FLEX
AND SHARE

A MORE DISTRIBUTED WORKFORCE AND THE RISE OF HYBRID WORKING MODELS HAVE SEEN A SURGE IN DEMAND FOR COWORKING AND FLEXIBLE OFFICE SPACE.

IN THE EVOLVING WORKPLACE environment, office space has undergone a quantum shift in form and function.

Lloyd Budd, Bayleys Auckland director commercial and industrial, says the rise of the wider coworking industry has created a strategic asset class that is pivotal to the office investment and development sector, and a major player in the office leasing market.

"Landlords are realising the importance of having an element of flexible office space in their buildings and approaching this in multiple ways – from traditional leases, to partnering with a flexible space operator to run the space, or revenue-sharing/capital-light models," he says.

Bayleys' latest *Coworking Research Report*, shows Auckland now has more than 55,000sqm of flexible working space – up seven percent on 2020 and with high adoption rates from the professional services sector including finance, legal, technology and other consulting-based companies.

"The three largest operators by size – IWG, B:HIVE and Generator – have 77 percent of Auckland's market," says Budd.

"Further, with more than 19,000sqm of flexible office space in the pipeline either under construction or in planning phases, the "plug and play" format is leading to creative uptake of space from a wide range of occupiers.

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>
> LLOYD BUDD, BAYLEYS DIRECTOR COMMERCIAL AND INDUSTRIAL

"Even larger corporations can change the size of their footprint monthly if they need to and this is both empowering and cost-effective."

Budd says a recent Bayleys Research survey showed 27 percent of those companies surveyed had more than half their workforce working remotely on a regular basis, meaning the traditional office dynamic has had to flex and bend.

Mainstream demand is evidenced by the fact that globally, the flexible space market grew from US$7.97 billion in 2020 to US$8.14 billion in 2021 and Budd says much of this growth is attributed to the acceleration of macro trends by COVID-19.

"After the work-from-home experiment was found to have some identified shortcomings, businesses globally are looking to use the flexible workplace model to enhance business culture, encourage collaboration, attract and retain talent and minimise carbon footprints," he says.

"Flexi-leases are liberating, and occupiers are accessing space with a higher level of amenity than they may otherwise have afforded.

"Add in the significant operational cost savings that coworking space offers, and predictions are that by 2024, almost five million people will occupy such space around the world."

Bayleys' global real estate partner Knight Frank in its recent *(Y)OURSPACE* workplace report says four S's will inspire the future form, function, quality and quantum of the office post-pandemic – strategic, safe, sustainable and smart.

THE AUSTRALIAN STORY

In Australia, Sean Lucas, director client solutions and flexible real estate lead for Knight Frank, says the impact on the office sector from COVID-19's Delta variant, can't be understated.

"At one stage in August, more than 16 million Australians were in lockdown, and certain states look set to face several more weeks of restrictions," he says.

"While this has led to some uncertainty within the broader office market, forward-thinking tenants and landlords are redefining the role of the workplace for their employees and clients and looking at how they can strategically leverage flexible office market dynamics.

"The best flex spaces and coworking locations provide great service, help foster community and allow like-minded individuals across a spectrum of organisations to meet, connect and ideate.

"Add in an unwavering commitment to delivering a safe and hygienic environment, the benefits of a turn-key/nil CAPEX solution, and flexibility of timing and term, and it's easy to see why flex options are becoming increasingly attractive to occupiers of all sizes."

Lucas said COVID-related seismic change around where and how we work will be lasting, with a hybrid future assured.

"I think a combination of lockdown fatigue, an eagerness for serendipitous interaction and simply a change of scenery will see individuals returning to coworking locations when safe to do so.

"Safety, technology, flexibility, scalability and connection will underpin this, with planning time horizons now being discussed in terms of weeks and months rather than years."

DRIVING CHANGE

At Smales Farm business precinct on Auckland's North Shore, B:HIVE offers flexible office space for businesses with one to 150 employees.

B:HIVE

Generator

Manager for B:HIVE leasing and community Lisa Bryan, says while shared space was gaining market share pre-COVID 19, it is even more relevant now.

"The inherent flexibility and low-obligation licences give decision-makers time to breathe and trial different ways of working as the pandemic situation continues to evolve locally and globally," she says.

"In response, we evolved B:HIVE's offering further in early 2021 by introducing our membership model, following a trial with a few early adopters towards the end of 2020.

"This model offers an additional layer of flexibility, allowing members utilising a hybrid working model to purchase additional memberships beyond the number of workstations in their office.

"On days where employees in the building exceed their number of desks, the shared space and their allocation of free hours can be used to accommodate the overflow."

Countering the preconception that coworking is only for smaller businesses and startups remains B:HIVE's greatest challenge.

"From inception, B:HIVE was configured for corporates as well as SMEs and remote workers looking for high-quality office space offering occupancy, cost efficiency, strong infrastructure and technology amenity, and a sustainable workplace offering.

"Laybuy, who started in B:HIVE with five employees, now has more than 100 employees worldwide, with a 74-workstation office in B:HIVE.

"INHERENT FLEXIBILITY AND LOW-OBLIGATION LICENCES GIVE DECISION-MAKERS TIME TO BREATHE."

LISA BRYAN, B:HIVE MANAGER LEASING AND COMMUNITY

"We'll soon welcome Bravura into a 70-workstation office for their 110-strong Auckland team, while our largest dedicated space to date was 700 square metres for ASB Bank with 176 workstations."

Bryan says despite initial concern that a shared space may have less appeal in a global pandemic environment, the opposite has been true.

"Our team looks after all operational and health and safety aspects of the building in line with official guidelines, working closely with an independent advisor and developing communications to allow members to focus on their business and their people."

Bryan expects to see continued uptake of shared space by corporates and signals a planned extension to B:HIVE with an increased footprint, and a more sustainable approach to workplace fitouts.

GENERATOR GENERATION

Flexible workspace provider Generator has been operating since 2011 and has more than 1,500 members across its Auckland facilities and will launch in Wellington later this year.

The Generator model embraces coworking spaces, private offices, managed suites, breakout zones, chill out areas, and cutting-edge meeting and event suites.

John Moffett, general manager Generator, says its data shows that coworking space is more relevant than ever as businesses look to realign their space needs as market dynamics and workplace models change.

"Thanks to our flexibility, short-term leases and a concierge team that does all the heavy lifting related to running an office including managing all health and safety requirements, our members have additional confidence and that's been a key factor in deciding to continue with their memberships," he explains.

"Then there's the quality factor – the concept of shared and flexible space is no longer only associated with startups.

"Generator is a professional front for some of the world's top brands, and we have always maintained we are not the seventh form common room."

Moffett says globally, the shared space market is maturing and in the past eight months, Generator has signed up four pharmaceutical companies – unimaginable even three years ago.

"THE CONCEPT OF SHARED AND FLEXIBLE SPACE IS NO LONGER ONLY ASSOCIATED WITH STARTUPS."

JOHN MOFFETT, GENERAL MANAGER GENERATOR

Partnering with its parent company Precinct, Generator has integrated into market-leading corporate developments, with shared space becoming an adjunct to standard office leasing agreements within buildings.

"Corporates are doing their cost-benefit analysis around space and recognising that with the Generator model, they can still have company branding, our concierge is their concierge and there's no compromise on quality."

COVID-19 was the catalyst for Generator's membership model to accommodate times when teams are split across home and office.

"Space is a service and this model means businesses can pay for additional users rather than additional desks," says Moffett.

"Businesses come to us saying 'how can we use space more efficiently and how can we work better?' so we're actively teaching them how to use space to their advantage."

Moffett says the form of the buildings Generator occupies is also important to its overall ethos.

"We look for buildings that make a statement – whether through architecture or location."

Wellington is the next cab off the rank for Generator with its end-of-October move into the former Dunbar Sloane character building and then later, into Precinct's new Bowen Street development.

GLOBAL GIANT IWG

International leader in flexible workspaces IWG, has 17 centres around New Zealand across multiple brands and will grow this presence both within and beyond the main cities.

Alex Sykes, IWG's New Zealand country head, says global demand for hybrid working space offering flexibility and fluidity is escalating at pace.

"We've already added two million new users this year across our global network," he says.

"With 3,500 locations in over 120 towns and cities around the world, we're in a good position to scale up our operations in New Zealand.

"Hybrid working is certainly here to stay with the pandemic simply an additional catalyst in the quest for better work-life balance, freedom to choose how and where we work – without the daily grind of a CBD office commute."

Sykes says IWG is working to expand the number of brands it operates in order to reach every type of audience in every market.

"We're also actively seeking to expand our network through franchising and management agreements with landlords who are looking to diversify their portfolios," he explains.

"HYBRID WORKING IS CERTAINLY HERE TO STAY WITH THE PANDEMIC SIMPLY AN ADDITIONAL CATALYST."

ALEX SYKES, IWG'S NEW ZEALAND COUNTRY HEAD

"We have franchise opportunities across the Regus, Spaces, Signature and HQ brands and are actively looking to partner with local landlords who know their individual markets well.

"The intention is to widen the net to mesh with the 15-minute city concept which encourages walking or cycling to the work centre nearest your home."

The 15-minute city ideology, where work, shops, entertainment, education and healthcare are all within a 15-minute walk or cycle from people's homes, has undoubtedly been further fuelled by the pandemic, says Sykes.

"People want to live and work in the heart of their communities and I engage this model myself, opting to sometimes work from a centre convenient to where my child attends school to cut down on commuting."

SMALL BUT PERFECTLY FORMED

Bespoke operator Qb Studios offers private, fully-furnished offices in design-driven buildings in core locations.

Director Alex Brennan says with the macro trend towards a more remote and distributed workforce, it's looking to expand its network of boutique, curated workspaces beyond the current Auckland and Christchurch markets to Wellington, Queenstown and potentially other regional centres.

"COVID has brought a new level of uncertainty and prompted business owners to look at their office needs with fresh eyes.

"There has been an openness and a willingness to experiment and try new things and I think this will continue."

Brennan cites financial agility, having a world-class office simplified into a single monthly invoice and the opportunity for experimentation around space occupation as key strengths of the flex-space model.

"Ultimately, the flex office is about more than productivity, with the shared facilities and sense of community providing a magnetising space to attract and retain the best employees."

With its Qb model already well-adapted for a post-COVID working landscape, Brennan says it's designing more dedicated space for video conferencing with the rise of Zoom over the last 18 months.

"We've also adapted our membership offerings to capture the demand from businesses wanting a smaller office as a hub for a larger team doing a mix of remote and in-office work," he explains.

"A team of 30, many of whom work from home, might take a 10-desk studio as their HQ that staff can rotate in and out of."

Brennan says Qb's smaller model works well in New Zealand where many business owners don't want their brand and culture to be overshadowed by that of a large office provider.

"Another strength is it creates possibilities for opening in fringe locations, allowing us to establish boutique spaces outside the CBDs."

Qb Studios. Photo credit: Sarah Rowlands