

Instant

RETHINKING WORKSPACE



EMEA Flex Space Market Review

Q1 2024



Summary Findings

This report draws insights from our recent Future of Flex survey, with responses from over 200+ flex space providers, and our proprietary database that tracks supply, demand, and transactional data on flexible workspace.

Flex demand is shifting

Flexible workspace demand across EMEA has surged by **35%** over the past 5 years.

04

Markets of opportunity emerging

Supply/demand imbalances highlight markets such as **Dubai** which are best positioned for new investment in flexible supply.

05

Quality continues to prevail

Despite fluctuating rates across EMEA, those for the **highest quality products** remain strong.

06

Rapid growth is on the horizon

With **46%** of landlords planning to develop flexible space and **64%** of operators planning to expand, the flexible workspace market in EMEA has substantial potential.

07

Amenities on the rise

Searches for offices with **meeting rooms** have seen the greatest increase over the past year.

08

People-led hospitality

People-led hospitality is the distinguishing factor of flexible workspaces, with **59%** of occupiers citing friendly staff as the #1 differentiator.

09

France Spotlight

Central Paris accounted for **84%** of total demand within Ile-de-France compared to 75% in 2019 as the hub-and-spoke model empowers agility.

10

Germany Spotlight

Berlin's dominance is being challenged by Hamburg's remarkable demand, boasting a **28%** CAGR over the last 5 years.

11

Spain Spotlight

Valencia emerged as a market of opportunity, with demand showing a strong **22%** CAGR over the past 5 years.

12

Executive Summary

Although maturity levels across EMEA vary by country, the direction is clear across the region – the flexible workspace market is evolving, and fast.

Shifting office use is fuelling interest for diverse office environments, resulting in **demand levels 35% higher** than those seen pre-pandemic, while supply growth has slowed. Nevertheless, operators and landlords alike predict significant growth over the next two years.

To ensure that future investment is made in the right assets and locations, having visibility of true market conditions is vital.

This report explores the latest trends in supply, demand, pricing, and client expectations around flexible workspace to help operators position their business strategies for 2024 and beyond.

Key insights to drive the greatest value from your flex portfolio:



Work is evolving, and the solution is flex

35% increase in demand for flexible space compared to 2019.



Reliable market data highlights cities with the strongest opportunity

63% of operators in EMEA plan to increase their footprint in the next 2 years.



Quality and amenity-based workspaces prevail

While prices fluctuate between cities, rates for high-quality products are consistently strong.

“

There is massive opportunity on the horizon for the flexible workspace sector in EMEA. With increasing demand consistent over recent years, operators and landlords are well positioned to open new flex space locations thus increasing supply. Data-led investments into markets and assets primed for flex will be critical to their success, as well as focusing on revenue and margin growth by way of offering a wider range of flex products to the market.

SEAN LYNCH
CCO, EMEA & ASIA PACIFIC
THE INSTANT GROUP

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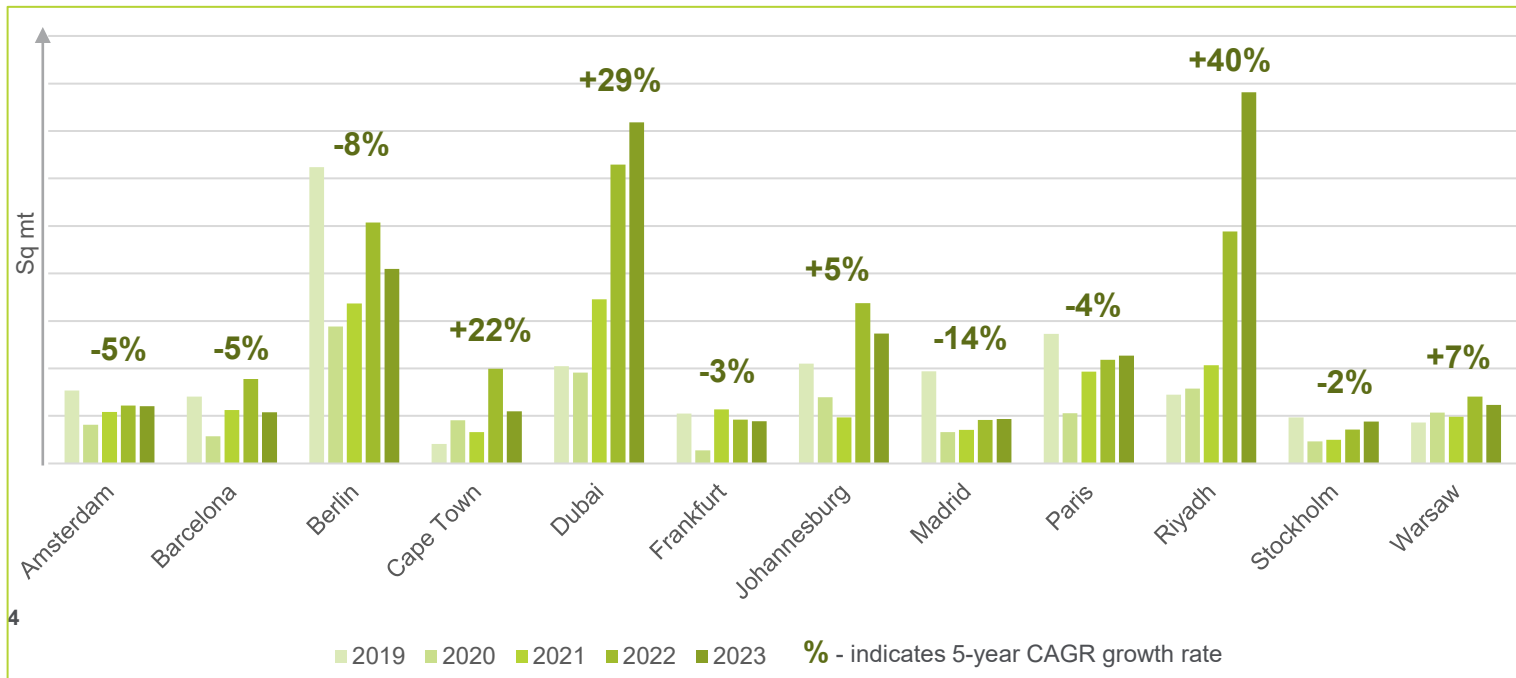
Demand: A shifting landscape.

Like every sector, the flexible workspace industry has faced varying highs and lows in terms of demand. Companies are still navigating the challenge of creating a portfolio that caters to both the operational requirements of the business and the well-being of its workforce. Some cities have witnessed a healthy recovery, while others struggle to maintain a consistent level of demand.

These city-by-city fluctuations are demonstrative of the fact that the flexible office market across EMEA is maturing at a rapid rate. **New flex hotspots are emerging, as previously less-developed markets like Dubai and Riyadh experienced record demand growth over the past 5 years.**

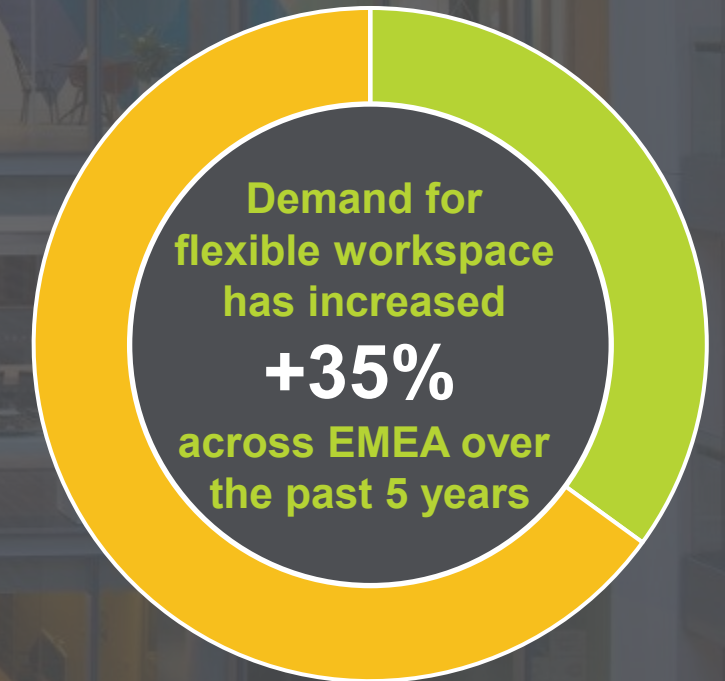
Across EMEA, the shift towards hybrid work is evident, driven by the desire to offer choice in portfolio adaptations.

DEMAND FOR FLEXIBLE WORKSPACE BY CITY



Flex prevails

Businesses remain focused on cost reduction and driving utilization by leveraging flex products such as: offices, team spaces, meeting rooms, and drop-in spaces.

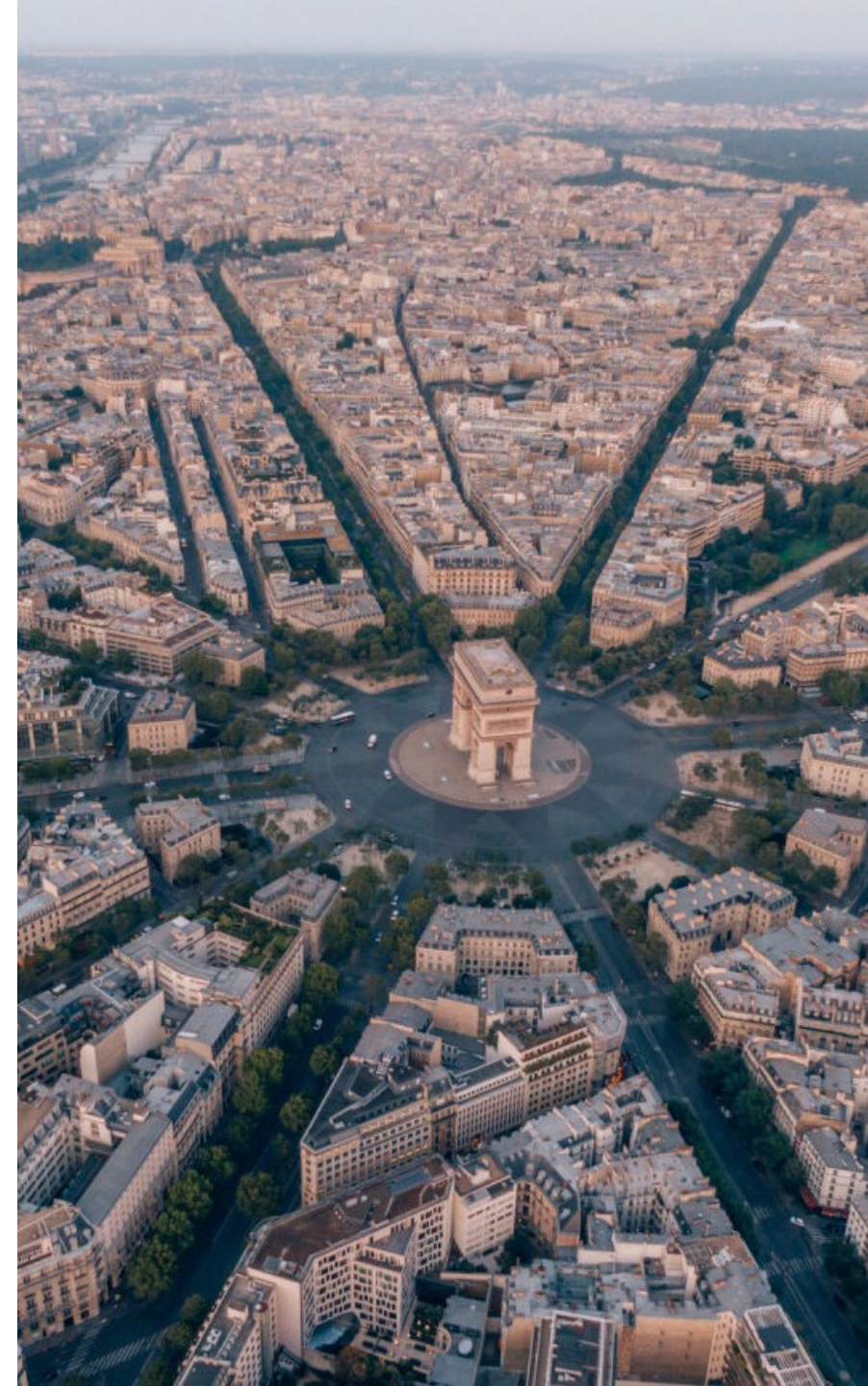
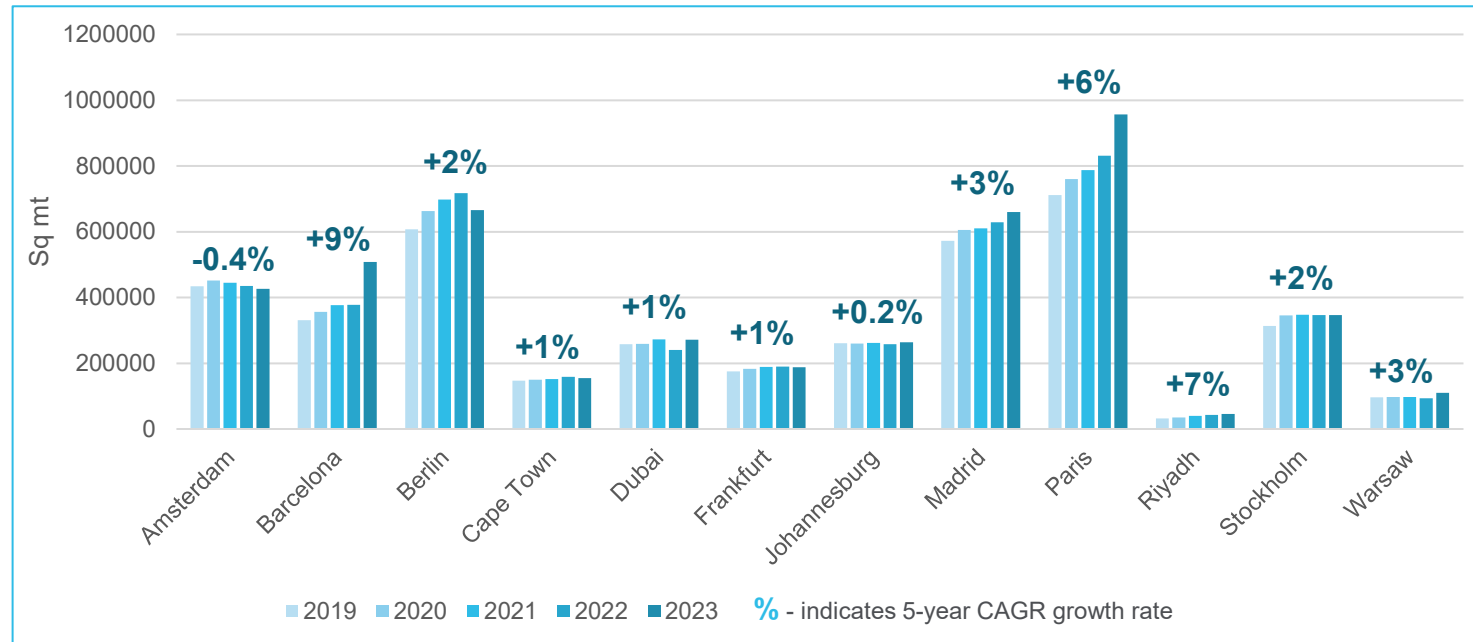


Where supply is not meeting demand, markets of opportunity are emerging.

The flex market is very fluid, and the amount of supply is unable to pivot as quickly. The majority of new flexible workspace investment continues to be focussed on mature markets such as Barcelona and Paris. On the contrary, emerging markets where demand is growing at a much faster pace have seen little new supply growth.

Operators and landlords should leverage data-driven insights to identify markets that are best positioned for new flexible workspaces and avoid overexposure. The right supply is needed in the right places to ensure the future growth of the industry.

SUPPLY OF FLEXIBLE WORKSPACE BY CITY

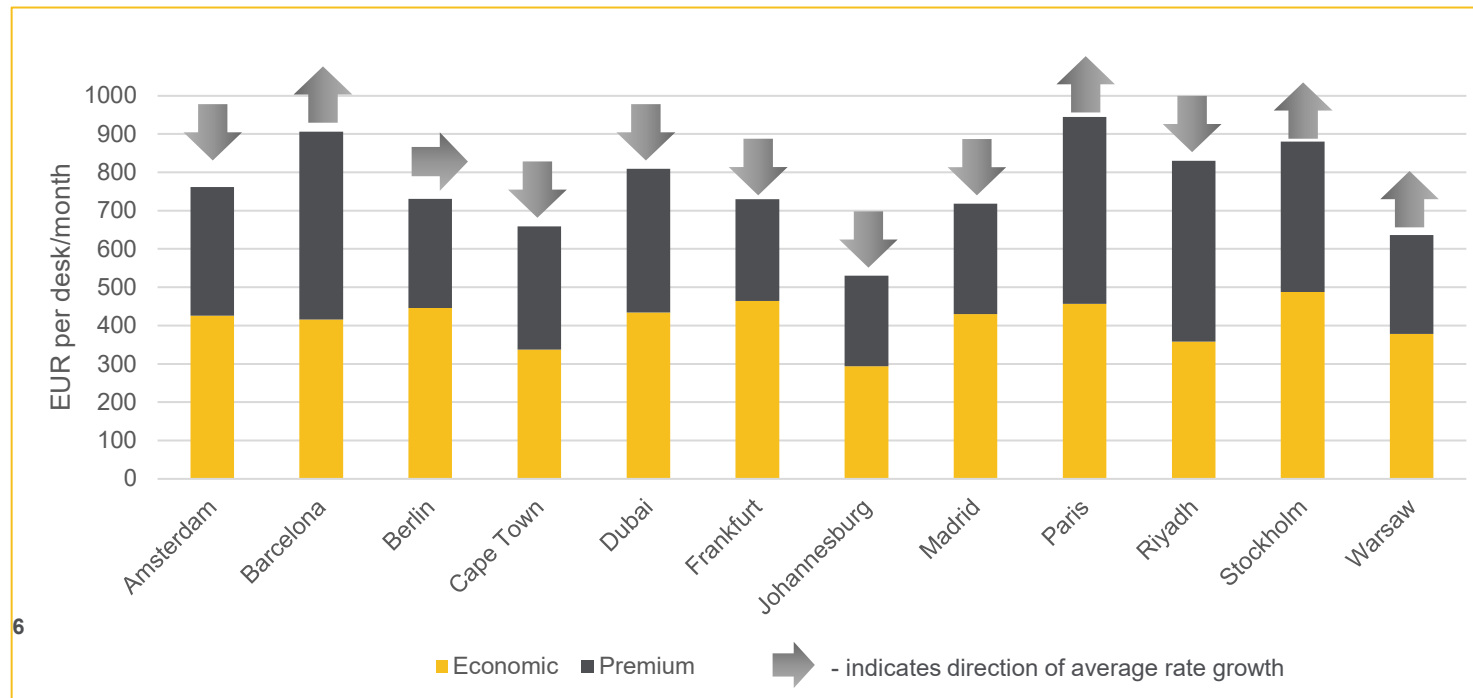


Challenge: balancing higher customer expectations and rising operational costs in an increasingly competitive market.

Many companies are struggling to balance rising operational costs with their workspace expectations. This has resulted in fluctuating prices across EMEA, as providers focus on increasing occupancy and generating additional revenue through new products and services.

The one clear trend that plays out across every city is that **quality space prevails**. Rates for the highest-quality products continue to remain strong with increasing demand and relatively limited stock across multiple cities.

AVERAGE ACHIEVED RATE PER DESK 2023

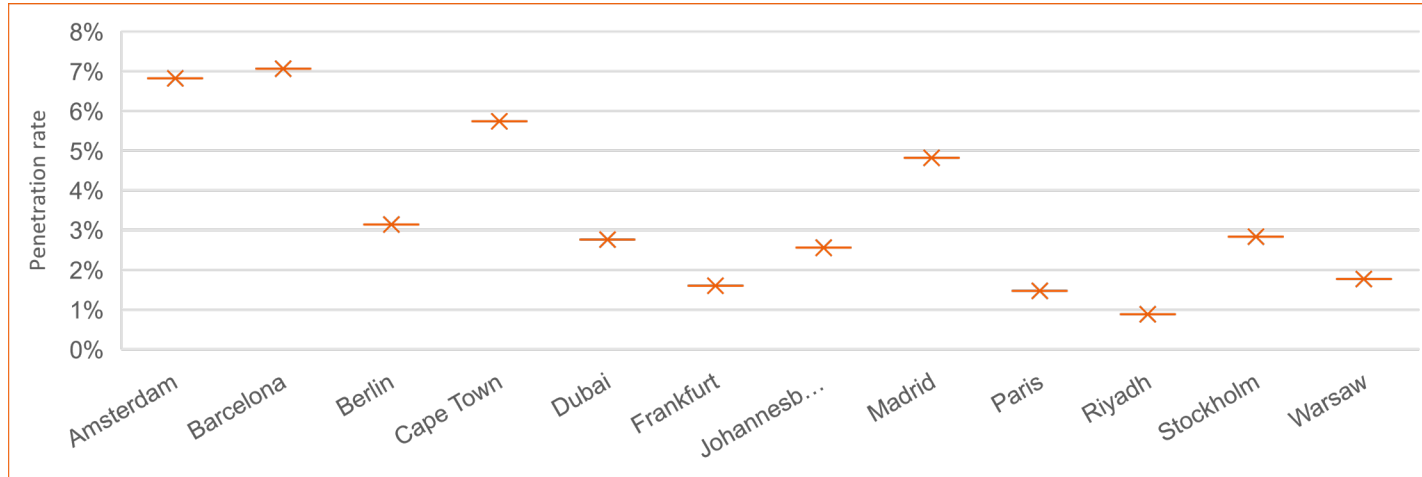


HOW BUSINESS CONDITIONS COMPARE TO PRE-COVID (1= much lower, 10=far higher)



Rapid growth is on the horizon.

FLEXIBLE WORKSPACE PENETRATION RATES



The real estate sector has faced many pitfalls in recent years, leading to a more restrained growth in flexible workspaces across EMEA, with a small increase of 4% in the region over the past 5 years.

With over 95% of operators within EMEA currently operating within a single country, expansions are anticipated to come from UK and North American operators alongside consolidation.

While Amsterdam and Barcelona boast mature flexible workspace markets, other markets have a flex penetration rate of under 3%. **With vacancy rates in the traditional sector steadily increasing, there is substantial headroom for additional flexible supply.**

Responses to our Future of Flex survey suggest optimism about the future of the sector, with both operator and landlord expansion plans firmly in place.



54%

of landlords believe that demand for traditional leases will decrease in the next 2 years.



83%

of landlords are witnessing an increase in demand for flexible space compared to long term leases.



46%

of landlords are planning to develop additional flexible space to meet new demand.



63%

of operators plan to increase their footprint in the next two years



66%

of landlords expect at least 25% of their portfolio to be flexible by 2030

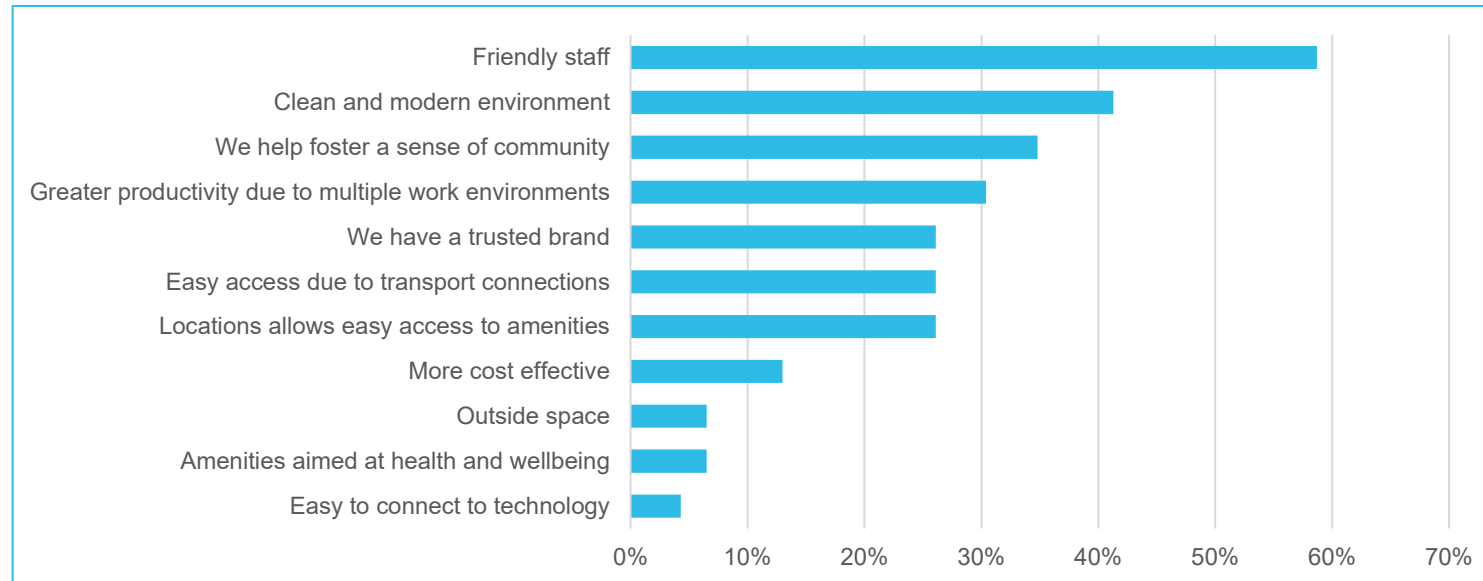
Why the game-changing appeal of flexible workspaces endures today.

Our latest research reveals a notable increase in expectations from both new and existing customers regarding their office space. While amenities are important, just offering amenities is not enough. It is the quality of the delivery of the service that gives flexible workspaces their appeal.

The #1 differentiating factor that leads customers to select a particular workspace over another friendly staff.

The staff delivering the workspace play a pivotal role in creating a welcoming environment, fostering positive interactions, and ensuring a seamless experience for customers. These intangible factors are difficult to get right, but providers who do will drive the greatest value from their assets.

WHY CUSTOMERS CHOOSE FLEX SPACE OVER OTHER WORKSPACE OPTIONS













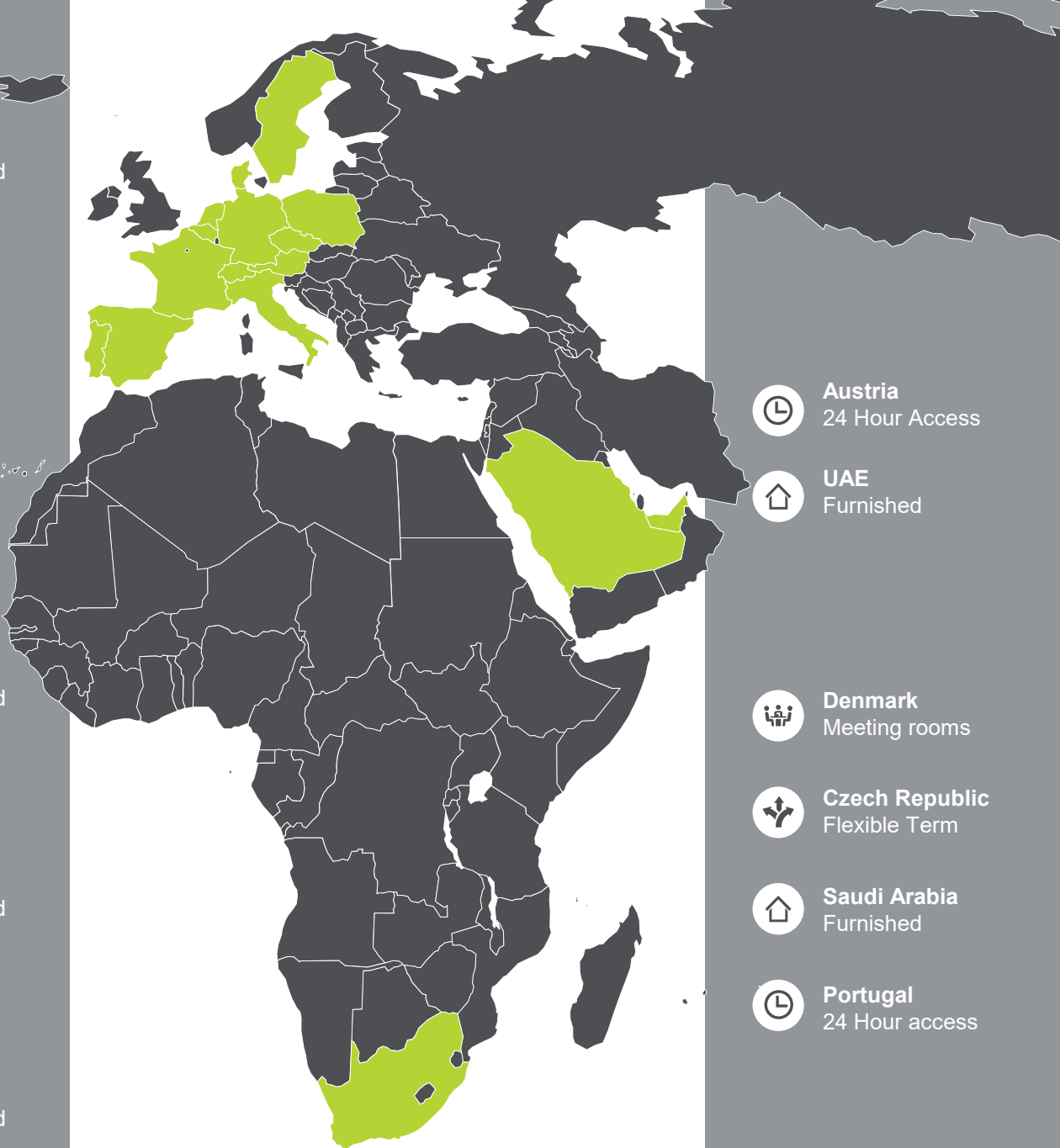
Amenities: Defining the office of the future.

As hybrid work models continue to transform the traditional office framework, amenities are evolving from add-ons to fundamental elements. EMEA accounts for 21.8% of all global office amenity searches (2022-2023), an increase of 5.9% compared to the historical average (2018-2023).

Although “furnished” is the #1 searched-for amenity across EMEA, it has lost share over the past year, as this is now becoming a baseline expectation. Instead, “meeting rooms” is gaining the most share as the office is increasingly becoming a hub for collaboration.

While nuances may vary between countries across the region, there is a clear overarching trend – **amenity-based workspaces have emerged as the preferred solution for today’s occupiers.**

-  **Sweden**
Services included
-  **France**
Meeting rooms
-  **Germany**
Furnished
-  **Netherlands**
24 Hour Access
-  **Poland**
Furnished
-  **Spain**
Services included
-  **Switzerland**
Meeting rooms
-  **Italy**
Services included
-  **Belgium**
Meeting rooms
-  **South Africa**
Services included



*Map shows the #1 searched-for amenity by country

France: Hub-and-spoke model empowers business agility.

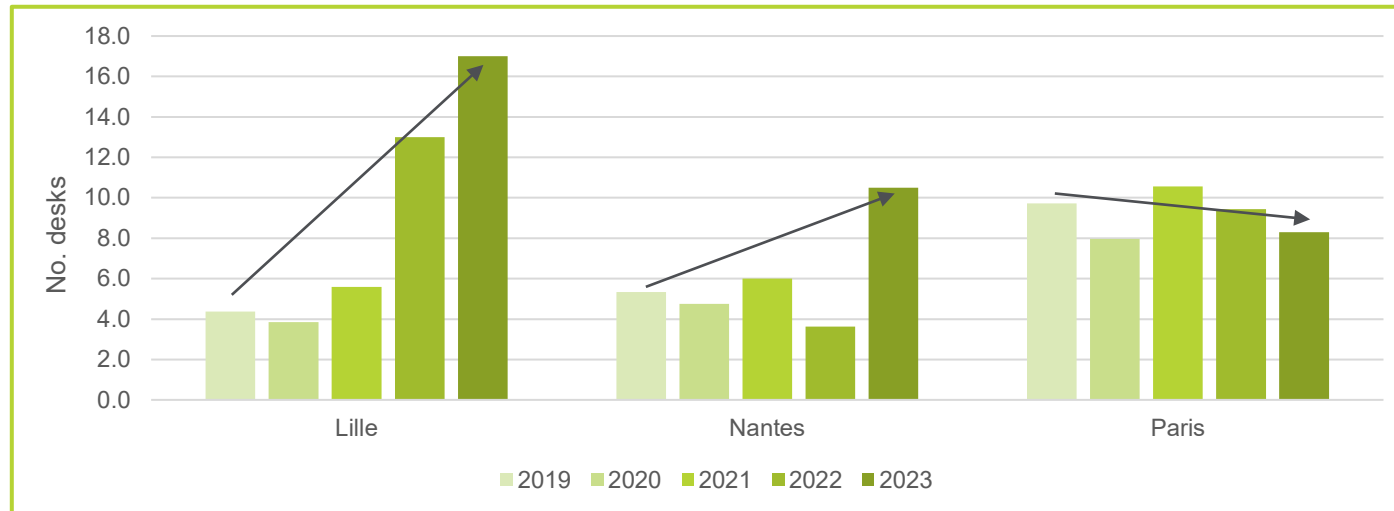
A key strategy emerging within the flex market in France is the hub-and-spoke model.

Numerous companies have relocated from business hubs on the outskirts of Paris to locations within Paris intra-muros to better connect to the regions. Demand for flexible workspace is becoming more heavily weighted towards central Paris, currently accounting for 84% of total demand within Ile-de-France compared to 75% in 2019.

Central Paris offers strategic geographical positioning and an efficient transport network that readily supports a network of regional offices. This enables companies to empower their teams with choice over where to work, access wider talent pools, and drive increased capital.

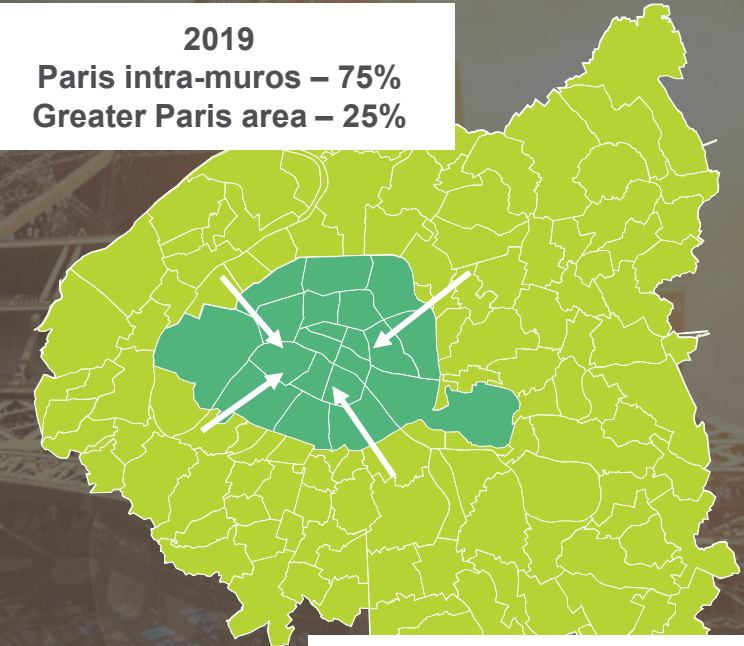
This has resulted in the average office requirement size in Paris to fall, while requirements in cities within easy reach of Paris such as Lille and Nantes are on the rise. Supply within regional cities is therefore feeling pressure, as availability of high-quality stock is insufficient to meet demand caused by the popularity of hub-and-spoke.

AVERAGE FLEXIBLE WORKSPACE REQUIREMENT SIZE



Proportion of flexible workspace demand for Paris intra-muros vs. the Greater Paris area

2019
Paris intra-muros – 75%
Greater Paris area – 25%



2023
Paris intra-muros – 84%
Greater Paris area – 16%

Germany: Berlin's dominance challenged by growth markets.

Despite Berlin continuing to receive the highest demand for flexible workspace in Germany, its dominance is being threatened by new markets.

Berlin is still in the process of recovering from the pandemic, evident in the 19% decline in demand levels in 2023 compared to 2022. Munich continues to be a prominent market, with strong demand and limited availability, in particular for larger requirements.

However, Hamburg has experienced some of the highest growth in demand for flexible workspace over the past 5 years, despite hosting just 7% of the total flexible stock in Germany. This growth is being driven by a shift in occupier preferences, notably an uptick in requirements for larger spaces.

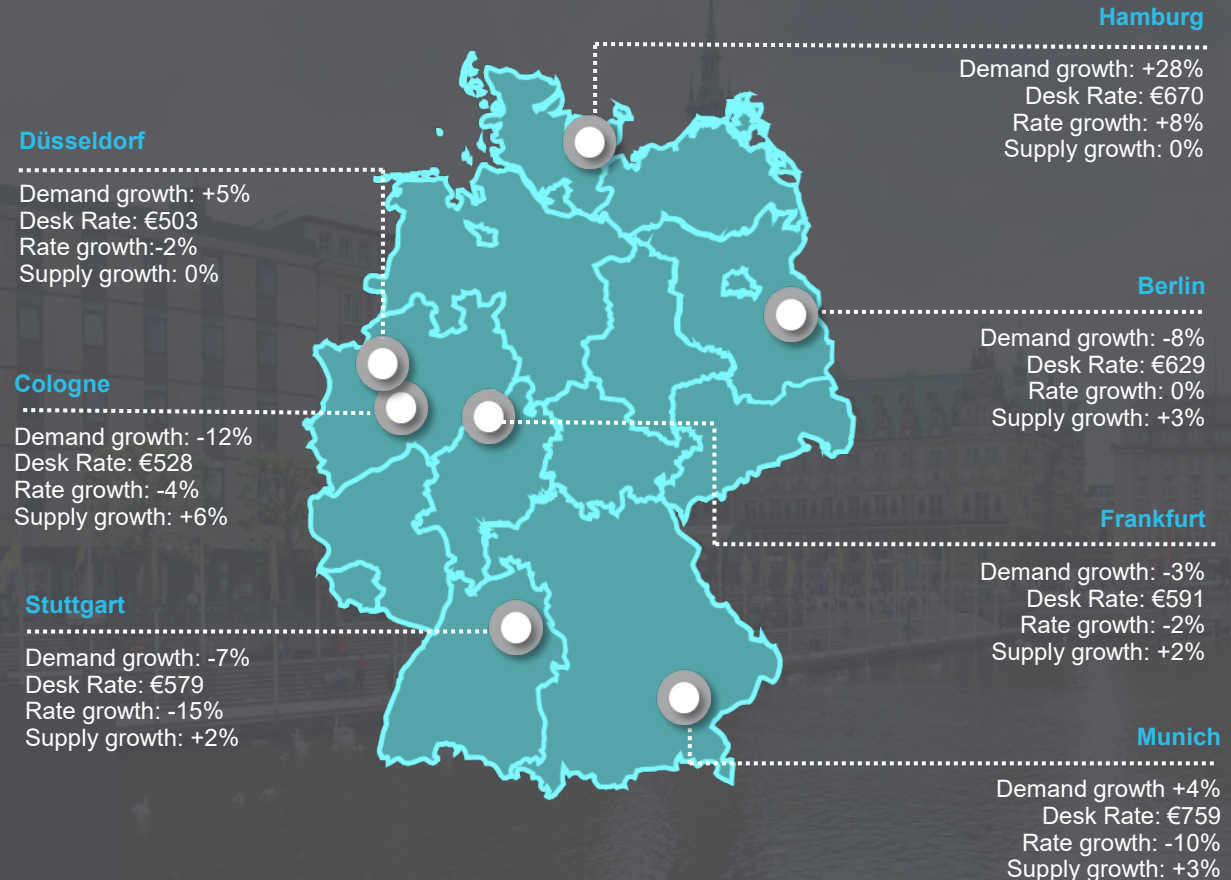
Demand for offices accommodating 25 desks or more now constitute a significant 64% of total demand in Hamburg, a significant increase from just 30% pre-pandemic. This shift is exerting considerable pressure on existing supply, which has remained relatively stagnant.



The office of today is more than just a place to work. It should bring out the very best of its occupiers with services and hospitality that inspire their best work.

Location is a critical factor for motivation as well. Hamburg's thriving business ecosystem fosters innovation and entrepreneurship and is an unparalleled hub for tech startups and creative industries. Hafencity was the clear choice for EDGE where we are embracing modern design, sustainability, and energy efficient workspaces surrounded by increasingly valued green spaces.

Vivian Suhr, Director, **EDGE Workspaces**



Demand growth = 5-year CAGR growth rate
Desk Rate = 2023
Rate Change = 2022-2023
Supply growth = 5-year CAGR growth rate

Spain: Emerging markets of opportunity.

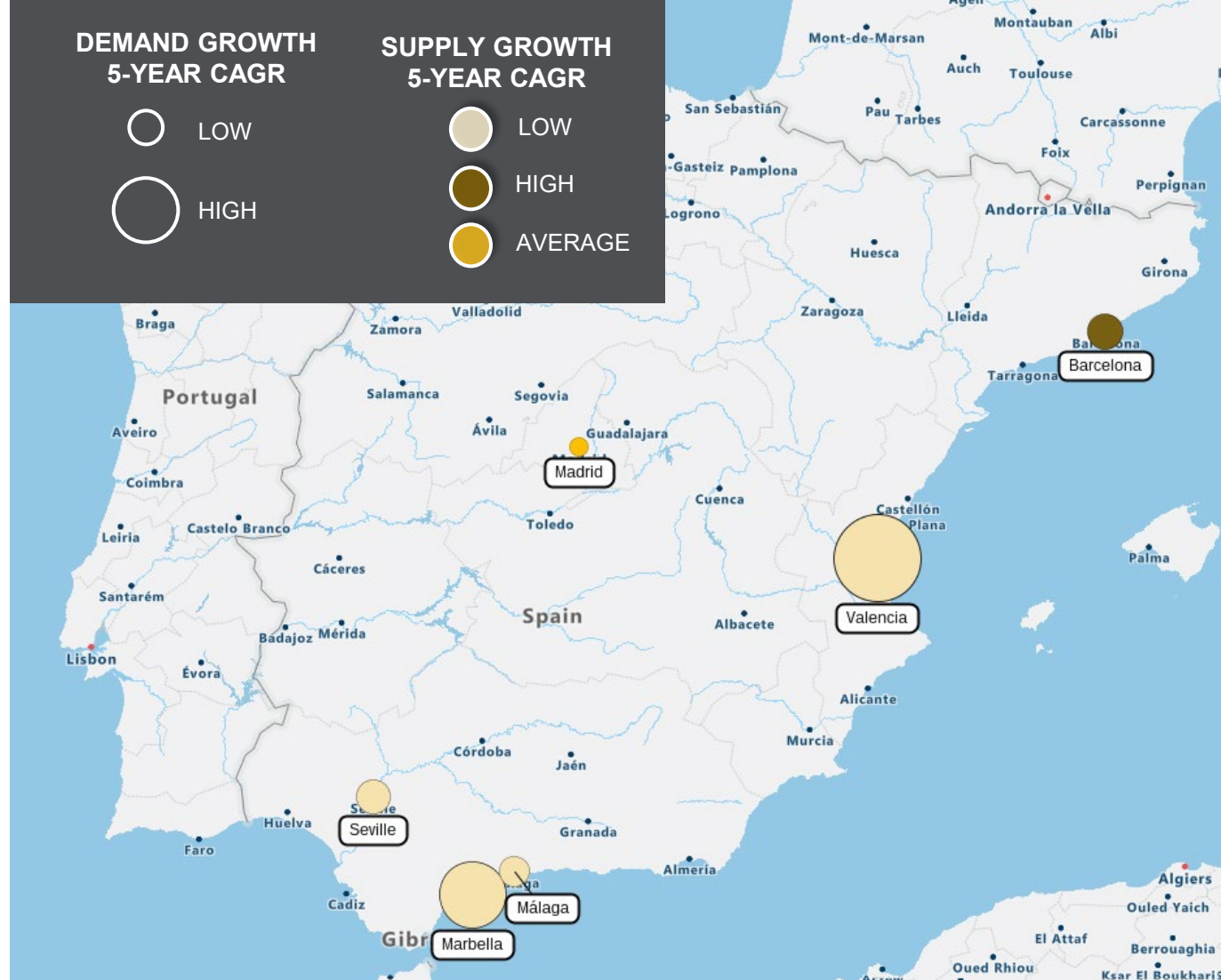
Spain's flexible office sector is undergoing a transformative shift. The rise in agile working is increasing the appeal of locations that not only offer cost efficiencies, but also contribute to an enhanced work-life balance.

Although demand is still in the process of recovery in Barcelona and Madrid, markets like Valencia and Marbella are witnessing unprecedented interest in flexible workspace.

One of the key challenges to this new growth model is the insufficient supply to match escalating demand, especially for high-quality flexible products. Current investment in new supply is predominantly focussed on Madrid and Barcelona, creating a substantial shortage in other markets experiencing high demand.

Until a more balanced equilibrium is achieved, increasing demand in cities where supply growth is lagging is driving up rates significantly. In the past year alone, rates in Valencia surged by 21%, compared to a 15% decline in Madrid.

The current landscape presents a clear opportunity for operators to expand into new markets, provided they can find the right spaces to do so.



The challenge to opening in growth markets such as Valencia, Malaga and Seville is finding office buildings with the right quality to develop flexible workspace locations. We have plans to expand outside Madrid and Barcelona, but finding the right building in the right location is difficult without the right data. With increasing demand in growth markets, occupancy rates and industry growth are promising.

Óscar García Toledo
General Manager, **First Workplaces**



Rethinking Workspace.

Powering a Smarter Working World



Maximise occupancy and pricing, find your next location, and understand your portfolio opportunity. Discover the CoworkIntel platform.

Sustainability Index



Validate your sustainability data and align with the sustainability objectives of today's occupiers

About The Instant Group & Incendium

The Instant Group has been rethinking workspace since 1999 with over 330+ experts across more than 150 countries. Instant enables agility and operational resilience for businesses of all sizes from inception through to delivery and management. The global team advises on commercial real estate solutions from coworking and serviced offices to fully customised managed offices, modular office builds and portfolio strategy. Clients include Amex, Barclays, Prudential, Booking.com, Shell, Jaguar Land Rover and Worldpay. Instant has offices in London, Newcastle, Berlin, Budapest, Haifa, Istanbul, Paris, Dallas, New York, San Francisco, Hong Kong, Kuala Lumpur, Singapore, Sydney and Melbourne.

As part of The Instant Group, Incendium provides clients with real estate procurement, consulting, talent and change management programmes that enable organisations to use real estate as a catalyst of agility, performance and value.

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