

Repositioning: Right for Now

BY VERNON MAYS

Repositioning real estate in a downturn can be a great business decision if it's approached strategically. Here's how owners are transforming existing buildings to give the market what it needs.

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Opportunity comes in many guises. Even in recessionary times, real estate investors look to make moves that will pay dividends as the economy recovers. So, while commercial real estate sales in Manhattan were dismal in 2009, a handful of highly desirable properties changed hands. "It seems counterintuitive, but a downturn is a great time to upgrade, because the construction costs are low," says Gensler's Robin Klehr Avia, a regional managing principal in New York. "Many of the new owners of these trophy towers understand that." One of her clients, George Comfort & Sons, is an example.

Updating an Icon

One Worldwide Plaza gained fame as the subject of a TV documentary, *Skyscraper*, after its completion in 1989, but its reputation as a Manhattan icon didn't save it from a precipitous decline from the peak. It changed hands for \$1.8 billion in 2007. In 2009, George Comfort & Sons bought it for \$590 million.

The company got a great deal, but it knew it would have to upgrade the building to attract new tenants. It called on Gensler to evaluate the building and reposition it for the post-2008 New York economic market. The firm's strategic planners began by asking key questions: What are the assets? Why is this property unique? What will it take to align it with the target tenant base? "These are the first things we discuss with the owner," says Gensler's Tom Vecchione. "It's an opportunity to set common goals."

At One Worldwide Plaza, the Gensler team worked with the owner/broker team to identify a wide range of aesthetic, functional, and financial possibilities. Building performance, LEED strategies, tenant mix, and market positioning all came into play, along with urban-scale conditions such as street-level



The marketing floor at One Worldwide Plaza, New York, NY.

retail spaces and public plazas. Sustainability ranked high—Gensler targeted a 35-percent reduction in water use, using low-flow plumbing fixtures. Installing compact fluorescent lights, occupancy sensors, and unheated high-velocity hand dryers helped cut energy consumption in the building's core.

Adding it all up, Gensler generated a storyline for marketing the building to tenants that celebrated such selling points as its central location, in-building access to transit, and 72,500-square-foot office floor plates with stunning 360-degree views. Gensler created a marketing center for the tower on the 14th floor that brings these attributes to life, giving form to the talking points that the brokers want to convey and reflecting Gensler's understanding of 21st-century workplace needs. "We designed the marketing center to be both the medium and the message," says Gensler strategist Amanda Ramos. It communicates the building's inherent value—a landmark with a strategic, transit-served location—and catalogues such important details as its 9-foot finished ceiling heights and 10-foot-wide window modules. The Gensler-designed marketing brochure elaborates the story with test-fits that show prospective tenants what a great fit the building would be. "They have to see it," Vecchione says.

Banking On Performance

Financial strength shaped the design of new corporate headquarters for Cathay Bank, a fast-growing company whose dated office building in Los Angeles's Chinatown had outlived its usefulness. As the bank prospered, employees became scattered in multiple locations through piecemeal expansion. Bank executives decided that a new location would afford the opportunity to boost employee performance and reflect the bank's stature in the community.

"The challenge was to find a building of the size and look appropriate for a bank," says Dunson Cheng, Cathay's chairman, president, and CEO. In 2006, the bank acquired a seven-story office building in El Monte, along the San Bernardino Freeway. The early-1970s building's San Gabriel Valley location was ideal, but its condition was not. Gensler recommended that the bank reposition the building instead of replacing it. "We felt that was the better strategy, financially and environmentally," says Gensler's David Herjeczki.

The building's squat proportions and heavy massing were big hurdles. Gensler focused on the narrow ends of the building, which are the most visible from the freeway, redesigning them to increase their impact. The proportions of the building were improved by giving it a strong vertical thrust. The existing



above:
The building before repositioning.

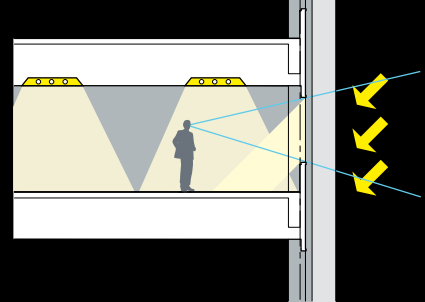
below:
Cathay Bank Headquarters, El Monte, CA.



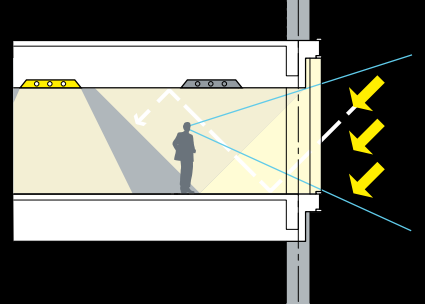
Cathay Bank's new sustainability



before



after



above right:

A new floor-to-ceiling curtain wall with spectrally selective glass dramatically improves daylight penetration without adding heat gain.

31%

reduction in energy use

47%

savings in interior lighting

mechanical penthouse was enclosed with a rooftop screen wall that makes the building appear taller.

The building exterior was fully upgraded in appearance and performance, using a standard curtain-wall system and prefabricated panels to reduce costs and speed construction. Floor-to-ceiling glass on the north façade now brings abundant natural light and mountain views to open-plan areas on the office floors. The east and west façades have sunshades and

darker glass to protect private offices from glare. Shared facilities like conference rooms open onto a sunny corridor along the south façade.

Social responsibility is part of Cathay Bank's brand, so sustainable measures like high-performance glass, low-flow toilets, and daylight harvesting are part of the redesign. An array of photovoltaic panels in the parking lot will soon generate one-third of the building's electric power needs.

The savings the bank reaps from higher performance speaks to its business acumen, not just its community credentials.

Rigorous Decision-making

Repositioning begins with analysis. Deciding what to do begins with understanding the building's location, existing and potential place in the market, and its condition and possibilities, among other factors. An example is Boston's One Financial Plaza, a 48-story office tower in which Beacon Capital Partners acquired a 50 percent interest in late 2007. As Gensler's Christopher Haynes explains, the analysis was comprehensive—everything from transit and freeway access to the building's energy and daylight performance. "We compared the results with competing office towers," Haynes says. "Our findings drew attention to attributes of the building that were strong selling points." Assembled as a graphic presentation, the analysis was "a real eye-opener" for Beacon Capital and Boston brokers.

To support its rigorous approach to building repositioning, Gensler has developed a new interactive tool, gAnalytics, which enables clients and their design teams to make a systematic and comparative evaluation of a given building in relation to competing properties in the same market. Extending the kind of analyses carried out for One Financial Plaza and other projects, gAnalytics considers such factors as floor-plan flexibility and efficiency. Most important, it enables the team to test repositioning options in real time, engaging owners, brokers, and even end-users in the process. "Informed decisions make it much easier to reposition the building for the marketplace," says Gensler's Jeff Barber.

Getting It Right

As these examples suggest, repositioning is a strategy, not a formula. For new owners, it can be an effective way to maximize the return on investment possible from an existing building. That's true whether the goal is to burnish an icon to attract new tenants, rescue a development that's gone south, or give an older property a new lease on life. Getting it right means taking the time to align owner and tenant needs and desires with the opportunities and constraints of the building and the market.

"You have to be realistic and creative," says Barber. "It takes creativity to deliver real value given what the existing building and the current market can support."



The marketing floor at One Worldwide Plaza, New York, NY.