ProWorkSpaces
linking knowledge

Flexible office report:

OCTOBER 2023

CUSHMAN & WAKEFIELD

Another year!

The flexible office value proposition has consolidated. The paradigm shift in office use and the value of flexibility in times of uncertainty are increasingly attracting the interest of corporations, the basis for the sector's growth.

With the growth of hybrid working, the flexible office sector is coming to represent a third space complementing offices and the home.

The sector is additionally using management contracts in order to mitigate the risks inherent to the business. We will see growth in the aforementioned contract framework as the business matures and becomes better understood by owners, appraisers and investors.

Alongside ProWorkSpaces, Cushman & Wakefield has once again carried out its annual analysis of Flexible Office trends, adding our vision to the analysis of the sector in the firm conviction that it will continue to evolve favourably into the long term.

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Data on the Spanish Flexible Workspace market

The supply side of the Spanish flexible office sector has continued to grow, reaching a figure in excess of 46,000 workstations. Whilst demand in Madrid is focused on the Central Business District (CBD), cornering some 60% of the city's workstations, the growth of district 22@ in Barcelona has made it a magnet for flexible workspaces with some 50% of the city's total. The Central zones of Madrid and Barcelona are also much sought after by operators to house their centres.

With more than 24,500 flexible workstations in Madrid, just over 5,000 were vacant at the close of the third quarter, equating to an occupancy rate of 80%. Whereas Madrid's CBD has achieved 85% occupancy, the corresponding figure for the Centre is around 60%.
Some 60% of Barcelona's 21,500 flexible workstations were occupied at the close of the third quarter. Occupancy is at around 63% in district 22@, compared with 65% in the city centre.

New operators have entered both Barcelona's and Madrid's office market over the past year. An example of this is Aticco, whose new, 4,325 sq m centre in Barcelona's Eixample district adds to the doubling of its floorspace in Madrid through the expansion of its centre on the street María de Molina. Between the two cities, this Barcelona-based operator now has more than 37,000 sq m of flexible workspace.

Through its first opening in three years, WeWork has added to supply in Madrid with the opening of a new centre at no. 36 on Calle Goya. This space will offer 3,900 sq m spread over seven floors and join the four centres and six spaces that the firm already has in Madrid and Catalonia respectively.

From 2025, Madrid's Azca district will boast a new flexible workspace centre that will be the largest in Spain: Spaces Bernabéu. This IWG SPACES coworking centre will cover 10,000 sq m and have capacity for 180 offices and more than 900 workstations. The company remains committed to the capital and in 2022 opened the largest Spaces centre in Spain, occupying some 7,000 square metres. The new Spaces Plaza Molina in Barcelona will house more than 500 workers in a floor area of 3,901 sq m.

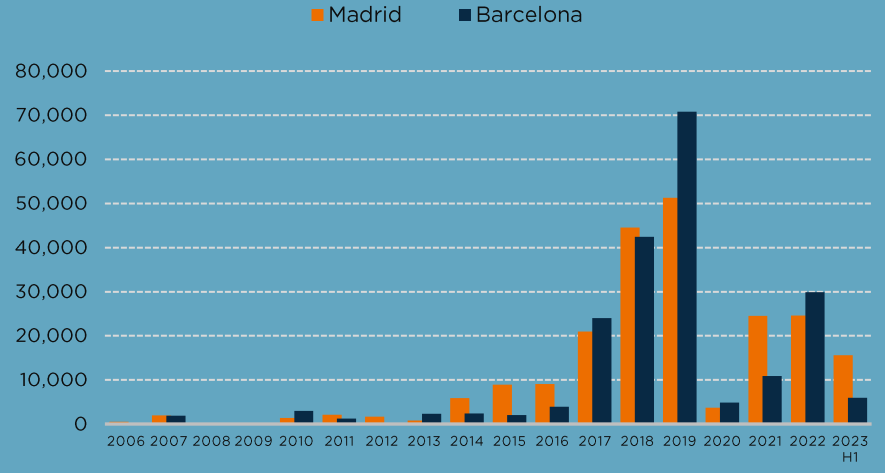
First Workplaces has opened a new flexible workspace in the heart of Barcelona, occupying 2,500 sq m spread over six floors. This coworking firm has been present in the city since 2019 and managed some 7,000 sq m of flexible workspace since then.

For its part, Cink Coworking continues growing in Madrid's prime area and has announced the opening of three centres by the end of the year, taking it to a total of ten spaces during 2023.

Madrid and Barcelona continue to be the main markets chosen by Flexible Workspace operators. Consequently, and having gone through a period of wait-and-see on the part of operators and the consolidation of space use, the take-up of flexible spaces continues to grow in both cities.

At the close of 2019, flexible workspace operators achieved a share of 1.1% and 2.3% of total office stock in Madrid and Barcelona respectively. Barcelona saw an upturn in 2022, trebling the take-up of floorspace transacted the year before.
This market share reached 1.6% in Madrid and 2.9% in Barcelona at the close of the first half of 2023, the levels being similar to the same period in 2022.

Take-up of offices assigned to flexible workspaces (sq m)

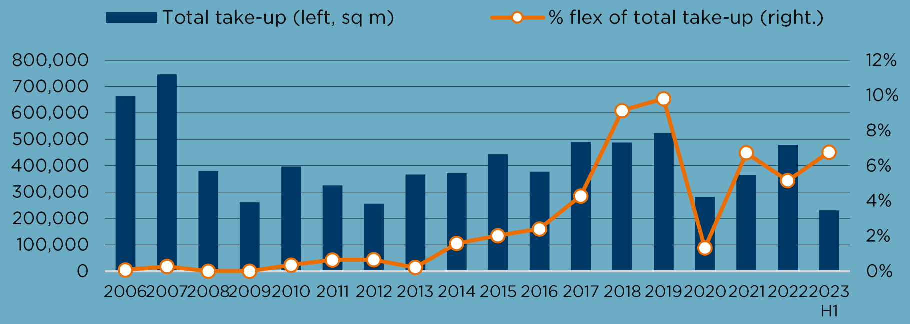


Flexible operators have expanded in terms of area in both cities.

Madrid

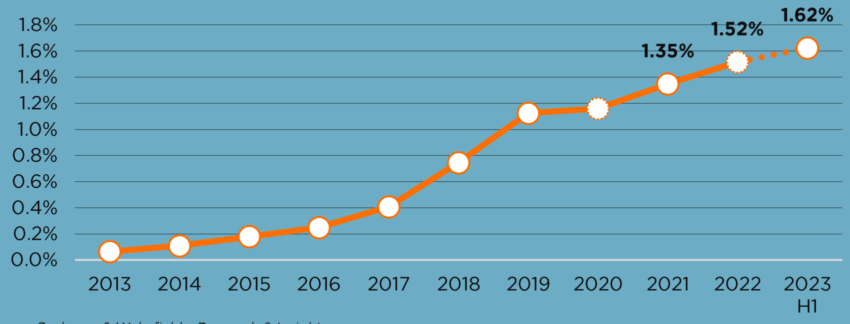
Flexible workspace operators have let some 1**5,621** sq m over the first six months of the year, representing 7% of the total take-up of office space in Madrid. In comparison with the first half of 2022, take-up grew by 65% during the same period in 2023.

Take-up of office floorspace - Madrid



Source: Cushman & Wakefield – Research & Insight

Madrid - flexible spaces as % of built stock

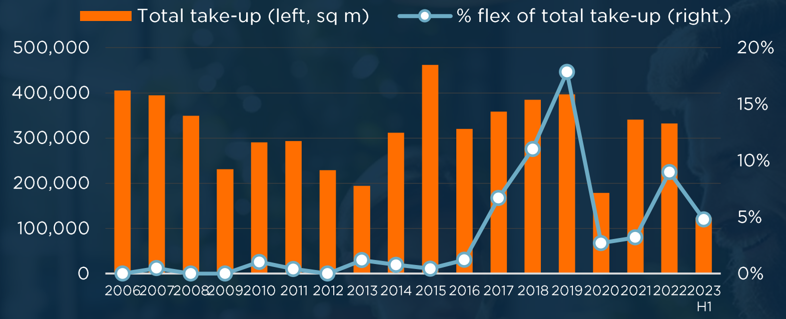


Source: Cushman & Wakefield – Research & Insight

Barcelona

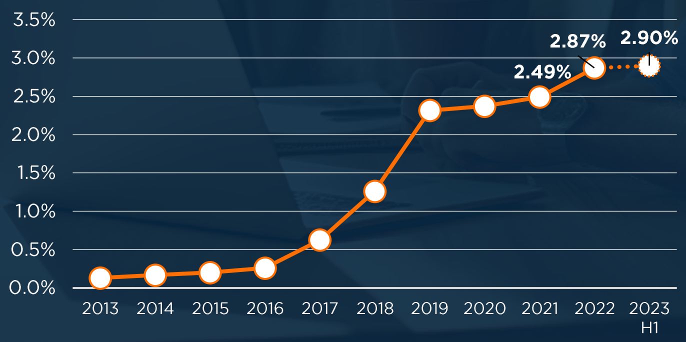
Flexible workspace take-up amounted to 5,980 sq m between January and June 2023. The area assigned to flexible workplaces amounts to around 5% of the total floorspace transacted, this level being similar to the 3% of the total seen the previous year.

Take-up of office floorspace - Barcelona



Source: Cushman & Wakefield – Research & Insight

Barcelona - flexible spaces as % of built stock

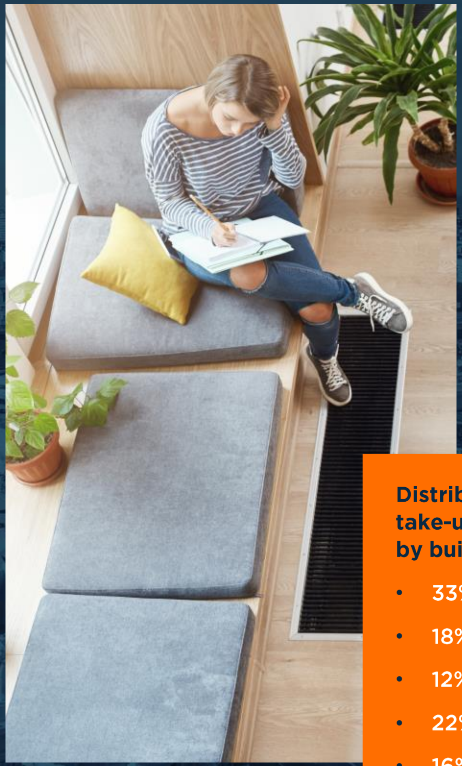


Madrid

Between 2017 and June 2023, flexible space operators have occupied **185,359** sq m of office floorspace in the Madrid market. Some **71%** of this floor area corresponds to high and medium-high specification spaces (Grade **A and B+)**

In terms of areas, some 61% of take-up during this period corresponded to the CBD. Within this sub-market, 34% of buildings upwards of 10,000 sq m have an average 22% assigned to flexible spaces, whereas 22% of the buildings exceeding 20,000 sq m assign approximately 12% of their area to flexible spaces.

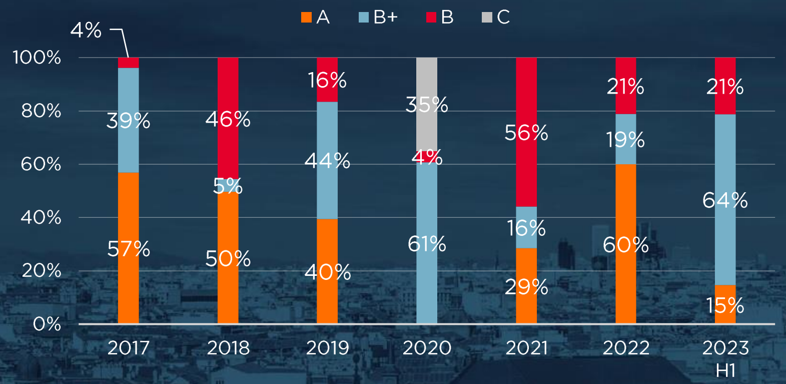
An address on the boulevard of Paseo de la Castellana is particularly attractive for operators, capturing **24.8%** of total take-up in Madrid between 2017 and H1 2023. This is despite the fact that buildings situated on the Castellana amount to solely **7.5%** of Madrid's stock by floor area. Some 33% of these buildings exceeding 15,000 sq m assign approximately 15% of their floor area to flexible spaces.



Distribution of flexible space take-up over the past five years by building owner type:

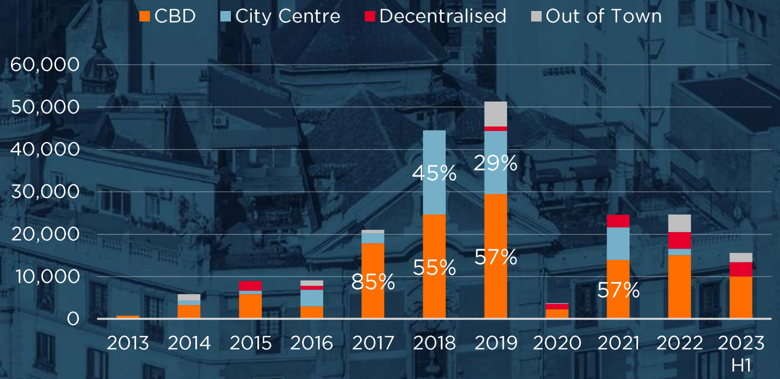
- **33%** SOCIMIs
- **18%** Private
- **12%** Investment funds
- **22%** Insurers
- **16%** Other

Trend in flexible workspace take-up by grade - Madrid (%)



Source: Cushman & Wakefield – Research & Insight

Take up of flexible workspaces by sub-market (sq m)



Source: Cushman & Wakefield – Research & Insight

Barcelona

Flexible space operators' preference for quality is dependent upon the supply of office floor area in each sub-market.

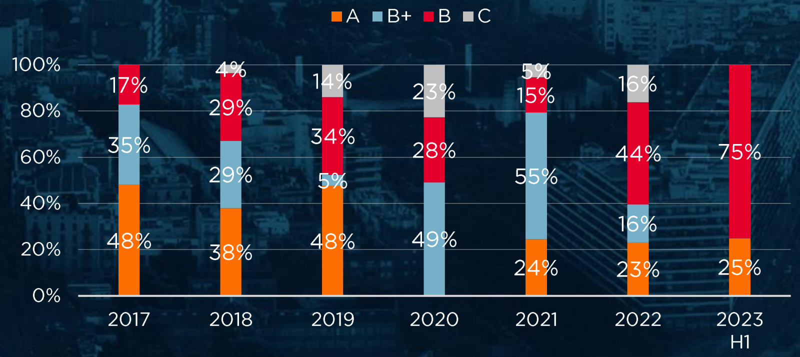
Of the 188,934 sq m transacted between 2017 and June 2023, **40%** corresponded to grade A and **32%** to grade B.

Some 33% of the total take-up of flexible workspaces in Barcelona since 2017 has been situated in the City Centre. Given the scarce supply of grade A buildings in this area (solely 2% of stock), some 47% of transaction activity relating to flexible spaces corresponds to grade B. It is important to bear in mind that grade B in Barcelona's City Centre does not necessarily mean standard quality buildings. This grade assignment is due to the fact that many high specification buildings have technical limitations based on the structure (height, floor layout, etc).

Close to 52% of take-up is situated in 22@. Of the total, 63% was grade A floorspace and 15% corresponded to grade B+. This distribution of take-up according to specification is due to the fact that District 22@ offers newly constructed buildings with sustainability certification.

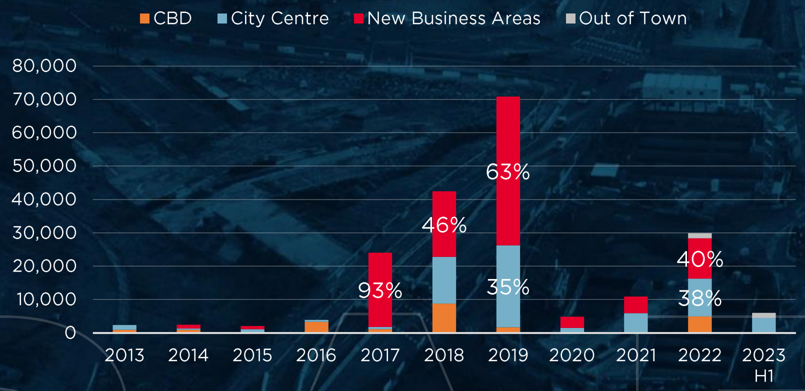
In terms of building size, a similar trend to that seen with regard to Madrid's CBD over preceding years is also noted in the area of 22@: some 31% of the buildings exceeding 20,000 sq m have flexible workspaces in their interior occupying between 4% and 9% of their total gross floor area.

Trend in flexible space take-up by grade - Barcelona (%)



Source: Cushman & Wakefield – Research & Insight

Take up of flexible workspaces by sub-market (sq m)



Source: Cushman & Wakefield – Research & Insight

Distribution of flexible workspace take-up over the past five years by building owner type:

- **30%** Private Funds
- **20%** Insurers
- **15%** SOCIMIs
- **8%** Investment funds
- **27%** Other

ESG in flexible workspaces

The tie-in between flexible workspaces and sustainability must also be added to the equation. Frameworks connecting flexible solutions to major corporations take into consideration social and environmental factors under the ESG umbrella.

On the environmental side, properties are generally centrally located in areas well connected to the city by means of public transport. This encourages users to avoid private car use, therefore reducing their carbon footprint.

The buildings housing these types of spaces often allow a degree of flexibility to limit the space occupied by the company to that which is genuinely required: serviced offices can be shrunk or expanded at any time.

The fact that office furnishings do not change with each tenant reduces the environmental impact of new fit-outs.

The use of these types of spaces impacts directly on people and their relationships. Employees using flexible spaces have the possibility of working in contact with other specialists and, very often, the option to participate in projects organised by the community.

Another social aspect becomes evident when the subscription of a flexible workspace constitutes part of a business's hybrid working policy. In this way, a company is able to ensure a comfortable working environment in diverse locations and structures according to how people adapt.

The weight of Flexible Spaces within Europe’s office stock

Source: Cushman & Wakefield – Research & Insight

The supply of flexible workspaces amongst leading European cities has grown throughout 2023.

The relative weight of flexible offices has been following the same growth trend since 2018. This is a result both of the incorporation of new, traditional office space, as well as recent changes in the total flexible workspace stock.

The speed at which the flex niche has grown since 2001 is patent, particularly in cities such as London, Amsterdam and Paris. The flexible concept made its great leap forward in 2019 and broke into the European office market as a whole.
The stock of this type of spaces grew in Portugal, France and Spain, the former of these recording growth of up to 142%.

At a global scale, and with more than 600 spaces, New York city leads the ranking in terms of coworking stock, followed closely by London with a floor area of 1.5 million square metres. The UK is Europe’s most mature market in terms of flexible workspsace.

Although London has witnessed significant growth in flexible workspace, 2021 saw the destruction of more than 100,000 sq m.

With some 5.4% of its office stock assigned to coworking spaces, Amsterdam is very much on London’s heels.

According to reports by Cushman & Wakefield, flexible workspace will peak at 10% of the built stock in leading European cities. With shares of 1.6% and 2.9% respectively, Madrid and Barcelona still have considerable room for growth.

Survey ProWorkSpaces 2023

This is the sixth consecutive year in which the flexible workspace association, Proworkspaces, has invited its affiliates to answer a series of key questions in order to understand the sector and space use trends over the coming months in Spain.

Analysed by Cushman & Wakefield's Research & Insight team, the results are an essential tool in providing a context for the flexible workspace industry and its circumstances in the current climate.

Keys to the 2023 Survey

63%
of flexible workspace managers surveyed had occupancies exceeding 75%, slightly exceeding the 60% seen in 2022.

16%
of respondents intend to open or expand spaces by the close of year.

62%
Will maintain the size of their spaces and do not envisage new openings or expansions over the coming months

Financial and law firms represent 34% of users, assigning up to 25% of their workspace. Technology businesses are notable amongst users, assigning between 25% and 50% of their space and representing some 45% of users.

In terms of user type, the results of this year's survey are similar to those of preceding years:

51%	of the groups surveyed revealed that a quarter of the businesses seeking their spaces were start-ups and the self-employed. These types of businesses represented 50% of demand last year.
48%	of demand is from SMEs, another user notable in these types of workspaces. This proportion is trending upwards in 2023 (40% in 2022)

Around 7% of users assign more than 75% of their space to private offices. In contrast, up to 50% of workstations were used by some 11.2% of clients.

Growth in demand on the part of multinationals who are adapting their real estate strategy to the use of flexible office spaces, the clear goal of this being to improve the efficiency of their property footprint.

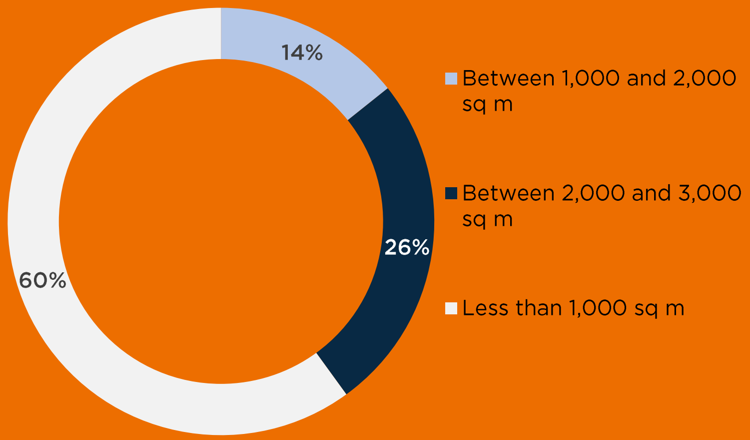
Flexible workspaces additionally remain an **engine of growth** following the pandemic.

The physical and online space

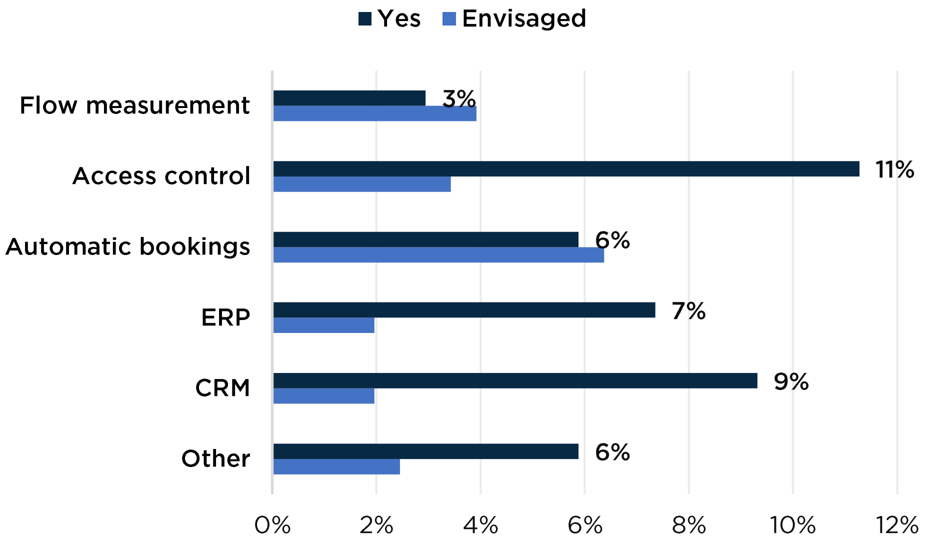
The size of flexible workspace operators runs from reduced floor areas in residential buildings up to complete buildings solely for office use and located in central areas and the main business districts.

60% of operators have spaces up to **1,000 sq m. Whilst only 6%** managed spaces of between **2,000 sq m and 3,000 sq m in 2022, this figure** has now grown to 26%.

SIZE OF SPACES



Source: Cushman & Wakefield – Research & Insight – ProWorkSpaces Survey



Source: Cushman & Wakefield – Research & Insight – ProWorkSpaces Survey

Access control is among the tools most commonly employed by users (11%), followed by customer relationship management (CRM) at 9%.
Automatic booking systems are a powerful tool increasingly sought by operators for deployment in their establishments.

*ERP: Enterprise Resource Planning

Complementary services

Private spaces have lost their pre-eminence within the structures used by flexible operators.
Half of operators now dedicate some 50% of their space to private areas, compared to 60% in 2021.
This reduction is due to the elimination of restrictions imposed during the pandemic.

Around 56% of operators declared turnover of less than €250,000 at the close of 2022. Only 15% posted revenue in excess of 2 million Euro.

Just over half of operators (51%) offered at least one of the following services in their spaces.
- professional Internet connection, virtual office
- access to in-house servers and a VPN (*Virtual Private Network*).

Some 37% of operators offer virtual event planning and networking services aimed at creating synergies between clients and users, with a clear secondary goal of community building.

A rise in the proportion of international businesses is noted:
2022: some 62% of operators stated that between 25% and 75% of their clients were nationally based
2023: some 34% of operators stated that between 25% and 75% of their clients were nationally based
The remaining users consist of international businesses of primarily European origin.

Up to 25% of the space primarily comprises businesses originating in:

United States 47%

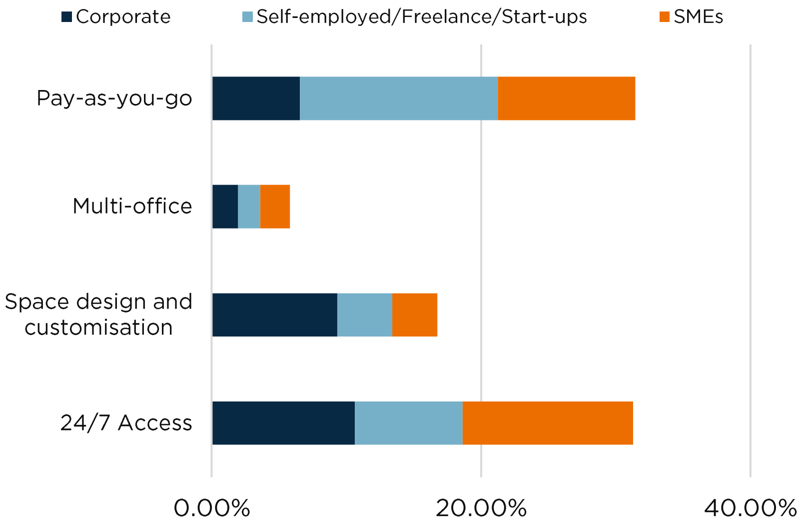
Europe: 44%

Local: 38%

National: 47%

With more than 75% of the space occupied, only European-based (3%), local (9%) and national businesses (12%) showed any presence
There is very little presence of African, Asian and Latin American businesses in flexible workspaces.

Demand by user profile



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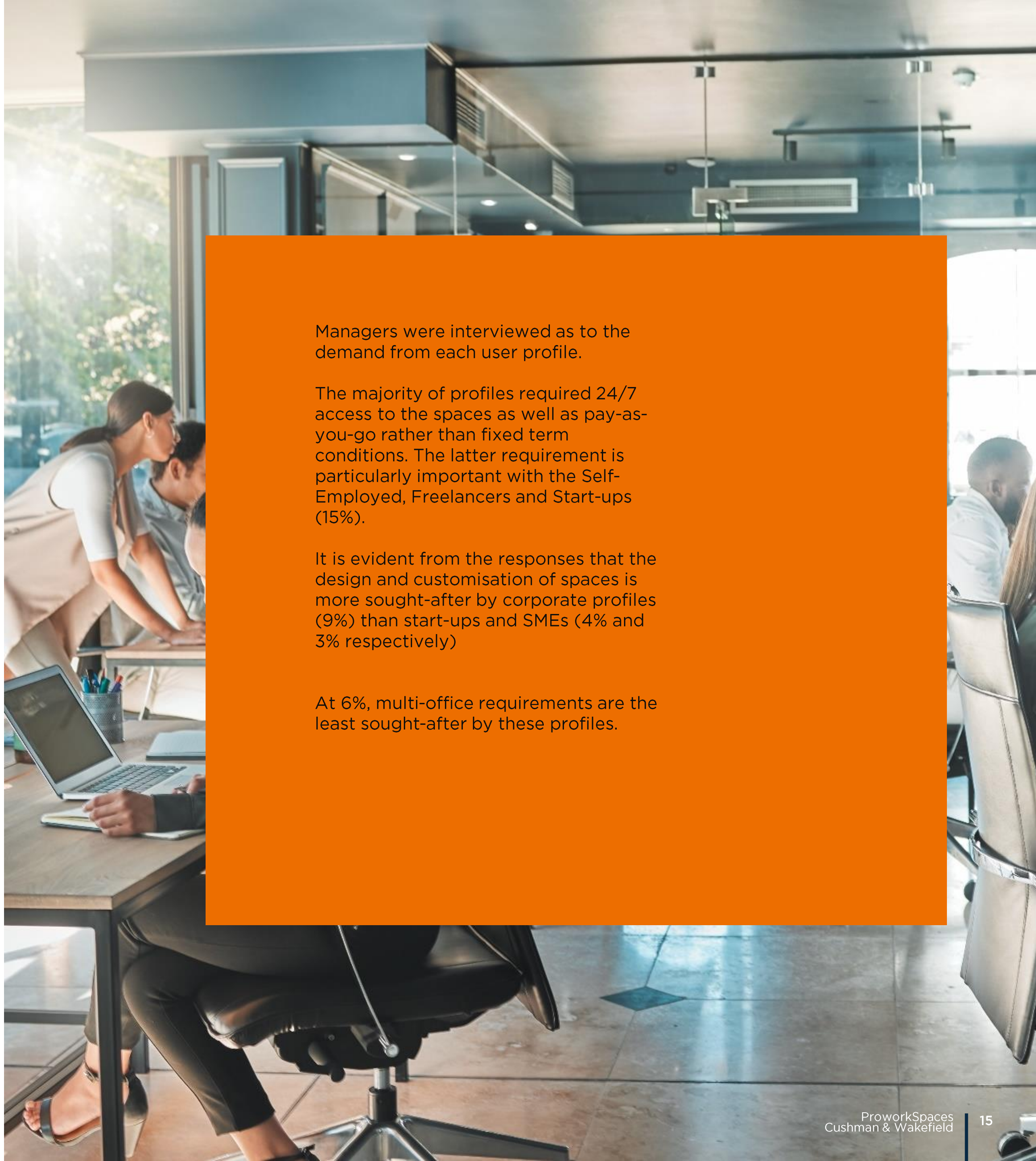


Managers were interviewed as to the demand from each user profile.

The majority of profiles required 24/7 access to the spaces as well as pay-as-you-go rather than fixed term conditions. The latter requirement is particularly important with the Self-Employed, Freelancers and Start-ups (15%).

It is evident from the responses that the design and customisation of spaces is more sought-after by corporate profiles (9%) than start-ups and SMEs (4% and 3% respectively)

At 6%, multi-office requirements are the least sought-after by these profiles.

Interviewed with respect to changes in rates for spaces in comparison with the preceding year:

12% have increased rates by 5% over those in 2022

15% of the interviewees have increased their prices by 10%.

15% of the respondents to the survey raised rates indexed to the CPI.

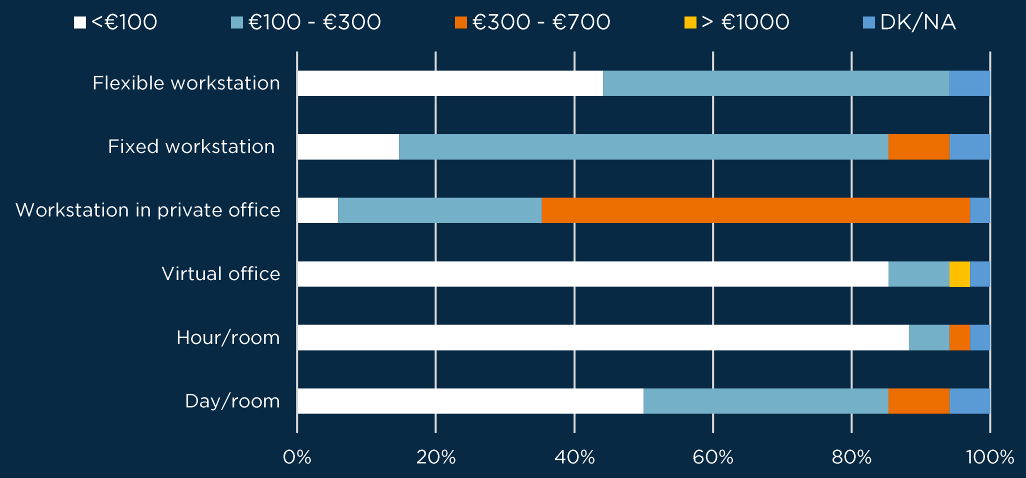
24% have made no changes to rates in comparison with the preceding year

What is the cost to users?

More than 80% of the respondents offer rates below €100/month when dealing with hours/room and virtual offices.

The majority of the respondents (71%) quoted prices of between €100 and €300/month for fixed workstations within flexible workspaces.

The price range climbs when dealing with workstations in a private office; some 62% of users pay rates running from €300 to €700/month.



Source: Cushman & Wakefield – Research & Insight – ProWorkSpaces Survey

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