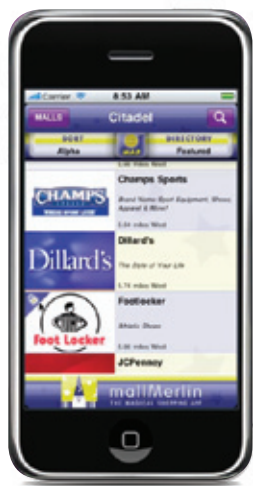




**Clockwise from top:**  
**Jonathan Larsen**, Transwestern  
**Mike Manning**, LoopNet  
**Marsha Bass**, MayfieldGentry  
**Melissa Teague**, Merritt Properties  
**Chris Yeakey**, Duke Realty  
**Charlie Podell**, Duke Realty

# THE NEW Marketing Mandate



■ By Ellen Rand

Point an iPhone at a building and see that building's leasing information (and send a message to its leasing representative while you're at it). Welcome a potential University tenant with a phalanx of "cheerleaders" and balloons in the university's colors, as its team tours the building. Refurbish lobbies, upgrade the HVAC systems, create walking trails, picnic areas and wi-fi spots on an office or industrial campus. Pay brokers' commissions within 48 hours of a deal closing.

Whether they're thinking extra-creatively or focusing on the basics, commercial property owners have been using these and a variety of other strategies and tactics to sign new tenants and renew existing tenants.

Without question, the industry continues to confront a challenging marketing environment, but leasing activity has picked up in a number of major markets. **Jonathan Larsen**,

executive managing director, tenant advisory services for Transwestern's western division, said that "the revelation is that in some markets you can see recovery, but we won't be completely recovered by 2012." As a result, he said, owners with credit tenants are looking to restructure those leases two to four years earlier than they expire, with longer terms, so they'll retain those tenants.

Larsen observed that owners are willing to provide moving allowances, lease takeovers and enough free rent so that new tenants won't be paying double rents. "Now they're looking at more creative concessions, such as free parking and non-disturbance agreements," he added.

In Larsen's view, the most effective tactic is to cut a tenant's occupancy costs. "If you cut occupancy

costs 10 to 20 percent in the short term and reduce space, renewing two to four years early, you're increasing value over time," he said. Several recent leases, with two years remaining, involved 20 percent space reductions in exchange for a five to 10-year extension, extra TIs or free rent. Moreover, improvements in energy efficiency give an owner a competitive advantage, he added.

While brokerage commissions may be up an extra percentage or two, he said, what the market has not experienced are such incentives as new cars or trips on top of commissions, an observation echoed by other industry pros. There has been an increase in open houses for brokers, though, to two a year instead of one, he noted, with lunch, tickets to Lakers games and Nordstrom's gift certificates.

## Make it Hard to Leave

**Charlie Podell**, senior vice president, Indiana operations, for Duke Realty, noted that his group, with 22 million square feet of industrial and 3.5 million square feet of



Duke Realty conducts annual tenant satisfaction surveys and publishes a regular newsletter with the latest information on property upgrades and local events as part of their marketing strategy.

office space, is the largest operating business unit in the company. With an office occupancy level of 93 percent (versus sub-80 percent in the market) and 92.5 percent industrial occupancy (versus high 80s in the market), 28 to 35 percent of the unit's new business is generated from its existing base, according to Podell. "We try to service them so well that it's hard for them to leave," he said. "We offer national space for growing companies." **Chris Yeakey**, vice president, asset management, said the unit enjoys 80 percent renewal rates.

In the past, tenants have grown from four-figure square footages to six-figure square footages over the years.

Podell explained that as buildings have gotten older, the company addresses maintenance issues, including painting, infrastructure improvements, Internet capabilities, installing jogging and walking paths, as well as a few picnic areas in the parks. Tenants like such amenities as concierge service, delis, conference rooms and fitness facilities, Podell and Yeakey noted.

The company publishes newsletters for tenants regularly regarding the latest deals, property upgrades and what's happening in the city. Yeakey said, "we do a tremendous amount of communication, especially about operating expenses." The company also gives gifts of appreciation to tenants on their leasing anniversary, a gesture

This market requires basic "blocking and tackling" in garnering leasing transactions, but sometimes, a little pizzazz is required, too.



Retailers like Best Buy and Macy's support Simon Property Group's location-based mobile application Shopkick, which detects shoppers entering the store and instantly rewards them with "kickbucks."

tenants appreciate, he said. It also appeals aggressively for tenants on real estate taxes, sponsors ice cream socials and conducts annual tenant satisfaction surveys, following up on any areas of concern or difficulty.

Duke deals through the brokerage community, because "they are such a big part of the business," Podell said, adding that "we pay as quickly as possible. They get a check within 48 hours of closing a deal. That differentiates us."

The company has also remained flexible in the current market, trying to act as entrepreneurial as possible, Podell said. "We understand that 50,000 square feet will

grow back to 100-150,000 square feet," he said. Generally, Podell said that the company is seeing shorter lease terms, at seven to 12 percent rate discounts off of what it had been used to. On the other hand, he said, this region had not experienced the dramatic increases and drops of other markets.

## Cheerleading for a Prospective Tenant

According to **Marsha Bass**, chief operating officer of Detroit-based MayfieldGentry Realty Advisors, this market requires basic "blocking and tackling" in garnering leasing transactions; that entails a thorough understanding of tenants' needs. But sometimes, a little

pizzazz is required, too. When Wake Forest University wanted to move its graduate business school to downtown Charlotte, Mayfield-Gentry hired a team of uniformed "cheerleaders" to greet a 15-person Wake Forest team touring a building. The "cheerleaders" did the Wake Forest cheer when they entered.

Bass said, "We also staged the lobby with students working on laptops," so that the University would have a sense of how the building would function with the business school present. Across the street, a restaurant was festooned with balloons in Wake Forest colors and its staff came out to cheer as well. "It was quite a spectacle," Bass

said. The formal presentation was done in 3D. Wake Forest has not yet made a decision, “but they recognized that we put a lot of effort in the presentation,” she said.

In Raleigh, the company landed one of the largest leasing transactions in that area in 18 months, at Crossroads, she said. Here, Wake County went from its existing 75,000-square-foot lease to a total of 175,000 square feet in an expansion/lease extension into “a building and a half,” she said. At the same time, the company had to relocate 11 tenants from 70,000 square feet to accommodate Wake County and did that while extending their leases as well. Bass explained, “We looked at each as a new transaction.”

Also in Charlotte, the firm has held an open house for brokers where it gave away several iPads, which were preloaded with floor plans of the company’s properties, making it easier to show the space and expedite the leasing process. It also targeted the U.S. Airways magazine (Charlotte is a U.S. Airways hub) to reach prospective relocations. As a result of all its marketing efforts, the company’s Charlotte portfolio is now 94 percent occupied, she said.

Owners with credit tenants are looking to restructure those leases two to four years earlier than they expire, with longer terms, to retain those tenants.



Above: An open house with iPad giveaways is just one of the marketing tools MayfieldGentry uses to attract brokers to their properties.

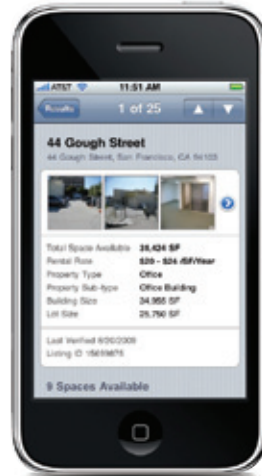
Above right: In working with the IRS on their lease of 81,000 square feet at One Detroit Center, MayfieldGentry submitted a seismic study and upgraded energy systems and elevators.

In Detroit, the firm leased 81,000 square feet to the IRS, a new tenant at One Detroit Center, a million-square-foot, Class A building downtown. Working with the GSA on behalf of the IRS, MayfieldGentry did considerable research and investment to meet the government’s requirements, including submitting a seismic study, meeting core and shell requirements and upgrading energy systems and elevators. “We viewed it as a long-term partnership,” she said, adding that “the investment would only enhance the quality of the building.” The lease is for five years, with three one-year extensions.

Bass pointed out that “our landlords are usually pension funds, and we’ve got a dollar number we’ll hit to meet the return they require. As long as we can make our monthly cash commitment to our clients, we’ll make the deal. We’ve exceeded those requirements each and every year” since the company’s founding in 2003.

## Getting Social and Mobile

Marketing has joined the realm of mobile communications and social networking because, as **Allen C. Buchanan**, principal of Lee & Associates in Orange County, California, observed, “The way people search for information is so dramatically different than it was five years ago.” In short, the information search begins online. Buchanan was an early adopter of the new



LoopNet launched its free iPhone app in January 2010 and offers a mobile Web service available for BlackBerries, Androids and other smartphones.



The Rofo application provides instant property leasing information, a link to the building's Web site and e-mail access to the building's representative.

tech and online tools, maintaining a frequently-updated blog as well as a presence on Facebook, Twitter and LinkedIn. He noted that social media “definitely made me more visible in the community. It’s a must-have presence.” Buchanan commented that it has made it easier for him to find prospective tenants, particularly for the smaller space sizes.

LoopNet launched its free iPhone app in January 2010 (followed in July by an iPad app, also free) and offers a mobile Web service available for BlackBerries, Androids and other smartphones. According to **Mike Manning**, LoopNet’s vice president of marketing, people have been using the apps “aggressively,” and that for a while, the iPhone app was in the “What’s Hot” Top 10 in the iTunes store. He reported that the iPad app prompted a substantial uptick in downloads. The research database enables the user to pull up information on 7.5 million properties,

including tenant rosters, ownership or tax records. There are versions for LoopNet’s free listings and premium listings.

Manning believes that mobile Internet use will outstrip desktop Internet use by 2014. If that is the case, then augmented reality is likely to be a contributor to that trend.

Augmented reality is a term for a live direct or indirect view of a physical real-world environment whose elements are augmented by virtual computer-generated imagery. It has come to the commercial real estate world via Rofo (short for Right of First Offer) in a venture with Junaio. Junaio’s parent company Metaio has been in the augmented reality business for 10 years and has worked with the auto industry, publishing and in retailing.

Rofo was founded in 2008 by two former commercial real estate brokers. The brokers found that 80

percent of commercial real estate transactions were for under 3,500 square feet and no reliable online inventory existed for tenants to find space. Rofo is an open real estate marketplace where users can search listings and solicit proposals for their specific needs as well as send secure messages. Listings on Rofo automatically include local amenity information from Yelp and detailed maps. Using its augmented reality mobile app Rofo Real Estate Pro for the iPhone and Android smartphones enables owners to “bring buildings to life and offer the kind of specifics to prospective tenants that cannot be included in a building’s signage. The value to the property owner is that it pre-qualifies the inquiries you’re going to get,” said co-founder and CEO **Alan Bernier**.

Available since July 2010 for LinkedIn members, the application enables prospective tenants to point their iPhone at a building to instantly access relevant property

leasing information, link to the building's Web site or e-mail the building's representative directly.

There is a subscription base model for anyone with a listing. The basic level is \$19 per month; the premium service is \$79 per month, with enhanced distribution and more visibility on the site.

While retail mall owners have been quicker on the draw in terms of using social networking and mobile phone applications to attract business and communicate with their customer base, a few office and industrial owners have begun to get on board. One such owner is Baltimore-based Merritt Properties, with a portfolio of 16 million square feet. **Melissa Teague**, Merritt's marketing team leader, said that its iPhone app is aimed at brokers and potential tenants, with property search, maps and directions, so we can "touch people while they're on the road." The company also added a texting feature on leasing signage, so it can send information to mobile phones.

The company uses its Twitter, Facebook and LinkedIn presence as a way to reach existing customers, providing resources and informa-

tion on such topics as how to apply for venture capital and human resources tips. She also pointed out that the Maryland Chamber of Commerce re-Tweets Merritt's mes-

sages, which reinforces Merritt's brand. Last winter, social networking offered the very useful purpose of enabling the company to communicate, with real-time updates, with tenants during a blizzard, regarding their buildings' safety.

"It's fun to be able to reach customers this way," Teague said. "It's a new area of conversation with customers and prospective customers." ■

**Ellen Rand** is contributing editor of *Development*.

## The Digital Shopping Experience

Mall owners are increasing their presence on social networking sites to drive sales to their properties and retail tenants. Some of these applications include:

**Virtual Property Network (VPN)**, an app created by shopping center REIT Weingarten Realty to target leasing brokers and potential investors. VPN uses Facebook, Twitter and LinkedIn to offer a continuous feed of current Weingarten news, real-time vacancy listings and leasing updates.

**Shopkick**, used by Simon Property Group in 25 of its centers, to give retailers and mall owners the ability to know when a customer carrying a smartphone with the app enters the store. Users of the app receive "kickbucks" — points in the customer's account that can be redeemed for rewards. Sensors for the app are inside stores and malls so it's more accurate at identifying a customer's location.

**Mall Merlin**, an app used by CBL & Associates Properties, Inc. that provides its shoppers access to special promotions, high-definition video and mall navigation tools based on their location within a CBL center.

**ShopStar**, a social networking site under development by Developers Diversified Realty, for 25 of their projects. Tenants will be able to use ShopStar to advertise special events, prizes and giveaways to customers. Customers receive access to information about local properties and can offer feedback on how their shopping experience can be improved. ■

FOR MORE INFORMATION  
[www.alexanderbabbage.com](http://www.alexanderbabbage.com)

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