EVOLVING URBAN DESTINATIONS

How the blending of work and travel is reshaping cities in Asia-Pacific for the better

A white paper by:

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Foreword

The COVID-19 pandemic has been among the most seismic and sustained social and economic disruptions we have experienced in generations. The pandemic has forced a collective rethink of many established principles for how we organise work, life, and travel. As history shows, cities are often the communities most dramatically impacted by pandemics and COVID-19 is no different.

As the pandemic first emerged, the human cost in lives was most acutely felt in cities around the world, and the economic cost caused significant hardship for millions of people through jobs lost and damaged businesses. Urban centres quickly became ghost-towns as lockdowns took effect, with many experiencing a slow recovery.

One industry that has been significantly upended by the crisis is travel. As the pandemic began, international travel ground to a halt. Even as international travel has slowly recovered, travellers are visiting more dispersed destinations and staying longer. Domestic travel patterns too have changed along the same lines as people explore off-the-beaten path rural and regional destinations. As the recovery in travel continues, it's taken on a form underscored by greater flexibility, dispersal and diversification, that is enabling more communities than ever before to reap the benefits of tourism. People are now beginning to return to urban spaces, and many workers permanently untethered from the need to be in an office every day, thanks to continued advancement in technologies that enable remote work, have the opportunity to live and work from anywhere. These changes in travel, living, and working patterns enable us to think creatively about the future through a wholesale re-think about urban spaces and a reimagination of how these spaces can adapt to these trends.

Underpinning these changes are issues of sustainability and resilience across economic, social, and environmental paradigms, all of which are just as salient for the nine cities — Bangkok, Brisbane, Kuala Lumpur, Melbourne, Osaka, Seoul, Singapore, Sydney, and Tokyo — featured in this white paper, now than ever before. Indeed, just as the pandemic transformed our cities, it warrants a transformation in not just how we think about our urban spaces to maximise the benefits of new trends in living, working, and travelling but how to build greater resilience.

We can now start to make more sense of the changes ushered in by COVID-19, and what this means for residents, workers, and travellers in urban communities, as well as policy-makers and the private sector. When we commissioned this white paper, we wanted to gain a better understanding of the challenges and opportunities in these nine cities across the Asia-Pacific, with a view to identifying potential solutions so they can make the most of these fundamental changes for the benefit of residents and travellers alike. As the changing realities of a post-pandemic world continue to unfold, this first-of-its-kind white paper outlines the need to secure a more resilient economic future by rethinking urban structures and spaces in response to long term trends in living, working, and travelling.

As cities adjust to these new realities, some ways in which urban communities can be strengthened include pursuing opportunities to:

- **Reuse and repurpose existing real estate**, to achieve sustainability savings, reinvigorate urban spaces and adjust to new working trends — untethered workforces with increased flexibility — by rethinking land uses for both office and living spaces;

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- **Diversify housing typologies** by establishing the policy settings for housing that caters to different communities and emerging use cases of people's accommodation needs, including increasing supply of more permanent and affordable housing as well as temporary accommodation options for people who blend work and holiday travel — such as "workcations" — as well as remote workers;

- Win the competition for talent by **accommodating new live-and-work anywhere practices**, such as workcations and digital nomadism;

- **Create diverse and unique offerings** which help reimagine city identities as they adapt to the new ways of living, working, and travelling;

- **Better dispersal of travel** so that communities big and small can share in the benefits of tourism through the creation of richer experiences around new tourism offerings based on existing cultural, historic, and natural assets; and

- **Drive greater collaboration with local communities** to build local, authentic, diverse, inclusive and sustainable tourism that brings benefits to a broad group of stakeholders.

This white paper is a starting point. It provides insights to inform policy settings and place-making in a drastically different world, and encourages us all to consider the opportunities to re-imagine how cities can benefit from the trends it considers, from strategic planning initiatives and urban innovation to novel architectural design and transportation improvements. These changes invite both public and private sectors to rethink how to best position communities to be more sustainable and resilient, bringing benefits to all stakeholders.

On Airbnb, we are seeing people embrace longer stays and a "live-and-work-anywhere" mindset as they become increasingly untethered. Amongst other factors, new Hosts began opening their doors amidst growing inflation, underscoring the need to build greater economic resilience amongst communities. Already, we have driven greater flexibility in the travel sector through the development of Categories and our "I'm Flexible" features, and through the City Portal we have driven greater levels of collaboration with governments across the world, providing tools, data, and travel insights to make better decisions and enforce regulations. These are examples of how innovation can address significant challenges like over-tourism, collection of taxes, and better regulation of our industry. But there is more that can be done.

Looking to the future, we want to increase collaboration between Airbnb and cities by building greater dialogue with policy-makers and communities to advance shared goals in response to the trends shaping the future of travel, living, and working. Our hope is that this white paper can serve as a blueprint for how industry and government can work together to design for the future of cities, including urban travel and remote work, and in doing so increase the flexibility and adaptability of cities to drive their revitalisation.

As tourism rebuilds, we are committed to partnering with cities throughout the Asia-Pacific to develop the sustainability and resilience of the communities in which we operate.

Steven Liew
Director of Public Policy
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What this paper is about

The last three years have been challenging times for cities. Covid-19 rocked economies and communities to the core, and dense urban areas were not spared, to say the least. As the world is reopening, the consequences of the pandemic are still being felt, and are exacerbating or influencing existing trends and urban challenges, from climate change to demographic pressures. The way we work, move, socialise, travel, and overall live have radically changed, and the extent to which these changes are to stay is becoming clearer.

So how have these forces remoulded who we are and how we move through our cities? How has Covid-19 reshaped our understanding of work and office space? How has it impacted traveller behaviour? Most importantly, what opportunities have emerged as a result of the pandemic, among other shocks and stresses, for cities to rethink their shape and function? Finally, how might policymakers and companies seize these opportunities? Here are the questions that this study aims to answer, by focusing on **nine cities in Asia-Pacific.**

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GAZING INTO URBAN FUTURES

Throughout history, pandemics and disasters have spurred cities to reinvent themselves, and make significant improvement in infrastructure and regulations. **However, the changes triggered by Covid-19 seem particularly far reaching, impacting the very fabric of how we live, move and travel.** Unsurprisingly, the pandemic hit cities more strongly, due to a combination of density, long supply chains, reliance on central business districts, and other factors. Similarly, environmental, demographic and talent shortage pressures are calling urban policymakers to confront challenging questions, such as:

- How are work, travel and living evolving?
- What opportunities do new forms of work and travel represent?
- How can we make our cities more resilient to future shocks?
- How can we make cities attractive to talents and travellers?
- How do we change the way we plan and design our cities?

Answering these questions are bound to redefine the role of cities and urban centers in the 21st century.

HOW NEW FORCES ARE RESHAPING CITIES

The tragedy of the lives lost to Covid-19 is beyond measure, but the impact of the pandemic on cities also had a profound broader reverberation. The pandemic affected economic growth, livelihoods, and employment, impacted migration flows, and discouraged large numbers to use public transports.

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Similarly, the pandemic added to pressures from climate change and rising social inequalities.

At the same time, the competition to recruit the right skills is becoming stiffer. Talented workers are increasingly mobile and sought after by global metropolises, each competing for the coveted title of "most liveable city". This race for talent is all the more intense as several countries in the region are facing both a rapidly ageing population and new needs from the younger generation.

The return of urban travels as countries reopen, combined with the rise of new forms of tourism and the stickiness of remote work in many of the cities studied, **provide an opportunity for policymakers, planners and the private sector to rethink how cities can adapt to a world which – for better or worse – has irremediably changed.**

Indeed, the adoption of hybrid ways of working has shifted the gravity of economic activity away from city centers. A rising proportion of professionals no longer entirely decide their living location based on their place of work, focusing instead on quality of life. The trends influencing how people work, travel and live have supported a more mobile and flexible workforce globally, making the need to strictly choose between leisure and work a thing of the past.

One key commonality across the nine cities studied (Sydney, Melbourne, Brisbane, Singapore, Kuala Lumpur, Bangkok, Seoul, Tokyo and Osaka) is that the decentralisation of activities to the city periphery has been accelerated by the shift to work-from-anywhere.

Supplementing the expected increase in concentration of people and activities in the city periphery with urban and transportation infrastructure can set a foundation for more evenly distributed and diverse experiences.

Policymakers have a unique opportunity to capture some of the opportunities that these changes create, while addressing some of the related challenges (such as socio-economic pressures, labour force shortages, and the need to provide reliable connectivity). Overcoming such challenges will be key to positioning cities in the post-pandemic world and ensuring urban centers do not lose relevance as travelers and workers seek less crowded and more peaceful environments.

For example, governments can strengthen the agility and resilience of businesses in the city by providing training in digital skills, guidance on market trends, and financial support or incentives to adapt or create new products. Similarly, cities could potentially embrace more flexible planning, fiscal and business policies that encourage hybrid work and travel. **An overview of such potential actions is provided on page 20 and 50-57.**

A NEW WAY TO WORK, TRAVEL & LIVE

By shattering the illusion that work could only be done from the office, Covid-19 redefined work habits in ways that are proving largely long-lasting. A significant portion of workers now indicate a preference for remote, flexible work arrangements as well as a strong desire for healthier work environments.

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For many, the days of strict work schedules are gone. Now work-from-home and work-from-anywhere policies are leading to a rethink of the traditional role of the office. Companies are increasingly adopting co-working, open floor plans and accelerator spaces while turning offices into hubs of collaboration and innovation. This is leading to more decentralised uses of real estate, structured around satellite workplaces scattered around the city, connected to a central hub. **These new forms of work have impacted CBDs focused on offices and commercial real estate, leading to rising vacancies and downward pressures on rental rates.**

Meanwhile, the shift in how people travel predates the pandemic but was definitely accelerated by it. The psychological side effect of the health crisis fueled rising concerns about health and the environmental impact of human activities. When borders were closed, many chose to rediscover domestic locations. When they reopened, travelers came back with different expectations: a desire to avoid crowds, positively impact local communities, and travel as sustainably as possible. These trends are fueling new forms of tourism, such as:

- **Rural tourism:** travel to rural and natural areas
- **Ecotourism:** sustainable and nature-based forms of tourism
- **Conscious tourism:** positive impact on local communities
- **Wellness tourism:** travel focused on relaxation and health
- **Workcations:** merging of holidays and working arrangement
- **Bleisure:** extension of business trips for leisure purposes

These changes may seem at first challenging in their breadth and speed, but they provide immense opportunities for cities to bounce back better and evolve in ways that leverage, rather than stymie, these new forces.

OPPORTUNITIES FOR TOURISM

Apart from changing travellers' preferences and digitalisation, flexibility from remote and work-from-anywhere arrangements has also led to a blurring of lines between travelling and living. These translate to several opportunities in the tourism industry.

First, cities in Asia-Pacific can leverage the rise of the consumer class, estimated to increase to 5.6 billion people in 2030. Cities will hence be able to shape new offerings for a wider range of new travellers, based on their existing cultural, historic, and natural assets. These offerings can positively impact the economy and culture of local communities by generating income, new jobs and skills. Placemaking-driven rejuvenation, particularly around cultural tourism, can also benefit local economies.

These new offerings provide opportunities for cities to position themselves as gateways to tourism activities outside the city, while building the connections between urban, peri-urban and rural areas. Doing so can increase travel durations and enable visitors to combine urban and rural experiences around richer packages.

OPPORTUNITIES FOR WORK

The future of work is centred around the need to cater to changing needs, be it due to changing work habits or evolving preferences, leading to new opportunities.

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Cities can notably diversify their workspace offering to cater to entrepreneurs and smaller outfits, while giving tenants and landlords more flexibility in filling the available space. At the same time, as remote work takes hold, work activities are moving away from CBDs. This is an opportunity for policymakers, developers and companies to redirect investments to the periphery, and to plan for mixed-use neighbourhoods and satellite towns.

These changes are redefining the potential role of city centers, one that is defined by flexible spaces, co-location, night economies, street activation and placemaking in a way that aligns with more hybrid forms or work and living.

OPPORTUNITIES FOR CITIES

These new work and travel trends also have the potential to change planning paradigms and how people view city spaces.

Cities could potentially reuse and repurpose existing assets, to refresh the city offerings, rejuvenate the city centre, and attract visitors and foreign talents. For example, Bangkok's ageing commercial real estate in the city centre has the potential to be repurposed for other new, creative, and flexible uses.

These changes could be centred around a reimagination of city identities. Rapid shifts in consumer preferences create opportunities for urban centres to create unique experiences that can only be found in urban centres. Flexible spaces for working, living and playing in various pockets of the city can allow various communities to meet, create, and engage with each other.

Meanwhile, the blending of work-live-play functions in both the city centre and periphery can help diverse mixed-use spaces and neighbourhoods to thrive. While the CBD may continue to hold an important role as the centre of economic growth, development on the periphery can help spread activities and reduce congestion in the centre whilst ensuring the city periphery is sufficiently equipped with the right urban and transportation infrastructure. The introduction of placemaking activities and community-based space activations can also contribute to more vibrant places. Cities can also adapt to the new realities of work by encouraging adaptive reuse and retrofitting, incentivising decentralisation, and developing specific talent attraction strategies, via more flexible tax schemes and digital nomad visas.

THE WAY FORWARD

A range of potential actions can help successfully capture emerging opportunities and overcome challenges.

RETHINKING URBAN STRUCTURES AND SPACES

With the democratisation of remote working, cities should rethink the role of urban centers, while developing new polycentric planning models. Actions could involve:

- **Injecting variety of functions:** The pandemic stressed the importance of open, public spaces in urban centres. City planners are reimagining CBDs as centres for knowledge exchange, rather than financial / corporate centres, in order to develop more vibrant ecosystems.

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- **Revisiting planning policies to allow flexible zoning and building forms in city centers:** Policies and incentives can allow the industry to be more agile in developing new offerings and to support the reuse or repurposing of spaces (e.g. mixed-use zoning). Incentives for developers to create mixed-use neighbourhoods with public space can also help accelerate the shift.
- **Diversifying housing typologies:** As workers and travelers are now seeking to use city spaces in multiple ways (including new forms of accommodation), planners may consider permanent, temporary and affordable housing, as well as adaptive reuse or short-term stay policies, to encourage housing offerings that meet a variety of needs across a diverse spectrum (e.g., hotel stays, short-, medium- and long-term rentals).
- **Activating building ground floors and frontages:** planners and developers can incorporate retail, meeting spots, civic functions, public/participatory art and other experiential elements to create more vibrant spaces.
- **Provide incentives for infrastructure investment beyond the core:** Policymakers could consider incentives for the private sector to invest in suburbs to develop spaces and tourism experiences, and build a more livable and attractive environment supported by sustainable infrastructure.
- **Introducing transit-oriented development:** planning authorities, developers and service providers can collaborate to develop compact and mixed-use spaces via mass-transit stations.
- **Enhancing mobility:** To shift away from car-centric planning, planners may focus on improving first / last-mile connections and developing infrastructure for active mobility. Policymakers can support this by removing barriers to entry for new forms of mobility to be developed in cities. City authorities may also look to pedestrianise streets (e.g. car-free / green streets) and improve public transportation infrastructure to better connect peri-urban areas to the city.
- **Encouraging adaptive reuse and retrofitting:** To limit construction-related scope 3 carbon emissions while preserving a sense of urban identity, city officials may consider developing incentives to encourage the adaptive reuse and retrofitting of existing buildings over new builds, in order to optimise the value extracted from repurposed structures (or balance the equation between new and repurposed buildings. and limit the environmental impact of the construction industry).
- **Decentralising and rethinking workplaces:** Companies may rethink their physical offices to align with emerging employee and new talent demands (e.g., redefining CBD offices, opening regional satellite offices, rethinking office spaces as collaboration and innovation hubs).

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ENCOURAGING NEW FORMS OF WORK AND TRAVEL

As hybrid work models, blended lifestyle trends (e.g. bleisure, workcation and digital nomadism) and demand for conscious tourism start entering the mainstream, public and private actors can choose from a variety of actions to capture related opportunities:

- **Attract foreign talent:** Policymakers could develop talent attraction strategies (e.g. branding, easing visa requirements) that align with local skills gaps. In addition, governments could incentivise foreign companies to establish local offices via grants or specific tax schemes.
- **Introduce Digital nomad visas**: to relax immigration hurdle for digital nomads, policymakers might take inspiration from the likes of Malaysia and Portugal to either introduce new visas or adjust immigration requirements (e.g. lower minimum salary required).
- **Develop WFA policies:** companies have the opportunity to clearly define WFA policies that allow employees to work remotely, take workcations or work from home as desired, taking into account tax implications, immigration concerns and data security.
- **Increase the transparency of sustainable tourism:** tourism operators may benefit from providing transparency on the environmental and social impact of their activities to align with rising interest for responsible travel. This would create a stronger value proposition to conscious travellers, and add clarity to the green tourism industry overall. Doing so may include including reporting, monitoring and disclosure methods, using collaboration across the sector to standardise assessment criteria.
- **Digital connectivity and literacy:** Policymakers should focus on expanding digital infrastructure and digital adoption. At the city level, they can also encourage the deployment, adoption and standardisation of digital tools such as e-payments, ensure the inclusivity of technology, as well as ensure optimal design and delivery standards for digital tools city-wide.
- **Foster domestic travel:** policymakers may want to increase or extend schemes and marketing campaigns that encourage domestic and/or rural tourism, as an additional lever to the recovery of the tourism industry.
- **Collaborate with and empower local communities:** local community members and small businesses should be involved in the co-creation of new tourism and commercial offerings to ensure that new services will be beneficial to local communities and economies. Local tourism can also drive greater economic resilience by opening up new forms of revenue streams and activities for local residents.

Introduction

A CHANGING WORLD

HISTORY REPEATS ITSELF

Disasters have historically spurred cities into reimagining themselves. Mumbai's Bubonic plague of the late 1800s led to the creation of the Bombay Improvement Trust, which drew up plans and guidelines to ventilate and decongest the city. Meanwhile, the 1962 London smog led to a revamping of the 1956 Clean Air Act.

What is new, in this case, might be the range of the changes involved. The transformation initiated by Covid-19 and climate pressures has transcended public health and environmental legislations to encompass the very fabric of how cities operate, and how people travel, commute, work, study and interact with each other.

The effects of Covid-19 and climate change have been and will be particularly felt in the cities of this study. The importance of the tourism economy, long supply chains and immigration have translated into devastating economic impacts for Southeast Asia, East Asia and Australia. Travel restrictions led to a 95.3% decline in international arrival during the first 6 months of the pandemic alone.[1] This drop was soon followed by an uplift in domestic and rural tourism across the region, however.

[1] Covid-19 And The Future Of Tourism In Asia And The Pacific, ADB, 2022

A Changing World

HOW NEW FORCES ARE RESHAPING CITIES

Understanding what trends – acute and chronic – are currently reshaping the nine cities of our study is a crucial step towards understanding what the opportunity is, and how to capture it. Obviously, recent events are shedding an overwhelming light on pandemics and the city's ability to deal with them. However, the pressures reshaping urban environments go beyond once-in-a-generation health shocks. They also involve:

- **Threats to urban sustainability and resilience:** beyond climate change and its impact on urban systems, the pandemic has shaken the very foundation of social fabric and communities, as well as endangered the livelihood of many vulnerable segments of the population.
- **Challenging demographics:** most cities in our study are under pressure from younger and ageing generations, whose rising numbers come with widely different perceptions, values and needs.
- **Competition for talent:** fostered by the dematerialisation of work, and the role of special skills for city growth, large cities worldwide are now vying for the unique talents that will drive the economic growth of tomorrow.

These forces are fundamentally redefining how people work, travel, interact with each other, and multiple other aspects of urban life. These shifts are leading to profound changes in how cities and their dwellers operate. The changing face of CBDs, shrinking cities, the normalisation of remote work, the revival of suburbs...these new paradigms are providing policymakers with **significant opportunities to rethink the value proposition of cities for those who live in them.**

A Changing World

IMPACT OF THE PANDEMIC

The pandemic has exacted a heavy toll on urban populations, with 90% of all cases recorded in cities.[1] The tragedy of lives lost is beyond measure, but the impact of Covid-19 on cities extends beyond the human cost of the disease.

The pandemic affected the economic growth and job market of the cities studied (especially in sectors like hospitality). Asia Pacific countries, for whom tourism is an important growth driver, particularly suffered, as arrivals dropped by more than 80% in the first 6 months of the pandemic.[2]

As a result, Asia Pacific's GDP growth (excluding Hong Kong, Singapore and Korea), slowed from 5.5% in 2019 to 0% in 2020. Unemployment and severe income loss followed. Thailand estimated that 70% of its workforce experienced a fall in monthly incomes of 47%.

Covid-19 also reshaped how people approach and experience urban movement. For one, the emergence of flexible working arrangements has primarily affected public transportation.

"*We are getting more people working from home, but when people are choosing to travel to work, they're not travelling by public transport*," says Matthew Beck, associate professor at the University of Sydney. As a result, while road traffic has by and large recovered to pre Covid-19 levels, public transportation utilisation has not.

Many opportunities for non-car options have emerged, however. Smaller crowds are making public transportation more attractive to some. The increase in local movement is creating opportunities for local public transportation lines. And bike sales worldwide have boomed. "*The pandemic has prompted us to rethink what we do, and how we live, work, and play*," says Evan Granger, Director of Urbis.

The Osaka prefecture was hit the second hardest in Japan, with 2,998 job losses by June 2020

In Tokyo, **38% or workers reduced commuting time by half** as remote work habits take hold

In New South Wales, **15.4% of residents rode a bike once a week in 2021** compared to 12.9% in 2019

[1] Policy Brief: COVID-19 in an Urban World, UN SDG, 2022
[2] Tourism in the Post-Pandemic World, IMF, 2021

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Furthermore, the pandemic affected the ability of people to migrate for work, and led urban dwellers to rethink where they choose to live. The disruption of human flows impacted cities in three main ways:

- **City Shrinkage:** the pandemic initiated or accelerated the shrinkage of CBDs in particular and cities at large, as people moved out of crowded metropolises and city centres to find refuge in suburbs and the countryside. For example, more than 100,000 people chose to leave Sydney and settle in the countryside during the lockdown. Departures from city centres are interlinked with pressures from declining birthrates, particularly in cities with ageing populations like Tokyo. Some rural and peri-urban areas, however, have seen a net increase in population and benefited from the shift.
- **Challenge to the CBD supremacy:** Remote working arrangements have reduced urban mobility flows to CBDs, especially in cities where hybrid work is forecasted to become the new normal. Hybrid work models convinced many urbanites to move permanently or semi-permanently to suburbs and rural areas, spurring cities like Melbourne to consider polycentric work models around economic centres built in the suburbs. These flows caused commercial real estate vacancy rates to increase. In a KPMG survey, 58% of respondents were expecting to decrease their need for CBD office space in the next five years.
- **Disruption to migration flows:** Covid-19 led policymakers to restrict migration movements on which many economies in our region depend (40% of the world's international migrants originate from Asia). Being unable to hire seasonal workers limited the ability of certain sectors (particularly construction and hospitality) to operate.

> *"Although 'superstar' cities like New York or London will not 'disintegrate', they will be challenged by the rise of remote working and their central business districts will be disrupted."*
>
> **Shauna Brail, University of Toronto**

Finally, while social distancing and other Covid-19 restrictions had an undeniably positive effect on urban greenhouse gas emissions, the pandemic put the infrastructure and the social fabric of cities across the region under significant stress.

- **Improved environmental quality:** Covid-19 led to an immediate 20-40% drop in air pollution levels and a 7% reduction in carbon emission from 2019 to 2020 in major global cities due to lockdowns and economic slowdown.
- **Additional pressure on basic city infrastructure:** safe distancing and other workplace public health measures disrupted every major urban system, from waste management to food supply and distribution system, highlighting a lack of flexibility and resilience.
- **Worsening urban social segregation and inequality:** The pandemic is estimated to have pushed around 88 million new people into extreme poverty in 2020. Social segregation in cities has been worsening, pushing minorities into ethnic enclaves, and deepening both social and physical segregation and separation. In addition, workers involved in manufacturing essential commodities responded with strikes and other forms of counteraction to the rising labour demands and widening inequalities.

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SUSTAINABLE AND RESILIENT CITIES

The impact of the pandemic has been multi-dimensional, casting light on vulnerabilities in cities' infrastructure and systems, environmental context, economic models, and social fabrics. While Covid-19 is not the source of these issues, it renewed the call for a more sustainable and resilient approach to cities.

The idea of resilient and sustainable cities has taken shape at different times but for related reasons. The notion of urban sustainability finds its origins in the garden cities of the 1900s and ecological cities of the 1970s, and aims to attenuate many of the excesses of rapid urbanisation: waste overproduction, GHG emissions, poverty, inequalities, social isolation.

The idea of urban resilience emerged more recently, under the impulsion of the United Nations Sustainable Development Goals goal and the influence of the Medellin Collaboration for Urban Resilience and the Rockefeller Foundation's 100 Resilient Cities. The idea aims to strengthen the *"capacity of individuals, communities, institutions, businesses, and systems within a city to survive, adapt, and grow."*

These ideas have been gaining prominence of late – worldwide and in the cities of our studies – under the combined pressure of climate change, rising social inequalities and Covid-19. Disaster-prone countries such as Australia's east coast and Japan have seen greater public awareness of the risks associated with global warming. Many of the challenges faced by urban environments seem to disproportionately affect disadvantaged communities that are economically vulnerable and live in environmentally exposed sites (Bangkok's 2011 floods affected its slum population particularly strongly). Rapidly growing housing, infrastructure and energy demand in Asia is behind a large portion of GHG emission increases. In Asia, over 80% of the region's total primary energy supply stems from fossil fuels.

In response, cities worldwide have been developing urban sustainability and resilience strategies. Singapore, for example, initiated a combined Green Plan, City in Nature and Climate Action strategy, while Sydney put together a comprehensive Sustainable Sydney 2030-2050 Vision. These strategies span multiple urban dimensions, from good governance to inclusivity, from resilient communities to preparing for climate change impact. Two specific actions have been gaining ground regionally.

First, building codes and incentive schemes are being updated and developed to spur the adoption of energy-saving and low-carbon building technologies, such as energy management systems, vertical and rooftop gardens, sustainable construction materials and solar. This is an important trend in construction-hungry Southeast Asia, where Singapore has been leading the pack through its GreenMark certification scheme, and its ambition to see 80% of the buildings in Singapore becoming green by 2030.

A Changing World

Moving away from traditional ideas of cities as high-density and human-centric spaces, cities are incorporating environmental sustainability and social inclusiveness at the core of their planning approaches. Beyond the installation of environmentally friendly infrastructure, sustainable planning puts greater emphasis on social and green spaces such as green corridors, public parks and reforestation. "Treepedia" from Senseable City Lab (MIT), which measures the canopy cover in cities, places Singapore at the top of its 'Green View Index' with 29% coverage; followed by Sydney (26%).

Secondly, the pandemic has also called into question the resilience of business centre-driven economic models, reliant on commercial real estate for large portions of urban GDP. Cities now explore more diversified economic models that include polycentric planning, as well as the rejuvenation of city centres away from office space dominance. Bangkok's Resilience Strategy led by the Bangkok Municipal Authority aims to develop Bangkok as a centre of tourism excellence and green services.

> *"All cities are now looking at suburban policy, to understand how to make suburban areas more livable and provide them with a greater diversity of activity such as culture and recreation."*
>
> **Peter Hyland, Director of Urbis**

COMPETITION FOR TALENT

As cities look to knowledge intensive industries to drive future economic growth, the competition to recruit the right skills is becoming stiffer. Talented workers are increasingly mobile and sought after by global metropolises, each competing for the coveted title of "most liveable city". In a 2020 Ernst and Young survey of real estate professionals and planners, 84% considered access to talented professionals as a fundamental factor for the attractiveness of business districts, up from 70% in 2017.

DEMOGRAPHIC PRESSURES

While East Asia – particularly Japan – is facing a rapidly ageing population (29% of Japan's population is above 65 in 2022), Southeast Asia must contend with a younger population (more than half of the region's population is under 30). This raises polarised urban issues of social isolation and focused care for the elderly, as well as job creation, education and youth-related experiences for younger generations. Not to mention polarised approaches to sustainability and social responsibility.

RISING OPPORTUNITIES

The pressure caused by these trends is creating an unprecedented opportunity to rethink the way cities are planned and approached as economic and human centres. Indeed, the return of urban travel as countries open, combined with the rise of new forms of tourism and work are inviting policymakers and planners to rethink how cities can adapt to the world which – for better or for worse – has irremediably changed.

A Changing World

ADDRESSING KEY CHALLENGES

Capturing these rising opportunities requires more than simply rethinking spaces and designing new attractions. It demands tackling head on some critical challenges.

APPLICABLE TO ALL CITIES OF THE STUDY | **SOUTHEAST & EAST ASIAN CITIES** | **AUSTRALIAN CITIES**

Labour crunch
Border closures and shifts to flexible jobs have created labour shortages for reopening sectors, such as F&B or hospitality

Inflationary pressure
Energy, food and labour supply disruption fuel inflation, which could translate into social tensions

Conservation
Shifts to new city paradigms must consider environmental consequences, as transition risks grow

Resistance to change
Selected companies still value physical presence in the office, limiting the stickiness of flexible work in certain areas

Urban living
Constraints to the ability to build new housing supply, city planning, and interest rates are putting pressure on cost of living

Lagging infrastructure
Missing infrastructure for new forms of travel and working, around activated urban spaces, mixed-use development and suburbs

Legacy assets
As cities evolve, they must ensure returns for major investments in transport infrastructure and commercial developments

Planning processes
Planning and approval requirements for new developments or land use shift can slow down urban reinvention

Digital limitations
Some cities studied suffer from subpar connectivity, particularly in rural and peri-urban areas, that can hamper flexible work

Infrastructure resilience
Australia and Southeast Asia are highly exposed to physical risks of climate change. New paradigms should address them

Chapter 1
A NEW WAY TO WORK, TRAVEL AND LIVE

Covid-19, and the public health actions it required, had a profound impact on the way people perceive day-to-day work, their relationship with colleagues, their aspiration to travel and the way they wished to experience other places and cultures.

Compounded with rising sustainability concerns, and a looming talent shortage, corporations have been called to rethink the way they envisioned the workplace, while tourism boards and service providers have had to do the same for travel.

Behind these changes stand a profound shift in behaviours and expectations, both for workers and travellers. Firstly, the pandemic reinforced the need to prioritise health and safety and wellbeing. Employees' and tourists' call to put personal wellbeing at the forefront resulted in shorter workweeks, work-life balance focused corporate cultures, and growing demand for safe and wellbeing driven trips.

In addition, with the realisation that remote work did not impact productivity, and that trips could be disrupted at the last minute, came a **growing demand for more flexibility in the workplace and in the travel industry.** The rapid adoption of telework, travel planning technologies and ubiquitous connectivity has made it possible to work effectively away from the office and manage travel plans on the go.

A new way to work, travel and live

Policymakers, travel service providers and corporate executives have been quick to change policies and services to adapt to new behaviours. Companies region-wide have adopted (and in many cases retained) remote work policies. New travel offerings now focus on wellness or ecotourism. City centre rejuvenation, polycentric cities and resilience-driven planning are now no longer the prerogative of cutting-edge tactical urbanists and are being actively explored and implemented by planning departments worldwide.

These actions have encouraged the blending of work and tourism into new forms of **"workcations", "bleisure", "work from anywhere" and "digital nomadism" possibilities.** In addition, as business travel resumes, many will seek to augment their travel with leisure experiences, to take full advantage of their time in new destinations. Some of these shifts may not survive in the long run but many will. This chapter will explore the impact of various trends on how we work, how we travel, and how we are increasingly blending the two.

1.1. WORK: REINVENTED

The rise of Covid-19 led to lockdowns, closures and restrictions on people's mobility, challenging traditional work habits and accelerating the transition to work-from-home (WFH) models. According to the ILO, only 7.9% of the global workforce worked from home in 2019, but 17.4% did in 2020. This marked an unprecedented shift in working habits, driven by the pandemic and enabled by digitalisation.

As pandemic recovery sees countries reopening borders and welcoming workers back into the office, **work-from-home habits and corporate policies seem to be enduring**. However, some nuances exist. First, white-collar / office workers tend to benefit more from remote work policies. Second, cultural variations lead to different approaches to flexible work post Covid-19. For example, many companies in Tokyo still require the majority of their staff to come back to the office.

A new way to work, travel and live

HOW THE PANDEMIC TRANSFORMED WORK

Across interviews, workers seem to indicate a preference for remote and flexible work arrangements. A survey by Ernst and Young found that **60% of employees interviewed would consider leaving their job if they were not provided flexibility in their work schedules.**[1] In Singapore, 73% of the workforce prefers a hybrid work model for the future.

These numbers are not surprising. WFH arrangements allow workers to reduce commuting time considerably, which in cities with major traffic congestion issues, such as Bangkok or Tokyo, can amount to several hours saved daily. Flexible work also allows workers to consider living in new locations away from expensive city centres. Sydney and Melbourne, notably, have seen large amounts of urbanites relocating to the suburbs.

Trumping many predictions, flexible work arrangements have been accompanied by a rise in productivity, as flexible schedules, tasks and goals are more results-oriented than time-based. 70% of respondents from an EY survey believe that such hybrid schemes were successful in increasing their creativity, quality and the efficiency of output produced.

Flexible working has also empowered workers to prioritise employment on their terms and resulted in more individuals choosing to change jobs. Workers are focused on reaching their own professional goals and achieving work-life balance. 60% of employees surveyed in Asia-Pacific by EY were likely to switch jobs if presented with a better job opportunity elsewhere.

As a health shock, the pandemic fueled a global refocus on health that far exceeds Peloton sales. Employees are now demanding a work environment that is healthy for the body and mind, leading to a rethink in offices and work policies.

Firstly, companies now herald health and wellness as a critical differentiator to attract talent. UVGI-enabled air conditioning, natural light, access to a gym, yoga trainers and counsellors are increasingly incorporated in recruitment narratives. Occupational Safety and Health (OSH) prevention measures have become priority corporate functions in many companies.

Similarly, work-life balance has become a critical ask from job candidates and existing employees alike. While the idea of a 4-day work week existed before the pandemic, it is being now implemented at increasing speed. Several countries in Europe (the UK, Belgium, Sweden, and Iceland) have already piloted it, with generally positive results on employee productivity. Many countries are considering following suit. Singapore's Ministry of Manpower has encouraged employers to explore the option.

Flexible work arrangements are being sometimes criticised for blurring the lines between work and rest, leading to overall increases in hours worked in a week. Companies are now starting to develop, implement and monitor working time arrangements with clear assignment of responsibilities to ensure manageable work hours, in line with medical and OSH best practices.

> *"The job market shows that flexibility is now a critical requirement for jobs."*
>
> **Barton Green, CEO of Committee for Brisbane**

[1] Majority of surveyed Southeast Asia (SEA) employees prefer not to return to pre-Covid-19 ways of working, EY, 2021

A new way to work, travel and live

The pandemic also disrupted entire sectors, particularly hospitality, aviation, manufacturing and construction, leading to significant layoffs. Accommodation and food services were hit the hardest in Australia accounting for 33.4% of job losses, followed closely by arts and recreation at 27%.[1] In Asia, women and youth were disproportionately hit – youth share of employment loss was 3-18 times higher than their total share in employment.[2] Now that the pandemic has become endemic and economies have reopened, these industries are seeking to re-hire large amounts of workers in a short amount of time. Many workers, however, have found alternative opportunities in other industries, and are reluctant to return. Others became accustomed to more flexible lifestyles or found more fulfilling careers as part of the "great resignation".

The result has been a labour crunch that has disrupted services and pushed wages up. The bargaining power balance has, at least for a while, shifted in the direction of employees, leading companies to not only rethink compensation packages but also adopt flexible work policies and a broader sense of mission (in the shape of sustainable workplaces) to attract talent. The result? A solidification of post-pandemic work habits that might lead to a long-term stickiness of hybrid work models.

Similarly, the pandemic highlighted persistent inequality in digital training and access to internet connectivity. Workers with poor digital skills and/or living in cities with below-average digital infrastructure were overall less likely to be able to work from home and incentivised to go back to the office more quickly. A recent Tokyo Shōkō Research survey found that over 70% of companies in Japan are not implementing remote work. Of those who are, the majority are large enterprises.[3] Between 2019 and 2021, the outsourcing of business from rural to urban areas in Japan rose by 80% as non-urban companies lacked digital expertise.[4]

As a result, policymakers have been pressed to build skills and systems that allow for flexible work in times of disruption. Korea, for example, is embarking on improving communications infrastructure and adoption country-wide through the 'Enhance Digital Inclusiveness' programme. The Korean government is seeking to expand public Wi-Fi services to minimise the urban-rural digital divide and build high-speed internet infrastructure in over 1,300 rural areas with weaker connectivity. Underequipped schools will be provided with subsidies for smart devices and telecommunications services.[5]

[1] Accommodation & food services hardest hit by job losses, Hospitality Magazine, 2020
[2] 81 million jobs lost as Covid-19 creates turmoil in Asia-Pacific labour markets, International Labour organisation, 2020
[3] Back to the Office: Over 70% of Japanese Companies No Longer Implementing Remote Work, Nippon, 2022
[4] Covid pushes Japan's non-metropolitan companies to digitize, Nikkei, 2021
[5] Enhancing Digital Inclusiveness (KR0060), Open Government Partnership, 2021

A new way to work, travel and live

To shift away from traditional work schedules, organisations are formalising work-from-home and work-from-anywhere policies that break away from the standard fixed office models. These have led to a rethinking of the role of offices at large. Alongside trends of hybrid work arrangements, developers and tenants are rethinking commercial real estate space to incorporate growing needs for flexibility, tech adoption and collaboration.

- **Co-working spaces:** Companies are adopting co-working, open floor plans and accelerator spaces. WeWork expects a 30% jump in its revenue for 2022, as co-working office space demand surges across the globe. In Singapore, an estimated 30% of corporate real estate portfolios in CBD will comprise flexible workspace by 2030.[1]
- **Offices as hubs of collaboration and innovation:** Companies globally are rethinking the role of the office – A KPMG survey of decision-makers among Australia's largest commercial tenants found that 67% of respondents believed that office spaces will be centres for innovation, problem-solving and collaboration[1]. Most said that teamwork, cross-team collaboration and creativity are the main behaviours that will impact the future of work. In contrast, just 8% felt that offices will act as spaces for deep thinking work.[1]
- **More decentralised offices:** Offices structured around satellite workplaces scattered around the city, connected to an innovation and collaboration-focused central hub, have been gaining ground as the new "future of the workplace".
- **Digitally enabled work transformation:** At the core of new forms of work stands digital transformation. Hybrid work and employee-centric work models require new corporate systems that enable remote service access, and manage communication, document, data security at home, and training. This additional technology helps understand workplaces better: 67% of respondents anticipate a future need to use workplace analytics within the next 5 years.[2] Office spaces with assets that offer analytics, technologies and a range of working spaces will be well-positioned for hybrid work models.
- **Home office spaces:** Working from home arrangements have sparked a desire for creating home office spaces. These personal spaces are often equipped with specific equipment, technology, chairs, tables and a reliable Wi-Fi connection. Some real estate buyers are also increasingly designing homes with larger space to accommodate rising needs for a home. This is notably the case in Bangkok, where previous condominium buyers are now considering larger landed properties.

These new forms of work have **impacted CBDs focused on commercial real estate**, leading to rising vacancies and downward pressures on rental rates. 58% of respondents in a KPMG survey expect to reduce their needs for office space in the CBD in the next 5 years.[1] These shifts have been leading policymakers, developers and investors to reimagine and rejuvenate city centres around more diverse, experience-driven economic models.

[1] Future of Work Survey, KPMG, 2021

A new way to work, travel and live

HOW FLEXIBLE WORK VARIES REGIONALLY

While pandemic restrictions challenged traditional work habits and fostered hybrid work models overall, **not all cities across the region are reacting equally.**

East Asia saw a dramatic shift towards more flexible working from pre- to post-pandemic. However, as Japan and Korea did not impose as strict lockdowns as other geographies, **the uptake of teleworking ended up being slower in East Asia than other cities.** About 20% of workers in Tokyo and Osaka were working remotely at the height of the pandemic in 2020.[1] In Seoul, the number of companies implementing WFH decreased by 18.8% from 2021 to 2022.

However, a significant portion of workers in Tokyo (38.4%) and Japan (38.1%) wish to work remotely.[2] These numbers indicate that some level of hybrid work will persist beyond 2022. Japanese and Korean companies like Fujitsu, Samsung Electronics and NTT have notably formalised flexible work policies.

Meanwhile, Australians have largely embraced WFH in the long run. Workers across Melbourne, Sydney and Brisbane are spending more time working from home than in-office, with Melbournians coming into the office 16 hours per week on average. The private sector itself is a convert, as flexible working is said to have increased productivity in New South Wales (NSW) by 1.9%. Many companies have embedded flexibility into formal work arrangement, which has encouraged professionals to relocate to the suburbs.

> *"The parameters to measure productivity is different in Japan. Being in the office deems you productive, but the younger generation wants to be more results-oriented and flexible."*
>
> **Dhruv Kohli, TU Berlin**

Demand for remote work is high in Southeast Asia. Hybrid work has made significant progress regionally, as new forms of flexible work took hold in every market post-pandemic.[3] This is no wonder, as employees in Southeast Asia express a strong desire for flexible work arrangements.

The reaction from the private sector has been well-matched to the preferences of its employees. In 2020, an estimated 20% of Thai companies permanently embraced remote working policy.[3] And this number is growing.[4] Similarly in Singapore, 27% of all employees in Singapore have embraced flexible work arrangements.[5] The Singapore government is now officially aiming for 40% of all employees to work under a flexible arrangement before 2023.[6]

For Southeast Asian countries, the interest from travellers to visit these places as destinations to work remotely — and from governments seeking to leverage that interest — has seen efforts to create remote work programs, such as Malaysia's DE Rantau Nomad Pass and Thailand's Long-Term Resident Visa aimed at attracting remote workers to work and live in the Kingdom for a prolonged period of time.

[1] Why Japan refuses to work from home—even in a deadly pandemic, Fortune, 2021
[2] COVID-19 was expected to spur a remote-work revolution in Japan. What happened?, The Japan Times, 2021
[3] New ways of work: Spotlight on workplace transformation in South-East Asia, The Economist Group, 2022
[4] 20% of Thai companies are working from home, PwC, 2020
[5] More flexible work arrangements needed to create 'pervasive, sustainable workplace norm': Govt White Paper, Today, 2022
[6] Employers in Singapore must consider flexi-work arrangements, HRM Asia, 2022

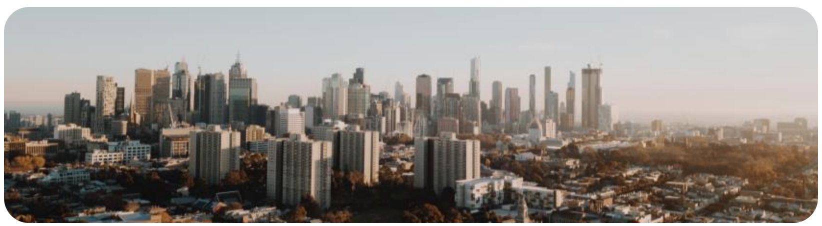
A new way to work, travel and live

TOKYO

At the peak of the pandemic, only slightly over 20% of workers were working remotely, due to a work culture where physical interaction is seen as necessary for employers to track employee productivity. Japanese culture is a significant obstacle to the long term adoption of WFH habits. However, a significant portion of workers in Tokyo (38.4%) wish to work remotely, which might lead to flexible work models to persist in the long run.[1]

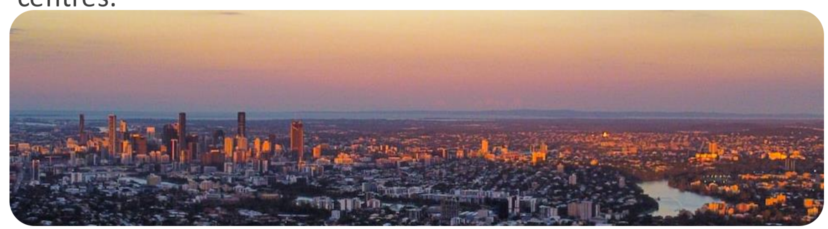
SINGAPORE

The relative stickiness of remote work habits caused a decrease in CBD occupancy and foot traffic in Singapore. The high cost of land is a challenge to adopting decentralised city models and flexible business models for commercial real estate, as previous investments were based on tight rental-based ROI expectations. Solving the return equation is critical to help the transition to shared office space models and mixed-use / experience-based city centres.



MELBOURNE

As of 2022, only 12.5% of Melbourne residents were working full-time in the CBD on a typical week, indicating some level of workspace decentralisation.[1] This can be attributed to the success of flexible work arrangements. Shifts in work behaviours and models also fueled the largest growth for flexible office centres witnessed across Asia-Pacific, as supply grew 7% from 2020 to 2021.[3]



BRISBANE

Brisbane's commercial real estate in the CBD is seeing a significant drop in demand. Brisbane's baseline office vacancy rates is higher than in other major cities: the 10-year quarterly averages 15.4%.[3] This is likely a result of large amounts of unoccupied old office stock requiring redevelopment, combined with new stock yet to be tenanted.

[1] COVID-19 was expected to spur a remote-work revolution in Japan. What happened?, The Japan Times, 2021
[2] CBD workers spend just 16 hours in city as work-from-home sticks, The Age, 2022
[3] Flexible office center growth rate in the Asia-Pacific region from 1st quarter 2020 to 1st quarter 2021, by city, Statista, 2022
[4] Brisbane CBD office vacancy rate hits 15.4% in Q2, Real Estate Asia, 2022

CASE STUDY: BANGKOK

According to a recent UOB ASEAN Consumer Sentiment Study, 80% of Thai consumers prefer flexible work models (i.e.: a mixture of work-from-home and work-from-office). While there is no national mandate, various organisations have adopted more flexible work arrangements. UOB Thailand, for instance, announced that a portion of its employees will be allowed to work remotely up to 2 days per week starting in 2022.

With more organisations adopting hybrid and full remote work arrangements, there has been a shift in demand for office spaces in Bangkok, leading to lower uptakes of office space. In several sectors, more space has been surrendered than it is added from Q2 2020 to Q1 2021.[1]

While the demand for office space has been dropping, the supply of office space has been increasing even during Covid-19 (9.2 million sqm in Q4 2021[2]]), resulting in a decline in occupancy rates to 92.16% compared to the previous quarter.[2] There are predictions of an oversupply of office space in Bangkok over the next few years.

Amid the changing environment of commercial office space in Bangkok, co-working facilities have experienced growth that started even during pre Covid-19. Between 2013 and 2019 alone, co-working space supply in Bangkok has increased from 21,574 sqm to 125,370 sqm with more on the way.[3] JustCo, a co-working space provider operating across Asia-Pacific, currently has 4 facilities in Bangkok. The facilities' occupancy rate stands at 87%, and 6,000 customers in 2022, an increase of 20% compared to early 2020.[4]

The past few decades have seen the transition of workspace from offices made of fixed workstations and cubicles to collaborative spaces, activity-based-workplace, and wellness centred- office space.[5] However, more than two-thirds of Bangkok's office stock were classified as ageing as of the first quarter of 2022. This calls for a reevaluation of commercial office offering to support changing workforce and work habits, with new mixed-use megaprojects underway like One Bangkok by Frasers Property and Mo Chit Complex expanding function of commercial space to include retail, residential, accommodation and F&B offerings to attract more diverse activities.

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1 Bangkok's office demand adopts to the new normal, JLL, 2021
2 Bangkok Office Market Q4 2021, Colliers, 2021
3 Co-working spaces projected to rise 50%, Bangkok Post, 2019
4 JustCo to open 4 new co-working spaces, Bangkok Post, 2022
5 How TechCompanies are Redefining Offices, Figari Group, 2022
6 Bangkok's ageing oices: asset enhancemen, JLL, 2022

A new way to work, travel and live

1.2. TRAVELLING TO THE FUTURE

Travel was a booming industry in Asia-Pacific prior to Covid-19. International arrivals grew from 208 million visitors in 2010 to 360 million in 2019.

Travel restrictions led to a cumulative 95.3% decline in international arrivals to Asia and the Pacific during January–July 2021 compared to the same period in 2019, the biggest drop in international arrivals globally.[1] Yet, despite the pandemic, Asia-Pacific remains the largest region for the sector's employment, accounting for 55% of the global travel and tourism workforce.[2]

The pandemic did not stop all forms of travel, however. **While borders remained closed, many chose to travel to rural and other domestic destinations,** for lack of other options. In Malaysia, domestic bookings for Airbnb properties had rebounded to pre Covid-19 levels by mid-2020,[4] driven largely by non-urban destinations. Similar trends emerged in Australia and South Korea, for example, where travellers chose to take advantage of remote working arrangements to rediscover their respective country's natural assets.

When borders reopened, international travel rebounded quickly in the early months of 2022. Roughly 250 million international arrivals were recorded in the first half of the year.[3] Asia-Pacific is forecasted to be the first region to recover to 2019 arrival levels (by 2023) while other regions can only expect to recover by 2024.[5] Over the next decade, tourism's expected contribution to the global economy is expected to grow at a 5.8% rate annually, and generate 126 million jobs – 65% of those in Asia-Pacific[5].*

A NEW TRAVELLER EMERGES

The shift in how people travel and experience other cultures predates the pandemic but was definitely accelerated by it. The psychological side effect of the health crisis also fueled rising concerns around health, urban density, and the impact humans have on the planet. When borders were closed, many chose to rediscover domestic sights and locations. When they reopened, tourism destinations saw an influx of travellers with radically different expectations.

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[1] Covid-19 and the future of tourism in Asia and the Pacific, ADB and UNWTO, 2022
[2] Rebuilding tourism in Asia-Pacific: A more conscious traveller?, Economist Impact, 2022
[3] International tourism consolidates strong recovery amidst growing challenges, UNWTO, 2022
[4] Further Afield: Spreading the Benefits of the Travel Revolution, Airbnb, 2022
[5] Travel & Tourism Economic Impact 2022, World Travel & Tourism Council, 2022
* This white paper was written before the announcement by the Chinese Government to reopen international travel in January 2023.

A new way to work, travel and live

First, surveys show that a majority of travellers will actively avoid crowded destinations, and favour places surrounded by nature and off the beaten track. An Economist Impact study, commissioned by Airbnb, found that 69.9% say they are likely to avoid travelling to crowded destinations, due to a preference to socially distance, a short-term impact of Covid-19.[1]

New working arrangements gave workers have more flexibility in schedules and locations. Travellers are now looking for more flexibility in their travel, evidenced by guests on Airbnb using the I'm Flexible feature over 2 billion times since its launch in 2021.[2]

Travels with a purpose also gained pre-eminence during and after the pandemic. The demand for conscious and sustainable tourism was already growing before Covid-19, but its growth was turbocharged by the pandemic. The impact of covid-19 is, in ways, "a fallout of our unsustainable lifestyles, including the way we travelled and the rate at which we consumed natural resources and products", according to Gaurav Bhatnaga.[1] Conscious travel in Asia-Pacific gained popularity among the consumer class with 9 out of 10 travellers being willing to pay more for sustainable travel.

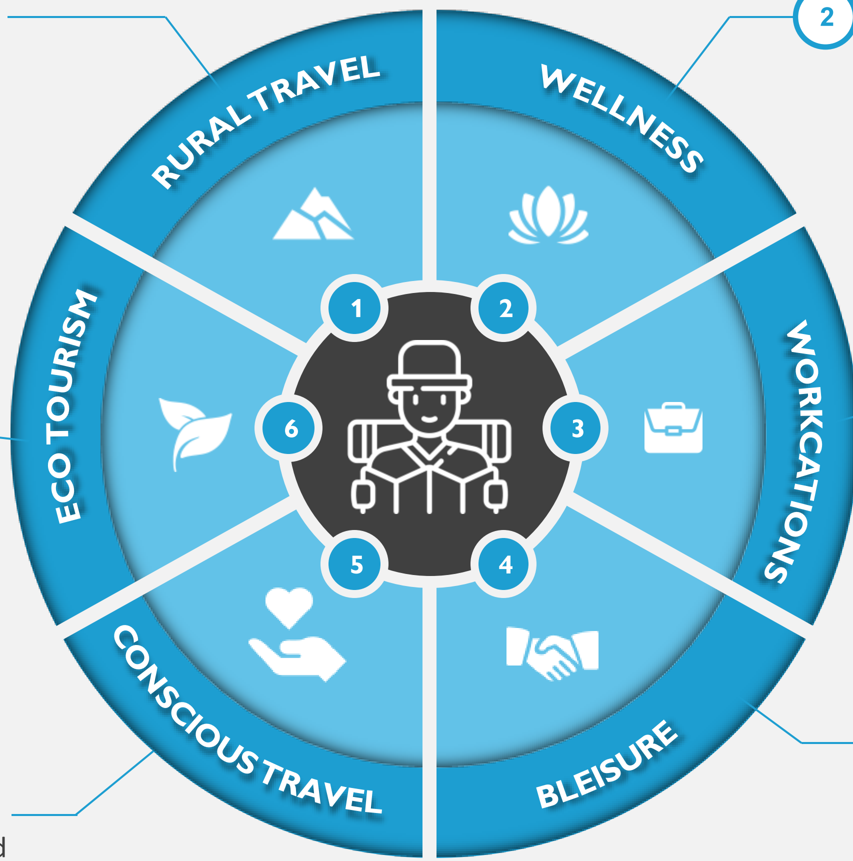
The trend is particularly strong among younger travellers. While 62.1% of millennials say that sustainable tourism is "very important" to them, about 33.6% of baby boomers feel the same way.[1]

These new demands have been enabled by the deepening of the industry's digital transformation. Travel aggregators combined with real-time analytics and notifications, combined with more flexible airline and accommodation booking policies, have pushed the boundaries of flexibility by making searches on the go and last-minute trip modifications more seamless.

The widespread adoption of online payment even in emerging economies and outside of main cities has further enabled travellers to make and pay for instant decisions. As a result, the share of online-based travel activities kept increasing post-pandemic. It is estimated that by 2023, 69% of travel sales (or US$1 trillion) will happen online.

[1] Rebuilding tourism in Asia-Pacific: A more conscious traveller?, Economist Impact, 2020
[2] New milestone: 2 billion flexible searches, Airbnb, 2022

A new way to work, travel and live



1 RURAL TRAVEL

There is a rise in demand for travel to rural and peri-urban areas, as travellers prioritise crowd-free locations. In 2020, the Tourism Authority of Thailand launched an investment fund for rural communities that preserve culture and heritage.

2 WELLNESS

Travellers are increasingly prioritising relaxation and health in their travel experiences.. Wellness travel, in particular, is a booming market set to grow from US$801 billion in 2020 to $1,592 billion in 2030.[1]

3 WORKCATIONS

As flexible working arrangements become the norm, travellers are increasingly taking longer vacations and working remotely during leisure travels.

4 BLEISURE

More and more business travellers and conference guests are extending their trips for leisure purposes.

5 CONSCIOUS TRAVEL

Travellers are looking to foster meaningful interactions with local communities, immerse themselves in local cultures, and contribute to local economies.

6 ECOTOURISM

As travellers become more mindful of their environmental impact, there is rising demand for experiences involving nature, wildlife, and conservation activities.

[1] The Emerging Trend of Niche Tourism: Impact Analysis, Bunghez, 2020

A new way to work, travel and live


SINGAPORE

WELLNESS RETREATS

Over the next 5-10 years, wellness will define the growth of tourism in Singapore. The Singapore Tourism Board is developing wellness tourism through various key initiatives such as the inaugural Wellness Festival, Glow Festival, and Wellness Symposium. These events are supported by a series of physical interventions, panels and activities.


SEOUL

K-WAVE TOURISM

The growing global popularity of Korean culture (K-Wave) has been fueling a year-on-year rise in tourists to Seoul. Top attractions include the K-Star Road in Gangnam and K-pop music cafes. Airbnb has played a key role in promoting K-wave tourism. The lakeside home featured in the reality show BTS in the Soop has been made available on Airbnb. Airbnb also features a Category for Hanoks, traditional Korean homestays.


MELBOURNE

FIRST NATIONS TOURISM

First Nations tourism is in high demand among both global and domestic travellers. The Victorian state government is actively empowering the First Nations through commitments to Self-Determination and Treaty. Tourism is one of the most engaged sectors in this work, developing new experiences around First Nations communities.


TOKYO

MICRO RURAL TOURISM

Day trips and overnight stays in rural areas outside Tokyo have become popular during Japan's lockdown as a way to avoid close-contact crowded spaces. Some of these stays, short in nature, have been labelled "microtourism". Micro-tourism was Japan's first step towards recovering to pre Covid-19 travel demand.

[1] Impact of Covid-19 on the Japanese travel market, Noriko Yagasaki, 2021

A new way to work, travel and live

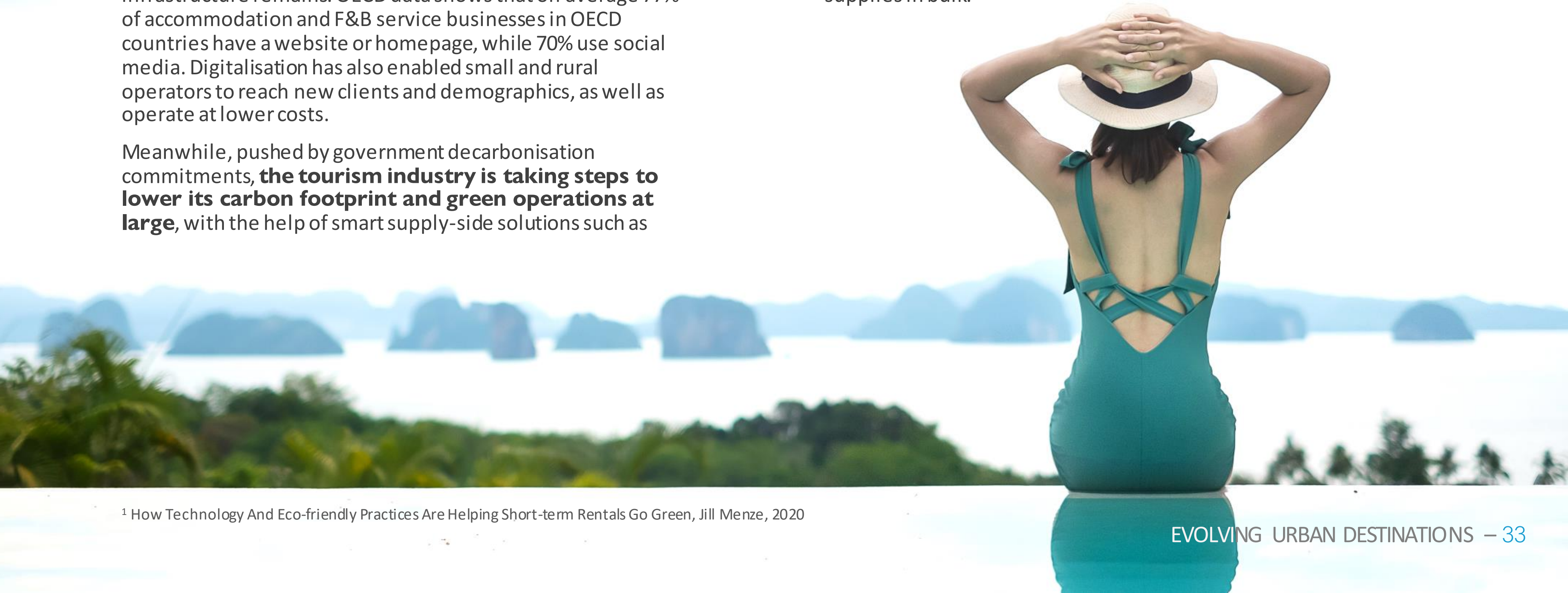
HOW THE TRAVEL INDUSTRY IS ADJUSTING

To meet the needs of the new travellers, hospitality operators have adapted their offering and operations.

When the pandemic hit, the travel industry turned to digital platforms and offerings to survive and operate with limited staff, leading to a rapid increase in the adoption and deployment of online experiences, live streaming events and data-driven marketing, contactless payments and self-check-ins systems. As borders reopen, this digital infrastructure remains. OECD data shows that on average 77% of accommodation and F&B service businesses in OECD countries have a website or homepage, while 70% use social media. Digitalisation has also enabled small and rural operators to reach new clients and demographics, as well as operate at lower costs.

Meanwhile, pushed by government decarbonisation commitments, **the tourism industry is taking steps to lower its carbon footprint and green operations at large**, with the help of smart supply-side solutions such as sustainable hotel infrastructure design, food waste prevention tools, energy trackers, and green procurement. For example, Singapore Tourism Board's Hotel Sustainability Roadmap have set targets to reach at least 60% of hotel room stock being certified as sustainable by 2025.

The short-term rental industry has also made large strides in incorporating more extensive sustainability practices. 88% of Airbnb hosts now include some type of green action into their hosting, 59% promote recycling, and 47% provide toiletries and supplies in bulk.[1]



[1] How Technology And Eco-friendly Practices Are Helping Short-term Rentals Go Green, Jill Menze, 2020

A new way to work, travel and live

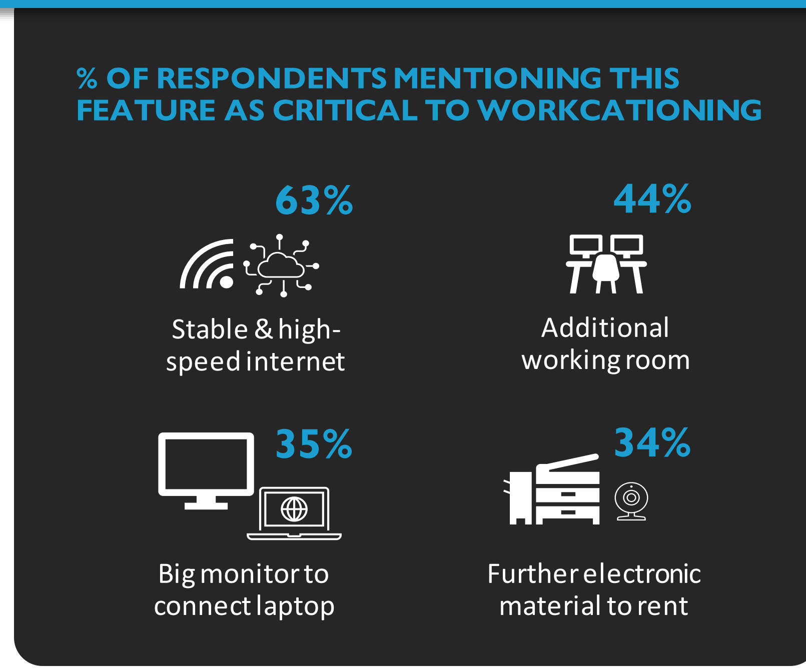
1.3. THE GREAT MERGING

The very function of travel is shifting from a leisure-driven activity to one that combines work and fun. This fusion has so far taken primarily three forms: workcations, bleisure and digital nomadism. While these forms of travel existed before, the Covid-19 pandemic led to a fundamental remodelling of corporate policies and tourism strategies that have created a fertile terrain for these new models to grow. Some companies pioneering the adoption of flexible working policies include Samsung, Telstra, Atlassian, DBS, Toshiba, and Toyota, while the Singaporean Government also enables civil servants to access flexible work policies.

> *"Workcations are emerging as a desired type of lifestyle and can become a big option for workers, as long as workers sustain good work performance."*
>
> **Dr Bona Kim, Inha University, South Korea**

There are several ways cities can capture the opportunities that these new trends present. **Firstly, locations that seek to attract workcationers can ensure that an acceptable level of amenities and digital connectivity infrastructure are in place.** A survey by Simon Kucher & Partners identified four key features that destinations can offer to attract workcationers (see right).[1] Another survey found that 52% of digital nomads cited finding reliable Wi-Fi as a key need for their lifestyle.[2] A key focus area in Malaysia's 12th masterplan, for example, is to bridge the urban-rural digital divide. One such strategy is to transform rural community centres into 'Keluarga Malaysia Digital Centres' that will provide connectivity infrastructure, upskilling and community activities.

Additionally, overcoming administrative complexities can help promote new blended forms of travel and work.[3] Doing so may involve addressing fiscal and insurance complexities, as well as easing processes for short-term living (from setting up a bank account to finding short-term leases).



[1] Travel Trends Study 2021: The Revenge traveller is Here to Stay, Simon Kucher & Partners, 2021
[2] 15 Digital Nomad Statistics and Curious Trends, Project Untethered, 2022
[3] Your Workcation is Probably Harmless, Hear Me Out, 2022

A new way to work, travel and live

WORKCATION

Workcations combine work and leisure around typically longer stays than a pure vacation or business trip. Fueled by the democratisation of "work-from-anywhere" schemes, they allow for the integration of live, work and play functions within the same travel. A travel trends study indicated that 43% of respondents anticipate taking a workcation in the near future.[1] While this form of travel is likely to experience a dip in popularity as many return to office,[2] it is likely to endure in the long run.

BLEISURE

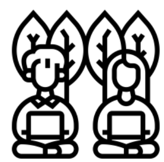
Bleisure combines business and travel while remaining centered around a primary business function (e.g. a conference). The trend has increased significantly since the end of the pandemic, with 89% of people surveyed planning to add personal vacations to their business travel in 2022 (up from 75% pre-Covid). A 2019 survey by Great Hotels of the World found that 75% of respondents had extended business trips for leisure purposes over the year.[3]

DIGITAL NOMADS

A growing number of countries (e.g. Malaysia, Thailand, Portugal) are introducing specific visas and preferential tax programs to facilitate the movement and settling of remote workers. These typically target highly qualified digital nomads as a way to bridge skills gaps, boost tourism and support local economies. Digital nomads mostly show interest in non-urban, beach-adjacent destinations like Bali or Costa Rica, that allow for an easy blend of work and leisure. While such locations are typically under-equipped with digital and mobility infrastructure, they are actively investing in the necessary services and infrastructure on which new models of remote working will increasingly rely.

The global volume of Airbnb guest reviews mentioning remote work **increased 520% from 2020 to 2021.**[4] In 2021, one-fifth of guests use Airbnb to travel and work remotely.[5]

75% of business travellers took bleisure trips (pre-covid); many believed that this form of travel would be on the rise and increase in the future.



As of 2022, there are **35 million digital nomads globally,** contributing USD $787 billion in global economic value per year.

[1] Travel Trends Study 2021: The Revenge traveller is Here to Stay, Simon Kucher & Partners, 2021
[2] Travel Trends Study 2022: From COVID to Cost Hikes, Simon Kucher & Partners, 2022
[3] 75% of Business Travelers Take "Bleisure" Trips, Travel Agent Central, 2019
[4] Airbnb Report on Travel & Living, Airbnb, 2021
[5] Our design to live and work anywhere and Live and Work Anywhere initiative, Airbnb, 2022

A new way to work, travel and live

TRAVEL TRENDS ARE NOT UNIFORM ACROSS THE REGION

While new forms of tourism and travel are emerging across the Asia-Pacific region, there are discernible variations between countries and cities, due to difference in policy, digital adoption, infrastructure and culture, among others.

Australia attracts a larger workcationing crowd than other countries in Asia-Pacific. Compared to Asian cities, Australian urban dwellers have shown a higher propensity for booking workcations. Long-term stays in Australia grew by over a quarter for the first 3 months of 2022,[1] compared to that of 2021. This is owing to widespread digital adoption, accessible mobility and policy action to incentivise domestic travel. Preply, a digital learning platform, developed a Workcation Index, which Brisbane tops.

Southeast Asia has an opportunity to capture more of the growing crowd of "workcationers". Workcationing travellers are typically drawn to non-urban environments, such as beaches or mountains. While Southeast Asia is rich in natural beauty, there is a significant urban-rural digital divide that can prevent individuals from effectively working in such destinations. Digital transformation efforts are working to bridge this gap and support inclusive, sustainable growth.[2] In the case of Singapore, while well equipped with appropriate infrastructure, the city is often viewed as too expensive for longer-stay workcations. In contrast, the city is best positioned for bleisure. In Singapore, business travel shows a strong recovery from pre-Covid levels 2022. There is, however, a huge opportunity to diversify offerings to capture different groups of remote workers.

Workcations in East Asia are largely tied to work-related purposes and uptake remains relatively low. However private and public sector initiatives underway are focused on fostering workcations in Japan and South Korea.

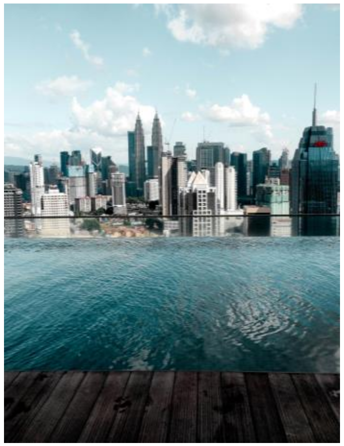
Companies in Seoul have developed workcation programmes, which closely mirror team offsites/retreats, or policies allowing work from satellite offices for extended periods of time, rather than letting employees take individual workcations to the location of their choosing. Similarly, the Japanese government is incentivising companies to set up satellite offices in regional areas to disperse workers and incentivise rural travel. Many Tokyo-based IT firms have taken this up. The government has also set up a "Japan Workcation Alliance" and is actively encouraging the growth of tourism and accommodation facilities in natural areas, to boost workcations and bolster the revitalisation of rural economies.

Thus far, workcations remain limited to areas with a certain level of infrastructure (digital, physical and social) or to locations with satellite offices. While the desire for more flexibility (destination/time) exists, actual bookings remain low.

East Asia continues to lead in wellness tourism, with Australia and Singapore following the pack. Prior to the pandemic, East Asian countries like Japan and Korea, were popular destinations for wellness tourism. This trend is expected to rebound, as these countries reopen to international tourism. Moving forward, Singapore and Australia are looking to leverage on their existing strengths to capture the growing wellness tourism market.

[1] Data reveals demand for long term stays in Australia, Airbnb, 2022
[2] ASEAN revs up digital transformation, ASEAN, 2022

A new way to work, travel and live



MALAYSIA'S DE RANTAU DIGITAL NOMAD VISA

The Malaysia Digital Economy Corporation (MDEC) launched a digital nomad visa in September 2022 called the DE Rantau Nomad Pass. The DE Rantau visa lengthens the stays of internationals from 90 days to 12 months, with a chance of extension by another year. This scheme is eligible for workers earning a minimum of $24,000/year, making the requirements accessible and affordable to attract international talent, especially IT workers.

SINGAPORE'S WORKCATIONS

During Covid-19 lockdowns and border closures, hotels offered workcation packages for residents to enjoy a short-term getaway. Airbnb's *Discover the Travel Revolution* initiative leaned into this trend, by providing coupons for locals to embark on workcations in properties listed on Airbnb. As borders reopen and international travel resumes, these hotels are seeing rises in occupancy rates. Workcations are predicted to stay, especially for short-term visiting expats and digital nomads.

WORKCATION PROGRAMMES WITHIN KOREAN COMPANIES

Several Korean companies developed workcation schemes to allow their employees to work outside of their Seoul (or other urban) offices temporarily, primarily in rural destinations. Line Plus Corp., a mobile platform company introduced a work-from-anywhere policy for their IT workers. Samsung Electronics announced it will operate external offices and in-house autonomous work zones, which will foster a more flexible working culture of WFH and workcations.

RELOCATION OF MELBOURNIANS TO SUBURBS & SATELLITE CITIES

A rising number of Melbournians are considering relocating to lower-cost suburbs or cities in Victoria (e.g. Geelong or Ballarat). Victoria offers very strong digital connectivity across the state, which enables workers to work remotely easily. A growing number of professionals are now opting to live and work from regional destinations such as the Great Ocean Road and Daylesford.

RELOCATION OUT OF SYDNEY

Sydney experienced a net loss of 9,200 people in March 2021. A large portion moved to regional NSW locations such as the Hunter Valley (31%), Tweed (20%) and Southern Highlands (21%), which all experienced net population growth.

Centres within a 3-hour drive of Sydney, both inland and along the coast, experienced significant population growth during Covid-19, driven by the cities' quality of life and greater affordability.

The ability to maintain the salary of a large city while living in more affordable places has increased the ability for many to purchase their own homes or upgrade their current ones.

As international borders open, relieving pressure on demand for local domestic accommodation, these new lifestyles remain. As populations learn to live with Covid-19, no significant "reverse migration" towards Sydney has occurred, and what initially attracted new residents to Southern Highlands and Hunter Valley seems to be retaining them as well.

Supporting this new normal will be at the forefront of the Greater Cities Commission planning for a city of six cities, a critical agenda for sustainable population and economic growth.

Chapter 2
CHALLENGES AND OPPORTUNITIES

Globally, the way people work, travel and live has shifted the structure of cities. Evolving technology and changes to daily routines have re-directed activity from city centres to neighbourhoods. As proximity to work loses some of its relevance as a factor driving living decisions, new migration flows and travel patterns are increasing the value of places with higher quality of life and access to green and blue assets.

These changes have put cities (and their decision makers) in a unique position to reinvent urban centers in ways that accompany and reinforce these profound shifts, and set the foundation for more resilient and sustainable urban development. Supporting long-term trends that are evolving in this post-pandemic world will be catalytic in reshaping the future of how people travel and work.

Policymakers must take decisive steps to address some of the challenges cities increasingly face as well, be it caused by or predating the pandemic. Socio-economic pressures, labour force shortages, transport access, global supply chain delays, sustainability and reliable telecommunications and digital infrastructure are some of the many transformations that urban centers must contemplate. These obstacles can potentially derail the more positive trends that arose in the wake of Covid-19, from hybrid work models to new forms of tourism.

Opportunities and Challenges for Cities

2.1. HOW THESE FUTURES ARE CHALLENGING THE STATUS QUO

The trends influencing how people work, travel and live have supported a more mobile and flexible workforce globally, making the need to strictly choose between leisure and work a thing of the past. As cities start to re-position in this post-pandemic world, leveraging the opportunities and addressing the challenges will be catalytic in facilitating growth in global visitors.

During the pandemic, cities globally recorded significant decreases in the number of international tourists. The number of arrivals of global tourists dropped by 82% in 2020 compared to 2019.[1] Following the pandemic, many industries in the hospitality sector hoped for a swift recovery.

To be sure, the recovery in global travel is undeniable. In the United States, for instance, airlines have been grappling with rapid surges in demand, partly caused by hybrid work models. As a result, United, Delta, and American airlines saw significantly higher revenue and profit in the last quarter of 2022, compared to the same period in 2019.[2] Shifts in travel demand in other countries are also likely.

However, the expectations of travellers have shifted, which calls for cities and tourism service providers to adjust to new realities. People's changing routines, lifestyles and preferences provide a strong impetus for cities to reevaluate their spaces and real estate assets to ensure they continue to be attractive to both domestic and international markets.

[1] Rebuilding tourism in Asia-Pacific: A more conscious traveller?, Economist Impact, 2022
[2] An overview of effects of Covid-19 on mobility and lifestyle: 18 months since the outbreak, Transportation Research Part A 1159,2022

Opportunities and Challenges for Cities

2.2. KEY OPPORTUNITIES

There are multiple opportunities for cities to accommodate changing work and travel paradigm. Governments can strengthen the agility and resilience of businesses in the city by providing training in digital skills, guidance on market trends, and financial support or incentives to adapt or create new products. Stronger engagement with the community can also accelerate the effort while maintaining local social and economic resilience.

As policymakers redefine how cities look and function, flexible planning and policies can support the development of more resilient and experience driven work-live-play spaces, as well as allow for flexible uses of space that support new forms of travel. Doing so would empower developers, tourism service providers, tourism boards and other urban stakeholders to better align to the rapidly changing needs of workers and travelers.

One key commonality across the nine cities studied (Sydney, Melbourne, Brisbane, Singapore, Kuala Lumpur, Bangkok, Seoul, Tokyo and Osaka) is the decentralisation of activities to the city periphery accelerated by the shift to work-from-anywhere.

Supplementing the expected increase of people and activities in the city's periphery with the right infrastructure can foster the development of more evenly distributed and diverse experiences away from city centers.

CITY EXAMPLE **TOKYO**

Micro-tourism to destinations outside Tokyo is a recent trend. During Japan's first stage of reopening its economy, the government stimulated domestic travel demand by launching its Go To Travel campaign in 2020, which provided subsidies of up to half of travel expenses for locals. Regional travel within Japan saw a significant boost as a result with Tokyo citing the highest usage of coupons at 69.6%.

When restrictions were placed on prefectural borders, locals looked to travelling domestically, with day trips and overnight stays in rural areas outside Tokyo becoming popular – in a bid to avoid close-contact crowded spaces.

Opportunities and Challenges for Cities

FOR TOURISM

Apart from changing travellers' preferences and the progress of digitalisation, flexibility from remote and work-from-anywhere arrangements has also led to a blurring of lines between travelling and living. These translate into several opportunities in the tourism industry.

- **Leveraging the growing GDP, spending power and consumer class, especially with regards to China and India**: In addition to the expected growth in GDP and spending power in SEA regions, the global consumer class size is estimated to increase to 5.6 billion people in 2030 (i.e.: almost 4 billion people more than in 2010 will have the means to buy products and services beyond their basic needs).[1] This means there is an expectation that more people will be travelling, which translates to opportunities for the nine cities in this study to attract new global travellers, and benefit from the related spending windfall. Cities will be exposed to a wider range of both seasoned and new travellers from domestic and international markets, all looking for new tourism experiences and services.

> *"Revenge travel is taking place, with major cities seeing an upswing in short trips that combine business with leisure."*
>
> **Vivek Neb, Managing Director of Escalent**

- **Diversifying tourism offerings by developing unique and niche experiences:** Beyond popular tourist sights, cities can support the development of new offerings that leverage existing yet undertapped cultural, historic, and natural assets. Doing so would result in richer experiences for a broad range of travellers across archetypes.

- **Using community-based tourism to empower urban local communities** can positively impact local communities by generating additional income, jobs and skills. For example, Australian cities have been fostering the development of First Nations communities and economies through inclusive tourism offerings and capacity-building programmes. Placemaking approaches to rejuvenate city spaces to create attractions for tourists is also a possible way to empower local communities through the creation of authentic offerings.

- **Positioning cities as gateways to suburban and rural experiences,** which involves reimagining work and tourism activities beyond the boundary of the cities, and increasing the synergy between cities and surrounding areas. Developing rural and peri-urban areas can not only contribute to increasing average travel durations in a given, but also provide greater value proposition for visitors seeking a multiplicity of differentiated experiences. However, doing so requires investments into both the appropriate infrastructure (e.g.: transport, accommodation) and tourism destinations, to create the right poles of attraction and enabling environment.

[1] Consumer Economy, The World Counts, undated

Opportunities and Challenges for Cities

FOR WORK

The future of work is centred around the need to cater to changing needs, be it caused by changing work habits or the evolving preferences of workers. Opportunities include:

- **Creating a broader variety of workspaces** that enhance the appeal and relevance of commercial real estate. As hybrid work models take hold, there is indeed a need to ensure that adequate facilities accompany shifts in professional habits. New workspace models can encourage the development of start ups and the settlement of entrepreneurs in cities, many of which require smaller leasable areas and shorter lease durations. Solutions such as co-working spaces may also be able to fill some of the gaps left by traditional office lease models. In Bangkok, for example, only 40% of JustCo's tenants are large corporations, while 60% are individual tenants.[1] With the potential growth in digital nomads, individuals in the global market may become a fast-growing market segment for commercial offices.
- **Decentralising work activities away from city centres**: As more people adopt remote working and workcations, work activities are being decentralised from city centres. This provides an opportunity for cities to direct investment to the city periphery to create a more even development. The additional investment outside the centre also provides an opportunity for mixed-use neighbourhoods and satellite towns to enhance the self-sufficiency, liveability and attractiveness of periphery towns/districts, supported by sustainable infrastructure (e.g.: open and green spaces weaved into the built environment, better transportation network and connectivity). Cities also have an opportunity to rethink their land use and planning more creatively to allow more flexible and attractive spaces to thrive.
- **Developing work-related facilities and infrastructure to help redefine the role of city centres**: As economic/ tourism activity gets redistributed to the periphery and local centres, the role of city centers as mere professional hubs recedes. This re-balancing creates a gap waiting to be filled by new, more diverse and experience driven roles for CBDs. These new models may consider co-location of different uses to attract day and night crowds rather than mono-use commercial buildings. Similarly, street activation and placemaking activities could establish city centers as mixed social and economic hubs. In addition, city centres can leverage existing MICE facilities to attract conference visitors throughout the year; or develop synergistic programmes, facilities and infrastructure designed to attract bleisure and workcation visitors.

[1] JustCo to open 4 new co-working spaces, Bangkok Post, 2022

Opportunities and Challenges for Cities

FOR CITIES

Based on analysis of the nine cities studied (Sydney, Melbourne, Brisbane, Singapore, Kuala Lumpur, Bangkok, Seoul, Tokyo and Osaka), the future of work and travel has the potential of changing city paradigms and how people view city spaces, by:

- **Reusing and repurposing existing real estate assets** to rejuvenate city centres. Additional space uses can be introduced to create multi-purpose buildings and flexible spaces to cater to rapidly changing demand and the expected increase in transient visitors from live/work-from-anywhere trends. For example, Bangkok's city centre's ageing commercial real estate can benefit from new, creative, and flexible uses.[1] Similarly, housing stock in Kuala Lumpur city centre can be partially repurposed for workcation, hospitality, co-working spaces, etc..

- **Developing digital infrastructure to support remote work models and empower local tourism providers**: Southeast Asia added 40 million new internet users in 2020.[2] Investment in digital infrastructure can boost connectivity and mobility for work and travel while improving productivity across multiple sectors. Broadband internet (increasingly the norm) is creating the digital infrastructure needed to enable digital nomadism and remote work. With increased digital literacy, even local / rural tourism and workspace operators are increasingly able to disseminate information online and expand their reach to new traveller segments seeking alternative experiences.

CITY EXAMPLE **SYDNEY**

During rolling lockdowns throughout Covid-19, the population with high capabilities to work-from-home left the CBD, re-directing activity to the network of local centres across the city.

The departure of workers from Sydney CBD led an economic re-structure of Sydney, with people now expecting more from their local centres. This is making way for the rise of neighbourhoods, changing the land use mix, quality of public domain and improving access to local services. Aligned with this trend is the recent policy direction set out by the Greater Cities Commission for six cities and planning underway to support housing and job growth across Newcastle, Central Coast, Eastern City, Central City, Parkland City and Shoalhaven-Illawarra. This opportunity will shift where people live and work, strengthening the role of outer centres.

[1] Bangkok's ageing office: asset enhancement, JLL, 2022
[2] E-conomy SEA 2022, Google, Temasek and Bain & Company, 2022

Opportunities and Challenges for Cities

- **Reimagining city identities through unique experience and tourism offerings**: Rapid shifts in consumer preferences create an opportunity for cities to redefine their branding and positioning in ways that align with new demand and expectations. For example, cities that define themselves as hubs for entrepreneurship and innovation, green urban centers, experience hubs, and reflections of the historical and cultural significance of local communities are tapping into new travel and work trends bound to attract new talent and travellers. Similarly, the providing of flexible spaces to work, live and play can foster cross-collaboration and community building that eventually define a new urban identity.

- **Developing vibrant, mixed-use neighbourhoods across the city that are better planned, structured, and more sustainable**: Blending of work-live-play functions in both city centre and periphery for local residents and visitors can help diverse mixed-use spaces and neighbourhoods to thrive. While the city centre and CBD may continue to hold an important role as the centre of economic growth, development on the periphery can help to spread activities and reduce congestion in the centre whilst ensuring the city periphery is sufficiently equipped with urban and transportation infrastructure to allow activities to take place productively, efficiently, and sustainably. The introduction of placemaking activities and community-based space activations can also contribute to more vibrant places.

Opportunities and Challenges for Cities

2.3 CHALLENGES

Covid-19, environmental pressures, demographic shifts and other geopolitical upheavals are constantly fueling an array of global and regional challenges that cities must contend with. Many of these challenges can prevent cities from tapping some of the aforementioned opportunities, and should be tackled head on.

For example, labour shortages and inflationary pressures may limit the emergence of new flexible forms of work and travel, and cause tourism to take longer to recover from the effects of the pandemic. As it stands, there is insufficient infrastructure to support the movement away from city centres, and a lot of this infrastructure is vulnerable to climate impacts.

CHALLENGES RELEVANT TO ALL CITIES

Global labour supply challenges

The pandemic, as well as global border and business closures, have resulted in a lack of supply of front-line workers. Many people have left the hospitality, healthcare and F&B sectors to seek more flexible work arrangements. Without policies that rebalance supply and demand for work, labour gaps might limit the development of critical services.

Inflationary pressures

Labour supplies, as well as energy and food supply chain disruptions, have driven up inflation globally. While it is difficult to predict what the impact of inflation is on spending habits, rising prices is likely to lead to shifts in travel-related spending, harming certain destinations and tourism types, while favoring others.

Lagging urban infrastructure

As the demand for cities changes, so does the need for relevant urban infrastructure. However, while there is a clear need for more activated urban spaces, multi-use developments, and outer suburb infrastructure to enable the future of cities, developing the right infrastructure takes time.

Maximising legacy assets

Real estate investors have sunk significant sums of money in the development of office space focused CBDs. Any discussion around new roles for city centers must contend with the potential size of the loss that investors would have to underwrite as a result. Transition and pacing are key.

Opportunities and Challenges for Cities

CHALLENGES RELEVANT TO SOUTHEAST AND EAST ASIAN CITIES

Sustainability trade-offs
There are potential impacts on natural ecosystems and environments, as housing and infrastructure competes with the natural world. As pressure to mitigate climate change and preserve natural assets grows, cities are vulnerable to potential transition risks.

Digital divide
Innovation relies on the supply and utilisation of digital infrastructure. In countries such as Japan, Malaysia and Thailand, the supply of infrastructure is limited, particularly in peri-urban and rural areas. In others, although the infrastructure is adequate, there remains a lack of adoption / digital literacy amongst the elderly and rural communities.

Resistance to change
Corporate cultures in Tokyo, Osaka and Seoul still overwhelmingly favour physical presence and in-office interactions. As such, employees are hesitant to work remotely, even if allowed, due to concerns over perception or potential impact on career development. While changing nevertheless, these cultural frictions have hampered the uptake of flexible working in Japanese and Korean cities.

CHALLENGES RELEVANT TO AUSTRALIAN CITIES

Cost of living
Housing supply constraints, city planning, and current interest rates are putting pressure on the cost of living. This is particularly the case in city centers around Melbourne, Sydney and Brisbane, and is beginning to spill over suburban and peri-urban areas.

Planning processes
The planning and approvals processes required for new developments or land use shifts can create barriers to investment and innovation in cities. However, there are opportunities to create mechanisms that alleviate the pressures of planning protocols. One could be through better engagement with the community.

Infrastructure resilience
Although the impact of climate change and extreme weather events are being felt globally, Australian cities are particularly vulnerable. Given the prevalence of flooding, extreme heat and bushfires, trillions of dollars of infrastructure are at risk, and so is the liveability of urban centres.

CASE STUDY: SINGAPORE

Singapore is known for Meetings, Incentives, Conferences and Exhibitions (MICE) travel and as a family-friendly destination. The Little Red Dot is often incorrectly perceived as being more limited in its tourism offerings and natural assets, but its world-class architecture and vibrant cultural and gastronomical offerings are increasingly gaining greater recognition.

In addition, affordability has always been a challenge, partly caused by land scarcity and the high cost of real estate. Cost of living concerns were amplified by the pandemic and after, as the city now grapples with inflation, particularly in housing, food, and transport.

In a bid to increase vibrancy by introducing mixed-use development and neighbourhoods, Singapore has plans to reimagine the CBD as a social node. Similarly, mixed-use nodes away from the CBD have been developed, such as Jurong Lake District or Our Tampines Hub, and these will continue to be enhanced.

As such, there is an opportunity to provide diverse and more affordable residential, commercial, and tourism offerings in these mixed-use nodes. These new models can provide value for money and attract a wider array of tourism segments, such as digital nomads.

Singapore can also leverage its 'Garden city' image and capitalise on changing tourist preferences around wellness and sustainable tourism, and as remote work opportunities continue to emerge, Singapore is well positioned to play a role as a central hub in a region where many people are enabled to work remotely.

More incentives and targeted marketing campaigns to attract visitors and businesses to mixed-use nodes that are away from the city centre, e.g. Jurong Lake District, can be beneficial.

Chapter 3

THE WAY FORWARD

Capturing the opportunities and addressing the challenges created by work, travel and lifestyle shifts requires policymakers and industry operators to take action. These actions span specific policy changes, digital tool adoption and critical enablers, such as building key infrastructure and core capabilities. Overall, these needle moving actions cut across three main areas of intervention:

- **Placing new principles at the heart of our cities:** In order to build urban resilience, cities and industry stakeholders should embed people-centric approaches and sustainability principles in new policies and future development.

- **Rethinking urban structures and spaces:** With new planning paradigms of decentralisation, dispersal and flexibility, the nature of CBDs will change, and new urban hubs will emerge. Cities will need to rethink the makeup of economic activity, giving rise to more mixed-use buildings and new service offerings.

- **Encouraging new forms of work and travel:** With rapid digital adoption, and new paradigms of work and travel emerging from Covid-19, cities must develop new offerings and ease barriers to entry to capture new types of travellers.

POLICY ACTION

INDUSTRY ACTION

The way forward

3.1. NEW PRINCIPLES AT THE HEART OF CITIES

The Covid-19 pandemic coupled with the climate emergency has brought environmental, social and economic sustainability to the forefront of planning discussions and underscored the importance of building holistic urban resilience.

Plan for resilience and sustainability: Policymakers may consider developing city strategies underpinned by environmental, social and economic resilience to withstand acute shocks and chronic stresses. City planning departments could embed these principles in future city masterplans, tender requirements and building codes, such as flexibility, redundancy and inclusivity.[1] Doing so will help address climate adaptation needs (e.g. sea walls, flood management systems, early warning systems for forest fires), economic adaptive capacity (e.g. adaptable food supply chain) and social resilience (e.g. community outreach programs). In addition, cities may consider developing policies geared towards public health, wellbeing and equity.

Tokyo Metropolitan Government's 'Tokyo Sustainability Action' 2021 delineates the construction of infrastructure to mitigate flooding disasters that the city is highly prone to. Efforts will be focused on developing the city's disaster prevention capabilities, including the improvement of flood control through constructing seawalls, revetments, sewerage storage facilities and high-ground communities, aligned with Tokyo's vision to transform into a disaster-resilient city.

Create a healthy and sustainable built environment: Green building and neighbourhood certifications (e.g.: LEED, GreenMark, GreenStar) and WELL standards that focus on health and wellbeing are increasingly being sought out, aligned with rising demand for healthier and more sustainable work environments. To accelerate the shift, policymakers can update building codes to include minimum sustainability requirements, and incentivize developments with a strong focus on sustainability and wellbeing.

Governments can more actively incentivise developers, contractors and facility managers to meet wellbeing and sustainability codes in future developments. Achieving this may include improving indoor air quality with the latest filtration and disinfection systems (e.g. MERV14, UVGI), or implementing more energy-efficient HVAC and lighting. Engineering consultants could support this endeavour by recommending the appropriate products. In addition, design consultants can work to incorporate more passive design features in plans (e.g. insulated walls, skylights and strategic window placement) to support these outcomes. Lastly, developers and facility managers should invest in state-of-the-art predictive maintenance, remote monitoring and diagnosis technologies to enhance building resilience and take a more proactive approach to extend asset life expectancy.

[1] City Resilience Index, Arup, 2022

POLICY ACTION

INDUSTRY ACTION

The way forward

SINGAPORE GREEN BUILDINGS

In 2021, Singapore's Building & Construction Authority launched the Singapore Green Building Masterplan that set out targets aimed at accelerating Singapore's transition to a low-carbon built environment. Under this plan, **the S$63m Green Mark Incentive Scheme was introduced in 2022,[1]** providing grants to building owners to encourage improvements to energy performance. These grants lower upfront capital costs for energy efficiency retrofits as well as increase returns on investments (BCA).

The objective of this government funding is to raise energy performance of existing buildings, in order to meet targets for greening 80% of Singapore's buildings by 2030, set in the Singapore government's 2030 Green Plan[1].

Involve a broader range of community members/voices in participatory planning processes: As cities rethink urban centres and suburbs as liveable, city planners and authorities could enhance participatory planning methods across the planning cycle, placing the needs of the community and local economy at the heart of any future developments. Consultations may bring together a broader set of individuals, neighbourhood associations or local businesses. To successfully do this, government agencies will need to provide planning authorities with sufficient funding to undertake inclusive participatory approaches and integrate these ideas into the larger planning process. Agencies should take steps to ensure all socio-economic groups and demographics are well represented, and that the process is accessible to all (e.g. provision of virtual options, and translation services).

Place people and nature at the core of business: Companies that do not operate solely for profit but understand how to optimise value across triple-bottom-line imperatives are increasingly likely to align with the changing values of end consumers. Particularly in hospitality and short-term space rental, a growing portion of consumers are seeking companies whose values mirror their own, and who provide services that contribute to addressing major environmental and social challenges. As such, companies may start to look beyond pure reporting to develop more holistic sustainability-driven corporate strategies, employee engagement and offerings. Early adopters will reap substantial rewards.

[1] Green Mark Incentive Scheme for Existing Buildings 2.0, BCA, 2022

POLICY ACTION
INDUSTRY ACTION

The way forward

PARTICIPATORY PLANNING – **SEOUL 2040**

Aiming to create a "Local Seoul for Me, Global Seoul for All", this plan incorporates flexible socio-spatial models for the city's land use.[1] It prioritises boosting locality infrastructure, aiming for areas of residence, work and leisure to be more interconnected and accessible, making Seoul more walkable. **Seoul 2040 relied heavily on citizen participation,** with arrangements made to empower citizens and involve them in every stage of planning, ensuring their needs and interests were at the forefront. Such citizen planning has also spurred greater cooperation and collaboration between citizens and government agencies. One impact of citizen participation on the masterplan is the **prioritisation of establishing shared services and flexible facilities,** due to the rise in single-person households.

[1] "Seoul 2040 Comprehensive Plan" for new urban spatial structures amidst digital transformation, Seoul Metropolitan Government, 2022

RETHINK URBAN STRUCTURES & SPACES

With the disaggregation of the workday, the ability to work remotely, and the growing focus on developing sustainably, cities have been tasked to rethink the function of central business districts (CBDs) and urban centres. Rising health and wellbeing concerns also require planners to address how well the urban form supports quality of life.

New models for city centres and CBDs

Inject variety of functions in buildings and public spaces: The importance of open space, and a work-live-play balance, was highlighted by the pandemic. City planners can design multi-functional spaces for city centres that cater to day-time and night-time programmes to support the activation of spaces by different user groups.

CBD spaces can be reimagined as the centre of knowledge transfer and information exchange between communities. To do so, more spaces for diverse communities to meet are needed. Shifting away from solely focused on large tenant / long term lease commercial space models, policymakers can instead opt to incentivise the development of mixed-use neighbourhoods and multi-function buildings in order to diversify the activity and tenant mix in city centers.

> *"Mixed-use typologies, such as live-work housing units, serve as a good way of diversifying the economy and boosting economic resilience."*
>
> **James Mant, Director – Places & Precincts, Department of Transport and Planning Victoria**

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Develop quality public spaces: Planners can create a network of activated public spaces across city centres and beyond, using programmes and experiential elements to draw diverse crowds. The creation of hotspots will allow the dispersion of visitors across the city. This needs to be supported by planning policies to protect existing public space, enhance the quality of existing public space, and create new public space embedded in buildings. Spaces may include public parks for festivals, rivers and canals for water transport experience or pedestrianised roads for placemaking. The policies may include the use of form-based design and code e.g. Marina Bay Waterfront masterplan.

Diversify housing typologies and provide temporary options for transient groups: Looking at the city centre as the focal point where different communities meet, planners can also introduce a variety of housing typologies catering to different communities, incorporating more permanent and affordable housing as well as more temporary options for more transient groups (e.g. workcationers/ bleisure visitors). This requires the support of new planning policies as well as subsidies/incentives for older real estate to encourage the conversion of existing uses into new housing and accommodation typologies.

Activate building ground floors and frontages: Identifying areas to be activated and setting urban design guidelines to help define the quality of ground floors and frontages with the purpose of activating ground floors and making building façades more attractive for visitors to slow down, appreciate and engage with the space. The success of Peranakan shophouses in Katong and Joo Chiat, Singapore, provides a vivid example of the attractive potential of well-crafted frontage.

URBAN VIBRANCY – YOYOGI PARK, TOKYO

Yoyogi Park is in downtown Tokyo, beside Harajuku and Omotesando, two popular shopping districts, and the vicinity of Shinjuku and Shibuya. All year long, the park is a focal point for free and leisure activities such as picnics, as well as large and planned events such as music concerts, monthly Oedo antique market, Okinawa Street Music Festival, and multi-cultural events such as I Love Ireland Festival, The Thai Festival, and The Vietnam Festival.

Apart from being a quality green space that provides respite to both residents and visitors, the park is also popular with tourists who want to sightsee or simply hang out with locals.

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> *"In terms of public spaces, there's a more renewed interest in universal access and accessibility, making sure that these public spaces can be accessed by everyone. However, creating strategies isn't the problem, it's the financial incentives. Melbourne needs to incentivise to get built form outcomes."*
>
> **Kate Hardwick, Director for Department of Jobs, Precincts and Regions in Victoria**

Improve access and mobility: To shift away from car-centric planning, planners may focus on improving first / last-mile connections (e.g. feeder buses in residential areas), implementing bicycle infrastructure, and encouraging active mobility. Policymakers can support this by removing barriers to entry and new forms of mobility to be developed in cities (e.g. via subsidies and partnerships). Cities globally are also looking into pedestrianising and greening streets to reclaim them for people, such as Guildford Lane in Melbourne. In developing mobility, policymakers must ensure equal access and can look to conducting universal access audits or implementing universal design standards to do so.

Provide incentives for infrastructure investment beyond the core: Policymakers may consider incentives for developers and tourism services providers to invest in suburbs to develop new spaces and tourism offerings, supported by infrastructure (e.g. grants, funding, or tax incentives). The Regional Tourism Investment Fund by Regional Development Victoria, for example, provides funding for tourism projects in rural areas to encourage regional private investment and create regional tourism assets. This scheme greatly assisted the expansion of the wine market in greater Melbourne.

Introduce transit-oriented development: planning authorities, developers and service providers can collaborate to develop compact, mixed-use and pedestrian/bicycle-friendly development by mass-transit stations. This would bring together housing, jobs, services and amenities within close proximity and create 24/7 vibrancy in neighbourhoods, ensuring self-sufficiency and resilience.

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Encourage adaptive reuse & retrofitting of existing buildings over new build, to extract new value from such structures, limit construction-related Scope 3 carbon emissions, and preserve urban identity. This can be done via incentives or financing schemes, e.g., Singapore's Building Retrofit Energy Efficiency Financing (BREEF) scheme, a collaboration between financial institutions and the Building & Construction Authority (BCA), which covers upfront costs for retrofitting to improve energy efficiency.[1] Furthermore, rural towns worldwide are encouraging the adaptive reuse of old buildings to capture new types of travellers/workers, and revitalise their economies (e.g. co-working spaces, galleries).

The current retrofit market in Australian cities remains small, and there is need for authorities to promote retrofitting and repurposing. Similarly, Kuala Lumpur's property overhang is calling for government collaboration with the private sector to minimise new build and actively utilise existing real estate.

Decentralise and rethink workplaces: Companies may rethink their physical offices to accommodate emerging employee needs. This may mean redefining CBD offices or opening regional satellite offices. Some Tokyo-based IT firms have moved their offices to Shirahama's new IT Business Office. Employees are thus able to work from a new beach setting while supporting the economic revitalisation of the town. Those who choose to retain their existing office spaces can look to reinventing the office space to offer employees experiences they cannot get from remote work (e.g. collaboration spaces, activities, social encounters).

3.2. ENCOURAGE NEW FORMS OF WORK & TRAVEL

As hybrid work models, blended lifestyle trends (e.g. bleisure, workcation and digital nomadism) and demand for conscious tourism start entering the mainstream, public and private actors can choose from a variety of actions to capture opportunities:

Attract foreign talent: Policymakers can develop talent attraction strategies to build human capital capabilities and address issues of talent gaps and ageing populations. They can develop incentives for foreign companies to enter (e.g. grant support, financing schemes, incentives), as well as by shaping cities to be more attractive to workers (e.g. branding, breaking language barriers, easing visa requirements). For example, the Japanese government has revised an immigration bill to accept more foreign talent under specified-skills 5-year visas since 2019, allowing workers to bring their families to Japan too.

- **Digital nomad visas**: Policymakers could consider introducing new digital nomad visas or adjusting visa requirements (e.g. lowering min. salary required to work there, easing the process for lengthening visas) to attract the growing global pool of remote workers. For example, Malaysia launched the DE Rantau Nomad Pass in 2022, which allows workers earning a minimum salary of $24,000/year, and with proof of 3 months of employment, to stay a maximum of 2 years. These relaxed requirements make it attractive for digital nomads to stay and work in Malaysia.

[1] Our Targets, SG Green Plan, 2021

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Develop comprehensive "Work From Anywhere" (WFA) policies: Companies have the opportunity to clearly define their WFA policies and provide options for employees to work remotely, take workcations or work from home as desired. WFA arrangements can pose risks of tax compliance, immigration concerns, local employment regulations and data security. As such, companies could adopt a cross-functional approach when designing policies to provide workers with flexibility, while placing strategic limits to reduce risk. For example, companies can enable staff to work in countries where it has legal entities or locations in, and therefore has knowledge about local payroll tax. Companies should also train staff to ensure they can manage their data privacy and security from home.

Digital connectivity and literacy: Policymakers should emphasise the expansion of digital infrastructure and digital adoption, both in the city and its rural areas. Adoption of tools such as e-payments can improve efficiency while harnessing tools of social media can improve the dissemination of information regarding tourism offerings in lesser-known destinations to large demographics online. Infrastructure such as digital centres and broadband should be set up in rural areas to boost rural connectivity, address needs for digital inclusion and provide rural communities with the ability to attract tourism and revitalise their own economies. As part of the Digital New Deal launched by the South Korean government in 2020, internet networks and digital capacity-building centres will be set up in rural areas, and digital education will also be provided to these communities to improve their access to information and e-services.

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3.3. FOSTER NEW URBAN TOURISM

Increase transparency of sustainable tourism: To address rising demand among consumers for greener travel, tourism operators could provide greater transparency to consumers regarding the environmental and social impact of business activities. Tourism companies can incorporate business frameworks of auditing, monitoring, reporting and disclosing information to boost transparency with their consumers. To fill existing gaps in measuring sustainability efforts due to a lack of standardisation of criteria and reporting measures, there can be cross-collaboration across the tourism industry, governments and civil organisations to standardise how to examine the environmental performance of businesses to meaningfully deem whether a tourism offering is truly environmentally beneficial.

Foster domestic travel: Policymakers should leverage on domestic destinations and natural assets to boost local tourism recovery. This can be done by incentivising domestic tourists by launching travel subsidy schemes and vouchers for local tourism, accommodation retail and F&B operators, which boosts recovery for local suppliers while enabling locals to explore their city's offerings. Japan's tourism industry has remained relatively resilient despite Covid-19, due to the success of the government's 2020 Go To Travel Campaign, which subsidised up to 50% of travel costs for domestic tourists and led to a boom in domestic travel. Deployment of this program did, however, face issues. While successful, the deployment of this program did, however, face issues as delays in digitisation resulted in the inability of some online travel companies to participate.

Collaborate with and empower local communities: Local community members and stakeholders could be engaged in co-creating new attractive tourism and commercial offerings. This will ensure that new offerings will be designed with local communities and the economy in mind. The Victorian state government has committed to empowering First Nations communities, with the tourism sector being a central player in doing so. In 2019, international and domestic visitors who participated in Aboriginal activities (e.g. arts and crafts, galleries), spent AUD $1.1 billion. Many other cities have the opportunity to diversify and disperse tourism offerings by collaborating with local communities. For example, the city of Seoul could work with those offering Temple Stays to boost the visibility of these experiences. Kuala Lumpur could leverage growing niche tourism offerings like Halal Tourism.

> *"Having deeper, cross-cultural experiences have become more embedded into the preferences of young travellers nowadays. There's more focus on creating meaningful experiences."*
>
> **Professor Kimo Boukamba, Ritsumeikan Asia-Pacific University**

Glossary of terms

- **Bleisure:** business trips that are extended longer for leisure purposes
- **Workcation:** travelling to take a vacation while working remotely
- **Sustainable travel:** a form of travel that aims to positively impact economic, social and environmental sustainability outcomes
- **Ecotourism:** tourism offerings immersed in nature or wildlife
- **Rural tourism:** tourism related activities occurring in peri-urban or rural region, usually linked to agriculture-based communities
- **Peri-urban areas:** transition zones from rural to urban area, typically located at the city fringe.
- **Staycation:** a short holiday stay taken within the city of residence
- **Work from Anywhere (WFA):** a flexible working arrangement allowing employees to work remotely from any location
- **Hybrid work:** a flexible work arrangement that allows employees to choose between working from home or the office
- **Digital nomad:** skilled workers who travel across destinations without a fixed business location, while working fully remotely
- **MICE:** Meetings, Incentives, Conferences and Exhibitions
- **Niche tourism:** tourism linked to the particular natural and anthropogenic resources of a region, to the characteristic lifestyle of the tourists. Niche tourism targets a smaller number of consumers, but is a constant tourism market.[1]
- **Consumer class:** Middle class (and higher) households who spend $11-$120 per person per day[2]

[1] The emerging trend of Niche tourism: Impact analysis, Journal of marketing research and case studies, 2021
[2] Which will be the top 30 consumer markets of this decade?, World Data Lab (published by Brookings Institution), 2021