

Gensler



July 24, 2014

IMBA 4500, China

Jeremy Day, Greg Majersky, Laura Steele,
Michele Tonti & Matt Tucker

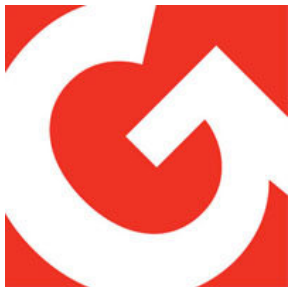
Topics of Presentation:

1. Scope
2. How we got here...
3. Methodology
4. Denver Test
5. International/China Developments
6. Stakeholders & Decision Making Chain
7. Potential Road Blocks - Cultural Implications
8. Value Added Ideas
9. Best Practices



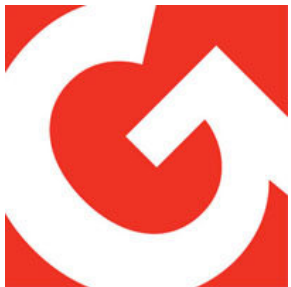
Review of Scope:

1. Methods of valuing investor/stakeholder benefits from SIB elements.
2. How to measure the necessary quantity of each SIB element.
3. What the cultural implications of including SIB elements will be.
4. Identify best practices and use of SIB elements.



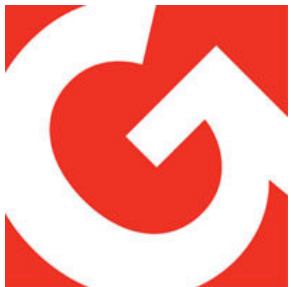
How we arrived here...

1. Secondary research – self education of real estate markets
 - DU library, real estate journals, Chinese news outlets
2. Learning the developer's perspective
 - Developers, real estate professors
3. Visiting & researching local/international properties
4. Denver & China meetings = 17 total in person
 - Developers, architects, real estate analyst, consumers
5. Travel to China



Methodology: Economic Value

1. Identify real estate projects
2. Collect four measurements for each project
3. Establish baseline for identified projects
4. Compare measurements of SIB properties to the baseline
5. Identify stakeholders in process
6. Identify decision making chain
7. Identify all potential road blocks



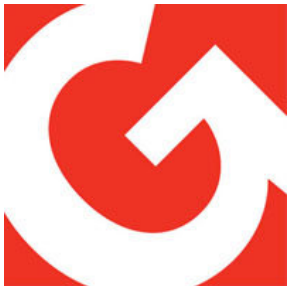
Methodology: Cultural Value

1. Identify Countries Political/Cultural Characters
2. Decision Makers and purchasing habits
3. Project economic scope
4. Select Geographic location
5. Collect four measurements
6. Tailored designs towards Political Regime
7. Execute



Additional Methods:

- **How is the quantity of each SIB measured? What is enough?**
 - Foot Traffic Testing – Li & Fung
 - Choose varying implementations of SIB element
 - Visit during varying times of day
 - Count foot traffic
 - Consumer Survey & Visits
 - Choose varying implementations of SIB element
 - Test group visits locations
 - Collect feedback and preferences



Base Line Performance:

1. CBRE, Jones Lang LaSalle, Savills collect real estate performance data
2. Data segregated by sector and geographically
3. Data serves as baseline performance



Test Metrics:

Net Present Value – The underlying principles of how commercial real estate is valued

1. Purchase price
2. Net income generated over time
3. Future (net) sale price

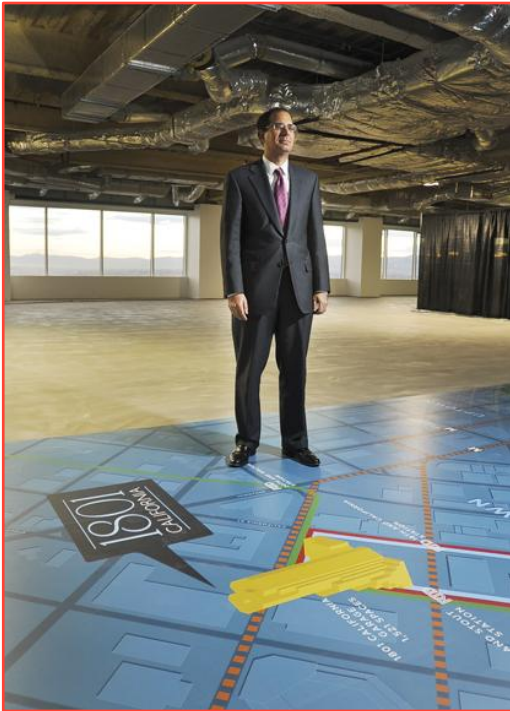
“Down & Dirty” Indicators:

1. Lease rates
2. Occupancy rates
3. Absorption
4. Operating expenses

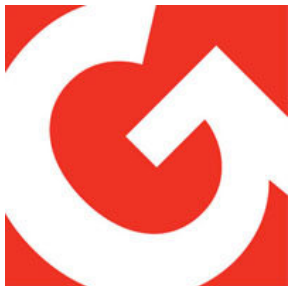


Local Test: Identify Projects

Denver, Co, USA Area Subject #1: 1801 California Street



- Built in 1982 – 54 floors – 1,372,179ft² GLA
- 2011 Acquired for \$160/ft - \$215M by Brookfield Properties
- Renovations...
 - Expanding lobby (multilevel) – Incorporated retail spaces – More light/art – HVAC replacement - Updating common areas to be more inviting
- “ArtSetFree” program in all Brookfield Properties
- Prior to 2012 renovation occupancy = 40%
- Renovations completed March 2014 = 65% occupancy



Local Test: Identify Projects

Denver, Co, USA Area Subject #1: 1801 California Street



SIB Incorporation

- Art: High
- Nature: Low
- Community Spaces: High
- Human Scale: Medium
- Unified Design: Medium
- History & Culture: High
- Multi Level Connectivity: High

Amenities

- Public transit; easy biking/walking
- Retail: convenience store; restaurants; banking; dry cleaner
- Fitness Center – 1100 parking spaces
- LEED gold (2012); energy star rated 2009-2012

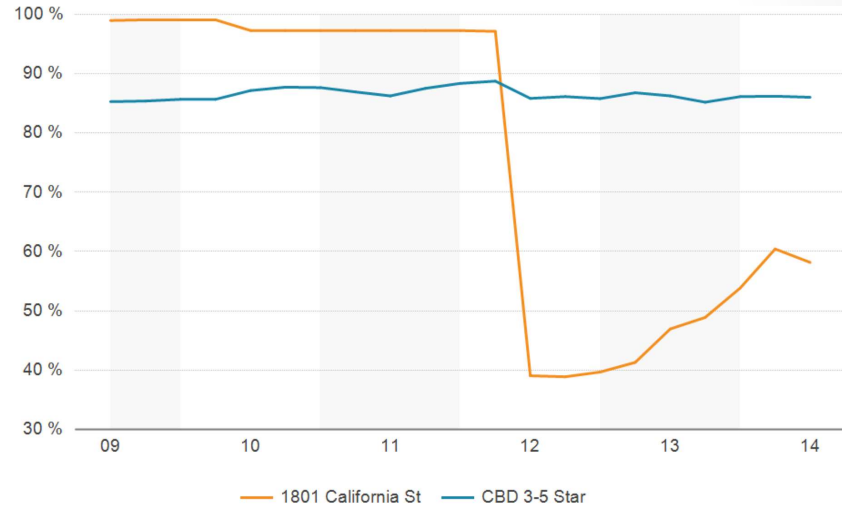


Local Test: Identify Projects

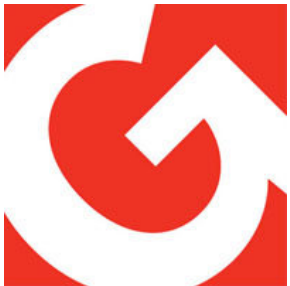
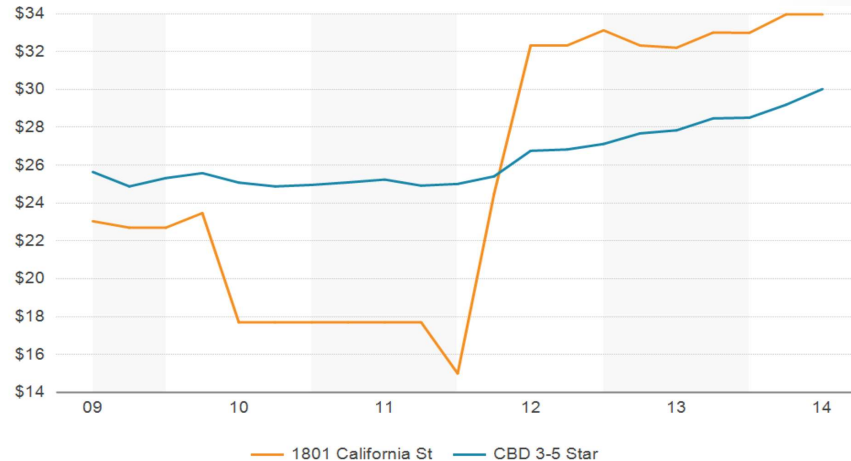
Denver, Co, USA Area Subject #1: 1801 California Street

- **Lease Rate:** \$33.96/ft²
(\$17/ft² prior to renovation)
- **Occupancy:** 68% (48%)
- **Absorption:** 8% (-60%)
- **Expenses:** \$11.15/ft²

Occupancy Rate



Gross Asking Rent Per SF



Local Test: Identify Projects

Denver, Co, USA Subject #2: 1001 17th Street

- 20 story building with ground floor retail and office space; remodeled in 2008; 665,565 ft²
- Originally built 1980, sold in 2006 for \$108M – under contract for August closed at \$218M
- Remodel involved: Upgraded HVAC, Scaling Down Entry, Incorporating Open Space



Local Test: Identify Projects

Denver, Co, USA Subject #2: 1001 17th Street



SIB Incorporation

- | | |
|-----------------------------|------|
| • Art: | High |
| • Nature: | High |
| • Community spaces: | High |
| • Human Scale: | High |
| • Unified Design: | High |
| • History & Culture: | High |
| • Multi Level Connectivity: | High |

Amenities

- TOD: walking; bike; transit connections
- Ground level retail: dining, fitness center
- Open level terrace and entry courtyard
- 500 parking spaces
- LEED gold certified; Energy Star 2013-14

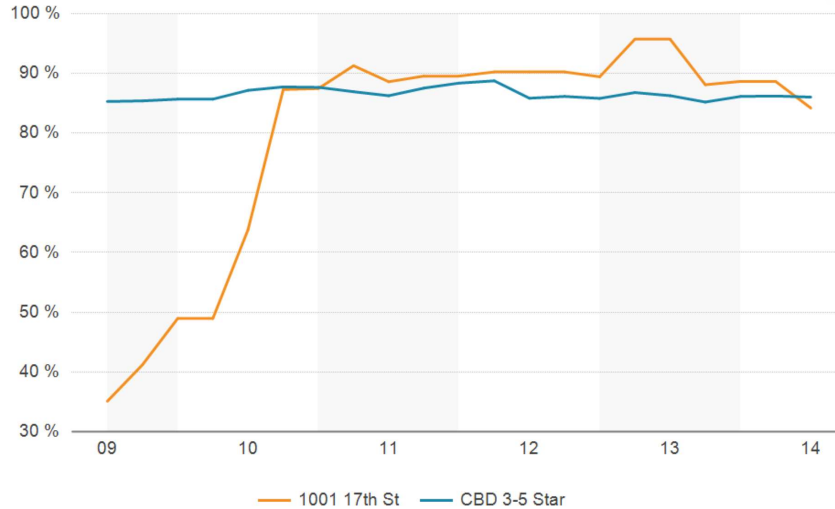


Local Test: Identify Projects

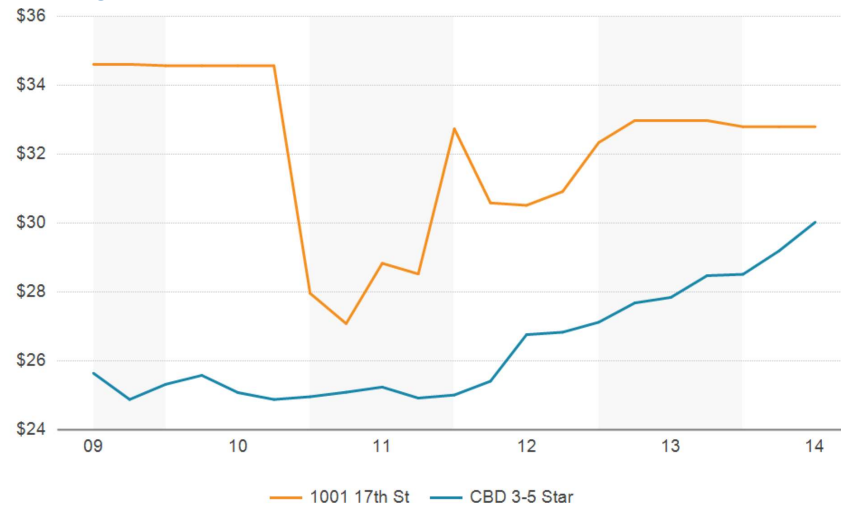
Denver, Co, USA Subject #2: 1001 17th Street

- **Lease Rate:** \$32.79/ft²
- **Occupancy:** 84.2% (CBD 85.9%)
- **Absorption:** -5% (CBD 0%)
- **Expenses:** \$11.29/ft²

Occupancy Rate



Gross Asking Rent Per SF



Local Test: Identify Projects

Denver, Co, USA Area Subject #3: 1400-01 Wynkoop

- Distressed sale in 2007 = \$99.90/ft²
- Mixed-use with retail/office/residential
- 107,677 ft²; bottom floor retail; 6 floors office; 4 floors residential
- Open space incorporated throughout; street level pedestrian urban connections, lobby art



Local Test: Identify Projects

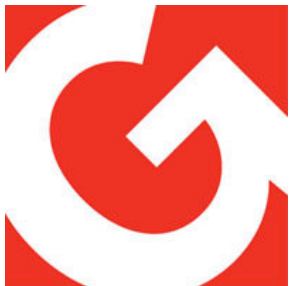
Denver, Co, USA Area Subject #3: 1400-01 Wynkoop

SIB Incorporation

- Art: Medium
- Nature: High
- Community Spaces: High
- Human Scale: High
- Unified Design: High
- History & Culture: High
- Multi Level Connectivity: High

Amenities

- TOD: walking; bike; transit connections via Union Station
- Location: walking distance to Pepsi Center, Convention Center, Union Station
- Fitness Center, restaurant, roof top terrace 158 parking spaces
- LEED Silver certified

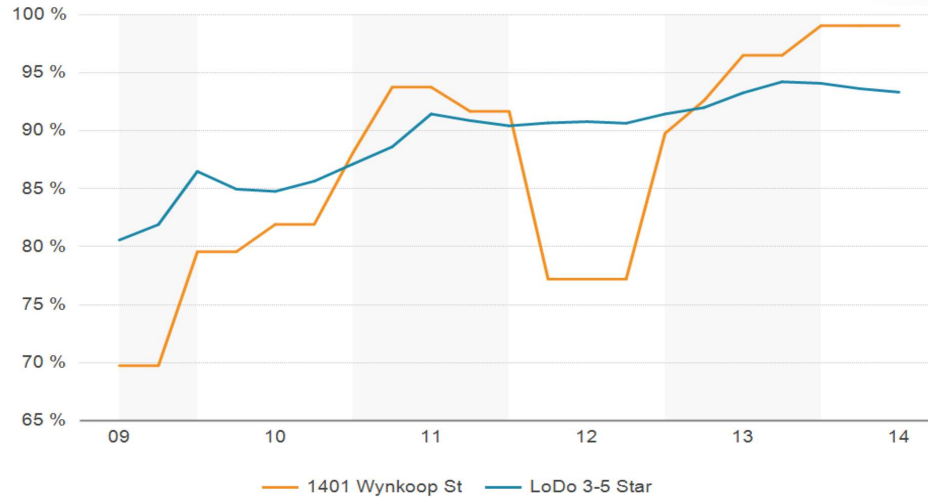


Local Test: Identify Projects

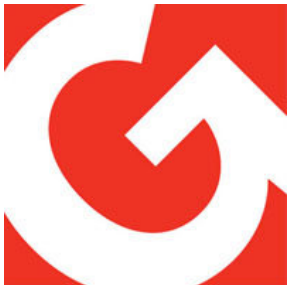
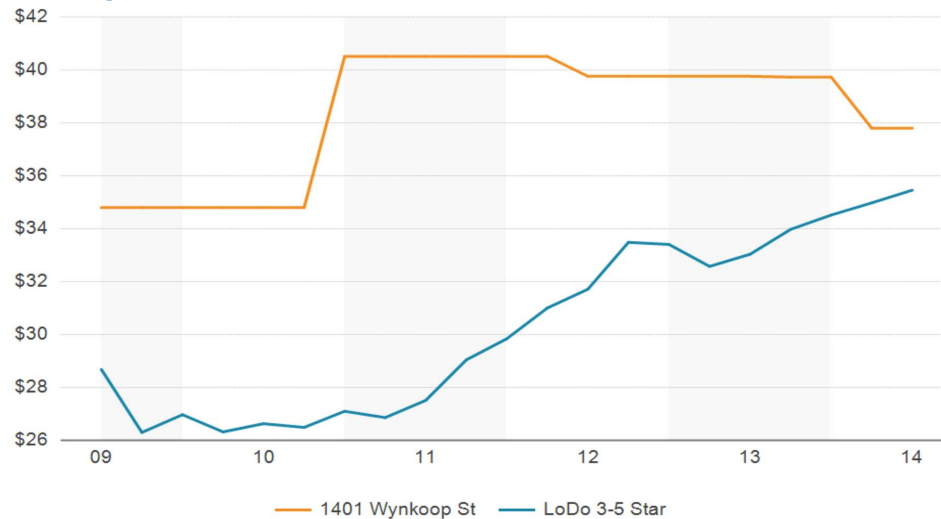
Denver, Co, USA Area Subject #3: 1400-01 Wynkoop

- Lease Rate: \$37.79/ft²
- Occupancy: 99%
- Absorption: NA
- Expenses: \$13.29/ft²

Occupancy Rate



Gross Asking Rent Per SF



Local Test: Identify Projects

Denver, CO, USA Area Subject #4: 1515 Wynkoop

- 8 Stories; 306,791 ft²;
- Office building; retail at street level completed in 2008
- Sold in 2009 for \$384.63/ft - \$120M
- 90% occupancy
- LEED gold certified



Local Test: Identify Projects

Denver, CO, USA Area Subject #4: 1515 Wynkoop



SIB Incorporation

- Art: High
- Nature: Low
- Community Spaces: Medium
- Human Scale: High
- Unified Design: High
- History & Culture: High
- Multi Level Connectivity: High

Amenities

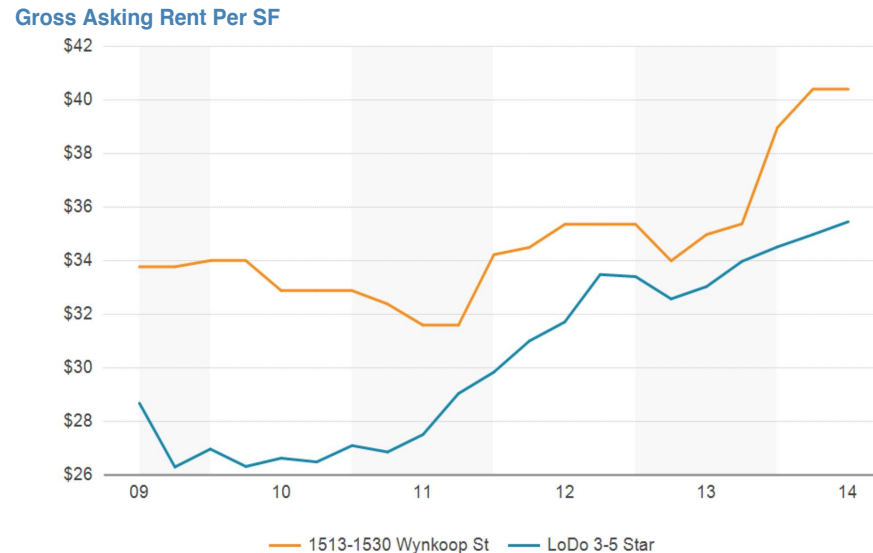
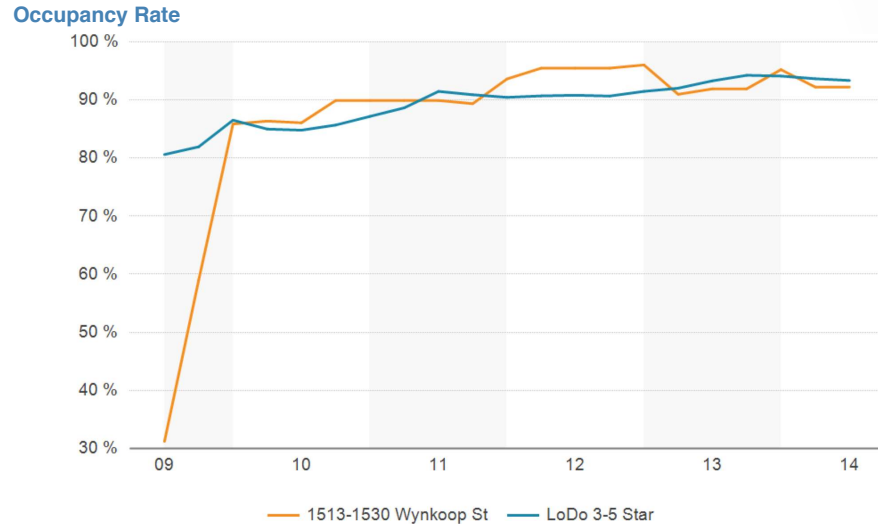
- TOD: Walking, biking, transit connections
- Retail: 3 onsite restaurants; massage spa
- Fitness Center; 427 parking spaces
- LEED gold (2010); energy star rated 2010-2013



Local Test: Identify Projects

Denver, CO, USA Area Subject #4: 1515 Wynkoop

- Lease Rate: \$40.39/ft²
- Occupancy: 95.2%
- Absorption: 33% (below 53% avg)
- Expenses: \$14.80/ft² (\$5.48 tax; \$9.32 operating)



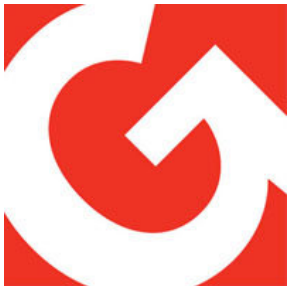
Test Take Aways:

- SIB = “Amenity” in the eyes of the consumer
- Design does not lend itself to quantitative measures.
- Support for SIB concepts in both China and US from consumers, designers and developers – Collaborative
- Suggested Alternatives for SIB:
 - In lieu of multi level connectivity, suggest transport connections to community, TOD
 - Energy efficiency impacts operating expenses and ultimate return – not just a public interest



International/China Projects:

1. Blue Sky Tower, Mongolia
2. Burj Kalifa, Dubai, UAE
3. Xintiandi, Shanghai, China
4. Jinli, Chengdu, China



International/China Projects:

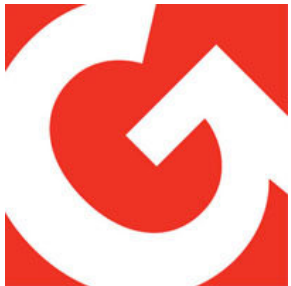
Blue Sky Tower, Ulan Bator, Mongolia

SIB Incorporation

- Art: High
- Nature: Low
- Community Spaces: High
- Human Scale: Low
- Unified Design: High
- History & Culture: Low
- Multi Level: Low



- Mixed Use: 5 Star Hotel, Office Space and Retail Space
- Occupancy: 2012 Office Space 80%
- Surrounding Structures 92% Occupancy (government used mainly)



International/China Projects:

Burj Kalifa, Dubai, UAE

SIB Incorporation

- Art: High
- Nature: High
- Community Spaces: Medium
- Human Scale: Low
- Unified Design: Medium
- History & Culture: High
- Multi Level: Low



- Mixed-Use: Hotels, Office Space, Retail Space and Apartments
- Occupancy: Office Space 100% Sold - 33% Occupied (BBC, 2012)
- Lease Rates: Office space at 4000 USD sq. ft.



International/China Projects:

Xintiandi, Shanghai, China

SIB Incorporation

- Art: High
- Nature: High
- Community spaces: High
- Human Scale: High
- Unified Design: High
- History & Culture: High
- Multi Level: High



- Successful SIB Elements
 - Nature, Art, History, Community Space
- Large scale, long term development
 - Stages of development of a property planned, to avoid losing money to property price increases
- Occupancy: 100% with waiting list
 - Surrounding area - Pudong has 96.5% occupancy
 - Rent increases each quarter
 - Puxi consistently decreasing rent and occupancy



International/China Projects: *Jinli, Chengdu, China*

SIB Incorporation

- Art: High
- Nature: High
- Community spaces: High
- Human Scale: High
- Unified Design: High
- History & Culture: High
- Multi Level: High

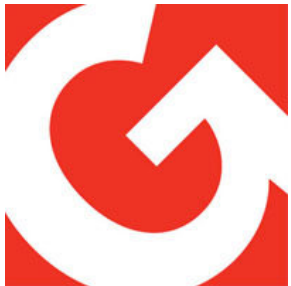


- Mixed Use: Office Space & Retail Space
- Focus points: History of tea gardens
- Generates large traffic – tourism and local



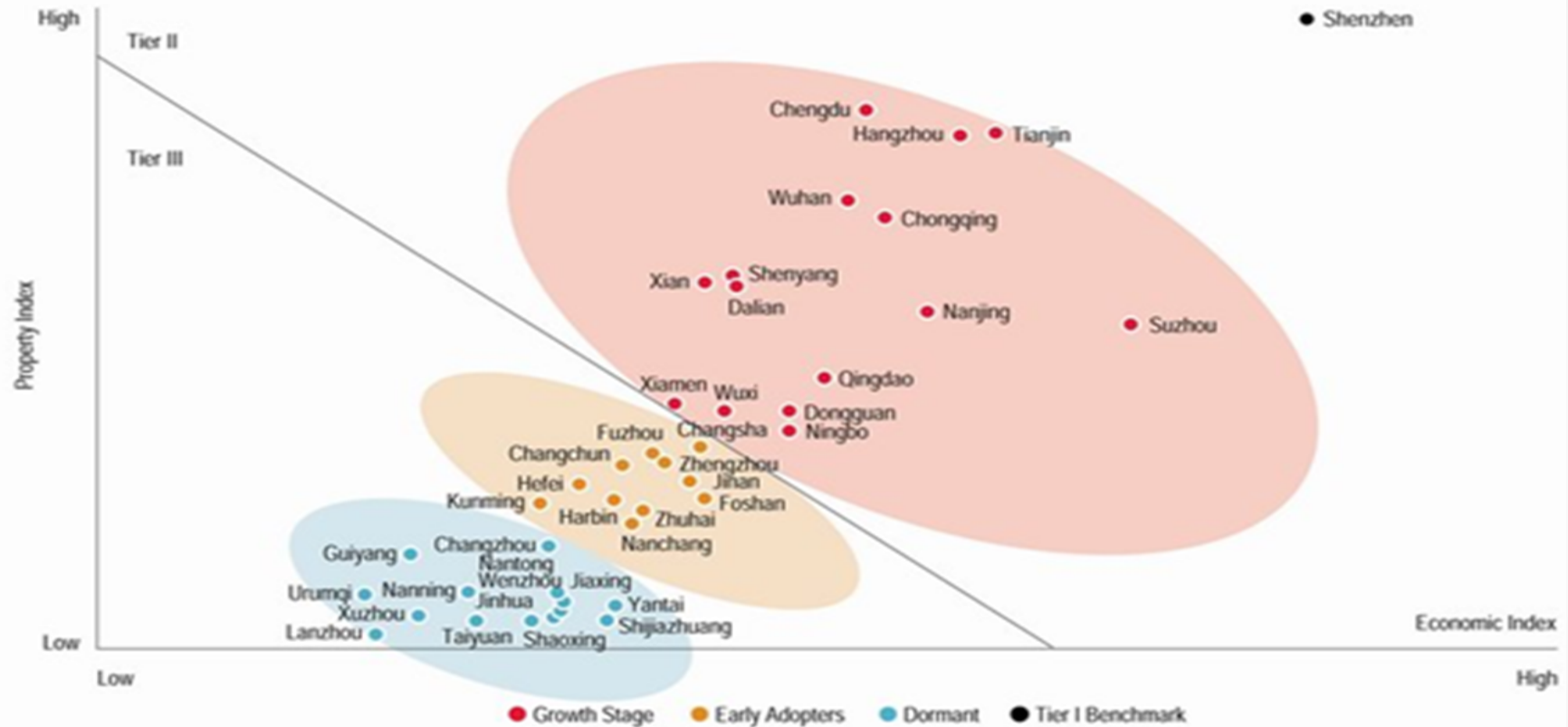
Collecting Data Internationally:

- Pick established best practices/regulations
 - Ex: regulated open space areas
- Collect data from transparent markets
 - Transparent = ability to access information publicly
- Match SIB elements to Return On Investment
 - “Four Measurements”
- Apply practice to less transparent real estate markets



Collecting Data Internationally:

Fig 1: City Evolution Curve

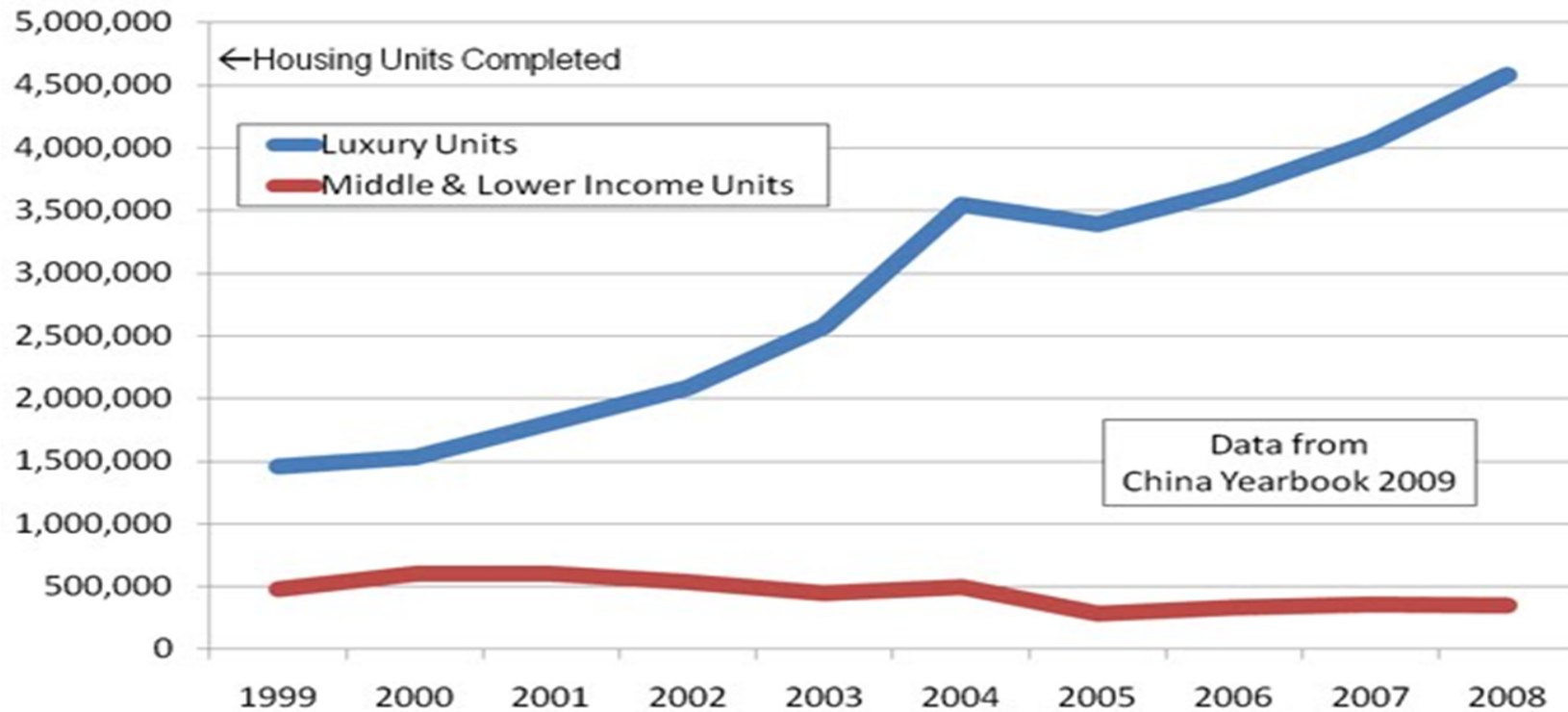


Source: Jones Lang LaSalle



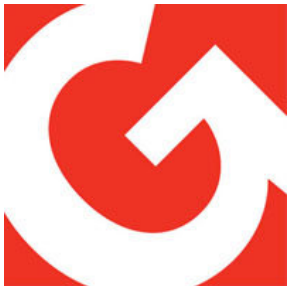
Collecting Data Internationally:

New Housing Units in China
1999-2008



Stakeholders:

- Architects
- Government (Municipality, National)
- Developers
- Consumers
- Banks
- Investors (Foreign, domestic)
- Property management companies



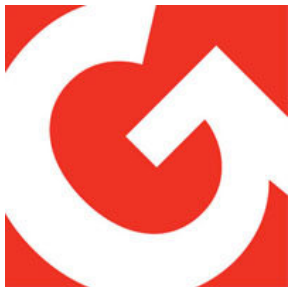
Decision Making Chain:

- Government (Municipality)
- Government (Nationally)
- Consumers
- Designers
- Investors
- Bank
- Developers



Potential Implementation Barriers:

- Cultural Acceptance of SIB
 - Populist sentiments could also be an issue
 - Offensive art, wasted resources
- Government and Private Sector Objectives
- Addressing market needs
 - Can Gensler make world leading design economical?



Awareness of Cultural Shifts:

- What is a cultural shift?
- Branding errors across borders
 - Western hamburgers sold in India
 - Chinese view of SIB vs. Hong Kong
 - Lack of acceptance of multi-level pedestrian passageways
- Locally driven characteristics may increase acceptance of SIB implementation
 - Utilization of local real estate firms, developers and architects



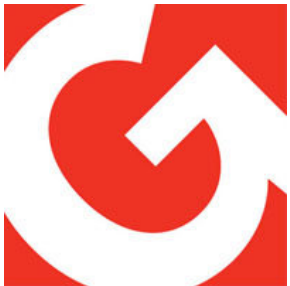
Value Added:

- Include TOD (Transit Oriented Development) in SIB list – Consider how buildings connect with the surrounding neighborhood
- Develop business units focused on middle income, lower income and elderly communities in which SIB could be incorporated at an affordable price point
- Retrofit where possible and profitable



Value Added:

- Encourage Shanghai Tianzifang style developments, with Gensler's touch/branding
- Land and water banking as an investment tool and to implement the incorporation of nature, a SIB element
- Incorporate Chinese architecture culture and art (both ancient and modern) into SIB elements

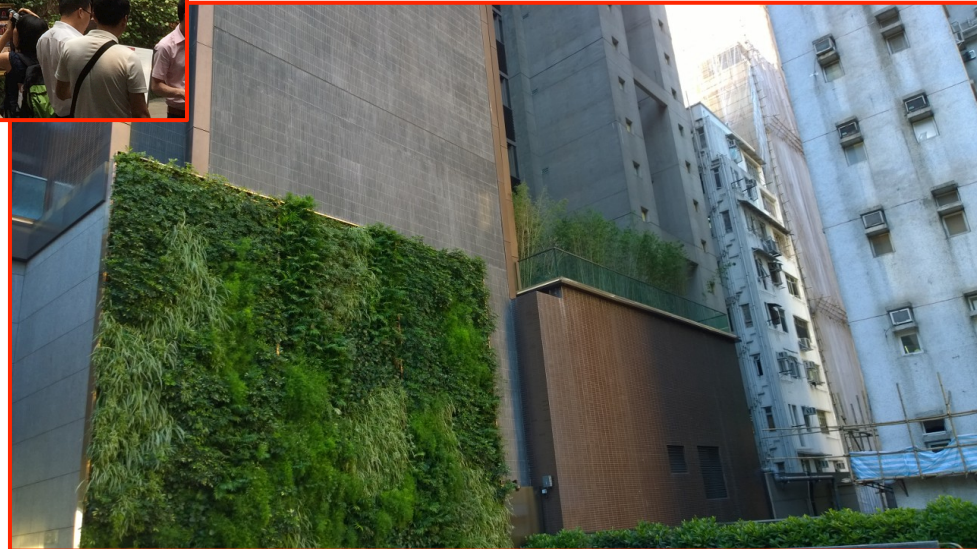


Value Added:

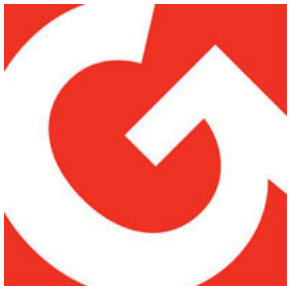
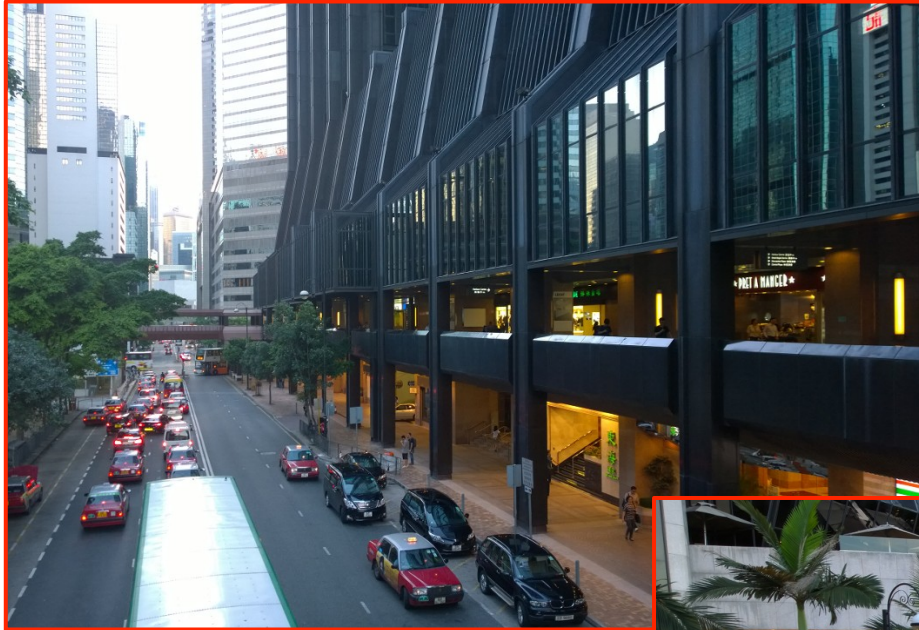
- Soul – Buildings come to life
- Open sourced technology – Residential
- Lions, Tigers and Dragons – Commercial
- Pentagonal Dome – Residential
- Green Energy Engine – Power Verde



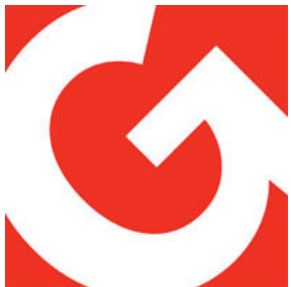
SIB Best Practices: Inclusion of Nature



SIB Best Practices: Multi-Level Connectivity



SIB Best Practices: Inclusion of Art



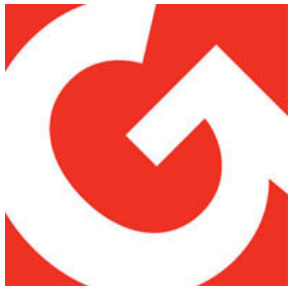
SIB Best Practices: Inclusion History & Culture



SIB Best Practices: Community Spaces



SIB Best Practices: Human Scale



SIB Best Practices: Unified Design



Questions...



July 24, 2014

IMBA 4500, China

Jeremy Day, Greg Magjersky, Laura Stelle,
Michele Tonti & Matt Tucker