

The background image is a photograph of a modern office space. It features a large window on the right side, letting in bright natural light. In the foreground, there is a dark wood desk with a silver metal base. On the desk, there is a yellow leather office chair, a laptop, a pen holder with several pens, and some white storage boxes. A framed piece of art is on the wall to the left of the window. Two white pendant lamps hang from the ceiling.

The Tenant Experience

By Michael Hoban

Landlords
Embracing
Tenant
Experience
to Attract
& Retain
Tenants



As the war for talent rages on, companies are increasingly using their real estate as a tool to attract and retain the best and brightest employees. Following the lead of WeWork and other coworking operators, commercial tenants are now adopting a far more employee-centric approach to creating and cultivating their work environments. As a result, landlords are striving to find the right combination of amenities, social programming, and technology to create a tenant experience that will give them an edge over their market competitors in attracting and retaining these forward-thinking tenants.

"One of the biggest drivers in real estate right now is the HR component," says Grant Pruitt, SIOR, president and managing director of Dallas-based Whitebox Real Estate. "When recruiting and retaining employees, the question becomes, 'how can we differentiate ourselves?' And while that goes beyond the real estate piece, creating an enhanced tenant experience can be an

inexpensive way for them to do that." Pruitt points out that real estate costs, even for highly amenitized buildings in expensive markets like New York and San Francisco, are minimal compared to the costs of hiring and retaining talent—a factor that is far more critical to the overall profitability of a company. "So they're going to make sure that the space that these people go to is a place that they're excited about going to."

Landlords are becoming more attuned to that reality. During a panel discussion at last year's Urban Land Institute (ULI) Boston Spring Summit, Sam Schaefer, managing director at Tishman Speyer—which owns and operates over 100 million square feet of premier office space around the globe—told the audience, "Right now, what we're thinking about is enhancing the experience in our buildings, and that's a big strategic and cultural shift that I've recognized at Tishman Speyer." Last year, the firm expanded Zo, a pilot program which offers a suite of amenities and services for tenants and tenant employees, to

seven core U.S. markets. He added that, while it is expensive to do so, "At the end of the day, if we're able to retain our tenants and do business with them in multiple markets, then it's a relatively cheap investment."

Chase Gabarino, CEO of HqO, a tenant experience platform that helps landlords optimize their properties by improving the employee experience, says that in recent years, there's been a growing understanding among companies—both large and small—that a positive office experience and the sense of community that employees get while at work is vital to recruiting and retention. "So landlords are putting a lot more resources and focus into their amenities in order to become a place that allows their tenants to attract talent," says Gabarino.

HqO has created a tenant experience scorecard for landlords to help improve their property through amenities,

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experiences, and technology. This scorecard focuses on six key elements:

1. Mobility - How accessible is the property to tenants traveling to and from work every day, including walkability, shuttle and transit options, as well as alternative forms of transportation?

2. Convenience - Is the property set up to streamline a tenant's day by including amenities such as on-site daycare, dry cleaning, conference room booking, grab-and-go food options, etc. If the property does not have those amenities or capabilities on-site, how can it bring those services to tenants via technology?

3. Wellness - How “amenitized” is the property in terms of promoting and supporting the tenant community's interest in health, wellness, and fitness initiatives, either with on-site facilities and offerings or nearby on-demand services?

4. Security - Is the property set up to facilitate and distribute security protocols, notifications, procedures, and contingency planning? Are tenants and visitors given appropriate access?

5. Entertainment - Are onsite and neighborhood events available, discoverable, and promoted to the tenant community?

6. Sustainability - Is the facility set up with sustainable HVAC and lighting controls? How well does the property team identify, promote, and organize charitable fundraising events and

corporate social good content from tenants?

Tripp Guin, SIOR, owner and principal of TRIPP Commercial in Charlotte, N.C., specializes in tenant representation and confirms that landlords are now curating amenity packages that closely align with the HqO scorecard. But for his suburban clients, there is another vital component to the tenant experience—the walkability that comes with the downtown office experience. “That’s probably the biggest change that I’ve seen in recent years in terms of what tenants want to have for their employees,” says Guin.

He recently showed several spaces with enhanced amenity packages to a prospective tenant, but each lacked walkable open space. He was able to deliver a home run for his client when he located an office with state-of-the-art workout facilities, food trucks five days a week, and laundry and food drop-offs in the lobby—in an office park that also offered restaurants and services within walking distance to the office. “The landlord was able to provide the ‘cool factor’ amenities so the client could hire and keep his people, but the walkability factor sealed the deal.”

While amenities are the cornerstone of an enhanced tenant experience, a survey of over 300 office workers across 10 major metropolitan areas conducted by HqO, titled “The State of PropTech:

Connected Tenants and Disconnected Landlords,” found that 74 percent of employees are unsatisfied with the amenities that were available in their building. Even more telling was that the study found that most tenants were unaware of the full range of amenities offered—even in premier buildings—because, as Gabarino says, current methods of making tenants aware of amenities and activities (emails, flyers, word-of-mouth) are largely ineffective. “And that represents a breakdown between the owners and the people that are actually using their property every day,” he shares. “So what you need is tenant experience technology to bring the whole amenity and services package together.”

And that’s where HqO and other tenant experience platforms, such as Equiem and Workwell, come in—digitally connecting tenants to amenities, services, and building operators. As more and more people, particularly digital natives like millennials (who will constitute 75 percent of the global workforce by 2025, according to Deloitte’s 2014 Millennial Survey) and Gen Z’ers, use smart phones as their primary mode of conducting their social and business functions—from dating, to ordering food and Uber rides, to paying bills—it is only logical that their work life must also be fully tech-enabled. Large-scale real estate companies are realizing this and have begun investing in tenant experience technology. JLL Spark and the Pritzker Group have invested in HqO, and companies like Jamestown,

DivcoWest, and National Development are early adopters. Workwell recently began partnering with Hines, and Australia-based Equiem is working closely with Vornado Realty Trust and other property owners.

The HqO mobile app provides a connected tenant experience through four primary features:

1. Control - which allows users mobile access to the building, parking facilities, fitness centers, etc.;

2. Community - which connects users with other tenants and property managers, alerting them to tenant experience activities, such as happy hours, BBQs, onsite yoga classes, and volunteering opportunities;

3. Content - providing all relevant information about the property, including transit data, alerts to promotions by restaurant and retail partners, and security procedures; and

4. Commerce - which allows users to pay for services or memberships from outside partners via the app.

“What the technology does is make our amenities and events programming more accessible to the 3,000 to 4,000 people who work at The District by bringing it all together with one app,” says Leah Harsfield, asset manager for National Development, which owns and operates The District, a walkable 1.3 million square foot mixed-use development comprised of office, retail, restaurants, and open space, located 20 minutes outside of Boston. In the past, she says, an email announcing tenant experience programming would be sent to the individual companies, which may or may not be effectively communicated to the employees. “So HqO provides a way to break through and get directly to the end user: the employee.”

HqO and other tenant engagement platforms also serve in a quasi-advisory role by providing landlords with data that helps them to determine which amenities are most important to the tenants, and to see what the properties may be lacking. With their ability to partner with outside vendors that can provide food, wellness options, and “second-shift” services, HqO can help landlords “onboard” a tenant experience without investing additional capital into their properties.

Harsfield says the response from the 30-plus CEOs and CFOs she works with at The District has been overwhelmingly positive. “Many of these companies don’t have the dedicated resources to create culture and community on their own, so for them to be able to outsource that to the landlord is a huge plus,” she says. “And we truly believe as a landlord and an owner, if you’re not positioning yourself to create that experience for your client, you’re A.) probably not going to be leasing as much space, and B.) you certainly will not to be able to justify rents that are at the top of the market.” ▼

CONTRIBUTING SIORS



Tripp Guin,
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