Adopting Real Estate Strategies in the Coworking Industry Using Savills Data

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Abstract:

Coworking companies are a unique market within real estate. They provide a necessary service, and differ from most office leasing in that the quality and location of the space is of the utmost importance, as well as a few companies dominate not only the coworking market in terms of leases, but the overall corporate real estate market. Coworking spaces are best placed in large buildings with very close proximity to a food center, as it gives the renters reason to choose your location.

Keywords: coworking, Neighborhoods, Business Planning, Submarket

1. Introduction

With remote work not only on the rise but also as a significantly better option for workers since the pandemic, coworking has also seen a parallel rise in popularity [1]. Coworking, where companies lease a space and turn it into many smaller cubicles to rent out to workers/a company to use, was once touted as the future of workspaces. The pandemic, however, brought an almost instantaneous stop to that. Spaces could no longer be rented out and many companies were stuck with leases they couldn't break even on, much less create profit margins of up to 20%, as is known for the industry [2].

Why is a coworking space so important though? It comes down to an idea of 'places' in sociology. In order for many individuals to be happy, they need three of these 'places': home, work, and leisure. Home is where you're comfortable, but nothing is new. Work is very similar, but most times can end up being stressful. Leisure is completely different, where you gather in a non-work, non-home place to engage with your surroundings and community. Since the pandemic these third places have been closing at concerning rates, and is commonly cited as one of the reasons for low happiness rates today (Kaur, 2024). With jobs becoming increasingly remote, taking away a second key space, coworking steps in to create a semblance of both these spaces.

Coworking as an industry relies on its properties more than almost any other, as their business model revolves around turning cheap long-term leases into non-committal personal spaces that have a center area for gathering in an attempt to create a community. This includes spaces people can stay in for as long as they want to work on their own or companies that wish to rent out offices without having to worry about a long-term lease. In our analysis, we take a look at the data behind coworking, determining the properties where it's most successful to better recommend leases to clients who are attempting to expand or start their business.

Industries have varying real estate needs, and strategies for one company will not work for another. If all companies are treated equally when expanding their business, they risk falling behind in an increasingly competitive market. While resources are abundant for residential real estate, the commercial industry is lacking. Provided a data set from Savills, a commercial real estate company, we can provide an overview of identifying the ideal leasing location for companies in the coworking industry. While a small portion of Savills' transactions, sitting at just 0.3%, coworking corporations double that percentage when it comes to money brought in, with 1.25 billion dollars in leases.

We worked to identify the keys to what makes coworking leases so successful, analyzing various variables and how they interact, such as location, occupancy of the rental space, and building value. While there are numerous coworking companies, we focused specific analysis on the most successful. These companies, WeWork, Regus, Knotel, Industrious, and Spaces, are all quite proficient in their fields. WeWork, while it did go bankrupt in 2023 due to some dubious financial decisions, has since bounced back with a new business model that has seemed to be working. Regus is already one of the best coworking companies in the EU, and has started to branch out to the US (startups). Industrious, headquartered in New York, has maintained success since 2012 and operates 200 locations.

With this context, we dissected the raw data from Savills to discover patterns that can lead to success in the coworking industry. We will first discuss our methodology for examining the data, then the results/findings, and finally key takeaways for future analysis.

2. Methodology (data sources, tools, analytical techniques)

Provided were several CSV files containing a mix of direct data from Savills and external sources. Savills provided a file containing comprehensive information on their *lease* transactions and corresponding market data (merged from *Price and Availability Data*). For increased context on the market, we were also supplied *Major Market Occupancy Data*, provided by the security company Kastle. Finally, we were provided with *Unemployment* data directly from the U.S. Bureau of Labor Statistics through Datafest. When working with the dataset, we decided to ignore rows with high occurrences of null values, many rows only included one column of data–while important to keep a record of, it offers little insight to the overarching picture.

2.2 Shutdowns and Recovery

One of the first things we decided to analyze was the impacts the COVID-19 shutdowns had on employment rate and average occupancy in offices. The coworking industry is highly dependent on tenant retention, so a decrease in in-person attendance would heavily impact the performance of these companies. Using data analysis tools in R and Python, *Major Market*

Occupancy and *Unemployment* data were cross-referenced to determine the increase in the proportion of occupancy from 2020 to 2024. Through this, we began thinking about other impacts on the coworking environment, discovering patterns that could be used as an advantage.

1.2 Trends in the Market and Location

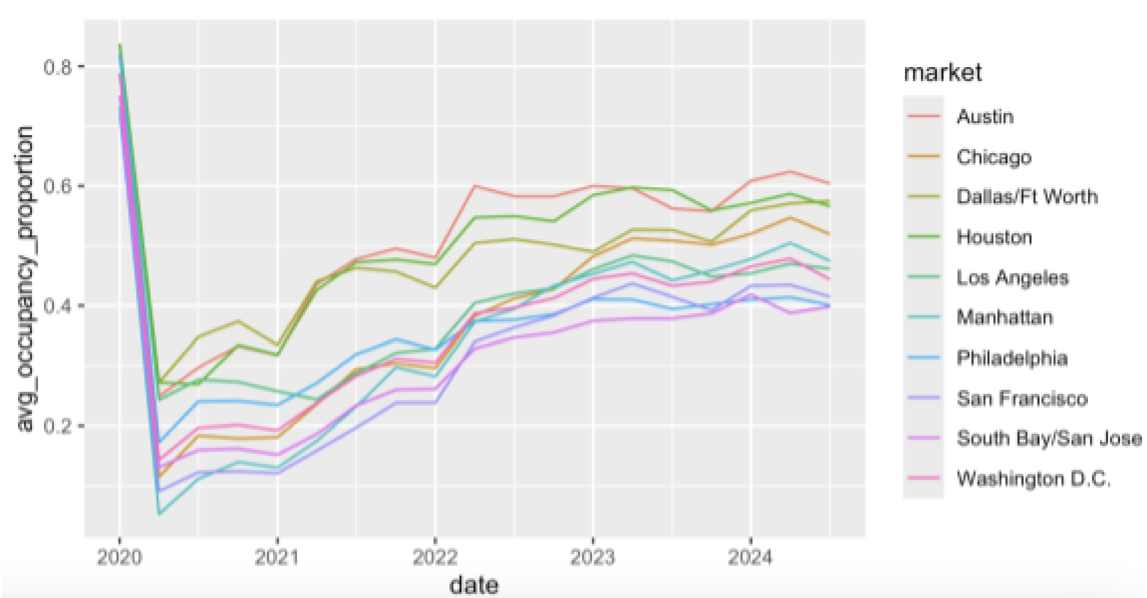
In order to achieve our goal of figuring out what was best for these coworking companies, we decided to first take notice of the trends that other coworking companies have been following, especially given the companies we're looking at are some of the largest in the US (Teter, 2025). Because coworking is a niche subsection of the market, we concluded that getting as much detail as possible was worthwhile, making the decision to look at the percentage of coworking leases compared to total leases per zip code and identify similar patterns among the buildings in these most popular zip codes. We then use these patterns combined with what we know about coworking companies to give the best advice in regards to what to lease.

The most popular buildings leased by these coworking companies were by far large, new, empty apartment buildings. Spacious areas are easily molded to fit the ideal mix for a coworking space, one that is professional while not suffocating similar to a cubicle, and the cleanliness allows subletters to customize their workspace however they want without concern of old utilities posing problems (unsafe drinking water, bad wifi, etc).

While these buildings are the most popular, one of the best indicators of a popular coworking space is its proximity to a food hub. Malls, markets, and plazas are almost always less than or equal to 5 blocks away from coworking spaces in the most popular zip codes. Given more time, we would've loved to do a formal test on this as opposed to informally going through the most popular zip codes/addresses and using our eyeballs to discern what commonalities are shared.

3. Results (visualizations, statistical findings)

As mentioned in section 2.2, we analyzed the 'bounce back' of different cities after the initial lockdown and determined the lowest proportions for coworking companies are in southern states, as shown in graph 1.



1 / Table 1: average occupancy proportion from 2020 to 2024 in different cities

While this analysis provides a broad overview of occupancy during and after lockdown, it fails to properly acknowledge the increase in employees working from home. To take this into account, we compared the change in unemployment to the change in occupancy, which gave us a better idea of actual work-from-home rates. If this value were negative, this would imply an increase in unemployment (e.g., actual loss of jobs instead of an increase in remote work).

City	New York	Chicago	Arlington	Washington	Philadelphia	San Francisco	Nashville	Seattle	Denver
Coworking Spaces	193	43	12	31	9	25	7	11	18
Spaces	16953	5309	1521	4064	1245	3548	1376	2336	3941
Coworking / Total Spaces	1.13844157	0.80994538	0.78895464	0.76279528	0.72289157	0.70462232	0.50872093	0.47089041	0.45673687

Table 2: Cities with the highest percentage of coworking spaces

As shown in the table above, the most popular area for coworking spaces, after making sure there are more than 100 total leases, are the large cities such as NYC, Chicago, Washington DC, Philadelphia, and San Francisco. These cities often see people moving to the cities and taking remote jobs, as the local industry is very competitive and unfortunately doesn't work out for anyone.
On top of this, these large cities also harbor large art communities, often the most popular people to use coworking spaces. Artists get to bounce ideas off of other people, communicate, and are well known as the first adaptors of coworking spaces.

Finally, we looked at the average occupancy proportion to the leased Square footage to obtain a ratio:

	market	year	quarter	avg_occupancy_proportion	leasedSF	person_per_space_prop
163	Los Angeles	2023	Q2	0.483846	13332.909091	0.003629
174	Manhattan	2020	Q1	0.732857	34873.744681	0.002101
185	Manhattan	2022	Q4	0.433333	20988.055901	0.002065
190	Manhattan	2024	Q1	0.477692	23759.011236	0.002011
188	Manhattan	2023	Q3	0.442308	22327.521505	0.001981

4. Discussion (interpretation, significance, limitations)

It is important to acknowledge the main limitations of the conclusions we drew are due to the fact we only had the leasing data from one company. Despite this, we still believe that these findings pose significant benefits to coworking companies wanting to expand, as they provide details in rentable spaces that are critical to pay attention to in the industry. Our findings can be categorized as such:

1) Recovery post-lockdown:

a) While a relatively specific case, the coworking industry is more sensitive to events like a national lockdown because of its reliance on in-person work to maintain tenants.
b) Unemployment vs. work-from-home rates, although the average occupancy proportion to 2020 may be lower, a company should evaluate if this change is due to unemployment changes or an increase in people working from home before leasing.

2) Location:
    a) Zip code stuff, relation to other businesses in the area
    b) Suburbia vs business districts. About two-thirds of coworking businesses are in CBD's–twice the relative percentage of other industries–implying that coworking companies should prioritize expanding to these districts.
3) Size of rental property:
    a) The size of a company heavily impacts the number of concurrent leases they should be signing. The top coworking company by number of leases, Wework, as an example, has 11 in Manhattan, but 33 overall. However, a smaller company will have a better chance of having one lease/location at a time.
    b) Another important metric is the occupancy per SF proportion, this measures how many people can fit into a space. Spaces with a lower proportion will be able to fit more people. This metric can also be used to determine spaces with the best occupancy per SF to rent ratio.

Using these three factors, mostly dependent on their current size and location, we believe that a company can make a knowledgeable decision, to best determine where to select a lease. For example, a small coworking business in Austin, TX with only one office space will want to prioritize staying in Austin and search for available leases in a more populated/business section because of its faster recovery rate. On the other hand, a larger corporation located in downtown Manhattan will want to prioritize expansion to smaller, cheaper spaces, since they'd idealize a lower occupancy per person proportion.

5. Conclusion

While big cities are the most popular places for coworking spaces, all cities, zip codes, and even subsections for zip codes, aren't the same. The coworking spaces with the most leases are almost always a block from a large 'place'. Food markets, malls, and public plazas are among the most indicative of a popular area for coworking spaces.

There are many factors coworking companies must consider when finding a space to rent, as their business model is inherently more sensitive to fluctuations in the market. We believe that we have determined key metrics to help these companies select ideal leasing locations using the data provided and our own research.

Recovery post-lockdown partially relies on the external resources in a given region, which would require more research to fully understand the impacts and causes. This factor, specifically, will also affect the other two measures, because of other business closing (affecting location) and social distancing (affecting occupancy per SF proportion). In short, we encourage more research to be conducted discussing the impact of COVID-19 on these factors.

We also believe the metrics we established can be applied to other industries, such as healthcare, education, and insurance. Expanding this model of analysis to other industries may provide similar valuable insight for how they operate, allowing them to consider the social impacts their leasing spaces may have on tenants.

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Appendices (optional, e.g., code snippets, raw data samples)