Research Report 2020

Flex Market Snapshot
France

Instant
RETHINKING WORKSPACE

Contents

Introduction

2019 was a significant year for flexible workspace. The global market has grown exponentially with client demand forcing operators and landlords to aggressively evolve their models to differentiate and specialise.

France experienced 20% growth of flex locations in 2019, and that is considerably higher than most of its European counterparts. This has been driven by an appetite to serve the end user and corporate client.

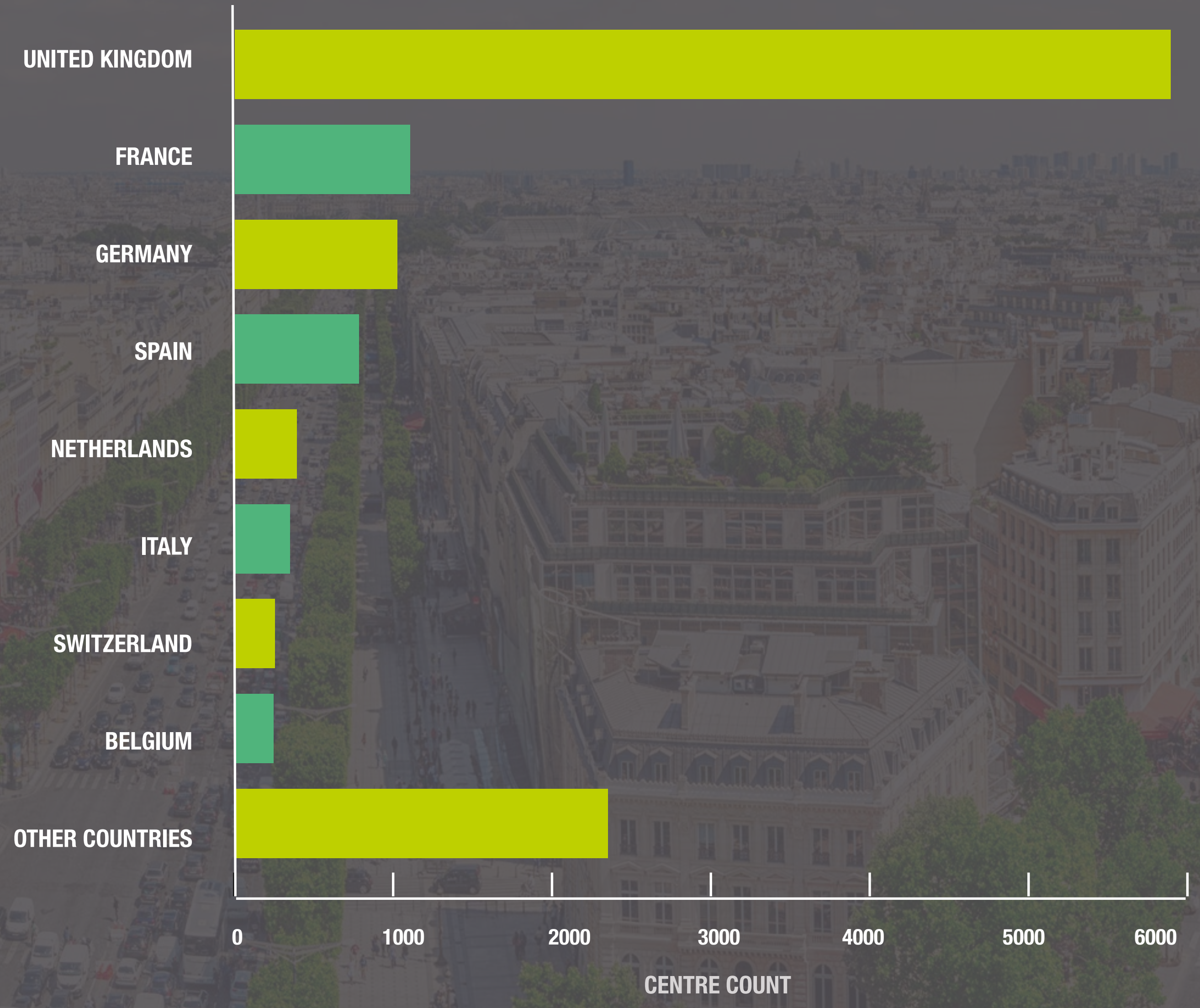
This snapshot of the French market will analyse the supply and demand dynamics affecting the market and also explore examples of clients and operators evolving their corporate real estate models.

The UK is the leading flex market in Europe, partly because of the movement to use more agile spaces over 10 years ago, and also driven by considerable corporate demand in London.

We predict that France is only 2 or 3 years behind the UK so there are exciting developments to come in 2020 and beyond.

WOJO, MONTMARTE

NO. FLEX OFFICE LOCATIONS IN EUROPE



European Status

FRANCE WITHIN THE EUROPEAN FLEX MARKET

France enjoys a strong position within the European flexible office market. Over the past 12 months it has seen double-digit growth of 20% and it is currently ranked second behind the UK in terms of the number of flexible office locations in Europe. Its closest competitor, Germany, has seen similar growth, and together they have set a precedent ahead of other European flex office markets such as Spain, the Netherlands and Italy.

Paris is currently striding ahead of Berlin, with over 50% more flexible offices in the market. However, where Paris is by far the biggest market within France, Germany’s office market is made up of the big 7 – Berlin, Frankfurt, Cologne, Munich, Hamburg, Düsseldorf and Stuttgart – and so the market is much more fragmented.

Over the past 12 months, Instant has seen higher demand for flexible office space in Germany than France. When assessing individual markets, Paris has seen a considerably higher demand than Berlin, with other key cities in Germany also receiving high numbers of enquiries.

SPACE TYPES

SERVICED

A serviced office is an office that is fully equipped and managed by a specialist operator, which then rents individual offices or floors to other companies on a cost per desk basis.

COWORKING

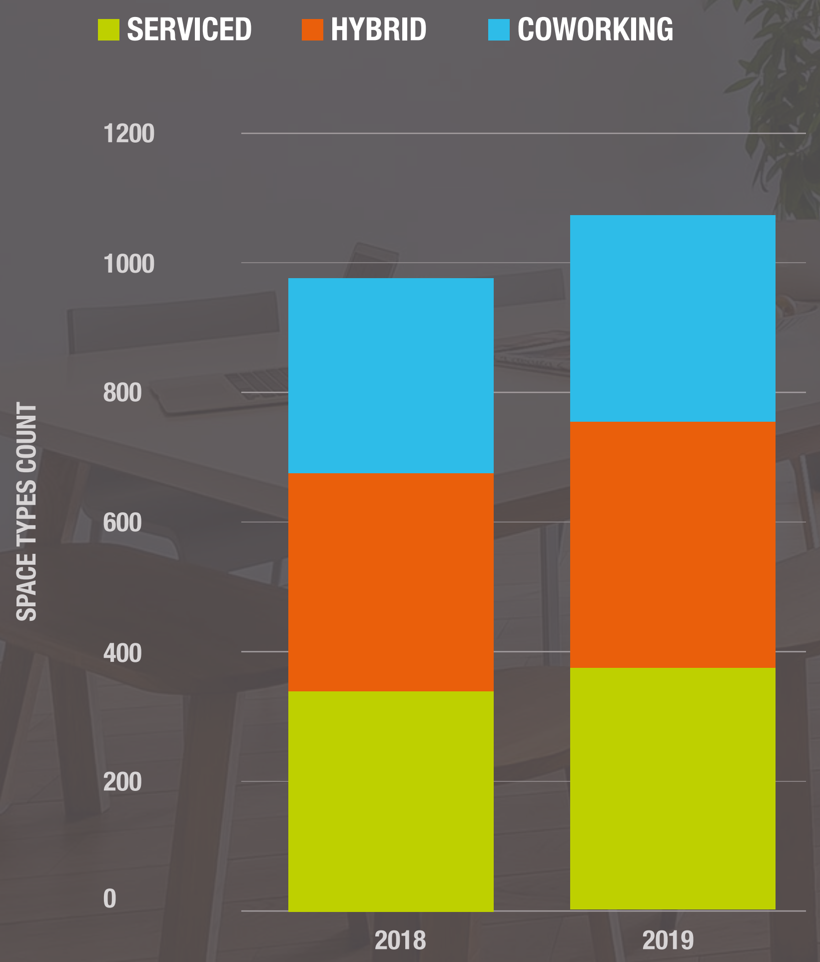
Coworking spaces involve a shared environment, most commonly an office, through which individuals not engaged by the same company work side-by-side, and which is charged on a monthly membership basis.

HYBRID

Hybrid space refers to an amalgam of co-working spaces and serviced offices in the same office building.

OTHER

Other flex space, including options such as managed offices* etc. Flexible workspace is the term the industry uses to refer to any type of space outside of the conventional lease market.



*OFFICE UNDER SERVICE CONTRACT MANAGED BY INSTANT

Market Overview

HOW DOES FRANCE COMPARE?

Although the flexible office market in France is still 2-3 years behind that in the UK, the popularity of serviced and coworking spaces has really taken off in the past year, and more companies are now starting to consider serviced offices as a viable alternative to traditional space.

> **Regus has a monopoly on the market with 13% of the market share, with the remaining top 5 operators accounting for just 10% of the flexible office space on offer across France.**

It is these existing operators, who are well-established in the market rather than new-comers, who are seizing the opportunity and planning to open further centres in the next 12 months. In 2017, the number of independent operators with just one centre was increasing, however, over the past 12 months these independents have decreased and the more established brands are opening new centres.

Most of the growth is in the hybrid and serviced markets rather than in coworking workspaces.

THE HYBRID OFFICE MARKET HAS SEEN 12% GROWTH WHEREAS SERVICED HAS GROWN BY 10%

Looking at the centres which have opened in the past 12 months alone, 42% are serviced offices with 36% offering hybrid solutions.

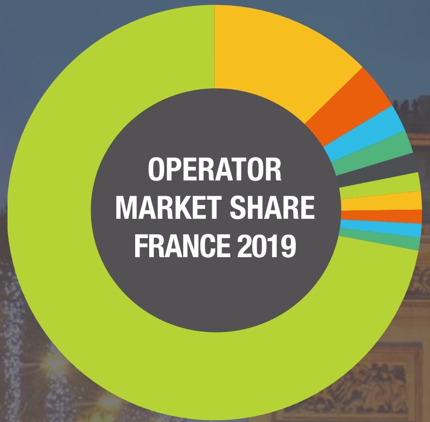
> **Only 20% of new centres opened are coworking centres.**

However, it is expected that the coworking and hybrid markets will rapidly expand within the coming 12 months to mirror other European countries. Paris continues to be the heart of the serviced office market in France but secondary markets such as Lyon and Toulouse are also projected to see large growth in the next 12-24 months.

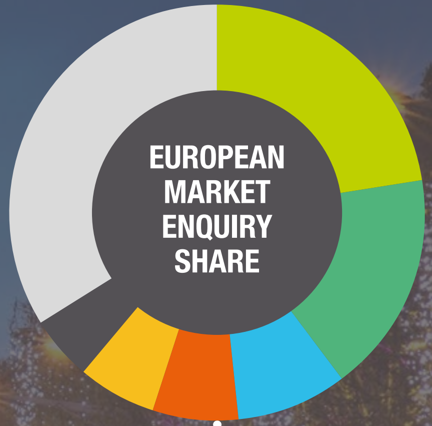
NEST34, PARIS

FRANCE FLEX MARKET HAS SEEN **20%** GROWTH SINCE 2018

REGUS	13%
BURO CLUB	4%
DESKEO	2%
MULTIBURO	2%
STARTWAY	2%
BAYA AXESS	1%
WEWORK	1%
WOJO	1%
MORNING COWORKING	1%
SPACES	1%
OTHER OPERATORS	72%



PARIS HAS **50%** MORE FLEX OFFICES THAN BERLIN



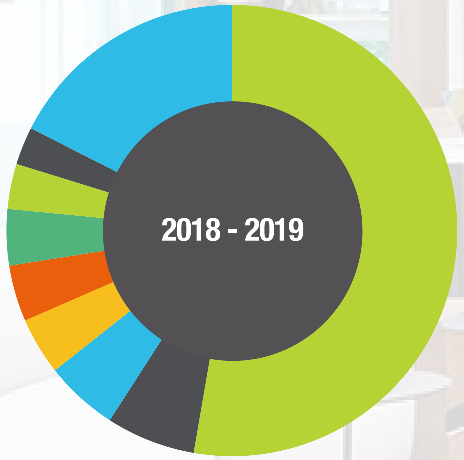
GERMANY	22%
FRANCE	17%
SPAIN	9%
IRELAND	7%
SWITZERLAND	6%
NETHERLANDS	5%
OTHER COUNTRIES	34%

Demand Review

Paris is undoubtedly the main market in France, receiving more than 50% of total enquires over the year. However, there are a number of secondary markets which together make up a further 29% of all enquiries in France. Lyon and Toulouse are the fastest growing markets after Paris, with demand for flexible space in these cities showing a consistent increase YOY. However, the largest growth percentage was seen in Bordeaux (157%) over the past 12 months, so this will be a market to watch over the coming year.

The majority of requirements are for smaller spaces for up to 10 people but larger requirements are appearing in the more developed markets of Paris, Lyon and Bordeaux. Approximately 4% of requirements for Paris were for 25+ people in 2018-19 and operators are reporting an increase in corporate clients wanting flexible office space. This demand for larger space from corporate companies is proving to be the biggest challenge for flexible operators in Paris.

TOP CITIES BY ENQUIRY NUMBER

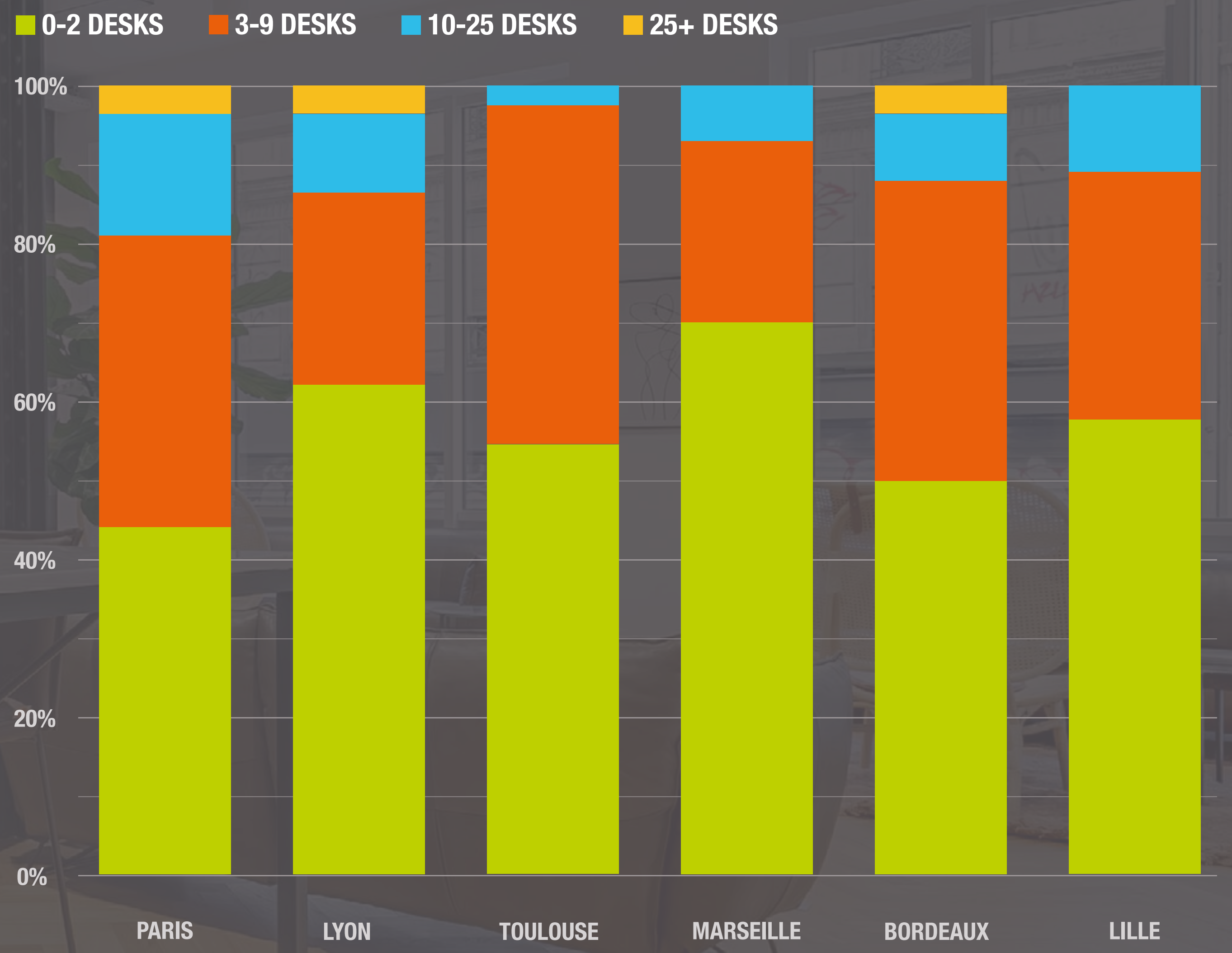


PARIS	53%
LYON	6%
TOULOUSE	5%
BORDEAUX	4%
COURBEVOIE	4%
LILLE	4%
MONTPELLIER	3%
MARSEILLE	3%
OTHER CITIES	18%

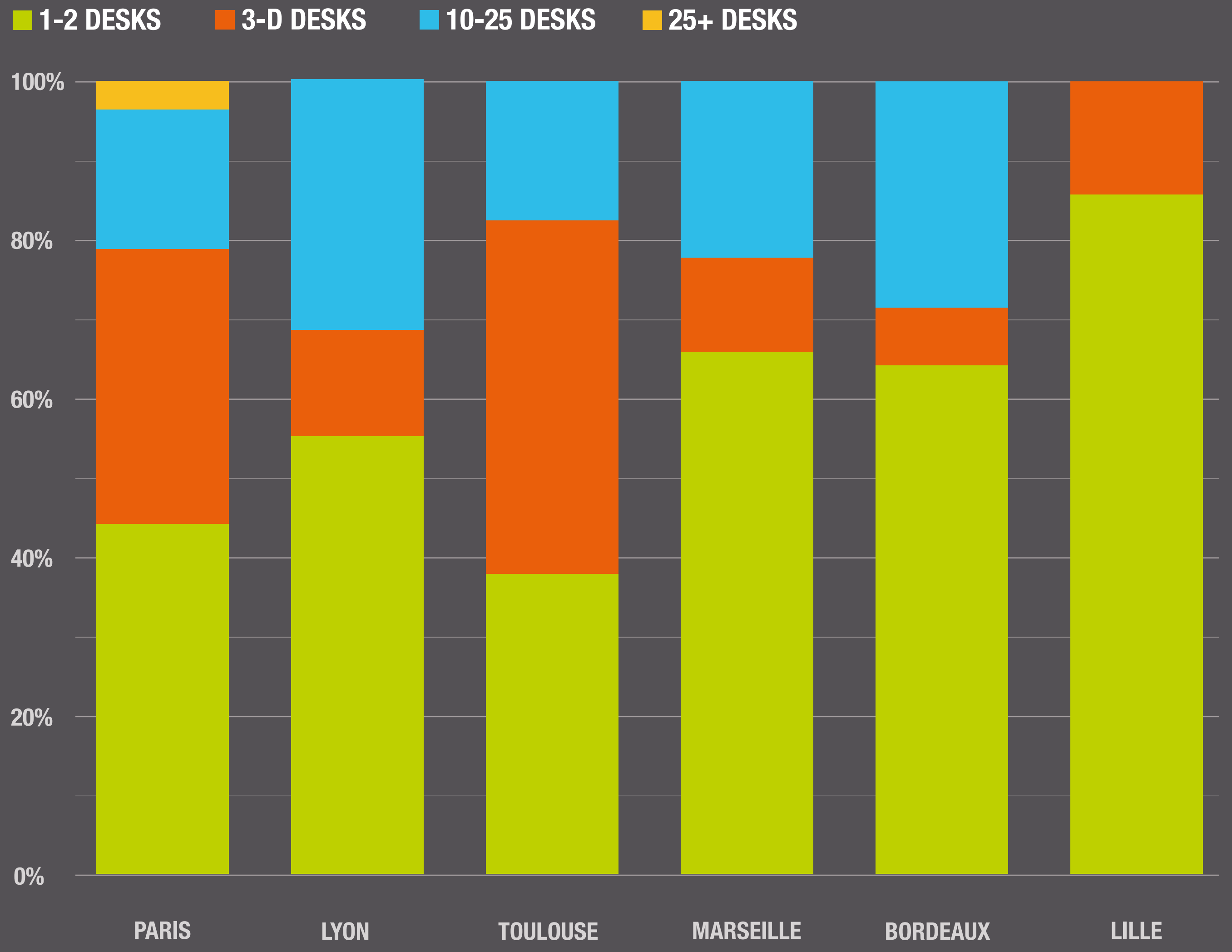

DESKOPOLITAN, PARIS

PATCHWORK, PARIS

PERCENTAGE CLIENT REQUIREMENT ANALYSIS - KEY CITIES 2018-19



DEAL SIZE: 2018-2019



Market Deals

DEAL VALUE AND SIZE: KEY CITIES

Over the past 12 months, Instant has tracked considerable price fluctuations within the French market. This pricing variation is largely due to the quality, density, use of space and the included amenities. The term agreed by clients can also influence pricing, with longer terms typically benefitting from reduced pricing.

Paris has seen some very high desk rates achieved, as increased demand and limited availability in this city is pushing up prices. Lyon has also seen some higher rates achieved due to the increasing popularity of this location, as well as the availability of high-end office space.

The majority of clients are still taking smaller spaces, with the majority of deals signing for 1-2 desks. However, there has ben significant growth in medium sized deals of 10-25 desks in many French cities, suggesting that an increasing number of larger corporates are considering flexible offices as a solution to their office space needs.

DESK RATES ACHIEVED: 2018-2019

CITY	MINIMUM DESK RATE	AVERAGE DESK RATE	MAXIMUM DESK RATE
Paris	€ 190	€ 760	€ 2,000
Lyon	€ 179	€ 540	€ 1,000
Toulouse	€ 200	€ 500	€ 800
Marseille	€ 200	€ 457	€ 600
Bordeaux	€ 135	€ 430	€ 850
Lille	€ 300	€ 550	€ 870

Spotlight on Paris: Supply

Demand for flex space in Paris is almost double the global average, and the city ranks fourth globally in terms of supply. Paris is one of the largest flexible workspace markets in Europe and ranks among the top 10 best start-up cities in the world. Alongside New York, San Francisco and London, Paris remains one of the most expensive places to rent a desk. However, demand is on the rise as more large businesses choose flexible offices over conventional leases.

It is interesting to note that the areas of Saint-Lazare and Montparnasse have seen workstation rates reach €970 and €950 respectively. Montparnasse remains an expensive area due to limited availability which may change in the near future. **Wojo Montparnasse**, for instance, will be opening a flagship office in Les Ateliers Gaïté Montparnasse, close to Montparnasse train station.

AVERAGE DESK COSTS IN PARIS

Spotlight on Paris: Demand

Demand for flexible office space has been consistently increasing over recent years. This is largely due to the global trend in the office market for companies looking for a more flexible solution to their office requirements.

In France, the total number of desks requested has seen enormous growth over the past 2 years, with a growth of 56% between July 2017 and 2018 and over 90% growth from 2018 to 2019. This is mirrored by the total demand for desks in Paris.

> **This has resulted in high occupancy rates in Paris, with many centres reporting that they are 100% occupied and any new centres opening are full within a month of opening, if not before.**

PERCENTAGE GROWTH OF REQUESTED DESK NUMBERS

Spotlight on Paris: Demand

OVER THE PAST 12 MONTHS THE PARIS MARKET HAS GROWN BY OVER 100%

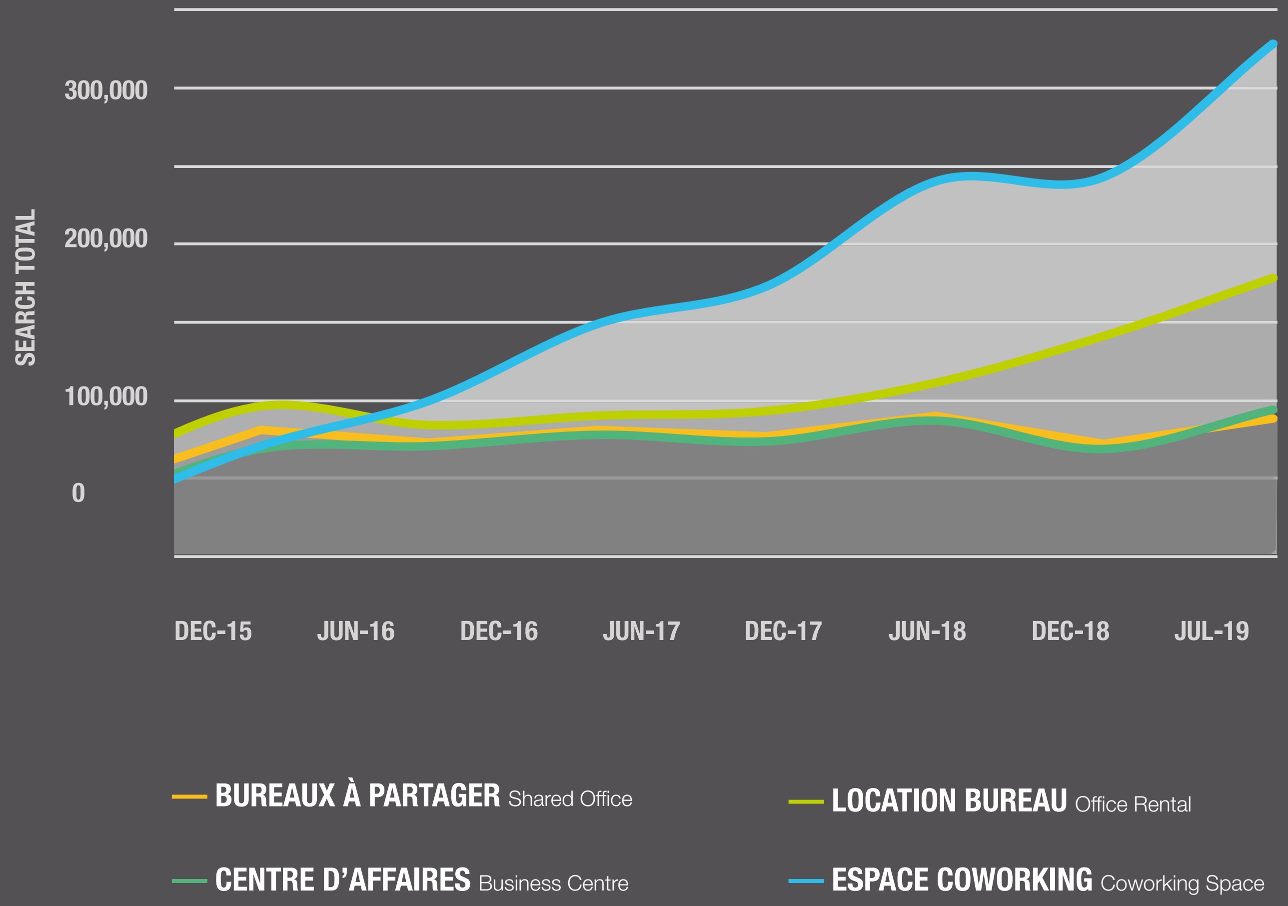
An analysis of google adwords supports this trend, with the number of searches for the key terms used to search for flexible office space increasing year-on-year. With the last openings scheduled for 2020/2021 and the Grand Paris Project advancing, we will see if the Paris market reaches its full potential.

> "With little availability and high prices, it will be interesting to see if start-ups and middle-market companies will stay in Paris or if they relocate to the outskirts of the city as a result of the Grand Paris."

MARIE-FANNY BARROIS
HEAD OF SERVICED - FRANCE
THE INSTANT GROUP

HALKIN, PARIS GARDENS

GOOGLE ADWORDS - KEY SEARCH TERMS



Spotlight on Lyon

KEY MARKET STATS

Lyon is said to be the metropole of the future. Its strategic location in the heart of Europe, strong pool of talent, good transport network and excellent business connections make it one of the most popular cities in France among corporates. This would explain why the demand for flexible space in Lyon has soared over the past year and the supply is struggling to keep up.

With over 50 individual operators in the city, the market is very fragmented. A quarter of all flexible offices in Lyon are located in La Part-Dieu, Lyon's main business hub, an area currently undergoing significant refurbishment.

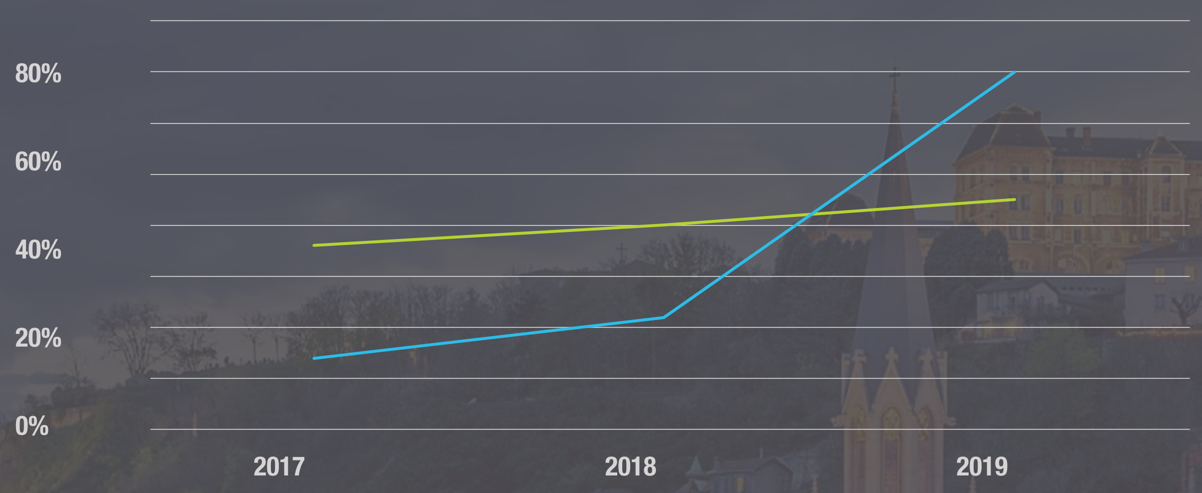
> **Regus has the monopoly on the market with 11% of the market share, with many of their competitors offering just 2 or 3 locations in Lyon.**

Lyon's office market is growing and diversifying and the flexible office offering is becoming increasingly popular to fulfil evolving business requirements.

> **Around 80% of new centres which have opened over the past 12 months offer serviced or hybrid solutions.**

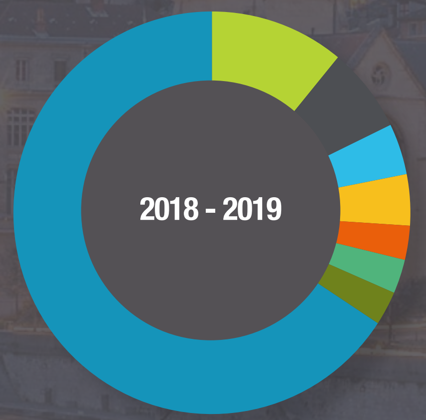
Supply is expected to increase to mirror demand, with some of the key operators in France looking to expand into Lyon over the next 12 months.

LYON SUPPLY VS. DEMAND



LYON OPERATOR MARKET SHARE

REGUS	11%
LA CORDEE	7%
CENTRE D'AFFAIRE	4%
CENTRAL OFFICE	4%
BURO CLUB	2%
MULTIBURO	3%
WOJO	3%
OTHER OPERATORS	66%



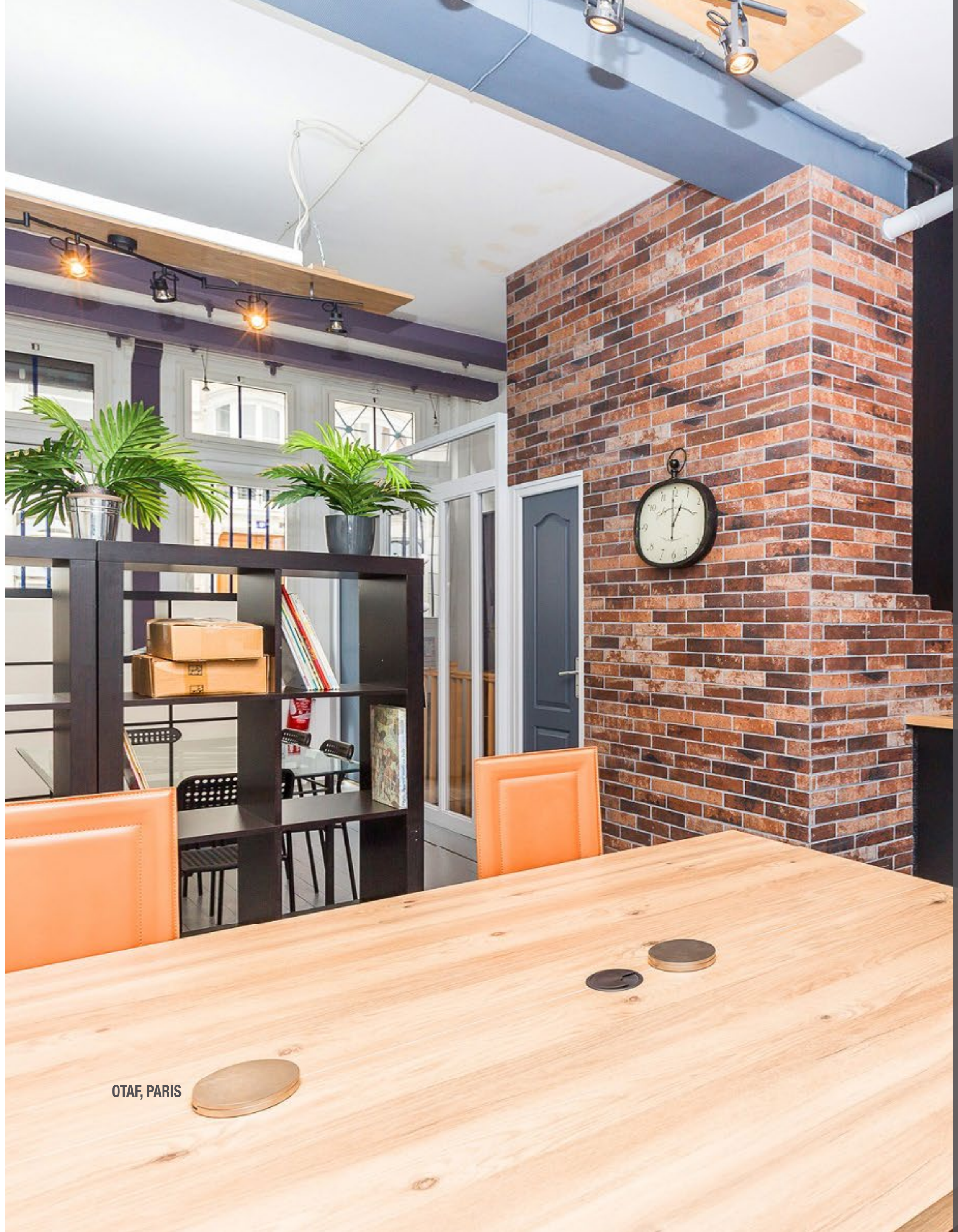
Brexit Driving Growth in EU Markets

A major trend across Europe has seen landlords launching their own spaces and collaborating with providers to deliver flex space, with large corporates driving a significant portion of demand. This increased competition is causing rates to contract in some of the strongest markets in the world, including Paris, where the average desk cost is now €703 per person, per month.

Overall, the French flex workspace market has seen double-digit growth of 20% in the last 12 months, a trend that started in 2016 when Brexit was first announced in Britain, and is still ongoing.

> **In a recent Instant Brexit survey of over 1000 business owners in the UK, 15% said they are looking at new opportunities in the EU.**

As more businesses assess their options and choose to remain agile in uncertain times, flexible office space enquiries have increased across several EU countries, including France.



OTAF, PARIS

"The political and economical context of Brexit is undeniably pushing more businesses to establish themselves in Paris.

With uncertainty on the consequences, businesses are looking for flexible solutions which is massively increasing the demand for flexible workspace.

As a result, more centres are opening their doors and enriching the market, reaffirming Paris' position as one of the key places to be."

STEVEN KHOURY
HEAD OF FRANCE & CLIENT SOLUTIONS EUROPE
THE INSTANT GROUP

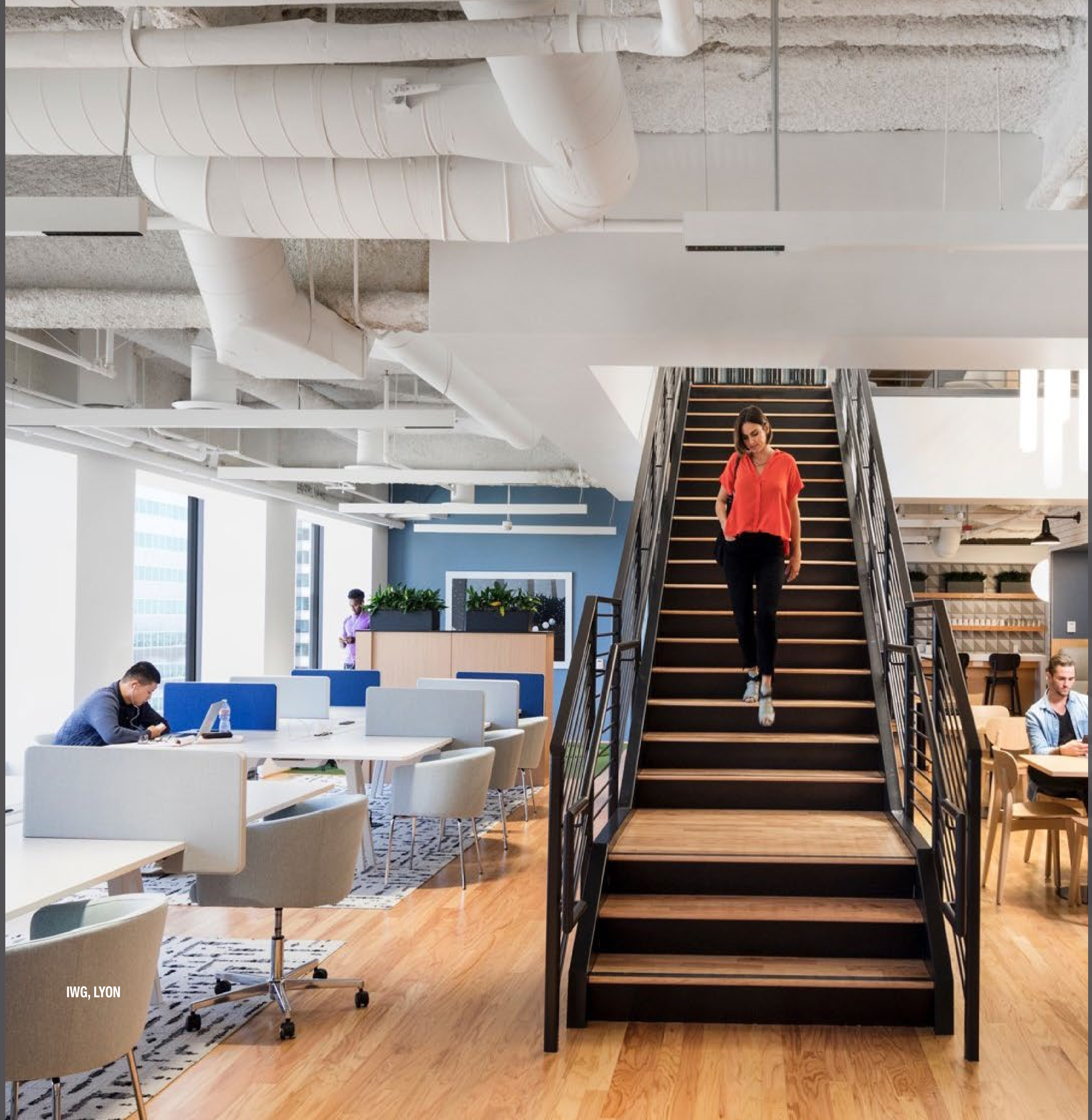
Operator Focus:
IWG

IWG, THE LARGEST FLEXIBLE WORKSPACE CENTRE OPERATOR IN THE WORLD

Pioneer in the field of flexible workspaces with 30 years of experience, IWG is the French and international leader in coworking. Its portfolio of operational subsidiaries, including Regus, Spaces, Signature by Regus, Stop & Work and HQ, offers an unrivalled level of choice for companies of all sizes, whatever their budget.

With more than one million workspaces in hundreds of countries, IWG has the largest network of flexible workspaces in the world. In France, more than 120 centres located in urban and peri-urban areas allow the group to offer a quality territorial network. Today, IWG continues its development in France with the opening of a centre every three weeks, thus illustrating the group's ambition to increase its presence throughout the country to meet the growing demand for flexible work.

As part of its regional development strategy, the group will open next April the doors of its tenth centre in the Lyon metropolitan area, in the Brotteaux district. Under the Regus brand, this opening will complement IWG's offer in Lyon, where the group has been established for 23 years, and will represent the largest coworking space in the city within the development of Greater Lyon.


IWG, LYON

IWG Benefits

1 NETWORK
The largest network of flexible workspaces - present in 70 cities in France with 120 addresses.

2 BRAND
A choice of work environment across 5 brands: Regus, Spaces, HQ, Stop & Work, and Signature by Regus.

3 COMMUNITY
A community of more than 20,000 companies.

Operator Focus: Wojo

RETHINKING STRATEGY AND HOSPITALITY

Wojo rebranded from Nextdoor in 2019, with the ambition to become the leading European coworking network. In partnership with Accor hotels, they plan to open 1200 new locations in Europe by 2022.

Accor is creating a new partnership within an existing trend – to create a new generation of hotels, offering unique services to its guests and also creating a common area for travellers and locals to interact and engage. They want to reimagine hospitality as a service rather than just a place to rent a hotel room. Wojo will enable this by creating a combination of Wojo Spots, Corners and Sites to provide a variety of solutions to their customers' needs.

These ambitious expansion plans are set to commence this year with 100 sites due to open in France in 2019, a further 150 in 2020 and then a total of 1200 across Europe by 2022. This trend is something we have previously witnessed in Asia and are likely to see in further markets as hotels strive to drive revenue from their underutilised space.

WOJO, MONMARTE

Wojo Solutions

1 **SPOTS**
Wojo Spots will open in Accor hotels, their extensive locations providing Wojo with the breadth of reach they are striving to achieve.

2 **CORNERS**
Wojo Corners provide a quiet coworking space away from the hustle and bustle, and are planning to open in Accor hotels as well as in stations, airports and shopping malls.

3 **SITES**
Wojo sites will be in purpose-built locations and offer a mix of living spaces, shared work areas and dedicated offices to bring together the widest variety of companies.

Operator Focus: WeWork

EXPANSION IN PARIS

Founded in New York in 2010, WeWork has undoubtedly been a key player in the growth of the flexible office market, with currently around 6.5 million square foot of space in Europe. They are continuing to expand rapidly with the highest number of new centre openings currently proposed for London, Paris, Berlin, Barcelona and Warsaw.

WeWork opened its first location in France in Paris in 2017, and is now one of the key players in the Paris flexible office market. They are set to expand rapidly over the next 12-18 months, expanding their portfolio from 7-25 centres by the end of 2020.

An additional 16 centres have already been finalised in Paris with plans to expand into other key cities in France in the future. The current proposed new centre openings are all located in the heart of Paris with just two centres opening in Collines de L'Arche in La Défense, Paris' major business district on the outskirts of the city.

WeWork are also launching their **HQ by WeWork** offering in Paris, offering medium-sized businesses their own private and personalised space while still being members of the WeWork network. This expansion of centres and offerings will certainly help to keep WeWork's spot among the key flexible office providers in France.

WEWORK, PARIS

Forecast

WHAT WILL THE FRENCH MARKET LOOK LIKE IN 2025?

The global coworking boom is predicted to shape the future of the office market in France like many other countries worldwide, with flexibility now being the key for the majority of companies.

Hybrid spaces, offering desks for individuals, start-ups and private offices for small to medium-sized companies, are set to expand rapidly across the country.

The biggest change in France over the last 2 years has been the size of deals, with many larger companies taking whole floors of flexible office space rather than conventional space which was previously the norm.

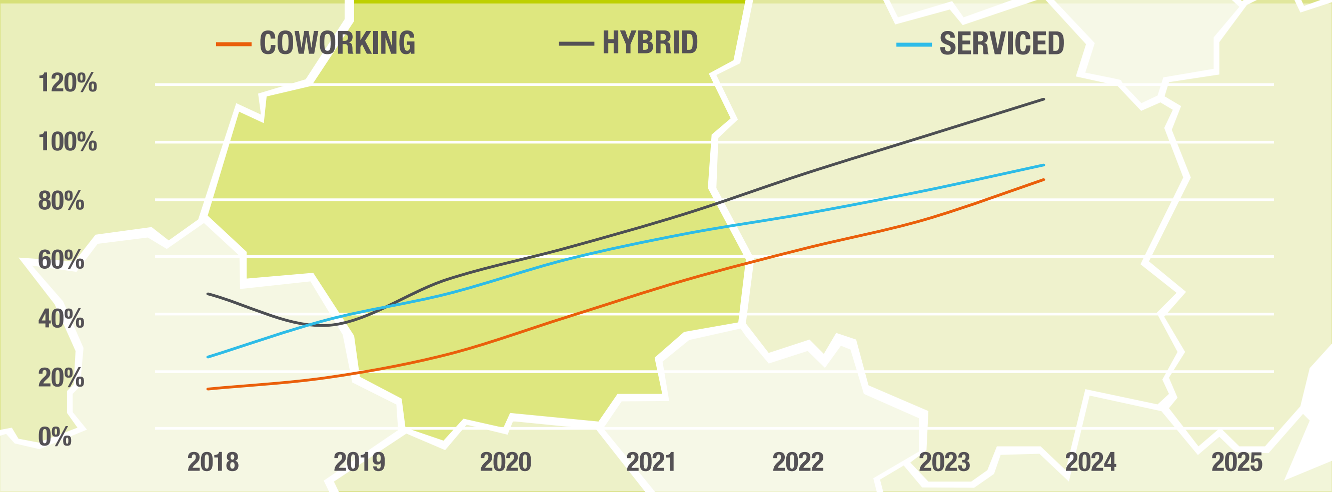
Due to limited availability in central Paris, the suburbs will play a key role over the next few years. New construction is all centred in the areas surrounding Paris and key players are all predicted to open new hybrid spaces in these areas over the next 12-24 months.

Lyon, Marseille, Bordeaux and Lille are expected to continue to thrive and grow as the key secondary markets, but key operators are expected to open smaller hubs within strategic smaller cities of 2000+ residents. Mid-market operators are expanding to secondary cities and, with an increasing number of start-ups receiving governments grants, this is expected to increase employment within the smaller regions of France.

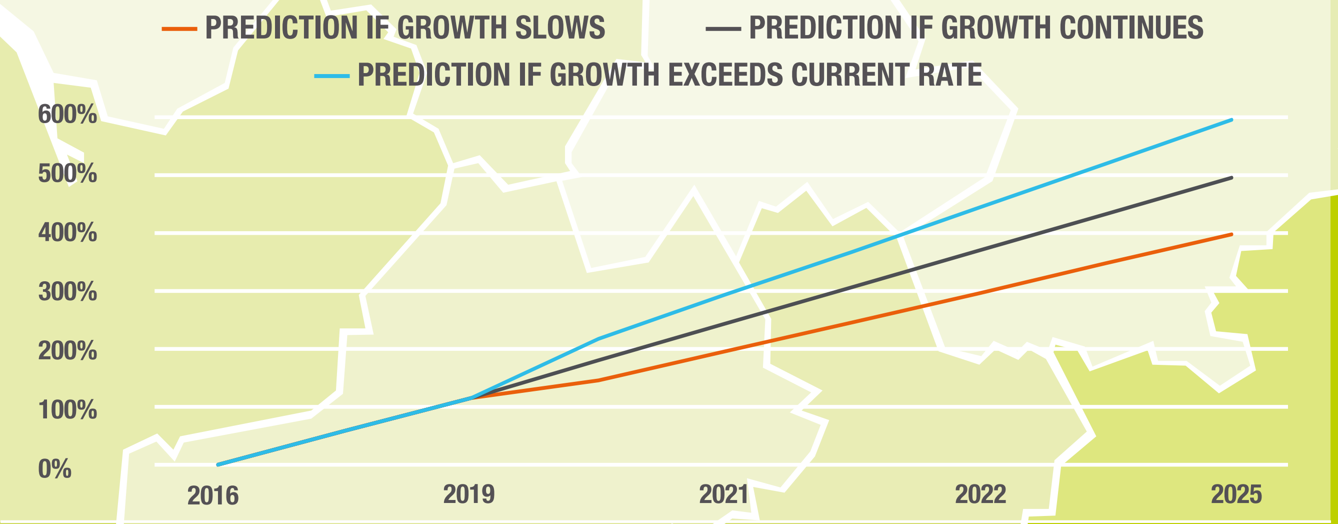
THE DATA RANGE OF THIS REPORT VARIES AS FOLLOWS:

- 2019 – this data is everything up to and including 31st July 2019
- 2019 – this data is everything up to and including 31st July 2019
- 2018-19 – this data is based on 1st August 2018 - 31st July 2019
- Where other years are referenced, this data is based on 1st August the previous year until 31st July of that year
- All data featured correct as of 31st July 2019.

PREDICTION OF SPACE TO 2025



FRANCE PERCENTAGE ENQUIRY GROWTH



Rethinking Workspace.

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Instant
RETHINKING WORKSPACE

Founded in 1999, The Instant Group is a workspace innovation company that rethinks workspace on behalf of its clients injecting flexibility, reducing cost and driving enterprise performance. Instant places almost 8,000 companies a year in flexible workspace such as serviced, coworking or managed offices including Amex, Barclays, M&G, Booking.com, Shell, Jaguar Land Rover and Worldpay making it the market leader in flexible workspace.

Its listings' platform **www.instantoffices.com** hosts more than 15,000 flexible workspace centres across the world and is the only site of its kind to represent the global market, providing a service to FTSE 100, Fortune 500 and SME clients.

With offices across the world, The Instant Group employs 300 experts and has clients in more than 150 countries. Instant is ranked #28 in the 2019 Sunday Times HSBC International Track 200.

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Note: All figures in this report were collated using The Instant Group's proprietary transactional data and market research surveys as at July 2019.