



Developing a Coworking and Entrepreneurial Support Hub in Buena Vista, Virginia

Feasibility Analysis

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About Main Street America

Main Street America has been helping revitalize older and historic commercial districts for more than 42 years. Today it is a network of more than 2,000 neighborhoods and communities, rural, suburban, and big cities, that share a commitment to place and building stronger communities through preservation-based economic development. Main Street America is a program of the nonprofit National Main Street Center, Inc., a subsidiary of the National Trust for Historic Preservation.

Since 1980, over 2,000 programs have used the Main Street Approach, our time-tested framework for community-driven, comprehensive revitalization. Main Street America research to document our impact by annually collecting statistical information on the preservation, revitalization, and economic activities in local Main Street programs throughout the country.

About the Main Street Approach

The Main Street Approach™ is Main Street America’s framework for community revitalization. Centered around Four Points (see below), the Approach offers community-based revitalization initiatives with a strategic, adaptable framework for downtown transformation that is easily tailored to local conditions. The Main Street Approach underwent a refresh in 2015 to become more responsive to the economic context, strategy-driven, and outcome-oriented.



Every community has a unique set of place-based assets, anchors, and consumer markets that contribute to a healthy business district. Leveraging those assets through a targeted economic development strategy requires a thorough understanding of the marketplace. One of the best ways to help retain existing businesses and recruit new ones is to prepare information about your existing customer base and better understand potential new customer segments that could be served by your

business district. Your local commercial revitalization program provides an important benefit by developing a comprehensive analysis of the district market that aligns community vision and consumer data with strategies that drive the organization’s revitalization programming. Through the Main Street Approach, we work together with organization leaders to understand market data and develop comprehensive strategies to deliver comprehensive Main Street transformation. This approach accomplishes several goals:

- Builds local knowledge and understanding of your district’s economy to create a foundation for successful revitalization.
- Identifies current strengths of the business mix and existing business clusters.
- Supplies relevant consumer data to the revitalization program so it can help existing businesses become stronger.
- Identifies opportunities for future business attraction and business cluster expansion; and
- Builds a strategic framework for niche development, including real estate development, business development, promotions, marketing, branding, etc.

This philosophy is encompassed by the Main Street Approach Refresh. At the core of the new Main Street Approach are economically grounded “Transformation Strategies.” These Strategies articulate a focused, deliberate path to revitalizing a downtown or commercial district’s economy. They are informed by a solid understanding of local and regional market data and sustained and inclusive community engagement. Most activities within an organization’s annual work plan as part of the Main Street Approach should then be guided by Transformation Strategies and aligned with a direction and outcome. As part of our technical assistance, and to help make the new format easier to adopt, the National Main Street Center developed nearly 20 “off-the-shelf” strategies, known as Catalyst Strategies, that can be employed in a range of conditions across a variety of communities. These are, essentially, ready-made Transformation Strategies.



About Virginia Main Street

Since 1985, the Virginia Main Street (VMS) program has been helping to pave the way for successful and enduring community revitalization.

Housed under the Virginia Department of Housing and Community Development's (DHCD) Community Vitality Office (CVO), VMS integrates seamlessly with the greater work of the agency as it supports and promotes healthy, vibrant, and sustaining downtowns and business districts across the Commonwealth. As a Main Street America State Coordinating Program, VMS offers a range of services and assistance to communities interested in revitalizing their historic commercial districts. While the program was designed to address the need for revitalization and ongoing management of smaller to mid-sized downtowns, aspects of the Main Street Approach have been applied successfully in other commercial settings.

Introduction

The following feasibility analysis represents a convergence of trends and desire by Main Street Buena Vista to address the needs of entrepreneurs and remote workers while cultivating a place-based hub for entrepreneurial activity that would serve as a pipeline for Buena Vista's growing economic development initiatives.

The following feasibility will focus on the development of a coworking space in downtown Buena Vista. Currently, no location has been identified but could support coworking spaces, entrepreneurship/small business training and workshop space, a café/kitchen, and collaborative areas (e.g., "board" room).

This study will focus on four primary user groups by way of understanding overall demand:

- Microbusiness – Early-stage start-ups are generally not incorporated or formalized. We will use a private database from GoDaddy to calculate.
- Remote Workers
- Solopreneur. A solo entrepreneur is a person who organizes, manages, and assumes the risks of a business or enterprise without the help of a partner. – represented by self-employment statistics captured by federal government data
- Gig Economy Workers

All four groups are known to be common users of coworking spaces.

And finally, we will examine various demand and financial models to better understand sustainability.

Understanding the Market

Before the pandemic, flexible space or coworking spaces were the fastest-growing types of office space in commercial real estate, growing at an average annual rate of 23% since 2010 (Jones Lang LaSalle)

We've had the technology to make remote work a reality for a while. What we lacked was the will. That all changed in early 2020 when the Coronavirus turned the world upside down. Overnight, offices that had always been in person went fully online and many are still online almost three years later.

Remote work appears to be here to stay. Many employees are actively considering leaving their jobs if a return to in-person work is mandated. Based on the statistics, remote work provides benefits to both companies and their employees. Remote work saves companies money, results in happier, more engaged teams, and reduces staff turnover.

2022 was a big year for the coworking industry. We saw new spaces flood the market, desk occupancy rise to pre-pandemic levels, and "flexible work" solidified itself as the future of the office. As of 2022, there are more than 6,200 coworking spaces in the United States being used by approximately 1.08 million people. The U.S. only had about 4,000 coworking spaces available in 2017, meaning the number of coworking spaces has grown roughly 55% in 5 years.

Facilities and programming designed to accommodate the working lifestyles of remote workers, neutral-location entrepreneurs, and gig economy workers have accelerated to keep pace with the growing demand.

The evolution has its roots in 'third places' in downtowns across America, from coffee shops and libraries to the recent explosion of micro-breweries. These spaces allowed freelancers from all backgrounds to have the flexibility and quiet space to develop new companies, art, and strategies. Third spaces have more recently merged into coworking spaces.

Coworking spaces reflect growth in remote workers, independent consultants, neutral-location entrepreneurs, microbusinesses, gig economy workers, etc. that rather out of isolation, technology, and/or space needs are attracted to having a sense of working with others like in a traditional office setting.

Certainly, the global pandemic has accelerated what was already a growing portion of the American workforce. In addition, with traditional office space not desirable or not needed for everyday functions, it makes sense to save capital. Most traditional coworking offices are spaces that share utilities and services, and oftentimes share amenities. The spaces allow workers and entrepreneurs to be able to create their own space and maintain the environment. What used to be big just for technology start-ups has been expanding for many industries and for employees that work remotely. Open space gives more freedom of the mind for deep thinking.

There are 70.4 million freelancers in the U.S., as of 2022. 36% of the U.S. workforce currently participates in freelance work. Between 2021-2022 the number of freelancers in the U.S. increased by over 20%.

The really interesting shift in 2021 is more skilled remote freelance work. 2021 was the first year where more than half of freelancers provided skilled services and/or labor – things like programming, marketing, business consulting, and writing. The shift is also evident in the education level of your typical freelancer in 2021. More than half of people who hold post-graduate degrees are freelancers, compared to just 31% of people with a high school degree or less. While many of these individuals work from home, coworking spaces are popular in the startup, microbusinesses, and freelancing worlds.

Like a home, coworking space covers two metrics: total space and individual space. Total available square footage informs how to proportion individual spaces and what desk arrangements are suitable for Buena Vista. According to Coworking Insights, the average size of a coworking space in the U.S. is 9,799 sq/ft, with an average capacity of 100 people. This equates to roughly 100 sq/ft per person.

More people are giving coworking spaces a try. But also, a larger percentage of members find coworking spaces to be beneficial in how they work. According to data published by Raconteur, 71 percent of coworking members report their workspaces positively impact the ways they engage in their work.

And while the pandemic fast-tracked people's approach to work, a lot of employers are more comfortable with staff working remotely, and employees are relocating to less expensive locations intending to also improve their quality of life.

The following represent some trends from 2022. We would anticipate that 2023 will simply mark a further acceleration of these forecasts:

Top Coworking Space Benefits (Source: Clutch, August 9, 2022)

- 77% of employees are satisfied with working in a coworking space. Just 11% of coworking employees are dissatisfied with their shared office space, while 12% are neither satisfied nor dissatisfied.
- One-third of coworking employees (33%) would prefer to work in their coworking space, less than the number who prefer to work remotely (39%) but more than the number who would prefer to work in a traditional office (28%).
- The majority (94%) of coworking spaces include perks beyond workspaces.
 - Coffee and tea (71%)
 - Snacks/meals (56%)
 - Networking/social events (45%)
 - Sit-stand desks (39%)
 - "Fun" elements such as games (30%)
 - Gyms/exercise facilities (26%)
 - Pet-friendly amenities (26%)
- Coworking spaces can be found in rural and suburban areas in addition to urban areas. This reduces the stress of commutes and makes it easy for employees to get to their office space. More than half of coworking employees (57%) say their coworking office is in a convenient location.
- Businesses take advantage of working near other companies in coworking spaces. About 55% of coworking employees say they have networked with other businesses and people in their coworking space. In a traditional office space, workers are limited to interacting with their

colleagues. In a coworking space, on the other hand, workers can interact with people from other companies. This can grow their skills and knowledge and even better their own business.

- A traditional office space makes sense for companies that are stable in size. For a changing or growing business, however, a coworking space's varied office spaces and layouts can offer the necessary flexibility. Fifty-three percent (53%) of employees say flexibility is a key benefit of their coworking space.
- Coworking helps employees feel like they belong somewhere, which can increase the strength of their work and overall morale at their company. Just over half of the coworking employees (51%) say coworking spaces provide them with a sense of community. Remote working can lead to employees feeling left out and isolated. According to Buffer, 21% of employees said loneliness is their biggest struggle with remote working in 2018.

The summary is that there is growth in the absolute numbers of remote workers, representative of a movement of companies from diverse sectors (but primarily healthcare and IT) along with job trends as representative of independent consultants and gig economy workers. However, this feasibility suggests that demand for a dedicated remote worker facility is limited and thus any coworking facility should be comprehensive and seek members from a variety of market segments.

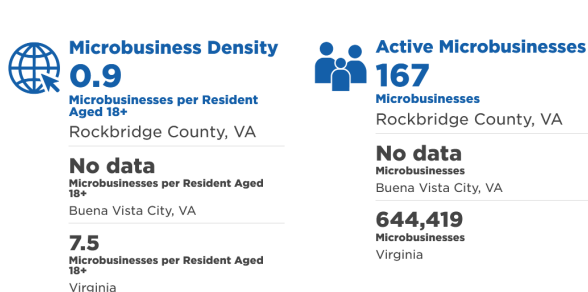
Coworking Space Opportunity: Market Analysis – Demand

To evaluate the opportunity for a coworking facility in Buena Vista, it is recommended that the community focus on a mix of four priority, target markets. These markets include Freelancers or remote workers; “solopreneurs”/neutral-location businesses; microbusiness and gig economy workers. All four will be explored as to market size and potential demand for such a facility.

Market Segment 1. Microbusiness Projections

Based on data collected through GoDaddy, Rockbridge County has 2.6 microbusinesses per 100 population age 18+. GoDaddy defines microbusinesses as “a discrete domain name with an active website.”

GRAPHIC 1. Summary of Microbusinesses in Rockbridge County, VA



Sources: GoDaddy Venture Forward March 2022

These microbusinesses are often run by solopreneurs, freelancers, and side hustlers, of which more and more are started out of opportunity and not just necessity, especially since the pandemic hit in 2020. The 2010-2020 population increased slightly in the 5 min, 10 min, and 20 min trade areas. Population trends for 2022-2027, provided by Esri show a decline in 5 min and 10 min and project a population increase at 20 minutes by 2027. Below microbusiness projections are localized using drive time trade area projections.

TABLE 1. Summary of Microbusinesses by Trade Area

	5 min Trade Area	10 min Trade Area	20 min Trade Area	Rockbridge County
Population Total	5,657	6,516	25,745	22,641
Microbusiness Projections	51	58	231	203

GRAPHIC 2: MAI, Rockbridge County, VA (Source: GoDaddy)



The Microbusiness Activity Index (MAI) captures how often and how intensely microbusiness websites are used and updated. The MAI provides a way to track microbusiness activity and its impact on a community’s economic outcomes. Rockbridge County is above the national average for counties and counties with a population of less than 100K.

Microbusinesses have a significant impact on the overall health of the economy across the United States. For example, for every 1-point increase in the MAI in a county, there is an increase of 0.3% in the percentage of households earning over \$60,000 in household income and a drop of 0.1% in the local unemployment rate.

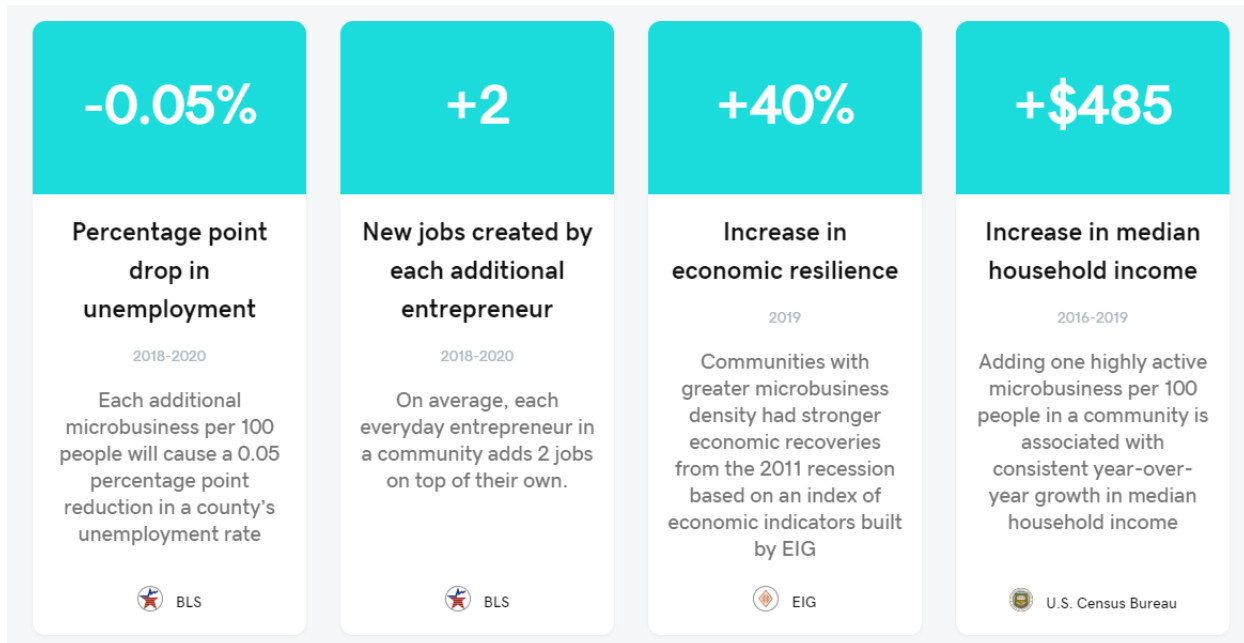
The MAI is comprised of three subindices: the *Engagement* Subindex includes a variety of measures of online and website engagement, *Participation* Subindex includes the density and growth rate of online microbusinesses and online microbusiness owners, and *Infrastructure* Subindex which includes human capital and digital infrastructure including broadband and computer access. Higher measurements of the MAI (over 100) indicate high levels of microbusiness activity, and the inverse is true of lower scores.

GRAPHIC 3. MAI Subindices, Rockbridge County, VA (Source: GoDaddy)



Microbusinesses have a great impact on the overall economic health of a community. These benefits include job creation, a rise in economic prosperity, lower unemployment, stronger recession recovery, and greater annual growth in annual household median income.

GRAPHIC 4. Impact of Each Microbusiness on the Local Economy (Source: GoDaddy)

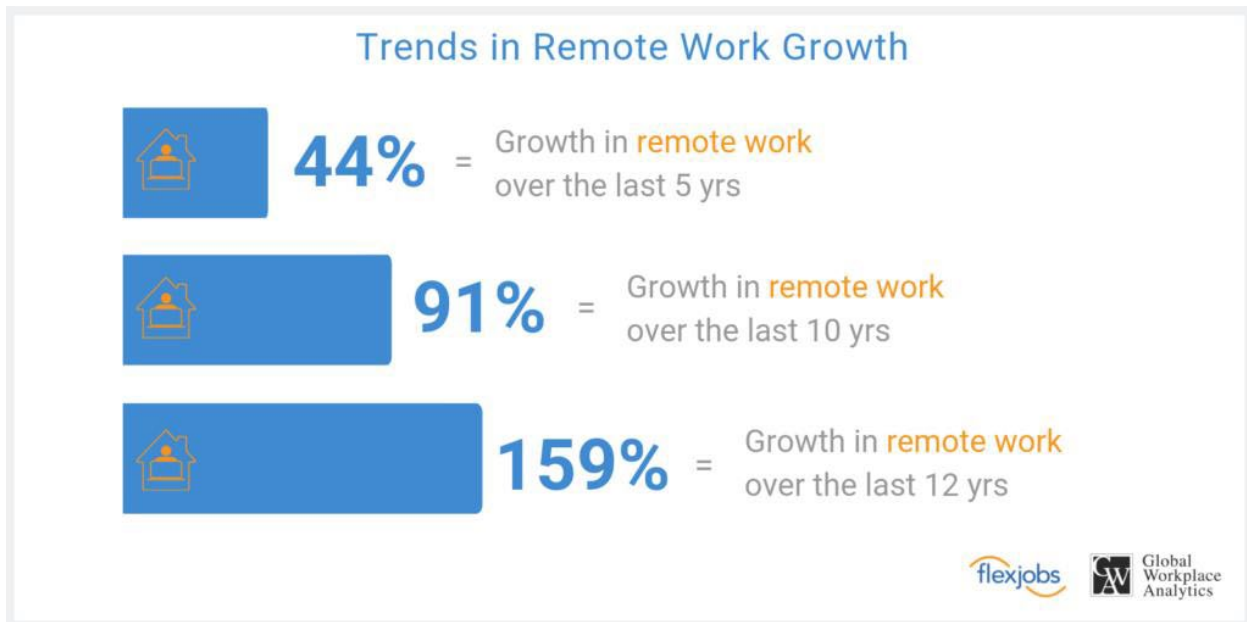


Market Segment 2. Remote Worker Projections

In 2015, 3.9 million U.S. workers were working remotely. Analysis of 2019 U.S. Census data by Global Workplace Analytics indicated that 4.1% of the U.S. population worked remotely, while 7.0% of Virginians worked remotely.

A 2020 survey by Global Workplace Analytics and FlexJobs indicates that remote work has grown 91% over the last 10 years, and 159% over the last 12 years and Kate Lister, President of Global Workplace Analytics recently forecasted “25-30% of the U.S. workforce will be working from home one or more days a week after the pandemic.”

GRAPHIC 5. Trends in Remote Work Group (Global Workplace Analytics and Flexjobs)



Remote work isn't a new thing. It's been on the rise for years. 63% of U.S. companies had remote workers according to a pre-pandemic 2018 Upwork Study.

Gallup's State of the American Workplace Report found that 43% of employees work remotely at least some of the time. And among those who work remotely at least part of the time, the percentage of employees who work remotely 100% of the time is now 20%, up from 15% four years prior.

People are increasingly attracted to remote jobs, with 37% saying they would switch to a job that gave them the ability to work off-site at least part of the time.

There are huge savings for companies by transitioning more workers to remote. In 2018, there was an estimated \$5 billion in cost savings for U.S. companies with employees who worked remotely—and that's just counting part-time workers. In general, embracing remote work options can help employers reduce or eliminate overhead costs, including real estate and operating expenses. The average real

estate savings for employers with full-time remote workers is \$10,000 per employee every year, according to stats from PGI News.

A more recent development is remote worker recruitment as an economic development strategy for rural areas leveraging the quality of place as an attractor of talent rather than the traditional business recruitment activities.

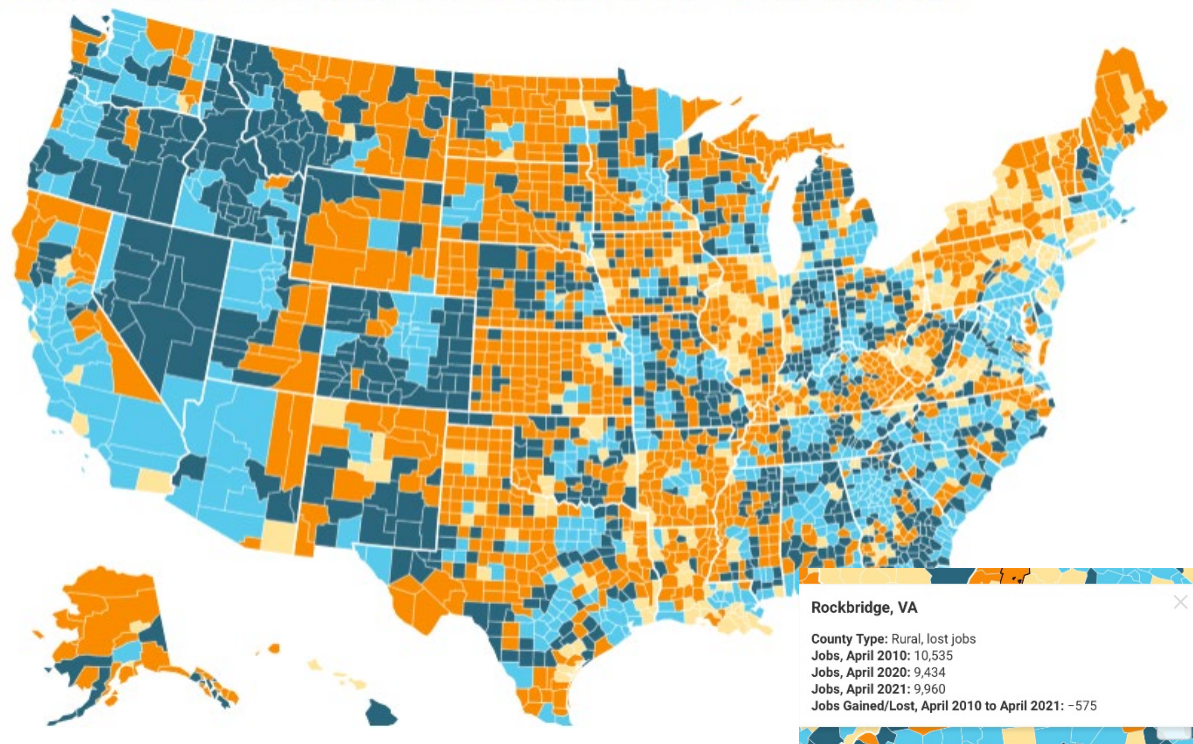
Rural America for the first time began to experience a net population decline, beginning with the early economic recovery of 2011. Much of this has had to do with the fact that much of the recovery in net job gains has been in urban America. However, Rural America in April 2021 had essentially the same number of jobs as in 2010, 11 years earlier. Rural America didn't lose as much employment as the big cities did during the pandemic years. Daily Yonder reported rural areas gained back their lost jobs at a faster past. Map 1 highlights job losses and gains by County since April 2010. Only 28% of rural counties had as many jobs in July 2021 as they did two years prior. Rockbridge County shows it lost 575 jobs.

MAP 1. Job Loss/Gain April 2010 to April 2021 (Source Daily Yonder graphic, data source BLS/OMB)

Job Loss/Gain April 2010 to April 2021

The map shows whether counties gained or lost jobs, comparing data from April 2010 with April 2021.

■ Rural County, Lost Jobs ■ Rural County, Gained Jobs ■ Metro County, Lost Jobs ■ Metro County, Gained Jobs



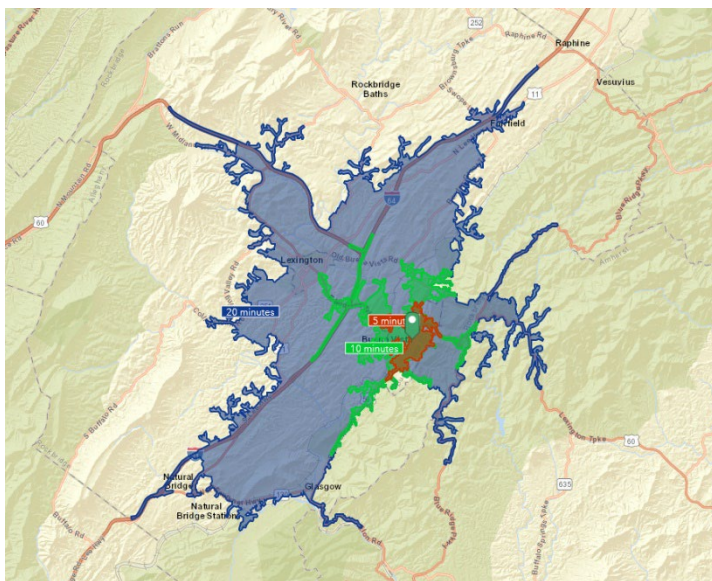
Given a choice, a Gallup Poll from 2018 revealed that 27 percent of Americans would prefer to live in a rural area, versus the 12 percent who favor a large city. In addition, during the global pandemic, housing searches for rural and/or small towns nearly tripled according to Redfin.

This twin focus on rural development and remote work comes as the country's approach to spending professional time outside of the office evolves. At the same time, larger economic shifts—globalization, new technology, the prevalence of coworking, and increased mobility described as the "Open Talent Economy" - have led to a higher number of freelancers. Today, due to COVID, a greater share of Americans spend significant time working outside of a traditional office. And it shows no signs of being just an economic development or societal fad. COVID simply accelerated what was already a growing trend.

Though the concepts of coworking and telecommuting have struggled to be more fully embraced across all industry sectors beyond IT and health care, there is little doubt that there is a growing mindset shift. However, despite the easy availability of tools like Slack and videoconferencing, not everyone can be a full-time digital nomad hopping between rural retreats. And the creative class, for the most part, has never been more concentrated in big cities. So, rural economies need to be patient and recognize that it's unlikely that any headquarters or large tech campuses will move out of major metro areas, thus encouraging a select number of employees to go remote seems more realistic.

Much of the current economic development efforts geared toward a focus on remote workers have tended to be at the state level or among second-tier cities located in more rural states. West Virginia's Ascend program began offering more than \$20,000 in incentives to attract talent to relocate and work

MAP 2. Buena Vista Study area, 5, 10, 20 min drive time.



remotely, first in Morgantown. In addition, smaller communities such as the Shoals community in Northwest Alabama and Bentonville, Arkansas (home of Walmart) also got into the remote worker incentive game.

For this demand analysis, we are using ESRI data to examine statistics within a 5, 10, and 20-minute drive time of 100 W 21st Street, Buena Vista.

Extrapolating these figures based on national figures, the remote worker population should show growth over the next five years.

According to Upwork, 41.8% of the American workforce continued to work remotely at the end of 2020. Although an estimated 26.7% worked from home through 2021, 36.2 million Americans (22% of the workforce) will be working remotely by 2027. This is a staggering 87% increase from the number of remote workers before the pandemic. For the purposes, of this study, we

will use a conservative blend rate of 24.4 percent to calculate annual figures that should serve a Buena Vista coworking space through 2027.

TABLE 2. Annual demand from remote workers by trade area through 2027.

	5 min Trade Area	10 min Trade Area	20 min Trade Area
Workforce population 2022 (16+)	4,668	5,395	22,268
Workforce population 2027 (16+)	4,621	5,341	22,491
Remote Worker Projections 2022-2027	1,139 - 1,128	1,316 – 1,303	5,433 – 5,488
Overall, 5-Year Growth	-11	-13	55

Although younger workers like millennials and members of gen Z seek remote work flexibility, it’s a job benefit that workers of all ages are demanding. Some 73% of all teams will have remote workers by 2028, according to a report by Upwork. The demand by younger workers will “lift all boats” by making working from home increasingly commonplace.

A CNBC survey shows that a quarter of the roughly 4 million remote workers in the U.S. make more than \$100,000 a year, compared to just 7 percent of the total in-office workforce, and 13 percent of those remote workers are remote full-time. New Census Bureau data found that 1 in 20 workers now usually work from home, making telework the third most popular “commuting” method in the U.S., just ahead of public transit. Income levels suggest that there is a large misnomer that remote work living does not equate to prospects for market-rate housing.

Many of these same remote workers, chose to combat a sense of isolation by “coworking.”

Some second-tier cities have also launched similar initiatives: New Haven, Connecticut, is providing up to \$80,000 to attract homeowners. North Platte, Kansas, is offering \$5,000 in incentives to remote workers. And Tulsa Remote promises \$10,000 to those who relocate to the Oklahoma town and stay for a year, as well as membership at a local coworking space and up to three months of discounted rent in a furnished apartment in the city’s Arts District.

Market Segment 3. “Solopreneurs”/Neutral-Location Businesses Projections

According to the U.S. Bureau of Labor Statistics, 15 million people were self-employed in 2015, or 10.1 percent of all U.S. workers, including those who had incorporated their businesses and those who had not. Of all the self-employed, 9.5 million, or about 6 in 10, were unincorporated (63.4%); the remaining 5.5 million were incorporated (36.6%). The corporation status distinguishes between those who are or are not paid by their corporation.

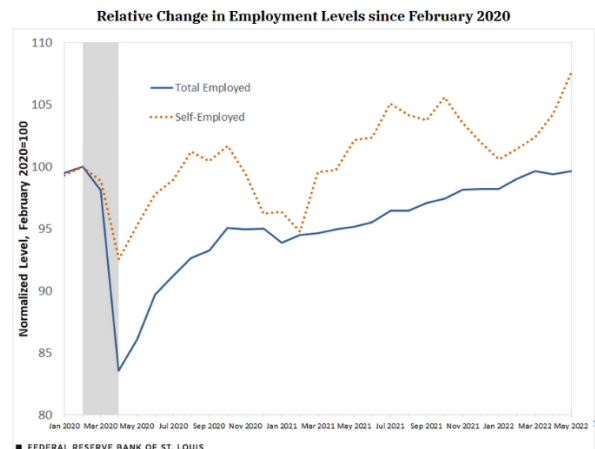
As of February 2022, self-employed workers made up almost 11% of the 157 million employed workers in the U.S. Graphic 6 shows the share (six-month moving average) of the labor force that is self-employed over the past two decades.

GRAPHIC 6. U.S. Labor Force, Self-Employed



SOURCES: Current Population Survey and authors' calculations.
NOTES: The data (six-month moving averages) are from March 2000 to February 2022. Shaded areas indicate recessions.

GRAPHIC 7. Change in Employment Levels



SOURCES: Current Population Survey and authors' calculations.
NOTE: Shaded area indicates a recession.

As evidenced by GRAPHIC 6, the share of the labor force that is self-employed increased by about 0.4 percentage points from February 2020 to August 2020. This looks much different from what happened during and after the Great Recession when the share of self-employed workers decreased.

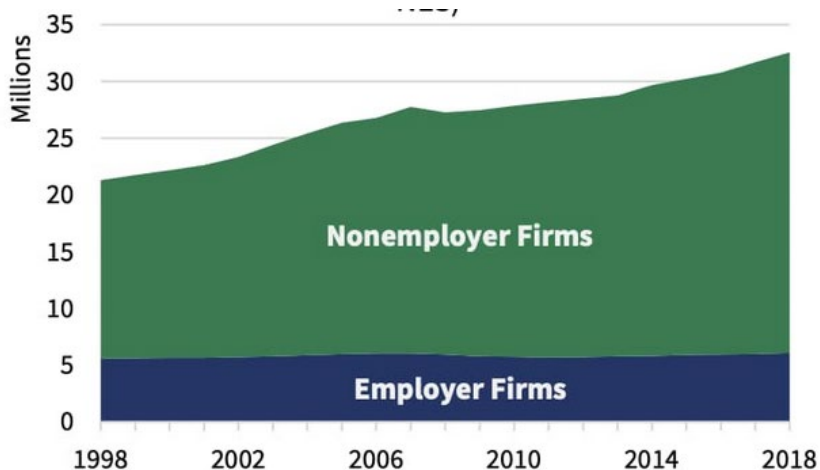
GRAPHIC 7 demonstrates the recovery of self-employment after the onset of the pandemic. By normalizing the number of self-employed and employed workers to 100 in February 2020, we can track the recovery of both. Not only was self-employment less susceptible to initial employment declines than other forms of employment, but it also recovered more quickly to pre-pandemic levels by the summer of 2020. Unlike regular employment, it exhibited an additional dip during the winter 2020-2021 wave of the virus but has since recovered from that as well.

The incidence of self-employment has increased over the past few years, reversing a downward and then constant trend over the previous decade. In terms of cyclical attributes, because small-business owners typically lack large cash reserves, they can be most vulnerable in recessions. However, in the months after the COVID recession, self-employment experienced a more moderate drop in employment than that of regular workers, and it has since recovered more strongly: In July 2021, the percentage of the workforce that was self-employed reached its highest level since August 2008. As the gig economy continues to grow, self-employed workers are on track to become even more relevant drivers of labor market dynamics.

According to the Small Business Administration, there are currently 32.5 million small businesses in the U.S.

Small businesses represented 99% of all businesses in the U.S. Of these small businesses, 81% have no employees, and 19% have paid employees. The SBA defines a small business as a firm with fewer than 500 total employees.

GRAPHIC 8. Number of Small Businesses (SUSB, NES)



Additionally, data from the U.S. Census Bureau shows that an average of 4 million businesses start up every year—and that average is based on the previous five years of data.

The number of businesses created per year has increased thanks to the entrepreneurial awakening brought about by the pandemic. Here's a look at the increase in the number of new businesses over the past five years:

- **2021:** 5.4 million new business applications in the U.S. (+22.7% vs. 2020)
- **2020:** 4.4 million new business applications in the U.S. (+25.7% vs. 2019)
- **2019:** 3.5 million new business applications in the U.S. (+0% vs. 2018)
- **2018:** 3.5 million new business applications in the U.S. (+9.4% vs. 2017)
- **2017:** 3.2 million new business applications in the U.S. (+6.7% vs. 2016)

The numbers look similar for likely employer businesses; these are businesses that are more likely to have full-time employees once they're established. Data from the U.S. Census Bureau shows the pandemic also encouraged more employer businesses to form.

The most common type of business in the U.S. is service businesses, with Professional, Scientific, and Technical Services representing 4.5 million small businesses, or roughly 14% of all small businesses.

According to ESRI statistics the Buena Vista trade area, as defined by this study, has 1,582 businesses. Using the 2018 SBA data for small businesses, we could estimate that 1,281 would be sole entrepreneurs. According to ESRI statistics, the Buena Vista trade area has 18,340 employees. Using the February 2022 data on labor market statistics, 2,017 would be self-employed. Furthermore, it would be anticipated that 1,614 of those self-employed would have no employees.

TABLE 3. Summary of solopreneurs / Neutral location businesses by trade area

	5 min Trade Area	10 min Trade Area	20 min Trade Area
Workforce population 2022 (16+)	4,668	5,395	22,268
Estimated Self Employed	513	593	2,449
Number of Businesses	196	225	1161
Estimated Self Employed	159	182	940
Total Estimated Self-Employed	672	775	3,389

Market Segment 4. Gig Economic Workers

Given the growth in freelancers and contract worker types, “gig economy” workers represent another segment of the market for Buena Vista to examine in terms of coworking space demand, especially when you consider the changing nature of employment that further suggests work is becoming disconnected from specific places. The workforce across all industries has started recognizing the benefits of joining the gig economy but there are still some concerns and issues that need to be addressed.

The Bureau of Labor Statistics reported 57.3 million people in the U.S. are “gig workers”. This accounts for approximately 36 percent of the U.S. workforce, projected to increase to more than 50% of the U.S. workforce by 2027.

Extrapolating Buena Vista’s workforce population of 32,331, in 2022 there would be 11,639 workers anticipated to be classified as gig workers, rising to 16,165 in 2027.

TABLE 4. Summary of Gig Workers by Trade Area

	5 min Trade Area	10 min Trade Area	20 min Trade Area
Workforce Population 2022 (16+)	4,668	5,395	22,268
Total Estimated Gig Economy Workers	1,680	1,942	8,016

Summary of Coworking Market Demand

Given the changing dynamics of work combined with the rise of coworking space needs, this analysis focused on three target markets for such a facility in Buena Vista:

1. Remote Workers
2. “Solopreneurs”/Neutral-Location Businesses
3. Gig Economy Workers
4. Microbusinesses

The following table represents an overview of the market demand when looked at in totality of the representative anticipated market within 20-minute drivetime of downtown Buena Vista.

TABLE 5. Summary of Coworking Space Demand – Buena Vista, VA Trade Area

	5 min Trade Area	10 min Trade Area	20 min Trade Area
Gig Economy Workers	1,680	1,942	8,016
Microbusiness Projections	51	58	231
Self-employed based on workforce	513	593	2,449
Self-employed based on # of businesses	159	182	940
Remote workforce	1,128	1,303	5,433
Total projected user demand	3,531	4,078	17,069

Based on projections the overall current market total ranges are nearly 3,531 individuals currently, rising to 17,069 within a 20-minute drive of downtown. Much of this is due to the rise in independent workers. It is important to note that these numbers are presentative of national statistics. It is completely possible that Buena Vista may not have the same percentages, and thus it is important to always use your local “gut instinct” to examine the totals. Nonetheless, even a variance of 10 -20 percent would suggest a large market given the overall population.

Table 6 examines these numbers based on what is the probability to attract them to a facility. This is referred to as “capture rates.” To understand the probability of the respective target markets using a coworking space, we drew upon a 2019 study by Coworking Insights that reviewed 1,000s of coworking sites to determine users. As you can see, based on the unique capture rates of the four target markets, it is anticipated that currently, 443 to 2,132 individuals would have an interest in using a facility.

TABLE 6. Summary of Coworking Market Demand Based on Capture Rates – Buena Vista, VA Trade Area

	5 min Trade Area	10 min Trade Area	20 min Trade Area
Gig Economy Workers	1,680	1,942	8,016
Capture rate .1943	326	377	1,557
Microbusiness projections	51	58	231
Capture rate .0763	4	4	18
Solopreneurs / neutral location	672	775	3,389
Capture rate .0763	51	59	259
Remote workforce	1,128	1,303	5,433
Capture rate .0549	62	72	298
Total projected user demand	443	512	2,132

Due to a lack of industry data, it is unclear what a good conversion rate is. Various experts recommend between 5-30% for this vital business metric. We will anticipate that the total market of potential users and actual monthly members will start at the low end or 5%, with 22 members to as many as 107 members from 20 minutes from downtown.

Coworking Space Opportunity: Market Analysis – Revenue

Most revenue will come from membership fees, but those can take several forms. You can have members pay monthly or annually or charge hourly for the use of the workspace. You can offer both hot desks, which can be rented out for specific times, and dedicated desks, where a member can leave their things and return at their leisure. A mix of both will ensure you're filled to maximum capacity.

In the previous section, we estimated how many, realistically will sign up. It is anticipated that the facility overall has a capacity of 22 users, divided between hot desks, dedicated desks, private offices, and mailbox users. At the average of 100 sq ft person member, the coworking space would be approximately 2,200 sq. ft. If you want to obligate space for a larger common area, meeting rooms, or a coffee shop, you'll need to allow for more footage.

Evaluation Method #1: Coworking Insights suggests the following formulas for examining break-even and profit pricing strategies. The model below takes into consideration a rent obligation but no other expenses.

Break-even model

(Cost of space x 1.5 = total cost of space) / (number of square feet / 100 = number of desks) = Cost per desk

**Buena Vista Example w/2,200 sq. ft. of coworking space @\$6/sq.ft.
\$13,200 x 1.5 = \$19,800 divided by 2,200/100 =22 desks = \$900/desk per year or \$75/month**

Profitable model

(Cost of space x 3 = cost of space and then some) / (number of square feet / 100 = number of desks) = Cost per desk

**Buena Vista Example w/2,200 sq. ft. of coworking space @\$6/sq.ft.
\$13,200 x 3.0 = \$39,600 divided by 2,200/100 = 22 desks = \$1,800/desk per year or \$150/month**

Evaluation Method #2: Based on Anticipated Demand

Based on the demand assessment completed, in year 1 we would anticipate approximately 18 “members” using the facility in some form. Some would-be private office users, dedicated desk users, and just dropping in intermittently. Given the choices, an estimated break-down of those monthly users would appear as follows:

- Dedicated Desk – 6 at \$150.00 month.
- Private Office – 3 at \$250.00 month
- Hot desk drop-In Users – 8 at \$12.00 a day
- Mailbox Users –5 at \$30.00 month

Total 22 Members

To examine predicted revenues based on monthly demand, the best comparison would be The Vault in downtown Charlevoix, Michigan. Graphic 9 represents their pricing:

GRAPHIC 9. The Vault Membership Rates

Membership Rates (Vary by Season)
 Daily Desk Use - \$20-\$25 per day
 Weekly Desk Use - \$75-\$100 per week
 Monthly Dedicated Desk - \$150-\$175 per month
 Daily Private Office - \$25-\$30 per day
 Weekly Private Office - \$100-\$125 per week
 Leased Private Office - \$250-\$350 per month
 Conference Room Rental - \$50

Visit our [Membership Website](#) for availability and more information.

The Vault is located at 201 State St, Charlevoix, Michigan.
Operating hours for drop-in and weekly users: Monday-Friday 8am-5pm
Monthly member access 24 hours a day, 7 days a week

Looking at our demand by type of use, Table 7 outlines anticipated monthly revenues for a coworking space based on forecasted monthly users by segment.

TABLE 7. Estimated Revenues for coworking space in Buena Vista, VA

Type of Coworking Space User	Quantity	Pricing/Unit	Monthly Revenues
Dedicated Desk User	6	\$150.00/month	\$900.00
Private Office, 24/7 Access Users	3	\$250.00/month	\$750.00
Drop-in Users at Hot Desk	8	\$12.00/day	\$96.00
Mailbox Users	5	\$30.00/month	\$150.00
Conference Room	2	\$50.00/day	\$100.00
Café Operator	1	\$300.00/month	\$300.00
Total Anticipated Revenue			\$2,296

This analysis would support 2,200 sq. ft. of coworking space at \$6/sq. ft., the monthly rent would be \$1,100, and thus break-even occurs at approximately 48 percent of anticipated demand. However, rent is the only expense included and other factors of operations may balloon this to break even at 75 percent of anticipated demand.

Other Revenue Streams

You can also bring in revenue through amenities like a cafe and build different levels of membership based on these smaller perks. For example, a higher-tier member might get unlimited coffee, free guests, or free access to events.

Another popular revenue stream for coworking space is something called a “virtual office,” in which startups or remote teams pay for a business address where they can send and receive packages, even while working from a different place, like their homes.

Recommendations

The following recommendations are based on an analysis of demand for coworking space and a shared support services facility:

#1. Create an identity that can be used to market and communicate the brand.

A good marketing strategy is key to getting your coworking space off the ground. It’s also highly connected with who your audience is. You may run advertisements on local news or in niche magazines that cater to your audience. You should have an attractive website and a strong social media presence. Many places find success in offering perks to existing members for referring friends. Try and get creative. Can you work with influencers that your audience might follow? Should you have a booth at industry fairs, or offer freebies to those passing by at a local farmers market or on a busy street? Start building your coworking community at least 6 months before opening.

#2. Energize the space with additional uses/functions.

You should always aim to offer the work necessities that aren’t available in free spaces like coffee shops: printers, reliable high-speed internet, writing utensils, scanners, and other office supplies. You may want to cater to a specific industry, like offering a space where entrepreneurs can network and bounce ideas off each other. Are you geared towards providing networking opportunities, or a quiet space for optimal productivity? Or do you cater to bigger clients who want more private meeting spaces or long-term rentals? The answers to all these questions will begin to define how you sell your space.

Hosting training and educational programs, along with the potential for something like “Pop-Up” programming on a rotating basis will energize the space. Leverage local and regional partnerships. Let your coworking community be part of the decision-making process. Offices are easier to sell than most hot desking plans. However, you can have too many offices because it hurts the culture and your business in the long term and limits flexibility to you and the member.

#3. Evaluate an opportunity to develop a new Buena Vista Main Street office operation integrated within the coworking space.

As an Affiliate Main Street America Community, build toward the future by integrating within the coworking space a location for a future staff person managing the coworking space and the Main Street program. This would save on management expenses, provide on-site staffing, and provide a drop-in space for the SBDC.

#4. Consider developing an incentive program with the coworking spaces.

Given your target markets (remote workers, gig economy workers, microbusiness, and “solopreneurs”), these represent markets that can effectively reside anywhere. They are making a personal choice either due to living preferences and/or family-related actions to live in and near Buena Vista. As such any programming that would incentivize this more may help in increasing the pipeline needed for the development opportunity. A few examples are as follows:

Tulsa Remote Program is actively looking for people to move to Tulsa, Oklahoma’s 2nd largest city, seeking residents who would stay at least a year and bring their remote jobs with them. In return, successful applicants would get a \$10,000 stipend, housing assistance, space at a downtown coworking location, and more. Remote Tulsa is funded by a local foundation. The Remote Tulsa program received more than 10,000 applications in just 10 weeks — 10 times what they had been anticipating. The Tulsa program is one of several new initiatives by cities, states, and counties that have seen dwindling populations and stagnating economic growth as populations age and younger residents leave chasing opportunities — and don’t come back.

The Vermont Worker Relocation Incentive program helps subsidize moving expenses with reimbursement grants of up to \$7,500 if you move to Vermont. This program is funded through a \$3.09 million one-time allocation from the Vermont Legislature and is a first come, first served program. More applications were received than funds available. The initiative aimed to reverse an onerous trend: a third of the state population is older than 55 and will be set to retire in the next decade.

Shift South Remote Worker Program was started to encourage the relocation of remote workers to the Natchez or Adams County in Missouri. The area along the Mississippi River offers a low cost of living but a high quality of daily life. The incentive program offers up to \$6,100 total to offset relocation and cost of living expenses if you commit to purchasing a home with a value of \$150,000 or more.

#5. Maintain and Grow Regionally a Coworking Network

In Buffer’s State of Remote Work 2022 report, unplugging and loneliness remain in the top three concerns for remote workers but a growing number of remote workers are making more friends because of a coworking spaces community and their ability to collaborate and communicate with other members. While you might be connecting with your work colleagues remotely, members are building connections at the coworking space in other ways. In our examination of other remote worker programs, networking activities were a large component and attraction.

Common activities involve educational activities (perhaps covering elements of remote working or trends and technologies to use); social activities like meet-ups at a microbrewery; focus groups to discuss issues/barriers, etc.

#6. Integrate a rotating Pop-Up Program within the Coworking Space

Given the density of activity from workers and education/training programming, allowing for a small, rotating pop-up program would further expose the general public to what is happening within the space. During the nice weather months, there may be the opportunity to integrate a street/sidewalk into this effort as well.

Think about smaller-scale partnerships as well, such as different local businesses and entrepreneurs you can collaborate with. Perhaps a local coffee shop would be interested in opening a cafe in your space, or a local restaurant could offer delivery. Host fitness classes right in your coworking space.

If you plan on hosting events, begin to compile a shortlist of people who would make a good fit. Are there local entrepreneurs who could give an inspiring talk, or authors who might draw a crowd? Perhaps artists would be interested in having their work on display, or a local library could sponsor a small lending library in your space.

#7. Focus on Location, Location, Location

You want a space that's convenient, safe, and easy to find. By nature, coworking spaces work well in older and underutilized buildings. Look for a space that has been vacant for a while or is not being used to capacity. You may be able to strike a good deal with the landlord or property manager to secure an inexpensive lease.

#8. Examine Operational Software

As coworking has become more popular, tech companies have started building software to help coworking spaces thrive and create the best experience for their members and visitors. Based on findings from Coworking Resources, top coworking, and flexible workspace software that provide solutions for different types of business needs include Nexodus, Optix, andcards, Yardi Kube and Cobot.

Expenses to Consider

The first stage of running a coworking space includes costs for rent, desks, and chairs, an insurance policy, wireless routers, as well as operating costs for utilities—water, electricity, and a reliable and strong internet connection. In the beginning, you also need to budget for basic pantry and cleaning supplies, such as a water cooler, coffee, and toilet necessities, and various small operating costs, such as trash cans, light bulbs, and a coat rack, to name a few.

Operating costs can also include a telephone line or one of the multiple communication options available, such as VoIP telephony, coworking software, security, health, and safety systems.

This stage includes costs for conference room equipment, workstation furniture, additional chairs and desks, projectors, as well as whiteboards and markers. In this stage, you can also calculate any extra kitchen supplies and costs for various small pieces of furniture, such as lockers, portable small chairs, cabling, extra routers, audio, and video equipment, such as speakers and headphones, as well as office supplies.

Set-up Costs

The cost of infrastructure - routers, internet, building lease, down payment renovation, furniture, utilities, are major expenses and you should properly research your tenant improvement budget.

Startup Marketing Expenses

- Website
- Video
- Photos
- Branding

Software

You can run your space without coworking management software through a collection of tools. However, it is easier to have packaged software for your space. This can run from \$50 a month.

Initial Monthly Losses

- You will not likely be cash flow positive for several months.
- If you are going to open between November and January, then you should expect it to be a slower start.

The third stage must include costs for staffing. How many people will be enough to run the place? Will you be open 24/7? Do you need to think of hiring a security staff? Can you make a self-service coworking space and save on front desk staff? Sometimes, long-term members of the coworking community can assist in servicing the space in exchange for free services or discounts.

Staffing

There are a lot of ways you can do staffing. Smaller coworking facilities should budget for one full-time person per 12,000 sq. ft.

The final stage includes costs for various extra perks, special services, and design improvements that don't require immediate attention. These can include partitions and noise-blocking devices for adding another layer of privacy and increased productivity. If the place comes with a garage or a basement, consider how much you need to invest to remodel the spaces into something that can bring additional income, such as a fitness center, a small movie theater, or outfitting the space with storage lockers. If you plan to host large events, you need to include costs for extra chairs or tables and any additional equipment you may need if you are the main event organizer, such as food and beverage storage, decorations, and sponsorship equipment.



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