A new era of coworking
The evolution of coworking

The coworking revolution is transforming real estate. Pioneered by start-ups, entrepreneurs and freelancers, a growing number of companies, large and small, are exploring how to incorporate the concept. Coworking and liquid or flexible space are fast becoming critical components of wider Corporate Real Estate (CRE) and portfolio strategy. This paper explores the benefits and barriers to coworking. It identifies four models that organisations can apply to maximise value from the coworking experience.

The number of members using coworking spaces globally has been steadily increasing year on year and is predicted to reach one million by 2018.¹ Coworking has traditionally been favoured by start-ups and entrepreneurs as a flexible and collaborative workplace solution. With four million new businesses being registered worldwide just in one year,² coworking spaces are witnessing increased demand. There are a number of growing specialist providers, such as WeWork, who last year opened the UK’s largest shared space in London, with capacity to house 3,000 members. With professional and other services representing over half of the entrepreneurs in North America and nearly half in Europe,³ similar solutions are being developed in other cities across the globe.

Initially a trend that emerged as a start-up phenomenon, coworking is being adopted by more and more organisations. In Amsterdam, mature companies such as Philips and IBM are utilising coworking space to encourage innovation alongside start-ups. NUMA, which opened France’s first coworking space in 2008 and an entrepreneurial hub in 2011, is now working with 30 large companies and helping to accelerate a number of start-ups.⁴

Coworking is centered on creating space which supports collaboration, openness, knowledge sharing, innovation, and the user experience. Demand for coworking space has been driven by the growth of creative and tech industries as well as the changing nature of work. Mobile technologies and personal devices have made working remotely from a variety of locations much easier. While this has fuelled the growth in home working, companies and their employees increasingly see the value of being part of a collaborative environment—something which is at the core of coworking. The results of the latest Global Coworking Survey reveal that 61% of coworking space providers are planning to expand their operations and almost 80% expect the number of members to increase in 2016.⁵

With a growing number of companies looking to tap into these benefits, it is only a matter of time before coworking becomes an integral part of the corporate real estate toolkit.

Coworking

(n.) The use of an office or other working environment by people who are self-employed or working for different employers, typically so as to share equipment, ideas, and knowledge.

Oxford Dictionaries

¹ Smallbizlade 2014
² World Bank 2015
³ Global Entrepreneurship Monitor Report 2015/16
⁴ NUMA 2015
⁵ Deskmag 2015
A new era of coworking

More than 100,000 people were estimated to be using coworking spaces worldwide.

7,800 Coworking spaces globally

**The coworking journey**

- **1995**
  A predecessor of coworking space, C-base, was set up in Berlin, Germany.

- **1999**
  A space with flexible desks, established by a software company, opened in New York, US.

- **2002**
  A community centre for entrepreneurs was founded in Vienna, Austria.

- **2005**
  The first Hub was set up in London, UK.

- **2006**
  Citizen Space, one of the first official coworking spaces, was founded in San Francisco, US.

- **2007**
  The number of coworking spaces globally reached 75; the concept of coworking was picked up by the media.

- **2008**
  The Coworking Visa programme, catering to travelling workers, was founded in the US.

- **2009**
  The first official coworking space Betahaus, now home to c. 200 entrepreneurs, was opened in Germany.

- **2009**
  The Coworking Visa programme, catering to travelling workers, was founded in the US.

- **2010**
  600 coworking spaces worldwide

- **2011**
  The movement nearly doubled every year; large companies started experimenting with coworking spaces.

- **2012**
  Open Coworking, an organisation promoting cooperation between coworking spaces around the world, was formed.

- **2013**
  More than 100,000 people were estimated to be using coworking spaces worldwide.

- **2015**
  By the end of the year the number of coworking spaces globally was predicted to reach 7,800.

**Sources:** DeskMag 2015, Coworking Wiki 2015
Organisations are embracing the concept of coworking in order to take advantage of burgeoning innovation and benefit from the so-called collaboration curve.

Coworking is being used by companies to support the wider strategic agenda around collaboration, innovation, flexibility as well as talent attraction and retention. These strategic pressures around performance and efficiency are encouraging companies to focus more intently on workplace strategies and coworking solutions. 76% of respondents to JLL’s Global Corporate Real Estate Survey are planning initiatives aimed at enhancing workplace experience over the next three years.6

Collaboration

In a recent JLL poll, 74% of respondents indicated that thinking, talking, and brainstorming create the most value for an organisation.7 In response, companies are turning to alternative workplace solutions, such as coworking, to encourage collaboration. Coworking is conducive to knowledge sharing, provides access to new networks, and allows companies and their employees to tap into ideas they would not normally have exposure to.

Sources: Accenture 2015, CoreNet 2015

42% of companies expect collaboration with entrepreneurs to accelerate disruptive innovation

63% of companies say the main reason for using shared office space is the ability to collaborate
Innovation
A growing number of organisations are utilising coworking models to tap into innovative ideas, technology and to collaborate with start-ups. A collaborative work environment has long been linked to innovation, which is one of the key drivers of business growth. Coworking space can provide a positive atmosphere for creative thinking and access to new ideas, approaches, or technologies.

Innovative companies across the world generate higher total shareholder returns compared to their peers

Source: The Boston Consulting Group 2014

Flexibility
Companies are being challenged to support more mobile and flexible forms of working. There is also growing pressure to bring more flexibility to the real estate portfolio and create greater volumes of on-demand space. Coworking can help satisfy this growing demand for agility, fluidity, and liquidity of space, whilst allowing companies to experiment in a ring-fenced environment without the need for organisation-wide change.

64% of CRE leaders noted growing appetite to drive flexibility through the real estate portfolio

Source: JLL 2015, Global Corporate Real Estate Trends 2015

Talent
The war for talent remains intense, with 73% of CEO’s citing availability of skills as a serious concern. At the same time, growth in mobile technology and changing employee preferences mean that companies need to provide a range of work settings tailored to the new way of working. Coworking can provide employees with the mobility and flexibility they are seeking, in an aesthetically appealing environment.

56% of CRE leaders reported increased demand to support the wider corporate agenda around talent

Source: JLL 2015, Global Corporate Real Estate Trends 2015

Cost reduction
Companies continue to face intense pressure to reduce the operating expense of their real estate portfolios. Cost reduction is not typically the primary driver of coworking; nevertheless, it can create an opportunity for more efficient utilisation of space, helping companies to reduce costs without compromising on the quality of workspace. Coworking hubs can even act as a revenue generation opportunity, when approached in the right way.

77% of CRE leaders report increased demands from senior leadership to reduce the operating expense of real estate portfolios

Source: JLL 2015, Global Corporate Real Estate Trends 2015
There are a number of examples where companies have successfully employed coworking. Four core models are emerging which can be applied by organisations seeking to exploit the benefits of coworking.

**Internal Collaboration**
- Internal coworking space for employees only.

**Coworking Memberships**
- External coworking memberships for employees.

**External Coworking Space**
- Collaboration space for employees shared with external organisations/individuals in an external coworking environment.

**Internal Coworking Space**
- Internal coworking space open to external organisations/individuals.

### OPERATIONAL COMPLEXITY

**Benefits:**
- Internal collaboration
- Efficient space utilisation
- Flexibility
- Secure environment

**Risks:**
- Limited exposure to external collaboration

**Benefits:**
- Ease of implementation
- Flexibility
- Mobility
- Lower initial outlay cost

**Risks:**
- Limited control over use of space
- Security concerns
- Proximity to competitors

**Benefits:**
- Innovation
- Proximity to talent
- Collaboration
- Knowledge sharing
- Flexibility

**Risks:**
- Benefits tend to be confined to departments or individuals exposed to this way of working
- Cultural dichotomy
- Breach of confidentiality/security

**Benefits:**
- Full control over design and management
- Flexibility
- Innovation
- Collaboration
- Knowledge sharing
- Access to talent

**Risks:**
- Breach of confidentiality
- Operational complexity
- Clash of corporate and entrepreneurial culture
1. Internal collaboration

An internal innovation hub is typically created exclusively for employees within a company’s own office, providing flexible, creative space to suit a variety of work settings. Internal coworking spaces are set up by organisations seeking to improve collaboration and knowledge sharing, encourage innovative thinking, and inspire a cultural shift. This model also enables companies to signal to the new generation of employees that they are open to more flexible forms of working.

**Case Study:**

**JLL, UK**

**INTERNAL COLLABORATION**

JLL consolidated departments from various London offices into a single occupancy headquarter building. The company needed to create agile space, which could support increased density on some floors and provide a sustainable, innovative, collaborative, flexible, and productive working environment for staff and visitors. The coworking area on the 5th floor of the building provides a choice of work settings, improving productivity and future-proofing the office in order to accommodate varying space requirements. It provides an environment with an increased emphasis on teamwork and collaboration. The space is designed to inspire employees and attract talent to the organisation.

**Key benefits of coworking**

- Choice of settings for day-to-day activities
- Ability to accommodate fluctuations in workspace demand over time
- Increased flexibility for staff
- Sense of pride in the workplace for employees

**Potential challenges of coworking**

- Finding the right balance between focused and collaborative work
- Inciting new behaviors
- Managing a cultural shift

2. Coworking memberships

Another option for companies seeking flexibility and ease of implementation is to purchase memberships in external coworking spaces. This allows companies to offer a variety of locations to their employees and accommodate any temporary increases in workforce. External memberships also provide a range of work settings and help companies to tap into new networks and keep a pulse on market developments without any costly modifications to their existing real estate and potential disruption to the wider company culture.

**Case Study:**

**SPACES, THE NETHERLANDS, UK, US & AUSTRALIA**

Coworking memberships

Spaces is a coworking provider offering office space, memberships, and meeting rooms. Spaces was founded in the Netherlands and currently also operates in Amsterdam, Rotterdam, The Hague, London, New York, Melbourne, and Sydney. The way people work is changing. Employees travel more; they want more flexibility; and are looking for space where they can comfortably work and socialise. Companies are looking for efficient, productive, and connected environments. Spaces is like a “work club”, where you can pop in to work, hold a meeting, connect with people, or just enjoy a coffee. Spaces’ clients include a range of organisations—financial institutions, ICT companies and legal advisors; established tech companies like Facebook and Uber as well as smaller operators.

**Key benefits of coworking**

- Staff attraction and retention
- Proximity to entrepreneurs and SMEs
- Wide range of options—from individual memberships to designed private offices which can preserve brand identity
- Access to shared facilities and desirable locations

**Potential challenges of coworking**

- Managing a cultural change
- Possible tension between staff if not all employees have an opportunity to use coworking spaces
- Security concerns; although this challenge can be easily overcome
- Aversion to change by leadership
3. External coworking space
Another option for organisations that wish to experiment with collaborative space is to work alongside a specialist provider to create a dedicated or ring-fenced external coworking area. This model results in minimal disruption to the existing space and allows companies to test coworking with specific areas of the business before introducing more widespread change. It provides all the benefits of internal and external innovation and is associated with a lower risk of disruption.

Case Study:

CENTRAL WORKING, UK
EXTERNAL COWORKING SPACE

Central Working creates work “clubs”, which connect businesses and entrepreneurs in an environment that is designed to offer flexibility, collaboration, energetic atmosphere, and support for growth. It provides members with an opportunity to build those all-important human interactions. Coworking is often driven by senior leadership in support of wider strategic agendas, such as talent, innovation, and collaboration. While security and privacy are the top concerns most corporates struggle with, what many forget is that coworking space provides a more secure environment with better safeguarding measures than most coffee shops or airport lounges.

A good example of a successful use of coworking by a corporate is a UK start-up accelerator launched by an international financial services company, developed in partnership with Central Working.

Key benefits of coworking
- Access to an SME ecosystem
- Opportunity to tap into knowledge and innovation pools
- Proximity to talent
- Opportunity to experience a lifestyle way of working
- No long-term liability and costs that are accounted for differently

Potential challenges of coworking
- Security concerns
- Privacy and confidentiality
- Objectives—without a clear vision the full potential of coworking can often be underutilised

4. Internal coworking space
Companies create internal coworking space open to entrepreneurs and start-ups, often for free. Start-ups are usually selected via an application or interview process, but in return are provided with mentoring services. Building relationships in this way can help mature companies secure access to breakthrough technology or ideas at an early stage, while maintaining control over the space.

Case Study:

SWIRE PROPERTIES, HONG KONG
INTERNAL COWORKING SPACE

Swire Properties is part of a highly diversified group of businesses spanning real estate, aviation, food chain and industrial. To inject the creative energy associated with startups into the bustling business district of Taikoo Place in Hong Kong, opportunities were unearthed in older industrial buildings with concrete floors and exposed ceilings.

blueprint was born: an innovative coworking space, events area and accelerator programme which reinforces the reputation of Swire Properties as a pioneering developer.

Designed to unite people around a shared interest in tech and serve as a platform for the exchange of inspiring ideas, blueprint’s successes can be seen in the connections between startups and the Swire Group, who have adopted many of the business solutions delivered by 30 graduate companies of the accelerator programme to date.

This fun and creative workspace incorporates many remnants from the Swire Group in unconventional displays, where the perfect balance of meeting rooms, storage options, collaborative space and, event areas combine with clever flexible design features to provide for the savvy office tenants of the future.

Key benefits of coworking
- Access to innovation and talent
- Exchange of ideas
- Supports opportunities for growth
- Improved goodwill and branding

Potential challenges of coworking
- Measuring return on investment
- Operational complexity
Barriers to coworking

While creating a supportive environment for collaboration and innovative thinking can improve performance, coworking can expose an organisation to a number of risks.

Security
Perhaps the greatest barrier to coworking is related to security. For companies dealing with high volumes of confidential data, sharing space with external organisations or easing the rules for using personal devices can be potentially challenging. Cyber security is a growing strategic challenge for organisations and effective coworking solutions need to help mitigate cyber security concerns. Premises security can be another potential challenge. While coworking spaces are perhaps safer environments to leave equipment unattended than your typical coffee shop, companies still risk a loss of equipment. Effective policy frameworks and procedures can help mitigate risks, while solutions, such as internal collaboration space or innovation hubs, substantially reduce external risks.

Privacy
Privacy is another frequently cited barrier to coworking. Many companies fear a loss of intellectual property, ideas or other sensitive information. This concern can be amplified further by the prospect of potentially sharing space with competitors. Some element of private space or procedures around sensitive information sharing can help with risk mitigation. However, inevitably organisations will need to adapt existing processes to manage potential privacy risks associated with opening up their organisation to external coworking environments.

Culture
Some organisations introduce coworking, but only selectively—coworking for certain individuals, groups of individuals or departments. Allowing selected groups to work in a more flexible setting, which is different to the rest of the organisation, may breed division or resentment amongst staff. Organisations can also miss out on the opportunity to translate the benefits of coworking across wider areas of the business. While it may not be practical to extend coworking across the whole company, this needs to be carefully managed to avoid any risk of cultural clash.

Motivation
Motivation can be a further barrier to the successful implementation of coworking. Companies need to be clear about their objectives and about what creates the most value for their organisations. Coworking which is imposed from the top down without due consideration of the user or employee experience is unlikely to yield the benefits most companies are seeking. By tailoring workplace solutions, companies can limit their exposure to some of these barriers and achieve seamless integration of coworking into the established real estate strategy.
Implications – creating value from coworking

Coworking is no longer perceived as a new age workplace practice, suitable only for start-ups. More and more companies of different sizes and from different industries are exploring the benefits.

The coworking trend will create a number of implications for the CRE strategy:

• Coworking can be an effective tool for creating a more flexible and cost-effective office environment
• Innovative design can boost employee engagement and attract talent
• Coworking provides an alternative work setting, which appeals to the Millennial generation
• The user experience is paramount to creating a successful coworking environment

Organisations that aspire to innovate and want to tap into entrepreneurial culture simply cannot ignore coworking. Coworking is a cost-efficient way of creating a flexible environment, but, most importantly, it can provide a range of intangible benefits for companies looking to improve their competitive position.

With competition for talent also intensifying, the workplace is fast emerging as a critical tool to support recruitment and retention. Companies need to embrace the new reality of employees’ expectations and technology enabled ways of working and adapt their workplace strategies accordingly. An innovative design, focused on flexibility and interaction in a well-connected location can boost employee engagement and attract talent. In this context, coworking can help companies appeal to different generations by providing a choice of different work settings.

There is no one-size-fits-all model for coworking. The four examples outlined in this paper come with their own benefits and risks. Companies should first seek to understand what constitutes value for their business and how the workplace can better support this. Solutions can then be developed to most effectively respond to the specific strategic objectives. Creating a successful coworking space relies upon generating a sense of community, collaboration, and engagement amongst users. It is not simply about creating another place to work. The experience itself is paramount to making coworking a success. Whether coworking is primarily seen as a tool for recruiting or retaining staff or used to foster innovation, it should ultimately aim to satisfy wider business objectives.
Action plan for introducing coworking

As more and more companies seek to incorporate coworking into their real estate strategy, there are four key steps to consider:

1. Understand your objectives
   A clear understanding of the objectives will help to guide companies to the best coworking solution. Is the goal to promote innovation, encourage a cultural change, or attract talent?

2. Determine your resources
   Companies should weigh up coworking solutions against their resources, level of investment, and time constraints. Some coworking models are quicker and simpler to implement. They can be introduced on a trial basis and have lower associated cost.

3. Mitigate your risks
   Understand how much exposure to potential threats would be acceptable to your organisation, if at all. Select a coworking model that can minimise the risks based on the identified thresholds.

4. Test your model
   Introduce coworking gradually, moving from a model of least operational complexity to a more complex setting involving a larger group of participants. This will ensure that the cultural impact is relatively subtle.
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