WeWork to shutter four Canadian locations after filing for bankruptcy protection in U.S.

Company seeks to quit four Canadian leases, two in Ontario and two in B.C.

The Canadian leases make up a small portion of WeWork’s total business, which includes 750 co-working spaces in 37 countries.

One day after filing for Chapter 11 bankruptcy protection in the U.S., WeWork launched Canadian insolvency proceedings under the Companies’ Creditors Arrangement Act (CCAA).

The move is part of a plan to restructure its business, which was devastated by the COVID-19 pandemic that shuttered offices and led many customers to terminate their leases prematurely.

WeWork claims that the cost of maintaining the 69 Canadian and U.S. leases outweighs any revenues generated by those properties.

The company’s Canadian operations represent less than 3 per cent of its total revenue.

“WeWork operates, essentially, as a rent arbitrage company,” reports the Globe and Mail. “It takes out long-term leases in buildings, chops up the spaces and sublets them at a premium, often in units as small as individual desks, booked a day at a time. If the company can’t find enough subtenants to cover its costs, it doesn’t earn a profit and can’t pay its bills. This is what happened to WeWork as it expanded over the past decade.”

The problem of finding new business tenants isn’t limited to WeWork.

COVID and the shift to remote work quadrupled the vacancy rate in downtown Toronto offices, illustrating the difficulty many landlords face in finding corporate tenants.

WeWork not completely exiting Canadian market
Among others, the company plans to keep its first Toronto tenant, real estate investment firm Hullmark.

“We still believe in their ability to execute,” said Mitch Gillin, vice-president of asset management at Hullmark, adding that nearly 20 per cent of Hullmark's office spaces are dedicated to co-working tenants, including WeWork.

Other landlords are less optimistic, such as Cresa, a Vancouver-based commercial real estate firm.

“It's unlikely I'll be directing my clients to WeWork space – at least not until the dust settles,” said Ross Moore, senior vice-president and managing broker with Cresa. “There are other options, so why take the risk?”

**Category:** Commercial

**Tags:** Co-Working Office

**Locations:** Toronto Metro Vancouver