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Office Depot Expands Sale of Work Space Along With Staplers, Paper Clips to Edge Out Rivals

Retailer's Coworking Concept Targets Small Businesses in Dallas, Chicago



Office Depot is adding coworking space to locations in Dallas and Chicago. Photo: CoStar

Office Depot is going national with its concept of selling work space in addition to paper clips and printer toner, trying to edge out rival Staples as coworking gains more new providers.

The Boca Raton, Florida-based office supply retailer is building on the coworking initiative it started a year ago by bringing shared work space to two stores in Dallas and Chicago this month, a move considered a natural fit for a company already trying to reach more small businesses and entrepreneurs.

The company and other firms are looking to capitalize on a concept mastered by such companies as WeWork – which has a market valuation of around \$47 billion, according to PitchBook, a private-market data firm.

Coworking firms rent and build out space in buildings and then sublease that space to office tenants. WeWork, with 425 locations in 27 countries, is the second-largest venture capital-funded company in the U.S. behind Uber, PitchBook data shows.

Office Depot's first "Workonomy Hub" opened last year at a store in Los Gatos, California, where freelancers, small-business owners and others can rent a desk for \$40 a day. Customers can also buy \$40 monthly memberships and rent private offices for \$750 a month.

Office Depot's typical 20,000-square-foot store probably is too big in today's changing retail climate, so carving out coworking space is a smart use, said Barry Wolfe, a retail specialist and senior managing director for the Marcus & Millichap brokerage in Fort Lauderdale, Florida.

"It gets clients into their stores," he said. "If you're already there and need paper and supplies, where else are you going to buy it? It's already what you think of them for."

The concept is similar to what Capital One did in adding cafes and work tables in some locations as a way to increase foot traffic at its bank branches, explained Dave Preston, executive managing director of retail services for Colliers International in Miami.

But Preston noted that Office Depot will have to be selective in identifying stores for the coworking space. Many of the company's locations are suburban, not ideal for drawing millennials, he said.

"The attractiveness of coworking to the younger demographic is being in a dynamic urban area," Preston said.

Shera Bishop, an Office Depot spokeswoman, wrote in an email to CoStar News that coworking space "creates a comprehensive offering for small business owners, entrepreneurs and remote employees under one roof."

The company did not release specific store locations or exact opening dates, and Bishop did not respond to a follow-up phone call or emails.



CBRE's Hana coworking space. Illustration: CBRE

Office Depot, with about 1,350 stores nationwide, reported sales of \$11 billion last year, up from \$10.2 billion in 2017. A planned merger with rival Staples was called off in 2016.

That same year, Staples - based in Framingham, Massachusetts, unveiled a partnership with Workbar, a Boston-based coworking company. But the firms announced an end to the arrangement last month.

Staples said it will continue providing coworking services but with a new concept, Staples Studio, for small business customers. The firm will offer the program through coworking spaces already located in stores in Brighton, Danvers and Norwood, Massachusetts.

Staples intends to integrate coworking "into a broader range of small business service options, including onsite legal, marketing and human resources consultation, among other features," Chief Merchandising Officer Peter Scala said in a statement.

Meanwhile, the CBRE Group brokerage announced last month it will open a flexible workspace location in mid-2019 at PwC Tower at Park District in Dallas. CBRE started a coworking concept called Hana late last year for institutional property owners.

Despite coworking's recent success, commercial real estate executive Sam Zell told CNBC last fall that shared workspace companies are vulnerable during economic downturns.