CUSHMAN & WAKEFIELD

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THE COWORKING SECTOR IN BRUSSELS

The growth and potential of the coworking sector in Brussels

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THE GROWTH AND POTENTIAL OF THE COWORKING SECTOR IN BRUSSELS

Coworking[1] has experienced an enormous growth in popularity and has become one of the hottest topics in real estate all over the world. In 2018, around 20% of the total take-up in the Brussels office market was attributable to the coworking sector. This massive increase compared to the activity observed in 2017 can be explained by some factors including the following:

- The increasing trend around this topic has led to the creation of new coworking providers that have entered the market.
- Existing foreign coworking providers who were active in neighbouring countries made their first entry in the Belgian market after proving their success in other nations.
- Existing Belgian coworking operators who were active in other cities and decided to expand to other domestic markets, starting with Brussels.

A recent Europe-wide study conducted by Cushman & Wakefield explains the “coworking attractiveness” of 10 major cities in Europe and illustrates why some cities are more popular in attracting coworking providers than others. While Brussels did not make it in the top 10 European hotspots for coworking, it did emerge as an interesting location for flexible office solutions.

[1]The term coworking in this report is used in a broad sense and includes all leasing activity to flexible workplace operators (the sample of flexible leasing activity is too small, at this stage, to split the statistics into coworking, serviced and managed office space activity).

To compare the potential for coworking across European cities, Cushman & Wakefield has selected quantifiable economic and real estate market factors which are divided into four categories: **scale**, **business environment**, **people** and **catalyst**.

Scale mainly represents the size or office stock of a certain city. While Brussels is the eighth largest office market in Europe, it ranks far below the levels of office stock observed in Paris or London. In this respect, it is almost inevitable that coworking in Europe will be heavily concentrated in the largest cities. Within the Scale category, GDP levels and early-stage funding also play a role, but with a much lower weight than office Stock.

People is the third category because some demographic of the working population is more likely to use coworking space than others. Coworking provides workers with a social atmosphere, interaction and a community-based environment. For this reason, it has proved attractive to start-ups and entrepreneurs as an alternative to being in a home office. It has also proved particularly attractive to employees in the technology, media and communication industries who typically employ a younger, more footloose demographic. As a result, cities with a bias towards these three traits could adopt coworking more quickly than others.

The second category is **Business Environment**, which refers to the length of office leases and the rental levels within a city because businesses are more likely to search for the flexibility of coworking if traditional leasing is based on expensive rents and long leases. Labour market regulations also play a role because the flexibility of coworking can help keep firms agile and competitive in cities where firms can easily adjust their staffing. Finally, office users would be more open to coworking in cities with an excellent digital infrastructure so in some cases even internet speed can be a factor.

Finally, the last category used to assess the attractiveness of a city to adopt coworking is referred to as **Catalyst**. This category mainly refers to the number of start-ups and accelerators within a city as well as the accessibility to business support and financing for these start-ups. Expenditure on R&D and the propensity for a city's office users to collaborate and be part of an online community are also catalysts for coworking. Even a city with scale, the right business environment and talented people needs a catalyst for coworking growth.

The city of Brussels scores better than the European average in some specific areas

While the city of Brussels scores better than the European average in some specific areas, it still lacks most of the other factors necessary to join the Top 10 European cities with the most potential to attract coworking providers.

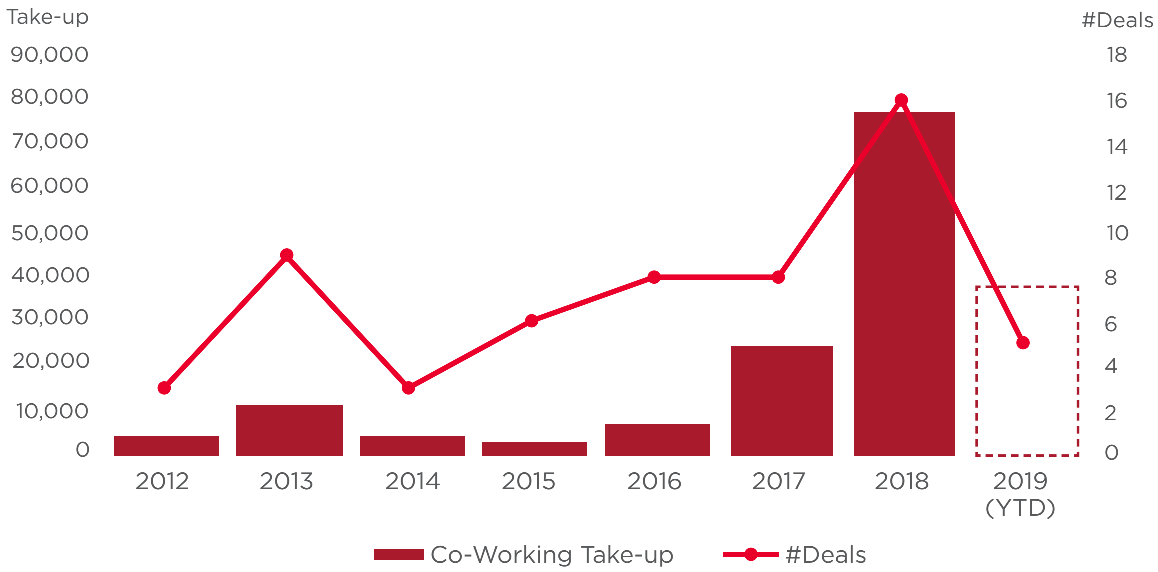
Coworking spaces are known to be an ideal substitute for small companies not looking to commit to long and expensive leases. As such, coworking users are ready to pay a premium for the flexibility as well as the services these operators offer. In Belgium, however, the length of traditional leases is typically nine years with a break option every three years meaning there is still some 'flexibility' compared to traditional leases in London where the minimum length is five years. The same logic applies for the rental levels; Brussels is relatively cheap compared to other metropolitan areas in Western Europe. For this reason, coworking providers remain more inclined to expand and attract users in markets with longer leases and expensive rents. This is perhaps one of the reasons why Brussels was not an exemplary market in the early stages of the coworking revolution. However, we see that operators are increasingly prepared to enter markets where traditional leases lengths are shorter, and rents are cheaper.

With close to 13.5 million square meters of office stock, Brussels is the eighth largest office market in Europe. It is almost inevitable that coworking in Europe is, and will continue to be heavily concentrated in the largest cities and therefore Brussels obtained a relatively high score for 'stock' in the hotspot index. The attractiveness for coworking providers to enter the Brussels market further stems from the large proportion of graduates within the Belgian population (thanks to a government subsidised higher education system), but also from the high level of entrepreneurial employees within the workforce and the intense activity in R&D. In fact, there are public agencies in Brussels such as Innoviris that support and encourage R&D and innovation by funding projects and organisations. Furthermore, the presence of different universities and colleges around the capital has also led to a strong stimulation of R&D activity in Brussels.

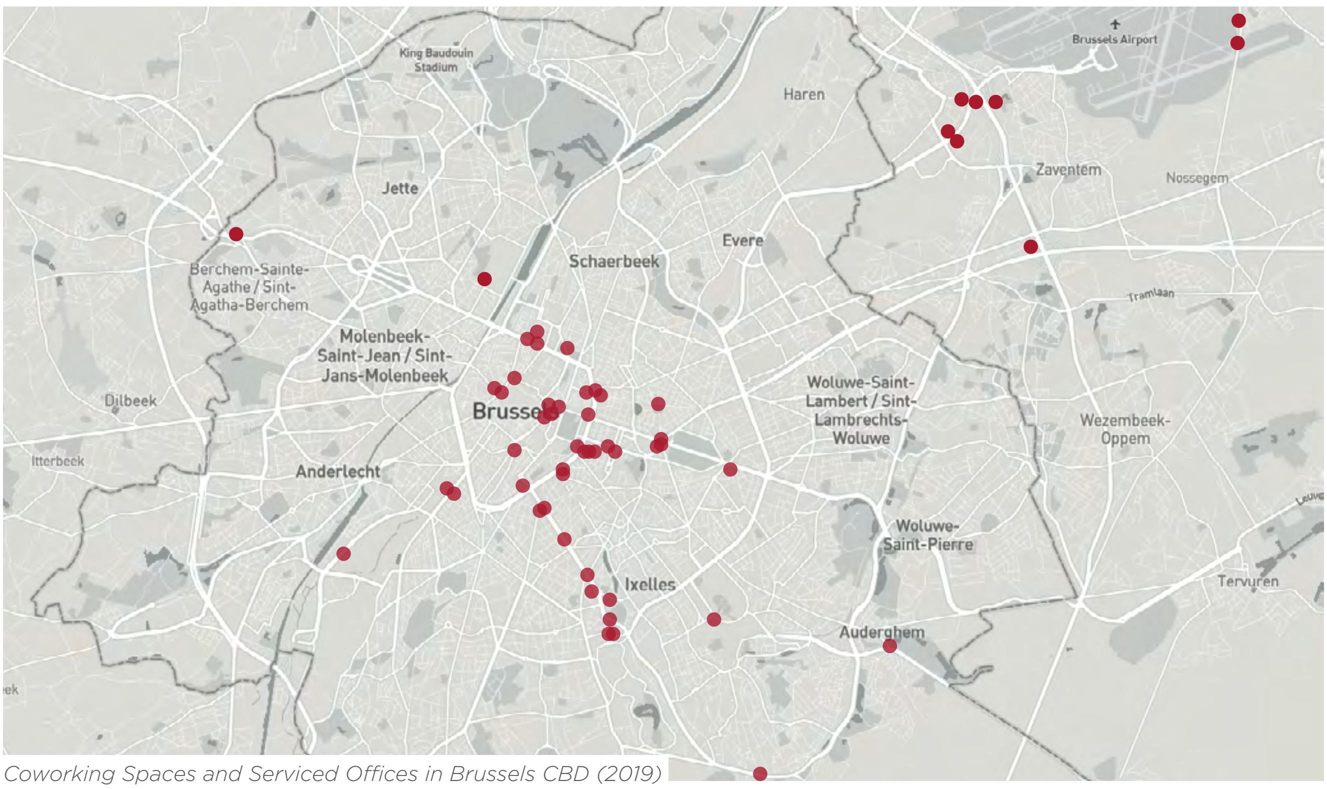
Yet, the entrepreneurial culture in Brussels is less remarkable than that observed in other capitals such as London, Amsterdam or Dublin, and although there is no shortage in entrepreneurial employees, early-stage entrepreneurial activity is often discouraged due to the lack of accelerators and venture capital funding to help these small businesses grow. Finally, compared to Stockholm and Berlin for example, there is still very little online support and collaboration in Brussels, which is also a key aspect for first-stage companies to grow.

Nevertheless, the arrival of the largest coworking operator in the world, in four different locations in Brussels confirms that the Belgian capital is if fact a location with high potential for coworking in Europe. Over the last three years the coworking sector has seen a tremendous growth. The number of coworking deals in 2018 doubled and the take-up more than tripled compared to the activity in 2017. Moreover, in just a few months, the coworking take-up in 2019 already reached half the levels observed last year. The rapid and impressive increase in activity within the coworking sector suggests that coworking spaces are not exclusively targeting small businesses and freelancers anymore but are also open to accommodate mature organisations ready to embrace what people call 'the new way of working'.

TAKE-UP (IN 000S SQ M, LHS) AND NUMBER OF DEALS (#, RHS)



LOCATION



Coworking Spaces and Serviced Offices in Brussels CBD (2019)

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The number of coworking deals in 2018 doubled and the take-up more than tripled

New coworking providers coming into the Brussels market tend to occupy large surfaces in newly developed buildings that benefit from a good accessibility. With this in mind, we can observe that most flexible office spaces in the CBD are located on large roads such as the Avenue Louise and the Inner Ring, or in areas with a large footfall such as the city centre.

In using the data contained in this report, the following should be noted:

• The data series has been prepared based on information which has been collected through our own Research, Capital Markets and Agency teams as well as material available to us from public and other external sources. In respect of all external information, the sources are believed to be reliable (unless stated) and have been used in good faith. However, Cushman & Wakefield has not verified such information and cannot accept responsibility for their accuracy and completeness, nor for any undisclosed matters that would affect the conclusions we have drawn. Nonetheless, in interpreting the information used, we have had to rely on the validity and accuracy of the data and information sources available to us.

• We have taken every possible care in the collation of this data series. The data is believed to be correct at the time of reporting but may be subject to change during the life of the project and beyond and as new information becomes available. We reserve the right to change data without prior notice in the light of revised market opinion and evidence.

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