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WeeklyTAKE

LEAN ON ME: THE ROLE FLEXIBLE WORKSPACES PLAY IN NEW WORK ARRANGEMENTS WITH JAIME HODARI AND CHRISTELLE BRON [7.27.21]

Spencer Levy

I'm Spencer Levy and this is The Weekly Take. Around this time last summer, we devoted a show to agile, flexible and coworking at a time when the pandemic was spiking and going to work was a remote enterprise. Wherever you looked back then, frankly, it seemed that shared space could become an endangered species of office. A lot has changed in a year. The world is indeed returning to the workplace. And that's exactly what I'm doing on this episode: Commuting to New York for a firsthand look at the state of coworking .

Jamie Hodari

20 years ago, someone would use what we do for swing space—maybe they're building out their headquarters, they need a spot for 18 months to park themselves while they do that. And now for the first time, it's a more structural solution.

Spencer Levy

That's Jamie Hadari, the CEO and one of the founders of Industrious, a shared office provider with more than one hundred locations in over 50 cities in the U.S. and abroad.

Christelle Bron

I think what's added in this industry is they understood that the end user, the employees, need more than the space. They need a sense of community. They need a sense of belonging.

Spencer Levy

And that's Christelle Bron. As the leader of CBRE's Americas Agile Real Estate Practice, Christelle advises clients on their office portfolios with a focus on flexible strategies and coworking solutions.

Sitting down in a stylish conference room at the company's Bryant Park location, we'll learn all about Industrious and its distinctive vision. We'll discuss the idea of workplace as a service and look across industries at what truly defines a workplace and workplace culture. We'll talk about talent in tech and ask whether agile office is a real estate business or in fact, something else, and more.

Coming up: A face to face on agile space. That's right now on The Weekly Take.

Welcome to The Weekly Take and this week, we are an Industrious' Bryant Park location in person. Jamie go into a little bit more detail of the origin of Industrious—how'd you start it, why'd you start it.

Jamie Hodari

I'm the CEO of Industrious and co-founded it with my nextdoor neighbor from growing up actually. When we launched Industrious, I was running essentially a new age or new-fangled university network in Africa. They're called flipped classroom universities, where you do your lectures at home at night and then you come in and you do your homework alongside other students. And it was a year or is a \$1000 a year college degree. The organizations called Kepler and our largest funder was IKEA, the furniture company. And so the vast

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majority of our staff was in East Africa. We had a small New York office and the president of IKEA was coming to New York for a meeting. Very important meetings, suffice to say. And our New York offices were in a shared workplace and I went to prepare for the meeting. And the conference room table is sticky. There's a couple of light bulbs out. There's a guy on a hoverboard kind of going by in the hallway. And I was like, I can't do this. This is the most important meeting of my life. And I moved it to a Le Pain Quotidien, that coffee shop. And that evening it just started eating me alive. I was like, I'm paying for office space. I like some of the components of the shared workplace experience and some of the value prop. But God to feel embarrassed about, you know, having a very important meeting there. If I feel that way, there must be 50,000 companies that want to take advantage of some of the components of this flex experience, but want something elegant and professional that they would feel proud to hold an important client meeting at. My co-founder had had a similar experience around the same time and we said, let's just do this. We did it as a side project and it really took off. And for about seven or eight months, I tried running both organizations at the same time and my life kind of fell apart. It wasn't really possible. And so eventually I left Kepler and now seven or eight years have been running Industrious full time.

Spencer Levy

So Christelle, you are one of the service providers to Industrious. Tell us about some of the work you do with them.

Christelle Bron

So what we do with them was we mainly work with our corporate clients and help them not only define their flex strategy, but help them choose where they want to go, what kind of services are looking for, what kind of space are they're looking for. And then not only establish who are the players in the market, but who are the ones who would be the better partner for them that would be best representative of their brand and the kind of space and the kind of services they want. And so we work right with our occupier clients and we work with Industrious and other service providers to try to find the best fit.

Spencer Levy

How has the flex space, the space as a service, industry evolved in the last 20 years? Jaime?

Jamie Hodari

Can I give a slightly wonky answer?

Spencer Levy

You go for it—wonky, but you got to have a rock and roll reference as well, so.

Jamie Hodari

OK, so I think at a fundamental level, this is an outsourcing industry in a certain way. Companies are buying their employees workplace experience instead of doing it themselves. And in that way, it's not that different than outsourcing your manufacturing when you used to do it yourself or your logistics or your data storage or things like that. And the journey of a lot of outsourcing industries is they start very low value and very marginal. In 1982, if you outsourced any manufacturing, it was the tchotchkes for your investor meeting or, you know, if Van Halen was on tour, it was the Van Halen T-shirt or whatever. It wasn't the hardcore acoustical equipment that made the concert really work. And then over time, they move up and up. And I think there's an inflection point in a lot of outsourcing industries, which is the moment when a provider gets good enough to walk in the room and say to the

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client, it's not just that it's faster or cheaper or more flexible. It's that we can do this as well, if not better than when you do it yourself. And this industry, the flex industry, I think, only hit that inflection point about three or four years ago. There's a few of us that did hit that inflection point. And now you're seeing this really rapid rise in adoption as a result of that. And so if I had to kind of finish in a very succinct way 20 years ago, someone would use what we do for swing space. Maybe they're building out their headquarters. They need a spot for 18 months to park themselves while they do that. And now for the first time, it's a more structural solution.

Christelle Bron

Yeah. And if I can add to that, I think it used to be that it was a space that was shared and what you were buying was a space at a shorter term length. I think what's added in this industry is they understood that the end user, the employees, need more than the space. They need a sense of community, they need a sense of belonging in some places. They need some services. Some of them—a lot of them—are startups that need a lot of support and help, which I think all of those new way of thinking of service providers are providing. So is more than the space. It's really an extension of a corporate organization and it's really an extension throughout the whole lifecycle and all the services that a corporate organization offer, which I think is a big plus.

Jamie Hodari

Amen.

Spencer Levy

Well we can end the podcast right there anyway. But let's talk about why it really evolved in the last four years a little bit deeper. From my perspective, it was some measure of technological advancement that fostered the ability to have flex space as good as any other space, and then you could make it even better. Cord cutting—I mean, let's be very simple. Wi-Fi got a whole lot better in the last five years. Back in the 90s when I started in the business, you were tethered to your desk. So how important is technology, not only to the advancement of the flex space industry today, how important is it going to be moving forward, given what we just went through in the pandemic?

Jamie Hodari

I think that's a great observation. And I would say it's the relationship between technology and the adoption of flex—the workplace as a service—is a virtuous cycle because what happens is, as technology's infiltrated the workplace more and more, I think there's been a collapsing of distinctions between different types of white-collar work. So if you went to an accounting office 30, 40 years ago, maybe they're wearing the green visor, they have the Tiffany lamp. You go to an architect's office, they have the big drafting tables. You go to a lawyer's office, they have the giant library downstairs. They're all different. It would be very hard for 40 companies to share space because depending on what you do, you would have very specialized needs.

Now, everybody works on laptops at very similarly sized desks in very similarly specced out environments. And therefore, not that it's the Starbucks-ification of white-collar work, but I do think technology has made it so that white-collar work is a little more interchangeable in the substructures or sort of environments that allow it to happen. And that has unlocked the ability to deliver it as a product rather than it needing to be ripped to the studs and built from scratch, according to the very special, very unique specifications of this law firm and

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only this law firm and no other law firm could ever have an office that looks like that. I sounded like I was making fun of that concept, but, you know, whatever is the case, that's no longer the way the office works.

And then as technology advances, it also makes the proposition of moving seamlessly between different workplaces across the network and up and down the floors through a building between space that's really shared among several companies in the building and for the employee, you don't even notice the difference. All of that requires a really high degree of a digital overlay that makes that experience seamless.

Spencer Levy

Do you think that the pendulum will ever swing back to having more unique space based upon industry?

Jamie Hodari

If you think the thing that makes your company's culture unique relates to where the electrical outlets, you know, how far they're spaced on the wall or what method you use for air filtration or things like that, and probably what color the desks are ... I think for a lot of clients, I would say you've maybe gone a little astray. That is OK to be productized. And if anything, it frees you up to focus on the things that could make you unique. If I were a restaurateur, I would want someone to just give me the restaurant kitchen in a box, to give me the standard reservation system in a box, so that I could put as much time as possible into training my front of house staff into perfecting my menu. There's something similar in this case I think.

Spencer Levy

What you're suggesting is that you have taken a lot of the decisions that are real estate related, that are space related and made them yours. And they can then focus on their higher value add work for their company. Their highest value add is whatever their core service is. So, Christelle, I would like your point of view on that.

Christelle Bron

Yeah, well, and if I can add actually to push back a little bit on you, Spencer, is when you walk into a corporate office, I think they've become more and more sterile. They're boring. It's a sea of cubicles, white walls ... just sterile, no identity. I mean, there's a little bit of branding, but no identity. You walk into a flex space provider, there's a strong sense of brand. There's a strong sense of identity. What I love too is when I go to different places in the U.S., they actually tweak it. They tweak it by neighborhood where they are in the city and they try to take on the identity of the neighborhood they're in. It varies by provider. Some of them are better at it than others. But I found that they're trying to influx it in each of the city they're in and what they are doing, much more so than corporate companies.

Spencer Levy

Well, I'll give one example again. Since you pushed me back, we're going to go back and forth, Christelle. And again, this is one of a thousand examples I can give of corporate offices. When I visited the White Castle Corporation in Columbus, Ohio, they have a slide behind the main desk. And why? Because they sell sliders. Right. And they wanted people to reinforce that image. So, Jamie, I just gave you an idea of your new Industrious space. People like slides no matter how old they are.

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Jamie Hodari

Already filing it away.

Spencer Levy

See that? See that? I've already added value here. So let's talk about the market. Let's see where we are today. We are hopefully at the tail end of the pandemic. How is the industry doing? How is your space doing? How is it occupied today versus where it was six months ago? And where do you see it going?

Jamie Hodari

So Industrious took in a big investment from CBRE actually last fall. And the premise at the time was that there was going to be this big uptick in demand for flex post vaccine. But I think CBRE was a little bit having to try to be prescient, try to look ahead, looking at some of their survey data from their clients. But there wasn't yet the on the ground data to back up whether that was true or not. This is an interesting time to be recording this podcast, because now we were eleven, twelve weeks into the actual hard, on-the-ground observations about whether that has been borne out or not. And the simplest way I would put would be COVID was a difficult time to be a workplace provider because most people are not going to the workplace.

Then in March, we hit roughly our pre-COVID sales average, which was a big day for the company. Then in April, we hit our pre-COVID sales record, so we basically sold as many seats in April as the highest month we had ever recorded before COVID. Then in May, we hit double our pre COVID sales record. And the month that just ended, June, we sold three times our pre-COVID sales record.

I have to think we've hit the ceiling. There's no way we're going to hit four or five times, but you never know. But yes, we are in the heart of a moment right now where there's an extraordinary rush to using flex. It's pretty widely distributed. There are some cities that are lagging, but it's happening all across the country. They are definitely buying flex in volumes that exceed what you saw pre COVID.

Spencer Levy

Let's talk about cities, the differentiation in cities. And starting with New York, where we are right now, you're suggesting that you are back to pre-COVID occupancy levels.

Jamie Hodari

I mean, this location we're in, this may be an extreme example, but my sense is during COVID it was maybe 40 percent occupied, 45 percent occupied. It's now 97 percent occupied. There's nothing left to sell here. And it happened very quickly. It probably took eight weeks from trough to peak. So, yeah, that is very much what we're observing in New York.

Spencer Levy

What are some of the markets that are similar to New York? What are some of the laggards? How's San Francisco? How's L.A. doing?

Jamie Hodari

So there are outlier small lifestyle type cities—Bellevue, Washington, Austin, those filled up almost overnight. Of the large cities, New York is sui generis. It's a level of just performance

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that's beyond the other big cities across the country. But I think where we see strong performance is mid-sized cities or large cities where companies have always meant to have an office, but they never did. Atlanta, Charlotte, maybe even Dallas would fit that where over the last year and a half it's become clearer that it's not that hard to run a nationally distributed company. Just tons and tons of companies have said, all right, let's just do this. It's not that hard. Let's open a 15-person New York office. So there's a lot of new market entry. And so cities where people want to live with strong labor pools, you're seeing a lot of that. And then the weak cities, San Francisco is struggling for us right now. There aren't a lot on that list, but it might be that or cities with such a high amount of vacancy right now that people are essentially giving away real estate and then Industrious looks a little expensive. If you could just sleepwalk into a sublease for, you know, 70 percent off of pre-COVID rates or something.

Spencer Levy

Hmm. Well, I think you used the key word here, Jamie, which is the talent. And shameless plug for my friend Colin Yasukochi just wrote CBRE's Tech Talent Report, which was published this week and we have a podcast on that. So, Christelle, you deal with global clients. How important is the depth and quality of the talent pool in their site selection decision? That's number one. And number two, how does flex space enhance their ability to attract and retain talent?

Christelle Bron

Absolutely. It's obviously very important. And I think what COVID really activated is those secondary and tertiary market—like the lifecycle move Jamie was talking about is something that definitely picked their interest. Those secondary markets that have great talent, but we're not maybe something where they would have gone before and now they can test those markets. They can offer a better lifestyle to their employee and tap into a lower-cost labor pool and then they can test it. We see them saying, I want a broader network of employees, I want to broader reach and I'm going to use flex to test those markets. I don't have to make a decision. I can just go and test the market and see how it goes. So smaller offices, wider footprint, wider network, tons, tons of requests for international offices. Easily, a third of the requirements we get from our clients are for European, Asia, Latin markets.

Jamie Hodari

This is where I'll be a little new agey for a moment. But I think there was a meaning of productivity for a very long time and it was really about getting the most out of your teams. And I think as technology has enabled more and more replacement of a lot of that, there's a certain type of knowledge work where the meaning of productivity in some—I think it's some pretty fundamental level—has shifted to not getting the most out of your teams, but getting the best out of your teams. And in that sense, it's a little bit less adversarial. It's a little bit less capital versus labor, management versus labor. But saying we are all aligned in saying getting the best out of these teams is the thing that's going to drive the most value for the business. And therefore, we have an interest in understanding what makes our employees most productive. We have an interest in understanding where do they want to work, where do they do their best work. That is as much in management's interest as anything I could imagine, and that's part of why I think it's not just out of charity, that's part of why I think you see management getting so much better at listening to what their employees are saying drives productivity for them.

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Spencer Levy

We're looking to get not the most out of our employees, but the best out of our employees. What a great quote. So, Jamie, what's the vision for Industrious both here in the United States and then beyond? Obviously, you're in all the major markets, but will you go to a Columbus, Ohio? Will you go to a smaller market? And then what is your international outlook?

Jamie Hodari

Domestically, we have a bunch of Columbus locations actually. We— Madison, Wisconsin, would be a city where we opened and it turned out to be one step too small, perhaps for us. But over time we've found where there's cities that feel like this does seem like it has a vibrant business community. But is it a little on the small side for us? Normally that's worked out well for us. And so we are getting close to everywhere you'd want to be in the U.S. And part of what's driving that is this multi-market purchasing, this desire to work with Industrious as a network of spaces within a city, having that city-level network and then across the country. If I'm in Chicago for business and I have a meeting at 10:00 a.m. and a meeting at 5:00 p.m., I don't want to have to go sit in my hotel room and work to have a place to work out of what I'm traveling for business. That stuff is becoming more and more and more powerful as people start to work in a more distributed way, which in turn puts pressure on really having a robust national network versus just being in a couple cities. The challenge for us, the next frontier, is international. That we are just getting started on.

Christelle Bron

And Jamie, you hit it on the head. Like this notion of network. Think about what happened with ridesharing, right. I don't need to own a car. I don't need to go to that one place to rent a car. It's on my app. Where do I go today? Where, like, can I book it right now is really the next frontier is office as a network of places and in your app at your fingertip, where am I going to go where is Spencer going to be tomorrow. Oh, I'll book a space next to him. And thinking kind of reversing it, thinking about the network of people you're working with and finding the space that match your network.

Spencer Levy

Jamie, I want to ask you a question I have asked every CEO that showed up on this show. Are you a real estate company?

Jamie Hodari

Yeah, yeah. I think we're a business services company, but we are not more or less a real estate company than CBRE is. So if CBRE is a real estate company, I would put us in that, in that bucket,

Spencer Levy

OK, I think we'd say we are a real estate company—

Jamie Hodari

OK.

Spencer Levy

So I certainly hope we're real estate company, but we are a real estate company because some people say, no, we are something different than that, focusing on the technology side. And obviously it all blends together so—

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Christelle Bron

I would add to that they are a service company, there are a real estate company, they are a tech company, but they're also an insurance company.

Spencer Levy

OK.

Christelle Bron

Because if you compare the cost of real estate, right, traditional space, flex space, the most expensive space is the space you're not using. Right? They're in insurance, again, that because they're allowing to flex up and down and really meet your needs the same way you use ridesharing. And so that's an added layer.

Spencer Levy

Do you think we are at a new place where flex is going to be a substantially larger portion of our corporate clients real-estate needs?

Christelle Bron

It will depend on the industry and the clients. The need for flex is directly tied to the volatility of that headcount and the uncertainty on space usage. Some company are more steady and will need less flexibility, and some companies have more swing in their accounts and their use of space and will need more. I don't know if the term is substantially, but it'll be a significant part of their portfolio. I mean, easily when we're doing analysis of clients' portfolio, it's easily in the 20 percent that could be flex. All those small sales offices of definitely a benefit of being in flex spaces for all the services, for all the flexibility it offers, but also for a vibrant work environment. And it's cheaper to be in that kind of environment. But then thinking on larger requirements, if you think about a 10-or-15 year lease, there's no way or headcount are going to be flat in 10 or 15 years. So how do you achieve that ability to flex up or down? Right.

And what has been interesting with flex right, and flex providers and the gap they've been filling in the industry is that actually pushed a landlord to rethink it. And what we've seen during COVID, which was I think for me a big turning point, is the landlord massively getting into this business, massively starting to understand that flexibility is an amenity in the building. Meeting ad event space, flexible space is the number one amenities, number one and two amenities—we have that in our occupier survey—that tenants are looking for. And so landlords are getting into the game, too, and saying, OK, this is a service I need to provide to my tenant in my building. So it's here to stay. And that's also why I say it's an insurance company, because that need for being able to flex up and down is only getting bigger with all the moves that you have in the industry.

Spencer Levy

One of the pushbacks we've seen on the flex industry is that the capital markets haven't quite caught up to its value. And so how do you respond to a landlord that not only will you not reduce the value of their building, you'll enhance it?

Jamie Hodari

I guess I would start by saying we typically would not push back on a landlord. I think they know their business. However, to respond directly ... if I had to push back, I would say there are a lot of things that go into delivering a employee's workplace experience. It's real estate

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design, construction, food and beverage, hospitality, technology, HR tracking on and on and on and on and on and on. And when you're leasing space, you're delivering one of those 14 things and you're paid commensurately—\$60 a square foot, \$62 dollars a square foot. If you take all fourteen of those different things and you collapse them into a product, that product might be \$300 a square foot or, you know, technically in this location, it's probably \$370 a square foot or something like that. People don't really buy it on a square-foot basis, but it's just a completely different income stream that you, the landlord, are now collecting in most Industrious management agreements, 85 percent of when all is said and done. And we're taking 15 percent of it—90 percent of and we're taking 10 percent of it, unless it's a real dog of a unit, you're just making a lot more money than if you were simply leasing space and then letting other people capture those other thirteen income streams. And then I would say if you're a skeptic, there's just no way around the fact that most long-term leasing requirements right now are increasingly saying, all right, I'll do the thing you want me to do. I'll sign the 10-year lease, the traditional, but I'm only doing it if there is a flex portion of the building.

Spencer Levy

I also want to touch upon the impact on direct leases for a moment. What do we see changing there as a result of the rise of flex space? Christelle?

Christelle Bron

We'll see somewhat different structures. I mean, they're here to stay. They're not going anywhere. I think they'll evolve and they'll have additional component of flexibility to it. I mean, the traditional options, expansion and oppression option, I think will be more thoughtful. What is it worth to me? What am I willing to pay? I mean, 10 years ago when I say, you know, your tenant would be willing to pay more in rent for that flexibility on that one-or-two floors. And I was laughed out of the room. No way. Nobody was going to do that. It was 10 years ago. Next thing you know, we have a whole bunch of people paying a premium for flexible space because this is what they need. So I think to take the word hybrid that we love, we love using in that environment, it'll be a mix of both. Like a mix of long term and then a set of flexible tools, whether it's in structuring our flex space that will be added onto it and bolt onto it.

Jamie Hodari

Just quickly, I love what Christelle just said, and I wish I had almost started this conversation by saying that the greatest expression of our industry where a lot of this is headed is instead of saying it's either traditional leasing or flex, where we are moving is companies using both in a single building or a single market. That's complicated, but that's where most of the value is going to be. And for anything over I'd say 120 people, Industrious doesn't even try to pitch for these 400 or 500 person spaces the way some of our competitors were. We don't think that delivers a great outcome. We think it's the mix of more traditional modes of occupancy and flex together that really kind of makes it sing.

Spencer Levy

Let's talk a little bit about hybrid work for just a moment. I think if I was a traditional landlord, I'm not so sure they wouldn't call hybrid work a risk to their business model. I'll go to Christelle first. Do you see hybrid work helping or hurting the need for flexible space?

Christelle Bron

It's neither nor right. It's part of the same ecosystem. Hybrid working is about being fluid,

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about how and where you work. And actually flex space is an enabler of those various ways to work. Right. Not thinking about work as the physical place where you go and do it, but thinking about work as something you do and you can do in your car, in your home, out of flex space or anywhere.

Spencer Levy

Let's push the hypo a little bit further out now. Because I think if we do have hybrid work where you can work a little bit from home, a little bit from the office, people are also going to be working more out in the suburbs in Westchester County, in Long Island, the suburbs of Boston ... all these cities. So, Jamie, will you put some Industrious locations in suburban areas?

Jamie Hodari

We have a lot of suburban Industriouses right now. We are trying to add more and they are performing quite well. Our corporate offices are now kind of using the New York area as a metro area campus. And I thought about a third of employees would just come into our headquarters in Union Square every day, a third of the work from home every day and maybe come in once a month or once every three weeks just to show their face. And then a third would do this kind of city as campus hub and spoke thing. 90 percent of people are doing the hub and spoke thing. And then there's a tiny minority of people who are just coming to the headquarters every day. They don't want to have to think about it. And a tiny minority that they really like working from home and they're sticking with it. There certainly seems to be a revealed preference for that type of working. And if you're going to deliver that in any city of size, you need to be in both the CBD and in the mixed-use kind of Williamsburg-type neighborhoods and in the suburbs.

Spencer Levy

So what you're suggesting to me strikes me as a little counter to how people have operated historically. What you're suggesting is that because of the network that is created by multiple locations, their habit is now to sample different locations for different needs during the typical work week. Is that your experience Christelle?

Christelle Bron

It's absolutely correct. And when we try to study with corporation this notion of creating a hub and spoke within the portfolio of the company, we run into—you do a zip code analysis. Where do people live? And if I had to put an office, a smaller office or a satellite office in some suburban location, you realize that because of who you work with the most frequently, they're not necessarily living in the same neighborhood as you do. So it's really hard to pick a location for that satellite office that would work for everyone. So what companies are deciding to do—we don't know how people are going to want to work. We won't know for a while. And so here's what we're going to do. Here are desk passes, here's an app. Go and work wherever you want. We're going to track it. We're going to measure it. We're going to have a feedback loop. And we're going to learn from this data. We're going to learn from your behavior. We're going to hear you. We're going to listen to you. And then we'll revise and we'll adapt our portfolio based on what you're—you're voting with your feet. You're telling me what you want. And we listen to it. And so we have some tech company, we have some financial services company that are testing it. And it's a cost-effective way to test it, to survey your employee in a real way and be able to be adaptive into your model.

Spencer Levy

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Well, I'm going to bring up retail and its applicability to flex space specifically and what we would call experiential. Once you talk a little bit about that, Jamie, lessons learned there.

Jamie Hodari

To your question about experiential design: Most people want to come back to the office at least part of the week. And if you ask them why the vast majority of people say it's for interpersonal, social, etc, reasons ... interaction. It's not really about like heads down work. And therefore, when I look around at most corporate offices, there's too much heads-down work benching, you know, just rows and rows and rows of desks and not enough vignettes of hangout space and interaction, space and stuff like that. That's a very high-level observation. But it is so true and it's true in every city and it's true in every industry.

The wonkier answer would be that you are moving from a world where someone would, you know, go up to desk 41 on floor 39 and they would spend 10 hours a day sitting at that desk. And you're moving to more activity-based work where you can really map out in a building the different space types that work for the different types of work someone's doing. And then you can say, how far is someone willing to travel for each of those things? If it's an unscheduled phone call for seven minutes with your mom or one of your colleagues, maybe you'd travel 15 feet, but you don't want to go 11 floors for that. If it's a big client pitch that's once a week, maybe you'll go to the next building over or you'll go 12 floors away ... and you can kind of map out in 3D space what are all the different space types that a white-collar worker would use throughout their day? And how far are they willing to travel for all those things? And can you create a frictionless version of that?

That's not easy to do. That's pretty technical. Most companies aren't at the scale where they can deliver all those different space types themselves. So I think for a lot of ... for certain team sizes, it's better to do it in this kind of shared context. But I think really thinking that way can produce a big leap forward in the quality of the workplace you're delivering.

Christelle Bron

And I can hear a corporation saying, oh, but I do activity-based working. The problem is in a corporate environment, you do that study once every 10 years, usually at lease expiry, and you don't touch it for 10 years. If you look back how a lifestyle change our work life has changed in the past ten years is just definitely not the same. And so the speed at which flex providers can continuously have that feedback loop and keep on changing and evolving the space, a way that it's so much more difficult for a corporation. There's so much capital expenses that goes into the space. Those are really burdensome decisions, a bit of a ball and chain, sometimes once you committed to space design.

Spencer Levy

We used the word earlier hybrid workplace. I think we need a new word and I'm not creative enough to come up with this because I see all these tentacles out there. Right, because hybrid is like the office or home. What you're saying, Jamie, it's a different office, even in your locale near where you live on a daily basis depending upon the needs. So I'm not sure what the word is that it's not hybrid because it's not X or Y, it's X, Y, Z and many other choices.

Jamie Hodari

I have a metaphor for it, but I don't have a word for it. But I do have a framework that I use and I'm thinking about it because to your question, I think the simplest analogue is it feels like

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graduating from high school and going to college. In high school, it's the same 400 kids. You go to the same classrooms every day. You don't have to think about it. And that's, you know, that's how you build your school spirit. And then you get to college and it's much more diverse. There's much more student empowerment, student choice. Some students skip a lot of classes, some students they're in the library every day. Some students really hang out with the kids in their dorm and then once a year will go to the football game and see the other classmates. And yet, colleges are able to build an extraordinary amount of institutional affiliation—of loyalty to that institution. That's what I think it feels like there's something intuitive about it. So people kind of they don't even need to be told what to do. They're given the choice and they start making the choice and they start constructing the week that works for them. And they still see a lot of their colleagues and they still feel connected to the company.

Spencer Levy

And I'd like to wrap it up with a crystal ball question, which I ask everybody. So let's start with you, Christelle. 5 years from now, we're looking back at this podcast and you and Jamie are on it again. And what are we saying about the growth of the industry over the next five years and what does it look like?

Christelle Bron

Well, I'm optimistic. Like Jamie was saying, I don't think we're going to see our growth continue at the pace that we have seen. I'm actually thinking it will. And one of the big difference we're seeing is it used to be very much like a B2B business and also something geared towards tech companies and startup and a hyper-scaling company. We're seeing mainstream company, pharma company, financial services company, like really embracing it. And if that hypothetical 20 percent of the portfolio could be flex or agile, we have a way to go to get there. So it's going to take a little bit of time to get there. But I think in the next five to 10 years, we should probably get there. And then secondly, I think tech is going to be a big, big driver of all of this and digitization of real estate—here in some ways, the Airbnb of office. Not that I wanted to be in somebody else's living room and be working there, even though there's one company that does that. I think will be the next frontier and will be very interesting, like marrying physical space with social networking and making it in one place.

Spencer Levy

Jamie. Same question to you. 5 years from now, what are we going to see?

Jamie Hodari

I think this shift that has happened to more employee empowerment, employee choice is very durable. And so if what we do remains something that the on-the-ground employees who go into work every day like or even prefer, you're going to see this industry continue to grow by leaps and bounds. And if the average employee says, you know, I've tried it, I kind of liked it, but it's so much better to work in the offices that Amazon or G.E. or Bank of America constructed themselves, then I think that will form a ceiling on this industry. And I think from the ground up for the people who actually spend 10 hours a day in the space, the data is becoming very clear that if you're a good provider, like Industrious, people do like it as much, if not more. And at some point you can only ignore that for so long. So I think the industry will be a lot bigger.

And I do think when I'm in these conversations with customers, with the corporate buyers, here's my like observation. 5 years ago, four years ago, three years ago, there were the

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people who were gung ho and then there were the people where they kind of said they were skeptical. But you could read between the lines. There were fissures. There were certain things they were saying that suggested, I think two or three years from now I'm going to be talking to this customer. And they were going to be using a lot more flex or workplace as a service. And those companies now are using a lot of what we do. And now there's the next wave of more conservative businesses. I'm just hearing a lot of the things from companies that are still a little bit sitting on the sidelines that make it very clear to me in the timeframe you're talking about, like five years from now, the Exxons, the Bank of Americas is the Alcoa's are going to be doing the things that the Googles and Twitters and Pinterests are doing right now.

Spencer Levy

Jamie, thank you for having us in your space here today, your beautiful space here at the Industrious Bryant Park location. Hope you can join us again, Jamie.

Jamie Hodari

Thank you. This was a great conversation. I don't know if the being live really helped, but I loved this.

Spencer Levy

Well, this is Christelle's second time on the show, and I would say absolutely better live than on tape. What do you think Christelle?

Christelle Bron

Absolutely agree. I always like our little banter.

Spencer Levy

All right. Well, Crystal, I hope to have you back live again to Jamie as well on behalf of The Weekly Take, thank you very much.

If you're interested in sharing more about shared office space, about our guests or about our show, check out [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). We'll be sharing airtime with many more innovators and thought leaders in the weeks to come. Of particular interest, we open the books on business disruption and real estate with former Spotify economist-turned-author, Will Page—a one on one that's sure to offer important insights and talk about some of our favorite music and who knows what else.

So come back and join us next week for what promises to be an informative and entertaining conversation. Until then, please share the show and remember to subscribe, rate and review us wherever you listen. Thanks again for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.