

The Workthere Flexmark 4.0

Our Annual Global Flexible Office Benchmark





Executive Summary/Introduction

Loom, Madrid

Occupancy, Pricing & Profitability:

- Occupancy (by contract) levels have remained stable over the last 12 months for both private offices and shared offices. Private office occupancy has remained largely unchanged with 83.6% in 2022 and 83% in 2023 globally, this is compared with 81.4% occupancy prior to the pandemic. Shared office occupancy has remained stable at 70.5%, a small increase on 69% this year, which is above the level seen in our first Flexmark of 60.2%.
- Desk price growth across the global market has however remained flat at 0%, compared to a 7% increase in 2022. In most markets, with demand remaining stable, operators have had to remain price competitive in order to both retain as well as attract customers. Maybe surprisingly, given the inflationary pressure across global markets, we have seen an increase in the proportion of flexible offices that are profitable on an operating level (defined as revenue minus operating costs divided by revenue). Over 42% of global operators surveyed had a margin greater than 26%, in comparison to only 15% last year.

Use of space:

- The average global desk density of the overall space (both net sellable and break-out space) was 73 sq ft per desk. When you assess the net sellable desk density of a private office, over 60% of operators globally are between 1 desk per 36-45 sq ft. The responses from providers support the shift to hybrid working, with 57% saying that members are using their space three times per week. Interestingly since the last survey all operators now report members are using the space a minimum of three times a week, whereas in our previous survey only 6% were still only using the space twice a week.

Member profile:

- We continue to see larger businesses take more flexible workspace. Larger companies (101+ people) now account for 34% of global take-up in flexible offices, compared to 22% in 2022 and just 13% in 2020. Together, larger companies and scale ups (21-100 people) now account for 54% of global flexible office members, compared with 42% of members last year.
- The financial services sector has accounted for 27% of global flex demand in 2023, a significant increase on a share of 17% in 2022. Tech companies continue to play an important role in the economics of the space they occupy in the flexible office sector, accounting for 30% demand, albeit a drop on the 35% share of demand in 2022.

What do the customer's want?

- In 2023, meeting rooms overtook phone booths as the number one global demand of members acquiring space although both remain the top two demands of customers. In 2022 we saw significant demand for extra passes (17%) however this has reduced down to 5% in 2023.

Operator growth & ESG strategy:

- There remains a preference globally to expand via an operational lease, and this is consistent across every region. Management agreements are however increasing in popularity as a more capital light route to expansion for operators. In terms of where operators are hoping to expand, capital cities were the clear winner with a 62% share of preference globally, followed by regional cities (18%), regional towns (10%) and new countries (10%).
- In this year's Flexmark we also surveyed operators in respect of their net zero strategy. This came back as a straight 50:50 split between operators that have put one in place and those that have not. Of those that have one in place, 15% have already reached their Net Zero target, with the majority planning to achieve it in the next five years, and then a large portion (29%), likely those without a strategy in place yet, are hoping to achieve in the next 15-20 years.

Future of Flex

- In this year's survey on the future of flex, the growth of management agreements came out on top, followed this time by the growth of online booking of space through a platform and then spaces centred on lifestyle and design. Interestingly the growth of Zero-Carbon operational spaces dropped down the ranking, possibly as operators explored some of the challenges around delivery of such spaces.



Occupancy, Pricing & Profitability

Despite significant headwinds across the global economy and numerous headlines on the performance of WeWork, the data in this report shows that the flexible office sector has remained largely resilient.

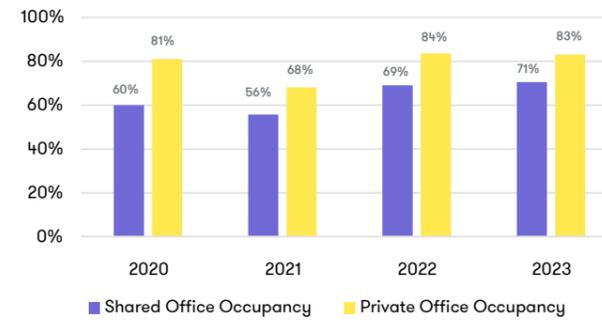
Last year we saw occupancy (by contract) levels re-bounce to the levels seen pre-pandemic, this year they have remained stable. Private office occupancy has decreased marginally from **83.6% in 2022 to 83% globally in 2023**, this is compared with 81.4% occupancy prior to the pandemic. Shared office occupancy has remained stable at 70.5%, a small increase on 69% this year, which is above the level seen in our first Flexmark of 60.2%.

Private office occupancy in the UK and Asia had the highest average occupancy at 85% and 87.5% respectively. The UK dropped slightly from 2022 where it was 88.2%, whereas Asia actually increased from 81.8%. India, where flex demand is as strong as it has ever been, was a particular driver in this improvement in the region. North America occupancy was the lowest of the regions at 78.8%, this was though a small improvement on 2022 which was 76.6%.

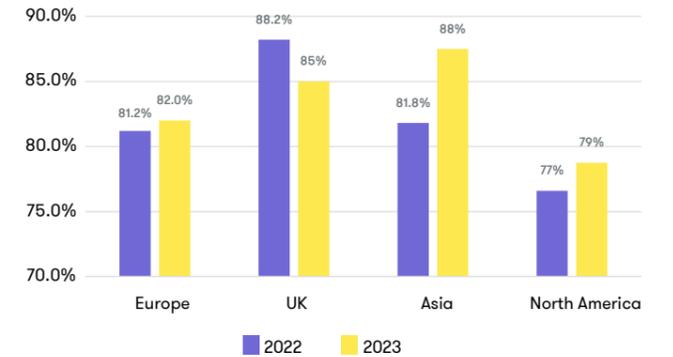
Desk price growth across the global markets has however remained flat at 0%, compared to a 7% increase in 2022. In most markets with demand remaining stable, operators have had to remain price competitive in order to both retain, as well as attract customers. New centres have helped maintain price growth at the premium end of the market, however older centres have struggled to uphold desk prices and seen larger discounts in order to maintain occupancy. The result is little overall price movement, but a larger gap in the price range between best in class space and secondary flexible office space.

Private offices remain the core income stream of operators, accounting for 65% of operator revenue in 2023, only a small drop on 66% in 2022. Dedicated desk income was up to 20%, the highest recorded since our survey began in 2020, showcasing a continued underlying demand for true co-working space and may be a result of companies increasing their co-working memberships as a cost efficient option for office space with the growth of hybrid working.

Global average of private office contract occupancy vs shared office contract occupancy



Private office contract occupancy by region

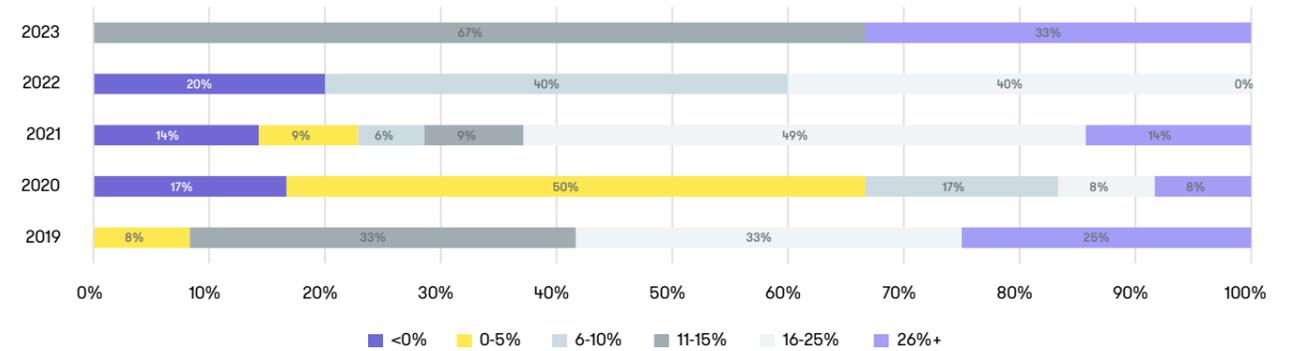


Where does this leave profitability? Maybe surprisingly, given the inflationary pressure across global markets, we have seen an increase in the proportion of flexible offices that are profitable on an operating level (defined as revenue minus operating costs divided by revenue). Over 42% of global operators surveyed had a margin greater than 26%, an increase on only 15% last year. We appreciate that not all operators with a negative margin have provided information, therefore these figures are

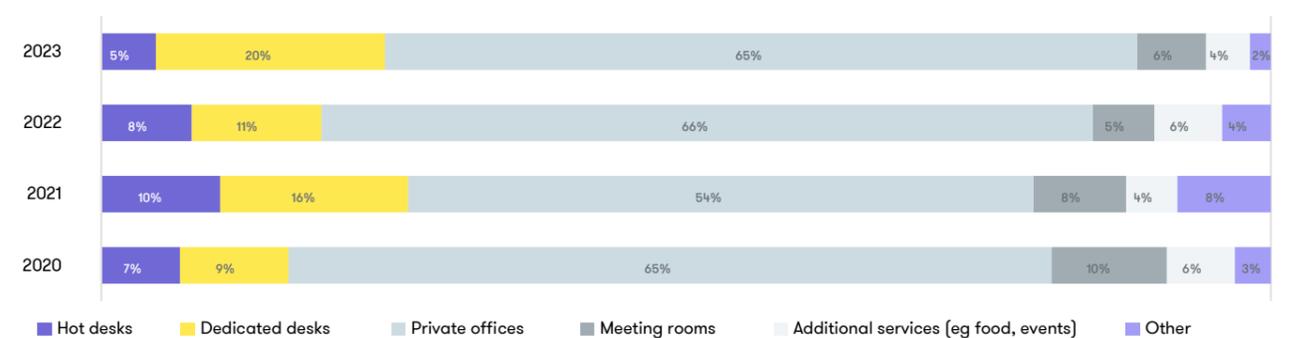
unlikely to be a true reflection of overall profitability in the market.

However, one driver behind this might be operators beginning to benefit from changing deal structures – with more management agreements and profit share leases in the market, making the operators more profitable at a building level.

Global average operator building profit margin



Global average revenue split of flexible offices by source of income



Use of Space

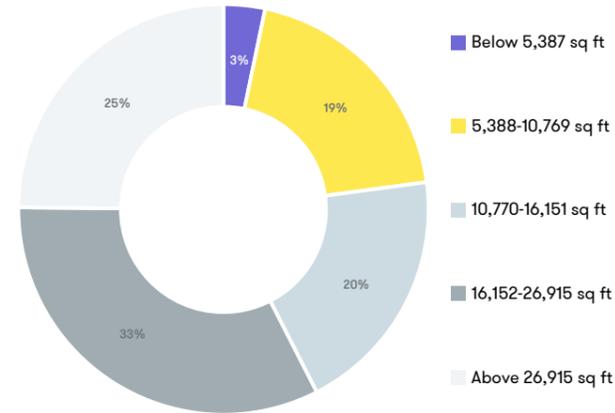
The average size of a flexible office centre globally in 2023 is 30,289 sq ft. The Pie chart shows the breakdown in average size of flexible office centres globally, with 33% of respondents reporting their spaces as larger than 26,915 sq ft and only 3% less than 5,387 sq ft.

The median number of desks is 265, which is a small increase on the 255 recorded in 2022. 44% of all centres were above 300 desks and the average global desk density of the overall space (net sellable and breakout space) was 73 sq ft per desk. When you assess the net sellable desk density of a private office, over 60% of operators globally are between 1 desk per 36-45 sq ft.

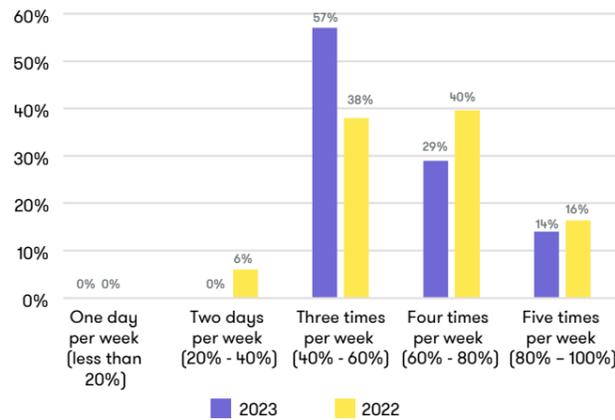
The responses from providers support the shift to hybrid working, with 57% saying that members are using their space three times per week. Interestingly since the last survey all operators now report members are using the space a minimum of three times a week, whereas before 6% were still only using the space twice a week.



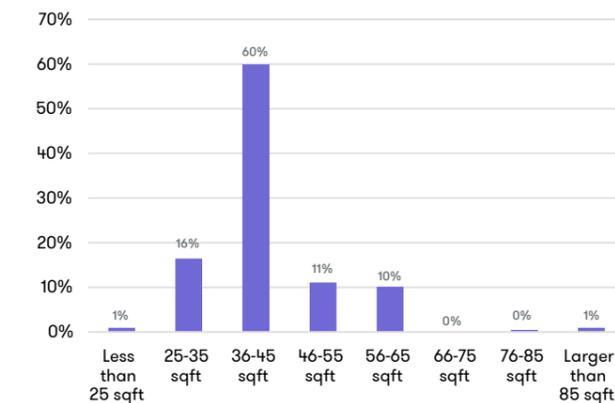
Size of flexible office centre 2023



Global frequency of flexible office use by members



Global desk density 2023 (private office sq ft per desk)





Mindspace, Warsaw

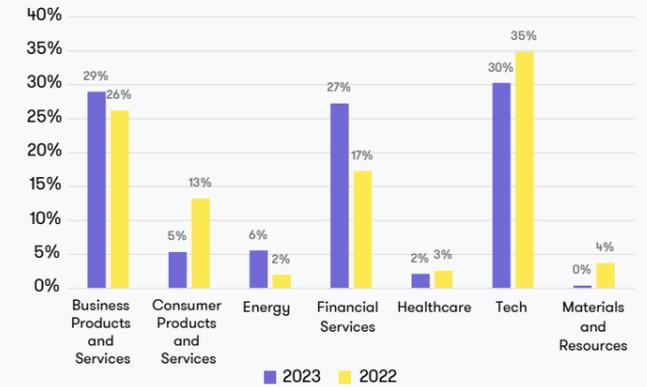
Member Profile

We continue to see larger businesses (101+ people) take more flexible workspace, now accounting for 34% of global take-up in flexible offices, compared to 22% in 2022 and just 13% in 2020. Larger companies and scale ups (21-100 people) now account for 54% of global flexible office members, compared with 42% of members last year. Broader economic challenges have made longer term real estate decisions harder for many larger businesses, and as such, many have looked to flexible workspace as a short and even long term solution in parts of their portfolio.

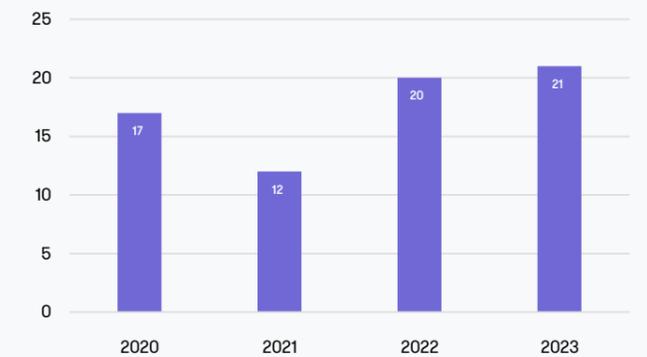
The financial services sector has accounted for 27% of global flex demand in 2023, a significant increase on a share of 17% in 2022. The energy sector has also seen an increase from a 2% share of demand to 6%. Tech companies continue to play an important role in the economics of the space they occupy in the flexible office sector, accounting for 30% demand, albeit a drop on the 35% share of demand in 2022.

In our survey this year, we found that the average global member lifespan increased slightly from 2022, from 20 months to 21 months. Both a significant improvement on the 12 months recorded in 2021, which was unsurprising given the impact of the pandemic. Operators have had to work hard at renewing as many customers as possible in order to maintain their margins in an increasingly competitive market place.

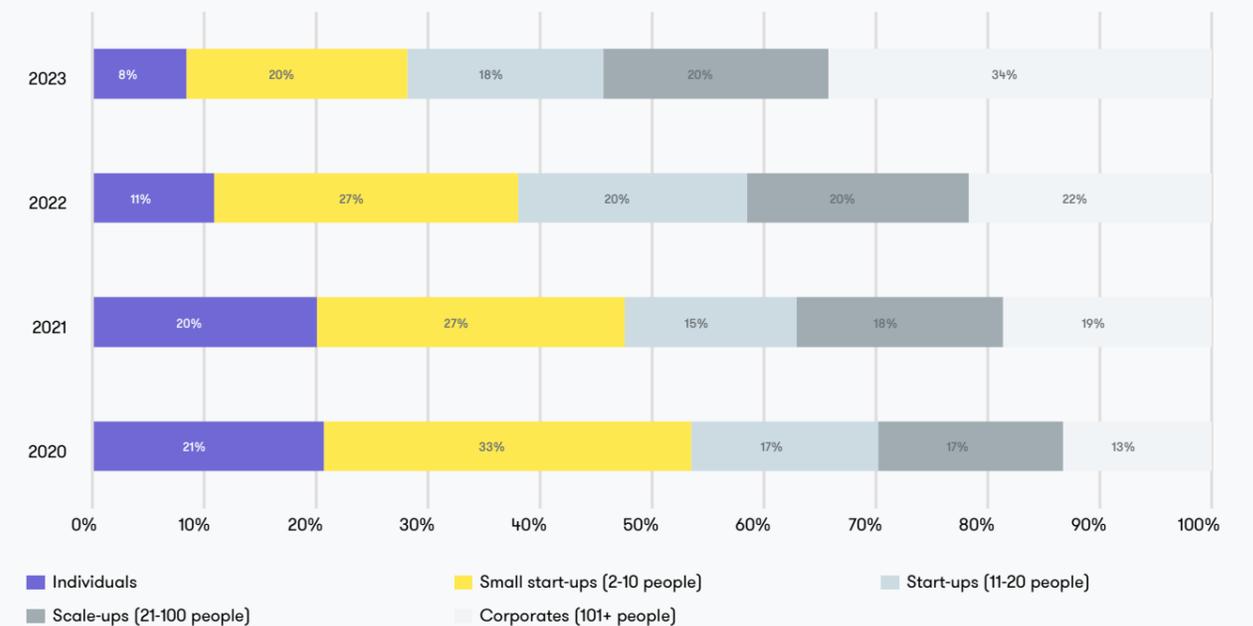
Global demand by company type



Average flexible office member lifespan globally



Size of companies occupying flexible office space globally



What do customers want?

Given the rate at which the demands of end users are developing, we wanted to focus on what features of flexible offices members were requesting the most frequently when searching for space.

In 2023, meeting rooms overtook phone booths as the number one global demand of members acquiring space, although both remain the top two demands of customers. In 2022 we saw significant demand for extra passes (17%), however this has reduced down to 5% in

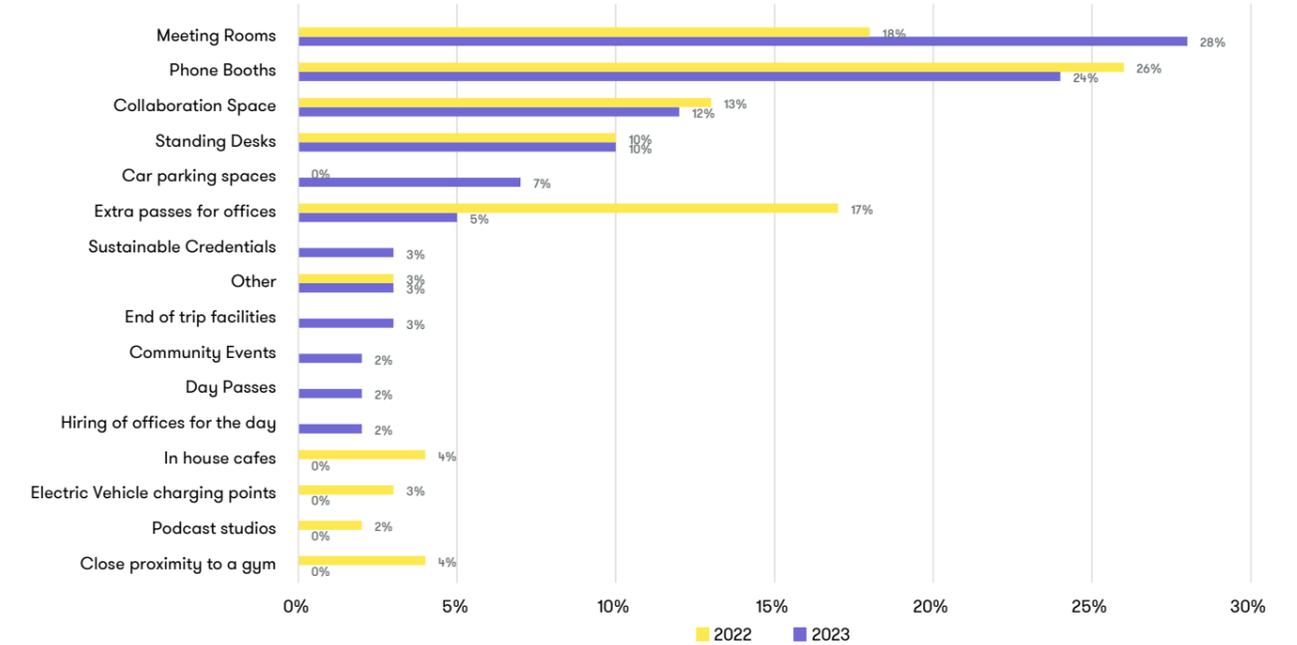
2023. Standing desks and break-out/collaboration space continue to be key requests of customers when choosing a space.

The need for more phone booths and internal meeting rooms demonstrates the increased requirement for privacy in these spaces as a result of the growth of hybrid working and video calls. We now see that many private suites of over 20 desks will include at least one dedicated meeting room for the customer.



Techspace, Berlin

Most demanded flexible office features globally



Asia	North America	Europe	UK
1. Phone booths 25%	1.Meeting rooms 33%	1.Meeting rooms 28%	1.Meeting rooms 28%
1. Collaboration space 25%	=2. Standing desks 17%	2.Phone Booths 25%	2.Phone booths 23%
=3. Standing desks 8%	=2. Collaboration space 17%	3.Collaboration space 12%	3.Community events 13%
=3. Meeting rooms 8%	=2. Extra passes for offices 17%	4.Standing desks 11%	4.Extra passes for offices 10%
=3. Day passes 8%	=5. Phone booths 8%	5.Cark parking spaces 7%	5.Car parking spaces 8%
=3. Cark parking space 8%	=5. Hiring of offices for the day 8%		
=3. Close proximity to gym 8%			
=3. Sustainable credentials 8%			

Operator growth and ESG strategy

In this Flexmark we asked operators about their expansion plans, namely preferred deal structure and then geographical strategy.

There remains a preference globally to expand via operational lease, and this is consistent across every region. Management agreements are however increasing in popularity as a more capital light route to expansion for operators. The challenge for many is there is still significant education for many landlords on the operational nature of these flexible workspace operators. We expect that as more evidence of underlying performance of these centres gets released,

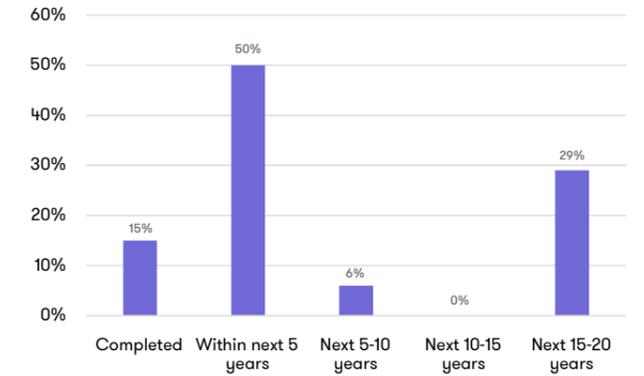
investor confidence in these operational models will grow and management agreements will become the preferred expansion route for the majority of operators. This is notable in the UK especially where management agreements are the preferred route for 46% of respondents, only slightly lower than the 51% who responded lease.

In terms of where operators are hoping to expand, capital cities were the clear winner with 62% share of preference globally, followed by regional cities (18%), regional towns (10%) and new countries (10%).

In this year's Flexmark we also surveyed operators in respect of their net zero strategy. This came back as a straight 50:50 split between operators that have put one in place and those that have not.

Of these, 15% have already reached their Net Zero target, with the majority planning to achieve in the next five years, and then a large portion (29%), likely those without a strategy in place yet, hoping to achieve in the next 15-20 years.

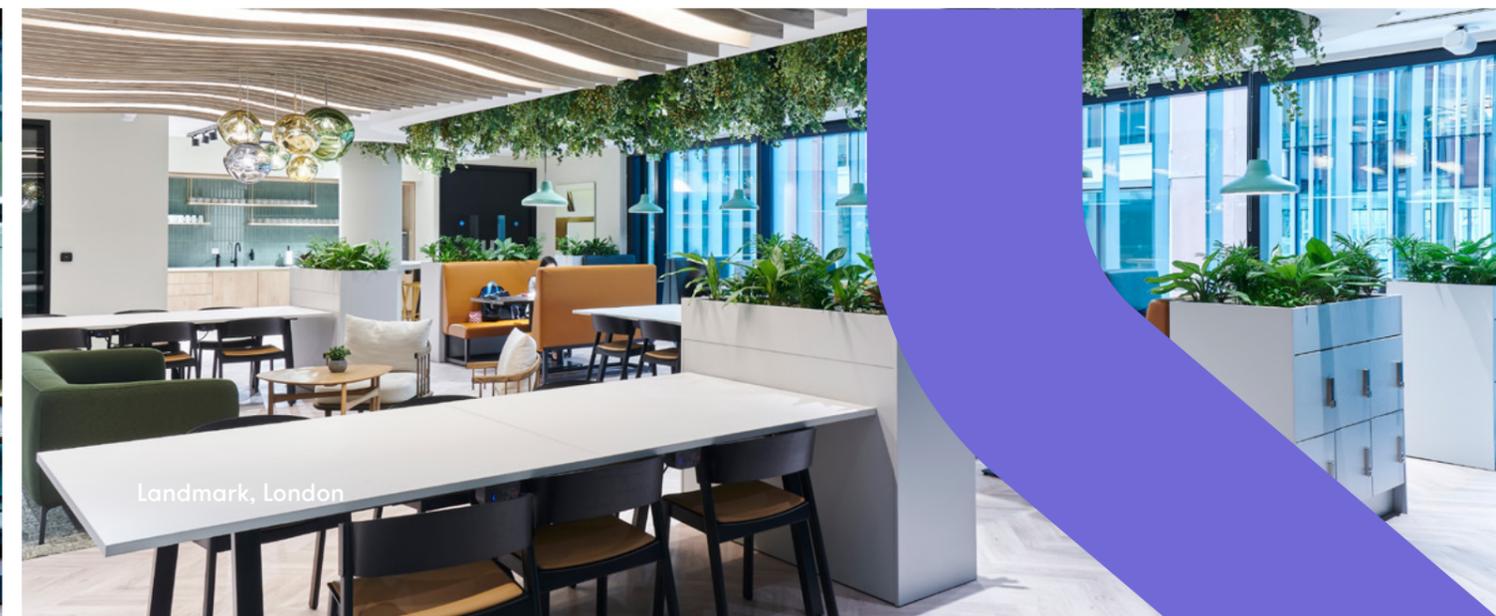
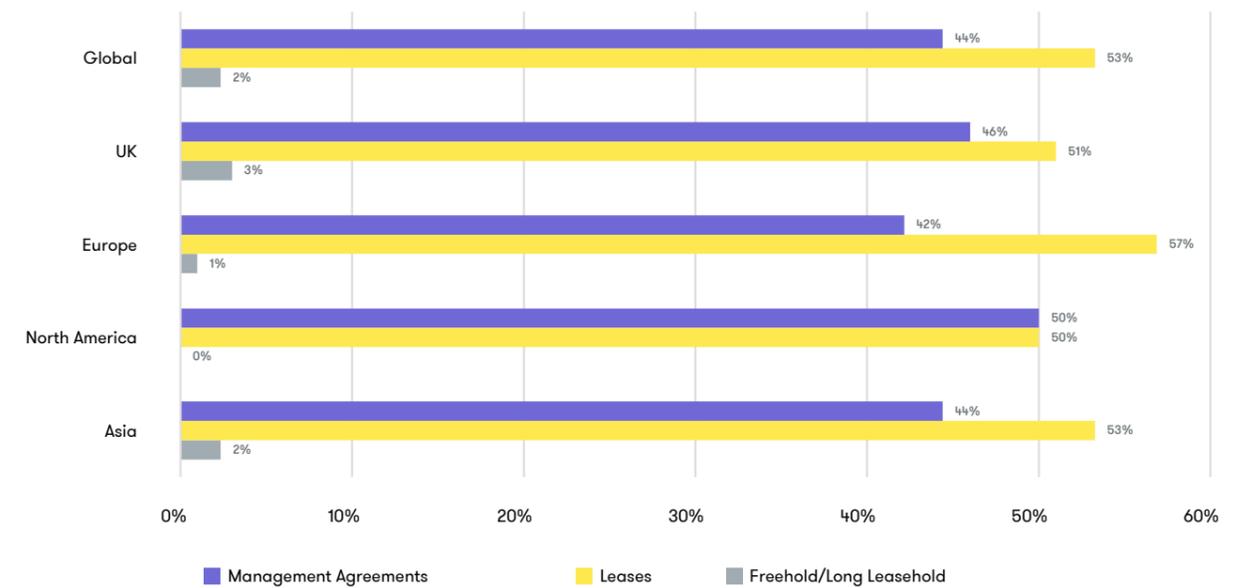
Target for reaching Net Zero



Where operators are looking to expand



How operators are looking to expand into new site

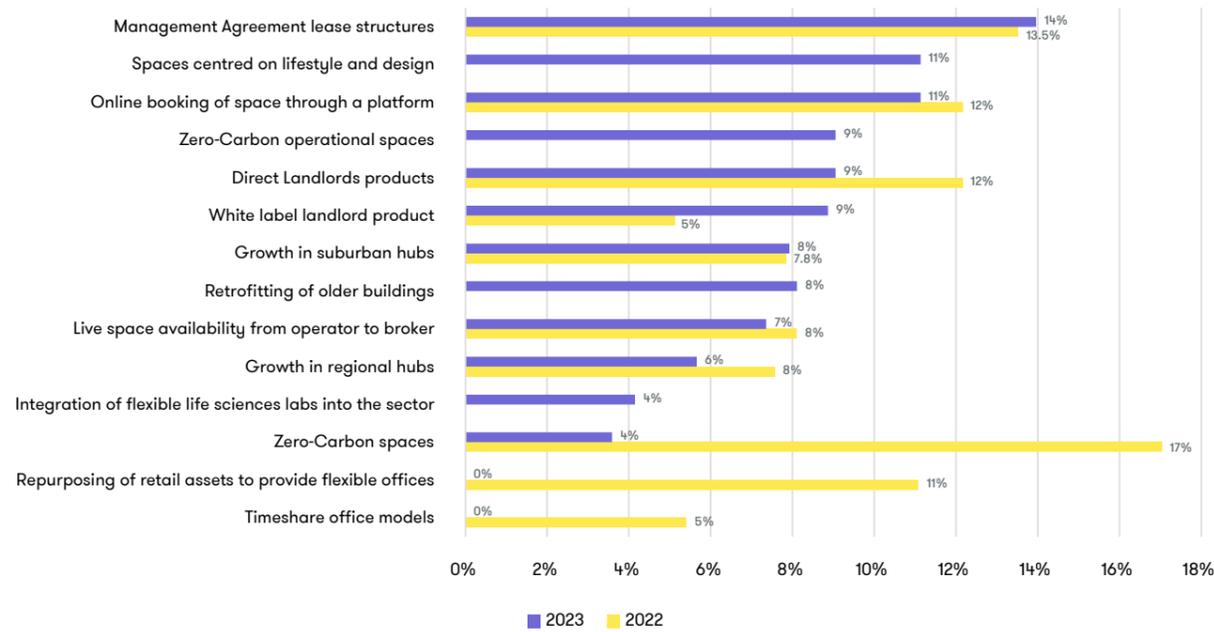


Future of flex

In last year's Flexmark, we asked what was viewed as the largest change to flexible office space over the next five years. Globally the key themes identified by providers was zero-carbon spaces, with 16% of providers thinking that this will be the most important feature. Ranking second were management agreements (13%), in at joint third was online booking of space through a platform (12%) and direct landlord products (12%).

In this year's survey, the growth of management agreements came out on top, followed this time by the growth of online booking of space through a platform and spaces centred on lifestyle and design. Interestingly the growth of Zero-Carbon operational spaces dropped down the ranking, possibly as operators explored some of the challenges around delivery of such spaces.

Largest changes to flexible office space in the next 5 years



Asia	North America	Europe	UK
=1. Management agreement lease structures 20%	=1. Management agreement lease structures 18%	1. Management agreement lease structures 14%	1. Retrofitting of older buildings 16%
=1. Growth in suburban hubs 20%	=1. Growth in suburban hubs 18%	2. Online booking of space through a platform 11%	2. Zero-carbon operational spaces 12%
=1. Spaces centred on lifestyle and design 20%	=1. Growth in regional hubs 18%	3. Spaces centred on lifestyle and design 10%	=3. Spaces centred on lifestyle and design 10%
=4. Direct landlord products 10%	=1. Spaces centred on lifestyle and design 10%	=4. White label landlord products 9%	=3. Live space availability from operator to broker 10%
=4. Growth in regional hubs 10%	=5. White label landlord product 9%	=3. Live space availability from operator to broker 10%	=3. Online booking of space through a platform 10%
=4. Zero-Carbon embodied spaces 10%	=5. Direct landlord products 9%		=3. Direct landlord products 10%
=4. Online booking of space through a platform 10%	=5. Online booking of space through a platform 9%		



Appendix



Our analysis is based on 172 flexible offices around the world and uses data from Savills Research team. The offices were located across France, Ireland, Spain, The Netherlands, Germany, Poland, The United Kingdom, The United States and Vietnam.



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



We collected the data during the period of 4th July 2023 until 31st August 2023.



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



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



Use of 2020, 2021 and 2022 in graphs within the report refers to the Flexmark 2020, Flexmark 2021 and Flexmark 2022.



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

Glossary

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

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

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

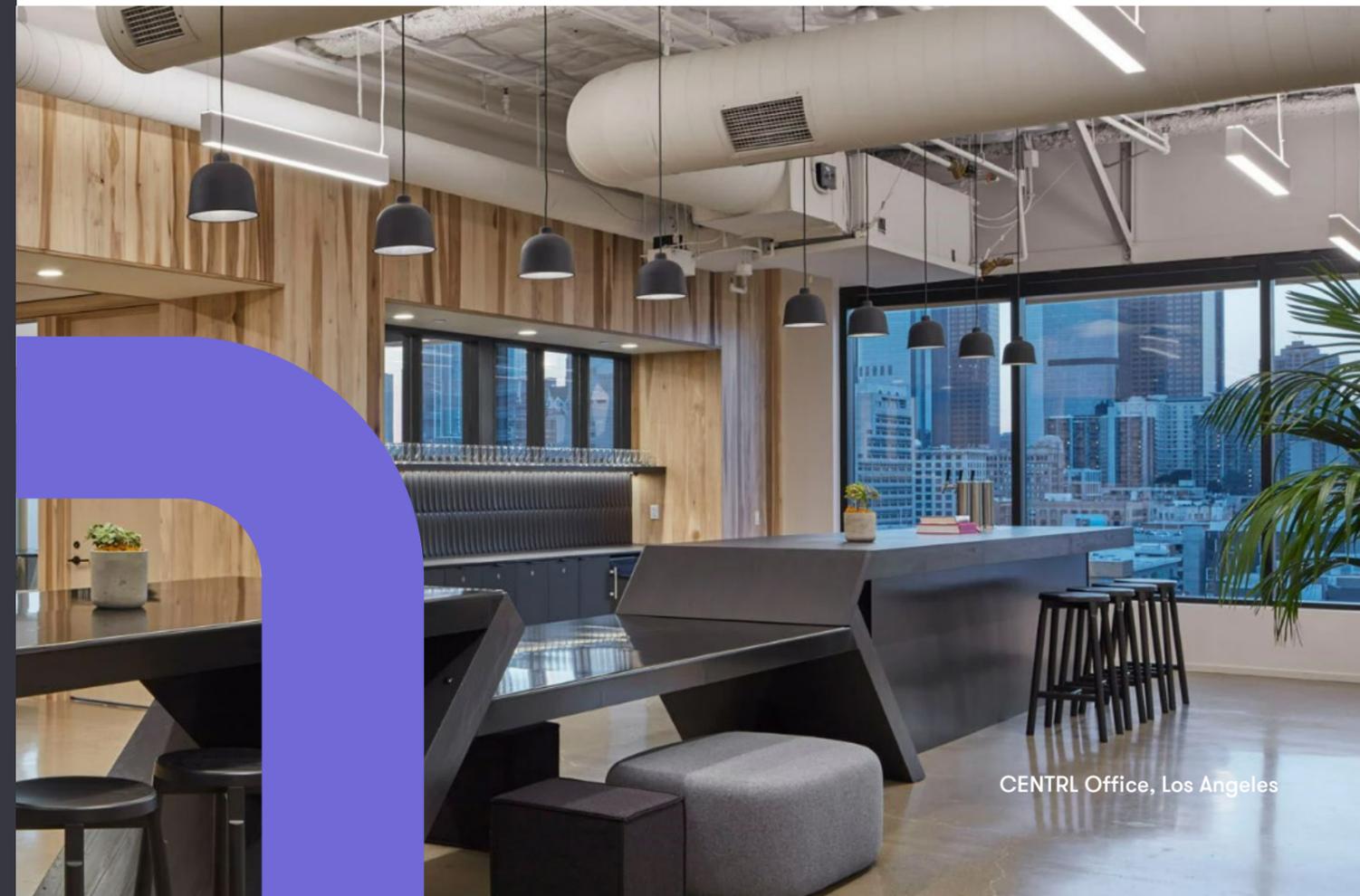
Dedicated desk: A dedicated desk is a desk designated to a specific individual or business within an open-plan office space.

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

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

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

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



CENTRL Office, Los Angeles



Workthere.com

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

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