

Flex Space

Czech Republic Research

2019



About Flex Space

Flexible office space is any space (desk or more comprehensive office space) provided on short-term leases, at variable prices or alternatively on a membership basis.

It's not just start-up and millennial demand driving the accelerated pace of flexible space growth; larger and more traditional companies are beginning to adopt flex space at scale. Businesses are responding to a raft of structural changes by optimising their portfolios, consolidating their office spaces and driving productivity.

Flexible space lets them respond to the needs of a more dynamic workforce and the requirements of specific teams in areas such as digital or product innovation. It can also attract specific talent pools, particularly among younger generations, which tend to favour a less traditional corporate office setting.

For some companies, flexible office space enables them to act quickly if they need a temporary space, or to access a new market. For others, it's an opportunity to increase exposure to the zeitgeist in a particular industry or to help change their working culture.

In addition to the more traditional drivers of flexible office space – there are a number of other emerging drivers for corporate use. These range from improved innovation, collaboration and community, to business development and growth objectives.

Improved space utilization and portfolio flexibility, in addition to potential financial benefits, will also be powerful drivers of adoption - at scale.

Main membership services include:

- Reception
- Unlimited coffee and water
- Internet connection
- Cleaning services
- Fitted premises
- Events and community access

Flex Space at a Glance

The terms serviced offices, co-working and hybrid centres are often used indiscriminately.



However, the various business models which have emerged over time and the current wave of innovative providers all have distinct features.



At its core, its rapid growth is being driven by the evolving nature of work and the shifting structure of the economy, supported by rapidly advancing technology.



Co-working

- 80% co-working space
- 2-10,000 sq m
- Multiple membership models



Serviced office

- 80% lettable office space
- 1-4,000 sq m
- Single membership model



Hybrid

- 60-65% lettable office space
- 2-25,000 sq m
- Multiple membership models

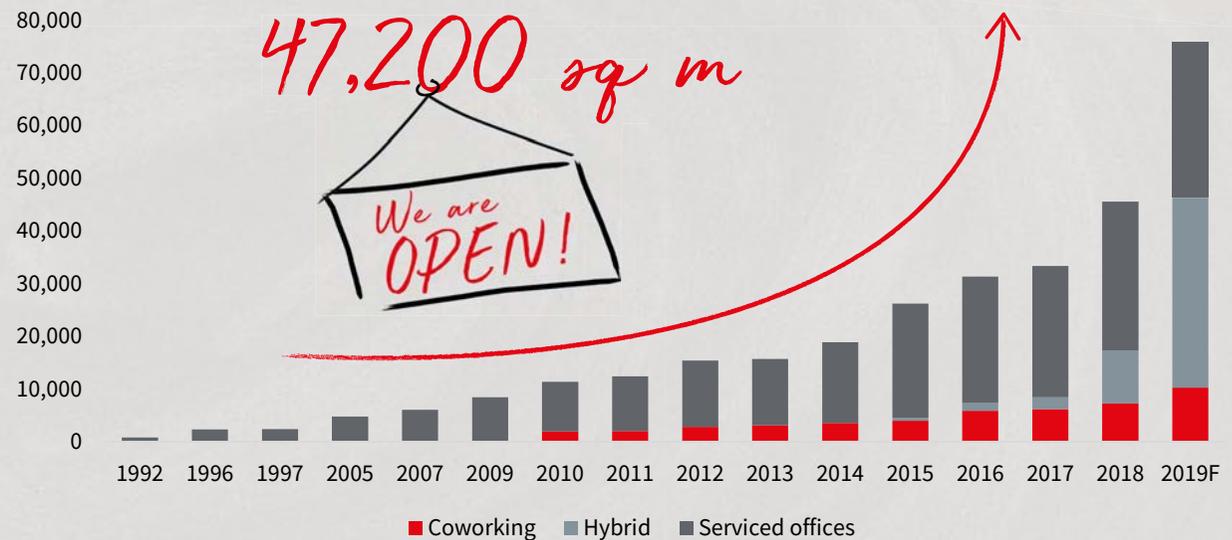
From History to Hysteria?

- It all started with serviced offices more than 20 years ago. Co-working came in later, around 2010, creating new concepts for office space in Prague. Driven by unprecedented growth, the hybrid model of private offices joined in 2015.
- At the beginning, their best features have transformed the sector, particularly in areas such as workplace design which was reflecting new generational needs.
- However, the true change to the sector has come from a novel hybrid offering, which caters not only to freelancers, start-ups and SMEs, but also, increasingly, to larger organizations.

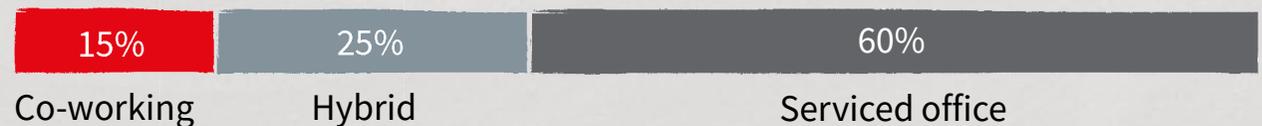
37*

providers of flex space with 57 centres across the Prague districts.

*in operation as of February 2019



Flex business models distribution in Prague



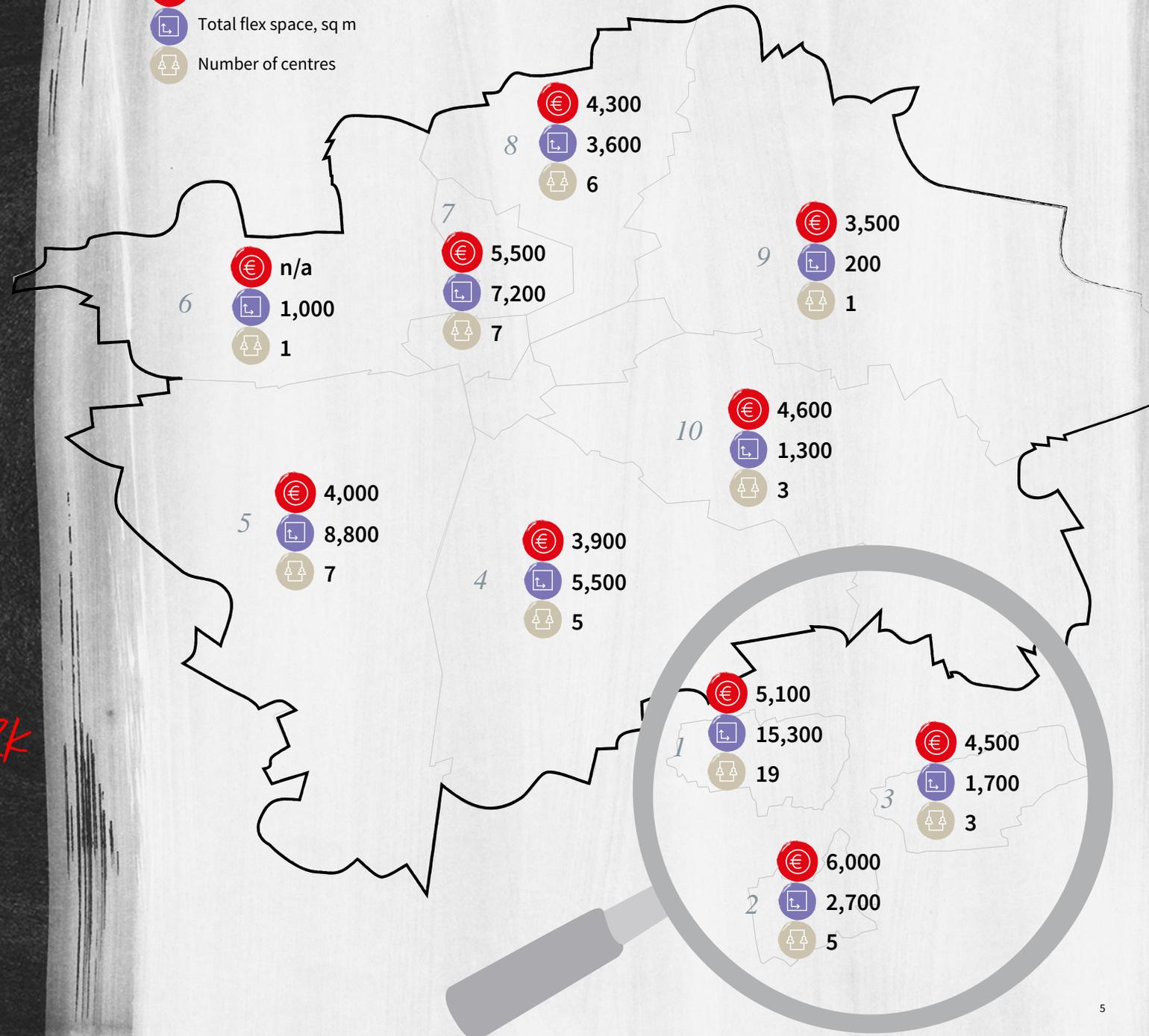
Location

- Co-working has been the catalyst for the rise in flexible space and the growth of this phenomenon has been led 'bottom up' by people using the space.
- In Prague, out of the 57 centres in operation providing flexible office space, approximately one third is located in Prague 1. Other popular locations include Prague 5, Prague 7 and Prague 8.
- These locations offer very good access by public transport, proximity to the city centre, a number of amenities in the vicinity and established office markets.
- All of these features are heavily demanded by both the new generation and corporate clients.

4,800 CZK

Average monthly price (excl. VAT) for a fixed desk in Prague

- € Average monthly price, CZK/month (excl. VAT)
- 🏢 Total flex space, sq m
- 🏠 Number of centres



Figures Speak More Than a Thousand Words!

Total office take-up (sq m)



Office take-up (deals <500 sq m)



Flexible office take-up (sq m)



- As Prague's office market experiences the first stages of flex space growth, there is limited evidence to date of how the office market has changed with respect to this trend, however we can still see some early indications.
- Small office leasing transactions (deals up to 500 sq m) are on the decline whilst flexible office take-up showed rapid growth in the last 3 years. There is a significant indirect correlation between these two indicators.
- Flexible office take-up accounted for 5% of total gross take-up in 2018, while its share on the total net take-up was even higher reaching 8%.

Major openings in 2019

wework

67%

NEW WORK
Offices

HUBHUB

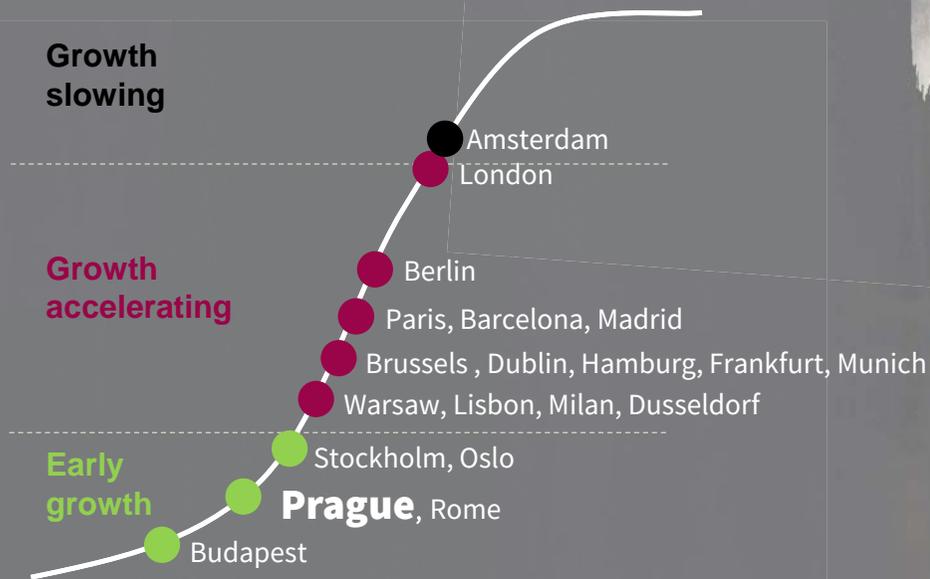
is forecasted flexible office
space y-o-y growth in 2019

SPACES.

EMEA Flex Space

- In most continental European office markets, the majority of flexible office space (ca. 65%) is in the city centre and other key business districts, with the balance located in the often dynamic fringe markets.
- Outside these locations, the market is dominated by more traditional serviced office operators situated in or very near to transport hubs, as well as (often relatively old) discounted business centre brands.
- Europe's stock of flexible space is set to grow by an average of 25%-30% per year over the next five years.

Europe - Flex market maturity



Key Flex Location Characteristics

- 1 High quality transport connections / accessibility
- 2 Demand from key growth sectors
- 3 Proximity to talent, skilled labour, customers and clients
- 4 Proximity to amenities - cafes, bars, gyms





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