



Successful Landlord-Direct Flexible Space Before & After COVID 19

Boxer Property Self-Executes a Resilient Model at Scale

While many landlords face looming crises associated with co-working, collaborative, and flexible space strategies dependent on intermediaries, Boxer has emerged as a low-risk, large-scale example of success. The paper explores underlying market conditions and outlines how Boxer used Stemmons Enterprise to build the internal capabilities that made it possible.

KEY POINTS

- Flexible or collaborative space delivered through intermediaries has not worked.
- These programs must be integrated into the operations of the entire building, and be delivered by the same team handling general property operations.
- Eliminating inherent conflicts over use of the space adds tremendous value to landlords.
- Organized systems that unify operations allow building managers to provide these services directly.
- This migration to internalizing flexible space management has turned from luxury to necessity.

April 28, 2020

EXECUTIVE SUMMARY

Deploying Stemmons Enterprise allowed Boxer Property Management to meet customer needs and become one of the largest direct providers of flexible spaces in the country. Unlike many other landlords, Boxer provides these services directly (through its internal brand, Workstyle), without costly and conflicted intermediaries like WeWork and Convene. By mastering the skills needed to provide these services without the extra layer of an intermediary, Boxer has been consistently profitable and avoided the many downsides of relying on middlemen. Boxer's model focuses on dedicated enclosed space for every customer – there are no “hot desks” or drop-in memberships; every customer gets a door they can close. This combination positioned Boxer for post-WeWork, post-COVID 19 long-term success. The Stemmons Enterprise platform was critical to this effort, and allowed Boxer to implement and scale the new services and processes it needed to become a major player in this space.

EVOLVING CUSTOMER DESIRES

Pre-COVID 19 Needs: Flexibility & Space as a Service

The commercial real estate market was changed by the worldwide trend toward on-demand goods and services. Advancements in mobility gave rise to a new class of office users that are more agile and efficient than traditional competitors, but want more dynamic work environments than traditional landlords can provide. This new “on demand” “space as a service” works for smaller and startup companies, and is now a must-have for larger enterprise customers seeking marginal flexibility.

These trends created a strong market for non-traditional space, variously described as collaborative, creative, co-working, or flexible space. While there are no standard definitions for these terms, they generally refer to workspaces with shared amenities, a sense of community, smaller users, and short-term commitments.

Post-COVID 19 Needs: Separation & De-Densification

The COVID-19 pandemic has added an immediate, critical need for separation and “workplace distancing” to office space use. The trend toward increased density, open workspaces, hot desks, hoteling, and blending of social and work spaces ended precipitously. In place of proximity and density, employers are focusing on providing separation and adequate spacing. Even after the current virus, we believe that it will be seen as too risky by employers and/or government regulations to maintain the density of today. Asset owners should prepare for 200-250 square feet per person to become the norm.

OPERATIONAL REQUIREMENTS & CONSIDERATIONS

Many Landlords & Property Managers Turned to Intermediaries

Increased demand for flexible and amenitized spaces caused landlords to offer these types of products, hoping to capture smaller and more progressive companies and also to provide marginal flexible space to larger tenants. Landlords and property managers, unprepared for the operational realities of providing these services, overwhelmingly relied on third-party specialists (like WeWork) to enter the market.

Even before COVID-19, the shortcomings of this approach were becoming evident. Working with intermediaries typically included large up-front expenses in brokerage commissions and with revenue delayed by long free-rent provisions.

Inherent channel conflicts were rife as co-working providers sought to keep expanding customers within their spaces and distributed leads among nearby locations with different owners.

In the meantime, some markets became saturated with too-high ratios of co-working space.

Challenges prior to COVID-19



[Amid reports of vacant space, layoffs and concern over competitor WeWork's money-burning model, Knotel CEO Amol Sarva said the company expects to be cash flow positive this year.](#) – Commercial Observer, January 27, 2020



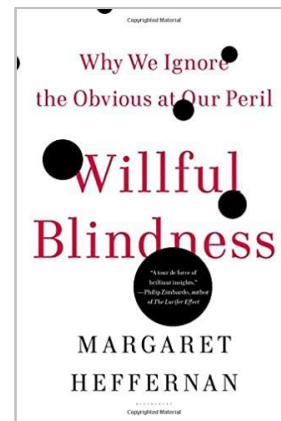
[WeCrashed is a six-part series about the rise and fall of WeWork. It's a story of hope and hubris, big money and bigger screwups, and the lengths people will go to chase "unicorns."](#) – Wonderly, Episode 1, January 15, 2020



[In latest reboot, startup hub Station Houston becomes nonprofit.](#) – Houston Chronicle, January 7, 2019

The complications associated with the COVID-19 pandemic massively compounded these problems for two important reasons. First, landlords and property management companies became suddenly exposed to the intermediaries' financial, legal, and logistical problems, which proved to be significant. Second, the physical spaces created by these intermediaries (and, indeed, their entire business models) focus heavily on shared, open spaces that are incompatible with the workspace distancing that companies currently need. Applying workplace distancing in these configurations which were not built for it absolutely undermines the already-shaky business models.

Tracing the decision-making process of traditional asset owners who chose to ignore the conflicts and structural flaws in the intermediary-driven approaches inevitably leads to psychology. Rather than confront the need to learn new skills, many sophisticated operators collectively suspended disbelief and imagined that WeWork had the \$47 billion answer. Critical thinkers likely decided that this valuation, unsupported by reality, was a PR-driven and potentially fraudulent concoction of WeWork and Softbank. But many landlords chose magical thinking and accepted it as a viable option. Adding insult to injury, these landlords ultimately kept all the risk as many intermediaries have simply stopped paying during the current crisis.



"We turn a blind eye in order to feel safe, to avoid conflict, to reduce anxiety, and to protect prestige."
– Amazon Summary

Traditional Landlords & Property Managers Were Constrained by History

The traditional functions of a commercial property landlord or manager evolved around a series of assumptions that dictated the structure, team composition, and capabilities of companies in the space. In general, the industry was built for i) larger users with ii) good credit that iii) commit to long term leases. Once a tenant occupied a space, the tenant handled the vast majority of what happened inside. Accordingly, traditional managers cover limited functions and handle low transaction volumes.

TRADITIONAL LANDLORD / MANGER FUNCTIONS			
LEASING	PROPERTY MANAGEMENT	ASSET MANAGEMENT	CONSTRUCTION
<ul style="list-style-type: none"> • Property Marketing • Touring • Lease Negotiation • Lease Execution 	<ul style="list-style-type: none"> • Equipment Provisioning • Engineering & Maintenance • Utilities • Building Security • Connectivity to Site • Parking • Lease Administration • Property Accounting 	<ul style="list-style-type: none"> • Structure & Approve Deals • Budget Oversight • Property Strategy 	<ul style="list-style-type: none"> • Approve Tenants' Plans • Oversee or Perform Construction

Traditional roles left landlords unprepared to meet evolving customer needs.

Operational Gaps for New Entrants




Providing flexible and collaborative spaces required filling gaps beyond the capabilities of a traditional landlord or property manager. Covering these gaps, which fall into several categories, is necessary to meet the changing needs of new users.

GAPS TO FILL		
TRADITIONALLY DONE BY TENANTS	OPERATIONAL ADJUSTMENTS	OPPORTUNITIES
<ul style="list-style-type: none"> • Interior Design • Conference Room Technology • Conference Room Booking • Wi-Fi • Shared Break Rooms / Waiting Areas • Event Management • Maintaining Workplace Standards • Package Acceptance 	<ul style="list-style-type: none"> • Leasing / Marketing (Syndication) of Smaller Spaces • Virtual Tours • Higher Transaction Volume • Suite-Level Access Control • Day Cleaning • Systems Integration / Extension 	<ul style="list-style-type: none"> • Food Service • Event Management • Programming • Professional Services / Referrals • Mentorship / Acceleration

Traditional landlords and property managers needed to fill significant gaps to stay relevant.

Landlords' Options to Fill Gaps

In general, traditional landlords (directly or via a property management company) can address these by full outsourcing to specialized intermediaries, developing internal capabilities, or a combination of both.

	FULLY OUTSOURCED	BLENDED MODEL	INTERNAL CAPABILITY
Description	Landlord signs a long-term lease with a Provider, typically for one or more full floors. Landlord pays for improvements and Provider operates the space. Provider keeps all profits. Landlord receives providers rent payments.	Landlord signs a long-term contractual agreement with a Provider, typically for one or more full floors. Landlord pays for improvements and Provider operates the space. Provider and landlord split the profits according to contractual agreement.	Landlord or Property Manager is the Provider, and has infinite flexibility in determining the size of space to be converted and branded as flexible workspace. Landlord pays for improvements and operates the space as part of the building ecosystem without any duplication of costs. Landlord keeps all profits.
Examples			
Pros	<ul style="list-style-type: none"> • Fastest path to comprehensive services • Centralized marketing • Brand benefits 	<ul style="list-style-type: none"> • Partnership with landlord • Risk is shared • Landlord does not need to learn new skills 	<ul style="list-style-type: none"> • No specialty middleman • Amenities become integral part of building ecosystem • Cheaper to operate due to no duplication of marketing, accounting, maintenance, customer service • No channel conflict / competing for tenants • Landlord captures value of tenant growth • Brand benefits accrue to Landlord • Huge discretion to determine and change the overall size of the flexible space product • Market same space in different configurations and to different audiences (see Synthetic Space below)
Cons	<ul style="list-style-type: none"> • Localized within building • Large minimum space size • Exposure to vendor's risks • Expensive up-front cost • Landlord does not capture value of tenant growth. • Marketing channel conflict • Misalignment of Landlord / Provider interests • Brand exposure 	<ul style="list-style-type: none"> • No guaranteed income • Localized within building • Large minimum space size • Exposure to vendor's risk • Expensive up front cost 	<ul style="list-style-type: none"> • Landlord needs to learn new capabilities • Landlord assumes direct risk

Developing internal capabilities is clearly a preferable long-term solution.

Avoiding the Conflicts and Going Direct

In considering these options, the outsized benefits of developing internal capabilities were clear to Boxer, with the most significant drawback being the challenge of developing new internal capabilities, especially in an industry with long-established frameworks of roles and responsibilities. In short, Boxer had not only to learn how to provide services directly, but also to do so in a way that could scale without sacrificing quality, durability, or agility.

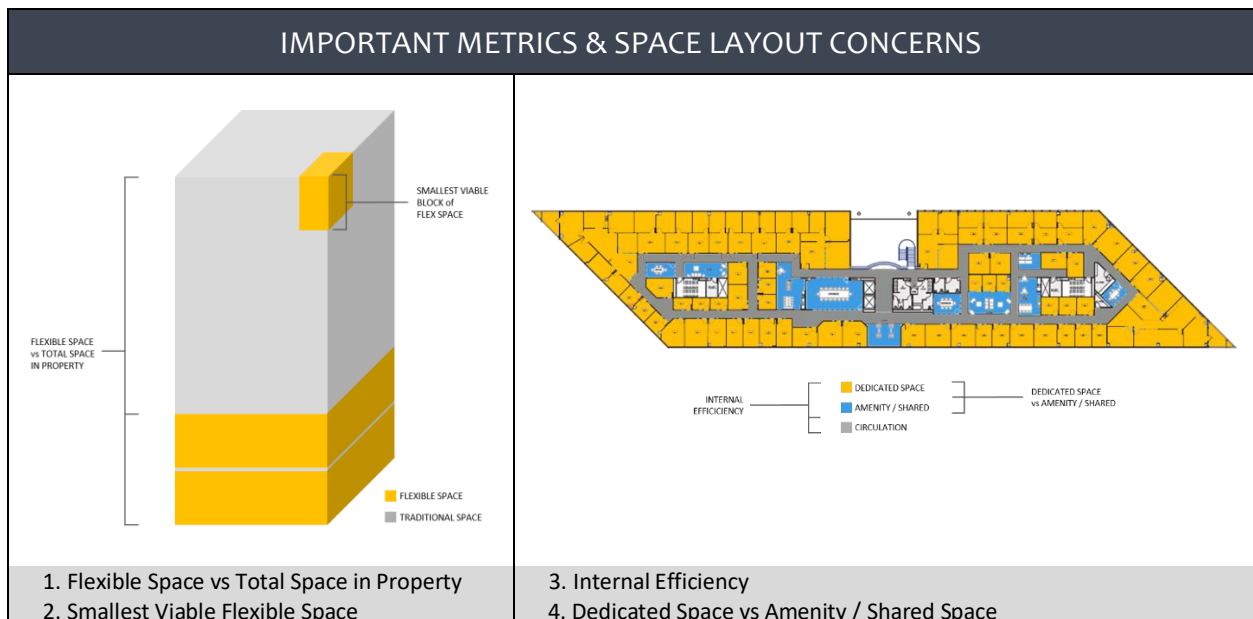
For branding and marketing purposes, Boxer created Boxer Workstyle and uses the Workstyle branding both online and within the flexible spaces. While Workstyle has its own website, it is not a separate company and the Workstyle services are delivered entirely by Boxer Property. Boxer provides third-party management services to asset owners; Workstyle is only provided in the context of full-property, full-service management agreements.



SPACE LAYOUT & DESIGN

Getting the Mix Right

In addition to the operational challenges associated with developing new capabilities, Boxer had to address the physical and design requirements of providing flexible space. Some considerations related to macro factors, like the percentage of a property devoted to flexible space, or the minimum viable size of a flexible space. Others concern the design within a given flexible space, and in particular various ratios that determine the usability and financial viability of the space.



Flexible space requires developing and understanding new metrics.

Boxer took the time to experiment with various solutions to these design issues, and used Stemmons Enterprise to help track both the inputs of these experiments and also the outcomes. Using a clear

process and workflow, every project was tagged with a consistent set of metrics that have been used to guide the design of future projects.

Building for Resiliency & Optionality

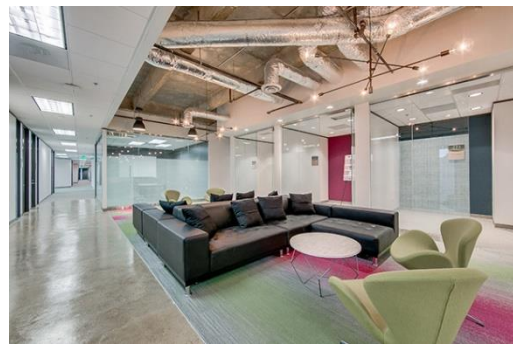
Once built, modifying space is expensive – unless the changes are anticipated in the design. Changes to flexible space typically involve a growing or larger user wanting its own delineated space, which is predictable. Boxer accounts for this by designing various configurations – from maximum diversity (no customer has more than one space) to single-user (the entire thing is leased to one user) – and minimizing the cost to switch between them. This approach may result in minor up-front design concessions, like door placement, hallway termination, or the strategic location of a lounge area that may become a tenant’s reception area. But these approaches provide resiliency and optionality that lead to major savings when converting to larger users. In addition, various configurations are tracked and marketed concurrently, leading to richer results for online searches for space.

High-Quality Design vs Cost-Effectiveness

Balancing design quality with the cost per square foot of building and furnishing space is a fundamental challenge in providing flexible space. Landlords who addressed this through intermediaries quickly found that they were footing the bill, while the intermediary hired and directed the design firm. Costs per square foot skyrocketed with landlords routinely paying \$150-\$200 per square foot just for improvements. Boxer addressed this head-on by building internal design capabilities and focusing on getting the look for less. Boxer’s improvements – including FF&E – typically come in in the \$35-\$50 per square foot range for second generation space.



Workstyle Houston



Workstyle Atlanta



WeWork UBS Lounge



WeWork Pacific Design Center

Boxer's Resulting Flexible Space Model

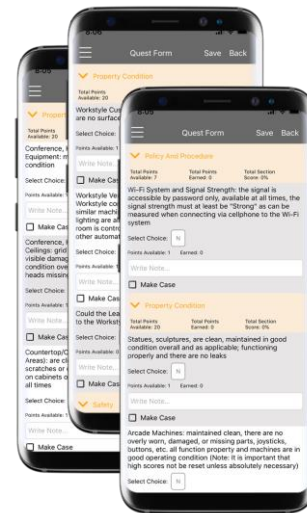
Boxer's Workstyle space model includes a variety of dedicated offices including micro-offices, individual offices, front-backs, and multi-room offices. Each Workstyle space can be further segmented with minimal effort into larger configurations of multi-room offices to accommodate customers who grow, or can be leased to single users who need larger space that is available immediately or progressively.

Limited-Staff Model

Flexible spaces serviced by intermediaries needed – almost by definition – to provide a high-touch service to i) substantiate the higher margins needed to pay an additional layer of cost-structure and ii) cover the additional management resulting from hot-desking, memberships, and the model of having more people than available space. Although these features sounded alluring, they result in needing a much higher minimum space size (typically at least 25,000 feet) to make sense.

Boxer identified a huge gap in the market for limited-service flexible spaces. By dropping the programming, hot-desking, and memberships, Boxer is able to provide unstaffed flexible spaces. Without the cost of a full time staff member, Boxer can repurpose vacant spaces as small as 1,500 square feet into multi-user flex space. Typical Workstyles are in the 5,000 square foot to 30,000 square foot range, and do not require dedicated staff. Instead, property staff (like Property Managers or Leasing Agents) are sited within a shared Workstyle space – even if they cover multiple properties and are only there intermittently.

Without dedicated staff on site, it became important to create a regimen of standards and inspections to ensure that unattended sites are visited regularly and meet standards. Boxer used various elements of Stemmons Enterprise to track all Workstyle Spaces, schedule regular inspections, and capture the results both in the form of scores and also automatically-generated work orders.



Stemmons Enterprise manages regular inspections of unstaffed Workstyle locations.

INCREDIBLE LEASING OPTIONALITY

Having the landlord (or its property management and leasing team) provide flexible space to small users opened up some incredible opportunities unavailable when using an intermediary. In particular, Boxer can present same space to three different audiences, concurrently.

Individual Users: Small, flexible spaces.

These are typical executive suite, co-working, or small company users who want individual offices with shared amenities. In some instances a license agreement is used instead of a lease. Terms are short; 12 months or fewer, and always include an option for landlord to relocate or terminate with 30-day notice. Most agreements are executed electronically and never printed, and payments are accepted by recurring

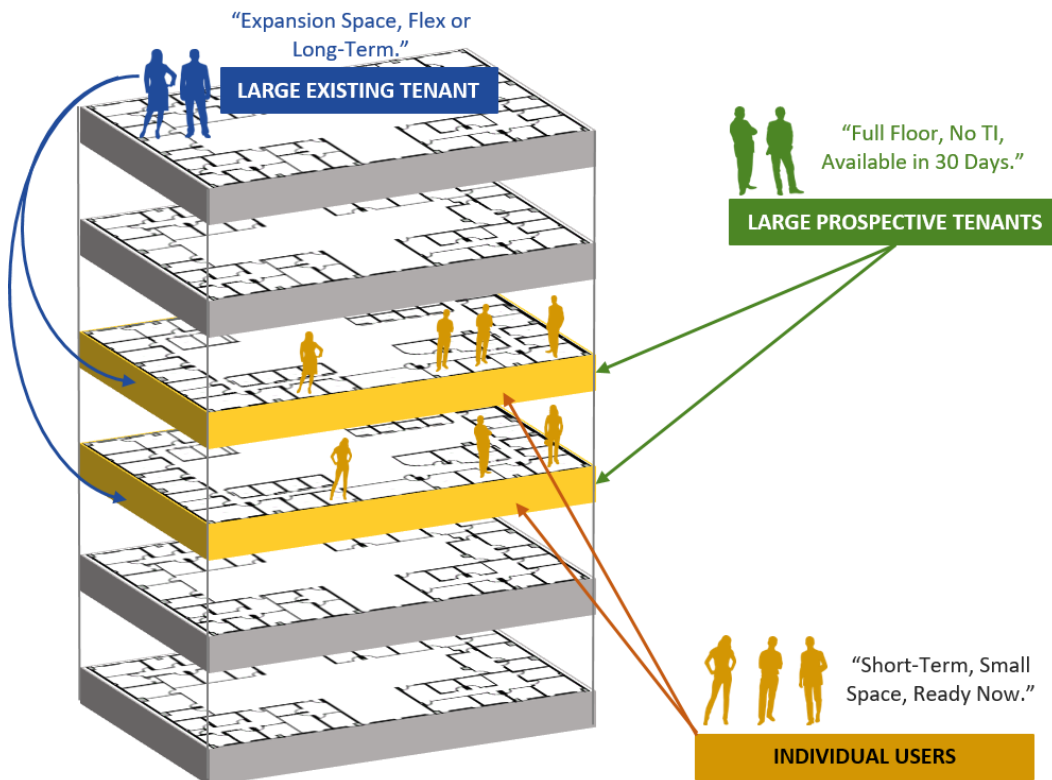
ACH or credit card. Marketing to these customers is typically online, either directly or through syndicate marketing.

Large Prospective Tenants: Turnkey space, delivered quickly.

The space is also concurrently marketed to traditional prospects who may need a full floor or larger space, especially on short notice. Boxer can typically deliver a full floor very quickly simply by relocating short-term users to other spaces within the property or, in rare cases, not extending their agreement. For a traditional prospect, this is a great option as all Workstyle spaces are designed with a single-user in mind, the space is ready quickly, and there are no delays or budget overruns associated with improving space. From the tenant’s perspective, it is turnkey space; from the landlord’s perspective, it is a spec space that has been generating revenue. These prospects are found both online and through traditional brokerage channels.

Large Existing Tenants: Flex space on demand.

Existing tenants in the building can easily expand into the Workstyle space, either on a short-term or long-term basis. This expansion can be as granular by individual office, or they can take larger blocks of available space. This kind of “flexibility as an amenity” for larger tenants can also be translated into option language in the main lease. For example, rights and rates to flexible terms can be agreed up front, and the landlord may even delegate the ability to relocate or not extend individual flex space users to the larger tenant.



Workstyle allows the same space to be presented concurrently to three different audiences. It represents turnkey space to large prospects, option space to existing tenants, and – in the meantime – smaller and individual users can enjoy flexibility and amenities without long term obligations.

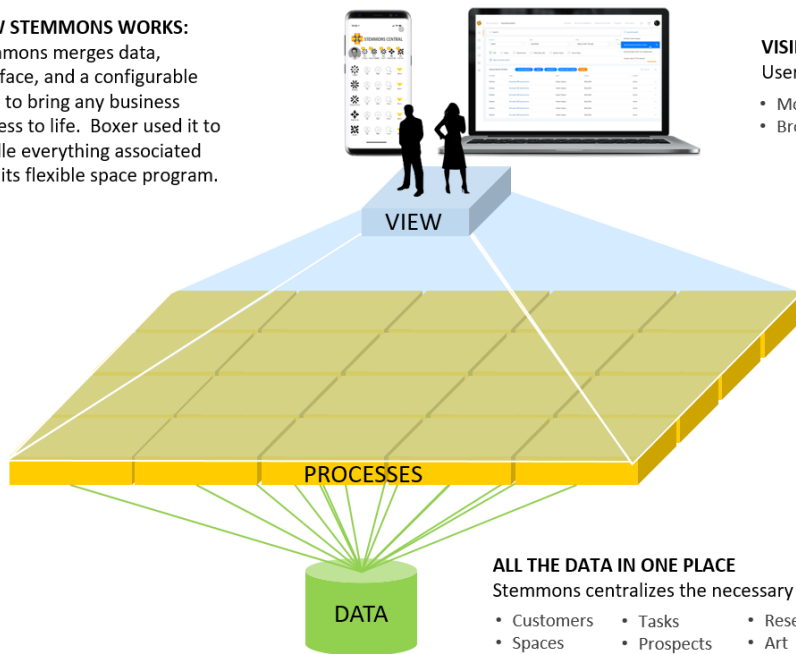
HOW BOXER MET THE CHALLENGE

Stemmons Enterprise Allowed Boxer to Develop Capabilities & Offer New Services

Developing internal capabilities at scale required more than just hiring new team members. Across the organization, Boxer needed existing staff to participate in new activities, follow new processes, and to exhibit flexibility in their understanding of their jobs. This needed to be done in a way that did not require extensive training, could iterate elegantly, and be deployed consistently at scale.

Boxer used the dynamic tools provided by Stemmons Enterprise to not only invent and change new approaches, but also to embed them in the teams' normal course of work.

HOW STEMMONS WORKS:
Stemmons merges data, interface, and a configurable tools to bring any business process to life. Boxer used it to handle everything associated with its flexible space program.



VISIBLE IN ONE INTERFACE

Users can see everything in one place.

- Mobile Application
- Browser-Based Application

BUSINESS PROCESSES ENGINE

The functions to support flexible space, configured in Stemmons.

- Customer Requests
- Available Spaces
- Space Inspections
- Customer Check-In
- Food Orders
- CRM
- Wi-Fi Support
- Art Management
- Room Booking
- Recipe Tracking

ALL THE DATA IN ONE PLACE

Stemmons centralizes the necessary data in a common repository.

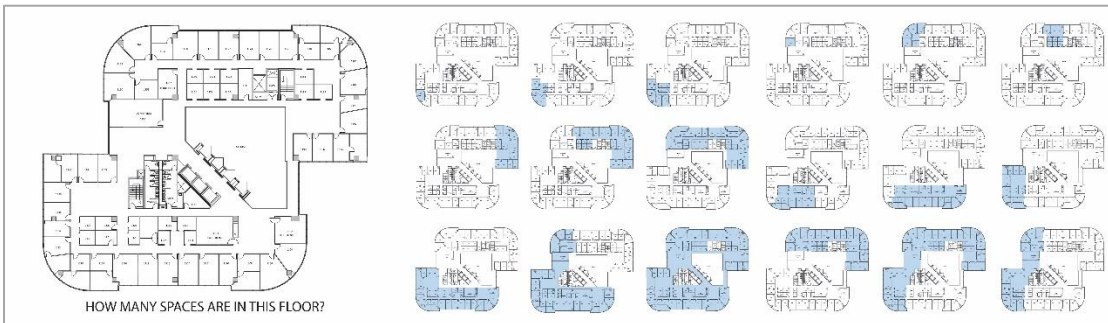
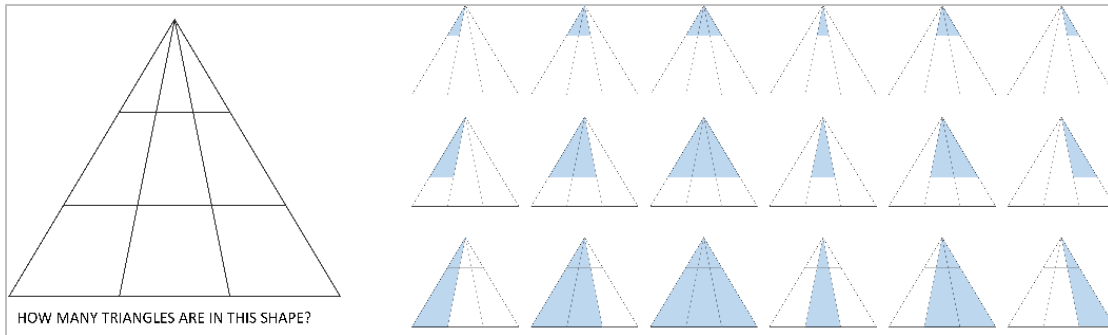
- Customers
- Spaces
- Requests
- Tasks
- Prospects
- Documents
- Reservations
- Art
- Finishes
- Wi-Fi Systems
- Conference Rooms
- Food Orders

Stemmons Enterprise provided an elegant way of developing and launching the new business processes Boxer needed to deliver flexible space. The system combines a common interface with a set of configurable process tools, connected to a common data source.

Boxer used Stemmons to create, test, and launch a wide variety of new capabilities. Some examples are described below.

Creating and Tracking Synthetic Spaces

Segmenting a large space into many smaller ones creates an incredible opportunity to market multiple versions of the same physical space. Historically, options to subdivide or combine spaces would be handled by in-person conversations, typically between brokers. However, when spaces are marketed and searched for online, it is extremely valuable to create an actual listing for the many combinations that could be created. Boxer handles this by capturing "synthetic spaces" that do not exist on the rent roll as records in Stemmons Enterprise, which feeds the display on the web site. In this way, a given square foot of space can be marketed as part of a variety of different suites concurrently.



Like the common brain teaser shown above, Boxer can identify – and market in parallel – multiple smaller spaces within a larger one.

Automatic Lease / License Generation

The process of executing Workstyle agreements* with users differs materially from traditional office leasing. Workstyle agreements are populated directly from Central Sales (the CRM configuration of Stemmons Enterprise), generated automatically, conveyed via DocuSign API integration to customers for electronic signature, and profiled back into the system upon completion. With a much higher volume of agreements and far fewer changes to them than traditional office leasing, this automatic process is critical to managing workflow and reducing costly errors.

** "Agreement" is used generically because the operative document may be a lease or a license. Licenses have some benefits over leases, especially for short term users, but the decision as to which to use varies based on factors like state, property, lender, and specific space user.*

Space & Amenities: Standards and Quality Inspections

Traditional landlords are used to maintaining things like lobbies, hallways, and restrooms, but the ongoing maintenance of in-space common areas like waiting areas, lounges, conference rooms, huddle rooms, and break rooms is much more nuanced. Boxer recorded requirements for maintaining these areas in Standards (a repository for operational documentation) so that employees could easily find information on how to maintain these areas, and performs regular checklist-based inspections using Quest. Stemmons Enterprise contains information on all the relevant elements: locations, standards, inspection schedule, checklists, inspection scores, and the resulting work tickets for items discovered. Rolling out a comprehensive and self-sustaining inspection system via Stemmons Enterprise was a key component to maintaining quality operations.

Customer Request Management

A building with a higher number of smaller users has a higher load of customer requests than a traditional office building. Simply calling or emailing the manager (and having that person relay the message to accounting, leasing, maintenance, or others) as is often done in traditional office is not sufficient and can

lead to customers feeling unappreciated. To address this, Boxer deployed Stemmons for Customer Support. This approach allows customers to make requests via multiple methods (email, web form, mobile app, or more traditional ways) and also routes certain types of requests to the right person. The system generates reportable insights about request volume, response time, and keeps records of every request tied to the customer’s record. This approach allows Boxer to respond not only to typical things like work orders and accounting questions, but also to quickly field and route requests for Wi-Fi access, room booking, event RSVPs, and other things not typically handled by property management.

Furniture Placement Plans

Once a Workstyle space is fully provisioned, a checklist ensures that the design elements and furniture placement is captured for future use. These artifacts make sure that – even after the original designers and team have moved on – the space will remain in an appropriate configuration and that any replacement items can be easily re-ordered. Maintaining consistency within a given site delays the inevitable slide that comes when many people make design decisions over time and helps preserve the original look and feel of the space.

7676_240.01 WORKSTYLE: LOUNGE AREA

#	Vendor	Description	Size	Color	QTY
F-83	MESSENGER	PHANTOM SOFA	78"X48"X34"	BROWN	1
F-125	200	RETRONOR TABLE	28"X28"X28" P	LASSA WINDUP PINK WHITE	1
F-125	200	PLUMP OTTOMAN	17"X18"X28" P	SEBASTI BLACK	1
F-125	200	PLUMP OTTOMAN	17"X18"X28" P	SEBASTI WHITE	1
F-125	200	PLUMP OTTOMAN	17"X18"X28" P	SEBASTI BROWN	1
X-1	WEEK COAST INDUSTRIES	CUSTOM TABLE	30"X72"	TORRENO JERMANICA WELD BROWN/PALE NEBULA GREY	2
F-113	FURNITURE RESULTS	BENTWOOD CHAIR	21"X 18"X32"	NATURAL	12

A furniture plan like this is available for every shared space.

Room Booking

Booking conference rooms typically requires either a separate software application or the active involvement of a Community Manager or administrator. Stemmons Enterprise allows for the tracking of available “reservable spaces” and the capture of reservations through email or web form.

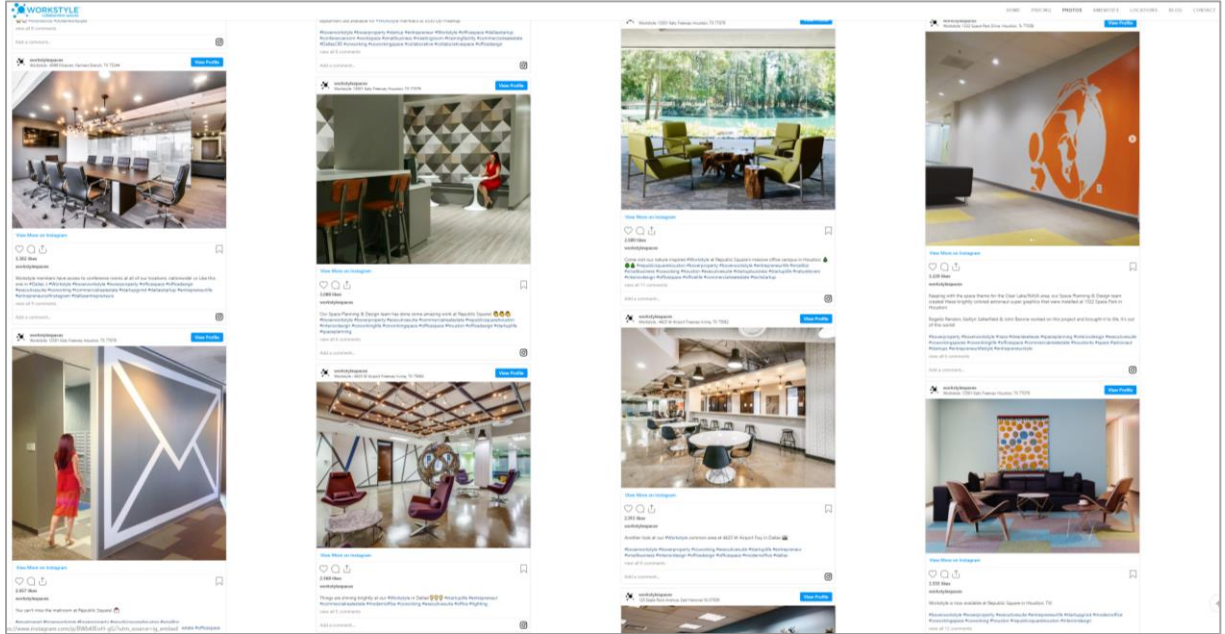
Web-based Room Reservation Form

Food Orders

In locations where Boxer manages food service, Customers can make food orders through a web interface to be delivered directly to their offices. Running these orders through the Stemmons system allows orders to be associated with individual customers and suites and the system connects to a traditional POS through API integration. Adding food service functionality began an extension of Boxer’s hospitality operations, but has proven to be an attractive amenity in an office environment. In addition, blended scenarios are available where a third-party food operator is integrated in a Workstyle environment or tenant center.

Track and Show Available Space on Website

Once the underlying spaces (and all synthetic permutations) are housed in Stemmons Enterprise, the listing information is surfaced on the Workstyle website, an SEO-friendly place for customers to find flexible spaces directly, without going through a broker, and also on the Boxer Property web site.



The Workstyle Spaces site shows information on available spaces.

Wi-Fi Helpdesk

Managing and supporting Wi-Fi implementations has become somewhat routine for visitors to building lobbies, but the stakes are higher when customers are using the Wi-Fi as their primary source of business connectivity and are paying for it as a service. Boxer uses Stemmons to track all Wi-Fi implementations, perform quality checks on them, and to capture and traffic trouble tickets and assorted requests from customers.

Space Syndication System

Boxer uses Stemmons and a helper application to syndicate listings of flexible spaces to aggregators of available space. By automating the provision of listings, Boxer attains a much broader reach without having to manually package, send, and update information.



Contact listingsites@boxerproperty.com to join Boxer's syndication program!

Managing Art

Even traditional landlords often fail to properly account for and manage art, but at least their portfolios are relatively small. The quantity and variety of art needed to properly furnish flexible space far exceeds what a traditional landlord is used to managing. Providing interior space artwork requires not only sourcing and placing, but also routinely checking (and occasionally repairing) sculptures, hung art, murals, installations, and multi-media art. Boxer configured an Art Management program in Stemmons, to manage the sourcing, installation, and management of thousands of pieces of art, making sure that every space looks good.

Tracking Finish Packages

Keeping track of things like carpet styles, paint colors, and tile SKUs sounds easy, but tracking all the finishes used across a portfolio can be surprisingly complex. Although Boxer looked to standardize finish packages across properties, on-site conditions and changing styles inevitably lead to many different versions. When a space is created, Boxer uses Stemmons to capture the finish specifications (manufacturer and styles for paint, wall coverings, flooring, and so forth). Later, when something needs to be repaired or re-ordered, or if the space is being expanded, the on-site staff can easily handle the process without doing research or involving a designer.

OUTCOMES & CONCLUSION

Important Outcomes

The benefits of the landlord or management company providing flexible space without a specialized intermediary, far outweigh the operational challenges. Boxer experienced many positive outcomes.

Improved NOI of Properties

Properties with Workstyle spaces in them generally outperformed traditional spaces.

Inflation Hedge

In an inflationary market, shorter term leases present a unique opportunity to adjust rates more frequently.

Diversification of Tenant Base / Property Resiliency

The variety of users in a typical Workstyle environment helps diversify the customer base and protect the property's revenue from shocks associated with concentrated exposure to companies or industries.

De-Densification and Workplace Distancing

Boxer's Workstyle spaces have a lower density than many traditional offices and typical membership-based co-working layouts. Even the Workstyle micro-offices (the smallest available spaces) have four walls and a door.

Reduced Parking Utilization

Parking utilization by individuals occupying workstyle spaces is less than that of typical employees of larger companies, likely because entrepreneurs and startups are more flexible as to time and location. Properties with tight parking ratios can add Workstyle space to extend the available parking spots.

Developing Earlier Relationships with Companies

Many individual users of Workstyle spaces are entrepreneurs, start-ups, or spin-offs. Catching these companies when they are small allows for an important relationship with the company that often means not having to compete for that relationship later, when the company grows.

Capturing Customer Growth without Channel Friction

When a smaller user is successful and needs to "graduate" to larger, more traditional space, Boxer avoids the conflicts often seen between the asset owner and the intermediary.

Reward for Risk

Landlords who worked with intermediaries may have thought that they were shifting risk to those entities (and their investors), but the current wave of defaults from co-working providers and their shaky balance sheets shows that the risk was still the landlords'. A direct approach at lease provides clarity and give the asset owner the upside associated with these activities.

Amenities for the Whole Building

Properties without intermediaries providing amenity-rich environments can extend the use of those amenities to the entire tenant base, not just those receiving services from the intermediary.

Strategy for Smaller and Mid-Size Vacancies

Smaller spaces (for example, 2k to 3k square feet) can be easily turned into multi-user, flexible spaces and managed and marketed as Workstyle, since the model does not require dedicated staff. In this scenario, the property manager typically extends an existing finish package to the space, adds it to the inspection

regimen, and it is available on a partial basis. Later, it can easily be turned back to a single-user space.

Spec Space Inventory that Generates Revenue – “Covered Land Play”

Landlords with smaller, short-term users can consider these spaces available as specs for larger, more traditional users. The dynamic nature of individual users and normal turnover means that it is typically possible to relocate them within the property such that the landlord can both maintain current revenue and have a ready inventory of “covered” spec spaces.

Flexibility as an Amenity / Inducement for Larger Tenants

Flexibility has value to larger tenants, who will pay more and be more likely to sign a lease in a property with on-demand (or short-notice) turnkey room to expand. This works best for everyone when the landlord generates interim revenue on the expansion space. Priority access to this space can be incorporated into larger tenants' leases.

Conclusion

Patterns for how we work and live constantly evolve, and today's norms for things like how long we stay in jobs, homes, and relationships would be exceptions (or scandals) in prior generations. Patterns for office usage have similarly changed, and asset owners were forced to adapt. Those who turned to intermediaries and specialists overlooked incredible structural conflicts and ended up exposed to – and now absorbing – a lot more risk than they admitted. Meanwhile, the ultra-density and membership-based models favored by these intermediaries won't work in an era of social distancing.

The provision of flexible space must be integrated into the operations of the entire building, and be delivered by the same team handling overall property operations. This approach eliminates expensive conflicts and provides multiple layers of benefit, but also requires a property management company to develop capabilities beyond those of last-generation, traditional providers.

Using a system – like Stemmons Enterprise – that unifies operations and allows changing business processes to be deployed easily is critical to providing these services directly.

The genie will not go back into the bottle. Smaller, dynamic companies will continue to exist and will want short-term, ready-to-occupy spaces. Larger organizations will continue to want marginal flexibility in the form of on-demand flexible space as a supplement to their long-term commitments. In this context, the internalizing of flexible space management has turned from luxury to necessity.

BOXER OFFERS FULL-SERVICE PROPERTY MANAGEMENT

Boxer Property (www.boxerproperty.com) is a full-service property management company that acts as an owner's representative to manage properties – including traditional property management, flexible space programs, and leasing services delivered in concert. If you are an asset owner and would like to talk to Boxer about deploying a flexible space program in the context of comprehensive property management, please contact:

Marc El-Khoury

Head of Flexible & Innovation Space

Boxer Property Management

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STEMMONS ENTERPRISE FOR LANDLORDS AND PROPERTY MANAGERS

Stemmons Enterprise (www.stemmons.com) provides a real estate operations platform that easily adapts to your existing processes and helps you create new ones. If you are an asset owner or property management company interested in rolling out a flexible space program or otherwise improving and organizing your business, please contact:

Liz Coleman

Director of Marketing

Stemmons Enterprise

liz.coleman@stemmons.com

