ASIA PACIFIC

2017 OCCUPIER SURVEY REPORT

CBRE RESEARCH

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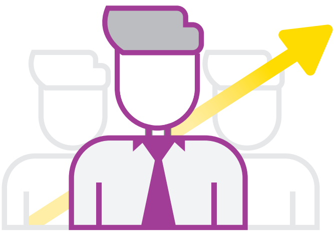
GROWTH



53%
will increase office headcount in the next three years

Expansion will focus on

India

China

CHALLENGES

68%
regard Economic Uncertainty as the biggest threat

Worries over Technology Disruption increased from
21% ▶ 36%

PRIORITIES

52%
identified Workplace Strategy Evolution as a priority and way to enhance collaboration

Cost Reduction remains the key concern but must be balanced with staffing and business needs

SPACE

66%
will require Shared Desks within the next three years

Occupiers plan to introduce more Workplace Formats for staff to choose from

+53%

Focused space

+49%

Collaborative space

+44%

Relaxation space

Source: CBRE Research, March 2017

CBRE RESEARCH
This report was prepared by the CBRE Asia Pacific Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate.

CBRE

INTRODUCTION

Flexibility and efficiency remain at the forefront of multinational corporate decision-making in Asia Pacific amid what is an increasingly uncertain economic and political landscape.

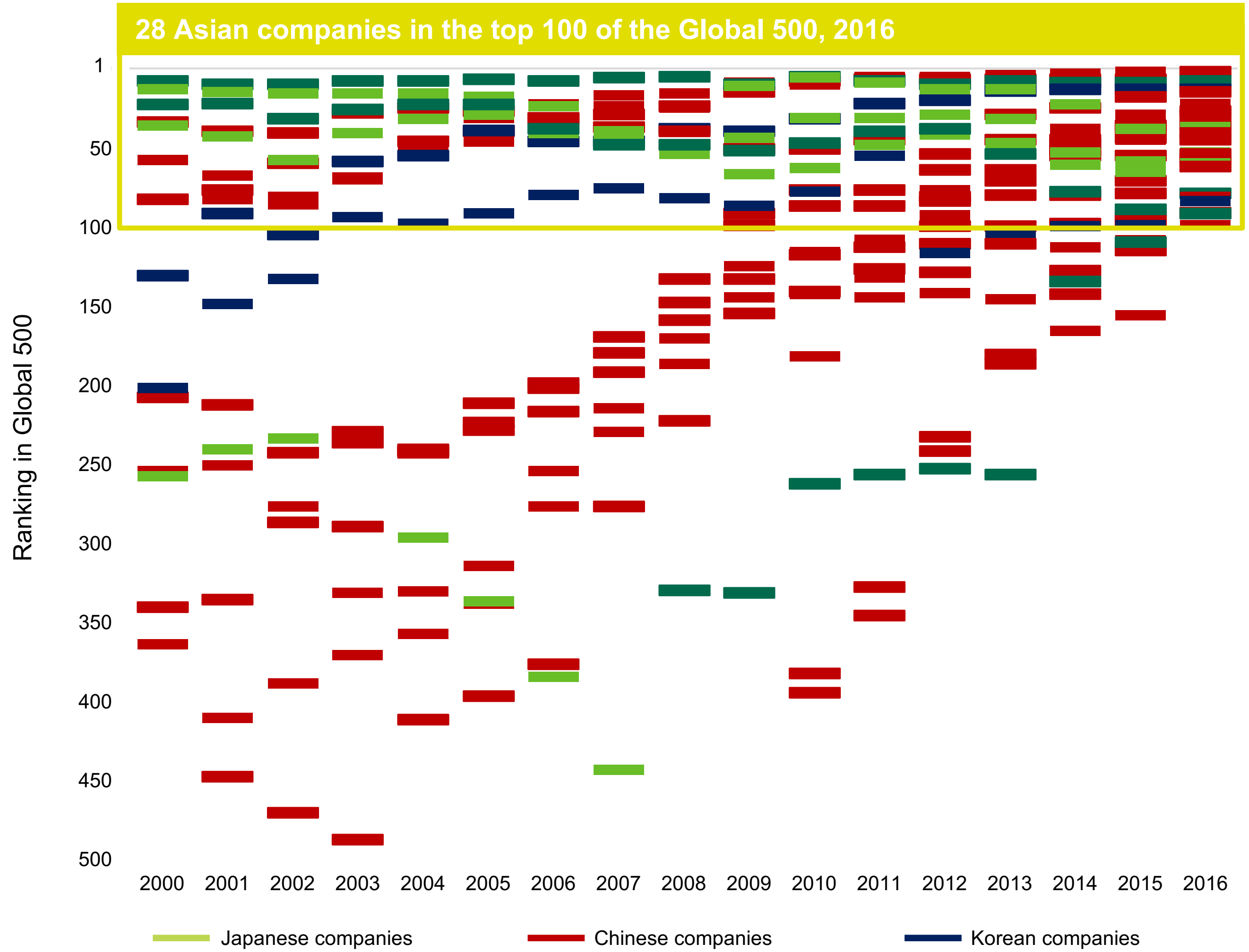
Asia Pacific-based companies continue to rise to prominence, accounting for 170 of the Fortune Global 500 in 2016, and are coming under stronger pressure to adopt global best practices to align with their international peers.

This trend is gradually manifesting itself in the Corporate Real Estate (CRE) arena as homegrown companies seek to improve business agility, support growth and attract talent.

While many of the overarching CRE themes and strategies are similar, there are some distinct differences between multinational and Asia Pacific corporations, particularly with regard to implementation.

The second annual CBRE Asia Pacific Occupier Survey explains these nuances and analyses the two groups' strategies and priorities for the next three years.

Figure 1: Change in the rankings of Asian companies in the top 100 of the Global 500



Source: CBRE Research, March 2017; 2016 Fortune Global 500

RESPONDENT'S PROFILE AND METHODOLOGY

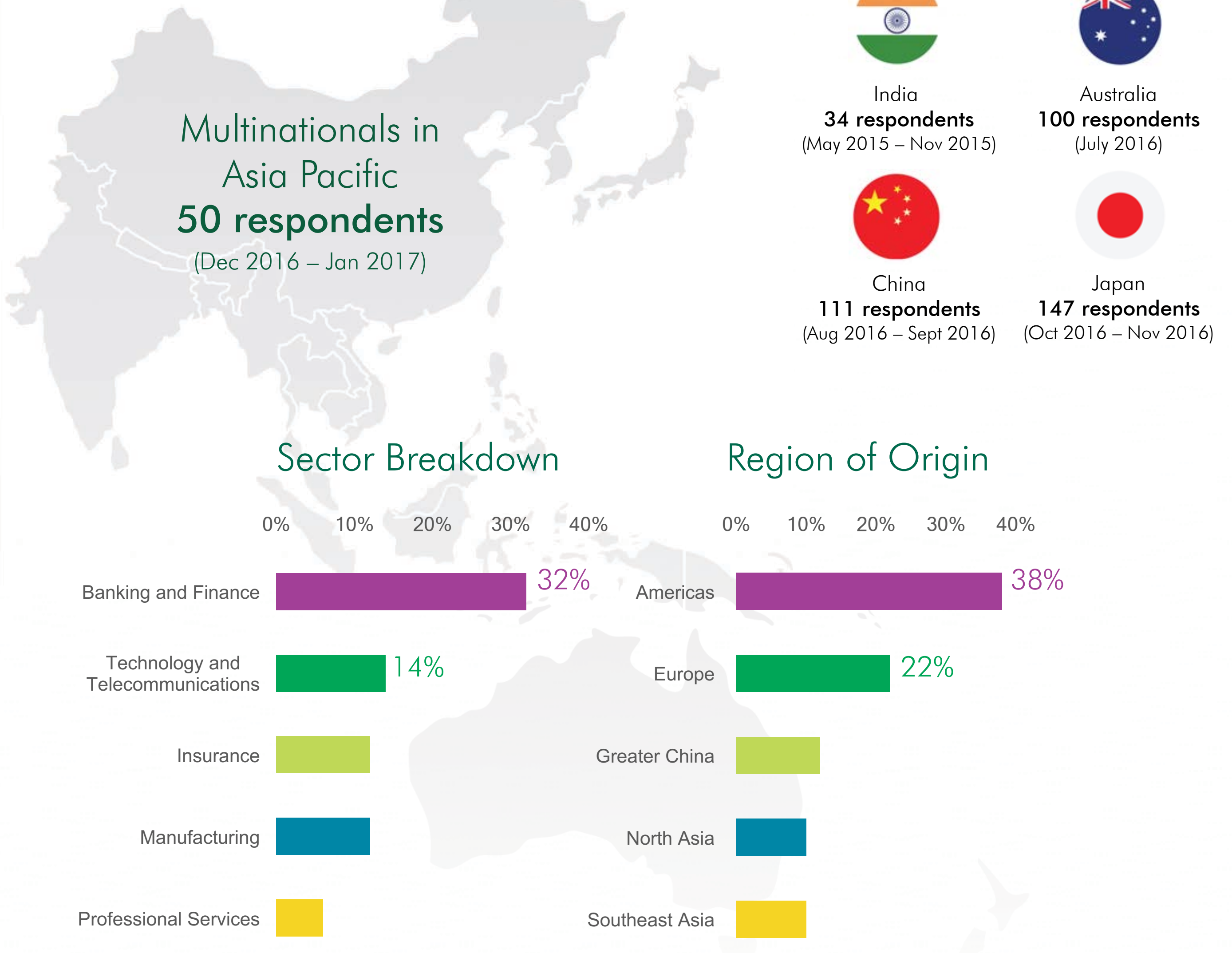
The CBRE 2017 Asia Pacific Occupier Survey incorporates the findings of a regional survey of multinational occupiers along with four separate national surveys of domestic occupiers in China, India, Japan and Australia.

A total of 450 responses were received. The analysis in this report largely focuses on the responses received from the 50 multinational respondents. Respondents were senior executives responsible for overseeing their organisation's regional and / or global real estate portfolio.

Major sectors represented included banking and finance (32%), technology and telecommunications (14%), insurance (12%) and manufacturing (12%). Over 60% of multinational respondents were based in the West, with headquarters in North America (38%) and Europe (22%). Large corporations based in Greater China and North Asia accounted for another 20% of multinational respondents.

Key findings from the national surveys of domestic occupiers have also been incorporated in CBRE Research's analysis and are contrasted with the results of the regional survey of multinationals in order to provide a complete picture of the regional occupier landscape.

Figure 2: Respondent's profile



Source: CBRE Research, March 2017

GROWTH

MULTINATIONALS FOCUS ON EMERGING ASIA IN THE SEARCH FOR NEW BUSINESS

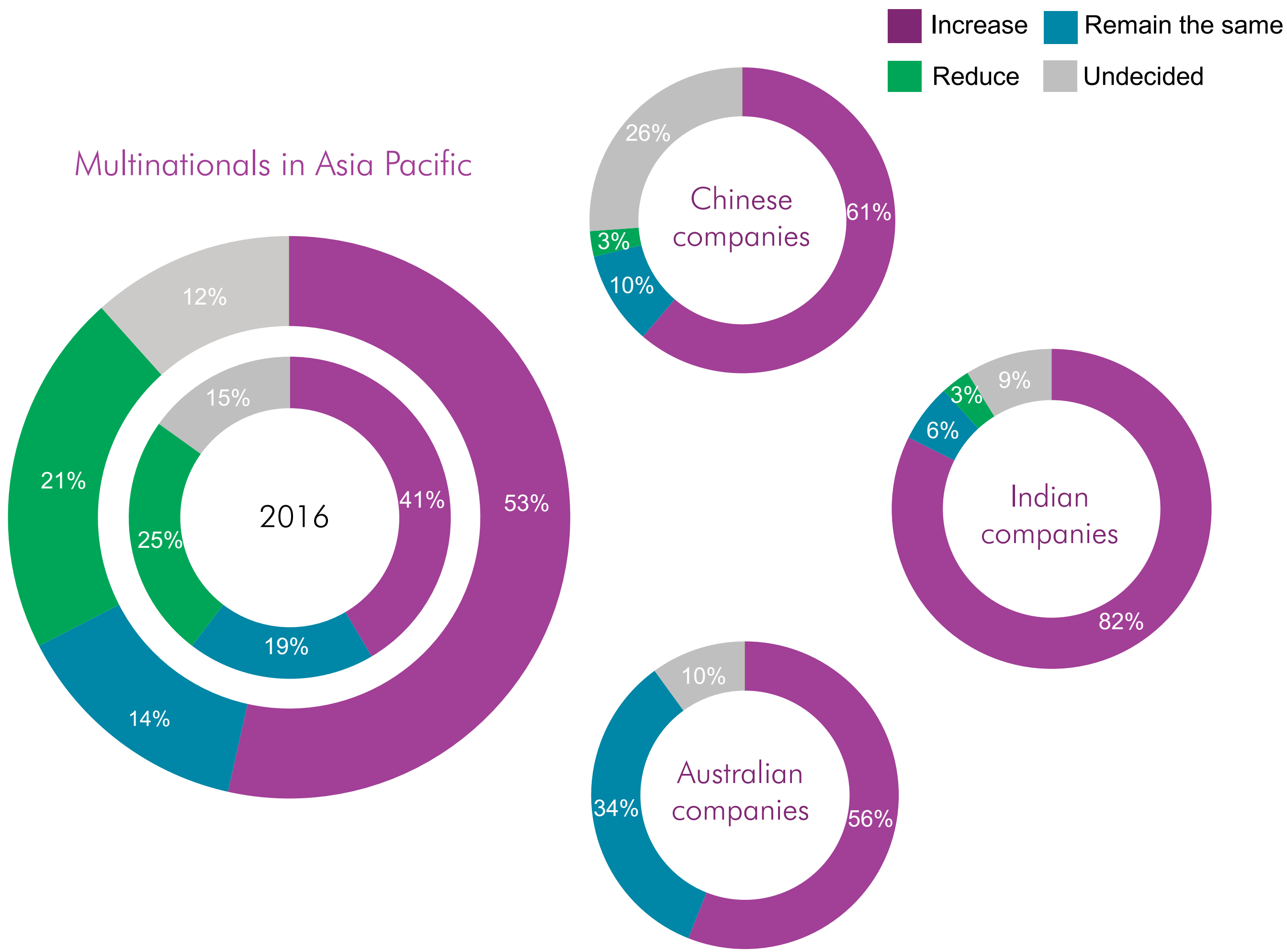
ASIA PACIFIC REMAINS THE LONG-TERM GROWTH ENGINE

Both multinationals and Asia Pacific-based companies hold positive intentions for headcount growth in Asia Pacific over the next three years. However, the latter demonstrated far stronger intentions in general.

Around half of multinationals surveyed said they intend to increase their headcount, a moderate uptick on last year. New headcount growth is expected to continue to be driven by organic business growth (61%), reaffirming multinationals' confidence in Asia Pacific's long-term growth potential in spite of rising global economic uncertainty.

Among Asia Pacific-based companies, more than 80% of Indian respondents plan to increase their headcount in the next three years, reflecting the country's buoyant economy, steady progress in enacting regulatory reforms and booming outsourcing and ITeS sector.

Figure 3: Office headcount growth intentions among multinationals and domestic companies



Source: CBRE Research, March 2017; China domestic occupier survey 2016; India mid-sized corporate sentiment survey 2016; Australia occupier survey 2016

STRONG INTENTIONS TO EXPAND IN EMERGING ASIA

Multinationals retain a solid overall appetite for expansion in Asia Pacific but activity is expected to vary across different markets.

The survey found that intentions to expand were strongest in emerging markets for new businesses. China and India were the markets in which multinationals had the strongest intentions to expand. Among developed markets, Japan recorded the strongest intentions to expand, driven by solid demand from the IT and pharmaceutical sectors.

Multinationals' intentions to consolidate were strongest in mature markets such as Hong Kong, South Korea and Taiwan. However, Hong Kong continues to benefit from overseas expansion by Chinese enterprises leasing space in Grade A buildings.

This clear divergence highlights multinationals' strategy of capturing the growth potential of emerging markets while minimising costs by streamlining operations in more established markets.

Figure 4: Multinationals' expected change in real estate portfolios over the next three years

Source: CBRE Research, March 2017

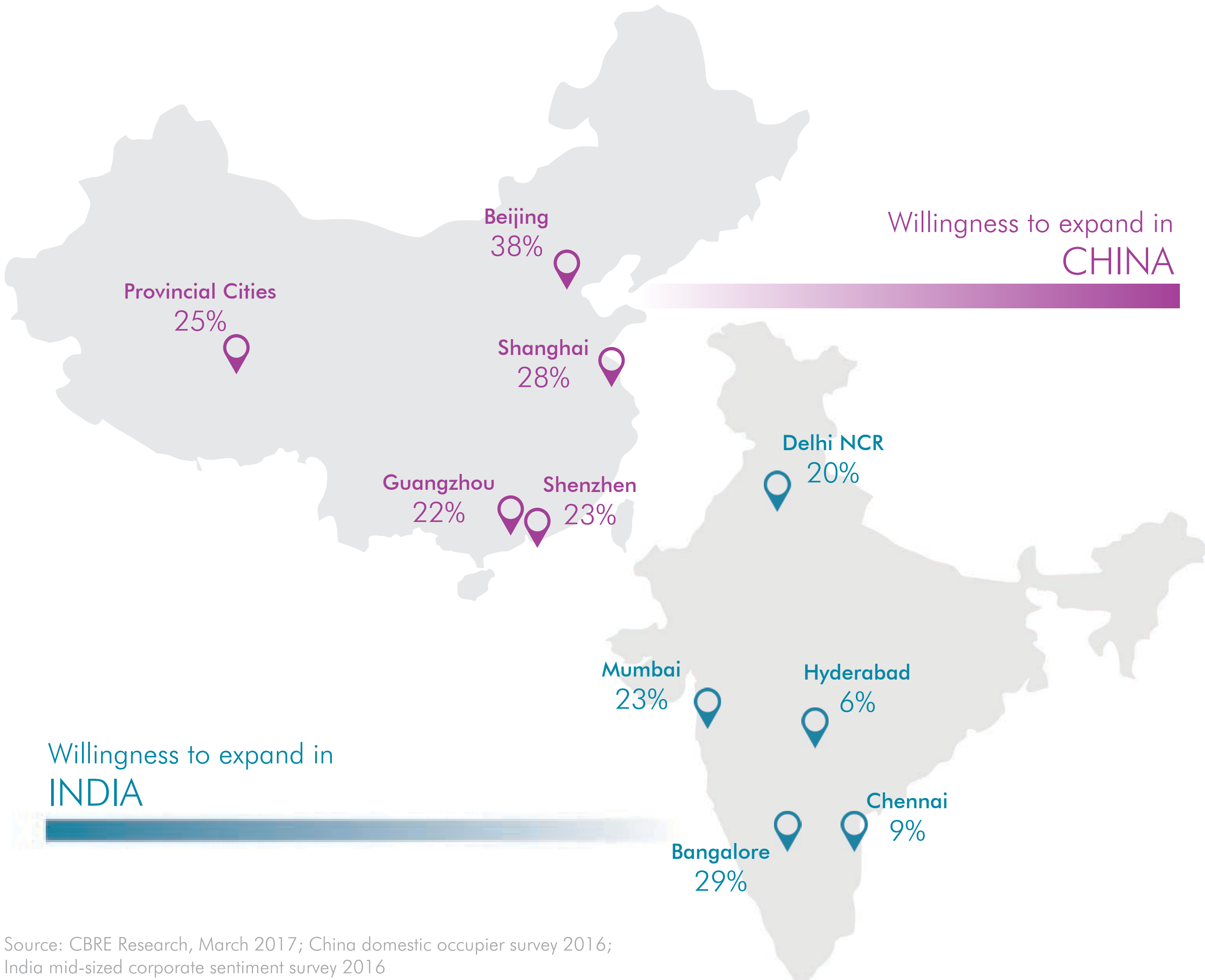
BEIJING, SHANGHAI AND BANGALORE PREFERRED BY LOCAL CORPORATES

Domestic companies in China and India displayed strong intentions to expand in tier I cities. Among Chinese companies, Beijing, the country's capital, and Shanghai, the national financial hub, are the preferred locations for expansion. In India, the technology and outsourcing hub of Bangalore, received the strongest interest.

Respondents in both countries registered a strong level of interest in expanding to tier II cities. Around 25% of Chinese companies plan to expand in provincial cities in search of new business and lower costs.

In India, as domestic IT firms in Bangalore grow larger, an increasing number of companies are opting to expand in other relatively smaller cities such as Chennai and Hyderabad, which offer more space to choose from, lower operating costs, rapidly improving infrastructure and a growing pool of software / engineering talent.

Figure 5: Preferred markets for expansion in China and India



Source: CBRE Research, March 2017; China domestic occupier survey 2016; India mid-sized corporate sentiment survey 2016

INDIA REMAINS THE FAVOURED OUTSOURCING DESTINATION

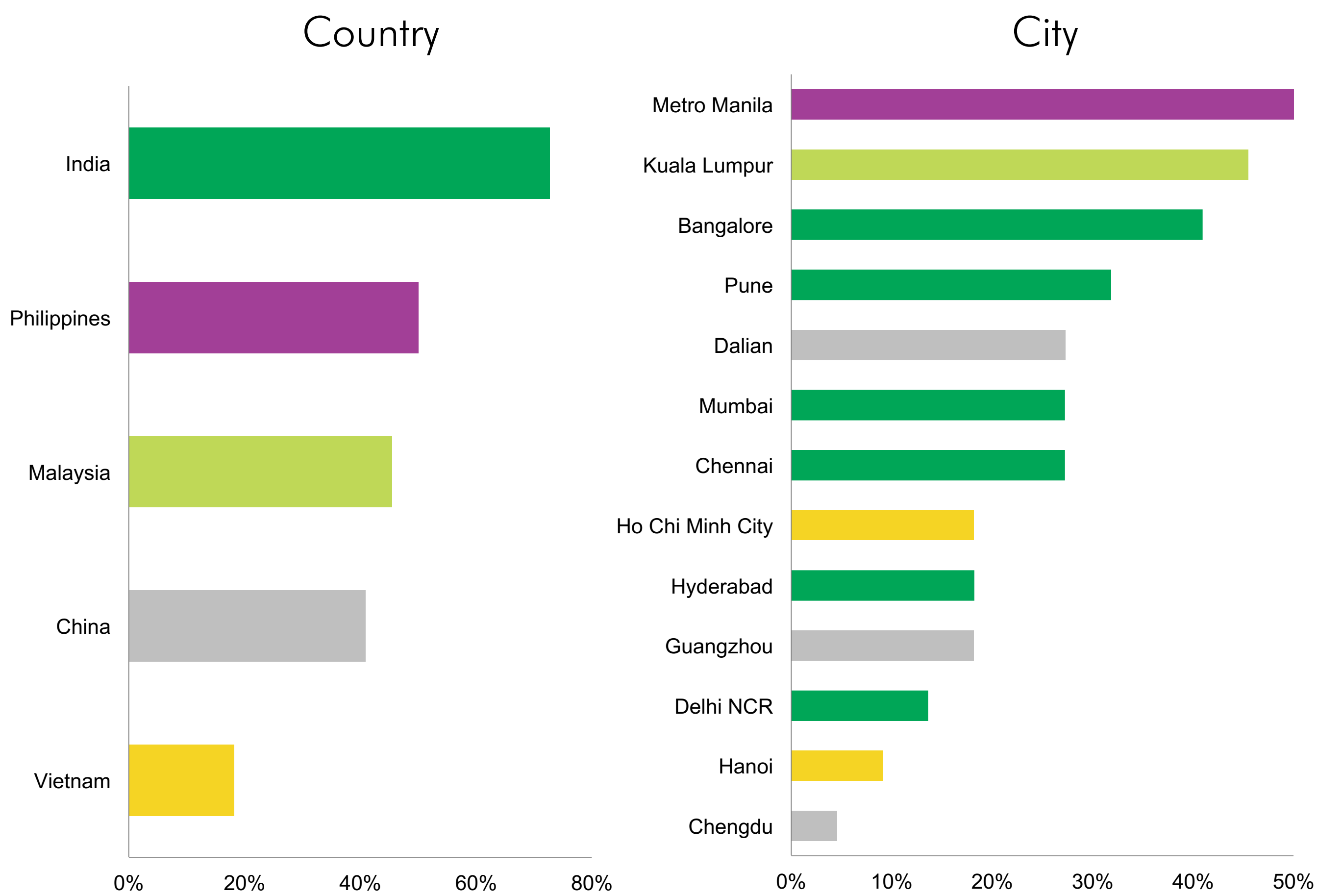
Multinationals' relentless focus on driving down costs has fuelled Asia Pacific's booming outsourcing sector. The survey found that around three quarters of Western-based multinationals have already outsourced operations to the region, compared to well under a quarter of Asia Pacific-based multinationals.

India's formidable IT business process outsourcing (IT-BPO) sector ensured it remains the preferred outsourcing destination, with more than 70% of multinationals already having a presence in this market, predominantly in Bangalore.

The Philippines continues to be the other main outsourcing hotspot, with Metro Manila hosting outsourcing operations for half the multinationals surveyed. Respondents opt for this market to outsource call centres and other customer-service related jobs due to its lower operating costs and employees' English proficiency.

Malaysia, primarily Kuala Lumpur, is an increasingly popular destination for financial and oil & gas companies seeking to outsource administrative and professional services functions such as accounting and taxation, due its relatively low costs and business friendly environment.

Figure 6: Preferred markets for outsourcing



Source: CBRE Research, March 2017

CHALLENGES

ECONOMIC UNCERTAINTY REMAINS THE KEY CONCERN

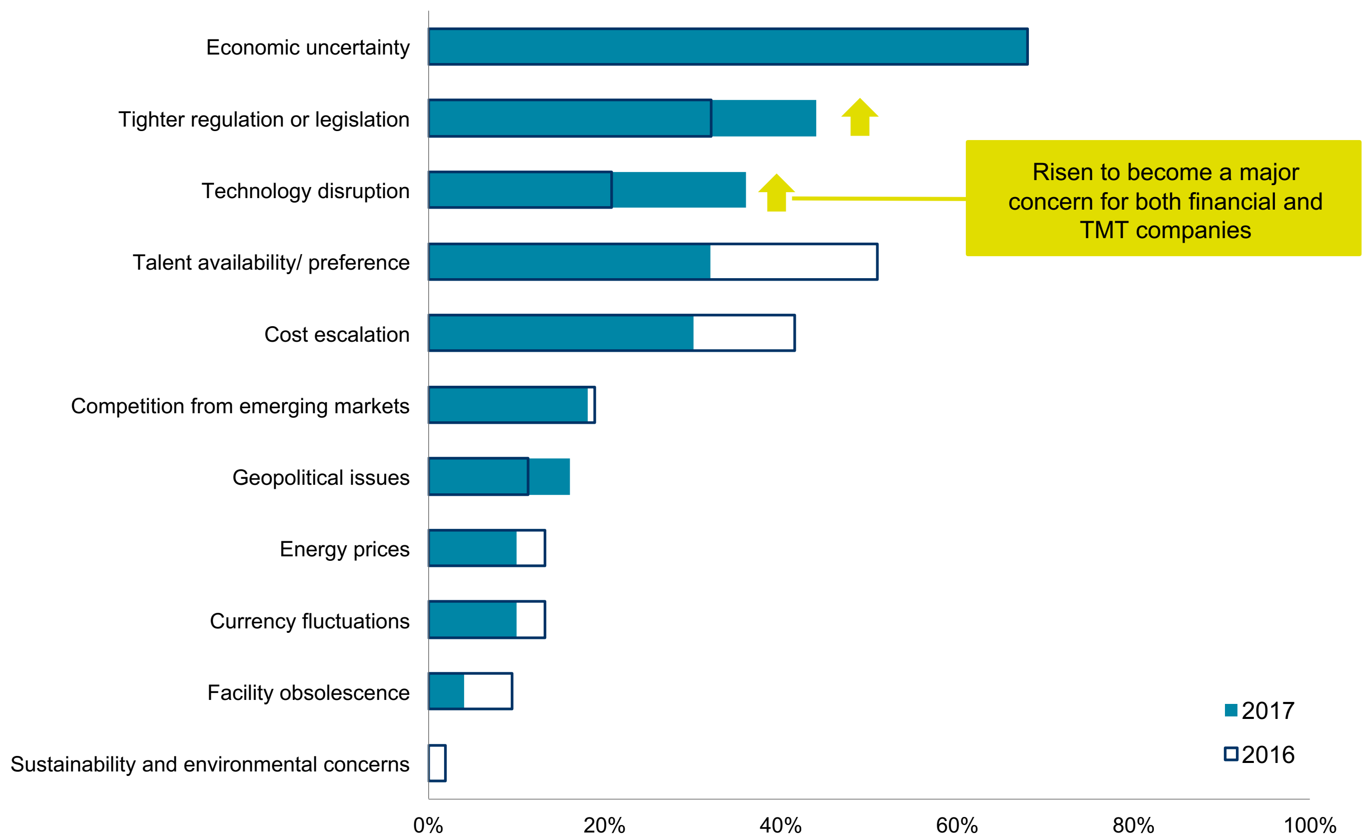
TECHNOLOGY DISRUPTION SEEN AS AN EMERGING CHALLENGE

Multinational respondents identified economic uncertainty as the main challenge to future operations for the second consecutive year. Although China's economy showed signs of stabilisation in 2016, new sources of uncertainty including the UK's decision to leave the European Union, the election of Donald Trump in the U.S. and geopolitical instability in Asia are set to impact multinationals' decisions relating to offshoring.

Of note in this year's survey was the rise of technology disruption up the list of concerns. For financial institutions, the rapid emergence of FinTech has made investment in technology a prerequisite. While it is commonly perceived that TMT companies are among the main beneficiaries of technological advancement, this is not always the case.

For example, well-established hardware and telecommunications companies which have invested heavily in product development may find rapid technological change particularly costly and damaging to their business. Increased automation and the application of artificial intelligence could reduce the number of business processing jobs, raising the spectre of a shift from offshoring to "no-shoring", which would see companies bring business functions back to their home markets but automate them rather than hire new staff.

Figure 7: Main challenges to multinationals' future operations



Source: CBRE Research, March 2017

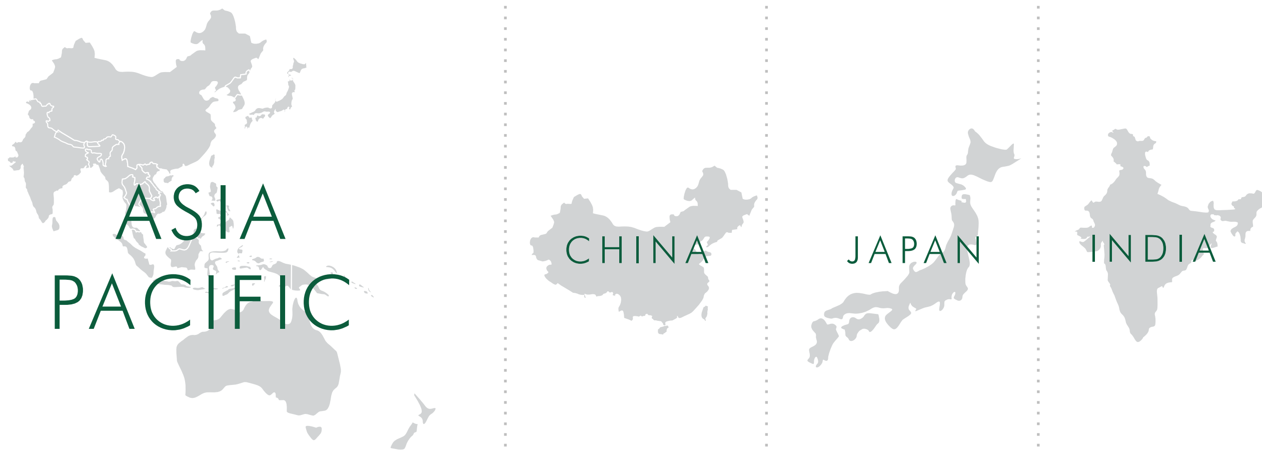
COST AND TALENT OF GREATER CONCERN TO DOMESTIC COMPANIES

Domestic companies in China, Japan and India also selected economic uncertainty as their main concern. However, most regarded cost escalation and talent availability as bigger challenges than technology disruption. This reflects how domestic companies' strategic planning is more oriented around challenges that immediately impact their operations, while multinationals have sufficient resources to identify and prepare for long-term structural changes.

Concerns in India largely relate to higher costs and economic uncertainty following the introduction of demonetisation at the end of last year, as well as the impact of the new U.S. administration. The possibility that U.S. companies could begin to onshore jobs will also impact this market, while poor infrastructure was selected as a unique challenge. Power and public transportation bottlenecks in tier I cities are prompting some companies to spread operations across multiple cities, a move which can also reduce risk by ensuring they avoid building critical mass in major BPO cities.

Companies in Japan face significantly higher challenges regarding talent availability due to the country's ageing and shrinking population. The shortage of engineering talent in the TMT and construction sectors is particularly acute.

Figure 8: Comparison of main challenges to multinationals' and domestic companies' future operations



	Asia Pacific	China	Japan	India
1	Economic Uncertainty 68%	Economic Uncertainty 61%	Talent Availability 69%	Cost Escalation 57%
2	Tighter Regulation 44%	Cost Escalation 51%	Economic Uncertainty 60%	Economic Uncertainty 47%
3	Technology Disruption 36%	Talent Availability 22%	Cost Escalation 43%	Poor Infrastructure 10%

Source: CBRE Research, March 2017; China domestic occupier survey 2016; India mid-sized corporate sentiment survey 2016; Japan occupier survey 2016

PRIORITIES

THE EVOLUTION OF WORKPLACE STRATEGY

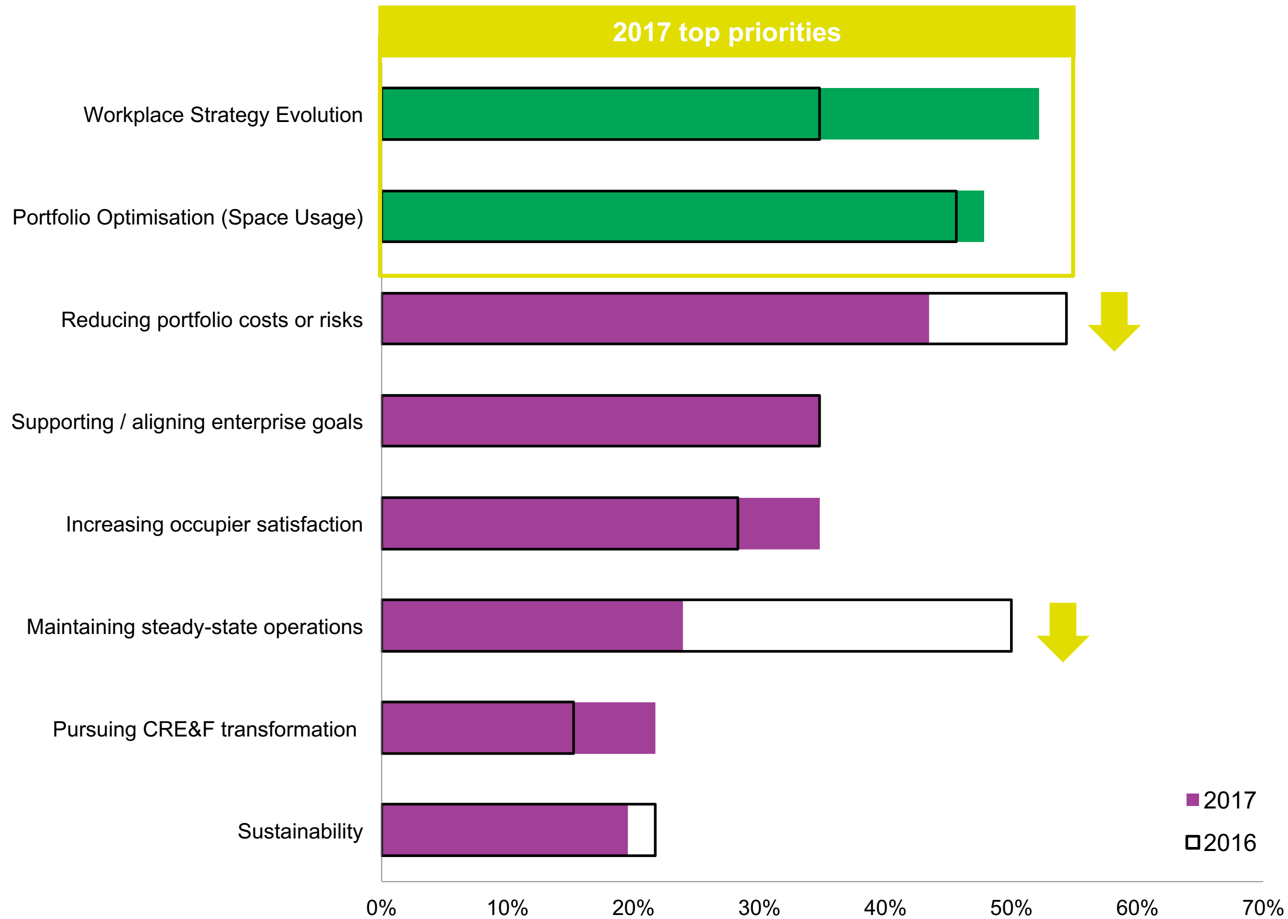
MAJOR SHIFT FROM PASSIVE TO PROACTIVE IMPLEMENTATION

Global economic uncertainty and the overriding focus on cost saving is prompting multinationals to adopt a more proactive approach towards implementing workplace strategy.

Slower economic growth coupled with the ongoing slowdown in China over the past 12 months have ensured cost saving remains a major priority for around half of occupiers. The slower decision making process has also increased occupiers' comfort with maintaining the steady-state operations of their office portfolio.

Over the next 12 months, around half of multinationals plan to put more focus on their workplace and space efficiency programmes. While these programmes are viewed as effective cost saving tools, respondents also indicated that they favour such policies because they enable them to increase their portfolio flexibility ahead of potential organisational or headcount changes.

Figure 9: Multinationals' corporate real estate priorities



Note: CRE&F refers to Corporate Real Estate and Facility Management
Source: CBRE Research, March 2017

SIMILAR FOCUS AMONG DOMESTIC COMPANIES

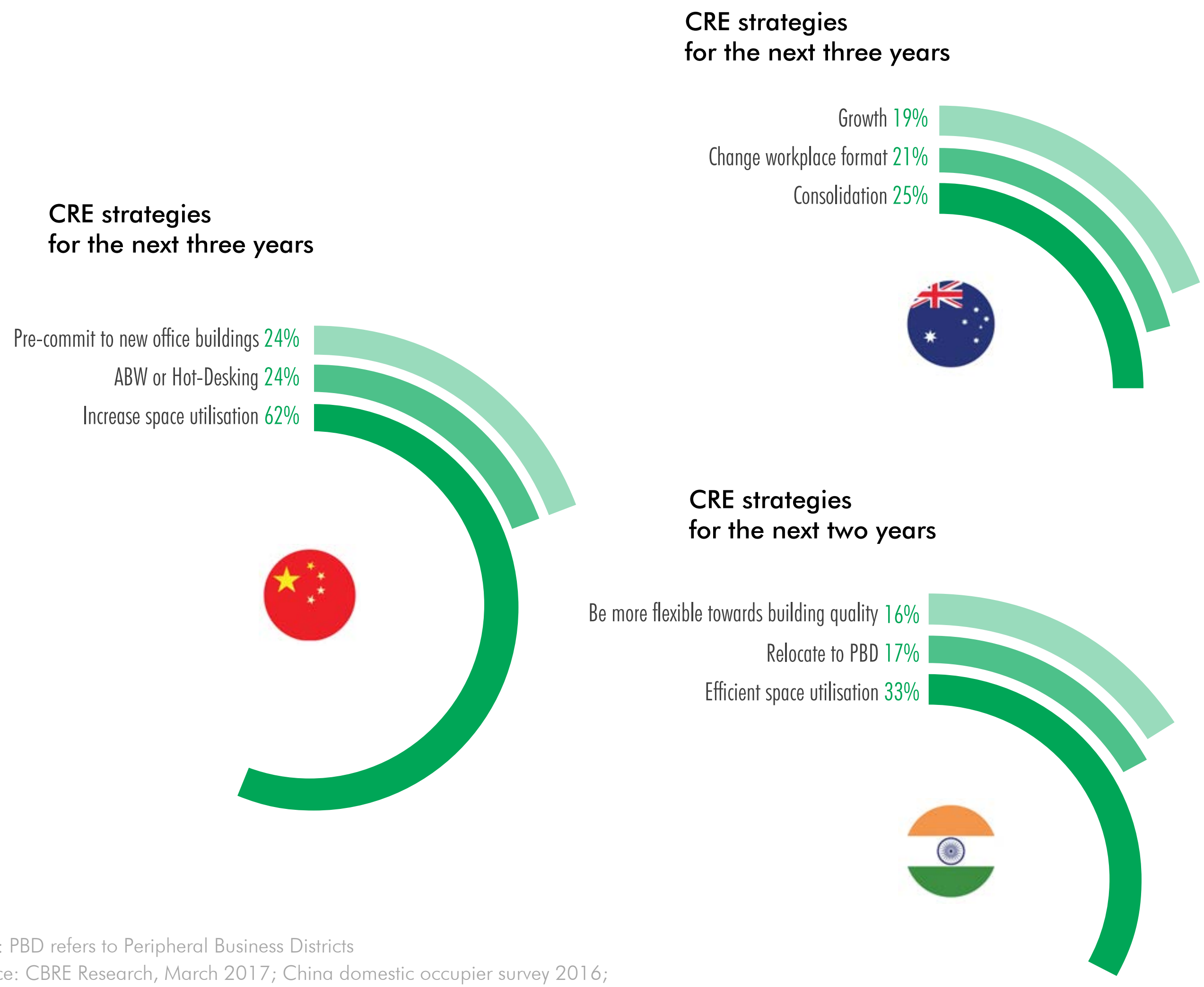
Domestic companies also identified improving space utilisation and changing workplace format as their main corporate real estate strategic priority for the coming year.

While Chinese companies indicated that their primary target is to improve space efficiency by reducing their space per capita, almost a quarter of such respondents said they intend to adopt Activity-based Working (ABW).

Companies in India selected relocation to peripheral districts as their second highest priority, reflecting the general trend for companies to move to cost effective new districts with better urban planning.

Multinationals are cautious towards expanding in Australia but domestic occupiers are more positive, with 19% wanting to align real estate strategies with business growth.

Figure 10: Asia Pacific-based companies' corporate real estate priorities



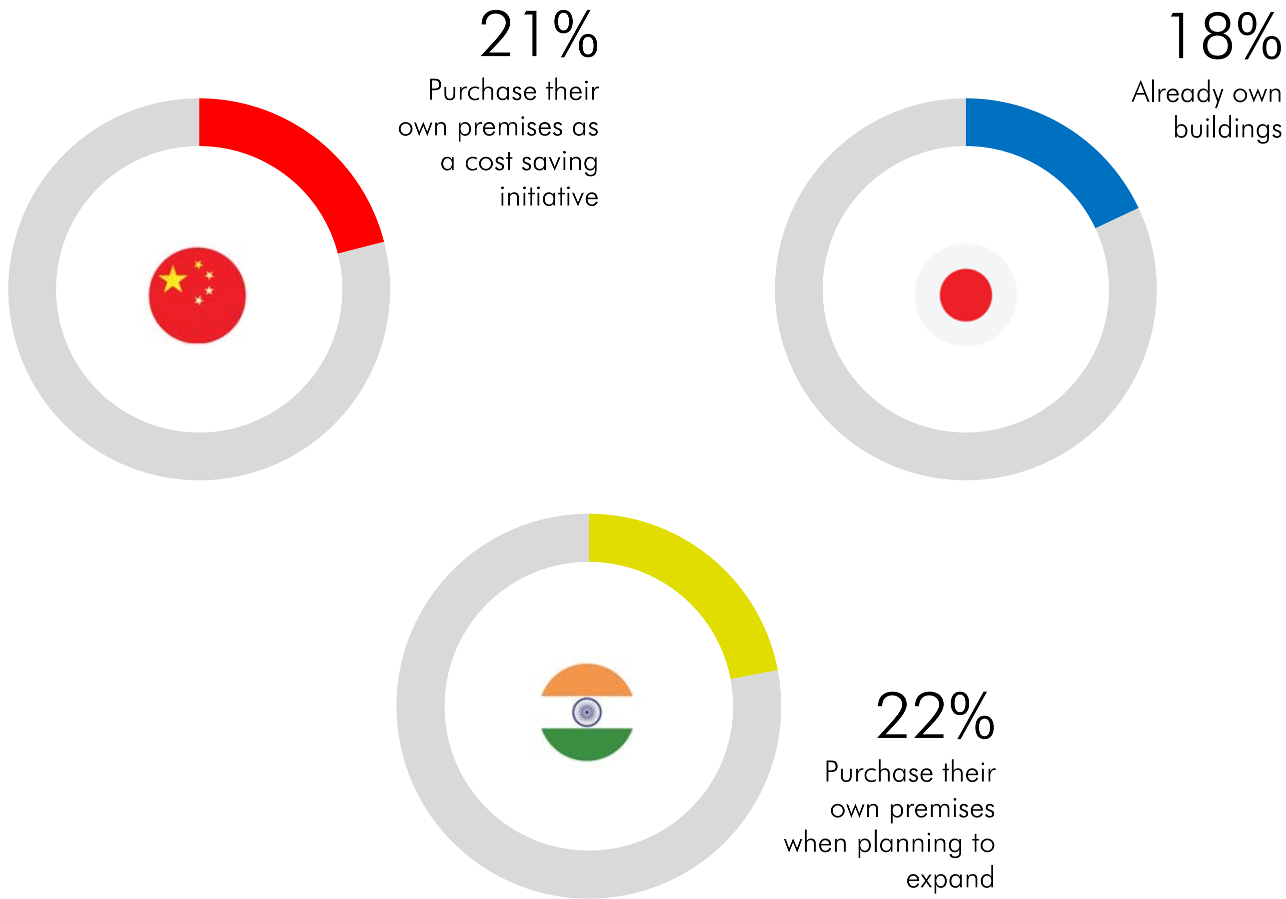
Note: PBD refers to Peripheral Business Districts
Source: CBRE Research, March 2017; China domestic occupier survey 2016; India mid-sized corporate sentiment survey 2016; Australia occupier survey 2016

ASIAN COMPANIES KEEN TO PURCHASE OFFICES FOR SELF-USE

Buying commercial property for self-use remains a preferred strategy for many Asian companies, particularly in high-growth markets where rents are volatile and leasing terms are short. More than 20% of Chinese and Indian companies regard owning their premises as an effective way to control occupancy costs. In China, all respondents with a portfolio size of over one million sq. ft. intend to buy their own office buildings. It is also common for major domestic corporations to acquire land upon which to develop headquarters buildings, with support from government incentives.

While Asian based corporates usually buy properties for self-use in their home markets, Chinese companies displayed a strong interest in buying their own premises overseas. Over the past two years, Chinese companies have purchased a number of en-bloc Grade A office buildings in Hong Kong. Notable examples include the acquisition of One HarbourGate West Tower by China Life Insurance Overseas for US$755 million and the purchase of One HarbourGate East Tower by Cheung Kei Group for US$580 million.

Figure 11: Asian companies' intentions to buy offices for self-use



Source: CBRE Research, March 2017; China domestic occupier survey 2016; India mid-sized corporate sentiment survey 2016; Japan occupier survey 2016

WORKPLACE STRATEGY SEEN AS MAIN ROUTE TO COST SAVINGS

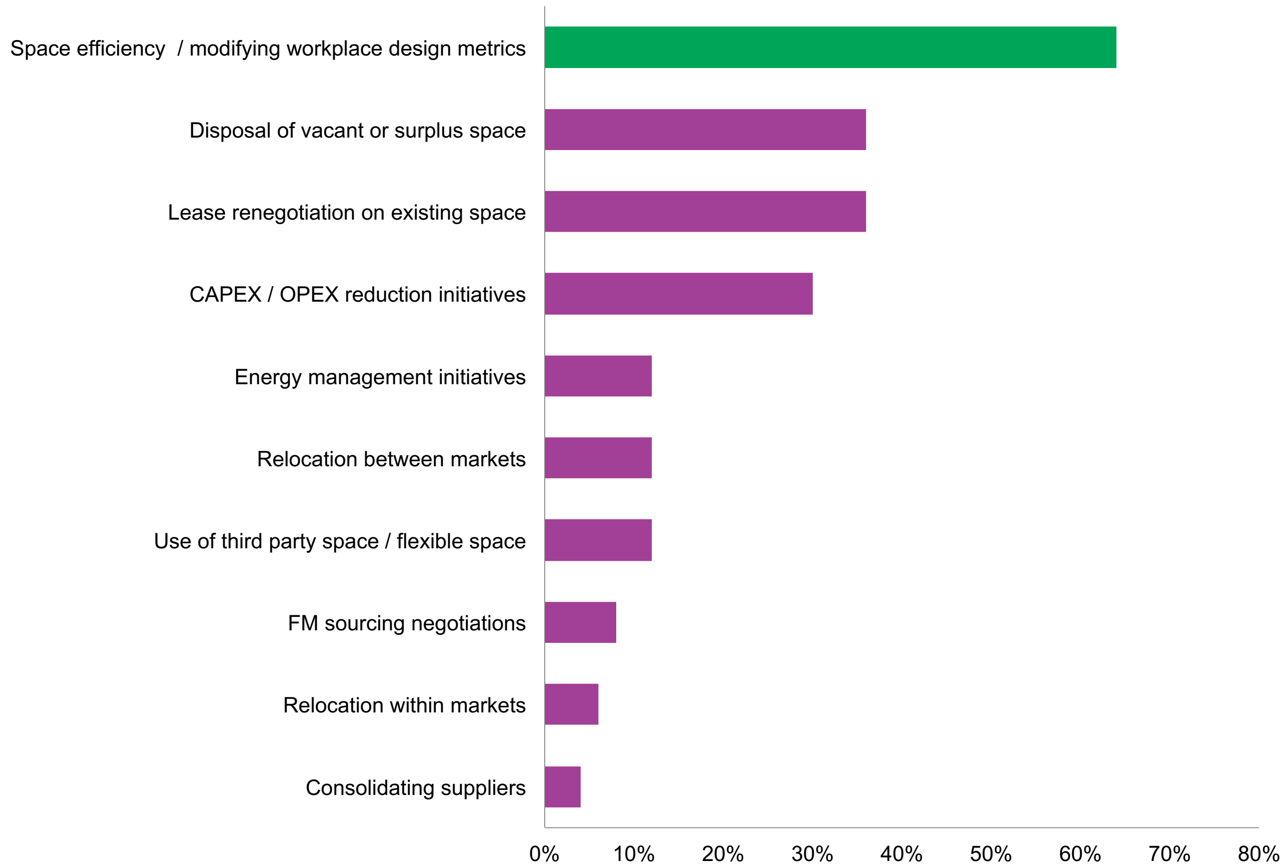
Multinationals identified improving space efficiency via implementing workplace strategy as the most effective cost saving initiative they had implemented over the past 12 months. Half of such respondents also ranked it as their main priority for the coming year.

Disposing of vacant space and lease renegotiation, all of which can be executed in an occupiers' existing premises without incurring major CAPEX, were both cited by around a third of respondents as key strategies.

In recent years, decentralisation by large occupiers has driven the rapid emergence of alternative business districts in major cities in Asia. While this trend continues, only a small proportion of respondents (20%) believe this strategy can have a significant impact on occupancy costs, particularly at a time when CAPEX is tighter and incurred fit-out costs are higher.

The use of third party space is a new strategy that many occupiers are considering as a cost saving measure to reduce office fit-out CAPEX. Types of third party space depend on occupiers' requirements and can include serviced offices, co-working spaces and business incubators.

Figure 12: Preferred cost saving initiatives



Source: CBRE Research, March 2017

OCCUPIER STRATEGIES

BETTER COLLABORATION IN A LOWER COST WORKPLACE

COST INFLUENCING LOCATION AND BUILDING SELECTION

CBRE's March 2017 Global Prime Office Rents report found that seven of the world's top ten most expensive office markets are in Asia Pacific. This explains why cost is the primary consideration for both location selection (61%) and building selection (72%).

However, cost saving also has to be balanced with other factors. This year's survey found stronger weighting given to accessing new markets and customers (55%) as a driver of location selection to align with corporate plans for growth.

In terms of building selection, the need to access high quality and efficient buildings providing easy transport accessibility are regarded as equally important. The stronger emphasis on space utilisation is prompting occupiers to pay more attention to flexible building design.

Brand image edged up the rankings primarily due to concerns among multinationals that their continued flight-to-value activity could negatively impact their corporate image. Signage is an important element in brand building, with multinationals indicating a preference for buildings with signage rights.

Figure 13: Multinationals' key locational selection criteria

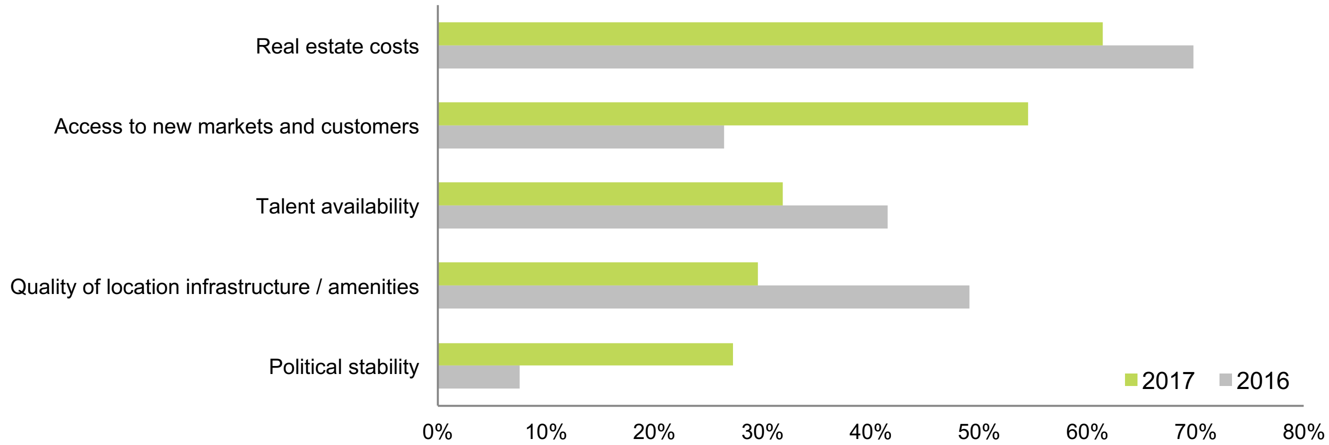
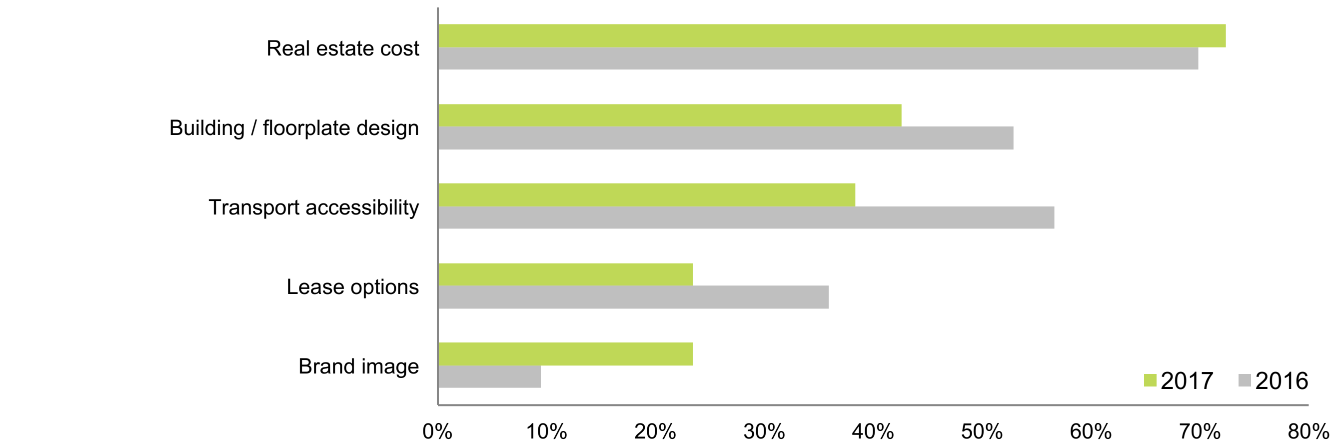


Figure 14: Multinationals' key building selection criteria



Source: CBRE Research, March 2017

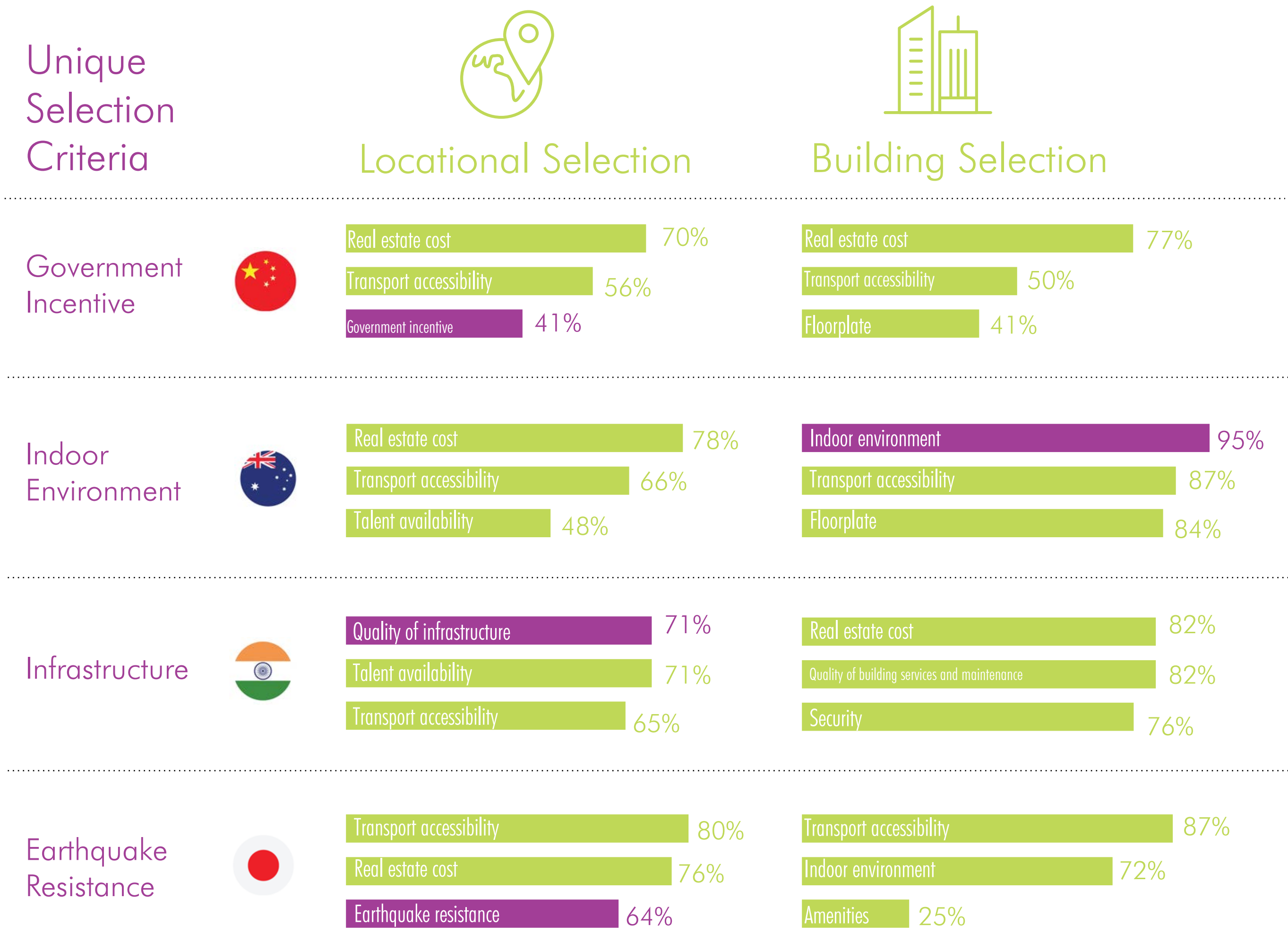
MAJOR MARKETS SUBJECT TO UNIQUE SELECTION CRITERIA

Real estate cost, accessibility, talent availability and floorplate are the main factors driving location and building selection in Asia Pacific. However, in certain markets, decisions are influenced by unique factors.

Government incentives are a major consideration for occupiers in China as many cities and provinces offer tax breaks and subsidies to attract investment. Companies in India selected the quality of infrastructure as a key concern and have been disappointed by the limited progress made on this front.

Earthquake resistance was one of the top three considerations in Japan and has been a key factor driving flight-to-quality relocations by Grade A office tenants since 2011. In Australia, occupiers place a strong emphasis on the quality of the indoor environment which is crucial to ensuring wellness and sustainability, as well as the availability of end of trip facilities for staff travelling to work by bicycle or on foot.

Figure 15: Unique locational and building selection criteria identified by Asia Pacific-based companies



Source: CBRE Research, March 2017; China domestic occupier survey 2016; India mid-sized corporate sentiment survey 2016; Australia occupier survey 2016; Japan occupier survey 2016

ACTIVITY-BASED WORKING SET TO BECOME THE NEW NORM

Multinationals' increased focus on space optimisation is set to drive a radical workplace change from fixed desks to ABW. More than half of respondents plan to implement ABW, compared to only 16% planning to move to fixed desks.

Should these plans come to fruition, ABW will surpass fixed desks as the dominant workspace format. However, for companies planning to implement ABW in their existing premises, managing this change will present a major challenge due to the associated cost and disruption involved in restacking their offices. Some occupiers opt to change their workplace format when they relocate or consolidate in new premises, usually after the lease on their current premises expires.

Figure 16: Current and planned workplace format

Source: CBRE Research, March 2017

JAPAN LEADS SHIFT TOWARDS FLEXIBLE WORKING ENVIRONMENT

Domestic occupiers are generally keen to optimise space efficiency but their attitude towards flexible working varies across key markets.

Chinese enterprises are mostly still at the very early stages of considering workplace strategy. Although 23% of Chinese enterprises already have or plan to adopt alternative workplace strategy, more than one-third are not even aware of alternative workplace design.

The adoption of flexible working in Japan was unexpectedly high, accounting for almost half of respondents. The country's high urban density; rapid escalation of office rents; and relocation demand for earthquake-resistant buildings have driven the shift to flexible working and overcome the deep-seated cultural resistance to unassigned desks.

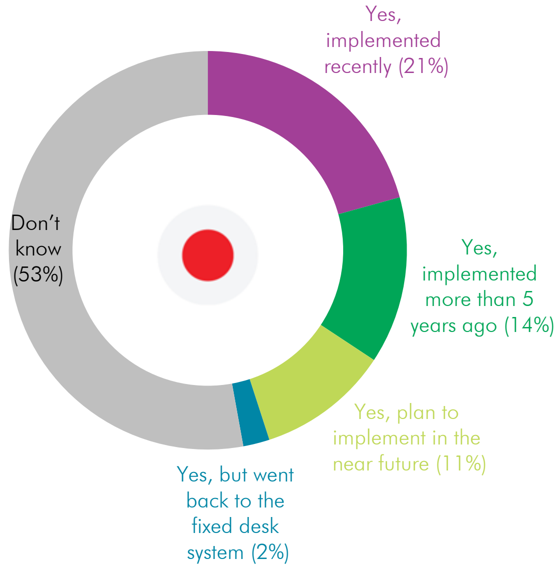
Figure 17: Varied attitude towards agile working among Asian companies

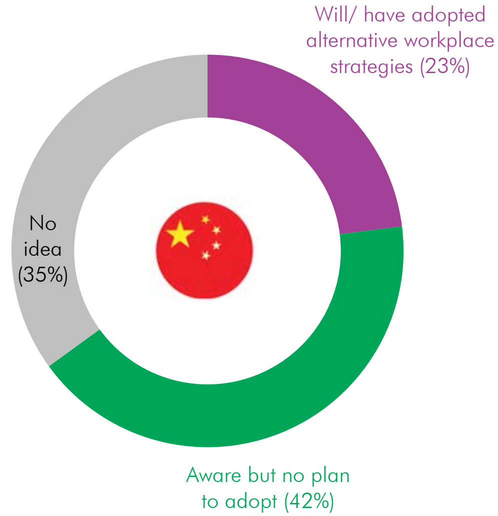
46%

of Japanese companies have / plan to implement a flexible work environment without fixed desks

23%

of Chinese companies intend to adopt alternative workplace strategies





Source: China domestic occupier survey 2016; Japan occupier survey 2016

AGILE WORKING IMPLEMENTED AS PART OF RELOCATION

Australia's low office density mean there is less urgency for companies to embark upon major workplace changes. Only 3% of Australian companies have adopted ABW but 12% of firms planning to relocate in the near future said they would consider adopting the practice.

Australia is considered to be at the leading edge of workplace design practices. As a result, the general understanding of ABW in Australia is more advanced and would be understood as a workplace where employees change their location throughout the day to support the activity that they are doing, such as desk sharing plus working in a quiet zone, creative space, breakout areas, rooftop garden or greenspace. It is possible that a higher proportion of the respondents to the survey might be already using desk-sharing in a standard open-plan environment but not the pure form of ABW described above. They may have classified their workplace design as pure open plan even though they are desk-sharing. Thus the results may be somewhat skewed to the low-side for this response.

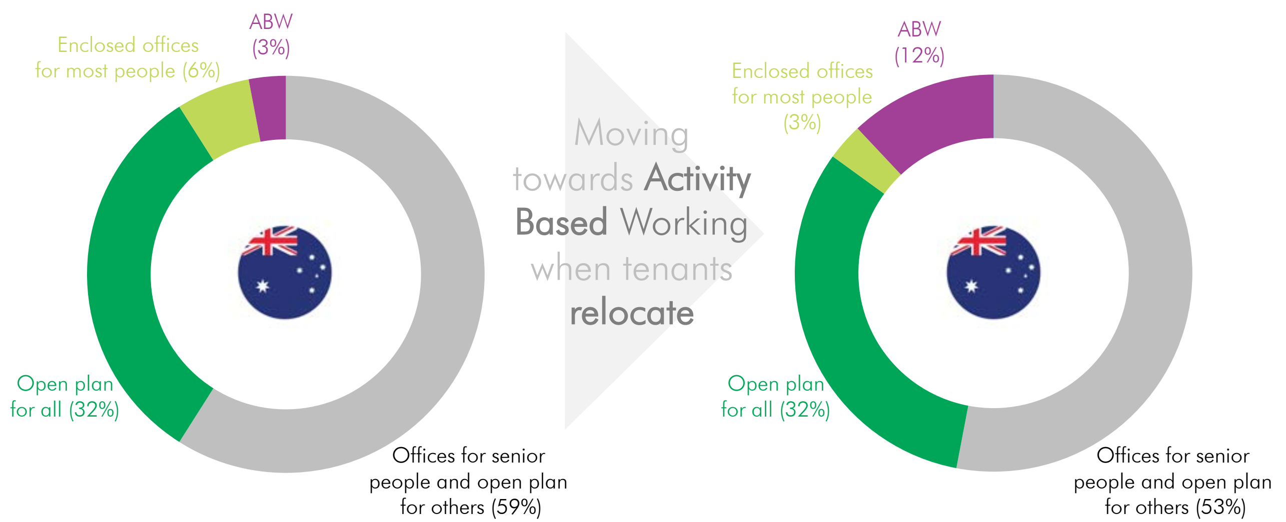
Figure 18: The evolution of workplace formats in Australia

3%

of Australian companies currently have ABW

12%

of Australian companies plan to adopt ABW when they relocate or redesign their office (within the next three years)



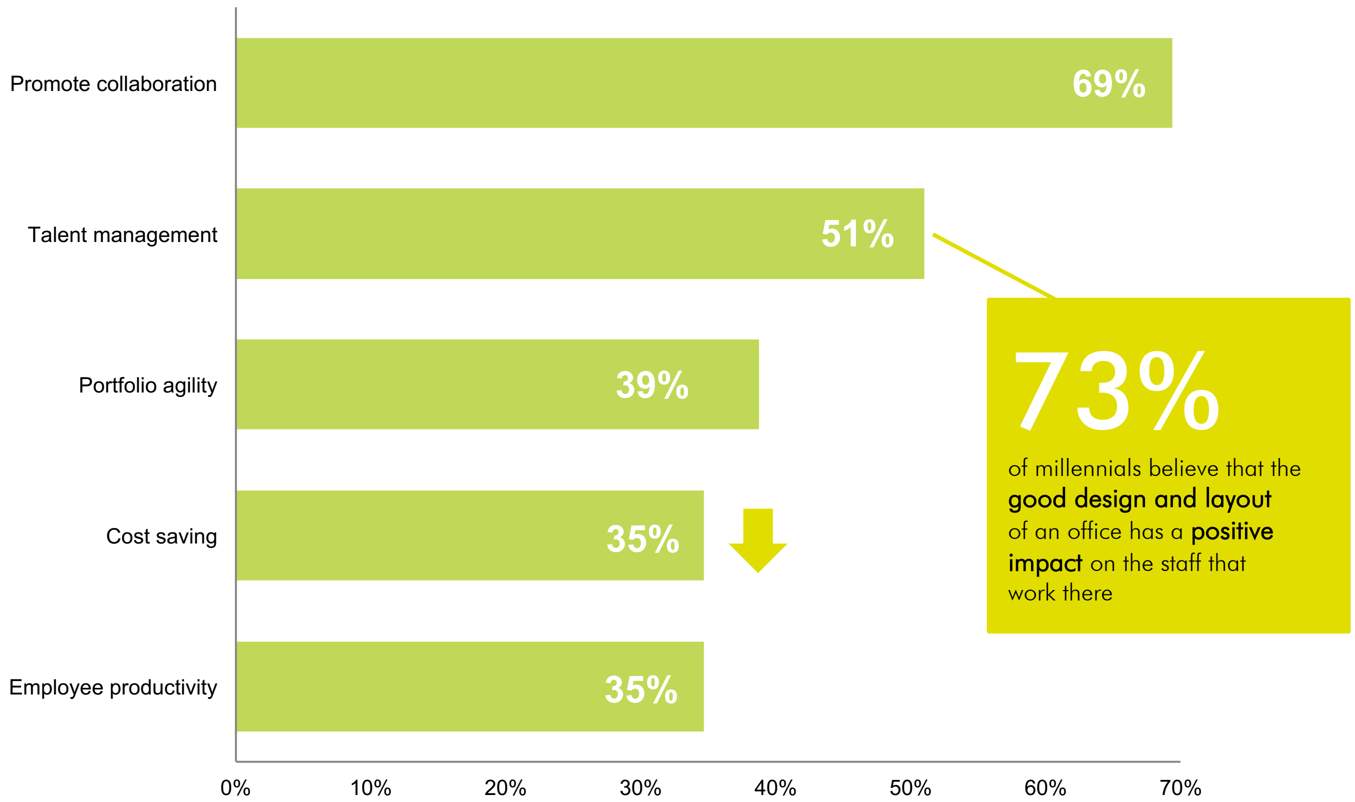
Source: Australia occupier survey 2016

COLLABORATION IS THE MAIN DRIVER OF WORKPLACE TRANSFORMATION

The main drivers of workplace change are better collaboration and talent attraction. Cost saving remains a key factor (35%) but has diminished in importance compared to last year's survey (53%). Companies increasingly realise that direct cost cutting and space reduction can actually be counter-productive as it can damage employee morale and negatively impact their corporate image.

Although employee productivity appears to be a comparatively less important driver of workplace transformation, better collaboration results in higher productivity and can therefore improve cost efficiency. Occupiers are advised to ensure that their workplaces are configured to provide a comfortable and enjoyable experience to enable employees to become more engaged with their jobs.

Figure 19: Major drivers of workplace strategy



Source: CBRE Research, March 2017

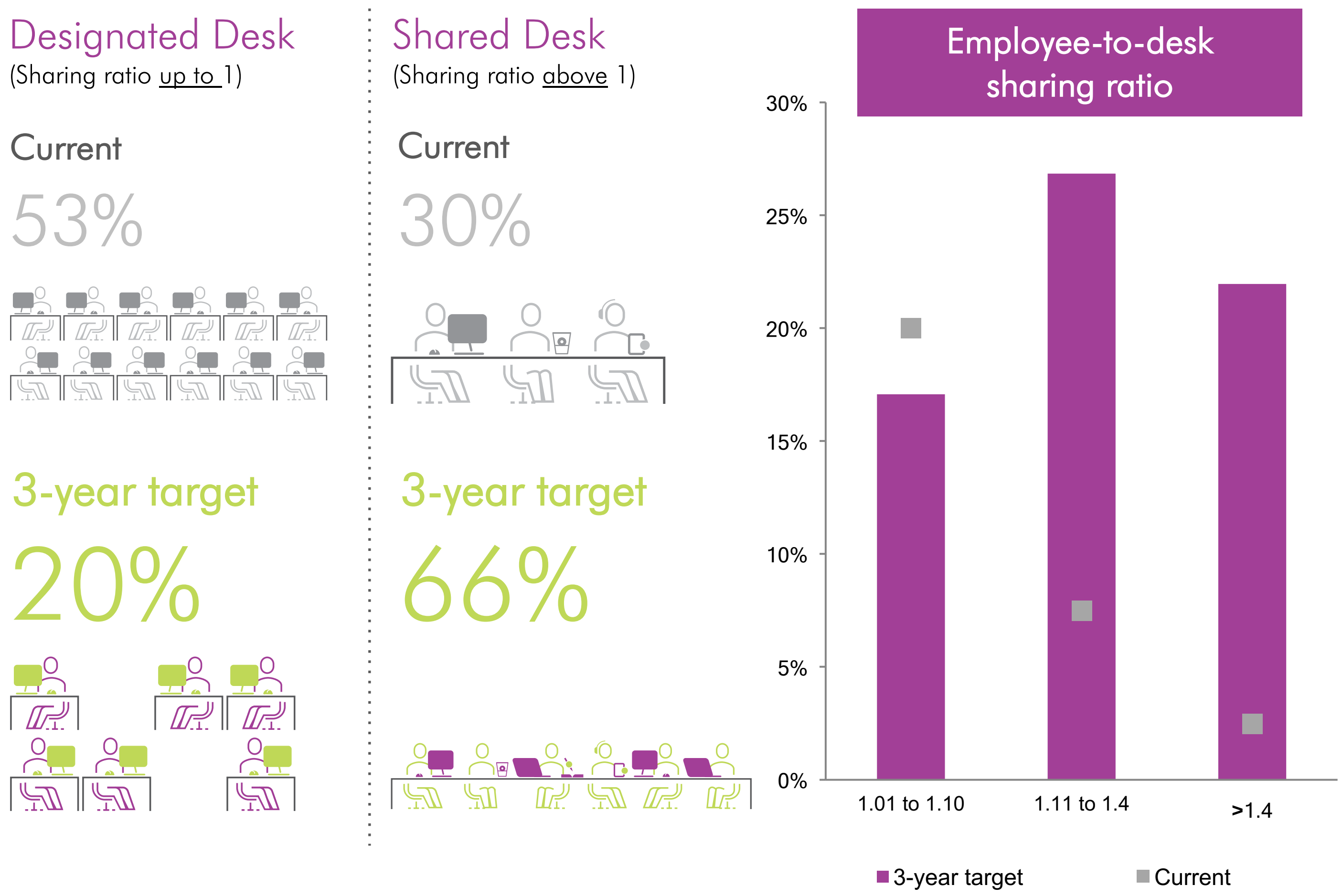
SHIFT TO DESK SHARING CONTINUES

Multinationals are moving ahead with implementing flexible working by requiring employees to share desks. By 2020, 66% of respondents will have raised the sharing ratio beyond 1:1, up from the 30% currently, meaning that the number of desks will be lower than the total number of employees.

Some companies have set relatively aggressive targets, with around 20% of occupiers planning to implement a desk sharing ratio of 1:1.4 by 2020, from just 3% currently. Implementing such a ratio is best suited to front-line functions or in business lines where employees travel most frequently, or in industries such as insurance which involve a large number of offsite client meetings.

It is crucial that companies manage employee expectations and explain and communicate change as staff must be aware of how seating format changes benefit them.

Figure 20: Current and targeted desk sharing ratios



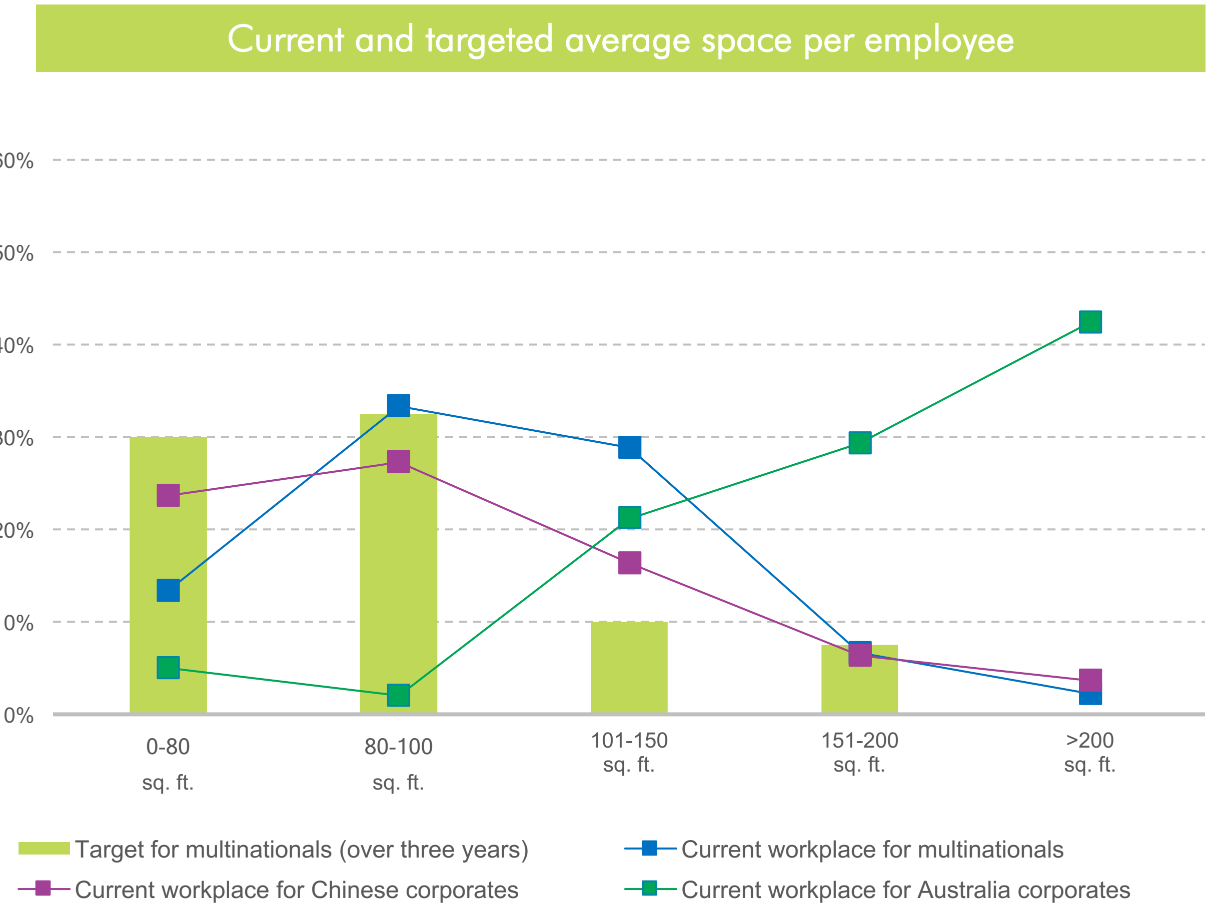
Source: CBRE Research, March 2017

AVERAGE SPACE PER EMPLOYEE SHRINKS FURTHER

The average space per employee is set to decline as multinationals implement more aggressive desk sharing plans. While this will not necessarily involve reducing desk sizes, a higher desk sharing ratio will naturally result in a decrease in space per capita. Around 63% of multinationals have set a target of reaching a space of under 100 sq. ft. per employee within the next three years, up from 46% currently.

Office density among Chinese companies largely reflects regional results, with over half of respondents citing a level of under 100 sq. ft. per employee. Companies in Australia expect to see a slight decline of 5.5% in the average space per employee over the next two years but will still have one of the highest floor ratios in the region, at 170 sq. ft. per employee.

Figure 21: Current and targeted average space per employee among multinationals



Source: CBRE Research, March 2017; China domestic occupier survey 2016; Australia occupier survey 2016

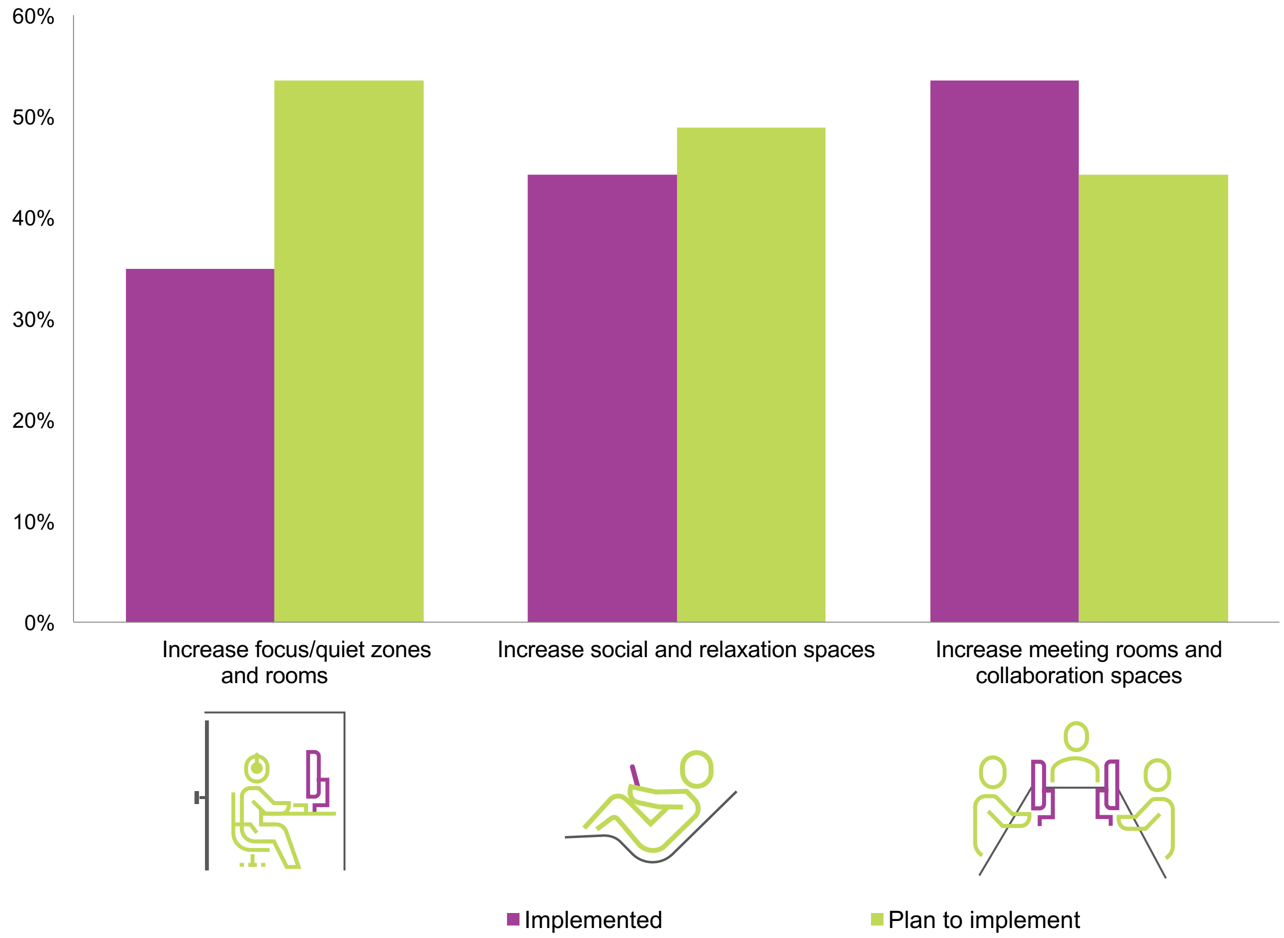
GREATER VARIETY OF SPACES TO CHOOSE FROM

Increasing desk sharing ratios will enable occupiers to reduce space for standard workstations and therefore increase the variety of work settings provided without having to lease additional space.

While the new norm is for flexible working in open-plan offices to foster relationship building and collaboration, noise and other disturbances are an increasing concern. Employees still need quiet spaces for confidential and focused work. Multinationals displayed the strongest intentions to increase the number of focus and quiet zones and rooms. Such spaces can also be used as temporary personal offices.

Occupiers also intend to construct more social and relaxation spaces to enhance communication between colleagues. These zones can also help employees recharge during the working day. Relatively fewer respondents said they plan to increase meeting rooms and collaboration spaces, as many have already done so. The survey found stronger interest in creating a greater variety of collaborative spaces and enhancing functions within meeting rooms, such as video conferencing.

Figure 22: Current and planned workplace formats and policies



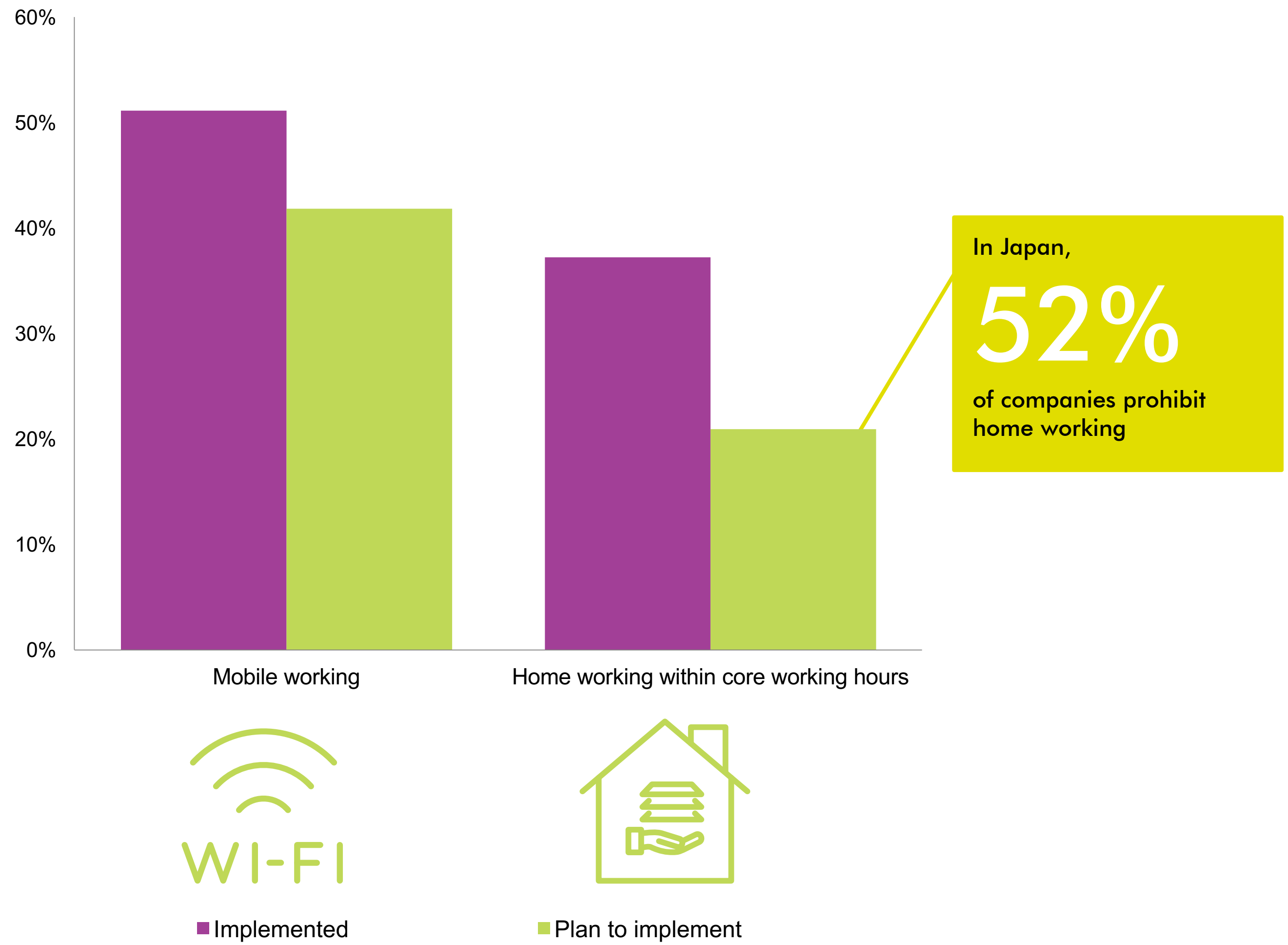
Source: CBRE Research, March 2017

GREATER FLEXIBILITY IN WORKING LOCATION

Mobile working is being facilitated by the advent of technology such as remote access to corporate systems and laptop computers. Half of multinationals participating in the survey have already implemented mobile working and another 42% plan to implement the practice, suggesting nearly all will allow mobile working in the near future.

Attitudes towards mobile working are more conservative among homegrown companies, with around half of companies in Japan not allowing their staff to work from home. Asian companies traditionally place a stronger emphasis on keeping staff at their desks and do not believe home working is productive. It should be noted, however, that some multinationals also indicated they regard working remotely from home as being detrimental to communication and collaboration. Clear data security polices should also be in place to ensure sensitive information is not compromised when employees work from home.

Figure 23: Current and planned workplace formats and policies



Source: CBRE Research, March 2017

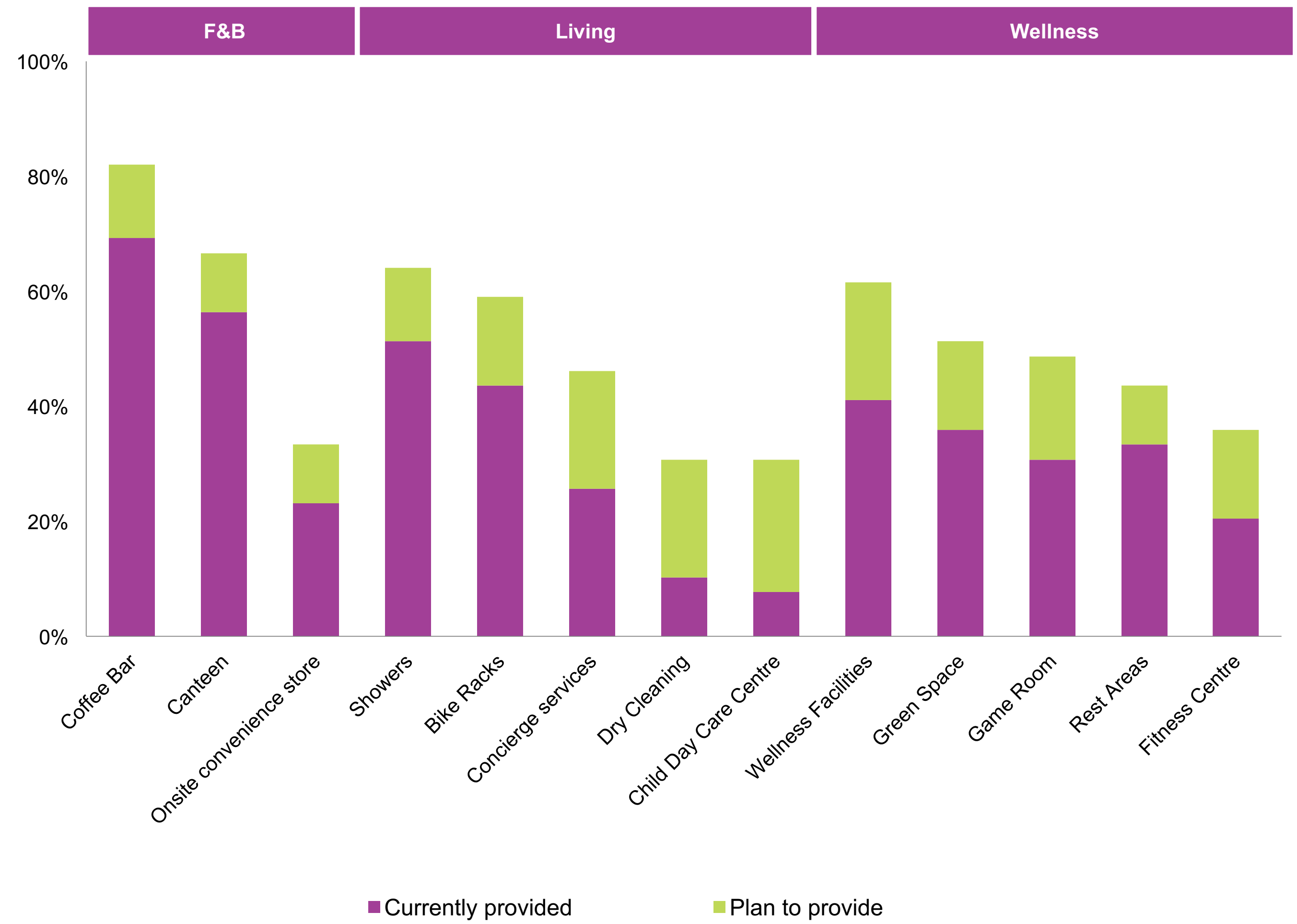
INTRODUCING MORE AMENITIES TO THE WORKPLACE

There is a general trend among multinationals to provide a greater variety of amenities to their staff. The most commonly provided facilities are coffee bars and canteens. However, as the concept of wellness gains traction, facilities such as massage chairs/rooms, game rooms and fitness centres are becoming more popular. Around 30% of occupiers currently run wellness programmes while a further 30% indicated a strong desire to introduce one in the near future.

The value of wellness initiatives is hard to quantify but occupiers in Australia identified the main benefit as having more engaged, motivated and enthusiastic staff (75%) followed by helping to attract and retain talent (72%).

Occupiers identified child day care centres as the top facilities they would like to introduce in the future. Companies in Australia and Japan are especially keen on day care centres as a means by which to attract and retain women in their workforce. There is also growing demand for child care facilities in China as the country ends its one-child policy and families have more children, placing a greater burden on parents and grandparents. Australia is seeing strong demand for end of trip facilities including showers and bike racks for physically active and environmentally conscious employees who run or cycle to work.

Figure 24: Amenities that are currently provided and planned to be provided



Source: CBRE Research, March 2017

GAP BETWEEN EMPLOYER AND EMPLOYEE EXPECTATIONS OF AMENITIES

Amenities can enhance the workplace but only if employees actually use them. As millennials are the largest generation in the workforce, accounting for 25% of the working population in Asia Pacific in 2016, companies should pay particular attention to their preferences.

A comparison of this survey with the findings of CBRE's Millennial Survey published in 2016 found that of the top five amenities occupiers plan to add, wellness facilities are most aligned with the factors millennials consider when they select a new job. While occupiers place a strong emphasis on introducing concierge and dry cleaning, these services are of little interest to millennials, who would rather prefer more green space and rest areas.

High real estate costs and limited office space will always restrict occupiers' ability to provide a wide range of amenities on their premises. This presents a major opportunity for landlords to fill the gap by converting floors or areas of their buildings to retail, dining and other services catering to the needs of their tenants' employees.

Figure 25: Expectation gap between employers and millennials

	Employers Top five amenities they plan to add	Millennials Top five amenities they most wanted*	
23%	Child Day Care Centre	Wellness Facilities	18%
21%	Wellness Facilities	Green Space	14%
21%	Concierge Services	Rest Areas	14%
21%	Dry Cleaning	Game Room	11%
18%	Game Room	Child Day Care Centre	8%

Source: CBRE Research, March 2017; Asia Pacific Millennial: Shaping the Future of Real Estate
* The difference between the percentage that have an influence when taking on a new job and the percentage that the facilities are provided by employers.

THE GROWTH OF THIRD PARTY SPACE

Occupiers are increasingly utilising third party office space as a tool for managing and balancing their overall office portfolio. Third party office space is flexible offsite space that usually does not require significant capital expenditure or restrictive traditional lease terms.

52% of respondents in Asia Pacific currently use third party space, a percentage that is expected to rise to 64% over the next three years. The preferred type of third party space is also set to change, with serviced offices likely to be eclipsed by co-working space and innovation centres as these formats better facilitate collaboration and innovation.

Several large companies are already using these types of spaces to house temporary staff for new product development and testing new business. More occupiers, particularly tech firms, are using innovation centres and business incubators to foster an entrepreneurial culture and enable their employees to access new ideas.

Figure 26: Intentions to use third party space

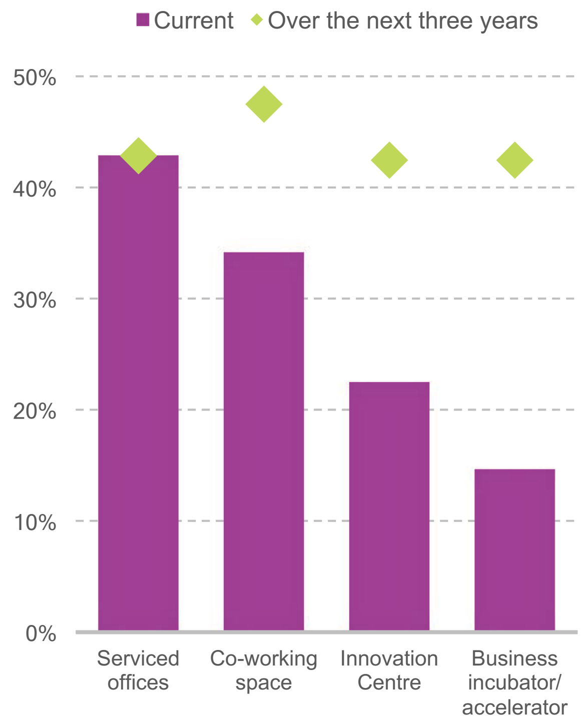
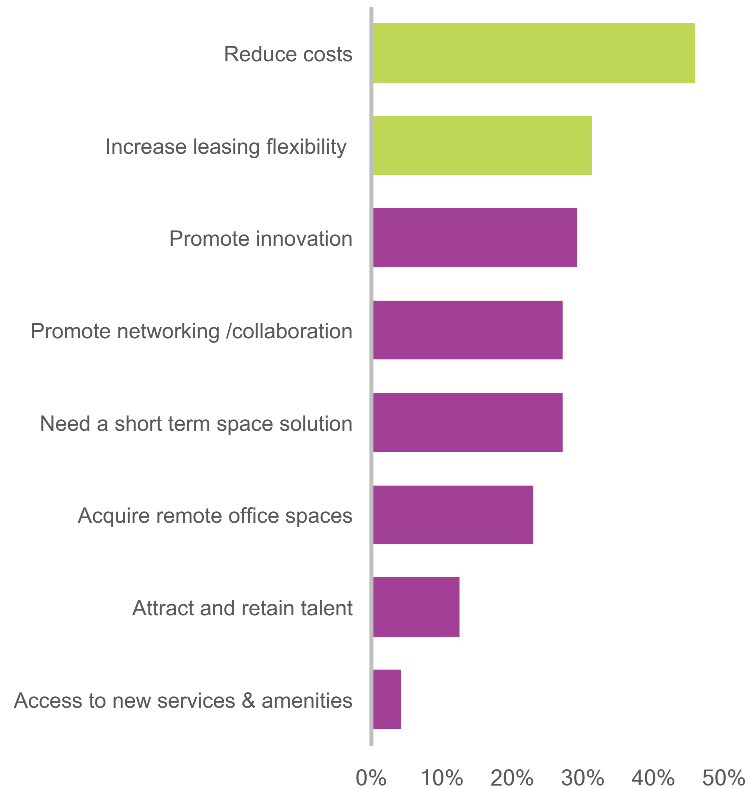


Figure 27: Major drivers of third party space



Source: CBRE Research, March 2017

KEY MESSAGES

FUTURE-PROOFING CORPORATE REAL ESTATE PORTFOLIOS

	Occupiers	Landlords
1 Headcount will be driven by organic growth *New push into emerging markets*	• Accessing new business should be considered during location selection • Improve awareness of country-specific factors such as government incentives in China	• Build-to-core • Capture opportunities in growth markets
2 Plan to incorporate technological innovation *Prepare for structural changes to remain competitive*	• Multifaceted impact relating to business, new competitors and new ways of analysing corporate real estate portfolios	• Smarter office buildings will be a key differentiator in the battle to attract multinational tenants • New infrastructure to enable more mobile working
3 Same-space growth is feasible *Enabled by workplace evolution and the increase in desk sharing ratios*	• Formulate plans for workplace evolution but not at the expense of talent attraction • Senior management buy-in will be key to success	• Expect occupiers to require less space for expansion due to the rapid adoption of flexible working
4 More types of space to choose from *More companies introducing quiet zones, relaxation areas, collaborative space, wellness facilities and other amenities*	• Crucial to ensure balanced allocation between different space types • Understand different user preferences e.g. millennials prefer green spaces and rest area	• Articulate changes regarding building usage • Most wanted: canteens and cafes • To be added: child care centres and wellness facilities
5 Growing use of third party space *Seen as an important tool for managing and balancing office portfolios*	• The use of third party space can reduce CAPEX and increase flexibility • More use of co-working space, innovation centres and business incubator centres	• Include serviced offices, co-working spaces and business incubator centers as tenants • New projects should factor in the specific needs of these centres at the planning stage

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