

Coworking in North Carolina

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At the 2012 Emerging Issues Forum, Investing in Generation Z, 200 aspiring young leaders from high schools and colleges across North Carolina served as a sounding board for the issues and future challenges facing their cohort, and the state as a whole. Community coworking spaces emerged as a top priority for this generation.

In response, the Institute for Emerging Issues (IEI) established a Gen Z task force comprised of Generation Z members, experts in coworking, and knowledgeable mentors to help guide the process of brainstorming, and to develop and turn ideas into action. They talked to coworking owners about their experiences and itemized the community coworking spaces throughout North Carolina. Here are their findings.

North Carolina has a burgeoning coworking market, responding to the demand from entrepreneurs, creatives and telecommuters, among others. As it becomes increasingly difficult to secure employment, more Gen Zers are turning to entrepreneurship as a source of employment. Coworking provides connectivity as well as an environment that encourages 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, 9-5pm, in the same office. They prefer to choose when, where and how they work, being judged solely on the merit of their work and not time spent at a desk.
- 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.

Several coworking spaces throughout the state were identified, many of them growing rapidly. The majority is in the urban centers of North Carolina, but these kinds of spaces also extend to rural areas as well.

Size of Coworking Market

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

- Coworking will 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. Coworking space 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.
- The Second Annual Global Coworking Survey results show more than a third of coworking spaces will expand their business with a new location within the next 12 months.

Benefits of Coworking

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

Coworking also 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.

Beginning a Coworking Program

Coworking spaces take several months to be developed, and spaces are often developed prematurely. In North Carolina, no single story or theme dominates. Each space is unique and inspired by a differing set of circumstances, particularly the founder's business interests and the community at large.

For example, Mojo Coworking in Asheville, North Carolina began as a solution to fragmented creative communities. The idea was to engage creative people through "cross-pollination." In other words, bringing creative energy in close proximity increases the ability to adapt and the drive to generate 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.

Both BuenaSpace, a coworking space in Wilmington, and STARworks in Star, NC, were started in part because they inherited or repurposed large, old buildings.

Packard Place in Charlotte, too, was started because RED F, a marketing firm, decided to turn part of its 90,000

square foot building into a space for entrepreneurs.

Coworking Business Models

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 companies are either government-owned or another hybrid model. Most often, smaller spaces operate as a non-profit.

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

The Global Coworking Survey revealed two noteworthy facts. First, coworking spaces are twice as likely to generate losses if operating in the absence of competitors. Second, owners must operate with the expectation that the coworking space will reach its breakeven point only after the first two years of operation.

Lessons Learned

Several coworking space owners across the state developed these lessons learned from their experiences.

- **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 programming in the coworking revenue model.** In order to operate effectively, for-profit costs must be distinct from member services. For example, membership can be offered with an expressly for-profit mindset, while community amenities, such as printing, are included at no additional expense to the tenant.
- **"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 other unnecessary upfront expenses when chosen carefully, which in turn 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 landlines. Tenants will, in most cases, defer to using their own cell phones.

- **Be upfront and clear about your mission, and 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

Coworking will continue to catch on 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. As Generation Z realizes that creating a job may not only be easier than finding a job, this number is expected to grow. Coworking offers a cost-effective, exciting way to network, share workspace and be inspired by the creative energy of the space.

Visit www.emergingissues.org for more information and an appendix of existing coworking spaces in North Carolina.

Additional Coworking Resources:

- Register on the coworking wiki at: <http://wiki.coworking.info/w/page/16583831/FrontPage>. The wiki is an invaluable resource for information on all aspects of coworking.
- Consider attending the Annual Global Coworking

Unconference held in Austin, Texas.

- Join the coworking Google group to connect with others across different geographies.
- Become a member at LiquidSpace, which matches a request for coworking space to places available for rent throughout the United States. Other websites list coworking spaces in cities throughout the world, including loosecubes, deskwanted, eWorky, and Shared Business Space.

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