

Classification of Flexible Offices by Type

An overview and outline of the growing market

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The flexible office market has grown rapidly in recent years. Every year since 2020, Xymax Real Estate Institute ("Xymax REI") has conducted a quantitative analysis of the market's growth trends based on the number and floor area of flexible offices and the number of operators in the 23 wards of Tokyo ("Tokyo 23 Wards").*¹

*¹ *Flexible Office Market Survey 2023*, released on February 7, 2023
<https://www.xymax.co.jp/english/research/images/pdf/20230207.pdf>

The classification of flexible offices and the standard terms to describe them have yet to be outlined, as office styles have diversified and segmentalized in tandem with the sharp growth of the market. Flexible offices are called by various names, such as rental offices, shared offices, serviced offices, satellite offices, and co-working offices. This makes it difficult, especially for companies and workers using flexible offices in the future, to understand the features and differences of each style and consider introducing them.

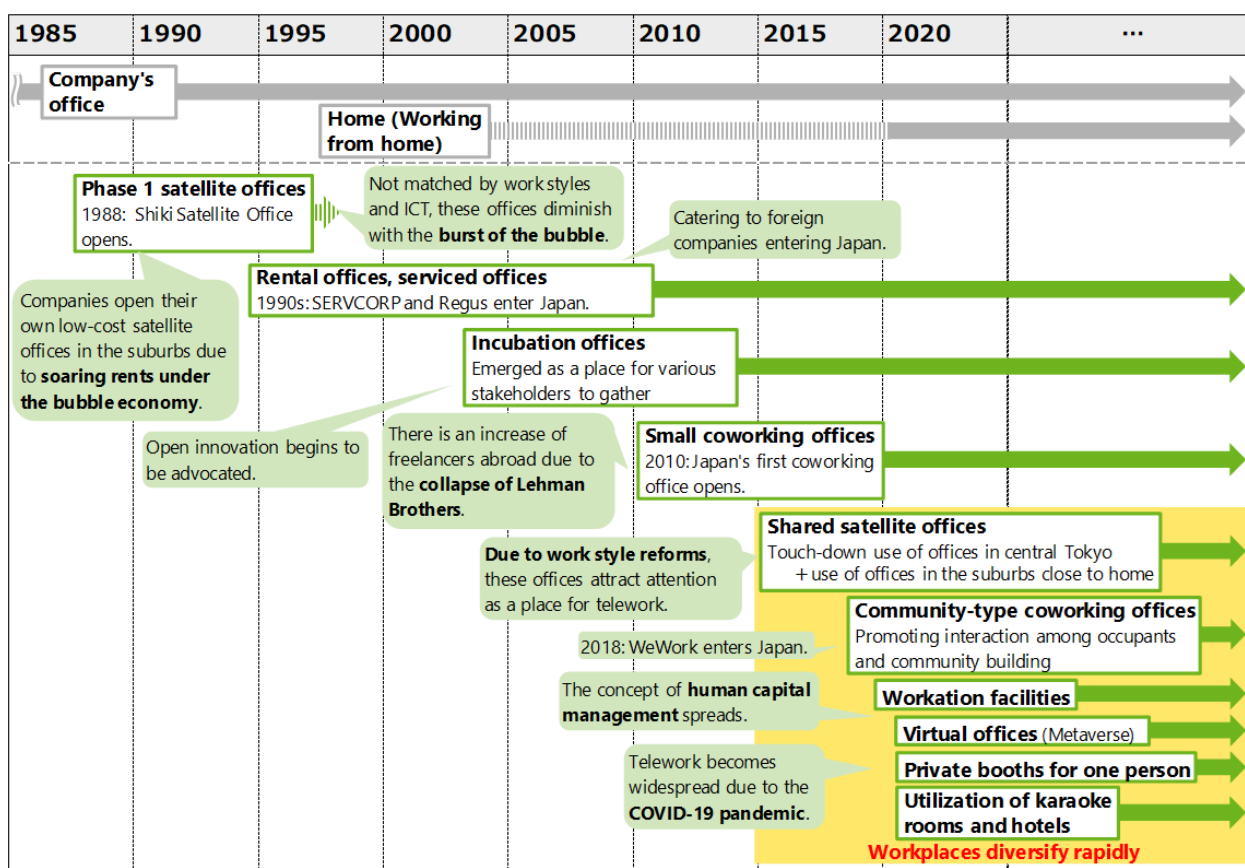
In this report, we classified the types of flexible offices and outlined their features in a joint study with the Kosei Ishida Laboratory of Waseda University. This report aims to provide guidance to help companies determine the style that suits them so that they can use flexible offices effectively.

In this report, we define "flexible office" as a "style of workplace provided by an operator mainly to companies and self-employed individuals under various forms of contract, including service contracts and fixed term building lease contracts, instead of a typical office lease contract" and use it as a generic term for various styles such as shared offices and co-working offices.

1. History of the Diversification of Workplaces

We will start by looking back on the background of the diversification of workplaces. **Figure 1** is a chronology of how workplaces have changed over the years, diversifying from the conventional offices owned or rented by the company.

Figure 1: Diversification of Workplaces



Note: Workplaces are becoming even more diverse, including "cafes" and "on the go."

During the bubble economy, when office rents soared, companies opened satellite offices in inexpensive properties in the suburbs to reduce office costs (phase I satellite offices). However, this trend vanished with the collapse of the bubble economy due to the decline in rents in central Tokyo triggered by the burst of the bubble and the insufficient telecommunication environment at that time.

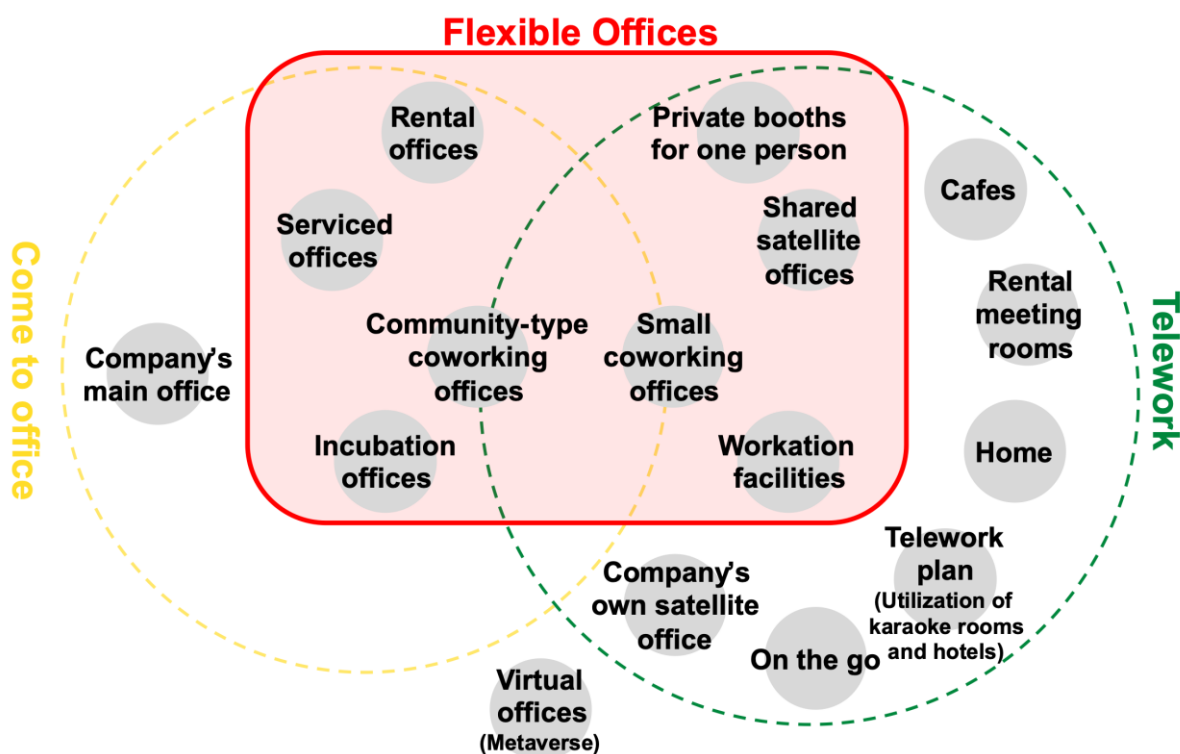
Then, in the 1990s, when the Internet became widespread, rental office and serviced office brands such as SERVCORP and Regus expanded into Japan and were used for offices by foreign firms entering the country. Since around 2003, when open innovation was advocated, there has been a supply of incubation offices as a gathering place for startups, large companies aiming to create new businesses, investors, and other stakeholders. This was followed by the emergence of small coworking offices as a workplace for freelancers and sole proprietors, whose number increased with the collapse of Lehman Brothers in 2008. This type of office was mainly supplied in small and medium-sized buildings in Japan (small coworking offices).

More recently, workplaces have been experiencing accelerated diversification due to changes in the environment surrounding companies, such as work style reforms, the spread of human capital management, and the outbreak of the COVID-19 pandemic. In the mid-2010s, for example, companies began to adopt shared satellite offices where workers can work when they are out of the office without returning to their own offices, as teleworking began to attract attention as a key feature of the government's work style reform initiative. In 2018, WeWork, a coworking office provider with an emphasis on community features, entered the Japanese market to much hype (community-type coworking offices). In early 2020, telework quickly took hold due to the outbreak of the COVID-19 pandemic and the rise in demand for infection control purposes. In particular, there was a sharp rise in companies allowing all employees to work from home, which had previously been allowed mainly for certain employees with specific reasons, such as childcare and nursing care, as an emergency measure. However, due to issues such as the lack of a work environment at home and the difficulty in concentrating on work in a space shared with family members, shared satellite offices were increasingly provided in the suburbs as a workplace close to workers' homes. There has also been a diversification in the style of workplaces, such as private booths for one person, karaoke rooms, hotels and restaurants serving as workplaces, and workation facilities. Add to that the emergence of virtual offices (metaverse), which are not physical offices, and we can see that the concept of the workplace itself is also expanding.

2. Classification of Flexible Offices by Type

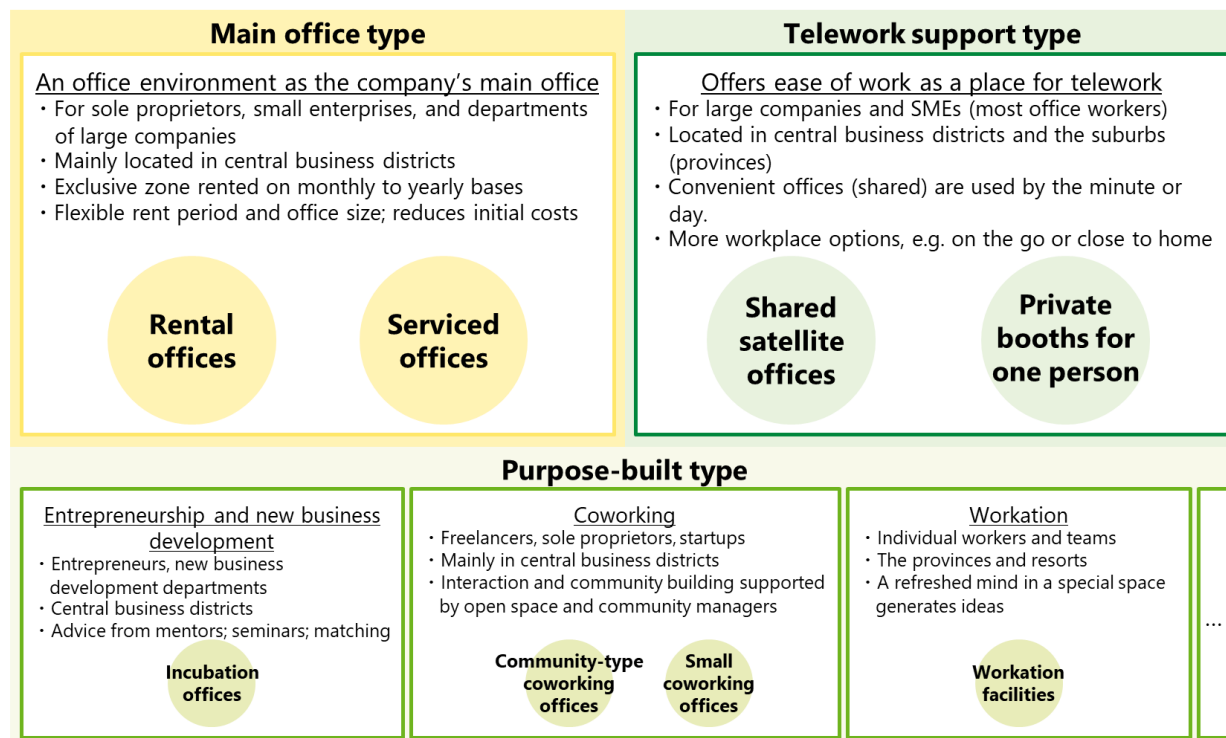
We then configured the various workplaces presented in **Figure 1** of the previous section into a schematic chart (**Figure 2**). Eight styles of offices fall under the category of a flexible office as defined by Xymax REI. They are rental offices, serviced offices, incubation offices, community-type coworking offices, small coworking offices, shared satellite offices, private booths for one person, and workation facilities. Flexible offices have a mix of workplace styles with different features from various backgrounds. They include places that substitute for the main office and places for teleworking. Companies choose the style that meets their needs, but the diversification and segmentation of the styles make it difficult to understand the differences and values of each style.

Figure 2: Schematic Chart of Workplaces



To outline the features of each style, we classified flexible offices by type of feature based on **Figure 2**. Flexible offices can be categorized into the following two main types according to the characteristic of the space: the “main office” type and the “telework support” type. Flexible offices that cannot be categorized by the above are grouped as the “purpose-built” type (**Figure 3**).

Figure 3: Classification of Flexible Offices by Type



The “**main office**” type is used as an office for sole proprietors, small enterprises, and departments and project teams of large companies. This type of flexible office is located in central business districts where it is easy for employees to congregate. It offers more flexibility than a standard office, as companies can usually rent space for short periods and in small lots for their exclusive use. These offices may also be equipped with furnishing, fixtures, and internet connection, enabling companies to create an office environment where they can start business immediately with low initial costs. They are called by the following two names depending on the level of service provided.

- **Rental offices**

Sole proprietors can switch on and off from work by establishing a base for work other than their home or gain the trust of business partners by having an office in a prime location in the central business district. Small enterprises that cannot spend initial costs on offices also use these offices as the main office. Large companies may rent only the necessary amount of these offices when they require an office for a short-term project or when they need more space in their own office due to changes in the headcount.

- **Serviced offices**

These offices have features similar to rental offices but often offer more added services, such as shared meeting rooms for the occupants, furnishing and fixtures, a staffed reception desk, and secretarial services. They make a good impression on business partners as a high-grade environment and enable companies to focus their resources on only the necessary operations.

The “**telework support**” type is mainly used by companies as a place for their employees to telework. These offices are located in large numbers across a wide area, from central business districts to the suburbs and the provinces. Workers can choose from the network of offices an office that suits their day's schedule, such as somewhere close to their home or near their client or the destination of their business trip. The offices can be used by the minute or day. With the spread of telework, these offices address the greatest demand in the market as they offer convenience and enable flexible work styles for most office workers. They include the following two styles, which differ in where they are offered.

- **Shared satellite offices**

These offices contain multiple types of facilities that address users' needs within a zone of an office building, such as private booths for one person, multi-person meeting rooms, telephone booths, and open space. They are characterized by the different ways they are used depending on the location. In central business districts, they are mainly used as touch-down offices by salespersons preparing sales materials between client visits or close to a client. In the suburbs near residential areas, they are used as a place for telework by workers who have difficulty working from home due to family members living in the same space or equipment issues. The proximity of the workplace to the home is expected to offer such benefits as reducing employees' commuting stress and improving their work-life balance. These offices can also be used by workers who want to concentrate on intensive work that is difficult to do in their main offices or as a venue for online meetings. Workers can also choose an office located conveniently for the participants of a meeting or for hospitality. These offices are also called satellite offices, touch-down offices, or shared offices.

- **Private booths for one person**

While shared satellite offices described above are a specially designed setup of the company's exclusive zone within an office building, private booths for one person are workspace booths that have packaged the necessary equipment for solo work or online meetings. They can be installed in the common areas of office buildings and public spaces such as railway stations, making it easy for users to drop by while on the go. Due to their high transport accessibility, these booths are mainly used by workers who are often on the move, such as salespersons.

The “**purpose-built**” type specializes in a specific purpose and offers unique added services or additional features by the facility. There are four main types of offices by purpose:

- **Entrepreneurship and new business development: Incubation offices**
These offices are used by entrepreneurs and new business development departments of large companies who aim to launch businesses through open innovation born from interaction and matching among occupants, advice from mentors, and event support. These offices are located in central business districts, and public institutions and universities are often involved. They are also characterized by a well-equipped office environment that supports entrepreneurship, such as a complete set of furnishings and fixtures.
- **Coworking: Community-type coworking offices**
These offices are used by freelancers, sole proprietors, startups, and new business development departments of large companies for interaction and collaboration. They are located in central business districts where workers can easily congregate and are well-equipped with facilities such as a relaxation space, event space, and exclusive zones, in addition to open space. They also facilitate events, support by community managers, and community-building that can be useful for business through a platform app. While it has become difficult to hold events and interact in person as in the past since the outbreak of the pandemic, companies face a rising need to reconsider the size of their main office, which has seen a drop in occupancy due to the spread of telework. Some companies rent exclusive zones within the facilities as their main office due to the ability to adapt flexibly to changes in headcount and the percentage of workers coming to the office.
- **Coworking: Small coworking offices**
In these offices, freelancers and sole proprietors share space with workers of different affiliations. They offer a better working environment than the home, making it easier to hold meetings and provide hospitality to customers.
- **Workation: Workation facilities**
These flexible offices are suitable for workation, where people work in a natural setting or a unique place such as a resort. They are used by individual workers to work while on vacation or by multiple employees of a company for training, etc. Expected benefits include the generation of new ideas by refreshing the mind and team building by spending time together in various activities. Some workation plans combine working with accommodation, sightseeing, or experiences.

Figure 4 is an overview of further details of each type, such as facilities, added services, and examples of use.

Figure 4: Overview of Flexible Offices by Type

	Name of style	Tangible aspects: Facility	Intangible aspects: Added services	Examples of use, characteristics
Main office type	Rental offices • Openoffice	<ul style="list-style-type: none"> • Small exclusive zones (For one person and multiple persons) • Meeting rooms (for hospitality) 	<ul style="list-style-type: none"> • Staffed (reception, secretarial services) 	<ul style="list-style-type: none"> • Used by sole proprietors and small enterprises as their main office • Used as an office for large companies' departments or projects
	Serviced offices • Regus • SERVCORP			
Telework support type	Shared satellite offices • ZXY • NewWork • H ¹ T • WORK STYLING SHARE • SoloTime	<ul style="list-style-type: none"> • Private rooms (For one person and multiple persons) • Booths • Open space (Hotdesking) 	<ul style="list-style-type: none"> • Staffed (reception) / unstaffed • Online app (for booking of desks, access control) 	<ul style="list-style-type: none"> • Sales representatives use booths close to their location while on the go as a touch-down office. • Workers with an inadequate working environment at home use an office close to home as a substitute for their home. • Private rooms for one person are used for intensive work difficult to do at the main office and online meetings. • Private rooms for multiple persons are used for meetings and hospitality in offices convenient for the participants.
	Private booths for one person • CocoDesk • telecube • STATION BOOTH	<ul style="list-style-type: none"> • Private booths for one person* <p>* A box-type workspace equipped with a desk, chair, display, Wi-Fi, power source, air conditioning, etc.</p>	<ul style="list-style-type: none"> • Unstaffed • Online app (for booking of desks, access control) 	<ul style="list-style-type: none"> • Sales representatives use booths close to their location while on the go as a touch-down office. • Installed in railway stations and the common areas of buildings, these offer excellent access.
Purpose-built type	Incubation offices • point 0 marunouchi • CIC • ARCH	<ul style="list-style-type: none"> • Small exclusive zone (For one person and multiple persons) • Open space (Meet up) 	<ul style="list-style-type: none"> • Staffed (mentor) • Matching • Events 	<ul style="list-style-type: none"> • Entrepreneurs and new business development departments of large companies based in their exclusive zones aim to launch or create new businesses through interaction and matching among occupants and support by mentors.
	Community-type coworking offices • WeWork • JustCo	<ul style="list-style-type: none"> • Small to large exclusive zones (Up to hundreds of people) • Open space (Hotdesking) • Relaxation (café) • Event space 	<ul style="list-style-type: none"> • Staffed (community manager) • Events • Online app (for access control, platform) 	<ul style="list-style-type: none"> • Freelancers, sole proprietors, and startups work in their exclusive zones and interact in the open space. The community built there is used for their business. • Increasingly used by general companies as their main office with flexible floor space
		Small coworking offices • SHARE LOUNGE	<ul style="list-style-type: none"> • Open space • Booths • Meeting rooms • Private rooms 	<ul style="list-style-type: none"> • Used by freelancers and sole proprietors as a place with a better working environment than their home or a café • Meeting rooms are available for meetings and hospitality.
	Workation facilities • WORKxation Site	<ul style="list-style-type: none"> • Open space • Meeting rooms 	<ul style="list-style-type: none"> • Accommodation • Activities near the facility 	<ul style="list-style-type: none"> • Individual workers can generate new ideas and refresh their minds by working in unique environments, e.g., a travel destination. • Team building can be achieved by spending time in activities together as a team.

Note: The examples of each style were selected by Xymax REI based on the details of the style.

3. Classification of Flexible Office Operators by Type

Lastly, we outlined the major flexible office operators (**Figure 5**).

Figure 5: Classification of Major Flexible Office Operators by Type

	Developers, building owners	Service providers
Real estate	<ul style="list-style-type: none"> • Mitsubishi Estate (xLINK, WORKxation Site, etc.) • Mitsui Fudosan (WORK STYLING, etc.) • Nomura Real Estate Development (H¹T, H¹O) • Mori Building (ARCH) • Kanden Realty & Development (WORKING SWITCH ELK) 	<ul style="list-style-type: none"> • Xymax (ZXY) • WOOC (BIZcircle, BIZcomfort)
Railway	<ul style="list-style-type: none"> • Tokyu Railways (NewWork) • East Japan Railway (STATION WORK) • Keikyu (RoomUs) 	<ul style="list-style-type: none"> • Keio (KEIO BIZ PLAZA, etc.) • Nankai Electric Railway (Liefice)
Other	<ul style="list-style-type: none"> • Tokyo Electric Power Company Holdings (Solo Time) • Fuji Film Business Innovation (CocoDesk) 	<ul style="list-style-type: none"> • Newton (Pasela's coworking) • Culture Convenience Club (SHARE LOUNGE)
Global	<ul style="list-style-type: none"> • SERVCORP Japan (SERVCORP) • Regus Japan Holdings (Regus, Openoffice, etc.) • WeWork Japan (WeWork) 	<ul style="list-style-type: none"> • JustCo DK Japan (JustCo) • CIC Japan (CIC)
Related services	<ul style="list-style-type: none"> • Nihon Keizai Shimbun (OFFICE PASS) • AnyWhere (TeamPlace) • NTT Communications (droppin) 	

Notes: The names in brackets are the major service names of the operators. If an operator offers multiple services, not all of them are listed.
This classification was made by Xymax REI based on the business of each operator.

Many operators have entered the flexible office business by leveraging the industry characteristics of their core business. Realtors stand out since they have an advantage in selecting the properties to run the offices if they have developed or own buildings. They can also take advantage of their know-how in operating and managing the offices. Developers, in particular, can enhance their tenants' convenience and the property's value by providing flexible offices for residents in large, newly supplied buildings. Apart from realtors, many flexible office operators are railway companies that seek to enhance the value of areas along their railway lines by offering offices using their infrastructure. Companies from a wide range of other sectors have also entered the market.

The market also includes companies specializing in flexible offices, such as global brands operating in the U.S., Europe, and Asia that have expanded into Japan.

With the growth of the market, there has also been a rise in the number of operators that offer services for users to search and book offices that suit their needs from among several brands.

Companies in **Figure 5** are only the major players. Many more operators are in the market, which is becoming increasingly competitive. Some operators have partnered with each other to enhance their competitiveness. Especially for the "telework support" type of shared satellite offices, the operator's strength is the number of offices and geographical coverage. Competitive operators with many offices over a wide area are expanding their networks by partnering with the offices of other operators to gain further advantage.

4. Conclusion

Flexible offices have diversified and expanded into various styles in accordance with socioeconomic changes. However, there were no standard terms to describe them, and it was difficult for user companies to understand the differences and values of each office style. This report provides an overview of the market and a classification of flexible offices by type to promote understanding of user companies.

We classified flexible offices into the following three types according to their main feature: the “main office” type, the “telework support” type, and the “purpose-built” type. This allowed us to outline the different office styles, which had become complex and easily mixed up, by linking the names, characteristics, and examples of use. It must be noted that the results of this report (**Figures 3 and 4**) are only a summary of the present stage.

We also classified operators by their type and examined how operators from different sectors have entered the market. Competition in the market is intensifying, and some operators have partnered with each other. Going forward, operators are likely to be required to increase their offices further, expand their operations to the provinces, and create new services to address the changing demands of companies and workers.

A hybrid work style will remain the mainstream even after the pandemic. Under such circumstances, companies will be required to develop their workplace strategies by choosing the style of flexible offices that suits their work styles and purposes from a diverse range of flexible offices. We hope that our outline of the flexible office market helps companies decide their future workplace strategies. Xymax REI intends to continue releasing useful information by studying and researching office markets and work styles.

For further inquiries please contact below

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