



New Work Market Update Flex Solutions post COVID-19

Welcome to the new reality

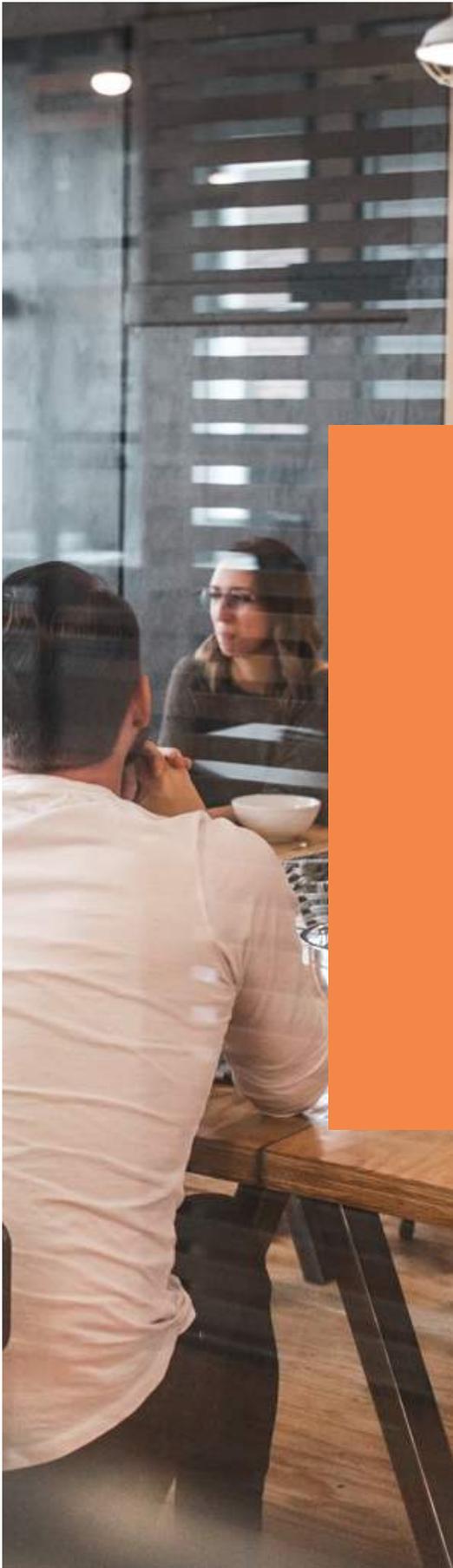


TABLE OF CONTENT

1. Introduction
2. A brief look into the past
3. Flex office today
4. Clients
5. Digital solutions
6. Post COVID – 19 conclusion
7. About New Work

01. INTRODUCTION

No time for hesitation

2020 is over and space as an office, as we know it, is dead and gone. Space as a service has taken over.

- in 2020 Office vacancy rates increased significantly across major cities between 27 % and 90 %
- according to McKinsey 30 % of the office space will be obsolete soon
- hybrid and remote work will account for 20 % - 25 % of the entire work force and 70 % for computer based offices
- according to CBRE latest occupier survey 62 % of the business owners are ready to invest more in technology to support remote work and 77 % are ready to adapt flex work solutions.

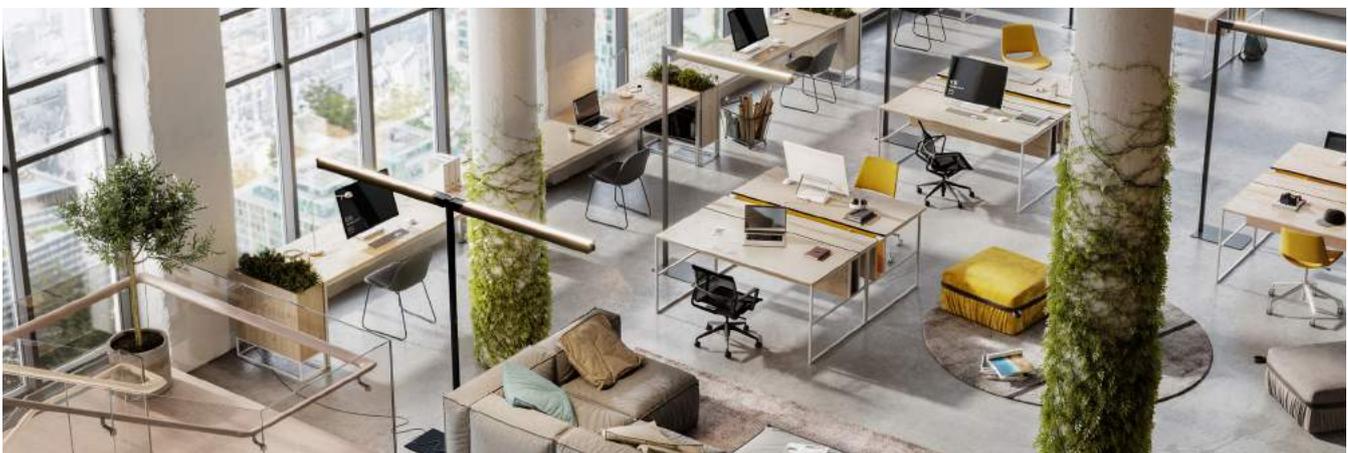
There may be a few examples where offices still get chosen because of their extraordinary architecture and concept, but those are very rare in comparison to the mass of uniformed office buildings all over the world which are not prepared for the new reality.

Clients are now demanding flexibility and additional services while before COVID the # 1 priority was location and price only.

To stay competitive, **landlords can only overcome this situation once they improve flexibility and provide additional services.**

Of course, office as a product will remain and organizations will use them to assemble widgets in one way or another. But the fundamental idea that a shared workplace is the only place to get meaningful work done, has been flattened under the steamroller of COVID-19.

This should come as no surprise to anyone who has been watching the evolution of the workplace over the last 10 years. Since Starbucks appeared as the first co-worker, due to digitalization gradually more and more third places appeared for remote work over the last decade.





Global flexible workplace provider IWG has recently made headlines that the company has an ambitious trajectory to take their current number of workspaces from about 3,500 to as many as 50,000.

While flexible workspace providers have been struggling to adapt, as more people are forced to work from home and to social distance, this trend will actually be an advantage for providers once the virus is under control.

The reality is that, even after we have a widely distributed vaccine, working from home and rotation models will be the new norm and only a few people will want to go back to the office 5 days a week.

Going forward, companies will need to adjust to remote work policies and accommodate more flexible work routines that allow workers to choose where they work from. The industry needs to face the new reality and adapt its products and services now.

There is no room for further hesitation and wishful thinking that the old times will be coming back.

It's challenging and interesting how things will play out. But I am sure that the future is bright for everyone who is ready to face the challenge and adapt to the new reality.

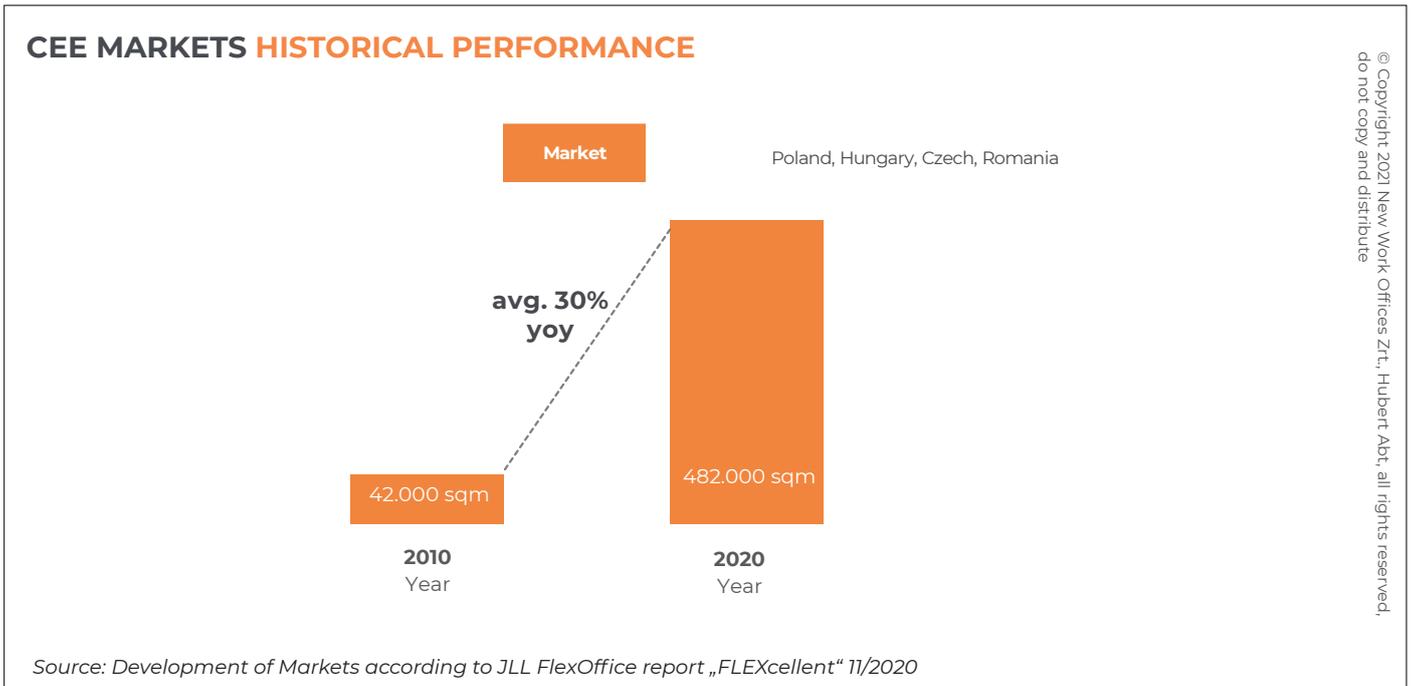
Budapest, 3rd of February 2021

Hubert Abt

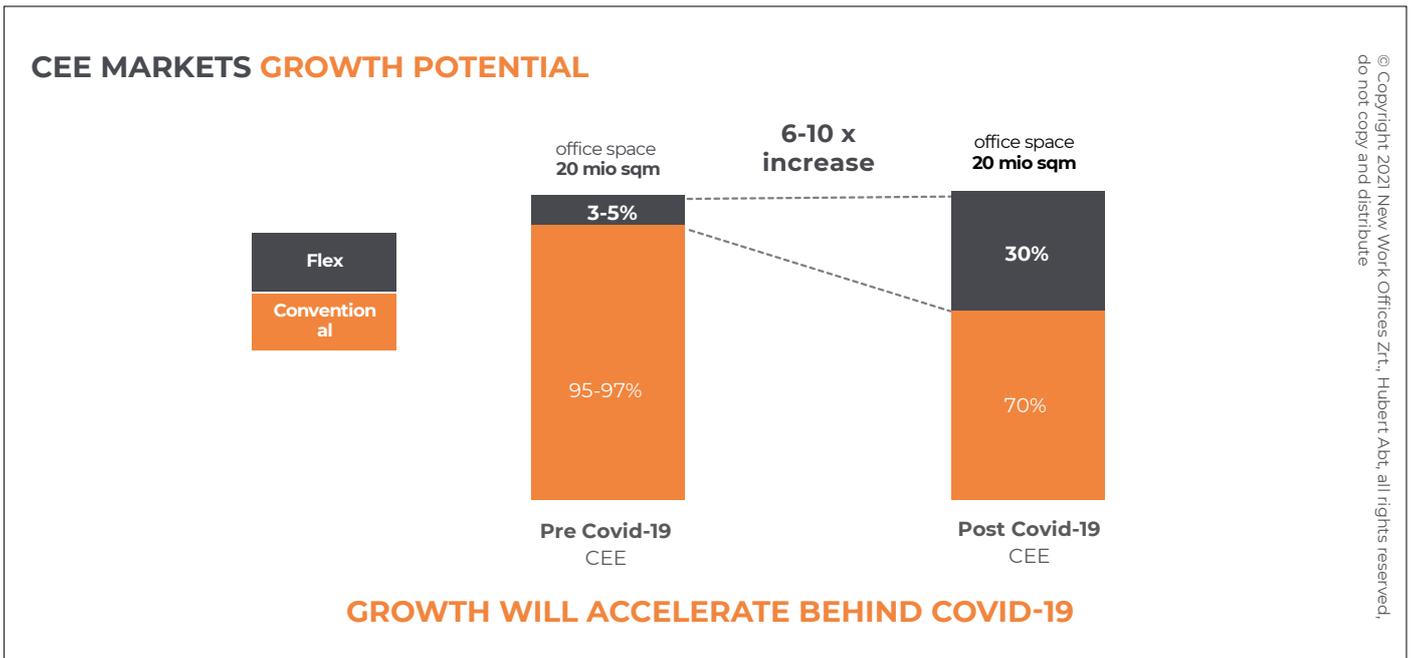
02. A BRIEF LOOK INTO THE PAST

The journey just has started

A brief look into the past, how the flex industry has developed over the last 10 years.



In average the flex office industry grew 30 % per year while the increasing demand for flex space will accelerate this rate significantly. Mark Dixon, CEO of IWG, predicts that 70 % of all new leases will be flex.



03. FLEX OFFICE TODAY

Clients demand multi location presence



Post COVID-19 operational formats will adapt to the new reality and will spread all over the country. It's not a privilege anymore only for big cities to host co-working formats.

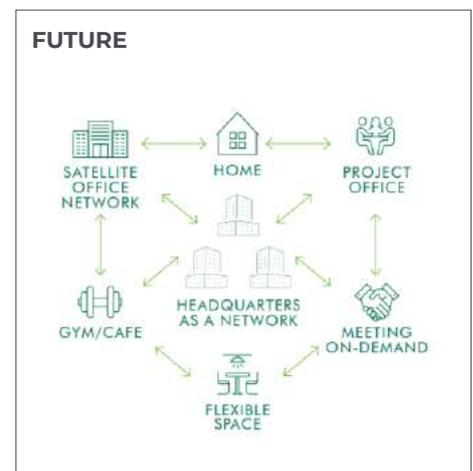
The Swiss railway operator SBB announced to open more than 70 co-working spaces all over the country in train stations. The German Bundesbahn also has such plans.

Accor Hotel Group is running its own co-working brand to bring co-working space to each hotel.

Shopping malls will implement co-working spaces into their one stop concept as they are suffering from low-traffic due to e-commerce.

Market Overview - Trend

- Pre COVID 85 % of revenues came from office space while 15 % came from services.
- Today 60 % of the revenues generated from rent of dedicated offices and 40 % are services and memberships.
- We predict that revenues of letting office space will further decrease to 40 % soon.
- Customers needs and behavior changed exponentially towards services by the pandemic. Decentral HQ models are emerging through more satellite offices.
- Meeting, project and other spaces will be closer to where employees live, thus avoiding unnecessary travel.
- Single location operation models will not be able to compete with multi location platforms.
- Digital services will take the lead in the industry. Membership models and pay as you go functions in combination with tenant app's will become the new normal and multi location usage via a digital Office Pass will set new standards.
- New Work Offices and workcloud24 are leading the innovation with offers for franchise, Office Pass & Toolbox.





Reserve a space spontaneously anywhere



04. CLIENTS

Clients demands go beyond Space as an Office

Workspaces will basically be available like coffee shops at each corner of the city.

This will have deep impact on society and how we plan our days. Avoiding commuting time will be crucial in the future. Employees are focusing much more on the actual time spent at work and the time wasted for long commuting.

This not only helps to provide a better work-life balance but much more to reduce our carbon footprint.

Studies have shown that in the countryside the management of workforce and space with such tools can save as much as 30 % pollution due to traffic in peak times.

The place to work will be chosen not because of the space and the nearest location but much more because of the amenities and services which come along with the space.

Work-life balance has been replaced with work-life integration, and physical spaces must support both work and play. This means offering more services, open technology and on-demand spaces and thinking of the workplace as a full-service lifestyle destination.

Companies will adapt their culture to the new reality.

Companies are forced to manage their workforce in the cloud and keep close contact to each member via the cloud as most of the employees outsource the place to meet and teamwork from the HQ and will organize meetings in third places.

This leads to a constant adaption of their organizational structures and workflow models. The campus as a place for socializing and exchanging information will not be the only place for this anymore.



Plan and book ahead, meet with teammates and enjoy the amenities



Be safe at the office space next to your home. Fast and easy commuting.



05. DIGITAL SOLUTIONS

No campus needed any more to attract talents

Digital solutions allow everyone to work wherever and whenever they wish.

The lease contract as such will be replaced by service and membership contracts while the complexity of services and booking arrangements get handled via a software which ends up in an application where the user can book and manage his individual, as well as their teams, workspace demand.

The future clearly lies in digital solutions. And it doesn't stop here.

The huge demand to adapt space to flex operational needs can also be managed digitally.

We can learn from early adapters in the construction industry, where all project partners are dealing on an open platform, exchanging their experience and building a digital twin first before they actually execute the project.

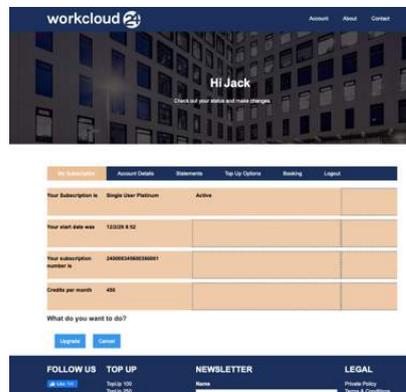
Real estate industry is no longer about real estate – It is about service



Webpage



Dashboards



APP

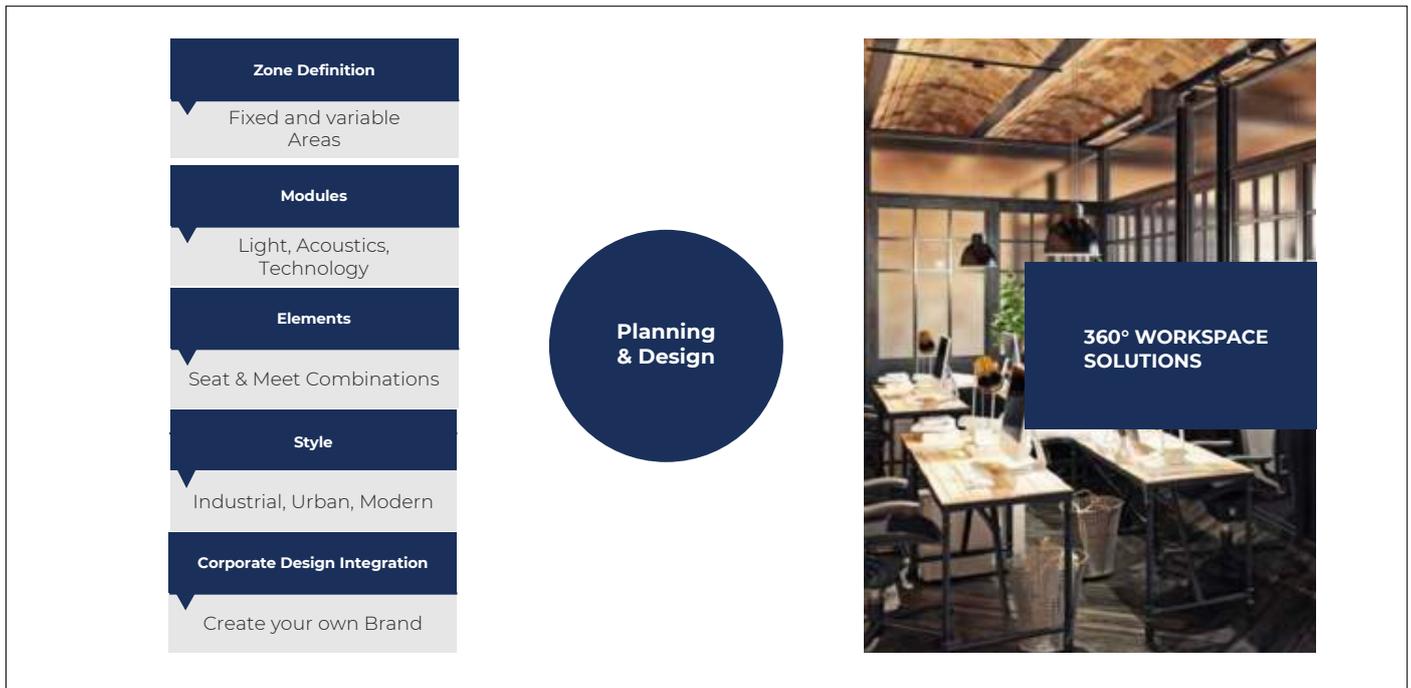


Brick to business approach

The key for success is to commercialize Space for flex needs by including all disciplines. Beside the fact that these open platforms “toolboxes” improve the quality of the final product there are immense savings in time and costs.



In each drawer of the toolbox the project partners will find the tools needed to best accomplish their part of the project.



And make sure not to forget any of the moduls which qualifies a flex space.

- Light
- Acoustics
- Security
- Capacity
- Technical Equipment
- Micro / Macro Interaction
- Relations
- Frequency
- Intensity of Use
- Form Factors
- Craftsmanship
- Interior Design
- Customizing
- Style Elements
- Usage & Functions
- Wellbeing
- Daily Form
- Performance
- Air Quality
- Sound
- Time

06. POST COVID – 19 CONCLUSIONS

Clearly a new world



- ✓ Due to the increasing demand of flex space the industry needs to find an answer for client needs and the answer can't be to go ahead as previously.
- ✓ While Space as a Service was a nice term used in the prop tech industry over the years, today it has become the main decision driver for clients.
- ✓ The demand for flex space will soon increase 10 times higher than actual space is available. This is not a result of COVID-19, but of the upcoming recession where clients are in desperate need of flex terms and ready to go space as they don't have money to spend on capex.
- ✓ Landlords who don't adjust their offer to the new reality will not make the deal.
- ✓ Due to the use of technology and acceptance of digital communication work from home and in rotating systems will be a fix part of 30 % of the entire workforce.
- ✓ Workspace and meeting facilities will appear at each corner of the city like mushrooms in properties we didn't think of before, as for example retail, train stations and hotels.
- ✓ "Office to go" will soon be as popular as food delivery. It will require a new set up of partnerships between landlords and clients. Tenants transform into clients and want to be treated as such.
- ✓ Lease contracts will be replaced by service contracts which raises a completely new field for legal issues.
- ✓ Due to the lack of collateral by tenants, developments will require more equity to get kicked off which makes space more expensive.
- ✓ On the other hand, smart platforms will enable the industry to build the digital twin of new buildings first and save cost and time later by using pre-factored building systems.
- ✓ Today's B Class buildings can't keep up with clients post COVID – 19 requirements. Redevelopments and rezoning projects will appear as new opportunities for developers.
- ✓ The face of the cities will change. We will come back to mixed used buildings like 100 years ago where living, retail and work will happen on the same property while cars will be banned and pollution will be reduced.



07. ABOUT NEW WORK

New Work Offices was founded in 2012 in Budapest and is perceived as #1 choice when it comes to workspace solutions in CEE.

Today the company runs 15 locations with almost 45.000 sqm in operation in Hungary, Poland and Czech Republic.

Due to its franchise concept the brand will expand with its multi-location sales and marketing platform and New Work's app to more than 30 locations by end of 2021.

workcloud24, a spin-off of New Work, develops digital systems for workforce and space management as The Toolbox and a digital Office Pass. These products become available globally.

For further questions please contact:



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