

THE WORKSHOP: WORKPLACE AS A CONSUMER GOOD

A global report on how the consumerization of workplace could change the working lives of millions

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EXECUTIVE SUMMARY

CONTEXT

Knowledge work can happen anytime, anywhere. Due to a range of drivers such as growing societal expectations of convenience and choice, and the rise of truly mobile technology, the way in which we get work done is always changing. Many individuals and organizations have already taken advantage of this by introducing flexible working strategies to lower costs, improve employee engagement, and drive towards increased productivity. There has also been the rise of home-working, the serviced office, coworking, and the acceptance of “the third place” – coffee shops, transport hubs, and so on – as places where people can work productively. People are already enabled to work remotely, from different offices, and from different places within their own office.

This exploratory thought piece highlights our view that there is a gap in the system of places that support work. Currently, for the majority of people, there is no real alternative to their main office. There is no place designed specifically to enable work that is convenient, flexible, and easily accessible. Working from home is not a viable option for many, and third places are not created to support all types of work. This is where The WorkShop could come in.

WHAT IS THE WORKSHOP?

The WorkShop is our name for the concept of a system of workplaces that, like hotels, will be accessible to anyone, in which time can be bought by the hour, day, week, or through

monthly and annual memberships. We believe that these workspaces will develop in urban and suburban centers, potentially in retail units or around retail centers, to offer access to a variety of other services. Consumers will be able to choose which WorkShop to work in depending on their need, location, budget, or indeed, their corporate WorkShop program. There will be aggregating systems in place to make access and administration of their use as easy and enjoyable as possible for the consumer.

The development of this system of workplaces could significantly impact individuals, organizations, and the communities of which they form part.

WHAT IS DRIVING CHANGE

FLEXIBILITY AND CHOICE



- Broad societal expectations of choice and greater work-life balance.
- Portfolio careers and project focused work activity.
- Longer working lives and desire for flexibility in employment terms.

TECHNOLOGY



- Ubiquitous mobile and social technologies enable a mobile workforce.
- Connectivity and communication is independent of location.
- Significant numbers of businesses are moving to the cloud.

ECONOMICS



- Access to talent and related drive for diversity.
- Rise of contingent workforces.
- Pressure on businesses to control their real estate costs.

COMMUNITY



- A desire for investment and improvement in local communities.
- The opportunity to re-purpose buildings as a way of regenerating city centers, towns, and suburban areas.
- Support for people currently restricted in work by non-work demands.

SUSTAINABILITY



- The desire to pursue sustainable options actively in work and life.
- To lower carbon footprints through the re-use of existing buildings (capitalizing on embodied energy).
- Reduced travelling.

POTENTIAL IMPACTS

In this thought piece, world-leading experts explore how this product could emerge due to those broad drivers of change, who might invest in and operate these models, what they could actually look and feel like, and what the impact of the WorkShop could be.

The future of work will play out in The WorkShop.

**A 1% SHIFT IN LONDON
OFFICE WORKERS COULD
CREATE DEMAND FOR OVER
1M SQ FT OF WORKSHOP SPACE,
AND DRIVE A RELATED
REDUCTION IN TRADITIONAL
OFFICE SPACE DEMAND OF
AROUND 1.5M SQ FT**

COMMUNITIES

- (Re)generation through increase in daily local worker presence.
- Entrepreneurial opportunities for WorkShop providers AND for those using the WorkShops.
- Long term, sustainable local demand that can support further investment and development.
- A rebalance of space use in CBDs as office demand changes.

ORGANIZATIONS

- Improved flexibility and reduction in operating costs.
- Improved recruitment options through access to broader labor pool.
- Improved retention.
- Corporate social responsibility benefits.
- Shift to a trust-based, productivity focused culture.
- Speed of entry to new geographical markets through access to the WorkShop network.

INDIVIDUAL

- Greater choice and flexibility, improving work/life balance.
- Reduced commute.
- Positive response to experience and employer.
- Access to a broad community of peers.
- Improved employment opportunities.
- Better work environment than home (and potentially many existing offices).

REAL ESTATE MARKET

- Disruptive new entrants in office succeeding through appetite for and acceptance of the variable income model.
- Multiple entry routes - serviced office providers, existing retailers, retail banks, individual providers.
- Increase in fluidity of how time and space is bought in the "office" sector.
- Shift in office demand away from CBDs, leading to change of use.



**WHY SHOULDN'T
WE ENGAGE IN THE
EXPERIENCE OF WORK
JUST AS WE ENGAGE IN
LEISURE ACTIVITIES?**



INTRODUCTION

Most people do not correlate the experience of knowledge work with consumption. But why shouldn't we engage in the experience of work just as we engage in leisure activities? The traditional real estate product that is office space is being challenged by the corporate need to manage down costs. Yet, could it be brought to new life by the consumer's desire for flexible, high quality work environments? Our expectations have been raised by the quality and convenience of our retail experiences. Why shouldn't we have the choice to work five minutes from where we live, in productive and engaging environments?

We believe that over the next few years this could become the reality for millions of knowledge workers as new, local workplaces, accessible by all, emerge. And if this does happen, it has the potential to impact individuals, enterprises and communities significantly.

In this perspective piece, we set out why we believe workspaces based in, and operated like, retail space may become popular options for knowledge work. We explain why we think banks, telecommunications providers and other service businesses could embrace the enhanced employee (and customer) engagement levels that retail workspace will bring, and how workplaces would be procured in similar ways to hotel rooms and leisure activities. Consumers could buy space and time local to them through aggregating mobile apps and websites, and make buying decisions based on the workplace's location, price, service levels, atmosphere, and brand. We have called this concept The WorkShop.

Like coffee shops, but designed for work, WorkShops could be practical, engaging places where people can spend as much or as little time as they need.



In this paper we address:



What is changing in the world of work and why.



How the office market is adapting to those changes.



What impacts the development of The WorkShop model could have.



PROJECTIVE SPACE – NEW YORK, L.E.S.



CURRENT TRENDS IN THE WORLD OF WORK

FACTORS THAT WILL INFLUENCE CHANGE

We have identified five broad societal drivers influencing change in the way people are living and working. We predict that these will create the demand necessary to unlock the workplace market and drive the opportunity for the development of The WorkShop product:

FLEXIBILITY AND CHOICE



- Broad societal expectations of choice and greater work-life balance.
- Portfolio careers and project focused work activity.
- Longer working lives and desire for flexibility in employment terms.

TECHNOLOGY



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FLEXIBILITY AND CHOICE (OR NOT)

A December 2011 study [Worldwide Mobile Worker Population 2011-2015 Forecast by International Data Corporation (IDC)] predicted that the number of mobile workers will reach 1.3 billion, or 37.2% of the entire global workforce, by the year 2015. Stacy Crook, Senior Research Analyst for IDC's Mobile Enterprise Research program, reports that the United States, Canada and Latin America combined are likely to see growth from 182.5 million in 2010 to 212.1 million mobile workers in 2015.

Mobile workers primarily include office-based mobile workers, field or on-location workers, and home-based telecommuters. Of these, the office-based mobile workers make up the most significant number. They may have a choice of which desk to sit at within their office, or whether to sit at a desk at all, but they do not have choice around whether or not they work in an office.

But are there other options out there?

WHEN AND WHERE IS WORK?

Edward Lloyd's coffee shop in the City of London, the birthplace of the Lloyd's insurance market over 300 years ago, was a flexible workplace offering convenience, community, commerce, and, yes, coffee. Today, similarly, boundaries between work and non-work are blurred. Where you work, or do your best work, is not necessarily where your employer's office is. Some of today's knowledge-centric work is (or can be) done in "third places" that are neither the office (first) nor the home (second).

There is a clear market hierarchy of places where work can happen; from offices, homes, serviced offices, coworking spaces and third spaces. However, this hierarchy is not particularly fluid: the majority of knowledge workers are only enabled to work from one or two of these alternatives. They do not have true, flexible choices of where they work. We think this is beginning to change.



SERVICED OFFICES

Serviced offices have been a long-standing workspace option for, typically, small businesses or corporations who need small or relatively flexible space requirements.

“The serviced office has emerged to fill the need for absolute flexibility... Some solely occupy serviced space while others use it to complement their more permanent space. In all instances the key to this space is a focus on financial and tenurial flexibility which is not provided by other types of business space offered.”

University of Reading, U.K., Virginia A Gibson and Colin Lizieri

Traditional serviced offices however, do not provide “absolute flexibility” in lease terms, pricing, or location. While providers like Regus are offering more flexible packages and locations such as service stations and transports hubs, to their consumers (indeed, Regus already sell some products in newsagents and convenience stores) there is not enough scale and aggregation in the

serviced office market (compared to, for instance, the hotel market) to enable seamless consumer choice.

COWORKING

Taking the idea of convenience further, an evolution of the serviced office is called “coworking.” Broadly speaking, this idea takes the best elements of a coffee shop (social, energetic, creative) and the best elements of a workspace (productive, functional), and combines them to give workers the chance to have their own affordable, shared space. Access is gained through a membership or subscription. Interestingly, there is a focus on a shared set of values, and, typically, inspiring work environments. This is a globally connected community that values collaboration, openness, accessibility and sustainability in the workplace. There are now over 2,500 coworking locations across the globe.

Coworking ventures rarely have the capital or customer base to grow across multiple geographies, but the

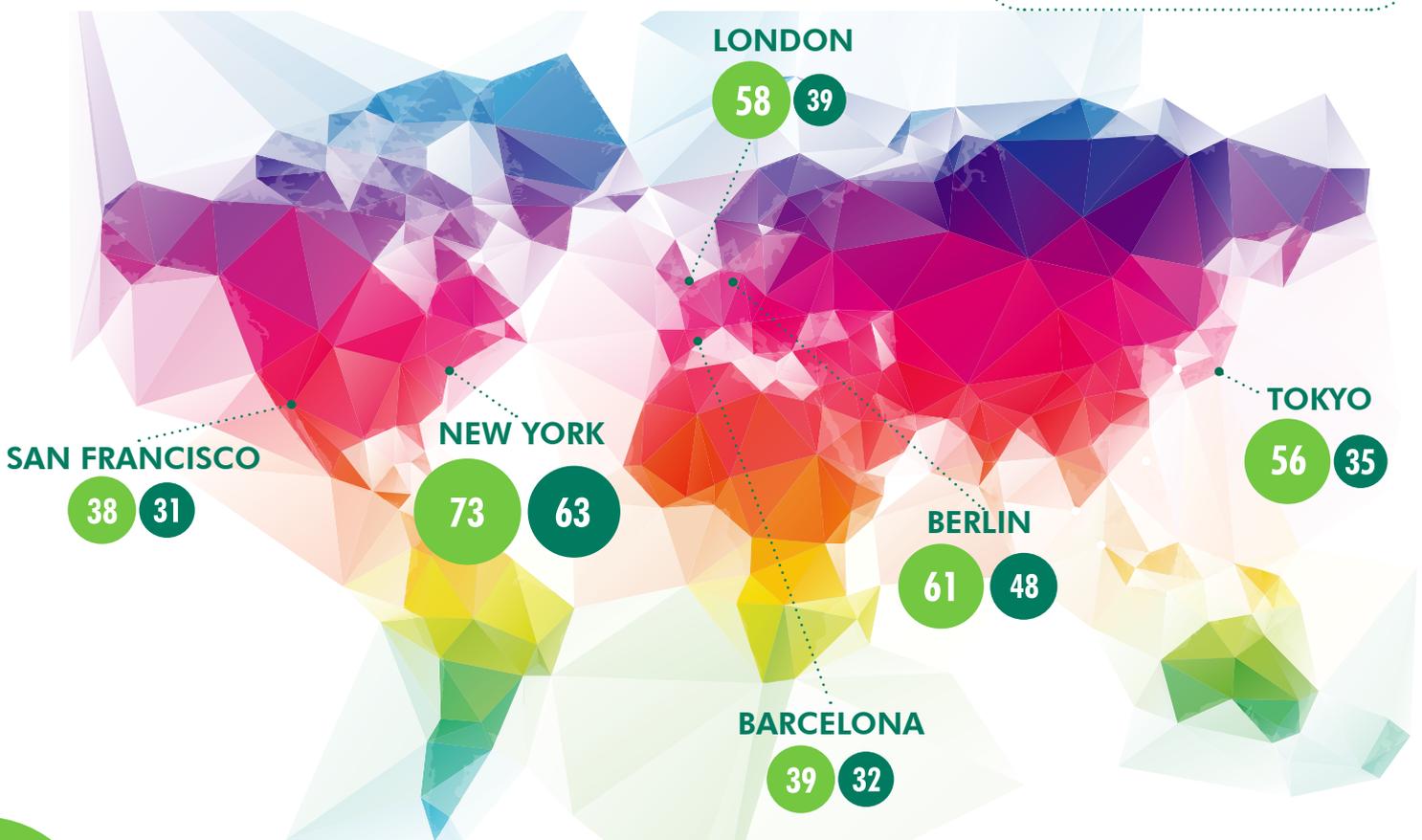
networked nature of the community enables people to connect to workspaces when they are travelling.

It is worth noting that coworking spaces have struggled to make money in their early years, with the majority of capital for these companies coming from disaggregated, small-scale owners.

Interestingly, particularly in reference to potential demand for The WorkShop, the most important factors driving coworking are (i) flexible work times, and (ii) the ability to share knowledge through interactions with other people. Survey results from coworking magazine DeskMag show that just over half of all coworkers (58%) transitioned from working at home, rather than from a traditional office environment.

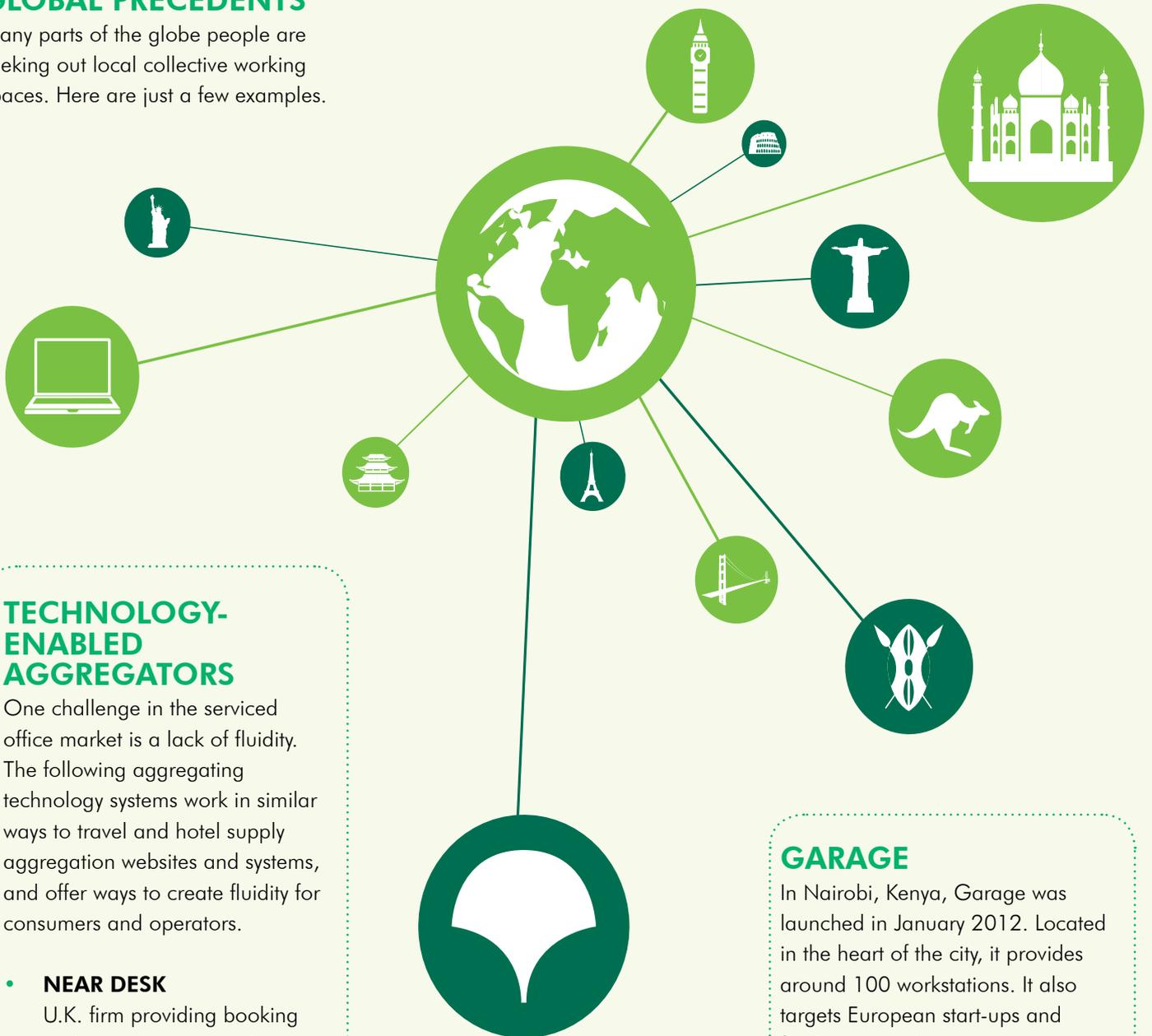
GLOBAL COWORKING GROWTH

Cities with highest number of coworking locations



GLOBAL PRECEDENTS

Many parts of the globe people are seeking out local collective working spaces. Here are just a few examples.



TECHNOLOGY-ENABLED AGGREGATORS

One challenge in the serviced office market is a lack of fluidity. The following aggregating technology systems work in similar ways to travel and hotel supply aggregation websites and systems, and offer ways to create fluidity for consumers and operators.

- **NEAR DESK**

U.K. firm providing booking and payment systems that aggregate availability in serviced offices and offer it to a wide market. Customers become part of the network, finding out about the other people using the space, and connecting with them through social media apps.

- **LIQUIDSPACE**

U.S. based technology platform that matches unoccupied office space with workers who need an office or a desk for a few hours or a day at a time. LiquidSpace is active in about 200 cities across the U.S.

BEEZ

Located in Tokyo, Japan, beez provides flexible working stations, whiteboards, Wi-Fi and free drinks. Members vary from artists to government officials and entrepreneurs.

THE WORKBAR

The WorkBar in Boston, U.S., has created a web of communal workspaces where freelancers, start-ups, and remote employees of larger enterprises can enjoy high-quality office amenities.

GARAGE

In Nairobi, Kenya, Garage was launched in January 2012. Located in the heart of the city, it provides around 100 workstations. It also targets European start-ups and freelancers in Kenya, creating a diverse community and opportunities to create broad entrepreneurial networks.

THE HUB

The HUB has multiple locations globally. As a members' work club it provides spaces with all the tools needed to grow and develop innovative ventures, including spaces for meaningful encounters, exchanges and inspiration. There are currently around 5,000 members of over 30 HUBS. It was created to attract and support technology entrepreneurs in their early 30s.

BEYOND COWORKING

There are many examples of innovative approaches to workspace provision. As a case in point, ACCELERATOR is a specialist business incubator in Shoreditch, at the heart of London's information and communications technology (ICT), and digital media community, and an important part of London Metropolitan University. It specializes in business development programs for high value, innovative, growing businesses in ICT, interactive media, e-learning and design. Such structures, focused on enabling direct collaboration between participants, are relatively rare.

These precedents demonstrate that the market can provide choice, and the mechanisms for accessing that choice.

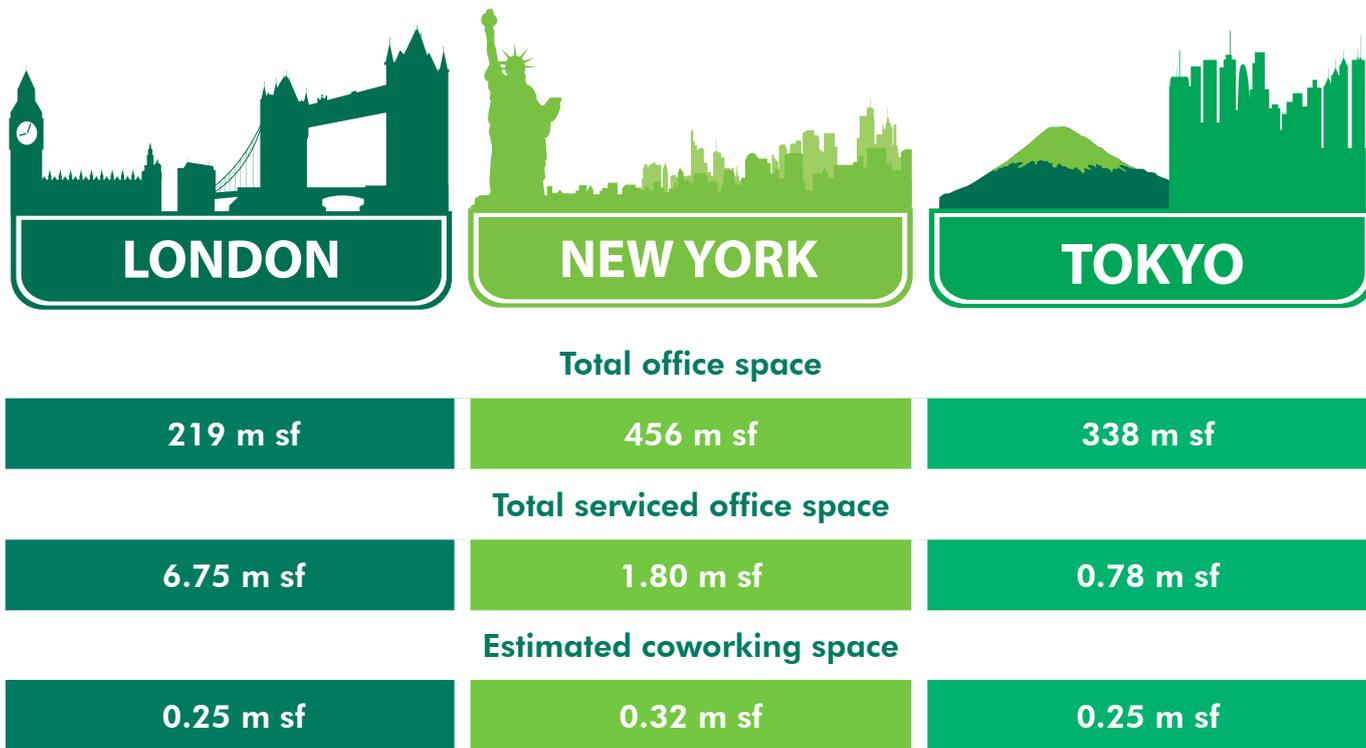
However coworking (and serviced office) trends must be put in context. Even with the growth experienced in both these areas



in the past few years, they still represent a tiny portion of the entire global office stock. Only around 109,000 people work in coworking spaces globally according to DeskMag in February 2013.

Compare that to the 2.2 million office-based workers in central London alone according to Oxford Economics.

COWORKING IN CONTEXT



CBRE, Instant Offices, & CBRE Workplace Strategy

FOR THIS STYLE OF WORKING TO TRULY IMPACT THE WAY PEOPLE WORK THERE WOULD HAVE TO BE SIGNIFICANT GROWTH IN THE PROVISION OF PRODUCTS LIKE COWORKING SPACES, AND A CORRESPONDING UNLOCKING OF DEMAND. DOES THAT DEMAND EXIST?



BACK TO THE OFFICE?

Organizations have attempted to find flexibility within their own real estate footprints, either through "hub and spoke" models where a main office is located in a central business district with additional satellites provided in suburban locations, or through agile work environments. Yet these assets are still relatively inflexible, costly, and unable to respond to fluctuations in demand.

Many organizations recognize that different individual preferences in work patterns and tasks require different environments to support them. They have also recognized that their offices, when occupied on the basis of one desk for every person, are grossly underutilized. Much effort goes into trying to reduce this inefficiency and waste.

Alongside the trend to internal office mobility is the macro trend towards increased contract and outsourced resources as part of the core enterprise workforce. According to an August 2012 article in Workforce Magazine

"Companies rely more and more on contract and outsourced workers to deliver both their customer experience and strategic initiatives." Increasingly larger types and quantities of work are going to higher-skilled contingent workers such as engineers and project managers, whose talents can be pivotal for organizations.

"Firms will take relationships with contingent workers more seriously if they want to improve organizational agility, customer service and productivity," argues Brian Kropp, analyst with research firm, Corporate Executive Board. Providing this variable labor force with better access to workspace options will help employers attract and retain this important element of the workforce.

The samples previously referenced are the tip of the iceberg. Nearly all organizations struggle with the challenge of lease and building inflexibility to respond to changes in demand. If corporate knowledge workers were enabled to spend time

in WorkShop spaces, this shift should yield cut-backs in core office portfolios while allowing employees the freedom and flexibility to work where they feel most productive. Core cost bases could be reduced, with the costs of an enhanced work experience being dealt with by employee benefits packages - a concept that some corporations are already using.

Corporate concerns will arise around security and employee engagement, but many firms have already dealt with these concerns in their existing workplace programs, and, while this will not suit all employees, it will be attractive to many of those normally working in traditional offices.

Many corporations have already provided their staff with the equipment required to use flexible work styles. There is an argument to say that, were WorkShops available, some workers would start to make use of them of their own accord.



CBRE, SYDNEY

© Image by Marcus Clinton

CORPORATE CHALLENGES TO CHANGE



Security: concerns over data protection and information security would limit the number of functions for which corporations might deem a solution like WorkShop appropriate.



Culture: concerns over potential dilution of corporate cultural cohesion. "Presenteeism" still holds firm in many companies, and the idea of employees being trusted to get their work done in the way they deem most effective is not widely accepted.



Technology: more companies are moving to Bring Your Own Device (BYOD) and/or cloud based computing services. Laptop users with access to networks can already work remotely from their main office environment. But many still lag a long way behind.



Scale: there will be resistance to moving to a new model of work if the offer does not have the scale to deliver choice and mitigate the adoption risk of the corporation. Pilot programs may provide safe adoption routes.



Administration: the administration of and clarity around the commercial models and accounting processes will be critical to corporations feeling that they can comfortably move without creating an internal burden.

CORPORATE WORKPLACE INNOVATION LEADERS

ACCENTURE

Adopted Liquid Space in the U.S. to enable staff to access workspace across its own and external office space.

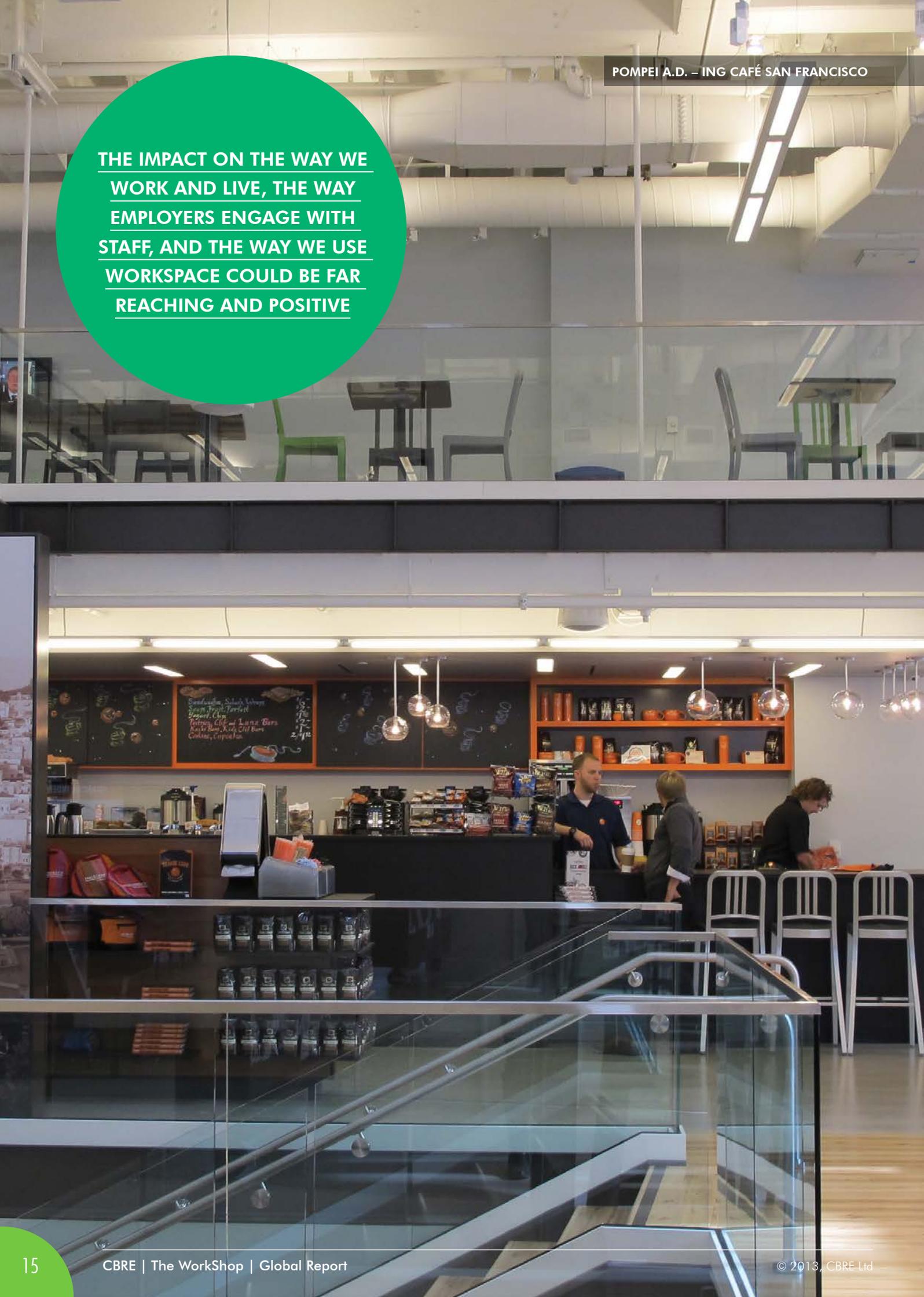
HSBC

Has promoted flexible work arrangements across its office-based staff for almost 10 years in Asia, the U.K. and North America, with over 10,000 employees now working in a more mobile way, enabling some branch locations to support employees and significantly reducing its office footprint.

NOKIA

Partnered with Regus to give some of its employees access to Regus' 1,200 business centers worldwide, enabling it to optimize its office portfolio. A flexible service agreement means no fixed lease terms and immediate savings to Nokia.

THE IMPACT ON THE WAY WE
WORK AND LIVE, THE WAY
EMPLOYERS ENGAGE WITH
STAFF, AND THE WAY WE USE
WORKSPACE COULD BE FAR
REACHING AND POSITIVE



WORKSHOPPING – DOES RETAIL HAVE THE ANSWER?

Retailers create omni-channel experiences by integrating their online, mobile, paper catalog, store and outlet channels for a seamless and branded consumer experience. In the workplace, just as e-commerce hasn't replaced bricks and mortar but augmented it, so The WorkShop can become part of the omni-channel work/life model for all of us.

THE RETAIL WORKSPACE STACK

The third place options available to mobile workers are relatively limited. A few retailers are already considering this sort of product (examples include FedEx Office and Regus' partnership with Staples). But we can imagine expansion at a multitude of price

points, locations and experiences where strong market demand is likely (or where an offer may be the trigger for an ongoing urban generation effort).

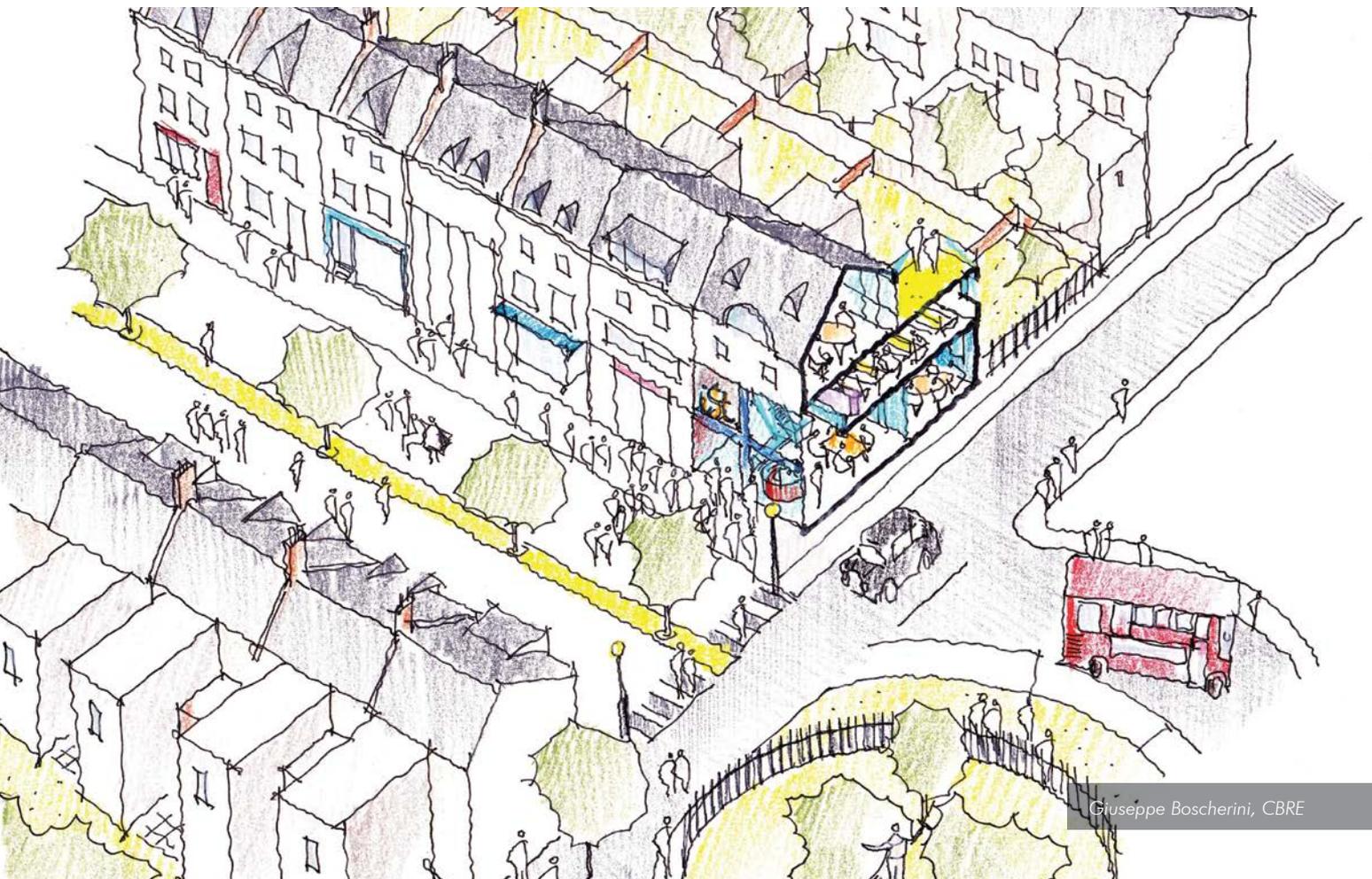
In much the same way that hotels are offered to the consumer, ranging from basic packages at a lower price point to premium priced, luxury experience, so will the retail workplace stack.

We are already seeing the stratification of coworking and serviced office space from high end, high cost luxury products such as Dryland, situated in the heart of Kensington in London, through to low cost basic fare.

As with the hotel market, we would expect a variety of owners, operators,

and brands to enter the sector (some of which may indeed be hotels), with a variety of financial and property ownership models supporting a new alternative real estate sector.

The key step change is to see The WorkShop as a true workplace, a place where staff could spend their full working day productively but also one which relates to retail and residential locations. With this view The WorkShop can then form part of the system of workplace options available to knowledge workers. As the missing link between office, retail and residential space, The WorkShop could unlock the demand currently housed in traditional offices.



Giuseppe Boscherini, CBRE

WHAT IS THE WORKSHOP?

WorkShops could be a savvy blend of office, health club, community art studio and virtual world, facilitated by and using social media, communications and e-tailing sites, such as Facebook, Twitter, Skype, LinkedIn, Fab, Klout, Instagram, and Amazon. They could be spaces where individuals are recognized, share their talents, and become part of a user community. They could offer corporations new ways to acknowledge and build stronger bonds with creative employees.

WorkShops would do all these things by providing exceptional workplace experiences; high level service provision; access to ongoing education; connections with child care providers and networking opportunities. In a world where workers increasingly have the desire to specify their own personal

work experience, offices, just like retailers, must compete for traffic.

For The WorkShop system to succeed at scale, the providers, whether independent coworking groups, evolved serviced offices, or new large-scale market entrants, must be able to aggregate and distribute demand fluidly, like the hotel and travel industry.

Critical, as ever, is location. For commercial viability WorkShops will need to be located within range of a large potential customer pool living within 5-10 minutes of the location. The provision and convenience of quality space near the best amenities will maximize and enhance the experience offered to a community of like-minded individuals.

Unlocking corporate demand in the right locations is the way The WorkShop model will enable employers to recruit and retain the best talent.

This could mean that older workers whose priorities or care commitments have changed could more easily remain in the workforce. Single parents who have commitments around children would be able to increase their work time through cutting out commute time.

Extending the idea, people would have greater choice of where they live knowing that they could retain their job as work needs are met by The WorkShop. For many, the local nature of a retail workspace convenient to residential densities of knowledge workers could be an attractive alternative to commuting to a traditional corporate office setting.

Key product features might include:



Function: to harbor “shared” resources related to social notions of meeting, relaxing and producing.



Appeal: adding visual “spicing” to the workplace in order to create a work-tailored productive space.



Variety: a multiple offering that caters to diverse work styles.



Positioning: in competition with other workplace products, positioning itself between a members’ club at the one end of the spectrum and serviced offices at the other.



Flexibility: the ability to re-configure space over time or at speed and in the face of changing requirements.



Technology: ubiquitous and seamless access to ultra high bandwidth connections and others like HD personal video conferencing.



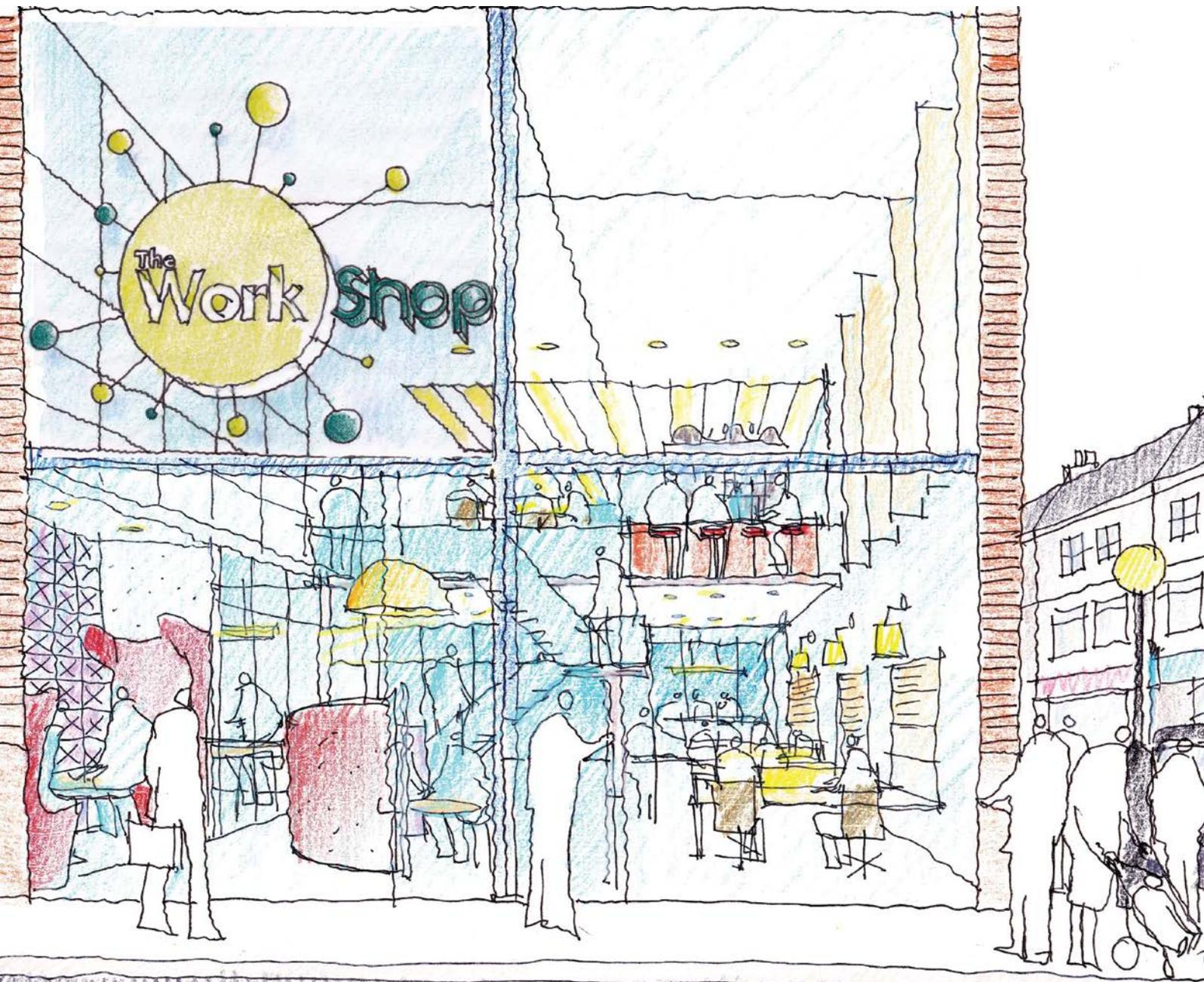
Value: to enhance the “sense of community” and to increase productivity through enhanced wellbeing, as well as offering cost reduction to corporate adopters.



Cost effectiveness: high value for money when compared with the equivalent custom designed market offers.

“Need quiet spaces for private phone calls or private focused work? Conference rooms by the hour when you want to host a meeting, a presentation, a training session (all videoconferenced, of course)? We’ve got great food and drink (coffee of course); frictionless technology that recognizes you as a member as soon as you walk in; soft seating to meet on, lounge on, or to just sit on; a postal delivery service and concierge.

On top of that, we’re here to support you in your career and personal development; knowledge sharing, such as lunchtime TED broadcasts or weekly skills training/coaching events; technology support; document imaging and reproduction; banking; mobile telephony assistance; evening music and entertainment; and access to a global network of peers.”



Giuseppe Boscherini, CBRE

THE WORKSHOP MARKET



WHAT ABOUT HOMEWORKING (OR TELEWORKING)?

In February 2013 Yahoo announced that it was putting an end to homeworking for its employees. This has caused much discussion over whether or not homeworking (and remote working generally) is an effective option for productive work. While Yahoo made its decision in the context of its perceived needs, we

believe that remote working is right for some functions. The WorkShop would trump many homeworking scenarios. Homeworking is not suitable for everyone. Those without good technology connections, without the right space, or indeed, with potential disruptors such as children and so on, will struggle to make homeworking the

effective environment for them. In fact, as mentioned earlier, over half of all coworkers (58%) transitioned from working at home (DeskMag). Yahoo and other firms make decisions around what they believe to be best for their success, and while some are moving away from remote working many more are moving in the opposite direction.

PEOPLE WOULD HAVE
GREATER CHOICE OF
WHERE THEY LIVE
KNOWING THAT THEY
COULD RETAIN THEIR JOB
AS WORK NEEDS ARE MET
BY THE WORKSHOP



WHAT PRODUCTS WILL DEVELOP AROUND THIS CONCEPT?

AT A GLANCE

Choose the right workplace for you.

Good:



Better:



Best:



CBRE, Workplace Strategy

	 OFFICE	 SERVICED OFFICE	 COWORKING SPACE	 WORKSHOP	 MEMBERS' CLUB	 COFFEE SHOP	 HOME
COST	Inflexible	Moderately flexible	Flexible	Highly flexible	Moderately flexible	Free	N/A
ACCESSIBILITY	Commute into city	Commute to nearest facility	Commute to nearest hub	Walk or cycle to high street	Commute into city centre	Walk or cycle to local shop	Stay at home
COLLABORATION	Structured by company	Transient	Transient but meaningful	Transient but meaningful	Transient but meaningful	Transient	Remote
LOOK & FEEL	Corporate	Corporate	Eclectic	Vibrant	Club Branded	Shop Branded	Personal
CONFIDENTIALITY	Secure	Secure	Compromised	Mixed	Secure	Compromised	Compromised
NETWORKING	Company wide	Variable	Intense	Intense	Intense	Weak	Weak
COMMUNITY	Engaged at company level	Disconnected	Engaged	Engaged	Connected	Connected	Connected
FUNCTIONALITY	High	High	Moderate	High	Moderate	Low	Low
TECHNOLOGY	Reliable	Reliable	Variable	High Speed	Variable	Unreliable	Unreliable
SERVICES	Business specific	Mainstream	Mainstream	Full offer	Wide range	Coffee	N/A

The market could support a multitude of offers from small single locations to local and global chains. We can imagine an Amazon, Starbucks, FedEx, Regus, or Holiday Inn moving into this market, leveraging either their existing networks or creating new ones to complement their strategies.

To develop scale, exclusive arrangements with key partners or sponsors, would provide funding or security against funding. Would Vodafone, Google, Starbucks, or Amazon pay to sponsor an exclusive franchise in return for exclusive representation? Would municipalities, such as development agencies, invest

in such a model? We think both are highly possible, but it is likely that demand will first need to be unlocked and evidenced for any investment to happen. The previous chart demonstrates how The WorkShop is not an evolution of either serviced offices or coworking spaces, but a standalone proposition predicated on service, scale and brand.

THE COMMERCIALS

To bring this concept to life, capital investment will be required. Currently, serviced office operators and coworking space operators usually lease space. Then the operator, head lessee or owner invests in the fit-out, furniture, fixtures, and technology. Staffing and back office support (for example finance, HR, accounting) is provided by the operator.

COMMERCIAL PRINCIPLES

- The basic principle is the purchase of space and time.
- Similar to hotels, location, quality, operating and capital expenses, and cost of capital, AND time utilized will drive revenues. The key will be to have membership sales cover basic operation and overhead allocations, with ancillary services providing real profit potential.
- There will be membership pricing options – annual subscriptions to one operator or an aggregator that gives access whenever and where you want – at levels from U.S.\$500-\$20,000 a year.
- As hotels and nursing homes have utilization targets to indicate likely profitability, so will WorkShops. For every seat constructed, average utilization will probably require 2.5x in average monthly membership sales.
- The WorkShop model does not change the underlying lease or ownership structures of the property they would occupy.

OPERATIONS

Aggregation technologies that enable the administration of contracts and payments have already been developed. But investors will need to synthesize all these aspects of service, locations, offers, payment mechanisms and so on, to put their offer to the market.

- For scale brands, the operator will be responsible for all costs involved in providing the service, including interior building upkeep and maintenance.
- The WorkShop will need operators who understand and demonstrate a track record of delivery with a variable monthly income stream.
- Is the business model scalable? Regus, the largest serviced office provider, has 1,500 sites globally. That is still not enough yet to offer true accessibility to occupiers. Global retail store networks average between 800 and 3,000 locations within their corporate and dealer networks.

OWNERS OR INVESTORS

- Will want to ensure sustainable earning potential and a strong pipeline of corporate and individual membership sales in order to justify an initial equity investment.
- Traditional real estate investors in community shopping centers or office buildings could be an ideal owner/operator, offering a new amenity within their property.
- From a scale investor perspective a U.S. real estate investment trust, such as Regency Centers, could be a potential owner of this type of asset as they have a large shopping center portfolio and often are looking for shop space tenants to lease space.
- We would also expect existing tenants with long leaseholds to look to this model, as a way to potentially sublease underutilized committed space.
- Seed capital or incentives could potentially be provided by public enterprise bodies seeking to invest in the success and future of the local community.

POTENTIAL WORKSHOP PROVIDERS

Who could move quickly to create WorkShops?

Retail / Office



Banks



Independent operators



Hotels



Serviced office providers



Restaurant/
Coffee shop chains



Coworking operators



Large network retailers

Public / Services



Libraries



Community centers



Post offices



Hospitals



Municipalities/
councils



Local clinics



Schools/
universities

COMMERCIAL EXAMPLE – 12,000 SQ FT U.S. URBAN LOCATION, SUPPORTING 80 WORKSPACES

- The landlord pays most of the fit out costs.
- Total estimated investment to construct, market, and open would be approximately \$1.4 million with a return on investment of 15%.
- Subscription rates are assumed to achieve 2.5 times actual seat counts, and all seats are offered at \$495/month (\$6,000/year).
- Expenses are based on current market rents and staffing levels of approximately three FTEs (a manager, a service coordinator and IT support) and an operating budget of \$2,000 per seat license/per year.
- Total revenue would be approximately \$1.2 million with projected margins of 20%.

(CBRE estimate)



COULD RETAIL BANKS PROVIDE A NETWORK OF WORKSHOPS?

Banks have a particular challenge on their hands: how can they remain relevant to their most important customers? There is a clear opportunity to leverage service design in retail banking by utilizing underused or unused retail space, creating a real and bonding experience for the typically virtual (and weak) bank-customer relationship, inspiring customers and regaining trust and loyalty. The Capital One 360 Cafés aim to address this by providing free access to Wi-Fi and reasonably priced coffee in a comfortable brand-immersed environment. ING have also taken a similar bold approach, as shown in the photograph below.

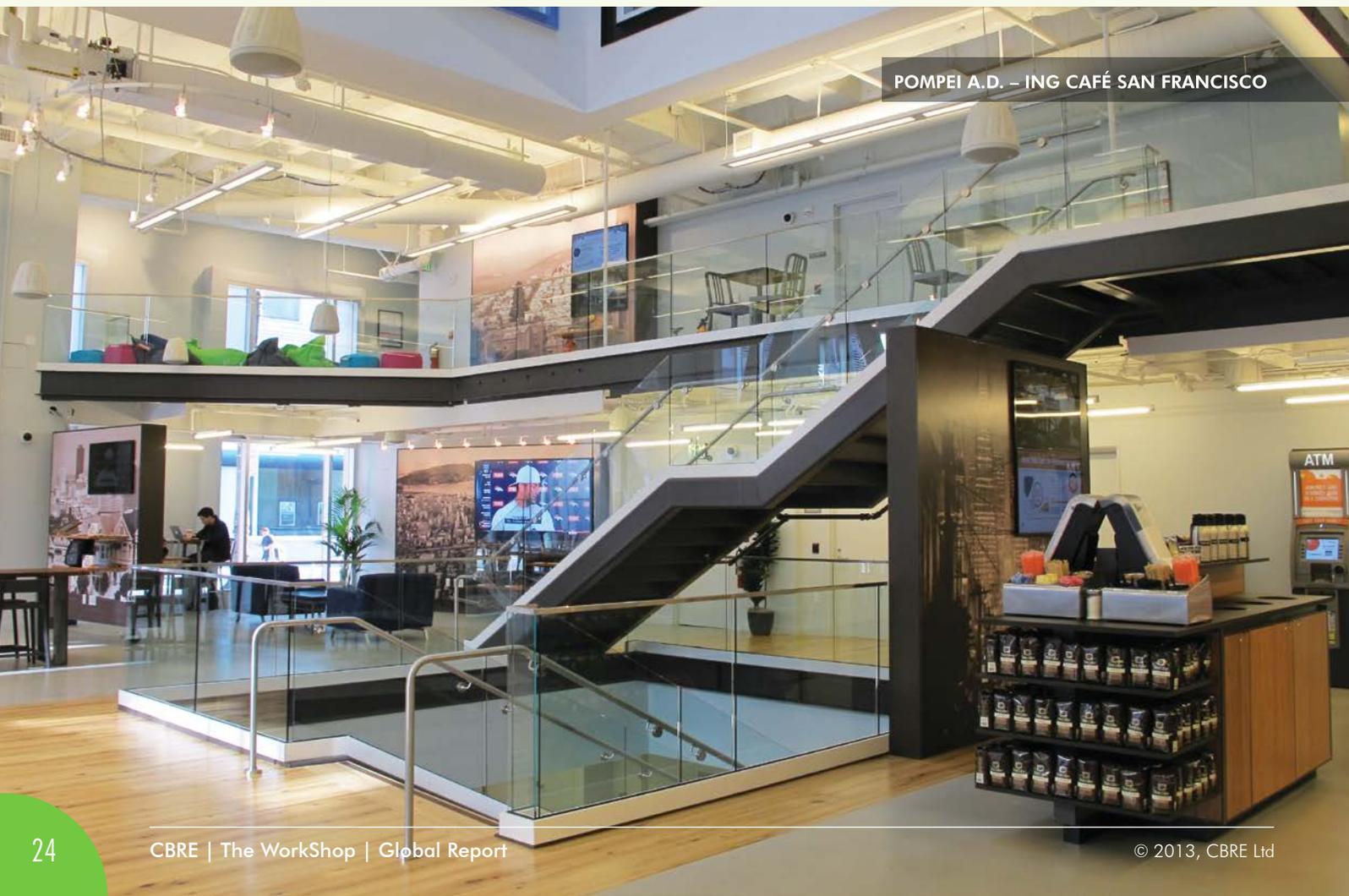
Imagine a bank enabling its customers to work from its retail branches. HSBC's Premier offer already does to some degree. This could be a place where the bank can attract customers,

support local communities and small businesses, energize their brand, and by doing so, make more effective use of extensive real estate footprints. The bank branches in existing retail space would expand from having a single function to offering workspaces and alternative services, and in turn drive footfall, customer satisfaction and brand recognition. Omni-channel strategies require retail banks to rethink the proximity, customer experience and service levels offered to their most desirable customers.

Bank retail networks could also be enabled to support their own staff based in other business units. As a rebalance of demand occurs, with increases in some areas through a WorkShop model, and reductions in the network through the move to more digital banking services ensue, other products will emerge. Many banks have the advantage of back of house or void areas behind and above the main retail space. As cash handling continues

to reduce, the security of these areas becomes more manageable and space is ready to be released as workspace.

As evidenced by Marks & Spencer, a U.K. retailer which now has bank services (provided by HSBC) in some of its retail stores, banks will expand into retail areas where they know their preferred customer segments congregate. Stand-alone work/service pods, accessible by existing customers, could be placed into retail malls, not only offering convenient access to banking services but also satisfying ad-hoc working needs. This could allow digital-only or virtual banks, such as Metro Bank in the U.K., to quickly create a larger geographic footprint and build stronger connections with customers. Personalized banking, instant at-call financial advice and solutions to issues such as queuing, secure identity and fear of technology can be addressed in consumer-friendly modern retail environment concepts.



POMPEI A.D. – ING CAFÉ SAN FRANCISCO

CONCLUSION

We think it highly likely that, over the next 12 months, sizable real estate owners, retail banks and scale retailers will invest in WorkShop pilot projects. Even though traditional real estate investors prefer long term leases with credit tenants, getting ahead of a movement where space is consumed by the hour at a time and place convenient to workers could be worth the early stage risk. A private equity investor could likely be matched by a suitable real estate operator with redundant or underperforming post offices or bank retail branches.

And if (or when) The WorkShop begins to appear and if (or when) the product begins to achieve scale, it could have far reaching implications for our lives, our companies and our communities. A fluid and successful model demands scale and aggregating systems. The scenario below illustrates how a relatively small change in demand for workplace could drive incredibly fast growth and have a considerable effect.

According to Oxford Economics and our industry definition of office-based workers, there were 2.2 million office workers employed in London in 2012. If just 1% of that population were to use The WorkShop instead of traditional office space, we estimate that a demand for 1.1 million sq ft of WorkShop space, delivered through around 100 locations would be created. CBRE Retail identifies 312 retail sub markets in London. Therefore, roughly one-third penetration in these retail sub markets could reduce demand for traditional office space by around 1.5 million sq ft. Alternatively, WorkShops in those areas would support the entry of talent into the labor pool that has previously been excluded due to commitments of restrictions to where and for how long they can work.

POTENTIAL IMPACTS

INDIVIDUAL

- Greater choice and flexibility, improving work/life balance.
- Reduced commute.
- Positive response to experience and employer.
- Access to a broad community of peers.
- Improved employment opportunities.
- Better work environment than home (and potentially many existing offices).



COMMUNITIES

- (Re)generation through increase in daily local worker presence.
- Entrepreneurial opportunities for WorkShop providers AND for those using the WorkShops.
- Long term, sustainable local demand that can support further investment and development.
- A rebalance of space use in CBDs as office demand changes.



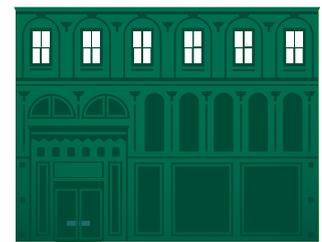
ORGANIZATIONS

- Improved flexibility and reduction in operating costs.
- Improved recruitment options through access to broader labor pool.
- Improved retention.
- Corporate social responsibility benefits.
- Shift to a trust-based, productivity focused culture.
- Speed of entry to new geographical markets through access to the WorkShop network.



REAL ESTATE MARKET

- Disruptive new entrants in office succeeding through appetite for and acceptance of the variable income model.
- Multiple entry routes - serviced office providers, existing retailers, retail banks, individual providers.
- Increase in fluidity of how time and space is bought in the "office" sector.
- Shift in office demand away from CBDs, leading to change of use.



As this market develops globally, the impacts on the way we work and live, the way employers engage with staff, and the way space is used within traditional office markets will be far reaching and, we believe, positive.



THE WORKSHOP IS NOT AN EVOLUTION OF CURRENT WORKPLACE OFFERINGS BUT CREATED SPECIFICALLY TO DELIVER A UNIQUE OFFER PREDICATED ON SERVICE, SCALE AND BRAND



CBRE simulation of *The WorkShop*



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