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Europe Flexible Office Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The European flexible office market is expected to record a CAGR of more than 10% during the forecast period. The increase in small and medium-sized businesses is a trend observed across all major cities of Europe, while new working practices are neither location nor sector-specific. These trends have fueled the flexible office market in Europe. The rise in the number of startups in the region is also expected to boost the market's growth.

The growing significance of digital systems and the need for completing knowledge-intensive tasks has transformed into a surging desire among employees to work from the office or from the desired location in an independent way. This has offered firms in Europe a chance to utilize their office space more proficiently, reduce the traveling hours of employees, and increase employee satisfaction, thereby boosting their work efficiency and productivity. This will help the flexible office market reach new growth destinations in the future.

The flexible office market is among the sectors that are mostly exposed to the negative impact of the COVID-19 pandemic, after hospitality and retail. On the one hand, the lockdown measures that have forced millions of people to work from home and, on the other hand, the short-term nature of contracts have left flexible offices with very low occupancy across Europe. In Dublin and Stockholm, long leases and expensive rents have shifted some occupiers towards more flexible property solutions, and they are already dynamic flexspace markets.

Although the demand for flexible office space continues to grow, there are some obstacles standing in the way of the further adoption of this model. Commonly raised concerns include the issues of information security, confidentiality, and privacy in a more open environment. Other companies are worried about the potential impact on their marketing, especially that it could weaken their brands. But such concerns seem outweighed by the risk that companies may not have enough flexible space in their portfolios. This is due to the developments in the labor market, with many employers worrying about either keeping or attracting the most highly skilled workers.

Europe Flexible Office Market Trends

Western Europe Leading the Market

With the rise in self-employment after the global financial crisis, cities such as London, Amsterdam, Dublin, Berlin, and Copenhagen have been the crucibles of the European flexible space boom. They are not merely the cities where the market has grown the most rapidly, but they have also seen the greatest number of new providers and models. The value of office real estate investments in European cities was the largest in the German cities of Berlin, Hamburg, Munich, and Frankfurt as of the second quarter of 2021. These four cities attracted a total investment value of about EUR 7.6 billion.

The office property sector is one of Europe's biggest markets, Central Paris, which attracted EUR 4.3 billion in the second quarter of 2021. Central London was the third-ranking city and the only other that attracted investments of over EUR 1 billion. The other cities evaluated in this statistic had office real estate investments valued below EUR 1 billion. As of the first half of 2021, the West end area of London had the highest prime headline rents at EUR 125.5 per square meter per month. This was roughly EUR 50 per square meter more than Paris and London (City), which had the second- and third-highest rents, respectively, displayed.

Substantial Drop in Leasing Activity in Europe

In 2020, the European office market saw a substantial drop in leasing activity. While the take-up of office space in the first quarter of the year was close to the levels observed in the previous four years, take-up in the second quarter halved. At approximately 6.24 million square meters, the European office take-up in 2020 was approximately 2.5 million square meters below the four-year average. Under the effects of the coronavirus (COVID-19) pandemic, investments in the sector fell across most major European markets.

The annual rental prices per square meter of prime office spaces varied greatly across different European cities as of the second quarter of 2021. Office properties generally fulfill a number of criteria in order to be considered "prime properties". These criteria range from good location (in the major commercial centers) to public transport accessibility and energy efficiency of the premises. It can be seen that the most expensive prime office spaces were rented out in London, the United Kingdom, according to figures from the second quarter of 2020. The rental cost of prime office properties in London reached a value of EUR 1,405 per square meter per year. Paris and Stockholm completed the top three with rental rates of EUR 930 and EUR 700, respectively.

Europe Flexible Office Market Competitor Analysis

The European flexible office market is fragmented, with many players existing in the flexible office spaces market. Also, many more are entering the market to fulfill the rapid demand for casual environment offices. The companies in the European flexible office market are involved in several growth and expansion strategies to gain a competitive advantage.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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