The economic impact of the WeWork network in London

A report for WeWork

October 2018

Cebr

Disclaimer

Authorship and acknowledgements
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The report does not necessarily reflect the views of WeWork.

London, October 2018

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Executive Summary

The individual and business impact of the WeWork network

- Our analysis shows an average annual price saving of £24,000 (38%) between the occupancy costs for a four-person office space and an equivalent WeWork office across London.
- When asking senior decision makers about the most important reasons for choosing WeWork, location, flexible leases and an appealing design take the top three spots, followed by value-for-money.
- Among the surveyed companies, annual revenue has increased by an average of 34% since joining WeWork. This is more than three times as fast as the average cost growth (11%).
- Headcount increased by 5.8 persons on average since joining WeWork.
- 80% of surveyed companies agree that WeWork has helped them to increase their productivity.
- In terms of the community benefits, 44% of members value the events organised by WeWork such as lunch and learns, or meet-ups the most, while 38% value working with like-minded people.
- A third of members said that other WeWork members had given them ideas on how to improve their businesses.

The neighbourhood impact of the WeWork network

- WeWork members have a significant impact on the local economy via their spending in neighbourhood shops, restaurants, cafés and pubs. In total, the average WeWork member spends £55 per week in the neighbourhood, nearly three times as much as the average London adult.
- When these neighbourhood spending amounts are scaled up by the number of WeWork members, the total impact for local businesses comes to £75 million per year.
- 97% of WeWork members commute via public transport, walking or biking – more than the central London average of 89%.
- 54% of female WeWork members work in a leadership position compared with only 10% across women in the London workforce.
- WeWork unlocked around 1.3 million sq ft of office space in 2017/2018, equivalent to the total floor space of the Shard.
- We estimate that WeWork has helped to save around 0.02 MtCO2e, equivalent to 0.5% of total London office emissions or the annual CO2 absorption capacity of 700,000 trees.
- WeWork offers a workspace to around 13,000 microbusinesses that often struggle to find a lease in the commercial real estate market. As such, we estimate that WeWork helps to decrease the office vacancy rate in London by 0.46 percentage points.

The city impact of the WeWork network

- WeWork has grown exponentially in London since its opening in late 2014; from less than 600 individual members to over 26,000 members as of mid-2018.

- We estimate the direct employment contribution of WeWork members to employment to be 26,400 jobs in 2018. Including the multiplier impacts, we find WeWork members support an aggregate of 54,200 jobs.
- The aggregate GVA footprint of WeWork members in the UK economy, including the additional indirect and induced multiplier impacts, stands at £6.3 billion in 2018. This exceed the GVA of cities like Plymouth, Swansea or Ipswich.

1 Introduction

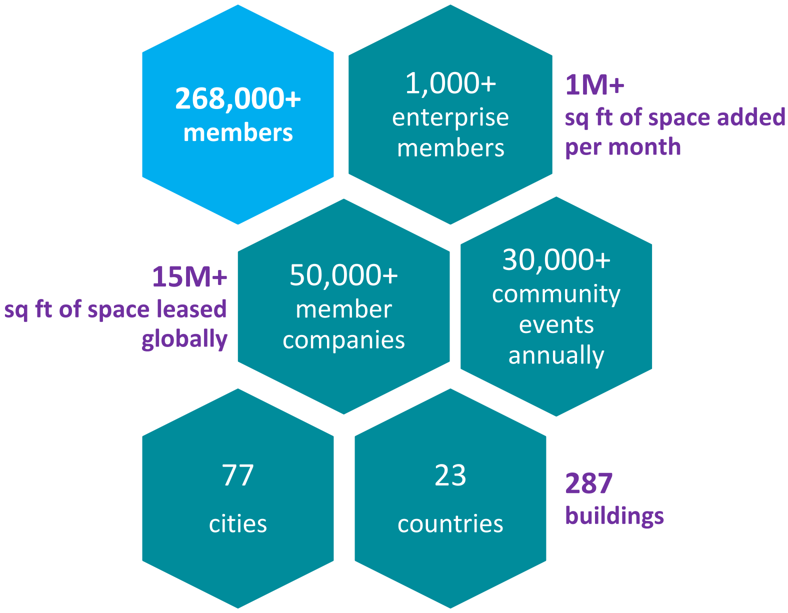
Cebr is pleased to present this report to WeWork on the economic impact of the WeWork members in London, as well as the wider economic contribution of the WeWork network to the London economy. For the purposes of this study, we have focused on the WeWork members who have their primary WeWork location in London. However, it is important to note that one of the advantages of a WeWork membership is the flexibility it provides to its members in terms of the location of their workspace. WeWork allows its members to work from different cities in the UK, such as Manchester and London, as well as from different countries across the globe.

This report forms one of two reports on the economic impact of the WeWork members and the economic contribution the WeWork network makes. The other report focused on the economic contribution of WeWork in the US and was separately produced by HR&A[1]. While Cebr was not involved in the development of the US study, it is still important to consider this report as part of the wider framework present in the two reports, which sets out the overall contribution of the WeWork network.

1.1 About WeWork

Founded in New York City in 2010, WeWork is a global network of workspaces. Since its creation, WeWork has expanded to 77 cities in 23 countries with 268,000 members across the globe. By transforming buildings into dynamic environments for creativity, focus and connection, one of the core goals of WeWork is to become the leading provider of collaborative workspace, allowing companies and people to grow together. The company's strategy is aligned with the company's desire to humanise the way people work and live. The figure below presents a global snapshot of WeWork.

Figure 1: A global snapshot of WeWork



Source: WeWork Economic Impact Report (US)

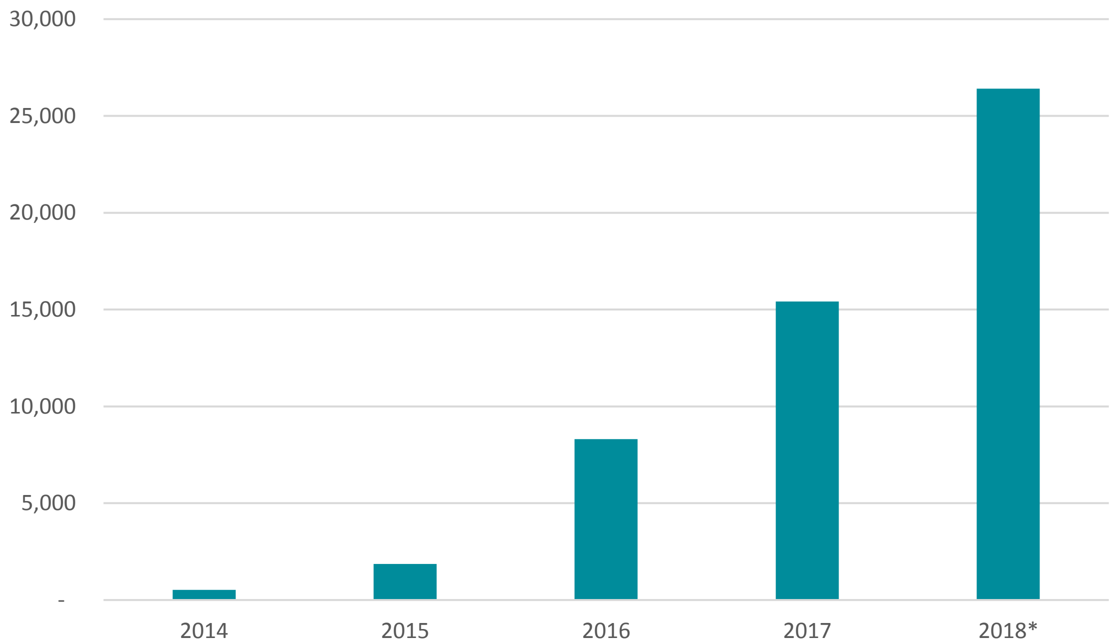
1 https://www.wework.com/blog/posts/2018-wework-economic-impact-report

1.2 About WeWork London

WeWork began operating in London in 2014. Since then, it has seen massive growth in terms of member numbers and locations opened, positioning itself as the leader in the rapidly expanding London market for flexible office space.

Starting with around 500 members in 2014, WeWork multiplied its membership base many times over, growing to over 15,000 members by the end of 2017. Latest figures for 2018 suggest WeWork has added another 11,000 members in the first six month of the year alone putting the membership total at 26,400 as of July 2018.

Figure 2: Growth in London WeWork members, 2014-2018

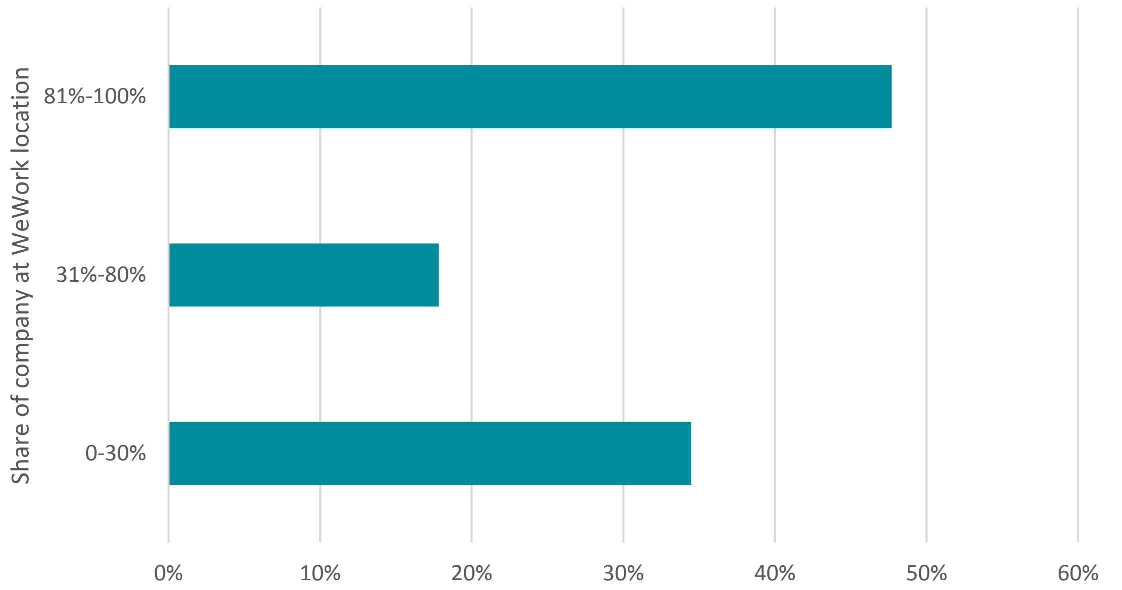


Source: WeWork 2018 survey
*Data until June 2018

As in other markets, WeWork London's membership base is services-focussed with nearly 60% of members working in the information and communications sector and more than a fifth working in professional, scientific and technical activities.

In terms of how companies split their presence between WeWork and other locations, two larger groups emerge. Many companies exist almost entirely within WeWork, demonstrated by the 48% of members who stated that between 81% and 100% of their company staff work from a WeWork in London. The other popular alternative is to work in a smaller team from a WeWork while the majority of employees work from a different location, as is the case for 34% of members.

Figure 3 – Share of company staff working from WeWork location in London



Source: WeWork 2018 survey, Cebr analysis

In terms of office space take-up, WeWork London has had a sizeable impact on the London market. With Over 2.6 million sq ft under lease, WeWork is the second largest office space occupier in central London after the Government.

1.3 Overview of the study and methodology

Purpose of the study

This study seeks to analyse the contribution of WeWork members and the value of the WeWork network to the London economy. This report provides a thorough and comprehensive examination of the role of the WeWork network in London. It presents a range of analyses demonstrating different aspects of the value contributed by WeWork and its members at an individual, business, neighbourhood and macro level. This includes the direct contributions to GDP and employment of WeWork members, as well as the associated indirect and induced impacts.

Overview of methodology

The first part of our research looks at the impacts of WeWork on a neighbourhood and individual/business level, i.e. what are the benefits for WeWork members and how does WeWork compare to a more traditional serviced-office provider. To do so, we ran a survey among WeWork members to uncover the value-added they experience. For instance, to assess the impact of WeWork at a neighbourhood level we asked members how often they frequent nearby supermarkets, shops, restaurants, bars, gyms and other establishments and how much they typically spend. Furthermore, we ran a separate set of qualitative interviews across coffee shops, restaurants and other locations near WeWork offices in London to grasp the benefits from increased footfall and spending experienced in the neighbourhoods which have a WeWork office.

The second strand of research evaluates the economic impact of WeWork members in London as a whole. To do so, we considered the direct employment and value added effects resulting directly from WeWork members' activities in London. The results are then compared against overall the London economy, as well as specific subsectors of the economy. To conduct this analysis, WeWork provided data on its members by sector. Together with the survey results, this allowed us to collate, interrogate and conform the necessary information to the UK National Accounts framework, in order to establish clarity on the precise allocation of the WeWork members' activities against the Standard Industrial Classification (SIC) framework.[2] The output of this process is the direct impact of the WeWork members.

After collation and interrogation, the direct impacts are then combined with the relevant economic multipliers to generate indirect, induced and aggregate impacts. These multipliers were calculated by Cebr using our input-output models. Cebr's models establish the relationships between industries through supply chain linkages, as well as industries' linkages with government, capital investors and the rest of the world (through trade). The models produce three types of impact:

- **Direct impact**: this is the value generated and jobs supported directly by the economic activities of the WeWork members.
- **Indirect impact**: this is the value generated and jobs supported in industries that supply inputs to the WeWork members.
- **Induced impact**: this is the value generated and jobs supported in the wider economy when the direct and indirect employees of the WeWork members spend their wages and salaries on final goods and services.

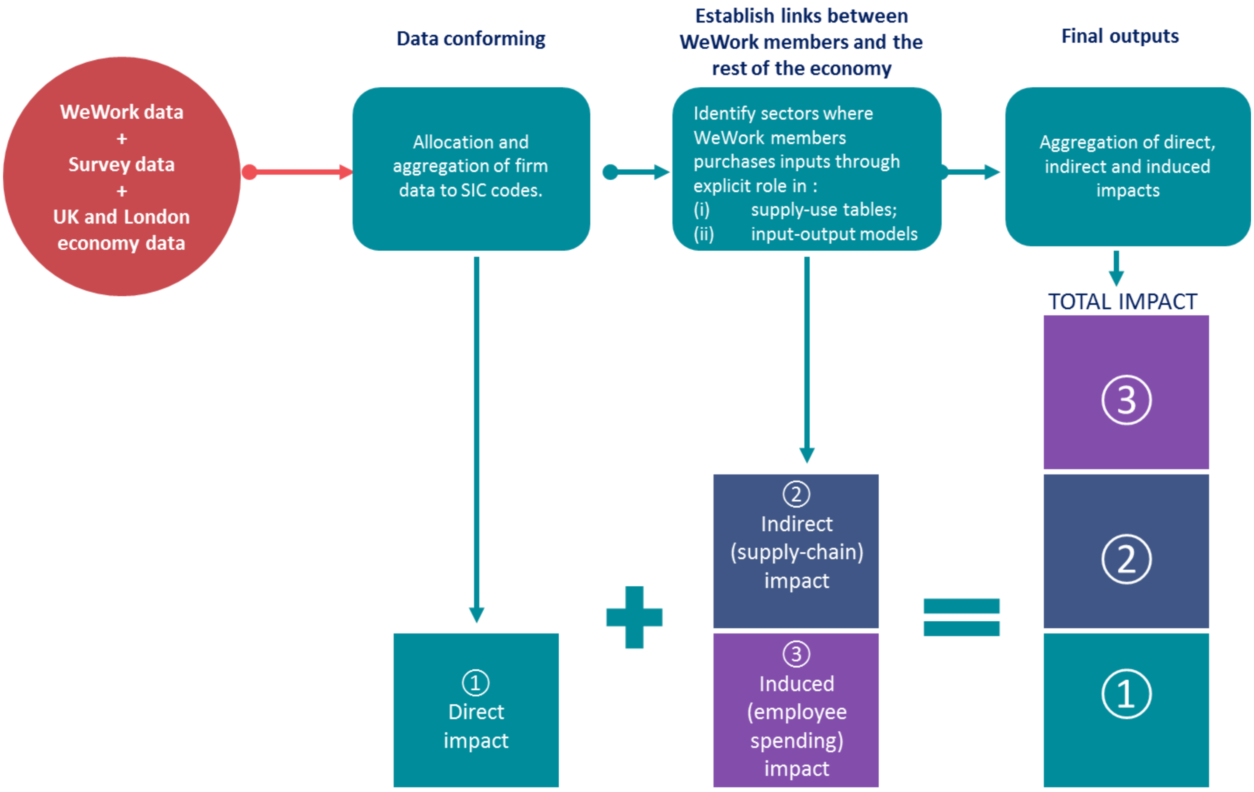
[2] The United Kingdom Standard Industrial Classification of Economic Activities (SIC) is used to classify business establishments and other standard units by the type of economic activity in which they are engaged.

These three impacts are then combined to convey the aggregate impact associated with the activities of WeWork members. The key macroeconomic economic indicators established to demonstrate the impact of the WeWork network include:

- Contributions to London and UK GVA[3] associated with the operations of WeWork members in London, directly and through indirect and induced multiplier impacts.
- Revenue generated by WeWork members, directly and through indirect and induced multiplier impacts.
- Jobs supported by WeWork members, including direct, indirect and induced jobs through multiplier impacts.
- The value of employee compensation[4] generated by WeWork members, and, again, the incomes supported through multiplier impacts.

The infographic below presents snapshot of our methodology.

Figure 4: Overview of the methodology for the second strand of research



Source: Cebr analysis

[3] GVA, or gross value added, is a measure of the value from production in the national accounts and can be thought of as the value of industrial output less intermediate consumption. GVA is linked as a measurement to GDP according to the following relationship: GVA + Taxes on products - Subsidies on products = GDP.

[4] Compensation of employees is the total remuneration, in cash or in kind, payable by an employer to an employee in return for employers' social contributions, mainly consisting of employers' actual social contributions (excluding apprentices), employers' imputed social contributions (excluding apprentices) and employers' social contributions for apprentices.

1.4 Structure of the report

The remainder of the report is structured as follows:

- **Section 2: The individual and business impact of the WeWork network -** Sets out the benefits that WeWork brings to its members and explores why businesses of all sizes have chosen WeWork over a traditional serviced office provider.
- **Section 3: The neighbourhood impact of the WeWork network -** This section presents the wider benefits associated with WeWork's presence in a neighbourhood. This includes the WeWork impact on the local real estate market.
- **Section 4: The city wide impact of the WeWork network -** This section analyses the economic contribution of the WeWork members in London. We focus on indicators such as the value added and employment generated by the companies which use WeWork services.

2 The individual and business impact of the WeWork network

The following chapter outlines the reasons which motivate individuals and businesses of all sizes and across a wide variety of industries to choose WeWork as their flexible office space provider. While the reasons behind the decision to move one's work space into a WeWork – either partly or entirely – are as diverse as the businesses themselves, our research has revealed a number of distinct but connected pull factors. Some businesses calculate that moving their offices into a WeWork is sensible from a purely economic point of view. For these companies, WeWork offers quality office space in attractive locations at a competitive rate compared to other office space providers. Our cost comparison in this chapter will analyse this argument at a local level.

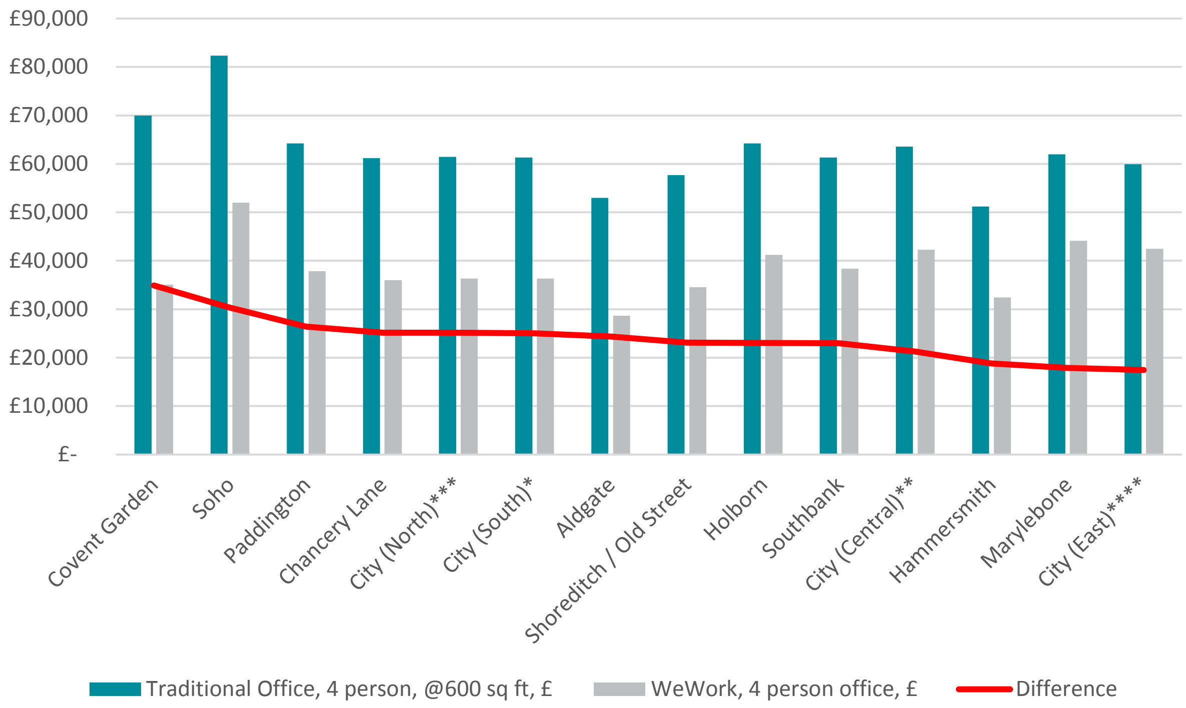
The business case for WeWork is, however, not limited to its prices per square foot of floor space. A recurring theme in our research has been the productivity and growth implications for businesses moving into a WeWork. Whether it be through improved employee satisfaction, working among a community of like-minded individuals or the WeWork sponsored networking events, a large share of businesses feel that there are considerable upsides to their bottom line. This chapter examines these effects in more in detail.

2.1 The business case for WeWork

The cost of commercial real estate is one of the central considerations for start-ups and small businesses. Separate research by Cebr has shown that two-thirds of home businesses see the high cost of commercial rents as the number one obstacle to moving into office spaces.[5] Larger firms and established companies in London are also aware of the high real estate rents in the capital. The first point to consider in this chapter is therefore the financial aspect of renting office space from WeWork compared to a comparable office space in the same neighbourhood. To this end, we have analysed the occupancy costs in a number of popular London districts for a four-person office and compared it with the prices charged by WeWork for a similar office space. The results, presented in Figure 5, show that WeWork is consistently cheaper than the occupancy costs for traditional office space in London. The difference is greatest in Covent Garden, where a traditional 600 sq ft office currently costs just under £70,000 per year. A WeWork personal office for four people comes in at just over £35,000 per year, a 50% difference. A similarly large difference can be observed in Soho, where annual occupancy costs for a 600 sq ft office stand at over £82,000 compared to an average of £52,000 for a four-person WeWork office in one of the two Soho locations, a difference of 37%. Prices diverge the least in City (East), where WeWork is still almost a third cheaper with £42,000 compared to occupancy costs of £60,000 incurred for a traditional office space. On average, our analysis shows a price differential of £24,000, or 38% of the rent in a traditional office space.

5 Unlocking the UK's Home Business Potential – Cebr research for Vonage

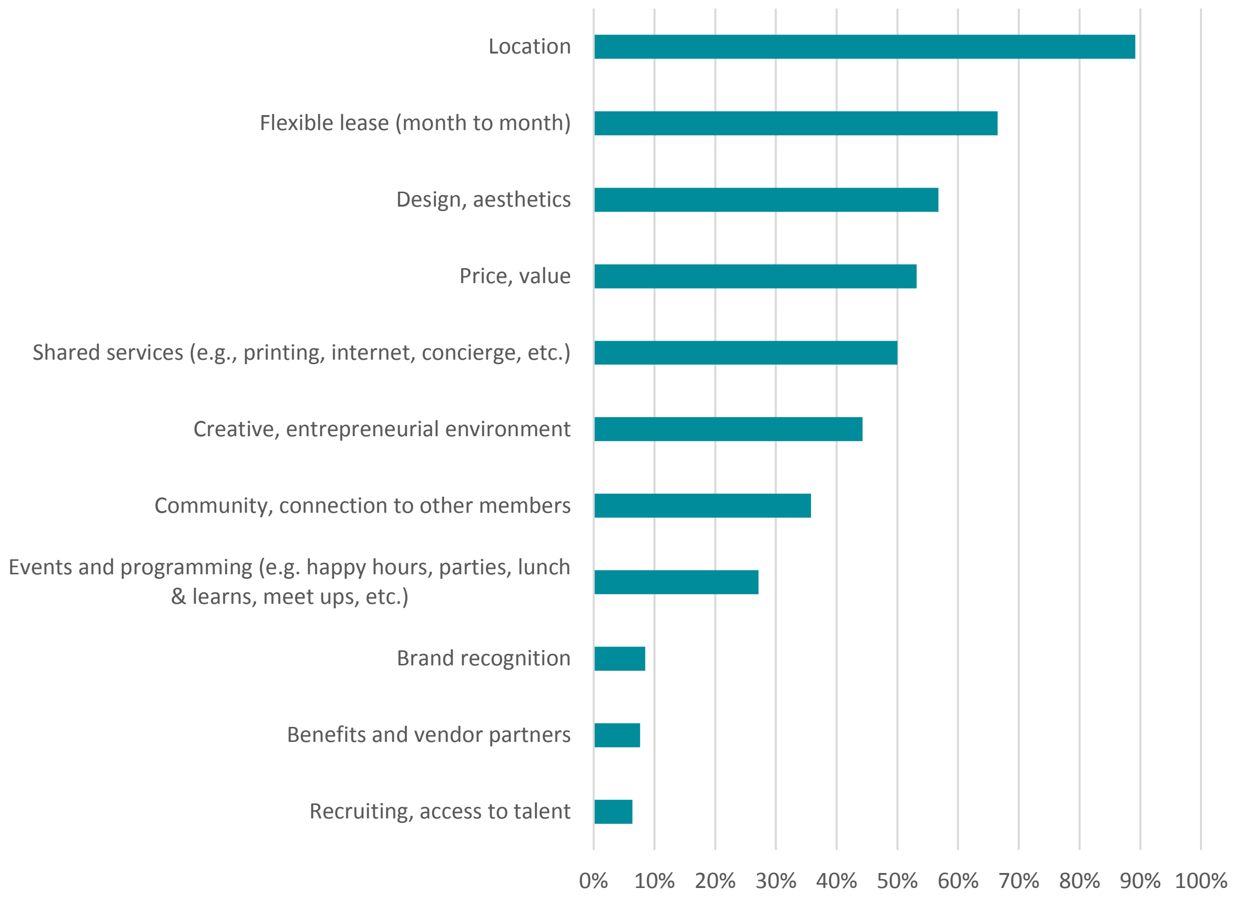
Figure 5: Cost of renting office space for four 4 persons



* Mansion House; ** Bank; ***Moorgate, Bishopsgate, Spitalfields; ****Tower Bridge
Source: JLL Central London Office Market Report, WeWork data, Cebr analysis

The importance of offering a good value-for-money service can be seen when analysing the motivations of decision makers for joining WeWork among London members. Figure 6 shows a list of the most cited reasons for joining WeWork based on WeWork census data from 2017. Location, flexible leases and an appealing design take the top three spots. With 41 locations in the UK, and more on the way, WeWork offers many central places to conduct business, so members can operate in the best locations for their business. Price and value for money comes in fourth place. It is worthwhile stressing that location and prices of real estate are of course heavily related. The fact that four out of five decision makers chose location as an important criteria and 50% said that the value-for-money attracted them, suggests that members appreciate the WeWork offer in popular London areas to work.

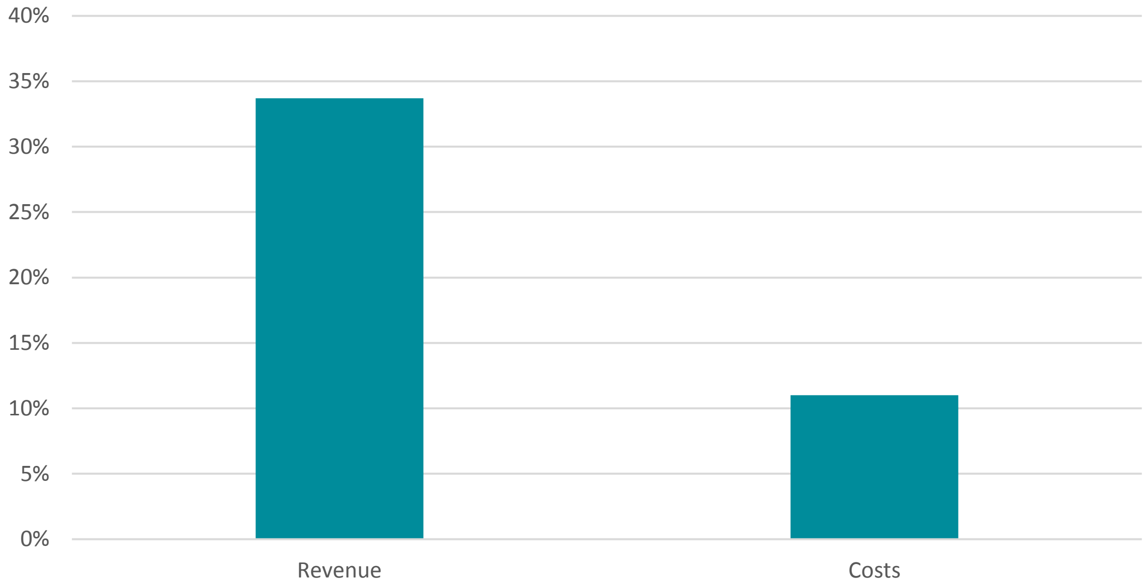
Figure 6: Most important reasons when making the decision to join WeWork (senior decision makers), multiple answers possible



Source: WeWork Census 2017

Our research shows that, aside from often being a cost-saving option, many businesses also chose to move into a WeWork because it has a positive impact on their revenues and profitability. Data from an internal WeWork survey show, that the average company has seen revenues increase by 34% since joining. Costs, on the other hand, have only increased by around 11% as shown in Figure 7, implying that average firm revenue has risen more than three times faster than costs since joining WeWork.

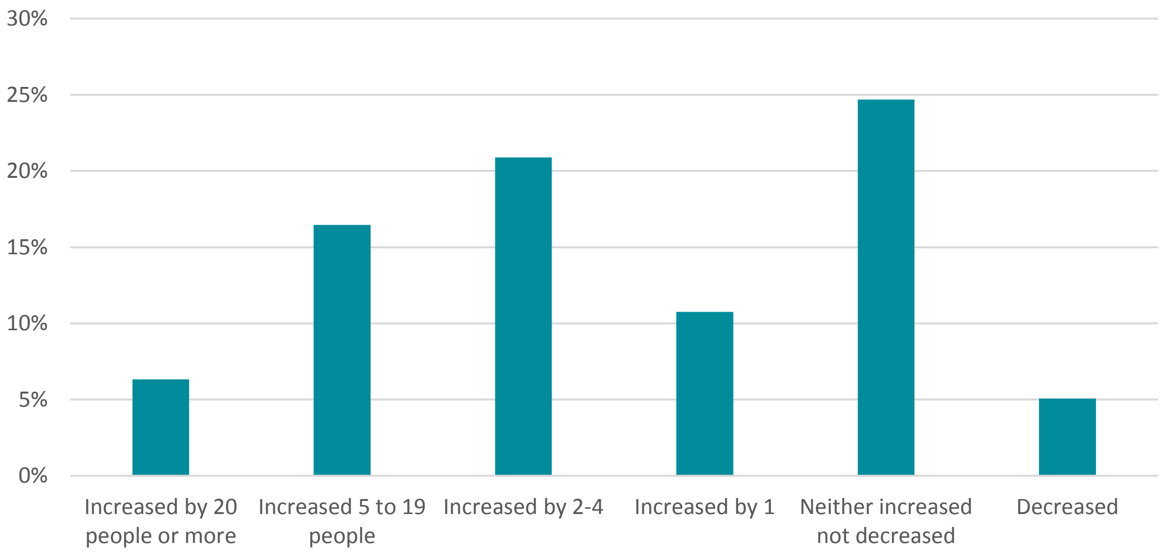
Figure 7: Average increase in revenue / costs since joining WeWork



Source: WeWork 2018 survey, Cebr analysis

WeWork members have overwhelmingly experienced healthy growth over the past years. More than half (54%) of senior decision makers said that their headcount had increased since joining WeWork. A quarter said they added two to four people to their payroll while 6% said they hired more than 20 people as shown in Figure 8. Only a small minority of 5% said their headcount had decreased. The average increase in the headcount of companies who have not reported a decrease stands at 5.8, a 4% increase on the average company size of 145 employees. Having said that, the survey results regarding company success will likely suffer from a selection bias as failing businesses will have left WeWork and thus not have taken part in the survey.

Figure 8: Change in headcount since joining WeWork according to senior decision makers

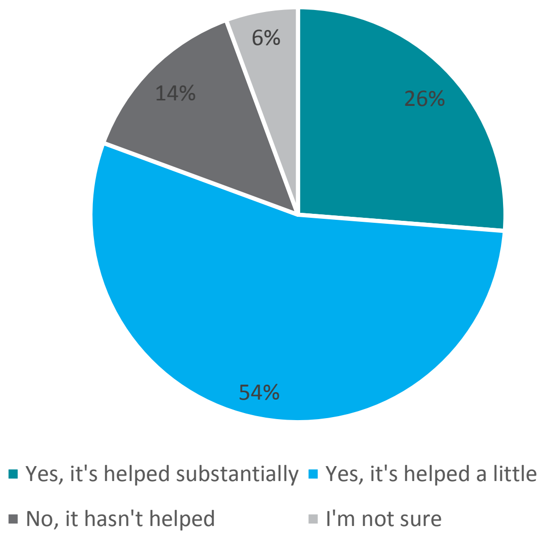


Source: WeWork 2018 survey, Cebr analysis

The next part of the chapter will put the focus on how WeWork has enabled its members to grow. One of the most important aspects of firm performance is productivity, i.e. output per hour worked. WeWork's proposition is to leverage technology in order to increase productivity of its members. In a new WeWork location, this process starts even before the first members move in as the company makes use of building information modelling (BIM) to optimise the available space. Machine learning helps to allocate desks, private offices, meeting rooms and common areas in a way which maximises room usage and optimises interactions between the members and the space.[6] WeWork offices furthermore come with phone booths, printers, high-speed internet and onsite staff who deliver front-desk services and support.

As a result, 4 out of 5 London members say that WeWork has helped improve their company's productivity with more than a quarter agreeing with the statement, that WeWork has helped "substantially" as shown in Figure 9.

Figure 9: Decision makers' responses to "Overall, do you feel WeWork has helped you improve your company's productivity?"

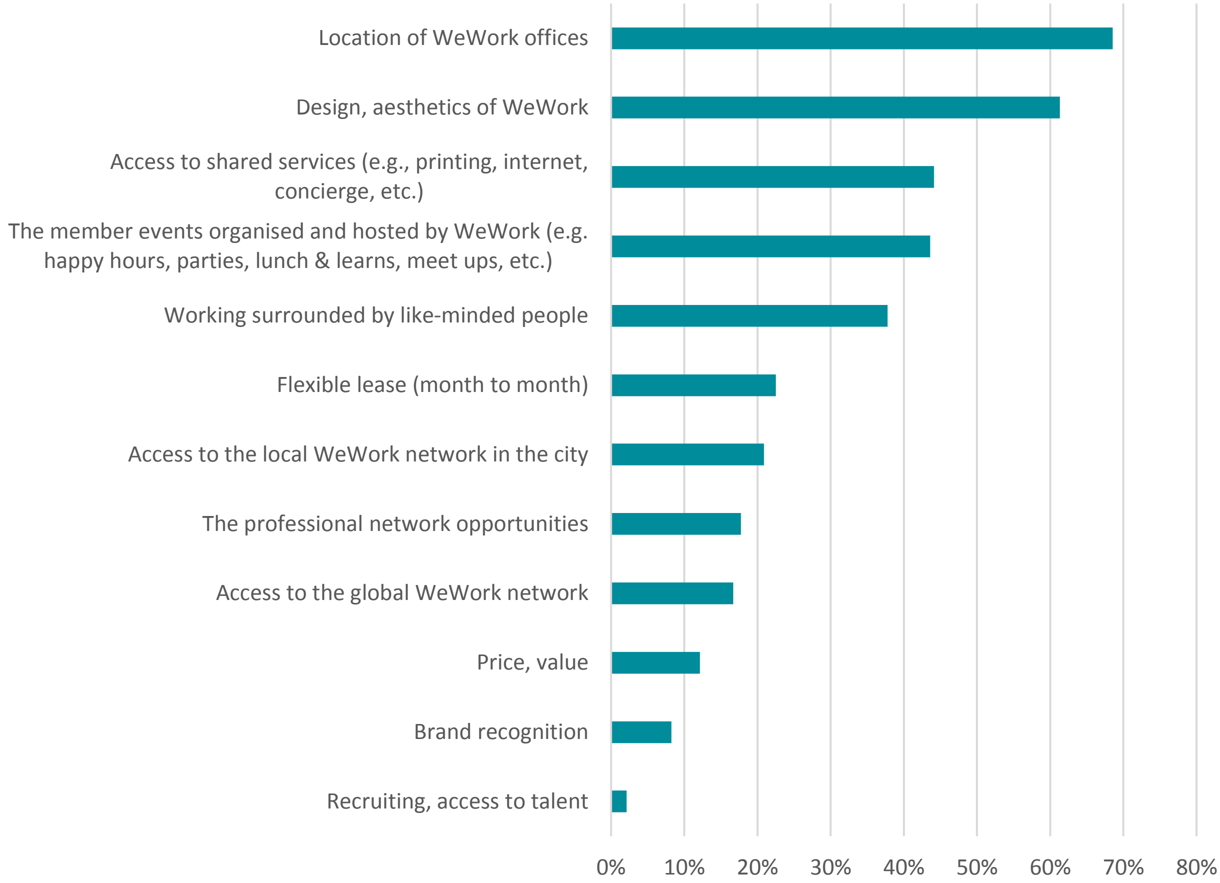


Source: WeWork 2018 survey, Cebr analysis

Access to business services is not the only factor impacting companies' productivity. We further investigated the topic by asking WeWork members which of the features they currently value the most about their membership. The difference to the question asked in the 2007 census shown in Figure 6 is that that it considers the view of all members not just senior decision makers and that it focuses on the aspects *currently perceived* to be most valuable to the members. 'Location' and 'design' take the top two places; two features that were also critical for decision makers when deciding to join WeWork. However, while for decision makers the price/value relation and the flexible leases where critical factors when making the decision to join WeWork, current members value the access to shared services more highly. This is likely due to the fact that they experience the benefits of these services on a daily basis.

6 CBI insights – WeWork Teardown

Figure 10: What aspects of your WeWork membership do you currently value most? Multiple answers possible

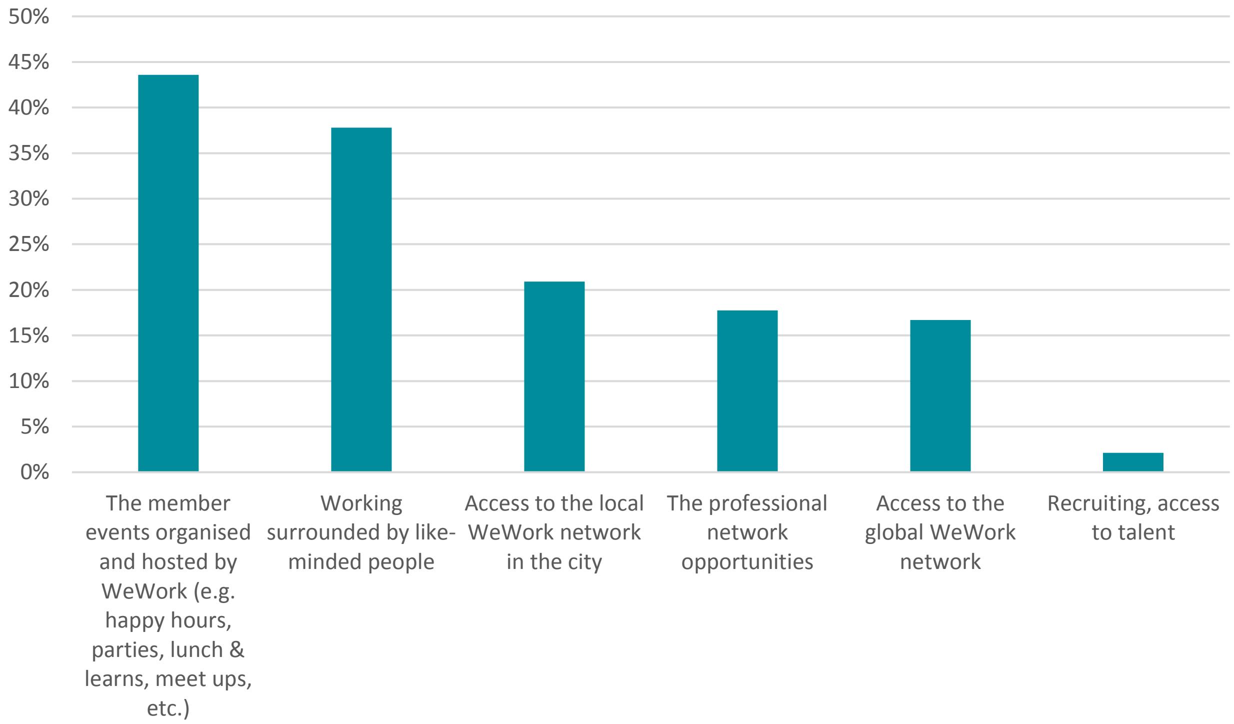


Source: WeWork survey 2018, Cebr analysis

2.2 Community impact of WeWork

As shown in Figure 10, for many members being part of WeWork is about more than having access to a workspace – it is also about the community that they become a part of. To make this point clearer, we have extracted the community-driven aspects from Figure 10 and present them again below in Figure 11. The figures show two aspects leading the way with some distance: 44% of respondents said that member events hosted and organised by WeWork such as happy hours, lunch & learns, and meet-ups is one of the most valued features. These events are facilitated by WeWork's community managers, whose main tasks are to stimulate exchanges between members and support them wherever possible. Working surrounded by likeminded people is a further feature of shared working spaces, valued by more 38% of members. Given the high concentration of members in the IT and business services sectors as well as in e-commerce, it is perhaps unsurprising that WeWork attracts a membership with shared interests and attitudes.

Figure 11: Share of WeWork members who value the following community aspects of WeWork the most

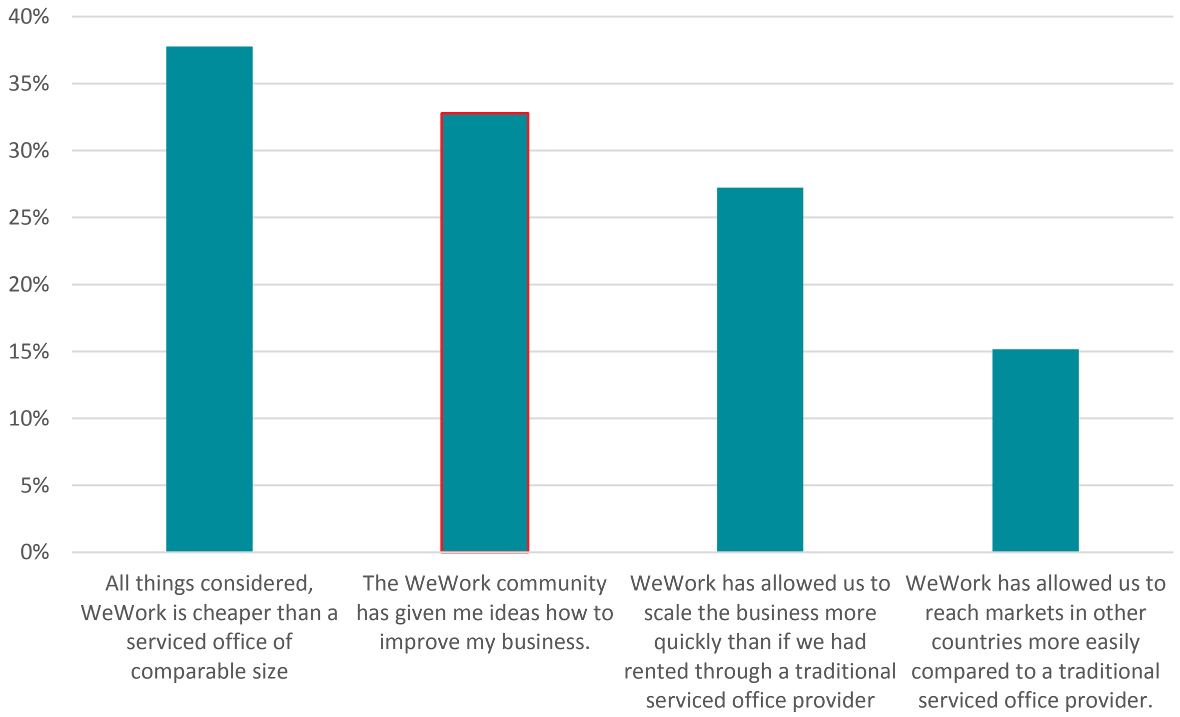


Source: WeWork 2018 survey, Cebr analysis

Sharing work space with likeminded people naturally increases the probability of interaction with those people. Again, this is something encouraged by WeWork and one of the ideas behind the community events.

Our analysis shows that the interactions between WeWork members can have real benefits to businesses, either directly via finding new clients, suppliers or business partners, or indirectly via the exchange of ideas. Especially for innovative companies, it is vital to have access to an environment in which to trial ideas and exchange tips and tricks. This is evidenced by survey results, as shown in Figure 12. When asked, how WeWork has benefitted their business, a third of respondents agreed with the statement that the WeWork community had given them ideas on how to improve their business. This is a larger share than those saying that WeWork helped to scale their business (27%) or those saying that WeWork facilitated market access in other countries (15%).

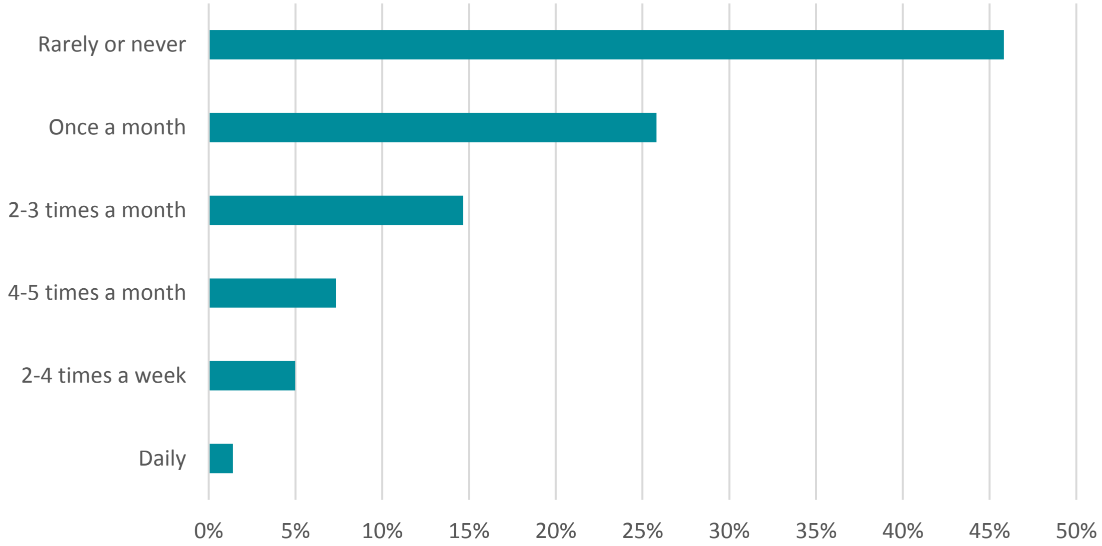
Figure 12: Share of WeWork members who agree with the following statements



Source: WeWork survey 2018, Cebr analysis

Over half (54%) of WeWork members have friends, family or non-member business associates visit them at the office at least once per month. This highlights that WeWorks are desirable locations to socialise in as well as productive places to work.

Figure 13: Frequency at which friends, family or non-member business associates visit WeWork members at work



Source: WeWork 2017 census, Cebr analysis

3 The neighbourhood impact of the WeWork network

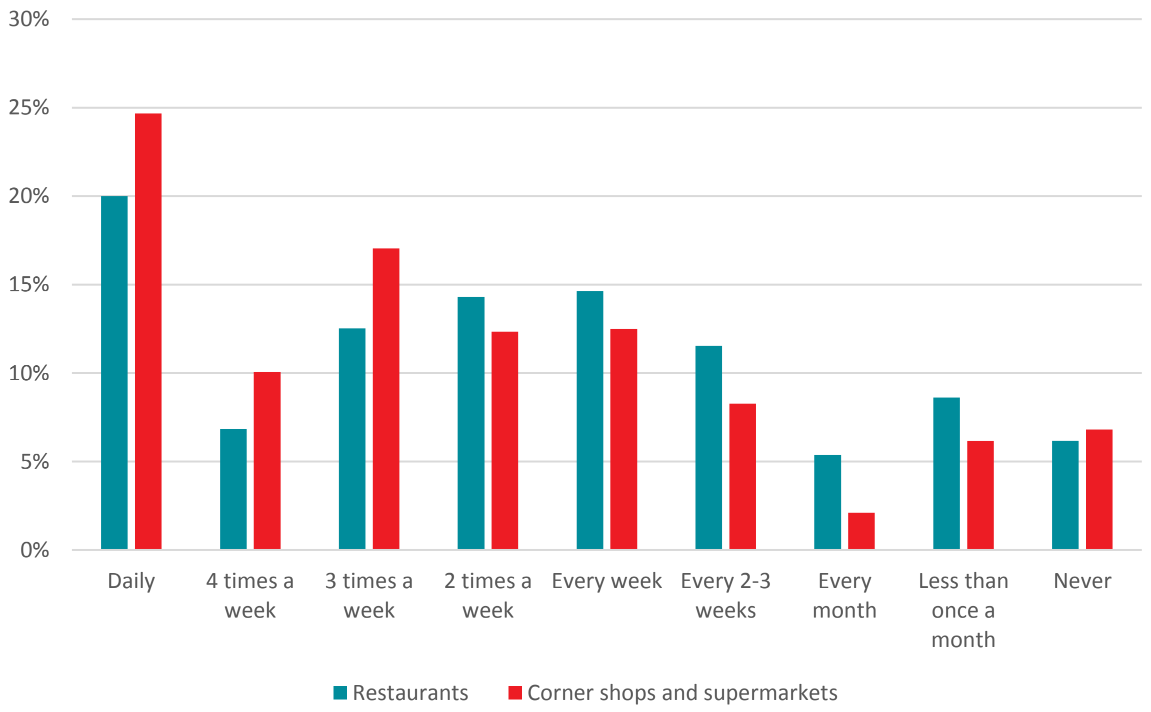
The opening of a WeWork can potentially have significant effects on the surrounding area. How WeWork members eat, shop and move around in neighbourhood shapes the local economy. The following chapter examines the neighbourhood effects of WeWork via spending effects, commuting patterns and demographic characteristics of members.

3.1 WeWork's add on value to neighbourhoods

WeWork members bring considerable purchasing power to the neighbourhood they work in. The following section will analyse how this affects shops, pubs and other establishments near WeWork locations. To that end, we have asked WeWork members in London about their spending habits in pubs, restaurants, corner shops and coffee shops near their workplace as well as how frequently they visit any of these local businesses.

20% of WeWork members in the UK visit a restaurant in their local area daily, and 25% visit the local corner shop or supermarket daily. Overall, on average WeWork members visit local restaurants twice a week and corner shops and supermarkets three times per week.

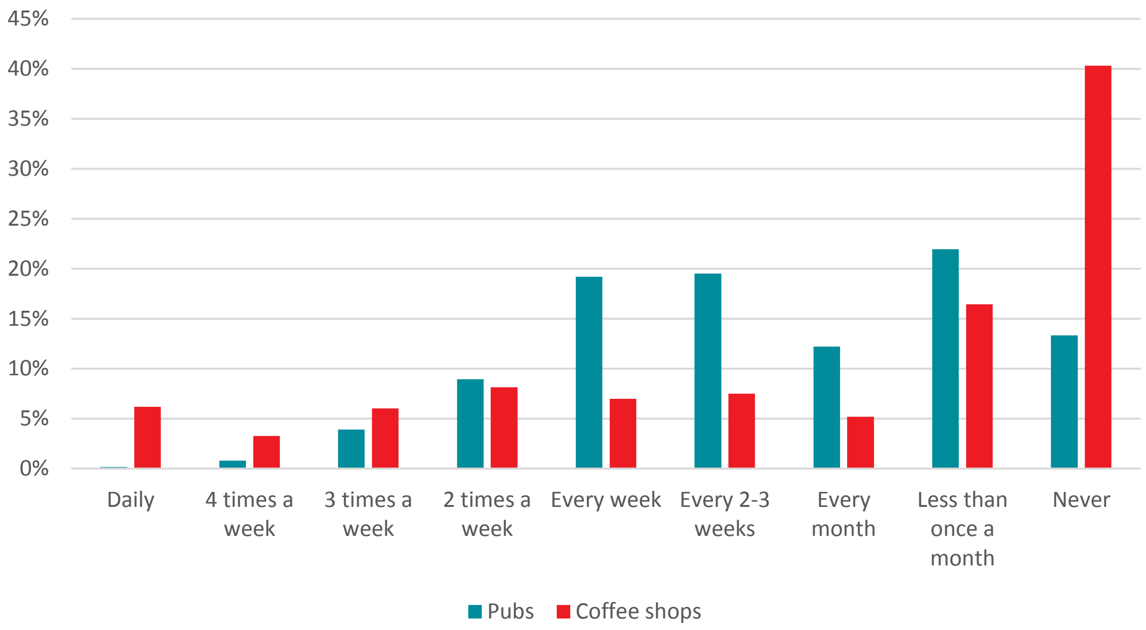
Figure 14: Visiting frequency by WeWork members at corner shops and restaurants



Source: WeWork 2018 survey, Cebr analysis

WeWork members visit pubs and coffee shops less frequently. 22% of members visit a local pub less than once per month, and 40% of members never visit a coffee shop in the neighbourhood. This means that on average, UK WeWork members visit local pubs around three times a month, and visit coffee shops near the office around four times per month.

Figure 15: Visiting frequency by WeWork members at pubs and coffee shopsThe



Source: WeWork 2018 survey, Cebr analysis

Multiplying average spending amounts with the number of average weekly visits gives us total weekly spending, summarised in Figure 16.

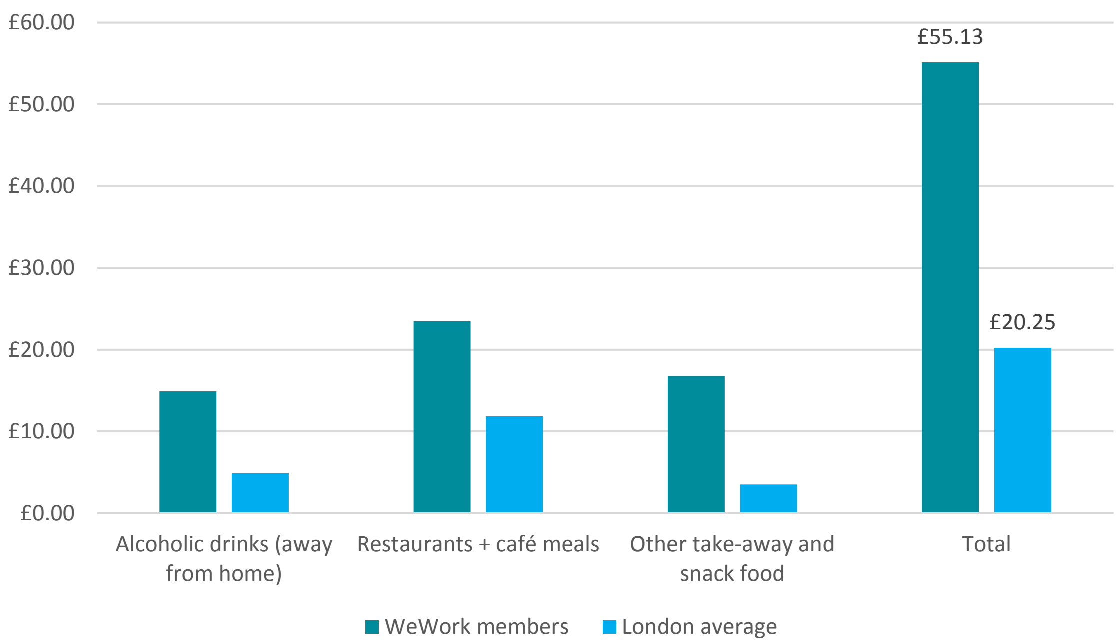
Figure 16: Average weekly spend and spend per visit at neighbourhood businesses

Source: WeWork 2018 survey, Cebr analysis

The average WeWork member spends £15 per week at pubs near the office and £19 per week at restaurants. This is despite the higher per visit expenditure in pubs, which stands at £17.97 compared to £9.75 per visit to a restaurant, given that members visit restaurants on average more than twice as often as pubs. The average WeWork member visits the pub less than once a week, explaining the fact that the weekly spending figure is lower than the per visit spending figure. Members also make purchases in corner shops or supermarkets on average 2.6 times per week, spending around £6.48 per visit. Spending in coffee shops comes to £4.76 per week per WeWork member, on average.

This spending level provides a significant boost to the local economy near WeWork locations. We can compare this to the average spending for adults in London using statistics from the Office for National Statistics. Figure 17 shows average weekly spending for average London adults and WeWork members for alcoholic drinks, restaurants and café meals and other take-away and snack food. The figures show, that WeWork members spend just over £55 per week, nearly three times the amount of an average Londoner. The contrast becomes even starker when considering that the WeWork members were asked only about spending near their workplace whereas the ONS figures refer to any spending outside the home.

Figure 17: Comparison, weekly spending on food and drinks, WeWork members and London average



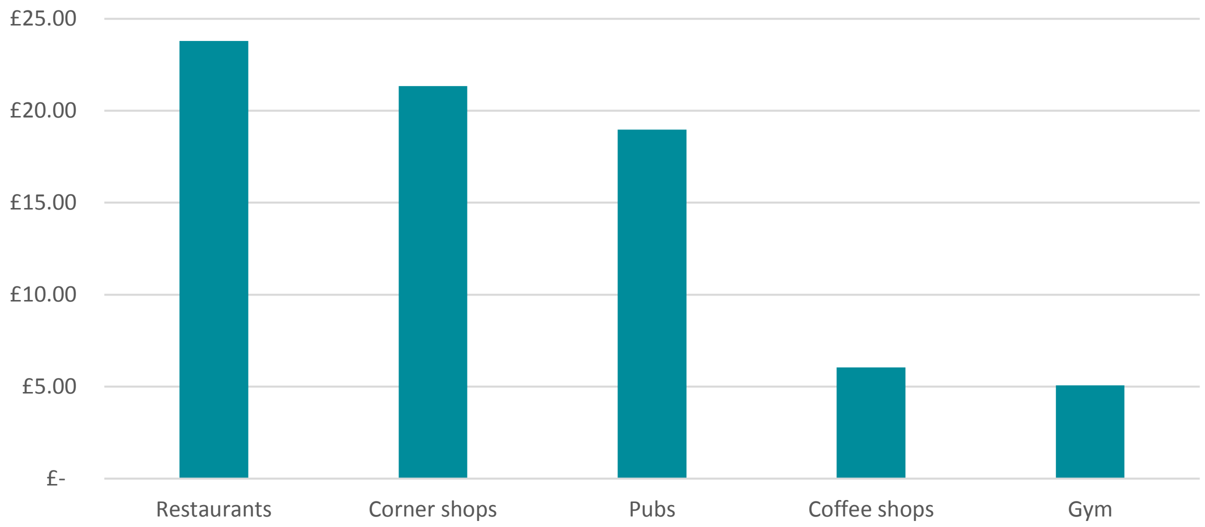
Source: WeWork survey 2018, ONS Household spending by region, Cebr analysis

A further spending category we asked about in the survey was spending on gyms near the work place. 30% of respondents said they go to a gym in the neighbourhood, spending on average £58 per month.

By adding up the spending amounts for food, coffees, drinks and gym, we can calculate the local spending impact of WeWork. Scaling up average weekly spending figures, we calculate that WeWork members spend on average £24 million per year in restaurants, £21 million per year in corner shops and supermarkets, £19 million per year in pubs, £6 million per year in coffee shops and £5 million per year at gyms near the office. When these neighbourhood spending amounts are added together, the total impact comes to £75 million per year.

The impact of WeWork members on local venues is confirmed by anecdotal evidence. A pub owner stated that since the opening of a WeWork nearby "there has been more footfall" and noted a "positive impact" on the venue. A café owner in East London noted that WeWork members "like to eat out and spend" thereby helping businesses on the area.

Figure 18: Total spending by WeWork members at establishments near the office



Source: WeWork 2018 survey, Cebr analysis

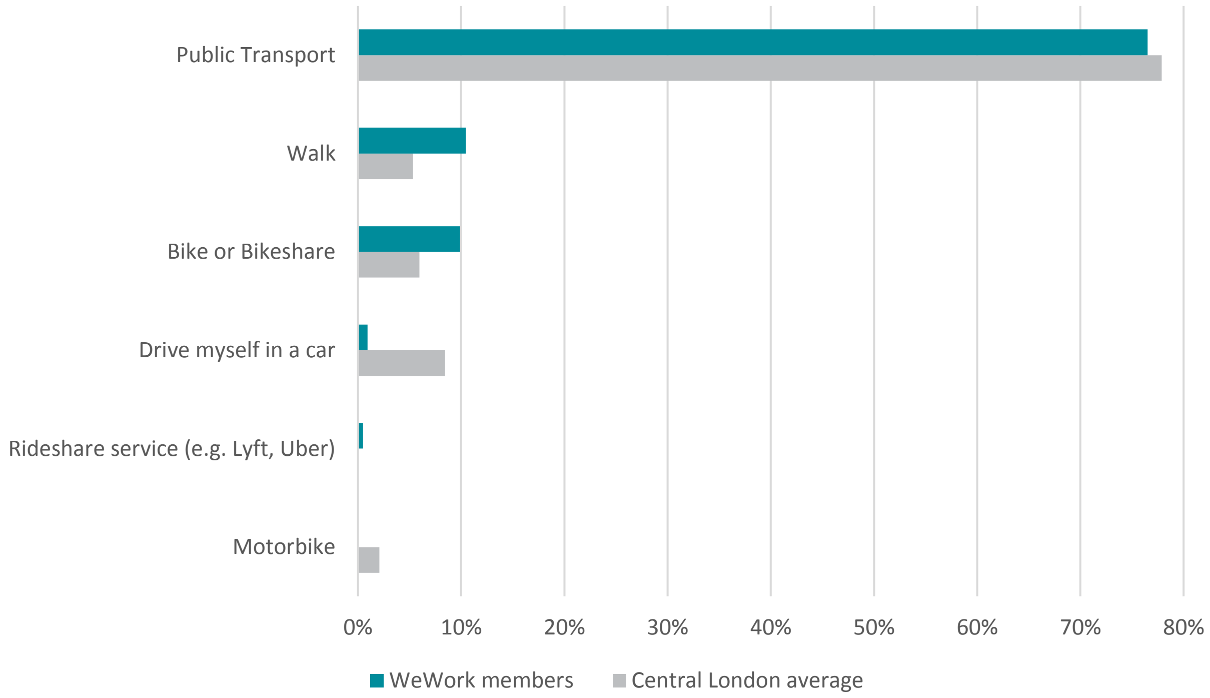
3.2 WeWork and commuting

People shape the places where they work and live in a number of ways. This can be through financial means and the spending impact as analysed in the section above. A further important aspect is the way in which people move around the city and in particular commute to work. London has long attempted to make the city more eco-friendly and follows several strategies to boost sustainable mobility. The extensive bike sharing system and the expansion of dedicated cycle highways that connect residential areas with central employment hubs in London are just two examples of this strategy.[7]

The latest WeWork census data contain some interesting insights into commuting patterns of London WeWork members. On average, London WeWork members take 46 minute for their daily commute (each way). This is slightly longer than the London average of 43 minutes.[8]

Looking at the modal split of WeWork commuters, we see that the vast majority rely on public transport (77%). Walking and biking are equally popular with a share of 10% each, which means that almost all WeWork members get to work via public transport, walking or biking. Only 1% said they are commuting by car. This puts the share of WeWork members who use sustainable methods of transport at 97%, clearly ahead even of the central London average of 89%. The fact that more WeWork members walk and cycle to work is furthermore a possible explanation for the slightly above average commuting time.

Figure 19: Modal split of commutes, WeWork members and Central London

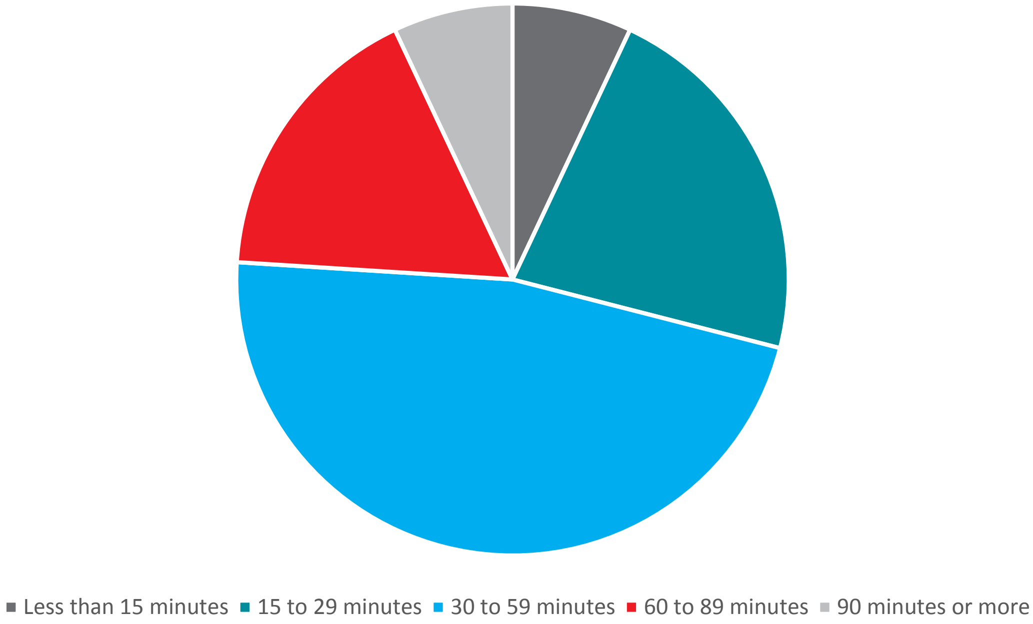


Source: WeWork Census, Transport Statistics Great Britain

7 More information on London's transport initiatives can be found in Chapter Six of the Current London Plan: https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan/london-plan-chapter-six-londons-transport

8 Source: National Trip Statistics

Figure 20: Commuting time of London WeWork members



Source: WeWork Census 2017, Cebr analysis

3.3 WeWork membership demographics

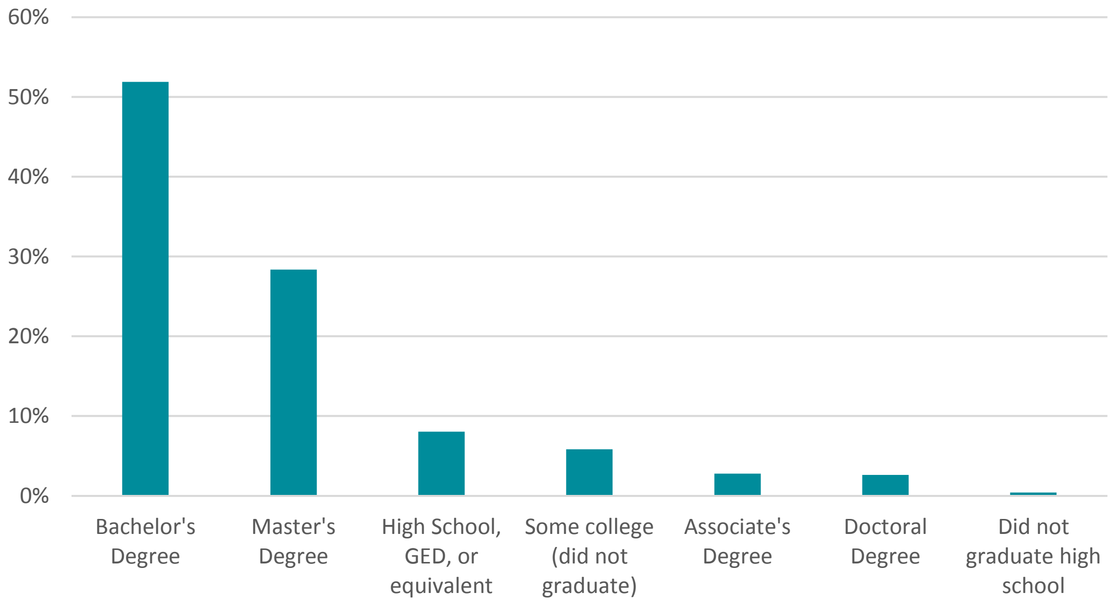
Concluding the chapter on the neighbourhood impact, this section takes a look at the members themselves. Data from the WeWork survey and census allow us to analyse some demographic characteristics of WeWork members and examine how they differ from the average London workforce.

Education

Looking at the educational level of WeWork members, we see that 52% of WeWork members in the UK hold a bachelor's degree, 28% hold a master's degree and a further 3% hold a doctoral degree. In total, this means that 83% of WeWork members in London have completed university at least with and undergraduate degree.

Comparing this to the London average, we find that 59% of those in employment achieved an NVQ4+ level qualification, i.e. education above A-level standard.

Figure 21: Education levels of WeWork members in the UK



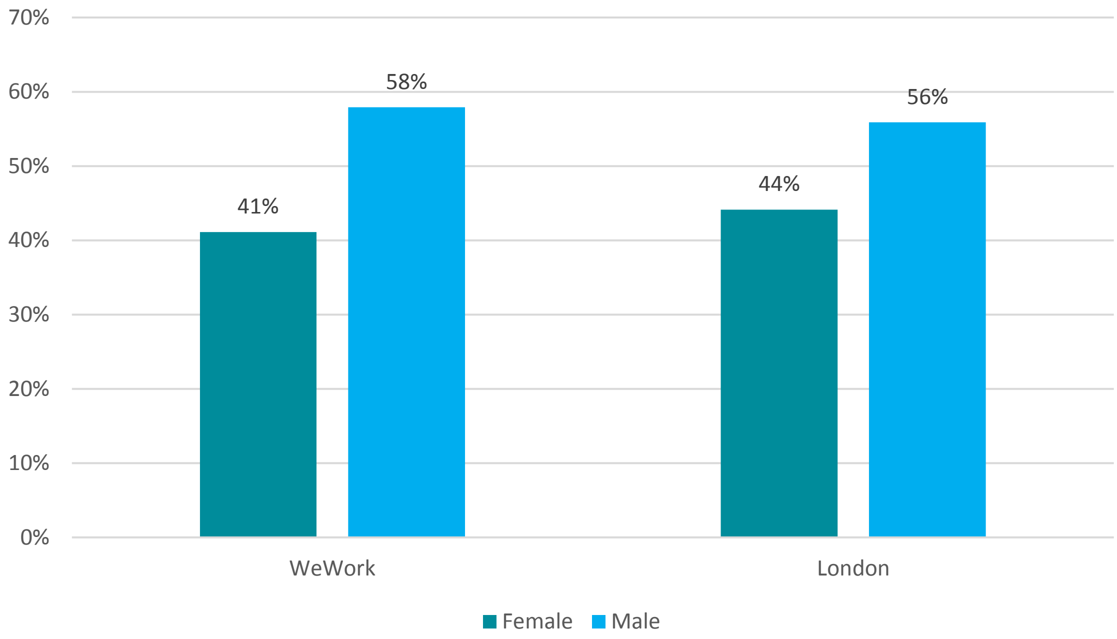
Source: WeWork 2017 census, Cebr analysis
(Qualifications consistent with language used in the international WeWork survey)

A pub near the Paddington WeWork attests to the fact that WeWork has changed the makeup of people in the area, and remarked that Paddington "is becoming more creative and diverse".

Gender

Looking at the gender split among WeWork members, we see that the share of female members stands at 41%, slightly below the share of total jobs in London held by females (44%).

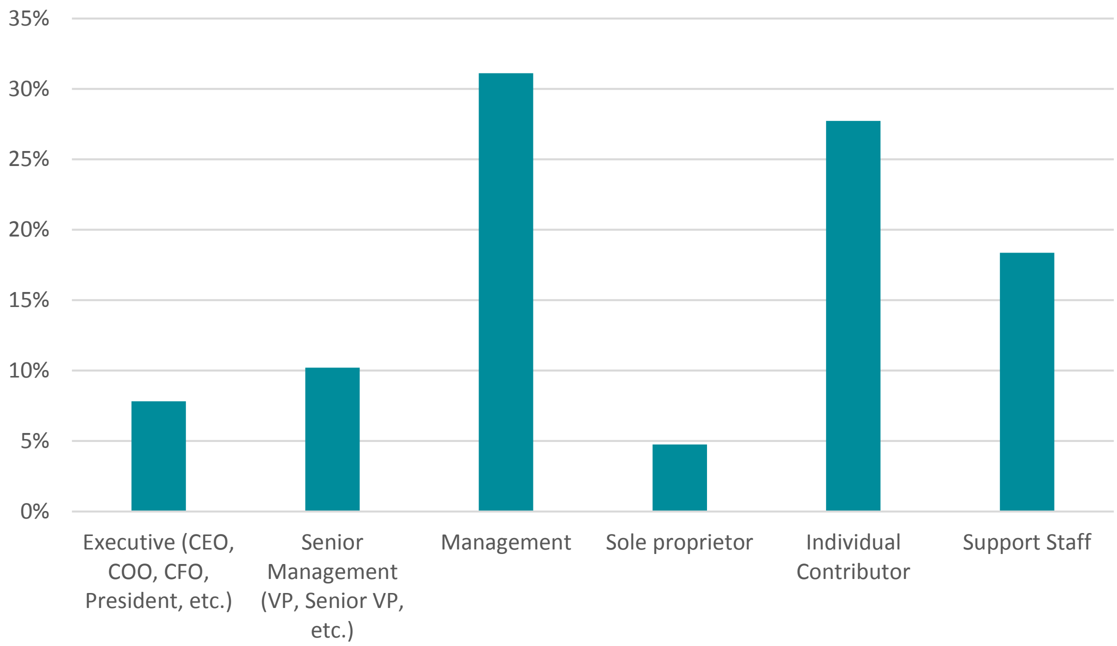
Figure 22: Gender split, WeWork and London jobs



Source: WeWork survey 2018, Cebr analysis, Annual Population Survey – Workplace analysis (2017)

Looking at the level of seniority of female WeWork members, shown in Figure 23, in we see that 31% of females are in a management position, the highest share among all roles. 18% of females are occupied in senior management or executive positions while a further 5% of the sole proprietors of their businesses. 28% of female WeWork members work as individual contributors while a further 18% are support staff.

Figure 23: Role of female WeWork members



Source: WeWork survey 2018, Cebr analysis

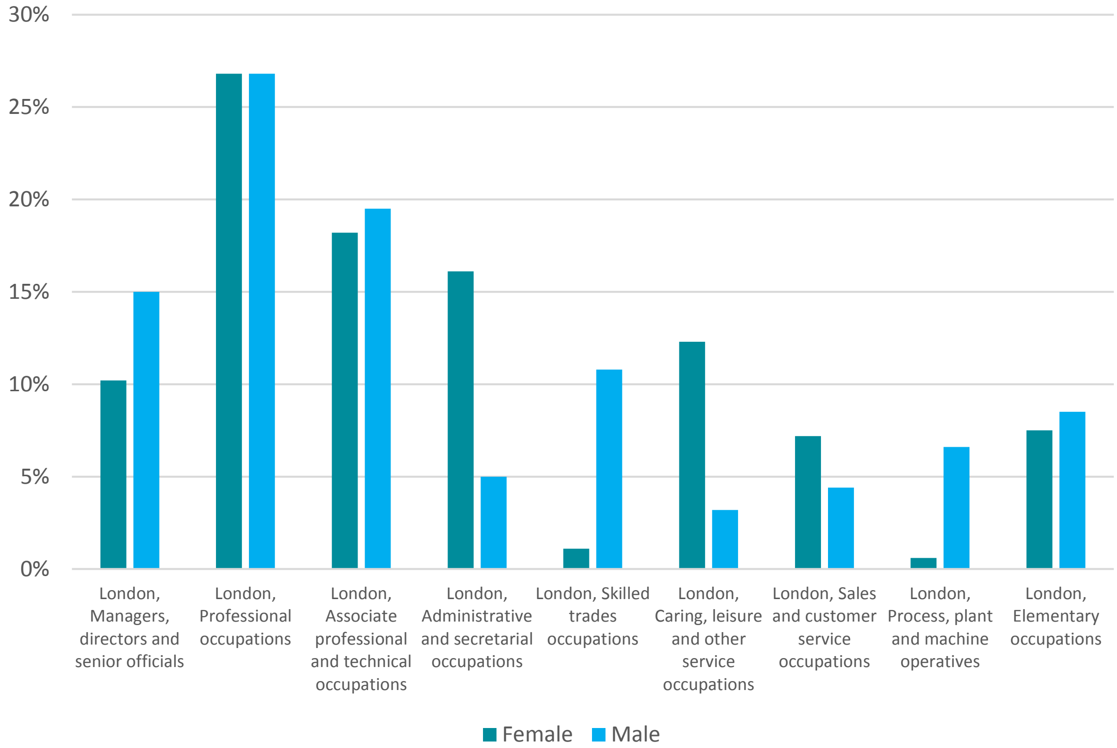
It is interesting to see the high concentration of senior roles in WeWork. We can compare this to the London average to gain further insight. The closest equivalent dataset available for this comparison is the ONS' labour force survey, which holds data on the occupational split of the workforce. Occupations are split into nine major groups.[9] These groups are:

- 'Managers, Directors And Senior Officials'
- 'Professional Occupations'
- 'Associate Professional And Technical Occupations'
- 'Administrative And Secretarial Occupations'
- 'Skilled Trades Occupations'
- 'Caring, Leisure And Other Service Occupations'
- 'Sales And Customer Service Occupations'
- 'Process, Plant And Machine Operatives'
- 'Elementary Occupations'

9 Based on the International Labor Organization's ISCO-08 framework

Figure 24 summarises the occupational split by gender in the London workforce. As can be seen, across London only 10% of women work in the highest occupational category as managers, directors or other type of senior officials (including proprietors). This highlights a clear overrepresentation of women in senior positions in WeWork.

Figure 24: Occupational split by gender, London workforce



Source: ONS Labour Force Survey, Q2 2018

3.4 WeWork's impact on local real estate markets

WeWork's arrival in London has had a significant impact on local real estate markets. Over the past five years, WeWork has become the second largest occupant of office space in central London behind only the Government. Total take-up of office space by WeWork between 2012 and 2017 stands at 2.6 million sq ft, more than Amazon and Google combined. According to research by Cushman & Wakefield, flexible workplace providers have seen exponential growth in London over recent years. Expressed as a share of total office space, the London market easily outstrips that of Manhattan.[10]

Space unlocked by WeWork

Given the more efficient use of space and the higher density of people per sq ft of space achieved in WeWork offices, the increase in uptake of WeWork memberships unlocks space in the London real

10 Cushman & Wakefield – Coworking Report 2018

estate market with significant consequences for the city as a whole. Assuming that WeWork members use 70 sq ft of office space compared to the 180 sq ft used per worker in a traditional office[11], each member unlocks 110 sq ft of floorspace. If we multiply this number by the growth in WeWork membership numbers in the 12 months to June 2018 of 11,525 we calculate that 1.3 million sq ft of office space have been unlocked over the past year. This is equivalent to the size of 16.5 football pitches and just shy of the total floor area of the Shard. The space would also be sufficient for 7,043 workers in a traditional office space or 18,111 WeWork members.

Impact on London's carbon footprint

Buildings are one of the biggest greenhouse gas emitters in modern cities. Many modern office blocs fulfil the highest energy efficiency standards, but London still has plenty of older buildings that cost billions of pounds to power and heat each year. These are a considerable contributor to the poor air quality in London and the city's greenhouse gas emissions more broadly.

Given our preceding calculations regarding the space unlocked by WeWork, we can estimate the degree to which greenhouse gas emissions can be reduced.

Based on data from the London Energy and Greenhouse Gas Inventory, we estimate that London offices emit 5.11 million metric tons of carbon dioxide equivalent (MtCO2e) per year.

Given that WeWork unlocked around 1.3 million sq ft of office space in 2017/2018, we estimate that WeWork has helped to save around 0.02 MtCO2e, equivalent to 0.5% of total London office emissions. This is the same effect as would be achieved by the CO2 absorption capacity of 700,000 trees in a year.

WeWork helps non-credit tenants to rent office space

Micro businesses face a number of challenges when it comes to finding a place for them to operate out of. Traditional commercial real estate leases are often rigid in terms of lease duration and come with plenty of strings attached. Commercial leases typically run for 5 to 10 years, which is a long time-frame for a young start-up that is still developing its product offer or striving to increase its market share. Moreover, leases also often require a personal guarantee of the business owner to cover fees for the property even if the business defaults. This is especially the case for new, small businesses which have less of a track record to show. Being personally liable for the lease is a big step for many business owners and drastically increases the financial risk of moving into commercial real estate. However, if the alternative to moving into an office is running the business from home, entrepreneurs will find that they quickly run up against limitations in terms of capacity. Moreover, a business might also be perceived as less professional if it is run from a living room rather than from an office space. Flexible office space providers such as WeWork offer an attractive solution for small businesses and entrepreneurs, as they offer the opportunity to rent office space at a competitive rate under flexible conditions, i.e. the business is able to scale up (or down) as needed and is not bound by multi-year lease agreements.

Given that it is difficult to obtain sensitive information on the credit worthiness of members, we use size as an approximation for the credit status of members, which implies that around 13,600 WeWork

11 Assumption in line with US Economic Impact Report by HR&A

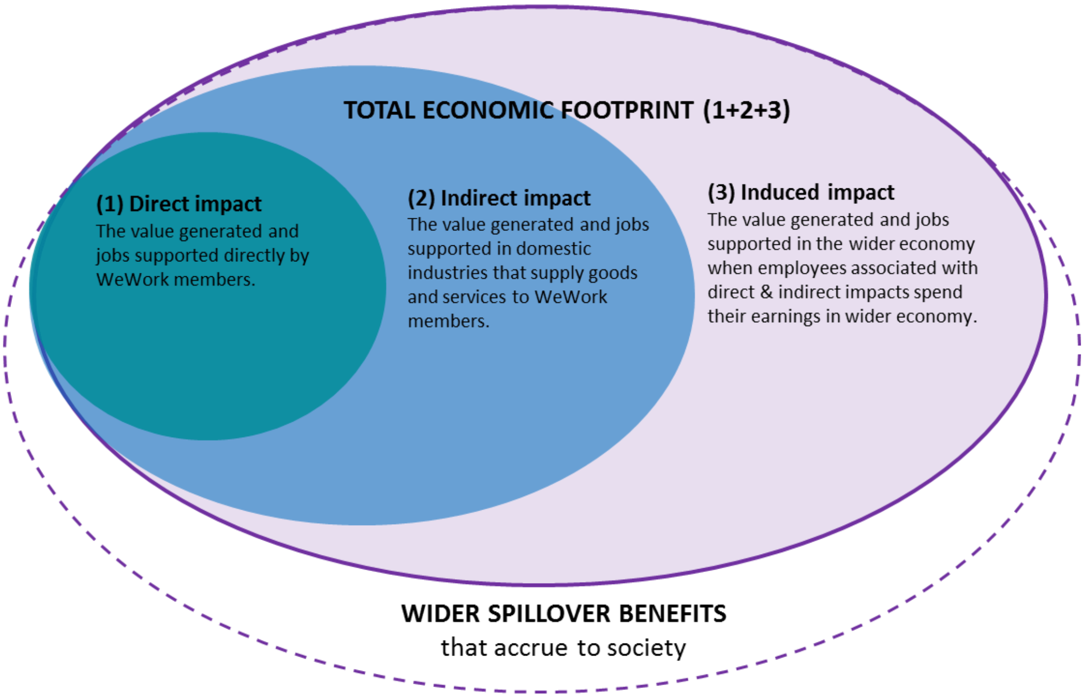
members would struggle to find a traditional office space due to the constraints mentioned above. This means that around 1.3 million sq ft of WeWork office floorspace is currently occupied by non-credit tenants.

4 The city impact of the WeWork network

In this section we set out our estimates for the contribution of WeWork members to the following key macroeconomic indicators: employment, compensation of employees, GVA, output, and the Exchequer contributions through tax revenues raised. This includes the direct impacts of WeWork members, as well as the associated indirect and induced multiplier impacts.

Figure 25 shows how the impacts described above fall under the wider spillover benefits of the WeWork network. These spillover benefits include the wider impacts unleashed by the WeWork network, such as the ones discussed in Sections 2 and 3 of the report.

Figure 25: The overall economic impact of the WeWork network



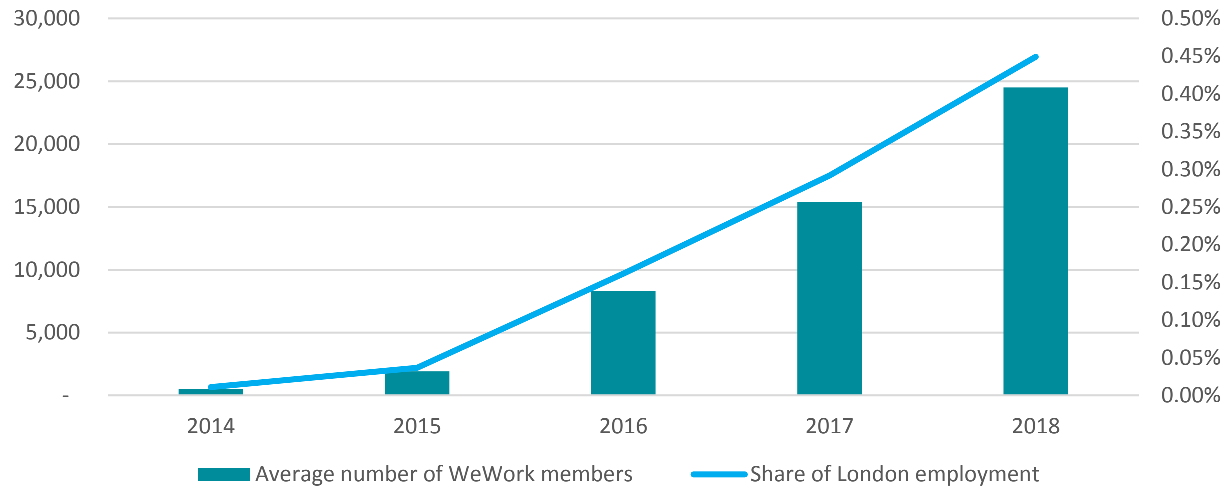
Source: Cebr analysis

4.1 The economic impact of WeWork members through employment

Figure 26 illustrates the average number of WeWork members for the period between 2014 and 2018. WeWork has grown exponentially in London since its opening in late 2014; from less than 600 members to an average of almost 25,000 members in the first half of 2018.[12] As a result, the contribution of WeWork members to total employment in London has also increased significantly - from 0.01% in 2014 to 0.45% in 2018.

12 The number of WeWork members for the year of 2014 only includes data for the last quarter of 2014, as this was when WeWork spaces opened in London. Additionally, the average number of WeWork members in 2018 only includes the first two quarters of the year, as Q1 and Q2 were the only quarters of the year with full data at the time of the analysis.

Figure 26: Average number of WeWork members (left-hand axis), and WeWork members as a share of London employment (right-hand axis), 2014-2018

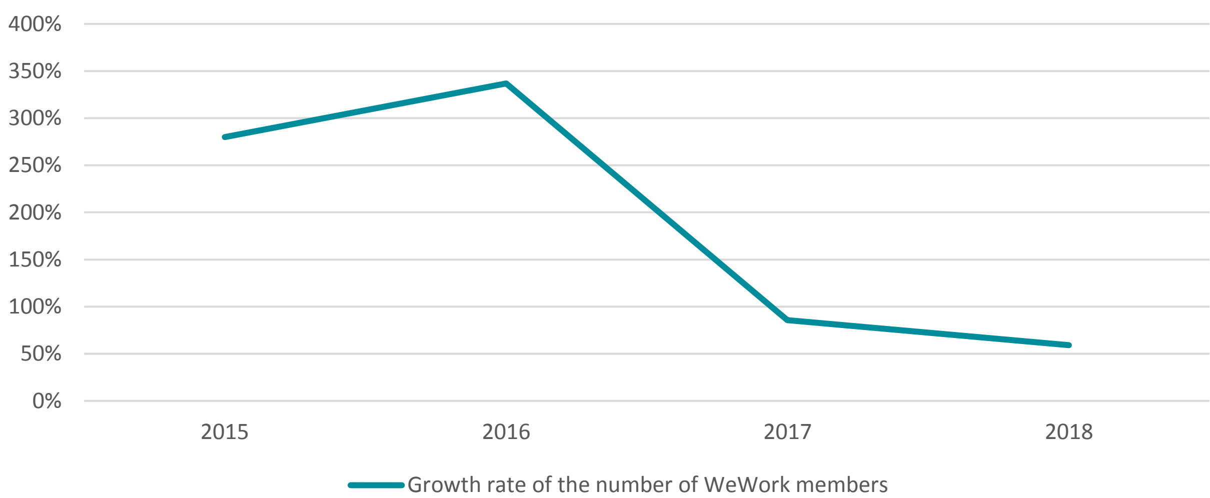


Source: WeWork, BRES, Cebr analysis

In 2018 alone, the number of WeWork members grew at a significant rate. In the second quarter of 2018, WeWork had 26,400 members. This corresponds to a 17% growth on the 22,600 WeWork members observed in the first quarter of the year.

The figure below shows the growth trends of WeWork members in more detail. The number of WeWork members experienced impressive growth every year since opening. Furthermore, 2016 saw the greatest increase in the number of WeWork members – recording growth of 337%. Although in recent years growth has slowed down, in 2018 the number of WeWork members still grew at a rate of 59%. Directionally, this is consistent with trends seen in many new industries and companies, in that extremely high levels of growth tend to slow down over time as more members and customers are accrued.

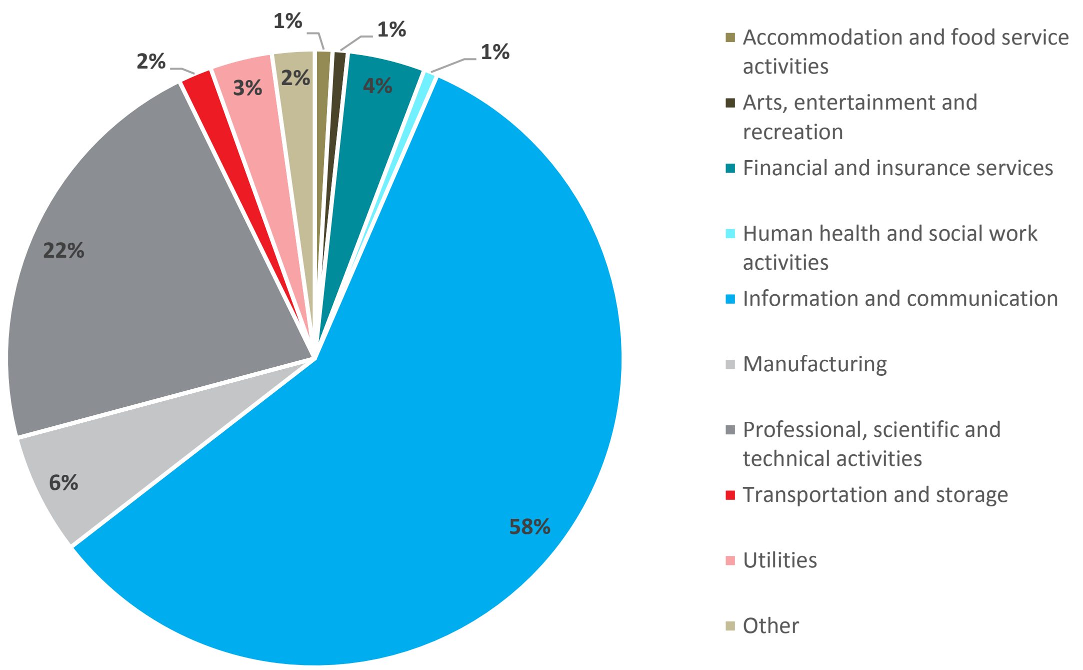
Figure 27: Number of WeWork members, growth rate, 2015-2018



Source: WeWork, Cebr analysis

Figure 28 shows the distribution of WeWork members by sectors in 2018. The majority of WeWork members are concentrated in the information and communication sector; in 2018, 58% of WeWork members worked in this sector. Professional, scientific and technical activities has the second largest concentration of WeWork members - over 1 in 5 WeWork members worked in the professional, scientific and technical activities sector. While not as substantial as the sectors described so far, a considerable number of WeWork members also work in the manufacturing (6%) and financial and insurance activities (4%).

Figure 28: Distribution of WeWork members across sectors, 2018

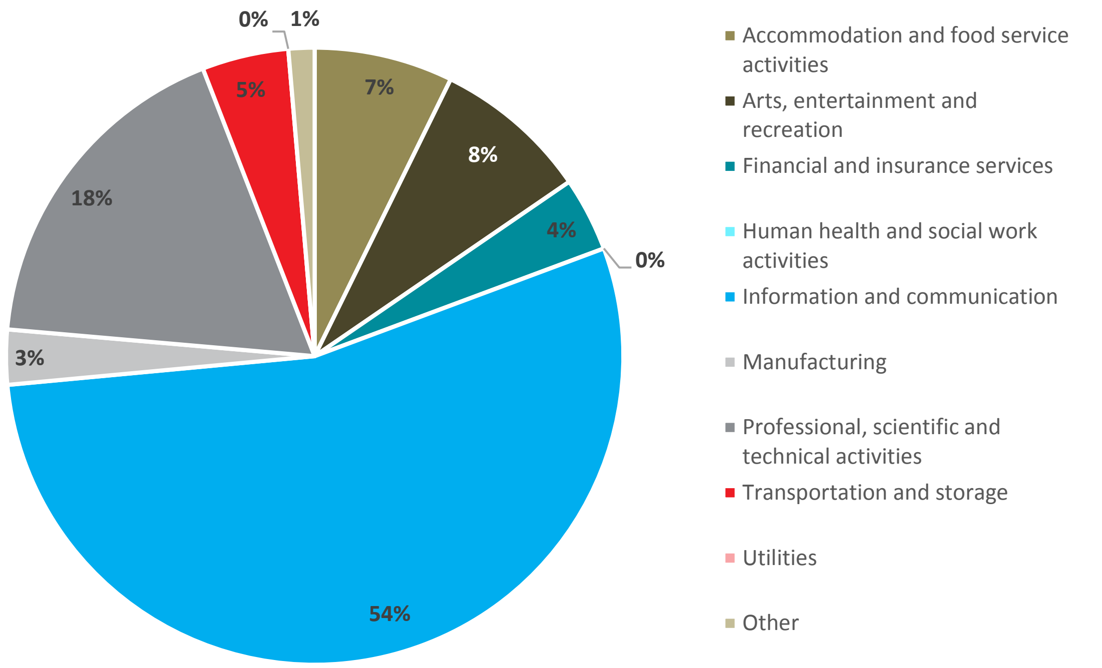


Source: WeWork, Cebr analysis

While the distribution of WeWork members remained fairly constant across the years, the importance of some sectors has risen. Figure 29 below presents the distribution of WeWork members back in 2014.

In 2014, information and communication (54%) and professional, scientific and technical activities (18%) were also the top two sectors among WeWork members. Nevertheless, there are a few differences in the distribution of WeWork members between 2014 and 2018. For instance, in 2014 there was a higher concentration of members in the arts, entertainment and recreation sector and in the accommodation and food services sector. Furthermore, there were no WeWork members working in the human health and social work activities sector, or in the utilities sector.

Figure 29: Distribution of WeWork members across sectors, 2014



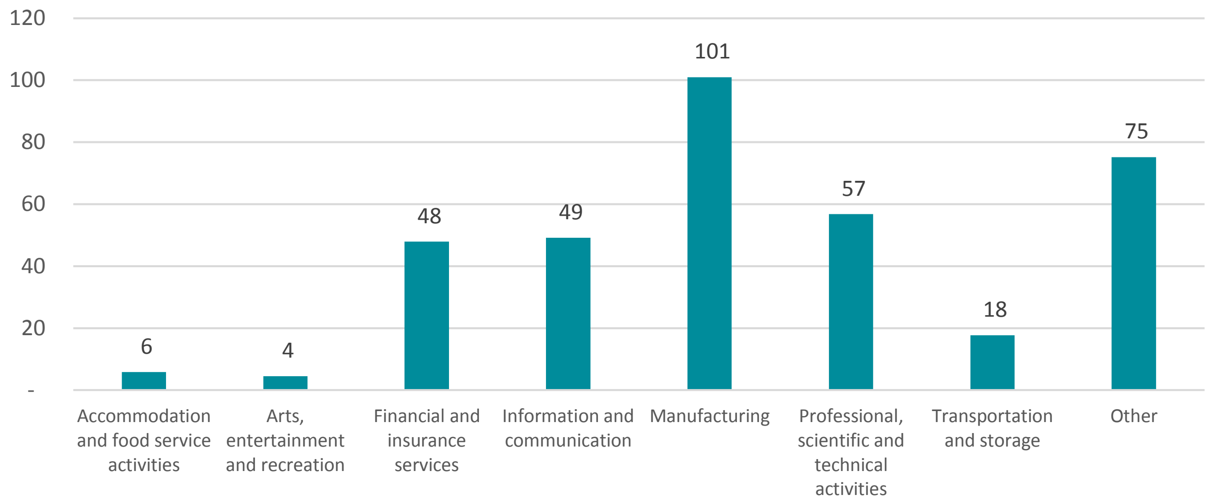
Source: WeWork, Cebr analysis

The chart below shows the growth of WeWork members in each of the sectors presented above[13]. Growth is measured as the ratio between the number of WeWork members in a given sector in 2018 and in 2014. The sector which experience the highest growth was manufacturing. In 2018, there were 100 times more WeWork members in the manufacturing sector than in 2014.

The sectors with the highest concentrations of WeWork members also experienced significant growth between 2014 and 2018. In 2018, the number of WeWork members working in professional, scientific and technical activities was 54 times higher than in 2014; similarly the number of WeWork members working in the information and communications sector was 49 times higher in 2018 than in 2014.

13 Human health and social work activities and utilities were excluded from this analysis since in 2014 there were no WeWork members working in these sectors.

Figure 30: WeWork members' growth by sector (measured as the ratio of WeWork members in each sector between 2018 and 2014)



Source: WeWork, Cebr analysis

The sectoral analysis above shows that the majority of WeWork members work in sectors which fall under the *innovation economy*[14]. According to Cebr analysis, this growth engine in London employed over 1.1 million people in 2018; 2% of these workers are WeWork members. This suggests that WeWork members disproportionally contribute to the innovation economy in London, especially given that they only represent 0.45% of total employment in London.

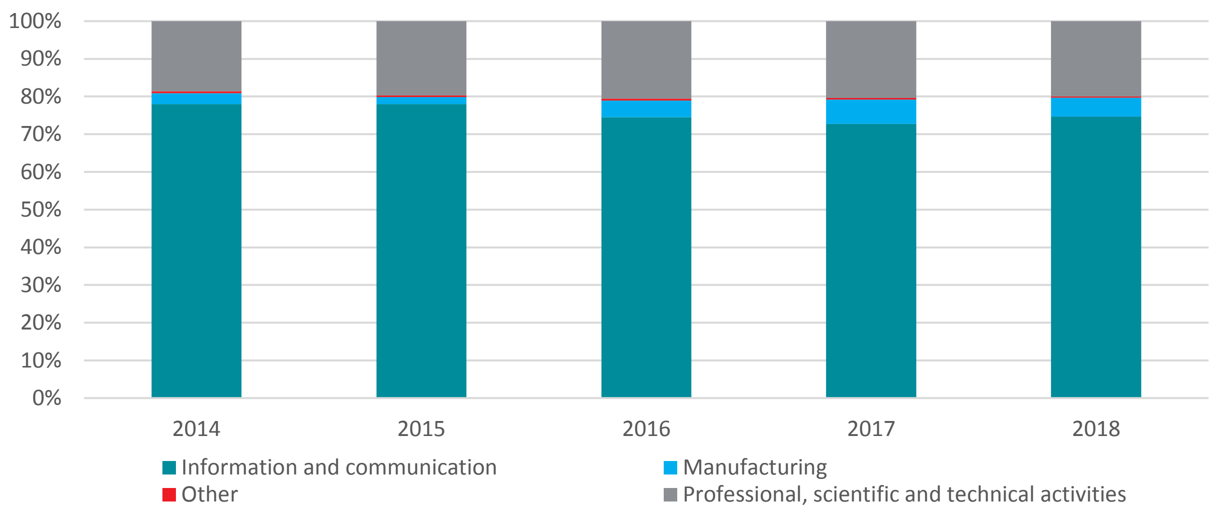
WeWork members' contribution to the innovation economy has been growing since 2014. In 2018, 78% of WeWork members worked in these high growth areas, which corresponds to an 8 percentage point increase on the 2014 (69%) figure and is well above the London share of 21%. Furthermore, the share of workers in London which work in the innovation economy has remain fairly constant over the years. This seems to suggest that the innovation economy's workforce tends to prefer workspaces such as the ones provided by WeWork. This should not be seen as surprise since these activities thrive in locations that offer flexible and creative environments, and facilitate brainstorming and networking.

Figure 31 below shows the distribution of the WeWork members which work in the innovation economy across the different sectors which make up this class. In 2018, the majority of these WeWork members worked in the information and communication sector (75%). This comes as no surprise given that a vast number of WeWork members work in activities related to software development and computer programming. The remaining 25% of WeWork members in the high growth areas are concentrated in the professional, scientific and technical activities sector (20%), in the manufacturing sector (5%) or in other sectors (less than 1%).

14 Cebr followed the definition of the innovation economy developed by HR&A for the purpose of the economic impact study of WeWork in the US. The definition was adapted to the UK SIC structure. The innovation economy consists of numerous primary, manufacturing and service industries. The industries covered are relatively diverse, including the extraction of certain energy commodities and a range of manufacturing spanning from food processing to musical instruments and motor vehicles (among many other industries). The service industries included are also very diverse, ranging from book publishing to telecommunications (among many other industries). The innovation economy can be assumed to cover high value and high growth industries.

The figure below also shows that the sectoral distribution of WeWork members in the innovation economy remained fairly constant over the years.

Figure 31: Distribution of WeWork members in the innovation economy, 2014-18



Source: WeWork, BRES, Cebr analysis

Source: WeWork, BRES, Cebr analysis

The significant presence of WeWork members in the innovation economy is expected. WeWork offers members the benefits of an economic cluster as different businesses are given the ability to work closely together with minimal physical frictions. This proximity allows companies to develop joint solutions and combine resources to take advantage of potential market opportunities. By relying on the inputs, experience and knowledge of other members, WeWork members are able to reap the benefits of specialising in the activities in which they have a comparative advantage, while still operating in a complementary manner with other businesses. Furthermore, by offering the flexibility to work from different locations, WeWork allows members to leverage these synergies in a less constrained way.

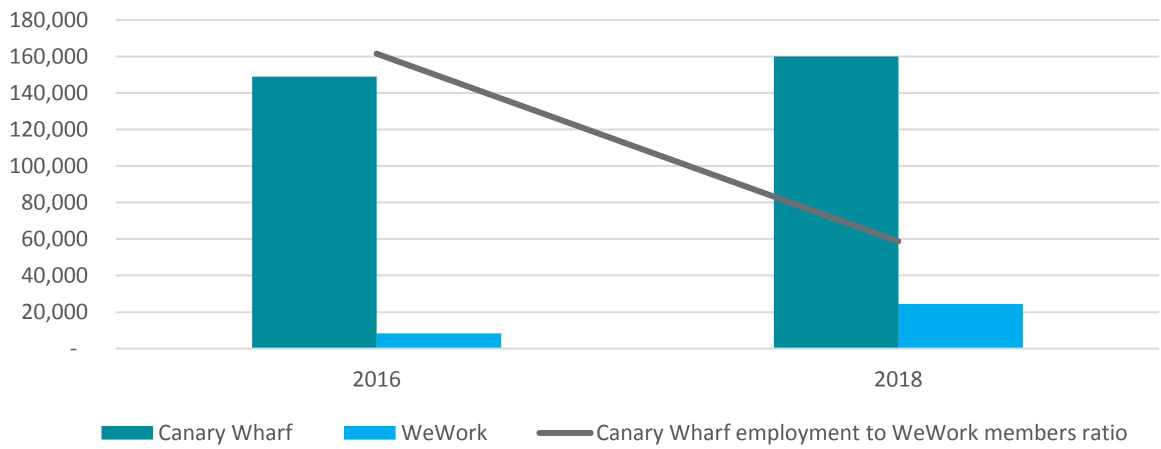
Economists have long debated the numerous benefits of economic clusters. Typically, these tend to serve as important driving forces in most regional economies. Canary Wharf is an example which is very relevant to our discussion and the London economy. Accordingly, we have put the employment footprint of WeWork in perspective by comparing it with one of the most important economic clusters in the UK – Canary Wharf[15].

In 2016, there were 149,000 jobs in Canary Wharf – 18 times the number of WeWork members. However, by 2018 this ratio had been reduced substantially; Canary Wharf employment was only 6 times

15 The calculations for Canary Wharf are based on Cebr's work for Canary Wharf launched earlier in 2018 (please see: https://group.canarywharf.com/wp-content/uploads/sites/2/2018/02/canary-wharf-csr-30-years-of-canary-wharf-local-impact-report.pdf). In the former report Canary Wharf is defined geographically as the Isle of Dogs cluster.

higher than the number of WeWork members[16]. Driving this change is the impressive growth experienced in the number of WeWork members between 2016 and 2018 (194%).

Figure 32: WeWork members vs. Canary Wharf employment, 2016 and 2018 analysis



Source: WeWork, Cebr analysis

Aggregate economic impact of WeWork members

In providing its products and services, WeWork members draw upon inputs from many sectors of the economy. In this subsection we set out the aggregate employment impacts of WeWork members, by taking into account the indirect (or supply chain) and induced (employee spending) impacts that arise from the activities of WeWork members.

Our input-output modelling suggests that the WeWork members' employment multiplier is 2.10, as illustrated in Figure 33. This means that for every WeWork member, an additional 1.1 jobs are supported in the wider economy, through indirect and induced multiplier impacts.

Figure 33: Employment multiplier impacts of WeWork members, 2018

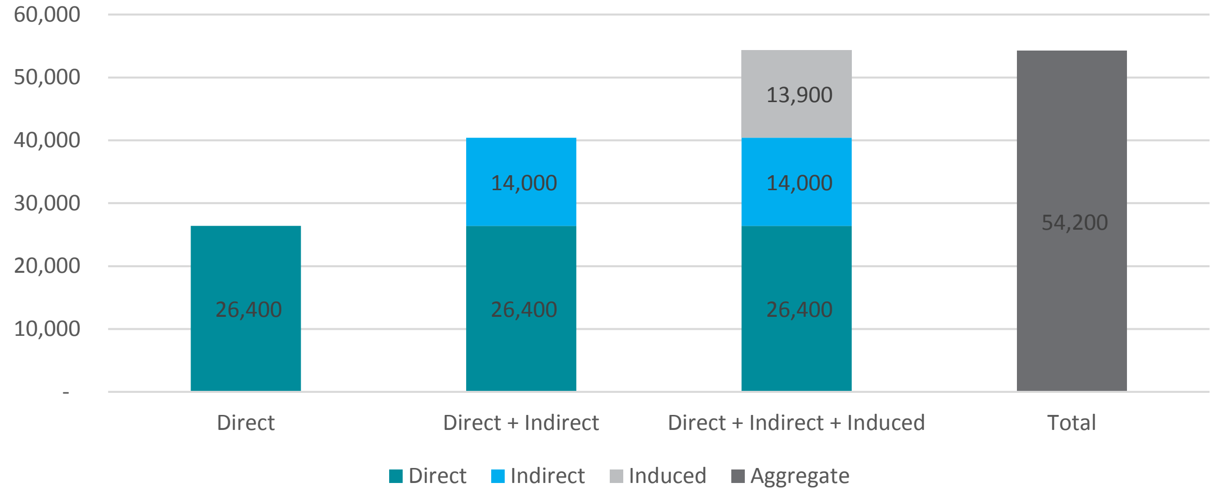
Source: WeWork, Cebr analysis

We estimate the direct employment contribution of WeWork members to employment in the second quarter of 2018 to be 26,400[17]. Once this direct contribution is combined with the multiplier impacts

16 The 2018 figures presented in the current report for Canary Wharf were estimated solely for the purposes of the current report. It is important to note that the method used to estimate the 2018 figures might slightly overestimate the growth in employment in Canary Wharf, since this method relies on time series data as an input, and employment growth in Canary Wharf has been slowing down over the last two years.
17 To estimate the aggregate impact of WeWork members we used data from the second quarter of 2018 as these were the most recent data available. Since WeWork has been growing considerably just in 2018 alone, using 2018 Q2 data instead of Q1 and Q2 of 2018 allows us to

presented in Figure 33, we find WeWork members supporting an aggregate of 54,200 jobs in 2018[18]; 14,000 of which through the members' supply chains (indirect impact) and 13,900 of which through employee spending (induced impact). Figure 34 presents our results.

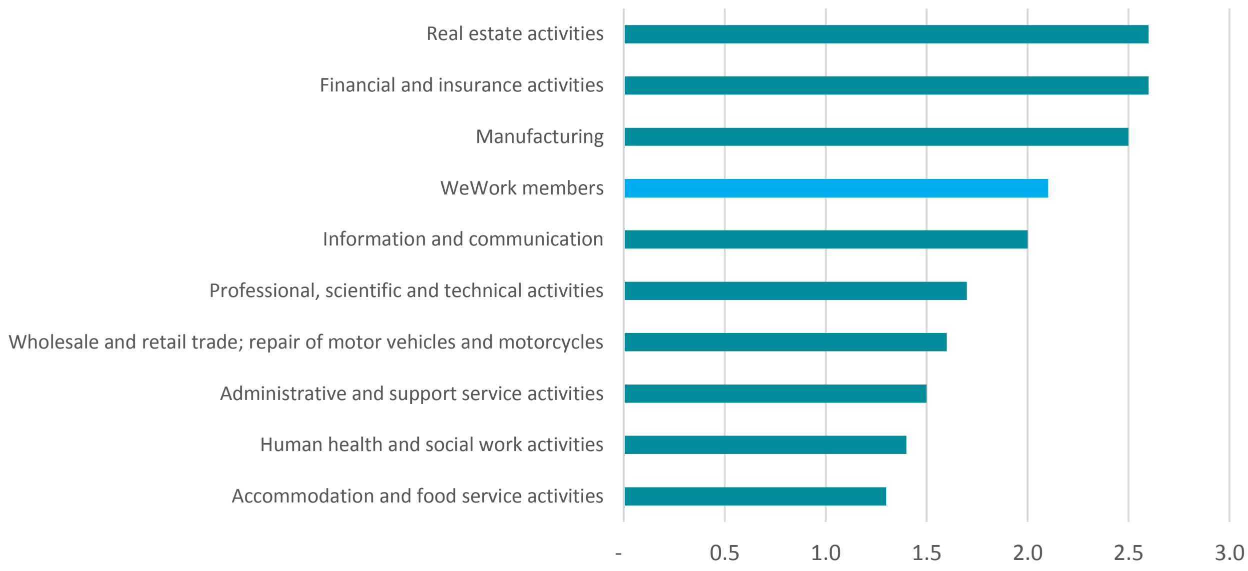
Figure 34: Employment impacts of WeWork members, 2018



Source: WeWork, Cebr analysis

To place the multiplier results into further context, Figure 14 below compares the multiplier impact of WeWork members against a set of broader sectors of the London economy. As illustrated, WeWork members perform favourably relative to a variety of sectors.

Figure 35: The employment multiplier impact of WeWork members against other industries



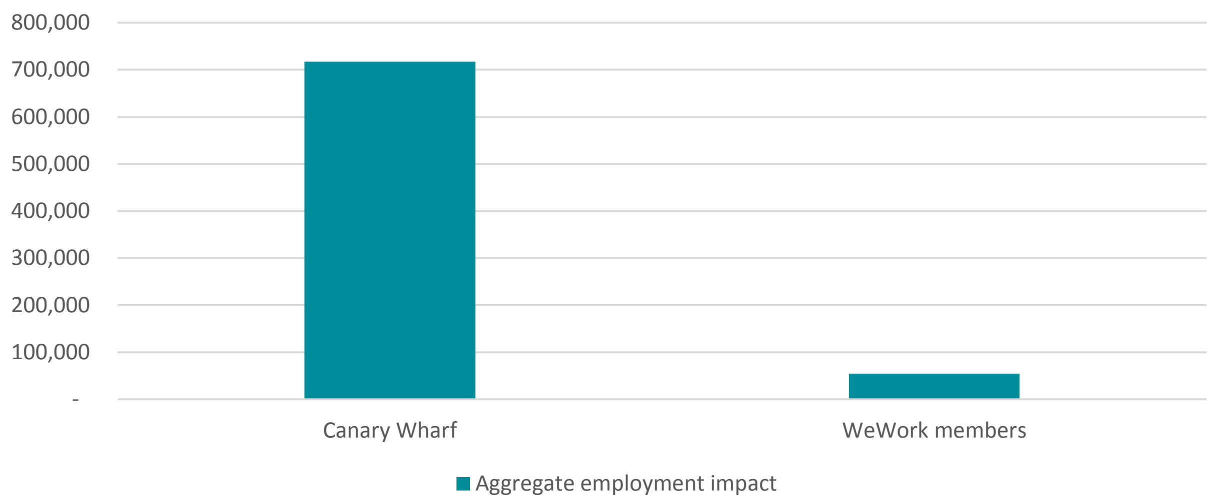
present a more accurate picture of the contribution of WeWork members. Furthermore, given the growth trends of WeWork by the end of 2018 this impacts likely to be an underestimate.

18 The sum of direct, indirect and induced impacts does not add up to the total due to rounding.

Source: Cebr analysis

Figure 15 compares the aggregate employment impact of WeWork members with that of Canary Wharf. It is important to take into account that while this figure shows that the aggregate employment impact of Canary Wharf is much higher than the one associated with WeWork members, one should bear in mind that the direct employment impact of Canary Wharf is much higher than the one associated with the WeWork network. As Wework expands in size and across industries, the WeWork's cluster effect will become more significant, and as result the associated aggregate impacts will also increase.

Figure 36: The aggregate employment impact of WeWork members against Canary Wharf, 2018



Source: WeWork, Cebr analysis

4.2 The economic impact of WeWork members through compensation of employees

This subsection examines the economic contribution of WeWork members through employee compensation. Compensation of employees is the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done.

According to Cebr estimates, the direct employee compensation contribution of WeWork members amounted to £2.1 billion in 2018. This corresponds to 0.9% of total compensation of employees in London. While this share might seem relatively small, it is important to compare it with the contribution of WeWork members to London employment. As presented in Section 4.1, this share stood at 0.45% in 2018. This suggests that in remuneration terms WeWork members are punching above their weight.

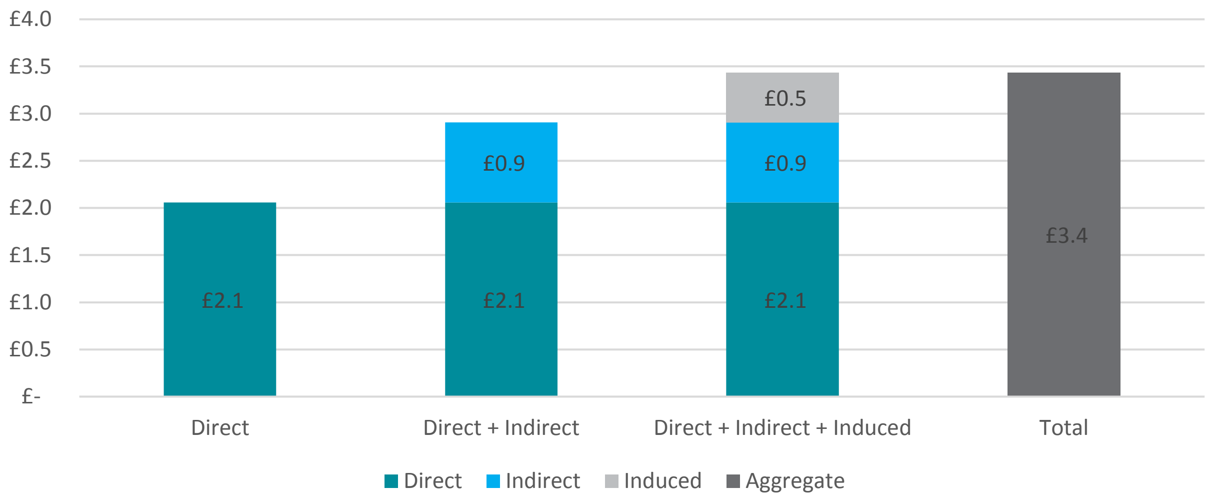
However, as seen above, in providing its products and services, WeWork members draw upon inputs from many sectors of the economy, unleashing a set of multiplier impacts in the wider economy. Cebr estimates the WeWork members' compensation of employees multiplier to be £1.70, as illustrated in Figure 37. This means that for every £1 directly raised in the compensation of employees in 2018, a total of £1.7 in employee compensation was supported in the wider economy, through indirect and induced multiplier impacts.

Figure 37: Compensation of employees multiplier impacts of WeWork members, 2018

Source: WeWork, Cebr analysis

Figure 38 below disaggregates the total contribution of WeWork members in terms of direct, indirect and induced impacts. As discussed, the direct contribution of WeWork members stood at £2.1 billion. The indirect and induced impacts presented in the figure below include the wages and salaries and other employee remuneration supported throughout the economy through the supply chain (indirect) and employee spending (induced) channels. Particularly, £0.9 billion was supported through the supply chain channel and an additional £0.5 billion was supported through employee expenditures – yielding an aggregate impact of £3.4 billion.

Figure 38: Total compensation of employees supported by WeWork members, 2018



Source: WeWork, WeWork UK survey, Cebr analysis

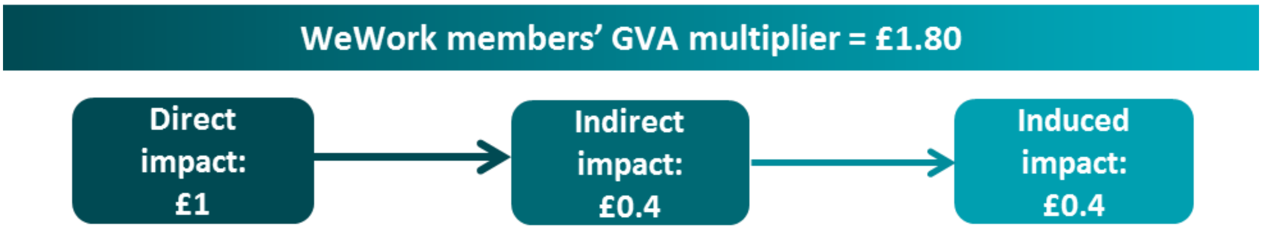
4.3 The economic impact of WeWork members through GVA

This subsection illustrates the GVA contributions of WeWork members to UK GDP. GVA captures the value that a firm adds through converting a set of inputs (e.g., raw materials) into a good or a service. This may be a final product or service, or may instead be passed on as an input for other firms in their own production process. For the purposes of this section, GVA can be thought of as the value WeWork members add through the course of their activities.

According to Cebr estimates, the direct GVA contribution of WeWork members stood at £3.6 billion in 2018. This corresponds to 0.8% of London GVA. Once again, this is an impressive contribution given that WeWork members only correspond to 0.45% of the total workforce in London.

We have also estimated the GVA multiplier impacts of WeWork members on the wider economy. Our input-output modelling suggests that the WeWork members' GVA multiplier is £1.80, as illustrated in Figure 39. This means that for every £1 of GVA generated by WeWork members, an additional £0.8 of GVA is supported in the wider economy though indirect and induced multiplier impacts.

Figure 39: GVA multiplier impacts of WeWork members, 2018

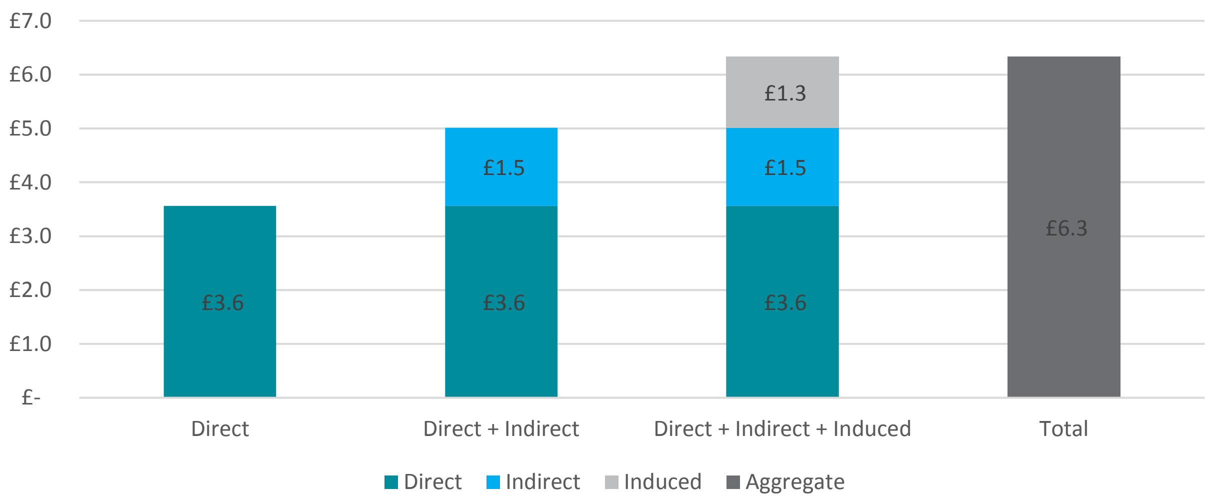


Source: WeWork, Cebr analysis

Based on the direct GVA contribution in 2018 of £3.6 billion, we estimate that the aggregate GVA contribution to GDP of WeWork members, including the additional indirect and induced multiplier impacts, amounted to £6.3 billion in the same year. Figure 40 illustrates the different set of GVA impacts.

The indirect and induced impacts presented in the figure below include the GVA supported throughout the economy through the supply chain (indirect) and employee spending (induced) channels - £1.5 billion was supported through the supply chain channel and an additional £1.3 billion was supported through the employee spending channel.

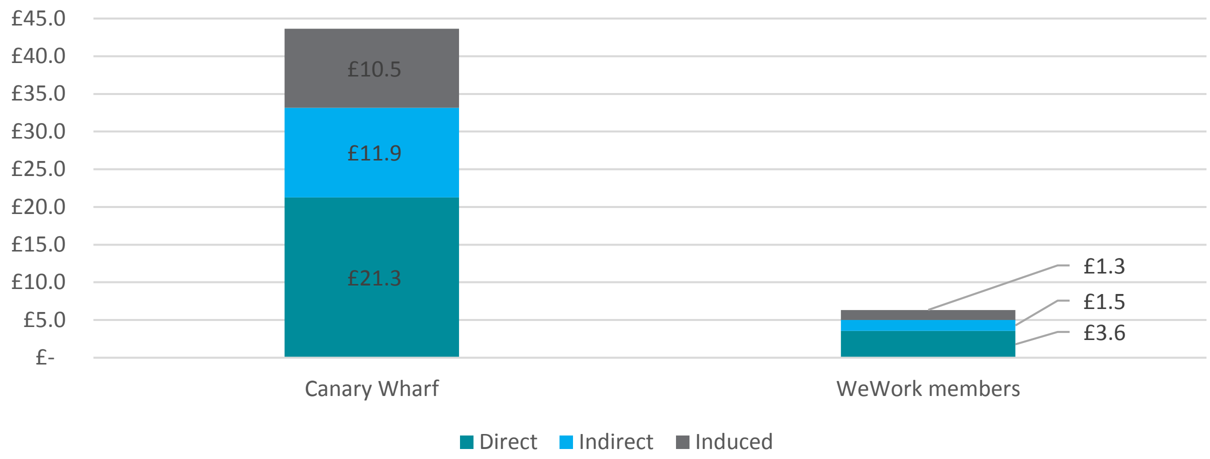
Figure 40: Total GVA supported by WeWork members, 2018



Source: WeWork, WeWork UK survey, Cebr analysis

Figure 41 compares the GVA impact of WeWork members with that of Canary Wharf. As with employment, this analysis was based on the report Cebr produced for Canary Wharf earlier this year. While the aggregate GVA impact of Canary Wharf (£43.7 billion) is much higher than the one associated with WeWork members (£6.3 billion), Canary Wharf has a direct employment six times higher than the current number of WeWork members. Given the impressive growth of WeWork members since 2014, it would not be surprising to see the GVA impact of WeWork members to catch up with that of Canary Wharf as Wework expands in size and across industries in the future.

Figure 41: The aggregate GVA impact of WeWork members against Canary Wharf, 2018

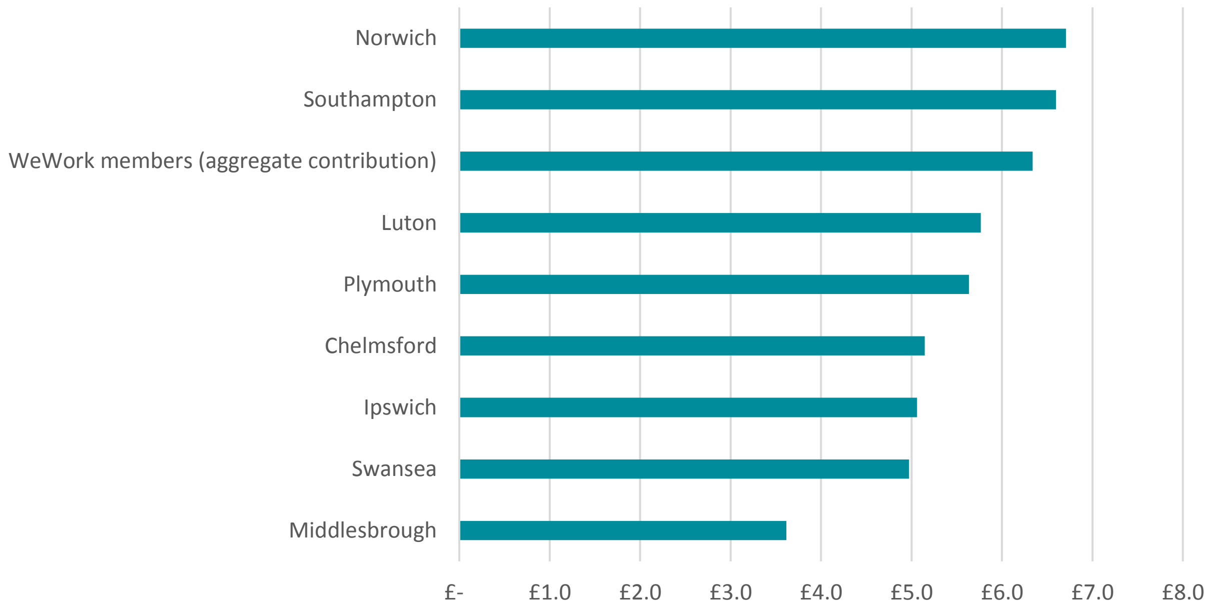


Source: WeWork, WeWork UK survey, Cebr analysis

Aggregate GVA contribution of WeWork members to UK GDP vs. other UK cities

In this subsection we compare the aggregate GVA contributions of WeWork members to UK GDP with the GVA contribution of other UK cities. Figure 42 presents our results. WeWork members' contribution to UK GDP is nearly as high as the contribution of cities such as Southampton and Norwich. Furthermore, the members' contribution is well above the contribution of cities such as Middlesbrough (1.8 times higher), Ipswich (1.3 times higher), Swansea (1.3 higher), Chelmsford (1.2 times higher), Plymouth (1.1 times higher) and Luton (1.1 times higher). We estimate that the aggregate footprint impact of WeWork members exceeds the GVA contribution of the 19th largest UK city outside of London, but it falls just short of the 18th largest UK city.

Figure 42: Aggregate GVA contribution of WeWork members vs. other UK cities



Source: WeWork, WeWork UK survey, Cebr analysis

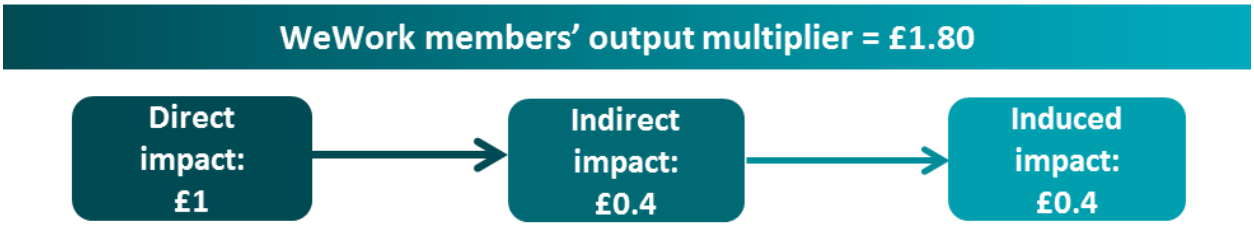
4.4 The economic impact of WeWork members through output

For the purposes of this section output is defined as the revenues generated by WeWork members as a result of undertaking productive value-adding activities.

Cebr estimates that in 2018 WeWork members directly contributed £6.8 billion in output to the London economy. This corresponds to 0.9% of London output. Similarly to what we observed in the sections above, this seems to suggest that WeWork members are contributing disproportionally to the London economy. This is not a surprise given the concentration of WeWork members in high-value sectors, such as the ones in the innovation economy.

Using Cebr's input-output models, we have also estimated the output multiplier impacts of WeWork members on the wider economy. Our input-output modelling suggests that the WeWork members' output multiplier is £1.80, as illustrated in Figure 43. This means that for every £1 of output generated by WeWork members, an additional £0.8 of output is supported in the wider economy though indirect and induced multiplier impacts.

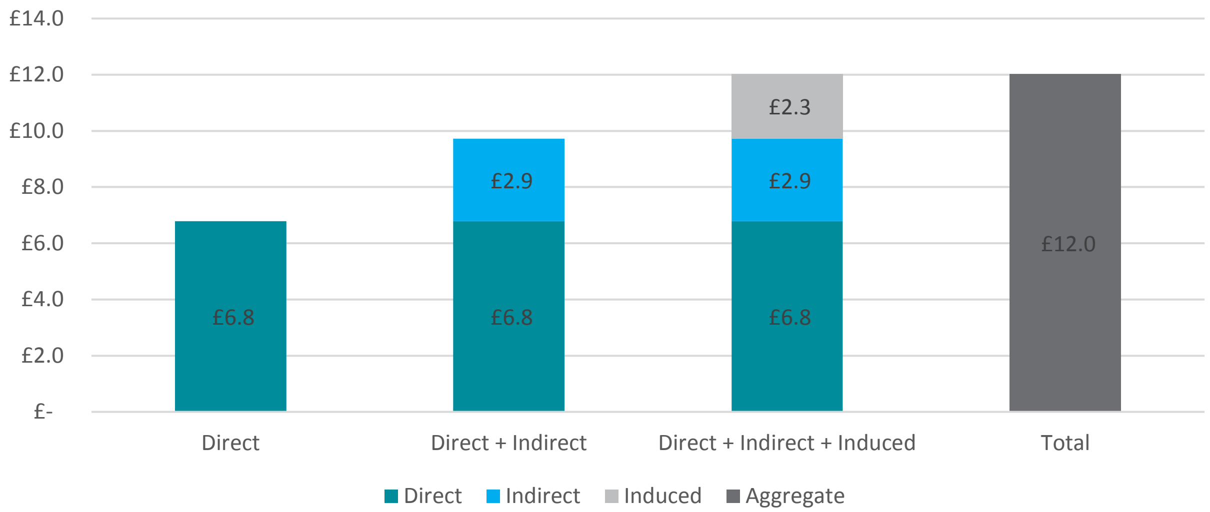
Figure 43: Output multiplier impacts of WeWork members, 2018



Source: WeWork, Cebr analysis

Once we combine the multiplier effect with the direct contributions of WeWork members, we have that the aggregate output contribution of WeWork members stood at £12.0 billion in 2018. Figure 44 illustrates the total output generated by WeWork members disaggregated by direct, indirect and induced impacts. On top of the output direct impact describe above, WeWork also supported £2.9 billion through the supply chain channel (indirect) and an additional £2.3 billion through employee expenditures.

Figure 44: Total output supported by WeWork members, 2018



Source: WeWork, Cebr analysis

4.5 The direct contribution of WeWork members to the UK Exchequer

This subsection discusses the contribution of WeWork members to the UK Exchequer through tax revenues. Cebr have calculated the contributions in terms of the tax heads listed below:

- Income Tax;
- National Insurance Contributions (NICs) – from both employees and employers;
- Value-Added Tax (VAT);
- Corporation Tax;
- National Non-Domestic Rates (Business Rates).

For the personal taxes listed above, Income Tax and NICs revenues have been calculated by applying tax rates to the estimated wages and salaries paid to WeWork members; rates and thresholds have been sourced from HMRC for 2018.

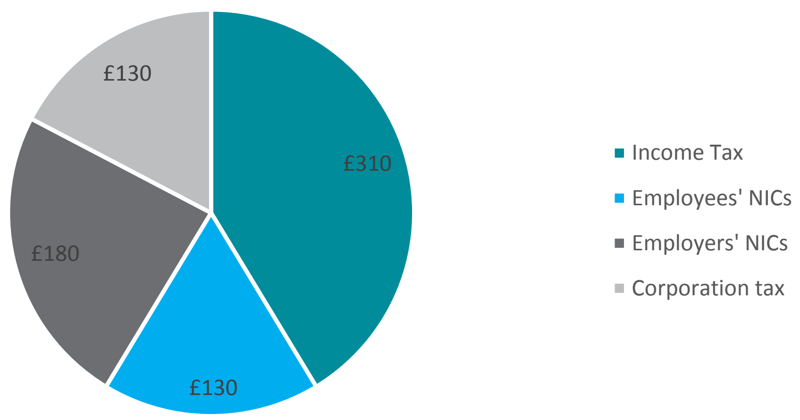
Corporation Tax revenues have been calculated by applying HMRC estimates for Average Effective Tax Rates (AETRs) to the derived proportion of the GVA supported by WeWork members which is estimated to be Gross Profit[19]. Business Rates have been estimated using the average level of Business Rates paid as a proportion of GVA, drawing upon the ONS Annual Business Survey (ABS). VAT has been calculated by applying the standard VAT rate in the UK to Cebr estimates of the contribution of WeWork members to UK business revenues[20]. The VAT estimates in particular should be seen as a high level “ceiling” impacts, as we have assumed that all the member associated output is subject to a uniform level of VAT to be paid by the end consumer.

Figure 45 presents the taxes related to income generated by WeWork members, excluding VAT revenues. In 2018, WeWork member income tax contributions amounted to approximately £746 million.

19 To estimate this proportion we relied on data for the London economy. The GVA to Gross Profit ratio was derived from ONS data (Regional gross value added (income approach) reference tables).
20 These were defined in Section 4.4 as output.

This is equivalent to 0.20% of total income-related tax revenues of the UK exchequer. Income tax forms the largest chunk (£310 million), followed by corporation tax (£180 million) and employees and employers' National Insurance contributions (both at £130 million).

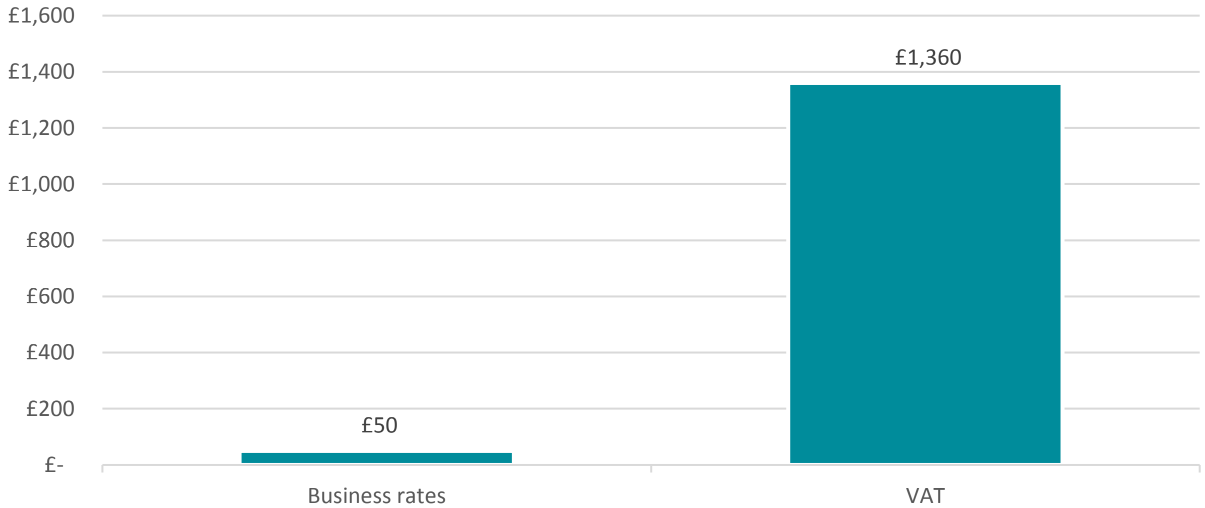
Figure 45: Taxes on income supported by WeWork members (£ millions), 2018



Source: WeWork, WeWork UK survey, ABS, HMRC, Cebr analysis

Figure 46 below shows the taxes on production (business rates) and taxes on products (VAT) supported by WeWork members. In 2018, WeWork members contributed over £50 million in business rates to the UK exchequer and nearly £1,360 in terms of associated VAT. This is equivalent to a 0.20% and 1.08%, respectively, of the total business rates and VAT revenues of the UK exchequer.

Figure 46: Taxes on production (Business rates) and taxes on products (VAT) supported by WeWork members (£ millions), 2018



Source: WeWork, ABS, HMRC, Cebr analysis

5 Conclusion

This report has examined the economic impact of WeWork in London through the activities of its members. The analysis looks at the economic effects on three connected dimensions: the individual and business impact, the neighbourhood impact and finally WeWork's city-wide impact.

Since arriving in London in 2014, WeWork has fast grown to become the largest flexible office space provider in the city with currently 2.6 million sq ft of office space under lease. The number of members has seen extraordinary growth, tripling since 2016 and standing at over 26,000 across more than 24 locations in the city at the time of writing.

The timing for entering the London market could hardly have been better as several structural and economic factors have driven growth in the flexible office market over the past few years. While demand for this type of work space was initially driven by the rise in the number of self-employed people and London becoming the epicentre of the European tech start-up scene, flexible working space has now become a viable alternative to traditional offices for a large part of the business world. This transition is supported by the fact that the current workforce is undergoing a change in values as employees' attitudes towards their employer and workplace evolve. Our survey analysis shows that employees value well-designed spaces, central locations, but also the possibility to work and interact with like-minded people.

From a business perspective, WeWork's competitively priced offices in attractive locations and its community-focused offer explain some the popularity among London firms. Our research has found that renting an office through WeWork can be considerably cheaper than the cost of office space in the same area. Members also value the events organised by WeWork and being part of the wider WeWork community. This not only improves employee's well-being but also their productivity. 80% of members said that WeWork helped to improve their business' productivity. Finally, businesses directly profit from the community as they frequently do business and collaborate with each other.

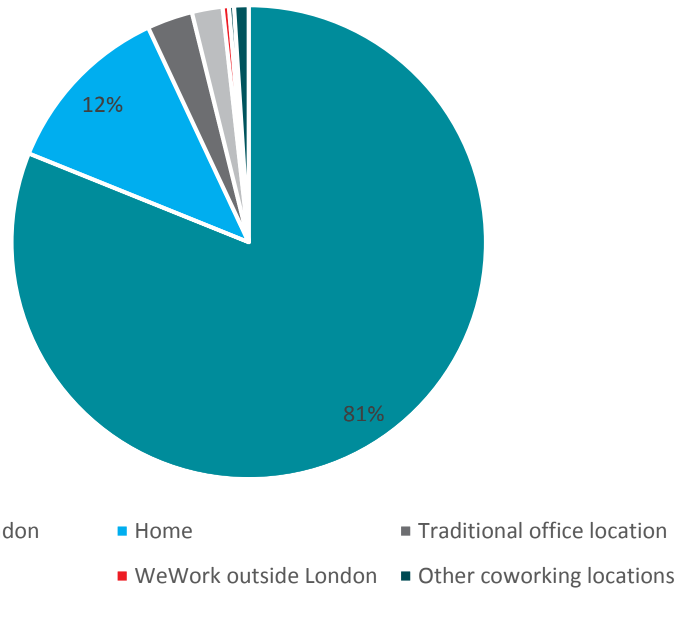
WeWork does not only have an impact through its members and their businesses but also in the neighbourhoods where its offices are located. Our survey analysis shows that WeWork members have a considerable economic effect on local business, spending around £75 million each year in local pubs, restaurants, cafés, corner shops and gyms in the area. With 97% of WeWork members using public transport, cycling or walking to work, they also contribute to greener neighbourhoods with less traffic. Moreover, through unlocking office space, WeWork also helps to reduce London's office space emissions by 0.5%.

Finally, WeWork's economic contribution through its members is felt throughout the whole city. WeWork members support a total of 54,200 jobs in London through their direct contribution as well as the indirect and induced effects along supply chains. In terms of GVA, WeWork members contribute disproportionally to the London economy. Although members represent only 0.45% of the workforce, their aggregate GVA contribution including the additional indirect and induced multiplier impacts stands at £6.3 billion. The direct GVA contribution is equal to 0.85% of the total London figure.

6 Appendix

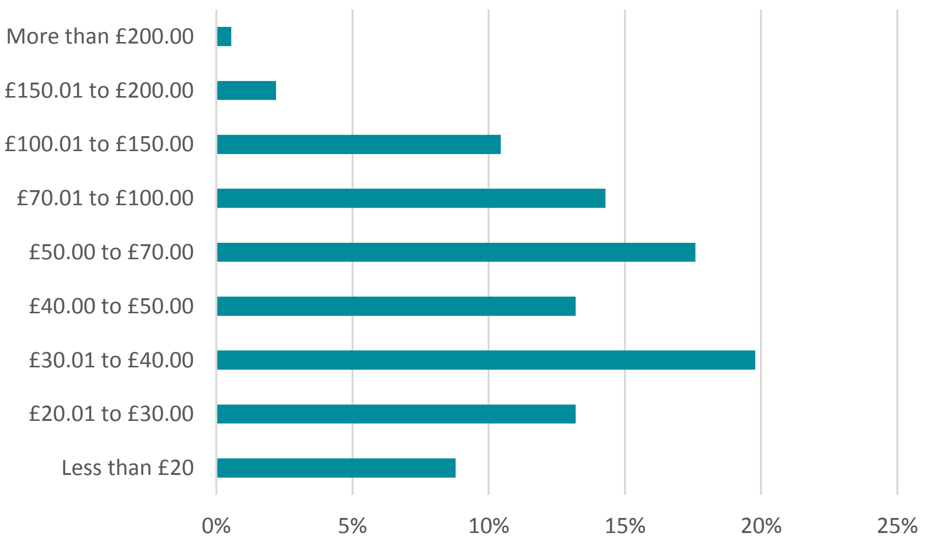
6.1 Additional survey results

Figure 47 – Average breakdown of time spent working in different locations for WeWork members



Source: WeWork 2018 survey, Cebr analysis

Figure 48 – Monthly, spending on gyms by WeWork members who use a gym near the office

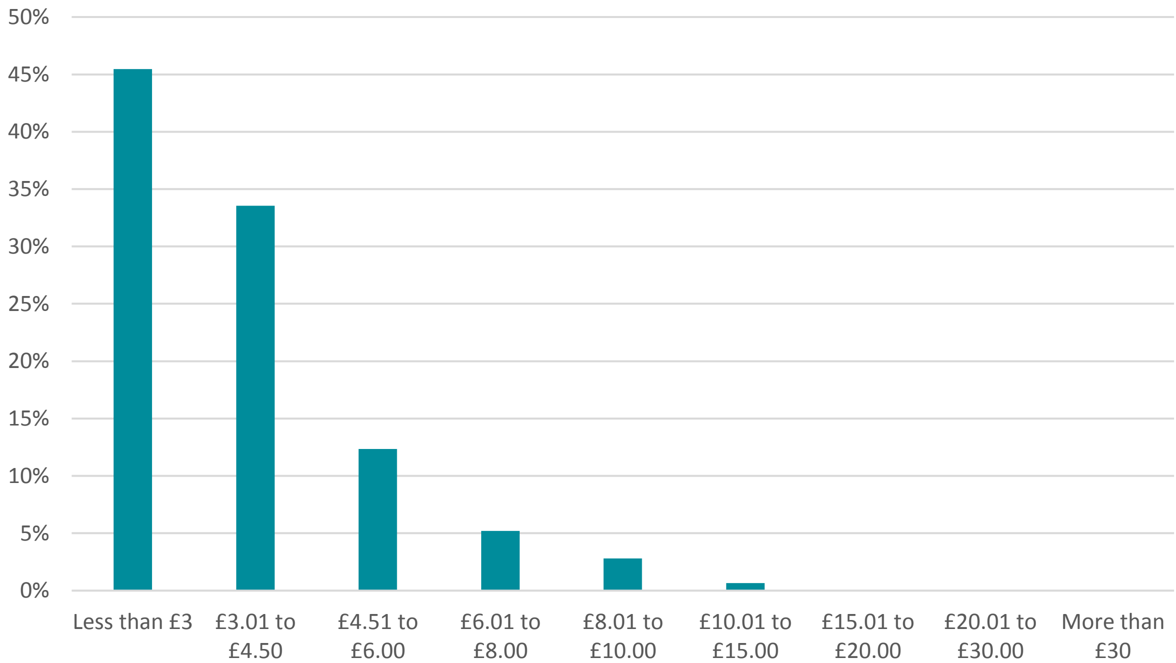


Source: WeWork 2018 survey, Cebr analysis

Figure 49 – Spending at corner shops and supermarkets near the office by WeWork members

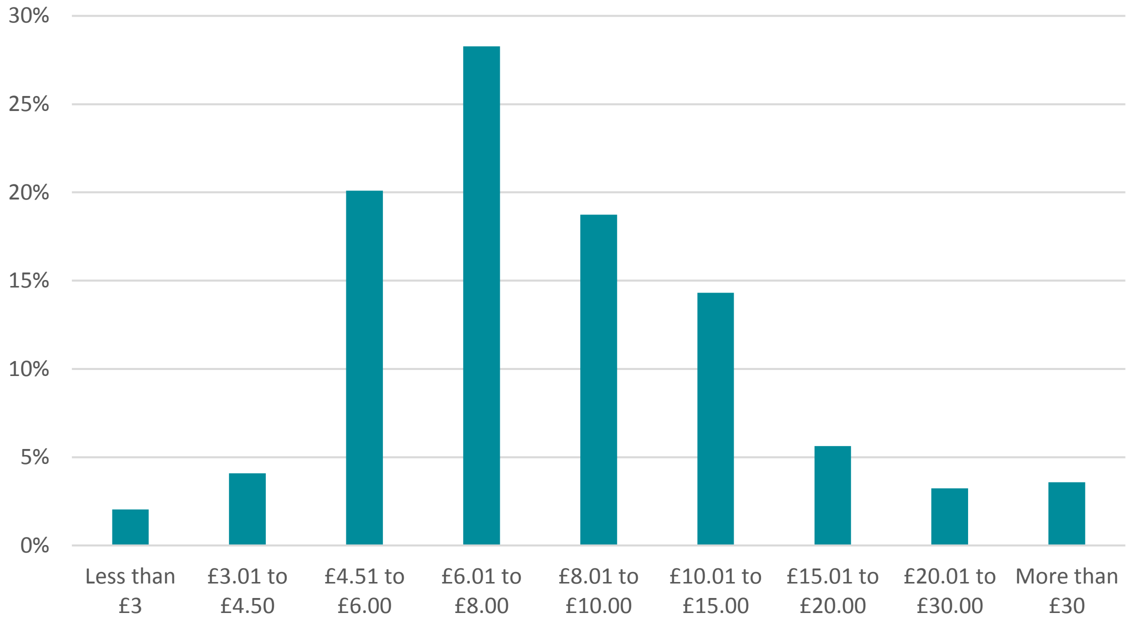
Source: WeWork 2018 survey, Cebr analysis

Figure 50 – Spending at coffee shops near the office by WeWork members



Source: WeWork 2018 survey, Cebr analysis

Figure 51 – Spending at restaurants near the office by WeWork members

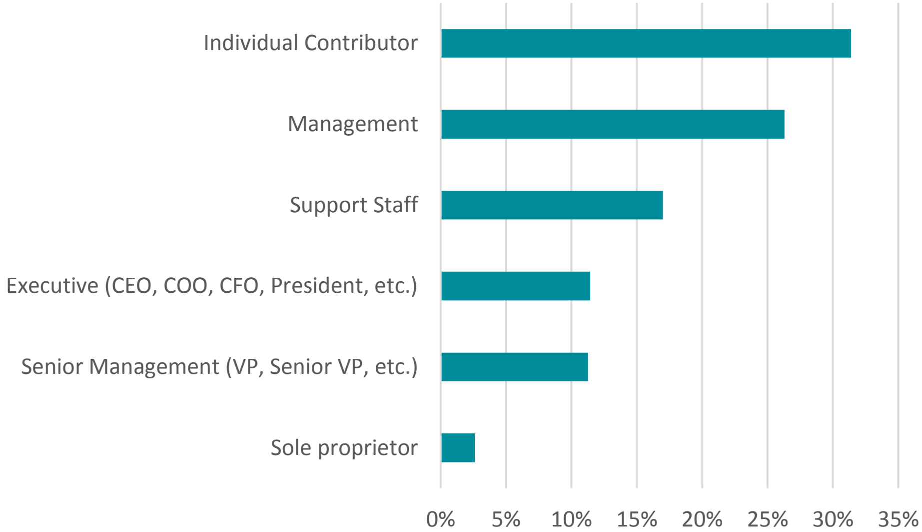


Source: WeWork 2018 survey, Cebr analysis

Figure 52 – Spending at pubs near the office by WeWork members

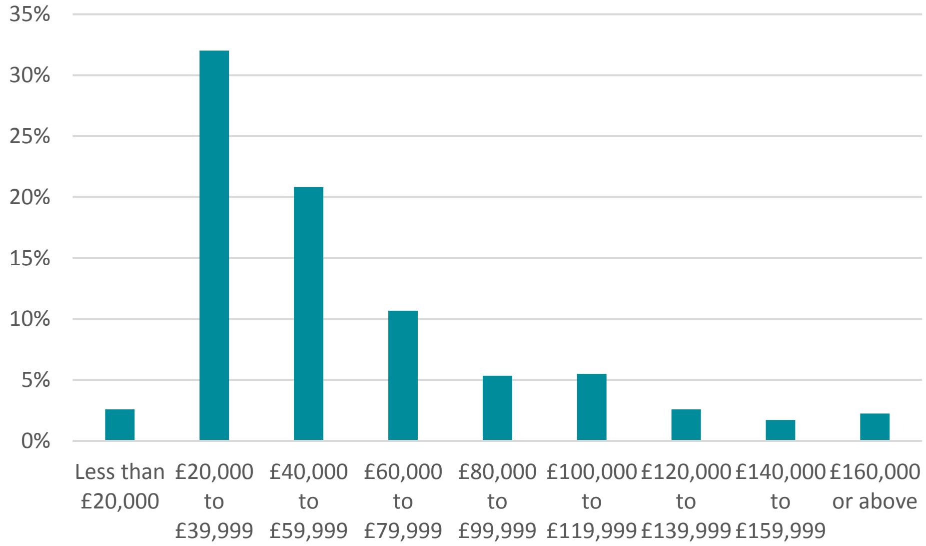
Source: WeWork 2018 survey, Cebr analysis

Figure 53 – WeWork members by primary role



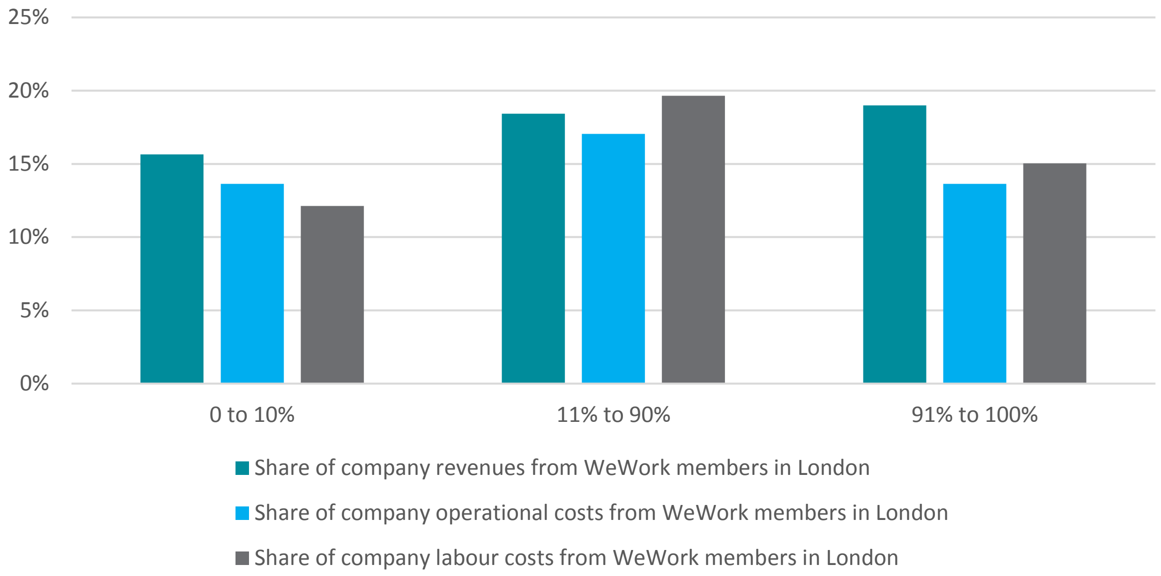
Source: WeWork 2018 survey, Cebr analysis

Figure 54 – Earnings of WeWork members in the UK



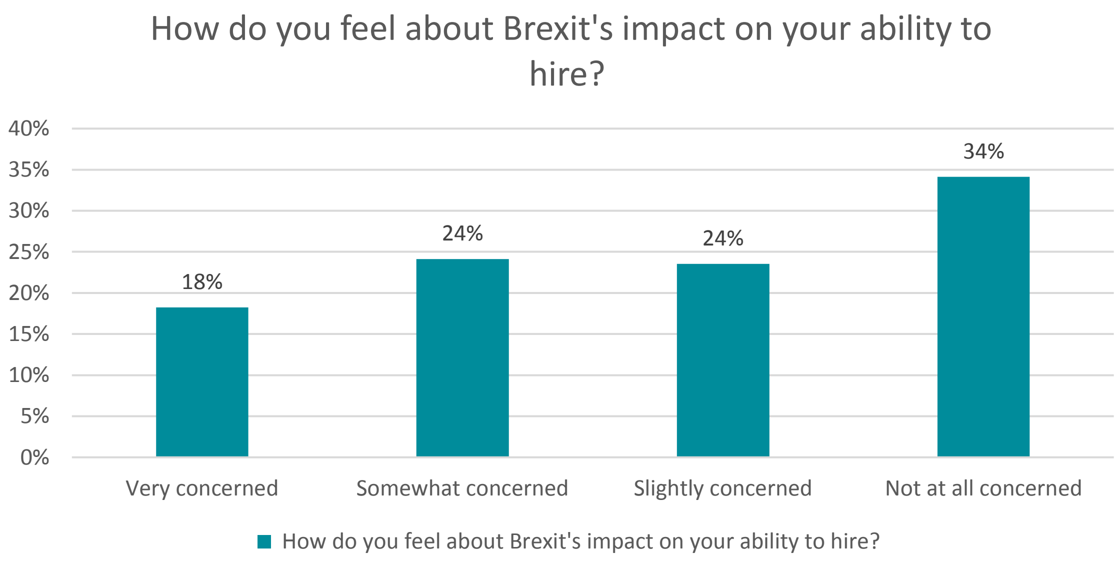
Source: WeWork 2018 survey, Cebr analysis

Figure 55- Share of company revenues, operational costs and labour costs in the financial year ending 2018 which companies can attribute to activities undertaken by its WeWork members in London



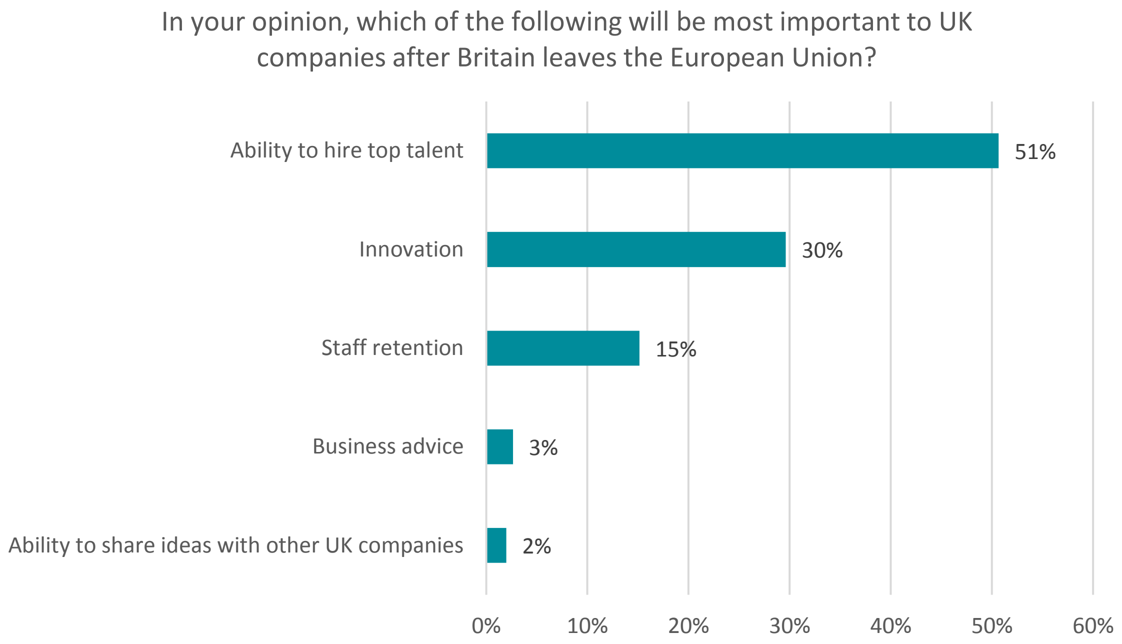
Source: WeWork 2018 survey, Cebr analysis

Figure 56 – Brexit impact on hiring



Source: WeWork 2018 survey, Cebr analysis

Figure 57 – Challenges to UK businesses after Brexit



Source: WeWork 2018 survey, Cebr analysis