



## Catella: Fintechs muscle their way into traditional banking districts

In the European office space markets, traditional banks and insurance companies normally account for approximately 25 % of annual demand. Their business models are currently being challenged by fast and innovative start-up companies, and this will have an impact on future demand for office space.

In its latest Market Tracker, Catella Research has examined the dynamic representatives of the so-called fintechs (IT start-ups within financial services) as they are set to edge out the traditional providers and occupiers of office space in the financial services sector.

“The finance sector is currently undergoing a process of fundamental change. A comparison over time of the number of employees in this industry shows that, while there were 9 % more people working in the finance sector at the major European hubs in 2014 compared with the ten previous years, the demand for office space nonetheless fell by 17 %. This suggests that space is being used more efficiently,” says Dr. Thomas Beyerle, Head of Group Research at Catella.

There are now more than 12,000 fintech companies around the world. The majority are based in the UK, followed by Nordic countries Sweden and Finland. The UK is a major market and is highly tech-savvy, and London’s financial centre is currently acting as a catalyst. The growth driver in the Nordic countries is a desire to become international.

The analysis indicates that the vast majority (68 %) of European fintechs prefer inner-city locations. These are often a city’s ‘in’ districts, boasting a high concentration of businesses, ease of access and a wealth of trained manpower.

Our analysis has highlighted the following real estate-related effects and developments:

- Rising rent levels due to high demand for office space
- Short-term leases (1–3 years)
- Concentration in city centres – especially in central locations
- Flexible working models (co-working/shared working space)
- Modern workplaces (with/without office furniture and equipment)

Catella Research expects to see demand for office space from the traditional banking sector in Europe fall by around 30 % between now and 2020, with approximately half of this drop potentially being offset by the new fintech segment.

“In the next few years, fintechs will move in to at most 50 % of the office space vacated by traditional banks. According to our forecasts, the remainder of the office space will then probably reappear in the market as residential,” concludes Beyerle.

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