

Why African investors need to venture into the fast-growing flexible workspace industry

By [Gidgette Osborne](#)

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Francis Kariuki, recently a former head of operations at a flexible workspace (also known as a coworking space) in Kenya sits across from me as we have a chat on the immediate future of the flexible working industry. Beaming with excitement and optimism, he observes that there is a huge opportunity for seasoned African entrepreneurs to venture into creating coworking space for the burgeoning working population across capital cities in Africa.



Image Supplied.

"It is great for global companies in this industry to come in and get strategic local partners with whom they can advance the business. Otherwise, it can be difficult to come in, set up shop, look for employees, source the right documentation, master the dynamics, know the local market and try to turn a profit all by yourself," he notes. He is referring to the recent move of flexible workplace provider, IWG plc, to partner with established business leaders to speed up the growth of the industry by rolling out its first-ever franchising opportunities in Kenya and across the continent.

A 2019 [report](#) by the African Development Bank (AfDB) shows that the continent's working population will increase from 705 million in 2018 to nearly 1 billion by 2030. This is a big opportunity for high net worth individuals across Africa to invest in coworking spaces to cater for this growth.

Some of the key benefits that an investor would get is the use of the market-leading support systems, from sales and marketing, to day-to-day processes provided by global flexible working giants like IWG, for example, which drive cost savings as well as efficiency. Also, it is easier to market an already established brand than starting from scratch, hence minimising the risks associated with failed investments.

There is a growing need for entrepreneurs to have flexible, affordable, readily available and convenient workspaces.

According to Kariuki, to invest, you need to, “find a good space that will be big enough for your target customers. You also need to have a budget for the assets, the most important ones being furniture - seats, shelves, partitioning, desks - depending on the type of coworking space you want.”

In 2016, Coworking Africa reported that Egypt had 76 coworking spaces - the most on the continent. In the same year, South Africa came in second, with 67 coworking spaces recorded in the country. There are now more than 100. Nairobi is also booming with business, with IWG having opened its 10th location in the city recently.

There is an ever-increasing demand in these spaces, which guarantees investors an exceptional return on investment in their franchising ventures.

Felix Njoroge, an Alternative Investments Analyst within the real estate industry says current trends are promising for the coworking space industry. He has a financial engineering background and has worked with Cytonn, an alternative investment manager, with real estate development interests.

"I believe it could be an extremely viable project for high net worth individuals, landlords or multi-franchise operators to partner with IWG, keeping in mind the power of two," he says. With a network more than six times larger than its nearest competitor, investors are spoilt for choice when it comes to locations in existing markets and new African markets.

Another point to note is that office space is used more efficiently. As an investor, you can serve many clients at a go.

There is also the diversity that comes with a wide range of clients that operate within the shared space. This fosters inter-industry collaboration rather than competition. The community that is created serves as a resource for its members. This gives startups a better chance to grow unlike when they are in isolation.

Traditional offices may not offer the amenities and opportunities that come across their global network of world-class spaces. They offer communal kitchens with coffee making machines, business lounges, community events and access to the Regus marketplace that provides discounts from leading brands, and a caring customer support team.

Like many start-ups, with no capability to carry out a lease to term spring up and big international groups race to adapt to market needs, this is the best time to cater for the hungry market. Gone are the days when an entrepreneur could work from home and just get their business on its feet for a long time. These days, people need to meet VCs and angel investors and they cannot invite them to their homes. Here is where flexible workspaces come in, they create opportunities.

And they're here to stay. Coworking grows by about 24% annually, according to Forbes 2017 quoting Emergent Research. Another report by JLL (Jones Lang LaSalle) has shown that up to 30% of corporate real estate portfolios could be flexible workspaces by 2030 and according to Strategy Analytics, by 2022, the global mobile workforce will be 1.87 billion people or 42.5% of the total global workforce.

There is a promising future for investors in the flexible working industry and Africa is the place to be.

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