

# TIME TO RETURN TO THE OFFICE

APAC is moving back to office working; complementary rotation-based and remote working will support lower office density

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## Insights and Recommendations

Most APAC countries have made good progress toward controlling COVID-19, and so we expect a steady return to normal working to continue. Occupiers in APAC should not be concerned by the UK government's new advice that favours working from home. We note:

- > Office occupancy across APAC stands at about 50%, with several markets at 100%.
- > The cautious Singapore government has approved a 50% return to the office.
- > Melbourne is the only big APAC city with 0% occupancy, but restrictions look set to ease.

In our view, the office is integral to the future of work, and home working will complement office work, not replace it. If they are not already doing so, occupiers in APAC should be planning for a resumption of office working.

## 50% of staff back to offices across APAC

As of end-September 2020, we estimate that nearly 50% of staff have returned to offices across key APAC cities, **with China and Taiwan close to 100%**.

## New space advice a challenge

Japan's Keidanren business federation recommends **workplace space per person of 16.0 square metres**. This ideal standard will be hard to meet without significant use of rotation-based and remote working.

## Trend shifting toward normal work

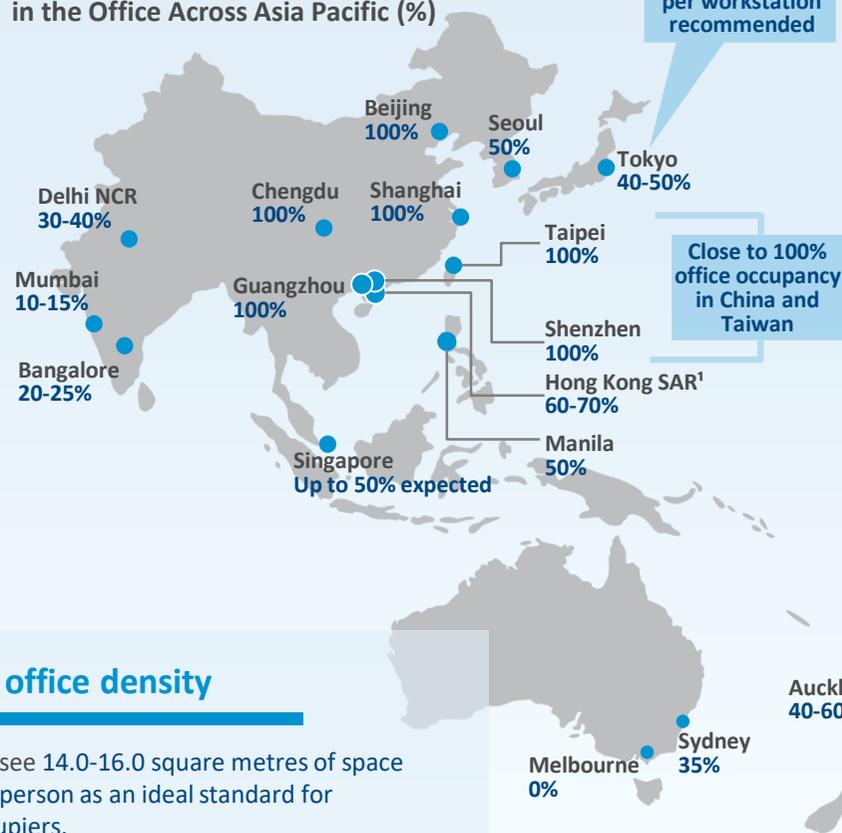
The UK government's new advice that **staff should work from home for six months** is **not relevant to APAC**. Apart from markets already close to 100% office occupancy, governments across the region are easing COVID-19 restrictions **in favour of a return to office work**. Singapore has approved a partial return to the office, while in Australia the New South Wales government faces pressure to switch to stronger support of a return to the workplace, particularly in CBDs.

- > Several European markets have seen rising COVID-19 cases in recent weeks. These include the UK, where the government now advises working from home for six months<sup>1</sup>. France is also considering tighter restrictions on movement and working<sup>2</sup>. In contrast, **the only major APAC market where COVID-19 cases are still rising is India**.
- > With nearly 50% of staff already back in offices across the APAC region, we expect **an influx of staff to offices in the lagging markets** over the rest of 2020 and early 2021 as restrictions are gradually lifted. This influx should assuage any concerns among corporate occupiers about the continuing relevance of office space.
- > Occupancy of 100% is **not necessarily desirable**, given the need to lower office density. The Keidanren business federation in Japan recommends 16.0 square metres of space per person in the workplace; and we see **space of 14.0-16.0 square metres per person as an ideal standard** for occupiers. Average space in most Asian markets has been well below this level. Achieving this ideal density standard is likely to require **continued significant use of rotation-based working and remote working**.
- > However, overall we are confident that **APAC is moving back to primarily office-based working**. Occupiers should devise real estate plans which place the office at the heart of their organisation, with remote working a complementary tool. **Firms which do not do so risk being left behind**.

<sup>1</sup> See: <https://www.telegraph.co.uk/news/2020/09/24/lockdown-second-circuit-breaker-new-rules-uk-national/>

<sup>2</sup> See: <https://www.aljazeera.com/news/2020/9/23/french-cabinet-to-announce-stricter-measures-to-curb-virus-spread>

Fig. 1: Estimated Proportion of Staff Working in the Office Across Asia Pacific (%)



### Ideal office density

- > We see 14.0-16.0 square metres of space per person as an ideal standard for occupiers.
- > Up to now, average space in Asia has been much lower. In Hong Kong SAR, the average has been 8.5-9.5 square metres; in India, it has been 6.0-7.0 square metres.
- > Achieving this ideal standard will probably require continued significant use of rotation-based working and remote working.

### Return to the Office Evolves Across Asia Pacific

Taiwan has been little affected by COVID-19, and offices there never closed. China has been back to normal for several months; all large Chinese cities now have close to **100% office occupancy**, although the proportion is likely to be lower for large multinational groups.

We think office occupancy in **Hong Kong SAR** is 60-70%, but this proportion should rise as multinational groups lift work-from-home rules; among local companies, occupancy may already be 85%. From 28 September, **Singapore's** government has allowed more staff to return to offices with safety management measures in place. However, employers must ensure that staff work from home for at least half their time, while no more than 50% of staff should be in the office at any time.

**South Korea** saw stricter restrictions after a spike in COVID-19 cases in late August; we understand that about 50% of staff are in the office now. In **Manila**, some 50% of staff are also now in the office though they will be under general community quarantine (GCQ) till the end of September. If GCQ restrictions ease in October, the proportion should rise to 75%.

**Japan's** Keidanren business federation now advises **16.0 square metres of space per person in offices**<sup>2</sup>; this represents a 30% increase from 12.3 square metres on average in Tokyo before COVID-19. Efforts by firms to meet this guideline may explain why Tokyo has seen greater promotion of home working by technology occupiers than certain other Asian markets, and why only 40-50% of staff are back in offices now.

In **Australia**, we estimate that 35% of staff in **Sydney** are back in the office, but with wide variation. Staff of many multinational groups have not yet returned, or at least only those in business-critical roles.

Companies are being cautious and giving a message that staff will return when it is safe to do so. In secondary buildings, occupancy is probably higher with a greater proportion of SME tenants back in the office. While the New South Wales Public Health Order still states that "employers must allow staff to work from home where it is reasonably practical", the authorities face pressure to **amend this language to promote a return to safe workplaces**<sup>3</sup>.

**Melbourne** has been in so-called Stage 4 lockdown, and for now office occupancy is zero. The Victorian state government lifted Melbourne's curfew on 28 September and will ease other restrictions in coming weeks<sup>4</sup>. Nonetheless, we assume that return to the office will be limited this year.

<sup>1</sup> Special Administrative Region [of the People's Republic of China]; <sup>2</sup> See: [https://www.keidanren.or.jp/policy/2020/040\\_guideline1.html](https://www.keidanren.or.jp/policy/2020/040_guideline1.html) (in Japanese); <sup>3</sup> See: <https://www.afr.com/property/commercial/let-them-come-back-to-the-cbd-office-bosses-20200924-p55yru>; <sup>4</sup> See <https://www.abc.net.au/news/2020-09-27/victoria-dan-andrews-unveils-melbourne-coronavirus-restrictions/12708002>



European cities also suggest a general return to office working supported by home working. The era of high density is over, and 100% occupancy is not necessarily a desirable goal. Even so, the proportion of staff working in the office should steadily rise.

**New Zealand** has a four-Level COVID-19 alert system, with **Auckland** at Level 2 now. From a workplace perspective under Level 2, the government encourages 1.0 metre of distance between staff and alternative ways of working. Presently, 40-60% of staff are back in the office in Auckland; however, we expect companies to continue to promote home working even after a potential downgrade to Level 1 in October.

On 25 March, **India** implemented a strict national lockdown, but it commenced reopening in phases starting in May<sup>1</sup>. While India is still seeing a surge in COVID-19, the different state governments have instituted their own restrictions to combat its spread:

- > 30-40% of staff are back in offices in **Delhi-NCR**, where most technology occupiers will allow home working until December, while financial and real estate sector tenants are operating at reduced staff strength.
- > In **Bangalore**, 20-25% of staff are in their offices with the Karnataka government encouraging firms to promote home working. The directive is silent on the number of staff allowed back to work. Technology and business process management firms are allowing staff to work from home till the year-end.
- > Only 10-15% of staff are back in **Mumbai**, although this proportion should rise once local trains fully resume. The Maharashtra government limits office usage to 30% of staff or 30 employees, whichever is higher, and is actively encouraging working from home.

## Comparisons with Europe and Implications for the Office Space

In recent weeks, the UK and France have seen an increase in COVID-19 cases after restrictions were originally lifted, which has resulted in stricter government guidelines, including the UK government's advice that staff should work from home for six months. However, as in APAC, Europe shows considerable variation in office occupancy. Colliers' EMEA research indicates:

### London Occupancy rate ■■■

is at one end of the spectrum with 20-25% office occupancy (the West End is in the upper 30% range, but the City and Docklands are closer to 15%).

### Amsterdam Occupancy rate ■■■

shows 25-30% office occupancy as nearly 100% of government offices and about 80% of companies are still telecommuting; smaller offices are currently operating in split shifts, some fully occupied.

### Berlin & Frankfurt Occupancy rate ■■■■■

are in the middle of the pack, with office occupancy ranging from 50-60% as companies continue to work from home.

### Copenhagen Occupancy rate ■■■■■■■■■■

has had 90-100% occupancy since a lockdown ended in April; it benefits from very low office density (18.0 square metres per person) and a very balanced transport system.

The general trend in Europe seems to be towards **office working supported by working from home**; the UK seems an exception to the rule. Likewise, in APAC we believe a general trend towards resumption of office working will persist. Multinational occupier centres like Hong Kong and Singapore will not necessarily return to the 100% office occupancy of China. In fact, in our view, occupiers should not aim for 100%, but for a lower figure in order to hold down office density. This implies continued use of rotation-based working and remote working. Nevertheless, **the proportion of staff working in the office should steadily rise**.

In the interim, as we have highlighted in [The Future of the Office Space](#) report (25 August), occupiers must continue to emphasise the significance of office working work within organisations, with the office serving as an anchor for collaboration and promotion of corporate culture and mission. Occupiers should continue to support rotation-based and remote working models to complement normal office work.

<sup>1</sup> See: <https://www.thehindu.com/news/national/coronavirus-india-lockdown-september-18-2020-live-updates/article32636135.ece>

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