The Hybrid Workplace Index

Powered by LiquidSpace | Q3 2023

Issue 4 | September 2023

LiquidSpace

Welcome to the latest

Hybrid Workplace Index

powered by LiquidSpace

from Mark Gilbreath, LiquidSpace Skipper & CEO

Labor Day has come and gone once again, and with it, the hopes of many office industry stakeholders for a marked rise in office attendance.

But for the fourth year in a row, those hopes have been met once again with disappointment.

Data from the LiquidSpace Hybrid Workplace Index continues to show that a large percentage of the workforce prefers to work remotely much of the time, in coworking spaces booked on-demand. In fact, the index found that employee engagement with flexible working reached a new high of 118 in Q3 2023 (see page 5). This suggests that the rhythms of office utilization have changed for good.

Businesses looking to attract and retain top talent will need to embrace the hybrid workplace and offer their employees the flexibility they crave.

Read on to discover what the last quarter has meant for our key indices, and this month we bring you two special editorials:

One from Stanford University Professor, Nick Bloom (page 8), who explores our data through the lens of his.

And a second from LiquidSpace VP Hybrid Experience, Lisa Harvey (page 11).

About LiquidSpace

LiquidSpace is the leading global on-demand office marketplace and hybrid workplace management software provider, enabling companies and their employees to simply discover, evaluate, and book professional coworking, meeting, and office spaces by the hour, day, month, or year.

Over the past 10 years, the LiquidSpace Marketplace has facilitated millions of flexible office transactions, connecting individuals and dynamic organizations to the more than 30,000 flexible office providers around the globe.

Hybrid Workplace Index

Q3 2023 Key Findings

1. Wow! This is permanent
2. Collaboration and connection are the profit engines of the flexible office economy
3. Change remains the constant

We define **Hybrid Workplace** as the **continuum of workspace options,** comprising of home, on-demand spaces, casual spaces, and offices spaces, 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.

The Hybrid Workplace Indices draw from the extensive LiquidSpace Marketplace dataset. They offer a view into employee engagement, worktype preference, and spend, 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 mix of bookings for in-person collaboration vs lone concentration time as a percentage of spend.
3. **The Flexible Office Cost Index (FOCI) -** shows the average cost per flexible office/hybrid workplace transaction.

For this edition of our report, we've worked with Stanford University Economics Professor and remote work expert Nick Bloom. He will be adding insight to our Hybrid Engagement Index by overlaying his data on hybrid and remote job postings, in a drill-down that brings together his research with our data.

In the second of our data drill-downs (page 10) we will explore the specific use cases and space types driving the overall rise in the FOCI.

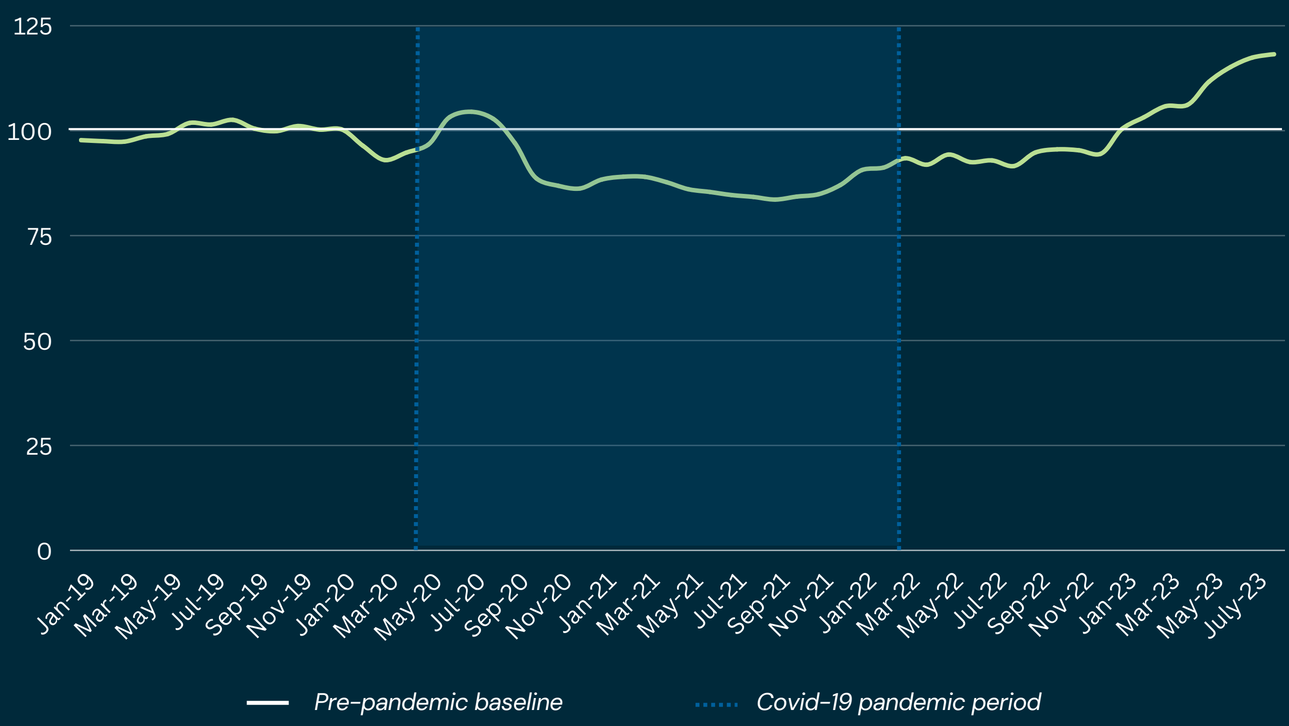
We will also be hearing from LiquidSpace VP Hybrid Experience, Lisa Harvey, on how value-driven flexibility and purpose-driven gathering drives business results.

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

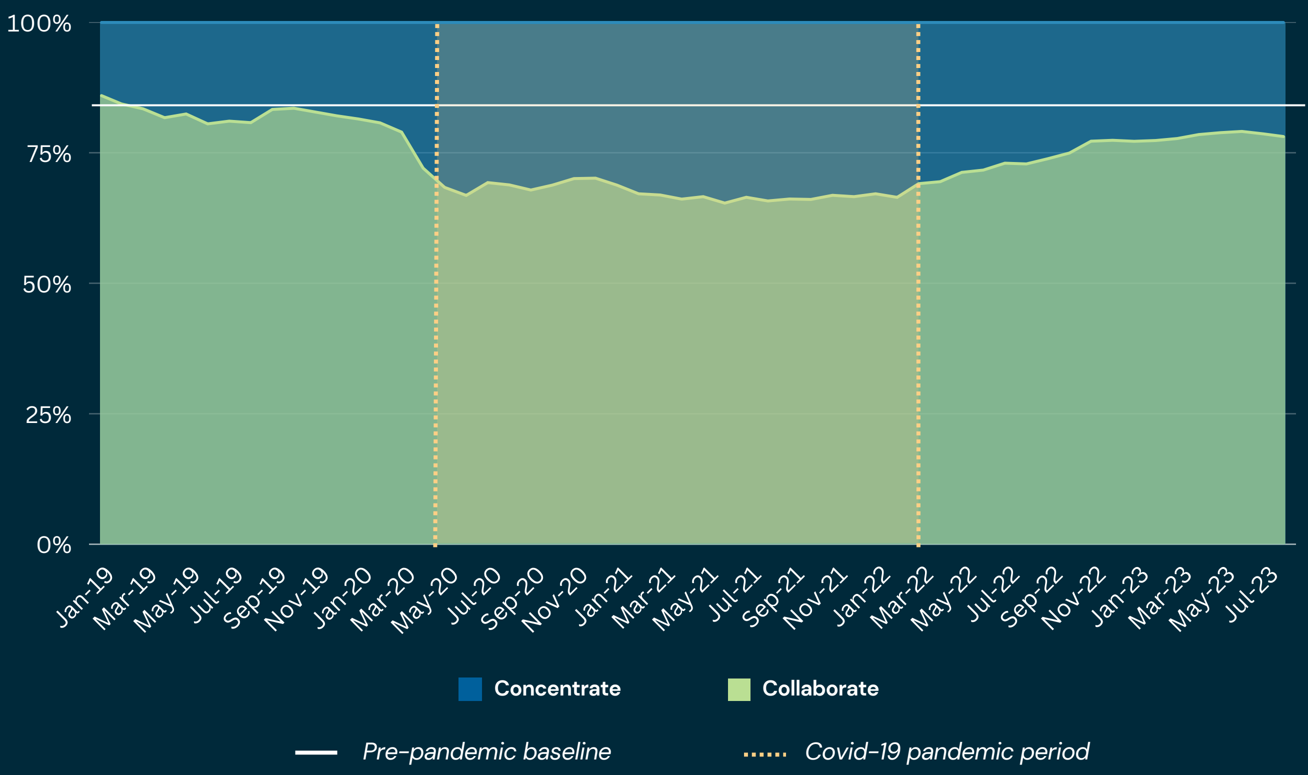
The HEI climbed 5.9% quarter over quarter, setting a new all-time high.

Hybrid Engagement Index (HEI) - Employee usage rate

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



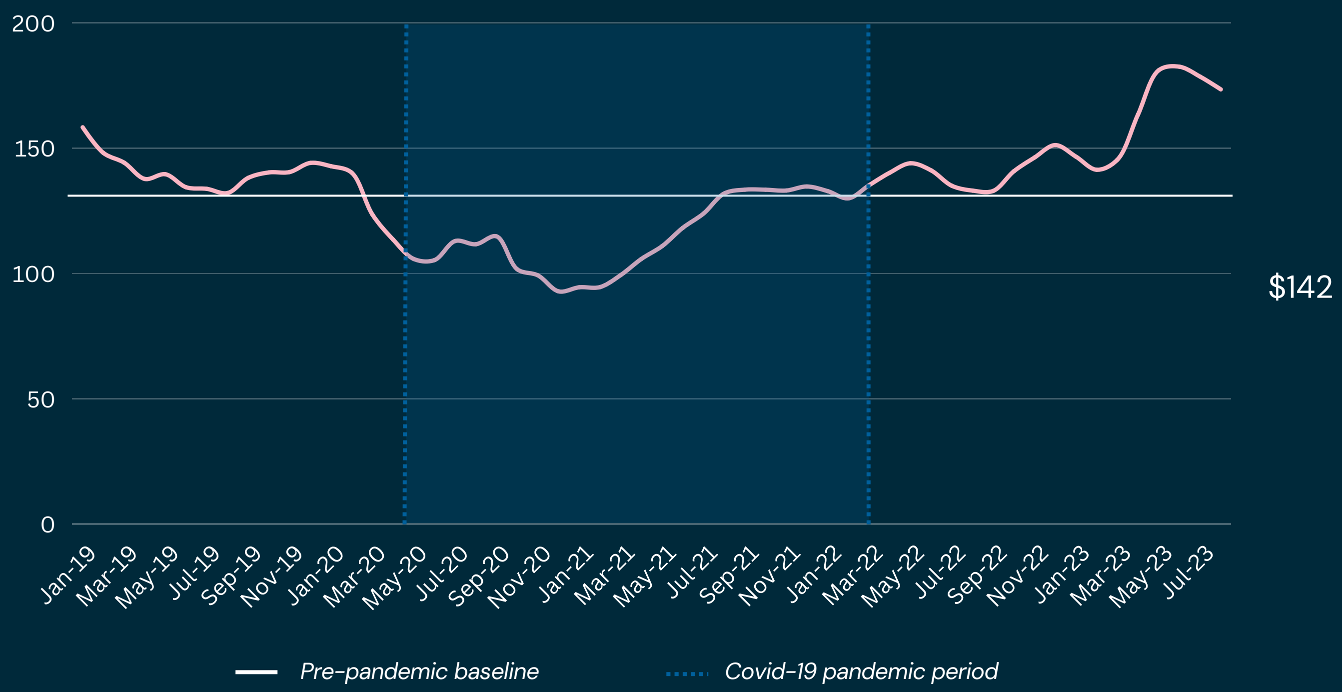
Hybrid Worktype Index (HWI) – Work activity mix, Collaboration vs Concentration



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 Q3, the HWI moving average held steady at 78%, down less than a point quarter over quarter.

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 (any booking with hour or day duration, including desks, private offices, meeting rooms, training rooms, and event spaces).

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

The long-term trend of the FOCI remains upward, with the most recent 3-month moving average up 87% from the pandemic low, and up 23% from the pre-pandemic baseline.

The FOCI has gained 18% YTD, having cooled slightly over recent summer months. See the second of our drill downs on page 10 for further analysis of this data.

Drill down: “Wow, this is permanent!”

Nick Bloom

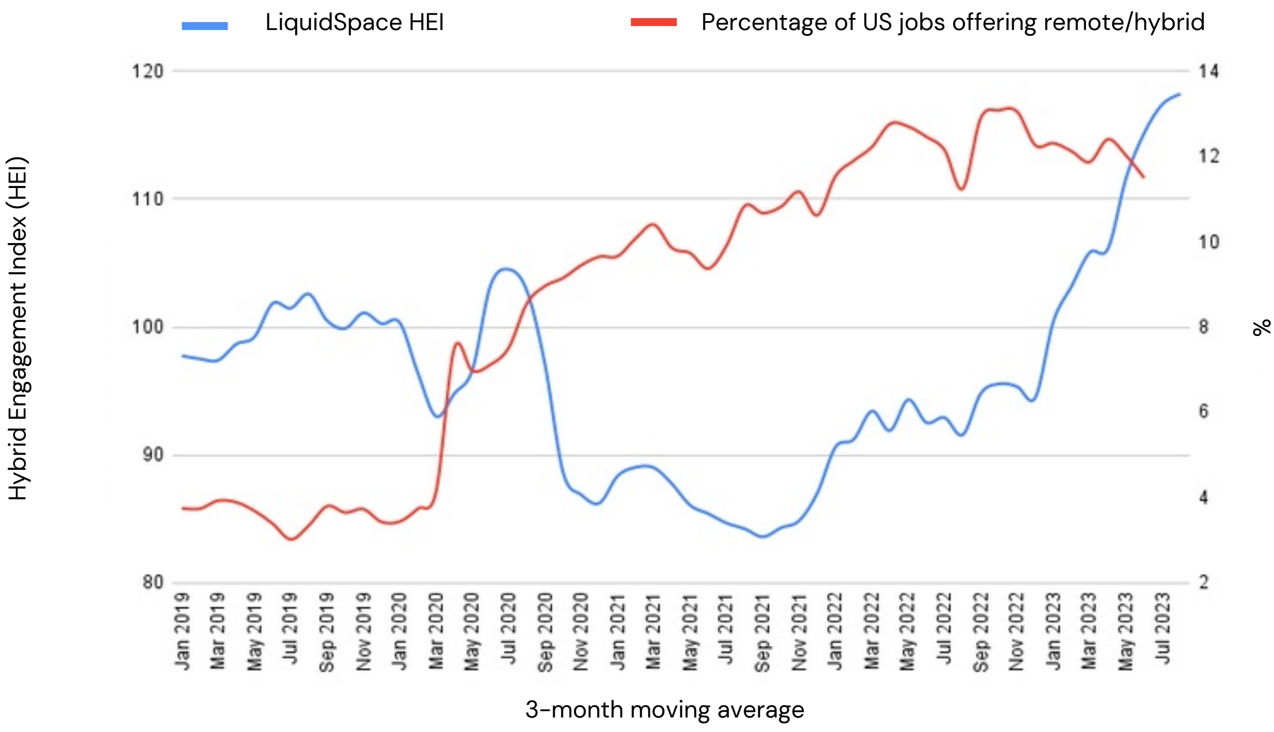
The largest change in the work-from-home and remote work world is companies now see this as the future. I have been talking to 1000s of managers since 2020, and the early pandemic phase was characterized as “how much longer”.

Firms saw the lockdown as temporary. Managers were planning to return to 5-days-a-week in the office once the pandemic passed. Almost nobody thought WFH would last.

One indicator of this comes from the www.wfhmap.com data on the share of all US online job postings that mention hybrid or fully remote. This data analyzes 50 million US postings a year and shows in the red line below, that the 2020 share of job postings offering hybrid or fully remote was less than 5%.

This is striking given that in Summer 2020 about 60% of Americans were working remotely. Firms were allowing heavy WFH but were not committing to this in new job postings. Why? Because managers did not think this WFH would last.

Fast forward 3 years to 2023 and things are radically different. Firms have shifted from “how much longer” in 2020 to “maybe this might last a bit” in 2021 and 2022 to “wow, this is permanent” in 2023.



Work from home is now a permanent feature of the business world in North America. The www.wfhresearch.com data reveals that the typical North American professional is working from home for two days a week.

Our research in Harvard Business Review indicates executives now expect this to grow in the future.

This acceptance of the permanency of hybrid shows up in the LiquidSpace Hybrid Engagement Index (the blue line on page 8). The use of flexible space is rising as companies downsize offices to save space.

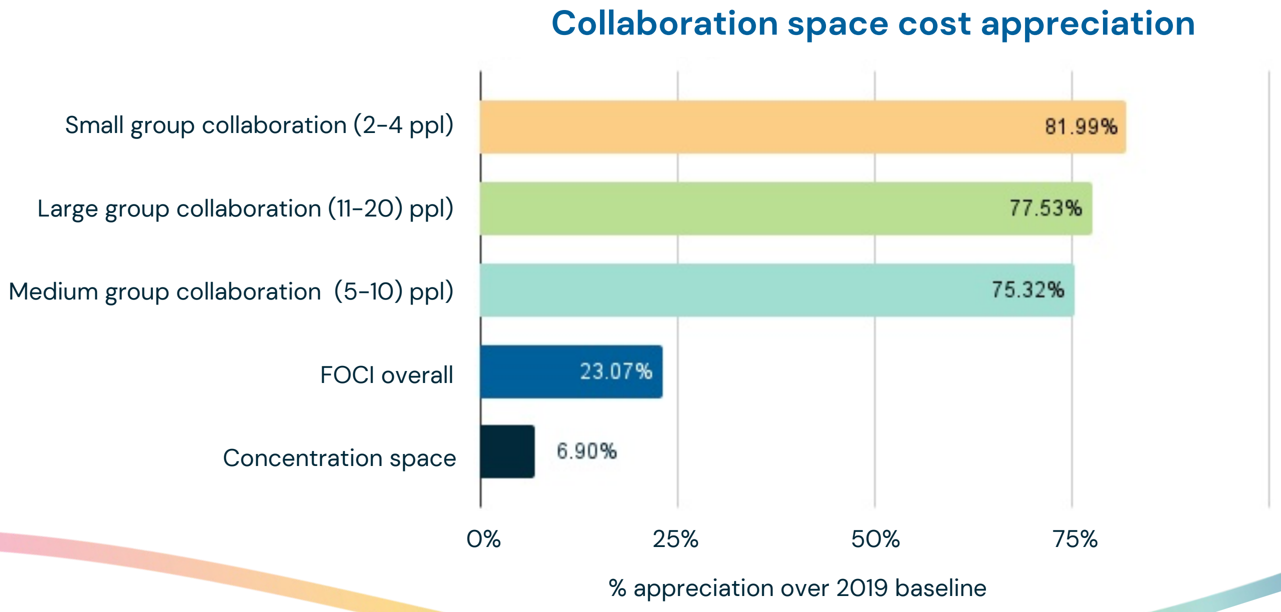
If your employees are only in the office one or two days a week why pay for five days?

Most firms are realizing this makes no sense. So they are reducing office space and switching to flexible space.

The surging HEI index shows this in action. Executives are committing to a hybrid future and signing up to flexible office space. The future has never looked so flexible.

Nicholas Bloom is the William Eberle Professor of Economics at Stanford University and a senior fellow at the Stanford Institute for Economic Policy Research.

Drill down: Collaboration, the profit engine of the flexible office economy



With the FOCI up 18% YTD (see page 7) we dove deeper into the data with a few questions in mind:

- What use cases are driving this increase?
- What space types are supporting this activity?
- How does this track against broader trends in the market?

We began by looking at the overall growth in the FOCI compared to the pre-pandemic baseline, to see that the average cost of a hybrid workplace transaction is up 23%.

We then cut the data by space type, considering spaces suited for concentration and spaces suited to collaboration, and the real driver revealed itself.

The average cost of concentration space bookings, for example private offices and individual desks, is up only 6.9% compared to pre-pandemic levels. Whereas, the market value of collaboration space is up dramatically, rising more than 70% from the pre-pandemic baseline.

We then drilled a bit deeper looking at engagement and cost, by considering three sizes of collaboration: "small group collaboration" involving 2-4 people; "medium group collaboration" involving teams of 5-10 people; and "large group collaboration" involving 11-20 people. Small group collaboration is the primary driver, with cost per booking up 82%. Large group collab followed with a rise of 78%, with the per-booking cost of medium group collaboration up 75%.

This market appetite for collaboration shows up in the HEI as well, with booking frequency volumes growing most strongly of all space types. As companies scale back on traditional leased office footprint, professionals are finding that gathering for collaboration remains the key driver for them to return to an office, albeit a flexible office offering a more convenient location and better economics than the old office.

The business case for gathering

Lisa Harvey
VP Hybrid Experience

It's time to break free from the entrenched narrative that has dominated discussions surrounding Return-to-Office (RTO) strategies for the past three years. Debates over the number of days spent at the workplace has overshadowed the more profound question: why will we gather? The data in this report, emphasizes that people, when empowered with flexibility and choice, still opt to work outside their homes to gather in person, fostering connection and collaboration.

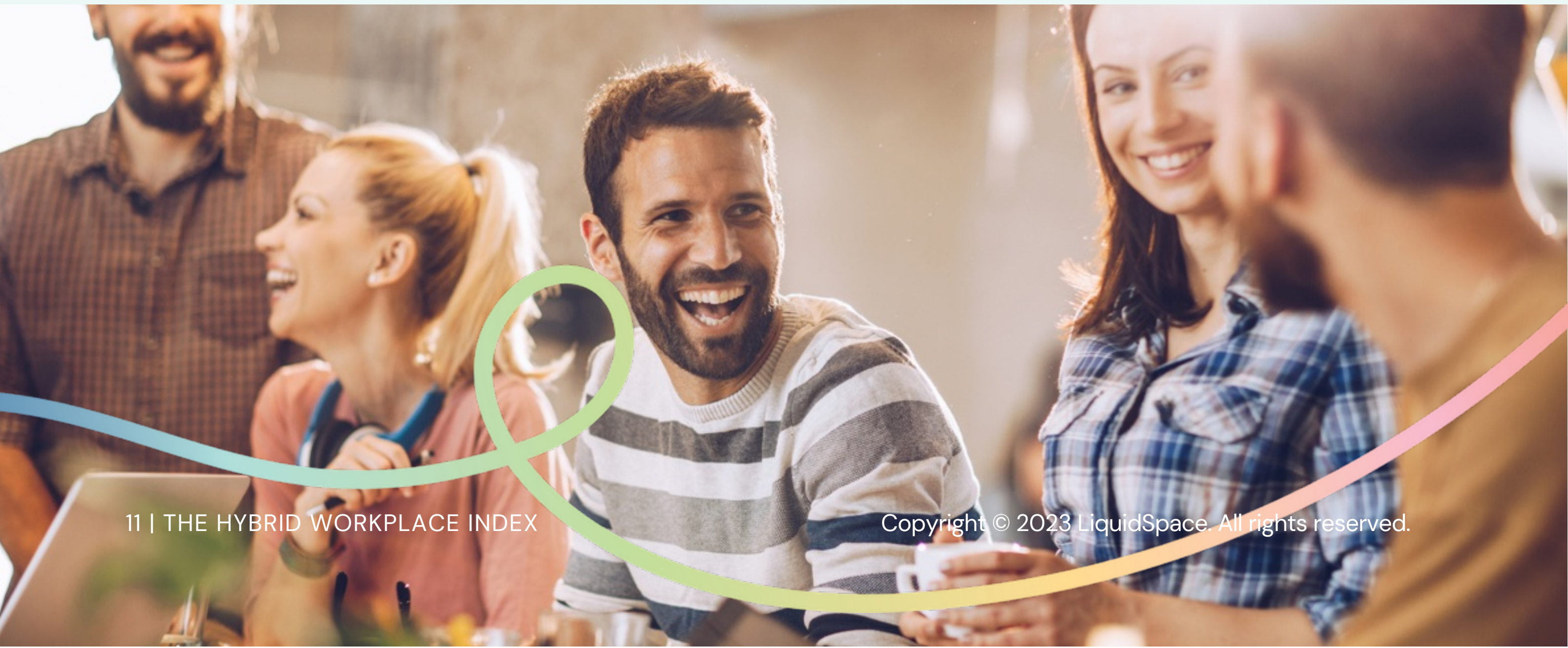
Value-driven flexibility and purpose-driven gathering is driving business results

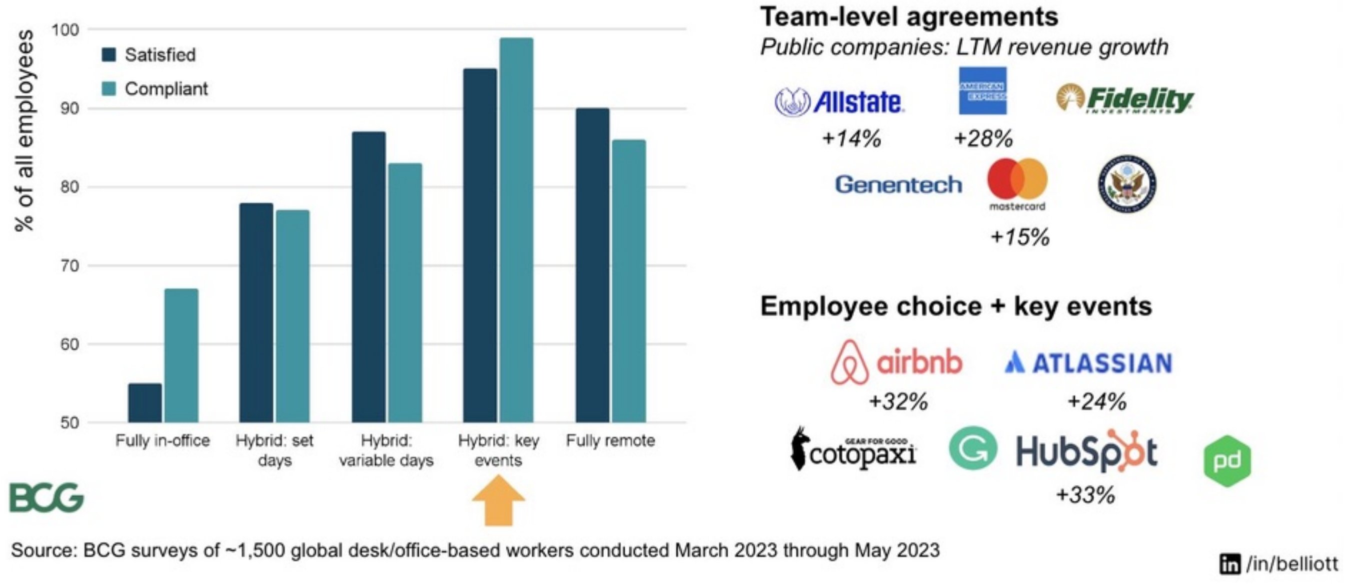
Notable companies like Airbnb and Atlassian have effectively positioned their narratives around this concept, emphasizing and balancing empowerment to choose where to work alongside the value of human connection.

Brian Chesky, CEO of Airbnb, said, in an email to staff in April 2022: “Airbnb is in the business of human connection above all else, and we believe that the most meaningful connections happen in person. Zoom is great for maintaining relationships, but it’s not the best way to deepen them.

Additionally, some creative work and collaboration is best done when you’re in the same room. I’d like working at Airbnb to feel like you’re working at one of the most creative places on Earth, and this will only happen with some in-person collaboration time.”

Meanwhile, Atlassian’s Team Anywhere approach states: “We work great together online, but we gather in real life to build personal connections”. Atlassian, in their recent Shareholder report, attributed their positive 2022/23 business performance outcomes, in part, to their Team Anywhere philosophy.





The visual reference above, contributed by Brian Elliiot, Advisor and co-founder of Future Forum, highlights companies experiencing revenue growth and the workplace strategies they are adopting.

Brian said: “We can see a successful flexible model emerging in the research and practices shared by leaders. Companies that focus on team-level agreements and provide teams with access to gathering space have happier, more engaged employees. And it's not just in tech: companies like Allstate, Cotopaxi and Fidelity are taking new approaches that work.”

The why behind in-person gathering holds the key to unlocking its true potential. The gathering effect is realized when it integrates both purpose and personalized meaning, amplifying the intrinsic value of gathering and cultivating momentum for future gatherings.

The purpose of gathering

To build and sustain social networks and professional capital.

In-person interactions remain the most effective way to build trust and respect, navigate conflict, manage change, and innovate, which are all essential components of social capital.

An ongoing cadence of interaction is then needed to sustain it.

When we change roles and/or organizations, our social capital takes a hit. We lose connections to colleagues, mentors, and sponsors who helped us be effective in our work and careers. It is more complex to build social capital in a hybrid and/or remote work environment. Individuals and compassionate teams must proactively seek to build social capital to enhance wellbeing, a sense of belonging, and overall team performance.

According to the McKinsey 2022 report: "Social capital: Build back better relationships at work" companies with high social capital are 25% more likely to be able to attract and retain top talent, 23% more likely to be able to adapt to change quickly and effectively, and 20% more likely to be able to innovate successfully.

Where we're better together.

Certain types of work are more conducive to being in the same room—whether because of the content that needs to be communicated, the complexity or criticality of the task, the creativity required, or the dynamic of the people involved.

In-person gatherings offer a real-time exchange of tacit knowledge, insights into organizational context, and people dynamics that are difficult to capture or translate in another medium. This enables us to perform more effectively.

There are also certain aspects of the human experience, such as celebrating and connecting, that are most effectively realized through in-person gatherings. In these moments, the power of physical presence transcends the limitations of virtual communication, compounding the richness of our shared experiences and amplifying our collective energy. We're able to foster a deeper sense of connection and belonging, and experience the magic of human connection.

The gathering dividend

Building social capital, tacit knowledge, and team effectiveness are powerful enhancers of wellbeing, performance, and sense of belonging. The ultimate dividend: engagement, loyalty, and advocacy.

In today's world, we are witnessing a concerning rise in workplace and societal loneliness linked to the erosion of healthy social capital. As we untether from where and when we work, purposeful gathering is more important than it has ever been before for the individual, the business, and the ripple effect into our communities.

Call to action: Embrace the art of gathering to drive business results

Gathering and the regularity of gathering is not a fixed or one-size-fits-all approach. It should be dynamic, adapting to the needs, preferences, context, and cycles of people, teams, and the organization.

The latest and most relevant tool in a leader's kit needs to be the orchestration of a dynamic gathering playbook.

This is to ensure gatherings are centered around the team, the rhythms of their work, the nature, needs, and desires of the individuals who comprise the team, and the cultural rituals tailored to the organization.

This approach is essential for ensuring the sustainability and effectiveness of a workforce empowered to choose where to work.

So, as we stand at this juncture, should we continue the Return-to-Office (RTO) mantra and associated resentment and resignation, or should we lean into a more profound transformative conversation on the power of gathering?

At LiquidSpace, we partner with our customers to design and implement their signature gathering methodology and playbooks, reimagining the way they approach the workplace.

Together, we shift the conversation from a mere return to office mandate to one embracing the art of gathering.

If this resonates with you and your organization, don't hesitate to reach out. Let's embark on this transformative journey towards a future of work that's truly connected, meaningful, and purpose-driven.

Until next time

As evident in the most recent data, change remains the one constant.

Companies and individual professionals continue to find their footing in a fundamentally new world of work and place, and the workspace industry continues to bend toward a new normal.

That said one truth has carried through from the "before times", and that is the value of gathering. Our data evidences that even as organizations transition to hybrid work policies and embrace flexible office, teams and individuals are still craving time together to collaborate and connect. Today that connection is increasingly likely to occur in a coworking space or conveniently located hub.

As guest contributor Nick Bloom says: "The future has never looked more flexible", let's pursue it with purpose.

Methodology

The Hybrid Workplace Indices reflect time series data derived from aggregated and anonymized workspace bookings 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, defined as March 2020 - December 2021.
- The post-pandemic period, defined as January 2022 - present.

Have more questions? Interested in a custom data drill down?
Drop us a line at **enterprise@liquidspace.com**.

For press inquiries please contact **rachael@liquidspace.com.**

LiquidSpace

1900 S Norfolk St., Suite 350
San Mateo, CA 94403
+1 (855) 254-7843