

# BISNOW

(ALMOST) NEVER BORING

## From This Point On, Employees Will Decide Where They Sit

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In Biogen's older buildings, the facilities department told people where they'd work. Now, the staff decides for themselves. That's one major change we learned about at Bisnow's Office of the Future event, yesterday at the Sheraton Boston. Another important change: the shift to flexible offices will alter how landlords calculate rent, value property and build offices.



Building in flexibility and amenities is very costly but it is such a must-have for office users that they'll pay higher rents, our speakers agreed.



A heavy hitting paradigm provocateur is co-working giant WeWork. EVP Luca Gualco says the company has 25,000 members worldwide (including in its two Boston offices). It's a good day when a member comes in after the weekend saying, "Thank God, it's Monday!" An advantage of joining WeWork: growing companies don't have to lock in expansion space years in advance; corporations join to see how Millennials are working and landlords can celebrate fully occupied buildings.



Moderating our first panel, "What Tenants Want," was Colliers executive MD Martha O'Mara, flanked by ADD Inc, now with Stantec, senior principal Lisa Killaby and John Hancock's Marc Suprenant. Exactly what is it that attracts people to the workplace at a time when technology allows us to do our jobs from a distance?



Technology that allows employees to work anywhere is huge, says Marc. John Hancock, which owns 57M SF of offices worldwide, last month opened an innovation lab at 601 Congress St for its investment team. The desks float, whiteboards are mobile, meeting rooms that accommodate two to 40 people are complemented by phone booth-size quiet rooms. Globally, the open layouts can significantly reduce real estate costs, he says. Lisa tells us that tenants want the “loft look”; take down the ceiling, install long tables where staff can have lunch and quiet places for heads-down work, free of phones or paging systems. Some in senior leadership have found that employees who eat together are 10% more productive, Lisa says.



It’s all about providing sufficient technology and infrastructure that’s pervasive, mobile and robust enough to meet the expectations of the Millennials that State Street wants to attract and retain, says State Street RE Asset Manager Jennifer Settle. The financial services firm

recently relocated some employees from Back Bay the Financial District into an open plan build-to-suit in the Fort Point section of the Seaport. People may be sitting closer to each other but when all the common areas are figured into the mix, the density isn't radically different from the prior offices.



A top priority for Biogen facilities director Ed Dondero (right, with Nelson principal Michael Bourque) has been flexibility and free choice. At any time, each worker has at least two options of where and how to work in the life science company's two new office buildings in Kendall Square. They have raised floors for running power and data with mechanicals for data, HVAC and lighting underneath, which allows for easy conversion of workstations. When it's time to alter the layout, demountable partitions on the floors can be moved without disturbing the pipes and ductwork overhead through the use of drywall soffit "clouds."



The new layouts, with their more hearty infrastructure like additional heating and cooling loads, can add expense, CBT principal Haril Pandya says. With the arrival in the workplace of Gen Z (today's 15- to 18-year-olds), tenants may want to look for social space on the square footage outside their office walls, such as the building lobbies, common areas, roof decks and amenity zones. This is when in-between space could become critical to meet tenant demand and produce revenue for owners.



Big office users are changing their workplaces amazingly fast, says Deke Schultze, the Boston partner for Philly-based Rubenstein. If the transformation continues apace, how should landlords amortize their investment over a traditional 10-year lease? Where's the tipping point when the decrease in the square feet of space/employee negatively impacts the business? Since real estate costs are a small fraction of employee costs, some businesses are ratcheting their space back up, Deke tells us.



If the open plan trend continues long term, it might put pressure on parking. It could mean changing zoning ordinances and requiring more mass transit—a public sector

responsibility—Steve says. The paradigm shift in the workplace may also mean landlords and investors adjusting their long-term investment strategy. Lobby space and ground-floor retail, once considered a loss, could generate huge revenue gains. So far, landlords have been compensated for the increased cost of providing cool core space. But that may not last forever and owners need to understand how to calculate the base cost, Steve says.



Landlords who listen to tenant priorities may have a competitive advantage, says Jon. When they centralize amenities, that drives traffic to the shops and service providers. In successfully reviving older suburban buildings, The Davis Cos is finding tenants willing to pay a premium rent. Businesses like WeWork, whose own space needs can change quickly, want landlords to offer more flexible leases that adjust with the size of the office users' footprint. This, in turn, raises "enormous" questions about how landlords think of credit and how they price their assets, Jon says.

Thanks to the moderator of Panel 2 - McGladrey partner Robert Langley.

We'll have a special thanks to our event sponsors in our next issue!!