Bracing for the flexible space revolution.
JLL forecasts a flexible space revolution

*Approximately 2% of current U.S. office inventory is controlled by independent, third-party flexible office providers (spanning all operator types, from traditional executive office suites to coworking to incubators). Given industry shifts, flexible workspace and shared amenity spaces are projected to encompass up to 30% of the future office market.
Reasons for adopting a flexible workspace model

- Businesses wanting to reduce occupancy costs: 51%
- Workers demanding to work closer to home: 43%
- Businesses wanting to be more agile as they seek to grow: 38%
- Businesses wanting to avoid fixed leases: 37%
- Businesses wanting to scale staffing more flexibly: 35%
- Businesses wanting protection from market volatility: 35%
- Businesses hoping to improve staff retention: 25%
- Businesses hoping to attract talent: 23%
- Businesses expanding abroad: 19%

Source: MindMetre survey
Why are corporate users leveraging the coworking model?

- Swing space
- Culture
- Innovation
- Satellite offices
- Serving mobile workforce
- Serving contract workforce
- Business development
Buildings are evolving to better meet consumer demand and improve the employee experience.

- Shared conferencing
- Hospitality style lobbies
- Communal gathering spaces
- Flexible-term space and hot desks
- Curated events
- Health and wellness programs
Underlying drivers of flexible space demand

**Cost reduction**

**Challenge:**
High initial capital expenditures and average utilization rates ranging from just 50-60% for most tenants.

**Opportunity:**
Adoption of flexible space solutions can reduce initial out-of-pocket costs, enable greater efficiency and potentially drive down total occupancy costs.

**Flexibility**

**Challenge:**
Most organizations only have 24 months of revenue projections and 36 months of strategic planning.

**Opportunity:**
Flexible space options can help organizations “buy time” as they launch new initiatives, establish growth projections and develop longer-term space strategies.

**Collaboration/innovation**

**Challenge:**
In today’s day of “digital nomads,” companies are seeking ways to drive innovation and collaboration.

**Opportunity:**
Flexible space arrangements may foster innovation through increased employee interaction, exposure to new business concepts and cross-pollination of ideas.

**Talent management**

**Challenge:**
Employers are finding it increasingly challenging to properly accommodate and manage their flexible, digital-enabled workforce. Only 40% of employees feel fully engaged in their current workplace format.

**Opportunity:**
Leveraging a flexible space platform can help companies better align their real estate strategies with the needs of their workforce, improving the employee experience, enabling more collaboration and potentially reducing commute times.
Defining flexible space models

Tenant demand is increasingly shifting here

Coworking and serviced offices

Meeting, conferencing and training ¹

Flexible-term workspace ²

¹ Meeting, conferencing and training includes:
- Office meeting venues (e.g. Convene)
- Business clubs (e.g. Yale Club)
- Hotels
- Event spaces (e.g. museums, galleries)

² Flexible-term workspace includes:
- Modular spec suites
- Subleases
- Month-to-month leases
- Expansion/termination options
Understanding the current supply landscape

19%...average year-over-year growth rate of the industry among the top 10 global cities.

$674.50...average price per month for a dedicated desk across the 10 largest U.S. cities.

17%...of U.S. flexible space leasing >20,000 s.f. since 2016 has occurred in suburban locations.

Largest markets

<table>
<thead>
<tr>
<th>Market</th>
<th># of centers</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>1,136</td>
<td>16%</td>
</tr>
<tr>
<td>New York</td>
<td>330</td>
<td>24%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>263</td>
<td>15%</td>
</tr>
<tr>
<td>Tokyo</td>
<td>218</td>
<td>20%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>202</td>
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<tr>
<td>Shanghai</td>
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<td>17%</td>
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<tr>
<td>San Francisco</td>
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<td>17%</td>
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<tr>
<td>Sydney</td>
<td>173</td>
<td>19%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>172</td>
<td>27%</td>
</tr>
<tr>
<td>Singapore</td>
<td>167</td>
<td>22%</td>
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</table>

Largest providers

<table>
<thead>
<tr>
<th>Provider</th>
<th># of locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regus (IWG, plc)</td>
<td>2,926</td>
</tr>
<tr>
<td>WeWork</td>
<td>159</td>
</tr>
<tr>
<td>Servcorp</td>
<td>155</td>
</tr>
</tbody>
</table>

76%...of U.S. flexible office leases >20,000 s.f. since Q1 2016 have been signed by the industry’s fastest-growing operator, WeWork.

Source: JLL Research, Instant Group
Supply could grow quickly given alternative space options

- Hotels
- Coffee shops and restaurants
- Conventional retailers
- Underutilized corporate space
- Libraries and public spaces

Source: JLL Research
Decoding the Five Dimensions

Human Experience
Enhance user experience through engagement, empowerment and fulfillment.

Financial Performance
Manage spending to enable growth and enhance return on investment (ROI).

Future of Work

Digital Drive
Harness digitization and rich data to enhance people and enterprise performance.

Continuous Innovation
Combine new thinking, solutions and processes to drive value creation and accelerate transformation.

Operational Excellence
Optimize enterprise resources and service delivery to increase productivity, mitigate risks and ensure high performance.
What’s on the horizon for flexible space?

▲ Corporate demand
Large-block corporate leasing will become more prevalent

▲ Freelancer demand
Continued growth will supplement the rising share of enterprise users

▲ Geographic reach
Operators are expanding to the suburbs and covering more international markets

▲ M&A within industry
Acquisitions are helping to add scale and enhance operators’ global reach

▲ Operator failures
Future market volatility will test commodity players, with only the strong surviving

▼ Industry profitability
Margins are compressing given rising costs and increased competition
Bracing for the flexible space revolution.