EMEA

# Flexpansion 2021

## May 2022

## Executive summary

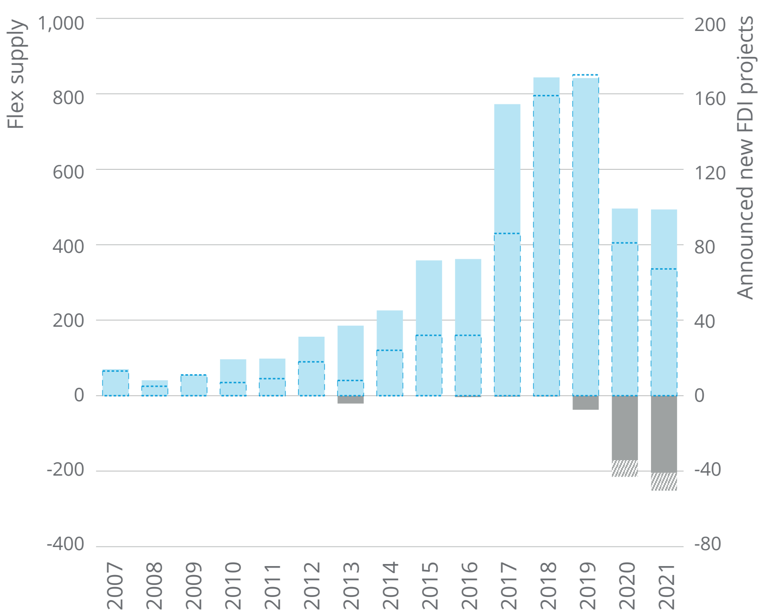
Despite an economic and broader real estate market recovery in 2021, notably the second half of the year, new activity by flexible workspace operators remained subdued. Across the 36 EMEA markets monitored, there was a modest net increase in the total flex inventory of 289,900 sqm, down -10.8% on 2020 growth levels.

Although net expansion of stock fell, close to half a million (495,000) sqm of new flex space opened across multiple sites, equivalent to new space added in 2020 (496,000 sqm). However, some 205,000 sqm of space was closed (vs 171,000 sqm in 2020) and 47,000 sqm (vs 44,000 sqm in 2020) was abandoned. Overall, this means flex saturation levels remain low, at just 2.1% (on average) of total office stock.

This streamlining of flex stock was attributable to a number of operators. WeWork's continued rationalisation of its business saw closures in Warsaw, Oslo, and Madrid throughout H2, taking the 2021 total amount WeWork closed to ca. 64,000 sqm - 30% of all closed space. While WeWork's contraction proved substantial, other, predominately smaller, single-location operators also ceased operation. Combined, this put 2021's total closed space 22.3% ahead of 2020's.

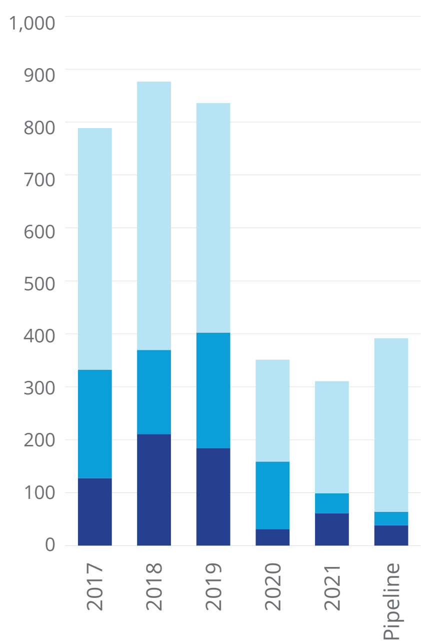
Market tribulations have not deterred all players from flexing their muscles. IWG expanded their 'Spaces' brand with two sites in Riyadh's CBD and one in Centrum Praskie Koneser, an outer city complex in Warsaw. In Paris, 17 new sites opened in H2, totalling over 55,000 sqm, two of which were WeWork operations. Elsewhere, Czech-based operator, Offices Unlimited, opened their fourth centre in Prague 5 ('West Flexi') and Brainhouse 247 opened a new site in Eschborn, Frankfurt.

**Figure 1:**
New supply of flexible workspace & announced FDI into flex




Sources: Colliers, fDi Markets

**Figure 2:**
Net new supply of flexible workspace




Sources: Colliers

## Rebalancing player power, M&A and landlord-driven concepts

Although larger players continue to dominate supply, a rebalancing of market dynamics has occurred as 43 new players entered the flex market in 2021. This has been emboldened by various expansions, mergers and acquisitions over the course of the year.

The Office Group (TOG) has entered Hamburg's market, opening a site at Schopenstehl 13 (3,343 sqm) in the city centre, having previously only operated in Frankfurt, Bristol, and London. In addition, their recent merger with Fora will combine space across 72 locations (totalling 3.1m sq ft) in London, Cambridge, Oxford, Reading, Bristol, Leeds, Berlin, Frankfurt, and Hamburg.

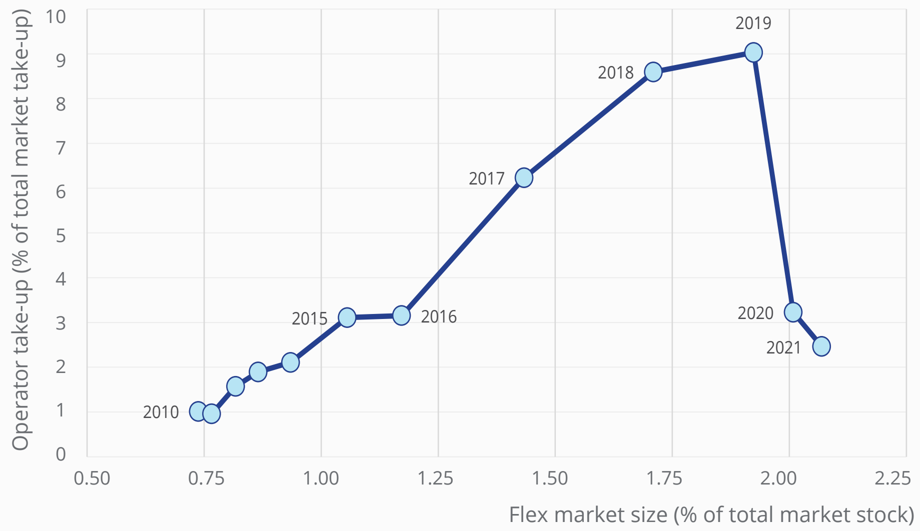
Likewise, UMA Workspace has sold its operations in Estonia and Lithuania to Workland Estonia OÜ, meaning 450 workstations have been added to the current 1,200 in Estonia, Latvia, and Lithuania under their Workland brand.

Alongside operator expansion, we have seen substantial growth in landlord-driven concepts over the last two years. 33 new sites, totalling 90,098 sqm, have been opened by landlords since 2020, with 19 alone opened in 2021.

Across the markets, institutional landlord, IPUT, recently launched their new flex concept - 'Making It Work' - with plans to grow this to 5% of their 2.4mn sq ft office portfolio in Dublin. Elsewhere, Immofinanz launched 900 sqm in the city centre at the 'Warsaw Spire' while Ghelamco similarly added 684 sqm as Rondo Daszyńskiego 1 opened in the CBD.

This is partially an impact of the pandemic as landlords adapt their offering to capture changing tenant demand. Furthermore, with more players battling for market share, this will likely drive better facilities, concepts, and products, creating greater choice and flexibility for occupiers. A flexibility which sees more and more businesses adopting agile working practices, with some scrapping traditional space altogether. In the UK, Currys is the latest occupier to go 'fullyflex' having signed up to approximately 50 sites across WeWork's (UK) portfolio.

**Figure 3:**
Flex market saturation




Sources: Colliers

**Table 1:**
Key market indicators
2021

| | Amsterdam | Barcelona | Berlin | Brussels | Bucharest | Budapest | Cairo | Cologne | Copenhagen | Dubai | Dublin | Dusseldorf | Frankfurt | Hamburg | Istanbul | Jeddah | Ljubljana |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of surveyed centres | 151 | 99 | 116 | 88 | 37 | 73 | 80 | 40 | 223 | 130 | 120 | 36 | 71 | 86 | 50 | 23 | 6 |
| Number of operators | 52 | 55 | 39 | 41 | 20 | 47 | 70 | 25 | 146 | 59 | 43 | 18 | 38 | 53 | 10 | 18 | 9 |
| New flex supply ('000 sqm) | 22.1 | 17.5 | 0.0 | 7.6 | 0.0 | 17.9 | 0.0 | 21.5 | 27.4 | 4.2 | 5.3 | 0.0 | 9.4 | 29.4 | 13.7 | 1.0 | 0.1 |
| Committed flex pipeline ('000 sqm) | 9.1 | 0.0 | 27.2 | 25.0 | 0.0 | 0.0 | 0.0 | 9.1 | 0.0 | 0.0 | 8.5 | 3.6 | 20.6 | 13.2 | 2.3 | 0.0 | 0.0 |
| Flex space (% of office stock) | 6.2 | 2.5 | 1.6 | 1.3 | 1.7 | 2.4 | 2.1 | 1.2 | 7.6 | 2.0 | 3.5 | 0.8 | 1.3 | 1.0 | 3.9 | 1.1 | n/a |
| Vacancy rate (%) | 6.7 | 8.6 | 3.1 | 8.3 | 16.5 | 9.2 | 15.0 | 3.2 | 8.2 | 25.0 | 9.8 | 6.9 | 8.8 | 3.7 | 27.2 | 18.0 | 5.0 |
| Operator take-up, 12mth outlook | ▼ | ▲ | ▲ | ◁▷ | ▼ | ◁▷ | ◁▷ | ◁▷ | ▼ | ◁▷ | ◁▷ | ▼ | ▲ | ▲ | ▲ | ◁▷ | ◁▷ |
| Total office market take-up, 12mth outlook | ▼ | ▼ | ▼ | ▼ | ◁▷ | ▼ | ▲ | ▼ | ◁▷ | ▼ | ◁▷ | ▼ | ▼ | ▼ | ▼ | ◁▷ | ◁▷ |
| Prime rent, conventional office, CBD (EUR/sqm/mth) | 39 | 28 | 45 | 26 | 18 | 23 | 26 | 26 | 24 | 35 | 55 | 29 | 45 | 31 | 26 | 23 | 17 |
| Avg desk rate, private desk, CBD (EUR/mth) | 550 | 475 | 1,100 | 625 | 350 | 350 | 203 | 800 | 732 | 1,376 | 800 | 800 | 975 | 950 | 555 | 1,405 | 395 |

| | London | Madrid | Milan | Munich | Oslo | Paris | Prague | Riga | Riyadh | Rome | Rotterdam | Sofia | Stuttgart | Tallinn | Vienna | Vilnius | Warsaw | Zagreb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of surveyed centres | 530 | 94 | 73 | 74 | 60 | 632 | 57 | 15 | 35 | 44 | 43 | 51 | 27 | 17 | 61 | 21 | 78 | 14 |
| Number of operators | 107 | 35 | 18 | 36 | 28 | 68 | 26 | 13 | 17 | 23 | 15 | 45 | 16 | 12 | 31 | 14 | 30 | 13 |
| New flex supply ('000 sqm) | 68.5 | 27.2 | 6.0 | 32.1 | 14.4 | 115.6 | 12.6 | 0.3 | 1.0 | 13.9 | 2.2 | 4.1 | 0.0 | 2.6 | 0.0 | 2.1 | 10.0 | 4.2 |
| Committed flex pipeline ('000 sqm) | 45.2 | 2.9 | 8.3 | 21.3 | 0.0 | 55.5 | 8.1 | 1.4 | 0.0 | 2.2 | 7.5 | 6.5 | 4.0 | 2.5 | 0.0 | 0.0 | 2.8 | 0.0 |
| Flex space (% of office stock) | 5.9 | 1.1 | 1.4 | 0.8 | 1.4 | 2.3 | 2.4 | 1.5 | 0.9 | 0.9 | 3.0 | 2.6 | 0.5 | 1.8 | 0.8 | 2.8 | 3.4 | 1.6 |
| Vacancy rate (%) | 8.9 | 10.7 | 7.3 | 4.7 | 7.0 | 8.5 | 7.8 | 10.6 | 8.0 | 8.1 | 9.9 | 16.0 | 3.3 | 8.5 | 4.6 | 8.5 | 12.7 | 4.0 |
| Operator take-up, 12mth outlook | ▲ | ▼ | ▲ | ▲ | ▲ | ▼ | ▲ | ▼ | ◁▷ | ▼ | ▲ | ▼ | ▼ | ▼ | ▼ | ▼ | ▲ | ◁▷ |
| Total office market take-up, 12mth outlook | ▲ | ▼ | ◁▷ | ▼ | ▼ | ▼ | ◁▷ | ◁▷ | ◁▷ | ◁▷ | ▼ | ◁▷ | ▼ | ◁▷ | ▼ | ▼ | ▼ | ◁▷ |
| Prime rent, conventional office, CBD (EUR/sqm/mth) | 128 | 34 | 51 | 42 | 48 | 76 | 24 | 17 | 31 | 36 | 19 | 13 | 25 | 18 | 28 | 18 | 25 | 15 |
| Avg desk rate, private desk, CBD (EUR/mth) | 1,190 | 450 | 600 | 1,125 | 1,796 | 1,500 | 330 | 180 | 1,874 | 525 | 350 | 175 | 750 | 300 | 800 | 330 | 390 | 186 |

Source: Colliers

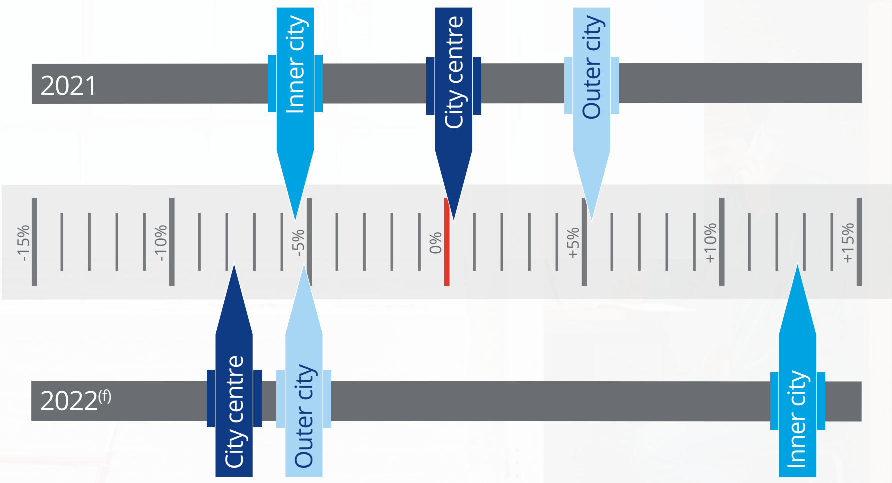
## Continued decentralisation & re-distribution

While central business districts (CBDs) will continue attracting new supply, many workforces are more widely distributed; a migration which has been accelerated by the pandemic and the 'work from anywhere' trend. Many operators/landlords have reacted to this, with a combined 256,000 sqm opened across inner (171,000 sqm) and outer-city locations (85,000 sqm) – narrowly surpassing the amount (252,000 sqm) opened across city centres. By market, Barcelona, Cologne, Warsaw, and Munich were at the top end of this decentralisation, contrasting with London, Amsterdam, and Copenhagen where further centralisation was in place.

In the years ahead further decentralisation is expected, given that inner and outer-city locations have a combined share of 58% of all pipeline commitments.

In terms of the rebalancing of player power, this is also set to be redistributed further - the pipeline of space allocated to the IWG-WeWork duo has seen their share drop from approximately 66% in H1 2019, to 16.2% by year-end 2021.

**Figure 4:**
Decentralisation, by change in proportionate split of new supply




Source: Colliers

## Europe & MENA coverage

36
Markets
(#)

1,301
Operators
(#)

3.4k
Operational sites
(#)

6.3m
Operational space
(sqm)

## 2021 at a glance

2.1
Size of flex market
[% of office stock]

174
Opened flex
(#)

495k
Opened flex
(sqm)

2.5
Share of operator activity
[% of office take-up]

85
Closed flex
(#)

205k
Closed flex
(sqm)

43
New operators
(#)

8
Cancelled flex
(#)

47k
Cancelled flex
(sqm)

Source: Colliers

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