The Flexible Workspace Outlook Report 2019

EMEA
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.

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.
# 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
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.

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.

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 workspace 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.

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 up-scaled significantly since 2016. Spacess 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.

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 workspace 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.

EMEA OPERATOR DISTRIBUTION

by number of locations

Source: Colliers International

MOST ACTIVE GLOBAL INVESTORS BY REGION

<table>
<thead>
<tr>
<th>Region</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>IWG</td>
</tr>
<tr>
<td>Emerging Europe</td>
<td>IWG</td>
</tr>
<tr>
<td>Africa</td>
<td>IWG</td>
</tr>
<tr>
<td>Middle East</td>
<td>Agility</td>
</tr>
<tr>
<td>North America</td>
<td>IWG</td>
</tr>
<tr>
<td>LatAm &amp; Carib</td>
<td>WeWork</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>WeWork</td>
</tr>
</tbody>
</table>

Source: fDi Markets
OPERATORS BY CITY

by size of operated flexible space

Source: Colliers International
**MARKET SATURATION**

**FLEXIBLE WORKSPACE EXPANSION 2001 - 2018**

<table>
<thead>
<tr>
<th>City</th>
<th>Size of new flex workspace (thousand sq m)</th>
<th>No. of new flex workspaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>122</td>
<td>678</td>
</tr>
<tr>
<td>Berlin</td>
<td>89</td>
<td>266</td>
</tr>
<tr>
<td>Birmingham</td>
<td>16</td>
<td>92</td>
</tr>
<tr>
<td>Bristol</td>
<td>16</td>
<td>72</td>
</tr>
<tr>
<td>Bucharest</td>
<td>27</td>
<td>108</td>
</tr>
<tr>
<td>Budapest</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>Cologne</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>Copenhagen</td>
<td>66</td>
<td>166</td>
</tr>
<tr>
<td>Düsseldorf</td>
<td>26</td>
<td>72</td>
</tr>
<tr>
<td>Frankfurt a.M.</td>
<td>63</td>
<td>204</td>
</tr>
<tr>
<td>Hamburg</td>
<td>70</td>
<td>184</td>
</tr>
<tr>
<td>Leeds</td>
<td>25</td>
<td>184</td>
</tr>
<tr>
<td>London</td>
<td>1,023</td>
<td>1,266</td>
</tr>
<tr>
<td>Manchester</td>
<td>16</td>
<td>184</td>
</tr>
<tr>
<td>Milan</td>
<td>68</td>
<td>404</td>
</tr>
<tr>
<td>Moscow</td>
<td>118</td>
<td>464</td>
</tr>
<tr>
<td>Munich</td>
<td>73</td>
<td>344</td>
</tr>
<tr>
<td>Paris</td>
<td>409</td>
<td>564</td>
</tr>
<tr>
<td>Prague</td>
<td>41</td>
<td>344</td>
</tr>
<tr>
<td>Rome</td>
<td>38</td>
<td>216</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>29</td>
<td>184</td>
</tr>
<tr>
<td>Warsaw</td>
<td>94</td>
<td>128</td>
</tr>
</tbody>
</table>

*Source: Colliers International*

**MARKET SATURATION**

(Activity vs Size)

<table>
<thead>
<tr>
<th>City</th>
<th>Flexible space, % of stock</th>
<th>Flex. take-up, % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Berlin</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Birmingham</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Warsaw</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Moscow</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Milan</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Rome</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Paris</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Prague</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>European avg.</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*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 standout 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
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, this 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). This 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.
magnate for new entrants but having seen hype around the sector has acted as a some providers in the market. The recent I have concerns about the sustainability of sector in London?

Do you have concerns about current and with their consumers – it’s these operators minimise customer effort and empathise with expectations, understand their client’s Operators that can exceed customer

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

For me, the most positive outcome of the flexible 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?

As an operator, 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 BESpeak, the brand 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!

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.

As an operator, 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
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 connections. 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 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.

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, all across 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. Corporations 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 the 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 is 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 businesses. 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 a 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.
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.

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.

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?

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

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.
FLEXIBLE WORKSPACE CITY STATS

<table>
<thead>
<tr>
<th>City</th>
<th>Square Meters</th>
<th>Average Desk Cost (EUR/month)</th>
<th>Number of Flexible Workspace Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>23,600</td>
<td>€408</td>
<td>122</td>
</tr>
<tr>
<td>Cologne</td>
<td>26,000</td>
<td>€442</td>
<td>29</td>
</tr>
<tr>
<td>Manchester</td>
<td>11,300</td>
<td>€390</td>
<td>16</td>
</tr>
<tr>
<td>Birmingham</td>
<td>10,600</td>
<td>€370</td>
<td>16</td>
</tr>
<tr>
<td>London</td>
<td>169,000</td>
<td>€820</td>
<td>1,023</td>
</tr>
<tr>
<td>Paris</td>
<td>108,300</td>
<td>€725</td>
<td>409</td>
</tr>
<tr>
<td>Milan</td>
<td>37,700</td>
<td>€650</td>
<td>64</td>
</tr>
<tr>
<td>Rome</td>
<td>9,600</td>
<td>€600</td>
<td>38</td>
</tr>
<tr>
<td>Moscow</td>
<td>49,700</td>
<td>€318</td>
<td>118</td>
</tr>
<tr>
<td>Berlin</td>
<td>69,400</td>
<td>€390</td>
<td>89</td>
</tr>
<tr>
<td>Warsaw</td>
<td>108,300</td>
<td>€415</td>
<td>70</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>53,600</td>
<td>€330</td>
<td>95</td>
</tr>
<tr>
<td>Budapest</td>
<td>21,000</td>
<td>€415</td>
<td>50</td>
</tr>
<tr>
<td>Prague</td>
<td>25,800</td>
<td>€370</td>
<td>41</td>
</tr>
<tr>
<td>Munich</td>
<td>59,900</td>
<td>€390</td>
<td>73</td>
</tr>
<tr>
<td>Copenaguens</td>
<td>28,200</td>
<td>€408</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: Colliers International

EUROPEAN FLEXIBLE WORKSPACE AS OF END 2018
(based on activity in central city locations)
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 flexible 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, LandSoc 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 the management and the i2 and Landmark merger.

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 (Wells, Wello, 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.

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 full-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.

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 (Wells, Wello, 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.

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 full-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 (Wells, Wello, 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.

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 full-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 (Wells, Wello, 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.
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 year. 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 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 coworking centers are “reducing costs” and “increased flexibility requirements.”

The growth of the flexible workspace sector will remain a key driver of increased demand. Office offices in the market will increase above 10% of the overall stock. 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 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.
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 its first center in Copenhagen in 1992. Apart from expanding existing serviced offices, Regus regularly takes over other operators 2018 and has further growth potential.

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. Those 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 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, Wello, 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.
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 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 MBC Moscow-City.

The average area of new flexible workspace increased from 1,300 sq m in 2017 to 3,000 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.

### Major Deals

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOK, Arena Park</td>
<td>Leningradsky</td>
<td>Leningradsky Ave., 3b, bldg 5</td>
<td>6,000</td>
</tr>
<tr>
<td>SREDIA</td>
<td>Federation, Tower East - Moscow City</td>
<td>Presnenskaya Emb, 12</td>
<td>6,000</td>
</tr>
<tr>
<td>WeWork</td>
<td>White Square</td>
<td>Tverskaya - Lesnaya St, 5</td>
<td>5,900</td>
</tr>
<tr>
<td>Workki</td>
<td>Khamovniki</td>
<td>Zubovsky Blvd, 17</td>
<td>4,500</td>
</tr>
<tr>
<td>Doworkity</td>
<td>Premium</td>
<td>Corporate Innovations Hub</td>
<td>2,500</td>
</tr>
<tr>
<td>WeWork</td>
<td>Red Rose, Savin</td>
<td>Khamovniki - Temura Franze St, 11</td>
<td>4,228</td>
</tr>
<tr>
<td>SOK</td>
<td>Pekin Gardens</td>
<td>Tverskaya - B. Sadovaya St, 5 bld</td>
<td>3,200</td>
</tr>
<tr>
<td>SOK, Zemlyanoy Val</td>
<td>CBD ex. Prem.</td>
<td>Zemlyanaya Val Ul, 8</td>
<td>2,500</td>
</tr>
</tbody>
</table>

Source: Colliers International

### Market Data

- **Number of Flexible Workspace Centres**: 118 centres
- **Average Desk Cost**: €318 (per month)
- **Prime Grade A/ CBD Rent**: €65 (EUR/q 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**: 150,000 sq m

Source: Colliers International

---

**BUDAPEST**

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.

### Major Deals

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spaces (Regus)</td>
<td>CBD</td>
<td>Szentvita Square</td>
<td>8,500</td>
</tr>
<tr>
<td>New Work</td>
<td>North Buda</td>
<td>Buda Square, Lajos u. 48</td>
<td>3,600</td>
</tr>
<tr>
<td>Dániels Business</td>
<td>South Buda</td>
<td>Budapest Gate, Dombóvári u 27</td>
<td>2,500</td>
</tr>
<tr>
<td>HubCentral</td>
<td>Central Pest</td>
<td>Kiraly utca 26.</td>
<td>2,200</td>
</tr>
<tr>
<td>Millennium Startup</td>
<td>Central Buda</td>
<td>Kiss Rókus utca 16-20</td>
<td>2,000</td>
</tr>
<tr>
<td>New Work</td>
<td>Váci Corridor</td>
<td>RM Business Center</td>
<td>760</td>
</tr>
<tr>
<td>Graphisoft Park</td>
<td>District XI, Budapest</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Colliers International

### Market Data

- **Number of Flexible Workspace Centres**: 50 centres
- **Average Desk Cost**: €415 (per month)
- **Prime Grade A/ CBD Rent**: €20 (EUR/q 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**: 150,000 sq m

Source: Colliers International
WARSAW

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 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 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 end-2018; the rest offer all the basic amenities in a more cost-effective manner, in a less poshish 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.

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 poshish 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.
PRAGUE

The 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 sq m was 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.

MAJOR DEALS

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeWork</td>
<td>Prague 1</td>
<td>Dim</td>
<td>5,755</td>
</tr>
<tr>
<td>HubHub Czech Republic</td>
<td>Prague 1</td>
<td>Na Příkopě 14</td>
<td>3,600</td>
</tr>
<tr>
<td>New Work</td>
<td>Prague 5</td>
<td>Coral Office Park D</td>
<td>2,019</td>
</tr>
</tbody>
</table>

Source: Colliers International

MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>Occupied by flexible workspace</th>
<th>Vacancy Rate</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Flexible</td>
<td>41 centres</td>
<td>93.7%</td>
<td></td>
</tr>
<tr>
<td>Workspace Centres</td>
<td>Average Desk Cost</td>
<td>€390</td>
<td></td>
</tr>
<tr>
<td>Prime (Grade A) CBD Rent</td>
<td>(per month)</td>
<td>€22 (EUR/ sq m/month)</td>
<td></td>
</tr>
</tbody>
</table>

Total office market take up 2018: 519,200 sq m

Source: Colliers International

ROME

The flexible workspace outlook report 2019 | Colliers International

The 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 sq m was 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.

MAJOR DEALS

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeWork</td>
<td>Greater EUR</td>
<td>Via Luca Gaurico, 91/93</td>
<td>4,465</td>
</tr>
<tr>
<td>Capriccio S.r.l.</td>
<td>Semi Central</td>
<td>Via Silvio D’Amico, 53</td>
<td>3,500</td>
</tr>
<tr>
<td>Regus</td>
<td>Greater EUR</td>
<td>Viale Giorgio Rabbia, 11</td>
<td>3,800</td>
</tr>
</tbody>
</table>

Source: Colliers International

MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>Occupied by flexible workspace</th>
<th>Vacancy Rate</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Flexible</td>
<td>38 centres</td>
<td>92.0%</td>
<td></td>
</tr>
<tr>
<td>Workspace Centres</td>
<td>Average Desk Cost</td>
<td>€600</td>
<td></td>
</tr>
<tr>
<td>Prime (Grade A) CBD Rent</td>
<td>(per month)</td>
<td>€33 (EUR/ sq m/month)</td>
<td></td>
</tr>
</tbody>
</table>

Total office market take up 2018: 177,300 sq m

Source: Colliers International

MANCHESTER

The flexible workspace outlook report 2019 | Colliers International

The 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 sq m was 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.

MAJOR DEALS

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeWork</td>
<td>Manchester City Centre</td>
<td>Dalton Place</td>
<td>7,077</td>
</tr>
<tr>
<td>Central Working</td>
<td>Manchester City Centre</td>
<td>55 Spring Gardens</td>
<td>1,678</td>
</tr>
</tbody>
</table>

Source: Colliers International

MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>Occupied by flexible workspace</th>
<th>Vacancy Rate</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Flexible</td>
<td>16 centres</td>
<td>89.3%</td>
<td></td>
</tr>
<tr>
<td>Workspace Centres</td>
<td>Average Desk Cost</td>
<td>€37 (EUR/ sq m/month)</td>
<td></td>
</tr>
<tr>
<td>Prime (Grade A) CBD Rent</td>
<td>(per month)</td>
<td>€37 (EUR/ sq m/month)</td>
<td></td>
</tr>
</tbody>
</table>

Total office market take up 2018: 162,200 sq m

Source: Colliers International
### BIRMINGHAM

#### MARKET DATA (OVERALL CITY)

<table>
<thead>
<tr>
<th>Occupied by flexible workspace</th>
<th>Vacancy Rate</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.7%</td>
<td>7.6%</td>
<td>89.7%</td>
</tr>
</tbody>
</table>

#### Number of Flexible Workspace Centres
17 centres

#### Prime (Grade A) CBD Rent
- £33 (EUR/kg m/month)

#### Average Desk Cost

#### Total office market take up 2018
70,200 sq m

#### Space leased by operators 2018
10,600 sq m

#### Operator take up forecast 2019

---

#### MAJOR DEALS

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE Group</td>
<td>Birmingham City Centre</td>
<td>Somerset House, Temple Street</td>
<td>3,545</td>
</tr>
<tr>
<td>Instant Managed Offices</td>
<td>Birmingham City Centre</td>
<td>2 Colmore Square</td>
<td>197</td>
</tr>
</tbody>
</table>

---

### BRISTOL

#### MARKET DATA (OVERALL CITY)

<table>
<thead>
<tr>
<th>Occupied by flexible workspace</th>
<th>Vacancy Rate</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3%</td>
<td>5.7%</td>
<td>92.0%</td>
</tr>
</tbody>
</table>

#### Number of Flexible Workspace Centres
16 centres

#### Prime (Grade A) CBD Rent
- £35 (EUR/kg m/month)

#### Average Desk Cost

#### Total office market take up 2018
49,000 sq m

#### Space leased by operators 2018
7,700 sq m

#### Operator take up forecast 2019

---

#### MAJOR DEALS

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Runway East</td>
<td>Bristol City Centre</td>
<td>1 Victoria Street</td>
<td>2,801</td>
</tr>
<tr>
<td>Desklojdge Limited</td>
<td>Bristol City Centre</td>
<td>Unum House</td>
<td>2,669</td>
</tr>
</tbody>
</table>

---

### LEEDS

#### MARKET DATA (OVERALL CITY)

<table>
<thead>
<tr>
<th>Occupied by flexible workspace</th>
<th>Vacancy Rate</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8%</td>
<td>7.7%</td>
<td>89.5%</td>
</tr>
</tbody>
</table>

#### Number of Flexible Workspace Centres
25 centres

#### Prime (Grade A) CBD Rent
- £30 (EUR/kg m/month)

#### Average Desk Cost

#### Total office market take up 2018
61,600 sq m

#### Space leased by operators 2018
4,500 sq m

#### Operator take up forecast 2019

---

#### MAJOR DEALS

<table>
<thead>
<tr>
<th>Name</th>
<th>District</th>
<th>Buildings</th>
<th>Size (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilbanks</td>
<td>Leeds City Centre</td>
<td>1 Park Row</td>
<td>1,843</td>
</tr>
<tr>
<td>Orega</td>
<td>Leeds City Centre</td>
<td>St Pauls House</td>
<td>1,037</td>
</tr>
</tbody>
</table>

---

Source: Colliers International
Contributors in the Region

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

www.colliers.com

This document has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers International and/or its licensors(s). ©2019 All rights reserved.