

#CRE INSIGHTS

Short-Term Leases Are Reshaping What Is Possible For Tenants And Becoming A Staple In Office Buildings

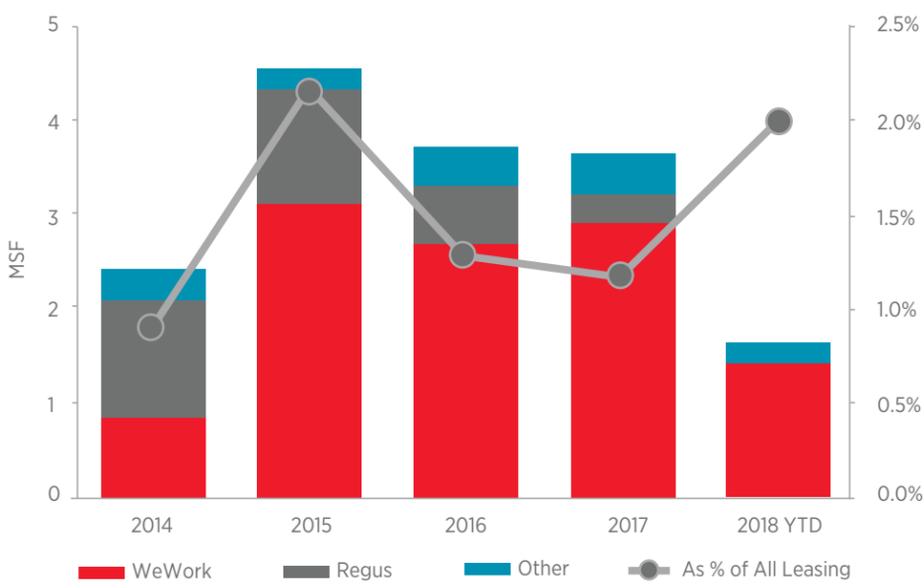
Q3 2018 | SEPTEMBER

With over 5 MSF of new space being introduced each year, half of all current U.S. coworking space has opened since early 2015. Coworking offers flexible lease options to tenants that are often short-term, include significant amenities, and promote collaboration among tenants. In addition to coworking, flexible office space offers more security and privacy for short-term leases. Flexible office space currently accounts for 1% of total office inventory and is anticipated to triple in size, accounting for 5% or 10% of inventory in the foreseeable future. Other predictions estimate that coworking could account for 30% of office space by 2030. While short-term leases may be unpredictable, investors are becoming increasingly comfortable allocating space to coworking or flexible office tenants: **15-30% OF A BUILDING'S SQUARE FOOTAGE** may be dedicated to these types of uses without material adverse impact on valuations.

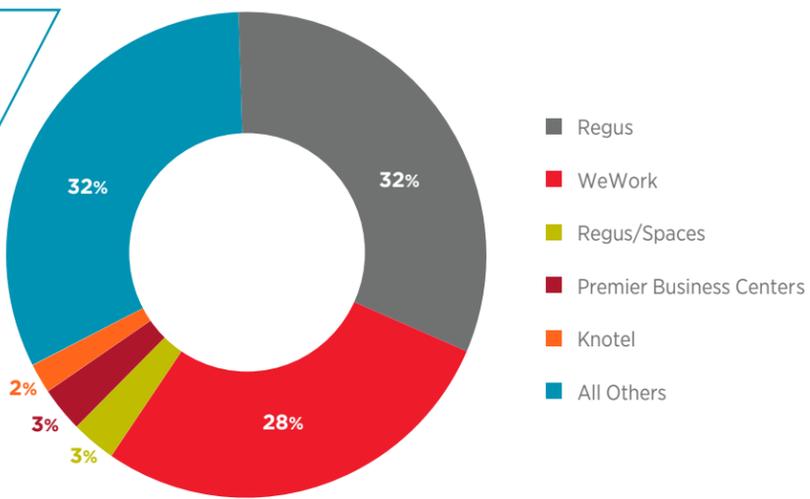
Traditional leases are becoming less attractive with short-term options available in coworking or flexible office space from startups like WeWork, Convane, and Knotel. These startups continue to raise capital to expand their footprint and offerings. In 2018 alone, Convane raised \$152 million, Knotel raised \$70 million, and Wework raised over \$1 billion to continue developing their services around the globe.

As more alternatives to traditional leases emerge, will more companies adopt short-term lease options to attract and retain young talent, or will these options remain a niche to support startups and high-growth companies?

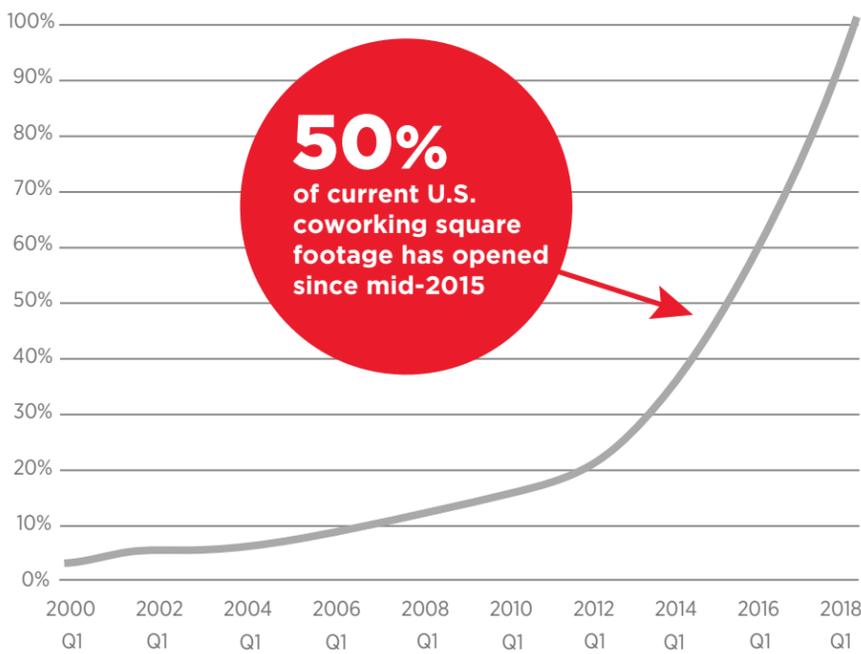
NEW COWORKING LEASING ACTIVITY IN THE U.S. MIDYEAR 2018 (TOP 10 PROVIDERS)



CURRENT NATIONAL OCCUPANCY BY PROVIDER MIDYEAR 2018



NATIONAL COWORKING INVENTORY GROWTH



Source: Wall Street Journal; Cushman & Wakefield Research

FOR MORE INFORMATION, PLEASE CONTACT:

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