



OCCUPIER SERVICES | APAC | 16 MARCH 2020

WHAT OCCUPIERS ARE ASKING US ABOUT COVID-19



COVID-19 (coronavirus) appeared in China in early 2020, and spread first to nearby Asian markets, disrupting supply chains and business operations. Colliers assumes that COVID-19 peaks across Asia Pacific in H1 2020, with a recovery in H2, although the spread of the virus beyond Asia raises the possibility of longer-term disruption on a wider scale. This prospect has prompted the US Federal Reserve to make two emergency cuts in interest rates, with many other countries taking similar action.

This one-page comment summarises answers to some of the questions that we have received from occupier clients in recent weeks. For more detailed information, please visit our microsite [covid19.colliers.com](https://www.colliers.com/covid19), while for specific advice relating to your occupancy please contact the senior Colliers team members below.

1 WHAT INCENTIVES ARE LANDLORDS OFFERING TO OCCUPIERS UNDER THE CURRENT SITUATION?



Some landlords are offering rent abatements to tenants in the SME sector in China, which have been hard hit. We have not yet seen landlords offer incentives to occupiers on a much wider scale. However, in our view the present unfortunate situation creates opportunities for creative restructuring of leases depending on status, terms, location and asset class. We are already engaged in discussing such opportunities with our clients. Please contact us for more information.

2 ARE LANDLORDS SHUTTING DOWN ENTIRE BUILDINGS? UNDER WHAT CIRCUMSTANCES CAN A LANDLORD SHUT DOWN A BUILDING?



Landlords have not shut down entire buildings so far. However, across Asia, landlords are screening people entering their buildings. Some occupiers operate on a 24/7 basis with shifts, and this means landlords must deploy staff at odd hours to maintain the screening requirements. This creates challenges, but landlords and occupiers are working together to resolve the situation.

In our opinion, full building shutdowns can only be authorised by the government. **Landlords will not shut down buildings unilaterally without a compelling reason** such as a hazardous situation, since access and quiet enjoyment are key covenants within lease agreements.

3 WHAT IS THE IMPACT ON OFFICE FIT-OUT WORKS? WILL LEASE COMMENCEMENT DATES MOVE DUE TO FIT-OUT SLOWDOWNS?



Supply chain challenges mean materials delivery has been delayed, having knock-on effects on fit-out timelines. Fit-out delays are evident across the region, particularly in China. **Landlords are familiar with the situation and are taking a partnership approach with new occupiers.** In certain cases, landlords are extending fit-out periods, depending on the relationship that they share with the tenants. At Colliers, we customarily request additional fit-out periods for new leases now and are helping our clients with risk mitigation strategies for all their ongoing projects.

4 ARE LANDLORDS OFFERING HOLDOVER PROVISIONS FOR TENANTS WHO CANNOT MOVE OUT, DUE TO DELAYS IN CONSTRUCTION?



Landlords are taking a pragmatic approach in such cases. While landlords are within their rights not to extend courtesies to outgoing tenants, many are working with their erstwhile occupiers to find solutions that work for both parties. This is especially evident in China and we starting to see more landlords taking a similar approach across the region as well.

5 WHAT ARE OCCUPIERS DOING AROUND ADDITIONAL JANITORIAL REQUIREMENTS?

Keeping staff safe is critical to all companies. Occupiers and landlords have experienced an increase in janitorial costs as they switch from all-purpose to specialized disinfectants that prevent the spread of pathogens. In addition, they are:

- increasing the frequency of cleaning high-contact surfaces such as door handles, pantry areas and restrooms;
- providing better hygiene products such as hand sanitizers and soaps;
- monitoring staff and visitor body temperatures

In the meantime, we recommend occupiers streamline security, hospitality and concierge services to a minimized operating state as remote working increases.

6 ARE MEASURES IN PLACE FOR WORKING FROM HOME?



>700 Landlords and occupiers in China...



81% ...had encouraged their employees to work from home due to COVID-19¹

Most large multinational occupiers have technology in place to facilitate remote working. But COVID-19 has been a wake-up call for many smaller or more domestically focused occupiers. For example, despite technological expertise, many Korean and Japanese companies are at an early stage in implementing work from home and telecommuting policies. For insights on remote working and business continuity during COVID-19, view our recommended best practices².

7 WHAT ARE SOME OF THE LONG-TERM IMPACTS OF COVID-19?

We expect:



More companies to be forced to devise strategies to facilitate working from home. **These include adoption of new technologies such as cloud-based systems, split offices and more flexible working arrangements.**



Tenants and landlords to be forced to invest in improving hygiene within buildings, e.g. through air filtration systems to improve ventilation and source separation systems to remove pollutants, and in better emergency management. We will address these points in greater detail in our "WELL" report to be released shortly.

¹ See our report "Coronavirus: Impact on Chinese Real Estate" (13 Feb 2020) at [covid19.colliers.com](https://www.colliers.com/covid19).

² See our insights "COVID-19 Considerations for Occupiers" (13 Mar 2020) at <https://knowledge-leader.colliers.com/editor/covid-19-considerations-for-occupiers/>.



SAM HARVEY-JONES
Managing Director
Occupier Services | Asia
+852 2822 0509
Sam.Harvey-Jones@colliers.com



ABHISHEK BAJPAI
Managing Director
Corporate Solutions | Asia Pacific
+852 2822 0575
Abhishek.Bajpai@colliers.com