



04 Jun 2022

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Article type: Publication

Page: 44

Weekend Australian, The

Readership: 598000

AVE: \$20344.12

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FRESH LEASE ON A MORE FLEXIBLE OFFICE LIFE

The changing nature of the workplace has been a boon for co-working spaces. Story by **Glenda Korporaal**

Hit hard by pandemic lockdowns during the past two years, the co-working sector in Australia says it is on the up as employers opt for flexible workplace arrangements and many employees decide they don't want to work from home all the time.

After a period of consolidation of locations when business was hit by Covid-19, new co-working spaces are opening up around the country as employers look for ways to get people back into modern collaborative spaces while still offering flexibility.

"Our occupancies are roaring back across the industry," says Brad Krauskopf, chief executive of Hub Australia and chairman of industry group Flexible Workspace Australia.

"They are coming back across the country, in CBDs and suburban and regional areas."

Krauskopf says while the economy is opening up thanks to the end of pandemic restrictions, many employers have been downsizing their permanent workspaces and are wary of signing up to long-term leases, opting to use co-working spaces to provide more flexible office space for workers.

"Employers know they need to win the war for talent and that people don't want to sit at home all the time either," he says. "Teens, in particular, want to be part of something bigger. They still want to be able to get together, which plays well into co-working spaces, whether they are smaller independent operators or one of the larger national operators."

Krauskopf, who founded Hub 11 years ago, says the pandemic has made the case for having more flexible working arrangements, including locations, and it has put pressure on employers to have offices or workspaces that are attractive places for staff to go to.

While most want flexibility on how they work, he says many employers have found they don't want to spend all their lives at home.

"While everyone in the industry has had a tough couple of years, we have come out of it with the case for why people want to have their workspaces on flexible terms and why organisations want to have a workspace which is active and where there is an experience which makes them want to come in each day," Krauskopf says.

"We have a whole range of different companies coming into co-working and flexible working spaces for a lot more reasons than before the pandemic."

"While it has been a tough couple of years, the changing nature of work is a good story for the flex and co-working sector."

He says many smaller to mid-sized companies are opting to use co-working spaces to handle current demand or to provide workspace for employees in locations away from head office. Pricing deals range from permanent monthly memberships to day-pass arrangements that allow workers access to locations as and when they need them.

A company with headquarters in one city can use a co-working operator to provide workspaces for smaller numbers of staff in other locations. Or it can use co-working to allow staff to work closer to their own home.

"Larger organisations are using flex and co-working operators as and when they require," Krauskopf says. "They want to cater to the hybrid working requirements of their staff, which means they need to be able to offer 'anywhere working'. We've got customers who may be based in Sydney, but when they want to get their teams in other states into the office, or if their staff in other states don't always want to work from home, they have a co-working space to come to."

Hub has 11 locations in Sydney, Melbourne, Brisbane, Canberra and Adelaide, with another seven under development.

Krauskopf has been one of the driving forces behind the establishment of industry group Flexible Workspace Australia, which represents 250 co-working spaces around Australia.

It is co-chaired by Fiona Mayor, founder of the Thrive Network, who operates a two-level co-working space in Melbourne's south. A small business operator, she says she had planned to take out a 200sq m space largely for her own business but decided to expand to 1000m and operate it as a co-working space business.

The past two years in Melbourne have been tough because of the city's extended lockdowns, she says. "It has been hard for all businesses, but especially hospitality-based businesses, which include co-working spaces," Mayor says. "We were shut down. We couldn't stay open."

She is grateful some of her clients, including some Australian Securities Exchange-listed companies, continued to keep their spaces during the lockdowns. But she says things are starting to pick up.

Mayor says the old days, when people would sit at their computers in a co-working space all day are gone. Employees now use co-working spaces to book meeting rooms for



Hub Australia chief executive Brad Krauskopf

staff get-togethers. "We have noticed a lot more meetings," she says. "A lot of people are wanting to get together as teams. They want to book meeting rooms and the boardroom and have strategy days."

But companies also want more flexibility in their arrangements. "Rather than wanting to book permanent spots with us, companies are wanting to use the space more flexibly and looking for flexible options," Mayor says. "They will come to us and say: 'I've got 10 people in my team but there will only be four to six in at once. I will only take four to six desks and they will be used two to three times a week.'"

She says a lot of people have moved during the pandemic or have made other changes. Many have no plans to go back into the office full time ever again. "We have permanently changed the way we work," Mayor says. "It is not going to come back to being in the office full time, nine to five, every single day."

She says there is more thought being given by employers as to why staff should come to an office on specific days, including the need for team meetings and specific events rather than just having staff doing work that can be done at a computer at home on their own.

"Corporate cultures need to catch up and leadership styles need to change," Mayor says. "If a company says it is not going to support flexible work, employees are going to go somewhere else that does." She says this is being reflected in the range of services being offered in co-working spaces.

Mayor says Flexible Workspace Australia was established to provide a voice for the growing sector. She says some of the bigger co-working operators are looking for properties to lease as they can see the option in demand.

"Some of the bigger players are looking out into the future and opening new properties," Mayor says. "They know in the next couple of years, when everyone has sorted out the way hybrid is going to work, the demand is going to be there."

Mayor says the situation is different from state to state. The co-working space sector in Hobart is thriving as a result of the increasing number of people moving to Tasmania. As leaders of Flexible Workspace Australia, Mayor and Krauskopf visited the city earlier this year. "The economy has gone bananas," Mayor says. "They were barely touched by Covid. A lot of their co-working spaces are full and they can't find more space. They would expand if they could."

Michael Benson, co-chief executive of Workspace 365, which has offices in Sydney, Melbourne and Brisbane, says the industry in Victoria was hit hard by lockdowns, losing 40 per cent of its revenue.

"But the industry is coming back relatively strongly as CBDs are starting to get traffic," he says. "There are a significant number of businesses which don't know what they want to do at the moment. They know they have to find a place for their staff, but instead of renting 3000sq m to 5000sq m of office space for three

to five years, they are looking to co-working places to give them offices where they can have meetings and collaborate while having all the issues of workplace health and safety and property management taken care of for them."

He says co-working spaces also are experiencing growth as a result of employees deciding they can't work from home any more or need to be in an office environment a few days a week. "Some people just want to work one or two days in a space, some people want to work a day or two in the city or a regional space," Benson says.

He says businesses have been grappling with exactly how they will implement the demand for flexible work with their own requirements. "A lot of our work has been engaging with business and giving companies options on how to bring their teams back into the workplace, and not necessarily five days a week." Hybrid meetings have become important for co-working spaces, he says, with some staff coming into a co-working space and others dialling in from home or other locations including other co-working spaces.

Benson says Workspace 365 is planning to expand its total spaces by about 10 per cent to 15 per cent in the next 12 months. "We have 20 spaces and within the next 12 months we will open up another three spaces," he says.

"This includes a new regional space in Geelong and another in Penrith in western Sydney. "We are looking at a couple of spaces in Brisbane as well," Benson says. He says fea-

tures in co-working spaces these days include "wellness rooms" and "Zen rooms", parenting rooms and places to shower for people who have ridden their bike or run to work.

Dutch-born WeWork Australia general manager Balder Tol says his company has experienced a 21 per cent increase in revenues during the March quarter this year compared with the last three months of 2021 in Australia. The company has 19 locations in Sydney, Melbourne, Brisbane and Perth. Occupancy rates this year are 13 per cent higher than they were last year.

"We are seeing incredibly strong momentum as we begin the year in a post-pandemic environment," Tol says. "We are seeing a return to growth across the market."

The global move to flexible work has led WeWork to open its own workplace management software, WeWork Workplace, to outside users to book workspaces.

"Covid has been the accelerator in disrupting the way we work and think about the office," Tol says. But he says evidence has shown that if people want to come into an office they prefer it to be in the CBD. "The CBD will remain our core focus at WeWork," he says. "People are saying that if they are going to make the journey, it has to be to go to an area which has a certain energy and density, and plenty of food and beverage options."