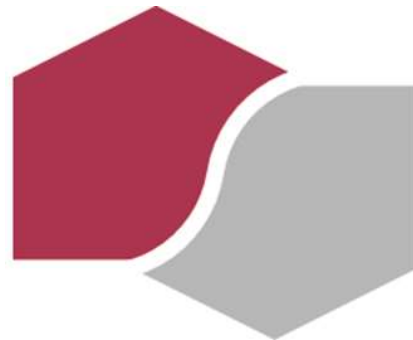# Bauhaus-Universität Weimar

The impact of Coworking spaces on peripheral real estate markets – a case study of Germany

28th ERES Conference 2022

IMWIM
Professional Management of Built Environments

Funded by the European Union

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EUROPEAN COOPERATION IN SCIENCE & TECHNOLOGY

NeW.Sp.
NEW WORKING SPACES

Agenda

1 Introduction and Background

2 Methodology & Data Source

3 Results
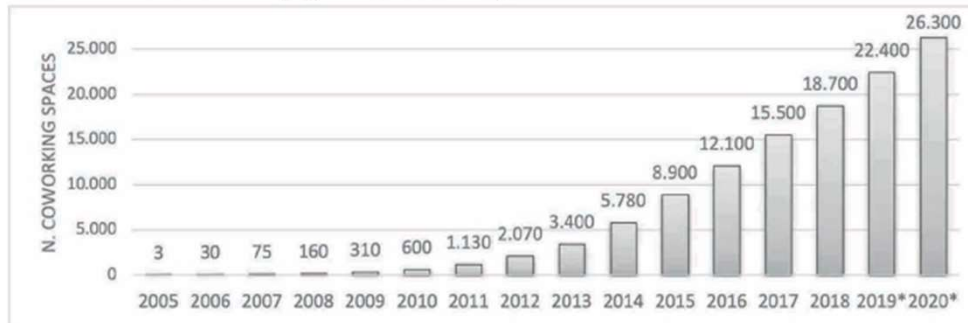
4 Conclusion & Discussion

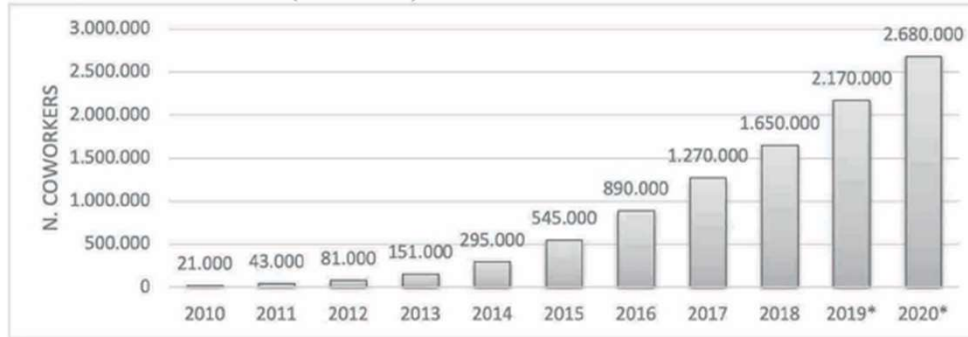# Agenda

Introduction and Background

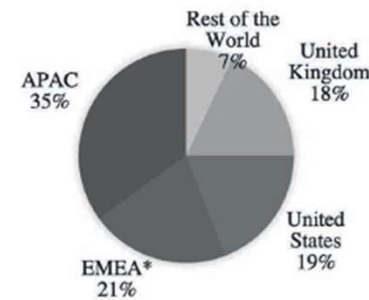## Growing of coworking spaces around the world

Number of coworking spaces (2005-2020)

Number of coworkers (2010-2020)

Geographical distribution of coworking spaces in the world (year 2019)

Source: data from Deskmag; Statista, 2020

Bauhaus-Universität Weimar

Introduction and Background

Possible reasons for future growth of CSs after COVID-19

82% working from home

69% number of CSs

67% digital nomads

36% office prime rents

60% business-trips
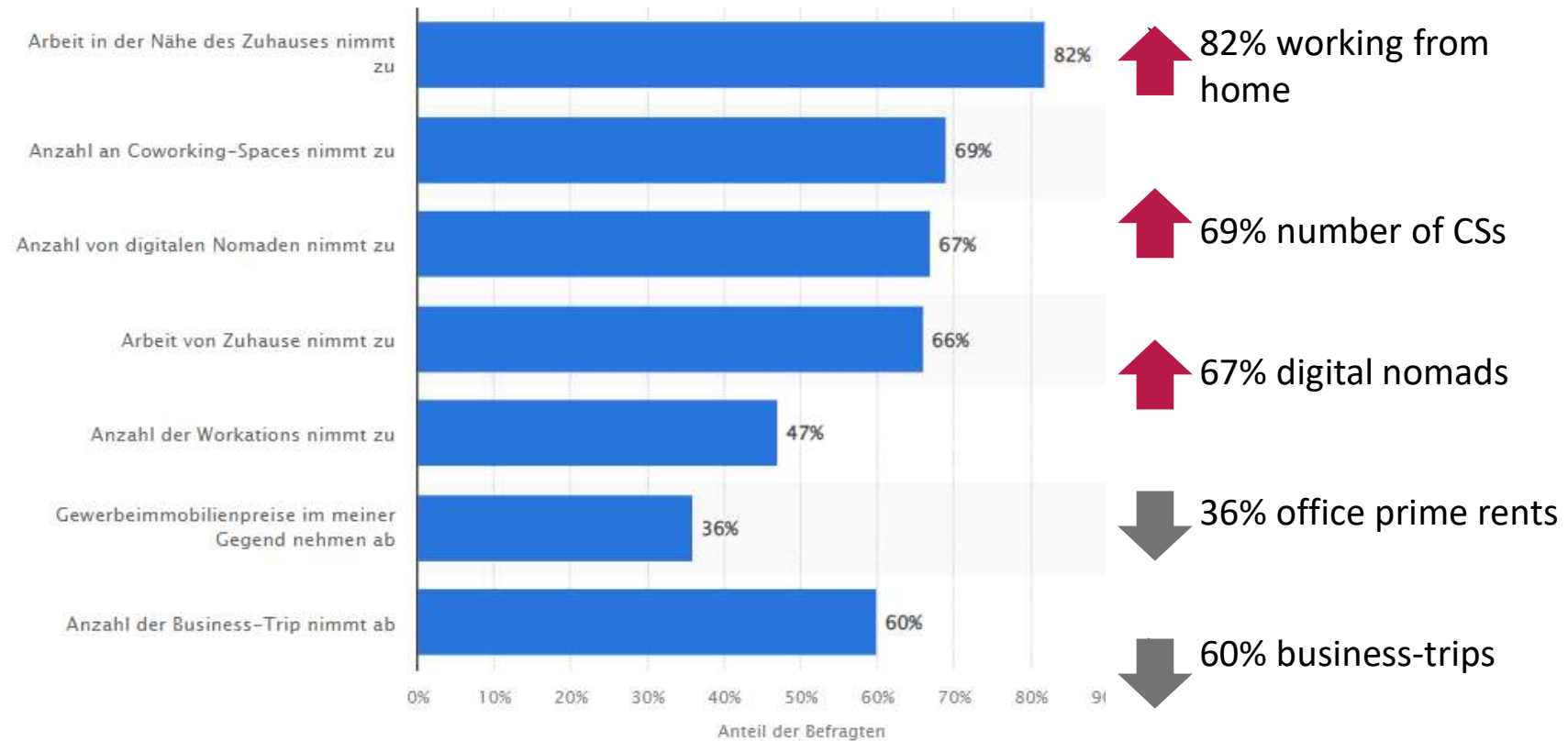
Source: Statista, 2021

Introduction and Background

Possible reasons for future growth of CSs after COVID-19

Arbeit in der Nähe des Zuhauses nimmt zu — 82%
Anzahl an Coworking-Spaces nimmt zu — 69%
Anzahl von digitalen Nomaden nimmt zu — 67%
Arbeit von Zuhause nimmt zu — 66%
Anzahl der Workations nimmt zu — 47%
Gewerbeimmobilienpreise im meiner Gegend nehmen ab — 36%
Anzahl der Business-Trip nimmt ab — 60%

Anteil der Befragten

82% working from home

69% number of CSs

67% digital nomads

36% office prime rents

60% business-trips

Source: Statista, 2021

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RQ: How are CSs distributed in Germany?

RQ: Do CSs exist in the peripheral areas?

Agenda

Methodology & Data Source

What is the geographical distribution of Coworking Spaces in Germany?

- <u>Desk research </u>(May 2021 until August 2021) : Identification of 1.121 Coworking Spaces => assigned to 258 congregations

- <u>Statistical data</u>: demographic and economic (reference date 31.12.2019, published by Federal Statistical Office) => deduct geographical distribution of Coworking Spaces in Germany (apart from the big 7 cities => peripheries)

- Transdisciplinary approach => cities and congregations assigned to city categories of the <u>real estate</u> and <u>urbanistic</u> sectors.

  - A-B-C-D Classification Model (Bulwingesa AG, 1995)

  - Typology of cities and municipalities (BBSR, 2003)

  - Spatial categorisation model of BBSR (BBSR, 2019)

Methodology & Data Source

A-B-C-D Classification Model

- Categorization regarding importance for national and international real estate markets

- Performance characteristics (total office space stock, office space take-up, prime rents)

- Office markets of 128 cities => To cover peripheral areas - extension category E

    - *A cities:* Most important centres (so-called "Big-7" cities); high national and moderately high international importance. In all segments, there are large and fully functional markets (e.g., office space stock > 7 mil sqm; office space take-up 150,000 sqm/a on long-term average; prime rents > 16 €/sqm on long-term average).

    - *B cities:* Big cities with regional and national importance (e.g., office stock between 5 and 2 mil sqm; office space take-up around 35,000 sqm/a; prime rents > 12 €/sqm on long-term average). 14 cities.

    - *C cities*: Important German cities with regional and limited national importance but with high significance for surrounding regions. 21 cities.

    - *D cities:* Small regionally focused towns with central function for the immediate surrounding regions. No regional or national importance, small office stock, insignificant lease take-ups per year; small prime rents. 84 cities.

    - *E-type:* To be able to cover all municipalities of identified CS => introduced a new category (E) that represents office market peripheries. Very small towns and rural areas. 209 entities.

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Methodology & Data Source

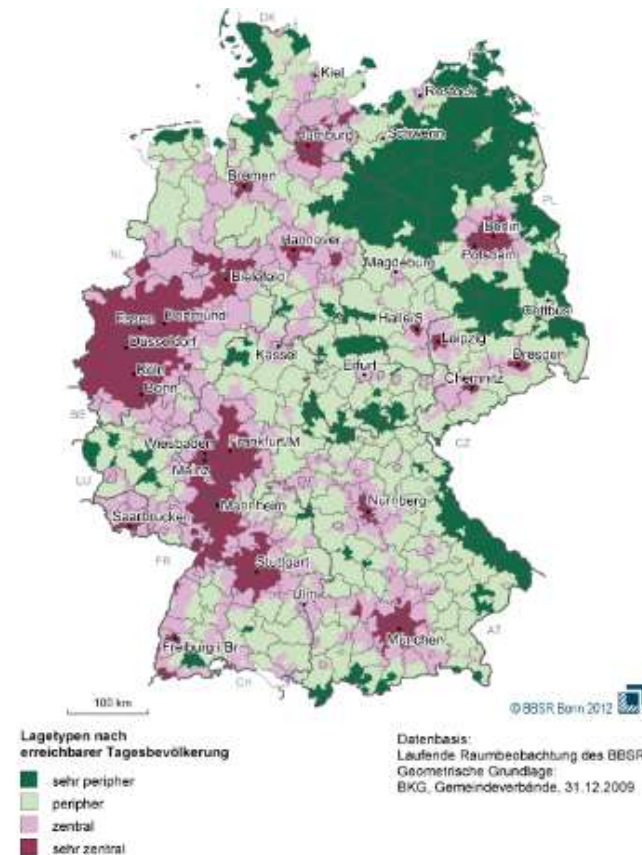## Typology of cities and municipalities (BBSR)

- Categorization regarding the size of the community and its function as a central town

- Total of 4.500 units, 1.700 are defined as rural communities and 2.800 as cities

  - *Big cities:* united communities or municipal associations > 100.000 inhabitants, as regional or at least medium centers

    - Large big cities > 500.000; 14 cities

    - Smaller big cities < 500.000; 67 cities

  - *Mid-sized cities:* united communities or municipal associations 20.000 - 100.000 inhabitants, function as medium centers

    - Large mid-sized cities > 50.000; 60 cities

    - Smaller mid-sized cities < 50.000; 55 cities

  - *Small cities*: united communities or municipal associations 5.000 - 20.000 inhabitants, basic central function

    - Large-small cities > 10.000; 35 cities

    - Small cities < 10.000; 27 cities

Methodology & Data Source

Spatial categorisation model (BBSR)

- Categorization regarding the density and importance for the region

- All 401 federal regions (NUTS 3 level) are categorized regarding their "daytime population" in the following categories:

    - *Very central regions: > 410.000 people*

    - Central regions: 410.000 < X > 183.000

    - *Periphreal regions: 183.000 < X > 81.000*

    - *Very peripheral region*: < 81.000

Source:
https://www.bbsr.bund.de/BBSR/DE/forschung/raumbeobachtung/Raumabgrenzunge
n/deutschland/gemeinden/Raumtypen2010

Lagetypen nach
erreichbarer Tagesbevölkerung

- sehr peripher
- peripher
- zentral
- sehr zentral

Datenbasis:
Laufende Raumbeobachtung des BBSR
Geometrische Grundlage:
BKG, Gemeindeverbände, 31.12.2009

100 km

© BBSR Bonn 2012

Agenda
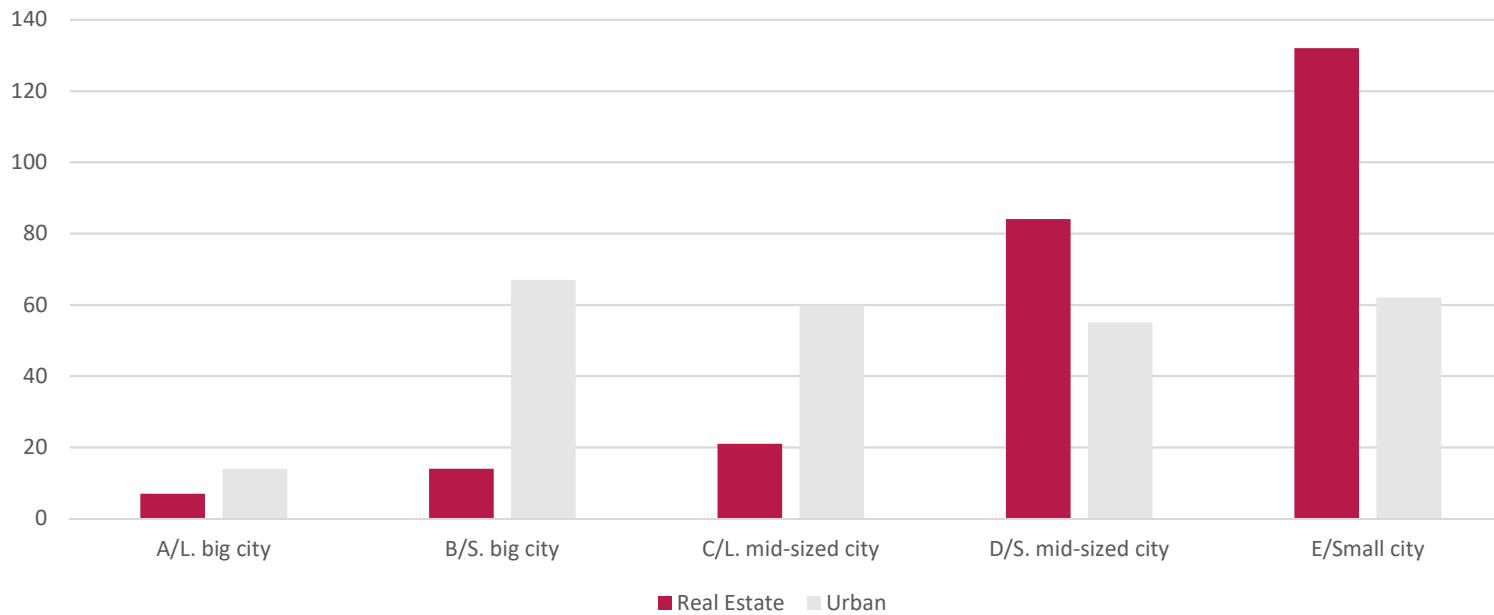
Results

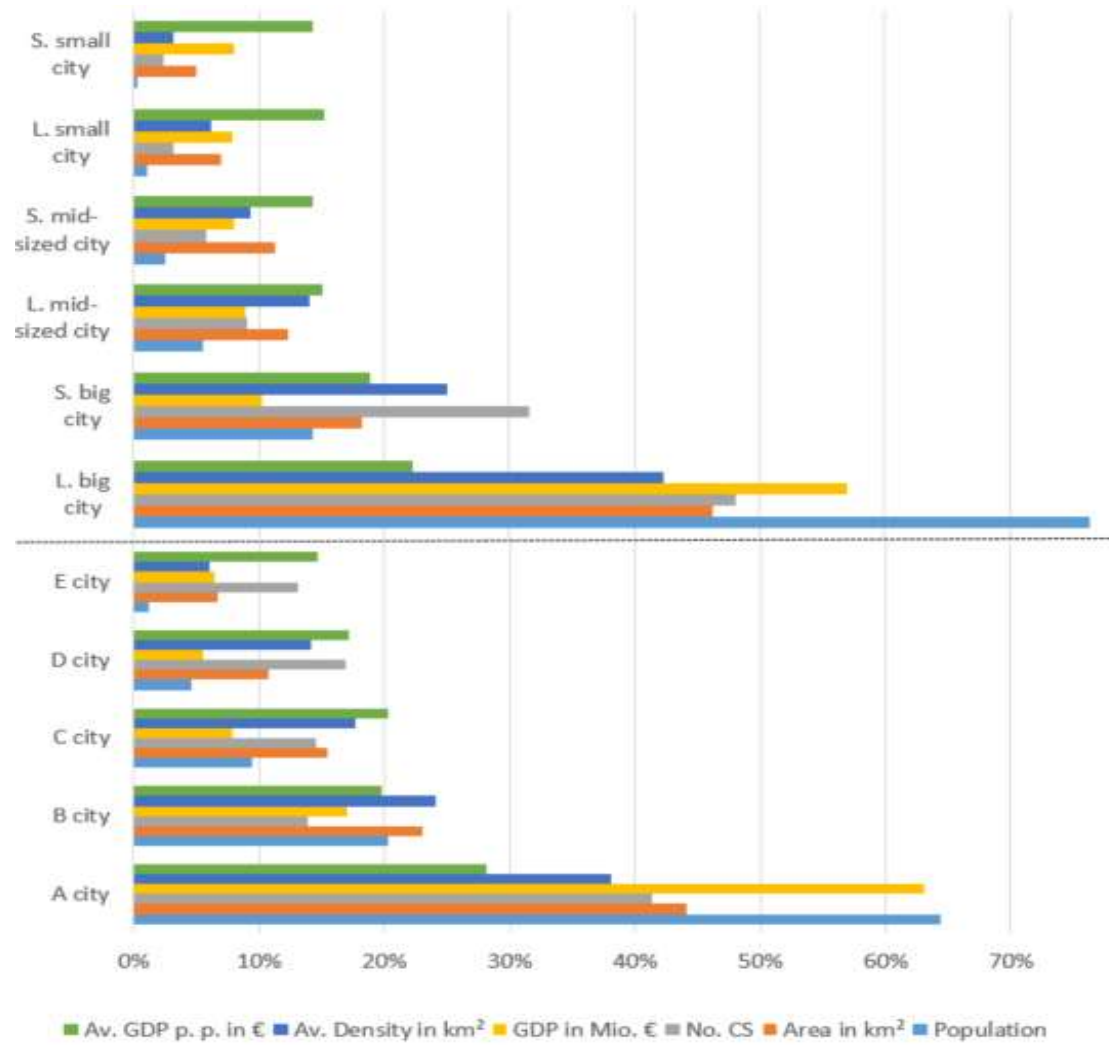## Comparison of the number of cities regarding Real Estate and Urban categories

Comparison of the number of CS regarding Real Estate and Urban categories

Results

Allocation of CS regarding demographical and economical in Real Estate and Urbanism categories
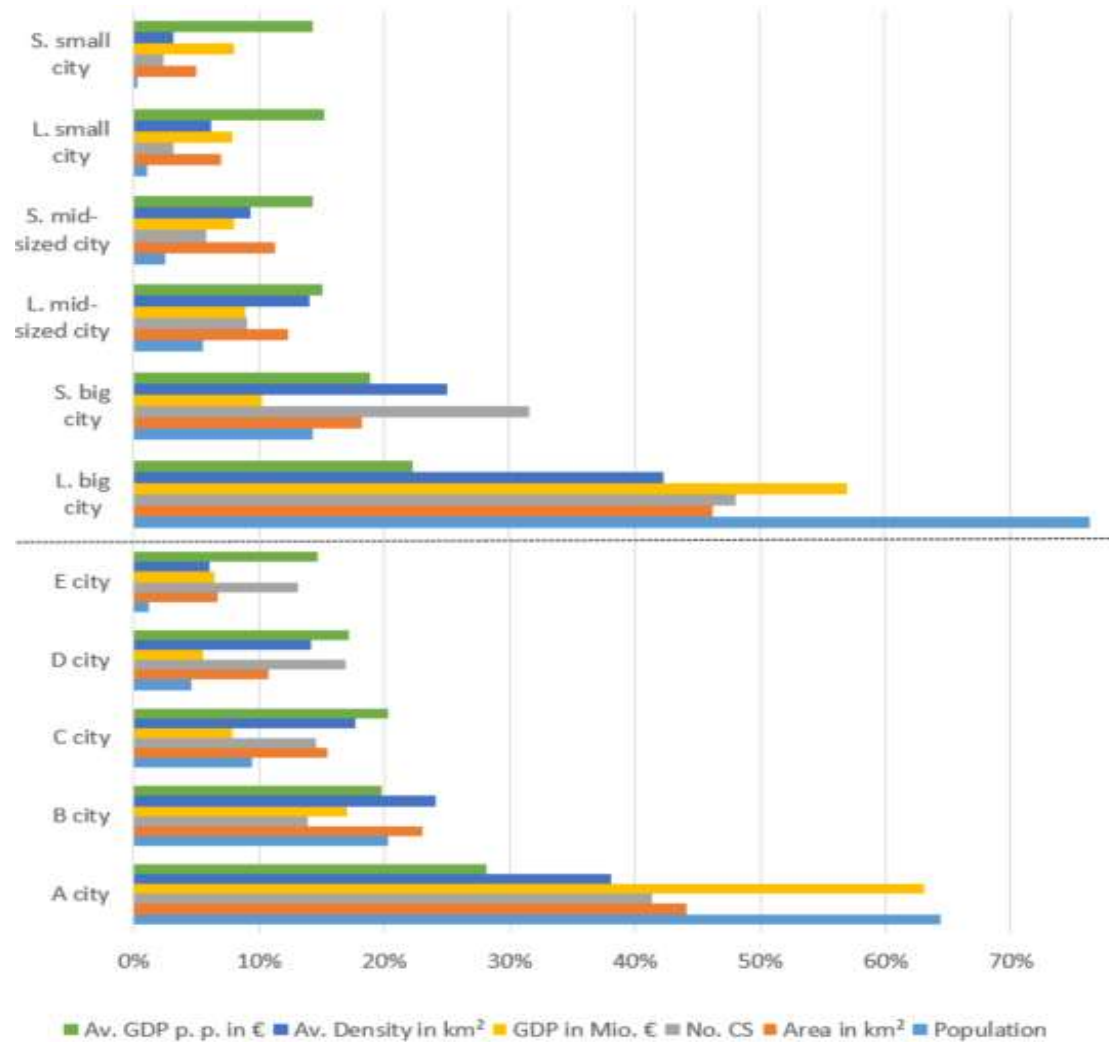
Results

Allocation of CS regarding demographical and economical in Real Estate and Urbanism categories

- Correlation between population and no. of CSs
- Correlation between area, density, GDP and no. of CSs (urbans)
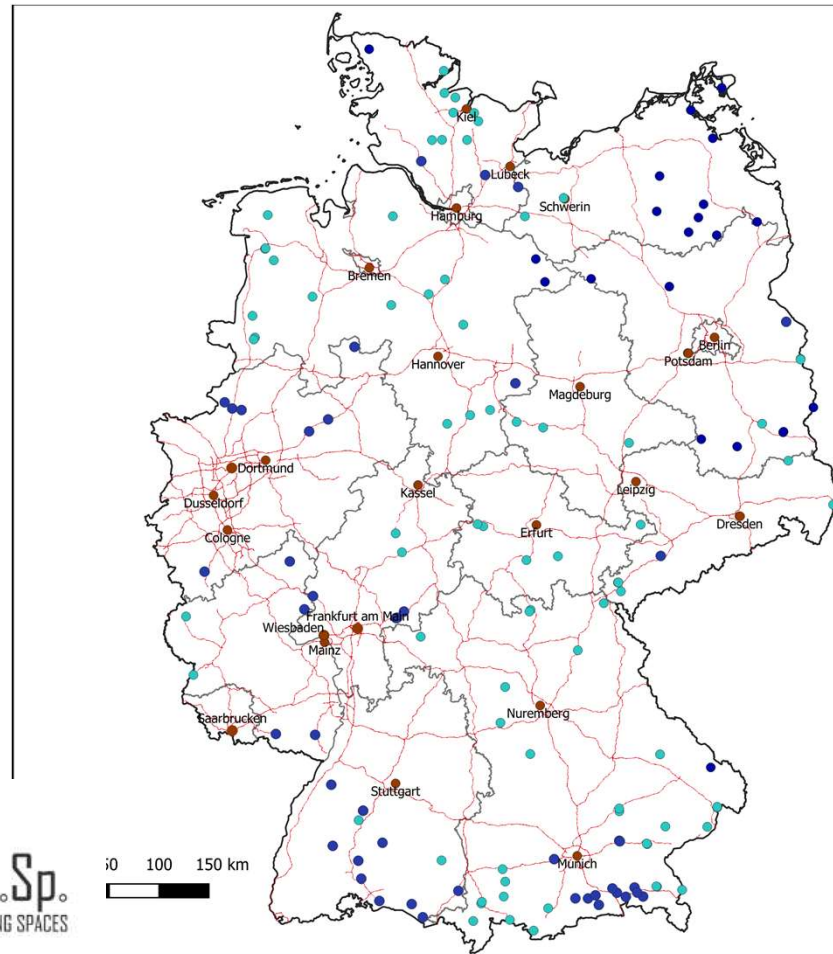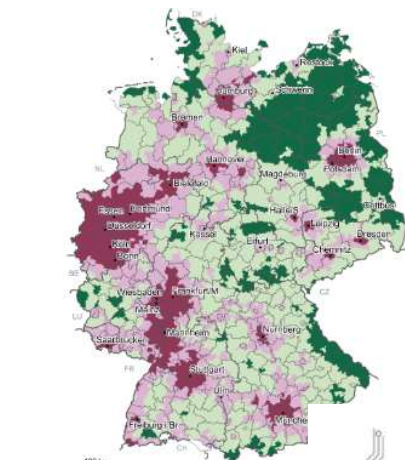- Correlation between GDP p. p. and no. of CSs insegnificant

Identification of CSs in peripheral areas in Germany

- 100 CSs in peripheral administrative districts in Germany (NUTS 3 level)

- High number of CSs in the north and south of Germany

Source: Vogl T., Micek G., 2022

Legend
- ☐ Country boundary
- ☐ State boundary
- — Motorway
- ● Main cities
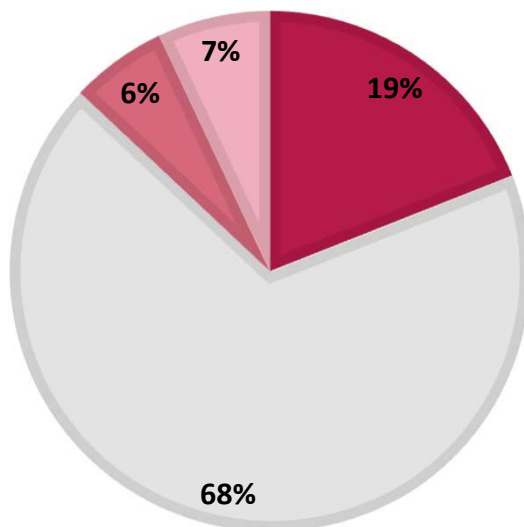- ● Peripherial CSs
- ● Very peripherial CSs

Results

Identification of CSs in peripheral areas in Germany

Taxonomy of CS in peripheral areas

Source: based on Vogl T., Micek G., 2022

OWNER STRUCTURE

■ Public   ■ Private   ■ Public/Private   ■ n. A.

- Public: 19%
- Private: 68%
- Public/Private: 6%
- n. A.: 7%

CS MODEL

■ Core CS   ■ Corpoworking   ■ Mix   ■ n. A.

- Core CS: 34%
- Corpoworking: 57%
- Mix: 4%
- n. A.: 5%

- Private sectors: IT (18%); Economics (9%); Education (9%); Real Estate (6%)
- High share of Public institutions (around 20%)

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Results

Identification of CSs in peripheral areas in Germany

Taxonomy of CS in peripheral areas
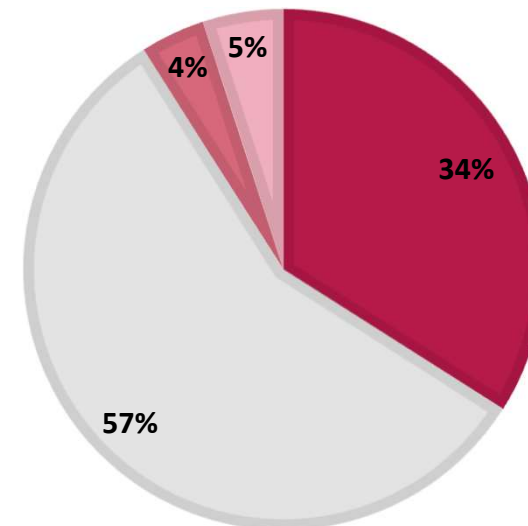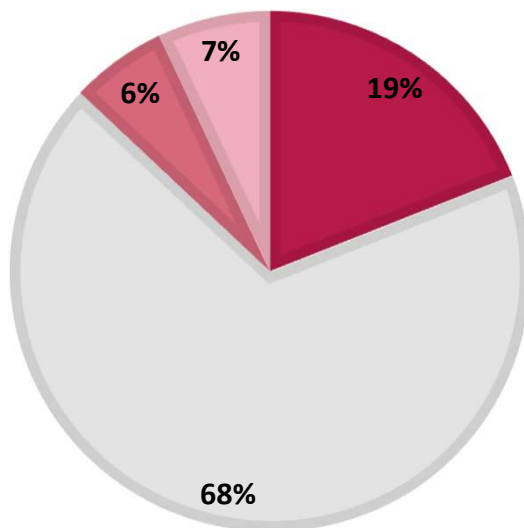
Source: based on Vogl T., Micek G., 2022

OWNER STRUCTURE

- Public
- Private
- Public/Private
- n. A.

7% · 6% · 19% · 68%

CS MODEL

- Core CS
- Corpoworking
- Mix
- n. A.

5% · 4% · 34% · 57%
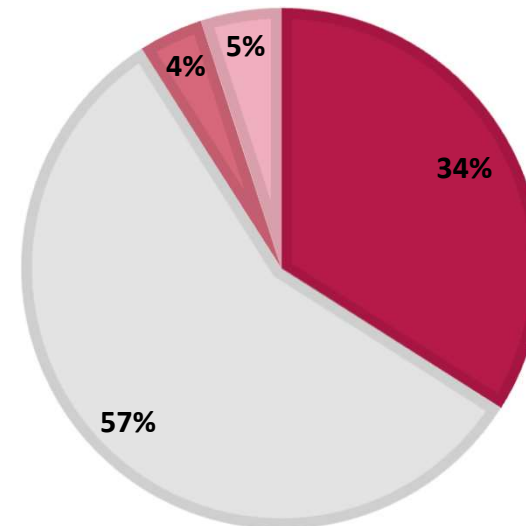
RQ: How does a strategically framed CS assists the CREM strategy of companies located in the non-urban areas?

RQ: What are the main strategic reasons to implement a CS in corporate real estates?

Agenda

Conclusion & Discussion

Conclusion

➢ CS are already existing and established in small cities and peripheral areas

➢ Vast majority still located in big cities (> 100.000 inhabitants) with a strong economy and high relevance for the national and international real estate office market.

➢ CSs in peripheral areas are mainly provided by private companies (core business is not coworking)

➡ **Possible reasons: low office rents and growing market potential**

➡ **Attractive for start-ups and CSs**

➡ **Corpoworking spaces use of vacant spaces, reducing cost, community…**

Conclusion & Discussion

Further research

➢ Exploraty research approach

➢ Narrative literature analysis

➢ 15-30 semi-structured interviews with the owners/responsibles of enterprises that are already practicing "corpoworking" and are located in non-urban areas

➢ 15-30 CRE Managers from large companies => insights regarding the motivation of renting a CS in peripheral areas

Discussion

➢ Which literature from **real estate journals** (or briefing papers from the big real estate companies) can incorporate more commentary on the **corporate real estate management** issues that flow from the findings?

➢ Which issues of import to the property profession?

Thank you for your attention!

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