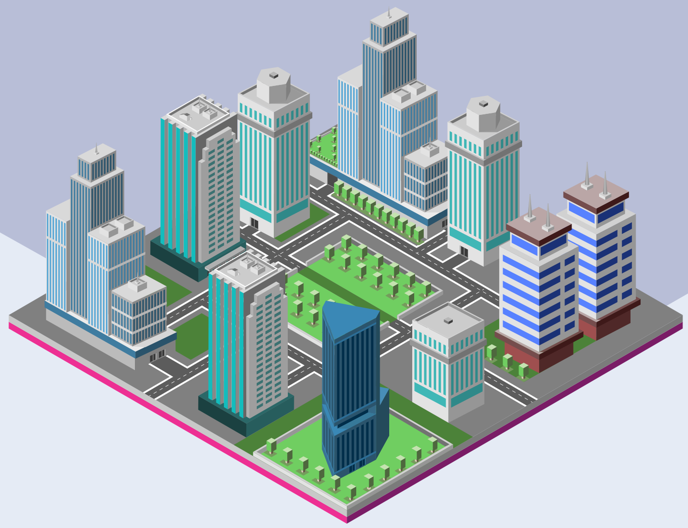


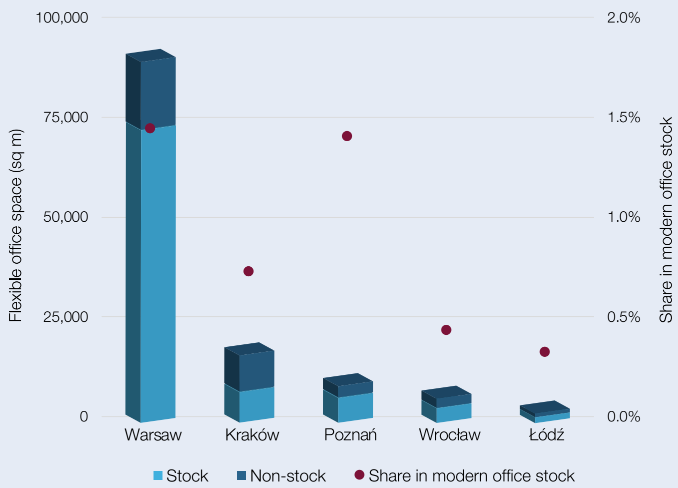
vol.2

FLEXIBLE WORK PLACES IN POLAND

Flexible work places in Poland are on the rise. In the five cities analysed by Savills there are 174 flexible offices, both serviced office and coworking spaces with a total area of over 129,000 sq m. Over the next few years the sector will continue to thrive with approximately 52,000 sq m across 16 locations in the pipeline.

The UK is still the largest flexible office market in Europe. Nonetheless, flexible work places are gaining importance in Germany (especially in Berlin and Hamburg), Amsterdam, Vienna, Madrid and Barcelona. The highest activity of flexible office providers was recorded in London where over 204,500 sq m were leased across the City and West End; 18% of gross demand. In other cities analysed, demand was significantly lower, yet noteworthy increases of flexible office take-up were recorded in Berlin up to 8.0% of total take-up (80,700 sq m; up by 6.5 bps y-o-y), in Hamburg up to 7.2% (42,400 sq m; up by 4.4 bps y-o-y) and in Vienna up to 5.7% (10,500 sq m; up by 1.8 bps y-o-y). The share of flexible office space in Amsterdam remains high at 7.1% of total take-up with 24,400 sq m leased.

Flexible office space



Source: Savills

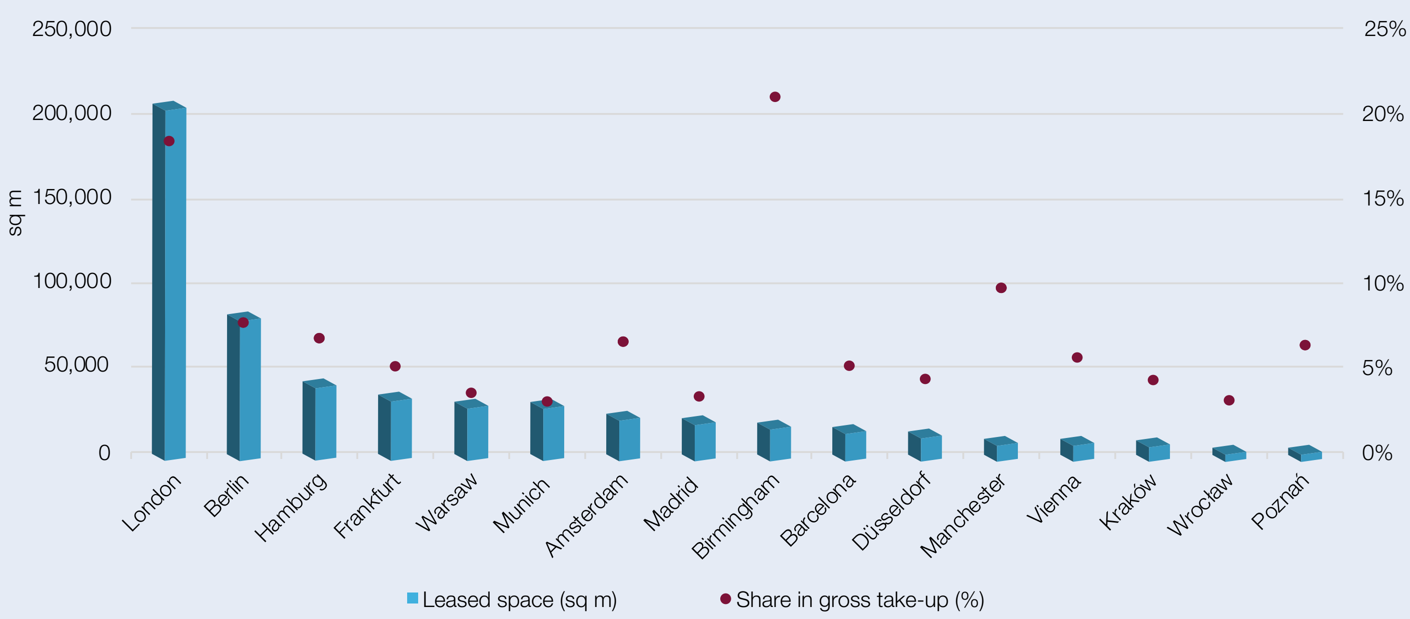
Flexible work places are present in Poland as well and are becoming one of the most important trends in office market. The flexible office market in Warsaw has been growing since 2015, when the share of flexible solutions stood at below 1% of total take-up. However, the share at the end of 2017 reached almost 4% (31,300 sq m). Flexible work places are on the rise in regional cities as well and the share of them stood at 4.6% of the total take up in Kraków (9,300 sq m), 6.9% in Poznań (5,400 sq m) and 3.5% in Wrocław (6,000 sq m).

Warsaw remains the largest flexible office market in Poland with over 94,000 sq m across 105 locations, of which 80% of space is situated in modern office buildings. Kraków is the second largest market with 17,000 sq m (46% in modern office buildings) across 25 locations, followed by Poznań with almost 9,300 sq m (69% in modern office buildings) across 19 locations and Wrocław with 6,200 sq m (64% in modern office buildings) across 14 locations. In Łódź, where the market of flexible office space is at very early stage of development, only 2,200 sq m (63% in modern office buildings) across 11 locations has been identified. In the five analysed cities, there are 129,000 sq m of flexible office space situated across 174 locations in total. The highest share of flexible work places as a percentage of modern office stock is observed in both Warsaw and Poznań at 1.4%, followed by Kraków (0.7%). In Wrocław and Łódź the share is below 0.5%, at 0.4% and 0.3% respectively. It should be noted that new locations have been confirmed and are due to be opened in the near future. In addition, a few flexible office providers are looking for suitable locations, thus the share of flexible work places is expected to increase.

The share of key flexible office provides such as Brain Embassy, Business Link, CitySpace, Dago, InOffice, Office Hub, OmniOffices and Regus in gross demand in Warsaw increased from 0.4% in 2010 up to 1.9% in 2016 with 1.3% recorded in 2017. Nonetheless, it should be noted that new and smaller providers leased more than double the space than key players last year. Furthermore, besides planned expansions by providers present in Poland, companies such as WeWork, The Office Group and i2 Office are screening the market and are expected to enter in the near future. According to our knowledge one the providers mentioned above is to enter the market by the end of this year.

In 2017 some debuts were observed: New Work Serviced Offices from Hungary, Israeli Mindspace, German Solution Space and Bobo Coworking. In addition, other providers have leased

Flexible offices take-up in 2017



Source: Savills

space and are now making fit-outs. The niche is being spotted by developers who are dedicating space in modern office buildings for short term leases.

Flexible office is mainly occupied by large corporations which use the space for short term projects, however young, fast developing companies are also present. Start-ups in Poland are strongly supported by public financing. Within the next five years EUR 15 billion will be spent on innovation policy. The budget will be divided into different projects such as *Start in Poland* by Ministry of Investment and Economic Development offering PLN 3 billion; *Badania na rynek* (Research on market) with PLN 1.15 billion budget in 2018 by Polish Development Fund (PDF); *Bony na innowacje dla małych i średnich przedsiębiorstw* (Subsidy for innovation for small and medium-sized enterprises) with PLN 65 million by Polish Agency for Enterprise Development (PAED) and *Bridge Alfa* by National Centre for Research and Development (NCRD) on which PLN 1 billion was spent in 2017. Furthermore, start-ups are supported by business and NGOs. European Business Angel Network, the largest European chain of business angels, spends annually ca. EUR 7.5 billion on development of innovation and gathers 197 members.

The above mentioned figures indicate the economy is increasingly heading towards new innovation developed by young enterprises. Start-ups look for offices with flexible lease terms, at least at some point of their development, thus besides large corporations, they are important clients of coworking space and serviced offices.

Even though the difference between serviced office and coworking space is becoming increasingly vague, we expect some clients still prefer traditional, serviced offices to open coworking space. Companies still prefer traditional offices due to better privacy, thus more efficient security of sensitive data, and compatibility of neutral and more traditional business environment with corporate culture. Forecasted low new supply of traditional office space in the Central Business District and its direct vicinity in Warsaw in 2018 is expected to facilitate demand for flexible office space.

> “ 2017 was undoubtedly the year when coworking space took off. There is nothing to suggest that its expansion will slow in the near future. The development of the flexible office market is now so dynamic that some of the risks involved have been taken on board. In Poland, however, there is still room form many new providers or for expansion for existing ones, provided that this is done in a sustainable manner and properly distributed over time. There are still cities that seem to have been overlooked by providers where we can see much potential. Savills expect a significant increase in regional cities this and next year, but due to the possibility of the rapid saturation of markets in smaller cities the first come, first served rule might apply here.

Jarosław Pilch
Head of Tenant Representation, Office Agency, Savills

Case study

Brain Embassy is the first coworking space in the form of co-creating space in Poland. Provided space connects small businesses, large corporations, mature start-ups, and freelancers under one roof. The interiors support creativity, facilitate building valuable relationships and encourage movement. Brain Embassy offers versatile workspaces, venues for meetings, workshops and conferences.

Brain Embassy has two locations in Warsaw: one in Adgar Park West (3,000 sq m) and the second in Adgar Plaza One (2,400 sq m). Members of the Brain Embassy community have 24/7 access to the fully equipped office modules, quiet working spaces, as well as such places that boost creativity, encourage relaxation, or enable meeting people in a large open space. The space offers places to work while doing exercise, as well as meditation rooms and fully equipped kitchens.

BE Smarter Together is a rich programme of expert meetings, is an added value which makes Brain Embassy stand out from other coworking spaces. It helps develop competencies of the future: creativity, critical thinking, innovation, social intelligence, and problem solving. All members can participate in any workshop, knowledge-sharing, coaching or design thinking sessions.

Brain Embassy support The Resourceful Women Network and the SpaceHUB, community gathered around innovations based on satellite data. Such versatility enables exchange of experiences, as well as new ideas occurring, which quintessence of co-creating.


Brain Embassy, Ochota


Brain Embassy, Ochota

Case study

Spaces is a brand of serviced offices that is part of the IWG Group, which also includes Regus. Spaces network originating from the Netherlands and currently operates in 25 countries. In Poland, it will debut in the newly-built Centrum Marszałkowska building in the centre of Warsaw, when delivery is planned for the second quarter of 2018. The operator will occupy an area of 4,200 sq m.

Spaces offers flexible work places in the form of serviced offices with additional coworking space. Individual work stations can be rented hourly. Separated areas dedicated for long-term leases will allow the possibility to be personalised by tenants. Access to the offices is round the clock. Spaces also offers conference rooms fully equipped with audiovisual equipment as well as catering zones providing drinks and snacks.

Spaces's idea, hidden behind the slogan *Your place to work*, assumes that all implemented solutions are aimed at supporting users in their work in a practical way. In some locations, this manifests itself in a number of additional services, such as bike rental, massage and simple technical IT consultancy.

Spaces also encourages new contacts and business contacts within the so-called Business Club. The network assumes that contacts that bring together community members can evolve into business cooperation in the future. A membership in the club allows access to all Spaces locations around the world.


Spaces, Netherlands


Spaces, USA

Top 10 new leases and expansions in 2017

City	Building	Tenant	Size
Poznań	Maraton A	Business Link	4,200 sq m
Warsaw	Centrum Marszałkowska	Spaces	4,200 sq m
Warsaw	Ethos	Solution Space	4,100 sq m
Kraków	High 5ive 2	Business Link	3,900 sq m
Wrocław	Green2Day	Business Link	3,800 sq m
Warsaw	Wilanów Office Park	New Work	3,100 sq m
Warsaw	Biura Koszyki	Mindspace	3,100 sq m
Warsaw	Małachowskiego Square	Solution Space	2,600 sq m
Warsaw	Adgar Plaza One	Brain Embassy	2,400 sq m
Kraków	K1	Regus	2,300 sq m

Source: Savills

Key players - no. of locations

Regus 26

Business Link 13

CitySpace 7

Dago 5

InOffice 5

Office Hub 4

OmniOffice 3

Brain Embassy 2

Solution Space 2

Glossary

Bootstrapping – financing a company or project from own funds, through organic growth.

Business angel – a private investor allocating their own founds into development of young enterprises.

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

Hackathon – an event dedicated to programmers (also for start-ups), who usually during one day or weekend have to solve a particular coding problem or create a prototype of an application or tool.

Scaleup – a startup in fast development phase, usually entering new markets.

Serviced office – also known as executive suite, executive centre and managed office, 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.

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.

Unicorn – a start-up whose market value is above USD 1 billion. For example, these are Uber and AirBnb.

VC (Venture Capital) – a type of private equity financing business at early stages of development accompanied by high risk.

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

MAMSTARTUP

Source: mamstartup.pl

Startups and money

EUR 15 bn within the next five years will be spent on innovation policy in Poland

PLN 79 m PAED will allocate on financing 102 startups' projects in Eastern Poland

PLN 65 m subsidy by PAED for projects from *Bony na innowacje dla MŚP*

PLN 1 bn NCRD spent on *Bridge Alfa* in 2017, (EUR 0.5 bn in 2016)

PLN 1.15 bn 2018' budget of *Badania na rynek* by PDF

PLN 3 bn subsidy of *Start in Poland* programme within next seven years

PLN 100 m budget of *Fundusz Pożyczkowy Wspierania Innowacji* by PAED

EUR 7.5 bn annual spending on innovative enterprises by European Angel Network

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.

Tomasz Buras
Managing Director,
Head of Investment
tburas@savills.pl
+48 22 222 4000

Jarosław Pilch
Head of Tenant Representation,
Office Agency
jpilch@savills.pl
+48 694 497 800

Igor Yankilevich
Associate,Tenant Representation,
Office Agency
igor.yankilevich@savills.pl
+48 722 202 068

Daniel Czarnecki
Head of Landlord Representation,
Office Agency
dczarnecki@savills.pl
+48 519 033 717

Kamil Kowa
Head of Corporate
Finance & Valuation
kkowa@savills.pl
+48 510 201 209

Wioleta Wojtczak
Head of Research
wwojtczak@savills.pl
+48 600 422 216