

CREATIVE OFFICE: SMART DESIGN BENEFITS TENANTS AND OWNERS



I | O, Los Angeles

Creative office space is characterized by open floor plans, natural light, high ceilings and exposed interior structures. Creative office assets are highly attractive to both tenants and owners. The office sector has been transformed in recent years by the overwhelming demand for creative office space driven by young workers' preference for a dynamic and collaborative environment. Initially, creative offices were often converted warehouse properties; their generous floor plates met the needs of a broad range of users, including media, creative and technology firms. Today, existing office buildings are also being redesigned to provide flexibility, a collaborative environment, authenticity and sought-after amenities to a curated tenant mix from a broad array of industries.

Creative office, when well located, designed and executed can meet tenant demand for premier office space. It offers the potential for enduring value. Properties situated in infill location with easy access to a mix of amenities such as entertainment, retail and outdoor attractions, as well as proximity to public transit, are positioned for long-term success.

Increasing tenant demand for creative office space is driven by the benefits of its inherent design flexibility. Multi-tenant office buildings are often inefficient, due to the idiosyncratic nature of traditional office design. Creative office buildings enable tenants to share kitchens and conference rooms, reducing the need for each tenant to pay rent for these areas. When common spaces are shared:

- An open design and curated tenant mix encourages employee interaction, adding vitality, enhancing collaboration and creating a highly sought-after environment which is increasingly important as a tool to recruit top talent;
- Tenants have access to a variety of gathering and conference spaces, usually including a real café with great food, coffee and beer. In warmer climates outdoor space is often used for collaborative amenity space;
- Tenants often lease significantly less space for their exclusive use, but pay higher PSF rents on that space to compensate for amenities;
- Interior design is often unique, including customized finishes and artwork that add character and authenticity to the space.

Owners benefit from growing demand. They can also reconfigure workspaces with lower costs and downtime. Movable panels significantly reduce the expense and time associated with re-leasing space, translating directly to increased value. This flexibility also allows owners to increase tenant retention, as it enables tenants to organically expand, contract and change their space without having to leave the building.

Clarion Partners is finding opportunities to reposition and redevelop well-located existing buildings to meet this growing demand. In the Playa Vista area of Los Angeles, Clarion acquired a recently-built, but vacant pair of traditionally-designed office buildings; the owner had been unable to lease them. Repositioning the buildings into a creative environment resulted in a successful lease-up that was not achievable as a traditional building. In nearby Santa Monica, Clarion redeveloped a 1980s multi-screen movie theater into a property containing ground-floor retail and two levels of creative office space, all leased prior to completion. In Denver, Clarion and a partner expanded an existing creative office environment. With the same partner, we are redeveloping a second space adjacent to a new transit station, leveraging the success of both the first project and public investment in new infrastructure.

We believe that well-designed and well-located creative office will compete successfully against traditional office properties going forward.



Industry Brighton, Denver



Criterion on Third, Santa Monica

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