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Industrious raises $80 million in Series D funding

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New York, NY Industrious, a flexible workspace provide, has closed an $80 million Series D funding round focused on strategic landlord partners. The round accelerates Industrious's industry-first evolution to exclusively signing asset-light and low-risk landlord partnerships. The company expects to be profitable in Q1 2020.

Through landlord partnerships, Industrious manages and operates flexible workspaces, large enterprise suites, and building-wide shared amenities while providing landlords income 30% above a market lease.

The company has the highest margins, most consistent unit economics, and highest customer satisfaction rating in the industry:

• Highest margins - 30+% for existing leased units, 90+% for managed units.

• Most consistent unit performance - 90% average occupancy for mature units, 10 month average time from launch to maturity, <1% net churn.

• Highest customer satisfaction ratings - NPS score of 74%.

• Revenue per workstation - 25+% higher than largest competitor.

"Industrious is unquestionably the operating partner-of-choice for landlords, and from our end, partnering with landlords enables us to deliver the world's most productive workplaces," said Jamie Hodari, CEO and co-founder of Industrious. "We evolved to a partnership-only approach about a year and a half ago and this latest round of funding capitalizes on that, allowing us to aggressively pursue our expansion goals sustainably, efficiently, and with little risk. Evolving to management contracts has not been easy. It took the hotel industry 30 years to graduate from leases, and you have to have very strong, consistent economics to build the trust of landlord partners -- so we're particularly proud to be leading the industry on this front."

Industrious has secured over 20 landlord partners to-date including: Hines, EQ Office, Macerich, Jamestown LP, and more. Management contracts represent more than 80% of the deals Industrious has signed in 2019, and the company predicts managed units will form the majority of its portfolio by Q1 2020. Funds from the Series D will be used to expand the company's suite of landlord services, double network size, both organically and through M&A opportunities, and support international expansion.

“We are excited to continue witnessing the amazing growth of Industrious, not only in terms of customers, locations and revenue, but also in terms of the maturity and quality of the service offering,” said Francisco Alvarez-Demalde, co-founding partner and managing partner of Riverwood Capital Partners. “The company is helping transform the way the commercial office market works, with a growing number of enterprises choosing Industrious as their long-term outsourcing partner for high quality and flexible office solutions. At the same time, landlords are taking advantage of this opportunity by partnering with Industrious in order to provide a better offering and transform their properties.”

Investors in the round include Riverwood Capital Partners, Brookfield Properties’ retail group, TF Cornerstone, Granite Properties, Equinox, Wells Fargo Strategic Capital, Fifth Wall Capital, and the Canada Pension Plan Investment Board. The Series D brings the total raised by Industrious to $222 million.

Jake Elghanayan, principal at TF Cornerstone said, “TF Cornerstone was excited about the opportunity to invest in Industrious primarily for two reasons. First, Industrious is among a new cadre of real estate companies pushing the traditional landlord-tenant relationship into a hybrid of service-provider and hospitality expert. Second, Industrious’s focus on management agreements aligns its interest with that of its landlord partners while also insulating Industrious from the payments mismatch that lurks in the next downcycle. It also didn’t hurt that company’s economic performance is extremely impressive.”

Since its last round of funding, Industrious has grown its square footage by 129% and now spans over 80 locations across more than 45 U.S. cities. It has also increased revenue 140% year-over-year, and acquired two coworking companies, Assemble and TechSpace.