



# COEXISTING





with

# COWORKING

By Michael Hoban

Co-working, while not an entirely new concept, is having an increasingly profound impact on the real estate decision-making process of companies – from single person startups to the board rooms of Fortune 500 firms. From the pioneering model of serviced offices and executive suites of Servcorp and Regus to the collaborative environments offered by WeWork and smaller, locally based co-working entities springing up in recent years, firms are shifting their thinking on how to utilize the various office space models to best meet their workforce needs.

While co-working space – the aforementioned models as well as incubators, accelerators, and other shared workspace concepts – currently represents less than one percent of the world's office market, savvy brokers are finding ways to capitalize on the opportunities that this evolving model presents. One of the simplest ways for brokers to capitalize on the trend is by partnering with the co-working entities. Servcorp, Regus and WeWork all offer commissions to brokers for referrals (typically 10 percent on a one-year lease – paid up front), but that is not the primary value of developing the relationship, according to Julia Davis, head of Referrals & Partnerships for WeWork.

"We're helping the broker find ideal workspace for their client, and they're able to own and manage the relationship and be compensated for the introduction," says Davis. "The value proposition for them is that they're seen as a strategic advisor to their clients, and this is an innovative tool in their toolbox."

WeWork and other such collaboration-focused co-working enterprises are magnets for startup firms, particularly for those in the TAM (technology, advertising, media, and information) industry, so becoming a trusted advisor to what could become the next Vox Media, Snapchat, or DraftKings, is certainly a relationship worth developing and fostering. But startups are not the only companies using shared space. Major corporations – both foreign and domestic – often use co-working space to either establish a beachhead or open a satellite office in a new market.

Kristina Cecca, center manager at Servcorp's Boston facility, says their office model works especially well "for inbound internationals that may be coming for a 'proof of concept' and may need the flexibility of something like Servcorp before they make the fiscal jump to a direct lease," she says. "It can also be swing space, and because we have the month-to-month flexibility, that's particularly helpful to brokers that may have a direct lease that has construction delays. We can be used for those firms that are coming to market that may not need a direct lease right away, and brokers know that. And I'll always refer to them on the back end as well."

Although WeWork has been garnering the lion's share of headlines in the co-working industry, the company (which is now valued at \$16 billion) comprises only a small percentage of actual co-working locations. Deskmag, the online magazine focused on co-working, forecast that there would be 10,000 co-working spaces worldwide by the close of 2016 – up from 8700 in

2015. WeWork currently has 142 office locations in 34 cities (19 in the U.S., the remainder in a dozen other countries), Regus operates 2,768 centers in 977 cities in 106 countries, and Servcorp 131 locations across 21 countries. Most of the centers are located in large cities, and are housed in Class A office buildings, which leaves a significant portion of the market to enterprising owners – and brokers – to capture their share of this expanding business, particularly in markets where the Big Three of the shared office space world have limited penetration.

According to Coworking: A Corporate Real Estate Perspective, the comprehensive report released last fall by global design and architecture firm HOK, one of the ways that owners (and brokers) have benefitted from the co-working trend is that space that had previously been difficult to lease – particularly space in older Class B and C buildings – is being taken by co-working entities, thereby increasing occupancy rates and creating more enticing assets for potential investment sales.

"I've seen buildings where there wasn't much of a market for what it was as it sat, but turning it into a co-working space or as a co-working space as an amenity for a larger building, has done really well," says Colt Power, a candidate SIOR, vice president for NAI Robert Lynn in Fort Worth. "We get calls all the time from companies that are looking for smaller short-term space, so it's nice to have more and more of these established co-working spaces that fit perfectly for smaller tenants in the market or younger companies that fit that niche."

Power was involved in a building search with Blake Panzino, CEO of coLAB Workspace, who purchased and developed a former auto body shop into a 9,200-square-foot co-working space in Fort Worth – that has been nearly 100 percent leased since it opened in 2013. He has since acquired and opened a

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second facility, with plans to expand to six buildings in the coming years, and has built a network of reliable brokers, including Power, to whom he refers companies in expansion mode. "For the most part, we're not a long term solution," says Panzino. "We have small owner/operators that will only have one employee, but we do have a lot of people who need 1,200 or 5,000-square-foot pretty quickly. And the brokers realize it's a long term vision. It's just an eco-system that works for everybody."

Kristin Geenty, SIOR, president of The Geenty Group in New Haven, Conn., has worked with clients to revitalize under-tenanted assets into thriving co-working spaces. "WeWork is not coming to New Haven anytime soon," jokes Geenty. So in 2010, well before WeWork became an established brand, Geenty's client provided The Grove – a co-working space that attracted freelancers, startups, non-profits and micro-businesses of 6-8 people – with 1200 square feet of starter space for their collaborative concept.

Geenty then worked with the tenant as they expanded to 3,600, then 6,000-square-foot (as the owner continually upgraded the building) and buzz of activity from The Grove gave the building greater visibility. They eventually expanded to 11,000 square feet and moved to another building half a block away, (also owned by her client) and the

landlord was able to lease the re-energized space to street level retail.

"Because the occupancy was now 100 percent, the landlord was able to get a good price for the building because The Grove was in there and because they're so solid," says Geenty. "I think that's the standard operating model of what happens with a co-working space. They go into a less desirable Class B or C space that can't be easily rented because it hasn't been updated for some time, strip it, make it cool, and either they grow and stay or they move on – but either way the landlord is left with a better product than when they came in."

Geenty also helped engineer a second co-working enterprise in 2013, this time with a biotech building that was fit up for a single tenant 17 years prior. The tenant went out of business, leaving the landlord with about 30,000 square feet of chemistry and bio space. He wisely kept the fume hoods, biosafety cabinets, and other trade fixtures in place, and the lab spaces were interspersed with office space. A couple of scientists with the company that went out of business wanted to open their own companies, and he began leasing the space, beginning a pair of 479 -square-foot office/lab "bays," and the concept for Parish Tech Lab gained momentum.

"It's operated the same as a regular co-working environment, but it's for

scientists, and we have approximately 14 scientific research companies renting about 18,000 square feet, – mostly small startups," says Geenty. "In our market, this is the only place where small companies or satellites can locate their labs. Their needs are so small that they can't go into any other biotech space in the area because the facilities have minimums of 5,000 -square-foot footprints. So this co-working concept works out really well for these guys."

The key for brokers seeking to capitalize on this emerging trend is understanding the co-working market, says Servcorp's Cecca. "Brokers really need to be educated, because there's such a wide breadth of offerings of co-working – from WeWork all the way up to us and everywhere in between – and understanding what the value proposition is at each of those providers is vital." ▼

## CONTRIBUTING SIOR



Kristin, Geenty,  
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