



## AFFORDABLE WORKSPACE: A SOLUTION, NOT A PROBLEM

---

### Executive summary

Providing affordable and interesting workspaces is crucial to ensuring that cities such as London are at the forefront of the tech and creative industries, and therefore a draw for national and international talent.

With small and medium-sized enterprises (SMEs) leading much of London's future innovation and enterprise, the availability of affordable workspaces is key. However, in order for this to be achieved, local authorities need to step up and act as catalysts for change. The past five years have seen a growing number of local authorities introduce affordable workspace policies in some form, these mostly being aimed at securing subsidised premises from major office schemes.

However, affordable workspace operators cannot always afford to take on space in new buildings, even at reduced rents. The rent reduction is not enough to offset the increased costs associated with occupying a new building, especially business rates, service charge and upfront Category B fit-out costs. What is left is a sizeable 'affordability gap' between the rent a developer needs to maintain overall viability and what an affordable workspace operator can afford. With affordable workspace often defined as workspace that has a rental value below the market rate, generally 80% of the market rate or less, the costs are often still too high for start-ups and micro and small businesses, which are operating on miniature budgets.

New-build commercial space is not always the right fit in the effort to create affordable workspace. While well intended, affordable workspace policies may inadvertently mean that even less supply comes forward, as the policy requirements depress office scheme values, further reducing viability when competing with residential proposals. In fact, no single organisation can achieve the creation of affordable workspaces on its own. The creation of such spaces requires joined-up thinking and a

willingness to work together. Councils need to collaborate with local businesses, business associations and workspace providers to identify the businesses that will be key occupiers for the affordable workspace. More buildings are constantly being built to meet demand, yet we are not using our existing building stock to its full potential. What if we take these existing buildings and re-evaluate how they are used, ensuring they are used to their full potential?

Local authorities are uniquely placed to act where the market cannot or will not provide the right types of workspace. There are obvious benefits to local authorities taking this approach – it is a low-risk way to encourage job creation that can tie into wider regeneration strategies while bringing in revenue and engaging with small businesses. If offering space rent-free, councils often expect providers to renovate properties or commit to social goals such as training or community engagement. As local authorities take on a more active role in development through joint ventures and development vehicles, they are also looking at other ways to get the best value from their assets, and this includes underused council-owned properties such as offices and libraries. In most cases, local authorities act only as landlords, commissioning operators to manage the workspaces.

If local councils are serious about responding to the climate emergency, they should update their policies to prevent the demolition of buildings that, with some creativity, can still be used productively. Generating long-term economic value by unlocking underused and often dilapidated existing space and using a wider variety of existing commercial buildings is a viable alternative. In London alone, there is an estimated 6.5 million m<sup>2</sup> (70 million ft<sup>2</sup>) of otherwise empty space which could be used in this way.

Essentially, we need proactive local authorities that recognise existing resources and create mechanisms to support new programmes which will have a direct impact on the local area and job creation post-pandemic.

## Affordable workspace in London

London has never been cheap, but it has always had an affordable fringe – Southwark, Shoreditch, Hackney – a catalyst for innovation that made London successful, resilient and vibrant.

Providing affordable and interesting workspaces is crucial to ensuring that London is at the forefront of the tech and creative industries, and therefore a draw for national and international talent. This cheaper fringe space has helped generate economic growth and jobs, providing space for entrepreneurs and creatives in the early stages of their businesses. However, the first rung on the ladder for many start-ups has now been removed as costs have escalated over the years. The COVID-19 pandemic has also normalised home-working, meaning that start-ups, creatives and entrepreneurs need incentives to return to UK cities.

*Affordable workspace has a critical role to play in rebuilding an inclusive economy post-pandemic.*

## Where is the London fringe now?

According to the Federation of Small Businesses, SMEs account for 99.8% of all businesses in London and generate around half (48%) of all business turnover. Therefore, efforts to rebuild the UK economy post-pandemic need to take into account the need to provide inclusive, affordable workspaces for these businesses in the capital.

But where are London's affordable fringe locations today? Frankly, they no longer exist. Office rents have been increasing over the last 10 years, and the cheaper locations for office space have seen the fastest increases in rent – the City core\* saw rents increase by 29% over the last 10 years, with the fringe witnessing a huge 53% growth (Savills). Subsequently, the gap between the core and fringe has closed. Ten years ago there was a 19% gap between average core and fringe rents, by 2012 the gap had increased to 23%, and by the end of 2020 this gap was non-existent (Figure 1). The problem has been worsened by the redevelopment of non-residential space into new housing, decreasing the supply of space for businesses. This has been exacerbated by the permitted development rights (PDR) policy, which makes it easier for developers to convert offices to residential use.

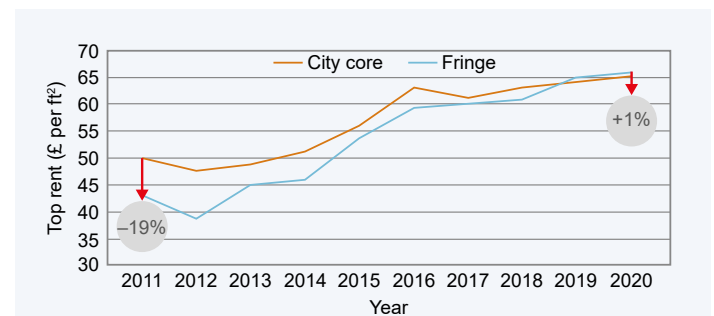


Figure 1  
The rental gap between the City core and fringe over the last 10 years  
Source: Savills

## What is an affordable workspace?

The Mayor of London's new London Plan<sup>1</sup> is giving greater significance to the importance of affordable workspaces and the need to provide for it in the planning process. The plan defines an affordable workspace as one where rents are maintained below the market rate for a specific social, cultural or economic development purpose. Included are workspaces for specific sectors that have social or cultural value, such as charities or social enterprises, artists' studios and designer-maker spaces, disadvantaged groups starting up in any sector, the provision of educational outcomes through connections to schools, colleges or higher education, and supporting start-up businesses or regeneration.

## How does affordable space compare with flexible office space?

The availability of affordable and flexible office space is vital for innovation and growth. It helps generate economic growth and jobs, by supporting entrepreneurs in the early stages of their businesses. Although coming from different price points, what affordable and flexible workspaces have in common is that tenants value co-location with their peers, for the benefits to wellbeing and productivity that this brings. Furthermore, they are physical places where businesses and professionals share space, facilities and/or specialist equipment. Both affordable and flexible workspaces are run by distinct 'workspace providers', which vary in size, lease structure, social or commercial purpose, and sector specialism, but there are also examples of small businesses coming together to run spaces without

\*London areas:

- West End Core – St James's, Mayfair, Soho, North of Oxford Street (NOX) East, NOX West, Covent Garden, Victoria, Westminster
- West End Fringe – Hammersmith, White City, Knightsbridge, Notting Hill, Paddington, Kensington, Chelsea, SE1, Kings Cross and Euston
- City Fringe – Midtown, Northern and Eastern Fringe, South Bank
- City Core – EC2Y, EC2M, EC2V, EC4M, EC4V, EC4R, EC3R, EC3N, EC2R, EC2N

a specialist ‘provider’. Both affordable and flexible space removes many of the barriers to collaboration and community presented by a traditional office workspace. However, affordable workspaces offer rent that is lower than the competitive market rate, either because the building is restricted to a particular use, creating a specific submarket, or because the price is subsidised through council, charitable or public funds.

According to Cal Lee, global head of Workthere:\*

*“In London, areas such as Kings Cross, Soho, Victoria and even the Southbank are all crying out for more affordable workspace. All these areas have seen the price of a desk within a flexible space grow considerably over the past three years, and even hold firm through COVID-19.*

*Areas such as the City, Old Street, Aldgate and Hammersmith, where prices have continually struggled over the past 18 months, will likely see the more conventional flex market compete against the growing affordable market, where operators continually seek to offer heavily incentivised pricing in markets with an oversupply of flex space.”*

## Local authorities as change makers

With SMEs leading much of London’s future innovation and enterprise, the availability of affordable workspaces is key. In order for this to be achieved, local authorities need to step up as change makers. The past five years have seen a growing number of local authorities introducing affordable workspace policies in some form, these mostly being aimed at securing subsidised premises from major office schemes.

Currently, five inner London authorities have an adopted policy that requires the provision of affordable workspace within commercial developments over certain thresholds and within specified areas, with a further four having requirements within their emerging policies (Figure 2). Hackney Council is one council that has adopted an affordable workspace policy within its Local Plan. Hackney’s policy states that new major developments (1,000 m<sup>2</sup> (10,764 ft<sup>2</sup>)) in designated Employment Areas, the Central Activities Zone and in Town Centres should provide affordable workspace equating to 10% of new gross employment floorspace. The percentage discount of rent is then determined by the location of the development. However, some authorities, such as the City of London Corporation and Westminster City Council, encourage the provision of affordable workspace within their policies, but provide no thresholds or requirements for developers.

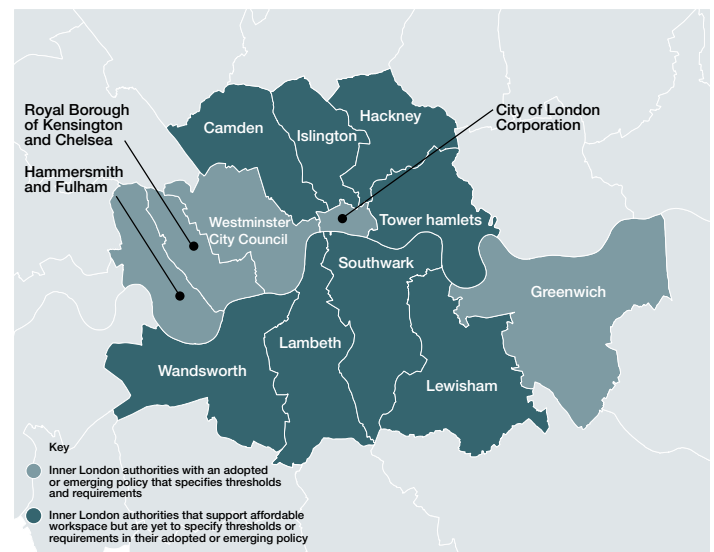


Figure 2  
London authorities with an adopted policy on affordable workspace or having requirements within their emerging policies

Source: Savills

With businesses potentially shifting their headquarters out of Central London or even moving to complete remote working due to increased home and flexible working options, incentivising businesses to remain or to locate within London’s office districts is certain to become increasingly challenging. Following consultation with over 4,500 consultees, the City of London Corporation published *The Square Mile: Future City*,<sup>2</sup> which outlines its aim to create ‘the world’s most inclusive, innovative and sustainable business ecosystem’ and provides a five-year plan for a post-pandemic recovery. Notably, while the report does include measures such as increased leisure options and sustainability aimed at enhancing the principal office function of the City, it does not make reference to affordable workspace within its vision for an innovative and sustainable business ecosystem. While the City is not traditionally an affordable workspace district like Hackney or Islington, the Corporation may find itself exploring an affordable workspace avenue.

\*Workthere is a business owned by Savills. It was formed in February 2017 to help clients looking for flexible office space.

## Viability of developments

Although well intended, in the past affordable workspace policies may have inadvertently meant that even less supply has come forward, as the requirements depress the value of office schemes, thus further reducing their viability when competing with residential proposals. Often, affordable workspace operators cannot afford to take on space in new buildings, even at reduced rents. The rent reduction is not enough to offset the increased costs associated with occupying a new building, in particular business rates, service charges and upfront Category B fit-out costs. What is left is a sizeable ‘affordability gap’ between the rent a developer needs to achieve to maintain overall viability and what an affordable workspace operator can afford (Figure 3). While affordable workspace is often defined as workspace that has a rental value below the market rate, generally 80% of the market rate or less, the costs are often still too high for start-ups and micro and small businesses that are operating on miniature budgets.

However, going forward, the cost per square foot or per workstation that would be considered affordable will vary according to a range of factors such as location, type and quality. Where workspace has been specified as affordable,

Market rent	Developer rent expectation for affordable component	Rent level a social operator could afford	Affordability gap
£60 per ft <sup>2</sup>	£48 per ft <sup>2</sup>	£12 per ft <sup>2</sup>	£36 per ft <sup>2</sup> <small>(Excludes additional costs associated with operating in a new development – higher business rates, service charge and fit-out)</small>

Figure 3  
The affordability gap in new developments  
Source: PRD/REDO  
<http://www.3space.org>; <https://weareredo.com/about>

the council’s economic development team will work with developers to agree appropriate terms of affordability on a case-by-case basis, as what may be affordable for one industry or a specific business may be unaffordable for another. It is therefore important to understand who the target audience is. A time limitation may also be useful for some occupiers, in order to encourage them to grow and not be dependent on the discounted space to survive forever (charities and some other industries that are seen as valuable to the community may require long-term support).

## Oxford Innovation

Oxford Innovation has been providing space for innovators and start-ups across the UK for over 30 years. It now operates these spaces in 26 different locations across the UK, and has unique insight into what is required of operating space that will appeal to and build the entrepreneurial community of an area, and thus drive its economic vitality.

Jo Stevens, MD of Oxford Innovation, notes that:

*“There is no shortage of local authorities and developers that would like to have a significant community of innovative and exciting start-ups to bring vibrancy to their area or development; the challenge is how to do it.”*

According to Jo,

*“In our experience, it requires, first, investment in ‘soft’ factors, like networking and business support, alongside the ‘hard’ factors, like the space itself; second, a financial offer tuned to early-stage businesses; and, third, recognition that community matters, as they share problems and solutions, benefit from collaboration and value interaction.”*



BASE Bordon Innovation Centre, Bordon, Hampshire  
Courtesy of Oxford Innovation

Jo adds that,

*“Overall, it requires a steadfast determination to build an innovative community of SMEs, retaining that ambition through planning, in setting developer obligations and in funding the different financial profile of ‘innovation space’ from standard commercial office space.”* ■

## Another approach

Assets within a council's own portfolio may be let on affordable terms to an operator or end-user and an 'undervalue' is permissible.

According to PRD and REDO in their publication *The Opportunity to Act*,<sup>3</sup>

*“Councils may choose to strategically acquire and directly invest in properties that are in third-party ownership, in order to secure and develop assets that work harder at the heart of their communities. New policy could direct Section 106 contributions to affordable workspace in lieu of tethering affordable workspace to new development.”*

Ultimately, start-ups and creative ecosystems are the key to growing a vibrant development. Time and time again, these clusters of emerging talent drive the creation of jobs and new businesses, and attract investment capital. However, if there is no clear route to delivery of affordable workspace, developers will push to provide a payment in lieu for off-site provision of such space, rather than incorporate it in their scheme. If, on the other hand, there is a mechanism that is easy to use and accepted by local authorities, developers could come to see the opportunity that comes with affordable workspace: placemaking opportunities, more socially cohesive mixed communities, and the pull that curated non-commercial uses can deliver in attracting traditional tenants, all of which are attractive to planners.

## Better Space, at The Ray, Clerkenwell, London

As a result of an award-winning redevelopment of a former British newspaper headquarters Better Space, at The Ray, located on Farringdon Road in Clerkenwell, is one of London's creative hubs. The building provides over 10,000 m<sup>2</sup> (100,000 ft<sup>2</sup>) of offices, affordable workspace, hospitality and retail, and features enhanced public spaces that look to re-establish connections to historic streets and spaces. Through its planning policy, Islington Council secured 557 m<sup>2</sup> (6,000 ft<sup>2</sup>) of new affordable workspace at The Ray at a peppercorn rent for 20 years. The council awarded the contract to run the space to City, University of London, in a 10-year collaboration that will provide genuinely affordable workspace to micro and small businesses and deliver a range of skills and employment initiatives for the benefit of residents, businesses and communities.

Better Space will act as a social enterprise hub in the borough, providing specialist support to social enterprises and strengthening the wider business community through promoting local supply chains, developing business networks and encouraging responsible practices. The space will support the council's vision to rebuild the local economy in light of the pandemic – providing local job and training opportunities, business support (including an accelerator programme for social enterprises), networking and events, and wider community engagement activities. The partnership provides a facility for City, University of London, to share its expertise in entrepreneurship and business start-ups with the wider Islington community, developing new opportunities and adding value to the local area. Better Space opened in June 2021, as the council's first affordable workspace secured through the planning process. ■

### Peppercorn rents pave the way for change

Islington Council has a unique approach through the planning process to help prevent an ‘affordability gap’. Through its policy, the council negotiates with developers to provide affordable workspace at a ‘peppercorn’ rent for a minimum of 10 years, and sometimes in perpetuity. The provision of these spaces is secured through a Section 106 agreement with the developer. The council then appoints an affordable workspace operator to deliver a series of well-defined social value outputs instead of paying rent. This includes activities such as: business mentoring in the wider local area; apprenticeships; employability programmes for local residents, especially for women, Black, Asian and minority ethnic communities, and residents with disabilities; business support; developing local supply chains; provision of childcare; and community engagement. This ensures that local people, businesses and communities benefit centrally from this investment. The council has already secured nearly 4,000 m<sup>2</sup> (40,000 ft<sup>2</sup>) of affordable workspace in commercial developments, predominantly in the south of the borough, which will be let to local entrepreneurs and start-ups at genuinely affordable rents.

Plough Yard, part of the wider Principal Place development in Shoreditch and home to Amazon’s UK headquarters, will be leased to Hackney Council at a peppercorn rent until 2045, with an additional £100,000 developer contribution towards fitting it out. The agreement is part of the council’s mission to make Hackney’s economy open, accessible and inclusive. To achieve this the council intervenes to ensure that new developments benefit the borough’s existing residents and businesses and that Hackney remains the creative heart of London, enabling businesses to start up



Principal Place, Shoreditch  
*Copyright GrindtXX | Wikimedia Commons (Creative Commons Attribution-Share Alike 4.0 International license)*

and set up alongside larger businesses. It is planned that the building will also host monthly council-run Hackney Business Network events.

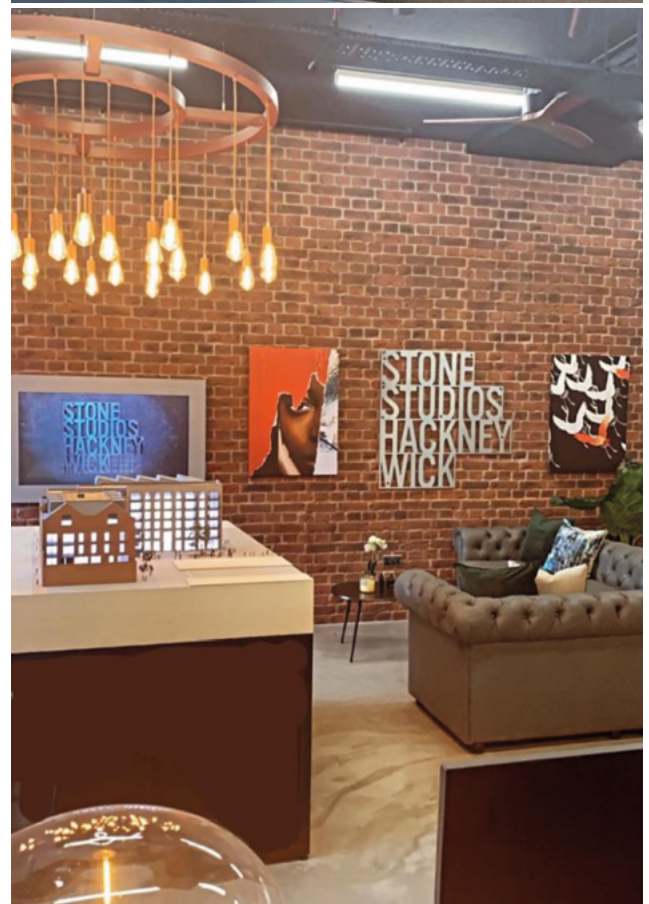
Developers should also work closely with the right provider from early on in the development process, to ensure the space is of a suitable size, location and standard for their needs. Developers should build on the local economic fabric to make sure the space is successful. Islington Council, for example, has chosen Outlandish, a digital agency that builds tools for positive social impact, to run Space4 in Fonthill Road, Finsbury Park, where a new generation of tech co-ops will contribute social value by hiring and training people from the area. ■

## The value of mixed use

It is widely documented that good-quality mixed-use developments regularly achieve a capital value premium over the wider market.<sup>4,5</sup> Savills' analysis of London developments often demonstrates a premium of 20–30% above the wider local market over the life of a scheme. The trigger points for realising this value uplift will include a number of factors that contribute to the space feeling like a high-quality place and achieving a critical mass of footfall through the residential and commercial offering. This will include ensuring there is a clear vision for the development, early investment in the gateway landscaping and community facilities, strong community engagement, a mix of well-designed complementary uses, and strong design codes and good-quality homes.

There is growing recognition that successful placemaking includes a mix of uses, particularly at ground level, to promote diversity and activity throughout the day. Small businesses are understood to be a critical component of a flourishing business ecosystem, and thus it is important to make provision for small affordable business units, if not directly from the building owner, then via a third-party flexible workspace provider. In fact, many developers have turned to mixed-use as a way not only to get planning permission for a large number of homes but also to add value to them. The residential aspect in many mixed-use developments is the biggest value driver. The right mix of amenity and workspace within a development can boost values.

Artist spaces tend to fit more easily into mixed-use schemes, and there are examples throughout London. A great example is Fish Island, which is located in one of the 'Olympic Fringe' neighbourhoods. Fish Island Village is a 2.85 ha mixed-use development on the site of a disused distribution warehouse. Fronting the Hertford Union Canal in Hackney Wick, East London, the phased scheme comprises a total of 588 new homes plus over 5,110 m<sup>2</sup> (55,000 ft<sup>2</sup>) of flexible and, more importantly, affordable commercial space, adding vibrancy to the scheme. Another example is Stone Studios in the heart of Hackney Wick. Creative Land Trust acquired Stone Studios from the developer Telford Homes. Designated as the residential development's 'affordable workspace', it can accommodate up to 180 studios for artists and creatives, providing long-term, genuinely affordable space. Integrating this workspace alongside other amenities for residents, Stone Studios has been able to command a price premium of 11% above other local new-build developments.\*



Stone Studios, Hackney Wick, London  
*Courtesy of Telford Homes*

\* Source: Savills using Land Registry and EPCs (for postcode district E9, 2019–2021).

## Repurposing the existing urban fabric

Repurposing older buildings that are already in the right places is often a more sustainable and cost-effective way to develop London. New-build commercial space is not necessarily always the right fit in the effort to create affordable workspace, and a ‘corporate headquarters’ atmosphere is not always the right fit for local, creative and cultural uses that an affordable workspace policy should be targeting.

A platform for local talent to access the space they need to create thriving enterprises.

According to Andrew Cribb of 3Space:

*“Rather than trying to shoehorn affordable space into a new development, we believe there is a clear case for the strategic protection of some of London’s existing buildings to allow delivery at scale. It’s also in the interest of both developers with tenants, with an increasing set of diversity, sustainability and placemaking requirements, and councils with net zero targets and community wealth building agendas.”*

### International House, Brixton, London

Ownership of the building grants greater control of the building outputs, be they purely financial or blended to include a social return. At International House in Brixton, 3Space manages the largest example of affordable workspace in the UK, with a focus on safeguarding Brixton’s cultural and social ecosystem. Until early 2018, International House was used by around 600 council staff. As the council moved to new premises on Brixton Hill, the building (which remains under council ownership) was put out to tender to be run as an affordable workspace for a five-year period.

3Space’s response was a programme with its BuyGiveWork model at its heart – when space is paid for, space is given away. Five floors will be let on commercial but affordable terms to freelancers, start-ups and scale-ups. Five floors will go rent-free to the people and organisations most at risk of displacement at a time when Brixton is undergoing rapid change – young people, artists and makers, local non-profits and community groups. The top two floors are set to become a free-of-charge hospitality and workspace hub that will be open to the public.

The reuse of International House will help achieve key council objectives around the delivery of new workspace, as set out in the Brixton Economic Action Plan and Creative and Digital Industries Strategy, and strengthen Brixton’s bid to become a Creative Enterprise Zone.



International House, Brixton, London  
Courtesy of 3Space

Andrew Cribb, CEO of 3Space said:

*“International house delivers a unique interface between private business, civil society, start-ups, charities, culture and creation, making it unlike a typical market-led product. Its biggest differentiator is the scale of the agglomerated social and civil society functions and the social value this provides. In fact, the social value at International House is estimated to be £413 per m<sup>2</sup> (£38 per ft<sup>2</sup>), or 15 times that of a traditional new-build office development (at £290 per m<sup>2</sup> (£27 per ft<sup>2</sup>)).”* ■



## Collaboration is key

No single organisation can achieve the creation of affordable workspaces on its own. The creation of such spaces requires joined-up thinking and a willingness to work together. As property owners, councils often have unused or underused assets that can be repurposed as workspace, either for long-term use or as ‘meanwhile’ space awaiting redevelopment. Both private developers and planners should also encourage meanwhile use of space prior to development. This is a good opportunity for providers to test their concept, to provide a service to the local community, and to brand a site while it is undergoing redevelopment.

If local councils are also serious about declaring a climate emergency, they should update their policies to prevent the demolishment of buildings that with some creativity can still be used productively. Local authorities are also uniquely placed to act where the market cannot or will not provide the right types of workspace. There are obvious benefits – it is a low-risk way to encourage job creation that can tie into wider regeneration strategies while generating revenue and supporting local SMEs. If offering space rent-free, councils can also request that the property is renovated or that there is a commitment to achieving social goals such as training or community engagement. Through control of assets, local authorities can influence greater economic and social outputs such as providing opportunities for BAME and underrepresented groups. They can also have a greater influence over the supply chain, payment of the Living Wage and other community wealth-building initiatives.

Examples of this type of workspace include the Old Baths in Hackney and the Peckham Levels in Southwark, both of which are creative and interesting spaces. There is also an economic case for unlocking underused and often dilapidated existing spaces. In London alone there is an estimated 603,000 m<sup>2</sup> (6.5 million ft<sup>2</sup>) of otherwise empty commercial space that could be utilised.<sup>6</sup> The latest BRC-LDC shop vacancy monitor reveals that the vacancy rate across the country increased to 14.1% in the quarter to the end of March, from 13.7% in the last three months of 2020. The forced closure of thousands of shops during the first quarter of 2021 has exacerbated already difficult conditions for the retail industry. It is estimated that there are around 5,000 fewer stores since the start of the pandemic, meaning one in seven shops now lie empty. Leaving buildings and land empty is also costly in terms of security and property taxes, and represents a huge financial and social loss for both the economy and the local community. In fact, greater control over properties in cities and town centres can provide the local authority

## People-centric Peckham



Peckham Levels, Peckham, London  
Copyright Simon Turner | Alamy Stock Photo

Southwark Council identified and enabled the transformation of an underused multi-storey car park into a major cultural and creative hub and workspace. Peckham Levels has been designed as part of a solution to a problem. It is a joint venture between Make Shift and Southwark Council, which own and maintain the Peckham town centre multi-storey car park as an Asset of Community Value.

*“Peckham Levels believes that thriving creative enterprises, powered by the talent of local people, can help to strengthen communities.”*

<https://peckhamlevels.org>

But space is hard to come by, particularly for early-stage businesses that can’t afford sky-high rents. By repurposing an existing building and retrofitting it with small, accessible studio spaces, Peckham Levels will keep its rents accessible to small businesses.

Before the project began, local people’s needs were gauged, and these are reflected in the studio and office spaces that have been created, giving local people a voice in the redevelopment of an important community asset. At Peckham Levels there are reserved spaces at a permanently discounted rate for Peckham residents looking for a flexible workspace in which to start their enterprise journey. ■

with greater influence over what happens around it. For example, a building providing a reduced rent to a particular sector of start-ups attracts others in the same industry and acts as a market maker, or a place where local creatives can afford to work attracts larger companies looking to innovate. This brings increased investment to the borough.

Older buildings often resonate with their local communities, and lend themselves to a broader range of uses and innovation than a new build. Rather than being tucked away out of sight in a basement, there is the chance to put affordable workspace front and centre across a whole building. Developers could be asked to contribute, paying an equivalent amount for the provision of affordable, creative, social and experimental space in a building that already exists, while keeping their new buildings for their corporate clients that can afford the rent. Local authorities could also consider giving existing buildings an ‘affordable’

status, and list and protect them in the same way that significant historic buildings are safeguarded.

Ownership will need to become a major consideration, with local authorities and the Greater London Authority needing to play a more proactive role, either by buying assets outright or by entering into long leases to gain control of pricing and a building’s social and economic outputs. Transport for London (TfL) owns around 5,700 acres of land across London, much of which is earmarked for housing, offices and retail. The Mayor of London should work with TfL to ensure developments on TfL land include open workspaces, particularly in new town centres near transport hubs and future Crossrail sites such as Old Oak Common. This model has been used by Network Rail working with the Office Group at Kings Cross, Paddington, Euston and Liverpool Street, and there is high demand for spaces.

### Culture clubs and creative hubs



The Depot, Shoreditch, London  
*Courtesy of The Depot*

Community is crucial for creatives and artists, as they want to be able to engage in relationships with like-minded people. Workspaces must now provide more than simply a space to work – they need to be a public amenity with an amazing experience attached, building a community of like-minded individuals, both within and outside the building. We need to consider how we can use this to have a positive effect. Beyond giving entrepreneurs and start-ups a place to park their MacBooks for the day, these spaces are building community and opening up opportunities for creatives to network and cross-pollinate.

The Depot in Shoreditch is a great example. The lab collective, which consists of spacelab, energylab, urbanlab, Sense and their research arm labthinks, has transformed the design studio into a neighbourhood space that enables the community to work together and enables artists to



Hatcham House, New Cross, London  
*Courtesy of Hatcham House*

display their work. It will continue to be the place of work for the lab, but now they share it with others in the community, where climbing rents would have otherwise pushed them out of the area.

Affordable workspaces must go beyond square footage if they are to really contribute to an area or local economy. Hatcham House is a community workspace in South London. Launched from an old members’ club just before the COVID-19 pandemic, Hatcham House has pioneered an affordable and inclusive offering for local people, both those in work and those underemployed. Despite being forced to close twice because of the various lockdowns, Hatcham House has proved that developing a work hub with social value is popular, and can be successful not just in providing a quality work hub but also in incubating a number of social programmes, events and training. ■

## Maintaining maker space

The ‘Tate effect’ has presented a lifeline for artists, shifting society’s perception of artists from something to be ‘planned out’ to something to be ‘planned in’. Whereas previously artists were displaced in the process of gentrification or regeneration, now many authorities and developers are seeing artists as central to their regeneration proposals.

Creative Land Trust works to provide affordable studio space for artists across London and the UK, with support from founding partners the Mayor of London, Arts Council England, Bloomberg Philanthropies and Outset Contemporary Art Fund. Recently, the Trust worked with the Mayor of London to deliver the Culture at Risk Business Support Fund, distributing £1.6 million to 82 studio organisations across 18 boroughs, supporting nearly 11,500 creatives across the capital.

The Trust recently acquired Stone Studios in the heart of Hackney Wick from developer Telford Homes. This acquisition is the first in what will become a portfolio of properties, as Creative Land Trust fulfils its mission to secure long-term, affordable workspace for artists and makers to support London’s creative industries. The 3,066 m<sup>2</sup> (33,000 ft<sup>2</sup>) ground and lower ground floor space at Stone Studios will provide long-term, genuinely affordable studios, and ensure that artists can continue to flourish in one of the capital’s creative hotspots. Creative Land Trust has acquired the space, designated as the residential development’s ‘affordable workspace’, to accommodate up to 180 studios for artists and other creative practitioners. Occupiers will enjoy long-term security, while the London Borough of Hackney and the wider city of London will strengthen their reputations for culture-led regeneration.

The workspace will include street-frontage studios, highlighting the area’s industrial heritage and the uniqueness of Hackney Wick, one of London’s first Mayoral Creative Enterprise Zones. The scheme will enable the area’s vibrancy and distinctiveness to remain, locking in cultural benefits and creating new economic opportunities for local residents.

Simon Halfhide, Group Sales Director at Telford Homes, commented:

*“Hackney Wick has a creative legacy spanning generations, and we are committed to preserving and building on that with our Stone Studios development ... providing quality, affordable workspace for local artists and creatives to help consolidate and strengthen the local community and maintain its unique spirit.”*



Circle Square, Manchester  
Courtesy of Bruntwood SciTech

## The regional role

While written for London, where dramatic rent rises are squeezing out independent businesses, many of the measures in the new London Plan<sup>1</sup> are relevant to other cities struggling to maintain the diversity of their economic ecosystems.

Bruntwood SciTech’s Circle Square in Manchester is a great example of space that offers flexible workspaces and bespoke programmes of business support, helping creative, digital and technology businesses to form, scale and grow. Located at Circle Square is Bruntwood SciTech’s dedicated Tech Incubator, which is home to a unique cluster of some of the region’s most disruptive, fast-growing tech businesses. From sharing knowledge and resources to brainstorming ideas and broadening networks, collaboration can vastly improve an SME’s growth prospects, and increased affordable accommodation for start-ups to collaborate alongside established tech companies helps them to develop, innovate and grow.

### Plus X Brighton

Plus X Brighton is purpose-built 4,924 m<sup>2</sup> (53,000 ft<sup>2</sup>) innovation hub for 600 members which opened in July 2020. The innovation hubs within Plus X offer a range of workspaces, from desks to studio offices and entire floors, allowing businesses to adapt as they grow and scale. Each hub also provides a range of specialist technology and equipment, such as bio-labs, heavy-duty prototyping machinery, media suite centres and workshops, all tailored to the needs of local industry and hub members. It also provides world-class business support programmes to help resident businesses innovate and grow, creating new, high-value jobs and enduring centres of innovation that are rooted in the local community.

According to RealWorth, a specialist consultancy measuring the societal impact of urban developments, Plus X delivers 160 times more positive socio-economic impact in the locality than a conventional office block. For every £1 invested in the development, there is a £5.51 social return on investment, and the hub is predicted to deliver over £100 million worth of societal impact over 10 years.

Olga Hopton, Expansion Director at Plus X, highlights that the actual rents are not subsidised, but a different concept of affordability is applied:

*“Plus X monetises often underused real estate assets where we can locate unique workspace such as product prototyping labs. Additionally, start-ups and scale-ups can limit the actual office space they take on as they will engage with and*



Plus X Brighton  
*Courtesy of Plus X*

*benefit from the wider ecosystem of the building. Although the rents achieved are often above the market value, the true cost of ownership is less than a traditional lease. The size of the innovation hub’s membership allows for savings on the shared services such as the front of house team. We also provide the ultimate flexibility, with offices charged per day, week or monthly rolling. This, in turn, allows the businesses to focus their resources on growth; they don’t have to worry about liabilities sitting on their books when it comes to raising funds.” ■*

According to the Blair Project, which is based in the Tech Incubator, some of the major benefits to being located there are

*“Having access to specialist industry workshops and clinics to grow our knowledge, connections and skillsets to scale our business and commercial acumen is fantastic.”*

The Paradise development in Birmingham is also committed to delivering socio-economic benefits to the West Midlands. Paradise Development Team agrees that offering a range of flexible, affordable accommodation is an important consideration to reflect and respond to

the nature of today’s market and to attract a diverse mix of occupiers:

*“As the scheme evolves and matures, we expect to increase our range of workspaces. This, together with a vibrant mix of ground floor retail and food and beverage offers and the best quality public realm, ensures Paradise is a truly welcoming, vibrant and integrated community in the heart of Birmingham. We believe this is what makes the development attractive and worthwhile and will therefore continue to drive true socio-economic value.”*

## Looking to the future

The future also needs to be taken into consideration by policy makers. What we see time after time is affordable workspaces being squeezed out of the market by larger, more commercial providers once an area has become popular. One borough that has been able to navigate this is Southwark. Through a joint venture with Make Shift, Southwark Council enabled the transformation of an underused multi-storey car park into a major cultural and creative hub and workspace, while protecting it as an Asset of Community Value to ensure it continues to add value to the local community.

## What's next?

Many people are tired of working from home, especially younger people who often live in cramped and/or shared accommodation. People are also seeking out the new, bored after a year that has been both terrifying and repetitive, full of video calls and few social interactions. There is also greater demand for diversity and cultural sensitivity and recognition, and for business to have a lighter footprint. Repurposing of existing buildings makes sense – financially, environmentally and socially. Unlocking value, both financially and culturally, this direction will attract talent back to London, showcasing what is great about the city, while demonstrating London's leadership credentials and the exciting, vibrant sustainable future just ahead.

## Key takeaways

1. The past five years have seen a growing number of local authorities introduce affordable workspace policies in some form, mostly aimed at securing subsidised premises from major office schemes.
2. However, new-build commercial space is not necessarily the right fit in efforts to create affordable workspace. While well intended, affordable workspace policies may inadvertently mean that even less supply comes forward, as the requirements depress the value of office schemes, further reducing their viability when competing with residential proposals.
3. With SMEs containing much of London's future innovation and enterprise, the availability of affordable workspaces is key. In order for this to be achieved, local authorities need to step up as change makers in a post-pandemic world.
4. Often, affordable workspace operators cannot afford to take on space in new buildings, even with reduced rents. The rent reduction is not enough to offset the increased costs associated with occupying a new building, in particular business rates, service charges and upfront Category B fit-out costs. What's left is a

An estimated 24,400 commercial properties in London are currently empty, with around half having been unused for more than two years.

The total available vacant space, 6.5 million m<sup>2</sup> (70 million ft<sup>2</sup>), is equivalent to 27 times the footprint of Westfield London, Europe's largest shopping centre.

Current vacant office space alone could provide an opportunity to accommodate between 160,000 and 200,000 workers. However, London's empty spaces are not currently being used to their full potential.

*Source: Report by the Centre for London<sup>6</sup>*

- sizeable 'affordability gap' between the rent a developer needs to achieve to maintain overall viability and what an affordable workspace operator can afford.
5. Local authorities should use Section 106 and Community Infrastructure Levy contributions to fund new affordable workspaces that are appropriate for the area and the local authority's strategic goals. Funds should be distributed through a competitive bidding process or through initial direct investment to secure buildings for open workspace.
6. Many developers realise that offering a mix of spaces has become a conscious strategy for growth, and an element of affordable workspaces can increase the value of a development through placemaking and cultural and economic benefits. It can also offer strong benefits for local communities, which is attractive to planners.
7. No single organisation can achieve the creation of affordable workspaces on its own – it requires joined-up thinking and a willingness to work together. Councils need to collaborate with local businesses, business associations and workspace providers to identify the businesses that will be key occupiers for the affordable workspace.

8. More buildings are constantly being built to meet demand, yet we are not using our existing building stock to its full potential. What if we take these existing buildings and re-evaluate how they are used, ensuring they are used to their full potential?
9. If local councils are serious about responding to the climate emergency, they should update their policies to prevent the demolition of buildings that with some creativity can still be used productively. As property owners, councils often have unused or underused assets that can be repurposed as workspace, either for long-term use or as meanwhile space awaiting redevelopment. Developers may also look to make a payment in lieu or introduce a package of benefits to reduce the square footage of affordable workspace in their developments.
10. Local authorities should designate a targeted number of existing buildings as having an ‘affordable’ status, and list and protect them in the same way that significant historic buildings are safeguarded. Ownership then becomes the major consideration, and local authorities will need to play a more proactive role, either by buying assets outright or by entering into long leases to gain control of pricing and the building’s social and economic outputs. In the long-term, uplift can be measured via the increase in the asset value.
11. Leaving buildings and land empty is costly in terms of security and property taxes. Unused spaces that are waiting to be redeveloped could be transformed through meanwhile uses, which can bring huge benefits and social value to an area.
12. Both private developers and planners should encourage meanwhile use of space prior to development. This is a good opportunity for providers to test their concept, to provide a service to the local community, and to brand a site while it is undergoing redevelopment.
13. Repurposing of existing buildings makes sense, financially, environmentally and socially. Unlocking value, both financially and culturally, this direction will attract talent back to London, showcasing what is great about the city, while demonstrating London’s leadership credentials and the exciting, vibrant sustainable future just ahead.
14. Proactive local authorities that recognise existing resources and create mechanisms to support new programmes will have a direct impact on the local area and job creation post-pandemic. ■

## References

1. Mayor of London (2021) *The London Plan. The Spatial Development Strategy for Greater London*. Available at: [https://www.london.gov.uk/sites/default/files/the\\_london\\_plan\\_2021.pdf](https://www.london.gov.uk/sites/default/files/the_london_plan_2021.pdf) (accessed 17 June 2021).
2. City of London Corporation (2021) *The Square Mile: Future City*. Available at: <https://www.cityoflondon.gov.uk/assets/Business/the-square-mile-future-city.pdf> (accessed 17 June 2021).
3. PRD and REDO (2021) *The Opportunity to Act*. Available at: <https://weareredo.com/the-opportunity-to-act> (accessed 17 June 2021).
4. Greenwood L and Heffernan C (2020) *Design Codes: The Challenges and the Benefits*. Available at: <https://www.savills.co.uk/blog/article/307223/residential-property/design-codes--the-challenges-and-benefits.aspx> (accessed 17 June 2021).
5. Greenwood L (2019) *Why Sustainable Urbanism is Good for Health and Housing Wealth*. Available at: <https://www.savills.co.uk/blog/article/289621/residential-property/why-sustainable-urbanism-is-good-for-health-and-housing-wealth.aspx> (accessed 17 June 2021).
6. Bosetti N and Tom Colthorpe T (2018) *Meanwhile, in London: Making use of London’s Empty Spaces*. Centre for London. Available at: <https://www.centreforlondon.org/publication/meanwhile-use-london> (accessed 17 June 2021).

## ABOUT THE BCO

The BCO is the UK's leading forum for the discussion and debate of issues affecting the office sector.

Established in 1990, its membership base comprises organisations involved in creating, acquiring or occupying office space, including architects, lawyers, surveyors, financial institutions and public agencies.

The BCO recognises that offices don't just house companies, they hold people and so what goes on inside them is paramount to workplace wellbeing.

## ABOUT THE AUTHOR

Clare Bailey is a Director in Savills Commercial Research team. She has written extensively on themes within regional office markets, and has contributed to Savills' office magazine *Core*, looking at the key ingredients for a happy and productive workplace, and writing on themes such as wellness, sustainability and diversity within the workplace.

Clare has spoken on BBC radio on the impact of COVID-19 on regional office markets, and has spoken at a number of webinars and industry events, including Savills' regional 'Cross sector' seminars.

She has also been involved in a project with LendLease called the Loneliness Lab, looking at ways to tackle loneliness in the built environment. Clare was involved in the Autumn 2020 Community Webinars, which brought together over 200 global members.

## ACKNOWLEDGEMENTS

The BCO and the author would like to thank Savills and its case study partners for their contributions to this briefing note.

3Space: Andrew Cribb, CEO and co-founder; also, a founding Director of REDO

Bruntwood SciTech

Facework: Stephen Carrick-Davies, Director; also, Director, Hatcham House

Islington Council: Tom Howells, Affordable Workspace Project Officer

LendLease: Angela Brennan, Senior Development Manager

Oxford Innovation: Jo Stevens, Managing Director

Paradise Development Team

Plus X Brighton: Emma Greenfield, Head of Location Marketing; Olga Hopton, Expansion Director

PRD: Daniel Partridge, Head of Ventures & Strategy

Savills: Henry Bell, Graduate Planner; Gaby Foord, Research Analyst, Residential Research; Jodane Walters, Planner; Katy Warrick, Head of London Residential Development Research

Sense: Nathan Lonsdale, Co-founder

SQW: James Kinnersly, Managing Consultant

SQW Group (including Oxford Innovation and SQW): David Crichton-Miller, CEO

Workthere: Cal Lee, Global Head

## CITATION

BCO (2021) *Affordable Workspace: A Solution, Not a Problem*.

[https://www.bco.org.uk/Research/Publications/London's\\_Affordable\\_Workspace\\_A\\_Solution\\_Not\\_a\\_Problem.aspx](https://www.bco.org.uk/Research/Publications/London's_Affordable_Workspace_A_Solution_Not_a_Problem.aspx)

*COPYRIGHT © BRITISH COUNCIL FOR OFFICES, 2021*

*All rights reserved by British Council for Offices. No part of this publication may be reproduced, stored or transmitted in any form or by any means without prior written permission from the British Council for Offices. The BCO warrants that reasonable skill and care has been used in preparing this report. Notwithstanding this warranty the BCO shall not be under liability for any loss of profit, business, revenues or any special indirect or consequential damage of any nature whatsoever or loss of anticipated saving or for any increased costs sustained by the client or his or her servants or agents arising in any way whether directly or indirectly as a result of reliance on this publication or of any error or defect in this publication. The BCO makes no warranty, either express or implied, as to the accuracy of any data used by the BCO in preparing this report nor as to any projections contained in this report which are necessarily of any subjective nature and subject to uncertainty and which constitute only the BCO's opinion as to likely future trends or events based on information known to the BCO at the date of this publication. The BCO shall not in any circumstances be under any liability whatsoever to any other person for any loss or damage arising in any way as a result of reliance on this publication.*