



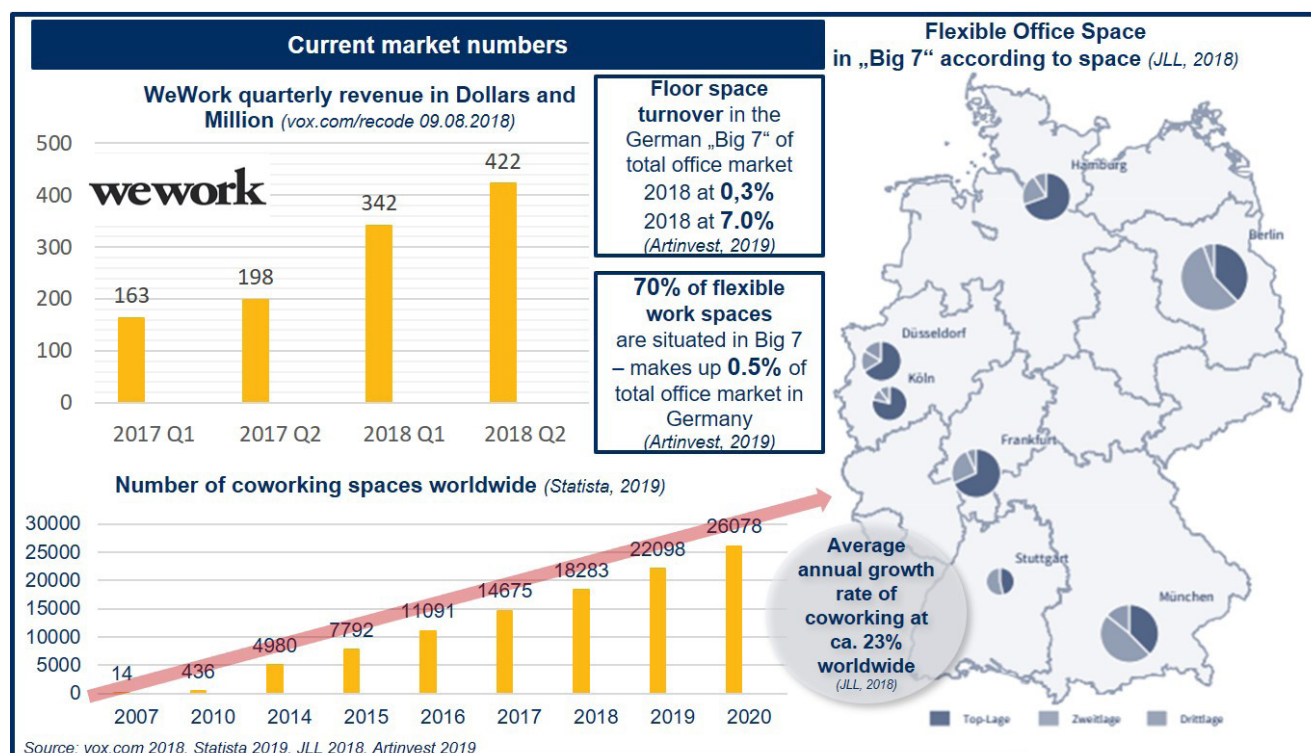
**Horwath HTL**

*Hotel, Tourism and Leisure*

**INDUSTRY REPORT**

**Coworking:**  
*How hotels can add  
relevant value to the  
coworking market*

**NOVEMBER 2019**



## How hotels can add relevant value to the coworking market.

Everyone is talking about the term ‘coworking’ as it is one of the greatest inventions of the 21st century and, it has shown an incredible performance and growth over last 10 years. Coworking businesses are now thriving and being introduced into other industries.

How we combine our private and work lives has changed. Highly driven by developments in digitalisation, mobility and globalization, job roles are changing, becoming redundant and being newly created. A computer and network access seem to be all that is required for an employee to work. Companies are moving away from long lasting rental contracts and property investments. By offering flexible work spaces, businesses are responding to the increasing relevance of the “new work” style: agility, better work-life balance, and the sharing economy.

Coworking spaces were originally designed as second homes for “business nomads”, people who combine travel with work and value a space for networking, collaboration, and community events. The new working generation is looking for a reliable partner that offers modern, multi-functional, work-life spaces, preferably situated near city hubs and transportation hotspots such as railway stations.

Silicon-valley start-ups and their work environments often count as a role model for the stereotypical coworking space: an open-plan work area, café, internet access, catering, and spaces for commuting and gaming. Occasionally included are event areas, conference rooms and private offices.

Coworking concepts attract by their modern, charming design and inspiring atmosphere. Flexible “Hot Desks” in open-plan areas, dedicated “fixed” desks and “private offices” can be rented through daily passes, “pay-by-use” models, monthly renting contracts as well as membership models. When joining a coworking space as a member, Wi-Fi connection, printing connection, welcome service, postal service, 24/7 opening hours, cleaning service, community manager, free coffee, telephone boxes, conference rooms for hourly rent as well as networking events, etc. are most of the time already included.

Along with the development of traditional coworking spaces, a large number of business centres opened between 1980 and 2014. Their customers are “classic” office users who want to work in a business-like environment in private offices, enjoying the pleasures of included office services as well.

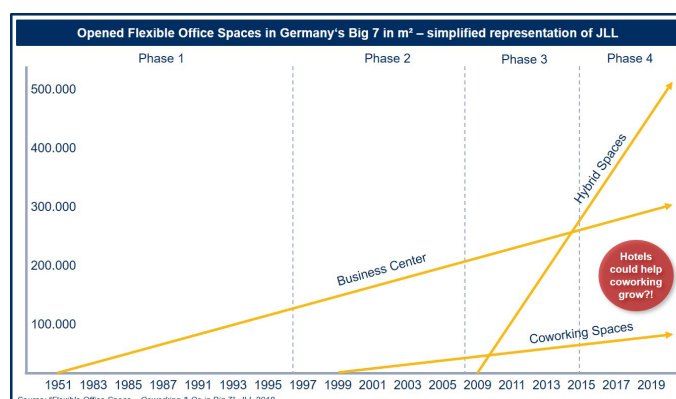


Flexible Working Concepts	Coworking in Germany	Reasons for joining a coworking space
<b>Coworking Spaces</b>	<b>Coworking main facts</b>	<b>Relevance of reasons vary</b>
<ul style="list-style-type: none"> <li>Communication and collaboration</li> <li>Open work- and community spaces in a modern and hip design</li> <li>Often only one to three spaces per brand</li> <li>Size about 500m<sup>2</sup></li> <li>Not always profit oriented</li> <li><b>Customers</b> are freelancers, start-ups, business traveler</li> <li><b>Example:</b> St. Oberholz, Beta Haus</li> </ul>	<p><b>600 locations, 260 operators, 1 Mio. m<sup>2</sup> of coworking space in Germany</b></p> <p><b>70% of office space</b> are located in „Big 7“</p> <p>Berlin as Germany's „Flex Capital“, no. 3 in Europe</p> <p><b>63 members on average per space (2018)</b></p> <p><b>Turnover in Germany's „Big 7“ (2018)</b></p> <p>56,7 % in city center</p> <p>17,5 % in district centers</p> <p>25,8 % in typical office locations, periphery</p>	<ul style="list-style-type: none"> <li>Lower fixed costs</li> <li>Flexibility to in- and decrease rented space as needed</li> <li>Possibility to be present in popular and scarce areas</li> <li>Communication and networking opportunities</li> <li>Generating new customers and employees</li> <li>Well and modern designed work places</li> </ul>
<b>Business Center / Serviced Offices</b>	<b>Renting Models</b>	<ul style="list-style-type: none"> <li>Working atmosphere, open for feedback and exchange</li> <li>Translates current and new styles of working</li> <li>Especially young employees get attracted by flexible working spaces (helpful in the „war of talents“)</li> </ul>
<ul style="list-style-type: none"> <li>Privat offices for one or many employees</li> <li>Reputative working environment with strong offer of services and office infrastructure</li> <li>Standardised office design</li> <li>Size between 500 and 2000m<sup>2</sup></li> <li><b>Customers</b> are classical office users / companies</li> <li><b>Example:</b> Servcorp Limited, Regus (IWG)</li> </ul>	<p><b>On Average in Berlin: (2018)</b></p> <p><b>Daily Rent: 20-24 €</b> in open space</p> <p><b>Membership / monthly rent</b></p> <p><b>170 €</b> p. flexible desk</p> <p><b>250 €</b> p. desk in open space</p> <p><b>540 €</b> p. desk in private office</p>	<ul style="list-style-type: none"> <li>Positive effect on companies image due to location and representative design of space</li> <li>Increase of quality of working results</li> <li>Already implemented office services</li> </ul>
<b>Hybrid Work Spaces</b>	<b>Structure</b>	
<ul style="list-style-type: none"> <li>Combination of private offices and open work spaces</li> <li>Focus on modern and lifestyle orientated design</li> <li>Size between 2.000 and 13.000m<sup>2</sup></li> <li>Operators also offer designing headquarters for their customers</li> <li>Also conference- and eventmanagement</li> <li><b>Customer</b> focus are (bigger) corporates, but also start-ups, freelancers, business traveler</li> <li><b>Example:</b> WeWork, Design Offices, Ruby Works</li> </ul>	<p><b>On Average in a co-working space: (2018)</b></p> <p><b>700m<sup>2</sup> per space</b></p> <p><b>11m<sup>2</sup> p. table</b></p> <p><b>14m<sup>2</sup> p. person</b></p> <p><b>Private offices</b> in e.g. at <b>Design Offices Berlin</b> start with about &lt;12m<sup>2</sup> and calculate with about 6m<sup>2</sup> for each working spot</p>	
<small>Sources: Hospitality Inside, 15.06.2019, Immobilienzeitung, 13./20.06./19.09.2019, deskmag, Artinvest, Design Offices, JLL</small>		

Out of these two forms of flexible working concepts, the today prospering “hybrid-co-working spaces”, a mixture of open workspace and private office, such as what WeWork (wework.com) or Design Offices (designoffices.de) offer, arose. Current numbers are indicating great potential for these business models as they tighten the cooperation with their corporate customers for whom they subsequently even design individual headquarters.

At the same time, though, these hybrid models are moving further away from the “original” idea of coworking, which opens up the question, if they are really able to cover the essential needs of the stereotypical coworking customer. Rather, the realisation of the original, individual coworking spaces could be the chance for hotel concepts to jump in and enhance the coworking market.

As in general a lot of synergies and complements can be recognized between coworking and hospitality, the first hotel-operators have introduced new concepts combining both: WOJO together with Accor (group.accor.com/en/brands/coworking/wojo) wants to be the leading coworking brand in Europe, Zoku (zoku-amsterdam.hotelamsterdam.net) in Amsterdam is described as “something between home and the office”, The Student Hotel (thestudenthotel.com) is moving into the same building as WeWork (wework.com) in Berlin, rent24 (rent24.com) is building up their own “living” space and the new Radisson (radissonhotels.com) at Zurich's airport is using its restaurant during the day as a coworking space.



But not only operators have nominated new combinations of coworking as very attractive: Real I.S. (realisag.de) has also published their interest in “Holive” (Hotel and Living) as well as in “Howork” (Hotel and working), but so far, according to them, no convincing concept has reached the market and JLL (jll.de/en/trends-and-insights/workplace) is publishing one article after another, sharing coworking's great performance and relevance.

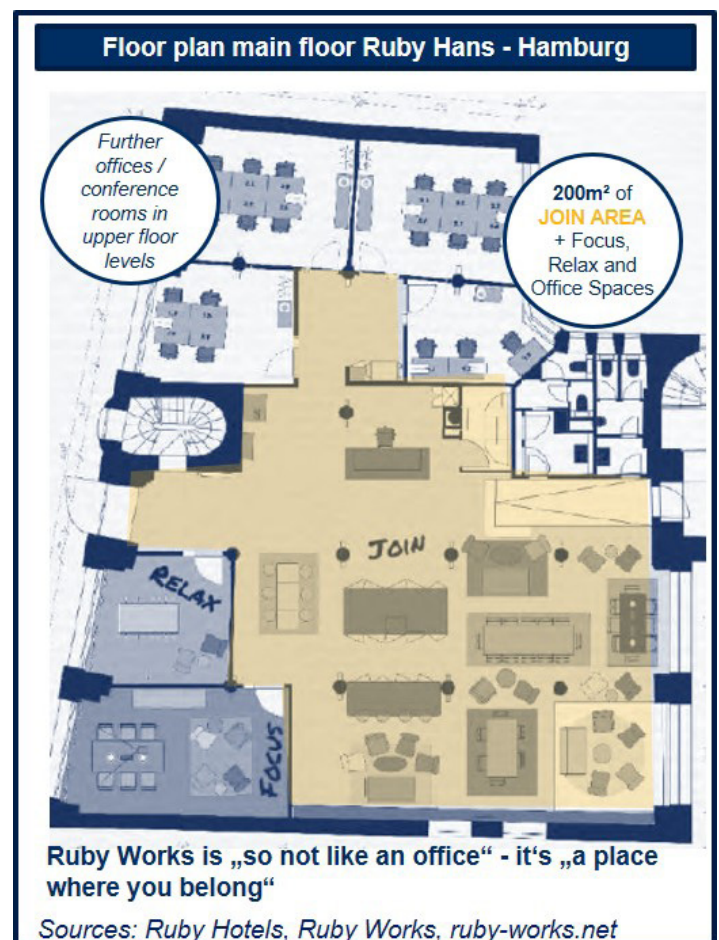
Due to this current hype of new coworking concepts entering the market, it is often forgotten that coworking has actually already existed for quite some time. Especially in hotels, guests naturally have always used the lobby for either business meetings or for some quiet work.



One example of implementing a coworking space in a hotel is the ACE Hotel in New York ([www.acehotel.com/newyork](http://www.acehotel.com/newyork)). About 20 years ago, by designing an architecturally impressive lobby, offering communal tables, outlets, a bar, all-day restaurants and free Wi-Fi, the casual office space/hotel managed to turn an unattractive area into a very popular neighbourhood. Almost accidentally, the lobby transformed into a coworking space for locals and travellers alike.

However, 25hours hotels, one of today's most popular lifestyle hotel brands, consciously avoids implementing the new trend of coworking in its concepts. Christoph Hoffmann even questions that coworking can work in cities like Darmstadt or Warsaw and prefers to rely on the money the company is making through its F&B outlets and wants to leave the coworking job to the "professionals". But is this really the way to go?

As an example, the Ruby Hotel brand has introduced its own workspace called "Ruby Works" ([ruby-works.net](http://ruby-works.net)). In general, Ruby is aiming at combining "Works" and "Hotel" in one building to make use of guest and operator benefits (e.g. being able to offer conference rooms to hotel guests). The Ruby Work Spaces are designed in the same look & feel as the Ruby Hotels and follow the Ruby "lean luxury" philosophy just the same. Hotel customers have the benefit of getting discounted day passes (15 € instead of 30 €) and coworking members benefit from a 15% hotel discount.







In general, “Ruby Works” renting options vary from membership without a desk to a membership including a flexible / fixed desk starting from 300 € per month. It is also possible to join as a non-member for about 30 € per day.

All packages include the option of using different workspaces, for example the lounge, library, connect-meeting rooms and intensity units. Amongst others, work services offered are unlimited highspeed Wi-Fi, a printing contingent, office services such as ancillary costs, cleaning and concierge services as well as extras (barista coffee, tea, mineral water). Monthly packages also include a 24-hour access, a business address, mail services and a meeting-room contingent (2 hours per month). The added floor plan (Ruby Works Hans – Hamburg) shows how Ruby is combining the variety of coworking areas on one floor (further offices and conference rooms can be found on upper floor levels).

Assume that a classical city hotel brand, with an attractive positioning within the city, with about 35 locations spread all-over Germany implements coworking spaces in each of their hotel lobbies. Each lobby covers a size of about 500m<sup>2</sup>, about the same size as an individual coworking space.

Lobbies of these city hotels are most often empty between 9 and 5, their restaurants and cafés vacant. The concierge at reception could cater for co-workers. Admittedly, some city hotels would greatly benefit from the refreshing re-design a

coworking space would bring. As coworking operators are well known for their lifestyle values and inspirational atmosphere, some of the dusted and “boring” city-hotel designs could be easily transformed into modern, individual live-life-play-work models. There may not exist an easier image transformer with higher marketing potential.

Taking advantage of the country-wide distribution of these hotel brands, a membership-concept including the use of hotel rooms and coworking lobbies could even let the rather “simple” city-hotel concept be turned into “brain-food-companies”. As rent24 and accelerators-coworking models have done, hotels could also participate in and support their customer’s business, giving them the chance to organise their own promotions, music gigs, art exhibitions and other events, not only in one city, but nation-wide.

Of course, membership opportunities can also be interesting for other companies whose employees often travel for work. Since a reasonable network of these city hotels is already implemented and locations are safe, a fast roll-out of this membership model can be easily realised, also beyond the German “Big 7” cities. Just recently the “Immobilienzeitung” has announced, again, that the “flex-market” is thriving. Not only in the “Big 7” but also in the so-called B-cities.





About 80 cities with more than 100.000 inhabitants and 50 cities with office space of more than one million square metres offer great potential. The bigger the city and the number of residential companies, the more interesting it gets for coworking operators to fight for the rare central positions (often exactly those locations where city hotels are already based).

Of course, the classic traveller and hotel guest is still – also with integrated coworking spots –, welcome just the same. The hotel, by introducing coworking opportunities, will benefit from another sales factor.

A person working in a coworking space in Berlin has to pay 170 € on average (even more in other cities) for a flexible working desk per month. For one member, the coworking operator calculates with about 14m<sup>2</sup> of space per person. Continuing this calculation example: In a space of 500m<sup>2</sup> 35 coworking spots could be implemented. This would make up about 6.000 € per month counting up to about 72.000 € a year of additional revenue for the hotel. Not having included the extra hotel guests and other benefits a coworking space could generate. Even if coworkers do not want to use the benefit of the hotel combination, maybe their guests would, or they will just take advantage of the well distributed network of those city-coworking hotspots in Germany.

Although there are some challenges involved in successfully implementing coworking spaces in Germany, there is no reason why this concept should not give great benefit to a hotel. It might even be “ignorant” to ignore the additional sales factor coworking services would bring.

A “howork” hotspot won’t be in competition with international players like WeWork, ZOKU or rent24, as they are following a totally different business model. It’s the choice of these city-hotels to make use of this chance and build up great opportunities – with more or less no costs – for their daily business (and the coworking market); either with their own concept or with the right coworking brand as a partner by their side.

## Authors



**Lea-Sophie Zwoch**  
Consultant  
Horwath HTL Germany  
lzwoch@horwathhtl.com



**Olaf Steinhage**  
Managing Director  
Horwath HTL Germany  
osteinhage@horwathhtl.com

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### Sources:

Interviewees: Kerstin Flohr, Design Offices; Catherine Hilt, Ruby Works; Katy Zühlke, St. Oberholz Articles and Books: "Betreiber nehmen B-Märkte ins Visier: Nürnberg, Hannover und Essen sind die Top 3", 1909.2019, Immobilienmanager, "Coworking Spaces", Agnes Katharina Müller, Habitat International, LTD Verlag Dr. W. Hopf, 2018, Berlin; "Coworkingguide"; Website; "Co-working Markt in Europa wächst", Hospitality Inside, 15.06.2019, "Flexible Office Space – Coworking & Co in Big 7", JLL 2019, "Flexible Workspace Report", Art Invest Real Estate, Köln, March 2019; "Hotelbau", Yearbook 2019; "In the World of NYC Hotels, It's an Ace in the Hole", Fathom, Jeralyn Gerba, 19.06.2019; "Inside the Zoku Loft Hotels", 10.10.2016, Leanna Garfield, Business Insider; "MA Living Apartment - Hotels mit offener Lobby", 12. Juli 2019, Tageskarte; "Newcomer WOJO soll größte Coworking-Marke Europas werden", 15. Mai 2019; „Real I.S. Setzt auf Hotelhybride“, 23.05.2019, Peter Dietz, Immobilien Zeitung; "Ruby Works", Website "ShareDnC", Website; Statista 2019; "Teure Community", Interview with Christoph Hoffmann, Hospitality Inside, 14.06.2019, „The 2018 State of Coworking spaces“, deskmag, "We Work", Website; "What is Coworking", Robert E. McGrath, 2018, Urbana, Illinois, USA; "Vox.com / recode" 09.08.2018



# Horwath HTL

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