Research Report 2018

# APAC Flex Market - The fastest growing region in the world

Instant
RETHINKING WORKSPACE

# Contents

# Introduction

**The Asia-Pacific region is host to some of the most expensive markets for office space in the world – but co-working and flex workspace is flourishing in these competitive markets, allowing start-ups and companies new to its cities a path to market.**

Supply of flex space has increased at over 50% in some of the markets across Asia-Pacific over the past 12 months. This rate of growth has been driven by a dynamic mix of established, local operators, and international entrants - now landlords and developers keen to cater for a surge in demand.

> **Instant has been selling flex space in the region for more than 10 years and was one of the first in our sector to do so. This report uses our proprietary data to present the first comprehensive review of the supply and demand dynamics of Asia-Pacific's flex workspace market.**

The regional market has grown at a faster rate than any other destination across the globe in recent years. An influx of capital, alongside ever-increasing levels of demand from clients for flexible offices, has enabled rapid expansion in a short period of time.

> **There are several factors from a socio-economic point of view that mean flex workspace is well-suited to the driven, entrepreneurial business cultures of the region's powerhouse cities. But it is also now increasingly attractive for international firms looking to explore the fantastic opportunities and diverse urban environments across Asia-Pacific.**

This report will explore the drivers behind the growth of flex space, a review of supply/demand in the key markets, and our data-led view as to its future direction.



# The Headline Numbers

**The supply of new centres to the region increased by 16% over the past year – this means that there are now approximately 8,600 centres providing flex office solutions in the region.**

Growth levels well above 50% have been seen in many localised markets during that time, even among the larger city markets in the region.

Of the 10 largest global markets for flexible office space, six fell within Asia-Pacific with a further four in the top 20 based on our most recent figures.

> **In short, this market is seeing the most exciting growth of any global region and has done so consistently over the past five years.**

In our view the market is quite substantially larger than our own records, but the sheer rate of growth in many of China's cities, and a market which has incorporated many small, niche, co-working environments make it extremely hard to track.

> **As investments in more traditional real estate elements are providing lower returns across APAC, investors are increasingly looking towards niche, fast-growing areas to maintain higher levels of return.**

A recent survey of investors found that of these specialised areas in real estate, 14% plan to invest in flexible office businesses, an indication of the interest within this market at present and a key driver in the flex space revolution across the region.

THE SUPPLY OF NEW CENTRES HAS INCREASED BY 16% OVER THE PAST YEAR

AN ESTIMATED 8,600 CENTRES NOW PROVIDE FLEXIBLE OFFICE SPACE ACROSS THE REGION



## TOP 20 APAC CITIES

| CITY | CENTRE COUNT 2017 | GROWTH 2017 | FORECASTED CENTRE COUNT 2018 | FORECASTED GROWTH 2018 |
|---|---|---|---|---|
| Hong Kong | 340 | 19% | 383 | 13% |
| Tokyo | 282 | 14% | 299 | 6% |
| Shanghai | 275 | 12% | 320 | 16% |
| Singapore | 265 | 19% | 288 | 9% |
| Melbourne | 228 | 19% | 252 | 11% |
| Sydney | 221 | 12% | 250 | 13% |
| Bangalore | 188 | 20% | 243 | 29% |
| Mumbai | 158 | 8% | 187 | 18% |
| Jakarta | 146 | 16% | 169 | 16% |
| Bangkok | 139 | 10% | 155 | 11% |
| Kuala Lumpur | 122 | 36% | 138 | 13% |
| Gurugram | 109 | 34% | 128 | 18% |
| Brisbane | 96 | 27% | 111 | 16% |
| Beijing | 211 | 18% | 236 | 12% |
| New Delhi | 94 | 8% | 113 | 20% |
| Seoul | 86 | 9% | 90 | 4% |
| Taipei | 82 | 4% | 85 | 4% |
| Pune | 67 | 21% | 80 | 19% |
| Hyderabad | 70 | 21% | 87 | 25% |
| Chennai | 54 | 31% | 69 | 27% |

# Asia-Pacific Region

The past 12 months saw mixed results across the key Asia-Pacific markets within the flexible office industry. Some of the larger markets continued to experience steady growth in the low-teens while markets in high growth cities such as Singapore & Melbourne saw centre numbers increase by 19%.

**Of the 2,504 centres identified by Instant across the top 12 Asia-Pacific flexible cities, Hong Kong continues to remain at the top with 340 centres identified.**

This is a similar number as can be found in New York and is unsurprising given its maturity and the financial and service sectors located within the city.

Despite being an established market, the growth levels in Hong Kong remain some of the highest of our leading cities with an increase of 19% in 2017/18.

**HONG KONG REMAIN**

**MARKET LEADERS**

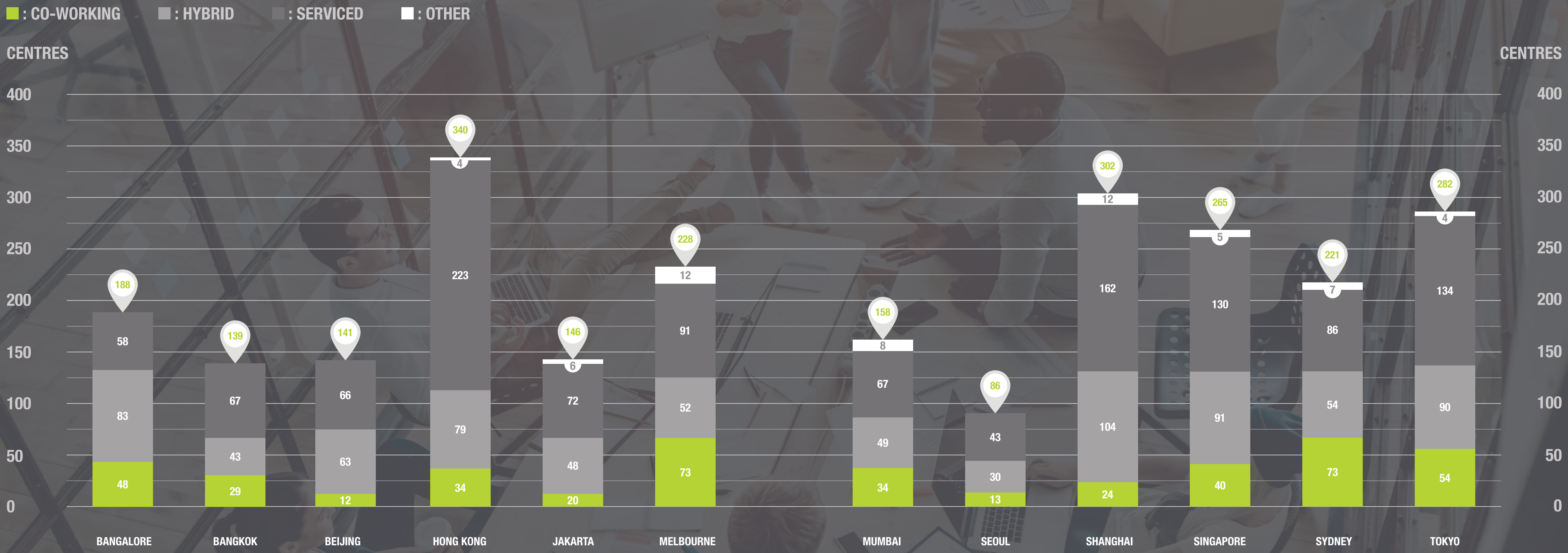
**WITH AN INCREASE OF**

**19% IN 2017/18**


2017/18 MARKET FIGURES

## AVERAGE DESK PRICE (USD)

## NUMBER OF CENTRES 2017/18



# Why Does the Flexible Approach Work?

**The rapid growth of Asia-Pacific's key cities has created issues for those seeking office space - flexible workspace provides a sustainable solution.**

With rents in conventional space among the highest in the world, constrained supply of new space coming to market, and transport congestion, these are the perfect conditions to drive a more agile approach to workspace for companies of all sizes. Flex workspace allows workers to operate from more cost-effective space in locations of their choosing that do not rely upon an arduous, expensive trip to the central business district.

This combined with the vibrant start-up culture in these markets means that co-working and flex workspace provides a robust alternative to office markets that can be prohibitively expensive to all but the most well-established corporate firms.

- POPULATION GROWTH FORECAST TO EXCEED 5% YEAR ON YEAR
- 6 OF THE WORLD'S TOP 10 MOST CONGESTED CITIES ARE IN ASIA
- 5 OF THE WORLD'S TOP 10 COUNTRIES FOR LONGEST COMMUTE TIMES FALL WITHIN ASIA
- LARGE AND DIVERSE TARGET MARKETS, OFTEN HARD TO ACCESS QUICKLY IF OFFERING A PHYSICAL PRODUCT
- OFFICE SPACE IS AT A PREMIUM
- INCREASING FOCUS ON SERVICE SECTOR JOBS
- ASIA-PACIFIC START-UPS ARE FINALLY STARTING TO RAISE SERIOUS INVESTMENT ALLOWING FOR EXPANSION - FUNDING IN CHINA AND SOUTHEAST ASIA REACHED RECORD LEVELS IN 2017
- $19.3 BILLION WAS RAISED ACROSS THE REGION IN THE FIRST HALF OF 2017 ALONE - THAT'S MORE THAN WAS RAISED BY FIRMS IN SILICON VALLEY

# Flex Appeal

**In Japan senior managers, who are often older, expect private offices as this represents seniority within a company. In the same sense many junior individuals still feel they must be seen in the office at all times to represent dedication even if this limits productivity.**

In China and Korea individuals still expect to have their own desk within an office environment. Only very young companies and individuals who have experienced more western culture feel comfortable with hot desking type environments.

In certain Asia-Pacific markets leasing terms are already short, often between 3-5 years, making the need for large scale flexible space less relevant for larger companies who may still be looking for some security. They are now looking at more flexible solutions that free up CAPEX, reduce head count and the risk of signing a lease.

**Flexible workspace – and its culture of collaborative, community-based working – seems well placed to overcome some of the significant issues that are impacting business in the region's major cities.**

In these markets, the options that flex space provide have allowed companies to select a number of different locations and provide their employees with agile solutions nearer their home.

It is changes to real estate strategy such as reduction in commuting times that significantly assists staff productivity and also retention of key employees.

SEAN LYNCH
MANAGING DIRECTOR
INSTANT ASIA-PACIFIC



**The introduction of flexible workspace into the region gives employees more options of working environment and removes an over-dependence on a single, central corporate HQ.**

In turn this injects more agility into workplace strategy simply by giving workers more choice as to where they base themselves, and at a lower cost. For start-ups or foreign companies entering the city markets of the Asia-Pacific region, this is critical as the high rates for conventional space and low availability in the central business districts of those markets are very prohibitive.

**For businesses entering the region for the first time or even those expanding operations into different countries, flex space is becoming a preferred route to market in Asia-Pacific.**

Finding a few desks that allow businesses to sample the local market via the abundant choice of the local flex operators is relatively low cost in some of Asia's expensive cities but also low risk.

But the growth of flex space is not just a story for foreign companies, the local business community has embraced the move to more agile space solutions as it encapsulates the entrepreneurial feel of many of the city markets.

It is an exciting time to be operating in the region as there has been so much growth and there is a palpable sense of dynamism across its cities. Larger firms are now also looking at more options in occupying space that do not require signing a lease, even for larger headcounts.

A recent deal with AMEX in Kuala Lumpur with Instant was for a 1,000 headcount office space but rather than go down the lease route, it made sense to work with a third party to source and operate the workspace on their behalf.

Many international firms are more comfortable with flex solutions as it reduces the risk of exposure in foreign markets while also providing a rapid route to growth.

SEAN LYNCH
MANAGING DIRECTOR
INSTANT ASIA-PACIFIC

# The Operator View

**The growth in demand across the region has encouraged many operators to expand rapidly. Many businesses expand across Asia-Pacific in part because of its sheer scale and realising how difficult it can be to service client requirements from one location.**

Flex space provides an excellent option as it allows client-facing teams to be positioned where they need to be at relatively low cost and with minimal risk.

Supply of flex space has risen in response to the market demand for project-orientated, location-specific requirements and, as it has done so, clients have begun to relish their exposure to the added benefits of flex space environments.

> **This includes access to wider business communities, exceptional amenities and proximity to city centre locations.**

This expectation of "value-add" amenities and services to the flex space environment has put pressure on operators across the sector to significantly improve the customer experience. This includes direct introductions or creating spaces where individuals can meet and discuss business development or collaboration in a more relaxed environment.

> **To facilitate these experiences, operators are using technology more than ever before.**

WeWork and others have created dedicated Member Apps to both list the companies operating within a certain space but also to facilitate interaction both locally and further afield.

How much value these interactions truly create is hard to measure, but clearly for some companies the opportunity to easily engage with like-minded people and potentially share knowledge is a feature that they value and are willing to pay a premium for.

**OPERATORS ARE USING TECHNOLOGY TO FACILITATE EXPERIENCE AND ENVIRONMENT**



> **Centre numbers are our focus, to ensure we have a good variety of locations, price points and sizes. Occupiers are increasingly demanding added value beyond the space.**
>
> **We are seeing far more interaction between clients, more service exchanges / barter agreements. As the provider we are the conduit to marking these connections. I think this is how we stand out as a service focused business. It is important to understand your clients and areas they might need support.**

**LUC DELAUZUN**
**ARCC SPACES**

# Operator Insight:

## Corporate Demand

Flexible workspace is now mainstream. Over 40% of our membership work for large corporates. We have seen an increase both in demand for a number of offices from single corporates around our network as well as from corporates seeking large enterprise deals in key markets.

Deals with Fortune 500 companies have driven our recent expansion to new centres in Singapore, Hong Kong, Tokyo, Beijing, Mumbai, and Sri Lanka.

TODD LIIPFERT
SENIOR DEVELOPMENT DIRECTOR
THE EXECUTIVE CENTRE

No matter which market you look to across APAC, there is a clear increase in demand from large corporates who appreciate access to flexible terms, scalable workstation provisioning to reflect staffing changes, savings on CAPEX for fit-out and make-good and reduced risk.

ANNA CHAVEZ
SENIOR MANAGER – CHINA & SINGAPORE
SERVCORP



## Market Consolidation

Market consolidation is great for those seeking space. It means larger networks with access to more offices in more locations. This also helps with economies of scale on supply costs and allows larger companies to pass on savings to their members.

TODD LIIPFERT
SENIOR DEVELOPMENT DIRECTOR
THE EXECUTIVE CENTRE

Many landlords are looking to joint ventures and profit share models with operators who supply design and technology for a management fee.

Some widely known examples in the region include WeWork-Embassy Group (India), UCommune-CapitaLand (Singapore), Ucommune-Vanke (China).

ANNA CHAVEZ
SENIOR MANAGER, CHINA & SINGAPORE
SERVCORP

# Operator Insight:

## Space as a Service

As corporates come with larger and larger requirements, the ability to modify and create the perfect blend of co-working, community spaces, meeting rooms, and private offices is essential.

Our job is to empower our members to succeed. Creating the perfect office helps us do just that.

TODD LIIPFERT
SENIOR DEVELOPMENT DIRECTOR
THE EXECUTIVE CENTRE

'The services that do seem of value are personalisation of space/fit out, premium end of trip facilities and a range of workspace solutions people can rotate through to suit their mood and project.

In addition to this, as more sole traders and small business operators enter the market and the need for cost-effective marketing efforts are ever-increasing, such as peer to peer marketing, word of mouth etc., there is an even bigger emphasis on community platforms and network marketing.'

ANNA CHAVEZ
SENIOR MANAGER, CHINA & SINGAPORE
SERVCORP



## Leasing Large

Having operated in Asia since 1994, we are able to leverage our accumulated market data and expertise to identify opportunities for growth. Fundamental to this is speaking with our members to identify where they need space and then to secure and create that space in the market.

Over the past five years, the amount of space we target in new locations has increased from approximately 1,100 sq m to 1,800 sq m per centre.

TODD LIIPFERT
SENIOR DEVELOPMENT DIRECTOR
THE EXECUTIVE CENTRE

## 2019 and Beyond

We are now in 30 markets and have over 125 committed locations. We have grown by 30% per annum for the past three years and plan to continue to grow within our existing footprint as our members need us.

This means we are targeting to add more than 30 locations to the network in 2019 across our existing markets and into new locations.

TODD LIIPFERT
SENIOR DEVELOPMENT DIRECTOR
THE EXECUTIVE CENTRE

# Who is Driving the Growth of Flexible Space?

**The flexible industry in Asia-Pacific remains heavily weighted towards independent and localised providers, however the last 12 months saw some larger operators either expand quickly within the region or make bold statements about future expansion plans.**

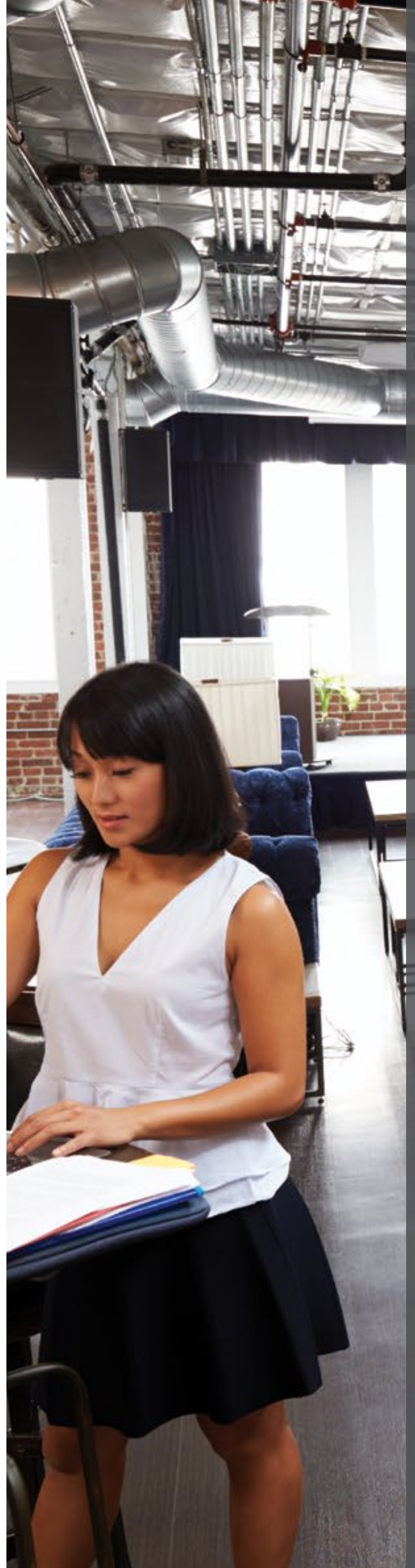
This positive sentiment has been supported by an increasing number of corporate customers, who have experienced the advantages of flexible space and have moved often quite large teams into either dedicated areas or shared space across the region.

> **Spaces (part of global flex operator IWG) which counts Alibaba, Booking.com, Uber and Paypal among its customers has indicated plans to increase its 80 global centres to 250 during the next year.**

A number of new locations have opened across Southeast Asia as countries such as Malaysia, Indonesia, the Philippines and Vietnam all experienced an increase in demand.

In addition to this, WeWork has expanded quickly within the region during 2017 and has indicated that its growth is not likely to slow during 2018 as companies like Microsoft and Facebook have taken large numbers of desks within its centres across the region.





## PERCENTAGE SPLIT OF LARGE OPERATORS VERSUS INDEPENDENTS

| | LARGE OPERATORS | INDEPENDENTS | TOTAL |
|---|---|---|---|
| APAC | 31% | 69% | 2,199 |
| Hong Kong | 25% | 75% | 157 |
| Melbourne | 11% | 89% | 148 |
| Sydney | 13% | 87% | 121 |
| Singapore | 20% | 80% | 115 |
| Bangkok | 11% | 89% | 88 |
| Bangalore | 27% | 73% | 82 |
| Tokyo | 38% | 62% | 77 |
| Mumbai | 20% | 80% | 75 |
| Jakarta | 27% | 73% | 73 |
| Shanghai | 42% | 58% | 69 |
| Taipei | 23% | 77% | 43 |
| Seoul | 26% | 74% | 35 |
| Beijing | 46% | 54% | 28 |

# Expanding Into the City Markets

**The rapid ascent of flex workspace has been driven by the largest cities in the region. Two of Australia's largest cities, two from India, and rapid expansion in the Chinese markets of Hong Kong, Beijing and Shanghai mean that 7 of the 10 largest fastest growing global markets are based in Asia-Pacific.**

And, in fact, Jakarta, Tokyo, Seoul, Bangkok and Singapore are not far behind. These top 12 APAC locations host 30% of the region's flex workspace, a higher mix than the equivalent markets in the US or Europe.

> **The profile of the flex space industry has changed dramatically over the last 5 years. In 2012, more than 50% of locations now found within these major cities did not exist.**

The size of the shift away from these locations gives us an impression of how quickly the industry is spreading across the region as supply of space has been boosted by both local entrepreneurs and multinational companies.

But the fact that so much of the market is derived from these key cities leads us to conclude that in the coming five years we should anticipate significant growth in secondary cities across the region.



THE ASIA PACIFIC MARKET
SAW SUPPLY INCREASE BY
16%
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THERE ARE
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## Can These Rates of Growth be Maintained?

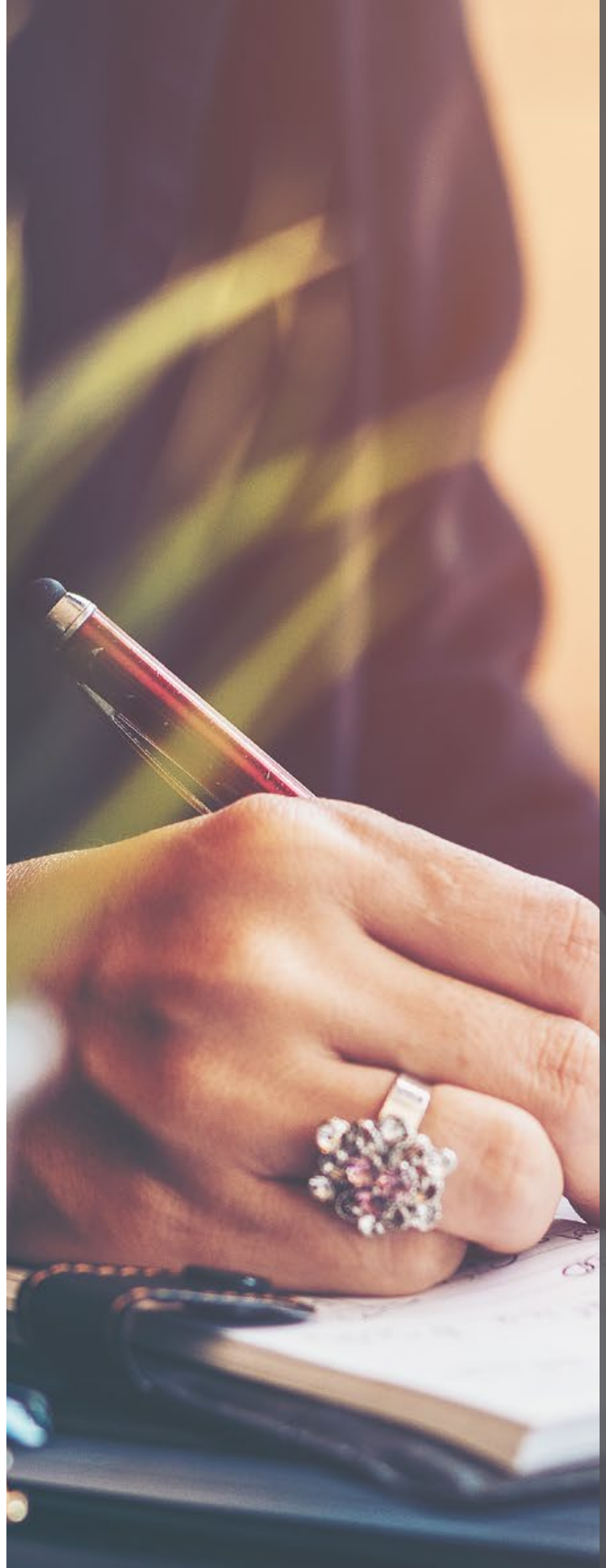
**Growth in supply to the top APAC locations has been around 15%+ over the past year, while markets in high growth cities such as Bangalore saw centre numbers increase by more than 20% over the same period.**

From our data, we are seeing enough occupier demand, thus far, to more than match this additional supply of space, despite the rapid rate of growth.

> **2017/18 saw the number of individuals placed into flexible locations increase by over 40% compared to the previous year.**

This increased demand is coming from a wide variety of businesses, from small enterprises to large corporate organisations – reinforcing the importance of flex to all companies.





> **“The growth rates for supply of flex space across Asia-Pacific are among the highest in the world, and have been so for the past five years – for investors, it provides some of the most enticing opportunities to take advantage of the move towards flexible workspace solutions.**
>
> **What we are seeing however, is that the lack of space coming to market in the central business districts of those key cities is now beginning to hamper the growth of market supply of flex space, as there simply isn’t the space available for flex operators to cater for demand.”**

**KIERAN GARTSHORE**
**DIRECTOR**
**THE INSTANT GROUP**

# Where Next for Regional Growth?

**Our prediction is that flex space will develop in new, high growth markets as it seeks to expand beyond the region's key financial hubs.**

Ho Chi Minh in particular has come into focus over the last 6 months with more than 50 flexible workspace locations springing up within the city and supply growing by more than 30% over the past 12 months.

> **Conventional office rents in the city are expected to rise by over 6% in 2018 as demand outstrips supply of space and, as we have seen elsewhere in the region, flexible providers will try to keep up with demand from companies of all sizes that are looking for other options aside from taking a lease.**

The expansion of leading operators into Tier 2 cities in the region will become a dominant theme for the next five years - in many Asia-Pacific markets these secondary cities are still dominated by manufacturing or industrial hubs within fast-growth service sectors, which are dominated by domestic companies.

However, vacancy rates are far higher, and conventional real estate pricing far lower in these locations meaning flexible providers face much more competition from landlords marketing leased space and flex providers will have to work hard to attract companies used to procuring space in a conventional manner.

> **However, the number of entrepreneurs based in these secondary cities is growing. In India Prime Minster Modi indicated that 44% of start-ups are already in Tier 2 and Tier 3 cities*, and, in our experience, this invariably creates demand for flexible and communal space, in turn helping to change market perception in favour of flexible workspace operators.**

For example, India already has several large city markets for flexible working but the government has reduced restrictions on companies being foreign-owned and there has been an increase in outside investment and a growing number of professional service sector organisations setting up there, presenting a prime opportunity for flexible workspace providers.

* https://inc42.com/buzz/startup-india-now-44-of-all-startups-are-found-in-tier-ii-and-tier-iii-cities-says-pm-modi/



OVER THE PAST 12 MONTHS
**HO CHI MINH**
HAS SEEN SUPPLY GROW
BY OVER **30%**

**WITHIN ASIA**
THE AVERAGE PROFIT
FOR A FLEXIBLE OFFICE
LOCATION WAS
**8.8%**

IN SINGAPORE
**WEWORK**
HAS OPENED
EIGHT NEW CENTRES
IN JUST 9 MONTHS

# The Landlord Response

**In other global markets, landlords have been slow to recognise the threat posed by flex workspace and how best to cater to this demand. The buzz generated in the region has seen APAC's landlords react the fastest.**

In a market such as Singapore, where WeWork opened eight new centres in just nine months and provided rates for corporates and enterprise clients (for 50 to 150 PAX) that were at a significant discount to conventional workspace, landlords have had to sit up and take notice.

> **CapitaLand seems to be embracing the concept aggressively - it saw what was happening in the global market and partnered with Singapore-based operator 'Collective Works' in 2016, followed in 2017 with the launch of a number of schemes under the 'Collective Works' brand name.**

This is a great example of a progressive landlord that has embraced the rise of flex and recognised that they can be part of the opportunity to increase rental yield and building valuations across their portfolio. In Hong Kong, landlords appear to have been slower to adapt, due to tight market conditions but 'Swire' has adopted this model and is the first landlord on the island to lease space to WeWork.

In Australia, we have seen landlords such as GPT and Dexus open their own flex space with Space and Co and Suite X respectively. In Singapore, Lendlease's new Paya Lebar Quarter will devote more than 15% of its total workspace to co-working.

Tokyo also has unique market conditions, where landlords typically provide an end-to-end solution for corporate occupiers taking traditional leased space.

> **Servcorp was one of the first operators to recognise a gap in the Japanese market in terms of offering serviced office space and is one of the largest providers.**

IWG and WeWork are expanding fast and Japanese corporations are also offering space, with Matsui the latest to offer collaborative spaces.

> **"Centre numbers is our focus, to ensure we have a good variety of locations, price points and sizes. Occupiers are increasingly demanding added value beyond the space. We are seeing far more interaction between clients, more service exchanges / barter agreements.**
>
> **As the provider we are the conduit to making these connections. I think this is how we stand out as a service focused business. It is important to understand your clients and areas they might need support."**

**LUC DELAUZUN**
**ARCC SPACES**

> This is a strategy that worked for both the landlord and our clients, giving both an innovative turnkey and totally bespoke workspace, delivered on time and on budget, with costs rentalised over the term of the lease.
>
> I anticipate that more corporate occupiers will look to solutions such as this in the Asia-Pacific market in the coming years; they are perfect for firms that are looking to occupy bespoke space quickly and efficiently.

SEAN LYNCH
MANAGING DIRECTOR
INSTANT ASIA-PACIFIC



# A New Approach to Sourcing and Occupying Workspace

**The Instant Group has delivered two innovative workspaces in Kuala Lumpur in the last few months for AMEX and IT services company Datacom.**

**The Instant Group has delivered an innovative 90,000 sq ft workspace in the 'Menara Prestige' building, opposite the famous Petronas Towers for more than 1,100 American Express employees.**

In July 2018, Instant completed the APAC regional HQ for Datacom, a global IT company with offices across Australia, New Zealand, Asia, Europe and the Americas, in the 'Sentral District' of Kuala Lumpur.

**The move has seen both AMEX and Datacom take a "managed office", whereby Instant leases and runs the space on behalf of the client under a tripartite agreement between the landlord, occupier and Instant.**

Instant has been delivering similar flexible office solutions for clients in Europe and the US for more than 10 years - delivering over 4 million sq ft of space in the UK, US and EMEA - but these are the first projects of their kind in Asia-Pacific.

THE INSTANT GROUP
HAS DELIVERED
90,000
SQ FT WORKSPACE
OPPOSITE THE FAMOUS
PETRONAS TOWERS

AMEX AND DATACOM
OPERATE FROM A
MANAGED OFFICE
WHICH INSTANT
LEASES AND RUNS

# The Market Challenge

**The regional market is still relatively immature compared to its global counterparts and it is proving tough at times for both established and new operators. Recent research by DeskMag highlighted that less than 50% of centres operating in Asia were profitable at the time of research, though this figure has increased since last year.**

This is likely both due to the level of competition within the area but also the number of centres that are less than 2 years old and therefore have high levels of debt. The same report indicated that of those that are profitable, the profit margins were thin.

> **Within Asia the average profit after tax for a flexible office location was just 8.8%. The same research indicated that while Asia has the highest percentage of unprofitable centres it also has the highest percentage of profitable centres compared to other global regions.**

In Europe and South America over 35% of centres indicated that they break even at present while in Asia this figure is far lower at just 25%. This relates directly to the young age of many locations within the region who are still working at building their customer base and reducing vacancy rates.

Flex workspace has been long seen as the short-term equivalent of conventional space, but for many clients it is now an alternative means of finding and running office space, with a lower risk profile and more transparent pricing than the lease market.

> **As the UK and US markets have matured, we have seen customer occupancy rates increasing over time, and we would anticipate the same in Asia-Pacific.**

In fact, as competition with the broader commercial property market increases in the coming years, we would anticipate that this investment in the operator brands and nurturing of clients will evolve aggressively thereby producing some interesting market innovation and bringing a distinct local flavour to the workspace options available.

It will be fascinating to see how conventional landlords react to local market conditions and the fierce competition as the market heats up.



**"For an area where the average age of a centre is still under two years it shows that it takes time to build up a steady lead flow and reach a consistent level of capacity despite growing demand. Companies must be committed to the industry and developing their customer base rather than hoping for quick wins.**

**As we note in other markets around the globe, more established operators bring to bear their knowledge of lead generation, audience insight and how to develop their brands accordingly. The most successful companies across the flex space market spend time and money developing their client base, working on retention and building their reputation."**

SEAN LYNCH
MANAGING DIRECTOR
INSTANT ASIA-PACIFIC

# Why are Clients Flexing?

**The rationale for using flexible offices is also changing with potential occupiers accepting that flexible office space can be a long-term solution to some of their wider business challenges.**

> **Enquiries for terms over a year and also for those looking at between 1 and 3 years are increasing both in real terms and also in proportion to other term periods. While the shortest terms, those less than 3 months, are in decline.**

If this trend continues it could be an indication that companies are viewing the flexible office space sector as a long-term solution to not only allow for flexibility but also to drive profitability and support cultural changes within their businesses.



# Who is Flexing?

**The profile of companies using flexible space is also changing. Start-ups have been commonly associated with the move towards the adoption of more flexible workspace but of equal importance is the expansion into new markets and accommodating project-based teams.**

‘Scale-ups’ are another type of organisation who have been adopting flex space, allowing greater agility, lower risk, and more flexibility to add additional desks when required.

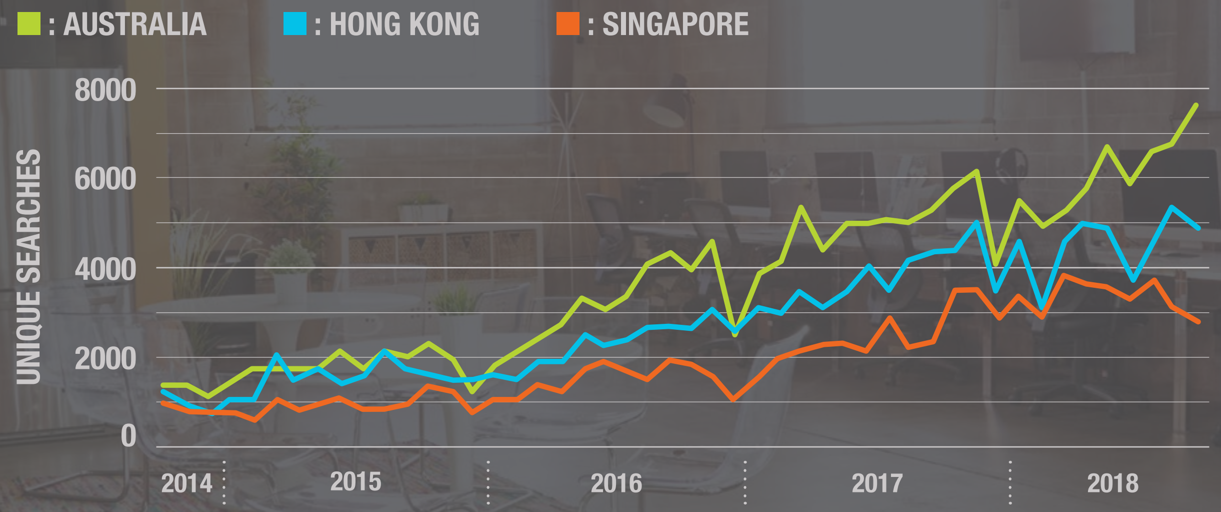
From a sector perspective, enquiries come from Financial, Technology, Consulting and Professional service companies in equal measure with their sizes and requirements also highly varied.

Sole traders and small companies (head count less than 100) have traditionally made up a large proportion of the industry but already we are seeing large companies (head count above 1000) making more inroads over the last year, a trend that is likely to continue.

**Looking at Google Trends there is clearly a growing interest in flexible and co-working office space across Australia, Singapore and Hong Kong. Searches for “co-working” have doubled during the year with a gradual upwards trend month on month.**



## GOOGLE SEARCHES FOR FLEXIBLE OFFICE TERMINOLOGY*




*Search terms include Flexible Office, Co-Working Space, Co-Working, Shared Office Space, Shared Office, Serviced Office

# What Does the Future Hold for Flex?

**The forecast for Asia-Pacific's flex market looks positive with pricing and enquiry numbers increasing and it does not appear that over-supply has outpaced customer demand.**

Companies like WeWork are expected to double their presence across the region within the next 18 months (though its acquisition of Naked Hub may result in a change in strategy).

> **The Executive Centre is also expected to expand by up to 40% year on year during 2018; and Chinese-owned companies are also looking to gain market share with expansion outside of China.**

The projected increase in conventional office rents across Asia-Pacific's key cities (as seen in the graph overleaf) will create an interesting challenge for flexible spaces.

As with many other cities in the world, it will lead to even more customers turning to flex solutions to try and mitigate the effects of rapidly rising lease costs particularly in the short-term.

But it will also have a negative impact as it will inhibit the supply of new flex centres as the costs of occupancy increase for operators and their margins in prestigious locations are impacted.

> **This is already the case in the Sydney CBD. For example, where vacancy rates are at all time lows and supply of space so constrained that there is simply not enough availability to meet demand, particularly from corporate clients with larger space requirements.**

**WEWORK IS EXPECTED TO DOUBLE ITS PRESENCE ACROSS ASIA-PACIFIC WITHIN THE NEXT 18 MONTHS**



## CONVENTIONAL OFFICE RENT GROWTH FORECAST 2017 - 2019


**SOURCE:**
https://www.bloomberg.com/news/articles/2018-01-21/singapore-office-rents-seen-rising-twice-as-fast-as-hong-kong

# 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 7,000 companies a year in flexible workspace such as serviced, managed or co-working offices including Amazon, American Express, Sky, Network Rail, Capita, Serco, Teleperformance and Worldpay making it the market leader in flexible workspace.**

Its listings' platform "www.instantoffices.com" hosts more than 13,000 flexible workspace centres 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 across the world, The Instant Group employs 250 experts and has clients in more than 150 countries.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**Expanded Edition**
An unabridged version of this report, including a city-by-city breakdown, is also available. To request this, or for any other enquiries about this report, please email **reports@theinstantgroup.com**

**Note:** All figures in this report were collated using The Instant Group's proprietary transactional data and market research surveys as at April 2018.

Instant
RETHINKING WORKSPACE