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Los Angeles | Office

Office Owners Warm Up to Co-working Tenants

Co-working operators have been a disruptor in the office market, but owners are beginning to open up to these lease deals.

By **Kelsi Maree Borland**

OFFICE OWNERS are warming up to co-working tenants. Companies like **WeWork** have proven to be a disruptor in the office market, and some office owners have been weary to sign leases with these companies. It has been clear, however, that transient-based companies are here to stay—and office owners are adapting to the new environment.

“It is a mixed bag,” **John Tipton**, a partner at **Allen Matkins**, tells GlobeSt.com when asked if office owners are warming to co-working companies. “At the end of the day, your traditional landlord would love to enter into a lease of two floors with a triple credit tenant, instead of a company that makes its revenue stream from leasing space in 30-day blocks. That is just common sense, but that is no longer the reality of the marketplace. You have to securitize those leases appropriately, but I am no longer seeing landlords draw a line in the sand, generally.”

This could be a new trend for 2018, where we see more of these companies inking deals at major office properties. Not all landlords are quick to adapt, however. “You do have some landlords that are trying to hold the line and don’t want those tenants in the building—not because of the credit issues, but because these are tenants that might try to cherry pick tenants,” says Tipton. “It is seen as letting the fox in the hen house. I think overall, however, the majority view is that these kind of transitory work environments are here to stay.”

Office isn’t the only asset class getting a does of disruption from platforms that run on temporary leases. It is co-working spaces in office; pop-up shops in retail; and **Airbnb** rocking the multifamily and hotel market. “It goes to both the more temporary nature of our economic activity and also that the world is flat in terms of the ability to get information, and that really speaks to



John Tipton is a real estate partner at Allen Matkins

Airbnb,” says Tipton. “It used to be that if you were trying to get information there were specified routes, and now information is so much more generally available to the public that the ability to have these transitory economic activities is much more empowered.”

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