



# The Hybrid Boom

**IWG**

The Global  
Workspace  
Leader

A special focus on the growing demand for hybrid working in the US and how it offers a once-in-a-lifetime opportunity for building owners and developers.

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Hybrid working is changing not only how people work, but where they work. The century-old tyranny of the daily commute is coming to an end and people are choosing to do their jobs close to where they live. For building owners and developers in the US, this paradigm shift represents the chance to create flexible workspaces in small towns and suburbs right across the country. This is the kind of moment that only comes once in a lifetime.”

**Mark Dixon,**  
Founder and CEO, IWG



In the last few years, a fundamental global shift in the world of work has taken place, permanently changing the shape and rhythms of office life and setting in chain a revolution in the commercial real estate market. Hybrid working has given millions of people the chance to work when and where they choose. And the majority are choosing to turn their backs on the stresses of long daily commutes.

“Today’s technology makes it possible to work from just about anywhere,” says Mark Dixon, Founder and CEO of IWG. “That means that the office no longer needs to be in a city center, far from where people live. It can be in the heart of their communities, enabling them to work more effectively and efficiently and to enjoy all the health and wellbeing benefits of an improved work-life balance.”

This means the geography of work is changing. Towns and suburbs that were formerly ghost towns during the working week are now thriving, and local businesses are booming. And demand for high-quality local flex spaces is also booming: IWG has seen the vast majority

of its recent growth outside city centers, in what Dixon calls “the deep suburbs”.

The implications for the commercial real estate sector are stark. As more and more workers choose to spend the majority of their working lives close to home, companies are realizing that they don’t need vast, city-center HQs. As a result, they are downsizing, terminating long-term commercial office leases at an unprecedented rate. These are often being replaced with shorter-term agreements for a smaller amount of space, or new arrangements with flexible workspace providers such as IWG.



At the same time, this paradigm shift in the geography of work offers a huge opportunity. IWG is the unrivaled global leader in flexible workspace, five times the size of its nearest competitor, and it is engaged in a major program of expansion, with the most significant growth in suburbs and small towns. And it is seeking to do this in partnership with property owners, developers, and franchise investors.

Dixon describes this as a “once-in-a-lifetime opportunity” for potential partners. His ambition is to have an IWG location within reach of “every town, village, and suburb in the world”.

The US has long led the hybrid boom, and IWG’s growth there has been correspondingly fast-paced. “In the last twelve months, we’ve signed and opened approaching 400 new flexible workspaces in the US, predominantly away from big city centers, and there’s room for many, many more,” says Wayne Berger, IWG CEO for the Americas. “There’s never been a better time to join the hybrid revolution.”

In this white paper we look in detail at the factors that are powering the real estate revolution in the US and the huge opportunity this offers for building owners, developers, and investors alike.

# A World-class Platform

IWG’s business operates via a world-class, app-based subscription platform, which gives access to the group’s locations. Mark Dixon compares it to a streaming service rather than a traditional office rental. “Our subscription is a bit like Spotify or Netflix,” he says. “Once you subscribe, you can access wherever you want to work.”

Another comparison is that of the hotel industry. Offices can be seen in the same way as hotel rooms—there to be rented and used when the need arises. And IWG’s well-proven managed partnership model offers similar benefits to those enjoyed by hotel owners: a mutually-beneficial arrangement in which IWG can deploy the full range of its flex space management expertise.





# Keeping It Close to Home

**25%** of US workers have moved further from the city as a result of the pandemic

**77%** of workers say a place to work closer to home is a must-have for their next job move

**80%** of them say they will permanently stay in these locations

**50%** of workers say they would quit their job if asked to return to a central office five days a week



# The US Hybrid Boom:

“A time of unprecedented growth.”

The use of flex space is already a normal part of working life for millions of Americans and is projected to make up 30% of the US office market by 2030. The latest edition of McKinsey’s American Opportunity Survey found that more than half (58%) of the nation’s workforce are now working in a hybrid way, and if offered the opportunity of adopting the hybrid model, 87% said they would take it. “This represents a tectonic shift in where, when, and how Americans want to work and are working,” the report concluded.



The effect on the traditional real estate model has been profound. A recent report by commercial property adviser Cushman & Wakefield predicted that hybrid working will push US office vacancies 55% above their pre-pandemic levels to a record 1.1bn sq ft by 2030. “Obsolescence is kind of the word of the day right now,” said Andrew McDonald, Cushman’s President, acknowledging that a large proportion of US office space is now becoming redundant in the wake of plummeting demand, as workers shun city center HQs in favor of options closer to home. Scott Rechler, CEO of New York property

developer RXR Realty, has said that some buildings in his portfolio no longer make economic sense and the only answer is to “give the keys back to the bank”.

While demand for traditional offices is diminishing, demand for flex space in the US is thriving. IWG is the unrivaled global leader in flexible workspace, seven times the size of its nearest competitor, with around 4000 locations in more than 120 countries, with 19 unique brands including Regus, Signature, Spaces, and HQ, covering every different hybrid workstyle.

<sup>1</sup><https://cre.moodyanalytics.com/insights/research/q42022-commercial-real-estate-outlook/>



## Repurposing Real Estate

The spaces that are required to meet the increased demand for flexible office space in the US don't have to be existing offices. IWG has shown that buildings of all kinds can be repurposed and redesigned.

Former retail space is proving to be a rich source of new opportunities as the hybrid revolution gathers yet more pace. Retail vacancy rates in the US are in double digits, and these empty spaces are ripe for conversion into flex spaces. "We have the brands and the design capabilities to fit out flexible workspace in a retail space," says IWG's Michael Berretta. "And we also have the distribution and the demand to match that supply with people who increasingly want to work somewhere closer to home."

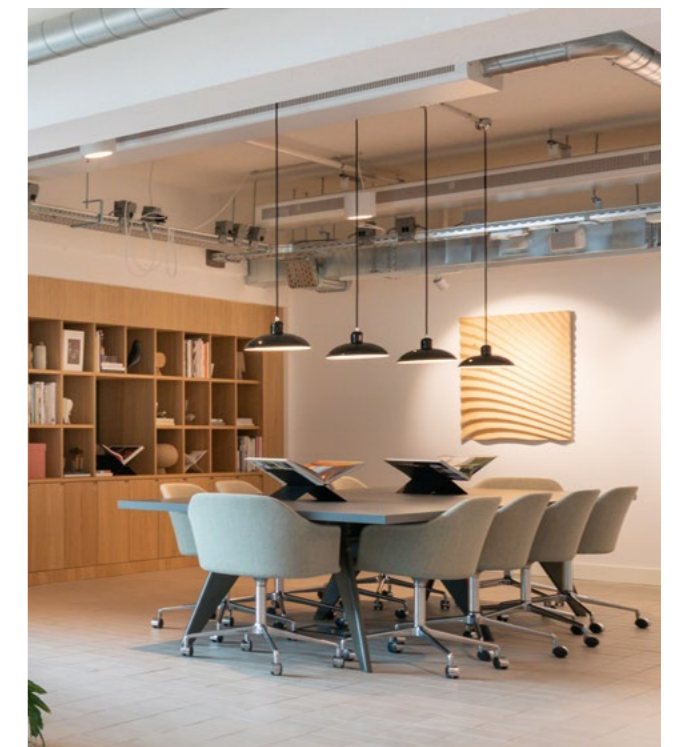
But it isn't only retail spaces that can be easily converted for office use. "We believe we can find a solution for any building where there is going to be demand for a flexible workspace, whether that's a retail space, a light industrial space, a hotel, you name it," says Berretta. "We've even converted a former church into a flex space. We've got huge experience in this field and there's no other provider that can offer the same level of expertise."

Flex space is projected to make up

# 30%

of the US office market by 2030

Source: JLL



The US accounts for more than half of IWG's business and is also its fastest-growing market. IWG's rapidly expanding network already comprises around 1,500 locations in the country and serves 83% of Fortune 500 companies. Around 500 further locations are to be added in the US in the next year or so. This is a time of "unprecedented growth" in the flexible workspace area, according to Berger.

"It's the perfect time to tap into the market," he says. "Companies are expanding into new markets in the US and teams are becoming more geographically disparate than ever before. Organizations want to give their team members access to workspace regardless of where they live. In short, this is a great opportunity to break into an unsaturated market with considerable projected growth."

IWG's research has found that workers are four times more likely to choose an office close to home than one in a city center. "The main factor driving change is the workers themselves," says Berger. "They're saying, 'Hey, I don't want to commute any more. I do not wish to spend one to two hours of my life every day driving to an office in another town or another place to use a computer, when I can do it down the road.' Workers are saying they want a local workplace."

“ This is a great opportunity to break into an unsaturated market with considerable projected growth.”

**Wayne Berger**  
CEO of The Americas, IWG





# People, Profit, Planet

The hybrid working model brings numerous benefits for employees, companies, and the environment



## People:

“One of the craziest inventions of the last 100 years” is how Mark Dixon describes the daily commute. IWG’s research has shown that cutting down on the commute and working closer to home can bring multiple health and wellbeing benefits. It not only removes the stresses associated with a daily journey to a city-center office but also allows more time for exercise, sleep, healthy eating, and the company of family and friends. Research by IWG found that only one in five workers are now willing to commute more than 30 minutes on a daily basis.



## Profit:

Four-fifths of 250 financial leaders polled in IWG’s CFO Study agreed that hybrid is a more affordable business model than one in which employees spend five days a week working at a central office. Hybrid has been proven to boost productivity and also allows companies to eschew long, expensive leases, instead investing in flex space, which enables them to scale up or down as they need. It also gives employees access to a network of flex spaces, which they can use depending on their location. Analysis by research firm Global Workplace Analytics has shown that hybrid working can save organizations more than US\$11,000 per employee a year on average.

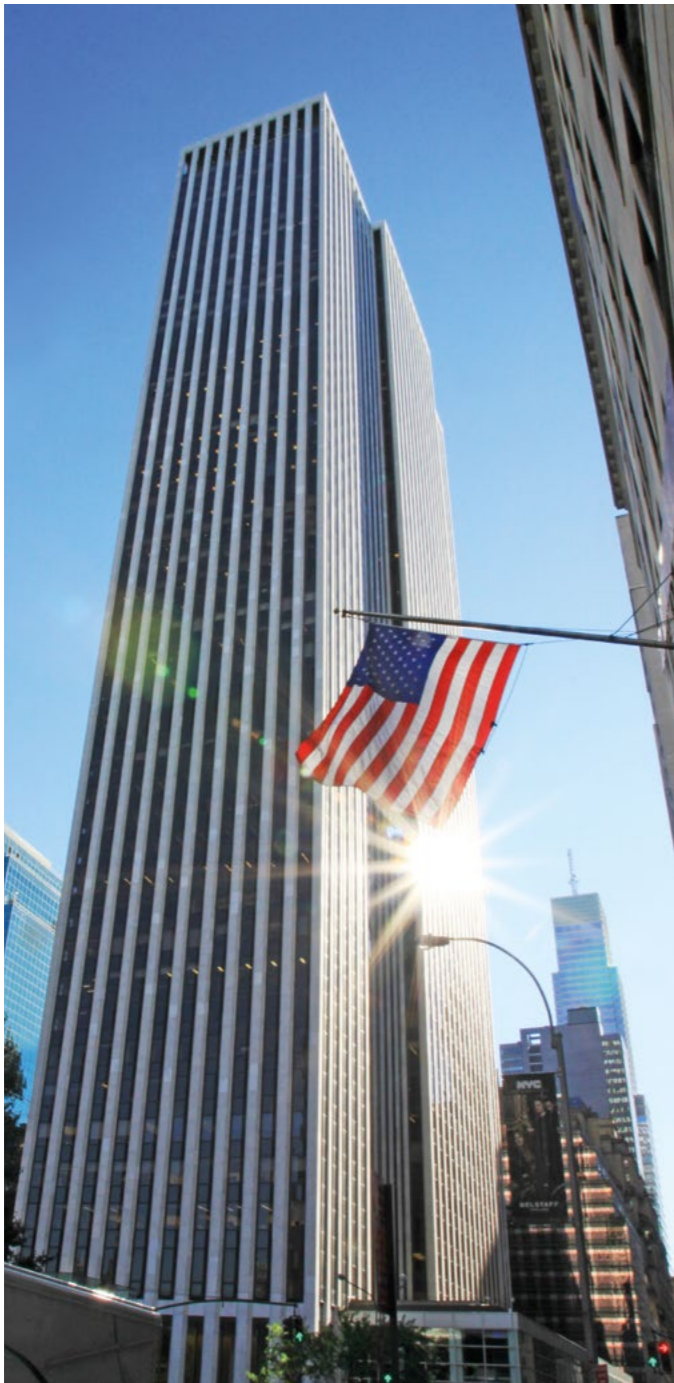


## Planet:

Environmental concerns are becoming ever more important in business and society, and individuals expect businesses that they work for to demonstrate similar concerns. IWG’s recent Gen Z Study found that almost half would refuse to join a business that doesn’t have clear environmental and social goals. Companies are also under pressure to meet Net Zero carbon emission targets. IWG is the only flex space provider to offer carbon neutral workspaces across all its locations. Its new openings are designed with sustainability in mind, and many of its existing locations already demonstrate ground-breaking green design. Downsizing to a smaller central HQ can bring a reduction in energy use, but overall, cutting down on the daily commute thanks to hybrid working is the single biggest thing companies can do to reduce their carbon footprint. Recent research by IWG and Arup found that the hybrid model can cut greenhouse emissions in cities by as much as 90%.

# The Opportunity:

“As the demand for workspace changes, we offer a way to capitalize on that.”



The growth in demand for local working offers a golden opportunity for property owners and landlords in the US, says Michael Berretta, IWG's Chief Investment Officer in the Americas: "We're now seeing the trend very much take shape here," he notes. "And as the demand for workspace changes, we can offer a way for investors to capitalize on that irreversible shift through a partnership with IWG."

Significantly, around 80% of IWG's current and planned new openings in the US are in suburbs or smaller towns. Typical is Franklin Park, a suburban neighborhood of Toledo, Ohio, where a new Regus center opened last summer. "For me, the shift to hybrid working presents exciting opportunities as companies seek flexible workspaces closer to workers' homes," says IWG strategic partner Doug Boehm.

"It's because of this powerful trend that we're not just talking about opening locations in big cities like LA, New York, and Washington DC," says Berger. "We're also talking about smaller places like Atkins, South Carolina, and Green Bay, Wisconsin." He could equally have cited Cedar Rapids, Iowa, or Hutchinson, Kansas, or a host of other smaller locations across the US that are now home to IWG flex spaces.

# Small Towns, Big Growth

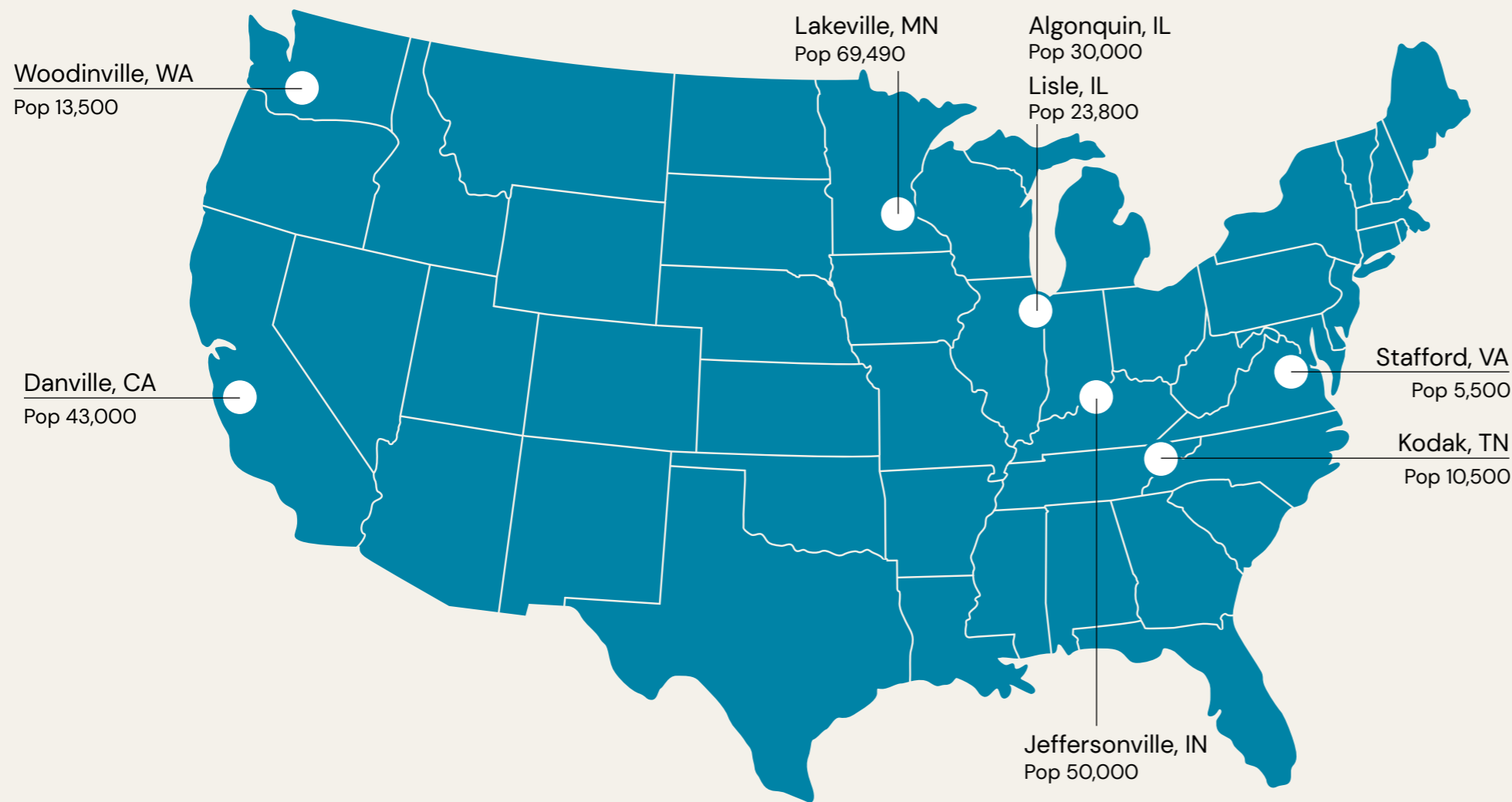
IWG's major program of expansion is satisfying the demand to work locally in a host of small towns and countryside communities across the US. That means locations from Stafford, VA, (pop 5,500) in the East, to Kodak, TN, (pop 10,500) in the South, and from Woodinville, WA, (pop 13,500) in the North, to Danville, CA, (pop 43,000) in the West.

The most new openings have come in the Midwest region, which has seen 34 in the six

months since October 2022. Significantly, more than three-quarters (76%) of these are located outside large metropolitan areas. For example, two new centers are located in the Chicago suburbs of Algonquin and Lisle, around 40 miles and 25 miles respectively from the Loop, Chicago's main business district. Other new centers include openings in Lakeville, MN, (pop 69,490) 20 miles south of downtown Minneapolis and downtown St Paul, and Jeffersonville, IN, a town of around 50,000 people that lies across the Ohio

River to the north of Louisville, the largest city in Kentucky.

"We are establishing a stronger and much-needed footprint in the Midwest, which is a prosperous business hub and offers fantastic locations for us to boost our expansion plans," says Wayne Berger.



The growth of local flexible workspaces is also hastening the development of so-called '15-minute cities'. This is a concept first developed by French-Colombian academic Carlos Moreno, in which shops, amenities and workspaces are all within a 15-minute walk or cycle ride from people's homes. It has the power to revitalize suburban neighborhoods while also offering considerable sustainability benefits.

A case in point is First Street, a mixed-use development with offices, retail outlets, restaurants, and a boutique hotel situated in downtown Napa, California. IWG opened a Spaces location there in partnership with local landlord, Todd Zapolski in 2021 and it has transformed the area into a thriving community. "The First Street area has played a key role in driving economic growth in Napa and it's a perfect example of the 15-minute city concept," says Berretta. "It has a wide range of amenities and shops as well as offices within close proximity to people's homes."

## CASE STUDY

# New York: Flex Space Spreads to The Suburbs:

No city exemplifies the changing geography of work in the US more than the Big Apple.



IWG has long had a presence in New York – not just in Manhattan but increasingly in the surrounding Greater New York area, where demand is high. The Group boasts 60 locations in NY and 40 in New Jersey, and during 2022 these locations saw a 37% increase in customer user numbers. Now five new Regus centers and one HQ location are currently among those scheduled to open in 2023 and 2024, reflecting the growing appeal of flexible workspaces far from city centers.

The Bronx, the northernmost of NYC's five boroughs, has changed beyond recognition in recent years and has become a haven for New York's hipsters. The new Regus center at 1500 Astor Avenue will negate the need for a nine-mile, 30-minute commute to Manhattan.

Further afield, the forthcoming Regus center at 4 International Drive in Rye Brook, a town with a population of just 32,080 situated around 30 miles from NYC, illustrates the changing demography of the state. Rye Brook has seen a big increase in new arrivals from the city since the pandemic, mainly families attracted by the town's countryside location and its good schools. The new center will afford them the opportunity to work locally

rather than commuting for an hour into the city.

In the far north of New York state, Henrietta (pop 47,096), a suburb of Rochester, the state's fourth most populous city, will also soon see the opening of a new Regus center. The town is notable as being the location of a large retail district and also as the home of the Rochester Institute of Technology, and is just a few miles from Greater Rochester International Airport.

In New Jersey, the imminent opening of two more Regus centers, in the townships of Edison (pop 107,588) and Toms River (pop 95,438), demonstrates the demand for flex spaces in suburban and exurban communities. Edison, which lies 30 miles from Manhattan, has a saying that all roads lead to the town, which is particularly true for many in the large Asian community there, who are attracted by the good education facilities and proximity to Newark Liberty International Airport. Toms River is roughly equidistant from New York City and Philadelphia, meaning around a 60-mile commute to either. Without the need to commute, residents will have more time to enjoy the many beaches located nearby on the Jersey Shore.

New Jersey's Mercer County, home to state capital Trenton, is similarly equidistant from both NYC and Philadelphia. One of the highest-income counties in the whole of the US, it's already home to five IWG centers, and will soon welcome the addition of a sixth in the town of Lawrence (pop 32,899). This will be the first HQ center in New Jersey, an IWG brand that is focused on enabling productivity for cost-conscious clients, whether they be a major corporation or a freelancer.

"All of these openings are a further step in enabling people who previously commuted to a large city every day to work at a flexible workspace and forego the long commute," says Berger. "IWG is helping to drive the growth of a wide range of local communities, whether they be in suburbs not far from the city center or in townships out in the countryside. People want to work close to their homes, and we're giving them that option."



# City Centers Get Flexible

As local flex spaces in suburbs and small towns proliferate, the way that office space is used in city centers is changing.

"We're seeing a lot of companies downsizing their offices in the city," says Jeff Doughman, IWG President in North America. "They no longer need space for 200 to 500 people just so a few of them can travel all the way in from New Jersey, Connecticut, and Long Island to use a computer in the middle of an office in Manhattan."

A recent survey by workplace software provider Robin found that nearly two thirds (60%) of US executives are planning to reduce office space by as much as a half or more. And a recent report by Arpit Gupta at NYU Stern School of Business found that office occupancy rates in Manhattan are at their lowest for 30 years. According to Cushman & Wakefield, around 330 million sq ft of office space

in the US will be made redundant by the end of the decade as a result of hybrid working—roughly equivalent to all the office inventory in the Washington metropolitan area.

Instead, companies are switching to more flexible options. Half of the finance leaders questioned in IWG's CFO Study said their business had already opted for short-term leases or shared workspaces, giving them the ability to quickly scale up or down.

"In places like Chicago, New York, San Francisco, Atlanta, we're seeing companies downsizing their HQs and using our flex spaces," says Doughman. "Where they used to have a lease to support 200 people, as soon as that's over, they want a space for 20 for collaboration."

Nearly two thirds (60%) of US executives are planning to reduce office space by as much as a **half** or more



# Working with IWG:

“Unlock a Quick Route to Higher Income.”



As businesses scale down their use of traditional office space, many building owners are looking at lengthy void periods as they seek new tenants. However, there's an alternative: Turn those spaces into flexible workspaces. Entering into a management partnership with IWG can leverage the urgent demand for flex space and turn an empty space into a valuable, cash-generating business. IWG offers various forms of partnership models, providing property owners and investors with a lucrative opportunity to invest in the fast-growing hybrid work market.

This kind of partnership is how the hotels sector has long operated. Rather than rely on a single lease, owners can diversify their income by hosting a variety of businesses, and can unlock additional revenue by selling a range of complementary products and services.

IWG shares both the risks and the rewards with its partners. That means that when the economy is prospering, both benefit from rising rents and good occupancy. And in trickier economic times, while rents and occupancy rates may go down, this is shared and the space continues to generate income.

“It doesn't matter whether you own a floor or multiple buildings, IWG can help you to unlock a quick route to higher income,” says Dixon. “You'll benefit immediately from our global sales and marketing platform, and enjoy design and fit-out support, rapid occupancy, with no long void periods, and a whole host of other benefits.”

IWG's managed partnership experts take care of everything to transform a premises, beginning by assessing the business opportunity and how it compares to the

existing business model, and how much demand for workspace exists in the area. Marketing and sales begin from the moment a partnership deal is signed, and a location can be up and running in as little as ten weeks. Owners can then enjoy strong, recurring income month on month, year on year, with no lengthy renewals or void periods to manage.

Not only building owners but also institutional developers and investors can benefit from the opportunities presented by the hybrid working boom. For those willing to be ambitious and view flexible workspace as a lead sales product, it's a chance to future-proof their revenue. For more than 30 years, IWG has proved that flexible workspaces are a service that can be as valuable as long-term leases and deliver consistently high returns.



We're seeing a fundamental, seismic shift in the way that people use real estate, and at the same time that's created a huge opportunity for owners and developers.”

**Mark Dixon,**  
Founder and CEO, IWG

# Conclusion

Flexible workspace is the foundation that underlies the fundamental shift in our working lives that the hybrid model has enabled. IWG continues to lay that foundation, as it embarks on an extensive period of expansion in the US, and it's looking for partners who share its vision. The potential rewards are considerable.

“The USA has long been known as the land of opportunity, and those words have never been more appropriate than they are today,” says Dixon. “There’s no going back to the old way of working nine-to-five in an office miles away from home. In the future, we’ll work when and where we choose, and we’ll expect to be able to access a high-tech, high-quality workspace close to wherever we choose to live. That future is already taking shape. Now is the chance for property owners and developers to stake their claim in the new world of work.”

Capitalize on the flexible workspace revolution by partnering with IWG.

Find out more at:  
[iwgplc.com/develop-a-location](http://iwgplc.com/develop-a-location).