Adaptive Spaces

2022 Singapore Office Occupier Survey

REPORT

Crafting the Post-Pandemic Office

BASED ON CBRE APAC RESEARCH

JULY 2022

With the pandemic now well into its third year, most companies in Singapore are displaying a clear shift towards embracing real estate strategies as the country transitions to endemic living. As flexible working patterns become the norm, the development of agile portfolios and real estate strategies must be prioritised.

The 2022 Singapore Office Occupier Survey, has been adapted from the findings of CBRE's 2022 Asia Pacific report (conducted from March-April 2022). Findings showed that for the majority of occupiers in Singapore, a return to the office is already underway and many are at the stage of implementing their post-pandemic real estate strategies. This report identifies the key features of these strategies and their expected outcomes while also providing recommendations on how occupiers and landlords can navigate this period of transformation.

Content

01

Adopting Flexible Working – What will be the New Normal

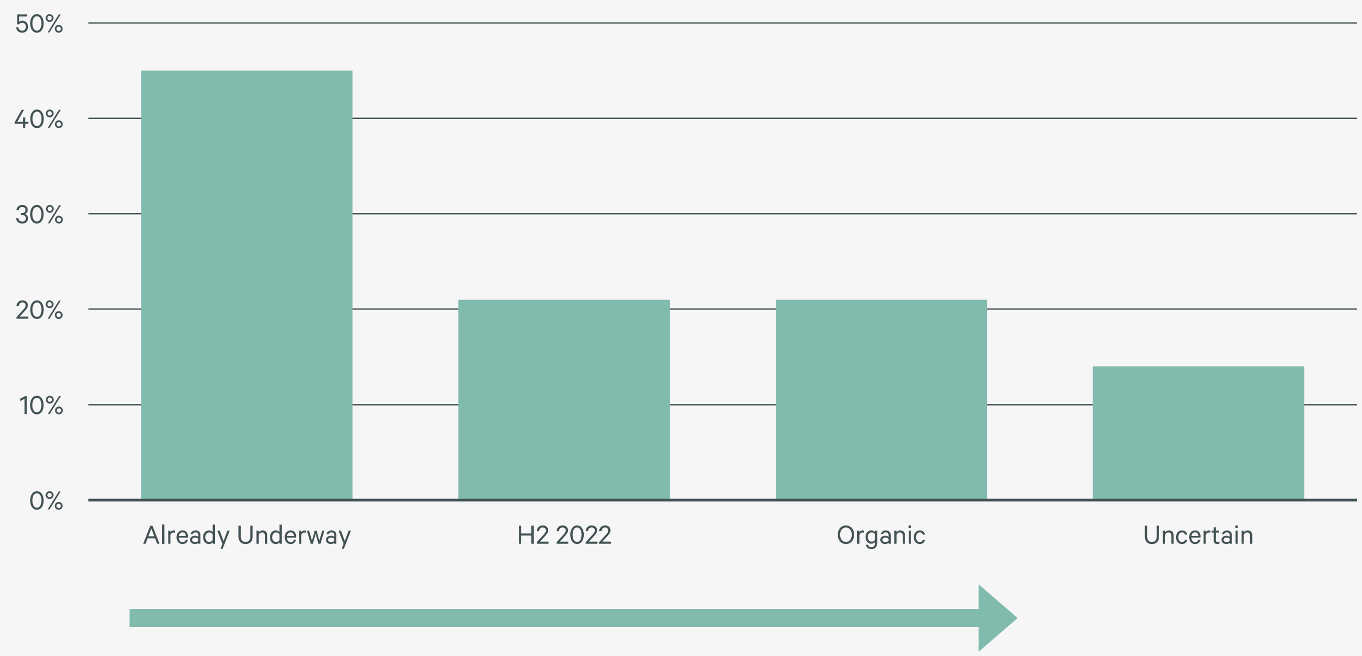
01 — A full-time return to the office is already underway

Companies in Singapore are finding it less challenging to bring staff back to the office, with close to 50% already seeing employees return to the office.

With Singapore easing social distancing restrictions and permitted increases in office capacity, most companies have commenced bringing staff back to the office, either on a full-time or part-time basis.

Respondents expect office attendance in Singapore to pick up gradually over the April-June quarter, while some 21% expect the momentum to increase in second half of the year. Only 14% are uncertain of their timeline for a return to the office.

FIGURE 1: Timeline for a return to the office



Source: CBRE Research, March 2022.

01—— Binary approaches to flexible working

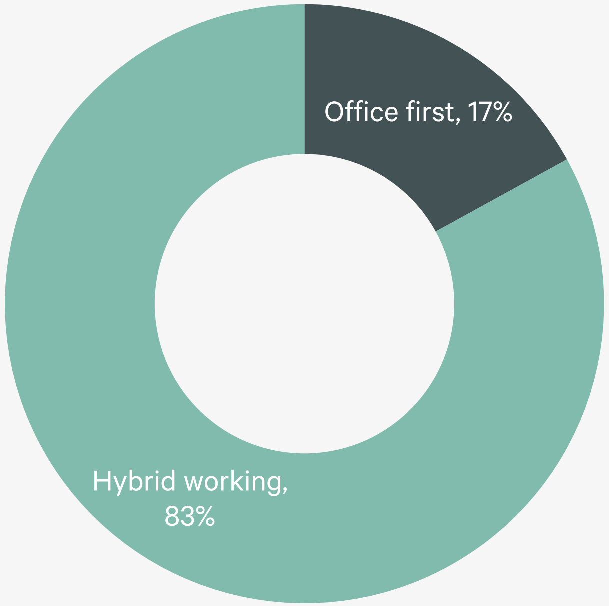
While flexible working has seen widespread adoption over the past two years, most companies are providing and will consider a degree of flexibility to ensure productivity and connectivity with employees are maintained.

For Singapore, the survey found that 'hybrid working' and 'office-first' were the two main approaches to flexible working. None were planning to adopt a 'remote-first' method.

Hybrid working, which involves staff splitting their time between working from the office and from home, is the most popular option, **selected by nearly 83% of respondents.**

17% of companies intend to retain an office-first approach, whereby employees would be required to primarily work from the office. All stated that they will still permit some remote working under certain circumstances, an approach CBRE defines as 'just-in-case hybrid working'.

FIGURE 2: Workplace policy intentions



Source: CBRE Research, March 2022.

OFFICE FIRST:

Primarily working in the office with some flexibility

HYBRID WORKING:

Working in the office and home, that is within corporate guidelines while ensuring employees have flexibility

REMOTE FIRST:

Primarily working remotely, which none of Singapore's respondents chose

01 — Guidelines and Policies Are Needed

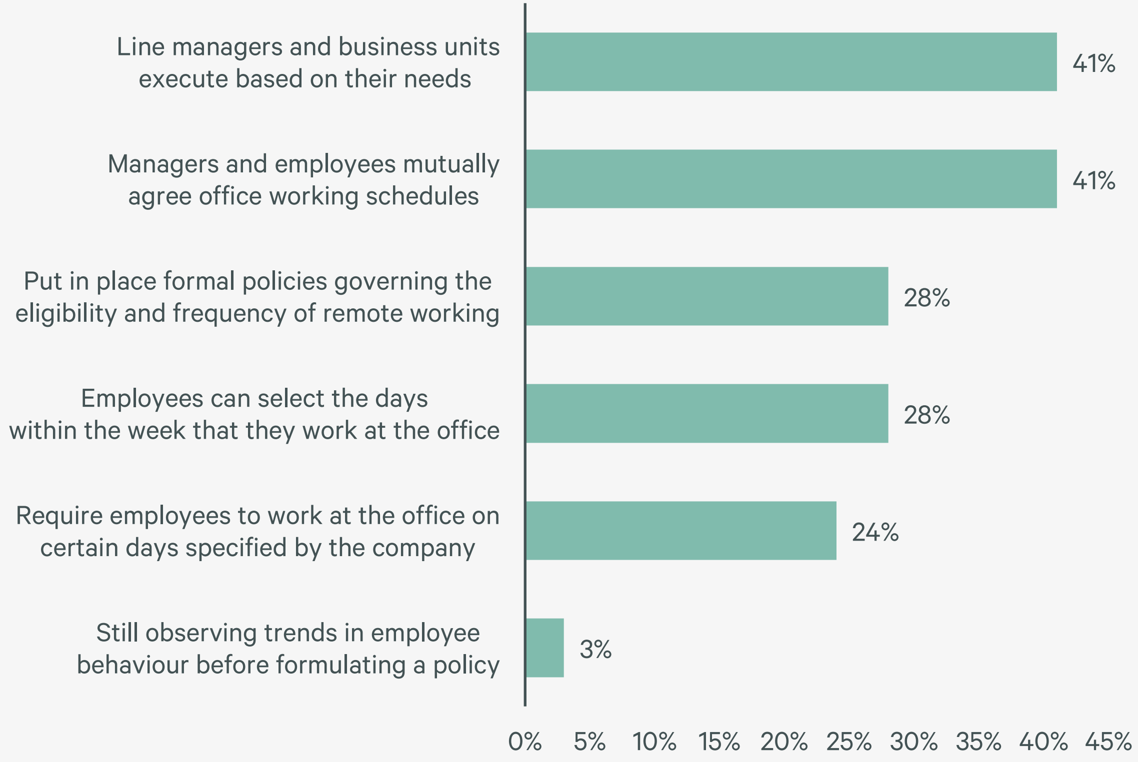
While there is a strong consensus for the adoption of flexible working, many companies are encountering difficulties when implementing flexible working policies and are cognisant of the impacts such measures will have on productivity.

Companies are tinkering with these measures and carefully formulating detailed regulations on where and when staff should be working. **In Singapore, some firms (41%) therefore continue to rely on head of business units or line managers to informally agree and monitor working arrangements with their individual teams.**

41% of respondents allow managers and employees to agree on when they should work at the office; while 28% mandate formal policies governing the eligibility and frequency of remote working; and another 28% give workers the freedom to choose. The trends in Singapore are broadly in line with APAC's trends.

When more data and information related to hybrid working become available, CBRE expects companies to be in a better position to refine these policies into a more systematic approach.

FIGURE 3: Approaches to implementing hybrid workplaces



Note: Multiple selections applied.
Source: CBRE Research, March 2022

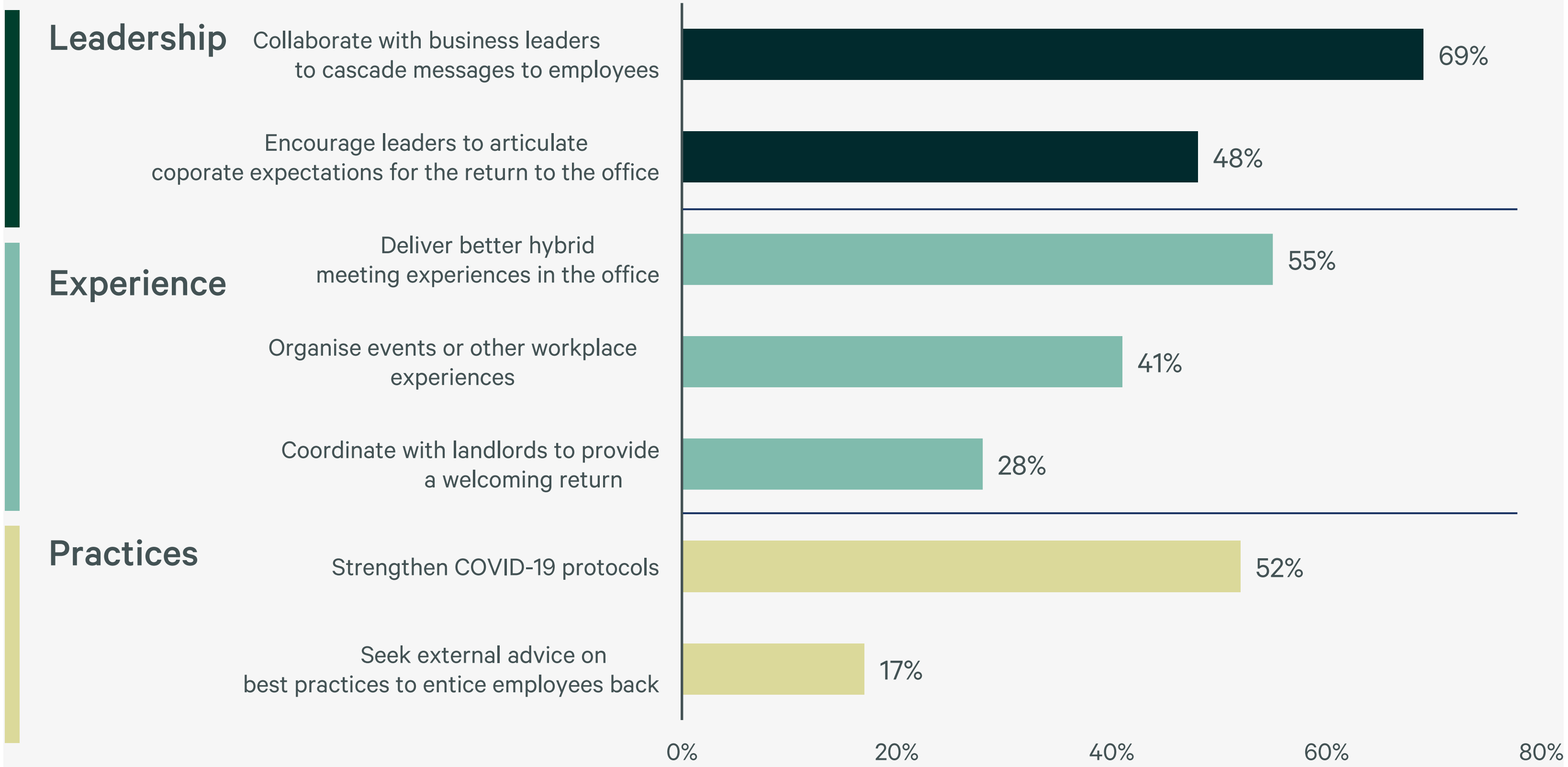
01 — Clear messaging is key to encourage staff to return to the office

Clear messaging and guidelines from leadership are key to facilitating a smooth return to the office.

A close collaboration between senior staff and line managers is needed to create a culture of transparency under which information related to office attendance, infections among employees and cleaning schedules can be disseminated.

Other steps to enticing employees back to the office include providing an enhanced workplace, with next-generation video-conference technology and social events among the most popular strategies. Many occupiers also plan to strengthen COVID-19 protocols such as mask wearing, meeting room capacity, and social distancing.

FIGURE 4: Key priorities to facilitate a return to the office



Sources: CBRE Research, March 2022

02

Refining Workplace Strategies and Policies

02 Creating the post-pandemic office




Futureproof Buildings

Workplace Flexibility

Balance of “Me” and “We” space

Utilising Technology (Smart Workplaces)

Source: CBRE Research, March 2022.

02— Selecting Futureproof Buildings

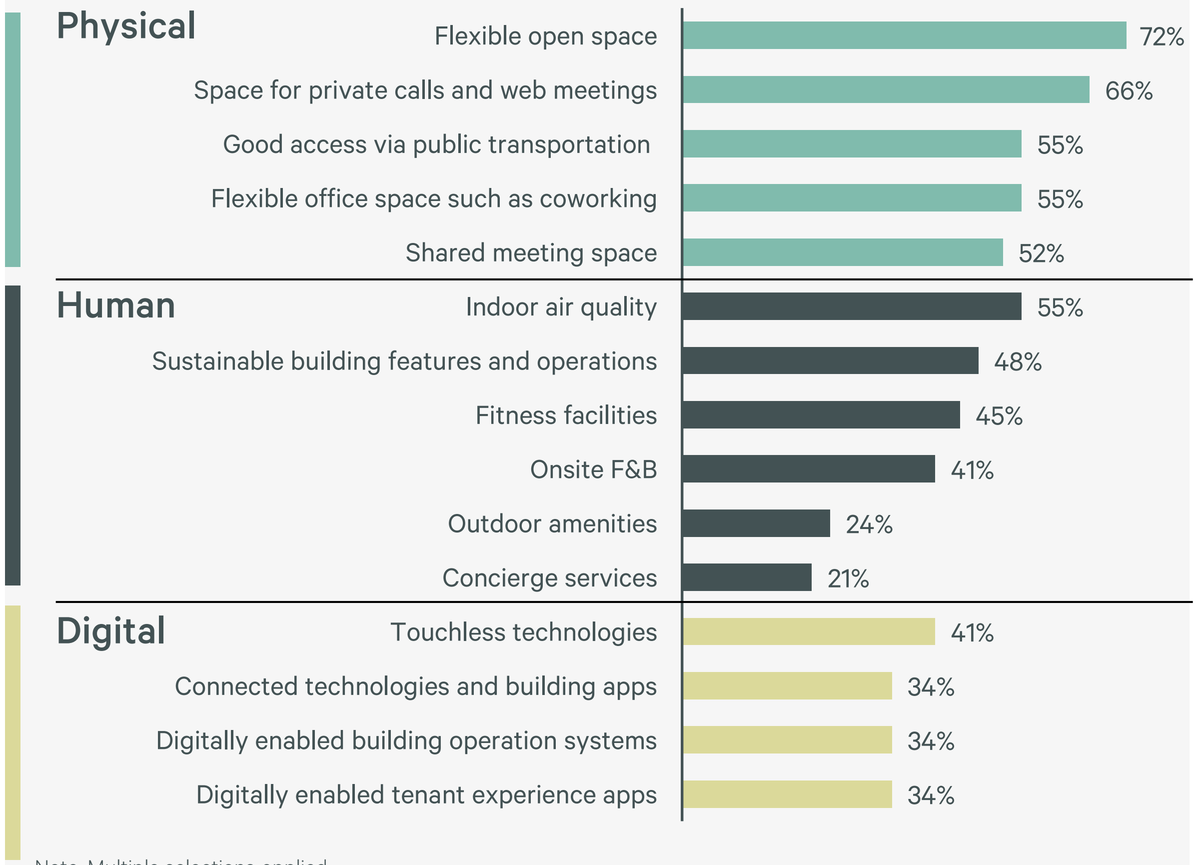
The adoption of hybrid working will require more sophisticated real estate and will drive demand for 'futureproof' buildings possessing a combination of leading-edge physical, human and digital elements.

Physical: There will be a need for flexible office solutions with supporting services provided by landlords. Reflecting the shift towards hybrid working, flexible and open space that can be easily reconfigured will be especially sought-after. Other must-haves include private space for phone calls and online meetings; a flexible or shared office space or provider within the building; and good access via public transportation.

Human: Centres on wellness, sustainability and community. Landlords must enhance indoor air quality and incorporate green building features and operations to meet occupiers' requirements for a healthier working environment. While there is still demand for F&B, fitness and concierge facilities, these are now minimum requirements for most large occupiers.

Digital: Lower demand for digital features as rapid progress has already been made in introducing digital hardware to buildings since the onset of the pandemic. Many landlords already incorporated touchless technologies in elevators and internal doors to reduce human contact. These features are now a prerequisite rather than a differentiator for occupiers to select a building.

FIGURE 5: Most sought-after building attributes



Note: Multiple selections applied.
Source: CBRE Research, March 2022.

02— Improving Workplace Flexibility

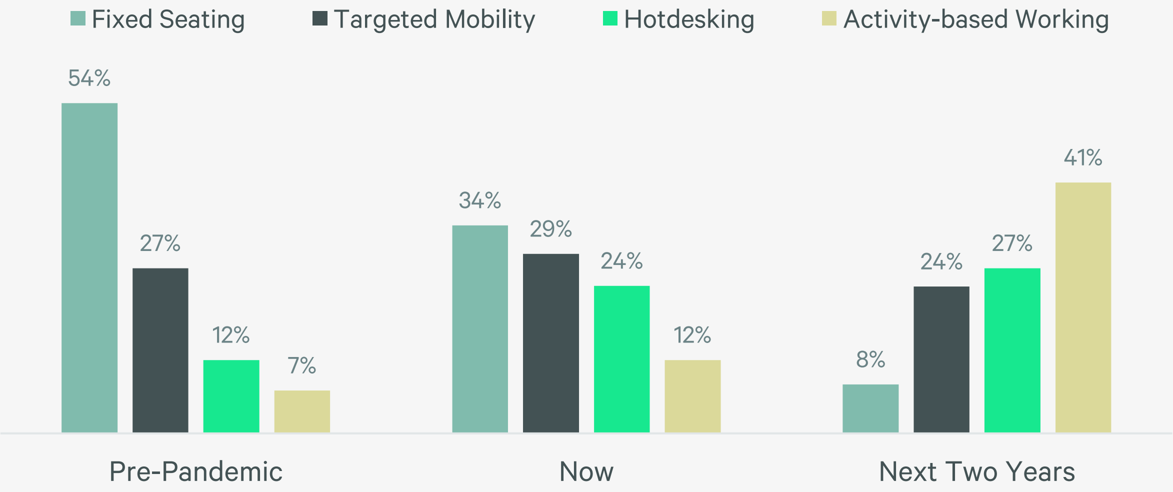
While many companies began a shift to hot-desking and other forms of flexible seating several years before the pandemic, this process has accelerated sharply since 2020.

In Singapore, the survey found that just 34% of companies retained fixed seating arrangements as of 2022, well below the 54% of firms who did so prior to the pandemic. The adoption of Activity-based Working (ABW) is expected to gain further momentum in the coming years.

By adopting flexible seating, companies will be able to increase their employee desk sharing ratio. However, achieving this will require the introduction of supporting technological and operational solutions as well as obtaining the approval and participation of employees.

Fixed Seating	Targeted Mobility	Hotdesking	Activity-based Working
Dedicated/assigned seating	Some departments have fixed seating while others adopt hotdesking.	Unassigned seats	Variety of work setting options to accommodate employees' needs, and enhance the workplace experience. E.g. shared desks, café, collaboration spaces, breakout rooms etc.

FIGURE 6: Companies' office seating arrangements



Note: Multiple selections applied, rebased to 100% for each category.
Source: CBRE Research, March 2022

02 — Transformation is occurring across different sectors

CBRE has observed a significant variance in workplace configurations across different industries in Singapore.

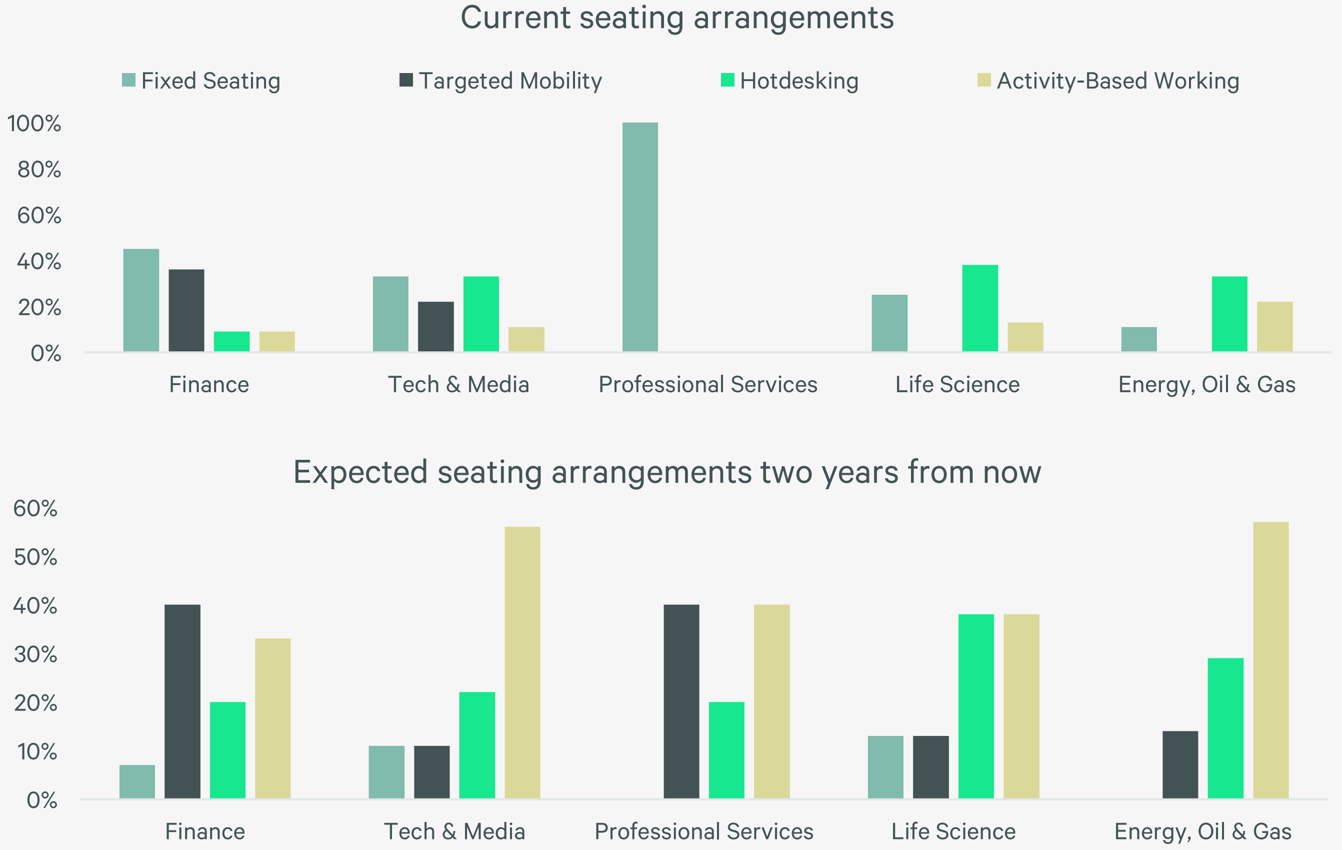
Finance & Professional Services: Both sectors will undergo the strongest shift away from fixed seating. Companies in this industry will also adopt a policy of targeted mobility to accommodate the specific needs of critical and non-critical functions.

Tech & Media: Although ABW will be the norm, some companies still intend to allocate a certain number of fixed desks for employees in functions such as research and development. A variety of seating arrangements will be used for different roles.

Life Sciences: Firms will maintain some fixed seats, while allocating more arrangements for hotdesking and ABW.

Energy, Oil & Gas: Companies in the sector require the fewest number of fixed desks and are mostly pursuing hotdesking & ABW.

FIGURE 7: Companies' office seating arrangements



Source: CBRE Research, March 2022

02— Balancing “Me” and “We” space

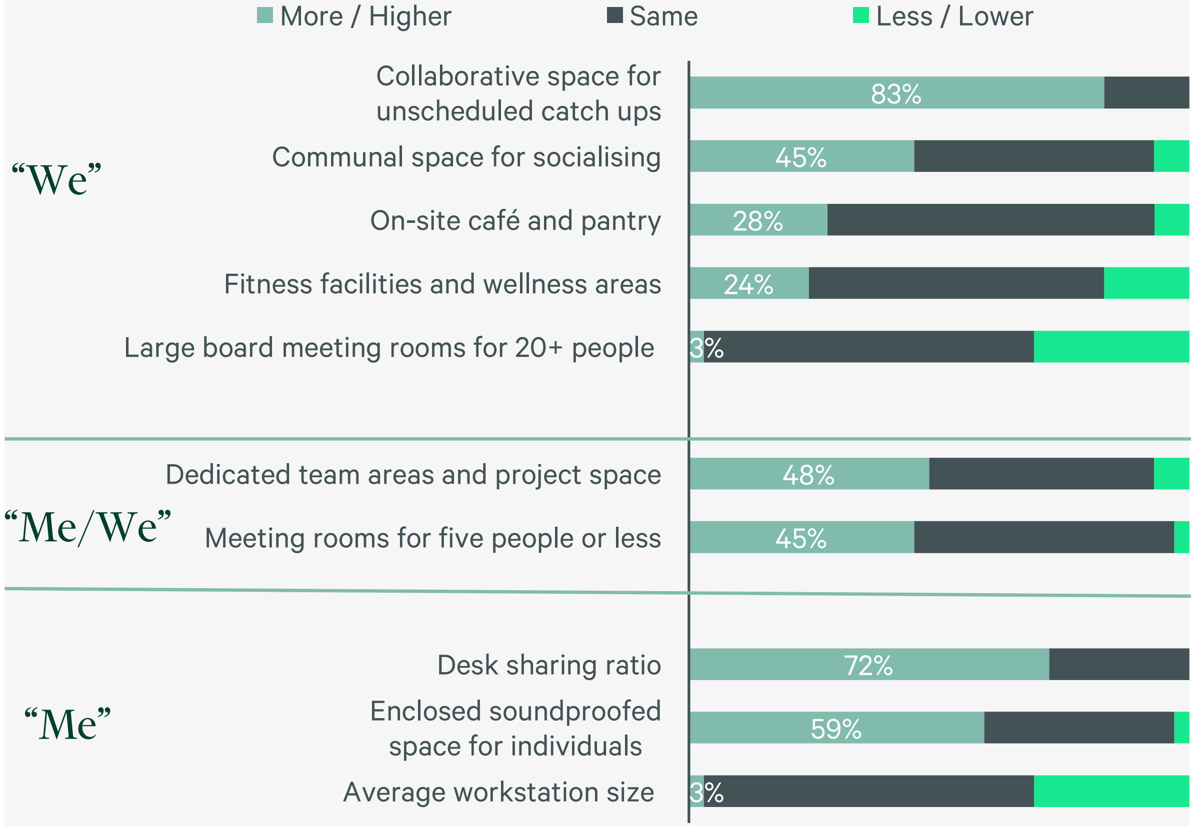
As the adoption of hybrid working tends to lead to focused work being performed remotely, the office will become a location for discussion, interaction and collaboration. However, this does not necessarily mean that companies will reduce the volume of “Me” space in their workplaces. Instead, CBRE expects occupiers to create more appealing “Me” space and more flexible “Me/We” space to entice staff to come to the office.

“Me” space: Occupiers were inclined to increase desk sharing ratio, providing more soundproofed space such as phone booths to accommodate meetings and calls. However, most occupiers seek to maintain average workstation size, though 31% were looking at a smaller average workstation size.

“We” space: Respondents identified collaborative space for unscheduled catch-ups and communal space for socialising as the two types they expect demand to increase. Larger spaces for formal meetings are likely to see weaker demand as more meetings adopt a hybrid format involving smaller groups in the office being joined by multiple individuals dialing in from other locations.

“Me/ We” space: CBRE also expects occupiers to increase their allocation to “Me/ We” space such as dedicated areas for project teams and smaller meeting rooms. This type of space also possesses sufficient flexibility for focused work.

FIGURE 8: “We” and “Me” space priorities



Source: CBRE Research, March 2022.

02— Utilising Technology (Smart Workplaces)

Technology will be critical in supporting the adoption of hybrid working models, helping occupiers create smarter workplaces and overall, providing a better user experience for all.

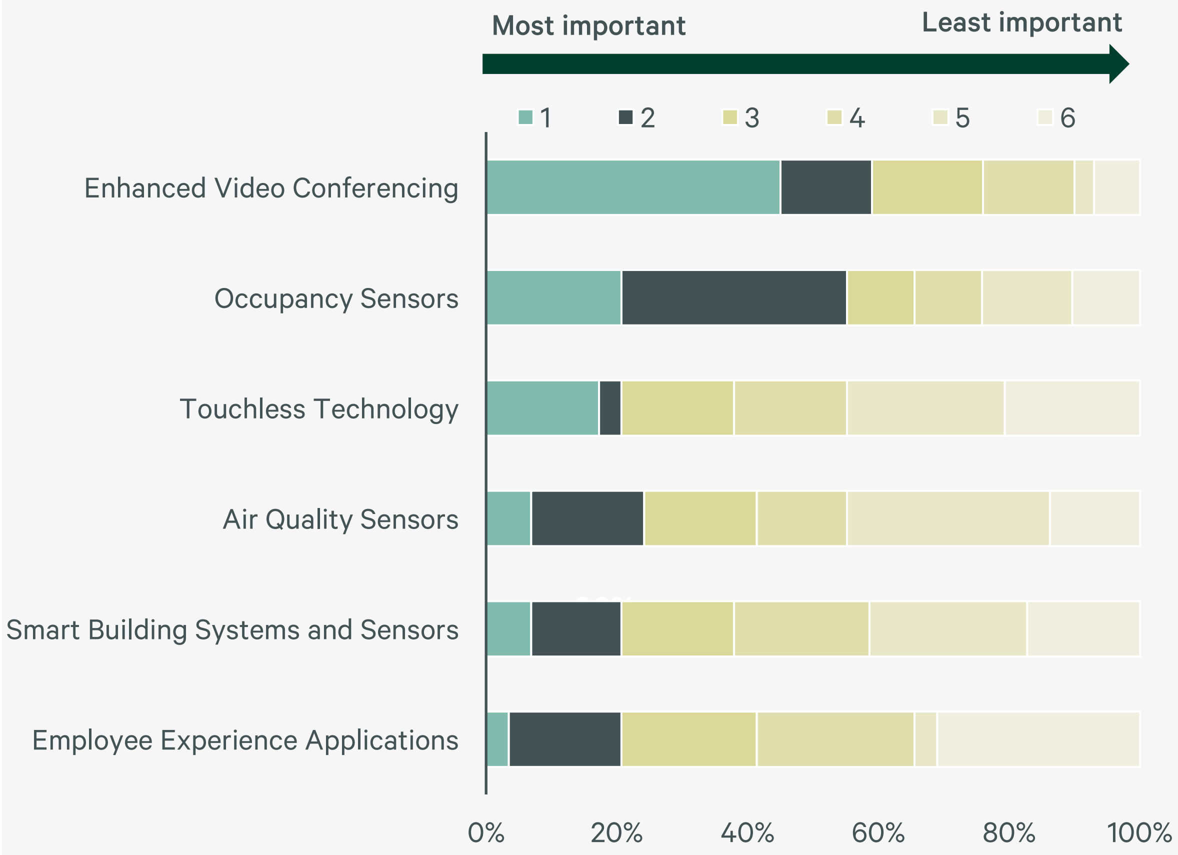
Enhanced video conferencing facilities are by far the most popular measure, with almost half of respondents ranking this option in the top two corporate real estate technologies. As most meeting rooms were designed pre-pandemic and therefore often lack the technological features to accommodate hybrid meetings, features such as audio, microphones, cameras, and lighting will need to be augmented.

Other priorities include occupancy sensors, which can help companies track space utilisation to make better-informed decisions regarding workplace design and management. Sensors to monitor air quality will also be keenly sought-after as lingering pandemic-related concerns prompt companies to improve air ventilation and filtration in the workplace.

Respondents displayed relatively little interest in creating their own employee experience applications or installing smart building features, with much of the responsibility in these areas having already been assumed by landlords.

CBRE believes that the creation of a high-functioning *phygital workplace** with optimal space allocation will require substantial investment and demand close collaboration between corporate real estate teams and information technology, human resources, and finance departments.

FIGURE 9: Workplace technologies to be implemented in support of hybrid working



Source: CBRE Research, March 2022.

* Phygital workplaces blend the physical office and digital tools to support and improve productivity and employee experience. They are also sometimes referred to as omnichannel offices.

03

Augmenting Office Wellness and Sustainability

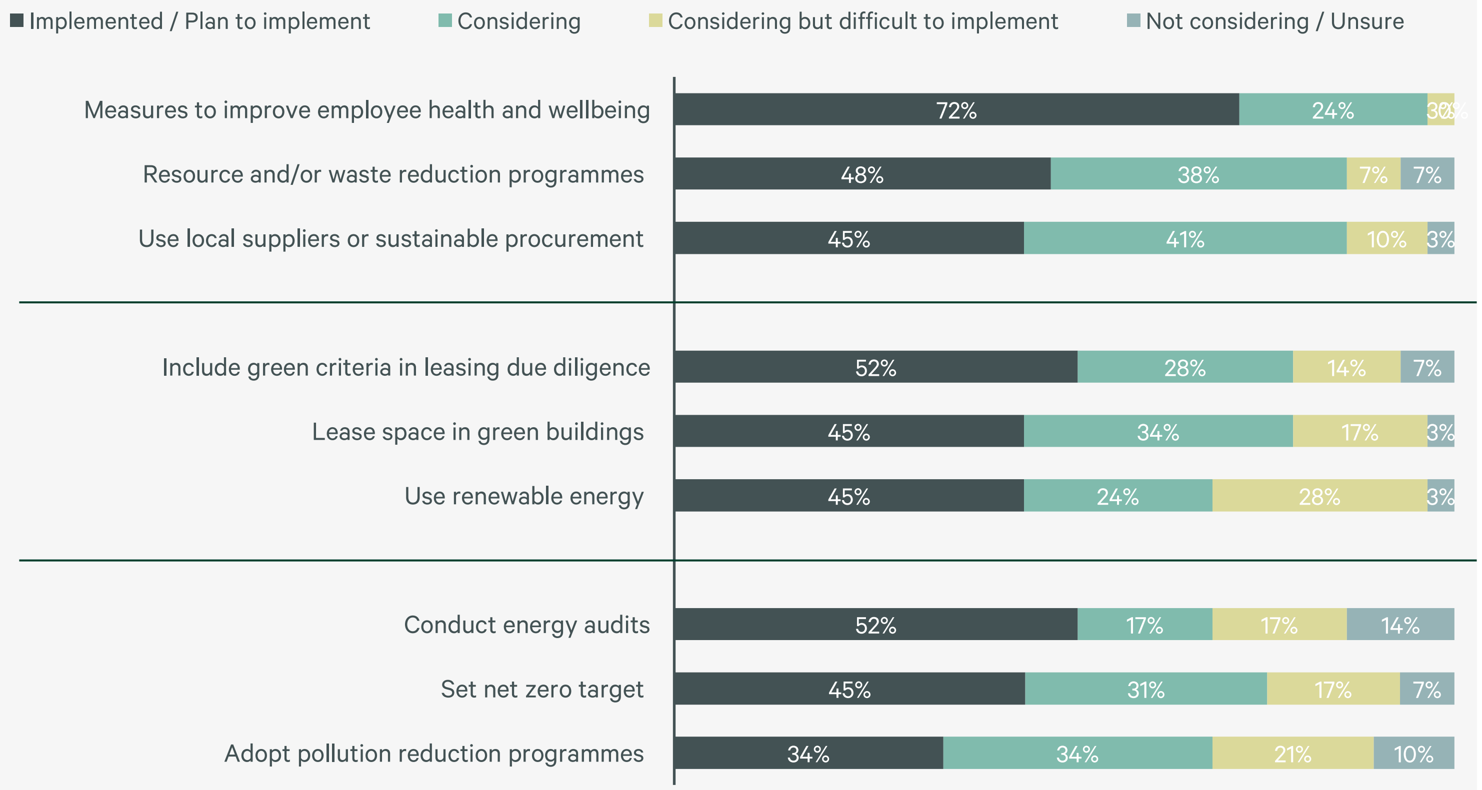
03 — Employee wellness is top of the occupier agenda

72% of respondents implemented measures to improve employee health and wellbeing, with reducing waste as one of the programmes.

Initiatives related to green buildings and leases remain popular. It has driven a wave of flight-to-quality to modern, high-quality green buildings, supported by a larger proportion (52%) including green criteria in leasing due diligence. The challenge in Singapore appears to be using renewable energy as 28% of respondents find this difficult to implement.

Most occupiers are considering adopting energy audits, pollution reduction measures or net zero targets. As more markets set decarbonisation targets and legislate stricter ESG reporting and disclosure, these areas will increase in importance. CBRE believes that in the medium to longer term, occupiers will need to develop more comprehensive and holistic ESG programmes to comply with carbon emission and energy efficiency requirements.

FIGURE 10: Occupiers' wellness and sustainability priorities



Source: CBRE Research, March 2022.

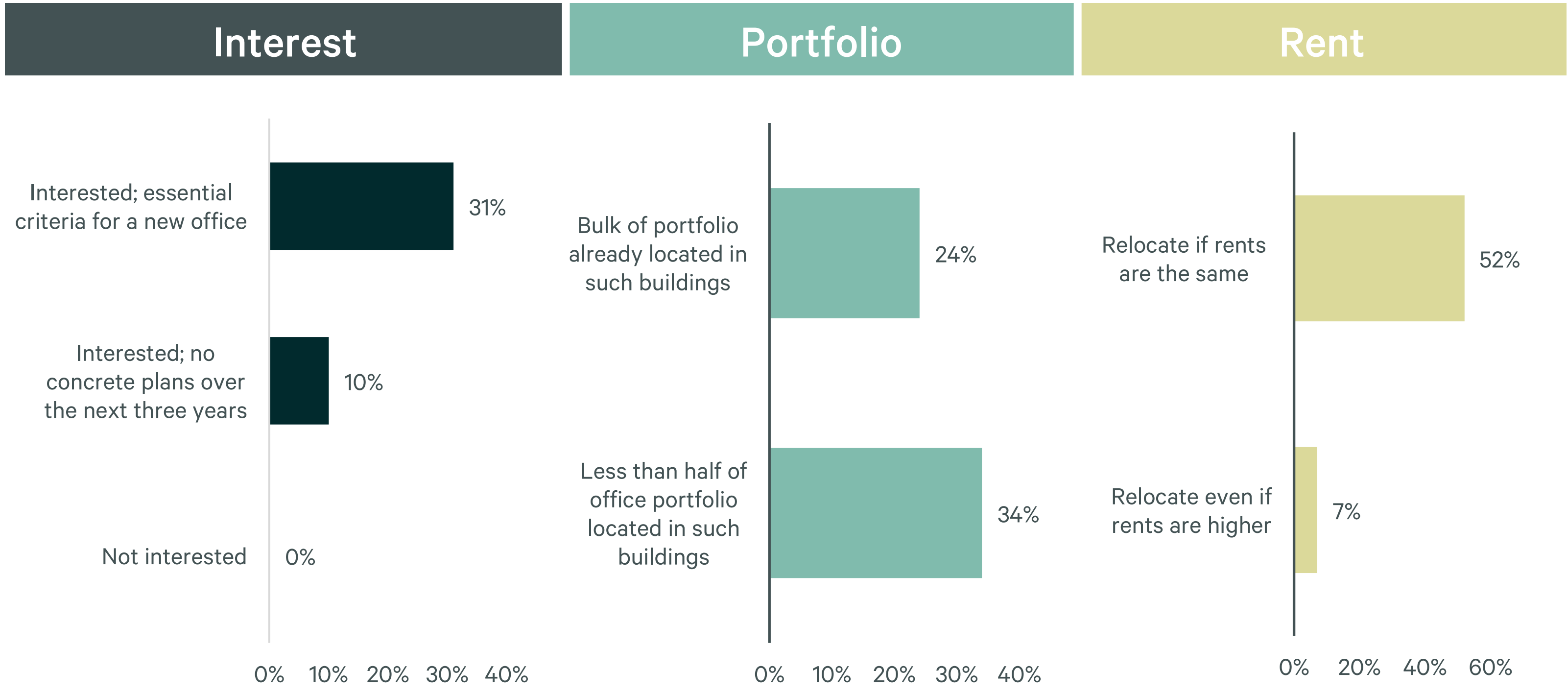
03 Interest in ESG compliant office buildings

Despite indicating strong demand for ESG compliant buildings, only 24% of respondents currently house a majority of their portfolio in such properties.

ESG-friendly buildings are widely considered by occupiers as an essential criterion for a new office. With limited availability being a key factor, there are considerable opportunities for landlords to develop more green buildings to cater to growing demand.

As more ESG compliant buildings are expected to be completed in the coming years, most occupiers believe they should not have to pay a green premium to relocate to such properties. Only 7% of respondents stated they would be willing to relocate to ESG compliant buildings at a higher rent. Occupiers remain cost-conscious as they seek benefits and savings from the more efficient use of energy and utilities in ESG-friendly buildings.

FIGURE 11: Occupier demand for ESG compliant office buildings



Note: Multiple selections applied.
Source: CBRE Research, March 2022.

04

Pursuing Long-Term Portfolio Expansion

04 Mixed Expectations for Office Portfolio Size

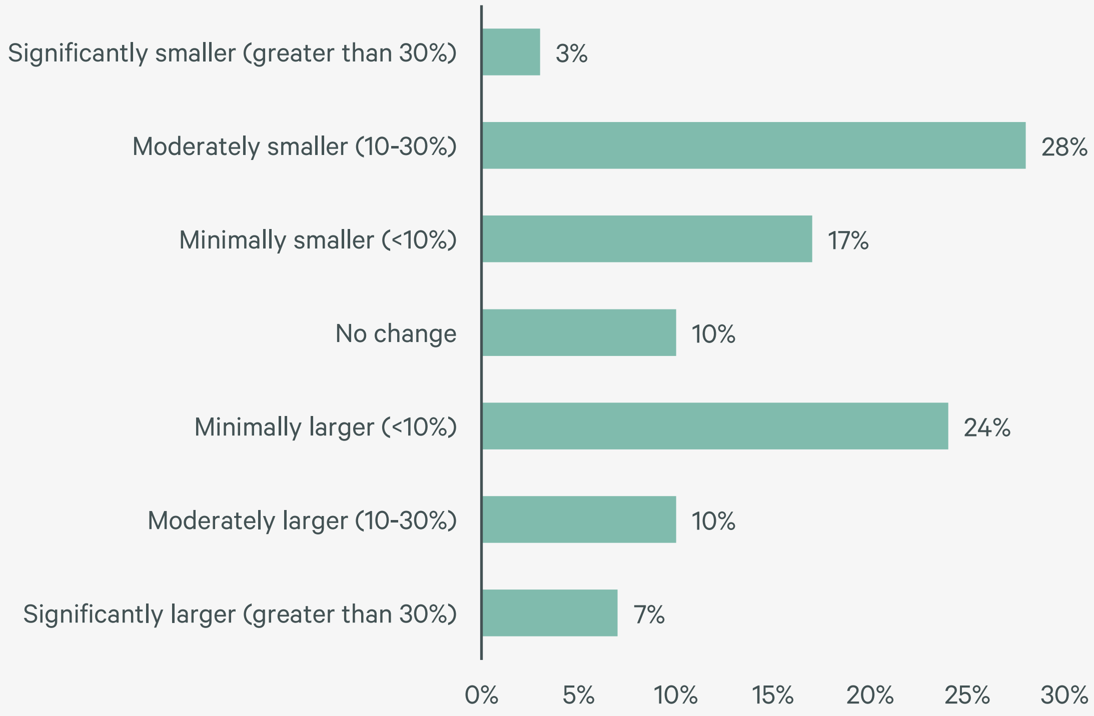
As the pandemic enters its third year and the return to the office continues, occupiers are displaying mixed sentiment towards the long-term outlook for office demand.

Although 48% of respondents intend to decrease the size of their real estate portfolios over the next three years, another 41% intend to increase the size of their real estate portfolios as well, while 10% expected no change.

Across APAC, the adoption of hybrid working has seen many companies scale back their expectations of space going into 2022. While some companies are reducing the size of their offices, many are using the opportunity to upgrade to better locations and higher quality buildings.

Interest in reducing space via exercising lease expirations and consolidation versus cost-neutral flight-to-quality received equal amounts of interest in the survey. Both strategies will result in weaker demand for older and lower quality buildings.

FIGURE 12: Long term expectations for total size of portfolio over next 3 years



Sources: CBRE Research, March 2022

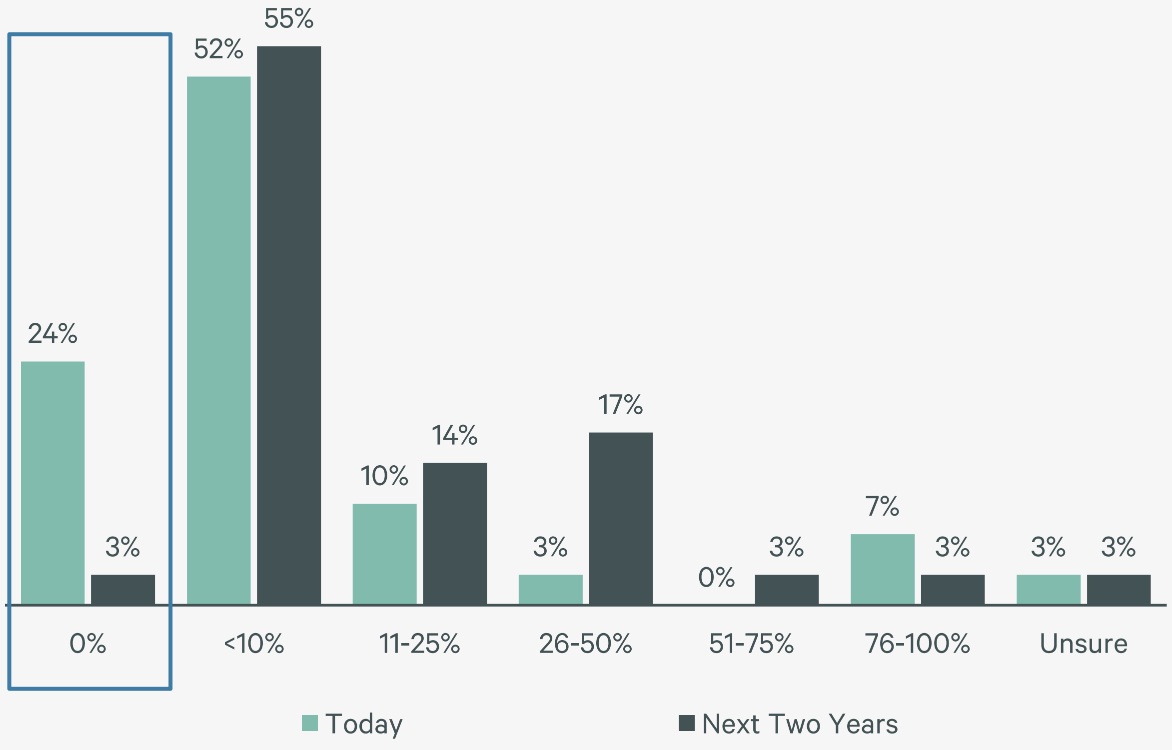
04— Greater Use of Flexible Office Space

With the pandemic having underlined the need for portfolio agility, demand for flex space such as coworking centres will gain momentum in the coming years. Among the companies surveyed, the largest increase was seen in this category: 17% stated that flex space will account for 26-50% of portfolio by 2024, up from 3% currently. By 2024, almost all companies will have some sort of flexible arrangement.

As the flex space industry continues to evolve to meet occupier requirements, a broader offering, ranging from on-demand meeting space to customised private suites, is becoming available. CBRE expects firms in the tech sector to be the main users of flex space, with business services, finance, retail and life sciences companies also set to include flex components in their portfolios to a greater extent than ever before.

Although CapEx savings remain a key motivation underpinning demand for flex space, the major driver is the need to support remote working. Most companies are now using flex space to provide interim solutions for a dispersed workforce; offer on-demand meeting and collaboration space for employees; and generally, expand locational options to staff. These factors are especially important to large companies seeking to use flex space as a key component of hub and spoke models and agile networks.

FIGURE 13: % of portfolio made of flexible office space today and over next two years



Sources: CBRE Research, March 2022.

Conclusion

KEY FEATURES

Adopting Flexible Working as the New Normal

Most companies have commenced bringing staff back to office.
Two main flexible working models:
(1) *Office First*: Primarily working in the office with some flexibility
(2) *Hybrid Working*: Working in the office and home, that is within corporate guidelines while ensuring employees have flexibility

Refining Workplace Strategies and Policies

Higher budgets for better but slightly smaller workplaces.

More space for collaboration and smaller-sized meeting rooms with video conferencing functions

Augmenting Office Wellness and Sustainability

Focus on employee wellbeing with most occupiers now at implementation stage.

Strong demand for green buildings but limited willingness to pay green premium

Pursuing Long-Term Portfolio Expansion

Flex space to support the return to work and adoption of hybrid working.

Opportunity for flight-to-quality, though some have consolidated over the last two years.

RECOMMENDATIONS

As most companies continue to rely on managers and employees to agree on work schedules. A more systematic approach to such arrangements will be preferred.

Companies will need to be willing to invest in new technology to improve activity-based working experience.

There is strong demand for ESG compliant buildings, but green buildings still form a low proportion in the occupiers' portfolio. Thus, landlords can consider upgrading to futureproof their buildings to capture this flight-to-quality demand.

There may be a potential lack of space due to a stronger than expected return to office.

Those which have scaled back too excessively over the last two years may require additional space through flexible workspace. Therein lies the opportunity for landlords to bring in flexible working operators into their portfolio.

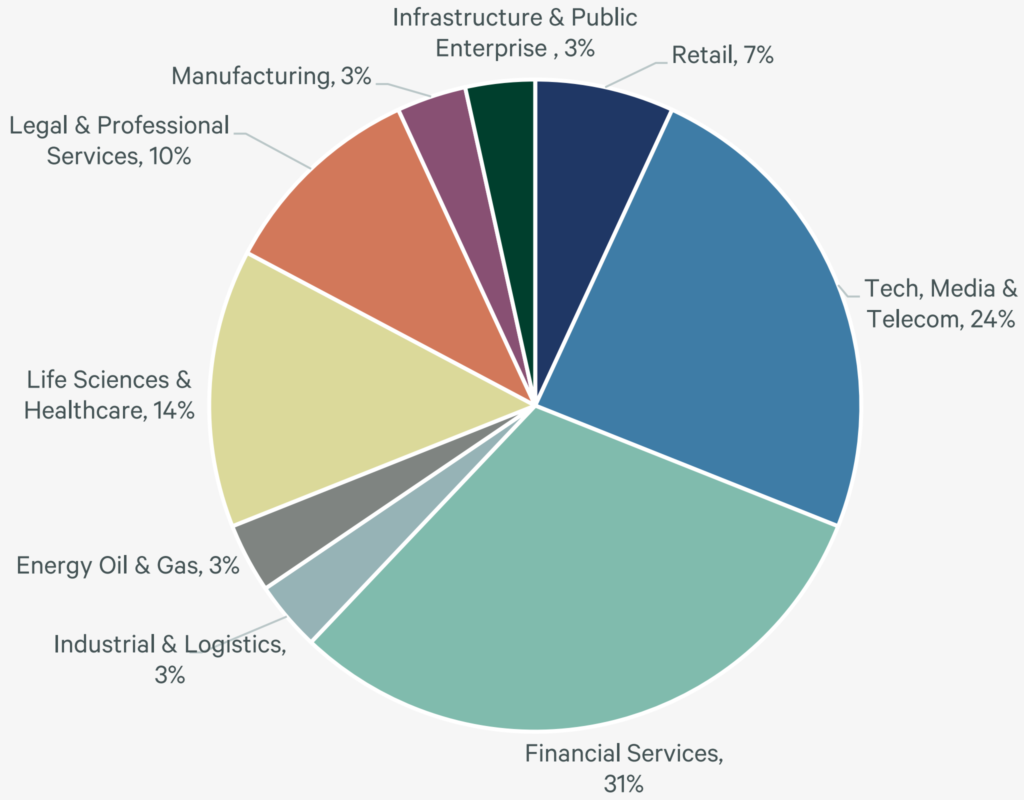
05

Survey Profile

05 Survey Profile

- **The 2022 Office Occupier Survey was conducted between February 16, 2022, and March 18, 2022.**

FIGURE 14: Respondents by Industry



Source: CBRE Research, March 2022.

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