AN EVOLUTION IN WORKSPACE USAGE IS QUIETLY TAKING SHAPE. COWORKING, A NEW SUB SECTOR OF THE REAL ESTATE MARKET, IS EXPERIENCING SIGNIFICANT GLOBAL GROWTH AS CHANGING OCCUPIER PREFERENCES CREATE NEW OPPORTUNITIES FOR COMMERCIAL PROPERTY OWNERS.

Traditional offices are being leased to independent companies (operators) who redesign the spaces and sublet them to tenants such as freelancers, entrepreneurs, start-ups and, increasingly, more established organisations. For a monthly fee, like-minded people (members) can hire a work area, be it a hot desk, dedicated desk or enclosed office depending on need. Access to office facilities such as a reception desk, conference rooms, kitchens, creative common areas and unlimited quantities of freshly brewed coffee are all part of the mix. The concept has struck a real chord especially amongst millenials (21-34 year olds) and demand is growing.

For many new businesses coworking spaces are a godsend, providing entrepreneurs with an easy one-stop real estate solution. Collaboration and camaraderie amongst members is seen as an essential ingredient. Masterminding the right mix of businesses and personalities is vital. Building a real sense of community with regular programs and events aimed at creating and supporting a strong business referral and social network amongst members are all important. The upside - some operators are reporting that up to 40% of their members are cross-pollinating their services and growing revenue streams through their fellow members.

In short, coworking spaces are at the vanguard of a movement of people who are prioritising finding meaningful work, building community, and challenging conventional business practices. Some landlords are already embracing the trend and proactively seeking partnerships with coworking operators, while others are actually choosing to compete directly by providing their own solutions to the market. What is clear is that the leasing model is evolving and those landlords that provide occupiers with greater flexibility around time and space requirements are likely to end up winners.

THE COWORKING OF AUCKLAND

COWORKING SURGING GLOBALLY

The growth in coworking spaces globally is impressive. Over the past 10 years the movement has grown to just over 10,000 locations (spaces) and expectations are for further rapid growth over 2016/17 to 12,700 as per Deskmag’s 2016 survey.

Member growth has been equally impressive with around 735,000 global members currently, and Deskmag projections pointing to in excess of 1 million in 2017.
WeWork is the global leader, by far, in this emerging movement. The company has grown exponentially from a single Manhattan office in 2010, and now has a total membership of over 50,000 spanning more than 100 locations in 25 cities. The bulk of its current operations are in the US (60%) with the balance spread across the globe in locations such as Canada, Mexico, Europe, Israel and China. Earlier this year the group raised US$430m from Chinese investors in a fundraising that values the business at US$16bn and will help it expand further into the Asia Pacific region.

AUCKLAND’S COWORKING SCENE

Although still in its infancy the coworking scene in Auckland has recorded strong growth over the past five years. From what was a core of three operators back in 2011 occupying around 1,400m² there are now around 13 operators totalling 13,800m². Most of the larger operators are looking to expand their offerings and believe there is significant scope to broaden the current reach from the ‘entrepreneurial-creative’ sectors to the more lucrative corporate sector.

The average monthly desk rate for dedicated coworking space is currently around NZ$565 with a wide variation in individual rates depending on location, quality and facilities. At the premium end Generators Britomart space averages around NZ$1,000/month while The Distiller, located on upper Queen Street, caters to the budget end of the market at an average NZ$200/month.

Most of the current coworking offerings are centred in the Auckland CBD with the largest cluster in and around the harbourside, close to a wide variety of amenities and public transport connections. This area is also where the more established serviced space providers such as Servcorp and Regus, who together occupy around 7,500m², are concentrated.

Going forward the redevelopment of the Wynyard Quarter as Auckland’s premier Innovation Precinct will open up further opportunities for coworking spaces to the west of the CBD harbourfront. The precinct will include a purpose built innovation cluster that will position Auckland as a centre for high tech business, research and development in the Asia-Pacific region. It will provide budding entrepreneurs with a launch pad and a place where like-minded and complementary high tech companies can work along-side one another.

GridAKL an Auckland Council initiative run by the council controlled organisation Auckland Tourism, Events and Economic Development (ATEED) already has a strong presence in the Wynyard Quarter with the recently refurbished Lysaght Building offering 1,500m² of coworking space. Work has also started on a new GridAKL property, an 8,500m² building being developed by Precinct Properties that is expected to be open by mid 2017.

INDICATIVE MONTHLY DESK RATE PER OPERATOR

<table>
<thead>
<tr>
<th>Operator</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>ColabNZ Generator</td>
<td>NZ$1,000</td>
</tr>
<tr>
<td>The Ice House</td>
<td>NZ$1,200</td>
</tr>
<tr>
<td>Bizdojo/GridAKL</td>
<td>NZ$1,000</td>
</tr>
<tr>
<td>The Crate</td>
<td>NZ$1,200</td>
</tr>
<tr>
<td>SharInkspacet</td>
<td>NZ$800</td>
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<tr>
<td>Movers&amp;Shakers</td>
<td>NZ$400</td>
</tr>
<tr>
<td>Alike</td>
<td>NZ$200</td>
</tr>
<tr>
<td>The Kingsmen</td>
<td>NZ$200</td>
</tr>
<tr>
<td>No9 Auckland</td>
<td>NZ$200</td>
</tr>
</tbody>
</table>

*Indicated rates exclude GST
AUCKLAND’S GLOBAL PROFILE GROWING

A mid-size city by global standards, Auckland is certainly punching above its weight when it comes to the increasingly important criteria of sustainability, liveability and flair to embrace change. The city continually ranks highly on various global surveys, as does New Zealand generally.

AWARD WINNING AUCKLAND
- 2016 Most Liveable City: Auckland 3rd
- 2016 Worlds friendliest city: Auckland 6th
- 2015 Most reputable country: NZ 7th
- 2015 Best Country to do business in: NZ 2nd


Auckland is the country’s largest urban area with a population of 1.5 million people and contributes 35% of the country’s GDP. The population is expected to grow by another 1 million by 2040, providing further stimulus for economic expansion and opportunities.

Importantly Auckland has a thriving innovation ecosystem which is being supported by a strong commitment from local and central government. A growing number of key infrastructure projects (city rail link, growing cycleways) and transformative real estate projects such as the redevelopment of the Wynyard Quarter on the harbourfront will ensure the city remains one of the most dynamic globally.

GROWTH IN MILLENNIAL WORKFORCE AND CHANGING NATURE OF THE WAY WE WORK

There are two key drivers of change in the workforce which are expected to underpin the growth in coworking:

1. GROWTH IN MILLENNIALS ENTERING THE WORKFORCE

In the US independent workers represent around 34% of the US workforce and the bulk of these people are young, under the age of 40. As a result the entrepreneurial business model looks set to play a more significant role in the future workplace. It is this demographic which is the driving force behind the growth in demand for more flexible, collaborative workplace environments.

2. CHANGES IN THE WAY WE WORK

We are no longer tied to our office, we work through our smartphones and laptops. We interact at a much faster pace and more frequently so our workplace accommodation must keep up with us to ensure productivity and performance are maintained.

As in the US, a similar dynamic is also occurring in New Zealand where around 485,000 people or 21% of the New Zealand workforce are self-employed. In Auckland approximately 150,000 are self-employed which is around one in every five in the workforce.

Over the next five years millennials (21 to 34 yr olds) will be the fastest growing age demographic contributing around 70,000 people to Auckland’s workforce. This could prove a major boost for coworking space in the city. Conservatively the demand for coworking space could potentially rise more than eight-fold over this period if current global trends continue.

Auckland currently has a vibrant and growing Information Communications Technology (ICT) sector with more than 6,700 companies, employing nearly 31,000 people and contributing $4 billion or 7.5% to the local GDP. The sector has grown 80% in the past decade.

FUTURE TRENDS IN COWORKING

TAILORED COWORKING

Differentiators will become more important as pressure to stand out from the coworking crowd increases. This may take the form of unique fitouts for members, greater focus on targeting specific sectors, providing members with additional benefits such as healthcare, insurance and other memberships.

ACCESS TO SUPPORT/ADVICE

Increasingly members will be seeking more value add from coworking operators on how to help their companies grow and access to investors/accelerators will play a more important role.

BUILDING COMMUNITY STILL KEY

People and a sense of community remain vital in holding a coworking space together. Proximity to like-minded creatives and entrepreneurs will remain essential in helping businesses reach the next level.

COWORKING MORPHS INTO COLIVING

Affordable space matched with affordable on-site accommodation. It remains to be seen whether this trend takes off, but in certain locations/circumstances it may prove attractive.

COWORKING BUSINESS MODEL

SHARED WORK ENVIRONMENT

Operators provide businesses (eg. freelancers/start-ups, small businesses and increasingly more established organisations) with desk space on a shared floor. The aim is to encourage collaboration amongst like-minded people with a similar drive and passion for work and life. The “fun factor” is a key element in the mix.

FLEXIBLE TERMS

Operators provide flexible terms allowing occupiers to move in/out and upgrade/downgrade with short notice periods.

COMMUNITY

Operators develop community building programs and events which aim to create a strong business and social network amongst occupiers.

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AUCKLAND POPULATION BY WORKING AGE - MILLENNIALS VS OLDER

Source: Statistics NZ

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OUR MISSION: TO CREATE A WORLD WHERE PEOPLE WORK TO MAKE A LIFE, NOT JUST A LIVING

WeWORK

WITH THE MASSIVE SHIFT TAKING PLACE FROM CORPORATE EMPLOYMENT TOWARD FREELANCE AND ENTREPRENEURIAL WORK - COWORKING SPACES HAVE BECOME THE NEW OFFICE... THE NEW WORK EXPERIENCE

CRAIG MCANSH FOUNDER, MOJO COWORKING & COACTIVE NETWORK

COWORKING SPACES OFFER A COMMUNITY WHERE EAGER MINDS CAN GATHER, NETWORK OR COLLABORATE

VLADISLAV SOLODKIY HEAD OF LIFE.SREDA SINGAPORE

WORK IS NO LONGER ABOUT REPETITIVE PROCESS BUT INCREASINGLY ABOUT CONNECTION, INTERACTION AND COLLABORATION

CUSHMAN&WAKEFIELD

GREATER WELL-BEING MAY ALSO BE RELATED TO GREATER PRODUCTIVITY AND PERFORMANCE AT WORK, INCREASED COMMITMENT AND STAFF RETENTION AS WELL AS EFFECTS ON PHYSICAL HEALTH AND LIFESPAN

STEPHEN STANSFIELD PROF PSYCHIATRY QUEEN MARY UNIVERSITY LONDON

PEOPLE ARE MORE PRODUCTIVE WHEN THEY'RE ALONE, BUT THEY'RE MORE COLLABORATIVE AND INNOVATIVE WHEN THEY'RE TOGETHER. SOME OF THE BEST IDEAS COME FROM PULLING TWO DIFFERENT IDEAS TOGETHER

MARISSA MAYER CEO YAHOO!

LLOYD BUDD
DIRECTOR - COMMERCIAL, RETAIL & OPERATIONS
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SPECIAL THANKS

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