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Briefing note
Flexible workspaces in Germany: taking stock

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Co-working spaces, and particularly WeWork, are a hot topic. Despite not actually operating any co-working spaces, the company is enjoying great success. Consequently, it forms part of a rapidly growing market that has its beginnings in the 1980s and is only just reaching maturity.

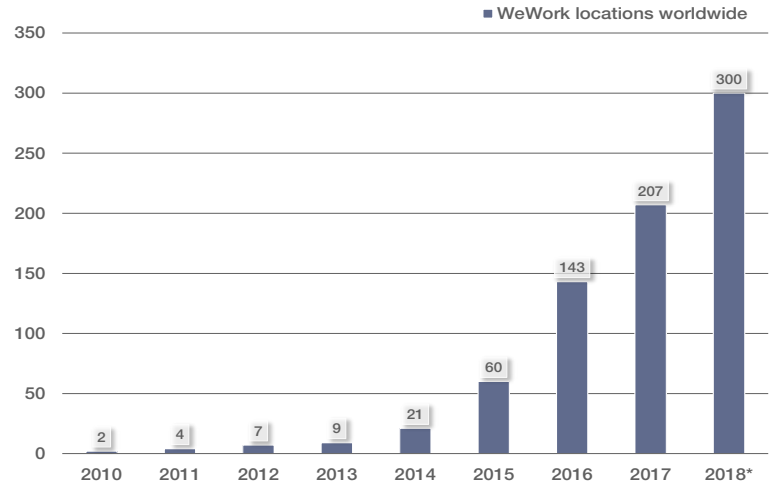
Text: Matthias Pink

Co-working hype and misconceptions

Co-working spaces are without doubt in a hype phase. One company in particular finds its way into almost every debate on the subject: WeWork. However, this fact alone illustrates that the discussion around co-working spaces has taken on a life of its own in which the facts and nuanced debate of the issues are no longer important. The supposed world's largest provider of co-working spaces, for instance, does not even provide co-working spaces. In its current form at least, experts do not consider WeWork to be a provider of classical co-working spaces. Researchers from the Fraunhofer Institute for Industrial Engineering, have intensively investigated the co-working phenomenon in two studies to date (here and here) and describe the company as a "quasi co-working organisation". The fact is, however, that this quasi co-working organisation has an estimated value of around USD 20bn and is one of the world's most valuable start-ups, providing more than 200 locations for more than 100,000 members with a number of new spaces opening practically every week (see Graph 1).

GRAPH 1

Rapid growth of WeWork around the world



Source: Savills / * including of announced locations

Flexible workspaces: business centres, co-working spaces and the "WeWork model"

In Germany, too, the company is on an expansion drive. WeWork currently has six German workspaces with a further seven to follow in the near future. In its (media) slipstream, several other providers are expanding with similar concepts. In addition, business centres now market themselves under the hip buzzword of "co-working", contributing to the blurred usage of the term among the general public. Then there are the "genuine" co-working spaces. In the following, we amalgamate all three groups (co-working spaces, the quasi co-working "WeWork model" and business centres) under the term "flexible workspaces" and seek to map out and detail the landscape for flexible workspaces in Germany today. We would like to begin with a brief history of the origins of co-working spaces.

The beginnings of co-working

The term co-working in the modern sense is attributed to American game designer Bernard De Koven, who first used it publicly in 1999 to mean collective working among equals. Even before this neologism, there were so-called hackerspaces, where people worked in accordance with De Koven's vision of co-working. C-Base in Berlin, which opened in 1995, was one of the

world's first hackerspaces. Around the turn of the millennium, further spaces opened that can now be regarded as the forerunners to co-working spaces, such as '42West24' in New York and the 'Schraubenfabrik' in Vienna. Unlike hackerspaces, however, these were less focused on collaborative working and more aimed at providing a location where largely independent freelancers and start-ups could do their job. In 2005, programmer Brad Neuberg opened the first co-working space in San Francisco, which was marketed as a co-working space from the outset.

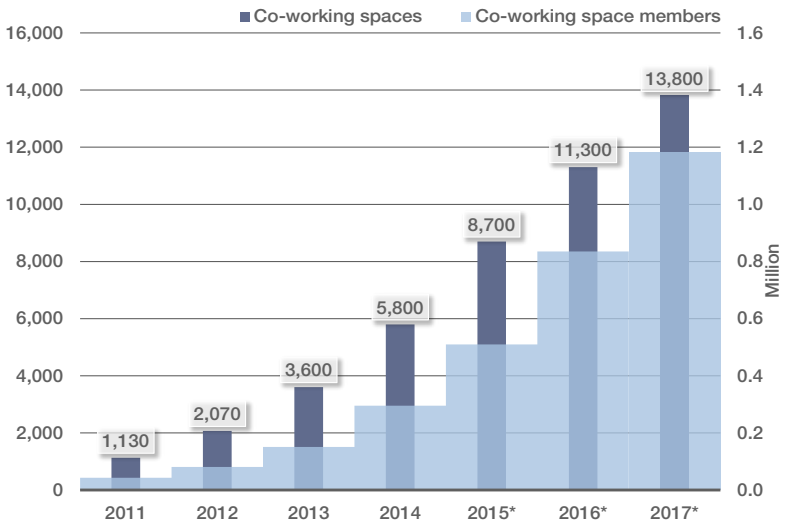
Five core values as a basis for growth

To some extent, this was the symbolic kick-off of a rapid growth story that continues to this day (see Graph 2). Subsequently, the number of co-working spaces grew rapidly, firstly in the USA and then around the world. Furthermore, a global co-working community developed. At the heart of this community to this day are the following five core values:

1. Collaboration
2. Openness
3. Community
4. Accessibility
5. Sustainability

GRAPH 2

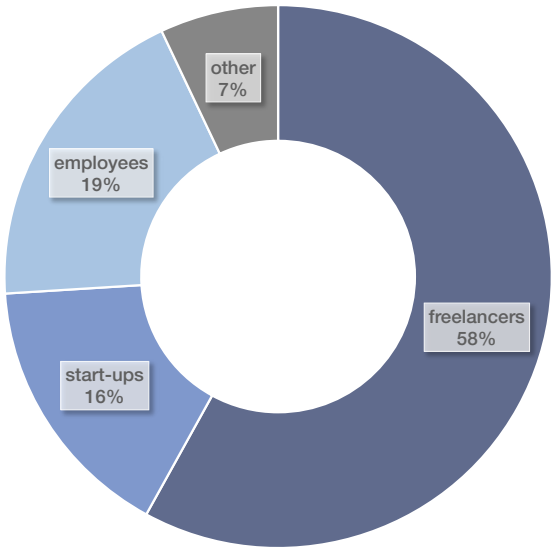
Co-working spaces and their members worldwide



Source: Savills / * extrapolation or estimation

GRAPH 3

User groups of co-working spaces in Germany



Source: Deskmag

WeWork combines co-working spaces with business centres

Today, the movement itself describes the approach pursued via these five core values as 'open co-working', perhaps to differentiate itself from that which is currently understood as co-working by the general public. Which brings us back to WeWork. The company many now consider to be the epitome of co-working and that did actually originate from the co-working philosophy in 2010 now only fulfils the five core values of co-working to a limited degree. While WeWork continues to let desks in open-plan areas, lettings of private offices to individuals or companies account for far more of its revenues. This has little to do with collective working among equals and is more akin to the business centre model. These, in turn, have existed since the 1980s and so are anything but new. What is new, however, is combining individual co-working areas with the proven strengths of a business centre: professional service and a high-quality, functional office fit-out. It is this very symbiosis that appears to be a significant factor in the success of WeWork, allowing it to appeal to both typical users of co-working spaces (freelancers and start-ups, see Graph 3) and typical users of business centres (larger companies) or, in other words, anybody who needs a desk from which to work.

The success of the hybrid approach is attracting imitations

The success of this hybrid model, with which WeWork and other providers such as Mindspace are successfully expanding in various shades, is leading many providers of classical co-working spaces and even operators of business centres to move towards this hybrid model. This is increasingly blurring the boundaries between the three models, meaning that it is not always possible to assign any one workspace definitively to one of these approaches (see Graph 4).

More than five hundred flexible workspaces in Germany

What can be said with certainty is that there are around 550 flexible workspaces in Germany (see Graph 5). We have assigned more than half of these (approx. 350) to the co-working space model and around 130 to business centres. The hybrid model has around 70 representatives but also shows the fastest growth. Almost all of the twenty or so workspaces scheduled to open over the coming months are of this type.

Co-working spaces: small, inexpensive and fragmented

There is also a significant difference in the number of providers. In the relatively mature business centre market, there are only a few providers, such as Regus and ABC Business Center. In the significantly younger hybrid segment, there are ten providers. The co-working space market is comprised of around 170 different providers with fewer than ten of these operating more than one workspace. Consequently, there are no providers of co-working spaces among the ten largest operators of flexible workspaces (see Graph 6). This reflects the semi-professional character of the segment. Many operators are not seeking to expand at all and are not pursuing any commercial objective by operating a co-working space. This fundamental difference in interests between operators of business centres and hybrid spaces on the one hand and co-working spaces on the other hand is also reflected in other features. At an average of around 3,000 sq m, hybrid spaces are significantly larger than co-working spaces (approx. 600 sq m). There is also a significant difference in pricing. While a desk in a co-working space normally costs EUR 100 to 150 per month, desks in both other segments normally cost EUR 300 or more.

The future of flexible workspaces could be decided in the A-cities

The fact that operators of business centres and hybrid spaces have stronger commercial objectives in mind compared with providers of co-working spaces is also reflected

GRAPH 4

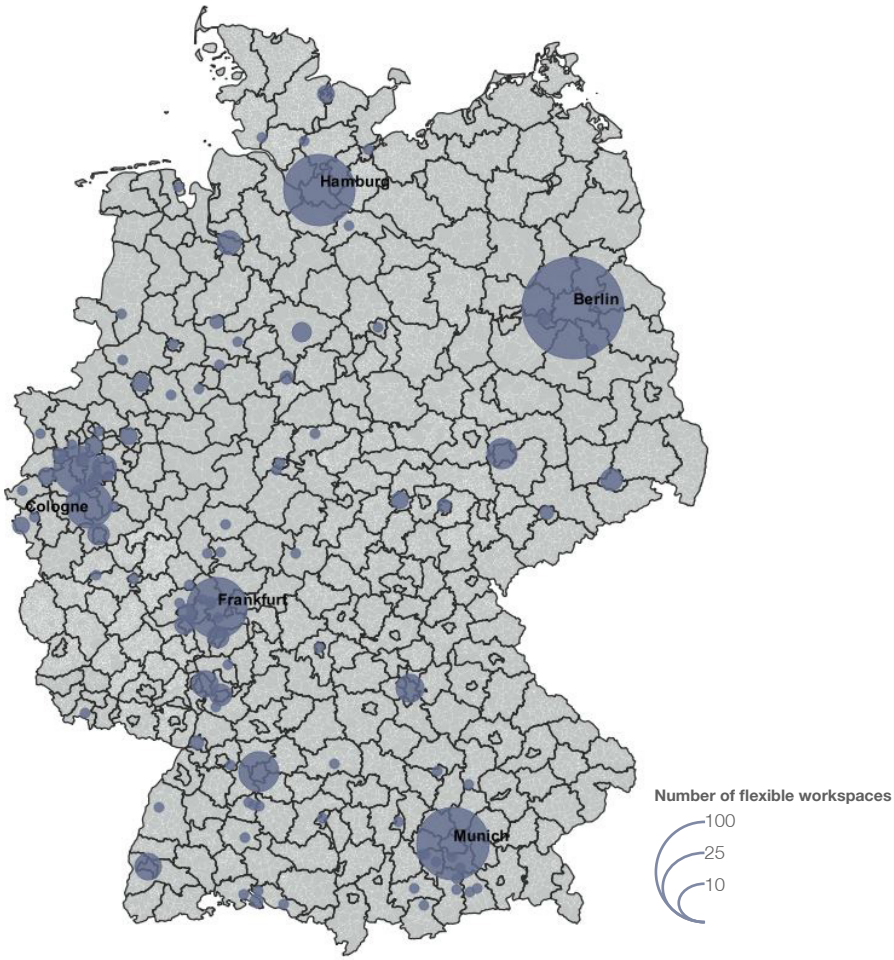
Types of flexible workspaces

Business centre	Co-working spaces	Hybrid workspaces („model WeWork“)
licence agreement	community - membership	community - membership and/ or licence agreement
individual and team offices	open-spaces	open-spaces + individual and team offices
professional office services (e.g. secretariat)	food and beverage	food and beverage
high-quality furniture	simple furniture	high-quality furniture
professional operator (e.g. Regus)	semi-professional, mostly local operator	professional operator (e.g. WeWork)
freelancers, companies	freelancers, start-ups	freelancers, start-ups, companies

Source: Savills

GRAPH 5

Flexible workspaces in Germany



Source: Savills / map source: BKG

in the geographical distribution of workspaces. Co-working spaces are divided across more than a hundred different municipalities. These include small towns such as Bad Tölz, Einbeck and Steinbach (Taunus). Business centres and hybrid spaces are only rarely found in such towns. One example is Walldorf, which is also home to SAP. Almost 90% of all hybrid spaces and three quarters of all business centres are located in the seven A-cities. Consequently, these are also the only cities where representatives of all three segments advertise for customers. In the near future, we will see what impact the rapid expansion in hybrid providers has on the other two segments and whether there will be a shake-out in the market. With its one hundred flexible workspaces, Berlin should be particularly instructive. The rapid growth in supply raises further questions for flexible workspaces going forward in terms of the sustainability of the boom, for example, and the consequences for owners and office occupiers. We will discuss these issues in a future analysis of flexible workspaces in Germany.

GRAPH 6

Top-10-operators of flexible workspaces in Germany

Operator	Spaces (in operation/planned)	Type
Regus (without "spaces")	111/1	business centre
Design Offices	19/2	hybrid space
rent24	16/6	hybrid space
pro.work	13/0	hybrid space
Agendis Business Center	9/0	business centre
WeWork	7/6	hybrid space
Mindspace	7/0	hybrid space
Collection Business Center	6/0	business centre
ABC Business Center	6/0	business centre
Beehive	4/0	hybrid space

Source: Savills / date of survey: February 2018

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