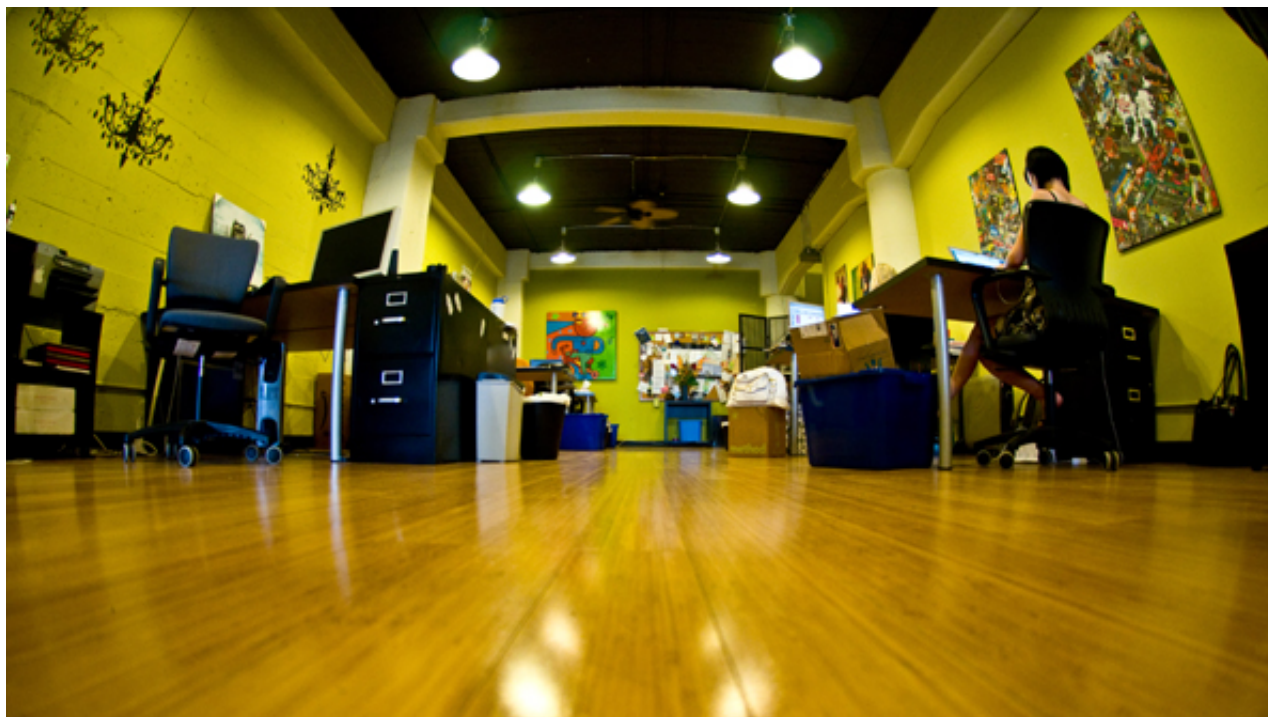


## Will Co-Working Erode Demand for Office Space?

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Co-

**working**—the latest trend in workplace strategies—could be the catalyst that shake-ups the staid [office](#) market.

The tradition of “one worker, one desk” may soon be a thing of the past. Companies across industries are eliminating offices, private work stations and cubicles in favor of team-oriented and shared work spaces.

“I think there is going to be a dramatic shift in how we use space,” says Chris Zlocki, managing director of strategy and innovation for corporate solutions at Colliers [International](#) in Denver.

Despite employees’ ability to work from anywhere, companies, especially knowledge-based companies, are refocusing on the importance of collaboration to foster ideas and innovation. Yahoo brought the issue front and center when it announced earlier this year that it would call its remote workers back to its company offices. Other tech companies, such as Google and Apple, have thrived on the mantra that “innovation doesn’t happen in isolation,” says Richard Kadzis, a vice president at CoreNet Global, an Atlanta-based association for [corporate real estate](#) professionals.

Businesses across industries are opting for office space that allows for greater interaction among workers. For example, management consulting firm Accenture completely revamped its offices in Minneapolis last year, replacing cubicles with a flexible floor plan that includes shared workspaces. It also increased its number of meeting rooms and added a café, all to increase collaboration between its employees. In the

process, the firm downsized its Minneapolis office from about 70,000 sq. ft. to 41,000 sq. ft.

Such examples raises question as to whether this new trend has staying power, and if so, how it will impact office tenants' real estate decisions. Industry [data](#) shows that the physical footprint for office workers is shrinking. The amount of dedicated space per office worker has dropped from about 225 sq. ft. in 2010 to 176 sq. ft. in 2012, according to CoreNet Global.

“We have seen a trend toward what companies call a smaller, but smarter workplace,” says Kadzis.

In addition, a 2012 CoreNet Global survey of corporate real estate executives shows that companies are continuing to push for greater space efficiency. Overall, 40 percent of survey respondents said they expect the amount of dedicated space per office worker to be 100 sq. ft. or less in five years, while 29 percent expect the amount of space per worker to be less than 150 sq. ft.

## **Morphing office space**

The shrinking office footprint supports two key trends. First, companies are striving to use real estate more efficiently to get an immediate bottom line impact. Second, it also reflects the shift in how companies are utilizing space differently to accommodate changing work patterns.

Certainly, companies have been testing alternative workplace strategies for years. Concepts such as hoteling, hot desks and home-based workers have been used for more than two decades. Yet to date, those trends have hardly revolutionized the office industry. What is different now is that advances in technology with mobile devices and cloud computing are enabling more flexibility in how and where people work. People no longer need to be tethered to their desks, notes Zlocki.

Shifting demographics also are accelerating change as companies work to accommodate a younger generation of workers. Gen Y, or the new Millennials as this group of teens, 20- and 30-somethings is often called, is a more tech-savvy, socially-centered workforce that has grown up with the concept of using technology to solve problems. Gen Y is not just driving the co-working trend, but they are also fueling a shift to a distributed work day. Unlike the traditional nine-to-five worker, younger professionals are distributing their work over the whole day, from perhaps 7 a.m. to 10 p.m. and more of that work is being done outside the office. The more flexible work schedule and telecommuting means that the number of people in an office varies more than if everyone was on the same schedule. This facilitates the sharing of space. Those trends are all influencing the continued evolution in the way people work, and ultimately the shift in demand for the type and amount of work space companies require, Zlocki adds. Those changes are creating a “triple bottom line effect,” where companies have the opportunity to use their real estate more efficiently, as well as improving the work culture and the work environment, he adds.

## **Staying connected**

Co-working is creating demand for alternative workplaces—both in corporate settings and at third-party facilities. For example, workers can use apps such as Liquid Space to find a drop-in location. “You might not be working with anyone from your company, but you will be with like-minded people who also want to be with other people and talk about what they’re doing,” says Kadzis.

Small businesses and entrepreneurs are finding ways to connect with other workers at collaborative business centers such as Mission 50 Workspaces in Hoboken, N.J. Founder Gregg Dell'Aquila launched the collaborative business center about 15 months ago as a pilot program. The 3,000-sq.-ft. center offers a mix of open work stations and common area space along with private “phone booths.” Mission 50 currently has

some 160 members who check in at different times to use the shared workspaces. The project has been so successful that Mission 50 is looking for additional space to open one or two new locations this year.

In addition, co-working is impacting how office space is configured. For example, individual workstations might have room for a bump-out where workers can have space for a one-on-one meeting, or the configuration might shift with four desks set up with a two-top or a four-top meeting space. Between different work groups, there is more focus on creating break-out spaces or cafés, or more informal areas that can be used as meeting spaces. In addition, companies are adding more conference rooms of varying sizes, ranging from large team rooms to “huddle rooms” that can accommodate smaller groups to allow more meetings to take place within an office. “Collaborative work environments are where the work spaces of today and tomorrow are headed, but with a cautionary note,” says Kadzis.

Companies still need to strike a balance and not build too much collaborative space. It is still important to have dedicated space where people can have privacy to make phone calls or be able to concentrate on “heads-down” tasks without the distraction of other workers, he adds.

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