

UrWork: Co-working with China's Newest Sharing Economy Star





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Keeping with global trends, Chinese consumers are embracing the sharing economy with enthusiasm. Mao Daqing is the force behind one of China's latest successes as the founder of UrWork, the country's leading co-working space company. A former senior vice president at Vanke, Mao is considered a pioneer and thought leader in the co-working industry. With UrWork, he is changing the way people work in China at an unprecedented rate and scale.

Founded in 2015, UrWork offers co-working spaces to freelancers, small and medium-sized enterprises, as well as startups. In just two years, UrWork attained "unicorn" status, after a Series B round that valued the company at US\$1.3 billion in 2017.¹ As of August this year, UrWork has 88 co-working locations across 22 cities in China, representing nearly 30,000 desks, plus private office space, serving 40,000 members and 3,000 enterprises.² Overseas expansion plans are also well underway, indicative of global demand for its product.

From Danwei to Co-working Spaces: Changing the Way of Work in China

This newest segment in China's commercial real estate industry is indicative of wider changes in the national economy. Decades ago, ideas of "community" and "workplace" had a very different connotation in China. They referred to one's place of employment, or work unit ("danwei" in Mandarin), and for urban areas especially — employment within a state-owned enterprise. Work units also had their own means of providing services, such as

1 Emma Lee. "UrWork becomes co-working unicorn after 58M USD Series B." Technode. January 18, 2017. Accessed June 4, 2017. <http://technode.com/2017/01/18/urwork-becomes-co-working-unicorn-after-58m-usd-series-b/>. At present there are 52 companies valued at over US\$1 billion in China. For a current list of all unicorns globally, see CB Insights, "The Global Unicorns Club." Accessed 8.2.17. <https://www.cbinsights.com/research-unicorn-companies>

2 No Byline. "China's Co-Working Unicorn Completes Pre-C Round, Fueling Further Global Expansion." Morningstar. August 7, 2017. Accessed August 11, 2017. http://www.morningstar.com/news/pr-news-wire/PRNews_20170807HK59368/chinas-coworking-unicorn-urwork-completes-prec-round-fuelling-further-global-expansion.html

child care, health clinics, and food to name a few, in a bid to forge community.

Today, these connections no longer come necessarily through employers. The surge in co-working spaces in China nonetheless suggests that the desire to belong to a community and share in mutual benefits remains. Now, however, it is often the private sector, and more broadly China's market-oriented economic transformation, that is driving both supply and demand for these benefits.

Why Co-work?

Given technological advances, it is now possible for anyone with a phone, computer, and internet connection to work without being tied to a specific location. Still, as any early-stage entrepreneur would say, the value of a like-minded community is priceless. In fact, members of co-working spaces consistently report in surveys that the opportunity to learn new things, to expand their professional and social network, and to have a work environment that can adapt to their changing needs are major reasons to join a co-working space. "Co-workers" also report being more productive and happier than those who work in traditional office spaces where job title or position typically defines the allocation of space and non-wage benefits.³

While many of these surveys focus on the United States, the growing attraction to co-working in China and elsewhere around the world suggests that a similar sentiment exists. UrWork has taken this interest to heart, setting its primary mission as the creation of an environment where "entrepreneurs can realize their dreams."⁴

Making Dreams Come True: Building Community Spirit

To start, UrWork went beyond the real estate industry to build its executive team. At the top, CEO Yang Jin brings over 20 years of experience in strategic planning, working in China and abroad at some of the world's best brands. Other senior executives have expertise in media, internet technology, and organizational and human resource development, which in combination has built the foundation for a robust ecosystem.

To bring this ecosystem into fruition, UrWork envisioned its position first and foremost as the creator of a scalable platform that "made it possible for people from different worlds to meet."⁵ The idea of a platform thus goes beyond the mere construction of a physical entity. It is about building a common mental space, offline and online, something which the founder, Mao Daqing, describes as an organic process by which a new spirit of community emerges. The "co-working" experience, in other words, is about more than a group of people working in the same place. It is about the creation of a new mindset, one that is built around values of sharing, learning, and collaboration. This view has special appeal to the millennial generation in China and in other parts of the world.

UrWork's latest flagship project, 5LMeet, has taken this notion a step further, combining work and living space together.⁶ "5L," which stands for linked, liveable, lively, landscape, and liberal, is a building complex that integrates living and working spaces to create a larger, more collegial environment for its tenants. As its logo suggests, 5LMeet members have exclusive access to

3 Knoll Workplace Research Report 2016. "The Rise of Co-Working: A Growing Workplace Movement." P. 5 (originally published in Corporate Real Estate Journal (5:4), July.

4 Mao, Daqing. "我的使命是未来十年支持1万家中小微企业做大做强 —写在优客工场创办一周年之际." Mao Daqing's Sina blog. Sina blog, 7 Mar. 2016. Web. Accessed June 8, 2017. [In English, Mao Daqing. "My mission is to support 10,000 SMEs in China – a reflection at UrWork's first anniversary." Mao Daqing's Sina blog. Sina blog, 7 Mar. 2016] http://blog.sina.com.cn/s/blog_51d52c870102w839.html

5 Interview, Mao Daqing, Beijing, China. April 4, 2017.

6 共享际 (5Lmeet) - 享见同类 发明生活. ("Sharing – meet and innovate with fellow entrepreneurs") Accessed June 12, 2017. <http://www.5lmeet.com/>. In product composition, 5LMeet is not the same as WeWork's recent launch of WeLive, a serviced long and short-term housing option only recently rolled out in the United States.

a wide range of service providers, through its propriety mobile app. The first 5LMeet space opened in Beijing in 2016, and UrWork plans to open two more locations by the end of 2017.

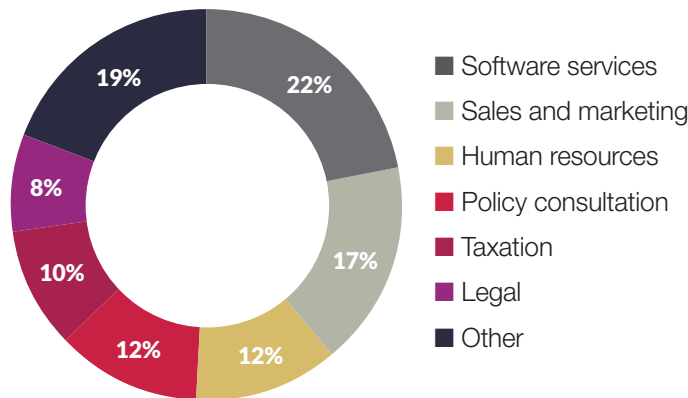
FIGURE 1: AROUND-THE-CLOCK SHARING



Source: The 5L Meet webpage <http://www.5lmeet.com/>

Such new configurations arguably change the way people think and work, with important implications for China’s broader macro-economy. As one benchmark indicator, UrWork, as of June 2017, is home to more than 1,000 startups and has over 1,000 service providers.⁷

FIGURE 2: URWORK SERVICE PROVIDERS, BREAKDOWN BY INDUSTRY (2015)⁸



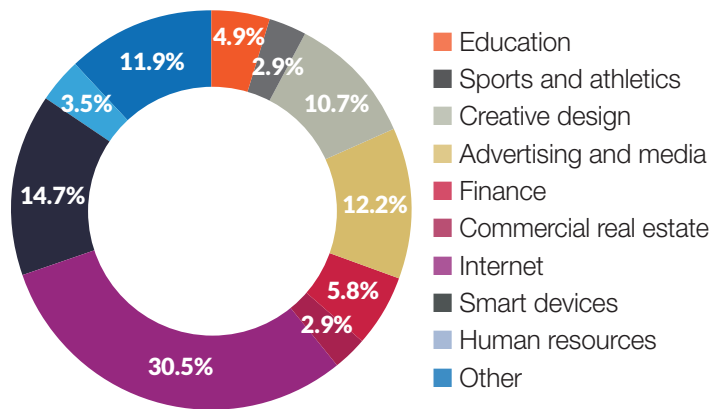
7 “UrWork official site.” <https://www.urwork.cn/>. UrWork, n.d. Web. 08 June 2017. <<https://www.urwork.cn/>>. 服务商,联合共享办公,众创空间,优客工场-让平行世界的人相互遇见. Accessed June 12, 2017. <https://www.urwork.cn/facilitator/index.s>. No Byline. “China’s Co-Working Unicorn Completes Pre-C Round, Fueling Further Global Expansion.” Morningstar. August 7, 2017. Accessed August 11, 2017. http://www.morningstar.com/news/pr-news-wire/PRNews_20170807HK59368/chinas-coworking-unicorn-urwork-completes-prec-round-fuelling-further-global-expansion.html

8 Mao Daqing. “Collaborative Entrepreneurial Innovation through Comprehensive Incubators and the Sharing Economy.” Talk delivered at the “China Entrepreneur and Innovation Week.” Shanghai, China. November 30, 2015.

9 Mao Daqing. “Collaborative Entrepreneurial Innovation through Comprehensive Incubators and the Sharing Economy.” Talk delivered at the “China Entrepreneur and Innovation Week.” Shanghai, China. November 30, 2015.

The diversity of UrWork’s membership, meaning those who have chosen to rent a space within UrWork co-working facilities, gives further hint to the social impact and market potential of the co-working sector. As the chart below suggests, China’s increasingly diverse economy operates on both a large and small scale. For small businesses, new and old, this distinction is important.

FIGURE 3: URWORK MEMBERSHIP (RENTERS) BY INDUSTRY (2015)⁹



Building a Platform for Small Business to Thrive on

Co-working spaces operate in ways that are especially attractive to small businesses. Small and medium-sized enterprises, old and new, face higher transaction costs than larger, well-established firms. These costs have to do with everything from scarcity of capital to the time-consuming work of finding service providers. For startups especially, the opportunity to roadtest ideas through mentorship and pitch contests, can often make the difference between securing additional financing or not. Adding to this, the flexibility of rental terms, which

allows a business to scale up or down as demand shifts, makes a co-working space especially appealing to small and medium-sized enterprises.

These pragmatic factors drive new companies to seek out co-working spaces that fit their values and needs. For this reason, this growing segment of the commercial real estate industry is playing a key role in adjusting the composition of the Chinese economy and ensuring its continued dynamism.

A Helping Hand: Supporting Mass Entrepreneurship and Innovation

Over the past decade, the Chinese government has been working to address several structural macro-economic issues. These include the decreasing size of the working age population, over-dependence on investment-led growth, and a desire to move toward a more consumer-led model of development to counter rising local government debt and to ensure steady economic development. To get there, broad economic transformation of China's growth drivers is now underway, which aim to change the perception of China as a "low cost factory to the world" to one defined by increased value-added production and innovation across multiple sectors.

Released in February 2006, the *Guidelines for Implementation of the National Medium and Long-Term Program for Science and Technology (2006-2020)*, was the first detailed discussion of how to implement this change in direction. It built upon the *11th Five-Year Plan (2006-2010)* for an "emerging industries development

plan."¹⁰ The *12th Five-Year Plan (2011-2015)* identified the "strengthening [of] indigenous innovation capacity as the core of economic restructuring." The *13th Five-Year Plan (2016-2020)* continued likewise, pushing for not only innovation, but also "people's creativity" as a means to balance lowered overall economic growth with increasing efficiency (also known as the "new normal" in China).

Much of this was made public to the world with Premier Li Keqiang's 2014 Summer Davos speech. He called for mass entrepreneurship and innovation, sparking a wave of expanded government support for new business models and young entrepreneurs alike.¹¹ Through subsequent work reports, state council opinions, and local government directives, the message was clear: Make it easier for small and medium-sized enterprises to do business.

Co-working spaces are especially well-aligned to support China's new development model. Mao Daqing, reflecting on UrWork's first year anniversary, implied as much when he described his "sense of duty supporting over 10,000 SMEs to grow their business and contributing to the Chinese economy."¹² The co-working industry is thus part of a broader transformation underway as evidenced by the sharp rise in China's sharing economy. It had a total market size of US\$299 billion (1,956 trillion RMB) as of 2015, with transactions totaling US\$527 billion (3,452 trillion RMB) in 2016. According to the China State Information Center, the sharing economy serves around 500 million people in China, making it a critical link in the daily lives of the Chinese people.¹³

10 The State Council of the People's Republic of China. "China Issues Guidelines on Sci-Tech Development Program." February 9, 2006 (originally published in *Xinhua*). http://www.gov.cn/english/2006-02/09/content_184426.htm Accessed May 30, 2016.

11 The State Council of the People's Republic of China. "Mass Entrepreneurship and Innovation as the New Growth Engine." March 3, 2016. http://english.gov.cn/premier/news/2016/03/03/content_281475300571752.htm; The State Council of the People's Republic of China. "Innovation and Entrepreneurship brings Economic Vitality." August 11, 2015. http://english.gov.cn/premier/news/2015/08/11/content_281475165641181.htm. Both accessed May 30, 2016.

12 Mao, Daqing. "我的使命是未来十年支持1万家中小微企业做大做强 —写在优客工场创办一周年之际." *Mao Daqing's Sina blog*. Sina blog, 7 Mar. 2016. Web. 08 June 2017. [In English, Mao Daqing. "My mission is to support 10,000 SMEs in China – a reflection at UrWork's first anniversary." *Mao Daqing's Sina blog*. Sina blog, 7 Mar. 2016. Web. 08 June 2017.]

13 Catherine Clifford. "The Sharing Economy is absolutely blowing up in China." *Entrepreneur*. March 3, 2016. <https://www.entrepreneur.com/article/271903> Accessed May 28, 2017; China State Information Center 2016. The China Sharing Economy Research Report (中国分享经济发展报告 2016), China State Information Center. Available at <http://www.sic.gov.cn/archiver/SIC/UpFile/Files/HtmlEditor/201602/20160229121154612.pdf>.

Nonetheless, a question remains: Is the co-working business good for the commercial real estate industry? Some have warned of potential market saturation. Others are quick to depict this industry as the solution to unused commercial space. A closer look at UrWork's business model suggests, however, that a more nuanced understanding is needed.

UrWork: Asset Light, Built to Serve and Nimble

UrWork's case teaches us that the nature of value creation in commercial real estate may be shifting from its traditional model of long-term leasing and anchoring tenants towards something that permits greater ease of adaptability to changing market conditions. This is particularly reflected in how the use of partnerships and modularity transforms properties from mere physical locations into comprehensive tenant-centered experiences. Further, equal emphasis is given to the interior design of a co-working space and its amenities to explain market demand. Co-working spaces, as such, thrive because they are able to serve the two main customers, meaning tenants and property owners, equally well.

UrWork has been especially adept at this balancing act. Its founder, Mao Daqing, brings deep understanding of China's real estate business together with a strong willingness to study global best practices, including visits to some of the more famous co-working spaces

in New York, London, Berlin, and Israel. Underlining his commitment to the industry is his firm belief that the co-working business is first and foremost about service. A co-working space's platform, in other words, is central to its value proposition. It serves its customer base by solving problems, creating opportunities, and thereby raising the productivity of the tenants. For this reason, co-working spaces can remain asset-light, thus lowering the overall risk for those operating in this industry. No wonder UrWork has had considerable appeal to those in China's commercial real estate industry.

Commercial Real Estate's Dilemma: The China Case

According to the National Bureau of Statistics in China, sales of commercial real estate had grown from 27% in 2015 to 68% in Q1 2017 at US\$80 billion. However, growth in commercial real estate investment has declined from 10% in 2015 to -4% in 2017.¹⁴

Developers, in turn, have faced growing vacancies and regulatory pressure that is expected to continue over the next few years. The total commercial saleable space on reserve, for example, has increased from 32 million to 38 million square feet.¹⁵ Malls have also come under pressure as China's e-commerce boom continues to reshape traditional retail. In 2016, shopping mall giant Dalian Wanda closed 40 of its 90 department stores.¹⁶ Shopping mall vacancy in Shanghai has also increased, growing from 11% in

14 "2015年全国房地产开发投资和销售情况." January 19, 2016. Accessed June 10, 2017. http://www.stats.gov.cn/tjsj/zxfb/201601/t20160119_1306094.html. [In English, "2015 China Real Estate Investment and Sales Overview." January 19, 2016. Accessed 6.10.17.]; "2016年全国房地产开发投资和销售情况." January 20, 2017. Accessed 6.10.17. http://www.stats.gov.cn/tjsj/zxfb/201701/t20170120_1455967.html

[In English, "2016 China Real Estate Investment and Sales Overview." January 20, 2017. Accessed June 10, 2017.]

"2017年1-3月份全国房地产开发投资和销售情况." April 17, 2017. Accessed 6.10.17. http://www.stats.gov.cn/tjsj/zxfb/201704/t20170417_1484946.html. [In English, "2017 Q1 China Real Estate Investment and Sales Overview." April 17, 2017. Accessed June 10, 2017.]

15 "2015年全国房地产开发投资和销售情况." January 19, 2016. Accessed June 10, 2017. http://www.stats.gov.cn/tjsj/zxfb/201601/t20160119_1306094.html. [In English, "2015 China Real Estate Investment and Sales Overview." January 19, 2016. Accessed June 10, 2017.] "2016年全国房地产开发投资和销售情况." January 20, 2017. Accessed June 10, 2017. http://www.stats.gov.cn/tjsj/zxfb/201701/t20170120_1455967.html. [In English, "2016 China Real Estate Investment and Sales Overview." January 20, 2017. Accessed June 10, 2017.]

"2017年1-3月份全国房地产开发投资和销售情况." April 17, 2017. Accessed June 10, 2017. http://www.stats.gov.cn/tjsj/zxfb/201704/t20170417_1484946.html. [In English, "2017 Q1 China Real Estate Investment and Sales Overview." April 17, 2017. Accessed June 10, 2017.]

16 Cendrowski, Scott. "The Chinese Company That Beat Macy's to Department Store Closings." The Chinese Beat Macy's to Department Store Closings |

2015 to 15% in 2016, while some second-tier cities like Qingdao post a 28% vacancy rate.¹⁷

The Chinese government has also imposed new regulations to cool the market. For example, several tier one and tier two cities are now restricting the proportion of floor spaces available for sale.¹⁸ In Beijing specifically, the city has restricted Vanke's newly-bid land to usage only for residential or commercial rental.

UrWork's business model tackles this pain point for developers. It rents spaces in buildings with high vacancies, and in cities with high concentrations of SMEs, freelancers, and entrepreneurs. In doing so, UrWork captures those fragmented tenants who otherwise could not afford large office space. UrWork takes these tenants and delivers them to commercial real estate developers through its co-working spaces. A secondary consequential benefit is an overall increase in traffic per square foot, something that is especially important to mall owners and their tenants. Mao Daqing estimates that the high vacancies of commercial real estate will push as much as 20% of the total market floor space into the co-working model by 2020. Given this, there is plenty of space for the co-working industry to grow.¹⁹ Moreover, given weak demand, UrWork is able to negotiate its own long-term leases with developers at significant value.

Why UrWork? A Tenant's Perspective

The core elements of any co-working space, which includes the opportunity for collaboration and learning, flexible leasing terms, and services whose cost may otherwise be prohibitive – such as open space plans, printers, and mentorship – alone do not make UrWork unique. So what is different?²⁰

Flexible Membership

- UrWork leases “hot desks,” meeting rooms, and multi-purpose function rooms at a daily rate. The rent for one desk per day could be as low as US\$15 in some cities, and yet all members benefit from the UrWork platform and partner services.

Multiple Locations and Space Customization

- Compared with competitors who reside mostly in a handful of tier one cities, UrWork has pushed into a dozen tier two cities, including Qingdao, Xi'an, Xiamen, and Tianjin. UrWork also works to differentiate its locations, thus increasing its appeal to targeted consumers. For example, its Alibaba-partnered locations provide on-site Alibaba mentors and software. Aesthetically, UrWork's “Sunshine 100” locations feature more natural sunlight, spacious rooms, and a warmer hue, while its proximity to university and technology parks helps to attract prospective customers in the tech and IT sectors.

Wide-ranging Business Vendors

- UrWork has the largest service partner base in the industry, providing legal, technology, financial, consulting and other services. In many cases, UrWork

Fortune.com. August 12, 2016. Accessed June 12, 2017. <http://fortune.com/2016/08/12/the-chinese-company-that-beat-macys-to-department-store-closings/>.

17 一二三线典型城市商业租金水平与商铺空置率. Accessed June 12, 2017. <http://down.winshang.com/zt/2016/kzl/>. [In English, “Tier 1-3 Cities Commercial Rental and Vacancy Rates.” Accessed June 12, 2017.]

18 “两个月60城调控超170次，房价是涨是跌？” May 21, 2017. Accessed June 12, 2017. http://www.sohu.com/a/142371836_571317?_f=v2-index-feeds. [In English, “Over 170 regulatory interventions in over 60 cities in two months – will housing prices rise or fall?” May 21, 2017. Accessed June 12, 2017.]

19 毛大庆，全球INS大会上的报告《办公室的未来》，2016年9月；以及毛大庆2017年3月访谈。 [In English, Mao Daqing. “The Future of Offices” September, 2016.]. Not public.

20 “共享办公,联合办公,众创空间,毛大庆” 优客工场-让平行世界的人相互遇见. Accessed June 09, 2017. <https://www.urwork.cn/>. “ [In English, “UrWork official site: Coworking space, Group entrepreneurship, Mao Daqing. UrWork – allowing people from different worlds to meet.” Accessed June 09, 2017.]

tenants also become service vendors, allowing them to pilot their products and branding. In addition, UrWork partners with leading service partners in China, such as AliCloud to provide more sophisticated services to its tenants.

- At latest reporting, there are three major types of vendors on the UrWork platform:²¹
 - **TYPE 1:** (70%–85%) Smaller, independent professional service providers who use the marketplace as a test market; many of these providers are also current tenants of UrWork co-working spaces;
 - **TYPE 2:** (10%–20%) Large, established Chinese vendors, such as Aliyun (Alibaba Cloud Services), China Ping An Insurance, and China CITIC Bank, that are eager to acquire new customers at a lower search cost;
 - **TYPE 3:** (5%–10%) UrWork co-founded vendors, such as the School of Power for training, that aim to strengthen certain functional supports in the marketplace. As of 2017, UrWork has invested in over 10 industries, with a total investment of US\$14 million.²²

Professional Launch and Financing

- UrWork also provides its tenants with the tools to make them investor-ready, including pitching sessions, accelerator partnerships, and connections to individual and institutional investors.²³ All this happens through UrWork’s proprietary training program, which

operates under its School of Power entity.²⁴ UrWork also co-owns Angel Plus Accelerator, which prioritizes UrWork tenants. Finally, UrWork promotes select startups in its marketing campaigns and invests in some of its tenants.

In sum, while other smaller, more fragmented co-working companies in China may offer slightly lower rental costs, UrWork provides its members with larger locations, more comprehensive services, and greater opportunities for financial support. The ability to meet the widest range of customer needs, and to do so at a competitive price, is a great advantage. After all, competing on price alone is insufficient in this industry. If anything, all players are somewhat tied to location-based pricing, and therefore the business model requires additional elements to compete successfully.

FIGURE 4: PRICING OF CO-WORKING SPACES IN CHINA

| | UrWork ²⁵ | WeWork ²⁶ | KrSpace (Chinese) ²⁷ | Naked Hub (Chinese) ²⁸ |
|------------------------------------------------|----------------------|----------------------|---------------------------------|-----------------------------------|
| Desk: range of monthly rental (USD)* | | | | |
| <i>Beijing</i> | 90-260 | 250-270 | 110-230 | 270-300 |
| <i>Shanghai</i> | 150-220 | 270-300 | 130-270 | 270-300 |
| Private office: range of monthly rental (USD)* | | | | |
| <i>Beijing</i> | 200-390 | 520-580 | 240-450 | 450-600 |
| <i>Shanghai</i> | 180-600 | 490-580 | 150-420 | 450-600 |

21 服务商,联合共享办公,众创空间,优客工场-让平行世界的人相互遇见。Accessed June 12, 2017. <https://www.urwork.cn/facilitator/index>. [In English, “Service providers for coworking space, Group entrepreneurship at UrWork – allowing people from different worlds to meet.” Accessed June 12, 2017.]

22 “共享办公,联合办公,众创空间,毛大庆。” 优客工场-让平行世界的人相互遇见。Accessed June 09, 2017. <https://www.urwork.cn/>. [In English, “UrWork official site: Coworking space, Group entrepreneurship, Mao Daqing. UrWork – allowing people from different worlds to meet.” Accessed June 09, 2017.]

23 投融资,联合共享办公,众创空间,优客工场-让平行世界的人相互遇见。Accessed June 12, 2017. <https://www.urwork.cn/businessPlan/jumpBplIndex>. [In English, “Investment and fundraising for coworking space, Group entrepreneurship at UrWork – allowing people from different worlds to meet.” Accessed June 12, 2017.]

24 服务商,联合共享办公,众创空间,优客工场-让平行世界的人相互遇见。Accessed June 12, 2017. <https://www.urwork.cn/facilitator/index>. [In English, “Service providers for coworking space, Group entrepreneurship at UrWork – allowing people from different worlds to meet.” Accessed June 12, 2017.]

25 “UrWork official site.” <https://www.urwork.cn/>. UrWork, n.d. Web. 08 June 2017. <<https://www.urwork.cn/>>. 服务商,联合共享办公,众创空间,优客工场-让平行世界的人相互遇见。Accessed June 12, 2017.

26 WeWork. “WeWork Coworking and Office Space.” WeWork. Accessed July 30, 2017. <https://www.wework.com/>.

27 “氩空间 | 联合办公标杆企业。” 氩空间 | 联合办公标杆企业。Accessed July 30, 2017. <http://krspace.cn/#introduce>. [In English, “KRSpace – the Icon of Co-Working Space.” Accessed July 30, 2017.]

28 联合办公空间 | 裸心社。Accessed July 30, 2017. <http://www.nakedhub.com/zh-cn/> [In English, “Co-Working Space: naked Hub.” Accessed July 30, 2017.]

Growing the Business: UrWork's Expansion

According to an internal source, UrWork is now able to cover its costs through rental income. This does not mean, however, that UrWork is foregoing alternative income streams. In a recent interview, Mao Daqing disclosed that 25% of UrWork's revenue came from its value-added services alone.²⁹ In addition, the company has benefitted from several novel partnerships and equity-sharing agreements in China and elsewhere.³⁰

One area of collaboration has been with local governments eager to support Beijing's mass entrepreneurship and innovation initiative. For example, UrWork's Hangzhou location was given some tax benefits. Government collaboration has also extended beyond China's borders. In 2016, UrWork also developed a tripartite partnership with International Enterprise (IE), a Singaporean government agency whose primary function is to support Singaporean enterprises with their global rollout, and CapitaLand, a major Singaporean real estate developer operating malls in China.³¹ UrWork, for its part, has agreed to include C31, CapitaLand's venture capital arm, as a preferred investor within UrWork's accelerator program. IE intends to encourage more Singaporean SMEs to set up their operations in China, using UrWork space as a foothold. These Singaporean tenants, in turn, will receive business services at a discounted rate.

More recently, UrWork has partnered with Collective Campus, the Australian corporate innovation consultancy and accelerator, to support UrWork's rollout in Singapore. Their new 6,800-square-foot facility, according to Mao Daqing, will serve as "a bridge to China," connecting entrepreneurs from Singapore, Australia, and China together. Collective Campus will offer courses on innovation and entrepreneurship to UrWork members in China and Singapore. In turn, its own members will benefit from priority access to UrWork facilities in China.³²

In addition, UrWork had forged a partnership with Serendipity Labs, known for its upscale co-working spaces in the United States.³³ A 34,000-square-foot co-branded location is scheduled to open in New York City in October 2017. This Financial District location will provide UrWork members with a foothold in a key U.S. market. Likewise, Serendipity Labs members will be able to access UrWork's growing network of locations and services across China, thereby easing entry into the China market.

Strategic alliances, such as these, significantly enhance UrWork's investor appeal. Early-stage funding kicked off with Sequoia Capital, Zhen Fund, and Sinovation Ventures ("Innovation Works"). Subsequent funding indicates that the real estate industry is betting big on the co-working industry. Junfa Real Estate Group and Dahong Group are among the latest to inject funds into

29 Rita Liao. "China's Co-Working Unicorn Lands US\$30 million from Healthcare Group Aikang." July 4, 2017. Accessed August 3, 2017. <http://technode.com/2017/07/04/chinas-co-working-unicorn-lands-30m-from-healthcare-group-aikang-urwork/> The Chinese interview on which this story is based can be found here: http://tech.163.com/17/0630/08/CO5PL5VS00097U7R.html#f=post1603_tab_news

30 "URWORK以全要素孵化和共享经济促进协同创业创新", 优客工场官方信息, 2015年12月 [In English, "UrWork pushes for accelerator and sharing economy to support startups". Official UrWork press release." December, 2015. Accessed June 12, 2017.]

31 IE Global, CapitaLand, & UrWork. "Joint Media Release: IE Singapore, CapitaLand & Leading Chinese Co-Working Space Operator UrWork in Sharing Economy Partnership to help Singapore SMEs enter China." MR No. 056/16. Singapore. December 2, 2016. <https://www.iesingapore.gov.sg/Media-Centre/Media-Releases/2016/12/IE-CapitaLand-leading-Chinese-working-space-operator-UrWork-partnership-help-SMEs-enter-China> Accessed June 10, 2016.

32 No Byline. "UrWork Partners with Collective Campus to Build a Bridge of Entrepreneurship between Australia, Singapore, and China." May 15, 2017. Accessed August 1, 2017. <https://www.collectivecampus.com.au/blog/urwork-partners-with-collective-campus-to-build-a-bridge-of-entrepreneurship-between-australia-singapore-and-china>

33 No Byline. "Serendipity Labs Coworking and UrWork Form Partnership to Open 34,000 square foot Co-branded Location in New York City's Financial District." *The Morningstar*. July 10, 2017. Accessed August 1, 2017. https://www.morningstar.com/news/pr-news-wire/PRNews_20170710NY37296/serendipity-labs-coworking-and-urwork-form-a-partnership-to-open-34000-square-foot-cobranded-location-in-new-york-citys-financial-district.html

UrWork. Tianhong Asset Management, part of Alibaba's financial services arm, joined later, indicative of the growing nexus between technology-enabled businesses and co-working spaces.

UrWork's May 2017 strategic merger with New Space, its top domestic competitor, has also well positioned both firms to face their main global competitor, WeWork.³⁴ While full details of the organizational restructuring remain incomplete, UrWork-New Space intends to expand quickly at home and abroad. This type of scaled integration is by no means unusual in Chinese business, and especially in the face of strong overseas contenders.

WeWork Comes to China

WeWork first entered the China market in late 2016, and now operates on a much smaller scale than UrWork (see Figure 5), but it has sought a range of novel partnerships to support an accelerated expansion into the China market and Asia, more generally.

In late 2016, WeWork, for example, partnered with the Sino-Ocean Group, a real estate company headquartered in Beijing. Both sides agreed to open three locations in China wherein WeWork could operate rent-free in exchange for providing the Sino-Ocean

Group with a 50/50 split on the revenue of the co-working spaces.³⁵ At the time, WeWork already had several co-working spaces in Shanghai.

FIGURE 5: URWORK VS. WEWORK: CLASH OF THE TITANS?³⁶

| | UrWork | WeWork |
|----------------------------------------------------------|-----------------|-------------------|
| Headquarters ^{c,d} | Beijing | New York |
| Year founded ^{c,d} | 2015 | 2010 |
| # of locations in China (June 2017) ^{b,f} | 88 | 11 |
| Beijing | 29 | 3 |
| Shanghai | 8 | 6 |
| Others ^{***} | 51 | 2 |
| # of international locations (ex-China) ^{b,f,g} | 2** | 192 |
| Total # of locations (Global) (June 2017) ^{b,f} | 90 | 203 |
| Funding raised ^{c,d} | \$165Mn | \$4.5Bn |
| # of rounds ^{c,d} | 4 | 11 |
| Latest valuation ^{a,e} | \$1Bn (Jan '17) | \$20Bn (July '17) |

**UrWork plans to expand to the United Kingdom and the United States in late 2017; excludes Hong Kong SAR

***Includes undisclosed and locations under construction

This Sino-Ocean Group partnership was part of a larger US\$430 million deal with several Chinese investors that

34 Lee, Emma. "Merger between UrWork and New Space points to maturity in co-working market." TechNode. April 27, 2017. Accessed July 31, 2017. <http://technode.com/2017/04/26/urwork-and-new-space-announce-merger/>; Orchard, Rupert. "Real Estate Finance." Mingtiandi. May 03, 2017. Accessed July 31, 2017. <http://www.mingtiandi.com/real-estate/projects-real-estate/merger-between-urwork-and-new-space-to-create-rmb-9-bil-global-co-working-player/>. (a) "Five new investors push UR Work's valuation over 1\$bn." South China Morning Post. January 18, 2017. Accessed July 30, 2017. <http://www.scmp.com/property/article/2063227/latest-fundraising-pushes-ur-works-valuation-over-1bn>.

35 Orchard, Rupert. "Real Estate Finance." Mingtiandi. May 03, 2017. Accessed July 31, 2017. <http://www.mingtiandi.com/real-estate/projects-real-estate/merger-between-urwork-and-new-space-to-create-rmb-9-bil-global-co-working-player/>.

36 Sources include: (a) "Five new investors push UR Work's valuation over 1\$bn." South China Morning Post. January 18, 2017. Accessed July 30, 2017. <http://www.scmp.com/property/article/2063227/latest-fundraising-pushes-ur-works-valuation-over-1bn>; (b) "UrWork official site." <https://www.urwork.cn/>. UrWork, n.d. Web. 08 June 2017. <<https://www.urwork.cn/>>. 服务商,联合共享办公,众创空间,优客工场-让平行世界的人相互遇见. Accessed June 12, 2017. <https://www.urwork.cn/facilitator/index.s>; No Byline. "China's Co-Working Unicorn Completes Pre-C Round, Fueling Further Global Expansion." Morningstar. August 7, 2017. Accessed August 11, 2017. http://www.morningstar.com/news/pr-news-wire/PRNews_20170807HK59368/chinas-coworking-unicorn-urwork-completes-prec-round-fuelling-further-global-expansion.html. Note: UrWork official information reports 86-88 locations as of July 2017; (c) UrWork | Crunchbase. Accessed July 30, 2017. <https://www.crunchbase.com/organization/urwork#/entity>; (d) WeWork | Crunchbase. Accessed July 30, 2017. <https://www.crunchbase.com/organization/wework#/entity>; (e) Steven Bertoni 2017. "WeWork Hits \$20 Billion Valuation In New Funding Round." Accessed July 30, 2017; <https://www.forbes.com/sites/stevenbertoni/2017/07/10/wework-hits-20-billion-valuation-in-new-funding-round/#4bcdf5151194>; (f) WeWork. "WeWork Coworking and Office Space." WeWork. Accessed July 30, 2017. <https://www.wework.com/>; (g) Isaacson, Greg. "UrWork Moving In on WeWork's Home Turf with NYC Co-Working Centre." China's URWork to Open Co-Working Center in NYC. July 02, 2017. Accessed July 30, 2017. <https://www.mingtiandi.com/real-estate/projects-real-estate/urwork-moving-in-on-weworks-home-turf-with-nyc-co-working-centre/>.

was completed in March 2016, and was led by Hony Capital, the private equity arm of Legend Holdings, the Jinjiang Hotel Group, and the Greenland Group, another major real estate firm.³⁷ With such a diverse array of Chinese backers, WeWork has upped the competitive stakes for UrWork, a development that Hony Capital CEO John Zhao described as “unparalleled.”³⁸

In July 2017, Hony Capital, along with a subsidiary of Japan’s SoftBank Group, led the investment of another US\$500 million toward the creation of a new distinct entity, WeWork China.³⁹ This new firm reflects WeWork’s identity as a “global company with a local playbook.” Taking lessons from global brands that have failed in China, WeWork is relying on its Chinese investors to develop a strategy for the brand’s expansion in China. It now has 15,000 members in China. “We’ve only just begun,” said Adam Neumann, WeWork’s co-founder. In August 2017, SoftBank made another investment in WeWork — a remarkable US\$4 billion to support WeWork’s expansion in Asia.⁴⁰

In addition to its reliance on localization, other elements of WeWork’s China strategy merit observation. They indicate how the co-working industry may be changing, and what the new market landscape may be in the future.

To start, real estate firms are no longer looking only to fill vacant spaces. They want equity stakes in the co-working industry. Sino-Ocean’s decision to take a stake in WeWork’s new China locations is one example. The Jinjiang Group’s investment is also important. It shows

that the hotel industry in China and elsewhere sees important parallels between the co-working industry and the hospitality industry. And finally, WeWork has made a significant change in its member demographics. Today, 10% of its members are Fortune 500 global corporations. These firms locate their employees within WeWork co-working spaces, allowing them to remain asset-light, while expanding their workforce and business activities around the world. Another 20% of its members are well-established enterprises. Expectations are high that WeWork will seek similar partnerships with foreign firms in China and elsewhere in Asia.⁴¹

Even so, as Figure 5 suggests, WeWork is often the most expensive option. Given this, its success in China and elsewhere will require more than just a local team. It needs to be able to offer a better range of products and services than its competitors, including UrWork.

Looking Ahead: Threats to the Platform

In London, it is common to see a “Mind the Gap” sign at train stations to caution passengers when moving on and off of a train platform. The same might be said of the co-working industry. Its platform is key, but it is also the industry’s Achilles’ heel. As the Sino-Ocean Group example suggests, property owners may ultimately regard co-working companies as unneeded “middlemen” and seek instead direct ownership or equity in the co-working industry. Moreover, with scaling, there is a

37 Gou, Bing. “WeWork Raises \$430M Led by Legend, Lenovo’s Founder at \$16B Valuation.” ExitHub. March 13, 2016. Accessed July 31, 2017. <https://exithub.com/wework-raises-430m-led-by-legend-lenovos-founder-at-16b-valuation/>.

38 Gou, Bing. “WeWork Raises \$430M Led by Legend, Lenovo’s Founder at \$16B Valuation.” ExitHub. March 13, 2016. Accessed July 31, 2017. <https://exithub.com/wework-raises-430m-led-by-legend-lenovos-founder-at-16b-valuation/>.

39 Business Wire. “WeWork, SoftBank and Hony Capital Announce \$500 Million Investment Dedicated to Accelerating WeWork Expansion across China.” July 26, 2017. Accessed August 1, 2017. <http://www.businesswire.com/news/home/20170726006520/en/WeWork-SoftBank-Hony-Capital-Announce-500-Million>

40 Ellen Huet. “WeWork Wins \$4.4 Billion SoftBank Investment for Expansion.” August 24, 2017. Accessed August 24, 2017. <https://www.bloomberg.com/news/articles/2017-08-24/wework-is-getting-a-4-4-billion-investment-from-softbank-funds>

41 Business Wire. “WeWork, SoftBank and Hony Capital Announce \$500 Million Investment Dedicated to Accelerating WeWork Expansion across China.” July 26, 2017. Accessed August 1, 2017. <http://www.businesswire.com/news/home/20170726006520/en/WeWork-SoftBank-Hony-Capital-Announce-500-Million>

growing need for standardization in product and user experience. As duplication of a given platform becomes easier, it may also become less proprietary and unique.

Scaling brings other risks as well, ones that may endanger the community-centered cultural elements so critical to the co-working value proposition. Specifically, member businesses may opt to leave once they reach a certain size. Others with scale may be better positioned to negotiate favorable rates for services on their own, dampening demand for in-house services, thereby weakening another core selling point. As the co-working industry expands, service providers will have greater

opportunities to market their services, and become less willing to sign exclusive contracts with any one co-working firm.

Given these likely trends, UrWork's continued growth will hinge on finding the right balance between scaling its network and diversification of its portfolio. Going overseas is one part of this strategy, but so too are the distinct partnerships that UrWork is building around the world. At the same time, continued investment in some of its best service providers serves to strengthen and protect the identity and experience of UrWork-branded co-working spaces. ■