

The office repositioning: A key tool to bringing workers back to downtown and the suburbs

By Dan Rafter, Editor



NELSON Worldwide designed an airier, more inviting lobby space at Minneapolis' AT&T Tower

Minneapolis-based architecture firm NELSON Worldwide has handled more than a dozen office repositioning jobs in the last two years in the Twin Cities. The firm has designed plans that call for everything from adding worker-friendly amenities to skyscrapers to improving the walkabil-

ity and outdoor meeting areas of sprawling office parks.

This repositioning work is important: Employers continue to struggle to bring their workers back to the office. Tools such as high-tech conference rooms, collaborative spaces, rooftop decks, private suites,

on-site fitness centers and cafes serving healthy meals can help convince hesitant employees to take on their morning commutes again, at least on a part-time basis.

And NELSON Worldwide's work updating office spaces hasn't been limited to downtown Minneapolis

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Preserving the iconic: Restoration work wrapping on Rochester's glowing beauty of a hotel sign

By Dan Rafter, Editor

Iconic. That's how Matt Williams, vice president of finance with Red Pine Capital Management, describes the historic neon sign that has so long lit up the nighttime sky from atop the Kahler Grand Hotel in Rochester, Minnesota.

And why not? The sign stands 11 stories above the ground and spells out the name "Kahler Hotel" in towering neon letters. It's long been a beacon shining in downtown Rochester.

Unfortunately, the sign, built and installed around 1971, had reached the end of its life, sometimes failing to light at all. Age had taken its toll.

But that is changing soon. The historic Kahler sign is now being restored and relit, a major restoration project that will return the sign to its original glory.

And while this project comes with a big price tag, Williams says that there really was no other choice but to bring the iconic sign back to life.

"The sign has been a part of the skyline for over 50 years," Williams said. "The Grand Hotel is one of the largest buildings in Rochester. I've spoken to multiple citizens around Rochester. They all speak fondly of it. They remember the glow of that sign from when they were kids. Now they are full-grown adults and they were sad to see the state it had fallen into these past few years."

The sign's metal mesh was rusted beyond repair and the electrical components were so degraded that

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or St. Paul. The architecture firm is also repositioning outdated office buildings in the suburbs. Recent projects include the Crest Ridge office building in Minnetonka, Minnesota, which NELSON Worldwide helped convert from a single- to a multi-tenant building, and Golden Hills, an office development in Golden Valley, Minnesota, that was transformed from a Class-B property to Class-A.

John "Ozzie" Nelson Jr., chief executive officer of NELSON Worldwide, said that both recent suburban projects focused on reducing office footprints in favor of adding a large amount of shared office space.

That makes sense: Tenants today want communal areas in which to host client meetings, grab lunch with colleagues, brainstorm new ideas or work outside of a traditional cubicle or office.

Nelson said that companies eager to get their employees back in the office need to offer these workers a reason to leave their home offices, at least two to three days a week. The owners of office buildings can help by embracing creative redesigns of the properties that they own.

"There are a lot of peripheral factors at work here," Nelson said. "The CEO might believe that everyone should be back at work. Cities might be putting pressure on CEOs to get people back because of the economic impact having office workers back downtown can have. I get all that. But it's important for people to understand that the ability to work hybrid and virtual has been a reality for 10 years. We just needed a crisis to embrace it. There is no



John Ozzie Nelson

putting the genie back in the bottle. Now it's about what do we do to move forward with the new office environment?"

One way to move forward? Building owners need to offer amenities that make it worthwhile for employees to return to the office. That means adding those communal workspaces, outdoor spaces and wellness-focused perks like restaurants that serve salads, wraps and other healthy meals and fitness centers that might offer personalized classes or on-site yoga sessions.

It might also mean putting in the work to turn a Class-B office building into a Class-A facility, Nelson said. That might be expensive, but it could pay off in the long term.

"No two office buildings are the same," Nelson said. "You need to look at your particular asset. It is an 'A,' 'B' or 'C' building? Is it in the city or suburbs? Then you need to look at your own situation in terms of vacancies. What do you think your vacancy rate will be in three years?"

As Nelson says, the owners of Class-A office buildings that are 100% filled might not worry about adding new amenities. The owners of Class-B buildings might take the steps to boost their property to a Class-A structure if their vacancies are increasing.

Those who own Class-B buildings in a market saturated with Class-A office spaces might not want to invest to upgrade their properties to the next level, Nelson said. They might do better trying to attract those tenants who want to locate in their community but would rather spend for Class-B rent than pay more for Class-A space.

An example of the work that NELSON Worldwide has done in Minneapolis can be found at the AT&T Tower, the 464-foot-tall skyscraper at the corner of Marquette Avenue and 9th Street South.

Nelson describes the revamped entryway of this space as a type of welcome center: There is retail there, something that is enticing for workers. NELSON Worldwide designed collaborative workspaces, too, and lightened the color scheme. The interiors of the tower, which was built in 1991, are now friendlier and more welcoming.

"AT&T Tower was this classic, imposing tower," Nelson said. "You can have the best office space in the world, but if people are walking into a building that feels like a 1990s office space, they are going to be turned off."

NELSON Worldwide also planned the repurposing of Two22, a 41-floor office tower in downtown

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NELSON Worldwide designed new interior spaces at Minneapolis' Two22 office building to help it compete with neighboring properties



Two22 in downtown Minneapolis has benefited from its own repurposing

Minneapolis. The redesign of the space features an abundance of natural light and a two-story tenant lounge that includes a training room that can hold more than 90 people. The redesign also boasts a rooftop deck, grand central staircase and high-tech conference center.

It's why office owners and developers are embracing a hospitality feel for their office spaces. They want to create a buzz and excitement in the common areas of their buildings, offering some of the same amenities that you might find in a high-end hotel.

"That is the biggest thing that we are trying to create, vitality and the feel of traffic," Nelson said.

Offering services is essential, too, Nelson said. Tenants that are located in office buildings that can offer concierge services, dry cleaning or any of the activities that people would normally do while at home will gain an edge when trying to persuade workers to come back to the office.

Those that offer fitness centers will gain an advantage, too. Workers will be more likely to come into the office if they know they can get in a workout before heading home.

Outdoor spaces matter, too, Nelson said. Workers want the chance to visit walking paths surrounding their offices, take phone calls from rooftop decks or type into their computers while breathing in fresh air. And in cities in which the temperatures can dip severely? Glassed-in spaces that give the illusion of being outdoors are key amenities, too.

"It's about how you can make the office experience purposeful," Nelson said. "At one time, people sat at their desks for eight hours a day. That has changed. People now have different expectations. By offering different experiences in the office, owners can better attract tenants, who will then have more tools that they can use to bring their workers back to the office."

As Nelson says, the flight to quality in the office sector is very real. He estimates that 75% of the office moves today are companies downsizing to smaller but higher-quality space that gives their employees a reason to come into the office.

When deciding what to add to an office building, owners need to look at the amenities and features that their spaces lack and analyze whether their absence is boosting vacancies.

"Owners have to look in the mirror," Nelson said. "What is the inventory of office space in your mar-

ket? What can you do to accentuate the advantages that you have? What can you do to give your building new advantages? Maybe you have a class-B building that is competing with other B buildings but doesn't have a conference center. Maybe the lobby is off-putting when you come in. What are the tenant types in the neighborhood? Are you trying to get law firms or other occupiers? It's about comparing your property to the inventory in your market and looking at the occupants you are trying to get."

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penditure for its size and value due to a creeping pricing structure by that asset's accounting firm. That expense was quickly renegotiated.

- Investors can use data to track the capital structure, debt draws, capital calls, and distributions, and determine how that impacts the portfolio's financial outlook. This data can speak to a large fund and include performance indicators of the properties.

How data can be used for a better roadmap and better decisions

Data gives the front office the ability to focus on what is important and lay out forecasting models for how their fund is going to adjust, what types of assets they need to acquire, what assets they need to sell, how they need to look at their capital structure, and whether it is worth restructuring.

Additionally, data offers insight into whether it is worth taking on more debt, acquiring more assets, or decreasing or increasing full-time employees. Data offers insight into what the future looks like, and that can help the front office make better-informed decisions.

Using blockchain, AI and ML for smart contracts to improve liquidity

Blockchain is a technology that enables the secure sharing of information. It helps investors stay organized and streamlined by protecting contracts, records, and legal documents. Blockchain is revolutionizing real estate by making it easier for limited partnership members to buy, sell, and manage their assets.

Smart contracts are helping fuel this trend, as they automate processes, streamline transactions, and improve security, efficiency, and transparency. Smart contracts also expand the pool of prospective buyers and sellers, further boosting liquidity. Utilizing smart contracts saves time and money and is helpful with funding gaps and redemption requests.

William Lively is CEO of EXtrance Inc., a commercial real estate investment platform with AI integration, machine learning and blockchain technology. EXtrance was independently acknowledged as the preeminent AI-powered real estate solution of 2023 by Acquisitions International and featured prominently among the top ten overall real estate solutions by Proptech Outlook.