

FLEX FORWARD

WHAT'S NEXT FOR FLEX IN 2021



A modern office interior with large windows, wooden desks, and contemporary furniture. The space is bright and airy, with a mix of workstations and lounge areas. A white semi-transparent box is overlaid on the center of the image, containing text.

2020 LOOKBACK

Before outlining what's next for flex in 2021, we recap our [2020 forecasts](#) below, that were made pre-COVID, and review how these played out and how they are looking going forward:

- **Enterprise Outsourcing Taking Off:** We forecast that flexible workspace outsourcing would become an increasingly important part of the CRE tool kit. The pandemic has accelerated enterprise interest in flexible workspace and this trend will continue in to 2021 as occupiers begin to execute on plans to accommodate a distributed workforce.
- **Hospitality Becomes the New Normal:** Over 2020 we saw this trend take three main forms - asset owners increasingly looking to incorporate hospitality and lifestyle offerings within their assets, traditional hospitality operators eyeing the office sector for opportunities to adapt their offerings to enhance work environments, and partnerships emerging between hotels and flexible workspace operators to reposition hotel assets.

Going in to 2021, it will be interesting to see how Accor, following the merger with Ennismore, deploy the Working From_ concept.

- **The Wellness Boom:** Wellness was brought front and centre during 2020 and occupiers are increasingly looking to asset owners and flexible workspace operators to ensure their employees wellness is taken care of. There will be huge focus on integrated wellness offerings in 2021.
- **The Suburban Revival:** As a direct result of enforced work from home, demand for suburban flexible workspace increased as some employees found balancing work in a home environment challenging. We expect growth in both supply and demand for suburban locations in 2021.
- **Fragmentation Keeps Growing:** Many operators spent 2020 renegotiating their lease agreements with asset owners and growth was muted in most markets. Many operators put plans for new markets on hold, with the exception of Industrious who entered Singapore, leaving operators to strengthen market share in home markets.

FIVE TRENDS TO WATCH IN THE FLEXIBLE WORKSPACE SECTOR FOR 2021:

WORK FROM ANYWHERE

While Colliers expect a large-scale return to the office there has been a mindset shift due to the prolonged absence, for many, from the traditional environment. As a result, we expect occupiers to offer their teams greater choice and flexibility for where they work. A range of terms have moved into the mainstream vocabulary of the typical office worker over the last twelve months including WFH, WNH, Hybrid Working. However, all of these terms can be best encapsulated by “Work from Anywhere”.

Asset owners with large and diverse portfolios may be able to solve some of this for their occupiers, large flexible workspace operators with a broad network of locations may be able to play a part, some hotels and malls are considering creating a workspace offering, but no one of these stakeholders will be able to solve for this demand alone.

We expect technology solutions to play an important role in helping occupiers execute on new occupancy strategies. NeoNomad, Liquid Space, DeskPass, Desana, WorkBuddy, FlySpaces Passport and Switch are all aggregator platforms which enable occupiers to access workspace on demand, while Colliers partnered with Upflex to create the Colliers Mobility Pass for our occupier clients, and as these platforms iterate to remove friction they will play a key role in enabling occupiers to access workspace and “work from anywhere”.

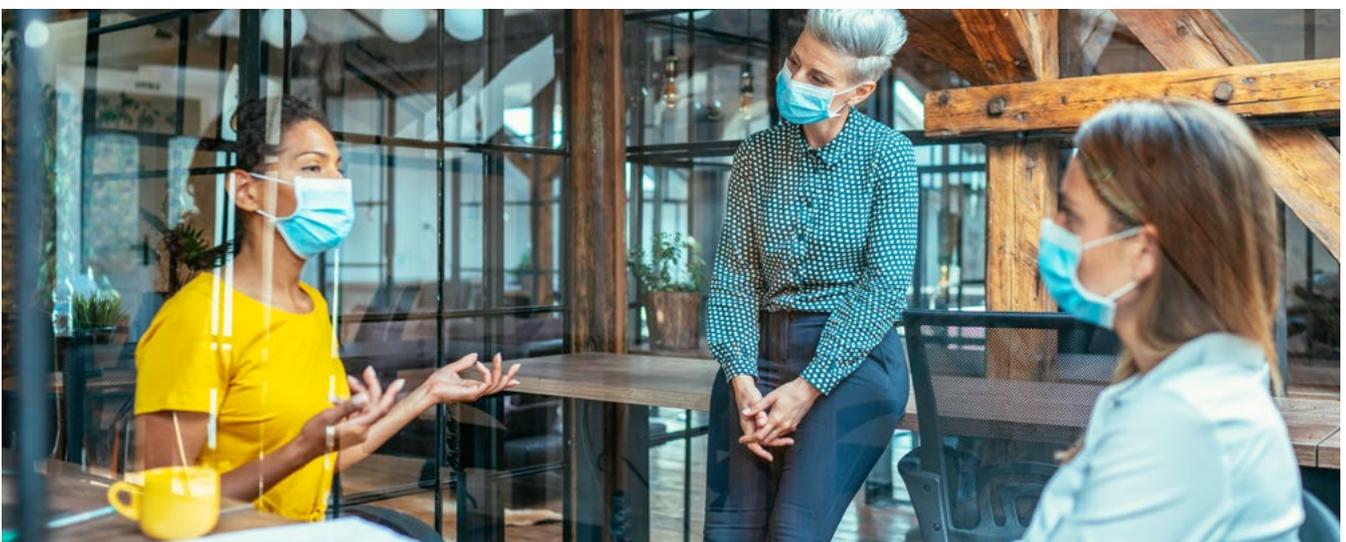
To learn more about the Colliers Mobility Pass [click here](#)

PARTNERSHIPS AND ACQUISITIONS

Colliers have long been advocating deeper partnerships between operators and asset owners in order to deliver flexible workspace and meaningful amenities. As asset owners look to position their portfolios for a post-COVID world we expect there to be an acceleration in partnerships and, of course, there will also be an upswing in asset owners developing their own concepts.

As a progression from deeper partnerships, it would not be a stretch to imagine several asset owners acquiring flexible workspace operators in order to solve for occupier demand for flexibility and buy-in expertise, together with creating a more varied work from anywhere platform for their occupiers.

In addition to asset owners, traditional real estate service providers with FM teams could look to bolster their own offerings via acquisition. CBRE (Hana), JLL (Civis) and Cushman & Wakefield (Indego) could bring forward their growth strategies by acquiring established operators.



VALUATION CONSENSUS

2020 has accelerated many of the themes we previously forecasted but concerns and a lack of understanding about how to value flexible workspace income streams is still impeding adoption in many markets. We included a section on valuation in our 2020 regional reports ([Asia Pacific](#) and [EMEA](#)) which suggested how asset owners and valuers should approach building valuation where flexible workspace was part of the asset, this section unpacked the various deal structures available between operators and asset owners and their impact on valuation. While professional valuers, such as Colliers, can value these assets the lenders are yet to reach a consensus.

As occupiers continue to demand flexible workspace and meaningful amenities, asset owners are quickly addressing this supply gap and, largely out of necessity, we expect lenders and valuers to establish robust guidelines for valuation very quickly and we believe 2021 could be the year this happens, better enabling asset owners to deliver products the market demands.

NON-CBD GROWTH AND NON-TRADITIONAL OFFICE SUPPLY

A theme of 2020, and very much tied in to the “Work from Anywhere” trend, there will be significant growth of flexible workspace outside of central business districts.

The depth and quality of flexible workspace supply outside of downtown locations is already causing a supply pinch in some markets. As occupiers continue to seek a range of geographic locations to solve for a distributed workforce there is a substantial deficit of supply in suburban areas, secondary cities, commuter towns and emerging markets.

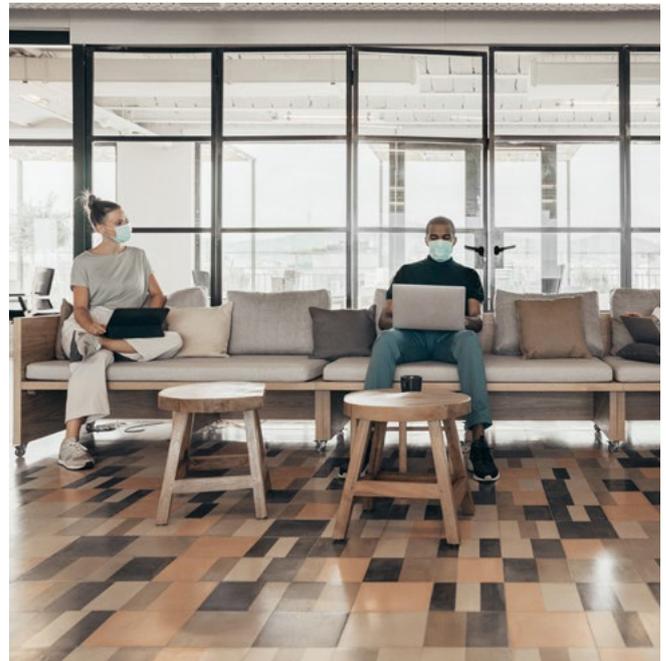
2021, will be the year that non-CBD flexible workspace supply increases dramatically. We forecast this supply will come from both existing operators and new entrants, additionally, some of this supply may be delivered by repositioned retail and hotel assets.

EMPLOYEE SAFETY AND ENGAGEMENT

The pandemic has brought a renewed focus to employee experience and wellness, with safety now at the heart of CRE decision making for workspace. Many occupiers are now asking about air replacement frequency and cleaning policies before asking about what the rent is!

This year has brought into sharp focus that the office must be an enabler for employees to collaborate and drive innovation. As employees will have more choice about where they can be the most productive, the office experience must be more than just a desk and chair, and lifestyle offerings will be incorporated into assets.

Flexible workspace operators must address all these concerns and those who do not offer an elevated employee experience will be left behind by more progressive operators who design and operate their spaces with the human experience at their core.





CONCLUSION

2020 could potentially be the catalyst for a structural change in real estate. Over 2021 we will begin to see the true impact of the pandemic and start to make sense of what its long lasting impact will be.

There are signs of optimism for the flexible workspace sector, underpinned by occupiers looking to reduce risk, add agility, elevate employee experience and outsource workspace delivery. Illustrated by Deloitte's recent acquisition of 35,000 sq ft of flex space from WeWork in the UK and Standard Chartered partnering with IWG to offer their global workforce access to on demand workspace.

We have also seen traction with asset owners meaningfully exploring the benefits that partnering with flexible workspace operators can bring to an asset, such as attracting smaller high-quality requirements, improving tenant amenities and offering conventional tenants' additional flexible workspace. For example, Barings have just announced that they have partnered with Hana in their flagship Manchester development, which is also a positive signal for secondary markets.

Here at Colliers we expect the sector to recover strongly and we are preparing for a busy year as asset owners, operators and occupiers all continue to evolve and embrace the shift in how workspace is delivered and consumed.

OUR FLEX EXPERTS



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FLEXIBLE WORKSPACE CONSULTING

Colliers International's global flexible workspace consulting team works with all stakeholders in the sector. Our team of in-house experts delivers strategic advisory to operators, develops asset owners' flexible workspace approaches, and unlocks opportunities with creative solutions for our occupier clients.

Our integrated approach provides us with a holistic perspective on the sector and our clients benefit from the team's unparalleled track record and experience. Acting exclusively as an advisor, with no competing product, our independent market positioning allows us to provide uncompromised outcomes for our operator, asset owner and occupier clients.

OPERATOR

- > Market Growth Strategy
- > New Location Acquisition
- > M&A
- > Fundraising

OCCUPIER

- > Strategic Advisory
- > Portfolio Diagnostics
- > Transaction Management
- > Creative Deal Structuring

ASSET OWNER

- > Strategic Advisory
- > Creative Positioning
- > Transaction Management
- > Feasibility and Valuation