

Co-working in Asia: Five Top Trends

Usman Tariq, a Director at Vistra in Singapore, examines how and why co-working has boomed in Asia and how it is reshaping not only the workplace but real estate investing



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1. Asia has played catch-up in a big way

Co-working may have been around in other regions since 2005, but it wasn't until 2014 that a shift towards co-working spaces in Asia became really noticeable. And the region

has quickly gone on to occupy a large part of the global market. Figures indicate that Asia-Pacific now has the largest number of co-working spaces – almost twice that of EMEA, which comes a distant second.

And it's a trend that looks set to continue. By 2022, China is forecast to have 5,000 spaces, making it one of the largest markets. Likewise, India is expected to be one of the fastest growing markets, not least because of the large number of start-ups in the country.

In China, growth is being supported by government polices to promote entrepreneurship – with Shanghai, for example, now home to over 100 co-working centres. In India, leasing activity by shared office operators tripled between 2014 and 2016.



2. Co-working is going corporate

While the evolution was spurred by start-ups and freelancers, corporates are increasingly getting into this space since co-working offers negligible capex requirements, efficient

space usage and flexibility in contract terms. Demand from corporates has been the biggest expansion driver in several Asian cities in the last two years. Growing demand for flexibility, collaboration and culture that a shared working environment brings are encouraging corporate occupiers to actively consider it.

Indeed, Asia leads the way in having a predominantly corporate base, with more than half of co-working members being corporate employees.

This is having an interesting impact on the space taken up by operators in the last few years within the Asia-Pacific region. Initially, operators were targeting Grade B office buildings, attracted by the lower cost base and often trendier space. This fit well within in the earlier target audience of start-ups and freelancers.

However, with the focus of medium to large corporates in this space, operators have taken up more Grade A office space and even pre-leased space in upcoming office developments.

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3. Millennials are driving change

Demographics are playing a role in the co-working boom. In Asia-Pacific, millennials (those born between 1980 and 2000) now

make up the largest part of the workforce – something that is expected to continue as more enter employment.

Millennials have specific requirements when it comes to their work environment, and figures for those in Asia show that 71% are willing to give up benefits such as location and travel time for better office design, while more than 60% value flexibility and have a strong desire for amenities and wellness – features that co-working spaces prioritise.

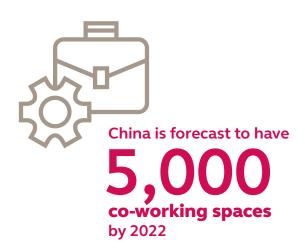


4. Spaces are becoming in-house innovation hubs

The lifespan of a conventional large corporate organisation is getting shorter

every year – the average tenure of companies on the S&P 500 narrowed to 24 years by 2016. Modern companies, with their constant hunger for innovation for new products, are partnering with entrepreneurial organisations, networking, sponsoring and supporting innovation to stay ahead of the curve.

This fits in with the co-working concept as startup communities and co-working spaces positively impact local economies by creating a variety of jobs. Some corporations are starting their own co-working facilities to innovate and experiment through in-house collaboration using incubators and accelerator programs for start-ups.



5. Co-working is growing as a real estate asset class

The evolution of co-working spaces is changing the DNA of real estate investing. In Asia, real estate funds are noticeably increasing their allocations towards the co-working/co-living sector.

In Asia's ultra-high-cost residential environment, there is huge appeal and growing demand for these types of spaces. This is also prompting a more tech-edge to the conventional serviced office sector, which is also promising better yields for landlords.

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