(Y)OUR SPACE Digest

Winter 2024/2025

A seasonal review of key news stories, developments and issues relating to the future of work and workplace.

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2025: The Year CRE must Lead or Lag

By Dr Lee Elliott
Global Head of Occupier Research

Welcome to the third edition of the (Y)OUR SPACE digest and the first of the new year. 2025 will be a defining year for Corporate Real Estate and (Y)OUR SPACE.

Welcome to 2025, a year that will present an array of complexities and challenges for corporate real estate (CRE). New or revisited geopolitical tensions will reshape global trade dynamics; economic volatility will demand sharper strategic foresight; and rapid technological advancements will bring transformative pressures at an organisational and workplace level. Success in this landscape will require resilience, adaptability, and continued innovation from CRE professionals.

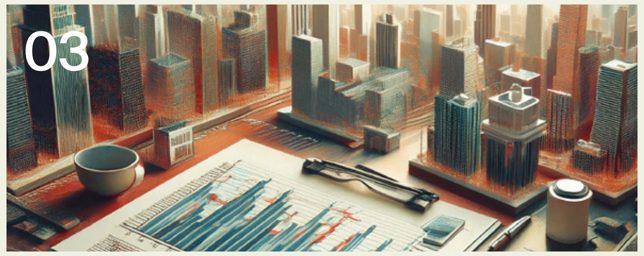
Just before the end of last year, we issued our outlook document for *2025 – Changing Tact*. In it, we identify ten trends that will define the year and its challenges. In summary, these are:

Trade Wars II: Return of the Donald

Donald Trump's return to the White House heralds a resurgence of economic nationalism, with aggressive tariffs and reshoring policies aimed at decoupling from China. CRE strategies must prioritise resilient supply chains and regional hubs to navigate renewed protectionism.

Bumps Ahead: From Uncertainty to Volatility

Gone is the era of mild uncertainty; volatility is the new norm. Interest rate swings, geopolitical shocks, and inflation will test CRE professionals' ability to plan with agility and precision, making scenario planning and risk management essential tools.



Maximising Margins: Walking a Strategic Tightrope

Inflationary pressures and rising energy costs mean businesses must cut costs while maintaining innovation. At a minimum, CRE leaders must reassess space usage, renegotiate leases, and decide when to invest for long-term agility versus trimming expenses.

New World Order: Rethinking the Corporate Map

Global instability is pushing companies to relocate critical operations closer to home. Nearshoring and reshoring will define location strategies, emphasising regions with secure supply chains and favourable trade conditions.

AI's Tipping Point: Will Businesses Go All In?

AI holds immense potential for smarter decision-making and efficiency gains, but corporate adoption is complex. Clean data, skilled talent, and ethical considerations will be critical for business and CRE leaders looking to integrate AI successfully.

Streamlining Workplace: Functionality Over Flash

Lavish office amenities are giving way to practical, efficient spaces. Flexible layouts, wellness facilities, and high-performance technology are taking centre stage as businesses prioritise functionality, sustainability, and inclusivity.

A Workstyle Shake-Up: Dare They Disrupt?

The battle over hybrid versus office-centric work continues. CRE leaders must design spaces that support flexibility while fostering collaboration and culture. Companies that resist this evolution risk losing top talent to more adaptable competitors.

From Assets to Impact: ESG Evolves

Sustainability is no longer a "nice to have." Rising climate risks demand that ESG be embedded in CRE strategies, from retrofitting buildings with energy-efficient systems to embracing adaptive reuse to reduce environmental impact. All this, of course, as the political climate brings a changeable backdrop.

Back to the Future: The Rise of Adaptive Reuse

Repurposing existing buildings is gaining momentum as a sustainable and cost-effective solution. Adaptive reuse aligns with ESG goals, appeals to employees, and breathes new life into urban spaces while mitigating construction costs and carbon footprints.

From Numbers to Next Moves: Data-Driven Decision-Making

Data is transforming CRE decision-making. Predictive analytics, occupancy patterns, and IoT sensors enable leaders to anticipate needs, optimise spaces, and enhance operational performance more accurately.

So, what's the focus for 2025?

While all ten trends demand attention, this digest edition focuses on **Trade Wars II, Rethinking the Corporate Map**, and **AI's Tipping Point** and their impact on the current CRE landscape. As the year unfolds, we'll explore the remaining trends in greater depth through further digests and the next edition of (Y)OUR SPACE, launching at the end of May.

Look out for the (Y)OUR SPACE survey, and please contribute. We would love to hear your views.

Matt Hayes,
Senior Research Analyst,
Occupier Research

A selection of recent news stories that caught our eye and are illustrative of the business and real estate dynamics emerging from trade wars, portfolio restructuring and corporate adoption of AI.

01 Tariffs and trade wars

1. Volkswagen Considers Partnerships with Chinese EV Manufacturers in Europe

Read More

Volkswagen is exploring partnerships with Chinese electric vehicle (EV) manufacturers to address overcapacity in its European production facilities. The company faces declining regional demand and heightened competition from Chinese EV brands like BYD, which have been gaining traction. Executives at Volkswagen see collaboration as a way to enhance productivity while avoiding plant closures. Audi's partnership with SAIC in China serves as a model for these potential alliances, demonstrating how such collaborations can strengthen market competitiveness. Volkswagen's Chief Financial Officer, David Powels, has confirmed that discussions with potential Chinese partners are ongoing.

2. Tesla Challenges EU Tariffs on Chinese-Made Electric Vehicles

Read More

Tesla has filed a lawsuit with the Court of Justice of the European Union (CJEU) to contest tariffs on Chinese-made electric vehicles (EVs). The EU imposed these tariffs following an investigation that concluded that Chinese automakers benefitted from unfair subsidies. Tesla, which faces a 7.8% tariff, argues that the measures disproportionately affect its competitiveness in the European market. The legal battle is expected to last 18 months, during which Tesla must navigate regulatory hurdles while maintaining its market position. This case reflects growing tensions as Europe seeks to protect its domestic EV industry from low-cost imports.

3. ABB Increases U.S. Investments to Mitigate Tariff Impacts

Read More

Swiss engineering giant ABB is ramping up its investments in the U.S. to mitigate the impact of anticipated tariffs from the Trump administration. The company announced plans to boost local production, highlighting that approximately 80% of its products sold in the U.S. are manufactured domestically. ABB operates 30 manufacturing sites nationwide and is considering further acquisitions to enhance its local footprint. These moves aim to reduce dependency on imported goods, particularly from China, which are expected to face significant tariff hikes. ABB's strategy underscores how multinational firms are adapting to the increasingly protectionist U.S. trade environment.

4. Record Number of U.S. Companies Consider Exiting China Amid Rising Tension

Read More

A growing number of U.S. companies operating in China are exploring alternatives to mitigate risks associated with escalating geopolitical tensions. A recent survey by the American Chamber of Commerce in China revealed that 30% of businesses considered relocating part of their operations in 2024, a sharp increase compared to previous years. Technology and R&D firms are particularly active in seeking alternative production hubs, focusing on other parts of Asia. The trend reflects growing uncertainty among U.S. businesses about the long-term feasibility of operating in China. Companies are preparing contingency plans as relations between the two nations remain strained.

5. Global Race for Trade Deals Intensifies

Read More

The European Union and other trading blocs are accelerating efforts to secure trade agreements to counteract U.S. protectionist policies. Recent developments include finalised deals with the Mercosur bloc, updates to agreements with Mexico, and renewed negotiations with Malaysia. The EU has also strengthened ties with Japan, Canada, and the UK, emphasising the importance of maintaining global trade flows amid rising tariffs. Regional agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are crucial for economic stability. These efforts aim to minimise the disruptive effects of U.S. tariffs and ensure continued access to key markets.

6. Mexican Companies Emphasise North American Identity Amid Tariff Threats

Read More

Mexican companies are adapting to the U.S.'s renewed trade barriers by investing heavily in American operations. Cemex, a leading cement manufacturer, announced a $6 billion investment plan in the U.S. over five years. This strategic move is designed to align with the Trump administration's pro-business policies while reducing exposure to tariffs. By emphasising their North American identity, Mexican firms hope to mitigate economic repercussions from U.S. tariffs targeting Mexican goods. The approach highlights the shift from confrontation to collaboration among Mexican businesses facing trade policy changes.

7. Detroit's Auto Industry Reacts to Proposed Tariffs

Read More

Detroit automakers are bracing for the effects of tariffs targeting imports from Canada, Mexico, and China. While some stakeholders hope these measures will revive local manufacturing, others worry about disruptions to the global supply chain. Tariffs could

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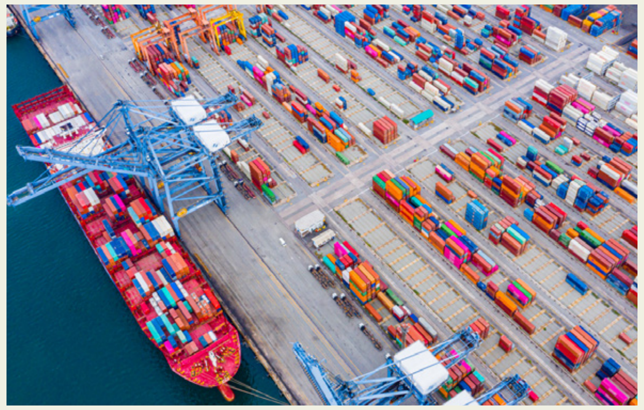
also impact the transition to electric vehicles, with rising costs potentially slowing production. Industry leaders are actively assessing the potential effects on their operations and preparing contingency plans. The auto industry's response underscores the complexities of balancing protectionist policies with the demands of a rapidly evolving market.



8. Emerging Markets Brace for U.S. Tariff Implication

Read More

Emerging markets are preparing for the economic fallout of renewed U.S. trade policies, strengthening the U.S. dollar. Tariffs and potential immigration curbs are expected to increase inflation and reduce monetary easing in developing economies. Countries heavily reliant on U.S. trade, including Malaysia, China, and Mexico, are particularly vulnerable. In contrast, nations like Argentina and India, with strong domestic fundamentals, are better positioned to weather the storm. These developments highlight the broader implications of U.S. protectionism on global markets.

9. Ireland's Economic Model Faces U.S. Trade Threats

Read More

Ireland is increasingly concerned about its trade relationship with the U.S. following the appointment of Howard Lutnick as Commerce Secretary. Lutnick's support for strict tariffs has raised fears that Ireland's trade surplus with the U.S. could make it a target for new restrictions. Ireland's economic model, which relies on low corporate taxes to attract American businesses, is now under scrutiny. Potential sanctions or tariffs could significantly impact Ireland's export-driven economy. Policymakers are closely monitoring developments to assess the risks.

02 Changing the Corporate Map: Global Relocations

1. Chevron Relocates Headquarters to Houston, Texas

Read More

Chevron has decided to move from California to Houston, Texas, citing regulatory pressures and high operational costs in its long-standing base. This move aligns with recent trends of major corporations like Tesla and Oracle relocating to Texas. Chevron will retain some operations in California but plans to centralise its leadership team in Houston, taking advantage of the city's energy industry ecosystem.

2. VEON Moves Headquarters to Dubai

Read More

Telecom giant VEON will relocate from the Netherlands to Dubai, focusing on closer proximity to its core markets in Asia and the Middle East. CEO Kaan Terzioglu emphasised that the move aligns with VEON's strategic goal of managing its operations in key markets like Ukraine, Bangladesh, and Pakistan while reducing costs.

3. Circle Internet Financial Relocates to New York City

Read More

Circle Internet Financial, the issuer of the USDC stablecoin, is relocating from Boston to One World Trade Center in New York. The move positions Circle in a significant financial hub as it prepares for an initial public offering in 2025. CEO Jeremy Allaire noted the importance of New York's financial ecosystem in supporting Circle's future growth.

4. OpenAI Establishes Paris Office & Expands into Brussels

Read More

OpenAI is opening its first office in continental Europe in Paris as part of a broader global expansion strategy. Founder Sam Altman highlighted the importance of engaging with Europe's AI ecosystem and regulatory landscape. The Paris office will focus on research and business development while fostering collaboration with local talent and institutions. OpenAI also announced plans for a Brussels office to engage more closely with European policymakers and regulators as part of its global growth. This expansion highlights OpenAI's commitment to collaboration and compliance with regional AI standards.

5. OpenAI to open an APAC hub in Singapore

Read More

In October 2024, OpenAI announced plans to establish a new office in Singapore, marking its first presence in the Asia-Pacific region. This strategic move aims to strengthen OpenAI's collaborations with governments and businesses across Asia, focusing on adapting AI models to the region's diverse languages and cultures. Oliver Jay, appointed Managing Director for International, will lead these efforts. Singapore's robust technology infrastructure and leadership in AI innovation make it an ideal location for OpenAI's regional hub. The company also partnered with AI

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Singapore, contributing up to $1 million to develop resources, including open datasets, to better serve Southeast Asia's unique linguistic and cultural landscape. This initiative underscores OpenAI's commitment to responsible AI development and its dedication to serving the diverse needs of the Asia-Pacific region.

6. SpaceX Encourages Taiwanese Suppliers to Relocate Manufacturing

Read More

Amid growing tensions between China and Taiwan, SpaceX has urged Taiwanese suppliers to shift production to safer locations such as Vietnam and Thailand. Companies like Chin-Poon Industrial and Wistron NeWeb Corporation are among those diversifying their manufacturing footprints. This move highlights how geopolitical risks are reshaping global supply chains.

7. Banco Sabadell Returns Headquarters to Catalonia

Read More

Banco Sabadell announced plans to return its head-quarters to Catalonia, reversing its 2017 relocation decision following political instability. The move reflects increasing confidence in Catalonia's political stability and aligns with the bank's efforts to consolidate operations within Spain

8. Ericsson Considers Relocating Headquarters to the U.S

Read More

Ericsson's CEO, Börje Ekholm, suggested a potential move of the company's headquarters from Sweden to the U.S. The shift would position Ericsson closer to its key market while addressing geopolitical challenges in the telecommunications sector.

9. Coca-Cola Consolidates Operations in Germany

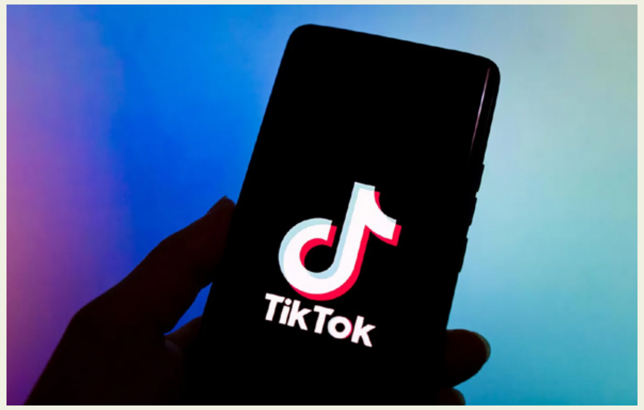
Read More

Coca-Cola announced plans to close five production and logistics sites across Germany, cutting 505 jobs. The consolidation reflects a strategic response to optimise its European supply chain.

10. 18th November: Amazon India to Relocate its Headquarters to Cut Costs

Read More

Amazon India is relocating its headquarters from the World Trade Centre in Bengaluru to a new office near the city's airport. This move, projected to be completed by 2026, is part of Amazon's cost-cutting strategy, potentially reducing rental expenses by up to two-thirds. However, the relocation has sparked employee concerns about increased commute times and its impact on workplace satisfaction.



11. TikTok Will Keep US Offices Open if App is Banned

Read More

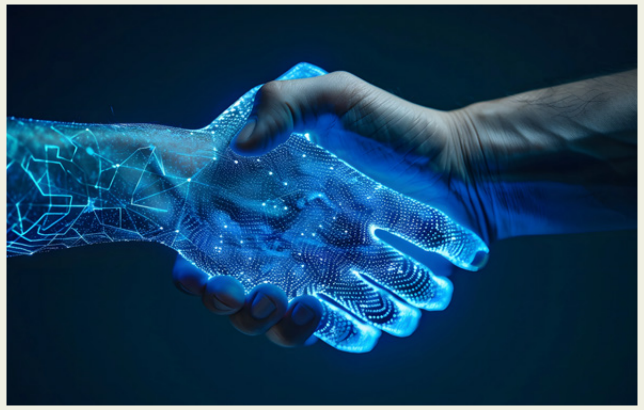
TikTok announced its commitment to keeping its U.S. offices operational even if the app is banned. The decision underscores TikTok's dedication to supporting its American employees and maintaining its operational footprint despite the regulatory uncertainty. This strategy reflects the company's resilience and focus on sustaining its presence in a challenging geopolitical environment.

03 The corporate adoption of AI

1. Financial Advisory Firm TFAS Integrates AI for Enhanced Efficiency

Read More

TFAS, a financial advisory firm, has integrated AI tools since early 2024 to streamline administrative tasks, compliance, and quality assurance. By adopting solutions from the Scottish start-up Aveni, such as Aveni Assist and Aveni Detect, TFAS has achieved a 25% boost in efficiency. Despite initial scepticism from Gen Z employees concerning data privacy and reliability, the firm anticipates further efficiency gains and aims to serve a broader client base without increasing headcount.



2. Australian Businesses Embrace 'Agentic AI'

Read More

In late 2024, 26% of Australian companies tested "agentic AI" to autonomously perform tasks typically handled by humans. Despite rapid adoption, broader implementation faces challenges due to regulatory uncertainties, with 42% of business leaders citing compliance as a primary concern. Nevertheless, the perception of AI's benefits has grown among Australian companies, with 78% planning to increase their AI investments, indicating strong future interest and commitment.

3. SMEs Recognised as Key to AI Revolution

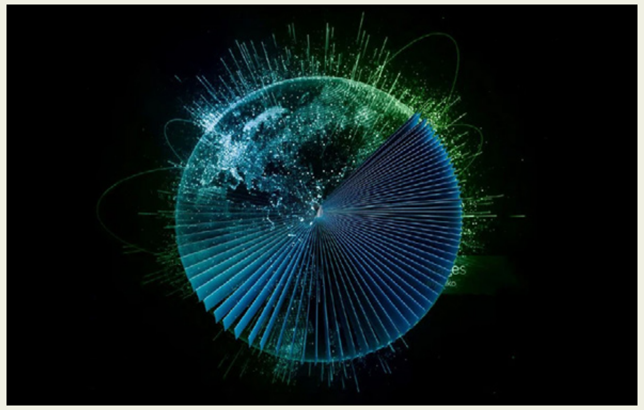
Read More

Small and medium-sized enterprises (SMEs), vital to the UK economy with a £4.5 trillion turnover, are experiencing a productivity decline, with 43% having no plans to implement AI. To harness AI's potential to boost global GDP, empowering SMEs through ecosystems that connect them with expert guidance and resources is essential. Integrating AI features into existing productivity tools can provide significant benefits if made accessible, making it a national priority to encourage AI adoption among SMEs.

4. Rising Concerns Over Job Obsolescence Due to AI

Read More

AI technology's rapid advancement has led to employee concerns about job obsolescence, termed FOBO (fear of becoming obsolete). A Gallup poll indicates that 22% of U.S. workers are worried about this issue, up from 15% in 2021. Experts emphasise the need for continuous investment in worker training to ensure AI complements rather than replaces human skills. Companies like Infosys have implemented successful in-house learning platforms with AI courses and incentives to address this challenge.



5. Deloitte Highlights Lack of AI Governance

Read More

Research from Deloitte reveals that nearly two-thirds of organisations have adopted generative AI without establishing proper governance controls, highlighting a significant gap between implementation and oversight. This lack of governance poses risks as companies integrate AI into their operations without adequate frameworks to manage potential challenges.

6. BCG Finds Companies Struggling to Scale AI Value

Read More

A study by Boston Consulting Group found that only 26% of companies have developed the necessary capabilities to move beyond proofs of concept and generate tangible value from AI. Despite investments in AI programs, many organisations struggle to scale these initiatives effectively. BCG emphasises the importance of aligning AI projects with business objectives, investing in talent development, and establishing robust data governance frameworks to scale AI and achieve significant business impact successfully.

7. JPMorgan Chase Implements Generative AI Tools

Read More

In 2024, JPMorgan Chase & Co. introduced a generative AI tool, the LLM Suite, to its 200,000 employees, marking a significant step toward integrating AI. CEO Jamie Dimon, a strong advocate for AI adoption, is eagerly anticipating mobile access to these tools by year-end. The bank's chief data and analytics officer highlighted AI's potential to drastically improve efficiency in daily tasks, reducing time spent from hours to minutes.

8. Telstra Enhances Customer Service with AI

Read More

Australian telecommunications company Telstra has integrated AI into its operations to optimise customer service and network management. The implementation of AI tools has enabled Telstra to provide more efficient and personalised customer interactions and proactively manage network performance.

9. ANZ Bank's Adoption of GitHub Copilot

Read More

ANZ Bank conducted an empirical study on the integration of GitHub Copilot, an AI tool, within its engineering teams. The study evaluated the tool's effectiveness in real-world engineering tasks, focusing on productivity, code quality, and security. Results indicated a notable boost in productivity and code quality, though the impact on code security remained inconclusive.

10. Unilever's In-House Legal Teams Leverage AI

Read More

Unilever has established three legal delivery centres in Barcelona, Mexico City, and Bengaluru, integrating AI tools to streamline contract processing and other legal tasks. These AI-powered systems have enabled Unilever to manage more legal work internally, significantly reducing reliance on external counsel and lowering operational costs. The centres have been instrumental in improving efficiency and response times for handling complex legal documents.

ARTICLE / VIEWPOINT

AI in Corporate Real Estate: Adoption Gains Momentum

By Jennifer Townsend
Partner, Occupier Research

Artificial intelligence is now a firmly established part of the corporate lexicon, but what are the trends in adoption and, more specifically, how could AI shape the CRE function?

Artificial intelligence (AI) is reshaping industries worldwide, with adoption accelerating across multiple sectors, from healthcare to finance. According to PwC, 52% of companies globally have begun deploying AI in at least one business function, while McKinsey estimates that AI could contribute $13 trillion to the global economy by 2030. Yet, adoption is uneven. Many companies remain in the exploratory phase, hampered by constraints such as insufficient data infrastructure, ethical considerations, and a scarcity of AI-savvy talent. AI is gaining traction in corporate real estate (CRE), but its integration reflects these broader adoption patterns, balancing optimism with operational realities.

THE SHIFT IN SENTIMENT

AI adoption within CRE is gaining momentum. While 65% of Knight Frank Corporate Real Estate Sentiment Index respondents rate current AI usage as “low,” optimism abounds, with expectations that this figure will drop to one-third by the end of 2025. This view aligns with broader enterprise trends, where 48% of companies predict high AI adoption within the next year, primarily targeting operational efficiency and predictive management.

However, optimism does not equate to ubiquity. CRE professionals face hurdles ranging from a lack of clean, actionable data to cultural resistance within organisations. As highlighted by McKinsey, successful AI integration requires a foundation of robust data infrastructure, skilled teams, and clear and compelling use cases. Without these, efforts risk stalling in the dreaded “pilot purgatory”.

OPERATIONAL EFFICIENCY: THE CORE USE CASE

AI’s potential in CRE primarily revolves around operational efficiency. Predictive maintenance, enabled by AI algorithms, can anticipate equipment failures before they occur, reducing downtime and costs. Similarly, AI-driven space optimisation tools help identify underutilised areas, allowing companies to reduce their real estate footprint without sacrificing functionality.

A 2024 report by Deloitte underscores the ROI of such interventions, noting that predictive maintenance can cut repair costs by 25-30% and reduce downtime by nearly 50%. This outcome is particularly relevant as CRE leaders grapple with economic pressures to do more with less.

LEASE AND TRANSACTION MANAGEMENT

Lease management is another fertile ground for AI. Automated systems can streamline lease abstraction, compliance monitoring, and renewal tracking—traditionally labour-intensive tasks. In the Knight Frank survey, this was one of the top-ranked use cases identified by CRE leaders.

Industry examples abound. IBM’s Watson, for instance, has been deployed in real estate to analyse lease portfolios and flag anomalies, freeing human teams to focus on strategic tasks. Yet, such systems require precise implementation to avoid pitfalls, including regulatory missteps in data-sensitive regions like the EU.

> “... maintenance can cut repair costs by 25-30% and reduce downtime by nearly 50%.”

AI AND THE WORKFORCE: JOB REDUCER OR ENABLER?

One contentious topic is the impact of AI on headcount. While some fear job losses, respondents to our most recent sentiment survey anticipate marginal changes in headcount due to AI adoption. This view is echoed in PwC’s “Future of Work” report, which suggests that AI is more likely to augment jobs than replace them, shifting roles toward higher-value activities.

For example, AI can automate repetitive tasks like invoice processing, enabling finance teams to focus on scenario planning and strategic advisory work. However, as the World Economic Forum emphasised, this transition requires robust upskilling initiatives as the workforce adapts to an AI-enabled environment.

SUSTAINABILITY AND SMART BUILDINGS

AI also intersects with sustainability, another pressing priority for CRE leaders. Smart building technologies powered by AI optimise energy usage and reduce carbon footprints. The sentiment index reveals a growing interest in integrating AI-driven solutions to achieve sustainability certifications.

A case in point is Google's St. John's Terminal in New York, which leverages AI to monitor and adjust energy consumption in real time. Such initiatives demonstrate how CRE can align with environmental goals while achieving operational efficiency. Yet, as the International Energy Agency highlights, scaling these solutions requires addressing upfront costs and ensuring access to renewable energy sources.

BARRIERS TO ADOPTION

While the potential is evident, barriers to AI adoption remain significant. First, data quality and accessibility are major hurdles. AI thrives on structured, high-quality data, yet many CRE organisations lack the infrastructure to gather, clean, and analyse the necessary inputs.

Second, cultural resistance within organisations slows progress. Leaders often face scepticism from teams wary of AI replacing jobs or disrupting established workflows. Third, ethical and regulatory considerations, such as algorithmic bias and data privacy concerns, add complexity. This complexity is particularly true in jurisdictions with stringent laws, like the European Union's GDPR, which imposes strict controls on data handling.'

Finally, the cost of implementation can be prohibitive. While AI offers long-term efficiency gains, the upfront investment in technology, talent, and training can deter smaller players. A 2024 Capgemini report highlights that 45% of organisations cite cost as their primary barrier to AI adoption.

1. Data quality and accessibility are major hurdles.

2. Slow progress from cultural resistance within organisation.

3. Complex regulatory considerations such as algorithmic bias and data privacy concerns.

LOOKING AHEAD

The future of AI in CRE is a story of both promise and pragmatism. As adoption accelerates, companies must tread carefully, balancing innovation with caution. Success hinges on establishing strong data foundations, investing in workforce training, and prioritising ethical considerations.

While AI may not revolutionise CRE overnight, its incremental integration reshapes the industry. Leaders who embrace this change thoughtfully stand to gain a significant competitive edge in managing portfolios and driving broader organisational success.

In an era where AI is becoming a competitive imperative, the choice is clear: **adapt or risk falling behind.**

Team in Focus: India Occupier Strategy & Solutions

7 Questions with Viral Desai, Deben Moza & Sathish Rajendren

Viral, Can you tell us a little about the Occupier Strategy & Solutions team in India, including its size, coverage, and some of its successes?

The Occupier Strategy & Solutions team at Knight Frank India has established itself as a formidable force in the commercial real estate market. Over the past decade, our market share has grown significantly—from a modest 5% in 2014 to nearly 20% today. This organic growth underscores our deep market expertise, strategic foresight, and client-centric approach. The primary force of this growth and development is the strong team that Knight Frank OSS has created with over 150 transaction staff across 50 cities.

From a revenue perspective, our performance has been equally robust, with a CAGR of 18% since 2014-15, accelerating to 27% CAGR over the last three years. This trajectory reflects our ability to anticipate market trends, deliver tailored solutions, and foster long-term client partnerships.

Key Achievements:

- Landmark Transactions: Knight Frank India executed India's largest commercial office transaction—a 3.5 million sq. ft. deal for Tata Consultancy Services in Mumbai. Additionally, we are poised to close a multi-faceted transaction involving land sales, project management, and leasing, which could generate the highest-ever fee for a property consultancy in India.
- Top-Tier Market Presence: Our team has successfully delivered three of the top ten commercial office transactions in India, a testament to our expertise and ability to handle complex, high-value deals.
- Enduring Client Relationships: With 50% of our business coming from repeat clients, we take pride in fostering trust-based, enduring partnerships that go beyond individual transactions.

What is the biggest challenge that occupiers in India face presently, and how is Knight Frank helping clients rise to the challenge?

Demand-Supply Imbalance in Grade A Office Space

India has witnessed a strong resurgence in office leasing driven by the return to office policies, expansion of India facing and Global Capability Centers (GCCs), and business growth etc. However, Grade A office supply has not kept pace with demand, with total leasing activity reaching approximately 72 million sq. ft., while new completions remained limited to 50 million sq. ft. This challenge is particularly evident in high-demand micro-markets such as Bandra Kurla Complex (Mumbai) and Hi-Tech City (Hyderabad), where occupiers face constraints in securing high-quality office spaces. We assist clients by identifying and securing the best available options, leveraging market intelligence, strategic negotiations, and innovative workplace solutions.

What is the most exciting opportunity you see for occupiers in India's evolving corporate real estate market?

India's corporate real estate market stands at a pivotal moment. While demand continues to grow, driven by the country's strong economic trajectory and increasing global interest, the market remains significantly undervalued. Grade A office space rents have remained steady at approximately US$1 per sq. ft. for nearly two decades—an anomaly when compared to global benchmarks. This presents a unique advantage for occupiers, who can secure high-quality office spaces at stable rental values, ensuring cost predictability and operational efficiency. Simultaneously, the prospect of significantly higher rental yields makes India an attractive destination for investors seeking long-term value.

With sustained economic growth and increasing corporate activity, India's office market is poised for substantial expansion. Stakeholders now have the opportunity to invest and leverage the market stability to establish a strong foothold in one of the world's most dynamic and promising business environments.

Deben, you are Head of Project Management Services for Knight Frank in India. Could you tell us a little about the team and how it works?

The Project Management India team comprises professionals with diverse technical backgrounds, including architecture, civil, electrical, and mechanical engineering, safety, quantity surveying, and project/construction management. Trained to interpret client briefs, the team delivers projects emphasizing safety, quality, budget adherence, and timely completion. Beyond traditional project management, they also offer design-build services, reflecting current industry trends in India & APAC. Recognizing the evolving workplace design landscape, particularly post-pandemic, the team receives ongoing training in the latest trends. Partnering with specialist workplace designers, they deliver a wide range of projects, from corporate offices and GCCs to BFSI and data centers. Sustainability and ESG are key considerations in both design and execution. Given the rapid pace of CRE project execution in India, the team maintains agility to adapt to evolving global trends.

You will be chaining an intriguing session at CoreNet about joyful, happy and soulful workplaces. What are the key themes you will be covering?

"Building with Joy: Mapping the Journey to Purposeful, Happy Workplaces" explores how cultural philosophies and universal connection can inspire the design of meaningful work environments. This discussion highlights the post-pandemic emphasis on employee well-being and the growing importance of purpose-driven workplaces, especially in India and the APAC region. Using metaphors like "The Alchemist's Path" and "We Are Stardust," alongside cultural concepts such as "Vasudhaiva Kutumbakam," Ubuntu, and Ikigai, panellists will illustrate the path to creating such spaces. Real-world examples like Infosys campuses and Capita Spring will demonstrate these principles in practice. The discussion will also cover practical steps for building these workplaces, including celebrating local culture, fostering collaboration, prioritizing well-being, and embracing long-term sustainability. The panel will conclude with a call to action for real estate leaders in India and APAC to invest in tenant well-being, leverage cultural values, prioritize sustainability, and build community, emphasizing that real estate's true purpose is to create spaces that enhance lives.

Sathish, you oversee the Facilities and Asset Management business across India. What are the big trends in Indian offices over the last 3 years?

Over the past three years, Indian offices have seen significant shifts driven by the pandemic, technological advancements and evolving workplace expectations. Hybrid work models have become the norm, with companies redesigning office spaces to support flexibility through hot-desking, collaboration zones and satellite offices in tier-2 cities. Technology integration has surged, with smart office solutions, IoT-enabled devices, and digital collaboration tools like Microsoft Teams becoming essential. Sustainability has also taken center stage, with a focus on green building certifications, energy-efficient systems and waste reduction initiatives. Additionally, offices are being reimagined to prioritize employee well-being, offering amenities like gyms, relaxation zones, health & wellness activity-based workspaces to foster productivity and engagement. These trends reflect a broader move toward creating agile, sustainable, and employee-centric workplaces in India.

There is a lot of talk about sustainability, given the changes in the global political climate.

How mature is the ESG mindset of occupiers in India, particularly businesses that originate in India? What do you think might change going forward?

The ESG (Environmental, Social, and Governance) mindset among Indian businesses is gaining strong momentum, with many large corporations, particularly in sectors like IT, pharmaceuticals and renewable energy, leading the charge with innovative and impactful initiatives. Government policies, such as India's commitment to net-zero emissions are creating a robust framework for ESG adoption, encouraging businesses to align with global sustainability standards. Small and medium-sized enterprises (SMEs) are also beginning to embrace ESG principles, driven by increasing awareness and access to resources. In the real estate sector, occupiers are prioritizing green buildings, energy-efficient systems, and sustainable practices, reflecting a growing demand for environmentally responsible spaces. With rising investor interest and global alignment, Indian businesses are increasingly integrating ESG into their core strategies, paving the way for a more sustainable and inclusive future. This positive shift highlights India's potential to become a global leader in ESG-driven business practices.

What is the most exciting opportunity for occupiers in India's evolving corporate real estate market?

The most exciting opportunity in India's evolving corporate real estate market lies in delivering innovative, technology-driven, and sustainable solutions that align with occupiers' changing needs. FM firms can also leverage IoT, AI and data analytics to enhance predictive maintenance, improve operational efficiency, and provide real-time insights. By prioritizing employee well-being through wellness programs, air quality monitoring, and ergonomic designs, FM companies can add significant value to occupiers. This evolving landscape positions FM providers as strategic partners in creating future-ready, sustainable, and employee-centric workplaces.

Discover Knight Frank's Insights at CoreNet APAC

Singapore, March 4-6, 2025

The CoreNet APAC Summit in Singapore is the premier platform to explore the future of corporate real estate (CRE). This year, Knight Frank is proud to lead a series of sessions addressing CRE's most pressing challenges and opportunities, offering thought-provoking insights to help leaders drive innovation, efficiency, and sustainability.

Unmissable Speaking Sessions

Knight Frank's experts will host impactful sessions tackling CRE's latest trends and strategies. Here's a closer look at what you can expect:

1. The Impact of AI in the 3rd Wave of Offshoring

March 5 | 4:00 pm – 5:00 pm

As generative AI reshapes the global business landscape, this session explores its role in the next evolution of offshoring and outsourcing. Learn how AI technologies enable organisations to rethink operational structures, optimise workflows, and reduce costs. Featuring insights from **Christine Li** and **Viral Desai** of Knight Frank along-side UOB and AYP Group leaders, the discussion will offer real-world examples of how businesses can harness AI for enhanced efficiency and resilience.

2. Chain Reaction: Anticipating the Future of Supply Chains and its Impact on CRE

March 6 | 1:45 pm – 2:45 pm

Supply chains are under significant pressure due to geopolitical disruptions, economic shifts, and environmental concerns. **Tim Armstrong**, Knight Frank's Global Head of Occupier Strategy, will join industry experts to highlight the cascading effects of these trends on CRE. The panel will share strategies to mitigate risk, enhance operational agility, and adapt to the evolving demands of supply chain management, drawing on success stories from the FMCG, retail, and industrial sectors.

3. Building with Joy: A Collective Creation of Happy, Soulful Workplaces

March 6 | 9:30 AM – 10:15 AM

Imagine workplaces where joy, collab-oration, and creativity flourish. This session reimagines the traditional office environment by emphasising the human aspects of workspaces. Led by Knight Frank's **Deben Moza**, alongside a diverse panel of experts from Boeing, Capgemini, and Thomas Workplace, the discussion will unveil innovative design principles that boost productivity and foster emotional well-being and organisational loyalty.

4. Sustainability and Beyond in the Modern Environment

March 6 | 12:00 pm – 12:30 pm

In an era where sustainability is a business imperative, this session takes a deep dive into actionable strategies for integrating ESG principles into modern CRE portfolios. **Sathish Rajendren** of Knight Frank, joined by thought leaders from GSK, Warner Bros, and Wipro, will discuss how companies can move beyond compliance to embed sustainability as a core organisational value. Topics will include innovative energy-efficient solutions, sustainable material usage, and fostering environmental accountability for long-term impact.

If you are attending the conference in person, please visit the Knight Frank booth in the exhibition area. The booth is sustainability-focused, designed using eco-friendly STAXX material made from 100% ocean-bound plastic. Partnering with Grobrix, we'll showcase herbal teas and mojitos crafted from freshly grown herbs, demonstrating how sustainability can be integrated into every aspect of life and business.

The 2025 CRE landscape demands agility, innovation, and sustainability. Knight Frank's sessions and events at CoreNet APAC 2025 are designed to equip CRE professionals with the insights, strategies, and tools they need to stay ahead in a rapidly changing world.

Be part of the conversation shaping the future of corporate real estate.

See you in Singapore!

We will provide a summary of each of the four sessions we are hosting in the next edition of the digest.

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you.

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