Guest editorial: Co-working spaces after COVID-19. The differences between sharing office spaces in urban cores and peripheral locations

Flexibility, collaboration and well-being are the keywords often used by the companies promoting co-working spaces

Born in the mid-2000s, the concept of co-working was originally presented as a solution for saving space, time and money. Co-working spaces are a product of the sharing economy, one in which self-employed, freelancers, start-uppers or more recently even companies can optimise shared and innovative working spaces. It is more than a simple economic solution; it is a vision that perceives the working area as a place to get in touch with different realities and recreate a small ecosystem where skills and talents can converge. The initial concept of co-working entailed the possibility to interact and create new synergies with other co-workers and to avoid the isolation caused by working from home.

Co-working spaces also usually offer a series of other services like adequately equipped meeting and conference rooms, reception, coffee shops or a shared kitchen, and events, in larger and more complex places, they might even include gyms and other different types of spaces for relaxation or services.

After the 2008 financial crisis, the demand for these spaces grew alongside the need for cost reductions, and especially among freelancers and small businesses. For those setting up a new enterprise, co-workings became an opportunity to avoid working from home and facing problems like size, privacy, lack of technology and space to receive clients or hold meetings. These shared spaces initially represented a more realistic alternative to the highly publicised "third spaces" like cafes or hotel lobbies, offering a hybrid solution between the unsustainable costs of traditional offices, and the unsuitability of homes.

The growth in demand, the expansion and commercialisation of co-working spaces had caused already before 2020 a growth in cost and in the number of typologies of shared workspaces on offer. Within real estate markets, the new buzzword had already become "flex spaces": an umbrella term that includes a larger variety of spaces and users, targeting start-uppers but also more traditional corporations. These are ready-to-move-in spaces, with no lease commitments or fit-out concerns, usually operated by third parties. They still bring together different companies in the same place, but not necessarily meeting the initial cost-saving motivations typical of the sharing economy.

Then, the outbreak of the coronavirus disease 2019 (COVID-19) pandemic has changed once again the scenario, raising new challenges and open questions. As expected, in the first wave of the pandemic, the various lockdown measures and the generalised fear of the virus transmission proved to be a significant issue for many co-working spaces that saw a significant reduction in the number of users and profit margins.

COVID-19 has also shaken the foundations of the global economy more widely and contributed to a general shift towards more flexible working patterns, as a result of the imposed remote working patterns that have been trialled in many geographies in the last two years.

Journal of Property Investment & Finance
Vol. 40 No. 5, 2022
pp. 445-447

1463-578X
DOI 10.1108/JPIF-08-2022-196

The current debate on the future of offices sees a tension between the supporters of the return to “business as usual” and those reinforcing the benefits of remote working. Both are betting on an increased use of new technologies, digitalising processes and activities and increasing employees’ technological equipment. So, what is the role of co-working spaces for the future? Here, views are divided as well.

Some of the supporters of teleworking imagine a future with fewer offices and have questioned whether there will be a wider demand for shared solutions like co-workings even in peripheral markets.

Within a more flexible working world, not being able or not wanting to work from home might possibly give co-working spaces a new vitality. But, looking to the future, the sector will also see several new trends take root like the competition between different localities, operators prioritising offers that enhance wellbeing during working hours to satisfy the revived attention for this matter and consequent growth in demand, or companies turning to co-working spaces – or “flex” spaces – to optimise their operations within some specific or riskier sectors of the business that require a more innovative approach and working environment.

Once again, the size of the urban areas and their ability to attract more significant investments seem to be key even to the new post-pandemic co-working season. Big cities respond better to the crisis, and they are able to mobilise investments that are capable of attracting big companies and adopting different business models. This is where there is nowadays also a growing demand for “flex spaces”.

So far the property market is defending the physical office as an investment opportunity. Here the general view is that the office will not disappear, physical meetings are still part of the intangible assets that contribute to business success, stimulating innovation and establishing corporate brandings. Nevertheless, the traditional workspace needs to evolve to adapt to new living needs, embracing the some of the initial sharing economy concepts, recreating spaces for creative meetings, enhancing team collaboration and the contamination of ideas.

A growing number of companies are looking to adopt hybrid working patterns. So, a new debate has emerged on the possible resurrection of the “hub-and-spoke” model, with employees spread across multiple buildings, multiple cities or even multiple countries to provide more options and reduce the economic burden of headquarters. Is there really an opportunity for investments in smaller cities?

Large corporations are more likely to continue investing in traditional urban cores and centrally located headquarters. So, we consider – at least for traditional investors in commercial real estate – the growth of a real estate market for peripheral co-working spaces as a less likely scenario in the post-pandemic, unless a social value element is also attached to this type of investments.

Nevertheless, co-workings represent a great socio-economic investment opportunity for smaller cities. The post-pandemic increases in hybrid working patterns will impact negatively especially on those who do not own suitable space in their homes. This is more likely to happen in urban cores where real estate prices for residential are higher and space is more limited. Suburban locations might offer bigger residential spaces to fit home offices but face issues like social isolation. Those who choose to live in a small or medium-sized city usually have to adapt to a commuting life, but would willingly work from a closer location if their company allowed them to work from flexible offices. Therefore, the development of models such as “neighbourhood co-working”, “near working” or “commuter co-working” could represent an opportunity for those who choose to live in suburban areas.

In a broader vision, and usually linked to the regeneration of derelict or abandoned buildings in urban areas, co-workings have become a laboratory for neighbourhood activities, research and sharing knowledge. In many peripheral locations, co-working spaces have become a physical place that brings together all the play-actors of the area: associations, groups and traders; they collect demand and supply of products, services, skills, proposing matchmaking for the neighbourhood. They may also be some sort of lab for developing new skills and enterprises or be associated to key local amenities like libraries, nurseries or other community services. However, the successful development of this type of spaces needs the collaboration of private players and investors, local administrators, and even research centres and universities. The services carried out by these shared spaces and the social value delivered are usually more valuable for smaller firms, and freelancers, but it carries some wider implications for local economic development. In that sense, this type of spaces recalls more closely the very initial concept of co-working derived by the sharing economy.

This latest type of shared working space is also able to stimulate new regeneration opportunities and interventions in the neighbourhood's social, political and economic life. In the post-pandemic workspace world, these spaces are the ones that could also have a greater role in regenerating and supporting economic resilience in peripheral locations. However, they might require the development of new innovative investment models to quantify and capitalise the social value generated by the venture.

The articles contained in this special issue reflect the uncertainties brought by COVID-19 and the current plurality of views on the future of co-working spaces, as well as the journey from being a sharing economy concept to the dichotomy of contemporary co-working spaces. On one side, we see flex spaces that symbolise the current trends in the commercial real estate markets: they are quite far from the initial affordability purpose of the sharing economy but offer a flexible easy-in-easy-out office solution. For their commercial purpose, they are more likely to find a share in larger urban office markets. On the other side, we have those co-working spaces used as regeneration tool. These spaces have embedded the social aspects of sharing and represent an opportunity for growth also in peripheral locations. More research is needed in this area, to understand the most suitable investment and business models to deliver them, as well as the most adequate way to quantify the social value delivered.

Laura Gabrielli
Department of Architecture and Arts, University IUAV of Venice, Venice, Italy, and
Stefania Fiorentino
Department of Land Economy, University of Cambridge, Cambridge, UK