

The State of Communications Services in Commercial Real Estate

September 2011



90% of building owners and property managers say that access to advanced communications services is the most important selling point behind only price, parking and location

61% of building owners and property managers believe that having advanced communications services in their buildings provide them with a competitive advantage

One out of every two building owners and property managers say that providing multiple service provider options positively impacts occupancy rates by up to **19%**

Over one third of building owners and property managers say that in **75%** of negotiations with prospective tenants, the topic of access to advanced communications services is discussed

Executive Summary

The location of its building is one of the most important decisions that a business can make – affecting employees, customers and others who work with the company. However, no two tenants are alike, with each one having a unique set of office space needs based on their industry. For example, the type of building, location and amenities required by a large financial services firm are vastly different from an e-commerce warehouse or graphic design agency.

To better understand the priorities of this decision process, nearly 500 U.S. building owners and property managers were surveyed for their opinions on the importance of advanced communications services. While location is still a fundamental filter in the selection process, the criteria used to compare buildings are increasingly shifting in importance as a result of broader business trends and regulatory compliance issues.

Fundamental drivers to these changes are high-performance networks. While these networks initially improved business efficiency through interconnection with suppliers and partners or provided a means to meet government regulations for off-site back-ups, their role is now expanding.

Faster networks now enable businesses of all sizes to outsource their IT infrastructure, applications and services to managed hosting, cloud services and Software-as-a-Service (SaaS) providers. This helps lower their IT costs and improve efficiency, but also turns a secure, reliable, high-performance network connection into a mission-critical business asset.

This new reality—or the rise of the “hyper-connected business”—is reflected in the key findings about the importance of advanced communications services in this *State of Communications Services in Commercial Real Estate* report.

Methodology & Respondent Profile

During August 2011, Comcast Business Services fielded an online poll to 6,000 U.S. commercial real estate building owners and property managers that are members of the Building Owners and Managers Association (BOMA) International, whose members own or manage more than nine billion square feet of commercial properties.

The overall response rate to the survey was 9.8%, but the respondent pool was narrowed down for the analysis to focus exclusively on building owners and property managers, resulting in a final response rate of 8.1%, or 487 respondents.

In addition to questions about the importance of advanced communications, respondents were also asked a number of questions about their portfolio of buildings:

Building Locations*

- Midwest – 29%
- Southwest – 25%
- South – 24%
- Northeast – 22%
- Northwest – 12%

Buildings Under Management

- 1 – 24%
- 2 to 5 – 33%
- 6 to 10 – 17%
- 11 to 20 – 11%
- 21 to 50 – 10%
- 51 or more – 5%

Square Feet Under Management

- Less than 100,000 – 3%
- 100,000 to 299,999 – 19%
- 300,000 to 599,999 – 30%
- 600,000 to 999,999 – 21%
- 1M to 1.999M – 15%
- 2M or more – 12%

Types of Property Under Management*

- High-rise commercial office: 46%
- Low-rise commercial office: 42%
- Suburban buildings/office parks: 34%
- Mixed-use properties: 18%
- Industrial: 18%
- Medical office buildings: 17%
- Warehouses: 12%
- Other: 11%
- Educational buildings: 5%
- Government buildings: 4%

Response Key

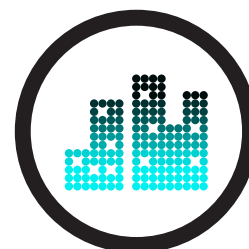
National



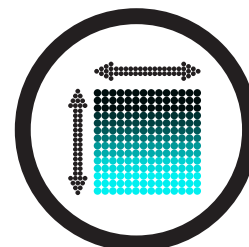
Regional



Building Type



Square Footage



**Respondents asked to check all that apply*

Key Findings and Recommendations

Hyper-Connected Tenants Demand Access to Advanced Communications

As noted earlier, the definition of the workplace is changing. A few years ago, a business might have had email servers in its office, back-up files to tape storage in its own IT room, and hold team meetings in an office conference room. Today, the company's email is likely a cloud service with its storage backed up to a data center across the country and team meetings held via video conferencing. Recent research from IDC underscores this trend, with the firm estimating in its *Worldwide and Regional Public IT Cloud Services 2011-2015 Forecast* that public IT cloud services will account for nearly half of new IT spending by 2015 and 75% coming from SaaS. So, if companies are requiring fast, reliable network connections for their business, are building owners and property managers addressing their needs and highlighting available options? The survey asked:

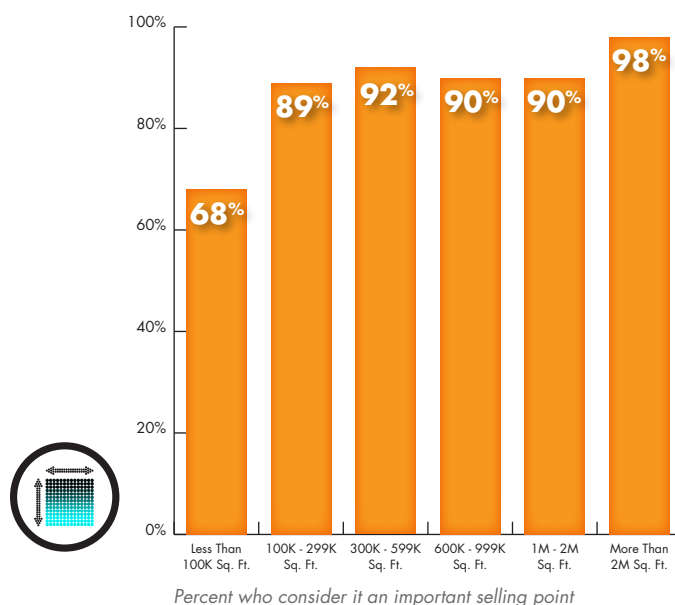
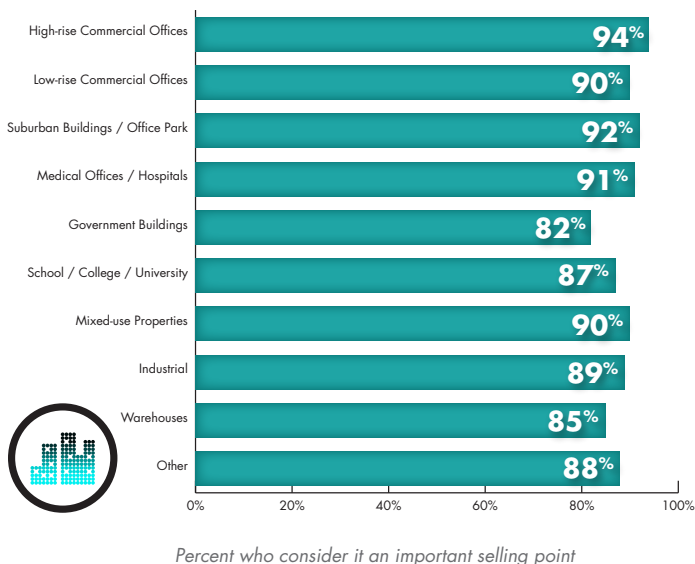
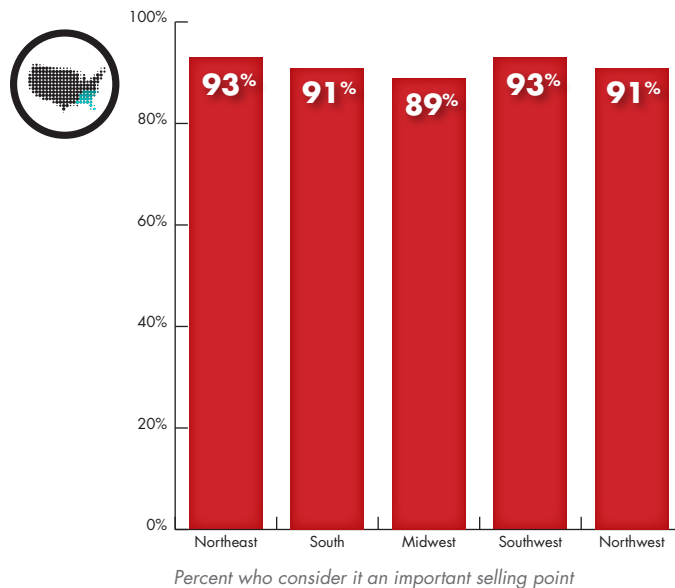
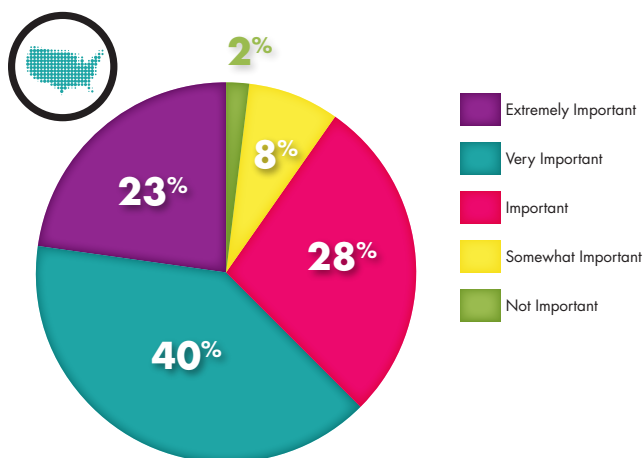
How important a selling point do building owners and managers consider access to advanced telecommunications services?

Key Findings

- **90%** of respondents said that access to advanced communications services is the fourth most important selling point behind only location, price and parking.
- For respondents who manage high-rise commercial office buildings, access to advanced communications moved up to the **third most important** selling point.
- Access to advanced communication is the **most important** selling point (tied with location) for respondents who own or manage two million or more square feet of property.

While access to advanced communications services is the fourth most important selling point, it is considered such by the vast majority (90%) of respondents—with only a few percentage points separating it from location, price and on-site parking. Meanwhile, the next closest selling points after it are much further back: nearby public transportation (75%) and a front desk/security station (61%).

90% of respondents said that access to advanced communications services is an important selling point



RECOMMENDED NEXT STEP

Add Advanced Communications Services to Your Sales and Marketing Materials—Once they have made sure their properties have the right communications infrastructure, building owners and property managers should ensure that their marketing and sales materials list out the advanced communications services and providers available in their buildings so these key selling points stand out for prospective tenants. In addition, highlight network access points, data rooms or other on-site communications facilities when giving tours of properties and ensure that brokers are knowledgeable about what advanced communications services are offered in each building and the benefits to prospective tenants.

A “Cloud-Ready” Building is a Competitive Advantage for Property Owners and Managers

As businesses increasingly rely on network connections for their day-to-day operations, ensuring that those connections are modern and reliable translates into more uptime, revenue and customer satisfaction, regardless of a tenant’s industry. The survey wanted to probe beyond simply asking if access to advanced communications services was an important selection priority for tenants, and aimed to discover if it had started to become proactively recognized as a valuable asset and competitive advantage for buildings. The survey asked:

Does offering advanced telecommunications services give you a competitive advantage?

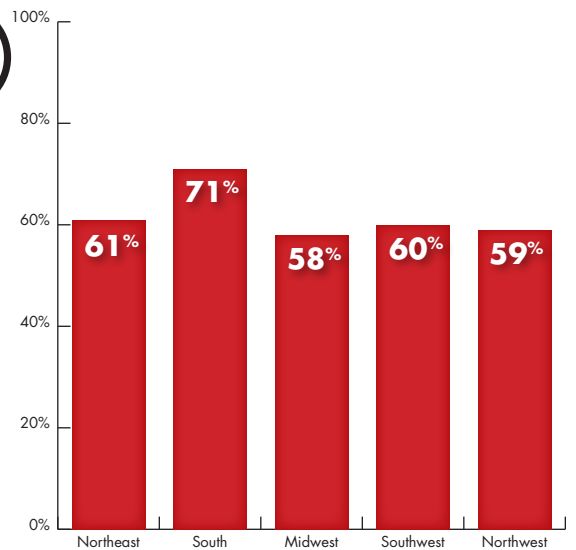
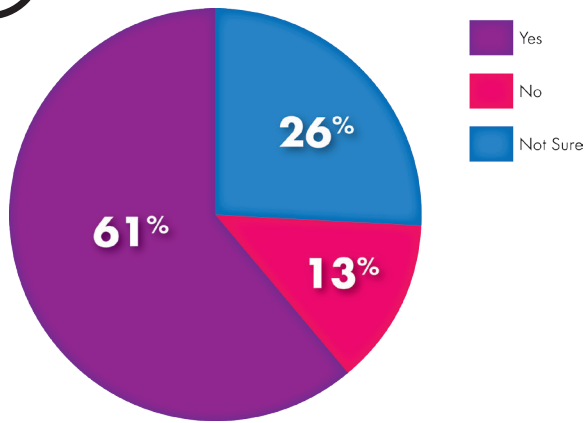
Key Findings

- **61%** of respondents believe that having advanced communications services in their buildings provide them with a competitive advantage, and a similar average holds true when broken down by property type.
- The regional response is also in line with that average, except for the South, where the percentage jumps up to **71%**.
- The responses span tiers of building portfolios with the **two largest percentages representing both ends of the market:** property managers with less than 100,000 square feet under management (71%) as well as ones with more than two million (67%).

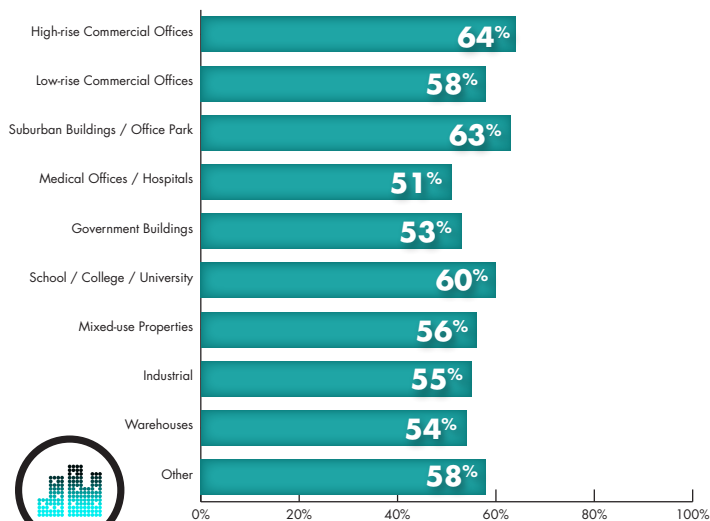
A clear majority of building owners and property managers consistently view advanced communications services as a competitive advantage, regardless of their square footage under management, property type or regional location.

What is perhaps the most interesting aspect of this question, however, is that on both the national level and across nearly every category breakdown, the “Not Sure” vote is nearly twice the “No” vote. Given that the majority of respondents said “Yes,” it is likely that even this notable undecided group acknowledges that there is a trend in the market, but they may not have received direct feedback yet from prospective tenants to validate this.

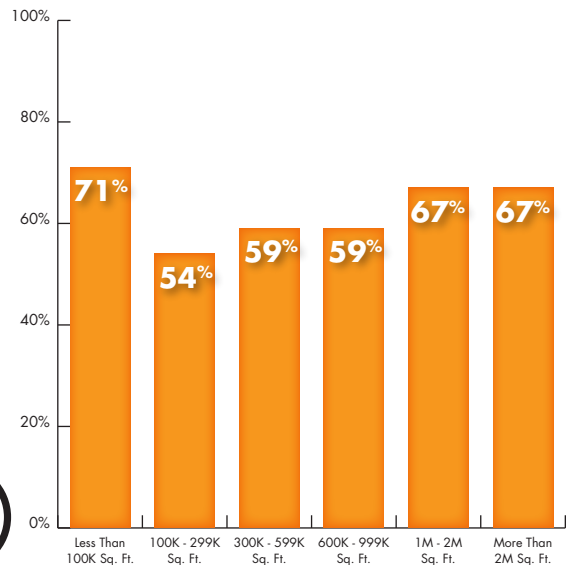
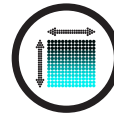
61% of respondents believe that having advanced communications services in their buildings provide them with a competitive advantage



Percent who say it gives them a competitive advantage



Percent who say it gives them a competitive advantage



Percent who say it gives them a competitive advantage

RECOMMENDED NEXT STEP

Perform a Competitive Assessment—Building owners and property managers should proactively do an advanced communications services audit that covers what service providers and associated products, services and prices are available in their properties as compared to competitive properties in the area that tenants typically consider before leasing office space. This will help them analyze, validate, position, and communicate their competitive advantage and identify and fill in any gaps in access to advanced communications services.

Having Multiple Service Providers in a Building Positively Impacts Occupancy Rates

Today's challenging economy has made the commercial real estate market more competitive than ever. According to Lang LaSalle's *Mid-Year 2011 National Office Occupier Outlook* report, the U.S. vacancy rate was 18.1% in the second quarter of 2011, down slightly from the quarter earlier. As a result of this competitive climate, building owners and property managers are looking for any advantage that they can find to attract and retain tenants. But what could help to provide a competitive edge and boost occupancy rates? The survey asked:

How much of an increase in occupancy rates do you believe can be achieved by providing tenants with access to multiple communication service providers?

Key Findings

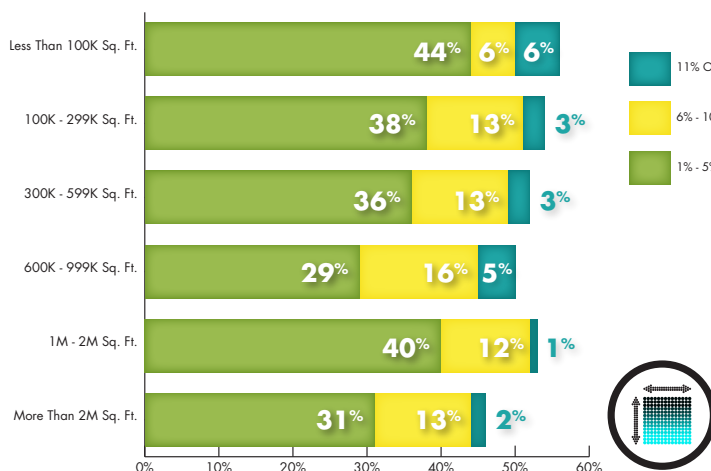
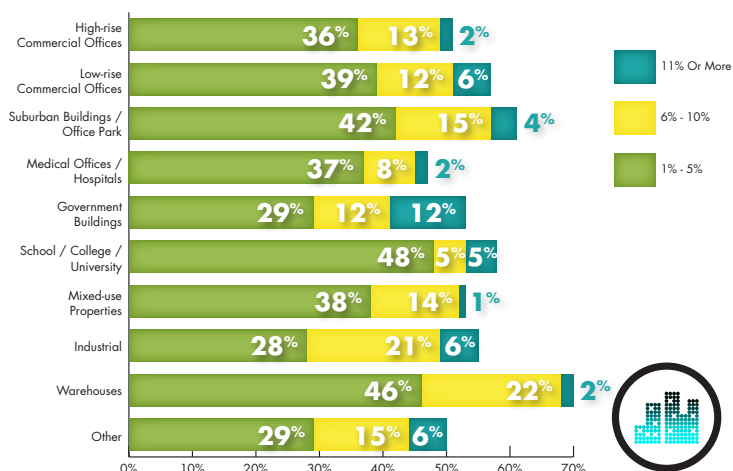
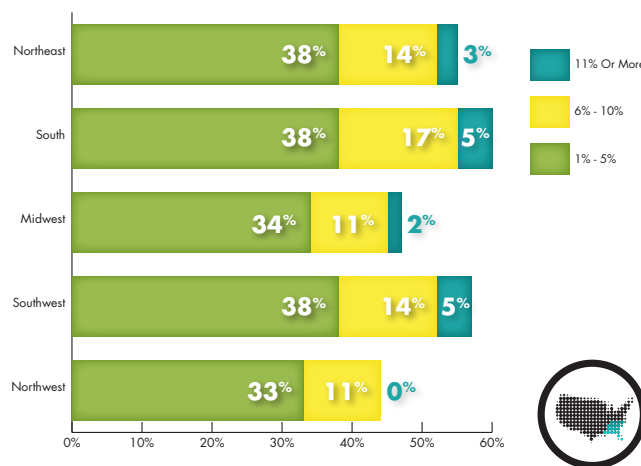
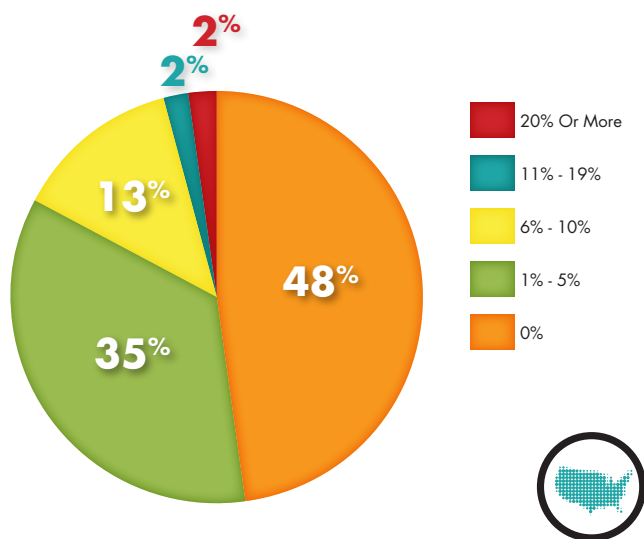
- Nearly one out of every two respondents said that having access to multiple service providers in their buildings positively impacts occupancy rates by up to **19%**.
- When looking at each region, the responses are very similar to the national data. This also holds true when looking at square footage under management.
- However, when broken out by property type, warehouses make the most use of multiple providers (68%), which could be due to the key role these properties play in moving inventory, order fulfillment and related logistics that require redundant network connections to maximize uptime.

Having access to multiple service providers positively impacts occupancy rates by up to **19%**

The fact that almost one out of every two building owners or property managers reports a positive impact in occupancy rates shows that tenants are placing a high value on having access to a choice of advanced communications services and the resulting benefits.

Access to multiple service providers in one building gives tenants options for different services, plans, prices, and service level agreements, and the flexibility to switch providers at a future time. More importantly for today's hyper-connected businesses, access to multiple service providers provides critical redundancy and load balancing so the company can ensure that it maximizes network uptime and overall performance.

In fact, when the survey asked respondents about how many service providers they currently offered to their tenants, nearly two-thirds (62%) said that they have multiple providers of fiber-based communications services in their buildings.



RECOMMENDED NEXT STEP

Plug Buildings into Multiple, Diverse Networks—Building owners and property managers may research local service providers in their area and discuss the requirements for extending the providers' networks to their building, including the timeframe for construction and the bandwidth capacity of the network that will be built. More importantly, it's critical to ensure that buildings have a wide range of bandwidth capacity options delivered over multiple, diverse networks so that if tenants access both, they can still be connected even if one network goes down.

Advanced Communications Services is a Frequently Raised Topic During Negotiations with Prospective Tenants

In today's challenging economy and competitive real estate market, the negotiation between a building owner and a tenant is even more important to both parties involved, since the outcome represents a fixed amount of revenue and cost, respectively, for years to come. In addition to negotiating the lease rate, which is still the top priority, other terms and details need to be discussed and negotiated, such as who is responsible for maintenance, how the space can be used, and early termination details.

And, while lease rates may not have much room for negotiation (depending on the location and property type), other items may be more negotiable while also being very important to tenants. Clearly, access to advanced communications services is an important selection criteria and selling point, so does it come up in negotiations? The survey asked:

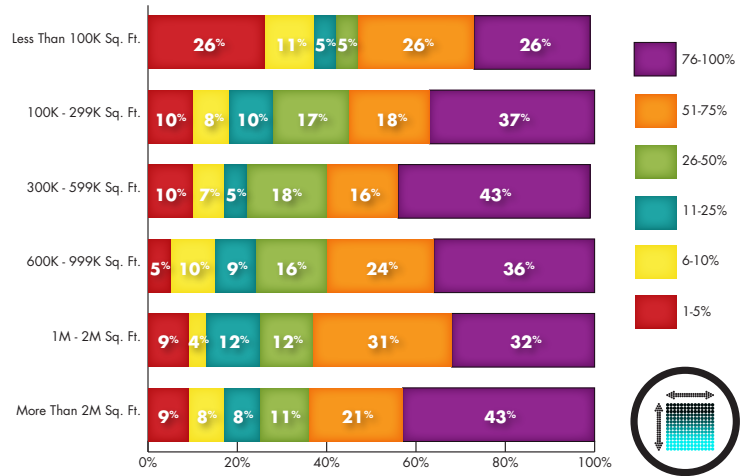
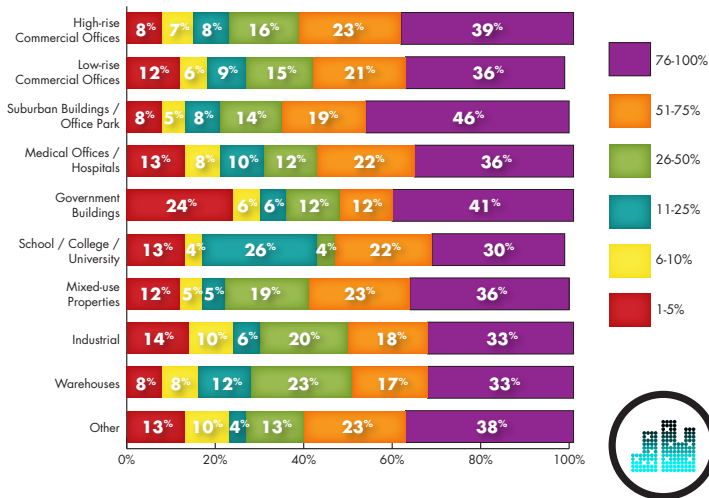
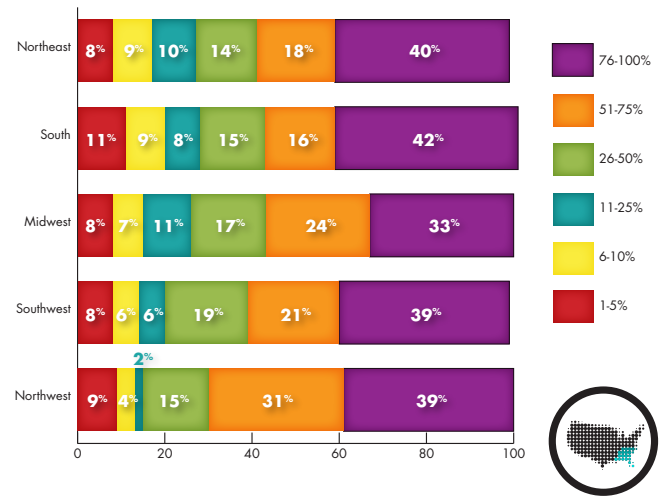
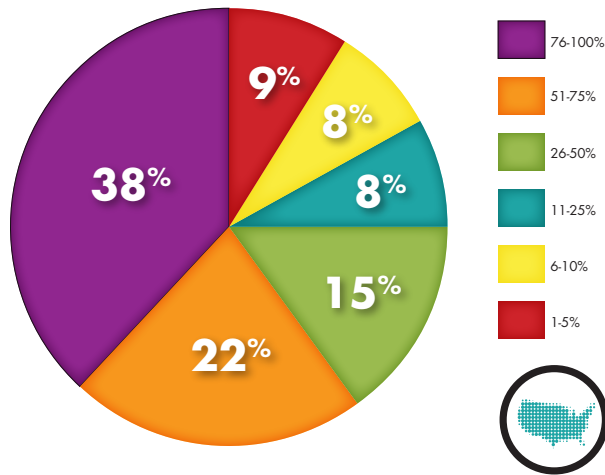
What percent of new and prospective tenants ask you about the communications services available in your building?

Key Findings

- Over one-third of respondents say that in **75%** of negotiations with prospective tenants, the topic of advanced communications is raised. This also is true when looking at each region.
- When looking at property type, the national average increases to **almost half** (46%) for respondents that own or manage suburban office buildings.

Based on this data, there is a high probability that building owners and property managers will face the topic of advanced communications in future discussions with prospective or current tenants. Those who do not already have access to advanced communications services should, at a minimum, be prepared to discuss their plan for bringing these services into their buildings in the future, and be aware of the available service providers in their particular area.

In **75%** of negotiations with prospective tenants, the topic of advanced communications is raised



RECOMMENDED NEXT STEP

Don't Wait, Be Proactive—Building owners and property managers should not wait for tenants to ask about a building's advanced communications infrastructure and instead take the time to understand the tenant's business and potential applications as well as services needed to run it (video conferencing, SaaS, digital imaging, etc.) and proactively discuss how the building's advanced communications infrastructure is suited to those needs.

Conclusion

Gartner's *IT Spending Forecast* for the second quarter of 2011 estimated that public cloud services will grow four times faster than overall IT spending. It's clear that hyper-connected businesses are increasingly relying on cloud computing, SaaS, business continuity/disaster recovery and other high-bandwidth applications. This not only makes having a highly reliable network connection essential, but it also makes the advanced communications infrastructure of a company's office space a key part of its IT strategy and daily operations.

With this trend as a backdrop, and operating in a challenging economy and competitive commercial real estate market, building owners and property managers are looking for any advantage to attract and retain tenants—and are increasingly finding this advantage with advanced communications services.

Based on the survey results, access to advanced communications has become a very important part of the building selection process for new and prospective tenants, is viewed as a competitive advantage, can positively impact occupancy rates, and is often asked about during negotiations with prospective tenants.

In order to attract and retain tenants, building owners and property managers need to provide connectivity to advanced communications services—if possible, from multiple service providers over diverse networks—in their buildings. Ensuring this and proactively marketing it to prospective tenants will add value and help differentiate building portfolios as the IT outsourcing trend accelerates.

WELCOME TO COMCAST BUSINESS CLASS SERVICES

If you would like to learn how Comcast Business Class Services can bring advanced communications services to your buildings to address your tenants' bandwidth needs, please contact the appropriate professional listed here:

California	Steve Cotton	408-426-6840
Colorado	Greg Urbach	303-603-2554
Connecticut	Robert Paul	413-730-4528
Delaware	Jim McDonough	202-635-5690
Florida	Andrew Lefcourt	954-514-8530
Georgia	Pattie Phillips	770-559-2144
Indiana	Mike Jennings	248-808-6163
Maryland	Jim McDonough	202-635-5690
Massachusetts – East	Diane Sherry	978 825-2351
Massachusetts – West	Robert Paul	413-730-4528
Michigan	Mike Jennings	248-808-6163
Oregon	Brenda Wilson	425-921-5926
Pennsylvania – East	Bart O'Connor	215-992-0514
Pennsylvania – West	Brad Kittsley	412-406-4129
Tennessee	Pattie Phillips	770-559-2144
Texas	Aaron August	713-895-2427
Utah	Greg Urbach	303-603-2554
Washington State	Brenda Wilson	425-921-5926
Washington, DC	Jim McDonough	202-635-5690
Western States – Mid-Market	Trina Pace	720-267-3042

