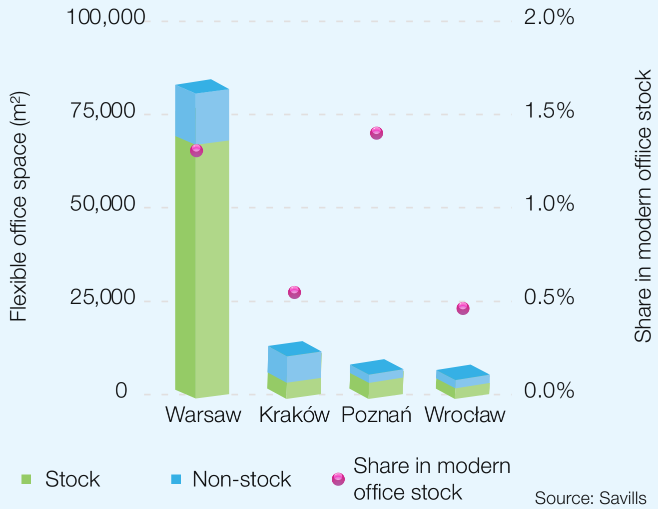
FLEXIBLE WORK PLACES IN POLAND

Nowadays flexible working is greater than ever before and requires flexible solutions and therefore serviced offices and coworking spaces are on the rise in Poland.

The largest flexible offices market in Europe is the UK with over 1,100 locations in central London. The market is also developing at fast pace in such cities as Amsterdam, Barcelona, Vienna, Madrid and Warsaw. The highest share of flexible office space as a percentage of total take-up is observed in London where the share stood at 12.0% from Q1 to Q3 2017. In other analysed cities, the share was significantly lower, however from Q1 to Q3 2017 some significant increases were observed: up to 6.7% in Barcelona and 5.9% in Vienna.

Flexible office space



Source: Savills

Flexible office space is gaining on importance also in Poland. In Warsaw, the market has been increasing since 2015, from 0.9% of total take-up in 2015 to 3.1% observed between Q1 and Q3 2017. Warsaw is the largest market in Poland with a supply of almost 84,000 m² of flexible office space in 95 locations, of which 80% of space is located in modern office buildings. Kraków is the second largest market with almost 15,000 m² of flexible office space (38% in modern buildings) in 25 locations, followed by Poznań with over 8,200 m² (78% in modern buildings) in 18 locations and Wrocław with almost 6,200 m² (63% in modern buildings) in 14 locations. In total these four cities account for over 113,000 m² of flexible office space in 152 locations. The highest share of flexible office space located in modern buildings in total modern office stock was observed in Poznań (1.4%) and in Warsaw (1.3%), whereas the lowest one was noticed in Kraków (0.5%) and in Wrocław (0.4%).

Some coworking spaces are also located in shopping centres e.g. in Galeria Katowicka in Katowice, Tarasy Zamkowe in Lublin, Galeria Bronowice in Kraków, Aleja Bielany in Wrocław and Sukcesja in Łódź, to name a few. Some are created by banks for their clients. Coworking spaces are becoming more popular also in cafes. There are also some, usually small units available in private apartments in residential areas.

The development of flexible office market in Poland is well pictured by the increasing share of the key players in total take-up. The share of such brands as Brain Embassy, Business Link, CitySpace, Dago, InOffice, Office Hub, OmniOffices and Regus in Warsaw increased from 0.4% in 2010 up to 1.9% in 2016 with 1.2% recorded between Q1 and Q3 2017. In addition to expansion plans of current providers new companies are scanning the market and should enter the market in the near future.

The largest providers which are still not present in Poland are among others: WeWork, The Office Group and i2 Office.

As stated in *Spotlight: The future for services offices in Europe* report published by Savills in July 2017, the main reasons for growth of flexible office are: growth of the tech sector and inflexible lease terms in conventional offices as shown in a survey conducted by Savills in 20 European markets.

A growing tech sector is expected to have great impact on demand. Companies from this sector, especially new ones, often decide to lease flexible office space rather than a conventional office. The largest growth of gross value added in the sector was noticed in Wrocław, where the tech sector grew by 64% in 2016 in comparison to 2011, followed by Kraków (44%), Poznań (27%) and Warsaw (20%). By 2022 (in comparison to 2011), the tech sector is expected to grow by 125% in Wrocław, followed by 81% in Kraków, 65% in Poznań and 61% in Warsaw (Oxford Economics data).

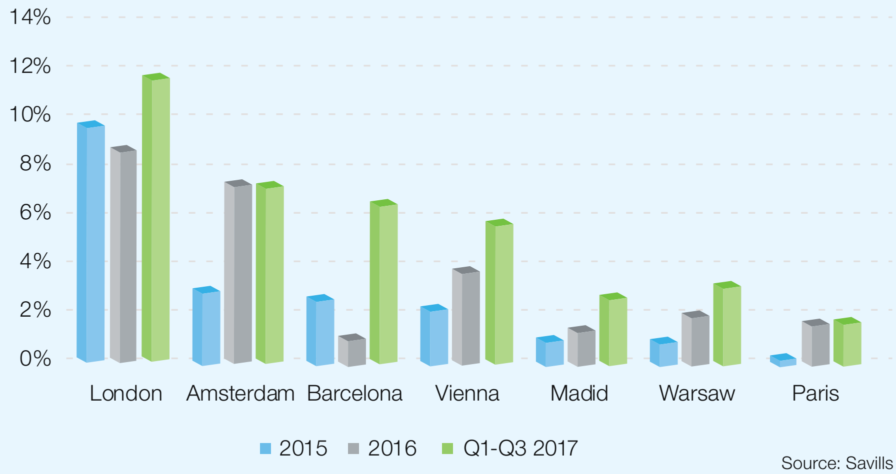
The second important factor in generating demand for flexible office space pointed in Savills survey are inflexible lease terms in case of conventional office space. In the case of start-ups, the demand for office space may change drastically over a short period of time. Flexible offices can be adapted easily.

Poland has the second highest share of start-ups among the six analysed countries (Eurostat data). Thus we expect dynamic development of the flexible office market in Poland.

Furthermore, even large, well-positioned companies may need some flexible office space as they delegate team projects to other cities or simply hire new people. Again, the conventional office space does not allow companies to adapt the space easily, whereas flexible offices may provide additional space at a short notice.

Last but not least, the unstable economic and political situation including among others: Brexit, accommodative fiscal policy in Poland, potential growth of interest rates in Europe and new International Financial Reporting Standards may be perceived as a risk by companies. Thus, some of them, newcomers in particular, may prefer more flexible solutions rather than a conventional office space.

Share of flexible offices in total take-up



Source: Savills

> It is getting harder to tell the difference between serviced office and coworking space. Both solutions have more and more common features and the sector of flexible workplaces is developing dynamically. In line with new technologies the way of working in both start-ups and large companies is evolving. Flexible offices are the solution for new needs.
>
> **Jarosław Pilch**
> Head of Tenant Representation

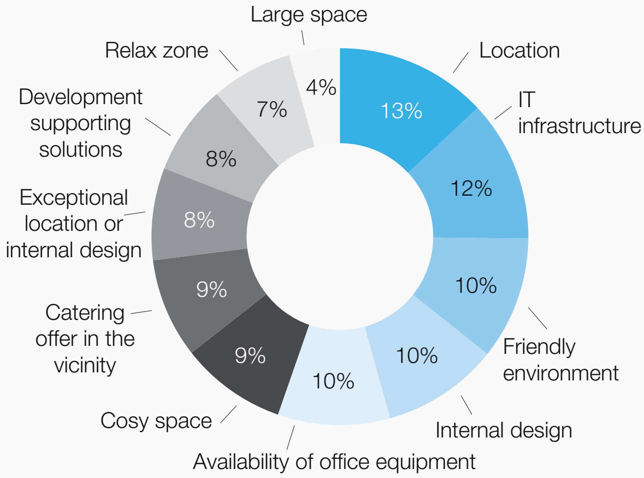
Survey

At the end of August 2017, Savills, in cooperation with the leading start-up website in Poland, *mamstartup.pl*, conducted a survey of about 150 of its users.

Only 7% of respondents indicated coworking space as the most often place for work. A leased office and a home or an apartment were specified as the most used places for work. 60% of the respondents said they have never used a coworking space and less than 20% of them use coworking space at least once a month.

Respondents stated that they usually work in teams of 2-3 people, but 42% of them expect they will grow within the next 2-3 years, but not more than by 5 people. Cafes and restaurant are usually used for business meetings (nearly 40% of responses). Lack of privacy was indicated as a main drawback of coworking space (65% or responses).

The most important features of coworking space according to users of the mamstartup.pl website



Source: mamstartup.pl

Case study

Business Link is the largest provider of coworking space in Poland. The company offers over 17,000 m^2 of creative space in 10 cities – Katowice, Kraków, Lublin, Łódź, Poznań, Szczecin, Toruń, Wrocław, Tricity and Warsaw. Currently, Business Link has 13 locations and another is to be open in autumn 2017 in the Marathon office building in Poznań.

The place offers a friendly environment for work, separated rooms, dedicated desks in a coworking space, mentors' support and extensive networking opportunities.

The first Business Link was opened in 2011 in Zebra Tower in Warsaw. Another Business Links were opened in the most important business centres in Poland. The largest was created in 2015 the PGE Narodowy (National Stadium in Warsaw) - nearly 5,000 m^2 located on two floors. In May 2017 Business Link and its partner Skanska announced an international expansion of the network.

Over the next few years, ca. 12 new locations will be open in Central and Eastern Europe with a total area of 45,000 – 50,000 m^2. New locations in Kraków, Wrocław and Prague will be opened in 2018.

Case study

CitySpace is a provider of serviced offices in the so-called all-inclusive format. The company has been present in Poland since 2015 as the first European division of Compass Offices, a leader in the market for serviced office space in the Far East at that time. The CitySpace brand was created in mid-2016. It is owned by Echo Investment.

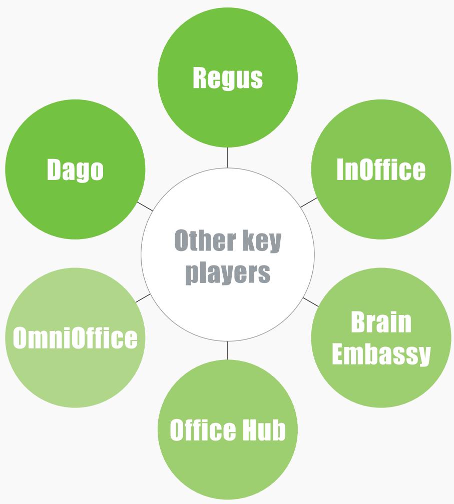
CitySpace has offices in seven locations in Poland (three in Warsaw, two in Kraków and one in Katowice and Wrocław). Five of them opened in the last year. Three new locations are to be opened in the next 12 months. The total area of the CitySpace facilities currently amounts to 8,000 m^2. Next year's expansion will increase it by another 5,000 m^2. Newly opened locations will stand out for flexible open space. This solution is primarily designed for shared service centres. CitySpace is designated for both start-ups and corporations.

CitySpace also offers a prestigious address for company and correspondence handling with prices starting from PLN 150. Offices for one person are available from PLN 850. CitySpace offers office space for project teams up to 300 people.

Selected new transactions and expansions (2016 - Q3 2017)

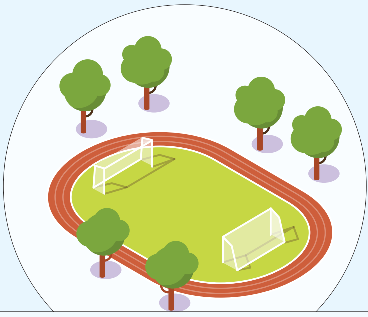
City	Building	Tenant	Size
Poznań	Maraton	Business Link	4,200 m^2
Kraków	High 5ive	Business Link	3,900 m^2
Warsaw	Biura Koszyki	Mindspace	3,100 m^2
Warsaw	Wilanów Office Park	New Work	3,100 m^2
Warsaw	Adgar Plaza B	Brain Embassy	2,400 m^2
Kraków	O3 Business Campus	CitySpace	2,200 m^2
Warsaw	Postępu 14	HubHub	2,000 m^2
Warsaw	Crown Point	Bobo Coworking	1,700 m^2
Wrocław	Nobilis Business House	CitySpace	1,300 m^2
Kraków	Graffit House	Regus	900 m^2
Wrocław	Pegaz	Regus	900 m^2

Source: Savills



Key players consist of flexible office providers, who offer at least 3,000 m^2 of space in total in at least two locations.

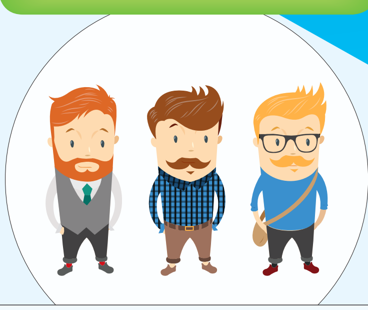
Fun facts



What is the largest coworking space in Poland?

Business Link (5,000 m²) located at the PGE Narodowy (National Stadium in Warsaw).

Source: Savills



Who is a statistical coworker?

Male
30-39 years old
Higher education

Source: Startup Poland

Is Poland start-up friendly?

The third in Europe and the sixth globally start-up space by Google – Campus Warsaw has been opened in Poland

Source: Warsaw Municipal Council

< PLN 500 per month

This is the cost of full-time membership in the largest coworks in Poland.

44,000 m²

Total supply of serviced offices in Warsaw.

40,000 m²

Total area occupied by coworking spaces in Warsaw.

Source: Savills

Definitions

Start-up – a young company (less than 10 years) which is focused on innovative technologies and has potential for significant sales and / or employee growth.

Serviced office – also known as executive suites, executive centres and managed offices, which is a form of a flexible office providing fully furnished and equipped office space with full facility management which may be rented for short period.

Coworking space – a form of a flexible office focused on creating collaborative atmosphere between users which usually represents different sectors. Coworking space is actively managed to foster collaborative by organising events and activities supporting mutual learning and exchange of knowledge.

Virtual office – a service of providing a physical address for correspondence and formalities without providing an actual office space.

Contact

Savills offers a broad range of professional services for coworking and serviced office providers interested in expansion in Poland as well as properties owners willing to open coworking space or serviced office in their buildings and companies looking for flexible workplaces.

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