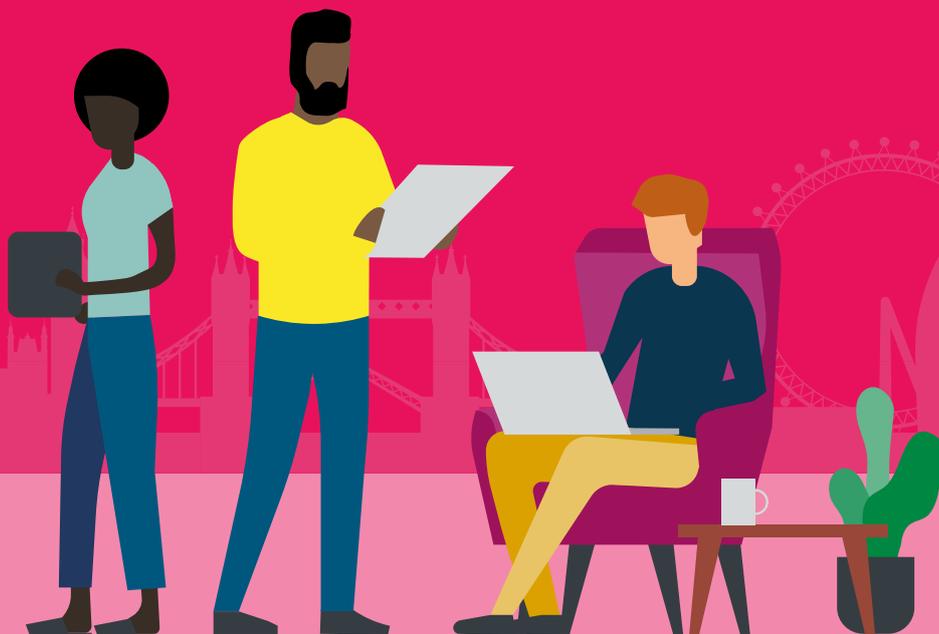


**MAYOR OF LONDON**

# **THE IMPACT OF COVID ON LONDON'S FLEXIBLE WORKSPACES**

**PART B: TECHNICAL APPENDICES, FULL  
SURVEY FINDINGS AND ANALYSIS**

**JAMIE DUNDAS, MONDAY WORKS**



## TECHNICAL APPENDICES

- 3 FINDINGS
  - 4 OVERVIEW
  - 5 DISCOUNTING
  - 8 CASH FLOW
  - 10 A NOTE ON BUSINESS RATES
  - 11 CROSS ANALYSIS: OVERVIEW
  - 12 CROSS ANALYSIS: TYPE OF WORK CARRIED OUT
  - 14 CROSS ANALYSIS: SINGLE SITE OPERATORS
  - 17 CROSS ANALYSIS: OPEN PLAN
  - 18 CROSS ANALYSIS: CENTRAL ACTIVITIES ZONE
- 20 FLEXIBILITY AND HYBRID WORK
- 25 BIG BUSINESSES & FLEXIBLE WORKSPACE
- 28 SHIFTS IN DEMAND
- 33 REVITALISING THE HIGH STREET AND WORKING LOCALLY
- 39 PROPERTY
- 43 THANK YOU & ACKNOWLEDGEMENTS



## FINDINGS

## WIDESPREAD TENANCY DROPS

### SURVEY 1

The first survey we conducted in July 2021 revealed that 94 per cent of workspaces lost tenants as a result of the pandemic.

### SURVEY 2 AND SURVEY 3

In the second (December 2021) and third (May 2022) surveys we asked whether, at these points in time, the operators still had fewer tenants than they did pre-pandemic. We defined 'pre-pandemic' as February 2020.

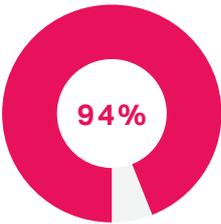
Survey 2 found that 49 per cent of operators had fewer tenants than they did pre-pandemic.

Survey 3 found that 39 per cent of operators still had fewer tenants than before the pandemic.

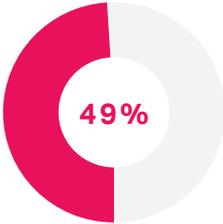
SURVEY 1 (JULY 21)

SURVEY 2 (DEC 21)

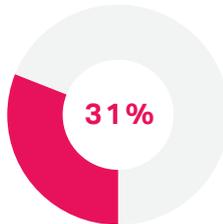
SURVEY 3 (MAY 22)



94% OF WORKSPACES LOST TENANTS AS A RESULT OF THE PANDEMIC\*

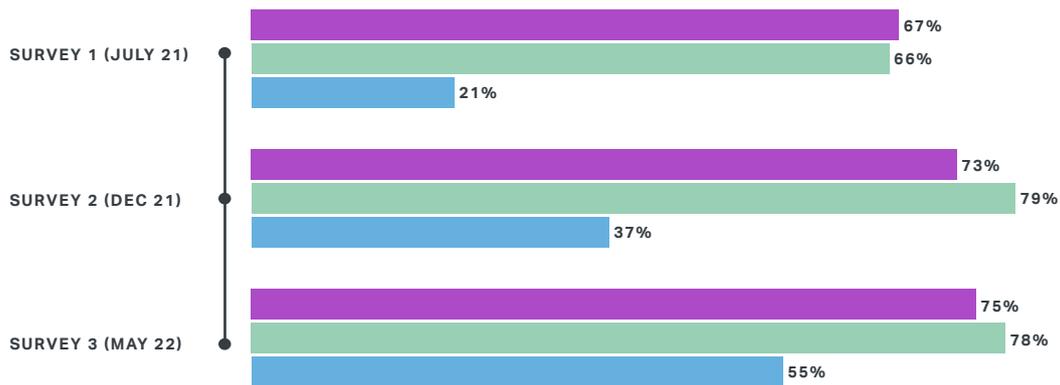


49% OF OPERATORS AT THIS STAGE HAD FEWER TENANTS THAN THEY DID PRE-PANDEMIC.



31% OF OPERATORS AT THIS STAGE STILL HAD FEWER TENANTS THAN THEY DID PRE-PANDEMIC.

\*The question in the Survey 1 was general and asked whether at any point operators had lost tenants due to the pandemic. On the other hand, in Survey 2 and 3 we asked if they still had fewer tenants at that specific point in time.



### ■ OCCUPANCY

The question here was 'what is your current occupancy?' This is based on the total number of contracts for sale.

### ■ ENQUIRIES

The question here was 'What % enquiries are you seeing compared to a normal month (pre-pandemic)?'

### ■ REVENUE

We asked operators what their current revenue is compared to pre-pandemic levels. The % in this graph show the number of operators for whom revenue had remained steady or increased.

## WIDESPREAD TENANCY DROPS

This core performance data **points to recovery** within the sector.

There is a sharp recovery between July 2021 and December 2021, with occupancy, enquiries and revenue all showing a dramatic uplift. Then in May 2022 the recovery continues - but at a much slower rate.

### REVENUE

Whilst the enquiries and occupancy figures plateau somewhat by May 2022, the revenue numbers still take an uplift from 37 to 55 per cent. For clarity, this is the percentage of operators for whom revenue is the same level, or has increased, since the outbreak of the pandemic.

### KEY FINDINGS

Whilst the evidence points to recovery, it's also quite startling that the revenue questions are in comparison to pre-pandemic numbers. So in May 22, whilst 55 per cent of flexible workspace operators have the same revenue (or higher) than pre-pandemic, this also means that **45 per cent of operators still have lower revenue than they did pre-pandemic.**

### ENQUIRIES

Similarly with enquiries, whilst the number of enquiries operators have received has climbed back up to **75 per cent** by May 22, this still means on average workspaces are receiving **25 per cent** less interest in their spaces since February 2020 ('pre-pandemic').

## WORKSPACES BORE THE BRUNT BY GIVING DISCOUNTS AND FREEZING PRICES

The occupancy levels seem relatively buoyant, even in the first survey (67 per cent). But these don't tell the whole story, and to a certain extent they mask the challenges that many workspace operators have faced.

We discovered that even when occupancy was relatively buoyant, often revenue was severely depleted. One of the main reasons for this was that discounting was extremely high, especially in the earlier stages of the pandemic.

This was in part to support the tenants during a difficult time, but also for pragmatic reasons.

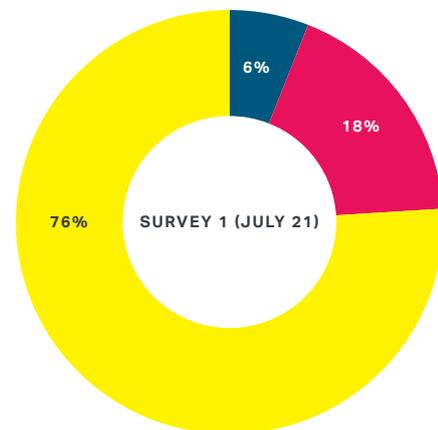
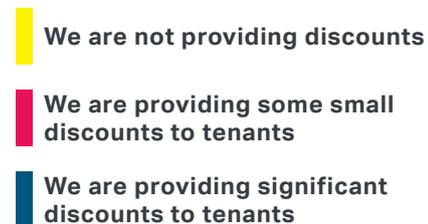
At the height of the pandemic there were concerns over whether tenants would 'return' to the office at all, and to what extent home working would continue after lockdowns and social distancing eased. Since most workspaces were in a similar position, it made sense to keep tenants subscribed, but on discounted rates.

There was also a concern that vacant private offices and studios would lead to higher business rates, as the Small Business Rates Relief is no longer applied to vacant units. So for many operators it made more sense to retain a tenant on a highly discounted rate, and have a lower rates liability.

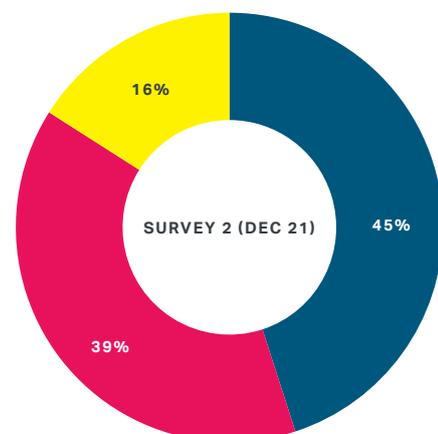
**In Survey 1** a total of **94 per cent** of workspaces reported they had given discounts.

**In Survey 2** a total of **55 per cent** of workspaces reported they were still providing discounts.

The graphs show to what extent workspaces provided discounts to tenants (Survey 1 and 2).

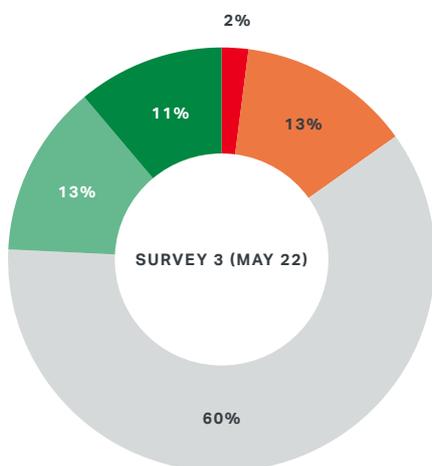
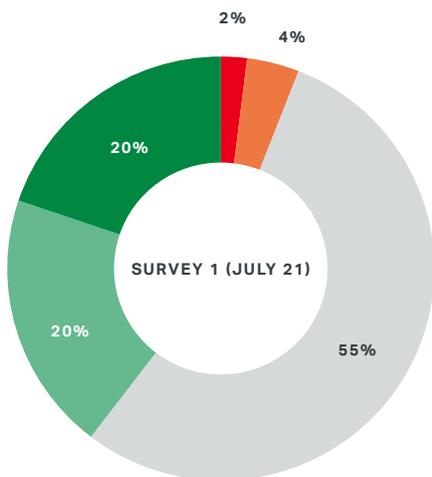


Have you provided discounts to tenants over the last year as a result of the pandemic?



Are you currently providing discounts to tenants?

# PRICING



## WORKSPACES BORE THE BRUNT BY GIVING DISCOUNTS AND FREEZING PRICES

As well as discounting, workspaces either froze prices or decreased them during the pandemic. This would have caused further financial difficulty.

### SURVEY 1

Survey 1 shows that **40 per cent** of flexible workspaces reduced their prices to some degree.

**Twenty per cent** of operators decreased prices by up to 10 per cent, and a further **20 per cent** decreased prices by more than **10 per cent**.

### SURVEY 3

As you'll see from the yellow and green segments of the pie chart, a greater number of workspaces reported an increase in prices in the Survey 3 (May 2020), pointing to recovery and greater financial sustainability.

**Fifty per cent** of workspaces reported that cash flow is a concern for them (Survey 1). This remained consistent throughout the three surveys (47 per cent in Survey 2 and 48 per cent in Survey 3).

The reasons for this pressure on cash flow changed throughout the surveys. We asked operators which of the following were their greatest concern: Paying off debts, paying for upgrades in technology, paying to adapt space, paying to make space Covid secure, paying rent, paying business rates, paying staff and paying for marketing.

## TOP THREE STRESSORS

### Survey 1

1. Rent
2. Business Rates
3. Staff

### Survey 2

1. Business Rates
2. Rent
3. Staff

### Survey 3

1. Business rates
2. Rent
3. Adapting space

## FIXED PROPERTY COSTS REMAIN THE BIG CHALLENGE

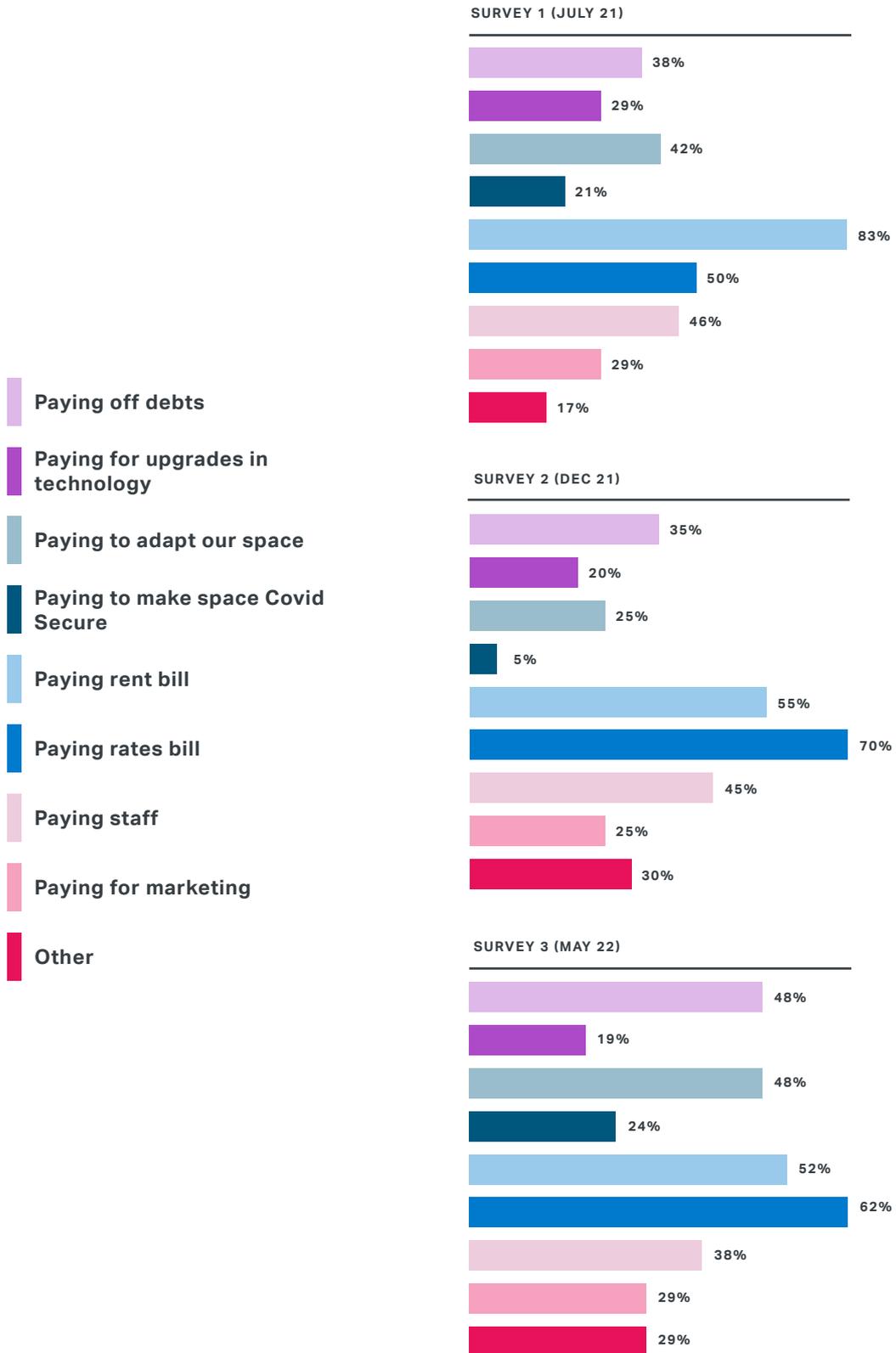
Traditionally the biggest costs within flexible workspaces are **rent, business rates and staffing**. So this is consistent with pre-pandemic.

It's clear in the early stages of the pandemic that **rent** was perceived as the greatest challenge. This was no doubt as operators were engaged in negotiations with landlords for flexibility on rent.

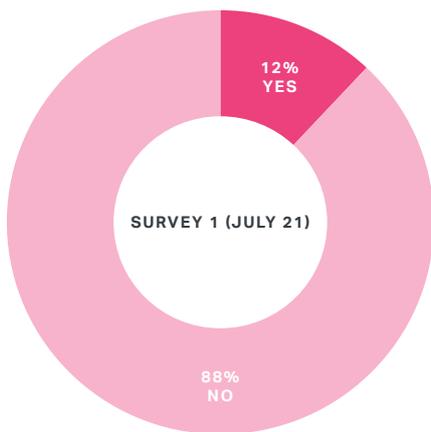
Then by Survey 2 and 3, **business rates is perceived as the number one issue** putting pressure on cash flow. This could point to a return to the status quo. During the height of the pandemic operators were engaged in negotiating rent with their landlords. Then once the lockdowns and social distancing eased and negotiations with landlords passed, there has been a return to the same old pre-Covid challenge that flexible workspaces face. Namely the problem of paying high fixed business rates that there is little flexibility around

In addition to these challenges, operators are now feeling the strain caused by the energy crisis (with utility bills now a big portion of their costs) and the **cost of living crisis** (especially for operators whose tenants are individuals paying out of their own pocket).

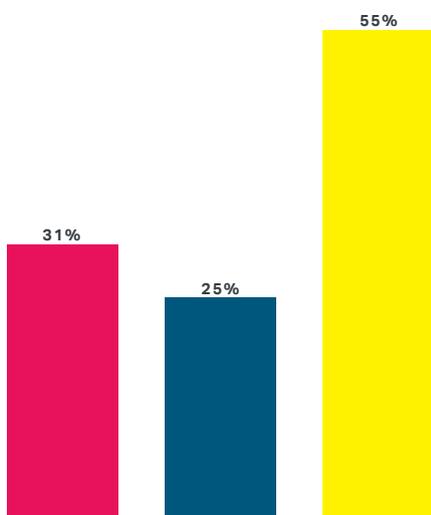
## WHAT IS CAUSING THE BIGGEST STRESS TO YOUR CASH FLOW?



Did you qualify as a 'retail, hospitality or leisure business' and in doing so receive full rates relief during the pandemic?



Rental support from landlords during the pandemic



## BUSINESS RATES

In March 2020 the government announced some temporary rates relief for businesses in response to the coronavirus pandemic. Businesses in the retail, leisure and hospitality sectors received 100 per cent relief for one year.

## KEY FINDING

We asked how many flexible workspaces qualified for this relief, and the answer was only 12 per cent of workspaces.

The operators who did receive relief were able to do so by demonstrating that a core part of their offer hinges on hospitality. But flexible workspaces as a whole largely **rely on footfall**, and it was felt by many in the sector that they should have received this subsidy.

## RENT

We asked operators whether their landlord(s):

- Gave them a discount on rent
- Deferred a portion of rent
- Didn't provide any rental support at all

**55 per cent** of workspaces surveyed received no support on rent from their landlords.

The term 'flexible workspace' covers a wide range of different types of workspace. We identified key variables in the sector to conduct analysis in order to gain a better understanding of who and what has been impacted most:



### **TYPE OF WORK CARRIED OUT**

Performance of knowledge based workspaces (where work is predominantly carried out on a computer), compared to artists and maker spaces.



### **SINGLE SITE OPERATORS**

This included analysis of operators with multiple venues, compared to single-site operators.



### **OPEN PLAN**

Operators who only provide open plan workspace (no private offices or studios).



### **GEOGRAPHY**

Workspaces primarily focused in the Central Activities Zone.



### TYPE OF WORK CARRIED OUT

#### ARTIST AND MAKER SPACES

One of the most striking findings was the difference between the performance of knowledge-based workspaces, and workspaces that primarily cater to artists and makers.

**Occupancy, enquiries and revenue data:** In Survey 1, the average occupancy for maker and artist spaces was 90 per cent and the percentage of usual enquiries was reported at **103 per cent**. These numbers remained buoyant throughout the subsequent surveys. The revenue drops were in line with all other workspaces during Survey 1. These numbers did however improve in Surveys 2 and 3, with most artist and maker spaces reporting their revenue was similar (or higher) than pre-pandemic. It's likely the lower revenue in Survey 1 was mainly **due to discounting** to support tenants during the early stages of the pandemic.

It's likely occupancy and interest in these spaces remained high due the materiality of the work. Artists and makers tend to need **specialist space** (both to create their products and to exhibit them), and as such are less able to carry out their work at home.

Even though the spaces have remained relatively full, their revenue still suffered during the pandemic. Research from The Creative Workspace Resilience Fund Closing Report found that: **'For 88 per cent of creative workspace providers, income has decreased, whilst 19 per cent have reported that costs have increased.'**

Their tenants have faced significant challenges. During the surveys and interviews we conducted it came to light that **tenants were concerned about giving up their studio space and not being able to get it back**. So if anything the high occupancy didn't point to a thriving sector, but rather the severe lack of affordable workspace of this type. And the lack of options artists and makers have, compounded by the fact they are not able to work at home or in cafes.

We found that **studio members were incredibly resourceful** and they treasure their studios, which is why through a pandemic they have made it through. This, alongside sizeable support from the operators themselves, who in turn were forced to rely on grant support.



## TYPE OF WORK CARRIED OUT

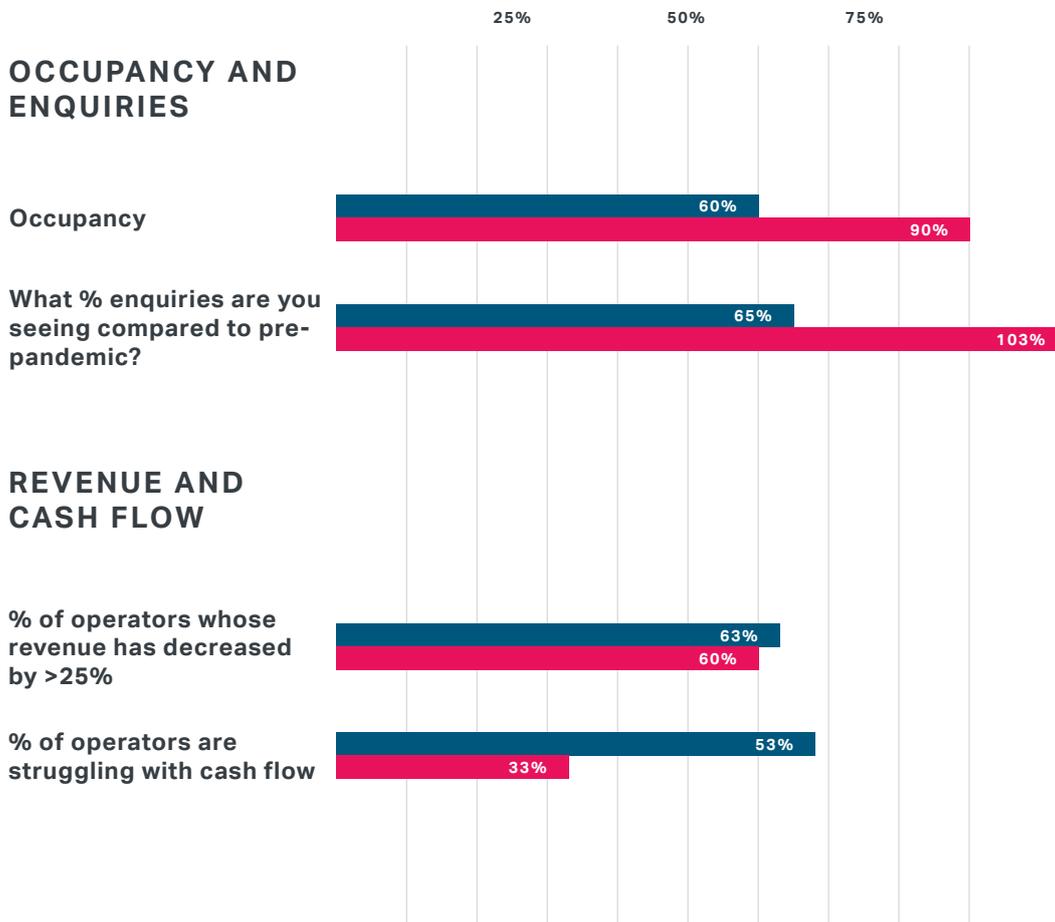
### KNOWLEDGE BASED WORKSPACES WERE SEVERELY IMPACTED

The trend towards **'telecommuting'** has had a major impact on **knowledge based workspaces**. When the pandemic broke out office workers transitioning to remote work, and the demand for coworking, serviced offices, incubators and accelerators fell sharply. Looking onwards in 2022 and beyond, whilst there has been steady recovery of occupancy figures, there is a fresh challenge around managing the demand tenants have for greater flexibility.

We expand more on this in the 'Flexibility and hybrid work' section of this report.

**Knowledge Workspaces**

**Artists and makers**





### COMPARISON OF SINGLE AND MULTI SITE OPERATORS

- The next page shows a comparison of data from single venue operators and multi venue operators. As the graph shows, multi venue operators reported higher occupancy (78 vs 58 per cent) and higher enquiries (72 vs 63 per cent) than single venue operators. This theme was also reflected in the revenue figures, and continued throughout the later surveys.
- One reason may be because smaller operators are less well capitalised, and so have smaller financial reserves and find it harder to borrow.
- Another reason that these single venue operators may have been more vulnerable during the pandemic is because they typically serve smaller businesses, who tend to be more agile and on shorter contracts.

***'Smaller companies were the first to leave flexible spaces due to the often more flexible nature of their contracts, spaces for over 10 people have on average a term length 28% longer than spaces for 5 or fewer people (2022 Instant London transactional data). The demand for these smaller spaces also dropped quicker and has remained lower by -8% compared to pre-pandemic levels.'***

### THE INSTANT GROUP

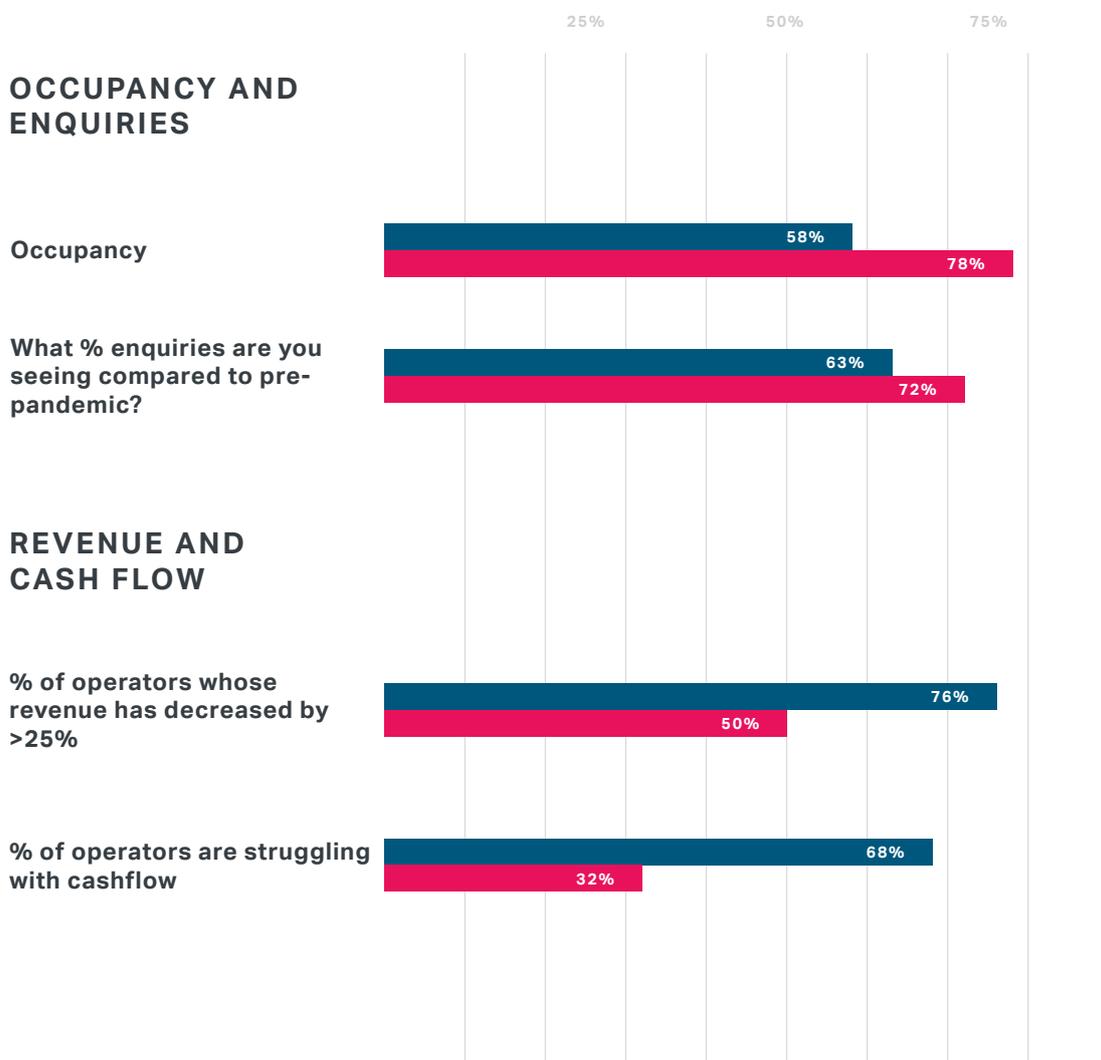


# CROSS ANALYSIS

## SINGLE SITE OPERATORS

Single Venue Operators

Multi Venue Operators





### COMPARISON OF OPEN PLAN WORKSPACES AND ALL WORKSPACES

**Open plan workspaces were more vulnerable:** We looked at the data of workspaces that exclusively offer open plan workspace, with no private offices or studios. Only 16 per cent of workspaces offer exclusively open plan space.

The pandemic had a disproportionately negative impact on these workspaces.

- Partly the reason was to do with social distancing and health concerns around Covid-19. To a degree, those using a private office were able to isolate from others in the building. Artists and makers often have their own individual studio, so social distancing had less of an affect their use of the workspace during the pandemic.
- We can also speculate that teams who have private offices see workspace as a requirement, but those who hot-desk see workspace as a 'nice to have'. Individuals and freelancers who use hot-desking and open plan space are likely to be the first to have worked from home during the pandemic.
- But as well as this impact on tenancy, open plan workspaces are more vulnerable from a business rates perspective.

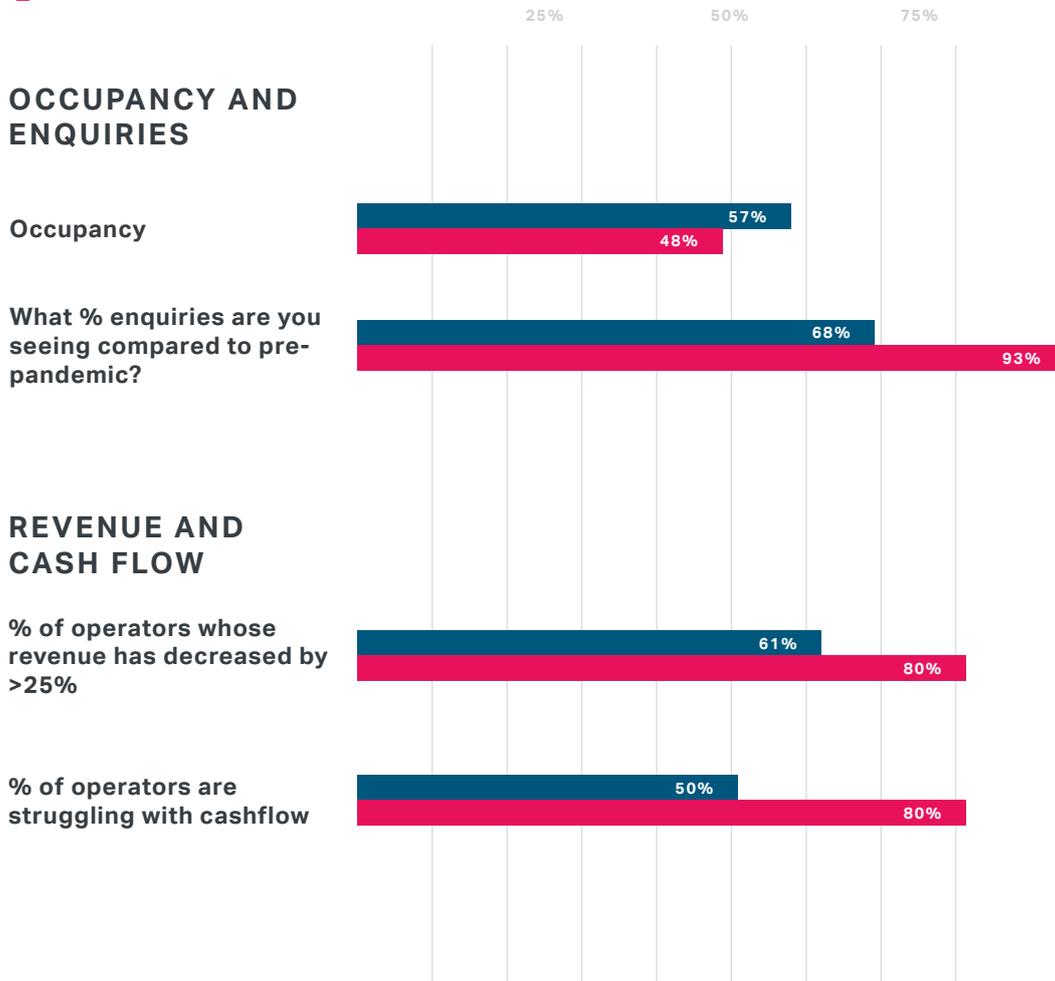
*'It has been found that open workspaces fuel small business growth and productivity; however, small businesses that use open workspace are at a disadvantage compared with those businesses that use traditional buildings or serviced offices as they are currently not eligible for small business rates relief. This results in a barrier for shared workspace operators to create more open workspaces which small businesses are looking for.'*

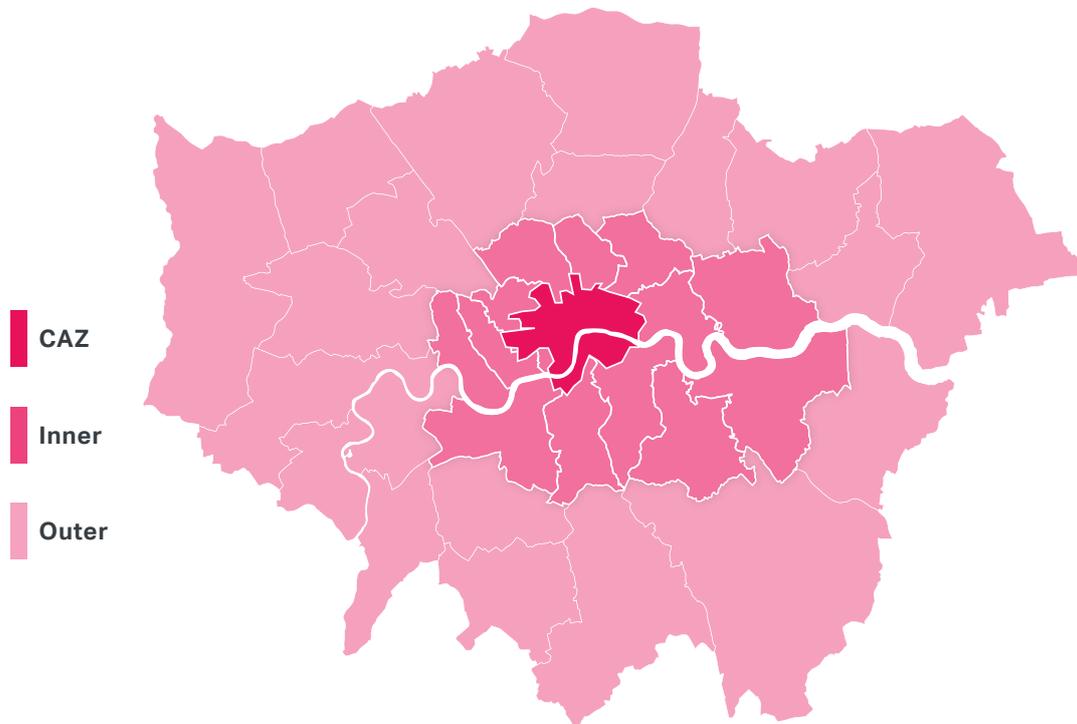
**ENTERPRISE NATION: THE IMPACT OF BUSINESS RATES ON FLEXIBLE WORKSPACES AND PROPOSAL FOR RELIEF.**



All

Open Plan





### All central London workspaces suffered

The CAZ (Central Activities Zone) was badly affected:

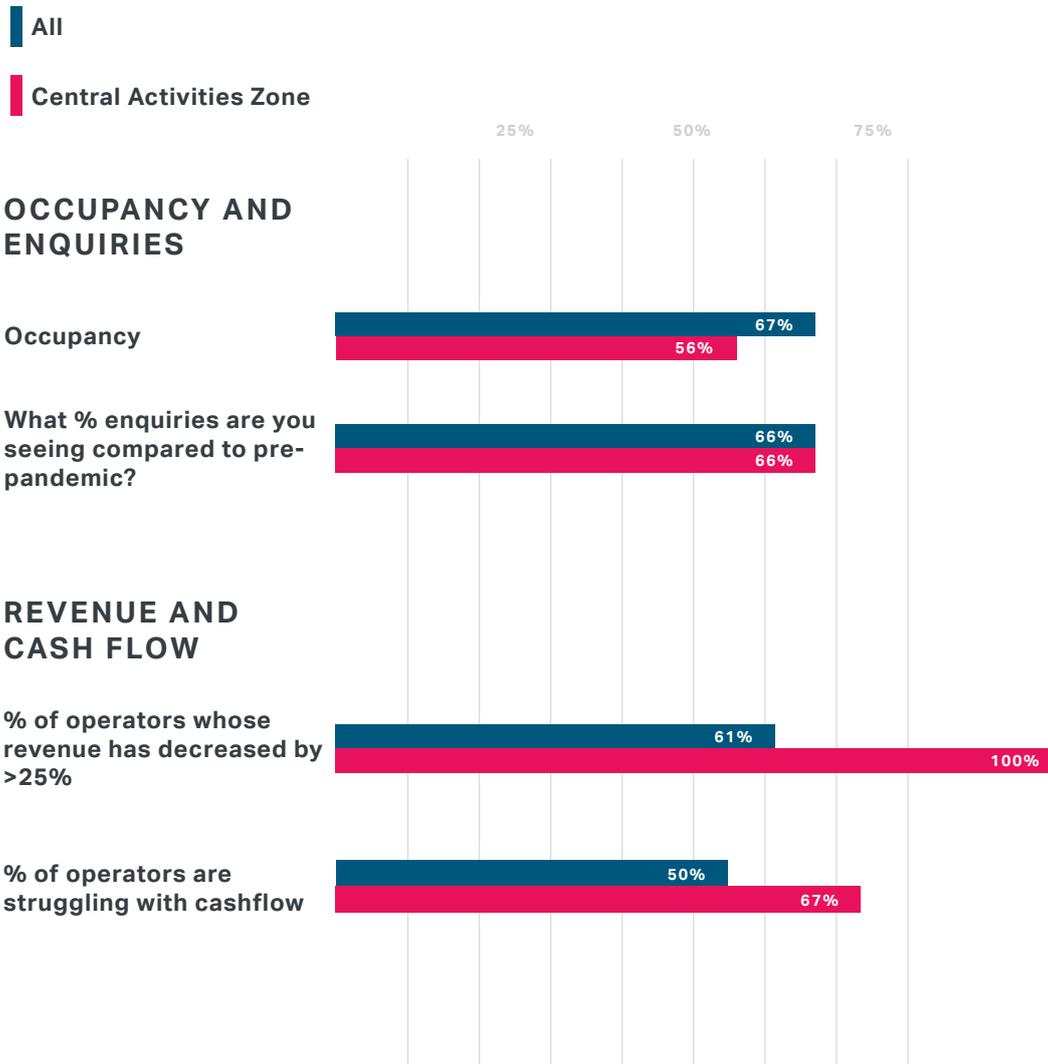
- Occupancy was **56 per cent** (lower than the average of **67 per cent** across all workspaces).
- They reported **46 per cent** of tenants had left, compared to the 33 per cent average.
- And **100 per cent** of operators in the CAZ reported that their revenue had dropped significantly since the outbreak of the pandemic.
- Note: this data represents operators whose primary location falls in the CAZ.

Like all workspaces central London workspaces suffered the effects of lockdowns and tenants working from home. But when restrictions were lifted they faced distinct difficulties. Many people were reluctant to immediately return to commuting on public transport every day, whether for health concerns or otherwise.

The theme of CAZ workspaces **struggling more than the average** continued through the subsequent surveys. In Survey 3 (May 2022):

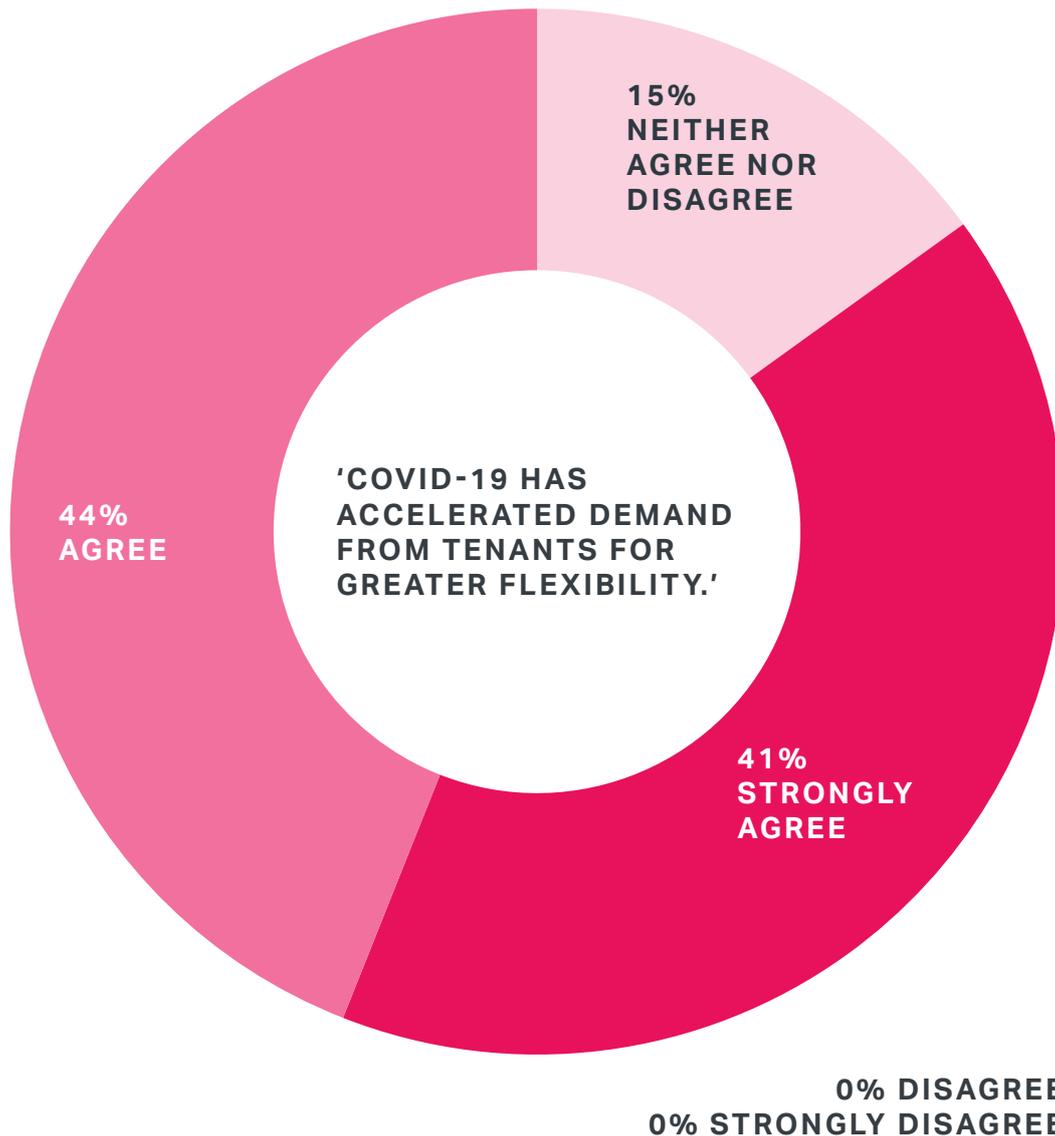
- Occupancy of CAZ workspaces was 63 per cent, compared to an average of 75 per cent.
- Enquiries CAZ workspaces received were at 54 per cent compared to the average of 78 per cent.

## CENTRAL ACTIVITIES ZONE





**FLEXIBILITY AND HYBRID WORK**



## COVID-19 HAS ACCELERATED THE NEED FOR FLEXIBILITY

**85 per cent** of knowledge based workspaces agree that Covid-19 has accelerated the need for even greater flexibility.

Flexible workspaces have doubtless faced difficult conditions during and in the immediate aftermath of the pandemic. But if everyone is requiring greater flexibility, then the demand for these spaces is likely to keep rising. The trend towards hybrid working will mean a greater portion of the market across most industries is going flexible.

This trend towards flexibility is less relevant to artist and maker spaces, of which only 40 per cent agreed that tenants want more flexibility. This reflects the fact that hybrid work is not possible for their tenants who require specialist space and equipment. For that reason we focus on knowledge workspaces in this section of the report.

## **ADAPTING TO ONLINE**

When we asked tenants whether they managed to adapt any of their services online, the top four selected services were as follows:

### **UPSKILLING EVENTS AND PROGRAMMES**

When the pandemic began, many operators attempted to run online workshops and courses. We discovered an interesting divide here. Where flexible workspaces already provided these services they were often able to pivot these online. One example of this is The Trampery, who provide workshops as part of their offering. Moving these online was a success. But where workspaces had not yet provided online courses, often they struggled to get traction with these new online services.

### **VIRTUAL OFFICE SERVICES**

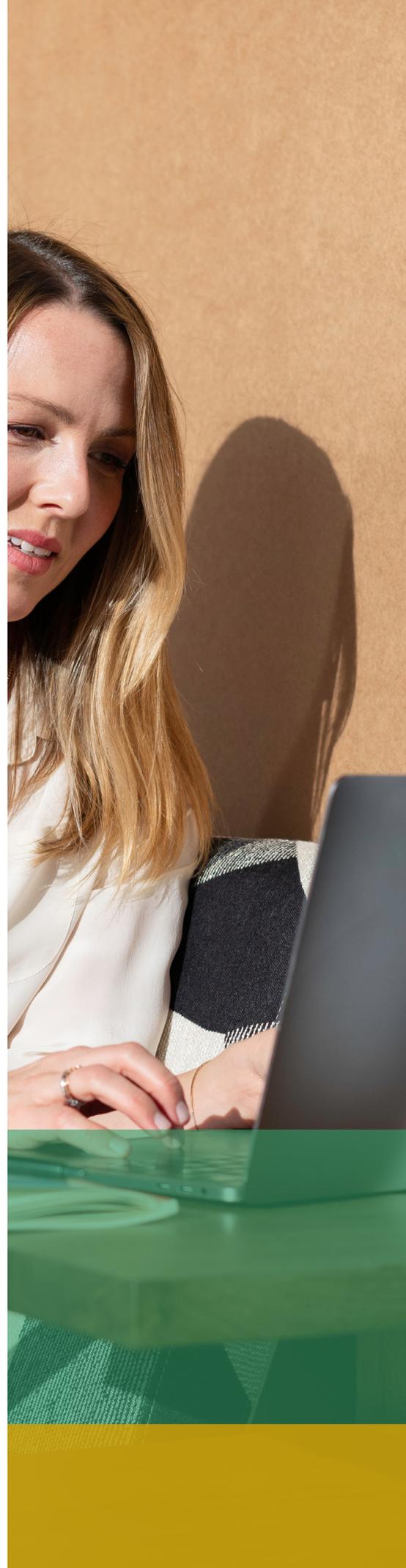
For remote businesses and those working from home, having a fixed business address is valuable. Flexible workspaces have capitalised on this.

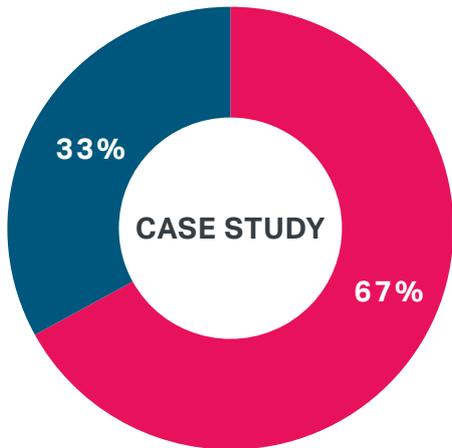
### **OTHER**

Common responses include virtual events and mentoring.

### **DIGITAL PLATFORM FOR MEMBERS TO CONNECT**

Many smaller operators who had not previously had an online platform for their community, created this for the first time. Platforms such as Slack and Google Groups have become popular tools for online interaction between tenants.





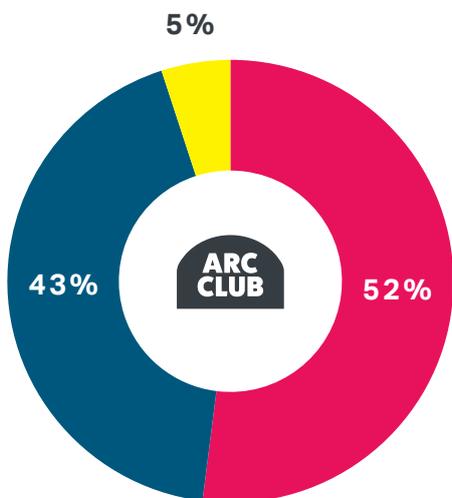
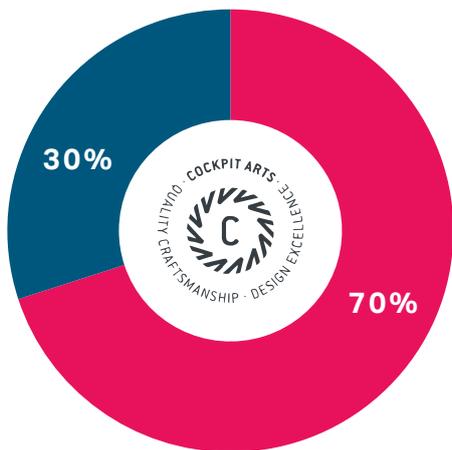
## TIME SPENT WORKING AT THE WORKSPACE VS HOME

We carried out three case studies on Cockpit Arts, Case Study and ARC Club, which you can find in full at the end of this report.

One question we asked their tenants was how much time they spend in the workspace, compared to at home or elsewhere. These graphs reveal the split.

The most common response from tenants was that they spend two thirds of their working week at their flexible workspace.

ARC Club tenants spend a little less time in the workspace compared to Cockpit Arts and Case Study. This is probably down to catering more to individuals and remote workers who have greater autonomy.



## HOW HAS HYBRID WORK AFFECTED THE ROLE OF LOCATION?

Now more than ever, location is very important for each of the operators. But it's important for different reasons. We identified four drivers behind the importance of location, some of which have been influenced by hybrid working, and others which remain the same as pre-pandemic:

### NEAR TO WHERE PEOPLE LIVE:

Many people don't want to commute into a central workspace like they once did, but neither do they want to work from home. Having a local workspace near to where they live is the priority for them.

### NEAR TO SOCIAL HUBS:

Many meet friends through work and enjoy spending time 'in the thick of it' in central London, near social hotspots. This is especially true for the younger generation / graduates.

### NEAR TO SIMILAR BUSINESSES AND CLIENTS (INDUSTRY RELEVANCE OR PRESTIGE):

There are a range of industry clusters in different areas of London, such as the hive of property companies in the West End. Having a physical presence in an industry-specific area is still very important for certain companies, especially for those who need to have lots of face-to-face meetings. This is also an important factor for some artists and makers. Even though space is cheaper outside London, many remain in the city because they need to be near clients and galleries. Furthermore there are certain areas of London (such as Bloomsbury) which carry a certain cache, which is still an influencing factor.

### NEAR TO CENTRAL TRANSPORT:

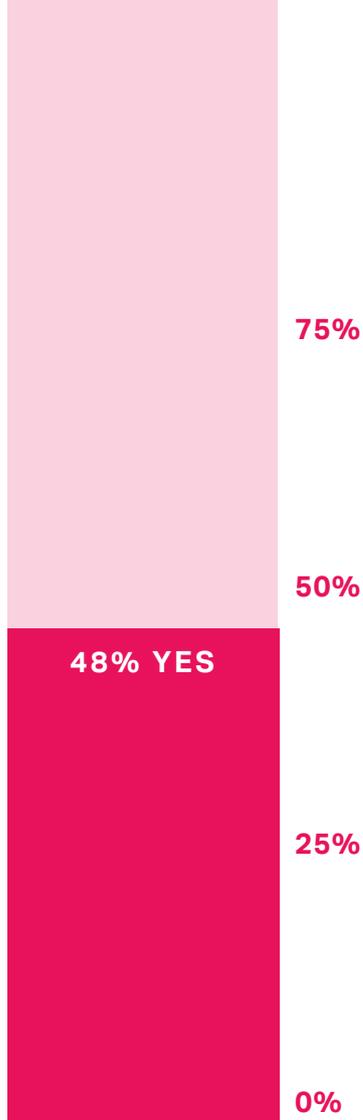
It's important for companies with dispersed employees based in different areas of London, or outside of London, to be based centrally and near well connected transport. This isn't just important for the maximum number of team members to have easy access to the workspace, but makes it a great deal more convenient for in-person meetings with clients and partners.





## **BIG BUSINESSES AND FLEXIBLE WORKSPACE**

Do large corporations (or their employees) use your flexible workspace?



## INTEREST IS GROWING

### SMALL BUSINESSES ARE STILL THE PRIMARY FOCUS

Traditionally flexible workspaces have mainly catered to freelancers and SMEs. We discovered in our surveys that small businesses are still the primary focus of these workspaces. 93 per cent reported that their most typical size of tenant organisation has fewer than 15 people.

### BIG BUSINESSES ARE A BIG GROWTH AREA

However, it also became apparent that large enterprises were increasingly showing more interest in flexible workspace. So we surveyed this trend, specifically looking at the data of knowledge based workspaces.

We were interested to discover to what degree big businesses currently use flexible workspace. If they do use it, then what purpose do they use it for? And if not, then what are the barriers to bigger businesses using these spaces?

**Some 48 per cent** of knowledge workspaces reported that big businesses use their space.

Of course, to some degree this was a pre-Covid trend. So we asked specifically whether the interest from large enterprises has increased since the pandemic. **58 per cent** responded 'yes', confirming this is a growth area.

*In the flexible workspace sector the demand for larger spaces has dramatically increased over the last year. Currently demand for larger spaces is up 22 per cent on the previous year. This has meant that the overall profile of the occupier has changed.'*

### THE INSTANT GROUP

Has the use of your flexible workspace by bigger businesses increased since the pandemic? Is this a growth area for you?

75%

58% YES

50%

25%

0%

## BARRIERS TO GREATER ADOPTION

As bigger businesses increasingly look towards flexible workspace as part of their workspace strategy, we wondered what some of the barriers might be to more rapid adoption.

There are various barriers such as the requirement for space to meet certain corporate standards, red tape involved in corporate procurement, concerns over privacy, lack of understanding of the value of flex space and a disconnect between executives and junior employees who can't easily work from home. But the two biggest barriers we discovered are as follows:

### STUCK IN LONG LEASES

Some 40 per cent of operators reported 'They have pre-existing commitments to long leases and don't want to double pay at this time.' Long commitments/leases will make any transition to flexible workspace slower. For big businesses it also takes more time to change workspace strategy, as they are less agile than SMEs.

### A LACK OF SUPPLY

Some 32 per cent selected 'Other'. The most common answer here was that flexible workspaces often lack the capacity to accommodate bigger businesses. This is corroborated by The Instant Group, who reference a current lack of supply:

***'Within London, only 8 per cent of flexible office can accommodate 25+ desks and based on occupancy figures we know these spaces are severely limited in the city. The good news is that almost half of all larger flexible spaces across the UK can be found in London but we know that unless greater amounts of larger quality space become available supply constraints will become a bigger barrier.'***

### THE INSTANT GROUP

#### WHAT DO YOU SEE AS THE MAJOR BARRIERS TO LARGE CORPORATIONS UTILISING YOUR FLEXIBLE WORKSPACE MORE?





**SHIFTS IN DEMAND**

We asked how the pandemic was affecting demand for core services, as well as more specific/niche services.

## 2021

### A NOTE ON DECREASED DEMAND:

It's clear the biggest impact the pandemic had on flexible workspaces in 2021 was anything that involved communal gatherings or hospitality. Event space hire, meetings, networking and food and beverage all show decreased demand in this period. As well as the actual demand itself, some of these services (such as community events) were also very hard to deliver from an operational perspective.

### A NOTE ON INCREASED DEMAND

The most obvious services to rise in popularity were private offices, bike racks and showers. The interest in bike racks and showers no doubt points to changes around how people want to commute, spending less time in confined spaces on public transport and enjoying the health benefits of cycling to work.

## 2022

### A NOTE ON DECREASED DEMAND:

The number of operators reporting less demand for event space hire is still significant.

### A NOTE ON INCREASED DEMAND

Most of the communal and socially oriented services picked up. As far as core services go, hot-desking and meeting rooms saw a resurgence. And regarding more specific services, Networking and workshops also saw a return in demand. As in 2021, private workspace, bike racks and showers continued to be popular.

## SURVEY 1 JULY 21

### DECREASE

- **Event space hire:** 86 per cent of providers registered decreased demand here, making it the biggest decrease.
- **Meeting room bookings:** 54 per cent registered a decrease in demand at this time.

### INCREASE

- **Private offices/workshops/studios:** 41 per cent reported these were in high demand (with online 15 per cent reporting lower demand than normal).

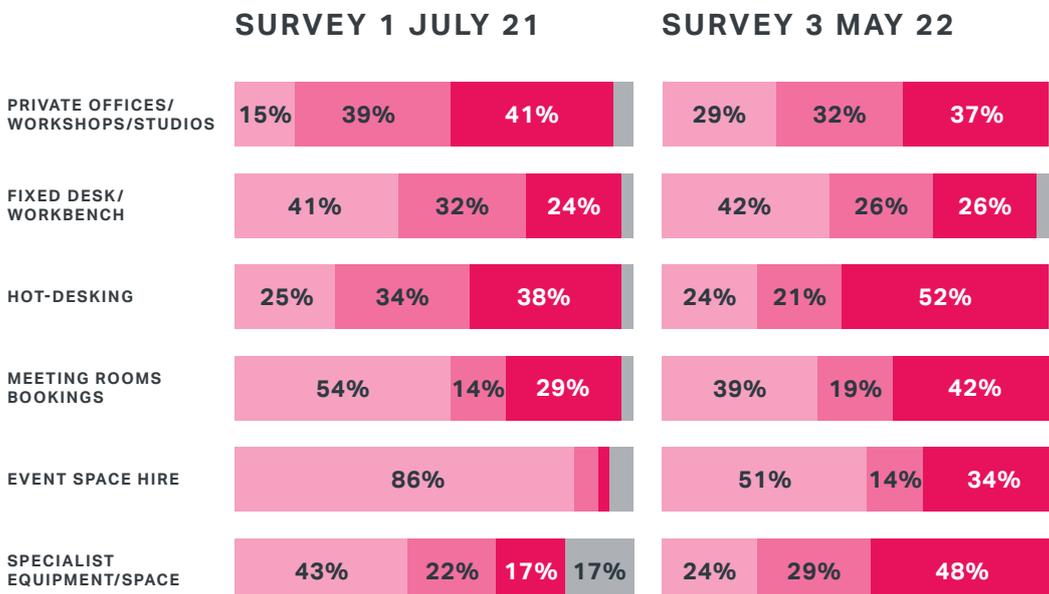
## SURVEY 3, MAY 22

### DECREASE

- **Event space hire:** 51 per cent of operators reported this was still in less demand.

### INCREASE

- **Private offices/workshops/studios:** The increased demand still outweighs the decreased demand here.
- **Hot-desking:** 52 per cent of operators reported an increased in hot-desking interest.
- **Meeting rooms:** 42 per cent of operators reported more demand for meeting rooms.



## SURVEY 1 JULY 21

### DECREASE

- **Cafe or restaurant:** 61 per cent of operators reported decreased demand.
- **Networking and social events:** 47 per cent of operators reported decreased demand.

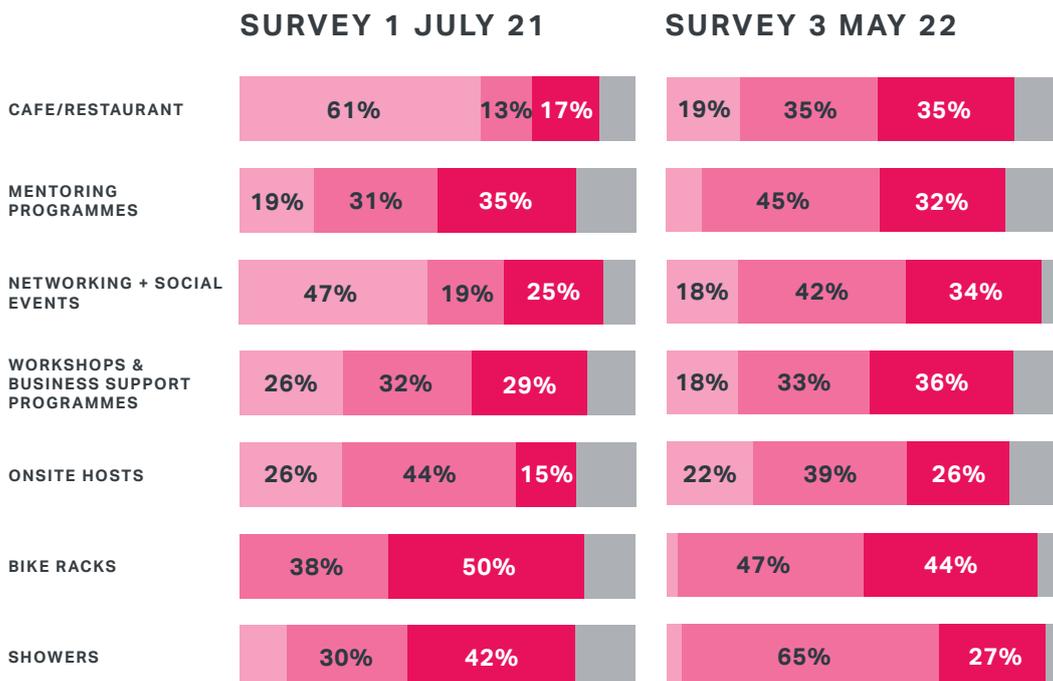
### INCREASE

- **Bike racks and showers:** These took a dramatic increase in popularity.

## SURVEY 3, MAY 22

### INCREASE

- **Cafes, networking and mentoring:** All picked up in demand.
- **Workshops and business support:** Also slightly picked up, with 36 per cent reporting increased interest, and only 18 per cent reporting decreased interest.
- **Bike racks and showers:** Continue to be popular.



# ADAPTING SPACE AND INFRASTRUCTURE

## OVERVIEW

**54 per cent** of knowledge based workspaces, and **28 per cent** of artist and maker spaces have made permanent changes to their space or infrastructure as a result of the pandemic. This graphic gives an overview of examples of changes that operators reported.

HEALTH & SAFETY	WORKSPACE LAYOUT	AMENITY & TECHNOLOGY
<ul style="list-style-type: none"><li> Installing space dividers</li><li> Way-finding systems</li><li> Increased staffing for cleaning</li><li> Better ventilation</li></ul>	<ul style="list-style-type: none"><li> Converting open plan space to private offices</li><li> Repurposing workspace to a more 'clubhouse' environment</li><li> Increasing the number of meeting / phone booths</li></ul>	<ul style="list-style-type: none"><li> More bike racks and showers</li><li> Investing in video conferencing technology</li><li> Contactless access to the space</li></ul>
<p>Higher expectations around <b>cleanliness</b> and regular disinfection has increased, especially with regards to common areas. Operators investing more in the HVAC systems, especially <b>fresh air induction systems</b>. Operators have bolstered <b>health and wellness initiatives</b> and introduced <b>behavioural signage</b> (wayfinding systems).</p>	<p>Some operators have converted open plan space to <b>private offices/studios</b>. One centrally located operator reported they had transformed some traditional open plan workspace from rows of desks to a <b>'clubhouse'</b> design, allowing for more social space. Many operators have increased <b>phone booths</b> and similar space to allow for video calls.</p>	<p>Operators have installed more <b>bike racks and showers</b>. Operators report that a number of meetings now take place with part of the team in person, and part dialling in via video call, which has led them to invest in <b>video conferencing technology</b>. And <b>contactless</b> access to the space has been installed by some. This 'touch-less' tech helps both with managing flexibility and providing further reassurance over health and wellbeing.</p>



**REVITALISING THE HIGH STREET  
AND WORKING LOCALLY**

## DEMAND FOR LOCAL WORKSPACES

### COMMUTER AND LOCAL WORKSPACES: REASONS FOR REDUCED TENANCY

We asked operators whether the majority of their tenants live within walking distance of their workspace or not. For those who answered 'yes', these local workspaces have experienced slightly higher demand.

We also asked what the most common reasons were for reduced tenancy, and then compared this data across local and commuter workspaces.

The responses are fairly even, except fewer local workspace operators selected **'Covid has accelerated tenants decision to leave London'**, and much fewer selected **'tenants now prefer to work from home permanently'**.

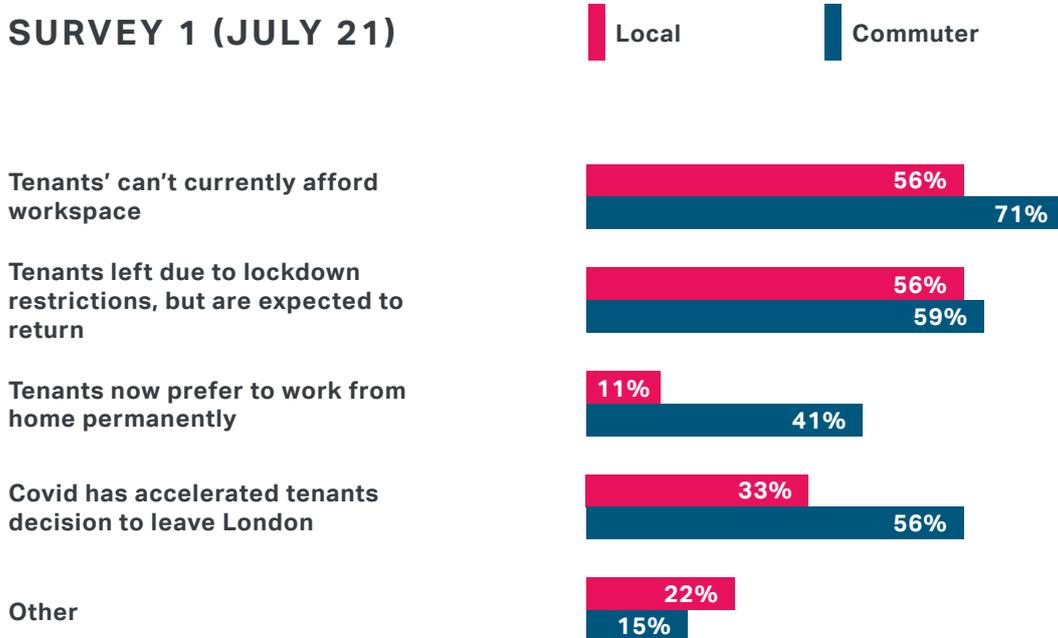
It's particularly interesting that not many local workspaces **lost tenants to homeworking**. This could suggest that for many who do work from home, the real thing they value is **not having to commute**. We believe that for many working from home, if they had access to a local flexible workspace (that they could afford) there is a good chance they would use it.

### LOCAL, NEIGHBORHOOD COWORKING

There is significant value for remote workers who want somewhere near home to work that is convenient. But less commuting is also environmentally friendly, good for people's wellbeing, reduces the stress on transport infrastructure and boosts local economies.

There is an opportunity here for town centres across London, which historically have been suburbs, to also become **'huburbs'** - places to work as well as live. Flexible workspaces could play a key role in this.

## SURVEY 1 (JULY 21)



*'In the world of the neighbourhood workspaces and localised amenities, there will be a paradigm shift which enables the population to work much closer to home, minimising the importance of cities in worklife and reducing the prevalence of commutes. This is facilitated by the technological revolution, which means that remote work is now completely achievable for most modern businesses. For the majority of the population who live in suburbs though, the effects of localisation might completely change the way you live. Instead of commuting into the office, you could benefit from a 'work near home' model, where you have the choice to mix working from home with working from a local flexible workspace.'*

**ZOE ELLIS MOORE, SPACES TO PLACES**



## HOMWORKING DURING THE PANDEMIC - AND POST PANDEMIC

### IS THERE A NEED FOR MORE FLEXIBLE WORKSPACES IN RESIDENTIAL AREAS?

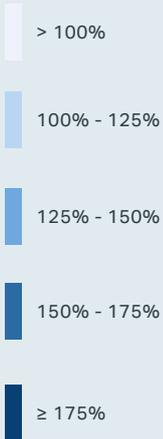
We were interested to discover how many homeworkers there are and whether homeworking is here to stay. If the trend continues and there are a significant number of people who are remote working in residential locations, it's possible to assume that a proportion of these would use a flexible workspace if it was in close proximity to their home.

The GLA's **'Working In The Pandemic'** research provides insight on this. It uses O2 data to show where residents have been located in the daytime throughout 2020 - 2022, as compared to the pre-pandemic 'norm'. O2 has about 35 per cent of the market, so once a multiplier is applied, we arrive at a reasonable representation of all Londoners.

The following page shows a comparison of this O2 data. **In June 2022 (Figure 4) there is still high density of people in the daytime in these residential areas.** Of course this doesn't automatically reflect homeworking. Perhaps these residents were not in work, or perhaps they aren't necessarily the profile of workers who can work from home. However, by cross-referencing the O2 data against **occupational data and claimant counts**, the GLA report reveals these areas are **likely to be home-working hotspots.** These areas have relatively few claimants, and relatively high number of people who would be able to conduct their work at home (either due to their occupational seniority and/or the knowledge intensive nature of the work).

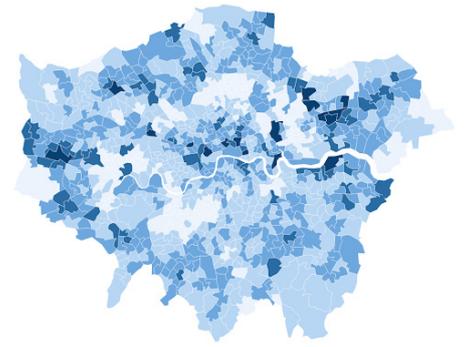
At the time of this report being published, there are a significant number of homeworkers based in residential areas in the doughnut around central London.

## RESIDENT PRESENCE VS BASELINE



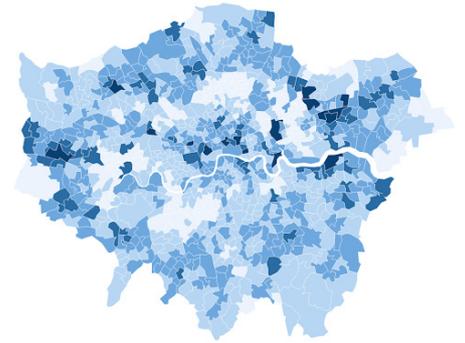
**FIGURE 1  
JULY 2019**

This shows the 'pre-pandemic norm' in 2019, with low density outside the centre of London



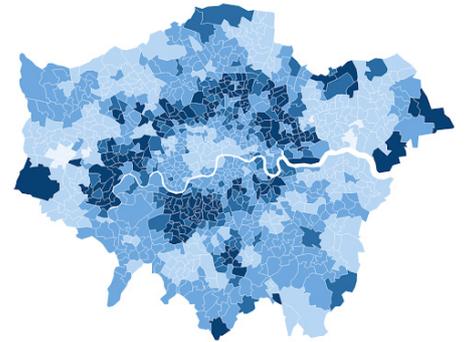
**FIGURE 2  
JULY 2020**

This shows an immediate exodus of workers away from the centre of London, to the residential ring (the 'doughnut').



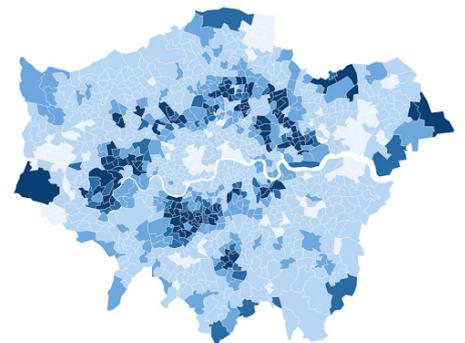
**FIGURE 3  
JULY 2021**

This shows a less intense concentration in the doughnut, pointing to a gradual return of workers to the centre.



**FIGURE 4  
JULY 2022**

This shows that activity continues to increase in the centre of London, however it is still nowhere near the levels of Figure 1 (pre-pandemic). There is a distinct ring that is still very much still there.



## DEMAND FOR LOCAL WORKSPACES

### COMMUTER AND LOCAL WORKSPACES: REASONS FOR REDUCED TENANCY

The 'Flexible Workspaces on Our High Streets' (1) report identifies potential uses of new flexible workspace in vacant premises on high streets, allowing Londoners to fully or partly work within their neighbourhoods.

We were interested to discover whether operators see the conversion of high street retail space as viable, and what some of the challenges might be.

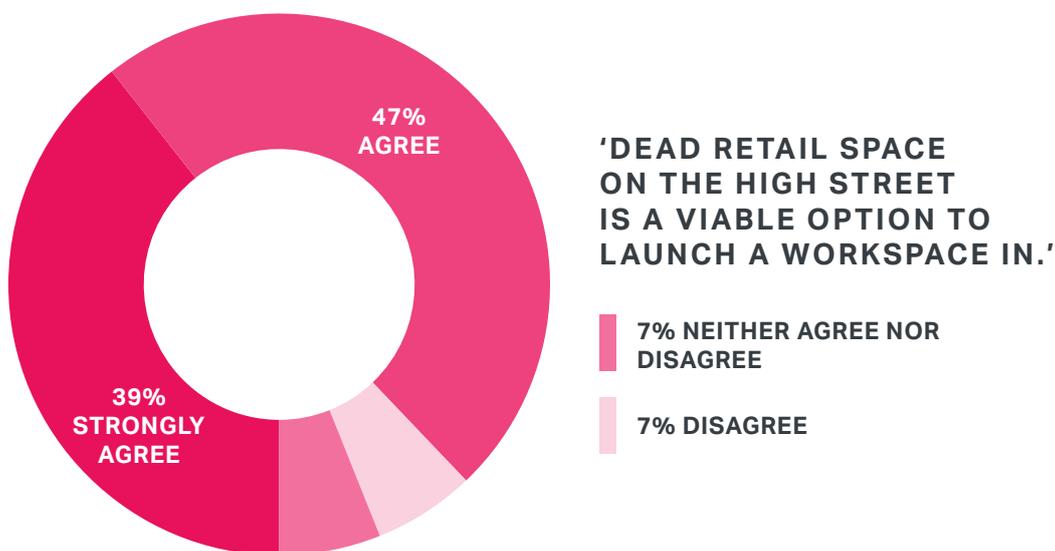
The significant majority of operators agree that 'dead retail space on the high street is a viable option to launch a workspace in'.

We also asked these operators what the challenges are associated with launching flexible workspaces on the high street. The most common responses include:

- Rents still being prohibitively high (they would need to come down further)
- Challenges of re-purposing the space (high fit out costs)
- Lack of natural light
- Economies of scale (typical high street units are too small for many operators)
- High business rates

### CHANGES TO PLANNING: CLASS E

In September 2020 the government changed use classes to allow for more flexibility in mixed use buildings. This new Class E classification covers a range of uses (including retail, cafes and offices), and means changing uses within this class doesn't require planning permission. So it allows operators and landlords to repurpose retail space into flexible workspace without needing planning permission. It also makes it easier to supply a range of services in the same building (eg childcare alongside workspace).



(1) THE FULL REPORT, PUBLISHED BY 00 ARCHITECTS, CAN BE FOUND HERE: [HTTPS://ISSUU.COM/ARCHITECTURE00/DOCS/210316\\_GLA\\_HIGH\\_STREETS](https://issuu.com/architecture00/docs/210316_gla_high_streets)



**PROPERTY**

## A MORE PARTNERED RELATIONSHIP WITH LANDLORDS

### MORE FLEXIBILITY: TRANSITION TO MORE 'PARTNERED' RELATIONSHIP WITH LANDLORDS

Fixed rent was the biggest financial strain for operators in the earlier stages of the pandemic.

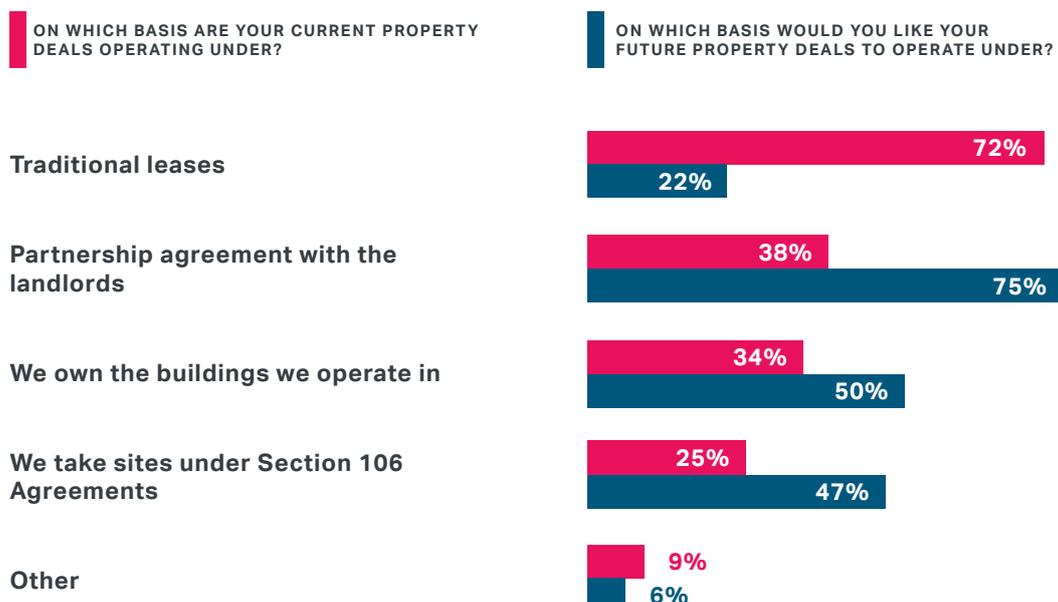
Operators who had good relationships with their landlords, or who were operating under partnership agreements, were much less vulnerable when the pandemic hit. Partnership agreements (joint ventures, profit shares and management agreements), mean the operator and landlord share in the highs and lows. This means in a crisis, the operator is not left to carry the burden of a rigid fixed rent payment.

We asked operators what type of leases they currently have, and what types they would like in the future. And there is a seismic shift here. Most currently operate under traditional leases (paying fixed rent), but in the future want to operate under partnership agreements.

We've already seen that tenants want more flexibility from the workspace providers. It's interesting to note that, in turn, providers want **more flexibility from their landlords**.

### ON WHICH BASIS ARE YOUR CURRENT PROPERTY DEALS OPERATING UNDER?

#### Survey 1 (July 21)



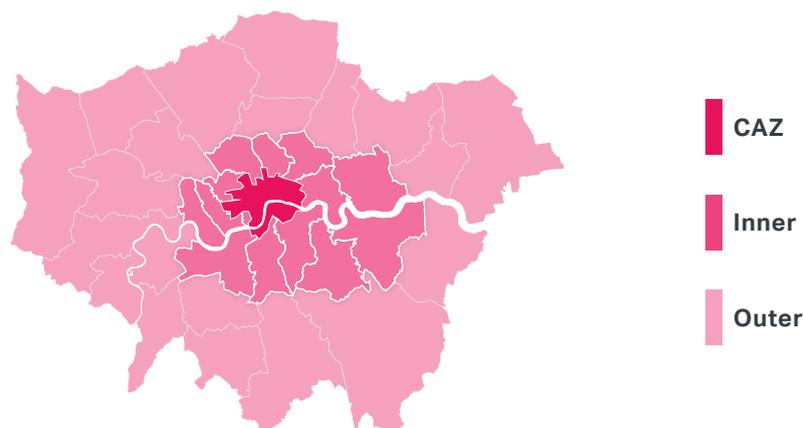
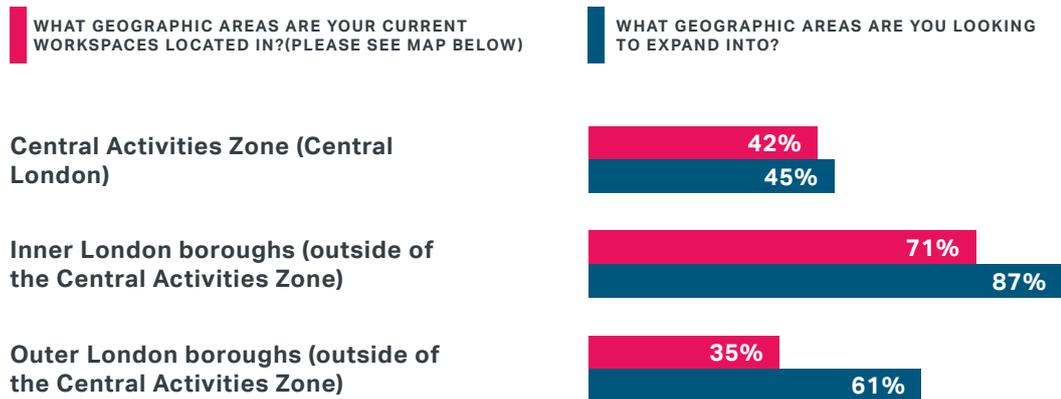
## OPTIMISM FOR GROWTH & INTEREST IN OUTER LONDON

### OPERATOR INTEREST IN OUTER LONDON BOROUGHS IS INCREASING

We asked operators where they currently operate (blue column) and where they would like to operate moving forwards (red column).

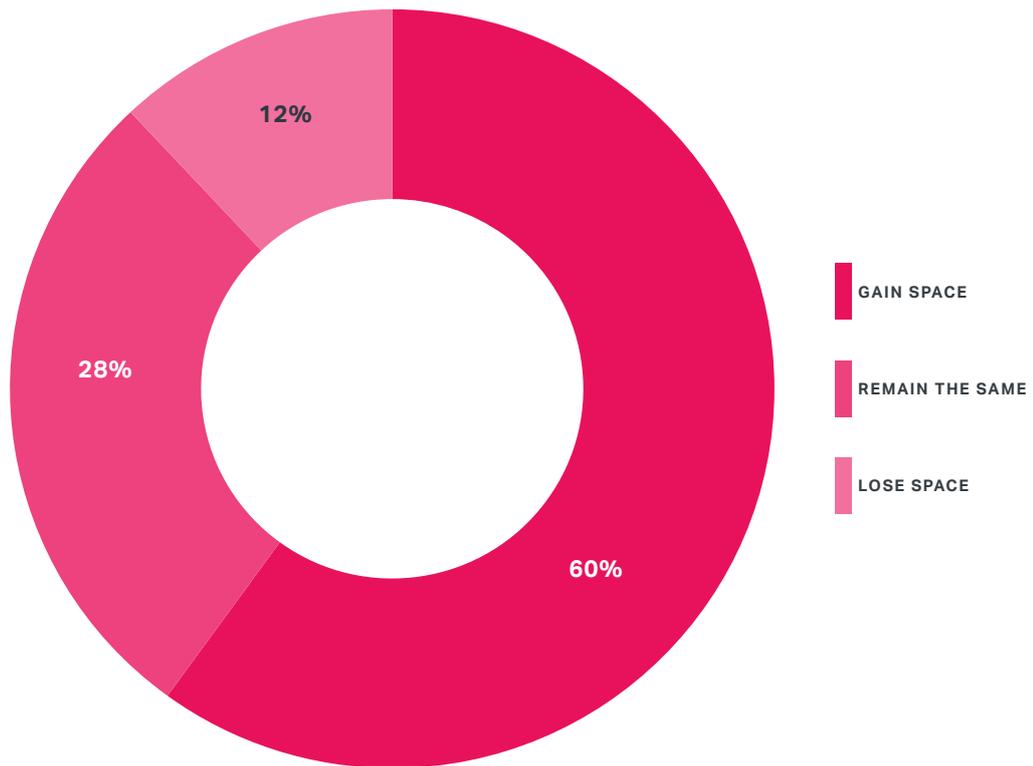
It's interesting to note the increased appetite for Outer London boroughs.

### WHERE ARE OPERATORS LOOKING TO EXPAND?



## ARE YOU EXPECTING TO GAIN OR LOSE SPACE BY THIS TIME NEXT YEAR?

SURVEY 3 (MAY 22)



### MOST OPERATORS ARE FEELING OPTIMISTIC ABOUT GROWTH

We asked operators whether they were expecting to gain or lose space within the year. We asked this question in Survey 1 and Survey 3.

This is of course purely sentiment. But it's interesting to note the degree of optimism in the sector.

Even in July 2021 more operators were expecting to expand than contract. And by the time of May 2022 as many as **60 per cent** of operators expressed an expectation they would have more space in the next year.



THANK YOU

## ACKNOWLEDGEMENTS

This report is the result of a huge amount of input and engagement from a wide variety of stakeholders. These include members of the Workspace Advisory Group, GLA officers and of course the workspace operators themselves.

We are especially grateful to the following:

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