

Coworking After Covid – Set to Thrive

GAA
ADVISORY



Views of Experts

“ The industry
is young.
The future is
bright

-Steve King, Global
Coworking
conference

“ I believe in
collaboration
rather than
competition

-Cynthia Chaim

“ Collaboration
is the
software
Coworking is
the
hardware

Wes FabbBerrins
(coworking space,
Sydney)

“ Coworking is
not about
ideas it about
making ideas
Happen

-Scott Belsky

About Coworking

Coworking space is a business service model which lets individuals and teams work independently or collaboratively in a shared office space, allowing cost savings and convenience through the use of common infrastructure, such as equipment, utilities, and receptionist and custodial services. Coworking spaces also serve as a place to hold relevant workshops, conferences, and much more.

Coworking spaces offer the same amenities you would find in a traditional office, along with a lot more. A major differentiator is flexibility, since you don't need to sign a long-term lease in a coworking space.



**Approx.
19,000
coworking
spaces
across the
globe till
2019**



7,300 sq ft
Average Space Size



83 People
Average Space Capacity



3 million
coworkers globally in 2019



Average 282 Members
Per coworking space



\$26 Billion
Estimated Market Value

Timeline of Coworking

42west24 starts in New York offering flexible spaces to individuals and freelancers from various professions.

Brad Neuberg, sets up the San Francisco co-working space with objective of "the freedom and independence of working."

The first International co-working day is celebrated on August 9th. The first co-working conference was held in Belgium.

1995

The first "Coworking" space was actually founded by hackers in Berlin called Hackerspaces.

1999

42west24 starts in New York offering flexible spaces to individuals and freelancers from various professions.

2002

In 2002 with the establishment of Schraubenfabrik. Today, it has become a part of a larger community called KONNEX co-working.

2005

Brad Neuberg, sets up the San Francisco co-working space with objective of "the freedom and independence of working."

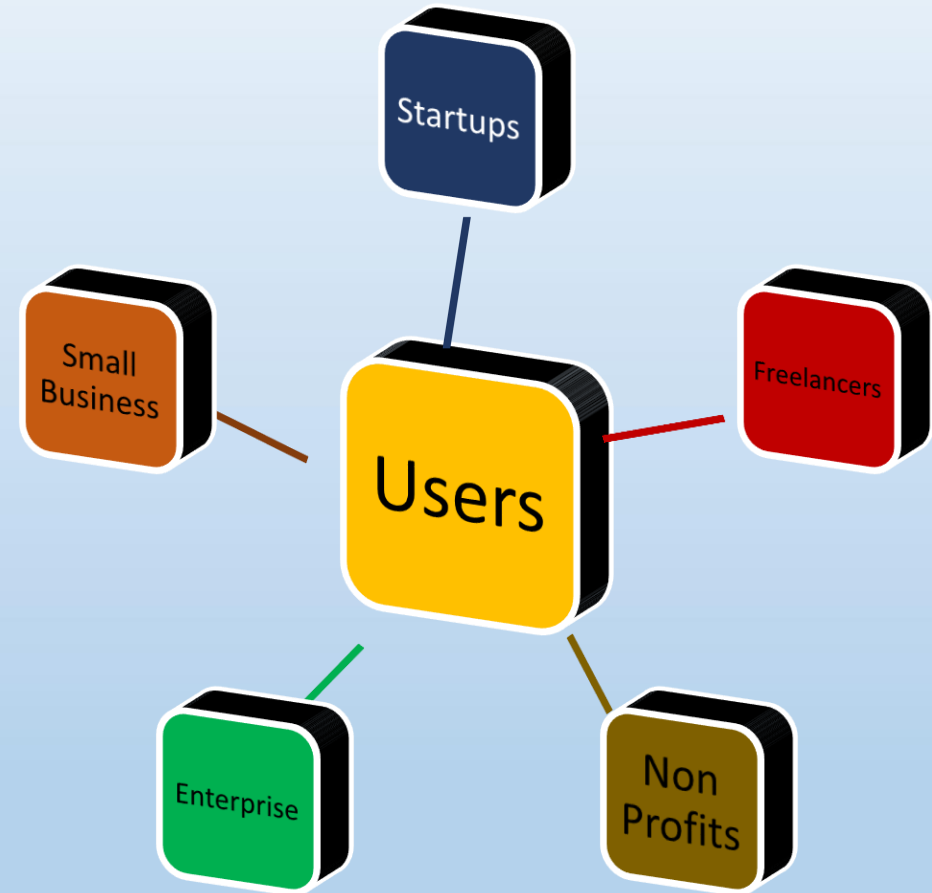
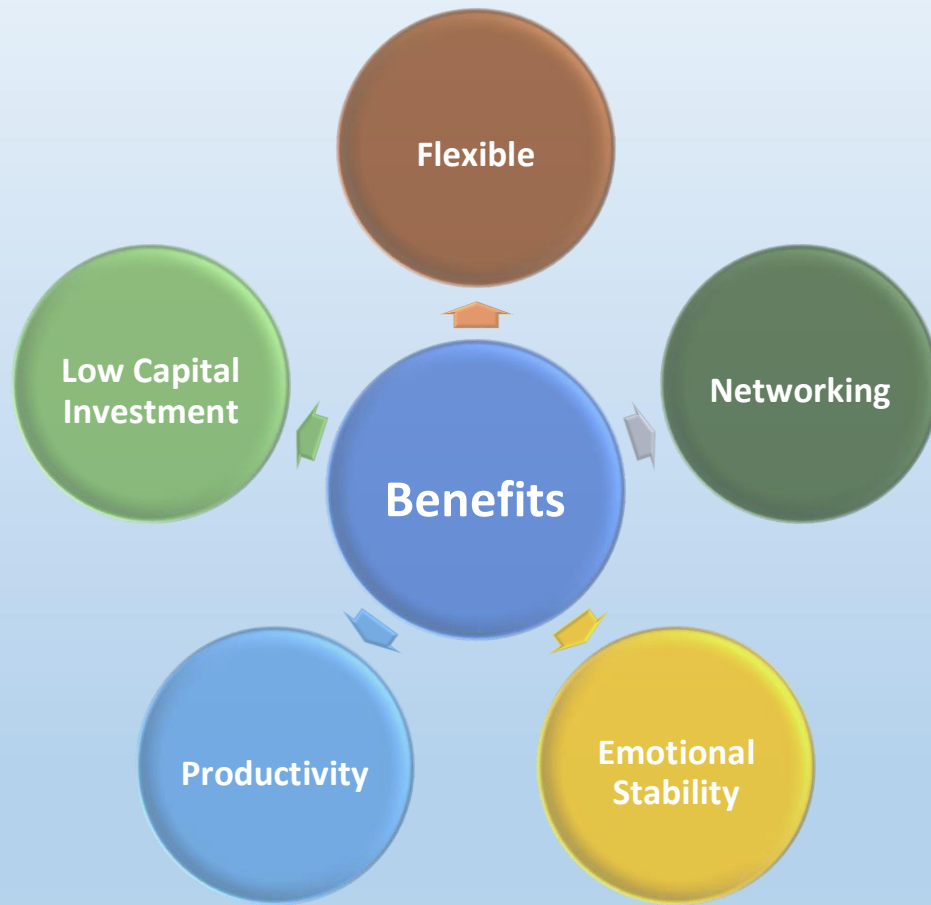
2008

Co-working first time becomes a trending topic on Google. Around 160 co-working spaces come up around the world

2010

The first International co-working day is celebrated on August 9th. The first co-working conference was held in Belgium.

Benefits and Users of Coworking



Big Players of Industry

Coworking is a popular trend in times when the freelance and gig economy are on the rise. It defines the work of different professionals under the same roof.

Regarding the global scenario, the report said that there are around 35,000 flexible work spaces around the world and they are currently valued at around \$26 billion. Until 2022, the market will grow at around 13 per cent annually.

Here are the top companies allowing workers to enjoy the special atmosphere of coworking energy.

❑ **We Work:**

- **Established: 2010**
- **Headquarters: New York**
- **Total Locations (US): 387**
- **Key Investor: Softbank (80%)**

They offer a “We Membership,” hot desks, dedicated desks and private offices. WeWork is the best known of the flexible office space companies and has the second most locations behind Regus. The company is the largest private office tenant in New York, with nearly 9 million square feet over 100 locations in Manhattan alone.



Big Players of Industry



❑ Regus:

- **Established: 1989**
- **Headquarters: Luxembourg**
- **Total Locations (US): 1,175**
- **Key Investors: Mark Dixon (28.1%), M&G Investment Management Ltd (5.28%)**

It was founded in year 1989. A reputable international company is a part of the IWG plc holding group. Their professional spaces are based in city centers, suburban districts, retail outlets, business parks, airports, railways and service stations. On the total, Regus has a network of 2,600 locations in 106 countries.

❑ Impact Hub:

- **Established: 2005**
- **Headquarters: Vienna**
- **Total Locations (US): 15**

The company established in 2005 and has head quarter at Vienna. The United Nations Office in Geneva acknowledges Impact Hub as a driver of community engagement directed to tackle the Sustainable Development Goals via entrepreneurial and innovative solutions.



Big Players of Industry



❑ Serendipity Labs:

- **Established: 2011**
- **Headquarters : New York**
- **Total Locations (US): 37**
- **Funding Raised: \$11.3 million from Dallas Developers**

Amenities like a more secure IT infrastructure and frosted glass are common in a Serendipity Labs space. Over 100 additional Serendipity Labs are currently in development across the United States.

❑ Premier Workspaces (formerly Premier Business Centers):

- **Established: 2002**
- **Headquarters: Orange County**
- **Total Locations (US): 90**

Primarily located in and around Los Angeles, the bulk of Premier Workspaces' footprint is in Southern California.



SWOT Analysis

Strengths



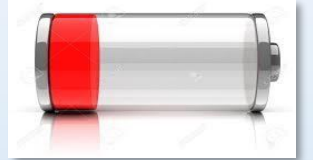
- ☐ Flexibility to scale up and scale down
- ☐ Serves multiple industries, implying low risk
- ☐ Scope for alternate sources of revenues apart from space

Threats



- ☐ Developers may start offering co-work spaces directly bypassing the operators.
- ☐ Low entry barriers, implies strong competition.

Weakness

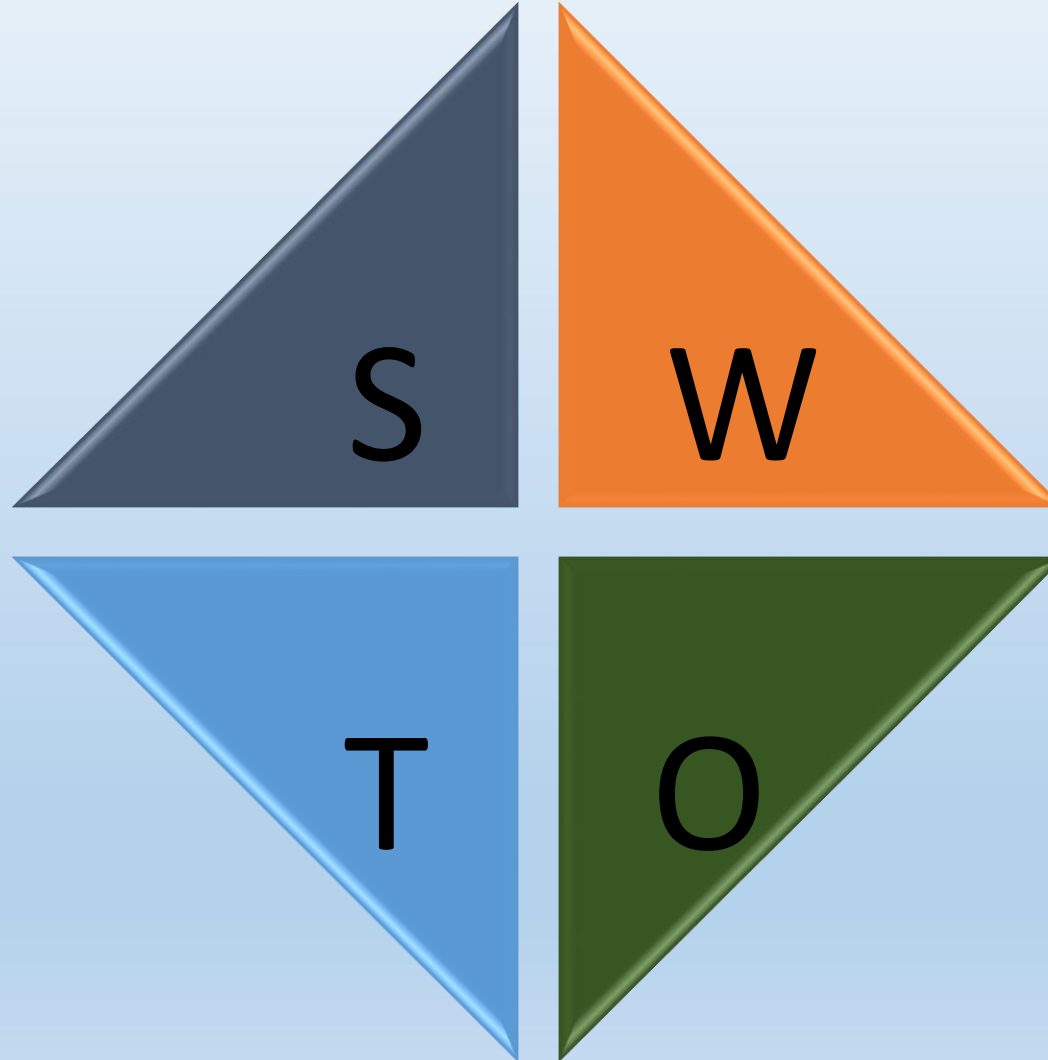


- ☐ Potential data and intellectual property threat
- ☐ Limitation on customization depending on terms of lease contract
- ☐ Over-exposure of work

Opportunities



- ☐ Strong economic growth
- ☐ Rising numbers of start-ups
- ☐ Increasing demand from corporate



How to choose Coworking



Location – It is crucial for a location to be suited in a metropolis as it offers best facilities.



Amenities – it is important to find a coworking space that gives you all the facilities, you need to maximize your work experience.

Innovativeness – It is essential for the coworking space to have some innovation. It should not be just four walls with basic amenities but some facilities that stands out.



Budget – It is required to prioritize what one need from a coworking space to get the best return on the investment.



Community – Coworking space is all about community. A large part is about the spirit of the people you are work with.



Flexibility – Workspace should be available to use during your work timings and during the off-days that you choose to work on.

Global Scenario

A coworking space can differ widely from location to location, for example, one space may be a floor of high rise building and another could be an entire repurposed warehouse.

The number of coworking spaces worldwide is projected to reach almost 20,000 this year.

Co-working spaces, today, are not confined to small businesses or start-ups. Even large corporates are gung-ho about the concept and occupy a significant share of the pie. The flexibility intertwined with superlative amenities and a community driven ecosystem are attracting occupiers to co-working spaces.

There are numerous factors that drive the coworking revolution and the trends and innovations to note in 2019.

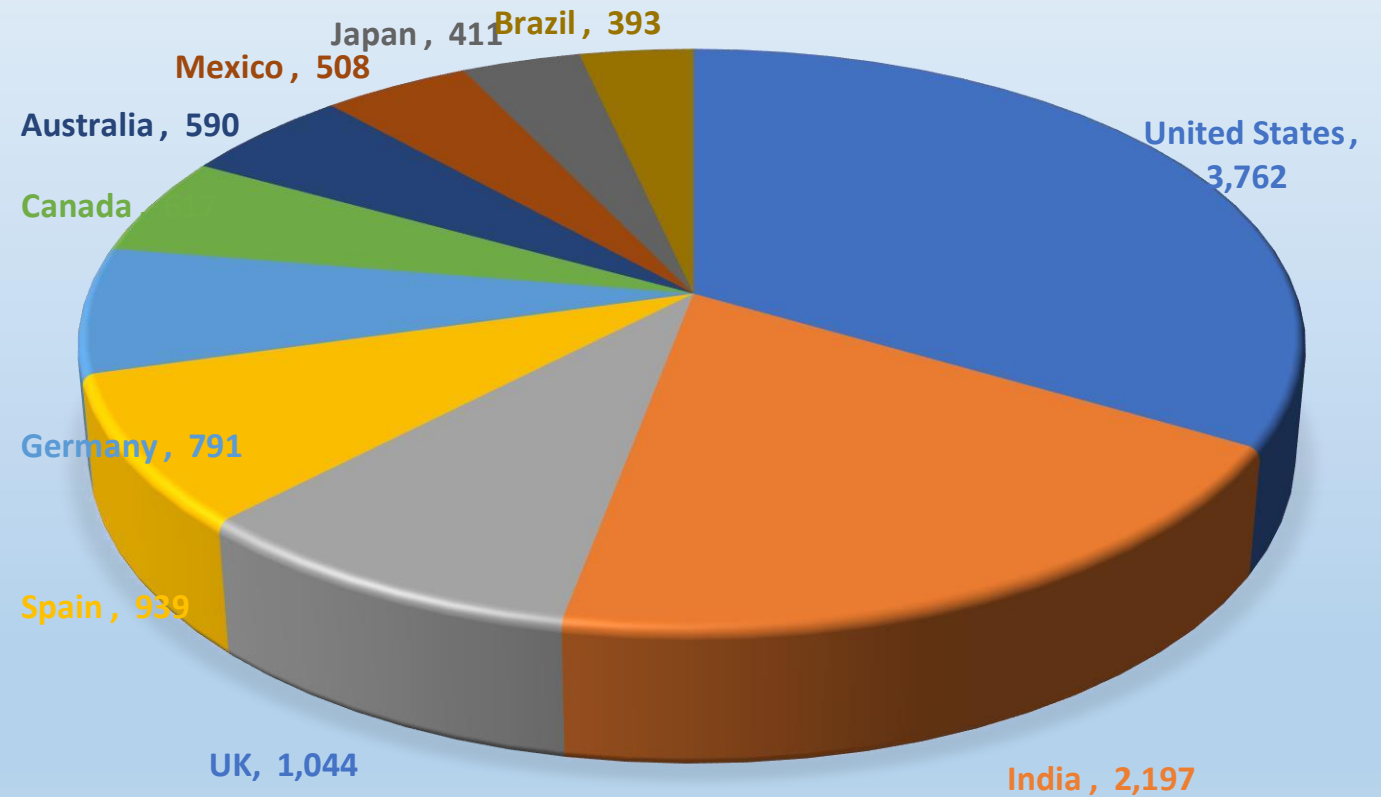
USA is home to world's biggest coworking and flexible space market.

Average No. of members per coworking space worldwide 282

The coworking members will grow from 1.74 million in 2017 to 5.1 million in 2022

Largest Market of Coworking space world wide

S. No.	Country Name	No. of Spaces	World Share (%)
1	United States	3,762	18.30%
2	India	2,197	10.69%
3	United Kingdom	1,044	5.08%
4	Spain	939	4.57%
5	Germany	791	3.85%
6	Canada	617	3.00%
7	Australia	590	2.87%
8	Mexico	508	2.47%
9	Japan	411	2.00%
10	Brazil	393	1.91%



Scenario In India

The co-working segment has seen impressive growth in recent years and is acting as a catalyst for modern workspaces.

A comparison of the cumulative co-working space leased (in Grade A office space) by different service providers across top seven cities during 2017 and 2018 indicates a marked increase.

While in 2017, the space leased was 1.9 million sq. ft., it increased more than two times to 3.9 million sq. ft. in 2018.

If we consider the top seven cities, the co-working share in office leasing has increased from 5% in 2017 to 8% in 2018. In Q1 2019, it increased further to 12%.

The average size of transactions in the co-working segment increased from 37,000 sq. ft. (2017) to 77,000 sq. ft. (1Q19).

In 2018, Mumbai had the highest proportion (14%) of co-working space to total office leasing.

Chennai was the Frontrunner. The co-working sector increased five times from 2% in 2017 to 10% in 2018.

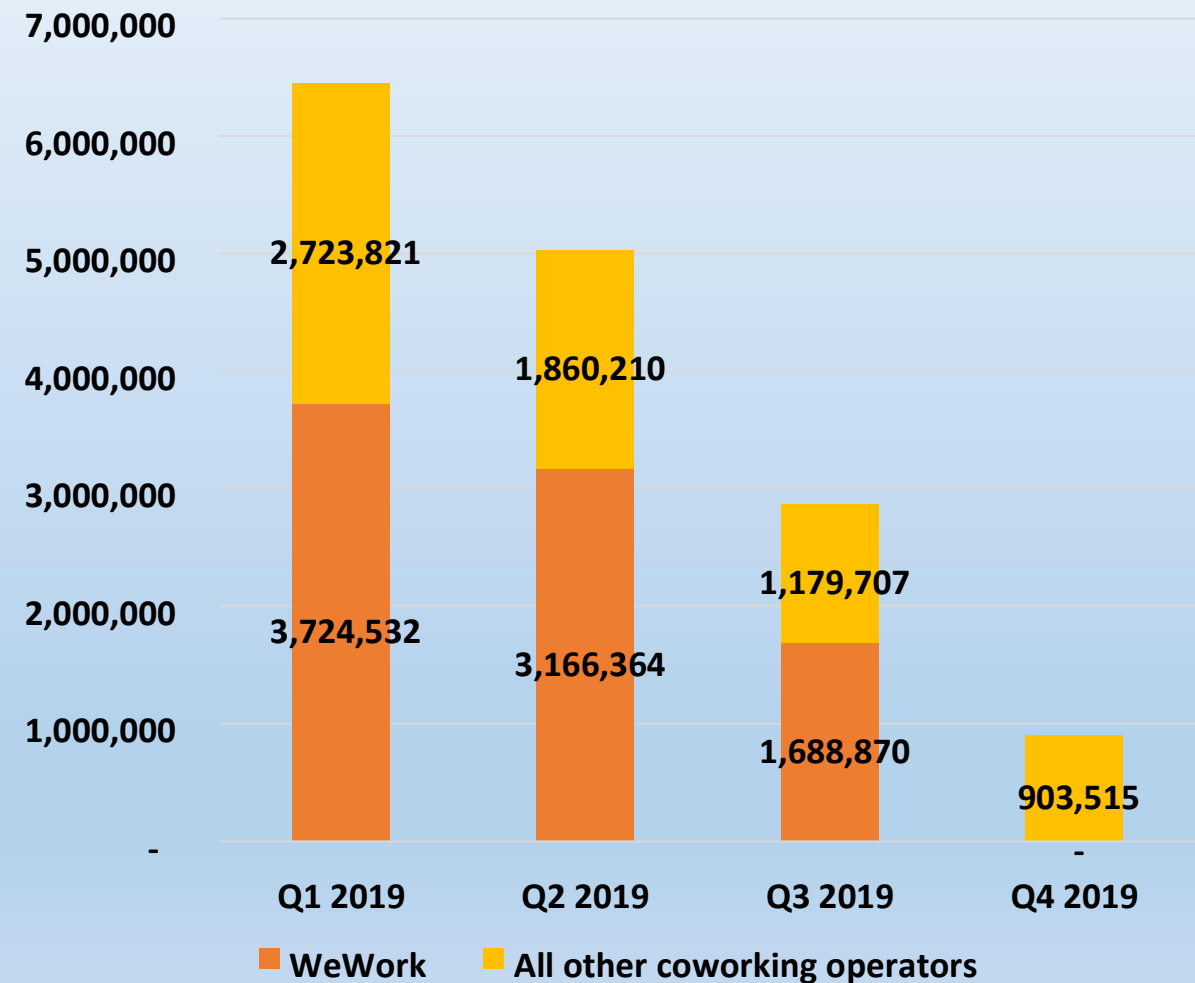


Scenario In India

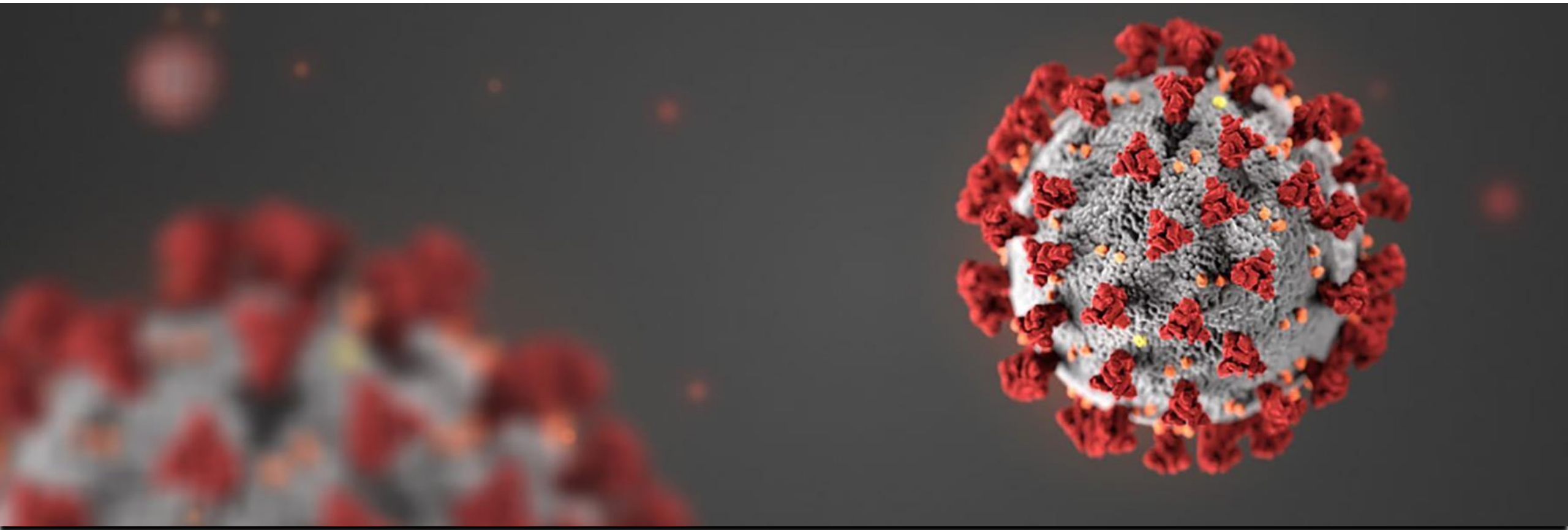
The penetration of co-working spaces is likely to increase further in cities such as Bengaluru, Hyderabad, Chennai, Mumbai, Pune and Delhi NCR as we can see from the future expansion plans of prominent operators.

- WeWork founded in 2010 and as of 2018 WeWork managed over 4 million sqm coworking space. The company gained mainstream attention in 2019 when it failed its IPO.
- Awfis is looking at making an entry into five tier 2 cities including Indore, Ahmedabad, Bhubaneshwar, Kochi and Jaipur.
- 315 Work Avenue aims to bolster its network across Bengaluru and expand to other cities such as Hyderabad, Pune & Mumbai.
- As of 2019, the co-working industry in India makes up for 10-12 percent of the total leasing market.

Coworking Space Leasing Volume vs Year



Effect of Covid on Coworking



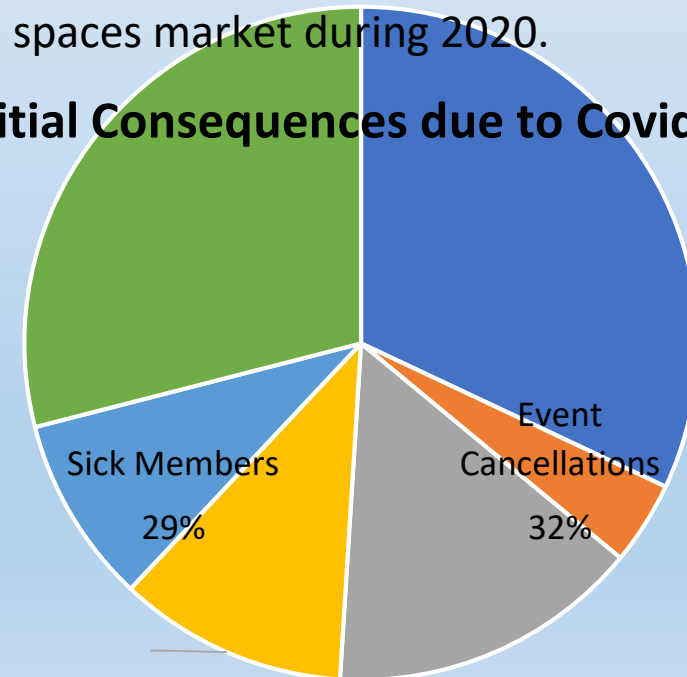
Effect of Covid on Coworking space

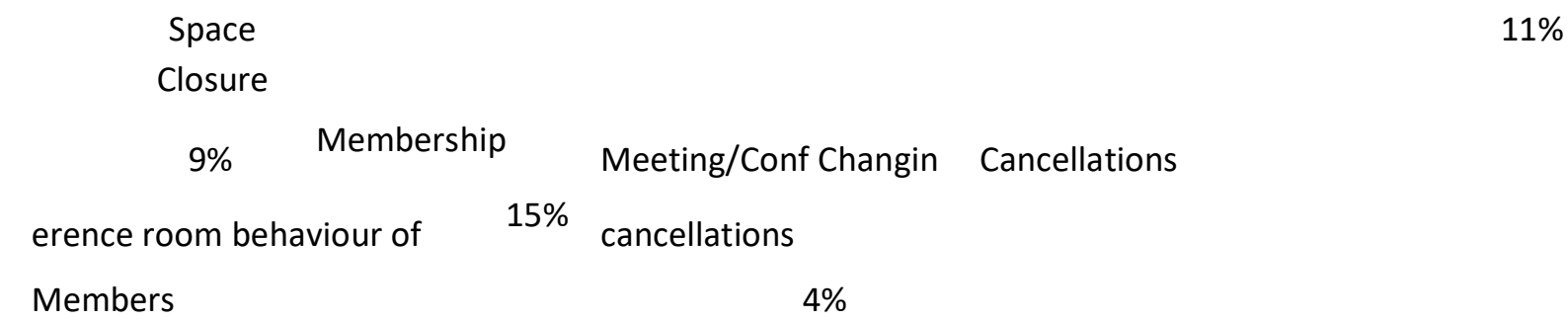
The pandemic has smashed almost all the sectors of global economy. Its spread has left businesses around the world counting costs and wondering what recovery could look like. Coworking space market took a big hit after witnessing a rapid stride of growth which the sector has been clocking. The decline is mainly due to economic slowdown across countries owing to the COVID-19 outbreak and the measures to contain it.

- The global coworking spaces market is expected to decline from \$9.27 billion in 2019 and to \$8.24 billion in 2020 at a compound annual growth rate (CAGR) of -12.9%.
- The market is expected to recover and reach \$11.52 billion in 2023 at CAGR of 11.8%.
- The increase in the number of people working from home or remotely owing to COVID-19 lockdown has limited the market growth. In March 2020, operators of coworking spaces have seen an almost 50% decline in footfalls. the number of people working remotely is tremendously increased owing to the coronavirus outbreak over the last

few months. Consequently, declining the revenues generated by the coworking spaces market during 2020.

Initial Consequences due to Covid-19





Effect of Covid on Coworking space

As per the study conducted by Coworking Resources for Global Coworking Growth Study 2020 and analyzing over 3,000 requests between February 2020 and May 2020, space utilization is beginning to recover and shift toward private offices, longer-term contract durations, and higher capacities. Such preliminary data shows:

- 26% higher number of seats per request
- 96% longer contract terms
- 76% higher share of requests for private offices compared to individual seats.



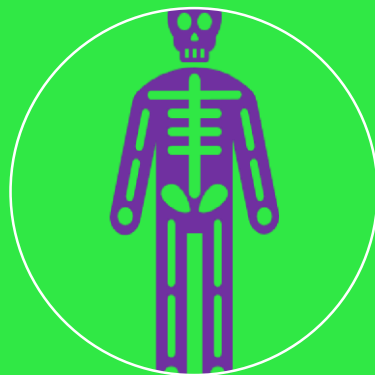
In a post-COVID-19 world, these statistics make it easy to predict that coworking will become even more mainstream, especially since companies are shifting to remote-first workforces.

Demand will mainly come from larger organizations and enterprises looking to decentralize their workforces into smaller branch offices and remote teams into private flex offices. That demand will be led primarily by private offices, followed by dedicated desks, while hot desks and meeting rooms will take the longest to fully recover.



Infrastructural Issues

- Reconfiguring the workspace seating
- Rethinking common spaces
- Health concerns & safety stations
- Innovative designs for future coworking spaces



Users behavioural changes

- Work from home goes mainstream
- Virtual Meetings, Events & conferences



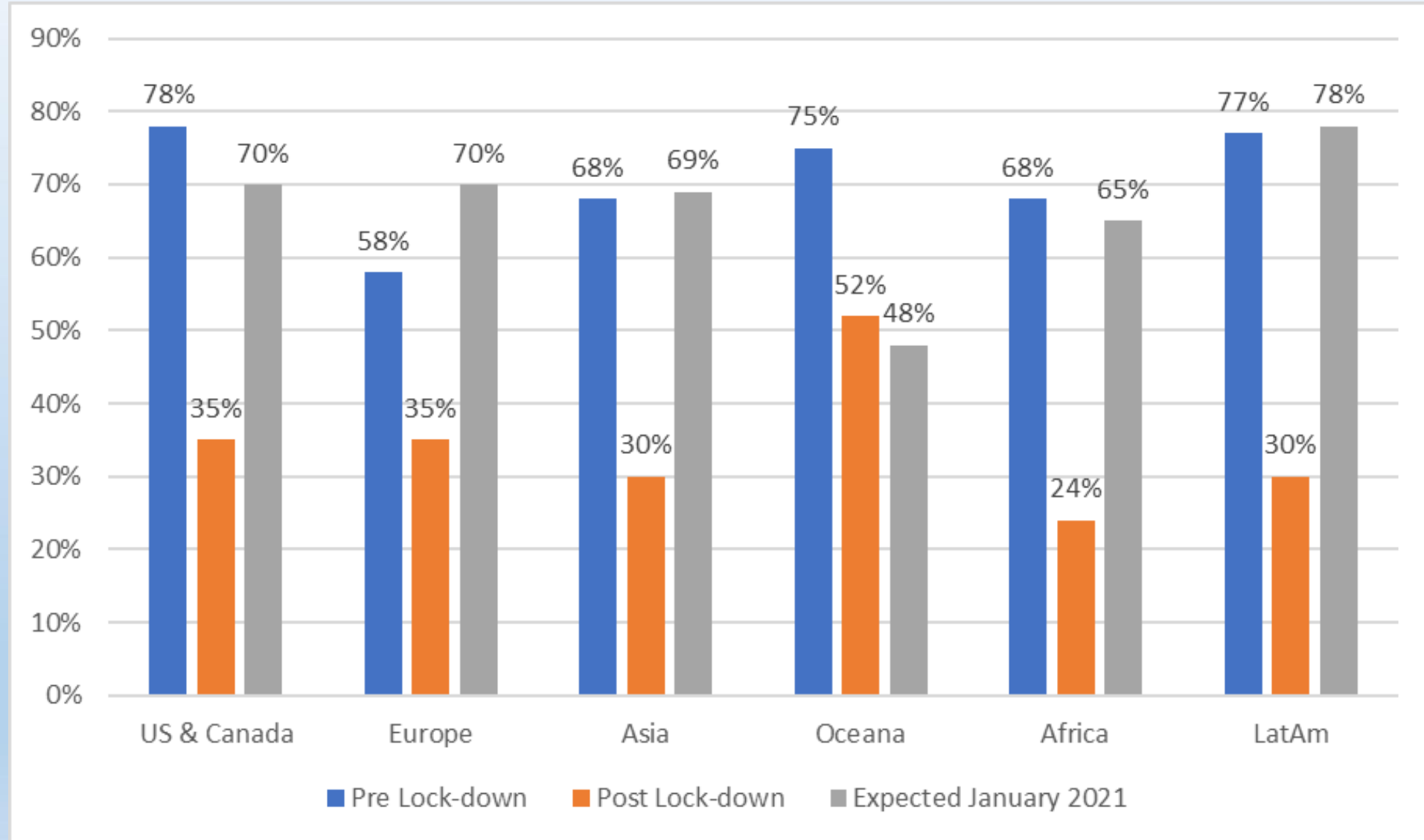
Business Model

- User Pricing changes
- Return of flexible usage terms
- Preference for private offices

Challenges due to Covid-19
outbreak

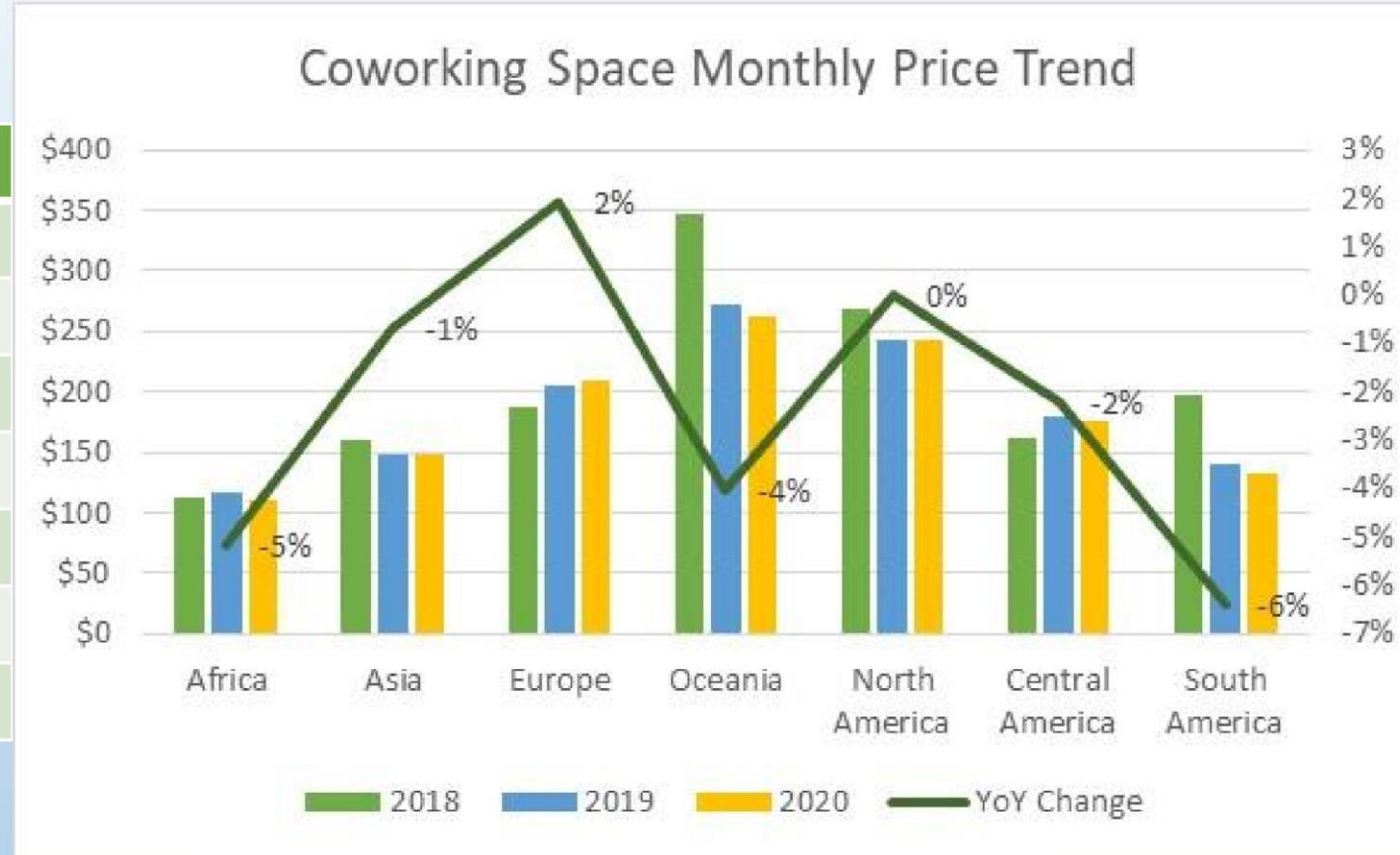
Occupancy Status

European spaces at slightly lower occupancy pre lock-down than US, LatAm and others drop in occupancy seen across the board with respondents expecting occupancy back to pre-crisis level by Jan 2021.



Monthly Price Trend

Region	2018	2019	2020	YoY Change
Africa	\$112	\$116	\$110	-5%
Asia	\$160	\$149	\$148	-1%
Europe	\$188	\$206	\$210	+2%
Oceania	\$347	\$273	\$262	-4%
North America	\$268	\$243	\$243	0%
Central America	\$163	\$180	\$176	-2%
South America	\$197	\$141	\$132	-6%



Source: Global Coworking Growth Study 2020

As the coworking industry goes mainstream, the downward trend in prices is reflected across different regions in the world. The only exception is Europe, where prices have increased by almost 12% over the past 2 years.

Post-COVID Predictions

Search Volume for “coworking”

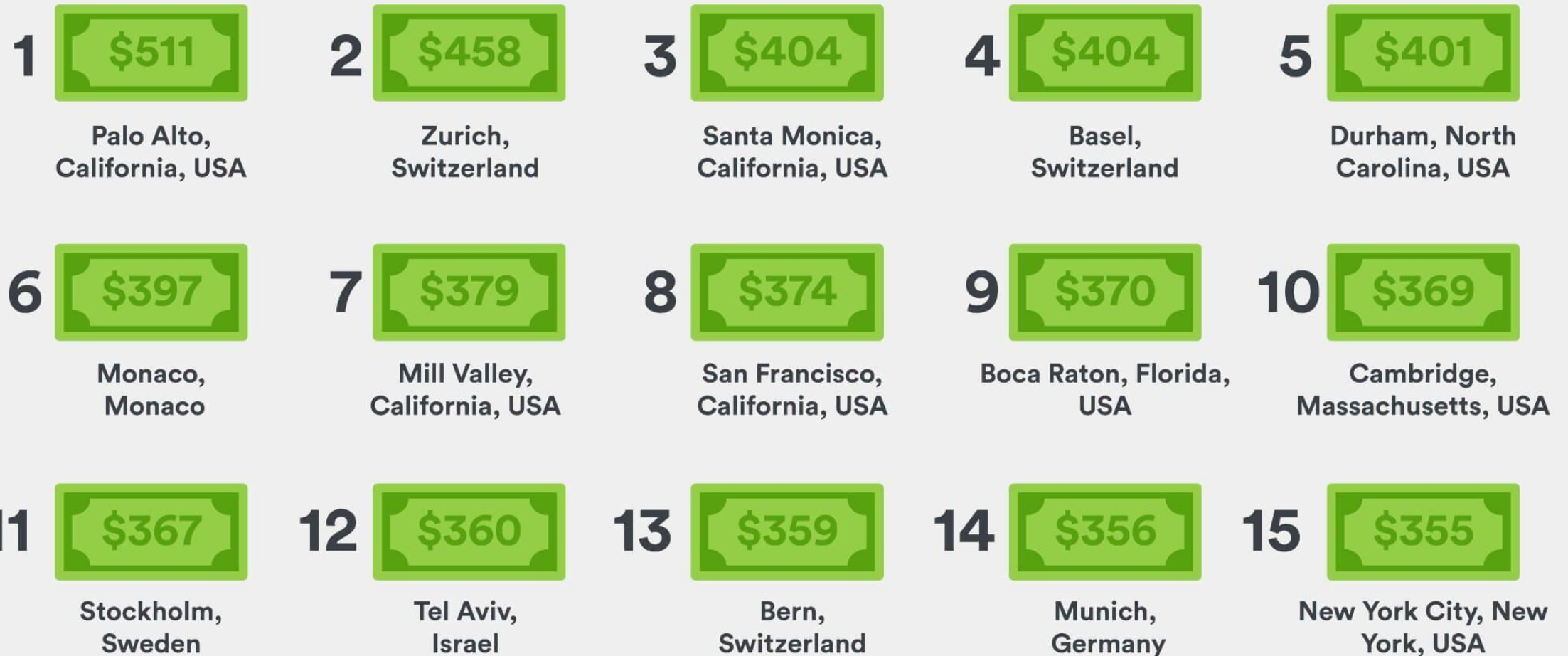
(June 2015-June 2020)



Covid-19 phase from Jan'20 to Jun'20

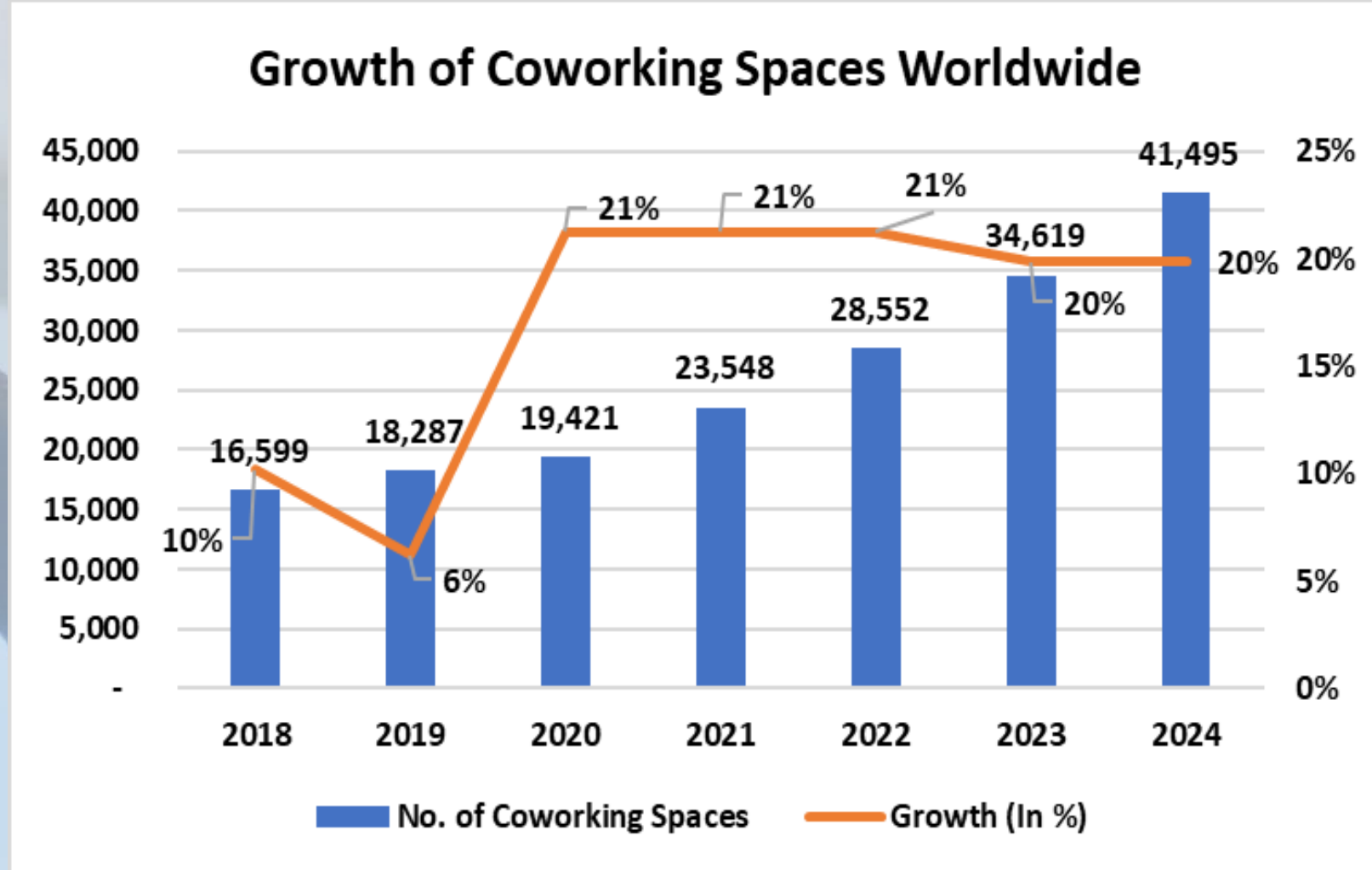
Source: Global Coworking Growth Study 2020

15 Most Expensive Cities by Monthly Hot Desk Membership



Future Expectations- Global Coworking Market

Coworking is a growing global trend with more and more people getting involved, from freelancers to start-ups to entrepreneurs and corporates using flexible working spaces. Coworking's popularity is driven by its unique sense of community, collaboration, networking, flexibility and affordability when compared with renting a traditional office. Latest global insights suggest this trend will continue to grow.

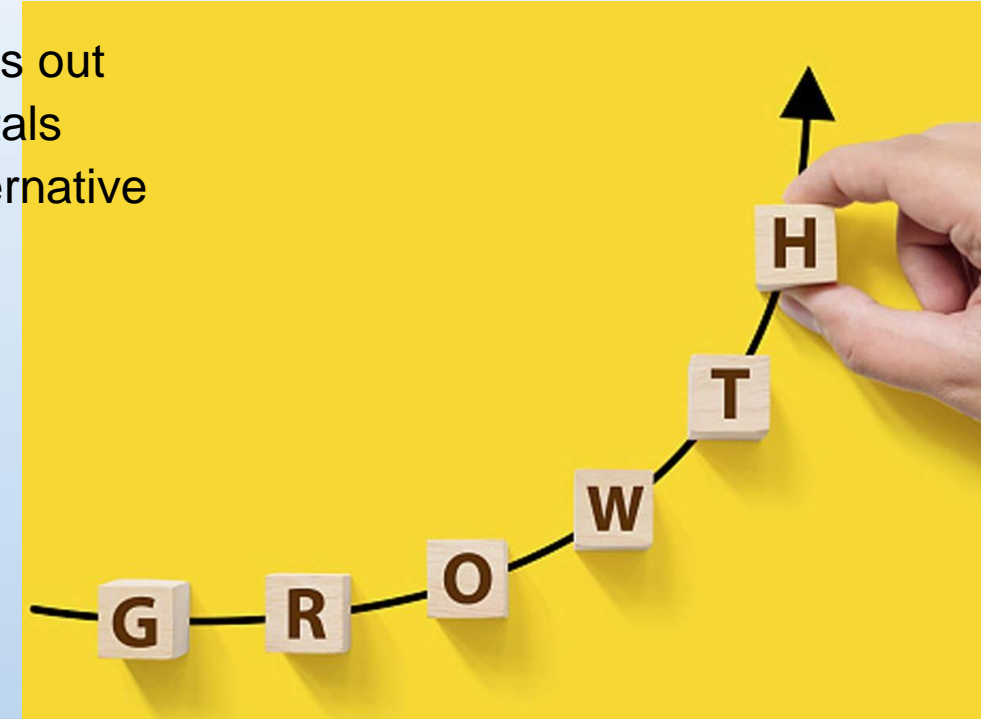


Source: Global Coworking Growth Study 2020

Future Expectations- Indian Coworking Market

The present disruption due to Covid-19 is seen as temporary as the coworking industry is expecting a resurgence as the economy emerges out of lockdown. However, medium-to long-term fundamentals remain sound as corporate occupiers seek out alternative options to reduce costs and capital expenditure.

- Post lockdown scenario is set to bring in a wave of new opportunities for the co-working players.
- Five major cities i.e. Bengaluru, Mumbai, Chennai, Hyderabad and Kolkata saw absorption of approximately 4.42 million sqft office space during Q2 2020.
- 54% overall absorption observed in Q2 2019. However, the crisis at hand, Bengaluru continued to lead the way with 45% share of the total absorption in these five cities.
- Currently, 10% of office spaces are occupied by coworking and are expected to rise to approximately 25% in the next few years. As per a report by real estate consultancy firm CBRE, in the 1st quarter of



2019, the co-working space witnessed a 277% an upsurge in leasing to nearly 3 Mn sq ft. It grew up by 70% every quarter. Here is a look at future predictions for the coworking space industry in India.

Future Expectations-Indian Coworking Market

Work from Home has its own challenges

- Many business verticals and functions still require employees to work in an office setting and may not want WFH as a culture.
- WFH may look appealing as a concept initially, yet, in due course, it may impact operational efficiencies and productivity as managing work life balance for employees might emerge as an area of concern.
- Work from home may co-exist, but office space will not lose its importance as a strategic tool for corporate culture development and a source of competitive advantage.
- In January, Chennai-based 'Karya Spaces' opened a new center in Nungambakkam. The company which saw a flood, a cyclone and a



drought since its inception in 2015, has now been facing a pandemic since the beginning of this year. Soon enough, over fears of infection, their client base dropped by 30% in March, 2020. However, once the lockdown eased in May, they have received nearly 100 enquiries to rent desks from July.

Future Expectations-Indian Coworking Market

Large enterprises will seek smaller space

- Companies will have to practice social distancing within their campuses, which means they might have to station some employees in different locations.
- The current situation will also see larger enterprises seeking smaller spaces to ensure synergized business continuity in the near future.
- Ecosystem needs to be conducive for an employee to be productive while working from home.
- Large enterprises look to curb capital expenditure or long-term commitments on office property, coworking spaces will see a surge as they offer flexible infrastructure solutions and also set precedents for safe and healthy practices too.



Future Expectations-Indian Coworking Market

Coworking spaces offer flexibility

- As the professional world returns to normalcy, traditional offices owing to their rigidity will not be equipped to address the new normal.
- Many companies, even pre-pandemic, have had to deal with the burden of long-term, lock-in leases with heavy security deposits, which take away the 'business cashflow' ability to respond to changes in the economy quickly.
- Flexibility is crucial and hence co-working spaces, with their natural flexibility and inherent readiness to add value are best positioned to adapt and redefine the future of work and



- workspace Coworking spaces will be able to respond to design changes required post-COVID-19 quicker and more efficiently than traditional office spaces.

Future Expectations-Indian Coworking Market

Consolidation on the cards

- The pandemic has hurt small co-working space operators with around 3.2 million sq ft of flexible office space expected to be vacated this year.
- The market, certainly, cannot accommodate hundreds of operators and large firms will hold a larger portion of the market.
- Smaller players may be absorbed in mergers or will alternatively have to close down operations.
- Consolidation within co-working space started in 2018 with major acquisitions like 'One Co.Work' acquiring 'IShareSpace' and 'AltF CoWorking' acquiring Noida-based 'Daftar India'.
- Covid-19 will accelerate the process as the smaller ones will find it difficult to survive a capital-intensive industry.



Expert Views

“In the next three-six months all co-working spaces are going to grapple with the situation. But what we see in the mid term, when hopefully the curve flattened, coworking spaces actually have a good opportunity. This is because of the flexibility we offer.”

Mr. Amit Ramani

Founder and CEO of Awfis



“Of the people who are looking to join in July, one section sees new opportunities in co-working. Looking to cut down costs, they have changed their plans of getting their own office and are using our spaces instead.”

Mr. Arijun Chander

Founder of Karya Spaces

“This pandemic scenario, in a way, has proved that remote working environments are manageable. So, startups, which form the majority of our clients, will choose to work remotely so they can cut down expenses. They will probably use co-working spaces on an ad-hoc basis... like hotels, where you can book a room for two or three days.”

Mr. Ashwin Shankar

CEO of Awfis

SERVICES

VALUATION

Business & Business Interests

- Business & Equity Valuation
- Valuation of Start-up / IPO / REIT / M&A, Leverage Buyout Valuation
- Valuation of ESOPs and Sweat Equity
- Valuation for Tax, Capital Gain, Transfer Pricing
- Valuation for Financial Reporting, Fairness Opinion, Purchase Price Allocation (PPA) for M&A
- Determination of Swap Ratio under Merger and Demerger
- Valuation of Inventory / Stocks and Debentures / Receivables
- Litigation and Dispute Support

Intangible Assets

- Valuation of Brands, Goodwill, Trademark, Copyright, Patents, Other Intangible Assets & Intellectual Property
- Valuation for Financial Reporting, Fairness Opinion, Purchase Price Allocation (PPA) for (M&A)
- Impairment Studies of Intangible Assets

Financial Instruments

- Valuation of Financial Securities, Instruments & Derivatives
- Valuation for M&A Transaction, under Insolvency & Bankruptcy Code

Immovable Assets (Real Estate)

- Valuation of Land, Building Residential / Commercial / Industrial Estates
- Valuation of Infrastructure Assets, Expressways / Toll Ways & Specialized Assets
- Valuation for Capital Gain Tax, Stamp Duty, Litigation & Dispute
- Impairment Studies for Financial Reporting, PPA, Cash Generating Units
- Mines, Mineral Advisory and Valuation
- Valuation under Insolvency & Bankruptcy Code (IBC)

Movable Assets (Plant & Machinery)

- Valuation of Industrial Assets and Plant & Machinery
- Valuation of Infrastructure Assets & Specialized Assets, Power Plants
- Fairness Opinion, Purchase Price Allocation for M&A
- Impairment Studies for Financial Reporting, Cash Generating Units
- Valuation under Insolvency & Bankruptcy Code (IBC)

Transaction Advisory

- Buy side due diligence and closing due diligence
- Vendor due diligence and vendor assistance

- Sale Purchase agreement (SPA) and Business Transfer Agreement (BTA)
- Assistance in deal negotiation

RISK CONSULTING

Strategic & Risk Advisory Services

- Techno Economic Feasibility Studies
- Economic Viability & Financial Appraisal
- Business Plan Review

Technical Support Services

- Lender's & Investor's / Independent Engineer Services
- Technical Due Diligence, Technical Opinions
- Chartered Engineers Opinion & Certification
- Project Cost Investigations
- Project Appraisal & Monitoring

Agency for Specialized Monitoring (ASM)

- Term Loan Monitoring
- Working Capital Monitoring
- Cash Flow Monitoring

Financial & Treasury Risk Advisory

- Assessment Of Credit Risk, Market Risk & Interest Rate Risk
- Assets Quality Review & Stress Testing
- Assessment of Expected Credit Loss
- Assessment of Asset Liability Management & Liquidity Risk

INVESTMENT BANKING

- M&A Advisory:
 - Sell Side, Buy Side
 - Domestic & Cross Border
- Partner, Joint Venture & Strategic Alliances
- Government Disinvestment & Privatization
- Fund Raising – Equity, Mezzanine, Structure Finance & Debt
- Distress Investment Banking – One – Time Settlement, Priority and Interim Funding, Rescue Financing and Buyouts

DISPUTE & LITIGATION SUPPORT

- Valuation Services
- Damages & Loss of Profit Assessment
- Independent Expert Testimony
- Anti – Trust & Competition Advisory
- Post – Acquisition Disputes, Joint Venture & Shareholder Disputes
- Civil & Construction Disputes, Real Estate Disputes
- Intellectual Property Rights Dispute

Office Locations

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