

Why Coworking Works — 2017 edition

What it takes to develop a successful and profitable
Coworking space

A Coworking Travel Guide



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INTRODUCTION

Who is SITE REolutions?

SITE Resolutions advises individuals and companies across North America that are starting Coworking Spaces, Alternative Workspaces and Shared Office Space. To date, we have worked with over 75 locations from Vancouver to Puerto Rico. In this capacity, our services cover the initial assessment of the proposed project, create a workable, reality-based Business Plan, assistance with property selection, development of the marketing plan, recruitment and development of the on-site team and implementation of Operational Best Practices.

We've actually "been there, done that": Nine years hands-on management experience and more than a decade sharing best practices with clients. We share our insights so you can learn from our mistakes and perhaps avoid some of the common pitfalls we have witnessed in the field.



Our Goal for You

We are dedicated to the principles of Coworking and Alternate Workspace. With the current rise in industry new comers we want to see as many spaces as possible succeed in building their community.

This Handbook is designed as a travel guide to give an overview of coworking & common pitfalls, expose you to the multiple possibilities and share tools and knowledge to take with you. We want to show you a path to creating a profitable center that can strengthen your collaborative adventure.

These tips work for both coworking and alternative space developers. We are excited to provide this map to you as a guide in your journey.

THE CURRENT BUSINESS CLIMATE

Why is Coworking and Alternative space growing so fast?

Coworking demand is growing because of the changing global marketplace. We currently live in a time of the greatest number of entrepreneurs in business history. Add to that the rise in individual isolation due to home offices and the values of the budding workforce, Coworking becomes a highly viable and effortless alternative.

Another not-so-quantifiable element is changing work expectations. Up and coming generations have high expectations for work satisfaction and work /life balance. Salary and income no longer hold the highest spot on the checklist for compensation. Coworking and Alternative workspace can be developed and designed to meet the specific cultural needs and values of any population making it an attractive, creative advantage in the shared office space arena.



Some specific *measurable* client benefits are:

Protected Cash Flow and Outlay – Attractive, comfortable office space at approximately 60-70% of the cost of equipping and staffing a conventional office.

Limited or No Capital Investment– No need for a business to buy or lease office equipment, conference room furniture, or reception, kitchen and common work area furnishings. As is true in most traditional Office Business Centers and Serviced Offices, private offices in coworking space come completely furnished, ready to “plug and play”.

Community – In today’s world of satellite offices, remote workers and new business start-ups the traditional work community is more fractured than ever. Coworking goes beyond those limitations and brings together like -minded people with shared industry interests and the opportunity to leverage resources in one flexible location.

Flexibility – No commitment to a long lease term. By providing extremely flexible terms that fit the needs of their particular industry a client can start with just the right space and modify as the business needs change.

Convenience – A complete office, easy to get to, located in the same area as their colleagues, collaborators and clients. Where the people they do business with every day are working too.



Exercise:

Take the time to write here **your** unique reasons for **WHY COWORKING**



TARGET MARKET

Who is driving the growth of Coworking?

While the factors that need to be considered may vary widely from industry to industry data compiled by the US Census Bureau reports approximately **40% of the workforce will identify as freelancers by 2020**. That projects **a target market** across the US **of almost 60 million people**.

The economic upheaval of the last few years is driving the development of flexible work communities that support the broader needs of smaller enterprises. Additional factors include globalization, changing work models and consumerization of work and workplace. Further economic disruption, the rise of the sharing economy and rapidly shifting business needs have pushed all organizations to respond to The Future of Work.

In Forbes Magazine on line article "Reinventing America" Joel Kotkin references statics developed by Economic Modeling Specialists International (EMSI): the number of **people who primarily work on their own has swelled** by 1.3 million since 2001 **to 10.6 million**.

Major Corporations now see value. In fact, HOK, in partnership with CoreNet Global developed a 2017 study "Coworking: A Corporate Real Estate Perspective" to outline more completely the move of corporates into flexwork plans. This response I in direct relation to the competitive landscape in **recruitment and retention of talent as well as employee engagement**. Some of these corporations include IBM, Microsoft, Heineken, Merck Pharmaceuticals, Delta Airlines, PepsiCo and KPMG.

More specifically, *deskmag*, the coworking magazine sites in their 2016 Annual Survey: **In the US, the average age of a coworking member is 36.8 with approximately 51% are employees vs freelancers.**

Exercise:



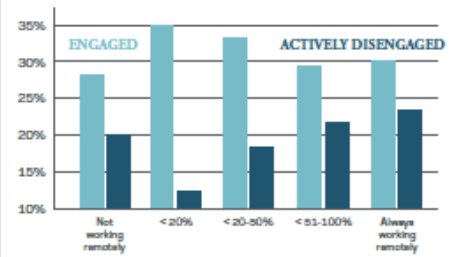
What are the factors and needs of your target market



figure 2

EFFECT OF REMOTE WORK FREQUENCY ON EMPLOYEE ENGAGEMENT

The highest engagement is among those who work remotely less than 20% of the time.



HOK study – 2017 study – "Coworking: A Corporate Real Estate Perspective"

CRITICAL FACTORS FOR SUCCESS

Or what do I need to know **before** I commit.

Most coworking developers are not independently wealthy and cannot afford to just throw around whatever capital it takes to start a new project. With that in mind, if you are not financially backing the project yourself you will need to prepare information for proposed Financial Backers. A feasibility study or business plan (*we'll call it strategic plan*) is expected by backers to validate the viability or profitability of the project. Don't be overwhelmed when you think of a strategic plan. It is simply a packet of information that is gathered to build investor confidence in you and your project.

Elements of a strategic plan **can** include:

- A written statement that summarizes what the space intends to provide for clients;
- A summary of the issues that you may encounter and how you are going to address them;
- What financial investment you are making and what financial investment you are looking for;
- What plan you have to manage contingencies as the project unfolds;
- Supporting data and financial projects for short term and long term profitability.

At SITE RESolutions we have found that these elements are all contained within three distinct areas:

1. Market Profile – *is there sufficient population, with a need, in the target market to support such a space;*
2. Location Profile – *will the target market be attracted to the specific location/area and what is your plan for growth;*
3. Owner/Leadership Profile – *does the leadership team possess strong business acumen and the experience to make this a successful business venture. (Sales, Marketing, Financial, IT, Real Estate experience are just some of the elements to consider)*

Exercise:



DESCRIBE YOUR

TARGET MARKET

POTENTIAL LOCATION(S)

OWNER /LEADERSHIP EXPERIENCE/SKILLS/RESOURCES



WHEN DO I BEGIN THE PROCESS?

Consider the following steps. That will show you where you are on the path:

1. A **feasibility study or strategic plan** has been executed to prove viability of the project
2. The **community is identified** with an audience of **10 people** are **committed** to participating (signed agreements?)
3. Real Estate **Broker hired to represent you** . If you are worried about a Brokers cost don't; it is part of the landlords agreement.
4. General **location identified** and multiple property options are available (2 or 3)
5. Sufficient **Funding in place** to operate a space for **18 months** with minimal revenue

BASIC TOOLS AND SKILLS



Can I do it myself or do I need Expert Help?

The journey in creating the best space for your purpose starts with the idea and the passion. The separate steps required to be successful can take you in many, unanticipated directions. You may require much more in-depth partnership with experts to develop the space that matches your vision.

Our experts design a straighter path to reach your goals.

The basic tools we use are composed of all the pieces you'll need to open an alternative workspace. The specific pieces we build with you are:

Operating Budget Projections to include a . Breakeven Analysis, Years 1-3 – near-term projections, Year 1 ramp up, Staffing, Capital Expenditure and Space pricing

Staffing Considerations to create your Employee Manual, recruit and train the team members

Leadership and Community building which is your market differentiator

Marketing plan and event calendar for PR and revenue generation

Operations Manual to document all process and procedure – how it will work after you open the doors

On-going support for the initial 6 to 12 months of operation until you can navigate solo



Exercise:

Take a moment to list your skills and those you'll need from partners:

Skills I have:

Skills I need from a partner:

Ideas about skills:

People skills

Tech skills

Financial skills

Facility management

Detail-oriented

Visionary

Project management

Hunter or Farmer?

**IF YOU THINK IT'S EXPENSIVE TO HIRE A PROFESSIONAL,
WAIT UNTIL YOU HIRE AN AMATEUR**

CONCLUSIONS AND RESOURCES



Avoiding Quicksand and other traps

Thank you for your interest in the initial tools to build a successful alternative work environment. There are more tools we can share to steer you around the quicksand and other traps.

These tools include property selection, development of the marketing plan, recruitment and training the team and implementation of Operational Best Practices.

Basic US Coworking Startup Truths: (really, truly, if you want a for-profit business and NOT work it as a hobby)

- 10,000 s.f. minimum space for offices, meeting rooms, open space, café/event space
- 40% minimum should be dedicated office space
- Build the community and gain interest 4-6 months prior to signing a lease
- Work with a real estate broker to find your space – THEY COST YOU NOTHING – their commission comes from the landlord
- Be prepared to invest in good furniture, good people, brand awareness and fund 18 months of operational costs BEFORE YOU SIGN YOUR LEASE
- Know that your landlord may ask for at least 6 months of rent as securitization


Additional Resources

We are one of several resources for your journey. Essential to your success is finding a **CPA and a small business attorney** to complement the work that we do.

More information specific to coworking can be found here:

- www.deskmaq.org – The Coworking magazine
- <http://wiki.coworking.org/w/page/16583831/FrontPage> - to learn more about coworking

The Coworking Community is generous in sharing lessons learned. Search your own metro area for existing operations and find ways to experience all forms of alternative workspace.

Exercise:  **Plot out your next steps below**

Step	Start Date	End Date

YOU ARE HERE!

To plot out your next steps, reach out to

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Or 312-372-6050