

# TALKING POINTS

## COLLIERS INTERNATIONAL | ASIA

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### APAC – Flexible Workspace Outlook 2020

In this report, we explore occupier strategies to guide our enterprise clients as they adapt to the new reality. We also look at the models in which asset owners can deliver flexible workspace and what impact they have on valuation, together with our view on fragmentation and community in a post COVID-19 world.

#### Flexible workspace to play pivotal role in occupier models

- Expect increased enterprise demand for flexible workspace as markets recover from COVID-19
- Models such as Flex & Core, Hub & Spoke and Digital Campus to become more common as enterprises look to restructure their occupational portfolios
- Asset owners to work together with operators to deliver holistic offerings to occupiers
- Expect to see an occupier “flight to safety” in addition to a “flight to quality”
- Hong Kong: WeWork has handed back several locations, although enterprise demand for flexible workspace should buoy the sector in 2H 2020
- Singapore: Flexible workspace operators expected to play a key role in the return to work
- Shanghai: Operator growth is likely to be attributable to partnerships or management agreements with asset owners
- Sydney: Increased flexibility in incentives and terms being offered by flexible workspace operators

#### Key drivers for outsourcing to flexible workspace



##### AGILITY

When an organisation has unpredictable or dynamic headcount changes, flexible workspace can allow for agility to grow or contract.



##### FINANCIAL

Outsourcing workspace delivery can reduce capital expenditure and provide operational expense certainty. Reducing long term commitments reduces balance sheet liability and can improve the efficiency of capital.



##### OPERATIONAL

Outsourcing the delivery of office space can create operational efficiencies. A single supplier is responsible for all workspace operations, this can deliver in house management and administrative efficiencies.



##### TRANSFORMATIONAL

Business-driven decisions, expansion into new territories and M&A integrations can all be triggers to use outsourced workspace.



##### URGENCY

Flexible workspace is usually available on much shorter lead times, existing locations can be occupied immediately and new sites can, at times, be delivered quicker than self delivery due to procurement and supply chain efficiencies.



##### EMPLOYEE ENGAGEMENT

Operators of flexible workspace typically offer a range of amenities, facilities and services which may be hard to self deliver. This can improve the workplace environment for employees.

For further details, please see Colliers' report:

 - The APAC Flexible Workspace Outlook report 2020 (24 July)



## Taipei – Office Q2 2020

### Insights

Occupiers downsized to respond to the COVID-19 impact, causing negative net absorption in Q2. Together with new supply, the vacancy rate rose to 5.1%. However, the rent continued to increase in Q2. Looking forward to H2 2020, we expect lease renewals to be the main driver with moderate rental growth.

### Recommendations

We recommend landlords offer flexible rental terms to maintain high occupancy levels and good relationships with occupiers.

The pandemic is a health-check for firms’ hardware, tech, workspace and productivity. We suggest occupiers review workspace design and adopt new technologies and more flexible working arrangements. We think flexible workspace would be a prominent feature for tenants.

### Three main drivers for leasing activities in H1 2020



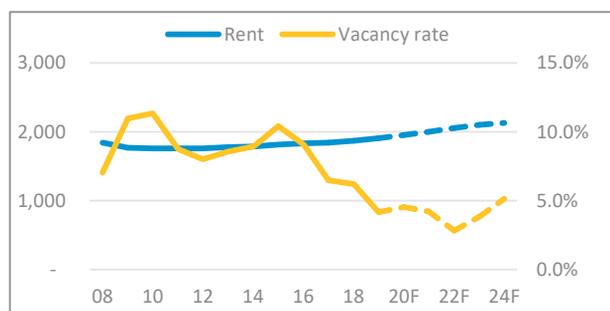
Financial services



Professional consulting services

Source: Colliers International. <sup>1</sup>Oxford Economics, June 17 2019.

### Vacancy rate and rents (NTD per ping per month), 2008-2024



Source: Colliers International.

For further details, please see Colliers’ report:



- Taipei office Q2 2020 – Opportunities for tenants to secure moderate rental growth (23 Jul)



## Australia - H1 2020 Office Demand Index

### Highlights

- Colliers’ National Office Demand Index (ODI) records the change in enquiry over each quarter. As the first half of 2020 saw the emergence of Covid-19, we fully expected to see a decline in enquiries due to businesses holding off on any commercial property requirements.
- In Q1 2020 we recorded almost 817,000 sq metres of office enquiry, which is the most amount of enquiry we have actually ever recorded according to the ODI data which trends back to 2009; in fact, it was 16% up on the amount of enquiry recorded in Q1 2019..
- When we isolate Q2 2020 data we recorded over 572,000 sq metres of office space enquiry. This period being April, May and June incorporated the Stage 3 national lockdown, as well as the reopening in most states. This has clearly had a major impact on enquiry for office space. However, businesses were still enquiring for small amounts of space of under 3,000 sq metres at levels more or less equal to Q1 2020. Ultimately, we have seen the larger requirements enquire in Q1 and smaller businesses continue to enquire in Q2.
- Overall in H1 2020 we recorded a total of 1,616 enquiries for 1.410 million sq metres of office space compared to H1 2019 where we recorded 1,750 for 1.397 million sq metres. Despite the market conditions enquiry numbers are quite stable and up on the prior year.

For further details, please see Colliers’ report:



- The office demand index H1 2020 (23 Jul)

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