

Instant
RETHINKING WORKSPACE

2021 CRE PREDICTIONS



“It is not the strongest of the species that survives, nor the most intelligent that survives. **It is the one that is most adaptable to change.**”

CHARLES DARWIN

The focus of the office has evolved: from property asset to people

In this, the hardest of all years for CRE, we are seeing real change in the way that clients view office space.

Market demand is rapidly changing and the supply chain must evolve. Power is not in the property as an asset but with the people that use it.

Our 2021 Predictions explore what's next for businesses and flexible office providers as we adapt to a post-pandemic world.

We have mirrored our predictions to the Darwinist theory of evolution, which has five key stages – overproduction, adaptation, competition, variation and finally speciation.

Or, in other words, adapt or get left behind.

“

**Where
and how
do I want
to work
today?**

”

The office sector has produced too much of one type of product

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PREDICTIONS

- The corporate footprint of the future will be **more dispersed and in diverse locations**: demand in secondary and tertiary locations has increased under lockdown and we will see those markets produce a different level of quality and variety in workspace.
- Flex workspace is still less than 1% of the total global office market. An increase in demand for **CRE clients looking to increase flex as a proportion of their portfolios** will lead to landlords increasing flex provision and operators taking new approaches.
- Cash is King: **75% of our corporate clients surveyed are reducing CAPEX on workspace** in the next year – the office market will produce more solutions that reduce the reliance on significant investment from the client.



Singapore Vacancy & Rent Rates: 2020

VACANCY RATES: +4%



RENT: -5.1%

Shifting focus from property asset outcomes to personal experience

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PREDICTIONS

- **Future CRE leaders will drive performance of the office portfolio against a wider set of goals around people, process and place.** This will include new metrics founded on people-led outcomes that reflect broader value to the business such as “Shared Experience Value.”
- **Staff wellbeing is already a key focus during the ‘return to work’ but will take on even more significance in the office of the future.** Our survey of operators has flagged staff wellness being the key concern for prospective clients and this emphasis will only increase.
- **The focus of the central “hub” office will shift to collaboration and office footprints have to incorporate this change.** This means more emphasis on collaborative design, better use of shared spaces and enabling reductions in portfolio size by as much as **40%** in the short-term. CRE has to work closely with HR and IT to make this experience come to life.

$$V = \frac{\pi r^2 h}{3} \text{ utilisation} + \text{staff retention} + \text{attracting best recruits} + \text{no. of meetings} + \text{cross-department collaboration} = \text{Shared Experience Value}$$

The corporate drive for agility will create competition in the office market and greater choice

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PREDICTIONS

- **CRE leaders are chasing agility in portfolios to match business planning.** Landlords will adopt more innovative deal structures on shorter terms to compete with agile flexible workspace offers.
- Despite the pandemic, many markets globally have shown increased demand for flexible workspace, and on shorter-terms. **We forecast flexible workspace supply growth of over 21% in 2021 and a greater variation of end product than ever before as agile operators seek out new niche options in the market.**
- **Clients are searching for higher quality workspace in regional and urban locations** – this will drive more investment in regional workspace to improve the end product. We will also see consolidation in the flex workspace sector as operators with less funds are unable to keep up with this new demand.



EMEA SPOTLIGHT

The UK market is on track to hit **12.5%** penetration within two years – a doubling of current supply.

Across the UK, average occupancy rates are **rising** in suburban areas.

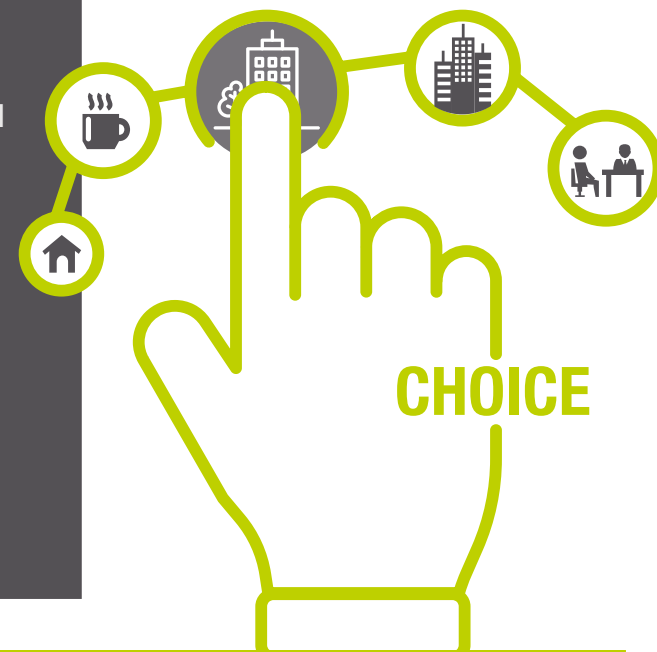


The office sector needs to provide greater variation of product

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PREDICTIONS

- Just **60%** of office portfolios will be fit for purpose by the end of next year. Future portfolios will be made up of multiple locations with balanced exit dates.
- Demand from professional services, consultancy and technology firms has increased as a % of total demand over the last year. These firms have shown the need to be agile, facilitate collaboration and stay close to the client. Their adoption of flex will continue over the next decade.
- But the market is still not working for some growth sectors such as pharma, life sciences and healthcare. Demand is up from these sectors but the level of deals that are closing less so. The flex market needs to adapt workspace to appeal to these firms of the future.



PropTech will facilitate greater focus on the end-user experience

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PREDICTIONS

- **CRE leaders need to harness technology that generates an aggregated view of workspace use, one that gives them a better sense of location, value and performance.** This will underpin a more dynamic approach to the office portfolio and facilitate the introduction of more flex.
- **Technology will become an essential part of the dispersed workspace infrastructure.** A new species of occupier requires digital tools that capture costs, drive collaboration and bring 3rd party property spend into the procurement process.

PropTech investment as a total proportion of CRE asset value is still undersized compared to **FinTech** or **MedTech**...

PROPTech 0.007%



FINTECH 0.4%



MEDTECH 0.8%



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 almost 8,000 companies a year in flexible workspace such as serviced, coworking or managed offices including Amex, Barclays, Prudential, Booking.com, Shell, Jaguar Land Rover and Worldpay making it the market leader in flexible workspace.

Its listings' platform www.instantoffices.com hosts more than 15,000 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.

In 2019 Instant acquired Incendium Consulting Ltd, an independent corporate real estate consultancy that provides large real estate services procurement, consulting, talent and change management programmes to blue-chip clients.

With offices across the world, The Instant Group employs 250 experts and has clients in more than 150 countries. Instant is ranked #33 in the 2020 Sunday Times HSBC International Track 200.

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THE DATA RANGE OF THIS REPORT VARIES AS FOLLOWS:

- 2020 - this is based on data recorded up to 1st December 2020
- All other years mention are based on data recorded between 1st January - 31st December
- All data featured correct as of 1st December 2020
- All data used in this report, unless otherwise stated, has been taken from transactional and enquiry data received by Instant

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