Changing Tenant Demands and the New Shape of Office Buildings

Future Forward

ULI Fall 2015 Meeting
San Francisco, CA
Wednesday, October 7 from 3:00pm to 4:15pm
Agenda

What are tenants looking for today  
*Corp Regen Designer/Strategist: Kay Sargent*

What are companies looking for and doing today  
*Tech/Office Tenant: Donald Davis*

How does that impact the way we develop CRE  
*Real Estate Owner/Developer: Todd Sklar*

How does that impact the way we design buildings  
*Architect: Peter Weingarten*

How is the traditional model changing  
*Co-working Space Operator: Jeremy Neuner*

Panel Discussion
What are tenant’s looking for today?

TECHNOLOGY
INNOVATION
COLLABORATION
CREATIVITY
WAR FOR TALENT
FOSTER NEW WAYS OF WORK
FLEXIBILITY & AGILITY
ENGAGEMENT
WELL-BEING
RESILIENCY
COMMUNITY
% of world’s population living in urban areas:

54% today

66% by 2050
Regeneration

There are 5.6 million commercial buildings in the US that comprise 87.4 billion SF of space.

New Cities

India needs to build a city the size of Chicago every year for the next 10 years to keep up with the demand.
Experience

Walkable
Vibrancy
Adequate transportation
Social + professional experiences
Culturally rich
Authenticity

Transform work – Optimize place – Enhance experience
Mixed Use

‘Next-use’ communities accommodate:

• Housing
• Retail
• Dining
• Walk-to-work offices
• Community across zones
• Sense of place
One Size Misfits All
Workplace Evolution
DNA

INDUSTRY + REGIONAL INFLUENCES + DEMOGRAPHICS

CORPORATE CULTURE + ORGANIZATIONAL STRUCTURE + WORK STYLES
Ideal Workplace

Comfortable
Flexible & agile
Creative & innovative
Efficient & effective
Sustainable, healthy & well
Connected as a community
Engaging
Fun
Don Davis
Visa
Head of Global Real Estate
New Urban Workplace:
Visa One Market
Society has changed
Visa has changed

ONE MARKET, SAN FRANCISCO
What matters to Visa now

Attract and retain top talent
Increase collaboration and innovation / speed to market
Increase collaboration, innovation
- Fewer private offices
- Bench style seating
- More informal collaboration spaces
- Central social gathering spaces
- Greater densities

Location
- Proximity to public transit and amenities
- Proximity to talent pools

Larger floor plates
- Increase chance encounters
- Interconnecting stairs

Access to natural light
- Full height / wide windows
- Good slab to slab height

Views

Emphasis on branding

LEED
- Healthy work space
- Sustainability / Corporate responsibility
Workplace Ratios @ Visa

<table>
<thead>
<tr>
<th>Workstation Summary</th>
<th>Foster City - Pre 2009 Refresh</th>
<th>Foster City - Post 2009 Refresh</th>
<th>One Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Feet</td>
<td>943,535</td>
<td>943,535</td>
<td>113,398</td>
</tr>
<tr>
<td>Workstations</td>
<td>3,677</td>
<td>5,060</td>
<td>661</td>
</tr>
<tr>
<td># Offices</td>
<td>1,369</td>
<td>689</td>
<td>29</td>
</tr>
<tr>
<td># Cubes</td>
<td>2,308</td>
<td>4,371</td>
<td>632</td>
</tr>
<tr>
<td>Office : Workstation Ratio</td>
<td>1:2</td>
<td>1:6</td>
<td>1:22</td>
</tr>
</tbody>
</table>

**Workstation Size**

| Square Feet / Workstation | 257 | 186 | 172 |
| Workstation Type          | Large Cube | Small Cube | Bench Style |
| Office - Standard Size (Sq. Ft.) | 120 | 120 | 120 |
| Cube Size (Sq. Ft.)       | 64  | 49  | 38  |
| Workstation Height        | 65" | 57" | 42" |

**Conference Room Summary**

| Conference Rooms          | 82  | 127 | 15  |
| Seats in Conference Rooms | 928  | 1,434 | 132 |
| Conf room seats : Workstations | 1:4 | 1:4 | 1:5 |

**Informal Collaboration Summary**

| Informal Collaboration Areas | 0   | 123  | 73  |
| Informal Collaboration Seats | 0   | 645  | 302 |
| Informal Collab Seats : Workstations | 0   | 1:8  | 1:2 |

Objectives: Densify, Modernize, Increase Conference & Innovation
Capturing views of SF landmarks
Social gathering space
Open collaborative work space
Variety of spaces for group focus
Our Vision
The best way to pay and be paid for everyone, everywhere

Expression of brand in the space
Todd Sklar
Shorenstein Properties
Senior Vice President, Head of Development,
MARKET SQUARE
LOCATION

ULI – 2015 FALL MEETING
TENANT DEMANDS &
THE NEW SHAPE OF
OFFICE BUILDINGS
DEMOGRAPHIC SHIFT

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MARKET SQUARE

“MODERNIZATION”
ULI – 2015 FALL MEETING
TENANT DEMANDS &
THE NEW SHAPE OF
OFFICE BUILDINGS

MARKET SQUARE

AUTHENTICITY
ULI – 2015 FALL MEETING
TENANT DEMANDS &
THE NEW SHAPE OF
OFFICE BUILDINGS

MARKET SQUARE
EXTERIOR AMENITIES
ULI – 2015 FALL MEETING
TENANT DEMANDS &
THE NEW SHAPE OF
OFFICE BUILDINGS
Peter Weingarten
Gensler
Commercial Office Building
Practice Area Leader, Principal
How has the conversation changed?
<table>
<thead>
<tr>
<th>THEN</th>
<th>NOW</th>
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</thead>
<tbody>
<tr>
<td>HIERARCHY</td>
<td>COMMUNITY</td>
</tr>
<tr>
<td>COMMANDING</td>
<td>COACHING</td>
</tr>
<tr>
<td>INSTRUCTION</td>
<td>DIALOGUE</td>
</tr>
<tr>
<td>CONTROL</td>
<td>EMPOWER</td>
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<tr>
<td>EMPLOYEE</td>
<td>ENTREPRENEUR</td>
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Office Building of the Future

**Innovation Accelerator**
- Individual / team performance
- Promote hyper collaboration
- Talent magnet
- Promote connectivity
- Mobility platform
- Technology enhancements

**Brand Beacon**
- Brand identity
- User experience
- Client desired destination
- Create a sense of pride and ownership
- Promote a shared purpose

**Community Integration**
- Pedestrian oriented / walkable
- Close to transit
- Amenity rich
- Local indigenous materials
- Sustainable practices
- Well being

**Cultural Touchstone**
- Authenticity
- Engaged workforce
- Recruitment tool
- Promote creativity
- Reflects firm values
- Corporate social responsibility
New Paradigm in Office Buildings

<table>
<thead>
<tr>
<th>FLOOR PLATE</th>
<th>PRE RECESSION</th>
<th>POST RECESSION</th>
</tr>
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<tbody>
<tr>
<td>20-25 ksf</td>
<td>Up to 60 ksf</td>
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<table>
<thead>
<tr>
<th>AMENITIES</th>
<th>Tenant provided and dispersed</th>
<th>More amenities in walkable amenity-rich setting</th>
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<tbody>
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<td>Central business districts, suburbs</td>
<td>Mixed-use urban districts near transit</td>
<td></td>
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<thead>
<tr>
<th>CEILING HEIGHTS</th>
<th>8’ - 9’ throughout all workspace</th>
<th>9’ - 12’ typical, varying based on use</th>
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<table>
<thead>
<tr>
<th>SF / PERSON</th>
<th>250-350 sf / person</th>
<th>150-250 sf / person</th>
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<td>Stacked office floor without openings and interconnecting stairs are the norm</td>
<td>2-3 story opening interconnecting stairs more common</td>
<td></td>
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<tr>
<td>10% chance of unplanned encounters</td>
<td>90% chance of unplanned encounter</td>
<td></td>
</tr>
<tr>
<td>Center core</td>
<td>Offset core in some markets</td>
<td></td>
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Facebook Campus
Menlo Park, CA
202,500 sf

NVIDIA
Santa Clara, CA
249,000 sf

Apple
Cupertino, CA
840,000 SF
HOW DO WE GET 2,500 PEOPLE TO COLLABORATE?

HOW DO WE CAPTURE THE SOUL OF OUR COMPANY?
TYPICAL FLOORPLATE

THREE TYPICAL FLOORPLATES

ONE LARGE CONNECTED FLOORPLATE WITH CENTRAL ATRIUM

TEAMS IN SEPARATE BUILDINGS BECOME ISOLATED

CONNECTED BUILDINGS ENCOURAGE INTERACTION BETWEEN TEAMS

CONNECTIONS ACROSS ATRIUM GENERATE A COLLABORATIVE CENTRAL HEART
WHAT IF A BUILDING COULD BREATHE?
DOUBLE-SKIN FACADE

- Optimized for daylight
- Manually operated doors slide open
- Natural ventilation
- Fresh air
HOW DO WE STAY TRUE TO OUR START-UP ROOTS?

HOW DO WE BRING WHAT WE LOVE ABOUT PALO ALTO TO OUR NEW PLACE?
RADICAL CHANGE IN THE WORKPLACE

NEW BUILDINGS

HIGH PERFORMANCE OFFICE BUILDINGS

EXISTING BUILDINGS (HACKABLE)

CREATIVE OFFICE ENVIRONMENTS

MIXED USE BUILDING OF THE FUTURE
50,000,000
People are hungry for ways to make a living and make a life on their own terms.

-Ryan & Jeremy
*The Rise of the Naked Economy*
Growth in Employer and Single Person Firms
Percentage Change – 1992 to 2012

Source: Small Business Administration
We can work anywhere, but not everywhere works.

-Mark Greiner
Chief Experience Officer
Steelcase
Today, for perhaps the first time in human history, we have the opportunity to align our economy with our humanity.

-Richard Florida
Thank you.