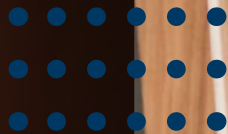


# Office pods popping up



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The concept of ‘working from home (WFH)’ took on a whole new meaning in 2020. Due to the global pandemic, WFH was no longer just about flexibility and convenience, it was about necessity. Hundreds of millions were forced to WFH to mitigate exposure to the virus.

While many initially welcomed WFH as it created new opportunities for work-life balance, it also presented productivity challenges as time went on. Millennials and Generation Z professionals living with parents, and those generations with children at home were especially impacted by space constraints. What’s more, the smaller the residence, the harder it’s been to come by dedicated home office space.

In response to these constraints, two markets known for their modest domestic space availability, Singapore and Shanghai, have introduced a third space solution—office pods. Office pods are easily accessible rentable spaces structured around a pay-as-you-go or subscription basis. By establishing pods through both urban and suburban areas, professionals are given the flexibility to choose where they work—whether that’s closer to home or closer to where clients and colleagues may be located.

Switch, a Singapore firm, has been leading the creation of these office pods, which they call the “world’s first workplace on-demand platform.” With more than 30 locations established, their office pods and related rentable spaces include locations from retail malls and hotels to offices and co-working spaces. Property development firm Shui On in Shanghai has also developed an office pod concept within their managed spaces. Shui On is already seeing positive signs of adoption, with pods being occupied for an average of 4.3 hours per day, including significant weekend usage.

For an innovative model like this to have found a home in traditionally-minded China speaks to a remarkable shift in attitudes towards flexible working practices, supported by a recent survey<sup>1</sup> which found that 71 percent of Chinese employers would consider adopting a WFH home platform. It also speaks to the advantages that third space options like office pods offer to three distinct groups:



**INVESTORS & LANDLORDS**



**EMPLOYERS**



**USERS**

<sup>1</sup>Source: Cushman & Wakefield Office Agency, Cushman & Wakefield Research



## THE INVESTORS & LANDLORDS



Investors and landlords across the commercial real estate (CRE) spectrum have had an out-of-the-ordinary last 12 months, with the COVID-19 pandemic causing unprecedented disruption, as well as accelerating existing trends for markets such as brick-and-mortar retail. The opportunity to introduce a solution that could both occupy and monetize vacant space, as well as drive significant footfall from affluent clientele, is worth close attention.

With commercial space increasingly competing for customers and tenants alike, investors and landlords could benefit from adding the office pod solution to their properties. A hotel, for example, could replace its business center with office pods, making them available only to loyalty-program tiered members or at a discounted rate for guests. Installing these office pods provides the bonus of helping the hotel improve the health and wellness of its business solutions users, a factor that will surely be front of mind as we emerge from the pandemic.

There are several considerations that investors and landlords should bear in mind. The first of these is the cost vs. pricing model, especially for those looking at office pods as primarily a revenue-generating opportunity. In China, the cost to build a pod is around RMB 2,000-3,000 per sqm (roughly USD \$309-464 per sqm). When it comes to revenue generation, office pods could be rented for around RMB 1,000-1,500 per sqm/month (roughly USD \$154-232 per sqm/month). This estimation is based on the rental charges that karaoke boxes currently incur in shopping malls in Shanghai, which at around 2.2 sqm are of a similar size to office pods.

The ability to secure such return relies on asset type and location, putting the onus on investors and landlords to understand footfall volumes and local demographics to fully define the potential market size per office pod location. Beyond priority locations already mentioned, office pods could also find a home in high traffic transport hubs including train stations and airports, providing business travelers with a dedicated office environment while on the move.

### EFFECTIVE DESIGN AND ENVIRONMENTAL FACTORS ARE CRITICAL TO MAKING OFFICE PODS A SUCCESS. THIRD SPACES NEED TO PROVIDE OPTIMAL WORKING CONDITIONS FOR THEIR USERS. REQUIREMENTS INCLUDE:

01

#### SOUNDPROOFING TO REMOVE DISTRACTION

Especially important in high traffic areas, office pods are almost entirely self-contained booths that shield the work from the clamor of the public or shared spaces where pods may be located.

02

#### CLEAN, TEMPERATURE-CONTROLLED AIR

Since office pods contain ventilation fans, workers are protected from infectious microbes to a degree.

03

#### ERGONOMIC DESIGN OF BOTH SPACE AND FURNITURE

If you're leaving the comfort of your own home to work in an office pod, they need to be comfortable and promote wellness as well.

04

#### LIGHTING TO BOOST FOCUS AND WELLBEING

Lighting has the power to transform a space from energetic to cozy to natural, with the flick of a switch. It can set the mood for your pod and your day.

05

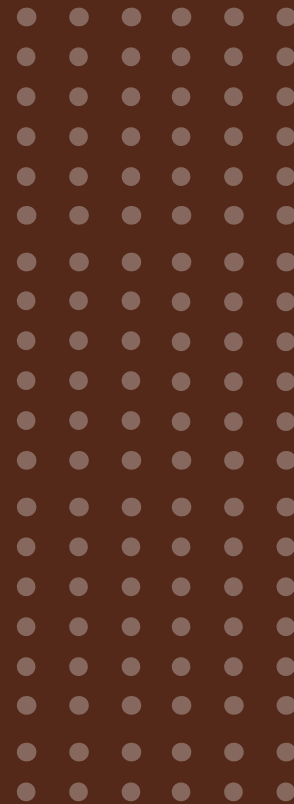
#### APPROPRIATE COLOR CHOICES TO PROMOTE PRODUCTIVITY

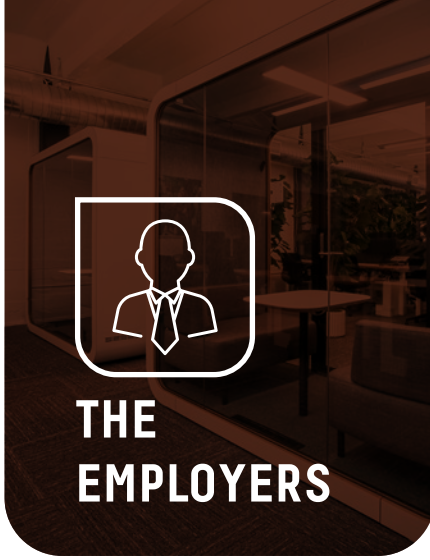
In an office pod, skillful use of colors can boost productivity, health, job satisfaction and even overall happiness.

06

#### HIGH-QUALITY TECHNOLOGY

All current and future technology needs should be considered including fast Wi-Fi, USB + standard charging stations, and hardwiring and data capabilities.





## THE EMPLOYERS

With 2020 behind us, but the pandemic still very much a factor, employers all around the world are trying to gauge how the current WFH dynamic will impact their long-term portfolio strategies. Since employees are proving they can do their jobs effectively while working remotely, some of the traditional arguments for clock-in, clock-out work culture are becoming less relevant. Enabling employees to work from convenient and optimized third spaces could very well become an increasingly popular option for employers, especially as companies look to reassess their total office space requirements.

Employers should also consider office pod membership or subscriptions as part of their strategy to attract and retain talent. By using office pods as an employee benefit, employers can offer an alternative space for those employees who aren't productive at home or don't want to commute to a central office, further expanding the talent pool beyond the immediate metro area.

Of course, there are cost implications for these types of memberships or subscriptions. Switch typically charges users around SGD 3.60 (USD \$2.73) per hour for office pod rental. Although this is currently a business-to-consumer solution, it is not clear how this would be reflected in enterprise agreements. Considering this expense alongside existing or future space commitments is important, as is establishing how traditional office space would evolve should more employees opt to make use of office pod solutions.

Currency conversion:  
USD 1 = RMB 6.46  
USD 1 = SGD 1.31



## THE USERS

For those professionals looking for alternatives to home or office workspaces, the idea of an on-demand conveniently located office pod seems like a compelling opportunity. It offers optimal conditions for productivity, as well as the mental and physical health benefits of getting out of the home environment when working remotely. Users can also benefit from simple reservation and pod access through a mobile application, ensuring a frictionless experience.

While pricing could become a consideration if utilizing space regularly, the advent of businesses offering membership as an employee benefit could assuage that concern down the road. Location and accessibility too could be a limiting factor, especially if there is a post-pandemic decentralization of talent into the suburbs and beyond. However, with return on investment seemingly sound for investors and landlords, we could expect to see a rapid expansion of coverage to meet local demand wherever that may fall.

Ultimately, office pods are a solution to several trends that have been accelerated by the COVID-19 outbreak, notably remote working, mobile technology, and the co-working office sector. Workers and employers have had a generally positive first flexible work experience, opening the doors for a fundamental shift in where work takes place. At the same time, landlords have been faced with challenging footfall statistics, especially in office, retail and hospitality sectors. Going forward, expect to see more office pods popping up as they provide significant opportunities to all sides of this market.

