

MONTGOMERY COUNTY

REAL ESTATE OFFICE MARKET OVERVIEW

Q2 RECAP

Last quarter I reviewed Montgomery County's economic trends and the release of Amazon's additional headquarters (also known as 'HQ2'). Heading into Q3, Amazon has yet to release the location of its new home, and Montgomery county still strives to use creativity to restore itself to Maryland's economic engine.

EMERGING COWORKING SPACES

Emerging coworking spaces are another way creativity is finding its way into the commercial office market. Although the concept of coworking is not new, the shift in demand for turnkey space has increased significantly. A recent national report notes that flexible office space (which includes coworking use) has more than doubled from 2014 to 2018 [1]. In the DC Metro region, coworking took 28% of net absorption last year and is expected to continue this trend in 2018 [2]. Compared to traditional office market leases, coworking provides better flexibility in reduced lease terms, with a variety of building amenities, delivered with leveraged capital investment and time. With small businesses accounting for 91% of all new private job growth in 2017, it makes sense that these companies need convenient and affordable space [4].

Coworking provides a flexible solution to the dynamic space needs of a small business. The turnkey space usually comes with perks like equipment, furniture, and IT support; and the average lease in coworking space is less than 1 year [2, 3]. Amenities usually found in hotels like shared meeting spaces, gyms, and cafes now appear in new or renovated commercial office buildings, which shows the role employee experience/satisfaction plays in attracting, and retaining, tenants. Coworking has also started to serve larger sized businesses; marquee companies such as Amazon, IBM, and Facebook have leased large spaces from coworking providers. In August, the coworking company WeWork launched 'HQ' for medium-sized businesses with up to 250 employees in attempts to reach companies who would not fit in the standard small coworking spaces.

THE OTHERSIDE OF COWORKING

Although offering a creative answer to the roadblocks small companies encounter with traditional leasing, coworking is not without a downside. Upfront costs are much higher than a traditional lease. Data security and privacy are not as attainable in coworking spaces. Lastly, the cookie cutter design may prevent companies from creating a workspace unique to their own company culture.

CONTINUE THE CONVERSATION

Will coworking continue to take the office leasing market by storm or will it's popularity wane after a few years? Share your thoughts on Twitter to continue the conversation [@MoCoFriend](#).

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[2, Greenwood, R., Daniels, D., Smith, D. C., & Bitner, D. (August, 2018). Coworking and Flexible Office Space. Cushman and Wakefield]

[3, Costar Group]

[4, Bureau of Labor Statistics]