



COWORKING INSIGHTS

The background image shows a modern coworking space. The ceiling is made of light-colored wooden beams and acoustic panels. Track lighting is installed on the ceiling. In the background, there is a bar area with a green tiled wall. A neon sign on the wall reads 'Choose your own adventure'. There are three white pendant lights hanging over the bar. On the bar, there are various items including a display of colorful pens or markers, a small menu board, and some fruit. To the right, there are yellow and white modern chairs and tables.

# OUTLOOK FOR KEY MARKETS: 2020 REPORT

7 Coworking Trends for 2021  
Through the Lens of 7 Cities



# INTRODUCTION

The impact of COVID-19 has accelerated a number of flexible workspace trends which have now expanded on a global scale.

Trends such as outsourcing and decentralization, a boom in wellness offerings, and a revival of suburban workplace locations have quickly emerged in 2020. Additionally, the expectation for highly-amenitized assets is driving new office development, with coworking operators quickly adapting to meet these needs and provide best-in-class hospitality.

**To understand the major impacts that the coworking industry has faced this year as a result of COVID-19, this report will examine 7 of the key markets on Coworker – the leading platform for booking coworking spaces worldwide.**

In April of this year, Coworker witnessed a dramatic shift in demand for private offices globally, moving from 30% of inquiries pre-April to 50% in May. This number has been sustained ever since, with global interest in coworking returning to its January 2020 highs this month, following a linear recovery week over week from May onward.

Through the examination of these markets, we will pinpoint how markets are continuing on the path to full recovery, with some regions already surpassing pre-COVID-19 levels of demand, and what the future of coworking in these markets and on a global level will look like.



# SYDNEY, AUSTRALIA

## DEMAND IS RISING AMONG ENTERPRISES FOR LOW-RISK, SCALABLE FLEX WORKSPACE.

The market in Sydney is highly reflective of the emerging trend of enterprises looking to coworking to meet social distancing requirements, reduce space, and save costs. Last year, JLL predicted that coworking would account for 30% of Australia's office market by 2030.

In Sydney in particular, major players such as JustCo and WOTSO WorkSpace have seen a sharp increase in companies looking to leverage the advantages of flexible space-as-a-service and decentralization. As a result, certain operators are expanding to new locations in Sydney and elsewhere to meet the rising demand from enterprises.

One such example is Victory Offices, who recently listed on the ASX and plan to open 14

additional sites over the next 18 months, with 5 corporate options in Sydney alone.

Beyond these large-scale operations, independent coworking brands such as Workit Spaces and Work Club have developed thriving cowork communities in Sydney, which illustrates the statistic that 25% of all Australian coworking spaces listed on Coworker are within the city's limits.

Hub Australia, for example, recently opened a new location in Sydney's historical Customs House. Despite the effects of COVID-19 and the rise of work from home, the recent expansion seen in Sydney is representative of the importance of low-risk, agile, and scalable workspaces for enterprise clients.

# HONG KONG

## WITH CORPORATES TURNING TO COWORKING, LANDLORDS ARE SEEING NEW INVESTMENT OPPORTUNITIES.

APAC's leading flex office broker, Office Hub, confirmed Hong Kong has shown the most resiliency of any country in 2020.

For example, The Executive Center, a high-end flex office operator, leased 33% more desk space in Q1 than a year earlier in Hong Kong. In the first three months of the year, the operator grew by about 9% across its 135 mostly Asian workspaces.

Though WeWork and IWG have both handed back massive square footage in Hong Kong in 2020, demand from corporations will keep the sector afloat. New trends such as landlords capitalizing on vacant space will also fuel a speedy recovery.

*The South China Morning Sun* reported several examples of this landlord-turned-operator phenomenon. The landlord of V-Point in Causeway Bay, for instance, established V-Co to operate the facility after Campfire surrendered a planned nine-floor center in the building. And China Resources, the landlord of China Resources Building in Wan Chai, has been operating the coworking space since its previous tenant, Regus, moved out.

More recently, Henderson Land has transformed a space abandoned by WeWork in H Code, Central into CodeWorks, a coworking space it owns and operates.

# PUNE, INDIA

## EXPANSION IN GRADE A VACANCIES AND PREDOMINANTLY RESIDENTIAL MARKETS WILL CONTINUE.

In upcoming quarters, market fundamentals in India will remain promising, with strong demand potential despite some consolidation of operators at the enterprise level.

While markets have slowed, JLL India has indicated that the country's top 6 cities will require an estimated 5 million seats in coworking spaces, while 8.5 million of the projected demand will be in Tier II and Tier III cities. Further, the rising number of Grade A vacancies in cities such as Pune have sparked new expansion projects in areas that are residential or suburban in nature.

For example, one of India's key players in the coworking arena, Simpliwork Offices, announced a new lease for 230,945 sq. ft. Grade A office space at Sky One

Corporate Park in Pune in October of this year. The deal, which is the largest to-date in the city, was facilitated by JLL.

Due to Pune's low vacancy and limited future supply of Grade A projects, Simpliwork selected the affluent neighborhood of Viman Nagar in eastern Pune as its next location owing to its proximity to the airport, upcoming metro, huge residential catchment, and established social infrastructure.

The predominantly residential market is already a sought-after destination among MNCs and large Indian corporates—a trend that is sure to fortify in coming months. Expansion into areas that are on the outskirts of urban centers will occur on a global scale, now that employers have seen the benefit of eliminating commute times.



# LONDON, ENGLAND

## AFTER FACING A DROP IN 2020, OCCUPANCY RATES WILL STABILIZE AND GRADUALLY INCREASE.

London was at the forefront of the global coworking revolution in 2019, with estimates from Coworking Resources revealing the UK capital had seen more openings of new spaces than any other city in the world last year. However, demand plummeted to 20% of pre-pandemic levels in the UK in April of this year, according to data from Instant Offices, rising to just 25% in June.

Despite this drop, actual occupancy levels remained fairly robust, with Savills' flexible office advisory division citing only a 15% drop in occupancy between March and June—down to 77% from 92%. This fact negates the assumption by valuers that customers will leave flexible assets during a downturn. On the contrary, dropping by only 15% in the worst possible recession is very positive, demonstrating a unique and well-positioned resiliency in London in the long term.

London is one of several capital markets to illustrate this surprising trend of occupancy resiliency during Covid-19 and a quick return to high levels of demand. Coworker data shows there was a +420% increase in lead volumes for London this September, despite lows in May.

While most industry experts would agree that markets in APAC (like Hong Kong) have been sturdiest of all, cities in the UK are in better shape than their European peers because they started from a higher base.

By the end of August, operators had expected a contracted occupancy rate of 71%, demonstrating that even if people aren't going into their coworking offices, they are still paying rent. With resiliency like this, London may even get back to its pre-Covid growth of one new space opening every five days in the city.

# LISBON, PORTUGAL

## **OPERATORS WILL PRIORITIZE WELLNESS OFFERINGS TO MEET THE DEMAND AMONG PROFESSIONALS FOR SAFE, HEALTH-FIRST WORK ENVIRONMENTS.**

Lisbon has quickly become a leading capital for coworking globally, with Portugal containing around 1.36% of the world's share of flexible workspaces. Since the onset of Covid-19 in the country, operators have noticed a new development: more Lisbonites are venturing to work in places that promote well-being.

Urban residents are looking to coworking spaces to provide an experience that goes beyond fast Wi-Fi, offering wide-ranging flexible options and plenty of safe community building. Just outside of Lisbon, spaces like Well&Work in Paco de Arcos, for example, have seen a 78% increase since June 1 in remote workers booking day passes.

This is because professionals now expect coworking brands to directly appeal to their values—which in today's working world translates to promoting health, safety, and sustainability.

Moreover, this focus on wellness is also becoming important to enterprise teams. Well&Work's largest office is leased by a data company from Lisbon, who wanted to offer a "beach" location to their employees to support their well-being and allow them to work near home. According to another Portuguese operator, IDEA Spaces, people are concerned about safety protocols and often inquire about them before visiting the space.

With a third space opening this year in Lisbon, IDEA Spaces has found that reinforcing their health and safety measures for former members and new remote teams is at the forefront of their communications strategy. This has led to 50% of day-pass users signing up for extended memberships. Clearly, Lisbon has witnessed a boom in wellness offerings, a trend that is very likely to continue in the 'new normal' as people seek out communities that promote health-first working.

# NEW YORK, NEW YORK

## OPEN-STYLE OFFICE LAYOUTS WILL BECOME INCREASINGLY OUTMODED.

Along with London, New York City continued to dominate the worldwide market in 2019, accounting for 22% of global coworking stock between them and taking the top spots for the most coworking spaces in the world. However, as one of the most densely populated cities in the world, the city was particularly hard hit by the onset of Covid-19. According to a recent report by Colliers, more of the office market in Manhattan is available for sublet now than at any time in the last decade.

After three months of outbreak and hardship, however, New York City reopened businesses in June with nearly 400,000 people returning to work. Compared to April, where booking inquiries for hot desks in NYC on Coworker dropped to an all-time low, statistics show a gradual recovery in the market from June onward. Moreover, there has been an increase in the number of private offices requested, a trend that has taken hold globally as more people

seek safer, health-conscious work options.

As demand for private offices continues to surge, reaching 71% of all leads on Coworker for the city in September, coworking operators are redesigning the layouts of their spaces on a global scale. While navigating closures, many have taken the initiative to update their spaces and offer more private, enclosed spaces in accordance with new health and safety regulations.

Insights from top NYC architecture firm, Fogarty Finger, confirm design elements such as adequate spacing, touch-free fixtures, and sanitizing stations have become a top request since March. This demonstrates a change in perspective; to provide an environment where people can work and feel safe, coworking operators now and in the future will need to minimize open-style office layouts and instead prioritize private offices.



# DUBAI, UAE

## MORE HOSPITALITY BRANDS WILL LOOK TO COWORKING FOR NEW PARTNERSHIPS AND HOTEL-BASED WORKSPACES.

Between 2014 and 2020, flexible office supply in Dubai more than tripled. As of the latest estimates, the emirate is home to 40 different operators of flexible offices, including multinational chains such as Servcorp and IWG's Regus. But Dubai also offers an interesting case study of the rising trend of hotel-based coworking—an innovation that's gaining newfound momentum as a result of Covid-19 in the form of large-scale partnerships between flex office and hospitality brands.

In 2017, Dubai became home to one of the world's first full-service coworking spaces integrated with a major internationally branded hotel: NEST in the Tryp by Wyndham Dubai. Over the years, NEST has been deemed a prime example of hotel-based coworking done right, sparking competitors to make coworking a focus in many UAE hotels. Now that the proof of concept is there, with coworking chains such

as UK-based VWORKS operating entirely out of hotels, Covid-19 has created the landscape for more hospitality brands to enter this arena. (Already in 2020, Radisson Hotel Group, Accor Hotels, and Scandic Hotels announced new hybrid coworking locations, among others.)

WitWork, a leading coworking provider in UAE, announced a strategic partnership earlier this year with Rotana Hotels. With over 40 coworking spaces in its portfolio, WitWork now offers members the opportunity to work from 8 additional Rotana Hotel venues in Dubai, and 11 others in Abu Dhabi, Al Ain, and Sharjah. What this illustrates is the shift in coworking becoming a lucrative venture for hospitality companies. By pivoting to coworking, hotels and operators can join forces to offer an even greater network for users, making productive work as accessible and central as possible.

# 7 PREDICTIONS FOR COWORKING IN 2021

- 1. Demand is rising among enterprises for low-risk, scalable flex workspace.** - As Sydney has shown, coworking operators have seen a sharp increase in companies looking to leverage the advantages of flexible space-as-a-service and office decentralization.
- 2. With corporates turning to coworking, landlords are seeing new investment opportunities.** - Though landlords have typically avoided coworking expansion in the past, Hong Kong's market shows them capitalizing on vacant space to meet new demand from large enterprises.
- 3. Expansion in Grade A vacancies and predominantly residential markets will continue.** - Projected demand will fortify in Tier II and Tier III cities in India and elsewhere, as residential coworking locations become more desired.
- 4. After facing a drop in 2020, occupancy rates will stabilize and gradually increase.** - For many key markets, such as London, occupancy levels have remained fairly robust despite demand plummeting in April of this year.
- 5. Operators will prioritize wellness offerings to meet the demand among professionals for safe, health-first work environments.** - As big-city life becomes less appealing, coworking spaces in Lisbon are establishing brands that focus on overall work-life balance and wellness.
- 6. Open-style office layouts will become increasingly outmoded.** - Design elements such as adequate spacing and touch-free fixtures will be prioritized as operators update their workspaces and offer more private, enclosed offices in accordance with new safety regulations.
- 7. More hospitality brands will look to coworking for new partnerships and hotel-based workspaces.** - Leading hotel groups such as Rotana Hotels in Dubai will link up with coworking providers to offer greater access to flexible work options at their properties.



## ABOUT COWORKING INSIGHTS

**Coworking Insights** is the leading source for data, advice, and trends in the flexible office industry.

Founded in 2015, Coworking Insights is Coworker's partner publication that is committed to sharing expert insights on the coworking industry's evolution and latest news. All data is based on information shared with Coworker by the platform's member coworking spaces, which has expanded to include over 15,000 spaces in 170+ countries.

