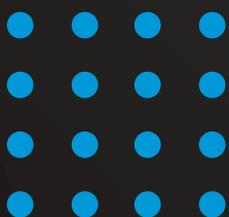

Case Study #2: To Save a Dying Friend

There it is - that scenario you simultaneously hoped would never happen while also wondering if it would unearth your inner hero when and if it did. You encounter someone laying on the sidewalk as you walk up, clearly in distress. As you get closer, you're not even completely sure they are breathing. Thankfully, others are also walking up – surely a group effort will increase this person's chances of a good outcome. Even though you go through some scenarios and potential next actions to yourself, one of the people who walked up excitedly says, "This isn't good, but I think the problem is their shoes. Those look worn and don't have good arch support. I have some new ones that work great for me. I'll get them – be right back." As you're still processing that bizarre comment, the next person equally convicted as the first, person states, "Is that the iPhone 12? I'm shocked. You can't be walking around with that kind of dated technology – you have to have the 14." Just as you're about to ignore everyone around you and get to work trying to save this person's life, the last person who walked up quips, "You know, they look out of shape and we should talk to them about going green and adopting a plant-based diet." By now, you're diving in, ignoring all other comments unless they come from someone with "EMT" somewhere on their shirt. There lays Office – figuratively on the ground in a clearly distressed state that requires some immediate and focused triage. Many ideas and solutions fly into the room, and while valid in certain contexts, to those familiar with the dire situation and innerworkings of Office, many of these solutions are equally ill-timed as those in the scenario above and actually putting Office at greater risk as valuable time is being lost.

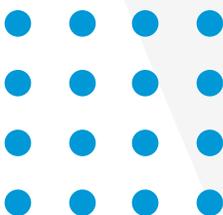




Prove you are listening to Occupiers: I get it – an industry with decades old methodologies, processes, and financial models is creaking and groaning under the weight of the permanent changes to the industry starting to settle in. But companies, in some ways in an equally distressed state, need workplace environments that align much better with the challenges in front of them. Want to claim hospitality as a descriptor? Eliminate friction points by creating speed to occupancy (think Airbnb): better leasing process, consistent and easy securitization, proactive ways to aid in getting occupiers settled and working faster, and better feedback loops that quickly lead to exponentially improve offerings (yes, for a fee that is merited given value being created).



Build a team of EMT's: Here's the way the pep talk would quickly go in the above scenario, "Everyone just stop. This person needs us and they need us to all be focused on what matters the most to their survival. They are not dying on my watch. You, call 911, and let them know what's going on and where we are. You, please get down here so we can quickly assess and start CPR. You, please just make sure to keep this area clear so we don't have any distractions that take us away from saving them." The conversations inside of Office need to start having this same level urgency and focus. "Hey, look, I don't care if you're an engineer, admin, property manager, community manager, asset manager, lender, or owner. We've all got a major problem as part of a dying CRE sector. Every action and activity from here on out needs to be laser focused on correcting a hobbled real estate sector... I need you all in or I need you to get out of the way so the rest of us can get to work."



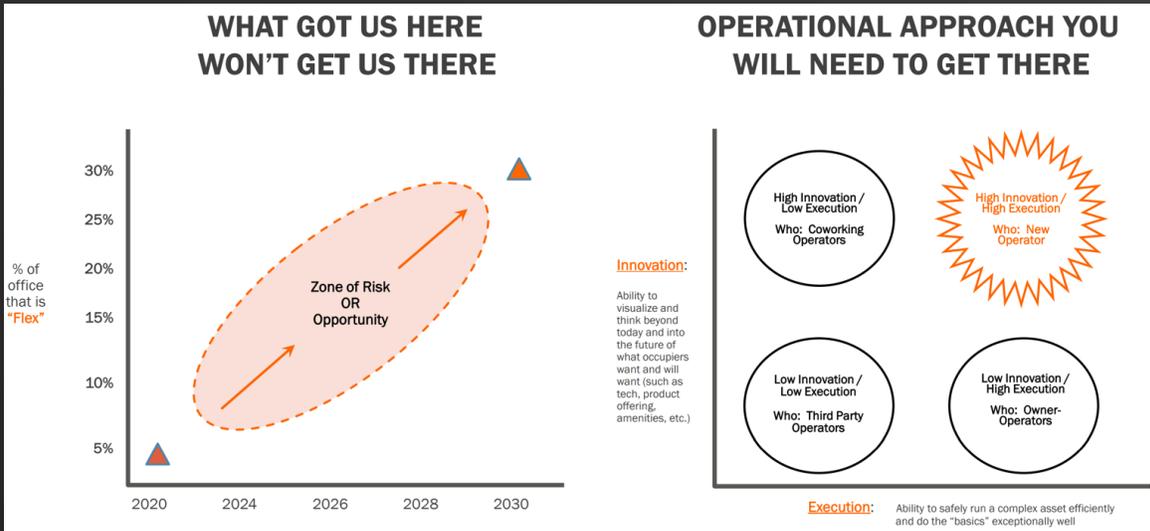


Build to We, not Me: One thing was clear to me way back in 2014 after we did the first WeWork in Austin – technology will make it possible to do work from anywhere besides a dedicated office. So anything I thought about or built of significance from that point forward was thought about specifically through the lens of “we”... “me” happens everywhere because it’s just – well, “me”... “we” is that special moment that requires lots of “me’s” together in order to accelerate and improve the quality of their work. Yes, that is why there is no “I” in Workng – we want to focus on and be a contributor to the “we” aspect of work while we also embrace a world of individual moments that yield infinitely higher levels of quality of life. In the case of beehives of dedicated workspaces for a wide variety of companies (also known as multi-tenant buildings), it is, in its ideal form, where ideas spawn, leadership develops, and people ultimately start to feel a sense of purpose. For any owner and operator, any space, technology, or service that isn’t maxing out the “we” on behalf of companies in the near term should be tabled.

If you think this case study is extreme, you haven’t been paying attention to the rapidly increasing velocity of office owners throwing back the keys and special servicers left to start picking up the pieces. So on one level, a basis reset would seem like something we have seen before – an unwanted and unsavory part of cycles but a part of CRE life. However, future owners and operators salivating over new low basis opportunities should proceed with caution and go ahead and read the warning label much closer this go around. It reads something like this: WARNING: The world of work has forever changed! Operating this asset like you always have and treating the customer like you usually do will not work this time and will be detrimental to your financial health. For those that figure it out – your customers will love you and happy customers will indeed lead to healthy financial performance.



Picture worth (almost) 1000 words:



Sincerely,
 Mike Fransen
 Founder / CEO, Workng

