

Report on Business

Property Report

A desk, a phone and an end to isolation

Shared office space catches on among small business owners looking for amenities and the chance to rub elbows with others
Graham Lanktree

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After moving from London to Calgary in April, Nik Thierry was surprised when he couldn't find an office for his budding graphic design business.

The problem was he was looking for only a single desk. Mr. Thierry works alone, connected to his business partner in Britain through e-mail and Skype. "I haven't met a client face to face in the last two or three years," he says. "We talk online."

Tired of being isolated in home offices, across Canada a growing number of startup owners such as Mr. Thierry are looking for small workspaces that offer the amenities of an office and perks such as networking opportunities.

Since last October, almost half a million full-time jobs have vanished nationwide, Statistics Canada reports. But many laid-off workers have found it easier to create startups online, and in June alone 37,000 of them turned to self-employment as entrepreneurs and consultants.

As businesses shed jobs in the second quarter, nationally more than 7.7 million square feet of [office space](#) flooded the sublease market.

Yet in spite of this, there are few places where new businesses can rent small amounts of office space. Mr. Thierry found space that met his needs only after seeing an ad on the back of a local magazine. "It's an office that has mortgage brokers in it, and there are other companies here, too." But that's the beauty of this kind of setup, Mr. Thierry says. "I used their services while I was looking to buy a house, and they've asked me to do some design work."

That's exactly what Ron Prefontaine, president of Prefontaine Financial Corp., had in mind when he rented Mr. Thierry a single desk at \$375 a month.

"With a variety of people around, you get to know them and trust them and maybe do business with them," he says. "It's nice when you can knock on the door next to you and hand someone work."

On 17th Street, near Calgary's downtown core, Mr. Prefontaine has 3,000 square feet with nine offices that range from \$375 to \$1,500 a month, depending on size. "With three employees it's more than I need," he says. "If I get people in, it helps me cover my costs, and small office space comes at a premium."

Mr. Thierry says office spaces where small businesses share a common Internet connection, printer, kitchen and boardroom are common in London, where rents are much higher. However, the trend has

been catching on in North America, where it's called co-working.

Margaret Zeidler, president of Urbanspace Property Group, runs the historic Robertson building at 215 Spadina Ave. in downtown Toronto.

Starting in 2004, the company converted 5,000 square feet in the 100,000-square-foot building to common workspace where single entrepreneurs and small businesses in the social innovation field could rent an office or even a desk.

The space has since grown to 20,000 square feet and prospective tenants are on a waiting list to get in. Dubbed the Centre for Social Innovation, or CSI, part of its popularity stems from the extra value it offers lessees, Ms. Zeidler says.

Internet and voice-over-IP phone services are part of the package.

"Tenants don't have to worry about a thing. When you're starting out you can waste valuable time troubleshooting," she says.

"It's not hard to set up. We charge market rate and have been quite successful. Many people are becoming entrepreneurs to survive and they respond to this community setting where people share ideas and tips. If you're in your home you don't have that."

Urbanspace Property Group has parlayed this community vibe into fierce tenant loyalty. Businesses usually leave only once they've grown too big for the space.

"If I had a floor of an office tower I wouldn't hesitate to do this," Ms. Zeidler says. "I would select businesses that were interesting to me and could share their expertise. There are great opportunities for building owners and small businesses alike."

Not so fast, says Jim Shotton, a realtor and vice-president of CB Richard Ellis, who works in Kanata, an Ottawa suburb and one of Canada's hardest-hit sublease markets with vacancies at 19.5 per cent.

"Often you find tenants looking to share the bills on a space so they can downsize their costs. But once you get past 5 or 6,000 square feet, it's just not worth it."

Going through all the legal arrangements to divide a large space into subleases costs about \$5,000 to \$10,000, he says. "The owners of large buildings are landlords. They're looking for long-term leases with large tenants."

He's wary of setups like CSI's. "If I was a company working in one of these spaces I'd have to ask myself: 'Do I want these guys to know my business secrets?'"

But the solution to Kanata's office vacancy woes doesn't lie in the status quo, Kanata North councillor Marianne Wilkinson says. Dozens of newly minted startups working in alternative energy, digital media and animation in the region are looking for a home.

Back in Calgary, where sublease vacancies sit at 10.2 per cent, up from 4.6 per cent a year ago, Mr. Thierry sees the extra space as a golden opportunity. In October Mr. Thierry and two colleagues will unveil CoworkYYC, a 2,000-square-foot communal workspace to foster small businesses.

"We got on Twitter to gauge how popular the idea was. After our first week we had about 300 followers, and a good percentage live in Calgary and are interested in our space," Mr. Thierry says. "It's

definitely a solution for a lot of people trying to work and get work in this climate.”

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