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Place Matters: The Changing Urban Landscape for Real Estate and Workplace Location Decisions

by Diane Coles Levine and Nancy Johnson Sanquist — November 2015

Place matters. ... The office is here to stay. Place provides the context to organizational action, fulfills a symbolic role as the physical embodiment of the organization, and not insignificantly, still provides a physical space for many kinds of tasks. Martha O'Mara, Strategy and Place, 1999.

Martha O'Mara wrote that 15 years ago and it is as relevant today as then. Place still matters even though we work virtually 43 percent of our day and 30 percent alone, but only spend 15 percent of our time in face-to-face meetings.¹ Due to this usage and the fact our offices are often 40 to 60 percent vacant at some time during the day, some companies have jettisoned headquarters locations (Lenovo, McKinsey, Accenture), but place obviously still matters for their manufacturing and for knowledge transfer between their consultants.

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In environmental psychology there is an interesting concept called “place identity.” This is defined as the meaning and significance of place to inhabitants and users. And while this is often discussed in light of the urban experience, it is also a critical component in understanding the workplace. Many companies are trying to understand what makes a great place for a knowledge worker to come to work each day and want to stay at that company. Headquarters locations still matter to companies like Apple, Google, Facebook and Intel, as well as Bank of America, Proctor & Gamble and Whirlpool. Regus calls this type of workplace “an Academy — a place for people that provides choice and empowerment, enabled by technology and an accepting leadership culture.”²

The three questions we will address in this article are:

1. Where are workplaces today and will there be a change in location decisions?
2. What will these new workplaces need to consider based on the organizational style, technology infrastructure, work patterns and resource (talent, capital and environmental) constraints?
3. What can workplace strategist learn from urban planners?

The Changing Geography of Place and Location Decision-making

If place matters and is a competitive arrow in the organization's business strategy quiver, where the workplace strategist looks for a new location is critical in the decision-making process. New concepts that have emerged and should be taken into consideration include:

- The emergence of the “mega-region”
- The city center/urban place
- The “edge cities”
- Suburban place
- The aerotropolis (airport place)
- Idea factories and innovation clusters

The Emergence of the “Mega-Region”

According to the controversial urban theorist Richard Florida, the future of urban development will be in a large cluster of geographic units called “mega-regions.” These are located around the world and will consist of several cities and their adjacent suburban outgrowth areas. The largest in the US grouping is the “Bos-Wash” mega-region. This area stretches south from Boston along the New York City, Philadelphia, Baltimore, Washington, DC corridor. It is a hyper-connected economic powerhouse, home to 50 million people producing \$2 trillion (US dollars) in financial activity. To understand the value of this development strip, it is greater than the economic output of the UK or France, and double that of Canada or India.

Therefore, the workplace strategist may want to keep an eye on www.america2050.org, which is a clearing house of research and activities happening to make these mega-regions a successful component of future development in the US and other areas of the world.

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The City Center/Urban Place

Florida calls the era we are working in the “Third Industrial Revolution,” which is a shift from an economy that is based on things to one that is about innovation. A better term is perhaps the “Era of Creativity” (as we mentioned previously, Florida called the knowledge worker a member of the creative class). Many people working in this new era want to have a job and live in a densely populated urban place filled with cultural activities; with other creative and innovative folks who they can bump into from time to time both physically and virtually; and that is populated with locations outside their main place of business with different types of environments in which to do their work. These other locations can be cafes, hotel lobbies, bars, restaurants, as well as co-working

offices where they can come together with like-minded workers who may not belong to their company or even their field of endeavor.

Urban place is important to the knowledge workers who live in New York City and New Jersey and work for Google. So the company purchased one of the world's most coveted pieces of real estate to house some of these urban creatures. This is one of the world's most wired buildings, which was built in 1932 on 8th Avenue between 15th and 16th Streets. It was renovated in the 1990s to become a "carrier building" to house various companies' data centers as well as half a million square feet of office space. The advantages of this approach: labor (engineers could be poached from Wall Street, IBM and Bell Labs) and location (neighbors of the Chelsea Market and the High Line Park).

Edge Cities

The concept of "edge cities" was coined by Joel Garreau in his 1991 book by the same name. This is a 20th century urban phenomena that was designed as new communities adjacent to existing 19th century downtown locations. Although Garreau established strict rules for suburbs to be called edge cities, we are using the term as a type of community that both exists today and has grown irrelevant to new work and buying and living requirements, requiring revitalization, or an area outside downtown that has land available to build a new edge city. There are three distinct types:

- Suburban places
- Aerotropolis
- Innovation clusters

First let's look at suburban places. The suburb is not dead; if it is lucky, it is being retrofitted into denser, mixed-use communities. Some are being transformed from car-oriented, tarmac-surfaced work and shopping areas to pedestrian-friendly, green, live-work-play places modernized into sustainable environments. Examples of these expanded cities or satellite centers can be found all over the US and in many parts of the world:

- Visteon Village (Van Buren Township, Michigan) is a sustainable corporate headquarters designed for one of the world's largest parts suppliers. The goal of the project was to create a "neighborhood" that encourages innovation and collaboration by supporting a sense of community for its 3,200 employees. The campus was a consolidation of 13 disparate locations onto a single 265-acre campus. This sense of community expands outside the perimeter of the grounds to allow the nearby public access to the recreational paths and nature trails surrounding a man-made
- Apple new headquarters due to open in 2016 on former HP parcels totals 150 acres. The round, spaceship-like building will be the work environment for 12,000 to 13,000 employees with 80 percent of the site landscaped with indigenous plant materials and eliminating 90 percent of the existing surface parking now on the site. Apple chose the site in suburban Cupertino not far from downtown San

The second type of edge city community is found in the new developments popping up around airports that are being called “aerotropolis.” John Kasarda and Greg Lindsay have written extensively about these new suburban airport complexes that are growing due to the new global demand of speed, location and accessibility. The airport is at the center of the complexes with subsequent rings providing land for distribution and logistics; office, research and development parks; convention centers, hotels, health care facilities, entertainment complexes, university campuses, retail and wholesale marts; manufacturing buildings; and commercial and residential high-rise towers. High-speed trains deliver passengers and cargo from this hub to the nearby downtown.

One of the interesting things that should be noted by the workplace strategist is that Lindsay and Kasarda believe that there will be a new skill set required for the new aerotropolis — one that combines knowledge of urban design, airport planning, business acumen and marketing strategy.

Workplace Strategists will require a new skill set for the new Aerotropolis – one that combines knowledge of urban design, airport planning, business acumen and marketing strategy.

Now to the third type of edge city communities that are called the “neurocenters” of the knowledge economy. Innovation clusters and idea factories are sprouting up in downtown cities and adjacent to university campuses in suburban locations. They can consist of one high-rise building (idea factory) or can be as large as 115 urban blocks in a downtown. The concept behind them is to become incubators of new innovations for scientists, entrepreneurs and the creative class of workers who can partner with universities to develop the next generation of workers, products and services.

In the US, a good example of both types of complexes is found in Cambridge and Boston’s waterfront. One Broadway consists of the Cambridge Innovation Center where 1400 companies have been launched here with \$1.4bn in venture capital fueling their creative flames. This co-working center is possibly replicating itself in Miami in a new technology park far from the halls of MIT which is has been so closely connected and would be connected in this location with the University of Miami.

On the other side of the river, a major developer assembled 20 acres in the Seaport District that is being master planned as a huge sustainable innovation center. Fan Pier was able to assemble an impressive combination of state and local tax incentives to lure Vertex Pharma away from its 10 leased Cambridge sites to this development location. It is part of the larger seaport development created to ensure Boston stays at the forefront of the innovation economy in the 21st century.

Workplace strategists can learn from urban planners and place-based identity practices

Place Identity, Place Making and Workplace Strategy

As you can see, the new geographic landscape will be creating opportunities for new types of workplaces around the globe. Location decisions will go beyond what most people think when they are considering the future of the office environment. Place identity, often called neighborhood character or local character is increasingly significant in urban planning and design. Like workplace strategy, methods to understand place identity involve interviewing, design charrettes, observational studies and participatory design, sometimes called “Placemaking.” Workplace strategists can learn from urban planners and place-based identity practices which integrate clusters of ideas and data in multiple fields including geography, urban planning and design, environmental psychology, ecocriticism, transportation, and urban sociology and ecology. Urban planners are becoming more adept at capturing and visualizing data in the new digital era and workplace strategists should join forces with this discipline to learn, understand and work together to create better places that “really” matter.

Footnotes:

¹ DEGW and Bank of America presentation at CoreNet Global Summit, May 2011. Based on DEGW research from 2006-09.

² Dixon, M. and Ross, P., “Agility@Work,” Regus, 2010

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