

FROM LOCK UP TO START UP

LONDON'S MICRO
BUSINESSES THRIVING OUT
OF EMPTY GARAGES



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BUSINESS IS BOOMING BUT...

There are an estimated 4.9 million private sector businesses in the UK, employing around 24.3 million people, with a combined turnover of £3.3 billion.¹ Three quarters of these businesses are non-employing, or sole traders.²

Enterprise is thriving in London too, with 841,000 private sector businesses trading in the Capital.³ The tiny area of "Tech City" surrounding Old Street roundabout alone currently boasts 1,363 start-ups compared to just 15 five years ago.⁴

While thriving enterprise is a good news story for our economy, start-ups and micro businesses are threatened by continuously rising commercial property prices.

Small businesses in London are bearing a huge 'cost burden' according to the Federation of Small Businesses and London First.⁵ ⁶ Their Small Business Cities Index has ranked London the second highest compared with 23 other global cities when it comes to work space rentals, taxes, wages, and redundancies.

OFFICES

A 13.3% rise in the average minimum price of office space, per workstation, (from £203 - £230 since 2012)⁷ means commercial rents in the Capital are simply out of reach for a start-up web designer or growing accountancy firm.

Rental terms with big landlords, such as the length of a contract, are also major obstacles for businesses which are just starting out. Whilst landlords prioritise a steady income and stability, start-ups need the flexibility to experiment and change location if their initial plans do not work out. This is demonstrated by Taavet Hinrikus, the founder of international money transfer service, TransferWise: "Most landlords want you to sign a five year lease... in five years' time I either need room for 200 people or none at all. But today I can't afford to sign a lease for 200 people."⁸

Individual desks for hire in shared office spaces can be an alternative option for many office based start-ups, however these are not suitable for everybody as stated in an article by Rob Kerry, Co-Founder at Made Contact: "I'm used to speaking aloud and not worrying about who's listening, having meetings at desks, playing music without headphones... I don't like to disturb people in what is an incredibly quiet work environment nor be disturbed by other people's loud phone conversations."⁷ For business owners who need privacy or their own office for meetings with prospective clients, a shared space may not be a viable option.

1. Business population estimates for the UK and regions 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254552/13-92-business-population-estimates-2013-stats-release-4.pdf Last accessed 20/12/2013

2. Ibid

3. Ibid

4. Is the success of London's 'silicon roundabout' forcing new start-ups out of the Capital? <http://www.independent.co.uk/life-style/gadgets-and-tech/features/is-the-success-of-londons-silicon-roundabout-forcing-new-start-ups-out-of-the-capital-8599699.html> Last accessed 20/12/2013

5. Costs hurt London SMEs, <http://www.standard.co.uk/business/business-news/costs-hurt-london-smes-8896730.html> Last accessed 20/12/2013

6. London is the 7th costliest city for small businesses, <http://www.itv.com/news/london/update/2013-10-23/london-is-the-7th-costliest-city-for-small-businesses/> Last accessed 20/12/2013

7. London office rents driving away small business, <http://start-ups.co.uk/london-office-rents-driving-away-small-business/> Last accessed 20/12/2013

8. Why tech companies can't get office space in London - even though landlords are desperate to have them, <http://qz.com/138719/why-tech-companies-cant-get-office-space-in-london-even-though-landlords-are-desperate-to-have-them/> Last accessed 20/12/2013

Furthermore, hiring just a single desk in Shoreditch's Tech City can cost as much as £400 a month.⁹

WORKSHOPS AND STUDIOS

Micro businesses working in light industry also face high rents. A work space in Croydon can cost as much as £15 per sq ft. According to London Loves Business, a recent letting within two minutes of East Croydon station recently went for a competitive £6.50 per sq ft, still meaning a modest 161 sq ft (15 sq m) space would have cost £1,046 per month.¹⁰

An online search of available commercial space for rent in a variety areas across London brought up a price range of £560 - £1,630 per month, very high prices for a start-up cycle mechanic, a small architect's firm or a growing printing business.¹¹

London borough	Description	Size sq ft	Monthly price
Brent	Ground floor workshop	620	£740
Croydon	Ground floor workshop space	500	£590
Chiswick	Arches (one unit)	939	£1,083
Ealing	Ground floor light industrial unit	281	£560
Islington	Space in Clerkenwell	226	£1,590
Lambeth	Workshop located on the first floor	455	£770
Redbridge	Ground floor workshop / light industrial unit	994	£940
Wandsworth	Second floor studio	800	£1,630
Wandsworth	Arches (one unit)	778	£1,083
Waltham Forest	A workshop located over the ground and first floors	566	£720

9. The Goldilocks dilemma of start-up office space in London, <http://3-beards.com/blog/goldilocks-dilemma-start-office-space-london> Last accessed 20/12/2013

10. Silicon roundabout is dying. Meet London's new tech hotspots, <http://www.londonlovesbusiness.com/business-news/tech/silicon-roundabout-is-dying-meet-londons-new-tech-hotspots/6275.article> Last accessed 20/12/2013

11. Search conducted on 16th December 2013. Prices quoted for available space from three websites:

- <http://www.tfl.gov.uk/businessandpartners/commercialopportunities/5866.aspx>
- <http://www.workspace.co.uk/london-commercial-property/workshops-to-let/?display=spaces>
- <http://www.clerkenwellworkshops.com/>

EMPTY GARAGES FOR START-UPS

Thousands of garages are estimated to be lying empty in the Capital. This report has identified 3,275 empty garages owned between ten housing associations across London.¹²



Example of a current garage unit ready for conversion and an artist rendition of a converted unit

Converting some of London's empty garages into basic standard studios, workshops and commercial space could provide the much needed affordable space that London's start-ups and micro businesses so desperately need.

This proposal involves housing associations investing in their garages and, if they are not suitable for housing, converting them into basic standard work space for micro businesses, where a high street location is less important for trade, such as: cycle mechanics, architects, printers, carpenters, product designers etc.

By renting out converted garages at competitive prices, housing associations could provide major benefits to London's entrepreneurs and the Capital's economy.

Housing association	Total garages	Empty garages (void* or out of charge**)
L&Q	2,337	1,298
Affinity Sutton	1,517	593
Orbit	976	508
Peabody	879	412
Hyde	610	318
Swan	219	65
Catalyst Housing	146	50
East Thames	108	25
Notting Hill Housing	32	5
Lambeth & Southwark HA	13	1
TOTAL	6,837	3,275

¹² Ten housing associations are: L&Q, Affinity Sutton, Orbit, Peabody, Hyde, Swan, Catalyst Housing, East Thames, Notting Hill Housing and Lambeth and Southwark Housing Association. Figures obtained between July and October 2013

*A 'void' garage is an empty garage which is deemed to be lettable to residents for car parking and storage.

**An 'out of charge' means that the garage is unlettable maybe due to lack of demand or disrepair

Housing association L&Q currently have 1,293 empty garages across London. They estimate the cost of converting a garage into a business unit to be approximately £26,000, which would include basics such as electric rewiring, insulation, heating, sanitation/water supply, and decent internet connection. If a converted garage space was rented out to a business at £60 a week, the housing association would make their initial investment back in approximately eight years, and profits could be reinvested into their stock. Of course, as highlighted by housing association, Affinity Sutton, there is a balance to strike on letting out garages at rents which are realistic in the market whilst needing enough of a return to keep them in good repair and pay for routine maintenance such as re-surfacing and re-painting.

Empty garages are also a magnet for vandalism, fly-tipping and anti-social behaviour. By putting them to use, housing associations would save money currently spent on maintenance. According to estimates from L&Q, it costs £80 - £120 to just clean up one sq m of a garage.

“We have redeveloped at least a dozen garage sites over the last 10 years to provide affordable housing. This has brought the additional benefit of helping us tackle run down and unpopular garage compounds that have on occasion been a magnet for vandalism and antisocial behaviour.

About a third of our garages are currently empty. Demand for them varies quite a lot; as cars have become more durable, garages are not in as much demand as they once were, even 20 years ago. They are often expensive to maintain and the rents chargeable are too low to justify significant investment in improvements”.

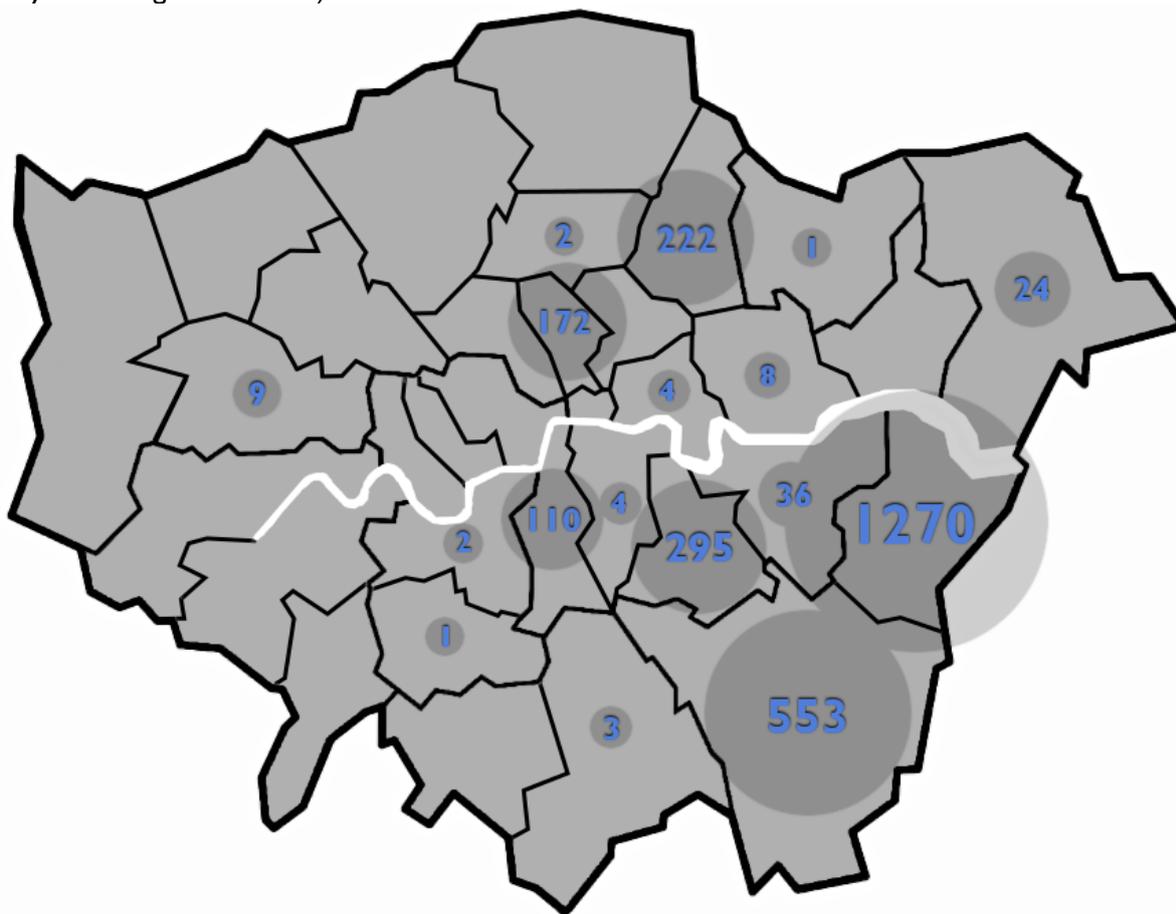
We now have no more than a handful of sites that might be suitable to be redeveloped for housing and we are open to looking at alternative uses such as work spaces for start-ups. This said, every site must be assessed on its merits, but we are certainly open to ideas.”

· Keith Exford, Group Chief Exec, Affinity Sutton

By giving businesses the opportunity to set up in different boroughs across the Capital, some of the burden can be relieved from prime Central London locations, while quieter areas can benefit from increased footfall, passing trade and investment.

BOROUGH BREAKDOWN OF IDENTIFIED EMPTY GARAGES IN LONDON

(Provided by 4 housing associations)



	L&Q owned empty garages	Affinity Sutton owned empty garages	Orbit owned empty garages	Hyde owned empty garages	TOTAL
Brent					
Bexley	762		508		1,270
Bromley	7	546			553
Croydon	1			2	3
Ealing	9				9
Greenwich	19			17	36
Hackney	1				1
Haringey	1				1
Havering	24				24
Hillingdon					
Hounslow					
Islington				172	172
Kensington & Chelsea					
Lambeth				110	110
Lewisham	236	42		17	295
Merton	1				1
Newham	8				8
Redbridge	1				1
Southwark	4				4
Tower Hamlets		4			4
Waltham Forest	222				222
Wandsworth	2				2

CASE STUDIES

Jane Ni Dhulchaointigh, CEO and inventor of sugru, self-setting bonding rubber

We started out online, like so many new businesses, and so high-speed internet connection was vital to help us connect with our community and reach out to all the sugru users. We needed quite a flexible space as we house the laboratory, factory and business services (finance, marketing, design etc) all under one roof. As a small growing business it is important to have these all together as they feed into each other. The factory division where the sugru is made, means we need to have a reliable and safe electrical supply. Not only is this crucial in cost-effectively producing sugru, it also helps to ensure we can minimise energy wastage. We also wanted to be based in a creative area so we could find inspiration from our neighbours and fellow start-ups. East London has so many new exciting businesses opening up, it is great to be so close to the creative energy surrounding us.

It sounds like a great idea to make sure London isn't wasting empty spaces when they can be used to help small businesses grow. Start-ups have so many demands on their time and money - if they could find affordable rental spaces to expand their business it would take the pressure off those first few years of making ends meet.

Ross Clifford, 36, Recruitment Consultant, Wandsworth

This is a cracking idea, dependent on the location of the garage being practical. I need to keep my travel costs low but a basic converted garage in Wandsworth or nearby would be a very attractive prospect. I certainly do not need to commute into Central London.

I work from home because office rents in the Capital are a huge barrier for me as a micro firm. To take on a business unit, you need stability. Clients need to be paying you on time, every time. If this does not happen, you need a cash reserve. Once you add on rates and utility bills on top, it gets expensive.

I'd pay £40-£50 a week in rent as a start-up. Perhaps traders and entrepreneurs can pay a discounted rate at the beginning with a gradual price rise. That way, just before they outgrow the garage and upgrade to a bigger office, they can pay slightly more, and this in turn can subsidise the next person.

Having been in business for five years now, I know that you don't need much in an office if you're starting out in my position, apart from a bit of space to concentrate, warmth and fast internet. I'm considering taking someone on in the near future, it would be much more likely if I had my own affordable office space where I can set up, work, and grow the business.

Jack Morrell, 24, Web Designer , Shoreditch

I currently work from home, but often work within coffee shops, pubs and other places in the local area that have WiFi access. The primary reason for working from home is to keep my overheads at a minimum. This not only saves money but allows me to charge lower prices to my clients. This is quite important as the people and businesses I work with are often start-ups and don't have the biggest budgets.

If the rent was affordable, the location within a reasonable distance of my home (maximum of 1 hour travelling) and the interior was clean, comfortable and suitable for spending 8 – 10 hours a day in, I'd be very keen on the idea.

After trading for almost two years, I have considered leasing some office space in order to take my business to the next level and perhaps allow me to take on a member of staff. So if renting an ex-garage on the cheap was an option, I'd certainly look into it. I would undoubtedly be more likely to hire an employee if I had office space that we could both comfortably fit in.

PRACTICAL CONSIDERATIONS & NOTES

- It should be emphasised that providing housing is priority for housing associations, and garages could be converted into basic business units only if they are not suitable for housing
 - L&Q have a number of garages in areas such as Bexley and Newham which are going through the planning stages for affordable housing, meanwhile Affinity Sutton say they have redeveloped at least a dozen garage sites over the last 10 years to provide affordable housing. However, they state that they have no more than a 'handful' of sites that might be suitable to be redeveloped for housing and are open to considering alternative uses
- Not all disused garages would be suitable for conversion into basic business units. Consideration would need to be given to factors such as location, proximity to transport, restrictive access to the site etc.
- The need to secure planning permission is a major consideration and prices and risks will vary on individual cases and sites. Early dialogue and close partnership between housing associations and boroughs would be key, especially to consider the impact on planning regulations, local planning priorities and the impact on the area such as parking spaces and traffic flow

RECOMMENDATIONS

In partnership with the Mayor, housing associations can begin piloting the conversion of empty garages into basic workshops, studios and commercial space.

1. The Mayor and GLA should support housing associations by conducting a pan-London analysis. This could include identifying feasible locations and providing practical advice about potential planning issues. A tailored feasibility report would give housing associations a clear picture of the potential and needs across the city.
2. Housing associations can use the analysis from the GLA to identify potential garages from their stock, come up with a suitable pricing model and engage with appropriate local businesses to gauge interest.
3. Through close partnerships with the Capital's housing associations, the Mayor and GLA should initially aim for 300 empty garages across London to be converted into basic workshops, studios and commercial space as part of a citywide pilot.

APPENDICES

Borough locations of identified empty garages in London (Provided by 4 housing associations)

L&Q garage locations:

London borough	Let garages	Empty garages (void or out of charge)	Total garages
Bexley	650	762	1412
Bromley	7	7	14
Croydon	1	1	2
Ealing	5	9	14
Greenwich	15	19	34
Hackney		1	1
Haringey	1	1	2
Havering	67	24	91
Lambeth	2	0	2
Lewisham	194	236	430
Merton	6	1	7
Newham	2	8	10
Redbridge		1	1
Southwark	10	4	14
Waltham Forest	77	222	299
Wandsworth	2	2	4

Affinity Sutton garage locations

London borough	Let garages	Empty garages (void or out of charge)	Total garages
Bromley	877	546	1423
Kensington & Chelsea	1	0	1
Lewisham	41	42	83
Tower Hamlets	6	4	10

Orbit garage locations

London borough	Let garages	Empty garages (void or out of charge)	Total garages
Bexley	468	508	967

Hyde garage locations

London borough	Let garages	Empty garages (void or out of charge)	Total garages
Bromley	2	0	2
Croydon	3	2	5
Greenwich	17	17	34
Islington	152	172	324
Lambeth	74	110	184
Lewisham	41	17	58
Sutton	3	0	3



FEEDBACK

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