

Evolving Workforces

# Agile Workplaces: Baltic Trends and Future Development

VIEWPOINT

CBRE BALTICS RESEARCH  
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## Co-Working: A Global Movement

The adoption of flexible workplace policies, initially accelerated by the pandemic, is being maintained, thereby boosting its share in the real estate market. Yet, uncertainty remains over how well the Baltic markets will adjust to the new ways of working and whether this trend will sustain itself.

### Shifting Working Trends

Flexibility is of great value to modern employees. As a result, corporations strive to advance on multiple levels, from physical design elements and engineered solutions (e.g., configurable floorplates) to flexible lease terms, to retain and attract the workforce.

As companies continue to test mixed working policies – often leading to underutilization of assets – their need to right-size office portfolios and reduce an oversupply of space has increased. Ensuring a company has the right size facilities in the right place at the correct cost can help minimize the risk by leveraging flexible space, enhancing business performance and nurturing long-term sustainable solutions.

Agile workspaces are typical among start-ups, freelancers, and SMEs. However, cognition of agile workspace benefits is growing among big corporations. They are experimenting with new office structures to adapt to workers, foster collaboration and innovation, reduce CapEx, and enable sustainable growth by optimizing portfolios and utilizing space.

### Agile Workspaces in the Baltics

Agile workplace share has constantly been growing in the region. Vilnius has the highest number of agile workspaces, but similar growth tendencies can be observed in the other Baltic capital cities. The region is dominated by two international operators – IWG and Workland – who continue expanding.

Average rents vary depending on the type of space used and the furnishings/services included. Private offices have the highest rent rates, followed by dedicated desks and open spaces. Average rents across the Baltics' capitals range from 150 to 290 EUR/per WS, varying by the workstation type.

Year-over-year contraction in  
“me” (private) office space

# 25%

Source: CBRE Research, 2022

Consolidating office facilities  
can reduce corporate footprint  
per sqm up to

# 50%

Source: CBRE Research, 2022

Total supply of working  
stations\* in the Baltics

# 7.3K

Source: CBRE Baltics Research, 2022  
\*Existing and U/C stock

Market share\* operated by  
Workland & IWG in the Baltics

# 47%

Source: CBRE Baltics Research, 2022  
\* Existing and U/C stock

## Workspace Demand Patterns

### Start-up Ecosystem

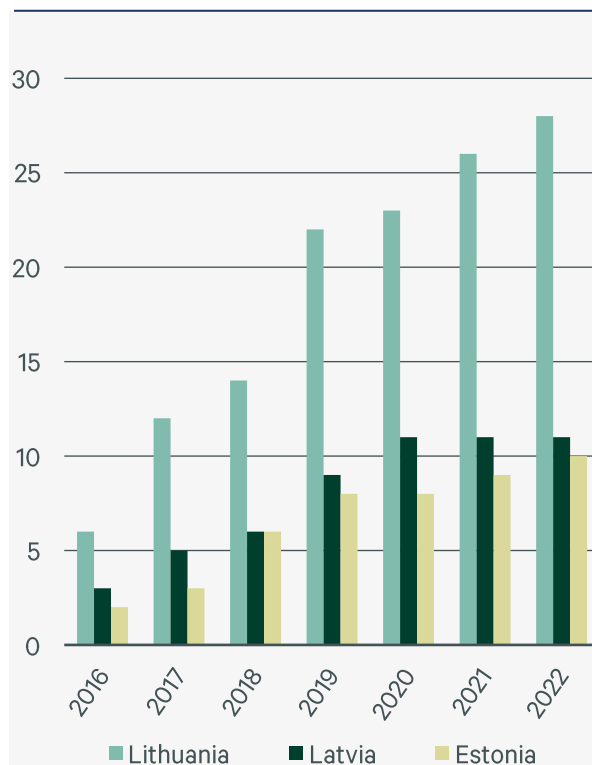
The Baltics is a fast-developing ecosystem, with over 5,000 startups and 12 unicorns. The Baltic States' system incentivizes and supports the startups: active investors, business-friendly regulations, a fierce competitive environment and a growing market for co-working spaces. Since capital expenditure often constrains startups, co-working spaces are more than just a convenient option.

### FDI Flows and Migration Rates

The Baltics remain an attractive location, with more and more foreign companies choosing this area for expansion, portfolio and greenfield development projects. The region has also successfully attracted various knowledge-intensive companies. Investment agencies point out that the Baltic region will remain attractive for foreign investors as it has moderate regulation, political and economic stability and offers solid growth potential.

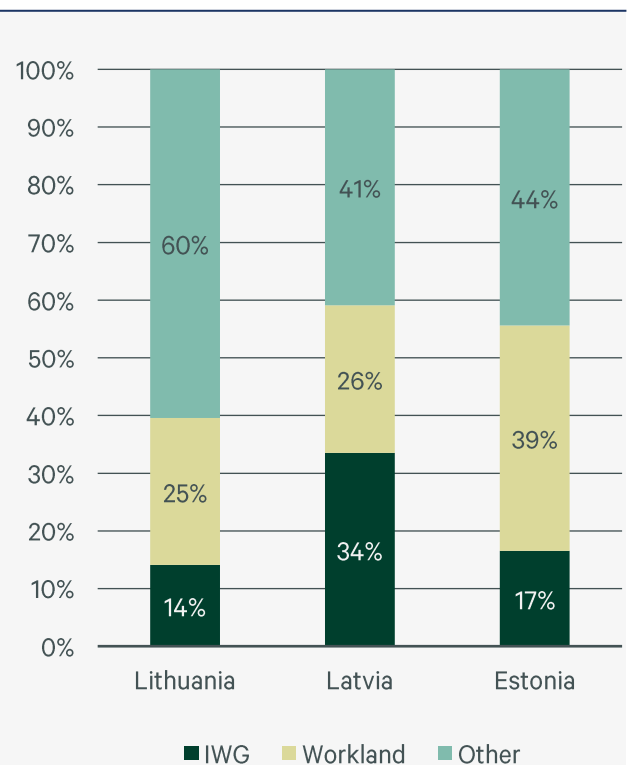
Alongside the FDI inflows, many foreign companies are establishing Baltics-based headquarters or, in some cases, choosing to relocate to the Baltics. Co-working is valued by the latter tenant type, as it remains a feasible option to secure a workspace while bridging the short and long-term solutions. Moreover, low vacancy levels in prime offices has also recently contributed to the rise in centrally located co-working spaces.

**Figure 1: Growth in the Number of Co-working Establishments, Baltic Capital Cities, 2016-2022**



Source: CBRE Baltics Research, 2022

**Figure 2: Market Share\* by Operator in the Baltics, Capital Cities, %, 2022**



\* Existing and U/C stock



Figure 3: Rent Ranges in the Capital Cities of the Baltic States, (EUR/month/per WS)

	Vilnius	Riga	Tallinn
<b>Open Space</b>	100 - 220	120 - 220	155 - 240
<b>Dedicated Desk</b>	110 - 300	130 - 300	190 - 300
<b>Private Office</b>	175 - 400	150 - 330	165 - 320

Source: CBRE Baltics Research, 2022

## Flexible Space Revolution

### Co-working Outside the Capital Cities

The demand for co-working space is also growing in regions outside the capital cities, yet the supply is scarce. Consequently, there is an immense expansion potential: three major co-working projects by the coast, just in Palanga city are projected to increase market supply during 2023 – 2025. Similar development prospects apply to the other Baltic cities (Liepaja, Pärnu), yet the expansion rate is slower.

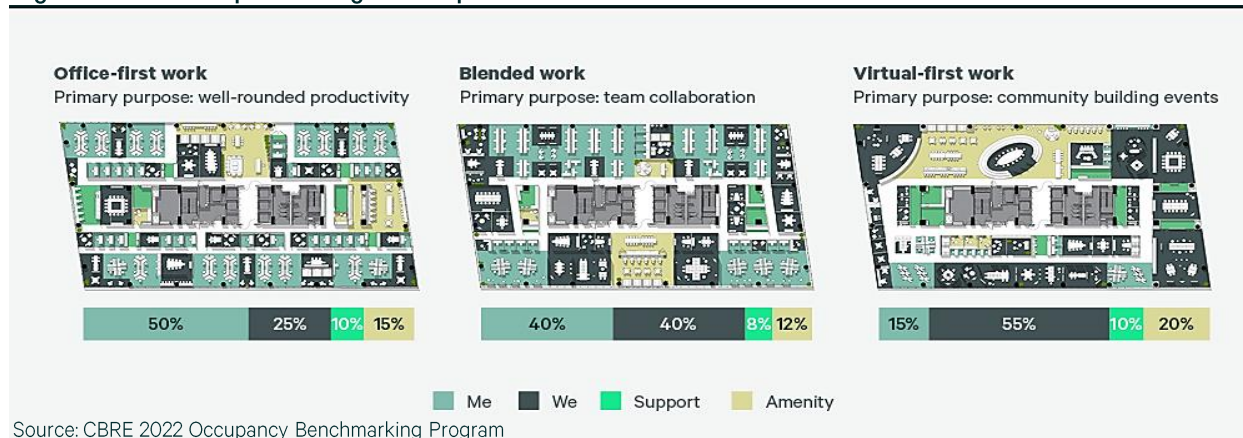
### Virtual Office

A virtual office equips a business with a physical address and office-related services, hence it is much cheaper than any other form of office rent, and a virtual office can be subscribed via a month-to-month lease, so there is greater flexibility in lease terms. Currently, such offerings are available in the Baltics (Workland, IWG), with rents ranging from 35 to over 200 EUR, depending on the scope of the provided services and the operator.

### Essential Occupancy Metrics

Corporate space consolidation schemes often align with workforce availability, site conditions, and corporate priorities. Space utilization is emphasized, and new workplace configuration concepts arise. For instance, the sharing ratio is of increasing importance between the occupancy metrics. Furthermore, the office-first planning strategy is more efficient than for dedicated seating.

Figure 4: New Workplace Design Concepts



## Pipeline Projects and Future Developments

Co-working has already established its share in the real estate market – the flex-office space portfolio is set to grow in the forthcoming years with substantial development projects. Workland alone intends to bring over 7,000 sqm of office space on flexible terms. Also, the Baltic's flexible office stock is expected to increase by approximately an additional 3,000 sqm in 2023 – 2024 to keep up with the fast-growing demand.

**Figure 5: Agile Workspace Pipeline Projects in the Baltics**

	Location	Size (sqm)	Size Dedicated to Co-Working Space (sqm)	Number of Working Stations	Planned Opening
<b>Tech Zity Lillium</b>	Vilnius, Lithuania	41,000	500	40	2026
<b>Regus Business Garden</b>	Riga, Latvia	1,000	1,000	169	2023
<b>Workland Fahle</b>	Tallinn, Estonia	3,500	3,500	300	2023

Source: CBRE Baltics Research, 2022

### 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 Seat** – a workspace, such as a desk workstation or office, with a sharing ratio of 1 to 1.

**Sharing Ratio** – a planning concept that identifies the number of people that can share a single seat over time. For example, a sharing ratio of 1.5 to 1 means that for every 1.5 people a single shared space is needed.

**Utilization** – a method of measuring the use of a space to determine if it is being used effectively.

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