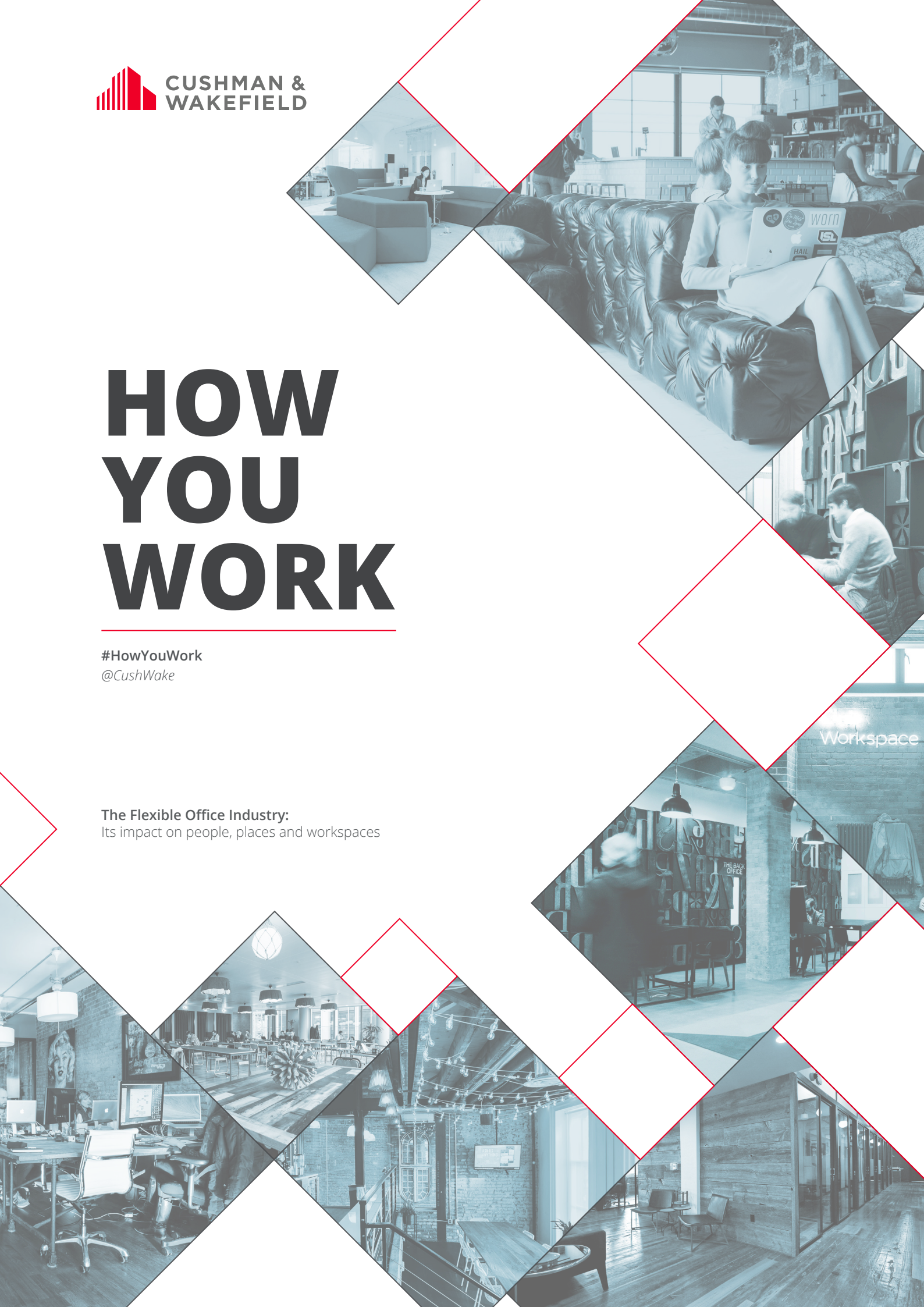


HOW YOU WORK

#HowYouWork
@CushWake

The Flexible Office Industry:
Its impact on people, places and workspaces



Workspace

SUMMARY

Following the Cushman & Wakefield Coworking Revolution report published last year, we have continued to track the trends driving demand not only for Coworking, but also the wider Flexible Office sector. Flexible Office operators are expanding rapidly due to the global popularity of the business model. Interviews with providers, landlords, corporates and small companies illustrate that Flexible Offices have become a fully-fledged alternative to the traditional office.

This report sets out to explore the trajectory of the Flexible Office from the Business Centre of the 1980s to the Coworking space of the twenty first century. Analysing the key determinants of growth in London, New York, Berlin and Shanghai, and assessing the impact of modern cultural trends on the demand for flexible working. We investigate the extent of this demand, not only considering its impact on the Coworking and serviced office industries, but real estate investors, landlords and corporate organisations.



This report is broken down into seven distinct subsections

The Traditional & New

The Serviced Office, or Business Centre, was introduced in the 1980s. These spaces now encompass Coworking as a design and workspace solution, meeting the expectations of a young, technology enabled workforce permeating corporate and creative industries alike.

A Growing Market

The flexible office market is a global phenomenon, with the number of coworking spaces estimated to grow tenfold over the next few years. Cities such as London, New York, Berlin and Shanghai are developing advanced ecosystems, underpinned by the expansion of global brands and strong local players.

The Commercial Forces

The five key commercial forces behind this trend include (1) *economics* and the requirement to reduce costs and increase efficiencies; (2) *simplicity* allowing companies to focus on their core business; (3) *location* flexibility in a period of strong demand for commercial real estate in the CBD; (4) *growth* and globalisation of the corporate world; and (5) *advocacy* exemplified by the uptake of flexible working by corporates and government.

The Cultural Forces

The five key cultural forces behind this trend include (1) *entrepreneurship* and the explosion of self-employment; (2) the proliferation of *technology* and the growth of digital economy; (3) *connectivity* and collaboration enabled by technology; (4) *recruitment and retention* in the war for talent; and (5) the growth in professional and corporate *networks*.

Risks

Key risks include (1) *market* and supply/demand mismatch; (2) *operator* over exuberance; and (3) evolving *tenant* requirements and behaviour.

The Regeneration Effect

Flexible Offices play an integral role in urban regeneration, demonstrated by Kings Cross in London, Dumbo Heights in Brooklyn, Factory Berlin and Fuxing Plaza in Shanghai.

A Flexible Future

The flexible office sector will continue to expand and evolve. As this happens:

- Corporates and other users will benefit by balancing a low-cost environment with a competitive ability to increase employee flexibility.
- Talent pools in fringe locations supported by Flexible Office providers will attract inward investment and increase value. Developers will respond by creating new spaces as part of the wider place-making and regeneration agenda.
- Global operators will expand their offers and coverage, while new local operators will emerge especially in fast growing cities in Asia.

TRADITIONAL & NEW

From the Business Centre of the eighties to the Coworking revolution of recent years, the world of work is changing and Flexible Office operators face increasing demands from a young, technology enabled workforce, influenced by career-needs and lifestyle-wants in equal measures.

The Traditional

The Flexible Office market has for over 30 years sought to provide growing businesses with an effective alternative to the traditional office. Introduced in the 1980s to small business operators in the US, the *Serviced Office or Business Centre* closely followed advancements in desktop technology that resulted in greater requirements of the workplace. Expensive, immovable hardware demanded large capital investment, while Business Centres stepped in to provide on-demand access to a desktop computer, telephone and fax machine without the capital outlay and unencumbered by a long and costly lease.

The Business Centre popularised a total occupancy solution, providing a range of professional workspaces under one roof. This typically included private offices and semi-private cubicles, distinguished by size and cost, and room to expand and contract as growth determined. The all-inclusive office combined the cost of facilities, equipment and administrative support into one convenient monthly rental payment; a feature that has remained its hallmark.

Commonly, a Business Centre licence operates on a rolling renewal basis for a minimum of three months, compared with a traditional office lease of three to ten years. The rent payable is determined by a single, tangible unit - a desk - providing a simplified contractual process for the customer. The layout and design of Business Centres are typically functional and unbranded, with a universal standard applied throughout. This enables customers to set up and move in with minimal effort, together with a neutrality to customise according to business and brand requirements. Sylvia Allen, Manager of The Executive Company in Shanghai comments, "we have a no-brand policy in each centre because we want to create a space for the client so that they feel it is their own. We care about our clients and always try to think about the office space from their perspective".





Workspace

Pill Box, Bethnal Green, London

The attractiveness of central, plug-and-play real estate, a comparatively short lease and low capital investment has remained an integral asset of the Flexible Office market. However, the product suite has evolved as well, to reflect changing attitudes to work and working requirements over time.

The Revolution

Coworking Spaces arose as a result of the contextual and cultural requirements of the 21st century. Initially developed from niche 'hackerspaces' during the Dotcom Bubble, Coworking galvanised the tech grassroots with free wifi and an open community for like-minded enthusiasts to meet, work and collaborate. The growth of Coworking gained momentum following the Global Financial Crisis (GFC) in 2008 when traditional jobs vanished overnight, forcing highly skilled individuals into unemployment. Between 2008 and 2009, average GDP in the UK, US, Germany and China declined starkly by 3.5%. Remarkably, the amount of early-stage businesses grew by 23%, particularly in digital, media and technology sectors where low barriers to entry proved a perfect ground for unexpected entrepreneurs. In contrast to the desk-bound businesses of the 20th century, businesses could now choose to work anywhere, *within reason*. Modest budgets, poor credit ratings and unencouraging survival rates meant that startups required flexible office tenure at a low cost. But between the local Wi-Fi enabled coffee shop and Business Centre sat the Coworking space that offered more than an affordable space; it offered a culture.

Coworking, as stated in Our *Coworking Revolution* report, is 'where two or more people are working in the same place together, but not for the same company'. A Coworking space provides a flexible rental or membership package operating on a rolling per desk per month, week or day basis. Design of the internal space aims to achieve the comfort of home and culture of a private members club with the facilities of a traditional office. They are typically open-plan, centred around large, social break-out spaces, with a range of environments to suit both individual and collaborative work. Andrea Kolokasi, head of the Coworking offering for the Workspace Group in London explains that "Coworking is the new-age way of working, offering flexibility and comfort. People want something more professional than a Starbucks and less formal than a traditional Business Centre. That is where Coworking fills the gap."

Sharing and collaborating are key aspects of Coworking culture. Operators typically organise social initiatives including skill-shares, events and clubs in order to cultivate social and professional cohesion between members. Charlie Green, co-founder and CEO of The Office Group, views Coworking as "one extreme element in the shift of working styles, which is one of the results of the sharing economy."

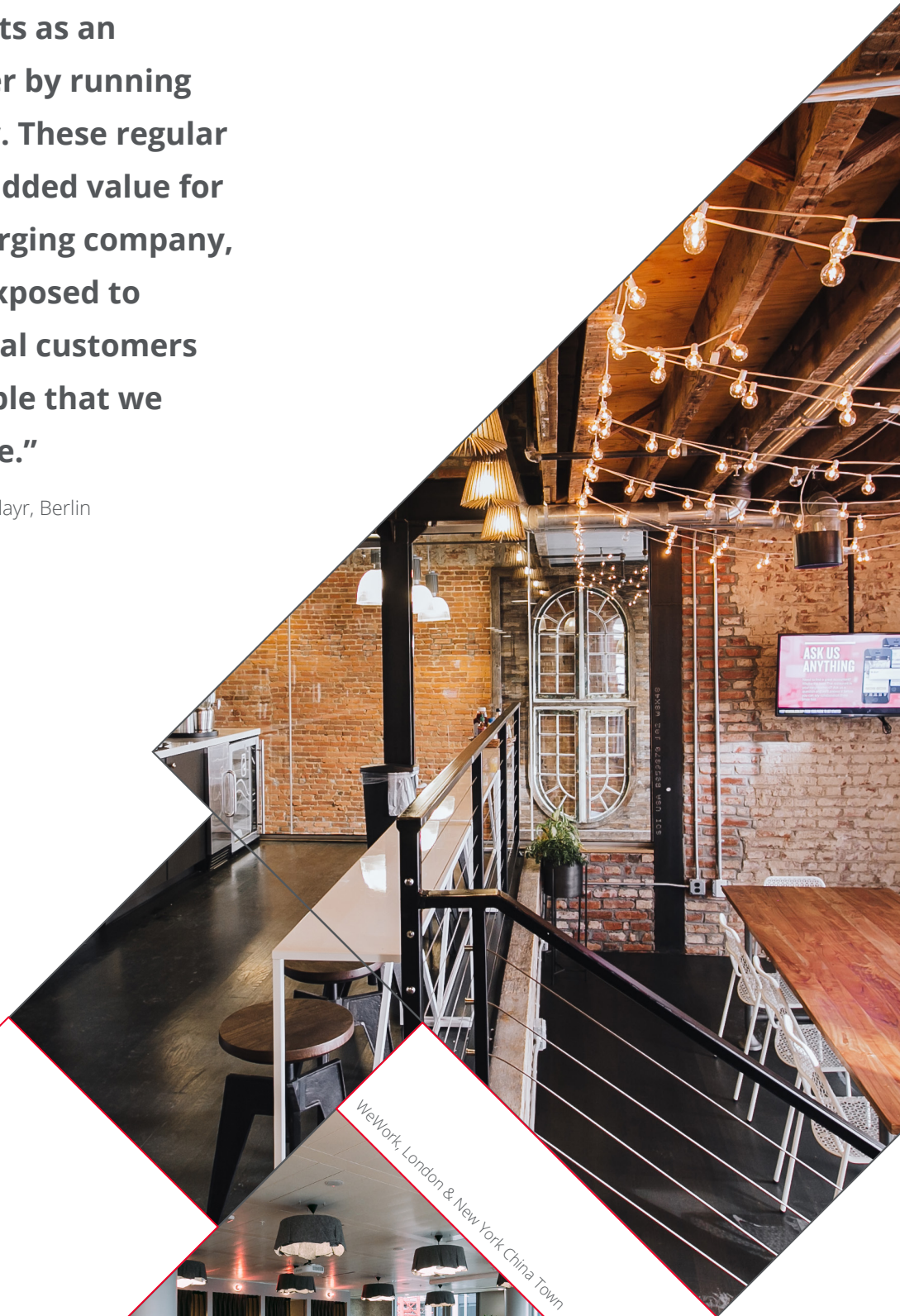
"Coworking is like dating and taking traditional office space is a bit like getting married. You can date for a while but once you get married, it's a big commitment you want to get right first time."

Celine Thompson, Derwent, London



“Factory Berlin acts as an ecosystem enabler by running events constantly. These regular meetings are an added value for us as a small emerging company, because we are exposed to investors, potential customers and talented people that we might want to hire.”

Jackson Bond, Co-founder, Relayr, Berlin



WeWork, London & New York China Town

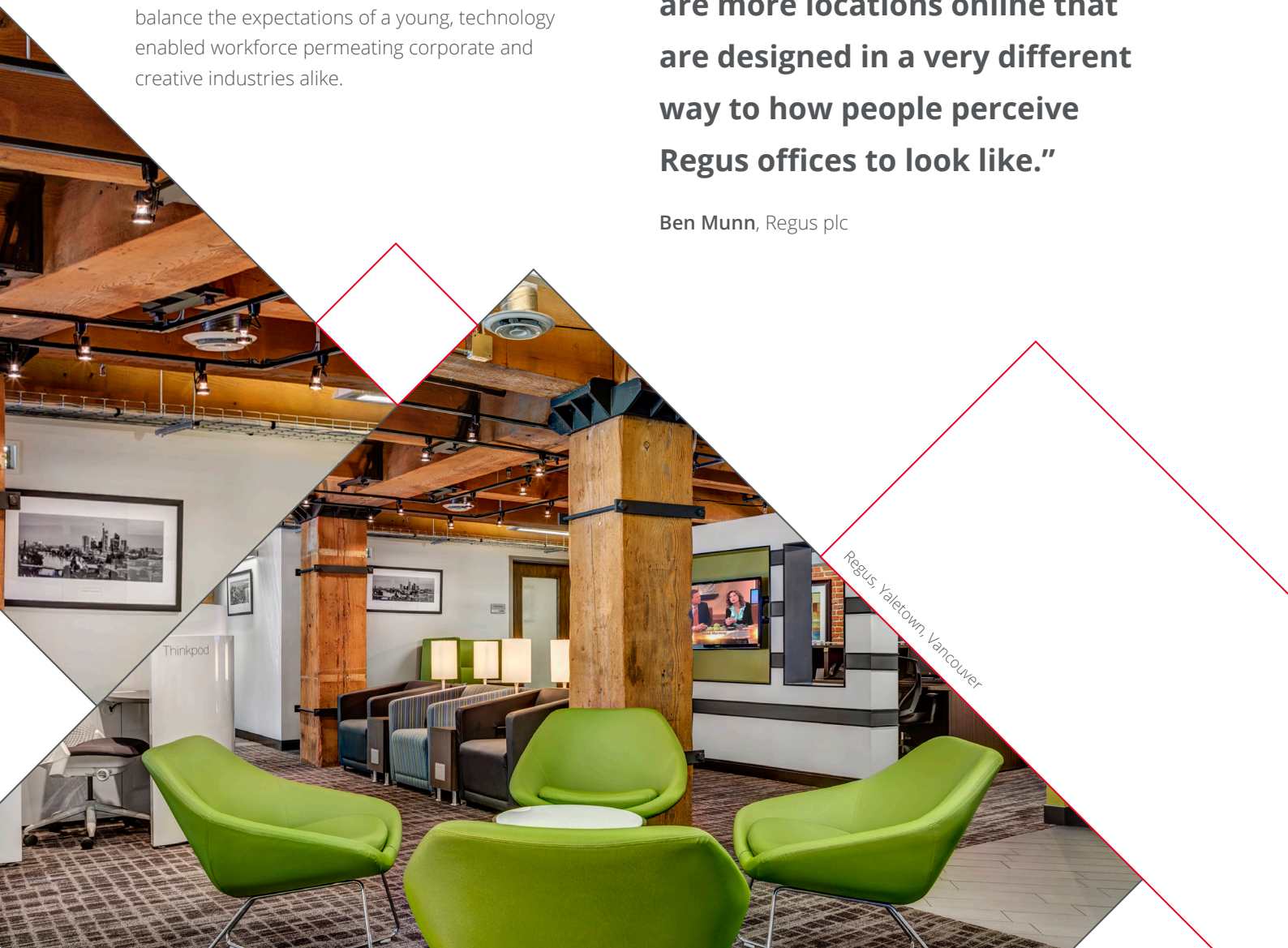
The New Solution

The success of the *Coworking Revolution* has caused traditional Business Centre operators to sit up and take note. Recognising the benefits of adapting their environment to accommodate a burgeoning technology sector, Business Centres can be found extending their offering to include Coworking as a design and workspace solution.

Equally, Coworking spaces have long since moved from a purely 'shared' offering. With over 48% of Coworking spaces proving unprofitable in 2014, providers are now commonly including private offices and meeting rooms in their service. The distinction between Business Centres and Coworking is becoming increasingly blurred as Flexible Office providers in Europe and North America seek to balance the expectations of a young, technology enabled workforce permeating corporate and creative industries alike.

“We tended to offer a professional working environment, designed in a more traditional office style, as opposed to the stripped back aesthetic preferred by technology companies. We responded by moving our office design in that direction. There are more locations online that are designed in a very different way to how people perceive Regus offices to look like.”

Ben Munn, Regus plc



Regus, Yaletown, Vancouver

Operators such as Regus, WeWork and The Office Group offer a combination of Coworking and private offices as part of their service. These principles have not yet reached Asia Pacific, as cultural perspectives on hierarchy and privacy still prevail, but David San Roman, founder of Anken Green, Shanghai, believes that it is only a matter of time before it takes root: “when we started out people were reluctant to work and share information, but now they have started to realise that there are more advantages than disadvantages when it comes to collaborating.”

One thing is certain, Flexible Office providers can expect an increasingly diverse and dynamic tenant mix as expectations and products converge.

“Argent approached us to take space in the Kings Cross scheme because they knew that having us there would attract small businesses to the area. Similarly, the Shard also approached us for the same reasons; they wanted the energy and innovation that small businesses bring with them.”

Charlie Green, The Office Group, London

A revolution in Asia Pacific:

Founded in Shanghai in 2010, **People Squared** became a Flexible Office operator by accident rather than design. Founder Bob Zheng needed to fill empty space in his own office and through word of mouth, found a tenant to move in. One tenant quickly grew to five, encouraging Zheng to set up People Squared, a dedicated workspace provider that has since expanded to 12 locations in Shanghai and Beijing. People Squared currently consists of 70% private offices and 30% shared space. Zheng recalls, “when we first opened, people didn't understand Coworking and shared office space. The concept is relatively new to Chinese culture so we had to educate the market on its virtues and actively prove its worth by instigating member engagement. The result today is a flourishing community of members that collaborate and share resources, compared with the corporate isolation and suspicion that prevailed before.”

FLEXIBLE OFFICES GLOBALLY



London

10%

Growth

816

Locations

3.6%

Take-Up

"The tenant demographic in our Coworking offering is actually quite similar to our Business Centres - approximately 40% creative industries, 40% business and professional services, and the remaining 20% includes charities, training, and public sector organisations."

Phil Hodgkinson, Workspace Group, London

New York

8%

Growth

230

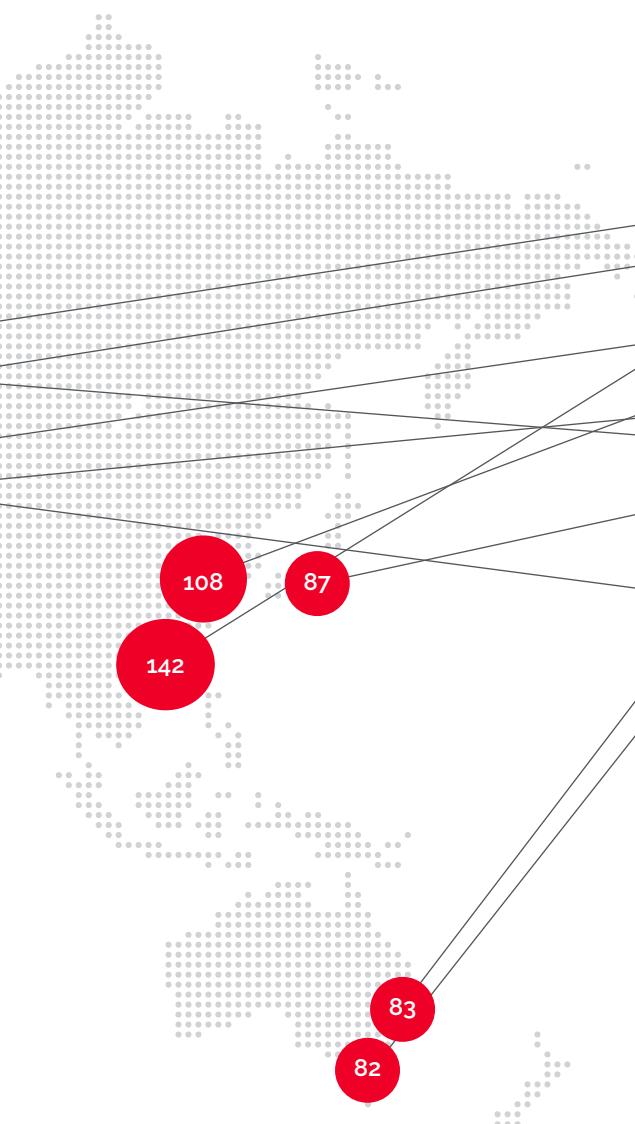
Locations

1.0%

Take-Up

"Companies that choose Business Centres are typically five to 10-employee professional services firms from the Finance, Insurance and Real Estate industries. In comparison, Coworking spaces are positioned more at Technology, Advertising, Media and Information Services, with a preference for creatives and digital startups... favored more by Millennials than any other generation."

Jennifer Ogden, Cushman & Wakefield, New York

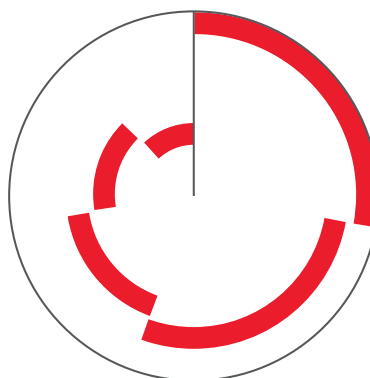


Global Hotspots

- London
- New York
- Hong Kong
- Paris
- Shanghai
- Los Angeles
- Manchester
- Tokyo
- Sydney
- Melbourne
- Berlin

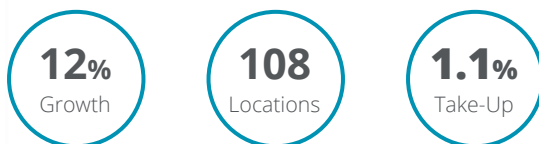


Who Occupies Flexible Office Space?



- 28% Technology
- 28% Professional Services
- 17% Creative
- 15% Finance
- 12% Other

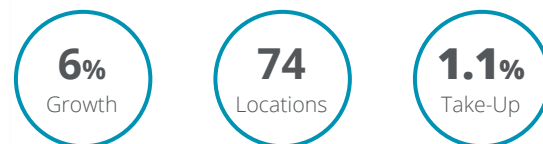
Shanghai



"Between 2000 and 2005, the occupier base was mainly foreign companies. Due to the recent introduction of governmental policies promoting business and economic growth, the tenant type has shifted dramatically towards local companies. Chinese growth in domestic and international markets has meant that businesses are now willing to spend more on their office space. Approximately 60% of our clients in Shanghai are Chinese."

Sylvia Allan, The Executive Company, Shanghai

Berlin



"Pre-2000, our tenant mix was predominantly media, telecoms and finance. The losses we experienced following the dotcom bubble forced the company to reconsider the tenant mix and ever since we have implemented strategies to diversify the tenant demographic across all industry sectors."


Marcus Grebenstein, Regus, Berlin

● Number of Flexible Offices

Growth: Flexible office growth rate 2010 – 2015 yoy

Locations: Number of flexible offices


Take-Up: Flexible Office take-up as % of total take-up 2010-2015



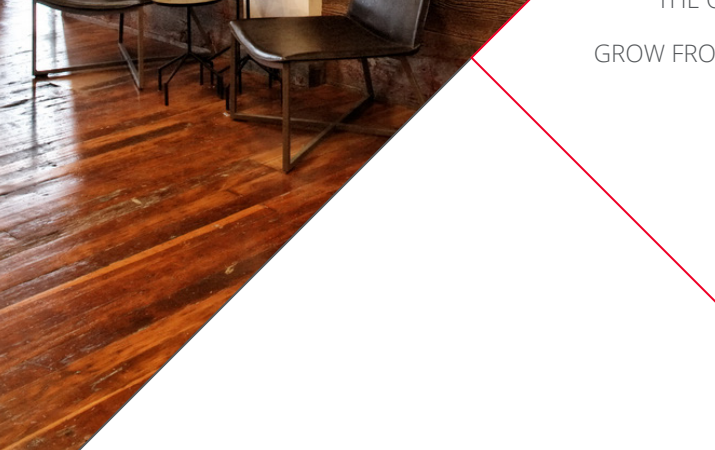
THERE ARE IN EXCESS OF **7,500**
BUSINESS CENTRES IN THE WORLD AND THESE
REPRESENT A SECTOR WHICH IS GROWING BY
10% PER YEAR¹

¹Instant Offices

REGUS WILL GROW UNTIL
IT HAS A DOT ON EVERY BUSINESS
TERRITORY GLOBALLY



US-BASED PROVIDER
WEWORK AIM TO HAVE **80M** SQ FT
GLOBALLY BY **2020**



THE OFFICE GROUP'S AMBITION IS TO
GROW FROM **650,000** SQ FT TODAY TO **2M** SQ FT
WITHIN THE NEXT 3 YEARS

GROWING MARKET

The Flexible Office market is currently growing at an unprecedented rate. Cushman & Wakefield estimates that flexible office space now accounts for up to 8% of global office uptake. Instant Offices, the world's largest flexible office broker, estimates that in 2014 the number of Business Centres grew by 12% globally and that nearly 50% of Business Centre agreements were contracted for 12 months or more. Similarly, online Coworking magazine Deskmag records global growth of Coworking spaces at 70%, from approximately 3,400 spaces in 2013 to 5,780 in 2014. Cushman & Wakefield predicts that there will be close to 50,000 Coworking spaces by 2018. The world of work is changing and flexibility is no longer sought by the tech, creative and media sectors alone, but by a growing pool of large corporate tenants coming into the Flexible Office market for the first time. The five key commercial and cultural factors driving this growth are identified in the following section.

FACTORY BERLIN

HAS PLANS TO EXPAND TO

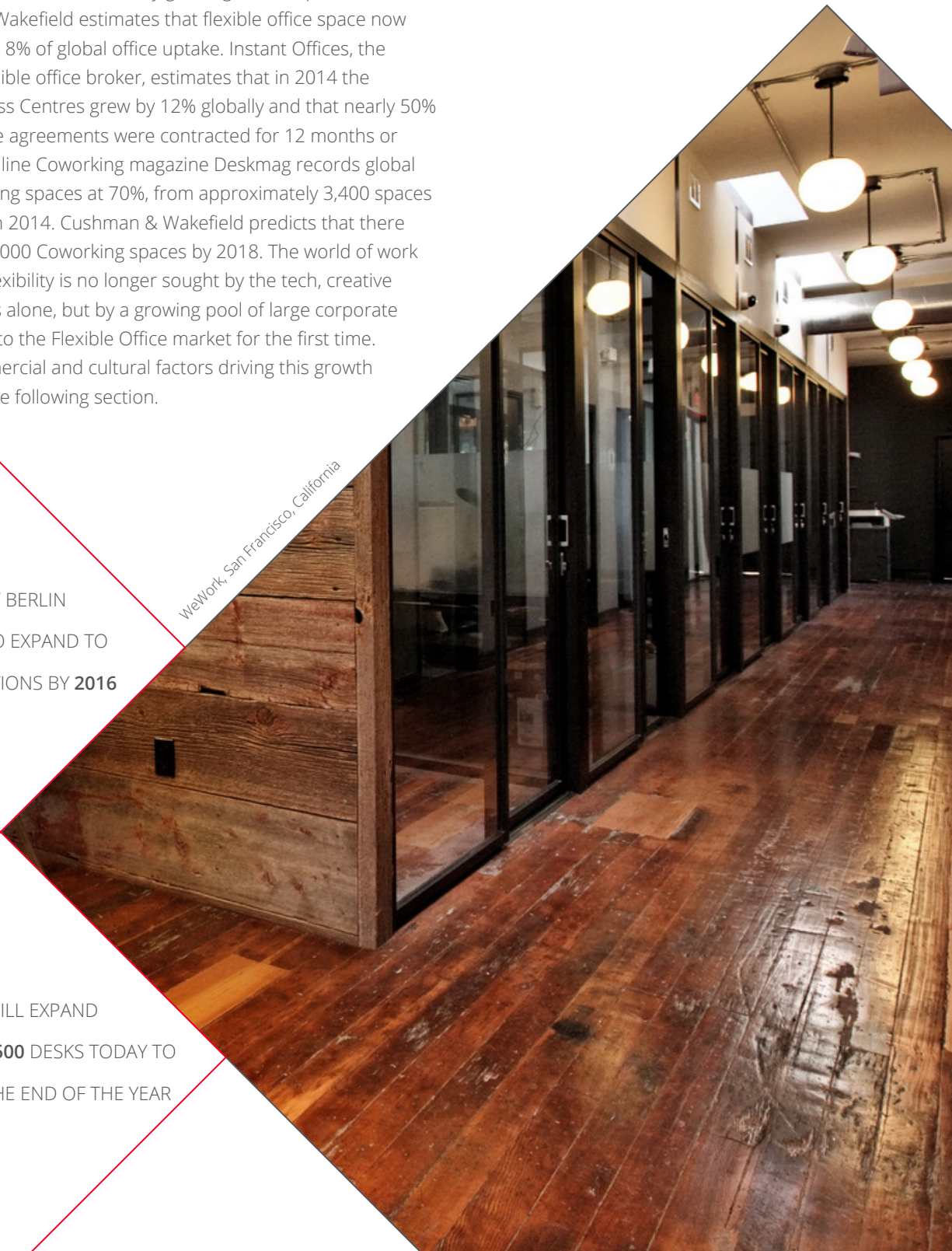
6 NEW LOCATIONS BY **2016**

WeWork, San Francisco, California

SOHO3Q WILL EXPAND

FROM LESS THAN **1,500** DESKS TODAY TO

OVER **10,000** BY THE END OF THE YEAR



05

Commercial & Cultural Forces behind the growth of
Flexible Offices

We Work, Southbank, London



THE COMMERCIAL FORCES

01 Economics

The GFC forced many businesses to reassess their financial commitments, and in particular, their real estate. Office consolidations and closures enabled companies to realise immediate cost savings, while the introduction of flexible working solutions offered long-term strategic benefit. Flexibility, by way of short lease occupancy, remote working, hot-desking and ad hoc space rental have proved highly effective in reducing costs and managing uncertainty. Will Duncan, Head of Broking at the Instant Group explains, “the ability to take up space quickly and minimise long lease liabilities means that Flexible Offices are now an integral element of a company’s property portfolio.”

02 Simplicity

With digital commerce easier than ever before, consumers now expect the same level of immediacy and simplicity across all transactions, including property. Company incorporation rates are at record levels since the GFC, averaging year-on-year growth of 4.2%, and Flexible Office providers have sought to meet the requirements of speed and ease with stream-lined check-in processes, often down to a few simple clicks. The plug-and-play nature of the Flexible Office setup enables tenants to focus on their core business from the outset, rather than on contractual administration, making it an ideal choice for startups, scale-ups and multinationals alike. In describing the company’s strategic approach to growth, Bill Earnheart, Vice President of US Retailer Neiman Marcus and Regus customer explains, “I don’t have to find a space, furnish it, connect IT and all the other things that go into setting up an office. It boils down to the convenience. The Flexible Office is ready-to-work.”

“Technology companies may have been first to enable the consumer to build and customise their own unique experience around a core product, but there’s a growing expectation that property should work like that too.”

Richard Howard

Cushman & Wakefield, London

The Corporate Benefit:

Through the WORKwise programme, Lloyds Banking Group has introduced flexible working practices in 20% of its office estate and now includes more than 18,000 employee participants. The benefits of this include significant cost saving in relation to real estate. In 2013, Lloyds Banking Group expanded the programme to further reduce desk demand in London. The organisation aims to remove 1,000 desks from its London real estate over the next two years and stands to save £10 million in the process.

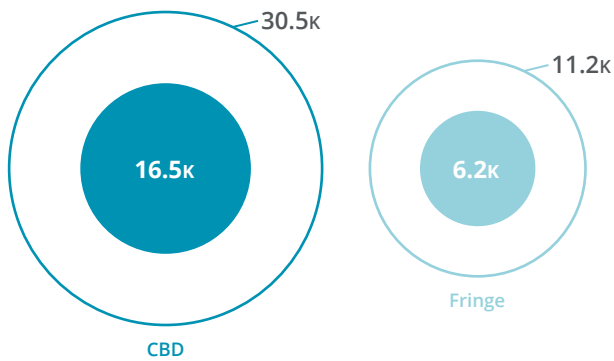
03 Location

The GFC triggered a decline in construction globally by 5% in developed markets. The effects are still being felt today despite renewed development activity and market buoyancy. A subsequent shortage of Grade A office supply in all global financial centres has sent office rents in Central Business Districts (CBDs) soaring by an average of 10.1% in the last two years. A 7% rise in the number of commuters from the suburbs into CBDs over the past decade has added a further pressure on global city infrastructure. Though business is enjoying a global resurgence, conventional offices in high-demand locations have become prohibitively expensive for most small companies.

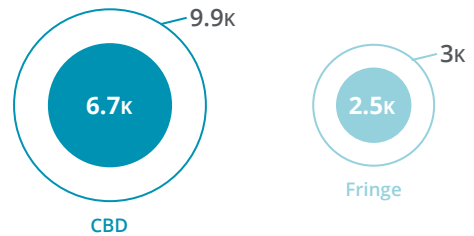
Flexible Offices, however, have the potential to relieve much of the strain. Remote working for employees alleviates the requirement to commute to the CBD from suburban areas. This could benefit both employees and employers due to increased efficiency from reduced travel time and lower rents in fringe locations.

The Cost Differential

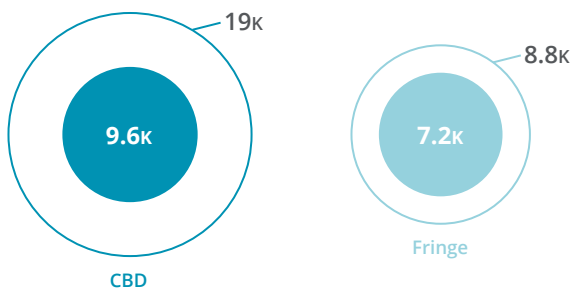
London



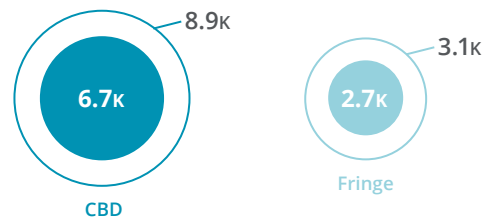
Shanghai



New York



Berlin

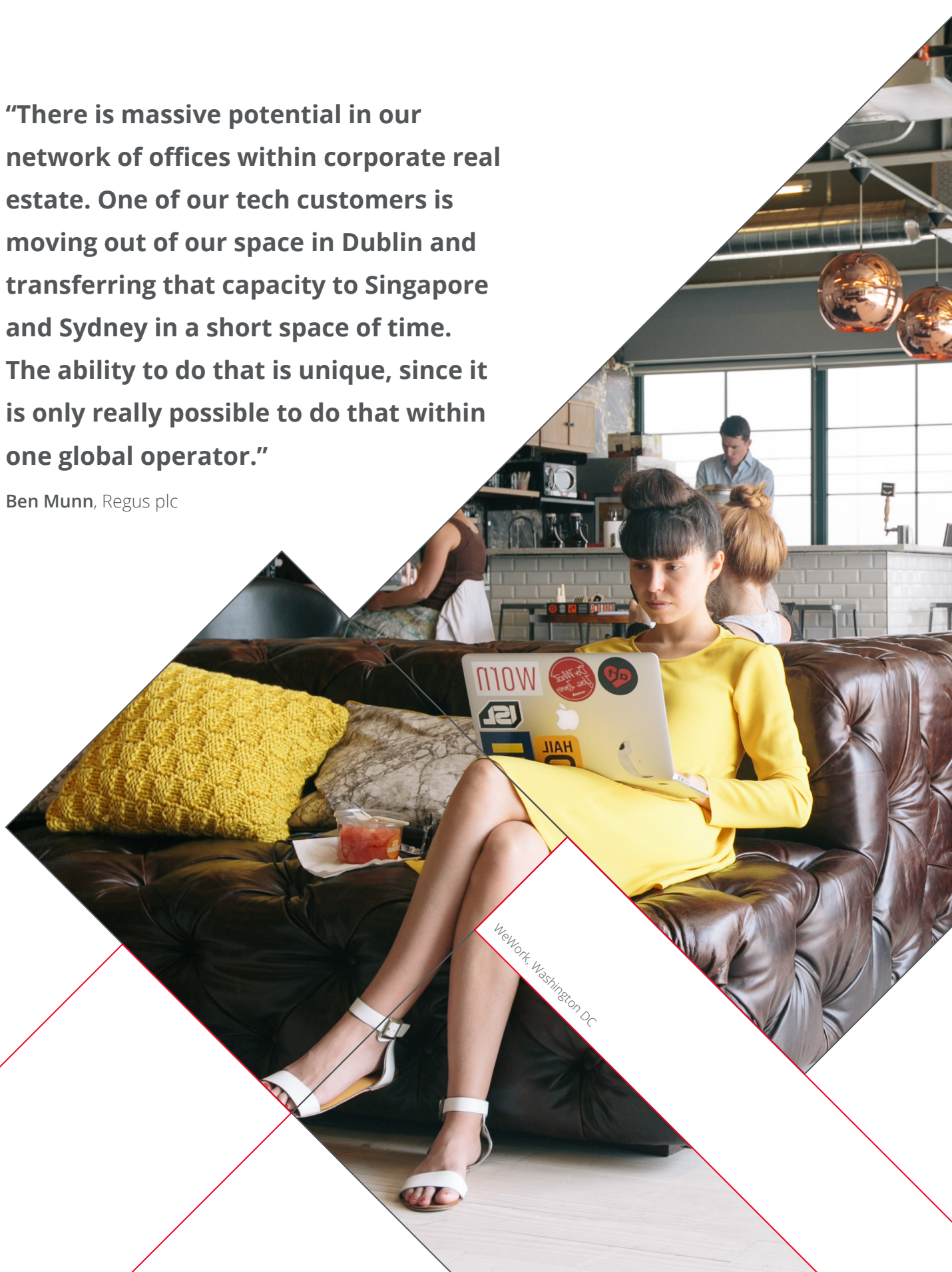


- Conventional Office Costs
- Flexible Office Costs

Figures in US\$ per annum per workstation (08/06/2015).
Costs are calculated by the Cushman & Wakefield Global Occupier Metrics tool

“There is massive potential in our network of offices within corporate real estate. One of our tech customers is moving out of our space in Dublin and transferring that capacity to Singapore and Sydney in a short space of time. The ability to do that is unique, since it is only really possible to do that within one global operator.”

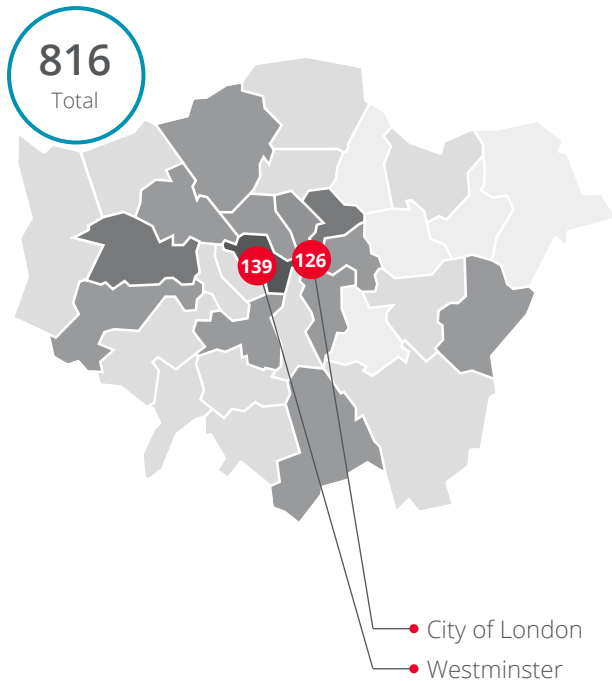
Ben Munn, Regus plc



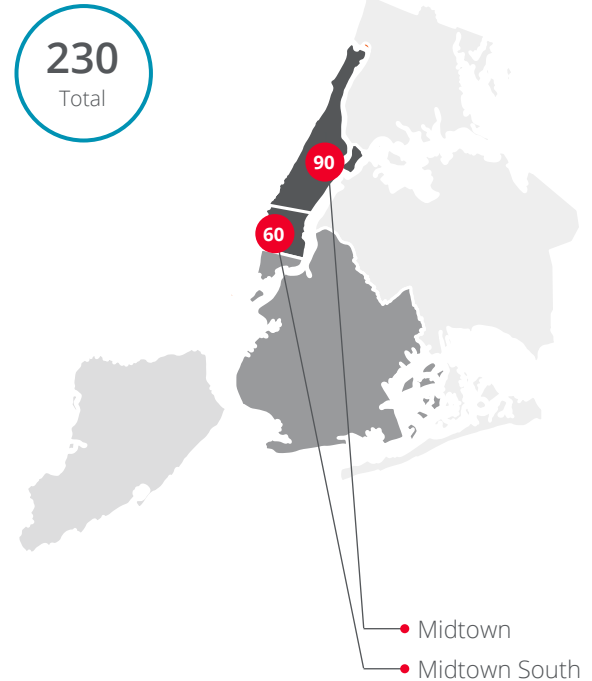
WeWork, Washington DC

NUMBER OF FLEXIBLE OFFICES

London Sub Markets



New York Sub Markets



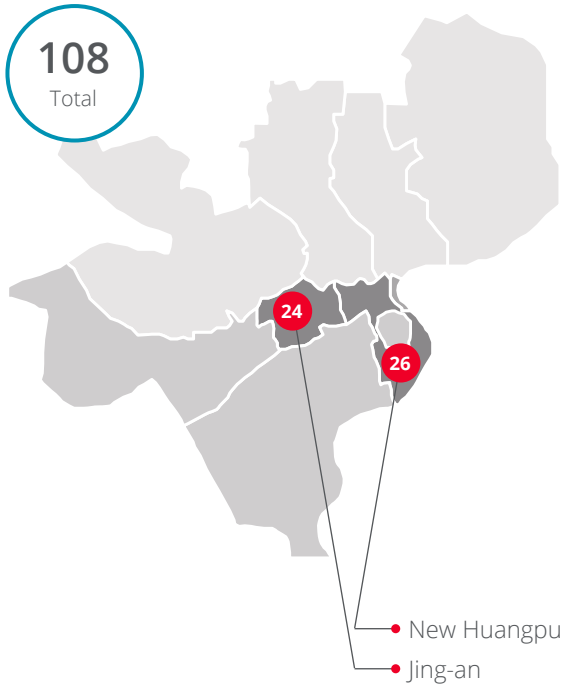
04 Growth

It has long been necessary for multinationals to have a physical presence in the regional markets they operate in. Flexible Offices have proved effective entry-level solutions, particularly through global office networks that operate universal standards of service. Tenants have the option to expand or relocate quickly, with little upfront capital or commitment. In explaining the company's growth internationally, Wolfgang Gollub, Senior Manager of Toshiba Europe comments that using Regus is "simple, cost effective and does not require a long term commitment that either hinders growth or wastes money on unnecessary space. Flexible Offices make setting up in a new country low risk and hassle free." A 'passport' system across a given network enables employees to connect and work from different local, national or international locations as determined by their task. Regus' Businessworld and WeWork's Commons membership provide customers with access to a global network of offices. The Flexible Office market is proving best placed to manage globalisation, mobility, fast-paced growth and risk, and operators compete to provide the most effective network and service.

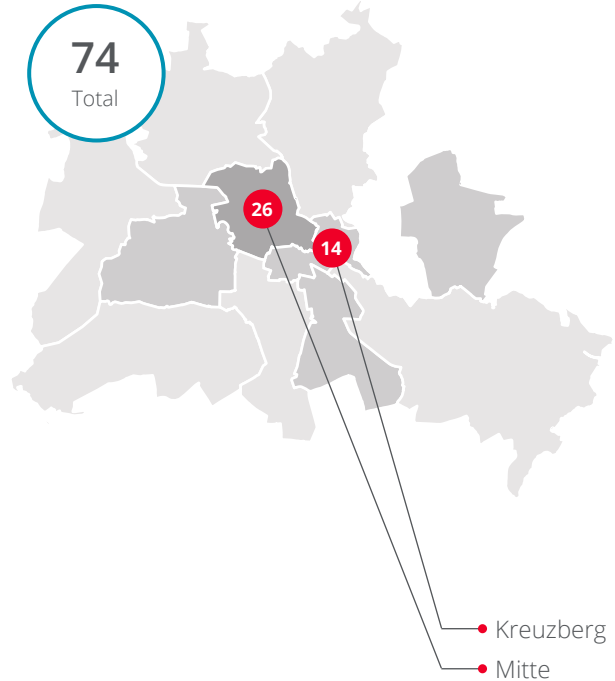
"Flexible working is central to BT's competitiveness. Not only does it help us continuously improve our cost base and productivity but it brings important human benefits, such as a better work life balance and underpins the resilience of our business in turbulent times."

Dave Dunbar, BT

Shanghai Sub Markets

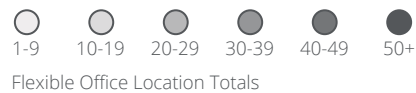


Berlin Sub Markets



05 Advocacy

Flexible working has been embraced by large companies and national governments as well as cost-conscious startups. Corporate giants, BT and Bank of America, are just two examples of companies that have adopted flexible working practices and enshrined them in employee contracts, where employees have the option to work remotely and adjust their working hours. Against the backdrop of a largely traditional business culture in China, Shanghai has been coined a 'Free Trade Zone' by the government, where it will pilot flexible working across a number of industries in the hope of realising commercial gains. Restrictions on standard hours of work have been lifted for certain sectors, allowing employees to shift their working day. Similarly, in 2014 the UK Government introduced the right for all employees to work flexibly, a benefit previously reserved for those with parent or caring requirements. Advocacy by corporates and governments alike will help fuel the growth of the Flexible Working industry.



THE CULTURAL FORCES

01 Entrepreneurship

The Global Entrepreneurship Monitor recorded over 400 million active entrepreneurs in 2014. Over 55% cite passion and autonomy as the key motivations for self-employment, preferring the ability to choose when, where, how and on what to work. With more than 10.2m registered businesses between 2010 and 2014 and over 40 million people self-employed in developed economies, the global office market is seeing more than ever a need to accommodate a surging demand for short-term, low-cost, flexible workspace from micro businesses.

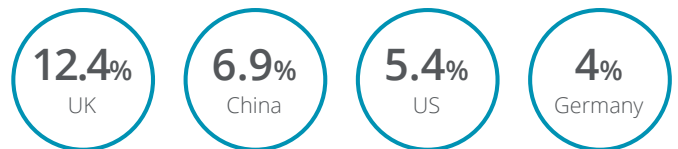
“We have more software developers than Google, and more technologists than Microsoft.”

Anish Bhimani, JPMorgan Chase

02 Technology

The digital economy is expected to account for 5.3% of GDP in the G-20 countries by 2016. This represents one of the world's fastest growing industries owing to a global rise in core technology companies and to a growing reliance on technology by the professional services market; approximately 50% of banking employees are now engaged in IT and technology related roles. The allure of the industry for its participants is in its potential. Companies require little resource to start but are able to scale rapidly if adopted. With significant reward available at comparatively low risk, the industry is flourishing, and with it, the demand for flexibility.

Digital Economy



percentage of GDP by 2016



03 Connectivity

Over 40% of the world's population now have access to internet, marking a 700% growth in the last 15 years. The Ericsson Mobility Report 2014 records 2.7 billion smartphone users and estimates that in 2020, over 90% of the world's population over the age of 6 will have a mobile phone, owing to the falling cost of handsets, improved usability and increasing network coverage . This global phenomenon of technology enablement is redefining the workplace as employees with a laptop computer and internet connection are increasingly able to work anywhere, and causing businesses to reconsider their real estate strategy around more flexible options.

Connectivity Innovations:

New York City-based **Sesame Workshop**, a non-profit educational media company best known for TV show, Sesame Street, introduced its Bring-Your-Own-Device (BYOD) scheme in 2012. Leveraging the personal connectivity of its employees, fully supported by its IT department, the company was able to save money and increase efficiency. Employees could now use the technology they wanted in a secure, managed environment, at any time or place and at no additional cost to the business.

04 Recruitment & Retention

38% of employers globally believe that the single biggest challenge facing their business today is recruiting and retaining talent. With millennials expected to make up 75% of the global workforce by 2025, businesses are adapting their workspace strategy to align with the cultural values of this future. The Catch Me If You Can survey by Regus shows that 72% of respondents feel flexible working attracts top talent and 74% believe that it improves employee retention. Remote locations allow employees to move between corporate headquarters and Flexible Offices at their discretion, depending on the type of work expected. This allows employees to have a balance between a necessary corporate environment for meetings with line managers and clients, and an alternative creative space for project work.

05 Networks

The Flexible Office market attracts a diverse tenant mix, and in doing so, connects a variety of complementary services under one roof. Members have access to invaluable professional networks, while proactive operators will introduce their customers to potential partners and customers within their portfolio, understanding a highly integrated network is advantageous to their business as well as to their members. Chantelle White, Senior Vice President of YouAppi, New York, comments that “being in a Coworking space has improved my company’s network particularly on the funding side of the business. It has created more connections to venture capitalist funds which is critical for us to expand and grow.”

“A well-known electronics company makes use of our Coworking offering. The company have their main office outside London, and their product design team had an office in Central London. Once their lease ended, they decided to use Club as their London base, which gave them the flexibility to work in both the city and their headquarters.”

Andrea Kolokasi, Workspace Group, London

The Office Group, Farringdon, London

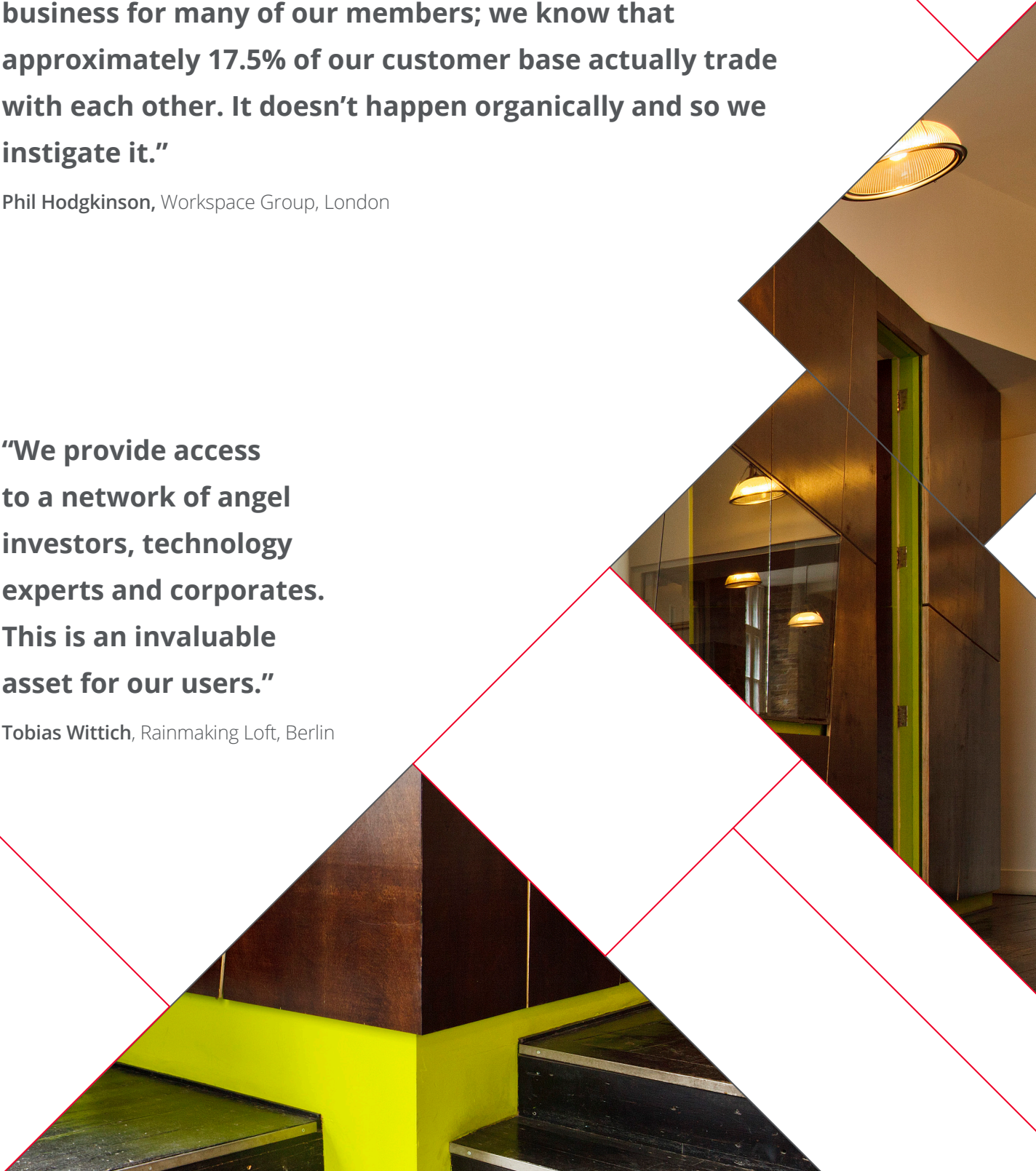



“We use the events as a platform to integrate our customers by actively introducing people from different companies to each other. This has resulted in winning business for many of our members; we know that approximately 17.5% of our customer base actually trade with each other. It doesn’t happen organically and so we instigate it.”

Phil Hodgkinson, Workspace Group, London

“We provide access to a network of angel investors, technology experts and corporates. This is an invaluable asset for our users.”

Tobias Wittich, Rainmaking Loft, Berlin





“I can see the Flexible Office market becoming quite saturated so there has to be careful consideration when providers open additional centres. There is obvious demand at the moment - most flexible office providers are operating at a very high occupancy rate. There is a lot of competition and expansion needs to be considered at every stage, but we have to ask: can growth continue at the same rate as the past few years?”

Nick Russell-Smith, Cushman & Wakefield, London

The Office Group, Mayfair, London



RISKS

01 Market

There is an expectation that Flexible Offices will always have available space, wherever and whenever the customer wants it. Since there is so much choice in the market, if this availability is not provided instantly, they will move to another provider who can service their requirements.

02 Operator

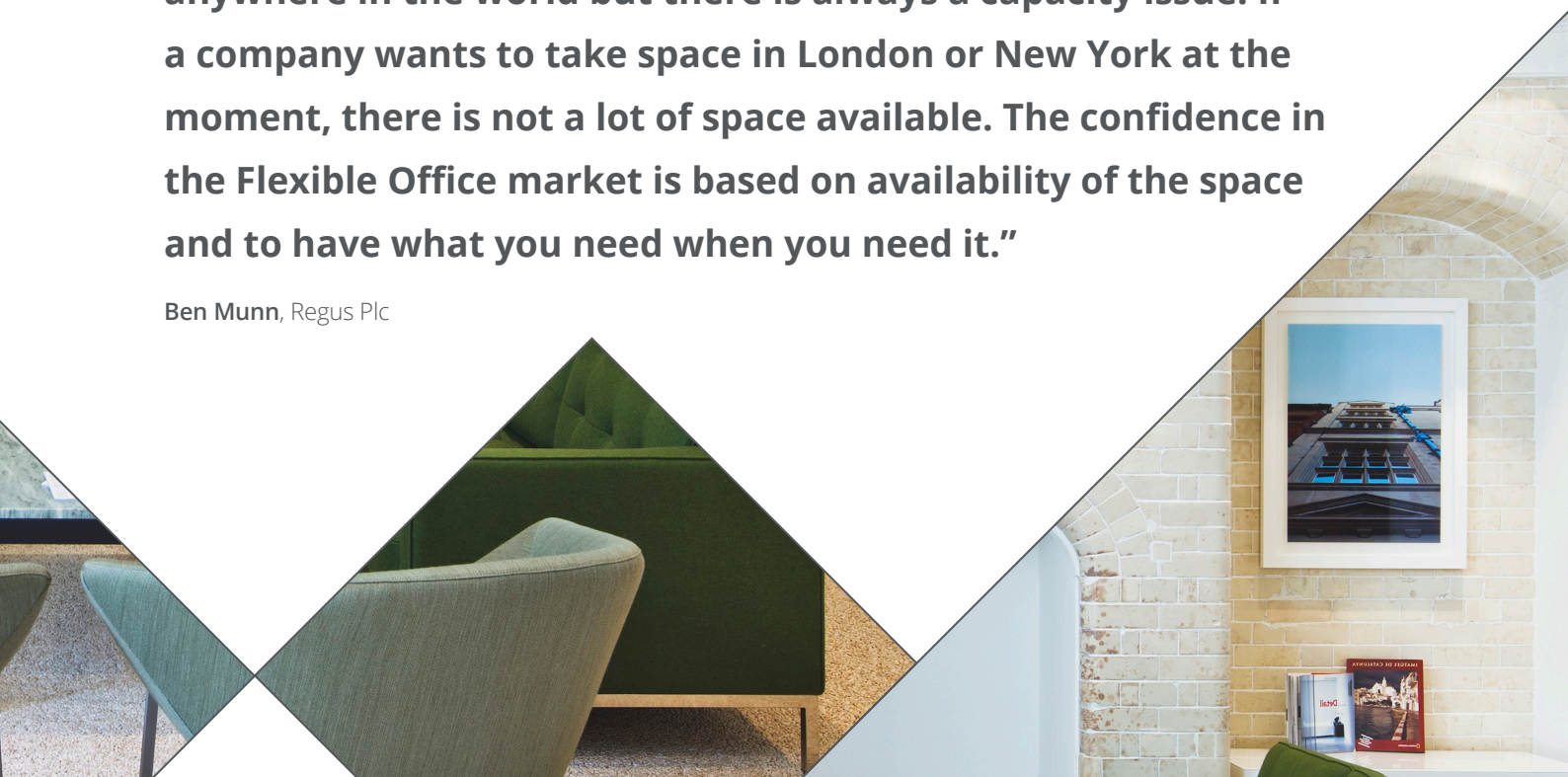
Providers have to be cautious not to create too much supply so that in the event of a down turn, occupiers can vacate the space immediately leaving them exposed to higher risk than the conventional office.

03 Tenant

As companies introduce flexible working practices to their business there is a concern that a physically disconnected workforce will cause commercial and cultural challenges. Proximity to colleagues arguably cultivates more effective and efficient working relationships. Yahoo CEO Marissa Mayer put an end to the company's remote working policy, and has since argued that workers are 'more collaborative and innovative' when they're together.

“One of the big challenges we have with our corporate customers is that we can get them office space pretty much anywhere in the world but there is always a capacity issue. If a company wants to take space in London or New York at the moment, there is not a lot of space available. The confidence in the Flexible Office market is based on availability of the space and to have what you need when you need it.”

Ben Munn, Regus Plc



THE REGENERATION EFFECT

Despite the influence of technology on global socio-economics and the notoriety of 'Silicon' clusters, the sector has historically emerged from city fringes, away from the CBD.

Leveraging an inherent ability to transact and service online, product-led technology companies have been free to locate in cheaper, edgier city fringes, motivated by larger space and lower rents. The sector brings with it a highly skilled, well-incentivised workforce, attracted by its fast-growth, high reward potential, and undeterred by location. The effect of that migration of resource and competency is twofold: (1) it attracts complementary or competitive companies to the area; and (2) it establishes a demand for support services and amenities. That causal chain gives rise to a *regeneration effect*; inward investment to an area that increases its overall value to businesses and residents alike.

Flexible Offices are often first to answer the demand, providing the infrastructure and support companies need to setup. In fact, occupancy levels in a Flexible Office provide a strong indication of an area's economic health, since it not only supports companies to start but also assists them to grow through its product suite. Though in the past, regeneration has unfolded slowly and organically, with commercial success feeding residential investment, today developers are successfully engineering the multi-facets of a high-value area in one sweep. Bringing together established and early-stage companies, local and national retailers, residential developments and transport links, investors are able to cultivate demand and populate new areas in a shorter timeframe. Flexible Offices ensure the vital injection of business diversity that stimulates many of the social dynamics that follow.





Club Workspace, Bankside, London



Placemakers

@kingscrossN1C

An ongoing development covering 67 acres of central London, Argent has transformed Kings Cross from a historically unloved part of the city into a highly sought-after destination for people to live, work and socialise. Its success is beholden to Argent's emphasis on *placemaking*; combining effective public spaces with a complementary mix of commercial tenants. Office use makes up over half of the development scheme, so striking the balance will certainly influence the character and overall success of the area. The future looks bright, having attracted the likes of Google, the Jamie Oliver Group and Louis Vuitton, together with The Office Group in One and Seven Pancras Square, bringing with them a community of startups and SMEs. As Charlie Green, co-founder and CEO of The Office Group explains, "the Kings Cross development centres around having a broad spectrum of occupiers. Tenants range from educational institutions, such as UAL Central Saint Martins, to multinational corporates like Havas and Google. The diversity brings a dynamism and a uniqueness to Kings Cross, which will inevitably attract people to come here."

"I think landlords who have large office portfolios find it beneficial to contract space to Flexible Office providers because they attract small businesses. Startups grow fast and are inherently more innovative than larger companies because they can move quicker and take more risks. For this reason corporates like to be around small companies; they generate an active and energetic environment to be in."

Nick Searl, Partner, Argent LLP., London



Co...working

@factoryberlin

Adjacent to remnants of the Berlin Wall stands Factory Berlin, a 16,000 square metre campus and self-described 'stage agnostic accelerator'. Factory hosts some of the world's largest technology brands including Twitter, SoundCloud, Uber, Zendesk and Google Campus Berlin alongside some of the smallest. By having several established companies in the campus, 85% of people who work in Factory are employees rather than freelancers, dispelling the view that Coworking applies to the one-man-band alone. Founder Simon Schaefer in fact broke the mould with a Coworking model that accommodates both startups and multinational companies together and the results have been exemplary. Schaefer explains, "we've applied the Coworking concept to all stages of business in Factory. Having SoundCloud next to Twitter and Twitter next to lots of startups helps everybody involved. Universally, big companies want to be around startups and vice versa due to the opportunity to learn from one and other." The model will be truly tested next year when Factory expands to six new locations.

"Artists and bohemians have been flocking to Berlin since the wall came down in 1989. Affordable rents and vacant spaces allowed room for experimentation, as diversity in numbers created a dynamic infrastructure for cultural exchange. Today, coworking spaces are helping advance this infrastructure by creating vibrant environments for startups and established companies alike."

Sophy Moffat, Cushman & Wakefield London



Brooklyn soars

@DumboHeights

Formerly the Watchtower buildings for Jehovah's Witnesses, co-owners Kushner Companies, Invesco, RFR Realty and LIVWRK aim to convert Dumbo Heights into 'an urban campus in the heart of the Brooklyn Tech Triangle'. The Dumbo neighbourhood is already synonymous with the tech and creative scene in New York, where there are over 500 technology companies within a ten-block radius, and Dumbo Heights is certain to bolster the area's reputation, having signed-up Etsy, Frog Design and jeweller Alexis Bittar so far. WeWork also joins the list of tenants, opening offices this August. The Flexible Office provider has roots in Dumbo, where co-founder Adam Neumann started its precursor Green Desks in 2008 when the area was in far less demand. Neumann comments, "as members of a community of creators, we've always been attracted to Dumbo and all it represents. It's great to be back on the shores where we started, looking out at Manhattan and dreaming of helping to reshape that skyline. The market in Dumbo is so tight right now, there's nowhere else to find this kind of space."

"Dumbo Heights is creating a truly collaborative campus that works hand in hand with each of its tenants, and WeWork's approach perfectly complements our partnership's vision for the property."

Jared Kushner, Kushner Properties, New York



Fuxing creative

@soho_china

Property investor SOHO China has recently piloted its own-brand workspace, SOHO3Q, in Wangjing, Beijing and Fuxing Plaza, Shanghai, with imminent plans to roll out four new sites. SOHO intends to embed SOHO3Q across its portfolio of 5.5 million square meters as well as in new projects, which could make the investor one of the largest Flexible Office operators in the country. Covering nearly 140,000 square metres in the centrally located Huaihai Road area of Shanghai, SOHO's Fuxing Plaza consists of boutique high-end retail and prime offices awarded Gold LEED certification. SOHO3Q occupies three floors in one of its low-rise blocks and is specifically aimed at early-stage companies and freelancers. Foregoing the stable income streams and strong covenants associated with established companies, SOHO3Q has its sights set firmly on China's growing market of independent, mobile workers, predicting that a flexible model of work and workspace for an 'internet generation' will be good for business in the long-run.

"For SOHO China, the internet is not merely a tool or a technique, but it is a way of thinking. Every aspect of our management has gone online from design to procurement, leasing to energy management. SOHO3Q is a manifestation of this thought process; a new office product accommodating an Internet Generation."

Pan Shiyi, Partner, SOHO China

A FLEXIBLE FUTURE

In the last few years, flexibility as a function has become increasingly embedded in corporate strategy and urban development. Accessibility and aesthetics of a workspace are critical aspects of design today, but control and customisation are its future. Demands of the workplace have moved beyond a strictly functional space into hubs where corporate values and culture are ingrained, relationships are forged, skills are shared and ideas are tested; the levels of intrapreneurship, creativity and wellbeing are becoming more revealing barometers of success.

Today's Flexible Office market is growing fast and its pace can be attributed to a number of commercial and cultural forces. Cushman & Wakefield and UnWork's *Future of the Financial Workplace* report highlights broad market penetration, showing that even companies epitomising traditional corporate values have adopted flexible working practices. In some cases the motivation to change is determined by choice and in others, by a necessity to compete for talent and margin in a highly competitive, global market. The Flexible Office has proven itself as an important real estate strategy for startups and scale-ups seeking locality, community and cost-saving. Equally, global giants Twitter at Factory Berlin and Toshiba at Regus have all seen employee satisfaction and productivity levels increase as a result of flexibility, and have benefited from a simplified, cost-effective solution to regional and international expansion.

Looking forward we anticipate continued growth in the Flexible Office market as incumbents expand their network and opportunistic new entrants 'pop-up' in as yet, unexplored cities and countries.

Three key drivers of future growth

01 Opportunity Cost

One of the biggest challenges facing business today is balancing a low-cost environment with a competitive ability to attract and retain talent. The influence of Recruitment and Retention is a factor affecting growth, and the emerging millennial workforce is likely to fuel the adoption of flexible working culture. By retaining small, permanent headquarters outside the CBD supplemented by employee membership with a Flexible Office operator, businesses can both reduce costs and increase employee flexibility. Workplace strategies of this kind will become more mainstream as corporates seek to retain a competitive balance.

02 Regeneration Effect

Technology communities and talent pools in fringe locations supported by Flexible Office providers will attract inward investment and increase value. Developments including Kings Cross in London and Dumbo in Brooklyn demonstrate that regeneration is based on creating vibrant city districts with transport links, residential, commercial and cultural uses, drawing a diverse mix of people to the area. Flexible Offices provide the necessary infrastructure for technology companies and small businesses, and will play an active role in these new emerging locations.

03 Asian Growth

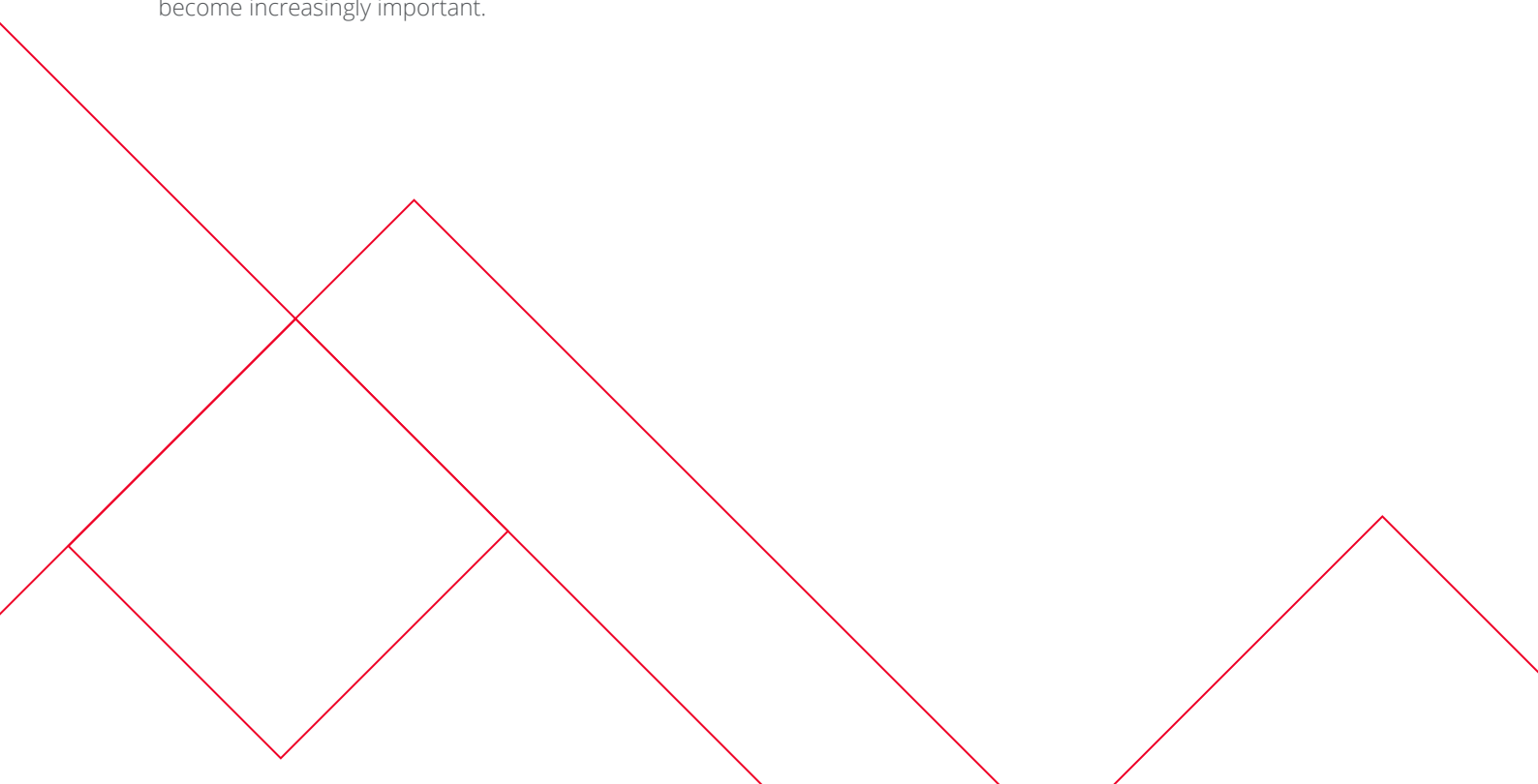
With the Flexible Office concept still relatively new in Asia, there is significant potential for growth to be realised. Developers SOHO China and Flexible Office operator People Squared both observe increasing levels of usage as mobile working becomes more prominent in Asian culture and have subsequently set their sights on further expansion. As new cities develop, Flexible Offices will play an increasingly important role in urban infrastructure. Recent economic uncertainty in the region may prove to be another determining catalyst for the proliferation of flexible workspace.

CONCLUSION

“As businesses adjust to the realities of increasing rents and the rapid pace of a globalised, technology-enabled market, the biggest challenge they face is not in fact cost or mobility, but *people*.”

Steve Quick, Head of Occupier Services, Cushman & Wakefield

The Flexible Office market has for over 30 years sought to provide growing businesses with an effective alternative to the traditional office. Its latest incarnation is more attuned to human needs than ever. Steve Quick, Head of Occupier Services explains, “As businesses adjust to the realities of increasing rents and the rapid pace of a globalised, technology-enabled market, the biggest challenge they face is not in fact cost or mobility, but people.” This trend is not simply about creating open plan layouts or adding a café. It is about giving people control and flexibility in their environment. It’s about enabling connections and creating a community beyond corporate meetings as well as allowing people to work in ways that give them choice, meaning, and purpose. At a time of global skills shortages when employers are striving to attract and retain the world’s top talent, this matters. Flexible Working principles can help surmount a range of challenges, and the values espoused by the industry will become increasingly important.



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