

Out-of-state coworking firm adding third Virginia location

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Photo: Courtesy of Colliers International

The coworking game is heating up in Norfolk.

On Wednesday, Chicago-based City Center Novel Coworking LLC bought for \$4 million City Center at 223 E. City Hall Ave. in Norfolk, according to city records. The seller of the 54,944-square-foot downtown building built in 1987 was an entity tied to Miami-based LNR Partners LLC.

Novel Coworking plans to open in Norfolk this fall a coworking space

after completing renovations at City Center. The company plans to convert the vacant third and fourth floors of City Center to coworking space aimed at tapping into Norfolk's small business community. The first floor is currently retail, and the second floor is office space.

"We've seen huge interest from small businesses and entrepreneurs with our first Virginia locations in Alexandria and Richmond, and we're excited to continue serving the region's businesses with even more state-of-the-art workspace," said Bill Bennett, founder of Novel Coworking in a press release. Novel could not immediately be reached for comment.

Novel opened its first location in Chicago in 2013 and later added two more locations there. Since then the company has added locations in Virginia in Alexandria and Richmond. The company also has locations in Seattle, San Diego, Denver and Charlotte.

Coworking space is **a growing trend in the commercial real estate industry** that offers tenants shorter leases and a number of amenities. Local and national players are increasingly jockeying for market share.

Novel appears to be the first out-of-state coworking firm to enter the Hampton Roads market, but it won't be the only game in town.

Richmond-based **Gather Workspaces LLC plans to open** a coworking space in June at 500 E. Main St. in Norfolk, less than a mile away from where Novel is opening its coworking space. Gather also has plans for a location in Newport News. Percolator is already open in downtown Norfolk at 259 Granby St.

At City Center, Novel's plans call for fully furnished workspaces with amenities, direct fiber internet

and Wi-Fi. Private offices, office suites, dedicated desks and coworking memberships will be available. Pre-leasing has already begun.

Colliers Virginia president J. Scott Adams and Perry Frazer, managing director of Colliers' Norfolk office, represented LNR Partners in the deal.

Norfolk online records show that the entity tied to LNR Partners, a large commercial mortgage servicer owned by Starwood Property Trust, took over the four-story property in 2016 for \$4.2 million. The city last assessed the property in 2018 at \$6 million.

Adams says the city assessment is likely based on the value of the building if it had been fully leased. He adds that Novel's total investment in City Center is going to be higher than \$4 million.

Adams says marketing for City Center started in the fall. The building has been a multi-tenant property but its biggest tenant, a division of Norfolk Southern, moved out at the end of December, Adams says. The vacancy left by Norfolk Southern and other tenants created the chance to market the building for an owner-occupant or a large tenant for the third and fourth floors. The bottom two floors are about 50% leased.

Adams says Novel's investors were looking for a building that had the right amount vacancy as well as the right economics and demographics. He said they were impressed with Norfolk's mix of entrepreneurship, restaurants and arts scene.

Adams says sometimes big blocks of vacancy creates concerns the market will soften and impact rental rates but the Novel deal is a positive sign.

"It really jolts the market back into equilibrium," says Adams of when a block of space gets taken off the market.