

# **WeWork: A disruptive force in the global commercial real estate market**

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## **Abstracts**

WeWork: A disruptive force in the global commercial real estate market

### **SUMMARY**

The rising demand for flexible space or co-working space has emerged in recent years, sparking a revolution in the global commercial real estate market. An increasing number of global corporations and start-up companies are in pursuit of favorable working environments in order to attract the next generation of talented employees. WeWork is one company that is leading the flex-space revolution providing innovative working areas for corporations and desk and office spaces for small start-ups and free lancers. The company has expanded at a prolific rate, however in the past year encountered head winds that have threatened the group's future.

### **Key Highlights**

WeWork began with a single property in New York focused on attracting small start-ups and freelance workers with its flexible workplace environments. The company has since emerged as a pioneering commercial real estate property manager with offices available to rent in over 111 cities as of Q2 2019. The original business structure of WeWork was directed at attracting innovative start-ups and independent workers, however since 2014 the company has successfully acquired the custom of large global organizations which now represent approximately 40% of WeWork memberships. Through its expansion, WeWork attracted major investments the largest of which came from SoftBank who have allocated over \$10bn in funding to WeWork since 2017 and encouraged the first steps towards its IPO in August 2019.

WeWork started by offering small innovative office spaces to free lancers and start-up companies with strong entrepreneurial conviction. Digitalization and technological advancement has led to a dramatic increase in innovative start-up companies all aiming to become multibillion organizations through their innovative products and industry solutions. Start-ups require small affordable workspaces still within close proximity to key markets and cities with facilities to attract young talent. By taking these factors into consideration WeWork has been able to take advantage of the growing number of young start-up companies across the globe. One in eight first time entrepreneurs located in major US cities are we work members.

We Work is still waiting in anticipation of its first year of profit. So far the group has experienced net profit loss growth in accordance with the company's revenue growth year on year. The value of losses in 2016 - 2018 (figure 4) were almost equal to revenues generated annually, with company expenses almost double the We Company operating income. Over the past three years the company has lost a total of \$2,925m. Although losses are expected when start-up companies are within their expansion phase, investors became unsettled after the organization's losses were made publically available ahead of the IPO filling.

## **SCOPE**

See what has driven the dramatic growth of WeWork

Explore the IPO and what the market reaction was

Examine the significant problems that WeWork faces

## **REASONS TO BUY**

Why has WeWork grown so rapidly?

What difficulties is the company having?

Is the company likely to recover?

Can Softbank help the company make a profit?

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