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 Ron Davis

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Arkansas industrial coworking operator enters Phoenix market with 50,000-square-foot lease

A new option for businesses and entrepreneurs to find their office or warehouse space is set to come online in early 2024.

Arkansas-based Loloft Inc., which combines "local logistics, flexible terms" in its name, signed a 12-year, 51,902-square-foot lease in Phoenix that it will offer to businesses in need of warehouse and office space, conference rooms or just single desks. The company leased the space from national office landlord Workspace Property Trust at 4750 S. 44th Place in Phoenix, which is located minutes away from Phoenix Sky Harbor International Airport.

Brendan Howell, CEO and co-founder of Loloft, said industrial co-working combines the elements of traditional office co-working with warehousing that offers flexibility to smaller or up-and-coming companies that don't know what the next year or next month holds. Howell said Loloft's membership service offers customers access to its space, utilities and WiFi.

Contracts start at three months, and then companies can go month-to-month from there on out and upsize or downsize in space with 30 days' notice, Howell said.

"Covid just showed how quickly things can change in business. So it's still fresh in a lot of companies' minds," he said.

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The company started in 2021 in Rogers, Arkansas, which is the only Loloft location open to date. In addition to Phoenix, Loloft has plans to expand next year into Minnesota, Kansas City, Portland and Tampa. Workspace will be a partner in a few of the other expansion locations, Howell said.

"We're setting up a fund at the moment to go and purchase a bunch of properties as well because we think the timing is just right in the commercial market. There's a real glut of opportunities and a lot of properties that people just don't know what to do with and a lot of them are suitable for our use," Howell said.

Loloft expects to be open by Q2 2024

Loloft will take occupancy of its Phoenix building on Jan. 1 to get the space ready to lease to small businesses and entrepreneurs by the second quarter of 2024. Howell estimates the Phoenix location can accommodate about 50 to 60 different spaces, offering between 125 to 1,500 square feet for individual spaces for offices or warehousing.

"Phoenix, one of the fastest growing metropolitan areas in the country, has been and continues to be an important market for Workspace," said Tom Rizk, Co-Founder, Chairman and CEO of Workspace, in a statement. "We know first-hand that location, flexibility and the right amenities are critical to tenants seeking to provide the best work environment for their team members. [Loloft's] model of combining micro-warehousing and coworking space on flexible terms for entrepreneurs is a game changer."

Before even considering an expansion into the market, Howell said Mark Paratore of the Greater Phoenix Economic Council had connected with him and was interested in Loloft's business plan.

"That spoke to us that Phoenix is progressive and entrepreneurial. So there was another kind of a key early driver," Howell said.

As the Phoenix metro brought on 16.5 million square feet of new industrial buildings in the third quarter of 2023, it brought the overall vacancy rate in the Valley to 6.2%. That was a big shift from the consistent vacancy rate of around 3% that Phoenix has seen in recent years.

However, the increased vacancy didn't cause leasing rates to drop. Phoenix was the second in the U.S. for annual rent growth — it saw a 7.4% increase in direct asking rents during the third quarter, with an average asking rate of \$1.01 per square foot per month, according to Avison Young. This was a result of a majority of available space in Q3 consisting of new construction and demand for higher-technology buildings.

Howell said Loloft could look at other Phoenix locations should the first one lease up quickly. He noted that the Valley could support multiple locations if the demand is there.

In the spring of 2023, the Valley saw another out-of-state co-warehousing company, Saltbox Inc., expand into the market. The Atlanta-based company expanded into a 110,000-square-foot building at 910 W. Carver Road in Tempe. The majority of the Saltbox facility — 65,000 square feet — is divided into flex warehouse suites, with the remainder being collaboration space, conference rooms, flex storage, dock areas and photo studios.

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