

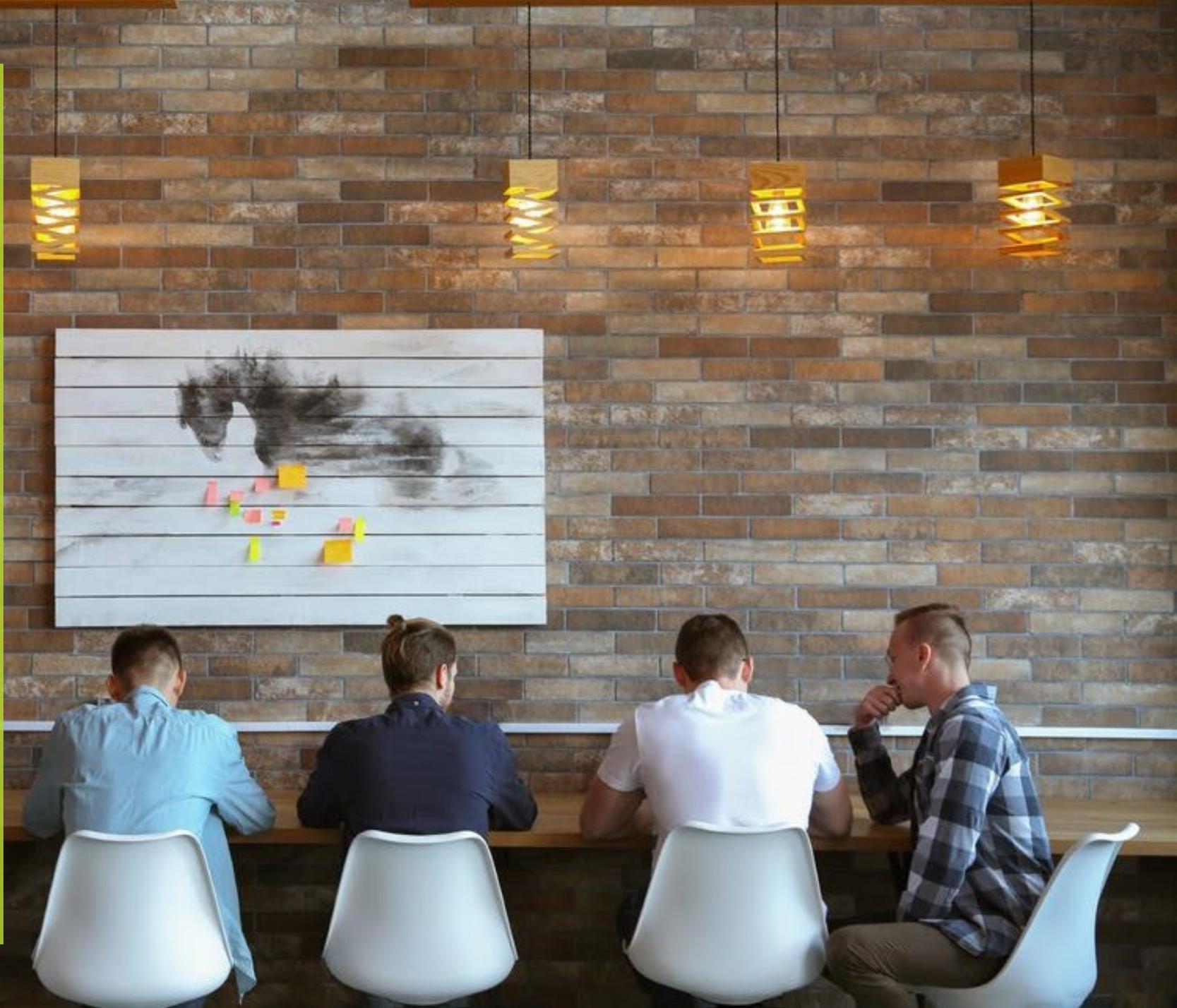
# Instant

## RETHINKING WORKSPACE

Trends, challenges, and opportunities faced by flexible workspace providers representing 3,700+ global locations



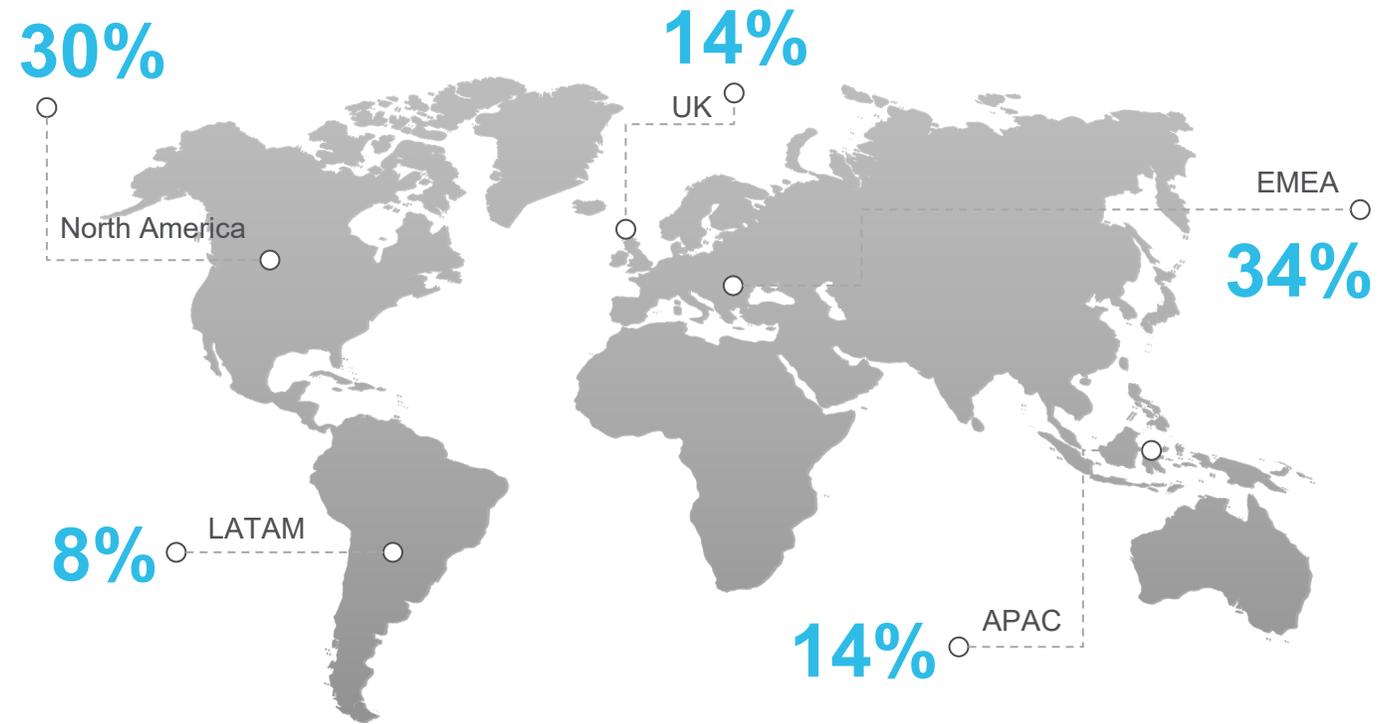
# The Future of Flex



# About The Future of Flex Report

The Instant Group's annual report provides insight into the changing landscape of occupiers and landlords in the flexible workspace sector. Key topics within this year's report include global occupancy levels, future growth strategies, changing office layouts, technology, and sustainability.

The report also delves into current occupier motivations within the industry and the ways in which flex operators and landlords are reacting to these demands. With these insights, we hope to unveil what changes the industry can expect to see, which can help to inform future planning strategies in 2023 and beyond.



## Methodology

We collected the data for this report by conducting a survey between July and September 2022.

Respondents were based across the UK, EMEA, US, LATAM, and APAC, representing a wide geographical reach.

The survey was shared with all operators, landlords and clients in The Instant Group's network.

\*Percentages indicate the proportion of all respondents by region

# Summary Findings

## Global Occupancy Rates

Current rates among all regions show 44% of operators globally have achieved occupancy above 80%.

04

## Plans for Expansion

Over the next year, 39% of operators will target city centre locations for new expansion, while 28% will focus on suburban expansion.

05

## Landlords in Flex

As landlords enter the flex arena, 64% are looking to deliver flexible solutions in some capacity to accommodate high demand.

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## Utilisation Changes

Thanks to hybrid ways of working, 96% of operators indicated they have seen changes in the way their clients are using their space.

07

## Challenges for Operators

In response to inflation and rising energy costs, 47% of operators expect to increase rates between 6-15% over the next 12 months.

08

## Data and Technology

More operators are looking to upgrade their spaces with new technology; 27% are planning to introduce smart access to their spaces in the next 12 months.

09

## The Race to Net Zero

Operators are implementing several strategies to achieve Net Zero, including internal training and education programs, renewable energy procurement, and more.

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## The Key to Ongoing Success

We outline key steps the industry can take to ensure continued success in 2023 and beyond.

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# Global Occupancy Rates

Over the last year, occupancy rates within flexible workspaces have continued to rise as the return to office gains momentum. An increasing number of corporate companies moving to flex is also driving demand for larger spaces, resulting in 44% of operators globally achieving occupancy rates above 80%.



**United Kingdom** - In London, occupancy rates for flex are on the rise, with 55% of spaces boasting rates of 80% or above. Although footfall occupancy is still below pre-pandemic levels, contractual occupancy in highly sought-after spaces has recovered above pre-pandemic levels, a sign that companies are confident their workforces will return to the office.

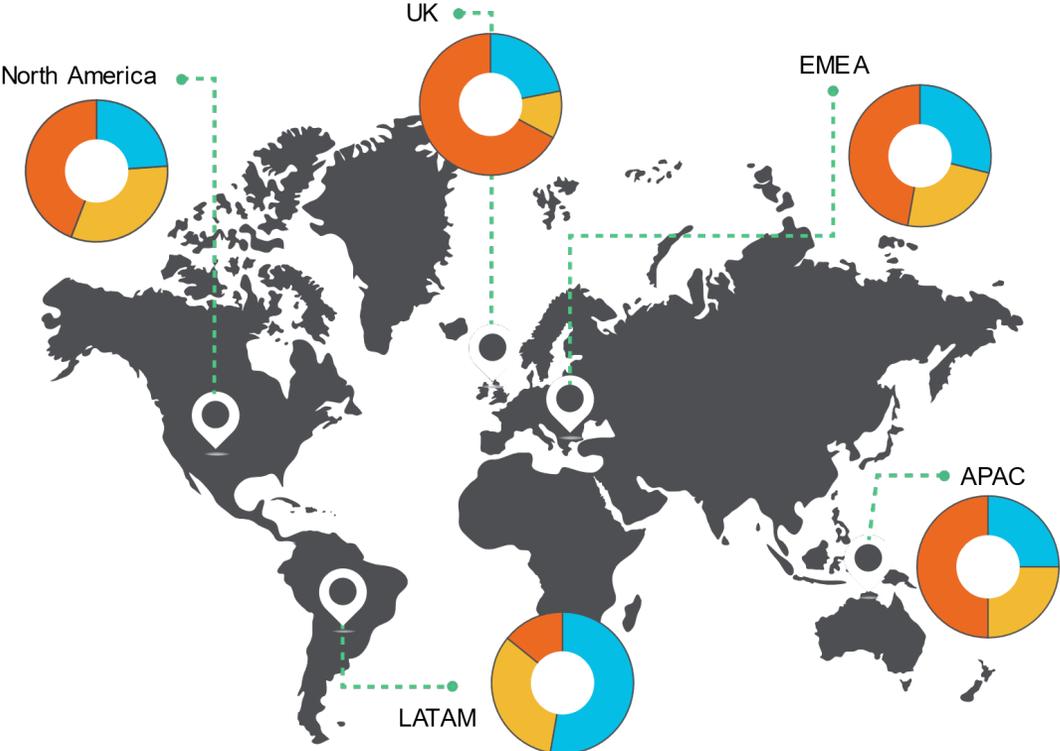


**Australia** - In Melbourne, occupancy rates in Q2 2022 reached 70%, up by 6% from the same period in 2021. In Sydney, occupancy rates in the CBD are the highest since the start of the pandemic, boasting 80% office occupancy.



**United States** - Employees are a little slower to return to the office in the US, with Chicago office occupancy rates achieving 67% in August 2022.

# Flex Occupancy Rates

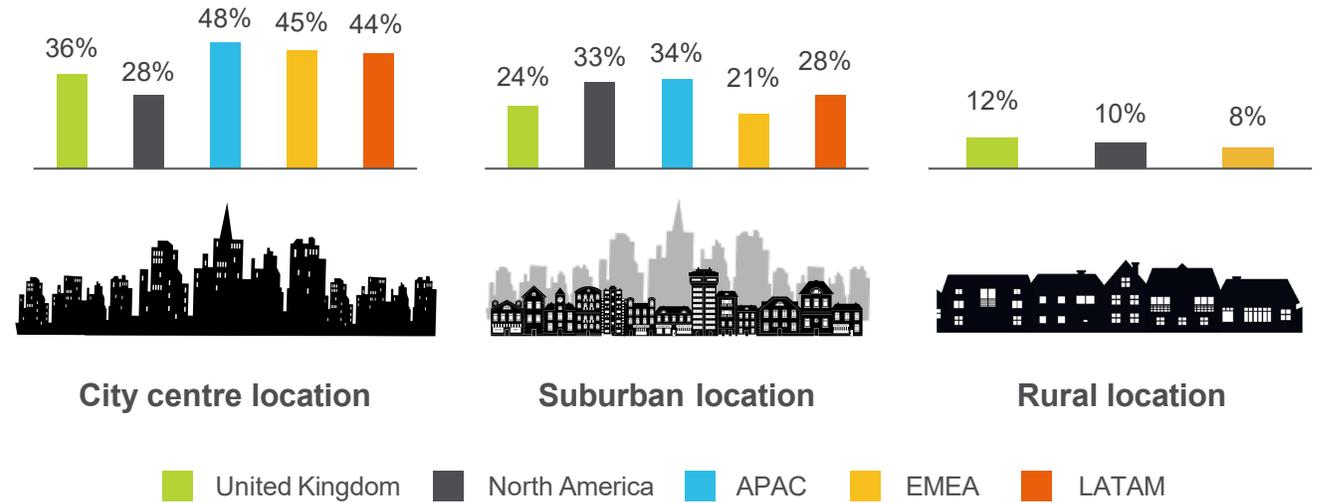


	North America	UK	EMEA	LATAM	APAC
0% to 60%	24%	22%	29%	53%	25%
61% to 80%	32%	11%	24%	33%	25%
81% to 100%	44%	67%	47%	14%	50%

# Plans for Expansion

Despite continued uncertainty within the economy, operators are bullish on their plans to expand.

As a result, 74% of those surveyed are looking to expand their offerings in the near future, with city centre locations seeing the greatest interest from operators.



## Global highlights

- 39% of operators are looking to expand in city centres.
- 28% of operators are looking to expand in suburban areas.
- Operators in North America see suburban locations as the most important location to expand their operations. More companies in the U.S. are making the move to the suburbs, as demand on the outskirts of city centres increases in key markets.
- Despite the rise of suburban living, city centres continue to dominate the market share and will be key to strategic growth going forward.
- 83% of operators in APAC are looking to expand, the highest out of any region.

\*Regions won't add up to 100% as not all operators plan to expand

# Landlords in Flex

While larger operators continue to dominate the supply of flexible office space, landlords are entering the market on the back of occupier demand.

Half of landlords surveyed said they expect 16% to 25% of their portfolios to be flexible by 2025.



## What are the motivations for landlords delivering flex?



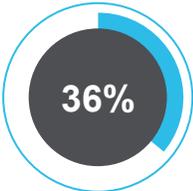
Looking to partner up with an existing provider under landlord's brand



Looking to lease space to a flexible workspace provider



Looking to self-deliver flexible workspace solutions



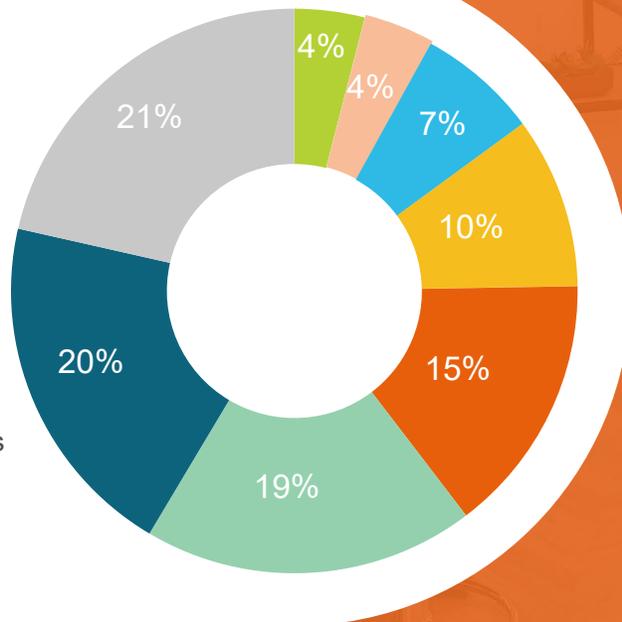
Not exploring additional flexible workspace options

# Utilisation Changes

## How are clients using flex space?

The pandemic has caused a tectonic shift in where, when, and how we work. The way occupiers use the office has changed, with 96% of operators globally indicating that they have seen changes in the way their clients are using their space, such as the following:

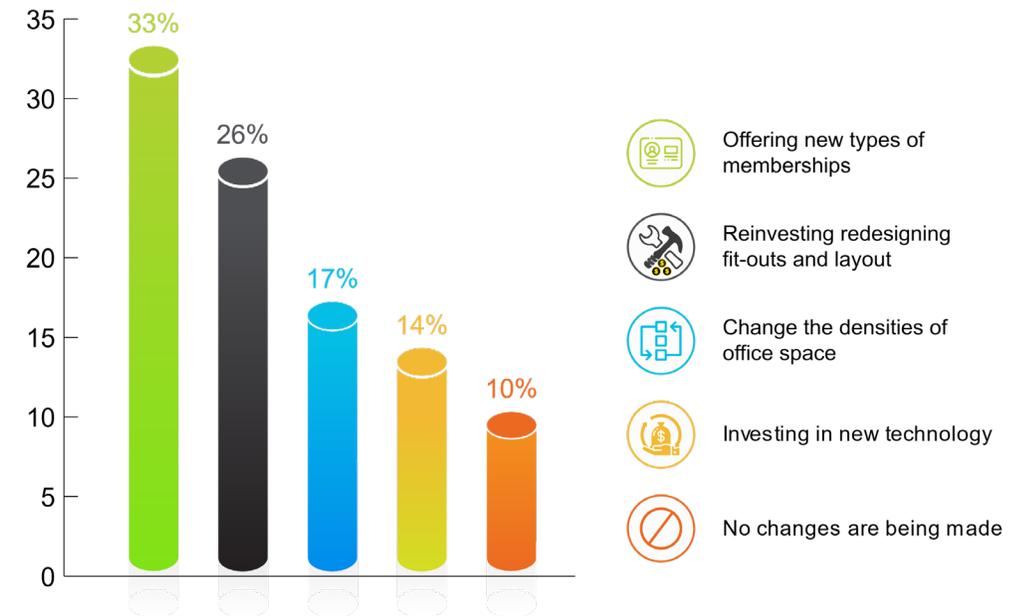
- Greater demand for usage metrics and data
- Demand for health-related best practices
- Demand for new ways to purchase on demand products
- Change in hours or days the space is used
- Change in ratio of team size to workspace size
- Increased usage of private offices
- Increased usage of meeting rooms/collaboration space
- No changes are being seen



## How are operators meeting client demands?

Globally, operators are responding to new demands set by occupiers and their clients. While some markets such as the UK are more mature, other markets, especially in LATAM, suggest they will need to redesign their offices to keep up with new demand.

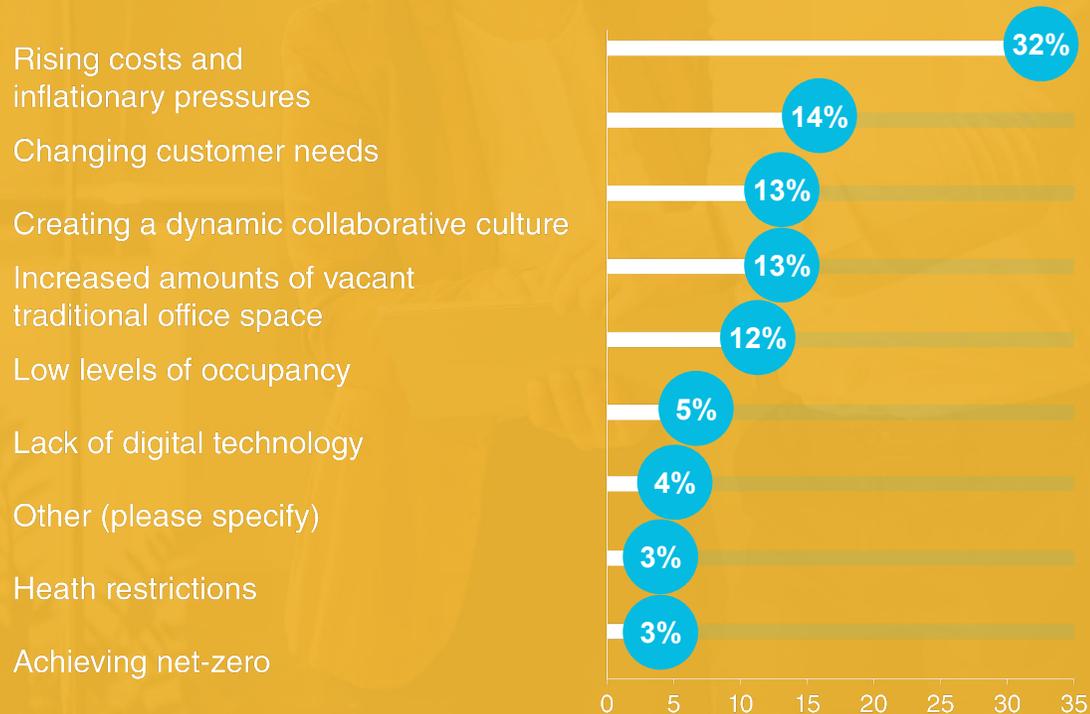
Here are the main ways that operators around the globe are adjusting their offerings to meet client expectations:



# Challenges for Operators

By far the biggest challenge facing the industry this year and for the foreseeable future is the rising cost of operating a business due to inflationary pressures.

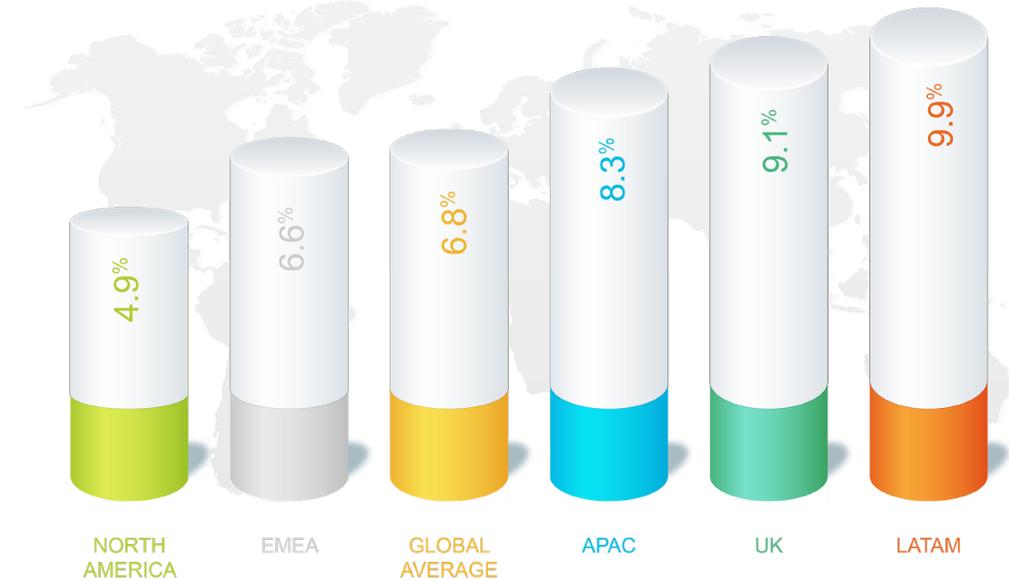
Here are the other challenges that the operators we surveyed are currently facing:



As a result of inflationary pressures and the energy crisis, 70% of operators expect to increase rates over the next year, with almost half predicting that the rise will be between 6%-15%.

Operators are choosing to increase rates rather than make savings through cutting quality, as occupiers have indicated that quality and level of service are key factors when sourcing office space.

Looking at each region, how much are operators planning to increase rates over the next 12 months?



# Data and Technology

As we reimagine the office for the future, a key strategic driver for occupiers is making the workplace experience frictionless, and technology will be the key to achieving this.

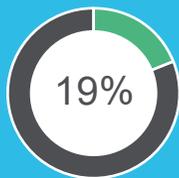
97% of operators surveyed are tracking data at some level, but there is still a long way to go to keep up with customer expectations. Occupancy is currently tracked by the majority but often still not reported to customers in an easy-to-use manner.

In fact, just 7% of operators provide customers with data on usage in any form, with few operators currently tracking key data such as energy usage and utilisation.

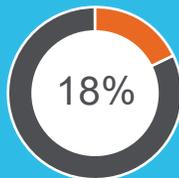
## What data are operators tracking?



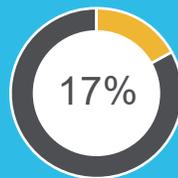
Occupancy



Space  
Utilisation



Internet  
Usage



Energy  
Consumption



# The main innovations in technology operators plan to introduce over the next 12 months:



## Smart access

Nearly a third of operators are looking to introduce **smart access** to their portfolio over the next 12 months. 30% of operators in EMEA are looking to introduce smart access, the highest of all regions.



## Real-time occupation monitoring

Over the next year, 12% of operators globally will invest in **real-time occupation monitoring**. Only 7% of operators in LATAM are looking to introduce this.



## Online booking platform

18% of operators identify **online booking platforms** as essential for the future, due to the nature of hybrid work. 34% of operators in LATAM are looking to enable online bookings.



## Meeting room video enablement

With hybrid working on the rise, 13% of operators are looking to invest in **meeting room video enablement**. 17% of operators in the UK are investing in video enabled meeting rooms.



## Increase access and spaces management automation

15% of operators identify **space management automation** as a technological feature necessary over the next year. 21% of APAC operators are looking to add this in.

# The Race to Net Zero

As highlighted by COP-26 and 27, many businesses are now setting ambitious plans to achieve Net Zero by 2030. With the emphasis on sustainability greater than ever before, it is now commonplace for offices to be built around energy efficiency, on-site heating and cooling, and waste reduction to facilitate the move to Net Zero.

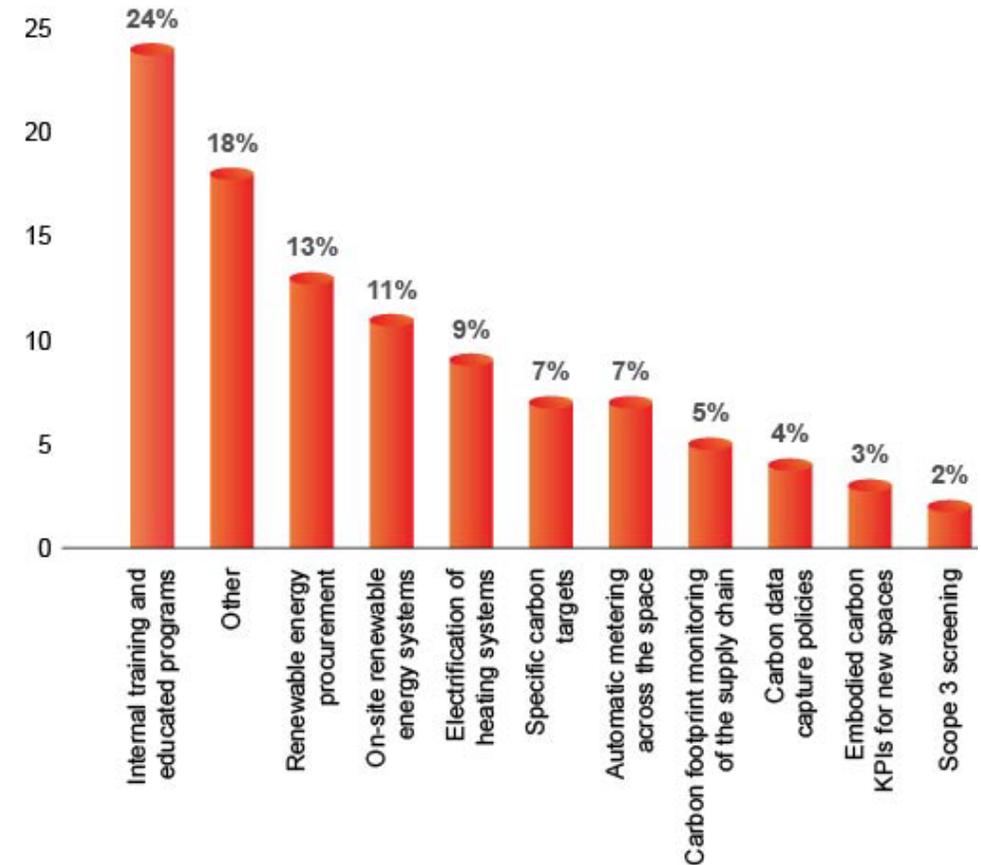
However, the race to achieving Net Zero is not linear, with many barriers existing which could delay or derail businesses' strategies to reach this goal.

## Barriers operators face to achieve Net Zero



## How are operators responding to challenges?

Operators are continuing to implement sustainability practices despite some of the challenges they are facing. Across the globe, operators are putting in place an array of measures to manage their carbon footprints.



# The Key to Ongoing Success

Despite a turbulent year of economic uncertainty, the flex market has continued its buoyant trajectory from the previous year. However, there are many opportunities for the sector to create a new framework for the future of work in 2023 and beyond.

Based on our findings, here are the best practices for operators moving forward:



## Inflation pressures

Operators should feel confident in raising rates by 6% to 15% over the next year in response to inflation, so long as they do not compromise on quality and service.



## Net Zero

Operators should consider partnerships with landlords, suppliers and wider stakeholders to mitigate their carbon footprint. In addition to this, operators need to commit and work towards science-based targets to achieve Net Zero.



## Changing customer needs

When planning to expand or redesign their offerings, operators should allocate an additional 25% to meeting rooms and social spaces due to a new focus on collaboration.



## Technology

With 50% of operators already using data for future planning, operators need to prioritise data tracking to enable them to react to changes in occupier expectations.



## Supply growth

Operators who are looking to expand should focus on new growth markets, and landlords should look to provision at least 5% of any new buildings with flex in order to support supply growth.



## Greater choice

With over two-thirds of operators and over half of landlords looking to expand in the market, now is the time to diversify property portfolios.

“

***Companies continue to accelerate and expand the use of flex within their portfolio of real estate solutions causing a surge in demand and occupancy rates in key markets during 2022. Despite some of the obvious challenges the flex industry has faced, there is an array of opportunity which has resulted in operators looking to expand, as well as supply diversifying from landlords who are keen to enter the market.***

Craig Hughes  
CEO of Partnerships

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# Rethinking Workspace.

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## About The Instant Group & Incendium

The Instant Group has been rethinking workspace since 1999 with over 500 experts working globally across more than 175 countries. Instant's digital platforms constitute the world's largest digital marketplace for flexible workspace listing meeting rooms, virtual offices, flexible office space and coworking memberships. Its global team advises on commercial real estate solutions from coworking and serviced offices to fully customised managed offices, and consulting services for portfolio and net zero strategies.

Instant's approach enables agility, hybrid working solutions and improved operational resilience for more than 250,000 businesses every year. Clients include Prudential, Booking.com, Shell, Jaguar Land Rover and GSK. Instant has global offices including London, Paris, New York, Hong Kong, Singapore and Sydney.

As part of The Instant Group, Incendium provides clients with real estate procurement, consulting, talent and change management programmes that enable organisations to use real estate as a catalyst of agility, performance and value.

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