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By Sandy McNair

## Battling Inertia

Low to no leasing velocity; soft, flat or declining demand; poorly timed completion of new supply; limited to no visibility of the future ...

**T**o outperform, every team must win the battle with inertia.

Those decision trees we learned about in high school included an option called “Do Nothing.” While perhaps appealing in today’s environment, there are other and most often much better options.

Focus your time and your team on initiatives that generate tenant referral, recommendation and retention. Let’s call them the Three Rs.

### The Appeal and Perils of Doing Nothing

Doing nothing beyond riding the wave is a strategy that has rewarded some owners, managers, lenders and advisers over the past decade as cap rates have compressed with stable or growing rent rolls. However, the market has pivoted and is now rewarding those with a more proactive approach to tenant engagement, service, asset and image differentiation and upgrades, repositioning and repurposing to battle complacency and obsolescence.

During a market peak it is easy to be lulled into complacency and actively listen to your tenants less often or with less interest and passion for action. If you haven’t already, now is the time to step up your listening, communication and actions plans. It is clear that the Three Rs - tenant retention, referral and recommendation - of your buildings and your management services are the key to superior performance.

Do you have formal processes to identify and communicate your strengths, positioning and image as well as recognize and address your weaknesses, as perceived by your tenants? What combination of improvements, if any, to your communication channels, your service offerings and your capital plans will have optimum impact on tenant retention while achieving superior rental rates? To do this well, requires much more than a periodic lunch or a review of the dispatch log as a lease expiry approaches.

In 2016 and for the next several years the key to success will be retaining and stealing tenants. It would

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be unwise and risky to wait for incremental demand to fill or keep your building(s) full. The winners will be those teams and firms that are proactively listening to their tenants and are able to identify, communicate and implement the optimum bundle of services, physical experience and differentiated image to retain their current tenants and recruit new ones at desirable relative rents.

## A Decade of Progress

Ten years ago, one-third of all office building occupants in Vancouver, Edmonton, Montreal and across Canada did not report their building and property management related concerns or problems to anyone. Today that figure has been cut in half. Awareness, use, satisfaction and referral of centralized customer service and dispatch functions have climbed across the industry. However, the gains are not evenly shared across the industry - the design and implementation of these programs varies widely from one manager to another with the result that some managers have experienced huge gains compared to others and the industry benchmarks.

Communication channels is the first of a family of performance metrics that address tenant retention. The full family includes a series of forward-looking performance measurement and industry benchmarks focused on each of:

- Communication Channels,
- Issue Resolution Rates,
- Environmental Responsibility,
- Overall Satisfaction,
- Momentum,
- Refer and Recommend this Building, and
- Refer and Recommend this Manager - that is, interest in moving to another building managed by the same management company.

The result is that building owners and building managers now have the ability to measure the intention of tenants to stay and their willingness to pay a market premium to do so. Also identified are the key property-specific actions needed to increase the tenants' intention to stay and willingness to pay a market premium.

## Performance Measurement and Industry Benchmarks

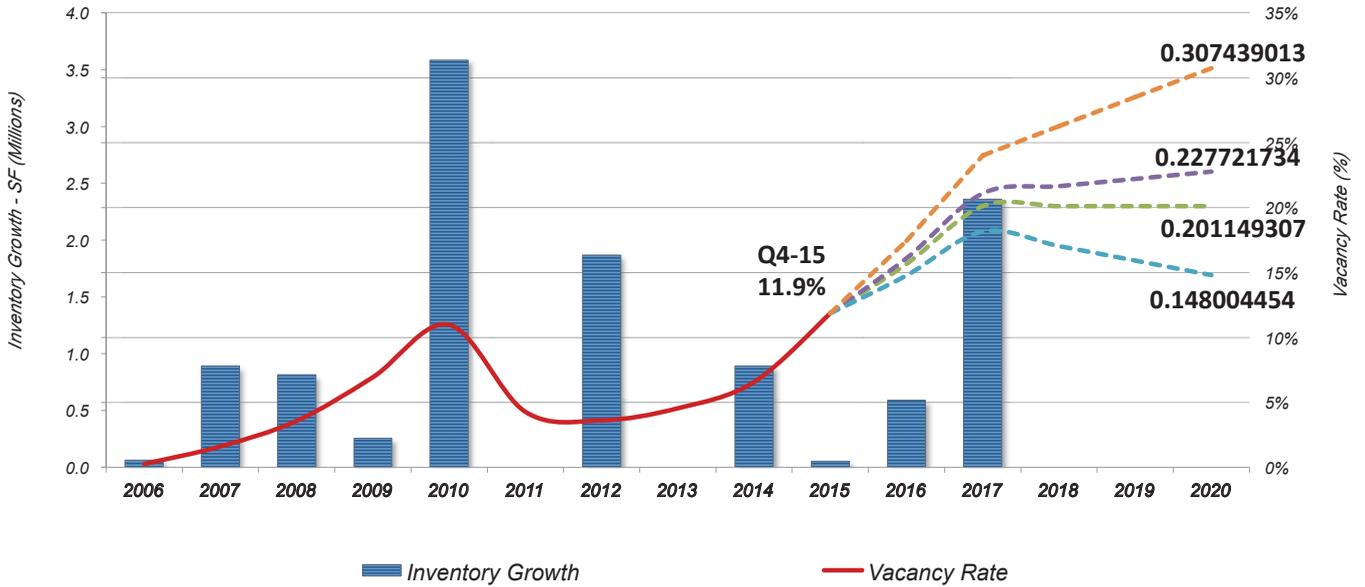
The industry benchmarks vary from city to city and from year to year based upon market dynamics - the office market in Vancouver is very different from Calgary's or Montreal's in terms of tenant mix, service requirements, manager capabilities, leasing conditions and so on, resulting in very different expectations and levels of perceived performance.

It is very rare that the firm or team has the people and money to do everything they can think of, let alone at a very high level of performance. So the key has been and will continue to be focus. Focusing your communication initiatives, service refinements and capital budgets on the two or three key items and programs where they will have optimum impact on your tenants' intention to stay and pay a market premium to do so, is essential to success.

As you enter 2016 and the 2017 planning cycles for your properties and portfolios, choose your tenant retention initiatives well. For some, that may mean boosting your performance measurement and benchmarking capabilities.

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Multiple alternative future demand scenarios generate divergent outcomes for Calgary's office market participants



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By Lloyd Suchet,  
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## A Bridge in the Sky

It may come as a surprise to most of us who shuttle between downtown office buildings in the dead of winter, but Calgary's Plus 15 network is a contentious topic in some corners of City Hall.

First, a brief history lesson. The first Plus 15 bridge was built in 1970, and connected Calgary Place to what is now the Westin. Originally envisioned as open-deck bridges, the realities of Calgary winters convinced planners that the system needed to be enclosed. In fact, to this date there are strict temperature control requirements for the bridges. Since 1970, the network grew quickly, counting 38 bridges spanning eight kilometres in 1984. Today that number has grown to more than 62 bridges and over 18 kilometres.

So what's all the fuss about, then? The Plus 15s offence to some is that it apparently hurts the vibrancy of the streets below it. Although a somewhat ill-defined word, vibrant spaces require people to want to be there. Thousands of Calgarians every day vote with their feet, crowding the Plus 15s at peak times. Tenants want to be in buildings attached to the network, and new developments want connections added. The truth is that Plus 15's have turned into a key part of downtown Calgary's transportation network. Not only do they connect people to transit, restaurants, shops, various professional services and

exercise facilities - the activities that generally contribute to a vibrant downtown - but they do so by promoting the very walkability that urban renewal advocates are constantly striving for.

But what about street-level vibrancy? Certainly there are many downtown streets that would not be considered vibrant, but it would be hard to fault Plus 15s for these lapses. Street vitality varies depending on the uses around it, but tends to be dependent on people living nearby. For the bulk of the downtown core there is simply not the residential population to sustain the type of vibrant street we see elsewhere. The downtown core simply can't be compared to Kensington, Mission/4th Street SW, Inglewood/9th Avenue SE, and other neighbourhoods and streets that we consider vibrant. The one notable exception is the Stephen Avenue Walk, which is downtown's most vibrant street and remains a destination where people want to be despite being flanked and crossed by Plus 15s.

So we have developed a Plus 15 network that has created its own sense of vibrancy, albeit fifteen feet up, without hurting the vibrancy of those streets and communities that can sustain it. It goes to show that we can build a better Calgary if we recognize that vibrant streets and a robust Plus 15 network are not mutually exclusive.

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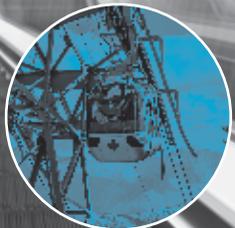
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By David Parker

## Beyond Borders

“Gentlemen, we have run out of money, now we have to think,” is a quote attributed to Churchill that many Calgary companies have taken to heart. And many successful results have amounted from looking for business outside of the city boundaries.

Calgary-based companies such as Edo Japan, Good Earth, OPA! of Greece and FYidoctors are spreading out across the nation. Evans Consoles has manufacturing facilities in the U.S., the Netherlands and China and DIRTT has four manufacturing plants in the U.S. providing customized solutions to almost 200 of the Fortune 500 companies and a stable of clients from Alaska to the Middle East.

Housing starts are down but Jay Westman has teamed up with Marc Staniloff of Superior Lodging to found MasterBUILT Hotels that has plans to build 75 Microtel properties by 2036.

And several Calgary architectural firms are keeping staff busy with projects way beyond our city borders.

Abugov Kaspar is busy in town with projects like the redesign of Mount Royal Village but it has been working for some time on two huge projects in the U.S.

American Dream is a development under construction next to the stadium at Meadowlands, New Jersey that will include a 600,000-square-foot retail centre on three levels over the highway, a 320,000-square-foot amusement park, a 240,000-square-foot water park, and an 850-room hotel.

It's a US\$900-million project designed by a Calgary architectural firm, built by Canadian contractor PCL, and with many Canadian consultants on the team.

And in Miami, Florida, Abugov Kaspar is working on the initial concepts for Americana World, an even bigger mixed-use development on a 191-acre parcel.

The Calgary office of NORR has already completed a 25-acre development in China and is now busy designing a yacht club and marina in the city of Qingdao.

Dialog has set its sights on a new brand that reads Own DIALOG - Be Global, raising its design bar to compete globally. The Calgary office works collaboratively with its others in Vancouver, Edmonton and Toronto that each have their own stable of clients while currently working on a Defence Construction Canada project in

*We have some great architects and interior designers here; and fine students in the University of Calgary's faculty of environmental design...*

Ontario; a master plan for a new base with 36 buildings on 640 acres. And its Calgary partner Jim Goodwin is working with Ottawa-based GRC Architecture on the West Memorial Building in Ottawa.

Calgary is repurposing a former Sears Roebuck one-million-square-foot warehouse in Memphis, designing a large condominium tower project in San Diego, and assisting the Vancouver team in the master plan for 16 office towers in downtown Los Angeles.

Principal Adrian Lao is leading the charge for an \$80-million Dartmouth General Hospital in Halifax and principals Rob Adamson and Jim Goodwin in Dialog's Calgary office are also responsible for a new RCMP Division building in that same city.

Bill Chomik, senior principal of Kasian Architecture, says that today 60 per cent of the Calgary office's revenue is from projects outside of the city. And the firm is currently hiring new staff.

Of its 60 employees there are 20 working primarily on two large Saskatchewan jobs; a hospital in North Battleford and a 500,000-square-foot Saskatoon Transit Facility - a P3 with Graham Construction.

Another 20 are immersed in the design of four major projects in Qatar. A seven-building residential complex, 35-storey office tower, and a master plan for a portion of Lusail City. Plus an animal quarantine centre with three buildings totalling in excess of 100,000 square feet in Doha.

We have some great architects and interior designers here; and fine students in the University of Calgary's faculty of environmental design who we hope to be able to keep employed here.