

tunein

Coworking



**Coworking was a response
but is now a key driver of the
property market.**

**Coworking has disrupted the
property market over the last
decade, but what are its present
and future impacts to the built
environment as the concept
appears to now be a mainstay
of the sector?**

Coworking can trace its roots back as far as the 1980s when Regus (now known as IWG) popularised the idea of a ‘serviced office’, whereby it would take on leases of office buildings, subdivide the available space and lease it out to small businesses, fully furnished and ready to rent.

Today, IWG has 3,000 tenants and its financials make healthy reading with £139m of pre-tax profits last year with sales achieving £2.54bn. Yet the flexible office market was a pioneer that has now changed beyond recognition. Fast forward to the early 2000s and tech start-ups in Silicon Valley, USA began to share space and ideas, creating that sense of community not to mention barista coffee and Friday night beers, that is so highly prized in coworking today.

The financial crisis of 2008 meant that there was a vast amount of vacant office space, which landlords were keen to rent out at discounted rates, rather than see it sit empty. This, coupled with the rise of technology meaning that freelancers and SMEs only needed a laptop and a smartphone to run their businesses, resulted in nimble operators seeing a gap in the market for coworking to boom in major cities around the world in the last decade.

Cushman & Wakefield, in its Coworking 2018 report, estimates that the stock of flexible office space in London has risen 2.7 times between 2007 and 2017. WeWork, for example, which was only founded in 2010, has the largest volume of space commitment in central London from 2012-2017, behind only the UK government. But given its spectacular growth, what is the future for this sector and what impact does coworking have on the property sector and what office workers as a whole want?

AT A GLANCE ...

15%

is the share of total workspace
that coworking represents
in Greater London

5,000+

flexible workspace
locations across EMEA

5320

number of flexible
workspaces (UK) over
the past 12 months

x2.7

flexible workspace
has risen between
2007 - 2017

What is coworking's impact on building design?

As the amount of space taken by coworking providers continues to rise how much does this affect the construction of new buildings and the retrofit of existing ones?

Daniel Wright, Concert Senior Associate says, “You can blend the needs of coworking operators and other types of tenants but as coworking providers have a higher density of up to 1:6, that’s going to affect things like lifts, ventilation, toilets, so you could almost end up designing for the most extreme case scenario: building the church for Easter Sunday so to speak. For an institutional form of tenancy, you perhaps then have too much vertical movement? So the question is how you’d build a resilient solution without spending the money on something that may not be required?” Concert Associate Ben Williams continues, “The response I’ve seen is rather than future proof the entire building, instead allocating some floors and say they are going to be coworking and the rest will be more of an institutional floorplate because otherwise you might over-engineer a building you might never use, which is expensive.”

David Nash, Concert Senior Associate offers some technical detail, “Maybe the plant room is oversized for its current use in terms of air-handling, but if the building’s use was to migrate to more coworking, then there’s space in the plant room to add another piece of kit to improve the air handling for greater capacity.”

But in an era when there is a focus on material lifecycles and sustainability in workplace design, is it an oxymoron to be building in such flexibility of fit out in the first place?



Inspiration or a form of control?

Coworking providers have a fairly recognisable model in terms of layout, which forms a strong part of their brand identity. You'll typically see large, often high-ceilinged atriums with plenty of activity such as coffee bars and break out areas; a variety of work settings from sofas to coffee tables and soft seating to bar stools and high tables.

These are generally populated by hotdeskers and then on the upper floors, private offices for individual firms are the norm. But how helpful is the coworking provider's own brand to its tenant businesses? Daniel Wright says, "Some coworking organisations branding is everywhere from the moment you step onto the campus, so it can be difficult for the occupier to represent themselves." Anna Bohuszewicz, Associate adds, "I think if you were quite an institutional culture going in to a WeWork for example then there are maybe going to be some tensions there perhaps. But if you are more of an SME, embracing that culture could be a great platform for improving your business."

David Nash concurs, "If there are 20 other small businesses in the coworking space you are in and there are loads of ideas and it's a buzzing atmosphere, you might want to be part of and be inspired by that." Ben Williams offers a counterpoint, "In terms of putting your own stamp on things there are a lot of models that do provide you with a blank canvas." A case in point is Myo, a flexible working offering from developer Landsec, which launched earlier this year, aimed at businesses of between 15 and 80 people. Its marketing blurb states that "businesses will be able to customise their office space to reflect their own brand, culture and ways of working, selecting their office design from three fit-out styles, each designed to maximise productivity, collaboration and wellbeing. With coworking now being an established tenancy choice, we are supporting developers facing into this with designing buildings to suit."



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Wellness coming to the fore



It could be argued that coworking spaces have set a benchmark in terms of what all types of tenants want in terms of wellness. Coworking operators prefer buildings with lots of natural light and high ceilings and many have sophisticated tools for measuring the movement of their residents, plus lighting and air quality levels and their community programmes typically offer classes such as yoga.

So does that mean that wellness accreditation is going to be more commonplace to attract coworking providers and those who aspire to environments like theirs? Daniel Wright says, “At Cundall’s London office, which was the first building in Europe to achieve WELL accreditation, they addressed things like the water quality and improving the air quality which are quite difficult and expensive to do whereas things like bringing plants into the office and not allowing smoking within a certain distance of the building doesn’t cost a lot of money.

Wellness accreditation can be expensive, I know clients that have taken some elements of it and not registered for the accreditation.

That said, businesses need to show their employees that they are interested in their wellbeing and it’s very key in a lot of the fit outs we work on. It’s not going away anytime soon and it’s becoming the norm.” As for who pays for the accreditation David Nash says, “Developers are going to do it for differentiation or income but wellness hasn’t necessarily been at the top of the agenda. Wellness is an expectation for employees. We are supporting our clients in tailoring its application to align with their premises and budget.”

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Incubation space



Incubator-style spaces have long been a model of flexible working. They have traditionally been used by larger tech firms to offer smaller start-ups space and mentoring and perhaps seed money in exchange for equity.

Other incubator providers include financial service providers such as Natwest's Enterprise Accelerator scheme, which has 12 centres in the UK. Like many developers offering their versions of coworking - British Land's Storey concept or the Crown Estate's offer, part of the rationale is to develop a relationship with tenants taking space beyond the 1-3 year lease they initially sign up to. As the small businesses hopefully develop from start-up to established firm, so the landlord's thinking goes, they will be able to keep them as tenants by decanting them back in to other parts of the landlord's estate.

Ben Williams, Associate, says IWG are adept at this, "When businesses get too large and leave IWG's coworking space, they keep in contact with those customers because they may have a future need for overspill so will come back to IWG." But, counters Anna Bohuszewicz "I was speaking to an operator several months ago and they were set up deliberately for developing new ideas, their rationale was to ultimately create places of learning and development. I wouldn't say their ambition was to lift them out of that space and into something more established, it was deliberately set up for very small new businesses and new thinking. Coworking and incubator space as a complementary offer to institutional space provides greater choice and flexibility to tenants as their business needs change. We provide guidance to developers to shape their portfolio to suit."

Incubator-style spaces

Hot topics



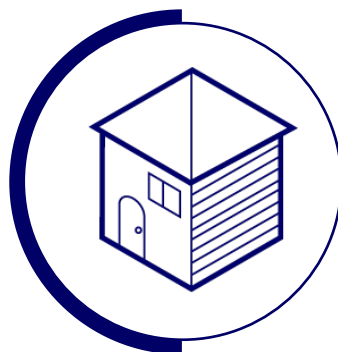
RISK OR OPPORTUNITY?

Would a recession be a risk or opportunity to coworking providers - will we see more consolidation or will some larger providers simply collapse?



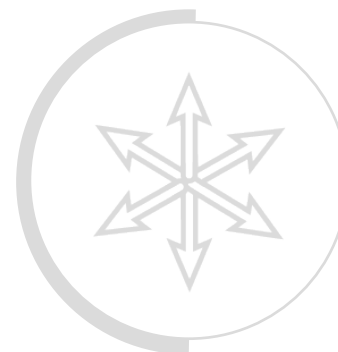
FINANCIAL ISSUES?

Recently, there has been some reported concerns around the financial strength of a renowned coworking brand. Could this have an effect on the wider sector?



FINANCIAL MODELS

What are the preferred financial models for the continued success of coworking providers - joint ventures; part ownership by property firms; more own-brand models from developers?



FLEXIBILITY

What influences are coworking tenants to look for - greater flexibility and more expensive short term rent rather than taking traditional office space?



COLLABORATION

Will coworking providers collaborate to provide greater flexibility to agile tenants?

Contact



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Ben is an Associate and joined Concert in 2010. He has experience of working on a diverse range of projects across a number of sectors, primarily commercial. He is highly motivated and enthusiastic, having built a number of key relationships within the industry.

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Journalist

Helen is an architecture and interiors journalist with over 15 years' experience. She specialises in writing about how well-designed workspaces can make people happier and more productive.

She edited workplace design magazine OnOffice for three years from 2015-2018, winning one International Building Press (IBP) Award, with the magazine picking up four PPA nominations and two nominations in the British Society of Magazine Editors awards (BSMEs) in that time, including being in the running for Trade & Professional Editor of the Year in 2017.

She has also co-authored a book by Thames and Hudson called 'Total Office Design'. She is currently a freelance editorial consultant, writing for magazines such as Blueprint, OnOffice, Property Week and (chartered surveyors title) Modus.

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