

gwa



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FINANCIAL STUDY REPORT

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THE GLOBAL WORKSPACE ASSOCIATION is the professional association for members of the flexible office industry including shared workspace operators, corporate real estate professionals, real estate investors and service providers.

We are on a mission to help our constituents be current, connected and competitive.

Thank you to our sponsors and supporters

Thank you to our lead sponsor, Staples, for providing prizes to our two groups of survey participants.

A sincere thank you to each operator that entered financial data. We know this is a big ask and it's an incredible gesture of support to the industry. May others follow in your brave footsteps.

The 2017 Industry Survey was distributed to hundreds of operators of shared workspaces. Detailed results are presented in the following pages.

The goal of this report is to provide trusted industry benchmarking data to help operators, investors, and other industry members start and run better businesses.

If you have questions, suggestions for our next report, or are interested in sponsoring our next report, please email Jamie Russo at jamie@globalworkspace.org.

- The GWA Board

Sponsor:

The logo for Staples, featuring the word "STAPLES" in a bold, red, sans-serif font with a registered trademark symbol.

Supporters:

The logo for essensys, featuring the word "essensys" in a lowercase, black, sans-serif font, with a stylized "Y" icon to the right.The logo text for WUN, featuring the letters "WUN" in a bold, orange, sans-serif font.The logo text for Office Suite Strategies, featuring the words "OFFICE SUITE" in a blue, sans-serif font, with "STRATEGIES" in a smaller, black, sans-serif font below it.



Executive Summary

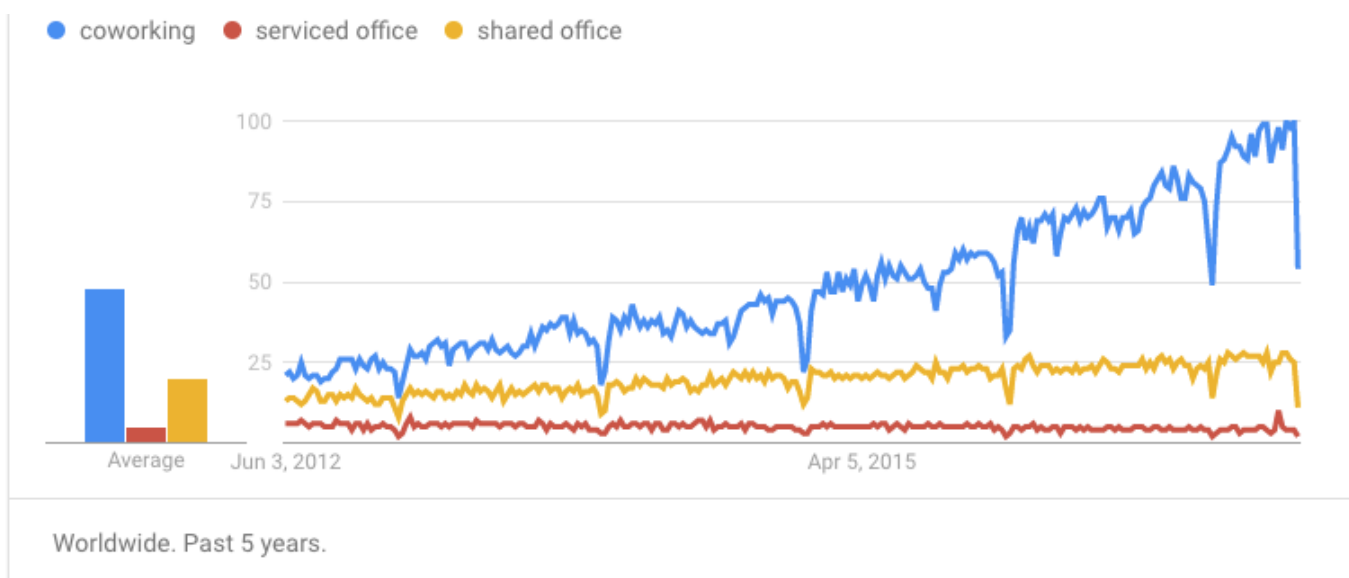
This document is a graphical format of the detailed survey results. If you are looking for the much easier-to-digest executive summary version [click here to view](#).



Evolution of the shared workspace industry over the past 10 years

Why we use the term “Coworking”

It's a data-driven decision. The mainstream media has adopted this term and it's what Google recognizes. We do what gets us Google recognition so that we can better serve the industry by being findable.



Evolution of Flexible Office Space

The flexible office industry pre-dates the term "coworking" by decades. Serviced offices were born long ago out of a need for attorneys to share a law library. This September, the GWA will host its 31st annual conference.

The term "coworking" came on the scene in 2006 to describe freelancers and start-ups working together primarily with the goal of creating a community for those that otherwise work alone. This was often done in an open-plan space in the early years. The open-plan design has proven to be a challenging financial model for for-profit operators.

Today, industry offerings go beyond serviced offices and coworking spaces. A fast-growing segment is space offered directly by the landlord.

A photograph of three business professionals in an office setting, overlaid with a teal color filter. A man on the left, a woman in the center holding a laptop, and a man on the right are engaged in a discussion. The background shows a large window with a view of a city skyline. In the foreground, a desk with papers and a tablet is visible.

Total square feet
managed across
survey respondents:
3.4 million

Respondent Segment Overview



Respondent Segments

This year, we segmented responses by: coworking, serviced offices, flexible office space offered by private business, flexible office space offered directly by the landlord, incubator and "other." 45% of respondents were serviced offices, 31% coworking spaces. 8.3% of respondents were from private businesses or landlords, which is an overall trend we're seeing in the industry.

Coworking Space

We asked operators "How do you describe the workspace at this location?" You'll see later in the report that the classification of the space has nothing to do with the layout. 80% of coworking spaces offer private offices. *Coworking does not equal an open seating plan.*

Serviced Offices

100% of serviced office respondents offer private offices and 98% offer virtual mail packages. 46% of them offer dedicated desks and 40% offer coworking memberships indicating blurred lines between coworking and serviced offices.

Direct from Landlords

This category includes space offered to small/medium businesses directly from a landlord. These transactions may be handled privately or through a platform such as Liquidspace who reports a growing number of transactions in this segment.

Direct from Private Businesses

Similar to the direct-from-landlord segment, these are extra spaces that private businesses share to offset rent expenses or to get closer proximity to diverse thinking and innovation. 100% of respondents offer private offices and this segment had the highest offering of phone service (86%).

Incubator

Incubators often offer coworking as a service but their focus is on providing business mentoring and sometimes investment connections to support high-potential startup companies.

Respondent Overview

This year's respondent mix was broader than previous years, highlighting an evolution of the shared workspace industry. The term "coworking" has been adopted as the mainstream terminology, but we are starting to use the term "flexible office" to capture the breadth of today's offerings.

Respondents by the numbers:

Serviced Offices: 87

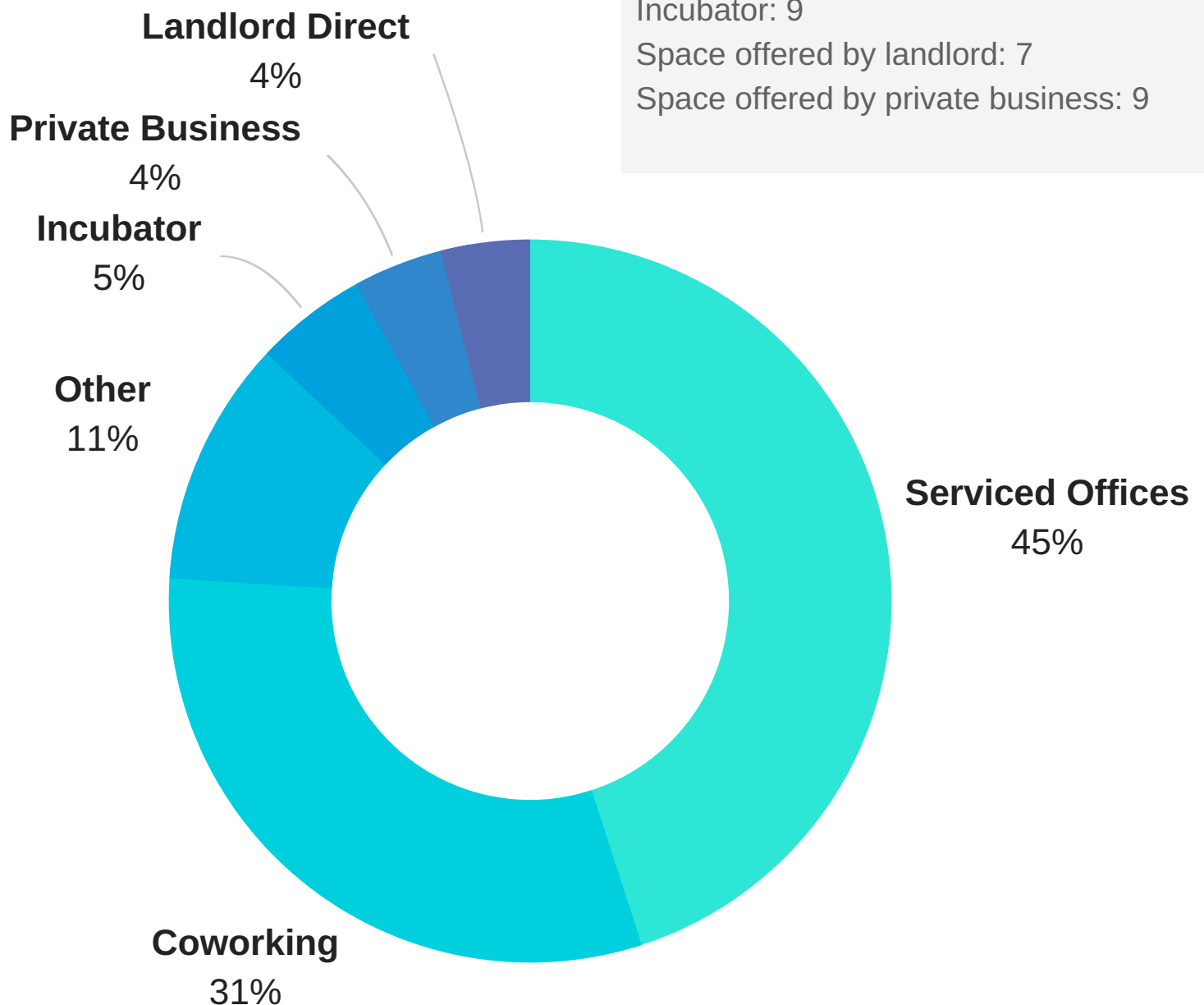
Coworking: 59

Other: 31

Incubator: 9

Space offered by landlord: 7

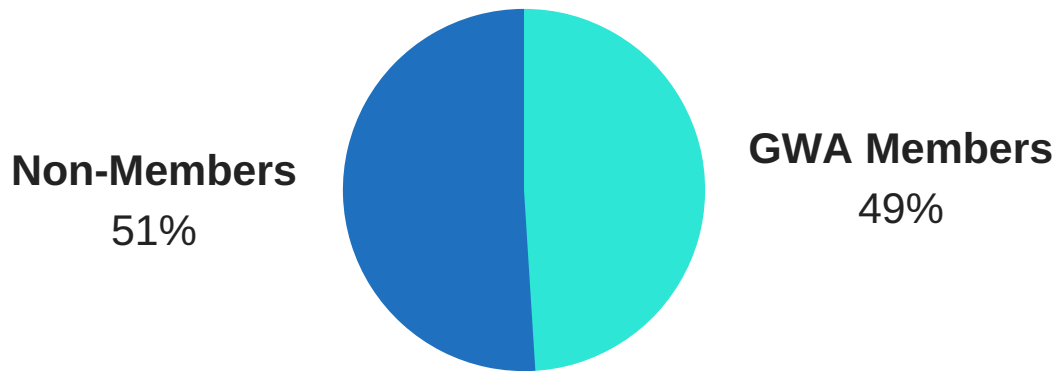
Space offered by private business: 9



Respondent Overview

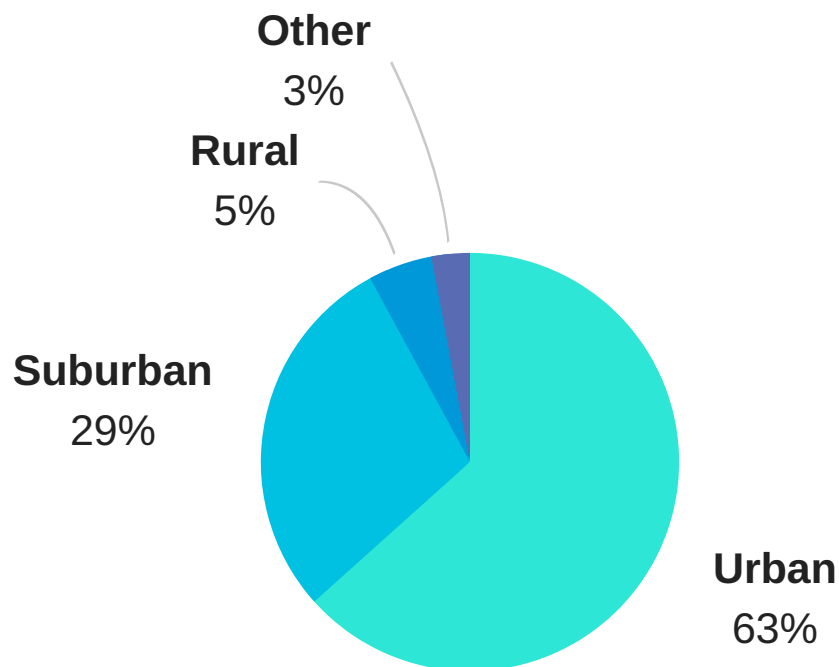
Members vs. Non-Members:

49% of respondents are GWA members; 51% are non-members..



Urban vs. Suburban

81% of respondents are from the US and 63% of respondents are in urban locations; 29% in suburban locations.

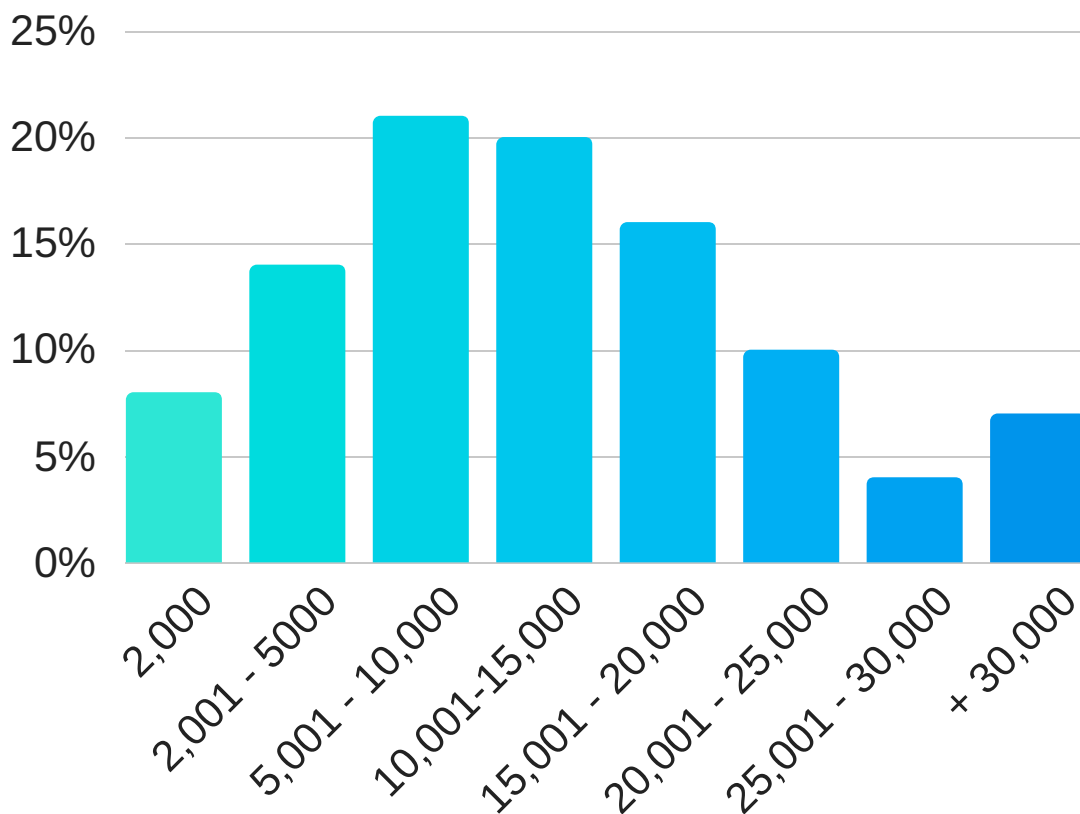


Respondent Overview

Square footage of respondents

We asked each respondent to answer the survey based on one specific location (each operator could submit data on multiple locations).

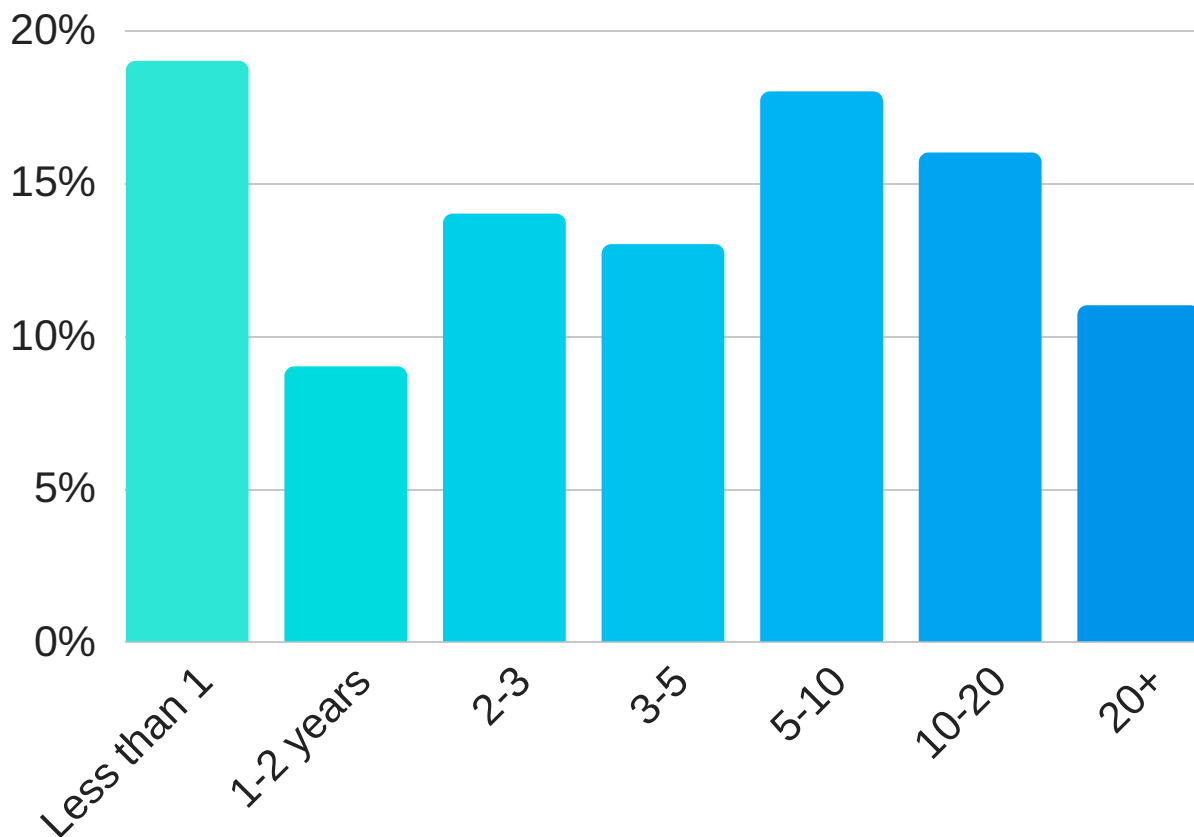
The sample is a good mix of space sizes. 42% of respondents are between 5,000 and 15,000 square feet while 37% of locations are >15,000 square feet.



Respondent Overview

Years in Business - Overall

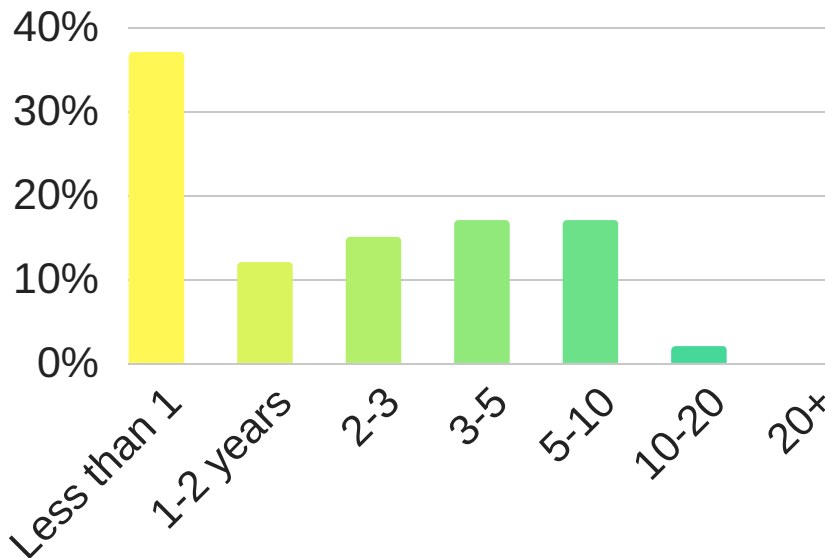
55% of respondents have been open for less than 5 years; 45% more than five years; 27% more than ten years.



Respondent Overview

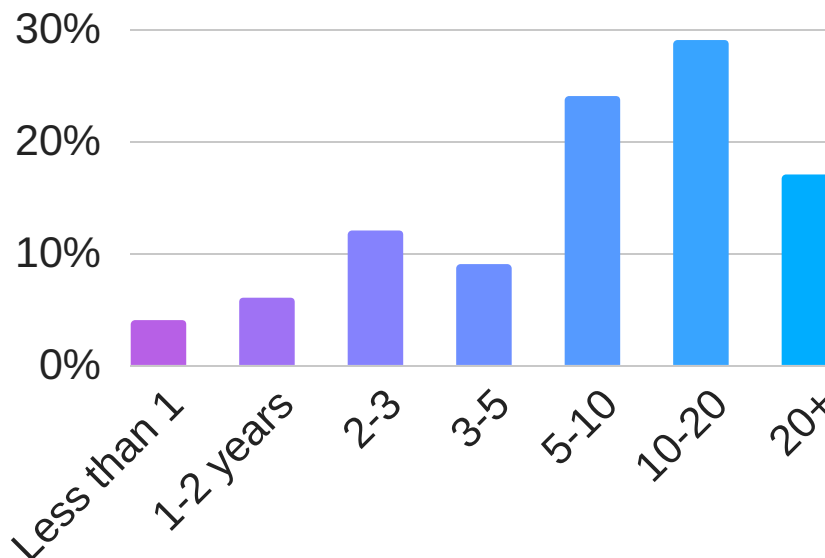
Years in Business - Coworking

37% of coworking respondents have been open for less than a year. 49% of coworking respondents have been open for 2-10 years.



Years in Business - Serviced Office

80% of serviced office respondents have been open 5-20+ years.

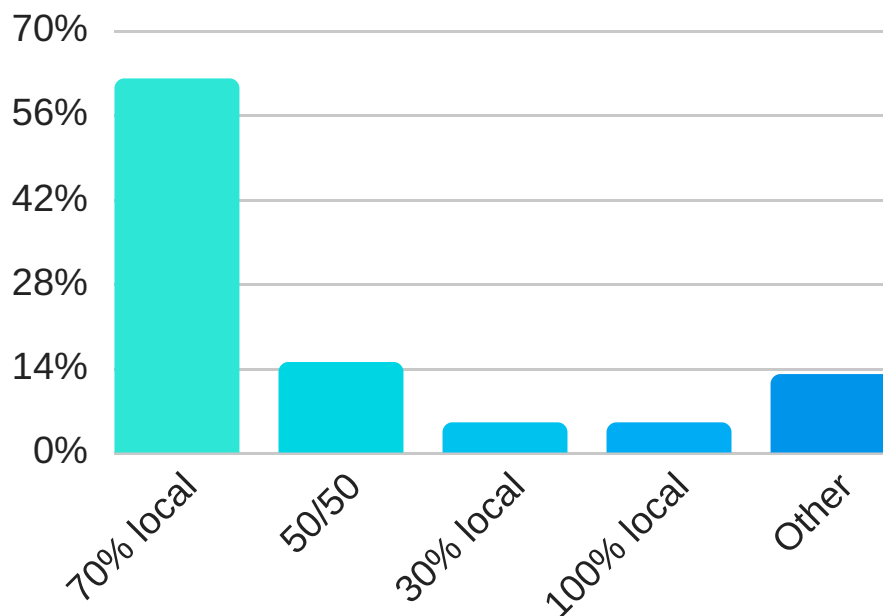


Respondent Overview

Space Users - Overall

While corporate users like IBM are hitting the flexible workspace model in full-force, the majority of shared workspaces host local, small businesses and freelancers. We expect that mix to start a marked shift over the next few years. That being said, corporate users generally need to place teams of employees, making it more challenging for smaller spaces to accommodate this segment.

Mix of corporate and local users



Respondent Overview

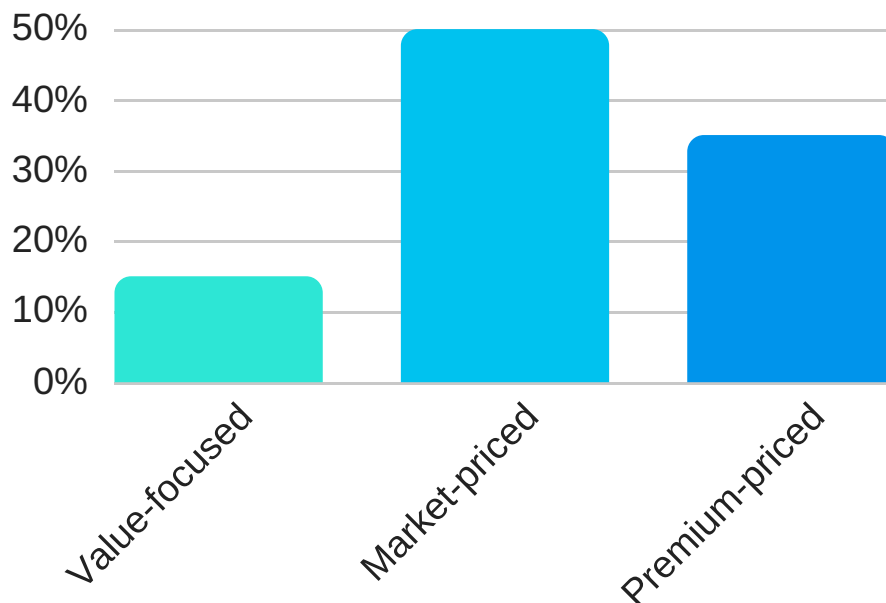
Positioning

Most described their membership as "generic" (84%) while 12% reported being a niche space.

"We are a nonprofit operator providing artist studios and creative coworking space for designers and other creative professionals."

Pricing

Half of the respondents reported they are "market-priced for a product that is about average for the market" while 35% reported being "premium priced for a premium product." 15% are "value-focused" (think Ikea).



Premium-priced spaces are more profitable -
\$12/square foot vs. \$9/square foot
for "market-priced" offerings



Business Structures

Expansion of Creative Relationships between Landlords and Operators

This year we see a broadened scope of business structure type. The predominant approach is still the operator leasing the space with 72% of respondents following that model. 19% of the respondents own their space. 3% reported a joint venture between the operator and the landlord and 1% reported a management contract between the operator and the building owner. We anticipate seeing less leasing and more operator/owner relationships in the next five years.

Lease Expiration May Pose Business Risks

42% of respondents hold leases that expire in more than 5 years from now with 33% of respondents in the 3-5 year range. With markets like San Francisco, NY and Chicago at peak lease rates, those with expiring leases may have trouble making the model pencil upon lease renewal.

The underlying business model is one of arbitrage - the operator rents at a rate that allows them to mark up their products to their members at a rate that returns a profit after expenses. This model gets much harder to execute as rental rates go up. Because of this challenge, we predict that we'll start to see more creative relationships between operators and landlords.



Peak real estate markets may lead to more joint ventures in the coming years.

Products & Services Offered

Objective of this section

One of our goals for this survey was to help shared workspace providers determine what mix of products and services are most profitable. The decision is always up to the operator to deviate from this mix due to other business goals, but we want to provide this data as a starting point.

"Space" products

"Space" products included in the survey were:

- Private offices
- Dedicated Desks
- Monthly, unlimited coworking
- Part-time coworking
- Day passes
- Hourly access
- Daily/Hourly Meeting room rental
- Conference room rental
- Event space rental

"Service" products

"Service" products included in the survey were:

- Virtual Office
- Phone hardware and service

Insights from the data:

- Virtual office offerings are serious revenue generators. Don't ignore this revenue stream.
- Phone (VOIP) hardware and services are still a revenue source for spaces heavy on private offices. If you aren't offering phones to your members, consider developing a turnkey program.
- Our respondents report higher profitability than other industry surveys. This may be due to a higher percentage of private offices offered by our sample. In many markets, the demand is higher for offices/team spaces making them easier/faster to fill. *Note: we assert that open plan ≠ coworking and likewise, open plan is not the only way to build a strong community which is a key element of the coworking ethos.*

Products and Services Offered

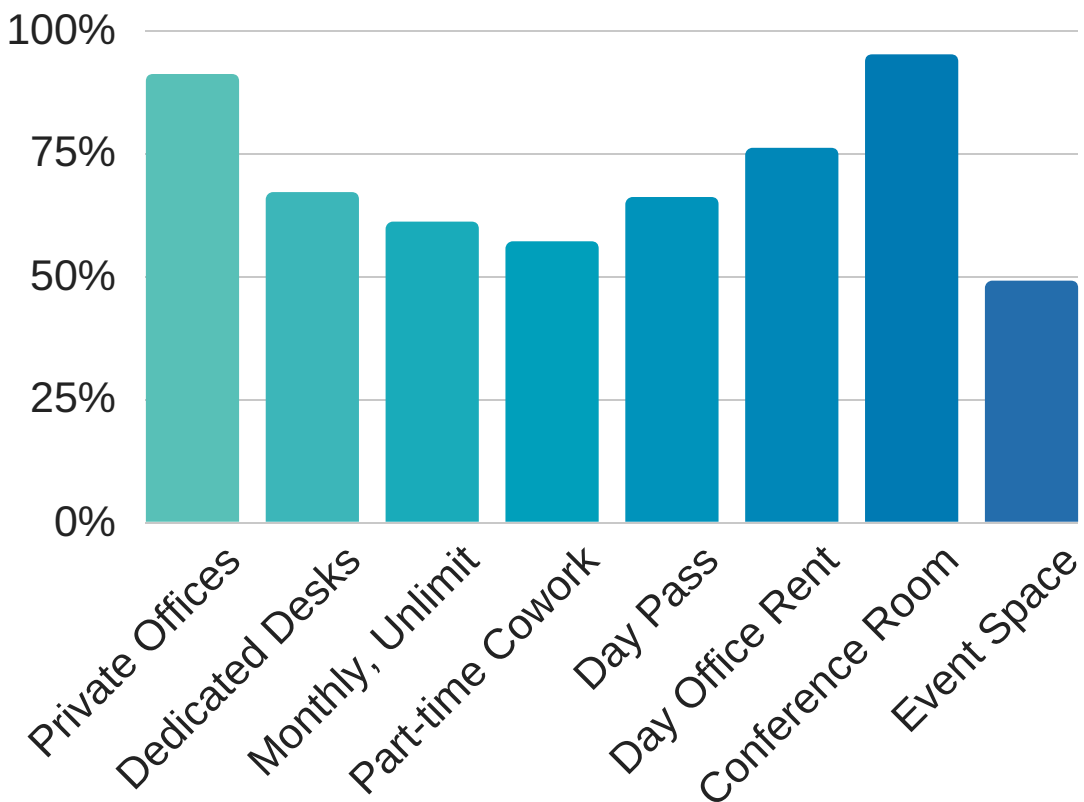
Products Offered

The chart below details the products offered **across all respondents**.

Services Offered

88% of all respondents offer a "Virtual Office" service while only 57% of all respondents offer phone service (VOIP phones). However, that may be a miss because Serviced Office respondents reported an average annual revenue for phone service of \$81k.

Products offered across all respondents



Products & Services Offered



80% of Coworking spaces offer private offices

Coworking does not equal open plan. Most coworking spaces also offer private offices.

40% of Serviced Offices offer monthly, unlimited coworking

At the same time, 46% of "Serviced Offices" offer dedicated desks and 40% of them offer monthly, unlimited coworking.

An industry myth is that coworking spaces = open plan workspace and that serviced offices are 100% offices.

Products and Services Offered

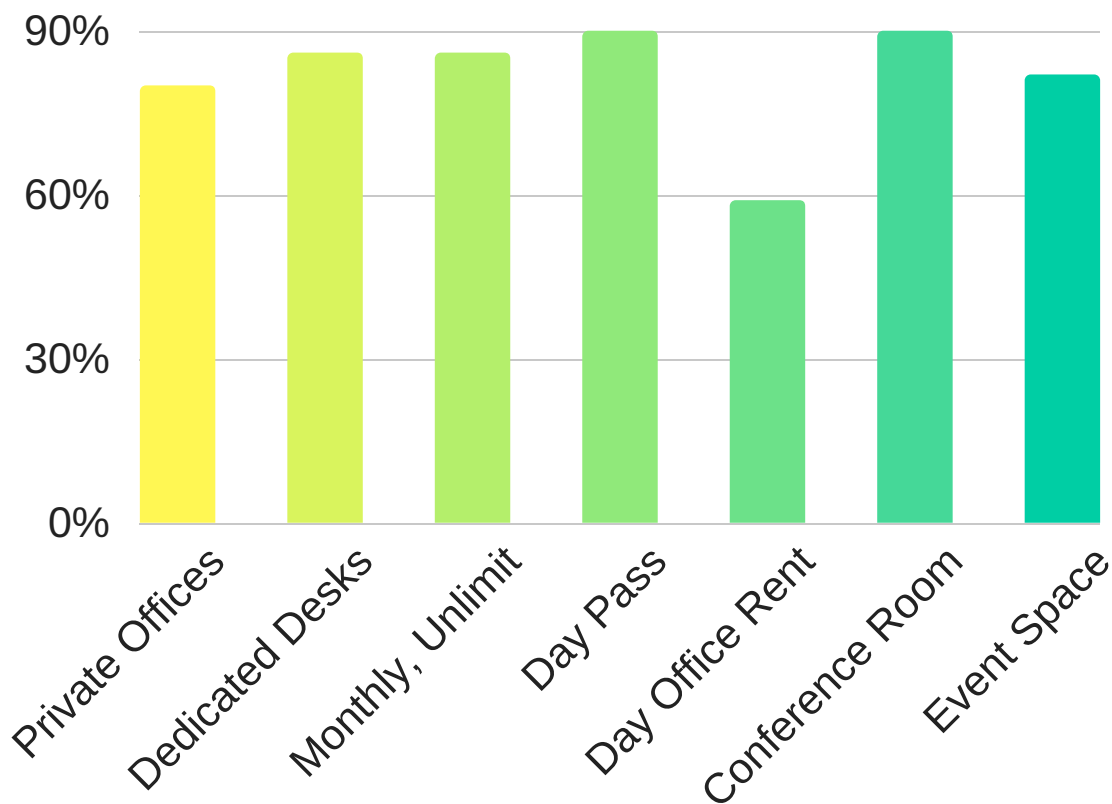
Products Offered by Coworking Spaces

The chart below details the products offered by coworking spaces.

Services Offered by Coworking Spaces

77% of coworking space respondents offer a "Virtual Office" service while only 40% of coworking respondents offer phone service (VOIP phones).

Products offered - coworking



Products and Services Offered

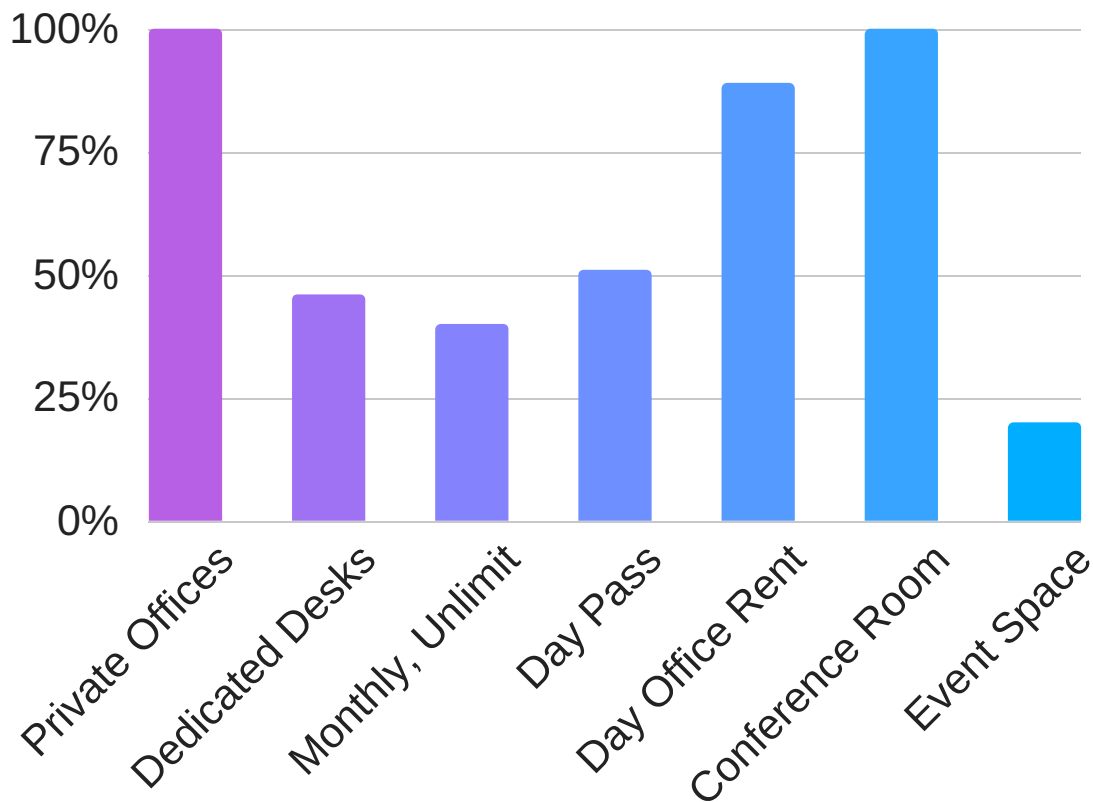
Products Offered by Serviced Offices

The chart below details the products offered by serviced office respondents.

Services Offered by Serviced Offices

98% of serviced office respondents offer a "Virtual Office" service
65% offer phone service (VOIP phones).

Products offered - serviced offices



Products and Services Offered

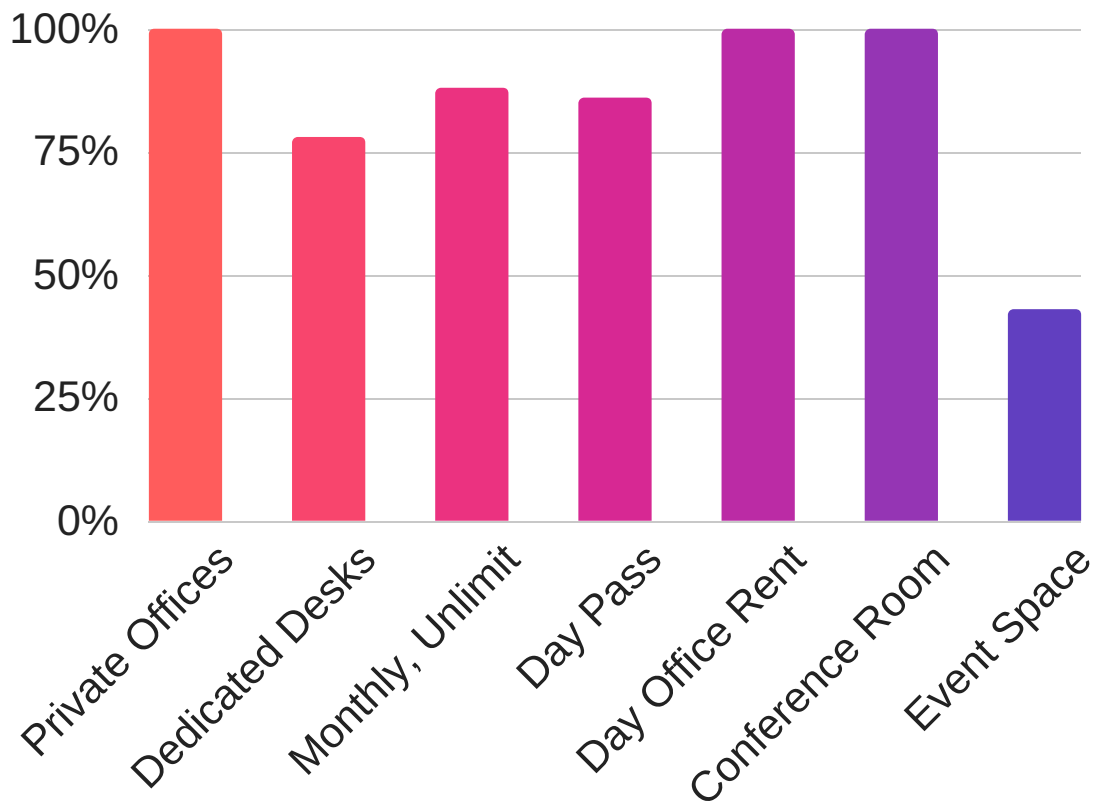
Products Offered by Private Businesses offering flex space

The chart below details the products offered by private businesses offering flexible office space.

Services Offered by Private Businesses offering flex space

100% of private business respondents offer a "Virtual Office" and 86% of them offer phone service (VOIP phones).

Products offered - private businesses



Products and Services Offered

Products Offered by Landlords offering flex space

The chart below details the products offered by landlord respondents.

Services Offered by Landlords offering flex space

83% of landlord respondents offer a "Virtual Office" service while only 67% of them offer phone service (VOIP phones).



Landlords predominantly offer conference room rentals to members (100%) while only 67% offered to non-members

Products and Services Offered

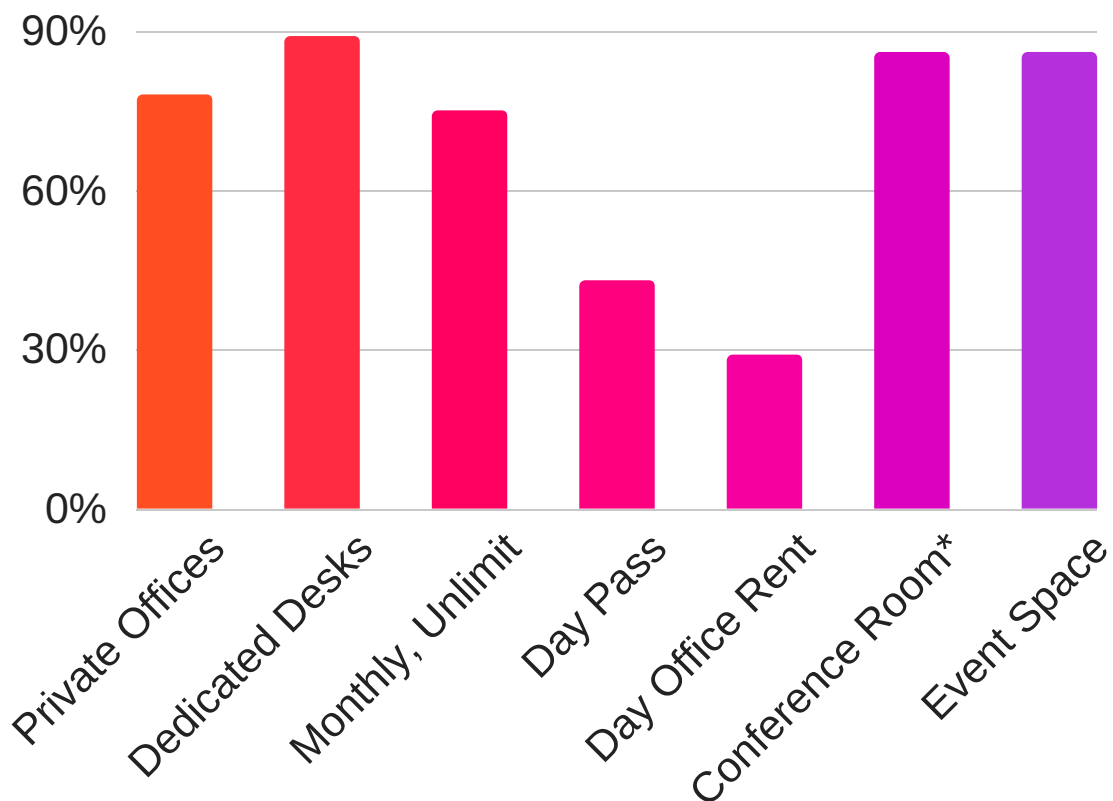
Products Offered by Incubators

The chart below details the products offered by incubator respondents.

Services Offered by Incubators

Only 57% of incubator respondents offer a "Virtual Office" service while only 50% of them offer phone service (VOIP phones).

Products offered - by incubators

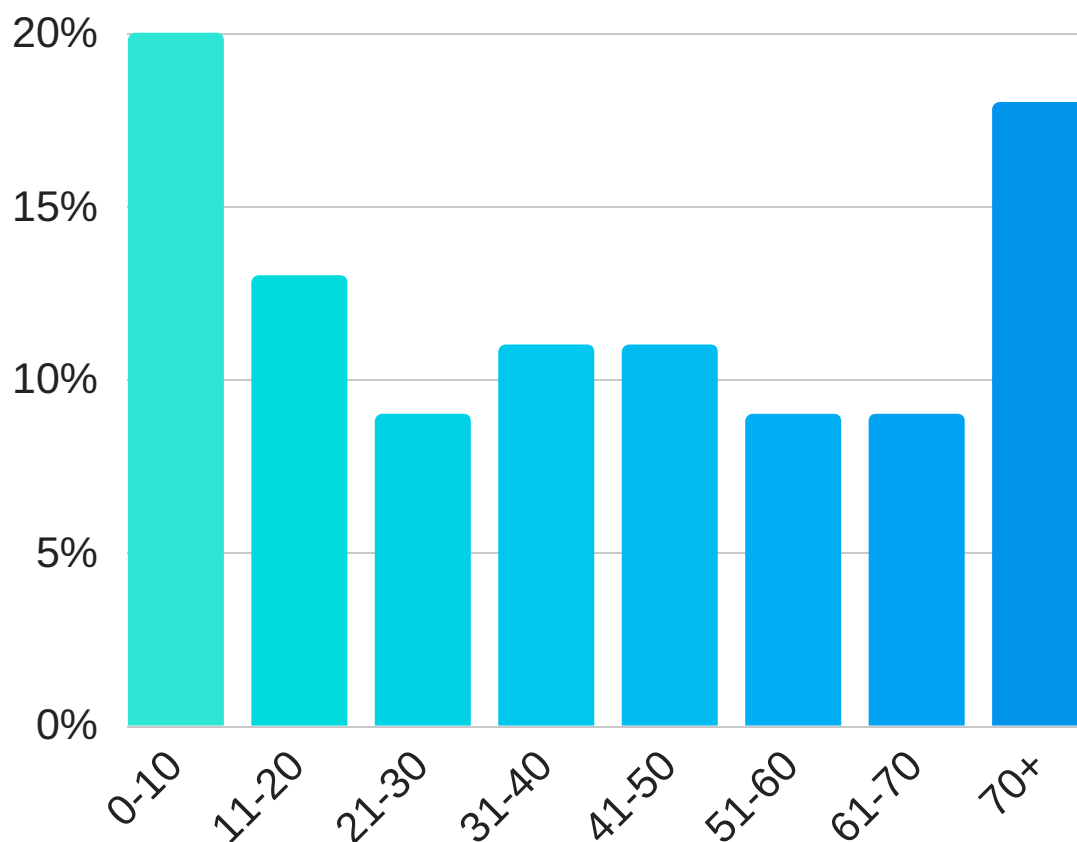


Products and Services Offered

Size of private offices across all respondents:

63% offer 1-person offices
81% offer 2-5 person offices
37% offer 6-10 person offices
15% offer 11+ person offices

Number of private offices offered per location:

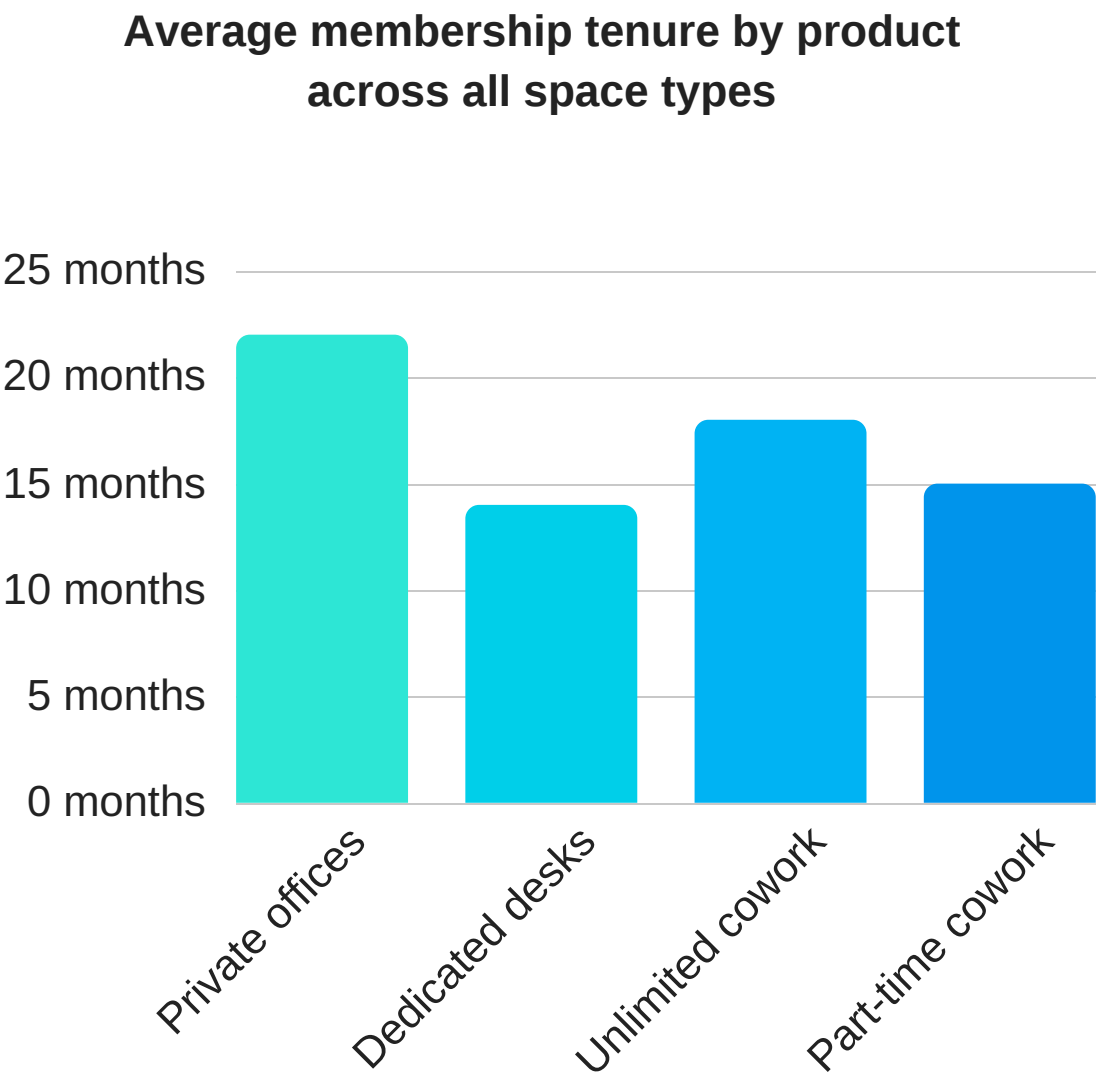


A group of four people (three women and one man) are sitting in a modern office lounge area. They are surrounded by large potted plants, including a large Monstera. The setting features a wooden deck floor and a large window in the background. The image has a teal overlay.

Median annual revenue
per square foot: \$50

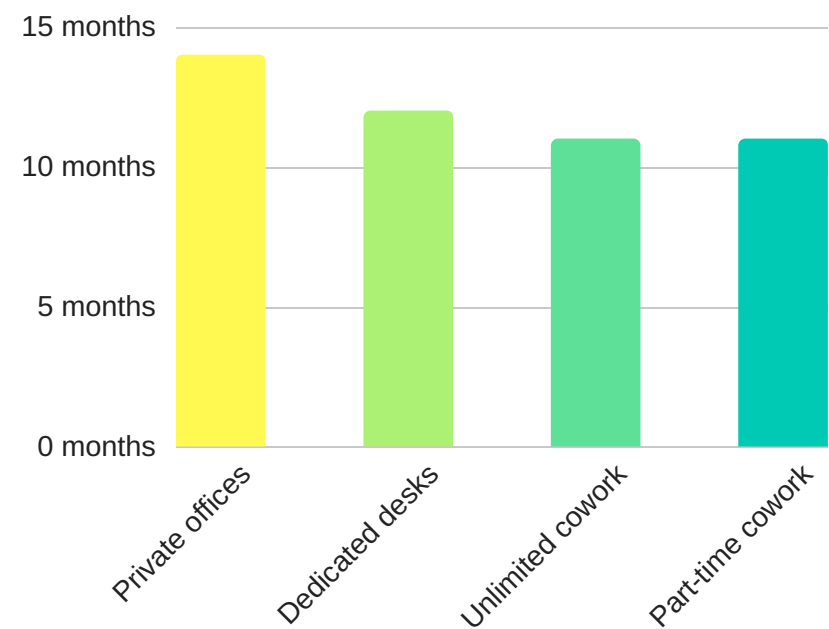
Median annual profit
per square foot: \$9

Average tenure in months - by product

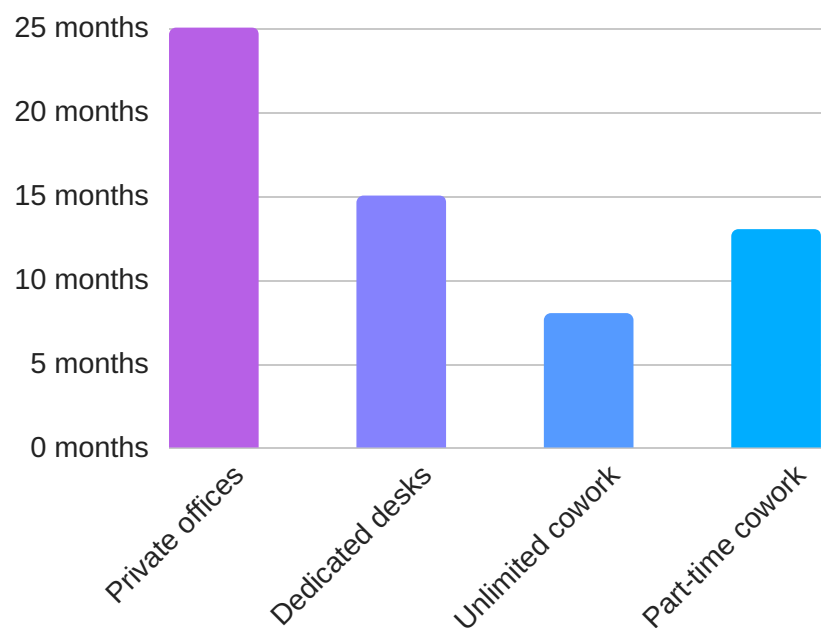


Average tenure in months - by type of space

Average membership tenure by product reported by **coworking spaces**

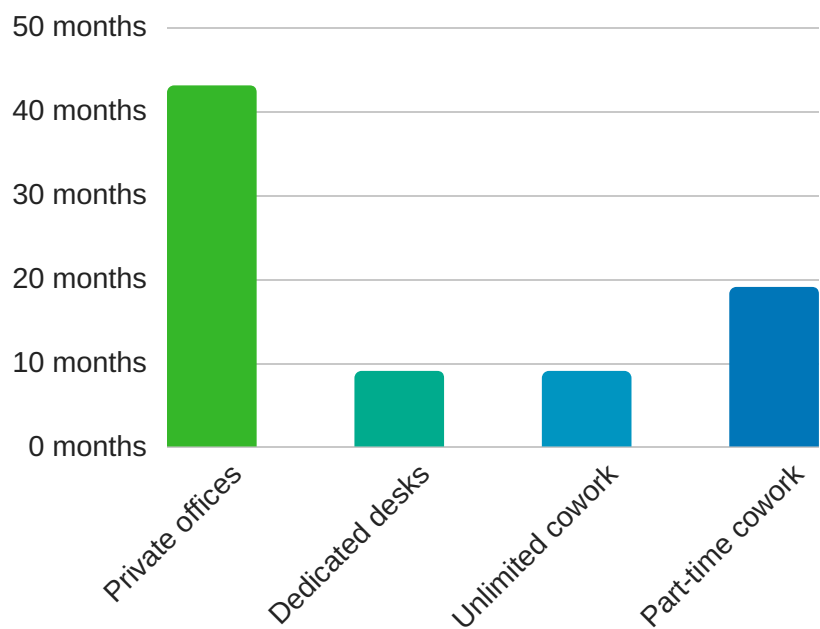


Average membership tenure by product reported by **serviced office spaces**

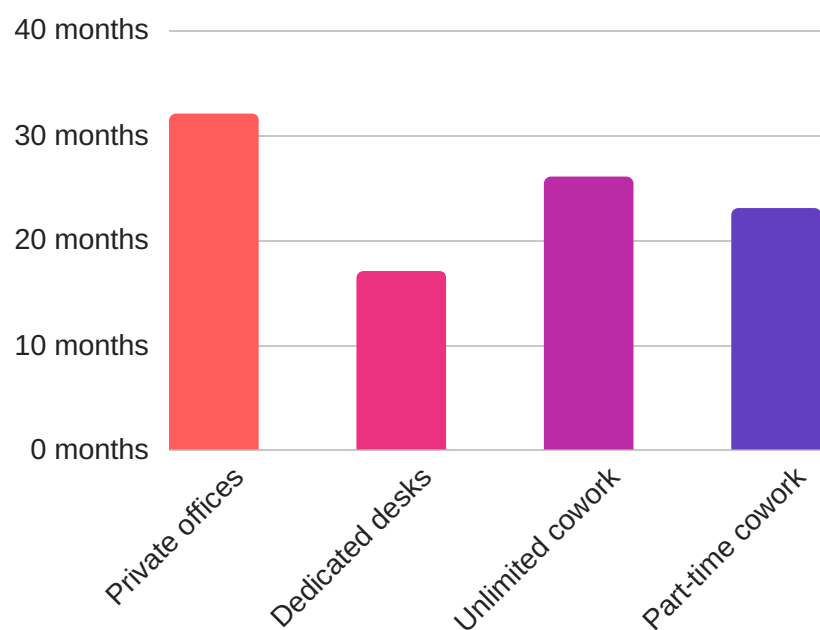


Average tenure in months - by type of space

Average membership tenure by product reported
by flexible office space offered by landlord

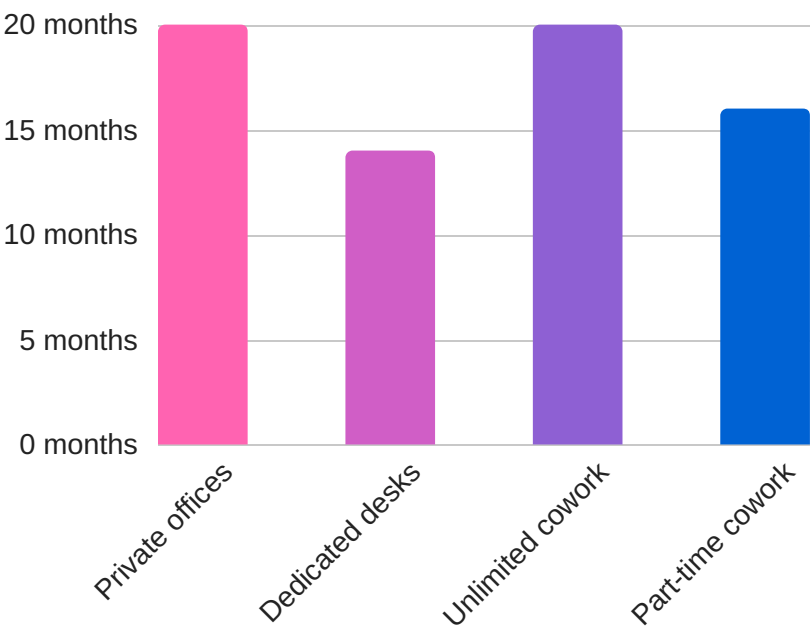


Average membership tenure by product reported
by flexible office offered by private business

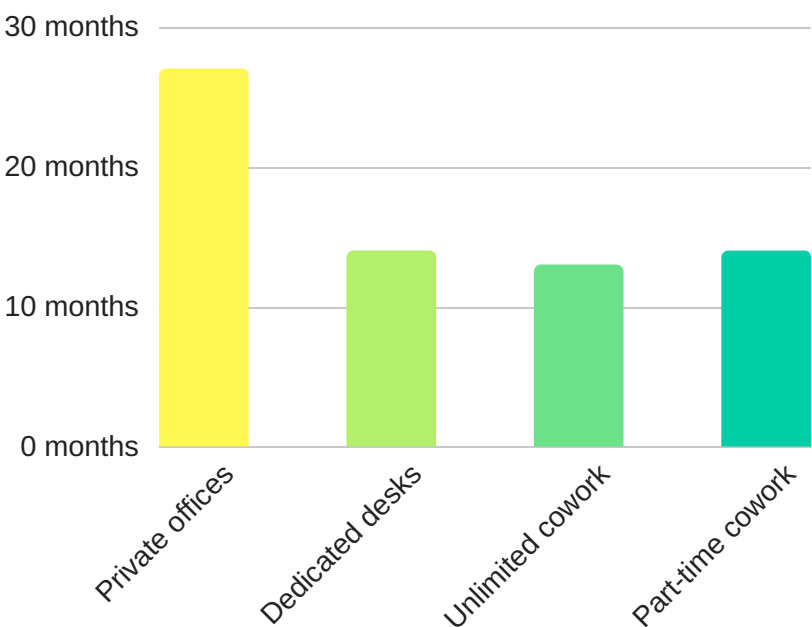


Average tenure in months - by geography

Average membership tenure by product reported
by **urban spaces**



Average membership tenure by product reported
by **suburban spaces**



Profitability - by Space Type

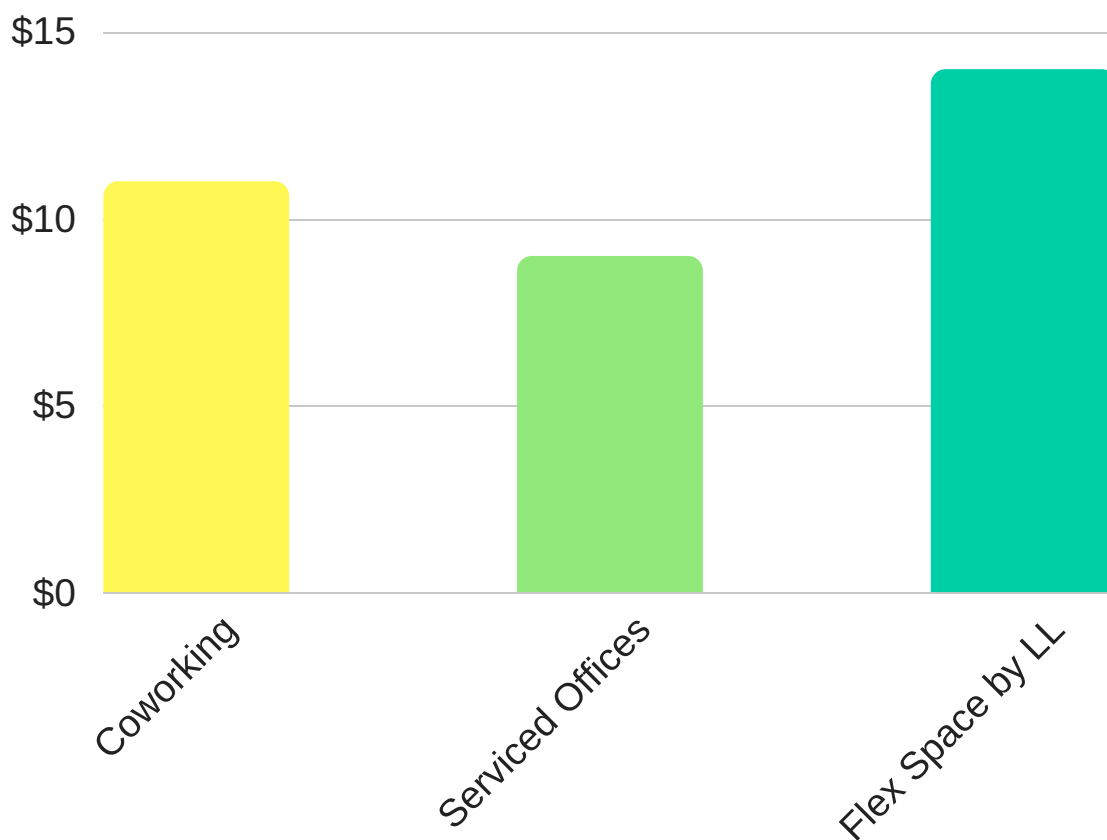
Coworking operators reported profit per square foot of \$11.08; Serviced office \$8.86 and Flex office offered by a landlord at \$14.29.

NOTE:

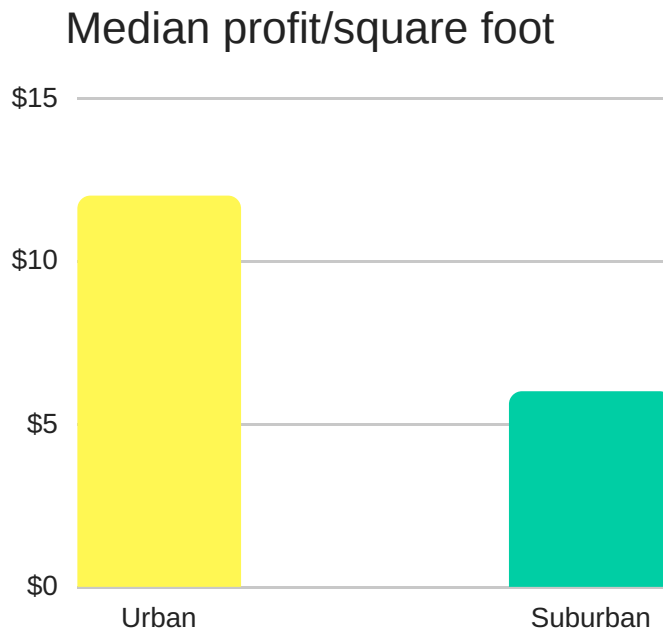
Annual revenue per square foot ranged from \$4.80 to \$144.00

Annual profit per square foot ranged from (\$12.21) to \$72.22

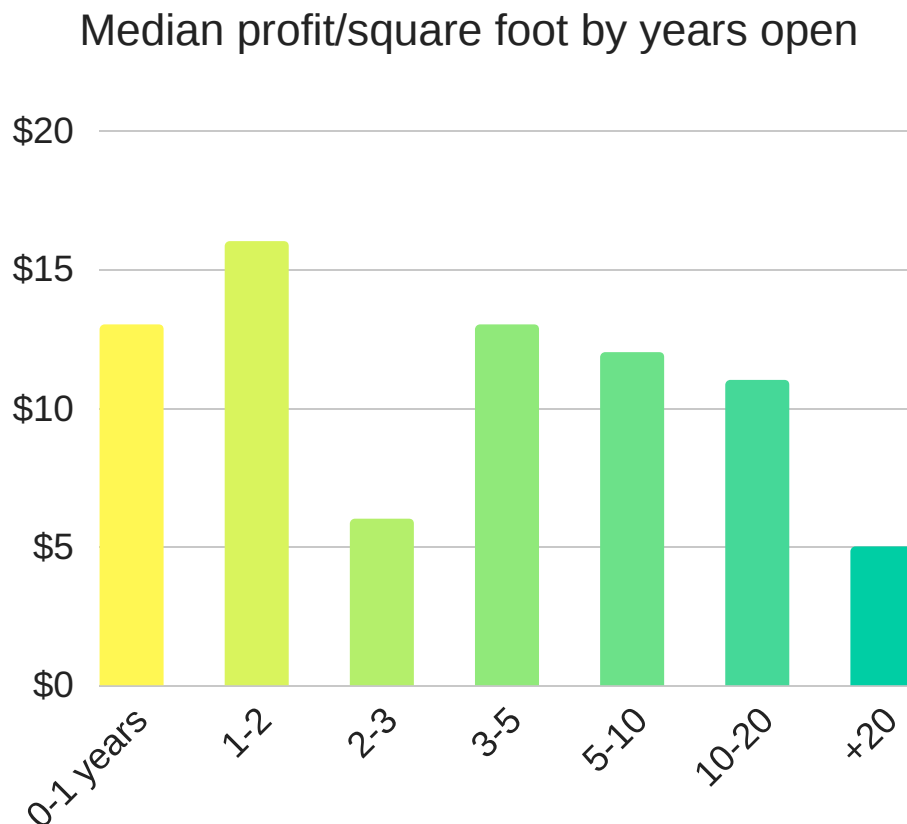
Median profit/square foot



Profitability - by Geography Type



Profitability - by Years Open







Member-Facing Staff Salary:

< \$40k: 46%

> \$50k: 37%

Staff



Salary by Type of Space

Member-facing employees are paid best at flexible spaces offered by landlords (33% are paid over \$60k). Next at serviced offices and next at Coworking spaces.

One driver of this may be that serviced offices have been open the longest. Many may have staff with tenure and annual salary bumps that add up over time.

Another driver may be that some coworking space owners are still managing the space and paying themselves below market.

70% of coworking spaces pay their member-facing role less than \$45k while 48% of serviced offices do. 46% of serviced offices pay less than \$50k while only 20% of coworking spaces do.

70% of coworking
spaces pay their
member-facing staff
< \$45k in salary per
year

Staff

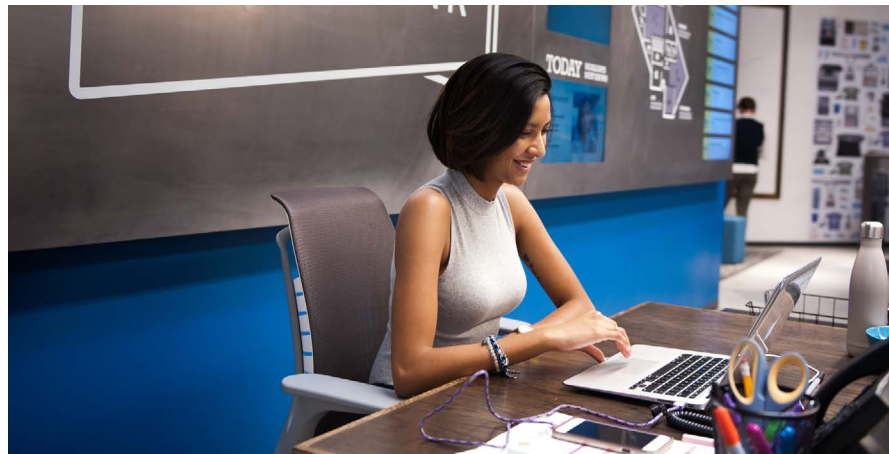
Overview of Community Manager Role

The Community Manager (or whatever you'd like to call him/her) is the foundation of the community ethos embedded in most coworking spaces. A favorite line is "they come for the space, they stay for the community." A good community manager makes your space sticky. He/she is a connector, a host, a sales person, and a healthy dose of OCD for the space. They're welcoming yet tactful, friendly but professional. They make the magic happen.

Variation in Role Title:

Office Service respondents tend to call their member-facing staff "Center Manager." 30% of respondents call this role "Community Manager," while 38% of all respondents provided an "Other" response. "Other" responses include:

- General Manager (11 responses)
- Client Services Manager
- Commercial Director
- Community Conductor
- Concierge
- Director of First Impressions
- Director of Marketing
- Events and Membership Specialist
- Property Manager



46% of spaces pay their member-facing staff less than \$40K while 37% make > \$50k

Lead Generation

Annual Marketing Spend

One of the most requested industry benchmarks is marketing spend. In the early days of coworking, especially in dense, urban areas, operators would claim that they just "did a little social media" and poof—their spaces filled up. As competition has increased, and spaces have entered markets that have never heard of coworking, there is generally no more an "if you build it they will come" approach.

Spend by Space Type

53% of serviced office respondents spend >\$10k per year on lead generation. Only 19% of coworking respondents do. 71% of coworking respondents spend less than \$7,500.

Larger spaces spend more

91% of spaces with less than 2,000 square feet spend <\$5,000 a year on marketing. 73% of spaces with >30,000 square feet spend >\$10,000 a year.

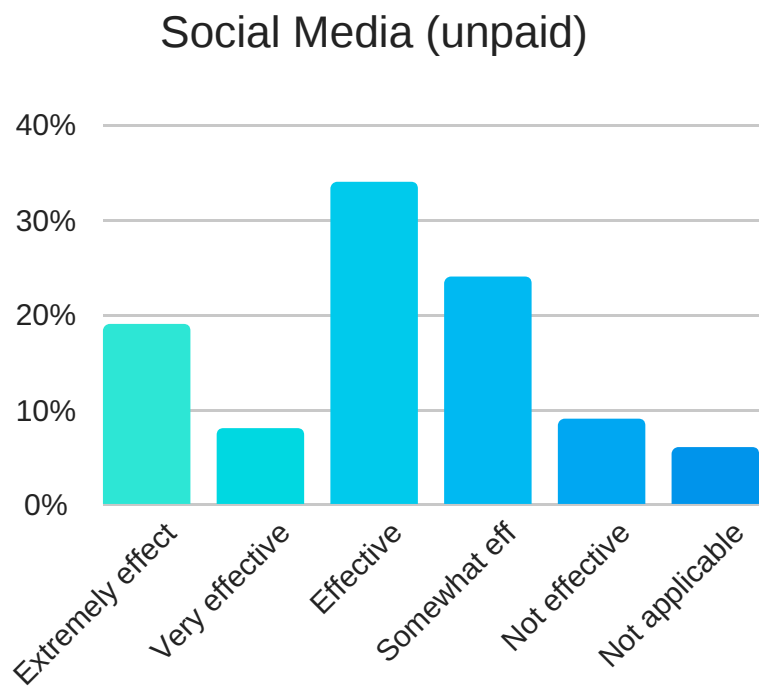
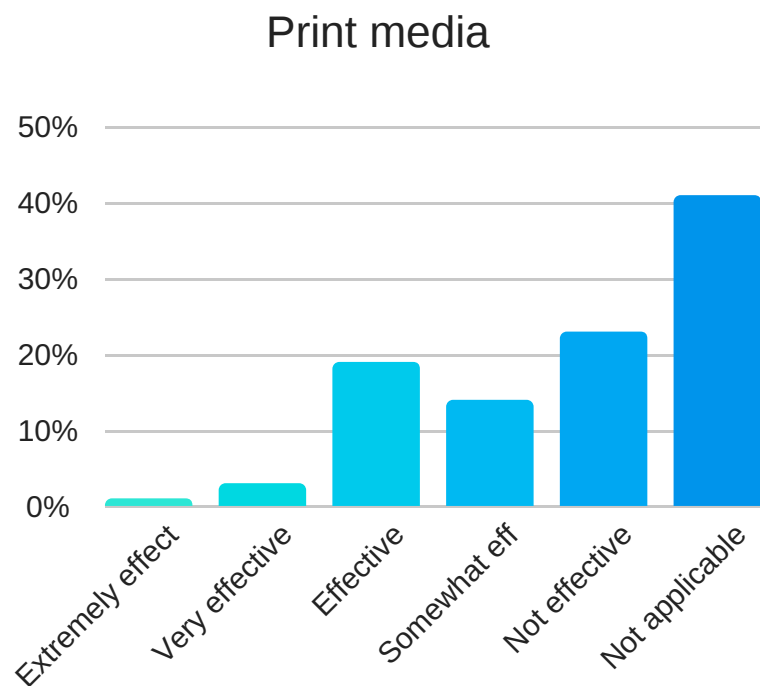


Lead-Generation Tactics

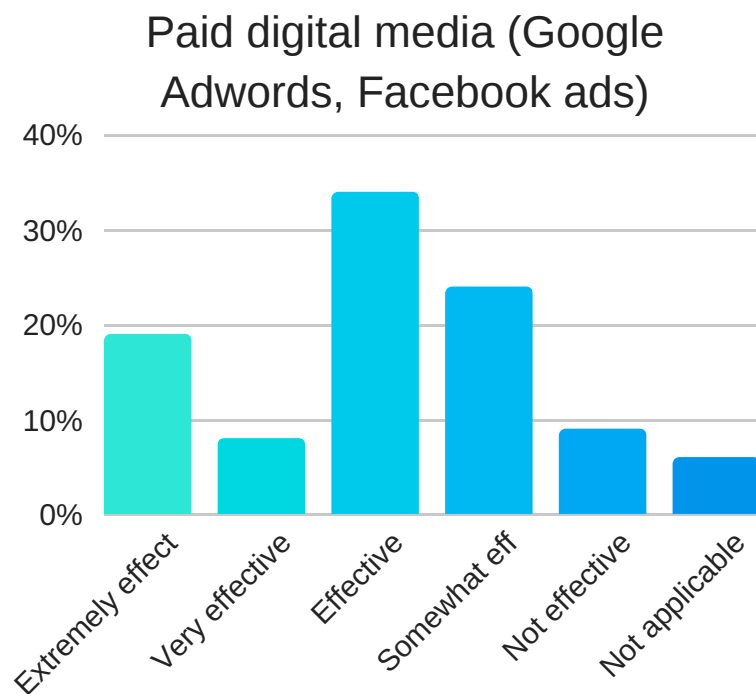
Key takeaways from the data:

1. **Print media is so 1990's. Not effective.**
2. **Client referrals are the top rated lead-gen source.** 85% rated this tactic from "effective to "extremely effective." If you don't have a formal referral program in place, you could be missing a big opportunity to leverage good will over cash.
3. **Paid digital media is measurable and effective.** 66% rated this tactic from effective to extremely effective. We have some hope that this is based on metrics since paid media is typically measurable. While SEO and content marketing are key strategies, one should set aside a "pay to play" budget to augment your organic efforts.
4. **Unpaid social media is hard to measure but you need to be a player.** Make sure you find a strategy that works for your team to post consistently.
5. **The jury is out on events.** We wonder if they're being fully leveraged as marketing opportunities. Is there a sign-in sheet to capture email addresses? Does someone introduce the space and its purpose to the audience pre-event? Only 52% report them as being effective.
6. **This industry seems to under-utilize email marketing** with only 50% reporting it as effective. We sense an opportunity for better strategies and more consistency for better results.

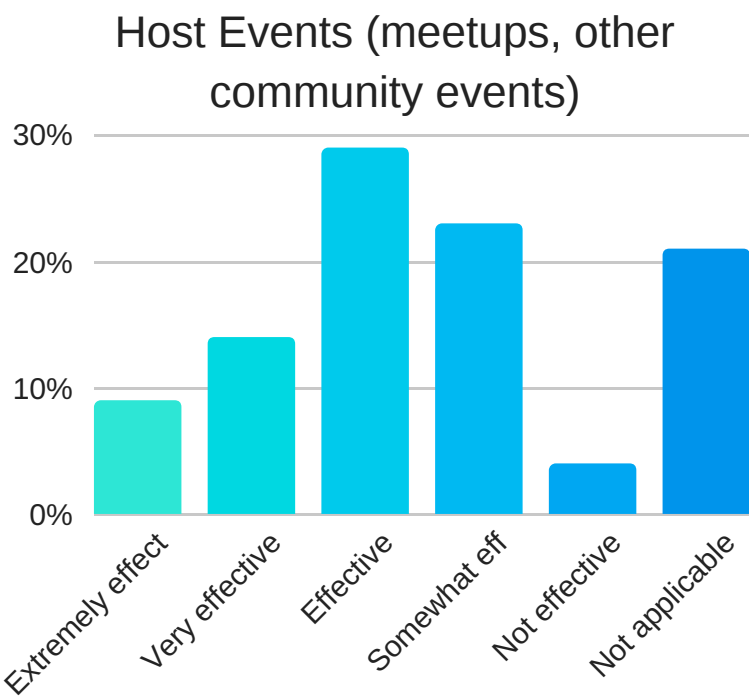
Lead Gen Effectiveness by Tactic



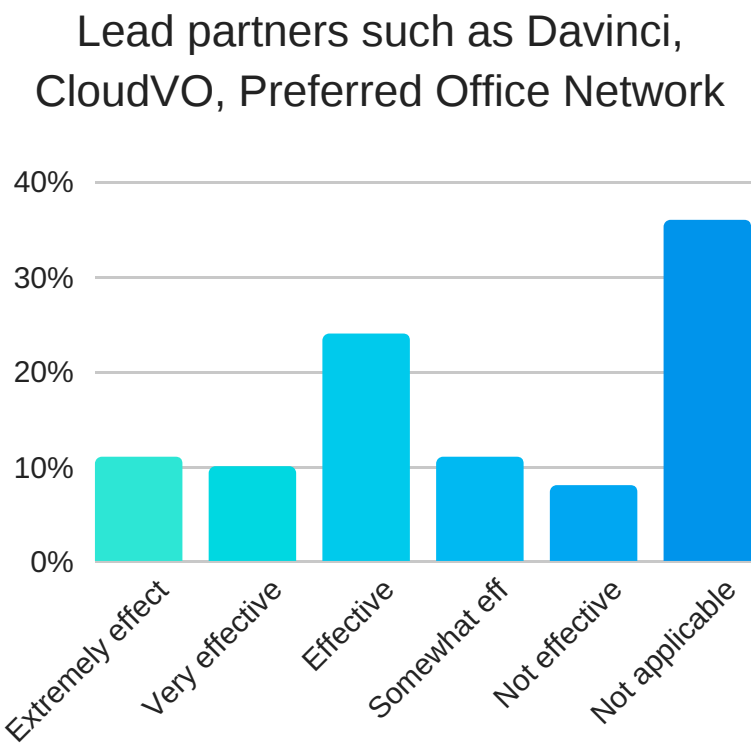
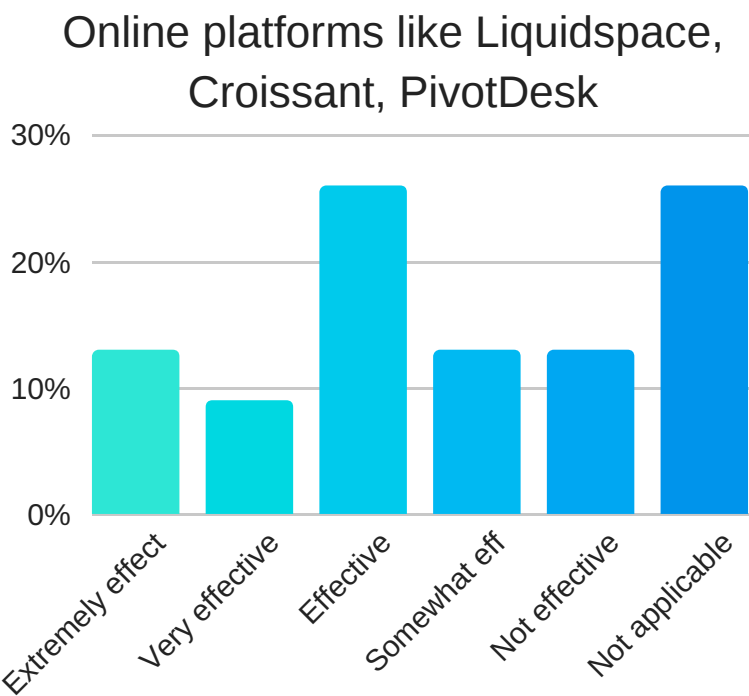
Lead Gen Effectiveness by Tactic



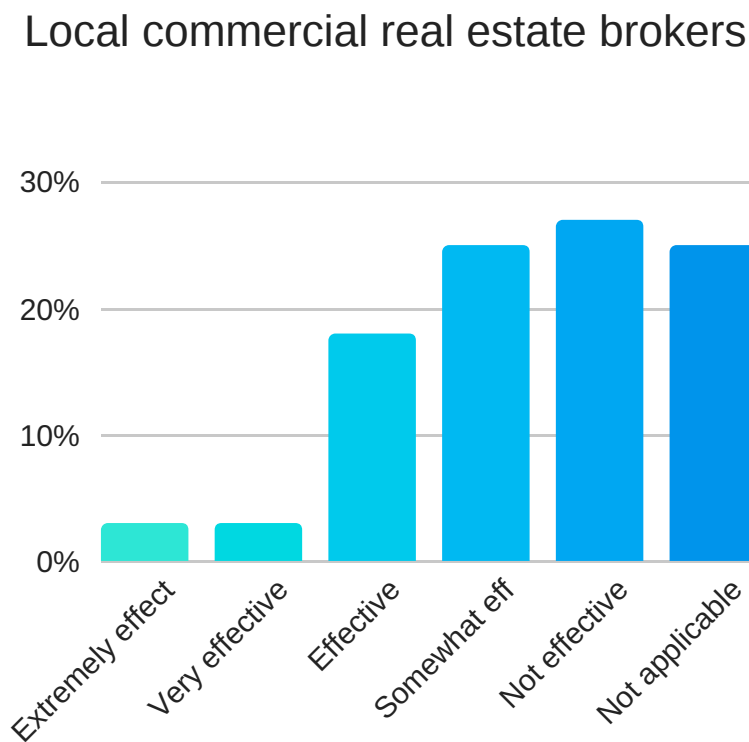
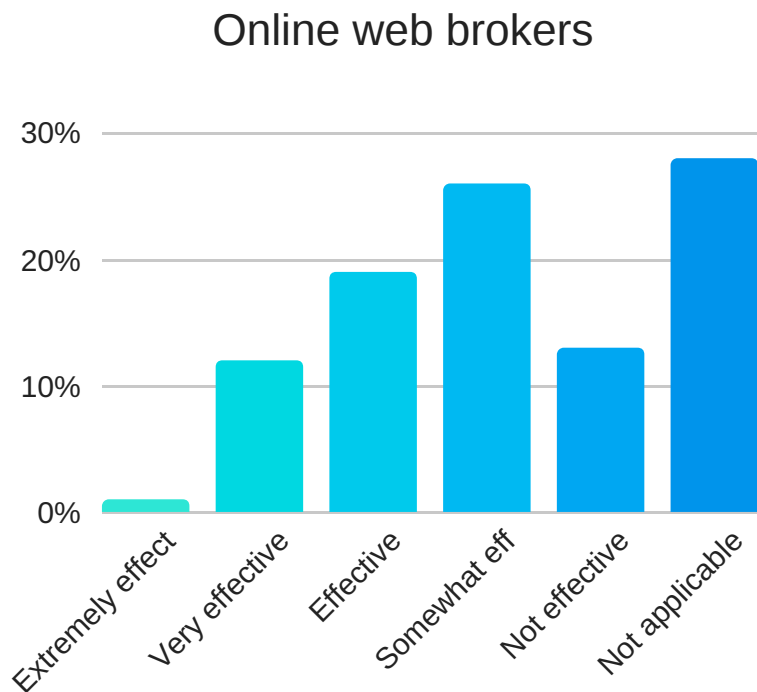
Lead Gen Effectiveness by Tactic



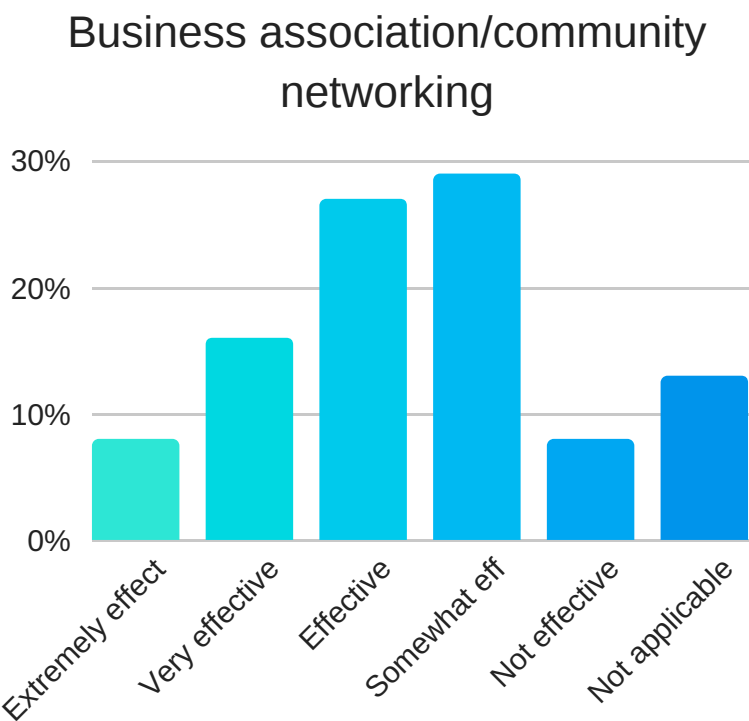
Lead Gen Effectiveness by Tactic



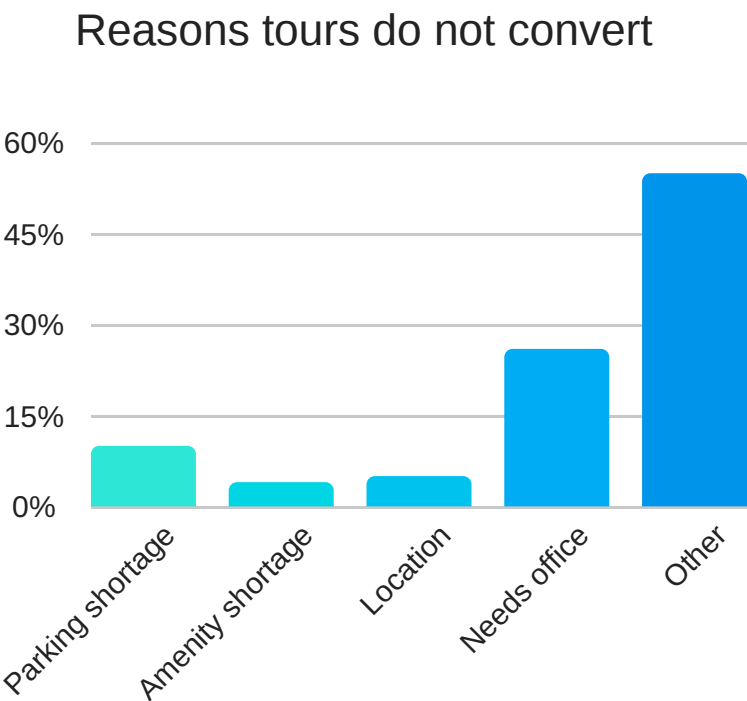
Lead Gen Effectiveness by Tactic



Lead Gen Effectiveness by Tactic



What is the primary reason a potential member who tours this location does NOT join?

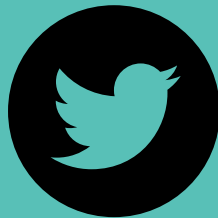




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Industry Financial Survey

2017 | GWA