The Real Deal within the Real Estate Deal

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By Colliers International

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When a company changes direction, how is the Real Estate selection process handled/managed to effectuate a decision on a Stay vs Relocate outcome and implementation of the selected solution?

1) Don’t enter the process with preconceived notions, the market can and will surprise you, needles in the haystack do exist.

2) Companies are using well-conceived real estate projects to facilitate transformation.

3) Accessing talent is extremely important – recruiting and retaining employees to locations where they want to work and live continues to drive RE decisions.

4) Real estate mantra has historically been: Location, Location, Location. It’s now expanding to include: Employees, Employees, Employees.
A Story About a Journey

“Transformation of a Corporate Icon Through Real Estate”

> 1,500 employee HQ multi-state consolidation, Chicago downtown and suburbs, St. Louis, and Cincinnati
> Managed architect/project team through design process to create performance driven design
> Negotiated extensive lease flexibility
> Secured signage both exterior and interior
> Design facilitated consolidation and transformation

> 600+ employee HQ consolidation from suburbs back to downtown
> Conducted architectural design competition to select the “right” architect to achieve vision
> Obtained $5.5 million in TIF subsidies from City of Chicago and extensive signage exterior and interior
> Return on cost, structured lease transaction with developer on an open book basis

Technology, mobility, recruiting and retention, collaboration, innovation, change management, lease flexibility, branding
What do you need in the workplace today to leverage these trends to build for the next generation workforce?
The 80/20 Approach

In addition to cost this project is about:

People
- Productivity
- Knowledge-sharing
- Recruiting/Retention
- Generational shift
- Demographics

Technology
- Work anytime, anywhere
- Cloud – WiFi – Mobile
- Social Media

Brand
- The “Blink” factor
- Real estate as brand icon
- Corporate Messaging/Culture

Risk
- Now vs Future
- Business cycles change often
- Real estate not agile or flexible
Workplace Performance

CRITICAL TRENDS

5

CRITICAL TRENDS
SHAPING CRE & WORKPLACE

75% OF APPS WILL BE IN THE CLOUD

100b+ GLOBAL MOBILE DEVICES (2015)

50% WORKFORCE – Y MILLENIALS

80% WORK HIGHLY COLLABORATIVE

40% OF WORKSPACE IS OCCUPIED

SPACE REDUCTION
Workplace Performance

FUTURE STATE OF THE WORKPLACE

Alignment of
Function and Space

Technology and the Workplace

Brand Promise
Flex Work Place
People Centric Culture
Workplace Performance
WHERE TECHNOLOGY IMPACTS WILL BE FELT

- **Quiet Work Space**
  - Allows for privacy away from open team collaboration
  - Increased heads-down and individual work space

- **Meeting Space**
  - Nearby meeting space allows for focused collaborative efforts
  - Smaller meeting spaces with increased global connectivity

- **Mobile concierge to reserve seats**

- **Individual Workstation**
  - Open workstation layout supports collaboration within team
  - Wireless leads to more mobility & unassigned space

- **Open Teaming Areas**
  - Adjacent collaborative areas allow for frequent and informal team meetings

- **Few offices**
  - Open environment

- **Technology**
  - Also leading to increased levels of collaboration
Successful Change Management begins with engagement from the beginning of the project.
- Interview leadership and management teams
- Conduct focus groups
- Present strategy once formulated and get buy-in
- Communication with employee base is critical
  - Email Newsletters
  - Design presentations
  - Furniture mock ups
Pre-Lease Process

**PHASE 1**

**GOALS & OBJECTIVES/TEAM SELECTION/PROGRAMMING**
- Identify project goals and objectives
- Set project strategy
- Coordinate RFP, interview and selection process for architect, G.C./Cost Consultants, others
- Coordinate Programming
  - Strategic Assessment
  - Develop preliminary schedule
- Identify site selection criteria
- Gather data on industry benchmarks and “Best Practices”

**DELIVERABLES**
- Project goals and objectives
- Comprehensive space program with project growth requirements
- Long-term space utilization strategy
- Project schedule
- Site selection criteria

**PHASE 2**

**EXPLORE MARKET ALTERNATIVES**
- Prepare initial market survey of available buildings and sites that meet site selection criteria
- Present incentives overview, identify site specific incentive criteria (e.g., TIF, Enterprise/ Empowerment Zones)
- Present survey
- Select tour list
- Tour prospective buildings and sites
- Select short-list candidates for RFPs, space plans and construction budgets
- Meet with state and local officials to determine incentive packages
- Prepare analysis of all sites with rent projections, preliminary construction and move budget

**DELIVERABLES**
- Market survey/tours
- Building proposal responses
- Space plans and construction budgets for each candidate site
- Financial summary analysis
- Shortlist of viable sites
- Incentive packages quantified for each short-list site

**PHASE 3**

**SITE SELECTION/CONTRACT NEGOTIATION**
- Conduct due diligence on short-list sites infrastructure/existing conditions
- Prepare counter proposals and begin final business term negotiations with short-listed
- Negotiate and document final incentive package with state and local officials
- Revise analysis workbook and space plans/budgets
- Select finalist site and backup site for Letter of Intent / Purchase Agreement
- Negotiate final terms through Letter of Intent / Purchase Agreement
- Execute Purchase Agreement or Letter of Intent and commence lease negotiations
- Execute Lease and Incentive Agreement
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**DELIVERABLES**
- Final financial summary analysis
- Finalize schematic design
- Final budget including construction, FF&E and relocation costs
- Executed Letter of Intent/Purchase Agreement
- Executed Lease
- Executed Incentive Agreement
Unique Architect RFP Process

IDEA

The front yard

The home

The back yard
Unique Architect RFP Process

CONCEPT
Unique Architect RFP Process

SCHEMATIC
Unique Architect RFP Process

REFINED SCHEMATIC

Food focused
- Health/nutrition
- Demonstration kitchen
- Communal table
- Work/life balance
- Mini-kitchen concept

Brand
- Company - integrity/innovation/vision
- Employee - local/personal/passionate
- Social responsibility
- Wellness
- Sustainability
- Health

Collaboration
- Open and private
- Casual and formal
- Technology
- Flexible team spaces
Energy in Motion Team “EMI”

KEY DESCRIPTOR RECAP

Authentic
- Enduring
- Warm
- Timeless

Professional
- Sophisticated
- Comfortable

Wholesome
- Fun

Collaborative
- Inventive
- Efficient

Innovative
- Sustainable
- Bold

Inspired
- Fun
- Energetic
Energy in Motion Team “EMI”

Professional

- ORGANIZED ENVIRONMENT
- LOOKS LIKE AN OFFICE, NOT A DORM ROOM
Energy in Motion Team “EMI”

Collaborative

- Casual Meeting Areas
- Multiple Function Space
- Proximity to Work
- Visual Connection
Energy in Motion Team “EMI”

Authentic

- Open Structure
- Natural Materials
- Approachable Furniture Arrangements
- Integrity/Honest Use of Materials
Energy in Motion Team “EMI”

Inspired

- VOLUME
- VIEWS
- ACCESS TO NATURAL LIGHT
- INNOVATIVE USE OF MATERIALS
Energy in Motion Team “EMI”

Innovative

- UNIQUE (ARCHITECTURAL) FORMS
- INTEGRATION OF INFRASTRUCTURE
- INTERESTING USE OF COLOR
- CREATIVE USE OF LIGHTING
Evaluation of Market Alternatives
Thinking Outside the Box

400 S. JEFFERSON STREET
Architectural Study

TRADITIONAL
Architectural Study

INDUSTRIAL
Architectural Study

JEWEL BOX
Architectural Study

HIGH TECH LOFT
Architectural Study

THE SOLUTION
Implementation

DEMO OF CURTAIN WALL
Implementation

TODAY – “THE BLINK FACTOR”
Implementation

LOBBY RENDERING
Implementation

NEW LOBBY
Implementation

LOBBY RECEPTION
Current State - Downers Grove
Current State - Downers Grove
Current State - Downers Grove
Future State – 400 S. Jefferson St.
Future State – Birdseye View
Future State - Section

- **8TH FLOOR**: CONFERENCE RM
- **7TH FLOOR**: CONFERENCE RM
- **6TH FLOOR**: CONFERENCE RM
- **5TH FLOOR**: LOUNGE AREA
As of Yesterday...

TYPICAL FLOOR
As of Yesterday

CARPET INSTALL
Implementation

ROOF DECK
Conclusion

- C-Suite commitment to a transformational real estate strategy is essential
- That commitment will drive your real estate process from day one
- Engage the right real estate professionals who can guide this process
- Real estate will then be an enabler and driver of meaningful change
- Performance driven real estate approach will enhance profits
- Get your homework done
- What goes on in the real estate is where the value resides – 80/20
- The needle in the haystack does exist
Thank you