



# Operations Management Guidance

Sample Property

Denver, CO

December 2020

## **Statement of Confidentiality**

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# Space Summary

Sample Property opened in September 2020 and is operated by the building owner, Sample Property Investor. The coworking space operates in an 8,809 square foot suite with options to grow into additional suites in the future. It is located off of I-25 in Westminster, Colorado, a north suburb of Denver.

Sample Property Investor purchased the building and converted the 8,809 square foot office suite into a coworking space with 19 offices, a podcasting studio, a large training room, kitchen, and shared coworking space with hot and dedicated desk. The space is estimated to comfortably support 111 coworking memberships. The coworking space, Sample Property, opened in September 2020 is currently operated by the building owner.

The space has a professional and modern buildout with a neutral grey tone. The offices are well equipped with commercial furniture with several offices having large garage door walls and a small patio. The space has a mild ranch theme with a few black and white murals and decals on doors.

As of November 2020, 8 offices are rented out with \$7,750 in monthly revenue.

Sample Property is currently operating the space and is looking for an experienced coworking operator to manage the spaces' daily operations, marketing, staffing, and leasing through a management contract.

## Quick Stats:

Total Square Feet	Current office occupancy	Current desk occupancy	
<b>8,809</b>	<b>34%</b> (8/24 offices)	<b>0%</b> (0/35 desks)	
Current Monthly Revenue	Break-even Revenue	Break-even Revenue	Est. Revenue when Stabilized
<b>\$7,750</b>	<b>\$13,333</b> (rent only)	<b>\$19,900</b> (rent + expenses)	<b>\$25,925</b> (90% + extra offices)

# Performance Goals

High-level goals for the first six months:

- Oversee conversion of training room into four offices
- Fill ten offices and reach 80% occupancy

In its current form Sample Property has a total of 19 offices, a media production office, and a training room. The training room is in the center of the space. It is recommended that the training room is divided into four 4-person interior offices at a rental rate of \$800 a month, bringing in a total \$3,200 a month, \$38,400 a year.

Training rooms can be a profitable business service, but they take time and additional marketing dollars to build a strong customer base. For most coworking operators, they will drive higher revenue by converting them into offices and not add any additional marketing cost.

## Proforma Total Revenue Projections

	Q1	Q2	Q3	Q4	Annual Monthly Avg.
<b>Total Revenue</b>	\$50,480	\$85,825	\$87,825	\$95,425	\$27,148
Monthly Avg. per Quarter	\$16,826	\$28,608	\$29,275	\$31,808	

## Startup & First Year Expense Estimates

	Q1	Q2	Q3	Q4	Annual Monthly Avg.
Advertising	\$15,547	\$8,459	\$3,813	\$4,117	\$2,661
Software, Payroll, Insurance	\$1,872	\$1,872	\$1,872	\$1,872	\$624
Staff	\$7,524	\$7,524	\$7,524	\$7,524	\$2,508
Office & Kitchen Supplies	\$3,080	\$3,916	\$3,916	\$4,118	\$1,258
IT & Internet	\$2,100	\$2,100	\$2,100	\$2,100	\$700
<b>Total</b>	<b>\$30,123</b>	<b>\$23,871</b>	<b>\$19,290</b>	<b>\$19,731</b>	<b>\$7,751</b>
Monthly Avg. per Quarter	\$10,041	\$7,957	\$6,430	\$6,577	

# Profit Projections

For Sample Property, we recommend an even profit share model. The owner is paid for all expenses out of the top-line revenue, and the remaining profit is split evenly.

Profit-share agreements work well when both the owner and operator are local - the operator is more incentivized to send excess tenants from the core campuses and keep occupancy high at all locations. We believe a 50/50 profit split best fits this space and goals.

Month	Hot Desks	Dedicated	Offices	Profit per partner
1	3	0	10	\$0
2	3	1	12	\$0
3	5	1	14	\$0
4	7	2	19	\$89
5	10	2	22	\$3,216
6	12	3	24	\$4,403
7	13	2	21	\$3,164
8	12	2	21	\$3,094
9	12	3	24	\$4,719
10	14	3	23	\$4,483
11	15	3	24	\$4,930
12	16	4	24	\$5,142

1st Year Profit per Partner

# \$33,240

Total Income: \$319,555  
Total Expenses: \$279,108

Stabilized Annual Profit per Partner

# \$37,968

Income: \$336,900  
Expenses: \$262,764

We chose a conservative model of stability for our financial projections - 87.5% of offices filled (21/24 offices) with 12 hotdesk members and 2 dedicated desks filled. We believe it should take between 4 - 5 months to fill enough inventory to break even on expenses, and then any hot desk, dedicated desk, or conference room revenue after that point goes straight to profit.

# Contract Recommendations

These recommended performance goals are a combination of common terms and specific suggestions based on Sample Property’s current occupancy.

Note - these recommendation by the DenSwap team are meant as suggested starting points for both parties and not ironclad terms. The goal is to encourage growth, mutual profit, and a better-than-expected performance by the new operator.

## Initial Rate of Growth

| [Redacted]  
| [Redacted]  
| [Redacted]

## Ongoing Stability

| [Redacted]  
| [Redacted]  
| [Redacted]  
| [Redacted]

## Agreement Length

| [Redacted]  
| [Redacted]  
| [Redacted]

## Owner Termination

| [Redacted]  
| [Redacted]  
| [Redacted]  
| [Redacted]



Thanks for reading. If there's anything else we can help with, don't hesitate to reach out at any time. We're excited to see Sample Property thrive.