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## 1.0 Introduction

Clarincade Investment Pty Ltd have submitted a Planning Proposal to the City of Sydney Council to make a specific amendment to the SLEP 2012 for 30-62 Barcom Avenue, Darlinghurst, to facilitate the development of boutique coworking spaces. The Planning Proposal seeks to deliver approximately 1,160m<sup>2</sup> of high quality officespace within the Darlinghurst area, which is intended to be tenanted by WorkINC.

WorkINC is one of Sydney's newest providers of coworking spaces in Sydney and will provide an important contribution to the local economic development of Darlinghurst and the City of Sydney. WorkInc have identified strong demand for coworking spaces in the Darlinghurst area as evident by strong uptake in their current coworking space product offerings in Sydney.

Coworking spaces are a relatively new, and increasing popular, workplace environment for employees and employers. Research conducted by the University of Sydney into the growing coworking industry defines coworking spaces as "*places shared by people from different organisations, often freelancers, who work alongside each other, share infrastructure and often engaged in joint activities associated with learning, innovation and collaboration*".<sup>1</sup> The University of Sydney's research has found that the coworking space industry is rapidly growing within inner Sydney due to technology, the freelance economy, workforce preferences and an increasing focus on collaboration and innovation by employers.

This report has been prepared to outline the evolution of coworking spaces, its growth across Sydney and assess the desirability and suitability of Darlinghurst as a location for coworking spaces.

### 1.1 Methodology and Approach

To ensure this report adequately explores the evolution of coworking spaces in Sydney and can analyse the desirability and suitability of Darlinghurst as a location for the future operation of coworking spaces the following methodology has been applied:

1. Define a study area that represents the local Darlinghurst area;
2. Complete a literature review of relevant research into the growth and trends of coworking spaces across Sydney to determine preferred site and locational attributes;
3. Undertake a review of the Australian Bureau of Statistics (ABS) 2016 Census of Population and Housing, and other relevant data sources, to compile a demographic and economics profile of the local area; and
4. Assess the desirability and suitability of Darlinghurst as a place for coworking spaces.

### 1.2 Data Sources and Assumptions

Data sources used to compile this report include:

- Mahlberg, Tim; Riemer, Kai. 2017. *Coworking Spaces Australia: The new places where people work, businesses grow, and corporates connect*. Sydney Business Insights. University of Sydney.
- Pham, A. 2016. *Sydney Coworking Insight: The Growth, Trends and Drivers Behind Sydney's Coworking Industry*. October 2016. Knight Frank
- City of Sydney. 2016. *Tech Startups Action Plan*. March 2016. City of Sydney.

Assumptions required to complete this analysis include:

- The analysis and conclusions of research into the growth and trends of coworking spaces across Sydney is accurate;
- Data recorded by the ABS and ABR is accurate; and
- The Statistical Areas Level 2 (SA2) of Darlinghurst and Potts Point – Woollahroo Statistical Area adequately reflect the local area to analyse the desirability and suitability of the proposed coworking spaces.

<sup>1</sup> Mahlberg, Tim; Riemer, Kai (2017)

## 2.0 The Growth and Trends of Coworking Spaces

Coworking spaces are quickly becoming an essential ingredient to a city's economic development. By design and operation they are set up to incubate new businesses, create new technologies and foster innovation and knowledge transfer. They also provide an easy platform for entrepreneurs to enter the market and test their ideas.

The coworking concept first emerged in San Francisco in 2005 when a group of people from the creative industries decided to work alongside each other in an open and shared space. Their goal was to bring together like minded individuals who could collaborate and learn from each other. The format has been very successful and since this time the number of coworking spaces worldwide has grown rapidly and as of 2017 were estimated to exceed 10,000 spaces.<sup>2</sup>

Australia was an early adopter of coworking spaces with some of the first coworking space opening in 2006. Since 2006 the industry has grown across Australia and Sydney. Sydney is home to the largest number of coworking spaces and is estimated to account for approximately 30% of all coworking spaces available in Australia<sup>3</sup>.

The following section provides an overview of the key trends and growth drivers for the development and operation of coworking spaces in Sydney and has been informed by the documents mentioned in section 1.2.

### 2.1 Growth Drivers

From a business and economic perspective operating in a coworking space has the following advantages:

- **Low Entry Costs** - help reduce financial barriers to secure office space and equipment. Reduce costs and risk of starting a new business and they help enable freelance and small businesses set themselves up in proximity to where their target clients reside or work. Should the business be successful they are able to scope of scale up within the location.
- **Knowledge Creation and Innovation** – assist in knowledge transfer and spread of ideas that leads to innovations. Enable opportunities for collaboration and networking between workers across similar and different types of industries. Coworking spaces foster and courage an entrepreneurial workplace culture that is conducive to the creation of new ideas.
- **Talent Attraction and Retention** – provide flexibility and a lifestyle that attracts and aligns with preferences of a subset of the working population. Coworking spaces provide a different type of work environment to what is typically available.
- **Flexibility** – business models to occupy coworking spaces can be casual, weekly, monthly. Great for businesses or entrepreneurs that are developing their product or travel locations for work.
- **Digital Technology** – with the rise of digital and mobile technologies, there is now greater capacity to “work from anywhere”; however, there's also a need for face-to-face contact and coworking spaces provide an important element to bridge the “work from anywhere” philosophy with the need for face-to-face contact.
- **Access** – community fostered environment of coworking spaces mean that staff and businesses get access to more networks, training, learning and development opportunities and potential clients than operating from serviced offices.

### 2.2 Demographic Factors

Research completed by the University of Sydney indicates that there are a number of demographic characteristics of the workforce who tend to utilise coworking spaces. These demographic characteristics include:

- **Age** – coworking spaces tend to attract a relatively younger workforce
- **Education** – people utilising coworking spaces tend to have a higher level of education compared to the rest of the workforce.
- **Field of Study** – people utilising coworking spaces tend to have qualifications in education fields such as information technology, management, society and culture, and creative arts.

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<sup>2</sup> University of Sydney (2017)

<sup>3</sup> Knight Frank (2016)

From this research the most significant demographic that identify the propensity to utilise coworking spaces were found to be age and level of education attainment.

### 2.3 Location

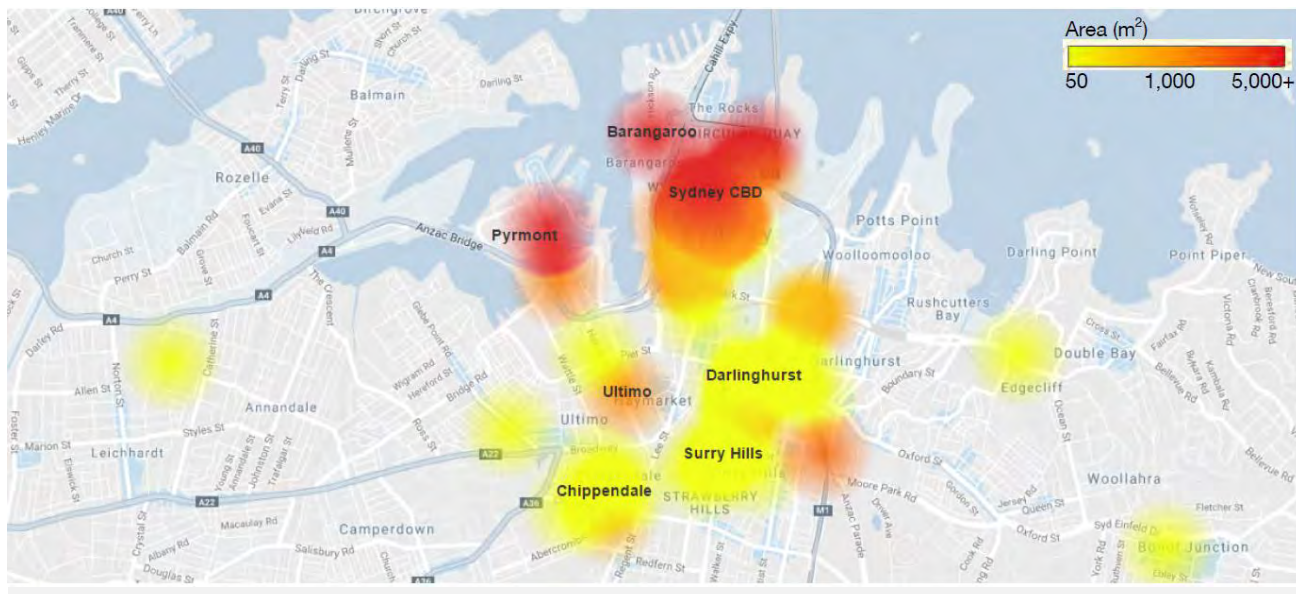
Analysis of the preferred locations for coworking spaces to set up and operate from has identified that the preferred locations are inner city or CBD locations.<sup>4</sup>

- Coworking spaces are utilised by persons who live in proximity to the coworking space. It embraces a culture of living and working locally. As a result, coworking spaces have thrived in inner city and CBD areas.
- Sydney's coworking space tends to be dominated by large coworking hubs, such as WeWork in Pyrmont. These spaces tending to be larger than what is offered in Melbourne.
- Sydney's CBD and CBD fringe areas tend to be highly desirable locations for coworking spaces, this is evidenced in the clustering of these spaces as shown in **Figure 1** below.
- As at October 2016, the total amount of GFA dedicated to coworking space within Sydney CBD was 15,674m<sup>2</sup>, while across the CBD fringe it was around 19,775m<sup>2</sup>.
- Of the coworking spaces in the CDB fringe, the majority was in Pyrmont, and just under half was clustered around the creative areas of Surry Hills and Darlinghurst. Darlinghurst accounted for a bit above 3000m<sup>2</sup> of coworking space.
- Both the CBD and CBD fringe provide coworking space businesses with access to skilled workers, resources and clients. However, the type of coworking spaces provided differs significantly between the CBD and the fringe.
- The CBD offers greater access to clients and markets and provides opportunities for start-up businesses to take their business to the next level but at a greater cost for businesses. As a result, coworking spaces in the CBD tend cater towards more established start-ups.
- The CBD fringe tends to provide smaller and a more niche coworking spaces at a relatively more competitive price point. As a result, these spaces tend to cater more towards emerging and smaller start-ups.
- The variety of coworking spaces in Sydney provides a healthy range of entry points for start-up businesses to enter the market at a level that suits their needs, while at the same time providing a range and space to grow.
- Coworking spaces do not come in a "one size fits all product", instead, coworking spaces come in a range of sizes and target a number of different coworking space cultures.
- The establishment of coworking spaces along the CBD fringe has been an important element in assisting in the transformation of these areas. As research from Knight Frank notes "*the coworking industry has brought significant benefits into the fringe suburbs of Sydney. Not only has it supported employment and suburb gentrification, many coworking spaces are occupying renovated commercial buildings, which had been vacant for a long time.*" (emphasis added)<sup>5</sup>

As illustrated in **Figure 1** The highest concentration of coworking spaces, by total floorspace area, within the inner city of Sydney, is the Sydney CBD.

<sup>4</sup> Analysis is based on Knight Frank (2016)

<sup>5</sup> Knight Frank (2016).



**Figure 1** Location of Coworking Spaces in Sydney by Area (m<sup>2</sup>) as at October 2016

Source: Knight Frank (2016)

## 2.4 Tenant Profile

Coworking spaces come in a variety of types and sizes, with coworking spaces being planned and fitted out differently to align with a particular branding and culture to suit their target tenant profile. A healthy coworking space market needs to cater to and attract tenants so they can foster a dynamic, diverse and innovate start-up culture. Research by the University of Sydney has identified the following range of tenant profiles that utilise coworking space.

- **Urbanpreneurial Pad** - a large proportion of coworking spaces tend to be this type. They cater towards emerging businesses that are looking to grow as well as professionals that are looking for professional development and networking opportunities.
- **Digital Den** – catering towards the tech industry and persons with a computing and information technology background. These coworking spaces aim to create a work environment that can foster digital innovation.
- **Corporate Community** – geared towards a more corporate focused professional. These coworking spaces aim to facilitate networking between corporate professionals and assisting them in meeting with their clients.
- **Townhall Terminal** – a coworking space that is located in country towns. These coworking spaces aim to provide affordable spaces for local businesses and community groups.
- **Executive Establishment** – a coworking space catering towards high end and executive professionals. Provide an exclusive space for high end corporate professional to interact with their clients.
- **Social Studio** – catering towards not-for-profit individuals and groups that are guided by a particular social value.
- **Creative collective** – a coworking space that aims to foster creative collaboration between artists, creative types and designers.

## 2.5 Key Findings and Implications

- Coworking spaces provide a low cost entry point of entry for start-up businesses that are close to high skilled labour and in proximity to clients and markets. They provide flexibility and a worklife culture that is conducive to innovation.
- Coworking spaces are utilised by relatively young and highly educated workers. Coworking space workers tend to want to work close to home.

- In Sydney, coworking spaces are clustered around the CBD and CBD fringe. More established and larger coworking spaces are in the CBD, while the CBD fringe is occupied by smaller coworking tenants and workers.
- Coworking spaces vary in terms of location and size and culture and cater for a range of relatively young and highly educated workers, and both emerging and established, small and large, start-up businesses.
- As outlined in City of Sydney's Tech Start Up Plan, a relevant area of focus is the 'increase the start-up ecosystem density' focus area. This seeks to encourage further clustering of start-ups and minimise start-up dispersion and fragmentation of start-up networks. The planning policy is consistent with the City of Sydney's Tech Start Up Plan and this area of focus, as it plans to locate a coworking space in an area with an already established coworking cluster.
- Coworking spaces have helped revitalise and improve the economic performance of the CBD fringe.



### 3.0 Darlinghurst Suitability and Desirability for Coworking Spaces

The following section outlines the analysis of ABS and ABR for the Darlinghurst area and demonstrates why the area is ideal for coworking spaces. For a detailed demographic and economic profile of the Darlinghurst area refer to **Appendix 1**.

#### 3.1 Demographic and Economic Factors

The Darlinghurst area has a number of demographic and economic factors that help explain the area's desirability and suitability as a coworking cluster and why it has become an important location for coworking spaces.

- The local population of the Darlinghurst area relatively young, with the median age of Darlinghurst being 35.
- Around 25.9% of residents were in the 20-29 age cohort, while around 26.7% of residents were in the 30-39 age cohort. In the local workforce, the 20-29 age cohort and 30-39 age cohort accounted for 28.0% and 28.3% of total workforce, respectively.
- Residents tended to be well educated, with around 44.0% of residents having obtained a bachelor's degree or above.
- Fields of study that typically align with those seeking out were coworking space were well represented in the area: Management and Commerce accounted for 21.0%, Society and Culture for 15.9%, Creative Arts for 9.3% and Information Technology accounted for 2.6% of education fields of study.
- The area is attractive for non-employing businesses, such as sole proprietorships and partnerships without employees. In 2016/17, there were around 1,794 businesses that were categorised as having no employees in the Darlinghurst area.
- The majority (56.0%) of these businesses were in industries that coworking spaces typically fall under: Professional, Scientific and Technical Services, Rental, Hiring and Real Estate Services, and Financial and Insurance Services. The highest proportion of businesses was in Professional, Scientific and Technical Services (21.3%), which was proportionally greater than the Sydney LGA average (17.7%).
- Other key coworking industries were found to have a higher proportion business count in the Darlinghurst area, including Arts and Recreation Services (4.6%), Information Media and Telecommunications (3.6%).
- In 2016, around 56.3% of owner managers were owners of a business without employees. This was greater than the proportion in Sydney LGA of 47.2%. This could suggest that there are locational attributes within the area that are important for these business types. It's possible that some of these businesses will also want to utilise coworking spaces, with some proportion demanding coworking spaces within the area.
- In 2016, compared to the Sydney average the Darlinghurst area had a high proportion of jobs in coworking industries such as Professional, Scientific and Technical Services (12.0%), while other coworking industries such as Information Media and Telecommunications had around 5.6% of jobs and Arts and Recreation Services had around 2.9% of jobs.
- The vast majority of residents are employed in white collar occupations (87.9%). This was slightly greater than the proportion in Sydney LGA (85.2%). Of these white collar occupations, Professionals accounted for around 40.9% of all occupations, while Managers accounted for around 11.6% of all occupations. Similarly, the local workforce also had an overwhelming number of persons in white collar occupations at around 81.3%.

In light of the above, it can be concluded that the Darlinghurst area has a high proportion of young highly skilled residents, many of whom work in fields that typically occupy coworking space and many of which are owner managers of small businesses without employees. It can therefore be concluded that the local area has a demographic profile that would support a coworking space.

#### 3.2 Location

Aside from the demographic and economic factors above, there are specific geographic factors that make the Darlinghurst area a desirable and suitable location for coworking spaces. In this section, some of the more important location factors for coworking spaces are outlined.

- **Existing creative cluster-** The Darlinghurst area is noted for being a creative cluster, with a number of creative professionals working in and living in and around the area. UNSW's design campus is also in proximity. This would drive demand for creative coworking spaces in the area.
- **Access and proximity in Sydney CBD-** proximity to the CBD means that coworking spaces can leverage off existing infrastructure and resources found within the CBD. Such infrastructure includes transport access and business services. While resources include access to skilled workers. Being located on the fringe of the CBD means that coworking spaces can access clients and markets within the CBD, whilst enjoying relatively lower rents and other fixed costs.
- **Pre-existing coworking spaces** - as at October 2016, around a sixth of coworking spaces were located in the Darlinghurst area.<sup>6</sup> Their presence suggests that there are locational attributes within the area that make it desirable for coworking spaces to locate. Indeed, one of Sydney's most famous coworking spaces, Hub Australia, will expand from the Darlinghurst area into the CBD due it reaching capacity owing to its success in the area.
- **Low entry cost** – the cost of coworking spaces is relatively cheaper in the Darlinghurst area compared to the CBD. As such, it provides an important access point for businesses seeking to minimise costs while utilising a coworking space.

### 3.3 Key Findings and Implications

The Darlinghurst – Potts Point area is a highly desirable and suitable area for coworking spaces:

- The Darlinghurst area has a relatively young and highly educated population and workforce, with education qualifications in fields that are highly represented in coworking spaces. This has likely driven the growth of coworking spaces in the area.
- The high representation of sole proprietorships and partnerships could translate into demand for coworking space as these businesses look for low cost entry into the market.
- High proportion of residents and local workers in white collar occupations could translate into utilisation for coworking spaces, especially those residents who want to live and work locally.
- Residents and the local workforce are in industries that are conducive to coworking spaces.
- The overwhelming majority of coworking jobs tend to be white collar, as such there exists a labour pool of workers that could work in coworking spaces.
- The Darlinghurst area is in proximity to the CBD with a pre-existing cluster of coworking spaces. The preexisting cluster indicates strong demand for coworking spaces in the area.
- The pre-existing coworking space cluster means that the planning proposal is consistent with the City of Sydney's strategy for coworking spaces.

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<sup>6</sup> Knight-Frank (2016)

## 4.0 Conclusion and Recommendations

This report has found that the Darlinghurst area is both a desirable and suitable location for coworking spaces. The report has found the following:

- The Darlinghurst area is both desirable and suitable location for coworking spaces. The demographic and economic factors within the Darlinghurst area are conducive to coworking spaces.
- The Darlinghurst area has access to highly educated and white collar workers, while in proximity to the CBD market.
- Coworking spaces workers prefer to live and work locally, and as such provide a premium on coworking spaces that are in proximity to where they live.
- Coworking spaces do not come in a “one size fits all product”; instead, coworking spaces come in a range of sizes and target a number of different coworking space cultures.
- Sydney has a well established coworking space environment. With coworking spaces clustered in the CBD and throughout the CBD fringe. The CBD caters to larger and more established start-up businesses, while the CBD fringe caters to smaller and emerging start-ups.
- The viability of the coworking space market is dependent on being able to provide a range of coworking space product offerings.
- Coworking spaces have helped revitalise and improve the economic performance of the CBD fringe.
- The planning proposal is consistent with the City of Sydney’s tech Startups Action Plan. In particular, by increasing the density of coworking spaces in the Darlinghurst area.
- The planning proposal will help strengthen the coworking space environment in Sydney, while helping to improve the local economy in the Darlinghurst area.

## 5.0 Appendix 1

**Table 1 Demographic Profile**

	Darlinghurst Area		Sydney LGA	
	Usual Residence	Place of Work	Usual Residence	Place of Work
<b>Age Profile (%)</b>				
0-19	5.92		10.76	
20-29	25.92	28.02	31.66	25.57
30-39	26.70	28.31	24.66	31.61
40-4	14.56	18.48	12.18	21.46
50 - 60	11.41	14.82	9.04	13.70
60+	15.49	8.62	11.69	6.08
<b>Education (%)</b>				
Postgraduate Degree Level	12.46	14.16	12.35	16.49
Graduate Diploma and Graduate Certificate Level	2.63	3.11	2.27	3.36
Bachelor Degree Level	28.91	32.08	29.43	37.45
Advanced Diploma and Diploma Level	8.08	12.43	8.44	10.84
Certificate III & IV Level	5.89	11.90	5.57	7.35
Secondary Education - Years 10 and above	16.40	20.63	22.29	19.27
Certificate I & II Level	0.02	0.03	0.03	0.02
Secondary Education - Years 9 and below	1.56	1.08	2.37	0.81
Supplementary Codes	2.43	2.86	2.66	2.89
Not stated	21.64	1.71	14.58	1.53
<b>Field of Study (%)</b>				
Natural and Physical Sciences	2.45		3.57	
Information Technology	2.56		4.15	
Engineering and Related Technologies	5.53		6.94	
Architecture and Building	3.28		3.27	
Agriculture, Environmental and Related Studies	0.54		0.64	
Health	5.65		5.85	
Education	2.88		3.31	
Management and Commerce	21.03		24.93	
Society and Culture	15.88		14.27	
Creative Arts	9.33		8.72	
Food, Hospitality and Personal Services	3.35		3.54	
Mixed Field Programmes	0.13		0.41	

Source: Ethos Urban; ABS (2016)

**Table 2 Economic Profile**

		Darlinghurst – Potts Point area		Sydney LGA	
		Usual Residence	Place of Work	Usual Residence	Place of Work
<b>Non-Employing Businesses</b>					
Agriculture, Forestry and Fishing	0.8		0.8		
Mining	0.3		0.7		
Manufacturing	1.4		1.6		
Electricity, Gas, Water and Waste Services	0.2		0.3		
Construction	5.0		7.2		
Wholesale Trade	2.2		2.9		
Retail Trade	3.6		3.2		
Accommodation and Food Services	3.5		2.3		
Transport, Postal and Warehousing	2.8		2.4		
Information Media and Telecommunications	3.6		2.3		
Financial and Insurance Services	16.1		22.2		
Rental, Hiring and Real Estate Services	18.6		22.3		
Professional, Scientific and Technical Services	21.3		17.7		
Administrative and Support Services	4.2		3.4		
Public Administration and Safety	0.3		0.3		
Education and Training	1.3		1.3		
Health Care and Social Assistance	5.7		3.8		
Arts and Recreation Services	4.6		1.7		
Other Services	3.3		1.6		
Currently Unknown	1.4		2.1		
<b>Industry of Employment (%)</b>					
Agriculture, Forestry and Fishing	0.17	0.07	0.17	0.09	
Mining	0.15	0.10	0.17	0.21	
Manufacturing	1.97	3.53	2.45	1.50	
Electricity, Gas, Water and Waste Services	0.32	0.26	0.42	0.58	
Construction	3.08	2.48	3.68	3.49	
Wholesale Trade	2.16	1.49	2.41	1.76	
Retail Trade	6.35	4.63	7.20	5.56	
Accommodation and Food Services	9.24	11.28	12.08	7.12	
Transport, Postal and Warehousing	2.65	1.59	3.01	2.59	
Information Media and Telecommunications	5.21	2.45	4.97	5.57	
Financial and Insurance Services	9.60	1.60	8.78	17.75	
Rental, Hiring and Real Estate	2.36	2.30	2.13	2.48	

	Darlinghurst – Potts Point area		Sydney LGA	
<b>Services</b>				
Professional, Scientific and Technical Services	19.64	12.00	16.62	19.45
Administrative and Support Services	4.10	2.71	4.28	4.24
Public Administration and Safety	8.99	15.76	5.75	7.41
Education and Training	6.18	5.19	7.44	5.90
Health Care and Social Assistance	7.96	22.85	8.22	5.43
Arts and Recreation Services	3.25	2.92	2.90	2.52
Other Services	2.61	2.84	2.75	2.30
<b>Occupations (%)</b>				
Managers	19.45	15.82	17.00	17.77
Professionals	40.89	34.92	37.72	38.40
Technicians and Trades Workers	7.29	12.39	7.93	6.68
Community and Personal Service Workers	8.97	12.93	10.22	6.54
Clerical and Administrative Workers	10.53	10.90	11.11	16.91
Sales Workers	6.68	5.28	7.59	6.68
Machinery Operators and Drivers	1.03	1.23	1.49	1.39
Labourers	3.57	4.74	5.11	3.62

Source: Ethos Urban; ABS (2016)