

REPORT

START ME UP

THE VALUE OF WORKSPACES
FOR SMALL BUSINESSES,
ENTREPRENEURS
AND ARTISTS IN LONDON



Carys Roberts

December 2016

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IPPR
4th Floor
14 Buckingham Street
London WC2N 6DF
T: +44 (0)20 7470 6100
E: info@ippr.org
www.ippr.org
Registered charity no. 800065

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CONTENTS

Summary	3
1. Introduction	7
1.1 What do we mean by open workspaces?	7
1.2 A time of opportunity and risk for open workspaces in London	9
1.3 Methodology	10
2. State of the open workspace market	12
2.1 History	12
2.2 Recent growth is shaped by changes in how we work	12
2.3 Open workspaces are concentrated in east and central boroughs ...	13
2.4 Who uses open workspaces?	15
2.5 Who runs open workspaces?	15
2.6 Challenges facing the sector	16
3. The value of open workspaces	18
3.1 Generating economic growth	19
3.2 Placemaking	23
3.3 Cultural value	26
3.4 Addressing disadvantage	28
3.5 Case for intervention to support open workspaces	30
4. Measuring the impact of open workspaces	33
4.1 Provider-collected data	33
4.2 Government-collected data	34
4.3 Impact matrix	34
4.4 Measuring demand	37
5. Policy recommendations	38
References	42
Appendix 1: Methodology	44
Appendix 2: 2-digit SIC codes	46

ABOUT THE AUTHOR

Carys Roberts is a research fellow at IPPR.

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SUMMARY



‘Open workspaces’ allow small and micro-businesses to share space and resources on a flexible basis. They offer spaces that are suitable for the needs of micro- and growing businesses, alongside business support and a collaborative environment for peer-to-peer collaboration. At their best, open workspaces support economic growth and the regeneration of neighbourhoods, help address disadvantage, and offer a lifeline to the city’s creative sector. They are key to maintaining the dynamism and inclusivity of London’s economy and cultural life.

Following the UK’s vote in favour of leaving the European Union, London’s small businesses, entrepreneurs and creative sector face a period of uncertainty. In challenging economic times, it is more important than ever that small businesses can access affordable space on a flexible basis. Even before the referendum vote, however, open workspaces faced the prospect of higher rents, business rate rises and the increasing loss of office space to residential use.

Where London’s property market is not sustaining open workspaces, the mayor and local authorities should act. We recommend that the following actions are taken.

- **London’s mayor should be granted new powers over ‘permitted development rights’**, which put open workspaces at risk of residential development.
- The mayor should **launch a new fund for open workspaces in London’s growing town centres**, leveraging funding from the private sector and local business community.
- **Local authorities should use the planning system** as well as their own surplus assets **to create open workspaces in areas of employment growth.**
- Providers should use the ‘impact matrix’ we develop in this report to gather the evidence to support the case for public as well as private investment in open workspaces.

KEY FINDINGS

London’s small and microbusinesses, as well as artists and community organisations, rely on shared and flexible offices and studios, referred to in this report as ‘open workspaces’. By flexibly sharing space and resources, **users of open workspaces can pay lower commercial rents and reduce the risks of starting a business, as well as work alongside and collaborate with peers.**

Incubators, accelerators, coworking spaces, makerspaces and artists’ studios are all open workspaces. The main users of these spaces are businesses in London’s thriving creative economy; one in four of all London’s small and medium-sized enterprises working in digital and creative sectors have used an incubator, accelerator or coworking space.

Open workspaces also bring together professionals working in diverse sectors, including biotech, business services and the charity sector. Most users are microbusinesses – which make up 96 per cent of all businesses in London and provide employment for 1.45 million Londoners.

Coworking spaces in particular have grown as a result of global workplace changes, but also in response to London-specific trends. Technology has made it easier for employees and the self-employed to work from anywhere with a strong internet connection, and London's entrepreneurial creative and digital sectors have seen healthy growth since the financial crisis: **17.6 per cent of the London workforce is self-employed, up from 15.9 per cent in 2008 and compared to 14.7 per cent nationally.** Established businesses have also sought to use space efficiently as prices and demand for office space has risen.

Despite this recent growth, open workspaces face a range of threats, with sustainability a primary concern for many providers.

- **London's booming property market is pushing up rents for workspaces and their tenants.** Prime rents in the West End have risen by up to 70 per cent since 2009, and 35 per cent in the City of London. The effect of 'Brexit' is uncertain; while prime commercial property may become cheaper as business investment falters, this may lead to more employment space being converted to residential use, which property owners can receive a higher rate for.
- **Employment space outside London's most central economic area is being lost through permitted development rights, which allow the conversion of office space to residential use with minimal planning requirements.** Since 2013, 1.47 million square metres of office space has been given prior approval for development to residential use.
- **Businesses face a revaluation of business rates in 2017.** For instance, open workspaces in Shoreditch could see their notional rate liability double from about £12 to £29 per square foot.
- **Decreased local authority funding has led to sharp rent increases for council-owned property.**

Availability of affordable and flexible office space is vital for innovation and growth. It helps **generate economic growth and jobs**, by supporting entrepreneurs in the early stages of their businesses. Studios and makerspaces **sustain London's cultural life and creative economy**, and workspaces with a social purpose **support the capital's community organisations, as well as helping disadvantaged people access employment.** The Open Workspace Providers Group estimates that London's open workspaces host 31,000 people, generating £1.7 billion in GVA. In some cases, open workspaces have generated an additional £40.80 for every £1 invested – far higher than DCLG's guidance of £5.80 per £1 of regeneration investment.

The challenges facing open workspaces must be addressed; otherwise, London risks losing out on the economic, social and cultural benefits they offer. One in three businesses report that the lack of affordable office space is damaging their business – with microbusinesses facing the greatest challenges.

London's new mayor Sadiq Khan has announced that he will put in place new measures to help, protect and expand workspace for small businesses, startups and entrepreneurs in London (Mayor of London 2016). The mayor should consider introducing a number of specific measures in order to make this commitment a reality.

RECOMMENDATIONS TO THE MAYOR

- The mayor of London should **lobby for full flexibility over permitted development rights**, including the power to set the exemption for the central activities zone (CAZ), Canary Wharf and Tech City, to set article 4 directions on local areas, and the power, in consultation with the boroughs, to charge the community infrastructure levy (CIL) on developments where they will put pressure on local infrastructure.
- The mayor should launch **a new fund to support open workspaces** that accelerate the growth of clusters in town centres outside the CAZ. This fund should leverage additional investment from local business communities, and encourage growth in opportunity areas (OAs).
- The mayor should **work with Transport for London (TfL) to ensure that developments on TfL's 5,700 acres of land include open workspaces**, particularly in new town centres near transport hubs.

RECOMMENDATIONS TO LOCAL AUTHORITIES

- Local authorities (LAs) should **work with providers to turn unused spaces into open workspaces**. The Greater London authority should host an online directory of available spaces, such as in town halls and libraries, that workspace providers can bid for.
- Local authorities should **apply for article 4 directions** to exempt from permitted development rights key employment growth areas not in the CAZ.
- Local authorities should **use section 106 negotiations to secure spaces in new developments**. Where the site is not suitable for an open workspace given market conditions, LAs should require a section 106 payment to fund open workspace elsewhere.
- Local authorities should consider additional density in mixed-use schemes if the development includes commercial space including open workspace, which complements strategic priorities, as part of planning negotiations.
- The current business rate system penalises small businesses that share space flexibly, as the provider is liable for the business rate on the whole property, and therefore must charge higher rates to cover costs. **To encourage growth, local authorities should remove this penalty, by recognising the small business using the space as the ratepayer and calculating rateable value as a proportion of space used**. Alternatively, LAs should use existing discretionary powers to reduce business rates for open workspaces that deliver the greatest benefits.

RECOMMENDATIONS TO NATIONAL GOVERNMENT

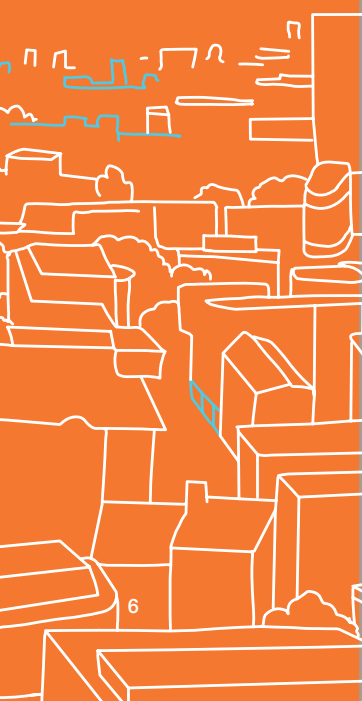
- National government should devolve control over business rate exemptions to the mayor of London through the local growth and jobs bill. In addition, DCLG should **issue guidance on how local authorities can use discretionary powers from 2017 to offer business rate reductions to open workspaces**. Local authorities should be encouraged to do so where evidence of benefits is strong, particularly in cases where sharing facilities means small businesses effectively pay rates (as they are passed on through rent).
- National government should **devolve to the mayor full flexibility over permitted development rights**, including powers to set the exemption for the CAZ, Canary Wharf and Tech City, to set article 4 directions on local areas, and the power, in consultation with the boroughs, to charge CIL on developments where they will put pressure on local infrastructure. As a minimum, national government should extend the exemption for the CAZ, Canary Wharf and Tech City past 2019.

RECOMMENDATIONS TO DEVELOPERS

- **Include open workspaces in mixed-use and commercial developments**. Open workspaces can increase the financial and community value of development through placemaking, cultural, social and economic benefits. For successful workspaces, developers should work closely with workspace providers early on in the development process.
- **Encourage ‘meanwhile’ (temporary) open workspaces prior to development**, to test the concept and viability of workspace, and to maintain activity in the area during redevelopment.

RECOMMENDATIONS TO OPEN WORKSPACE PROVIDERS

- In order to demonstrate value as a sector, it is important that open workspace providers consistently measure the same outcomes. Providers should **measure their impact using our key metrics**.
- The Open Workspace Providers Group, which was created as a subcommittee of the London Enterprise Panel, should promote adoption of our key metrics, and gather annually.



1. INTRODUCTION

1.1 WHAT DO WE MEAN BY OPEN WORKSPACES?

‘Open workspace’ is an umbrella term first used by the Greater London authority (GLA) and London Enterprise Panel (LEP),¹ and includes coworking spaces, incubators, accelerators, artists’ studios and makerspaces. Open workspaces are diverse and vary in how established they are in the market; while shared artists’ studios have existed in London for decades, and some of those still in operation opened over 50 years ago, the Hub in Islington was one of the first coworking spaces in the world when it opened in 2005.²

We understand open workspaces to share all of the following features.

- **Shared resources:** they are physical places where businesses and professionals share space, facilities, and/or specialist equipment (GLA 2015).
- **Flexible access:** access to open workspaces is more flexible than the conventional office market; models vary from fixed-desk or pay-per-use membership models, to easy-in easy-out leases (though many providers also offer more conventional, contained office space as part of a programme of provision).
- **Curated space:** entry to the workspace is ‘managed’ in that a gatekeeper, usually a provider, decides who uses the space according to their criteria and purpose. The management and design of the space deliberately enables and facilitates interaction between users (Brooke et al 2014).

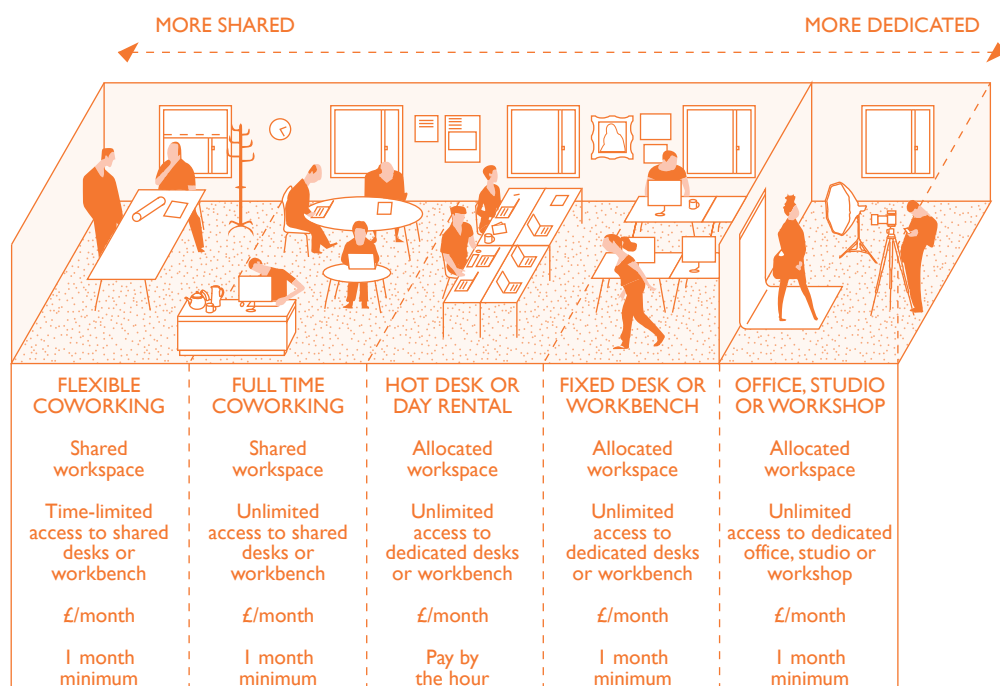
Beyond these common features, open workspaces vary in several regards. In terms of access, they can range from being accessible to anybody to being highly curated or exclusive. Likewise, the degree of shared space can vary from all areas and facilities being shared, to small businesses and individuals having dedicated space. While most are run by distinct ‘workspace providers’, who vary in size, legal structure, social or commercial purpose, and by sector specialism, there are also examples of small businesses coming together to run spaces without a specialist ‘provider’. Most open workspaces will offer additional business support services, such as training, networking events and business advice, but the type of support varies according to the type of space and provider.

¹ The London Enterprise Panel is the local enterprise partnership for London.

² See http://www.tiki-toki.com/timeline/entry/156192/The-History-Of-Coworking-Presented-By-Deskma#vars!date=1997-05-04_03:19:52!

FIGURE 1.1

Five ‘types’ of open workspace, and how their terms vary



Source: Adapted from GLA, *Creating Open Workspaces* (GLA 2015)

In constructing this definition we considered a range of definitions for ‘open’, ‘affordable’, and ‘shared’ workspace. We selected our definition based on interviews with providers, as well as by the shared features and set of challenges that these spaces face. For example, many self-employed people work in cafes and libraries, which are shared spaces that can be used flexibly, but providers we spoke to felt that these spaces – while valuable – are substantively different to open workspaces in what they offer users and in the property market challenges they face. We therefore include in our definition that the space is ‘managed’. Open workspace users may move to other spaces that share some of the same features – such as conventional serviced offices, or workspace with medium-term leases designed for businesses after the initial startup phase (indeed, providers may offer these spaces alongside open workspace) – but they are excluded from our definition as they do not involve curation of users or flexible access. Most university ‘innovation centres’ fall within our definition, as do street and covered markets – though given their retail focus, they have not been considered alongside office and studio space in this report.

We have avoided the term ‘affordable’ as this will vary relative to each individual business user. However, the shared features we identify above imply reduced costs which are particularly helpful for small or early-stage businesses. Because space is shared, and used by different people at different times, rent is lower than the market price for the equivalent floorspace in the conventional, less flexible market. Upfront

costs for users are usually minimal or non-existent, as the space is ready to use, and because the provider has many users and income streams, fewer guarantees are required of users upon entry. On top of this, some open workspaces offer rent that is lower than the competitive market rate, either because the building is restricted to a particular use, creating a specific sub-market, or because the price is subsidised through cross-subsidy or charitable and public funds (Renaisi 2014). A survey of the largest artist studio providers found an average price of £13.73, and for shared workspaces that we have data for, the average cost of a desk is £260 per month including all charges and taxes, although there is wide variation (We Made That 2014; GLA 2016).

1.2 A TIME OF OPPORTUNITY AND RISK FOR OPEN WORKSPACES IN LONDON

The past five years have seen very substantial growth in London of coworking spaces. While in 2009 coworking accounted for 5 per cent of serviced office lettings, by 2014 this had risen to 20 per cent of lettings in central London, with half of the UK coworking market located in the capital (Cushman and Wakefield 2015). The GLA has records of 148 coworking sites just in London, though industry reports suggest that this number may be much higher, at 816 London locations (GLA 2016, Yorke et al 2015).

These spaces have emerged as significant components of the office market in response to global and London-specific trends. Digital technology is enabling both employees and the self-employed to work away from large offices. Self-employment has increased nationally, but to a particularly high level of 17.6 per cent in London, creating demand for suitable workspace (IPPR analysis of ONS 2016). The creative industries, and in particular the digital technology sector, have grown in the capital, creating new clusters of activity and greater tech entrepreneurialism that requires flexible space. As population and employment growth has outstripped growth in workspace, property has come to be used in more efficient ways.

This is therefore an opportune time for coworking spaces: the large number of providers established in London, together with the ongoing growth in self-employment and home-working, suggests that demand will continue to grow. There are also some signs of promise for workspaces for artists and makers, with new makerspaces such as FabLab and Makerversity created in the last few years, and several new developments that include studios as part of the Olympic legacy.

However, open workspaces are also under threat. Workspace property prices are rising quickly, recent policy changes have made it easier for developers and property owners to convert workspace to residential use, and there are anticipated steep rises in business rates coming down the line.³ As well as this, the 'Brexit' vote is likely to decrease investment in London's commercial property sector and create substantial uncertainty. There is a risk that these changes could reduce the number of open

³ We explore these challenges more thoroughly in chapter 2.

workspaces, particularly those workspaces that are the least commercial, or aimed at sectors that require more space and specialist equipment.

These changes could have serious implications for the small businesses, artists and charities that use open workspaces. London has historically been a great place to start a business, with access to capital and sectoral clusters, but that status is in danger: one in three London businesses say that the lack of affordable business space negatively or very negatively affects their business, and microbusinesses⁴ are the least satisfied with the affordability of workspace (GLA Economics 2014). Two-thirds of London entrepreneurs consider leaving after a year, with three-quarters of them citing high property costs as the reason (Sussex Innovation Croydon 2015). The outlook for the economy and for investment in new businesses is also uncertain following the UK's vote to leave the EU.

In light of the risks posed to open workspaces and their tenants, it is important for those who plan and develop London's built environment to better understand their contribution to economic growth, social inclusion, regeneration and cultural life.

There has been recent interest in open workspaces from the London LEP as well as the GLA and several London boroughs. Our research builds upon reports commissioned by the GLA which surveyed the landscape of open workspace provision, and considered how they can be supported (see Brooke et al 2014 and We Made That 2014). Missing from those reports, however, is a thorough understanding of the value that open workspaces bring. Building on one of the recommendations in the *Supporting places of work* report to encourage improved research and monitoring by workspace providers to provide this information (Brooke et al 2014), our research has been designed to fulfil three main purposes:

- to establish the existing evidence on the impact or likely impact that open workspaces have on London, both as a sector and by type of workspace
- to establish metrics that can be employed by providers themselves, and the public sector, to measure the impact of the sector and individual workspaces
- to assess different policies and methods for protecting and supporting open workspaces that offer the greatest value to London.

1.3 METHODOLOGY

To answer our research questions, we have used a range of methods:

- a review of academic and industry literature, focusing on impact evaluations and policy evaluations to determine value and the best way to intervene in the market
- a review of data collected by open workspace providers, to understand existing evidence
- interviews with a wide range of open workspace providers that represent the breadth of open workspace provision in London, to explore different models and illustrate value

⁴ Microbusinesses are defined as those with 0–9 employees.

- a roundtable and interviews with developers and property experts, to determine their perspectives on open workspaces and potential policy initiatives
- a survey of open workspace users, to assess value and test our metrics.⁵

Our research benefited from the insight of the Open Workspace Providers Group, which was created as a subcommittee of the London Enterprise Panel (LEP).⁶

5 See appendix 1 for details of our methodology, including this survey.

6 Further details of our methodology are available in the appendix.

2. STATE OF THE OPEN WORKSPACE MARKET

2.1 HISTORY

In the 1980s, around two-thirds of managed workspace in the UK (that is, workspace comprised of small units on easy-in easy-out terms, with onsite business support) was directly provided by local government (Chalkley and Strachan 1996). Over the past two decades there has been a shift to almost purely private (including third sector) provision, in line with changing political ideologies around provision of public services over the period (Ferm 2014). This change has occurred partly because the private sector has independently increased provision, with local government planning provisions also encouraging open workspaces to grow. In the late 1980s and early 1990s, however, there were also large property transfers from the public to private sector. Workspace Group Plc was established in 1987 with the purchase of 710,000 square feet of floorspace, across 18 units, on sale following the dissolution of the Greater London council (GLC).⁷ Direct transfer of property has also been used as an in-kind form of support for artists' studios in the past; for example, Acme Studios received property transfers from the GLC of buildings that were empty or earmarked for redevelopment as early as the 1970s.⁸ As well as this, various workspaces have benefited from public funding. In particular, in the 2000s the London Development Agency invested in incubators and innovation centres attached to universities across London, to support spin-outs from high quality science and technology research (Science and Technology Select Committee 2014).

2.2 RECENT GROWTH IS SHAPED BY CHANGES IN HOW WE WORK

While the most common type of open workspace in London is still artists' studios, with 210 sites out of 439 open workspace sites in total, new types of open workspace have grown dramatically. The latest available data shows 148 coworking spaces, 24 incubators and accelerators, and 57 makerspaces in the capital (GLA 2016). Though studios for craftspeople are not new, makerspaces with shared and often completely open access to tools and workbenches are a modern development (Dellot 2015). Coworking spaces have seen growth worldwide as well as nationally: current growth in the UK stands at 29 per cent in 2015 and 50 per cent in 2014 (Deskmag 2015). This growth, particularly in coworking spaces, is the result of changes in how people work globally, as well as trends specific to the London economy.

7 For more about Workspace Group Plc see <http://www.workspace.co.uk/investors/about-us/company-history#zAFdziEgeCt6v7oz.99>

8 For more about Acme Studios see <http://www.acme.org.uk/aboutacme/history>

- Technology is enabling new ways of working. With cloud computing and digitalisation, work can be done from any location with strong wifi, and many businesses operate online rather than on a face-to-face basis. Both employees of firms and the self-employed can work remotely; 5.6 per cent of London employees now work from home, up from 4.6 per cent between 2008 and 2015, and 56 per cent of self-employed Londoners work from home, up from 52.7 per cent between 2008 and 2015 (IPPR analysis of ONS 2016).
- London's economy has seen growth in the creative industries, particularly digital and tech-enabled industries, as well as a broader shift towards knowledge work. In the post-recessionary period, the creative industries grew faster than the London economy as a whole (Togni 2015). These industries often need less space, but will require more flexible access to it.
- Self-employment and entrepreneurialism have grown nationally but also specifically in London, meaning more microbusinesses and startups are looking for space that caters to their needs: 17.6 per cent of the London workforce is self-employed, up from 15.9 per cent in 2008 and compared to 14.7 per cent nationally (IPPR analysis of ONS 2016). There are now 936,810 microbusinesses in London, making up 96 per cent of all businesses in the capital. These businesses provide employment for 1.45 million Londoners (BIS 2015).
- Over the last decade employment growth in central London has outstripped the increase in office space, leading to higher office space prices, compounded by the strengthened residential property market (NLP 2015). This has pushed businesses to intensify the way they use workspace. Flexible office space, particularly coworking space, can help businesses use space more efficiently.

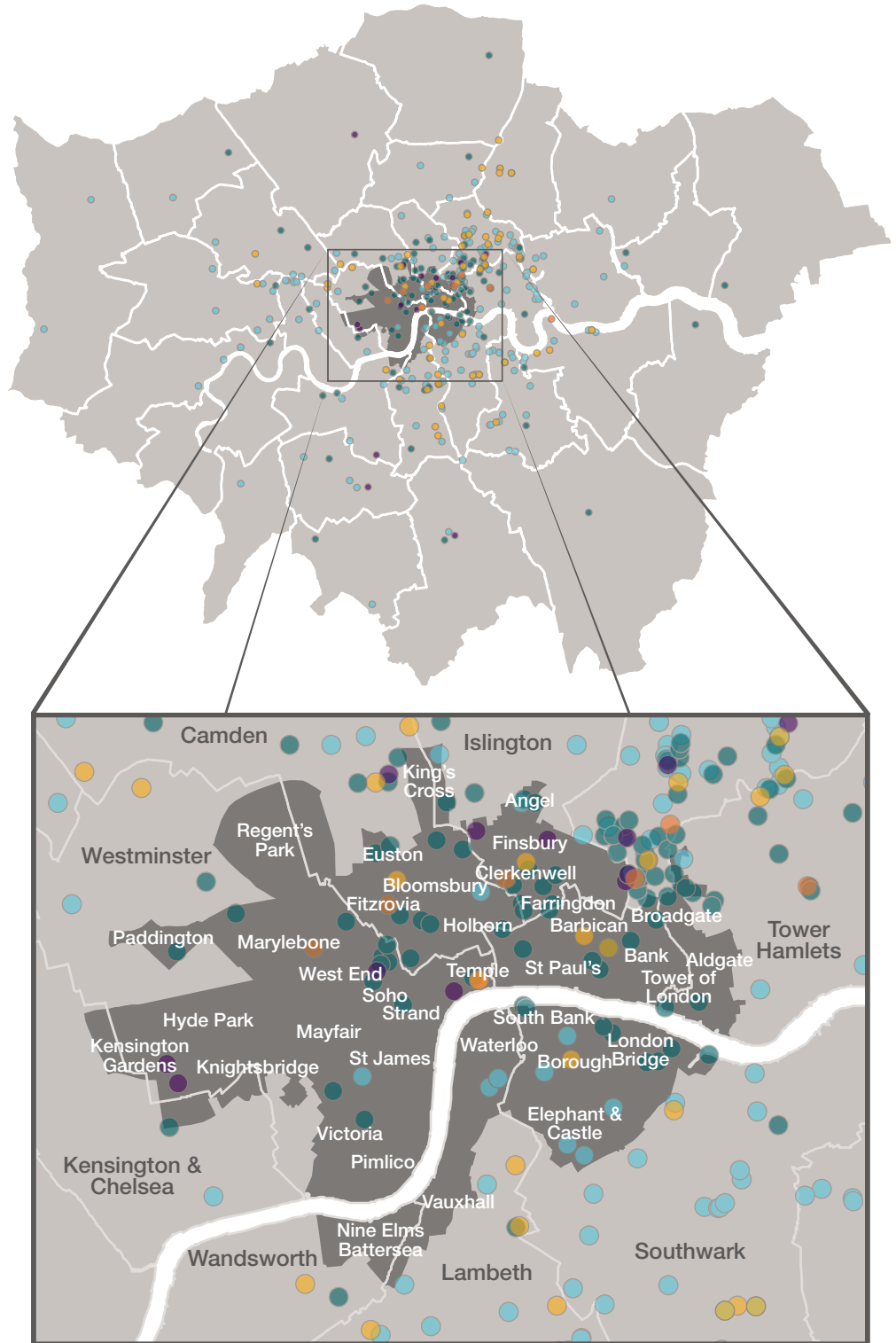
2.3 OPEN WORKSPACES ARE CONCENTRATED IN EAST AND CENTRAL BOROUGHES

Seven London boroughs have high levels of open workspace provision: Hackney (95), Tower Hamlets (54), Southwark (37), Islington (35), Lambeth (34), Camden (31) and Westminster (27) (GLA 2016). Other boroughs all have 20 or fewer open workspaces, and most fewer than 10. Within these total figures, Hackney has more than any other borough of every kind of open workspace, with the exception of incubators and accelerators (Hackney has four compared to Westminster's six). Southwark and Lambeth have more artists' studios, whereas Islington, Camden and Westminster have more incubators, accelerators and coworking studios.

FIGURE 2.1

Map of open workspaces in London by type of space (and central activities zone)

● Accelerators ● Artists ● Coworking ● Incubator ● Makerspace



The Central Activities Zone (CAZ)

Source: GLA, *Open Workspaces database* (GLA 2016)

2.4 WHO USES OPEN WORKSPACES?

Available data shows that at least 12,401 people use open workspaces currently (GLA 2016). However, the true figure is likely to be much higher, as we only have this data for a third of sites, and 11,500 people work from artists' and maker studios alone (We Made That 2014). The Open Workspace Providers Group estimate that over 31,000 people work in an open workspace in London, with 59 per cent of these people in coworking spaces.⁹ The London Business Survey found that 15 per cent of microbusinesses – and 10 per cent of other small and medium-sized enterprises (SMEs) – had used an incubator, accelerator or coworking space (GLA Economics 2014). This rose to 25 per cent of all SMEs in information, communication, the arts and entertainment, and to 30 per cent of SMEs established between 2009 and 2011 (ibid).

The digital technology industry is the most common user of incubators, accelerators and coworking spaces (29 per cent) (Brooke et al 2014). Across all open workspaces, the creative industries – including non-commercial artists – are by far the largest industry (using standard industrial classification which includes digital technology). But an increasing number of open workspaces, such as the QMB Innovation Centre, are catering for biotech businesses and scientists, sometimes alongside creative businesses. As well as this, large corporate firms are starting to use coworking spaces as overspill offices that their staff enjoy working in, including Santander and British Gas (Smith 2016).

Incubators and accelerators are focused on growth, and therefore are used by early-stage ventures, but other providers offer space to mature organisations such as well-established community groups and non-commercial artists. Similarly the demographic of the space depends on the provider and industries of business residents; community-focused workspaces with outreach programmes are likely to have a more diverse set of users than incubators targeting high-growth startups.

2.5 WHO RUNS OPEN WORKSPACES?

The charity sector is prominent in the open workspace sector, with 42 per cent of sites for which we have data operated by a charity provider (GLA 2016). A further 12 per cent are run by social enterprise/community interest providers, 8 per cent by educational institutions, local authorities and cooperatives, and 37 per cent by the private sector (ibid). Artists' studios are more likely to be run by charitable providers.¹⁰ There are providers that own the building themselves, lease space from a freeholder or landlord and providers that operate within other open workspaces (for example the London Centre for Book Arts is a makerspace within a larger studio building run by Space Studios). However, the majority of providers do not permanently own the building they occupy.

An emergence of larger workspace providers and consolidation of providers and models, compared to the wide range of small independent innovators, has been reported in the industry press (Eltringham 2015). Among workspaces for which data is available, the average number of

9 Calculation based on GLA 2016.

10 Data is available for 274 of 439 open workspaces.

users per space is now 82, sharing 52 desks, studios or workbenches in 13,500 square feet, but some providers are much larger than this, occupying multiple floors with hundreds or thousands of users.¹¹ For example, We Work Moorgate hosts 3,000 people in 170,000 square feet on a single site (City of London 2015). Established office providers such as Regus have also begun to offer coworking space, and some corporate firms are providing desk space in their offices to relevant startups.

2.6 CHALLENGES FACING THE SECTOR

Despite their recent growth and increasing prominence, open workspaces face a shared set of challenges within the property market and policy landscape.

Rising rents and diminishing supply of space

The redevelopment of non-residential space into new housing is decreasing the supply of space for businesses. This has been exacerbated by the permitted development rights (PDR) policy, which makes it easier for developers to convert offices to residential use. Since 2013, 1.47 million square metres of office space has already been given prior approval for development to residential use (Mayor of London 2016). The central activities zone (CAZ), Canary Wharf and Tech City are exempt from PDR until 2019, and outside this area some article 4 directions are in place that exempt key areas from such rights. However, zones on the fringe of the CAZ face an immediate threat of loss of space, and there is no assurance that the CAZ will keep its exemption post-2019.

There is a risk that this unplanned process will not leave enough space for projected employment growth, as it is difficult to convert homes back into business space. Projected population and employment growth mean London will need 1.9 million square metres of additional office space over the next five years, the equivalent of increasing office space in the City of London by 25 per cent (Savills 2016b).

The pressure on employment space is exacerbated by a booming residential property market. This means there are strong incentives to either increase commercial rents or convert property from commercial use to residential use. 'Brexit', the terms of which remain unclear, is creating substantial uncertainty in the commercial property sector, but is likely to reduce investment in office space and potentially lead to further conversions of employment space to residential use. In this environment it is hard for open workspaces to continue to offer a price that smaller businesses can afford.

Affordability was a key concern for many providers we spoke to. Since mid-2009, rents for new, prime-located grade A office space have risen by up to 70 per cent in the West End and 35 per cent in the City of London (Carter Jonas 2015). Business owners now face costs of £70 per square foot in Soho and £50 per square foot per annum in the Silicon Roundabout area, before business rates and service charges: these figures are higher for businesses looking for short leases or

¹¹ Data is available for 53 per cent of sites regarding number of desks, 34 per cent regarding number of occupants, and 31 per cent regarding square feet.

smaller spaces.¹² By contrast, the average price of an artist's studio is £13.73 per square foot (We Made That 2014). Increasing rents make the conventional office market unviable for small and growing businesses, as well as for charities and artists, but also present a viability challenge for providers of open workspace – leading to reductions in the services they can provide, or in some cases, closure.

Short leases

Many providers secured five-year leases on their properties at low rents during the recession, when the London property market was less buoyant. As leases come to an end and property owners have increased demand from occupiers, we heard of many providers facing rent increases or eviction. Indeed, 51 per cent of artists' workspaces use their premises on a rented or licensed basis, and 28 per cent report being unlikely to secure their premises beyond 2019 (We Made That 2014). Not only does this mean that some open workspaces are closing, but providers with high fit-out costs, such as for designing high-spec spaces or purchasing specialist equipment, need longer lease lengths to remain viable.

Increases in business rates

London businesses face large increases in business rates in 2017, with the first revaluation of rateable values since 2008. Some areas on the edge of the central activities zone face a doubling of notional business rates, including Shoreditch, which will see notional rate liabilities double from about £12 per square foot to £29 per square foot (JLL 2015). These areas have many open workspaces in which small business tenants effectively pay business rates, as providers pay rates on the whole space which they pass on in rent – even though they would receive small business rate relief if they occupied an individual unit that was not shared. Open workspace providers are concerned that upcoming increases in business rates will make their spaces unviable.

Decreased public funding

In the course of the research we heard of subsidised council rents being dramatically increased, as councils face large cuts in central government grants. The Open Workspace Providers Group is aware of workspace providers facing rent reviews from private landlords and councils of 300–400 per cent. The challenging council funding landscape is unlikely to change in the short to medium term.

12 See <https://www.findalondonoffice.co.uk/toolbox/rental-guide/>

3.

THE VALUE OF OPEN WORKSPACES

Open workspaces support their tenants in a number of ways:

- **By offering a space that suits the needs of small and growing organisations.**

Open workspaces have flexible terms of access; tenants may be members or pay-per-day, but they do not need to sign a long lease, which decreases the risk of taking on space. A steady flow of multiple users means that risk to the landlord can be kept low. Most open workspaces offer more ‘dedicated’ spaces that tenants can move into as they become established and scale up, and which are sometimes used to cross-subsidise other spaces. These features are very helpful to startups, which may want to rapidly increase or decrease the floorspace they use, as well as to small tenants, such as the self-employed, who lack the capital to take on high-cost spaces and absorb the risk of doing so. As one tenant explained in our survey: ‘the flexibility of bringing in guests means we’ve been able to benefit from specialist, ad hoc help without worrying about how/where to work with them’.

Because sharing space and resources also reduces costs, tenants can afford higher-grade workspace, which is both preferred by staff and suitable to accommodate customers and funders. Space can be made to work harder; coworking achieves employment densities of eight square metres per FTE compared to 12 for traditional office space. They can also access more expensive equipment – which is especially important for artists and makers. As a product designer told us: ‘we wouldn’t be able to justify such a large workshop or range of machinery if we were a two-person studio on our own.’

- **By offering business support services.**

The support on offer varies by provider and workspace type, but may include: training opportunities, mentoring, events and linking users with funders (Brooke et al 2014). Almost all users we surveyed had used support services offered by their workspace provider, whether that was an artists’ studio or coworking space. But in particular, incubators and accelerators commonly offer all these types of service, as their purpose is to act as a supportive environment focused on growing tenants’ businesses. Open workspaces focused on addressing disadvantage typically provide services such as training opportunities to help people become self-employed or find employment.

- **By facilitating peer-to-peer interaction.**

Even when tenants have dedicated offices, open workspaces have communal areas that are shared between tenants – whether a kitchen, corridor or office space. Particularly in coworking spaces, shared areas are designed to facilitate serendipitous ‘water-cooler’ moments, which may generate new networks, ideas and collaboration. Further to this, open workspaces ‘curate’ their communities by acting as gatekeepers to the space. In some cases, tenants may be allowed access because of their similarities; artists that use the same materials for instance, or community organisations and charities with common purpose. Often, however, providers will also seek a diverse, complementary mix – makers with different skill levels, graphic designers and PR companies – to create mini ecosystems of skills and interests. Networking events were used by almost all of our survey respondents, and social activities were common. The purpose of creating interaction between curated users is to create peer networks that can offer advice and support, enable innovation through collaboration and knowledge exchange, and to create small supply chains within the space.

Through our research we identified four main categories of impact that open workspaces have as a result of the support they offer tenants and members.

1. They generate economic growth by supporting ventures in the early stages.
2. They regenerate places by bringing activity and identity to neighbourhoods.
3. Those that offer space to artists and creative professionals sustain London’s cultural capital.
4. Many address disadvantage by supporting community organisations and offering work and training opportunities to local people.

3.1 GENERATING ECONOMIC GROWTH

As supportive environments for small and growing businesses, open workspaces can enable economic growth at the local, regional and national level. Measuring the size of this impact is challenging.¹³ While some incubators, accelerators and coworking spaces measure the turnover of their tenants, and previous sectoral surveys have asked for turnover, some of this is ‘deadweight’; we would have expected some businesses to exist without access to open workspaces, as they might have rented conventional workspace or successfully started their business from home. And as many open workspaces, particularly artists’ studios and incubators, receive public funding, there is an incentive to overreport success and underreport failure, which means that the quality of research must be evaluated (Dee et al 2011).

The best examples of economic evaluation that we came across in our review of evidence get close to the true economic impact by making standard assumptions about deadweight, and measuring the gross

¹³ Evaluators need to compare economic growth of an area with open workspaces with economic growth in an identical area without them. In practice, areas with more open workspaces are likely to be different – they may have more entrepreneurial residents, for instance.

value added (GVA) of the workspace. For example, an evaluation of Hub Westminster, which can seat 160 in 12,000 square feet at any one time, estimated £21 million of additional turnover from the current cohort and £63 million over 10 years (Sheppard 2014). About a third of this accrues at the borough level. This presents an excellent social return on the council's investment: Westminster leveraged £13.68 in GVA locally and £40.80 in total for every pound invested. The impact report of the regional development agency's investment in enterprise hubs in the South East – focused on high-growth startups – tells a similarly positive story. The hubs achieved an estimated GVA of between £75.5 million and £88.4 million, representing a return on investment of £10.70 for every pound invested (Regeneris 2008). These figures compare favourably to DCLG's cautious estimate of a £5.80 return for every £1 invested in typical industrial and commercial property schemes, and £6 for business support (Cambridge Economic Associates 2010). The Open Workspace Providers Group estimates that London's open workspaces contribute £1.7 billion GVA and 31,000 jobs, though it is difficult to calculate how much of this would have occurred anyway given the diversity of open workspaces and support that they offer.

While this provides strong evidence in support of these specific workspaces, the findings cannot be generalised – indeed Hub Westminster outperforms other incubators that Sheppard (2014) has evaluated. Other evidence does suggest that supportive workspaces, such as incubators, can have a **strong positive impact on business growth**, and that, for example, 'business incubators are a very cost-effective instrument for the promotion of public policy objectives' (CSES 2002). Our survey of users found that far more users had increased their income in the past year than had experienced a decrease in income. The world's most high-profile incubators have created some of the highest-value companies in the world: Y Combinator's 940 funded companies have a total market cap of \$65 billion, and include Airbnb, Dropbox and Stripe.¹⁴ And while not all academic literature proves that incubators create economic growth, there is evidence that those with the best support services do (Rothaermel and Thursby 2005).¹⁵ Adroit Economics has found that workspaces with a flexible, membership model, such as coworking spaces, can support many more firms and so generate more economic growth than workspaces with a fixed-occupancy model, such as serviced offices.¹⁶ This suggests that the more shared and flexible the space is, the greater the economic impact. It also suggests that coworking spaces serving large firms using them as overspill space are less likely to have as great an impact as those serving lots of small businesses.

As well as increased turnover, **open workspaces can create jobs** as businesses using them expand. A report in 2002 revealed that the EU's 900 incubators generated 40,000 new jobs each year at a cost of €4,000 each (CSES 2002). Hub Westminster is estimated to generate 1,339 jobs over 10 years, at a cost of £547 per job created. The SEEDA enterprise

14 See <https://blog.ycombinator.com/yc-stats>

15 In the literature we found that evidence on 'managed workspace' from the 1990s was frequently cited as demonstrating that the evidence is mixed on the effectiveness of business incubators and shared workspace (Chalkley and Strachan 1996, Green et al 1989). But these studies either consider individual case studies, or spaces that are more akin to serviced offices than shared, open workspaces – losing the benefits of collocation and collaboration, and mostly serving established businesses.

16 Adroit Economics' evaluations are confidential, but they reported this difference in impact to us.

hubs estimate jobs created at a cost of £4,400 per job. This compares very favourably to the estimated cost of a new job in government guidance, at £10,661 (Cambridge Economic Associates 2010). There are many examples of coworking spaces having generated jobs which have not been costed; the first evaluation of Camden Collective recorded 71 jobs created over three years, and Cockpit Arts estimates 48 new jobs attributable to its programme with potentially £425,000 in savings through reduced benefits spend.¹⁷

Our qualitative research suggests that open workspaces are particularly helpful for young businesses, helping them to **start operating and survive the early years**. Two thirds of respondents to our survey said they would not have been able to start their enterprise without access to the workspace. One user told us: ‘the space gives the business a stable but affordable basis, so I can survive the lean times and still be effective at the times when opportunities come along’. In its first 16 months, Camden Collective generated 40 new business starts out of 122 members (Renaissi 2015), and we found a similar rate in our survey. Academic literature suggests that incubation spaces do improve survival rates, but not if used for too long – as in those cases they may be shielding unviable businesses (Dee et al 2011). We also have individual examples of strong business survival rates, with TechSpace in London reporting 92 per cent of tenants and alumni in business after two years.¹⁸ However, more consistently measured data on business survival is needed.

As well as looking at the overall impact of open workspaces, it is informative to consider intermediate outcomes contributing to growth. In particular, open workspaces are notable for their ‘curated’ communities and **facilitation of peer-to-peer interaction**. The academic literature on this topic tends to focus on theory and qualitative evidence, but both do suggest that in shared spaces, we would expect to see, and do see, evidence of greater collaboration on projects, ideas and knowledge exchange, and mutual support (Messina 2007, Spinuzzi 2012, Moriset 2014).

Our survey found support for this hypothesis. Community was highly valued in terms of why tenants chose their open workspace. Two-thirds of respondents had collaborated with others in the space, and other users were the most likely source of advice and support for open workspace tenants. Almost all respondents reported finding out about new ideas and audiences, and had expanded their professional networks. Larger surveys have found a strong sense of community within coworking spaces; the Global Coworking Survey reports that over half would leave valuables unattended without fear of theft, and a high proportion reported new projects born out of partnerships within the space (Deskmag 2015). Evaluations of managed workspace in the 1990s found low levels of interaction, but these spaces were more akin to serviced offices than shared workspaces – suggesting that the shared nature of open workspace, and the curation of tenants, contributes to collaboration.

¹⁷ See <http://cockpitarts.com/impact-research/>

¹⁸ Data supplied privately to IPPR.

We also found that tenants value collocation with their peers for **wellbeing and productivity**. This repeatedly came up in our qualitative research, as one respondent commented: ‘there are so many exciting businesses in the building, and I really feel that the energy you get from that helps to motivate you to work harder and achieve more’. Another respondent told us: ‘what has been most useful has been the wide range of types of businesses and individuals here, and the willingness of people to share their experiences and lessons learned’. This was presented in contrast to the experience of working at home – the alternative for many new and small businesses.

Another key intermediate outcome reported by users was that having a high-quality open workspace helped them to **attract funding and clients**. Incubators and accelerators in particular facilitate meetings with investors, providing crucial networks that many startups would not have. For example, in the first nine months of 2005/06, the Hub Network helped its clients raise £12.1 million of investment funding for their ideas (Regeneris 2008), while Startup Bootcamp reports an average of €662,000 raised per startup that goes through its three-month accelerator programme.¹⁹ Users of other spaces told us that it was helpful to have a space ‘that looks like it means business’ – to accommodate customers, clients and funders.

Case study: Techspace

Techspace offers coworking space for tech startups as well as companies looking to grow, after the initial startup phase. The company operates four workspaces, all in the City Fringe: Hoxton, Old Street, Shoreditch and Whitechapel. Across all locations there are 620 workstations, used by 950 ‘members’. Prices start from £315 plus VAT per desk per month in an open plan workspace, and members can move on as they grow to larger dedicated offices for up to 35 people (£9,800 per month, plus VAT).

The average member company increases their revenue 50 per cent year on year while in the space. When businesses leave, half do so because they are expanding and Techspace does not have available space. Two years after starting up, 92 per cent are still in business.

Case study: Makerversity

Makerversity provides workspace for maker businesses that design and create physical and digital products. There are 170 permanent members, including social change organisations such as the Restart Project, designers, architects and scientists, using varied spaces including a biology lab, metalwork and textiles areas. As well as workspace, Makerversity offers talks, exhibitions and events, which are attended by 5,000 people per year. The organisation is focused on keeping affordable makerspace in the heart of the city and inspiring the next generation of creatives to go into high-value careers; they work with the Princes Trust to

¹⁹ See <http://www.startupbootcamp.org/alumni-growth/>

bring 200 young people into the space annually. An estimated £10–£12 million is added to the local economy by members each year, and Makerversity sees its role as providing vital research and development space for London’s economy.

The 25,000 square foot space opened in 2013, on the ground floor of Somerset House, Temple, which HMRC had vacated. Somerset House is owned by the Crown Estate, via the Somerset House Trust; it is now used to host cultural organisations, and space is subsidised. Makerversity members benefit from being based in Somerset House with access to other professionals working in the complex and larger spaces as they become available. While the upper floors had been renovated by the trust, the lower floors were unused before Makerversity took them on. The makerspace has a seven-year lease, and is in a relatively secure position in that it expects renewal of the lease, though not on the same terms. Following on from the success of the model, Makerversity is expanding; it currently has a space in Amsterdam, and would like to open another in either London or another major European city.

3.2 PLACEMAKING

Open workspaces can help regenerate areas and create identities for neighbourhoods, in particular when **previously vacant or dilapidated space is brought into use or upgraded**. This happens on both a ‘meanwhile’ basis, such as 3space’s short-term use of buildings earmarked for redevelopment for charity office space, but also on long-term leases. Even if the space is of a high quality, ensuring that it does not become empty and maintains activity and footfall in the area. Artists’ studios and makerspaces are often based in former industrial buildings, but 42 per cent of coworking spaces are also found in buildings that are more than 50 years old (Deskmag 2015).

Open workspaces also have strong potential to **make areas more attractive**. Developers we interviewed perceived open workspaces as powerful agents in stimulating growth and identity for neighbourhoods. One developer contrasted the area around the DLR, which has ‘fantastic infrastructure, but no heart, soul, buzz or identity’ with that surrounding the Overground line in Hackney, where the creative sector has been nurtured including through open workspace policy, contributing to a strong creative identity. Developers focused on regeneration are increasingly including coworking spaces as ‘anchor tenants’ to attract young, creative businesses that increase the desirability of a neighbourhood; the asset value gained is more significant than rental value from coworking space. In some areas, this creates tensions with local communities as the coworking space may contribute to gentrification. One housing association we spoke to sought to counter this effect by building on local skills in the textile manufacturing business with open workspaces focused on fashion design and manufacturing; but careful management of spaces to ensure they serve the local community as well as the national economy is evidently needed.

In our survey most respondents were also positive about the **impact of their workspace on the local area**, with one user of Camden Collective telling us: ‘as a Camden-based business, seeing Collective take over this amazing space and transform it in a buzzing creative hub was already great. Being part of it is even better!’ However, concerns over gentrification were expressed – including the concern that lower-value creative businesses would be driven from the area by virtue of their own success in regenerating it, supporting previous academic evidence (Ferm 2014).

In general, we did find that open workspaces catered for local people, and that this was reflected in people’s travel time to the workspace. Public transport, cycling and walking were the most popular means of transport in our survey, with very few driving a car or motorbike – and this was reflected in data provided by individual providers. Respondents highly valued **being able to work close to home**, telling us: ‘proximity to home = short travel time = more energy for work. I often work seven-day weeks and sometimes long hours so the less travelling the better.’ In particular, parents valued not having to commute long distances. As well as local living, connectivity to central London was perceived as very important in order to be accessible to funders and clients.

We found evidence that open workspaces **increase footfall in an area and spend in local shops**, when compared to the space being unused (we do not have data on alternative uses of the building). Pop Brixton generates 2,192 visitors each day, when previously the space was empty, bringing people into Brixton town centre and its market. We found that most respondents to our survey purchase meals locally, and that socialising and purchasing goods for business use were also very common. Respondents valued their proximity to shops where they could purchase equipment and materials – compared to the ‘relative deserts’ that they had previously worked in. Camden Collective has quantified local spend for its own users, finding that tenants spend £23 on business-related items and £35 on socialising every week.

Case study: Camden Collective

Camden Collective is run by the charitable arm of Camden Town Unlimited, Camden’s Business Improvement District. It offers coworking and incubation space as well as courses for creative businesses in Camden, using repurposed vacant and underused spaces. The collective’s newest space is on the site of the disused Temperance hospital which has been renovated to provide secure, warm and well-designed collaborative workspace. Hot-desking space is free to use for registered members, and subsidised offices are available for startups that outgrow the hot-desking space. Its workspaces form part of a broader portfolio of activities focused on improving the public realm, including pop-up retail space.

Camden Collective’s workspace serves a young, creative and tech entrepreneurial crowd, with the average user aged between 26 and 30. Over half of tenant businesses are commercial companies limited by shares, and the most common sector for tenants is technology, software and gaming. Tenants receive training, sometimes delivered by members of the local business community.

The charity relies on public grants to deliver its projects, as well as raising revenue through rents. The project has benefited from several mayoral funds, as well as funding from the council, and has leveraged investment from Camden Town Unlimited. As such, the project has many stakeholders supporting its success, including the local business community.

In part because of the public support it receives, Camden Collective has a thorough monitoring process in place, with tenants submitting quarterly reviews and frequently meeting with staff members to discuss their progress and needs from the space. An independent evaluation has analysed this information and finds substantial public benefit arising from the Camden Collective project, including the creation of more than 100 full-time equivalent new jobs since September 2012. Surveys have shown that Camden Collective has benefited the local economy, by bringing in users who frequently socialise and purchase food locally where they wouldn't have done before. Whereas only 22 per cent of users had a positive impression of Camden before working there, 75 per cent have a positive impression having been based in the space.

Case study: Pop Brixton

Pop Brixton opened in 2015 and is located on a 15,000 square foot brownfield site – a demolished car park – near Brixton tube station. The site is owned by Lambeth council and will be redeveloped in 2019. Pop Brixton receives the space for low rent, with the purpose of supporting local enterprise and jobs prior to redevelopment, but also benefited from £100,000 of fit-out investment by the council (in addition to approximately £1.4 million in private investment).

Pop Brixton comprises a range of different types of workspace in former shipping containers, including coworking office spaces at Impact Hub Brixton (170 members), follow-on office space for entrepreneurs (80 members), as well as art and design studios, affordable retail units, and food and bar kiosks, set around a communal events space. While some units are let on a fixed basis until October 2017, pop-up units are available and Impact Hub operates on a membership basis. Some rents are set at market levels, to support subsidised units with a 20–50 per cent subsidy. The spaces are oversubscribed by four to five times their capacity.

Pop Brixton aims to contribute to the local community. Three-quarters of traders are living in or originated in Lambeth, and through the space over 3,000 hours of volunteering have been given to the community by tenants. Not only is event space available free for social purpose, community organisations, but all tenants have signed up to a community investment scheme and provide at least one hour per week or half a day per month to the scheme. Across spaces, the demographic of users is diverse, with 44 per cent of users identifying as non-white, and a close to equal gender split.

An initial high-level estimate puts Pop Brixton's economic impact at £6.9 million GVA per annum.

Lambeth council is using evaluations of the space to inform its strategy for workspace development across the borough, including the potential for asset-backed vehicles to own and manage affordable enterprise space.

3.3 CULTURAL VALUE

To maintain its position as one of the most culturally rich cities globally, London must retain and develop musical, design and artistic talent. But for artists with low incomes, or who create non-commercial work, living in London is looking increasingly difficult. Most artists earn less than £10,000 per year from their work, so must take on other jobs that decrease the time they can spend on creating art (We Made That 2014). By providing affordable studio space, **open workspaces enable artists to stay and produce work in the capital**. A simple assessment of economic value alone does not capture this cultural value.

Many studio users responded to our survey, telling us that their studio was essential for them to remain in London or continue operating, and that they would have to leave if it was unavailable or if rents increased further. In many cases, the alternative of working from home was not possible due to the size and nature of their work:

'I had a studio up until 2013, when the rent [private] for my room in a house increased, making it impossible to keep both. I tried and failed to make work in my bedroom/kitchen for a few years. Circumstances changed when a friend purchased a house and now offers me very low rent [£300pm] making it possible for me to take on the studio that I now work in. I am currently working on two murals, a drawing commission, an art workshop and my own personal work. Without the studio I wouldn't have been able to make this work.'

We were also surprised by how many artists and creative professionals told us that they valued having a secure, warm, dry space, and how frequently this was not their experience of renting a studio in London – with one respondent saying that the temperature in their previous studio dropped to 2°C in winter. Good-quality studio space is important for **health and security, as well as productivity**. It was also clear that affordability of housing and workspace were highly linked for artists, who are self-employed and cover the cost of both directly.²⁰

Many creative studio tenants **work with the community**, often in return for subsidised space. For example, Bow Arts runs an extensive education programme in 85 schools, and the South Kilburn Trust offers subsidised space if creative skills workshops are offered. Hackney Downs Studios hosts a theatre that produces plays with children who have been in care. Work

²⁰ Peabody's Fish Island development in east London will provide live/work space for artists and creative professionals in an attempt to address this issue.

experience, open studios and community art projects are other common ways that local communities benefit from creative open workspace.

Artists benefit from collaboration and clustering in the same way as other users, and similarly contribute to placemaking objectives. But there are also likely to be strong, specific **‘spillovers’ from creative businesses** and individuals working in coworking spaces. Evidence looking at larger clusters finds that non-creative businesses benefit from being near to creative businesses – as they may come across new ideas, or new creative products (Chapain et al 2010). Capdevila (2015) finds that these effects are strong, where creative individuals and business people meet outside the firm, using the example of coworking spaces in Barcelona. Non-commercial creative activity can also generate spillovers; creative workers in cities with high levels of cultural clustering receive a wage premium, suggesting higher productivity and growth (Bakhshi et al 2014, Florida 2002).

Case study: Bow Arts Trust

Bow Arts currently operates 13 sites across east and south-east London, catering for artists and small creative businesses, especially early-career and self-employed artists/makers. Rents are approximately £150–£200 per month per studio, or £13–£14 per square foot per month inclusive, and space is oversubscribed; people stay for around five years on average with occupancy rates consistent at 99 per cent. Key sectors that Bow Arts’ 500 tenants work in include fine art, fashion, theatre, architecture and design.

Improving education and opportunity is at the centre of the Bow Arts business model. Users of the space are able to promote their work through open studios and public exhibitions, as well as londonartistsquarter.org – a website set up to promote artists from London. The trust offers professional development training as well as a hardship financial support scheme. While not as flexible as a coworking space, a studio swap scheme makes downsizing or upgrading space across Bow Arts’ portfolio easy. The trust manages a digital platform called Studio Finder, artiststudiofinder.org, which receives 10,000 searches a month and helps artists find studio space that meets their needs. Its education programme is the largest ‘artists in schools’ project in London, working with over 90 schools to directly deliver programmes as well as offer training to teachers.

Bow Arts has been innovative in creating new business models, and in working in partnership with developers. Five Bow Arts sites are part of developments that include residential space, including P1 studios, which has been developed on an East Thames newbuild estate. Rental income from the studios goes towards funding education programmes for the estate community. The trust has also pioneered live/work sites, where artists can live in low-cost accommodation which would otherwise have been empty, alongside their workspace. In return for cheap rent, they engage with the community in their artistic production. The trust is expanding its commercial spaces as part of mixed-use schemes, including a gallery space and a cafe space.

3.4 ADDRESSING DISADVANTAGE

We found two primary mechanisms by which some open workspaces address disadvantage.

First, by **supporting community organisations**. Charities and social enterprise benefit in the same ways as businesses from using open workspaces, with peer-to-peer interaction helping them to grow and succeed. Hub Westminster, which generates large economic benefits, in fact targets social-purpose organisations. But charities and social enterprises also often benefit from subsidised or low-cost space. For example, Bootstrap Company in Dalston has had a low-cost lease from Hackney council. Hackney Cooperative Development uses a model of ensuring fit-out costs and running costs are kept low, to provide a low-cost service to community groups.

The Centre for Social Innovation, in Toronto, Canada, found that collaboration and innovation were particularly high in its coworking space of curated social-purpose organisations, with 70 per cent having collaborated with another member on a project, and 41 per cent having done so with more than five other members (CSI 2010), while 70 per cent of tenants said that being in the space had helped them to be more effective.

Our survey produced similar results, with several charity tenants reporting an improvement in their operations:

'The low cost has enabled us to expand our team and build on our programmes. This means we can work more efficiently and have a wider outreach and increase the positive effect on STEM employability within females.'

Closer to home, Hub Islington found 36 members' activities benefited over 1,345,000 people – though impact measurement by tenants is of mixed quality.

Second, some open workspaces also **address disadvantage directly, by helping people to access employment**. Programmes to address disadvantage, including training and business mentoring, are normally run alongside more typical coworking or incubator space, either for the cross-subsidy or to facilitate tenants providing training and support. For example, Shoreditch Trust uses income from its coworking space to support its charitable activities with local people. Other workspaces, such as Bootstrap, offer workspace as part of their offer to disadvantaged people. Impacts, in terms of jobs created and return on investment, tend to be lower than for more conventional space. This is to be expected given that recipients of training programmes are further from the labour market.

The SEEDA enterprise gateways, for example, targeted disadvantaged groups, helping 1,996 people to consider employment and 1,621 to develop a business idea (Regeneris 2008). This resulted in between 176 and 189 new jobs for disadvantaged people, at a cost of £18,000 per job,

and a £1.50 return on every pound invested.²¹ While £18,000 is quite a high cost, the government would expect to see savings to the Treasury in benefits. The SEEDA evaluators also anticipated benefits into the future, with three in four participants more likely to access mainstream services, and half reporting increased confidence.

Our survey results also suggest that open workspaces can provide beneficial environments for people who may otherwise have been unemployed. Users agreed that services on offer helped to develop work skills and confidence, and attributed their success in finding work to the workspace.

'Without this space, and without the learning facilities they provide (with Princes Trust) I would still be unemployed.'

'It allows me to work and be a mum because of its location and price.'

Case study: SK studios

SK studios is an enterprise hub in south Kilburn, Brent, for creative businesses, professionals and trainees. The project offers coworking, event and studio space alongside a giveback scheme, in which tenants pledge to contribute to the regeneration of the area, in lieu of market rents. Pledges include offering training to local people, industry-focused workshops such as jewellery making, and open studio events. The workspace is substantially oversubscribed.

The studios are run by the South Kilburn Trust, set up in 2011 to support social and economic outcomes in south Kilburn as the area goes through extensive physical regeneration. The area has high levels of long-term unemployment, and social problems such as isolation among older people and gang-related crime. A key part of the trust's vision is to help local people into employment and to start their own businesses, and to maintain affordable sites where local people can work as well as live.

Local residents, from south Kilburn, pay cheaper rents at SK studios, and make up about 60 per cent of users. All users of the space see rents increase over time (from a very low base) to ensure enterprises that most need the space have access to it, and to cross-subsidise charitable activities. Additional support to tenants includes startup grants for locals, and mentoring.

The South Kilburn Trust has received substantial public support, with grants from what was left of Brent's New Deal for Communities programme, as well as reduced rent space from Brent council. Although the buildings are occupied on a temporary basis, the trust and Brent Council have committed to building a permanent solution, capitalising on the success of SK Studios, which will include diversifying their intake to generate sustainable income in the face of reduced public funding.

²¹ The range in job creation figures is because the former is the result of a survey of all participants, so the number is known exactly, while the latter is based on an estimated parameter of the proportion of total jobs that are attributable to the intervention.

Case study: Bootstrap

Bootstrap Company has been established in Dalston, Hackney, since 1980, with social purpose at its core. The charity has 60,000 square feet in three buildings, with workspace available on a flexible and fixed basis for 500 people each year. Space is in high demand, and Bootstrap operates at 97 per cent occupancy with a long waiting list.

While almost a quarter of tenants have been in the space less than a year, they work alongside established community organisations – some of which have been tenants for over 10 years. Rents are set at market rates and the Bootstrap Fund provides grants to make workspace more affordable for start-ups as well as creative and social enterprises.

Tenants value the space highly, with over half reporting that without the space and support of Bootstrap their work would be much more difficult or impossible. ‘Community’ and ‘atmosphere’ have been highlighted in surveys as the most important features for tenants; these are facilitated by formal training opportunities as well as social networking events.

Bootstrap’s social mission means it engages with the local community in multiple ways. Users of Bootstrap’s workspace and services are diverse: 38 per cent of tenant organisations employ at least one person who was previously unemployed, and 60 per cent of people working in the space live in Hackney. Over one-third of tenants report that support from Bootstrap has been vital in helping them to contribute to the community.

A 2013/14 evaluation found that 24,047 visitors engaged in Bootstrap’s Cultural Programme, which promoted the work of 29 tenant organisations through events and exhibitions. The charity also offers multiple training opportunities, including an Alternative Careers Week profiling creative, tech and social enterprise careers for local young people, and Bootstrap Live, an events management training event. These have received overwhelmingly positive ratings by people who used them. Bootcamp, a business training course, works with 10 participants aged 18–24 offering masterclasses, mentoring and office space to help young people access self-employment.

3.5 CASE FOR INTERVENTION TO SUPPORT OPEN WORKSPACES

Our review of the available evidence suggests that open workspaces are often highly valuable to cities, and to London. At their best, open workspaces offer economic growth, regeneration of neighbourhoods, social value through addressing disadvantage, and a lifeline to the city’s creative sector. Without the affordability and flexibility they offer, there is a real danger that businesses and creative professionals will choose to locate elsewhere. This would be harmful to London, but also potentially to the country’s economy, if agglomeration and clustering effects are lost.

If the market were providing enough spaces with accessible pricing structures, there would be little case for intervention by policymakers. Indeed, some open workspaces, in some locations, appear to be well-provided-for by the market. For example, there has been strong recent growth in large coworking spaces in central London, with global companies such as WeWork expanding. Even in this part of the market, supply has not caught up with demand; providers report that new spaces are full within weeks. But recent growth suggests that the market is operating relatively well. And some property developers (such as the Collective) are beginning to offer coworking spaces as part of ‘live/work’ and mixed-use developments, suggesting that the private sector is at least partially responding to demand from the demographics they serve.

In some cases, however, competitive markets are unlikely to provide sufficient workspaces. We identify three grounds for public intervention in the open workspace market.

- First, if there is evidence of market failure. Many of the benefits described above are shared beyond the users of the space, and not reflected in the price that users pay. **There are positive externalities for communities;** for example, when footfall increases in a neighbourhood, local businesses benefit in increased revenue. However, this benefit will not be reflected in the price that users are willing to pay, meaning there will be fewer viable open workspaces than could benefit the community. Many of the benefits of open workspaces are also public goods: a strong cultural scene in the capital is publicly valued and shared, but again the true value is not reflected in the price paid by non-commercial artists.
- The second area that offers grounds for intervention is if policymakers can **support specific growth sectors.** By investing in facilities for business, including open workspaces, government can attract specific types of business to an area. Collocating a sector in one area requires coordination, and public sector support can accelerate and shape this process. Policymakers can use planning and investment to grow an effective ecosystem of open workspace and more conventional workspace, building on existing infrastructure (such as transport hubs) and specialisms in the area. For example, Barking and Dagenham is establishing an artist enterprise zone, growing the existing artist community to develop the area’s creative identity.²²
- Third, there is a strong **equity** argument for protecting and promoting open workspaces that benefit disadvantaged people. While the associated economic growth may not be as high, open workspaces that help people into employment can contribute to an inclusive economy. Charities and social enterprises that work with disadvantaged groups also often rely on flexible, supportive workspace environments, and would struggle to continue if paying commercial rates in conventional space.

Our review of evidence shows that all of these arguments apply in London, but vary by geography, as well as the quality of the workspace. To determine where intervention is justified, it is important that

22 See <https://www.lbbd.gov.uk/business/growing-the-borough/our-growth-hubs/barking-town-centre/>

policymakers have access to high-quality impact data – to compare the impact of open workspace policy against alternative interventions and uses of the space.

In particular, buildings and undeveloped land are also in high demand for affordable housing. The city's growing population needs space to live as well as to work: London businesses report twin challenges of finding workspace at a price they can pay and finding housing that staff can afford on their salaries (GLA Economics 2014). It is therefore important that policymakers support open workspaces where they have the greatest impact, and encourage housing schemes to include workspace in appropriate locations (LHC 2016).

In assessing the case for market intervention, policymakers (as well as developers) should answer the following set of questions.

- What specific benefits would or do open workspaces bring to this area, and is there evidence of these benefits?
- Is there potential in the area for a new sectoral cluster, and would the proposed open workspace aid further agglomeration and growth?
- Is the location well connected by transport to other local and regional employment areas?
- What is the cost of intervention, and how does the expected social benefit compare to other interventions?
- How long are the benefits expected to last?

4.

MEASURING THE IMPACT OF OPEN WORKSPACES

To assess the case for intervention, strong data is needed. However, our research found that impact measurement is inconsistent across the sector – which means that policymakers cannot compare workspace format, and data for the whole of the sector cannot be aggregated.

There are two types of data that could be used to measure the value of open workspaces:

- provider-collected data
- government-collected data.

4.1 PROVIDER-COLLECTED DATA

To measure their impact, providers are able to draw on their administrative records, on observational data within the space (such as footfall tracking), and on information from users of their spaces.

In our review of existing evidence, we found that most, but not all, open workspaces have basic administrative data, such as the name of the tenant organisation, the sector of the tenant (observed or reported), type of membership and date of entry. However, this is used for internal purposes and is not usually reported in a way that can be used for impact measurement.

We found that providers receiving public subsidy were most likely to track impact metrics for their reporting to funders, and were most accustomed to collecting data. Charitable providers tended to report progress against their theory of change, and data was often qualitative. Commercial providers usually collected administrative data that they needed to operate their business and report to shareholders, but did not always measure their impact, or make their data public. This is partly because it is difficult to get a high response rate from tenants, particularly when tenants pay commercial rents and do not feel obliged to provide ‘favours’.

The data currently collected across open workspaces is incomplete and often incomparable. While some metrics are commonly used (such as number of jobs supported in the space), most open workspaces report impact to different extents and using different measures. Many measure impact since they opened, rather than on a comparable annual basis.

In order to represent their value as a cohesive sector, and for policymakers to assess their relative value, it is important that open workspace providers make the same information available upon request, if not publicly accessible.

Such evidence may also be commercially useful to providers, to promote their services to users, investors and public funders (Brooke et al 2014).

4.2 GOVERNMENT-COLLECTED DATA

Some information that would help assess the value of open workspaces cannot be collected through individual providers, but must take a broader look at the areas that workspaces are situated in. For example, knowledge spillovers from coworking spaces into medium and large businesses occupying conventional space are unlikely to be captured in a tenant or provider survey.

To capture the impact of open workspaces beyond users, ideally studies would take an experimental or quasi-experimental approach. This might involve comparing outcomes over time in boroughs with policies to encourage growth of open workspaces against otherwise similar boroughs without such policies. This would allow researchers to see whether having a greater number of open workspaces is associated, for example, with higher business retention, jobs growth and economic growth in the area as a whole.

Such an assessment has been beyond the scope of this research and would require substantial time and resource. But local authorities and the GLA may still be able to capture some of the broader effects of open workspaces that can't be captured in provider data. For instance by carrying out street surveys of how visitors view the area over time, measuring footfall and tracking registered business creation.

4.3 IMPACT MATRIX

Our 'impact matrix' below has been designed to help providers consistently measure the same outcomes, and capture their impact as individual spaces and as a sector.

In order to find the best way to capture each outcome, we looked at what providers already measure, and what has been measured in the academic literature. We also tested our initial ideas for metrics through our survey of open workspace users, to check that they could feasibly and easily be answered. Besides not wanting to burden providers, surveys that are cumbersome for users to fill in will get a lower response rate.

Each metric is ranked by the ease with which providers can gather it, and its importance in demonstrating impact. **While economic and placemaking metrics should be used by all open workspaces, cultural impact and addressing disadvantage metrics need only to be used by those spaces that consider these metrics relevant to them.**

These metrics frequently rely on providers receiving information from users. Where this is the case, providers should ensure that all users are encouraged to participate and submit data, to give a complete picture of the impact of the space, rather than 'cherry-picking' favourable results. We suggest that providers include in their reporting the response rate of their data – for example what proportion of users of the space provided information for each question – and that when policymakers evaluate the validity of provider data they take the response rate into account.

TABLE 4.1

Impact matrix I: Outcomes

	Impact	Specific outcome	Metric	Ease of measurement/ tips for measurement	Priority
Economic indicators	Economic growth	Businesses growing	Increase in turnover/GVA	Turnover is easy to measure but requires participation from tenants, and may need brackets to help estimation if precise turnover is unknown. GVA is harder to measure – calculate using standard sectoral turnover to GVA ratios, or if known by subtracting costs from turnover (excluding employee costs).	High
	Employment	Jobs created	Additional jobs created over period	Number of new jobs* per annum. Easy to measure as most tenants will know this information. Specify FT (35+ hours) and PT. Calculating additional jobs* is harder but standard deadweight* can be applied.	High
	Business creation	New business starts	New business starts over period	Ask businesses that have joined within the year when they became registered. If they joined the space within a year of starting operation, count as business start.	Medium
	Business sustainability	New businesses sustained for two years	How many more businesses lasted beyond two years?	Measure in cohorts. How many of each year cohort are still in operation two years later? This requires exit interviews and follow-up interviews. Some of cohort will still be in the space (easy), some will have recently left the space because they are not in operation (easy with exit interview) others will have left space up to two years ago so will need follow-up (more difficult).	High
	Local economic growth	Businesses retained in the local area	How many businesses that used the space in the last year went on to leave the borough?	Ask upon exit interview.	Medium
	Business growth through innovation	Collaboration leading to innovation	How many have collaborated with others in the space in the last year?	If a healthy response rate is likely, ask, 'How many different members have you collaborated with in the last year?' (This question may discourage respondents if they don't have the answer to hand).	Medium
	Business growth through peer-to-peer support	Strong peer support networks	How many users would ask other users of the space for advice regarding their business?	If a healthy response rate is likely, ask, 'How many different members would you ask for advice regarding your business?'	Low

Note: matrix is continued below.

*By 'new jobs' we refer to jobs that did not exist previously. 'Additional jobs' refers to the jobs that would not have otherwise been created. 'Deadweight' refers to the jobs that would have been created if the users of open workspaces had not had access to the space.

Key	
Ease of measurement	Priority
Most easy to measure	High
Moderately easy to measure	Medium
Hardest to measure	Low

	Impact	Specific outcome	Metric	Ease of measurement/tips for measurement/tips for measurement/ tips for measurement	Priority
Placemaking indicators	Desirability to visitors	Increasing visitors to area	Changes in footfall over the period	Digital ticker equipment makes this easy to measure. If no ticker available, suggest a sample is taken on a typical day or averaged over several days.	High
	Local identity	Positive impression of area by users of the space and local residents	Survey question on perception of how space has changed area	Easy to ask users of space through survey. Asking local residents is possible through street interviews.	Low
	Local economies	Local economic growth	Reported spend in local businesses	How much do tenants spend each week on socialising, refreshments, goods and services for business? A straight interview question.	Low
	Improving built environment	Regeneration of disused space	Sq ft regenerated	Providers have this information.	Medium
Cultural value	Sustaining London's culture	The continuation of artistic production	Number of artists sustained: number using space and how many say they would otherwise leave/cease activities	Number of fine artists using the space, percentage of these who would otherwise not operate or leave London (self-reported).	High
	Making culture accessible to Londoners	Local community engaged in cultural events	Number of local residents who attend or interact with cultural events originating in open workspaces	Requires tracking of event attendance.	Low
Addressing disadvantage indicators	Employment for hard-to-reach groups	Welfare to work transition for marginalised groups, and by extension the returns from increased tax revenue and reduced benefit expenditure	Proportion of people who work in the space and were unemployed before doing so	Ask question on prior employment status as conditional on using the space. Report as a percentage of all users over course of year.	Medium
	Up-skilling of hard-to-reach groups	Increased skills, and by extension economic opportunities, for marginalised groups	Training opportunities provided (to marginalised groups)	Number of individuals unemployed in last year who have received training – see above.	High
	Benefiting local communities	Use of the space by local residents, for any beneficial purpose	Number of local people using the space	Report how many tenants/ members and casual users are from this group – as a number and percentage. Consider making provision of home address (or minimum of home borough) a condition of using the space.	Medium
	Sustaining charity sector	Increased community cohesion and promotion of charitable aims	Number of charities/social enterprises sustained	Most workspaces will have this administrative data.	Medium
Discount for charities	Supporting volunteer opportunities	Increasing good-quality opportunities for volunteering within the local community, promoting welfare to work transitions as well as supporting wellbeing and community cohesion	Number of volunteers engaged (and potentially the benefit to volunteers through perception question)	Requires tracking of activities.	Low

A good way to ensure users do supply the most important data is to make regular interviews or reporting a compulsory feature of using the space. Interviewing and requesting information from tenants upon entry to the space, at regular catch-ups and upon exiting the space allows the provider to track progress over time, and would enable some of the metrics above that rely on knowing growth over a year as well as what tenants go on to do when they leave the space. We therefore strongly recommend this way of collecting metrics, with a minimum of one interview or data collection a year – though this may need to be more frequent for spaces with a high turnover – or, for example, a structured three-year programme.

4.4 MEASURING DEMAND

As well as measuring the value of open workspaces, in order for policymakers to intervene in the market they must have a proper understanding of what demographic an open workspace serves (to better understand how it fits into their wider objectives) and whether there is undersupply of certain types of space relative to demand. Research commissioned by London boroughs into this topic has relied upon reports from commercial property agents and providers' waiting lists (see for example Ancer Spa 2006). If providers track and report their waiting list and vacancy rate, this will help policymakers develop a fuller picture of which spaces most need support to stay in the area or expand. We propose the following additional metrics to help policymakers understand the landscape of spaces and the state of the market. They are again ranked by priority.

TABLE 4.2

Impact matrix II: Understanding the state of the market

Topic	Metric	Priority
Length of time tenants spend in space	How long has the average tenant been in the space?	Low
	How long has the average tenant been in the space upon leaving?	Mid
	What percentage of tenants leave the space each year?	Mid
	Why do tenants leave the space? (expanding, downsizing, relocating for other business reasons, going out of business)	High
Market capacity	What is the ratio of length of waiting list or number of vacant spaces, to capacity of space?	High
	How long do prospective tenants stay on waiting list on average?	Mid
	Does the provider have plans to expand?	Low
Business demographics	What are the three most common sectors in the space? (2-digit SIC code, provided in appendix 2)	Mid
	What is the average business size (number of employees)	Low
	What is the age of the business?	Mid
Individual demographics	What is the age profile? (median average and distribution)	Low
	What is the ethnicity profile? (UK-wide categories)	Mid
	What is the previous employment status of individuals?	Mid
	What is the highest qualification of individuals in the space?	Low
	What is the first half of home address postcode? (to see if serving local population)	Low

5. POLICY RECOMMENDATIONS

There is a clear need for London to prevent the uncontrolled loss of employment space, and within this, to protect spaces for small and growing businesses, artists and charities. We believe the strongest case for intervention is outside the central activities zone, particularly in ‘opportunity areas’ (OAs), where the greatest opportunities for new development, growing sectoral clusters and addressing disadvantage through workspace exist.

The most appropriate open workspaces to protect and promote, as well as the suitable policy tool for this, will vary by geography and local demand. Local authorities therefore have an important role to play in shaping the role of workspace in their boroughs. Additionally there is a major opportunity for the mayor and the GLA, through the London Plan, to plan strategically and support boroughs to make sure London as a whole maintains and grows workspaces that offer the greatest value.

Policies should be selected for their long-term outcomes. In some cases this might mean an upfront investment or tax relief for future economic growth. It may also mean specifying in contracts with providers and developers what benefits are expected, rather than what processes should be followed.

5.1 RECOMMENDATIONS TO THE MAYOR

- The mayor should launch **a new fund to support open workspaces** that accelerate the growth of clusters in town centres outside the central activities zone, which are currently underserved by the open workspace market but that with coordinated investment would benefit from workspace growth. This fund should favour applications which leverage additional private sector financial and in-kind investment including from single large firms, groups of local businesses or from Business Improvement District contributions. The mayor should encourage proposals that would create open workspaces in areas undergoing redevelopment, including opportunity areas with good existing and new transport connections. This could be funded through the GLA topslice of the community infrastructure levy.
- Permitted development rights allow the uncontrolled loss of employment space, including open workspaces. They also allow developers to circumnavigate affordable housing targets and other planning policies. This lack of process does not meet London’s housing or business needs. The mayor of London should **lobby for full flexibility over permitted development rights**, including the power to set the exemption for the CAZ, Canary Wharf and Tech City, to set article 4 directions on local areas, and the power, in consultation with the boroughs, to charge CIL on developments where they will put pressure on local infrastructure.

- If the mayor wins new powers to offer London-wide business rate exemptions, he should pilot a business rate discount scheme for shared workspaces.
- Transport for London (TfL) owns around 5,700 acres of land across London,²³ much of which is earmarked for housing, offices and retail. The mayor should **work with TfL to ensure developments on TfL land include open workspaces**, particularly in new town centres near transport hubs and future Crossrail sites such as Old Oak Common. As an example, Network Rail has worked with the Office Group using this model at King's Cross, Paddington, Euston and Liverpool Street, with high demand for spaces. The land should be used for diverse spaces (not just offices), as TfL land may be more suitable than most sites for light industrial workshop use.

5.2 RECOMMENDATIONS TO LOCAL AUTHORITIES

- Use local authority assets and funds.
 - Local authorities (LAs) have a wide range of spaces available, including space in town halls and libraries that is no longer used. They should **work with providers to find a good match for use of LA spaces**, and where space is only available temporarily, work with 'meanwhile' providers to encourage use of the space. To accelerate this process, the GLA should host an online directory of available local authority and TfL-owned spaces that workspace providers can bid for, similar to the Government Property Unit's Space for Growth programme.²⁴
 - Local authorities **should use section 106 and community infrastructure levy (CIL) contributions to fund new open workspaces** that are appropriate for the area and the local authority's strategic goals. Funds should be distributed through a competitive bidding process or through initial direct investment to secure buildings for open workspace.
- Planning for mixed-use schemes and diverse businesses.
 - Local authorities should **apply for article 4 directions** to exempt key employment growth areas from permitted development rights.
 - Regeneration and planning leads should **monitor and encourage measurement of impact of open workspaces** as well as demand in the area, to assess where intervention is needed, such as funding or article 4 directions.
 - Local authority planners should encourage the inclusion of open workspaces in mixed-use schemes in locations with good transport connections and employment growth, setting the kinds of value expected. To achieve this, planners should **use section 106 negotiations to secure spaces in new developments** that are accessible to the local community, that deliver measurable benefits (using our matrix), and are of a sufficient size and lease length for providers to use successfully. This is particularly

²³ See <https://tfl.gov.uk/info-for/business-and-commercial/commercial-opportunities/property-development>

²⁴ <https://bobkerslake.blog.gov.uk/2014/07/01/space-for-growth/>

important in developments where there is a risk of loss of employment space. Where the site is not suitable for an open workspace, LAs should require a section 106 payment to fund open workspace elsewhere.

- Local authorities should consider additional density in mixed-use schemes if the development includes commercial space including open workspace, which complements strategic priorities (for example, negotiate light industrial use if that is needed in area), as part of planning negotiations.
- To reap the benefits of new powers over business rates from 2017, local authorities must focus on generating economic growth and providing a fertile environment for entrepreneurship. The current business rate system penalises small businesses that share space flexibly, as the provider is liable for the business rate on the whole property, and therefore must charge higher fees to cover costs. **To encourage growth, local authorities should remove this penalty, by recognising the small business using the space as the ratepayer and calculating rateable value as a proportion of space used.**²⁵ An alternative available policy lever is for local authorities to use existing discretionary powers to reduce the business rates for open workspaces that deliver the greatest benefits, which avoids concern that providers will not pass on savings to customers.^{26, 27}

5.3 RECOMMENDATIONS TO NATIONAL GOVERNMENT

- National government should **devolve control over business rate exemptions** to the mayor of London through the local growth and jobs bill. In addition, **DCLG should issue guidance on how local authorities can use discretionary powers from 2017 to offer business rate reductions to open workspaces**, either through a rate relief or a change in the multiplier. Local authorities should be encouraged to do so where evidence of benefits is strong, and particularly in cases where sharing facilities means small businesses effectively pay rates (as they are passed on through rent).
- Permitted development rights risk losing valuable employment land while allowing the development of poor-quality, unaffordable homes. National government **should devolve to the mayor full flexibility over permitted development rights**, including powers to set the exemption for the CAZ, Canary Wharf and Tech City, to set article 4 directions on local areas, and the power, in consultation with the boroughs, to charge CIL on developments where they will put pressure on local infrastructure. As a minimum, national government should extend the exemption for the CAZ, Canary Wharf and Tech City past 201 and approve article 4 directions in key employment growth areas outside of the CAZ.

25 There is a precedent for this in part-occupied property relief, in which only the portion of the property occupied is used in the rateable value calculation.

26 These powers are set out in section 69 of the Localism Act 2011, see <http://www.ukbriefingpapers.co.uk/briefingpaper/SN06247>

27 In 2012/13, only four London boroughs had used these discretionary powers (unknown whether this has increased), see <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm131031/text/131031w0002.htm#13103188000042>

5.4 RECOMMENDATIONS TO DEVELOPERS

- **Include open workspaces in mixed-use and commercial developments.** Open workspaces can increase the value of development through placemaking, cultural and economic benefits. They can also offer strong benefits for local communities, which are attractive to planners. To make sure these benefits are realised, developers should work closely with a provider from early on in the development process, to make sure the space is of a suitable size, location and standard for their needs. Developers should build on local economic strengths and needs to make sure the space is successful.
- Both private developers and planners should **encourage ‘meanwhile’ use of space prior to development.** This is a good opportunity for providers to test their concept, to provide a service to the local community, and to brand a site while it is undergoing redevelopment.

5.5 RECOMMENDATIONS TO PROVIDERS

- As the sector becomes more defined and understood, providers should **take the lead in demonstrating their value to gain public sector support and private sector investment.** The Open Workspace Providers Group, a subcommittee of the London Enterprise Panel, is well placed to lead the adoption of impact measurement in the sector. The group should promote use of the measures, and collect the key metrics from providers annually from summer 2017, while it perceives a need to demonstrate the worth of the sector as a whole. One effective way to do this, if resources allow, would be to create a digital tool that providers can use to collect data on our key metrics, which would both create a report for the provider and aggregate the data to the provider group.²⁸
- Individual providers should **measure their impact using our key metrics** – both to provide in this sector-wide survey, but also to submit to developers and public sector bodies interested in assessing impact on a case-by-case basis.

28 A similar tool has been used effectively in Sweden by Vinnkubator (Dee et al 2011).

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APPENDIX 1

THE METHODOLOGY BEHIND THIS REPORT

LITERATURE REVIEW

We reviewed the literature on open workspaces to gather existing evidence on the development of the sector, different types of impact, as well as how policy can be designed to protect and promote open workspaces. We reviewed academic literature, think tank and government literature, as well as literature produced by providers themselves such as impact reports. We considered both qualitative and quantitative evidence, and in each case assessed the quality of the evidence, which we have noted where appropriate.

DATA GATHERING

We contacted a wide range of open workspaces of all types, and asked for existing data that providers collect and have available. Where this data was not provided to us for commercial reasons, we asked providers to tell us what types of data they collect. We used this information for individual examples of impact, in our case studies, and to design effective, implementable metrics of impact.

INTERVIEWS WITH PROVIDERS

We surveyed and interviewed eight open workspace providers to inform our research, and to produce case studies that demonstrate the impact that open workspaces can achieve as well as the variety of models in operation across London. We selected case studies to reflect the diversity of the sector, which varies according to pricing model, purpose, location, interaction with government, size and governance.

ROUNDTABLE WITH DEVELOPERS

We held a roundtable and additional interviews with six residential, commercial and mixed-use developers and property stakeholders. We used this qualitative data to inform our design of the key impacts that providers should measure to demonstrate their value to developers, as well as our recommendations.

SURVEY OF USERS

We surveyed users of open workspaces about their businesses, and how using the space has affected their operations. We distributed the survey by asking a wide range of open workspace providers in London to ask their tenants to complete it. This provided a strong response of 236 users, but is not a random sample of the user population. Instead, its purpose was to provide us with qualitative data on the impact of different open workspaces on users, as well as to test the relevance

and feasibility of quantitative measures that providers can then use to assess their own impact.

ADVISORY GROUP

Our research has been guided by members of the Open Workspace Providers Group, which was created as a subgroup of the London Enterprise Panel, and which has 17 members drawn from all parts of the sector as well as independent experts. The group has provided helpful information and assistance with data gathering, but our research is independent and IPPR has full editorial control.

The following providers and experts are members of the Open Workspace Providers Group:

Jamie Hopkins, CEO, Workspace Group PLC

Sara Turnbull, Chief Executive, Bootstrap Company

Araceli Camargo, Co-founder, The Cube

Anna Harding, Chief Executive, SPACE

James Layfield, Chief Executive, Central Working

Michael Owens, Commercial Director, Bow Arts Trust

Simon Pitkeathley, CEO, Camden Town Unlimited

Jeannette Pritchard, Founder and Co-director, Ugli

Jacqui Roberts, Chief Executive, Shoreditch Trust

John Spindler, Chief Executive, Capital Enterprise

Tom Tobia, Co-founder, Makerversity

Pam Alexander OBE, Mayor's Design Advisory Group

Dr Jessica Ferm, Teaching Fellow, Bartlett School of Planning, UCL

William McKee CBE, Chair, Mayor's Outer London Commission

Alex Hearn, Associate, LTS Architects and Chair,
The Meanwhile Foundation

Matthew Blades, Principal Economic Development Officer,
City of Westminster

Paul Hadfield, Enterprise Development Manager,
London Borough of Lewisham

APPENDIX 2

2-DIGIT SIC CODES

This list has been adapted from the 2007 SIC code classification, available alongside a breakdown of London industries.²⁹ Industries that commonly use open workspaces are **in bold**.

- A: Agriculture, forestry and fishing
 - 01: Crop and animal production, hunting and related service activities
 - 02: Forestry and logging
 - 03: Fishing and aquaculture
- B: Mining and quarrying
 - 05: Mining of coal and lignite
 - 06: Extraction of crude petroleum and natural gas
 - 07: Mining of metal ores
 - 08: Other mining and quarrying
 - 09: Mining support service activities
- C: Manufacturing
 - 10: Manufacture of food products
 - 11: Manufacture of beverages
 - 12: Manufacture of tobacco products
 - 13: Manufacture of textiles
 - 14: Manufacture of wearing apparel
 - 15: Manufacture of leather and related products
 - 16: Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
 - 17: Manufacture of paper and paper products
 - 18: Printing and reproduction of recorded media
 - 19: Manufacture of coke and refined petroleum products
 - 20: Manufacture of chemicals and chemical products
 - 21: Manufacture of basic pharmaceutical products and pharmaceutical preparations
 - 22: Manufacture of rubber and plastic products
 - 23: Manufacture of other non-metallic mineral products
 - 24: Manufacture of basic metals
 - 25: Manufacture of fabricated metal products, except machinery and equipment
 - 26: Manufacture of computer, electronic and optical products
 - 27: Manufacture of electrical equipment
 - 28: Manufacture of machinery and equipment not elsewhere classified
 - 29: Manufacture of motor vehicles, trailers and semi-trailers
 - 30: Manufacture of other transport equipment
 - 31: Manufacture of furniture
 - 32: Other manufacturing

29 <http://data.london.gov.uk/dataset/number-businesses-detailed-industry-2-3-and-4-digit-sic>

- 33: Repair and installation of machinery and equipment
- D: Electricity, gas, steam and air conditioning supply
 - 35: Electricity, gas, steam and air conditioning supply
- E: Water supply; sewerage, waste management and remediation activities
 - 36: Water collection, treatment and supply
 - 37: Sewerage
 - 38: Waste collection, treatment and disposal activities; materials recovery
 - 39: Remediation activities and other waste management services – this division includes the provision of remediation services, i.e. the cleanup of contaminated buildings and sites, soil, surface or ground water
- F: Construction
 - 41: Construction of buildings
 - 42: Civil engineering
 - 43: Specialised construction activities
- G: Wholesale and retail trade; repair of motor vehicles and motorcycles
 - 45: Wholesale and retail trade and repair of motor vehicles and motorcycles
 - 46: Wholesale trade, except of motor vehicles and motorcycles
 - 47: Retail trade, except of motor vehicles and motorcycles
- H: Transportation and storage
 - 49: Land transport and transport via pipelines
 - 50: Water transport
 - 51: Air transport
 - 52: Warehousing and support activities for transportation
 - 53: Postal and courier activities
- I: Accommodation and food service activities
 - 55: Accommodation
 - 56: Food and beverage service activities
- J: Information and communication**
 - 58: Publishing activities**
 - 59: Motion picture, video and television programme production, sound recording and music publishing activities**
 - 60: Programming and broadcasting activities**
 - 61: Telecommunications**
 - 62: Computer programming, consultancy and related activities**
 - 63: Information service activities**
- K: Financial and insurance activities
 - 64: Financial service activities, except insurance and pension funding
 - 65: Insurance, reinsurance and pension funding, except compulsory social security
 - 66: Activities auxiliary to financial services and insurance activities
- L: Real estate activities
 - 68: Real estate activities
- M: Professional, scientific and technical activities
 - 69: Legal and accounting activities
 - 70: Activities of head offices; management consultancy activities
 - 71: Architectural and engineering activities; technical testing and analysis
 - 72: Scientific research and development
 - 73: Advertising and market research

- 74: Other professional, scientific and technical activities
- 75: Veterinary activities
- N: Administrative and support service activities
 - 77: Rental and leasing activities
 - 78: Employment activities
 - 79: Travel agency, tour operator and other reservation service and related activities
 - 80: Security and investigation activities
 - 81: Services to buildings and landscape activities
 - 82: Office administrative, office support and other business support activities
- O: Public administration and defence; compulsory social security
 - 84: Public administration and defence; compulsory social security
- P: Education
 - 85: Education
- Q: Human health and social work activities
 - 86: Human health activities
 - 87: Residential care activities
 - 88: Social work activities without accommodation
- R: Arts, entertainment and recreation
 - 90: Creative, arts and entertainment activities**
 - 91: Libraries, archives, museums and other cultural activities
 - 92: Gambling and betting activities
 - 93: Sports activities and amusement and recreation activities
- S: Other service activities
 - 94: Activities of membership organisations
 - 95: Repair of computers and personal and household goods
 - 96: Other personal service activities
- T: Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
 - 97: Activities of households as employers of domestic personnel
 - 98: Undifferentiated goods- and services-producing activities of private households for own use
- U: Activities of extraterritorial organisations and bodies
 - 99: Activities of extraterritorial organisations and bodies