

On-Demand Workplaces: The Powerful Transformation of Real Estate

Innovate: Challenge the way business is done and you stand to gain a competitive edge. The rise in On-Demand real estate products is enabling companies to shed traditional property models and gain the flexibility and cost-savings needed to compete in today's fast-moving marketplace. Whether you're a large corporation trying to reduce costs and better align your real estate and business strategies, or an emerging business needing to conserve cash and reduce risk, there are options to traditional office space and fixed leases that can make your business more agile. In certain situations, workplace outsourcing may be the easier, flexible alternative to traditional commercial real estate models while providing a transparent cost benefit.

THE CURRENT ENVIRONMENT

"The speed of change—driven by new technology, mergers, and emerging competition coming out of left field—suggests that the business landscape is more chaotic, confusing, and complex than ever before. And the speed of change is accelerating."¹

By 2010, workers will spend more than a quarter of their time in unassigned or off-site office space. (CoreNet-Gallup)

Today, speed of change is driven by advanced technologies bolstering intense cross-industry competition, including an increased trend toward globalization. These forces have given rise to a highly mobile workforce at the employee level as well as the corporate level.

Workers are spending less time in the office and more time working virtually—from home, in the car, at airports, in hotels, and anywhere they can find an Internet connection. According to a study by the International Data Corporation (IDC), roughly two-thirds (66%) of US workers will be mobile workers by the end of 2006. This represents an increase of 12.7 million between 2001 and 2006, from 92 million to 105 million mobile workers in the US alone.²

¹Harris, Jim. (December 2004) "Negotiating the Perils of Rapid Change: A Personal Interview with Jim Harris." Retrieved from http://blogbdi.typepad.com/bdi2005blog/2004/12/negotiating_the.html.

²Study Finds Mobile Workforce Growth Continues. US Mobile Worker Population Forecast and Analysis, 2002-2006. The International Data Corporation (IDC), July 2002. Retrieved from http://www.m-travel.com/news/2002/07/study_finds_mob.html.

To accommodate an evolving workforce, widespread competition, and varying economic conditions, companies of all sizes have been forced to rethink their portfolio strategies. Seeking to better align their real estate portfolios with their changing workspace needs, there has become a need for outsourced workplace products and services—including technology and administrative services, support staff and a healthy balance of short- and long-term space commitments—to accommodate the rapidly changing nature of business.

On-Demand professional workplaces are ideal for companies experimenting in new markets or for space requirements less than 5,000 sf.

To address these changing space demands, many businesses are turning to ready-to-use, On-Demand places to work. Available for more than 40 years, On-Demand office solutions are maturing and evolving, providing cost-competitive options for companies to match their workplace to their evolving business requirements.

ACCESSING ON-DEMAND WORKPLACES TO SAVE TIME, MONEY, AND HASSLE

Most advantageous for 25 employees or less per location, and a lease horizon of up to three years, On-Demand workplaces are becoming a more practical and economic compliment to conventional real estate solutions. On-Demand workplace approaches offer increased flexibility in rental terms, amount of space used, and support services available. They help to reduce real estate risks, creating more agile portfolio strategies. And now, On-Demand offices are more affordable, faster, and easier to secure than ever before.

Consider these scenarios. You need to enter a new market with limited staff, set up offices while constructing a new building, downsize, or provide space for project teams. Perhaps you are a start-up business, need to create a presence in a new sales territory, or just need a professional meeting environment for interviewing, recruiting, or frequent meetings.

Leveraging an On-Demand workplace can get you up and running quickly and efficiently. The entire infrastructure is already in place so there is no need to worry about setting up phones, purchasing office equipment and furniture, or contacting technology vendors. High-speed Internet access, leading-edge telecommunications equipment, and trained IT and administrative support teams are available On-Demand. A simple one-page agreement affords you the luxury of moving in and starting work the next day, without legal hassles. Better yet, On-Demand workplaces are centrally located in capital cities, major business hubs, and emerging markets.

The following case study illustrates a recent example of one company's decision to leverage an On-Demand workplace model—instead of the traditional office approach—to fulfill their small, global workplace requirements.

NETWORK GENERAL CASE STUDY

The Requirement: Establish Global Presence Quickly and Efficiently

Network General, a division of McAfee divested into a new technology company, needed to establish offices in 50 global locations—relocating over 500 employees within three months. To determine the best workplace strategy, Network General evaluated three approaches: (1) small home offices, (2) On-Demand workplaces, and (3) traditional office space.

After comparing annual operating costs, up-front investment, agreement terms, and on-site services and amenities, Network General found the On-Demand workplace approach to be the best solution for 80% of their portfolio. This solution would allow Network General to enter markets quickly and easily without capital investment or long, complex schedules. Additionally, Network General instantly gained access to a support staff not available with the other options.

		Conventional	On-Demand
One Time Expenses (not including deposits)	Acquisition	\$ 26,738	Included
	Buildout	\$ 127,605	N/A
	Technology	\$ 135,000	\$ 1,200
	Exit Costs	\$ 62,054	\$ —
	Projected Set-Up Expenses	\$ 351,397	\$ 1,200
Monthly Expenses (over the term)	Rent	\$ 4,800	\$ 12,000
	Operating Costs (incl. Services)	\$ 2,095	\$ 3,600
	Technology	\$ 3,440	\$ 2,400
	Furniture	\$ —	Included
	Equipment	\$ 896	\$ 540
	Personnel	\$ 2,560	Included
	Projected Monthly Expenses	\$ 13,791	\$ 18,540
	Total over the term	\$ 847,873	\$ 223,680
Total Savings		(\$624,193)	

Consulting with its real estate partner, CB Richard Ellis, Network General decided to outsource its global workplace requirements to The Regus Group, an On-Demand workplace provider. Through The Regus Group's network of On-Demand, ready-to-use offices, Network General established offices in 20 new markets in less than

two months, meeting the company's requirements one month ahead of schedule — while retaining and relocating key employees.

The Regus Group tailored 68 workstations, an average of 500 square feet per office location, to accommodate Network General employee needs. Network General now uses private offices with shared access to all center amenities including reception, meeting rooms, videoconference studios and a highly trained IT and administrative staff.

Regus Group met all corporate deadlines and saved Network General 18% in operating costs versus traditional office scenarios.

IMPLEMENTATION STEPS

A single point of contact from The Regus Group handled program management, streamlining the implementation and delivery phases for Network General's offices. As a result, all locations were operationalized with minimal resource demand on the lean, two-person Network General CRE management team.

KEY STEPS IN THE IMPLEMENTATION PROCESS INCLUDED:

1. Developing a **framework of needs** outlining individual office requirements (e.g., locations, headcount, equipment, fees). This set consistent expectations for each Network General office and helped The Regus Group develop a pricing strategy for each market.
2. **Aligning budget and capital planning** by using The Regus Group's SmartSpace model to easily illustrate cost savings achieved through workplace outsourcing compared to traditional leasing. Network General typically saved \$350K in one-time setup fees for individual locations and up to \$625K over three years.

3. Collectively agreeing on a **Global Service Agreement**, saving time and legal fees through the implementation phase. Network General has one agreement for all 20 markets, cancellable with 90 days notice.
4. Providing **static IP addresses** and VPN access for all Network General employees, allaying their IT concerns and allowing them to access their own server with built-in firewall protection.
5. Offering end-users a choice **from two to three different Regus Group centers in each market**, allowing for efficient global CRE coordination. The Regus Group readied 12 international locations in Paris, Manila, Tokyo, Montreal, Toronto, Madrid, Singapore, Amsterdam, Sao Paulo, Beijing, Mexico City and Kuala Lumpur and eight locations in Denver; San Francisco; Philadelphia; Atlanta; Tysons Corner, Virginia; Bellevue, Washington; Iselin, New Jersey; and Rye, New York.

ON-DEMAND OFFICE BENEFITS

- **Cost Effective:** Pay only for the space you need, when you need it. Conserve cash: no up-front capital expenditure.
- **Flexible:** Expand, contract, or relocate according to business needs.
- **Fast:** Ready-to-use, plug and play space.
- **Simple:** One-page agreements make legal review a breeze.
- **Accessible:** Worldwide locations available by the hour or day.

THE RESULTS

The On-Demand workplace approach allowed Network General to hit the ground running in just sixty days. And Network General successfully acquired market presence in the shortest time possible. As Network General quickly learned, the On-Demand office alternative clearly outweighed any conventional office scenario and it provided three primary benefits

1. **Reduced risk.** Flexible lease terms allow companies to flex office space to match business needs. Leases can be easily transferred to another location on short notice.
2. **Increased productivity.** By leveraging The Regus Group's business services and consistent office design, Network General employees maximized productivity. No time was lost contacting multiple vendors to set up business systems.
3. **Unparalleled global access.** Mobile employees can swap seats among any of the 750 locations and bill the costs back to their home center. This allows Network General to utilize just-in-time headcount management as they deploy sales teams worldwide.

“The On-Demand workplace model has given us speed to market with a flexible framework, plus a single-point-of-contact for easy management.” – Steve Bilzel, Senior Facilities Manager, Network General

The Regus Group's workplace model enabled Network General to gain access to a smart and simple office solution and realize cost savings. Instead of owning bricks and mortar, or being encumbered by restrictive lease agreements, Network General quickly and easily entered new markets, securing office facilities on flexible terms, and matching workspace needs with business objectives.

This approach will continue to allow Network General to remain agile, prepared for resizing and business change when opportunities present themselves.

IN SUMMARY...

Organizations have been targeting real estate costs, the second largest line item on the corporate balance sheet, to achieve savings for quite some time. But there have been few practical options until now.

A thorough comparison of On-Demand workplaces and traditional office model is imperative when rebalancing the portfolio or assessing real estate strategies for space requirements less than 5,000 square feet. With the right combination of fixed and liquid assets, organizations will be better equipped to manage change and ensure business vitality.

ASKING THE RIGHT QUESTIONS

- Are you looking for ways to reduce your total occupancy cost per person?
- Is your company currently expanding outside of its main campuses (i.e. branch offices, sales offices, regional offices)?
- Are you opening offices in international markets?
- Do you have a sales force where the head count changes rapidly?
- Do you consult or need project space to service your clients?
- Do you have people working from home?
- Are you looking to close your branch/regional offices?

By offering companies the ability to secure offices and meeting rooms that are in line with their business requirements cost savings, On-Demand office solutions are sustaining the rapid growth of global businesses and mobile workers. The On-Demand office wave will continue to rise, as real estate users increasingly realize they have more than one option for securing space.

65% of Gallup survey respondents said they would be willing to pay for flexible contract terms in 2010, as compared to 50% willing to pay today.

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