
Starting off on the Wrong Foot... Almost Every Time

At times during the many years I spent running around participating in office leasing tours, I thought that I should

have gone into the bakery business. That first tour with a prospect is the fun one, the one with the special logo cookies, the special goodies, and anything you can think of to separate yourself from the giant pack you're competing against. You know their favorite color, scent, and sports team. If all goes well, you move to LOI and then to lease negotiation, in route to a tenant. And it is the moments between that first cookie munching moment and them moving into your asset where this process currently comes off the tracks. Between leasing teams racing towards the commission check and lenders racing to protect their risk in the lease, the relationship between occupier and management team more often than not starts off in a really tough spot. When I think "hospitality" and next level asset management, I become keenly interested in addressing and fixing that window of time. Instead of building a relationship, we are today building a contract that we think will survive tough times and thrive in a sale. Here are some thoughts on the description of these challenges and prescription for something better.

Failure to Launch: Because the industry has been stubbornly slow to react and respond to true needs, the process to negotiate the terms and lease document is a contentious dance. Even today, the primary drive is towards long term leases, softened only by shiny objects in terms of amenities, outsourced short term solutions and better lobby chairs. There are lots of lawyers, months of haggling over worst case scenarios (I lived through hurricanes with tenants... believe me, I get it), months of refereeing the build out



processes that are highly susceptible to being over budget and off schedule. By the time the management team, the hope and launch point for this idea of hospitality, sees the occupier on their first day in the office they are often starting from a losing position and with a cynical customer. If you want to fix a big chunk of today's hospitality woes, start by addressing the process by which you get them into the space.



Hospitality Centric from Day 0: One of the big reasons I think operators must start folding flex operations into their management is to address the above. Get teams of all sizes into your asset and experiencing this “hospitality” in the most natural way possible... as soon as possible. Outsourcing this piece and losing control of that huge touch point still makes no sense to me. “Oh you have 3 floor requirement in 6 months but a 6 month project now that your current asset can't/won't handle? No problem, we would love to solve that immediate challenge for you and get to know each other. I am confident our team will exceed your expectations and earn the right to help solve all of your workspace challenges.” But that requires a lot of conviction and prior planning to set that table and make the moves necessary in your assets and portfolio to have the “flexibility” to preemptively solve for that.



Retention - from worrisome risk to competitive advantage: Part of the challenge for owners in traditional Office is that there is always a single looming expiration hanging out there... one decision away from a doomed asset. By launching from that first tour into smoother, more authentic and friction-free interactions, owners immediately layer into occupier's world numerous solutions and expiration dates that have the magical and potent powers of making them both happier and much stickier. But leasing, lending and other stakeholders (yes, REIT and others...) will have to rethink rules that are starting to hurt the industry's ability to meet the market and move beyond the current approach and actually be participants in this notion of hospitality.



I recently read an older autobiography on tennis icon Andre Agassi. He's incredibly raw and transparent, especially around his relationships. One of his harder relationships to read about was the one he had briefly with Brooke Shields. With the benefit of hindsight, it is easy to recognize how doomed it was almost from the beginning, and they used marriage as an attempt to fix their incompatibility. They both felt pressure but their relationship didn't have any of the necessary ingredients to endure and survive what marriage brought. After a really tough divorce, he met and eventually married an arguably bigger tennis star, Steffi Graf and they have thrived. But I would argue it was because of the sincere and authentic way in which they entered into the relationship to begin with. Office, if we want to have more successful "marriages" to occupiers and better success with "hospitality", it's time to date better and stop some of the fights we insist on starting before the lease ever starts.



Sincerely,
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