

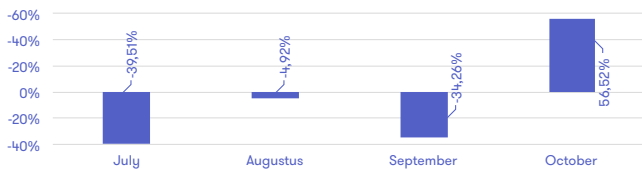
## Say goodbye to rush hour and hello again to the office: How the growing flexible office market contributes to less commuting.

### Growth flexible office market continues

The previous edition of Workthere Market in Minutes showed that the number of searches for flexible office space is back to the level of the pre-Covid-19 era, despite the fact that demand for office space in the mainstream segment has temporarily declined.<sup>1</sup> The latter is demonstrated by the fact that less office space was rented in the third quarter of 2020. Due to the current economic uncertainties, companies are unwilling to commit to long-term contracts. Flexibility is a solution, and this was in part the catalyst behind the 56.5% increase in the number of searches for flexible office space in October 2020 compared to October 2019.

But economic uncertainty is not the only reason for this growth. What else could explain the great demand for flexible office space?

**Graph** Difference in the number of searches in 2020 compared to the same month in 2019



Source Savills Research

### The search widens: More sectors and larger businesses

Historically speaking, the largest share of the demand for flexible office space comes from scale-ups and start-ups in the creative, corporate and tech sectors<sup>1</sup>. However, demand for flexible office space is increasingly coming from other sectors as well and from larger businesses (including corporates), and not necessarily as a replacement for their current head offices. More often, companies are looking to facilitate a greater choice of workplace locations for their employees, a need that has only become more pressing in the COVID-19 era.



**Start-ups**

2-20 employees



**Scale-ups**

21-100 employees



**Corporates**

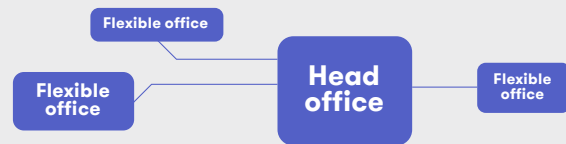
More than 100 employees

### More options for workspace locations for office staff

For businesses that operate from a central head office, it is appealing to facilitate flexible office space for staff close to where they live, as employees have a growing need to be able to work in multiple locations. Besides working at the head office and from home, they also want to be able to work from other well-equipped locations, such as those provided by flexible office providers. This trend began to gain momentum several years ago but has accelerated as a result of the coronavirus crisis – even more so because circumstances have forced businesses to realise that flexible working does not have to lead to a decline in productivity.

Renting space from flexible office providers, in addition to retaining head offices, could also considerably reduce travel time and could serve as a good alternative for employees who are unable to set up a suitable home office. Flexible workspaces also come with the specific advantages of working in the office such as in-person meetings and face-to-face cooperation on specific assignments. The combination of a head office and a flexible layer that offers employees another place to work would appear to be the preferred choice for the future of some companies. This idea is called the hub-and-spoke model: operating from a central location that is connected to regional offices. The fact that this could save employees tremendous amounts of travel time is demonstrated by the commutes of employees in the Netherlands

### Hub-and-spoke model as new accommodation strategy



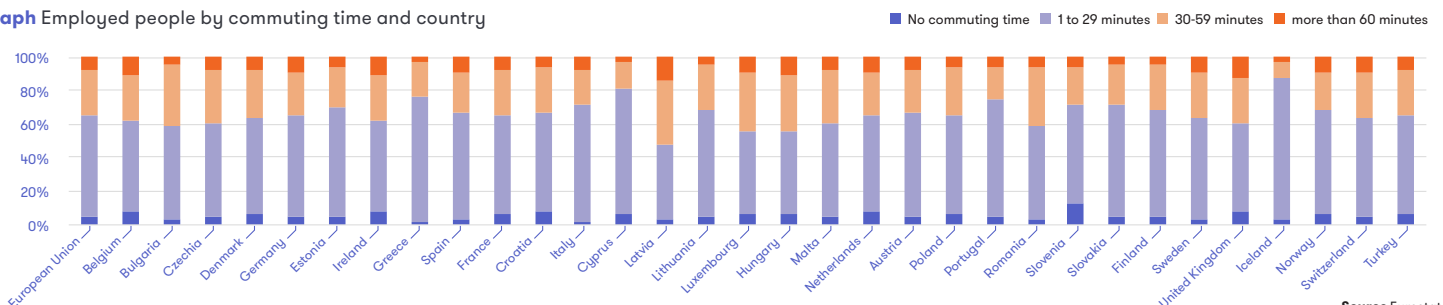
During the height of the coronavirus crisis, it became clear that working remotely was a solid option and, as a result, new concepts are being developed with regard to the organisation of these workspaces. The hub-and-spoke model is one example of such a concept. The term originates from the aviation sector, where smaller aircraft service smaller 'spoke' destinations from one major central 'hub'. The model provides employees the choice between working at the head office in a central location or at a more regional 'spoke' location. This could mean that more employees will be working from home, but that they will also be using flexible workspaces closer to home.

### Dutch workers have above-average commutes

Although the Netherlands is a small and densely populated country and distances are shorter, it turns out that compared to other European countries workers in the Netherlands have an above-average commute. Dutch people spend almost 10% more time on a daily basis commuting between home and the office than their average European counterparts. In total, 30% of Dutch people spend at least 45 minutes commuting between home and the office, compared to 23% for Europe as a whole. Previous Savills research has shown that commuting time is an important factor in the search for a new job<sup>2</sup>. The majority of Dutch people (69%) considers workplace location the primary reason for the decision to find another job. Companies can therefore retain existing personnel and attract new members of staff using a hub-and-spoke model, leading to more satisfied employees.

The increasing need for flexible office space will continue in areas where lots of commuters live. What are these locations?

**Graph** Employed people by commuting time and country



Source Eurostat

# Clustering of office jobs in the G5, the Hubs.

The most recent data published by Statistics Netherlands shows that the majority – one third – of office jobs in the Netherlands are clustered in the five major cities. With 354,800 office jobs, Amsterdam far outstrips all other municipalities. One striking statistic is that, in total, only 272,900 residents

of Amsterdam work outside the home in the city. Because a large number of these Amsterdammers do not hold office jobs, many desks in the city's offices are manned by people commuting from elsewhere. The situation for office jobs in Rotterdam, The Hague, Utrecht and Eindhoven is similar.

## What are the most obvious hub-and-spoke locations?

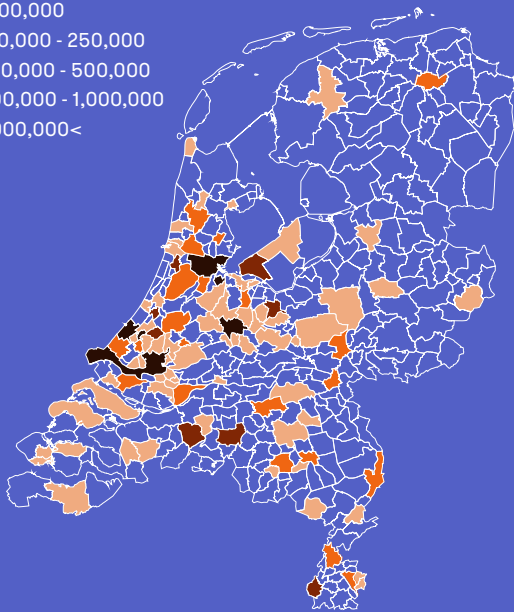
To determine which hubs could be interesting, research could be conducted into which municipalities are home to the largest number of commuters. The map below provides insight into the hometowns of most commuters travelling to one of the five major cities.

### Map

Total daily kilometres travelled from hometown to G5 cities

### Commute km's

- <100,000
- 100,000 - 250,000
- 250,000 - 500,000
- 500,000 - 1,000,000
- 1,000,000<



Source Savills Research

Interestingly, most travel movements take place between the G5 cities themselves, making it a logical step for businesses in Amsterdam to open branches in Utrecht, Rotterdam or The Hague. In turn, these cities can take on a hub function for the surrounding municipalities through strong public transport connections with the region. This opens the door for talented new employees who previously lived too far from head offices.

| Which cities do most commuters travel to? |               |
|---|---------------|
| Amsterdam                                 | 12,676,230 km |
| Rotterdam                                 | 8,888,930 km  |
| Utrecht                                   | 8,050,470 km  |
| Eindhoven                                 | 5,185,970 km  |
| The Hague                                 | 4,737,210 km  |

| Which cities are home to the most commuters? |              |
|--|--------------|
| The Hague                                    | 1,476,090 km |
| Utrecht                                      | 1,311,910 km |
| Rotterdam                                    | 1,272,120 km |
| Amsterdam                                    | 1,212,280 km |
| Almere                                       | 910,290 km   |

There are also relatively large numbers of people commuting from cities such as Almere, Amersfoort, Haarlem, Breda, Tilburg and Leiden to one of the G5 cities. This will result in more demand for spoke locations in these municipalities. An added bonus is that these cities also have appealing downtown areas that ensure an attractive working environment around spoke offices. This means that travel time can be reduced most easily for commuters from these areas, while still offering them a comfortable environment around their office.

Although the travel movements in question provide useful insight into the most obvious spoke locations, every company requires customisation because the best solutions for spoke locations for employees vary widely per company.

Table Top 5 possible spoke locations outside G5

| Town       | Number of kilometres travelled to and from G5 cities |
|------------|--|
| Almere     | 789,190  |
| Amersfoort | 643,780  |
| Leiden     | 546,060  |
| Haarlem    | 510,300  |
| Zoetermeer | 493,240  |

## Outlook

Due to the coronavirus crisis, most office workers have become acquainted with remote working at an accelerated pace and have begun to see the relative simplicity of this type of working.

This allows employees to work more flexibly and, as a result, physical presence at the head office is becoming increasingly less important. The hub-and-spoke model is mainly a solution for mid-sized and large businesses for bringing work closer to home while avoiding a loss of connection with the company. As a

result, it is expected that flexible office spaces will increasingly be used to meet this need of employees for working closer to home. This will contribute to the strong growth currently visible in the flexible office market and will lead to a greater spread of flexible office locations throughout the Netherlands.

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### Workthere

Workthere is a business by Savills focused solely on helping businesses find flexible office space, whether that's a serviced office, co-working or shared space.



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