The Virtual Office Business Model

Idea In Short

Virtual offices give companies a registered address, mail handling, call answering and access to meeting rooms, without requiring a lease or full-time staff at any single location. The model unbundles what a traditional office bundled together, letting a business buy only the infrastructure it uses and scale that up or down as conditions change. International Workplace Group (IWG), parent of Regus, Spaces and several other workspace brands, shows how far this model scales: nearly 4,000 locations across more than 120 countries, run mostly through franchise and management agreements rather than leases IWG holds itself. For executives reviewing real estate strategy, the question is no longer whether virtual offices are legitimate. It is how much of the traditional office still earns its cost.

Why Physical Offices Are Losing Ground

For most of the 20th century, an office signaled that a company was real. A street address, a lobby and a lease told clients and banks that a business had staying power. Executives budgeted for that signal without much question, because there was no serious alternative to owning or renting a physical shell around the work.

That logic has weakened. Cloud software, video calls and distributed teams mean the daily work of most professional and knowledge-based businesses no longer depends on everyone sitting in the same building. Bloomberg reported that Regus owner IWG posted record revenue as more companies adopted hybrid work, a shift that has cut reliance on fixed office leases even as demand for professional business services keeps rising.[1] A fixed lease, once a mark of stability, now reads to many finance teams as a cost that limits how fast a business can change size or enter a new market.

What a Virtual Office Actually Provides

A virtual office is often reduced to a mailing address and a forwarded phone line. That description undersells what the model actually replaces. A virtual office bundles a registered business address, mail handling, call answering and access to meeting rooms and day offices, without requiring a company to lease or staff any of it full time.

International Workplace Group (IWG), the parent of brands including Regus, Spaces, HQ and Signature by Regus, runs this bundle at scale: close to 4,000 locations in more than 120 countries, serving roughly 2.5 million people.2 IWG does not need to own most of that real estate to deliver the service; increasingly, it manages it on behalf of landlords and franchise partners instead. A five-person startup and a 500-person division can present the same professional front door by buying into that infrastructure rather than building it.

The Economics of Unbundled Infrastructure

Conventional offices carry cost regardless of how much they get used. Rent, utilities, insurance, furniture and cleaning all accrue whether headcount is growing or shrinking. Businesses paid these costs because the alternative, no office at all, looked unprofessional to clients and lenders.

Virtual office providers break that bundle into services a company can turn on or off. IWG now delivers most new locations through management agreements and franchise contracts with property owners rather than signing leases itself, collecting a share of system revenue instead of carrying the real estate risk. System-wide revenue reached $4.5 billion in 2025, and the managed and franchised division grew system revenue by roughly 28 percent to $876 million.3 The provider converts real estate risk into a service fee, and its customers get to do the same with their own office costs.

Credibility Without a Lease

Legitimacy remains one of the strongest reasons a company adopts a virtual office. Banks want a registered address before opening a business account. Enterprise procurement teams check for a real business presence before signing a vendor, and platforms often require a verifiable address as a condition of listing a seller.

A virtual office satisfies these checks without forcing a business to sign a lease it does not need day to day. The address is real, the phone gets answered by a person and mail arrives and is forwarded or scanned on request. What changes is who owns the underlying property and staff, not whether the presence itself is genuine.

IWG and the Capital-Light Playbook

IWG shows how far this model can scale once a provider stops trying to own its network and starts running it instead. Since 2019, the company has shifted from a landlord-style structure, where it signed leases directly, toward one where property owners and franchise partners fund and hold the real estate while IWG operates the brand, booking platform and support services.

> "The largest annual network expansion in company history"

IWG signed more than 1,100 new centers and opened 782 locations in 2025, describing it as the largest annual expansion in company history, almost all delivered through management or franchise agreements rather than direct leases.4 For a property owner, partnering with an established brand converts vacant office space into a service business without having to build a booking platform or a call-answering operation from scratch.

Hybrid Work Meets On-Demand Space

For most companies, work is neither fully remote nor fully in person. Teams gather when collaboration matters and work apart when it does not. Virtual offices support that pattern by treating meeting rooms and day offices as bookable resources rather than fixed obligations.

Coverage of IWG's results has tied this pattern directly to revenue: the company has said its global move toward hybrid working led to record results, as businesses buy access to space instead of holding it.5 A team can rent a boardroom for a client pitch on Tuesday and go fully remote for the rest of the week, without the company carrying the cost of an empty office the other four days.

A Permanent Shift in Business Identity

The disruption underway is not really about remote work. It is the recognition that a company's identity and operations no longer need to sit inside a physical space it owns or leases. Long-run data on Regus workstation counts by region show the network still expanding rather than retrenching, evidence that this shift has outlasted the pandemic-era disruption that first drew attention to it.6

That does not mean physical offices disappear. Some businesses, particularly those built around manufacturing, retail or in-person services, still need them. For a growing share of companies, though, a lease is no longer the default starting point, and virtual infrastructure has become the more efficient way to look and operate like a serious business.

Key Partners

IWG depends on property owners and landlords who supply buildings under management or franchise contracts. Franchise and license partners operate locations under IWG brands in markets the company does not run directly. Corporate real estate advisers refer enterprise clients seeking flexible or virtual arrangements. Technology and service vendors support the booking platform, mail handling and call-answering operations behind every location.

Key Activities

IWG's core activity is operating a global network of flexible and virtual workspaces under brands such as Regus, Spaces and HQ. Recruiting and supporting franchise and management partners has become a larger share of the business as the company shifts away from signing leases itself. Maintaining the booking platform, brand standards and service quality across thousands of locations keeps the network consistent for customers who move between cities and countries.

Key Resources

The brand portfolio, spanning Regus, Spaces, HQ and Signature by Regus, is IWG's most valuable resource, since it lets partners license recognition rather than build it themselves. The booking and management platform lets customers reserve addresses, mail services and meeting rooms across the network from one account. A distributed base of local operators and franchise partners supplies the buildings and on-site staff IWG no longer needs to own directly.

Value Propositions

Customers get instant business credibility through a registered address and professional call handling, without signing a long-term lease. A global address network lets a company open a presence in a new market within days rather than months. On-demand meeting rooms and day offices give distributed teams a place to meet clients or collaborate when needed. Scalable access means a business pays for more or less infrastructure as headcount and demand change.

Customer Relationships

Most customers manage their account through IWG's self-service booking app, reserving space and services without contacting a salesperson. Larger corporate clients get dedicated account management to coordinate multi-city or multi-country arrangements. Community and concierge staff at physical locations handle day-to-day requests like mail, deliveries and visitor greeting.

Channels

IWG sells directly through its website and mobile app, where customers can browse and book locations worldwide. Franchise partner locations extend the network into markets IWG does not operate directly, each carrying the same booking system. Corporate sales teams handle larger accounts that need multi-location agreements or custom service terms.

Customer Segments

Startups and solo founders use virtual offices to appear established without renting space they do not need yet. Small and mid-sized agencies and consultancies use them to support distributed teams working across cities. Multinational corporations use the model to enter new markets or trim underused office space without losing local presence. Remote-first teams use virtual offices to give an otherwise distributed company one professional, verifiable address.

Cost Structure

IWG's costs center on supporting franchise and management partners, including brand standards, training and the technology behind bookings and billing. Royalties paid out and revenue shared with partners represent a growing cost line as the network shifts toward the capital-light model. Marketing, platform maintenance and corporate staff round out the remaining fixed costs.

Revenue Streams

Virtual address, mail-handling and call-answering fees provide steady, low-cost-to-deliver revenue from customers who never occupy space full time. Franchise and management royalties, typically a share of system revenue generated by partner-run locations, have become IWG's fastest-growing revenue stream. Meeting room and day office bookings add usage-based revenue on top of these recurring fees.

- 1Regus owner posts record revenue as more firms adopt hybrid work
- 2International Workplace Group
- 3IWG FY2025 slides: record results amid franchise transformation
- 4IWG Q4 earnings call highlights
- 5IWG says global move to hybrid working led to record revenues
- 6Workstations of Regus by region

Summary

Virtual offices spread because companies stopped paying for office space they weren't using. Credibility once meant square footage and signage; now it means a registered address, an answered phone and a meeting room available on short notice. IWG's expansion shows where the incentives point: capital-light franchise and management agreements let the network grow quickly while property owners take on the real estate risk instead of IWG. For executives reviewing office strategy, the practical test is straightforward. Ask whether the business needs a long-term lease or simply a professional address, mail handling and occasional meeting space. For a growing share of companies, the second list already covers what clients, banks and regulators require, at a fraction of the fixed cost of a conventional office.