RESEARCH

Co-working Space

An alternative to offices
Sharing – the real estate buzzword

Following the global trend, sharing economy or collaborative consumption has taken off in recent years in Singapore, Malaysia and Thailand. From peer-to-peer shared services such as Grab and Airbnb, to shared items like bicycles from ofo and Mobike, sharing is now all the buzz. The concept of sharing has also influenced the real estate market.

With increasing occupation costs, it has become more expensive for companies, including both startups and corporates to conduct business. Shared spaces not only encourage community building, spur collaborations and ideas, they are also affordable alternatives to conventional real estate options.

As shared spaces continue to make an impact in the real estate market, Edmund Tie & Company Research is publishing a series of papers to discuss the shared spaces market. This is the first of the series which focuses on co-working.

Sharing economy

Noun
The sharing economy is defined as the peer-to-peer based activity of obtaining, giving, or sharing the access to good and services.


Co-working

The most common shared space is co-working space. In addition to leasing office spaces, managers at co-working spaces, often known as community managers, organise events to encourage social interaction among members. They may also target specific industries to build the community. While the initial target market for co-working spaces was for the IT community, freelancers and entrepreneurs, corporates are increasingly choosing co-working spaces to increase flexibility in their real estate strategy, as well as to attract the millennial workforce who are drawn to the co-working environment.

Co-working is not like serviced offices and conventional offices as the environment tends to be more creative and informal, focusing on the sense of community and sharing of resources. Underpinned by technology, co-working spaces provide opportunities for networking and collaborations in an increasingly borderless and global business environment (Figure 1). This often comes at a lower cost and is less of a hassle as compared to conventional offices.

The rates and lease terms of co-working spaces vary among hot desks, fixed desks and private offices, depending on the needs of its members. This flexibility is important for entrepreneurs or corporates, due to the constant changes in their needs. Members of co-working spaces also benefit from the wide membership networks as

Co-working membership

1. Membership is offered mainly on a monthly basis.
2. The monthly rates differ for hot desks, fixed desks and private offices.
3. More than 50 per cent of the membership for co-working spaces are subscribed by MNCs.
well as the activities and events organised by the operators and members.

**Demand for co-working spaces**

Millennials are making up most of the workforce and will soon take up key management positions. Supported by technology, millennials are used to working anywhere and anytime, with many preferring to work in informal environments such as cafés. They also challenge the need to comply with conventional office cultures.

Certain sectors and economies are more receptive to co-working than the others:

- **Gig economy**
  
The gig economy or freelance economy is one of the main drivers for co-working spaces. By encouraging entrepreneurship opportunities, the Singapore Government’s plan for an innovative economy has increased the number of freelancers over recent years. Co-working spaces are suitable for the gig economy as they offer affordable Central Business District (CBD) addresses with flexible terms. The informal setting and opportunities to mingle and collaborate with like-minded people are also important for these entrepreneurs and freelancers.

- **Technology companies, e.g. financial technology (fintech)**
  
The rise of fintech, promoted by the Government, has encouraged more technology-based firms to set-up in Singapore. Most of these companies are small and tend to be in co-working spaces. In recent years, financial institutions have also jumped onto the bandwagon and started co-working spaces for fintech companies, so that they can work together to develop better solutions for its employees and customers. For instance, The Open Vault at OCBC is a 2,400 sq ft fintech co-working space in New Bridge Road that focuses on wealth management, credit and financing, insurance, cybersecurity and artificial intelligence (AI).

- **Multinational corporations (MNCs)**
  
Contrary to popular belief, more than 50 per cent of co-working memberships are subscribed by MNCs. Co-working spaces offer companies flexibility in lease terms, which in turn help corporates manage the fluctuating staff members amid economic uncertainties and project-based work. For instance, HSBC in Hong Kong has taken up some 300 hot desks at WeWork. In Singapore, to prepare for their new co-working space in Paya Lebar Quarter, Lendlease has moved about 100 staff into The Work Project at OUE Downtown. Other companies that have subscribed to co-working spaces include Facebook, IBM and Microsoft. The co-existence of MNCs and startups in co-working spaces can create mutual benefits and encourage collaborations among small and large companies.
The market for co-working spaces in Singapore

Around a quarter of the co-working spaces are concentrated in the CBD

As of end May 2018, there are about 110 co-working spaces in Singapore, amounting to around 1.1m sq ft. Around 21 per cent of these are in the CBD (Figure 2). Cost savings from using a co-working space is the most apparent in the CBD, where savings can amount to approximately 50 per cent as compared to a traditional office space.

With more project completions in the CBD, the distribution of co-working space will change. By the end of 2018, the total amount of co-working spaces will grow by around 42 per cent year-on-year (y-o-y) to around 1.4m sq ft. Some 372,000 sq ft of co-working spaces have been confirmed for the next two years, out of which, approximately 59 per cent are planned in the CBD. One of them, Spaces by IWG, will occupy around 35,000 sq ft in One Raffles Place when it commences operations in 2019. A unique aspect of this space will be its ability to host and launch retail and fashion-related events within a mall setting. It also aims to support a business community made up of different industries, which will include the creative industry and fintech companies.

Co-working spaces are gaining a competitive edge with targeted markets and services.

Co-working spaces differentiate themselves in various ways. About 67 per cent is operating under major operator networks, with some targeting specific industries. For instance, one of the largest co-working spaces in the CBD is the Singapore FinTech Coworking Hub 80RR located at 80 Robinson Road. Occupying 100,000 sq ft, this hub offers the technological infrastructure and environment that fintech companies can tap on. By focusing on an industry, operators can organise events and training sessions to cater learning and networking opportunities for members.

To increase their competitive edge, some co-working operators have incorporated unique themes and services. For instance, The Great Room is a hospitality inspired co-working space with lavish interiors and custom-made furnishings.

Figure 2: Distribution of co-working spaces in Singapore.

Source: Edmund Tie & Company Research
Operators are building up their network in Singapore and beyond

There are a few key players in the co-working industry who take up a majority share of the co-working market (Figure 3). This includes homegrown brand JustCo, which currently operates around 175,000 sq ft spread over five locations. WeWork, together with Spacemob, has around 117,000 sq ft in four locations. It will continue to grow its network in Singapore with five additional locations (total space around 183,000 sq ft) including one of its largest office spaces at 8 Cross Street. When all the co-working spaces in the current pipeline are completed, WeWork will be the largest operator in terms of its market share in Singapore.

WeWork will also be expanding into other Southeast Asian cities such as Jakarta, Kuala Lumpur, Bangkok and Manila by end 2018. In Jakarta, strong pre-committed rates were reported for WeWork in Sinarmas MSIG Tower and Revenue Tower.

JustCo has also announced that it will work together with Frasers Property Limited and GIC Private Limited to build its presence in Southeast Asia and other Asia Pacific markets including Thailand, China, Japan and Australia. This will further expand its value connection, technology platform and services.

Besides expanding its physical presence, JustCo is also embarking on curating communities for corporates. For example, JustCo will manage Verizon Innovation Community, which is a collaboration with Verizon Communications, an American multinational telecommunications giant, in Ocean Financial Centre. The community, which has a space of 10,000 sq ft, will comprise members from cybersecurity, fintech and digital media sectors. Another United States conglomerate will also work with JustCo to curate and manage two floors of its headquarters in Bangkok, Thailand.

Figure 3: Size of selected co-working operators.  
Source: Edmund Tie & Company Research
More landlords are partnering with co-working operators

Many landlords are beginning to recognise the importance of innovation and creativity in workspaces and have begun to introduce co-working spaces in their developments. For instance, Collective Works at Capital Tower is 50 per cent owned by CapitaLand (Figures 4 and 5). It is around 22,000 sq ft with a mix of private and open spaces designed to encourage collaboration. In addition, there is an integrated media studio with recording facilities. City Developments Limited and Chinese co-working operator Distrii have also joined forces to open a 62,000 sq ft tech-driven co-working facility in Raffles Place (Figure 6). This is Distrii’s first overseas location outside of China. Besides office spaces, there is also a multi-purpose hall and a café run by German burger chain Hans im Glück. The space is equipped with a customised mobile application for members to unlock meeting or conference rooms and share files.

![Figure 4: Size of selected co-working spaces that are co-developed/co-owned with developers in Singapore. Source: Edmund Tie & Company Research](image-url)

![Figure 5: Collective Works, Capital Tower. Source: WorkSmart Asia](image-url)

![Figure 6: Distrii, Republic Plaza. Source: City Developments Limited](image-url)
The co-working trend has risen in popularity. Due to the proliferation of co-working operators, the market is becoming saturated and we may see some consolidation of operators. Co-working operators will continue to differentiate themselves in terms of their physical design and other value-added services.

By 2025, millennials will form around 75 per cent of the workforce, effectively shaping the future of working. As this generation values qualities such as collaboration, flexibility and mobility, shared spaces are ideal to meet their needs.

As the real estate market calibrates to accommodate the trend of shared spaces, there will be more demand for cross-disciplinary shared spaces. People can work anytime and anywhere with technology. The trend of “everything becoming a café” will continue to grow, as the line blurs between work, live, learn and play.

The success of co-working spaces has incentivised many companies to incorporate co-working elements into their workplace. This is also part of the space optimisation strategy that companies are implementing. While reducing the space utilisation per person, companies have increased the amount and type of collaborative spaces. This trend is likely to continue with the increase in CBD office rents.

1 “Big demands and high expectations. The Deloitte Millennial Survey.” by Deloitte (2014).  
2 “In the Future Everything will be a Coffee Shop.” by Stephen Gordon (2011).
Besides Singapore, shared spaces are growing in size across the region. In Thailand, co-working spaces started around five years ago. Today, there are more than 100 co-working space operators. Some operators have also introduced co-working spaces in unique locations. For instance, convenient stores like Family Mart at Sukhumvit 33 have introduced co-working spaces in their stores (Figure 7).

Major demand drivers are the startups and small- and medium-sized enterprises (SMEs), which take up around 80 to 90 per cent of shared spaces. MNCs also take up shared spaces when their offices are full and when there is a need to find alternative spaces to house their employees. Landlords are pleased with these new concepts as it ensures their continuous income.

Moving forward, co-working operators are expected to expand rapidly. International brands such as Regus, which provides both serviced office and co-working spaces, are planning to expand their brand outside of Bangkok to target a wider range of customers.
Airtel X Sathon

Managed by Airtel Lifestyle, this modern co-working office in Bangkok is located close to Rama 4 Road and Sathorn Road and is within walking distance of Lumpini MRT station. Some of the unique features of this designer-focused working space include a shared library of lighting and design materials. There is also a lounge area with free beverages and light snacks. Memberships range from daily to monthly packages for hot desking or dedicated offices, with up to five hours of meeting room use per month. The two meeting rooms can also be booked on an hourly basis. The collaborative meeting rooms include audiovisual equipment geared for presentations as well.
APW Bangsar

Co-working spaces have taken off in Malaysia, and such spaces are often located together with F&B outlets. One unique example is APW Bangsar in Kuala Lumpur, which was formerly used as a commercial printing factory. APW Bangsar is now converted into a space which has F&B outlets, co-working spaces (6,000 sq ft) as well as event spaces (from 1,800 – 4,144 sq ft). Some of the activities here include weekend flea markets, yoga classes, networking events and workshops.

Figure 9: Site Plan of APW Bangsar. Source: A Place Where
Figure 10: Co-working spaces and Meeting rooms @ Uppercase.

Source: Uppercase

Figure 11: Event Space @ APW Bangsar.

Source: UnionSPACE
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