

BALTIC FLEX OFFICE MARKET UPDATE | H1 2024

# Flexible Offices: Potential for Occupiers and Operators

Flex operators continue their expansion plans in the Baltic region, while demand for flexible spaces keeps growing. Read the report to discover the latest trends emerging in the sector and what the future holds

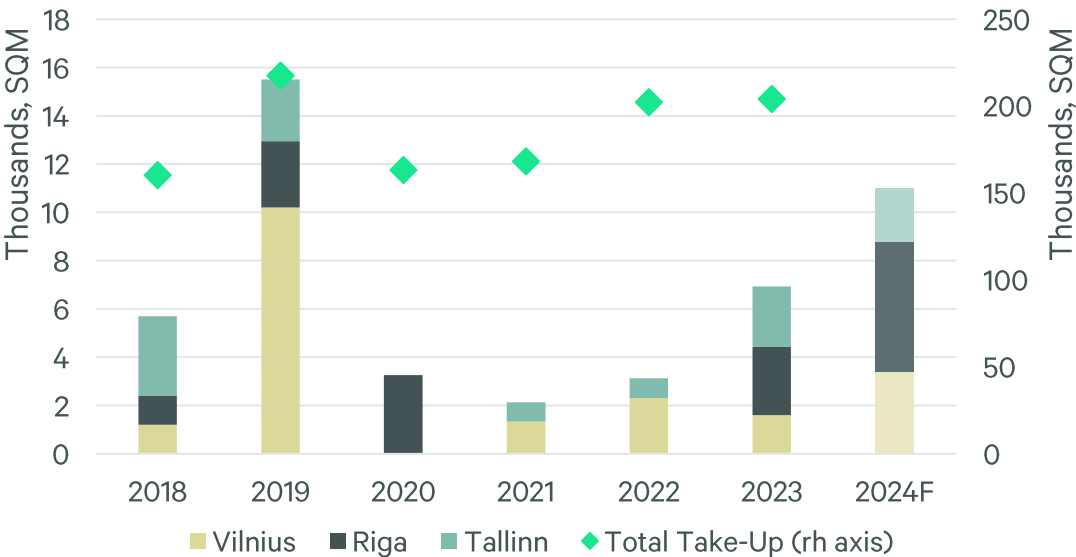


# Operator Sentiment

## Leasing patterns

The flex office segment faces the same economic challenges as other local businesses, as reflected in the occupancy figures from 2020-2022 (Figure 1). The pandemic caused flex occupiers to significantly slow down their expansion plans. However, leasing activity by flex operators began to recover in 2023 and is expected to increase substantially in 2024 and 2025. While flex office expansion in Europe was slow in 2023, the trend has been positive in the Baltics. This growth is driven by the region's strong start-up ecosystem, as well as the lasting use of hybrid work. Additionally, flex offices offer better conditions for smaller-scale companies, further boosting demand.

FIGURE 1: Flex Operator Take-Up of Space VS Overall Take-Up, Baltic Capitals, 2018-2024F

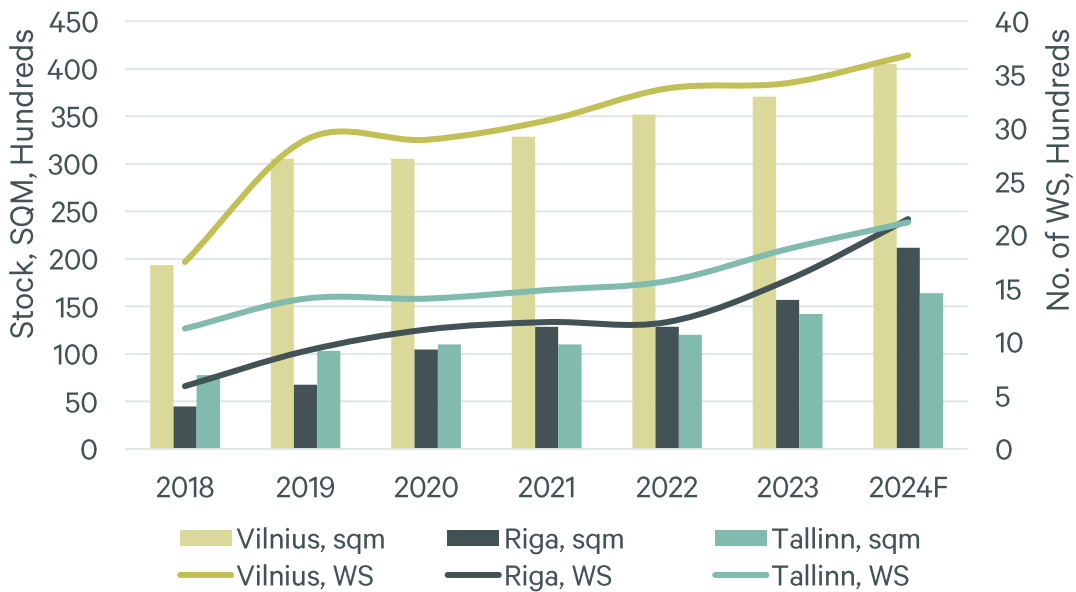


Source: CBRE Baltics Research

## Market penetration rates leave occupier demand untapped

The amount of flex space across the Baltic capitals grew by more than 11% throughout 2023, compared to just under 4% in Europe, and is expected to grow further in 2024. Nevertheless, flex office space accounts for only about 2% of all office space in the Baltics, similar to Europe where the share is 2.5%. This low supply share of flex space leaves potential operators with significant options to execute their growth plans and increase the amount of flex they have in their CRE portfolios, as currently, the overall office vacancy across Vilnius, Riga, and Tallinn stands at 9% - offering enough space for flex expansion.

FIGURE 2: Flex Stock (left) and Working Stations' (right) Growth, 2018-2024F

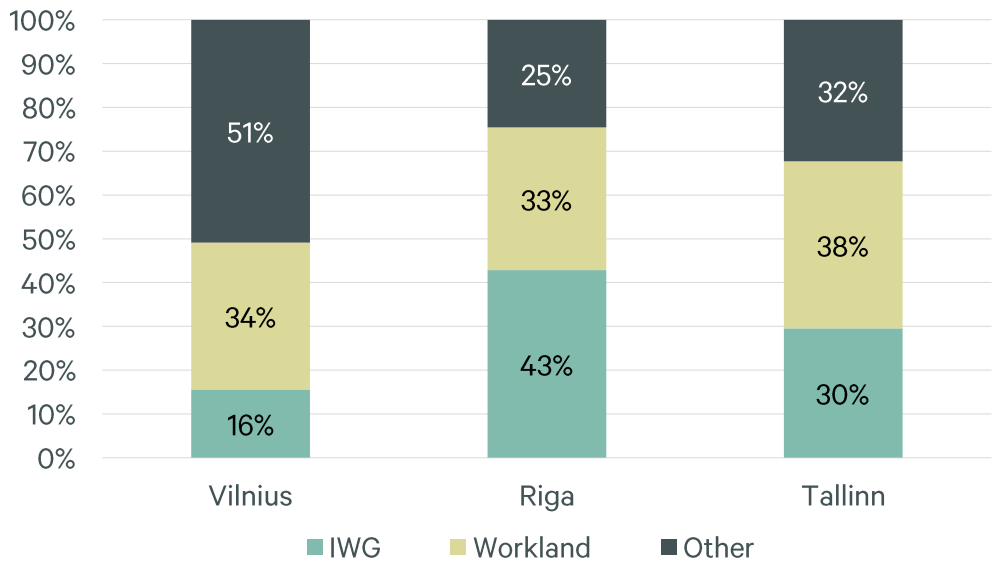


Source: CBRE Baltics Research

## Operator Distribution

Across the Baltics, IWG and Workland offer the most workstations compared to other local flex operators. Only in Lithuania is the segment increasingly gaining momentum from unrelated market players. For instance, in Vilnius, a business consultancy firm recently opened two floors of co-working space in the newly developed Flow business center, local libraries offer similar flex solutions to their visitors, while Technopolis office campus operates flex solutions themselves. In Riga, the trend is also becoming visible, where a local kindergarten operator began additionally offering co-working spaces in its premises, while in Tallinn, an Art Center began doing the same. However, the largest players, IWG and Workland, continue their expansion. In 2024 alone, Workland will offer three more flex offices with approximately 800 desks in total across Vilnius, Riga, and Tallinn, while IWG will open 3 offices with up to 1,000 desks in total in all three Baltic capitals throughout 2024 and 2025.

FIGURE 3: Market Shares of the Largest Flex Operators, Baltic Capitals



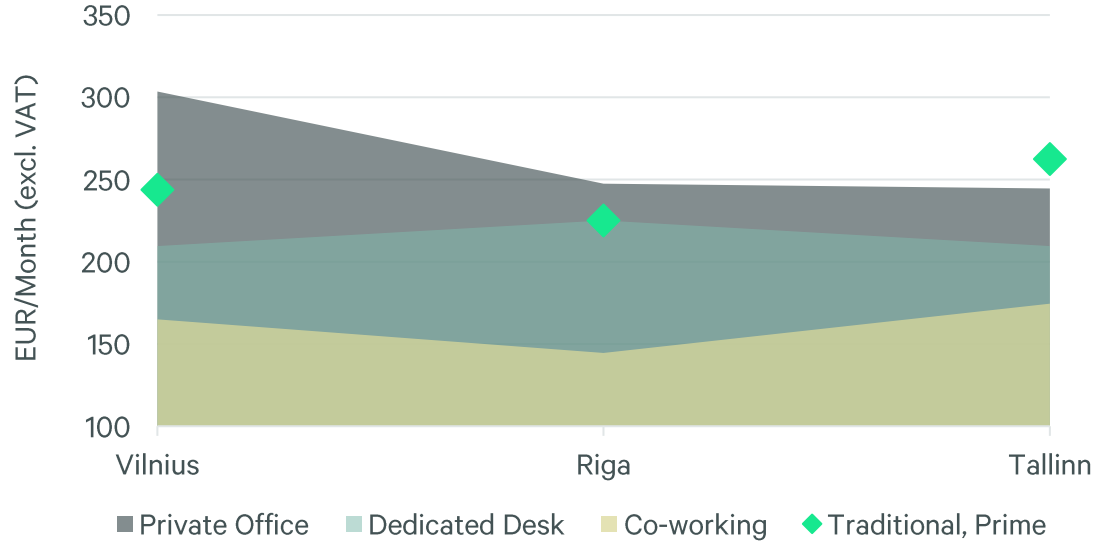
Source: CBRE Baltics Research, Q2 2024

## Occupier Sector

Startups and SMEs typically take center stage in the flexible office space sector, drawn by its cost-effectiveness, flexible terms, networking opportunities, collaboration potential, and access to various amenities - all vital factors during the early growth phase of a company. Co-working spaces are also becoming increasingly occupied by digital nomads, freelancers, and remote workers, who look for dedicated work seats in calmer environments than laptop-friendly cafes.

In 2023, Dealroom data reveals the founding of 88 startups in Estonia, 12 in Latvia, and 33 in Lithuania, while throughout the past decade, the Baltic region collectively witnessed the establishment of more than 5,000 startups. At the same time, based on Eurostat, self-employment in the Baltics continuously grows, too, and in 2023, more than 325,000 people were working individually across the Baltics, that is 6% more than in the pre-pandemic 2019. The growing numbers of startups and self-employment indicate potential future growth in demand for flex spaces.

FIGURE 4: Average Monthly Rent Levels for Flex Space & Average Rent Levels for Traditional Office Space per Employee\*



\*12.5 sqm of traditional office space was considered per employee  
Source: CBRE Baltics Research, Q2 2024



## Upcoming Flex Developments

### Vilnius



#### Turicum Spaces

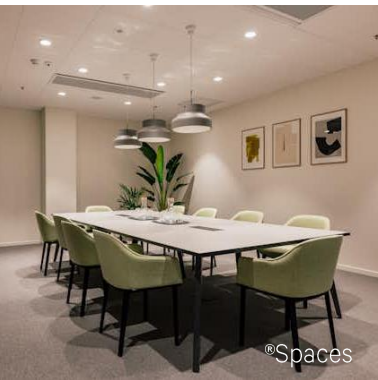
Operator: Turicum  
Move-in: 2024 Q2  
Located in: Flow  
Address: Lvivo 21A



#### Workland Flow

Operator: Workland  
Move-in: 2024 Q3  
Located in: Flow  
Address: Lvivo 21A

### Riga



#### Spaces Elemental

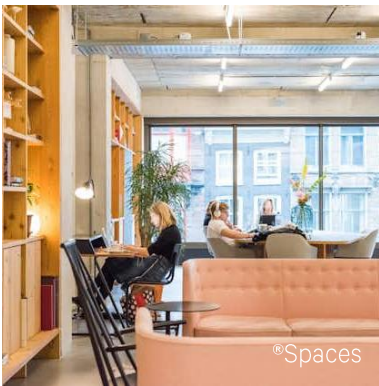
Operator: IWG  
Move-in: 2024 Q2  
Located in: Elemental  
Address: Skanstes 25



#### Workland Galleria Riga

Operator: Workland  
Move-in: 2024 Q3  
Located in: Galleria Riga  
Address: Dzirnavu 67

### Tallinn



#### Spaces Arter

Operator: IWG  
Move-in: 2025 Q1  
Located in: Arter Quarter  
Address: Liivalaia 34/36



#### Workland Vektor

Operator: Workland  
Move-in: 2024 Q3  
Located in: Vektor  
Address: Parnu 137

Source: CBRE Baltics Research, Official Operator Websites

CBRE Baltics Predictions for 2024

01

For the past few years, many companies have been reducing their office sizes due to remote working practices. As **back-to-work policies** become more prevalent, many tenants will turn to flex space solutions to accommodate new and returning workers.

02

Recent evidence suggests that an increasing number of landlords of new developments will seek **to attract flex office operators** to their properties, as they typically occupy large spaces for the long term. This trend is expected to impact both A-class and B-class office developments.

03

The notion of community is becoming one of the pivotal selling points for flex operators. With young people struggling with the sense of belonging more and more, the **provision of a community** will drive the demand for flexible office spaces.

04

**Value-adding experiences** will increasingly become more attractive as operators compete against each other to attract long-term occupiers. From 2024 onwards, the markets will witness more operators balancing flexible office solutions with hospitality elements.

05

Despite the rising prices for flex space in the Baltic capitals over the past few years, they **remain competitive** within the Central and Eastern European (CEE) market and are expected to continue to do so.

TABLE 1: Pricing levels, selected European markets\*

City	Price per desk per month, range
Paris	€500 – €1700
London	£500 – £1500
Amsterdam	€450 – €1200
Milan	€250 – €1000
Berlin	€600 – €900
Munich	€600 – €900
Dublin	€700 – €800
Brussels	€400 – €700
Warsaw	€330 – €650
Birmingham	£350 – £600
Barcelona	€325 – €500
Madrid	€325 – €500
Prague	€300 – €400
Vilnius	€100 – €320
Tallinn	€100 – €320
Riga	€150 – €300

\*Note: Flex desk pricing is determined by a broad range of factors, including sub-location, building quality, size of requirement, operator desk density, amenity, length of commitment, etc. Therefore, pricing can vary significantly within a market, reflected in large ranges.

Source: CBRE Flex & CBRE Baltics Research



### Definitions

- **Co-Working** – office space designed for shared use, divided into three subcategories by workspace type of use: open spaces, dedicated desks and private offices. Co-working can be defined by a centrally located disposition run by a well-known local/foreign operator.
- **Dedicated Desk** – a workspace, such as a desk workstation or office, with a sharing ratio of 1 to 1.
- **Private Office** - is a dedicated, enclosed workspace reserved for a single individual or, usually, a team.
- **Working Station** – an individual desk or workspace equipped with essential amenities, such as a chair, desk, and power outlets.

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