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79% OF GLOBAL FLEXIBLE SPACES ARE PROFITABLE , SAYS WORKTHERE

According to recent research from flexible office specialist Workthere, 79% of global flexible offices are currently profitable at an operating profit margin level*. But what is driving this profit? Workthere's Flexmark, a new global flexible office benchmark, which surveyed flexible office providers from Belgium, France, Germany, Ireland, Spain, The Netherlands, Singapore, the UK, US and Vietnam, highlights a link between profitability and a higher allocation of private offices within flexible space. Currently 65% of revenue is reported to come from private office space, compared to 16% coming from coworking space.

In line with this the survey results show that, out of the flexible offices that have 80% or more of their space allocated to private offices, only 12% are unprofitable. Those that have less than 80% of their space allocated to private offices report that 32% are unprofitable.

Workthere's research also reports an increase in private office occupancy levels year-on-year from 76% in 2018 to 81% in 2019, while coworking occupancy increased from 53% to 60%. Larger, corporates who have historically been known to take traditional leases for conventional offices now account for 13% of flexible space. Furthermore, for 44% of flexible offices, the largest member takes up to 10-20% of the total space and for 8% of offices the largest member takes more than 50%, with the average space for the largest member standing at 21%.

Jessica Alderson, global research analyst at Workthere, says: "It appears that we are currently seeing an imbalance between profitability and the allocation of space. The average area assigned to private offices currently sits at 53%, yet it accounts for 65% of revenue, whereas coworking space accounts for 25% of space but only 16% of revenue. With the corporate appetite for flexible space expected to increase further over the coming years as they recognise the benefits of greater collaboration and space efficiency, we expect some of the coworking areas within flexible offices to be converted into private offices to better match supply with demand and boost profitability."

Workthere highlights that there is no noticeable correlation between a diverse revenue stream and profitability, although a provider could include a cafe or rent out space for events etc if they were looking to expand the revenue income.

Cal Lee, global head of Workthere, adds: "Despite the recent reports surrounding the challenges facing the coworking sector, we have found that a substantial majority of flexible spaces on an international level are profitable. On average it takes a company 1.5 years to reach normalised occupancy and, in the current market, we have seen an overall increase in provider occupancy from 76% to 81%, which might be a result of the record take-up levels in 2017 and 2018 that have taken time to fill. This supports the fact that our survey found that 38% of flexible offices that have been open for less 1.5 years are unprofitable at an operating profit margin level, compared to only 14% that have been open for more than 1.5 years, albeit survivorship bias likely plays a role in this to some extent."

*****Workthere defines operating profit as revenue minus operating costs. We do not include depreciation, amortization, interest paid on debt or tax in operating costs.

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Editor's note:

- Workthere analysis is based on 64 flexible offices around the world, located across Belgium, France, Germany, Ireland, Singapore, Spain, The Netherlands, The United Kingdom, The United States and Vietnam.
- The data was collected via an online survey that we sent by email to flexible office providers.
- Data was collected during the period of 12th August 2019 until 25th October 2019.
- A 'member' is defined as one membership agreement. This could be for one person or one membership agreement for 150 people.
- 'Acquiring a desk' is defined as one person signing a membership agreement for one desk in a flexible office.