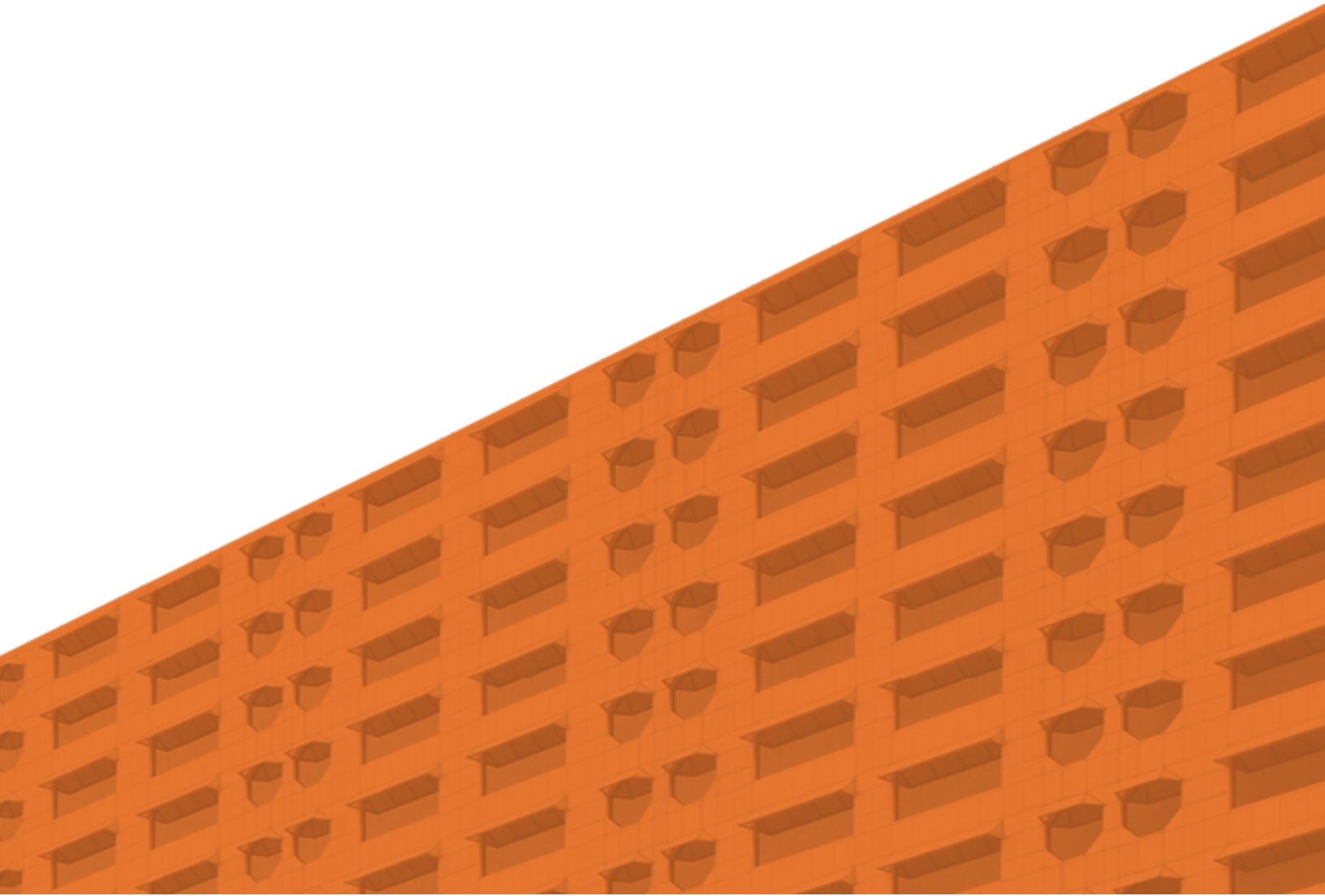




Workplace Productivity Industry Overview

Learn why organizations across the world need powerful analytics to drive smart real estate decisions that will allow facilities to better control expenses and increase employee productivity.

SpacelQ - Q2 2018



Reimagine the Workplace™

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About SpacelQ

SpacelQ has helped leading companies take control of their workplaces by providing facilities managers and Corporate Real Estate leaders with analytics and applications to drive savings, productivity growth and improve engagement across the organization. SpacelQ's modern, powerful, and data-driven workplace platform will help you *gZb V tZ rdj gl dg eaXZ* .

Understanding the workplace

The workplace is so much more than walls, a floor and a ceiling—it's the culmination of everything that happens within it. SpacelQ believes that in order to truly harness the power of the workplace, you need to understand the value of everything that shapes it. This includes real estate, processes, technologies, facilities, workstations, employees and services, among other important variables.

Leveraging the workplace as an asset

The workplace is a strategic asset, however most companies treat it like a static legacy cost center. This approach not only drains current budgets, it also represents a significant missed opportunity to drive financial and productivity growth throughout the company.

SpacelQ asserts that the use of a modern, integrated, and easy-to-use workplace software platform can help companies **save money, make money** and **create a compelling community** for all employees.

Our platform will turn your workplace from a *Xdhi XZciZg'cid V Xdb eZi tKZ VYkVci VZ* by providing:

- Exactly the analytics you need
- Execution that has impact
- Experiences employees expect

Exactly the Analytics You Need

The workplace is a strategic, but costly asset. In order to tip the scales in favor of your budget, without harming productivity, companies require comprehensive workplace data that can be easily studied, understood and leveraged into operations management.

Conquering major costs

On average, the workplace is the second largest¹ overall expense—and the single biggest fixed cost—for any company. To understand this, it's important to look at a typical budget allocation:

- Employee related expenses (60%)
- Workplace (12%)
- IT (10%)
- Marketing (9%)
- Other (9%)

More importantly—and not reflected in the numbers above—is the impact that the workplace can have on a company's largest overall expenditure: its staff. When we consider that employee productivity is primarily driven by the workplace, it could be argued that the average 12% budget allocation for workplace actually adds to the return on investment produced by the employees—the largest overall expense.²

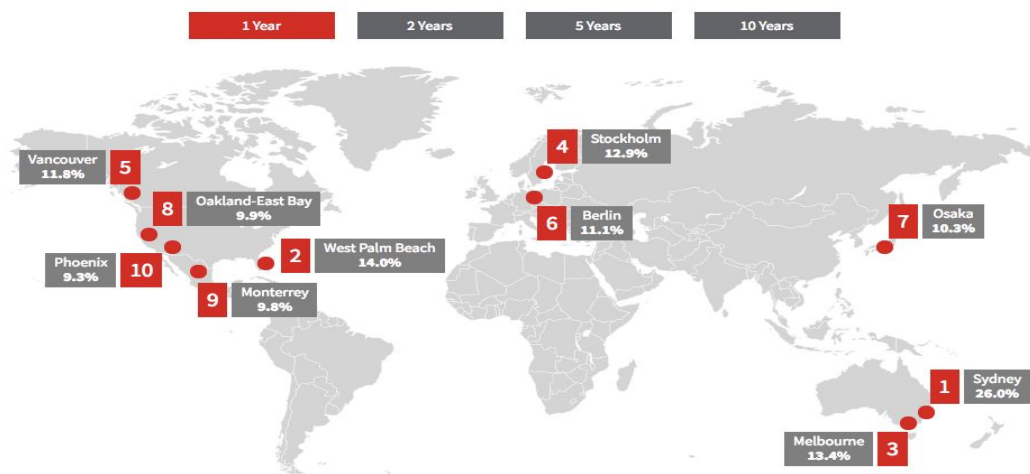
¹ Source: JLL Global Office Index - Rents for prime offices across the 125 major markets covered by the JLL Global Office Index rose by 3.1% for the full-year 2017, above their forecasts at the beginning of 2017 and the largest increase in two years. More of the same is anticipated for 2018, with a projected uplift of 2.5% for the year, significantly above the 10-year average of 1.9%.

² Source: JLL Global Office Index

Predicting trends and headwinds

For commercial real estate/workplace (CRE/WP) teams, a primary concern isn't necessarily minimizing workplace expenditure, but rather maximizing it as an investment. The challenge is making major decision about real estate commitments 5, 10, and even 15 years in advance with limited data and analysis. Shown above, changes in the global office index have varied greatly around the world, dating back to the early 2000s, making it nearly impossible to predict the demand for office space, let alone how to properly optimize the cost structure of existing offices. The charts below signify just how hard it is to predict trends even 1 to 5 years in advance:

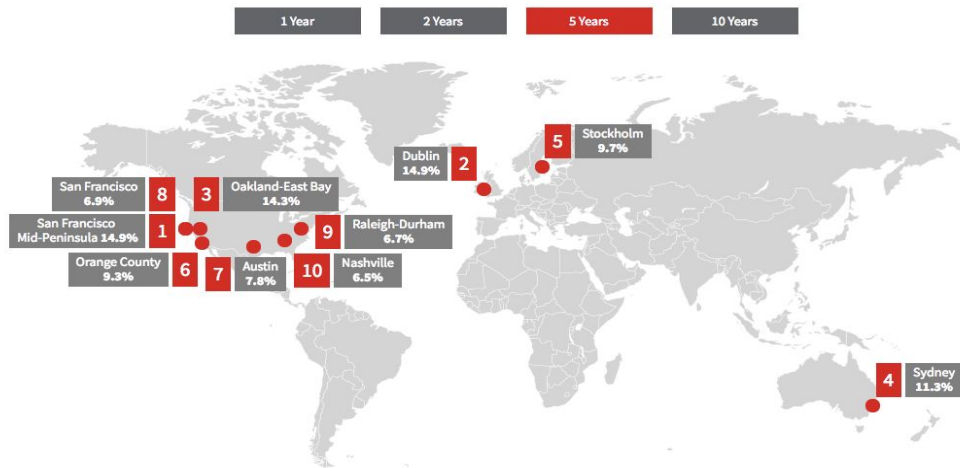
Top 10 Cities by rental growth



Source: JLL, February 2018

Note: 1 Year: Q4 2016 - Q4 2017; 2 Years: Q4 2015 - Q4 2017; 5 years: Q4 2012 - Q4 2017; 10 years: Q4 2007 - Q4 2017

Top 10 Cities by rental growth



Source: JLL, February 2018

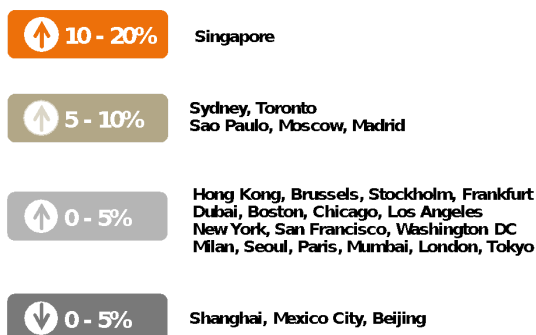
Note: 1 Year: Q4 2016 - Q4 2017; 2 Years: Q4 2015 - Q4 2017; 5 years: Q4 2012 - Q4 2017; 10 years: Q4 2007 - Q4 2017

Nevertheless, CRE/WP teams need to make long-term commitments regarding their workplaces, often in the face of significant near-term headwinds. Global headwinds of today include³:

- Rental growth of 3.1% exceeding expectations in 2017 (forecast 2.5% in 2018)
- Office rental values strongest since 2011 (some markets up 20%)
- Global vacancy rate falls, defying expectations (11.9% globally)
- Healthy demand across all three global regions (N. America, Europe, Asia)

Prime Offices - Projected Change in Values, 2018

Rental Values



In addition, prime office values are expected to climb for most established hubs worldwide, making it difficult for businesses to predict and control lease and rental rates for properties. As perhaps the largest variable driving workplace cost, it's crucial for facilities managers to recognize this headwind and explore options for mitigating it.

Improving the quality of real estate and workplace data

Workplace data is an asset and needs to be valued, assessed and managed as such. Otherwise, it's destined to become a liability. Unfortunately, CRE/WP executives either

³ Source: JLL Global Office Index

don't have the ability to gather this crucial data or lack confidence in the data they do have access to, making it difficult to realize workplace data as a true asset.

In the latter case, problems with real estate data can be widespread. There are four primary problems with the quality of real estate data, as delivered by legacy management applications:

Completeness: Data is siloed, examined in a vacuum instead of comprehensively.

Validity: Data is manually calculated, making it prone to error.

Consistency: Data is provided in different formats and doesn't align with BI systems.

Timeliness: Data is rarely provided in real-time.

Investing in demographic data and predictive analysis

In today's IoT-enabled, network-connected world, demographic data is not only readily accessible to CRE owners, but also insightful! It allows administrative personnel to assess whether existing infrastructures have the capacity and capability to support inhabitants, both current and future. This is critical in supporting diverse workspaces and intergenerational workforces.

Combating IASB and FASB changes

In preparation for upcoming 2019 changes to facilities financial reporting, new International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) standards will require all leases to be recorded on balance sheets as a "right-of-use" asset and lease liability.

This will have a profound impact on many businesses, chiefly because they'll now be adding a massive line item to their balance sheet. To set the tone for how much of an adjustment this will be, check out data from the Securities and Exchange Commission (SEC) regarding total economic impact of these new practices:

\$3.3 Trillion in operating lease liabilities currently not shown.

Tens of billions of dollars added to individual company balance sheets.

Additions could exceed 100% of the liabilities currently represented.

In light of new accounting practices and the spotlight they shine on the cost of facilities management, many executives and facilities managers are realizing their legacy solutions are no longer valid options for managing their workplaces. The time has come for better tools, offering better results for minimizing balance sheet liabilities and maximizing workplace opportunities.

Execution That Has Impact

Dynamic changes make workplace productivity improvements harder to achieve. It's imperative to understand the demands of your workspace, so you can make the changes and updates needed to drive productivity and positive morale.

Actualize the evolving workspace

There's a growing imbalance that's coming to light in modern offices today. Simply put: work styles have changed, while most offices have not.

Over the last 20 years especially, the dynamic of office workers has changed significantly. Mobile computing has freed people from their desk, wireless technology has made any place an office, collaboration has become the hallmark of team management and IoT has connected an endless number of devices. As a result, where, why, and how employees spend their time has shifted significantly.

While this paradigm shift in how we work has many positive attributes, there's also a great burden on companies to maintain and improve employee productivity and satisfaction. Being able to understand and meet the needs of this evolved workforce means companies are able to harness productivity to grow financially and remain competitive in a rapidly changing world.

Understanding workplace design

How much of a role does space management actually play in a new-age workplace structure? Here are a few relevant statistics to keep in mind as you begin thinking about the changes that need to be made in your workspace⁴:

90% of our lives are spent indoors

78% of people work in a commercial facility (over half in an office setting)

Over **75%** of companies use some type of co-sharing/flex sharing facilities

70% of companies have shared work environments

Roughly **50%** of assigned offices are underutilized

Roughly **50%** of seats in meeting rooms (for 8+) go unused

Up to **40%** of scheduled meetings are no shows/ghost meetings

Over **30%** of meetings are impromptu

Approximately **30** minutes/week/employee are spent locating available meeting rooms

Approximately **40** minutes/week/employee are spent in corporate cafeteria lines.

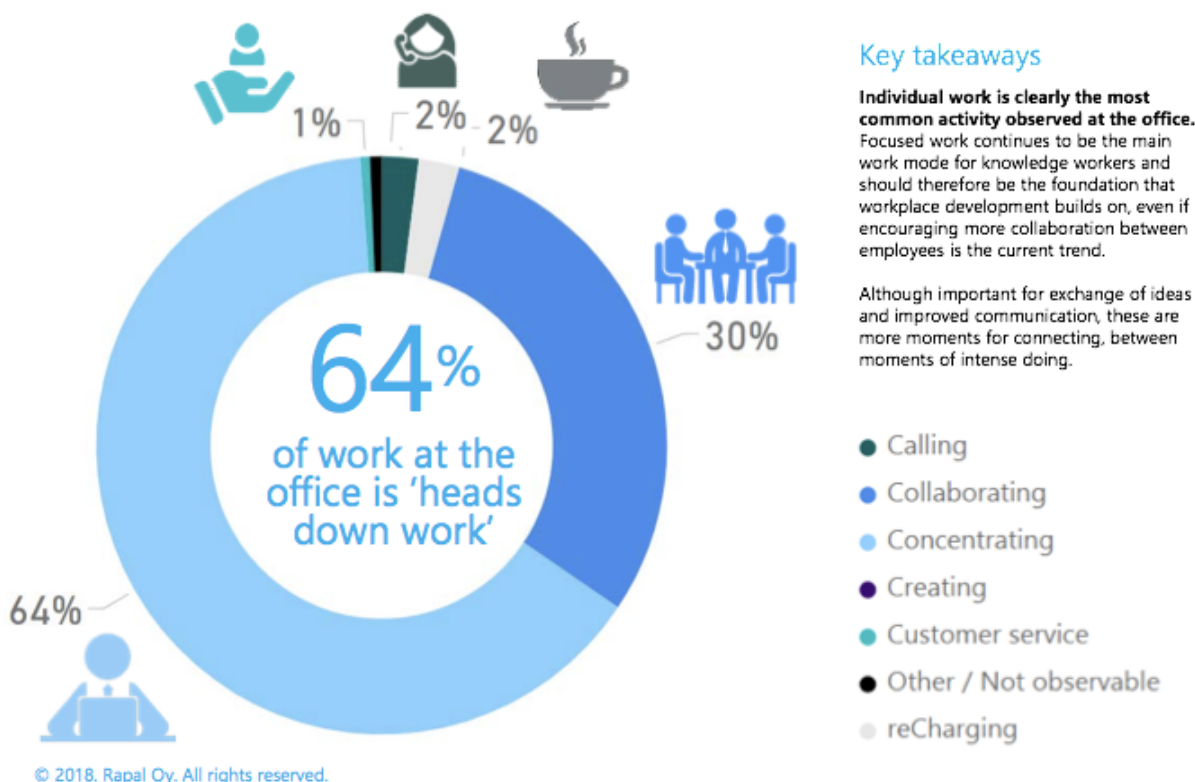
Managing dynamic offices and employee expectations is a sizable challenge for growing companies. Providing a top-down understanding of the types of workspaces

⁴ Duistermars, Dusty [Understanding the 'Connected Office' - A CRE Guide to IoT in the Workplace](#) 2018

available and the capabilities of these spaces to support different types of workspace interactions is crucial.

Even though a majority of time is still spent working, *working* differs dramatically these days. Being able to offer workers a versatile work environment that has private workspaces, collaborative areas, recreational areas, quiet spaces, creative spaces and more, will ultimately lead to a workforce that's better supported in their work style. To do this, however, your business must understand the activity-based workspace.

Activities at the office overall



Key takeaways

Individual work is clearly the most common activity observed at the office. Focused work continues to be the main work mode for knowledge workers and should therefore be the foundation that workplace development builds on, even if encouraging more collaboration between employees is the current trend.

Although important for exchange of ideas and improved communication, these are more moments for connecting, between moments of intense doing.

- Calling
- Collaborating
- Concentrating
- Creating
- Customer service
- Other / Not observable
- reCharging

While activity-based workspaces are crucial to consider, it's also important to note that time is still divided (in a majority) between individual work and collaborative efforts.

Innovators drive growth

The ability for employees to collaborate in real time is proven to drive improved productivity and performance. The challenge for companies is how to develop a workplace environment that helps employees maximize both the 64% time concentrating and the 30% time collaborating.

Key findings on the habits of top innovators include⁵:

- An 81% positive correlation between collaboration and innovation. Innovators report spending only 74% of the work week at the office; less innovative employees spend 86% of time at the office. Innovators are at least 2 times more likely to have access to, and use, cafeterias, coffee shops, and outdoor spaces. Innovators report 2 times more access to amenities including specialty coffee, restaurants, gyms, and childcare facilities. Innovators overall report 2 times more choice in when and where to work

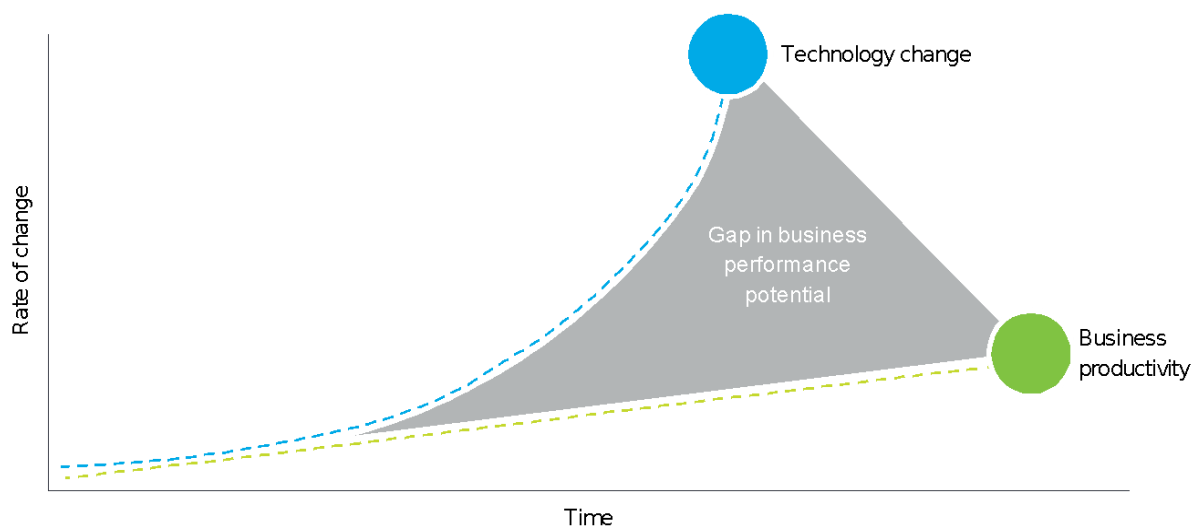
As a final note on innovator impact: extensively collaborative companies tend to perform better than their peers. Additionally, companies that collaborate with external sources are proven to make more money than those that didn't.

Enabling innovators is a key in preparing your workplace for long-term success.

Minding the (Workplace) Gap (IoT and change)

Topping the list of executable changes every modern workplace needs to undertake is a shift to tech-enabled resources. IoT devices are more prevalent than ever before and continue to grow in popularity by the minute.

Every business needs to consider what tech can be adopted into their workplace and how it might best be leveraged. There's a clear disparity between tech change and business productivity that can only be bridged by adopting a tech-friendly mindset in the workplace.



Source: Josh Bersin, Bill Pelster, Jeff Schwartz, Bernard van der Vyver, "2017 Deloitte Global Human Capital Trends:

Rewriting the rules for the digital age," February 28, 2017.

⁵ Source: Herman Miller <http://www.hermanmiller.com/research/research-summaries/what-it-takes-to-collaborate.html>

Personal workspaces are shrinking

What started with a drive to create open workspaces has become a movement to use space more efficiently. Today, companies have more shared spaces for group meetings, but private spaces dedicated to individual workers are disappearing. And the shift to less workspace per employee is only accelerating, from 500 square feet per employee in the 1970s to as little as 151 square feet by 2017⁶.



While additional open space has helped collaboration, the loss of personal space intensifies the need for new quiet spaces where employees can work and meet away from the noise and listening ears of coworkers.

The rise of activity-based workplaces

All of these dynamic changes have driven a new concept known as **activity-based working**. This concept follows the idea that, when given the environment that's right for their work style, employees will achieve their highest levels of productivity. More than that, they'll enjoy the work they do and thrive in their role. Whether it's a private office, collaborative environment, part-time hot desk, co-working space or something else altogether, your workers will do their best work in a space that's designed for them.

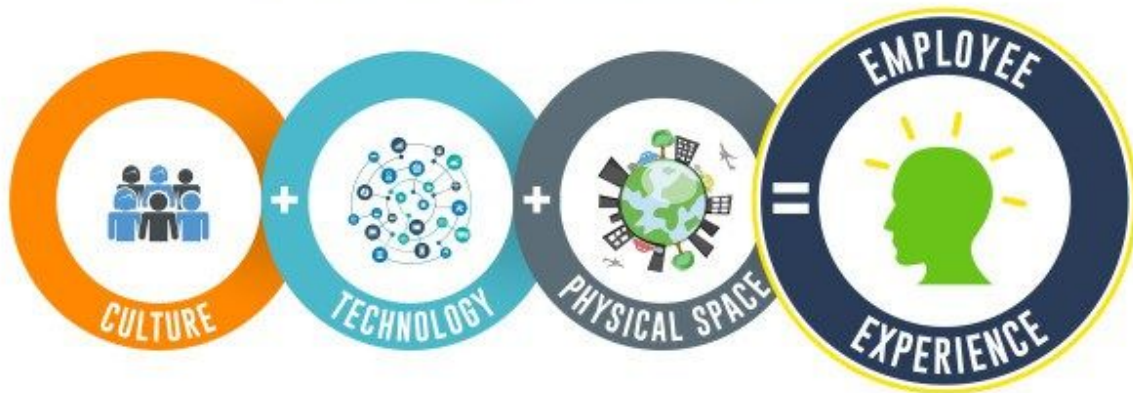
The key in creating activity-based workplaces isn't necessarily to optimize the workspace—it's to enable those within it. This means instead of trying to cut costs, companies need to maximize the productivity of their workforce. Reinvesting in an activity-based workplace will yield higher ROI from your workers than any cost-cutting measure. Plus, this is ROI that can be sustained over time thanks to a healthy work environment.

⁶ Source: Teem.com

Experiences That Employees Expect

Setting the tone for a modern, optimized workplace starts and ends with your employee's expectations: first understanding them, then meeting them. It's up to your business to gather insight into the former; SpacelQ gives you the tools to do the latter.

THE EMPLOYEE EXPERIENCE EQUATION

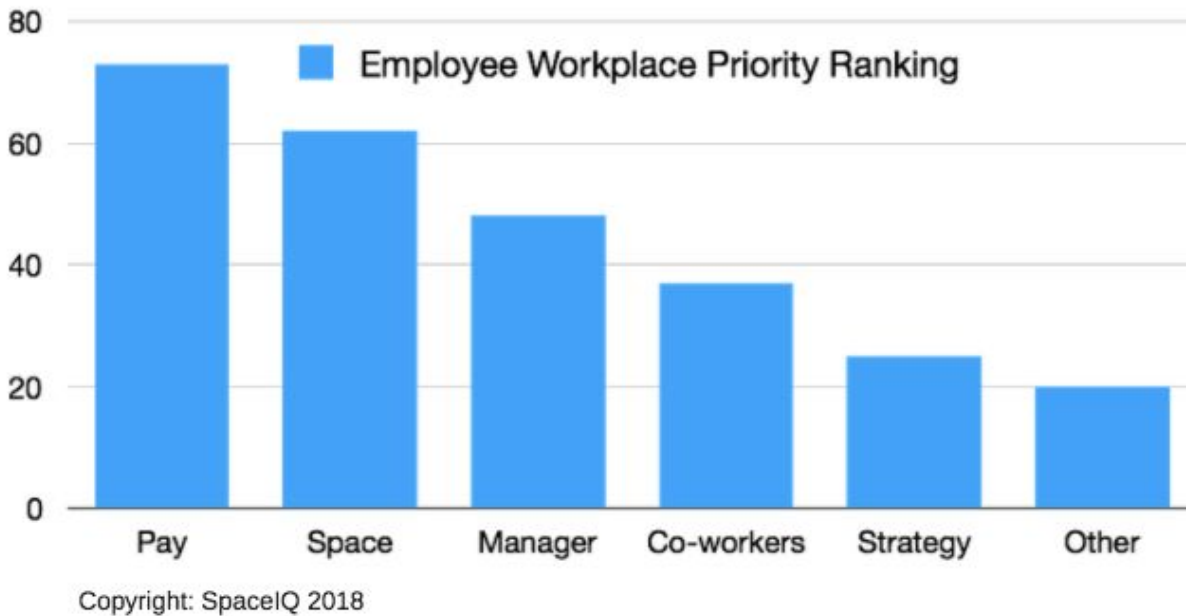


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The modern workplace experience

Because the workplace has become such a dynamic environment, it's imperative for forward-looking companies to cultivate a space that delivers an experience. More than just that, it needs to be an experience that's tailored to the working styles of the employees within it. Here again, it's crucial to have a workspace that's adaptable.

Whether employees need private space where they can concentrate and feel productive, or they crave human interaction in a collaborative environment, the workplace needs to deliver. Just how important is this? A recent SpacelQ study ranks the workspace experience second only to pay in what employees consider to be anchoring them to their job:



Why is the workplace experience so important? Because it shapes employees' perception of the work they're doing. The layout, design, features and unique elements of a workplace are what people see, feel, smell and hear day after day. No one wants to work in a downtrodden, dimly-lit space with poor air quality! Employees demand a higher standard of workplace quality and in return, deliver a higher standard of productivity. The trade-off represents a healthy workplace experience.

Important workspace elements

Based on a U.S. Workplace Survey by Gensler in 2016, the chief things employees want from their workplace are incredibly basic and not over the top. The four main things employees want include:

- Individual spaces that have a functional layout.
- Adjustability to adapt their workspace to their current needs (sitting vs. standing).
- Noise management.
- Access to the resources they need.

It's that simple! After the four basics, amenities on the list were food-related, such as a café or coffee shop on-site. Conversely, things not high up on the list consisted of over-the-top, non-work-related extras, such as slides and ping pong tables.

Above all, this data tells us that people *W*ant to work when they're at the office. It's up to companies to enable them.

Employee choice as a factor

Choice is something employees demand of their modern workspace. The choice of where and when to work, as well as how to approach their work. With choice, however, comes the need to manage facilities around different choices being made each and every day.

According to the Gensler Workplace Survey, innovative employees have the option to work in a wide variety of spaces that meet their needs. The Gensler study identifies four key areas that need to be available for employees: spaces designed to foster focus, collaboration, learning, and socializing. Through the power of choice, they'll pick an option that maximizes their efforts—whether they need individual space to focus, a conference room to brainstorm, or a social space to chat with co-workers during a break.

It all culminates in the idea that workplaces must be dynamic. But, more importantly, companies must have the tools and resources to support the dynamic of choice, in order to foster innovation.

Look at how people work

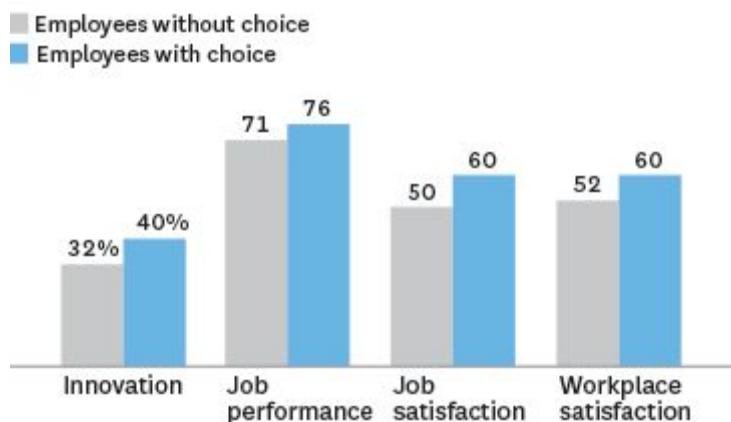
There's a lot of information to be gleaned in examining how your workforce embraces the facilities around them. Understanding *]* *d/* they work is key in providing them with a space that empowers them to do their best work.

If the best ideas come from group collaborations, make shared space a priority. If your workers need peace and quiet to focus and produce top-tier results, make these spaces easily accessible. If they want to come and go with ease and put in their best efforts when given freedom, focus on this. The more attention you pay to your employees and the work they're doing, the better you'll understand how to enable them.

WORKPLACE CHOICE IMPROVES THE EMPLOYEE EXPERIENCE

Employees who have choice in when, where, and how to work have higher levels of satisfaction, Innovation and Job performance.

PERCENTAGE OF EMPLOYEES WHO RANK EACH FACTOR HIGHLY



Don't be afraid to make changes, either! Like software, floorplans can be beta-tested and rolled out in iterations. Change often begets change, so making one adjustment may have rippling results that benefit your workplace beyond this one simple change. Listen to employee feedback and implement change incrementally.

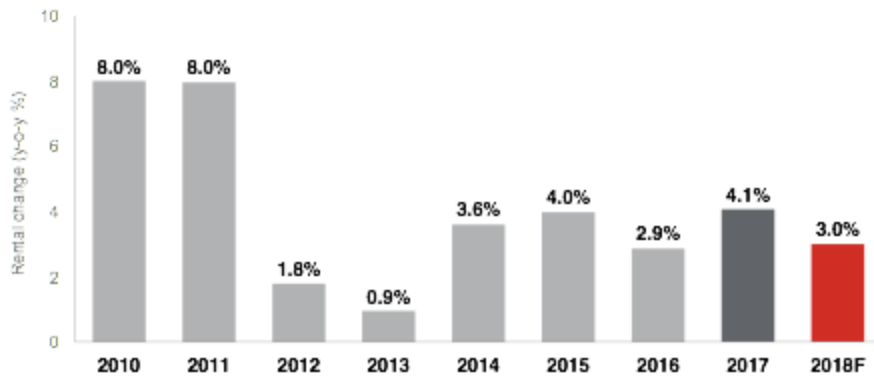
Make the space reflect the culture

On a final note, culture correlates strongly with the employee experience. Giving people a workplace that's welcoming and accommodating, coupled with a culture that's similar, unlocks the potential for fierce loyalty to a company. It shows your company believes in its workers and wants them to succeed—a feeling that's reciprocated by those same employees.

Building a workspace that reflects a forward-looking, forward-thinking environment will attract talent and improve productivity, simply by setting the tone of the company culture.

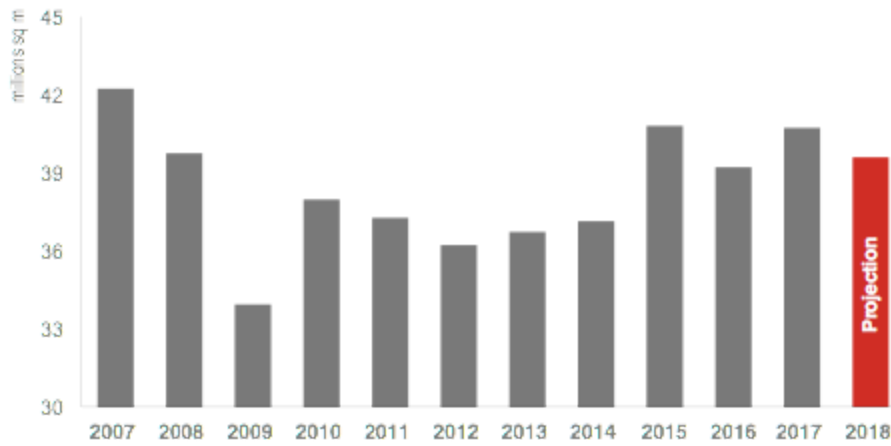
Appendix

Rental Growth for Prime Offices, 2010-2018



Unweighted average of 26 markets
Source: JLL, January 2018

Global Office Demand – Annual Gross Leasing Volumes, 2007-2018



24 markets in Europe; 50 markets in the U.S.; 22 markets in Asia Pacific
Source: JLL, January 2018