

# Let's Talk Baseball

Michelle Bodick, The Instant Group  
Scott Homa, JLL  
Kane Willmott, iQ Office Suites



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## Speakers



Michelle Bodick  
Managing Director, Sales  
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The Instant Group



Scott Homa  
Director of U.S. Office  
Research  
JLL



Kane Willmott  
CEO, iQ Office Suites



# Session Overview



#FlexOffice2018

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# What Inning Are We In?

Scott Homa

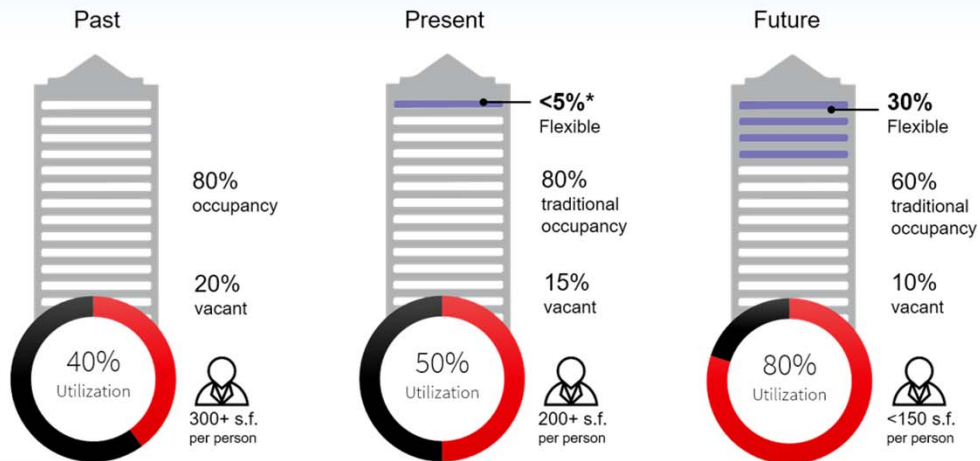


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# JLL forecasts a flexible space revolution



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Source: JLL

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# Flexible space driving office demand

**23%**

Average annual growth of the flexible space sector (2010-present)

vs.

**1%**

Average annual growth of the overall U.S. tenant base (2010-present)

10,590,586 s.f.  
**2010**



25,755,948 s.f.  
**2014**



60 million+ s.f.  
**Midyear 2018**

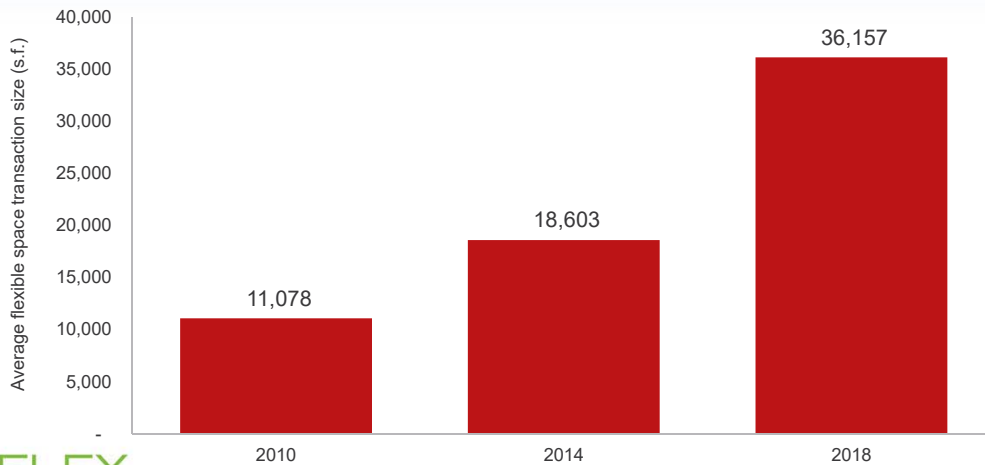


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## Average transaction size among flexible space operators continues to grow



Source: JLL



## Owners adapting to better meet tenants' needs



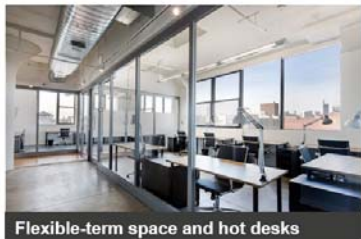
Shared conferencing



Hospitality style lobbies



Communal gathering spaces



Flexible-term space and hot desks



Curated events



Health and wellness programs

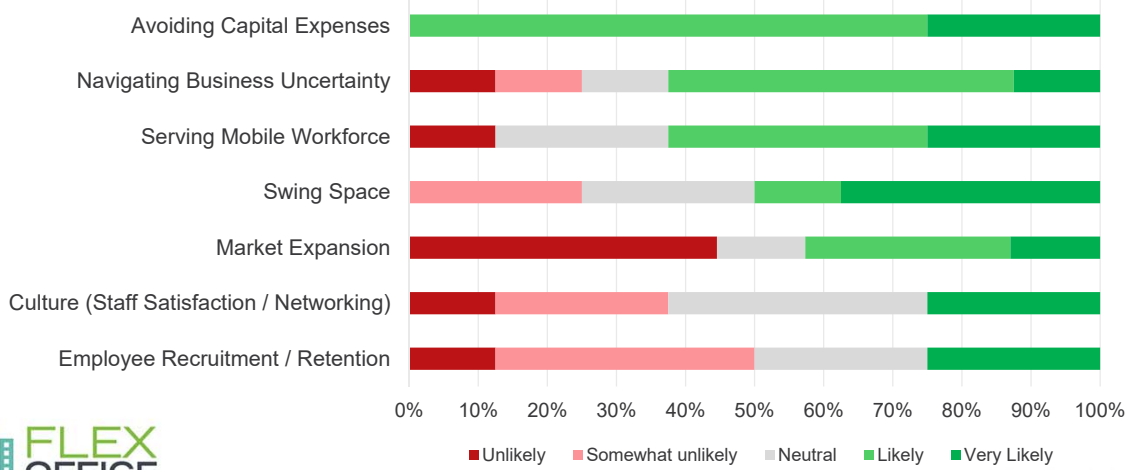


Source: JLL



# Corporate demand for flexible space is rising

Likelihood to leverage flexible space by use case



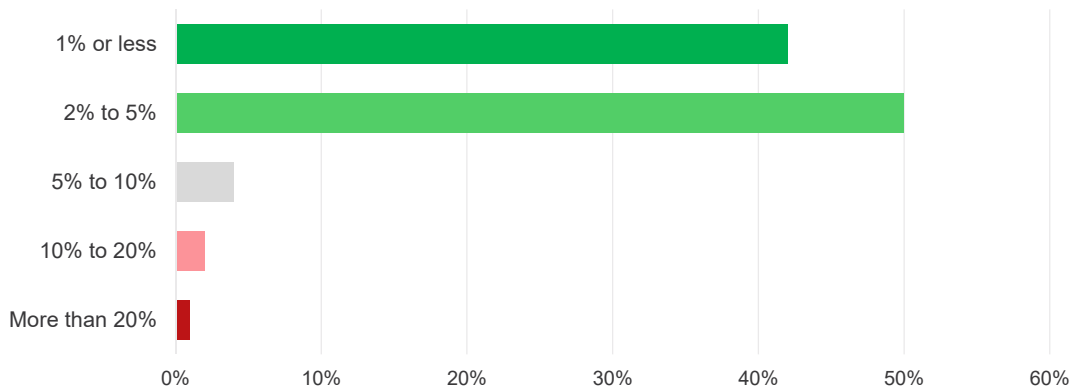
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# Current corporate adoption levels remain modest

Adoption levels (% of current portfolio in flexible facilities)



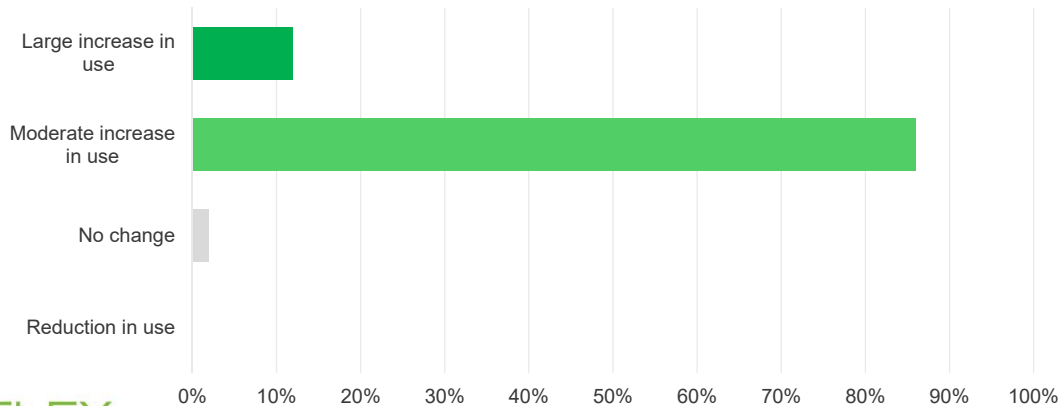
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## Corporates expect to leverage more agile models

Anticipated change in flexible space adoption levels



Source: JLL



## What's on the horizon for flexible space?

### ▲ *Corporate demand*

Large-block corporate leasing will become more prevalent

### ▲ *Geographic reach*

Operators are expanding to the suburbs and covering more international markets

### ▲ *Operator failures*

Future market volatility will test commodity players, with only the strong, strategic and nimble surviving

### ▲ *Freelancer demand*

Continued growth will supplement the rising share of enterprise users

### ▲ *M&A within industry*

Acquisitions are helping to add scale and enhance operators' global reach

### ▼ *Industry profitability*

Margins are compressing given rising costs (construction materials, labor and base rent) and increased competition (particularly from PE and VC-backed entities)



Source: JLL





# What Inning Are We In?

Michelle Bodick



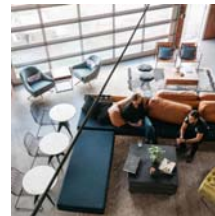
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## What is the flexible market?

- Incubators & accelerators
- Managed Offices
- Co-working environments
- Business Continuity Space
- Serviced Offices
- Grey / Surplus Space



# The Global Flexible Office Market

## GLOBAL MARKET SIZE



**\$26 billion** based on industry revenue



**30,000+** flexible office centres

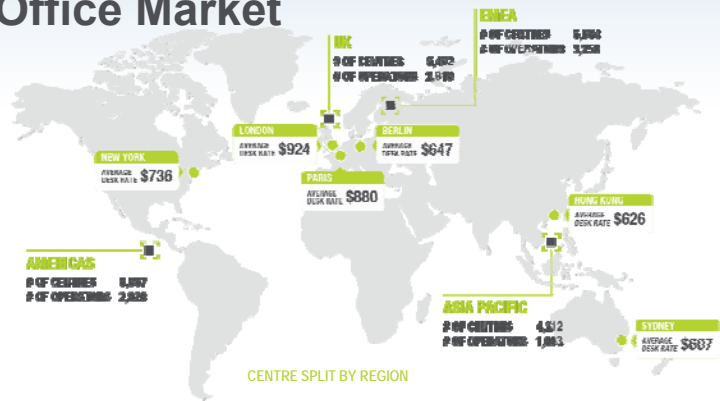


of which  
**15,500+** are co-working spaces

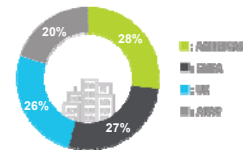


Forecast growth of **15%** per annum

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CENTRE SPLIT BY REGION



Sources: Instant proprietary data, Deskmag  
2018 Global Coworking Forecast

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# US Industry Movements

**FLEXIBLE OFFICE CENTRES ACROSS THE US HAVE INCREASED 10% IN THE LAST YEAR**

**54% OF US CENTERS NOW OFFER CO-WORKING SPACE**

**WE WANT TO SEE INDIVIDUAL BRANDING AND GREATER FLEXIBILITY IN THEIR WORKSPACE DESIGN**

**THE UNITED STATES FLEX SPACE MARKET NOW AMOUNTS TO 80M SQ FT**

**ENQUIRIES FOR >20 DESKS HAVE GROWN BY NEARLY 65% YEAR ON YEAR**

Source: Instant proprietary data

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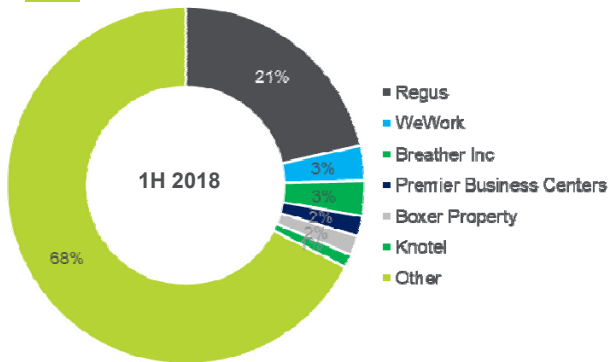
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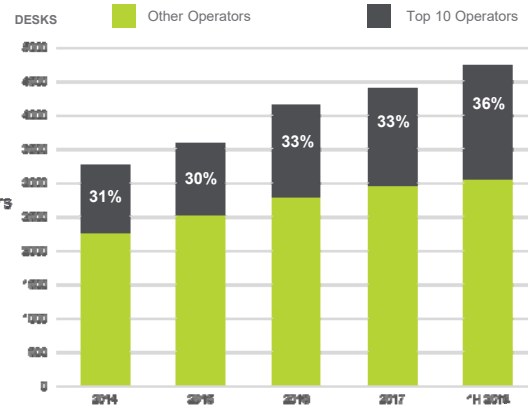
Over 2,300 companies provide flexible space across the US office market, with low barriers to entry, strong market interest and growing demand all making for a highly competitive environment.

Unlike in Europe, across the US the share of the top 10 operators continues to grow as they expand quickly into multiple cities across the country

US WORKSPACE SUPPLY BY OPERATOR



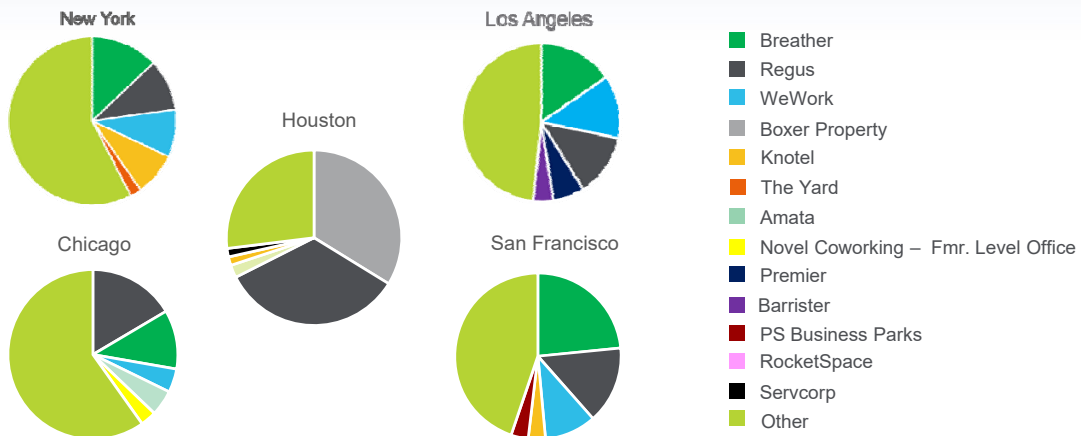
TOTAL OPERATOR SHARE BY CENTER NUMBER 2014 - 2018



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US WORKSPACE SUPPLY BY OPERATOR

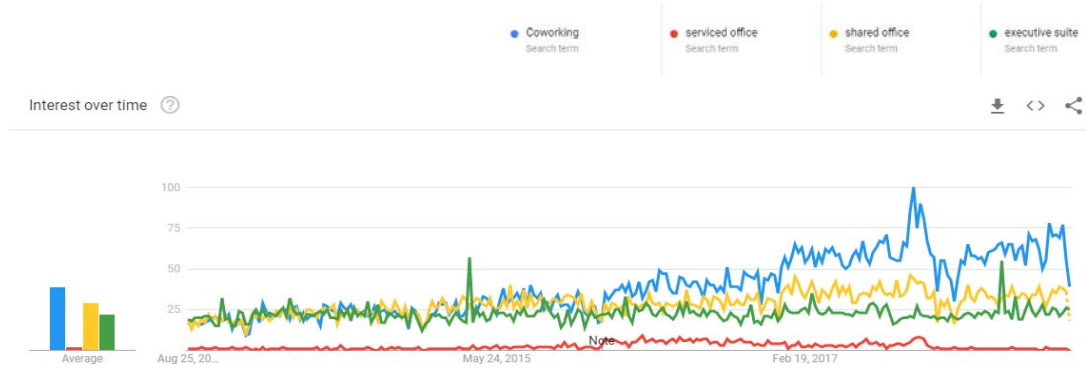


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# Industry Demand Remains Strong

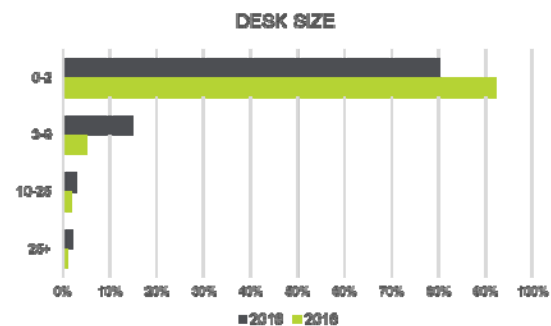
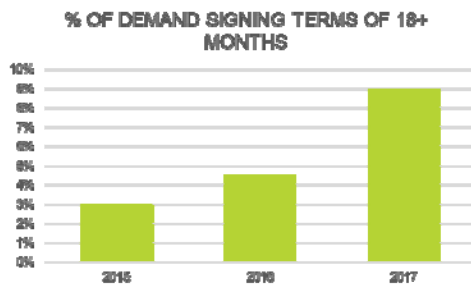
US trends showing searches on Google for flexible office terminology



# The Changing Demand Profile

Corporate occupiers are making their presence felt within the US flexible industry. Not only are larger companies looking at the flexible market but we are seeing a gradual upward shift in desk size requirement across the industry as demand moves away from freelancers and towards SME businesses.

As the type of occupier of flexible space changes, so does the profile of the lease. We have seen a steady growth in the number of 18+ month terms as companies with larger teams look for more stability and less disruption while maintaining increased flexibility compared to traditional offerings.



# Changing Occupier Demands

Flexibility remains the most valuable feature for today's occupiers



# What are occupiers saying about flex space?

**83%** of users of co-working and other forms of flex space claim to have benefited from these new work environments over the last 5-10 years.

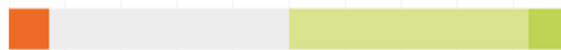
**71%** of co-working and flex space users report that their workspaces positively affect the ways they engage in their work.

**50%** of enterprise buyers of co-working / flex space, incorporating elements of their brand is deemed to be an important feature of the usage of that space.

Corporate occupiers of flex space still place a significant merit in being able to use their logo and branding in that environment.

## RESPONDENT ATTITUDES TOWARD THE IMPORTANCE OF BEING ABLE TO INCORPORATE AN ENTERPRISE'S BRAND ELEMENTS INTO COWORKING OF FLEX OFFICE SPACE

ENTERPRISE/CORPORATE REAL ESTATE BUYERS OF COWORKING/FLEX SPACE



COWORKING OPERATORS



FLEX SPACE OPERATORS



Strongly disagree Disagree Neutral Agree Strongly agree



# What are landlords saying?

## How are Landlords responding to demand for flexible workspace...

Is flexible workspace / co-working impacting your business?

**66%** of respondents said that the trend towards flex space is likely to impact their business.

Do you provide co-working space in your portfolio currently?

**33%** of respondents currently offer co-working space, and less than a third are considering providing flexible space in the future.

Will you bring in a 3<sup>rd</sup> party to run this space?

**67%** of landlords who took the survey would use a 3<sup>rd</sup> party to operate/run the flexible space.

What are the obstacles to providing flexible workspace within your portfolio

**#1** obstacle for landlords is the impact on **profitability**.

**lowest** barrier to entry - the effect on the **property valuation**.



Do you think you can attract corporate occupiers to co-working / flexible space within your portfolio?

**66%** of landlords said it was likely or extremely likely they would be able to attract corporate occupiers to flexible workspaces if they were to introduce this type of space.

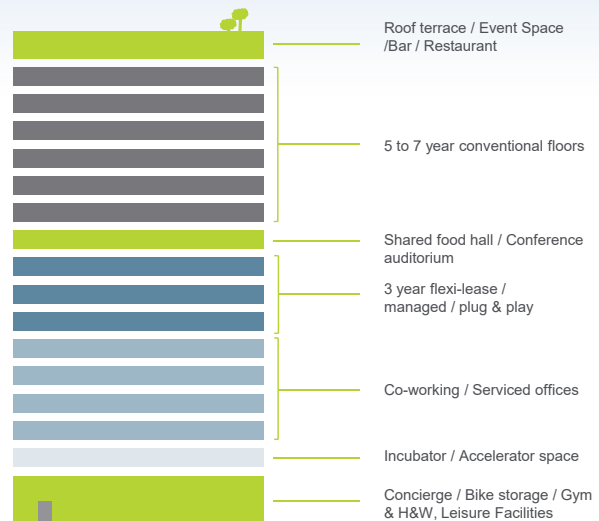
With occupiers placing greater importance on amenities, rank the importance of the following:

1. Ultra-fast internet
2. Collaborative spaces
3. In-office amenities (coffee shops / relaxation areas, etc.)
4. Shared facilities –reception/gym/showers/washrooms/cycle store
5. Custom branding in the office space

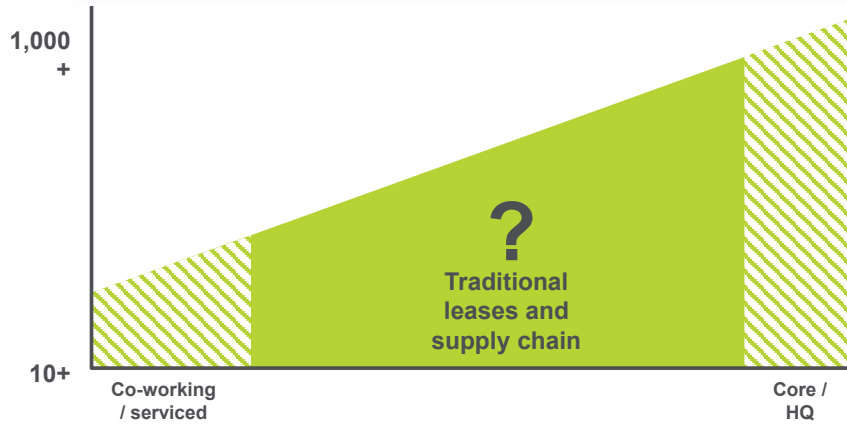


# What will new buildings look like in 2019 and beyond?

- Large buildings should be;
  - Flexible & integrated
  - Networks that provide competitive advantage to customers
  - Designed around customer journey (individual and their business needs)
- Asset managed proactively with a customer mindset and digital demand generation
- Workplace product and amenity services that are cohesive and easy to consume
- Operator / Service Provider / Delivery partner structures in place to manage customer experience and maximize revenue



# Is the flex/outsourcing market potential far larger than we imagine?



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# What does the future look like?



'Nichification' of product offer to differentiate – more choice!



Consolidation of providers – the weak will fall



Globalisation of the operator market



Consolidation of the supply chain



Landlords developing their own offer, particularly for the 20-100 desk requirement



Emergence of more aggregated outsourced solutions across the lease market



Enabling digital platforms

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## Discussion



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Ask a question  
using the FlexOffice app  
or  
Go to [slido.com](https://www.slido.com)  
Event code #7987

