Coworking RESOURCES

# Revenue Guide
for Coworking Spaces

# Introduction

Coworking owners are as untraditional and unique as their spaces. They find their way to coworking from different industries, geographic locations, and backgrounds—some are looking to build a strong community, while others use coworking spaces to finance their real estate or startup ventures. At CoworkingResources, we interview every type of space owner—from entrepreneurs and brokers to consultants—to discover ubiquitous trends, insights and applicable advice for every type of shared, collaborative or flex workspace.

CoworkingResources is an organization aimed at providing the best, most comprehensive guides to coworking space owners to run a more efficient space. This is the second downloadable guide in our series to help you plan, launch, operate and scale a successful space. This guide focuses on revenue, if you want to begin with The Ultimate Guide to Operating a Successful Coworking Space, you can find it here. We're excited to share our knowledge with you and we welcome your feedback and contributions.

**In this guide you will find:**

- Different financial models for launching a coworking space
- Key aspects of the coworking business model
- How to define top growth KPI's for your space
- Important milestones to consider while tracking your space's financials
- Ways to increase revenue channels and how to manage them
- Overview of profits and losses for coworking

# Contents

# Are Coworking Spaces Profitable?

New technology has an outstanding impact on how we work. It doesn't just change the way we complete tasks, automate processes and communicate with each other, but it also fundamentally shifts how we organize workspaces and offices. Coworking spaces are an example of technological advancement. If you've ever had a chance to work or visit a coworking space, you know it doesn't resemble a classic office.

## What is a Coworking Space?

A coworking space is a shared office or a shared building where entrepreneurs, startups, freelancers, event management businesses, developers and design teams meet to work independently, as well as socialize and collaborate on joint projects. A coworking space is not only a work office. It can be a place that meets the additional needs of a modern lifestyle, such as socialization, physical activities or organizing educational and networking events.

In fact, any activity that a number of people can join can be organized in a coworking space; therefore, coworking spaces have become popular hubs of social buzz and activity that can generate original sources of revenue. A coworking space is also called a shared workspace or a shared office. As a specific social cell that incorporates the shared economy concept, it has become a profitable business model that is taking over the world.

## Revenue Streams for Coworking Spaces

Because of the diverse ways people collaborate, or need a location to perform short-term or long-term tasks (in single or various locations), coworking spaces offer various revenue streams that can be turned into a source of profit for the space owner. There are many models to run a coworking space, but most include at least several options to monetize the space, the equipment, and the human resources.

A common model of generating revenue for a coworking space is when a startup signs up for a lease for a larger office and takes the responsibility to organize and manage the resources, while renting the free space to other interested visitors. Many coworking spaces don't have a main lessee but are founded solely with the purpose of serving workers who, for various reasons, don't want to bear all the costs of running an office; therefore, all office costs that a client could need in a shared office and social space could potentially become a revenue stream for the owner. Typical profits are made out of renting desks, lockers and conference rooms. In more detail, the coworking space can generate revenue from:

### Membership fees for renting a workspace.

Depending on how much privacy and liberty the co-worker has over the rented space, this source includes private offices, shared desks or dedicated desk memberships. Membership fees can be calculated as certain portions of time—daily, monthly, quarterly or annual fees that allow the member to use basic or more advanced amenities of the coworking space. As an owner, you can choose to provide discounts for longer memberships to reward loyalty or give group discounts to make profits off serving larger teams.

### Renting amenities and equipment.

Amenities can include anything from private audio or video call cabins, lockers, private offices with full equipment, mailboxes, kitchens and refrigerator rooms, as well as social spaces that can be rented for discounted fees to regular members. It all depends on how you have organized the coworking space, the type of your regular visitors and the most sought-after amenities. Equipment rentals can be versatile, including telephone lines, video, and audio equipment for the conference room, printers, computers, and even cloud storage for startups that need larger data resources. If you do a little research about the typical member, before you decide on the amenities and the equipment that should be rented independently or included in membership fees and packages, you'll make a better-informed decision and be able to maximize profits and minimize costs for the coworking space.

### Membership packages.

This is an area where you can get creative. A membership package can include only the basic membership fee, but many shared offices choose to tailor packages that fit the needs of the average visitor. These packages usually include a number of the coworking ammenities. The more the member uses, the more affordable the package gets. It's convenient to have a software where the member can choose one or more of the available package options and create a personalized package by automatically calculating the costs for each selection from a list. A membership package can include collaborative business models with local amenities, for instance—food spots, bars and clubs, gym and fitness locations, outdoor activities, transportation discounts, medical assistance and alternative revenue sources that meet the needs of a member and that can be easily incorporated into the basic package.

### Conference room rentals.

You should adapt a conference room to serve more than one purpose. Conference rooms can be rented for typical business purposes, such as holding meetings, training staff, and video presentations, but also for alternative social events. Put an access control solution on the door and monetize the space. Conference room rentals can be one of the most lucrative revenue sources, since they include sharing expensive equipment with a large group of people. Think of transforming the conference room into an educational space or a place for organizing informal social and business meetups.

### Various Costs For Coworking Spaces

Always design revenue-generating resources by keeping the costs in mind. Even if you already own the space, as the main lessee and need to pay the rental contract fees, you still have to consider additional costs for regular supplies, any additional equipment you need to purchase, extended operational costs, as well as extra helping hands to manage the coworking business.

### Rental contract.

First and foremost, make sure that the contract has a subletting option. You must be legally allowed to rent the space to other tenants. Then you can start thinking of calculating the revenue that will cover the rental costs. Check if the coworking covers only the workspace or if it includes facility management and utilities, because this aspect will significantly affect the next string of costs.

### Operational costs.

Operational costs encompass internet rental, telephones, access control management, cleaning, electricity, as well as other utilities. Don't forget to check whether they come at a fixed price. If they are calculated on the basis of consumption, you need to think carefully about setting your membership fees. This process may take a bit of trial and error until you find the perfect cost-revenue balance.

### Supplies.

Certain kitchen and office supplies, toiletries, water jugs, and coffee are some of the main supplies in a coworking space that come for free. Assess average individual needs and include them in the cost calculation. Be clear about what you provide for free and clearly identify paid services. Other supplies can include medium-term and long-term costs, such as equipment, furniture and facility management expenditure, like lights and bulbs, cabling, and office safety equipment.

### Staff salaries.

Staff salaries should be a mandatory item in your budget breakdown. Some coworking spaces employ office managers while others let members regulate their own access and usage by implementing electronic coworking space management tools. You can go for a shared option of hiring a manager during busy hours while letting members manage on their own during less crowded times.

## Are Coworking Spaces Profitable?

Since open, flexible spaces have been proven to increase productivity, the modern workforce loves them. Unquestionably, there are hundreds of ways that you can make a coworking space a profitable business model. All you need to do is plan the space well and you can enjoy a recession-proof business that transforms with members' needs. Consider your location and get in touch with local suppliers to overcome your limitations. Anything that can make their working or social life easier can be incorporated into the membership package. Modern coworking spaces are about dissolving the boundaries between teams and workers, bringing them together into more flexible spaces, both in space and time, to create advanced economic models to the joint benefit of all participants.

## New Revenue Streams for Coworking Spaces

By using real-time reporting and analytics tools for coworking spaces, you can quickly assess which of the revenue streams bring in profits. Since it's not simple to calculate how much a shared internet line or a discounted membership brings in every month, you can use the software to add and remove different functionalities until you find the most advantageous model. It may take up to two years to cover the initial investment of a privately held shared office. If you include imaginative revenue resources, such as referral commissions, merchandise, virtual office rentals, dedicated mailboxes, and member staff support (a model where a loyal member takes over part of the tasks for managing the coworking space), you will be able to become one of the 87 percent of profitable coworking spaces, which is a strong number that speaks in favor of choosing a coworking space as a business model.

# Starting a Coworking Business: Financial Model

You should create a financial model before you open the space or even sign a rental contract. This will allow you to gauge whether you have sufficient funds to open the business and whether the business itself is likely to bring in sufficient revenue. To create your coworking space financial model, take a closer look at the various revenue streams, as well as the costs associated with each.

## Determining and Projecting Revenue Streams

There are two main revenue streams for coworking spaces: Membership plans and space leasing. Most coworking spaces will offer a range of membership plans, so you will have to carefully determine how many plans you want and what benefits to include in each. More importantly, you will need to estimate how many members you can accommodate in your planned space and how many, realistically, will sign up.

Most coworking spaces will also offer space leasing, such as dedicated offices, for either individuals or groups. If you offer them, you will need to determine the plans, including the costs and benefits. Once again, you will need to estimate how many people will use this service. Do the same for any short-term space leases, such as using meeting rooms for several hours on a given day.

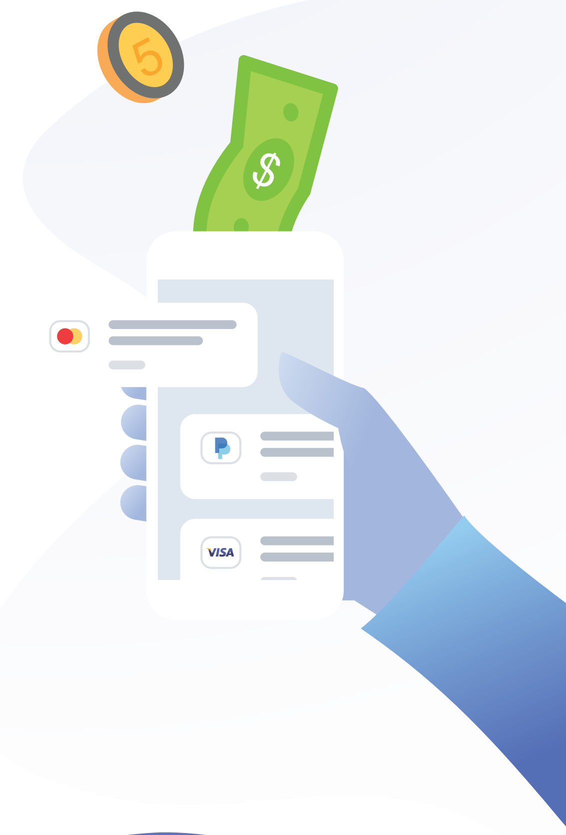
## Determining and Projecting Costs

The next step of your coworking space financial model is to figure out the various costs. Begin with the initial costs associated with setup. These will include any down payments or security deposits needed for renting the space, fees associated with registering as a business, and the cost of actually setting up the space. Include fees associated with an interior designer and the materials they need, such as furniture and paint. Don't forget to also include any costs associated with adjusting electric wiring or enhancing bathrooms. Include the initial costs for a copy/fax machine and printer, coffee machine, and any other kitchen equipment you will include, such as a fridge and microwave.

Finally, you can move on to the regular costs associated with operating your coworking business. Start with the monthly rent payment and overhead costs, such as electricity, water, and Internet access. Don't forget to include the cost of any employees who are present in the space during the day, whether it's someone who welcomes people and fixes minor issues with the printer or a janitor to clean the space each evening.

**There are also the costs associated with the benefits you provide to members. Factor in things like coffee, tea, snacks, and disposable or reusable dishes and utensils. Include bathroom supplies, such as toilet paper and soap, as well as cleaning supplies. Paper and ink for the printer. Don't forget to include the cost of seats that remain empty.**

## Required Assumptions



To create your coworking space financial model, you need to make several assumptions; otherwise, calculations will be impossible. You will likely operate under the assumption that the market costs of items like coffee do not change dramatically. You will also assume that you can get a discount by purchasing repeat items, like snacks and bathroom supplies, in bulk. Other assumptions include the percentage of seats sold and the number of employees you will need.

# Key Aspects of a Coworking Business Model

## What are the possible USPs?

Deciding on your unique selling proposition (USP), as a key aspect of every coworking business model, means picking out what should work best in the area your facility caters to. As spaces continue to adopt the coworking model, the number of potential USPs will increase, making it possible for coworking space managers to either focus on just one of them or, even better, combine all of them as components of their preferred business model.

For starters, offering a fully functional workspace with no frills, apart from shared services and quality Internet connection, can be a way to go. Focusing on short lease periods and affordability can easily be combined with other USPs, such as designing those around clusters of users from the same sectors—like technology, education, health services, etc. In this manner, people with similar professional backgrounds can share experiences and discuss their solutions to various mutual problems.

Yet, there are benefits to having users from varied backgrounds in the same space, as well. The key thing to understand here is that your most important USP will be the community itself, not just the coworking space it operates in, or its pricing. Creating quality opportunities for your users, to meet and learn from each other, helps with both retaining customers as well as stimulating income generation in the long run.

## What are the cost drivers?

While coworking business models usually do not come with high initial investments (unlike those in the traditional real estate sector) there are some cost drivers you should be aware of. First of all, the upfront costs include paying for construction work, furniture staging and equipment installation; setting up an IT system and network capacities, engineering work, etc. In addition, you should consider administrative expenses as well, including those relating to the legal side of things and having quality staff in the field.

Once the model gets going, be prepared to account for operative costs related to rent, utilities and maintenance, including relevant property taxes. Similarly, you should plan for investing in marketing and advertising as well as providing the framework budget for future expansion and renovation of the coworking facilities.

## What are some of the marketing channels?

Designing a quality website is a no-brainer when identifying relevant marketing channels for your coworking space. While coworking spaces are often seen as being all about affordability, there's no reason, in today's competitive market, that you'll thrive with a cheap looking website.

These efforts must be accompanied with a sound social media strategy in place, as well. Make sure you use all the relevant media (not just Facebook and Twitter) for your target audience, depending on their demographics. Do not ignore email marketing or newsletters, these are the trusted workhorses of any marketing effort. One marketing channel to focus on can be the community of travelers and commuters who are always on the lookout for an affordable place to work. Just drop a flyer or poster in popular hotels, airports and taxi hubs.

Finally, never forget your existing customers are your best marketing channel. They can be offered additional membership benefits for all invites and referrals they direct at potential customers and thus help you spread the word about your business at no additional cost.

## What are possible partnerships?

Having a coworking space gives you an opportunity to create business synergy with various local partners, as your entire business model rests on the idea of community. Get in touch with local food and drink providers and have them promote their business and offer your customers access to coffee, refreshments, snacks, etc. The same goes for dedicated spaces for fitness and exercise. You can also enter a partnership with local restaurants, or fast food joints, to have them host branded events and promotions in your space.

# The Top 5 Growth KPIs for Coworking Spaces | Part 4: 'Revenue per Member'


**Ed Blunderfield**
Creative Entrepreneur


*Editor's Note: This is a guest post from Ed Blunderfield from Optix coworking software, a digital platform for coworking spaces and smart offices.*

When thinking about growth strategies for a coworking space, it's common to focus all of our energy on attracting new members; however, it is possible to grow revenue by better serving, and creating more value, for existing customers. Business revenue can be boosted if more money is generated out of the same number of customers. This brings me to my next KPI: Average revenue per member.

Focusing on enhancing the experience and providing greater value for your existing customers not only offers direct revenue growth opportunities, but it also requires you to better understand your existing customers' needs and to sharpen your customer-service skills. This will pay dividends in all aspects of running your business.

## Why 'revenue per member' is an important KPI

Sometimes, ambitions to scale a coworking business can draw operators too far outside of their current operations and cause them to forget the people they've already won over. Working to increase the average revenue generated per member forces a coworking brand to hone its value proposition, provide a better experience to current members, and then thoughtfully translate all of this to attract new members.

Using this KPI, you will be able to identify areas of improvement in your existing offering, helping you to better understand what your customers want out of your coworking space.

## Four tactics to help you increase your 'revenue per member' KPI

Here are four tactics to help you increase your revenue per member:

- **Craft enterprise-focused marketing plans**
  If you find that members of your coworking space belong to a particular enterprise, then you can offer the said enterprise special rates and amenities (such as designated office spaces with privacy and customized pricing). As more and more enterprises choose to send their employees to work out of coworking spaces, coworking businesses in turn are adapting to accommodate these enterprises.

  Enterprises are great sources of steady revenue and offering them a tailored experience, within your coworking space, is a great way to boost your revenue. Check out this article our team recently wrote about using strategic partnerships as a source of funding for growth.

- **Maximize space utilization throughout the day**
  Although your coworking space is likely to experience the traditional '9-5' as it's busiest periods in the day, there are opportunities to drive traffic outside of that window. Take advantage of the fact that your business model is built around flexibility and innovation, something that most traditional office spaces cannot offer.

  You can offer special discounted rates for "off-peak" hours so that you can optimize your space's utilization throughout the day. Some members that may be using alternative workspaces, in order to compensate for a busy 9-5 window in your space, may see this as a great opportunity to upgrade to your full-time plan as the space becomes increasingly supportive of their needs.

- **Offer add-on amenities**
  After engaging with your customers to find out what additional amenities or experiences they would like, you can build out your membership plans with new add-ons.

  Consider offering add-ons or setting up membership tiers—with the more expensive memberships carrying more features. You should be mindful that these additional features are enhancements to your core product, and you must have a solid core offering before diverting your attention to adding on extra features. If the foundation is shaky, everything you build on top of it is at risk.

- **Create a tier for social membership**
  A fantastic way to help introduce new people to your community is through a social membership. Although these individuals are not committing to a dedicated desk, office or even a drop-in plan, yet, they are engaged and want to be a part of the community. This might mean access to events, or even a discount on any ad-hoc space bookings or day passes they purchase.

By providing them with a low-commitment option, you not only create a revenue opportunity, but more importantly you begin a relationship where you can constantly provide exposure to your coworking brand, the community, and the various ways the prospective member could get involved. Over time, many of these "social members" will upgrade to larger plans and become more significant contributors to the community.

Take a look at the tactics you're currently employing to increase the revenue per member in your space. What's working and what's not? What can you do today that might help drive this particular KPI?

# Creating Effective Metrics for Your Shared Space


**Amanda Fanoun**
Marketing Manager


*Editor's Note: This is a guest post from Amanda Fanoun from Essensys, a digital platform for coworking spaces and smart offices.*

Opening a shared workspace can be a smart venture in today's market, but it's not easy. More and more SMB and enterprise companies are embracing flexible and coworking spaces. Meanwhile, numbers of startups, freelancers, and remote workers continue to consume space-as-a-service products. The growing real estate footprint of shared office space brings with it new market competitors, such as commercial real estate giants, property management companies, and hobbyist coworkers.

As more operators enter the market and competition heats up, what does this mean for existing operators and seasoned players? They must compete harder than ever before and keep a sharp eye on core business metrics that determine their success. In this article, we outline the importance of reporting, space occupancy dynamics, and other metrics that are vital to sustain, grow and predict the future of your business.

## Reporting

The bulk of flexible workspace reporting is based on the origin of revenue streams, namely two: License fees or memberships and services. License fees and memberships are the recurring rental income from tenants or members, renewals or expansions. This recurring revenue is a solid baseline, from which you can then determine your profitability beyond a certain occupancy percentage. A good benchmark for success is when monthly rent constitutes 80 percent of your workspace's total revenue.

$$\text{TOTAL REVENUE} = \text{RECURRING REVENUE} + \text{SERVICES}$$

$$\text{RECURRING REVENUE} = \text{LICENSE FEES} + \text{MEMBERSHIPS}$$

The remaining 20 percent of revenue comes from services, typically consisting of meeting or conference room bookings, IT and telecom services, events, beverages, food services, postage and an extensive list of various others.

$$\text{SERVICES REVENUE} = \text{MEETING ROOMS} + \text{IT SERVICES} + \text{EVENTS} + \text{COFFEE/SNACKS} + \text{ETC.}$$

The primary driver of your revenue, therefore, is your space occupancy. Before you categorize the different revenue streams your workspace brings in, make sure you understand how to determine the value of space.

## The Value of Space

Space is the one constant within this ever-evolving and growing market. As a rule of thumb, especially for new or aspiring operators, you must fit out your space to optimize what U.K. operators refer to as Net Internal Area (NIA), and U.S. players refer to as Rentable Square Footage (RSF). Measure space meticulously, being consistent about including or not including corridors, meeting rooms or common areas—thus ensuring accuracy when calculating conversion rates in your reports. The quantity of square footage will be what you base your revenue calculations on. All of this considered, you must track the basics:

## Occupancy Rate

The primary revenue driving force for your workspace is occupancy rate and it can be evaluated by space and by workstation.

### Space

Space occupancy rate is a percentage calculated by dividing occupied square footage by unoccupied square footage (RSF or NIA), multiplied by 100.

$$\text{OCCUPANCY RATE} = \frac{\text{OCCUPIED SQ. FT.}}{\text{UNOCCUPIED SQ. FT.}} \times 100$$

Rigorously tracking occupancy means calculating space occupied per square foot over multiple time periods. For example, run your occupancy reports on a monthly, quarterly, or yearly basis, conducting frequent spot checks in between to evaluate and adjust your business priorities as necessary.

It's key to remember that there isn't an exact occupancy percentage that will determine profitability for operators across the board. Every model and workspace are different, so it will ultimately depend on how your RSF space is distributed across common areas, hallways, private offices, and coworking space; however, in our 16 plus years of experience working closely with operators, developing workspace management tools and running centers, we've found that most operators are profitable at an occupancy of between 80 and 85 percent.

### Workstation

Workstation occupancy rate is a percentage calculated by dividing the number of occupied workstations by the number of available workstations.

$$\text{WORKSTATION OCCUPANCY} = \frac{\text{OCCUPIED WORKSTATIONS}}{\text{UNOCCUPIED WORKSTATIONS}} \times 100$$

This is much more challenging, since desk configurations and usage are constantly changing. Having software in place that tightly integrates your booking system, inventory and reporting capabilities can facilitate these calculations for a 360-degree view on business performance based on occupancy.

In terms of revenue generation by workstation, there are two key metrics by which you can evaluate business performance: REVPOW (Revenue per Occupied Workstation) and REVPAW (Revenue per Available Workstation).

#### REVPOW (Revenue per Occupied Workstation)

This is the total amount of revenue generated from each occupied workstation and is generally a weighted average over the year.

$$\text{REVPOW} = \frac{\text{TOTAL REVENUE}}{\text{OCCUPIED WORKSTATIONS}}$$

#### REVPAW (Revenue per Available Workstation)

This is the amount of revenue generated from the total number of workstations listed across your center (or centers). Operators must be sure to update their inventory for accurate calculations and, of course, bill for each workstation being utilized.

$$\text{REVPAW} = \frac{\text{TOTAL REVENUE}}{\text{AVAILABLE WORKSTATIONS}}$$

REVPOW and REVPAW are key metrics that have historically been used by large operators, such as Regus, and operators previously acquired by Regus. They are calculated on a monthly basis and are key indicators of overall performance across your business.

Below we outline other vital figures operators consider when working with their budget to determine the return on the overall capital invested in the real estate. The task requires measuring rates over time, site performance, and forecasted revenue.

### Break-even

Operators should calculate the occupancy percentage needed to break even each month after covering their monthly costs. Knowing this number, you can work toward your minimum goal.

$$\text{BREAK EVEN} = \text{TOTAL MONTHLY REVENUE} - \left(\text{MONTHLY RENT} + \text{OVERHEAD}\right)$$

### Profitability

The amount an operator aims to generate from the workspace or building lease for a total return on capital invested. It's easy to get lost in the day to day or month to month, just making your rent payments; however, not losing sight of this number is key to profitability.

$$\text{PROFITABILITY} = \left[\left(\text{TOTAL CAPEX}\right) + \text{BREAK EVEN} + \text{REVENUE OVER TIME}\right] > 0$$

### Rate per Square Foot

Once the break-even and profitability numbers are known, an operator can then determine at what price per square foot they should be renting the space for. Grading your workspace against certain parameters will also help you stay competitive within the local region and market. In a previous article, we discussed additional factors that impact how to price your workspace.

### Forecasted Contract Revenue

Run a quarterly forecast of your revenue, based on contract start and end dates (or calculate workstation count occupancy), to project your business success over the upcoming periods. You should always know where your business will stand in three, six or nine months' time. Your forecast will give you an idea of revenue to allocate to rent, improvements around your workspace or sales and marketing initiatives, and will serve as a benchmark to achieve and, ideally, exceed.

### Renewal Rates

Track how your renewal rates are fluctuating. If they are increasing (or decreasing) over time, it may speak to a more significant trend of your overall workspace rental prices and the need to take a deeper look at how the market is impacting pricing and your overall customer base. While you're at it, it's worth reporting the lifetime customer value of the customers in your workspace. Perhaps it's cheaper for you to reduce the price of a lease renewal than it is to win a new customer, especially if your cost per acquisition is high.

### Current and Historical Rate

Measure the current month's total rate per square foot and historical rate over time so you can consistently compare business performance over time. More granular reporting will give insight into recent deals to determine if they are equal to or greater than deals made last month so you can adjust business decisions if needed.

### Scrutinize Your Business Intelligence

Successfully operating a shared workspace requires constant scrutiny of your entire real estate and business profile over time. Comparing your square footage and occupancy against actual performance gives you benchmarks for accountability and profitability. Neglecting the metrics and operating as you go may be acceptable when the market is performing well, but when it dips, you could find yourself in trouble. Metrics are a beacon that guide operators intelligently toward the future.

Data attained from your workspace management software and access control system logs can be used to estimate revenue goals, track real-time occupancy trends, and help operators hold their staff accountable for performance. It seems obvious to say, but visualizing your data in graphs and tables and reviewing it on a regular basis will guarantee a consistent bird's-eye-view of how your business center, coworking site or overall portfolio is running.

# The Milestones of Starting a Coworking Business

This is the fourth installment of 'Starting A Coworking Business'—we have four in total! Check **CoworkingResources.org** for parts 1-3.

As with any other type of business you start, you will aim to achieve numerous goals or milestones as you open and then grow your coworking company. Every situation is different with slightly different milestones, but there are some general ones that most coworking companies will come across.

## Milestones

The very first milestone you must reach as a coworking company is the same as any other new enterprise: Establishing a profitable business model. You will achieve this relatively early on, hopefully before your space even opens. After all, creating a business model that can work is essential before you begin investing time and money into your business. You want to know it has the potential for success.

There are also other milestones related to strategy, such as when you create a marketing plan that expresses your brand and is both scalable and realistic. Other milestones will be specific landmarks in your business that indicate you are on the path to success, such as when you get the first person to sign up for a long-term membership or their monthly membership. You can choose additional similar milestones, such as having 10 repeat memberships. Choose the specifics based on what seems realistic for your space. A related milestone can be the first day that all seats in the coworking space are filled.

## Coworking Business Milestones

You may set a coworking goal of filling up a certain percentage of the desks in your space.

You will also have other long-term milestones to work toward, such as when the demand for your coworking space is greater than the available room and when you either expand your current space or open another location. You can also set specific sales milestones, such as reaching a certain profit in a given week or month.

## Evaluating Milestones

The steps to evaluate whether a particular milestone will pose a challenge vary based on the goal in question. As a rule, you can get an idea of how hard it will be to achieve the milestones based on your business plan, your calculations for expected profits, and the market in the area. You will find it much more challenging to reach a goal if there is not enough demand for coworking spaces in your area or if you do not offer the amenities people want in one of these spaces.

## Solving Milestone Challenges

Don't be afraid to adjust your milestones in the future if they seem unrealistic.

As you come across a challenge toward achieving a milestone, take the time to reevaluate the milestone in question and your path. Then, adjust your strategy or the milestone if necessary. For example, you may realize that you set your milestones related to profits too high and need to bring them down to reasonable levels. You should also be willing to get additional support from outside resources when necessary to achieve a milestone. For example, if you are unlikely to be able to formulate a scalable and effective marketing strategy alone, particularly without experience—you should consider hiring a marketing agency to assist with this. A small investment in services like this may pay off, provided you select the right company.

# How to Nail Down Your Coworking Revenue Streams

Since startups, freelancers, digital nomads, and part-time workers are interested in meeting various needs in a coworking space, there are plenty of diverse ways for you to make money. Don't limit your members to the primary customer groups; you can design your coworking monetization plan to include local service providers, event planners, schools and marketing agencies, fitness trainers—basically any company or individual that needs a place to host an event or find a spot to meet with customers. Depending on the location and the space layout, you can turn it into a business center, a place for sponsored events, or even let food providers from your area use the space for promotional purposes.

## Membership Fees

Membership fees will be your basic source of income. Keeping in mind what workers need from a coworking space, you can offer a variety of membership or subscription plans to meet their needs. Majority of shared spaces have time-based membership plans that include hourly, daily, monthly and annual rentals for all services provided in the space. The longer the user stays, the lower the fee becomes. You can choose compelling labels for your plans, such as "light," "flexible," or "premium," members to give an idea of what's covered under the fee. Drop-ins, those who haven't booked in advance and those who aren't interested in a longer plan, typically don't get to use the benefits of a loyalty discount.

Don't forget about group or shared memberships. Group memberships include substantial discounts for more users that book together. A shared membership can include a number of services that can be used by more than one user, typically one at a time. A great incentive for bringing more people on board is a credit-based system. Loyal customers can collect credits with each service they use, getting bonuses after they accumulate a certain number of credits. Referrals and invites of new members can also serve a similar purpose.

Daily, weekly and other time-limited passes don't need to include all that you offer. For instance, a drop-in wouldn't likely need a locker or a pre-payment plan for weekly meals. On the other hand, a startup on an annual plan would probably take most of your space and ask for maximum benefits.

If your coworking space is open 24/7, attract customers in downtime periods by offering special discounts. For example, 25 percent off on night-time passes for the period between 8 p.m. and 8 a.m.; but, keep in mind that working at night may cost more on your side, so always calculate those extras into the discounts.

Another way to classify your membership fees is resource-based. For example, you can offer plans such as:

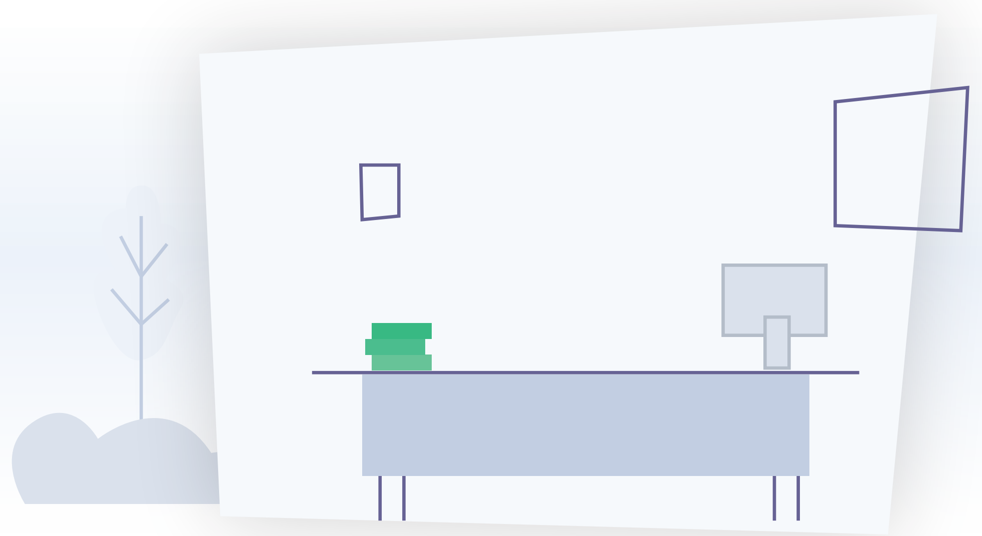
- **Shared-desk plan**
- **Dedicated desk plan**
- **Small private office**
- **Mid-sized private office**
- **Large private office**

This way, visitors can choose the space type that fits them best. Some of the options above are more socially-oriented while others are more work-focused and relevant for individuals. Coworking spaces usually aim for both to please their members.

## Space Leasing

You can set up the social space to generate additional sources of revenue from leased events or leased equipment. Find a local coffee dealer who's looking for more revenue and let him provide coffee services for minimal fees. A popcorn or an ice-cream machine is not a huge investment and can do wonders for hungry workers. You can cover these services with the long-term membership plans, charging only for drop-ins, while providing complementary services for the regulars. Connect with local food or beverage companies and let them host promotional events in the social space. Get in touch with shops in the area and let them provide discounts for your customers. In turn, let them use the space for advertising. The type of the events you can host always depend on the location and the design of the workspace. A large terrace can be great for informal summer events, while a bar is convenient for after-hours on Fridays.

Coworking amenities can also include lockers, printers, fax machines and telephone lines, audio and video equipment, call cabins, and anything else you can think of. With so many options, it can be complicated for users to see the most affordable alternative; therefore, include a "check-the-box" online calculator to help them assess the overall costs.



## Revenue From Space Leasing

Conference rooms can be rented to members and non-members. A cloud-based access control solution that integrates with your coworking software will allow members to book and pay for the room, then an access code is automatically sent to their mobile phone to gain access to the space for the reserved amount of time. Pay attention to security, especially if your conference rooms have extra doors for access from the outside. The most lucrative plan for conference rooms is per-hour, but you should also think of daily and weekly passes. Many corporate workshops or training seminars are held over the weekend, so it's good to have weekend plans. As a general rule, you need to provide conference equipment to users and charge extra for additional laptops, chairs, and video projectors. Think of including catering services from a local catering company and make money from the referral fees.

Too much desk seating is not very spine-friendly. In the evenings or in the mornings, when the shared workspace is less busy, you can offer available rooms for fitness purposes. Of course, it may not be simple to set up a full gym, but you can think of adding some mobile equipment, such as the bare necessities for spin, dance, yoga, pilates and similar activities—where users bring their own equipment.

## Determining Revenue Sources

Start thinking of revenue-generating resources by planning the space availability, layout, and location.

The first thing you need to check is any legal requirements for the sub-services that you provide. Also, check your own lease for additional costs or limitations on what you can do in the rented space. Some businesses need to get special permits, so it's worth investigating this before everything else.

Second, see how much flexibility you have in terms of redesigning and refurbishing the place. Wide open spaces and different room sizes, or movable walls, are more valuable since they can easily be adjusted to varied requirements. The furniture doesn't need to be too robust or space-confining. The design process is very important to maximize the space you own. Hence, unless a professional designer's help is too expensive, you should really consider hiring a pro.

Consider the pros and the cons of leased and purchased equipment. If you don't have the resources to buy everything then go for rentals, which are an affordable short-term investment.

Lastly, conduct a cost-benefit analysis of all potential investment ideas. Include risks and opportunities. Coworking space essentials, such as security, health and safety, desks and chairs, coworking software and staff will need to take priority. Also, decide which aforementioned ideas you can implement for free. Weigh the costs against the benefits—if the latter outweigh the costs, go for the investment.

# Increasing Revenue Streams for Coworking Spaces

The coworking business model has had an impact around the world. Many coworking space owners emphasize that creating a thriving community is the most important thing for them, but the truth is that every company wants to increase its revenue and to grow its business—coworking spaces are no exception.

A flourishing shared office space usually provides more than just a workstation, in the form of diverse services and amenities. That's why any venue can increase coworking sales revenue by creating various streams of income that can be derived from selling those services.

To be more profitable, coworking spaces can make additional income by offering auxiliary services. In fact, creating new sources of revenue and increasing income is the way to go in order to ensure sustainable business growth. A coworking space financial model should include at least 5 directions that have a significant impact on the business.

## What are some possible revenue streams?

### Membership Tiers

This could be your primary resource. Offer your members different subscriptions at different pay levels. Those could be hourly, daily or monthly passes with diverse access levels.

### New Audiences

By catering to corporations and not only individual professionals, you can significantly increase coworking sales revenue. For example, WeWork got $250 million in revenue from corporate clients last year. This accounts for 25 percent of the company's total annual revenue.

### New Services in Addition to Existing Products

From workshops and social events to meeting rooms and conferences, you can add auxiliary services that will be genuinely helpful to your clients and expand your coworking space financial model. Some other ideas here include locker rooms, self-serve package services, virtual offices, professional training, yoga classes or dance lessons.

### Collaboration With Local Businesses

You can partner with a local gym, a dance studio, a restaurant or a legal company, offering discounts at their venues, and extend these services to your members—in order to get your partners' clients. This will positively impact your local community, help get the name of your coworking space out there to attract new members.

### Offering Services to Non-Members

You can rent conference rooms or sell tickets to workshops and training programs to any interested party. Conference equipment, laptops or video projectors can be rented at an additional fee. You can also host events that require catering services and derive profit from referrals.

## Successful coworking businesses with multiple revenue streams:

Impact Hub is an example of a coworking space that can be an incubator, an innovation center, and an event venue at the same time. The shared workspace has a global network and offers its members different packages—from access to a limited number of events and virtual offices, to fixed desks with unlimited access to the venue and plenty of benefits included in the deal.

WeWork also offers various membership plans that start from a pay-as-you-go plans, to a custom buildout with unique functionalities for large corporations. The company also rents its spaces across the world for different private events, such as conferences, workshops and even birthday celebrations.

The bottom line is, coworking spaces lend extraordinary versatility, and therefore provide multiple possible revenue streams that should be considered.

# Renting Out Unused Commercial Space for Coworking

Majority of landlords and companies have to deal with unused commercial space. Many buildings are filled only during part of the day—for example, if your traditional office closes at 6 p.m. then you're used to this. The desks and amenities in your space are underutilized, yet you're technically paying a '24/7, 365' lease.

The agile real estate market suggests making extra profit from unused office space without much effort on your part or your staff. The idea is simple and implies short-term space leasing for the time when you aren't using your location. So, it can be offered as a shared workplace or a coworking location. Those who travel around or are looking for a suitable place to work at untraditional hours may find these options attractive.
If you have a large meeting room that's never utilized after 7 p.m. you can offer it as a coworking space for freelance creators or startups. Filling unused office spaces is essential to increase profit.

The workplace no longer implies traditional desks and cubicles, the spaces have become flexible. Additionally, sharing unused office space is environmentally-friendly. We already have these resources so why don't we use them properly?

## Where to Rent Out Your Space

First of all, define what unused commercial space you have and at what time you can use it for coworking purposes. Make sure that it is suitable for events and has amenities, like a strong Internet connection, printer, coffee machine, a private booth for phone calls and, ideally, a meeting room. It's also recommended to take quality pictures of your space to display it in various ads. The fastest and easiest way to promote your coworking space is by placing it on the Internet.

There are also other listing services, such as LiquidSpace. It was created specifically for sharing workplaces. You can create a basic profile and communicate directly with your potential clients. They also provide a direct agreement for space hosting. It's quick and straightforward in comparison to standard lease formats. Once again, your cloud-based access control system will allow you to send electronic keys to access the space if you're off-site.

Security is another important aspect for you to consider. You don't want any information leaks and you want to protect your business and your new clients.

Define what tech or resources you're going to share—make sure it's attractive and useful, secure your space, and upload an ad on the Internet. You can also benefit from other advertising services or do something creative, like filming a video guide to show your online viewers around the office.

Remember that it is essential to check the legal aspects surrounding this in your state or country before starting any process. Consult with a professional or read your building's legal requirements and your long-term leasing agreement. Each building and landlord have their own rules, so be sure not to break them. Now put your unused office space to good use and make some extra money!

# Expenses Coworking Spaces Can Save On

The number of coworking spaces around the world has surged. More and more freelancers, tech people, startups and well-established companies prefer shared offices over traditional offices for a number of reasons. Comfortable, yet inspirational work environments, ergonomic furniture and attractive design, free drinks and exciting networking events, the sense of belonging to a community—the perks of coworking spaces far outweigh those of conventional offices.

From the independent workers' point of view, coworking spaces make for a perfect solution to the flexible work approach; however, coworking operators have higher risks compared to traditional offices, because they enter into a long-term lease agreement with a landlord or broker and offer short-term rental to their members, without the guarantee of retaining them for long periods of time. That brings us to the question: **Can coworking spaces make money?**

The answer is yes. With the right approach, a coworking space business model can be profitable. All it takes is finding the right balance between the revenue received from the business activity, your regular costs, and the income-adding services you offer. Let's have a look at some of the effective ways to manage coworking space finances.

Some things and services are indispensable to any successful coworking space. It goes without saying that free beverages, Wi-Fi connection, printing options and access to social events cover the absolute minimum that all co-workers expect; therefore, under no circumstances should you cut them.

At the same time, many coworking spaces have services that do not add any sought-after value and, instead, create extra costs. For instance, employing a full-time receptionist will cost you more in the long run than implementing a coworking space management software with automatic check-in options.

Another risky service that will cost you, and might not bring any profit, is an in-house restaurant. A centrally-located shared workspace with plenty of amenities in its vicinity doesn't need a restaurant. In case you do need to provide some snacks and/or food options, it's better to outsource the food-related services.

Child daycare is yet another service that can potentially cost a coworking space a fortune, considering the salary of the personnel that looks after children, the costs associated with furnishing a playroom, fulfilling state regulations, and sometimes the salary of a medical practitioner that may be required in some states. Therefore, unless you cater to female entrepreneurs with kids or you have a high demand for child care, we advise you to think twice before offering child care at your premises.

**An in-house restaurant ranks highest as a non-starter service offered in a coworking space.**

According to the recent 2017 Global Coworking Survey, there is an increasing demand for private offices, rather than floating desks, while conference rooms are not often used by the majority of coworking members. Take advantage of this statistic by offering private offices to corporate clients and perhaps decreasing the open area by converting part of it to office space. Add high-reward services that don't cost you much but help you gain extra profit or attract long-standing members. Such services may include virtual memberships with mailing options, or the possibility to use any of your locations for free (if you are running multiple coworking venues).

To be profitable, check the demand for any extra services before offering them, especially if you are new to the coworking business and don't have many members yet. Every decision should be calculated; therefore, don't offer services that won't bring in new members or a cash influx.

# The WeWork Business Model

WeWork has been at the forefront of the shared workspace industry and quickly became the driving force. Who are the investors behind WeWork? Does WeWork's model make money—and if so—how? What are the financial risks associated with WeWork's business model? Why do landlords decide to take WeWork as a tenant and not lease it to a company directly? Let's examine all these questions. Before that, for anyone not familiar with WeWork, here's a quick overview.

## What is WeWork?

WeWork is a company, founded in New York in 2010, that offers coworking spaces to entrepreneurs, startup companies, freelancers and larger entreprises. WeWork has been growing at a high speed ever since its establishment, and it's now one of the largest coworking space chains in the world—with more than 2,000 employees and locations in 23 U.S. cities and 21 countries abroad; including, Australia, Argentina, Brazil, Canada, China, Colombia, France, Germany, Hong Kong, Ireland, India, Israel, Japan, Mexico, Netherlands, Peru, Singapore, South Korea, Spain and the U.K.

## Who are the investors behind WeWork?

The top investors of WeWork:

| | Organization/Person Name |
|---|---|
| 1. | Goldman Sachs |
| 2. | SoftBank |
| 3. | T. Rowe Price |
| 4. | Wellington Managem... |
| 5. | Hony Capital |
| 6. | Glade Brook Capital P... |
| 7. | Legend Holdings |

In 2017, WeWork gained an enormous $500 million investment from the following investors: Hony Capital, the Japanese Internet giant—SoftBank, Greenland Holdings, and China Oceanwide. Less than a month later, in August 2017, SoftBank Group and SoftBank Vision Fund poured a massive $4.4 billion investment into WeWork. The $4.4 billion was broken down to $3 billion in WeWork itself, namely through primary investment and secondary purchase of existing shares. The rest of the $1.4 billion will be used for WeWork's expansion in the Asian market: WeWork China, WeWork Japan and WeWork Pacific. As of 2018, WeWork has raised nearly $7 billion in private-equity and venture capital funding since its 2010 founding.

The immense investments by Asian companies, such as Hony capital, Legend Holdings and SoftBank, shows that WeWork's promising expansion in the east is paying off. Apart from the Asian investors, western big banks, such as Goldman Sachs, are also investing. Goldman Sachs and JPMorgan put over $350 million into the startup at a $5-billion valuation.

As of August 10, 2018 WeWork announced that it had raised yet another $1 billion from SoftBank. This shows the confidence of its investors, and it is well-deserved: WeWork revealed a 6 percent increase in occupancy rate, reaching an impressive 84 percent.

## How Does WeWork make money?

In a nutshell, WeWork rents buildings from property owners at one price, and rents it out to clients at a higher price. Some of the buildings WeWork rents are under-used anyway, so the rent is even lower than competition would be in similar, or popular, areas. After renting the buildings, WeWork transforms them, redesigns them and adds features, such as cafes, kitchens, ping pong tables, and subsequently rents the spaces out for significantly higher prices. Apart from making money on rent, WeWork also provides additional services to gain profits—such as partnerships with local businesses, community benefits, car rentals, etc.

## What are the financial risks associated with WeWork's business model?

WeWork, to begin with, pays its landlords a huge amount of money. The revenue obtained by renting to its clients will hopefully cover this cost, but it must be invested up front. If WeWork does not get enough clients to rent its spaces, or if the rent is not covering the cost, the company is in a risky position. This was true in London when WeWork launched coworking spaces in the U.K. in 2014—it ran at a loss, since it was renting the spaces out for lower prices than it was paying the landlords. Between October 2014 and the end of 2015, WeWork gained £13.6 million in revenue with a total cost of £18.3 million, with a net loss of £14.4 million.

However, periods of loss are not abnormal for new businesses, especially when WeWork establishes its first locations and operations in Europe. The company needs to set up the location, hire new staff and it involves other high costs before finding new clients and selling a new geographic region on the benefits of coworking.

## Why do landlords decide to take WeWork as a tenant and not lease it to a company directly?

It's easy for landlords to have one contract with a single large company for ten years, than to have several different tenants for shorter periods. Overall, the managing efforts and negotiation processes are much less troublesome with one tenant. Apart from the simplicity, the reputation of WeWork also makes property owners willing to lease their buildings. As a fast-growing startup, WeWork gained enormous exposure in the media, this adds to the value of the properties they are renting. Finally, some of the properties are located in less popular areas, landlords in these districts find it smoother to lease their buildings to a reputable company for a long period of time, rather than filling constant vacancies in unpopular areas.

## What is WeWork's relationship with its landlords?

WeWork leases buildings from property owners, usually for ten years, and starts transforming the buildings and redesigning them. The buildings are subdivided into smaller fractions of various sizes and functionalities to accommodate clients of various sizes and needs. The long-term contract pressure, therefore, is not on the clients; instead, Wework takes on the responsibility with long-term contracts for property owners.

## What are the membership options?

Flexibility is key in WeWork's business model. Four major options are provided to best suit different businesses' needs. The membership fees are the major source of revenue for WeWork.

### Custom Buildout

This option presents maximum freedom for those who want to customize their workspace to achieve the highest level of efficiency and comfort. From CEO suites, conference rooms, auditoriums and labs—the choices are endless. WeWork will scout the building and transform it, according to a client's needs, with smart designs. Clients include Facebook, Microsoft, HSBC, Deloitte, etc. Pricing varies depending on the specific demands of the company.

### Private Office

These fully furnished, move-in ready, offices are an optimal choice for companies seeking privacy and who want to begin utilizing the space immediately. The private offices are equipped with office furniture and they're customizable to fit teams of sizes from one to 100+. Pricing starts at $450/month for this tier.

### Dedicated Desk

This plan offers dedicated desks that allow clients to work at the same spot permanently. For those who want the opportunity to be social at work and share creative ideas, but who also want a desk of their own, this is the perfect solution. Startups and small agencies usually find this the convenient option for them. Pricing starts at $350/month.

### Hot Desk

The most flexible type of coworking space; this option gives workers the opportunity to pick a primary WeWork location, show up whenever they wish, pick any available seat in the common area and start working immediately. Flexibility and affordable cost are important for part-time and remote workers. Pricing starts at $350/month.

Aside from the flexibility and possibilities it provides, WeWork's business model also works because everything is taken care of and clients don't need to worry about anything apart from paying for the membership. WeWork gains revenue from the membership fees. The fees are all-inclusive and WeWork performs the day-to-day tasks of filling the ink in the printer, paying utility bills, taking out the trash, etc.

# Crowdfunding Your Coworking Space: Interview With The Coven

Alex Steinman and her co-founders, Bethany, Erinn and Liz, met in advertising. They were all working under inclusion initiatives, in the Twin Cities, to bring 25 agency leaders together to promote conversations about bringing more diverse talent into leadership—but that requires time and money. “The industry wasn't into that,” Steinman says. Steinman and her co-founders, instead, looked to invest in creating an accessible space to make the biggest impact across multiple industries—services for women so they could help build economically empowered businesses in their community. “So we came up with an idea where we could hold that energy—when women come into a space we could foster and incubate companies to create more access for women,” Steinman says.

Unlike many coworking owners, these founders came into the project with impressive previous careers in marketing, advertising and PR. About a year ago, they started with focus groups for market research and interviewed hundreds of women from many industries about how they would use the space. “We didn't want to tell people what they needed, so this market research gave us a better sense of what the community needed,” Steinman says. They decided to launch a crowdfunding campaign in October and raised $315,000 in about five months on iFundWomen, a crowdfunding platform for women-led startups and small businesses.

“We started by planning,” Steinman says. “Which I think a lot of folks don't think about when they jump into a crowdfunding platform. But if no one has a way to find it then you're not going to raise any money.”

They invested a lot of money in connecting with people to share their story and built their email lists so that they had an arsenal of followers willing to purchase memberships from the beginning. They started two months in advance of the crowdfunding launch to build their social and email lists. “We were building a community to hit the purchase button from the day that we launched,” Steinman says. They have about 340 members now and over 60 community-funded members.

“A core piece of our business and messaging was that we wanted this thing to be built from the community, to help people through contributing more opportunities and access,” Steinman says. They had a unique situation. Minneapolis has one of the highest disparity gaps in the country; to be able to bridge that, Steinman had more wealthy members contribute to the success of The Coven's less wealthy members. They were giving away a lot for free up front and, from a business perspective, in order to go to a bank down the road or have an investor (which they haven't needed yet), the women needed proof of concept.

“The success of the crowdfunding proved that the Twin Cities were ready for a space like this,” Steinman says. Their five-for-one program means they accept applications twice a year to gift one membership to someone in the community, either in the LGBTQ community or individuals from disadvantaged backgrounds—immigrants, people of color or differently-abled women, for example. “We want a space that looks and feels like the Twin Cities,” Steinman says.

Scholarship members have found access to capital and have grown their businesses as a result of joining The Coven. “The next year many of them can pay for a membership and so it's not just our full-paying members, but all our community members, that are growing the space long term,” Steinman said. “This isn't a fad. It's a growing and expanding community.”

## How Does the Traditional Office Not Support Women?

Steinman believes that traditional workplaces have a lot to learn. “In general, we're going through a reckoning with #MeToo and the Time's Up movement, but I think we're primed in the time where women and non-binary women are saying that we deserve equality. But in systems that were built on oppression and built for men and by men,” Steinman says, “it's a much harder boat to turn.”

For Steinman and her co-founders, creating a space that is women and non-binary focused first is the biggest difference between The Coven and other coworking spaces. “It's about creating more than just a space for women to nurse. It's creating a space that doesn't discriminate against those things,” Steinman says. She points out that parental leave and nursing rooms tend to be things just being invested in now, without thinking about what else parents need when returning to work. Maybe they need to bring the baby to work in the first 6 months to bond, “It's things like this that we're investing in first—putting them first so we make sure women are comfortable,” Steinman says.

## What Advice Would You Give to Female Coworking Owners?

“Staying true to your values and finding partners who value your mission,” are among the most important, she says. Steinman and her co-founders were intentional about their location, to enable the most access by every type of community member. The Coven is situated next to public trans, bike routes, and parking to ensure the most accessibility. They also strive to provide free snacks and meal bridging so that members can focus on working—providing an equitable space for all.

## Crowdfunding Your Coworking Space

Steinman would recommend a platform like iFundWomen because it offers an incredible community and support. “One of the things they do best is coach you through the process,” Steinman says.

It requires time, prep and persistence but it's a great platform if you've never done crowdfunding before. “But what I would definitely say is you have to have your shit together,” Steinman says.

Crowdfunding is not something that you can just put in motion and let go of, she warns. “You really have to do the prep work and leg work and do it when you have time. Set a realistic goal you know you can hit and don't be afraid to be annoying,” she says.

**It's like she tells her members:** “Putting yourself out into the world, that's how you're going to reach your goal. Maybe it's $10,000 to get an initial investment, not to buy a space but just to buy food and post your focus group,” she says. “What we did wasn't easy but we hit the mark at the right time and in the right place.”

# Coworking Profit and Loss Overview

## Are coworking spaces profitable?

If you design an appropriate strategy to build your coworking business, it will bring you strong revenue. Let's focus on predicting all relevant coworking profits and losses so that you can understand if the effort is worth the reward.

In this article, you'll find an overview of the profits and losses of running a coworking space. You'll also get to know what factors can help you decide if you should go ahead or not. Did you know that 40 percent of coworking spaces around the world are profitable, according to statistics? More exciting—the percentage has increased for four years running (it was 32 percent back in 2013). In one of our webinars, Melissa Schilo, a coworking consultant, shared that coworking is projected to make up 30 percent of the global real estate market by 2030.

On the contrary, there are fewer coworking businesses that are losing money now. In 2013, 36 percent of coworking spaces were unprofitable, now that number is 26 percent. It's true that this business is comparatively new on the market but coworking space owners are quickly learning how to get revenue from their businesses. Why would you want to go through trial and error if you can learn from their mistakes and build a profitable business right from the start? That's what coworkingresources.org was created to accomplish.

## 5 Common Coworking Profits

The owners of coworking spaces make money selling a number of services.

- **Renting out desks to various creative entrepreneurs and freelancers—this makes up approximately 36 percent of revenue.**
- **Selling coworking memberships (about 18 percent). We recommend that you design combined membership plans for different types of target clients.**
- **Rent out meeting spaces—this service brings in 10 percent of revenue.**
- **In-house classes and workshops make up around 8 percent.**
- **Offering virtual office services (approximately 2 percent of income).**

Other revenue streams include selling tickets to internal events, as well as providing public support, and other services.

## 5 Common Coworking Losses

There are certain expenses that are inevitable if you're building a coworking business. 40 percent of all losses are associated with renting the space, that's loss number one.

Coworking space owners spend money on marketing and experience huge expenses as a result; however, they are difficult to calculate since they depend on the owner and the available budget. Fifteen percent of losses are operating costs. Additionally, you will have to pay salaries to your employees. Coworking space maintenance will cost you about 6 percent. Another 6 percent will be spent on the equipment for your space, to make all the necessary appliances and technology available for your visitors. This also includes installing efficient software in your coworking space, such as keyless access control and a member management portal.

Please take into account that these are average numbers, and your coworking profits and losses may be different. You should also calculate when your working space is going to break even. For instance, WeWork's company was operating at a loss for a year. It gained $17.5 million in revenue and experienced a net loss of $18.5 million. This happened because WeWork was renting out desks for a lower price than it paid to its landlords.

Nevertheless, today WeWork is a profitable business and brings in enormous revenue. In fact, 35 percent of coworking spaces start profiting from income in 6 months; therefore, it's essential to act strategically and realize that your coworking company has to go through a period of loss before gain, which is going to last for about six months to one year. Make sure that your coworking business plan includes a clear step-by-step strategy on how to make your space profitable as soon as possible.

## What are other essential factors, apart from the aforementioned profits and losses, that you should consider before you open a new space?

### Crucial Factors in a Coworking Business

Owners of coworking spaces make money to achieve their ambitious goals but also to make a positive change in the world. These people are often empowered by a particular community. Why not make use of it when you start your own business? The more members you get, the more profitable your business will become. So tailor your future space to the needs of your community; for instance, it can be a women-only coworking space or other niche that you're serving.

If you build a niche-specific business, by relying on the community you want to contribute to, you skyrocket your chances to get the ROI that you want. It will be easier for you to establish long-term relationships with your members, especially given that you already have the necessary connections in that niche. It will also make you stand out if a competitor opens a coworking space in your neighborhood.


Kisi is a cloud-based access control system. It allows coworking spaces to connect their doors to their member-management system to generate additional revenue streams, keep operations lean, and scale faster.

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