The Five Essentials to Opening a Coworking Space

In this ebook we will cover all the five essentials for opening a space, managing a space, and opening yourself to future opportunities down the road. Opening a new Coworking or Flexible Workspace is always a risk, but with the right partners, philosophy, and model in place your space can thrive and scale for more members and possibly opening other locations.

We conducted our research as well as spoken to two industry leaders in regards to what's best for opening a Coworking space. You will find in this ebook advice on feasibility (finding out if there is a need for a Coworking space), what steps to take when opening a new space, tips on training your staff, addressing basic operational needs, which sales/marketing strategies to consider, as well as what intangibles to look for in your Coworking space.

Collaboration Partners

Jamie Russo
Executive Director
Global Workspace Association

Jamie Russo is the executive director of the Global Workspace Association (GWA). She is also both the founder and chief at Enerspace. Jamie does her part to shape the future of work as the driving force behind the Everything Coworking podcast. Jamie speaks regularly at industry conferences such as the Global Coworking Unconference Conference (GCUC) and Worktech, and she's an ongoing contributor to Work Design Magazine. She served for two years as president of the League of Extraordinary Coworking spaces (LExC) after bursting onto the coworking scene as an early adopter after immersing herself for years in the world of workplace wellness, working with Fortune 500 companies to identify, address and shift the paradigm of employee health (or lack thereof) in the corporate realm. Jamie holds an MBA from the University of Chicago and lives in the San Francisco Bay.

Grant Barnhill
CEO
Shift Workspaces

Grant Barnhill has been thoughtfully managing, developing, and investing in central Denver real estate for nearly 30 years. At the forefront of Denver's urban revitalization, Mr. Barnhill has built his career on transforming buildings and neighborhoods in ways that positively impact both the community and residents' lives. Inspired by extensive foreign travel, each of his projects has honored the local flavor of Denver while weaving in elements of international art, architecture, and culture. His current venture, Shift Workspaces, is a shared work-space community that offers members personalized concierge-level service in a warm, unique environment. Shift is also committed to social stewardship, sustainability, and an integrated view of commerce. "After you see how much of the world lives, it's difficult not to have a holistic approach to life and business. Company owners have a unique opportunity to redefine success-we can use the power of business to solve social and environmental problems by balancing the interests of our community, our environment and investors."

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How to determine if there is a need for a Coworking space?

The search process is essential in avoiding as many hurdles as possible throughout the onset. It's recommended that even before you feel "ready", you should assemble a process and a way to determine the feasibility of opening a new space. The search itself may test your patience—as well as your inventory.

Keep in mind that seeing the space and being in the space will warrant a different set of considerations, several which are critically overlooked by many workspace operators today. You will need to find what trade-offs you'll need to make to fit within the market, as well as what your vision is regarding the layout, location, and amenities. You'll also have to make sure your bathrooms, shared space areas, and available parking spaces meet the demands of your members.

Jamie Russo from GWA believes in finding a commercial real estate developer to collaborate with, and do so immediately. It is essential that you partner with someone that has Coworking experience. One that understands the increasing demand for flexible workspaces and how to make the business model work. The next step is to compile data for the following:

✓ General Demographics
✓ How Many People Work From Home
✓ Amount of Small Businesses in The Area
✓ Amount of Freelancers Available

The purpose of all this is to gauge the possible demand. Grant Barnhill from Shift Workspaces believes in using a largely intuitive approach. *"Go with your gut. Look for it in the analytical approach."*

What steps in competitive research and analysis are involved?

When mapping out the competition, it's best to analyze the lay of the land. As Sun Tzu once wrote in *The Art of War*, *"those who do not know the plans of competitors cannot prepare alliances. Those who do not know the lay of the land cannot maneuver their forces. Those who do not use local guides cannot take advantage of the ground. The military of an effective rulership must know all these things."*

This is true to Coworking as well. It's important to know make the layout of the area work in your favor. One of the best moves to take is to find your economic development center or chamber of commerce, affiliate and familiarize yourself with them as soon as possible and get their data.

Grant Barnhill believes that it's important to make note of the location of other Coworking operators, the density of their offices spaces, among other factors. *"If there's a lot of existing traditional office space in the submarket, then that's a positive."*

GWA will also be publishing data from their annual survey with insights specific to this subject. Lastly, it's important to remember that for Coworking spaces, the biggest driver is still location and how close you are to home. If you can make the commute convenient, you will go a long way. Finally, it's important to make sure you're entering a marketing with a demand for people to get your space. Russo says that your Coworking space must be available and accessible, *"like the gym."*

To further gauge this demand Barnhill likes to look for nearby options for entertainment, recreation, and restaurants. Knowing about your area based amenities is important in knowing what you can offer you members, as well as what opportunities you can capitalize on.

How important is it to have a financial and business model already developed?

The sooner you can find the following aspects, the better:

✓ Options for creating a space

✓ Trade-offs to make

✓ Size needed to meet demand

✓ Demand for private offices and desk reservations

It's best to have this model in place as soon as possible, if not the very first step.

With a plan in place you can set a foundation for operational efficiencies through a working model. You may want to try a co-opt, member-operated model. If you're hiring someone to run the space themselves, you need to go bigger than 4,000 sq ft. These figures can always fluctuate based on community and dedication of the staff.

What should I look out for in terms of finding a partnership?

The opportunity to participate with an outside owner is becoming much more of a reality given the increasing demand for Coworking spaces. Landlords especially are attracted to what a Coworking space can bring to a building, becoming a more powerful asset to their portfolio. With a landlord, you must make sure that there is a greater interest aside from money. Outside owners are looking for Coworking operators who have experience in getting these together.

Likewise, newer operators are looking for a venture model, opportunities to show that they can build these spaces to be profitable, operational, and with a strong community. Another option is for operators to be brand licensees, working under a white label. These options are ideal for teaching landlords and operators how to succeed in Coworking. With great experience and a track record for success, greater investors down the road will be interested.
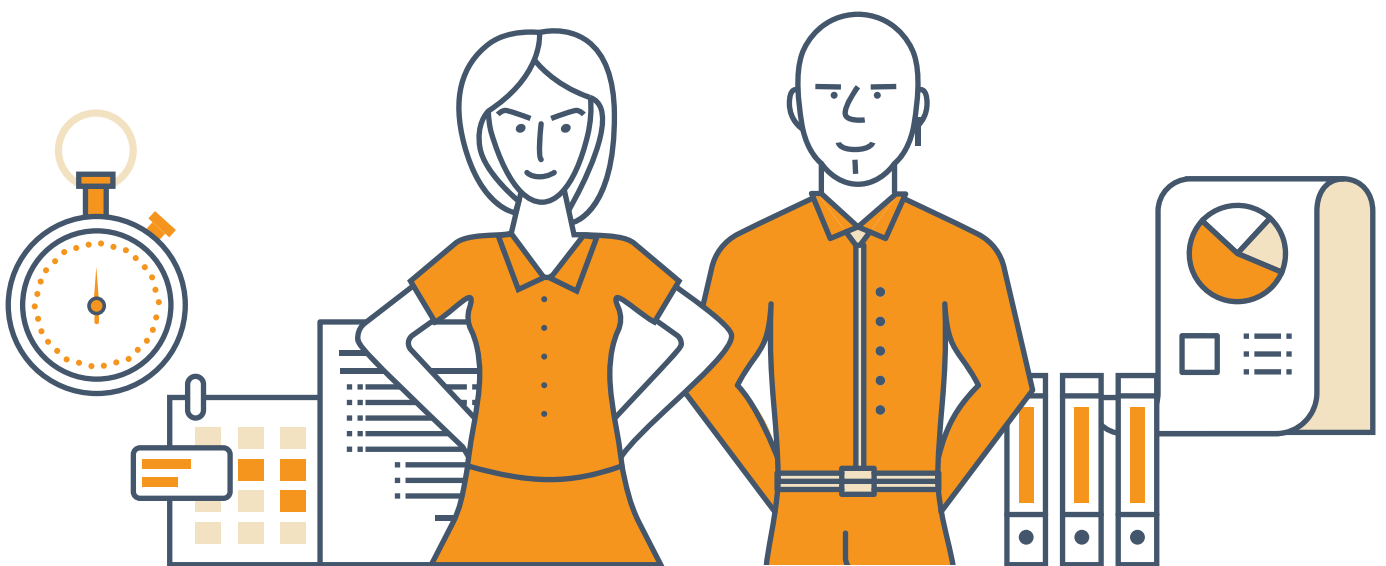
Advice for hiring a broker?

It's said that not using a broker could cost you your business and maybe even your house. The same goes for using the wrong broker. The first rule to remember is that you do not pay the broker, the landlord does. You can choose to not go with a broker, but if you're not a broker yourself or have experiences negotiating leases, the chances will not work in your favor.

When it comes to opening a space, a good broker will understand the following:
- ✓ An understanding of your business model.
- ✓ An knowledge to help you to identify requirements for your space.
- ✓ Access to listed spaces and spaces that are not yet on the market.
- ✓ An awareness about spaces that are listed, but won't work for your business model.
- ✓ An ability to flag pitfalls in a lease.
- ✓ Assistance in navigating the lease-signing process and completing the due diligence process.
- ✓ The means to identify and receive quotes from general contractors.
- ✓ Assurance that the space is zoned for your specific use.
- ✓ Experience with knowing what city/building code implications may be in place.

A broker will have your back with an understanding of your particular market, rising trends in Commercial Real Estate as well as how it relates to Tenant Improvement. They will also understand allowances, free rent periods, and other concepts. They can also guide you through the process of qualifying for a lease and reaching out to a bank for a line of credit. This will help with getting to know personal finance requirements, keeping an objective eye on the "lay of the land" as you work on the other factors with building your space. It's also important to always balance financial objectives with community. Community will always count overall. As we have mentioned in an article by Allwork, *"Coworking environments don't just create opportunities, they breathe them. By providing amenities such as easier network capabilities and access to conference rooms, collaboration happens on a square-inch basis. Not to mention meet-ups, events, and classes created for coming together."*

You should always practice caution with the process as well. There are many factors to watch for when selecting a broker. For instance, brokers generally have a compensation structure the goes toward commission meaning that they must close a certain number of deals in a year to meet their needs. Given how they factor in the commission with your space, they could force you to make deals without your best interests in mind.

What could be more damaging is having a broker with no knowledge of Coworking or the industry whatsoever. Without knowledge of the Coworking business model, they may optimize solely for costs rather than service and community. It's best to ask a broke how much shared workspace experience do they have, if they have worked with any other operators of flexible workspaces, and what specific resources they will utilize especially in regards to overcoming competition.

Tips for designing the space and buildout

It's critical to make sure that your space is configured properly. Barnhill believes that you should *"find buildings that have character."*
The best step to take here is to make an efficient layout with the right shape of your floor plan. To best maximize for efficiency make be aware of the common area factors. If over 20% of your space is a common area, it becomes very inefficient. You can tweak this amount based on the amenities, restaurants, and specific demands for you community.

The trick is to design your project to have a mix of open, private, and amenity space.
Usually the ratio is around 1 to 100 square feet per person, the trick is make your members not feel packed while also not feeling spaced out and isolated. Some of the best Coworking spaces are built on density, striking the perfect balance between having your members feel open and always engaged.

What other costs are there to consider?

When it comes to minimizing rent and overhead, the first rule to remember is that no one can predict the market.

Grant Barnhill emphasizes to *"make sure that when you sign you can afford the rent today and that your model can still work 5 to 10 years from now when the costs increase. Watch for common area maintenance charges, make sure you understand that. It gets added to the base rent. Real estate taxes can sneak up on you. Especially in developing neighborhoods, taxes can get passed through to you and kill your revenue. "*

GWA reports that you should also gauge the demand of dedicated spaces (private offices) and open spaces. GWA writes, *"The emerging data is showing that it's hard to make a space with a mostly open floor plan profitable. So when you're looking at possible locations, look for spaces that already have a high percentage of dedicated space for private/team offices and meeting rooms. Building offices will be one of your highest expenses."*

They also report that you should look at the ceilings, floors, and power outlets. Ceilings with wide open ceilings can create acoustical challenges with containing sound, higher ceilings can create a sense of openness, and drop ceilings are expensive to get rid of —especially when hiding the pipes and wiring above you. Flooring—whether hardwood or concrete—should be considerate of acoustic noise. While not as cool as the former two options, carpet can still be pulled off depending on how you modernize the look and feel of the décor.

Get more guidelines on the cost of coworking spaces and expenses to consider by visiting the KUBE resource center.

Download Our FREE Ebook

What issues with accessibility do you need to consider?

Your members can forgive you for the coffee, what they can't forgive you for is technology getting in the way of them doing their jobs. Not only is technology important, but you must also look at the demographics within your clientele. Notably, how they can get to your Coworking space. Being close to home is extremely important, not just with the physical location, but in providing avenues for your members to come to your space.

Jamie Russo notes, *"Early figures from the 2017 Global Workspace Association Shared Workspace Member Survey indicates that of those members of shared workspaces paying for their own membership (meaning their boss did not pick the location), 46% reported that "close to home" was the most important factor in their choice of workspace and only 9% selected "close to public transportation" as their top factor."*

Here are some questions you need to ask to ensure you meet the demand of your members.

- ✓ If public transportation—are you on the most well-traveled line?
- ✓ If biking, are you on a route with good bike lanes?
- ✓ Is there bike storage in the building?
- ✓ If parking, do you have parking to offer? If so, at what price?
- ✓ Is there parking in the area? If so, how far away?

Grant Barnhill of Shiftwork spaces believes that parking is being vastly overlooked.
"You can't assume on biking and public transportation. A very small percentage of users do that. You need your car, you're going to be out, you're going to be attending meetings. All within walking distance. You can't park on the street, it must be provided. I would say about 50% of Coworking Spaces have inadequate parking."

Identifying staff roles and responsibilities.

Jamie from GWA believes that the urgent roles and responsibilities to fill includes people for sales and marketing to get people to come. Tech support is also vital as members will not forgive you for having it fail. Grant Barnhill of Shift believes that the two primary roles for opening a space includes a general manager to run the space and a center manager to run the desk and direct the staff. There should also be staff on hand to help cater and clean up the space, as needed.

For the corporate level, Barnhill believes there should be a controller and a marketing director as these are basic operations from those opening a new project.

Advice for managing members?

It's important to make sure your onboarding process is as on-point as possible. Make it easy and done early. Automate it as much as you can, save your staff time, and make it as convenient as you can from the get go.

According to a recent seminar we had with FindWorkspaces about making your Coworking space more visible, *"Once you start seeing prospects coming through your door, the next critical component is making your space more accessible for easier transactions. Improving the self-service aspect of your website for visitors can prove to be an invaluable asset to your Coworking space. This way you can have customers sign up and book spaces without ever having to speak to anyone in your staff. By not having a clear path for converting leads and prospects, you will run the risk of having your visitors check out your competition to see if they can book easier through their site. You can also go the extra mile by providing a live chat feature on your website as well a simplified sign-up process connected to an automated lead management system."*

A workspace management system will also assist with making your operation scalable to meet increasing demand, simplifying the onboarding process of new members, and connecting your members for a more collaborative experience.
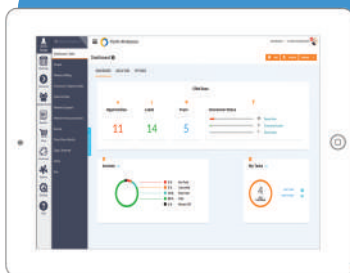
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What sales elements are the most needed?

We believe the first steps include building an online presence and making your space accessible for greater conversion.

For establishing an online presence the first step is to take advantage of your location and leveraging it on Google—this is entirely free and search results are affected by Proximity. The next step to building your online presence is content marketing. Having content that best highlights your workspace and engages your audience is the backbone for making your space stand out against others. By producing branded content through blogs, videos, webinars, newsletters, and e-books, you can bridge communication between you and your prospects for a next level experience in engagement. Best of all this goes a long way in establish your brand before opening.

The key is having a system in place to simplify billing, membership contracts, as well as the utilization of services so you can always be prepared for growth. Even if you don't have any members, you should always be ready for the day 30 new members book spaces. By prematurely meeting the demand of your current members, creating lasting relationships, and raising your rate of member retention enables the ultimate form of making your workspace visible: word of mouth.

By establishing your branding presence, you can increase the attraction between you and your prospects while staying in sight. By using these methods you can extend your visibility beyond your physical location. Grant Barnhill of Shift Workspaces believes in bringing aboard some SEO consulting to make the most of your online presence as well as your branded assets. The most important thing however, is to make your branding organic.

Technology that should be considered at this step is a CRM for Member Management. A CRM works best if it simplifies the process of community, communication, and collaboration by providing a customer directory and a platform that's updated in real time. Jamie Russo from GWA believes that all operators should have their sales funnel streamlined. As mentioned previously, making sure your onboarding process is optimized with a marketing division that understands the audience and demographics is essential before taking these steps.

Russo believes that operators are very much guilty for overlooking their sales funnel. What makes it even worse is when they don't answer their phone. Especially for Coworking spaces with little to no knowledge of their conversion rate. According to an article posted by GWA: *"In November 2016, we reached out via phone to 295 self-identified "coworking spaces" to capture some industry data… 50% of the calls we made went to voicemail on the first try. On the second try, 34% of them still went to voicemail. Our sample size nationally was 29…Yes, your customers do still use the phone. Thirty-five percent of customers begin with the phone when seeking a resolution to a problem or answer to a question. 40% of callers hang up after 60 seconds, and 34% never call back again"*

"They will never call back again. If five people call you each business day to schedule a tour and you or your staff miss half of those calls (making coffee, talking to a member, cleaning the conference room after a meeting), you miss 2.5 calls per day or 600 leads per year. If 34% of those 600 leads don't call you back, you've lost 204 leads…apply your conversion rate to that number and your lifetime value of a customer to that number and that's what it's costing you to not answer the phone."

If you know your conversion rate, you can see the damage in full. If you convert around 25% of your leads and each lead is worth $20,000 a year in rent and amenities, if you're missing 500 calls a year that would add up to $2.5 million a year. Though were assuming that each call is a prospect looking to buy space, the math still checks out. So you may want to consider employing a live answering service and webchat on your site in the event your staff can't wear all of the many hats they're required to wear. Some of which have a staff that can cover you from 8 AM to 8 PM. If you can convert leads from calls, this service will more than pay for itself.

Should you offer memberships before opening?

Jamie Russo believes that operators are having a bias against virtual memberships. Even if your space isn't open, you should make it a key part of the strategy to have virtual memberships as it's a revenue source that goes beyond space as service. It's imperative to get that stream rolling.

Grant Barnhill of Shift likes to sign 6-month leases prior to opening. In some cases, he's had up to 35% of his spaces leased out before opening day.

What tools and services should you consider prior to installation?

Beyond search results, it's best to look to some of the most reputable industry-related resource centers online. By going to an industry leader and finding their recommendations, you can find the right solution that is not only geared for community, but loved by the many communities in Coworking.

The first most important aspect to consider for technology includes first having Wi-Fi, Access Points, and and VoIP that is optimized and planned out for a shared space. Having areas with better connectivity will not meet the demand of your members. The next step is to focus on member management. That means having a CRM, Portal, and Community messaging system in place. Once connecting and onboarding is out of the way, you can have a much easier time building your space.

How to differentiate yourself with design and service?

Design, branding, and philosophy should cater to the community. Jamie Russo says, *"Diversity brings people back."*

When looking for what to add to the space, look at the demand of your members as well as the culture within the workspace. You must cater to the demand of your customers, if your space is predominantly composed of women who are mothers, consider adding yoga and maternity areas within your space. This can go other ways as well depending on the audience. Operators make the mistake of not differentiating from traditional office buildings, without amenities and extras to sell, Grant Barnhill believes that you'll be missing out on 80-to-85% of the product.

What are the most overlooked aspects?

Design and amenities should cater to the working millennial generation. It's important to not just offer the culture, but enhance it as well.

Think of how your space can attract the types of people that work in Coworking spaces as well as freelancers in the "gig" economy. Finding ways to delight these niche audiences will go a long way in driving member retention and standing out against the rest. It's best to find something unique, but relative to the market.

What aspects are overrated?

Jamie Russo says it best, *"ping pong does not build community."*
Grant Barnhill believes that *"the basics"* are overrated. If you think beer on tap, good coffee, and conference rooms is all you need, you're just at the beginning.

At the same time, offering amenities that are already offered within the same area will put you at a disadvantage and discourage you from finding something else that's actually unique. Understanding your culture, the lay of the land, and what your prospects do and don't want is how you avoid making your space "overrated."

About WUN

WUN provides all the tools needed to grow a smart and connected shared workspace.

Designed for overcoming operational complexities, KUBE by WUN is an award-winning Workspace Management Software and Technology Platform empowering operators to increase revenue, maximize productivity, and build community.

KUBE by WUN provides a complete package for software, data, internet, voice, as well as 24/7 door access. KUBE empowers operators and members with greater accessibility when it comes to billing, booking spaces, managing opportunities, and communication. Over 80,000 members utilize WUN's technological solutions across the world making WUN an industry leader in providing avenues for automation, integration, and collaboration.

Increase Revenue

Maximize Efficiency

Build Community

Learn more about how KUBE's workspace management platform can optimize your Coworking and Shared Space.

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