

It's boom time for co-working spaces

When HSBC took over 400 desks in WeWork's Tower 535 in Causeway Bay, it was clear proof that Asia Pacific-based multinational corporations are following the widespread adoption of flexible workspace. This trend was previously seen in the UK and the US with Microsoft, for instance, moving 70% of its New York sales staff to flexible workspaces. Now Hong Kong is following suit with its own flexible office market growing exponentially in the past couple of years.

According to independent flexible workspace specialist Instant Group, the Hong Kong market has grown by 16% in the last year and has approximately doubled in size in the past two years. The fast growth in this sector led them to confidently predict that it is set for continued growth and, increasingly, operators are looking to the region for opportunities.

Data from the firm revealed that there are now 202 flexible workspaces available in Hong Kong, which compares to 330 in New York City and 1,136 in London. This is more than any of the key cities in the EMEA region with Paris lagging at just 156 centres and Berlin in third place with 123.

Co-working space operator WeWork, for example, is relentless in its Asian expansion to accommodate more companies wanting

to join the bandwagon as it recently took 93,000 sq. ft. for just one Hong Kong centre, and a sprawling 200,000 sq. ft. in Seoul's CBD. In Singapore, they also recently acquired co-working start up SpaceMob.

According to CBRE Hong Kong's director for advisory and transaction services Dane Moodle, by leasing co-working space, MNCs can save a significant amount of capital expenditure for new office fit out and take advantage of flexible lease terms. He also added that co-working spaces allow MNCs to be more flexible when expanding or contracting their operations, especially as the lease term in such spaces can be much shorter than the traditional 3-year terms offered by portfolio landlords.

The hunt for the cheapest desks

Current average desk rates in Hong Kong are approximately 31% cheaper than in London (\$616 compared to \$897) and almost half as cheap (44%) as New York City, which is \$1,110. This also means that flexible workspace is less expensive in Hong Kong than Paris at \$842, Abu Dhabi, and Dubai at \$717 and \$755, respectively.

This is in direct contrast to conventional office rents where Hong Kong has some of the most expensive real estate in the world and shows the benefits of procuring flexible space in such a competitive market,

6 cities with the highest average desk rates



Source: Instaoffices

the firm added. Colliers' regional tenant representation associate director Jonathan Wright added that smaller local operators are heating the competition up as theDesk, Campfire, Metta, and Garage Society have taken up space in Grade B Buildings, though these are all under 8,000 sq. ft.

Diverse end users

Wright shared that the growth in this sector has been fuelled by a diversification of end users. He said that, typically, traditional serviced office end users were international firms taking branch offices in Hong Kong or using this space as swing space.

However, growth in the startup community, partly fuelled by government investment and coupled with occupiers looking for creative real estate solutions, has led to the rapid take-up of desk space in flexible workspace centres across Hong Kong.

OFFICE WATCH

Kafnu reimagines urban shared spaces

Commercial real estate services firm CBRE's latest research noted that towards the end of 2017, 1.18 million sq. ft. of land in Hong Kong will be occupied by co-working spaces. With many co-working spaces sprawling to meet the burgeoning demand for office supply, hospitality group Next Story wants to offer something different. They want to offer a shared space that blends working, living, playing, learning, and sleeping through Kafnu, the only shared space for entrepreneurs and creators located inside Kerry Hotel, a luxury hotel in Hong Kong. "The space provides everything you need to work, dine, live, play, learn, and rest — so it's much more than just a co-working space," said Morris Sim, chief marketing officer of Next Story Group, which is behind Kafnu. He explained that their mission with Kafnu is to connect and support entrepreneurially minded people who create new value, with the space providing them an ideal creative environment to succeed. Kafnu will be officially launched in September.



Hot desks have sea and garden views



The reception area



Multi-function lounge



Communal table