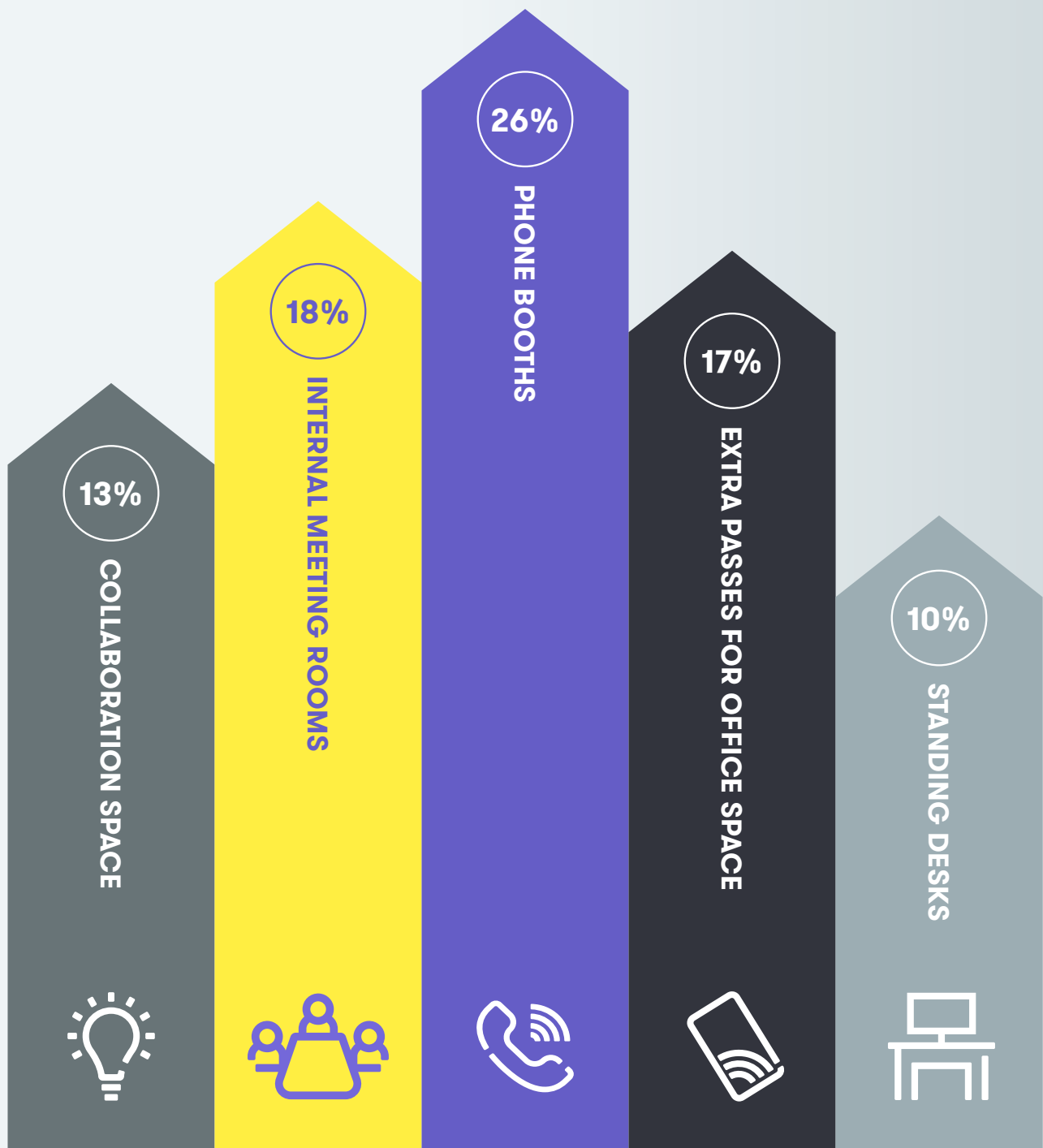


The Workthere Flexmark 3.0

Our Annual Global Flexible Office Benchmark

TOP 5 MOST DEMANDED FLEXIBLE OFFICE FEATURES





Storey, London

Executive Summary

This is the third year running our Flexmark, the last three years has seen the flexible office market show resilience. It has recovered strongly in the wake of the pandemic, and has seen changes across the market. This year we have focused on five areas in our report.

Profitability:

- Occupancy levels have recovered for both private offices and shared offices. Private office occupancy has increased from 68.1% to 81.2% globally, this is compared with 81.4% occupancy prior to the pandemic. Shared office occupancy has recovered from 55.7% last year to 69% this year, which is above the level seen in our first Flexmark of 60.2%.
- Profit margins of flexible offices have recovered to the levels seen pre pandemic, with 55% of providers having a profit margin greater than 10%. The proportion of spaces with profit margins above 15% has increased this year, with 48% of providers falling into this group compared with 34% pre-pandemic.

Use of space:

- The patterns of working have changed, with 78% of global respondents saying they're using their flexible office 3-4 times per week. Although this varied by region as a result of the pandemic response and recovery in countries.
- 71% of providers surveyed said that spaces were not being used on a maximum capacity basis, which is a positive trend to see as it has been shown that spaces tailored towards activity-based working have numerous health impacts.

Member profile:

- We have seen a shift in the demand for flexible offices, while tech companies play an important role in demand for space accounting for 35% of demand, business products and services and financial services make up 26% and 17% of global demand respectively.
- Corporates and scale-ups have begun to enter the flex market on a larger scale, with these companies now accounting for 42% of global flexible office occupiers compared with 37% of occupier last year.

Current demands in flex:

- Due to the rate of change in the flexible office market we wanted to identify the features of flexible offices that were most in demand for occupiers. The most demanded feature was phone booths with 26% saying they were in demand, this was followed by internal meeting rooms (18%) and extra passes for offices (17%).

Future of flex:

- This year and last, we asked providers to look forward at the largest changes of flex. Of those surveys 28% of respondents felt that zero-carbon spaces would be the a key theme, followed by management agreements (13%), with online booking of space through a platform and direct landlords products joint 3rd with 12% of respondents each.



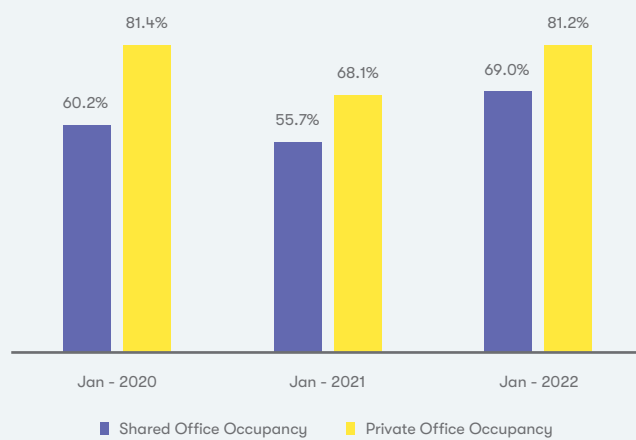
Profitability

Over the course of 2021, the flexible office sector has seen a resurgence of interest, whether from corporates looking to adapt to the new world of work or individuals seeking a refuge outside of working from home (WFH).

This resurgence is evident in the increased occupancy levels, which have, on average, rebounded to the levels seen pre-pandemic. This has been reflected both in private office and in shared space occupancy, which have increased from 68.1% to 81.2% and 55.7% to 69% respectively. Private office occupancy has seen this recovery as a result of the increased attention on the sector from all types of businesses. Many of which are seeking ready-made fitted space with limited capital need for fit-out as an attractive option compared to a more conventional leasing approach. Shared office occupancy has higher levels than before the pandemic as the world of hybrid working takes shape. We are seeing an influx of individuals searching for a space separate to their homes, as well as businesses buying day-passes for their employees in addition to taking private space, all of which is growing shared office occupancy.

This increased level of interest for both space types has driven prices for flexible offices upwards by 7% globally, which is a turn around on the trend we saw in our last Flexmark where prices dropped 6%.

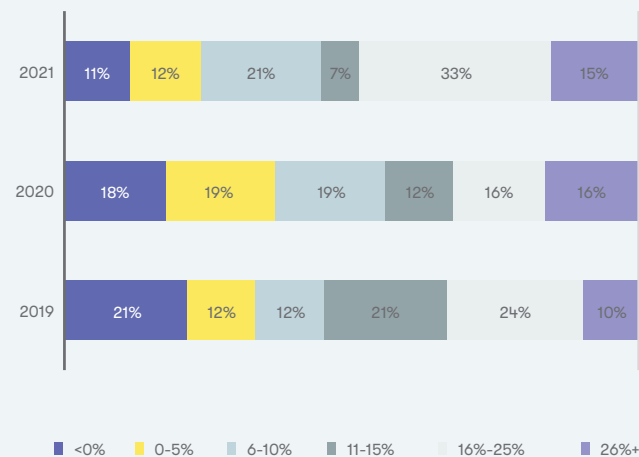
Office Occupancy



The recovery in occupancy and subsequently pricing has made the market ever more competitive. It is also, in part, a result of the take-up of flexible office space being relatively constrained over the last 24 months as the majority of providers paused any expansion during 2020 and most of 2021. Operators are now on a major expansion drive and we expect take-up levels in 2022 to exceed those seen in 2020 and 2021. Although, we expect they will not match the pre-Covid levels, which was driven by large WeWork expansion.

All of these factors have bolstered providers, as can be seen from the shift in the proportion of flexible offices that are profitable on an operating level (defined as revenue minus operating costs divided by revenue). Since our survey last year, where we reported that 82% of providers were profitable, we have seen that increase to 89%. This increase is even more prominent given the shift seen on the levels of profitability, last year only 44% of providers had a profit margin greater than 10% compared with 55% this year. Marking a significant shift in the market and again demonstrating the strong recovery in the sector over the last 12 months. The two most profitable markets we observed this year were Asia and the UK, where 71% and 63% of providers had profit margins greater than 15% respectively.

Operating profit margins of flexible offices 2019-21



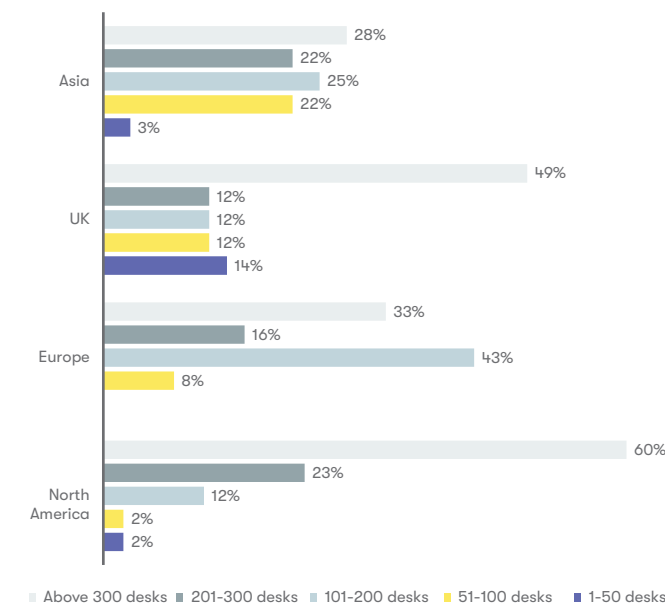
Use of Space

We have seen a slight change to the size of space required by occupiers, with the average space being 28,246 sq ft, compared with 24,688 sq ft in 2021. This is likely due to the increased number of respondents that we have had this year, but it may also be because of providers taking larger spaces to accommodate for larger corporate clients. 43% of respondents globally reported their spaces as being larger than 26,915 sq ft. While we have seen an increase in size generally, it is not a significant change to the average and supports our expectation that the average space taken would remain relatively stable.

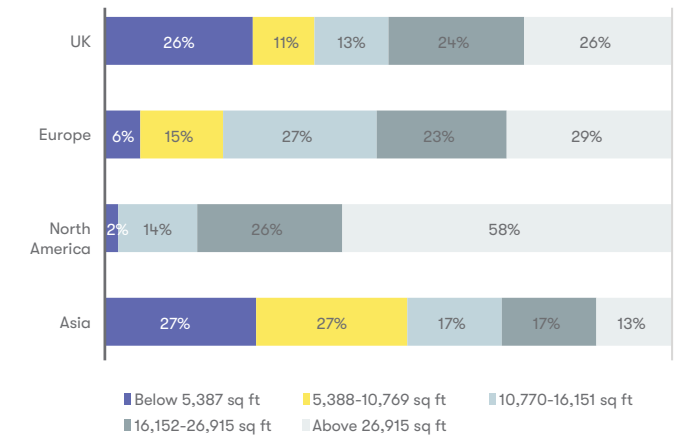
The median number of desks is 255, which is unsurprisingly up from the 209 desks reported last year. Despite offices being capable of having a higher maximum capacity, 71% of respondents said that office space is not being used on a maximum capacity basis. This has been driven by the shift to hybrid working, with spaces not being occupied on a max capacity basis as it allows for more collaboration spaces and meeting rooms. It is positive to see this shift as there is evidence that spaces designed for activity-based working can improve wellbeing and productivity, while reducing stress.

Of those that reported not using space on a max capacity basis, the average amount of space utilised for desk was 70%, however in Europe, Asia and North America the percentage of space used was lower at 66%, 66% and 60% respectively. The UK had a higher utilisation of space with the average being 78%, this is due to the attitudes around Covid-19 in the UK having had all restrictions lifted since the 18th of March. Some restrictions such as wearing of masks on public transport were lifted later in European cities such as Paris. Whereas in Asia Chinese cities have been going in and out of lockdown, and across the continent many countries still have mandatory masks mandates. This is reflective of the different timeline of events experienced across the different countries and regions.

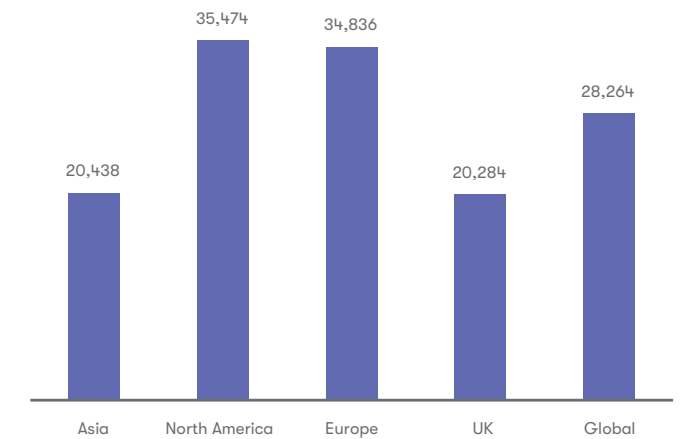
Number of desks within flexible offices



Size of flexible offices



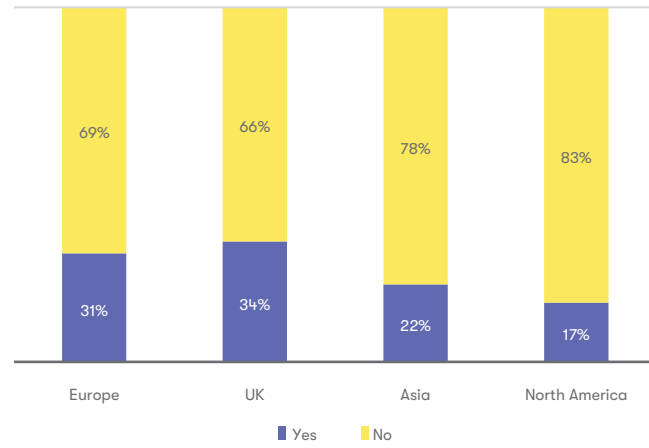
Average size of flexible workspaces (sq ft)



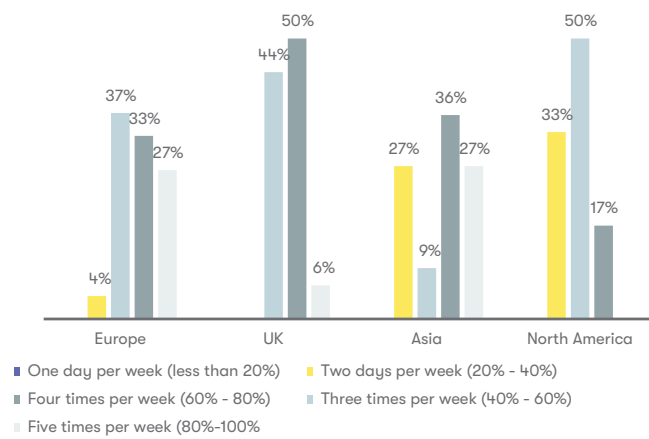
The responses from providers support the shift to hybrid working, with 78% saying that members are using their space either three or four times per week. As you would expect, this is skewed depending on the region. In the UK, 94% of respondents reported that members were using their offices three to four times per week, while Europeans reported that 27% of members were back in the office five times per week, and 69% were in three to four times per week. This variance is predominantly due to the differing locations of the respondents with 47% of Spanish respondents reporting that members were back in five times per week, while 54% and 50% of Dutch and Irish providers said that members were using their space three times per week. This is as a result of the different stages in opening up, where the UK and Spain have pushed a return to normality, other countries have been more cautious. Asian providers responses are also varied with 27% reporting members are only using their space twice per week, while 64% reported members using the space four to five times per week.

Use of Space continued...

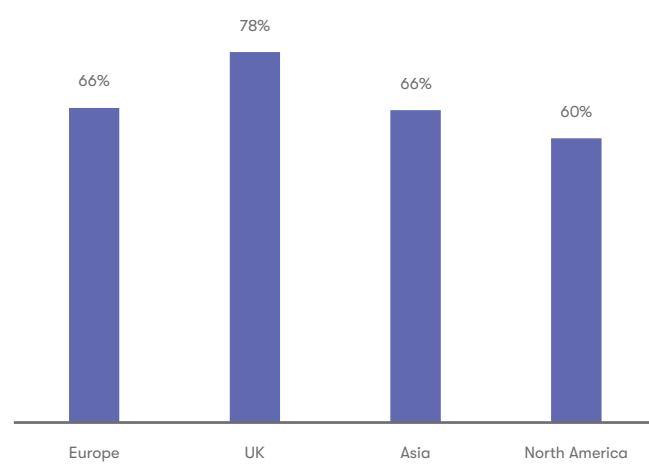
Is space being used on a max capacity basis



Frequency of flexible office use



Average member office space utilisation

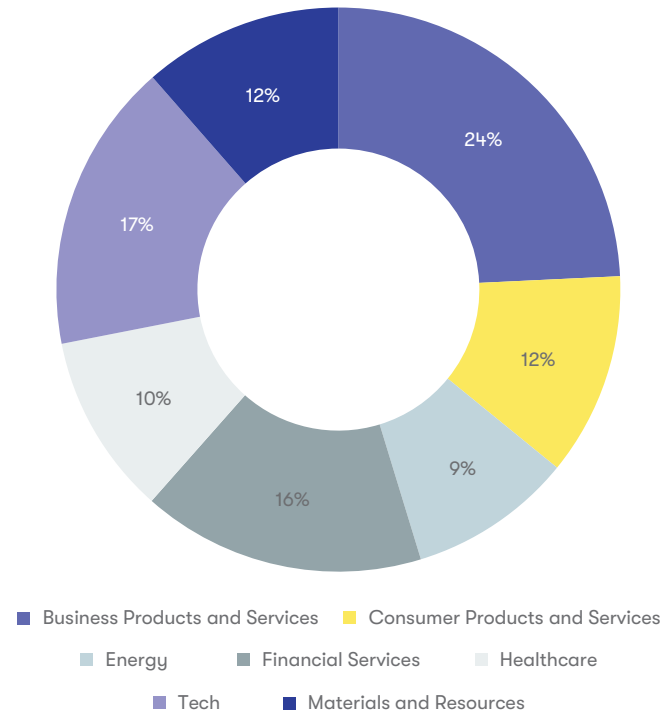


Member Profile

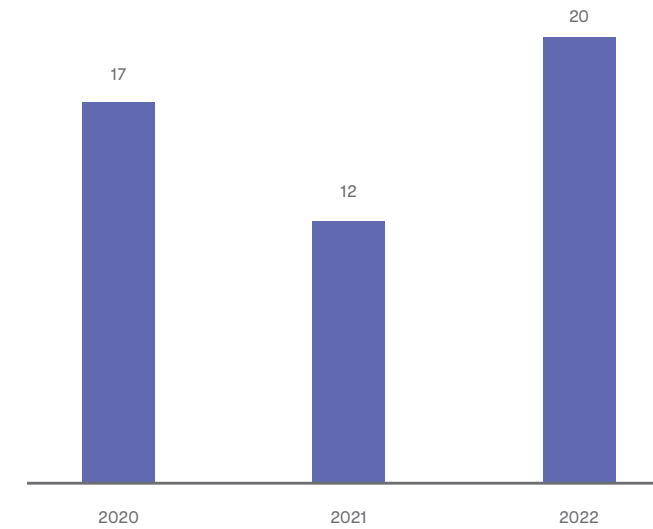
Tech companies play an important role in the economics of the space they occupy in the flexible office sector, accounting for 35% demand. However, we have seen a shift in the demographics of demand, with business products and services (B2B) accounting for 26% of global demand, financial services accounting for 17% and consumer products and services (B2C) accounting for 13%. These demand demographics vary by region, with the UK, Europe and North America having a more even spread of sector demand. Whereas flexible offices in Asia are still pre-dominantly occupied by tech occupiers, although we expect this to even out as time progresses.

The demand from these sectors does not necessarily translate into the sectors occupying flexible office space, where 24% of companies occupying space in 2022 are B2B businesses compared with tech companies that account for 17% of occupiers and financial services that make up 16% of occupiers globally. Again, this varies by region, with the UK, Europe and North America having a more even split of sectors occupying space. Interestingly, our results found that in these regions B2B companies occupied a greater proportion of space than tech companies, with financial services accounting for a larger percentage of occupiers than tech in Europe and North America. In the UK tech companies only narrowly accounted for a larger percentage of occupiers than financial services (16% compared with 15%). In Asia however, there is still a larger proportion of tech companies occupying space (29%) compared with other companies, we expect that this will change over the coming years, and we will see more demand from financial services, B2B and B2C companies for flexible office space.

Sectors occupying flex space in 2022



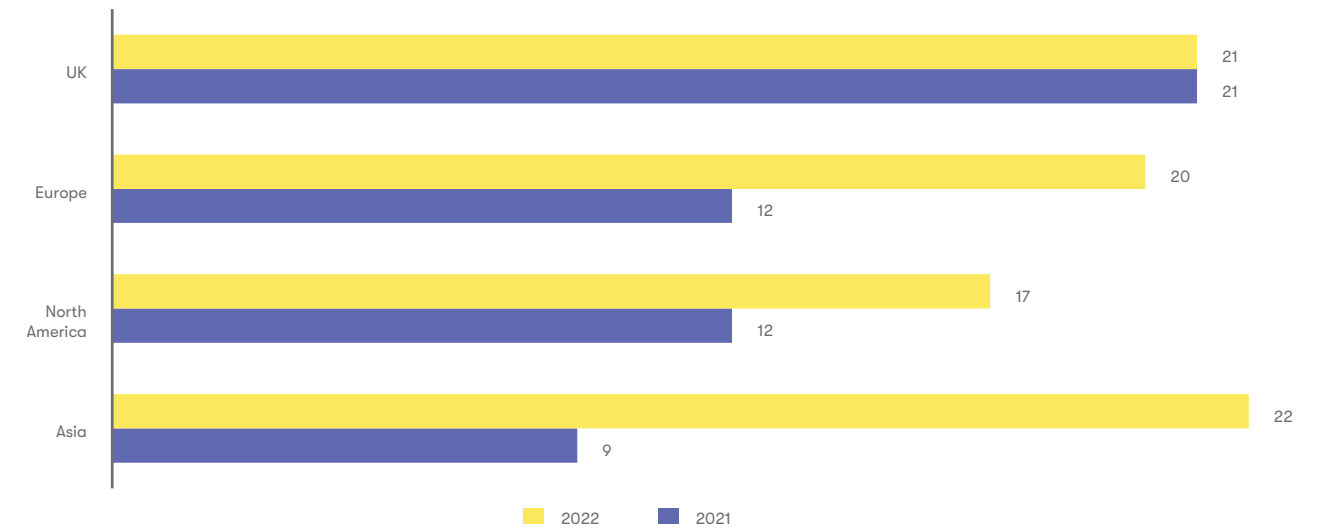
Average member lifespan (months)



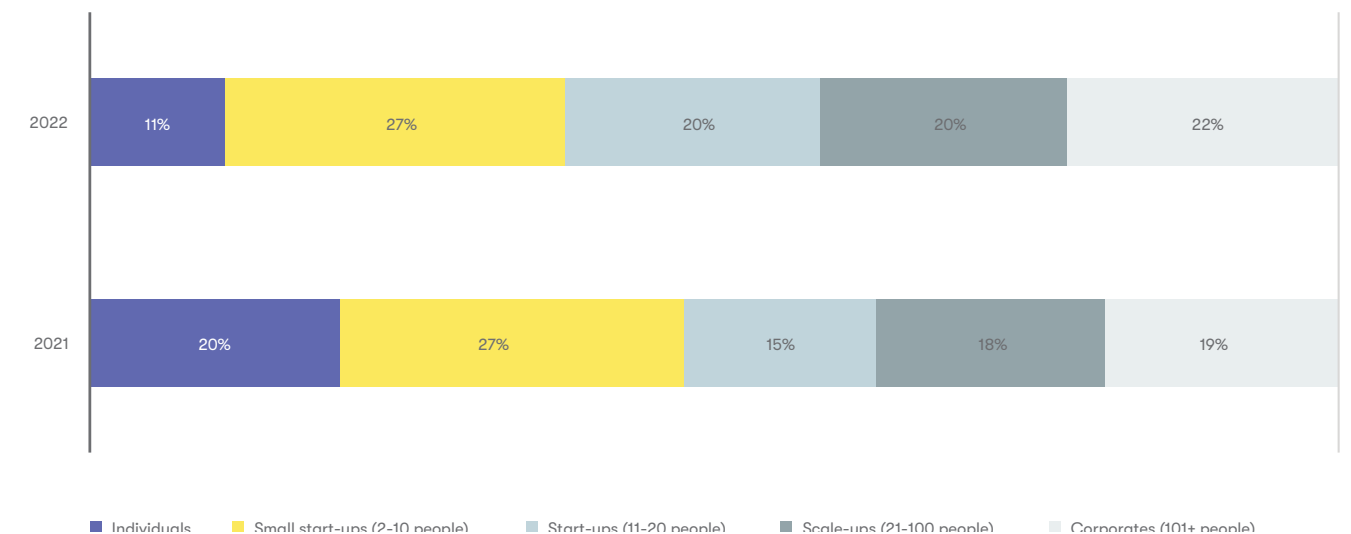
55% of providers made operating profits greater than 10% this year. Showing that demand for flexible space has driven profitability

Dan Jones,
Workthere Data and Research Analyst

Average flexible office member lifespan



Size of companies occupying flexible office space



35%

the amount of flex demand seen from tech businesses

24%

the percentage of flex space occupied by B2B businesses

20

the average member lifespan of flex providers globally

Member Profile

continued...

In our survey this year, we found that the average member lifespan increased from 12 months to 24.6 months. This has been driven by two factors, a wider number of respondents to our survey and larger companies taking space in flexible offices. These occupiers are more accustomed to longer leases (5, 10 or 20 years), and have a longer term view for their workplace strategies. Broken down by region, we have broadly seen the average lifespan increase other than in the UK where it has stayed the same. Asia's average member lifespan has increased the most from 9 months to 22 months, this has been driven from the increased number of responses from India, where the average member lifespan ranges from 7 months to 40 months. This growth in the average of member lifespan is extremely positive for the sector as it protects the income stream of operators, it offers a good balance for both providers and members as whilst they're locked into longer term contracts these are not as long as they may face in the conventional sector.

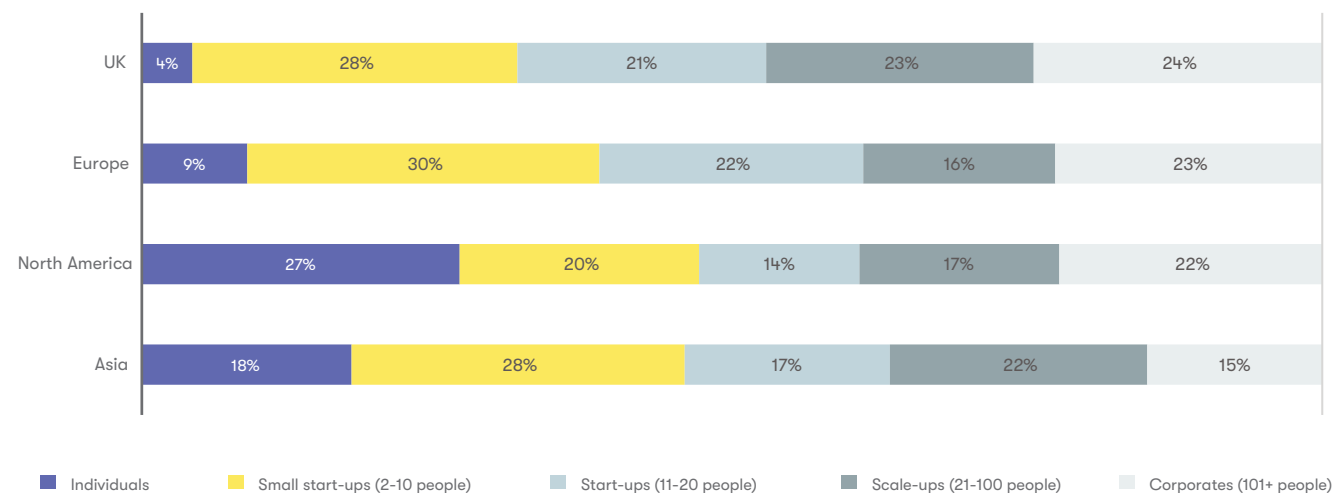


It's a common misconception that flexible office space is only used by startups. This is shown by the fact that Corporates and scale-ups account for 42% of occupiers in global flexible office space.

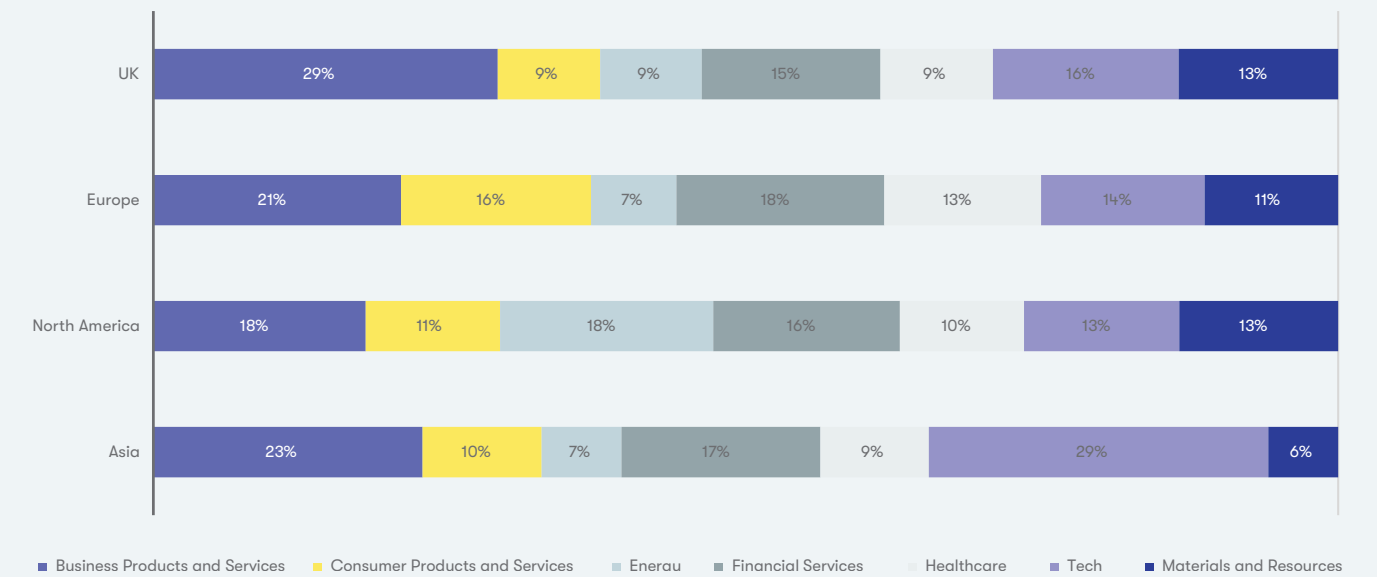
Cal Lee,
Global Head of Workthere

We have seen a shift in the size demographics of companies occupying space in flexible offices, with corporates (101+ people) and large scale ups (21-100 people) accounting for a bigger proportion of flex. Corporates and scale ups now account for 42% of global flexible office occupiers, compared with 37% of occupiers last year. The size of companies occupying space in flexible offices is similar across Europe and the UK where corporates account for 21% and 24% of occupier respectively, in the UK the number of individuals occupying space has decreased from 20% to 4%. We have seen similar demand from individuals, but it has not converted to increased occupancy from this sector. The majority of companies in flexible space in Asia are small start-ups (2-10 people), start-ups (11-20 people) and scale-ups. These account for 75% of occupiers in APAC flexible offices. Asia has the lowest percentage of corporates in flexible space, we view this as being due to more conservative take-up of flexible space in the region by corporates versus start-ups and scale-ups.

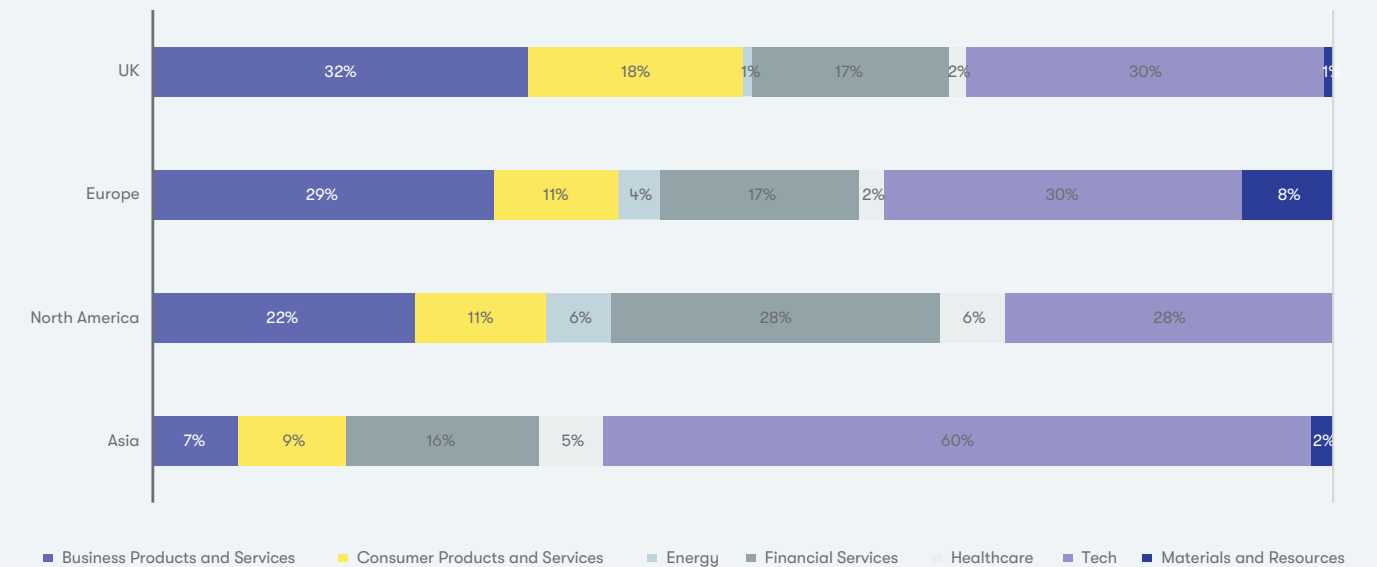
Size of companies occupying flexspace 2022

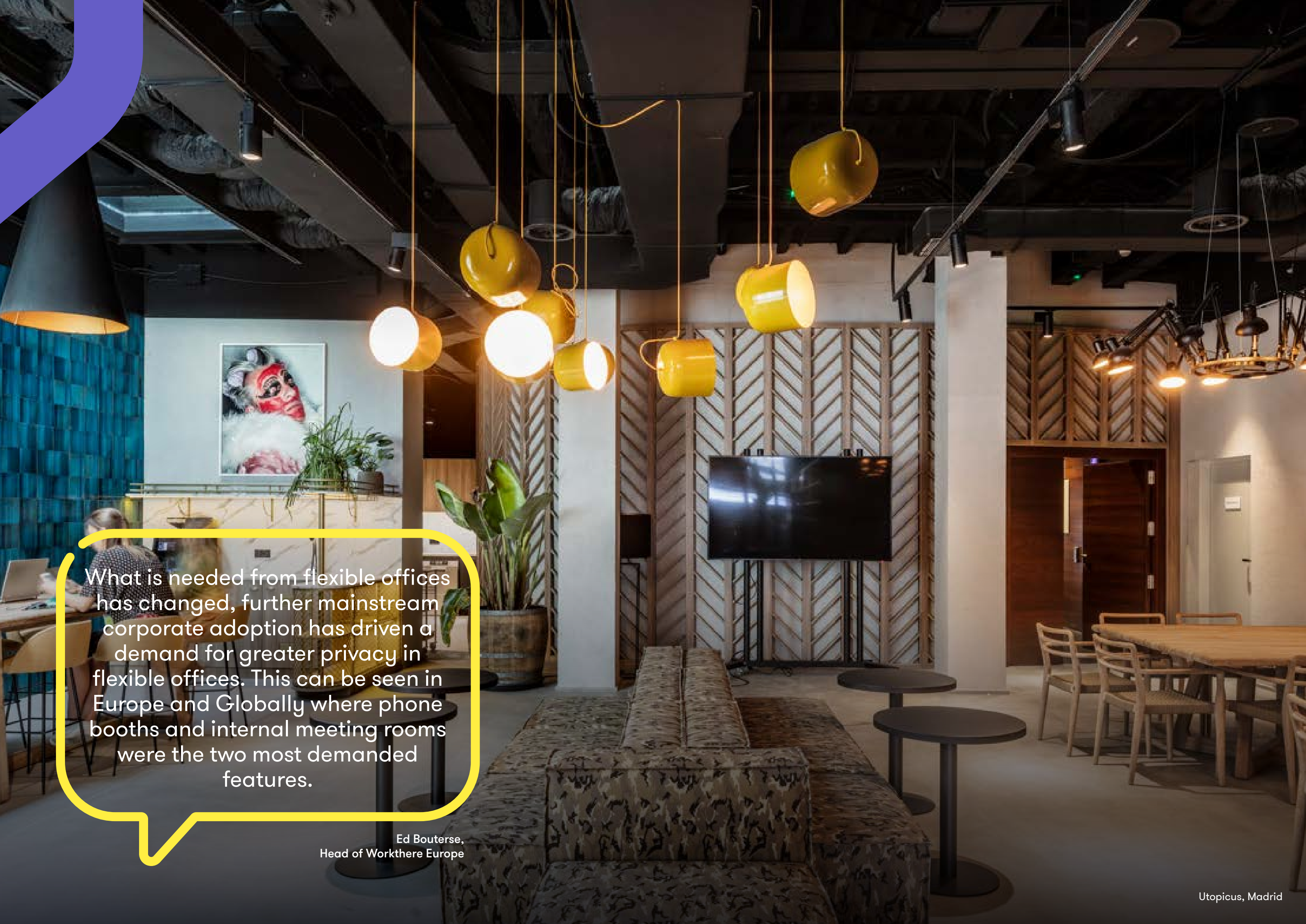


Demand for flexible office space from business sectors



Sectors occupying flexible space in 2022



A modern office interior featuring a long, patterned sofa in the foreground. Several bright yellow, bowl-shaped pendant lights hang from the ceiling. In the background, a large black TV screen is mounted on a wall with a geometric wood-grain pattern. To the right, a long wooden table with chairs is visible. The ceiling is dark with exposed pipes and track lighting. A woman is seated at a desk on the left side of the frame.

What is needed from flexible offices has changed, further mainstream corporate adoption has driven a demand for greater privacy in flexible offices. This can be seen in Europe and Globally where phone booths and internal meeting rooms were the two most demanded features.

Ed Bouterse,
Head of Workthere Europe

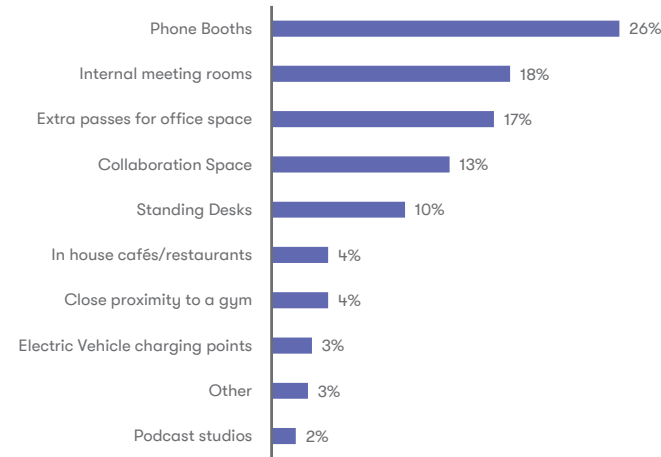
Current demands in flex

Given the rate at which the flexible market is changing, we wanted to focus on what features of flexible offices members were requesting the most frequently when searching for space. We expected that, given the shift to hybrid working, there would be large demand for extra passes, allowing different teams to use the space on different days or as needed. However, what we observed from the results is that, while there was strong demand for extra passes, the highest amount of demand was for phone booths in the space. 28% of providers said that phone booths were the most in demand feature in space, followed by internal meetings rooms (17%) and extra passes for space (15%).

The need for more phonebooths and internal meeting rooms demonstrates the increased requirement for privacy in these spaces, while this may be less of an issue for companies with private offices, it is paramount for individuals or small teams working. In order for these provisions to work effectively, it is important for providers to be proactive in identifying the needs of their members using data and space analysis.

When examining the differences across the regions, Europe has seen demand in line with the global overview, whilst the UK has seen strong demand for phonebooths (30%), extra passes (22%) and also collaboration space (18%). This is reflective of the shift to hybrid working by companies, where the move to more to activity based working (ABW) has been part of the strategy to attract staff back to the office. The collaboration space, in tandem with extra passes, is the perfect example of this, where members working from home individually can come into the office on different days to use collaborative space with their teams. North America has been seeing demand for phone booths (28%), internal meeting rooms (22% and standing desks (17%).

Most demanded flexible office features globally



The top 5 most demanded flexible office features by region

Asia	North America	Europe	UK
1. Phone Booths 30%	1. Phone Booths 28%	1. Phone Booths 22%	1. Phone Booths 30%
=2. Internal meeting rooms 14%	2. Internal meeting rooms 22%	2. Internal meeting rooms 21%	2. Extra passes for office space 22%
=2. Collaboration space 14%	3. Standing Desks 17%	3. Extra passes for office space 15%	3. Collaboration space 18%
4. Extra passes for office space 12%	=4. Extra passes for office space 11%	4. Standing Desks 11%	4. Internal meeting rooms 14%
5. Standing Desks 9%	=4. Collaboration space 11%	5. Collaboration space 10%	5. Standing Desks 8%

Future of flex

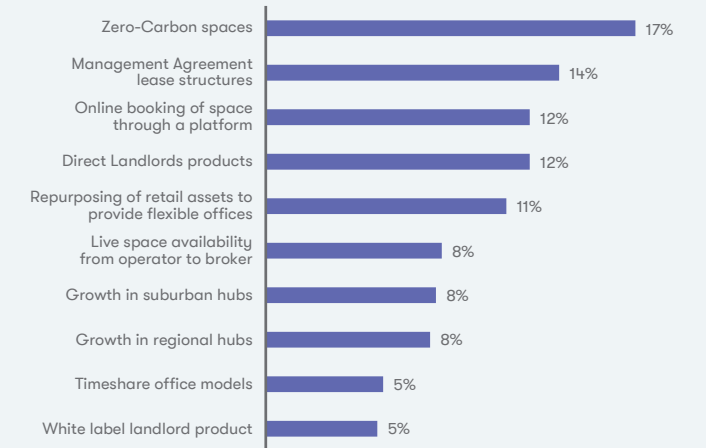
In last year's Flexmark, we asked what was viewed as the largest change to the flexible office space over the next five years. Globally the top picks for the largest changes to flexible office space were growth in suburban hubs. However, over the last 12 months we have seen a shift away from this trend, which was talked about a lot following the pandemic, but as yet has not materialised to the extent it was predicted.

This year the key theme identified by providers was zero-carbon spaces, with 16% of providers thinking that this will be the most important feature. Ranking second was management agreements (13%), in at joint third was online booking of space through a platform (12%) and direct landlord products (12%).

If analysed by region, the future trends for the regions varies significantly. The top three trends as seen by providers in the UK market is zero-carbon spaces (28%), repurposing of retail assets (18%) and direct landlord products (17%). This shows how ESG is permeating in the UK market, increasingly top of the list of considerations for occupiers, operators and landlords.

Both Asian and North American providers believe that management agreements will be the number one trend impacting the flexible office market in the next 5 years. Management agreements are becoming more common throughout the UK and we have seen some implemented by Asian providers. Given the capital that is required to setup a flexible office, many providers look to partner with landlords to reduce their risk, while landlords are able to achieve rental income at a premium to the market rate if spaces are successful. In Asia the second placed trend is growth in suburban hubs, whereas North America see the second most important trend as booking of space though online platforms.

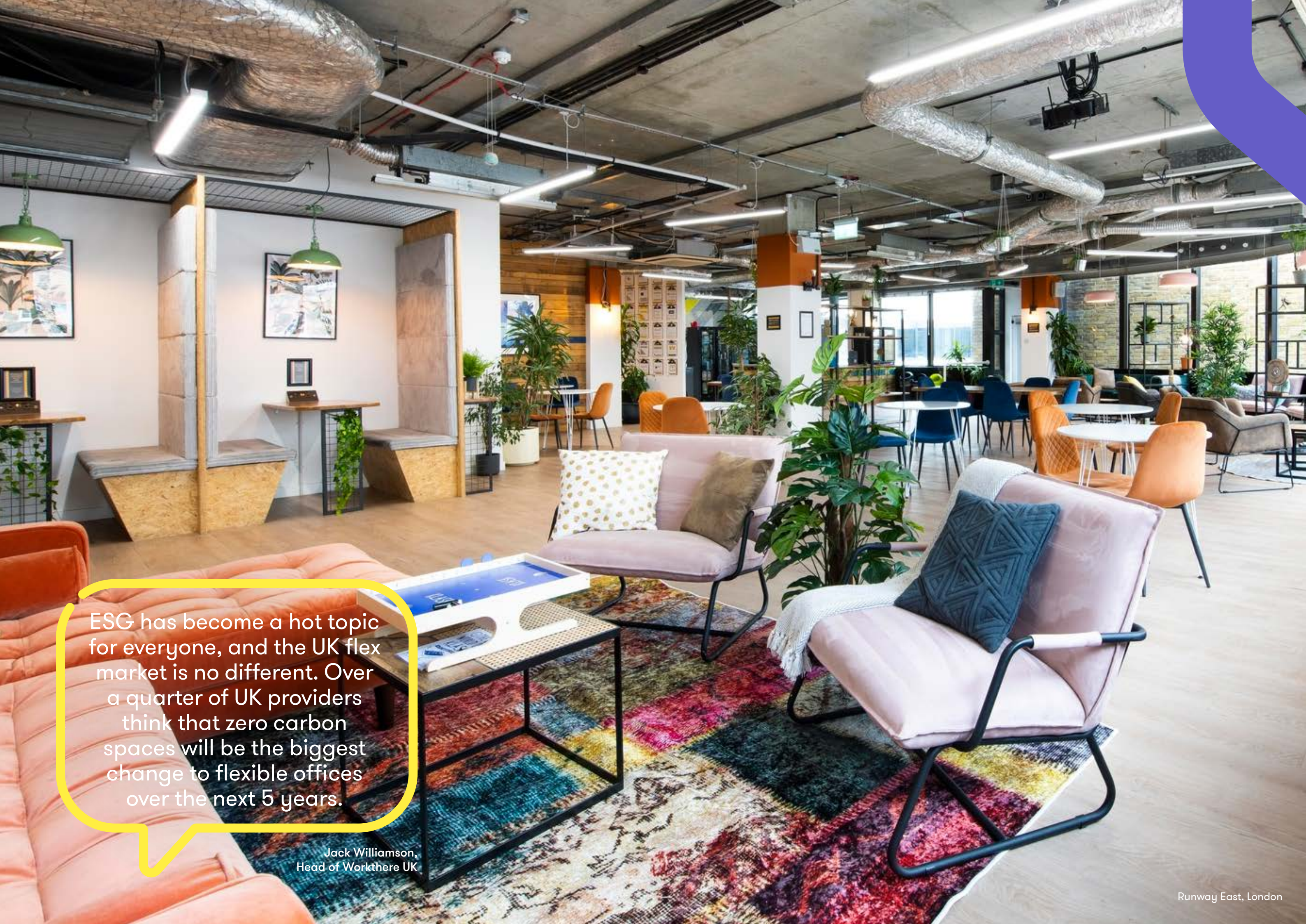
Largest changes to the flexible office space globally in the next 5 years



Similarly Europe sees the booking of space through online platforms as a key trend, however in the region it ranks first. Showcasing providers understanding that in order to be truly flexible, members must have the ability to book space through a platform on as close to a live basis as possible. This will allow providers to great the best user experience for their clients, and providers that are able to provide a high quality of experience will thrive in the future. Ranking second in Europe was management agreement structures which have begun to take a foothold on the continent, but this will only continue to grow as landlords develop more of an understanding of the nuance of these agreements and how they can benefit them. Finally in third was zero-carbon spaces, many European cities have made large commitments to reducing energy emissions and are generally further ahead than other regions in that regard, notably US and Asia where ESG did not feature in the top 3.

The top 5 future trends for flex space by region

Asia	North America	Europe	UK
1. Management agreements 15%	1. Management agreements 15%	1. Online booking of space through a platform 17%	1. Zero-Carbon spaces 28%
2. Growth in suburban hubs 13%	2. Online booking of space through a platform 19%	2. Management agreements 16%	2. Repurposing of retail assets to flexible offices 18%
=3 Repurposing of retail assets to flexible offices 12%	=3 Repurposing of retail assets to flexible offices 12%	=3 Zero-Carbon spaces 14%	3. Direct landlord products 17%
=3 Direct landlord products 12%	=3 Direct landlord products 12%	=3 Live space availability from operator to broker 14%	=4 Management Agreement lease structures 7%
=3 Growth in regional hubs 12%	=3 Growth in suburban hubs 13%	5. Direct landlord products 9%	=4 Growth in regional hubs 7%



ESG has become a hot topic for everyone, and the UK flex market is no different. Over a quarter of UK providers think that zero carbon spaces will be the biggest change to flexible offices over the next 5 years.

Jack Williamson,
Head of Workthere UK

Appendix



Our analysis is based on 137 flexible offices around the world and uses data from Savills Research team, the offices were located across Australia, France, Hong Kong, Ireland, Japan, Singapore, Spain, Taiwan, Thailand, The Netherlands, The United Kingdom, The United States and Vietnam.



The data was collected via an online survey that we sent by email to flexible office providers.



We collected the data during the period of 11th April 2022 until 27th May 2022.



A 'member' is defined as one membership agreement. This could be for one person or one membership agreement for 150 people.



'Acquiring a desk' is defined as one person signing a membership agreement for one desk in a flexible office.



Use of 2020 and 2021 in graphs within the report refers to the Flexmark 2020 and Flexmark 2021.



We have included certain images in this report that originate from the flexible office providers we work with for illustrative purposes only and does not mean they are included in the survey results.

Glossary

Flexible office: Flexible office is the blanket term used to cover the various different types of office space, from co-working to serviced offices. In general, it offers space that is furnished and ready to use, available on a short-term contract, with all costs rolled into one. It is known as 'flexible' space as the monthly or 12 month contract is more flexible than your traditional five or 10 year lease.

Coworking space: A coworking space is a type of flexible office that comprises a shared working environment (i.e. no walls/private offices), which is typically open-plan and offers either hot-desks or dedicated desks for members along with shared access to meeting facilities, break out areas, and often some office equipment, such as printers.

Private office: A private office is a type of flexible office that comprises a private working environment (i.e. the office is enclosed by walls), which typically offers dedicated desks but can also include hot desks. Members usually shared access to meeting facilities, break out areas, and often some office equipment, such as printers.

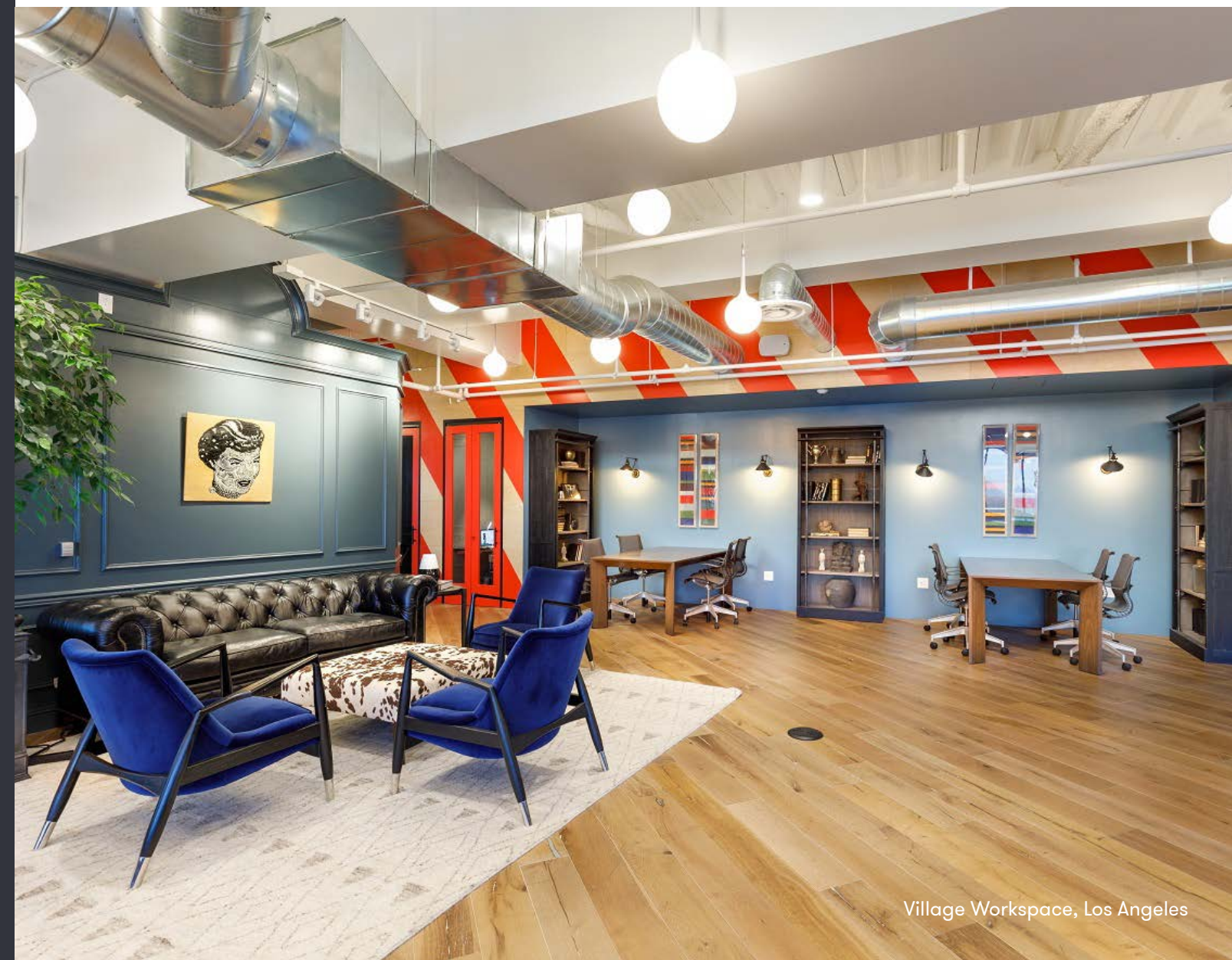
Dedicated desk: A dedicated desk is a desk designated to a specific individual or business within an open-plan office space.

Hot desk: A hot desk is a single desk that is used by multiple workers during different time periods.

Membership: A licence agreement between a flexible office space provider and a member. Memberships are offered on flexible terms.

Member: A person who pays a membership fee to a flexible office space provider in return for the use of the flexible office space. The fee is paid either by the individual or by their employer on behalf of the individual.

Operating profit margin: We define this as revenue minus operating costs, divided by revenue. Operating costs include costs such as rental, staff and utilities costs. Operating costs do not include depreciation, amortisation, interest paid on debt or tax.





Workthere.com

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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