



Yardi® Matrix

National Office Report

May 2023



Demand for Flex Space Continues to Rise

- The office landscape continues to evolve, after the pandemic fundamentally altered how people interact with the workplace. Amid the disruption, new opportunities are forming, not least of which has been the growth of flexible space. Coworking is experiencing a resurgence due to the flexibility it offers tenants and the widespread adoption of hybrid work strategies.
- With this increase in demand, flexible office providers have seen their occupancy rates improve steadily since late 2020, even approaching pre-pandemic levels in 2022, according to a report by JLL. WeWork, for example, reported another quarter-over-quarter rise in occupancy in its first quarter 2023 results. This strong demand for coworking is expected to accelerate in coming years. The global coworking industry is likely to grow at a rate of 17% annually to more than \$30 billion in 2026, according to a report from The Business Research Co., a market research and intelligence firm.
- Across the nation, there are roughly 5,600 shared office space locations totaling more than 115 million square feet, according to Yardi Matrix. Shared space has an overall market penetration of 1.7% of office space. The majority of the country's coworking locations are concentrated within the top markets, which account for more than half of sites. Manhattan has the highest volume of flexible space, with 13.8 million square feet across 291 locations, representing 2.8% of stock. In Brooklyn, flexible space has a market penetration of 5.7% of office space, despite the total square footage being small relative to other top markets (1.0 million square feet). Several other gateway markets also have a large coworking presence, including Washington, D.C. (6.5 million square feet, 1.7% of stock), Los Angeles (6.5 million square feet, 2.2% of stock) and Chicago (6.2 million square feet, 1.9% of stock). While overall market penetration is relatively small compared to other office niches in most markets, the presence of flexible space is likely to continue growing to meet increasing demand.
- Outside of the top players—Regus, WeWork and Industrious—there are more than 2,000 traditional coworking operators nationwide. A growing number of building owners have also recognized the potential of flexible office space and have started offering their own flex space as solutions for vacant inventory.

