

## **An on-demand economy is expected to lead to a rise of self-employed consultants and entrepreneurs, plus increased collaboration between occupiers, landlords and consultants. What opportunities will this bring and how will it change the way we work?**

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*The corporate environment continues to change rapidly in the face of new technologies and models of work. The emergence of an on-demand economy, where goods, services and even people are available via the tap of a smartphone has already disrupted numerous established industries. With a growing cohort of professional workers available on-demand, matched by companies seeking headcount aligned to fluctuating business requirements, there will be changes in the nature of work, the structure of corporations and the real estate they require.*

### **SIGNALS OF CHANGE**

- Significant growth in self-employment and small companies. 36% more new business were registered last year than 5 years ago.
- On-demand smartphone apps have exploded in popularity, with Uber delivering 1m rides a day.
- Growing workforce of highly-qualified freelance professionals, especially amongst lawyers, consultants and accountants.
- Supply of co-working spaces in London is growing 10% per annum according to Cushman & Wakefield, reflecting nearly 4% of office take-up.

### **WHAT IS ON-DEMAND?**

The principle of the on-demand economy is an immediate supply of goods and services in response to consumer demand. This has been enabled by the ubiquitous availability of the smartphone, initially providing anytime access to messaging and social media. Today, smartphone applications create a digital 'mesh' over the physical world, where suppliers and consumers can be matched through location-based algorithms to obtain taxis, a place to stay, cleaners or a growing range of other services.

Whilst the technology revolution is driving this disruption, people are now at the forefront of the on-demand economy. The cleaning and household-task app Handy has 10,000 'handy professionals' and Uber reportedly has over 160,000 drivers internationally. Increasingly professional services firms and workers are also joining this trend.

### **CHANGING THE WAY WE WORK**

Over the last decade, there has been a steady increase in the number of highly-qualified staff who are choosing to work as independent contractors, casting off the negative associations of temporary work. These individuals value the flexibility, variety and autonomy of project-based working, whilst also avoiding the familiar office politics and corporate bureaucracy.

As one of the most developed on-demand sectors, many major law firms have launched flexible resourcing schemes that employ predominantly alumni on a contract basis to either supplement their permanent staff or to second to client's in-house legal teams. When launching their scheme, Wim Dejonghe (Managing Partner of Allen & Overy) reflected on the benefits to employers in saying "peaks in client demand are far more variable, so we need greater flexibility".

The trend is towards short-term employment contracts to deliver specific projects. With a smaller permanent workforce, the function of the company could be redefined as packaging work into projects and then providing the necessary infrastructure, workspace and specialised talent.

## IMPACTING THE WORKPLACE TODAY

The new entrepreneurs and self-employed consultants are already creating new workspace consumers, generating demand for workspace which meets their needs. As Property Week reported in 2014, the traditional office leasing model fails to cater for a start-up with no covenant and hopes of a rapid growth trajectory. Compared to this, co-working provides the opportunity to acquire and vacate workspace as required. The new workspace consumers have transitioned from being an employee in their company's leased office, to working at home, in a co-working space or a café – or for many, a combination of these.

Corporates have been hiring these highly-skilled contractors to perform specific functions for some time, with the practice expanding. The corporate workspace is also adapting due to the destruction of traditional hierarchies as they are constantly redefined through project-based working. Project working will see corporates reduce fixed costs, instead incurring variable staff and real estate costs for each project. Adoption of on-demand workspace is likely to grow as large companies reduce the size of leased offices in favour of a more flexible model.

As corporates reduce their leased office requirements and workspace demand emerges from new sources, forward-looking landlords are considering the opportunity to leverage their brand and property expertise by offering flexible workspaces in their portfolio. Major new developments now regularly include co-working spaces, run by the Landlord or an operator, which are becoming part of the attraction for the leased space.

## AN OPPORTUNITY TO REVOLUTIONISE?

By adopting principles of the on-demand economy, there could be much greater changes. Could the corporate real estate landscape of the future possibly look like the scenario below?

Almost all the workforce is self-employed and most companies have small permanent headcounts. Both consultants and permanent staff are encouraged to use workplaces they find best, although the company provides project spaces for groups. This is unlikely to be in the corporate office though, as most corporates do not have any long-term leased space.

Landlords operate almost all their office properties as fully-fitted shared workspaces, with a wide variety of work settings available to rent. Corporates have broken down most of their old real estate budgets to be used for on-demand spaces and very little is now spent on leased premises. But there are many more workspace consumers, from individual entrepreneurs to large companies, which diversifies income risk for Landlords and helps to fill vacancies.

The digital 'mesh' powering the revolution is a workspace booking app as ubiquitous as Uber, with almost all flexible space bookable through a single smartphone entry point that aggregates providers and integrates with payment systems to allow instantaneous re-charging for staff or contractors. A flexible pricing algorithm adjusts constantly to reflect the availability of workspaces and the demand of consumers in a given location at any time. 'Surge' pricing during peak times encourages users to find more cost effective workspaces such as home offices during busy times or to adjust their working patterns to take workspace at quieter times, but enables those who need workspace at that time to access it.

Rather than signing leases, large occupiers agree contracts with Landlords to take a number of workspaces across the Landlords' estate during a year. Corporates 'contract' 40-60% of their workspace needs this way and obtain the remainder on-demand at market prices.

In this scenario, corporates gain cost efficiencies by dividing work into projects and only incurring wage and real estate costs when contractors and workspace are hired for a project. Workspace is only consumed when required – with occupancy for the organisation achieving the holy grail of 100% utilisation.

## **CORPORATE REAL ESTATE ON-DEMAND**

Project-based work, with rapidly configured and dissolved teams, causes spikes in demand that facilitate a shift to on-demand labour and workspace. As corporates adopt working practices that accurately reflect the scale of business operations at any given time, CRE will utilise flexible workspaces such as co-working for both permanent and contract staff. Costs are saved through reduced redundant space and workspaces are chosen for maximum productivity.

There is a challenge for Landlords, but the trend of short-term contracts on smaller workspaces will only grow and Landlords must adapt whilst collaborating with the evolving needs of their customers – be they individuals or corporates.

The on-demand economy will undoubtedly continue to disrupt and revolutionise industries. As the future of work emerges, Corporate Real Estate will need to ensure it can deliver on-demand.