

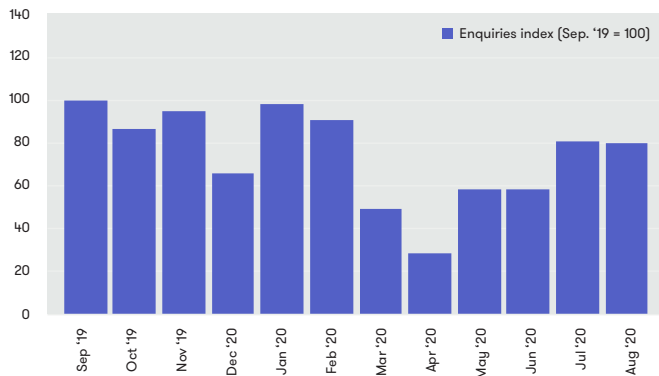
The flex office is making a comeback as more flexibility is required in uncertain times

Since the outbreak of COVID-19 began, many companies have been forced to take a step back and take stock of the potential consequences of the pandemic.

Results of this decline in business confidence included a temporary deferment of investments and housing decisions, which led to a decline in the demand for office space in general. Within the market for flexible office space, this decline was visible in a lower occupancy rate and few to no new signed leases. Now that the most powerful first wave of infections is behind us, entrepreneurs are cautiously looking ahead. How will this renewed confidence affect the market for flexible office space? Can a clear recovery even be observed yet?

Graph V-shaped recovery in the number of requests for flexible office space

Source Savills Research



Interest in flexible office space back to pre-COVID-19 levels

The strong initial decline in the demand for flexible office space was shown in various ways, including through an analysis of the number of searches for flexible office space. The number of requests for flexible office space declined considerably in April 2020 by a whopping -54% compared to the same month last year. The strict limitations on travel have since been lifted and business confidence has increased, mainly among businesses operating in the business services sector, the IT sector and other services sector.

As there is a relatively large group of flexible office space users in these sectors, the demand for office space is also automatically recovering, slowly but surely. This increasing demand is clearly visible in the growing number of searches for flexible office space starting in May. In July and August the number of requests was even well above the number of requests in the same months last year, at +8% and +44%. By now the number of searches for flexible office space is back to the level of the pre-COVID-19 era. This shows a V-shaped recovery for the flexible office space market.

Why are flex offices making a strong comeback?

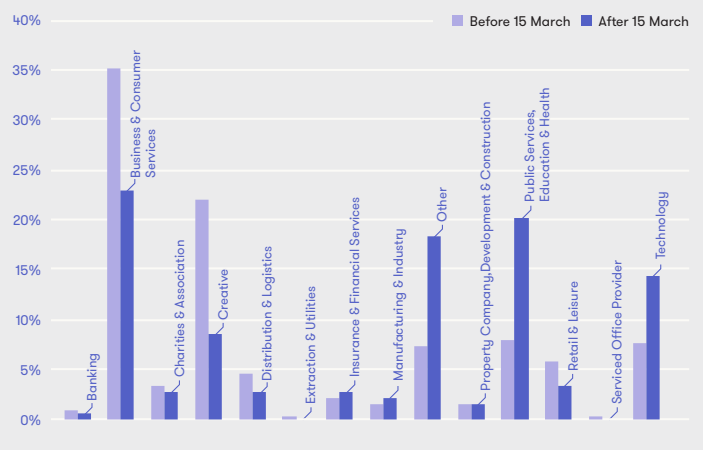
One important reason why there is more and more activity in the flexible office market is that entrepreneurs are generally less willing to commit for longer periods of time at present and this also applies to housing. Flexible office space is a clear solution to this problem. However, flexible office space is not the only driving force behind the strong recovery observed in recent months.

Demand is becoming more diverse in addition to a strong foundation of flex-office users

Traditionally, a large part of the demand for flexible office space comes from businesses active in the business services sector, the creative sector and from the tech industry. Since 2019, these sectors have been responsible for 33%, 20% and 9% of all searches respectively. These sectors are also still performing relatively well, which explains their relatively high activity in the office market in general, not only in the Netherlands but in an international context as well. Previous Savills research into the European office market has shown that in H1 2020,* the sectors mentioned took up only slightly less office space than in H1 2019. The same situation could be observed in the market for flexible office space. Even since the COVID-19 outbreak started, these sectors have accounted for 45% of all searches.

It is striking that the share of Tech business searches has grown by a whopping 50%. In addition to traditionally dominant sectors, an increase in demand from businesses active in the public services sector, education, and healthcare could also be observed. Together they make up 20% of the demand after COVID-19, which constitutes double the demand of before the lockdown. This additional demand can be explained by the fact that the demand for the services they provide has continued to increase since the lockdown, and this development also requires additional permanent and temporary office space. This additional demand is currently ensuring a rapid recovery of demand in the market for flexible office space.

Graph Search requests are still mainly coming from the business services sector, but the public services sector has been showing progress



*European Office Demand Snapshot, Savills, October 2020

Source Savills Research

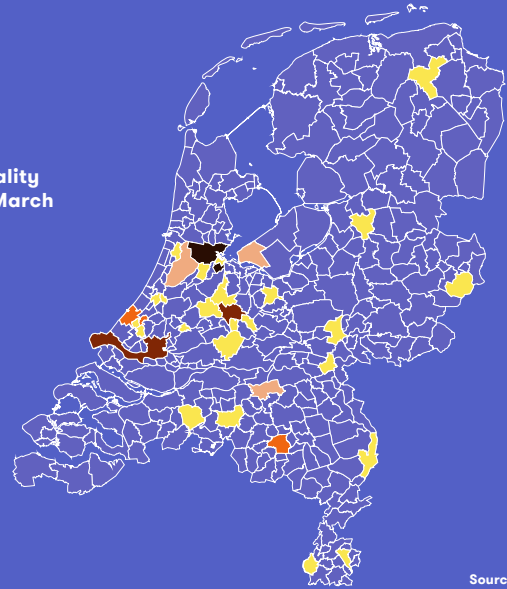
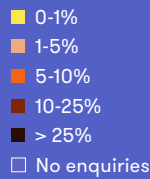
Creatives, Tech and Business Services: what is the place to be?

The previous analysis has shown that creatives, tech companies and companies providing business services dominate searches for flexible office space. Now that this demand is on the rise again, what is the 'place to be' for these specific sectors?

In reviewing the preferred city per sector, all of these sectors show a clear preference for a city within the G5, with Amsterdam taking the lead (45%), followed by Utrecht (26%) and then Rotterdam (10%). It is not entirely surprising that most flexible office space is leased in the city of Amsterdam. This city houses by far the most locations for flexible office space (108). Flexible office space providers account for a total of 6.3% of the total office stock.

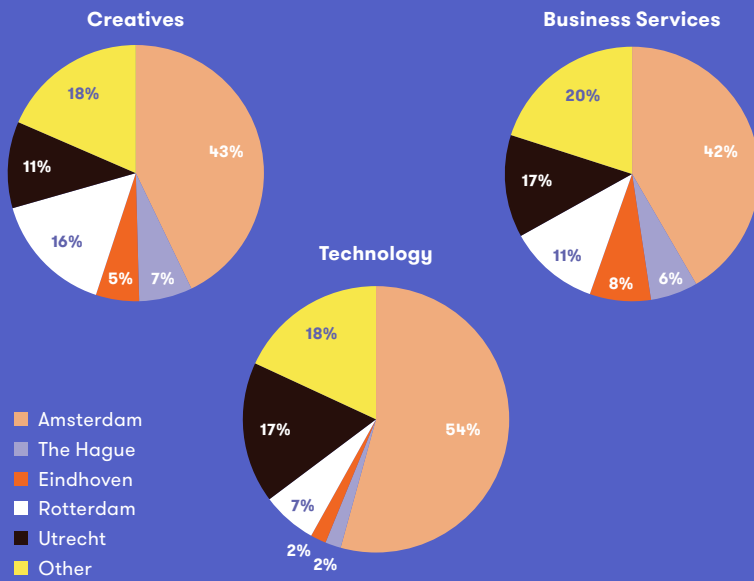
Map Amsterdam dominates the total number of searches and is followed by Utrecht and Rotterdam

Enquiries per municipality in % of total, after 15 March 2020



Source Savills Research

Also noteworthy is that Rotterdam is mainly popular among creative entrepreneurs as 16% looked for office space in that city. Amsterdam on the other hand is most popular among businesses in the Tech sector. Entrepreneurs in this sector are still mainly looking for flexible office space in Amsterdam, partly due to the large number of tech businesses already based there. Demand for office space in Utrecht comes from practically all sectors. This fits in well with the variety of users in the office market in Utrecht.*



*City Special Utrecht, Savills, September 2020

Savills Outlook

more demand for flexible office space, also outside the G5

Until several years ago, owners mainly saw flexible office space as a solution for reducing vacancies. However, times have changed. Nowadays, the market for flexible office space is responding to user demand – and they want more flexibility. The uncertainty caused by COVID-19 on a daily basis will remain considerable for the time being. As a result, flexible office space will continue to be important to many entrepreneurs.

Although increasing demand is mainly coming from the business services sector, the creative sector and the tech sector, a strong increase in the demand for office space is clearly visible among a wider group of entrepreneurs. This trend is expected to continue. Covid-19 is thus causing an acceleration of the trend that started several years ago; a trend that can be observed not only in the G5 but also further afield, as other parts of the country are also witnessing an increase in demand and in the demand for flexibility. In recent years the number of providers with locations in other regions has increased significantly. Thanks to the previously-mentioned accelerated trend, more user activity can also be observed in these areas and this growth is expected to continue in the coming period.



Workthere
Workthere is a business by Savills focused solely on helping businesses find flexible office space, whether that's a serviced office, co-working or shared space.



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