

Coworking in North Carolina

Introduction

Many members of Generation Z, those youth born between 1990 and 2002, are rejecting the traditional, 9 to 5, Monday through Friday job and are turning to alternative career paths. This generation is brimming with creative ideas and entrepreneurial ambitions, and we need to expand and enhance the ways we support business creation if their good ideas are to become the great companies of the future.

Support for creative collaboration and entrepreneurship can be found in a variety of venues, especially coworking spaces. In light of a rapidly developing market, our Generation Z Coworking Task Force, comprised of youth, mentors and experts, mapped out North Carolina's coworking context, itemizing all the spaces currently available in the state, spotting where opportunities lie and revealing best practices for opening and operating a new coworking office. Here are their findings.

Current State of NC Coworking

North Carolina has a burgeoning coworking market, responding to the demand from entrepreneurs, creatives and telecommuters to operate in a space conducive to success. As it becomes harder to find a job, more and more Gen Zers are turning to their own ideas and goals as a source of employment. However, working alone out of the house does not provide collaborative interaction. Coworking addresses this issue by providing connectivity and an environment to encourage emerging enterprises.

We have identified several emerging trends that will contribute to an increase in the number of coworking spaces in the future:

- Self employment will have a growing market share along with the need for flexible and alternative workspaces.
- Fewer members of Generation Z want to work Monday-Friday, 9 to 5 p.m. in the same office. They would much rather prefer to choose when, where and how they work, being judged solely on the basis of the work rather than time spent at a desk. Employers will need to retain talent through different work arrangements.
- North Carolina's future economic growth will be concentrated in the professional and business services sector. This area accounts for the majority of entrepreneurial endeavors.

Additionally, the task force was able to identify 15 different coworking spaces throughout the state, many of them growing rapidly. The majority is located in the urban centers of North Carolina – Wilmington, Durham, Raleigh, and Asheville – but one operates in Star, North Carolina, a rural community in the middle of the state. Each of the known spaces in North Carolina is listed in the appendix.

Size of Coworking Market

The coworking movement has doubled each year since 2006. Deskmag, a coworking magazine, reports that there are now 1,100 coworking spaces throughout the world. What once started out as a movement with creative professionals now includes small and larger businesses. The future of coworking looks very promising:

- Coworking will begin to diversify away from a specific industry to many industries or no industry at all.
- The market for companies with the “collaborative” nature is on the rise. Renting out an office has become more mainstream and is a unique way to meet new people, save or even make money.
- Larger companies will adopt coworking in the future to increase employee productivity and engagement. Estimates show that up to nine percent of regular coworkers work for a company with more than 100 employees because larger companies see the benefit from increased productivity, lower facility overhead and a lower carbon footprint. Although this has not begun in North Carolina yet, it has occurred in other cities throughout the United States, such as Minneapolis and San Francisco. The best case scenario for this kind of arrangement involves a partnership with an established firm in which a coworking operator either assists in the creation of a company-driven space or in which the company serves as the anchor-tenant within a broader space.
- The results from the Second Annual Global Coworking Survey show that more than a third of coworking spaces will expand their business with a new location within the next 12 months.

In North Carolina, many of the current coworking spaces plan an expansion. For example, Mojo Coworking in Asheville currently is 1,625 square feet and has planned an expansion to be completed in September 2012. Lumina CoWorx in Wilmington was pre-rented before the space was even finished. Others also report a need for additional space.

Benefits of Coworking

When entrepreneurs begin to work for themselves, many of them miss having unexpected conversations and interaction with others. A coworking space, however, revives that sense of community. This culture of belonging allows for collaboration, the seed of innovation.

Another benefit of coworking is that it allows a business to get off the ground without the large cost of rent or facility ownership. One of the greatest financial drains on young companies is the fixed costs associated with property. Coworking spaces allow new enterprises to work without the worry of long-term leases and costly facility space.

Many other benefits of coworking spaces exist as outlined in a recent article in Inc. Magazine, such as coworking spaces increase the likeliness of a happy clientele.

Beginning a Coworking Program

Research shows that coworking spaces take several months to be developed, and spaces are often developed prematurely. In North Carolina’s experience, no single story or theme dominates. Each space is unique and inspired by a differing set of circumstances. Particular drivers include the founder or founders’ business interests and the community at large.

For example, Mojo Coworking began as a solution for fragmented creative communities. The idea was to engage creative people through cross pollination. The enterprise has found that bringing people with creative energy together increased the drive for cutting edge social and economic development.

Lumina CoWorx in Wilmington was the brainchild of Bryan Kristof, who owned a marketing company out of his home. He decided to start the coworking space because he needed more office space, and the contractors working with him agreed to a coworking collaborative model. Jonnie Sharp began Buenaspace, a coworking space also in Wilmington, for largely the same reasons, but the concept was aided by the presence of an old building that could be repurposed. Similarly, STARworks in Star was started in part because they inherited a large building. On the other hand, Packard Place was started because Red F, a marketing company located in Charlotte, decided to turn part of the 90,000 square foot building into a space for entrepreneurs.

Coworking Business Model

Data shows that around 80 percent of coworking spaces are owned by a private company, 13 percent are established under a non-profit organization, and the remaining are either government owned or another hybrid model. Most often, smaller spaces operate as a non-profit.

Characterizing coworking is extremely difficult due to the range of business models in play regarding industry draw and institutional sponsorship. Deskmag developed an extensive series of articles on "Coworking Space Models," the most comprehensive information currently available on staffing, spaces, industries and other business factors that can be explored in a coworking arrangement.

Coworking owners are responsible for many decisions, including details such as the number of private offices to maintain and the square footage to dedicate specifically to collaboration and social events. Christopher Gergen of Bull City Forward, who has had experience setting up several coworking spaces, notes that an ideal arrangement should include the same square footage for private offices/meeting rooms/conference rooms, event space and collaborative work space. For example, Bull City Forward has 5,500 square feet of space with no private offices and four conference rooms. While there is copious space available, this layout does not provide an optimal arrangement for coworking or a profitable business model for coworking owners. His future partnerships will remedy this situation.

The Global Coworking Survey revealed two noteworthy facts. Coworking spaces are twice as likely to generate losses if operating in the absence of competitors. Similarly, it also suggests that owners operate with the expectation that a new coworking space will reach its break even point only after the first two years of operation.

Lessons Learned

Several coworking space owners across the state compiled these lessons learned.

- **Not all individuals have the same goals for coworking.** Some people just want a place to work, while others have interest in the collaborative side of the business. Failure to separate these goals may mean that owners don't end up with the right individuals.
- **There must be a clear distinction between membership and open community space in the coworking revenue model.** For example, membership can be offered with an expressly for-profit mindset, while community amenities that are available to anyone are also included at no additional expense to the tenant. However, the for-profit aspects, i.e. membership, must subsidize the complimentary community space.

- **“Inheriting” an old building to use as a coworking facility must be considered very carefully.** Repurposing an old building for a new venture is a noble goal, but upfront costs can be expensive. At the same time, some coworking owners shared that opening in an existing space can help avoid unnecessary upfront expense. When chosen correctly, using an existing space reduces the barrier to entry.
- **Coworking owners should add at least 30 percent in anticipation of unexpected expenses.** For example, money spent on IT infrastructure such as data lines is a cost-effective investment, but it is unwise to spend money for land lines. Tenants will, in most cases, defer to using their own cell phones.
- **Be upfront and clear about your mission do not deviate from it.** Turning away potential tenants is likely the toughest aspect of coworking, but in the long run, the space will be better off. Bringing in any business that doesn't understand the mission of your enterprise will result in problems.

Opportunities for the Future

It is expected that coworking will catch on even more in the next several years as the labor market moves more in the direction of entrepreneurial startups. The North Carolina Center for Entrepreneurial Development reports that there are 1,823 high growth startups in North Carolina since 1992. There is no reason that this number will not continue to grow as Generation Z realizes that starting a job may not only be easier than finding a job, in today's slow growth economy, but also more fulfilling.

Contact Information and Additional Resources

For more information about coworking or a particular coworking venture, please feel free to contact any of the coworking owners found in the appendix.

- Register on the coworking wiki. The wiki is an invaluable resource for information on all aspects of coworking.
- Consider attending the Annual Global Coworking Unconference in Austin, Texas.
- Join the coworking google group to connect with others across different geographies.
- Become a member at liquidspace, which matches requests for coworking space with places available for rent across the U.S. Other websites also list available coworking spaces in cities worldwide, including loosecubes, deskwanted, eworky and shared business space.

Appendix A

| Co-working spaces | Location | Weblink | Contact | E-mail address | Sq. ft. | Theme | Event Space | Private Office Space |
|------------------------|------------|---|--------------------------------------|--|-------------------------------------|---|--|---|
| Mojo Coworking | Asheville | http://www.mojocoworking.com/ | Craig McAnsh | craig@mojocoworking.com | 1,725 but is expanding | No specific theme, people get together and work | Conference room rental space, but no large event space | Yes, 1 but new space will have 7 private offices. |
| Mercury Studio | Durham | http://mercurystudi DURHAM.COM/ | Katie DeConto | katie@mercurystudi DURHAM.COM | ~2,400 | Artist/freelance theme | Conference room and cafe space is available for rent for parties of 50 people or less. | No |
| Queen City Forward | Charlotte | www.queencityforward.org | Charles Thomas, John-Paul Smith | cthomas@queencityforward.org , jpsmith@queencityforward.org | ~ 1,800 | Tenants are identified as social entrepreneurs/social enterprise organizations | Yes (dynamic space - can hold ~125 people for parties w/o chairs) | 1, will have access to more; 1 private conference room (seats 12 comfortably); 1 phone booth |
| The Lightbulb | Charlotte | http://lightbulbcoworking.com/ | Tyler Ford | hi@lightbulbcoworking.com | | Mixed tenants | No | 6 semi-private offices, 10-seat conference room, small meeting room, full kitchen |
| Topics Education space | Charlotte | www.topicseducation.com | Phelps Sprinkle | phelps@topicseducation.com | 5850 | social entrepreneurs | 2 conference rooms and open areas inside and outside suitable for small groups; max 15 | yes, 10 private offices, 8 semi-private cubes, flex space for up to 6 |
| Packard Place | Charlotte | http://redf.com/packard/ | Adam Hill | ahill@packardplace.us | Will have ~ 10,000 once fully built | Entrepreneurship. Innovation. Community. | Yes (dynamic space - can hold ~125 people for parties w/o chairs). Same event space as Queen City Forward currently. | 2 right now. Will have many more. |
| Bull City Forward | Durham | www.bullcityforward.org | Christopher Ger-gen, John-Paul Smith | cgergen@bullcityforward.org , jpsmith@bullcityforward.org | ~ 5500 | Tenants are identified as social entrepreneurs/social enterprise organizations | Not ideal though we've hosted BCF anniversary parties with 150+ and happy hours with 25ish | 1 private office space; 2 private meeting rooms (6 person, 4 person); 2 conference room (20 person, 8 person) |
| Bull City Co-working | Durham | http://www.bullcitycoworking.com/ | Robert Petrusz | robert@bullcitycoworking.com | | General | | Private desk space but no private offices |
| Space Logix | Greensboro | http://www.spacelogix.com | Darryl Howard | darryl@spacelogix.com | 3300 | Mixed tenants: journalists, web developers, photographers, non-profits, technologists, small businesses | 450 sf space, holds 30. Lounge, patio, small kitchen. Total event space holds 80. | 7 total, expansion planned. |

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|---|------------|---|--------------------|--|--|--|--|----------------------------|
| Designbox | Raleigh | https://www.design-box.us/ | Brtt Hayes Freeman | britt.e.hayes@gmail.com | 3850 | Creative professionals: regular contracts only | Back tables for meeting(s) | conference room (8 person) |
| The Raleigh Forum | Raleigh | http://www.theraleighforum.com/ | | info@theraleighforum.com | | Mixed tenants: freelancers, entrepreneurs, bloggers | Event space holds 60 people seated and 100+ standing | Conference room (8 person) |
| Designbox | Raleigh | https://www.design-box.us/ | Brtt Hayes Freeman | britt.e.hayes@gmail.com | 3850 | Creative professionals: regular contracts only | Back tables for meeting(s) | conference room (8 person) |
| The Raleigh Forum | Raleigh | http://www.theraleighforum.com/ | | info@theraleighforum.com | | Mixed tenants: freelancers, entrepreneurs, bloggers | Event space holds 60 people seated and 100+ standing | Conference room (8 person) |
| Buenaspace (project of Buena Sustainable Communities) | Wilmington | http://www.buena.com/buenaspace/index.html | Jonnie Sharp | jonnie@buena.com | Approximately 4000 with room for 2000 sf expansion | Mixed tenants in tech, film, green, special ops - greater good focus | 2 conference rooms, large open 3rd floor, 2 lounges | 2 private - otherwise open |
| Lumina CoWorx | Wilmington | http://www.coworx-space.com/ | Bryan Kristof | info@coworxspace.com | | | | |
| STARWorks | Star | http://www.starworksnc.org/ | Nancy Gottovi | info@starworksnc.org | | Creative enterprise | | |
| Other Models/ Resources | | | | | | | | |
| The Hub | | http://www.the-hub.net/ | Michael Cox | mjcox08@gmail.com | | | | |
| Toronto Center for Social Innovation | | http://socialinnovation.ca/ | | | | | | |
| LooseCubes | | https://www.loosecubes.com/ | | | | | | |
| General Assembly | | http://generalassembly.ly/campus/ | | | | | | |