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CUSHMAN & WAKEFIELD

Flex Office Report

A new model for a new context

NOVEMBER 2020



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Flexspace

In the new context for office use

What's new?

Following 8 months of the pandemic and in spite of the severe drop in economic activity, no significant freeing-up of floorspace on the part of operators has been noted. Nonetheless, a number of challenges have been faced:

- With respect to cash flow, due to lower turnover in the case of the majority of businesses
- Rental costs (close to 45%, according to Cushman & Wakefield estimates)

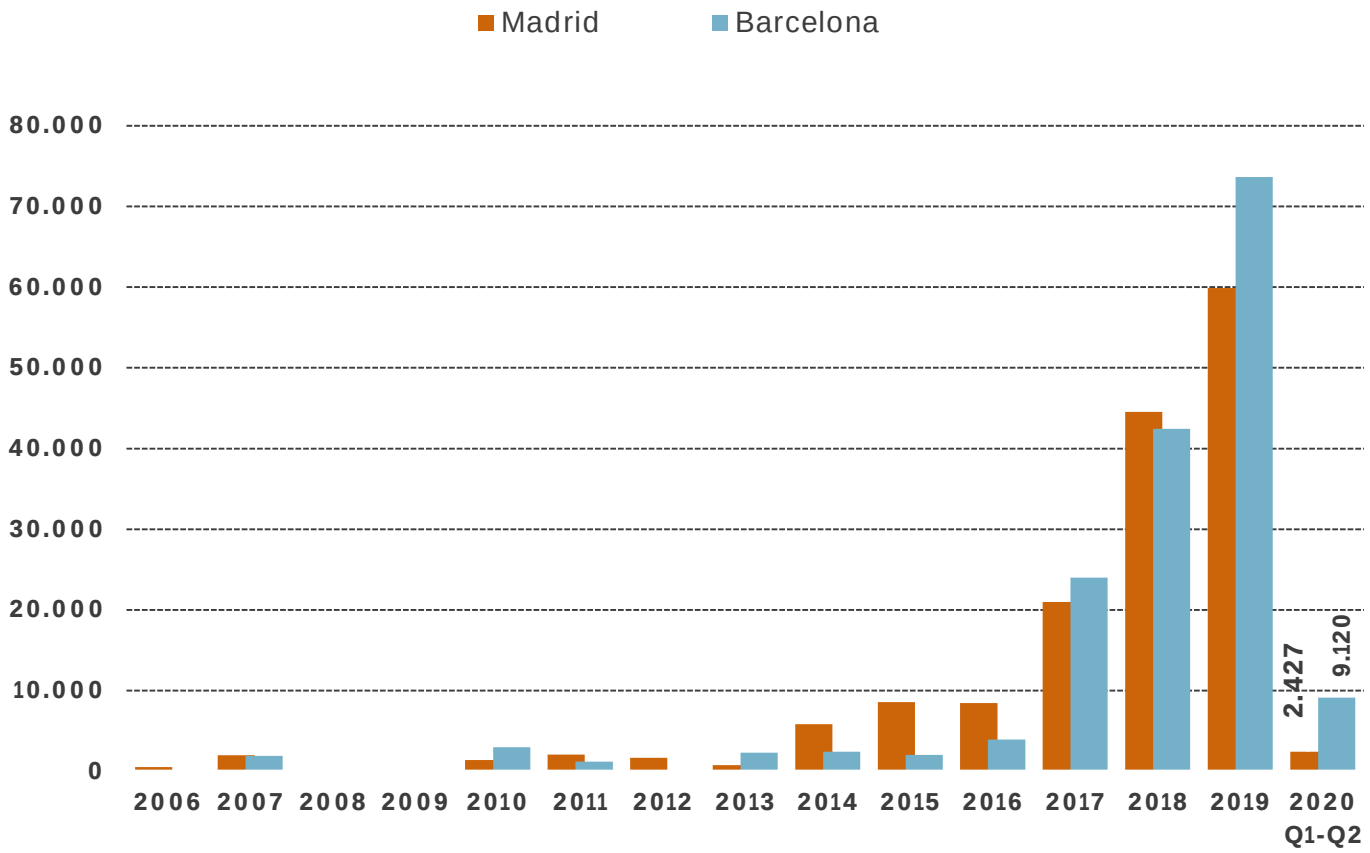
Moreover, the unprecedented drop in activity and added uncertainty concerning the progress of the pandemic, is curently causing households to act as offices. Despite having changed rapidly over the past 5 years, this is postponing the long term model for the use of office space (under ownership or third party owned).

The determing factor for the future of flexspace is the viability of its business model (see section on Flex vs. Traditional models) and the healthcare crisis is helping to underpin the flexibilisation of employment.

With this strategic vision in mind, flexspace operators have pressed ahead with the refurbishment of the buildings that they occupy. The target segment for operators is clearly 'mutating' from a wide base of freelancers towards new users in the corporate sector. In other words, the basis of new flexspace occupancy deals in Spain consists of companies rather than the self-employed.

> **In keeping with their capacity for rapid adaptation, flexspace operators have led the way in adjusting to new protocols appearing as a result of the healthcare crisis.**

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



Source: Cushman & Wakefield – Research & Insight



Flexspace

In the new context for office use



Will we go back to normal?

Only in part, when the pandemic is under control. However the other part will remain unchanged.

It is also likely that some of the new social norms will persist if the pandemic becomes *endemic

* *Seasonal pathology restricted to a population or space (Wikipedia)*

The forced decline in activity since March is testing the survival of many businesses. Meanwhile, crises drive the need for these businesses to act as disruptors. There is a need for new ideas and improvements at every level and innovation is key to this survival. Meeting points (offices) remain the best places to share ideas/synergies and also act as a catalyst for **creativity**.

3 Key aspects must be borne in mind in the establishment of this new model:

INSTANTANEOUS OR IMMEDIATE PRODUCTIVITY

FOSTERING TALENT

FUTURE OR LONG-TERM PRODUCTIVITY

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The same distance between executives and employees will unequally transform careers and promotions.

Rather than *"offices Yes, offices No" the dilemma that we face is "offices How"*

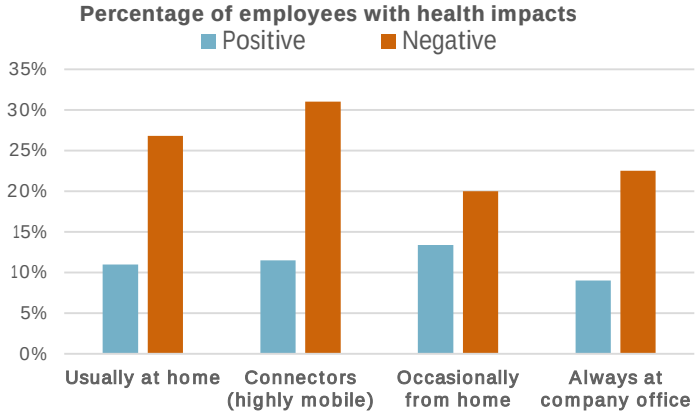
1 - further information here – 2

During the first few months of lockdown, **immediate productivity** did not fall thanks to the fact that the majority of service providers were already technologically prepared to work remotely. There are even indications of an increase beyond what was anticipated during the March-June 2020 [1] lockdown.

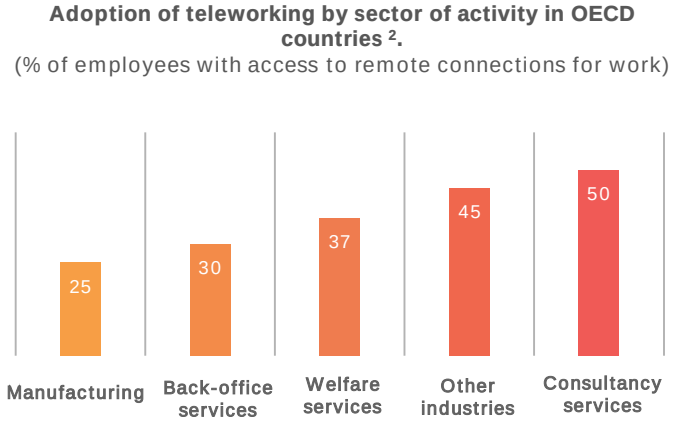
Nevertheless, **talent development** is in jeopardy in this scenario due to issues connected with a sense of belonging, the lack of adequate spaces at home and problems in terms of well-being (emotional and physical)[2]. Within a more strategic context, future leaders will be less well prepared due to the lack of meetings and casual chats with current leaders.

This will have a negative impact on future productivity. The question we must answer is: **How do employees acquire leadership skills working remotely?** The answer is simple: they can't.

Remote working several days per week is creating a gap between managers and their employees. The former are becoming more self reliant in the performance of their work and the latter are losing leadership training by being distant from the executive team.



SOURCE: EUROFOUND





Market data

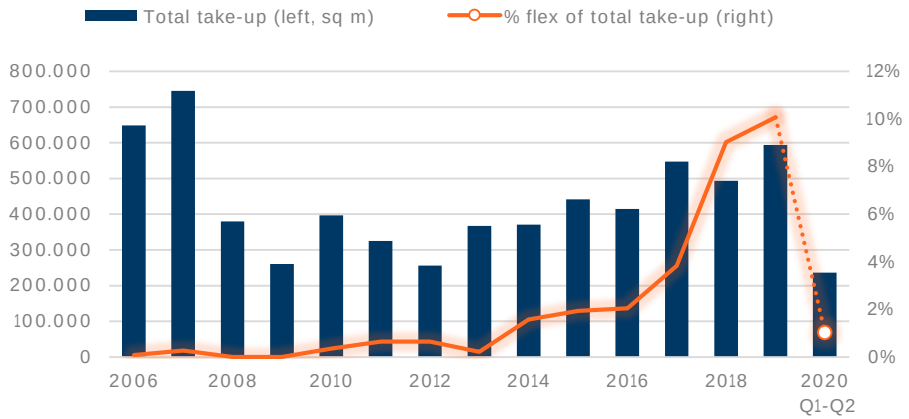
CHANGE OF PHASE AND THE PANDEMIC

The take-up of new floorspace by Flexspace operators has slowed down in consonance with the office sector in general. In the majority of cases, expansion plans have likewise been postponed until the beginning of the recovery. The drop in take-up may also be explained by a change of phase in operators' business cycles:

- **Period 2017-2019: development of deployment plans.**
- **Period 2020-2022: Business plan management and development period.**

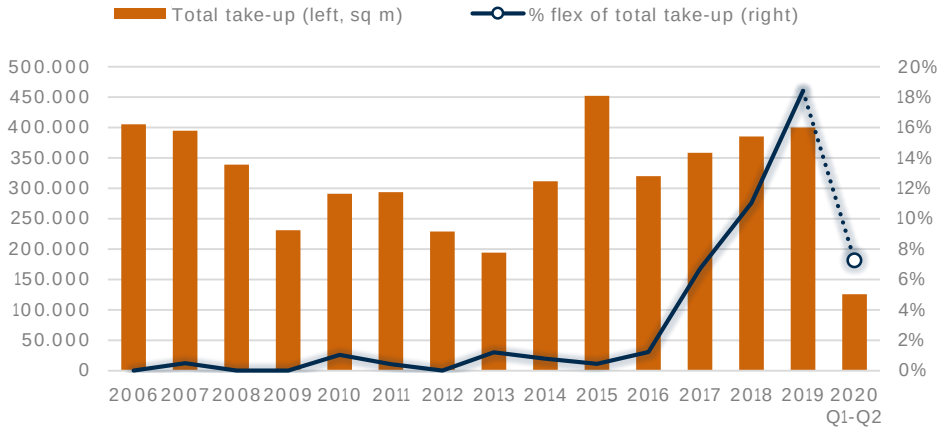
This means that there are two explanations to the 2020 reduction. In fact, our 2019 report already discounted the change in phase, forecasting reduced growth in the office stock for Madrid and Barcelona in 2020 and 2021.

Take-up of office floorspace - Madrid



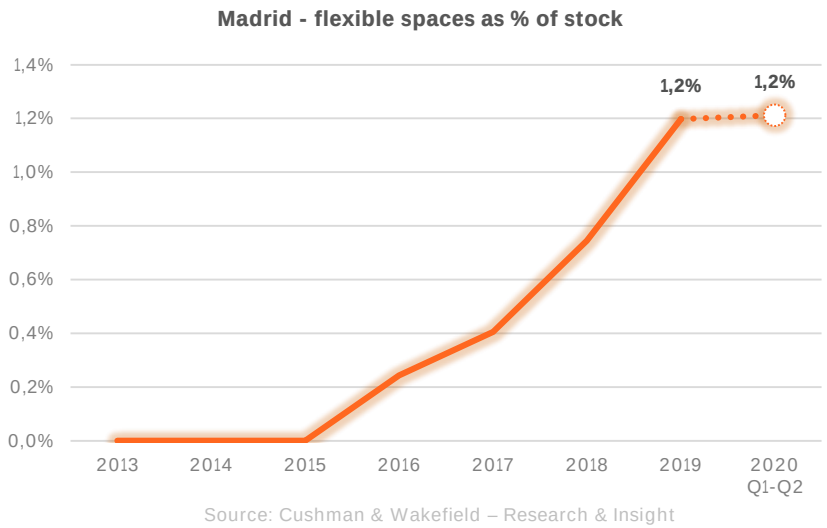
Source: Cushman & Wakefield – Research & Insight

Take-up of office floorspace - Barcelona

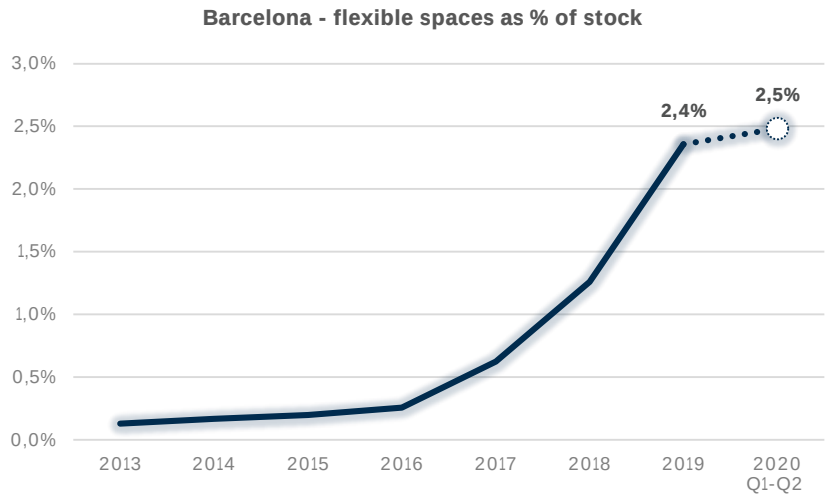


Source: Cushman & Wakefield – Research & Insight





Source: Cushman & Wakefield – Research & Insight

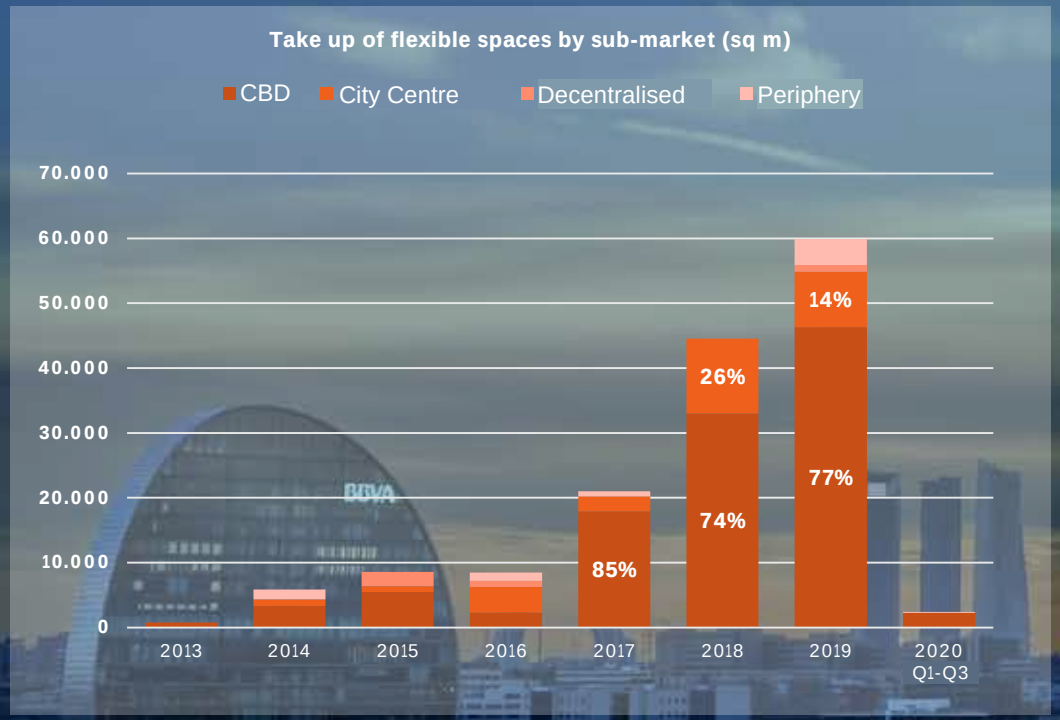


Source: Cushman & Wakefield – Research & Insight



Market data

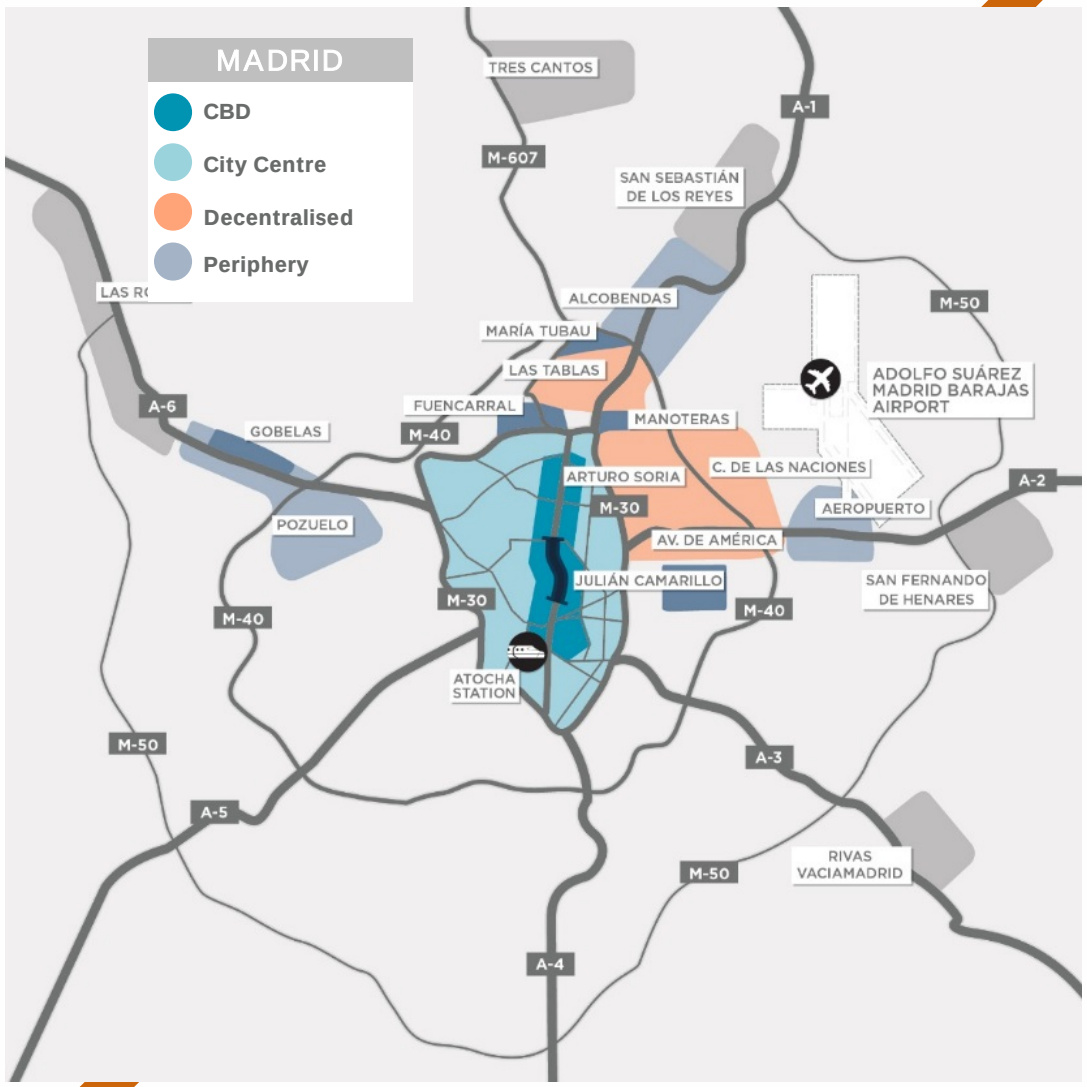
MADRID



Source: Cushman & Wakefield – Research & Insight

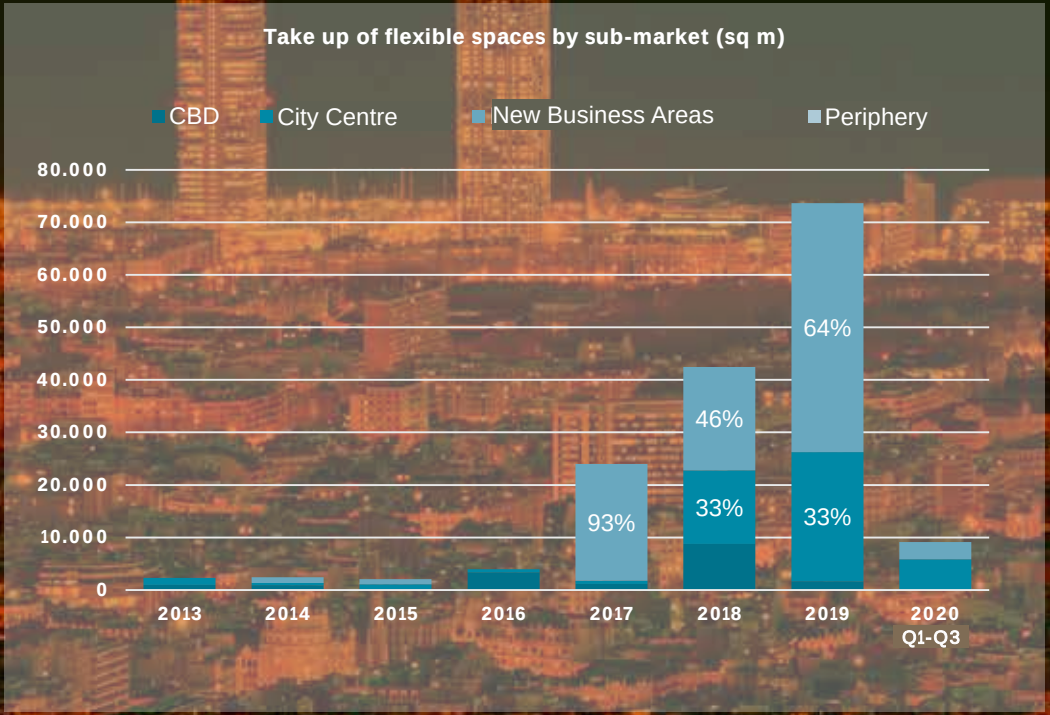
Within the Madrid office market, the most attractive area for Flexspace operators has traditionally been the Central Business District (CBD).

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



Market data

BARCELONA



Source: Cushman & Wakefield – Research & Insight

During the rise in the take-up of flexible spaces (2017), the New Business Areas (particularly 22@) cornered almost all of the flexspace transacted.

Over the past 3 years, demand for floorspace has been recorded in other areas, especially in the City Centre.



Market data

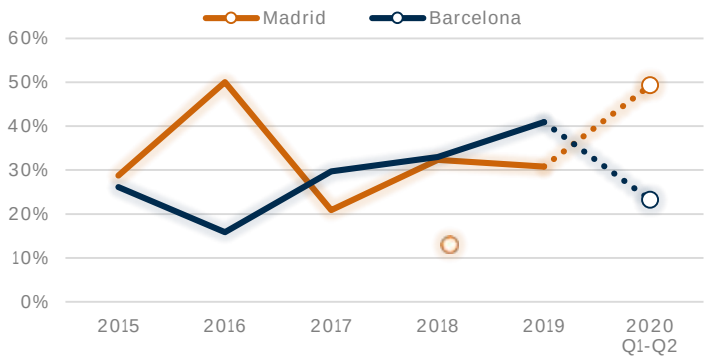
BALANCE - CENTRE / PERIPHERY

In recent years, the suburban areas of the main cities have undergone renewal in order to improve transit, living, shopping, work and play. Features leading to the consolidation of these areas as poles for the development of flexible spaces are noted:

- A widely acknowledged group driving growth and urban renewal, namely Millenials, has been leaving the central business district (CBD) due to the expansion of their families.
- The affordability of housing and the availability of school places are attracting Millenials and making this generation the most significant in terms of the demand for residential property in recent years.
- The majority of housing aimed at this group is located in suburban districts, with only 15% situated in the city centre.

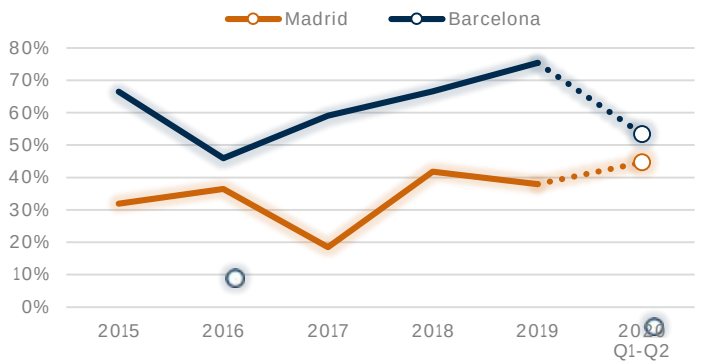
The suburban sub-markets of the main cities house between half and two thirds of the entire office stock. Between 2017 and 2019 in Madrid, only one third of the take-up of class A offices corresponded to these areas. The CBD typically corners between 40% and 50% of this take-up per year.

Class A Offices:
Share of total take-up in Decentralised Area



Source: Cushman & Wakefield - Research & Insight

Class A Offices:
Take-up in Decentralised Area as proportion of other classes



Source: Cushman & Wakefield - Research & Insight

Nevertheless, during 2020 (Q1-Q3), some 70% of the occupancy of class A floorspace took place in decentralised areas or outside the city. This trend was driven by the relative affordability of space, the higher proportion of housing and mixed-used developments with high quality office space, along with good workforce availability.

The same trend has been noted in the Barcelona market over recent years. Between 2016 and 2019, the take-up of floorspace in the New Business Areas has gone from 46% in 2016 to 75% in 2019, at all times exceeding 50% of take-up.

In short, the momentum in terms of take-up in decentralised areas is growing in strength due to structural (demographics and salaries) as well as circumstantial factors (pandemic).

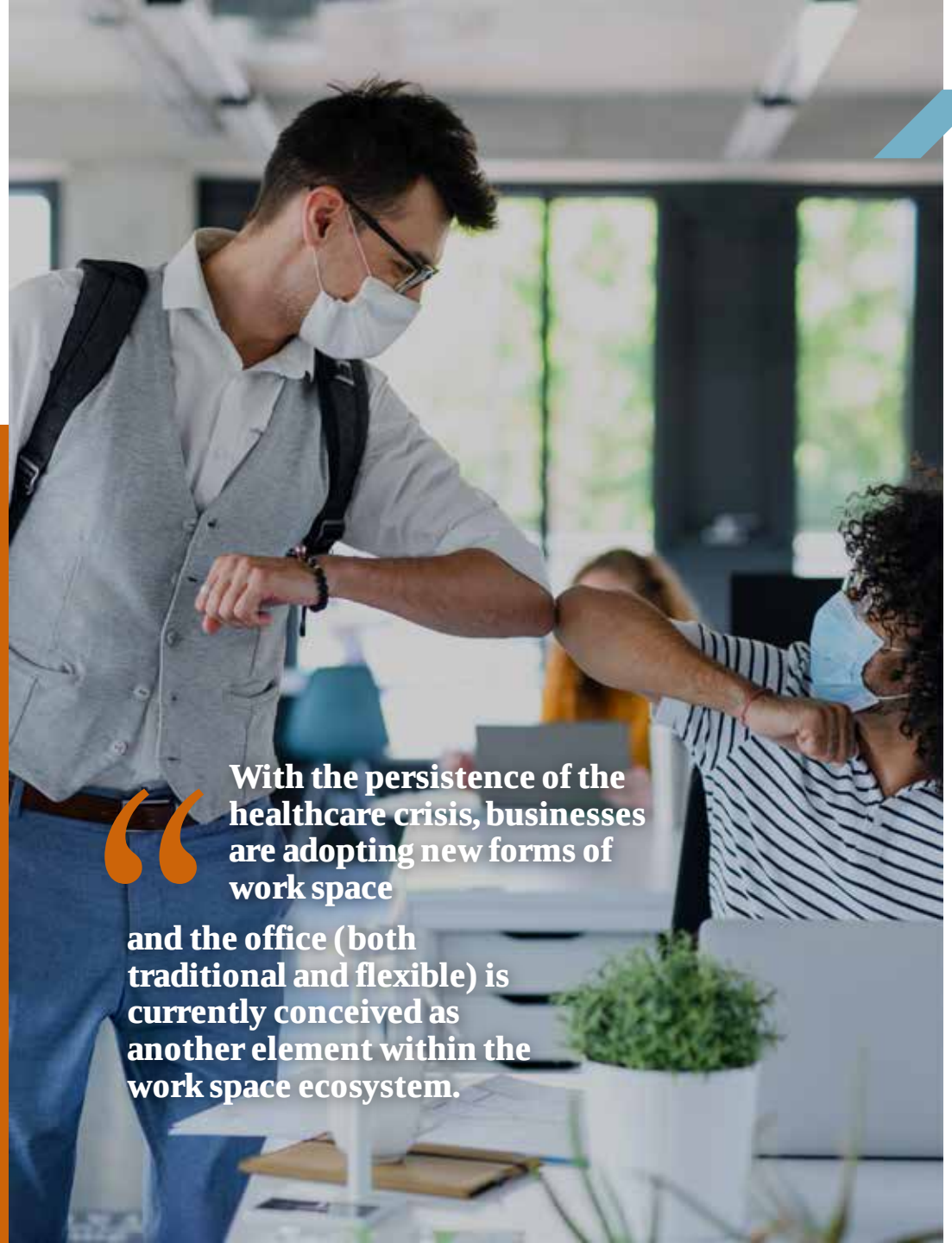
The healthcare challenges of the Covid-19 crisis are making workers and employers reconsider location and work strategies, and flexible spaces have a major role to play.

Is there any sense in completely abandoning office space in the CBD or the city centre? In the majority of cases, no.

Is it beneficial to have various locations around a market, including suburban locations? Yes, using flexible spaces.

With proper social distancing over the short term, do suburban Flexspace and coworking offerings represent part of the strategy? Yes. They have been the first to adapt their offerings.

The decentralization of demand strengthens the use of flexible space.



Pandemic, lockdowns and work spaces

NEW OCCUPANCY TRENDS

The global lockdowns from March to June 2020 created a social experiment: to make office employees work from home en masse. This situation demonstrated that knowledge-based businesses and activities (in other words, those belonging to the service sector) are able to maintain and even raise their productivity in virtual environments. However, as previously indicated, this is possible only under experimental conditions:

- Employees were not able to leave home, increasing the time dedicated to work-related activities.
- The uncertainty around the sustainability of both businesses and employment pushed workers to redouble their efforts, blurring the boundaries between the personal and the professional.
- The situation appeared to be a short-term challenge

With the persistence of the healthcare crisis, businesses are adopting new forms of work space use and the office (both traditional and flexible) is currently conceived as another element within the work space ecosystem. This means that the majority of businesses will continue to require space for their activities as a consequence of three main ways of working:

- **Working from home** (WFH): people using their homes as their main work space
- **Agile model:** mix of office and virtual working
- **Distributed:** the workers do not share any specific location and all tasks are performed remotely

The result is a grading of locations and experiences that should promote convenience, productivity and well-being.

For the majority of people and business models, the evidence points towards WFH having negative consequences[3] for:

- **The organizational culture (sense of belonging)**
- **The well being of employees, leading to feelings of isolation, stress, anxiety and depression.**

These factors may not be evident over the short term. As the pandemic persists, a number of location decisions may be taken exaggeratedly. Care must therefore be taken, particularly when considering long term productivity.

With a 100% WFH or distributed model, a deterioration in the dynamics of work may arise, worsened by the fact that leaders will be unable to explain the causes. Future leaders may prove less efficient where the ideal working model is not chosen. The concept of the **total workspace ecosystem** is borne out of the desire to resolve these challenges.

3. Further information here



Pandemic, lockdowns and work spaces

NOW WHAT?

“Rather than being a single location, the workplace will consist of an ecosystem of various settings and experiences that foster convenience, productivity and the well-being of employees. This may be understood as the Total Workspace Ecosystem.

- **In this setting the office does not disappear**: the balance between social distancing and a lower density per employee will probably meet the floorspace criteria required by business. As a result, workspaces will continue to prosper though in new forms, many of these being flexible and coworking spaces.
- **The office has a sole purpose:** To provide inspirational destinations that strengthen cultural ties, training and relationships with customers and colleagues, whilst fostering creativity and innovation.



The result includes various locations for a single business unit within the same geographical area or market: an ecosystem bringing together suburban and central offices enabling access for employees who live outside the city centre. **This will strengthen the demand for flexible spaces within the decentralised office districts, in that the office stock in these areas is “younger”, there is a greater percentage of class A buildings and rents are more affordable**. What is more, these locations are in consonance with the current dynamic of housing demand seeking areas on the periphery for the families of Millennials. Central locations will, however, remain, though occupy less floorspace. In other words, the office footprint of businesses may be maintained, though with a new, less centralised distribution of the head office.

The change to on-demand space models

THE TOTAL WORKSPACE ECOSYSTEM IN ACTION



Hubs in the CBD – smaller and focused on collaboration

- Individual space for a sole tenant
- Focus on training, networking, inspiration and ties with the organizational culture
- More common spaces and fewer desks
- Central in urban areas



Flexible Contribution

- Additional space on demand
- In decentralised areas close to work base
- Reduced footprint in central areas, with extensive retail and transport facilities



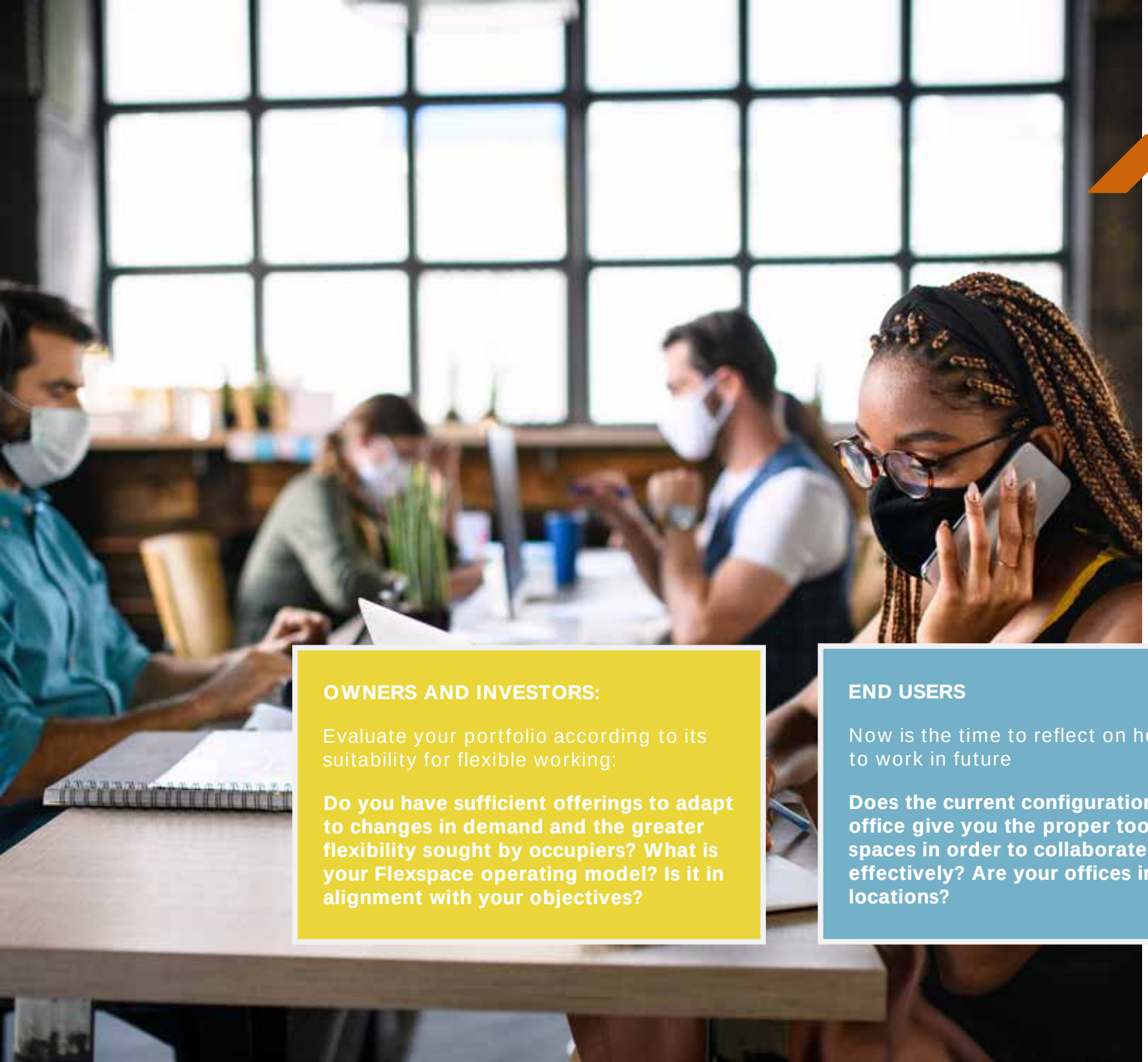
Local communities

- Small spaces close to employees' residential areas
- Avoid long distance commuting and support local economies
- Opportunity to reposition retail spaces
- Support to back-office work



Spaces for events

- Prepared for special events and strategic meetings
- Able to use flexible office facilities



Keys to implementing flexspace strategies in the Total Workspace Ecosystem

OWNERS AND INVESTORS:

Evaluate your portfolio according to its suitability for flexible working:

Do you have sufficient offerings to adapt to changes in demand and the greater flexibility sought by occupiers? What is your Flexspace operating model? Is it in alignment with your objectives?

END USERS

Now is the time to reflect on how we wish to work in future

Does the current configuration of your office give you the proper tools and spaces in order to collaborate and work effectively? Are your offices in the right locations?

FLEX SPACE OPERATORS

Does their presence in a building maximise value for both the operator and the owner? What are the milestones and markets that would favour their future expansion and on what contractual basis?

Is their offering appropriate for the market in which they operate and for their target clients?

Chronology of Flexible Spaces

1962 — **Omni Offices Group Inc founded**
Pioneer provider of executive suites

1973 - 1975 — **Oil crisis**
Impact of the recession

1978 — **ServCorp**

1979 — **Lenta Business Space founded**
Creation of OTSS (now Office Space in Town)

1980 — **Thatcher and deindustrialisation, the recession bites**
Businesses are required to reconsider cash flow and long-term liabilities, making serviced offices appear more attractive

1989 — **Regus founed by Mark Dixon**

1990 — **Exchange-rate recession**

1993 — **Citibase launched. The first serviced offices agent in the UK**

1995 — **C-Base, Berlín. The first real Coworking, except for the name**

1999 — **Omni Offices acquires business centres to convert into HQ Global Workspaces**

DeKoven officially launches the word "coworking"

2000 — **Bizspace launched.**

Regus completes an IPO on the London stock exchange

2001 — **The dot-com bubble bursts**

2002 — **58%** **Regus sells 58% of its UK business to Rex 2002 Ltd.**

2004 — **HQ Global Workplaces (originally OmniOffices) acquired by Regus**

Regus enters bankruptcy in the USA.
The high rental contracts signed during the dot-com boom exert pressure on the operating model

2005 — **Impact Hub launched in London. Point at which Apple sells more laptops than desktop PCs.**

2007 — **Coworking is seen as a trend in Google for the first time and the first page under this name appears in Wikipedia**

2008 — **Global Financial Crash (GFC)**



2009 — **The first written declaration of the death of offices (11 years later, offices remained strong)**

2010 — **WeWork founded in NYC. First #CoworkingDay held on August 9. The first coworking conference took place in Brussels, 600 Coworking spaces worldwide**

2015 — **Launched of Knotel**

2016 — **UK votes to leave the European Union**

2017 — **Beginning of C&W flexspace and coworking consultancy**

2019 — **WeWork withdraws its third quarter IPO and its valuation drops from $47bn to $5bn**
Expansion and new acquisitions on hold with the resignation of Adam Neuman as CEO, replaced by Sandeep Mathrani

1st — **REVOLUTION:** Pioneers in flexspace, distancing themselves from the traditional model

2nd — **REVOLUTION:** Expansion of the market and growth in supply

3rd — **REVOLUTION:** Arrival of Coworking and new impulse for the sector

4th — **REVOLUTION:** Global growth of flexible offices

5th — **REVOLUTION:** Maturity of this sector and Total Workspace Ecosystem

FLEX ECONOMIC

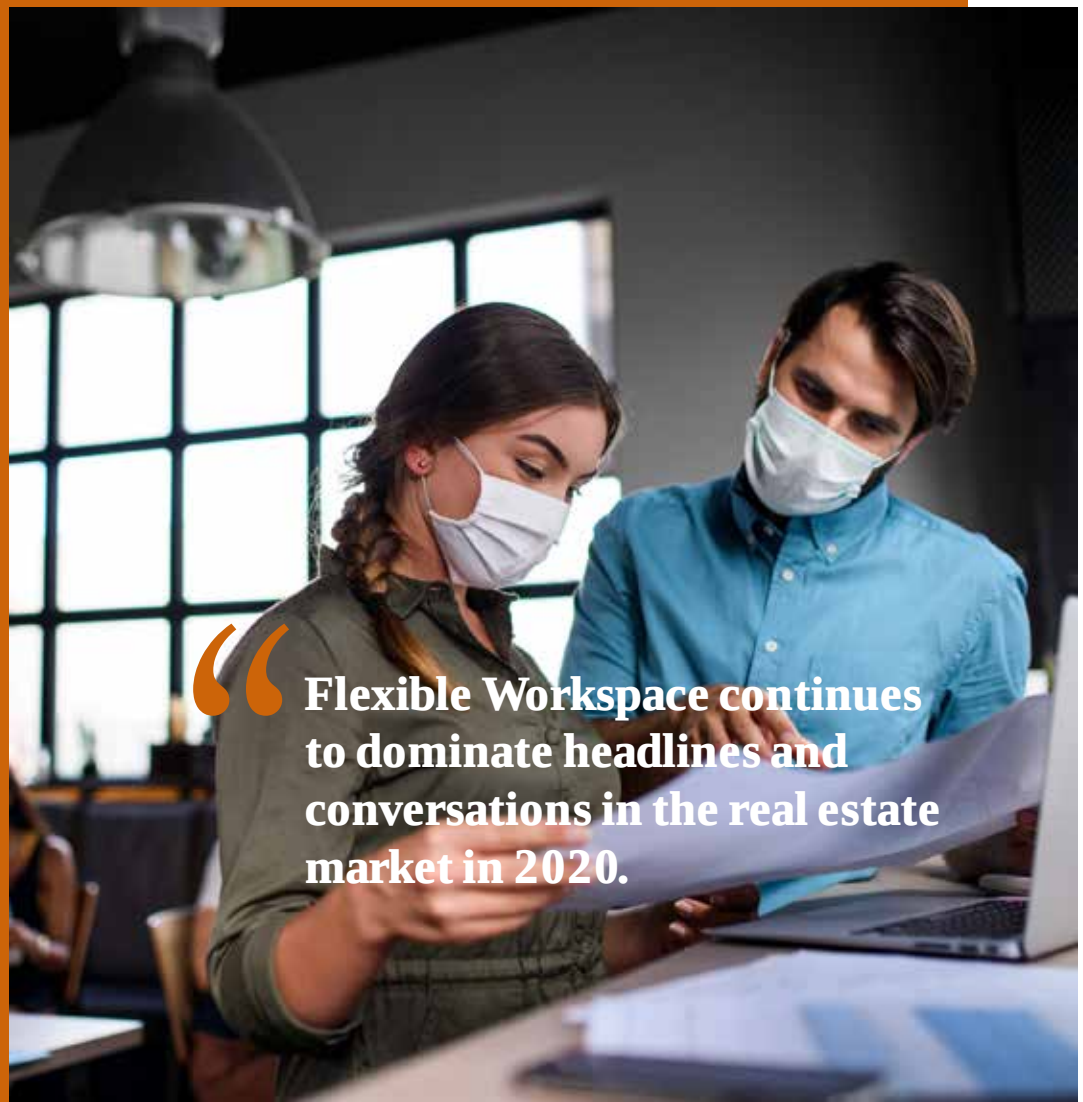
2020

COVID-19 becomes a pandemic and, at the end of March, the country enters lockdown. Following each recession, *"Flexible workspaces"* have experienced growth and change, going through four revolutions during recent decades. 2020 marks the beginning of a new era for the sector as we enter the **5th Revolution: Total Workspace Ecosystem**

Valuation



Valuation of Flexible Workspace



The sector continues to force all market participants to re-examine traditional real estate practices and **consider what the future of office space looks like**. This has been further highlighted during the COVID-19 pandemic, with many now touting Flexible Workspace as the go-to solution for companies coming back into the 'new normal'.

In response, Landlords are now looking at the different ways they can provide Flexible Workspace, which in turn requires an understanding of the impact this increased flexibility has on value.

With about 265,500 square meters of flexible space absorbed in 2017-2019 in Madrid and Barcelona (space equivalent to Las Cuatro Torres of Madrid), the sector is a fundamental part of the structural change in the way that occupants and their employees want and expect to work .

Despite this marked proliferation in Flexible Workspace, the property industry has been sluggish to consider its valuation implications.

In October 2019, RICS published an insight paper entitled "Valuation of flexible workspace", which was a crucial milestone in developing an awareness and understanding of the need for a different methodology when valuing Flexible Workspace.

One of the impacts being discussed and actively pursued by both operator and Landlord has been a shift from traditional leases to management agreements. The move away from the rental arbitrage model, towards a sharing of risk and reward between both parties places even more importance on knowing the true value of Flexible Workspace so that Landlords and investors can realize the true value potential of their assets.

In this chapter we focus on the valuation of property owned and operated by the same party or where a third-party operator is paid a management fee for delivering a Flexible Workspace on behalf of an owner. There is a distinction between valuations of assets rented to operators and those operated by the owner.

1	**OWNER OPERATED**	**e.g. LOOM, UTOPICUS**
2	**PROFIT SHARE LEASE / MANAGEMENT AGREEMENT**	e.g. IWG
3	**TRADITIONAL LEASE**	e.g. WEWORK

Valuation of Flexible Workspace

LEADING THE WAY IN THE VALUATION OF FLEXIBLE WORKSPACE

OWNER-OPERATED WORKSPACE VALUATION:
We follow a three-stage approach:

1	ANALYSIS OF TRADING PERFORMANCE
2	CAPITALISATION OF THE INCOME
3	REVIEW AND SENSE CHECK OF VALUATION

Whilst owner occupied Flexible Workspace could be considered a "trading asset" it differs from other properties valued with reference to trading potential such as public houses and marinas, due to there being an obvious alternative use as traditional office space, which could be let to a tenant on market terms. Accordingly, it is important to adopt a hybrid approach when valuing Flexible Workspace, considering both the trading performance of an asset and the underlying property fundamentals.



01 ANALYSIS OF TRADING PERFORMANCE



The first stage of the valuation involves undertaking a detailed analysis of the trading performance of the asset being valued. We complete a holistic review of historic and current trading performance, with a focus on fully understanding occupancy levels, revenue, operating costs, net operating income and capital expenditure projects.

Trading data is benchmarked against Cushman & Wakefield's Flexible Workspace database in order to gauge performance levels against comparable assets. For instance, we will compare profit margins and focus on operating costs to fully understand how robust the trade is at the asset being valued and the associated risks.

We complete in-depth **market research** and work closely with the Cushman & Wakefield Flexible Workspace Team to fully understand the micro location, market dynamics, and price points. This analysis enables us to develop a deep understanding of where key performance indicators, such as desk rates sit in relation to peers. Further, the extensive nature of our review process enables us to fully understand the cashflow generated at the property as well as associated risks. This stage is critical in establishing appropriate capitalisation rates and accurately pricing Flexible Workspace assets.

02 CAPITALISATION OF THE INCOME

Having completed a detailed analysis of the trade generated at the property, the next stage in the valuation is to capitalise the income generated. As highlighted previously, Flexible Workspace has an obvious alternative use as traditional office space, which underpins the value of the asset. As such, at Cushman & Wakefield, we adopt a phased approach. Firstly, the Net Operating Income ("NOI") is split into two tiers:



TIER 1 ("T1") INCOME: This tier equates to the amount of NOI equal to the Market Rent, that could be achieved if the property were let on a traditional basis, less any head rent payable if the property is held leasehold. This tier comprises the most secure element of the income.

TIER 2 ("T2") INCOME: This tier captures the NOI greater than the Market Rent and typically captures the revenue streams attributable to the Flexible Workspace operation and as such, has a higher level of associated risk.

In order to reflect the different levels of risk associated with T1 and T2, a split yield approach is adopted when capitalising the income.

- The yield applied to the T1 income is based upon yields within the respective market which could be achieved if the property was let on a traditional basis.
- The yield applied to the T2 income is benchmarked against the T1 yield and discounted to reflect the increased risk associated with this tranche of income.

In the table on the right, we outline a worked example of how this tiered income capitalization approach works in practice on a hypothetical freehold property. The higher level of perceived risk associated with the T2 income is based upon the fact that the T1 income is underpinned by the traditional office Market Rent.

If the Flexible Workspace business fails, then the property can be let on a traditional basis. . The level of discount applied to the T2 yield depends upon:

- The quality of the asset
- How established the trade is
- The quantum of the T2 income

For instance, an unproven asset or where the T2 income represents a significant proportion of the total income would attract a higher discount.

FLEXIBLE WORKSPACE VALUATION (€)

Market Rent	1.000.000
Net Operating Income	1.250.000
Tier 1 Income	1.000.000
Tier 2 Income	250.000
Tier 1 NIY	5,00%
(Multiple)	20
Tier 1 Gross Value	20.000.000
Tier 2 Discount	50%
Tier 2 NIY	10,00%
(Multiple)	10
Tier 2 Gross Value	2.500.000
Combined Gross Value	22.500.000
Purchasers Costs	3.00%
Net Value	21.825.000
Capital Value €/m²	873



03 REVIEW AND SENSE CHECK OF VALUATION

The final stage of the Cushman & Wakefield approach involves various checks and measures:

Investment Check:

The value generated by the primary approach is analysed and benchmarked against traditional investment approach metrics, such as the blended Net Initial Yield (''NIY'') and capital value per sq. m.

Cashflow Analysis:

We create a discounted cashflow and analyse the ungeared IRR over a five-year cashflow period. The value generated by the primary approach is adopted as the entry cost and cashflow is constructed based upon the asset's business plan.

In addition to the above checks, we also run an analysis based upon a hypothetical "OpCo/PropCo" structuring of the property.

We also consider the impact on value of a ground rent structure of the property.

As a final consideration, we undertake a separate Vacant Possession Valuation ("VPV") of the asset. This is on the basis that ultimately the VPV underpins the value of the asset and is the fallback position, should the Flexible Workspace operation fail. When considering this structure compared to a straight lease to an operator, yields and returns ultimately depend on the operator and the operation, which is where the expertise of the valuer comes into play.

**When considering this structure compared to a straight lease to an operator, yields and returns ultimately depend on the operator and the operation, which is where the expertise of the valuer comes into play.*

Reflections on

VALUATION OF FLEXIBLE WORKSPACE

By its very nature, property is not a homogenous commodity. **Each centre and operation needs to be looked at on its own merit** - a “one size fits all approach” is not appropriate. The valuation approach will vary depending on geographical location, size of centre and maturity of the offering as well as the underlying strength of the occupational and investment markets

At Cushman & Wakefield, we have found that the best approach has been to combine the specialist knowledge of the markets in which the property is located with the skills and expertise required to value a trading entity.

In the same way that a successful operation requires a specialist, the valuation of this asset class also requires input from a mix of specialists.

Cushman & Wakefield have developed a market leading inter-disciplinary team of experts on the Flexible Workspace sector. The complementary knowledge and expertise of the respective departments allows us to deliver unrivalled advice to our Clients, in this maturing sector to ensure that objectives and value are aligned.



“By its very nature, property is not a homogenous commodity. Each centre and operation needs to be looked at on its own merit - a “one size fits all approach” is not appropriate. The valuation approach will vary depending on geographical location, size of centre and maturity of the offering as well as the underlying strength of the occupational and investment markets.



Survey 2020

This is the third 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 in the current circumstances, in a year in which uncertainty is affecting all sectors. Our survey is an essential tool in order to provide a context for the flexspace industry and its circumstances.

Analysis of survey 2020



68%

of Flexspace managers surveyed declare **occupancy exceeding 75%, following a trend similar to that of the previous year.**

12%

of respondents will open another additional centre over the coming year driven by occupancy figures.

17%

are uncertain regarding whether or not to expand their spaces over the coming 12 months.

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

- **Preference for location in city centres.**
- **Assignment of more space to private offices.**
- **Provision of special rooms for virtual events.**

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

29%

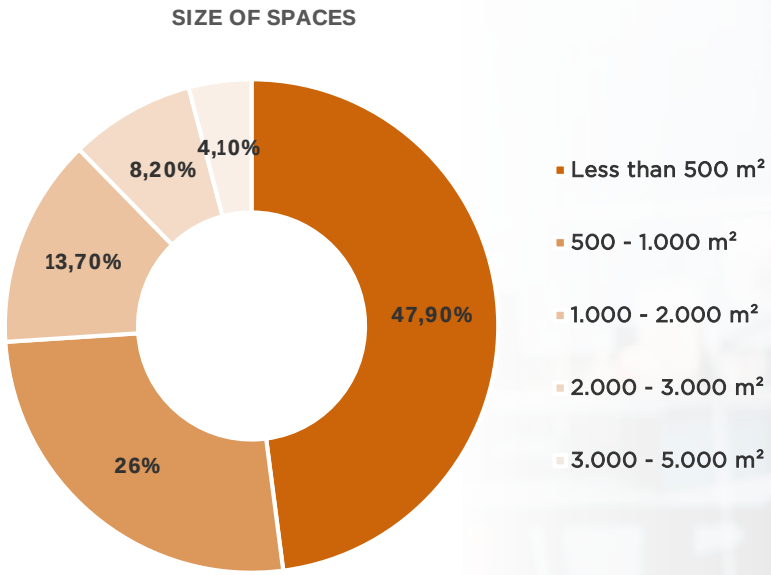
of the groups surveyed revealed that half of the businesses seeking their spaces are start-ups and the self-employed, in equal measure.

Between 25% and 50%

of demand is from SMEs, another user notable in these types of workspaces

It is important to highlight the increase in demand for these types of spaces on the part of major companies. Multinational businesses are adapting their real estate strategies to the use of flexible office spaces. The clear goal of this is to improve the efficiency of their property footprint and increase the productivity of their processes. Undoubtedly this will have an impact on the well-being of their human teams.

Survey analysis 2020



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 prime areas.

Some 48% of these operators have spaces of up to 500 sq m and only 4% manage floor areas exceeding 3,000 sq m.



Flexible services are waning in importance in comparison with surveys performed in previous years.

For some 85% of the groups surveyed, those services offered as additional (telecommunications, reprographics, mail, etc.) represent less than 10% of total invoicing, whereas, for some 14%, this represents between 10% and 25% of annual billing. At some 80%, the service offered by the majority of these operators consists of virtual office, professional internet connection and access to dedicated servers and VPN (Virtual Private Network).

Some 48% of the operators offer 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 84% of the groups surveyed offer 24-hour access to the facilities.

In terms of the layout of spaces, operators believe that flexible spaces will, over the short term, have:

- **Private offices of between 5 sq. m and 15 sq. m representing more than 75% of the total floor area**
- **Common rooms and spaces that occupy the remainder of the floor area**

The consultancy service focused on start-ups is highly valued by flexspace users, some 22% of the groups providing these types of advisory services.

In terms of the degree of internationalisation of this type of shared space, operators were asked regarding the nationality of their clients and 45% confirmed that between 25% and 75% of their clients originated in the home country. Some 50% of international clients are European in origin.

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

- **Access to financing 12%**
- **Wellness actions 14%**
- **Graphic design 10%**
- **Training courses and workshops 59%**



The short-term future

The current situation has led to a change in strategy for many of the groups surveyed, their future focused on consolidation and the expansion of their work centres. However, **only 9% of the respondents were considering a possible increase in the floor area occupied over the coming 12 months (some 38% of the groups had growth plans last year). 80% of operators have no expansion plans** and are looking to maintain their current facilities at the present size.

Asked about their expectations for the sector over the coming months, the results point towards:

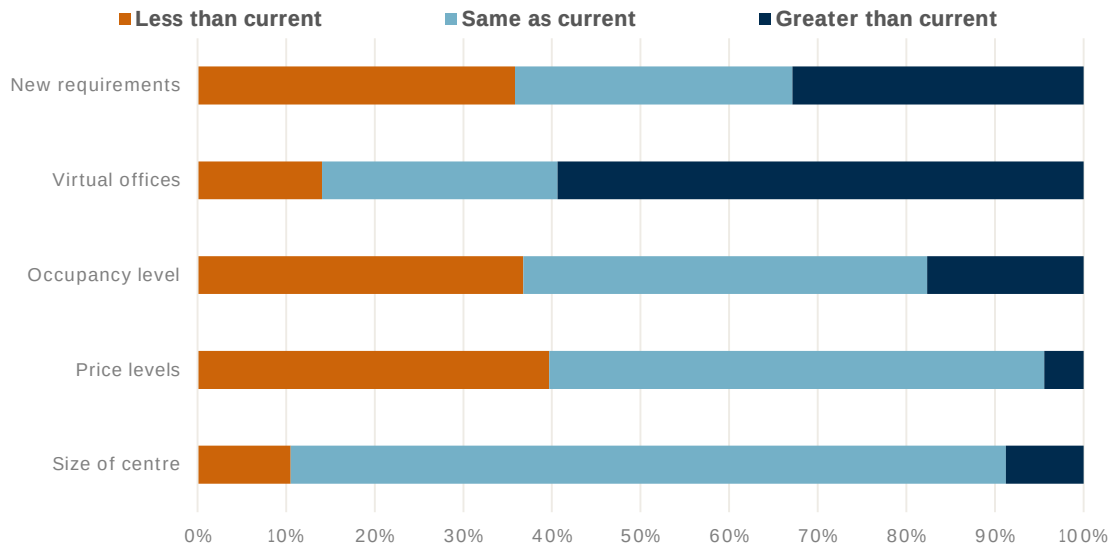
56%
Consider that prices will remain steady.

45%
Of respondents believe that the current occupancy levels will remain unchanged

18%
Feel that they will increase, whereas some

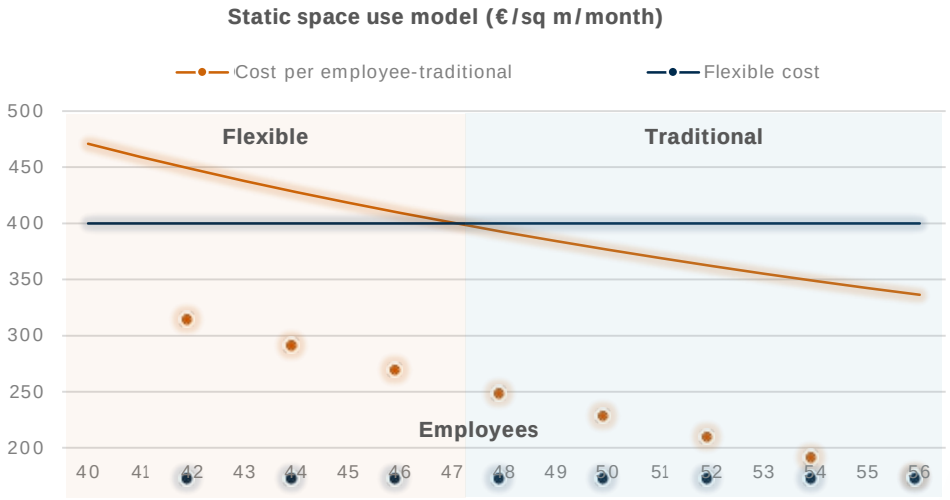
37%
Believe that the occupancy rate of flexible spaces will decrease over the coming year.

44%
Of the groups have a loyalty plan or envisage designing one over the short/medium term.



A way of thinking about…

THE FLEX MODEL



Assumptions:

Floor area to be contracted:	**500 sq m**
Cost of flexible space:	**€390/user**
Rent:	**€24/sq m/month**
Occupancy costs:	**€5/sq m/month**
Maximun density:	**9 sq m/employee**
Fit-out costs:	**€750/sq m**
Cost amortization:	**60 months**

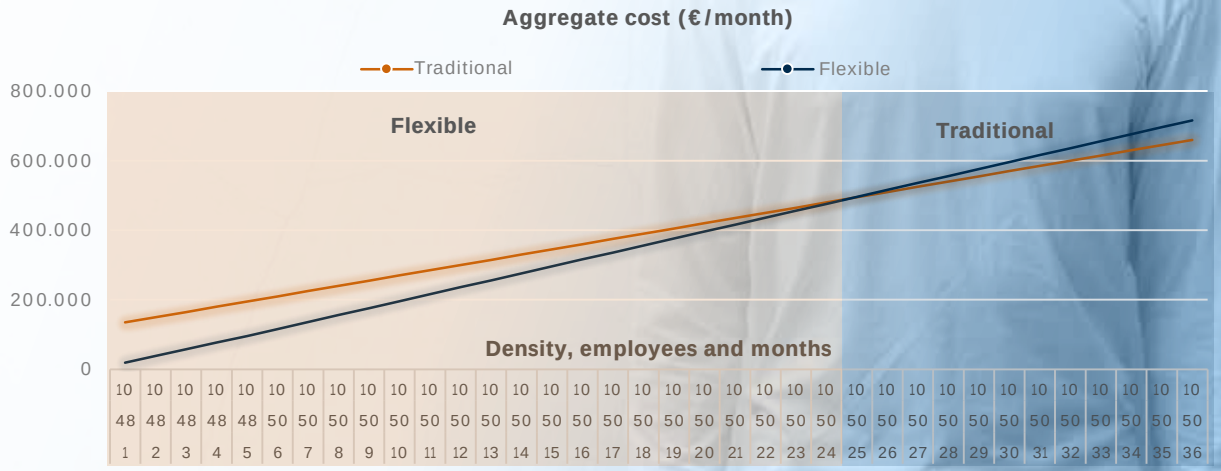
> **The flexible model helps businesses in the face of uncertainty**

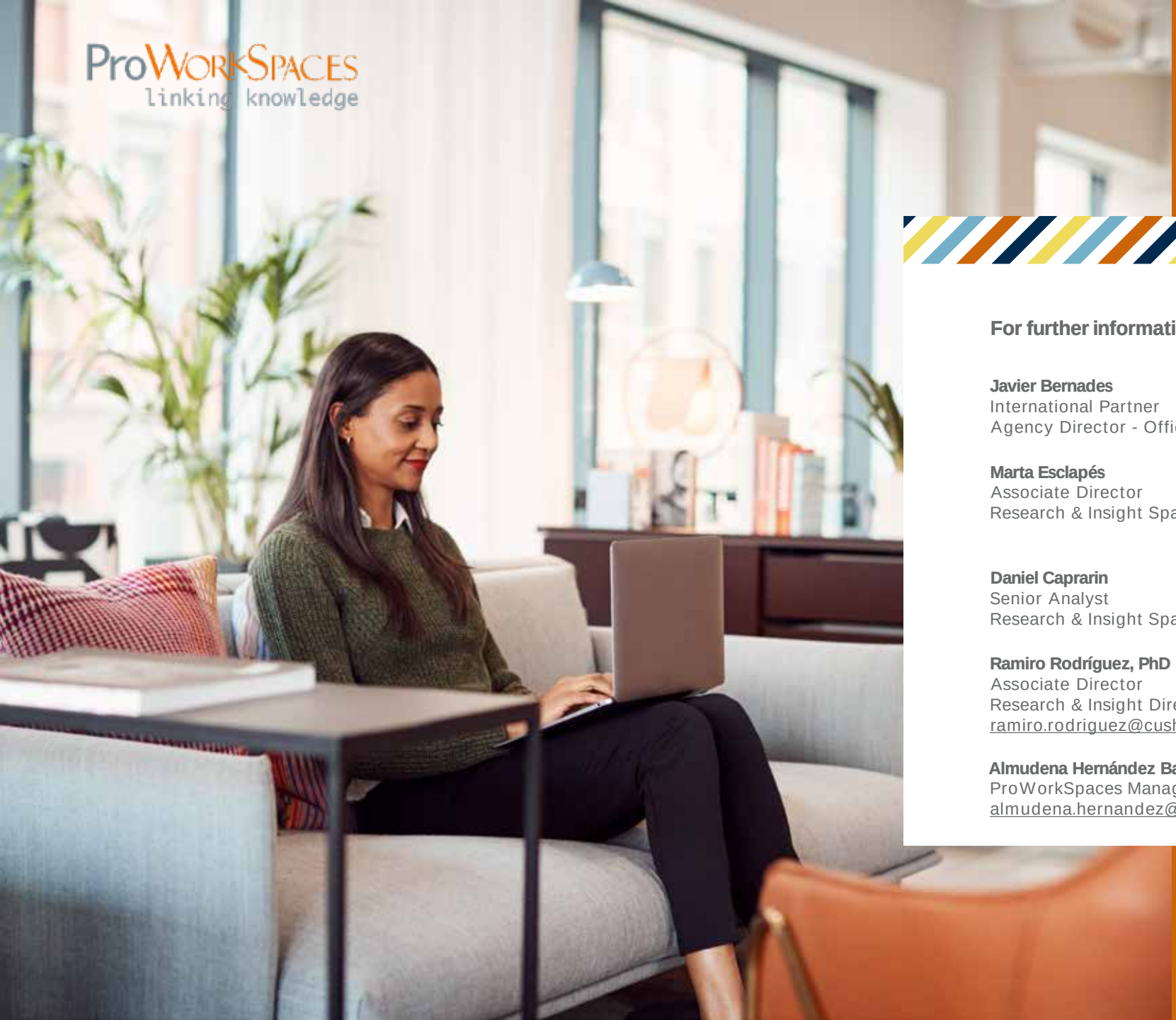
In the model we show the options faced by the company when adopting an occupancy model. They are shown as a list of the number of users of the space (that is employees, horizontal axis), compared with the occupancy cost per employee (vertical axis).

The 'Flex Model' (FM) has a constant value (€400/user), whereas the 'Traditional Model' (TM) decreases with the number of employees.

- Businesses that are unable to reach 51 employees will pay less under the FM than under the TM model
- Businesses that are able to reach 46 (or more) employees will face less costs under the TM than the FM model.
- Following 25 months, the aggregate FM cost begins to exceed the TM cost

Those businesses facing uncertainty related to payroll (short-term contracts, specific tasks) will assume the Flex model.





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