Alex F. Cohen

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Educated at Yale and Princeton and an innovative thinker and leader in New York's commercial real estate community, Alex Cohen develops strategy, advises, manages and analyzes commercial office, retail and mixed-used acquisition and lease transactions for tenants, landlords and investors.

With a background in urban planning, Alex has over 19 years of commercial real estate transaction negotiation, totaling ten million square feet. Alex has both extensive experience in launching international brands in the U.S. and a deep expertise in the marketing and repositioning of mixed use real estate. Alex's unique perspective allows him to identify markets, brand buildings and plan space configurations with the potential to attract and retain talent and customers vital to the workplace and retail environments of the future. Alex is a recognized thought leader and frequent contributor and speaker in national and business media, including US News & World Report, USA Today, Huffington Post, Epoch Times and Crain's NY Business and he was recently interviewed on the floor of the NYSE by CheddarTV. His recent speaking engagements have included Columbia Business Schools' annual Retail and Luxury Goods Conference and Luxury Interactive 2017. His recent clients include Sennheiser, Unilever, Kering (Gucci), Canada Goose and CBS.

Alex resides in Midtown Manhattan, one block from Central Park, and often spends his weekends in the Hamptons with his family and Golden Retriever, Lapo.

Specialties

- Office and Retail Lease Negotiation
- Commercial and Multi-Family Investments
- Corporate Location Strategy
- Property Repositioning and Marketing Strategy
- Site Due Diligence and SWOT Analysis
- Coworking and Office Space Disruption
- E-commerce, Demographics and Retail Disruption

Future Workspace Development LLC Clients:

INDUSTRY INSIGHTS

How Has COVID-19 Impacted Commercial Real Estate?

Alex Cohen, GLG Council Member and owner of Future Workspace Development

Read Time: 6 Minutes

Teleconference Date: May 14, 2020

COVID-19 has swept away our sense of normalcy, creating new work dynamics as most white-collar workers perform their day-to-day tasks from home offices. Already this has caused companies to reevaluate what their office might look like should working-from-home requirements ease. To learn about the impact that the pandemic is having on commercial real estate and office space, GLG talked to Alex Cohen, former Senior Director of Commercial Brokerages for the Americas at Cushman & Wakefield and currently Vice President of Compass's Commercial Division. This interview has been condensed and edited for clarity.

Let's begin with your thoughts on the office space sector before COVID-19.

Regarding new leasing activity and space absorption, 2019 was a record year for office markets, particularly in the coastal tech-driven markets: New York, Boston, San Francisco, LA, Seattle, and tech hubs like Austin. The only negative was the very clear overexpansion and financial problems WeWork faced. That cast a pall on the third and fourth quarters, primarily in terms of psychology, because there was an expectation that we would be coming into higher levels of vacancy and softening rents as WeWork space potentially came back to the market, pushing up vacancy.

Generally, we had very high valuations that reflected good office fundamentals, low unemployment, and steady GDP growth, with only moderate amounts of speculative new office construction on the supply side. There was roughly 160 million square feet of office space under construction at the end of 2019 (about 2% of the nation's total office stock). Slightly more than half of this office construction was going to be delivered in 2020.

Let's move into the current environment. Can you talk through occupancy trends?

There've been a lot of surveys of where things stand today in terms of decision making. CoreNet surveyed corporate real estate professionals last week; 69% of them expect to reduce their space footprint in the future. That was up from 51% in late March. Gartner reported that 74% of CFOs they've surveyed plan to permanently shift some employees to remote work. This, combined with levels of unemployment we haven't seen since the Great Depression and the layoffs we'll likely see throughout 2020, means that employment is unlikely to rebound to pre-COVID-19 levels for another four or five years.

In a typical downturn, layoffs generate substantial amounts of sublease space coming to market. Companies try to secure new occupants to fill space they no longer need. That's not happening now. The market is frozen because we don't yet have a widespread opening in the major markets. Almost all new construction has been delayed, if not stopped completely. We can expect these trends to continue for the foreseeable future. It's hard to tell when a full return to work will happen.

Do you believe that COVID-19 will put price pressure on rents moving through 2020 and beyond?

We have the double whammy of all the layoffs and the likelihood that companies will shrink their footprints. That's going to put pricing pressure in the densest office markets, like New York, Boston, San Francisco – markets that have also had the greatest growth. There could be a drop of 30% to 40% in rents. In the 18 months following 2008, we saw a drop of about 30% in rents. This could be even worse.

Do you expect companies that want to maintain most employees in offices to increase the total office space to allow more space per employee?

I'm not sure they'll need more space. A small, boutique firm will likely reconfigure and probably have enough space to satisfy social distancing protocols. They'll add partitions and spread out their workstations and use less communal space. Larger firms will likely rethink how existing space is allocated.

For example, instead of having a large trading floor, they'll likely have a limited trading area with additional partitions and spacing. I expect they'll encourage a proportion of workers to continue to trade or work from home, but in-office, they'll have specially design collaboration centers, conference rooms, and meeting rooms that meet social distancing standards but also allow face-to-face interaction. They'll probably encourage people to come in and only use those facilities on an as-needed basis and thus maintain less density daily throughout the office.

Is COVID-19 having more impact in the Northeast than in other metro areas around the country? Let's talk New York City, specifically. How are properties trending there?

Coming into the crisis, we saw 4.5 million square feet of coworking space open just since January 2019 in New York City. That's 3.5% of the total inventory. A quarter of New York City office leases in 2019 went to tech firms. Tech and coworking were driving the market with a record level of employment at the end of 2019 and unemployment of only 2.9%.

Since the advent of COVID-19, the first quarter of this year saw only 4.5 million square feet of office leases signed. That's nearly 50% below the prior 10-year average, and it's the weakest quarter in 25 years.

In April of this year, leasing was 64% less than the five-year monthly average. In 2008, the recessionary period lasted for 35 months. Rents went down for about 17 quarters and took another 24 quarters to recover. While that recession was dramatic, it doesn't appear to be as impactful as this one. The largest space occupiers are really weighing how to adjust to this new reality.

Finance, insurance, and real estate (FIRE) tenants are focused on the viability of working from home and shrinking their footprint. Barclays' CEO has said that putting 7,000 people in a building may no longer be possible. Morgan Stanley says it can basically operate without a space footprint. JP Morgan Chase, which was the number one space occupier in New York – until WeWork edged it out – now has 180,000 workers working from home, and it's reviewing how many of those people will return. Nielsen, which has 3,000 employees in New York, has told them they never have to return to their offices. They plan to convert their existing offices to team meeting spaces where workers can gather maybe once or twice a week.

Most people felt that technology tenants will stay committed to their work-together culture, but Twitter's upended that, telling workers that they never have to come back if working from home was viable for them. It's based in California, but it once had a full building presence in New York.

All eyes are now on Facebook. Last year, Facebook took 1.5 million square feet of new construction space in Hudson Yards. It's also been negotiating with Vornado for the Farley Post Office redevelopment for about 700,000 square feet. The question is, will it take that space, or will it think about ways to reduce its actual occupancy and reconfigure its planned new development space in Hudson Yards?

This is traumatic for New York. It's not just about office space, it's about public transit. It's about retail. And, obviously, it's about the city's tax base. And if companies, particularly in Midtown, reduce their occupancies, or at least the number of people coming into work in the city, it will be a huge negative for the vitality of Midtown, which has become really dependent for its life on workers and tourists, especially if global tourism doesn't rebound as most people expect it won't for several years.

About Alex Coen

Alex Cohen is currently the owner of Future Workspace Development, an LLC he founded in 2018. He is also an independent real estate agent associated with Compass.com as well as a real estate expert at CentSai. Before this, he was the Lead, Commercial Specialist at Core Real Estate from 2015-2017. Prior to this, he was the Senior Director of Commercial Brokerage at Cushman & Wakefield.

This article is adapted from the May 14, 2020, GLG teleconference "Office Space Real Estate: COVID-19 Impacts." If you would like access to this teleconference or would like to speak with Alex Cohen or any of our more than 700,000 experts, contact us.

GLG is supporting nonprofits on the frontline of COVID-19 relief, pro bono. If you represent or know of an organization that could use our help, let us know here. If you are a GLG council member whose expertise might be valuable to a relief organization, please get in touch here.

Will COVID-19 be the death of coworking spaces?

Lisa Rabasca Roepe | Apr 3, 2020

Oli Scarff/Getty Images

As restrictions on movement and nonessential work take hold across the country, coworking spaces have become ghost towns. These spaces — unlike traditional offices that can require five- or 10-year terms — mostly operate on short-term leases, making it easier for tenants to walk away and leaving office-sharing companies unable to pay landlords.

“With the spaces now inaccessible, many [cowork] tenants are stopping rent payments even if their lease agreements don’t include a fully articulated force majeure clause,” said Alex F. Cohen, a real estate advisor with Compass in New York City. (A force majeure clause removes liability for

unavoidable catastrophes, like the current pandemic, and restricts parties from fulfilling contractual obligations.)

"At the end of the current crisis, given, at least short-term, severe economic uncertainty, I expect new and renewed commitments to coworking space to be dramatically off original forecasts."

Coworking spaces have contributed to inflated rents in many cities because they account for so much of the real estate space. According to a report by Cantor Fitzgerald, companies like WeWork and Industrious have lowered office vacancy rates while raising rent costs in many cities.

Take WeWork: With almost 9 million square feet of space, WeWork is the largest tenant in New York City, noted Adam Henick, co-founder of Current Real Estate Advisors. If even half that space is left vacant, it's very difficult for the commercial real estate market to absorb it — especially during an economic downtown — which could result in decreased office rents.

Even before the pandemic, there had been a slowdown in office-sharing, Henick said. Last fall, there was heightened scrutiny of the business model after WeWork canceled its initial public offering.

"Since WeWork's pre-IPO debacle, there was real weakness in the segment and this was already impacting the psychology of the office leasing market, despite very favorable economic conditions," Cohen said.

These effects weren't just felt in the Manhattan market. The market for shared office space was becoming oversaturated in Boulder, Colorado, according to Laura Frenkel, a commercial real estate broker for Market Real Estate, a commercial real estate firm in the city.

“There are so many options and not enough startup tenants to fill them,” she says. As companies grow, they move out of coworking space and rent office space, Frenkel added, cheaper than a shared office though requiring a long-term lease.

Cohen in New York City said that shared-office companies overexpanded in the largest markets in the last 24 months, particularly the fastest growing players. Even before the pandemic, there was a 50% vacancy rate at Knotel locations that opened in 2019, he said. In fact, some of the larger companies, including WeWork, were beginning to pivot their business model to rent to larger, established companies between six and 12 employees, rather than focusing on single entrepreneurs, he said. However, even these leases were for 12 months or less.

“The coworking model hasn’t been around to witness an economic shock,” Henick said.

Real estate brokers suggest that the characteristics tenants love most about the shared office model — flexible, short-term leases and relaxed working environments — could be the ones that lead to its downfall.

Individuals can rent desks or small offices with no upfront capital and easily walk away because they aren’t spending $100,000 for build-out, furnishings, nor are they signing years-long leases, Henick said. Their only penalty might be a month’s deposit.

Even after the pandemic, the market for shared office space might remain soft, brokers say. Before this crisis, employees were beginning to question whether working in an open office plan was efficient, said Peter L. Curry, a partner at New York law firm Farrell Fritz. Add to that concern the possible health risks of being crammed together in office and that could have a substantial effect on the business model, he says.

“This could be a blow to the expansion of the ‘WeWork’ business model,” Curry said. “There will always be a need [for coworking space] but not to the extent that it was being leased and presented to the public.”

The Wing, the female-focused coworking startup that WeWork previously had a stake in, announced today it would lay off “nearly all” of its hourly employees and half of its corporate staff.

Now that people are becoming more cognitive of personal hygiene, they may want to shift away from densely shared office space; the concept of the “hot desk,” where people randomly sit at a different desk each day, is likely to be less appealing, Henick noted.

In order to survive, office-sharing companies will need to adjust the business model and continue their pivot toward attracting larger, more established businesses. If economic uncertainty affects hiring and growth plans, established companies might use shared office space to lower real estate costs, Henick said. A company that's reluctant to commit to 200,000 square feet may, for example, take a long-term lease for 170,000 square feet and rent 30,000 square feet of flexible office space.

Lease Deals of the Week

Quontic Bank

19,799
Relocation

Quontic Bank is moving its corporate headquarters from Astoria, Queens, to Midtown.

The financial institution inked a six-year sublease for 19,799 square feet on the entire ninth floor at **Tishman Speyer's 1 Rockefeller Plaza**, according to information from **JLL**, which handled the transaction for Quontic. Asking rent in the deal was $68 per square foot.

The bank will relocate from **31-05 Broadway** in Astoria to the 34-story building between West 48th and West 49th Streets in July. The 600,000-square-foot Art Deco office tower was constructed in 1937 and acquired by Tishman Speyer in 2001.

Alexander Chudnoff, **Benjamin Bass** and **Harrison Potter** of **JLL** represented Quontic in the sublease, while **Greg Taubin**, **Scott Bogetti** and **Sean Hoffman** of **Savills** handled the deal for the sublandlord, chemical distributor **Trammo**. A Savills spokeswoman didn't immediately return a request for comment.

Chudnoff said in a statement that the bank was relocating "as part of its expansion and conversion to a digital bank and was focused on finding the best platform to continue growing its expanding business in Manhattan."—*R.B.R.*

21Grams

14,000
Relocation

A health care advertising agency will take over the Park Avenue South space previously occupied by outsourcing firm **Williams Lea Tag**, Commercial Observer has learned.

21Grams signed a sublease with Williams Lea Tag for its 14,000-square-foot space on a portion of the fifth floor of **381 Park Avenue South** between East 26th and East 27th Streets, according to owner **ATCO Properties & Management**. When the sublease ends in April 2020, 21Grams will enter into a one-year direct lease with ATCO for the space, the landlord said.

The health care company will ditch its offices at **437 Fifth Avenue** between East 38th and East 39th Street for 381 Park Avenue South in June, a spokeswoman for ATCO said.

Michael Pinney of **Signature Partners** handled the deal for 21Grams while **ATCO Brokerage Services'** **William Carr**, **Peter Goldich** and **John Cinosky** represented the landlord. Pinney did not immediately respond to a request for comment. It's unclear if William Lea Tag had any brokers in the deal.

ATCO also recently inked a 2,954-square-foot deal with production company **386 Third Owners** and leased 1,842 square feet to **Forefront Communication Group** in the 16-story building, bringing the property to 95 percent leased, the landlord said.

Asking rents in the deals were between $62 to $65 per square feet.—*N.R.*

Fownes Brothers & Co.

13,670
Relocation

Glove maker **Fownes Brothers & Co.** inked a deal to move its New York City offices to **1201 Broadway**, Commercial Observer has learned.

The British-based company signed a long-term lease for the entire 13,670-square-foot eighth floor of the building between West 28th and West 29th Street, the first full-floor lease in the 14-story property since the 1950s, a spokesman for landlord **Williams Equities** said. Asking rent was in the low-$60s per square foot, according to the ownership.

Fownes Brothers plan to move into its new digs from **16 East 34th Street** between Avenue of the Americas and Fifth Avenue later this year, as per Williams Equities.

The deal marks the first one since Williams Equities completed a capital program at 1201 Broadway which added a bigger lobby, a glass awning over the entrance and a new retail facade on the first floor, according to the landlord.

"The extensive capital improvements ownership has committed to the property and its overall reposition are attracting upper-echelon tenants from every business sector," said **Colliers International's** **Mac Roos**, who represented Williams Equities along with **Michael Joseph**, in a statement.

Evan Margolin, **John Mambrino** and **Scott Ansel** of **Savills** brokered the deal for Fownes Brothers. A spokeswoman for Savills did not immediately respond to a request for comment.—*N.R.*

Century Consulting Services

11,278
Relocation

Century Consulting Services, a credit refinance company, has tripled its Manhattan footprint with an 11,278-square-foot sublease in Midtown.

The financial services firm is relocating to **SL Green Realty Corp.'s 810 Seventh Avenue**, where it will occupy half of the 12th floor. Century is subleasing from **Murex North America**, which is itself subleasing two full floors from **Sidley Austin** law firm.

Alex Cohen and **Elana Streim** of **Compass** represented the tenant, while **Dennis Karr** and **John Lizzul** from **Newmark Knight Frank** represented Murex.

The lease has a 30-month term and offers the tenant an opportunity for expansion, as the remaining space on the floor is vacant, according to Compass' Cohen.

"It was really important for [Century] to move quickly because they were outgrowing their old space," Cohen said.

Jeff Horowitz, a principal at Century, said the company grew from 18 to 71 employees in the space of 18 months, and their 2,000-square-foot space was not enough to hold them all.

"We were overflowing into WeWork spaces to contain them," he said.

Century signed the lease in April and has already completed the move into the 41-story office building, located between West 52nd and West 53rd Streets.

Asking rent at the property was $45, according to Cohen.—*Chava Gourarie*

Corner Table Restaurants

11,000
New

Williams Equities secured a deal with the team behind **The Smith** restaurant chain to open a new eatery in 2020 at **1201 Broadway**, *The New York Post* first reported.

Corner Table Restaurants—led by **Jeffrey Lefcourt**, **Michael Jacobs**, **Adam Burke** and **Brian Ellis**—signed a long-term lease for 11,000 square feet on the ground floor and lower level the building, according to the ownership. Asking rent was between $250 and $350 per square foot.

"I can't think of a more exciting addition to 1201 Broadway—and the entire neighborhood—than bringing a new restaurant concept from the creators of The Smith," said **Andrew Roos**, a principal at Williams Equities, in a statement. "Jeffrey Lefcourt and his team are brilliant restauranteurs. Their new concept will further galvanize this entire corridor."

David Green and **Nicole Mendelson** of **Colliers International** represented the landlord in the deal while **Branded Concept Development's** **Alexandra Turboff** handled it for Corner Table Restaurants.

"Corner Table is arguably the best restaurant operator in New York City," **Andrew Moger**, the CEO of Branded Concept Development, said in a statement. "The ability to secure another fantastic piece of real estate at the right terms in the city's most dynamic restaurant neighborhood created a tremendous opportunity to extend their special brand of hospitality."—*N.R.*

NEW YORK POST

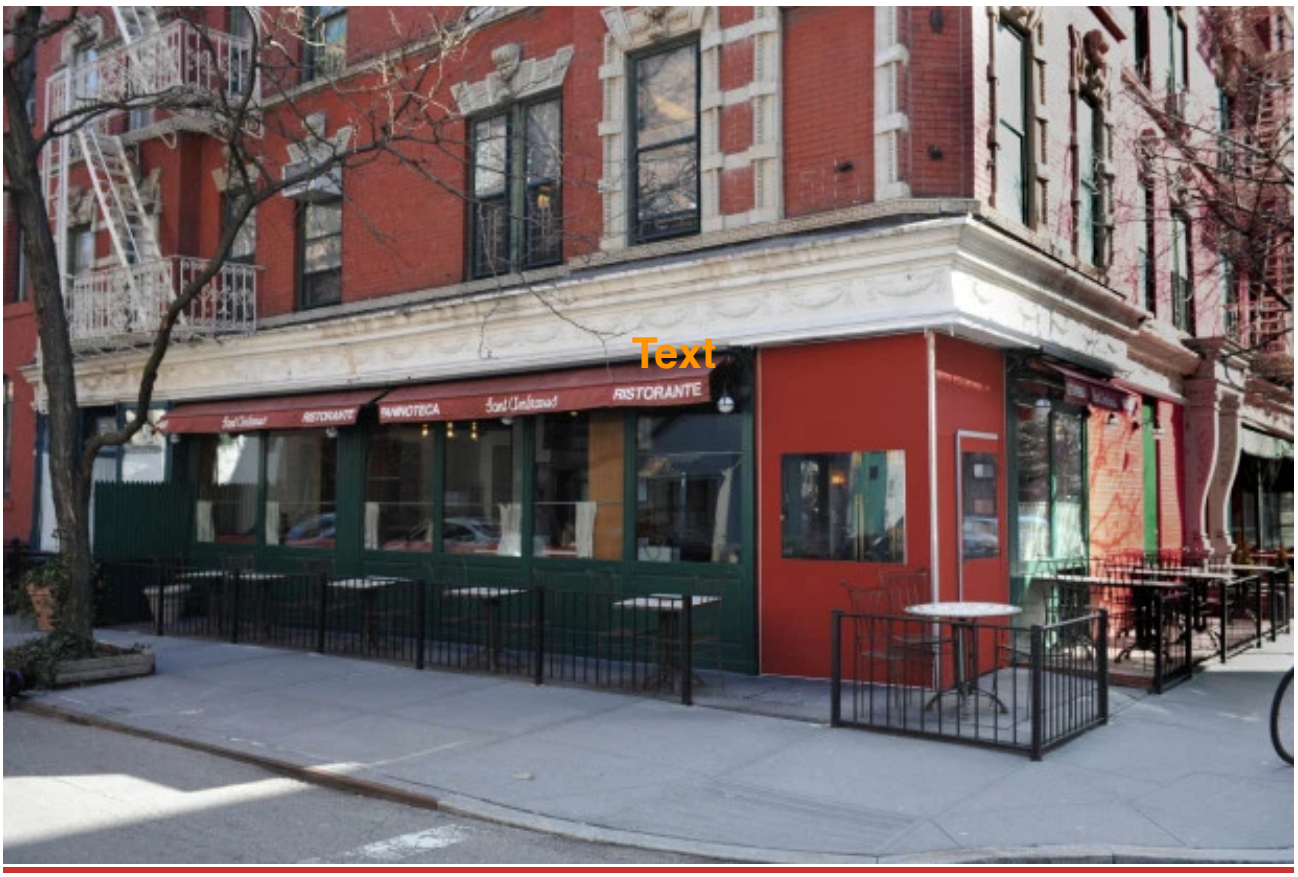
LOIS WEISS

REAL ESTATE BETWEEN THE BRICKS

Restaurants owner SA Hospitality Group expands to new digs

By Lois Weiss

October 1, 2019 | 10:28pm



St. Ambroeus is one of the restaurants owned by SA.
Helayne Seidman

The owner of Casa Lever and St. Ambroeus restaurants, SA Hospitality Group, is expanding and moving to 950 Third Ave. at the southwest corner of East 57th Street.

The new digs on a portion of the fifth floor are a mere 7,652 square feet, but has three corners of glass. It's also three times larger than its current cramped quarters at the nearby 136 E. 57th St., which was sold.

"As a smallish tenant, it's good to be in a small floorplate building as you get more glass," explained Alex Cohen of Compass, who represented the company along with colleague Samantha Tannehill.

FILED UNDER BETWEEN THE BRICKS, HOSPITALITY, MANHATTAN, RESTAURANTS

Mieux encadrer le bouton «J'aime»

Justice » Un site de commerce en ligne équipé du bouton «J'aime» de Facebook doit désormais informer ses clients qu'il partage leurs données personnelles avec le groupe américain, a jugé hier la justice européenne. Les clients doivent donner leur consentement à ce partage.

La Cour de justice de l'UE (CJUE) a affirmé dans son arrêt que ces sites web étaient conjointement responsables avec le géant américain de la collecte et de la transmission de données personnelles de leurs clients.

La Cour a précisé dans son arrêt que le site n'était en revanche pas responsable du traitement ultérieur de ces données par Facebook. » ATS/AFP

La Suisse, pays de l'iPhone

Téléphonie » L'iPhone d'Apple reste le type de smartphone le plus répandu en Suisse, avec une part de marché de 40,8%, a révélé hier un sondage de moneyland.ch. Les appareils du sud-coréen Samsung suivent d'assez près, avec une pénétration de 35%.

Le comparateur indépendant sur internet moneyland.ch a interrogé 1500 personnes en Suisse. «Il est étonnant qu'Apple reste le premier fabricant de smartphones en Suisse», note dans le communiqué l'expert de moneyland.ch Ralf Beyeler.

Derrière les deux leaders en Suisse, Huawei est utilisé par 8,8% des personnes questionnées, Nokia par 3,5% et Sony par 3,3%. Toutes les autres marques, telles Fairphone, HTC ou LG, arrivent à moins de 1,5%. Une petite différence apparaît entre les régions. En Suisse romande, l'iPhone (39,7% d'utilisateurs) et Samsung (37,9%) sont au coude-à-coude, alors que la marque d'Apple conserve une nette avance outre-Sarine.

D'une façon générale, l'iPhone reste plus apprécié par les femmes (44%) que par les hommes (37,4%). Et les jeunes restent très attachés à la marque américaine: 50,2% des 18 à 25 ans ont opté pour cette marque.

Huawei est aussi surreprésenté chez les jeunes, tandis que Samsung est en tête chez les plus de 50 ans. A l'échelle mondiale, Samsung est la marque la plus répandue. » ATS

EMPLOI

LE TEMPORAIRE BAISSE

Les affaires des entreprises suisses de travail temporaire ont nettement régressé au deuxième trimestre 2019, selon le baromètre Swiss Staffingindex. Cet indicateur s'est inscrit à la baisse depuis le début 2019, même si aucune phase de dépression à long terme n'est prévue. ATS

ALIMENTATION

JUST EAT S'ENVOLE

La société britannique de livraison de repas Just Eat s'est envolée de plus de 20% hier à la Bourse de Londres. Son action était portée par le projet de fusion avec le néerlandais Takeaway.com, visant à créer un poids lourd mondial d'un secteur en plein essor. ATS/AFP

La BNS à nouveau sollicitée

Franc fort » Après la forte augmentation la semaine dernière des avoirs à vue des banques commerciales auprès de la Banque nationale suisse, les analystes supposent une intervention de l'institut d'émission sur les marchés des changes en vue d'affaiblir le franc. Ces dépôts ont augmenté de 1,7 milliard de francs à 581,2 milliards, leur plus forte hausse depuis mai 2017.

La vive croissance des avoirs à vue déposés auprès de la BNS représente un indice de poids quant à une intervention de la BNS, a ainsi rapporté hier à l'agence AWP Alessandro Bee, stratège de marché auprès d'UBS. «La BNS a dû essayer d'enrayer la tendance à l'appréciation du franc, soit à la fin de l'avant-dernière semaine ou au début de la suivante», note l'expert. Un avis que partage Maxime Botteron, économiste spécialiste des devises auprès de Credit Suisse. Fidèle à sa politique en matière d'éventuelles interventions sur les marchés des changes, la banque centrale helvétique n'a pour sa part pas souhaité commenter l'augmentation des avoirs à vue.

La semaine passée, l'euro est passé pour la première fois depuis près de deux ans en dessous de la barre de 1,10 franc. Actuellement, la monnaie unique se négocie autour de 1,10 franc. La devise européenne a chuté alors que les signaux d'une future baisse des taux de la Banque centrale européenne (BCE) se sont renforcés. » ATS

Wall Street se prépare à la deuxième plus grande introduction en bourse de l'année

Une start-up à croissance fulgurante

« KESSAVA PACKIRY, NEW YORK

L'entrée à la Bourse de New York de la société WeWork est prévue pour septembre prochain. Keystone

Bureaux partagés » Au pied d'un immeuble du quartier financier de Manhattan, juste en face du taureau de Wall Street, un pan de l'Histoire remonte à la surface: le bâtiment de 22 étages, inauguré en 1921, abritait autrefois les bureaux de Cunard, compagnie maritime légendaire et principal concurrent de la White Star, propriétaire du Titanic.

Classé par la ville de New York, le Cunard Building héberge aujourd'hui de nombreux autres bureaux. Dont celui de l'antenne new-yorkaise de swissnex. L'organe de la Confédération y loue depuis 2015 un espace de sept places, au milieu de nombreux autres locataires, dont Microsoft. Tous ces espaces de travail font partie des «bureaux partagés» de WeWork, poids lourd dans ce domaine, qui s'apprête à faire son entrée en bourse.

Pas encore en Suisse

Créé en 2010, WeWork a connu une croissance fulgurante: elle est évaluée aujourd'hui par les spécialistes des marchés financiers à quelque 47 milliards de dollars (46,3 milliards de francs suisses), ce qui en ferait la deuxième plus grande introduction en bourse à Wall Street cette année. Présente dans une centaine de villes de 28 pays (mais pas encore en Suisse), la société basée à New York a rapidement su répondre à une demande: celle des déchus de la crise financière de 2008, qui ont cherché à se relancer en trouvant un lieu adéquat pour le faire.

«De nombreuses start-up sont passées par WeWork», relève Oliver Haugen, responsable du bureau new-yorkais de swissnex, structure équivalente d'un consulat scientifique.

WeWork, qui emploie 5000 personnes, a trouvé un bon filon: signer des baux à long terme, puis réaménager les espaces pour les sous-louer à des baux flexibles, aux entreprises comme aux particuliers. Dans le Cunard Building, un bureau d'une place se négocie à partir de 900 dollars par mois. Pour un espace comprenant 21 à 50 postes de travail, c'est plus de 14 000 dollars. Mais avec le petit plus: le nettoyage et la conciergerie, la sécurité, l'accueil et le confort.

Résiliation facile

«L'avantage, c'est de ne pas avoir à verser une caution importante comme pour un bureau classique, et de pouvoir résilier le contrat quand on veut», avance Oliver Haugen. De plus ce serait moins cher: selon WeWork, une société de quatre personnes économiserait en moyenne 24 000 dollars en location par année.

La société new-yorkaise n'a cependant rien inventé: l'un des pionniers et leader sur ce marché, la belge IWG, anciennement Regus, a révolutionné ce monde dans les années 1990. Grâce à son réseau, et comme WeWork, cette entreprise basée à Zoug permet à ses membres de rejoindre n'importe quel bureau à travers la planète.

Si l'offre s'est standardisée, WeWork met l'accent sur la décoration et le mobilier commun, qu'il change régulièrement pour conférer au lieu une certaine atmosphère. «Dans le Cunard Building, WeWork occupe trois étages depuis 2014 (alors qu'ailleurs parfois, c'est plus de dix étages). Et ils ont déjà procédé à des rénovations cette année», s'étonne Oliver Haugen.

La société new-yorkaise n'a cependant rien inventé

Dans un espace WeWork, il y a des bureaux généralement séparés par des parois vitrées (la nouvelle génération préfère les espaces ouverts). Mais pas seulement: on y trouve un coin «wellness», la salle de jeu, de séjour avec son coin café, les salles de conférences mises à disposition gratuitement, les petites alcôves où pouvoir téléphoner tranquillement…

«Le café est gratuit et, à partir d'une certaine heure, la bière aussi. Mais à consommer avec modération», sourit Oliver Haugen. Seule ombre au tableau: WeWork n'a toujours pas réussi à sortir des chiffres rouges. Il a ainsi enregistré l'an dernier un chiffre d'affaires de 1,8 milliard de dollars, mais une perte de 1,9 milliard.

IWG est aussi passée par là. Elle a même failli connaître la faillite en 2003. Aujourd'hui elle respire, avec un chiffre d'affaires de 2,5 milliards en 2018 pour un bénéfice net de 105 millions de dollars. Les fondateurs de WeWork ne sont donc guère inquiets et continuent d'investir.

Leader à Manhattan

En l'espace de quelques mois, WeWork vient ainsi de détrôner la banque JPMorgan, fait remarquer Alex Cohen, vice-président de Compass, société active dans le marché immobilier: «Sans être propriétaire, WeWork est devenue le leader de la location de bureaux à Manhattan.»

Pourquoi WeWork ne cherche-t-elle pas à acheter les espaces qu'elle loue? «99% des bureaux vacants dans des villes comme New York ne sont disponibles qu'à la location, leur achat n'est pas aisé», explique Alex Cohen. «Tant que leurs immeubles et leur portefeuille demeurent diversifiés, les propriétaires sont heureux de pouvoir compter sur des sociétés comme WeWork. Mais elle n'est pas la seule: Google, Facebook et d'autres entreprises technologiques se développent très rapidement et engloutissent beaucoup d'espace de bureaux dans des villes côtières comme New York, San Francisco et Los Angeles.»

En attendant, WeWork se concentre sur son entrée en bourse. Dans cette perspective, elle cherche à lever entre 4 et 6 milliards de dollars. Une journée d'information est prévue samedi pour les analystes bancaires.

L'entrée en bourse devrait se faire dès le mois de septembre, plus tôt que prévu. WeWork ne confirme pas, tout comme elle a refusé de répondre à nos questions. »

NDTV

WeWork To Lay Off 2,400 Workers Worldwide

The WeWork told shareholders earlier this month it lost almost $1.3 billion in the third quarter, more than twice the losses recorded in the same period a year earlier.

World | Agence France-Presse | Updated: November 22, 2019 07:03 IST

WeWork lays off 2,400 in global revamp

WeWork announced Thursday it is letting go of around 2,400 employees in the biggest step yet by major investor Softbank to put the once Silicon Valley darling on the road to profitability. Conway G. Gittens has the details.

REUTERS

Washington, United States:

Embattled office sharing firm WeWork will lay off 2,400 employees worldwide -- about a fi[illegible] f its workforce -- as the it struggles to reorganize amid mounting losses, the company announced Thursday.

The painful job cuts underscore the rapid decline of what had been one of America's most celebrated startups which put a mammoth footprint in the commercial real estate of major cities around the globe but recently had to cancel its debut on Wall Street.

The layoffs which began "weeks ago" were necessary "to create a more efficient organization," a WeWork spokesperson said in a statement.

The dismissed workers "will receive severance, continued benefits, and other forms of assistance to aid in their career transition."

The company told shareholders earlier this month it lost almost $1.3 billion in the third quarter, more than twice the losses recorded in the same period a year earlier.

As investors and analysts questioned the company's value, WeWork in September scrapped plans for an initial public offering, forced out chief executive Adam Neumann and took a bailout from Japan's SoftBank Group, a major investor.

Unconventional executive

Alex Cohen, a vice president at the real estate firm Compass in New York, told AFP that WeWork's payroll became bloated as it tried to keep services -- space design, engineering and construction management -- in house rather than outsourcing them.

"WeWork's 'growth at all costs' ethos meant they didn't have time or appropriate management to put in place the processes and organizational structures to enable their staff to efficiently service the business's relentless appetite for new locations," he said in an email.

Neumann stepped down from WeWork's board of directors with a $1.7 billion exit package while the company's value was slashed to $8 billion -- a far cry from its $47 billion valuation at the start of this year and just a fraction of the sum envisioned as part of the failed IPO.

A source told AFP that Neumann will get $1 billion for his SoftBank shares, $500 million for reimbursements of personal debts and $185 million in consulting fees.

The unconventional entrepreneur had faced simmering questions over his management style, loose approach to corporate governance and allegations of self-dealing -- not to mention a Wall Street Journal expose which laid out Neumann's drug and alcohol use and his aspiration to become the world's first trillionaire.

A former employee, Maria Bardhi, filed a labor a grievance in New York accusing Neumann of pregnancy discrimination, saying he referred to her maternity leave as "vacation" and "retirement."

The company also allegedly paid Bardhi's temporary replacement twice her salary and fired her six months after her return.

The WeWork debacle contributed to woes at SoftBank, which earlier this month announced its largest quarterly loss ever at $6.4 billion.

Masayoshi Son, SoftBank's chief executive, expressed remorse and acknowledged having misjudged both ride-hailing giant Uber and WeWork.

"My investment decisions were in many ways poor. I regret them deeply," he said.

At WeWork spaces, all office supplies and utilities are provided, right down to internet connections and printers. The decor, a blend of bright colors and industrial themes, appeals to millennials. The company has also attracted interest from major companies like Microsoft, HSBC and Facebook. PHOTO: AFP

New York

WITH its free coffee, couches and glass partitions, shared workspace startup WeWork has shaken up both office culture and commercial real estate.

Brushing aside questions about its business model, the New York outfit shows no signs of slowing down and is now preparing for its Wall Street debut to raise fresh capital.

As recently as this month, WeWork was seeking to tap credit markets for US$4 billion to expand its footprint in the market for co-working, according to The Wall Street Journal.

When the French startup CybelAngel wanted to open a New York office, WeWork was an obvious choice. With only basic furniture, their current space overlooks Manhattan's tony 5th Avenue, with a corner office next to a small conference room. "It's not cheaper" than a

traditional office rental, said Jocelyne Attal, CybelAngel's head of operations in New York. "But we don't have to make a three-year commitment. There's security, a reception desk, the building codes are met, there's housekeeping. We don't have to take care of anything."

The free Monday breakfasts and Thursday drinks don't hurt, either.

When the company first appeared on the scene in 2010, the co-working concept was only starting to gain traction thanks to new technologies allowing professionals to work remotely.

The global financial crisis actually helped business, as it drove financial and creative professionals to launch their own startups.

"WeWork was the first to really gravitate towards all the demand from first time entrepreneurs and small business," said Alex Cohen, vice president at the Compass real estate firm in New York.

At WeWork spaces, all office supplies and utilities are provided, right down to internet connections and printers. The decor, a blend of bright colors and industrial themes, appeals to millennials. The company has also attracted interest from major companies like

Microsoft, HSBC and Facebook.

Companies with more than 500 employees now represent 40 per cent of WeWork's clientele.

Officially renamed the We Company in January, the firm now manages 485 locations in 28 countries - often entire floors split into separate offices, common spaces and individual work spaces that WeWork furnishes and sublets.

"Per square foot, it is much more expensive than a typical workplace," said Mr Cohen of Compass. But for a small business, the benefits per person add up.

"You are sitting in a room with four or five other people, and included in the desk space is the ability to use conference rooms, to enjoy the lounge, the pantry."

But not everyone welcomes the company's rise. "There's been a certain amount of reluctance among owners about renting space, in light of the fact that WeWork's tenants are relatively short term," he said.

In a recession, the tenants will tend to clear out. Real estate market players recall the misadventures of a company called Regus - now an office space and co-working giant known as IWG - which nearly went bust following the tech crash of 2001.

Questions linger about whether WeWork's business model is sustainable. The latest estimates value the company at US$47 billion even though it continues to burn cash: US$1.9 billion in losses last year with revenues of US$1.8 billion.

IWG's revenues were almost twice as much last year, and it is also profitable and has a US$4 billion market capitalisation.

Meanwhile, WeWork has ventured into new areas like residential apartments and education, and tells investors they should see its quarterly losses as investments.

"We really want to emphasise the difference between losing money and investing money," the company's chief financial officer Artie Minson told CNBC. "At the end of this quarter, we have these cash flow-generating assets."

Certain moves by co-founder Adam Neumann, such as personally investing in real estate before renting it back to WeWork, have also caused some to grit their teeth.

Nevertheless, Mr Cohen says co-working has driven demand for commercial real estate in major urban markets over the last five years.

"Many landlords, despite a certain amount of reluctance, or reluctance among their lenders, have had to accept WeWork as a good opportunity for them," he said. AFP

COMMERCIAL OBSERVER

70-Year-Old Toy Company Cardinal Industries Moving to 25K SF in LIC's The Factory

BY LAUREN ELKIES SCHRAM MAY 9, 2018 2:50 PM

THE FACTORY IN LONG ISLAND CITY, QUEENS. PHOTO: THE FACTORY WEBSITE

Toy company **Cardinal Industries** is relocating within Long Island City, Queens, to 25,000 square feet on the sixth floor at **The Factory**, Commercial Observer has learned.

Cardinal, founded in 1945, will move from **2101 51st Avenue** to the 1.1-million-square-foot former warehouse, The Factory, at **30-30 47th Avenue**, a source with intimate knowledge of the deal told CO. Actual rents in the building weren't immediately available, but asking rents throughout Long Island City are roughly $43 per square foot.

Cardinal has to leave its current digs as the landlord at 2101 51st Street, the **Kaufman Organization**, is ground-leasing the old location and gut renovating it, as per *Crain's New York Business*.

Cardinal was one of the oldest private game and puzzle companies in the United States before being purchased by Toronto-based global children's entertainment company **Spin Master** in 2015. The source said that Cardinal "liked the growing culture and amenities in this part of LIC," and the fact that The Factory offers a free gym, shuttle bus and rotating food truck program.

Atlas Capital Group, **Square Mile Capital Management** and **Invesco Real Estate** purchased the 10-story block-long industrial property—which takes up a full block bordered by 30th Place and 31st Street and 47th and 48th Avenues—in 2014, before it underwent a major renovation.

Tenants at The Factory include jewelry maker **Starlight Designs**, which last May leased 17,000 square feet, as CO previously reported. **Macy's**, **Polo Ralph Lauren** and **Madewell** have all signed deals in the complex.

Brian Waterman, **Howard Kesseler**, **Jordan Gosin** and **Brett Bedevian** of **Newmark Knight Frank** represent the landlords. A spokeswoman for NKF declined to comment. **Compass' Alex Cohen** along with **Chris DuMont** and **Matt Sprowles** of Los Angeles-based **Madison Partners** represented the tenant.

"Like many creative firms, Cardinal recognizes that attracting and retaining the talent of the future depends, in part, on the location, quality and amenities offered by the work environment," Cohen said.

Update: *This story has been edited to note the names of the tenant's brokers, as well as a comment from one of them.*

FiDine: Inside Lower Manhattan's Burgeoning Restaurant Scene

Can Lower Manhattan really turn into a fine dining destination? Too late—it already has!

BY SARA PEPITONE OCTOBER 16, 2018 10:15 AM

THE BEST VIEWS IN THE CITY MAY BE FROM DANNY MEYER'S NEW RESTAURANT MANHATTA, WHICH IS PERCHED AT THE TOP OF 28 LIBERTY. PHOTO: EMILY ANDREWS

Fine dining, Financial District: Two things you never expected to find in the same sentence. Yet here we are, looking down on the city's oldest neighborhood, today bounded by City Hall and the Battery, from the East River to Broadway, jostling tourists and foodies for a view of it all from the 60th floor of 28 Liberty on a Saturday night.

SEE ALSO: London Stock Exchange Consolidating Manhattan Locations in 75K SF at 28 Liberty

In case you missed it, the top floor at 28 Liberty Street, David Rockefeller's 1961 rectilinear aluminum and glass tower, formerly called One Chase Manhattan Plaza, is now home to one of the hottest restaurants in New York: Danny Meyer's Manhatta, where you'll find a French-inspired, three-course dinner for $78, tip included.

In August, the Alliance reported that neighborhood commercial leasing activity reached its highest level since second-quarter 2011, with 1.9 million square feet of new leases.

That report included the 60-seat, approximately 1,000-square-foot restautant Bellini on the ground floor of boutique hotel Mr. C Seaport at 33 Peck Slip, both by Cipriani and which opened in August of this year.

“As development continues within the [South Street] Seaport, both residential and commercial, there is a growing need for more diverse dining options,” said Ignazio Cipriani, who opened the luxurious (white tablecloths and rose seat cushions) high-end restaurant to cater to hotel guests and locals. “We wanted a place that was at the same time elegant, but relaxed and welcoming.” So far, he said, it’s been a hit.

That makes sense to Alex Cohen, a salesperson with Compass. He’s worked in the neighborhood for 20 years, including helping tenants displaced by the Sept. 11 attacks. No one talks about this part of town without reflecting on that day and its impact. After, Cohen noted, many older, smaller, inefficient buildings were converted to residences, starting a trend that’s now a few years into new builds.

“The influx of new-construction apartments and the repositioning of the seaport have changed the profile of tenants to reflect a residential neighborhood,” said Cohen, citing fashion, jewelry, yoga, art studios for kids and blow-dry bars. If you just popped someone in to Bellini or 10 Corso Como they wouldn’t know what neighborhood they were in, he said, recalling a recent night. “You could have been on East 53rd Street and seen the same clientele.”

Cohen is marketing 850 square feet at 211 Front Street, a.k.a. 142 Beekman Street. The brochure lists Jean-Georges Fish Market as coming, and notes the potential for an outdoor café. Asking rent for the corner location is $150 per square foot.

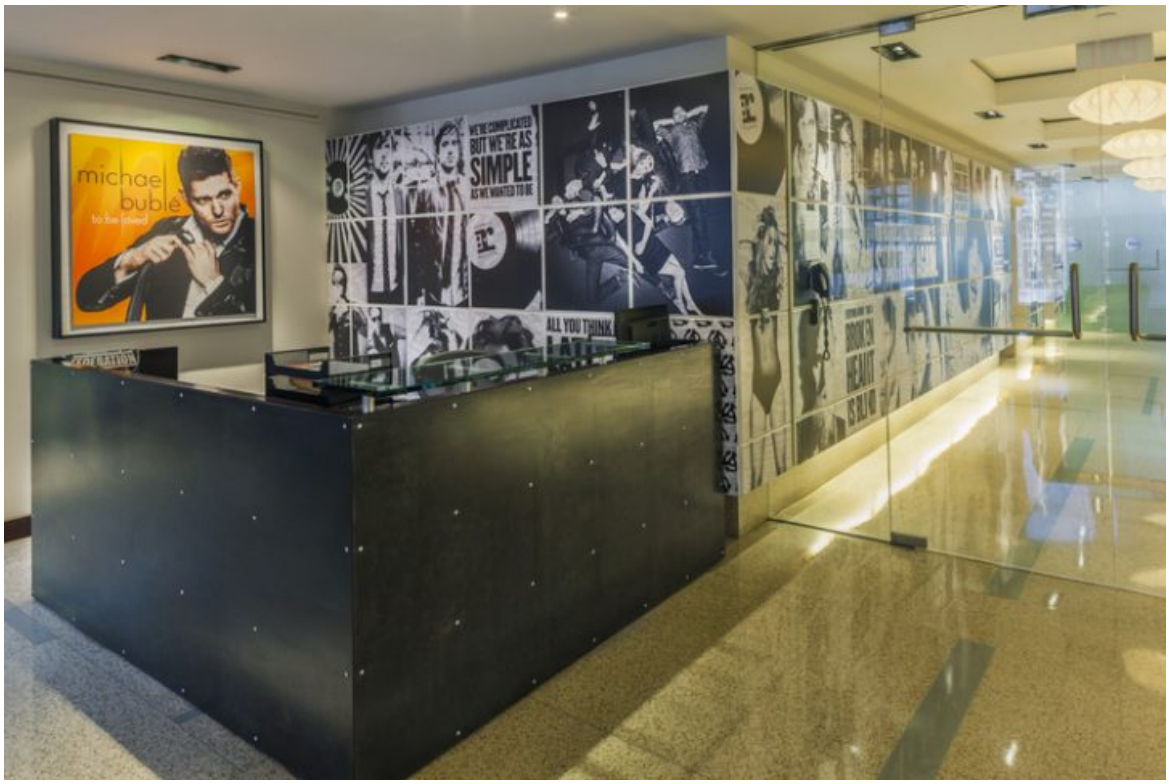
Up the street, at 45 Beekman Street, Michelin-starred chef Massimo Sola is part of the team behind Sola Pasta LAB, expected to open this fall. It’s a satellite of Sola Pasta Bar at 330 West Broadway in Soho, where diners make their own pasta. Asking rent for the 3,700 square feet, including the 1,500-square-foot basement, was $47 per square foot, or $22,500 per month. Josh Singer, a vice president at the Heller Organization, represented the landlord in the transaction. He’s been representing and leasing space in the neighborhood for 12 years now; his portfolio currently includes 60 Fulton Street and 40 Gold Street. He expects fast-casual concepts with high-end ingredients, which he calls “the new wave of fast food” (see Don Wagyu, above) to take the spaces. “FiDi is a great market for fine dining as there is a large office population in place that needs options in which to entertain and meet with clients. Additionally, the residential population has steadily increased.”

Singer noted that retail rents in general are down about 20 percent in FiDi since 2015. “That said,” he added, “certain submarkets are better insulated against rent elasticity than others. I’d say FiDi is one of those markets, as there are institutions in place—Wall Street, the 9/11 Memorial and Museum, Fulton Street Transit Hub, NewYork-Presbyterian/Lower Manhattan Hospital, Pier 17 and others that will guarantee a certain level of foot traffic and demand.”

COMMERCIAL 101 / BY ALEX COHEN / NOVEMBER 13, 2018

COMMERCIAL GUIDE: 7 MISTAKES TO AVOID WHEN LEASING OFFICE SPACE

What to know before renting office space for your business



(Above) Office renovation by Sweeten general contractor **Colin**

As a business owner, changing locations can be disruptive. Moving your company's offices, particularly when you are growing very fast or you are very concerned about additional capital expenses, can be a challenging process that may distract attention from your core business and strategic needs. Keeping focused on your business objectives while finding the right physical space to move to is important. Consider these common mistakes to avoid when it comes to seeking new real estate:

1. Putting cost far above all other criteria

The expense to occupy real estate is a significant cost for most businesses. But to focus singularly on rent per square foot in today's environment is a short-sighted plan. In a tight labor market, the choice of neighborhood and the appeal of a firm's office space may be critical to attracting and retaining talent, especially if a firm seeks to appeal to millennials, who not only appreciate salary and benefit opportunities, but want to work in an environment that reflects the values of the company they choose.

The quality of space will also generate important productivity advantages, for example, if its character and design support collaborative creativity. An office space's efficiency–how the rentable square feet (the square footage on which a tenant pays rent) correlates with programmable or "usable" space–may also make focusing solely on per rentable square foot cost comparisons less advantageous.

2. Focusing on the space they need today instead of 18-24 months ahead

Time moves quickly, and most conventional office leases are five to ten years in term. Too many companies, particularly those in growth mode, decide on an appropriately-sized space based on their anticipated headcount for only the first couple of years of their lease occupancy. Some worry about taking on too much space before it's needed, but the possibility of offering surplus "desk space" to other firms may be negotiated in a lease, should a space be temporarily under capacity. It's far better to anticipate growth than to make do with overcrowded conditions.

(Above) **This Sweeten renovation** turned a bank office into Union Square Play, a children's play space

3. Believing that only subleasing space offers the most flexibility and cost efficiency

It is true that sublease office space is generally less expensive than space leased directly from a landlord. In most cases, however, a sublet must be taken in "as is" condition, with minimal financial contribution from the sub-landlord to modify the space to suit a subtenant's requirements. Typically, there is no flexibility in the sublease term and the subtenant has little leverage in negotiating a favorable rent for a term beyond the sublease expiration.

In contrast, leasing directly from a landlord may offer customization of the space either built by the landlord or by the tenant with a landlord's "contribution" subsidizing the cost. A direct lease may also provide options and flexibility to accommodate potential occupancy growth.

4. Not anticipating how long the space acquisition process will take

When one rents an apartment directly from building management, the lease process typically takes less than five days. In contrast, negotiating an office or retail lease can take from two to eight weeks, depending on the attorneys involved, the complexity and length of the lease, and other factors.

Prior to lease negotiation, the site selection and business terms negotiation process can take from one to eight weeks for an immediate requirement that is well defined, and much longer if a real estate occupancy strategy must be developed to align with business goals.

5. Planning for furniture too late in the process

Furniture planning and acquisition are often considered as an afterthought in the process. Here are two reasons to focus on them concurrently with planning and design of the office space configuration. First, the lead time delivery of contract furniture can be four to six weeks, so, even if a space build-out is complete, the absence of installed and wired furniture means a tenant cannot open for business. Second, the placement of furniture/cabinetry/desks is critcial to space planning, specifically for the wiring of furniture for voice and data technology, which must be coordinated with the siting of voice and data ports in an office.

If a landlord builds a space out on behalf of a tenant, planning how furniture will be situated and wired should be incorporated into the space design process.

(Above) A **Sweeten renovation** of an old sewing factory transforms into *Domino* magazine's office

6. Allowing first impressions to influence the decision-making

When touring an office space, there are lots of factors that may influence an initial impression: for example, the time of day/natural light, the existing ceiling and ambient, or the density of existing partitions and furniture. It's always best to tour space when the sun is out and it's early in the day. Too many times, a potential tenant may rule out a space in less than a minute because of a negative first impression. Spend a little time in your potential new office and listen to the guidance of your real estate advisor who should recommend whether it's worth a second look.

7. Not realizing a landlord's interest in the financial condition of the actual tenant

It doesn't matter how large or successful a related or parent corporate entity may be. A commercial landlord is only interested in the creditworthiness of the actual business entity signing the lease or providing a full corporate guarantee. This is often challenging for non-U.S.-based firms that establish new U.S. companies to operate here. Landlords do not care about the revenues or profitability of the foreign parent and do not want to pursue a foreign parent if the U.S. tenant defaults.

A related concern is the "good guy" guarantee. Most landlords require this limited personal guarantee from a U.S. citizen or permanent resident for nearly all privately held tenants, no matter how creditworthy. The intent is to ensure, in the event of a bankruptcy or some other rationale for a tenant stopping rent payments, that the landlord will not have to serve an eviction to get back clean possession of the leased premises (in order to lease to a new tenant).

*Alex Cohen is a Vice President in **Compass**' commercial division and develops strategy and negotiates lease and purchase transactions for office, retail, and mixed-use spaces on behalf of lease transactions for tenants, landlords, and investors. He writes about the commercial real estate environment for Sweeten.*

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Get the lowdown on **the elements of a commercial lease**.

*Sweeten handpicks the best general contractors to match each project's location, budget, and scope, helping until project completion. Follow **the blog** for renovation ideas and inspiration and when you're ready to renovate, **start your renovation on Sweeten**.*

COMMERCIAL 101 / BY ALEX COHEN / SEPTEMBER 18, 2018

COMMERCIAL GUIDE: A BREAKDOWN OF A COMMERCIAL LEASE, PART 2

What you need to know before signing a lease for your business

Lakou Café renovation by **this Sweeten general contractor**

At first glance, a commercial lease may appear daunting in its length and complexity. While it's important for tenants to engage an attorney to represent their interests in negotiating a commercial lease with a landlord, it's to the tenant's advantage to fully understand vital lease issues.

In Part 2, our guide continues to outline elemental—but specific—commercial lease concepts that should be considered by prospective tenants before signing a contract. (See **Part 1 here**.)

Commercial leases are fairly straightforward when it comes to basic business terms, including base rent, length of lease term, and rent abatement (free rent). An experienced commercial real estate broker can advise on the fundamental elements while helping a tenant to negotiate the business terms of a space transaction—even before a lease is drawn or a real estate attorney is engaged.

The "use clause"

A commercial lease's "use clause" restricts the uses permitted on the premises. Prohibitive uses usually include businesses or activities that impinge on the building's desirability to other tenants, from government agencies with diplomatic immunity to specific activities like printing. A tenant will want to be sure that the uses permitted are broad enough to allow all of their probable and possible business activities. The clause also applies to any subtenant or assignee who may occupy the premises during the term of the lease (see below "On subleasing").

Plans for alterations

After delivery conditions of the leased premises are satisfied and the space has been turned over to the tenant, any changes or alterations are subject to review and consent by the landlord before they can be performed. The review period for **renovation plans** should be prescribed in the lease as a quick process. Cosmetic alterations, such as floor covering (generally carpet, wood, tile) and wall covering (generally paint, stain, wallpaper), should be excluded from landlord review.

Having architectural plans ready at the beginning of the lease term and attached as an exhibit will save on approval time needed. It will also eat less into the free rent period given by the landlord before rent payments are scheduled to begin.

Security deposit/"good guy" guarantee

Another requirement (in New York and some other locations) is that a business principal, who must be a U.S. citizen or green card holder and not a temporary resident, provides a "good guy" limited personal guaranty for most privately-held tenant entities—no matter how credit-worthy the tenant is. The intent is to ensure, in the event of a bankruptcy or some other situation where a tenant stops rent payments, the landlord will not have to serve an eviction to take back possession of the leased premises (in order to lease to a new tenant).

The "good guy" guarantor is personally liable for rent and other financial obligations for only the time the tenant actually occupies the premises. The magnitude of a security deposit usually reflects the creditworthiness of the actual entity, which is either executing the lease or providing a full corporate guaranty and is usually negotiated before a lease is prepared.

On subleasing

Typically, a tenant cannot sublet or assign the premises without the landlord's consent. In addition, landlords want sublease rights to be defined in ways that will not diminish their ability to profitably lease other space in the building. A tenant usually cannot sublet to another tenant in the building, but this can be modified so that the tenant may sublease to an existing tenant in the building if no competitive direct space is available from the landlord. Marketing a sublet to prospective building tenants is another restriction that landlords may consider revising.

Finally, a corporate reorganization, including acquisition, which changes the identity of the company leasing space, should not trigger the requirement that the landlord review and provide his approval, as if a whole new and related company was subleasing or being assigned the lease.

SNDA

SNDA stands for Subordination, Non-Disturbance, and Attornment Agreement. The critical aspect of this concept is that in the event a landlord goes bankrupt and the lender takes over the building, the lender should be required to honor the lease and not "disturb" the tenant's occupancy.

As a potential commercial tenant, understanding the key points in a commercial lease protects you and your investment. Doing your research and selecting the right advisors gets you one step closer to lifting your business to the next level.

*Alex Cohen is a Chief Commercial Specialist at **Compass**, developing strategies and negotiating lease and other transactions for office, retail, and mixed-use spaces on behalf of lease transactions for tenants, landlords, and investors. He writes about the commercial real estate environment **here**.*

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*From a traditional bank loan to equity crowdfunding, learn about the options to help fund your commercial renovation in our **guide**.*

*Sweeten handpicks the best general contractors to match each project's location, budget, and scope, helping until project completion. Follow **the blog** for renovation ideas and inspiration and when you're ready to renovate, **start your renovation on Sweeten**.*

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WINTER 2018

QUARTERLY ADVISOR REVIEW

GUIDEPOINT

INSIDE THE ISSUE:

- Catching Up With Guidepoint
- Top 5 Advisor FAQs
- Advisor Portal Updates
- Advisor Spotlight

ADVISOR SPOTLIGHT

This quarter we are excited to highlight Alex Cohen, Chief Commercial Specialist at Compass. Prior to this role, he was a Commercial Specialist for Core Group Marketing. Alex Cohen is an expert in the real estate industry and has connected with Guidepoint clients to share his experience in marketing and urban planning, specifically the real estate community of New York City, where he resides. He is a recognized thought leader and frequent contributor and speaker in national and business media. (You may have seen him recently on CheddarTV.) Learn more about Alex, and read his piece from our Advisor Blog below.

No Need to Wait for Driverless Cars

By Alex Cohen

In less than five years, Uber and its competitors transformed the way many of us choose to get around cities. Likewise, they disrupted the business and leisure traveler's attachment to rental cars. Now much attention is focused on how driverless cars will inevitably transform urban and suburban life. But whether A.I.-equipped cars become widespread in five years or twenty years, the continued explosion of ride-sharing (with or without drivers) will rapidly reorder the place of the automobile in our lives. What will be the impact of this mobility revolution on how real estate is valued? What opportunities and challenges does it present?

BMW recognizes that its future is not primarily as a seller of cars but as a ride-sharing company. ReachNow, BMW's first mobility service, is available in Brooklyn, Portland, Seattle and many European cities. The economic and flexibility rationale for paying for a shared vehicle by the minute, hour, mile or day with no need to park, insure or maintain the car will probably be too strong for all but the most enamored urban car-owning residents, commuters or visitors to withstand. In light of the fact that the average vehicle in the United States is parked 95% of the time, ride-sharing obviously reduces the need for parking and will continue to reduce traffic and congestion.

RIDE-SHARING AND THE CITY

Before the popularization of the automobile, cities like New York didn't look significantly different. Buildings were not as tall, and there was not as much segregation of uses on the street as there is today. I don't think cities will change physically as personal car use declines.

However, the long-term outlook for Manhattan parking garage owners and operators, who have enjoyed one of the most lucrative businesses in real estate history, is not positive, as car sharing displaces car ownership and the demand for parking. Corporately-owned ride sharing vehicles will require storage and servicing centers during lower demand periods, but in all likelihood, these will be located where real estate is not as expensive.

THE RED HOOK EFFECT

In New York City, in neighborhoods like Red Hook that are generally inaccessible by public transit, historically residential real estate has been priced to reflect this limitation. But with attractive housing options and amenities like waterfront parks, real estate should appreciate in value at a faster rate than other areas, as ride-sharing overcomes inconvenience.

THE SUBURBS

The earliest suburbs developed as "railroad suburbs" before the popularization of the car. These appealed to residents with professional and commercial ties to the city, but with a preference for and ability to live in a private home that had a train station as well as neighborhood retail and services within walking distance. It was the automobile that helped spawn the post-war explosion of sprawling suburbs in which all activity outside the home is car-dependent. These communities now face the greatest planning and development challenges. For example, a suburban

big box shopping mall may devote up to four square feet of parking area for every square foot of shopping floor area – most of which may become superfluous as driving habits change.

While urban living has gained popularity among Baby Boomers and Millennials at the expense of the suburbs, I don't expect ride-sharing to dramatically change individuals' or families' preferences for one lifestyle over the other. But our already overstretched railroad infrastructure will be burdened severely as ride-sharing eliminates the expense and annoyance of train station parking. Train ridership from the suburbs into and out of New York City will inevitably increase.

> "...the continued explosion of ride-sharing (with or without drivers) will rapidly reorder the place of the automobile in our lives.

RETAIL DESTINATIONS

The current struggles of retail are well-publicized. The growth of ride-sharing may offer an opportunity for some retail to prosper and retail real estate to appreciate. Ride-sharing should make unique retail destinations with an experiential quality more attractive. For example, I foresee growth in customers (and sales) at the Woodbury Premium Outlets, which is unmatched among outlet centers nationally for its inclusion of luxury brands. Woodbury Commons is located 50 miles north of Manhattan, but ride-sharing will make this destination more accessible from throughout the metropolitan area and perhaps more attractive as an alternative to clicking on Gilt.com.

As an expert in the real estate industry, I'm happy to connect via Guidepoint and speak further with you on a call about ride-sharing and its effect on urban real estate.

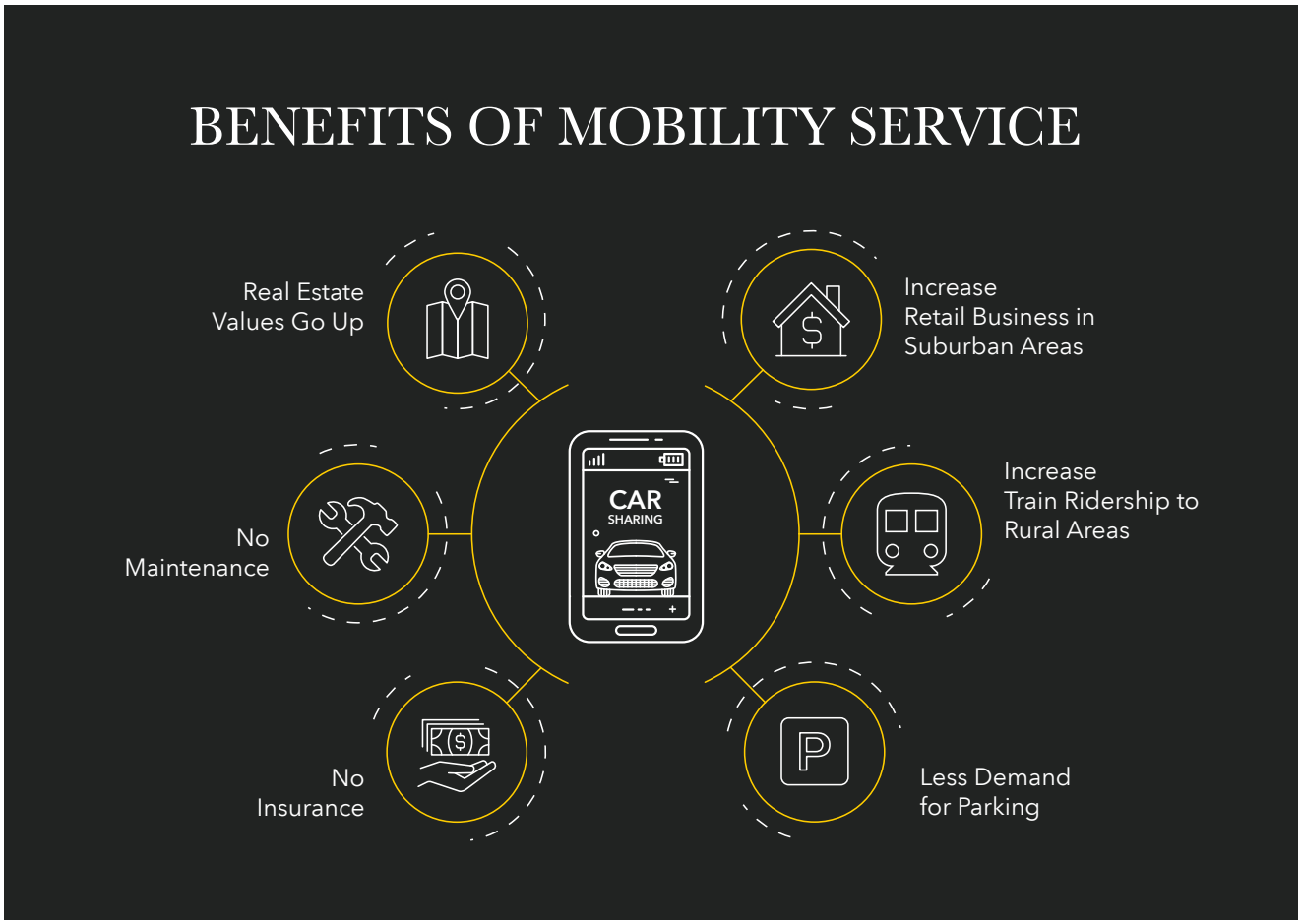
Educated at Yale and Princeton and an innovative thinker and leader in New York's commercial real estate community, Alex Cohen develops strategy, advises, manages and analyzes commercial office, retail and mixed-used acquisition and lease transactions for tenants, landlords and investors.

With a background in urban planning, Alex has over 18 years of commercial real estate transaction negotiation, totaling ten million square feet. Alex has both extensive experience in launching international brands in the U.S. and a deep expertise in the marketing and repositioning of mixed use real estate. Alex's unique perspective allows him to identify markets, brand buildings and plan space configurations with the potential to attract and retain talent and customers vital to the workplace and retail environments of the future. Alex is a recognized thought leader and frequent contributor and speaker in national and business media, including US News & World Report, USA Today, Huffington Post, Epoch Times and Crain's NY Business and he was recently interviewed on the floor of the NYSE by CheddarTV. His recent speaking engagements have included Columbia Business Schools' annual Retail and Luxury Goods Conference Luxury Interactive 2017. His recent clients include Sennheiser, Unilever, Kering (Gucci), Canada Goose and CBS.

Alex resides in Midtown Manhattan, one block from Central Park, and often spends his weekends in the Hamptons with his family and Golden Retriever, Lapo.

IN CASE YOU MISSED IT

In the previous Advisor Spotlight, Guidepoint Advisor Alex Cohen discussed how ride-sharing is disrupting traditional methods of travel as well as making us rethink the future of automobile travel. The infographic below shows some of the benefits of mobility service in the ride-sharing industry.



Did you miss our last Advisor Newsletter? You can take a look back on previous FAQs, trending topics, information on Guidepoint and the Advisor Portal, as well as the Advisor Spotlight.

ADVISOR BLOG

GUIDEPOINT

WEWORK, COWORKING AND THE DISRUPTION OF OFFICE REAL ESTATE

BY ALEX COHEN
CHIEF, COMMERCIAL SPECIALIST AT COMPASS

Between August 2016 and July 2017, only Amazon has leased more office space than WeWork in the United States. Though shared office spaces (office environments in which multiple firms sublet places to work within a single demised office space) still occupy less than 1% of all office space in the United States, coworking (like other disrupters AirBnB and Uber) is having an outsized impact – specifically on where and how freelancers, entrepreneurs and established corporations inhabit office space.

Together WeWork and the executive suite firm Regus lease nearly 80% of shared workspaces in the United States, totaling nearly 30 million square feet. But there are now hundreds of independent coworking operators in spaces of typically less than 15,000 square feet – much smaller than the typical WeWork location.

What explains the explosive growth of WeWork, founded only in 2010 and now operating 216 locations in 53 cities, 19 countries and with more than 100,000 members, as well as the rapid expansion of its smaller peers?

- The near universality of handheld mobile devices that allow "office" work, traditionally bound to an immobile desktop computer, to be performed anywhere has transformed the traditional rationale for "going to work."
- The rise of the freelance economy, estimated to grow to 40% of the workforce by 2021, and the demand from this segment for workspaces that foster community, collaboration and flexibility.
- Millennials' importance in today's workforce – 63% of whom are as comfortable working from a mobile device as from a desktop.
- The appeal of coworking workspaces, in terms of their cool, organic design aesthetic and the opportunities they create for business owners and their employees or contractors to benefit from proximity to other firms and their talent and business offerings.

- Unlike traditional office space leases of 5 or 10 years in term, coworking occupancy obligations can be as short as 1 month and may allow for rapid growth or retraction of seats and offices. Individuals and companies taking coworking space do not have to invest capital in furniture, space build-out or technology. As demonstrated by WeWork's "client savings" presentation, particularly for firms that occupy 3,000 square feet or less, the higher density of coworking occupancy and the fact that tenants do not have to pay for square footage devoted to reception, conference rooms and amenity space like pantries generates occupancy and operational savings. This translates to potential occupancy savings per employee, even though coworking space can be substantially more expensive per square foot than regular office space.

Even large corporations that want to give their employees flexibility and avoid or delay expensive capital investment in new office space are committing to significant coworking occupancies. For example, IBM recently leased an entire WeWork location of 70,000 square feet to serve 600 employees on University Place. Additionally, Microsoft just bought 300 WeWork memberships for its New York-based sales team that allows them to work in any WeWork location globally.

How is traditional office space disrupted? Below are three examples:

- Professional service companies are de-emphasizing fixed work spaces in favor of decentralization. This trend will reduce overall demand for traditional leased office space and extends to the sales and client-oriented functions of TAMI (technology, advertising, media and information) firms that otherwise want to focus and consolidate their occupancies in campus settings as Amazon plans to do with its new second headquarters facility.
- Outside of the realm of the top tier Class A office building, where owners often pre-build smaller spaces (less than 10,000 square feet) to appeal to boutique financial tenants like hedge funds and private equity firms, fewer landlords will demise and build small offices spaces because they cannot compete with coworking efficiencies and appeal.
- To compete with the flexibility of coworking space, landlords must offer tenants shorter lease obligations, even though this presents a challenge financially for them to amortize capital investments and transactional costs and incentives over shorter term leases.

As an expert in the real estate industry, I'm happy to connect via Guidepoint and speak further with you on a call about coworking and its effect on real estate.

ABOUT THE ADVISOR

Educated at Yale and Princeton and an innovative leader in New York's commercial real estate community, Alex Cohen develops strategy, advises, manages and analyzes commercial office, retail and mixed-used acquisition and lease transactions for tenants, landlords and investors. With a background in urban planning, Alex has 18 years of commercial real estate transaction negotiation, totaling ten million square feet, Alex has both extensive experience in launching international brands in the U.S. and a deep expertise in the marketing and repositioning of mixed use real estate. Alex's unique perspective allows him to identify markets, brand buildings and plan space configurations with the potential to attract and retain talent and customers vital to the workplace and retail environments of the future. Alex is a recognized thought leader and frequent contributor and speaker in national and business media including: US News & World Report, USA Today, Huffington Post, Epoch Times and Crain's NY Business and he was recently interviewed on the floor of the NYSE by CheddarTV. His recent clients include Sennheiser, Unilever, Kering (Gucci), Canada Goose and CBS.

The Magazine for Retail Entrepreneurs
specialty retail report
Winter 2017
SpecialtyRetail.com

TOP 10 TRENDS IN 2017

ICSC

1

It's all about the experience!

Millennials love experiences, the more outlandish the better. Given that people 18-34 in 2015 are now officially the largest demographic segment in the United States at 75.4 million, shopping centers are increasingly paying attention and delivering just the kinds of experience they're looking for. Skydiving in a mall? You got it! Paint-and-sip studios? Sure thing! The Mall of the Emirates in Dubai even has a "snow bullet," a zipline which soars above an artificially recreated ski slope.

Bryan Laing, the VP of Client Services for Footwear and Apparel for IDL Worldwide, a global firm focused on experiential marketing, says that the craving for experiences is a natural offshoot of our increasingly digital lives and the level of noise in the marketplace. Millennials, he points out, have grown up expecting elevated experiences. "You even see it in things like college recruiting—amazing new dorm experiences, unbelievable athletic facilities, and gourmet food options." Laing predicts that this appetite for experiences will continue to play out in the physical retail landscape as well with stores becoming more like showrooms and delivering experiences instead. One could argue that pop-up shops have become increasingly popular because they deliver a valuable experience in a narrow window of time.

TOP 10 INDUSTRY TRENDS OF 2017

Yes, you've heard it before: the only constant in retail is change. As e-commerce becomes firmly entrenched, the physical retail landscape is changing in noteworthy and spectacular ways. We explore the enduring trends that have sprouted recently and will continue to make waves this year. Here's what to expect.

Patricia Norins and Poornima Apte

SENNHEISER


SENNHEISER

2 No-sell pop-ups

Say what? A shop that doesn't sell product? What business does it have in the retail space, you ask. Why, brand engagement of course.

Millennials who are big online shoppers may have no desire to do typical "mall" shopping. But they are still looking for places to go even if they don't intend to shop or make purchases, says Alex Cohen with CORE, a real estate brokerage firm in New York City. The value of a pop-up then is to engage these consumers with new products and new experiences that can drive sales whether in-store or online. For example, Sennheiser, a German audio company, launched a pop-up store in New York through CORE that allows customers to test and listen to different head phones and other products—something they can't do online. By holding concerts and other special events in the store, Sennheiser also engages consumers who may or may not be familiar with the brand. "Social media can enhance and diversify store engagement as customers instagram and snapchat their in-store experiences to their friends," Cohen says.

Suzanne Cayley, Vice President, Specialty Leasing with Toronto-based Aurora Consultants, says that many brands and even celebrities (Justin Bieber or Kayne West, anyone?) use pop-ups to connect with consumers and as an extension of their marketing outreach. "Pop-ups allows them to be able to get feedback about their products, but ultimately it's all about engaging the consumer and developing a stronger relationship with the consumer in the end," Cayley says.

The lower-time-window-commitment from pop-ups allows for secondary purposing of these spaces such as hosting fundraisers for local charities, with developers sometimes using the boost in traffic to redirect customers to other areas of the shopping center.

July 6, 2017

A Commercial Guide to Subdividing vs. Open Office Plans

The debate about whether to break up and subdivide large office buildings or opt for open office formats isn't a new one. Alex Cohen, a commercial real estate specialist at CORE in New York City, is an expert on the subject. "Companies started using open office layouts in the early 20th century," says Cohen, whose clients include Unilever, Kering (Gucci), Canada Goose, and CBS. "Landlords have been pre-building smaller office units from larger spaces for decades," he adds.

A Century-Long Business Obsession

The design of office space has been a key element in business decision making since the late 19th century, and design trends have constantly evolved with the changing workplace. "Early on, managers and owners focused on their office layout requirements," says Debra Duneier, President and Founder of EcoChi, LLC, in New York City. "They gave little if any consideration to workers' needs," she adds.

Some industries maintain a traditional business structure, where managers work in defined offices, and employees work at desks on open floors or in cubicles. However, the advent of mobile technology, remote working, and the gig economy have largely changed that mindset for many industries. The modern dilemma is that commercial investors and landlords must target profitability while also catering to tenants' specific needs, particularly in cases of growing businesses.

Replicating the Factory

Decades ago, early trends focused on concentrating workers into one space. In 1904, American engineer and early office designer Frederick Taylor obsessed over ways to efficiently organize workers for maximum productivity at minimum cost. He created a factory-like layout that placed crowded workers onto large, noisy, poorly lit floors with managers watching from private offices. Naturally, such offices were far from productive and made workers unhappy.

Open Space Design as Innovation

Unlike Taylor, architect Frank Lloyd Wright concentrated on innovation and employee comfort. When the famed Larkin Administration Building opened in the early 1900s, "People worked side-by-side in an atrium on elongated desks," says Cohen. Sunlight poured into air conditioned offices, and Wright invented rolling chairs for employees. Furniture and walls absorbed sound in the six-story, cathedral-like structure.

In 1939, Wright designed the Johnson Wax building, another modern, well-lit, open floor workplace that inspired employee pride and increased productivity. "It was called The Great Workroom," Cohen explains, "and Wright designed all the desks for the space." Hierarchy still reigned with management sitting in offices on upper levels that overlooked the employees down below.

Collaboration vs. Hierarchy
The 1950s brought socialism and a more democratic work environment. U.S. companies followed both European design and business values that encouraged communication, collaboration, and a happier workplace. Potted plants and lateral cabinets acted as partitions between desks arranged to facilitate conversation.

However, Herman Miller's Action Office II, which was the first office cubicle system made with panels, took things a step backwards in the 1960s. His intent was to further break down hierarchy and create a sense of self-management. Cubicles facilitated privacy while maintaining some open spaces. They were meant to inspire employees and give them more freedom, but some employers went overboard on "efficiency" and crammed as many employees into the small spaces as possible.

What were supposed to be autonomous, flexible workplaces became dreaded 1980s cubicle farms where employees seemed expendable. Upper management still had comfortable offices, and employee value depended on job title.

Technology Transforms Office Demand
The 1990s ushered in the dot com era and a host of younger employees who wanted flexible work situations and less hierarchy. "Technology kicked in big time, and people started realizing they didn't need an office with a door," says Duneier. "They could work anywhere in the world."

As a result, the desire for traditional office space decreased substantially. "There was a lot of interest in alternative spaces like warehouses with no pre-built offices," says Cohen. This trend led to a long-term commitment to open office designs. The emerging gig economy also led to co-working, which is a concept Cohen says is fewer than five years old. "Handheld technology changed everything," he says.

Combination Spaces Now Dominate
As an investor or landlord, it's important to ensure a modern office environment is flexible enough to accommodate the needs of diverse employees, including remote staff. Tenants are looking for ways to accommodate their current and future business needs, and they're also more concerned about employee well-being than in the past. You may want to consider providing a combination of office space types in one commercial property.

"I see investors building out several floors of pre-built offices with a co-working space on the top floor," says Cohen. "Then, when a business does well, the investor helps them move to one of its dedicated office spaces," he explains. A co-working space allows smaller enterprises to share an already furnished co-working space to minimize overhead expenses. They don't have to sign long-term leases or furnish pre-built office spaces.

Another reason businesses need the flexibility of combined spaces is workforce composition. "Workplaces now are a mix of people from different generations, with unique personalities and work styles," says Duneier. "Not all employees work well in open floor plans, so having a multifaceted, multi-functional work environment is wise," she advises.

Designing an open floor plan that incorporates privacy options supports that need. "I recommend some clients have a handful of offices for those whose work involves constant phone use," Duneier says. She also recommends workplaces have both collaborative and semi-private spaces, meeting rooms, eating areas, and entertainment spaces. "Create homelike areas in one part of the office space and more formal office areas in another," she says.

April 26, 2017

11 Surprising Benefits of a Coworking Space

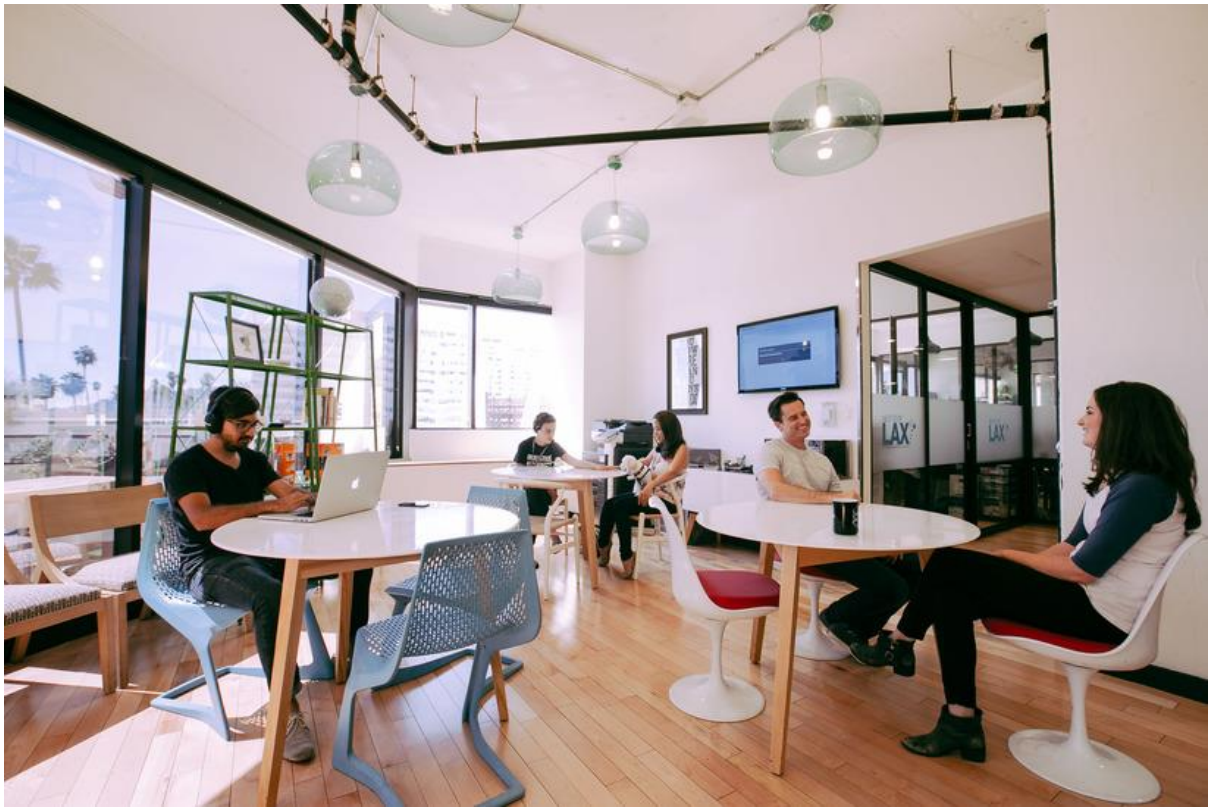


PHOTO COURTESY OF WEWORK
WeWork Hollywood Lounge

James Hunt has worked in coworking spaces all over the world, from London to Bali. He looks for ones that offer more than just a place to focus and a reliable internet connection. "I use coworking spaces wherever I travel to find and meet 'my people' - the entrepreneurs, the digital nomads, the people who don't want to work in normal offices," he says.

Like many others, Hunt finds the camaraderie and community forged in these work spaces as valuable as high speed internet. "Having a sense of community at a coworking space is so important, so I try to prioritise going to places where community is promoted," says Hunt. Indeed, his latest project, LiveWorkFit brings together entrepreneurs who want a coworking space, plus a community to support their efforts to be healthy.

If you've toyed with the idea of moving your business from your kitchen table or coffee shops to a more formal space, here are some surprising benefits coworking spaces may offer.

A Better Balance Sheet

According to Alex F Cohen, Lead Commercial Specialist with brokerage CORE, the way office leases are treated under Generally Accepted Accounting Principles (GAAP) for public companies will change dramatically in 2019. "The net present value of remaining space lease rent obligations will be applied as a liability on the balance sheet for each year of the lease unless a lease obligation is less than 12 months in term," says Cohen. "This can have dramatic financial reporting impact and many public firms are currently rethinking future long-term lease commitments in favor of shorter term coworking obligations."

An Entrepreneurial Education

I recently spoke at Fairmount Innovation Lab in Dorchester Massachusetts where I met entrepreneurs eager to expand their knowledge about personal and business credit. That same day, I spoke at an event hosted by the Boston SBDC at the Boston Public Library about small business financing, and among the attendees were two people who ran coworking spaces. They said they wanted to learn about the topic so they could pass along tips to the business owners in their spaces. I learned something myself that day: coworking spaces can be learning spaces as well.

Chenita Gary, founder of Optimal Virtual Staffing Solutions, says she loves the different events at her coworking space, Bamboo Detroit. "I can learn about different topics to help grow my business," she says. Amanda Long with the Hughes Agency heard Lisa Holladay, vice president, Global Brand Marketing, of the Ritz Carlton Hotel Company speak at coworking space Endeavor in Greenville, South Carolina. Hearing her address their group of about 90 people "was an experience unto itself," she says. The professional development offered at Endeavor has been one of the best benefits, she says.

Financial Flexibility

Entrepreneurship can be a rocky road and getting stuck in a long-term office lease can sometimes be financial suicide. Nav CEO Levi King recalls the time one of his businesses moved into bigger space too quickly. "We hemorrhaged money," he says. The next year, even though the company was doing well, he moved back into their old space as a symbolic gesture.

The ability to tailor space to current needs is another reason this option can be option very attractive to young and growing companies. "I find that coworking spaces allow for the flexibility for growth, as leases are short and changing office space is usually simple," says Kate Hassey, Marketing Director of StoryBoardThat.com.

An Empathetic Ear

Above all, most entrepreneurs seem to value the social interaction they get from these places.

SWAAY

December 12, 2016

Cubicle-Busting: How Workplace Reinvention Affects Productivity

It was upon pouring myself my second coffee of the day in our spacious 13th floor WeWork space that it dawned on me; I work somewhere cooler than most, and it's not even that cool.

There's two businessman across the long counter top from me in deep conversation over greasy burritos. I can hear snippets of their conversation, and if I was nosier I could hear it all. Not being the slightest bit interested in anything other than what's going into their mouths however, I neglect the idioms of their speech for an overall grasp of the situation – that nobody expects me to be of corporate espionage, or mischief. Everybody works seamlessly here, in harmony almost, not bothered by the whir of other business going on around them in a constant rhythm of phone calls, heavy-heeled steps and buzzers. The day is fluid and so are the movements in and out of the glass enclosures. WeWork is not a fixed abode – it's a new-age office, reflective of a workspace revolution, one that is undoubtedly affecting employee culture and productivity.

Our neighbors here at in this communal office are an amalgamation of industries: fashion, finance, tech and every other clique imaginable. We tussle with each other in the lounge room, share beers on a Friday and mindlessly admire each other's office spaces and attire before questioning the optics or functionality of their business and wondering if everyone will survive the next decade in the business world. Who are we? It doesn't really matter, we're not competitors, we're just sharing this inclusive and modern space one sip of hot coffee at a time.

It was perhaps Google who lead the way, ushering out the cubicled dark ages and ushering in a new era of fun working environments, artfully-designed open spaces and a litany of cost-free perks like nap rooms, workout classes and catered lunches – but it quickly caught on. Gone are the days of traditional and tightly packed cubicle-planned office floors. Gone are the days when office functionality spanned 9-5 in a hot, penned-in space. Modern corporations are now creating spaces people want to work at rather than where they have to work – where you'll be happy to stay longer, lousy with the beauty and relaxed nature of your surroundings. This win-win situation makes us wonder, are these beautiful new-age spaces helping employers in the long-run? Are they actually causing employees to stay longer and work harder?

With so much confetti around a work room, one has to wonder if a professional level of working focus is being compromised. Are people getting more done – or are these upgraded aesthetics a way to make people give more to their business lives? We've asked Alex Cohen -Lead, Commercial Specialist for brokerage CORE, to comment on the changes occurring in workspace lay-out and how this is affecting the average workers' psyche. Cohen, who has years of concentrated analysis and research at his back, does believe that open office spaces are the way forward, and barring any serious complications, will be the eventual model for most offices of the future.

"They create campuses with amenities that are all designed to motivate their people to stay as long as possible in the workplace."

– Alex Cohen

Technology companies have paved the way for this office model, lead by giants like Google, LinkedIn, Facebook, and Airbnb. Workers have responded particularly well to the change – receptive to the ease with which ideas can be shared across a room, conundrums cracked over a large table and naps taken in designated 'quiet' areas. These billion dollar companies are thriving and attracting the world's brightest minds not least for the status, but for the amenities that come part and parcel with working in these environments. The office formula is no longer desk + computer + chair = ready. Instead it is gym, restaurant, iPad lab, nap room, bean bag area x open spaces = internet. The mobilization of devices means nobody needs a fixed abode anymore – you can work from anywhere – including the treadmill.

"Some people work very productively in an open environment where the stimulation of people and ideas energizes them to be creative and effective," says Cohen. "For companies in technology in particular, like Facebook or Google, the constant interaction that a very open work space allows appears to foster team work and in essence forces people to share ideas and challenges.

For individuals with ADD, learning or working in a very open environment hurts their productivity – this has been proven in research – as the distractions that an open space create stifle their attention span and focus."

It's those companies and industries that have been around since the dark ages — before the internet — that have put up the most resistance to the new office models, with law firms vehement about rejecting the change, barring a few in London, and banks, slow to embrace hashing out fledgling finance ideas over long tables with people you barely know. At its base, this model focuses on an interaction and inclusion with your team the likes of which old-school bankers and lawyers holed up in corner offices have never seen before – the adjustment is strange and almost alien – but it's coming. Being a team is non-negotiable these days, in these offices.

To up the ante at her business, Virginia girl-boss Sarah Everhart, has revolutionized her office by introducing collaborative boxing and dancing workouts into the work week to adrenalize her colleagues into action. Sarah's attitude behind the shift has invigorated her staff whilst encouraging them into a fitter working week. The exercise involved releases endorphins (making everyone happier), but also boosts team morale and cultivates a sense of company spirit.

"We are pushing ourselves to be the best version of ourselves that we can be, and I believe that has translated naturally into the work environment."

– Sarah Everhart

Everhart's firm has reaped the rewards of team training, as have the likes of Google, Facebook and their techie comrades, who spend millions each year on team outings and sessions – keeping them at the top of those 'Best places to work' lists churned out yearly.

Social psychologists, big corporations and activity leaders have clashed heads and produced a new working system that is pushing the envelope for open and inclusive office spaces, and I can't imagine it's going to stop. Watch this space as the cubicle continues to disappear and inclusion becomes the new norm.

EPOCH TIMES

November 18-24, 2016

Small Retailers Face Threats at Every Turn

EPOCH WEEKEND by EPOCH TIMES

NOVEMBER 18–24, 2016 • ISSUE 121 • THEEPOCHTIMES.COM — WE INFORM. WE INSPIRE.

Sky-high rents and Amazon top long list of hurdles in the battle for survival

SMALL RETAILERS FACE THREATS AT EVERY TURN

By Charlotte Cuthbertson
Epoch Times Staff

NEW YORK—Small retail stores across the country are facing unprecedented pressures that go beyond the normal ebb and flow.

High rents have finally cracked a crop of retailers that had adapted and weathered the intrusion of the internet and chain stores thus far—think shoe stores, fabric stores, electronics stores.

"Most of them made many adjustments and continued to thrive in their neighborhood," said Ruth Messinger, former New York City council member and small business advocate.

"Then they got hit by a rent increase that they just couldn't afford."

The nation has lost more than 100,000 independent retailers in the last 15 years.

The impact is not only devastating to the character of communities, but it weakens the economic fabric and guts the middle class, experts say.

Empty stores for lease in the West Village, New York, on Sept. 28 and Nov. 14. In New York in 2013, 40,765 establishments opened. Of those, 19.3 percent closed by 2015.

ROBERT COUNTS (LARGE PHOTO); SAMIRA BOUAOU/EPOCH TIMES (SMALL PHOTO)

The losses are being felt in cities nationally and globally.

"In cities as diverse as Oakland and Nashville, Milwaukee and Portland, Maine, retail rents have shot up by double-digit percentages over the last year alone," according to an April report by the nonprofit Institute for Local Self-Reliance (ILSR).

And if those pressures weren't enough, consider the behemoth that is taking a bite from every pie—Amazon.

See High Rent on **A8**

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THE ISRAELI COMMANDO WHO HUNTS POACHERS IN AFRICA

A warrior finds redemption protecting Africa's elephants.

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A mix of professional and grass-roots groups are shaping the protests that erupted after Donald Trump was elected.

BUSINESS...A7

Inflation Could Rise Under Trump

Donald Trump's background in real estate and his policy agenda could lead to rising prices.

HELLEN BARRA/EPOCH TIMES; FORTUNE/NEW YORK TIMES

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Election Gives Media Chance to Change Course

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35 COUNTRIES, 21 LANGUAGES, AND GROWING

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Small Retailers Face Threats at Every Turn

High Rent continued from ***A1***

"Amazon is also different in that throughout human history, commerce has been connected to place. Business activity and trade have always been near where people live," said Stacy Mitchell, co-director of ILSR. "Amazon represents a disconnection of commerce from place that's unlike anything that's come before."

While consumers might be hailing Amazon as a super-convenient and often cheaper retail option, the online giant is the number one concern for 70 percent of independent retail business owners, according to a national survey conducted by the ILSR earlier this year. Amazon's net sales revenue grew from $8.49 billion in 2005 to $107 billion in 2015.

Why Losing Independent Retailers Matters

Mitchell said the nation has lost more than 100,000 independent retailers in the last 15 years, and the trend is concerning.

"Independent retailers contribute much more to the health of our local economy and communities than chain stores or Amazon do," she said. "Studies have shown that for every dollar that you spend in a locally owned business, that dollar creates two to three times as much economic impact than if you spend it at a national chain."

The hollowing out of the middle class in America can be partially attributed to the decline in small businesses.

"Places with a lot of local businesses have a big, robust middle class, they have more opportunities for people to move into the middle class, so you don't see quite as much of that growing inequality," Mitchell said.

In a 2015 study, "Wage Inequality and Firm Growth," researchers crunched data from 1981 to 2010 on wages and the size of firms in 15 countries. The authors found a strong relationship between growth in the average firm size and rising levels of income inequality, particularly in the United States and the U.K.

Jeremiah Moss, who writes the blog "Vanishing New York" under that pseudonym, is part of a grassroots group called #SaveNYC.

> **When we lose small businesses, we lose the local character of our neighborhoods and New York becomes a generic city.**
>
> — JEREMIAH MOSS, VANISHING NEW YORK

Vacant Storefronts in the West Village

A tally taken at the end of September found 70 vacant storefronts between 14th Street and Houston Street, and from Eighth Avenue to Sixth Avenue. The average asking rent in the West Village is $513 per square foot.

SOURCE: REAL ESTATE BOARD OF NEW YORK

The group's website and Facebook page bring attention to the plight of mom-and-pop businesses, and encourage state and city governments to protect small businesses and cultural institutions.

"When we lose small businesses, we lose the local character of our neighborhoods and New York becomes a generic city," Moss said in an email. "We lose the social connections that small business people provide. And we lose money. Chain stores take money out of the neighborhood, funneling it back to the corporate headquarters in Texas or Florida or Wisconsin or wherever. None of this is good for the city."

High Rents in New York City

Alex Cohen, a broker with commercial real estate firm Core, said the 2008 economic downturn had a dramatic impact on retail, but that was cyclical. Because of a drop off in consumer demand, many retailers had to slash their prices and many went out of business. Now, it is different.

"This is a new phenomena," Cohen said. "We're not in a down part of the cycle right now, the economy is very strong. New York continues to be a strong tourism market."

Cohen said the vacancy rate in SoHo has gone from 10 to 20 percent over the last 18 months. "That is driven by the strength of e-commerce, the preferences of people to purchase online ... and the challenges that retailers have faced maintaining profitable stores with very high rents."

Cohen said he is starting to work with more retail brands that want to lease space short-term for a pop-up store, to test the market before being locked in geographically and timewise.

Moss is calling the death of the city's small businesses a "mass extinction event" and holds chain stores responsible.

"The city has never in its history been decimated by national chain stores," he said. "We see the same global corporate-tourist monoculture destroying regional character in London, Paris, Venice. We see it in San Francisco, Seattle, Boston."

And the displacement of local businesses isn't confined to trendy or affluent neighborhoods, the April ILSR report found.

In New York City, the Bronx has seen the biggest jump in court-ordered evictions of small businesses, and over the last year it also experienced the largest percentage increase (3.3 percent) in the number of chains, the report stated.

A Boston Market is replacing local business Zaro's Bakery, which was given just a few weeks' notice that its lease would not be renewed, ILSR said.

In Washington Heights, several longstanding businesses have been evicted or handed hefty rent increases. The Dominican grocery store Liberato Foods reportedly faced a tripling of its rent, according to a February Village Voice article.

COURTESY OF CORE

> **This is a new phenomena. We're not in a down part of the cycle right now.**
>
> — ALEX COHEN, COMMERCIAL REAL ESTATE BROKER, CORE

Several factors are to blame for the rent increases, said ILSR, including soaring commercial real estate prices; the increasing popularity of cities; the growth-imperative of national chains; a limited and declining supply of small spaces; and a preference for national companies over independent businesses in commercial real estate financing.

Not a Level Playing Field

Small business advocates are fighting an uphill battle against the powerful real estate industry and local politicians, who are reluctant to introduce anything with teeth.

One bill designed to help small businesses with lease renewal, the Small Business Jobs Survival Act (SBJSA), was introduced to the New York City Council by Messinger in 1983. It has been re-introduced continuously since, in slightly varied iterations, but has never made it as far as a hearing or vote. The bill would give store owners the right to renew their lease, the right to negotiate fair lease renewal terms, and the right to legal

Sky high rents and Amazon top a long list of hurdles in the battle for survival

70% **Amazon is the No. 1 concern** for 70 percent of independent retail business owners.

A portion of the West Village currently has more than 70 vacant storefronts, many of which look as if they have sat untenanted for years. The phenomenon can be found in cities nationwide, as high rents push out small, independent retailers.

protections against unfair renewal terms.

It currently has 27 sponsors—a majority—with some notable exceptions. Robert Cornegy , chair of the city council small business committee, has not sponsored the SBJSA and says red tape is the real issue for small retailers. As a council member, Melissa Mark-Viverito endorsed the 2008 version of the bill, but as speaker she has blocked it from a hearing and vote. And John Banks, head of the Real Estate Board of New York, called the SBJSA unconstitutional, according to a Village Voice report in February.

There are many ways in which government policy tilts the playing field against small retailers, said Mitchell.

Amazon, for example, opened three data centers in Ohio last month, which created 125 jobs. The project received state incentives to the tune of an estimated $81 million over 15 years, including $77 million for the sales-tax exemption and $4 million for payroll tax credits—which works out to $648,000 per job—according to a 2015 Bloomberg report.

"Independent retailers never get anything like that. They go to city hall and say, 'I want to open a second location, will you give me a big tax break?' and they'll be laughed out the door and told, 'This is a free market, you've got to learn to compete,'" Mitchell said.

The current lease negotiation process allows landlords free rein to set the price, terms, and time frame of a lease. Some store owners have even been given until the end of the month to vacate the space they're leasing. Increasingly, shop owners operate under leases that run for five years or less, down from a once-standard 10 years, leaving them vulnerable to rent hikes and eviction, according to a 2009 report by the Pratt Center, a nonprofit focused on equitable neighborhoods in New York.

Landlords sometimes keep storefronts empty in hopes of landing a higher-paying tenant such as a chain store, which are often considered more creditworthy. And for landlords with multiple properties, an empty store may be helpful for accounting purposes, by allowing them to write off losses.

"When a building-owner wanted to land a rich tenant like a bank, they would warehouse their smaller ground floor commercial units until they could make a huge combined space for one large tenant," Manhattan Borough President Gale Brewer said at a city council hearing on small businesses, on Sept. 30.

"Big banks and drug stores were pushing to establish themselves in my district to the detriment of the mom-and-pop stores. The bank didn't need the space to do business; they wanted the commercial frontage for advertising," Brewer said.

Retail Lease Hikes Around the Country

For comparison, over the last year, median per capita income rose 1 percent and retail sales grew just 1 percent, while inflation was 0 percent.

	% change 2015 to 2016
UPPER WEST SIDE, NEW YORK $390 per square foot	▲ 37%
PORTLAND, MAINE $18 per square foot	▲ 22%
OAKLAND, CALIF. $27 per square foot	▲ 16%
CLEVELAND $14 per square foot	▲ 12%
AUSTIN, TEXAS $20 per square foot	▲ 10%

SOURCE: INSTITUTE FOR LOCAL SELF-RELIANCE

Zoning Changes, Commercial Tax

In her role as city council member on the Upper West Side, Brewer helped create a special zoning district that restricted the amount of frontage a bank could have on the street to 25 feet. Along parts of Columbus and Amsterdam avenues, any building with 50 feet of frontage or more needs to have at least two commercial units within that frontage (supermarkets are exempt).

"This is the closest the city has come to enshrining the classic New York commercial street environment into zoning text," Brewer said.

Brewer is now pushing to introduce a penalty for landlords who hold their storefronts vacant, as well as a registry of vacant storefronts similar to other cities. A 2014 proposal in Berkeley, California, looks to charge landlords $180 to register a vacant storefront and $300 for every six months it remains vacant. The District of Columbia implemented a similar fee in 2011.

Brewer, along with council member Corey Johnson, is also drafting a bill that would exempt small owner-operator street-level businesses and supermarkets from Manhattan's commercial rent tax. The rent tax is a city charge of 3.9 percent of annual gross revenue applied to businesses below 96th Street with annualized rents above $250,000.

Formula Retail

San Francisco introduced a formula retail (chain store) strategy to some areas in 2005 to help retain unique community character—and the policy is being watched closely by other cities.

The strategy limits formula retail stores with multiple locations and a recognizable "look" or appearance—such as restaurants and chain stores—in certain areas.

The policy has significantly limited the entry of chain stores into the controlled areas. In a 2013 study, the San Francisco Planning Department found that formula retail businesses occupied 24 percent of the commercial space in controlled areas, while uncontrolled areas had 53 percent occupancy—almost double.

The number of formula retail establishments within control zones is 10 percent, whereas it's 25 percent without the zoning.

As of 2009, there were 15 cities nationwide that had formula retail restrictions in place.

New Development Requirements

Many cities can require new mixed-use developments to include affordable housing—but policies that require developers or landlords to provide space at below-market prices obviously impact the overall financials of the development.

To offset the cost of including affordable housing, developers sometimes rely on the revenues from ground-floor retail spaces, which means they generally favor larger spaces and chain stores.

But now, cities might also require developers to set aside smaller retail spaces in new developments.

Consumers

Public education is an important aspect for small-business advocates—consumers can effect change with their wallets.

"We've certainly seen positive impacts from the buy local movement," Mitchell said.

Small Business Saturday, the day after Black Friday, was launched in 2010 to encourage support for small, local businesses—and an estimated $14.3 billion was spent on that day in 2014. Cyber Monday sales paled in comparison at $3.07 billion in 2015, according to data by Adobe Digital Index.

A good sign for small retailers, but it's not enough, Mitchell said.

"The challenge right now is for independent businesses and for community advocates to gently remind people that that choice has huge implications for the place they live in."

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How to Find the Best Retail Space for Your Pop-up Shop

Land a location that suits your goals and budget with these tips.

Opening a pop-up store is a great way to boost your business — if enough people find it. Because these stores are temporary by nature and the window for making a profit is small, picking the right location is critical. Choose well, and your pop-up should thrive. Choose poorly, and it may go bust.

Pop-up shops can live in countless places, from empty retail storefronts to public event spaces to active stores that may rent you room to sell your related goods.

Alex Cohen, lead specialist at CORE, a New York City real estate company, shopping for a pop-up store location is not all too different than shopping for a traditional store location

If you choose to rent empty retail space, scouting locations is not dissimilar to shopping for a traditional store location, said Alex Cohen, lead commercial specialist at New York City real estate company CORE.

Some of the same considerations apply: visibility, storefront size, signage potential and the volume and demographics of customer traffic to neighboring retailers.

“Obviously, you want to avoid locations that may be subject to road closures, police actions and other calamities that may undermine your sales,” Cohen said.

Here are Cohen’s top tips for choosing the best, most appropriate spot.

Know exactly what you want out of your pop-up shop before you decide on a location.

Clarify your goals

Before you look for locations, determine what you want from your shop.

“You must establish whether the goal of the pop-up is to maximize net revenue from sales, which would make a location’s rent cost and other expenses critical concerns, or to build brand awareness or launch a new product, in which case the relationship between rent and potential sales is less direct,” Cohen said.

Determine how much money you have to spend

Don’t assume empty store space equals low rent. “Even neighborhoods with a large amount of vacant storefronts don’t necessarily mean your pop-up will get a deal on rent,” he said.

When you look at a space, think about how much time and money will it take to make it work. Does it have the basics you need, such as enough shelving and good lighting? Do you need a dressing room? Can you build one if there isn’t? Does it have adequate electricity and access to Wi-Fi for your POS system?

Decide how visible your pop-up shop needs to be

“One approach is to focus on very high-traffic and expensive rent areas where foot traffic and visibility will drive customers to the the pop-up store location,” Cohen said. “In New York City, this would mean renting a store in Times Square for a mass market audience, on Madison Avenue in the 60s if you are targeting well-heeled tourists or the wealthy, Upper East Side and older demographic, or prime Soho streets for the affluent younger shopper.”

An alternative approach is to rent space in a lower traffic, less visible (and therefore less expensive) location. “But for these locations, more marketing dollars will be spent to drive traffic to the store as a destination.”

Pop-up shops can be opened in locations anywhere from trucks and trailers to unused industrial spaces.

Know your target customer

No matter how much money you have to spend on location, if you put your pop-up shop in an area where none of your potential customers will find it, you won’t succeed.

Know who is most likely to purchase your products and do all you can to locate your pop-up in their path. If you’ve been selling merchandise online or in a main store, you may already know your niche. Next, research the types of customers who frequent the area you’re considering. Visit the space at different times of day. Pay attention to other shops in the area to see if you can capitalize on their customer traffic.

Read the fine print

Know the terms and restrictions of your lease or rental agreement. “Definitely avoid stores where your leased possession of the store is dependent on when and if an existing tenant vacates. An existing tenant holding over in the space can eat into your valuable selling period,” Cohen said.

Be sure you can make temporary modifications the site or shop if you need to. Confirm the rules for signage and the hours you may operate.

Know the difference between a lease and a license. A lease is a temporary agreement for use of a space. It will state how you may and may not use the space and is generally for exclusive use of a space. A license gives you the right to use the owner’s space, much like a lease; however, it may not grant you exclusive use of a space. A license is granted for more short term use of a space.

Finally, be sure you have the permits required by the municipality in which you plan to conduct business.