ProWorkSpaces
linking knowledge

Flexible office report:



CUSHMAN & WAKEFIELD



Introduction

The flexible workspace sector rebounds with increased activity and a better outlook than ever in the post-pandemic landscape.

With the normalisation of flexible working for office employees, the option of shared spaces combined with the traditional office will grow in future. The dynamic expansion of the flexible office sector over the coming years is therefore anticipated.

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Global context and trends



What has been the impact of Covid-19?

According to the forecasts of the Global Coworking Growth Study 2020*, some 20,000 new spaces would be created worldwide in 2021, the figure of 40,000 being passed in 2024.

What has been the impact of the pandemic on the sector globally? How has the supply side reacted and how have users responded?

On the demand side, data from completed transactions pointed towards flexible offerings once again becoming an option for businesses worldwide as of last spring.

In the case of the United States, the data confirms a clear increase in the preference for these types of spaces and the average demand per business is around 10-20 workstations.

In general terms, a greater level of aggregate activity was seen during the first six months of 2021 than 2020 in its entirety, highlighting that:

- Occupants consider flexible offices to form part of their post-pandemic “back to the office” policy and in many cases they are perceived as a cost-saving tool, either by reducing the space in traditional offices or in order to enter new markets.
- Although the trends that we are seeing existed prior to the pandemic, they have started taking shape as occupiers have once again returned to their activities.

** Global Coworking Growth Study 2020 - Cluster*

Global context and trends

On the supply side, the situation of flexible workspace operators during the pandemic depended on three key factors:

- **Reduction in footfall and use**
- **Consolidation**
- Increased **competition**

Lower footfall: In global terms, a fall in occupancy levels of between 55% and 65% on average was recorded. Depending on the market, this was more acute in those areas in which flexible workspaces had been viewed as a less attractive option.

Operators depend on members' fees and, as a result of the imbalances caused by the Covid-19 outbreak, they found themselves in the position of having to renegotiate rental terms with property owners.

Consolidation: operators responded with differing strategies in the face of a significant decline in activity.

Some opted to reduce space and others simply shut their doors. Part of the vacant space offered an opening for smaller, local operators that have opted to embark upon the flexible workspace business. Brands such as Knotel and Breather in the US are worth noting.

Competition: flexible workspace operators are competing for the return to work of office employees and larger firms may be better positioned to satisfy this demand due to their brand recognition.

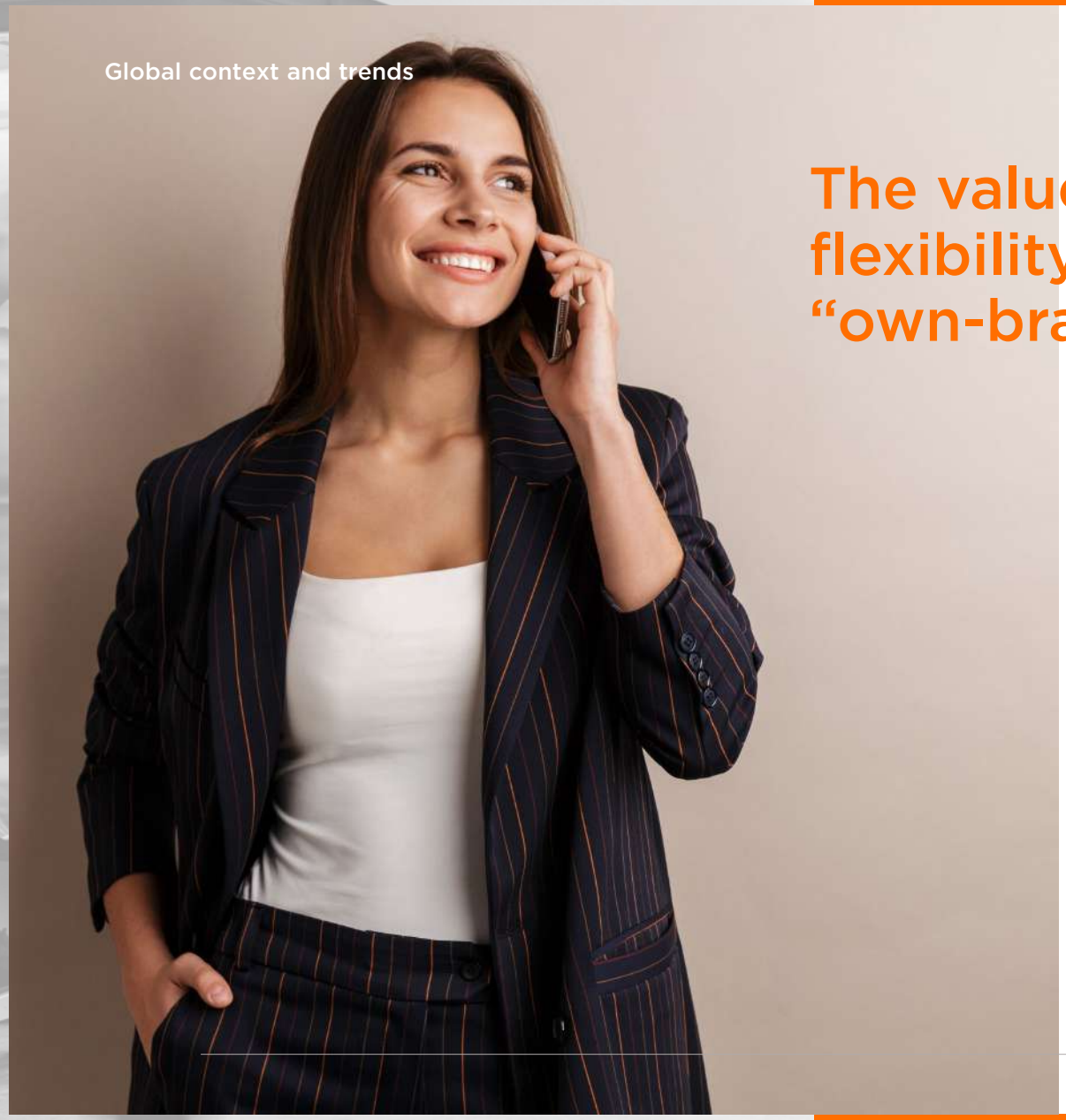
Their investments in branding and in marketing specific services is highly potent, the aim being to drive occupiers towards considering their options for the return to offices.

In the United States specifically, flexible workspace operators are faced with large volumes of vacant sublet space in many markets. This is a consequence of the reduction in space used by the occupiers of traditional offices during the pandemic.





> **In global terms, a fall in occupancy levels of between 55% and 65% on average was recorded.**



The value of flexibility and “own-brands”

Owners consider that the availability of flexible spaces within their assets may represent a service that adds value whilst making the asset more attractive to their tenants.

They have also learned that it is a service which they are capable of providing on their own. In some cases, major property owners are hooking up with flexible workspace operators in order to possibly fit out their buildings by means of exclusivity agreements.

This is already a reality in the United States, where owners are reaching agreements with operators and other service providers that offer flexible office solutions for incorporation within their assets (Tishman Speyer with its Studio line).

In terms of operators, a change in focus is noted, aimed at attracting entrepreneurs and new businesses: committing to major corporations. By means of this strategy they are able to respond to uncertainties around major occupiers who are unsure as to their space requirements and who will remain conservative in terms of costs.

A natural trend is observed in terms of occupying flexible spaces: businesses use traditional office space within an asset and have the option of an additional coworking space that contributes flexibility and the possibility of temporary occupation.

This could become a standard option in terms of the rental conditions to be negotiated with landlords, dependent upon the provision of flexible space within their properties.

Number of flexible spaces

Global trends:

- traditional occupiers that increase their options by means of global flexible space agreements
- new offerings on the part of landlords, particularly given the provision of flexible spaces within their buildings that will facilitate decision-making on the part of occupants.



A trend has been noted in the American office market, whereby a number of local operators are occupying space freed up by former flexible workspace operators.

In New York, European groups are actively seeking out spaces in locations such as Manhattan, adapting to the market value perceived by corporate occupiers in the city.

In Australia, practically all of the major owners (AREIT- *Australian Real Estate Investments Trusts*) have their own version of the flexible concept, such as "Dexus Place" by Dexus and "Space and Co" by GPT, with a part of their assets dedicated to this type of use.

VISIT THE LINKS



*Source: Global Coworking Growth Study 2020 - Cluster

Europe continues to grow

The take-up of floorspace assigned to coworking spaces grew by 20% in Europe in 2018 and cornered almost 10% of total take-up that year. As of that moment, the leading European Capitals (with mature markets in terms of this type of workspace) experienced growth in demand for these types of facilities.

The flexible concept made its great leap forward in 2019 and broke into the European office market as a whole. The stock of this type of spaces grew in Portugal, France and Spain, the former of these recording growth of up to 142%.

The UK is the largest market in Europe, with almost one and a half million square metres assigned to flexible spaces, representing some 5.3% of the total office inventory.

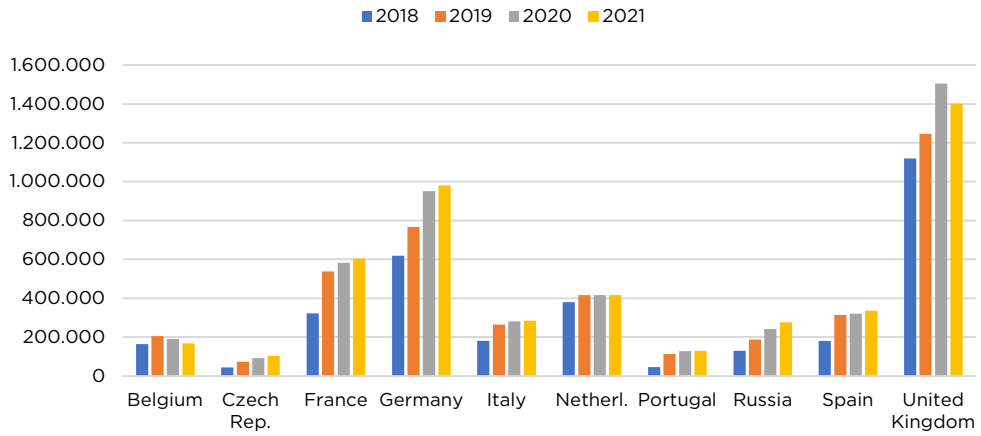
London saw rapid growth, not just through major operators such as WeWork, but also by means of other flexible space providers offering a significant number of centres. Following this upturn in floor area assigned to flexible offices in 2020, the first half of 2021 saw the destruction of more than 100,000 sq m of flexible stock.

The pace of the return to offices has been slow in London. This is largely due to long commutes, the high dependence on public transport and the government's policy (up until July and August) of recommending that people work from home wherever possible.

Together with Belgium, the UK was the only country in Europe to see a resizing of the total number of coworking spaces in 2021.



Floorspace assigned to coworking spaces (sq m)



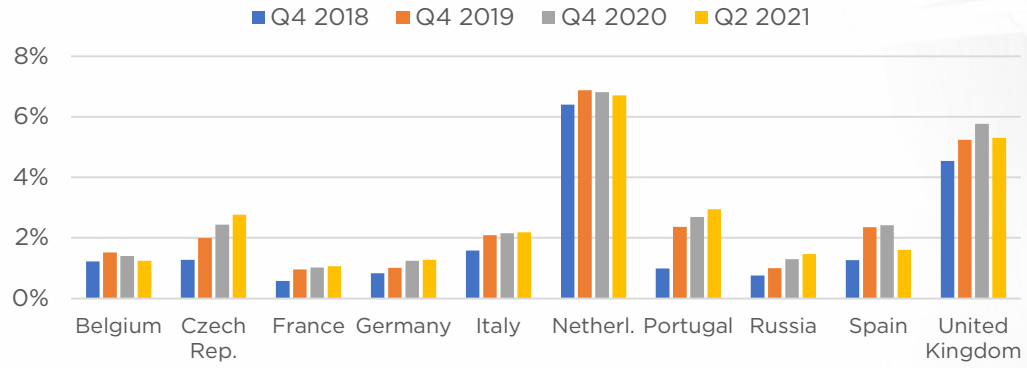
Source: Cushman & Wakefield – Research & Insight

The popularity of the flexible office sector has intensified in tandem with the diversification of offerings. Cities with dynamic economies, capable of attracting talent and innovation, have witnessed an increase in supply of up to 15%.

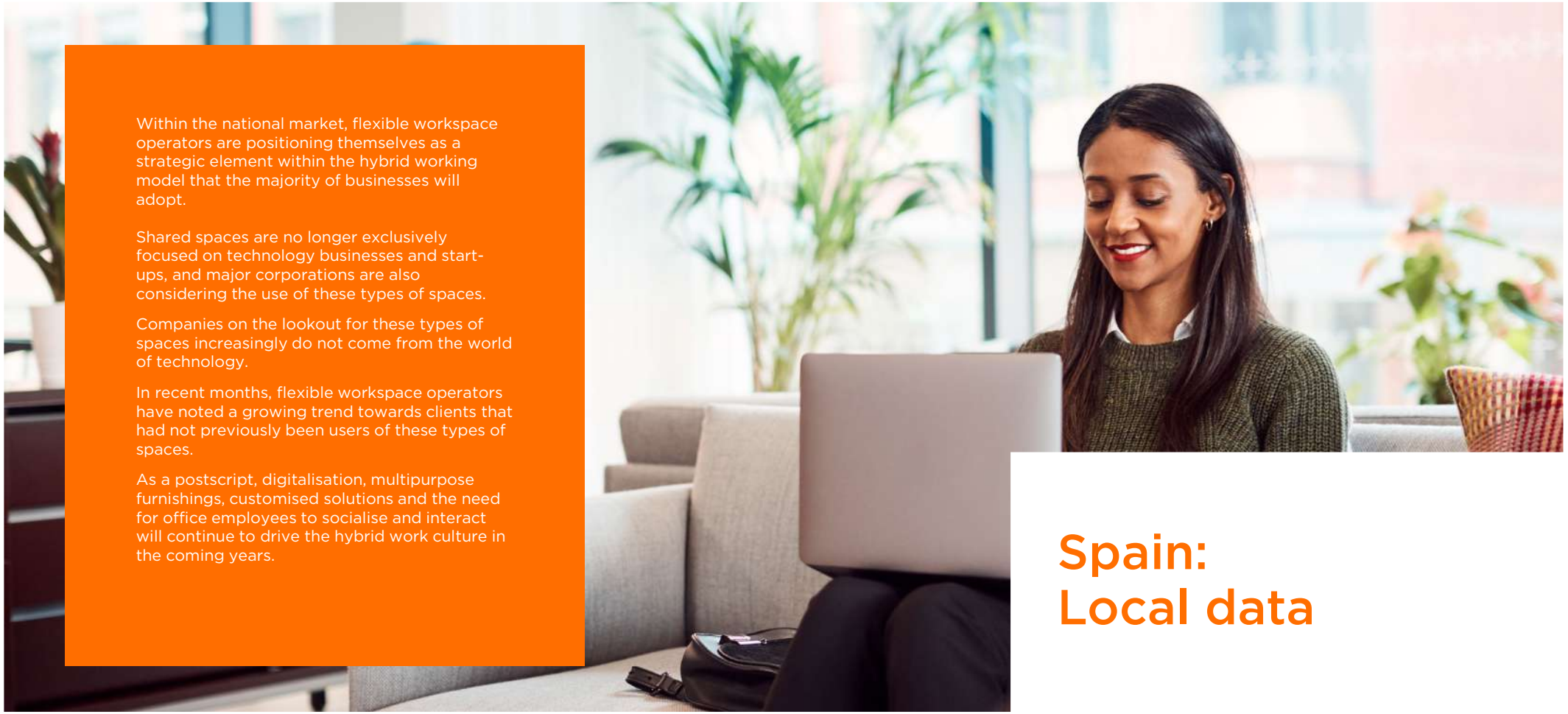
It remains to be seen whether the increase in remote working as a consequence of the pandemic will lead to a solid trend towards the scattering of flexible workspaces away from the major urban centres.

In Spain, the growth plans of the groups surveyed did not include any departure from the city.

Weight of coworking floorspace within total office stock %/year



Source: Cushman & Wakefield – Research & Insight



Within the national market, flexible workspace operators are positioning themselves as a strategic element within the hybrid working model that the majority of businesses will adopt.

Shared spaces are no longer exclusively focused on technology businesses and start-ups, and major corporations are also considering the use of these types of spaces.

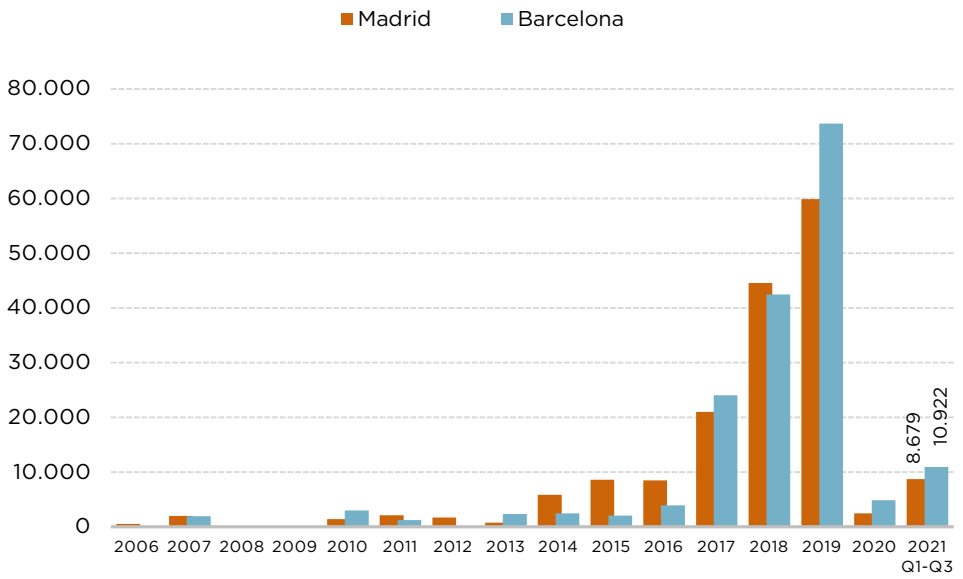
Companies on the lookout for these types of spaces increasingly do not come from the world of technology.

In recent months, flexible workspace operators have noted a growing trend towards clients that had not previously been users of these types of spaces.

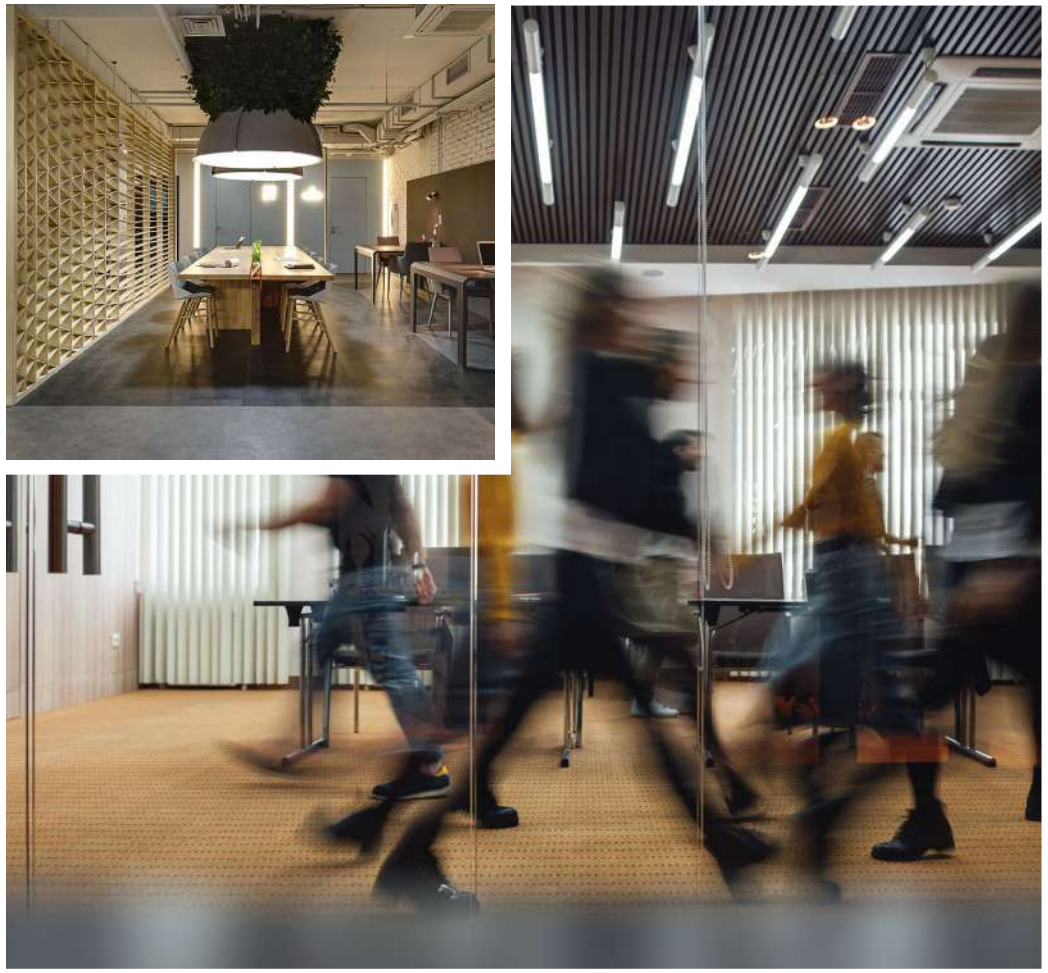
As a postscript, digitalisation, multipurpose furnishings, customised solutions and the need for office employees to socialise and interact will continue to drive the hybrid work culture in the coming years.

Spain: Local data

Take-up of offices assigned to flexible spaces (sq m)



Source: Cushman & Wakefield – Research & Insight



Market data

SHIFT IN TREND

Following a period involving the management and development of their business plans, flexible workspace operators have resumed the expansion plans that they had put on hold at the beginning of the pandemic.

A shift in trend has been noted in both Madrid and Barcelona in terms of the take-up of floorspace by flexible workspace operators.

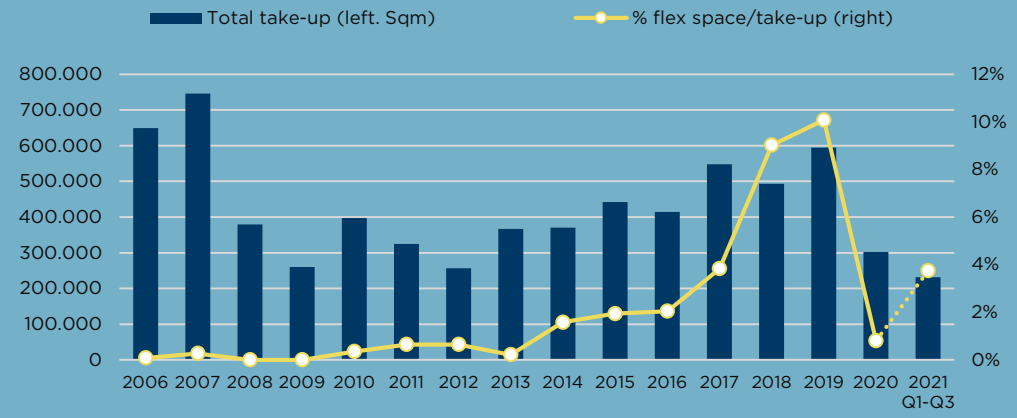
Operators have expanded their floorspace in both cities:

- **8,680** sq m in Madrid, representing some 4% of the total floorspace transacted during the first nine months of 2021.

- **10,925** sq m in Barcelona, amounting to some 4.7% of the total floorspace transacted between January and September 2021.

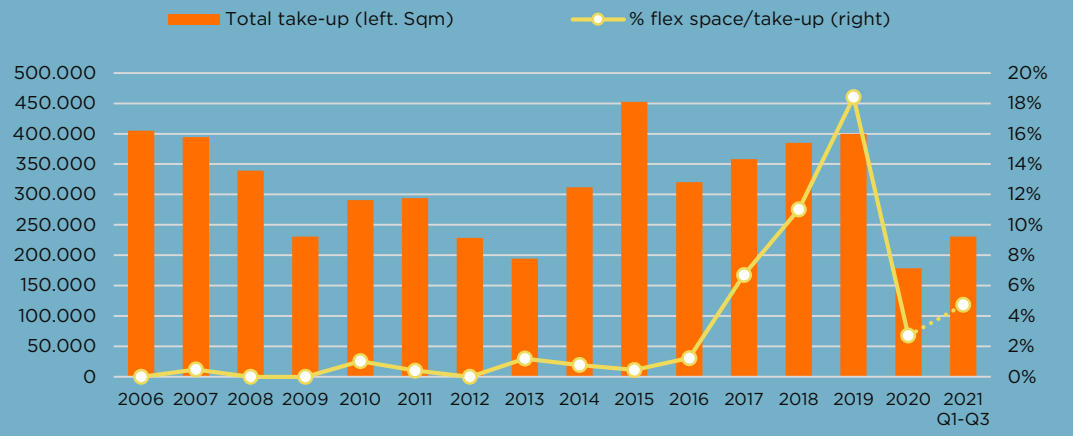


Take-up of office floorspace - Madrid



Source: Cushman & Wakefield - Research & Insight

Take-up of office floorspace - Barcelona



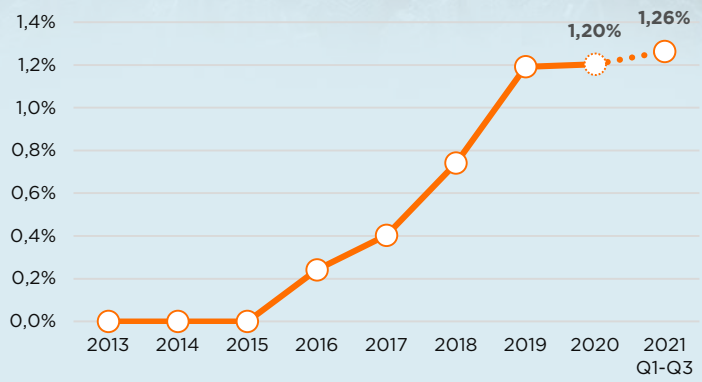
Source: Cushman & Wakefield - Research & Insight

Madrid

Barcelona

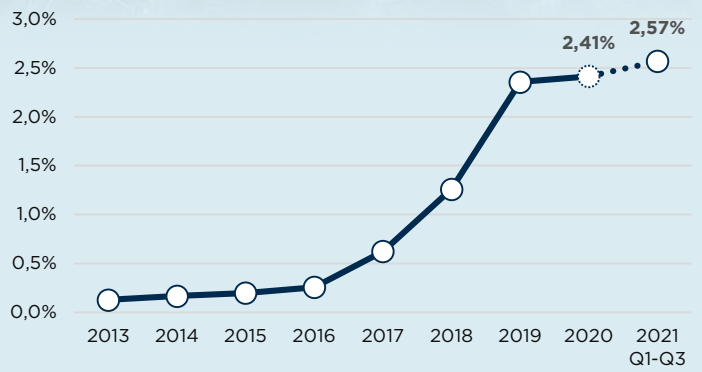


Madrid - flexible spaces as % of stock



Source: Cushman & Wakefield - Research & Insight

Barcelona - flexible spaces as % of stock

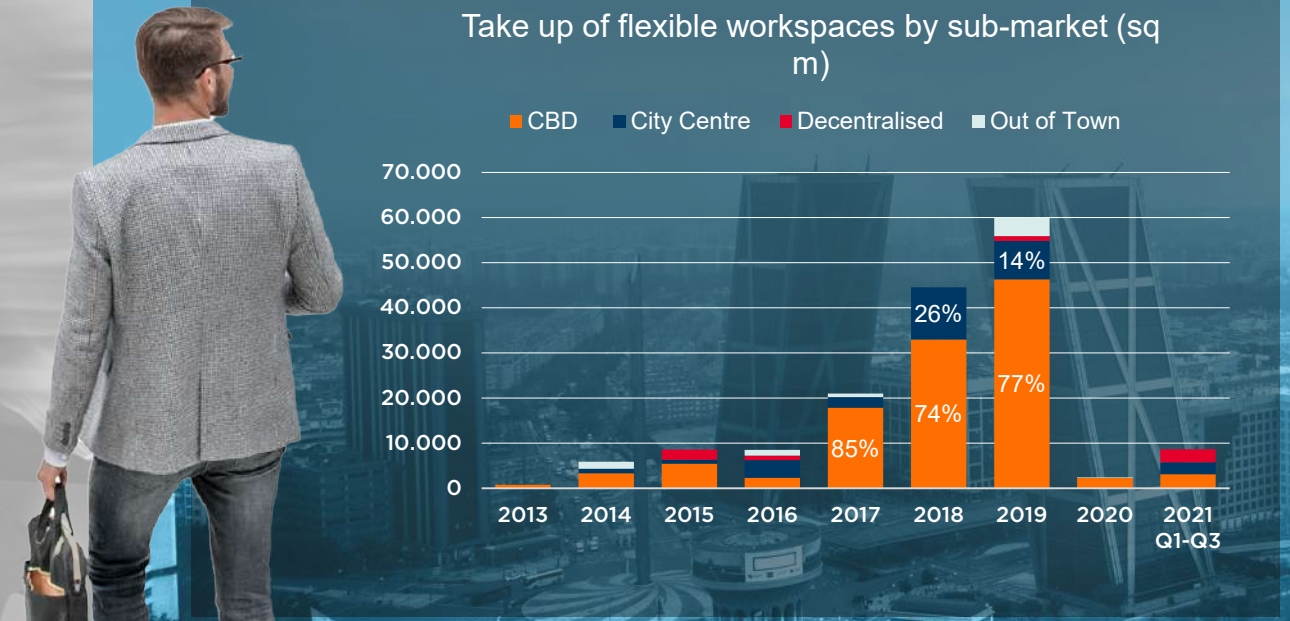


Source: Cushman & Wakefield - Research & Insight

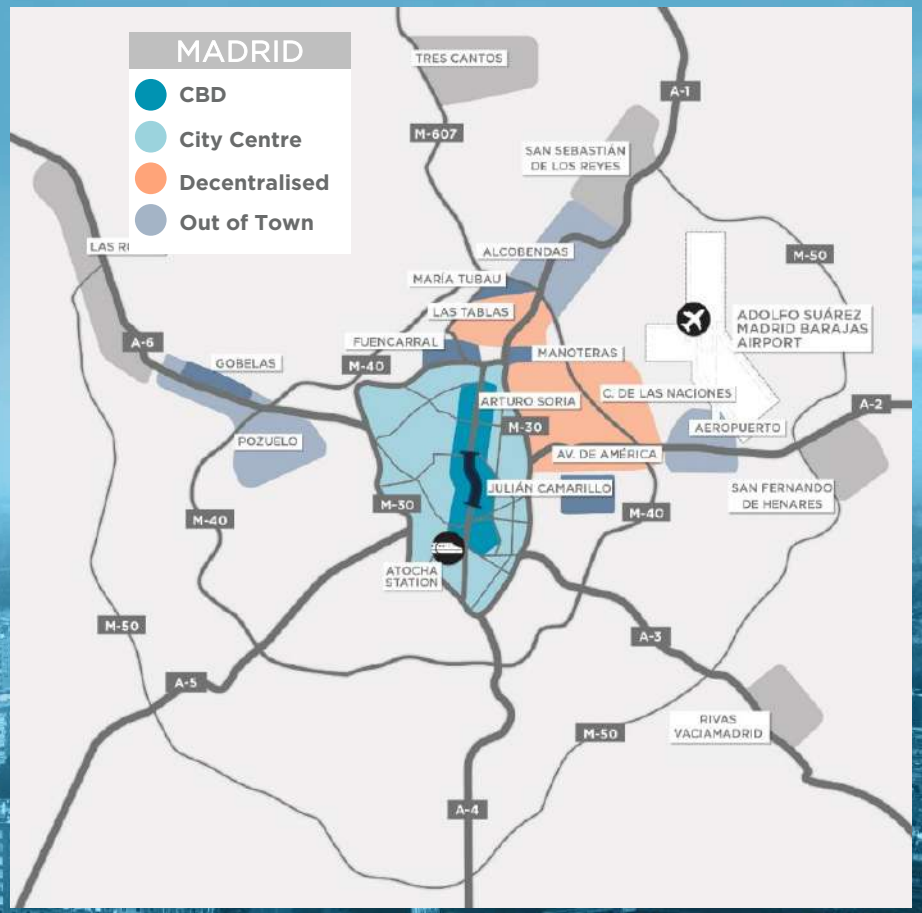
Madrid

Within the Madrid office market, the Central Business District (CBD) has traditionally been the most attractive area for flexible workspace operators.

A greater share for other areas is noted as of 2016, starting with the City Centre.



Source: Cushman & Wakefield - Research & Insight

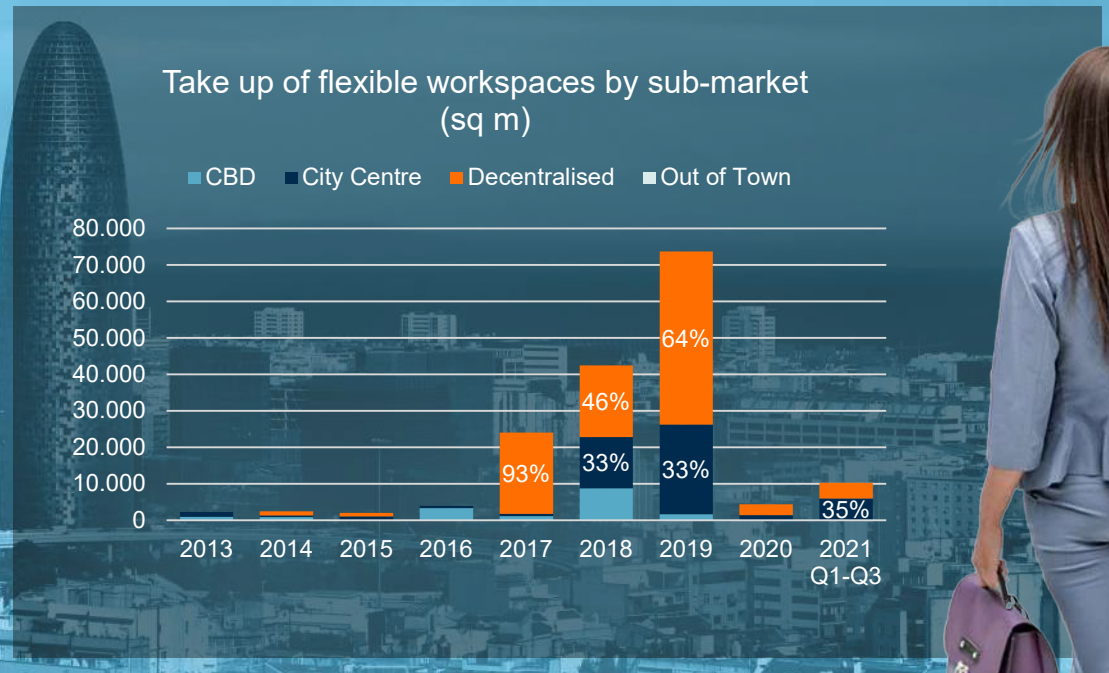


Barcelona



During the climb in the take-up of flexible workspaces (2017), the New Business Areas (particularly 22@) cornered almost all of the flexible workspace transacted.

Demand for floorspace has been recorded in other areas in recent years, particularly in the City Centre.



Source: Cushman & Wakefield - Research & Insight



Keys to the future of workspaces

Equilibrium:

ACHIEVING A BALANCE BETWEEN EMPLOYEE PREFERENCES, BUSINESS GOALS AND COSTS

More than ever before, companies are now attempting to reconcile their workspace occupancy decisions with employees' preferences. This is based on the evidence that the facilities and services that improve experiences act as incentives to higher productivity.

What is more, employment flexibility, bolstered by the pandemic, means that office users are seeking to make the most of the various benefits: working from any location and also visiting the office, depending on the circumstances.

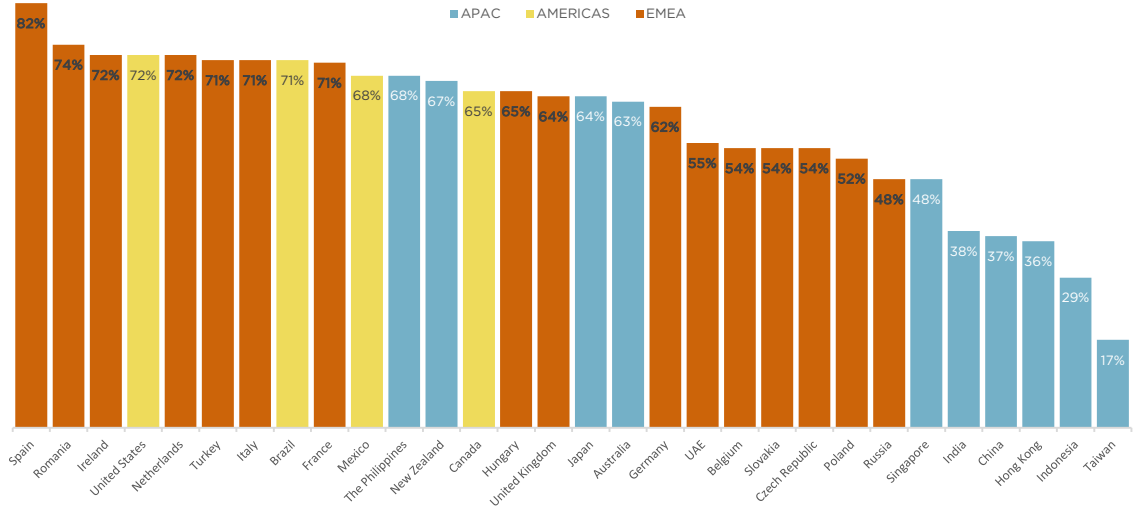


Two key factors impact the capacity of an organisation to offer this flexibility:

Talent: flexibility stimulates the supply of talent. The number of candidates for a position in which tasks can be carried out remotely increases slightly in comparison with posts offering no flexibility. This is even true for organisations that usually expect workers to be in the office. Flexibility is an incentive that transforms the business into a more attractive option for candidates.

Costs: Although remote working has the potential to reduce occupancy costs, ambiguity remains with respect to real savings. In order to carry out space reductions it is necessary to manage daily occupancy by means of communications, protocols and technology. Historically, the majority of organisations have not done this. As a result, although the space occupancy costs are reduced, it is probable that organisations will see increases in other areas that offset these savings.

Employees' expectations with respect to the increase in remote working in future



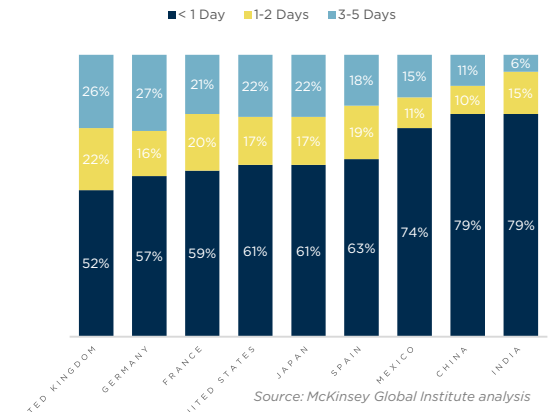
Source: Cushman & Wakefield Workplace Ecosystems of the future

Responsibility:

INCREASED FLEXIBILITY ENTAILS BETTER MANAGEMENT

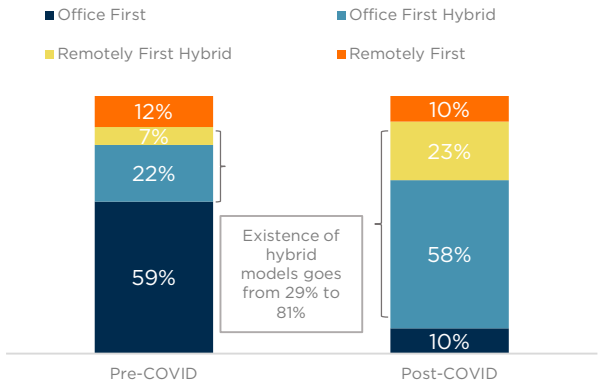
There is nothing new in the concept that real estate is intimately bound up with strategy and business goals, rather than simply being a cost centre. It has become a truism that the functions of corporate real estate are strongly associated with human resources, business strategy, finance and technology, with the aim of achieving highly curated, attractive workplaces.
The staff belonging to the various departments of the majority of businesses will be more scattered, meaning that there is a need for a network of workspaces within and, possibly, across markets. A more dispersed workforce also requires company policies, procedures and technology to support productivity, connectivity and well-being.

STAFF WITH POSSIBILITY OF REMOTE WORKING BY DAYS PER WEEK, % OF 2018 WORKFORCE



Source: McKinsey Global Institute analysis

TOWARDS ECOSYSTEMS



Source: CoreNet Global Cushman & Wakefield – Research & Insight

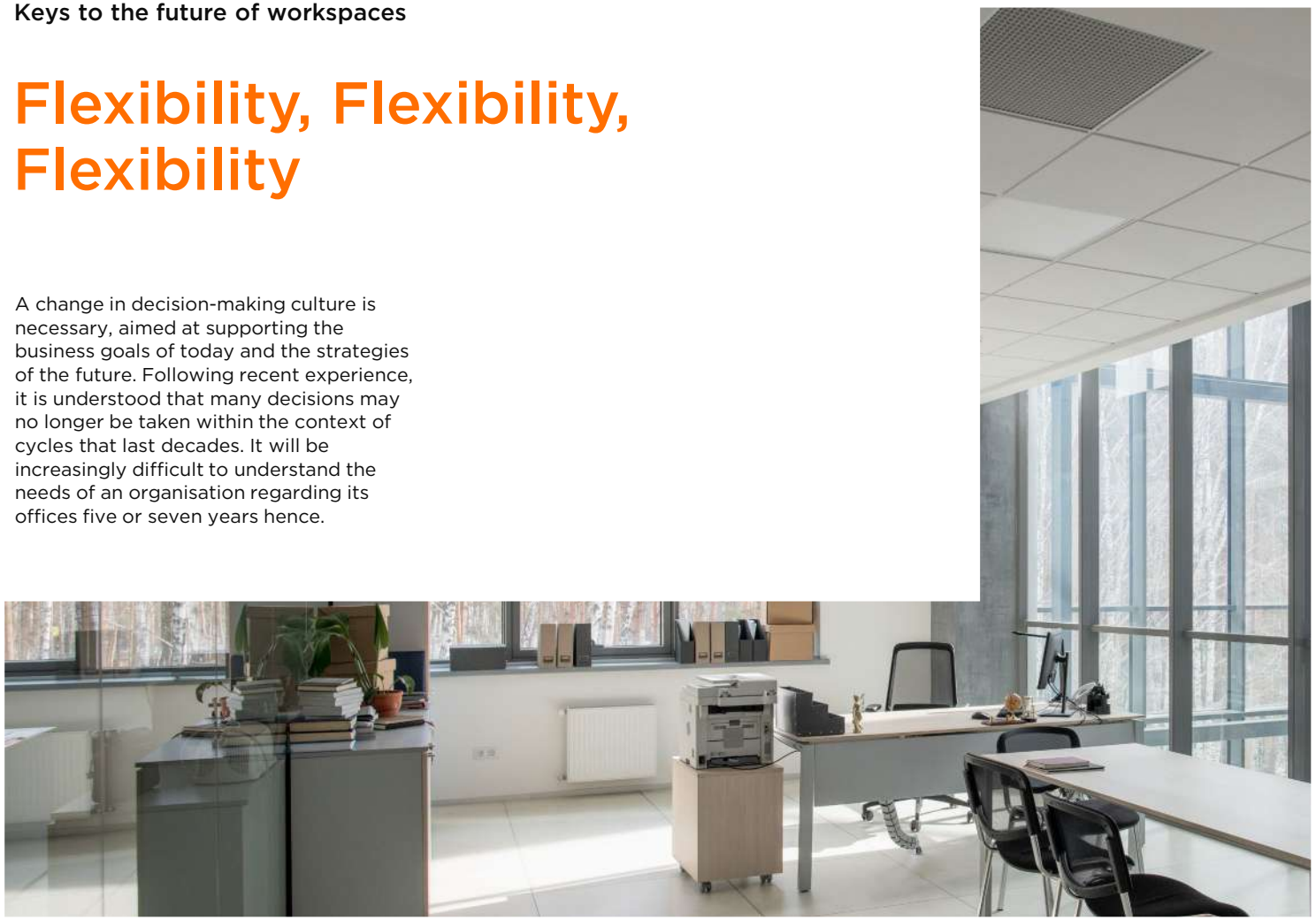
Management:

NEED TO JOINTLY (AND/OR SEPARATELY) MANAGE HUMAN RESOURCES AND SPACE:

Leaders and executives that trust the performance of their people within a flexible workplace ecosystem are necessary within the context of a more scattered workforce, whilst clear and consistent messaging at all levels of the organisation are also essential.
With a greater number of locations, leaders and people managers need to connect more pro-actively with their teams and be highly organised in terms of where and when people get together.
Even where we are dealing with a minimal number of hours (such is one day per week, for example), the absence of the management of contact between people in the office may impact interactions within and between teams.
It is necessary to be flexible with respect to office space in order to enable differing uses by the various teams. Organisations must also deploy reliable technologies that manage the availability of spaces, with some transparency in the access and use of spaces and unbroken connections between employees both within and out of the office.
When ensuring data flows and the predictive analysis of the use of workspaces and employee experiences, it is also essential to deploy smart technologies to manage building data in real time and facilitate encounters.

Flexibility, Flexibility, Flexibility

A change in decision-making culture is necessary, aimed at supporting the business goals of today and the strategies of the future. Following recent experience, it is understood that many decisions may no longer be taken within the context of cycles that last decades. It will be increasingly difficult to understand the needs of an organisation regarding its offices five or seven years hence.



LOCATION REMAINS AT THE CORE OF THE STRATEGY IN THE FUTURE:

There is some consensus between investors and occupants insofar as location strategies have not significantly changed as a consequence of the pandemic.
Accessible sub-markets in urban settings and on city outskirts remain highly attractive for employees. It could be argued that what people look for in the office and its immediate surroundings is what they are unable to find when working remotely.

The HYBRID workplace ecosystem

THE PERFECT MIX OF EXPERIENCES AND LOCATION



WORKING FROM HOME
Limited commutes



HUBS IN THE LOCAL COMMUNITY
Short commutes
Atmosphere and services



CORE CAMPUS OFFICE HUB



COWORKING:
Flexible spaces and meeting rooms.

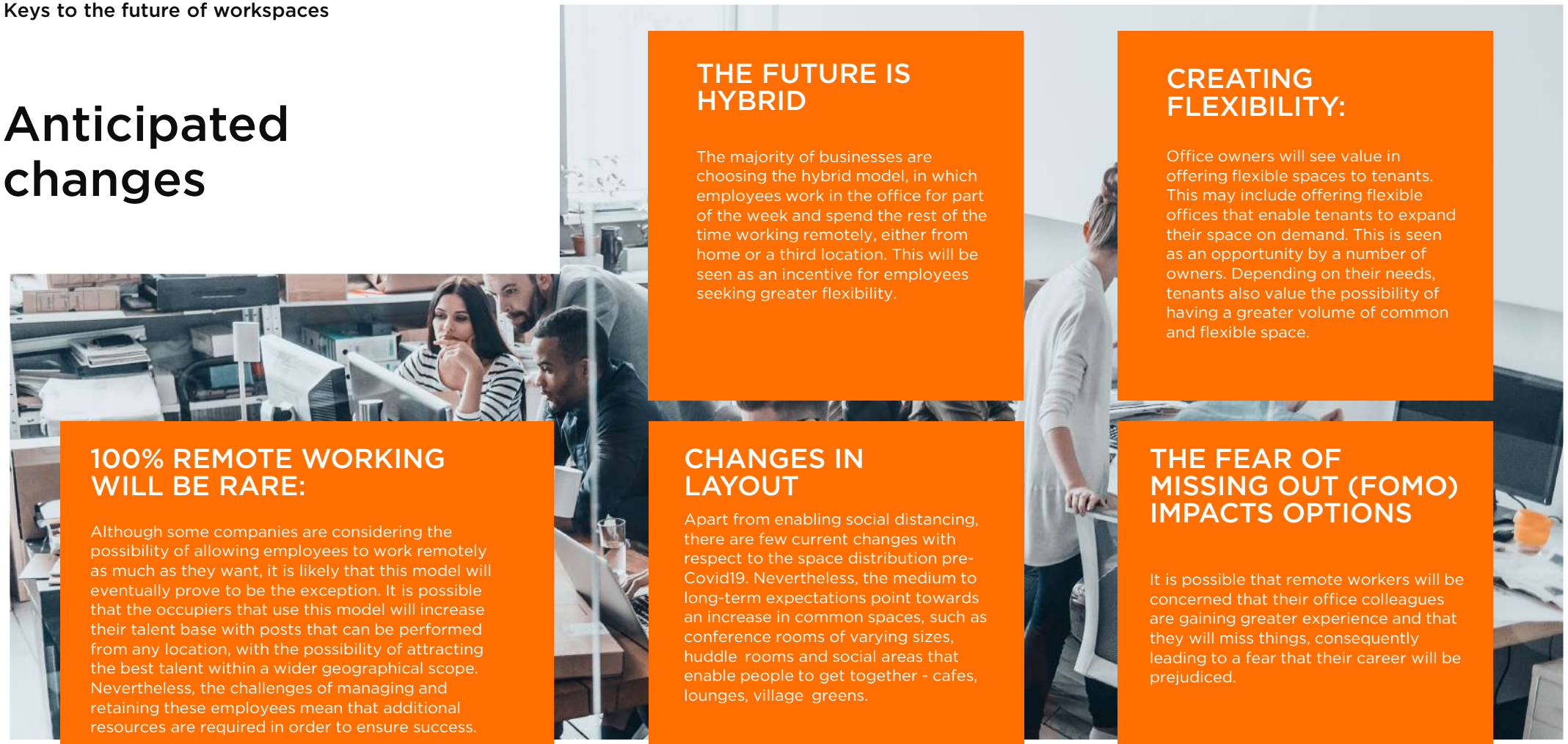


PUBLICLY ACCESSIBLE CITY CAMPUSES
Strategic meetings / Collaboration / Learning / Mentoring / Innovation / Connecting to the culture



THIRD SPACES IN THE CITY
Lunch / Coffee
Informal meetings

Anticipated changes



100% REMOTE WORKING WILL BE RARE:

Although some companies are considering the possibility of allowing employees to work remotely as much as they want, it is likely that this model will eventually prove to be the exception. It is possible that the occupiers that use this model will increase their talent base with posts that can be performed from any location, with the possibility of attracting the best talent within a wider geographical scope. Nevertheless, the challenges of managing and retaining these employees mean that additional resources are required in order to ensure success.

THE FUTURE IS HYBRID

The majority of businesses are choosing the hybrid model, in which employees work in the office for part of the week and spend the rest of the time working remotely, either from home or a third location. This will be seen as an incentive for employees seeking greater flexibility.

CHANGES IN LAYOUT

Apart from enabling social distancing, there are few current changes with respect to the space distribution pre-Covid19. Nevertheless, the medium to long-term expectations point towards an increase in common spaces, such as conference rooms of varying sizes, huddle rooms and social areas that enable people to get together - cafes, lounges, village greens.

CREATING FLEXIBILITY:

Office owners will see value in offering flexible spaces to tenants. This may include offering flexible offices that enable tenants to expand their space on demand. This is seen as an opportunity by a number of owners. Depending on their needs, tenants also value the possibility of having a greater volume of common and flexible space.

THE FEAR OF MISSING OUT (FOMO) IMPACTS OPTIONS

It is possible that remote workers will be concerned that their office colleagues are gaining greater experience and that they will miss things, consequently leading to a fear that their career will be prejudiced.

Flexibility requires active management



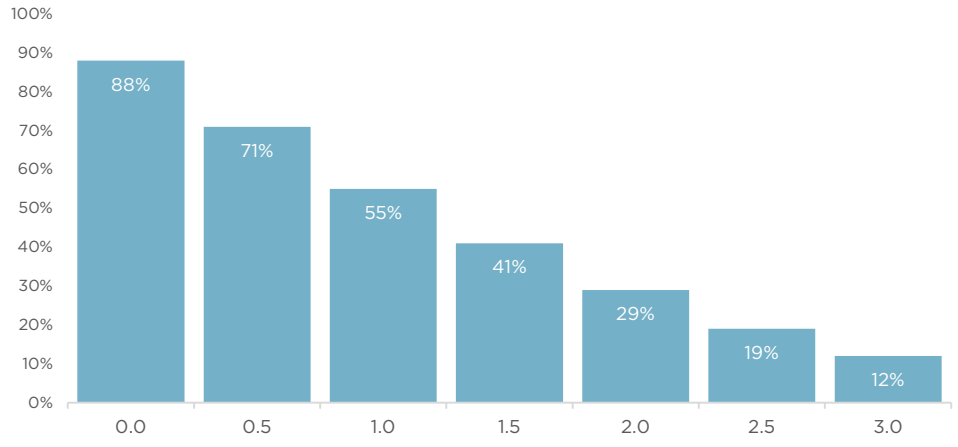
There is consensus within the corporate world that face-to-face interactions between the members of any team within an organisation are essential for creativity, innovation, corporate culture and employee satisfaction.

If, with increasing flexibility, employees become disorganised in remote working or their timetables are uncontrolled, it is increasingly unlikely that they will be able to meet up with others.

In order to explore the dynamics of this, we have created a model simulating a corporate head office (known as ABC) for an anonymous business with almost 500 employees. The business occupies 8,361 sq m of offices spread over seven floors. With an increase in remote working, the company sees an expected reduction in attendance according to the number of days working out of the office, whereas the floor area per employee in the office increases (no change with respect to the current lease contract).

The possibility that two employees coincide on any one day drops drastically according to the remote working policy of the organisation. With the example of 2.5 days per week working remotely, the probability of a director and an employee seeing each other would be just 19% if we take into account remote working, annual leave and other absences.

Probability that two employees are in the office at the same time



Source: Cushman & Wakefield Workplace Ecosystems of the future

Keys to the future of workspaces

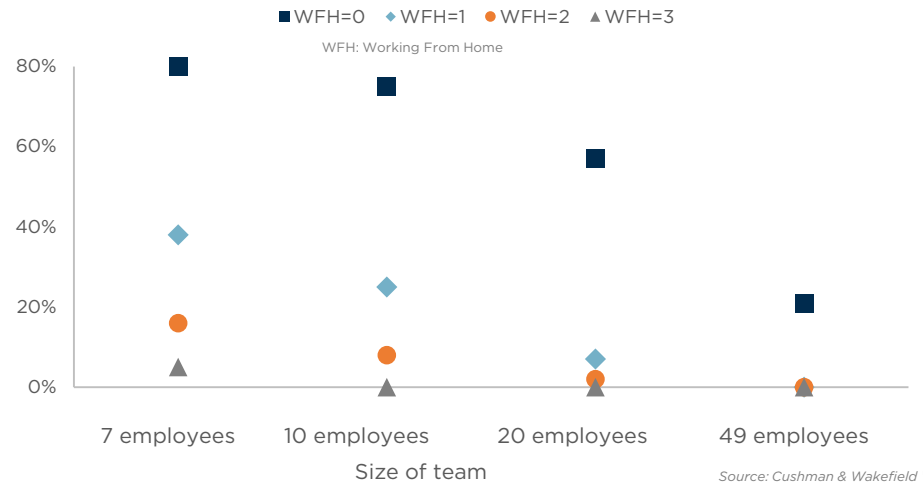
In order to demonstrate the impact on teams, we focused on a single floor occupied by ABC. This floor has 119 workers that are grouped into seven teens. If a director wants at least 50% of the team to be in the office on any one day, and ABC has a remote working policy that gives rise to 2.0 days of remote working per week, without management Team 2 would see an attendance of half of the team for just 12% of the time. This is equivalent to less than three times per month or only 30 times per year. The effect is even more drastic with larger teams. Remote working means that it is almost impossible for even half of a team of 49 members to coincide in the office on any one day.

This simulation highlights the fact that, in the absence of active management, remote working may lead to the elimination of face-to-face interactions.

This means that employees cannot use uncontrolled remote working and at the same time hope to frequently see critical members of their team. Leaders will have to plan face-to-face interactions and it is possible that directors will have to propose holding team meetings within the office. This may take many forms, from the use of software to manage and book the office space, up to mandatory attendance at meetings within the office on specific days of the week or month or holding a greater number of social events and sessions with the entire team following a conference-type format.

Uncontrolled remote working could lead to a number of unsatisfactory outcomes from the point of view of a business. Remote working must be managed.

Probability that 50% of the team is in the office



Source: Cushman & Wakefield Workplace Ecosystems of the future



ProWorkSpaces Survey 2021

This is the fourth consecutive year in which the flexible workspace association, ProWorkSpaces, has invited its affiliates to answer a series of key questions in order to understand the use of these types of spaces and the trends for the sector over the coming months in Spain.

The results of the survey are fundamental within the current context.

Our survey is an essential tool in providing a context for the flexible workspace industry and its circumstances.



Keys to the 2021 Survey

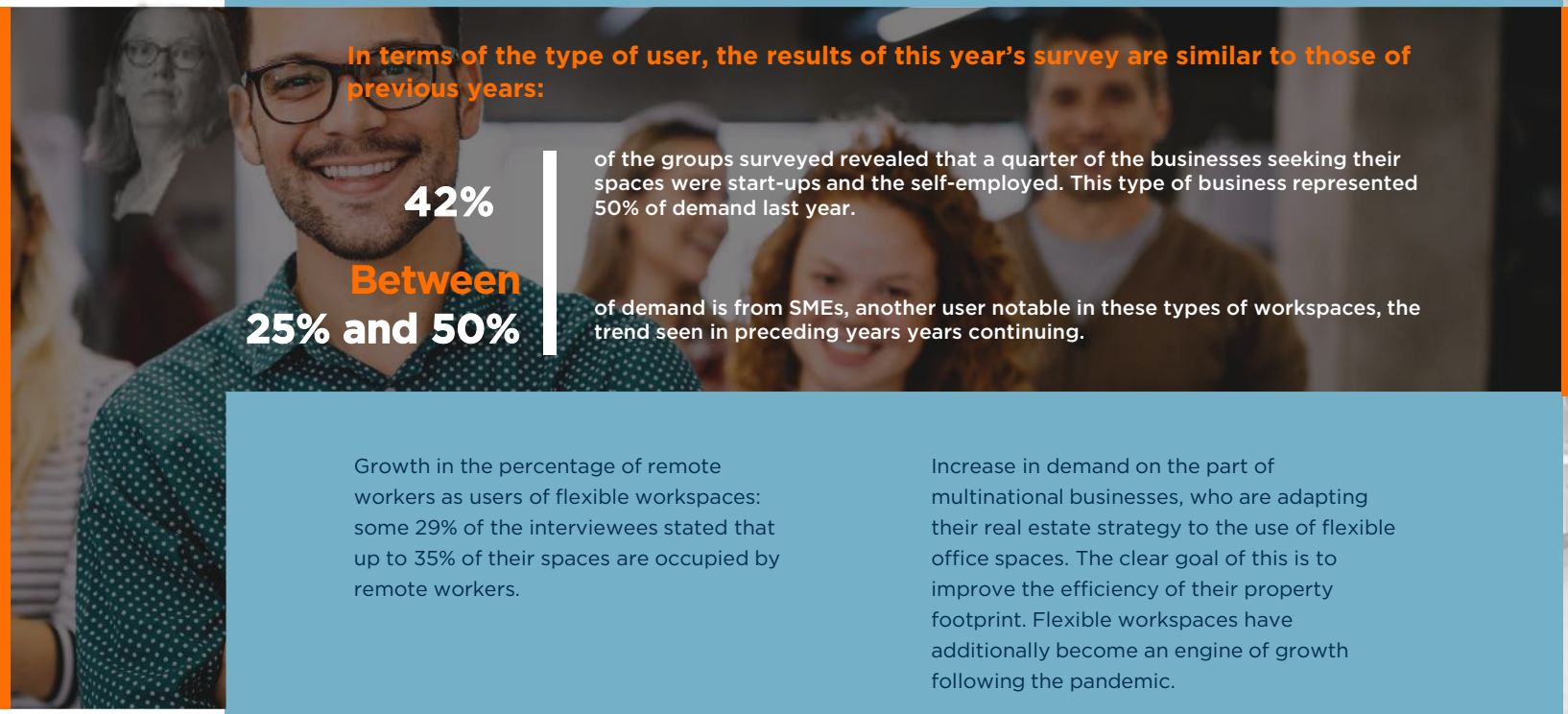
25%
of the managers of flexible workspaces surveyed declare occupancy exceeding 75%, breaking the trend of the preceding year where around 70% was recorded.

24%
of the respondents will open another centre in the coming 12 months, despite having a lower occupancy rate over the past year

8%
are uncertain whether to expand their spaces over the coming 12 months.

Those groups declaring an intention to open new spaces revealed that their priorities are, in order:

1. Provision of special rooms for virtual events.
2. Assignment of more space to private offices.
3. Floorspace assigned to open-air spaces (terraces)
4. Preferably located in the centre of their cities.



In terms of the type of user, the results of this year's survey are similar to those of previous years:

42%
of the groups surveyed revealed that a quarter of the businesses seeking their spaces were start-ups and the self-employed. This type of business represented 50% of demand last year.

Between 25% and 50%
of demand is from SMEs, another user notable in these types of workspaces, the trend seen in preceding years years continuing.

Growth in the percentage of remote workers as users of flexible workspaces: some 29% of the interviewees stated that up to 35% of their spaces are occupied by remote workers.

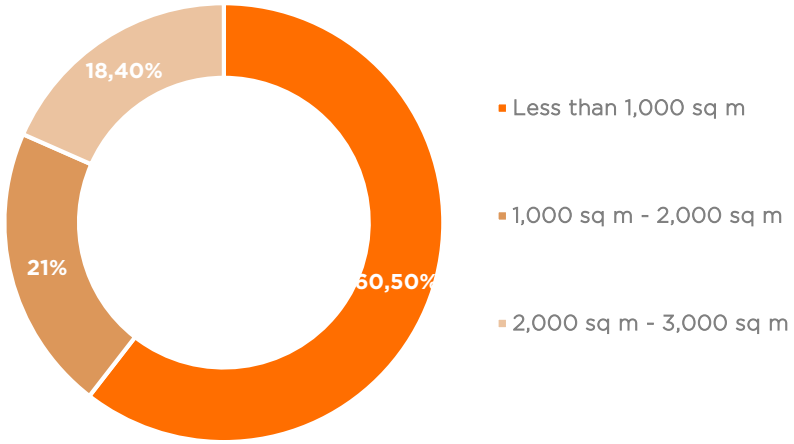
Increase in demand on the part of multinational businesses, who are adapting their real estate strategy to the use of flexible office spaces. The clear goal of this is to improve the efficiency of their property footprint. Flexible workspaces have additionally become an engine of growth following the pandemic.

The physical and online space

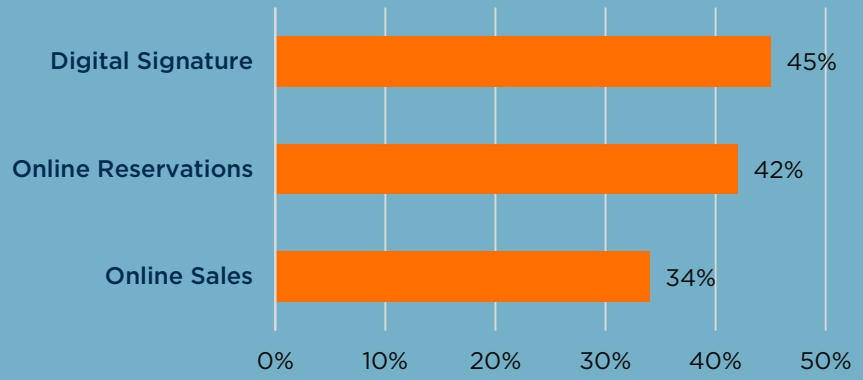
The size of flexible workspace operators runs from reduced floor areas in residential buildings up to complete buildings solely for office use and located in central areas and the main business districts.

Some 61% of these operators have spaces of up to 1,000 sq m and only 18.4% manage floor areas of between 2,000 and 3,000 sq m.

SIZE OF SPACES



Within the digitalisation plans for their spaces, operators have opted to begin the following actions, prioritising:



In terms of the morphology of spaces, some 76% of operators believe that flexible workspaces will, over the short term, have:

A greater level of occupancy and number of users, along with more spaces for virtual meetings.

Some 63% expect stabilisation in terms of prices and the size of workspaces

Complementary services

If we make comparisons with surveys carried out in previous years, private spaces have grown in importance within the structure of flexible workspace operators, representing some 32% of floorspace.

For some 76% of the groups surveyed, services offered as additional to the take-up of workspaces (telecommunications, reprographics, mail, etc.) represent less than 10% of total invoicing, whereas, for some 21%, this represents between 10% and 25% of annual billing.
At around 85%, the services offered by the majority of these operators consist of virtual office, professional internet connection and access to dedicated servers and a VPN (Virtual Private Network).
During 2020, some 42% of operators have offered virtual event planning and networking services, aimed at creating synergies between clients and users, with a clear secondary goal of community building. It is worth mentioning that 71% of the groups surveyed offer 24-hour access to the facilities.



2020 SAW NATIONAL USERS REPRESENTING A GREATER PERCENTAGE % THAN RECORDED IN PRECEDING POLLS.

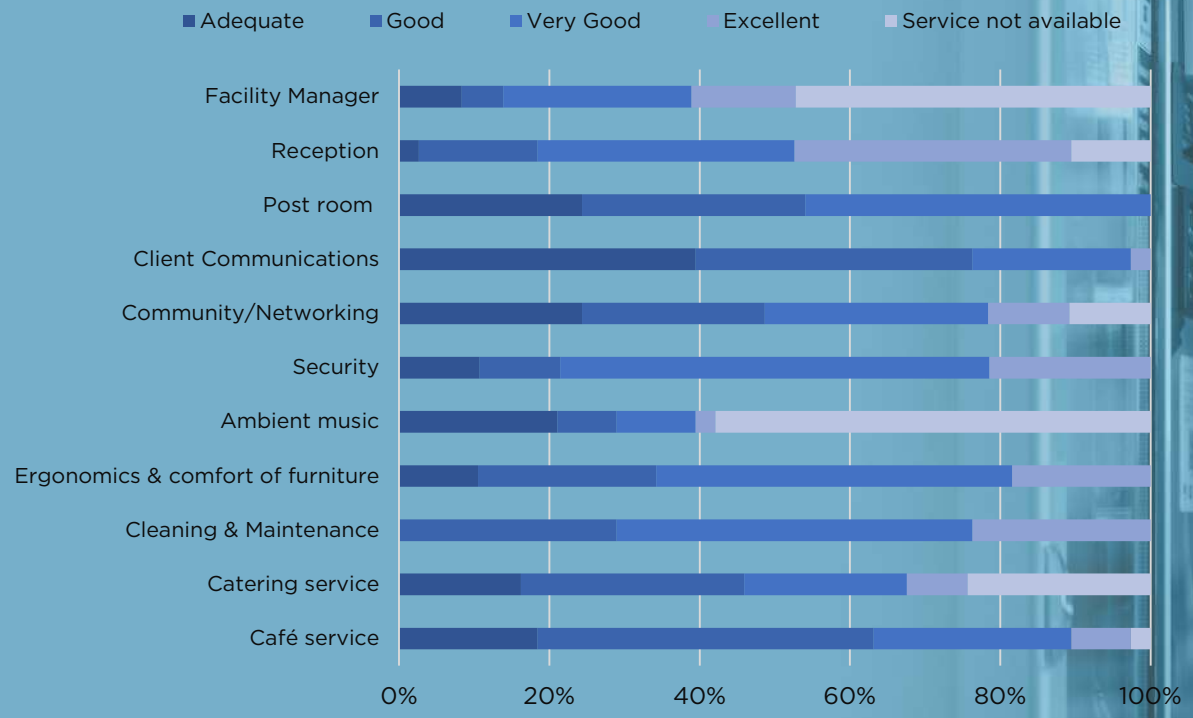
In terms of the degree of internationalisation of this type of shared space, operators were asked regarding the nationality of their clients and 76% confirmed that between 25% and 75% of their clients originated in the home country.
The remaining users consist of international businesses of primarily European origin.

OTHER COMPLEMENTARY SERVICES*
*% of companies surveyed that offer this type of service

- **Access to financing 5%**
- **Wellness actions 14%**
- **Graphic design 13%**
- **Training courses and workshops 34%**
- **Virtual office 94.7%**

From the survey it is concluded that fewer flexible workspace managers have offered access to financing since the beginning of 2021, going from a figure of 12% to the current 5% of the total.
In general terms, the percentage offering wellness activities has remained steady and there has been a considerable increase in those offering training courses and graphic design services, growing from 10% to 13%.

Perception of the services



We queried the opinion of managers as to the quality of the series of services they are offering.
In general, they felt that their communications / networking tools were either very good or excellent, as were the fittings and furnishings and the security of the facilities.
From their responses it was evident that the role of a Facility Manager was present in the case of 56% of the respondents.
We also decided to query their intentions to offer food and beverage facilities in their centres or, where these are already offered, the format in which this exists.
Some 76% of the interviewees offer a vending and/or café service. They opt for this type of service in order to cover a full timetable and a variety of types of products.
A staffed café is almost non-existent among the services quoted by the interviewees, as is the case with respect to takeaway services.

Asked about their expectations for the sector over the coming months, the results indicate that:

69% think that prices will remain steady, whereas some 56% were of this opinion one year ago

94% of the respondents believe that the current occupancy levels will remain unchanged or grow

76% feel that they will increase, whereas some 18% believe that they will remain steady

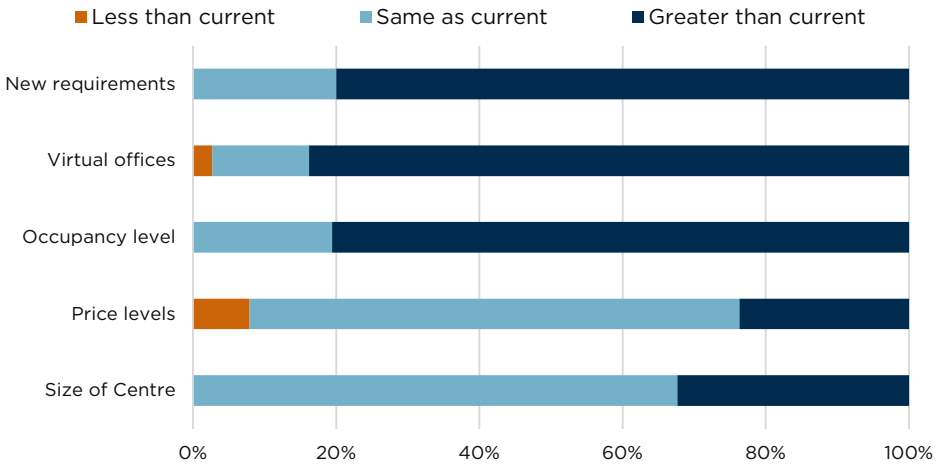
0% for the first time in the history of our survey, none of the groups felt that the occupancy level of their workspaces would fall over the coming year.



The responses on the part of the interviewees reflect an optimistic sector that has emerged stronger from the pandemic.

How do they feel about the future?

The pandemic has represented a strategic change for many of the groups surveyed and the assumption of a “wait and see” posture for many others.
Some 16% of the groups polled are considering possible increases over the coming 12 months to the floor area that they currently occupy (last year solely 9% of the groups had any inclinations towards growth).
53% of operators have no expansion plans and are looking to maintain their current facilities. These amounted to some 80% of the respondents one year ago





ProWorkSpaces
linking knowledge

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