

Co-Working Space: Market Analysis & Feasibility: 502 6th Street, Georgetown, CO

Evaluation of Proposed Co-Working Space

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Prepared for:



Prepared By:



Development Research Partners

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INTRODUCTION

Shared office space, co-working space, provides cost effective and technologically modern space for workers to independently work, start, and scale-up businesses. Increasingly, larger corporations are finding co-working spaces a flexible-term occupancy solution for specific expansion or remote location needs. Co-working spaces typically provide reliable high-speed internet, desk space in an office environment, access to office equipment, and a business community for networking and leads generation. These characteristics can be particularly important for rural-based businesses.

Development Research Partners, Inc. (DRP) has been engaged to study the market and evaluate feasibility for a proposed co-working office location in Georgetown, CO. Specifically, DRP is evaluating an expansion for CCEDC's existing space to include co-working office space and business development coaching. DRP is pleased to present its findings in this Feasibility Analysis.

CO-WORKING SPACE

Shared workspaces are run by operators who act as both facility and program managers. The largest expense for shared working space is the master lease for the space (operating expense) and constructions costs (Capital Costs). Typically, shared work space uses existing space to keep costs low and profit margins high for the operator. Basic Co-Working office space for knowledge workers can get by simply with furniture, broadband connections, office equipment and supplies, and janitorial services. More specialized shared spaces like Maker-Space, Shared Commercial Kitchen, and Technology Space will cost more for dedicated equipment, maintenance and repairs, and support staff including equipment instructors, and regulatory expertise. Co-Working tenants typically join a co-work space as members with access to desks, office technologies, and amenities conducive to a positive working environment.

Advantages Provided by Co-Working Space

Office Co-Work spaces often can provide businesses with greater flexibility and efficiency than traditional office leases and provide flexible, productive work environments which foster collaboration, innovation, and networking. Shared space allows startups, freelancers, event management businesses, developers, designers, and other small businesses to work independently as well as collaborate with each other on joint projects. In a rural environment, a coworking space is also ideal for creating a business community to network and gain needed connections and training to run their business more effectively.

Due to their shared nature and design, co-working spaces can be offered at costs lower than that of traditional office space. Common features of office co-working space include:

- Professional interior finish, often designed as comfortable and casual
- High speed internet and Wi-Fi access
- High quality printing, scanning, copying, and other office equipment
- Conference room with video-conferencing capabilities
- Kitchen/break area with coffee, tea, snacks, refrigerator, and microwave
- Lounge area for productivity breaks and casual networking with other users

- Small private dedicated office or privacy desk for those wanting privacy and security
- Dedicated desks for long-term users
- Shared desks for casual and drop-in users
- Individual “phone booths” and/or mobile privacy walls
- Lockers or locking filing cabinets for members to securely stow personal and work items.

Business Environment in a Co-Working Space

Community and complementary skills. Many coworking spaces attract like minds, so it's possible members could collaborate with other members to further business goals, or perhaps build client lists by being valuable to someone else.

Structure. One of the drawbacks of working from home is the lack of structure and the abundance of distractions. Going to an office and having a dedicated work space helps establish a routine, putting you in the mindset to get the work done and done well, and allows the physical separation of work and home.

Amenities and perks. Renting office space versus coworking space isn't just about the building. It's also about the amenities. A commercial lease would require a tenant to furnish the space yourself with desks and storage solutions as well as expensive computer equipment and phone systems. A coworking arrangement gives members all of this for a fraction of the expense, providing access to copiers with scanning and fax capabilities, built in Wi-Fi, conference rooms, and even kitchens and break rooms for those afternoon doldrums.

Inspiration. Co-Working space fits various working styles and could be a source of inspiration from other members who stimulate your creativity through group culture or a shared sense of helpfulness.

Company culture. With success comes growth, and it's quite possible the coworking space is a temporary stepping stone on a to bigger and better things.

Perceived Drawbacks to CO-Working Spaces

Despite the many benefits of co-working, several negative perceptions may deter companies from seriously considering external co-working spaces for their employees. Following are some of the most common concerns.

Inconsistent office culture. Because a co-working space is often composed of individuals representing diverse organizations, there may be limited ability to shape or change an office culture to reflect an organization's unique values.

Lack of connection. For those working remotely for larger firms, an off-site co-working space might actually develop closer relationships with colleagues from other companies rather than building a collaborative bond within their own organization. In addition, these remote employees may feel a disconnection from day-to-day headquarter business operations and may be concerned about being overlooked for career development opportunities.

Excessive noise and distractions. Acoustical challenges and visual distractions can interfere with mental focus in an open plan. The wide range of businesses, roles and personalities present in these spaces can contribute to an unpredictable environment that lacks the common courtesies of a traditional office.

Security, intellectual property and other competitive concerns: Although security breaches are possible in any office environment, they carry greater risk in an environment where individuals do not share the same employer and may not even know each other. With the transparency and openness that characterize co-working environments, businesses must be extra diligent at protecting their competitive assets, including intellectual property and confidential or sensitive company information.

Common Misperceptions

Adapted from Forbes, Jan 30, 2018

Misconception: Co-working is only for startups and entrepreneurs

Truth: Co-Working spaces are great for startups because they reduce overhead costs, but startups are not the only users. Established smaller businesses not wanting to manage their own facilities represent a growing segment of users. One of the fastest growing market segments are members who work for large corporations as contract workers, remote workers, and remote teams on location.

Misconception: Only extroverted people use co-working spaces

Truth: Every co-working facility is different; some designed to facilitate socialization while others are designed for independent work. Professionals are often drawn to a space that offers personal autonomy and creativity in their work. According to a 2015 study published in the Harvard Business Review, this sense of autonomy and the space for personal expression are some of the things that make co-working professionals thrive.

Misconception: I'm not a solo entrepreneur so co-working won't work for my business.

Truth: Co-Working can address the isolation experienced by those who work alone. Harvard Business Review cites co-working facilities as one way to combat the growing "loneliness epidemic" attributed to the rise of the gig economy. However, the co-working model works for businesses of all sizes and is flexible enough for independent workers, small businesses, and satellite locations for larger corporations. In an industry report by JLL, "Workspace, Reworked: Ride the Wave of Tech-Driven Change," they predict that flexible space will comprise up to 30 percent of corporate real estate portfolios by 2030.

Misconception: My company has an office so co-working isn't relevant to me.

Truth: Co-working spaces appeal to professionals in more traditional offices who believe in the benefits of a change of scenery. Co-Working spaces can help businesses through difficult transitions in staffing, location, and renovations. Companies use co-working spaces to host business meetings with visiting partners. They can provide a workspace solution for short-term employees and contractors or vendors who need a place to work when in town.

Misconception: People working at co-working facilities are isolated from the business community.

Truth: The familiarity that builds between professionals working in close contact can lead to synergies and opportunities for joint business ventures. Co-location of individuals with different areas of professional expertise creates an environment where the flow of best practices and information can seamlessly transfer across industry lines. This knowledge transfer has the potential to organically bring insights and innovation to disparate fields.

CO-WORKING OUTLOOK

Coworking spaces are characterized as membership-based workspaces where people from different businesses and industries work together in a shared, communal setting. There are many individuals who desire coworking space as opposed to working from home or a local coffee shop. Recent trends show established businesses locations also using co-working space as flexible, transitional, or even permanent expansion space accommodating business growth.

From a macro view, business employment practices are technologically evolving to incorporate a growing share of "contingency workers": an on-demand, scalable, employee pool. A 2019 New Ardent Partners' *State of Contingent Workforce Management 2018-2019* research report shows that 42% of the average enterprise's total workforce is considered non-employee, a figure which includes traditional temporary workers (sourced via staffing agencies and vendors), independent contractors, freelancers, professional services, and "gig" workers. Contingent workers are a foundation for many corporations' pursuit of an agile workforce that responds to project-by-project need. Co-Working space is an ideal setting for these contingent workforce members to base themselves.

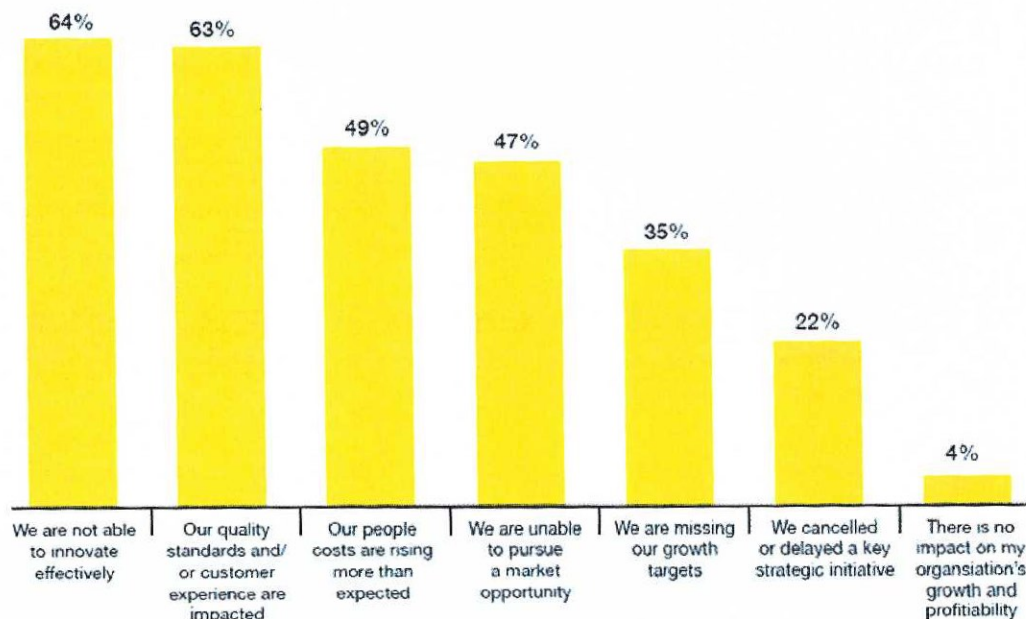
Corporate demand for contingent and freelance workers is growing. For the financial industries, PwC's 22nd Annual Global CEO Survey shows that almost 80% of the 235 banking and capital markets (BCM) CEOs who responded see skills shortages as a threat to their growth prospects (35% are 'extremely concerned' and 44% are 'somewhat concerned'). Most believe that this skills gap is undermining their organizations' ability to innovate effectively and provide a winning customer experience. More than 60% of BCM CEOs believe that it has become more difficult to hire workers in their industry. The challenges are heightened by the fact that many of the people with the right capabilities: empathy, innovation and engagement skills, as well as digital familiarity may need to be sourced from outside the industry. Key sources of talent may include service providers, strategic partners and contingent workers, a trend that is accelerating due to financial pressure to reduce fixed costs and, therefore, in-house employees. This underlines the need for agile collaboration with a range of different partners.

Skills shortages hold back innovation, quality and growth

QUESTION

What impact is 'availability of key skills' having on your organisation's growth prospects?

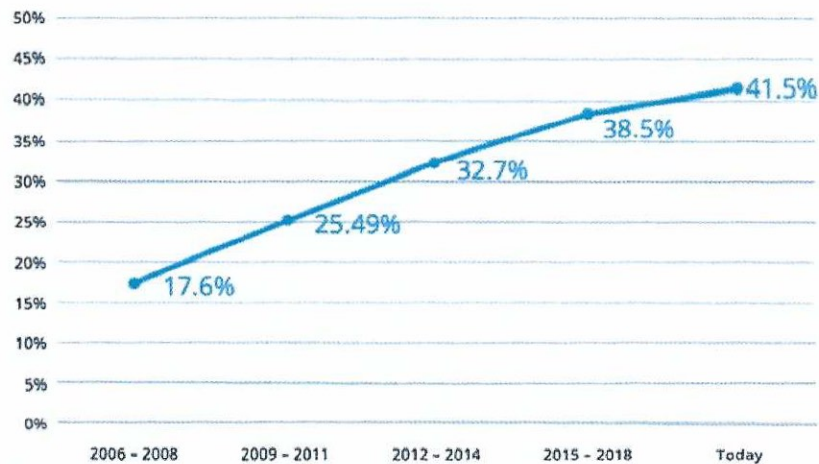
(Asked to those who selected 'extremely concerned' for availability of key skills)



Source: PwC 22nd Annual Global CEO Survey
Base: Banking and capital markets CEOs (83)

New Ardent Partners notes the non-employee workforce has grown by roughly 2.5-times (see below) over the past decade due to several important factors: 1) non-employee talent offers lower fixed costs than traditional talent, 2) this workforce often enables greater financial agility, 3) there is significant ease-of-use in many new technologies aimed towards on-demand talent engagement (e.g., digital staffing), and, in many cases, 4) the contingent workforce delivers a better alignment between talent/skillsets and the individual projects that require real-time expertise.

Growth of the Contingent Workforce: 2008 - Now

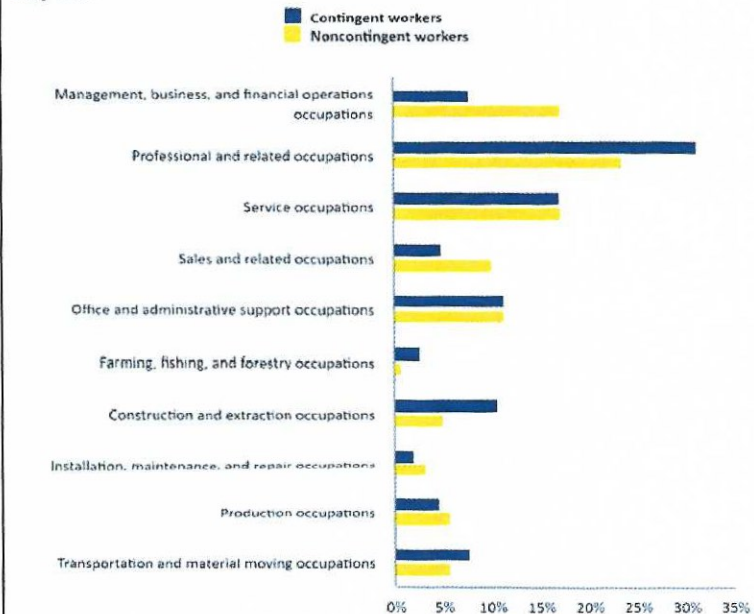


Source: New Ardent Partners

Demand for co-working space has grown alongside the corporate growth demand for a contingent and agile workforce. As technology advances and business models continue to evolve, and workers seek more flexible environs for themselves, the demand trends for co-working space by members is positive into the foreseeable future. Deskmag's Global Co-Working Survey finds:

- Co-Working average age is 34
- 58% transitioned from working at home
- 22% were regular office workers
- 71% reported being more creative
- 62% said that their work improved significantly
- 90% said they felt more confident when Co-Working
- 70% reported that they felt healthier
- 70% of Co-Working spaces have less than 5,000 sf.

Occupation of contingent and noncontingent workers, percent distribution, May 2017



Note: Data may not sum to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

CLEAR CREEK COUNTY

Clear Creek County covers 396 square miles includes the: municipalities of Georgetown, Idaho springs, Empire, Silver Plume, and Central City. The entire county is in a rural setting consisting of small towns and dispersed housing units in a mountain location.

Clear Creek Economic Development Goals

Clear Creek Economic Development Corporation (CCEDC) conducted a county-wide Business Retention & Expansion Survey during the summer and fall 2018. Based on this study and interviews with CCED, co-working space could fill the need for several opportunities. Relevant Survey findings are summarized below [DRP observations in brackets]:

- County retailers generally do not engage in ecommerce [but may if there was reliable internet service, an accessible ecommerce platform to use, and marketing and media consultants to provide guidance].
- There are many Outdoor Recreation businesses which are field-based (i.e.- rafting) that may benefit from a dedicated administrative site [with secure desks and other outdoor recreation companies to collaborate with].
- There is an absence of financial and investment services, legal, and other similar service providers [and providing office and meeting space could support full-time businesses or regularly visiting service providers that, in turn, can support new and growing businesses].
- There is a high penetration of single-location family and locally owned and operating firms [many of which may take advantage of an independent, well-run co-working space; physical separation of business from home and family can bring more life-balance to such business owners].
- Correspondingly, there are a notable number of businesses that currently work out of home offices [that may find a separate business location advantageous].
- There are businesses that operate in the County although their headquarters are outside the County [which indicates potential for establishing a low-cost office and meeting space for field workers and clients in the County].
- A significant number of businesses would like to expand locally, and some would like to expand outside the County [which indicates a potential for more formal and efficient administrative and production office space].
- Technology and broadband access create difficulties for many businesses [for which co-working space could provide an efficient alternative].
- About a third of employees are temporary employees [which may be seasonal workers but also indicates a freelance friendly work environment; workers offering their skills on an as-needed basis].

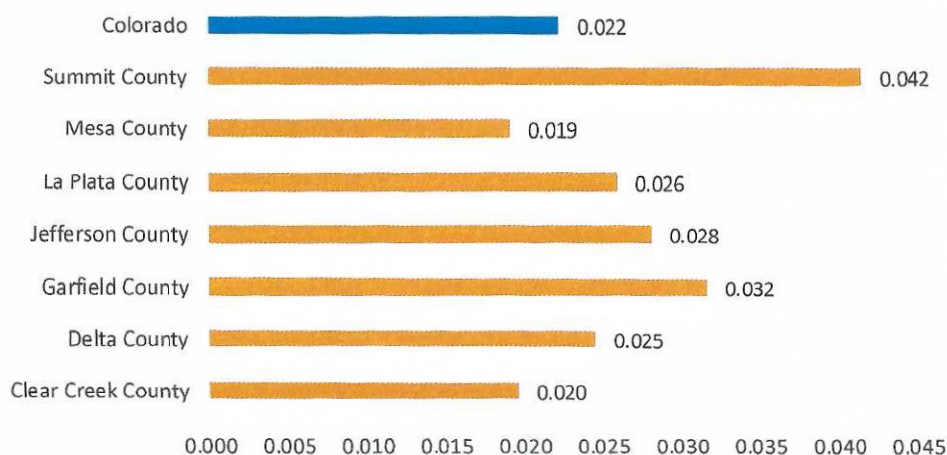
Co-Working Demand Drivers

The following briefly describes co-working space user typologies that would find the CCEDC Co-Working space advantageous:

Start Ups and Entrepreneurs: Business startups typically seek affordable productivity space with an opportunity for quick growth and flexibility. A productive setting for Stage I and Stage II businesses.

To evaluate business formation, new business registration rates per capita in similar markets are compared (identical markets for comparable co-working spaces discussed in a later section). The county is used as the common denominator since trade areas for co-working space is best defined by drive-time, not geo-political boundaries. While Jefferson County is a metro Denver location, it is included for comparison due to its close economic ties to Clear Creek County.

2018 New Business Filings per Capita



Source: Colorado Secretary of State, Colorado Demography Office, Development Research Partners, Inc.

Across Colorado 2018 new business filings, or business formation, is at a rate of 0.02 new businesses per capita. Reviewing new business filings per capita across the comparative counties show a range from 0.04 to 0.02. The highest rates among the counties are Summit (0.04) and Garfield (0.03). While Clear Creek County may take a longer time to fill desks and may operate with a higher vacancy and churn rate than Summit and Garfield, there should be no shortage of demand for desks.

Established Home-Based and Micro Businesses: Approximately 550,000 new entrepreneurs across the US start a business each month (Kauffman Index, 2016). Of those, 69% of new businesses are started at home. Small 1-5-person micro-businesses can benefit from:

- Access to reliable, consistent high-speed internet
- A business setting other than home
- Business Networking and sense of community
- Access to functional space and professional business tools
- A place to meet with clients
- Online learning, professional education, and study areas
- Private secure office space

Freelancers: Because freelancers work for many different companies or clients, sometimes even simultaneously, they often suffer from a lack of structure. Coworking spaces help freelancers by providing them with access to meeting rooms, technology, a professional address, and a social environment that's great for networking. Coworking spaces are one of the best ways for freelancers to mitigate the lack of stability they often experience with the level of freedom they are accustomed to.

Remote Workers and Telecommuters: Rather than working from home, remote workers can balance their need for freedom with their need for structure.

Digital Nomads and Travelers: Digital nomads are those who work remotely and tend to travel. Most digital nomads will do their work in a range of physical locations, such as coworking spaces, coffee shops, libraries, and even at home. Global Workplace Analytics' research finds that Fortune 1000 companies around the globe are entirely revamping their space around employees that are already mobile. Access to professional business tools and working environment are an amenity that most hotels and internet cafes offer.

Students: Students can benefit from a collaborative and social work space which also provides an excellent opportunity for students to network with professionals from a wide range of industries.

People Who Work in Conventional Offices: There are advantages for those who occasionally leave their traditional office to work in a coworking space. Coworking spaces lack internal politics, allow workers to abandon work personas. The diversity of professions and individuals in coworking spaces can spark creative new ideas that might not occur to professionals in their conventional office setting.

Larger Companies Permanently Housing Remote Employees: A recent trend, a 2019 corporate survey shows 14% of employees at large companies use coworking spaces. About 40% of 2019 flexible workspace demand is forecast to come from large corporate companies who seek more employee autonomy and mobility (Gensler 2019).

Working Parents: A 2017 report by flexjobs.com indicates that family and work-life balance tied as the overwhelmingly top reasons working parents seek flexible work (81%), time savings (44%), reduced commuting stress (41%), and cost savings (39%) were distant additional reasons. When evaluating a job prospect, working parents say work-life balance (81%) and flexible schedules (76%) are more important than salary (72%) and 70% have thought about leaving or have left a job because it didn't offer flexibility. The most in-demand types of flexible work arrangements for working parents are reported to be:

- 100% telecommuting (83%)
- Flexible schedule (72%)
- Partial telecommuting (49%)
- Part-time schedule (46%)
- Alternative schedule (45%)
- Freelance (37%)

Seasonal and Second-home owners: Second homes bring an influx of seasonal professionals with diverse business networks that can enhance business development and co-working business environments. Second home interest is significant from retired and semi-retired persons which make up a leading demographic sector for freelancing.

THE GEORGETOWN SPACE

Clear Creek County economic development currently occupies about 5000 square feet in second floor office located at 502 sixth street Georgetown.

Design and space Configuration

Space utilization for co-working space means assigning interior spaces in a flexible fashion to accommodate various types of users, privacy needs, and number of desks for each needed by each individual or business. At a high level, co-working has several types of space needs:

1. Workspaces: shared desks, dedicated desks, privacy walls, phone booth(s), conference room.
2. Service Areas: Building operation and maintenance including lavatories, supply closets, and utility rooms; also, space for shared business equipment including printers, copiers, and other office equipment.
3. Social Spaces: Non-desk activities including lounge/networking space, kitchen area, and other informal areas shared by all users.
4. Circulation: sufficient open floor to enable easy interior movement and ensure safety and emergency egress.

The number and type of users will shrink and grow over time; their needs and requirements will also change. To avoid ongoing remodel costs, the space and user-required features should be flexible. The following list includes user-delineating features that, in some instances, can also be add-on fees or premiums on monthly/annual service fees:

- Quick-Folding Moveable Walls to break larger areas into separate spaces.
- Adjustable Standing Desks to allow users comfort and higher productivity
- Privacy Desk Panels to provide temporary or full-time privacy for users that may desire or occasionally require privacy.

Quick-Walls & Privacy Panels



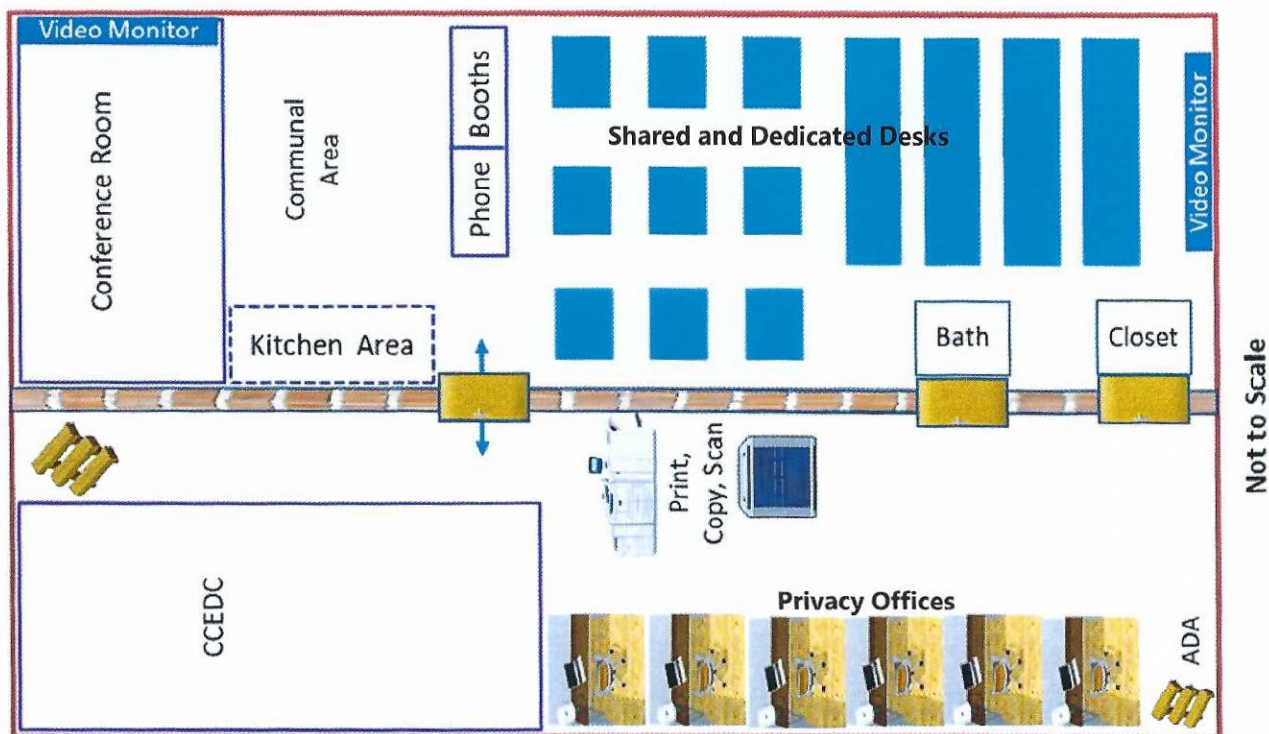
Sound Suppressing Panels & DIY Cubicle Partitions



THE GEORGETOWN SPACE

- Movable Accessories: Small reading lamps, plants, paintings and other ambiance features can be easily repositioned and easily replaced whenever fresh feel is desired for the workspace.
- Provide optional private, secure cloud storage solutions for users such as renting virtual server space on Google Drive, Dropbox, or other cloud services
- Use modern copiers and printers that also include digital scanners to enable digital file-making; charge users for specialty paper if the printers/copiers are to be used for information and marketing collateral. Encouraging paperless work by users not only saves expenses, but also shows an environmentally conscious approach to your space.

The following floor plan and associated data represents a design scenario that is used to calculate revenue from various space uses. The purpose is to model uses, amenities, and spaces to evaluate feasibility. The following floor plan has not been developed by a designer, space planner, nor architect, and professional interior design services may recommend a different layout and space use. The feasibility analysis is subject to change depending on the final approved floor plan used.



THE GEORGETOWN SPACE

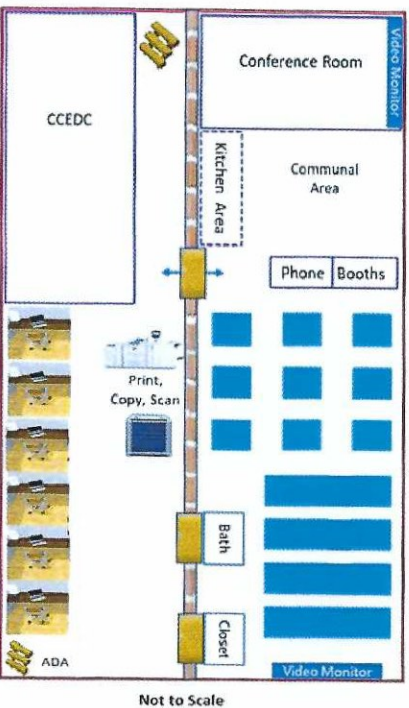
SPACE UTILIZATION

Total Space	Total Sf						
Gross Sf	5,000						
Usable Sf	3,850						
Use	Description	# Seats	Dimensions (LxW)		# Desk Spaces	Sq Ft	Total %
CCEDC	Existing Offices w/o conference room	---	---	---	---	530	14%
Conference Room	Existing Conference Space	10	X	24	1	240	6%
Phone Booths	Soundproof for private phone calls	4	X	4	2	32	1%
Private Offices	Private secure walled desk & space	6	X	8	6	384	10%
Dedicated Desks	Secure individual desk in open work-space	3	X	4	3	60	2%
Shared Desks	First-come individual desk space in open work-space	3	X	4	3	60	2%
Communal Tables	First-come communal double-sided 7' X 3.5' work table	24	X	8	6	576	15%
Communal Areas	Kitchen, collaborative space, shared office equipment, corridors & circulation, lavatories	0	24	10	1	1,968	51%
TOTAL		36				3,850	100%

1. physical and occupancy space
2. Kitchen, collaborative space, Office Equipment, corridors & circulation, lavatories

Space Description

Private walled desk & space
 Secure individual desk in open work-space
 First-come individual desk space in open work-space
 First-come communal double-sided 7' X 3.5' work table
 Kitchen, collaborative space, shared office equipment, corridors & circulation, unisex bathroom



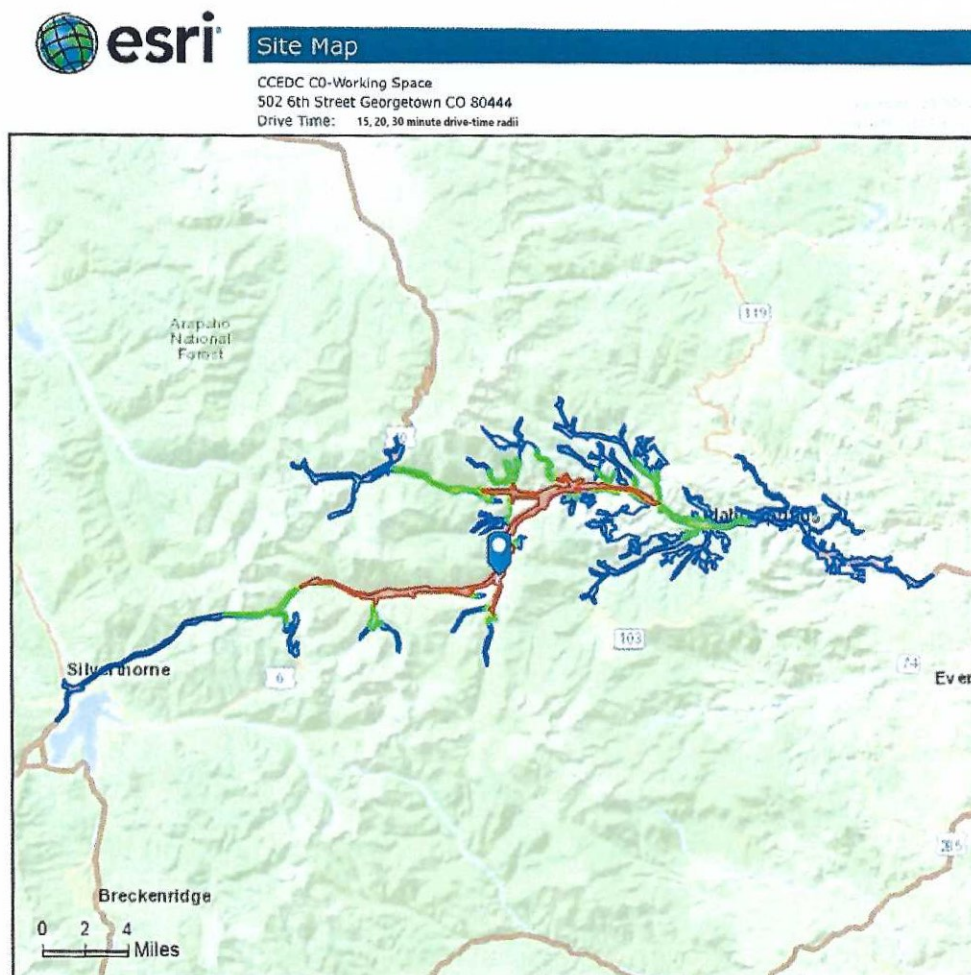
THE GEORGETOWN SPACE

Operating Revenue

Market Competition

While there are currently no operating coworking spaces in Georgetown, there are three co-working spaces located within the mountain corridor, which would be the closest competition to a new space opening in the Georgetown area (Genesee Labs; Elevate Cospace; and EVO3). These spaces are summarized below along with three other co-working spaces in mountain locations (Green Spaces; Factory; and Proximity Space). All coworking spaces within the mountain corridor offer options such as 24/7 access to the space, a kitchenette with amenities including coffee and tea, and shared conference room use.

Generally, One of the most important factors for co-working market demand is convenience. Through interviews with various co-working space managers, their members are typically with a 15-minute drive. Given Georgetown's location a 20-minute distance seems a reasonable market boundary see next page). Genesee Labs and EVO3 are physically the closest competitors with both clocking in at over a 30-minute drive; Georgetown seems to be in an unserved market.



THE GEORGETOWN SPACE

Member/User Rates

Assumptions regarding member rates are based upon a review of five existing Colorado co-working spaces. A mix of attributes facilitates comparing and contrasting each facility. The sample was selected based on proximity to Georgetown and its competitive market, and similar mountain location. The last column on the right depicts the projected rates for proposed space at the Georgetown location.

Co-Working Space	Genesee Labs	Elevate Cospace	EVO3 Workspace	Green Spaces	Factory	Proximity Space	Georgetown
Location	Genesee, CO	Breckenridge, CO	Frisco, CO	Winter Park, CO	Grand Junction, CO	Montrose, CO	Subject Site
Access to Shared Desk (4 hours)	---	---	\$19	---	---	---	\$15
Access to Shared Desk (1 day)	---	\$30	\$33	---	\$20	\$20	\$20
Access to Shared Desk for 4-12 days per month	---	\$99	---	\$150	\$105 (single week)	---	\$150
Shared Desk/mo	\$275	\$299	\$249	\$195	\$149	\$149	\$190
Dedicated desk, 24/7 access/mo	\$375	\$499	\$379	\$250 to \$395	\$299	\$299	\$300
Dedicated Private Office/mo	\$425	---	\$650	\$1,295–\$2,295 Minimum 4-person Suite	---	---	\$400
Distance for Georgetown	26.8 miles, 29 minutes	37 miles, 50 minutes	28 miles, 30 minutes	31 miles/45 minutes	200 miles/3 hours	250 miles/4 hours	--

THE GEORGETOWN SPACE

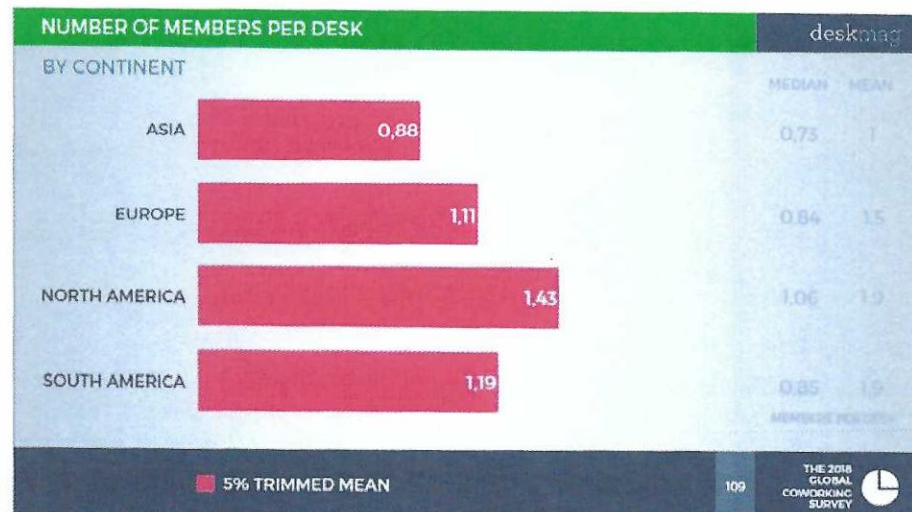
User Revenue

Coworking spaces have many options for creating revenue. The basic and most standard option is a membership, which is usually based off the frequency of use and the quality of desk space. Some coworking spaces only offer access to an open-concept location where each user can choose to sit at any available desk. This access tends to be the most affordable option for a user, with frequency ranging from a half day to full, 24/7 access. Reserved desks or dedicated desks are offered in many coworking spaces, allowing a user to remain as part of the coworking community, yet have the freedom to leave items such as a computer, monitor, or even their own chair at that location. These spaces are charged at a higher rate because of the additional benefits.

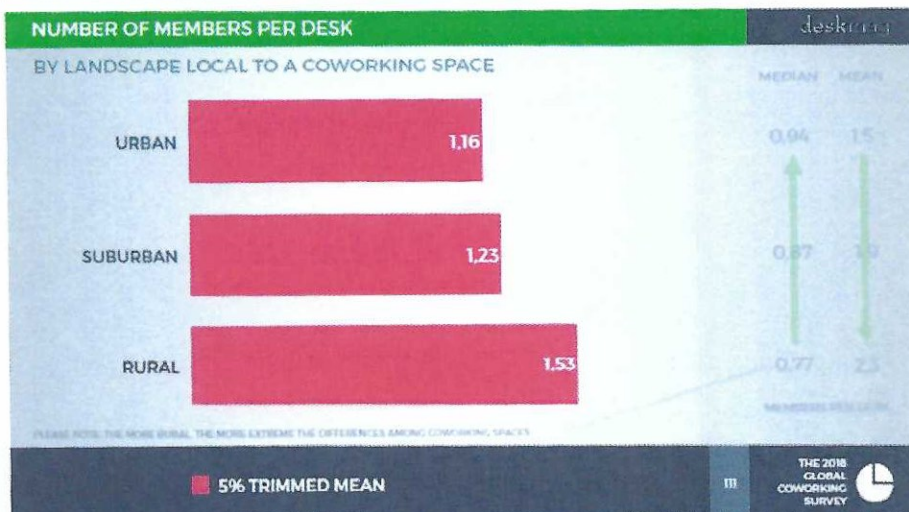
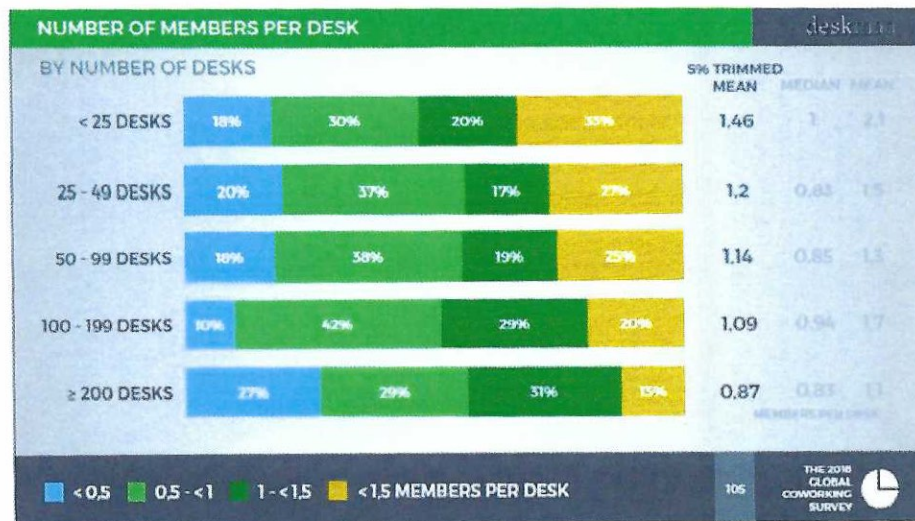
Some coworking companies offer private offices in addition to space in an open-concept area. Private offices tend to be the most expensive option and can include groups of people. For sole proprietors and micro-businesses this provides a move-up option as their businesses stabilize and grow. This also gives companies the option to rent space for an entire staff, depending on the size of the private offices being offered. The market for dedicated privacy offices is one of the fastest growing segments of the Co-Working market.

Members Per Desk

Because a desk can be used by more than one member during any 24 hour period, use rates per desk are estimated. As illustrated below, Co-working space in the United states averages about 1.4 users per desk. Globally, spaces with seats or less average around 53% to 54% of desks being shared by more than one member.



THE GEORGETOWN SPACE



The number of multiple users per desk is trend higher as the space shrinks. This can be attributable to an overall strong demand for co-working space as a first priority; and the shift in demand trending towards private, secure offices. Additionally, rural locations tend to have higher users per desk, about 1.5, presumably due to the limited number of spaces and high demand for a co-working community to join. Because of limited space at the Georgetown location it is assume that it will operate somewhere between 1.2 to 1.5, and lean closer to the upper end of that range. For pro forma purposes, 1.3 users per desk is estimated for the Georgetown space upon stabilization.

Amenities

Typically, a coworking space offers perks to incentivize additional usage. A kitchenette stocked with coffee and tea, sometimes with beer on tap, gives clients a space for breaks and refreshments. Phone booths are used in some coworking spaces, ranging from a one-person space which allows clients to take phone calls privately, to a 3- to 4-person space, where employees can meet with each other privately to discuss company matters. Conference rooms tend to be very common in coworking spaces, allowing members to bring in guests for presentations, hold work meetings, or host other social events. The benefit of using a

THE GEORGETOWN SPACE

conference room can vary with different types of memberships, for example allowing 2 hours a month of usage for a lower-level membership or 4 hours a month for a member renting a private office.

In addition to the standard memberships, coworking companies can add additional services to boost revenue. Offering virtual office services is a simple way to expand the revenue base with minimal additional expenses. This can include a mail address or P.O. Box, a local phone number with reception, and a shipping pick-up/drop-off location. Other revenue generating add-ons that members can utilize include private secure lockers, locking filing drawers, conference room rental, training space rental, and private event rental.

Potential Gross Revenue

The following table summarizes revenue assumptions and potential gross revenue from operations:

SPACE UTILIZATION	
USER TYPE	DESCRIPTION
Shared Desks	First-come, First-serve seating; desks may be used by multiple members per day
Communal Tables	First-come, First-serve seating; desks may be used by multiple members per day
Dedicated Desks	Dedicated to a single member 24/7 for multi-month term
Private Offices	Dedicated to a single member 24/7 for multi-month term
10-day Drop In Pass	Assumed average of 2 members per month
Single-day Drop ins	Assumed average of 25 member per month
Add-On Services	
Private Secure locker/filing drawer	Member storage for personal items and business files
Conference Room	Assumed 10, 1-hour reservations per month
Training Space	Assumed 3, 2-hour reservations per month
Events Rental	Assumed 2 events per month

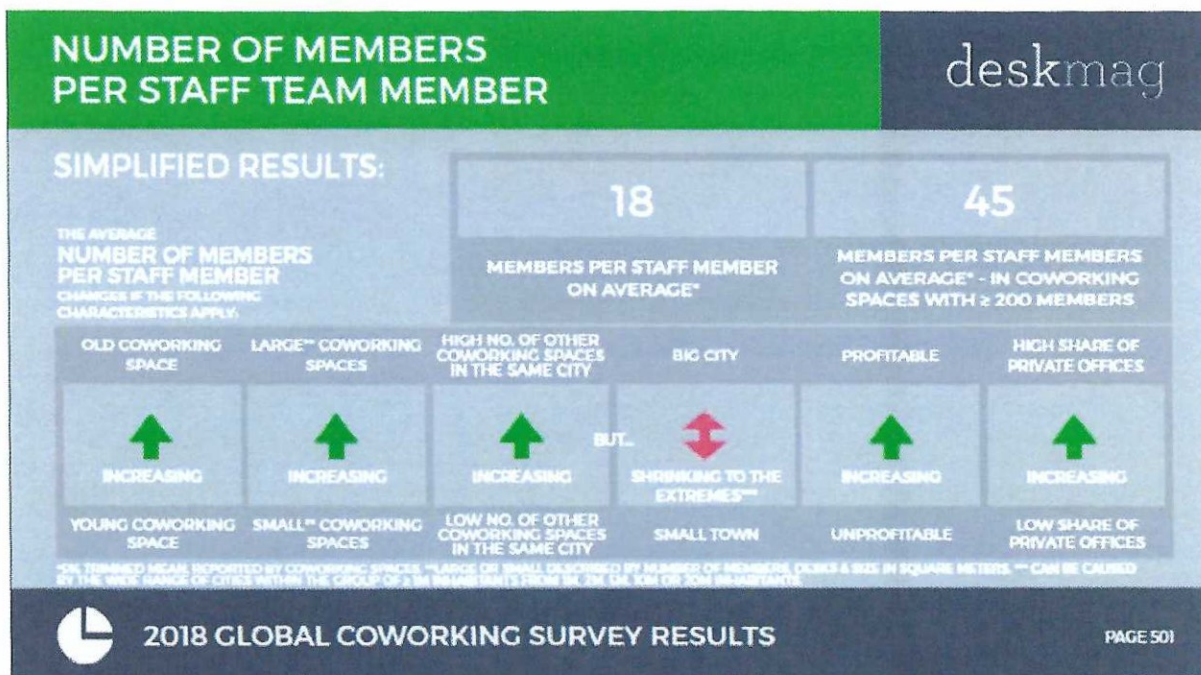
POTENTIAL GROSS REVENUE						
MEMBERS	# SPACES	MEMBER FEES	FEE BASIS	MAX USERS PER SPACE	MONTHLY REVENUES	ANNUAL REVENUES
Shared Desks	3	\$200	month	1.3	\$780	\$9,360
Communal Tables	24	\$200	month	1.3	\$6,240	\$74,880
Dedicated Desks	3	\$300	month	1.0	\$900	\$10,800
Private Offices	6	\$425	month	1.0	\$2,550	\$30,600
Additional Users						
10-day Drop In Pass		\$125	Month	2	\$250	\$3,000
Single-day Drop ins		\$20	Day	25	\$10,000	\$120,000
SUBTOTAL MEMBERS & USERS						\$248,640
Add-On Services						
Private Secure locker/filing drawer	20	\$10	Month	1	\$200	\$2,400
Conference Room	1	\$25	Hour	10	\$250	\$3,000
Training Space	1	\$50	Hour	6	\$300	\$3,600
Events Rental	1	\$150	Per Event	2	\$300	\$3,600
SUBTOTAL ADD-ON SERVICES						\$12,600
TOTAL POTENTIAL GROSS REVENUE						\$261,240

Operating Expenses

Like every business there are operating costs to running a co-working space. The description below identifies particularly important for such spaces: staffing and marketing. All-in operating expenses are then summarized.

Staffing

Based on deskmags 2019 survey, the average number of staff per member is around 18, implying that the Georgetown co-working space should have 2 FTE staff members. However, because there will be an on-site manager (CCEDC), it is anticipated that the space can be run by one additional dedicated FTE. Staffing is estimated at 1.0 FTE. Other functions, such as a co-working community manager, can often be gained through in-kind exchange for member time in exchange for performing specific operational tasks.



A good community manager can have a tremendous impact on the success of any coworking space. They should start by introducing new members into the community, but their duties can extend far beyond that, touching every part of the client experience. They should understand the needs of your space's members, first and foremost, which allows them to accomplish so much more. Community managers are problem-solvers who are eager to go the extra mile for the entrepreneurs, digital nomads, and freelancers who are investing in your space.

The best community managers organize fun social events, like yoga or happy hour, and encourage clients to participate. They can also extend invites to influencers and mentors to conduct educational seminars and workshops, keep your space stocked with coffee and snacks, provide support to young professionals who need advice, and collect feedback from members to analyze where service could be improved.

Marketing

According to a recent deskmag survey, "when it comes to the most serious problems experienced by coworking spaces, direct competition with other coworking spaces is far down the list, a mere 27% reported this as a serious problem. Only one out of four spaces report a lack of demand as a problem, and more express the opposite: 32% cannot meet their demand due to a lack of space."

Achieving these results begins with an effective marketing program to enlighten potential members that the space exists, the productive atmosphere that is being established, and offer incentives to try the space. There is a need to market products or services to target audiences, and, in the case of a coworking space, the audience is highly specialized. The co-working space manager needs to determine the target audience, what their needs are, and explain how the space meets those needs.

Marketing a coworking space entails developing a marketing strategy that appeals to client needs, show that there is value in what is offered, that you are trustworthy, and that you have a sincere concern for their needs.

Total All-In Operating Expenses

The following is an itemized list of operating expenses typically incurred in operating a co-working facility.

Daily Expenses

- Employee Wages (1 FTE)
- Coffee/Beverages
- Kitchen Supplies
- Office Supplies
- Management/Access Software
- Toiletries
- Cleaning Supplies
- Advertising
- Internet
- Office Equipment Leases

Overhead Expenses

- Landlord Rent
- Property Taxes
- Utilities
- Insurance
- Housekeeping
- Maintenance

REVENUES, EXPENSES, PROFIT, AND LOSS

REVENUES, EXPENSES, PROFIT, & LOSS

The table below illustrates annual cash flows from operations through from launch to stabilized operations over a three-year period. In particular please note the following line items:

Membership Income: revenues collected from co-working members (users)

Add-On Services: revenue collected for using lockers, outside conference room and event rentals, in-house and third-party training events, and other special requests provided to members.

Projected Use: reflects the actual occupancy by members compared to occupancy at 100% space utilization. This is a function of marketing and market acceptance which is expected to phase in to 85% over 3 years. A buildout to 36 "seats" is assumed; 50% use equates to 18 seats on average during year one, and 85% equates to About 31 seats. Projected percentage use is used to calculate Turnover and Vacancy and credit loss.

Turnover & Vacancy: reserves against credit loss from delinquent members, sudden vacancies, and incentives offered to refill seats. Turnover and vacancy loss is estimated as the balance of projected use.

Management/Access Software: subscriptions to specialized cloud-based management systems that enable 24/7 access and simplify scheduling, add-on revenue accounting and invoicing.

Internet: The cost of providing fiber-optic broadband to the space. This can be shared with CCEDC.

Office Equipment Leases: This allows the cost-expensing of shared office equipment and enables technology upgrades and ad-hoc equipment needs. This can be shared with CCEDC.

REVENUES, EXPENSES, PROFIT, AND LOSS

Potential Gross Income (PGI)	Annual Cash Flows		Year 1	Year 2	Stabilized Year 3
	Gross Potential Monthly	Annual			
Membership Income	\$20,720	\$248,640	\$248,640	\$248,640	\$248,640
Add-on Services Income	\$1,050	\$12,600	<u>\$12,600</u>	<u>\$12,600</u>	<u>\$12,600</u>
TOTAL PGI	\$21,770	\$261,240	\$261,240	\$261,240	\$261,240
Projected Use	100%	100%	50%	70%	85%
Less: Turnover & Vacancy	\$0	\$0	<u>\$130,620</u>	<u>\$78,372</u>	<u>\$39,186</u>
Effective Gross Income	\$21,770	\$261,240	\$130,620	\$182,868	\$222,054
Operating Expenses					
Employee Wages (1 FTE)	\$3,750	\$45,000	\$45,000	\$45,000	\$45,000
Coffee/Beverages	\$30	\$360	\$360	\$360	\$360
Kitchen Supplies	\$25	\$300	\$300	\$300	\$300
Office Supplies	\$50	\$600	\$600	\$600	\$600
Management/Access Software	\$100	\$1,200	\$1,200	\$1,200	\$1,200
Toiletries	\$50	\$600	\$600	\$600	\$600
Cleaning Supplies	\$25	\$300	\$300	\$300	\$300
Advertising	\$100	\$1,200	\$1,200	\$1,200	\$1,200
Internet	\$1,200	\$14,400	\$14,400	\$14,400	\$14,400
Office Equipment Leases	\$200	\$2,400	<u>\$2,400</u>	<u>\$2,400</u>	<u>\$2,400</u>
Sub Total Operating Expenses	\$5,530	\$66,360	\$66,360	\$66,360	\$66,360
Overhead Expenses					
Rent (5,000 sf X \$9.50/sf/yr)	\$3,958	\$47,500	\$47,500	\$47,500	\$47,500
Property Taxes	\$75	\$900	\$900	\$900	\$900
Utilities	\$100	\$1,200	\$1,200	\$1,200	\$1,200
Insurance	\$20	\$240	\$240	\$240	\$240
Housekeeping	\$500	\$6,000	\$6,000	\$6,000	\$6,000
Maintenance	\$50	\$600	\$600	\$600	\$600
Sub Total Overhead Expenses	\$4,703	\$56,440	\$56,440	\$56,440	\$56,440
Total Operating Expenses	\$20,467	\$189,160	<u>\$189,160</u>	<u>\$189,160</u>	<u>\$189,160</u>
Net Operating Income	\$1,303	\$72,080	(\$58,540)	(\$6,292)	\$32,894

CO-WORKING START-UP COSTS

CO WORKING START-UP COSTS

Of course, in order to generate net operating income capital investments must be made to create the facility to generate income. The following Uses/Sources chart illustrates the hard and soft costs estimated to create the space as envisioned herein:

Uses	Start-Up Costs		Sources
Design & Build	\$40,000	County Special Projects Funding	\$70,000
Desks and Chairs	\$10,000	Henderson Mine	\$5,000
Wireless Routers	\$1,000	Landlord Contributions	\$30,000
Kitchenette Appliances	\$2,000	Other Sources*	\$23,700
Lockers	\$1,500		
Conference Furniture	\$10,000		
Portable Wall Partitions	\$2,500		
ADA Lifts	\$30,000		
24/7 Secure Access System	\$10,000		
Video-Conferencing (X2)	\$10,000		
Contingency (10%)	\$11,700		
TOTAL	\$128,700		\$128,700

*May include philanthropic interests and partners such as Bank CRA investment, educational partners, local businesses, and/or local trade association chapters

SUMMARY AND CONCLUSIONS

DRP has evaluated the market opportunities, challenges, and financial projections for a proposed expansion of CCEDC's existing space to include co-working office space and business development coaching and training. Analysis and conclusions regarding the feasibility for this space is summarized:

- Co-working space tend to support local entrepreneurs, travelers, and remote employees at distant businesses. There is little competition in the Clear Creek Market; conversely there may be sufficient market size to support several co-working spaces in the County.
- The space's high-speed fiber optic broadband service is a critical business infrastructure that will certainly be appealing to entrepreneurs, sole proprietors, and small businesses currently working in home offices where such internet access is limited.
- Business formation rates in the County are currently in line with the State-wide rate. Given the types of co-working users, business needs, and second-homes, the County will likely see an uptake in business formation as access to business infrastructure improves in response to a co-working option.
- As modeled in this analysis it is anticipated to cost approximately \$129,000 in capital investments to design and build-out the co-working space. Seating capacity and amenities can be incrementally added over time to spread out the full build-out costs.
- It is anticipated that with a pro-active and multi-tiered marketing program the co-working space in Georgetown can lease to at least an 85% occupancy (about 30 members) within three years.

It is further projected that at the 85% occupancy projected for operating year three, the co-working space will cash flow with positive income of about \$33,000 annually. Given a capital investment of about \$129,000 this annual cash flow results in an annual rate of return of approximately 26% and a four-year capital payback period once established.

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