The Effects of the COVID-19 Pandemic on the Coworking Spaces in Poland

Grzegorz Micek, Karolina Małochleb, Katarzyna Wojnar, and Maciej Smętkowski

1 Introduction

Since March 2020 COVID-19-driven reduction of contacts and consequently human mobility, reduced the intensity of use of offices. It has led to the enhancement of dynamic capabilities [3] of CSs. During the pandemic, CSs (including their customers) have had to increase their capacity to create, acquire and process knowledge and other resources.

The course of the COVID-19 pandemic in Poland was slightly different than in most European countries. Except for the first wave of the COVID-19 pandemic, the anti-COVID-19 regulations were relatively moderate. Hence, the impact of the COVID-19 pandemic on the coworking sector in Poland has been relatively limited with decreased dynamics of space development [7]. After the first outbreak of the COVID-19 pandemic, CSs in Europe and, in particular in Poland, have become the new normal and attracted new users who wanted to avoid isolation, skipping longer commute [8, 9].

G. Micek (✉) · K. Małochleb
Jagiellonian University, Krakow, Poland
e-mail: grzegorz.micek@uj.edu.pl

K. Małochleb
e-mail: karolina.malochleb@doctoral.uj.edu.pl

K. Wojnar · M. Smętkowski
Centre for European Regional and Local Studies (EUROREG), University of Warsaw, Warsaw, Poland
e-mail: k.wojnar@uw.edu.pl

M. Smętkowski
e-mail: m.smetkowski@uw.edu.pl

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The aim of this chapter is to summarise the results obtained in previous research conducted in CSs in Poland [6, 10, 13], in particular in Warsaw. Based on our research, we would like to address the following questions:

- What has the resilience of the CSs sector in Poland been like during the pandemic?
- How has the real estate market impacted the CSs sector during the pandemic?
- How has the impact of CSs on local milieu changed during the pandemic?

2 Research Methods and Data Sources

In the chapter, we used a triangulation of sources and methods. First, primary sources have been used that include:

- longitudinal databases of CSs in Poland established in 2019 and permanently updated (last update: March 2022). It consisted of the essential characteristics (location, size, year of establishment, type of ownership, types of services offered) of CSs operating in Poland.
- the subset of the above-mentioned database of CSs in Warsaw (including e.g. location in CBDs).
- Data for these databases have been acquired from various sources including coworker.com, spacing.pl, sharespace.work, websites of CSs, sectoral (real estate) reports, etc.

Secondary sources include three types of interviews and covert participant observation (mystery shopping):

- eight online interviews that lasted between 30 and 90 min. Six of them have been conducted with representatives of open independently-run CSs in Warsaw between February and March 2021 [10], while two interviews have been carried out with key stakeholders with knowledge of the CS sector. The goal of the interviews was to identify the impact of the pandemic on the CS operations, mainly the change in scale and scope of events organized by and in CSs [10].
- four in-person interviews that lasted between 30 and 90 min with representatives of major corporate CSs in Warsaw carried out in June-July 2022. The interviews were focused on the impact of the pandemic, transformation of the location and business model strategies as well as urban impacts of CSs.
- 25 covert participant observations (mystery shopping) carried out between April and July 2022 in Warsaw, that included day-long structured observations and informal interviews with coworking members. CSs were selected according to business mode, location and size to represent the widest possible variety. The observations focused on the occupancy during different times of a working day, design and use of space, member profiles, behaviour, dimensions of proximity (social, cognitive, spatial, temporal) and surrounding audit.
- Computer assisted telephone interviews (CATI). The sample included the general population of over 300 CSs operating in Poland before the pandemic. We received

responses from 76 CSs reflecting the spatial distribution of CSs in Poland [6]. The interviews mainly focused on the effects of CSs on the social, spatial and economic milieu.

3 Results

3.1 Changes in the Size of the Coworking Sector

CSs open, grow and then close or decline after a couple of years. However, the COVID-19 pandemic has accelerated births and deaths of CSs. It has been observed specifically in the case of closures. The CSs sector has declined during the COVID-19 pandemic in Poland. Between March 2020 and February 2021 about 13% of CSs have been closed in Poland. In Warsaw, 25% of CS have been closed in the same time period [13]. The second half of 2021 and the beginning of 2022 have been milder in terms of restrictions what resulted in the opening of some CSs and limited closures of CSs. Smętkowski (2022) reveals that 20% CSs were closed in Warsaw between March 2020 and mid-2022. The same applies to the number of users. In summer 2021 and 2022, the number of CSs' tenants has grown in Poland [2].

The COVID-19 pandemic has not hit CSs equally. The independently-run (bottom-up) CSs have been most seriously hit. The number of opened independently-run CSs in Warsaw has dropped from 58 CSs in March 2020 to 36 in the beginning of 2021 [10]. Corporate (top down) CSs have survived the pandemic quite well. Moreover, some corporate CSs opened during the pandemic.

Our studies carried out in Warsaw revealed that a location in CBDs increased the likelihood of survival during the COVID-19 pandemic. The same supportive role has been performed by the good accessibility to the underground stations. Outside Warsaw, the pandemic has not impacted CS markets so much-much smaller shares of closed CSs have been reported (with the second largest share being in Krakow with about 10% of closed CSs).

3.2 General Situation in CSs (Anti-COVID-19 Restrictions, Fluctuations of Users, Public Support)

For the majority of the pandemic period, CSs have been open in Poland. Most of the spaces were not closed or shortly closed during the first wave of the COVID-19 pandemic in Warsaw [10]. In the first two waves, members of coworking spaces visited CSs less frequently. *After the first wave was established, people started coming more often, because they were fed up with sitting at home (I5).* To sum up, most of interviewees emphasize that the largest drops in the number of tenants were recorded during the 1st wave of the pandemic. In the next phases, some users began to resign due to the need to take care of a child, financial issues or the lack of need to rent a desk. However, in some spaces, there were tenants who did not use their desks but still paid for them.

With regard to measures taken by CSs to mitigate the COVID-19 impacts, some CSs provided new services for members. *An offer of* "*rotating use*" *has been introduced, where people working for the same company can use, for example, the same desk during the day, but for several hours. So one desk is sometimes used by 2–3 people (I2).* The majority of CSs introduced a price reduction for tenants for a period of three months for the rental of mini-offices. In some CSs, discounts have reached 20–50%. Another representative of CSs reveals *We often talked privately with coworkers so as to "agree" about the fees (I3).* At the same time, the prices for the virtual office service have increased.

CSs followed the anti-COVID-19 restrictions introduced on the national level. The number of people allowed in common areas has been reduced. The list of people who use the space has been introduced (with arrival and departure time) in some CSs. The state regulations obligated CSs' users to wear masks and apply hand disinfection. Rooms have been ventilated more often. Additionally, access to conference rooms has been banned or restricted to a short period of time during the first waves of the pandemic.

The most common public support for CSs has been the "Anti-crisis shield" (national support programme worth PLN 100 billion aimed at enterprises of different size in order to protect the labour market and provide companies with financial liquidity in the period of serious economic disturbances). A few CSs managed to obtain a non-returnable "loan for an entrepreneur" or a postponement of the social security contributions. CSs' operators have also attempted to negotiate a rent reduction from the owners.

3.3 Changes in the Impact of CSs on Local Milieu

The impact of CSs on local milieu has always been lower in Poland than in the most advanced European countries. Małochleb [6] has studied how the COVID-19 pandemic has impacted the spatial, economic and social milieu of Polish CSs. The COVID-19 pandemic has negatively affected the creation of the inner community, due to an enormous decrease of in-person events (a drop of 64% for internal events and of 80% for external events) [10] and an increase of virtual events [6, 10]. Share of external in-person events in the total number of events in independently-run CSs dropped from 13.6% before the pandemic to 4.6% during the pandemic [10]. We revealed that large in-person events have been replaced by limited scale events (some of charity type) organized mainly by co-workers, and not directly by CSs [6]. To sum up, the largest scale changes between the pre-pandemic and the pandemic period have been observed in terms of the number of events, the negative impact of the COVID-19 pandemic has been weaker with regards to the usage of local services [6].

3.4 Processes Impacting the CSs Sector During the COVID-19 Pandemic

Some trends identified in Western and Southern Europe are not observed in Poland. Coworkation in tourist areas is very limited to very few specific cases. There are almost no CSs in rural areas what is becoming a common trend in France, Belgium, Portugal, Germany or Switzerland [4, 11]. There are few locations in suburban areas and in small- and medium-sized cities. The reasons behind the very limited number of CSs is the lack of temporary migration to peripheries observed in the most advanced European economies and limited number of the creative class in the non-core areas in Poland.

Those are some of the processes in CSs that have been enhanced during the COVID-19 pandemic. At least two of them should be mentioned. First, the growing role of 'corpoworking' [3] is observed that is enhanced by a large resilience of the corporate CSs. Second, the hybridity of CSs' functions has grown during the pandemic. In Western and Southern European countries [4, 11], hybridity of CSs functions matters a lot for the CSs' resilience. The same applies to Poland.

3.5 Office Market and the CSs Sector: The Case of Warsaw

The office real estate market interacts with the CSs scene. It is clearly seen in the case of the capital city of Warsaw. The office real estate market in Warsaw was growing rapidly in the pre-pandemic period. The average annual supply of office space was around 250,000 m^2, albeit with noticeable fluctuations of between 150,000 and 350,000 m^2. The pandemic period, i.e. the years 2000–2021, paradoxically brought an above-average supply of new offices of around 300,000 m^2 per year. This was due to the finalisation of previously started projects and led to an excess of 6 million m^2 of modern office space stock in the capital. At the same time, the number and floor space of office buildings under construction decreased as a result of the pandemic. While prior to the pandemic, more than 700,000 m^2 were under construction each year between 2014 and 2019, by 2021 it was only 310,000 m^2, which was the lowest figure since 2010 [5].

Vacancy rate increased during the pandemic period, reaching 12.7% of office stock compared to around 8% in 2019. However, it was still lower than in 2014–2016, when it was 13–14%. In addition, as a result of the expected reduction in the supply of office space, a decrease in the value of this indicator is expected within two years. On the other hand, it should be noted that some offices, despite existing leases, were not used by tenants and were a reserve in the case of the need to increase the number of employees or of changes in the hybrid operating model. This did not apply to coworking spaces, which in 2022 were characterised by a very high occupancy rate, as confirmed both by a mystery client survey conducted in June 2022 and by reports from consultancy firms indicating a 90% occupancy rate for coworking spaces located in the city centre, resulting in higher rental prices [5]. Moreover, the CS market faced segmentation fuelled by capital and location advantages of corporate CSs located in the CBD in comparison to independent CSs (located mainly at the fringe of CBD and in vibrant urban quarters), that experienced a 45% failure rate. The former experienced a more stable demand assured by a stable core of corporate clients, central location, limited competition and immediate organisational adaptation to the pandemic reality. The latter proved to be less resilient due to a more vulnerable client base (freelancers and SMEs), higher competition, higher rotation rates and modest and less diversified office spaces.

4 Conclusions

The pandemic period was an extreme challenge for CSs in Poland [6]. They had to face external waves of shocks resulting from the anti-COVID-19 restrictions. Based on the above-delivered evidence, it must be argued that the majority of CSs have been resilient during the pandemic despite a decreased number of users. The CATI results reveal that the impact of CSs on usage of local services has only slightly changed during the pandemic. The major changes have been observed in the number of events.

The high supply of new space on the office market in Warsaw in 2020–2021 resulting from the finalisation of office building constructions started in the pre-pandemic period and favoured the development of corporate coworking concepts. This type of coworking has proven to be a particularly desirable type of office space for employees during the pandemic period due to the flexibility of lease agreements.

There are positive expectations with regard to the growth of the CSs sector. High interest in returning to the functioning from the pre-pandemic period is observed in CSs. Individuals are claimed to appreciate finding their third places that are close to their homes and classical offices [1, 12]. Media narrative [2, 12] goes for spatial decentralization of offices. It is illustrated by the increasingly popular hub and spoke model where the reduction of office space on fixed contracts leads to flexible renting of offices and CSs located in non-core urban areas [12]. However, in reality, this are rather rare cases of such a behaviour, rather than a rule of the large spatial dispersion.

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