Colliers INTERNATIONAL

THE FLEXIBLE WORKSPACE OUTLOOK REPORT 2019

EMEA

RATE OF GROWTH 2014-2018

+135%
No of Operators

+205%
No of Flexible Workplace Centres

FLEXIBLE WORKPLACE % OF TAKE-UP IN 2018

2%/**8%**/16%

FLEXIBLE WORKPLACE % OF OFFICE SPACE IN 2018

0.2%/**1.5%**/5.1%

FLEXIBLE WORKPLACE COSTS PER DESK BY END 2018

€408/**€700**/€1,337

MIN. / **AVG.** / MAX.

SPACES VIJZELSTRAAT | AMSTERDAM
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THERE'S A NEW GIG IN TOWN

The flexible workplace evolution continued to pick up speed in Europe over 2018, driven by a combination of factors the flexible structure of employment, the rise of the tech and gig economy, shifts in corporate culture and use of space, government support and accountancy changes, which all point to the direction of further growth.

The increasing use of space as a customer centric service, and the flexibility it can provide occupiers via flex and core operational models has seen operators increase the size and diversity of their portfolios to accommodate bigger teams above and beyond the typical '10-desk SME occupier'. This is also driving the diversity of spaces on offer in terms of cost and location.

The shift towards viewing 'space as a service', and not just a commodity is probably going to be the biggest driver of growth in demand for flexible workplace going forwards. Customer centricity is at the heart of this, and is likely to see flexible workplace options rise to around 10% of all office space in major European cities in the years ahead, from around 1.5% (on average) as of end 2018.

Although IT security and branding remain a concern for some occupiers, the growing adoption of flexible workplace options by traditional landlords is going to provide some solutions to these concerns. The traditional/conventional landlord response is definitely gaining momentum, especially in London, with landlords including L&G, which now has its own brand Capsule. An increasing number of landlords are looking at JV opportunities with the more established and successful workspace operators. Particularly operators who can enhance tenant experience by delivering additional amenities to assets. This should drive higher levels of utilisation of flexible workplaces by larger corporates, beyond being a medium for entering new markets, or as an off-site project team option.

Concerns over 'excessive growth' in the sector seem overblown, given that flexible workspace is only a very small proportion of city office space. As of end 2018, it accounted for only 1.5% of total office space on average across the 22 major European cities surveyed, with the highest proportions recorded at 5% in London and Amsterdam.

As a result, it is difficult to consider this niche to be a huge threat to the market, even with the prospect of economic cooling and diminishing levels of employment growth in the years ahead. The biggest risk is most likely with the new flexible workplace operators that have entered markets in the last two years, in particular, but who do not have the real estate knowledge, service offering or economies of scale to compete and survive. The large diversity of operators across Europe suggests definite scope for future consolidation and M&A activity down the line as the market matures.

With economic growth rates dropping globally and in Europe in 2019, and as the labour pool continues to tighten, any subsequent contraction is likely to really test the flexible workplace market for the first time. However, there's a strong chance that the (peaks and) troughs of older occupational/economic cycles will be smoothed out by the shorter lease-length options provided by Flexible Workspace operators. The economic commitment is far more manageable than that for conventional space, despite the fact lease lengths across the conventional market have been reduced in order to compete.

TOM SLEIGH

Head of Flexible Workspace Consultancy | EMEA Corporate Solutions
Tel: +44 20 7344 6556
Email: Tom.Sleigh@colliers.com

DAMIAN HARRINGTON

Director | Head of Research
EMEA
Tel: +44 7867 360489
Email: Damian.Harrington@colliers.com

ANDREW HALLISEY

Executive Managing Director – Occupier Services
EMEA
Tel: +44 20 7344 6552
Email: Andrew.Hallissey@colliers.com

THE LINE BY WELLO | PARIS

TABLE OF CONTENTS

THE WORKPLACE EVOLUTION 06

OPERATOR EXPANSION AND DIVERSIFICATION 08

OPERATORS BY CITY 10

MARKET SATURATION 12

LEASE ACCOUNTANCY 14

ALTERNATIVE LEASING MODELS 16

CLIENT VIEWS 18

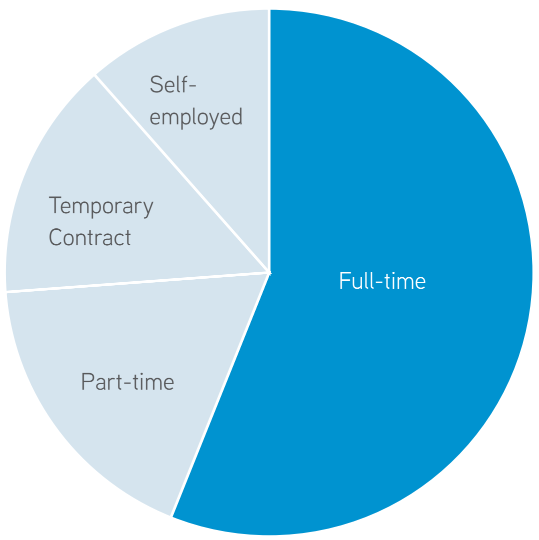
AROUND THE MARKETS 22

THE WORKPLACE EVOLUTION

THE KEY | MOSCOW

EU28 EMPLOYMENT STRUCTURE

end 2017



Source: Oxford Economics, Colliers International

A PERFECT STORM?

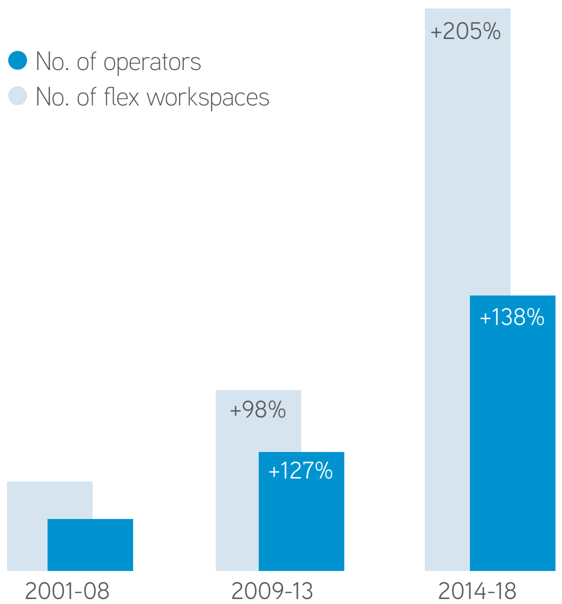
A wide range of factors have converged to drive a significant upward shift in the demand for flexible workspace arrangements across Europe in recent years. While the rapid increase in demand for flexible workspace has been more visible and newsworthy as of late, the underlying factors driving change have been developing over a longer time-frame.

Demographic/workforce changes:

- During this last economic cycle, economic recovery and subsequent growth in output has been stimulated by the rapid evolution of the tech and gig economies. This has seen part-time, contractual and self-employed 'agile-working' positions rise in number to closely match the number of full-time employment levels in Europe.
- Equally, as Europe's working population continues to age, self-employment is an increasing trend amongst those aged over 45.

DELIVERY OF NEW FLEX WORKSPACE

by cycle



Source: Colliers International

Corporate Co-working Cool:

- Many companies seek to maintain flexibility to be able to respond to business change. This is often in the shape of project-based teams which can ebb and flow in terms of their size and staff/skills composition. The natural fit for these teams is to use flexible workspace options.
- A shift towards hub and spoke operations also points to greater use of flexible workspace options that can be linked to a mother hub.
- Increasingly, millennials and fresh talent view companies offering 'well-designed/cool' flexible space options as increasingly desirable companies to work for. In the race for talent, providing these flexible workspace options could be a deciding factor in winning or retaining talent. Equally, the evolving Millennial workforce likes change, and many expect to move jobs within a 2-3 year time-frame, or have more than one job in an increasingly collaborative world.

Government/Regulatory Drivers

- Governments are increasingly supporting and funding start-ups and SMEs, to stimulate economic growth via flexibility and innovation.
- Accountancy rules: The Financial Accounting Standards Board (FASB) changes that come into effect in 2019 will increase the visibility of a company's real estate strategy, putting pressure on corporate real estate leads to ensure portfolio performance is optimised. This will play in to how space is being used and should have a positive impact on the flexible workspace sector, pushing multinational corporations to take less core space on traditional long-term leases and rely on flexible workspace operators to provide for temporary headcount swings.

The result of all these factors has seen significant growth in the number/size of flexible workspace providers operating across a range of major European cities. Yet it is clear that cities are at various stages of the flexible workspace evolution.

THE 2015+ SCALE-UP

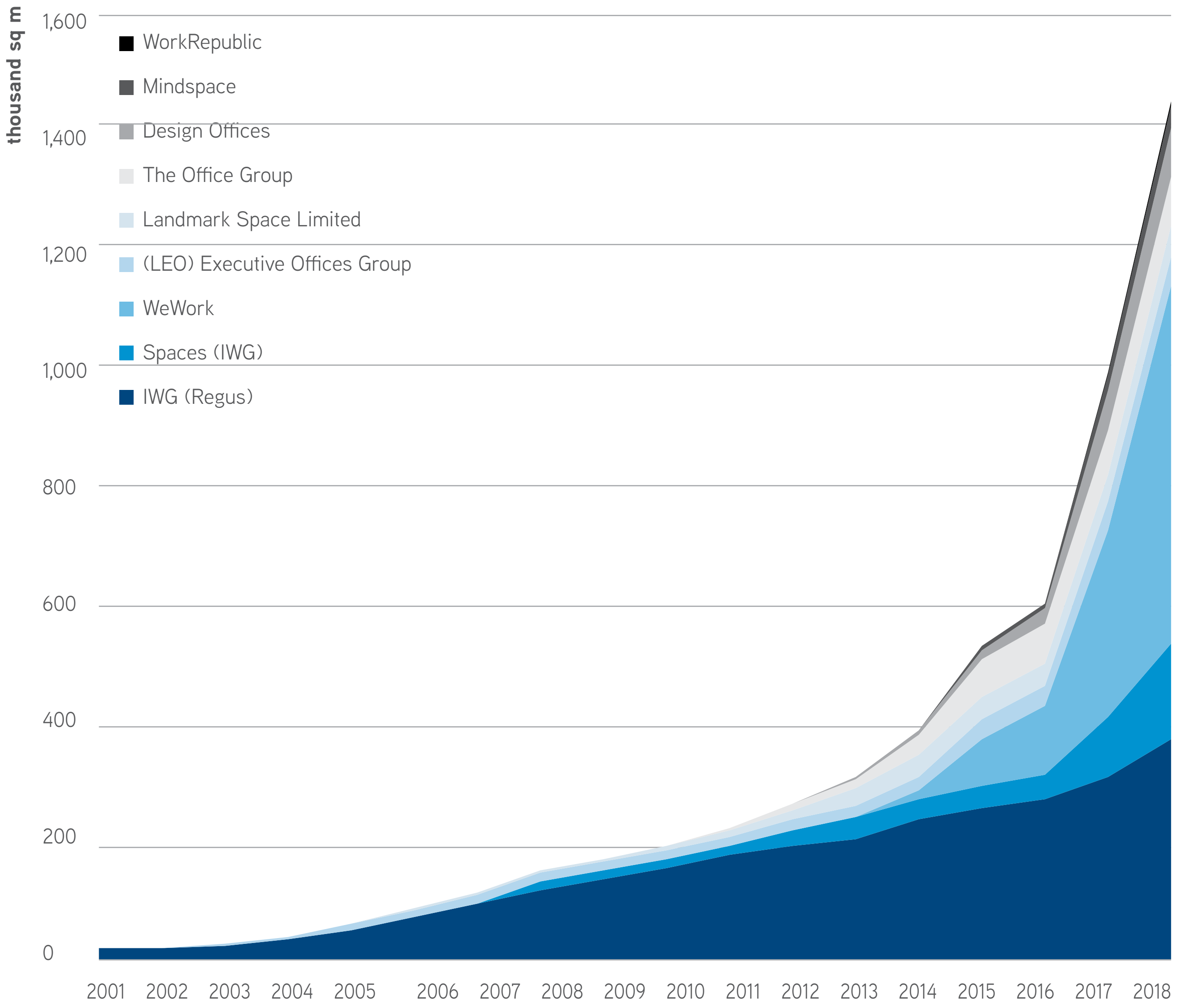
It is clear to see how rapidly the flexible workplace niche has expanded since 2001 - in terms of the number of sites, volume of space (sq m) and number of operators in situ across Europe. The big jump in expansion has been in the last five years, between 2014 and end of 2018, where the number of flexible workspace sites expanded by +205% while the number of operators expanded by +138%.

OPERATOR EXPANSION AND DIVERSIFICATION

A review of the most significant flexible workspace operators highlights there are a number of active participants, but not all of these participants are active across a range of city markets. In fact, the majority of flexible workplace operators tend to stick to a few big centres, or to national borders, outside of the major global and European players. There are two major players that dominate flexible workspace activity in Europe, as highlighted by the chart below: International Workplace Group (IWG), which incorporates Regus and Spaces; and WeWork.

EUROPEAN FLEXIBLE WORKSPACE EXPANSION

2001-2018



Source: Colliers International

IWG has been the longest standing player in the European market with Regus operations commonplace in a large number of European cities. Their activity has gradually ramped-up over time and the Regus offer is now complemented by their more modern, flexible brand 'Spaces', which has upscaled significantly since 2016. Spaces are a high-end co-working firm founded in Amsterdam that IWG acquired in 2015. Colliers' estimation is that IWG operate across just under 1,100 locations and 30+ countries across Europe.

WeWork has been the headline-leader, and no surprise given they have absorbed up to around 600,000 sq m of office space across Europe in little over four years. Their geographic coverage is not as extensive as IWG but their impact has been significant, driving greater awareness of the sector.

TOP GLOBAL INVESTORS

It is interesting to note that IWG and WeWork were ranked first and second, respectively, as the biggest corporate foreign direct investors globally from September 2017 to 2018, knocking Amazon back into third place. According to data from greenfield investment monitor fDi Markets, IWG created 221 projects between September 2017 and August 2018, an increase of 200% on the previous 12-month period. Western Europe was the main destination market for IWG , where it made 92 investments, and it was also the top investor in emerging Europe and Africa. Almost two-thirds of these investments were made through the company's subsidiary, Spaces, a high-end co-working firm founded in Amsterdam that IWG acquired in 2015.

While IWG was also active in the Asia-Pacific (42 projects) and North American (39 projects) regions, WeWork were busier. Of the 188 projects closed by WeWork in the review period, up a massive 420% from the same period in 2017, more than half (52%) of these were created in Asia-Pacific, followed by western Europe (45 projects) and Latin America and the Caribbean (35).

It will be interesting to see how both of these players evolve and expand in 2019, and how other more regional and national-based players respond.

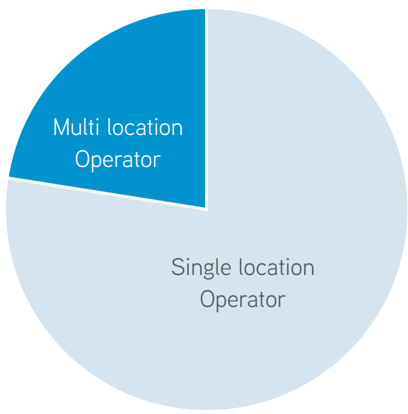
MOST ACTIVE GLOBAL INVESTORS BY REGION

Region	Company
Western Europe	IWG
Emerging Europe	IWG
Africa	IWG
Middle East	Agility
North America	IWG
LatAm & Carib	WeWork
Asia-Pacific	WeWork

Source: fDi Markets

EMEA OPERATOR DISTRIBUTION

by number of locations



Source: Colliers International

OPERATORS BY CITY

The 'Operators by City' infographic overleaf illustrates just how different European cities are in terms of the flexible workspace operators in situ.

London and Paris are the most mature markets, and both have seen more established operators develop their presence, in addition to IWG and WeWork. Despite this evolution, both cities are dominated by a small number of operators, with other domestic, local players playing a significant role accounting for over 60% of activity.

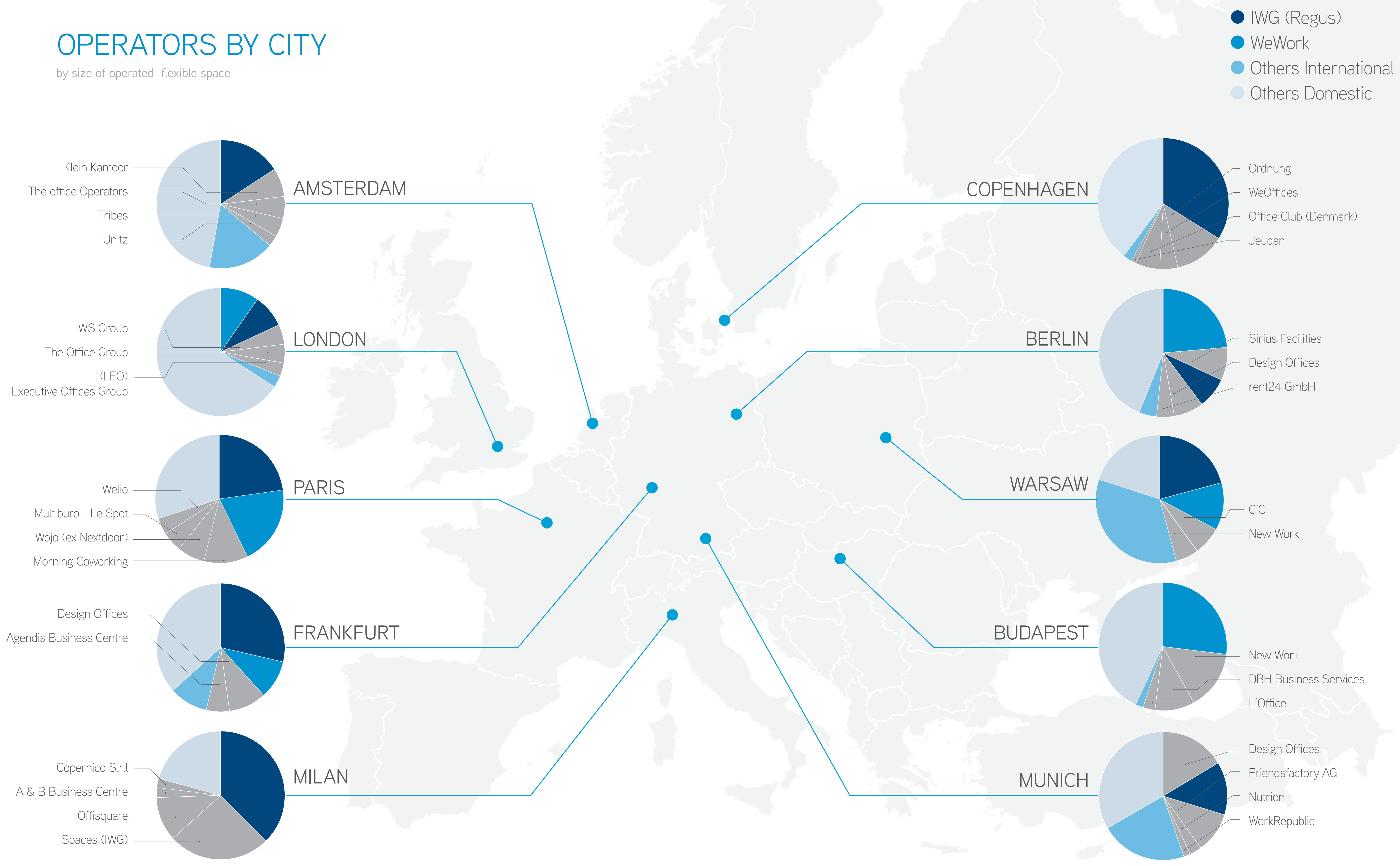
Amsterdam, Warsaw and Munich show that IWG and WeWork have relatively equal positions. In Amsterdam and Warsaw this is muted by the role of significant other local players, in Munich much less so.

In Copenhagen, Budapest and Frankfurt IWG is the dominant player - accounting for between 25-35% of activity. In Copenhagen and Budapest, local players - both significant and others - take up the remainder of the market. In Frankfurt this differs, with international operator accounting for a sizeable amount of space.

In Berlin, there is a far greater internationalisation of the flexible workplace offer, with international operators beyond IWG and WeWork accounting for over 40% of space operated. In Milan the reverse is true, and aside from IWG the majority of space (over 40%) is run by local (Italian) operators.

OPERATORS BY CITY

by size of operated flexible space

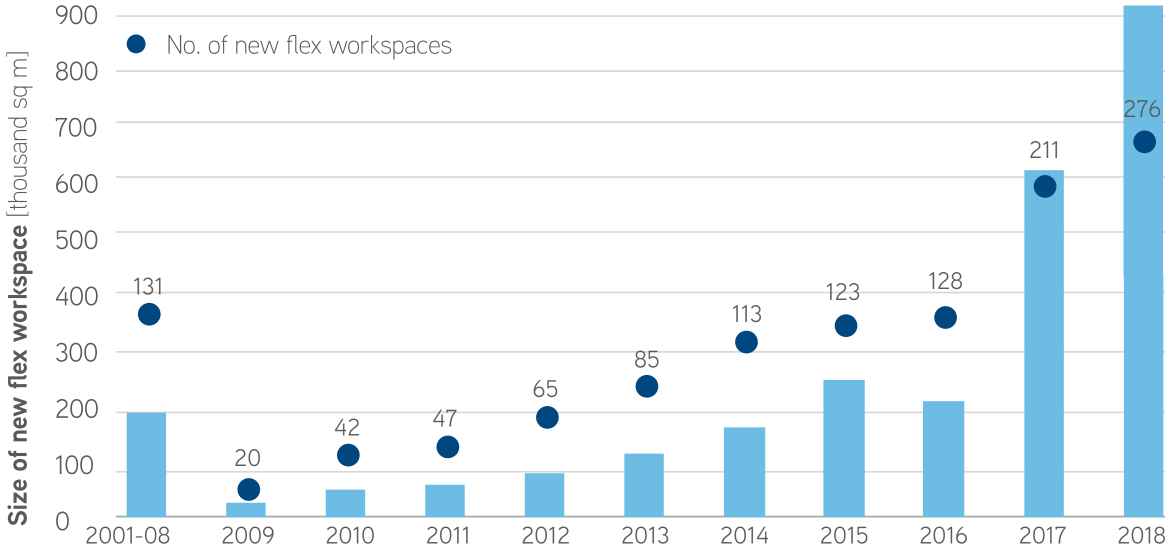


Source: Colliers International

MARKET SATURATION

FLEXIBLE WORKSPACE EXPANSION 2001 - 2018

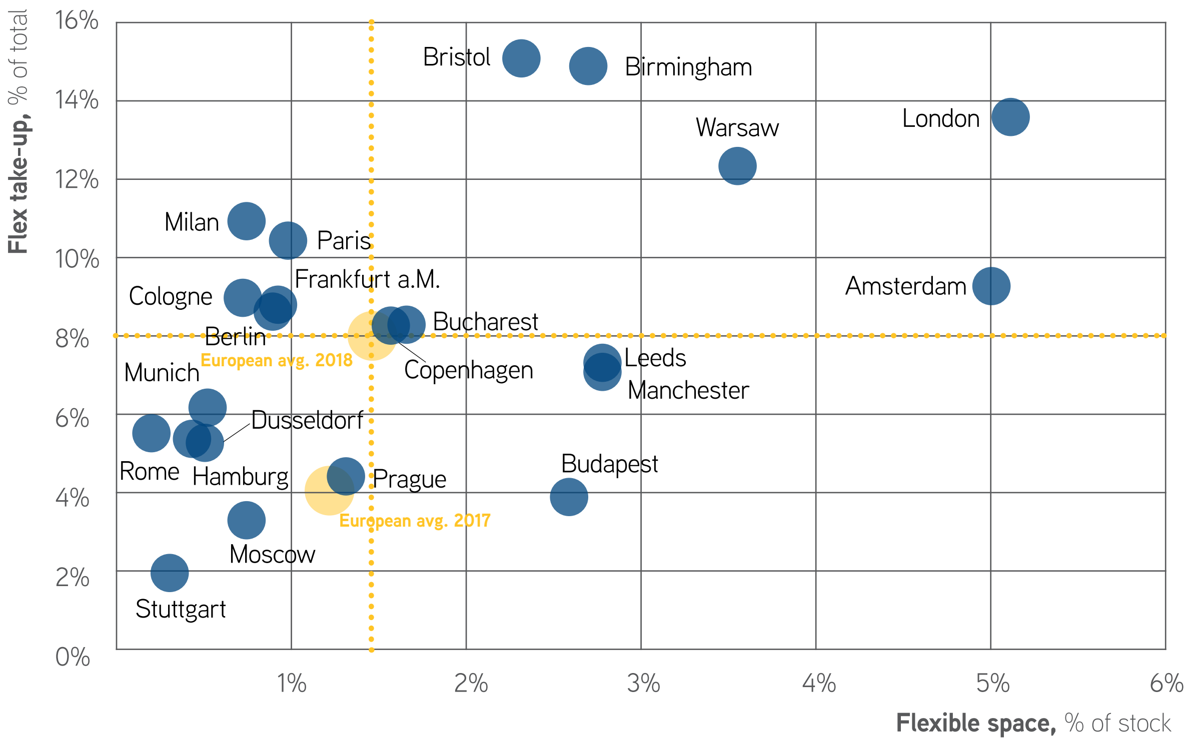
annual additions: sq m, no of units



Source: Colliers International

MARKET SATURATION

(Activity vs Size)



Source: Colliers International

	Number of flex workspace centres	Number of flex workspace operators	Space occupied by flex workspace [2018, % of stock]	Space leased by flex workspace operators [2018, thsd., sq m]	Total office market take-up [2018, thsd., sq m]	Vacancy rate [2018, %]	Flex workspace take-up forecast [2019]	Entire office markt take-up forecast [2019]	Prime CBD rent [€/sq m/month]	Flex workspace CBD rent [€/sq m/month]
Amsterdam	122	53	5.0%	24	255	5.8%	▲	▲	37	48
Berlin	89	34	0.9%	69	791	1.5%	▲	▲	35	57
Birmingham	16	10	2.7%	11	70	7.6%	▲	▲	33	n/a
Bristol	16	16	2.3%	8	49	6.5%	▲	▲	35	n/a
Bucharest	27	17	1.7%	27	327	9.5%	▲	▼	18	n/a
Budapest	50	31	2.6%	21	530	7.3%	▲	▶	20	n/a
Cologne	29	17	0.7%	26	290	2.8%	▲	▲	23	n/a
Copenhagen	66	31	1.6%	28	342	7.2%	▲	▶	22	43
Düsseldorf	26	13	0.5%	18	338	6.4%	▲	▲	28	n/a
Frankfurt am Main	63	34	0.9%	54	618	6.8%	▲	▲	42	44
Hamburg	70	40	0.5%	29	564	3.6%	▲	▲	27	n/a
Leeds	25	16	2.8%	5	62	7.4%	▲	▲	30	n/a
London	1,023	411	5.1%	169	1,241	5.1%	▲	▶	119	167
Manchester	16	10	2.8%	11	163	7.9%	▲	▼	37	n/a
Milan	68	17	0.8%	40	364	12.0%	▲	▶	46	n/a
Moscow	118	17	0.8%	50	1,530	8.7%	▲	▲	65	n/a
Munich	73	33	0.5%	60	979	1.8%	▲	▶	41	54
Paris	409	258	1.0%	108	1,040	2.3%	▲	▲	70	100
Prague	41	14	1.2%	26	519	5.1%	▶	▶	22	51
Rome	38	21	0.2%	10	174	7.8%	▲	▶	35	n/a
Stuttgart	29	18	0.3%	4	216	2.3%	▲	▶	23	n/a
Warsaw	94	33	3.6%	107	858	8.7%	▲	▲	22	46

Source: Colliers International

When we look at markets in the broader context of flexible workspace as a factor in the office market, it is clear that markets are at different levels of maturity. Amsterdam and London are the stand-out markets in terms of the proportion of take-up and physical office space that flexible workspace accounts for - at around 10-15% of take-up and 5% of total office stock at end 2018.

At the other end of the scale, flexible workspace in Stuttgart and Dusseldorf accounted for only 1% of take-up and office stock at end 2018.

Even at the top end of the spectrum, this suggests the sector has not grown or expanded to excess, reducing any perceived destabilising impact on the broader office market. **There is plenty of room for growth, and growth in flexible workspace is anticipated in every European city.**

LEASE ACCOUNTANCY

The Financial Accounting Standards Board (FASB) and International Accounting Standard Board (IASB) will require businesses to disclose lease obligations for real estate and other major assets directly on balance sheets as of 2019. This requirement will add more than US$2 trillion of debt to company balance sheets.

Being obliged to disclose real estate lease obligations will increase the visibility of a company's real estate strategy and put increased pressure on corporate real estate leads to ensure portfolio performance is optimised. This will play in to how space is being used and should have a positive impact on the flexible workspace sector, pushing multinational corporations to take less core space on traditional long-term leases and rely on flexible workspace operators to provide the flexible space to deal with temporary headcount swings. Occupiers will also rely on either a landlord or an operator to provide access to amenity spaces such as meeting rooms, training facilities, and breakout spaces, rather than sitting on inefficient or unused space which will now be accountable. Short-term agreements for flexible space and memberships for use of amenities will typically sit outside of the FASB and IASB obligations.

As the sector evolves and becomes more mature we expect operators to continue enhancing product standards in line with this demand. International flexible workspace operators can now usually meet the workplace standards of financial and professional services firms and ensure technology, security and privacy concerns are dealt with, even in short-term agreements for the flexible element of a multinational corporation's real estate strategy. Changing regulation will contribute to buildings providing amenity space and flexible workspace becoming more attractive to multinational corporations long term.

While we will undoubtedly see an increase in digital memberships, hot desks and short-term take-up of private offices in flexible workspace locations by multinational corporations, we do not believe that long-term agreements can circumvent the new regulations. A multinational corporation taking on a three-year deal for customised space within a flexible workspace location is unlikely to be able to pass this off as a membership, and therefore this will still need to be accounted for.

EXCLUDED

Digital memberships, hot desks and short term private offices fall outside of FASB and IASB obligations

INCLUDED

Longer-term deals within flexible workspace are likely to still be accountable

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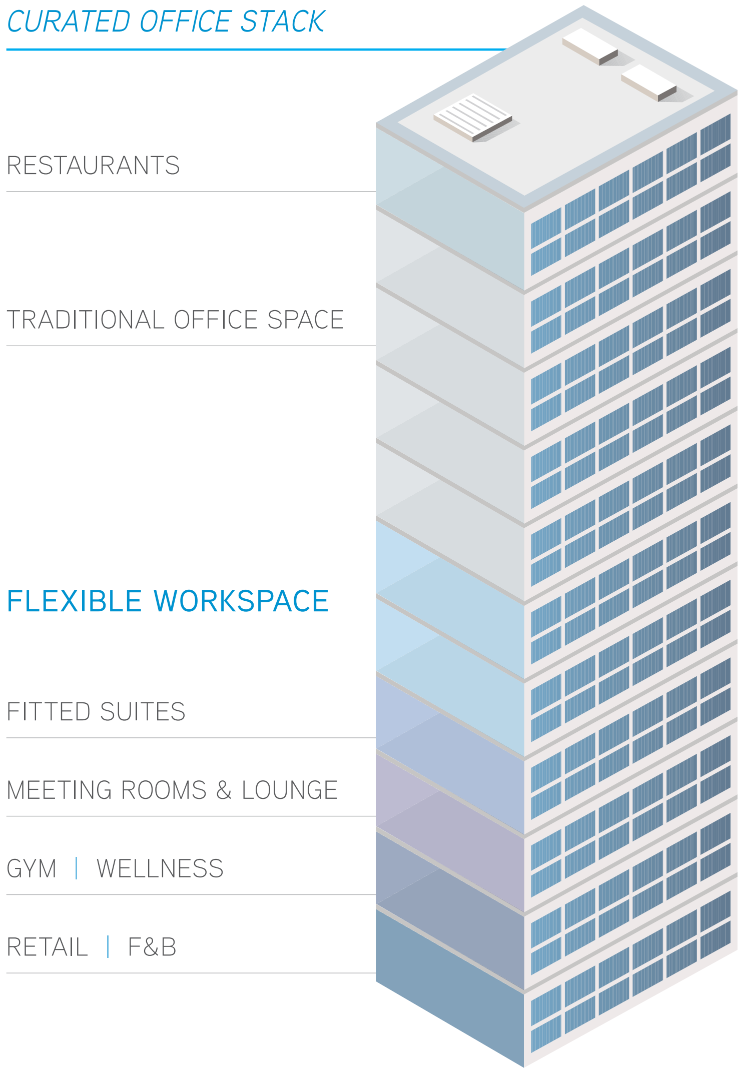
ALTERNATIVE LEASING MODELS

There are two alternative leasing models that are growing in popularity on the back of the changing working environment. As work becomes more digital and mobile, and as a reaction to the growing need for flexibility and the impact of lease accountancy changes, we are seeing flex and core, and city campus models being used more frequently by multinational corporations.



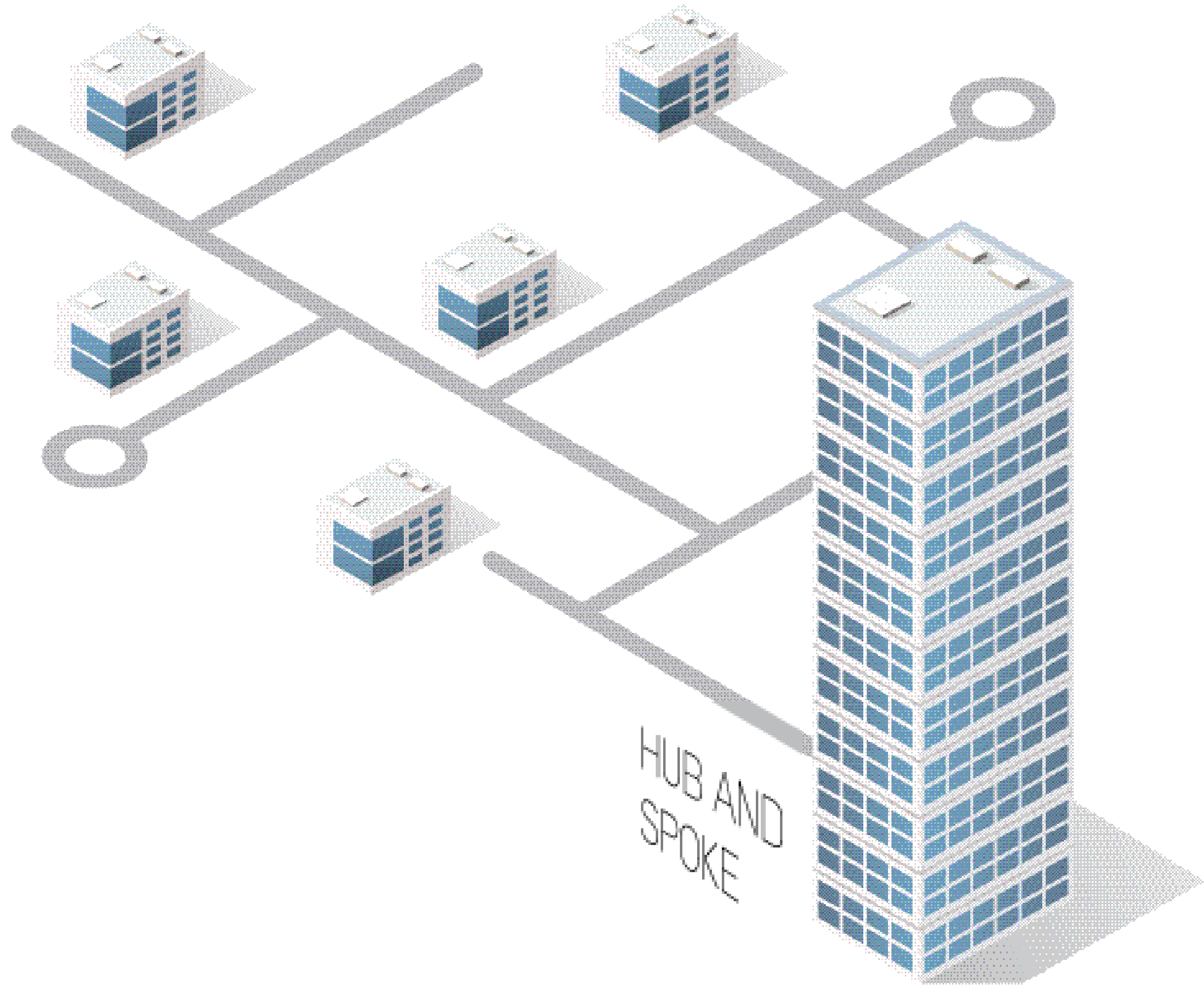
FLEX AND CORE

The concept of the flex and core leasing model is that an occupier takes space on a long-term deal for their core operations together with an agreement with a flexible workspace operator to accommodate volatility in headcount.

There are several ways the flex and core concept can be adopted and variations typically revolve around where the core space is accommodated, i.e. either with an operator or directly with a landlord on a traditional lease. In either case, cost savings can be achieved through leveraging a discounted rent through the operator taking space, in addition to the occupiers' core space, and economies of scale on fit-out. **Finally, the dollar value of flexibility, mobility and the opportunity to flow capex through the term as opex means that this leasing model is becoming increasingly attractive.**

Tandem Deal Structures

Colliers assisted a global tech company, relocating their UK office on a traditional lease. When the ideal building in their preferred location was found, but was too large for the initial headcount, Colliers engaged with a limited number of Flex operators who matched the profile of the occupier to run the initial surplus space as a flexible workspace. This would provide the occupier with the mobility to expand as and when their headcount grew, whilst providing an additional revenue steam/reduce the initial outgoings.



Anchor Occupier Structures

On a different assignment, Colliers advised a global fashion brand who had a requirement for flexibility of terms, with the capacity to expand as required. Colliers worked with an international flex operator who delivered a managed office floor for the occupier, while giving the occupier the ability to expand within the rest of floors at a pre-agreed desk rate. Together with the mobility to access a range of workspaces in London and beyond, the solution provided the tenant with no capital outlay and provided flexibility and agility both on size and term.

Landlord+Flex Operator

Colliers worked with an institutional landlord on a new scheme and were asked to advise on the strategy of implementing a flex and core model with a suitable flex operator. The basic premise of the model is to attract SME and Mid-Cap companies to the building to create and activate engagement through interaction, whilst allowing occupiers with mid-term requirements to reduce their initial footprint and utilise site amenities (café /meeting rooms). It also allows for future-proof expansion with the ability to take more space as and when they require.

HUB AND SPOKE (CITY CAMPUS)

Colliers recently worked with an occupier to establish a main HQ and several touch-down points in strategic cities, and locations within cities, for sales teams/ flexible workers. This has allowed them to reduce footprint and costs.

The success of this model will be largely geared around the strength of the flexible workspace operator's digital platform and its ability to link with existing businesses on planned technology. It is also dependent on the operator of choice's market coverage. Therefore as certain operators scale to gain coverage the attraction of the model is amplified.

Again, the premise is straightforward – a business has its HQ office and reduces its physical footprint, enabling it to put a number of staff onto a digital platform that grants hot desk or even private office space across a number of locations within a single or numerous flexible workspace operator's portfolios.

CLIENT VIEWS - OPERATORS

BE.SPOKE
TAILOR MADE WORK SPACE

BESPOKE

Jonathan Weinbrenn
Managing Director | BESpoke

What are the positive aspects that you have experienced from the growth in flexible working?

For me, the most positive outcome of the flex revolution is how our segment really focusses on the needs of the consumer, putting them front and centre. The most striking impact of our sector is customer centricity; for the best operators, it's always been what sets us apart from the conventional market. As the flexible sector becomes more congested, customer centricity will only become more significant. Operators that can exceed customer expectations, understand their client's specific circumstances, resolve conflict, minimise customer effort and empathise with their consumers – it's these operators who in my opinion, will be the winners.

Do you have concerns about current and developing trends in the flexible office sector in London?

I have concerns about the sustainability of some providers in the market. The recent hype around the sector has acted as a magnate for new entrants but having seen some of their operations, I have questions about whether they understand two key elements that are critical to success in our world; property and hospitality. Getting this blend right is the secret sauce. A successful operator in the capital has to have a deep understanding of the London property market and also, they need to truly appreciate the complexities and intensive demands on delivering space as a service to the consumer, in the same way a successful hotel interacts with its guests. Delivering these two elements profitably takes experience, skill and a mix of the right people in the organisation. When the downturn comes, as it inevitably will, I worry that many of the newer entrants will simply not survive, which could set back the incredible gains our sector has made over the past five years or so.

As an operator, how have you adapted to recent market trends with occupiers and new competition coming to market?

I genuinely believe that competition is healthy and keeps us all on our toes. We must be constantly evolving and adapting. For BE Group, we have responded to the new landscape in two distinct ways. Firstly, we have created new solution lines to add to our existing serviced office and pro-working business, BE Offices. We acquired Headspace Group and launched BESpoke; the former to accommodate coworking in more creative environments and the latter to house larger requirements in customised spaces but still on flexible terms. This sets us on a path to exceed 1 million sq m of floor space in 2019, but more importantly it means we can meet the wider needs our clients.
Secondly, we continued to invest heavily in the interior architecture across our portfolio, spending almost £2.35m in 2017 on improving facilities at our Barbican, Aldgate and Reading centres. In 2018 a similar amount was invested in the London portfolio.

Have your relationships with landlords changed due to recent market trends?

Our portfolio includes a mix of freeholds and leases, so we have the benefit of a mixed estate. In the short term, as the traditional landlord market looks to respond to the exponential demand for flex, there might be some buildings where we can't open, if the landlord is delivering an in-house solution. However, I think this will be short-lived, as more and more landlords start to appreciate the challenges in delivering a full coworking or serviced offering, and the capital and operational risks that go with it. It's also encouraging to see so how many landlords are keen to partner or work more closely with us and look to share in the upside of our model. We are increasingly being approached on a JV or partnership model which I think is an endorsement of how the market has moved towards flex.

Flexible office space in London now accounts for approximately 5% of stock, how do you see the sector evolving over the next five years?

I subscribe to the general market commentary that by 2030, we could reach a circa 30 per cent saturation level, although this suggests even further stratospheric growth! What I am even more confident of, is that the market is moving towards space being delivered as service, not just as a commodity as it has historically been traded. To reach this outcome, it won't only be incumbent operators of flex space who drive this growth but a blend of new entrants from the hospitality world and traditional landlords working more in partnerships to deliver the creation of an amenity, encompassing health and wellbeing facilities, F&B, incubator and accelerate spaces, coworking, managed spaces and serviced offices. The lines are blurring and one day soon I hope to see all workspace delivered as a service, and the categories we currently use to define the various delivery methods, disappear!

leo

LEO

Sally Carter
Head of Marketing | Leo

What are the positive aspects that you have experienced from the growth in flexible working?

Companies are increasingly more receptive to utilising flexible office space and are viewing this as a long-term solution to not only allow for flexibility but also to drive profitability and support cultural changes and growth within their business.

Do you have concerns about current and developing trends in the flexible office sector in London?

Clearly all eyes will be on Brexit – or no Brexit. Undoubtedly this will be a key issue for the entire UK economy and we will continue to impact on demand within the London flex space market.

In some ways uncertainty can be beneficial to the serviced offices sector, given the flexibility on offer – providing businesses with shorter lease and licence commitments, as well as the ability to expand or shrink quickly. However, a growing and stable economy that supports business confidence is the best long-term outcome for London and our industry.

As an operator, how have you adapted to recent market trends with occupiers and new competition coming to market?

The types and sizes of businesses using serviced offices has widened considerably and the number of enquiries we receive is growing year-on-year. Whilst our largest customer base is SMEs of 10-desks or below, we now look after a large number of 25-50 desk occupiers, whether that be their permanent home or fixed-term project space. This trend has unquestionably influenced the diversity of our portfolio of premium office space in key London target areas, both in terms of the style and size of the space that we can offer. These changing demands have seen the portfolio expand to now provide premium space for much larger client groups than in previous years..

Have your relationships with landlords changed due to recent market trends?

This year has seen a serviced office boom, with a number of the big landlords excited at the possibility of introducing flexible space into their portfolios, and in doing so, adapting their offering to meet occupier demand for more tenant-focused and service-orientated office space.

Flexible office space in London now accounts for approximately 5% of stock, how do you see the sector evolving over the next five years?

The flex space market will almost certainly continue to raise the bar across the whole property industry by remaining fast moving, highly competitive and above all client focused.

CLIENT VIEWS - OPERATORS

wework

WEWORK

Mary Finnigan
Head of Transactions | WeWork EMEA

What are the positive aspects that you have experienced from the growth in flexible working?

As the way that we work changes, WeWork has gone from strength to strength; our membership has grown from 175,000 to 320,000 around the world in just the last year. We now have 335 open locations in 83 cities globally.

Seeing our members collaborate, be it for business or social purposes, inspires us to continue to grow our footprint to create even more human connection. It also helps our member businesses themselves to grow. Globally, over 50 percent of our members transact with other members on the WeWork platform, over 80 percent collaborate in some form - we provide both the technology and the physical space and opportunities to meet to enable this - it is this aspect of our offering which makes us unique.

From a recent study with CEBR, we found that the average WeWork member in London has added 5.8 employees since joining WeWork and 81 percent of members in London credit WeWork with improving their company's productivity. Findings such as these demonstrate the positive outcomes of the demand for our offerings, and proves what we're doing is working.

Do you have concerns about current and developing trends in the flexible office sector in London?

We're continually seeing a huge demand for this new way of working. London is such an incredible city and the opportunity here is vast so we're focusing on expanding our offering in the city. In London, we've brought together a vibrant community of over 35,000 members – from small businesses, local entrepreneurs and larger corporations – who are connected both physically (in our spaces) and via our app to the global WeWork network.

Also, across all locations, we've found that enterprises have really opened up to the signature WeWork community experience and global network. WeWork caters to all our members from startups to enterprises like HSBC and Citi, and enterprise members now account for 29 percent of WeWork's total membership base. Corporates are keen to take advantage of the services and opportunities WeWork provides, such as flexibility as you grow, access to our amenities and programming, our global network. The global network is of huge importance to our large enterprise members - over half of them join WeWork because they want to be able to access the community on a global basis as various members of their own teams work out of different international cities - having that home from home feel for their increasingly mobile employees is extremely important to them. We are lucky enough to be in a position where we can provide the large companies looking for this offering with both the global physical locations and the technology to enable global connections to be made. WeWork will always have a large proportion of its membership base coming from freelancers, creatives, and small start-ups - yet the increase in larger companies seeking to join our community proves that businesses of all sizes are attracted to this new way of working.

As an operator, how have you adapted to recent market trends with occupiers and new competition coming to market?

I don't feel as though we have any direct competitors in the market as we're much more than just a workspace. At WeWork, we focus more on our members and their opportunities within our spaces rather than just providing an office. We're building a platform for people to meet, collaborate and work together, regardless of the size of their businesses, or their background.

Also, we've seen that our impact on neighbourhoods and cities are valuable for non-members. In London, for example, every week, WeWork members spend nearly three times as much as the average Londoner on pubs, restaurants, and cafes, injecting more than £75 million per year into local neighbourhood business. We've become one of the most attractive anchor tenants for landlords all over the world because a WeWork workspace attracts companies, large and small, to the building and the area, which brings business to the neighbourhood. I think more and more landlord property companies are recognising that we at WeWork have the technology, the resource and the experience to continue our global growth. So it makes sense for them to partner with us and be part of that growth on a more local level through that partnership.

Have your relationships with landlords changed due to recent market trends?

We have excellent relationships with our landlords and we're getting more and more traction with both established landlords and also new landlords looking to transact with us and to add vibrancy to their buildings which they recognise is brought through both the design and fit out and the community that we bring.

Not only are they confident in our business model, but they're wanting to be a part of this shift towards a new way of working. On that note, we have increasing interest from landlords on both a local and global level seeking to partner with us via revenue share and management agreements - there is an increasing recognition from landlords that we provide best in class building operations as part of our community offering.

WEWORK | London

CLIENT VIEWS - LANDLORDS

LEGAL & GENERAL INVESTMENT MANAGEMENT: REAL ASSETS

Bill Page
Business Space Research Manager

What are the positive aspects that you have experienced from the growth in flexible working?

An increased awareness of customer service. Although many were aware of their own shortcomings and keen to do more, traditional landlords had always lagged behind service industries. They have been given an overdue and deserved kick in the right direction, underpinning the fact that these operators are providing something people want.

Do you have any concerns about current and developing trends in the flexible offices sector in London?

It is a cliché but we don't know how these operators will perform in a weaker economy, especially since their recent aggressive expansion. We believe many will still turn a profit at c.70% occupancy and take comfort that levels didn't go much lower than this during the GFC – but there weren't as many operators then. Equally, evidence of valuation impact is thinner than we would like.

As a traditional Landlord, are there any specific lessons that you have learnt from the emergence of the Flexible sector?

As above: customer service, speed of occupation, ease of leasing process. However, we think there is a strong case to offer flexibility with the benefit of a certain demise and branding from a long-established landlord

Have you experienced direct impacts upon leasing models and tenant expectations?

Yes – this is why we launched Capsule

Flexible offices now account for approximately 5% of London Office stock. How do you see the sector evolving over the next five years?

To some extent this depends on the economic cycle, but "all else equal" 10% feels about right. This is a gut feel as we've tried to model serviced office leasing with economic factors like self-employment, SME creation and GDP but find little correlation – it's been more about the provision of optionality.

MULTINATIONAL OCCUPIER A DIFFERENT PERSPECTIVE

PWC

James Ainsworth MRICS
Senior Real Estate Manager | PWC

How is PWC reacting to the changing dynamic in the office market caused by the emerging flex sector?

A business such as PwC does not standardly utilise these sorts of flex space. Compliance and data security are primary concerns and PwC work is undertaken almost exclusively within PwC's leased estate, on client site or from home working.

How is the short-term lease offering changing your overall portfolio strategy?

It has not changed our strategy but has meant that new locations or markets can potentially be explored with lower exposure.

What is the perception of flex-office workspace within your organisation?

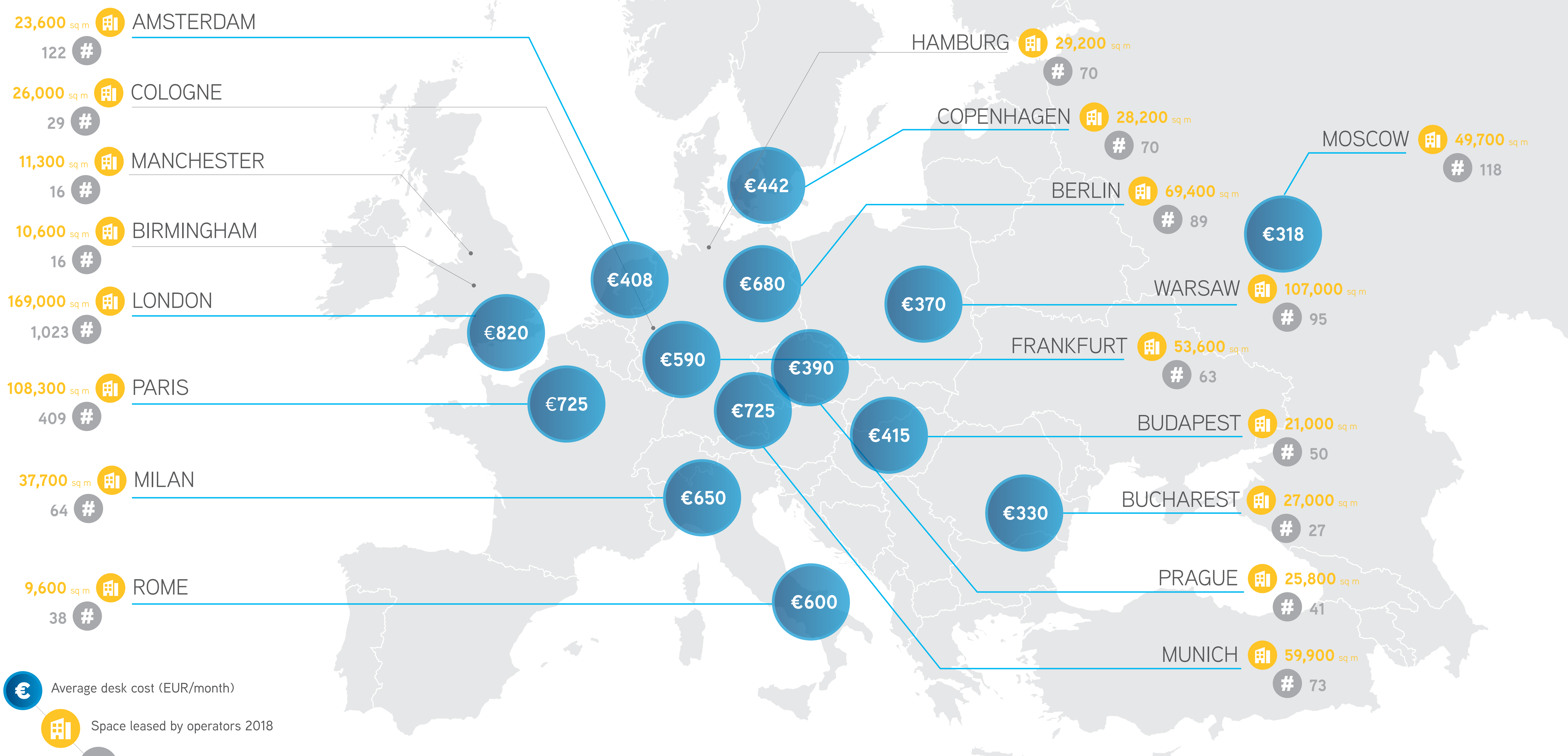
It does not give us enough control of the workspace to apply the PwC standard, but it will be considered for short term space pressures, or new market penetration.

What are the primary drivers for your organisation to accommodate staff in flex offices?

Short term accommodation to support rapid expansion pending longer term strategic acquisition, or to accommodate conflicted projects that need to be off-sited.

Graphisoft Park | Budapest

FLEXIBLE WORKSPACE CITY STATS



€ Average desk cost (EUR/month)

Space leased by operators 2018

Number of Flexible Workspace centres

LEGEND

EUROPEAN FLEXIBLE WORKSPACE AS OF END 2018

(based on activity in central city locations)

Source: Colliers International

LONDON

MARK BOTT
Head of Serviced Offices
Tel: +44 20 7344 6501
Email: Mark.Bott@colliers.com

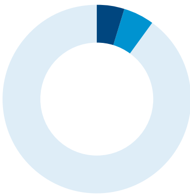
London is one of the largest and most diverse flexible workspace markets in the world, the variety of offering is unmatched and we expect this to continue as operators look for points of differentiation in an increasingly crowded market.

WeWork is now the largest private sector occupier in London and their portfolio totals over 270,000 sq m. During their recent growth period a number of other providers have launched and expanded significantly. Interestingly, a number of operators including Fora, Labs and Uncommon are pursuing a freehold model of expansion.

The popularity and growth of flexible working operators has resulted in lease lengths shortening across London, down to 5yr leases with 3yr breaks. This has led to some landlords developing their own flexible workspace products; L&G, British Land, LandSec and GPE have all launched new flexible workspace products in response to this change in demand. We expect this trend to continue with landlords evolving their offering to compete with flexible office providers.

The flexible workspace market in London will continue to grow in 2019 and importantly the range and breadth of offering will continue to expand, providing more choice for occupiers. International operators are expanding into London and existing providers are still looking for expansion opportunities, illustrating the confidence in this sector. We also expect continued M&A activity to occur as we have recently seen with Blackstone's purchase of TOG, LEO being bought by Cevlam Management and the i2 and Landmark merger.

MARKET DATA (CENTRAL LONDON)



5.1% | Occupied by flexible workspace
5.1% | Vacancy Rate
89.8% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
1,023 centres	(per month) €820	€121 (EUR/sq m/month)

Total office market take up 2018	1,241,000 sq m
Space leased by operators 2018	169,000 sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
WeWork	Paddington	5 Merchant Square	14,214
WeWork	Covent Garden	Aviation House	12,077
WeWork	City Core	The Spice Building, Cutler's Gardens	11,390
WeWork	Southbank	Friars Bridge Court, 41-45 Blackfriars Rd	7,903
WeWork	Farringdon	Waterhouse Square	6,896
WeWork	City Core	Cutler's Gardens,	5,340
WeWork	Fringe City	70 Wilson Street	4,552
The Office Group	Canary	Wood Wharf	4,181
Spaces	Fringe City	Epworth House	3,847

Source: Colliers International

WEWORK
NO 1 POULTRY | London ©Dezeen

PARIS

XAVIER MAHIEU
Head of Transaction Department
Tel: +33 6 58 45 20 04
Email: Xavier.Mahieu@colliers.com

First emerging onto the scene at the end of the 1990s, the first co-working spaces were relatively unheard of in the Parisian property landscape. Today, they are a fully-fledged, expanding phenomenon. In five years, the number of flexible workspaces has more than doubled in Paris. 80% of flexible workspaces have been established for less than five years.

The sector initially began with an artisan model focused on freelancers and small businesses, the world of flexible workspace has now a more large scale approach aimed at attracting a wider range of professionals within the business community. Newcomers to the field have also emerged leading to an increase in the number of site openings.

With regards to larger scale operators (5,000 sq m+) in the past two years these rental spaces made up just under 20% of the total volume of transactions in the Parisian market. Prior to this time period they were unheard of. Among them, WeWork, which was not present in France two years ago, is experiencing strong growth with 11 leaseholds since 2016 comprising a space just over 100,000 sq m. Out of these 11 properties, five sites were opened between April 2017 and December 2018.

Alongside WeWork are other actors, pure players (Morning Coworking, Kwerk, Start Way, The Bureau, Deskeo) or affiliates of property companies (Wojo, Wellio, Secondesk, Smartdesk), who are also investing in the field of co-working. At the same time, independent co-working spaces are evolving and tend to give more support and help to young businesses. This is true to such an extent that the line between co-working and business incubators or accelerators is starting to blur.

The Parisian flexible workspace market is becoming more sophisticated with a wider range of options available, we expect this trend to continue and the market to expand.

MARKET DATA (PARIS CITY)

1.0% | Occupied by flexible workspace
2.3% | Vacancy Rate
96.7% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
409 centres	(per month) €725	€70 (EUR/sq m/month)

Total office market take up 2018	1,040,000 sq m
Space leased by operators 2018	108,330 sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
WeWork	Paris Rive Gauche	198 Avenue De France	19,195
WeWork	Paris Rive Gauche	123 boulevard de Grenelle	11,980
WeWork	Paris Centre West	2-4 rue Jules Lefebvre	11,828
WeWork	Paris CBD	7 rue de Madrid	11,092
WeWork	Paris CBD	247-255 boulevard Pereire	7,478
Spaces	Paris CBD	40 rue du Louvre	7,165
WeWork	Paris Centre West	37-39 avenue Trudaine	6,617
Morning Coworking	North Eastern Paris	2 rue Dieu	6,000
Wellio (Covivio)	Paris Rive Gauche	17 rue Traversière	5,225
WeWork	Paris CBD	92 Champs-Elysées	3,400
Wellio (Covivio)	Paris CBD	11 avenue Delcassé	3,000

Source: Colliers International

WELLIO
Meeting room © Boris Perraud

GERMANY - BIG 7

WOLFGANG SPEER
Head of Office & Occupier Services
Tel: +49 89 540411-201
Email: Wolfgang.Speer@colliers.com

The enormous increase in flexible workspace in Germany started in 2017: take-up in 2017 accounted for roughly 5% (around 200,000 sq m) of total take-up in the BIG 7 markets, reflecting a fivefold increase yoy. During 2018: market share increased to almost 7% with take-up at 260,000 sq m.

Coworking space providers initially focused on Berlin and Hamburg, but are currently switching their expansion efforts to other markets particularly to Munich (around 60.000 sq m) and Frankfurt (54.000 sq m).

Large co-working providers like WeWork, Mind Space and Regus Space are competing for prime space in CBD locations. Sizes range from 5,000 – 15,000 sq m.

All of the Top-7 markets have regional providers as well. They also cover B-locations. Increasing demand derives from large corporates looking for flex space. Big players are still looking for new locations.

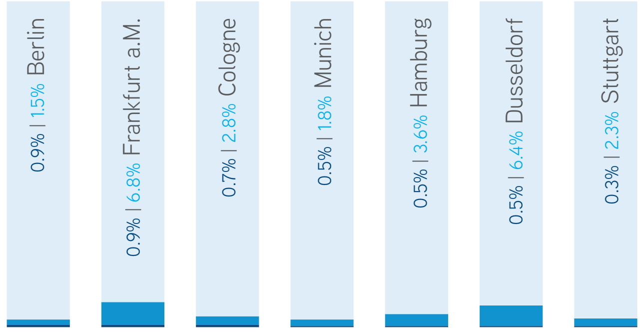
In a recent survey by Colliers, polling 20 occupiers/potential occupiers and 20 professional providers in Germany, 80% of the occupiers and providers surveyed expect demand for co-working and flexible workspace to increase over the next 2 to 5 years.

A wide variety of occupiers are using flexible workspace. Demand is spread almost evenly among micro companies with less than 10 employees (35%), small and medium-sized companies with up to 250 employees (37%) and large companies (28%).

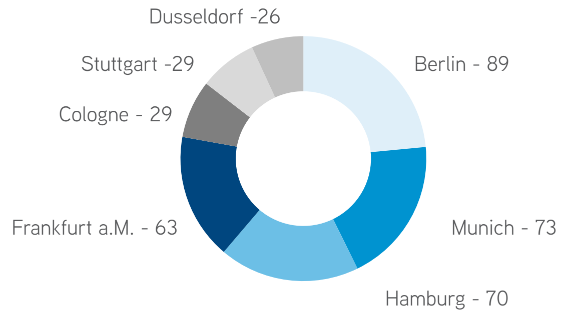
According to our survey, the main reasons for leasing space at coworking centers are "reducing costs" and "increased flexibility requirements." Current market conditions are very significant as well. Based on survey findings, limited supply at a desired location is a key driver of increased demand.

WORKREPUBLIC
Frankfurt a.M.

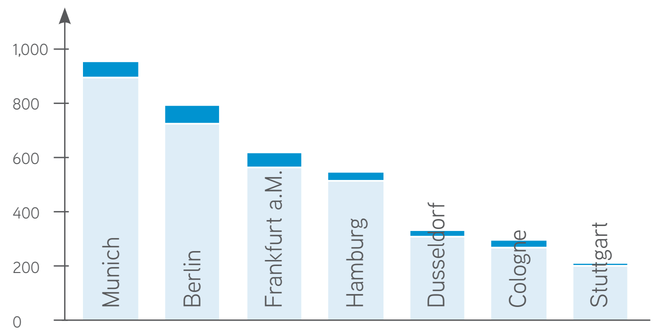
MARKET DATA (OVERALL CITY)



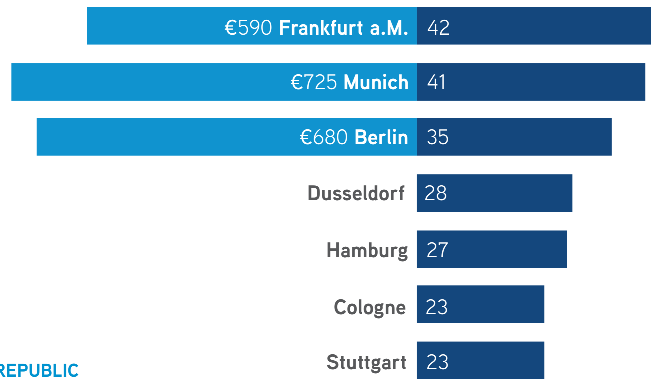
Number of Flexible Workspace Centres



Office Space Take-up vs Space leased by operators 2018



Average Desk Cost & Prime (Grade A) CBD Rent [€/sq m/m]



Source: Colliers International

AMSTERDAM

CAROLE DEN OUDEN
Director Tenant Representation
Tel: +31 6 54 35 69 78
Email: Carole.denOuden@colliers.com

The flexible workspace concept has been evolving rapidly in Amsterdam, with around 10% of demand from space coming from flexible workspace operators. At the end of 2018, just over 5% of Amsterdam's office stock consisted of flexible office space. Meanwhile, a diversification of concepts is evident, ranging from low budget to high-end concepts within the city. Furthermore, many centres market themselves only to attract a certain type of user to their space.

In addition to this segmentation, it is clear that the number of coworking spaces is increasing strongly in relation to the number of more traditional business centers.

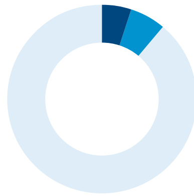
The sector is however suffering from a general lack of transparency. For example, it is unclear what the prices are for specific services and in relation to the number of square meters that have to be worked on. In addition, there is no insight into the occupancy rates of the concepts.

Regus is still the biggest player in the market, especially in Amsterdam, but WeWork and Scalehub are growing fast. Regus has traditionally offered mostly cellular solutions, but is leaning more towards their design led concept called Spaces. Their success has also been linked to the high distribution of their units around highways, tying in well with the commuting work-style across the Holland metropole (Randstad).

The growth of the flexible workspace sector will remain a key theme in Amsterdam, and it is expected that the share of flex office offices in the market will increase above 10% of the overall stock.

THE OFFICE OPERATORS
Amsterdam

MARKET DATA (OVERALL CITY)



5.0% | Occupied by flexible workspace
5.8% | Vacancy Rate
89.2% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
122 centres	(per month) **€408**	**€36** (EUR/sq m/month)

Total office market take up 2018: **255,000** sq m

Space leased by operators 2018: **23,600** sq m

Operator take up forecast 2019: ↑

Source: Colliers International

MAJOR DEALS

Name	**District**	**Buildings**	**Size** (sq m)
Klein Kantoor	Houthavens	Danzigerkade 16	6,500
WeWork	Center	Herengracht 206-216	6,077
WeWork	South Axis	Strawinskylaan 3101	5,200
Scalehub	Amstel	H.J.E. Wenckebachweg 123	3,324
Regus	Center	Rijnspoortplein 10	1,291
Klein Kantoor	Center	Nieuwe Voorburgwal 296	800

Source: Colliers International

COPENHAGEN

LAU MELCHIORSEN
Partner, MRICS
Tel: +45 22 27 02 53
Email: Lau.Melchiorsen@colliers.com

Although a fairly new phenomenon in Copenhagen compared with other metropolises, flexible workspace is gaining ground in the Danish capital as well as in major cities outside Copenhagen. One of the reasons they are becoming increasingly popular is the possibility for users to save costs. According to our calculations, small businesses gain the largest savings by opting for flexible workspace rather than a traditional office lease, but even larger occupiers can benefit from increased flexibility and outsourced facilities management.

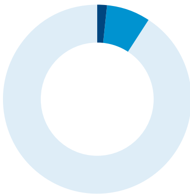
In Copenhagen, the share of flexible workspace (often locally referred to as office hotels) relative to the total office stock has increased from 1.6% in 2017 to 1.7% in 2018 and has further growth potential.

We predict that growth in the number, variety and size of flexible workspace solutions in Copenhagen and their market share will continue and gradually approach the level seen in more mature office hotel markets.

This prediction is based on our knowledge of both existing and new operators planning either expansions or new market entries. Several property owners have also started new concepts within their existing portfolio. At the same time, office users are becoming increasingly aware of serviced offices as an attractive alternative to traditional office leasing.

Today's market for flexible workspace is dominated by a few large operators, of which the four largest operators combined account for a market share of 52%. The largest operator by far is Regus, which opened their first center in Copenhagen in 1992. Apart from expanding existing serviced offices, Regus regularly takes over other successful serviced office operators, enabling the company to offer a wide range of facilities in various price ranges and locations.

MARKET DATA (OVERALL CITY)



1.7% | Occupied by flexible workspace
6.0% | Vacancy Rate
92.3% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
72 centres	(per month) €600	€22 (EUR/sq m/month)

Total office market take up 2018: 342,000 sq m

Space leased by operators 2018: 28,200 sq m

Operator take up forecast 2019: ↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
Ordnung	Copenhagens S	Amager Strandvej 60-64	2,500
Ordnung	Frederiksberg	Gammel Kongevej 60	2,200
Matrikel1	Copenhagen K	Højbro Plads 8-10 & Gammel Strand 28	6,600
Spaces	Carlsbergbyen	Købke Hus, Ny Carlsberg Vej 82	5,500
Rainmaking Loft	Copenhagen E	Langelinie 47, Pier 47	5,000

Source: Colliers International

SPACES
Carlsberg | Copenhagen

MILAN

CORRADO FERRETTI
Office Agency - International Clients
Tel: +39 335 7623398
Email: Corrado.Ferretti@colliers.com

The Milanese occupier market has been performing well since 2013. Demand for new and modern spaces is increasing, pushing landlords to refurbish existing buildings. Moreover, new developments are taking place, even with demolition and reconstruction, something quite unusual in the Italian market.

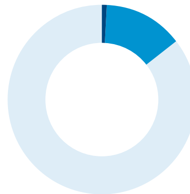
Companies are taking advantage of these new products to move into new, modern and efficient offices. These premises are organised into open spaces, but the way there are used is changing, with many companies introducing agile working. Large companies are thus trying to introduce flexible ways of using the spaces.

The flexible workspace providers are offering solutions for companies that need extra spaces for a temporary period, but also a completely new way of working. This is becoming very important for the young workers (below 40). Therefore, the share of take-up realised by flexible providers increased strongly in the last years.

In 1996, IWG arrived in Italy and has strongly increased its presence in order to anticipate the arrival of WeWork. Due to transaction times, if the first leasing contract was signed only in 2018 and the first centre should open in the second half of 2019 in Milan, the total spaces taken-up (or under negotiation) represent more than 20,000 sq m. There is an interesting "fight" between these two big operators. IWG has got offices in every business district. On the contrary, WeWork is targeting, at the moment, the central areas taking up entire buildings. The strategy is different, but they will bring a differentiated offer to the clients. Moreover, another international company, Wellio, is expected to enter the market with the first deal signed in Via Dante 7, at the beginning of 2019.

Among the Italian operators, two deserve to be mentioned. Copernico, born in Milan, has now got spaces in different Italian cities, plus Brussels. The other important operator is TAG (TAlent Garden), accessible only for IT clients but with a presence in seven other countries and wanting to expand its offices abroad.

MARKET DATA (OVERALL CITY)



0.8% | Occupied by flexible workspace
12.0% | Vacancy Rate
87.2% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
64 centres	(per month) €650	€46 (EUR/sq m/month)

Total office market take up 2018: 364,300 sq m

Space leased by operators 2018: 39,700 sq m

Operator take up forecast 2019: ↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
WeWork	CBD Duomo	Via Mazzini, 9-11 (pre-lease)	7,000
Copernico s.r.l	Periphery	Viale Monza, 259	6,200
Regus	CBD Duomo	Galleria Passarella 1	6,000
Spaces	CBD Porta Nuova	Porta Nuova, 21 (Bastioni)	4,900
We Work	CBD Duomo	Via Meravigli, 2 (pre-lease)	4,700
Regus	CBD Porta Nuova	Via Pola, 11	4,300
Regus	CBD Porta Nuova	Via Filippo Turati 30	4,000
Regus	Semi Central	Via Nino Bixio, 31	2,100
Regus	Semi Central	Via Washington, 70	1,700

Source: Colliers International

REGUS
Centro Leoni | Milan

MOSCOW

FRANCOIS NONNENMACHER
Director | Occupier Representation Department
Tel: +7 495 258 5151
Email: Francois.Nonnenmacher@colliers.com

The first flexible workspace appeared in Moscow only a few years ago, and nowadays there are about 120 locations. The number of operators increased by 31% compared to 2016. For now, Regus remains the key market player. However, recent activity of professional operators might change the market picture in perspective.

Large providers (with a locations of 1,000-3,000 sq m) are located mainly in Class A and B+/- office buildings, while the majority (70%) of small co-working spaces (less than 100 sq m) are located in class B - and below.

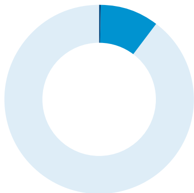
Moscow flexible workspace operators are predominately located in areas with a high concentration of business activity: half of the coworking (48%) is located within the CBD and in the business district MIBC Moscow-City.

The average area of new flexible workspace increased from 1,300 sq m in 2017 to 3,300 sq m in 2018, due to the opening of several new locations by local professional coworking operators such as Workki, SOK, CEO Rooms, with an area of 1,500 sq m to 6,000 sq m. In addition, international operator WeWork entered the Russian market in 2018 and plans to open three coworking centres with 13,000 sq m of total area this year in Moscow and intends to continue further expansion in Moscow and St. Petersburg.

At present the demand for flexible workspace premises can be described as steadily growing. According to the information from coworking operators, the average occupancy rate of open spaces ranges from 70% to 90%.

However, comparing to the background of international experience, Moscow's flexible workspace market is only at the initial stage of development – the number of large centres, able to accept a major client, is limited, which leads us to predict further expansion of this sector in Moscow.

MARKET DATA (OVERALL CITY)



0.8% | Occupied by flexible workspace
8.7% | Vacancy Rate
90.5% | Others

Number of Flexible Workspace Centres	Average Desk Cost	Prime (Grade A) CBD Rent
118 centres	(per month) €318	€65 (EUR/sq m/month)

Total office market take up 2018	1,530,000 sq m
Space leased by operators 2018	49,700 sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
SOK, Arena Park	Leningradskiy	Leningradsky Ave., 36, bldg 5	6,000
SREDA	Federation, Tower East - Moscow-City	Presnenskaya Emb, 12	6,000
WeWork	White Square	Tverskoy - Lesnaya St, 5	5,900
Workki	Khamovniki	Zubovskiy Blvd, 17	4,500
Deworkacy	Premium	Corporate Innovations Hub	2,500
WeWork	Red Rose, Savin	Khamovniki - Timura Frunze St, 11	4,228
SOK	Pekin Gardens	Tverskoy - B. Sadovaya St, 5 bld 1	3,200
SOK, Zemlyanoy Val	CBD ex. Prem	Zemlyanoy Val Ul., 8	2,500

Source: Colliers International

The Key
Varshavskoye Hwy, Moscow

BUDAPEST

KATA MAZSAROFF
Director, Head of Occupier Services
Tel: +36 1 336 4248
Email: kata.mazsaroff@colliers.com

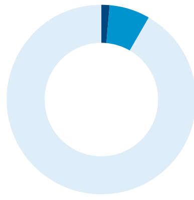
At present, 2.6% of Budapest office stock consists of flexible workspace. It is worth distinguishing two types of flexible workspace operators in the Budapest market. The more dominant type includes professional serviced offices that target traditional, corporate office occupiers. The other type of flexible workspace operators are characterized by smaller co-working centres who support the needs of SMEs and a younger generation.

Traditional serviced offices have a market share of nearly 80% of the flexible workspace market, which accounts for approximately 75,000 sq m in Budapest. Regus is the market leader on the flexible office market, followed by the operator NewWork which is growing fast. On average take up is between 1,500 and 2,000 sq m, however this figure is continuously increasing.

The market of co-working centers is much more fragmented than that of the serviced offices. One co-working centre usually takes up 150-500 sq m office space in one building. In Budapest, a total of around 20,000 sq m space is offered by co-working centers, such as L'office, Kaptár and other smaller hubs for start-ups.

The flexible office spaces within Budapest are located mostly in the Central Pest submarket, ranging from low budget to high-end business concepts. This sector is still undetected and suffering from lack of transparency, but according to information from operators, the average occupancy rate usually fluctuates between 70% - 90%. However, demand for flexible workspace solutions is on the rise and as a result Budapest is likely to see further new international flexible workspace operators entering the market before the end of 2019.

MARKET DATA (OVERALL CITY)



2.6% | Occupied by flexible workspace
7.3% | Vacancy Rate
90.1% | Others

Number of Flexible Workspace Centres	Average Desk Cost	Prime (Grade A) CBD Rent
50 centres	(per month) €415	€20 (EUR/sq m/month)

Total office market take up 2018	535,000 sq m
Space leased by operators 2018	21,000 sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
Spaces (Regus)	CBD	Szervita Square	8,500
New Work Serviced Offices	North Buda	Buda Square, Lajos u. 48	3,600
DBH Business Services	South Buda	Budapart Gate, Dombóvári út 27	2,500
HubHub	Central Pest	Király utca 26.	2,200
Millenáris Startup Campus	Central Buda	Kis Rókus utca 16-20.	2,000
New Work Serviced Offices	Váci Corridor	RM2 Business Center	760

Source: Colliers International

Graphisoft Park
Disctrict III, Budapest

WARSAW

MICHAL MIERZWA
Associate
Tel: +48 666 819 267
Email: Michal.Mierzwa@colliers.com

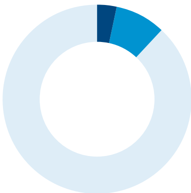
The Polish flexible space market is growing at a very rapid pace. Across Warsaw the sector accounted for approximately 13% of the total office take-up in 2018.

Warsaw offers almost 195,000 sq m of co-working and serviced-office space.

WeWork is the market leader in Warsaw, it operates five locations of almost 40,000 sq m and has announced opening five more in the next 18 months. Regus has been present on the Polish market for over a decade and now totals 24,000 sq m in 17 locations in Warsaw. They are also present in the other major regional Polish cities.

Further rapid growth of flexible workspace was observed in 2018. It offers an alternative to long-term lease for young entrepreneurs, start-ups and freelancers and more and more often for corporations. In Warsaw alone, 107,000 sq m was leased to operators, of which the majority (75% of the area) is located in central zones, where it is currently difficult to find office space for tenants. The vacancy rate in Warsaw is at the lowest level since Q3 2012. This supply gap, which is beneficial for landlords, will continue until 2020/2021. Leasing flexible workspace is one of the best ways to secure office in the city centre of Warsaw until the new wave of supply will be delivered to the market.

MARKET DATA (OVERALL CITY)



3.5% | Occupied by flexible workspace
8.7% | Vacancy Rate
87.8% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
95 centres	(per month) **€370**	**€22** (EUR/sq m/month)

Total office market take up 2018: **858,400 sq m**

Space leased by operators 2018: **107,000** sq m

Operator take up forecast 2019: ↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
WeWork	City Centre	Mennica Legacy Tower (West Building)	14,200
CiC	CBD	Varso	13,506
WeWork	City Centre	Browary Warszawskie K	10,500
MeetDistrict	City Centre	The Warsaw Hub	7,000
WeWork	City Centre	Browary Warszawskie J	5,700
WeWork	CBD	Krucza 50, CEDET	4,500
HubHub	City Centre	Nowogrodzka Square	3,100

Source: Colliers International

Business Link
Warsaw

BUCHAREST

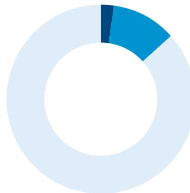
DANIELA POPESCU
Associate Director | Romania
Tel: +40 21 319 77 77
Email: Daniela.Popescu@colliers.com

The flexible workspace market took off in 2018, with the total take-up of office spaces generated by this segment increasing more than threefold, to almost 27,000 sq m (much of this represents pre-leases for locations set to open in 2019); quite a lot of interest has been coming from new players on the Bucharest market (Mindspace, 3house, Spaces) as well as the biggest name locally– IWG. In fact, the domestic scene is dominated by IWG, which is present here through two brands: Regus and Spaces, with the latter leaning towards the co-working experience. It operated over 10 locations at the end of last year, which accounted for about half of the total space attributable to flexible workspace operators.

True co-working spaces – notably offering open area workspaces, not just mini-offices – accounted for a bit under half of the total flexible workspace market in Bucharest (around 40,000 sq m as of end-2018); the rest offer all the basic amenities in a more cost-effective manner, in a less poshlished packaging. It is worth noting that the operators which offer the more premium alternative, will likely be a bit more active going forward than the others. In 2019, several new co-working spaces are expected to come online, adding more than 10,000 sq m to the market.

As Romanians do not have a culture of entrepreneurship like other European peers (in fact, the country ranks among the last among EU in terms of number of companies per capita), we believe that a steady flow of demand might come from companies seeking to offer their employees the flexibility to work from other parts of the city. This would help employees with their daily commute, as Bucharest is regarded as one of the most congested major cities in Europe.

MARKET DATA (OVERALL CITY)



1.7% | Occupied by flexible workspace
9.8% | Vacancy Rate
88.5% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
27 centres	(per month) **€330**	**€18** (EUR/sq m/month)

Total office market take up 2018: **330,000** sq m

Space leased by operators 2018: **27,000** sq m

Operator take up forecast 2019: ↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
Mindspace	Dimitrie Pompeiu	Dimitrie Pompeiu 8	5,500
Spaces	Center West	Iuliu Maniu Boulevard 6	3,150
Spaces	Unirii	Boulevard Corneliu Coposu 6-8	3,000
Space	Piata Presei/ Expozitiei	Bucuresti-Ploiesti Street, 19-21	1,400
Regus	Romana-Universitate	Calea Dorobantilor 32	1,200
Commons	Romana-Universitate	Nicolae Iorga Street, 5	650

Source: Colliers International

3house Universitate
Bucharest

PRAGUE

PETR ZALSKY
Partner, Director of Office Agency
Tel: +420 601 056 858
Email: Petr.Zalsky@colliers.com

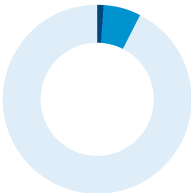
Prague's co-working scene has been in development for the last 15 years. Over the last two years the market has seen a shift in line with global trends: from traditional serviced offices to more modern co-working centres. While the first fully serviced offices opened with Regus back in 1994 and continued growing ever since, the first true co-working centre in Prague opened in 2009.

The majority of the coworking centres that have opened since 2009 targeted young creative individuals, freelancers and independent entrepreneurs who were keen to share space with other likeminded people. This changed in 2017 when the first co-working centres focused on corporate clientele opened with Work Lounge, followed by HubHub in 2018.

The change also saw a shift in the quality of premises being leased flexible workspace operators. Historically the creative centres (excl. serviced offices) focused on non-office spaces such as old workshops and small industrial warehouses, residential villas or other space which is not classified as Class A or Class B office. The majority of coworking was thus outside of the monitored quality office space. The first take-up of 1,000 sqm of Class A offices wasn't recorded until the last quarter of 2016.

Since then, the take up for coworking companies has grown five-fold, per year, to almost 25,000 sq m by 2018 year-end. The majority of space leased in 2018 will be opened in 2019- 2020 and includes larger international coworking names such as WeWork or Spaces as well as local players such as HubHub. In 2019 we expect further growth of the sector, although the pace of growth will not match the pace from previous years.

MARKET DATA (OVERALL CITY)



1.2% | Occupied by flexible workspace
5.1% | Vacancy Rate
93.7% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
41 centres	(per month) €390	€22 (EUR/sq m/month)

Total office market take up 2018: 519,200 sq m
Space leased by operators 2018: 25,800 sq m
Operator take up forecast 2019

Source: Colliers International

MAJOR DEALS

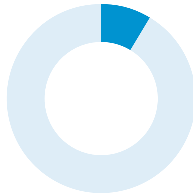
Name	District	Buildings	Size (sq m)
WeWork	Prague 1	Drn	5,755
HubHub Czech Republic	Prague 1	Na Příkopě 14	3,600
New Work	Prague 5	Coral Office Park D	2,019

Source: Colliers International

Business Link
Prague

ROME

MARKET DATA (OVERALL CITY)



0.2% | Occupied by flexible workspace
7.8% | Vacancy Rate
92.0% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
38 centres	(per month) €600	€33 (EUR/sq m/month)

Total office market take up 2018: 177,300 sq m
Space leased by operators 2018: 9,600 sq m
Operator take up forecast 2019

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
Regus	Greater EUR	Via Luca Gaurico, 91/93	4,465
Copernico S.r.l.	Semi Central	Via Silvio D'Amico, 53	3,500
Regus	Greater EUR	Viale Giorgio Ribotta, 11	1,600

Source: Colliers International

CORRADO FERRETTI
Office Agency - International Clients
Tel: +39 335 7623398
Email: Corrado.Ferretti@colliers.com

MANCHESTER

MARKET DATA (OVERALL CITY)

2.8% | Occupied by flexible workspace
7.9% | Vacancy Rate
89.3% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
16 centres	(per month) -	€37 (EUR/sq m/month)

Total office market take up 2018: 162.200 sq m
Space leased by operators 2018: 11.200 sq m
Operator take up forecast 2019

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
WeWork	Manchester City Centre	Dalton Place	7,077
Central Working	Manchester City Centre	55 Spring Gardeb	1,678

Source: Colliers International

PETER GALLAGHER
Director | National Offices
Tel: +44 161 831 3361
Email: Peter.Gallagher@colliers.com

BIRMINGHAM

MARKET DATA (OVERALL CITY)

2.7% | Occupied by flexible workspace
7.6% | Vacancy Rate
89.7% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
17 centres	(per month) -	€33 (EUR/sq m/month)

Total office market take up 2018	**70,200** sq m
Space leased by operators 2018	**10,600** sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
BE Group	Birmingham City Centre	Somerset House, Temple Street	3,545
Instant Managed Offices	Birmingham City Centre	2 Colmore Square	1,973

Source: Colliers International

RICHARD WILLIAMS
Associate Director
Tel: +44 121 265 7630
Email: Richard.Williams@colliers.com

BRISTOL

MARKET DATA (OVERALL CITY)

2.3% | Occupied by flexible workspace
5.7% | Vacancy Rate
92.0% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
16 centres	(per month) -	€35 (EUR/sq m/month)

Total office market take up 2018	**49,000** sq m
Space leased by operators 2018	**7,700** sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

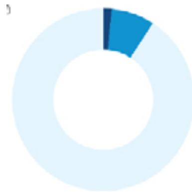
Name	District	Buildings	Size (sq m)
Runway East	Bristol City Centre	1 Victoria Street	2,801
Desklodge Limited	Bristol City Centre	Unum House	2,669

Source: Colliers International

JAMES PREECE
Director
Tel: +44 117 917 2047
Email: James.Preece@colliers.com

LEEDS

MARKET DATA (OVERALL CITY)



2.8% | Occupied by flexible workspace
7.7% | Vacancy Rate
89.5% | Others

Number of Flexible Workspace Centres	*Average Desk Cost*	*Prime (Grade A) CBD Rent*
25 centres	(per month) -	€30 (EUR/sq m/month)

Total office market take up 2018	**61,600** sq m
Space leased by operators 2018	**4,500** sq m
Operator take up forecast 2019	↑

Source: Colliers International

MAJOR DEALS

Name	District	Buildings	Size (sq m)
Gilbanks	Leeds City Centre	1 Park Row	1,843
Orega	Leeds City Centre	St Pauls House	1,037

Source: Colliers International

RODDY MORRISON
Director
Tel: +44 113 200 1810
Email: Roddy.Morrison@colliers.com

Contributors
in the Region

EMEA

DAMIAN HARRINGTON
Director | Head of EMEA Research
+44 20 7487 1691
Damian.Harrington@colliers.com

EMEA

ISTVAN TOTH
Associate Director | Data Scientist
+44 20 7487 1899
Istvan.Toth@colliers.com

EMEA

JULIANE PRIESEMEISTER
Information Designer
+31 6 20 24 17 10
Juliane.Priesemeister@colliers.com

UK

MARK BOTT
Head of Serviced Offices
+44 20 7344 6501
Mark.Bott@colliers.com

UK

JAMES RAWDON-MOGG
Director
+44 20 7487 7048
James.Rawdon-Mogg@colliers.com

UK - LONDON

GUY GRANTHAM
Director of Research and Forecasting
+44 20 7344 6793
Guy.Grantham@colliers.com

CZECH REPUBLIC

ONDREJ VLK
Head of Research
+420 226 537 618
Ondrej.Vlk@colliers.com

HUNGARY

GERTRUD HAUSENBLASZ
Research Analyst
+3670 702 8626
Gertrud.Hausenblasz@colliers.com

ROMANIA

SILVIU POP
Head of Research
+40 21 319 77 77
Silviu.Pop@colliers.com

DENMARK

JOSEPH ALBERTI
Associate
+45 58 58 38 54
Joseph.Alberti@colliers.com

ITALY

SIMONE ROBERTI
Head of Research
+39 02 67160213
Simone.Roberti@colliers.com

RUSSIA

VERONIKA LEZHEVA
Director | Analytical Department
+7 495 258 5151
Veronika.Lezhneva@colliers.com

FRANCE

LAURENCE BOUARD
Head of Research
+33 6 81 56 49 02
Laurence.Bouard@colliers.com

THE NETHERLANDS

FRANK VERWOERD
Head of Research
+31 6 12 63 87 15
Frank.Verwoerd@colliers.com

UK - REGIONAL

LISA DEAN
Associate Director
+44 20 7487 1961
Lisa.Dean@colliers.com

GERMANY

SUSANNE KIESE
Head of Research
+49 211 862062-47
Susanne.Kiese@colliers.com

POLAND

DOMINIKA JEDRAK
Director Research & Consultancy Services
+48 666 819 242
Dominika.Jedrak@colliers.com

APAC

JONATHAN WRIGHT
Director
+852 2822 0577
Jonathan.Wright@colliers.com

www.colliers.com

Colliers INTERNATIONAL