

Research Report

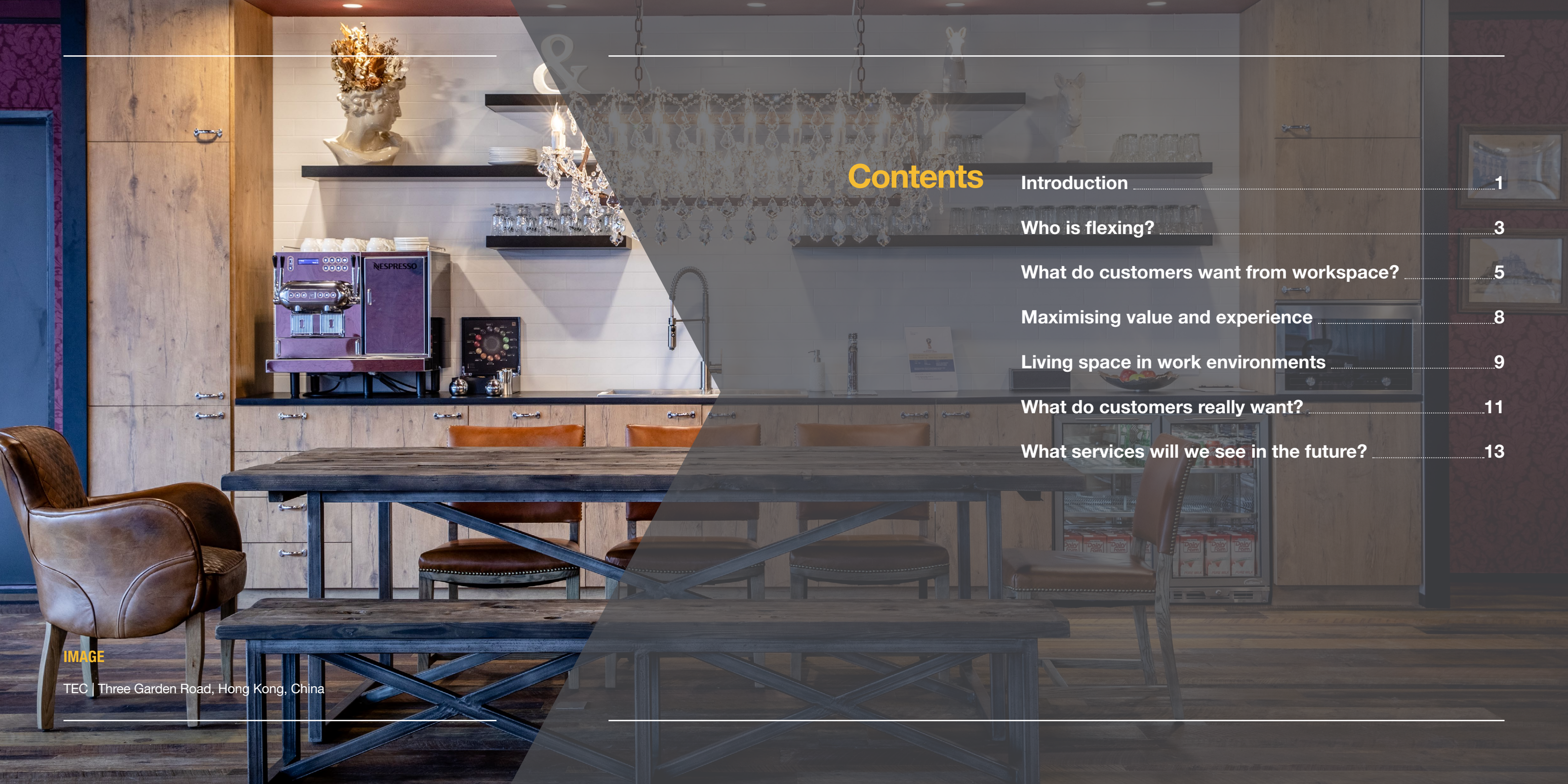
2019

Driving value in Flexible Workspace – APAC review

Instant
RETHINKING WORKSPACE

THE
EXECUTIVE
CENTRE





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IMAGE

TEC | Three Garden Road, Hong Kong, China

Introduction

Competition in the flexible market has never been as fierce as it is now. Greater investment has seen the number of providers rapidly proliferate with locations expanding to meet growing demand from clients.

As a result, the market is evolving with innovative and exciting amenities being provided within flexible office spaces to attract new clients and retain existing customers.

In such a competitive market, it is of paramount importance to understand what is truly valued by today's clients and what is simply a "nice to have," which adds little value.

To better understand this from a client perspective, The Instant Group worked with The Executive Centre to conduct this research with a large pool of flex space customers across multiple Asia-Pacific markets.

Much has been made of "free beer" available in some co-working centres and other marketing tactics. The findings highlight the current expectations occupiers have of the amenities provided within flexible office locations and what they see as driving real value for their businesses both today and in the future.



IMAGE

TEC | Tower Building, Jingumae, Japan

KEY FINDINGS

FINANCIAL & IT COMPANIES
MAKE UP THE LARGEST PERCENTAGE
OF OCCUPIERS WITH ONLY
15%
WORKING FOR A START UP
OR AS A FREELANCER


**EVENTS & GROUP SESSIONS**
THAT RELATE TO BUSINESSES SERVICES
RATHER THAN EXPERIENTIAL DRIVE FAR
MORE VALUE FOR OCCUPIERS

69% OF RESPONDENTS
WOULD PAY FOR SEMINARS / SESSIONS
**THAT ADD VALUE**

57% 
OF RESPONDENTS
HAVE WORKED IN FLEXIBLE
LOCATIONS BEFORE
(REPEAT CUSTOMERS)

**24 HOUR ACCESS
AND
FLEXIBLE LAYOUTS**
REMAIN THE MOST
IMPORTANT AMENITIES THAT
AN OPERATOR CAN PROVIDE

**RELAXATION
SPACE**
**IS HIGHLY IMPORTANT
FOR OCCUPIERS IN
ASIA-PACIFIC**

**85%**
OF OCCUPIERS
SEE ASSOCIATED LIVING
SPACE AS A VALUABLE
OPTION IN THE FUTURE

Who is flexing?

Of the 500 respondents of the survey, half worked for corporate organisations, a far higher number than we would expect to see in markets such as North America and Europe, but this does reflect The Executive Centres' client demographic.

While we saw far less start-up and SME respondents than in our European research, the percentage of younger occupiers was higher, an indication of how popular this type of space is for the younger generations working across Asia-Pacific.

Only 19% of occupiers that responded indicated they were 45 years of age or older compared to 38% in the equivalent European research.

This reflects the more traditional mindset seen in a number of APAC countries to flexible working and the change that the younger generation are leading within the industry.

We can expect younger individuals to have different value drivers that lead their demands from an amenity and service point of view.

In general, younger generations value greater focus on community areas and non-work-related services, a trend highlighted in this research.

WHAT IS ADDING VALUE?

A key driver for working in flexible office space is the potential value that additional services provided in that environment can add to an individual or business.

These value-add services include events supporting knowledge and training. Or the productive business relationships that can be formed within a flex workspace environment compared to working from home, a traditional office or coffee shop.

Positively 53% of the respondents in this survey indicated that "Yes, the flexible spaces provided additional value to their business" while only 12% felt strongly that it offered no additional value.

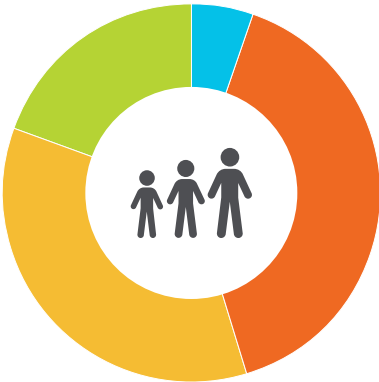
Value can be measured in other ways and the flexibility of a serviced office, business centre or co-working space should allow companies to expand and grow far more easily than if they were in a traditional office, a service in its self.

IMAGE

TEC | Maker Maxity, Mumbai, India

RESPONDENT AGE

■ : UNDER 25	6%
■ : 25-35	40%
■ : 35-45	35%
■ : OVER 45	19%



RESPONDENT COMPANY SIZE

■ : FREELANCE	2%
■ : START-UP	13%
■ : SMALL-MEDIUM	34%
■ : CORPORATE	52%



What do customers want from workspace?

Many operators provide a mixture of lectures, seminars and guest speakers to enable learning and skills’ development alongside broader social interaction and networking. In part this demand comes from the large numbers of start-ups that occupy flex space and are keen to further their business knowledge. Tailoring these events to truly add value to occupiers is a key factor in driving associated value and maintaining occupier loyalty.

When asked what type of seminar would be the most valuable, it was those relating to specific business services rather than more inspirational topics that proved popular.

Accounting & Funding proved to be the best received with over 70% of respondents indicating that these themes would create additional value for their businesses.

HR, Data Management and Legal topics also look to be areas of high interest with many companies operating out of flexible locations having limited dedicated resource in these areas and proving hungry for knowledge and guidance.

The research shows the direct value that can be generated from providing tailored and focused content.

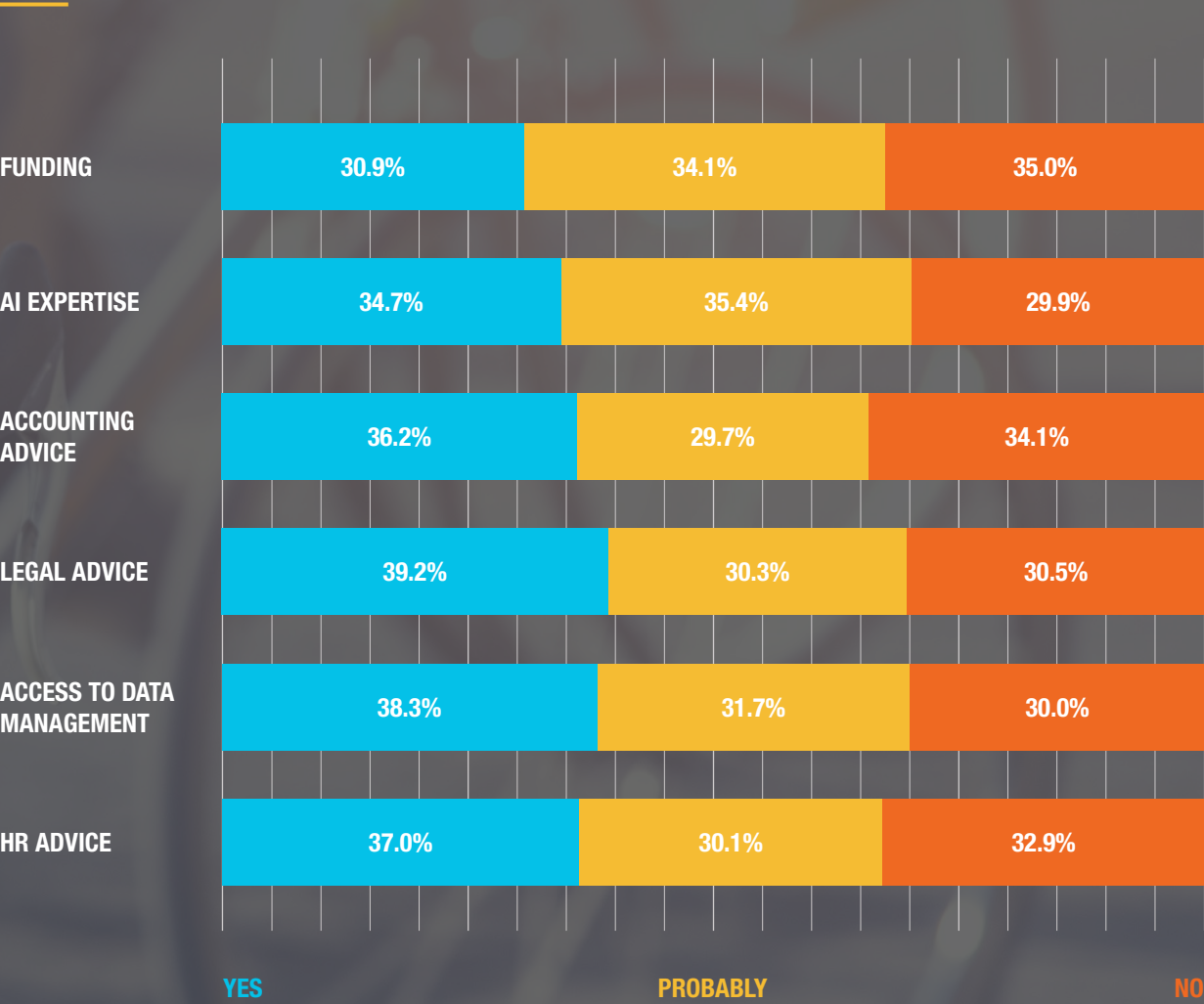
While just 22% of interviewees clearly stated that they would be willing to pay for relevant content, a further 47% said that they probably would be willing to pay for such services if they provided value to their business.

As we saw in the European report, Corporate occupiers are actually more willing to pay for such services than SME’s and Freelancers.

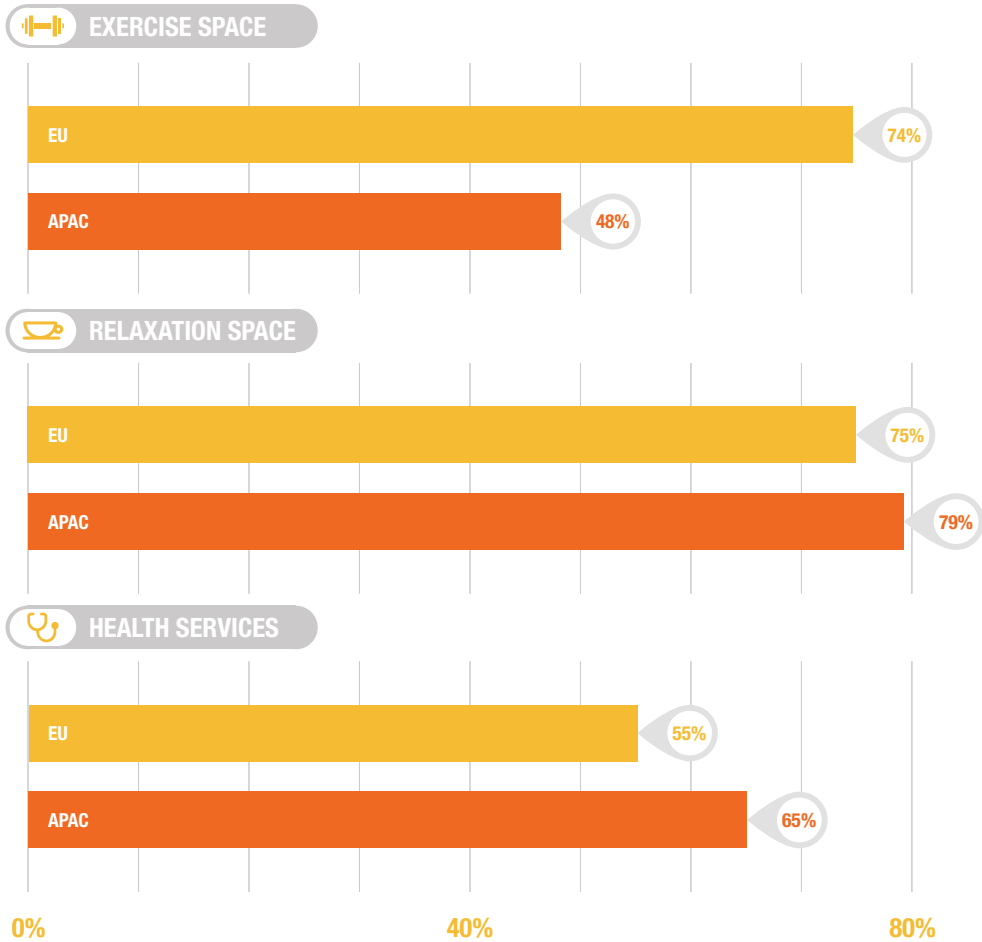
Only 25% of corporate respondents indicated that they would not pay for additional services compared to 36% of individuals working for smaller companies.

As the percentage of occupiers in flexible spaces increases this is certainly an aspect operators should be looking at to increase the overall revenue generation from their spaces. We are already seeing the evolution of specialist BD networks across flex workspace and the curation of training programmes is a growing trend in the US.

WOULD YOU LIKE YOUR OFFICE TO PROVIDE SPECIFIC BUSINESS RELATED EVENTS?



PERCENTAGE OF RESPONDENTS WHO INDICATED THAT THEY VALUE ACCESS TO FACILITIES PROMOTING WELLNESS



Maximising value and experience

Optimising space usage and better understanding how other services can be introduced into workspace are key drivers for retaining clients and driving value.

This area of research highlighted some very different trends between those in Europe and those in Asia-Pacific. An indication that one model will not necessarily work at a global level despite the increasing presence of global brands.

While gym or fitness space was important to nearly half of occupiers in APAC, nearly 40% saw it as adding no value or even detracting from an office environment.

Respondents from Europe place greater importance on exercise spaces and classes than their counterparts in Asia-Pacific and many rank this as a must-have facility.

The non-work environment that had the highest positive response from APAC occupiers was designated relaxation space.

Nearly 80% of occupiers felt that this type of space added additional value to a flexible environment.

Non-work-related space can be varied in its function but having an area to meet in a socially-relaxed setting is something that is becoming more important as individuals spend longer hours in workspace.

This type of space is highly sought after in Europe, though our research showed that it is seen as less valuable when compared with APAC respondents.

Non-work-related spaces can also be broken down further with our research in APAC indicating that while the need for social space was very strong, relaxation or quiet non-work-related space was equally important. A feature of flexible offices that saw very limited interest from European respondents.

ALMOST **80%** OF OCCUPIERS FELT THAT RELAXATION SPACE ADDED VALUE

Living space in work environments

A rising trend across the industry is the provision of living space associated with flexible centres. A small but increasing number of locations are providing either hotel/apartment style rooms within their buildings.

This trend is something that has yet to enter the mainstream but is a service that could not only drive additional revenue but also create real communities within centres.

When asked if this type of space would be valuable for occupiers, 85% of those surveyed across APAC felt it would be, with 54% indicating they would see this service as highly valuable.

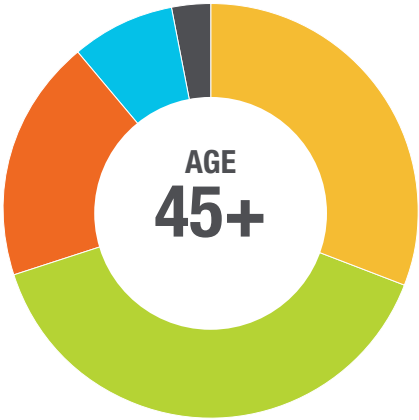
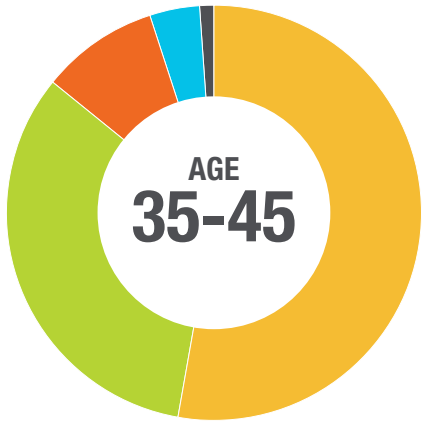
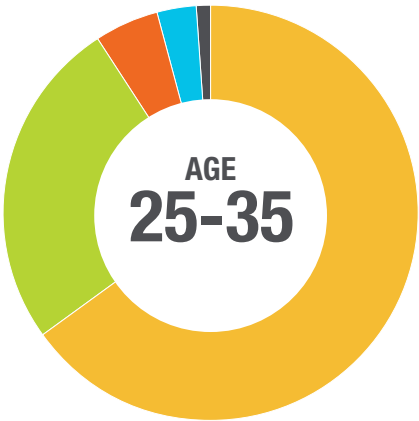
The comparison to European respondents shows that fewer occupiers are actually demanding this service at present, compared to the data gathered in APAC where there is an expectation for this to be offered.



IMAGE

TEC | Yintai Centre Tower, Chengdu, China

RESPONSES TO THE PROVISION OF LIVING SPACE ATTACHED OR WITHIN THE OFFICE SPACE



KEY

- HIGHLY VALUABLE
- SOMEWHAT VALUABLE
- LOW VALUE
- NO OPINION
- NEGATIVE VALUE

Beers or Bikes: What do customers really want?

With many workspaces differentiating themselves by offering a variety of services and amenities, we felt it was important to understand how much value these contributed in spaces available today.

As you can see from the graph on the right the amenities that are most desirable for APAC occupiers are those that are often found in larger traditional office environments.

It is a growing trend that fewer people are following the traditional 9 to 5 work day, therefore having access to the office at all times is increasingly important, even if it's a service that is used infrequently.

The need to be able to modify a space to changing work demands also ranks very highly in terms of value. The associated value of having outdoor space is far lower among Asia respondents than their European counterparts.

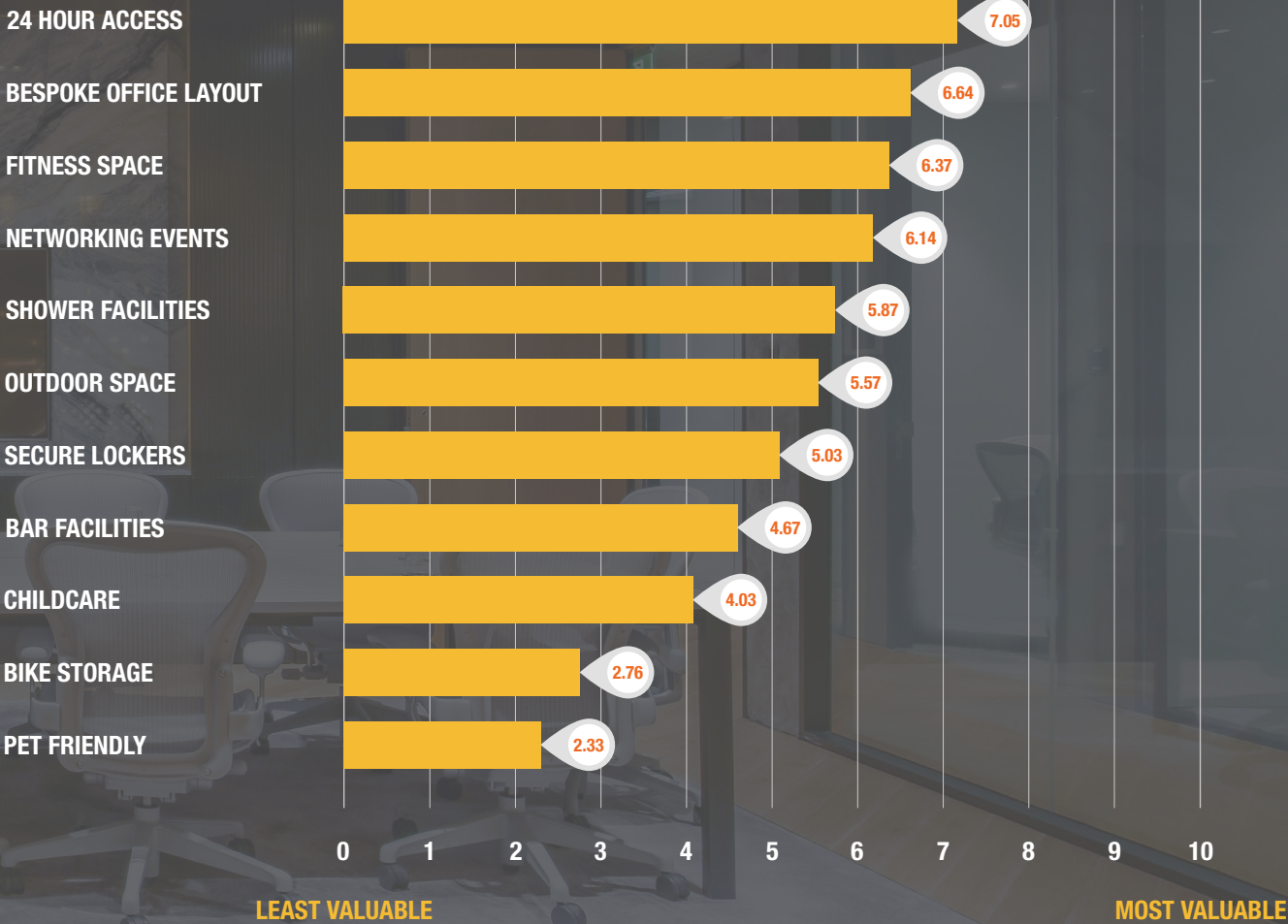
This may be associated with the more tropical climate in Asia with individuals less likely to spend time outside both exercising and socialising compared to those in Europe.

In a theme common to responses seen in both Europe and Asia, the number of amenities highlighted in the press or quoted within marketing material actually drives limited value for today's occupiers.

In particular, bar facilities, childcare and pet friendly environments all saw relatively low rankings despite these features supposedly appealing to today's millennial audience.

DUE TO THE MORE TROPICAL CLIMATE IN APAC
INDIVIDUALS MAY BE LESS LIKELY TO SPEND TIME SOCIALISING + EXERCISING THAN IN WESTERN MARKETS

AMENITIES AND RANKED SCORE 1-10



What services will we see in the future?

The research indicated that the majority of flexible workspace users do not have access to the many services and benefits that those in large companies enjoy in purpose-built offices.

Our findings highlighted that there is clear demand for operators to use the scale of their occupier base to start providing additional services that many would expect, such as healthcare, pensions and even child care facilities.

Economies of scale allow for greater purchasing power and while these services may not be as important as the space and core facilities provided, in an ever increasingly competitive industry they may add enough value to drive higher occupancy levels and the retention of customers.

The data shows that the provision of health services, either on-site drop in clinics or private healthcare schemes, were seen as a key value driver to users of flex space.

Over half of the respondents indicated that this type of service added value to a workspace. There is also a common trend of individuals looking to combine their workspace and fitness for pure convenience.

With cloud computing, powerful mobile telephony and faster wireless networks, it is highly practicable to use online services for health, shopping delivery, banking, legal advice etc. in the workplace but to do so requires privacy and an environment that enables this.

HEALTH SERVICES ARE SEEN A KEY VALUE DRIVER OF FLEX SPACE



IMAGE

TEC | CTF Finance Centre, Guangzhou, China

Childcare services are now being offered by a small number of large corporate organisations globally. While we have seen a very small number of flexible office providers start to offer similar solutions, they are still a very niche service.

For those that have children, this type of service is seen as an incredibly valuable proposition with 80% of respondents indicating that they would consider such a service.



Throughout the research we found a continued theme of value being attributed to core office features. In contrast, some of the more discussed co-working features, often advertised or talked about in the press, offer limited additional value to clients in real terms.

Going forward as the markets get increasingly competitive, operators looking to achieve maximum returns and increase customer loyalty will not only have to focus on the key office features, but also look towards innovation in the provision of services.

Many operators can offer additional services through improved economies of scale, and increased value and experience to end users.

With APAC occupiers spending increasingly longer hours within the workspaces and blending work and leisure more than previous generations, the need to provide not just break out space but dedicated non-work space already appears to be an important requirement. This is a clear trend that we expect to see becoming increasingly important and the provision of this will be a major part of the evolution of flex space.

From our perspective we will see a cross-pollination of ideas between the hospitality and wellness industries that will permeate workplace thinking.

“One thing is very clear – the APAC flex space is among the youngest of the global regions, but its clients and customers have already developed high expectations as to the blend of service and amenity.

As investment in the sector increases and conventional landlords add flexible space to their buildings, operators will have to work harder than ever before to retain their competitive edge.”

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 11,000 companies a year in flexible workspace such as serviced, managed or co-working offices including Amazon, Barclays, Prudential, 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 14,000 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 in London, Newcastle, Paris, Berlin, Haifa, Istanbul, Dallas, New York, San Francisco, Hong Kong, Sydney, Singapore, and Kuala Lumpur, The Instant Group employs 250 experts and has clients in more than 150 countries. Instant is ranked #28 in the 2019 Sunday Times HSBC International Track 200.

THE EXECUTIVE CENTRE

The Executive Centre (TEC) opened its doors in Hong Kong in 1994 and today boasts over 130+ centres in 32 cities and 14 countries. It is the world's third largest serviced office business in Asia and caters to ambitious professionals and industry leaders looking for more than just an office space - they are looking for a place for their organisation to thrive.

TEC has cultivated an environment designed for success with a global network spanning Greater China, Southeast Asia, North Asia, India, Sri Lanka, the Middle East, and Australia, with sights to go further and grow faster. Each Executive Centre offers a prestigious address with the advanced infrastructure to pre-empt, meet, and exceed the needs of its members. TEC empowers ambitious professionals and organisations to succeed by providing first class Private and Shared Workspaces, Business Concierge Services, and Meeting & Conference facilities to suit any business' needs.

Contact:

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