

Co-working on the rise, landlords must act swiftly to benefit

By Stefano Mgliore

20 Aug 2020

With the global economy in tatters from Covid-19, and gig workers and small businesses amongst the hardest hit, it seems counterintuitive that the co-working and shared office space market - the home of giggers, entrepreneurs and startups for years - is on the rise.



Stefano Mgliore, executive director at SiSebenza

The World Economic Forum reported in May that from its research conducted during the worldwide lockdown, over half of gig workers had lost their jobs and more than a quarter had seen their hours cut, leaving them with very little, or no income. While not all of those giggers needed office space - these numbers include app workers like Uber drivers - those running their businesses from shared office environments now have limited need or means to retain those spaces.

However, the online publication *Coworking Resources* and others expect the global co-working and shared office market to grow rapidly from 2021 onwards, with an annual growth rate of 21.3%.

So why do they project the number of co-working spaces to reach almost 20,000 this year and exceed 40,000 by 2024? Because the coronavirus pandemic has disrupted the world of work, forever.

The pandemic has shown businesses that their people can work remotely effectively and efficiently and need not return to the office full time. Even more research out of the US reports that only 35% of workers expect to return to their old workplaces on a full-time basis after the pandemic ends.

Cracks in decentralisation

A distributed workforce comes with multiple benefits for employers, including limiting the need for large, expensive-to-run, now-empty offices. But five months after sending staff home, cracks are starting to show. The *Wall Street Journal* writes that: "Projects take longer. Training is tougher. Hiring and integrating new employees, more complicated." Additionally, younger employees are developing their competencies slower without guidance and mentorship from more experienced colleagues and are beginning to feel disconnected from their teams and performance is plummeting.

And it's due to this decentralisation of workers that the co-working market is seeing a rebound. Demand will be led by larger businesses who have to get their teams back together but in a safe and controlled environment; they won't be office-bound eight hours a day every day – the pandemic has made that quite clear – but there is a desperate need for connection and collaboration.

Employers are looking for dedicated private offices, separated from other non-employees to improve and somewhat control health and safety hazards. This set up also aids in de-risking the potential threat of an entire team or business being affected by Covid-19 or any future similar pandemic. Teams can be split across separate spaces, and even different locations, enhancing the ability for business continuity and sustainability without increasing capex outlay.

And while only a third of Americans think that they will return to the office full time, the number in South Africa will certainly

be higher, in the main due to poor and expensive tech infrastructure.

Opportunity for forward-thinking landlords

This presents a substantial opportunity for forward-thinking landlords. At the end of 2019, national office vacancies sat at 11% and had risen to 11.6% by the end of the first quarter this year, before coronavirus had even hit South Africa. So while many businesses no longer need – or want – large, expensive offices that come at a hefty price, including the liability of a long-term lease, they still need – and want – a place to house their workers. And flexi and shared office spaces provide the perfect solution.

The need for space is going to be demand-led by business owners looking for space as a service. They want to pay for what they use, and nothing more.

Landlords sitting with excess stock have the opportunity to reorganise their space to meet the needs of potential tenants. Easy to access from transport hubs with well-managed facilities that provide employees with private offices in a clean and safe work environment will win the day.

The shift is afoot, so to take advantage of the rebound of the flexi office market, landlords must act swiftly.

ABOUT THE AUTHOR

Stefano Mgliore, executive director at SiSebenza

For more, visit: <https://www.bizcommunity.com>