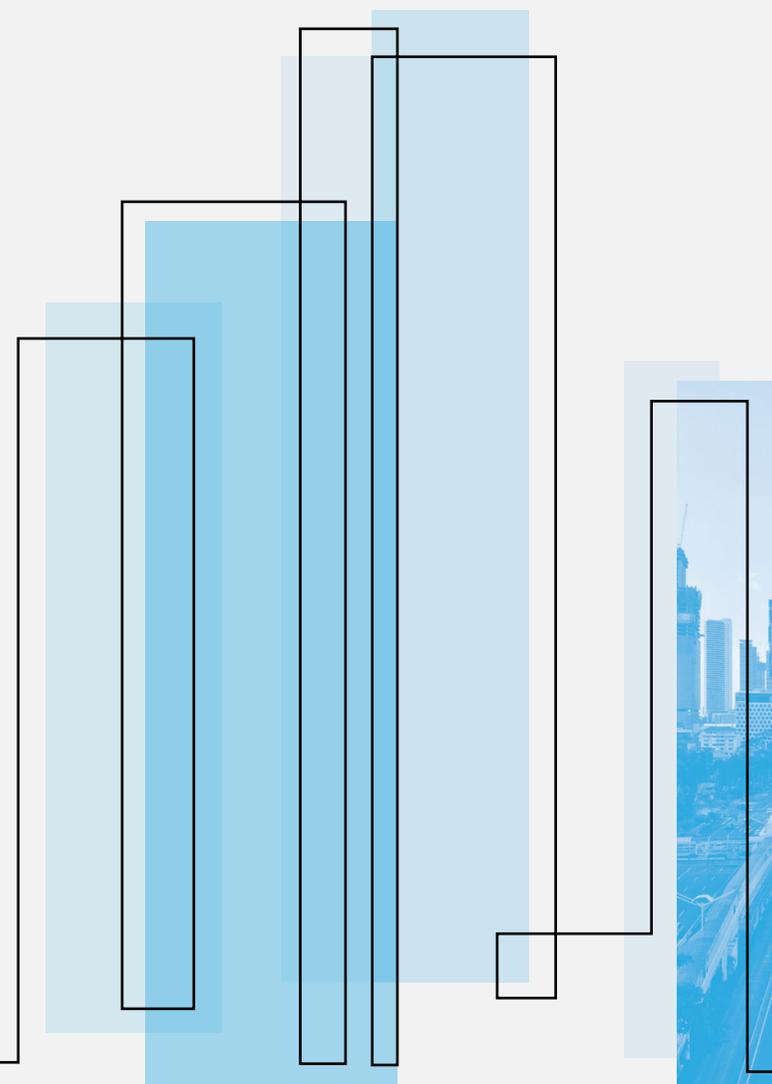
As this thought-piece has shown, the immediate impacts of the lockdown will be on office rental prices and we can expect a drop in revenues during the recession which is likely across the region. However, unlike past recessions and disease outbreaks, the return to the office and fast rebound for the property market this time round is not certain. This is due to a number of interrelated factors:

- In a region that was perhaps most sceptical of remote working, experience has now shown that this model can work for many industries
- Technology now makes remote working possible, unlike in the aftermath of the 2003 SARS outbreak

- Certain trends towards more ‘startup’ style cultures and decentralised CBDs had already started to emerge, and it is likely that they will accelerate

That said, we do note that remote centralised offices will remain popular in East Asia – many employees prefer working at them or do not have a suitable place to do so at home. Reports that remote working will become the ‘norm’ are probably overblown.

In many ways, the pandemic and lockdown offer the commercial property sector across East Asia an opportunity to pause and reconsider its current approach. Yes, traditional offices are still going to be with us (although they will look different), but there will also be important trends to a greater number of satellite offices, and new WeWork-style spaces away from traditional CBD’s. Those who tap into these trends stand to gain.



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