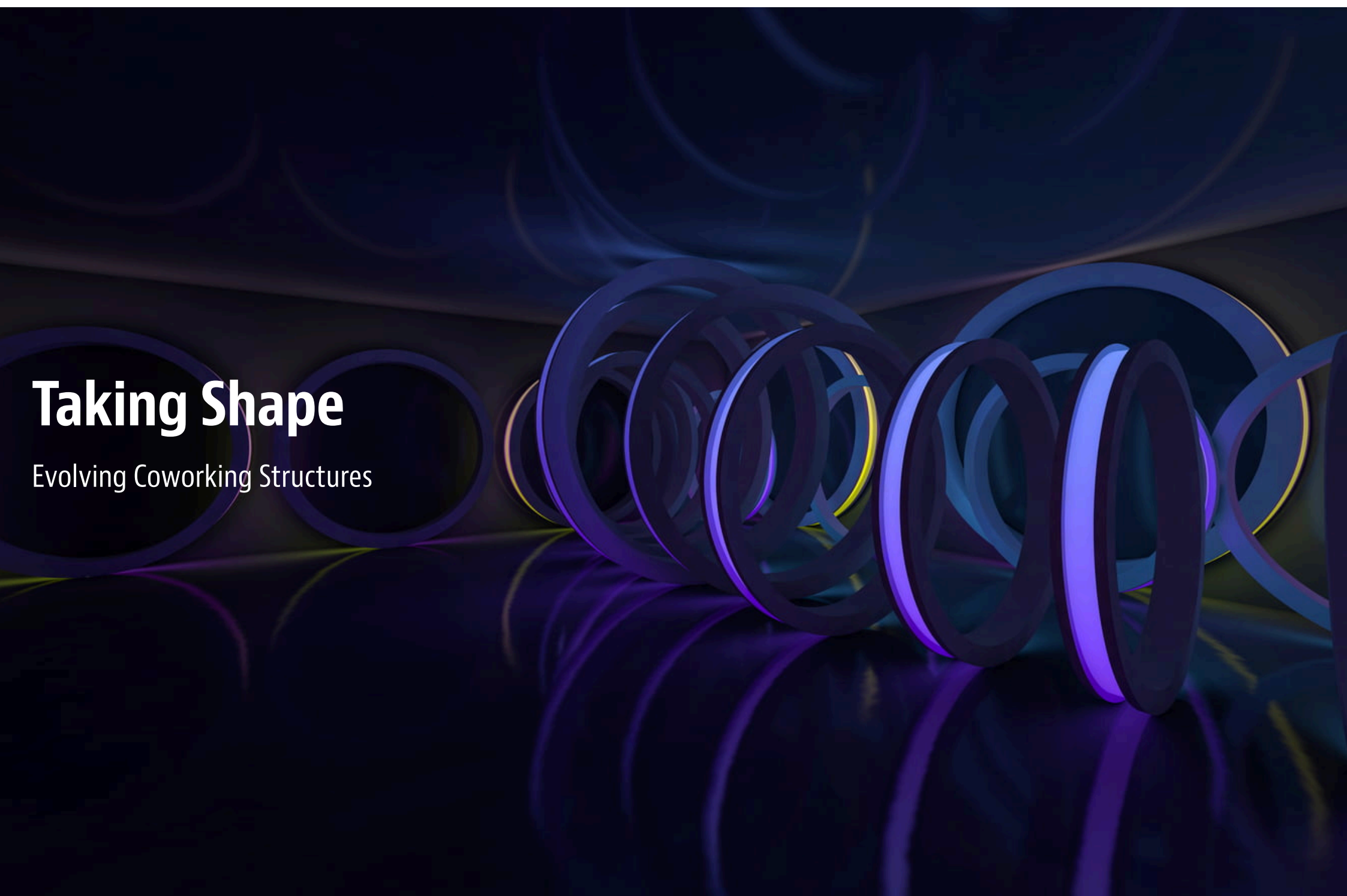


Taking Shape

Evolving Coworking Structures



The business of coworking spaces has come a long way. From its beginning as hackerspaces and community centers, it has now evolved into a business that is changing the future of the real estate industry. An increasing amount of players provide workspace as a service, and as the bigger entities become involved, the structure of the business has become more sophisticated. These are the structures that we have observed:

1. Customized Instead of Cookie Cutter Workspaces. The original set-up for a flexible workspace involved a provider signing a lease (or maybe using its own property), handling the fit-out, hiring employees, and renting out the furnished space with facilities to others. Providers charged a membership fee, which was based on the amount of time and amenities the member may use.

To be more commercially viable, some coworking spaces are vertically integrated; offering food, spa and massage services, gyms, other sports facilities, and even sleeping quarters. For example, Singapore's "Kafnu" has a mini-hotel, virtual fitness studio, media production studio, gin bar, coffee bar, phone booths, and a podcast studio in its Alexandria site.

2. The Future of Flexible Workspace Franchises. Coworking space providers have also expanded by offering franchises to local players. IWG grew rapidly [by entering into agreements with six franchisees in the UK, resulting in 50 new locations opening within the next three years](#). IWG supports its franchisees during the entire process of running a coworking and meeting space, including everything from the layout and design, to the training of employees.

3. Landlords Launch Their Own Coworking Space Brand. Traditional landlords have also seen the flexibility that coworking spaces provide and are now venturing into the

business. Real estate owners are creating their own agile spaces and launching their own brand. They also fit-out and manage their own coworking spaces. Tishman Speyer has "Studio", and Boston Properties has "Flex by BXP".

Landlords are allowed to have full control by running their own coworking space. They can easily add units or floors, or choose what arrangement to offer its clients, without having to consult a third party. Building owners may also take advantage of the lifestyle facilities that already exist within their properties, such as gyms, spas, and other fitness facilities in residential or mixed-use developments.

4. Partnership With Space Providers Allows Landlords to Expand. Some traditional landlords and coworking space providers have partnered up. The landlords provide the space and coworking space providers take over fit-outs and management of the space for a share of the profit. The benefits of this partnership include a buffer

for landlords during economic downturns. The technology and experience of coworking space providers allow facilities to run more efficiently and cost effectively. Most importantly, this partnership allows for expansion of coworking spaces with lower capital costs.

5. Hotels Provide Hospitality Through Destination Workspaces. Hotels are also becoming interested in providing agile spaces. Some operators, like Marriott International's Moxy brand, have tech-enabled spaces that may be used as workstations during the day, and then transform into a party spot at night. Tryp by Wyndham Dubai has "Nest", a coworking space that offers unlimited coffee, business center services, and access to the hotel's pool and gym by its members.

[Selina, a growing hotel brand from Latin America, is pushing the envelope by offering "stylish live and work spaces", as well as experiences to its clients](#). The hotel demonstrates their live, work, play concept in

the "Playground", a communal space in each Selina that serves as a coworking space, restaurant, event venue, and bar. Hotels have full control over the space in this type of set up structure. The flexible spaces in their lobbies increase food and beverage sales, and introduce their brand to more clients.

Hotels have even started creating their own coworking brands. One of these is "+U" by Australia's Veriu Hotels & Suites. +U converted a six-level property into a destination workplace with coworking spaces for specific industries, including a professional recording studio for the music industry.

Fattal Group (Leonardo Hotels) has "Rooms", a coworking brand that provides "(e)verything you need in an office, everything you love in a hotel". Rooms offers coworking spaces, office equipment and other office services, room service to your desk, laundry services and rooms in a hotel. Rooms originated in Israel but has already expanded to Sweden, Austria and the Netherlands.

Most of these hotels cater to nomadic travelers who share the lifestyle of working remotely from a coworking space.

6. Hotel and Space Providers Partnerships Result in Increased Coworking Space Accessibility. Hotels have also started to partner with coworking space providers. Accor has partnered with Wojo, whose motto is Work. Share. Live (formerly NextDoor), with the goal of having more than 1,200 flexible spaces by 2022. Wojo will have three products: (1) Wojo Spots - coworking-friendly spaces in the bars, restaurants and lobbies of Accor hotels; (2) Wojo Corners - dedicated coworking spaces in Accor hotels, train stations, airports and malls; and (3) Wojo Sites - large standalone coworking spaces that will also offer private offices to enterprises. These sites will be developed in partnership with Bouygues Immobilier.

On a smaller scale, Kerry Hotel Hong Kong has partnered with Singapore's Next Story Group to bring "Kafnu" into the hotel.

7. Investors Capitalize on Property Management Experience.

Property management companies have also jumped on the bandwagon. CBRE's flexible space brand, "Hana", sees the property manager partnering with property investors, to deliver coworking spaces in investor properties with CBRE managing the space.

Investors have realized the benefit from partnering with a property manager as it connects them to the manager's network, and property managers offer operational experience in asset management.

8. Space Providers as Property Managers. Flexible space providers are also taking over entire buildings in order to control the whole environment around their operations. In Latin America, a coworking space provider collaborated with a property owner allowing an indirect share of projected profits translated to rent, while the owner had to provide full facility operations and maintenance.

Conclusion

There is no predictable set-up used by coworking spaces. Market trends and user need are driving optionality, innovation and collaboration.

In some cases, providers and property managers are partnering with owners, landlords and investors to deliver customized operations or services for an indirect share of projected profits. Providers are also partnering with landlords and hotels to deliver bespoke solutions focused on the theme of live, work and play. Providers are also continuing to expand by starting franchises.

To keep up, landlords and hotels are developing their own spaces by creating new brands and repurposing existing facilities.

While these trends, partnerships and structures are in their infancy, workspace flexibility will continue to drive innovation and offer new opportunities for providers, property managers, owners and investors alike.

Contacts

For further information and assistance on '**Taking shape: Evolving Coworking Structures**' please get in touch with any of the contacts listed below.



Joanna Wojnarowska

Partner
Warsaw

Joanna.Wojnarowska@bakermckenzie.com



Alejandra Bugna

Partner
Buenos Aires

Alejandra.Bugna@bakermckenzie.com



Sebastian Busa

Partner
Sydney

Sebastian.Busa@bakermckenzie.com



**Juan Bernardo
Garcia-Garza**

Partner
Monterrey

Juan.Garcia-Garza@bakermckenzie.com



Fabian Monsalve-Agraz

Partner
Guadalajara

Fabian.Monsalve-Agraz@bakermckenzie.com



Hsian Siong Yong

Partner
Kuala Lumpur

HsianSiong.Yong@WongPartners.com