

# Corporate real estate strategies in a disruptive era: coworking, consumerization, cross-pollination – and everything in between

by Claire Rowell and Jonah Bleckner

In an era marked by consumer-centric business models and dramatic advances in technology, there is greater demand and opportunity than ever for real estate to positively affect occupant and organizational performance.

In the past handful of years, major economic, cultural, and technological changes have spurred and spotlighted exciting corporate real estate (CRE) phenomena, including coworking and its constantly shifting typologies, the democratization of office design, increased employee participation in workplace decision-making, and greater corporate willingness to experiment with real estate uses.

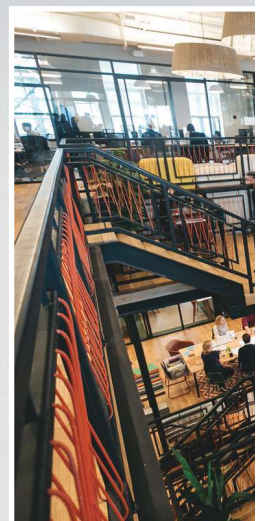
WeWork, Mozilla, Verizon Wireless, and Unity are all examples of organizations leveraging their physical environments as a platform for innovation and brand leadership by incorporating forward-thinking, user-centric approaches to workplace design and real estate strategy. Driving these disruptive approaches are creative CRE leaders who are embracing our changing economy and transforming the notion of real estate from a bottom-line cost to a high-value catalyst for exceptional employee and business performance.

Journey back in time with us – just a few years – for a closer look at how these CRE approaches have taken root in our disruptive era and how they've set the stage for the future of workplace.

## 2014: The rise and rise of coworking

With co-presenter Miguel McKelvey, WeWork's co-founder and chief creative officer, the PLASTARC team spoke at the 2014 CoreNet Global Summit in Washington, D.C., about the rise of coworking as a disruptive innovation – a change that improves a product or service in a way its market did not expect. During our presentation, we covered the cultural forces behind coworking's rapid growth, including occupants' newfound comfort with the sharing economy of performance over ownership, their increasing awareness of new tech products and amenities, and their growing expectation that social media and tech-enabled communication would be available to them everywhere. (Although the first iPhone was launched only 10 years ago, who among us can now imagine living and working without a smartphone?)

We referred to the combined result of these forces as “the consumerization of the workplace,” the notion that high-performance, customizable, on-demand, technology-integrated experiences would grow seamlessly from being consumer must-haves into





being employee requirements as well – and that we would, increasingly, enjoy and expect this. This consumer-centric workspace delivery model is also evidenced by the economic relationship between the space and the occupant. While in traditional workplace environments employees are paid to be there, in coworking environments occupants are not only choosing but are, themselves, paying to be there.

Our presentation also defined the features that make coworking attractive to businesses large and small: the availability and affordability of a prime, industry-aligned street address; the ability to mitigate risk through month-to-month leasing and space scaling; ready access to a variety of spaces for both employees and guests (conference rooms, lounges, phone booths); the ability for serendipitous interactions with future collaborators or customers; and the peace of mind that comes with a well-serviced office. We even discussed the changing boundaries between “work” and “place”: while it used to be that organizations existed only within their office’s physical parameters, coworking began to offer them a way to branch out without making a proportionate investment of time or money. While the member benefits of coworking are clear, operators, like WeWork, who both design and manage the space also benefit from a more integrated building supply chain. R&D, design, and facilities operations are able to constantly collect feedback from their customers and members, iterate on their design solutions based on this occupant feedback, and understand the performance of their space over time. In conclusion, we predicted that companies may also begin, en masse, to leverage their own excess space by opening it to the community at large for coworking, seeding innovation, becoming closer with customers, and attracting future talent.

The fact that we presented to a packed room of somewhat perplexed but highly inquisitive CRE professionals is evidence of how popular the coworking movement had already become in 2014 – just four years after WeWork was founded. Far from coworking’s relatively scrappy roots in the 1990s, when some of the first formalized coworking experiments began gaining ground, it was

increasingly apparent that this workplace model had societal implications far more vast than giving young freelancers a break from the isolation of working at home or in coffee shops.

Since 2014, the continued growth and valuation of WeWork, alongside the media frenzy around its success, is economic proof of a prevailing appetite for even more disruptive workplace models. In addition to operating more and more of its own signature coworking spaces internationally, WeWork is now also renting thousands of desks to large corporations like Microsoft and HSBC, who see the benefits of more flexible real estate and consumer-centric workplace design and management. This kind of growth is also evidence of even bigger things to come: in the next lease term, 20 percent of American real estate portfolios will be comprised of coworking spaces. That should give us all pause!

### **2015: The office gets democratized; facilities management learns to fail fast**

At the 2015 CoreNet Global Summit in Los Angeles, PLASTARC joined Rob Middleton, director of Worldwide Workplace Resources (Worldwide WPR) at Mozilla, to discuss how “fail fast” approaches to facilities management, “open source” workplace design, and “crowd sourced” workplace decision-making were leading to greater occupant engagement and satisfaction across next-generation companies who have tech methodologies at their core. Using Mozilla (our client) as a case study, we illustrated the social and spatial benefits of employing the concepts of fail fast and open source in the delivery of exceptional workplace services.

Shortly after completing a series of workplace build-outs prior to the 2015 summit, Mozilla’s WPR team began to wonder how it could apply its business ethos to its workplace design and real estate strategies. How could a company founded in the late 1990s on the premise that the Internet should be a global public resource, open and accessible to all, begin to imbue their physical workplace with those same progressive values in the new millennium?

To reach this goal, we recommended Mozilla pursue three major initiatives. One: Open a portion of their physical space to civic and industry events, and frame it as a welcoming “front porch” for their community. Two: Develop a public-facing platform (initially a blog) for the company to share its challenges and triumphs in workplace design. Three: Enable and encourage others, both inside and outside Mozilla, to participate in its design processes.

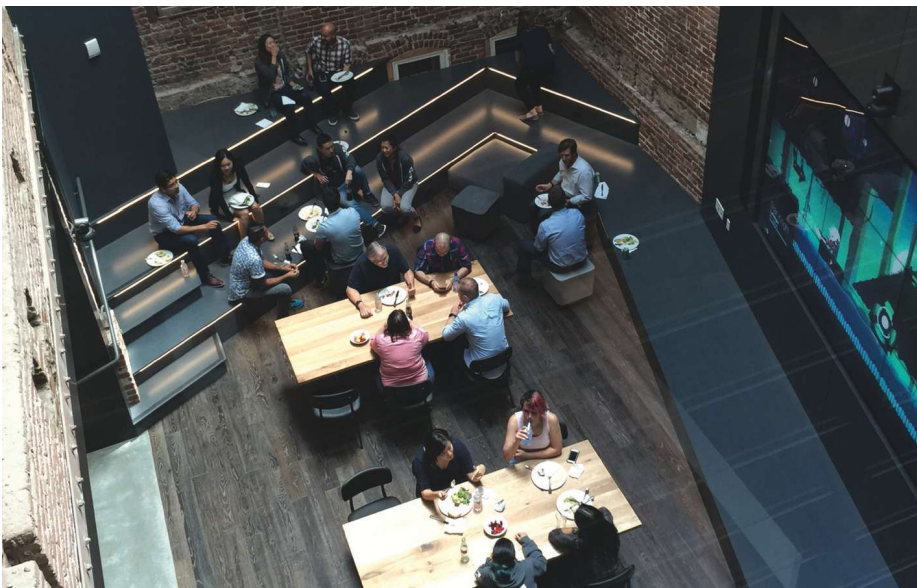
Today, this participatory, fail-fast design process is made possible by the WPR team’s allocation of 10 percent of their construction budget for post-move adjustments based on occupant feedback. Our other recommendations included repositioning the company’s Worldwide WPR team to better serve its communities (for example, by expanding receptionists’ roles to include community manager responsibilities, and hiring facilitators to monitor and modify spaces according to occupant feedback), and using automated systems like sensors, enterprise social networks, and dedicated apps to track energy consumption, occupancy, and employee satisfaction.

Today, while other companies worry about recruiting and retaining talent, Mozilla is fueled by a robust community of 8,000 volunteer coders all over the world, in addition to a paid staff of 1,150. The company views its real estate endeavors as



WeWork’s headquarters in the Chelsea neighborhood of New York City





Unity Technologies' offices in San Francisco, featuring an employee lounge and café space

a continuous feedback loop of new hacks and disruptions — a cycle that can power both commerce and a sense of commitment, sharing, and choice within and beyond its walls.

### 2017: Corporate occupiers open up their own spaces to coworking

This past spring, at the 2017 CoreNet Global Summit in Shanghai (appropriately titled “Blurring the Lines: Transcending Boundaries”), PLASTARC collaborated with clients on the Verizon Global Real Estate team to present highlights of how they have transformed excess corporate workspace into coworking environments that foster the next generation of tech on their own front porch. Even we couldn't have imagined our 2014 prediction that corporate occupiers would begin to employ coworking as a way to activate and monetize their fallow space would come true so soon, and at such scale.

As network technology continues to advance, the amount of square footage Verizon needs to house its equipment continues to shrink, leaving available space throughout its legacy-owned assets. In fall 2015, the company announced its strategy to repurpose and activate these spaces: they would open coworking communities in them. Following the successful launch of such spaces in New York City; London, England; Cambridge, Massachusetts; and Washington, D.C., in the past two years, Verizon is continuing its global coworking expansion with plans to open in Singapore.

What makes this particular real estate strategy so appealing — aside from the ability to collect rent on previously unused space? As a long-time telecom leader, Verizon recognizes that innovative ideas often come from outside traditional corporate R&D departments. By inviting entrepreneurial communities into their space, Verizon gains direct access to high-value talent, local tech

startup subcultures, and global innovation networks. Verizon's own teams, working in close proximity to these communities, become poised to tap into their energy, spurring new ideas and improving Verizon's brand presence in its critical growth markets.

A second benefit of taking the coworking tack is that Verizon's Global Real Estate team can apply the lessons they learn from these new ventures to their own workplace strategies. Coworking's primary emphasis on occupant experience is a positive precedent for any corporate workplace strategy to follow, and its lessons can be continuously mined for valuable insights about best practices in facilities design, employee policies, and public engagement.

At the heart of corporate occupiers' decisions to open their doors to coworking is their evolved understanding of space itself as a critical opportunity to create a platform for innovation, collaboration, and communication that can support a range of business goals, from employee productivity to better brand awareness — and far beyond.

### What's next?

Founded in 2004, Unity Technologies, the global leader in video game, augmented reality, and virtual reality software, provides one good example of the general direction CRE strategy is taking — and of the driving role that such relatively young companies continue to play in the future of CRE.

Unity places top value on its people, the talent whose ingenuity and dedication serve to distinguish their company from its competitors. As all organizations who rely on knowledge workers would do well to recognize, Unity understands that the cost of real estate is small when compared with the value employees can create when they feel happy, productive, and empowered in their space. They also know that even though their work is all about virtual reality, their physical workspace is the most effective means they have of expressing their culture and values to their employees.

This is why Unity casts their Workplace Experience (WE) team as a “community enablement team” that strives to cultivate the organization's unique culture. One challenge for Unity in this effort arises from their being a fast-growth



Mozilla's Japan office, where user-centric designs foster a “hackable” office





**What exactly is disruptive innovation?** Named by its foremost authority, Harvard Business School Professor Clayton Christensen, disruptive innovation “describes the process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors.” In the case of the CRE strategies discussed here, forces currently being exerted by technology, economy, business, and psychology have coalesced and become the perfect primer for disruptive innovation to manifest in phenomena like coworking, enterprise social networks, and fail-fast processes. The result is a reshuffling and reconceptualization of the entire corporate real estate profession and how it delivers office space products to customers.

international company; while they want to allow each of their offices to feel customized to its specific location and team dynamics, they also want to shape a sense of cohesion and brand vision across spaces – a challenge also regularly faced by coworking operators with multiple locations. Since the coworking industry has become fairly expert at building community across scales in the past 15 years, we believe Unity could look to the movement’s thought leadership for actionable inspiration. As individual organizations and the CRE profession at large recognize more and more that no one person, operator, or other decision-maker has all the answers, we are collectively becoming more participatory in how we develop and operate real estate.

Overall, as the close of 2017 approaches, the future of CRE strategies appears to be growing more “co” with each passing season. Specifically, since every business needs flexible space, it’s our prediction that all companies will be employing coworking in some way within the next 10 to 20 years, for one application or another. More broadly, as traditional

corporations strive to better engage their employees in workplace decision-making, as the office becomes more democratized, and as companies grow more comfortable with mixing up their real estate assets, we’ll see the boundaries between corporate and coworking becoming only more fluid.



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Ad · van · tage  
benefit; gain; profit

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