Q&A: Thoughts from the Top

Premier Workspaces CEO Sees Consolidation, Operators Failing

Newport Beach location on MacArthur Boulevard

Premier Workspaces once again ranks No. 1 among shared space providers in Orange County, with nearly half a million square feet of office space at various area locations.

The Irvine-based company, backed by local apartment owner and real estate investor **Bascom Group**, also is one of the oldest shared space providers in the country; it started 17 years ago as a provider of executive suites to smaller businesses.

Reinstein

It's changing with the times though. The company, previously known as Premier Business Centers, recently rebranded itself to fall more in line with other coworking providers.

Chief Executive **Jeff Reinstein** recently provided the Business Journal's **Katie Murar** some thoughts on where he sees the coworking industry is heading.

What's the state of coworking?

Premier Workspaces opened its doors in 2002. Over the past 17 years, the industry has been in a period of tremendous growth. Initial barriers to entry were minimal, so many jumped in. Now, the landscape is shifting. Lease rates are very high. Flexible space also accounts for a considerable share of total space in most major markets.

That sudden shift places pressure on margins that were already tight, so it's not uncommon for operators to fail.

We continue to receive a high volume of calls from those wishing to sell or exit the market.

It's clear that we're now in a period of consolidation. Larger companies are leveraging their economies of scale to grow and stay afloat. It's difficult to remain in the game without that advantage. As a company, we continue to focus on the core elements that built our brand—premium locations, well-rounded amenities, and affluent markets where executive clients live. That focus works well for us. We've been able to maintain profitable growth and our footprint has doubled since the recession.

Why are shared space operators booming?

Growth is driven by shifts in consumer behavior and demand. Clients require greater flexibility and recent regulatory changes (FASB) will further increase demand as companies wish to keep real estate expenses off their balance sheets.

We also provide services that allow clients to reduce overhead and enrich resources for on-site employees. Someone can walk into one of our centers and set everything up in a matter of minutes without a long-term commitment or service contracts from outside vendors.

With a footprint of more than 90 locations, we're uniquely positioned to help clients test new markets, relocate an existing team or both.

What's next?

I think that there is going to be a lot of consolidation as coworking companies that haven't figured out how to make a profit fail.

I also think that a lot more landlords will partner with companies like Premier to incorporate shared space components within their projects that they can fully control, but also generate more revenue than they would by leasing to a traditional tenant.

Companies like Premier add a lot of great amenities to an office project and act as incubators for the project bringing in small space requirements that eventually blossom into larger tenants that take space in the building. ■