

Start-ups spur rapid rise in Melbourne's coworking space

11 July 2016, Melbourne – Start-ups, freelancers and entrepreneurs are leading a transformation in the way we do business with the coworking industry growing by more than 750% in Melbourne alone over the past three years.

A report by Knight Frank's Kimberley Paterson has identified 152 coworking spaces across Melbourne totaling 58,880 sqm with 16 new spaces totaling 13,000 sqm opening in 2016 to date.

Ms Paterson said the substantial growth in coworking has been underpinned by advancements in technology, generational and structural economic changes combined with an increase of freelancers and small businesses (firms with less than four employees) growing by 1,842 companies since 2014, accounting for 87% of all Melbourne businesses.

The average occupancy size of coworking space across Melbourne is 385 sqm with 84 operators occupying between the 100-500 sqm size cohort.

There are 15 spaces occupying more than 1,000 sqm, with the largest operator - Hub Melbourne, set to occupy 3,900 sqm in October 2016 at the Mail Exchange Building, 693 Bourke Street in the Melbourne CBD.

Other major and recently opened coworking facilities include GPT's Space&Co at 530 Collins Street, The Commons at Collingwood, Inspire9 at Footscray and ACMI X at Southbank.

WeWork which will open its first Australian outlets in Sydney later in the year is currently seeking space to open in Melbourne in 2017.

Ms Paterson said coworking spaces account for 0.8% of total office stock across Melbourne with nearly 90% occupying secondary grade space. Preference differs from traditional office users, with secondary grade and under-utilized stock well suited for this industry from both a cost and fit-out perspective.

"The majority of coworking operators across Melbourne, notably in the City Fringe, are located in converted warehouses or factories including decommissioned knitting mills, framing factories, woolsheds and heritage listed buildings," she said.

"However, a number of coworking operators are also understood to be close to pre-committing new office developments and expanding into prime buildings as the coworking industry continues to evolve and gain popularity," she said.

According to Ms Paterson, the City Fringe has the largest volume of space occupied totaling 20,205 sqm, combined with the highest number of operators at 64.

Ms Paterson said, "The CBD has the second largest volume of coworking space totaling 16,935 sqm with 32 operators. Coworking spaces account for 0.4% of total CBD office stock of which 62% of spaces are located in B-grade and C-grade stock, with 12.5% occupying space in prime grade assets."

Ms Paterson said the average rental cost for a permanent desk space with 24/7 access in the CBD is \$535 per month while in the City Fringe it is \$460 per month.

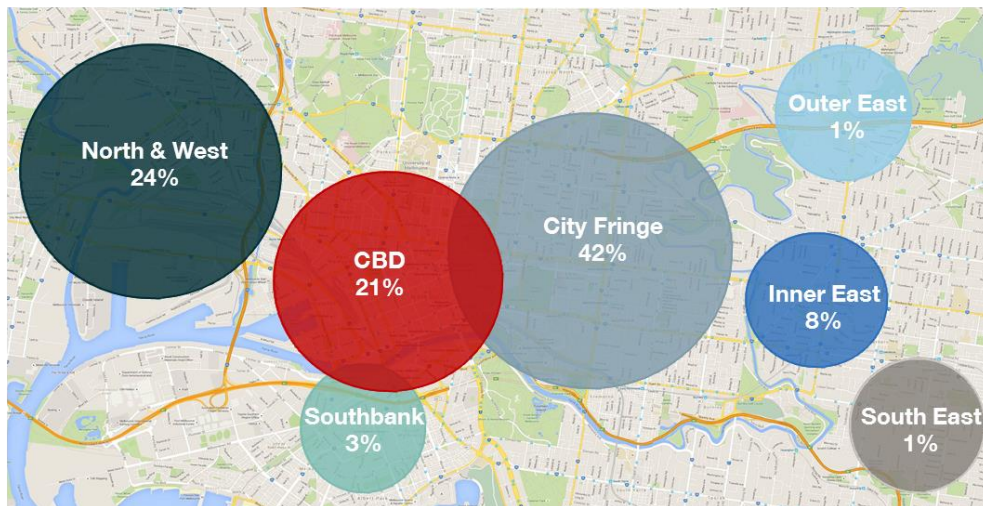
The North/West precinct has the second highest number of coworking sites at 36, accounting for 24% of total spaces across Melbourne while there are 12 coworking spaces totaling 3,630 sqm in the Inner East.

Ms Paterson said the rise in demand for more flexible working spaces will see the trend continue to grow rapidly which is likely to impact on traditional leasing principles in the future.

As the coworking industry gains momentum and sophistication, demand will continue to increase with workers seeking greater flexibility and amenity in how and where they work.

According to the ABS, Australia has about one million contractors accounting for 9% of the workforce with Melbourne's share of freelancers sitting at 12%. It has been estimated freelancers will make up 40% of the workforce by 2020.

The submarkets of coworking in Melbourne
Total number coworking spaces per Precinct (%)



Source: Knight Frank Research

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Notes to Editors

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