

The Hybrid Migration

A new report by IWG and Arup reveals that hybrid working is changing the geography of work in both the UK and the US. Now that five-day commutes into busy city centre areas are no longer a must, workers are able to reconsider where they live including relocating to the suburbs and beyond.



IWG

The Global
Workspace
Leader

Introduction by Mark Dixon

Founder and CEO of IWG



There is a particularly pertinent statement on the Spotify website: “Work isn’t somewhere you go, it’s something you do.” For me, this neatly sums up the thinking behind the hybrid-working model – the fast-evolving digitally-enabled reality that’s empowering people right across the planet to work exactly when, how and where they want.

Sometimes in a local workspace, sometimes at home, and occasionally at head office.

I’ve been talking about the rise of hybrid working for more than two decades now – a phenomenon enabled by the liberating effects of technology, cutting the ties that used to restrict people across the world to a single (and usually city centre-based) workplace and instead empowering them to work in the heart of their local community. As a result, IWG has seen record demand in our coworking and office locations across the suburbs, small towns and countryside in all of the global markets in which we operate.

While my initial predictions might have been a little premature, there’s no doubt that today we’re in the grip of a remarkable and quite unprecedented societal shift that is radically changing the geography of work. A shift that, by enabling people to choose to work in the

way they want, is overwhelmingly positive.

It’s a subject that’s particularly close to my heart. As CEO of IWG plc, the global leader in delivering hybrid work solutions to many of the world’s largest (and smallest) businesses, I’ve had the opportunity to see at first-hand the transformative effects of the hybrid revolution.

And they’re not just affecting businesses.

They’re also affecting the everyday lives of countless millions of people across the planet – and therefore the communities where they work, live and play. As this exclusive new research by IWG in partnership with Arup shows, we are clearly witnessing the rebirth of suburbs, towns and the countryside through hybrid working. As a result, suburbs, dormitory towns and rural communities everywhere are being revitalised as migration away from city centres increases, and workers increasingly embrace the opportunity to work from local workspaces.

"Under the brown fog of a winter dawn, a crowd flowed over London Bridge," wrote TS Eliot in his classic 1922 poem, *The Waste Land*. He was describing a mass of commuters heading to their jobs in the City of London, and pictured them as zombies in a Dante-esque hell: "Sighs, short and infrequent, were exhaled, and each man fixed his eyes before his feet."

As an employee of Lloyds Bank in Lombard Street, Eliot knew very well the misery of the daily commute. As would many millions of workers in the century to come – and not just in London, but in big cities around the world, from San Francisco to New York, and from Tokyo to Hong Kong.

But finally, times have changed. The bonds that for so long tied workers to offices in city centre locations have been loosened by the huge growth of hybrid working, in which workers divide their time between a city centre HQ, an office close to home, and home itself.

"Commuting was one of the craziest inventions of the last 100 years," says Mark Dixon, Founder and CEO of IWG. "But now, thanks to technology, there is no longer any logical reason for people to get on a train or a bus or sit in their car for long periods every day just so they can look at a computer in an office in the middle of a city. The pattern of working life is



The end of the long daily commute

77%

of workers say a place to work closer to home is a must-have for their next job move

50%

would quit their job if asked to return to a central office five days a week



changing irrevocably for huge numbers of people who can now work from just about anywhere and can therefore decide where they feel they are most productive."

Today, millions of people around the world are enjoying working in a hybrid way. It's estimated that at some point in the next five years the proportion of professional employees embracing the hybrid model will pass 50%, meaning those working from a single location will for the first time be the minority.

"Hybrid has taken root, and there are many reasons for that," says Dixon. "Our research shows that workers' health and wellbeing receive a boost, and their productivity goes up thanks to the hybrid model. There's a financial benefit, too, as workers save on commuting costs, as well as expenditure on food and entertainment."

But the main draw is the opportunity to ditch the daily commute. Research by IWG found that more than three-quarters (77%) of workers said a place to work closer to home was a must-have for their next job move, while almost half said they would quit their job if asked to return to a central office five days a week.

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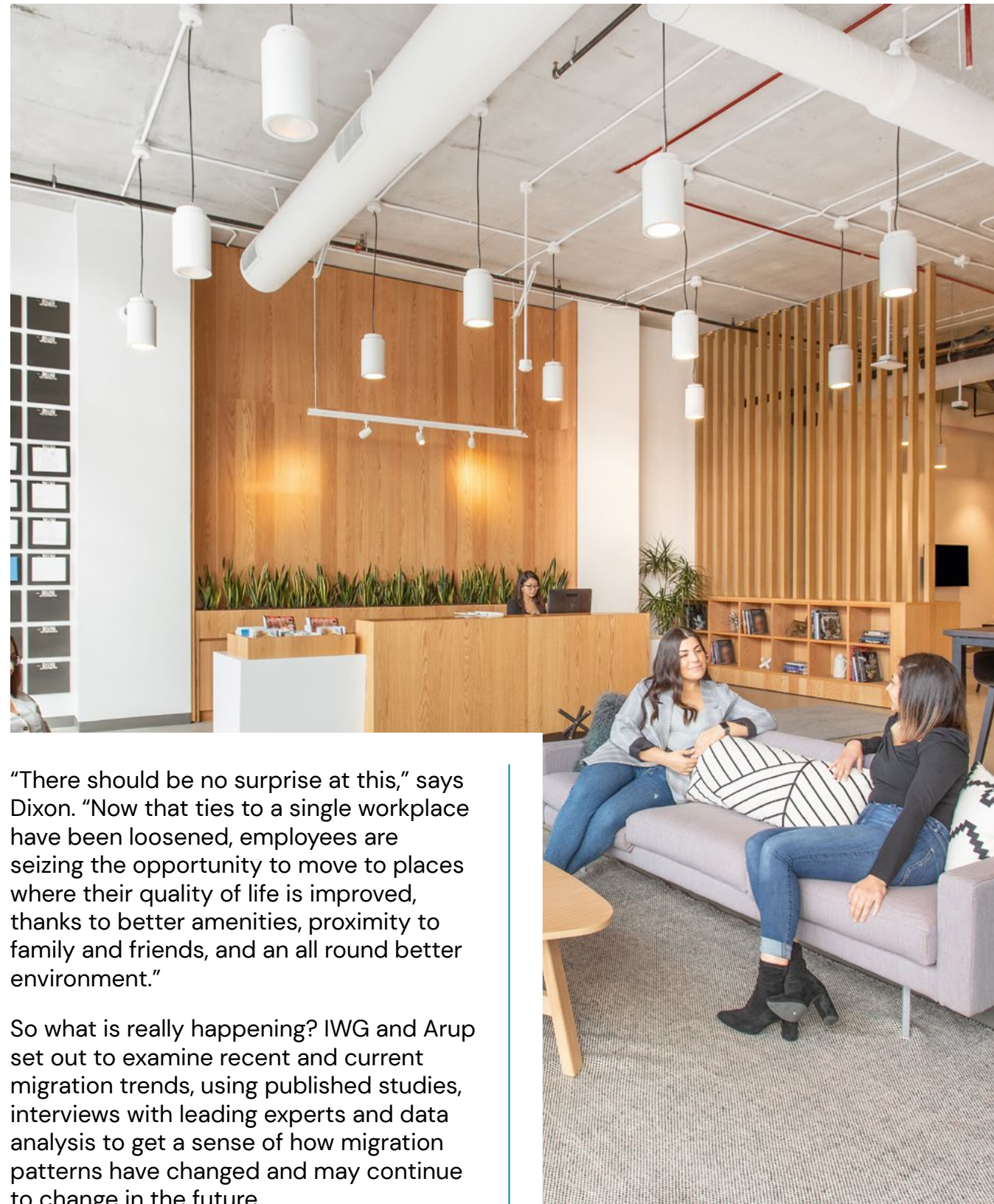
Commuting was one of the craziest inventions of the last 100 years"

Mark Dixon,
Founder and CEO, IWG

A demographic shift

As a result of this generational transformation in the way we work, the geography of work is shifting, as the focus of working life moves away from city centres towards suburbs, small towns and the countryside. The fluidity of the new work paradigm is demonstrated by IWG data showing that membership of its global on-demand scheme, which allows members to access IWG flex spaces wherever they may be, rose globally by 93% year-on-year in 2022, and by even more in the UK, where the figure was 137% higher. A range of sources also show that traditional city centre office occupancy rates around the world have fallen to around half of pre-pandemic levels.

It is clear that many people are now spending less time travelling to work in the city. The flexibility of the hybrid paradigm is also leading people to re-evaluate where they want to base their lives, leading to a shift in demography. And there is evidence that this new freedom is causing more relocation within cities, especially a movement towards the suburbs. Some people are leaving big cities altogether in favour of a life based in a smaller town or in the countryside.

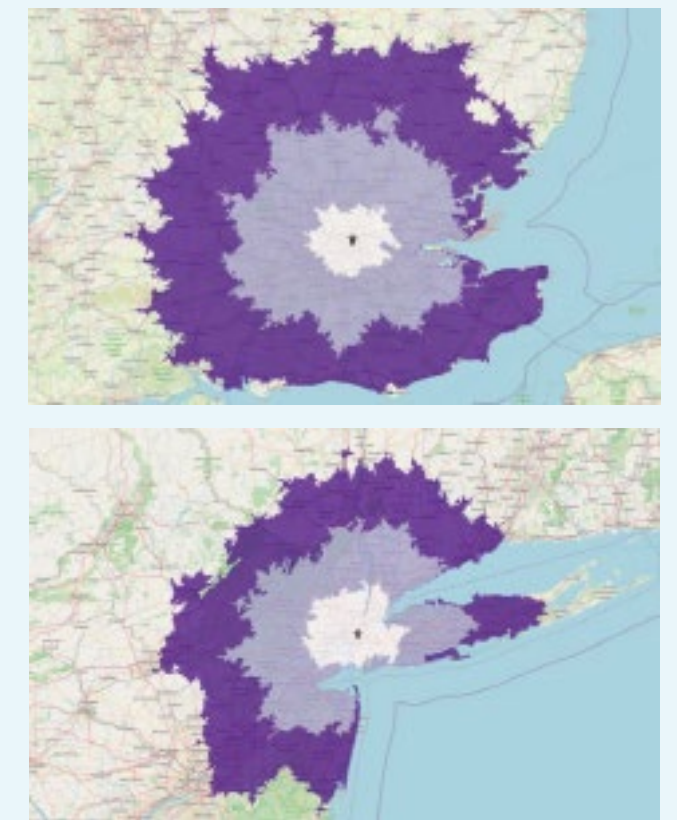


“There should be no surprise at this,” says Dixon. “Now that ties to a single workplace have been loosened, employees are seizing the opportunity to move to places where their quality of life is improved, thanks to better amenities, proximity to family and friends, and an all round better environment.”

So what is really happening? IWG and Arup set out to examine recent and current migration trends, using published studies, interviews with leading experts and data analysis to get a sense of how migration patterns have changed and may continue to change in the future.

Unlocking new places to live

The maps of London (top) and New York (bottom) illustrate potential places to live based on the travel time a commuter is prepared to endure: a 30-minute, 60-minute or 90-minute drive from Farringdon or Times Square.



- 30 minute drive
- 60 minute drive
- 90 minute drive

Source: Arup analysis

People are moving in search of a better quality of life

The report cites US research conducted by the Federal Reserve Bank of Cleveland, which notes that net outmigration from US urban areas with a population of more than 500,000 was 75,000 a month at the start of the pandemic. This had then stabilised at 39,000 a month in the wake of the pandemic – which is 59% higher than pre-pandemic levels of 28,000. Analysis of those levels of outmigration indicates almost 500,000 people (468,000) are leaving those urban areas over a year.

Similarly, outbound migration across the UK is continuing at a faster rate than pre-pandemic levels, and there is strong evidence that suburbs and small towns have higher levels of economic activity than before 2020.

The most common move during the pandemic was from the city centre to the suburbs. However, many people left large cities altogether, opting for less expensive or smaller cities and towns, or the countryside. In addition, as house prices and rents continued to rise, the report found that people fled the 12 most expensive US cities, including New York, San Francisco, Los Angeles, Washington DC and Chicago, with outmigration increasing by more than 10%, and New York seeing the highest rate of them all.

59%

Increase in outbound migration from US cities compared to pre-pandemic levels

500,000

People are expected to leave these urban areas over a year

The house price effect

One vivid demonstration of migration away from city centres to the suburbs has been a rise in home rental and purchase prices in suburban areas, in parallel with a decline in prices in central areas: the so-called 'doughnut effect'. In the US, this was most notable in the 12 largest cities. Significantly, these are places where a higher number of employees are able to



work remotely, supporting the idea that those who are able to work in a hybrid way are more likely to move.

The 'doughnut effect' could also be seen in action in the UK, most notably in London. Home rental and purchase prices fell in the centre of London but increased in non-central areas – not only the suburbs but also the wider southeast region as a whole.

The areas with the fastest-growing house prices in the UK post-pandemic were in the suburbs of major cities and the countryside. The price of a house in Greater Manchester increased by 34% from January 2020 to October 2022 – equating to an average price increase of £60,000. In the City of Glasgow, the average house price rose by £40,000 in the same time period, an increase of 29%. Between September 2021 and September 2022, seven of the ten local authorities with the fastest increase in house prices were located within commuting distance of a city other than London.

Similarly, in the US, the average price of a house in Raleigh, NC, has doubled over the last 5 years, from less than \$200,000 to \$400,000. In the city of Appleton, WI, the average house price rose by 67% in the same time period.



US average house price growth over last 5 years



+67%
increase

Appleton
WI

+100%
increase

Raleigh
NC

In 2021, an economic impact report by IWG and Arup predicted that rural and suburban economies could generate up to an extra \$1.3 billion in the US and £327 million in the UK per year, due to the forecasted expansion of flexible office and coworking spaces in towns and villages to meet the growing demand for hybrid work. Now, this new report confirms that the trend is very much taking hold on both sides of the Atlantic. Following the surge of people migrating out of major cities such as London, New York, San Francisco and Los Angeles, the report confirmed that most opted for small towns and suburbs as workers are now providing a financial boost to areas up and down the country.

“The surge of people migrating out of major cities during the pandemic – and subsequently – has provided a major financial boost to towns and suburbs that previously were like ghost towns during week days,” says Dixon. “High streets are coming back to life, and local businesses are thriving.”

Anonymous phone data used to track visits to over 500 high streets in the UK shows that small towns, suburbs and seaside locations are now significantly busier than in 2019.

Data on in-person spending also shows that people are spending less time – and money – in city centres compared to pre-pandemic. In-person spending in the City of London was 35% lower in September 2022 compared with the same period in 2019, while traditional dormitory towns around the UK have typically seen double-digit increases, as people spend more time working locally and cut their five-day commute into the city. The traditional commuter towns of East Lothian that have long served Edinburgh showed a 26% increase in spending, while Hastings, a pleasant seaside town less than two hours by train from central London, logged a 10% increase. In central London, spending was down 2%, but in the outer suburbs it had increased by 12% compared to pre-pandemic levels, indicating this trend stands in the UK’s capital as well.

Likewise, UK transactions at Pret A Manger stores in suburban areas and northern regions of England and Scotland were at around 130% of pre-pandemic levels in November 2022, but had only nearly equalled pre-pandemic levels in central London.



SC

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Founder and CEO, IWG

Dormitory towns are being revitalised

Flex spaces are booming in small towns and suburbs

In line with the shifting demography encouraged by the growth of hybrid working, demand for flexible work spaces outside city centres is mushrooming.

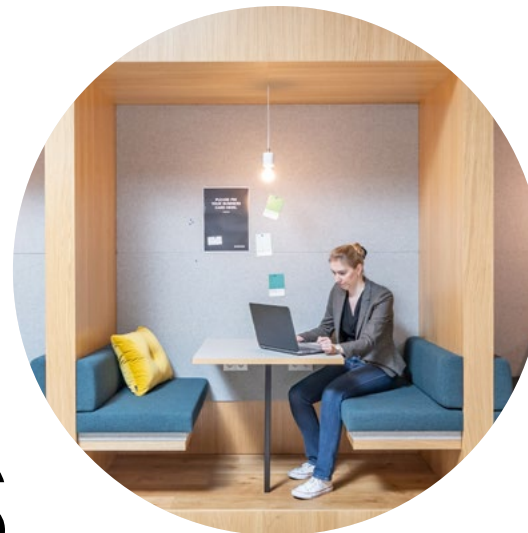
The majority of IWG's most recent openings in the US have come in the Midwest region, and more than three-quarters of these (76%) are located outside large metropolitan areas. These include two new centres in the Chicago suburbs of Algonquin and Lisle, 40 miles and 25 miles respectively from the city centre. Other new centres can be found in Lakeville, MN, (pop 69,490) 20 miles south of downtown Minneapolis and downtown St Paul, and Jeffersonville, IN, a town of around 50,000 people that lies across the Ohio River to the north of Louisville, the largest city in Kentucky.

On the East coast, in New York and New Jersey, a similar trend can be seen, with openings in small communities such as Rye Brook and Edison, small communities that each lie around 30 miles from downtown New York.

According to IWG data from 2022, footfall at its locations in suburbs and small towns in the UK has increased by 36% in total. Centres in suburban and rural locations have seen some of the largest increases in attendance, with workers increasingly forgoing lengthy commutes and preferring to work locally. In the UK, increases were often more than 50%.

To cater to this demand, IWG has launched a major programme of expansion, and will add 1,000 locations to its global network over the next year, with the majority in suburban and rural locations, and often in small towns. In the US, this includes Destin, FL (pop 13,000), Bluffton, SC (pop 32,000), and Stafford, VA (pop 5,000). In the UK, new flex spaces will open in towns such as Crewe, Cheshire (pop 55,000), Taunton, Somerset (pop 60,000) and Preston, Lancashire (pop 114,000).

"This is just a taste of what's to come," says Dixon. "In the future, every community will have a local flex space allowing people to do their jobs close to where they live."



Flex space demand increases in the UK



A greener future

A report published by IWG and Arup in 2023 demonstrated that hybrid working can play a very significant role in reducing carbon emissions in large cities – by 70% in the UK and up to 87% in the US. Essentially, spending less time in or travelling to a city centre office drives a drop in emissions from buildings and vehicles alike. Reducing commuting will make a dramatic contribution to the worldwide quest to reach net zero by 2050.

This is not to mention the health and wellbeing benefits that hybrid working brings. Research by IWG has shown that hybrid workers get more exercise and more sleep, eat more healthily, and work more effectively than they did before the pandemic. Crucially, the end of the tyranny of the daily commute brings more opportunities for personal activities and time spent with loved ones, and a resulting improvement in mental health.

Hybrid is good for our health

38%

more exercise

65%

have lost at least 5kg

71

hours more sleep in a year

54%

eat more nutritious meals

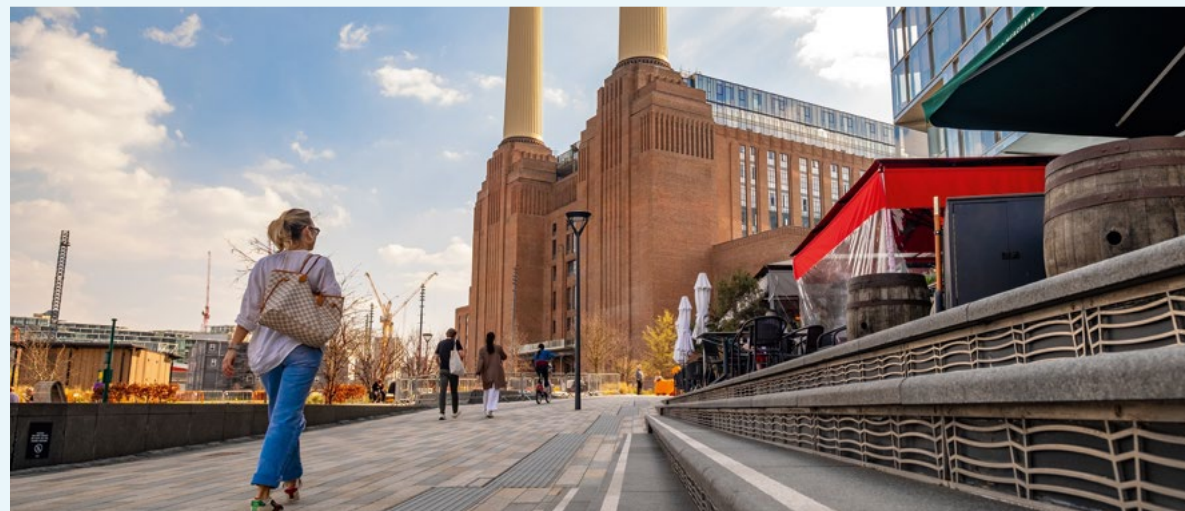
79%

say they are more productive

55%

spend more time with family and friends

Where next for city centres?



As more and more workers choose to spend the majority of their working lives close to home, companies are realising that they no longer need vast, city centre HQs. As a result, they are downsizing, terminating long-term commercial office leases at an unprecedented rate. These are often being replaced with shorter-term agreements for a smaller amount of space, or new arrangements with flexible workspace providers such as IWG.

Consequently, flexible workspaces in urban centres will not only multiply but will also change radically in the coming years, becoming larger and more ambitious in scope, offering space for hybrid workers to meet and collaborate with colleagues and other like-minded individuals.

Much existing corporate real estate is likely to be repurposed as part of a wholesale transformation of city centres in the coming years. Dixon believes that hotels and community space of all kinds will take the place of office space. "People want to use what's already there, so there'll be a lot more conversion," he says. "The role of cities is changing forever. Places like London and New York, whose economies have been geared to meet the needs of millions of itinerant office workers, will need to evolve to become hubs for collaboration and entertainment."

Conclusion



“With 48% of UK workers and 40% in the US already working in the hybrid model, and many others set to follow in both markets, the essential benefits of hybrid are increasingly impossible to ignore,” says Dixon. “That’s why clear-sighted policymakers, planners and businesses are embracing its benefits in their droves. And it’s essential for all of us and our planet as a whole that these visionaries convince all their peers to listen and respond positively to that growing population of workers who are demanding the opportunity to work in the hybrid way.”

“Hybrid benefits businesses, with lower costs and better retention of the best talent. It benefits suburbs, smaller towns and rural communities, as investments in flexible workspaces, transport links and sustainable practices create vibrant, inclusive and sustainable places to live and work. It creates brighter, more attractive and versatile cities. And at the same time, it enables people to see more of their friends and families, allowing them to fully participate in and enjoy their local communities.”

We help more than eight million people work the hybrid way in thousands of locations worldwide. Find out more about what we do today at iwgplc.com.

Read the full report from IWG and Arup here: [The Rebirth of Suburbs, Towns and Countryside through Hybrid Working](#).