

Flexpansion 2021

November 2021

A cup half empty...

With the vaccine rollout accelerating across Europe over the summer of 2021, light has appeared at the end of the tunnel leading away from uncertainty. That said, new virus variants across the different parts of the globe will continue to keep global markets in check, prolonging the market recovery. This pattern is reflected in flexible workspace operator activity during the first half of 2021.

In summary, our analysis of 44 key office markets in Europe and MENA, points to a 155,000 sqm net increase in the total flex inventory over the first half of the year. Contributing to this net change was the addition of 285,000 sqm in newly opened sites (162,000 sqm in H1 2020), but this was offset by 130,000 sqm of space that was closed (68,000 sqm in H1 2020) and a further 23,000 sqm that was abandoned (22,000 sqm in H1 2020).

A significant proportion of the space closed, nearly a third, was the result of WeWork streamlining its business in order to become profitable. Cities at the sharp-end of this optimisation over the course of H1 2021 were Barcelona, Copenhagen, London and Oslo. Other, predominantly smaller, single-location operators were forced to cease operation.

...or a cup half full?

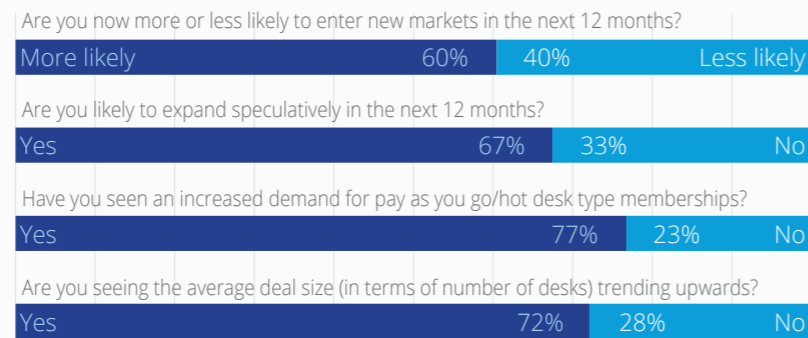
However, it is not all doom and gloom. WeWork finally went public after two years of consolidation and early signs suggest a slimmer and trimmer WeWork is doing well on the stock market. Despite this inevitable optimisation process, confidence in flex operators is gradually returning. This is reflected in Colliers latest flexible workspace survey, which found operators responding on the side of 'cautious optimism'.



“As occupiers increasingly turn to flex solutions to support new hybrid working practices, confidence is returning to the sector and operators are now looking outward for expansion opportunities.”

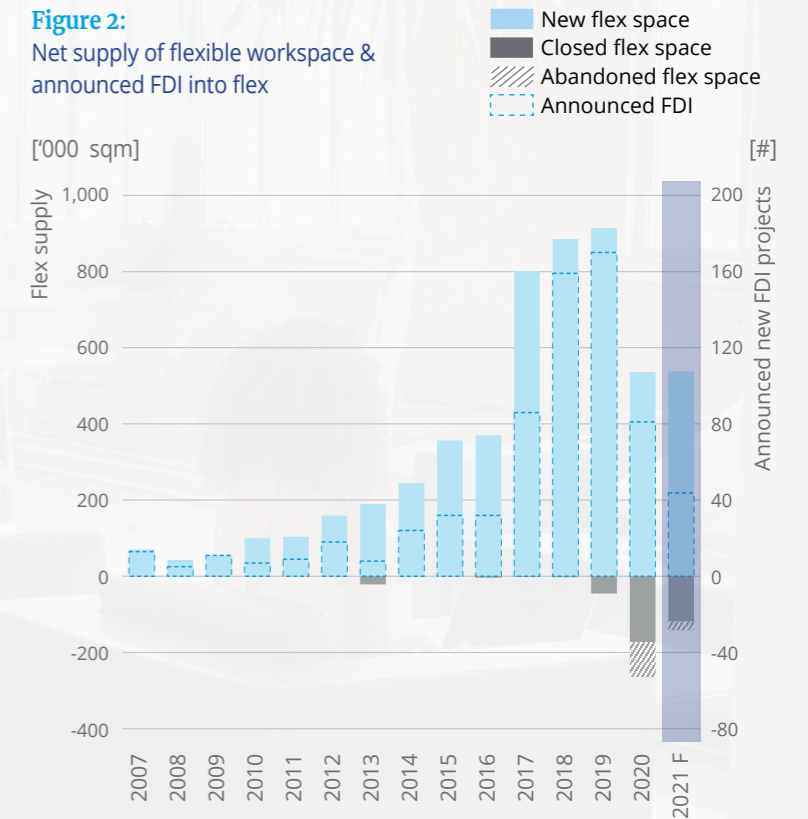
Tom Sleight | Head of Flexible Workspace Consulting, EMEA Occupier Services

Figure 1:
Colliers 2021 flexible workspace survey results



Source: Colliers

Figure 2:
Net supply of flexible workspace & announced FDI into flex



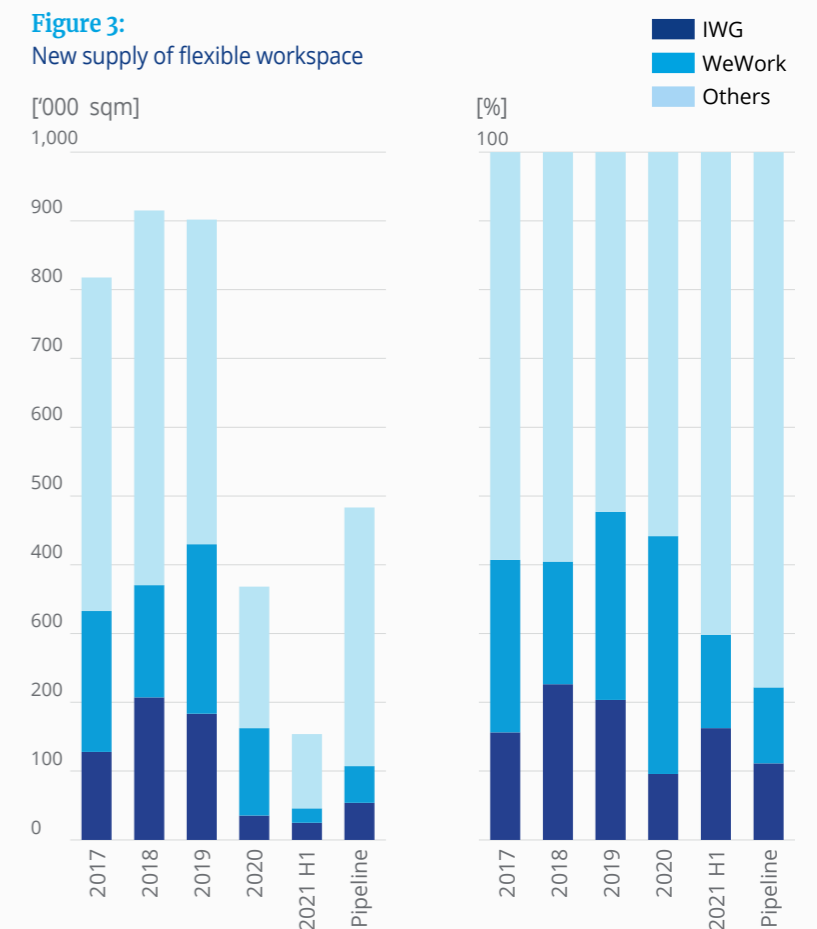
Sources: Colliers, FDI Markets

With demand for agile working soaring, several markets have reported rising occupancy rates for flex spaces. Dublin and Copenhagen in particular have reported that some operations are close to full capacity.

IWG continues to expand quicker than it is consolidating, and they are working on 15 new projects in a number of markets to be opened in 2021 & 2022, which is across both their Regus and Spaces brands. Meanwhile, Welkin and Meraki continue to grow in Paris, with their third location in La Defence with UBW. Clockwise Offices, the owner operator provider continue to acquire new sites in the UK and mainland of Europe and Design Offices is upscaling in Dusseldorf. Cairo, Riyadh and Dubai are benefitting from increased demand for smaller flex surfaces from public bodies.

While the big players in the market remain active, their dominance is shrinking when it comes to new supply. The IWG-WeWork duo account for only 20% of the active pipeline, compared to occupying a third of all existing supply. This should help rebalance the market to some extent and allow smaller players to become more active.

Figure 3:
New supply of flexible workspace



Source: Colliers

Table 1:
Key market indicators
2021 H1

	Amsterdam	Barcelona	Berlin	Brussels	Budapest	Cairo	Cologne	Copenhagen	Dubai	Dublin	Dusseldorf	Frankfurt	Hamburg	Istanbul	Jeddah	London	Madrid	Milan	Munich	Oslo	Paris	Prague	Riga	Riyadh	Rome	Rotterdam	Sofia	Stuttgart	Tallinn	Vienna	Vilnius	Warsaw	Zagreb		
Number of surveyed centres	148	98	116	88	68	81	35	207	129	104	36	67	87	47	23	518	107	71	76	64	618	55	16	34	44	42	53	27	17	61	20	75	14		
Number of operators	52	55	42	40	43	70	23	153	59	39	18	38	52	10	18	107	33	18	37	28	66	27	13	17	23	15	45	16	12	31	13	29	13		
New flex supply H1 2021 ('000 sqm)	11.9	8.5	0.0	7.6	1.8	0.0	0.0	9.1	0.0	0.4	0.0	0.0	12.6	4.4	1.0	59.0	9.2	3.3	30.7	10.2	58.3	7.4	0.0	1.0	13.9	0.0	3.7	0.0	2.6	0.0	0.0	1.7	4.2		
Committed flex pipeline ('000 sqm)	15.4	0.0	0.0	38.5	12.5	0.0	30.1	85.1	0.0	11.2	3.6	23.7	9.5	9.3	0.0	40.7	0.0	8.3	18.1	4.2	82.1	4.3	1.4	0.0	0.0	7.5	0.0	4.0	2.5	0.0	1.1	20.1	0.0		
Flex space (% of office stock)	6.1	2.8	1.6	1.2	2.0	2.2	0.9	8.2	2.1	3.3	0.8	1.3	1.1	3.6	1.1	5.6	1.3	1.4	0.8	1.5	2.2	2.3	1.5	0.8	0.9	3.0	2.4	1.0	1.9	0.8	2.7	3.3	1.6		
Vacancy rate (%)	7.9	7.5	2.4	0.0	9.8	15.0	2.6	9.7	30.0	10.6	6.7	7.5	3.4	29.1	18.0	8.7	10.7	9.5	4.4	7.0	8.3	7.8	11.4	10.0	9.0	13.8	16.0	6.3	9.2	4.1	7.9	12.5	4.0		
Operator take-up, 12mth outlook	▼	▲	▼	▲	▲	◄	◄	▼	◄	◄	▼	▲	▲	▲	◄	▲	◄	▲	▼	▲	▲	▲	▼	◄	▼	◄	▲	▼	▼	▼	▼	▲	◄	◄	
Total office take-up, 12mth outlook	▼	▼	▼	▼	▼	◄	▼	◄	▼	▲	▼	▼	▼	▼	◄	◄	▼	▲	▼	▼	▼	◄	▲	◄	◄	▼	◄	◄	◄	▼	▼	▼	▼	◄	◄
Prime CBD rent (EUR/sqm/mth)	39	28	42	26	23	24	26	24	34	55	29	45	30	28	22	125	34	49	40	48	77	23	16	29	36	20	13	25	17	28	17	25	15		
Avg desk cost, CBD private office (EUR/mth)	550	475	900	625	350	176	800	886	533	700	800	975	950	517	1,092	1,101	450	650	1,125	919	1,000	325	240	1,528	500	350	155	750	300	700	330	391	196		

Source: Colliers

New hires and fresh(er) concepts

Overall, the relatively low flex market saturation levels (2% of the EMEA office market on average) create adequate opportunity for new players to gain a foothold in previously unexplored markets and/or simply reinvent themselves by delivering new concepts. This is exemplified by Grafters entering Dublin or Microlab's 7,500 sqm expansion into Rotterdam, having previously only serviced the Eindhoven market. In Finland, urban developer YIT acquired the Finnish operations of UMA Workspace and thus established their presence with YIT Workery+ across three sites in the Helsinki Metropolitan Area.

We are seeing a significant increase in partnerships between operators, driven by investors' appetite for direct exposure to the sector and for a specialist operator to deliver enhanced shared tenant amenities. The Office Group have entered into a management agreement with Argent to develop a new 170,000 sq ft workspace hub in London's Kings Cross. X+Why have doubled their UK footprint with 4 new management agreements in Birmingham and London.

As anticipated, landlord driven concepts are increasing. In Prague and Brno respectively, FLEKSI by Passerinvest alongside CTP's own ClubCo brand are the latest to announce / commence new flex operations. In Amsterdam, HighBrook's and REB's The Collection is the latest brand hitting the news with their initiative of 'luxury flex' coming to 11 downtown locations in Amsterdam within the next two years.

Looking forward: the million dollar question

What will the post-COVID workspace look like? Our "[Developing the post-COVID workplace](#)" report provides some ideas and answers, but we await the results at the end of this transition period. What is clear is that a full-time return to the traditional office is off the cards, as is a full-time home office. A hybrid, agile solution is clearly the scenario that will be adopted, but with different weightings set by organisations according to roles, functions and location. This is likely to continue to feed demand for flexible workspace, either as satellite office concepts or permanent hybrid working offices.

Furthermore, with ESG related matters now increasingly a factor, we are moving to low carbon footprint model. This is likely to result in limited new office developments across European markets, but a greater focus on re-purposing and retrofitting assets (read more in our "[ESG at a tipping point](#)" report). This should see flex-space as part of existing stock rise in line with the growth of agile working, as business optimisation consolidations run their course.

Europe & MENA coverage

44
Markets (#)
1,333
Operators (#)
3.5k
Operational sites (#)
6.5m
Operational space (sqm)

Source: Colliers

2021 H1 at a glance

2.0
Size of flex market [% of office stock]
111
Opened flex (#)
280k
Opened flex (sqm)
2.6
Share of operator activity [% of office take-up]
58
Closed flex (#)
119k
Closed flex (sqm)
34
New operators (#)
5
Cancelled flex (#)
23k
Cancelled flex (sqm)

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