

Your Business Just Got Smarter
THIRD QUARTER 2004

THE NEW OFFICE

SENTRE PARTNERS
USES TECHNOLOGY
TO REVOLUTIONIZE
COMMERCIAL
OFFICE SPACE



MATT SPATHAS,
SENTRE PARTNERS



CISCO.COM/GO/IQMAGAZINE

Moving In,

BY TOM STARNER

Photographs by Tim Mantoani

Moving Up

**SENTRE PARTNERS
USES NEW TECHNOLOGY
TO ENHANCE THE
TENANT EXPERIENCE,
IMPROVE ITS OWN
OPERATIONS, AND
INCREASE VALUE.**

MATT SPATHAS BELIEVES that when tenants move into a new office, plugging computers into a network should be as easy as plugging desk lamps or coffeemakers into an electrical outlet. Just look for the outlet, plug in the appliance, and voilà, you're up and running, connected to the power grid: Your lights are burning bright and your coffee is brewing.

Yet in his experience as managing partner for San Diego-based SENTRE Partners, that concept has not yet caught on within the commercial real-estate industry. In fact, Spathas says, it hasn't even been a blip on the radar screen. Until now.

Today, tenants in six buildings merely have to plug their computers into an existing network, and they are connected—to their coworkers, to building management, and to the Web.

For the 35 employees of SENTRE (an abbreviation for Stewards and Entrepreneurs of Real Estate), the entire focus is on simplifying life for

"WE BELIEVE THE IP ADDRESS IS AS IMPORTANT AS THE STREET ADDRESS," SAYS MATT SPATHAS, MANAGING PARTNER FOR SENTRE PARTNERS.



tenants in three main areas: office space, research and development facilities, and industrial properties throughout San Diego and Mexico. And basically, Spathas explains, it's a matter of adding value for tenants.

"Where there is inefficiency, there is opportunity," says Spathas, whose company manages, leases, and/or owns assets in excess of \$500 million in acquired and developed projects (about 3.5 million square feet). "As a hands-on company, we're constantly trying to solve problems for our tenants. And nothing has been harder for our tenants than finding and contracting with Internet service providers for bandwidth."



Spathas adds that tenants don't really care about the intricacies of technology, just as they don't care about how electricity is supplied from a single grid. They just want it to work. "When they see electrical outlets, they aren't asking questions about electrical outlets. They just plug into the wall," he explains. "We figured, why can't it be the same with the data port?"

In studying that question, SENTRE discovered the concept of a single, "agnostic," buildingwide network was entirely possible with today's technology. As an added bonus, SENTRE also found that tenants could have wireless buildingwide network access, both to their respective companies' networks and to the Internet. Best of all, providing this type of service would be much less expensive per square foot compared to other utility networks, such as traditional phone networks.

Spathas is so convinced that commercial developers will move toward providing bandwidth according to the SENTRE utility model that he cofounded a broadband utility company called Bandwidth Now, which is looking to turn San Diego into the nation's first "hot" city with free wireless access everywhere.

"There's only one electrical network in a building, not ten," Spathas says emphatically. "Why can't bandwidth be



treated the same way?" SENTRE views the network as not just an amenity, but an essential infrastructure that property owners will need just in order to compete.

"Voice and data networks are a fraction of the cost of other networks, such as electricity, gas, and water, yet they provide the most value to tenants," he says.

BUILDING FOUNDATION

Bandwidth Now has set up Building Optical Networks (BONs) in six properties, including five in San Diego (the Koll Center, One America Plaza, the NBC Building, the SBC Building, and the San Diego Tech Center) as well as the Esplanade IV and V buildings in Phoenix, which are owned by GE Asset Management and managed by CB Richard Ellis. Of the six setups, all include free wireless access in the common areas of the buildings on campus, while the other three provide free wireless throughout the entire buildings. SENTRE worked with several partner companies to create the BON, including Cisco Systems, Corning, Intel, and Wireless Facilities, Inc. (WFI).

In each case, Cisco worked with SENTRE and/or Bandwidth Now on a short, 60-day timeframe to transform the building. Aside from installing the basic IP infrastructure, Spathas relates that implementing a BON is much like installing an electrical network or plumbing in a building. Configuring the routers, switches, and wireless access points was the easiest part of the project and took about a week. Overall, Spathas reports that challenges were minimal.

A critical aspect of SENTRE's next-generation buildings is that the BON infrastructure is paid for and owned by the building owner, not the tenant. In typical commercial buildings, tenants have responsibility for obtaining their own Internet connectivity.

SENTRE Moves to Wireless

September 2001

SENTRE and Intel deploy pilot Building Optical Network in the NBC Building in downtown San Diego using all Cisco core equipment. Later in the year add wireless network in building lobby and outdoor plaza area.

September 2002

SENTRE Partners sets up a BON for the San Diego Tech Center—a multibuilding complex in San Diego's Sorrento Valley—using a Cisco 4500 series core switch, 1,200 Cisco Aironet access points, and Cisco engineering support.

Specifically, SENTRE tenants receive high-speed, wired and wireless connectivity (approximately up to 60 times faster than a T-1 connection) when they plug into the BON for just \$250 per month, compared to an average cost of \$1,000 per month if they were to install their own T-1 lines. In some cases, tenants save \$2,000 to \$3,000 per month. There are no contracts and no hassles, and WFI manages the network 24 hours a day. Tenants are connected in 30 minutes instead of the typical 30-day turnaround when ordering from an ISP.

In the properties with 100% wireless coverage, tenants have free wireless-network and Web access for employees, clients, and visitors through every square inch of a building. A tenant doesn't have to be on the wired network or logged in: Simply launching an Internet browser connects users to each other and to the Web via Cisco Aironet wireless access points.

MUTUAL BENEFITS

The network also offers a variety of building-management uses that help SENTRE better serve its tenants while driving down costs. Its properties use a Web-based work-order system utilizing the wireless infrastructure. Building engineers can carry tablet PCs and Pocket PCs, opening and closing tenant work orders on the spot.

At the 34-story, 570,000-square-foot One America Plaza, the first SENTRE building to become "next gen," the change has eliminated the need for paper-based work orders, according to building manager Rob Jones. "If you are a tenant, it takes ten seconds to access the work-order system. The database is completely prepopulated, so when tenants log on, it knows who they are and sends the work order directly to the person who is supposed to perform the work, such as replacing light bulbs."

"Wherever the facilities person is in the field, he or she can respond," Jones says. "On the visitor-management side, a security guard can click a button and find out exactly who is authorized to enter the building after hours."

The wireless feature is a great benefit for tenants, Jones adds. "The bandwidth we can provide in this building, the speed we can provide, and the price for which we can



IN BRIEF

GOALS: SENTRE Partners wanted to create a comprehensive, inexpensive, buildingwide optical network to add value to current tenant relationships and to attract more tenants. It also wanted to provide free wireless connectivity as an amenity for tenants. Finally, it wanted to make the facilities management work-order process as efficient and effective as possible.

STRATEGIES: SENTRE considered the basic needs of its tenants and figured out how to add value by providing network services with office space. It worked with vendors to create a building optical network to deliver high-speed, high-quality network bandwidth to tenants.

RESULTS: SENTRE tenants enjoy access to a low-cost plug-and-play network with high bandwidth and wireless connectivity. One of its buildings now has a 95% occupancy rate and every new tenant has opted for the network package. In all, SENTRE has six properties with optical networks.

deliver it are an incredible value for tenants," he says. "If you are a 4,000-square-foot tenant, and you can get bandwidth for \$250 versus \$1,050, that's 20 cents a square foot in value. A typical tenant could save \$10,000 a year."

Not surprisingly, tenants have responded positively.

"Our tenants thought free wireless was cool in the public places, but they really wanted it in their offices," Spathas says, adding that all of SENTRE's new tenants in the San Diego buildings purchase the \$250-a-month broadband-service package. He also estimates that between 80% and 90% of SENTRE's existing tenants have moved to the broadband package once their contracts with other carriers expired.

Law firm Latham & Watkins LLP, chose to locate the 100 attorneys in its downtown San Diego offices in One America Plaza for many reasons, but network and wireless connectivity topped the list. The company occupies four floors and 72,000 square feet, so connectivity is critical.

"We are a law firm trying to position ourselves at the cutting edge of services, and that includes technology," says Bruce Shepherd, managing partner. "We wanted not just to have what is there today, but to have a building whose management team is committed to always being at the forefront. That's important to us."

February 2003

SENTRE, Cisco, and Wireless Facilities, Inc. begin planning a Building Optical Network (BON) and wireless network for San Diego's One America Plaza.

May 2003

One America Plaza is announced as the first fully wireless-enabled building in the United States.

December 2003

SENTRE Partners announces the Koll Center, the latest "next-generation" BON-based building with both wired and wireless access.

June 2004

Bandwidth Now expands BON concept. Esplanade IV and V buildings complete BON systems. Believed to be first 100% Wi-Fi enabled buildings in Arizona.

Wireless access is available to all Latham & Watkins employees, but it also gives visiting attorneys a way to use their computers at a deposition, for example, without going into the firm's network. That alone protects the network and eliminates the need for IT staff to help prepare visitors who need to be connected—saving both time and money.

One America Plaza began offering the new service in June 2003. Today, it has a 95% occupancy rate with 35 tenants. Local San Diego occupancy rates are about 88%.

International Practice Group (IPG), an international law firm, is another tenant that considers the technology a competitive advantage. According to Guillermo Marrero, a partner at IPG, the firm considered a variety of factors in the building, and technology certainly was one of them.

"One of the attractions from our standpoint was the wireless capability, and the fact that the service was a lot

less expensive than what would be available in the marketplace," Marrero says. "Of the many advantages of a wireless solution, it gives you more flexibility in how and where you work. I really am in the communications business, so I can't afford to have dead air."

Accelrys Inc., a pharmaceutical software company, also is enjoying the economic advantages and simplicity of being part of the SENTRE next-generation experience. "We're saving approximately \$3,000 a month by using the optical network here at the San Diego Tech Center," says Danny Hans, director of facilities and purchasing at Accelrys. "SENTRE provides us with a service and a product, so we don't have to go out and do a lot of research. It's saving me a lot of time, and I am excited about that."

NEW STRATEGIES

Today's still-high broadband prices are the result of inefficient installation, Spathas says; to see that, just compare the way landlords have historically tried to network buildings (each tenant has to find its own ISP or pay the landlord) with interstate highways.

"If they designed and built the interstate highway system the way people typically add bandwidth to a building, none of us would get anywhere," he says. "We offer broadband as a standard part of the building's infrastructure, just like water and electricity—and it's inexpensive." He cites typical water, gas, and electrical networks priced as high as \$20 a square foot. To install an all-optical network inside a building typically will range, including equipment, in the \$1- to \$1.25-a-square-foot range.

"When bandwidth is treated as a utility (tenants just plug in), Wi-Fi easily becomes an amenity," Spathas says. "Wireless access becomes like a drinking fountain—an amenity for tenants."

According to Jim Young, cofounder and producer of Realcomm, an industry trade show, and CEO of REApplications.com, a software company for the commercial real-estate industry, it's difficult to change a 100-year-old industry.

"SENTRE Partners is to traditional real estate what airlines like Southwest or JetBlue are to the large carriers," Young says. "It's not just about putting broadband into a building. That's only the foundation. It's about creating value for the tenants. It's all about the tenants."

"Much of the change in the commercial real estate industry is back-end driven, with people trying to justify change with cost savings," he says. "They focus too much about how much money they will save."

"We simply see it as solving tenants' problems," he says. "And if we solve our tenants problems, we will get better tenants, higher rents, and better retention."

"Most of them want to be connected to an exciting change from what they had experienced before, in other buildings," he says.




IN THE PROPERTIES WITH WIRELESS, SUCH AS ONE AMERICA PLAZA, EVERY SQUARE INCH OF THE BUILDING HAS ACCESS.

So far, SENTRE and Bandwidth Now haven't found any competitors that have gone to the lengths they have to provide tenants with instant network connectivity at low cost. "I've been around the country, and as far as I can tell, San Diego and Phoenix are the only two places where it's happening," Spathas says proudly.

Meanwhile, SENTRE is exploring a host of other new tenant services—including videoconferencing to PCs, managed Internet Protocol telephony, and managed IT services—in an effort to increase tenant productivity and drive down tenant costs. For example, Spathas envisions the day soon when new tenants won't even have to bring phones. SENTRE will simply hand them IP phones that they can plug directly into the network.

In the end, he says, it's no different than the move from kerosene to electricity or stairs to elevators and escalators.

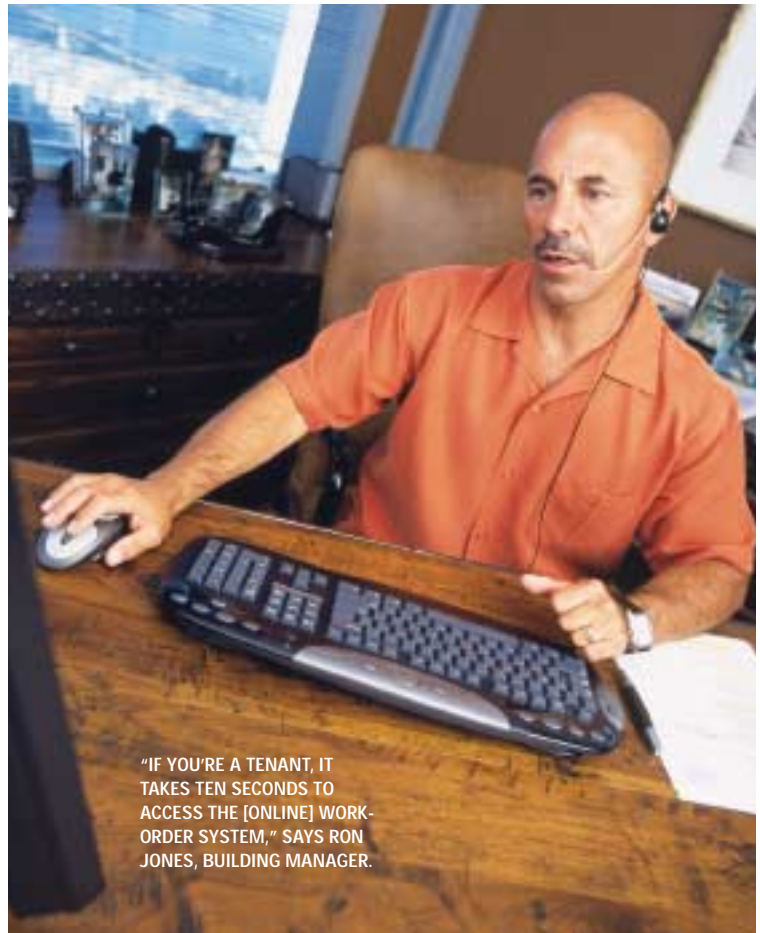
"Our offerings enable tenants to become more productive at lower costs," Spathas says. "Eventually, in return, the owners will get higher rents and better tenant relationships. We are completely convinced that this is the way to go." 

BASED IN PHILADELPHIA, TOM STARNER IS A FREQUENT CONTRIBUTOR TO *iQ* MAGAZINE. HE ALSO WRITES A NET STRATEGIES COLUMN IN EACH ISSUE.

NEXT STEPS

To watch a video about SENTRE Partners, go to cisco.com/go/iq-sentrevideo.

For more information about wireless technology used by SENTRE, go to cisco.com/go/aironet.



"IF YOU'RE A TENANT, IT TAKES TEN SECONDS TO ACCESS THE [ONLINE] WORK-ORDER SYSTEM," SAYS RON JONES, BUILDING MANAGER.

FROM CISCO

POWERFUL TOOLS FOR A CHANGING WORKPLACE



Mark Golan is Cisco's vice president of Real Estate and Workplace Resources. He offers perspective on how companies can help change commercial real estate.

iQ: How does new technology affect commercial real estate?

Golan: Having building owners implement networking infrastructure, rather than tenants, is a major change. Technology can change the workplace environment itself. The idea that real estate and IT are independent does not reflect today's realities. IT infrastructure is critical to the workplace environment, especially when it allows the company to improve

production and employee satisfaction while reducing costs.

iQ: What factors are leading to workplace environment change?

Golan: In the late 1960s and 1970s, 70% of work in most companies was individual contributor work. Now that has flipped-flopped, and 70% of the work is collaborative. The old infrastructure was such that for people to be productive, the tools had to be brought to a single place, the cubicle or office, and used only by them.

Today's 70% collaborative work figure is expected to increase, and at companies like Cisco and many of the tenants in SENTRE "next-gen" buildings, there no longer is the need to sit in one place. Technologies such as IP telephony and wireless will have profound effects.

Today's workplace is about connection, collaboration, creating a buzz. Yet most people still design space using the old layout, essentially preventing collaboration. For real estate companies that see what's happening, there is a remarkable opportunity to meet those emerging needs.

iQ: What can real-estate companies do to meet those needs?

Golan: You have to create an environment that leads to higher employee productivity and satisfaction and lower costs. When companies put IP telephony and wireless into a building, they are providing the potential for tenants to create these environments. You are making the workplace not only more attractive, but more productive. In a sense, you are using technology to make it a more human place.—T.S.