


The Future of CRE

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The Office Hasn't Changed Much...

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November 9-10, 2017 | Brooklyn, New York



But the way people work has
changed *forever*.

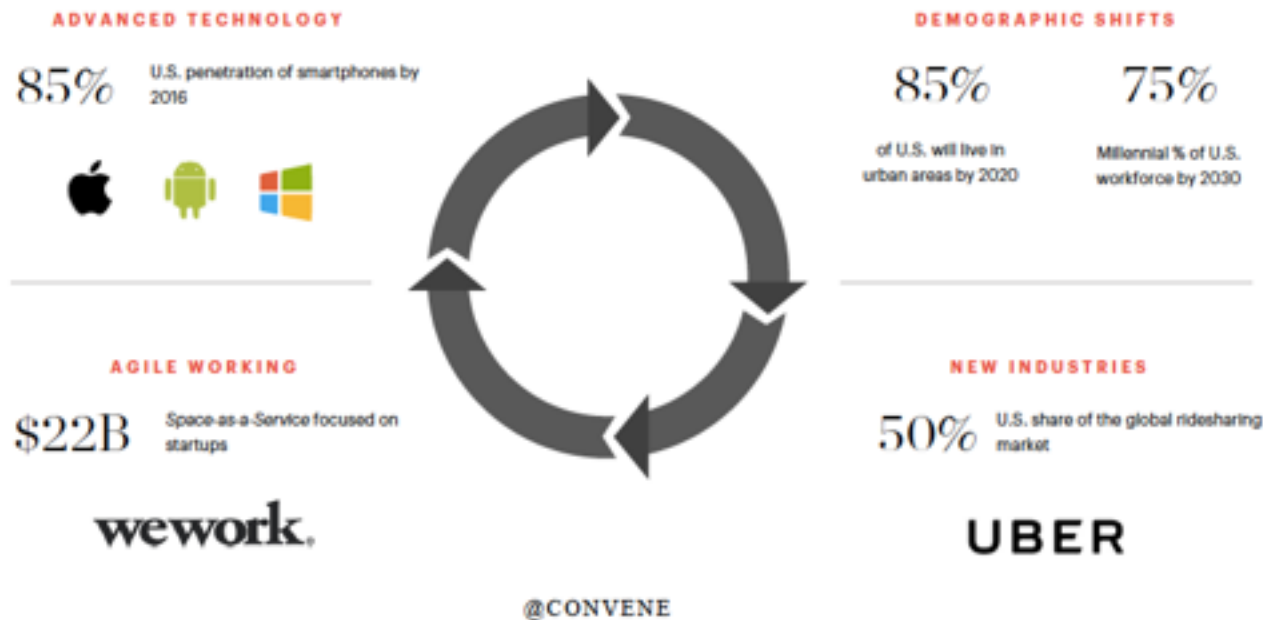
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The Rise of the Agile Workforce





“Co-working is just the first step in
a major CRE industry shift”

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67% of businesses globally are now choosing forms of flexible workspace as a long-term strategy rather than a temporary solution.

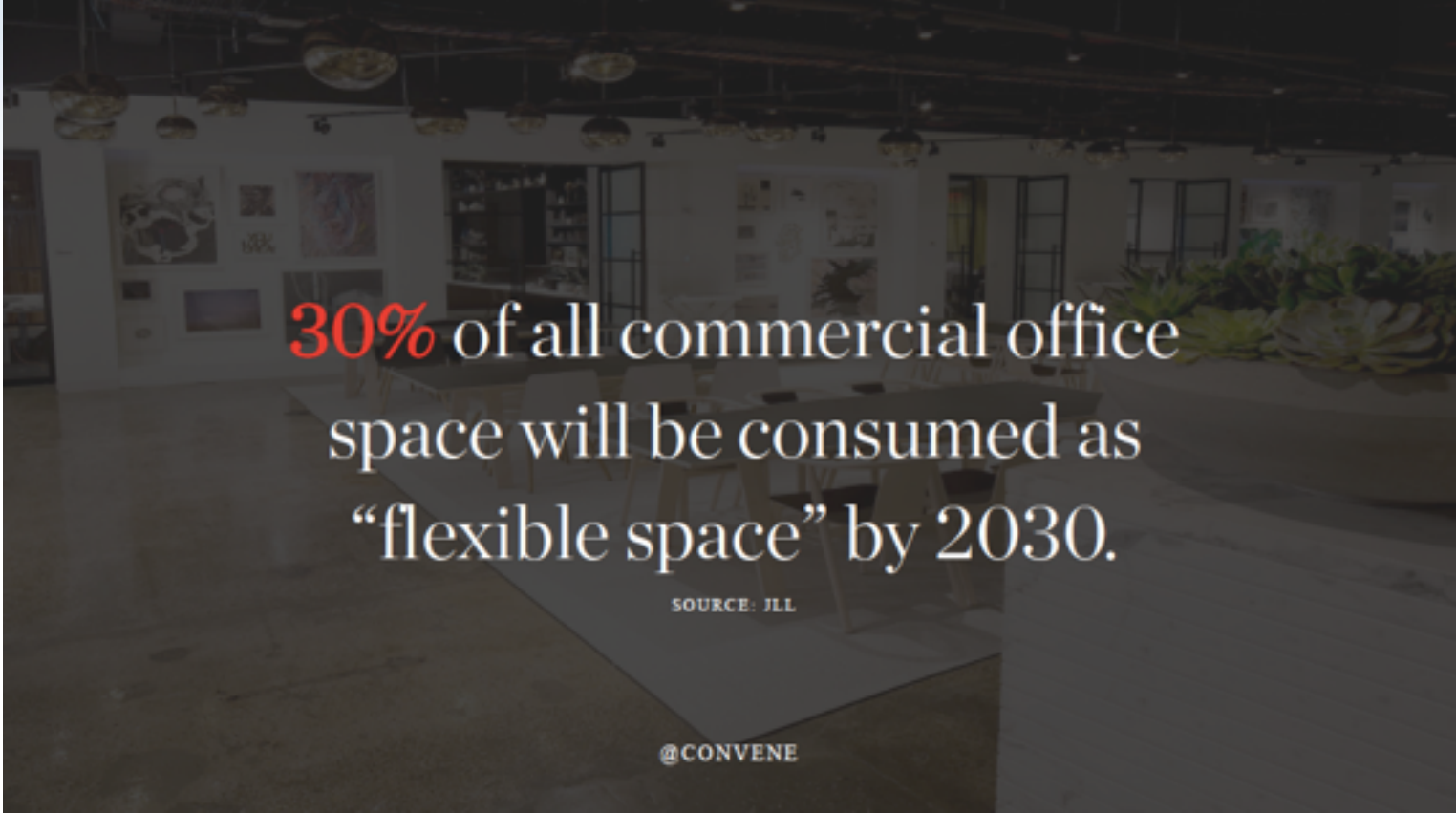
SOURCE: MINDMETRE

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30% of all commercial office
space will be consumed as
“flexible space” by 2030.


SOURCE: JLL

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A person is lying in a hammock in a modern office space. The office has a high ceiling with a grid of beams and several large, stylized trees. The overall atmosphere is relaxed and contemporary.

Choice, flexibility, and experiences at work are now more important to millennials than all other factors - including salary.


SOURCE: PWC MILLENNIALS AT WORK STUDY

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In today's *Age of Accelerations*,
human capital is a company's
most valuable resource.

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What talent *wants*,
Is what tenants *need*,
And what landlords must *build*.

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The Future Office Building Operates like a Full-Service 'Lifestyle' Hotel



**On-Demand
Concierge Services**



**Catering &
Pantry Services**



**Meeting &
Conference Services**



Micro-Offices



**Community & Wellness
Programming**



**Technology
Services**



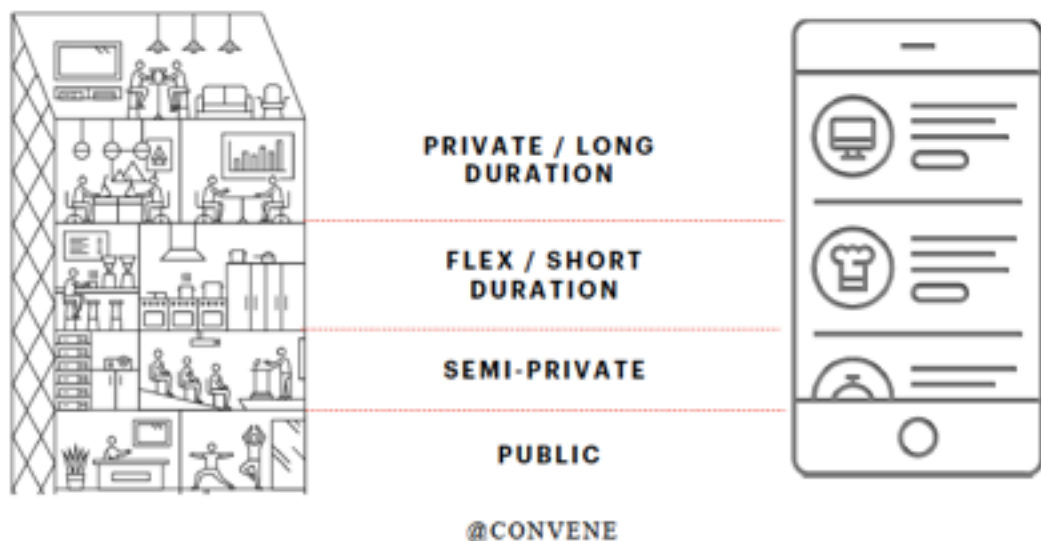
**Building Café
& Coffee Shop**




**Social & Club
Spaces**

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A Connected Ecosystem of Amenities, Community, & Flexible Space Solutions






The Role of the Landlord Changes...
From *Space* Maker to *Place* Maker

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“Our future workspaces won’t just be desk space that we go to, but places we are inspired to be in.”

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Thank You!

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Needs of Today's Office Consumer

01. Food
Truck to Kitchen

02. Fitness
Better Together

03. Coworking
Need for Flexibility

04. Programming
Making work interesting

05. Amenities
Making Practical fun

06. Experience
Hospitality Approach

With a major demographic transition underway in today's work force, corporate users are faced with an ever changing work force, thus creating the need for owners and operators of the office environment to shift they way they deliver and think about office portfolios.



The Experience Economy

Extending the office beyond 4 walls

No longer is just managing the property and letting the customer come as needed good enough... this becomes the 4 Seasons experience.

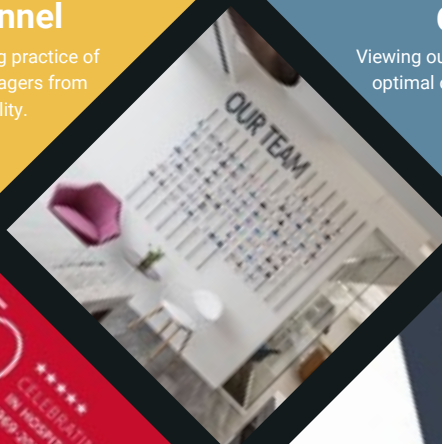
Personnel

Intentional hiring practice of targeting managers from hospitality.



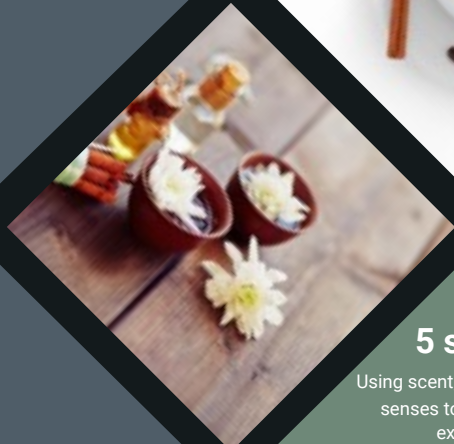
Office

Viewing our own offices as the optimal opportunity to sell.



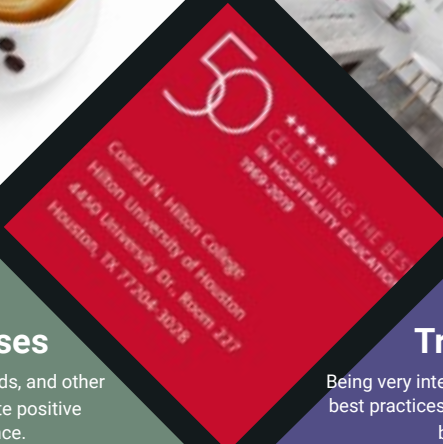
5 senses

Using scent, sounds, and other senses to create positive experience.



Training

Being very intentional about studying best practices on service side of the business.



Support

Use of technology to better leverage resources and time to deliver better service.



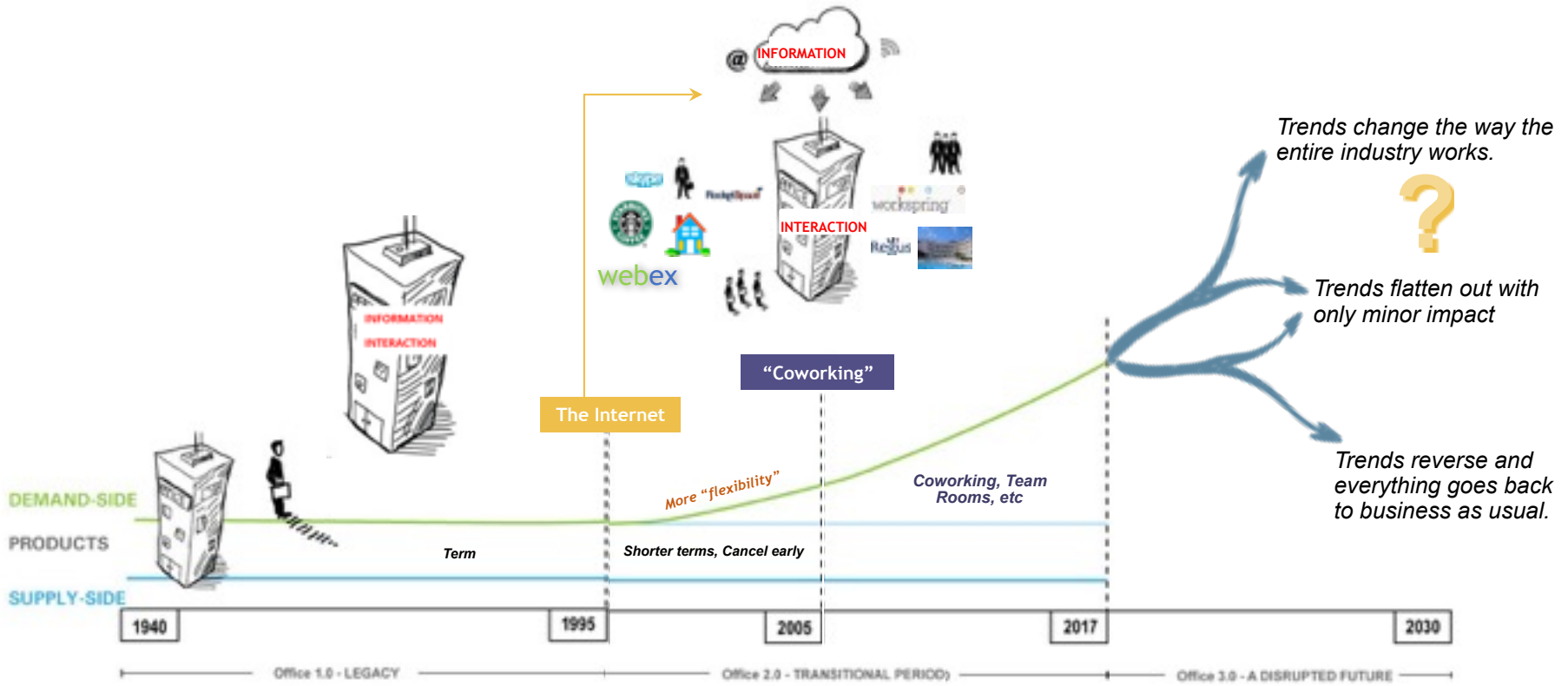


Emergence of “Office 3.0”

A Vertical Industry, Disrupted

Jeffrey Langdon

How companies produce “work” is the principal disruptor:



Attributes of the pre-internet, *Office 1.0 business space* (1940 to 1995):



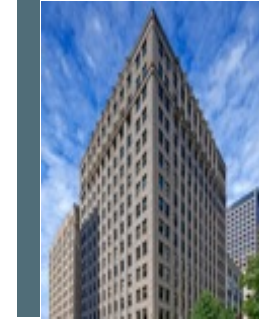
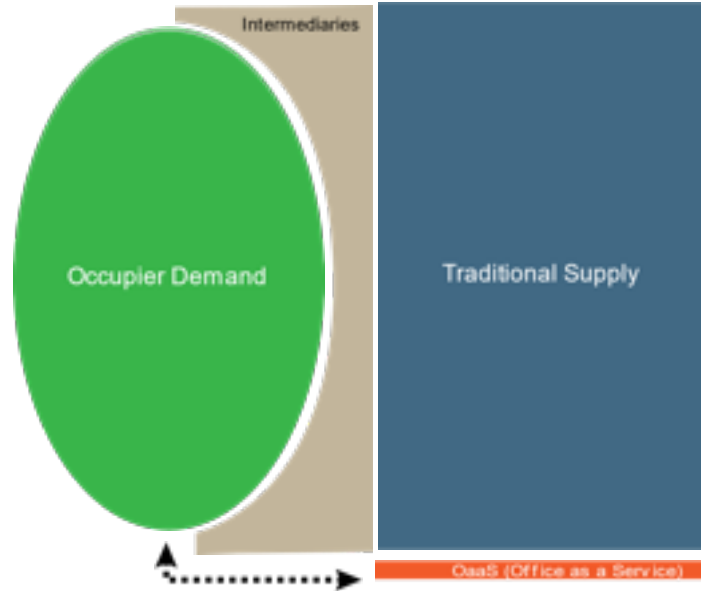
Demand-side

Work produced “inside”
Only practical option
Lengthy commitment OK



Intermediaries

Owned the “information”
Project managed “deals”



Traditional Supply-side

Core customers = capital markets
“Forward-valuation”
Experience commoditized



3rd Party Supply-side

A “footnote”
Limited use
Transitional

Attributes of cloud-enabled, transitional *Office 2.0 business space* (1995 to 2015):



Demand-side

“Work” and “place” dis-correlated
300 SFPE to 200 SFPE
Generational change
“Freelance economy”
Sharing economy
Human capital metrics



Intermediaries

Limited impact
“Business as usual”
Lost information monopoly
Perpetuate convention



Traditional Supply-side

“Asset centric” processes/systems
Increasing capital intensity
Sat on sidelines



3rd Party supply-side (OaaS)

3rd parties drove innovation

Players piled in
“Land grab”
Operating businesses-not asset managers
“Customer centric” processes/systems
Products the customer wants
Disintermediators

Attributes of a disrupted vertical industry; *Office 3.0 not about “real estate”, but “workplace infrastructure products and services” (2015 to 2030-and beyond):*



Demand-side

Primacy of Human Capital Mgmt

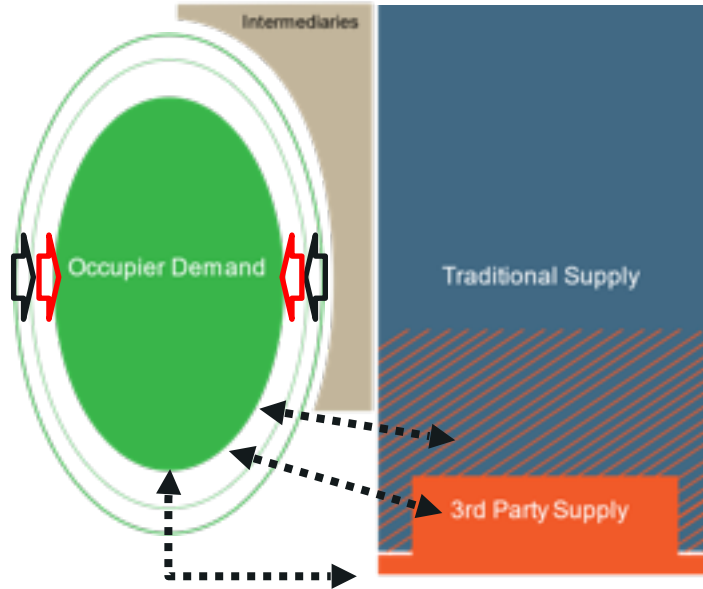
100 SFPE
Structural use of OaaS
Reduced CRE capital intensity
Shortened planning horizons
Eroding primacy of “term” occupancy



Intermediaries

Reduced value of “dealmaking”

Fee compression
Expansion into OaaS operation



Traditional Supply-side

Oversupplied conventional environment

Focus on end-user traction
Elements of hospitality and multi-family
Re-engineered supply-chains
Shorter leases = less predictable cash flows
Re-engineered valuation models



3rd Party supply-side (OaaS)

Land grab shifts to partnerships
Barriers to “unsponsored” installations
Asset ownership
Next-gen service intermediaries

Office 3.0 warrants doing things *differently*:



Demand-side

Primacy of Human Capital Mgmt

100 SFPE

Structural use of OaaS

Reduced CRE capital intensity

Shortened planning horizons

Eroding primacy of “term” occupancy

Traditional Supply-side

- Add “customer-facing” systems
- Need strategy for OaaS products
- Look to hospitality and multi-family
- Less space, for shorter periods
- Apply sharing economy principles
- Streamline customer acquisition
- Re-engineer for higher churn
- Strategic customer programs
- **Buy, build or partner to execute**

3rd Party supply-side (OaaS)

- Develop services delivery platform
- **“Owner as customer” is growth market**
- **Occupier workplace environment management is growth market**
- **Customer-facing real estate services is growth market**
- Leverage customer-facing competencies as asset principals

Intermediaries

- Help demand-side take less space, for shortened periods
- Help the various parties create solution-sets not “deals”
- Help supply-side transition to the next-gen model
- **Upgrade strategic capabilities**



Emergence of “Office 3.0”

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Q

A