Co-Working Spaces Not Just For Startups Anymore

BY CHRISTINE PEREZ | POSTED IN DOWNTOWN DALLAS, OFFICE, UPTOWN. | JAN 18, 2016 AT 8:49 AM

0 Comments

The demand for co-working space is expected to continue to rise in 2016 as more companies, including *Fortune* 500 corporations, are moving in to these types of facilities. That's the word from CBRE, which recently released a research report on the topic.

A desire for community is among the factors driving the co-working trend.

In an occupier survey, 40 percent of respondents said they are using or are considering using shared space, including co-working space. Although these types of spaces have typically appealed more to startups and freelance workers, large enterprises are beginning to move in as well.

Georgia Collins, senior managing director of workplace strategy for CBRE, said companies are under pressure to secure talent in competitive markets and innovate faster. "The employees these companies want to attract and retain regard blending work and life as integral to their happiness and success, while innovation is often linked to exposure to new ideas and perspectives," she said. "Because co-working facilities can offer employees more choice while also increasing their exposure to new people, networks, and ideas, many organizations are beginning to explore offering access to them as part of their broader real estate strategy."

Although interest from large corporations remains limited, co-working spaces—typically updated versions of executive suites in which tenants share workstations and amenities such as kitchens and conference rooms—can present opportunities, especially as companies venture into new markets. Demand is driven in part by the flexibility of the model—and lower costs, as average office asking rents have been on the rise.

In Washington, D.C., and New York City, the amount of co-working space has doubled in the past five years. The trend also is sparking an interest among landlords seeking to reposition older office facilities. Locally, this is occurring in the West End, where Goff Partners and Granite Properties are reinventing historic properties, and in the downtown core, with landlords like Jonas Woods are leveraging opportunities in downtown towers like Thanksgiving Tower and One Dallas Center.

FIGURE 1: DRIVERS OF GROWTH IN CO-WORKING

Source: CBRE Research/Longview Global Advisors, December 2015.

According to CBRE's report, the increasingly diverse demand from occupiers and landlords suggests the co-working sector is better equipped to withstand a downturn than it was during the dot-com bust and the subsequent recession.

"Innovations and growth in the segment are tied to a number of enduring megatrends that are shaping workplaces and the business environment more broadly," said Julie Whelan, Americas head of occupier research, CBRE. "These durable trends suggest that the new developments in shared workplaces are here to stay."

The CBRE study, produced in collaboration with Longview Global Advisors, identified megatrends driving this growth and long-term sustainability of the co-working model. Among them are economic uncertainty, which affects long-term real estate decision making; technology and the ability for people to work from anywhere, anytime; the desire for community in the work environment, particularly among millennials; and cities, particularly gateway cities, where the cost of real estate continues to increase.

According to CBRE, the growth of co-working spaces in the United States is estimated to be experiencing a five-year compound average annual growth rate of 21 percent.