

Ingredients for successful office leasing in metro Denver in 2012

With Denver's overall office vacancy still above 18 percent in the first quarter of 2012, tenants have multiple options for leasing office space, making for stiff competition. Although it sounds fundamental, too many owners don't make it a priority to have their buildings "ready for company" when prospective tenants tour their space.

Proactive, financial investment that enhances the presentation of a building and its vacant spaces may pay significant dividends for savvy owners. Having vacancy prepped for occupancy or for new tenant finish allows prospective tenants to envision their company functioning in the space and helps to engage them on the property. Office tenants are more likely to engage with options that provide the least resistance. It is imperative for the prospective tenant to see an office option that works in order to increase the likelihood of having the property get "shortlisted."

There are many reasons to conduct vacancy prep but the strongest one is perception. A well-kept building (particularly in our environment of short sales, foreclosure and deed-in-lieu transactions) illustrates to the prospective tenant that the owner is adequately funded, proactive and intent on providing a professional office environment. Buildings that look nice, have clean, updated common areas and vacancy that is ready for tenant improvements or, in situations with smaller spaces (less than 3,000 square feet), built spec and ready for immediate occupancy will be the most attractive to prospective tenants.

To begin, a building's first impression starts with curb appeal. A well-maintained building exterior including attractive landscaping, parking surface, walkways and entrance creates the critical first impression that is likely to color the rest of the impression a prospective tenant



Pete Staab
 Senior managing director, Newmark Knight Frank Frederick Ross, Denver

forms when visiting the property.

Upon entering the building, it is important to have an updated lobby and common areas. This should include newer finishes, such as carpet and paint, as well as attractive furniture, fixtures and artwork. Live plants and/or flower service often dramatically improve the perception the prospective tenant experiences.

Diligent owners won't stop there; they don't wait for new tenants to come along before making improvements to their vacancies. They will make smart investments in their vacancy and prepare as soon as possible (when a tenant vacates) to enhance the premises for showings, which ultimately leads to faster leasing.

Depending on a particular suite/space condition, vacancy prep should include and may not be limited to the following:

■ **Professionally clean:** Always remove all debris, abandoned furniture, fixtures and equipment. Remove, tuck or bundle away old cabling. Note: Regular cleaning of vacancies is important for first impressions.

■ **Spec demo:** This may include removing worn carpet and awkward features or configurations and painting white to remove any unusual colors or inconsistencies.

■ **White boxing:** This is the complete demolition of a suite, which allows for a prospect to create an efficient layout with an entirely new build-out. White boxing a space includes painting the perimeter walls, and sometimes installing a new ceiling system (tile and light fixtures) to give a clean, modern and bright

appearance.

■ **Install new carpet and paint:** If a suite is in a good, useful configuration, new carpet and paint will make it market ready for quick tenant occupancy.

■ **Spec suite:** This includes designing and building a new suite with a layout conducive for a variety of users. Spec suites are generally constructed in spaces under 3,000 sf.

When installing new finishes, try to include updated lighting (if necessary), a new or newly painted ceiling grid, new ceiling tiles, neutral colors for both carpet and paint, including accent colors. Paint colors add character, make suites stand out, and are cheap and easy to change.

Remember that the goal is to make positive first impression throughout the entire building experience for every presentation. From the approach, to the building's entrance, through the suite access to the lease premises, everything the prospect sees must be in good condition to enhance the experience and provide the best opportunity to win tenancy.

An example: Mark Brecheen with KBS, a national Class A building owner, always keeps his office inventory in first-class condition. The vacancies are normally in one of three categories: 1. spec; 2. white box; or 3. with very good reason if it is neither (already in active negotiations, adjacent tenant is expanding, etc.).

Owners with a proactive approach to operating a building and making the upfront investment when a space becomes vacant will create a leasing advantage with the building's desirability, particularly in this competitive office environment. Keep in mind, a portion of these costs will most likely be incurred by the landlord when preparing a space for a new incoming tenant. Conduct the work, lessen the downtime and improve asset performance!▲

Making the case for prebuilt commercial space: win, win, win

Prebuilt, also referred to in Denver as "spec build-outs," became popular in New York during the late 1990s and early 2000s when there was a surge of start-up companies looking to occupy office space quickly and avoid a lengthy design and construction process. The concept has not only endured, but also it has increased in popularity because of the benefits to the landlord, tenant and brokers alike. As a result, the New York market is now seeing the average size of prebuild spaces increase by more than 50 percent.

Prebuilds make sense in any fluctuating economic climate. When the market is down, landlords are looking to fill space. They can easily attract tenants with prebuild space that is move-in ready for small business that



Ken Libman
 Principal, Rowland+Broughton Design Build LLC, Denver

don't have the resources to build out their own space. They find the capital improvement pays off, often converting unmarketable space to a revenue stream. When the market is up and companies are expanding,

it allows flexibility for growth while they are waiting for current leases to expire or need additional space quickly. This is accomplished by implementing modular formats that can be reconfigured to suit a tenants' need.

Steve Billigmeier of Cushman and Wakefield agrees that prebuilds could be the future for Denver.

"Tenants have been reluctant to make decisions as they were navigating their way through the economy," Billigmeier said. "Hesitant to make a move while facing so many uncertainties, business owners are now finding themselves pressed for time and in need of space that is move-in ready."

The Denver metro area is seeing a large resurgence with companies like DaVita, Bridgepoint Education and Brookfield investing in the metro area. Also on the rise are technology companies, education groups and professional services. With Mayor

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Prebuilt

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Hancock launching his Jumpstart 2012 economic plan for Denver, retaining and growing current businesses as well as providing incentives for small business will show an increased need to those that can benefit from prebuilt office space.

Approaching prebuilt office

space with a specific program and design formula allows for ultimate flexibility within the office environment. This approach not only streamlines the design process from programming to move-in but also delivers inherent value based on economy of scale by executing national buying contacts for material costs. It's the true difference between a linear

approach and a lattice approach. Imagine a space valued at \$47 per square foot can be built for up to 30 percent less.

Prebuilds offer the tenant an aesthetically pleasing and functionally sound space, often with shorter-term leases, providing flexibility for companies as their business evolves. Having the option of an available

prebuilt space, companies can potentially adjust their programming requirements. Scenarios may include companies needing incubator space or businesses simply need to get staff placed and working quickly. Tenants are insulated from the costs of the design process and the unknowns that come with construction. Although landlords are

making an initial capital investment, these expenses are quickly regained with quicker leases and immediate rental income. A prebuilt space can function for multiple tenants with limited maintenance between clients, and brokers appreciate having quality space to show that is ready to occupy allowing them to make deals expeditiously.▲

Gensler

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percent more productive than an average worker. To put this in perspective, Gensler's workplace research shows a potential 28 percent productivity increase by designing to better support work modes.

The good news is that although obesity is one of the 21st century's most serious health problems, it is preventable – and workplace design is the best way to address this problem. We spend the most significant amount of our waking hours at the office, and sitting for long stretches

is thoroughly ingrained in our current work culture. When applied correctly, innovative design solutions can incentivize workers to get up and move around more often and in doing so they help themselves and the organizations that employ them.

When designing the new headquarters for Noodles & Company, Gensler was tasked to create an environment which reflected the essence of the company's thriving culture and embraced its corporate mission: To Nourish & Inspire. The resulting design sparks creativity and interaction through diverse spaces that serve

as landmarks and alternate work settings within a village thereby supporting the bold, thriving culture that could only be Noodles & Company.

A confidential technology company challenged Gensler to connect employees who are physically separated by a disjointed floor plan with two distinct wings. By eliminating satellite coffee areas and creating one centralized pantry at the intersection of the two wings, the result is a "central node" that naturally motivates employees to move around and congregate away from their individual workstations.



Design can motivate workers to get up and move.

Jordy Carter

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There are still many positions that require privacy and a level of noise reduction that cannot be accomplished

with the benching concept. Employees who spend a significant amount of time on the telephone or who handle sensitive information may not be candidates for a

benching work environment. For this reason, manufacturers have increasingly introduced benching products that correspond visually with their panel systems so that

their customers can have a cohesive aesthetic while implementing both panel-based and open-concept solutions. With these benefits, limitations and advancements

in mind, employers and facility managers may find that open concept benching is the right direction for their office environment going forward.

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