

In a recent webinar hosted by the RICS WBEF, experts from Colliers discussed the effects of the COVID-19 pandemic on Asia Pacific, with a focus on real estate markets. This edition of the COVID-19 Q&A reflects the views of Sam Harvey-Jones, Managing Director, Occupier Services, Asia.

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# COVID-19: INSIGHTS & OPPORTUNITIES FOR OCCUPIERS IN ASIA PACIFIC REAL ESTATE

## 1 How bad is the COVID-19 economic shock?

We recently conducted research into sectors in Asia Pacific and, generally, over 50% of our clients in consumer goods, financial services, technology, media and telecom, and manufacturing and distribution sectors have reported no change in their transaction volume. However, rental relief has become a main concern and over 50% of occupiers are seeking some form of rental relief to protect profitability and to sustain business into next year.

## 2 What are your near, medium and long term recommendations for occupiers and investors?

We recommend landlords and tenants work together in this environment to agree strategies that benefit both parties in the short to medium term.

In the near term, we recommend that occupiers look at creating short-term flexibility in their portfolios as they revisit how best to use their space post-COVID-19. In the medium-term, we recommend occupiers undertake a holistic portfolio analysis – to benchmark their portfolios and look for ways to take advantage of the markets as they become more tenant favourable. We have already seen this in Hong Kong and Shanghai, and Beijing and Singapore will also likely become more tenant-focused, which demonstrates that there are still opportunities for tenants and occupiers in the immediate to medium-term future.

## 3 How quickly can APAC economies and real estate sectors expect to recover?

Not knowing how long the pandemic will last is the crux of the issue. A number of our customers still need to make decisions – they still have expiring leases and activity in their portfolios – so they are transacting when necessary; however, where there would have been a focus on a relocation or consolidation, they have moved a little more slowly. This is more a function of the rest of the world also being in a slowdown and our clients in the financial services, professional services, and tech sectors are still saying that it is their intention to continue growing in the short to medium term.

## 4 How have markets reacted to stimulus packages? How are occupiers and investors responding?

From an occupier perspective, we haven't really seen direct stimulus packages outside of Singapore; for the most part, stimulus have tended to be retail and SME focused.

Most occupiers are taking a short to medium-term approach to remaining commercial in 2020. This is a unique experience and it's the first time we have had a concurrent economic and pandemic crisis. It is important to recognise that both landlords and tenants are suffering in this situation – it is not just an occupier problem – so the relationship between the two parties is key. Communication should be open and documented and if tenants request rent relief they should explain why it is necessary.

## 5 What sectors of the real estate market, if any, stand to gain from the disruption, and which will be hardest hit?

Up until six months ago, the coworking sector appeared to be the future, with the expectation that 30% of every CBD was going to be coworking space. Even though coworking has suffered in the short term because of social distancing measures, we believe that in the medium to long-term – particularly given that there will continue to be a scarcity of capital – coworking spaces will be a major contributor to growth in the occupier sector.

## 6 Working from home has quickly become the new normal for billions of the workforce across Asia Pacific. What might this tell us about the future of the APAC workplace?

Occupiers will consider more flexible workspace opportunities into their portfolios as a way to reduce fixed cost and provide alternative option for their employees. The ability to offer flexible leases will be something occupiers increasingly require and will also change the way we occupy space.

We expect to see more decentralized locations due to the uncertainty of the future work environment and working from home will also become more common. Working from home has altered the relationship between employees and managers. The mindset has changed to more of a production-based and achievement-based attitude, which has ultimately shown a greater level of trust between employees and managers.

Following the need for much of the workforce to work from home we will need to analyse how successful the initiative has been and whether there has been an increase in productivity as well as providing employees with flexibility and saving costs.



Please visit our [microsite](#) to listen to the webinar and to learn more about our insights and recommendations for investors and occupiers in APAC.



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