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# Connectivity: The Key to Luring Tenants in the Real Estate Market of Tomorrow

by Stephen E. Lewis

While "location, location, location," may always remain the prime consideration in real estate, SIORs recognize that "connectivity, connectivity, connectivity" is beginning to run a close second. If you want to attract and keep tenants in the future, they say, you must offer them a location that provides high-speed connectivity.

"For an increasing number of both office and industrial tenants, the availability of high-speed communications is critical, and certainly is a factor in their choice of space," says **William E. Bach, CCIM, SIOR**, of Bill Bach Realty in Tampa, Florida. "Those people who can't provide high bandwidth access will limit the tenants to whom they can lease, and may lose existing tenants."

"More and more people are asking, 'Do you have a T1 line, or cable?'" notes **Jonathan Guion, SIOR**, director of industrial services at Divaris Real Estate in Virginia Beach, Virginia. "Everyone's work has become more sophisticated. If your building doesn't have high bandwidth capability, you're in trouble. Bandwidth will continue to be a draw into the foreseeable future."

Technology will continue to play the biggest role in the office market says **Michael J. Giuttari, SIOR**, president of NAI MG Commercial Real Estate Services in Providence, Rhode Island. "It's a given that the technology will have to continue to keep up with the latest developments," he predicts. "To attract national quality tenants today you need fiber, and all that goes with it. One developer in our market is building spec digital buildings and getting tenants before the buildings are completed—strictly because of fiber, volume, and speed of data that can be transmitted. You need to stay ahead of the curve."

## Don't Forget Location

One reason location will never quite relinquish its influence over commercial real estate decisions is that it is also critical

where connectivity is concerned.

"Connectivity is definitely a function of location, really" explains Guion. "Fiber is not everywhere. You need to choose the right parcel of land and the right buildings. The further away you are from connectivity, the higher your expenses."

Ironically, he notes, the age of the building or the cache of the location may have nothing to do with the choice of site. "Sometimes [fiber] just happens to be running through," he says. "Some old buildings in a not-so-great area here are being retrofitted for collocation centers. They might normally rent for \$2 a square foot, but add a high-speed provider and tenants will pay \$10-\$15." These types of locations have given rise to new product such as technology hotels, he notes.

Guion's firm is currently representing a one-million-square-foot mall that has been converted to a technology center. The developer was able to bring in cable, ISDN, and T1 lines. "We've attracted a fairly large call center, about 120,000 square feet, and an engineering firm that is CAD-(Computer-Aided Design) driven," he says.

## Keeping Pace with Change

Technology will continue to change with breathtaking speed, and landlords, developers, owners, and SIORs will all have to keep pace to continue filling up their buildings—and to keep them full.

"Tenants will want access to T1, T2, and T3 lines," says **Ernest C. Wronka, CCIM, SIOR**, president of Wronka, Ltd. Corporate Real Estate, Burlington, Massachusetts. "In the past it was ISDN, DSL, and cable, but now that's not enough."

Keeping up may get a little easier with a move to wireless technology, he says. "It will mean that any building can be upgraded more easily," he explains. "As far as special configurations of walls, ceilings, and floors, that wouldn't matter."

"Owners may need to retrofit and upgrade the services to their buildings as tenants become more sophisticated," adds Guion.

What might some of those services include? "Other aspects of technology will include hi-tech building manage-

ment systems, HVAC control systems, and security access systems," notes Bach.

"Being able to control mechanical systems in the building, or security from off-site locations for relatively smaller buildings will be important," adds Wronka. "Motion and temperature detectors could play a role."

Video conferencing is an increasingly important draw, adds Giuttari. "It's so convenient; you don't have to fly to the client to have a meeting," he notes.

## Clients Demand Sophistication

More and more, the client's confidence in the broker as well as the sophistication of the building will draw tenants to specific locations.

"It's very helpful for the tenant to have confidence in a broker who is up to speed," says Wronka. "The more a broker knows about connectivity the more confidence a customer will have." Wronka is putting his money where his mouth is; he already has his own satellite hookup, and uses Internet services such as LoopNet to post his listings.

"The Internet has been a wonderful door that allows tenants, executives, and prospective clients to peruse offerings at their leisure," adds **Ron Feder, SIOR**, president of Lee & Associates—Los Angeles North, Inc., in Sherman Oaks, California. "We still have clients who aren't techno-savvy, and rely on the broker to identify and bring them the best offerings. Brokers who have listings on the Web will be at an advantage."

"Landlords will need to look at whether they are keeping up with technology, and so will brokers," Guion asserts. "I think the broker's responsibility as a consultant provider is to tell the owner what makes their building competitive."

Giuttari agrees. "We advise our clients that you need to continually upgrade. That's part of our role as SIORs," he says. "I went to Realcomm in June to keep up with what's going on out there, and what owners need to do about it."

Not everyone is "there" yet, in terms of sophistication, says Bach: "One problem we have is that brokers—and in many cases landlords—lack understanding of supporting technology. It's not as easy a topic to deal with as one might think. If you have an older building, and someone asks if fiber optics are available in the neighborhood, it's not like you can call the local telephone or electric company and ask them. Providers are sometimes fairly obscure; they operate with a level of secrecy that often takes some digging to find out what capability really exists. It's not like sewer and water service."

Perhaps not, but knowledge about connectivity clearly will be a basic part of the broker's responsibilities in the future. "You will need to know about all the providers," says Wronka. "Information on utility providers is something we've always offered. Now we'll have to tell our clients who the technology providers are."

That job may become easier with the advent of more sophisticated online services. In Atlanta, for example, brokers who subscribe to First CLS Inc. ([www.firstcls.com](http://www.firstcls.com)) can already pull up a screen that enables them to search for information about the wiring in a specific building, and even search for the provider(s). First CLS Inc., headed by Guy Dorey, chief executive of Dorey Publishing and Information Services, is the only such service that offers this capability in the Atlanta market. As more brokers become aware of such capabilities, online services that don't provide them will be at a distinct disadvantage.

The bottom line, says Guion, is that SIORs must be there

to advise landlords how to keep their buildings most competitive, how to keep the type of tenant they have, or to go after another kind of tenant. After all, he notes, technology is a new level of service that owners can offer. "Tenants stay in buildings as often for the service as they do for the rent dollars," he declares. "If they think someone is taking great care of them, they may pay an extra dollar a foot."

## On the Same Page

Finally, says Guion, SIORs and their clients must be on the same technological page in order to attract and retain tenants. "If you do tenant rep work, your clients expect you to be able to communicate on the same level platform as they do," he explains. "If you're dealing with sophisticated national clients, they expect you to be able to e-mail your documents and receive a response on the same day. They'll want you to review a lease, black-line it, and send it back to them. If it's a large project, clients may expect you to go to your Intranet and check the progress."

Many people don't recognize the platform issue, says Guion. "The landlord, tenant, and broker need to be on the same wavelength," he explains. "They need to have the same level of sophistication, whether that applies to an actual software program or to a Web service. In the past, brokers have been able to get by being less sophisticated; those days are coming to an end." ♦

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