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Companies cashing in on underutilized space

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Several innovators in the real estate industry are looking at efficiency in the use of space. The article *Innovative changes ahead in short-term hotel stays and affordable housing* discussed the efficient use of space in relation to hotel accommodations and addressing housing shortages. Tech savvy companies in other sectors of real estate are also looking at addressing inefficiencies.

Spacious, a New York company, initially focused on restaurants that were only open at dinner, activating those spaces during the day for co-working. For as little as $99 a month, a member has access to numerous locations for co-working in desirable restaurant spaces. Spacious provides power strips at each table, high-speed wireless access and free coffee and tea as well as small meeting spaces for companies that need conference rooms. Spacious is now negotiating short-term agreements with landlords of unoccupied retail space to retrofit the space for co-working while the landlord is looking for more permanent retail occupants.

Siemens Building Technologies recently acquired Enlighted. Andrew Krenning of Siemens noted the great value that Enlighted provides by discussing the following story. Enlighted places multi-function IoT sensors in lighting fixtures with the ability to collect data 65 times per second to detect environmental and occupancy changes and react to lighting and HVAC needs in real-time. Combined with advanced LED fixtures, today, Enlighted's platform can lower lighting costs of a building up to 85 percent. Recently, a company in mid-town New York City wanted to determine how effectively their office was being used. Enlighted's Space application was used to collect utilization data on all three floors of office space, including private offices, conference rooms and collaborative areas. Based on the data, space planners concluded

that, given the utilization levels, the company could downsize by a floor and easily accommodate the same number of employees. The potential lease-cost reduction was estimated at more than $2 million per year.

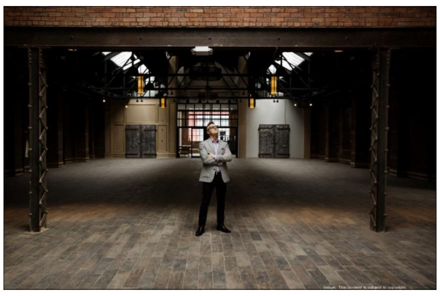
A company called LabShares Newton is offering shared laboratory space. The original company, Siamab Therapeutics, was performing cancer research with expensive equipment and a built-out laboratory, and began sharing the space with other biotech start-ups. Realizing that the space could be better utilized and that there is a synergy among scientists working and that the different users could share the costs of rent, equipment and the laboratory, Jeff Behrens, the founder of LabShares Newton (and also the CEO of Siamab) is now master leasing almost double the space of Siamab to operate LabShares as a biotechnology incubator.

Office tenants are realizing that conference rooms are rarely used. Breather, a Canadian company with numerous locations in Boston and other major cities, offers conference rooms of various sizes by the hour, thus permitting companies to save rental dollars while only using conference space as needed.

Companies who have warehouse space have often found that its needs change or its needs are only seasonal, thus having a significant amount of warehouse space that goes vacant for much or all of the year. Flexe, a technology company focused on the efficient use of space, is now a marketplace for both companies who need and companies that have excess warehouse space.

Co-retailing is catching on where several businesses share space in a store. The store may be an opportunity for online retailers to have a presence as well as to permit start-ups to determine, with limited risk, if their products have appeal.

A company called Bulletin started with a co-retailing store in Williamsburg, New York and recently opened another location in Soho. WeWork also opened a co-retailing store, selling products of companies using WeWork space.



Companies who have warehouse space have often found that its needs change or its needs are only seasonal, thus having a significant amount of warehouse space that goes vacant for much or all of the year. CAVAN IMAGES

Efficiency in the use of space has become a critical issue as the cost of space has increased. Innovators will continue to find novel ways to address a company's desire to have only the space it needs for only the time it needs it. These new trends in the marketplace will, in turn, require landlords to see their rental space from a new perspective, impacting everything from design of buildings to lease provisions, and lenders will need to decide whether to change their financial metrics for evaluating real estate assets.

Bernkopf Goodman, one of Boston's oldest law firms, provides representation across the full spectrum of commercial real estate and business transactions as well as complex litigation. Our contacts in the areas of finance, banking, construction, and development permit us to find creative solutions and to achieve results others cannot.

Eric Allon and Lydia Chesnick are real estate and business law partners at Bernkopf Goodman LLP with experience and knowledge related to commercial real estate disruptors, commercial leasing, the acquisition, management and sale of properties, financing transactions, commercial loan workouts, and the hospitality industry.

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