

THE EVOLUTION OF COWORKING SPACE

By: Ben Haultt



There is much speculation on how current conditions will impact today's coworking model as space needs are redefined. Prior to the coronavirus pandemic, the nation was preparing for a downturn, but no one could have predicted the lightning speed of impact to the economy this black swan event would generate nor the pivot the commercial real estate industry would have to make to maintain business continuity for investors, landlords and tenants alike.

Prior to the pandemic, corporations like IBM, Microsoft and Starbucks, jumped at the opportunity to secure coworking spaces to accommodate smaller teams with this attractive plug-and-play alternative. With the pandemic forcing many to work from home, the question arises whether or not businesses will re-examine their operating models to accommodate more remote workers and what their footprints will look like as they manage finances even more closely.

Transparency is Key

Coworking operators are dealing with cancellation requests as companies reconsider their long-term occupancy options. Real estate advisors suggest taking proactive measures to mitigate such outcomes by openly engaging in transparent conversations with investors, landlords and tenants.

According to The Global Workplace Association, [creating a strategic business continuity plan](#) is the best form of triage. Coworking firms will need to reposition their membership model and diversify their services. Strategically mapping out model case scenarios to identify cash positioning and liquidity avenues, an in-depth overhaul of their finances will help navigate tough conversations with landlords and investors as they field questions from members.

Adapting to Changing Times

Coworking spaces represent the degree of adaptability new businesses need in times of transition and change. And the current situation is no exception. Principals at coworking firms are re-examining how business amenities like enterprise software, virtual mail forwarding and building security supports their subscribers as shelter-in-place becomes the new normal for the time being.

[“Space is just one aspect”](#) of the coworking business model, according to Kane Willmott, CEO of IQ Offices in Toronto. IQ has begun to promote the digital community experience as an extension to its on-site services and amenities, offering educational forums, tools for tech onboarding and establishing a distribution protocol to ensure members maintain operational efficiency of their organizations.

Hyperlocal coworking firms, ones that [created a sense of community](#) for their small business and freelance members, are pivoting on how to provide interim value with [video conference town halls, shared learning, and in some cases, virtual video gaming](#). Some firms remain open. Novel Coworking’s boutique facilities [offered to upgrade clients](#) who live within physical distance with private offices. And then, of course, there is WeWork, who, despite its underwhelming IPO and [Softbank’s failed attempts to revitalize the firm](#), continues to [provide “essential” business services](#) like mailroom, maintenance and key access security to members.

What Does This Mean for Landlords?

While coworking space drives occupancy and fulfills market demand, it does not always enhance the [value of an asset](#) for landlords, especially those with a significant coworking footprint. In today’s environment, some landlords have greater exposure and vacancy risk should a large coworking operator shutter its doors.

To gain greater insight into the attraction of the model, I personally spent time working in a coworking environment to understand the “so what” of the experience. What I discovered was that the culture and environment didn’t translate to the commentary I received on the experience. Digging in, I connected with the people in the space to understand why they elected coworking, and their responses surprised me. It wasn’t about culture, but instead about the rapid procurement of space, ease of the transaction and the delivery of move-in ready space.

Clearly, demand for the quick space occupancy exists, as does the risk it presents to office landlords.

Enter Stream’s “Rapid” Solution

Understanding the exposure for office landlords if some coworking operators fail, Stream Atlanta is launching Rapid next month, an online leasing technology platform which streamlines and expedites the leasing of turn-key spec suites and the management of co-working space. Providing swift execution through short-form lease agreements and online credit card payment options, tenants can secure space within 48 hours. Designed to deliver speed and ease for tenants, it also provides greater stability for landlords.

The Future is Flexible

Although no one can predict the future, when we build in greater degrees of flexibility in the way we do business—from process to technologies—can successfully change course when the market calls for it.