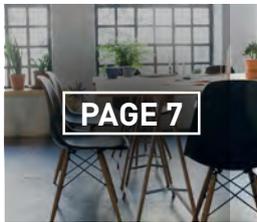




THE AUSTRALIAN COWORKING MARKET REPORT

2017/2018



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MARKET OVERVIEW

The Australian coworking sector has shifted, putting tenants in control of the market for the very first time.

- Coworking market enters new phase as supply meets demand for the first time
- Rates drop in major cities as tenants enjoy more choice
- Larger businesses attracted to hybrid coworking model

There are now more coworking spaces for rent in Australia than ever before. With more coworking providers entering the market and more private businesses renting out spare desks, there are now 26% more coworking locations in Australia than there was last year. This is the first considerable boost in supply experienced by the Australian coworking market and, after years of heavy demand outweighing supply, now presents a new challenge for both providers and tenants.

Coworking providers are faced with more competition and a fight to avoid rising vacancy rates. This has resulted in a fall in rental prices all over Australia. Sydney, Melbourne, Brisbane, Adelaide, Perth and Hobart all recorded dramatic drops in the average monthly desk rate this year. In fact, Canberra was the only major city to experience a rise in average desk price this year. With just 3% more Australian businesses moving to flexible office space compared to 19% more providers operating in the market, tenants are enjoying an abundance of choice, less time pressure and more competitive rental rates.

Demand for coworking space among large businesses is rapidly rising. There was a 105% rise in larger businesses (15+ people) looking for flexible office space this year and the average size of a rented workspace rose from 2.4 desks to 3.2 desks. Larger businesses are seeking private offices over coworking desks and providers are turning their attention to this profitable market by creating hybrid offices with both private suites and shared spaces. For this reason, global operators Regus, Servcorp, WeWork and Compass continue to dominate the Australian flexible office market.



105% *rise in large businesses*
(15+ people) looking
for flexible office space

WHY ARE PEOPLE COWORKING?

SPEED OF DELIVERY

The speed at which businesses can find and secure flexible office space is a key driver in the growth of the industry. According to Office Hub data, it takes 23 days on average for a business to find and sign a deal on a space and 14 further days to move in. This puts the total move-in time at 37 days – an increase from 33 days in financial year 2016-17. With more office availability this year, businesses were under less pressure to sign quickly. Yet, compared to the six months it takes to sign on a conventional commercial lease, shared office space represents a much faster and simpler way to find and rent an office solution.

FLEXIBLE TERMS

The flexibility of renting shared office space is another strong draw for businesses and a key contributor to the growth of shared working. Conventional commercial offices require a 3-10 year commitment whereas 99% of all flexible office space deals are for a term less than 24 months. In fact the national average lease term for shared space is now 7.3 months – a drop from 7.7 months in 2016-17 – and businesses continue to lean towards midterm solutions with almost a third of coworking businesses choosing a 12-24 month contract this financial year. Interestingly, month-to-month rolling rentals were the least popular type of contract, claiming 19% of the market. Tenants are looking for a mix of flexibility, creativity and community in a mid-term solution to not only allow for significant movements in the business but also to drive profitability and support cultural changes within their teams. →

Tenants are looking for a mid-term solution that allows for business movements, drive profitability and support cultural preferences within their businesses.



23 days
to find and sign a deal
on a space

plus 14 days to move in!

COWORKING DEMAND

REDUCED COSTS

Shared and coworking offices represent a significantly reduced cost when renting office space. Firstly, the base rental rate is lower – according to Knight Frank research, a 50-person commercial office in Sydney CBD would currently cost \$660,000 per annum for 600sqm (12sqm per person) at \$1,100/sqm. On the other hand, a private 50-person office in an A-Grade coworking facility would cost \$630,000 in rent per annum. However, even more significant cost savings come through lower fit-out costs and outgoings. In a coworking facility or a shared office, the fitout is pre-existing and the costs of internet, electricity, outgoings, insurance, receptionists, cleaning, technology and so on are included in the rental rate. In a commercial lease, on the other hand, you can conservatively allow \$200,000+ per year for these items plus up to \$1,000,000 for the fit-out, less any incentives applied by the landlord. In total costs, sharing office space represents significant upfront and ongoing savings compared to commercial leasing.

CULTURAL CHANGES

A key driver of coworking growth is the presence and rising status of millennials in the workplace. Compared to previous generations, millennials prioritise human interaction and like to be able to do work anywhere and anytime. Technology is integrated throughout the working day and innovation occurs when diverse minds connect and collaborate. Millennials are now reaching their 30s and 40s, becoming decision-makers and sourcing offices that suit their working styles. According to Office Hub data which tracked more than 76,000 people looking for flexible office space in 2017-18, coworking is most popular among 25-34-year-olds and steadily decreases in popularity the older the age group. As the world's new business leaders are increasingly people-focused and digitally fluent, the uptake of coworking will continue to rise.

A key driver of coworking growth is the presence and rising status of millennials in the workplace.

7.3 months

national average lease length

12+ month contracts

A third of businesses sign for longer than 1 year

Month-to-month contracts

19% of coworking businesses choose rolling memberships

99% of all deals

are shorter than 24 months





WHO ARE AUSTRALIA'S COWORKERS?



52%
male enquiry base



64% of coworkers
are aged 25-44



3.22 desks
average
workspace size



20%
of coworking firms
are major corporations

Australia's coworking force represents a wide cross section of the business scape. Most industries have embraced the flexible way of working to some extent but, over the last two years, more digital, IT and software firms moved into coworking offices than any other sector. Marketing and creative industries also recorded high demand over the last two years, aligning with the widespread perception that coworking is most popular among digital, tech and creatively-aligned businesses.

The typical coworking business rents 3.22 workstations at once - a rise of one whole desk in the past year and reflective of the fact that more than 90 per cent of Australian businesses employ fewer than 15 people. However, the flexibility to upsize space is a priority - the common trait among coworking tenants is that they expect fast growth. There is a good gender balance in coworking yet you can expect to find slightly more male coworkers in Australia, reflective of the 52% male enquiry base recorded by Office Hub. Notably, 64% of coworkers are aged 25-44, demonstrating the continuing appeal to a younger customer base that prefers dynamic and technology-led workplaces.

Office Hub's demographic data shows that co- and shared working solutions are still most popular among young growth-phase businesses in tech and creative industries, which has been the usual coworking demographic since the rise of the shared space model.

However, there are signs that the typical coworking business profile is starting to change.

There was a surge in professional services companies moving to coworking space and they accounted for almost as many new coworking deals as digital and IT firms in 2017-18. More legal and sales businesses also moved to shared offices and the uptake among finance and accounting firms remained high. Office Hub's enquiry base is also transitioning - 20% of clients are now major corporations compared to just 2% in 2014. Notable clients this year include Woolworths, Accenture and LG Electronics.

These patterns suggest that shared offices are slowly attracting larger teams and more corporate businesses. With supply on a fast upward trend and providers simultaneously evolving to offer a blend of business privacy and coworking sociability through the hybrid model, the coworking demographic will soon represent an even more proportionate spread of Australia's industries and businesses.

WHAT ARE TENANTS LOOKING FOR?

By analysing a database of more than 300,000 client records, Office Hub can gain insight into what Australia's coworkers are looking for. We have used a mixture of data-led findings and qualitative opinion from our team of workspace experts to illustrate what the dream flexible office space looks like in 2017-18.

THE DREAM OFFICE SPACE

- Private office space**
 70% of Office Hub enquiries requested private or serviced office spaces over coworking, virtual or sublet arrangements.
- Hybrid office environment with a mix of private and open plan workers**
 Coworking businesses value the social and business potential of sharing a workplace outside of their private suite.
- Central CBD location**
 More than 49% of Office Hub enquiries were focused on Sydney CBD and Melbourne CBD.
- Engaging breakout and networking areas**
 Beautiful and modern office design is an influential factor in the popularity of a workspace.
- Professional business support**
 The most popular offices this year were managed onsite with reception, call-answering and mail-handling services.
- Close to transport with hassle-free car parking**
 Offices with good train links and dedicated parking spaces attract more tenant enquiries than those without.
- 24/7 access and security**
 The coworking day necessitates round-the-clock access as it is more fluid than conventional working.
- Equipped meeting rooms**
 Office Hub clients cite meeting room and boardroom access as important, whether included in rent or at an additional cost.
- End-of-trip facilities**
 Heightened demand for showers, changing rooms and bike racks was a prominent trend in 2017-18.
- 6-12 month term with flexibility to scale up or down**
 Flexibility is a vital prerequisite for most coworking deals while midterm contracts are most popular.
- Ability to move in within a 1-2 month timeframe**
 The average move in time this year was 37 days – fast move-in potential is preferred.

70% of Office Hub enquiries requested private or serviced office spaces over coworking, virtual or sublet arrangements.

WHO ARE AUSTRALIA'S WORKSPACE PROVIDERS?

- Small-scale and private office providers gaining market share
- Serviced office operators adapting to hybrid coworking model
- Providers must find new ways to differentiate and remain competitive

There has been a significant increase in the number of boutique providers in Australia's flexible office market.

Of the 223 providers that started working with Office Hub this financial year, 198 were unmanaged spaces such as sublets or privately leased offices that rented out spare desks. This brought the total number of partners listing with Office Hub to 1,001 and altered the proportion to 60% private versus 40% managed. Furthermore, single location operators accounted for more than half of all deals in the flexible workspace market. Although major players like WeWork, Regus, Servcorp and The Executive Centre still dominate the industry, the market is shifting as a multitude of smaller players enter the game and claim a better share with bespoke, personalised solutions.

The arrival of WeWork in 2017 raised the profile of flexible offices and drove significant uptake in the coworking sector across the country. Its influence has increased awareness of a new style of working that focuses on optimum spatial design and community building – tenant preference is moving in the direction of the creative style seen at WeWork, Workspace365, WOTSO Workspace and Gravity among others. This shift has prompted major providers such as Regus, Servcorp, The Executive Centre, Compass Offices and Asia Pacific Serviced Offices to adapt from a classic serviced office model and start adding coworking spaces to their inventories as they focus on the widespread appeal of collaboration and community in coworking.

Global provider Regus owns almost 9% of coworking stock in Australia with more than 80 properties and it continues to dominate the deal front with 19% of Office Hub's new coworkers moving into a Regus space in 2017-18.



25% rise
in listed workspaces



Office Hub CEO Grant Philipp with Jacqui Esdaile, Founder of Gravity

Australia's portfolio of coworking space is continuing to diversify with more providers out of Europe and Asia entering the market.

In terms of individual properties, Christie Corporate's Spring Street office in Sydney recorded the highest enquiry rate – the 16-level building is one of the largest coworking centres in Australia. WeWork was the only major provider to add supply in Sydney this year and it continues its growth with two new locations in Melbourne and Brisbane set to open in late 2018. Workspace365's high-profile merger with Ultimate Office Solutions and the Workstation takes its stock up to 11 locations across Sydney, Brisbane and Melbourne with one additional centre opening in Melbourne later this year. The Executive Centre is moving into Melbourne for the first time with a new office at Collins Square.

"Regus has led the flexible office market for several years due to its simple, effective and affordable solutions. However, Australia's portfolio of coworking space is continuing to diversify with more providers out of Europe and Asia entering the market. On top of that, a substantial number of businesses are realising the benefits of renting out their spare desks to create a shared office. This gives businesses who prefer a more conventional style of working a dedicated office space with the sociable, flexibility and affordability benefits of coworking. With more players in the market while demand remains steady, it is vital that providers differentiate themselves to stay competitive."

– Grant Philipp, Office Hub CEO

OPERATOR INSIGHTS

As Australia's leading tenant generator, Office Hub gains unparalleled insight into the behaviour and sentiment of the country's coworkers. By advertising office space on our own website as well as Australia's top commercial property portals, Office Hub is the market leader in office space advertisement and benefits from advanced data on the effectiveness of various platforms for tenant lead generation.

WHERE DO TENANTS SEARCH FOR OFFICE SPACE?

Office Hub advertises listings on a range of property channels including the Office Hub website, Real Commercial, Commercial Real Estate, Commercial Property Guide, All Homes and Commercial View. Office Hub generates 66% of enquiries through a mixture of online channels, referrals and phone calls. Australia's five main commercial property portals source 34% between them. Real Commercial is the strongest external enquiry generator of the five commercial portals with 16% of enquiries. These findings demonstrate that conventional office leasing websites are an important advertising tool but dedicated shared space websites such as Office Hub are the strongest media to generate interest from active office searchers.

WHICH ADVERTISING CHANNELS HAVE THE BEST CONVERSION RATE?

Office Hub converts 21% of enquiries into deals, tracking the highest conversion rate in the office industry of any broker or advertising platform. The five commercial property portals tracked an average conversion rate of 14%, proving that searchers for commercial leases are still a strong target market for coworking providers.

WHICH CHANNELS HAVE THE HIGHEST DEAL VALUE?

The three online advertising channels which bring the highest deal value to workspace owners are the Office Hub website, Real Commercial and Commercial Property Guide (although the latter recorded few deals). This suggests that searchers on commercial property portals generally have higher budgets and they are willing to spend them on flexible and shared office space.

Interestingly, Office Hub's repeat customers represented incredible value and a significantly higher deal value this year for operators. A previous Office Hub enquirer who never went ahead with renting office space last time spent 12% more than the average Office Hub customer. Meanwhile, a client that previously rented space through Office Hub spent a huge 90% more than a new lead. This signals that clients who already have a relationship with a broker, and those who have already experienced the benefits of shared office space, are likely to invest more in their coworking space.

WHEN DO TENANTS SEARCH FOR AND SIGN ON OFFICE SPACE?

In the last three years, the month of May has seen the highest levels of enquiry on coworking, shared and serviced office space. Other autumnal and winter months, such as March, April and June also enjoy a lift in enquiries as well as January and February when businesses return from summer breaks.

Autumn's heavy enquiry levels translate to August being the most popular month for tenants to sign on a new office space. This is thought to be due to many businesses allocating new accommodation budget in the new financial year. Other high deal activity occurs in March, May, June and July. Spring and summer are the least popular times to sign on new office space while December and January – when people are on summer, Christmas and New Year breaks – consistently track the lowest deal counts.



*Office Hub converts
21% of enquiries
into deals*

REGIONAL BREAKDOWN

- Sydney market consolidating amidst lift in supply
- Melbourne's desk rates drop as competition rises
- All cities excluding Canberra record a significant decrease in rental rates



Change in price per desk from previous year:



- Sydney: -5.45%
- Melbourne: -10.15%
- Brisbane: -24.39%
- Adelaide: -18.23%
- Perth: -12.48%
- Hobart: -28.80%
- Canberra: +39.97%



Twice as many businesses moved to coworking and shared spaces in Sydney than any other Australian city this year ...



SYDNEY

Sydney remains the focal point of Australia's flexible office industry. Twice as many businesses moved to coworking and shared spaces in Sydney than any other Australian city this year and it remains one of the most expensive places in Australia to rent a desk with an average rate of \$677 per month. WeWork was the only large operator to open a new location in Sydney in 2017-18 as the city's low commercial vacancy impacted the ability of providers to procure space and develop flexible solutions. However, commercial construction is ongoing throughout the central business district and the emergence of more global operators in the Sydney market is imminent – coworking supply will lift again over the next three years and drive average desk rates down in the mid to long term.

Demand for office space in Sydney CBD is so immense that Spring, Castlereagh, Pitt, Kent, George and Clarence Streets together account for a third of the total coworking enquiries Office Hub received in Australia in 2017-18. Proximity to transport hubs such as Wynyard, Town Hall and Central Stations is the key consideration among businesses renting Sydney CBD office space. Surry Hills proved its huge attraction among freelancers and creatively-focused businesses – it has the most coworking offices and attracted the most new tenants of any inner suburb in 2017-18.

North Sydney and Chatswood's managed offices also performed well while there was a considerable influx of private operators in Alexandria and Mascot as more businesses started renting out spare desks to other businesses in partnership with Office Hub. Parramatta recorded the strongest deal activity in New South Wales outside of Sydney City with serviced office providers Servcorp and Regus claiming the majority of new deals.

One of the most important factors for Sydney's workforce is the element of privacy – private office stock moved much faster than open plan workstations, particularly in the finance and economic hubs of the CBD and North Sydney. Interestingly, the Property Council reports North Sydney as one of the only areas in Sydney to record a rise in commercial vacancy rates this year – more large businesses and corporate-focused companies are choosing flexible private office space over costly commercial leases.

MELBOURNE



Melbourne's workforce now benefits from more choice and cheaper membership prices across a broad selection of workspaces including both private and managed office spaces.

Melbourne is the second largest coworking market in Australia with shared offices attracting a wide range of tenants including major corporates, government organisations and startups. Melbourne experienced the country's best coworking growth rate in 2017-18, increasing its deal share in the Australian market to 24% compared to 21% in 2016-17. Its stock levels also rose with more operators entering the increasingly crowded coworking scene, resulting in a 10% drop in the average monthly desk rate to \$558. Melbourne's workforce now benefits from more choice and cheaper membership prices across a broad selection of workspaces including both private and managed office spaces.

This financial year saw a movement towards creative workplaces that incorporate both coworking and private suites with large internal and external breakout areas. More providers in the CBD and fringe location such as Docklands, Southbank and South Melbourne introduced this hybrid model and they experienced excellent uptake as they offered more flexibility and community within

a creative workspace presentation. Melbourne's most popular providers include WeWork, Regus and Workspace365, with the latter set to introduce a new location in 2018. The Executive Centre's new Collins Square business centre will also bring more serviced office stock to Melbourne when it opens in October 2018.

Melbourne's Collins, Queen and Bourke Streets are some of the most sought-after locations in Australia with Office Hub data showing that more than a sixth of enquiries in the whole country are focused here. Collingwood, Richmond and South Yarra also recorded strong demand amongst freelancers, startups and small to medium sized businesses in industries such as marketing, media and design. Hawthorn, Box Hill, Chadstone, Narre Warren, Preston and Port Melbourne are growing areas in the coworking sector as small businesses increasingly look to establish a local presence in Melbourne's vibrant suburbs.



BRISBANE

Brisbane's young coworking category has experienced a surge in supply this year as large providers identify cheap commercial cost per square metre and bring more flexible offerings to the city. With a smaller working population and a lag in the progress of the shared space market, oversaturation is set to drive Brisbane's average desk price down – it dropped by almost a quarter in the last year. To make sure these workspaces are filled, general awareness of coworking and its benefits needs to spread – a cause that will be helped by the high-profile arrival of WeWork later this year.

Demand for coworking space in Brisbane is centred in the CBD. The Golden Triangle is attracting a rising number of professional services, law and finance firms to coworking. Fortitude Valley and Newstead are quickly becoming the focal points of Brisbane's creative and startup scenes. There's also growing demand in the inner fringes such as Milton and Toowong where the customer base turns to one-man-bands in a variety of industries looking for an alternative to the home office. In these metro locations, coworking tenants are focused on features such as internet speeds, meeting rooms and natural light. The make-up and quality of the office itself is most important for city-based clients.

Eight Mile Plains and Upper Mount Gravatt are suburban areas experiencing good demand from small businesses and solopreneurs. Gold Coast is also enjoying an increasing uptake of shared office space. In these locations, requirements centre around convenience and cost-effectiveness - square meterage and a good dollar to person ratio are important, as is good car and easy highway access.

With a smaller working population and a lag in the progress of the shared space market, oversaturation is set to drive Brisbane's average desk price down ...

ADELAIDE

Adelaide's flexible office market is experiencing steady uptake with 4% more businesses moving to a flexible solution in 2017-18 than the year prior. Demand is focused primarily in the CBD around King William, Grenfell and Pirie Streets while there are also popular options bordering the parklands in every direction. The majority of Adelaide's solutions are serviced offices with only a smattering of shared and sublet offices. Suburban locations are in lower demand than the CBD yet they record a far better conversion from enquiry to lease. In Adelaide's price-sensitive market, tenants are more willing to commit to affordable local office spaces than costly solutions in the city.

South Australia recorded a significant drop in flexible rental rates this year, down 18% to \$480 per workstation per month. More affordable than ever, the coworking sector is therefore expected to be a main benefactor of Adelaide's sustained job growth, low commercial supply and a high level of conventional lease expiry over the next two years – these three factors have indicated positive coworking growth in other Australian cities in recent years.



In Adelaide's price-sensitive market, tenants are more willing to commit to affordable local office spaces than costly solutions in the city.



PERTH

Perth recorded a drop in rental rates this financial year as local flexible office demand focused on virtual offices and coworking desks. With the local economy inhibited by the downturn in mining sector investment, businesses across all industries are looking for more cost-effective office solutions and the average coworking rental now sits at \$596 per workstation per month, down 12% on last financial year. The reduced average rate also reflects a movement towards sharing commercial office space as businesses increasingly choose small scale options in metro locations over pricier managed offices in Perth CBD.



Office supply in Perth is focused on St Georges Terrace, West Perth and Osborne Park. Businesses tend to focus on procuring office space in just one of these three locations – the main aversion from Perth CBD is the difficulty and cost of parking in the city while West Perth and Osborne Park office spaces tend to offer better affordability along with commute convenience and parking.

Regus leads Perth's serviced office market and their strategic opening in Osborne Park 12 months ago attracted unprecedented success as they provided professional business services in a sought-after non-CBD location. There is a gap in Perth's office market for creatively-oriented coworking offices compared to East Coast cities – the only large scale creative providers in Perth are Flux and Spacecubed.

There is a gap in Perth's office market for creatively-oriented coworking offices compared to East Coast cities ...

HOBART

The majority of enquiries for Hobart office space came from the Australian mainland, and particularly Victoria ...

Hobart's young coworking sector has an extremely low supply of coworking space which saw desk rates remain unusually high in 2017-18 at an average of \$722. Only a handful of flexible offices exist in Hobart and supply of workspaces is far outweighed by strong demand for private and serviced offices. Affordability is the key consideration in this market but rental rates are expected to stay at this high level until tenant demand can be eased with new supply of office spaces.

The majority of tenants in Hobart look for private and serviced offices over coworking spaces as they want more affordable alternatives to commercial leases. A large proportion of enquiries come from the Australian mainland, particularly Victoria, from businesses looking to expand their operations into Tasmania. There is an increasing occurrence of short-term rentals such as month-to-month rolling contracts or sub-six month contracts – these trends together indicate that demand for flexible workspaces in Hobart comes from businesses looking to establish remote branches, swing spaces or short-term solutions.

A considerable number of tenant enquiries in 2017 were from migration businesses but this evened out across a broad range of industries such as professional services, IT, sales and the creative industries as the financial year went on. Hobart's most popular provider is Servcorp while Hobart Corporate Centre is a popular boutique operators. WOTSO Workspace launched its Hobart location in 2017 and added a creative coworking option to Hobart's short office space supply.

CANBERRA



WOTSO Workspace in Canberra

Canberra recorded an extraordinarily high average rental rate this year at \$858 per desk per month as it suffered from extremely limited workspace availability. Demand put heavy pressure on prices and drove desk rates up by 40 per cent, the strongest year on year price growth of any Australian city. However, low supply has recently been supplemented by the arrival of WOTSO Workspace and several smaller providers. More office spaces are expected to enter the market this year, indicating that rates are likely to drop back down towards the levels of 2016-17 when a desk cost \$613 per month.

Demand put heavy pressure on prices and drove desk rates up by 40 per cent, the strongest year on year price growth of any Australian city.

Location is the primary consideration for Canberran businesses with demand focused in Civic (CBD) and the suburbs around Parliament House such as Kingston and Barton. Enquiry levels between these two areas are relatively even and there is very little crossover – lifestyle and living location dictate individual preference as most Canberrans prefer an office that's closer to home. Meeting rooms, business services and onsite parking are the most frequent requirements among tenants in Canberra.

Regus reshuffled its Canberran portfolio, closing two centres on London Circuit and opening on Moore Street in Civic and at Canberra Airport to appeal to the locational preferences of Canberran coworkers. Nous House proved highly popular in Canberra and across Australia this year and ceative coworking finally hit the capital with the arrival of WOTSO Workspace. Its Dickson and Symonston locations are already generating strong interest from freelancers and startups and they are expected to fuel rising interest in community-based working in Canberra. More supply is needed to meet tenant demand and help consolidate prices as the city catches up with the national coworking movement.

THE FUTURE OF COWORKING

WHAT'S NEXT FOR AUSTRALIA'S FLEXIBLE OFFICE MARKET?

This financial year has seen the first major shift in the Australian office leasing market. The last five years saw terrific growth in demand and now supply has started to lift, aligning with our predictions that the number of flexible workspaces will double in the next three years. So far this influx of space comes from existing and new Australian providers but many major overseas operators have plans to tap into the incredible potential of the Australian coworking sector too. Identified as a key market in the global flexible officescape due to an embedded focus on work-life balance, more Asian and European players are set to enter Australia in 2018-19 which signals that real disruption is headed for our office leasing market.

End user behaviour has dramatically changed since the rise of the digital world – the conventional market's obscure pricing, complicated leases and long-term lock-ins simply aren't acceptable to today's forward-thinking business leaders and entrepreneurs. As the nature of work itself becomes more agile, digital and unpredictable, the way we rent office space needs to evolve. And that's what we're starting to see now – a style of renting space that favours the tenants rather than the landlord. With more information and transparency in the flexible market, tenants can finally enjoy the upper hand – and countless more benefits – when they rent shared office space. So ultimately the success of a provider in the next five years will come down to their ability to target, attract and cater to the needs of a specific audience base.

The rise of WeWork and other global players can be attributed to a variety of factors such as visual design and community focus, both of which have proven vital to today's younger workforce and should be key considerations for any office provider. Lifestyle-focused additions like in-house baristas, wellness rooms and sleeping pods are proven ways to strengthen appeal, already working for many Asian providers. I believe modern industry-specific facilities such as video, podcast, music and photographic studios will be instrumental in attracting today's digital entrepreneurs. However, the unrelenting popularity of the classic serviced office can't be ignored – business support services such as staffed receptions, phone answering and mail handling are still in demand, so providers need to focus on the quality of execution and ease with which coworking members can utilise them.



The last five years saw terrific growth in demand and now supply has started to lift, aligning with our predictions that the number of flexible workspaces will double in the next three years.



If operators can continue to produce ever more sophisticated solutions, the uptake among larger businesses will rise. Large firms are currently restricted across the Australian market by not just floorspace availability but also the quality and attention with which providers can host them alongside smaller growth phase counterparts. It is my view that when providers better understand and accommodate large businesses, the industry will be strengthened with improved longevity and security which will result in unprecedented growth in the coworking industry.



ABOUT OFFICE HUB

Office Hub is Australia's No.1 marketplace and broker for flexible office space. It independently offers free advice, guidance and deal mediation for tenants along with end-to-end tenant generation services for workspace providers. It has been successfully matching tenants with their dream workspace since 2013 and now operates in nine countries in the Asia Pacific region.

ABOUT THE REPORT

All statistics included in this report are based on Office Hub data from FY2017-18 unless stated otherwise.

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