Eat’n Oysters

This week I had the good fortune of exchanging ideas about the future of office with another disruptive force in our industry.

And he shared a joke too spot-on not to retell. It is the story of the person in NYC who stumbled upon a stand selling oysters for $.01/can. Sensing an arbitrage opportunity, they proceeded to buy all of them, moving a few blocks away to sell them at $.05/can. Another person again sniffed an opportunity and did the same thing, selling them for $.25/can. Eventually they were selling for $1.00/oyster. A prospective buyer came up and asked to taste them, only to discover that they tasted terrible. When they asked the most recent opportunist about the pretty disgusting taste, the immediate reply was, “Oh, these aren’t eat’n oysters; these are sell’n oysters.” I would venture to say that 2020 and 2021 mark the first time in decades that someone “tasted” office, and it will have to start “eat’n” a lot better before it starts “sell’n” well again.

What are we waiting for? The sooner operations, inclusive of better, synched up proptech, various business-matching space and timing options, and a dynamic team, gets up and running, the sooner owners will be able to wrap their arms around how to study and underwrite tomorrow’s inevitable buying opportunities. Understandably so, owners with choices, are focused for the moment on much safer industrial and multifamily plays. Starting to think about a better, more efficient and profitable office sector only after pricing supports it feels like choosing to increase the incline of the hill you already know you have to climb up. In some cases, I have even seen some current office owners start to make operational changes, which initially feels encouraging, until you realize it is often a face-saving exercise merely to appease restless partners and stakeholders. A year ago, I would have admitted it was “bold” to think about making changes to new companies and approaches like

Workng given uncertainty we were all faced with. But as our motto says, “tomorrow came early,” and thus waiting at this point presents a greater risk than responding now to the moment in front of all of us.

Too busy? Fold operations under one roof: “Flexible” is the buzz word thrown around most frequently, but the two words that are next level descriptors of that are “seamless” and “frictionless.” Proptech needs to continue to simplify building operations and decision making in order to create and buy back the time necessary to nail the cradle to grave experience. This new world also likely means that for many office owners, they will need to find a single operator to run the entire asset, if not their entire portfolio. If flexible offerings are in fact the new cornerstone of the office business model, why would you outsource the data, pricing, and operations of something so critical to the success of the rest of the asset? Why wouldn’t this team be folded carefully into the rest of the operations team and share a common set of financial goals and targets? And further, why wouldn’t this new operator help an owner with a national footprint leverage that scale and those added efficiencies under one branded roof to create the ultimate and most cohesive value proposition? Owner/ Operator groups like Tishman Speyer and Bridge offer us early case studies of the potential road map with their home-grown Studio and Abridge respectively.

Rethinking incentives: The time-tested, risk mitigating style of asset and property management is now getting in the way of the necessary speed of change required to rethink and get office back on its feet. There will always be a wide range of risks associated with complex office assets, but in addition to the continued need for technical experts to mitigate those risk factors, we desperately need forward leaning, solution centric leadership and teams aligned to build and maintain strategies and environments that propel office forward. We must better align incentives for the kind of talent required in this new, improved and essential operational world. In this new world, frontline operational teams will write the script and create the plans from which transactional teams read and sell from, rather than operational teams living with and merely hoping to survive the deals transactional teams cut.

In the ideal world, the best “eat’n” things are also the best “sell’n”. I will know the world has returned to normal when Costco once again gives free samples on Saturday mornings. They figured it out; we are more likely to buy what we can confirm is exactly what is advertised. I continue to be energized and challenged to keep up this ambitious quest to help the office world reclaim its good “eat’n” glory days by doing it the right way and demonstrating to occupiers that they are not just a means to an owner’s end but in fact the entire reason the asset class exists.

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