

ASIA-PACIFIC

OFFICE OCCUPIER SURVEY 2016/17





Welcome to Knight Frank *Asia-Pacific Occupier Survey 2016/17*. This survey aims to provide insights into how occupiers use and plan their office space in the region. This year's survey garnered responses from more than 200 participants across various industries.

Consistent with Knight Frank's findings since the inaugural survey in 2013, **rent** remains the number one consideration for occupiers as the global marketplace becomes more challenging. It was unsurprising that most of the occupiers surveyed cited **economic uncertainty** as their top business challenge. This has indirectly affected their **business space** usage and **hiring decisions**, although there were positive signs suggesting expansion activity in China and India.

SURVEY QUESTIONS

What describes the principle industry of your organisation?

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What are the biggest challenges facing your business?

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How important are the various office building attributes to your business?

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How would you rate your satisfaction with your current building?

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In 2017, will your headcount increase, decrease or remain the same?

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In 2015, have you increased, decreased or remain your business space?

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How far in advance of a lease expiry do you begin to prepare for it?

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Have you considered or implemented any cost-saving initiatives?

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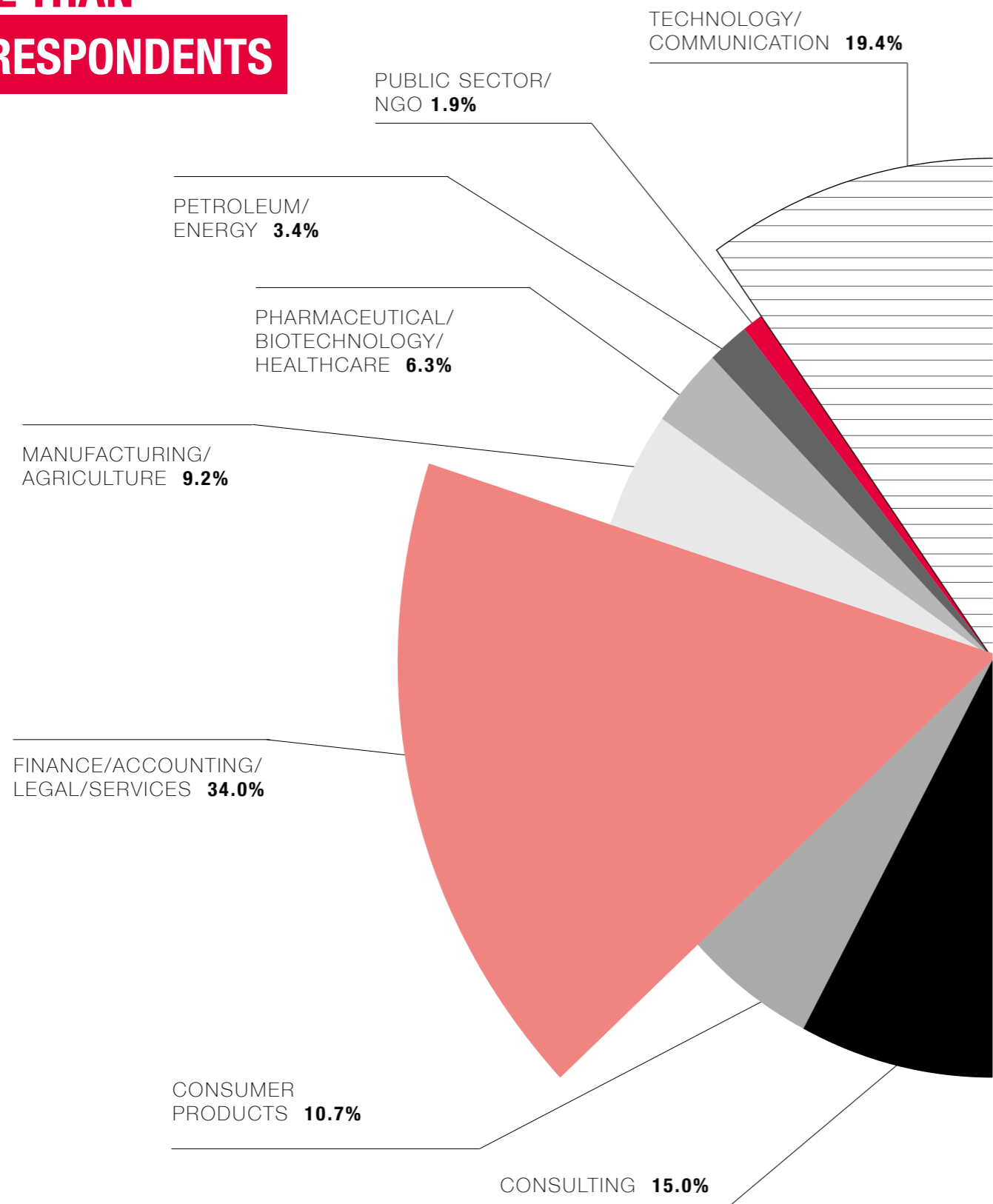
"2016 was a difficult year for many businesses around the region, and this was reflected by the findings in our survey. Faced with economic uncertainty and increased competition this year, more respondents to our survey chose rent as their most important building selection criteria than ever before, putting cost control ahead of image and accessibility."

Marcus Burtenshaw

Head of Commercial
Knight Frank Thailand

1 WHAT DESCRIBES THE PRINCIPAL INDUSTRY OF YOUR ORGANISATION?

MORE THAN 200 RESPONDENTS



2 WHAT ARE THE BIGGEST CHALLENGES FACING YOUR BUSINESS?

Economic uncertainty, competition and cost inflation are perceived to be the top three challenges faced by businesses. To a lesser degree, they also find government policy and regulation as well as talent attraction and retention challenging.

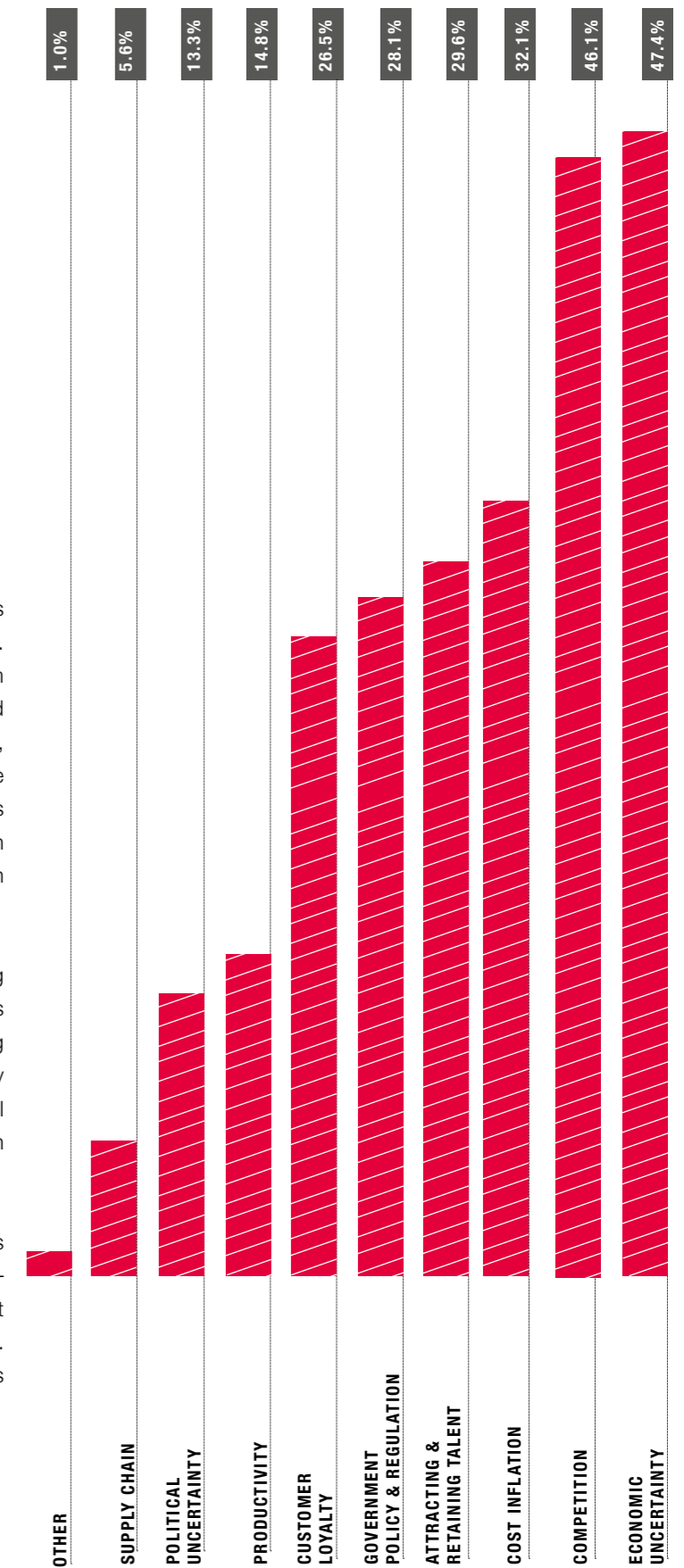


“Unsurprisingly, economic uncertainty was highlighted as the most significant challenge to businesses in the region. External macro-economic uncertainties emanating from Europe and the US, including the fallout from Brexit and the potential impact on trade from a new US administration, are likely to weigh on sentiment. Closer to home, the performance of the slowing Chinese economy, which is so vital to many economies in Asia-Pacific, will also be an important regional determinant of business performance in 2017.

Competition was also highlighted as a major concern going forward. While traditional competition facing most industries is as strong as ever, changes in technology are also bringing in new competitors into some sectors as barriers-to-entry come down. Fin tech is proving a major challenge to retail banking, while advances such as 3D printing are bringing in new competition to certain manufacturers.

Other concerns are also weighing on many occupiers going forward, although interestingly, political uncertainty – something that continues to plague the west – does not seem to have been a major concern for Asia-Pacific tenants. This can certainly be viewed as a positive for the business landscape in 2017.”


Nicholas Holt
Head of Research
 Knight Frank Asia-Pacific







3 HOW IMPORTANT ARE THE VARIOUS OFFICE ATTRIBUTES TO YOUR BUSINESS?

COUNTRY-SPECIFIC FINDINGS

 In land-scarce **Singapore** and **Hong Kong**, rent was the most important factor.

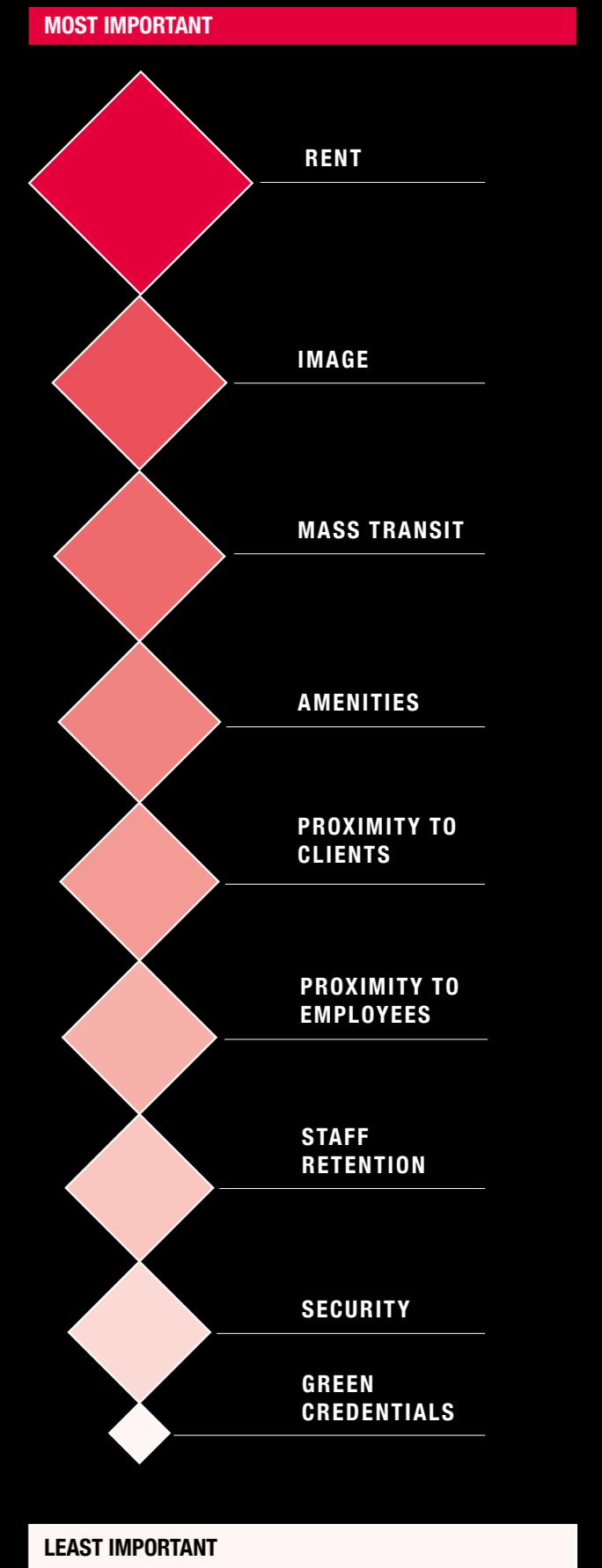
 In **Indonesia** and **Thailand**, frequent traffic congestion caused companies to place greater value on proximity to mass transit.

 With approximately 20 million people officially living in **Beijing** and **Shanghai** each, **proximity to clients** was most important to curb the long travel times between meetings due to massive traffic jams.

 **Green credentials** are placed at the bottom of the list of priorities across the region, except in **China** where it ranked in the middle after access to amenities as the Chinese population is increasingly conscious about their carbon footprint.

Meanwhile, green credentials remains the least important factor for APAC office tenants for second year running

Rent is ranked the most important factor for APAC office occupiers. Meanwhile, green credentials remain the least important factor for APAC office tenants over the last two years.



Satisfaction and leasing activity levels are highest in **China** and **India**. Yet, 71% of Chinese companies and 67% of Indian companies **acquired additional space** in 2016, more than double the survey average of 30% pointing to a possible growth trend. None of the Chinese and Indian companies surveyed **disposed of surplus space** in the same period, and 57% of Chinese companies and 77% of Indian companies **expected their headcount to rise**.



"The office space in India has been extremely buoyant in the last one year. It has seen absorption of approximately 40 million square foot of space. The demand is largely driven on account of two factors – first, large domestic consumption driven by BFSI, Manufacturing, Pharmaceuticals' and second, technology talent.

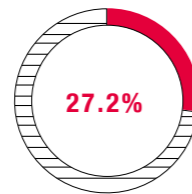
"Given the technology talent that exists in India, a lot of business from North America and Europe come to India. Commercial clients make up about 50% of this segment in the country. With a GDP that clocks 7% growth annually, stable democratic set-up, large English-speaking talent base and close to about three million graduates annually, India continues to be full of job creation opportunities."

Viral Desai
Head of Occupier Solutions
Knight Frank India

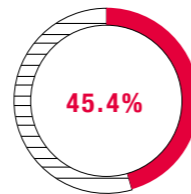
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HOW WOULD YOU RATE YOUR SATISFACTION WITH YOUR CURRENT BUILDING?

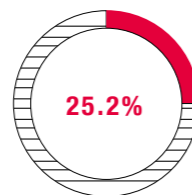
Almost half (45.6%) of the surveyed occupiers find their current office space **satisfactory**, whereas almost an equal proportion find their space to be **perfectly fitting** to their businesses and **still having room for improvement** (27.2% vs 25.2%). Only 1.9% of the occupiers surveyed find their current set up to be highly unsatisfactory.



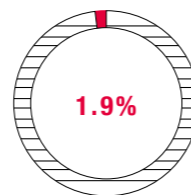
PERFECT



SATISFACTORY



ROOM FOR IMPROVEMENT

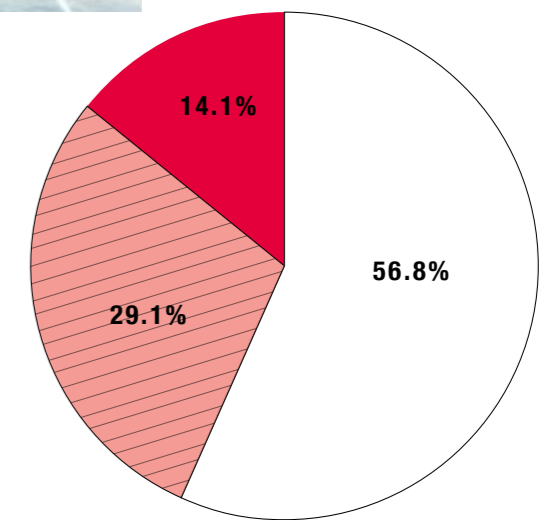


HIGHLY UNSATISFIED



6

HAVE YOU INCREASED, DECREASED OR MAINTAINED YOUR BUSINESS SPACE IN 2015?



Maintained the same amount of space
 Acquired additional space
 Disposed surplus space

56.8% of the companies surveyed have kept the same amount of space. Interestingly, most occupiers in China and India acquired more space in 2015.

5

WILL YOUR HEADCOUNT INCREASE, DECREASE OR REMAIN THE SAME IN 2017?



46.1% INCREASE



7.3% DECREASE



46.6% REMAIN THE SAME

An equal percentage of companies surveyed are either planning to **increase their headcount (46.1%)** or **maintain their headcount (46.6%)**. Only a small percentage (7.3%) expects to cut their headcount in 2017.

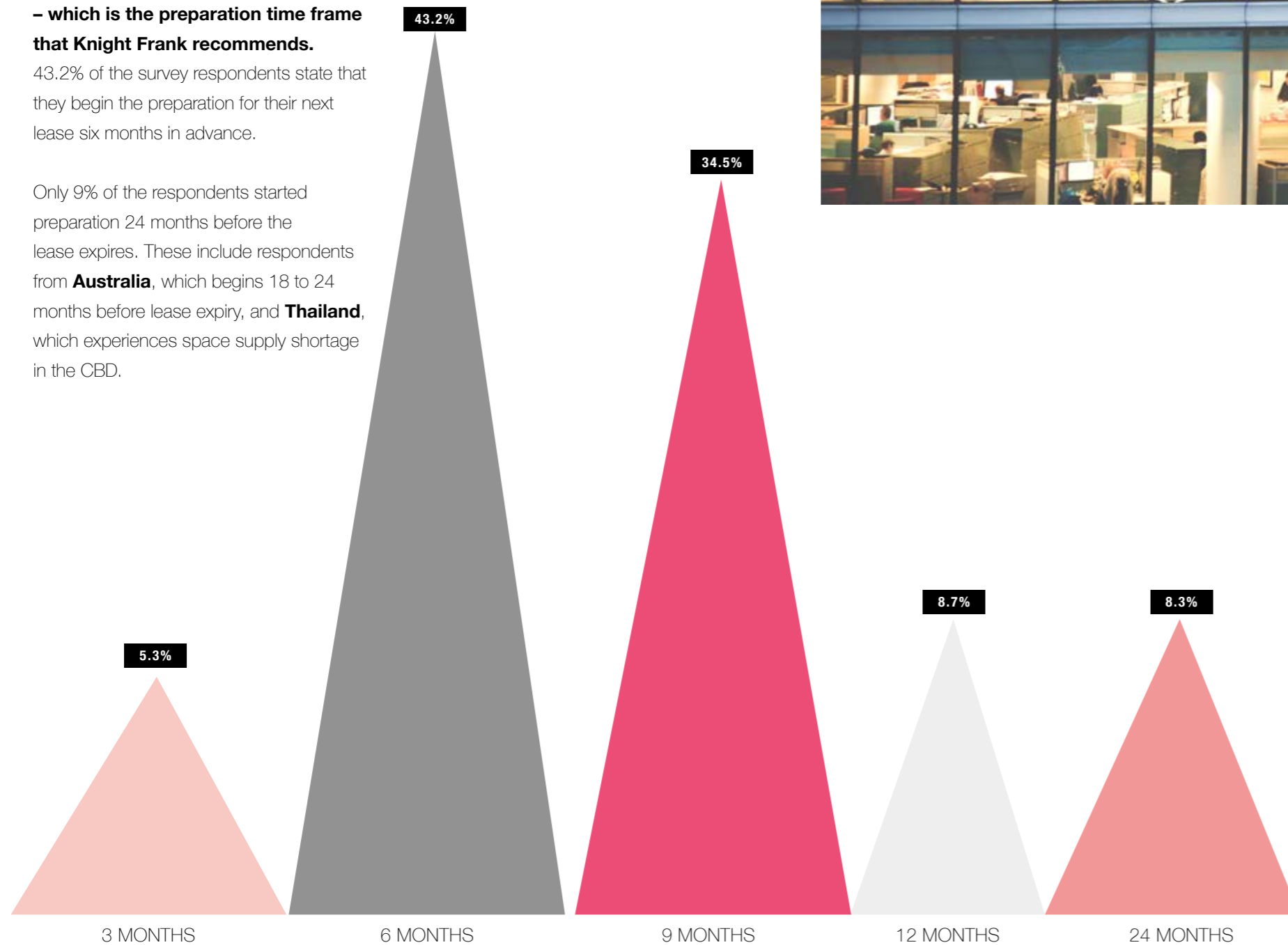
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HOW FAR IN ADVANCE OF A LEASE EXPIRY DO YOU BEGIN TO PREPARE FOR IT?

34.5% of respondents prepare for their next lease 12 months in advance – which is the preparation time frame that Knight Frank recommends.

43.2% of the survey respondents state that they begin the preparation for their next lease six months in advance.

Only 9% of the respondents started preparation 24 months before the lease expires. These include respondents from **Australia**, which begins 18 to 24 months before lease expiry, and **Thailand**, which experiences space supply shortage in the CBD.



“Australia has a reasonably well-developed and sophisticated occupier advisory market, which means that occupiers are well advised as regards to the time frames required for premises procurement, and thereby allow sufficient lead time to achieve the optimal outcome.”

John Preece
Head of Occupier Solutions
Knight Frank Australia



“In China, prior preparation for lease renewals varies between the Tier-one, Tier two and Tier three cities given the differing levels of sophistication of landlords and tenants. Tier-one cities, being more prepared, typically commence negotiation with their landlords at least six months prior to lease expirations, while Tier two and Tier three cities typically connect with landlords one to two months prior to expiry leading to rushed and sometimes above-market rentals. Tenants are exposed to business continuity risk and unprofessional landlords might just have lock-down their premise.”

Peter Zhang
Head of Tenant Representation,
Commercial Services
Knight Frank Shanghai

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HAVE YOU CONSIDERED OR IMPLEMENTED ANY COST-SAVING INITIATIVES?

Similar to the year before, 32.5% of the respondents did not implement any of the recommended measures to effectively manage their space to save cost. Other than that, the strategy most often used is **reduction of area per person** (31.1%), followed by **flexible working** (23.3%).

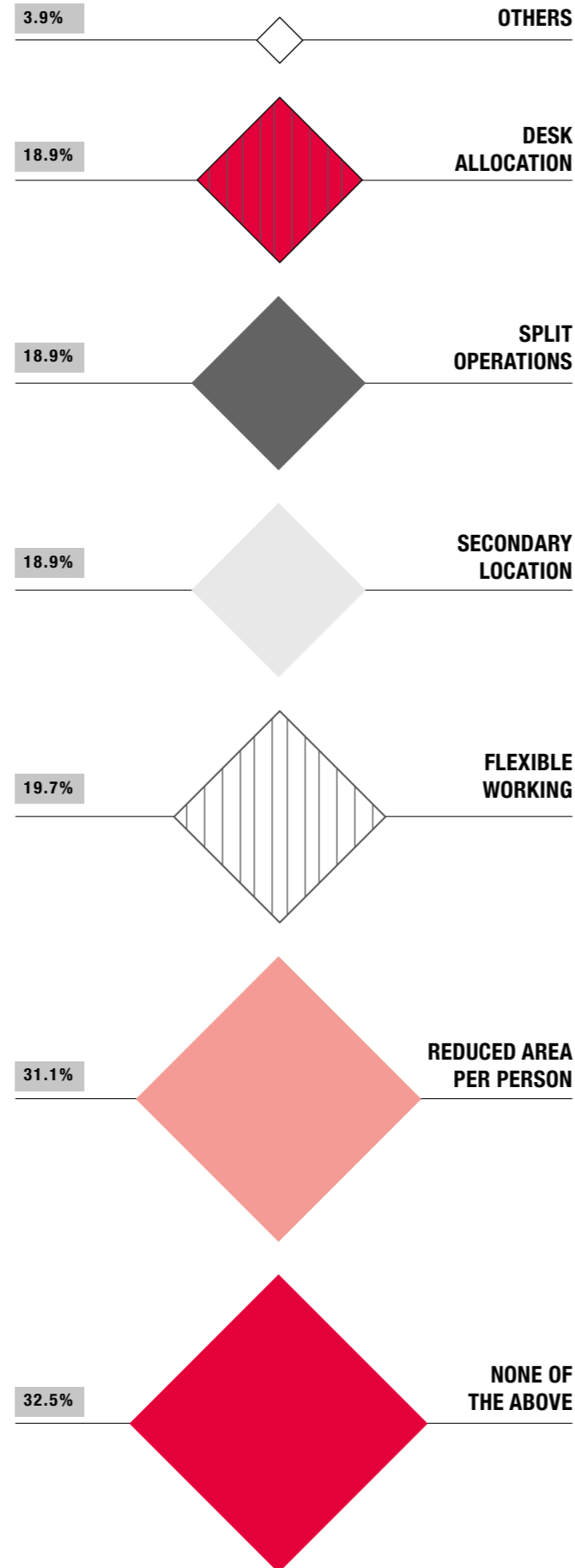
Hong Kong demonstrated an improved effort to implement cost-saving initiatives: 37% of the respondents in did not implement any cost-saving measures, down from 54% the year before.



“It is important to leave adequate lead time in order to maximise leverage in negotiations. Without sufficient lead time, the occupier’s negotiation standpoint is negatively impacted and will invariably lead to rushed decisions and a sub-optimal commercial outcome.”

Sindiani Adinata

Head of Commercial Sales & Leasing
Knight Frank Indonesia



“Given the general sentiment towards a more uncertain economy outlook, occupiers who look to expand or renew their spaces may see that early preparation before lease expiry will be useful to allow sufficient time to plan and negotiate for more favourable lease terms.

“Interestingly, given that rent is the biggest concern for firms, most of the occupiers (32.5%) did not implement specific measures to save costs. Additionally, the majority of APAC tenants only chose to prepare six months before lease expiry, which is much shorter than the recommended 12-month lease preparation period.

“In light of this, we recommend tenants to seek out professional advice when it comes to lease preparation and take the opportunity to optimise their choice of location, space usage, as well as cost-saving measures. Knight Frank has assisted numerous clients regionally on this aspect and demonstrated exceptional results. We would be pleased to outline the success of specific projects.”

Ross Criddle

Head of Global Corporate Services, Asia-Pacific
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