# Instant
RETHINKING WORKSPACE

# FIXED TO FLEX: IT’S A WHOLE NEW WORLD

September 2024

# Operator confidence on the rise:
# Profits, pricing and occupancy at the core of growth

This report shares insights from **180 flexible office operators worldwide**, revealing how market shifts are shaping their businesses, the hurdles they face, and their future outlook. Despite uncertainty in the office sector, operator sentiment is holding steady.

Last year, while costs soared, fewer than **20% of operators** passed those expenses on to customers. This year, the pressure is mounting: **69% plan to raise rates**. With labor and material costs climbing, and landlords either moving into the flex space market or pulling back on co-investments, growth is at a crossroads.

Yet, optimism is rising. Operators are feeling bolder, eyeing new opportunities for revenue growth and making significant investment moves. They're slightly more upbeat with expansion plans and price hikes in mind based on our latest findings.

In this high-stakes environment, data is the key to minimising risk and maximising reward. For operators, insights into pricing, demand trends, and building performance in the flexible workspace market are crucial. Knowing how occupiers are using flex products will help boost occupancy, profitability, and growth.

**Read on for key insights on the global flex market →**

# Essential takeaways

### Watch out for more spaces

**79% of global operators** plan to expand their footprint, with **45% aiming to open up to 2 new locations** and **27% up to 5 locations.**

### Flex demand now includes a wider range of products

Utilisation of meeting rooms and hot desks are increasing. Operators **expect a continued rise** of short-stay bookings as the range of flex requirements widens.

### UK tenants stay longer

The UK reports longer lengths of stay versus the rest of the world, with **almost 60% of operators** with tenants staying **3 to 5 years.**

In the U.S., most **(45%)** have tenants that stay **1 to 2 years**, while **36%** see **3 to 5-year** stays.

### Rates to rise

Striving to drive higher revenues, **69% of operators** plan to increase rates in the next year.

In the U.S., **55%** say rates will increase due to higher OpEx costs, while **36%** in the UK will raise rates due to increased lease costs.

### Gaps in sustainability

There is a large gap between what occupiers expect and what operators provide in terms of sustainability.

Even though interest in sustainable spaces is high, **over 35% of operators** are unsure if they use renewable energy.

# Business costs are high, but profits are growing

Business conditions remain challenging but have improved in some areas since last year.

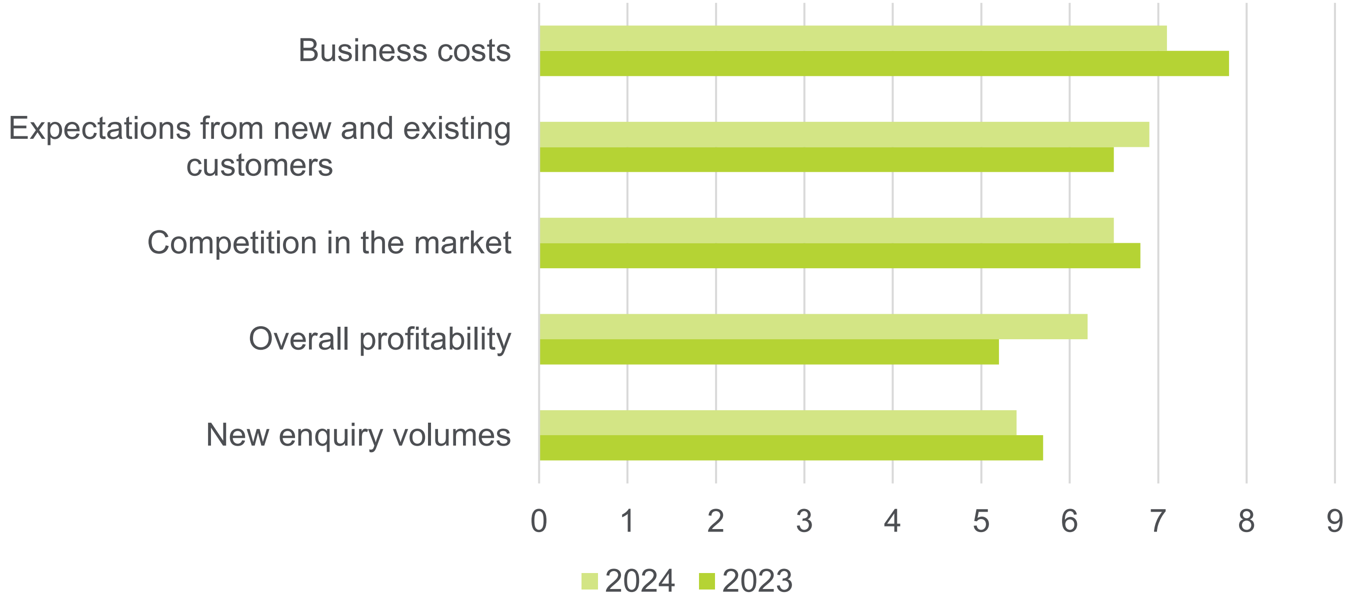
Costs remain a top concern, though they've eased slightly, and overall profitability is up. As a result, operators are exploring new investments and revenue opportunities.

Customer expectations and market competition are key challenges. Client demands have increased since last year, but competition has lessened.

A strong brand and diverse offerings—such as virtual offices, coworking spaces, meeting rooms, event spaces, and amenities—can help meet tenant needs and drive revenue growth.

## How business conditions compare to last year

1= much lower, 10= far higher



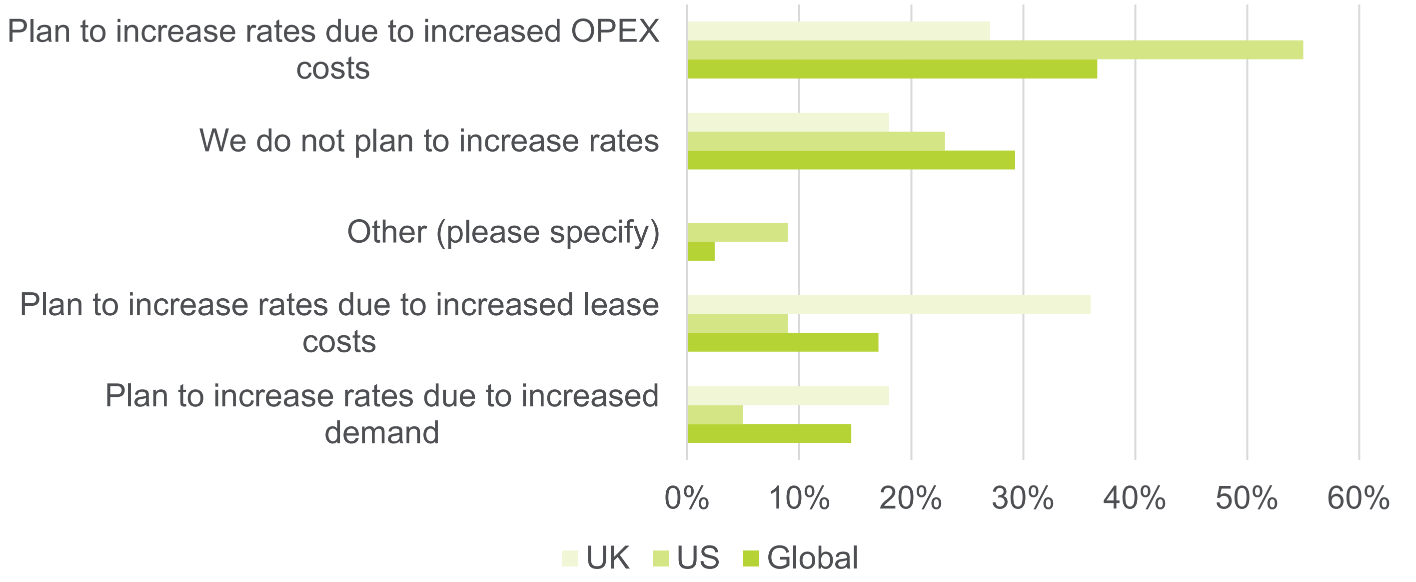
# Pricing and OpEx remain in the spotlight

Globally, **69% of operators** plan to raise rates next year, mainly to cover rising costs. In the U.S., **55%** will do so due to operating expenses, while **36% of UK operators** are responding to higher lease costs.

37% of global operators say cost is the top reason prospects choose not to sign. Striking the right balance between staying competitive and improving margins remains a challenge.

By understanding local pricing trends and competition, operators can more easily adjust strategies, drive more tours, and increase conversions.

## Will operators increase rates this year and why?




**Want to quickly adjust your pricing?**

**Discover the data and insights that can help you make smart investment decisions.**

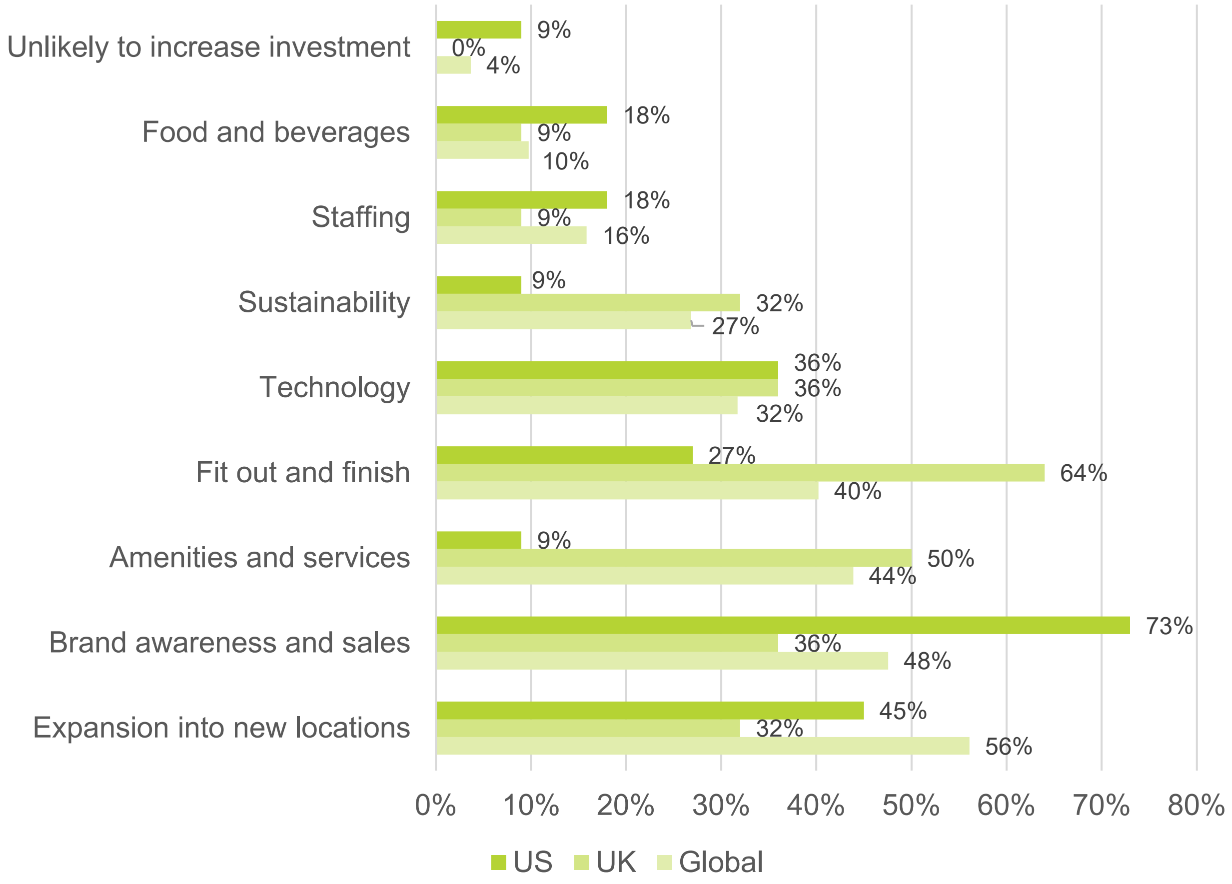
# Expansion reigns among investment plans

With **96% of operators** planning to increase investment in the next two years, their focus is clear. **Opening new locations** is the top priority, with over half of global operators aiming for expansion.

**Brand awareness and sales** are key focus areas by far in the U.S., where occupancy rates and attracting occupiers have been particularly difficult. In the UK, investment into flex products and **fit-out and finish** is the top priority.

**Sustainability** is an investment priority for 27% of operators globally, with 32% of UK operators versus the stark contrast of 9% of U.S. operators selecting it as a likely area of investment.

These investments point to a dynamic market, as operators work to meet rising demand for flex products and services.



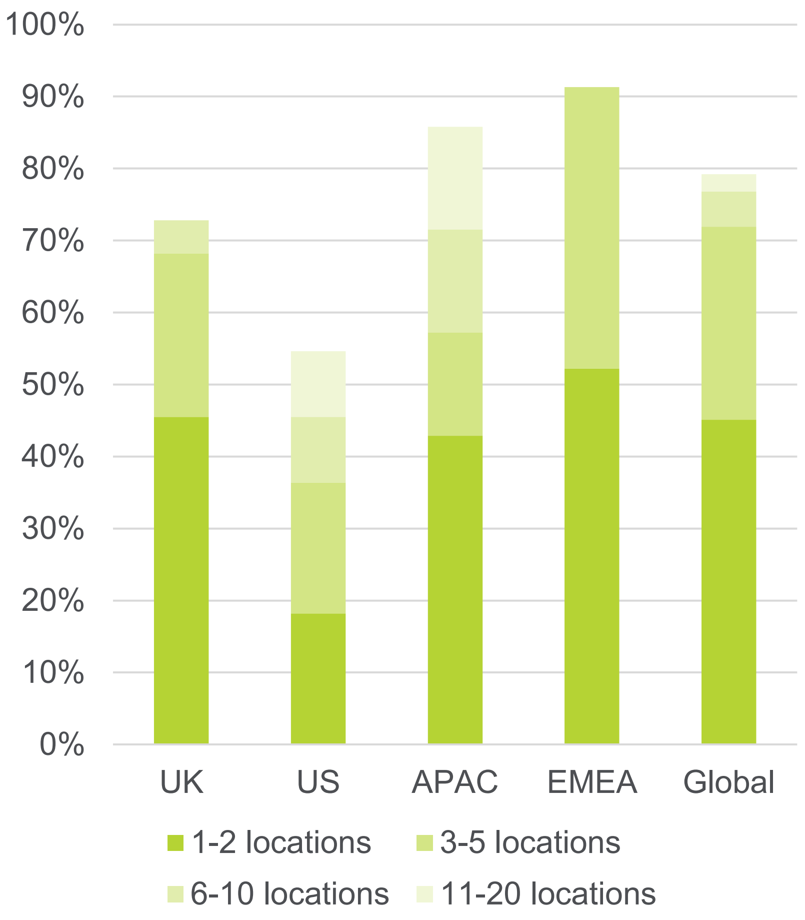
# 79% of global operators plan to expand their footprint

91% of operators in EMEA are planning for growth, with 52% eyeing 1 to 2 new locations and 39% up to 5 new locations.

Significant growth is also in the future across APAC, with 14% of operators planning to expand by over 10 locations.

In the UK, 73% of operators plan to expand, 46% of them up to two new locations In the U.S., 55% of operators are planning to expand, with 36% eyeing up to five new locations.

To maximise revenue potential, new investment decisions require market data on supply-demand dynamics to identify assets that would perform profitably as flex.




## Partner Insights

*"The EMEA market has matured in recent years, positioning many regional operators to grow within their respective countries. StartDock opened six locations in eight years and are heading towards ten locations over the next three years.*

*A key driver for growth has been the combination of hyperfocus on customer-satisfaction and data to target Class A buildings, in top locations, at an average-market price. That's how we've maintained high occupancy rates while building community representative of the entrepreneurial and innovative spirit of the Netherlands."*

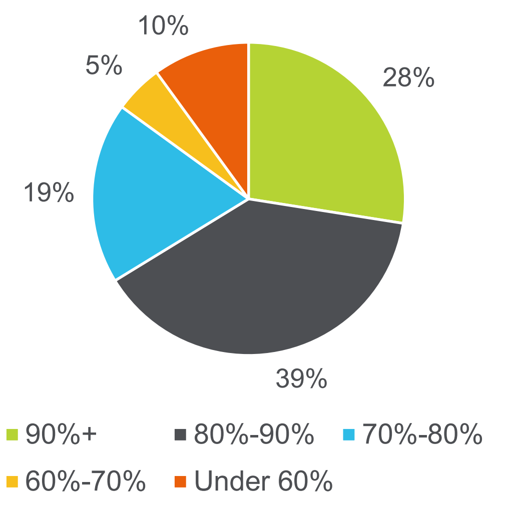
**Thom Wernke**
Co-founder & CEO
StartDock Coworking
The Netherlands

# Strong occupancy points to profitability in flex

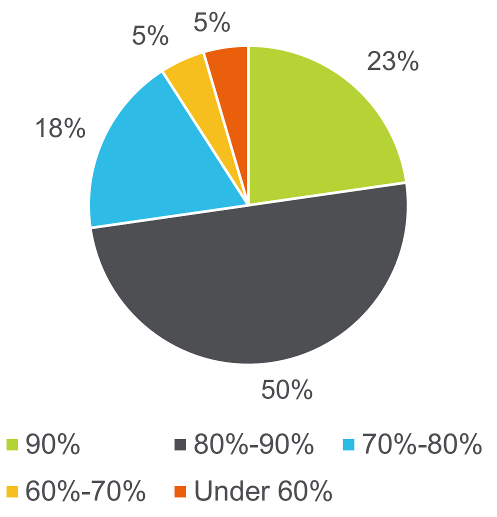
Occupancy is the top driver of success and growth. Globally, 86% of flex operators report occupancy rates above 70%. In the U.S. and UK, 82% and 91%, respectively, exceed this threshold, while just 9% and 5% report occupancy below 60%.

With global office occupancy averaging below 40% post-Covid*, our research shows that flex spaces achieve higher occupancy rates, contributing to the increased profits that operators have seen over the past year.

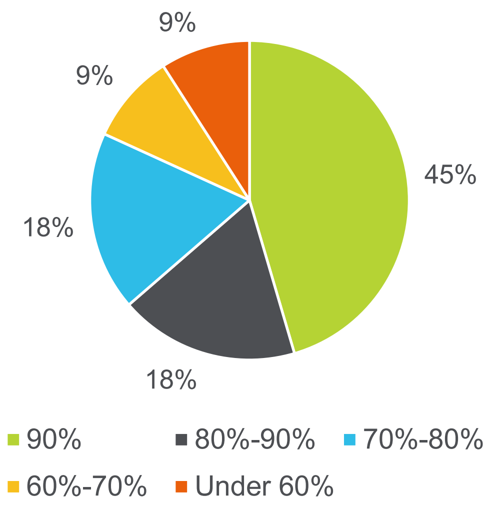
## Global




## UK




## US








*CBRE's 2023 Global Workplace & Occupancy Management Benchmarking Program

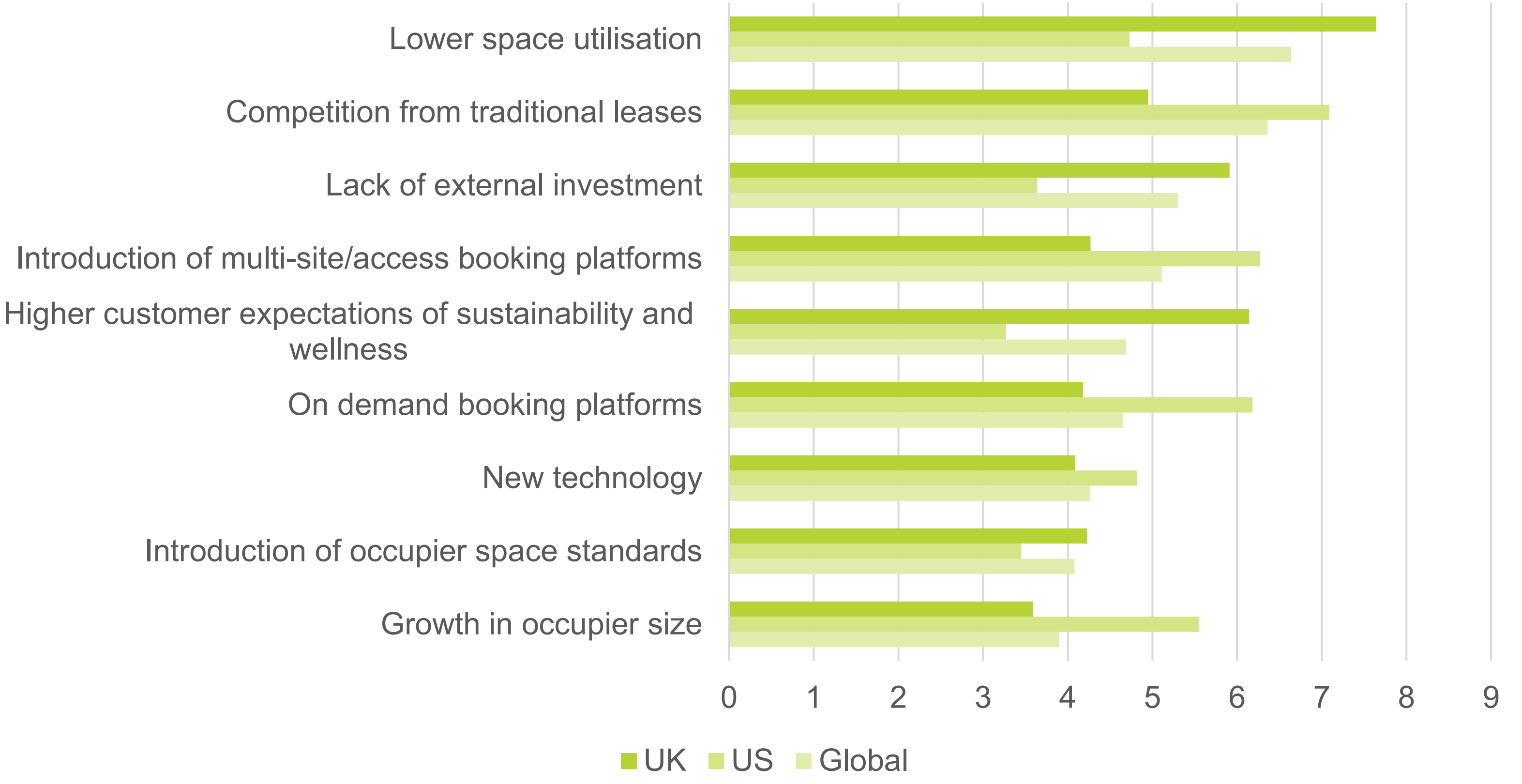
# Expected business impacts

Operators ranked potential changes to business drivers by impact. Lower space utilisation, which affects occupancy and profits, poses the biggest global risk, especially in the UK.

Competition from traditional leases and limited external investments are also concerns. Expanding operators may face challenges from competing supply or lower external investment from hesitant landlords and investors.

UK operators expect higher customer demand for sustainability and wellness, while U.S. operators see competition from traditional leases and booking platforms as the biggest threats.

## What operators expect will cause the biggest changes to their business



# Operator strategies to combat market challenges

Operators were asked how they would respond to market challenges. Reponses tended to fall into three main categories, reinforcing their focus on growth and the enrichment of flex products and services.

### Growth and investment

Adding new locations and more space

External investments

Invest in our buildings to create more aspirational spaces

Expanding our technology platform

Invest in our team, brand image, service and design

Fitout, research, business cases for investment

Investment in the portfolio

Update and proactively invest in our ESG

Sustainable solutions in conjunction with landlords

### Product expansion

Extending the hot desk areas and dividing open spaces to smaller private offices

Create more flexible and decentralised spaces

Generate new revenue streams from meeting rooms and short-stay bookings

### Service enrichment

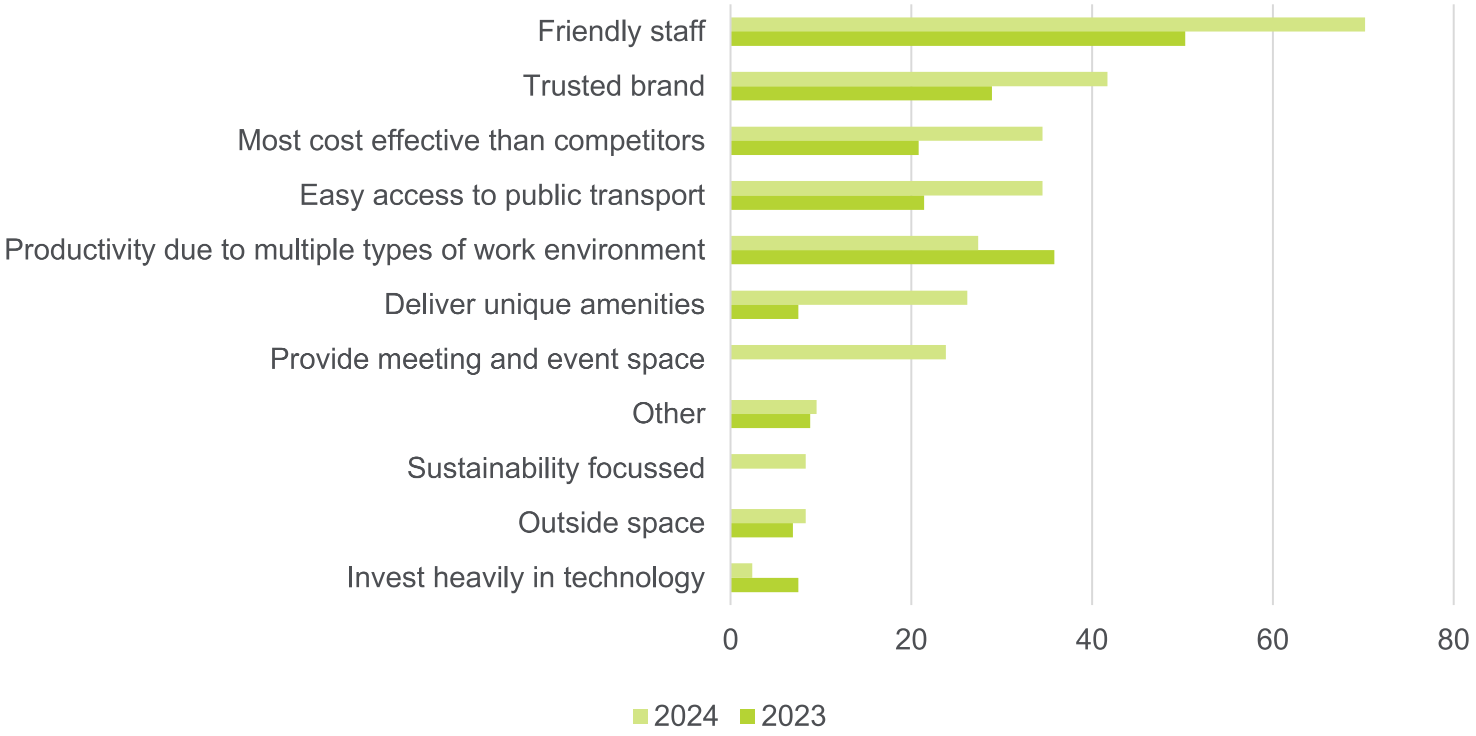
Elevate our service to a more premium audience

Improve amenities by target audience and costs analysis

# Staff friendliness and a trusted brand are operators' secret weapons

When asked why customers choose their spaces, friendly staff topped the list again. Service-focused flexible workspaces thrive on hospitality and premium services, reflecting the growing "hotelification" of the sector.

A trusted brand is also critical due to rising competition and rapid market growth. Cost also remains a top factor, while the importance of amenities—like outdoor space and meeting rooms—has surged since 2023, driving maximum value for these spaces.



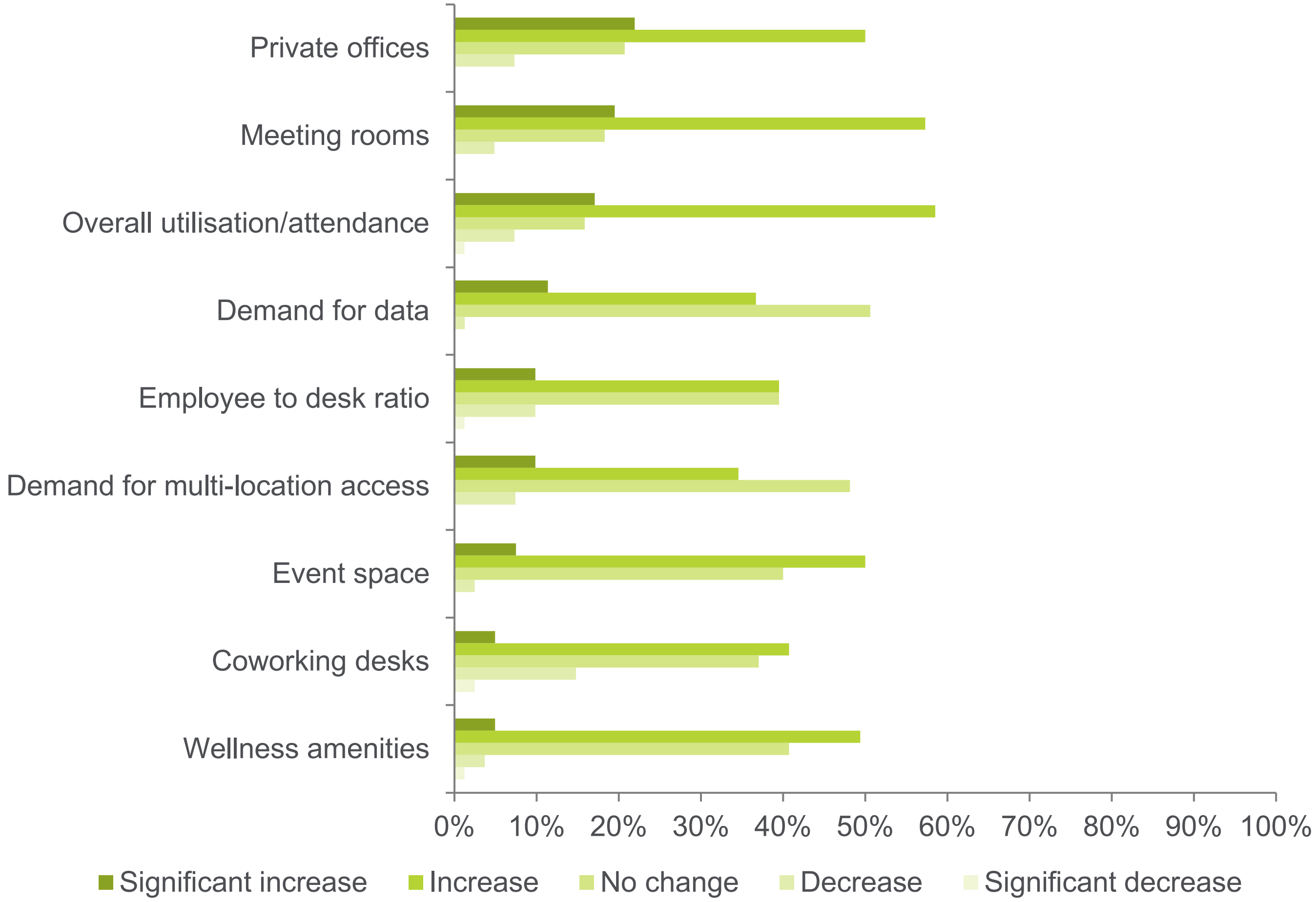

**The other side of the coin:** Occupiers choose flex because it offers the value of cost-effectiveness and has a strong positive impact on work-life balance, meeting colleagues, and connecting with people.

# Flex space now means a wider range of products

Operators globally expect occupiers to use space differently in the coming years, with office utilisation increasing alongside demand for short-stay flex products like meeting rooms, private offices, and event spaces.

Flex space is evolving beyond short-term leases, offering a broader range of easily accessible, bookable options for users and unlocking new revenue streams for operators.

In the UK, meeting rooms, private offices, and wellness amenities are expected to grow in use, while in the U.S., operators anticipate increased utilisation, especially for meeting rooms and private offices.



# Sustainability: Operators have a long way to go

Occupiers are increasingly asking for sustainability data and reporting. Yet, **over half of global operators (54%)** are not reporting on sustainability in their company's annual report and do not have a dedicated sustainability report. Just **15%** do.

## Renewable energy

**38% of operators** use renewable energy, with **16%** reporting that over **75%** of their spaces are powered by it. Meanwhile, **27%** don't use renewable energy, and **35%** are unsure if they do.

This lack of awareness highlights a key opportunity for data transparency. Showcasing a site's sustainability can help operators attract and retain tenants focused on decarbonising their operations.

## Compelling sustainability initiatives

Operators rank recycling as the top sustainability feature in their locations, above renewable energy, certifications, data transparency, and low-carbon design.

However, there's a disconnect between what operators prioritise and what occupiers value most.

Recent insights reveal that while recycling is important, access to sustainability data from workspace operators is the top concern, a trend expected to grow as global regulations tighten into 2025 and beyond.

## Capital upgrade programmes

These offer a strategic opportunity to optimise asset performance by incorporating modern engineering and design principles to reduce operational costs and carbon emissions while enhancing asset value and overall member experience and satisfaction.

However, **63% of survey respondents** do not have a capital upgrade programme with sustainability considerations.

# Rethinking Workspace.

We're helping operators open new locations and make smart investment decisions. **Learn how.**

## 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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