

Experts On The Ups And Downs Of Coworking From The City Where It's Most Prevalent

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Coworking has disrupted real estate, but is there room for more? Has it reached its peak? And will landlords hijack the concept from operators?

In Miami, 3% of office space is designated as coworking, making it the city with the highest such percentage, according to Cushman & Wakefield Vice Chairman Brian Gale, who moderated the event.

“Literally every single building in downtown and Brickell has a coworking element,” Gale said.

AEI founder Juliana Fernandez said her experience in a coworking space was exciting at first, but became frustrating, with acquaintances always wanting to chat and take coffee breaks.

“One thing is collaboration,” she said. “Another is distraction.”

Despite their practical drawbacks, coworking operators like WeWork have become so prolific that they are now facing threats from landlords, who are trying to cut out the proverbial middleman and offer shared spaces and flexible lease terms to tenants directly.

We Work’s general manager for the Southeast, Bobby Condon, contended that his company's model is value-add, and he is not bothered by the competition.

“We’re not just throwing coffee and fruit water at people,” he said. “We are looking to aggressively expand in the next two years.”

Quest Workspaces CEO Laura Kozelouzek said landlords are better off partnering with a coworking operator that can be service-oriented and focus on the hospitality component.

Plus, “they love that we’re taking the risk,” by leasing space and being responsible for subletting it to end users, she said.



Cambridge Innovation Center director Natalia Martinez-Kalinina, whose background is as an organizational psychologist, said coworking can offer both “fun community time and actual collaboration.”

She said her company, which offers high-end space and science labs, makes a point of connecting different tenants and helping them build their businesses.

Kozelouzek said it all works out in favor of tenants, who are getting savvier.

“There was never all this choice,” she said.

East End Capital Managing Partner Jonathan Yormak purchased the 30-story tower at 100 Biscayne, where the event was held, for \$84M two years ago because part of his strategy is to invest in “buildings that we think have been unloved ... ignored, mismanaged or undercapitalized,” and are in need of large-scale repositioning. Yormak said that South Florida has a lot of such vintage assets that could be turned around.

In this case, the office tower had a great location on Miami's main drag, with unobstructed views of Bayfront Park and Biscayne Bay. Tenants included The New York Times and the German consulate.

When East End bought the building, it had barely been touched in 20 years. One tenant's space looked like a “rabbit warren,” Yormak said.

His team ripped offices down to their studs and gave them a makeover. It's now 84% occupied with rents at \$40 PSF, Yormak told Bisnow. And yes, he is open to offering small spaces and flexible lease terms for coworking.

“Miami is maturing as an office market,” Blanca Commercial Real Estate CEO Tere Blanca said, adding that she has signed leases for \$65 PSF for premium spaces in well-located areas like Brickell.

Many panelists expressed concern that while Miami's creeping prices are nice for landlords, lack of housing affordability across the board is an impediment to keeping young, talented people in the city.

“For good businesses to be here, they need high-quality workers,” Yormak said. “We can't just build super-high-end condos.”

Morning Calm Management CEO Mukang Cho said small details, such as using recycled paper products and nontoxic cleaning supplies in restrooms, have an impact on tenant morale and can help attract the sort of cool companies for which young professionals want to work.

Cresa Managing Principal Caroline Fleischer said the availability of gyms and healthy food choices helped, too.

“If amenities can save travel commitments — time driving to the gym, time it takes to park — that drives the decision [in choosing office spaces],” Riviera Point Development Group CEO Rodrigo Azpurua said.

The panelists agreed that while the office market is strong and steady for now, a bear market is likely soon after nine years of bullishness. But Yormak told Bisnow that part of the reason he chooses to do business in Miami is its resilience.

“Global capital really wants to be here,” he said.

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