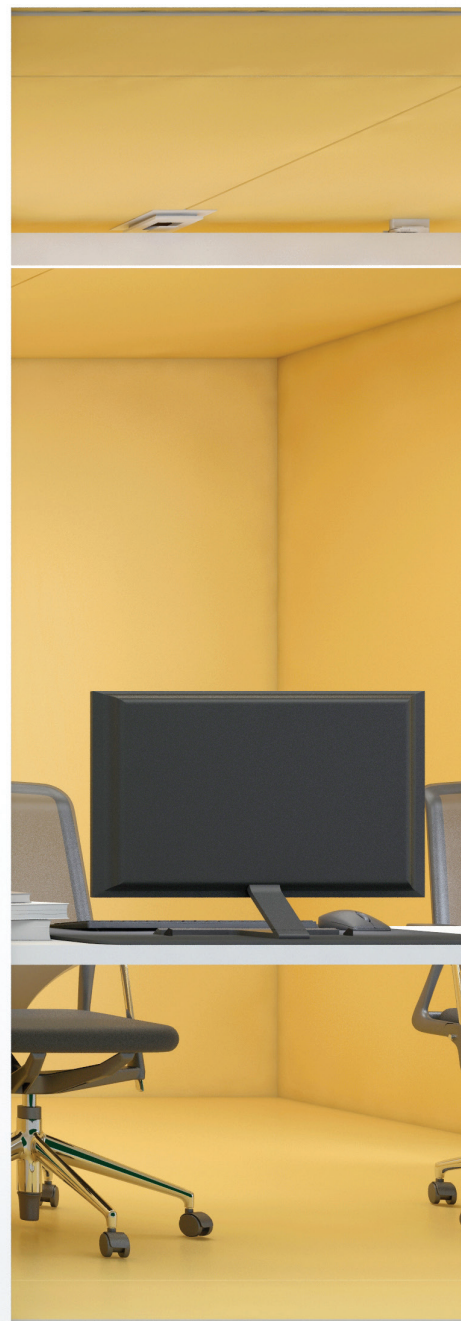






# OUT THE BOX

By  
**John  
Salustri**



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# WELCOME TO THE NEW AGE OF PERKS & AMENITIES

Before the COVID-19 pandemic snapped our social culture in two, amenities were all the rage in attracting and retaining tenants and employees. “Tenant experience” was the Golden Ticket by which smart building owners set themselves apart, before that experience diminished to global quarantines. And while no one doubts that we will once again partake of company- or building-provided foosball tables and fitness centers, the rules of engagement in this post-coronavirus world will be very different.

In the knowledge that amenities have slowed but haven’t gone away, here are some of the more outrageous trendsetters as seen through the eyes of SIOR members, as well as a look at the potential they carry and how they might shape-shift in the age of social distancing.

Pre-COVID, it seemed that the sky was increasingly the limit for building amenities geared to attract and retain tenants, and tenant amenities designed to do the same for their employees. To a great extent, we have Google to thank for that, teaching us, as it did, about the value of nap pods, lobby slides, and free—or nearly free—food.

## Good for Goose and Gander

But Google—or for that matter, any large single tenant—is “an animal of their own,” says B. Gray Randolph, SIOR, an executive vice president at Colliers International in Norfolk, Va. “I handled a large insurance company campus. They had doctors’ offices on site, full-service restaurants, and cafes. If you want to get to someone’s heart, go through their stomach. It’s a great way to retain employees because you can feed them much more cheaply than they can



on their own.” The result is twofold, he says. The employee feels a better bond with his or her company, and, frankly, “they won’t be gone as long for lunch.” (This of course was before food service became a possible cross-contamination point.)

But cool as all such perks might be, Randolph says that the coolest doesn’t belong to Google. It was a building amenity provided through shared-space provider, Gather. It also may have been the oddest. “It was a podcast booth available for their members to use. It included a soundproof booth and a mixing board, and no engineer was required.”

But a serious contender in the cool category has to be two involving happy hour. How about “a speakeasy hidden behind a bookcase that you need to open to access from the lobby area?” offers Dallas-based Nora Hogan, SIOR, the principal of Occupier Solutions for Transwestern. “It provides a very private setting to have a function. Another cool concept was a pop-up container located outside on the lawn that becomes a bar with a tabletop setting, allowing companies to have an outdoor event without ordering a food truck.”

And while conference facilities may not carry the cool cache of a podcast booth, they do hold sway with tenants. Randolph is seeing “Conference facilities that can handle 40 or 50. I’ve seen one that could hold 400 with a stage, and you could book it out for your events.”

Well, kinda cool.

## Amenities: The Bottom Line

Needless to say, there’s more going on here than free food and wine spritzers in a speakeasy. Amenities, no matter how they are configured in the new normal, provide a serious boost to tenant and employee engagement, which has a direct link to retention. They also serve as major differentiators in the war for talent as well as in the competitive commercial real estate space, while injecting a large infusion of rent growth.

“Some tenants may have, or they’re looking for, a large millennial component,” says Joe Pelayo, SIOR, CEO and broker at Total Real Estate Consultants in Coral Springs, Fla. “And they’ll choose amenities that fit that age—ping-pong tables and games. Other clients are more institutional and trend more toward lifestyle amenities, service, and convenience.”

But one thing that just about everyone of all ages these days is aware of is the push for sustainability, and institutional business strategies underscore the importance of responsible investing. “They want efficiency in their energy and all recyclable materials in the lobby,” he says. “This is a big factor in decision-making, and such designs attract a higher rent. So we provide LED lighting and 5G wireless. It attracts tenants, and sustainable practices give landlords the ability to go for LEED certification. All of these things speak to culture and lifestyle.”

But does it help hiring and retention? “Yes,” he says. “One hundred percent.” So the tenant gets the hope of longevity and reduced employee churn. For the landlord, “The magic rental-rate number

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"We have to rethink how we will do tomorrow the things we did most naturally yesterday."

can be between 10% and 15% above market rates."

Chris Garcia, SIOR, agrees. "In every market, certainly in Minneapolis, there are always three to five options for potential tenants," says the principal of Lee & Associates in the Twin Cities. "So those amenities are extremely important."

Garcia brokers both office and industrial space, and here too he says, perks matter. "Industrial seems to be doing ok during the pandemic," he says, "but just as in the office market, there will be additional vacancies. If you're trying to stand out, it's more important to have these amenities."

(It should be noted here that "these amenities" include bike racks, not too unusual in and of themselves, although, he says, they also get used in the dead of winter, "even in Minneapolis.")

"Amenities have become a form of box-checking," says Hogan. "Is there a gym? Check. Is there an over-the-top gym with motivational graphics, state-of-the-art equipment and outdoor yoga classes? Three stars. Is there an employee lounge area? Check. Does the lounge area have a bar? It gets a star. Does the landlord lease the space faster at higher prices? Absolutely."

Garcia agrees, and notes that landlords that offer "normal amenities are pumping them up, so if it used to be a cafe, now it's

a coffee bar with cappuccino machines. They're turning up the volume."

Buildings dressed to the nines have an edge from the get-go. Even brokers have a hard time forgetting them. Randolph tells of a London building he toured with a group of clients. Rather than fitted out as a typical, cold office-asset lobby, the building looks more like a hotel. It's a trend he's seeing increasingly in the states as well.

"The trend is toward warmer environments," he says, "where you actually may want to sit and return a few phone calls before you go up. The client ultimately finalizes the choice of buildings to tour. We just present the options and provide some color. For this London tour, the building had a really warm lobby, and it jumped off the page. You can see yourself walking through it every day, and it becomes a part of the fabric of your work experience."

## Pandemics and Perks

Of course, we're only starting once again to walk through our lobbies, and most tours are still virtual (the wave of the future?). What shape will the offer of amenities take in the months ahead?

"It's a little early," says Randolph. "We haven't even gone fully back to work yet, so I haven't seen the impact, outside of one. The cleaning specifications for all of

these areas will be ramped up in a major way, and we'll all be expecting that for a long time to come."

He doesn't see a major cost pass-through, "because the cost of ramped-up cleaning isn't significant." If there are any costs, they'll come with the installation of such concepts as LED/UV lighting and ionizers to "knock out bacteria and viruses."

That is, when the amenity areas re-open. "In some cases, amenities are shut down to reduce exposure," says Pelayo. "After all, 80% of office tenants aren't paying full rent."

And when they are fully open again, for Hogan, the magic word going forward will be: "touchless—from the garage and the building entry to your space and bathrooms." She says some buildings are experimenting with a phone app that an employee activates when entering the garage. "When you approach the elevator, it's waiting for you, it ascends to your floor where your suite doors open as you approach. All without touching a surface."

Pelayo puts it most succinctly: "America, indeed the world, is changing," he says. Which means that we have to rethink how we will do tomorrow the things we did most naturally yesterday. That includes the comforts, the perks and the amenities we've all come to expect from

work environments focused more than ever on "experience."

Garcia ended the conversation with a ray of hope. "Little is happening now. And when it comes back, it will all look different. But in the long term, it will come back." ♥

## MEET THE AUTHOR

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