

DOES COWORKING WORK FOR YOU?

Businesses are rethinking how they should adapt their work culture and office environment to attract and retain the best and brightest

BY JENNY LING



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WHAT started out as a shared workplace for entrepreneurs and tech start-ups has become a major game changer in the commercial real estate sector. Flexible workspace – including coworking and serviced office centres – is now a real and viable option for large multinational corporations.

Over the last two years, the number of flexible workspace centres has ballooned as corporates embraced new ways of working, drawn to the appeal of community and affordability offered by such workspaces.

In Singapore, including recent leases that have been signed, Colliers estimates that flexible workspace operators will take up a combined 2.7 million sq ft of space within the Central Business District (CBD) – representing about 5 per cent of the total office stock in the city centre.

Flexible workspaces are starting to look attractive to more occupiers, especially in an environment of rising rents and limited new office supply.

Average Premium & Grade A average rent was up by 15 per cent year-on-year (YOY) in 2018, and could likely rise by 8 per cent YOY in 2019. Climbing rents aside, there is simply a lack of large, contiguous space in the market presently.

As businesses seek alternative solutions to augment

traditional office space, they have started to look at flexible workspace centres in earnest. One strategy that will possibly gain traction this year is the Colliers-led Flex and Core leasing model – which combines traditional office leases with short-term lease tenures in flexible workspace centres.

However, before occupiers plunge headlong into coworking spaces, they should assess if the flexible office option suits their business and operational requirements.

• Business life cycle

A new startup will appreciate the perks that comes with operating in a coworking space. Among them, convenience and relatively affordable real estate cost – without the need to embark on time-consuming and expensive office fit-out, procure office furniture or set up complex information technology (IT) equipment – as well as access to a network of like-minded entrepreneurs who are sharing the workspace.

Other benefits have been widely publicised: fun and modern office design; on-site cafes; beer on tap; games room; and access to a host of activities from seminars to yoga classes.

Increasingly, more established companies – including multinational corporations (MNCs) – have also taken

up space in flexible workspace centres to complement traditional office real estate.

The flexible component of the real estate strategy enables the firms to be more agile in adjusting space needs according to fluctuation in headcount and market cycles.

• Nature of industry

Generally, flexible workspace can be used by occupiers across industries. However, such spaces may work particularly well for certain businesses, such as those in fast-paced and rapidly evolving sectors including technology, advertising, media and information.

Typically, businesses that have younger staff, the ability to work remotely, collaborative culture, less capital-intensive operations, and openness to change will adapt well to coworking.

On the other hand, others such as financial institutions, law firms, accounting firms and shipping companies may prefer to operate from their own premises – many of them in prominent CBD locations – to better align with their branding strategy and corporate image.

• Special requirements

Occupiers from different industries have their own set of

requirements, and sometimes their needs may be at odds with what is being offered at flexible workspace centres.

The lack of privacy, for example, could potentially be a deal-breaker. While an open and collaborative environment with shared desks may work for a tech firm, a company that regularly deals with highly confidential information – including clients’ personal data and market-sensitive trades – will likely opt for a more secured office setting that offers a higher level of privacy.

• **Scale of business**

With the growth of the flexible workspace sector, small and medium-sized enterprises (SMEs) can now consider spaces in choice locations or in premium builds that may be previously inaccessible to them due to the smaller square footage required by such firms.

Meanwhile, MNCs can assess the viability of a Flex and Core strategy by deploying selected departments (eg sales people who do not really need a permanent desk) to nearby coworking centres.

• **Affordability**

Based on Colliers’ research, the typical price of a flexible hot-desk membership in Singapore is around

S\$390-600 per month, while a dedicated desk could cost S\$700-900 per month which implies an average lease rate of about S\$7-9 per sq ft per month (psf pm), assuming 100 sq ft of office space per person (density ratio).

This rate appears to be attractive, given that average CBD Premium & Grade A rent has risen to S\$9.43 psf pm in 2018 and is expected to rise further this year.

• **Lease tenure**

A long-term commercial lease can be daunting for an entrepreneur or even a sizable firm, especially one that is uncertain about its future growth prospects. Flexible workspace offers these occupiers with a more viable solution, with commitment periods of between six and 24 months.

Flexible workspace enables occupiers to “flex” their real estate requirements easily in tandem with changes in their business priorities or abrupt expansionary needs. It could be taking extra seats at a coworking centre – such as a makeshift project space – for six months for staff working on a new assignment, or perhaps taking up multiple hot-desk memberships across the globe for employees who travel frequently for work.

• **Recruitment and talent strategy**

With millennials coming into the workforce and rapid changes in the way that people work, businesses have started to rethink how they should adapt their work culture and office environment to attract (and retain) the best and brightest.

The hip and cool vibe – along with all the perks and amenities – that have come to define the flexible workspace sector appeal to younger workers who have higher expectations of their workplace.

Occupiers who are targeting to attract the millennial workforce would likely give flexible workspace a serious thought.

As coworking becomes the new normal, it will increasingly feature in occupiers’ real estate strategy. Jumping on the flexible workspace bandwagon can help firms to trim cost, raise productivity, recruit talent and network more efficiently.

However, it may not be for everyone – and the devil is in the detail. ■

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