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Bend and Flex: How Flexible Workplace Dynamics are Shaping Up in 2023

One of the things that keeps the commercial real estate (CRE) industry both interesting and challenging is the way the environment continues to evolve. New opportunities and trends rise all the time and part of the challenge is figuring out what's here to stay and what's simply a passing fad.

Among the biggest trends in recent years has been the shift in how workers and companies relate to their workplace. The way office space is used has changed and work-from-home, return to office negotiations, and a flight to quality have all been part of the mix as the sector works towards its 'new normal.' Within this milieu, a term that's popped up repeatedly is 'flex' or 'flexible workplaces.'

The Growth of Flex

Flex workplaces are spaces where occupiers have flexibility in their lease terms, space configuration and utility, coworking situation or even in terms of where and when their workers can come into office.

In recent years, the flex workplace concept has experienced a surge in popularity, but, as with any growing trend, it can be difficult to judge how popular, and pervasive, it really is. As any savvy CRE professional knows – the best option in cases like that is to go straight to the numbers.

With that in mind, we looked at predictions from some top sources, and those closely tied to the industry, to get a more nuanced sense of where flexible workplaces are now and where they're headed in the next few years.

Flex in the US

The first thing worth noting is that the flex situation differs considerably between global regions.

In the US, coworking spaces (one form of flex) are becoming increasingly prevalent in suburban areas, offering workers a shorter commute and more options for where they can report to the office. According to a recent report from Coworking Café, who are owned by Yardi, around 44% (nearly half) of coworking spaces are now in suburban areas.

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Flex growth in the US overall, however, seems to be somewhat slow. A 2022 year-end report from flex workplace specialists Instant, shows that only 44% of flex workplace operators in the US achieved 80% or higher occupancy last year. Despite this, Instant notes that around a third of the operators they interviewed are still planning on expanding their urban and suburban flex facilities this year.

APAC, Europe Leading the Trend

It's worth noting that though the US numbers are low, they are consistent with flex occupancy on a global scale (44% of operators at 80% according to Instant's report). Where they lag is in comparison to the UK and APAC (Asia-Pacific), where 67% and 50% of operators respectively reported at least 80% occupancy of their buildings.

In fact, a JPMorgan report from the beginning of the year indicates that flex is set to see increasing growth in the UK in the years to come, particularly in London. The report states: "Flexible workspace – which offers shorter lease lengths and can include serviced offices, managed offices, shared offices and coworking spaces – is taking an increasing share of the London market, up from 6% in 2020 to an expected 30% in 2030."

According to a recent Commercial Observer (CO) article, flex as a percentage of overall office space is also on the minds of a number of proptech pundits, some of whom see opportunity for growth in the US. Quoted in CO, Francesco De Camilli, Global VP of Revenue for flex analytics group Valve, notes:

"In the United Kingdom, Paris, Amsterdam, the overall office stock is somewhere between 7 to 10 percent flexible workspace. In the US it's closer to 2 to 3 percent, but in the most urban markets, maybe closer to 4 or 5 percent. So a lot in London and Paris see a large opportunity in the US to capture market share of an emerging trend."

There's also growing interest in flex space in Australia, according to news outlet The Property Tribune. The Property Tribune notes that demand for flex space has increased in several major Australian cities in 2023, along with "a slight increase in available flexible office space (+1.9%) and a marginal cost per desk increase of 0.6%, bringing it to an average nationwide cost of [AUD]650."

A Changing Story

For CRE, the shifting office real estate landscape has created an environment that is, at times, both challenging and alarming. As the above figures show, however, it's more important than ever for CRE professionals to keep a close eye on developing trends and maintain flexibility in how to approach office space, and what we can offer clients.

In that context, the ability to offer flex workplaces is simply one more tool in the CRE professional's toolbelt, complementary to traditional office models. It allows greater scope in supporting clients to negotiate their return to office and helps to seal the deals that underpin that return.

As JPMorgan sum up: "While physical office spaces and ways of working are changing and demand fluctuates between locations, one thing is clear: many workers have returned to the office, at least for part of the working week, and the workplace lives on."