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Shared Office Space – The "Uber" of Commercial Real Estate?

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The new sharing economy is changing the way business has traditionally been done across industries. The commercial real estate industry is no exception. Just like Uber and Lyft have disrupted the hired car industry and Airbnb is upsetting the hospitality industry, the trend of coworking, or shared office space, is revolutionizing commercial real estate.

Cosharing is changing the face of the traditional office

Cosharing is the wave of the future. In fact, some say it has already become a fixture in the commercial real estate market. The numbers are impressive. For example, in June of 2015, WeWork, New York City's largest commercial real estate tenant and a leader in the coworking space, received a valuation of $10 billion. A recent survey of over 200 major commercial real estate organizations found that 40% are considering coworking spaces. There has been a proliferation of cosharing spaces and enablers in the United States, Europe and Asia.

As stated in a recent article by the CEO of Kinglet Alex Kopicki,

> "The number of co-working facilities across the globe has nearly doubled every year for the past five years. Small Business Labs projects that more than 12,000 global co-working spaces will exist by 2018 with over 1 million members."

Miami is seeing its own cosharing boom take place. Spaces like Pipeline (with offices in Brickell, Doral and Coral Gables), Büro (with offices in Midtown, SoBe, MiMo and the Grove), and WeWork (with two Miami Beach locations), to name a few, are changing the face of the traditional office. A number of factors have contributed to this trend. Technology has enabled companies to be more paperless and flexible. The downturn in the economy has created a rise in small businesses and individuals working from home and coffee shops. As these workers and businesses mature, cosharing spaces are becoming increasingly attractive. Additionally, the culture of millennials is wellsuited for this type of environment. As the New York Times said, “it’s an office utopia designed for Millennials.”

The cosharing culture

Aside from offering the brick and mortar essentials of an office space, cosharing spaces provide a place to socialize, meet interesting professionals and expand professional networks. These spaces give a sense of community to professionals who are otherwise isolated at home or in coffee shops. They offer the convenience of short-term commitment, with some spaces offering rentals on a daily or even hourly basis. Moreover, these spaces are hip, with modern décor and luxuries ranging from gourmet coffee and organic snacks to pool tables, arcades, and sleek break spaces such as a music room curated with vinyl records and spin tables.

Food for thought for commercial real estate developers

A recent publication by the Deloitte Center for Financial Services discusses in detail what cosharing will mean for commercial real estate developers and those in the industry, citing four key items in their CRE Forecast:

1. The collaborative economy is coming to real estate sooner than expected,
2. There will be a higher demand for dynamically configurable spaces,
3. Subleasing will be bigger than leasing, and
4. Leasing approaches and lease administration will undergo significant transformation.

Commercial real estate developers wanting to embrace this trend should consider shared office space needs when configuring future construction projects. For example, allocating more square footage to flexible spaces conducive to cosharing offices may be wise. In that vein, developers should note that as competition grows for shared work spaces, perks like gyms, gourmet coffee access and lounge space will allow developers to distinguish their spaces and appeal to this growing market. Additionally, research shows that the shared office space trend is creating more efficiency with respect to utilization rates of office space. This in turn may create an increased impact on building infrastructure, creating, for example, more demand for parking spaces and increased rates of elevator usage.

Entering into the shared office market may lead to an increase in deals down the road. As these small businesses outgrow shared space, they can move upstairs to a dedicated office space of their own.

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