FLEXIBLE

WE MAKE IT POSSIBLE

CUSHMAN & WAKEFIELD

WHERE DOES THE INDUSTRY STAND AFTER THE PANDEMIC?

7 flex facts and a look at the top-7 markets

OFFICE

> FLEX OFFICE PROVIDES ITS USERS WITH LAYOUT FLEXIBILITY THAT CREATES AN ECONOMIC ASSET EVEN IN ECONOMICALLY DIFFICULT TIMES.

HELGE ZAHRNT
Head of Research & Insight Germany

AGENDA

FOREWORD

In the last 10 to 15 years, a creative, modern segment with its own dynamic has developed in the office market. Flexible office space with a focus on coworking, communication and collaboration. Initially beginning as a niche, it captured the spirit of the time and experienced a real boom - and sometimes hype - in the years before the Covid-19 pandemic. Flex office was here to stay. Berlin in particular quickly became the Flex stronghold in Germany and many operators opened new locations here as well as in the other major cities. In the top-5 markets, the contribution of flexible office space to total office space take-up rose as high as 8 percent - and in CBD locations even up to 20 percent.

But then came the Covid-19 pandemic and with it, the "co" in coworking lost its raison d'être. Coming together somewhere casual, working side by side and with each other - at least physically - was suddenly no longer possible. The business model, which up to now had been on exactly the right path for the transformation of work, now seemed in danger. But it went on nonetheless. And it did so while the Covid waves and restrictions were still happening. How exactly did the pandemic affect the operation of Flexible office spaces? How has the flex market changed since then? What has happened on the supply side?

We have investigated these questions in the light of seven salient facts about take-up, prices and operators. We shed light on the background to the developments as well as the individual flex markets in the top-7 cities. We let the operators have their say. And look into the future of this dynamic segment.

We hope you enjoy reading.

Helge Zahrnt | MRICS
Head of
Research & Insight Germany

Christian Lanfer
Head of
Office Agency Germany

FLEXIBLE OFFICE SPACE
AS PART OF A MEGATREND

Technological progress with associated changes in the world of work towards more flexibility, collaboration and open space has also further advanced the flexible office space world and firmly anchored it as part of the office market. The preferences of the digital native generation match the casual and stylish coworking concepts. Flex office is thus both a consequence and a fixed and logical component of the New Work megatrend.

Flex office goes hand in hand with the sharing economy, which makes the sharing of products and also of space a top priority and thus contributes to another megatrend: Sustainability, and thus a careful and conscious use of our resources.

It is therefore not surprising that Flex office became first a trend, then a boom and then a real hype in recent years - with good prospects for the future, but also with some associated problems:

Strong expansion:
Between 2017 and 2019, the larger operators in particular were very expansive and opened numerous large-scale locations. However, this often ignored the question of whether coworking & co. could withstand a possible economic downturn, if larger companies were the first to cancel rented flex spaces with an eye on their costs.

High occupancy rates:
Some operators and occupiers have implemented high densification of workspaces. These are not good conditions for concentration or productivity. And this should not be neglected despite all the emphasis on communication.

The hype was abruptly ended by the pandemic. It brought the industry back down to earth. In this report, our seven facts show the effects of the pandemic in concrete figures.

In the spaces - due to Covid distancing rules, there is less compaction and more attention is paid to spacing. This definitely benefits labour productivity. Expansion activity has fallen significantly. Before opening new locations, providers are investigating the market situation and prospects much more carefully. For the target groups, Covid has acted as a corporate accelerator - for many occupiers and business sectors that had little or no previous exposure to Flex office: In the context of new working structures and locations, it has now become a conceivable alternative.

It therefore remains exciting to see how the sector and its concepts will develop further in the future. For as part of the New Work megatrend, it will definitely continue to do so.

WHAT IS FLEXIBLE OFFICE SPACE?

A fully equipped office work environment offered on flexible terms by an operator. The flexibility extends to the type and number of workstations as well as the rental period. The operator provides varying degrees of office services (e.g. reception, mail), use of office infrastructure (conference rooms, printers) and sometimes events for the tenant community. An inclusive price per workplace and month is paid.

NEW WORK

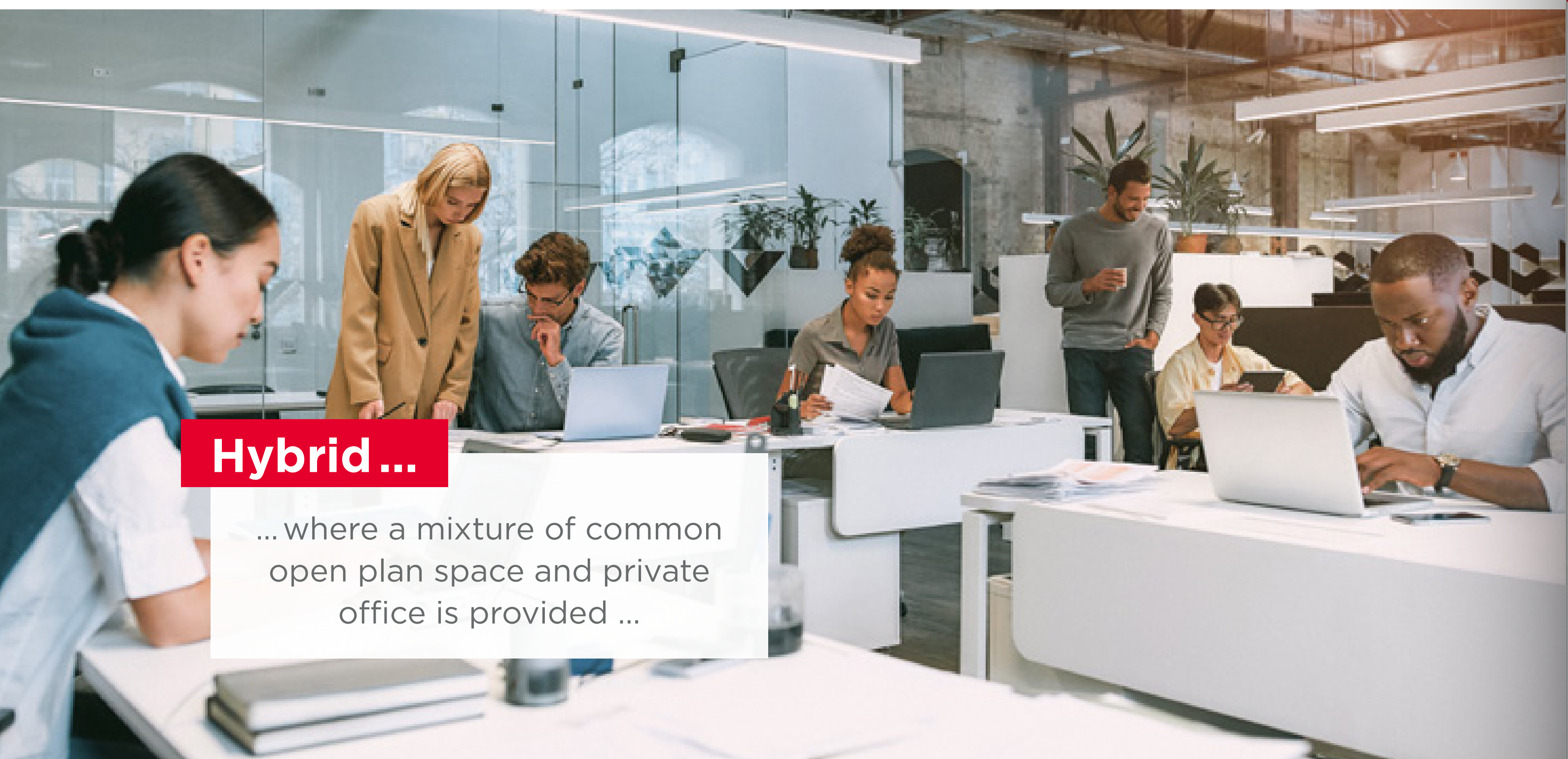
FLEXIBLE OFFICE SPACE
THE THREE OPERATOR TYPES

Business Centre ...

... own office spaces and strong business orientation ...

Coworking Space ...

... with an emphasis on social contact, collaboration and communication ...



Hybrid ...

... where a mixture of common open plan space and private office is provided ...

Flexible office space is not automatically the same as coworking - even if the terms are often mentioned in the same breath. It is rather an umbrella term for the three types of operators in the already highly differentiated flex sector: business centres, coworking spaces and hybrid providers. The transitions are fluid in each case.

BUSINESS CENTRE

Business centres offer furnished office space from approx. 12 square metres and equipped with technical infrastructure, as well as conference rooms. Additional services such as secretarial, telephone and typing services are also available. Users receive flexible leases (usually from one month upwards). Business centres are particularly well suited to accommodate temporary work assignments or short-term expansions of large companies. As a rule, business centres are located in prime locations and thus offer a good address and a high level of respectability.

Many business centres have a rather uniform standardised office design and can therefore appear less prestigious when clients visit. However, there are also providers from the high-quality segment at the best addresses in the city and with first-class facilities.

Operators
Regus, Signature, Satellite Office, Contora

COWORKING SPACE

In coworking locations, founders, freelancers, digital nomads and, increasingly, individual teams from larger companies share a workspace that offers workstations, all the necessary infrastructure and meeting rooms. The focus is on collaboration, openness, accessibility and a social working environment. The coworking space stands and falls by its community and is shaped by so-called community managers. Workspaces can be booked by the month, but usually also by the hour, day or week. The networking highlight in the space is usually an internal restaurant. The advantage here is clearly the communicative and relaxed environment, but it also lacks privacy and confidentiality here and there - and therefore does not appeal to every target group seeking flexible workplaces.

Operators
Mostly small, local operators

HYBRID

Hybrid providers combine elements of business centres (e.g. flexible rental of private offices of different sizes) with those of coworking (e.g. open-plan, orientation towards trendy design, shared spaces, collaboration, community concept). The greater proportion of space is taken up by private offices. These represent the central revenue base for the provider, but are also in particularly high demand among users. Accordingly, the target groups for these hybrid concepts are, on the one hand, the classic coworking target group and, on the other, large companies that can pay the comparatively high prices and at the same time want to benefit from the inspiration of start-ups. These models are currently in vogue and will continue to play an increasingly important role in the future. In the course of the Covid pandemic, the focus shifted even further away from open-plan workplaces towards private offices.

Operators
WeWork, Design Offices, Spaces, Mindspace

> **IN FUTURE, FLEXIBLE OFFICE SPACE WILL ALSO BE FOUND IN "CONVENTIONAL" OFFICE PROPERTIES, FOR WHICH THE OWNERS ARE INCREASINGLY DEVELOPING THEIR OWN FLEXIBLE SOLUTIONS.**

CHRISTIAN LANFER
Head of Office Agency Germany

THE 7 FLEX FACTS IN OVERVIEW

1. Flex Office is growing significantly again post-pandemic.

2. The first million square metres are in place.

3. Without Covid there would be 200,000 m² more flex office stock.

4. In the pandemic, first there were closures and then fewer opened.

5. The flex office market is dominated by a small number of large operators.

6. Take-up has started to recover from the Covid slump.

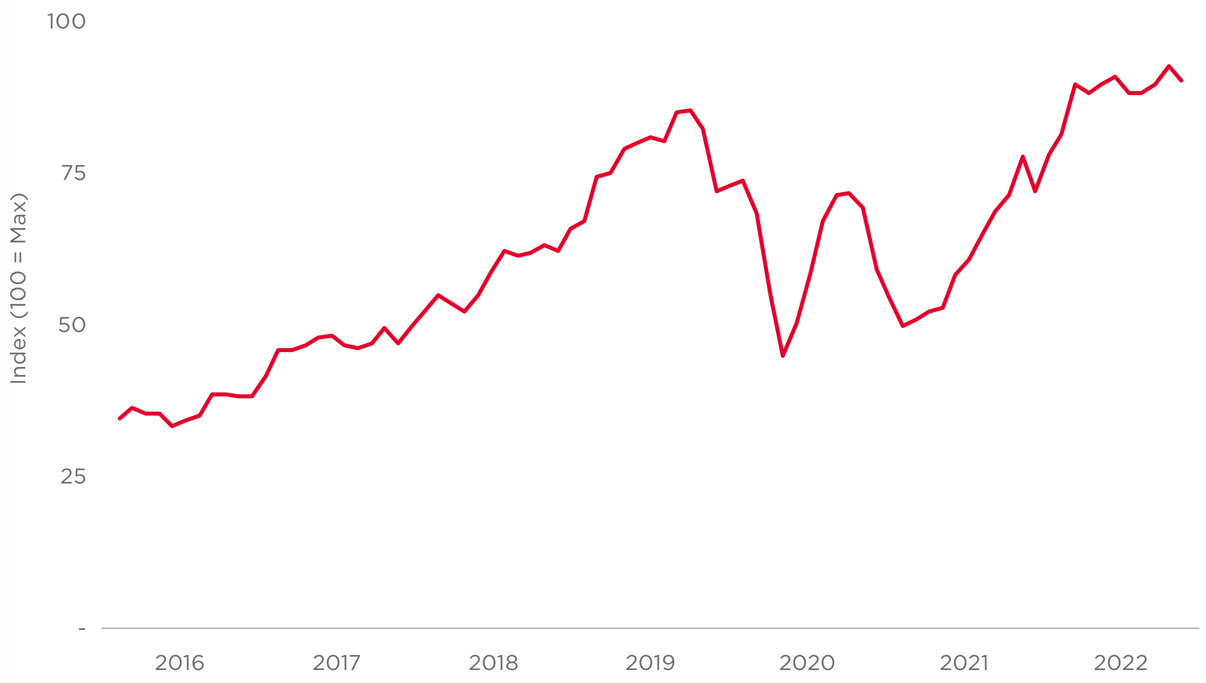
7. Prices are highest for private space in flex offices.

FLEX FACT ONE

FLEX OFFICE IS GROWING SIGNIFICANTLY AGAIN AFTER THE PANDEMIC.

With regard to flexible office space, it is once again clear that there is life in the old dog yet again. But anyone who had really declared this sector dead in the face of the pandemic did not understand the advantage of and the need for flexibility. Because: Flex office is here to stay and will also survive the recession or economic downturn expected for 2023.

Google Trends – "Coworking"



Source: Google Trends

After the hype of 2017-2019, the break came. Flex office space had a rapid rise behind it when the Covid pandemic hit. Google search activity for the term "coworking" in Germany impressively reflects this. The onset of the pandemic was followed by an abrupt fall in demand for flex workspaces and in the conference sector. Community events could also no longer be held due to the Covid restrictions.

But recovery soon began - literally like the phoenix rising from the ashes. Especially from early summer 2021, interest in flexible workplaces rose again. Many companies - including increasingly larger corporate organisations - oriented themselves in the direction of flex offices. Many had begun to look at their future workplace structures. And this is where Flex office space plays a key role. The occupancy rate increased accordingly for most operators.

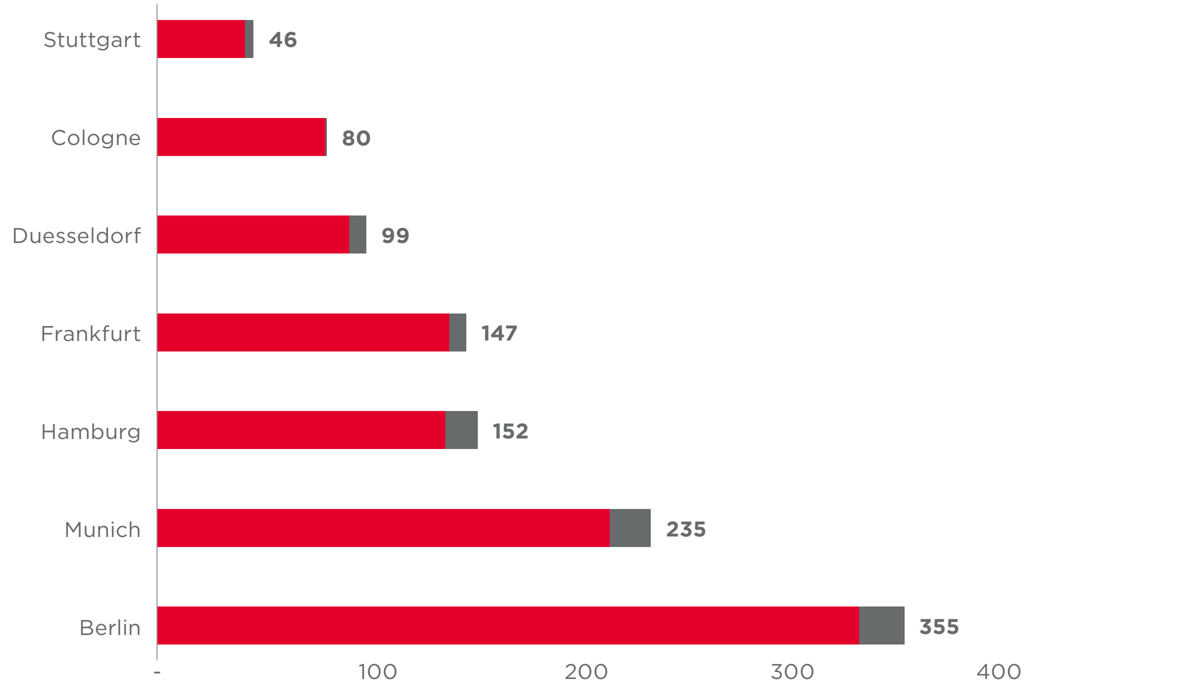
In summer and autumn 2022 and at the beginning of 2023, the mood among most operators was fairly good. Many city centre locations are fully booked or at least well booked. Many operators are expanding again and looking for suitable space. But a shakeout phase has also set in: some locations and operators have come under pressure and sites have been closed.

FLEX FACT TWO

THE FIRST MILLION SQUARE METRES ARE IN PLACE.

Berlin is by far the largest Flex office market in Germany. Together with Munich, it is one of the cities experiencing the most user-demand. When international operators enter the market, these two markets are at the top of the expansion list as "must haves".

Flex Office-Stock by Market



■ open ■ planned | in 1.000 m²

Source: Cushman & Wakefield Research

CONGRATULATIONS TO THE FLEX SECTOR

In the top 7 markets, just over one million square metres of flex space are open at the beginning of 2023. This area is spread across 570 locations with 239 different operators. Another 28 openings with 77,000 square metres of space are at the planning stage.

239
Operators
(+5 planned)

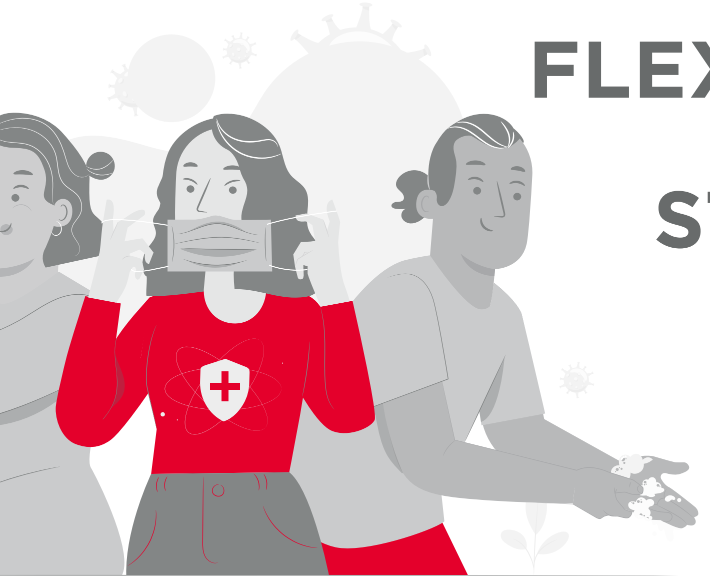
570
Locations
(+28)

1.04 Million
m²
(+0.08)

107,400
Workplaces
(+9.000)

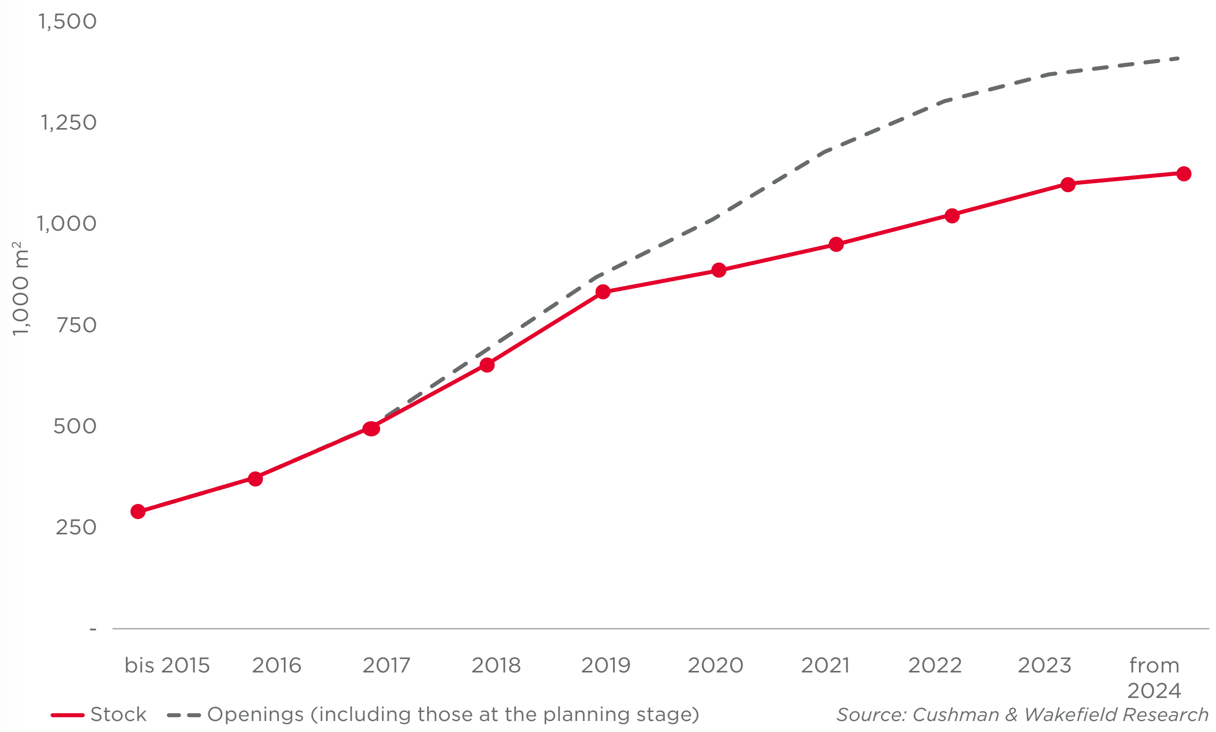
FLEX FACT **THREE**

WITHOUT COVID THERE WOULD BE 200,000 M² MORE FLEX OFFICE STOCK.



Location optimisation is part of the everyday business of an operator. Closures and new openings have always been present in the Flex market, giving it a certain dynamic character. With Covid, however, there were more closures and planning stops. Location portfolios were purged and new openings delayed. This has had a significant impact on Flex stock.

Growth of Flex Office Stock
(Top-7-Markets)



Source: Cushman & Wakefield Research

THE PANDEMIC SLOWED GROWTH

Flex stock in the top-7 markets currently stands at just over one million square metres. This corresponds to 1.1 per cent of the total office stock. Without the Covid pandemic, the flex stock would have been significantly higher - by around 20 to 25 per cent.

The slowing of growth from 2020 onwards is clearly visible in the graph (red line). It can however also be seen that some growth has continued - both on balance during the pandemic (because many planned openings still actually took place) and after the pandemic. The dashed line shows openings including the respective future plans. This is the modelled stock growth without taking into account closures or planning stops. The Covid effect is smaller than the difference between the two lines, because even in the absence of Covid, some locations would still have closed here and there.

THE PANDEMIC HAS DEFINITELY LED TO A **RETHINK**

THREE QUESTIONS FOR **KATHARINA VON SCHACKY**

WeWork

What effects did the pandemic have on WeWork and the Flex industry?

The pandemic hit the core of coworking, i.e. collaboration and face-to-face communication, hard. As a global player with over 800 locations worldwide, we felt this early on in some countries and were able to learn from it accordingly. The lease flexibility we offer enabled our members to adapt their space needs to the new reality. At the beginning of the pandemic, it was mainly the small companies that were the first to reduce workspace - but they were then also the first to increase it again.

Even before Covid, we at WeWork paid special attention to high technical standards such as air conditioning and ventilation. This paid off and proved to be an advantage during the pandemic. Added to this is the spatial flexibility that enables our members with WeWork All Access to work from other locations and cities. This was more accepted by companies in the pandemic period than previously and was increasingly used more actively and purposefully - keyword: hybrid working. Many feel it is an enrichment and a gain in quality of life to work in a professional environment, for example, while on holiday or visiting parents. WeWork as a platform offers the opportunity to do this.

What strategies did WeWork use to respond to the Covid pandemic?

For us, it was, and is, important to look at the needs of our members. At the height of the pandemic, we launched a new product, WeWork All Access. The All Access membership allows people to work in collaborative workspaces at hundreds of WeWork locations around the world. The launch gave our members a significant boost in flexibility. Innovation pays off - especially in challenging times. Accordingly, we are always developing new products.

And: The pandemic has definitely led to a change in thinking. Hybrid working in different places such as the traditional office, home office or flex office is hotly debated among all office users. Flex office is becoming a must-have and continues to spread, because it answers the central questions of users.

What is the current situation at the end of 2022 and what are the plans for 2023?

The occupancy rate at the turn of the year is very good - we are satisfied. We opened three new locations in Germany in 2022, two in Berlin and one in Cologne. In January 2023, our eleventh location in Berlin was added at Rosenthaler Strasse. Looking ahead, we are of course influenced by current developments, first and foremost the war in Ukraine, inflation and the associated subdued economic outlook. Our members have an all-in price, where consumables such as energy costs are not billed individually. This gives them planning security and means that we can continue to focus on future-proof properties in prime locations. ESG and in particular the focus on energy consumption continue to gain importance in the current environment.

/// WEWORK INC. ///

WeWork was founded in New York in 2010. The Flex office provider lets coworking spaces to self-employed people and companies, ranging from individual desks and private offices to complete floors and entire locations. In Germany, WeWork operates spaces in Berlin, Frankfurt, Hamburg, Cologne and Munich. The company's focus is on the "WE" - on community, exchange of ideas, flexibility and the latest office equipment and technology.

Katharina von Schacky

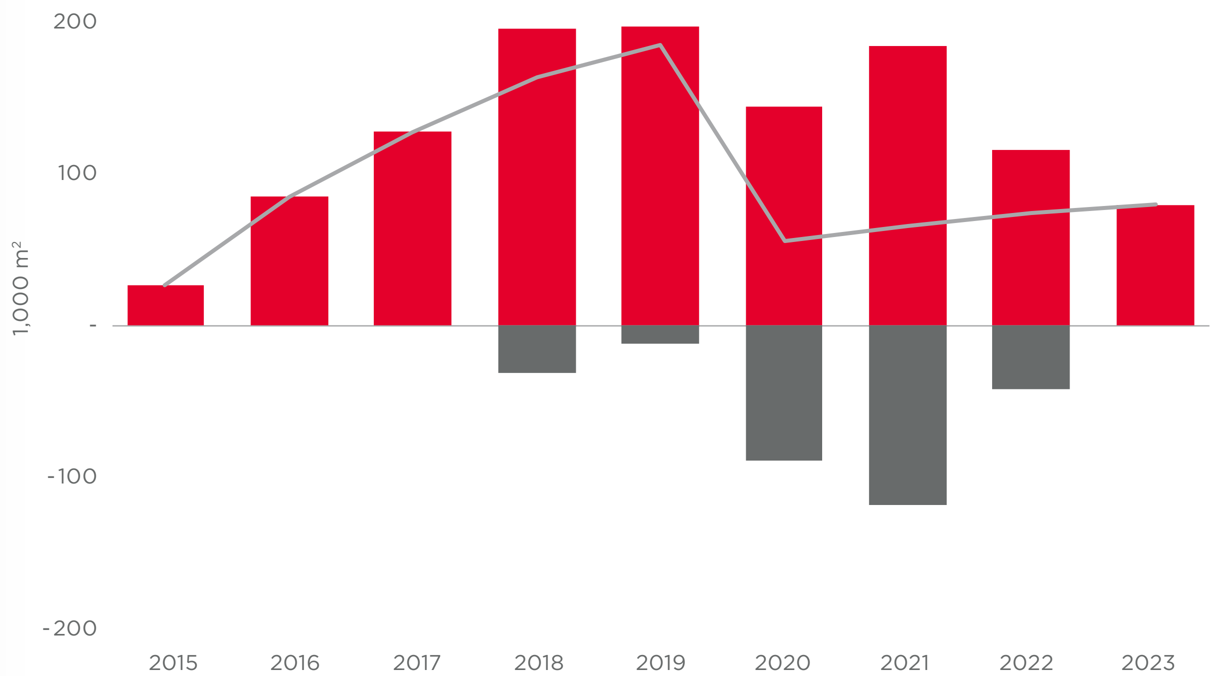
WeWork
General Manager and Managing Director of WeWork Germany, Central and Eastern Europe

FLEX FACT **FOUR**

DURING THE PANDEMIC, FIRST THERE WERE CLOSURES AND THEN FEWER OPENED.

Although flex office providers have expanded much less since the pandemic, they continue to do so at selected locations and with appropriately adapted concepts. A resurgence of expansion activity is foreseeable.

Openings and closures of flex office space
(Top-7-Markets)



■ Openings ■ Closures — Net growth

Source: Cushman & Wakefield Research

The net growth, the difference between openings and closures, rose rapidly to a good 175,000 square metres per year by 2019. The driving force behind this development was the opening of hybrid locations, which combine work areas in open-plan and private offices.

Due to the Covid effect, the net increase fell to just over 60,000 square metres in the subsequent two years. The increase in closures accelerated this slowing (again, most strongly in terms of numbers by hybrid providers), because no significant slump in openings was actually observed in 2020-2021. This is due to the long planning period for new locations (even more so for development projects). Only from 2022 onwards did openings drop significantly due to the pandemic and the associated reduction in expansion activity.

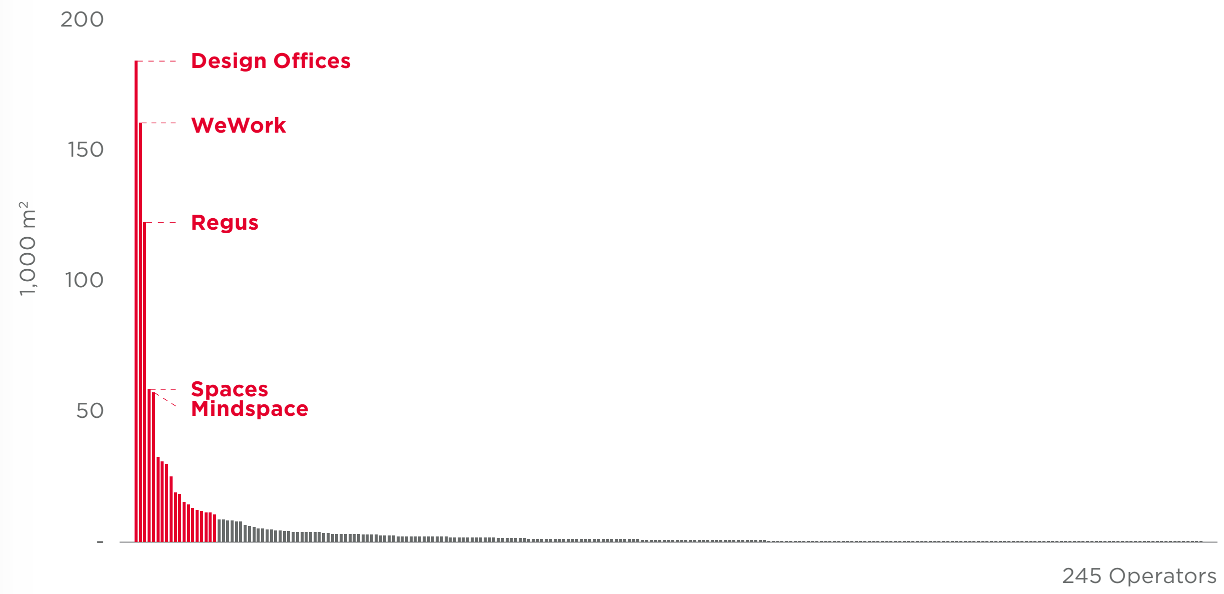
FLEX FACT **FIVE**

THE FLEX OFFICE MARKET IS DOMINATED BY A SMALL NUMBER OF MAJOR OPERATORS.

Few of the approximately 245 operators in the top-7 markets have more than 10,000 square metres of flex space opened or planned.

Office Operators by Area

(opened and planned, top-7 markets)



Source: Cushman & Wakefield Research

The Flex office market is characterised by a very large number of operators. In purely arithmetical terms, each operator would average 4,500 square metres. However, the median is only 600 square metres - this illustrates the "rat's tail" constituted by many small operators (see graph).

The majority of operators (60 %) are in the coworking category. There are a very large number of these, mostly quite small, providers, often with only a single location. Business centres and hybrid providers are fewer in number, but they provide significantly more space. For example, the locations of hybrid providers average 3,500 square metres and those of business centres 1,600 square metres. With the exception of Regus (business centre), the five largest operators are all hybrid providers. And further figures illustrate this skewed distribution: there are 19 operators with more than 10,000 square metres each - with a total of 830,000 square metres and thus 75 per cent of the total market in the top-7.

Design Offices with 34 locations and WeWork with 24 locations are by far the largest hybrid providers in the top-7 markets, although WeWork is not represented in Duesseldorf or Stuttgart. Regus (business centres), the third largest operator, has just over 60 locations. Together, all four brands of the IWG (International Workplace Group), i.e. Regus, Spaces, Signature and HQ, operate almost 100 locations and an area of around 220,000 square metres.

THE FUTURE OF OFFICE REAL ESTATE IS IN HYBRIDS

THREE QUESTIONS FOR **CHRISTIAN LANFER**

Who uses flexible office space and how has the pandemic changed the target group?

The flexible letting and leasing of workplaces, the use of a fully existing office infrastructure, a modern and trendy and conference rooms can be flexibly used. The advantages of flex office space for office users have long been obvious and allow freelancers, start-ups and small businesses in particular to network and flexibly adapt their workplaces to their growth.

In the post-Covid environment with an increasing proportion of working from home, the focus is also shifting to medium-sized companies and larger corporate entities. A demand-oriented adaptation of space is essential for them now and in the future and this is significantly increasing the importance of Flex office locations in their own space portfolio. Against the backdrop of the current cost explosion with rising rents and increasing ancillary costs, the added value of flexibility cannot be overestimated. Because if office space is effectively used less due to remote working, the need to take action grows: To what extent is your own office still required? Could it make sense in terms of costs to rent directly from a Flex office operator? For corporates in particular, however, their own brand and the often very distinctive corporate culture retain fundamental importance - in such a case, office properties leased by a Flex operator offer the possibility of using workplaces and conference rooms flexibly. In this way, branding can be realised in one's own core area and at the same time space and costs can be adapted to requirements.

An interesting development - what does this mean for owners of office properties?

The future of office real estate lies in the hybrid - on the one hand modern office space, on the other hand a Flex portion that can be used flexibly by all tenants depending on their needs. Owners who want to let their properties profitably in the long term and achieve reliable value appreciation must orientate themselves and align their spaces accordingly. Availability of Flex office space in the building provides users with more flexibility and thus, ceteris paribus, induces more demand. The real estate must fit such a space strategy - must itself become a story. The office is no longer just a "production site". The pandemic has shown that office work also works well in other places. But a property with a brand, image and character and offering the corresponding amenities will continue to attract its users in the future.

What options do owners have now?

There are essentially three options for bringing a certain amount of Flex into one's office property: Firstly, letting space to a flex office operator who can then also tailor their offer specifically to the other companies in the property. Secondly, you can develop and offer such solutions yourself - as Alstria does with Beehive, for example. Or thirdly, one outsources the associated effort and enters into a cooperation with a white-label provider. In the last two cases, it is possible to influence the concept and participate in its success. So-called amenities (lounge, conference area, fitness etc.) can also be offered to all tenants in the building. This enhances the value of the property.

> The future of office real estate lies in hybrids - on the one hand modern office space, on the other hand a flex proportion that can be used by all tenants as required.

Christian Lanfer

Cushman & Wakefield
Head of Office Agency Germany

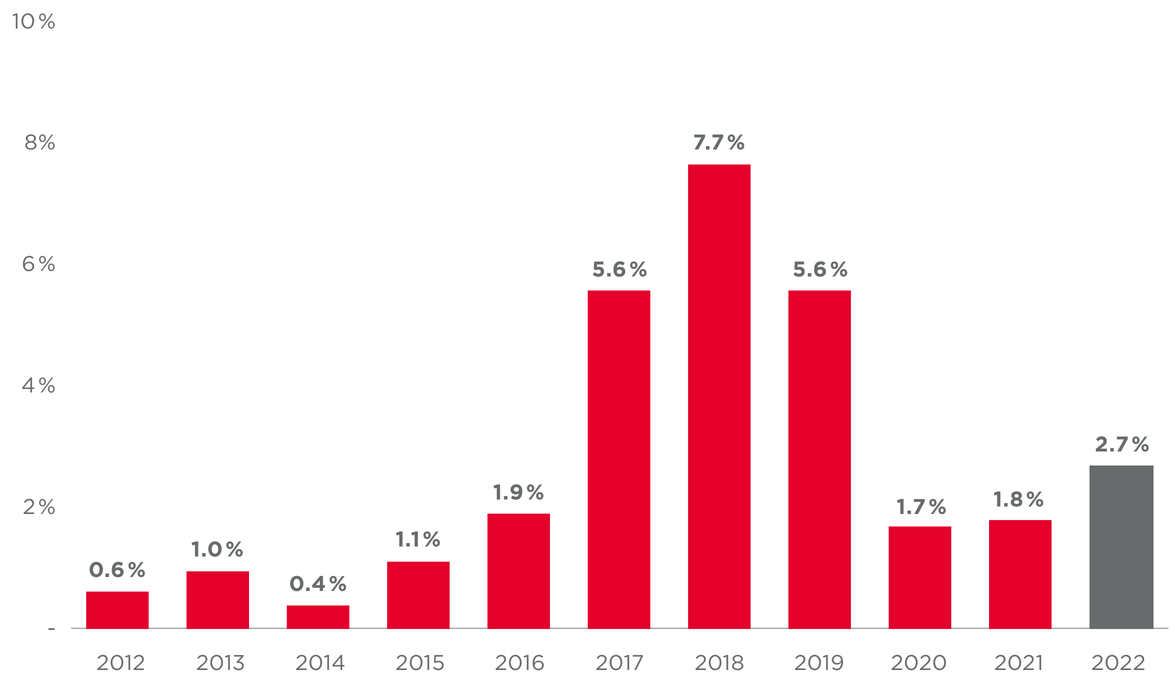
FLEX FACT SIX

TAKE-UP HAS STARTED TO RECOVER FROM THE COVID SLUMP.

The 2018 record of almost 8 per cent of total office take-up will not be matched again soon, but the Covid dip has been passed. The 2.7 per cent share of take-up for the full year 2022 indicates an initial rebound and is a ray of hope, but still far from old or new records.

Flex Office-Proportion of Total Office Take-up

(Top-5- Markets)



Source: Cushman & Wakefield Research

The take-up of Flex office operators reflects their space requirements and expansion activity. In the boom years 2017 to 2019, Flex office accounted for almost 8 per cent of total office take-up in the top-5 markets (as much as 20 per cent in CBD locations). This placed the Flex sector fourth in 2018, behind ICT, industrial and banking/finance.

In the wake of the Covid pandemic, the contribution to take-up fell to below 2 per cent. The focus of leasing during this period was mainly in Berlin, Frankfurt and Munich. In 2022, the share recovered somewhat - to 2.7 per cent. There was leasing activity in all five markets, but Munich exhibited the strongest growth.

TAKE-UP STANDS OR FALLS WITH **FUTURE CORPORATE WORK ORGANISATION**

THREE QUESTIONS FOR **HELGE ZAHRNT**

Why did Flex space's share of total take-up fall so sharply during the pandemic?

From 2018's record take-up in the top-5 markets of 260,000 m² - which represented almost 8 per cent share of total office take-up - there was a fall to 40,000 m² (less than 2 per cent share) during the Covid pandemic. The Covid-induced slump in demand from Flex space users, as well as the lockdown-induced absence of people, caused lettings for new Flex space to freeze for the most part. The great uncertainty about future demand and the poor economic and epidemiological expectations largely halted the search for space. Accordingly, the operators had adjusted their expansion strategies and first dealt with the day-to-day adversities of Covid.

How will take-up and the share of total office take-up develop in the medium to long term?

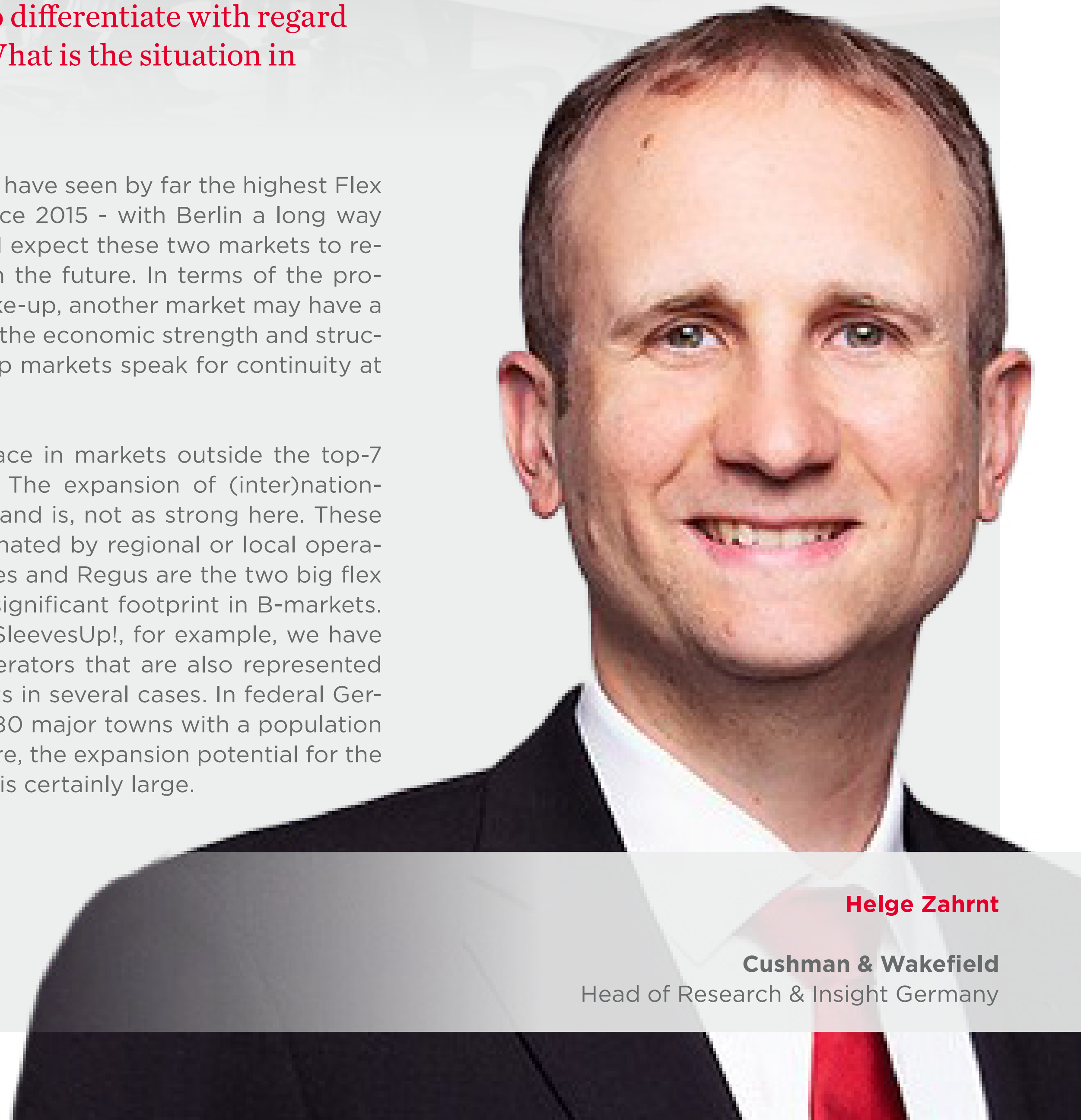
This is the crucial question. It stands and falls with the future organisation of work and demand from the corporates. Let's imagine a scenario: 10 per cent Flex take-up share in the top-5 markets means an average of about 300,000 m² of Flex office take-up per year. To achieve this, there would need to be many large-scale lettings of 5,000 or even 10,000 m² or more, in addition to the small and medium-sized ones. On the demand side operators need to see the necessary economic conditions for such expansion. This includes their own key business figures, their own financing, but also the economic and especially the labour structural outlook. And where could a significant surge in demand from corporates come from in the future? Covid has given flexibility in the working world a boost. But 300,000 m² of take-up per year means around 30,000 new Flex workstations annually. This would require structural shifts within the economic sectors, i.e. further growth in service activity, and increasing decisions by companies to take advantage of Flex offices. And this is where the corporates come in. Due to the uncertainty of planning with regard to future space requirements, their strategy is moving ever more towards using flexible office space.

This take-up scenario of ten per cent is rather unlikely in the long term - but it is likely to reach three to six per cent. It remains to be seen how companies react regarding demand.

Will Munich and Berlin remain clear frontrunners in terms of turnover or will the market also differentiate with regard to the cities? What is the situation in B-markets?

Berlin and Munich have seen by far the highest Flex space take-up since 2015 - with Berlin a long way ahead of Munich. I expect these two markets to remain at the top in the future. In terms of the proportion of Flex take-up, another market may have a strong phase, but the economic strength and structure of the two top markets speak for continuity at the top.

Flexible office space in markets outside the top-7 works differently. The expansion of (inter)national operators was, and is, not as strong here. These markets are dominated by regional or local operators. Design Offices and Regus are the two big flex operators with a significant footprint in B-markets. In Orangery and SleevesUp!, for example, we have medium-sized operators that are also represented in C and D markets in several cases. In federal Germany, with some 80 major towns with a population of 100,000 or more, the expansion potential for the smaller operators is certainly large.



Helge Zahrnt

Cushman & Wakefield
Head of Research & Insight Germany

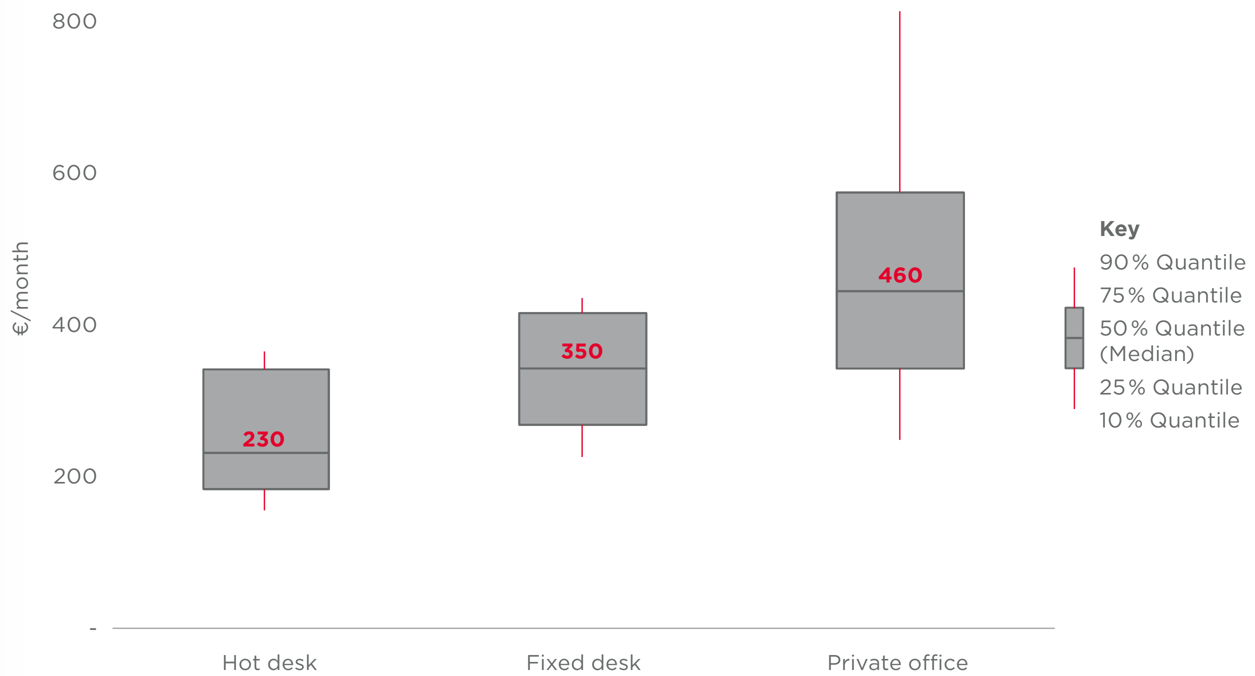
FLEX FACT **SEVEN**

PRICES ARE HIGHEST FOR PRIVATE SPACE IN FLEX OFFICES.

Higher rental prices, more expansion and energy costs: Since the operators have to bear higher burdens, the prices for Flex space users will continue to rise in the future - except in locations where there is a high level of competition.

Flex Office Asking Prices

(Top-7- Markets)



*Asking price for a workspace in a private office (generally private group office)

Source: Cushman & Wakefield Research

Different asking prices are set by the operators for the three workplace categories hot desk (daily free choice of desk in the open-space area), fixed desk (fixed desk in the open-plan area) and workstation in a private office. These also differ depending on the location: a very good location and higher rental price paid by the operator is reflected in the offer prices for flex workstations.

For hot desks, an average of € 230 per workstation is charged per month across the top-7 markets, for a fixed desk € 350 and for a workstation in a private office (usually a group office with several workstations for a single user/company) € 460. The range is widest for private offices:

In coworking spaces, private office spaces can be rented for an average of € 360. In high-quality business centres, these can easily go into the four-digit range.

Among the top-7 markets, Frankfurt (€545) and Munich (€500) have the highest average asking prices for a private office space. Berlin is one of the cheapest markets for hot and fixed desks. Here, the supply is correspondingly the greatest.

WHAT THE FLEX SECTOR SAYS

In 2023, offices must invite personal encounters and at the same time meet the needs of employees for collaborative work and concentrated individual work. This can only be achieved via well thought-out design and flexible space utilisation concepts.

KATHARINA VON SCHACKY
General Manager and Managing Director
WeWork Germany, **Central and Eastern Europe**

We have weathered pandemic, lockdown, war and inflation well and invested and expanded during this time. The challenges of the last two years have been a catalyst for us. Now we can continue to grow from a good base and tackle new challenges.

LARS HENCKEL
Founder and Board Member
CONTORA

No matter where I look: Pandemic, home office, energy crisis, recession - flexibility in office planning will become a decisive factor for companies in the future. The conditions for a further increase in demand are definitely in place.

MARTIN BALLWEG
Founder & Managing Director
Scaling Spaces

Trendy, central locations with very good public transport access is what our users want. We are focusing on this and see good recovery trends in new business for 2023.

FLORIAN KOSAK
CEO
Unicorn Workspaces

The market is more ready than ever for Flex office space. In particular, our coordinated range of services with team spaces for any work situation, such as office, meeting and event, is attracting increasing interest.

ANNETTE STURM
Leadership Team/Head of Key Account
Design Offices

We are optimistic about 2023 and expect to generate growth with our flexible premium product even in a possible economic recession.

JANINE S. DAVID
Managing Director
TOG The Office Group Germany

Especially in times of recession and rising energy prices, Flex offices are an ideal alternative to conventional office space. Through fixed prices, they not only offer complete cost transparency without variable operating costs such as ancillary costs, but also the freedom to respond to all economic requirements.

OLIVER LEHMANN
General Manager
Mindspace Germany

Flex office is one of the answers to the question of how employees can get back to the office in addition to working in their home offices. Greatly increased user requirements for functionality, design and service, combined with shorter terms than in traditional leases, mean that our products are experiencing high demand.

ANSGAR OBERHOLZ
CEO
St. Oberholz

Especially in small towns, there is a lack of a contemporary flexible full-service offer for start-ups, companies and self-employed people to develop in a networked community. The orangery business concept solves this by offering a comprehensive range of services and upgrades B and C towns.

DOMINIK GROENEN & SEBASTIAN GROENEN
Founders and CEOs
orangery Coworking

The Covid pandemic has led to companies embracing hybrid working. And this is here to stay. Flex office or corporate Coworking are optional building blocks of the new working world. This is why we have our finger on the pulse with our product.

ANNA MARIA LOSOS
Head of Coworking Business
Beehive/altria REIT

FLEX OFFICE IN THE TOP-7 MARKETS

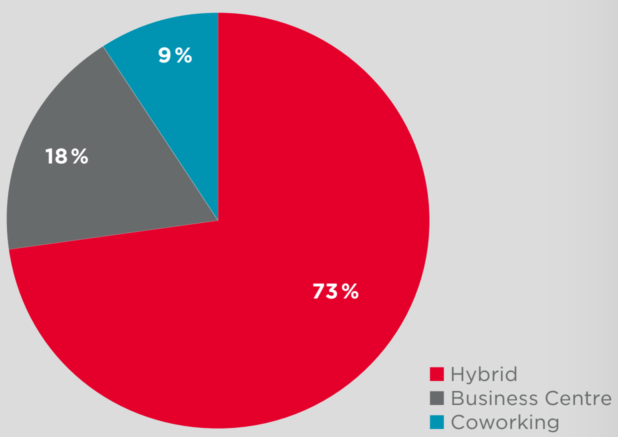
BERLIN

Here, the mix of coworking and hybrid space has created the most vibrant Flex landscape in the German market.

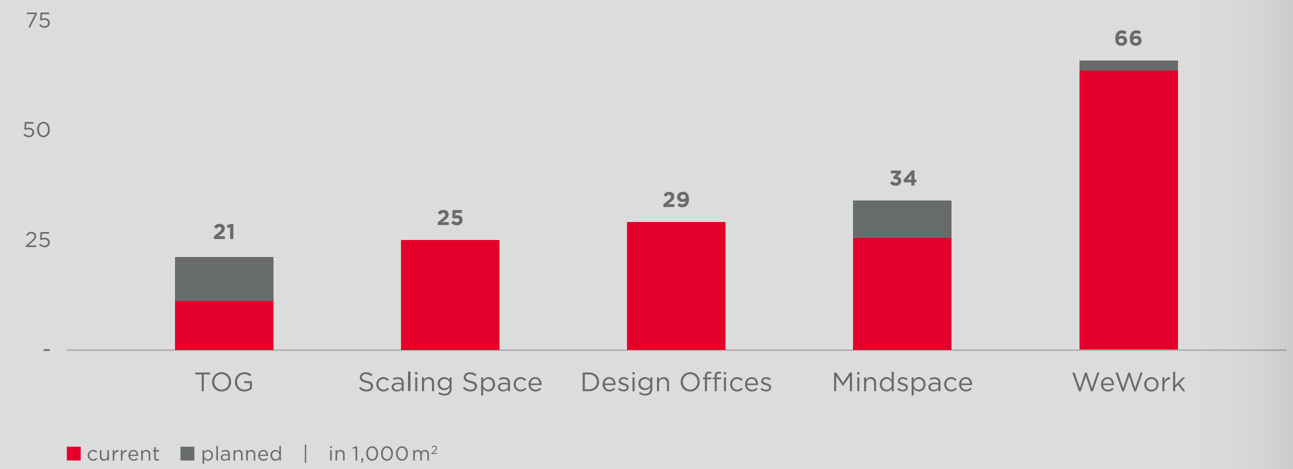
90	182	355,000
Operators	Locations	m² Flex-area

In Berlin, Germany's hip start-up capital, Flex operators provide the spatial breeding ground for countless start-ups. Coworking as a Flex office category has established itself particularly strongly here. There are twice as many coworking locations as in the two second-placed markets Hamburg and Munich together. However, the market in Berlin is also predominantly characterised by hybrid providers: WeWork, Design Offices and mindspace are the largest operators.

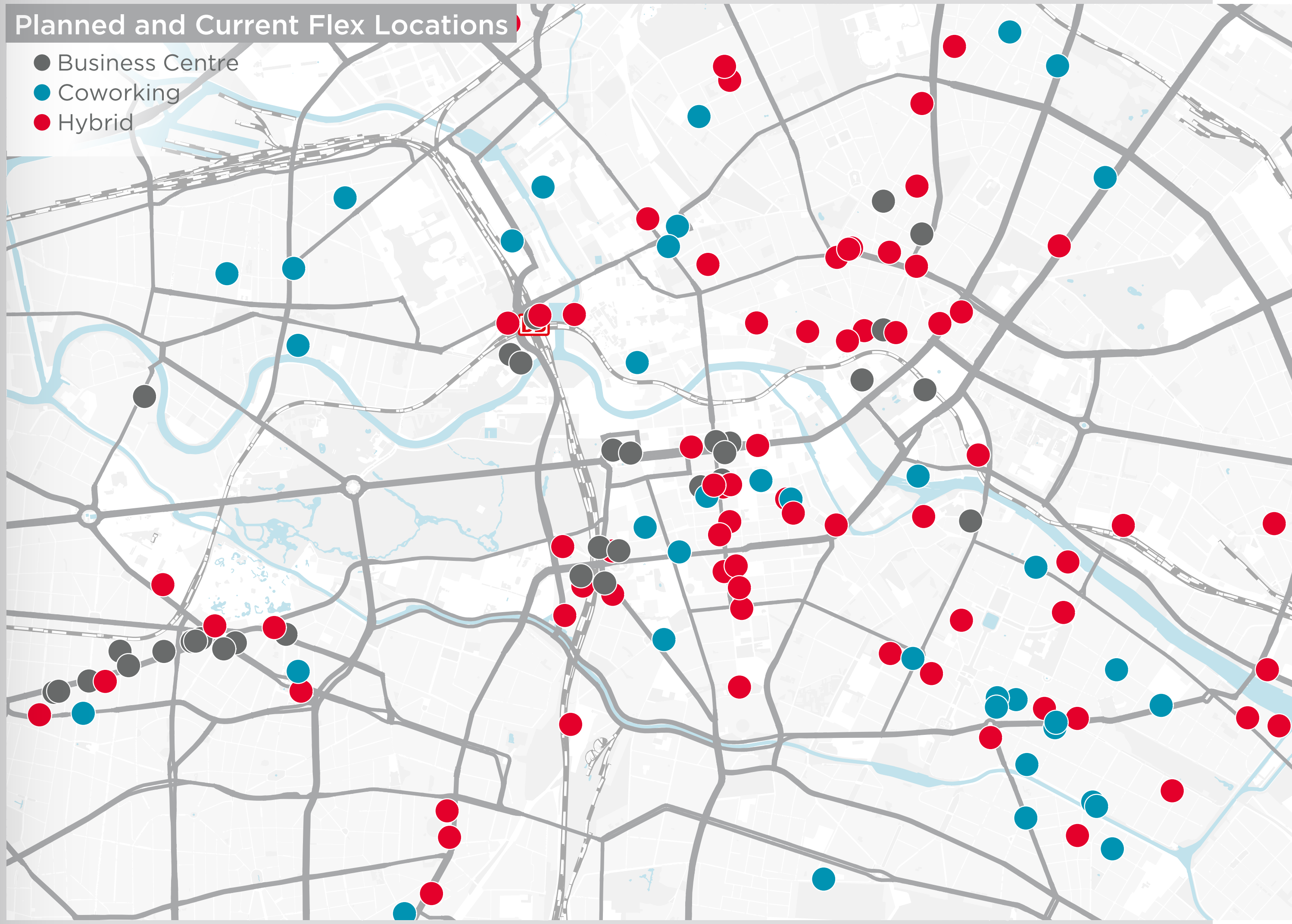
Flex Office-area



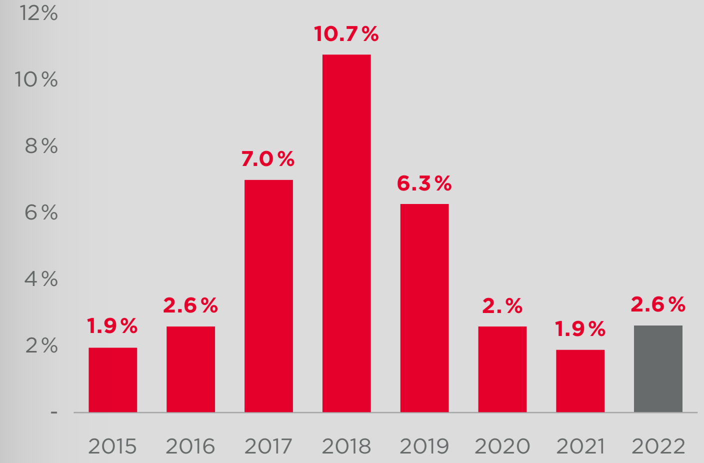
Top Flex-Operators



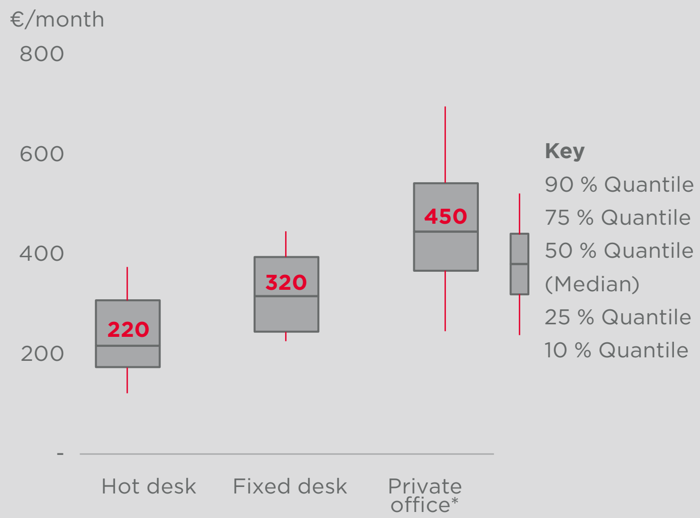
Planned and Current Flex Locations



Flex proportion of total office take-up



Asking Price Flex Office



* Asking price for a workspace in a private office (generally private group office)

DUESSELDORF

Duesseldorf remains true to its focus as a classic services location and is and is Germany's business centre stronghold.

46
Operators

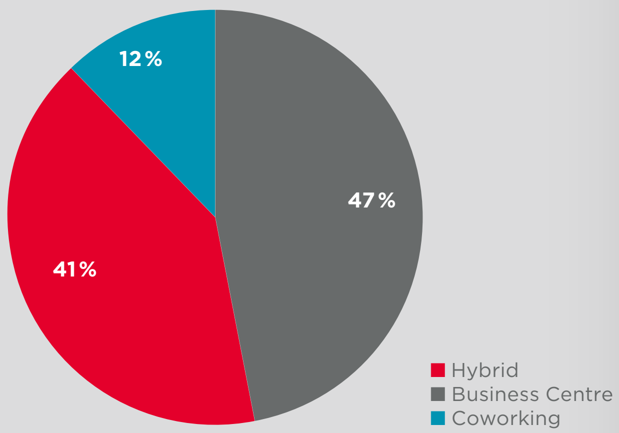
70
Locations

99,000
m² Flex-area

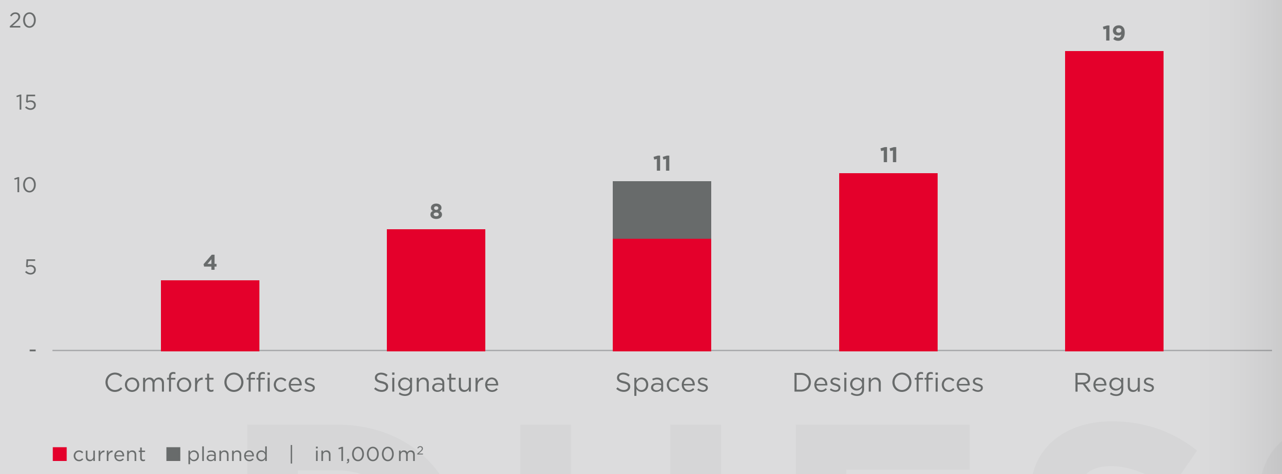
Duesseldorf is one of the smaller of the top-7 markets with just under 100,000 square metres of flex space. Duesseldorf is a city of services with many consultancies, as well as being a stronghold of fashion and retail. Accordingly, it is the market with the highest proportion of business centre space (47 % - more than in any other top-7 market). Regus, Design Offices and Spaces are the three largest operators.

Location focal points are the CBD (there are ten business centres here alone) and the Medienhafen submarket.

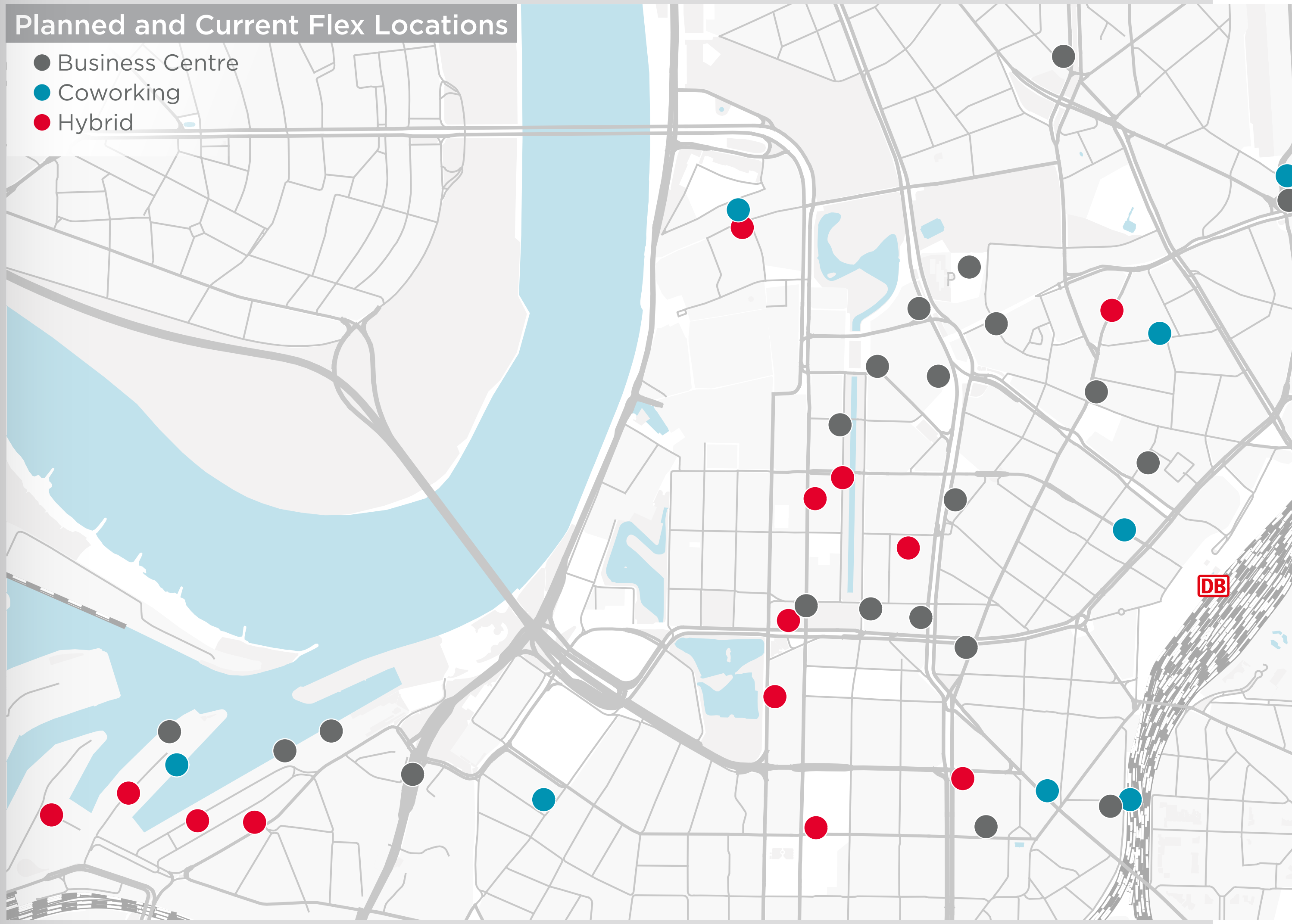
Flex Office-area



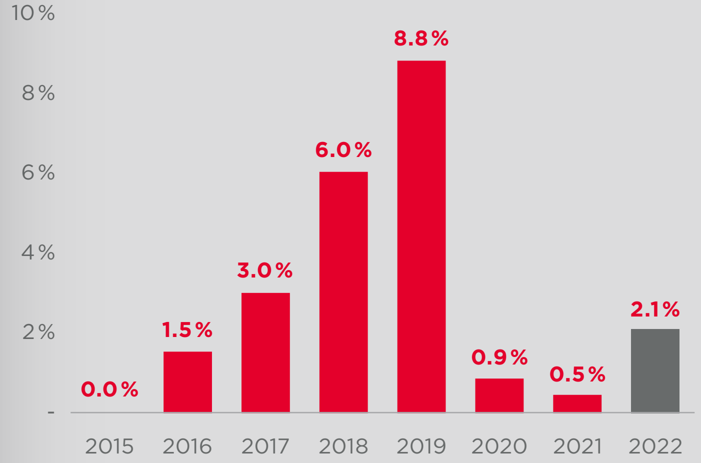
Top Flex-Operators



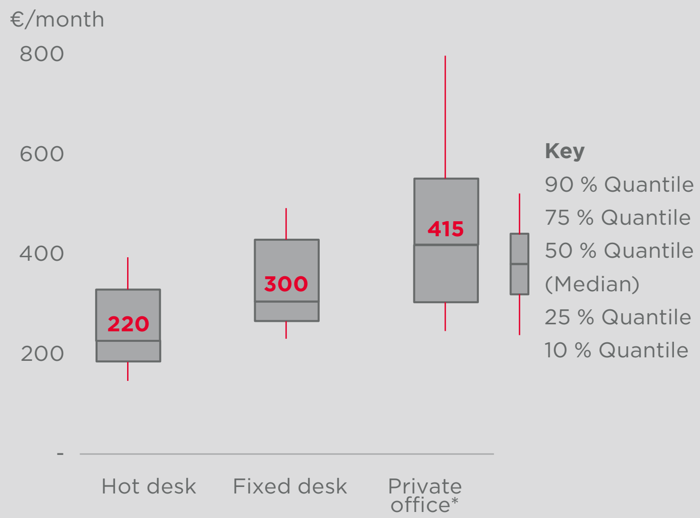
Planned and Current Flex Locations



Flex proportion of total office take-up



Asking Price Flex Office



* Asking price for a workspace in a private office (generally private group office)

FRANKFURT

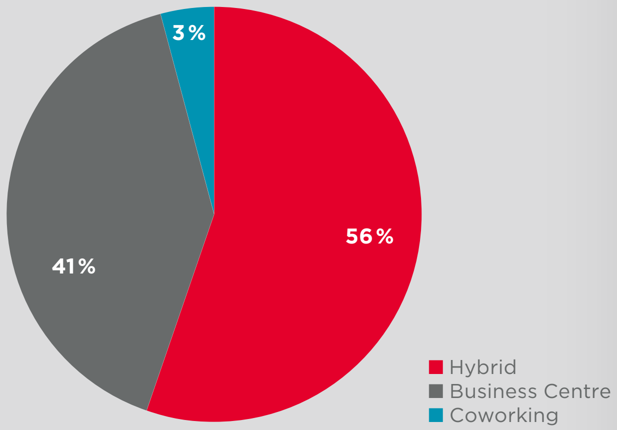
It's not just banks and financial service providers that seeking Flex office space in Frankfurt, Germany's financial metropolis.

31	67	147,000
Operators	Locations	m² Flex-area

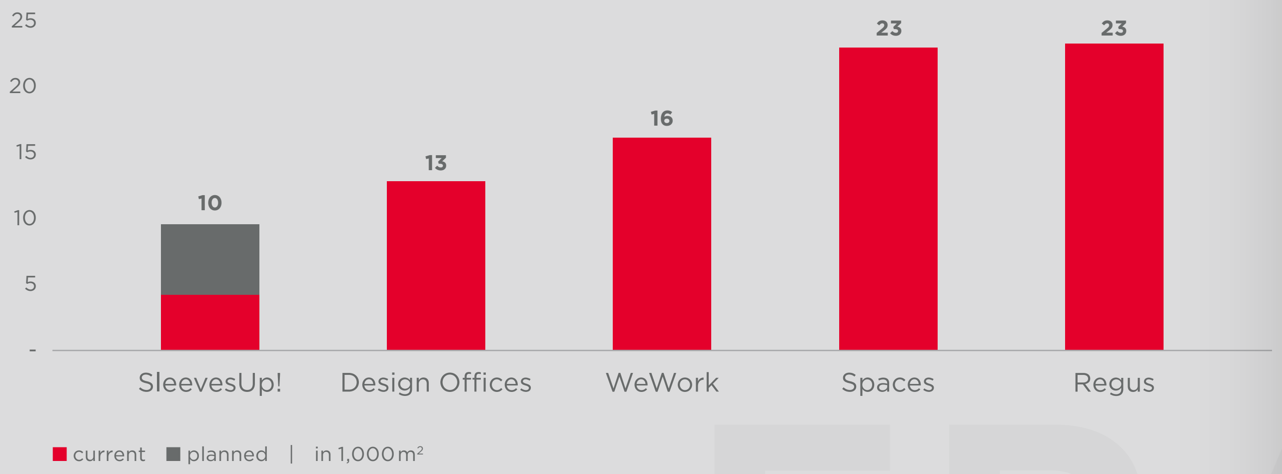
After Berlin and Munich, Frankfurt is the most popular location for (international) expansion by Flex office operators. Half of all Flex office locations here are business centres, but hybrid providers account for more than half of the space (56 %). The share of coworking providers is very low. Regus, Spaces and WeWork are the three largest operators.

Spatial focal points are the banking district submarket (especially Neue Mainzer Strasse), the locations around the opera and at Friedrich-Ebert-Anlage as well as in the Ostend submarket (Hanauer Landstrasse).

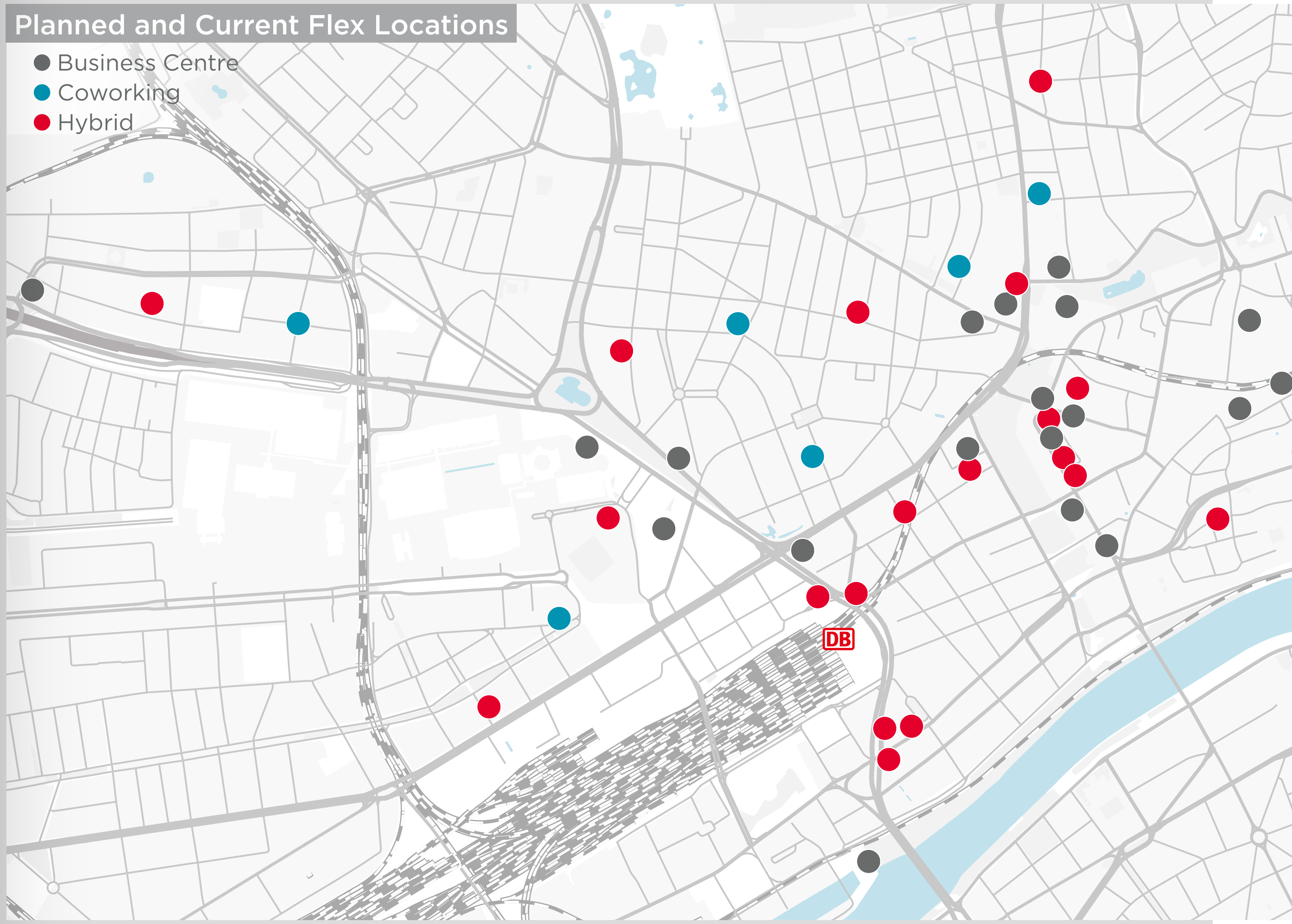
Flex Office-area



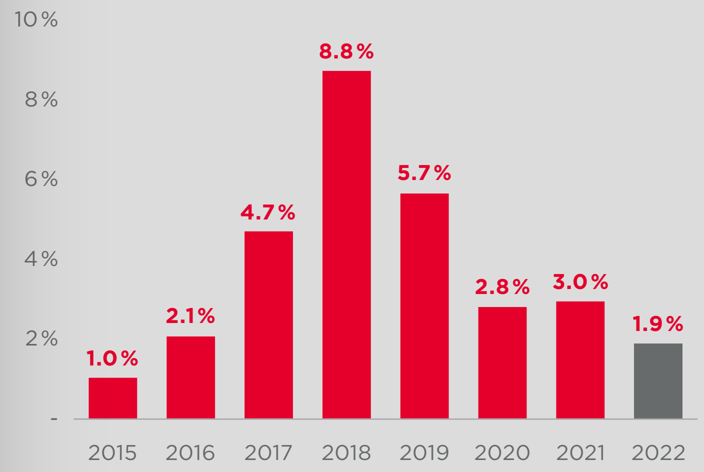
Top Flex-Operators



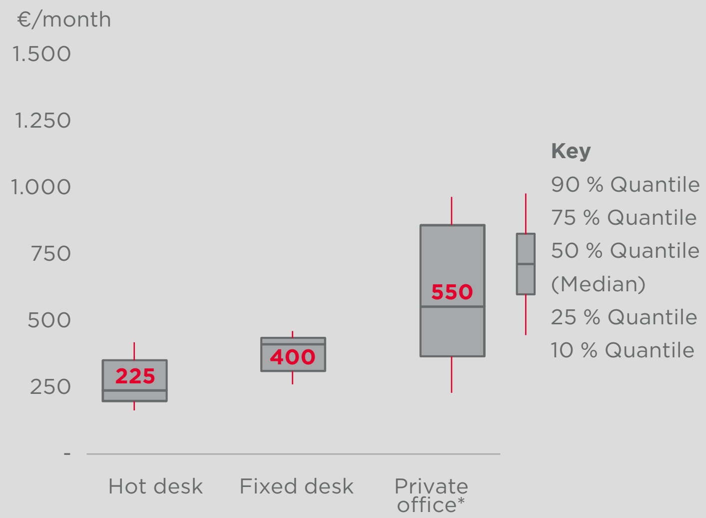
Planned and Current Flex Locations



Flex proportion of total office take-up



Asking Price Flex Office



* Asking price for a workspace in a private office (generally private group office)

HAMBURG

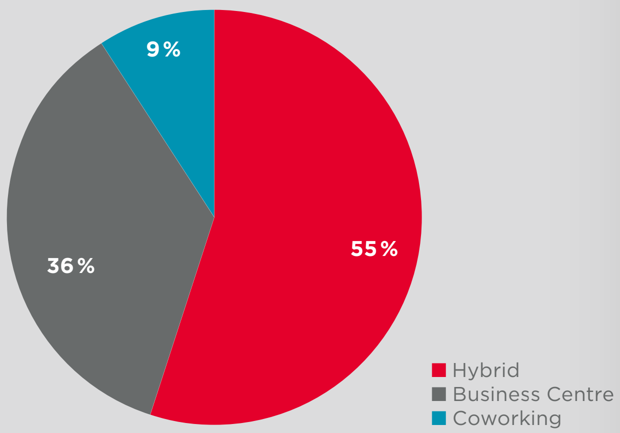
Northern Germany's number one Flex market offers attractive waterfront locations and a diverse range of Flex sites.

63	**98**	**152,000**
Operators	Locations	m² Flex-area

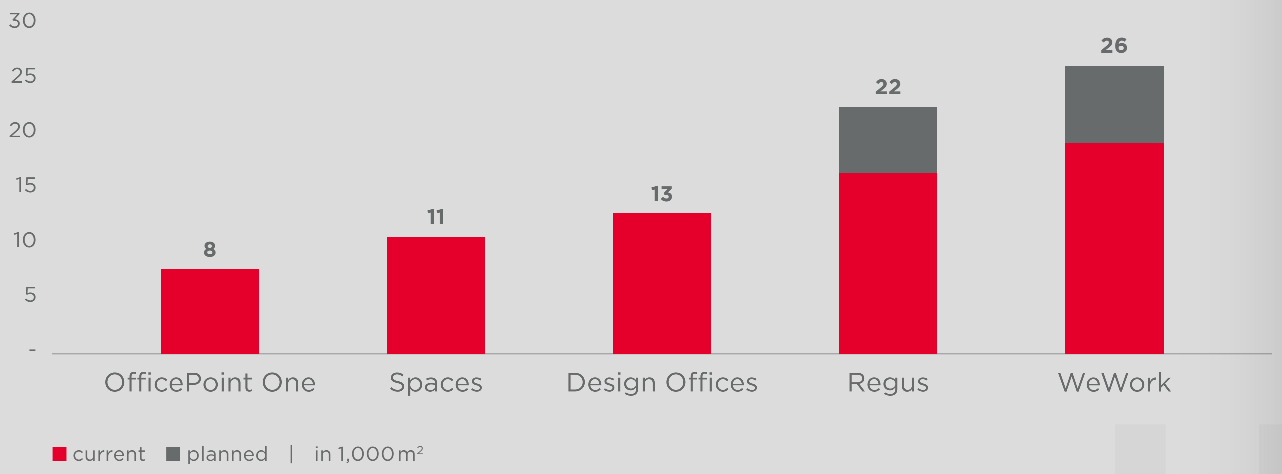
With comparable space to Frankfurt, Hamburg ranks third among the top-7 markets. Around 15,000 square metres of flex office space is still at the planning stage, i.e. has already been let but not yet opened. These include the WeWork location in Gerhofstrasse and an IWG location in the Elbtower. WeWork, Regus and Design Offices are the three largest operators.

Spatial focal points are the city centre, HafenCity and City Süd as well as Altona-Ottensen for coworking spaces.

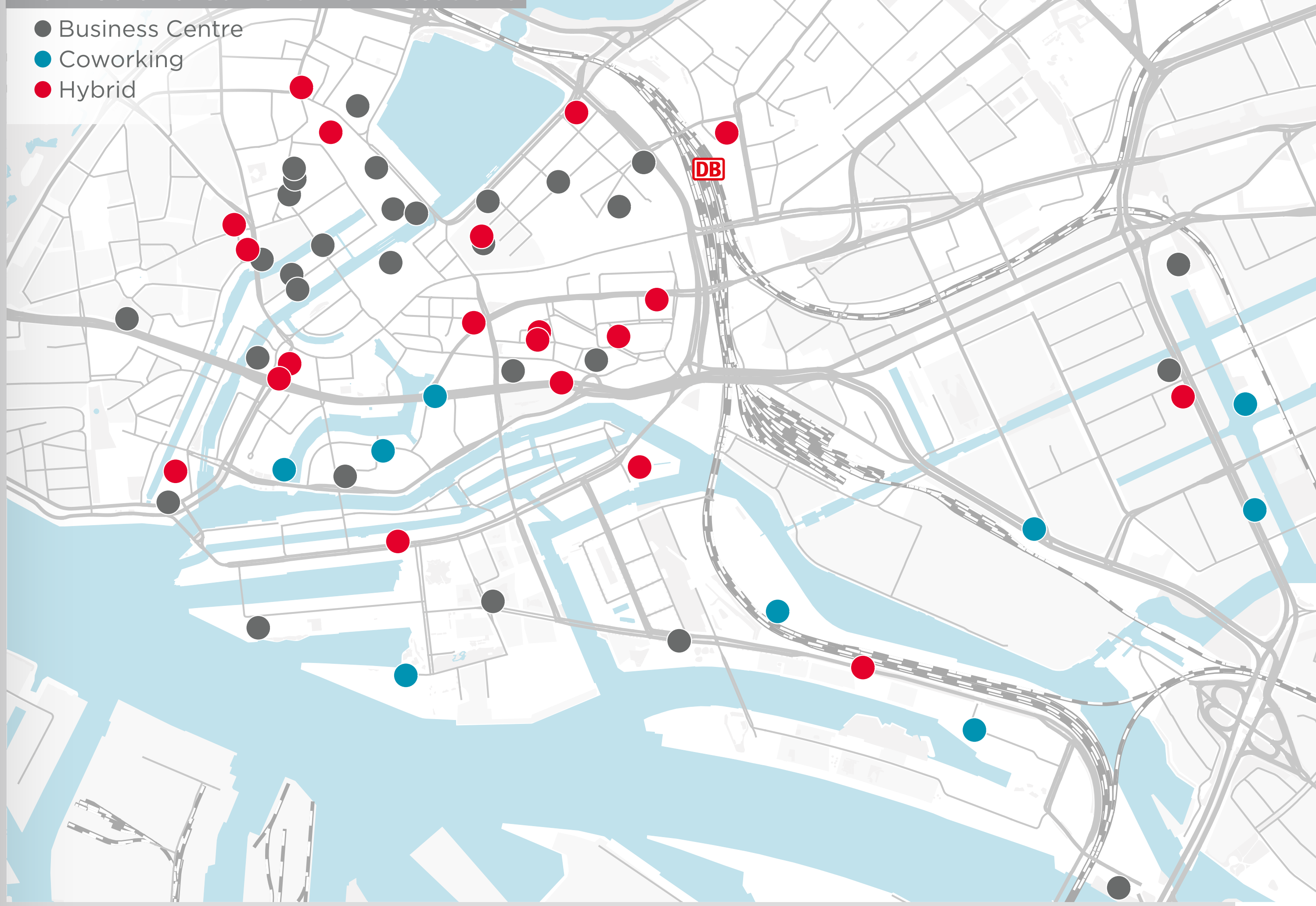
Flex Office-area



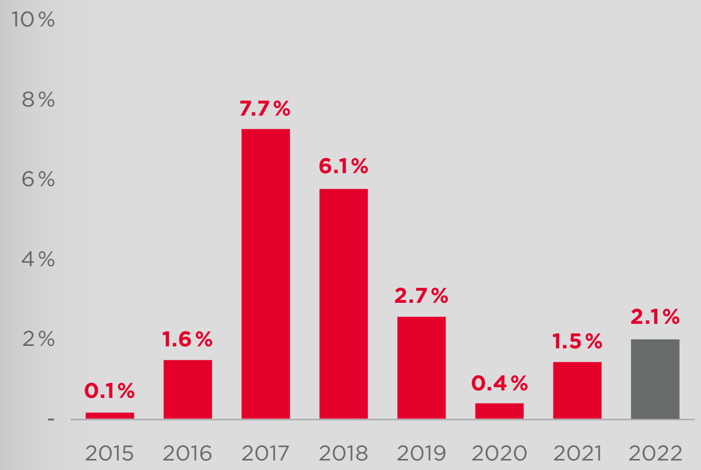
Top Flex-Operators



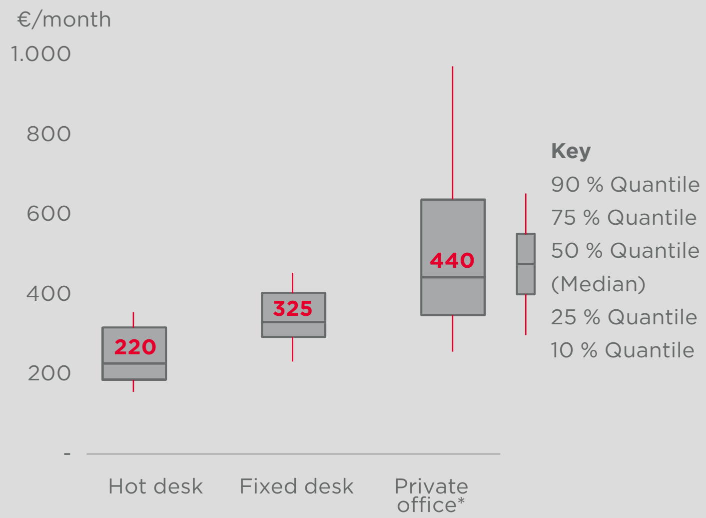
Planned and Current Flex Locations



Flex proportion of total office take-up



Asking Price Flex Office



* Asking price for a workspace in a private office (generally private group office)

COLOGNE

Cologne is a media location and Flex office is perfect for this sector - it's all about communication.

35
Operators

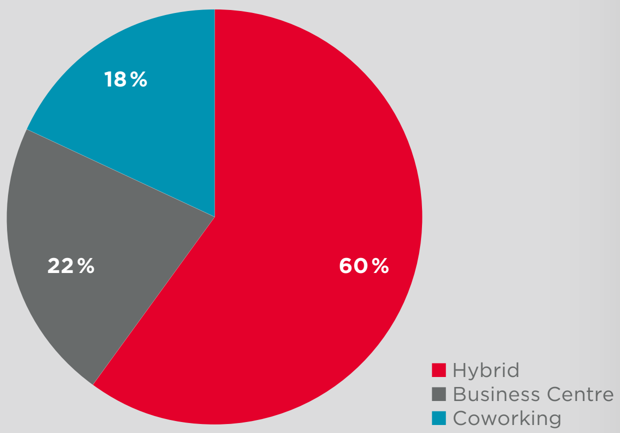
47
Locations

80,000
m² Flex-area

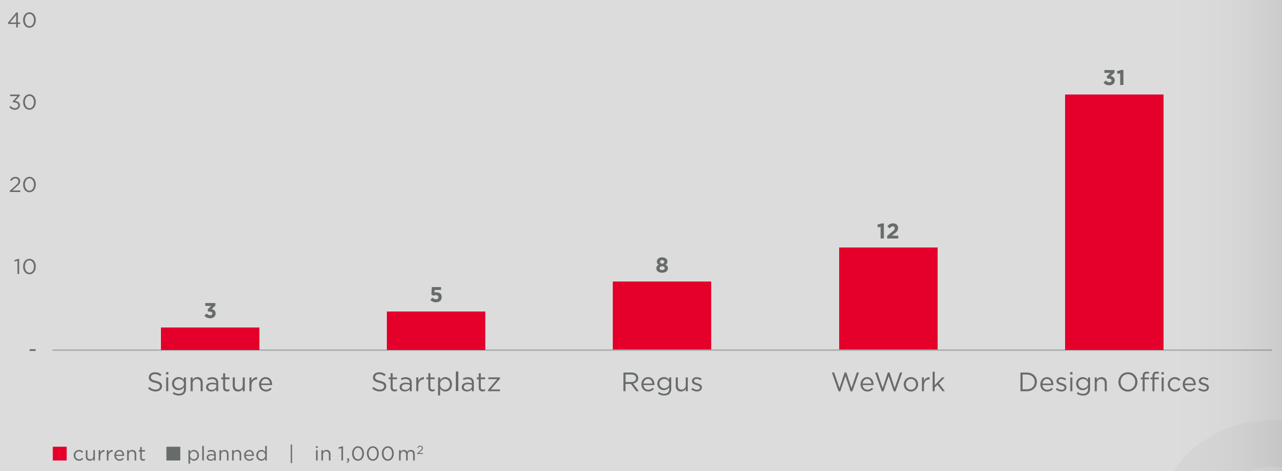
Cologne, the second-smallest flex office market of the top-7, has a high proportion of coworking spaces - both in terms of space and number of locations. Coworking spaces account for around half of the 47 locations.

Design Offices, far ahead of WeWork and Regus, are the largest local operators. Spatial focal points are located in the city centre from Hohenzollern- to Hansaring.

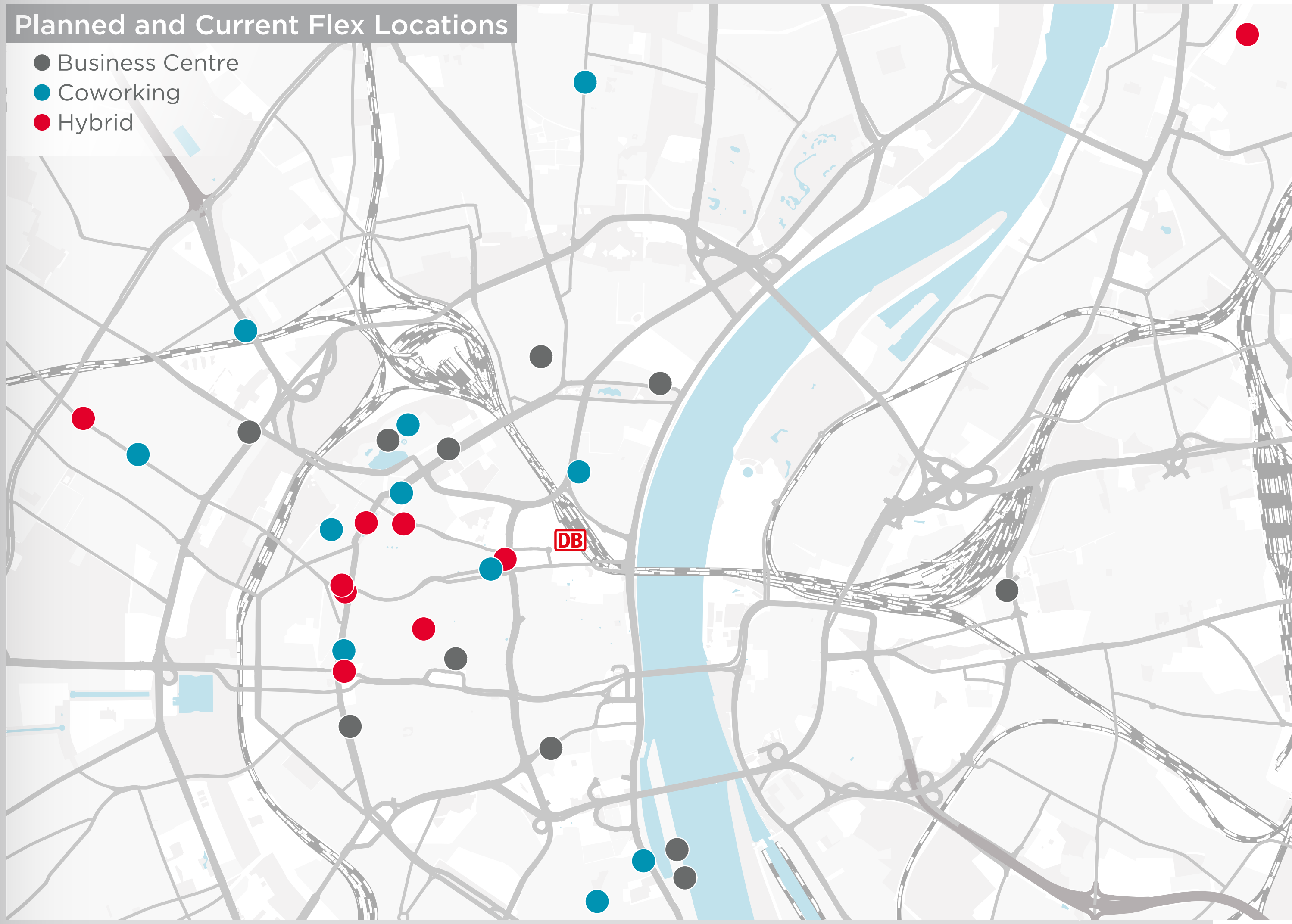
Flex Office-area



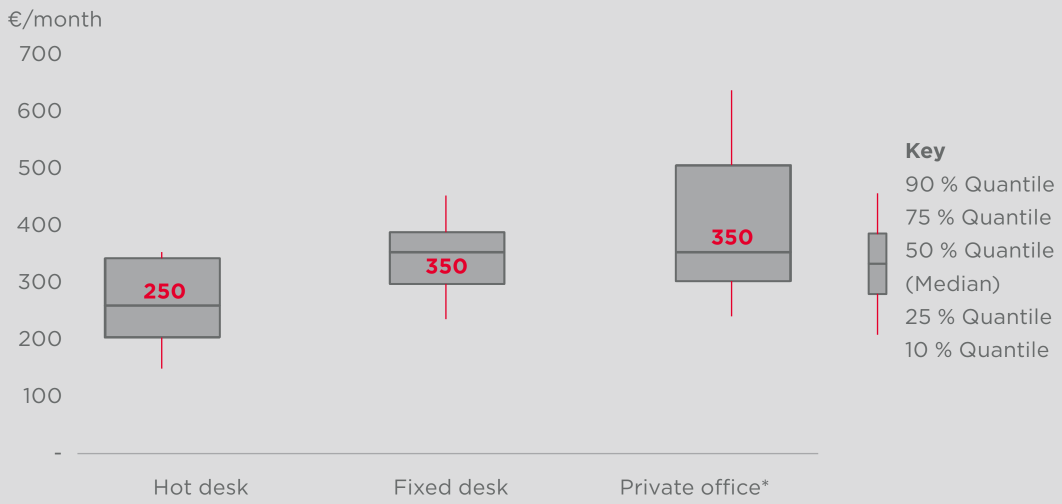
Top Flex-Operators



Planned and Current Flex Locations



Asking Price Flex Office



* Asking price for a workspace in a private office (generally private group office)

MUNICH

The Bavarian capital is the clear runner-up to Berlin in terms of being a Flex stronghold - but it is still a long way behind.

47
Operators

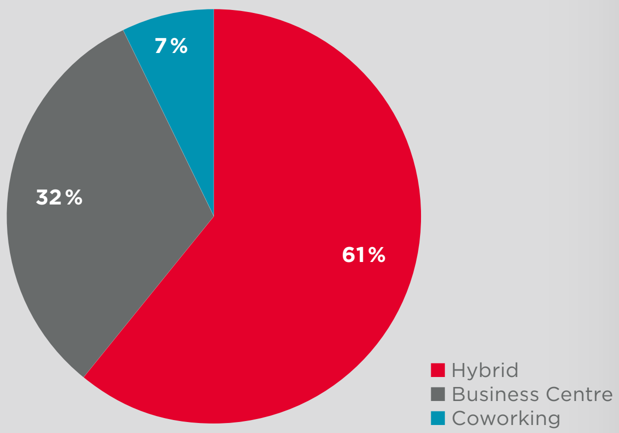
100
Locations

235,000
m² Flex-area

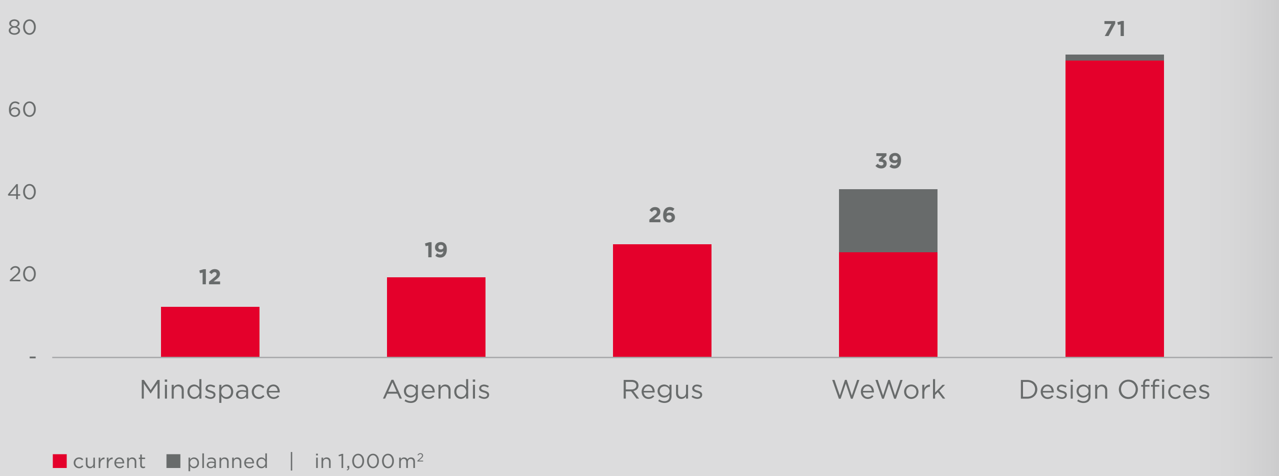
Munich is both a strong services and industrial and industrial location. As the second-largest Flex office market of the top-7, there is there is a high demand for flexible workplaces. The two largest locations in Germany (both Design Offices) are located in Munich, and WeWork will also open the third-largest at the main railway station here. Design Offices, WeWork and Regus are the three largest three largest operators in Munich.

The main conglomerations are within the Altstadtring ring road, at the Ostbahnhof (Werksviertel and Munich Art and Munich Art District) and in the areas of Parkstadt Schwabing and Arnulfpark.

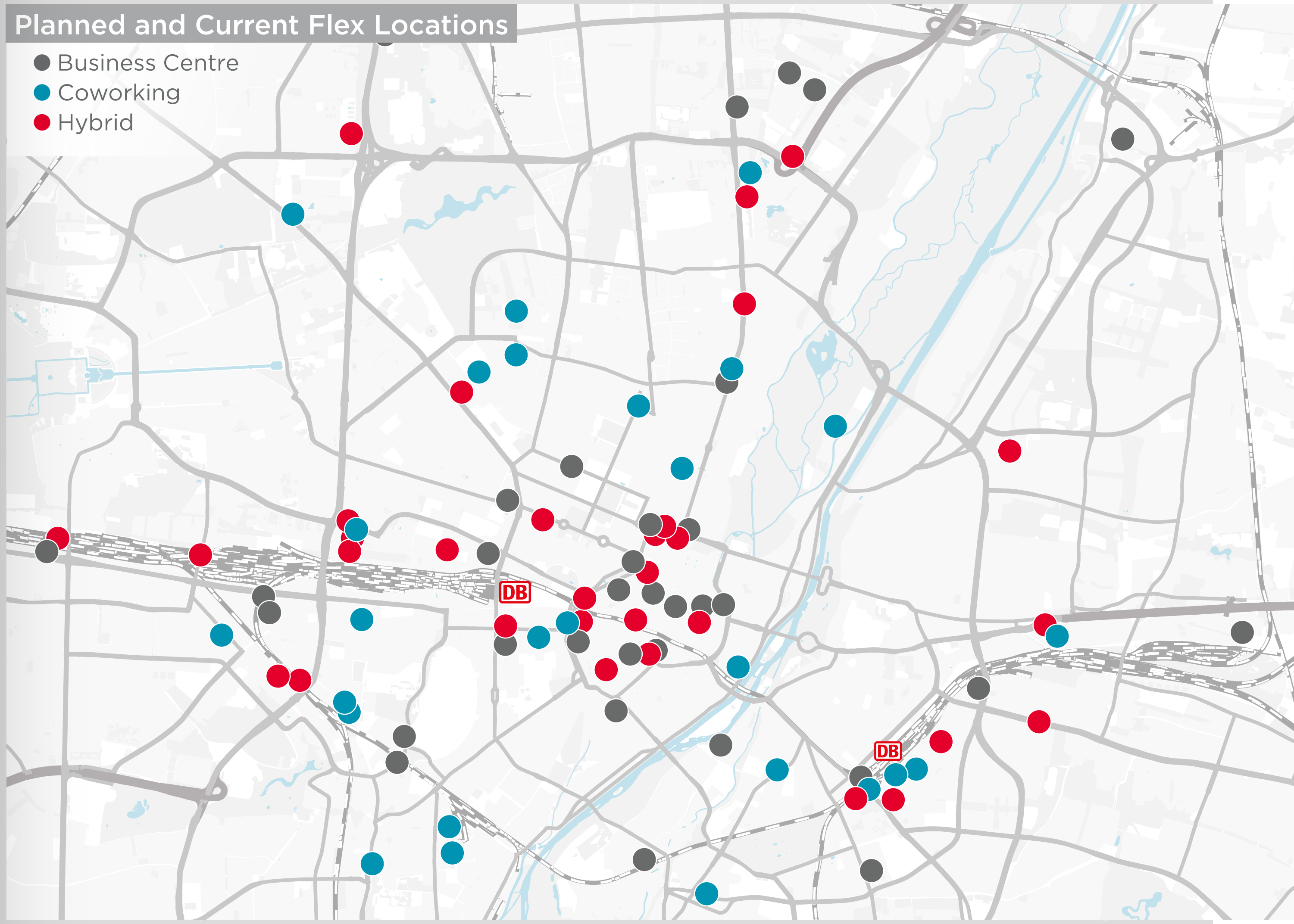
Flex Office-area



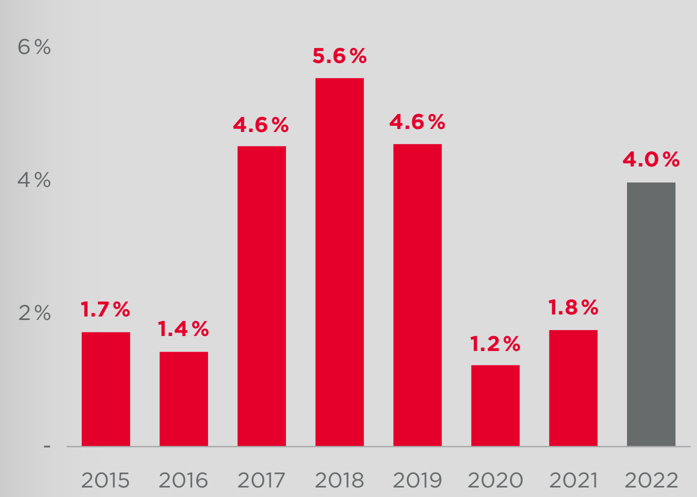
Top Flex-Operators



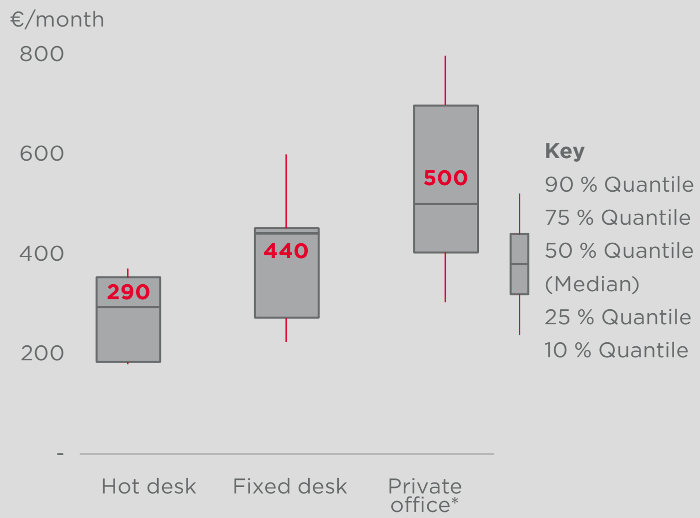
Planned and Current Flex Locations



Flex proportion of total office take-up



Asking Price Flex Office



* Asking price for a workspace in a private office (generally private group office)

STUTTGART

In the automotive city of Stuttgart, industrial companies are a predestined Flex demand group.

25
Operators

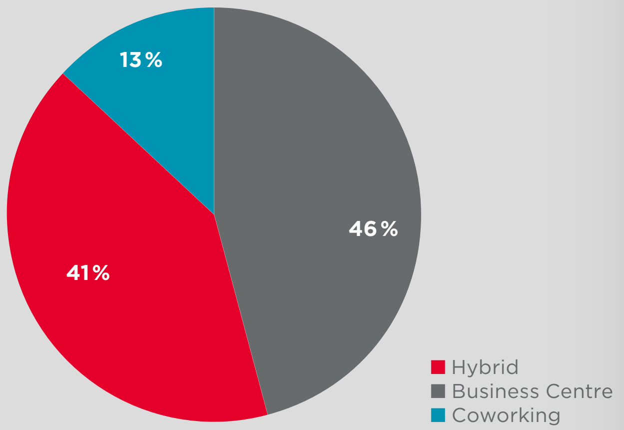
33
Locations

46.000
m² Flex-area

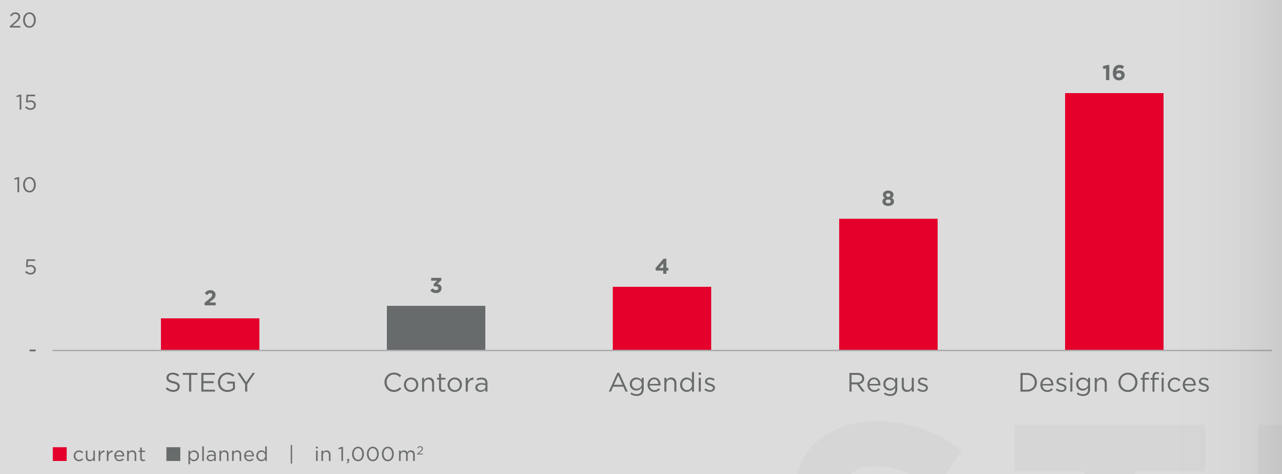
Stuttgart is the smallest of the top-7 Flex markets with Just 46,000 square metres in 33 locations. Business centres occupy almost half of this space. There are ten business centres in the city centre (including two planned). The three largest operators are Design Offices, Regus and Agendis. Of the large hybrid operators, only Design Offices is active in Stuttgart.

Spatial focal points are in the city centre, in Stuttgart-North and in some southern districts.

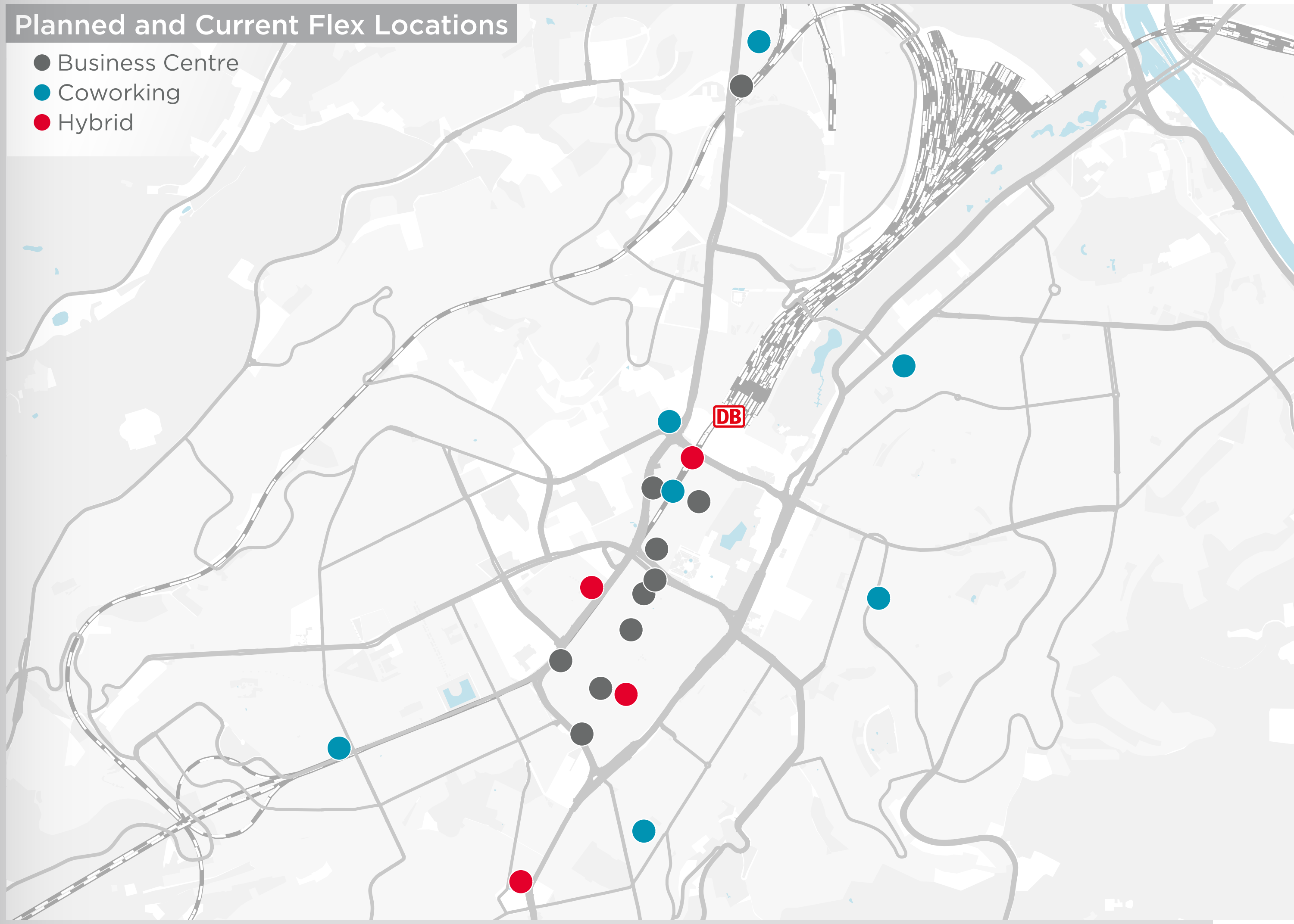
Flex Office-area



Top Flex-Operators



Planned and Current Flex Locations



Asking Price Flex Office

* Asking price for a workspace in a private office (generally private group office)

QUO VADIMUS, FLEXIBLE OFFICE SPACE?

OUTLOOK

The economic situation and outlook are rather subdued to poor - even if the forecast is of a less severe recession than was forecast in autumn. Inflation and energy supply security are weighing on the mood. In this environment, occupiers traditionally shy away from big changes, and are instead happy if they do not have to move premises.

But this pattern is being broken by the changes in the post-Covid working world. Hybrid work structures with a working from home component are making occupiers rethink their current office solutions. As a result, they are moving towards higher-quality offices in better locations. This is the best way to attract talent back to the office.

It should be added that, especially in the future, flexible office space will not only be found with Flex office operators themselves, but also in "conventional" office properties. Property owners are presenting ever more of their own solutions. There is great potential here, which will expand the "Flex universe" as a whole. The Flex share of just over 1 per cent of total office space stock in the top-7 markets will thus grow significantly. Owners recognise the advantage of having flexible working environments in their own property. And these are not only available via letting to an external operator, but also via their own involvement: from cooperation projects to joint ventures to the establishment of their own brands, owners have a broad spectrum of options.

So Flex office space will continue to play a role in the future, whether because of the extensive flexibility offered here or the modern and "hip" working environments. Flex office space can function as a (permanent or temporary) building block in one's own working environment or as a place for complete relocation.

OUTLOOK

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