



# The Happy People Hybrid Workplace Index

Powered by LiquidSpace | November 2022



LiquidSpace is the leading global on-demand office marketplace, enabling companies and their employees to simply discover, evaluate and book professional coworking, meeting and office spaces by the hour, day, month or year. Since 2011, the LiquidSpace Marketplace has facilitated millions of flexible office transactions, connecting 130,000+ organizations with more than 10,000 flexible office providers, from One WTC in Manhattan to a local coworking space in Kalispell, Montana.

## Hybrid Workplace Index Key findings

- 1 Hybrid Workplace employee engagement is on the rise.
- 2 Collaboration is the dominant driver of Hybrid Workplace spend.
- 3 Flexible office costs are trending to exceed pre-pandemic levels.

Flexible office transaction data from the LiquidSpace Marketplace has been aggregated, anonymized and analyzed to produce a set of Hybrid Workplace Indices. These offer a unique insight into the behaviors of individuals and companies who have embraced workplace flexibility and choice.

These indices also provide a barometer for the flexible office industry as a whole, revealing trends in overall demand, unit economics, geographic movements, space preferences, and work behaviors.



We define **Hybrid Workplace** as the **continuum of workspace options**, comprising home, on-demand workplaces, and traditional company offices, enabling employees to 'work from where it works'. Companies are embracing hybrid workplace strategies to achieve talent, real estate and ESG objectives.

### Talent acquisition and retention

- **Traditional office challenge:** Great talent expects the freedom to choose where to work.
- **Hybrid Workplace advantage:** Attract talent from the global talent pool and support them wherever they choose to work.

### Cost reduction

- **Traditional office challenge:** Traditional portfolios are capital intensive, rigid, and grossly under-utilized.
- **Hybrid Workplace advantage:** Pay for what you use.

### Productivity

- **Traditional office challenge:** HQ centric workplaces impose a tyranny of the majority on employees, assuming that one homogenous workplace can be optimal for all.
- **Hybrid workplace advantage:** Equip every individual with access to the best workplace for their individual work-style, their location, and the task at hand.

### Sustainability

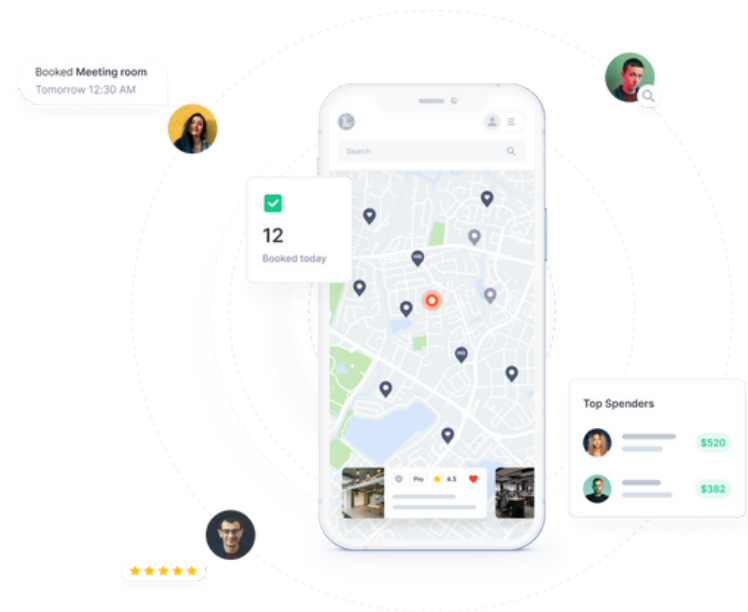
- **Traditional office challenge:** Commercial real estate contributes 40% of the global carbon footprint.
- **Hybrid Workplace advantage:** Zero-waste, pay only for what you use.

Real estate and workplace-related expenses are second only to talent costs on the P&L of most companies. The well reported changes in employee remote work preference and the increased need by companies for agility and economic efficiency are compounding to drive a surge in demand for flexible office and remote work options, and a corresponding drop in demand for traditional leased office space. **Most companies now acknowledge that the future of work will be a Hybrid Workplace.**

Yet, business leaders are confounded by a lack of reliable and actionable insights to inform their workplace policy and strategic real estate planning decisions.

- How much can employees be expected to utilize Hybrid Workplace options when given the choice to do so?
- What work activities are driving the demand for alternatives to home and traditional office?
- How will the cost of Hybrid Workplace compare to that of a traditional HQ-centric workplace?

To confront the uncertainty facing businesses and to equip Real Estate, Workplace, HR and Finance leaders with essential insights to support strategic planning decisions, **we have identified key trends in how employees are engaging with Hybrid Workplaces.**



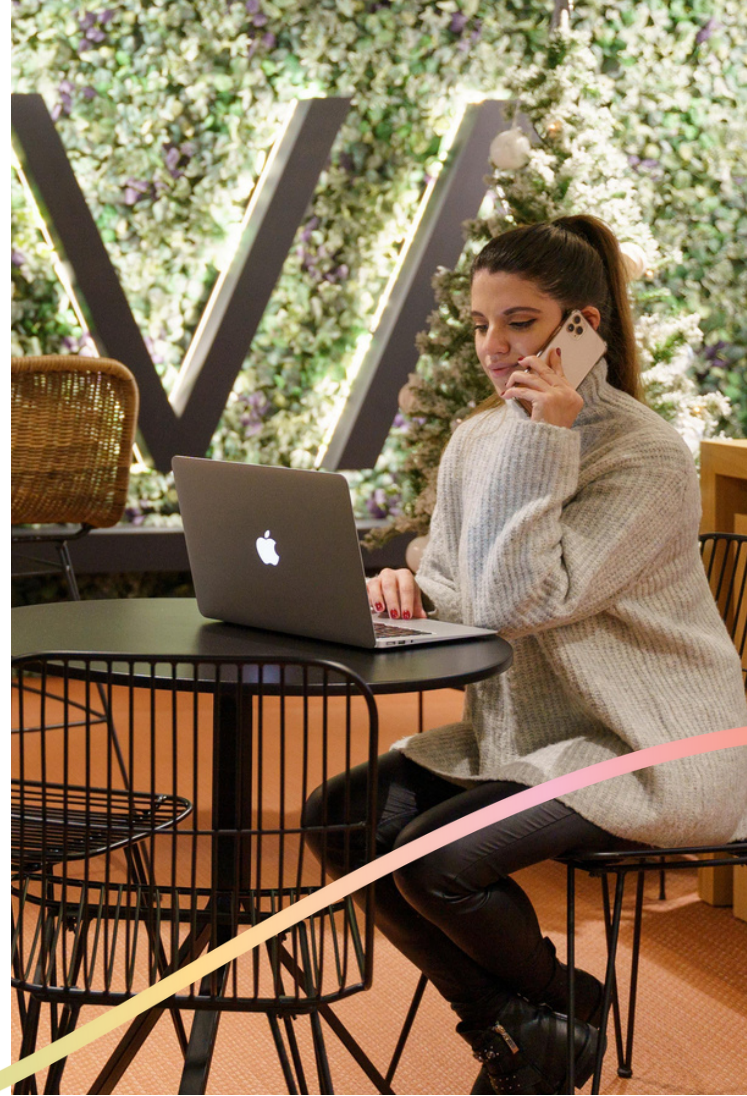
A recent **McKinsey study** showed that 35% employed respondents had been offered remote work on a full-time basis, 23% on part-time or occasional basis, and 42% were not offered remote work opportunities at all.

Yet when asked, 87% employees stated they would embrace the opportunity to spend an average of three days per week working remotely, either at home, or in an alternative space.



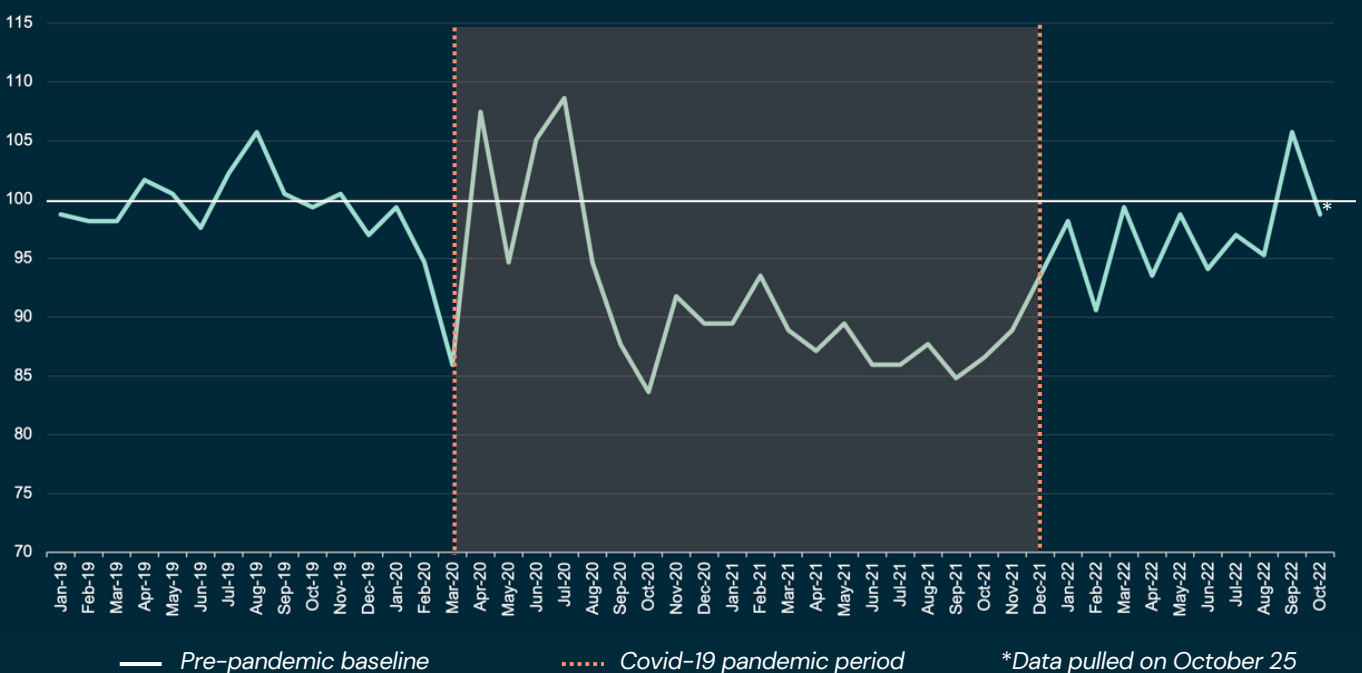
The **Happy People Hybrid Workplace Index** draws from the extensive LiquidSpace Marketplace datasets. They offer a first of its kind view into real time employee engagement and spend within the flexible office dimension of behaviors and emerging trends in the Hybrid Workplace market. Indexed time series metrics provide a clear picture of Hybrid Workplace behavior before, during, and after the COVID-19 pandemic.

- 1 The Hybrid Engagement Index (HEI)** – benchmarks the level of Flexible Office Hybrid Workplace activity per engaged employee.
- 2 The Hybrid Worktype Index (HWI)** – illuminates the usage of Collaboration vs Concentration workspaces in the Flexible Office market.
- 3 The Flexible Office Cost Index (FOCI)** – quantifies the average cost per Flexible Office/Hybrid Workplace transactions.



## Hybrid Engagement Index (HEI) – Employee usage rate

Bookings per employee (Indexed to 2019 pre pandemic benchmark of 100)



**The Hybrid Engagement Index (HEI)** tracks the relative rate of flexible office usage, with the pre-pandemic period average rate given a baseline value of 100.

The onset of the pandemic period saw HEI volatility increase dramatically, dropping 20% in March 2020 as most companies established temporary work from home (WFH) policies, and some municipalities enacted mandatory “shelter in place” orders.

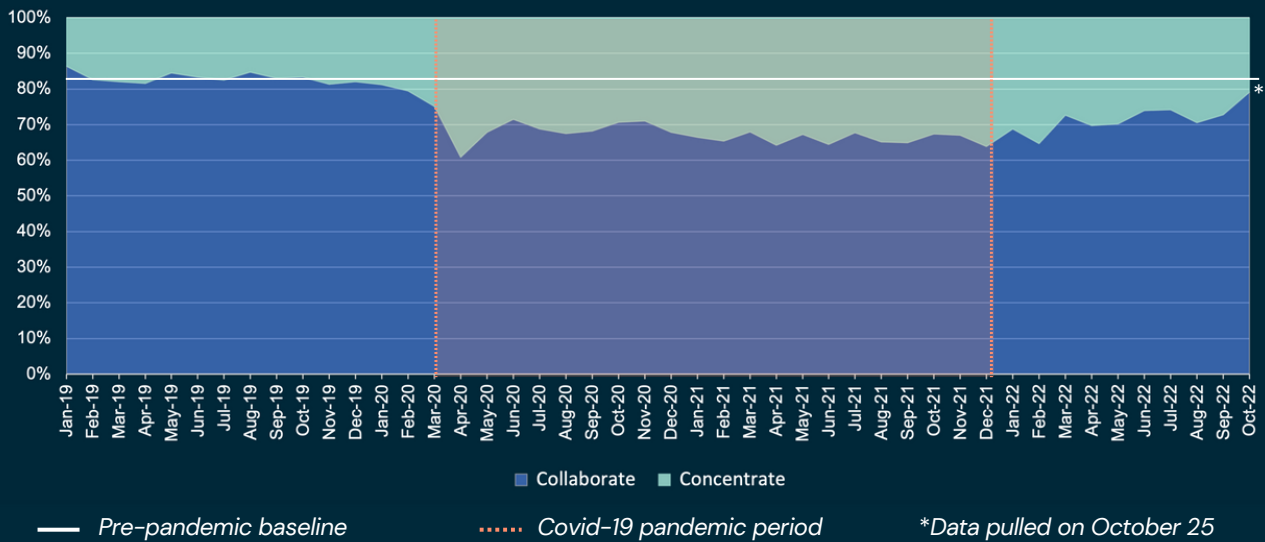
In April 2020, Hybrid Work engagement rebounded by over 25%, as many professionals sought alternatives to home while offices remained shuttered. Volatility remained high into Q3 2020 amidst

successive pandemic waves and start/stop company policies regarding return to office, before settling into a relatively stable pattern for the duration of the pandemic period, averaging 12% below pre-pandemic levels.

In the post-pandemic period, the HEI has evidenced a steady recovery up to and beyond pre-pandemic levels.

For many companies, Labor Day (September 5) 2022 was a symbolic return to office milestone. Interestingly, the HEI has witnessed an 11% rally since then, from 95.26 in August to 105.7 in September, signalling that for many organizations, the office that is being returned to is a flexible office.

### Hybrid Worktype Index (HWI) – work activity mix, Collaboration vs Concentration



**The Hybrid Worktype Index (HWI)** tracks the mix of work activity, characterizing workspace transactions as either primarily for Collaboration (highlighted by the booking of meeting rooms, huddle rooms, team spaces) or Concentration (booking individual offices or desks).

In the pre-pandemic phase, Collaboration averaged 83.14% of transactions. With the onset of the pandemic in March 2020, most companies closed their corporate offices, leaving professionals with the option of home, flexible offices and other third-spaces.

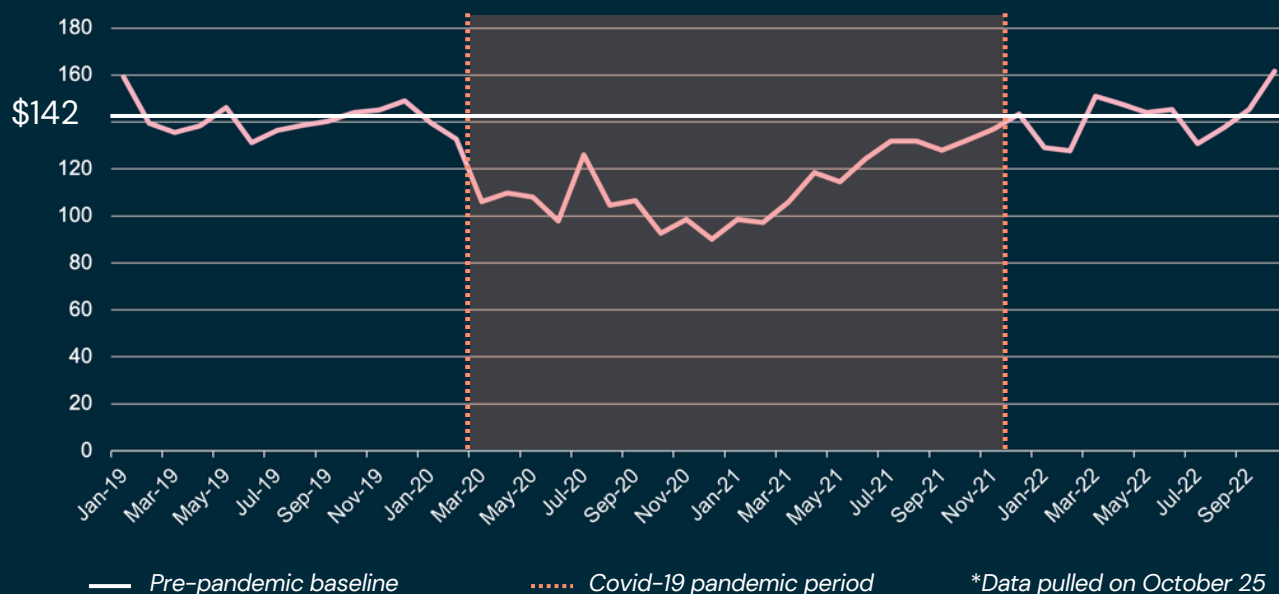
Workspace transactions for Concentration activities surged to represent 42% of all workspace transactions in the first month of the pandemic, and stabilized at 30–37% throughout the pandemic phase. For many users, the need was for space to work away from the distractions of home.

As we have progressed through the post-pandemic period, Collaboration bookings

have recovered steadily, reaching the pre-pandemic level of 79% in the most recent measurements.

The clear dominance of collaboration bookings reflects the strong employee preference to periodically connect with their colleagues in-person. This is as true now as it was before the pandemic.

### Flexible Office Cost Index (FOCI) – the average cost of an on-demand Hybrid Workplace transaction



The Flexible Office Cost Index (FOCI) tracks the average cost of an on-demand Hybrid Workplace transaction (hour or day duration).

The pre-pandemic average cost of \$142 is used as the benchmark for the FOCI.

Immediately following the onset of COVID-19 pandemic, the FOCI dropped by 27%, averaging \$103 from April 2020 through March 2021. The relative increase in demand for Concentration spaces, as evident in the HWI, contributed to this drop.

The drop in overall demand, evident in the HEI, also put downward pressure on average pricing during this period.

Supply shortages and modest growth in demand in Q3 2021 led to an extended period of gradual recovery in the FOCI, with levels in the most recent period reaching the pre-pandemic benchmark rate. With growing demand and speculation about shortages in flexible office supply, the outlook is for continued growth in the FOCI beyond pre-pandemic levels.

# Until next time

As we are today only a few months into life post-pandemic, and entering a period of growing economic uncertainty, we recognize that the long term Hybrid Workplace patterns are still developing.

The Index data in future reports will continue to enhance the picture of what to expect from employees when given the freedom to work from anywhere. Nonetheless, it is already evident that Hybrid Workplace will be an imperative component of how professionals and organizations work and collaborate.



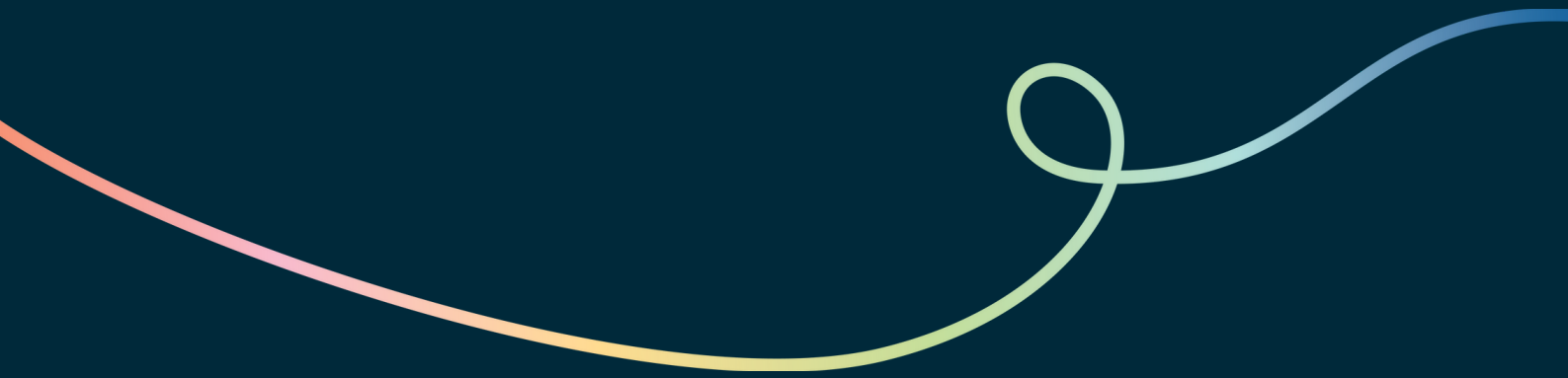
# Methodology

The Happy People Hybrid Workplace Indices reflect time series data derived from aggregated and anonymized workspace transactions on the LiquidSpace Marketplace platform. The LiquidSpace user-base is comprised of organizations of all sizes – F1000 multinational enterprises, dynamic startups, small businesses and solopreneurs – representing a diverse cross-section of industry verticals – including federal, state and local government, finance, insurance,

real estate, healthcare, technology, professional services, legal and education.

Each time series Index in this report spans these three periods. A pre-pandemic period, defined as January 2019 – February 2020 which serves as the baseline for subsequent periods. The COVID-19 pandemic period, is defined as March 2020 – December 2021. The post-pandemic period is defined as January 2022 – present.





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