

MAYOR OF LONDON

THE IMPACT OF COVID ON LONDON'S FLEXIBLE WORKSPACES

**PART A: EXECUTIVE SUMMARY AND
CASE STUDIES**

JAMIE DUNDAS, MONDAY WORKS



CONTENTS

3 EXECUTIVE SUMMARY

4 INTRODUCTION

5 OVERVIEW OF FINDINGS

6 ENGAGEMENT AND METHODOLOGY

8 FINDINGS

14 OPPORTUNITIES

19 CHALLENGES

21 CASE STUDIES

22 COCKPIT

29 ARC CLUB

37 CASE STUDY

INTRODUCTION

Workspaces such as incubators, accelerators, co-working spaces, serviced offices, artists' studios and maker spaces play an important role in the continued success of London.

It was clear with the outbreak of Covid-19 that there would be a major impact on these spaces. As such the Greater London Authority, along with the Mayor's Workspace Advisory Group, commissioned Monday Works to survey and report on this impact.

This report tells the story of how Covid-19 has affected these spaces, the challenges they face, how they are evolving, and opportunities for the sector moving forward.



OVERVIEW OF FINDINGS

The pandemic had a widespread impact. The flexibility these spaces offer and the meagre support they received meant that very few went unscathed. But despite this we found a remarkable degree of resilience and optimism in the sector.

The role of flexible workspaces has evolved. But it has become no less important and the sector is well positioned to capitalise on new opportunities and new ways of working.

These opportunities include supporting the transition of an increasing number of bigger businesses away from fixed leases to flexible workspace, rejuvenating local high streets with the provision of neighborhood workspaces, facilitating the use of flexible workspace by new demographics, meeting the unique demands of dispersed teams and hybrid work, and providing affordable space for those who most need it. Moreover, meeting the unique demands of dispersed teams and accommodating the rise of hybrid work arrangements presents another avenue for growth. Lastly, this industry can make a positive social impact by providing affordable workspace solutions for those who are most in need, promoting inclusive and equitable access to workspaces.

But to realise these opportunities workspaces are in need of support from the government, GLA, local authorities, developers, collaborative networks and other key stakeholders.





ENGAGEMENT AND METHODOLOGY

Between July 2021 and May 2022, we carried out three surveys on London's flexible workspaces (referenced in this report as Survey 1, Survey 2 and Survey 3). The bulk of the research and findings from these surveys can be found in Part B of this report (Technical Appendices).

On average 46 workspace operators responded to each of these surveys. We kept certain questions consistent to track the changes over time, such as occupancy, the number of enquiries and revenue performance. We then substituted new questions dependant on new trends that were emerging.

We received a wide variety of responses across different types of workspace, varying in legal structure, scale, geography, operating models, types of workspace offered and type of tenant. The graphs below give an overview of what type of workspaces engaged with the surveys. These are average figures across all surveys.

In addition, three workspace operators participated in more in-depth surveys and interviews, which form the case studies in Part A of this report. These are Cockpit, Arc Club and a third, anonymised operator.

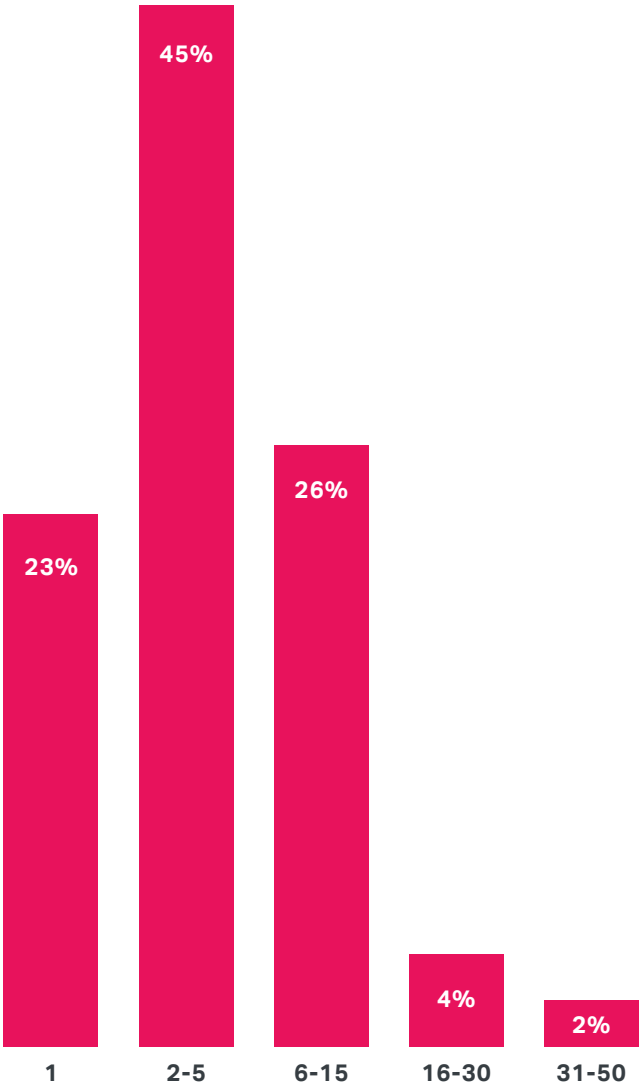
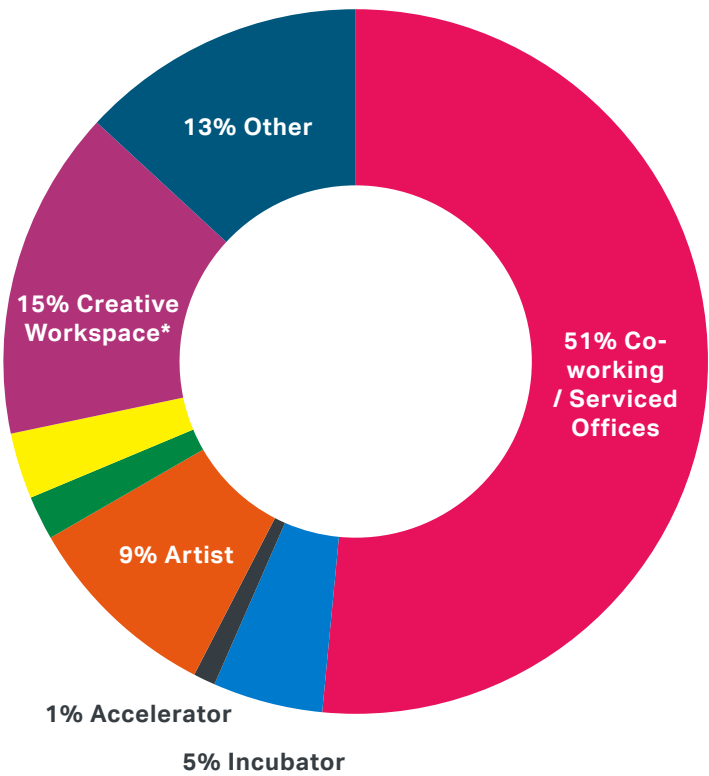
TYPE OF OPERATOR

Around half of all responses received were from co-working and serviced offices. The majority of workspaces who selected 'Other' were a hybrid mixture.

*Creative Workspace was defined specifically as 'specialist creative industries space use and/or bespoke creative production facilities'

3% Maker Space

2% Kitchen



EMPLOYEES

TYPICAL SIZE OF TENANT ORGANISATION

The majority of respondents reported that their most typical sized tenant organisation is below 15 people.

If we assume this is representative of flexible workspaces across London, we can safely say these spaces still primarily serve small businesses.



FINDINGS

1

TENANTS LEFT IN THEIR DROVES

The pandemic created a **perfect storm of negative impacts** for the flexible workspace sector. The nature of flexible contracts meant that there was little security for operators when lockdowns and social distancing hit. This had a particular impact on knowledge based workspaces (co-working, serviced offices, etc.) where tenants left in their droves to work from home. And within knowledge-based workspaces those who offer the shortest contracts (mainly those who cater to smaller businesses) were most vulnerable.

2

FIXED PROPERTY COSTS REMAIN THE BIGGEST CHALLENGE

Typically flexible workspaces have high fixed costs and so big drops in occupancy are difficult to handle.

During the pandemic the furlough scheme was highly utilised and helped with staffing costs. But fixed property costs created a significant stress on cash flow. **Most operators received no support from their landlord with regards to rent.** Fifty-five per cent of operators reported their landlord had given them no flexibility on rent whatsoever. There was **little support for flexible workspaces when it came to business rates**, with only 12 per cent qualifying for the government's temporary relief scheme.

Post-pandemic, operators reported that business rates is the number one stressor on cashflow.

3

SMALL, OPEN PLAN AND CENTRAL WORKSPACES HIT HARDEST

We conducted a cross analysis of workspaces and found that the most vulnerable were; **single-site operators**, those who exclusively offer **open plan workspace** (no private offices/studios) and workspaces primarily focused in the **Central Activities Zone**.

See Findings: **Cross Analysis** (Part B) for more.

4

THE SECTOR HAS PROVEN TO BE ROBUST

In broad terms there was a dramatic recovery in 2021, which then continued but slowed down somewhat in the last survey (May 2022).

Many of the challenges faced mainly related to **socially distancing and health concerns**. And many workspaces reported that now they have moved past these, they are optimistic and well positioned to thrive. **Sixty per cent** of operators reported that they expect to expand in 2023.

However, at the time of the last survey there were still a number of operators whose **performance was still below their pre-pandemic benchmark**. Forty five per cent of operators reported their revenue was still lower than it was before the pandemic. So whilst the sector has proven robust and operators are optimistic for the future, recovery still has some way to go.

5

ADAPTING SPACE AND SERVICES

We came across a remarkable degree of resilience and resourcefulness. Many workspaces pivoted business models, fast tracked the rollout of technology, transferred various services online, adapted their space and infrastructure and increased their all round flexibility.

Demand for services which are more **communal/social in nature was down** in 2021 (including event space hire, meeting rooms, food and beverage, networking events, hot desking). However these started to steadily rally in 2022. Throughout the surveys privatised offices and studios have been popular. As have bike racks and showers, reflecting the **changing commuting habits**. And with many people needing to conduct video calls in the workspace providing '**acoustic privacy**' has become especially important.

6

ARTISTS' AND MAKER SPACES

Compared to knowledge-based workspaces, occupancy and enquiries remained relatively high for artists' and maker spaces. However, we discovered that this is not a reflection of the tenants thriving especially, but rather reflects a continuing issue in the sector - that there is a **distinct lack of affordable studio space**. Artists and makers were reluctant to give up space for fear they may never get it back. And unlike knowledge-based workers (who mainly do their work on a computer) artists and makers can't work from home. **Due to the materiality of the work they need specialist space and equipment.**

Whilst occupancy was more steady, their revenue still took a hit. This was largely a result of supporting tenants with **significant discounts**, to help them through the worst of the pandemic. This was made possible by dipping into reserves, as well as **grant funding for the sector**. The GLA's Culture Recovery Fund played an important role (1).

Tenants were also **extremely resourceful and adaptive**. We encountered a number moving online for the first time; whether selling products online, doing online showcases, or transitioning to online marketing.

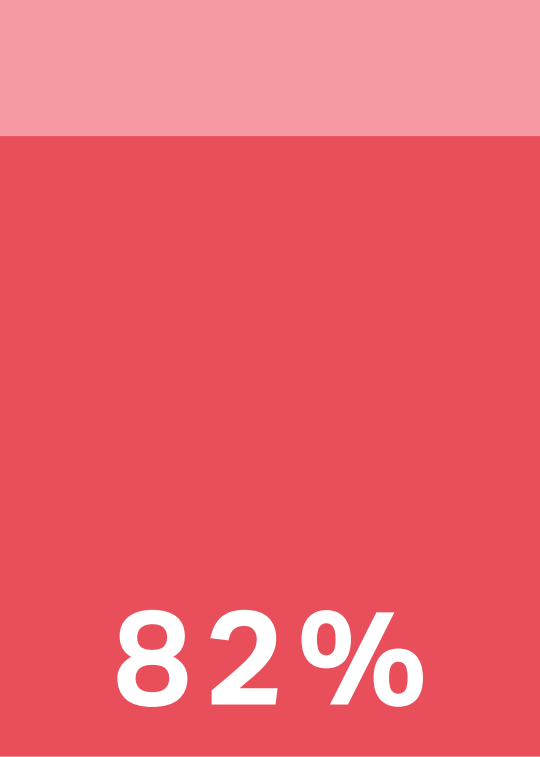


7

TENANTS WANT EVEN MORE FLEXIBILITY

Across the sector there is unanimous agreement that the post-pandemic demand from tenants is for **even more flexibility**. And there has been a **shift in power from employer to employee** when it comes to decision-making. Employees are demanding greater freedom and choice over where they work than they did pre-pandemic. All companies have been galvanised to question exactly how much space they need, and how they can use it better.

Many hybrid workspace policies cannot exist without using flexible workspace in some manner. So the sector is well positioned to capitalise. However, whilst hybrid work is here to stay, the major challenge is around predicting to what degree that is. **Anticipating exactly to what degree of hybrid work** companies will want moving forward remains a major challenge for planning ahead.



82%



82% SAY THERE IS GREATER INTEREST IN SHORTER CONTRACTS.

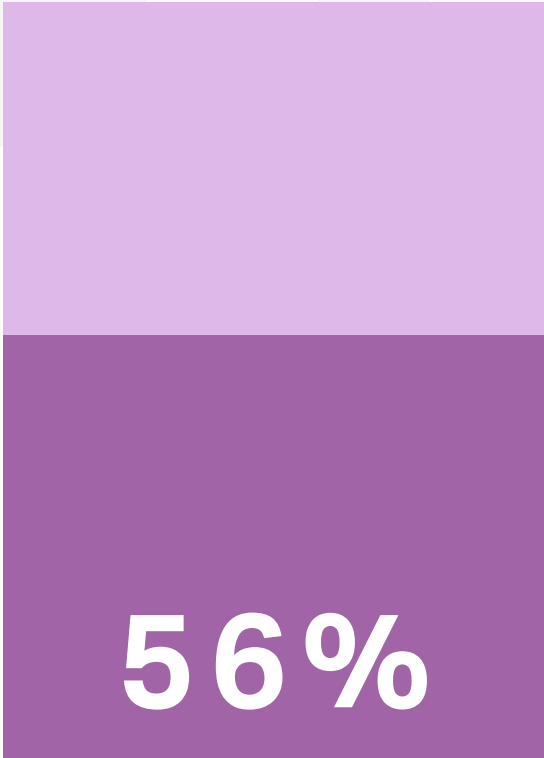
We asked what the typical contract length is tenants took before the outbreak of the pandemic, and what the typical contract length is now ('now' being December 21). Across the board there is less interest in the longer term contracts. There is a particular surge in popularity for **2-6 month contracts**.



56% SAY TENANTS ARE REQUESTING ACCESS FOR MORE INDIVIDUALS TO A GIVEN SPACE.

Many companies that turn to hybrid work require access to a flexible workspace, but are often **downsizing** their office. It was standard pre-pandemic for a company to hire an office for the same number of employees it had. Now a 12 person company might hire an eight person office, working on rotation, with the building providing 'overflow' space in the communal areas.

Separately, **83 per cent** of workspaces reported that tenants have **downsized** their space needs, to one degree or other. Some of these organisations may be reducing their space needs because they have reduced in size and now have fewer employees. But still, it likely is **further evidence of the rise in hybrid work**. Companies don't want to pay for an office space for the full roster of employees, when they may well not all be in at the same time. Or they know they will never be in for the full week.



56%



53% - SAY THERE IS INCREASED INTEREST IN ON DEMAND MEMBERSHIPS (DAY PASSES AND CREDIT SYSTEMS).

There has been a significant rise in technology platforms that provide this type of flexible and granular access to workspaces. These aggregator platforms provide access for both teams and individuals to a variety of flexible workspaces across London. This highly flexible format of accessing any workspace at anytime existed pre-Covid, but the trend has been supercharged since the pandemic. Companies see value not just in the degree of flexibility, but in the ability for their employees to access a range of different locations depending on where suits them.

53%

Side note regarding property leases:

Not only do tenants want more flexibility from their workspace. But in turn operators want more flexibility from their landlords. For example, whilst 72 per cent of operators are currently in traditional leases, only 22 per cent want to sign leases for their next buildings. Most operators anticipate transitioning to a more partnered relationship with their landlords (such as management agreements). See more in the Property section of Part B.



OPPORTUNITIES

1

NEW TYPES OF TENANT

We asked whether workspaces were seeing any new types of tenant since the outbreak of the pandemic. Seventy per cent responded 'yes'. Some of this demand has existed for some time, but accelerated due to the impact of the pandemic. Examples of new type of tenant include:

A TEAMS MOVING FROM FIXED TO FLEXIBLE

A common response for the new types of tenant was teams who now require flexible workspace as they have gone hybrid. This response may be relevant for teams who were previously on fixed leases, but moved towards flexible workspace after the outbreak of the pandemic.

B BIGGER BUSINESSES

Traditionally co-working and serviced offices were used by small startups and freelancers. In the course of these surveys a number of these operators reported that bigger businesses were showing significant interest. For some of these operators this interest is entirely new. For others it existed to some degree pre-pandemic, but the trend has accelerated in the course of 2021-2022. In today's corporate landscape, planning for the future has become more challenging. With the growing emphasis on hybrid work models and the fierce competition to attract top talent, there is a heightened demand for flexibility that fixed lease workspaces cannot meet.

See Part B: 'Big Businesses and Flexible Workspace' for more. Our case study on The Office Group also reveals more about these types of tenant.

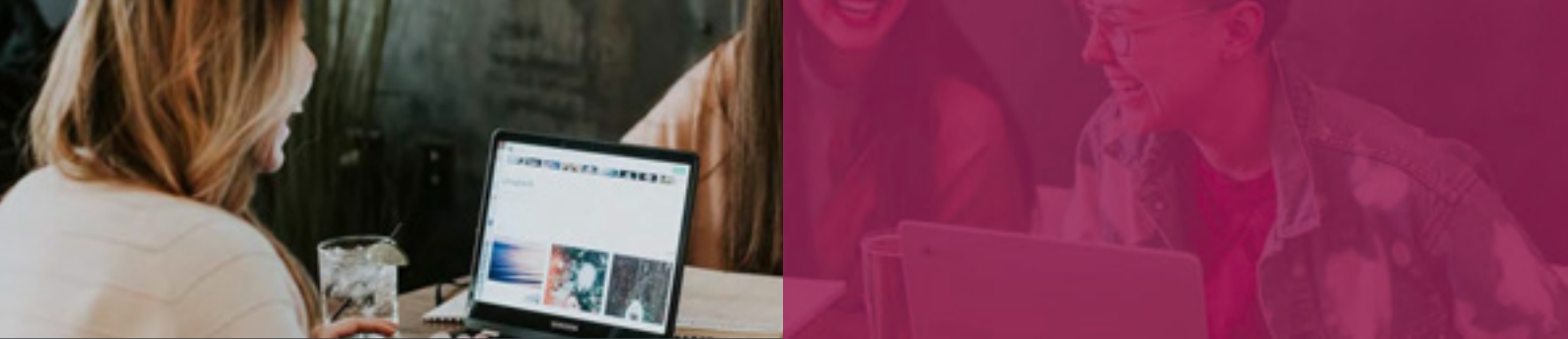
C THOSE WHO WANT TO WORK NEAR HOME

Some operators reported that they were receiving remote workers who had attempted to work from home full time, but found it unsustainable. Reasons included needing a change of scene, needing human interaction, or simply needing more productive environment. One prime example in this category is working parents. Their work is often fragmented and they need to be close to their childcare, so having flexible use of a local workspace is extremely important.

D NEW SECTORS

Remote work is happening across many different types of sectors. The demand from remote workers for local, convenient workspace means some operators are seeing a diverse range of tenants who may not previously have been exposed to 'co-working', including the third sector.

See Part B: 'Revitalising the High Street and Working Locally' for more.



2

CLUSTERS, PRESTIGIOUS LOCATIONS AND SOCIAL HOTSPOTS

It's perhaps obvious but worth noting that not everyone's working habits are dictated by convenience of travel or proximity to central transport hubs. Many still want to be in certain locations to be proximate to similar businesses (for example tech, media or property clusters), or for the cache that certain prestigious locations offer. And others are attracted to working in certain locations because they are near social hot spots.

MULTI-VENUE ACCESS

The ability to access a range of workspaces in different locations is important for many tenants. Whether that be an 'all-access' membership with a multi-venue operator, or use of a desk-booking platform that provides on demand access to many independent workspaces. Work has become more dispersed and more fragmented. This means often people want access to a variety of different locations, which form a new 'rich tapestry' of work.

3



4

CENTRAL LONDON

There were concerns amongst some that remote work would spell disaster for central London workspaces. But actually, for dispersed teams the time they do spend together now takes on more importance. To have flexible access to space to work together, ideate and collaborate is still a high priority.

These dispersed teams value access to a centrally located workspace that is close to good transport links and has flexible terms. This ease of access is also required by fully remote companies who require flexible meeting space for the times they do congregate. Central workspaces have been meeting this demand, from both SMEs and bigger businesses. SMEs remain the core tenant, but **the biggest growth area for many is from large enterprises.**

In the hunt for talent, companies see themselves as having a competitive edge when able to offer both flexible work schedules and membership at a desirable flexible workspace with access to amenities and facilities.

The importance of getting together

Many tenants who have 'gone hybrid' stressed the importance of still working alongside one another and having meetings in person. They emphasised that we are social beings and online calls have distinct limitations when it comes to building relationships and culture.

Will this new working pattern be catastrophic for the City? On the contrary, it presents tremendous opportunities.

Where remote working is the norm, the periods when teams are brought together face-to-face will become much more important.

CHARLES ARMSTRONG
THE TRAMPERY

The centre of London continues to play a vital role for networking and in-person interaction. And flexible workspaces are best poised to facilitate this. We saw a very optimistic picture for central workspaces as tenants still want to gather centrally, whether that be for reasons of building relationships, mentoring, training, certain meetings needing to be done offline, or general wellbeing and social connectedness.

5

LOCAL WORKSPACES AND TOWN CENTRES

The decentralisation of work has significant ramifications for town centres. The opportunity was already there before Covid-19 to an extent. Increasing digitalisation and knowledge-intensive activities have been **transforming the nature of work itself**. But the widespread adoption of hybrid and remote work has rapidly accelerated this trend towards localised working, near to where people live.

In Part B of this report (Revitalising the high street and working locally), a combination of O2, claimant and occupational data reveals the number people working from home in the 'doughnut' around London remains considerably higher than pre-pandemic. If even a portion of these home workers want somewhere to work near home, then the demand for local workspaces is high.

Local flexible workspaces can not only supply this sizeable demand, but also play a significant role in **rejuvenating the high street**, by repurposing vacant retail space. **Eighty seven per cent** of operators agreed that **'dead retail space on the high street is a viable option to launch a workspace in'**. So operators are optimistic about this opportunity.

There are hurdles to overcome though. These include rents still being prohibitively high, repurposing the space (high fit out costs), lack of natural light, economies of scale (typical high street units are small) and high business rates. In Part B of this report 'Revitalising the High Street and Working Locally'.

As well as serving local startups and freelancers, neighbourhood workspaces are welcoming an **increasingly diverse demographic** of tenant, as a result of remote work and the residential locations. As shown in our case studies, ARC club are a particularly good example of how local workspaces can play a proactive role in broadening participation.

1. [HTTPS://WWW.LONDON.GOV.UK/SITES/DEFAULT/FILES/210316_GLA_HIGH_STREETS_COMPRESSED.PDF](https://www.london.gov.uk/sites/default/files/210316_GLA_HIGH_STREETS_COMPRESSED.PDF)



CHALLENGES AHEAD

ARTISTS AND MAKERS

Access to affordable space is still the key issue. The scarcity of affordable studios is especially problematic for emerging artists and makers. The Creative Workspace Resilience Fund offered significant support to studio providers during the pandemic. Continued support is required for affordable artists and creative workspace.

EDUCATING CORPORATES

Flexible workspace can meet the needs of larger corporations, both in terms of their company HQ and their employees working remotely. There is a lack of understanding by corporates about how the flexible workspace sector works and how they might access it so it can become part of the offer to employees. More could be done to bridge this knowledge gap and support employees with proposing this to employers. As far as remote workers are concerned, those who pay for use of a local flexible workspace often do so from their own pocket. In doing so they incur the additional cost of VAT.

UNLOCKING PROPERTIES

Many operators are interested in moving away from fixed-rent leases towards management agreements, but they seem complex and there is a challenge with enabling this due to a gap in understanding how they work.

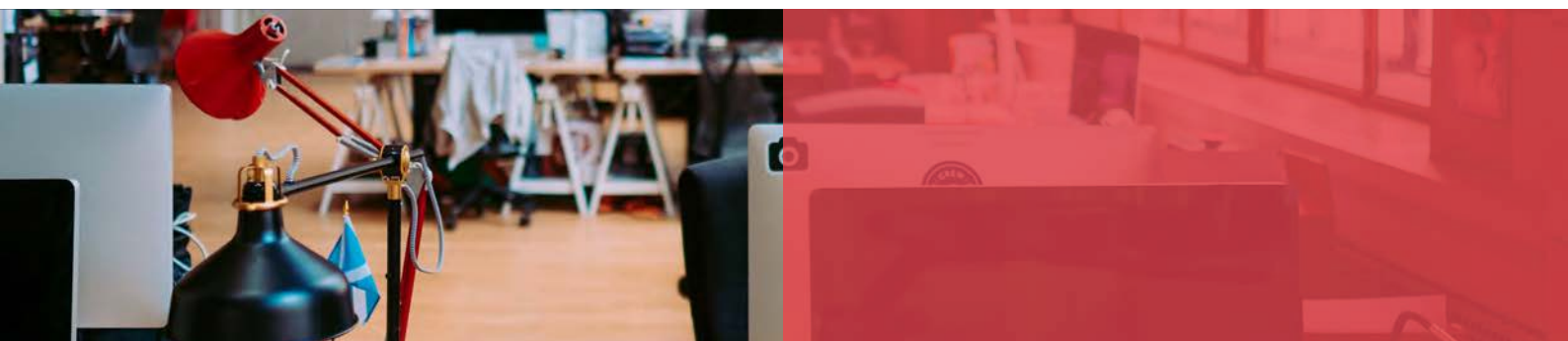
BUSINESS RATES

During the pandemic, business rates played a significant role in the distribution of support in the form of grants and business rates holidays. Workspace lost out as the Valuations Office Agency doesn't recognise workspace as a business category whereas it does recognise hospitality, retail, and leisure businesses. If there is another significant event, such as the pandemic, and the same methodology is applied the sector will suffer unduly. This is especially concerning for workspaces that have the most flexible contracts and rely on footfall (events, meetings, training sessions, hot-desks).

REVITALISING THE HIGH STREET AND WORKING LOCALLY

Home working will be a greater feature of the London economy going forward than it was pre-pandemic. Many of these remote workers would greatly benefit from a local flexible workspace but these are currently few and far between, especially in Outer London boroughs. One of the issues is that often local authorities and landlords are reluctant to partner with flexible workspaces in unproven locations.

There is an opportunity for local authorities to support the launch of flexible workspaces on town high streets, especially in vacant retail space. They can play a vital role as town custodians; helping drive recovery and stewarding town centres towards prosperity.



OVERVIEW

Cockpit provides flexible workspace for artists and makers. They are a multi-site operation and as well as providing specialist and affordable space, run a series of programmes and workshops designed to actively support their tenants.

IMPACT OF THE PANDEMIC

Cockpit Arts bears out the story of many artist studios across London: namely that **occupancy and interest has remained high**, even though tenants have faced significant challenges. Enquiries and applications actually increased during the pandemic.

This was in part due to the lack of affordable studio space across London. **But also the materiality of the work means artists and makers can't work from home.**

At the end of this study (autumn 2022) the general feedback was that the tenant businesses have been steadily recovering, but things were still not back to where they were pre-pandemic.





OPERATOR: CHALLENGES AND HOW THEY'RE ADAPTING

The operator also bore the brunt of the pandemic to a certain extent, giving **significant discounts** over a two year period and freezing prices for tenants. Traditionally relying on auxiliary revenue from venue hire and events to help subsidise studio fees. During the pandemic there was a decrease in that source of revenue, so there was increased pressure to raise funds from elsewhere (including **grant funding**). The macro conditions are a cause of concern; funders have less and less money and there is a squeeze on this sort of financial support.

CHANGES TO SPACE AND OPERATIONAL CHANGES

They are providing more audio visual equipment to help tenants by facilitating putting their products online. But studio space has largely remained the same, and most changes have been more operationally. This includes changes to the membership application process, which now happen online as well as in person.

SUPPORT AND GUIDANCE FROM THE OPERATOR

Cockpit Arts had a very proactive approach to supporting it's community. This acted as a lifeline during the pandemic, and the operator also evolved to meet new needs in light of the pandemic. They provide 1:1 business **mentoring** and run a range of **workshops**. Much of this advice is in the form of advising creatives on the commercial side of their business. But the workspace also provides advice on **guidance on where they can source grant funding** and how to make these applications. They also send a weekly round up of where the funding sources were for artists, which was especially helpful during the pandemic. The workspace also organised digital showrooms where potential customers could do virtual viewings, which were well attended during the pandemic. In general they have increased the support helping their artists and makers transition to selling online, and having a greater online presence.



TENANTS: CHALLENGES AND HOW THEY'RE ADAPTING

When we asked tenants how Covid presented challenges to their organisation they relied as follows:



94% selected 'Loss of projects/ income'



88% selected 'The uncertainty means planning ahead is difficult'



88% selected 'Events and networking have been disrupted'

Clearly the pandemic caused major challenges for an industry that relies upon the making and selling of **tangible products**. Many tenants **lost commissions**, and the ability to run events and **exhibit work** was disrupted. Lockdowns and social distancing also precluded meeting with **suppliers** in person.

Tenants also reported that the pandemic had made clients more risk averse, so they were less willing to work with **emerging designers**. Many tenants work alone and don't have a team they connect with each day, so there were ramifications from a **mental health** perspective. The operator reported that many of their tenants have a **second job** in the hospitality industry, and these jobs came under threat at the height of the pandemic. Direct sales and wholesale have been disrupted during the pandemic. But many of the tenants stabilised by moving their products **online** (or having an online presence for the first time).

'The community is so important, we are sharing knowledge in both a formal way but also easy to ask a question by just popping into another maker's studio or while meeting in the corridor - this is invaluable.'

COCKPIT ARTS TENANT

WHAT DO TENANTS VALUE?

Due to the necessity for space and specialist equipment, Hybrid work is not a possibility for Cockpit Arts tenants. The value of the workspace centers around affordability, specialist space and the community of similar creatives.



AFFORDABILITY:

There is a lack of affordable space for artists and makers in London so tenants highly value this and are slow to relinquish it.



SPECIALIST SPACE:

Cockpit Arts provide the type of light industrial space that is necessary for many of these makers, including the use of machinery (such as wood turners, splitters, chainsaws, and sewing machines).



COMMUNITY OF OTHER CREATIVES:

They actively curate the membership and this is something tenants find very helpful, and part of the reason they are so engaged (all respondents in the survey say they regularly attend events at the space). Most tenants are one-person bands, and so the proactive support from the operator, along with the community of other similar creatives has been a significant support during the pandemic.





FLEXIBILITY

Having flexible use of space and equipment is more important to these tenants than flexibility of contracts. There is such a lack of affordable space of this type, that when they get their hands on it they tend to not want to give it up. Moving studios is disruptive and takes time. And the nature of their work precludes the possibility of them being able to do it at home. This means that for young artists looking for studio space, affordable options are not easy to find.



NEW TYPES OF TENANT

They have received a greater number of young members - due to their awards. They have a regular flow of awards that supply bursaries for specific disciplines. As a result they have a diverse group of tenants in terms of age and experience. This diversity adds value to the community.



ROLE OF LOCATION

The operator noted that London is still regarded as an important place to be for artists and makers. For a lot of these tenants, London remains their primary market and being based there is important when it comes to getting into the larger galleries (for example).



IRL VS VIRTUAL

There has been a shift towards more meetings held online. However, this is a relatively small shift compared to knowledge-based workspaces. We asked why tenants value meeting in person and the common responses included showing **work** to buyers, and **viewing materials** from suppliers.

This last point was emphasised in the interviews as well - namely that people want to see the process of how things are made, as much as they want to see the finished product. So as the tenant says, the space helps **'tell the story.'**



COMPANY PROFILE: **KELVIN BIRK - GOLD AND SILVERSMITH**
INTERVIEWEE: **KELVIN BIRK**
ROLE: **FOUNDER / DESIGNER**
TYPE OF BUSINESS: **JEWELLERY DESIGN**
NO. OF EMPLOYEES: **1**
HOW TRAVEL TO WORK: **CYCLE**
AGE OF COMPANY: **11-50 YEARS OLD**
MEETINGS ONLINE PRE-PANDEMIC: **0%-25%**
MEETINGS ONLINE NOW: **0%-25%**

TENANT PROFILE

OVERVIEW AND IMPACT OF THE PANDEMIC

Lockdowns brought uncertainty - no one knew how long they would last and as a result makers, the government and galleries were all in flux. **Commissions were delayed or cancelled entirely**, especially commissions related to weddings, though also exhibitions and fairs. But recovery came once the delayed commissions came back. Customers also became **less resistant to buying online**, and Kelvin now does some things online that he never previously did, such as initial meetings with prospective clients who live abroad. Interestingly Kelvin noted that if lockdowns were to happen again, now we know what they entail and that they

are transitory, he would have greater confidence to use that time to **invest in procuring new materials and designing new pieces** (rather than 'putting everything on hold').

'Community means sharing - not just information - but also tools and equipment. And that's where the community of other relevant businesses is so important.'

KELVIN BIRK

ROLE OF FLEXIBLE WORKSPACE

Having his own private workshop mitigated against many of the **social distancing and health concerns** during the pandemic and made it easier to carry on with work.

Kelvin stressed that the workspace is irreplaceable. This is partly because there are very few choices when it comes to **affordable maker space**, with specialist equipment. The operator is also very **proactive in the support it offers tenants** (workshops and showcases etc), and in building community and **cross-collaboration between members**.

This community of other similar creatives is very helpful when it comes to the sharing of **both advice and equipment**. Naturally being a member of a curated community for so long also means friendships have been made, further adding to the **entrenched nature of his membership** there.

More interactions with the community now happen online (via a Google Group, which is very active). And Kelvin now conducts some meetings online for his own business. But due to the **tangible nature of the work** and materials, the bulk of interactions still need to happen in person. He needs the **physical space for working**, but also customers need to see jewelry in person, and he teaches **classes** which are best done that way.

ROLE OF LOCATION

The **central location is important**. Not just because of proximity to Hatton Garden (important as a jewellery designer) but also for its **desirability for customers** (Bloomsbury carrying a certain prestige), and for the **convenience for customers** (they would be less likely to visit if he were on the outskirts of London). Kelvin also lives within cycling distance.

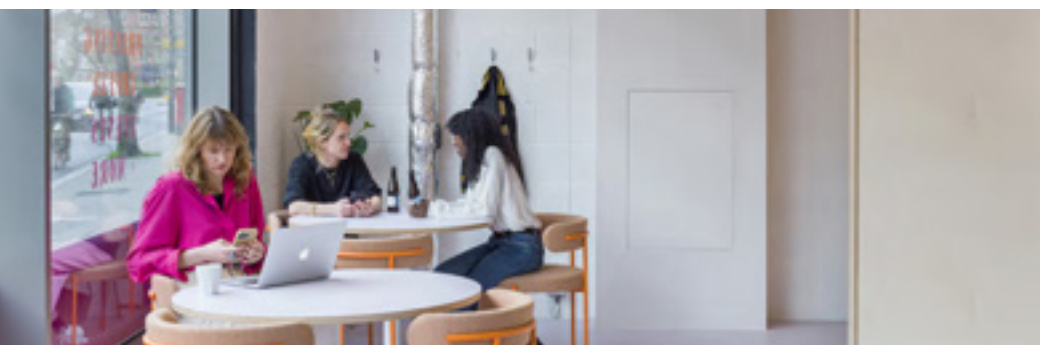


OVERVIEW

ARC Club is a local neighbourhood workspace operator with four venues (Camberwell Green, Harrow, Homerton and Earlsfied) and more on the way. All of the workspace is open plan hot desking. It offers a 'third space'; filling a void between the traditional office and working from home. Most of its members are local residents, including both SMEs and remote workers. It shows the... They illustrate the demand from hybrid and remote workers who want to spend less time commuting but don't want to work from home.

IMPACT OF THE PANDEMIC

Social distancing and lockdowns brought a number of challenges, especially given the operator had only recently launched its first venue when the pandemic struck. But the challenge of the pandemic also brought with it opportunity, with the **onset of more people wanting to work close to home**. As well as reaching new groups and widening participation in co-working, there is a renewed optimism in the form of **many people wanting to start a business** in the wake of the pandemic.





OPERATOR: CHALLENGES AND HOW THEY'RE ADAPTING

The workspace faced operational challenges through maintaining a full service when **staff contracted Covid-19**.

Business rates are a consistent challenge for flexible workspace operators, regardless of the pandemic. But this challenge is felt most acutely by operators who don't qualify for small business rates relief (such as ARC club). The scheme's purpose is to support small businesses, but open plan workspaces are not eligible

Another difficulty has been **keeping track of the various forms of support** and guidance available.

Affordability: During the pandemic they found that **affordability** is extremely important to their members. As far as remote workers go they often would be paying for access to ARC out of their own pocket (as opposed to their company paying for it). This reveals a wider challenge of the **importance of educating employers** about the value of a local flexible workspace for their employees. ARC helped by keeping prices affordable (they price themselves by being cheaper than a cup of coffee), but also creating inclusive and hyper flexible membership packages. One example of this is their **'Household Membership'**; which provides joint access to membership for working parents of the same household.

Broadening participation: By launching in new, residential locations, the operator found that many of the **local residents had not yet had exposure to the concept of co-working**. ARC has played an important educational role, engaging with local residents to make sure everyone feels welcome and included, regardless of background, age or what industry they work in. Examples of this include a **homework club** they run twice a week, allowing young people under 25 access to the space for study groups. ARC has also developed a **partnership with Urban MBA**; a charity that provides enterprise and employability training, for young people who are currently not in education, employment or training (NEET).



TENANTS: CHALLENGES AND HOW THEY'RE ADAPTING

When we asked members how Covid-19 presented challenges to their organisation they replied as follows:



100% selected 'loss of projects/income'



100% selected 'Events and networking have been disrupted'



80% selected 'Uncertainty means planning ahead is difficult'

Many of the small businesses that were in their infancy struggled during the pandemic, and freelancers lost work and commissions. With cost cutting there was a negative knock on effect during the pandemic. Planning ahead with this uncertainty has also been a significant challenge. And there was also a toll from a mental health perspective on tenants. Many had to work from home, often in isolation, or struggled to manage childcare during lockdowns.

Despite these challenges, many of the tenants felt the conditions during the pandemic also provided opportunity. It was interesting to note that many of the workspaces' new members were brand new businesses. The operator reported an optimistic sentiment amongst these new members.

WHAT DO MEMBERS VALUE?

The primary value of the flexible workspace for members is 'productivity', followed by 'wellness and mental health'.

Many of the members of this flexible workspace would have been otherwise working from home or a local cafe. For many people those environments are not entirely suitable for work. The proper infrastructure is not in place and they can be distracting. So having a local workspace which is purposed for focused and professional work is the central value.

'Arc gives me a separation from home and work and provides a comfortable, quiet place to focus and get work done. Plus it saves money on coffee!'

ARC MEMBER

In 2022, the operator reported that the desire for locals to connect with others in their community has become more important post-pandemic.

This plays into the importance of membership from a mental health perspective as well - getting out of the house and seeing others.





FLEXIBILITY

When we asked what element of flexibility members found most valuable the answer was both short term contracts and use of communal facilities. Flexible contract terms and packages allow access for hybrid and remote workers who may only require access to the space for 1-3 days per week. The communal facilities (canteen area, phone booths, meeting rooms) are largely facilities that would not have otherwise been available to the member had they been working at home.



ROLE OF LOCATION

Most members reported the location is important because it's near to where they live. We discovered that 80 per cent of respondents live within walking distance of the workspace, and **all respondents either walk or cycle to work.**

Some respondents also reported that the location is important because it is an enjoyable area of London to work in. Either way, the drivers here are around **individual preference, as opposed to convenience for large teams.**





NEW TYPES OF MEMBER

Remote workers: There is interest from remote workers who value the flexibility and affordability in being able to buy granular membership packages and access the space day-by-day. Many of these remote workers will work for large corporations. But it's interesting to note that many of these members work for large corporations, but find and pay for the workspace as an individual, as opposed to having it supplied by their company.

Working parents: They have a number of working parents, who need access to a professional workspace, but also value working near home because they are near to their childcare. Reducing the time spent commuting helps give time back in the day. Many working parents will also have part time work, or intermittent freelancer work, and juggle this alongside part-time childcare. A local workspace supports the fractional nature of this type of routine.

Sectoral diversification: Traditionally co-working has been seen as somewhere predominantly for startups and technology businesses. But they are also seeing people from the charity and public sector use their space.



IRL VS VIRTUAL

Meetings: Many more meetings are now happening online compared to pre-pandemic. 80 per cent of tenants now have more than 50 per cent of their meetings online.

Given this shift we asked why (and if) members still value having meetings in person. It's clear that although the quantity of in-person meetings has reduced, they still play a very valuable role. Members reflected that they still prefer to meet in person for **project kick-offs, brainstorming** and **ideation sessions, catch up with team members**, and **first-contact meetings** with **clients or partners**. Meeting in person is seen as especially important for **relational and engagement purposes**.

Interacting with other members: Members also reflected that they enjoy interacting with other tenants in the space. This is partly for the value in building a network and to share ideas. But also for purely social reasons and to feel less isolated. Many of these members will be working alone day to day, so this makes sense.



COMPANY PROFILE: **WE ARE FLEX**
INTERVIEWEE: **EMILY PHILP**
ROLE: **FOUNDER**
TYPE OF BUSINESS: **HOSPITALITY AND EVENTS**
NO. OF EMPLOYEES: **3**
HOW TRAVEL TO WORK: **WALK**
AGE OF COMPANY: **6-10 YEARS OLD**
MEETINGS ONLINE PRE-PANDEMIC: **25%-50%**
MEETINGS ONLINE NOW: **50%-75%**

TENANT PROFILE

OVERVIEW AND IMPACT OF THE PANDEMIC

We Are Flex orchestrate and runs events, so naturally the peak of the pandemic was especially challenging. Planning for the next quarter, and supporting the wellbeing of team members during this uncertainty and insecurity was also difficult. The company moved some of their events online, which helped through the height of the pandemic.

'It was really hard to gauge how my team was fairing, as I was not seeing them face to face. There was no developing those relationships.'

EMILY PHILP

ROLE OF FLEXIBLE WORKSPACE

Covid-19 has had a **lasting impact on how the business is run**. Most internal meetings happened in person, and all client events were in person. Now most meetings are online, and they run a mix of in-person and virtual events.

The company has a blended approach to work, with the team working mainly from home and congregating intermittently for periods of collaboration at ARC. This is proving productive, and as a dispersed team they value commuting less. When the team do congregate they use the workspace to **collaborate, generate ideas and prepare for events**. The flexibility that ARC offers makes this viable, not just through the flexible access, but the design of the workspace itself.

Emily highlighted the importance of congregating as a remote team for the sake of **relationships** as well. Meetings on Zoom are very work focused and they found during the pandemic that people don't want to spend time doing social activities virtually when they have been online all day. 'Now more than ever, it's important to spend unstructured time together to build relationships. ARC was a lifeline because it was an opportunity for the team to get together.'

Emily also uses the workspace on a regular basis for herself, allowing her somewhere professional to do **focused and undistracted work**.

The environment is intentionally purposed for work, which means there are no distractions, unlike cafes. She also finds the divide between her place of work and her home, and having social interaction each day helps make for a happy and fulfilling work day.

'As a working parent it's very important to be able to separate work and home. You need to have a separation between the two, and to be able to go to a professional workspace.'

EMILY PHILP

The flexibility is also really helpful when there are **peaks and troughs in the business** and the projects they run. It means they only need to pay for workspace when their business needs it.

ROLE OF LOCATION

Emily is a **working parent**, and finds the **proximity of the workspace**, near to where she lives, extremely important. Having a professional environment that is not home, but is near home has been invaluable. It means she is able to do focused work and have a work/home divide, but is also near to her child's nursery.

CASE STUDY

OVERVIEW

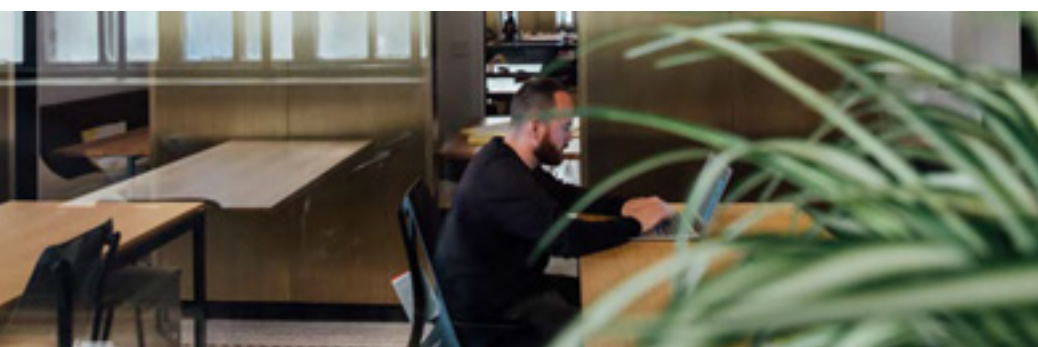
This is a multi-site flexible workspace operator, which has been anonymised for the purpose of this study. They operate in central London and they cater to a variety of different sectors, and different sizes of business. They provide both open plan hot desking space and private office space, as well as a range of additional amenities and services.

IMPACT OF THE PANDEMIC

As with most knowledge based flexible workspaces, when Covid struck occupancy dramatically dropped. But as lockdowns and social distancing eased tenants gradually returned. Most tenants who left initially were the smaller, more **agile organisations**, but these were then also the quickest to return post-pandemic.

The demand for flexibility is only increasing. This presents both challenges and opportunities. The challenge is that planning ahead is difficult, both for tenant businesses and the operator itself. There is more need for flexibility, but predicting how entrenched hybrid work will be moving forward, and what this will look like is a challenge. But the opportunity is that more businesses of all sizes are looking to move to flexible workspace, and **dispersed teams** find the convenience of the **locations, flexibility and communal facilities** extremely important.

Operator comment: The operator reported on the shift in power from the employer to the employee. The pandemic has resulted in the employee now having greater say in how and where they work.





OPERATOR: CHALLENGES AND HOW THEY'RE ADAPTING

MANAGING DEMANDS OF HYBRID

As a result of hybrid working many companies are downsizing their offices, but require access for the same number of employees. Previously a 12 person company took a 12 person office. Now they might take an eight person office but still require access for 12 people, working on rotation or all requiring access at the same time, with the overflow using communal areas. This can be a challenge for managing building capacity, especially due to the greater use of the lounge/communal facilities.

CHANGES TO SPACE AND INFRASTRUCTURE:



ACOUSTIC PRIVACY:

With the increased number of tenants now carrying out video calls there has been more need for acoustic privacy. This has meant an increased number of phone booths across the venues, installing more video conferencing technology in meeting rooms, and enhancing the sound proofing of meeting spaces.



COMMUTING HABITS:

These have changed, with fewer people using public transport. The operator has reacted with this, supplying more bike racks and showers, which are in high demand.

MORE FLEXIBILITY AND WIDER ACCESS:

The operator's terms and conditions were flexible in a pre-covid world, but these have now become even more flexible. Post pandemic, they offer a new package for members to gain access to any of their locations.



'Embedding new employees into the culture has been difficult during lockdowns.'

TENANT



TENANTS: CHALLENGES AND HOW THEY'RE ADAPTING

Their tenants reported a diverse set of challenges. This could perhaps be reflective of a diverse group of tenants (in terms of size of organisation and type of business).



65% of respondents selected 'Events and Networking have been disrupted' means planning



35% selected 'Hiring new talent is tricky'



30% selected 'Building a culture and relationships with my team is hard'



30% selected 'Loss of projects/income'

Events and networking: In both the surveys and interview tenants stressed the importance of face-to-face interactions for their company

Uncertainty of the future: Undoubtedly the conditions around Brexit, inflation and potential economic recessions will be contributing to this.

Adapting: The tenants we surveyed and interviewed have been remarkably adaptable and resilient. Most have made some changes as a result of Covid-19. These broadly fall into three categories: 1) where possible, moving events online, 2) transitioning towards hybrid work policies, 3) a greater focus on online marketing activities.



WHAT DO TENANTS VALUE?

We asked tenants: What is the main value of a flexible workspace? The primary value of the flexible workspace was **'Flexibility' (66 per cent)**, followed by **'Community and social aspects' (17 per cent)**.



FLEXIBILITY:

As we've already touched upon, hybrid working is only enabled through flexibility. But interestingly, when we asked tenants which element of flexibility is the most important to them, the majority stated **'use of communal areas and facilities'**, trumping **'short term contracts'** and other benefits of flexibility by a distance. The nature of flexible workspaces is that they provide access to facilities SMEs would not normally have (should they take a traditional lease).



COMMUNITY AND SOCIAL ELEMENTS:

Interviews revealed the importance tenants place on spending time with colleagues and clients, as well as being in proximity to other relevant businesses.

Attracting talent: We also asked tenants whether membership of their workspace helps attract top talent and **100 per cent** of respondents selected 'yes'. The consensus is that companies that are able to offer flexible work schedules have a competitive advantage in attracting top talent. Additionally, access to a desirable workspace further enhances their appeal to potential employees.



We have our own 12 desk office, but also have access to the communal areas which works well when we rarely have all 18 people in the office at one time because of our hybrid working style.

TENANT





THE ROLE OF LOCATION

Thier locations are **centrally located** with good access to transport. For dispersed and hybrid teams this is very important because it **allows for ease of access for all the team**, no matter where they are based around (or outside of) London.

Tenants reflected on the convenience of the locations if they wanted to have meetings with clients, and also to be in close **proximity to other relevant organisations**. For example, the tenant we interviewed is a property recruitment business, so being located in the West End is very important.

All access: The multi-venue access is also extremely convenient for a dispersed team. On the days when the organisation doesn't gather as a team, they might want to work in different locations.



NEW TYPES OF TENANT

Bigger businesses: as we saw in the main operator surveys, larger organisations are increasingly looking at flexible workspace since the pandemic. As interest from bigger businesses increases this is certainly a growth area.

Operator comment: **'Most larger businesses are now looking at flex for at least a proportion of their needs'.**



**50%-75% MEETINGS
NOW ONLINE**

IRL VS VIRTUAL

Meeting in person vs online: Pre-pandemic the majority of tenants had 0-25 per cent of their meetings online. Now, the majority conduct 50-75 per cent of their meetings online. In light of this trend we asked why tenants still value conducting some meetings in person. The most common responses included reasons of confidentiality, due diligence, personal development, and higher engagement with new partners or clients.

Meeting room use: Meeting rooms are in high demand, with an increase in interest from external users. This is an interesting development. Well serviced and centrally located meeting rooms fulfill a useful purpose for fully remote teams who want to gather intermittently.



TENANT

ROLE: **OPERATIONS MANAGER**
TYPE OF BUSINESS: **RECRUITMENT (REAL ESTATE)**
NO. OF EMPLOYEES: **10**
HOW TRAVEL TO WORK: **PUBLIC TRANSPORT**
AGE OF COMPANY: **2-5 YEARS OLD**
MEETINGS ONLINE PRE-PANDEMIC: **0%-25%**
MEETINGS ONLINE NOW: **25%-50%**

OVERVIEW AND IMPACT OF THE PANDEMIC

Rockbourne is a growing property recruitment company. Like most companies it had to be extremely resilient during the height of the pandemic. This was especially so given the property industry, where the market dried up as everyone was cautious. Having events and networking cancelled and working entirely from home during the pandemic was tricky. Due to the challenges of conducting training online, the company leans towards in-person methods. Their strong people-centric approach underscores their preference for face-to-face interactions, driven by the belief that personal connections, mentorship, and certain meetings are best suited for offline settings. Moreover, they recognize the importance of promoting general well-being and fostering social connectedness through in-person engagements.

'It was hard working from home constantly and not seeing everyone or knowing how long it would last...'

'...Spending time working together is important when it comes to training and harboring a good working environment. This helps create a sense of enjoyment at work and prevents a sense of isolation from a mental health perspective.'

TENANT

ROLE OF FLEXIBLE WORKSPACE

The flexibility of their workspace came in very handy during peak-pandemic as they operated using co-working memberships. Then post-pandemic, when the market picked back up and they continued to grow, the **flexibility allowed them to grow** as they graduated from the co-working memberships to a private office. This need for flexibility is not a new trend for SMEs. But with **uncertainty of the future** even more of a concern now, it's more important than ever.

Even within the company **different people have different working patterns**. Some of the team come in five days per week, and others come in two days per week.

Interestingly, for Rockbourne the most important element of flexibility is access to **communal facilities**. They frequently use the meeting rooms, phone booths, event space, communal lounges. The communal facilities also allow them to be oversubscribed, with more employees than there are seats in the private office.

ROLE OF LOCATION

There are three reasons the location is important to them:

Convenient for team: Their team live in dispersed locations around London so a centrally located workspace is the most convenient for everyone.

Good location for business: As a property company, Soho is an important location for them for meetings with clients. 'If you want to meet a client in the middle of the day you can do so easily'. There is also a degree of cross pollination from other related businesses being located in the same building. They have received referrals and learned a lot from others in the same industry, all under one roof.

Social perks: There is also the sense that there are social benefits of this location, especially for younger team members who want to go for drinks after work in this part of town.

THANK YOU

See part B for technical appendices, full survey findings and analysis.