

Gaining Popularity, Temp Offices Seen as More Than Just a Passing Fad

BY JOE CLEMENTS

BOSTON—It looks like the temporary office model is here to stay.

Once dismissed as a choice of last resort, shared office suites are being viewed as a favorable option to compete in the evolving, new-age economy. Locally, the reaction is seen in continued expansion by industry kingpin Regus, plus the arrival of a new player active in the mid-Atlantic states, Preferred Offices. There is also the launch of a shared workspace venture at TradeCenter 128 in Woburn by owner Cummings Properties, which now has in excess of 17,000 sf dedicated to that purpose in the 600,000-sf property fronting Route 128.

“We have been surprised at the level of demand,” says Cummings VP of leasing Eric S. Anderson, whose firm has opened a third phase of TradeCenter Executive



Eric Anderson



Patricia Whelchel

Suites after only starting the program in June. Among the area’s largest office landlords, Cummings sensed the concept might appeal to an increasingly entrepreneurial business population,

says Anderson. While the speculative building has attracted a constituency of tenants under 15,000 sf on standard leases, the TradeCenter Executive Suites space is luring firms needing a

less formal commitment, explains general manager Patricia Whelchel.

“It’s all about flexibility,” says Whelchel, a 20-year industry professional who notes offices and conference rooms can be let for as briefly as one hour. The same is true at competitors such as Regus and at Preferred Offices, which just took over 13 Synergy Workplace locations, including Ten/10 Post Office Sq. in Boston’s Financial District. General Manager Laurie Snelson says the approach has been adapted as users man-



Photo: Derek Szabo

date ala carte programs. “We can fit just about any budget and schedule,” says Snelson, enabling clients to meld a home office base with the occasional suite or office facilities. Some lease on a day-to-day basis in uncertain situations, such as one group waiting on a build out of their direct space to be completed.

Credited by Anderson for doing “an amazing job” since her arrival to help launch TradeCenter Executive Suites in April, Whelchel says the global nature of business is a source of steady traffic, having fielded calls this week from firms in Great Britain and the Netherlands. Shared office suites also suit the legions laid off who are venturing out on their own who have neither the credit nor staff to operate their facilities. The format also gives fledgling businesses access to top corporate addresses, helping enhance a company’s image.

For all the client benefits, however, observers say property owners are increasingly accepting—eager even—to having a shared office operator in their building. “It’s a great feeder system,” says Colliers Meredith & Grew SVP Matthew Daniels, whose firm recruited Regus to the Brickstone Square office park in Andover owned by Transwestern Investment Co.

The global network of Regus exposes Brickstone to companies needing the local branch to operate from while in the area, plus offers a chance occupants of the space will expand at the park should their platform succeed. Even having topped 75 percent occupancy this summer, Brickstone still has some 250,000 sf available that could sate expansion requirements from the Regus base.

Cummings already has a relationship with a North Shore company, Highland March, that provides shared office space at Cummings Center in Beverly, and Anderson says Regus and Synergy were encouraged to do the same at TradeCenter 128. When those firms balked, supposedly more for external strategic reasons than any shortcomings of the building, Cummings created a new entity that runs the executive suites separately but has an agreement enabling any contracts be voided should the occupant decide to expand in a Cummings building. “That’s very attractive,” says Whelchel, adding in-house design and construction expertise also allowed Cummings to build out the space efficiently, developing a variety of suites and offices to meet variant needs.

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owner and operator that has been waiting on the sidelines for pricing to adjust and opportunities to appear.

"We're ready to poke our head out of the hole," Hecht tells The Real Reporter this week, with deals priced from \$3 million to \$40 million on the dais, especially "fixer-uppers" he expects will become more prevalent as recessionary woes dig deeper into commercial real estate. "Those are our target," says Hecht. "We are going to find problems and fix them."

Eager to begin the investment platform after concentrating on development from Maine to Connecticut this decade, Hecht expresses some disappointment that the bid/ask gap which has kept sales velocity down in 2009 has not narrowed substantially. "I haven't really found anything (viable)," says Hecht, save for one deal now in the works. "And we make a lot of calls."

Patience will ultimately pay off, however, Hecht portends. In his view, lenders and property owners can only hold on so long before they will be forced to accept the new realities. "Over the next few years, we are probably going to be very active buyers throughout New England," he says, mostly in regions where the firm has heretofore concentrated its development. Those include completed projects in Enfield, CT; Seabrook, NH; and Bay State assets in Carver, Haverhill and Waltham.



Kenneth W. Hecht

Industrial and retail are foremost on the buying agenda. "And when it falls flat on its face, we'll do office, too," Hecht offers, having worked on all three in a career as a broker that led to being named a partner at CB Richard Ellis/New England after receiving a degree in civil engineering. Having run the retail group at CBRE/NE, he founded the Hecht Co. in 2001 and soon struck up a relationship with an Arkansas firm that led to development of four million sf of Wal-Mart retail.

Hecht Development was formed in 2006, just after the firm began work on turning a vacant 5.7-acre parcel straddling Coventry and East Greenwich, RI, into the 21,000-sf shopping plaza now monikered Coventry Crossing. "It's killer real estate,"



Coventry Crossing, Coventry RI

Hecht says in citing a location between two traffic signals, plus the presence of top draws such as BJ's, Home Depot and a Wal-Mart Supercenter across the street at the 750,000-sf Centre of New England.

The process did take four years from start to last week's sale, partly due to the complexities of permitting in two communities, but Hecht says the end result makes up for any extra work required to make the project a reality. Three free-standing buildings now house a CVS, Dunkin' Donuts, Radio Shack and Webster Bank. Project architect was Kramer Levine of Norton, while Bohler Engineering of Southborough was praised by Hecht for its performance.

A sale of Coventry Crossing was not the original vision, says Hecht, but the impressive figure of \$462 per sf was deemed lucrative enough to harvest the asset to Coventry Crossing LLC. "It's a really good price, especially in today's market," says Hecht, who adds the proceeds will be used to support the investment program. Sporting enhanced architectural details and long-term leases exceeding 20 years for 77 percent of the space, Coventry Center is a core investment play, acknowledges Hecht. "That thing is going to be there for ever," he says of the plaza.

The managers of Coventry Crossing LLC are two investors from Winchester, MA, Yuk Kam Francini and Fa Choi Gee. Efforts to contact the buyers were unsuccessful. The sale was orchestrated by Marcus & Millichap brokers Robert Horvath and Todd Tremblay in the real estate services firm's Waltham office.

"They did a great job," says Hecht, also offering a special shout out to Hayes & Sherry Real Estate partner William F. Greene for his role in making Coventry Crossing a success. Based in Providence, RI, Greene negotiated the land sale and brought Hecht the CVS and Webster Bank leases. The triumvirate of transactions was enough for Greene to win Hecht Development's inaugural "broker of the year" award in 2008, earning a trip for two to Bermuda. ■

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"The space is absolutely gorgeous," says Whelchel. Being brought in early on enabled her to provide ideas on what today's shared office users are seeking, including enhanced privacy in their offices, as well as abundant natural light and an expanded lounge area. "I'm very, very proud of Bill Cummings," Whelchel says of the firm's founder. "This is a big endeavor, but he committed to doing it the right way, and I think what he has (created) is going to change the market for executive suites."

At Brickstone, Transwestern can also structure arrangements with Regus tenants should they want to grow there, says Daniels, whose firm is exclusive leasing agent for the park. Whatever the lure, Daniels says Regus has been well-received in the Interstate 495 North submarket, with 85 percent of the shared quarters already leased. ■