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A Guide to Office Real Estate for the Risk-Averse

The world of office real estate is undergoing a fundamental paradigm shift. Business trends, including post-pandemic workplace restructuring and changing employee expectations, are making the traditional model of office real estate increasingly ineffective. Subscription-based coworking space is an emerging solution to meet the changing needs of enterprises in this modern environment.

This paper offers a guide to this new world of office real estate for business leaders. It explores flexible workplace solutions, the evolving office real estate landscape, and how subscription-based coworking spaces can provide a low-risk solution to business challenges.



What is a subscription-based coworking space?

In a coworking space, employees from multiple companies share office real estate and related amenities and services, such as reception areas, conference rooms, phone booths, kitchens, wellness rooms, printers, IT infrastructure and support, security, and maintenance. This arrangement allows tenants to quickly access high-quality workspaces and services without a long ramp-up time or a large upfront expenditure.

Unlike traditional office real estate, which typically requires long-term leases of up to 10 years, subscription-based coworking spaces are available for both short-term and long-term usage. This flexibility makes them particularly suitable for businesses looking to lower their risks and liabilities while testing new markets and business models.

An evolving office real estate market

With advances in technology and a cultural shift towards working from any location, the office real estate market is undergoing rapid changes. Additional contributing factors include post-pandemic restructuring and changing employee expectations.

In the wake of COVID-19, many companies who shifted to remote work have found it challenging to bring employees back into an office setting, which correlates to new employee desires. More than ever, workers **emphasize work-life balance**. This is a factor that companies should be taking into consideration when planning the future of their real estate needs.

Post-pandemic restructuring

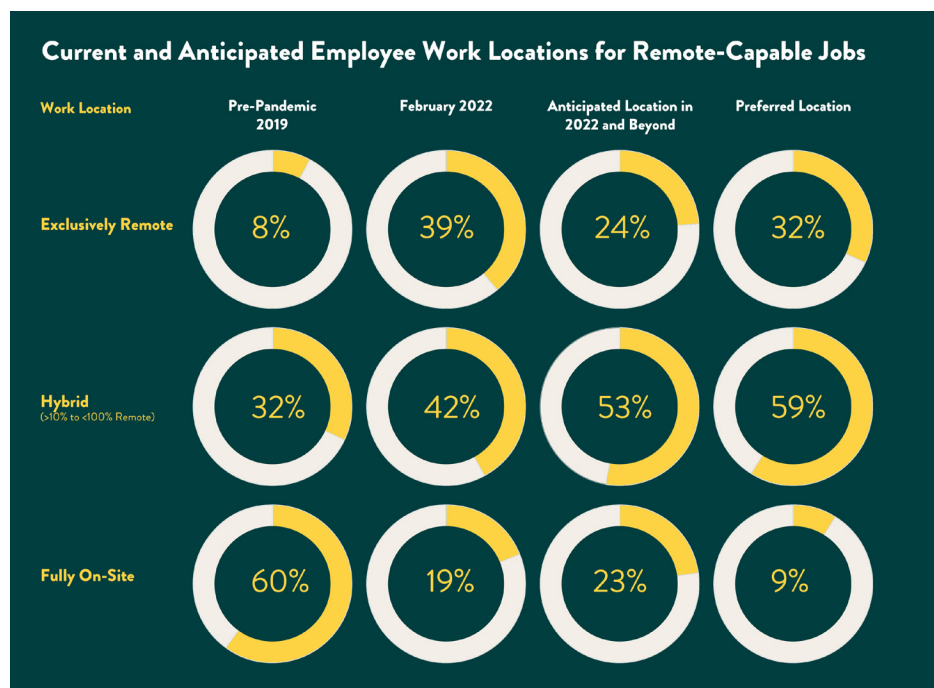
In the aftermath of the pandemic, companies face the urgent need to restructure in a changing world. At the same time, workers have become accustomed to working from home and may be reluctant to return to the old way of long commutes to work every day and inflexible work hours.

Companies face the questions of where to put their new hires and when to bring their remote workers back to the office. Should they adopt a fully remote or exclusively on-site arrangement? Or a combination of both? How should they address their workers' apprehensions about the return to physical offices and the resulting lengthy commutes? All these considerations have implications for their real estate strategies.

Changing employee expectations

Considering the restructuring that is taking place, work-life balance has become a key consideration for employees as they change their expectations of the modern workplace. As a part of that drive for better life quality, workers want more focus on mental well-being, shorter commutes, fewer days in the office, and work arrangements that support a combination of work styles.

Studies have found that lengthy commutes increase absenteeism, reduce employee satisfaction, and increase worker obesity rates. Other research links long commutes to worsening sleep problems and a higher likelihood of divorce. This has led to a significant push from employees seeking to lower their commute times to and from work by either accepting job offers that allow them to work a hybrid schedule or ones that provide multiple locations closer to home.



Wigert, B. (2022, March 15). *The future of hybrid work: 5 key questions answered with data*. Gallup.com.

For workplace arrangement, most employees prefer a combination of remote and office work despite predictions that workers who have experienced working from home during the pandemic would never want to return to the office. In a [2022 Gallup study](#), 59% of employees favor a hybrid work arrangement, 32% prefer an exclusively remote setup, and only 9% want to return to the pre-pandemic model of solely on-site work.

Real estate challenges of large organizations

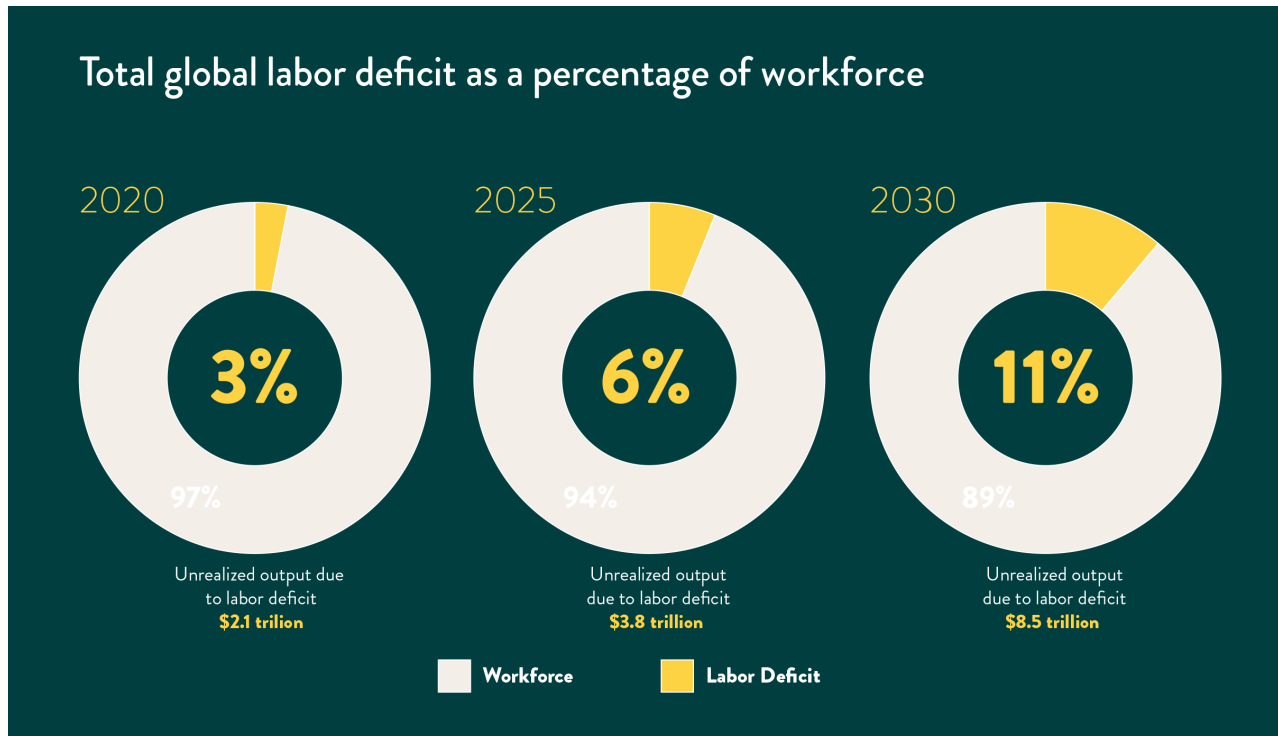
Regardless of size, companies face many challenges that can hinder growth and threaten success. Three of these challenges have an outsized impact on your real estate strategy:

- Talent shortage
- Employee turnover
- An uncertain business environment

Talent shortage

Your employees are your competitive advantage. While competitors may copy your strategy or system, they cannot clone your people. With technology getting increasingly powerful and information more readily available, your workers' business impacts will only intensify.

Given the importance of finding and retaining the right talent, it's not surprising that worker shortage is the biggest business challenge facing organizations today. A survey of 294 CEOs in the U.S. has found talent shortage to be the number one bottleneck of innovation. In another study, almost half (49%) of business leaders cite talent shortages as a larger barrier to business strategy success and growth than any other obstacle.



Korn Ferry. *The future of work: The global talent crunch.*

The talent shortage is a macro problem that's turning into a crisis. By 2030, the demand for qualified workers could outstrip supply so much that more than 85 million job openings are forecasted to go unfilled globally, resulting in \$8.5 trillion in unrealized revenues annually.

Employee turnover

While attracting and hiring the right talent is critical to your success, keeping your existing employees is even more important. According to a 2022 survey, senior executives spend an average of 40% of their work hours dealing with employee turnover.

And the problem of employee turnover will only get worse. The same study finds that 43% of full-time employees are considering leaving their companies to become independent contractors, increasing to 52% among Millennials and Gen Z workers. Companies that can keep their workers are the ones that can win their markets.

Uncertain business environment

The business environment is in a constant state of flux. New technologies, new markets, and new business models create growth opportunities continually. At the same time, new competitors and changing customer preferences pose a nonstop threat to your company. To successfully navigate these opportunities and challenges, organizations must experiment continuously to try new business models, explore new markets, and test new sales channels.



The need for a new workspace strategy

These challenges and changing work models require that companies reevaluate their real estate strategies. A workplace solution that offers financial flexibility can help you save money and get liabilities off your book, giving you more room to invest in new ideas. At the same time, a solution with first-rate worker experience can help you attract and retain the talent critical to your future success. Flexible workplace solutions have emerged as an attractive option for companies seeking to tackle these challenges.

Benefits of subscription-based coworking space for large organizations

Diverse configurations.

Coworking spaces come in a variety of configurations to meet the needs of a variety of employers.

Superb worker experience.

In many cases, these spaces offer the potential for networking events and other programs to enhance a worker's experience.

Convenient locations.

The flexibility of coworking spaces means that it can be quick to open new locations in a variety of areas. This translates to multiple offices in convenient locations.

Scalability.

Subscribers can take the amount of space they need, but quickly scale up if more room is required. Doing so involves modifying the subscription instead of building out an entirely new section of office space.

Financial flexibility.

For subscribers, all fees should be contained in a single bill, which means transparency is at the forefront when working with the right partner. Beyond that, employers can choose from a variety of subscription tiers to match their needs and budgets.



Flexible, purpose-driven spaces

With coworking spaces, large organizations can pick and choose from a diverse collection of purpose-driven components to flexibly configure workspaces that meet their unique needs.

For example, you can book on-demand meeting rooms to accommodate your day-to-day internal and client meetings or get private offices for the three employees who live nearby and like to come in every day. To foster innovation and collaboration, add a common area that promotes impromptu meetings and socialization. You might also want a few personal pods for your workers to make video calls. For your monthly all-hands meeting, book a big conference room one day a month.

The bottom line is coworking spaces give you a customizable workplace solution with on-demand components available when you need them. This low-risk approach allows you to decide when and where to invest in real estate without worrying about hidden fees or changing expectations.

First-rate worker experience

As a key component to a robust coworking subscription, your employees can access a diverse set of amenities that promotes job satisfaction and encourages employee retention, such as fully furnished kitchens, recreational areas, and wellness rooms.

In addition to amenities, coworking spaces also offer a sense of community and belonging, which is essential to any positive employee experience. Many coworking space companies organize regular networking events and happy hours to help workers socialize and connect, creating an enhanced employee experience. First-rate worker experience can be a key competitive advantage of your enterprise, helping to overcome the talent shortage and recruit the people you need.

Distributed locations

Long commutes are a leading cause of low job satisfaction and high employee turnover. As a solution to this growing issue, many coworking spaces offer locations in residential areas and suburbs, enabling you to create multiple smaller satellite offices closer to where your workers live.

Compared to the traditional model of having a main office downtown or an office park far from the homes of most employees, this new model of distributed locations can substantially shorten commutes and significantly improve worker satisfaction. It can also be a key selling point in your recruitment efforts.

Flexible terms and scalable capacity

While traditional offices by nature require long-term leases, flexible workplaces are available in both short-term and long-term arrangements. This flexibility supports iteration and experimentation, enabling enterprises to navigate the uncertain business environment better.

For example, you can start with a small office on a short-term lease when you first enter a new market. As you test new ideas, you may need to scale up or down your local team accordingly. A coworking space gives you the freedom to scale up your real estate footprint or shed unneeded square footage quickly in response to business needs.

An asset-light model with reduced liability

Coworking spaces come fully furnished, saving you the upfront costs of interior decoration and furniture. You also share numerous amenities, such as conference rooms, kitchens, and wellness rooms. This shared access model enables companies to offer workers first-rate amenities without a significant capital investment.



An asset-light model, combined with a shorter-term lease, means you can get substantial liabilities off your book, resulting in more financial flexibility and room to experiment and iterate. It lowers your cost of mistakes and failures, giving you more runway to test new ideas.

Rapid launch and ramp-up

In today's business environment, speed is crucial. How fast you launch or ramp up in a new market could mean the difference between success and failure. A coworking space enables you to move quickly. Unlike traditional offices, there's no need for lengthy construction or remodeling.

If your business calls for expansion, subscribe to more spaces and you're all set. There's no delay. Your coworking space can grow as fast as you want.

On the other hand, coworking spaces are designed to scale down thoughtfully with your business. While this approach minimizes the risks of market entry for new businesses, it also streamlines the ability to exit in the event a new strategy isn't as successful as initially projected. To be truly agile, it is important to choose a real estate strategy that can support any type of market fluctuation.



About Industrious

At Industrious, we have more than 150 office locations spread across 65 cities covering the United States and many global business hubs. Whether you're a small startup looking to present a professional image to your clients, or a company with an international presence aiming to provide flexible and convenient working options for a distributed team, our spaces could help your teams stay connected and work more productively while also reducing your regular overhead.

Industrious delivers workplace solutions that meet the demands and preferences of the modern workforce. [Get in touch](#) to learn more about how we can help you create a workplace that brings people together.

