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FLEXIBLE WORKSPACE

Connectivity Trends Report 2023

"Providing great quality internet and WiFi is one of the key advantages that flexible workspace has in comparison to other office types. Being on top of the changes in client need, technology and pricing trends is important for every shared workspace operator.

As the largest provider of managed bandwidth to the UK flexible workspace, with over **450 client sites** and **15,000 end customers**, we have a unique point of view on the internet connectivity trends across the sector.
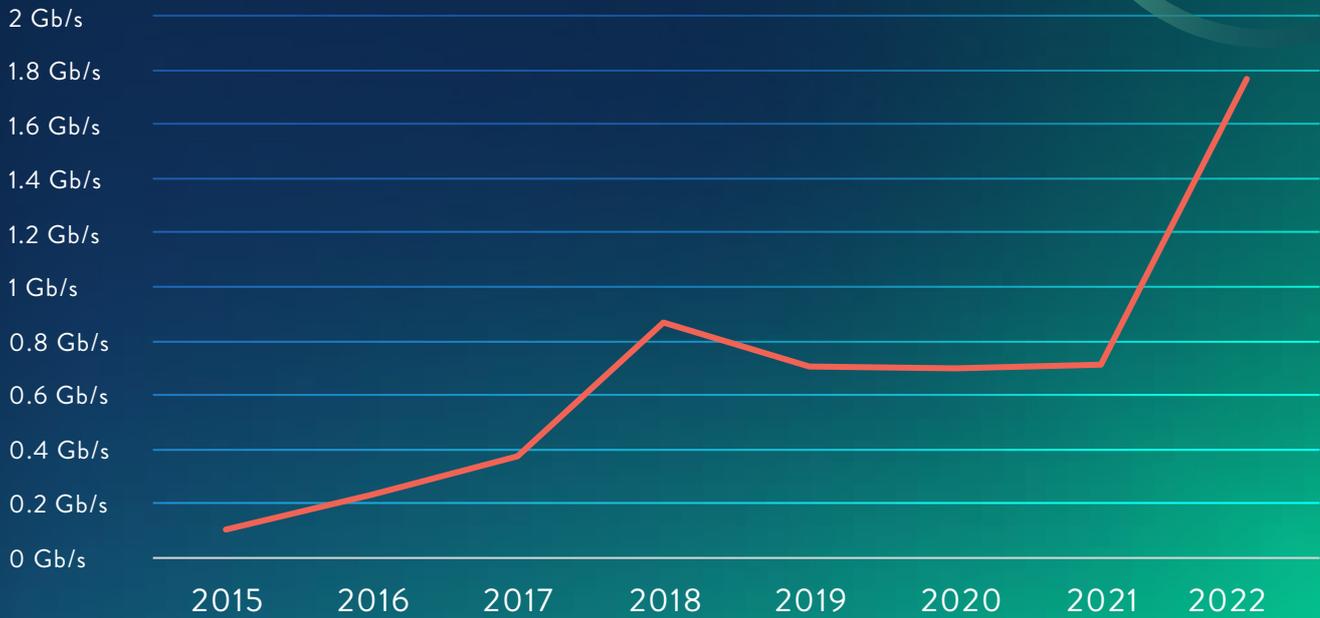
Combining our knowledge and experience with analysis of our own customer sites within the UK, we have created this report to pull together a complete view to enable our clients to plan for the future with more confidence."

Jon Seal

Managing Director, technologywithin

The average size of internet bandwidth going to site is growing

10% of lines ordered in 2022 were **10Gb/s**

Source: technologywithin sales data

A lot has changed in seven years in the flexible workspace industry (in fact, it probably would have been referred to as the serviced office sector back then). The reliance on a strong internet connection and expectations of a good wireless connection by tenants has contributed to an increase in the average internet connection to site from 100Mb/s in 2015, to around 1.8Gb/s in 2022 – that is a growth rate of 1800% in seven years.

The growth peak in 2018 saw the average line size ordered rise to 1Gb/s, partly due to clients taking advantage of the UK Government Gigabit Voucher Scheme. The market flattened out during the Covid pandemic when occupancy levels dropped, but with the return of market confidence in 2022, came a sharp rise as clients began to order 10Gb/s lines (around 10% of total orders).

The demand for increased internet connectivity during this period was driven by:

› Increased client expectation for faster internet speed and WiFi performance.

› Use of more apps and services in the workspace that demand fast internet.

› The declining cost of internet connectivity as fibre internet rolls out.

› The continuing trend in the use of cloud services (for example Office 365), which are more sensitive to variable internet connections.

› Higher demand for dedicated bandwidth services. (see page 4)

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Growth is set to continue

Fibre internet outperforms 5G on the low latency needed for real-time services like VR & AI

Where will it go from here and what should operators order when their three year contracts are due for renewal?

Our view is that customer demand will continue to grow. Without the Covid lull we predict that 10Gb/s lines would have already accounted for close to 30% of total orders in 2022. We now recommend clients not to order lines below 1Gb/s to allow for flexibility to meet future client needs. In addition to the reasons stated above, demand will be driven by the need for low latency to deliver high-quality consistent connectivity needed to support high-quality real-time services like voice and video conferencing, VR and AI. This is where fibre connectivity outperforms 5G, providing a low level of jitter (speed inconsistency).

However, the apps and services which drive heavy daily usage (for example, video calling) are already in standard use at workspaces and there don't seem to be any more data-hungry services coming over the horizon. So, whilst we expect 10Gb/s to become the standard fibre connection over the next three years, we don't predict another step up immediately after that.

The insider's view:

How this growth impacts operator planning

The ability to increase bandwidth easily within a workspace is determined by two factors:

⊕

The bearer – the bearer size is the maximum capacity of the fibre internet delivery, and bearers are only offered in certain speeds. So, for example, if you currently have a 1Gb/s bearer, it's simple to increase your speed from 500Mb/s to 1Gb/s. However, to increase speed to, say 5Gb/s, you will need to upgrade to a 10Gb/s bearer fibre connection. This may not be possible within a contract term so it is important to consider at renewal whether a bearer upgrade in the following three years could be important.

⊕

The infrastructure – The active equipment within a network (including switches and wireless access points) will have a maximum capacity, so for example if your office wireless access points are 100Mb/s, you will not be able to meet the needs of a client requesting 500Mb/s dedicated bandwidth in their office. So, when upgrading the capacity of the internet line, it is important to also assess if the network equipment needs to be refreshed.

Fibre leased line pricing trending downwards

The UK continues to roll-out high-speed fibre connectivity with the aim of supporting the levelling up agenda across the country and positioning the UK as an attractive market to do business on the world stage.

1Gb/s fibre is down 15% since 2021

The fibre pricing research completed has revealed the following changes since our last report in 2021:

» Carrier pricing is still incentivised to encourage take up of faster uncontended services, for example 50Mb/s connections are often the same monthly charge as 100Mb/s+. This is helping to push the UK average speeds up and deliver a much-improved user experience.

» Due to recent inflationary increases BT Wholesale 100Mb/s services are similar to prices in Q1 2021, when we last reviewed them, however 1Gb/s prices have decreased around 15%.

Operators in most areas are now able to access 1Gb/s service speeds at pricing that a few years ago would have been in the region of 100Mb/s dedicated and the trend is continuing as 5Gb/s and even 10Gb/s services become affordable.

When we last reviewed fibre pricing in early 2021, pricing by region across the regions varied considerably. The overall trend over the past two years has been a shift to a more homogenised pricing level across the UK.

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UK average monthly market rates for fibre connectivity, 36-month term (£)*

	100Mb/s bearer		1 Gb/s bearer		10 Gb/s bearer		
	50Mb/s	100Mb/s	500Mb/s	1Gb/s	1Gb/s	5Gb/s	10Gb/s
East	£300	£298	£362	£367	£831	£879	£911
BT Wholesale	£294	£294	£386	£386	£855	£900	£939
Sky	£288	£288	£371	£371	£796	£822	£841
TalkTalk	£306	£306	£354	£360	£810	£870	£900
Virgin	£311	£303	£330	£348	£822	£966	£1,062
London	£292	£292	£316	£320	£826	£904	£956
BT Wholesale	£270	£270	£329	£329	£896	£920	£963
Sky	£300	£300	£315	£315	£774	£843	£891
TalkTalk	£306	£306	£302	£305	£810	£903	£956
Virgin	£294	£294	£318	£330	£822	£966	£1,062
Midlands	£278	£277	£350	£357	£925	£943	£978
BT Wholesale	£266	£266	£359	£359	£1,055	£1,079	£1,122
Sky	£264	£264	£354	£354	£774	£843	£848
TalkTalk	£306	£306	£367	£367	£1,035	£896	£926
Virgin	£273	£270	£318	£346	£818	£966	£1,062
North	£285	£285	£346	£363	£888	£937	£984
BT Wholesale	£287	£286	£375	£375	£999	£1,022	£1,065
Sky	£269	£269	£307	£307	£786	£854	£873
TalkTalk	£300	£300	£368	£369	£946	£907	£935
Virgin	£285	£284	£280	£346	£820	£966	£1,062
Scotland	£288	£290	£365	£366	£904	£973	£1,017
BT Wholesale	£270	£270	£366	£366	£1,017	£1,041	£1,017
Sky	£293	£293	£383	£392	£827	£872	£887
TalkTalk	£306	£306	£354	£354	£940	£1,024	£1,504
Virgin		£291	£318	£353	£820	£966	£1,062

	100Mb/s bearer		1 Gb/s bearer		10 Gb/s bearer		
	50Mb/s	100Mb/s	500Mb/s	1Gb/s	1Gb/s	5Gb/s	10Gb/s
South	£272	£271	£345	£354	£848	£924	£962
BT Wholesale	£270	£270	£361	£361	£990	£1,013	£1,057
Sky	£264	£264	£354	£354	£774	£822	£822
TalkTalk	£280	£281	£357	£361	£810	£898	£926
Virgin	£272	£270	£307	£340	£820	£966	£1,062
West	£299	£298	£362	£365	£872	£920	£965
BT Wholesale	£270	£270	£361	£361	£914	£946	£982
Sky	£311	£311	£386	£386	£811	£870	£878
TalkTalk	£341	£341	£368	£371	£944	£908	£937
Virgin	£267	£270	£312	£340	£820	£966	£1,062
National Average	£287	£287	£349	£357	£873	£925	£968

*Disclaimer Prices correct at 1 June 2023 and include standard margin. Regional costs based on single line without backup on a 36-month term. Lead time of typical install 2-3 months. Wayleave costs may also need to be considered. These costs are intended for guidance purposes only.

Enhanced shared and dedicated bandwidth

Dedicated bandwidth offers uncontended, high quality internet performance, particularly suited to clients with heavy data usage. Additionally, dedicated bandwidth allows larger businesses to implement their network and security deployments, ensuring staff have IT consistency throughout their flex and permanent office spaces.

Alongside dedicated connectivity, flexible workspace operators offer shared bandwidth services, a set bandwidth pool , which offers contended connectivity to their clients. A basic offering (usually 10Mb/s to 40Mb/s) is the entry level service, free or low cost and offers the lowest performance level. Enhanced offerings (usually ranging from 50 Mb/s to 100 Mb/s) are becoming more popular, offering the end user a stepping stone between the basic and dedicated services.
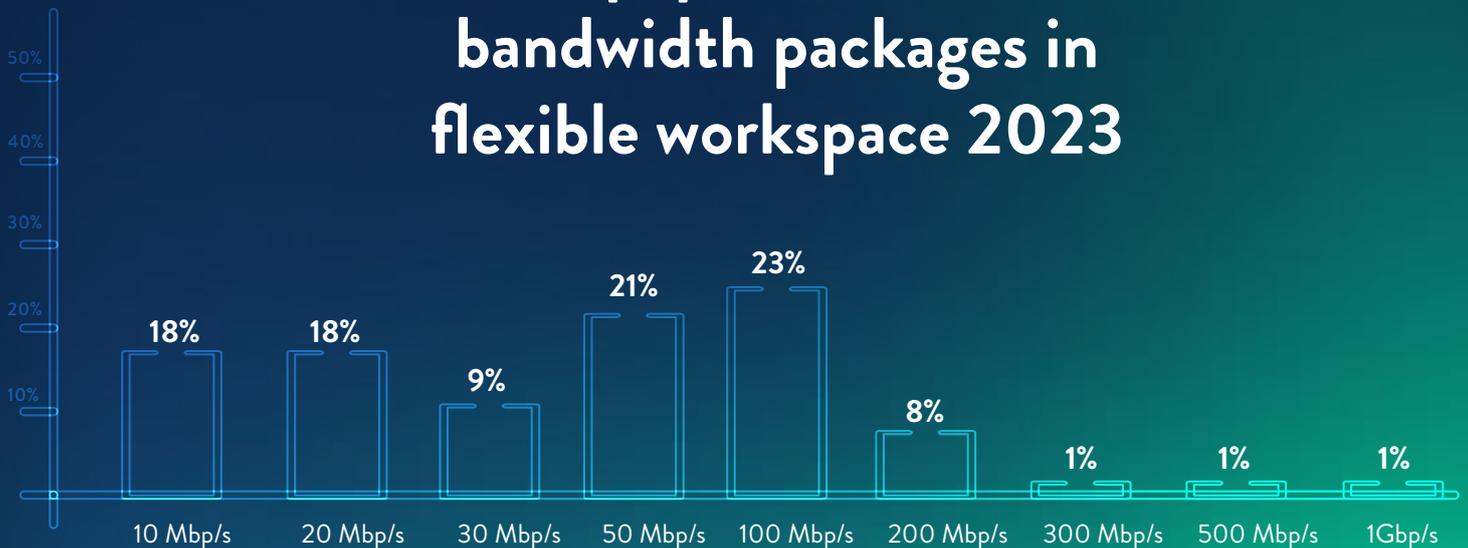
By offering these services operators are able to offer the same flexibility with internet connectivity as they do with office space, with shorter lead times for provisioning (weeks vs. months for fibre) and the ability for it to adapt to client commercial and technical needs. Additionally, it creates an attractive revenue stream, allowing them the opportunity to cover internet connectivity costs.

10% of flex clients take a dedicated bandwidth service

Our current data shows that just under 10% of tenants take a dedicated internet connection, as opposed to using the shared offering, although it varies between sites from 0% to 100% due to the following factors:

› Type of workspace – managed and semi-industrial workspaces are far less likely to sell dedicated

› How competitively clients price their dedicated bandwidth options

› Whether an attractively shared premium bandwidth product is offered – this can provide a steppingstone pricewise between the free shared offering that most workspaces offer, but can also reduce the value of dedicated from a customer perspective

› How much operators promote dedicated bandwidth - the confidence of the building team with technology and the training they are given is key here

› The mix of clients in the building

› Frequency of office usage is also now a key factor. Where tenants are operating a hybrid model, downsizing space and thinking hard about justifying office costs, taking a dedicated service is less likely to be justifiable

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Most popular dedicated bandwidth packages in flexible workspace 2023

Bandwidth package percentages:
- 10 Mbp/s — 18%
- 20 Mbp/s — 18%
- 30 Mbp/s — 9%
- 50 Mbp/s — 21%
- 100 Mbp/s — 23%
- 200 Mbp/s — 8%
- 300 Mbp/s — 1%
- 500 Mbp/s — 1%
- 1Gbp/s — 1%

Source: technologywithin sales data

The chart above shows that the most popular dedicated bandwidth service is currently 100Mb/s, closely followed by 50Mb/s, together accounting for nearly 45% of all dedicated packages. It's also clear that a wide variety of services are offered from 10Mb/s upwards. 10-30 Mb/s were the most popular original dedicated services taken and whilst they currently account for around 45% of services, we expect these products to become less popular as bandwidth price decreases and client demands increase.

The insider's view:

Meeting client high expectations for internet performance

+

The 1Gb/s dedicated service has arrived, which we predict will grow as more corporates move into flexible workspace. To meet this need, planning ahead and upgrading to a 10Gb/s fibre internet connection makes sense at your next contract renewal stage with bandwidth prices declining.

+

75% of leased lines orders received over the past 12 months included a 2nd back up line. By installing two lines from alternate suppliers (the 2nd can be lower bandwidth), with auto-failover of the services set up between the two, a resilient internet service can be guaranteed with more certainty. In a service outage situation, service will failover to the other line, maintaining internet connection and preserving IP addresses.

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Shared and dedicated bandwidth pricing trends

Pricing shared and dedicated bandwidth is the one area where operators most often need advice. Most value the opportunity to generate additional revenue, however promoting the service effectively requires an understanding both of the acceptable market price for bandwidth services for end clients and how their products stack up in comparison to direct carrier services.

The table below provides an indication of typical UK flex operator shared internet bandwidth pricing, created by averaging prices provided by several operators across the industry. These prices have remained stable since last reviewed in 2021.

UK flexible workspace operator (shared) bandwidth price per month, flexible term (£)*

Shared Bandwidth (Mb/s)	Average setup fee range	Average flexible workspace price range (pcm)
Basic 10Mb/s - 40Mb/s	£0-99	£0-40
Enhanced 50Mb/s - 200Mb/s	£0-99	£50-200

*Prices correct as of May 2023, as provided by UK flexspace operators.

The key change in the dedicated offering since we last reviewed in 2021 is that the majority of operators have introduced dedicated bandwidth pricing options above 100Mb/s, in line with the client demand trends mentioned previously.

The table below provides an indication of typical UK flex operator dedicated internet bandwidth pricing, created by averaging prices provided by several operators across the industry.

UK flexible workspace operator (dedicated) bandwidth price per month, flexible term (£)*

Dedicated Bandwidth (Mb/s)	Setup fee range	Flexible workspace price range (pcm)
10	£99-£250	£45-£100
20	£99-£250	£80-£200
30	£99-£250	£120-£150
40	£99-£250	£150-£200
50	£99-£250	£250-£350
60	£99-£250	£250-£300
70	£99-£250	£300-£350
80	£99-£250	£350-£400
90	£99-£250	£400-£450
100	£99-£250	£325-£500
500	£99-£250	£900-£1200
1000	£99-£250	£1500-£2000

Whilst there continues to be a broad price range on most bandwidths – often denoting the quality of the operator and their target market - the overall price trend is downwards:

» 10Mb/s average prices dropping 15% since 2021

» 30Mb/s connections have seen the largest drop in average price of around 40% since 2021

» 50Mb/s connections have seen on average a 15% price decrease since 2021

30Mb/s connections have seen the largest drop in average price of around 40% since 2021

The insider's view:
Promoting shared and dedicated bandwidth services

For clients, shared and dedicated bandwidth services have advantages over contracting directly with carriers, such as:

» The service is available within days of taking their office – fibre leased line orders can take up to three months and wayleave permission will need to be put in place for the new connection.

» Usually more competitive commercial monthly rates and set up fees.

» The ability to increase or decrease the dedicated bandwidth at short notice.

» Where a backup line is in place, a higher level of service reliability is offered than through a single supplier.

Dedicated bandwidth has the following advantages in comparison to the shared service:

» Uncontended and symmetrical (1:1) data service (for example 100Mb/s upload and 100Mb/s download).

» No download limits or restrictions.

What clients want – secure internet access

Clients don't just want fast internet. They are also taking internet security more seriously within shared workspace. This can be seen through the number of clients who now have their own firewalls and routers.

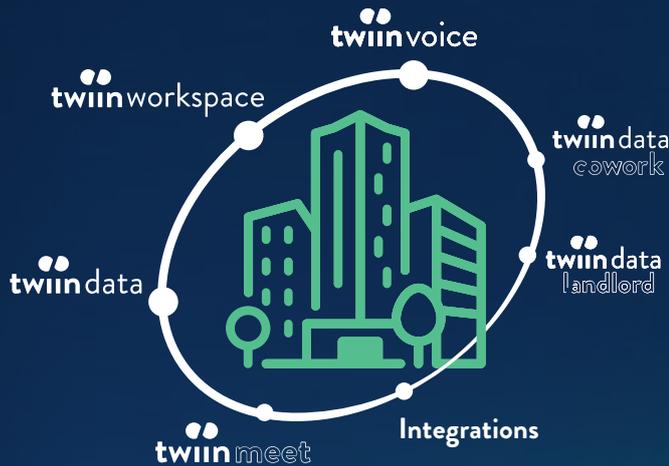**14% of flexspace clients have their own firewall**

15% of flexspace clients have their own IP address

Alongside this, 15% of clients have their own IP address, often required by corporates to access their VPN securely from remote locations.

These stats indicate that:

» Clients are taking a stricter approach to their internet security in shared workspace

» More corporates are moving into flex space, as they are the organisations most likely to have central IT teams setting these security requirements as standard protocol

» More organisations are seeking IT security qualifications such as Cyber Essentials

Based on this It is likely that the trend for clients prioritising increased internet security measures will continue, which means that operators will need to have a flexible approach to internet offerings to meet the varying needs of clients.

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We are technologywithin

technologywithin delivers easy to use technology that enhances flexible workspace. We partner with flex operators and commercial landlords in the UK and Europe to bring their spaces to life, by providing connectivity, workspace management and voice solutions that deliver growth. We work with a wide range of clients, from boutique coworking spaces to large multi-site operators.

Our ethos is to be easy to do business with. Our clients don't just choose us for our leading-edge technology; we also deliver a service that's friendly, authentic and personal. We're their trusted technical advisers who listen, ask questions and communicate our knowledge clearly.
We relish the challenge of meeting our customers' needs every day - of making them happy.

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Integrations

We know that you need reliable, scalable and innovative tech solutions for your space, that you want a stress-free installation process, and that customer service is all important. By partnering with technologywithin, you'll get all this and more:

›› Easy to use, intuitive interfaces which save time for your front-of-house team

›› Scalable solutions that grow as you grow

›› Services which generate revenues, create efficiencies and improve tenant experience

›› The very latest technical innovation, developed in-house, which integrates together

›› Supportive account management and customer support who enable you to use our services with ease and confidence

Get in touch

If you'd like to discuss your shared workspace connectivity, management software or voice requirements, get in touch with our friendly team and we'll be delighted to share our knowledge.

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