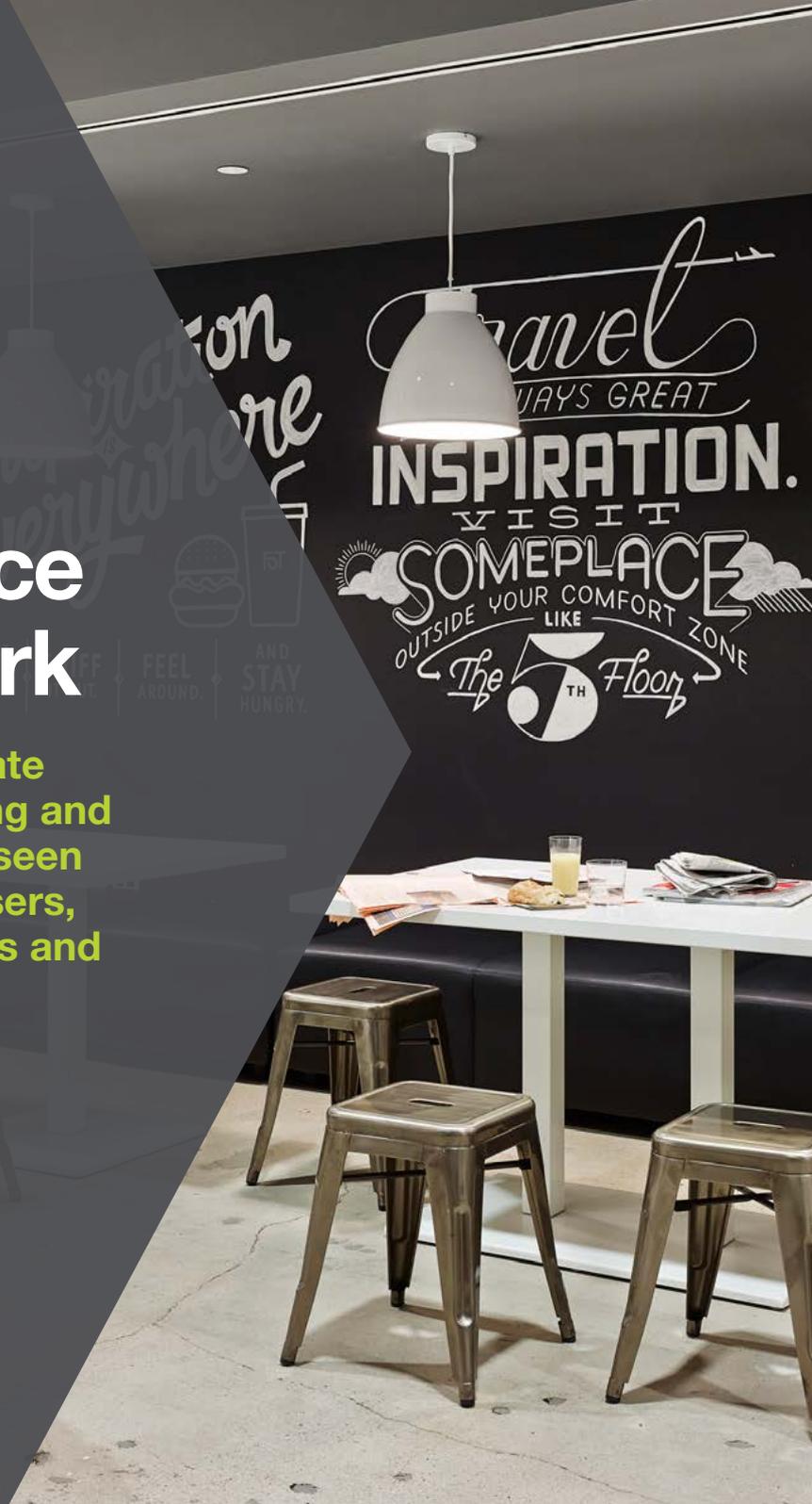


The Marketplace for Flexible Work

A 360° review on the current state and future outlook of co-working and flexible work space options as seen from the perspectives of end users, operators, landlords, developers and enterprise real estate buyers.





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PHOTOGRAPHY
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About the study

The Instant Group partnered with HLW to conduct a study on the impact of flexible workspace.

The survey was sent to over 500 people across the industry.

Responses came from a mix of end users; co-working and flex space operators; commercial real estate landlords and developers; and enterprise real estate leaders responsible for procuring space for their companies.

Respondents completed a comprehensive questionnaire about their current perspectives of the market, the value they get from it, and how they see the market affecting them in the future.

The study was designed to elicit a 360-degree perspective of this growing sector to try and determine how this space was really perceived, its direction of travel and to dispel some industry myths.



Key terminology

SERVICED OFFICE

A serviced office is an office that is fully equipped and managed by a specialist operator, which then rents individual offices or floors to other companies on a cost per desk basis.

CO-WORKING

Co-working spaces involve a shared environment, most commonly an office, through which individuals not engaged by the same company work side-by-side, and which is charged on a monthly membership basis.

HYBRID SPACE

Hybrid space refers to an amalgam of co-working spaces and serviced offices in the same office building.

FLEX SPACE

Flexible workspace (or “flex space”) refers to all of the above and includes other options such as “managed offices” etc. Flexible workspace is the term the industry uses to refer to any type of space outside of the conventional lease market.

Introduction

The growth of flexible work has become a global story for businesses, workers and commercial real estate. It is irrevocably changing the way we work and is altering perception of how office space is procured and utilized.

Not only is the provision of flexible workspace expanding, but users are seeing benefits in the way they work and the wider positive impact on their business. Respondents to our research cited greater work flexibility, expanding professional networks, business opportunities, greater levels of energy at work, innovation, and a generally improved working environment through the adoption of flex space.

The responses to our survey highlight positive attitudes to a more agile workplace and also high utilization rates. The ability to choose where and when you work would appear not only to give management and workers a variety of environments that suit different working modes but also positively impact user engagement levels. This stands in contrast to declining workplace productivity and worker disengagement with conventional space, as has been borne out by studies in this area.

The use of flexible workspace is affording users a wide range of benefits, with most of these upsides focused on choice – it represents the opportunity to choose where you work, and who with.

83% of users of co-working and other forms of flex space claim to have benefited from these new work environments over the last 5-10 years

71% of co-working and flex space users report that their workspaces positively affect the ways they engage in their work

End users of co-working and flex office space spend an average of 54% of their total work week at these spaces



Positive impacts from co-working / flex spaces

We asked operators, corporate users, landlords and private users (occupiers) specifically how a flexible approach to workspace had positively impacted their businesses.

For end users the key benefits include a flexible approach to how they work, and corporate clients also recognize this benefit for their employees' agile working habits / practices.

Landlords are presented with an opportunity to create value in their portfolio. And operators see the growth in the market as a way to gain more market share from the corporate audience.

The key benefits for each user group are demonstrated here:

ENTERPRISE REAL ESTATE LEADERS

- Flexibility for employees
- More flexible real estate costs
- Reduced real estate costs
- Greater work productivity
- Improved work setting choice

OPERATORS

- More ways to offer flexibility to customers
- Ability to attract enterprise customers
- Better service offerings
- Increased brand value
- Increased revenue per seat

END USERS

- Flexibility around how I work
- Expanded professional networks
- Business opportunities
- Higher feeling of energy at work
- Innovation

LANDLORDS / DEVELOPERS

- Increased property values
- Ability to attract new kinds of tenants
- More ways to offer flexibility to prospective tenants
- Better offerings for prospective tenants
- Premium on revenue per square foot

How does flex space work for end users?

It's all about the customer...

The growth of flex workspace has had the biggest impact on the end users of those spaces. More than **70%** of respondents currently using flexible workspace agree that working from these environments positively affects how they engage with work.

Business benefits

General flexibility around work was the most cited benefit that was common to end users. It is choice and adaptability that is benefiting users and offering them the choice that the office market has previously been unable to do.

The other most cited benefits to end users are expanded professional networks, business opportunities and a greater feeling of energy.

A vast majority of users of this type of space state that they find themselves "learning often" and that they "continue to learn more and more as time goes by". A large proportion (**65%**) of respondents also disagreed with the statement that a co-working environment negatively impacted their working day.

How can service improve?

End users flagged that service improvements, innovations in workplace design and the quality of the social / community experience will help sustain long-term satisfaction with flex space.

Users believe that changes in these areas will radically improve their experience (with **85%** of respondents agreeing or strongly agreeing with this statement).

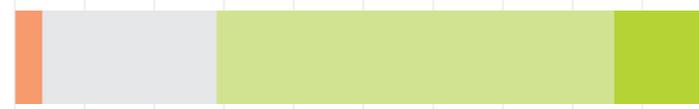
These areas of focus are at the point where the "new" market for workspace is challenging previous perceptions of the office model – namely, a radical shift in approach to design, providing more (and better) amenities, and curating the space to create atmosphere and interaction.

And they will use it more...

Ultimately, these users of flex space see themselves using this type of space more (**42%**) in the future than those using conventional space (**28%**) but the largest proportion of all will probably see themselves working from a range of locations (**55%**).

PERCENTAGE OF END USERS WHO BELIEVE THAT THE USE OF CO-WORKING / FLEX SPACES IS...

POSITIVELY AFFECTING THE WAY THEY ENGAGE IN THEIR WORK



NEGATIVELY AFFECTING THE WAY THEY ENGAGE IN THEIR WORK



Strongly disagree Disagree Neutral Agree Strongly agree

PERCENTAGE OF END USERS WHO 'AGREE' OR 'STRONGLY AGREE' THAT THE FOLLOWING WILL IMPROVE THEIR LONG-TERM SATISFACTION WITH CO-WORKING / FLEX SPACES



John Williams
Head of Marketing
The Instant Group

“Much of the growth of flex space has come from the operators’ knowledge of and desire to cater to their customers; they understand the end users who occupy the space but for too long have been neglected by the conventional real estate market.

The emphasis has been placed on community, creating an experience and adopting a stance that is more similar to a hotel operator than that which might be found in your average office. This is a sea change for providers of conventional workspace – they now have to create destinations, take more inspiration from retail and hotels, and generate a product that works for the end user.”

Corporates are flexing...

The greatest value to companies that use flex space is the ability to assign people to these spaces at short notice.

Corporate clients – i.e. larger companies that are using flexible workspace as part of their portfolio – are also reporting significant benefits from flexible workspace; albeit, they are coming at the market from a different angle.

Benefits to business

A clear majority of corporate occupiers feel that the rise of co-working and growth of a more flexible approach to workspace provision has benefited their businesses. Nearly 60% agree with this viewpoint. They clearly point to the agility of different forms of occupancy for employees and the greater flexibility.

And they see room for improvement with a better approach to workspace design agreed upon by 85% of respondents as a key issue.

Do flex brands matter?

The brand “value” of existing operators of flex space is relatively of less importance to companies that use flexible workspace than end users.

The vast majority of corporates using these spaces feel either neutral or disagree that brand affects their attitudes toward these spaces or that they make decisions about a space based on brand.

Corporate choice and benchmarking

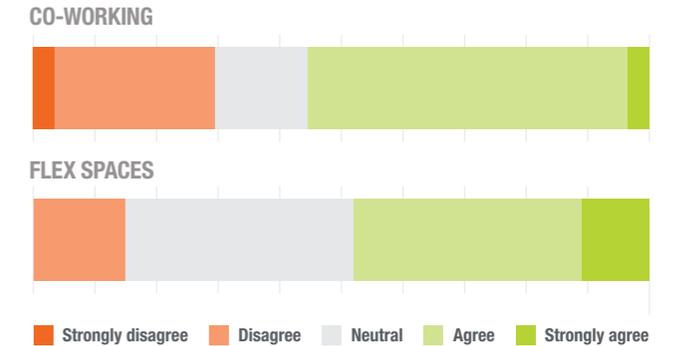
Corporates using flex space as part of their portfolio do not tend to rely upon one single provider of space supporting all their needs. Nearly half (45%) look to multiple providers across a geographical region to assist with their requirements.

Nearly three quarters of corporate respondents agree that the key attributes of flexible working are the ability to easily add or reduce the amount of space at any particular site where the company seats employees. And the ability to assign or reassign employees to co-working or flex spaces at short notice. Again, as with end users, it is agility that is the key attribute driving flexible workspace appeal to corporates.

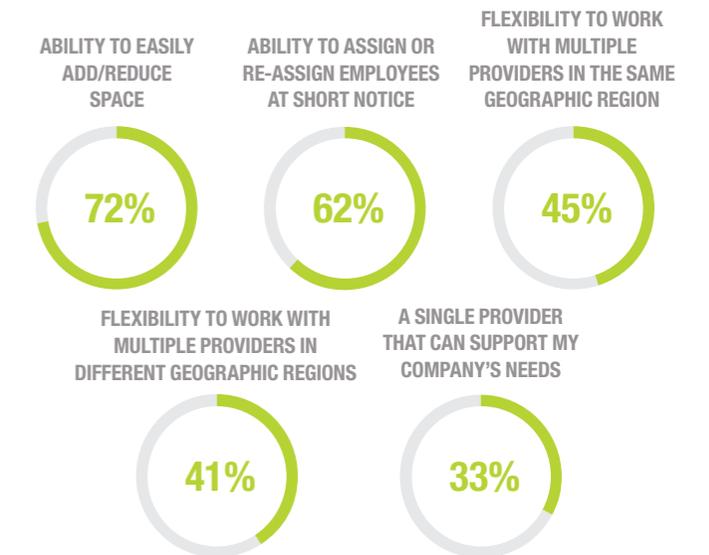
Corporates are revelling in the choice this nascent market provides. However the industry as a whole needs to be attuned to the need for better benchmarking and giving corporate clients more informed basis for decision-making.



PERCENTAGE OF CORPORATE OCCUPIERS WHO AGREE THAT, OVER THE LAST 5-10 YEARS, THE GROWTH OF CO-WORKING / FLEX SPACE OPTIONS HAS BENEFITED THEIR BUSINESS



PERCENTAGE OF CORPORATE OCCUPIERS WHO 'AGREE' OR 'STRONGLY AGREE' THAT THEY WANT THE FOLLOWING FROM CO-WORKING / FLEX WORKSPACE PROVIDERS



Is flex space a long-term solution for corporates?

The benefits for corporates

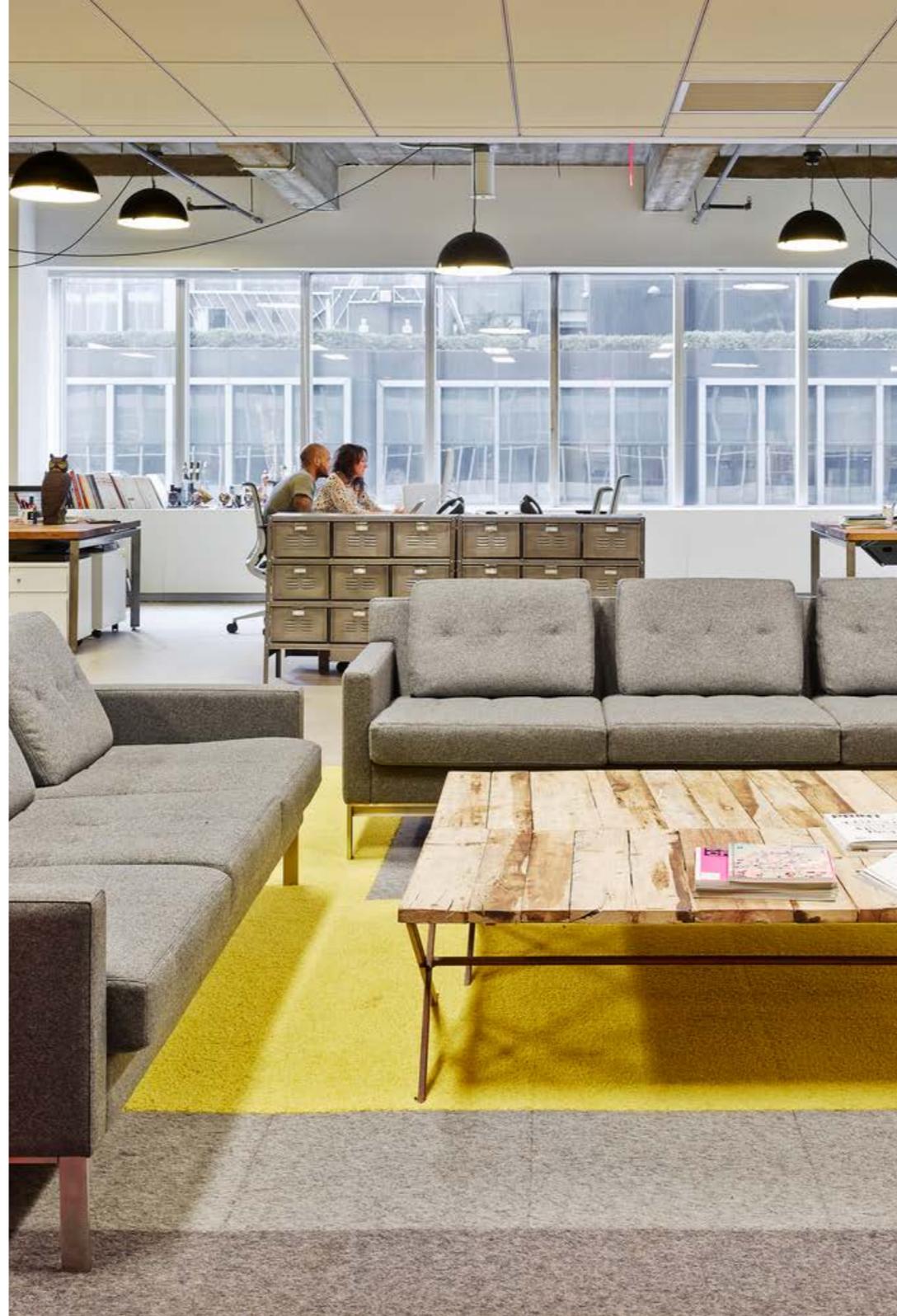
The key finding for corporates was the general flexibility around work, and the ability to reduce or increase real estate costs as the business required. Tellingly, some corporate respondents even quote reduced real estate costs and greater employee productivity as being among the critical and tangible business benefits.

Corporates were divided as to whether they view flex space as a long-term or short-term solution to their portfolio requirements. But they do see a need to introduce some elements of their brand to the flex environment – only 7% of respondents disagreed with the view that “it is important that co-working offices can incorporate brand elements of customer companies into aspects of the space design”.

Branding space for corporates

In fact 46% agree that working from a workspace that includes elements of their brand is important to them. This is an element that the operators of flex space will have to address to broaden their appeal to corporates.

However, corporates are relatively neutral when it comes to considering the operator brand during the procurement process – only 26% of respondents factor in operator brand when it comes to choosing space. In fact just under half of respondents (41%) actually disagree that the brand of a flex operator drives any preference in decision-making.



John Duckworth
Managing Director, UK and EMEA
The Instant Group

“There has been much conjecture around the adoption of flex space by larger companies and why they are using it. Our data shows that the number of corporate clients using flex space is growing significantly with enquiries for 40+ desks increasing by a quarter every year.

The benefits for business that lie behind this are quite clear: flex space gives companies a different route to market and one that is more adaptable in the short-term. But there are other advantages that are coming to light, not least the need to give workers greater choice in location and the tangible improvements in productivity that result by offering them choice around the type of workspace they use.

As the market evolves and even more workspace options become available to corporates, then adoption rates will grow at an even faster rate – there is much more growth to come in the market as the use of flex workspace increases as a proportion of large, corporate portfolios.”

The future of flex space and landlords?

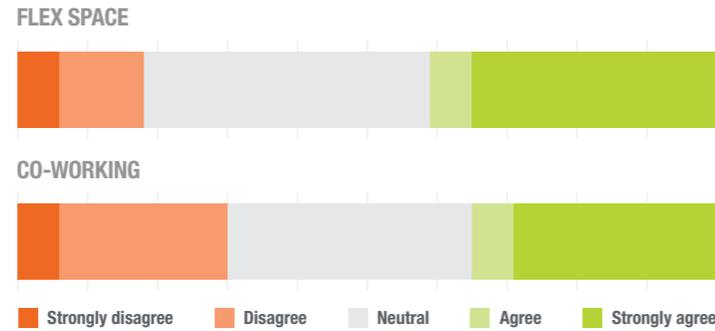
Our research with landlords validates their view that flexible space is a long-term real estate solution for companies. And the result is quite definitive - **41%** agree that flex is a long-term solution and **18%** disagree with this statement. They believe that companies need flexibility around the provision of workspace and the ability to move employees around with **84%** agreeing with that perception.

Benefits to landlords of flexible workspace

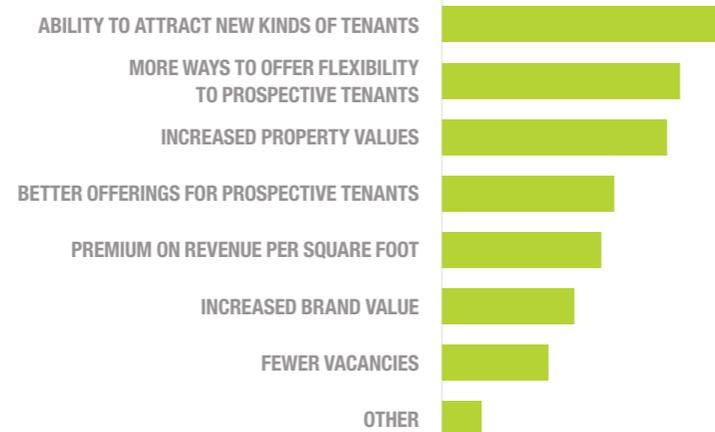
And the benefits for landlords of flex space are clear - **72%** agree that working with co-working operators with a strong brand has significant benefits for their development. And more than **40%** agree that co-working has benefited their business and the wider sector compared to just **21%**, who do not.

The most popular reason given was for the ability to attract new kinds of tenants, and secondly the opportunity to offer more flexibility to prospective clients. Some see flexible space as a driver of increased property values.

PERCENTAGE OF LANDLORDS AND DEVELOPERS WHO VIEW CO-WORKING OR FLEX SPACE AS A LONG-TERM SOLUTION FOR THE REAL ESTATE NEEDS OF LARGE COMPANIES



LANDLORDS AND DEVELOPERS EXPERIENCED THE FOLLOWING BENEFITS FROM CO-WORKING AND FLEX SPACE



John Vaughan
Director
The Instant Group

“The biggest landlords in the world are excited at the possibilities of introducing flexible space into their portfolios. They are following client demand and moving their proposition to match occupier requirements.”

There is still much work to be done by the landlord market to really assess who these potential clients are and their specific demands, but the desire is there to adapt their offer to the market. They have recognized which way the wind is blowing.”



How is demand shaping flex space?

The growth of flexible workspace is a disruptive change that is having a positive effect on how people work – 72% of survey respondents agreed with this statement from occupiers, operators and landlords.

Overwhelmingly, all respondents agree that service improvements, workplace design and the quality of the social/community experience are drivers of their long-term satisfaction with co-working and flex space options.

As the flexible workspace market evolves we are seeing greater diversity of the type of space on offer, and operators are quick to adapt to market demand in a way that conventional space has been unable to.

In a relatively shorter period of time the range of co-working and flex space has grown exponentially. As the market is made up of predominantly smaller companies, they are in a privileged position of knowing their target audience well and can tailor their offering accordingly.

PERCENTAGE OF ALL RESPONDENTS WHO AGREE THAT CO-WORKING OR FLEX SPACE OPTIONS ARE A DISRUPTIVE CHANGE POSITIVELY AFFECTING HOW PEOPLE WORK

CO-WORKING

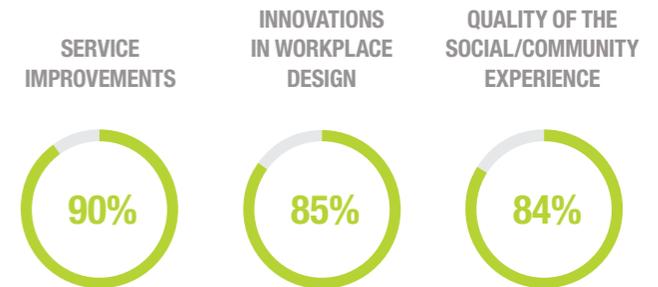


FLEX SPACE



Strongly disagree Disagree Neutral Agree Strongly agree

PERCENTAGE OF END USERS WHO RANK THE FOLLOWING FUTURE INNOVATIONS AS EITHER 'VERY IMPORTANT' OR 'IMPORTANT' IN AFFECTING THEIR LONG-TERM SATISFACTION WITH CO-WORKING/FLEX SPACE



Future use of flex space



Tim Rodber
CEO
The Instant Group

The vast majority of people who work from co-working or flex office spaces today will continue to do so in the future – while encouraging others to do the same, according to our research.

Most respondents envision working from a co-working or flex space for the same amount of time or more compared to today. Likewise, these same respondents will encourage others to do the same or to work from spaces – other than a traditional company office – that are suitable for work.

More than half of respondents see themselves spending less time working from a traditional company office space. These sentiments reflect broader trends about people desiring greater flexibility and choice over how and where they work, and the growth of a customer-focused market that is giving them a variety of more convenient choices.

“The trend towards flexible working has dominated the headlines for some time now and operators of this space have been driving take up in the leading global cities for the past two years.

This survey confirms the long-term indicators we have from our client base that flex space is here to stay and is reflective of wider changes to business strategy and a more agile approach.

From experience we know that most firms, once they adopt a flex approach, rarely go back to a real estate mix that is only reliant on conventional space. In fact the way this is evolving is heading to a pure workspace on demand model, where the entire real estate function is outsourced to a third party, driving value across the business.”

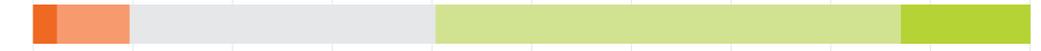


PERCENTAGE OF ALL RESPONDENTS WHO ENVISION THAT IN THE FUTURE THEY WILL BE...

ENCOURAGING OTHERS TO WORK FROM A RANGE OF SUITABLE LOCATIONS



ENCOURAGING OTHERS TO WORK FROM A CO-WORKING SPACE



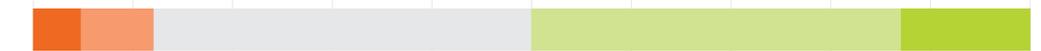
WORKING FROM A RANGE OF SUITABLE LOCATIONS



ENCOURAGING OTHERS TO WORK FROM A FLEX SPACE (NON-CO-WORKING)



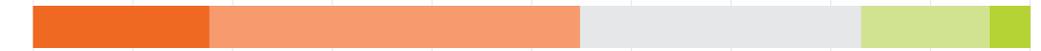
WORKING FROM A CO-WORKING SPACE



WORKING FROM A FLEX SPACE (NON-CO-WORKING)



WORKING FROM A COMPANY OFFICE SPACE



ENCOURAGING OTHERS TO WORK FROM A COMPANY OFFICE



Considerably less time Somewhat less time About the same amount of time Somewhat more time Considerably more time

Is flex space here to stay?

The longevity of the trend towards more flexible working has become a subject of considerable debate, with many more established commercial real estate commentators feeling that it is symptomatic of the times rather than a long-term shift in strategy. Our research shows just how divided the industry is over new forms of flexible working.

Long-term option?

Corporate occupiers are relatively divided on seeing co-working and flex space as a short or long-term solution for their companies. More occupiers see co-working as a long-term solution for their businesses than other flex space such as serviced offices. Landlords, developers and co-working/flex space operators are more positive in their response, with a large proportion seeing both co-working and flex space as long-term portfolio solutions.

The mixed responses about short-term vs. long-term value reflects the rapid growth of the marketplace for flexible work. With a growing number of solutions available in the market, it is not sufficient to view the offerings as a simple dichotomy of short-term vs. long-term solutions. Instead, we see evidence of corporate occupiers as seeking a range of solutions within their portfolios and providers that are willing to respond with hybrid offerings.

With lease lengths on average now down to as low as 5.2 years and with the average tenure or stay around 36 months for operators such as The Office Group, the gap is closing between a “flex” or conventional” approach. Increasingly the choice is based more upon cashflow and strategic approach to space than the length of stay.

Key Terminology

LONG-TERM LEASE, AVERAGE = 15 - 20YRS

SHORT-TERM LEASE, AVERAGE = 3 - 5YRS



PERCENTAGE OF RESPONDENTS WHO 'AGREE' OR 'STRONGLY AGREE' WITH THE LISTED STATEMENTS



Integrating technology with flex space

Users of flex space cite a variety of technology features that facilitate their use of this kind of space. Overwhelmingly, all respondents agree that wireless connectivity and wireless security are the most important technology-related features of these spaces.

Technology enables flex space

It is, of course, the improvement of cloud computing and product security that has really driven the ability to work in an agile way with global teams interlinked by virtual servers. As reflected in our research, wireless tech was far and away the most important technology feature for users and decision makers and as it evolves will offer more freedom of choice as to where and when they work.

Other tech priorities

Printing compatibility and printing security were also very important to almost two-thirds of respondents. In terms of other technology-related features, respondents rank the availability of audio conferencing technology ahead of video conferencing technology.

The widespread adoption of Skype and other online video services renders in-house video facilities obsolete while conference call facilities still need to be provided in meeting rooms and collaborative spaces.



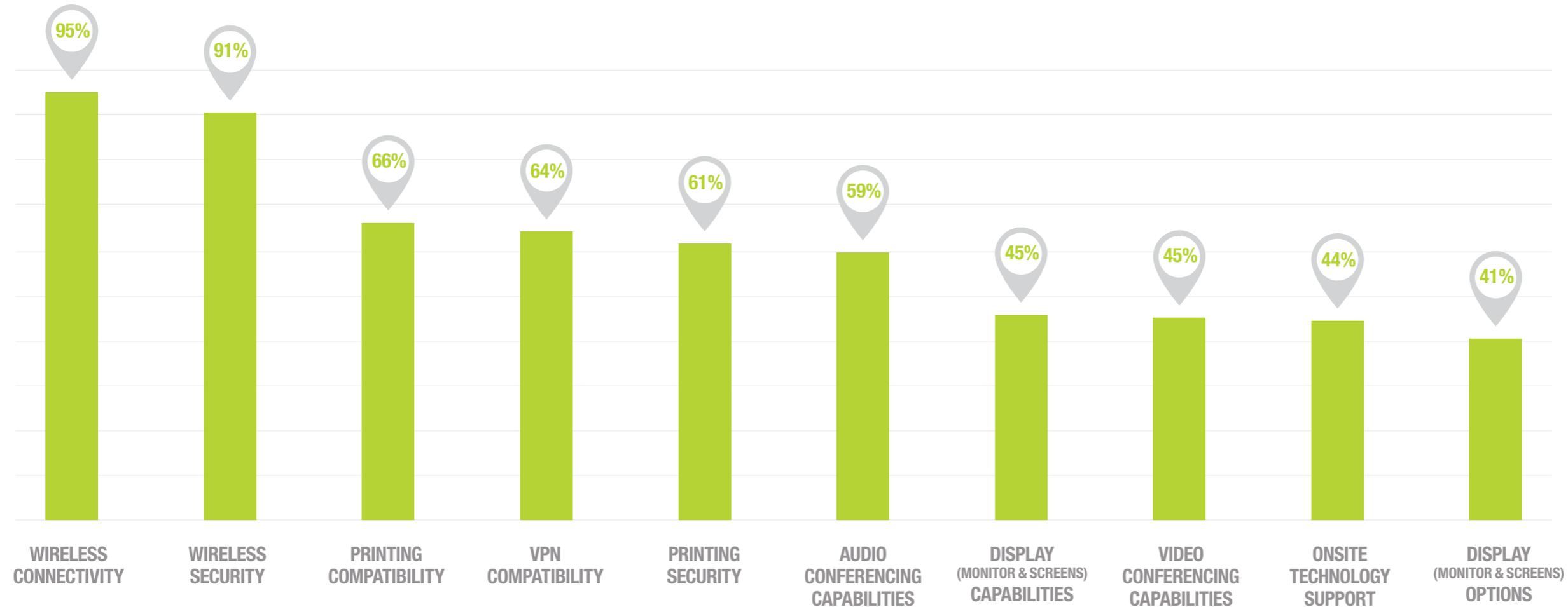
Bronte Turner
Principal and Managing Director
HLW London

“Technology is the backbone to any productive workplace. Technology and IT infrastructure used to be considered “secondary” or “support” functions, but in today’s working world, it has to be the one of the first (if not the first) areas considered when designing and implementing a workplace for the future.

Looking forward into our future, I imagine that the lines between the digital and the physical workplace are going to become even more blurred and important for our corporate clients to consider.”

Integrating technology with flex space

PERCENTAGE OF END USERS WHO RANK THE FOLLOWING FEATURES AS EITHER 'VERY IMPORTANT' OR 'IMPORTANT'



Instant's market view

2017 saw a significant shift in the market view of flexible workspace and its place in wider business strategy. In response to a much changed business environment post-2008, agile working practice has been widely adopted and is now viewed as a strategy to mitigate uncertainty and risk. Furthermore many companies now see agile solutions as offering value to their business planning.

We have observed the annual growth of the flexible workspace market during the 20 years that Instant has worked at its heart. The growth in corporate adoption of this type of space is not an overnight story. This has evolved as clients recognize the choices available to them and question the way that procurement and management of space has been achieved in the past.

This market shift has progressed because the workspace sector, as a whole, is slowly coming to understand client requirements, for companies of all sizes. Market forces have radically altered the shape of so many sectors and office requirements have changed accordingly.

Now is commercial real estate's moment to realise that the market has moved – customers are demanding more choice, and it is the sector's opportunity to embrace this change.



Peter Bacevice
Director of Research
HLW

“Community is the foundation of our societal order and collective well-being, and the workplace plays a pivotal role in creating a sense of place in our cities for communities that create economic and social value.

Today's workplace calls people to action and to do great things. People increasingly see their professional work as an extension of themselves, and they want to make a positive societal impact at work.

Great workplaces inspire people and provide the essential staging for the cultivation of community from which fresh ideas emerge, evolve, and underpin sustained business growth.”



Instant

RETHINKING WORKSPACE

Founded in 1999, The Instant Group is a workspace innovation company that rethinks workspace on behalf of its clients injecting flexibility, reducing cost and driving enterprise performance.

Instant places more than 6,000 companies a year in flexible workspace such as serviced, managed or co-working offices including Amazon, American Express, Sky, Network Rail, Serco, Teleperformance, Worldpay, and TMF making it the market leader in flexible workspace.

Its listings platform **Instant Offices** hosts more than 12,000 flexible workspace centers across the world and is the only site of its kind to represent the global market, providing a service to FTSE 100, Fortune 500, and SME clients. With offices in London, Newcastle, New York, Los Angeles, Dallas, Berlin, Hong Kong, Sydney, Singapore, and Kuala Lumpur, The Instant Group employs 200 experts and has clients in more than 150 countries.

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hlw

HLW is a full service Architecture, Interiors, Strategy, Lighting, Planning, and Sustainability firm.

HLW has built its business around its clients' needs, which includes being able to support them around the world. The firm's approach to expanding its geographic reach has been very methodical. HLW has invested in communities with a distinct local culture and independence yet believes that each location sustains the company's values and level of quality. HLW recognizes a similar commitment by its clients. HLW's worldwide reach enables it to share, with its clients, efficiencies of time, expertise and the ability to be local, globally.

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Instant
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