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Office Space Advice

Q & A: Barrister's Gates Talks California Serviced Office Space

Carrie Gates knows California business centers. The vice president of sales and marketing for Barrister Executive Suites, a business center operator in Southern California, has about as much experience as anybody when it comes to promoting the virtues of executive office suites in the Golden State.

Combine that with broader industry knowledge—Gates is also former president of the Office Business Center Association International—and you clearly see how she impacts Barrister's success and serves as a model for other sales and marketing execs in the office business center industry.

aBetterOffice.com caught up with Gates to get her take on the California serviced office market, how it compares to the national scene, and where Barrister is headed next. Be sure to also check out parts one and two of our interview with Gates. You don't want to miss her no-holds barred insights on the industry.

From your view, how does the California serviced office market compare to the national scene? Is it healthier, more competitive?

I think that California is still struggling and in a bad position. Even though the rest of the nation has started to show small signs of recovery, we haven't seen the same level of improvement here. Our state economy has continued to weaken, and remains extremely fragile. California job loss and unemployment continues to rise and is currently at 12.5 percent.

One major concern that I think gets frequently overlooked is our agricultural industry. Our water supply continues to deteriorate, and the tighter restrictions on use combined with heavier environmental regulations threaten our farming and agriculture industry, especially up in the Sacramento Delta area. I don't think most people are aware how potentially dangerous this situation is to the rest of the economy. We feed much of the nation, and it's a huge contributor to our state economy.

Then there is our budget situation to contend with, which is still a growing problem. I hate to sound pessimistic (in fact, I'm really not) just "cautiously optimistic." Our state is in a fragile situation that we need to keep a close eye on. I think this next year will be hard, difficult for many and we'll continue feel the impact. Let's hope that I am wrong, and let's hope it doesn't spread to the rest of the economy like it did with the housing and mortgage finance crisis. As they say, a rising tide lifts all boats, indeed.

Unfortunately, a sinking ship can tank the whole yard. California is at the epicenter. As it pertains to the impact on the OBC industry: It continues to be a highly competitive market and difficult for small independent operators to survive. You need the bench strength in order to compete effectively. Small independent operators don't seem to have a great track record for survival here. And we have not seen signs of improvement as some other markets have. I have not seen much growth or expansion to speak of, mainly just shifting around of the market and continued consolidation.

California is a different animal. It's very sprawling and lacks the same density and concentration of other metro markets, and states. At times, Northern and Southern California are like two different states. I don't know the exact statistics, but I believe OBC represents a higher percentage of the overall market. Companies with 10 or more locations stand a much better chance, and are in a better position to compete effectively. The larger size, privately-held, companies like Barrister, Premier, Pacific Business Centers and Corporate Office Centers, have a much better track record historically for performing than the smaller size independents, or operators who rely on outside funding to sustain their operation. I suspect this will continue to be the trend during the next year. The commercial foreclosure crisis is still looming and will play a big factor. Landlords are desperate and fighting to compete. They continue to enter our market and compete with us. It is the same situation as anywhere, but perhaps a bit more extreme. I believe this is because we have so many institutional landlords and the market was so grossly over inflated at its peak. The bottom line is, price is always the issue in the absence of value, and unless the consumer sees the benefit of our products and services, we will continue to lose clients to other office alternatives, particularly to conventional office leasing. As long as landlords continue to think they can do it better, they will continue to enter our market. I think the biggest threat to our industry is not from direct competition with each other, it is the other alternatives outside the industry that pose the biggest loss. This is all the more reason to have a strong local member network and work together.

What is in store for the future of Barrister Executive Suites? Are you planning expansions, a greater focus on virtual offices?

Barrister's Chief Executive Officer and Chairman of the Board Vince Otte says that will depend on what happens with Washington. I completely agree with Vince and feel the economic policy and lending practices play a critical factor. We need growth in the private sector to support the demand for our product and tenants need access to capital to pay for our services. We need economic policy that is favorable to business owners like us and our clients in order to fuel any type of real recovery and business growth. Commercial banking and lending practices will continue to play a big factor.

We need the capital markets to remain solvent and liquid so that companies like our clientele will continue to have access to the cash and working capital they need to maintain and grow their business. Otherwise they won't be able to pay for our service, and the market demand will decrease. It's basic economics, and Barrister is in the same boat as everyone.

Barrister is a fiscally conservative company. That's how we've stayed in business for over 20 years and always continued to operate with no third-party debt. We are in it for the long haul and want to be cautious not to over expand too prematurely, and we want to make sure we get paid for the services we provide. We do intend to continue growing and thriving, and we are committed to maintaining the quality and integrity of our product and services. As a business owner, one of Vince Otte's strengths is in his ability to forecast future fluctuations in the market, so I think you will see some interesting things from Barrister.

Do you think the momentum the serviced office industry gained during the recession will propel it to greater visibility with the economy recovers? Or will traditional office leases take back ground?

I think that is entirely up to us. Ultimately that will depend on our ability to develop new products and services and remain aligned with the need in the market. I think we can expect to see continued competition from other types of commercial real estate—but, I believe the demand for our business model will surpass that. As I said before, the workplace trends are shifting in our favor. We just need to dribble with our head up and continue to stay one step ahead. Opportunity usually comes disguised as adversity and I believe in our ability to evolve and thrive. We can and will pull through if we choose to. We should stay focused on the future.