ProWorkSpaces
linking knowledge

# Flexible Workspace Report:

OCTOBER 2022



CUSHMAN & WAKEFIELD



# Happy fifth anniversary!

**The tandem between ProWorkSpaces and Cushman & Wakefield came into being in 2018, when the flexible space market in Spain was still far from maturity.**

Covid-19 has had a major impact on the sector, calling into question its very fundamentals. Nevertheless, reality has demonstrated that the value proposal itself is robust and now makes more sense than ever.

As set out in this fifth joint annual survey, growth in the supply of flexible office space has been exponential in recent years.

Looking back, we are able to say that the success of flexible workspaces is based on their versatility, the advantages of outsourcing space management and the formulas that bring together flexible solutions and large corporations. Representing the solution for major businesses during moments of uncertainty, the pandemic has strengthened the idea that flexible concepts concepts put the spotlight on people.

Although flexible offices continue to represent a small percentage of the office inventory in Spain, the growth seen in recent years demonstrates that this diverse and specialised industry has become indispensable for all types of businesses.

This report should be understood as a statement of intentions by the sector and those who participate in it, aimed at growing and providing solutions in terms of office space occupancy strategies.

We celebrate our fifth anniversary of collaboration with the association and are more committed than ever to continue contributing and sharing knowledge and experience throughout the sector.

**Javier Bernades**
International Partner
Offices Director Spain
Cushman & Wakefield

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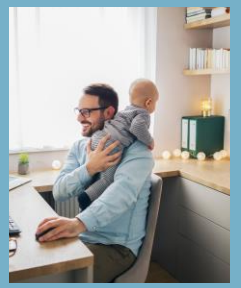



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# How do we measure productivity?

In this post-pandemic period it has been commonplace to read news articles and varied surveys where office employees assert the fact that they are more productive working from home. Simultaneously, and with ever greater vehemence, businesses want their employees to spend several days per week in the office.

At first sight there appears to be a contradiction: if businesses have always striven to do maximise their employees' productivity, **why don't they encourage more working from home?** If working from home meets 2 of the goals most sought after by companies, i.e. cost reductions (through savings on rent) whilst maximising employee productivity, why not further encourage remote working? Are companies making a mistake? Or is this just a consequence of presenteeism?



* Global Coworking Growth Study 2020 - Cluster



*"The fact that you're right doesn't mean that I am wrong."*

In order to understand this conflict, the first thing to bear in mind is what productivity means for a company. In the lion's share of cases, employees have a partial view of medium and long term business strategy. In contrast, companies need to pay close attention to productivity in the short, medium and long term. And it is this long-term strategy that drives firms to bring employees together in order to consolidate their business culture and, above all, interaction.



# The importance of interaction: “synaptic” work

Interaction between employees is crucial to businesses.

The ability of humans to worry about the future is thoroughly embedded in in the ADN of companies seeking to survive over the long term.

Businesses are, and must be, thinking entities. If we make an analogy between the workings of a brain and those of a company, the neurons would be the workers and the interactions between those neurons (or synaptic connections that lead to the creation of orders) would represent interactions between employees.

Every business makes use of synaptic connections in strategic decision-making. That is why companies seek to foster interaction between their employees in order to boost creativity. The first step to this is to bring employees together face-to-face.

# Remote communication curbs the generation of creative ideas



In a report* published in the scientific journal Nature, Melani S. Brucks (Columbia Business School) and Jonathan Levav (Stanford Graduate School of Business) reveal that online meetings hinder the generation of
Innovative ideas.

**Virtual communication curbs creative idea generation;* by Melani S. Brucks, Assistant Professor of Marketing at Columbia Business School, specialising in the creation and selection of innovative ideas and the cognitive and behavioural consequences of technological innovation, and Jonathan Levav, Professor of Marketing at Stanford Graduate School of Business, specialising in the study of consumer behaviour and behavioural decision theory.





In other words, any reduction in physical interaction limits innovation.

It is arguable that the technologies used by businesses today to enable employees to communicate limit synchronisation and and the scope of the information exchanged.

The use of recall, eye movement tracking and semantics demonstrates that videoconferencing represents a hurdle in the creation of ideas. By focusing vision on the screen, the centre of attention is captured, leading to what is known as a “cognitive cost”.

Cognitive capacities are those abilities of the brain that enable us to reason, understand, pay attention, memorise, learn, read and speak. The same study does not show evidence of negative impact on the choice of ideas once these have been created.

As a consequence, working from home or from the office are not perfectly interchangeable and business leaders should understand these as complementary.

Both intuition and evidence reinforce the concept of hybrid working, provided that the priority is given to face-to-face meetings.

This represents a model suitable for the majority of companies during the coming years. A model in which office working focuses on things that cannot be achieved remotely: business creativity and strategic decision-making.

This will remain the case until such time as technology is fully able to replicate virtually the environment in-person. The debate will once again open up at that time.



# Data on the Spanish Flexible Workspace Market

With a stock of more than 19,500 flexible workstations in Madrid, slightly over 7,000 were vacant at the close of the third quarter. For its part, some 29% out of a total of 20,500 flexible workstations were vacant in Barcelona at the close of the third quarter, amounting to a figure of some 6,000.

New operators have recently entered the Barcelona and Madrid office markets. One example of this is Next Floor, a coworking group belonging to Grupo Emperador, which has opened two spaces: Torre Emperador Castellana in Madrid and Torre Diagonal One in Barcelona. Together the two locations amount to more than 2,600 sq m of flexible workspace.

The IWG SPACES group has recently opened the largest Spaces Centre in Spain, covering 7,000 square metres and with capacity for 840 workstations. In parallel, it has opened a centre with 639 workstations and 4,300 sq m in Barcelona, more specifically on the Plaza Universitat.

Monday by Urbania remains committed to the Catalonian capital and in 2022 has pre-let more than 6,000 sq m in Barcelona. One of the spaces is located in 22@, more specifically at no.105 on the street Calle Sancho d'Àvila. Works were completed during the second quarter of this year. Covering slightly under 4,000 sq m, the second space is located in the city centre on Calle Pau Claris. It occupies a property that is being refurbished and delivery is expected by the close of year.

Cink Coworking continues growing in Madrid's prime area and has reached 8.000 sq m in the city, split between 6 buildings.



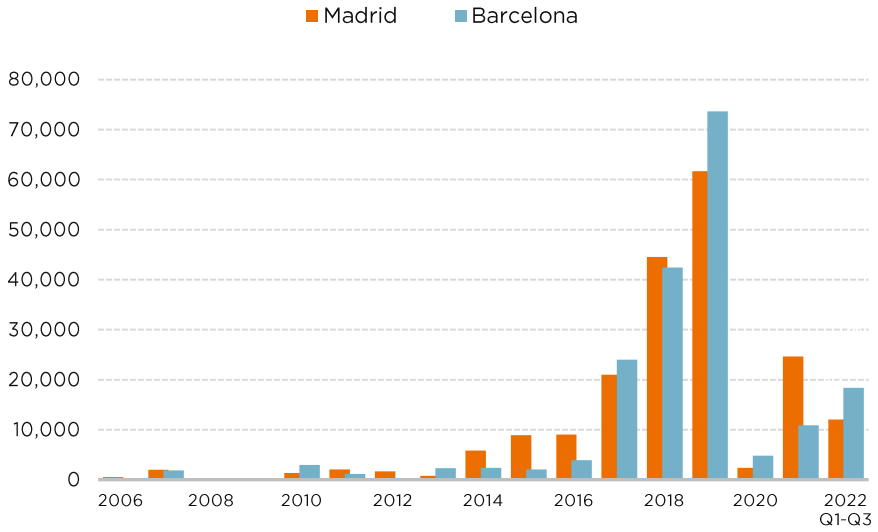
*New operators in the Madrid and Barcelona office markets*



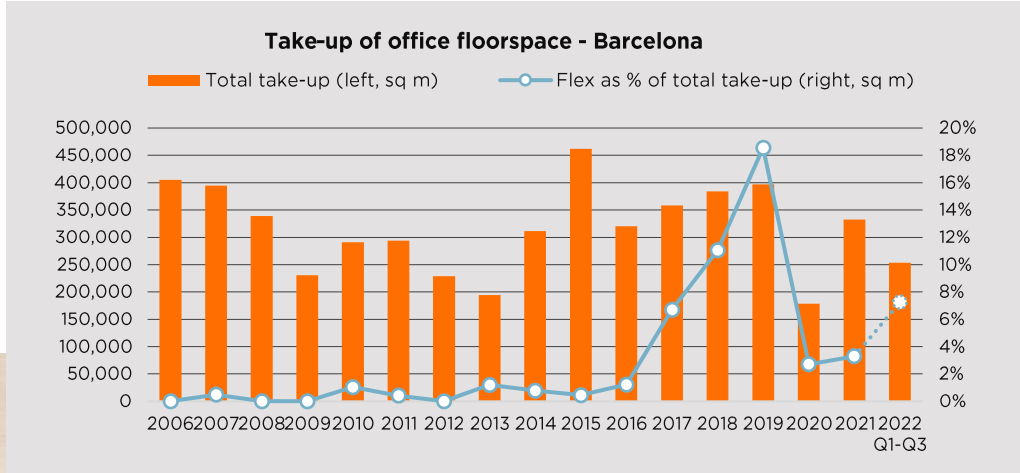
Madrid and Barcelona remain the main markets chosen by flexible workspace operators for their activities. As a consequence, and having overcome the uncertainty of new working models and a somewhat 'wait and see' attitude on the part of operators, the take-up of new flexible workspaces continues to grow in both cities.

At the close of 2019, flexible workspace operators achieved a share of 1.2% and 2.4% of the total stock of offices in Madrid and Barcelona respectively. By the close of the third quarter of 2022, and taking into account the post-pandemic period, this share has reached 1.5% in Madrid and 2.8% in Barcelona.

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



# Flexible operators have expanded their floorspace in both cities.



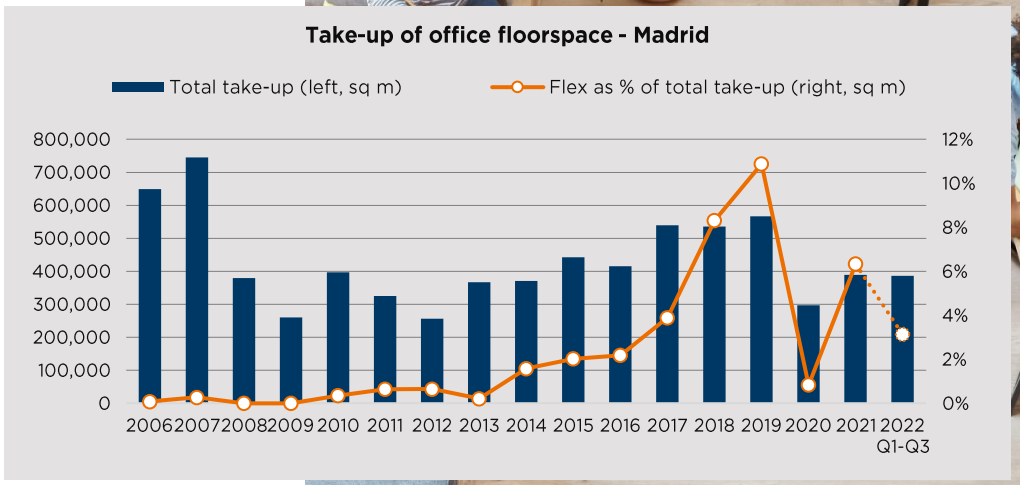

*Source: Cushman & Wakefield – Research & Insight*

## Madrid

Over the first nine months of 2022, flexible space operators have leased **12,040** sq m, representing 3% of the total take-up of office floorspace in Madrid. Take-up stands at the levels seen in 2017.







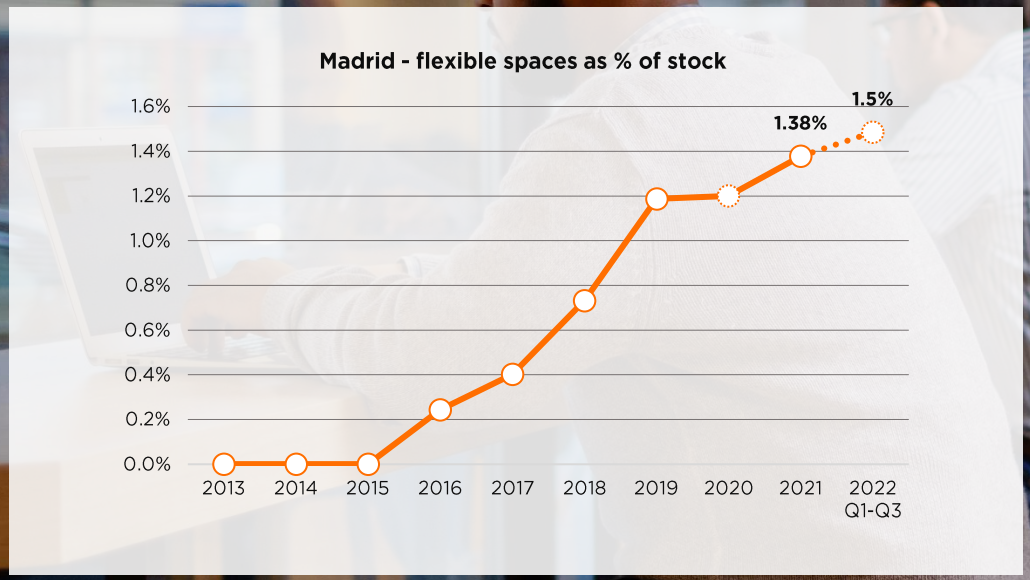

*Source: Cushman & Wakefield – Research & Insight*



## Barcelona

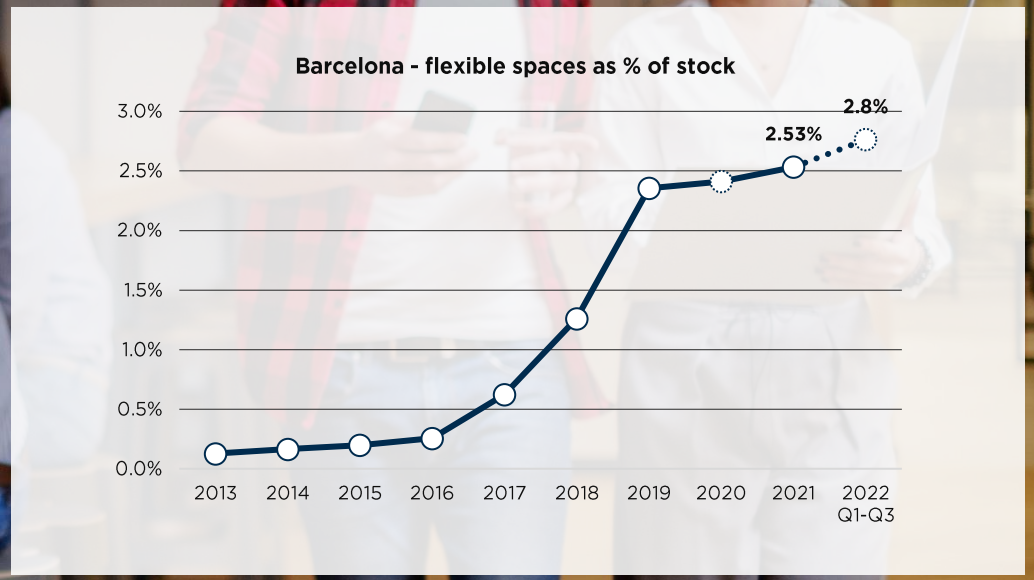
Take-up of flexible workspaces between January and September 2022 amounted to **18,387 sq m**. The floor area assigned to shared working has gone from 3% of the total floorspace transacted in 2021 to 7% in the third quarter of 2022

# Madrid




*Source: Cushman & Wakefield – Research & Insight*

# Barcelona




*Source: Cushman & Wakefield – Research & Insight*

# Madrid

Between 2017 and September2022, flexible workspace operators have occupied some **154,000** sq m of office floor area in the Madrid market. **74%** of this area corresponded to high and very high quality spaces (**52%** grade A and **22%** grade B+).

By area, 61% of take-up in this period was situated in the CBD. Within this sub market, some 21% of the buildings upwards of 10,000 sq m had an average of 27% assigned to flexible workspaces and 32% of those over 20,000 sq m devoted approximately 10% of their space to flexible offices.

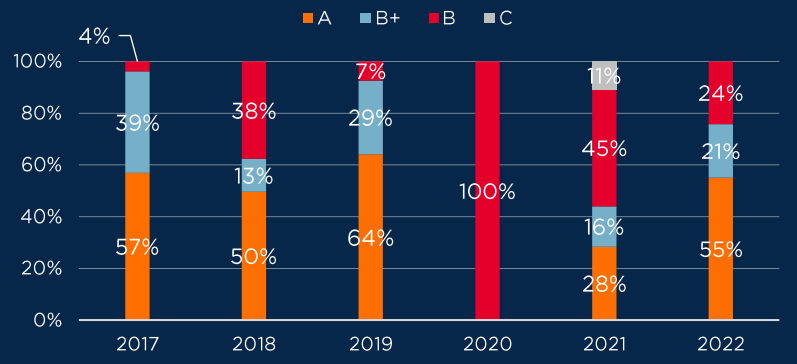
Particularly attractive to flexible workspace operators are the buildings along the Paseo de la Castellana boulevard, attracting **22.4%** of the total take-up for Madrid between 2017 and Q3 2022. This is despite the fact that the total number of buildings on the Castellana represents just **7.6%** of the entire office floorspace stock of Madrid. **33%** of these buildings with floor area succeeding 15,000 sq m assigned approximately **15%** to flexible workspaces.



Share of take-up of flexible workspaces according to building owner:

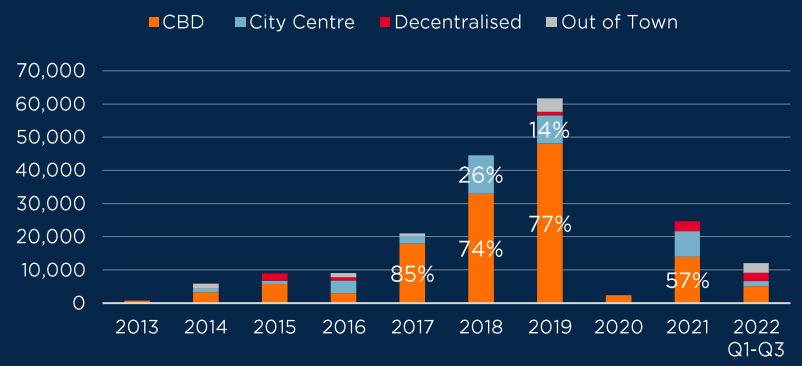
- **35%** SOCIMIs
- **20%** Private
- **13%** Investment funds
- **12%** Insurers
- **20%** Other

**Trend in take-up of flexible workspaces according to grade - Madrid (%)**




*Source: Cushman & Wakefield – Research & Insight*

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




*Source: Cushman & Wakefield – Research & Insight*

# Barcelona

The inclination of flexible workspace operators towards quality is conditioned by the supply of office floorspace in each sub-market.

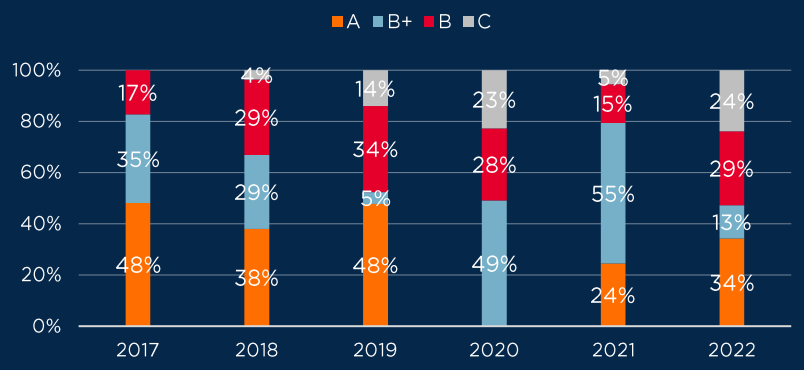
Of the 157,545 sq m transacted between 2017 and September 2022, **45%** were grade A and **29%** grade B.

**32%** of the total take-up of flexible workspaces in Barcelona since 2017 has corresponded to the City Centre. Given the scarce offerings in terms of grade A buildings in this area (only 7% of stock), **54%** of that contracted by flex operators is grade B. It is important yo bear in mind when dealing with grade B buildings in Barcelona's City Centre that these are not of mediocre quality. This grade assignment is due to the fact that many quality buildings have technical limitations relating to the structure (height, floor layout, etc.).

Some 46% of take-up was located in 22@. Of this, almost 70% was grade A and 15% grade B+. This distribution of take-up according to quality is due to the fact that district 22@ offers newly constructed buildings with sustainability certification.

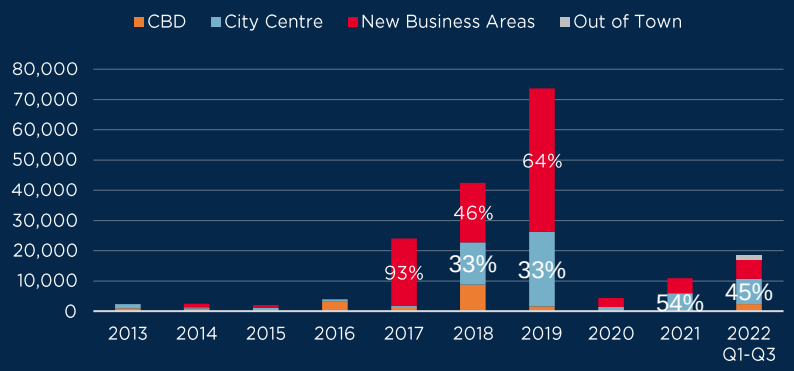
In terms of building size, a trend similar to that of Madrid's CBD is also seen in the area of 22@: with buildings of more than 20,000 sq m, some 31% have flexible workspaces in their interior occupying between 4% and 9% of the total gross floor area.

**Trend in take-up of flexible workspaces according to grade - Barcelona (%)**




*Source: Cushman & Wakefield – Research & Insight*

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




*Source: Cushman & Wakefield – Research & Insight*

Share of take-up of flexible workspaces according to building owner:

- **35%** Private Funds
- **17%** Insurers
- **15%** Investment funds
- **10%** SOCIMIs
- **23%** Other



# National and International Context and Drivers

**The pandemic was a perfect storm with numerous negative impacts on the flexible workspace sector.**

• Office use **plunged**.

• The momentum of the pandemic created circumstances diametrically opposed to what flexible workspaces represent, the idea of the creation of communities is a major part of the basis for coworking; social distancing became preferable, even mandatory.

• The loss of office-based employment suddenly grew in some areas worldwide.

All of these factors led to the sector recording a **drop in the take-up** of flexible workstations. Providers of flexible workspaces found themselves having to take difficult decisions to adjust the size of their portfolios, leading to a drop in the stock of flexible offices and coworking spaces in Europe and a clear fall in the US.

Health concerns sent the majority of office employees home to work remotely. A fall in office use of some 15% was recorded in the US.

• **restrictions** imposed by the authorities shrank the levels of activity in city centres where a significant proportion of flexible workspaces are located (London and New York being examples of this).



Despite that, as of the appearance of the Delta variant office use improved at a constant though moderate pace. In global terms, we understand that use will continue to be uneven: In China some 90% of workers are travelling to their offices, coming close to the almost 100% occupancy seen prior to the pandemic. In other countries, however, the level remains below 30%.

Office employment has recovered worldwide and in many markets has exceeded the levels seen prior to the pandemic, cities such as Toronto, Tokyo and London being in a position to boast of this. Although the return to offices has been uneven, it began to speed up in the majority of markets approximately nine months ago.

Flexible workspaces have offered a short-term solution for many businesses in numerous areas and this option remains in place as part of their "new normal" strategy.

According to the recent, September 2022 global survey* undertaken by C&W in collaboration with our partner WeWork, it is clear that there is growth in the demand for flexible workspaces and a clear intention to increase the use of these spaces in the future.

The data and conclusions from the survey indicate that flexible workspace options may add great value within a different office work ecosystem that offers employees the possibility of flexibility in terms of their workplace.

Notable among the conclusions of the survey is the fact that people who currently use flexible workspaces wish to increase their use up to half of their working week. Among the respondents, some 40% of their time is spent in flexible workplaces, 55% at home and approximately 5% in other locations.

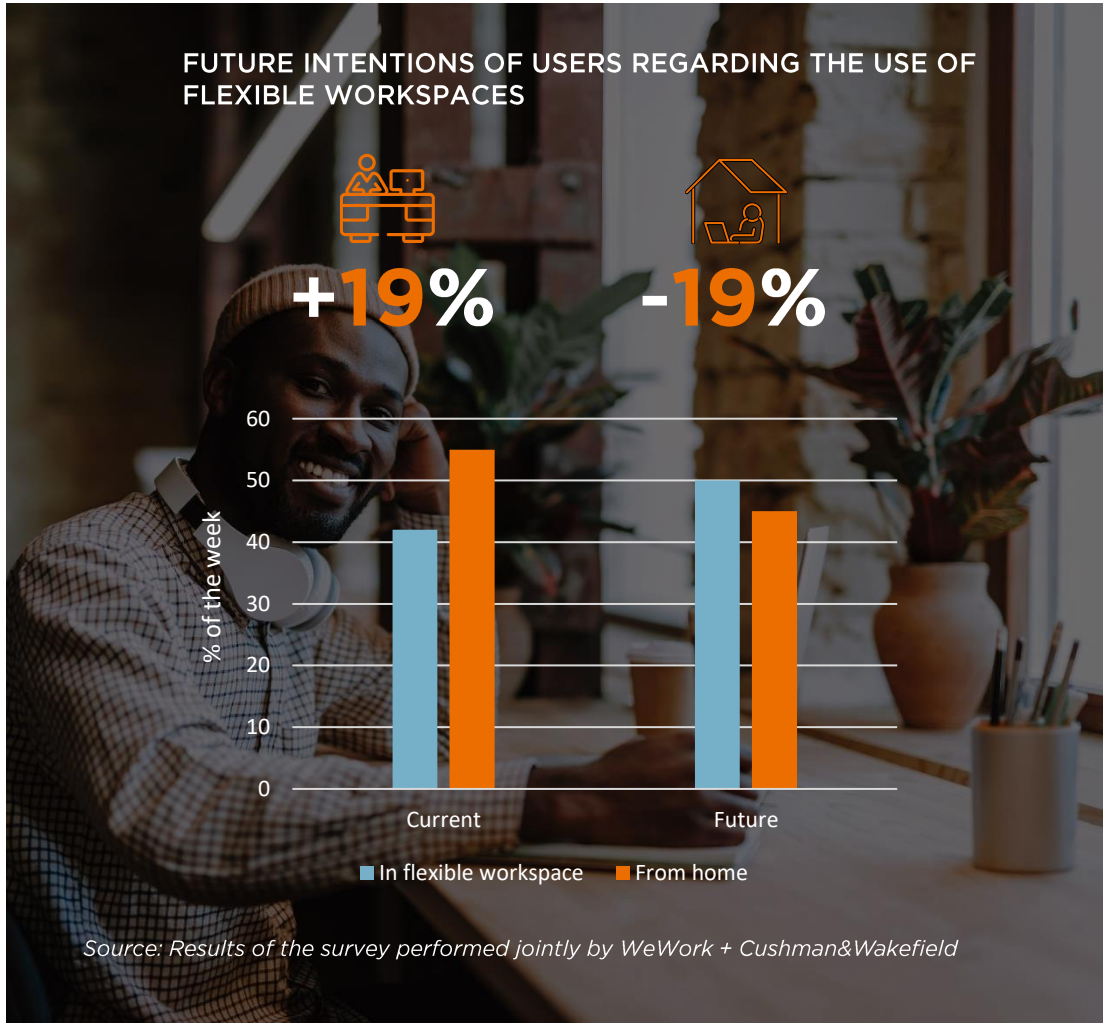
When asked about their views regarding the future, the respondents feel that they would like to spend 50% of their time in the flexible workspace and reduce working from home to almost 45%, meaning that they would assign -19% of their current time spent working at home.

Moreover, although people choose to work in flexible workspaces and traditional offices for similar reasons, including the possibility of collaborating, socialising and connecting with other people, there are three key factors which may drive a preference for flexible offices:

- They may be understood as an extension of the office and the traditional culture of the company and its employees.

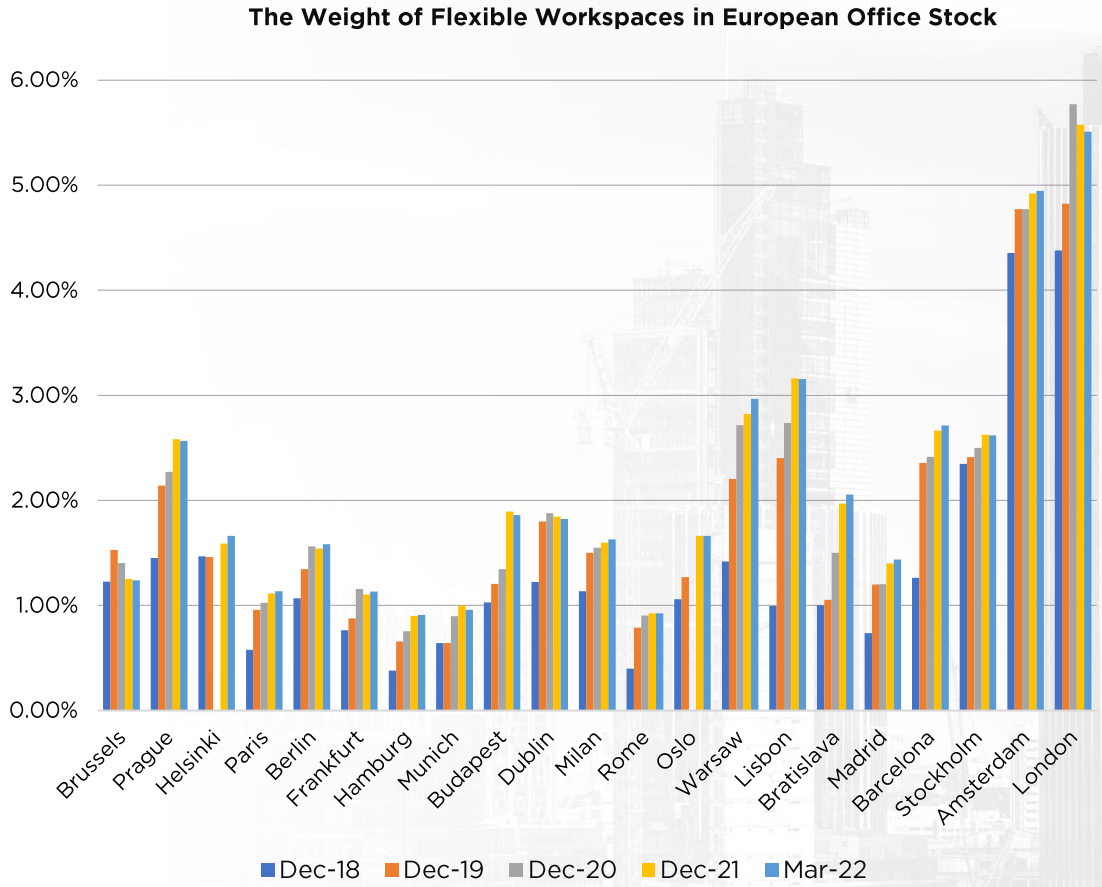
- Positive influence on the well-being of employees.

- They also offer the appropriate technology and spaces for collaboration between employees, clients, suppliers, etc.




*Source: Results of the survey performed jointly by WeWork + Cushman&Wakefield*

** 800 users of flexible workspaces surveyed in London, Singapore and New York*




The flexible workspace market in Europe moves at varying speed according to the country in which operators are located. In general terms, however, it is growing at a rate of 11% and the forecast points towards this trend being sustained over time.

The speed at which the flexible niche has expanded since 2001 is evident, particularly with respect to cities such as London, Amsterdam and Paris.

The huge leap in terms of the expansion of these types of workspaces was recorded between 2014 and the close of 2018. While the number of flexible workspaces jumped by more than 200%, the number of operators grew by 140%.
The relative weight of flexible workspaces in the leading European markets continues along the upward trend seen since 2018, the exception being a number of cities in which downward adjustments are noted. This is the result both of the incorporation of new traditional office floorspace and the recent reduction in total flexible workspace.

London and Brussels are the two cities that have recently seen a decline in the proportion corresponding to these types of spaces in comparison with the peak reached in 2019 and 2020.

> **The UK is the most mature market in terms of flexible workspaces, followed by the Netherlands.**

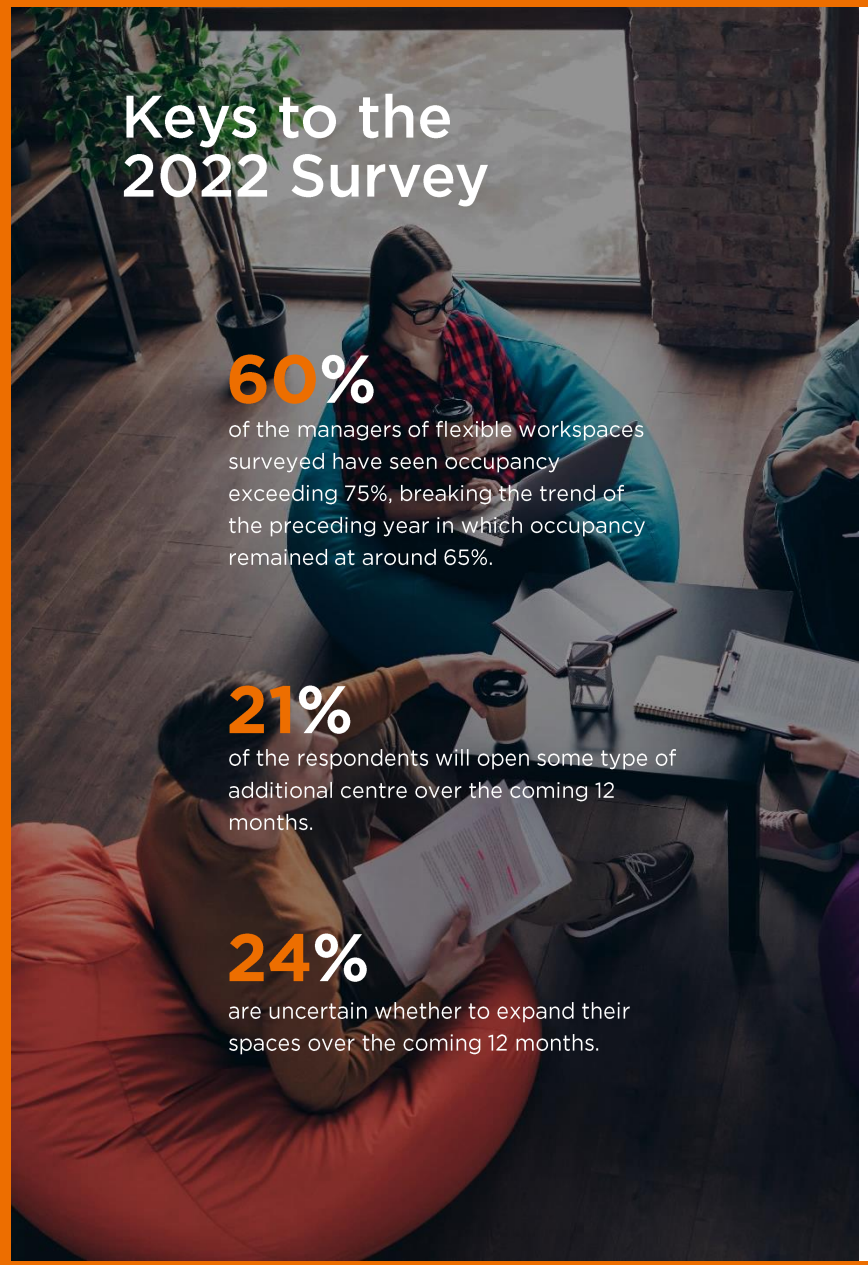
# Survey
# Survey 2022



This is the fifth 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 use of these types of spaces and the trends for the sector over the coming months in Spain.

The results of the survey are fundamental to understanding the current context.

Our survey is an essential tool in providing a context for the flexible workspace industry and its circumstances and is crucial within the current context.



# Keys to the 2022 Survey

**60%**
of the managers of flexible workspaces surveyed have seen occupancy exceeding 75%, breaking the trend of the preceding year in which occupancy remained at around 65%.

**21%**
of the respondents will open some type of additional centre over the coming 12 months.

**24%**
are uncertain whether to expand their spaces over the coming 12 months.

## 70% of operators feel that flexible workspaces will see higher occupancy and a greater number of users within the short term, coupled with more spaces for virtual meetings.

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

**50%** 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 also represented 50% of demand last year.

**40%** of demand is from SMEs, another user notable in these types of workspaces, the trend seen in preceding years years continuing.

Reduction in the percentage of remote workers as users of flexible workspaces: some 45% of the interviewees state that up to 25% of their spaces are occupied by remote workers.

Increase in demand on the part of multinational businesses, who are adapting their real estate strategy to the use of flexible office spaces. The clear goal of this is to improve the efficiency of their property footprint.

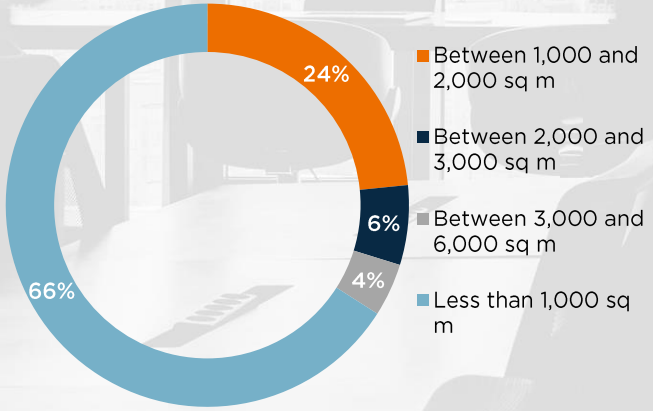
Flexible workspaces additionally remain a temporary engine of growth following the pandemic.

# 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.

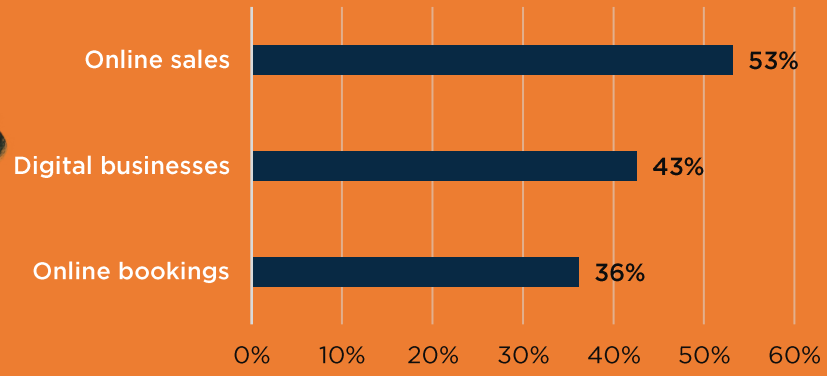
Some 66% of these operators have spaces of up to 1,000 sq m and only 6% manage floor areas of between 2,000 and 3,000 sq m.

**SIZE OF SPACES**






**Within the digitalisation plans for their spaces, operators are prioritising the following actions:**




In comparison with 2021, online bookings have taken priority in 2022 (53% vs. 42%). Online sales have also grown, going from 34% to 36%. In contrast, a reduction was seen in terms of digital businesses (43% vs. 45%)

# Complementary services

**In comparison with 2021, private spaces have taken less of a leading role within the structure of flexible workspace operators.**
**Half of them now assign 50% of their space to private areas, compared with 60% the preceding year.**
**This fall is due to the elimination of restrictions imposed during the pandemic.**

Workspace rental remains the main source of income for flexible workspace operators. For some 83% of the groups surveyed, additional services (telecommunications, reprographics, mail, etc.) represent less than 10% of total invoicing, whereas, for some 15%, it amounts to between 10% and 25% of annual billing.

The majority of operators (87%) similarly offer:
- professional Internet connection, virtual office
- access to own servers and a VPN (Virtual Private Network).
- virtual office

Some 40% 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.

It is worth mentioning that 78% of the groups surveyed offer 24-hour access to the facilities.

**OTHER COMPLEMENTARY SERVICES***
*% of companies surveyed that offer this type of service

- **Access to financing: 4.3%**
- **Wellness actions: 17%**
- **Graphic design: 10.6%**
- **Training courses andworkshops: 34%**
- **Virtual office: 91.5%**



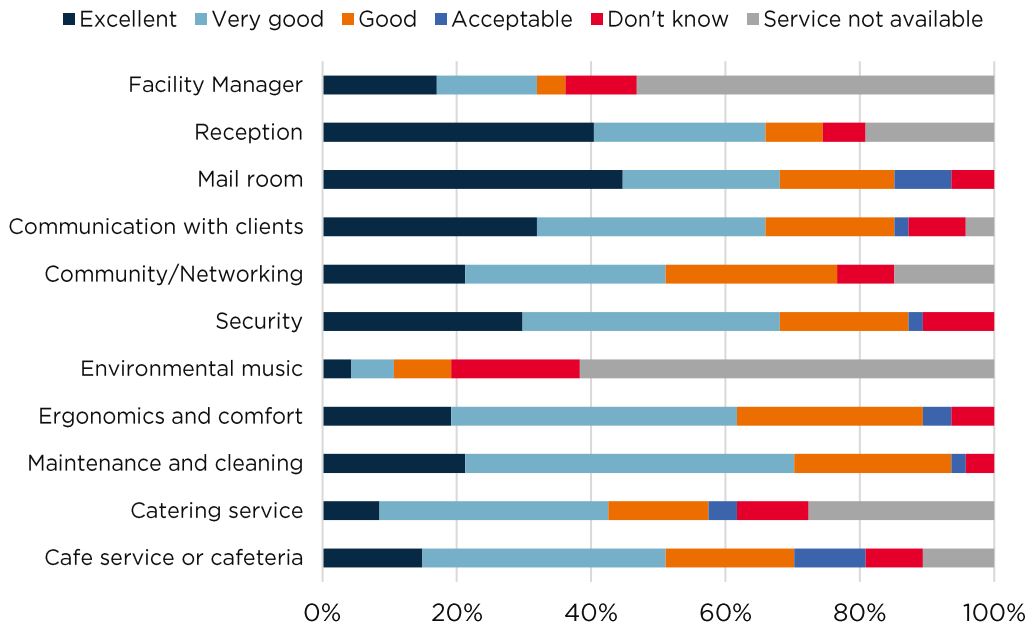
**In terms of the degree of client internationalisation, an increase in terms of overseas firms is noted:**
**2021:** 76% of the operators state that between 25% and 75% of their clients are domestic
**2022:** 62% of the operators confirm that between 25% and 75% of their clients are domestic

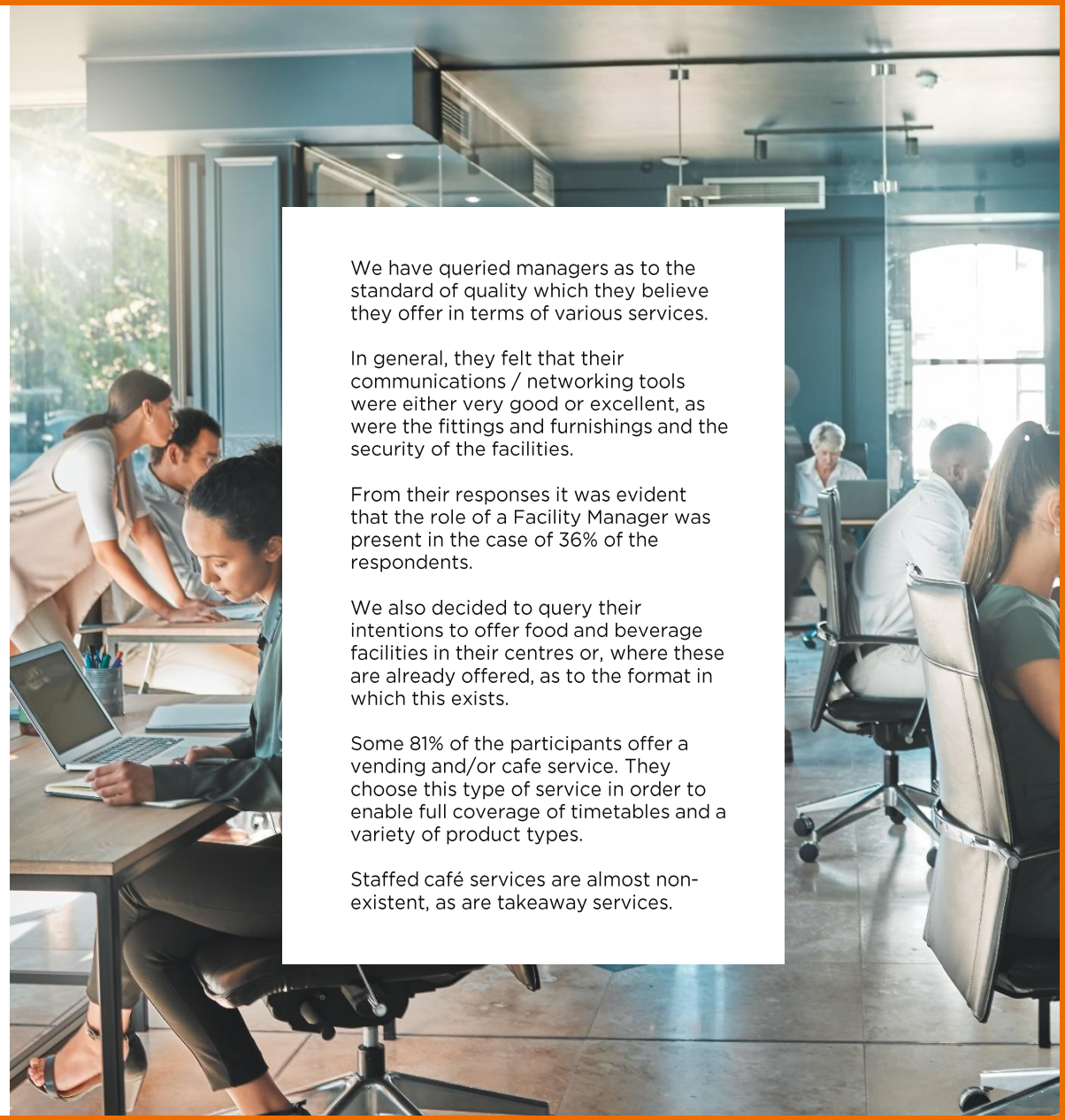
The remaining users consist of international businesses of primarily European origin.

There has been an increase in operators offering well-being services and access to financing in general terms. The presence of workshops and training courses has also been maintained.

In contrast, a slight fall is noted in terms of companies offering virtual offices, going from 94% to 91%.

# Perception of their services



We have queried managers as to the standard of quality which they believe they offer in terms of various services.

In general, they felt that their communications / networking tools were either very good or excellent, as were the fittings and furnishings and the security of the facilities.

From their responses it was evident that the role of a Facility Manager was present in the case of 36% of the respondents.

We also decided to query their intentions to offer food and beverage facilities in their centres or, where these are already offered, as to the format in which this exists.

Some 81% of the participants offer a vending and/or cafe service. They choose this type of service in order to enable full coverage of timetables and a variety of product types.

Staffed café services are almost non-existent, as are takeaway services.

**Asked about their expectations for the sector over the coming months, the results point towards:**

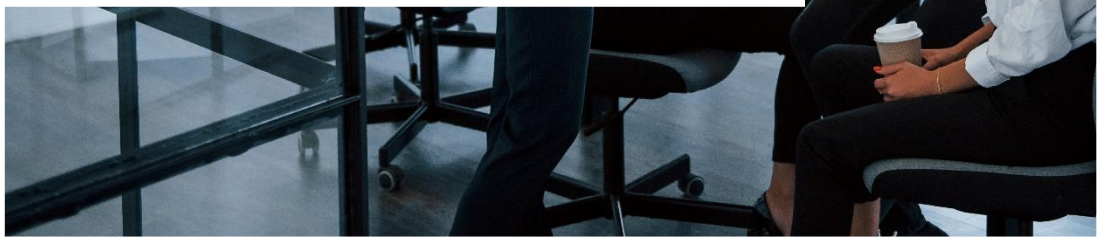
**47%** consider that prices will increase, whereas this proportion amounted to 23% in 2021.

**43%** consider that prices will remain steady. This opinion was held by 69% last year.

**94%** of the respondents believe that the current occupancy levels will remain unchanged or grow, the percentage for the preceding year being the same.

**0%** of the groups believe that the occupancy rate of workspaces will decrease over the coming year.



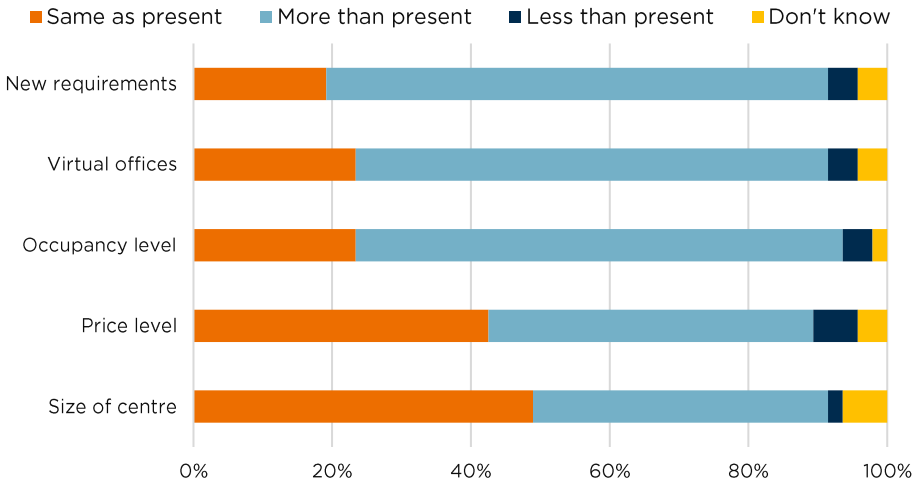


# How do they feel about the future?

The pandemic has represented a strategic change for many of the groups surveyed and the assumption of a "wait and see" posture for many others.

Some 43% of the groups polled are considering possible increases over the coming 12 months to the floor area that they currently occupy (last year solely 16% of the groups had any inclinations towards growth).

49% of operators have no expansion plans and are looking to maintain their current facilities. These amounted to some 53% of the respondents one year ago





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CUSHMAN & WAKEFIELD

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