

Workplace Innovation Today The Coworking Center



Andrea P. Foertsch
Founder, Disruptive Space
Principal, Melrose Real Estate Strategies
Visiting Lecturer, Baker Program in Real Estate, Cornell University

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Workplace Innovation Today

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By
Andrea P. Foertsch
Founder, Disruptive Space
Principal, Melrose Real Estate Strategies
Belmont, Mass.

Visiting Lecturer, Baker Program in Real Estate
Cornell University
Ithaca, N.Y.

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About the Author

Andrea P. Foertsch is founder and principal of Melrose Real Estate Strategies, an urban development, adaptive reuse and land planning consulting practice specializing in the study and opportunistic application of emerging trends and best practices since 1994. Ms. Foertsch most recently formed Disruptive Space, which focuses on the workplace of the creative economy, including coworking, makerspaces, innovation centers, hackerspaces and accelerators. Prior to establishing her companies, Ms. Foertsch led commercial projects at Congress Group Ventures and residential projects at Corcoran Jennison Companies. She is a visiting Lecturer at Cornell University's graduate Baker Program in Real Estate and wrote a report on a related innovation workplace topic, "Innovation in Manufacturing: Makerspaces," for MassDevelopment in April 2013.

Methodology

Andrea Foertsch has been investigating this trend since September 2011, when she began touring innovative workplaces in Boston and New York. In 2012, her attention expanded nationwide to Los Angeles, San Francisco and Washington, D.C. Literature review and Internet searches supplemented the investigation. Site visits and interviews (both in person and over the phone) provided critical information and data included in this report, as did presentations at the Global Coworking Unconference 2013 in Austin, Texas, in March 2013. All interviews were conducted between April 2012 and November 2013. All coworking center membership fees are accurate as of November 5, 2013. All photos by author unless otherwise noted.

Table of Contents

- Executive Summary** 4
- Introduction** 5
- Workplace Innovation and Its Origins** 7
- Coworking Centers Take It to the Next Level** 13
- Conclusion** 25
- Glossary**..... 26
- Case Profiles** 27
 - Workbar, Boston and Cambridge, Mass..... 28
 - NextSpace, San Francisco 33
 - Impact Hub, Boston and San Francisco..... 37
 - Serendipity Labs, Rye, N.Y..... 43
 - State Street Bank, Boston 47

This report is available for complimentary download at www.naiop.org/workplaceinnovationreport.

Executive Summary

Picture an office filled with people. But imagine that — unlike a traditional office, where all of those people work for the same company — some of them are freelance writers, graphic designers, programmers and app developers; others are teleworkers; still others are in the process of forming startup companies or working for very small firms. The office may simply be a large room where people work at couches, tables and bench desks, or it may contain carrels, cubicles, private offices and even classrooms or auditoriums. What is this place? It is a coworking center.

Coworking — a new concept emerging from a more than 50-year foundation of innovative workspaces — is revolutionizing the concept of workplace. Interim developments like incubators, innovation centers and accelerators have contributed to the entrepreneurial ecosystem. But coworking centers have combined new functions and new operating models in interdisciplinary and collaborative ways that have spawned precipitous growth in the creation of — and participation in — these centers. All indicators point to the continued growth and diversification of coworking centers, which also are beginning to impact the functions and facilities of mainstream corporate workplaces.

Introduction

A tidal wave of change is afoot in the workplace, precipitated by technological advancements that have both tethered and liberated the worker. On the one hand, workers are now free to roam outside company headquarters, or even from companies themselves. On the other hand, they are perpetually bound to screens for everything from information to communication, relentlessly on the hunt for Wi-Fi signals and greater broadband. Companies ranging from startups to Fortune 100 firms and individuals alike are wrestling with this contrast between independence and collaboration, freedom and compromise, creative license and productive discipline, as the realities of the Internet Age meet the opportunities of the Creative and Information Economies.

This evolutionary jolt, what urbanist Richard Florida refers to as the third “Great Reset,”¹ also is being played out in the realm of commercial real estate, as evidenced by the surge in U.S. coworking centers, which have grown from just one in 2005 to 781 in 2013.² These extremely flexible new workplaces can be grouped into three overlapping categories. This report provides an overview of the evolution of two types of innovative workplaces, innovation centers and accelerators. It then focuses on the coworking center — the type of innovative workplace that has grown most rapidly in recent years, both in popularity and in influence. The report focuses on how coworking centers are formed and financed, what types of facilities and support services they offer, and who uses them. It concludes with five case profiles of coworking centers and an assessment of the significance of the coworking trend.

Figure 1
Innovative Workplaces Timeline

Innovation Workplace	Inception Year	Purpose
Incubator	1959	Rent empty space by stimulating commerce through grouping together small businesses. Later incarnations added business assistance and financing opportunities.
Innovation Center	1999	Provide office space and services to young companies, initially to tech startups. Focus on commercialization of innovation and entrepreneurship (i.e., prototyping and taking the product to market).
Accelerator	2005	Programming-based workplaces designed to help startup companies grow more rapidly by providing them with technical and educational assistance, mentoring, networking opportunities and workspace.
Coworking Center	2006	A membership-based, interdisciplinary workplace for independent workers and startup companies, providing community, business services, collaboration opportunities and a place to focus on work as well as to participate in social and educational events.

Workplace Innovation and Its Origins

Spurred by economic development interests, today's innovative workplaces are born out of several generations of private and public sector-sponsored business stimulation efforts. Incubators began the trend, leading to the development of accelerators, innovation centers, and coworking centers. According to Fernando Sepulveda, CEO of the Impulsa Group, "Business incubators mentor companies through childhood while business accelerators guide them through adolescence into adulthood."³ The latest evolution is the coworking center, whose rapid growth and varied incarnations promise to make it the most influential type of alternative workplace of all.

Incubators Lead to Innovation Centers

The first incubator — the Batavia Industrial Center — was developed in a warehouse in Batavia, N.Y., in 1959 as a way to stimulate commerce and rent empty space. But the concept of providing office space and business assistance to startup companies did not begin to catch on until the late 1970s. By 1980, about a dozen incubators were operating in the United States, all in the industrial Northeast.⁴ In 2012, Xconomy (a technology news and events organization) listed 121 venture incubators in the U.S.⁵ Innovation centers — umbrella organizations that provide office space and services to young startup companies — evolved as a subgroup of incubators around 2000 as a result of the specific needs of participants in the Internet revolution of the 1990s, and initially focused on the tech industry. Innovation centers are places that are oriented specifically toward the commercialization of innovation and entrepreneurship. Today, they often incorporate a combination of incubator, accelerator and/or coworking facilities.

More recently, innovation centers have been popularized by Fortune 100 corporations like AT&T, Johnson & Johnson, Verizon and Microsoft, which have incorporated them as the public interface of their research and development departments — and have used them as a way to stay relevant in an age of open sourcing by creating a sharing interface with the innovation community. Examples of corporate innovation centers include the Microsoft New England Research & Development (NERD) Center, founded in 2007; the first AT&T Foundry (2011) and State Farm's Next Door (2011).

Figure 2
Three Types of Innovative Workplaces

Type of Workplace	Market	Formed by	Purpose	Examples	Typical Structure
Innovation Center	Individual entrepreneurs, startup companies	Venture capitalists, private groups, corporations	Access to capital, intellectual stimulation, expediting ideas to market	Cambridge Innovation Center, MaRS Centre, Microsoft NERD Center	For-profit, public-private partnership
Accelerator	Startup companies, entrepreneurs	Universities, public sector and private groups	Expediting ideas to market, education, mentorship, symbiosis	Y-Combinator, Founder Institute, Techstars, MassChallenge	For-profit, public-private partnership, nonprofit
Coworking Center	Startup companies, freelancers, entrepreneurs	Private individuals or groups, startup companies	Efficiency, economy, community, collaborative opportunities, social and educational benefits	Impact Hub, NextSpace, WeWork, Indy Hall	For-profit, nonprofit, cooperative

Formation and Governance. Innovation centers tend to form in much the same way that incubators did, around intellectual and financial resources. Proximity to those types of resources typically determines the location of an innovation center.

Innovation centers rely upon a critical mass of brainpower, and therefore tend to form and thrive in urban centers and in close proximity to major universities. Examples include the Cambridge Innovation Center (CIC), which was founded in 1999 near the Massachusetts Institute of Technology (MIT), and the MaRS Centre, founded in 2005 in Toronto's Discovery District adjacent to the University of Toronto. More so than their incubator predecessors, innovation centers attract participants by offering a stimulating community of peers and group events, as well as space and access to venture capital.

Innovation centers have been closely aligned with the venture capital world that startups depend upon for resources (i.e., capital, mentorship, technical assistance and workspace). Of the three types of innovative workplaces, they are the most influenced by outside economic ties to funders or sponsors. Frontrunners like CIC and MaRS Centre formed with the help of government sponsorship, university alliances and/or venture capital participation.

Innovation centers are diverse in their structure and governance. MaRS Centre is a nonprofit, public-private partnership led by a CEO and a board of directors comprised of finance, industry and university representatives. CIC is a limited liability company (LLC) whose partners govern its various components. Individual CIC components — including the Cambridge Coworking Center (C3) — operate with some self direction and governance; C3 holds town hall meetings called “State of C3” gatherings.

Users. Innovation center users are typically startup companies and may or may not be themed to a specific industry. MaRS Centre is focused on life sciences, advanced materials and engineering, cleantech, information technology and social innovation. The Cambridge Innovation Center houses more than 500 companies, 90 percent of which are startups, a majority of which are technology oriented.

Financing. Innovation center financing is inherently complex. While nonprofit organizations, for-profit groups and public-private partnerships all may play a role in financing innovation centers, these centers often begin in close alliance with venture capital firms, university sponsorship and/or local government economic development grants and loans. In 2014, MaRS Centre will complete a new 750,000-square-foot laboratory and office building that is being financed by a fully repayable loan from Infrastructure Ontario (a crown corporation that is wholly owned by the province of Ontario) as well as by investments from MaRS and its strategic partner Alexandria Real Estate Equities. MaRS Centre Phase 2 will be developed and operated by MaRS.^{6,7}

Access to conventional loans often is limited unless and until an innovation center has scaled up in size or built up an operating history, something that only recently has begun to occur. Some innovation centers require an equity share of their startup businesses, as Cambridge Innovation Center originally did.

Facilities. Because of the innovation center’s focus on commercialization, issues of intellectual property and confidentiality have a strong influence on the kinds of facilities this type of innovative workplace offers. This is reflected by an emphasis on privacy, with more enclosed offices, more lock-and-key storage, more focus on security and accountability, and fewer open plan workplaces than typically are seen in accelerators or coworking centers. Otherwise, their facilities are similar to those of coworking centers, as described below.

Support Services and Programming. While workspace may be the innovation center's most appealing element to prospective participants, its social and inspirational programming are what give it life and solidify its reputation, direction and stability. They also distinguish it from its incubator predecessors, which were strictly workplaces. Innovation center operators recognize and emphasize the importance of bringing participants together for individual presentations or series of events at which they can learn from and interact with featured speakers as well as with one another. Free business plan review sessions, mentor office hours, refreshments and the presence of a like-minded crowd are other key attractants. These amenities are important elements both for starting an innovation center as well as for attracting new participants and nurturing existing ones.

Accelerators: Innovation Centers Distilled

Accelerators are programming-based workplaces designed to help startup companies grow more rapidly by providing them with technical and educational assistance, mentoring, networking resources and workspace. Accelerators “are like finishing schools for entrepreneurs,” said Jeff Busgang, a general partner at Flybridge Capital Partners and author of “Mastering the VC Game,”⁸ referring to the selectivity, intensive educational component, alumni network and branding described by Eugene Chung of Techstars NY.

An accelerator's founder, board of directors or other leadership entity generally chooses a group of participants through an application process. Participants typically convene for less than a year and provide the accelerator with a less than 10 percent equity stake in their companies. Incubators, on the other hand, have unspecified, mission-driven durations and require larger equity stakes, according to Paul Bricault of Amplify, a Los Angeles accelerator.⁹ Some accelerators, like Boston's MassChallenge, are structured so that participants compete with each other for a cash prize that will enable one or more startups to take their enterprise to the next stage. Participants are attracted by an accelerator's elite club aspects, such as its “rock star” mentors, networking opportunities with other participants, and the chance to cultivate what may become lifelong business relationships.

The most influential accelerator, YCombinator, was founded in 2005 in Mountainview, Calif. It invests in a new group of startups twice a year and brings those startups' founders to Silicon Valley for three months of intensive mentoring. The concept has been popularized by TechStars, founded in 2006 in Boulder, Colo., which bills itself as “the #1 startup accelerator in the world,” with locations in Austin, Texas; Boulder; Chicago; London; New York; and Seattle. Accelerators have been advanced by venture capital companies,

universities and economic development agencies to both attract and promote the growth of businesses. Bricault asserts that, thanks to capital efficiencies and the resultant boom in incubators and accelerators “what would have taken \$5 million to get off the ground with a product developed and customers and traction several years ago now can take only a few hundred thousand dollars.”¹⁰

Formation and Governance. Most accelerators are formed by one or two visionaries, who typically are fellow entrepreneurs/mentors, technical advisors or educators. These individuals attract a small nucleus of mentors and sponsors who constitute the founder group and/or board of directors. They use innovation blogs, Meetup groups, social media and members of the local news media — who increasingly are interested in innovation news — to get the word out and test the level of interest. Accelerators rely on the reputations of their leaders, mentors and sponsors to attract participants, since their sole purpose is to bring entrepreneurs to a new level through their business incubation programming.

Users. Accelerator users typically include small startup companies and individuals just beginning on the path to creating startups. An accelerator “class” may include as few as 10 or as many as 200 participants. At most facilities, such as YCombinator, class participants “matriculate” and “graduate” together. Other accelerators have overlapping classes or provide space for participants following graduation. While the vast majority of accelerators fall under the broad category of software development, some specialize further. For example, General Assembly in New York specializes in web development, Greentown Labs in Somerville, Mass., specializes in cleantech and SXSW Accelerator in Austin, Texas, specializes in interactive technology.

Financing. While accelerator financing is similar to innovation center financing, accelerator sponsors may play a larger role in the financing process. Techstars is financed primarily by a venture capital syndicate. MassChallenge’s primary funding comes from myriad private and some public sponsors. Dogpatch Labs in Cambridge, Mass., was founded in 2009 by a venture capital firm, Polaris Venture Partners, which underwrites its costs (other than rent, which Microsoft has sponsored in the past). Polaris had invested seed funding in 10 Dogpatch Labs companies in Cambridge, New York and Palo Alto by 2011.¹¹

Facilities. The relationship that an accelerator has with a source of venture capital, a major corporation and/or a university is reflected in where it is located and how it expresses its identity. Accelerators may locate in high-rise towers in major metropolitan areas or in suburban office parks to be near their university or corporate sponsors or mentors. While they may have “white collar” exteriors, their interiors

usually are decidedly more casual than those of their corporate sponsors.

Accelerators need only classroom and event space, which they may borrow from other organizations. Their only absolute requirement is an auditorium/classroom/function hall with high-quality projection and teleconferencing systems, seating, a lectern and a kitchenette. This space often will be used for professional networking events and mentorship meetings. Administrative space is minimal, and may even be located off-site or embedded in a sponsor's space. YCombinator in Silicon Valley houses little else than a multipurpose classroom/auditorium/event space.

Most recently formed accelerators prefer dedicated facilities that include workspace for their participants, which promotes collaboration and solidifies relationships among the community's members. Many of these newer accelerators have evolved into hybrids that include breakout space for small groups, coworking space for alumni use, administrative offices and a cafeteria/recreational area. MassChallenge in Boston's Innovation District, SkyDeck (part of the University of California, Berkeley) and General Assembly in Manhattan are examples of this trend.

Support Services and Programming. YCombinator's programming consists of weekly half-day lecture/networking events for 13 weeks. MassChallenge holds multiple daily weekday events for 13 weeks, including "pitchfests," training lectures, expert office hours, demonstrations and competitions. General Assembly holds 10 to 20 night classes per month. Most events include a social component. All of these accelerators hold practically mandatory kickoff parties, networking/social events to celebrate competition winners, commencement celebrations, mixers with sponsors and other types of events.

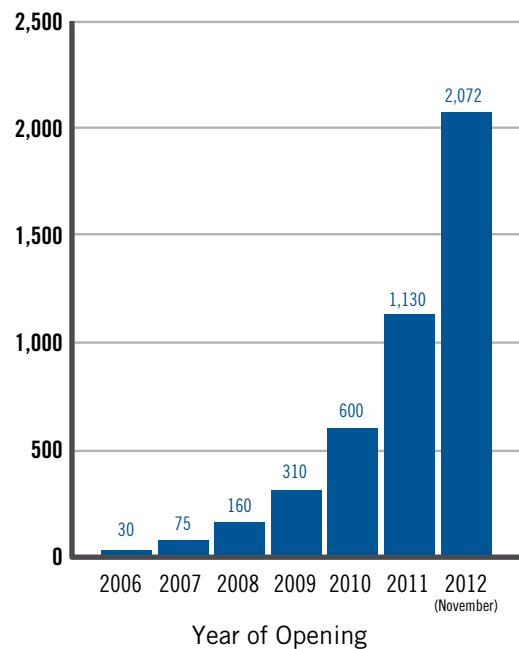
Coworking Centers Take It to the Next Level

A confluence of technological, demographic and cultural influences has fueled rapid transformation in the workplace. The Internet, social media and Wi-Fi have profoundly affected workplace communications as well as workplace flexibility. Reliance on this technology has produced a generation of young workers (the millennials, also known as Generation Y and echo boomers) who expect continuous, personal access to information in real time rather than on a prescribed schedule. They increasingly insist on sharing information in an open-sourced, nonhierarchical way. As a result, they expect a workplace with no doors or even walls, no set hours and few professional boundaries. While some corporations have viewed this as untenable, others have seen it as an opportunity to create more economical, collaborative and user-intensive workplaces. And freelancers and entrepreneurs who work outside of traditional companies have viewed it as an opportunity to create coworking centers — entirely new workplaces to serve this generation’s independent workers and small businesses.

As a result of these technological and social forces, within the past five years the coworking concept has emerged to meet the needs of independent innovators and small businesses — and has become the largest of the innovation workplace movements. This highly versatile concept has taken innovative workplaces to the next level by offering a membership-based workplace solution that provides independent workers with both a community and a place where they can focus on productivity. The coworking concept fuses the desk hoteling concept relied upon by management consulting firms for decades with the fitness club membership operational model to bring affordable, amenitized workspace to the public. By offering both dedicated and “free-range” space in a flexible array of membership plans, coworking facilities provide a cost-effective solution that also enhances productivity, collaboration, visibility and commitment to goals. Coworking thus has coalesced around three defining elements not previously seen in this combination in other workplaces: 1) multifunctional working/learning/social space, 2) a mixture of designated and undesignated seating and 3) participation by membership.

Game designer, author, and “fun theorist” Bernard De Koven coined the term “coworking” in 1999 to describe computer-supported collaborative work or “working together as equals”; the term later evolved to refer to a style of work that involves independent activity in a shared working environment, typically an office or workshop.¹² In 2005, programmer Brad Neuberg experimented with coworking within a women’s community center in San Francisco before creating what is commonly believed to be the first dedicated coworking space, the Hat Factory,^{13,14} in 2006. As of February 2013, a Deskmag survey reported that there are 781 coworking spaces in the U.S., out of 2,498 worldwide.¹⁵ Worldwide, coworking centers doubled annually between 2006 and 2012.¹⁶

Figure 3
Coworking Center Growth
(coworking space numbers as of October for each year except 2012)



Sources: “DeskMag’s 2nd Global Coworking Survey, 2012,” and “Global Coworking Census: 2013,” Deskwanted

The U.S. leads the world in the number of coworking spaces, but has fallen behind Spain relative to population.¹⁷ Interestingly, the more coworking spaces that are present in an area, the more profitable the spaces are.¹⁸ As of October 2012, New York had the most coworking spaces of all cities (73) and San Francisco ranked sixth worldwide at 38.¹⁹ (By February 2013, however, New York had fallen to second place, behind London.²⁰) In spite of several years of economic weakness, the coworking movement has flourished, and Deskmag reported a 117 percent increase in members and an 83 percent increase in coworking spaces worldwide from February 2012 to February 2013.²¹

Of all of the innovative workplace concepts, the coworking model has had the greatest influence on the workplace, both through independent applications (dedicated coworking centers) and through its incorporation into existing workplaces, including accelerators, innovation centers and corporations both large and small. Most (79 percent) dedicated coworking facilities are individual, local operations; multisite chains NextSpace, WeWork and other franchises account for less than 10 percent of coworking spaces.²² Coworking has grown from its roots in the tech startup ecosystem and spread to the wider worlds of freelancers, telecommuters and corporate travelers.

Now, corporations like State Street Bank are designing internal work units around the coworking model, both operationally and in their methods of space utilization. State Farm Insurance formed Next Door “freemium” coworking centers as a way of helping the company understand the millennial consumer by providing coworking space at no charge. Even some hotels and executive suite players such as Marriott and Regus are entering the coworking space as an extension of their primary operations. Marriott’s Workspace on Demand has liberated some of the hotel chain’s business centers from closet-sized facilities to open, free-range coworking spaces in lobbies as well as rentable meeting rooms, and Starwood is following suit.^{23,24} Regus has brought its executive suites business model forward to include the membership and undedicated seating aspects of coworking.²⁵ While these are examples of coworking-style workplaces, they lack the founder-centric and event hub aspects of true coworking centers.

At its core, coworking has coalesced around member participants independently working in a collective environment and sharing resources (including facilities, classes and events).

Formation and Governance. There are four basic types of coworking center founders: 1) startup company owners seeking the company of fellow innovators; 2) individuals or a nucleus of prospective users; 3) intermediary/third-party operators; and 4) property owners. This diversity reflects the flexibility of the coworking model and the wide range of participants it attracts, compared with its predecessor incubators. Most centers are for-profit entities, but others are cooperatives or nonprofit entities. Founding groups and individuals have chosen democratic, hierarchical and hybrid governance structures.

The viability of an independent coworking center varies by type, but most often depends on the reputation of its founders and/or their ability to govern the center and nurture its users. The success of multisite coworking centers often depends on the founders' operational savvy and their ability to offer the types of programming and/or networking opportunities that users want, as well as their ability to create an identity/brand to which users will bond. A property owner who forms a coworking center must rely primarily on the center's location and facilities for success, which can be a vulnerability compared to a center with innovation ecosystem founders who participate on-site. However, coworking centers formed when property owners have partnered with an existing tenant or another founder to create coworking space within their buildings, such as Workbar and Industry Lab, have experienced some success. (See the Workbar example in the "Case Profiles" section of this report.)

Founders often find themselves consumed by the operations, financing and governance of their coworking centers, as their roles shift from entrepreneurial guide to property and office management. This often leads to leadership turnover, as founders return to their own innovative pursuits. Effective succession planning makes the difference between survival or dissolution of the group. Groups that plan for stability in advance by setting up clear ownership structures and governance rules have a distinct advantage when any challenges arise, be they the result of leadership, budget shortfalls, faltering membership, loss of tenancy or personnel issues. In the Boston area, Industry Lab made ownership transitions successfully, while Beta House did not continue after losing its space. C4 Workspace in San Antonio closed because membership growth did not keep pace with fixed costs.

Membership is the defining contractual relationship between all coworking centers and their users, which also distinguishes it from prior alternative workplace concepts. Membership models are diverse, but typically differentiate between dedicated and undedicated seating categories. Membership subcategories generally are based upon how much access to undedicated seating a member

is allowed and the degree of privacy offered by the dedicated seating, up to and including enclosed offices. Social memberships that enable individuals to participate in networking activities, classes and special events may be available. Day passes often are available as well. Members may pay an additional fee to use meeting space, mailboxes, phone service, office supplies and printing — or some or all of those services might be included. Studio West in Ithaca, N.Y., offers credits that can be applied to these services. Some centers offer corporations bulk memberships for blocks of designated employees. And some multisite coworking center networks offer members at one center limited access to other centers within the network; NextSpace offers members an add-on “Galactic Membership” that provides 24/7 access to all NextSpace centers and the Impact Hub network offers reciprocity by request.



The Member Wall at NextSpace San Francisco is prominently displayed. This is a typical component of community building in coworking centers.

Photo courtesy of NextSpace

Users. Coworking center members and other users (coworkers) are predominantly freelancers (53 percent), followed by entrepreneurs (14 percent) and small companies (9 percent). Most cited the ability to easily change workplaces as their reason for becoming a coworker, although 62 percent said they had no plans to leave their current coworking center.²⁶ They reported soft factors relating to community social interactions, networking and atmosphere as their primary selection criteria; more practical considerations — those related to the facilities or their location — were secondary.

The reputation of the founders, the type of programming they generate, the identity they create physically in the space and the parties for which they may become known all contribute to building the user group. Many coworking centers have dedicated community-building staff who execute the center's programming and networking mission. This mission doubles as marketing for the center, since visitors who attend these events may become future members. The key to success generally is agreed to be the realization that "it's all about the people."



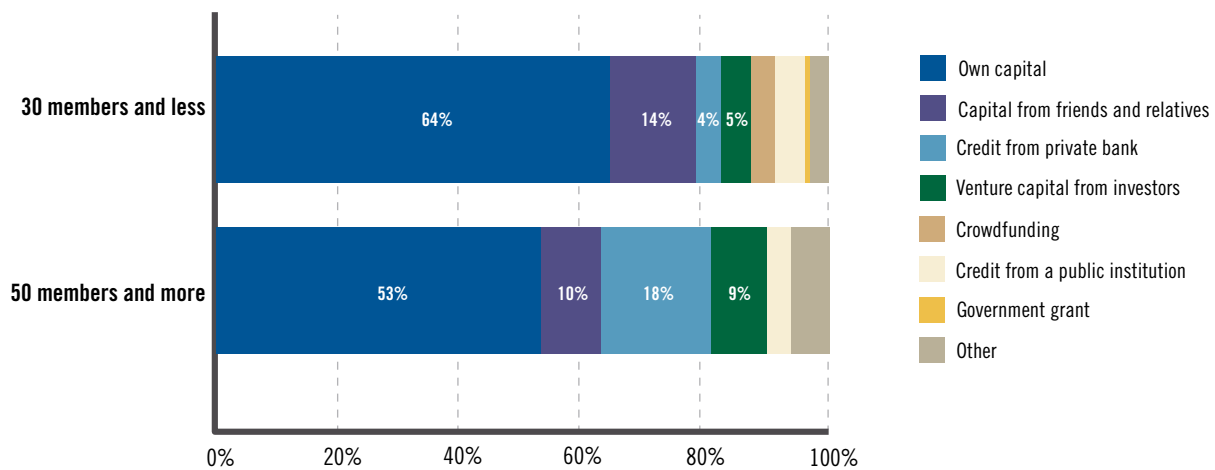
Collaboration is a key element in coworking, as shown here at Impact Hub San Francisco.

Photo by Joseph Schell

Financing. For the most part, independently formed coworking centers rely on “bootstrapping” as their initial financing tool. Their startup funding typically comes from the founders’ own equity — as well as that of their friends and family. As reported in February 2012, the average cost to start a coworking space was between \$45,000 and \$58,000, depending upon the size of the space.²⁷ Some coworking centers that have planned to grow into multisite operations, such as Serendipity Labs and NextSpace, have attracted equity investors from their inception.

For independently formed coworking centers, the key to success is incrementally growing, furnishing and equipping the space as membership increases. Some founders have obtained loans from the U.S. Small Business Administration to get their coworking centers off the ground. Once a center is up and running, founders and operators have succeeded in attracting corporate sponsors to do everything from providing the center with products (e.g., coffee, snacks, furniture and equipment) to offering blocks of memberships for the sponsor’s employees and hosting social and educational events. Increasingly, coworking centers will reflect the diversity of the innovative workplace, including corporate, freelance and small business startup users, and that in turn will be reflected in their financing and tenancy arrangements.

Figure 4
How Did You Finance the Launch of Your Coworking Space?
 (by potential capacity at opening)



Source: “DeskMag’s 2nd Global Coworking Survey, 2012”

Facilities. Coworking centers originally sprang out of the startup culture, whose character leans decidedly toward the raw, organic, industrial look. Now, however, they can be found in places as diverse as a single-family house on a commercial street in Austin, Texas; a brick-and-beam mill building in Boston; a converted car dealership in Rye, N.Y., and a Manhattan skyscraper. Most locations tend to reflect their founder group and/or target market. Interestingly, these centers are growing most rapidly in large cities and rural areas.



Conjunctured, a coworking center located in a commercially zoned converted residence in Austin, Texas, is an example of the many micro coworking centers that have been created in small towns and even rural areas.

Coworking centers can be located anywhere people are thinking, creating and working, though most agree it helps to have an especially good coffee shop or artisanal cafe nearby. Base building requirements include the following:

- High-speed Internet service;
- 24/7 secure building and parking access, preferably with a programmable magnetic strip key card rather than a hardware key;
- Secure, covered bike storage;
- Plenty of daylight from uncovered windows and skylights; and
- Architectural character (favored, but not essential).

Functional components include the following:

- A check-in/administrator's desk;
- Zoned workspaces, including seating (benches, chairs or stools) at tables or counters, open desks (bench desks and carrels), designated desks (cubicles and carrel clusters), private offices and casual space (couches, armchairs and/or beanbag chairs);



Architectural character — like the brick-and-beam style of Intrepid Labs in Cambridge, Mass. — is a sought after commodity in coworking centers.

- Collaboration nodes, typically pod-like groupings of seating such as clusters of beanbag chairs or conversation pits, often referred to as “hives,” “nests” or “caves”;
- Kitchenettes offering both coffee and snacks;
- Phone booths or rooms where coworkers can make cellphone calls without disturbing other workers;
- Meeting spaces (conference rooms);
- Educational spaces (classrooms); and
- Recreational spaces (ping pong or foosball tables, classic video games, hammocks, outdoor decks, patios).

Coworking centers typically include the following interior finishes/tenant improvements:

- 24/7 secure interior tenant space access, preferably with a programmable magnetic strip key card rather than a hardware key;
- Exposed structural elements (ductwork, ceilings, columns and beams, as well as cement floors);
- Versatile features (barn doors, garage doors and sliding doors, as well as other types of moveable partitions and curtains);
- Transparency (glass interior partitions); and
- Sound attenuation measures such as draped fabric, padded high wing-back chairs, padded cubes and carrels, acoustic ceilings, carpeting and/or background white noise.



Corporate client-oriented coworking centers favor a hospitality-style reception experience, as seen at Serendipity Labs in Rye, N.Y.



The coffee break experience is elevated to new heights in coworking centers. Even in the smallest centers like Conjunctioned, a coffee pot in a corner just won't do.

Furniture makers like Turnstone, Steelcase, Poppin and Herman Miller all are rushing to contribute new research and design concepts and products that support the social collaboration and technical function demands of the coworking movement, as evidenced by their research as well as by their sponsorship of coworking events, coworking centers and panels at industry association gatherings.

Coworking centers usually feature the following types of fixtures and audiovisual elements:

- White boards (both wall-mounted and mobile/freestanding types);
- Video projection and teleconferencing systems;
- Sound systems for events; and
- Personal storage lockers.



Many coworking centers emphasize the convenience of a stocked and equipped kitchen/café — like this one at Intrepid Labs — both to fuel hungry thinkers and to facilitate the center’s social and educational events.

Coworking centers are a hybrid between an office and a clubhouse, and establishing and announcing the identity of the center’s work community through its design and decor is an important element of this new movement. Founders and designers thus must be careful to ensure that a coworking center’s design meets the needs of prospective users while also enabling those users to imprint their own personalities on the space.

Impact Hub at the San Francisco Chronicle Building proudly describes its green designed Plyboo (bamboo plywood) desks and cabinetry, which are in alignment with its members’ focus on social entrepreneurship and sustainability. The DJ nest — complete with dueling turntables and a vintage vinyl collection — in the loft of Hacker DoJo in Silicon Valley offers a clue to its reputation for legendary parties. At Serendipity Labs in Westchester County, N.Y., a formal check-in desk indicates to visitors that this is a corporate-level workspace with hospitality industry-based services. The key is that the space is controlled visually, functionally and physically by the coworking community so that it can fully express its members’ identity.



An array of seating clusters and styles, like this one at Serendipity Labs, promotes collaboration while providing a variety of comfortable workspaces.

Support Systems and Programming. Coworking centers require a unique combination of services that go beyond the executive suites model's array of reception, billing, user tracking, facilities scheduling and database management. Coworking facilities add the dimensions of fostering client interaction, educational programming and event planning. This puts a different spin on staffing, communications, marketing and outreach. It also affects property management and leasing arrangements regarding everything from trash removal after events to security and parking for after-hours access, since events often are held in the evening or on weekends.

Conclusion

As the numbers of full-time corporate jobs shrink and entrepreneurial jobs increase, the popularity of alternative workplaces will continue to rise. “It’s part of the overall space-compression phenomenon, which is giving some developers and landlords fits, while the smarter ones see what’s going on and are adapting to the new reality,” said an unnamed broker in an article on collaborative space provider WeWork’s rapid, large-scale growth into 100,000+ square foot spaces in New York, Chicago and San Francisco — and its planned expansion into Boston.²⁸

Coworking centers have emerged to meet this need, and in just five years have outpaced the growth of prior innovative workplace trends. The coworking model’s exceptional flexibility and adaptability on multiple levels (operational, functional, legal structure and governance) have promoted its rapid adoption. This model is still in its infancy and will continue to develop.

Like prior innovative workplace models, coworking centers can be assets to commercial property owners, both as tenants and as generators of spinoff companies that may become future tenants. Finding coworking center tenants can be difficult, since they tend to shun real estate brokers. Savvy property owners have encouraged existing startups in their buildings to create coworking centers; some even have partnered in the ventures. Building owners could seek out new coworking groups by networking within the tech community; for example, by hosting gatherings for tech groups.

Flexible lease terms are the primary key to success in working with tenants that offer coworking facilities to users. Providing for a membership ramp-up period in the rent structure, short initial lease terms with extension options and creative tenant improvement arrangements can go a long way toward attracting a coworking center and forging a strong, enduring relationship. Educating the property management team about the operational idiosyncrasies of a coworking center tenant with regard to after-hours access, special event security and trash removal, and accommodating bike storage can make a difference. No particular building location, base building type, or building features are required, since coworking centers and their coworker members vary widely. What is most important is the ability to relate, both operationally and culturally, to this tenant, the coworking center, and its array of members.

Coworking is just getting started as a workplace movement, and awareness of opportunities in this shift in workplace identity can benefit building owners, whether they choose to actively cultivate coworking centers as tenants or simply become more alert to them as a new, unique group of potential tenants as leasing opportunities arise.

Accelerator: An education-based program for speeding ideas to commercialization or realization, based upon lectures, classes, mentorship, technical assistance and networking.

B Corporation: An organization certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability and transparency.

Coworking: Working independently in a shared environment such as an office or workshop.

Coworking Center: A membership-based coworking space that hosts and houses work, social and educational functions for a variety of independent users. Coworking centers are defined by three elements: 1) multifunctional work/learn/social space; 2) a mixture of designated and undesignated seating; and 3) participation by membership.

Coworking-style: Having some, but not all, of the three components of coworking.

Curated Community: A coworking community that selects members according to their potential to contribute toward the coworking center's goals, either to enhance a specialty, broaden skills and services available for collaboration, or balance or diversify the community in some way.

Enterprise Services: Services that are provided or applicable to multiple sites or organizations.

Freemium: Service provided at no cost or on a payment-optional basis.

Innovation Center: An umbrella term for an organization that provides office space and services to young startup companies in a variety of capacities.

Unconference: A crowdsourced event whose content is structured on the spot, as participants are surveyed to select topics, the most popular of which then are explored by breakout groups.

Case Profiles

The following profiles of U.S. coworking facilities demonstrate the concept's flexibility and range of applications, which vary depending upon the target users.

- **Workbar** in Boston and Cambridge, Mass., is making the leap from being a boutique coworking center to becoming a multisite brand as well as diversifying into “distributed workspace” locations within the excess space of corporations through its Outerspaces program.
- **NextSpace** in San Francisco is part of a chain of coworking centers that recently expanded from California to Chicago, the first of several planned to locations nationwide.
- **Impact Hub** is a worldwide network of social entrepreneurship-centered coworking spaces, with centers in San Francisco, Boston, and 40 other locations.
- **Serendipity Labs** in Rye, N.Y., is a hospitality-driven, corporate-oriented center that doubles as a franchise pilot site and demonstration lab for licensing coworking billing, scheduling, security and membership database management operational systems to others.
- **State Street Bank** in Boston is a coworking-style workplace and an example of the mainstreaming of the coworking concept within corporations.

Workbar

Boston and Cambridge, Mass.

Having stabilized its flagship downtown Boston site, Workbar has progressed from tech entrepreneur-founded boutique coworking center to branded coworking chain by adding a second, larger center in nearby Cambridge as well as a second line of business, Outerspaces. Its Cambridge center contains an auditorium/event hall, which has significantly increased its programming capabilities, reflecting its evolving emphasis on events. Workbar has formed Outerspaces as “an interconnected network of shared workspace”; its purpose is to match workers with excess space in other companies while bringing both parties together under the Workbar membership umbrella of innovation.



The Basics

Type:

Evolving coworking company that is expanding and diversifying

Twist:

Newly added “distributed workspace” network, Outerspaces, matches the extra space in companies’ leases with coworkers for a fee; both companies and coworkers gain access to the Workbar community’s events, amenities and services

Market:

Tech startups, enterprise companies, and independent workers, all of which are selected with the goal of optimizing the community’s collaborative potential and entrepreneurial energy with a balanced, diverse set of skills

Formation:

Founded out of necessity by Bill Jacobson and David Ulrich when the company from which their tech enterprises subleased office space went out of business. Partnering with the building owners, Richard and Ken Epstein, they backfilled some of the space with other startups, forming Workbar in the process. Although Workbar has relocated, the now former landlords remain partners in the company.

Membership structure was modeled after Betahouse, a now-defunct Cambridge coworking center that pioneered the fostering of chance meetings and interactions. This was carried out initially through Jacobson and Ulrich's startup network, hosted events, startup weekends and Meetup groups (local groups organized online).

Workbar's expansion into Cambridge benefitted from a 40-person waitlist at the Boston location.

Business Structure:

Limited liability corporation

Financing:

Founder equity

Membership:

- 500+ member network, all of whom have access to the Boston and Cambridge centers
- 10 percent dedicated desk members
- 70 percent full-time, undesignated desk members
- 10 percent part-time package (five days/month)
- 10 percent daily users
- One corporate block member, Constant Contact; 25 Constant Contact employees have access to 45 total days of coworking/month
- Outerspaces members have dedicated desks or offices at a specific host company location.

Fee Structure:

- Daily Members: \$30/day for use of open workspace, business hours only
- Part-Time, Undedicated Desk Members: \$125/month for five days of open workspace use and five hours of meeting room use/month, business hours only
- Full-Time, Undedicated Desk Members: \$300/month for 24/7 access to open workspace, unlimited meeting space; \$600/month for 40 hours of shared, private office use



- Full-Time Dedicated Desk Members: \$500 to \$600/month, includes all of the above plus a dedicated, lockable file cabinet
- Full-Time Dedicated Office Members: \$1,400 to \$2,800/month, includes all of the above plus a furnished, lockable private room and mail service as well as membership for up to four people
- Outerspaces Members: \$400 to \$600/month for a dedicated desk, \$900 to \$3,000/month for a dedicated office

Income:

Membership fees make up most of Workbar's income, since meeting space is included in membership fees. Members have priority for use of both meeting and event space. Event space is a recent addition whose fee potential is not yet known.

Timeline:

- Original Boston location sublease taken over June 2009
- Current Boston location occupied November 2009
- Cambridge location leased July 2012
- Outerspaces founded September 2012
- Cambridge location occupied May 2013
- Boston location expanded September 2013

The Facilities

Locations:

Workbar Boston:

711 Atlantic Ave., on the edge of the city's financial district and directly across from South Station

Workbar Cambridge:

45 Prospect Street, in the heart of Central Square and its subway (MBTA) station

Outerspaces:

Various locations, in space licensed from host companies

Location Criteria:

Urban locations adjacent to mass transit

Outerspaces:

Both urban and suburban locations, hosted by innovative companies

Features:**Boston:**

- 8,000 square feet (including 3,000 square feet added in September 2013) on the ground level (partially below grade) of a downtown Class B office building
- 150 seats

Cambridge:

- 13,000 square feet in a Class A office building
- 330 seats
- Meeting space and event auditorium at street level
- Desk, office and meeting space on the fifth floor

Both:

- Fast, secure Wi-Fi
- Copier and fully equipped supply room
- Phone rooms
- Projection and audiovisual capabilities

Amenities:

- Kitchenette, with free coffee and snacks
- Foosball and other games
- Outdoor terraces (Cambridge location)

Support Services:

- Office supplies, printing, administrative support included in membership fees
- Storage and mail services available for an additional \$40/month each
- Event fees vary

Design Elements:**Boston:**

Brick-and-beam “techie” style with Turnstone furniture

Cambridge:

Slick, modern corporate style by Anderson Porter Design and Analogue Studios (both local design firms) with Allsteel furniture

Both:

Activity is zoned into areas based upon noise generation and social interaction, including — from lowest to highest expectation for quiet and privacy — Cafe, Commons, Switchboard and Study. The Cafe is entirely open seating, while all other areas contain a mix of open and dedicated seating and office types.

Operations:

- Seven full-time staff members (three community administrators, an event manager, an Outerspaces manager and two senior managers); community building is a specified staff function
- Administrative support
- Extensive programming, including professional networking and educational events
- Online scheduler/networker, using Workbar-created software that displays space availability, scheduling and real-time member occupants — and enables interaction and more productive use of space

Lease Terms:

Workbar Cambridge:

Eight-year term

Other locations:

Undisclosed

Addressing Challenges

- Determining if, when, where and how to grow a coworking center brand can be a challenge.
- Workbar is developing a new brand to create coworking centers for developers and property owners. These centers' operations would be facilitated by Workbar's technology; their members would have access to Workbar centers.





NextSpace San Francisco

San Francisco

NextSpace is a chain of coworking centers that promotes both convenience and collaboration; its mission is “to ignite the (r)evolution of Work by creating a unique combination of workspace + community.” It does this by emphasizing both convenient locations and interesting programming, as well as by staffing each workspace with both a “community builder” who manages the facility and a “community curator” who promotes human interaction. NextSpace’s original location is in downtown Santa Cruz; it now operates additional coworking centers in Berkeley, Los Angeles, San Jose and Venice Beach — as well as three in San Francisco. (This case profile refers to the first San Francisco center.)

The Basics

Type:

Chain; this is the second location of eight in California; a ninth location opened in Chicago in August 2013, the first of a major nationwide expansion planned for 2014

Twist:

Community emphasis on “people not space,” according to Diana Rothschild, community curator; fostering “accelerated serendipity”; rapid growth; diversification through NextKids at its Potrero Hill site, which incorporates a childcare center

Market:

Entrepreneurs, creative class professionals, freelancers, telecommuters, startups, coders and blocks of corporate workers from companies like Cisco and Plantronics

Formation:

Jeremy Neuner (former economic development manager for the city of Santa Cruz, Calif.), Ryan Coonerty (former mayor of Santa Cruz) and Caleb Baskin (a local attorney and business leader) founded NextSpace in June 2008 and officially opened the doors of its first location in downtown Santa Cruz that October. Their goal was to jump-start the local economy, and “along the way, they realized that NextSpace was on to something much bigger: a revolution in the nature of work.”²⁹ NextSpace hosts tech Meetup (local groups organized online) gatherings and other events, as well as the reputation of its own brand, to form and attract new users to each new center it opens.



Business Structure:

For-profit, privately held C-corporation. Also certified as a B Corp; B Corps are certified by the nonprofit B Lab as meeting rigorous standards of social and environmental performance, accountability and transparency.

Financing:

- Four rounds of angel funding to date
- Revolving line of credit
- Considering institutional debt and equity

Membership:

- 225 members at NextSpace San Francisco
- Nine dedicated offices with up to four users each
- 24 dedicated desk members
- 175 undesignated desk members (includes both full- and part-time members)
- More than 1,300 members at all nine locations

Fee Structure:

- Community Membership: \$25/month for mailings, events and member contacts
- Mailbox Membership: \$59 to \$89/month for address service and access to other fee services
- Cafe Membership: \$350/month for 24/7 access to an undedicated bench desk, lounge or cafe seating
- Workstation Membership: \$590/month for 24/7 access to a dedicated desk or carrel
- Office Membership: \$1,100 to \$2,560/month for 24/7 access to a dedicated office
- Day Pass: \$25/day for undedicated desk use, 8:30 to 5:30 p.m. weekdays

- Meeting Rooms: \$75/hour
- Enterprise Memberships: customized packages of space and services for larger companies
- Galactic Membership: add \$300/year to any membership for Cafe Member-level privileges at any NextSpace location
- Note: Some memberships offer discounts for three-, six- or 12-month commitments

Timeline:

- NextSpace San Francisco center leased May 2010
- First 3,700 square feet occupied June 2010
- Stabilization reached January 2011
- Second 3,700 square feet occupied May 2011

Income:

- 95 percent from memberships and day passes
- 5 percent from events and other sources

The Facility

Location:

28 Second Street, San Francisco, on the corner of Second and Market streets, adjacent to the Montgomery Street subway (BART) station

Location Criteria:

- Transit nodes (as close as possible)
- Social nodes (at the center)
- Demographics (population density)
- Cafe culture; the density of Starbucks locations is a primary indicator of where there will be demand for coworking centers
- NextSpace “will pay premium rent to be where the people are,” said NextSpace Chief Strategy Officer (CSO) Rebecca Brian, and will open multiple coworking centers in a single city. (It now has two additional locations in San Francisco, at Union Square and on Potrero Hill.)

Features:

- 7,400 square feet on the second and third floors of a Class B downtown office building
- Conference rooms/classrooms
- Phone rooms
- Fiber-optic Internet access, Wi-Fi
- Printer, copier
- Staffed reception 8:30 a.m.-5:30 p.m., weekdays
- Undedicated seating (carrels, couches, partitioned alcoves, desks)
- Dedicated desks, carrels and offices
- Security phone



- Event hosting
- “Coworking runs on two things: lightening fast Internet and caffeine, both of which we provide,” said Kyle Fisher, Community Builder at NextSpace Union Square.

Amenities:

- Kitchenette
- Nearby parking, cafes and restaurants
- Discounts at local businesses

Support Services:

- Business services (some included, some for an additional fee)
- Free Zipcar membership and discounted fees
- Other discounted services, such as payroll processing and HR related services, offered through “partner” firms
- Plans to offer skill building and job training services through “NextSpace Labs”

Design Elements:

- Open plan
- Optimal daylight exposure; large windows with minimal obstructions (low partitions and few walls)
- Interior themes and color schemes that form a consistent backdrop throughout all locations but are personalized from site to site

Operations:

- 24/7 access for members
- External event hosting (Hackathons, I-phone app bootcamps, Ninja scavenger hunts)
- Internal event hosting (NextArts, NextTalks, NextLunches)

Addressing Challenges

- Shoring up systems, keeping up with technology and maintaining a high-quality member experience all become more challenging as the company grows.
- NextSpace has had to address and overcome landlord resistance; funding an upfront security deposit as well as brokerage and tenant improvement costs can be difficult if a landlord isn’t flexible.
- “The best relationships are with landlords who find us [directly],” not through brokers from either side,” said Rebecca Brian, CSO.
- “Ownership is not a side job or philanthropy,” added Brian, “and an inadequate business plan lead can lead to failure.”
- NextKids Potrero (a combined coworking and childcare center) has become extremely popular with the 25 percent of Potrero coworking members who rely on its childcare services. This is spurring NextSpace to accelerate its plans to grow NextKids, even in the face of its demanding staffing and equipment requirements.

Impact Hub

Boston and San Francisco

Impact Hub is a worldwide network of themed coworking centers that began as a single location in London (previously known simply as HUB) in 2005. Its objective is to promote social entrepreneurship through community, inspiration and collaboration, in locations from Amsterdam to Johannesburg, Singapore to San Francisco. The rapidly expanding, diverse global network now has more than 7,000 members in more than 40 locations. Eight Impact Hubs have opened to date in the U.S., including centers in Berkeley, Boston, Boulder, Oakland, Peoria, San Francisco, Seattle, and Washington, D.C. This profile focuses on Impact Hub San Francisco (formerly Hub SoMa, one of three Impact Hub centers in the Bay Area) and the recently opened Impact Hub Boston. Impact Hub San Francisco is a tenant of Forest City and Hearst Corporation's 5M Project, a mixed-use, innovation-driven development that also includes tenants such as Tech Shop, Yahoo, Square and Intersection for the Arts (a gallery in partnership with Impact Hub).



Photo by Shaina L. Semiatin

The Basics

Type:

Social entrepreneurship coworking center, innovation lab, entrepreneur community center, collaborative network, business incubator

Twist:

Provides members with a worldwide network of social entrepreneurship support, contacts and expertise

Market:

- Change makers and entrepreneurs whose objective is to make a social impact
- Impact Hub San Francisco's members include established small businesses (45 percent), startups (40 percent) and nonprofit groups (15 percent).

Formation:

Impact Hub Boston:

Cambridge Innovation Center founded this group with the goal of making it an independent entity as soon as it is sustainable. To attract members, it held a Meetup “unconference” in December 2012, followed by a series of exploratory meetings and presentations that drew from the Meetup’s more than 500 members and mailing list of more than 700. In the month prior to opening, it held a series of workshops to build community, including two informational meetings, a “share and connect” session, two open coworking days, and a “co-creation workshop” on shaping the community. Future “Town Hall meetings” will be held to involve members in community governance.

Impact Hub San Francisco:

Founded by the leadership of Good Capital, an expansion fund for social enterprise, which already had been providing monthly programs in its offices, as well as a social entrepreneurship conference (SOCAP), and wanted to further build its network and sphere of opportunity

Business Structure:

Boston:

Limited liability corporation. Also intends to apply for certification as a B Corp (B Corps are certified by the nonprofit B Lab as meeting rigorous standards of social and environmental performance, accountability and transparency.

San Francisco:

Limited liability corporation and a certified B Corp

Financing:

Boston:

Cambridge Innovation Center is underwriting Impact Hub Boston until it stabilizes and becomes member sustained.

San Francisco:

Raised debt, convertible to equity, from an investor base; some investors have converted to equity shares. Employee compensation accounts for about 15 percent of the shares.

Membership:

Boston:

Target membership of 200 based on a 2:1 ratio of members to seats

San Francisco:

900 members

Both:

Members have global reciprocity at other Impact Hubs via passes (by request)

Fee Structure:

Boston:

- \$350/month for open desk coworking space, with 24/7 access
- \$30/month for events only, to be offered in 2014
- Additional membership types, including dedicated desks, may be introduced as determined by demand

San Francisco:

- Level Connect Membership: \$30/month for online community access, discounted events and meeting rooms, and day passes (for an additional \$30/day)
- Level Impact 10 Membership: \$70/month for 10 hours of open desk space access (9 a.m.–6 p.m. weekdays), all of the above, plus optional mailbox rental and printing services
- Level Impact 25 Membership: \$135/month for 25 hours of workspace access, all of the above, plus free printing, coffee and tea, optional discounted storage
- Level Impact 50 Membership: \$215/month for 50 hours of workspace access, all of the above
- Level Impact 100 Membership: \$375/month for 100 hours of workspace access, all of the above, plus free mailbox, printing, storage, 24/7 access
- Level Impact Unlimited Membership: \$495/month for unlimited workspace access, all of the above
- Office Memberships: \$1,800 to \$3,200/month for an office; includes membership for up to 4 persons
- Note: Impact Hub 25 and 50 members have 24/7 access to Impact Hub Berkeley and 9 a.m.–6 p.m. weekday access to Impact Hub San Francisco. All Impact Hub 100, Unlimited, and Office members have 24/7 access to both locations. Eventually, they also will have access to Impact Hubs in Brooklyn, Manhattan and Philadelphia.

Timeline:

Boston:

- Planning “unconference” held December 2012
- Soft opening October 2013
- Grand opening January 2014 (projected)



Photo by Joseph Schell

San Francisco:

- Founded September 2009
- Opened (with 9,000 square feet) in 2010
- Expanded to 22,000 square feet by 2012

Income:

Boston:

Expects two-thirds from membership and one third from events

San Francisco:

75 percent of membership income from coworking members, 25 percent from private office members, plus about 10 day passes/month

The Facilities

Location:

Boston:

101 Main Street, Cambridge, Mass., in the Kendall Square area, one block from a subway stop and MIT

San Francisco:

901 Mission Street, Suite 105, two blocks from the Powell Street subway (BART) station

Location Criteria:

Boston:

Adjacent to a subway station and near parent organization Cambridge Innovation Center

San Francisco:

Near a subway station, inexpensive space, flexible lease arrangements, expansion potential, accommodating landlord and within 5M project and Mission Innovation District

Features:

Boston:

- 4,600 useable square feet (5,700 rentable square feet) on the ground floor of a Class A office building
- 102 seats
- Two meeting rooms
- Convertible coworking/event room
- High-speed Internet, Wi-Fi

San Francisco:

- 22,000 square feet on the first and second floors of the San Francisco Chronicle Building; one-third coworking space, one-third designated office space, one-third meeting rooms. All but the offices can be transformed into event space.
- 120 seats
- 21 offices
- Eight conference rooms
- 14 phone rooms
- Two event spaces
- High-speed Internet, Wi-Fi

Design Elements:

Boston:

Street-level space with a separate storefront entrance for after-hour events, south-facing windows, high ceilings, open plan, Herman Miller furniture system

San Francisco:

Emphasis on environmental sustainability, including a Plyboo (bamboo plywood) desk system and cabinets, concrete floors, flared columns

Amenities:

Boston:

- Kitchen
- Others to be determined as membership develops

San Francisco:

- Art gallery (by partner Intersection for the Arts)
- Multiple lounge areas
- Two kitchens/cafes
- Games, library
- Lockers
- Mailboxes
- Showers
- Bike parking



Photo by Joseph Schell

Support Services:

Boston:

Teleconferencing, Wi-Fi and printer set-up are included

San Francisco:

- Teleconferencing
- IT staffer

Both:

- HubNet, an Impact Hub member-only, online social networking tool
- HubSpace, an Impact Hub member-only, online meeting space booking tool

Operations:

Boston:

- Two full-time staff members
- One part-time manager

San Francisco:

- Eight full-time staff members, who also staff Impact Hub Bay Area's Berkeley coworking center

Lease Terms:

Boston:

Two-year term with no extension options

San Francisco:

Five-year term with extension options at below-market rent designed to attract other innovators to the 5M Project

Addressing Challenges

- At Impact Hub Boston, launching the space — including the tenant fit up, building the membership and finding the right staff — were challenging processes.
- At Impact Hub San Francisco, managing rapid growth has been an ongoing effort. Combining the Impact Hub San Francisco and SOCAP brands to each brand's mutual advantage also is an ongoing effort.
- One of Impact Hub Bay Area's nationwide objectives is to increase the influence of its network by adding critical mass through growth to East Coast locations and through virtual memberships with premium online content.

Serendipity Labs

Rye, N.Y.

Serendipity Labs is a corporate-oriented coworking center that has branded itself as offering all of the features of a corporate office with the convenience of being closer to home. Its administrative and hospitality services, secure personal and digital environment, and polished interior create a mini-headquarters workplace, with the added benefit of networking with fellow suburban executives and entrepreneurs. Serendipity Labs Inc. plans a rapid expansion through company-owned and franchised locations, as well as locations managed on behalf of corporate clients and real estate partners and licensing of operations management systems.

The Basics

Type:

Pilot site for a chain and/or franchise system

Twist:

Emphasis on hospitality industry-level services including sophisticated, proprietary operational systems that it is in the process of licensing to the marketplace

Market:

Corporate collocation, executive satellite office (director level and up), entrepreneurs, freelancers

Formation:

- Founded by John Arenas, an executive suites entrepreneur (a veteran of Stratis, Regus and Worktopia) in partnership with office furniture manufacturer Steelcase
- 15 percent of the partnership is allocated to key staff, which serves to both incentivize and align interests

Business Structure:

Three for-profit entities: Serendipity Labs Inc., which is a C-corporation, and two wholly owned subsidiaries, Serendipity Labs Franchise International and Serendipity Labs Management LLC

Financing:

Equity funding, primarily from founder Arenas, with a minority investment from Steelcase

Membership:

- 60 registered members in its first 10 months, 20 of whom are dedicated workstation members
- Target is 120 members



Fee Structure:

- Mobility Plans: \$49 for one visit/month or \$199 for five visits/month; includes undedicated use of an open desk and lounge space from 7 a.m.-7 p.m. weekdays
- Coworking Plan: \$499/month for unlimited, undedicated use of an open desk and lounge space from 7 a.m.-7 p.m. weekdays
- Resident Plan: \$799/month for unlimited, dedicated use of a specific desk, 24/7
- Office Plan: \$1,299/month
- Meeting/Event Space: fees range from \$29/hour to \$1,500/evening (four hours)

Timeline:

- Launched August 2012
- Occupied January 2013

Income:

- \$1 million target annual income for pilot at stabilization:
- 33 percent from dedicated desk members
 - 33 percent from floating desk members
 - 34 percent from events

The Facility

Location:

80 Theodore Fremd Avenue, Rye, N.Y.; in suburban Westchester County, near the Rye train station and a 35-minute ride via MetroNorth commuter rail from New York's Grand Central Station

Location Criteria:

- Near suburban executive housing or in a city center
- Just off the local main street or next to the prime location or prime floor of a building

- Demographics (high household incomes, education levels)
- Transportation (proximity to transit, highway access, parking)
- Founder Arenas believes that brokers are not beneficial; he “finds the landlord, the landlord doesn’t find me.” He prefers long-term leases because “you build equity in a location” with members.

Features:

- 7,000 square feet located in a free-standing retail building, formerly a car dealership; total cost of improvements was \$100/ square foot for buildout, furniture, fixtures and equipment, including technology
- 98 seats:
 - One-third casual seating (workbar, couches, nooks, desks)
 - One-third dedicated seating (offices and workstations)
 - One-third meeting space (doubles as casual seating)
- Conference rooms with advanced video conferencing
- Phone rooms
- High-speed, secure, redundant Wi-Fi
- Printer, copier

Design Elements:

- Architectural diversity, including varying floor levels and ceiling heights
- Plenty of natural light, as well as modulated artificial lighting
- Acoustic controls, with the goal of an audible but unintelligible sound level
- Flexible ergonomic furniture from partner Steelcase
- Spaces include the Ideation Studio (large spaces for collaborative work) as well as Enclaves and Private Retreats (smaller spaces that offer more privacy)

Amenities:

- Outdoor patio
- Kitchen/cafe
- Dedicated parking
- Nearby restaurants and services

Support Services:

- A proprietary, cloud-based technology platform that delivers Internet access, phone service, secure Wi-Fi and access control
- Included: weekday reception/concierge, high-speed Internet
- For an additional fee: mail address, VOIP telephone, teleconferencing, business services, event hosting

Operations:

- Hospitality-driven front desk
- Uses and licenses its enterprise class services including: architectural standards, operating manuals, monitored security system and controls, software for scheduling, membership database, communications and billing
- Catered event hosting

Lease Terms:

- Five-year term with three five-year extension options
- Rent: \$25/square foot
- Tenant improvement allowance: \$60/square foot

Addressing Challenges

- Meeting the needs of both corporate and entrepreneurial cultures in a high-quality, corporate-style office initially seemed like a difficult task. Interestingly, however, balanced diversity in membership has worked well in practice. “The conclusion is, they are all here to improve their worklife,” says founder John Arenas.
- Quick resolution of system glitches and vendor issues is essential to Serendipity’s premium brand, so the company has devised systems that are redundant and/or can be internally diagnosed and repaired, rather than relying on external servicers to resolve problems.





State Street Bank

Boston

State Street Bank's new build-to-suit building will feature coworking-style interdepartmental sharing of common space, multifunctional spaces, less individual space and more collective space. The facility is going beyond existing concepts like hot-desking (unassigned seating without reservations) and hoteling (reservation-based unassigned seating) to incorporate additional aspects of coworking into its workplace, and is now in the process of consolidating several leased sites into the new, coworking-style building.

The Basics

Type:

Corporate adaptation of coworking concepts

Twist:

Corporate real estate reimaged based upon the coworking model:

- Shared meeting rooms, storage, supplies (among departments)
- Flexible, more open seating
- Multipurpose communal space (cafeteria, lobby)

Market:

Mid- to back-office departments (likely accounting and legal)

Formation:

- Corporate overhead reduction initiative
- Rationale for build-to-suit based upon an adapted coworking model:
 - Reduce cost per seat by 35 percent, from \$8,500 to \$5,500
 - Reduce square footage per seat by 36 percent, from 170 to 108 square feet
 - Increase seat occupancy from 65 to 90 percent
 - Decrease annual cost per employee by 53 percent, from \$13,000 to \$6,100, saving \$2.6 million per year

Business Structure:

Public company

Financing:

Project was granted \$11.5 million in tax benefits from the city of Boston

Membership:

Not applicable

Fee Structure:

Not applicable

**Timeline:**

- Lease signed during the second quarter of 2012
- Occupancy February 2014 (projected)

The Facility**Location:**

Channel Center, A Street, South Boston Seaport District, five blocks from the Broadway subway (MBTA) station.

Site Criteria:

- Consolidation of four downtown leased sites into a single, more efficient building located near bank headquarters and other leased space
- Floor plan test fits were performed on four existing buildings and one build-to-suit. The build-to-suit floor plan was shown to be 22 to 35 percent more efficient, on a cost per seat basis, than existing building options.

Features:

- An 11-story, 500,000-square-foot build-to-suit urban office building
- 4,630 seats
- 250 parking spaces in an adjacent shared garage

Ground Level:

- Engaging the public/shared resources
- Retail space
- Human resources
- Centralized file storage
- Conference rooms

Second Level:

- Wireless community/collaboration
- Multifunctional cafeteria/classroom/meeting space
- Flex spaces

Levels Three through Eleven:

- Workspace (offices, carrels, benches)
- Conference/meeting rooms
- Supply rooms
- Business service centers

Amenities:

- Proximity to affordable parking
- Centralized cafe/pantry on each floor
- Wellness facilities

Support Services:

Centralized business services by floor rather than by department (printing, copying, mail, meeting space, file storage)

Design Elements:

- LEED certified
- Multifunctional space
- More “we” space, less “me” space, with fewer private offices
- Shift away from offices:
 - 5 percent interior offices (7.5 by 10 feet)
 - 10 percent perimeter, unassigned, bench desks; lack of privacy offset by light and views (5 by 2 feet)
 - 85 percent assigned, L-shaped, carrel workstations (6 by 6 feet)
- All furniture and partitions are no more than 42 inches high
- Desks adjust to sitting and standing heights
- Sound attenuation via introduced white noise
- All phones equipped with headsets

Operations:

- No desk waste containers, all centralized shredding, recycling and disposal
- Limited storage at desks, some central files by group, most stored centrally on ground floor, plus Iron Mountain scan-on-demand storage

Lease Terms:

- \$38/square foot gross rent
- \$65/square foot tenant improvement allowance

Addressing Challenges

As State Street Bank's office workforce becomes increasingly mobile, the bank's objective for this facility is to promote a "work from anywhere" culture, moving from 90 percent to 135 percent occupancy by including desk hoteling. This would result in a 50 percent increase in the number of employees accommodated in this workplace as well as a 50 percent reduction in the square footage per employee. It also would reduce occupancy costs per employee by 33 percent.



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2201 Cooperative Way, 3rd Floor
Herndon, VA 20171-3034

tel 703-904-7100
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