

Pressing need for business parks to reposition and reinvent their spaces: real estate don

NUS poll finds business parks still relevant and competitive, but changing work landscape could hurt demand

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BUSINESS parks remain relevant and competitive in Singapore's real estate landscape, but new work practices could hurt demand for such spaces, a survey by the National University of Singapore (NUS) has concluded.

These market dynamics may compel some companies to become "more foot-loose", potentially undermining the physical locational advantages of business parks, said Sing Tien Foo, provost's chair professor of real estate at the NUS Business School, in the survey report released on Friday (Aug 30).

"This signals a pressing need for business park operators to reposition and reinvent their spaces in the changing market landscape," he added.

About 70 per cent of real estate executives polled by NUS agreed that business parks were relevant in Singapore's real estate market; 62 per cent concurred that such assets would stay attractive and continue to retain businesses and investments from multinational companies.

The poll was a quarterly *Hot Topic* survey conducted by NUS' Department of Real Estate and Institute of Real Estate and Urban Studies.

The relevance of business parks was called into question recently with vacancy rates on the rise, albeit to varying extents, said NUS. The vacancy rate in



The overall vacancy rate at Changi Business Park has gone up, with some properties there reporting nearly 40 per cent of unoccupied space. PHOTO: BLOOMBERG

Changi Business Park, for example, has gone up, with some properties there reporting nearly 40 per cent of unoccupied space.

The NUS report attributed the emptying of business parks to location-specific factors. Prof Sing pointed to the rise of alternative work arrangements and the development of newer business parks in accessible locations – which could prove a double whammy to less-accessible, older business parks, which have felt pressure in retaining and attracting tenants.

Real estate executives polled in the survey said the adoption of hybrid work arrangements and new work practices may have significant effects on the de-

mand for such spaces.

NUS noted that new work practices that reduce face-to-face interactions – such as working from home, cloud-based data centres which enable companies to use more technology and automation, and virtual platforms such as Microsoft Teams and Zoom – are affecting the use of business parks. "We see how technology adoption in workplaces – in the form of virtual platforms – changes a conventional rigid set-up to a more flexible workspace configuration, which could reduce the dependence of firms on physical space in business parks," Prof Sing said in the report.

Survey respondents unanimously agreed that competitive rent will influ-

ence companies' decisions to relocate to business parks – 89 per cent of them cited this as the top factor.

"The business park's value proposition remains unchanged and is a cost-effective alternative for eligible occupiers who do not need to be in the (Central Business District)," said a respondent.

The ease of access via public transport scored a distant second, with 65 per cent of respondents citing it as a top factor.

About 58 per cent of those polled felt that clustering companies with similar and related businesses – a practice known as agglomeration – could attract more multinational companies to business parks, while good amenities in the parks secured about 54 per cent concurrence from the respondents.

The agglomeration of workforce and professionals in high-tech and finance industries was ranked the fifth most important factor by respondents, indicating that this could play a role in attracting tenants to business parks.

Other factors include proximity to quality housing, availability of lifestyle and dining facilities, spaces to house various activities (such as administration, marketing, and research and development) and lush environments, the survey showed.

The quarterly survey polls respondents from developers, property consulting and services firms, and other real estate-related sectors such as architecture, banking and law.