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NEW YORK BUSINESS

October 10, 2016



The Appeal of Sharing Space Continues to Grow

Located just a short Metro North ride away from Manhattan, OperationsInc has been working with clients in New York City on a frequent basis for years. So much so that recently, the 65-person human resources outsourcing and consulting firm, based in Norwalk, Conn., decided it needed office space a little closer to those clients.

Since many of OperationsInc's consultants work at clients' offices in New York City and mainly needed space to get some work done in between appointments, OperationsInc opted to rent space in a WeWork coworking facility.

"The presence of the space in New York gives us a place to conveniently park ourselves, instead of Starbucks," said David Lewis, president and CEO. "It's becoming more difficult to find a seat in Starbucks, and they're not quiet or private."

At a time when coworking is booming, many companies are joining firms like OperationsInc in renting shared space, whether in a traditional coworking space like WeWork, temporary executive suites offered by players such as Regus, or boutique providers such as Emerge212.

Corporations have long been turning to shared office space when their permanent digs get too full, they need to open a satellite office, or a disaster like Hurricane Sandy displaces their team. But today, businesses are using coworking and shared spaces for other reasons, too. Hoping to provide a stimulating environment for their team, more big corporations are gravitating toward shared spaces to cross-pollinate ideas with other companies that are renting space there.

"Shared space is becoming less of a product that is only of interest to startups," said Melissa Marsh,

senior managing director, occupant experience, at commercial real estate services firm Savills Studley, headquartered in New York City. "It is becoming something that is much more general consumption."

Marsh has seen substantial-size firms in fields ranging from law to professional services and even those performing special functions such as light medical or food services turn to shared space. "Pretty much anything that happens in an office type environment can happen in a coworking or shared office environment," she said.

Even banks are using shared space. Marsh points to a big bank that has set up some of its personnel who cater to small-business customers in a shared office space. "They want to be closer to their entrepreneurial coworking customer," she said.

To be sure, not every company finds that shared office space is ideal. If a big corporation needs temporary space because, for instance, a new office is still under construction, it will often turn to the landlord from whom it is renting the new facility—or the developer who is building it for them, said Andy Shapiro, managing director of BLS & Company, a site selection and incentives advisory firm with an office in New York City, as well as a board member of the Site Selectors Guild, made up of professional site-selection consultants.

Even when they need temporary space, many corporations don't want to disrupt the commuting patterns of employees and future hires, according to Shapiro. "You want the transitional space to be close to the permanent solution—not on the other side of town," said Shapiro.

And not every shared office space offers all of

the features big corporations want, like excellent connectivity, he said. They may also have other requirements that can be hard to find in shared spaces in some markets. "There are host of other factors: the attractiveness of the space, the market, how convenient parking or mass transit is going to be," Shapiro added.

Nonetheless, the trend toward using shared office space is unlikely to slow any time soon, especially in the major cities like New York where it is concentrated. Emergent Research, a consultancy in Lafayette, California that studies coworking, just projected that the number of coworking spaces around the world will grow from over 11,000 this year to just over 26,000 in 2020. As growth percolates, coworking spaces are becoming bigger than older ones, existing spaces are expanding physically and adding new members, and operators are getting better at figuring out how to serve more people in every square foot of space, according to Emergent Research's findings, published in August.

One key driver of that growth, said Marsh, is that using flexible space reduces the financial risk that comes with a long-term lease. "For a business that is new to a particular geography, there is a lot of risk reduction," said Marsh. "Coworking or shared office space commitment could be for as little as one to three months. You might do six months. You can have the confidence as a business owner that if things don't turn out to be as you expected in that new geography, you are not overcommitted."

It doesn't hurt that competition among shared office spaces has helped raise the bar for the amenities and experiences they offer. For instance, NeueHouse, located on East 25th Street in Manhattan, offers access to a private broadcasting studio, a cinema and a private dining area, and publishes its own magazine on the arts and culture. Lemonsqueeze, an incubator for startups located in trendy Williamsburg, Brooklyn, hosts "Friday Beers" and touts its indoor bike parking.

Often, once companies try coworking, they're hooked. OperationsInc, for instance, has found there are side benefits to renting coworking space.

"They are phenomenal places to network depending on what kind of business you have or what type of people you are trying to connect with," said Lewis. "I find they can offer opportunities to connect with like-minded entrepreneurs and find opportunities and synergies between your businesses."

He also finds that having access to conference rooms in New York City—which comes with his shared office space membership—has been invaluable, given that his company runs business groups for human resources pros. Not only can he choose from conference rooms at multiple locations, but he can also reconfigure the meeting rooms to suit the gathering, he said.

"They are standard conference rooms but they have been very smart about how they outfit them and the furniture in there," said Lewis. "That's very helpful."