

Curb Appeal

BY VERNON MAYS

How do developers look at office buildings and the office workplace? The best ones think like owners. They want to make money on day one, but the long-term value of their buildings is equally important.

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When people talk about the office workplace, they tend to focus on the companies that take the space and the people who occupy it. There's another important player, however—the companies that develop (and often own) the office buildings. In most markets, they make the decisions about office buildings as “product,” even if they're developing them on behalf of a corporate, governmental, or institutional owner. Developers are the ones who leverage the capital needed to acquire prime sites, commission the design teams, finance the construction, and—more often than not—secure the tenants.

Why Location Matters

Choosing the best markets is a crucial first step, says Boston Properties' Raymond A. Ritchey. As executive vice president for national development and leasing, he's responsible for more than 30 million square feet of space in four target markets—Boston, New York, San Francisco, and Washington, D.C. Within those markets, nothing holds more sway than real estate's oldest truism: “location, location, location.”

The goal is to serve the companies—many of them professional service firms—that lease Class A office space. These firms need settings that help them attract and retain the most promising young talent. “Office space isn't just a place to do business now,” Ritchey says. “It's about how people relate to the space.” That's why he likes “24/7 environments with great access to transportation, and integrated communities where office use is associated with residential, retail, and cultural.” That's what he means by “location.”

Once a site is chosen, the specifics of the building come into play. Ritchey enumerates the design factors that matter most: the shape of the floor plate; the amount of available daylight;

desirable views; generous ceiling heights; and the ratio of perimeter space to interior area. Amenities such as day care are necessary now in office buildings. Fitness centers are standard fare, along with ample parking and comfortable, convenient, and affordable food service—available within the building.

Spec Versus Build-to-suit

Tom Farrell, senior managing director at Tishman Speyer in New York, articulates a complementary point of view. His company owns and manages nearly 100 million square feet of space in 20-plus global markets, including fast-growing ones in Brazil, China, and India. Farrell says that the criteria influencing his decisions about office buildings vary depending on whether they are speculative or build-to-suit.

For speculative work, developers need to understand the market and then create a product that meets that market's requirements, yet provides some flexibility to individual owners' needs. "The ultimate users care about the building's efficiency, sustainability, and appropriate infrastructure," Farrell notes. "They also want a building that makes them proud to work there. That is why Tishman Speyer always says that architecture is spelled with a capital A."

In strategic situations where an important corporate relationship is involved, Tishman Speyer will function as a development manager, and let its client provide the capital. Often, however, Tishman Speyer will pursue such build-to-suit projects directly. In both scenarios, the building has to fit a specific purpose and has to work from the inside out, supporting the end-user's work style and culture. When it developed the Hearst Corporation's new headquarters in New York, Tishman Speyer realized that the company is a compilation of business units best served by 20,000-square-foot floor plates. Aided by Gensler's analysis of Hearst's use of its existing office space, Tishman Speyer "zeroed in on the notion that a significant portion of the space should be open landscape offices," Farrell says. That decision meant that the office floors in the new headquarters have sweeping views of Central Park—not a bad thing for staff retention, either.

Building Prerequisites

The importance of sustainability to tenants has grown in the past five years, Farrell notes. "It's almost universal." Tishman Speyer is ahead of the curve in building to a LEED standard in the U.S. and to comparable standards in Europe. Boston Properties is also on the sustainability bandwagon, in no small

part because the company tends to hold the properties it builds. "It may cost an extra 2 to 5 percent to make buildings more sustainable, but then we get that payback by retaining tenants and improving operating efficiencies," Ritchey says.

Security has a greater emphasis since 9/11. Notes Ritchey: "We still have to ensure that our buildings are responsive to any known or unknown risk. We still have to provide full security, both personnel and electronic." Yet Boston Properties also strives to make its buildings welcoming to tenants and visitors, an equal requirement of first-class office environments. "It's a delicate balance," he says.

The Benefits of Innovation

Technological advances are changing office buildings from their core to their cladding. Once considered a novelty, addressable elevator systems are now quite common. Boston Properties' new office towers in Times Square incorporate state-of-the-art elevators that identify workers as they pass through security and direct them to a particular elevator along with others headed for the same destination. "That cuts the elevator times and reduces the number of cabs," Ritchey says. "It makes our buildings more efficient and much more attractive to our tenants." Innovations in glass technology make it easier to reconcile sustainability with aesthetics, according to Farrell. "High-performance coatings on exterior glass allow greater light transparency with very good thermal performance. It's a major breakthrough."

Both Ritchey and Farrell see taking a long view as crucial to successful office building development. "You have to look beyond the current market and anticipate tomorrow," Ritchey says. For Farrell, "A smart building gives end-users the flexibility to make choices, whether it's about the workspace or the technology. Work styles change, and great buildings make it easy for change to be accommodated."

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