



## **Work inc Business Strategy Paper – March 2017**

### **Background**

The establishment of 'Work inc' came from the identification of a clear gap in the commercial property market in Australia. Whilst there was an increasing trend in the number of entrepreneurs and more specifically, tech start-ups emerging throughout the country, it was evident that there was a lack of sufficient services and facilities to support this growing community.

Whilst Work inc officially opened its doors in July 2016 via its Lavender Bay coworking facility, the idea behind this entrepreneurial community was forged years prior.

Work inc was designed to be much more than just a coworking space, it's was designed to create business communities that could meet, learn and grow off one another. The intangibles of the community are what truly give the business value.

### **Current Operations**

Work inc currently operates from Bays 9 and 10 Middlemiss Street, Lavender Bay, which opened in July 2016 with 21 private offices and a separate permanent desking area for 30 people, all in a coworking environment.

Between the adjoining facilities, Work inc currently has 120 active members from 31 companies. These companies range from early stage start-ups to ASX listed entities and cover an extremely diversified range of industries – from web security and IT solutions to agriculture and pharmaceuticals. This multilayered diversity has worked extremely well, as members learn from others in different markets and at different stages of their business life.

The members of Work inc sign license agreements for a minimum of 1 week and a maximum of 1 year, allowing them complete flexibility in regards to term and liability. They have 24/7 access, high speed wifi (up to 300mbps), a boardroom, meeting rooms, break out spaces, private phone booth, printing, kitchen facilities, shower facilities, cleaning, utilities, bike racks and GoGet corporate rates included in their membership. In addition, they also have access to our monthly internal and external events, mentors and if required, potential funding solutions.

The demand for a working environment that is flexible, creative, all-inclusive and collaborative was evident early on, with the Lavender Bay facility at full capacity within 4 months. Work inc has continued to grow its waitlist of clients who are eager to join the community.

With the success of Bays 9 and 10, it was clear to management that there was sufficient demand to expand the facility at Lavender Bay and beyond. As such, Work inc currently have a DA pending to expand the Lavender Bay site to the adjoining three warehouses. Upon completion, this will increase capacity at Lavender Bay by an additional 300 entrepreneurs, increasing the start-up community to >400. This project is on track to be completed by October 2017.

### **External Expansion Strategy – Rushcutters Bay**

Whilst there is clear demand for more coworking spaces across the country, Sydney continues to be Work inc's main priority given the city has the largest entrepreneurial ecosystem in Australia (34.7% of start-ups are in Sydney). In addition, 72.3% of all start-ups use coworking spaces and this figure continues to rise.

Work inc's strategy is to setup additional coworking spaces along the fringe of the CBD which not only allow start-ups to access exceptional facilities at economical rents close to the CBD, but also continues to connect the fragmented entrepreneurial ecosystem that Sydney currently has. Locations that have been considered and continue to be researched include Chippendale and Ultimo, Waterloo, Surry Hills, and the Darlinghurst/Rushcutters Bay area.

This paper will specifically look at the opportunity to erect a coworking site above the Rushcutters Bay Storage Facility at 30-62 Barcom Avenue, Rushcutters Bay. This is quite a unique opportunity given suitable sites have been difficult to locate in this area.

### **Population Overview**

Rushcutters Bay has a population of approximately 2,000 people (based on the 2011 census), with a surrounding catchment of ~21,000 capturing the suburbs of Elizabeth Bay, Darlinghurst, and Paddington.

The average age in Rushcutters Bay is 37, with 52% of the local population being between 25-44 years of age. Noted that in Australia, most start-up owners are aged in their early to mid-thirties.

### **Transport and Infrastructure**

There are multiple modes of transport to the potential site in Barcom Avenue, Rushcutters Bay as detailed below. This is an extremely important factor when considering a new coworking site as one the key factors in the success of Lavender Bay has been its proximity to public transport.

- Bus
  - o Nearest bus stops are 200-250m away from the Barcom Avenue site and cover the 324, 325 and 200 bus routes.
  - o The 324 and 325 bus routes come from Watsons Bay, through the eastern suburbs (Vaucluse, Rose Bay, Woollahra & Double Bay) and finishes at Barangaroo via Clarence Street.
  - o The 200 bus route starts at Bondi Junction, travels through Rushcutters Bay before crossing the bridge and linking up with our existing site at Lavender Bay/North Sydney.
  
- Train

- Kings Cross train station is a 700m walk from the potential site, estimated to be a 9-minute walk. This is acceptable to the Work inc management team as per the Australasian Transport Research Forum, Sydneysiders are willing to walk longer for faster modes of transport with researching showing acceptable distance to train stations are between 805m-1018m.
- Walk / Cycle
  - In regards to foot traffic, we have assumed potential members would walk up to 700m to their work space and therefore this covers Rushcutters Bay as well as parts of Paddington, Elizabeth Bay, and Darlinghurst.
  - Cyclists would obviously travel further than those walking, and as per our existing site we would have sufficient bike parking on site to encourage this mode of transport.
- Car
  - As is with Lavender Bay, if Rushcutters Bay proceeds we would enquire about having a dedicated GoGet parking spot in Barcom Avenue. This encourages members to catch public transport to work whilst giving them an economical option to drive to clients throughout the day.
  - In addition, given the current construction at BMW in Barcom Avenue and the nearby Mercedes Benz site, we may decide to approach these sites to consider leasing several spots to Work inc for our members to utilise.
- Cafes/Restaurants
  - The closest cafes are located in McLachlan Street which is parallel to Barcom Avenue (1-minute walk).
  - Members could also walk 600m to Victoria Street, Darlinghurst (7-minute walk) where there is a much larger selection of cafes, restaurants and bars. Likewise, Kings Cross is only a 700m walk providing additional facilities.

### **Market / Competition Overview**

The Rushcutters Bay site has the potential to bridge the gap between the Eastern Suburbs and the Sydney CBD for the start-up community. The below chart highlights the nearest coworking spaces to the Barcom Avenue site.

Space	Location	Size (Sqm)	Workstation Count	Office Price	Desk Price	Yr Built
WeCo	Edgecliff	200	~40	N/a	\$499/m	2013
TwoSpace	Kings Cross	N/a	N/a	N/a	\$169/m	2016
EngineRoom	Darlinghurst	200	~40	N/a	\$450/m	N/a
Hub Sydney	Darlinghurst	1100	~110	\$600/m	\$650/m	2015
Desk Space	Darlinghurst	N/a	N/a	\$800/m	\$650/m	2009

As shown above, the majority of coworking spaces are heavily desk orientated, with very few private offices – a key success factor at Lavender Bay and a key opportunity for Rushcutters Bay.

The Hub, which is one of Australia’s leading coworking spaces with sites in Sydney, Adelaide and Melbourne only have a small number of private offices despite their sizeable floor plate. This is a similar situation at ‘Desk Space’ at Darlinghurst.

Noted that there are multiple 'Twospaces' in close proximity of Barcom Avenue, being The Kings Cross Hotel and Casoni. Twospaces operates a rather different model to most coworking spaces in which it utilises restaurants and bars when they are closed during the day, switching back to their primary purpose in peak hours.

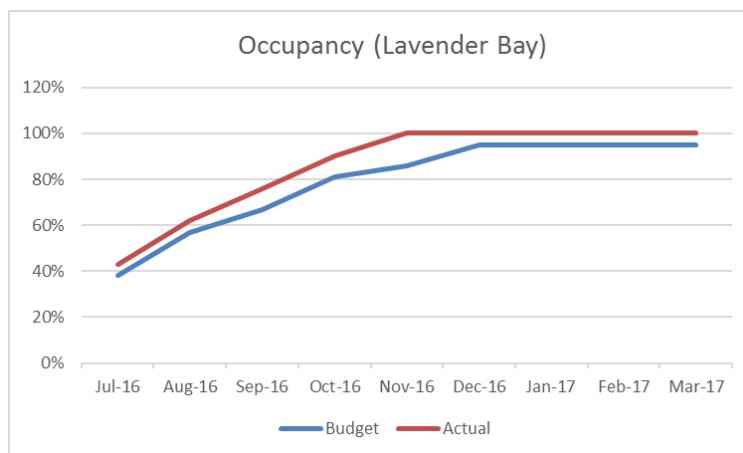
The other key opportunity for Work inc with the potential Rushcutters Bay site is the large floor plate. Assuming an additional two levels on the existing premises, Work inc would have ~1200-1500 sqm to utilise which would equate to ~150 desks (see initial site designs). This creates a similar sized community to the current Lavender Bay site, which as shown, has been successful.

### **Demand Analysis**

The overall demand for coworking in Australia and across the globe has been well documented, with the number of coworking spaces worldwide expected to increase by 25% to 12,700 in 2017.

In Sydney, the coworking landscape has grown exponentially over the past 10 years. In 2006, there was only a handful of collaborative workspaces with total space estimated at ~1,400sqm across the city. By the end of 2017 it is forecast that there will be over 60 coworking spaces across 55,332sqm.

Clearly this growth highlights the current demand in the Sydney market for collaborative and creative spaces and this is supported by Work inc's own experience at Lavender Bay. The below graph illustrates the actual v forecast occupancy at its first site. Importantly, whilst 100% occupancy has been maintained, a growing waitlist of companies wanting to move in continues to develop.



The demand at Lavender Bay was driven by several factors including location and design, overall flexibility, collaborative environment + affordable and all-inclusive packages. Work inc is confident that it will be able to provide the above factors at the potential Rushcutters Bay site.

Initial research indicates that pricing for Rushcutters Bay could be set in line with our Lavender Bay pricing, given its location and floor plate:

- \$150 per week (excl. GST) for an individual desk in an open plan area
- Minimum \$215 per week (excl. GST) for each desk within an office (this price represents the average of our Lavender Bay desks over the past 10 months)

Further supporting the increasing demand for coworking on the CBD fringe is the fact that the price per desk at Lavender Bay has risen from \$211 to \$230 per week over the past 10 months (~8% growth).

Working on an average price of \$215 per desk, the below table displays Work inc's monthly income as occupancy rises to 95% (standard industry KPI). Noted that the below forecast has a more conservative occupancy uptake than Lavender Bay, which was full after 4 months.

Month	1	2	3	4	5	6	7	8	9	10	11	12
Occupancy	15%	25%	35%	45%	55%	65%	75%	85%	95%	95%	95%	95%
Members	23	38	53	68	83	98	113	128	143	143	143	143
Monthly Income	\$20,963	\$34,938	\$48,913	\$62,888	\$76,863	\$90,838	\$104,813	\$118,788	\$132,763	\$132,763	\$132,763	\$132,763

This conservative forecast indicates a first-year income of \$1.09M, with a full year at 95% equating to top line revenue of \$1.59M.

Demand at the potential site will continue to be driven by the quality of facilities (including design), the service provided, the intangible items (such as events and mentors) and price.

### **Opportunity**

Given the current lack of potential facilities in the Rushcutters Bay/ Darlinghurst area, there is a clear opportunity to build a new site on the existing Rushcutters Bay Storage Facility. Combining the open floor space (across two levels) with the surrounding natural light, Work inc would be able to fitout a combination of private offices (90-95%) and permanent desks (5-10%) to accommodate a sizable community.

The offices will range in size to suite varying sizes of team (from 2 person offices to 10 person offices), noting that the average number of fulltime employees per start-up in Australia is currently 4.12 which was reflected at our Lavender Bay site.

The proposed site would include a number of flexible and creative spaces to allow our members to change their surroundings depending on their project and/or team makeup. This includes meeting rooms, board room, break out spaces and phone booths. The interior design would be completed in a similar fashion to Lavender Bay – unique, creative and inspiring. Our architect has been to the potential site to commence initial concepts.

Sydney is prime to assert itself as a leading global location for start-up and innovation, however the current ecosystem is visibly fragmented, highlighted in the 2017 Global Start-up Ecosystem report in which Sydney dropped from 16<sup>th</sup> to 17<sup>th</sup>.

Work inc's management team agree that the Rushcutters Bay site has the potential to become a successful start-up hub and our goals for the sites align with the City of Sydney's Tech Start-up Action Plan (March 2016). This alignment is evident from the below outcomes that Work inc have for its current site at Lavender Bay and potential future site at Rushcutters Bay:

### **Outcomes:**

#### **1. Provide World Class Facilities and Service**

First and foremost, Work inc seeks to take away the stress of setting up and running an office space to allow entrepreneurs and start-ups to get on with growing their business. The Rushcutters Bay site

would have all the business facilities that Lavender Bay currently has as well as 1-2 staff members to assist our members at all times.

## **2. To not only build a coworking site, but develop a start-up community**

Work inc is more than just a coworking space; our sites are designed and managed to develop business communities. Collaboration is key to this outcome and by establishing this early through networking events, introductions and the design of the space it starts to develop an internal culture.

At our Lavender Bay site, we have developed a culture in which members actively collaborate with one another. Over the past 10 months we have had countless joint business transactions, discussions and even internal hirings. We would seek to achieve the same success at Rushcutters Bay.

## **3. Provide our members with knowledge and networks**

Unlike a normal commercial landlord, managing a coworking community is not set and forget. In order to maintain the entrepreneurial culture described above and to assist our start-ups in their growth both domestically and internationally, the Work inc team works each month to upskill and connect our members. Internal and External events are run regularly with external speakers and professionals to bridge potential knowledge gaps, as well as providing a forum to network with members and outside entrepreneurs. Evidence of this at Lavender Bay includes:

- Pitch night in which 8 start-ups pitched to representatives from Blackbird Ventures, BlueChilli and 3P Learning
- External speakers have included Trent Zimmerman (Federal MP), Paul Bennetts (Spaceship), Rick Baker (Blackbird), Rebekah Campbell (Hey You), Nicole Kersh (The Content Folk) and Carolyn Mee (Sound Scouts)
- Work inc is an affiliate of StartCon 2017
- Hosting of internal lunch learning sessions on topics including property, SEO, marketing and superannuation (aim is to present topics that resonate both personally and professionally)

## **4. Support our members through mentoring and potential funding**

Given the management team of Work inc and their wider business networks, we seek to provide mentoring to members if wanted. Noted that in the Start-up Muster 2016 report 'mentoring' was found to be the number one service that start-ups required, in front of event space, connections and investment.

At the moment, we are developing a mentor panel of experts across key fields of IT, finance, marketing and general business. This is designed to assist our members with their growth through professional advice; giving them access to resources they may not be able to obtain outside of the Work inc community.

In addition, start-ups can approach the Work inc team regarding external investment. Work inc has assisted several of its internal start-ups over the past 10 months.

## **Conclusion**

Given the above, the opportunity to expand on the current Work inc operations to Rushcutters Bay is worth pursuing. The potential site is well located in regards to access, transport and facilities, as well as being a blank canvas for our architect to design a unique and inspiring working space that creates the same vibe as Lavender Bay.

Not only can Work inc produce a well-run and world class coworking space, but we can continue to strengthen Sydney's start-up ecosystem and entrepreneurial competitiveness through the provision of events, networking, mentorship and investment.