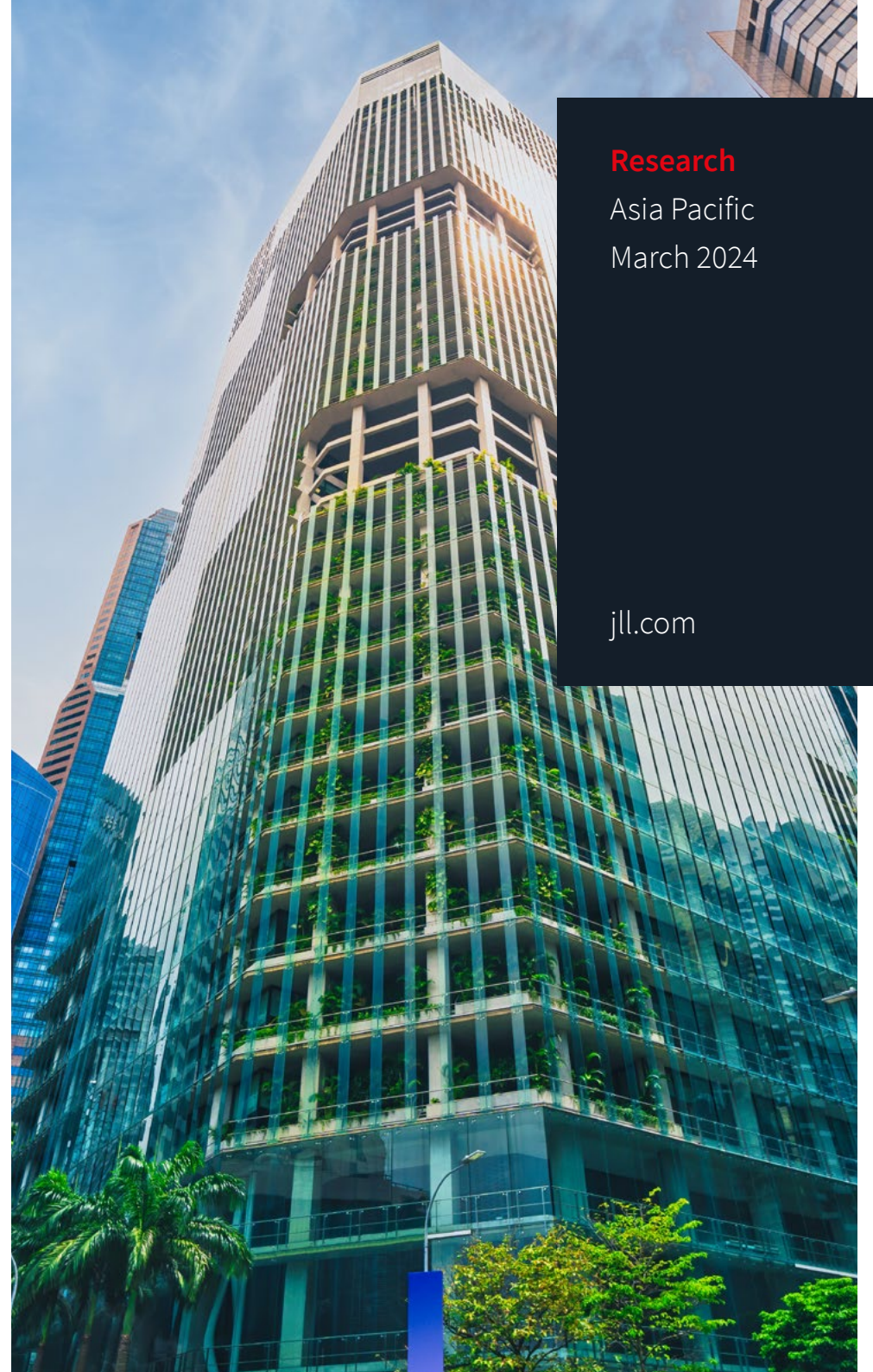


Asia's Decade of Action

Accelerating the transition to Sustainable Workplaces



Research

Asia Pacific

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Introduction

The emergence of environmentally conscious tenants prioritising the decarbonisation of their portfolios has led to an increase in challenges and opportunities for commercial real estate (CRE) leaders responsible for sustainable workplaces. In this report, we are exploring key sustainability trends that will shape the strategies of real estate leaders as they work towards delivering on ambitious Net Zero Carbon (NZC) goals of their organisations.



Executive summary

1. Competition to intensify for sustainable office buildings.

Corporate Net Zero goals are propelling occupiers in Asia to decarbonise their portfolios. This surge in demand for sustainable buildings is expected to result in a significant supply-demand gap, fostering fierce competition among occupiers for low carbon buildings by 2030.

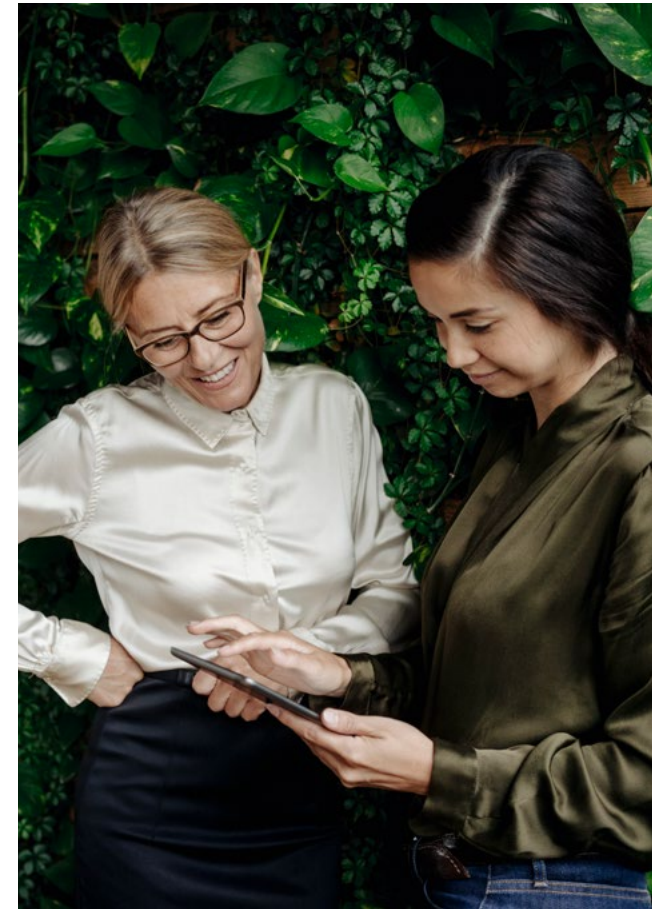
2. Building performance data to overtake green certification obsession.

Occupiers have begun to view green building certifications as essential and have demonstrated a readiness to pay higher rents for renting space in premium green certified properties. While green building certifications provide an independent view of the quality of buildings, but in their current form they do not guarantee energy efficiency or lowering of carbon emissions. As a result, in the

foreseeable future, occupiers chasing portfolio decarbonisation goals would start demanding building performance and sustainability data over and above green building certifications.

3. Sustainability tech will account for the largest share of increased investment.

Managing, enhancing, and documenting environmental sustainability is increasingly becoming a priority for tenants, who are recognising that their current footprints and activities are insufficient for achieving this goal. The aspiration to decarbonise portfolios is fueling the demand for accurate sustainability information among real estate participants. Effective energy and emissions control, intelligent energy systems, and sustainability reporting mechanisms will become pivotal in the pursuit of Net Zero.



4. Rapid expansion of renewable energy in Asia to catalyze low carbon buildings. The kilowatts of renewable energy used in buildings is the key to sustainable building operations as it largely defines the carbon emissions of an asset. Rising occupier demand for renewable energy procurement has emerged as a key driver for renewable energy expansion in Asia. Currently occupiers are overwhelmingly dependent on RECs and PPAs to procure renewables for their portfolios but would want landlords to increase onsite renewable energy capacity for favourable procurement terms in the future.

5. Sustainable fit-out to become absolute for occupiers targeting indirect emissions. Space fit-outs are responsible for one third of emissions over the life of a building and with fit-outs contributing to Scope 3 emissions, it is essential

for occupiers to proactively start featuring them in portfolio decarbonisation plans. Collaboration between landlords and occupiers using circularity principle and sustainable reinstatement, while sourcing sustainable material in the first place, are going to become crucial steps in reducing indirect emissions in the workplace.

6. Ever evolving ESG regulations have become an unavoidable minefield. The regulatory environment for ESG is evolving, becoming more stringent through the implementation of building performance standards and corporate disclosure requirements. The emergence of new regulations and ESG taxonomies in various regions poses a significant challenge for companies, requiring them to adapt quickly and effectively.



“

Increased urgency to meet Net Zero Carbon (NZC) targets is driving corporate real estate occupiers to reconsider portfolio and location strategies, align capex planning with the need for NZC investments and weigh in on landlord-tenant engagement more seriously than before. Among four corporates who have committed to a NZC goal, only one has an action plan to achieve it, showcasing that first movers will be at an advantage to minimise risk and maximise opportunities.

Elke Kornalijnslijper

*Head of Sustainability Consulting
JLL, APAC*



01

Occupiers are targeting 100% green certified portfolios by end of the decade

Occupiers with 100% green certified portfolios in Asia

4%

Today

87%

By 2030

Green office space is moving up the corporate priority list and leasing space in green certified office buildings is no more a differentiator but a requirement for occupiers in the region. JLL research found that energy audits, sustainable fit-outs, and green leases have emerged as the primary tactics being adopted by occupiers as they strive to reduce the carbon footprint of their portfolios.



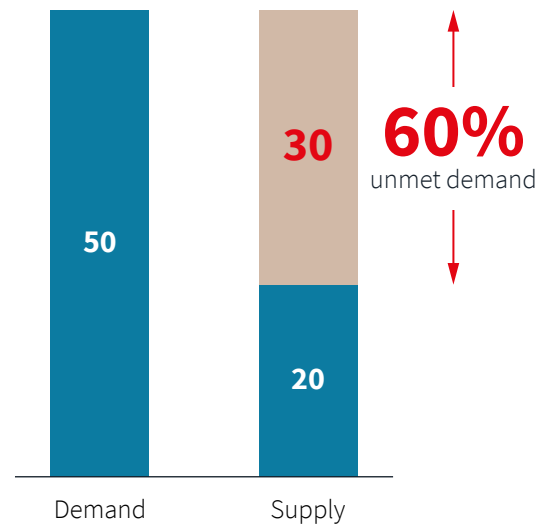
JLL recommends

Identify and collaborate with landlords who share your commitment to sustainability. Focus on those with established tenant engagement schemes to support and work together on sustainability projects.

02

Development pipeline will not be able to meet the demand for sustainable assets

Occupational requirements vs. development pipeline in Asia (Supply Demand deficit – million sq ft)



Demand - low carbon occupational requirements, adjusted by quality of existing stock
 Supply - high quality future green supply
 City coverage - Delhi, Hong Kong, Melbourne, Mumbai, Singapore and Sydney.
 Source: [The impending green divide](#) (JLL Research, 2023)

*Between now and 2028, for every 5 sq ft of demand only 2 sq ft of low carbon space is in the pipeline.**

Source: [The impending green divide](#) (JLL Research, 2023)

Corporate Net Zero goals are propelling occupiers in Asia towards decarbonisation of their portfolios. In our analysis of six Asian markets, we found that 70% of lease renewals by the top 100 occupiers will be contingent on meeting carbon reduction targets. As a result, there will be a scarcity of suitable properties available, leading to fierce competition among occupiers vying for sustainable assets.



JLL recommends

Incorporate ESG factors as criteria in the due diligence process when seeking to lease new office space.



03

Green certification obsession to be replaced with building performance data

Green building certifications have a role to play in making buildings sustainable, although the interpretation of a certified building as a 'green building' is no longer valid. Green certifications provide an independent view of the quality of buildings but in their current form they do not guarantee energy efficiency or lower carbon emissions.

By 2030, 50% of occupiers in Asia plan to lease office space in a Zero Energy building (ZEB).

With one in two occupiers aiming to increase the share of Zero Energy buildings in their portfolio by 2030, the need for building performance data is expected to rise.

Credible building sustainability data is fundamental across ESG accounting principles and multiple disclosure requirements, making it imperative for stakeholders to engage with this issue rather than remain on the sidelines.



JLL recommends

During decision-making, consider building performance data and sustainability metrics over and above green building certifications.

04

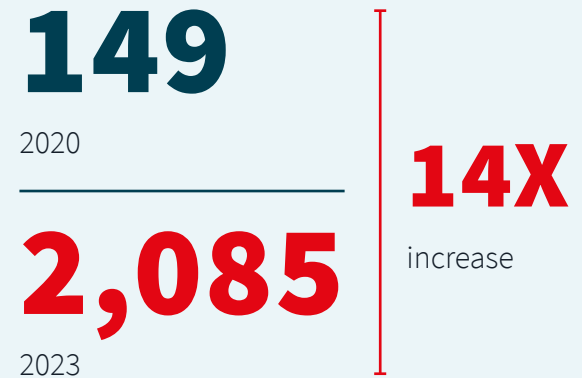
Technology, AI and data capture to be critical in achieving sustainability goals

Sustainability tech will account for the largest share of increased investment in technology in next three years.

The adage, “You can’t manage what you can’t measure”, is of paramount importance for corporates adopting a scientific approach to reducing carbon emissions. As corporate sustainability goals loom ahead and climate disclosure requirements increase globally, companies must ensure they possess the requisite data to precisely measure and control both their environmental footprint and vulnerability to climate-related risks.

Corporates will prioritise sustainability technology that allows them to transition from a reactive to a predictive stance. Technologies supporting the automation of environmental data monitoring and reporting, artificial intelligence for enhancing energy efficiency,

Corporates that signed up for SBTi* in Asia



*Source: Science based Targets Initiative

and IoT for fostering a healthy and wellbeing focused environment are at the forefront of occupiers' agendas.



JLL recommends

Act now to improve your technology and data capturing capabilities. This will enable you to efficiently execute decarbonisation and resilience strategies throughout your portfolio.



05

Securing rapidly growing renewable energy needs to become key for sustainable operations

The shift towards renewable energy is a crucial move towards achieving a low-carbon built environment. It calls upon the real estate sector to revamp buildings from being passive energy users to active contributors by generating renewable energy on-site. 2 in 5 occupiers

Occupiers with half of energy needs being met by renewables



highlight that on-site renewable energy provision will become non-negotiable for them by 2030 owing to their portfolio decarbonisation goals. The appeal of incorporating on-site energy into the renewable energy mix lies in the potential for mutually beneficial arrangements for tenants and property owners.



JLL recommends

Incorporate a range of well-planned strategies with long term renewable energy needs in mind i.e., on-site generation to off-site procurement via Renewable Energy Certificates (REC) and Power Purchase Agreements (PPA).

06

Sustainable fit-out to take centre stage in reducing embodied carbon in workplaces

As buildings incorporate additional renewable energy sources, operational emissions will diminish, emphasising the importance of embodied carbon in the built environment. Despite the construction phase receiving significant focus regarding embodied carbon, the fit-out phase has largely gone unnoticed. For context, during the years an office building is operational, its interior undergoes approximately 20 changes. On average, in numerous major global markets, the lifecycle of office interiors results in around 190* kg of CO2 being emitted, making it a pertinent factor for stakeholders' Scope 3 emissions calculations.

The primary obstacle faced by a circular fit-out approach is the existence of silos within which the fit-out and strip-out teams typically function. Disassembling these silos could prove pivotal in achieving zero waste - transitioning from linear to circular recycling. Incorporating this shift during the phases of design, procurement, and strip-out can aid in decreasing emissions linked to waste and material consumption.

1 in 2

occupiers mention that sustainable fit-outs using circularity principles is a top priority.

Occupiers keen in reducing embodied carbon in their workplace must reconsider their fit-out needs and align them with a repurpose and reuse mindset rather than a bespoke fit-out approach.

*Source: RESET Research: Embodied Carbon and Circularity (2022)



JLL recommends

Reduce Scope 3 emissions by implementing sustainable fit-out practices, such as incorporating green materials and strategically planning renovations to maximise the reuse and repurposing of existing materials.



07

With ever evolving regulations, today's dark green will be tomorrow's light green

The evolving ESG regulatory and reporting landscape is complex and the avalanche of new ESG reporting requirements applicable to real estate has presented a significant challenge to all stakeholders alike. Keeping up has not been easy, even for the most ambitious organisations

with the greatest resources to allocate to the area. As regulations play a key role in assessing alignment with climate targets within the global and regional contexts, the key is to identify and evaluate the most relevant and important standards within the context of the organisation's own ESG strategy.

60%

of occupiers highlight keeping pace with ESG regulations as a top challenge.



JLL recommends

To stay competitive, act now than wait for regulations to kick in. Keeping abreast with incoming and evolving sustainability policies is the only way to avoid financial and reputational implications.



Conclusion

Inaction is not an option in the “**Decade of Action**”

This decade will showcase that companies need to move from making commitments to demonstrating tangible actions.

To remain aligned with their Net Zero carbon targets, occupiers will need to devise and execute more ambitious sustainability strategies. This shift will stem from a change in mindset, moving from concerns about the cost of establishing a green portfolio to considerations

about the potential costs of neglecting to make their portfolios environmentally friendly.

Throughout Asia, market dynamics will intensify competition for genuinely sustainable assets, compelling occupiers to navigate this landscape by fostering closer collaborations with key stakeholders such as landlords, investors, technology partners, and municipal authorities.

Methodology

JLL research conducted a survey with 243 senior CRE decision makers in Asia in November 2023. It covered eight geographies, with two-third of respondents belonging to multinational corporations and rest belonging to domestic firms.

Geographical coverage and sample split



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