

# How does State Street define “Workplace of the Future?”

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STATE STREET®



## State Street

- Founded in 1792
  - Solely focused on serving institutional investors
  - Global footprint: 7 million SF (North America, EMEA, and APAC)
  - More than 29,000 employees, with offices in 29 countries serving more than 100 markets
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## Investment Management

- Assets under management: \$2.48 trillion
  - One of world's largest managers of institutional assets
  - Provides investment strategies across risk/return spectrum of investment solutions covering every major asset class, capitalization range, region and style
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## Investment Research & Trading

- Global leader in specialized investment research, trading and securities lending
  - Revenue of \$9.88 billion in full-year 2013
  - Strong securities lending program, with more than \$2.95 trillion in average lendable assets as of December 31, 2013
  - Provides flow-based research, innovative portfolio strategies, trade process optimization, and global connectivity across multiple asset classes and markets
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## Investment Servicing

- Assets under custody and administration: \$28.4 trillion
- One of world's leading investment service providers
- Provides fund accounting, fund administration, custody, investment operations outsourcing, recordkeeping, performance and analytics, and transfer agency services



STATE STREET

# Global State Street Locations



## *What does GRS Manage?*

- **State Street's directly held and managed operational real estate**
  - ❖ Approximately 7M square feet worldwide
  - ❖ Significant acquisition and subsequent consolidation
  - ❖ The real estate group's objective is to create a productive and cost-effective work environment that enhances the corporation's long-term goals.
  
- **Over the past 12 months, Global Transactions:**
  - ❖ Closed on over 70 transactions
  - ❖ Abandonment; Assignment; Build-to-Suit; JV Arrangements; Leases; Renewals; Rent Review; Restructure; Service Agreement; Sublease; Surrender; and Termination Option Waiver.
  
- **Transacted in 22 countries:**
  - ❖ Including United States; Canada; UK; Ireland; Jersey and Guernsey (Channel Islands); Poland; Luxembourg; France; Italy; UAE; Qatar; South Africa; India; China (Mainland and Hong Kong); Malaysia; South Korea; Japan; and Australia.

## 2008 Financial Crises as Inflection Point

	As of Q4 2008	As of Q4 2014		Projected 2015	
		Legacy	New	Legacy	New
<b>Number of Countries</b>	22		24		24
<b>Number of Sites</b>	98		84		82
<b>Seating Capacity</b>	43,187		45,319		41,400
<b>Building Occupancy</b>	31,125		32,700		32,700
<b>Utilization Rate</b>	72.1%		72.2%		79.0%
<b>Total Square Footage</b>	7,600,000	3,539,156	3,669,771	2,925,992	3,669,771
<b>Cost per Seat</b>	\$12,400	\$13,183	\$9,769	\$14,830	\$8,277
<b>Square Feet per Seat</b>	170	208	129	270	116

## *Two Paths to Efficiency*

### **A. Densify and Occupy**

- i. Reducing square feet per seat from 200 sq. ft. to 120 sq. ft.**
- ii. Increase occupancy rate from 75% to 90%**

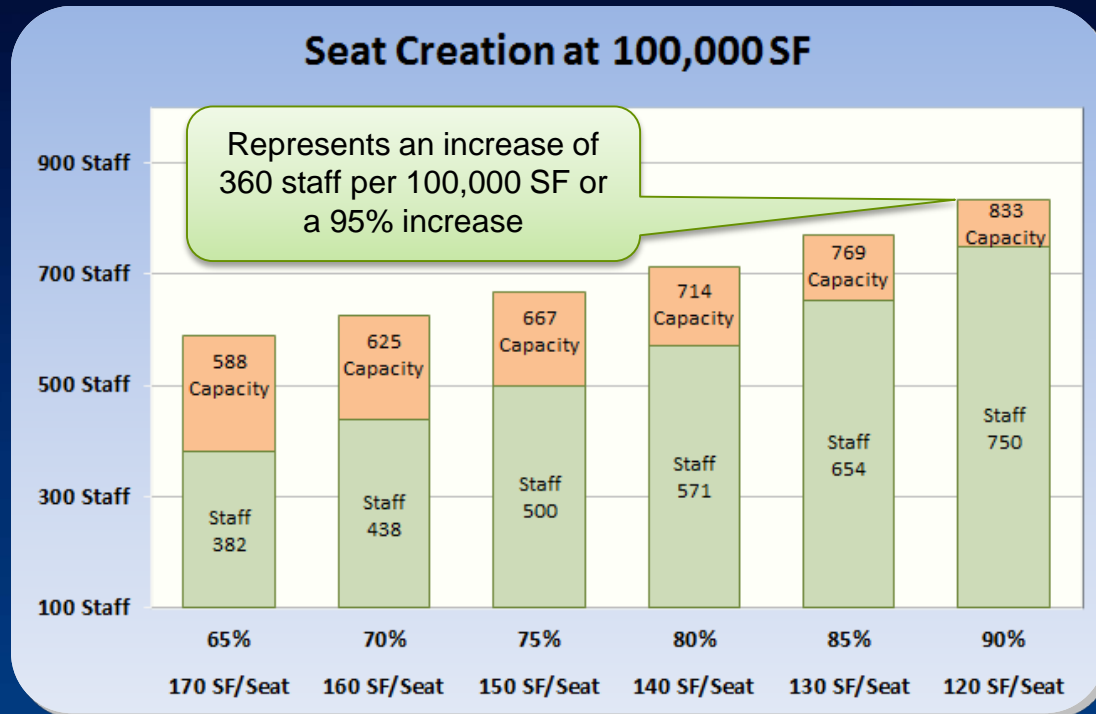
### **B. Utilize**

- i. Increasing the number of employees “accommodated” per seat.**



## Occupancy and Space Utilization

- Large Real Estate users are striving to increase the occupancy of their buildings by as much as 25%, pushing to a metric of 90% occupied.
- Additionally, State Street is decreasing its square feet per seat to 116 SF/seat, from over 170 SF/seat in some cases.
- Increased occupancy and tighter space utilization will create occupancy expense savings as employers seek to shed space and use their real estate more efficiently.



10 Yr Lease Occupancy Expense Savings	
100,000 SF	
@ \$40/SF Gross Rent	
@\$100/SF LHI	@\$200/SF LHI
@ 170 SF/Seat	@ 120 SF/Seat
588 Seats	833 Seats
\$8,500 / Seat	\$7,200 / Seat
65% Occupied	90% Occupied
382 Staff	750 Staff
\$13.1K / Person	<b>\$8.0K / Person</b>

# *How does State Street define “Workplace of the Future?”*

## It goes beyond just Metrics

- Robust technologies to support collaboration, connectivity and mobile workforce.
- Sustainability through LEED design criteria.
- Maximize natural light for all occupants.
- (4) centralized café/pantries per floor.
- Multi-functional approach to various spaces: cafeteria, conference rooms, offices.
- Centralized support and amenities. (File storage, printing, copying, mail & meeting rooms)
- Shifting ratio of assigned workspaces to unassigned workspaces.

- Metrics: 5% office, 95% workstations of which 10% are benching
  - 7.5'x 10' offices
  - 6'x 5.5' workstations
  - 5'x 2.5' benches
  - 42" heights for workstations and benching (LEED)



## Workplace of the Future: Workstation and Office Layout



Typical Workstation at **Channel Center**

- Overall Dimensions: 5'-6" x 6'-0"
- Workstation Footprint: 33 sq. ft.

Typical Office at **Channel Center**

- Overall Dimensions: 7'-6" x 10'-0"
- Office Footprint: 75 sq. ft.



## 2014 Expirations as Catalyst

### Opportunity:

In 2011, State Street commenced real estate search for 1.3M sqft in expiring space (2014) in four Boston buildings

- Lafayette Corporate Center 435,285 sqft
- Copley Place 425,137 sqft
- John Hancock 359,122 sqft
- Prudential Center 49,430 sqft

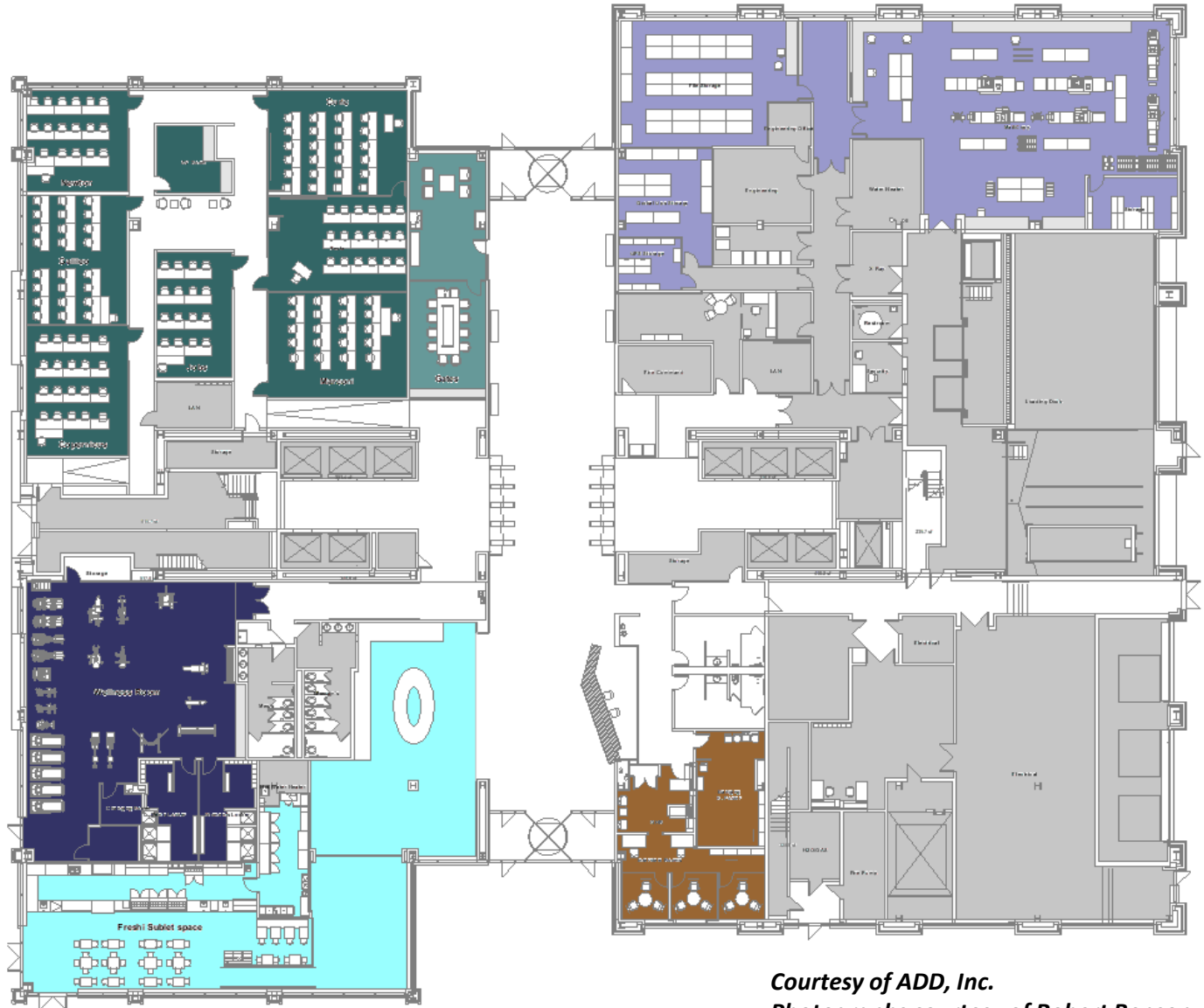
### Solution:

- Channel Center
  - 500K sqft Build-to-suit
  - 15 Year Term
  - 2 x 5 year Extension Terms
- Copley Place
  - 100K sqft (Legacy space)
  - 3 year term



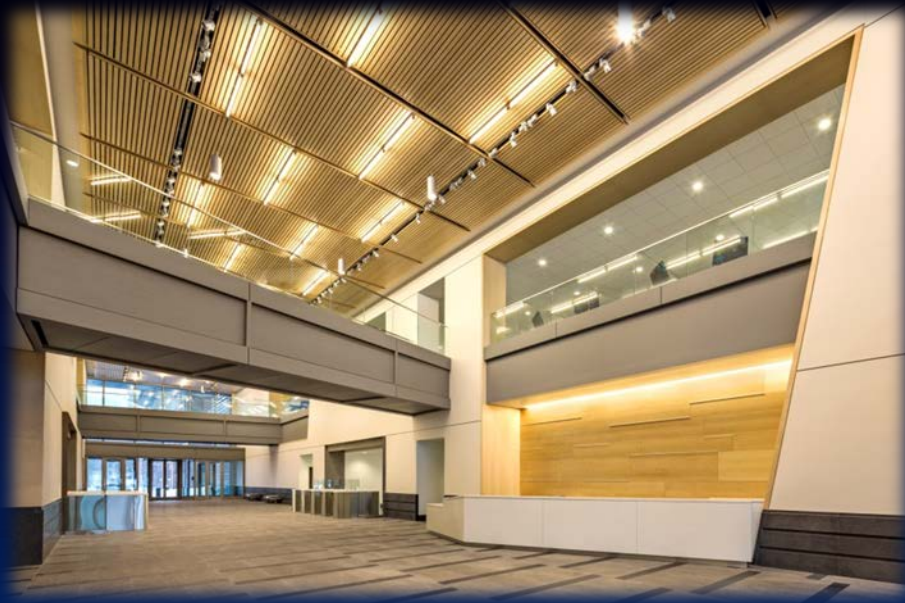
# Channel Center – First Floor Plan

- Training
- Executive Suite
- Cafe and Sundry
- Fitness Center
- File Storage/Copy/Mail
- Interview and Badging
- Building Core

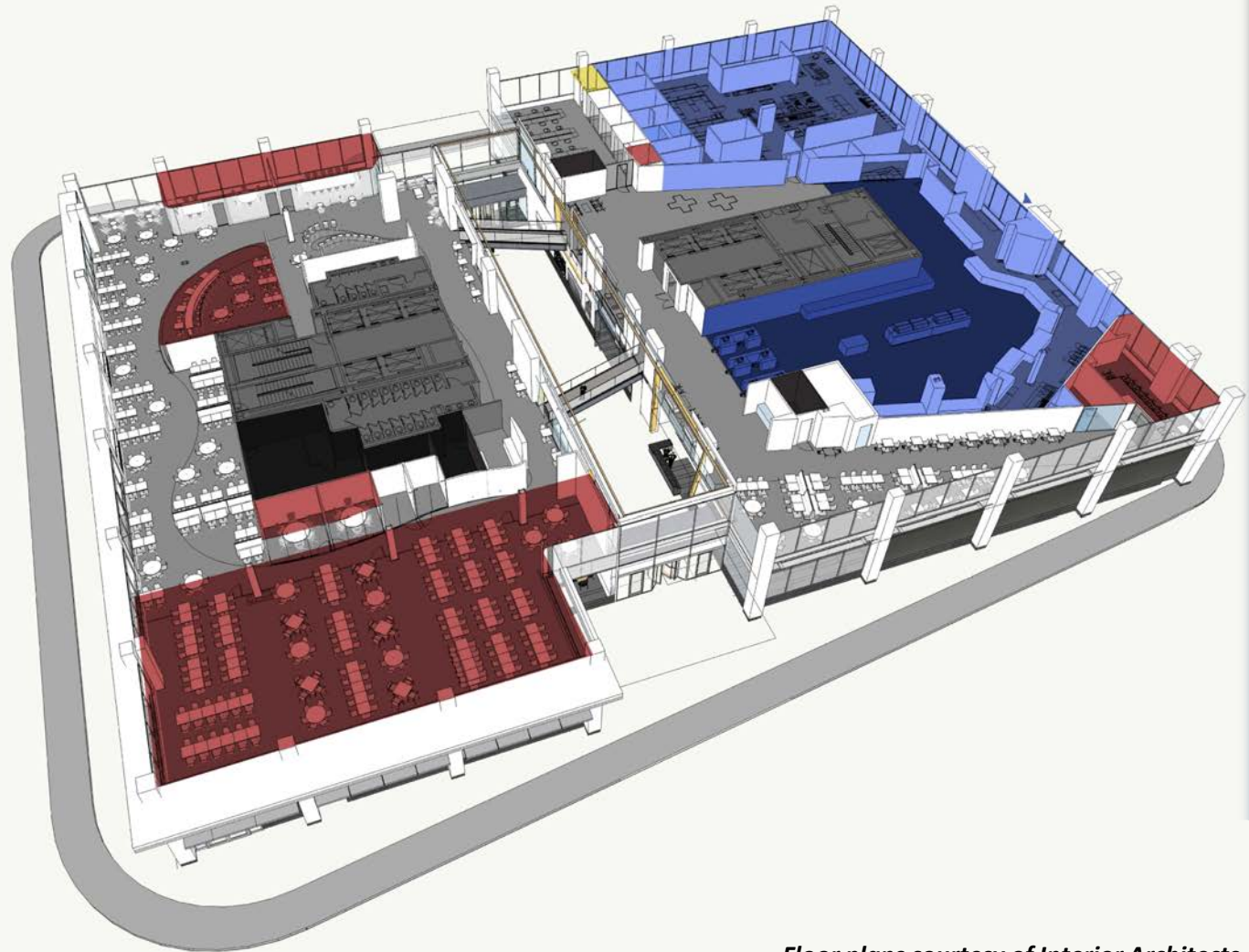


Courtesy of ADD, Inc.  
Photographs courtesy of Robert Benson

## *Channel Center – First Floor Images*



# Channel Center – Second Floor Plan



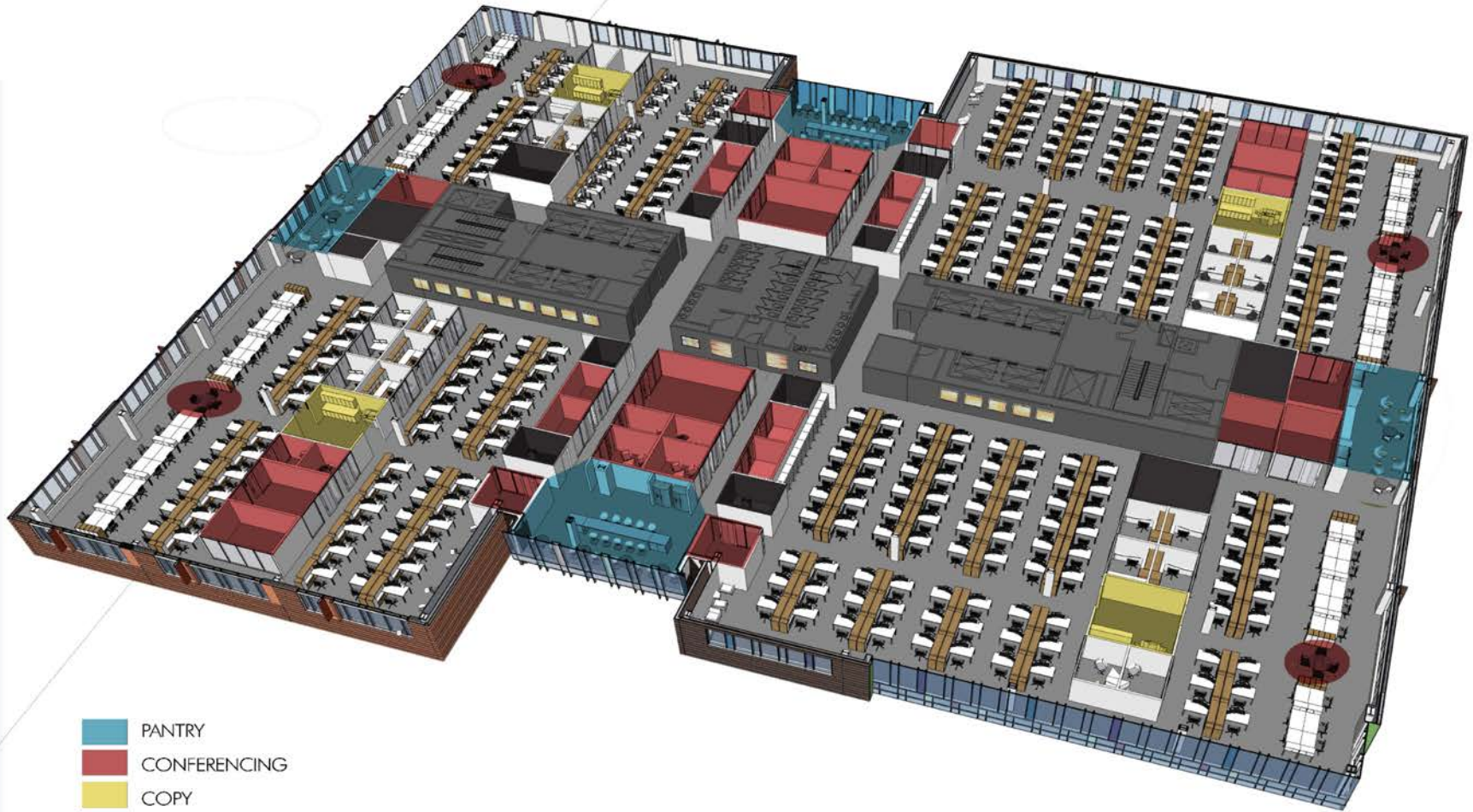
- SERVERY
- KITCHEN
- CONFERENCING
- COPY
- STORAGE

*Floor plans courtesy of Interior Architects  
Photographs courtesy of Robert Benson*

# Channel Center – Second Floor Images



# Channel Center – Production Floors



- PANTRY
- CONFERENCING
- COPY
- STORAGE

*Floor plans courtesy of Interior Architects  
Photographs courtesy of Robert Benson*

## *Channel Center – Production Floor Images*







# *Global Deployment of “Workplace of the Future”*

*“You can’t always build a building”*

- Existing Buildings
- Suburban Locations
- Multi-tenant Buildings



## **New York City, NY – 1290 Avenue of Americas**

Total Building Area: 2,100,000 SF

Our Space: 128,494 SF

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## **Quincy, MA – 200 Newport Avenue**

Total Building Area: 145,752 SF

Our Space: 145,752 SF

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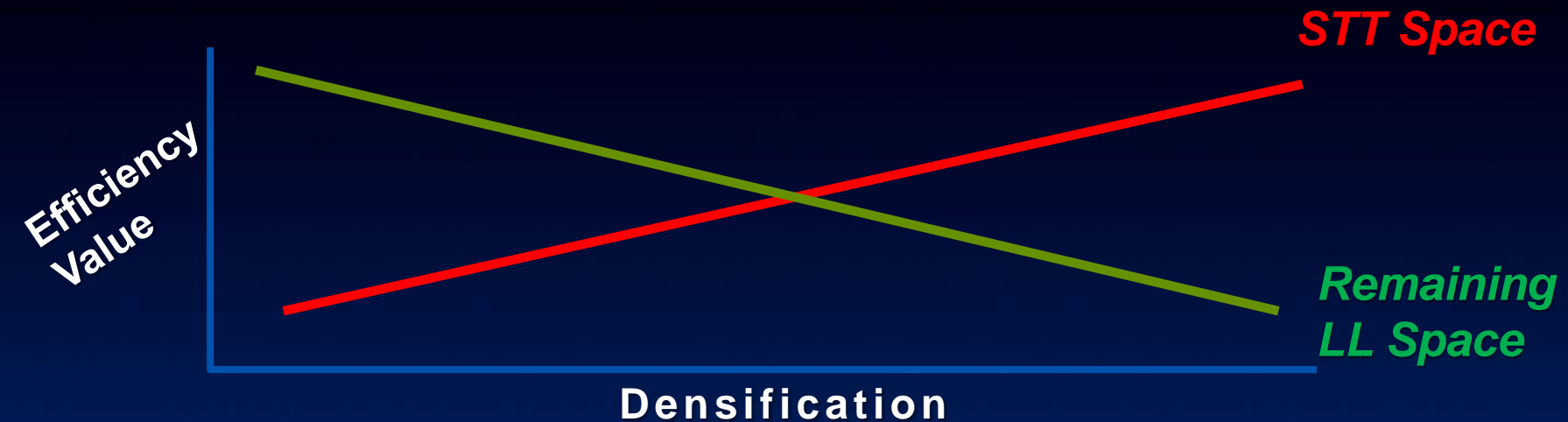
## **Sacramento, CA – Natomas Park Drive**

Total Building Area: 150,000 SF

Our Space: 67,540 SF



# Understanding the Impacts



## ➤ **Negative Quantitative Impacts**

- *Direct “losses” incurred by Landlord due to STT Density*

## ➤ **Negative Qualitative Impacts**

- *Indirect negative “feel” incurred by Landlord due to STT Density*



## ***Quantitative Example: Parking***

**200K sqft Existing Suburban Class A Office Building**  
(Currently Vacant) - 600 Parking Spaces, based on 3 spaces per 1,000 sqft

**STT Requirement: 100,000 sqft, 10 years with 5 year renewal option**  
– 5 parking spaces per 1,000 sqft = 500 parking spaces

**Landlord's Remaining Assets: 100K sqft with 100 Parking Spaces**

### **Alternate Parking Direct “Loss”**

- \$100 / month per space
- Need 200 spaces
- \$240,000 per year (\$2.40 per sqft)
- **\$2.4M over life of STT initial term**



## ***Qualitative Example:***

### **200K sqft Existing Suburban Class A Office Building**

(Currently Vacant) Designed for 180 sqft per person @ 80% occupancy = 889 staff

**STT Requirement: 100,000 sqft, 10 years with 5 year renewal option**

- 120 sqft per seat @ 90% occupancy = 750 people

**Assuming Remaining 100K sqft at “Typical Tenant” density = 445 people.**

- **Building Total: 1,200 people; nearly 50% over capacity!**

#### **Negative Impacts**

- Lobby Flow
- Amenities
- Elevator Stress



# ***Lessons Learned & Moving Forward***

- ***RFP, LOI and Space Requirements are Critical***
- ***Building Infrastructure and Tenant Mix are Key***
- ***Understanding the Bigger Picture***
- ***Get the Landlord comfortable***



## ➤ **What's Next? Space Utilization**

**Using technology platforms to understand, define and predict space utilization trends.**

**State Street undertook a study to review current market practices and technologies to develop real time location analytics for our portfolio.**

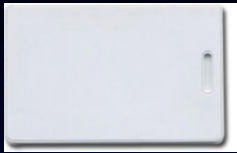
### **Key concepts:**

**Achieving a real estate metric of >1 person per seat.**

**Understanding true building utilization, not just % occupied.**

# Methods | Current Location Analytics Practices

Companies continues to evolve with the incorporation of technology, collaboration and employee mobility. Current methods for calculating building utilization by staff “assigned” to seats has become out-of-date.



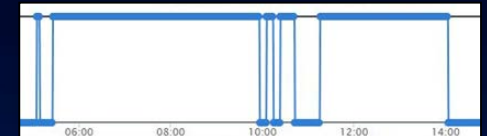
## Badge

- » Provides basic data when staff is entering and leaving a building



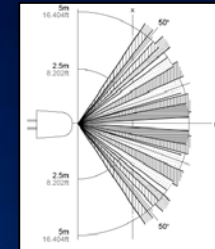
## Motion Seat Sensors

- » Provides vibration monitoring to an object such as a desk chair.



## Infrared Sensors

- » Infrared sensor to accurately detect movements made within a 16 ft. range.



## Mobility Tracking

- » Track a person’s motion using their mobile device or RFID badge on a wireless network.



*With accurate data on actual space utilization, Companies can make better informed real estate decisions and fully utilize their workplaces.*