

Understanding and responding to market trends

Workspace's leading-edge offer is proving increasingly appealing to all businesses in London.

To help us maintain our market advantage we:

1. Listen to the constantly changing trends that affect the London market.
2. Maintain an up-to-date understanding of what our customers need and respond appropriately.
3. Evolve and innovate to stand out from the crowd in a competitive landscape.

Super connected: Delivering The Workspace Advantage requires all parts of our business to work together.

An up-to-date market understanding is critical to our overall success.

Our market knowledge means we can ensure our business model and strategy are aligned to current market trends. It also allows our Audit and Risk Committees to monitor our risk

mitigation activities - including the assessment of potential new risks if the market changes.



- A business model designed to create long-term value - page 16
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1. Listen to the constantly changing trends that affect the London market.

London trend London is still seen as a global hub for business

Description
Despite continuing political and economic uncertainty, there is no sign of London losing its lustre as a business and cultural centre. London represents 23% of national output and generates just under £400bn every year in economic activity¹.

What this means for Workspace
London remains the ideal home for Workspace. With 5.8m workers and 128,000² new jobs created in the year to October 2017, we believe the capital holds great opportunities for our business. There is no let up expected - a Knight Frank survey predicts almost 900,000 jobs will be created in the next decade.

5.8m
Workers in London³

Link to our strategy
- Right Market

London trend The spotlight on flexible space continues to grow, along with demand from across the business spectrum

Description
In 2017, flexible space providers took up over 21% of Central London office space⁴. The majority of this space is let to operators, but the year also saw traditional landlords launching flexible space products as businesses of all shapes and sizes are now demanding flexibility.

What this means for Workspace
Increased interest in our market is positive for Workspace as our model has long been focused on flexibility. We continue to reiterate our differentiated position to customers and investors to ensure all stakeholders understand The Workspace Advantage and what differentiates our model and offer.

10.7m
Sq. ft. of flexible space in Central London⁴

Link to our strategy
- Right Market
- Right Customers
- Right Properties

London trend London continues to attract significant investment capital

Description
Transaction volumes in London's investment market rose 33% in 2017², overcoming the political headwinds of the previous year. This demand for London real estate has continued into 2018, with £2.25bn worth of commercial deals transacted in Q1 2018⁵.

What this means for Workspace
With significant capital chasing commercial assets in London, our investment team has built extensive knowledge of the assets that would work for our model and is nimble enough to move quickly when an opportunity arises. We have a strict hurdle rate for acquisitions but have a strong track record of finding value in the market.

£2.25bn
Commercial deals in Q1 2018⁵

Link to our strategy
- Right Properties
- Right Market

London trend Smaller businesses are driving the economy

Description
Since 2010, the number of small and medium-sized enterprises in London has grown by 41%². These businesses are powering the economy, providing 60% of private sector jobs and 47% of turnover⁶.

What this means for Workspace
Our offer is open to all but the built-in flexibility means The Workspace Advantage is particularly attractive to growing businesses. We continue to see strong demand for our space and reported 351 expansions in the year as customers have grown with Workspace.

41%
Increase in small businesses in London since 2010²

Link to our strategy
- Right Customers

1. GLA Economics Current Issues Note 57, May 2018.
2. The London Report 2018, Knight Frank.
3. Human Capital: Disruption, Opportunity and Resilience in London's workforce, Centre for London, 2018.

4. Co-working 2018, Cushman & Wakefield.
5. Central London Quarterly - Offices Q1 2018, Knight Frank.
6. Small Business, Big Ambition: FSB General Election Manifesto 2017.

2. Maintain an up-to-date understanding of what our customers need and respond appropriately.

Customer trend
Businesses want built-in flexibility and a well-designed work environment that encourages collaboration

Description

While the growth of SMEs and start-ups in London has undoubtedly driven increased demand for flexibility, this trend has now reached larger businesses. Securing and retaining talent is a challenge for every business and the right working environment can have a great impact on that.

What this means for Workspace

We have always built flexibility into our offer, as we want our customers to be able to grow or contract but remain with Workspace. The design of our spaces has become increasingly important, and we are constantly evolving the look and feel of our buildings, as well as the amenities we provide, in line with changing trends.

351

Customer expansions in 2017/18

Link to our strategy

- Right Properties
- Right Customers
- Right Brand

Customer trend
Employers are increasingly focused on providing healthy workplaces

Description

Cushman & Wakefield reports that up to 90% of companies' operational expenditure is on employees¹. It is therefore no surprise that employers have woken up to the productivity benefits that healthy workplaces can deliver. A recent survey found that 87% of real estate leaders said health and wellbeing was the biggest change in sustainability issues in the past five years².

What this means for Workspace

Many of our customers cycle or run to work and we are installing dry cycle storage and showers at our centres as a result. For example, at China Works, a major refurbishment near Vauxhall, we have retrofitted the basement with 75 bicycle spaces, six showers and 36 lockers.

311

Cycling spaces installed across the portfolio in 2017/18

Link to our strategy

- Right People
- Right Properties

Customer trend
Technology is all-important, both in the provision of solutions for customers and in creating a more engaging customer experience

Description

With operations becoming increasingly digital, all businesses expect best-in-class technology as a basic requirement in their space. A survey conducted for the Federation of Small Businesses found that 94% of companies surveyed interact with customers and suppliers online, while 94% use internet banking for their business³.

What this means for Workspace

Workspace has committed to rolling out WiredScore accreditations across its portfolio, with 50 buildings targeted for Wired Certified Gold or Platinum by 2019. Internally, technology is crucial to enhancing the customer's experience, for example, through the use of Virtual Reality tours of upcoming property launches.

15

Workspace buildings Wired Certified Gold or Platinum

Link to our strategy

- Right Brand
- Right Customers

Customer trend
There is a drive for companies to articulate a wider purpose beyond making a profit

Description

Many businesses are considering their role in the local community and in society as a whole. Investors are also increasingly focused on ESG (Environment, Social and Governance) factors and the impact that companies have on the environment and on society.

What this means for Workspace

We know that our customers want to have a positive impact on the world around them. In line with our Doing the Right Thing strategy, we run a number of initiatives, from education on recycling to facilitating apprenticeships, with our customer and supplier base for London's disadvantaged young people.

£40,000

Raised for various charities by Workspace people and customers across our portfolio

Link to our strategy

- Right Brand
- Right People

1. The Occupier Edge, Sixth Edition 2018, Cushman & Wakefield.
 2. Engage - The Future of Sustainability Issue 1, Greengage.
 3. Reassured, Optimised, Transformed: Driving digital demand among small businesses, Federation of Small Businesses, September 2015.

3. Evolve and innovate to stand out from the crowd in a competitive landscape.



Workspace operates in an increasingly popular segment of the real estate market, with 'flexible' space fast becoming an industry buzzword. With that comes inevitable confusion, as there are many different players offering different products under different descriptions, from co-working to managed space to flexi space.

Competition

This year has seen a further shift in the real estate market as ways of working continue to change. Major landlords and developers, who traditionally let space to large corporates, are now either signing leases to skilled operators who can bring in the smaller, more disruptive businesses of the future, or alternatively, launching new products themselves in order to try and tap into this market directly.

Workspace history in flexible space

With a 30-year history offering leases on flexible terms, Workspace's business model - generating value through ownership of properties and a focus on direct customer relationships - has not changed.

However, we are very aware of the need to constantly innovate and evolve our offer as trends develop and customer requirements change, as shown opposite.

We have a rolling programme of refurbishments and redevelopments to upgrade our historic and characterful buildings to modern standards, and we are constantly on the lookout for new buildings in dynamic locations to add to our portfolio.

We work hard to ensure that our customer offer, The Workspace Advantage, remains up-to-date. We provide inspiring spaces that customers personalise and furnish themselves, with best-in-class, reliable and secure technology throughout the building.