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Companies cashing in on underutilized space

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We have a U.S. talent shortage now that will get worse over time. Korn Ferry, an international global consulting organization, issued a report this past spring that predicts if left unchecked, the U.S. talent shortage will be over 8.5 million, the worldwide talent shortage will be greater than 85 million people by 2030 resulting in over $8 trillion dollars in unrealized revenue. In the short term, the chase for talent in the U.S. is being exacerbated by limitations on access to visas and, our immigration policy, causing both foreign students, faculty and other talented individuals to go to other locations, including Canada where it is easier to remain after graduating.

State Department data for the year ending Sept. 30, 2017, indicated that F-1 Visas issued to foreign students decreased by 17%. In addition, our colleges and universities are not graduating enough students with skills that are needed, now and in the future, particularly, in relation to its competitors. For example, the World Economic Forum statistics (2016) for graduates in STEM (i.e. science, technology, engineering and mathematics) show that China had 4.7 million STEM graduates, India had 2.6 million STEM graduates and the U.S. only had 568,000.

To make matters worse, our talented teachers are being lured by big salaries offered by tech-savvy companies. Carnegie Mellon lost 50 members of its highly respected robotics department to Uber to assist in creating the driverless car. Today, in the U.S., every industry is seeking to attract and retain talent, particularly TAMI companies (i.e. advertising, media and information companies), that are a growth sector of our economy, and important tenants

for office landlords. An inability to attract and retain talent will lead to a significant competitive disadvantage and loss of revenue.

One key component to a company to attract and retain talent is choosing the right building. Real estate developers and owners of office buildings are competing for companies – in essence, their customers. Companies want and need buildings and locations to assist them in chasing and retaining talent. To satisfy their talented employees, particularly their millennial employees who will soon comprise 35% of the work force, companies look for smart, green and healthy buildings that are easily accessible by public and private means of transportation, with amenities both inside and outside the buildings.

A survey by Radius Global Market Research for WiredScore found that a building's internet connectivity is second only to location when a company chooses a building, more important than rent. Furthermore, smart buildings pay dividends. In late September, the MIT Center for Real Estate issued a report that analyzed data of over 650 smart and non-smart buildings in New York, which showed that rent for smart buildings was 37% higher than for non-smart buildings.

Healthy buildings have also grown in importance to tenants. Joe Allen, the head of the Harvard T.H. Chan School of Public Health, has done ground-breaking research and established nine categories for a healthy building. Allen says that your building manager is more important to your health than your doctor. Allen also notes that the cost would be $1 to $10 per occupant to double ventilation rates when using energy-efficient ventilation systems. In the meantime, Allen states that a healthy building increases productivity by $6,600 per employee. At a Commercial Brokers Association event this November, Bryan Koop, executive vice president, Boston region for Boston Properties, one of the largest owners, managers and developers of Class A properties in the United States, said that he is consulting with Allen in relation to Boston Properties buildings.

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Eric Allon is a real estate and business law partner at Bernkopf Goodman LLP with experience and knowledge related to commercial real estate disruptors, commercial leasing, the acquisition, management and sale of properties, financing transactions, commercial loan workouts, and the hospitality industry.