

# WESTERN REAL ESTATE BUSINESS™

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## GOOD COMPANY

***Companies & their employees are enjoying the amenities that western mixed-use developments provide.***

Brian A. Lee

A place where people want to be. For retail centers, it's about keeping consumers in and around the stores; for office tenants, it's about keeping employees with the company. This corporate strategy in the office sector has certainly had its effects in commercial real estate development.

"The fundamental driver for tenants making decisions on where to locate their office today is the attraction and retention of quality staff," says Lee Redmond, CEO of Parker Properties in Aliso Viejo, California. "Amenities within a mixed-use project offer a workplace that provides companies

as well as employees with a 'sense of place' and supports the belief that employees who love their work environment don't want to go elsewhere."

At the end of the year, Dial Corp. will move both its headquarters and research & development facility to One Scottsdale, a new mixed-use property developed by DMB Commercial in Scottsdale, Arizona. The number of amenities at the new location was a big factor in Dial's relocation of approximately 800 employees.

"We believe our selection to build our new building at the One Scotts-

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In December, Dial Corp. will move its headquarters, research & development operations and 800 employees to One Scottsdale, DMB Commercial's unique, mixed-use development in Scottsdale, Arizona.



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dale mixed-use development allows us to be a part of an exciting and innovative environment in which our employees will thrive and flourish," says Brad Gazaway, vice president and corporate counsel for The Dial Corporation in Scottsdale. "This is not only for the convenience that nearby hotels, restaurants, homes and retailers offer our employees and business on a day-to-day basis, but also the fact that such amenities and creative architecture and surroundings found in mixed-use developments can foster inspiring innovation and development that will bring about increased business productivity and results. Such environments also serve as a valuable platform for employee recruitment and retention."

"Today, more developers are implementing mixed-use elements into their office parks because large corporate tenants require office buildings/projects to deliver more than just office space," says Taylor Ing, senior vice

president at CB Richard Ellis in Ontario, California. "Tenants want to provide employees with on-site amenities such as banking, dining, dry cleaning, UPS shipping, workout facilities and well thought-out open spaces for coffee breaks. These elements provide a higher quality of work life, which is key to employee retention. Training news employees has become very expensive, so employers provide pleasant work environments as a way of retaining workers."

Parker Properties is nearing completion on its Summit Office Campus, located in the master-planned city of Aliso Viejo in Orange County, California. Tenants such as Pacific Life Insurance Company, Qlogic, Lennar Homes and Buy.com call the more than 1.5 million-square-foot Class A development home. Employees of those companies will soon be able to enjoy Southern California's first Renaissance ClubSport — a 174-room boutique Marriott hotel with 65,000 square feet of health club, spa and hospitality space — and

upscale dining.

"Parker Properties directed two tenant demand studies [last decade], both of which confirmed the growing trend toward mixed-use/campus-style projects," says Redmond. "In the studies and later in tenant surveys, the most sought-after, on-site amenities were a full-service business hotel, a sports club and restaurants. All these amenities are in various stages of completion at Summit Office Campus, and their inclusion in the project has helped make more than our share of office leases during the project's history."

### MIXED-USE DEVELOPMENTS: TODAY'S BUSINESS PARKS?

With their highly identifiable format and convenient tenant spaces, flex/tech parks do still fill a need, says Redmond. The Parker Properties CEO estimates that 30 percent of the time tenants eyeing Summit Office Campus are also considering that kind of product, which is very common in San Diego and Orange counties.

"However, when compared with larger, mixed-use projects, they aren't as efficient in terms of duplicating lobbies, and they typically have smaller floor plates," says Redmond. "Additionally, they are not as flexible for unpredictable expansion, and do not usually offer a wide variety of sizes and space configurations. Even if the business parks have expansion potential, most would not have redundant fiber into the buildings and conduit connecting the buildings."

"Suburban office parks began sprouting up in earnest in the late 1960s and early '70s, with corporate users setting a trend by leaving downtowns to opt for the relative isolation and tranquility of heavily landscaped office-only environments," says Ned O'Hearn, principal at Boulders Realty Advisors in Scottsdale. "Though not completely out of vogue, that trend has shifted with the tidal wave of New Urbanism, as corporate leaders and their workforces now lean towards the amenities and excitement offered by mixed-use, still mostly suburban projects."

Ing says that the primary advantage of the old business park model is

price, but constantly evolving technology demands, higher air quality requirements and the advent of LEED certification within office spaces are mitigating against the cost factor.

"[These things] will create an additional challenge for the older business park design to attract Fortune 500 companies as tenants," he says. "With more employers requesting these features today, newer mixed-use office parks will have a greater advantage. Over time, mixed-use office projects have proven to offer higher absorption and tenant retention than other office properties without amenities. Therefore, property owners will experience better rent growth and less down time."

As O'Hearn noted, New Urbanism's mixed-use emphasis on integrative land use and "place-making" has fed this trend, as has the green building movement. Municipalities are becoming more proactive in incentivizing a green focus on places other than companies' bottom lines.

"As more and more cities increase their support in promoting sustainability and smart growth, mixed-use developments offer [even more] benefits to their communities," says Redmond, who maintains that this type of development has been at the forefront of city and community planning in the last 10 years. "One of these benefits is in the form of reduced traffic impacts since occupants of the business development do not necessarily have to get in their cars to drive to certain service providers such as retail, hotels, sports clubs and restaurants. There can also be some parking efficiencies due to shared parking and different peak demand times for the various uses, which can have a significant impact on reducing overall costs of the project."

Says Ing, "The growing concerns for air quality, environmental sensitivity and the more efficient use of utilities are helping shape the future of office properties. Having these qualities will reduce operating expenses and lower overall occupancy cost. In the future, more employers will gravitate toward projects that feature these qualities."

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Summit Office Campus will also feature Southern California's first Renaissance ClubSport, a 174-room boutique Marriott hotel with 65,000 square feet of health club, spa and hospitality space.