



Seeking an edge, U.S. landlords turn to tenant experience apps

By Herbert Lash

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People stand outside the Chelsea Market in Manhattan in New York City, New York, U.S., March 28, 2017. REUTERS/Mike Segar [Acquire Licensing Rights](#)

NEW YORK (Reuters) - The firm that sold Chelsea Market to Google for \$2.4 billion has joined three large brokerages, among others, to back software designed to meet the growing demands of a millennial workforce that is changing how office space is leased and managed.

Office workers now interact online or through smartphones and landlords who ignore this trend will lose clients, said Michael Phillips, president of Jamestown LP, a real estate

investment firm that mixed off-beat food and retail at Chelsea Market to make it a major Manhattan destination.

Landlords looking to boost the loyalty of tenants have begun rolling out apps that allow them to connect easily with a range of in-house or nearby amenities and services, everything from restaurants and gym classes to office climate controls.

This so-called tenant engagement software is still in its infancy but stands out among the newest features of a U.S. office market that has been disrupted by the move to flexible workspaces where many landlords have lost direct contact with the client.

While U.S. leasing activity is robust and asking rents have declined a touch from highs at or near records, concerns the business cycle is peaking have sent landlords in search of fresh ways to retain tenants.

Jamestown recently invested in HqO, a Boston start-up that also is backed by venture capital firm MetaProp, whose limited partners include brokerages CBRE, JLL and Cushman & Wakefield.

Terms of the Jamestown and MetaProp investments, which have not been previously reported, were not disclosed.

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Jamestown at first tested the software at the Innovation and Design Building it owns in Boston's Seaport District, where the speed of its adoption was startling, Phillips told Reuters.

"What that tells me is the workforce is open to it, craves it, understands it and is engaging with it rapidly," he said.

In three months, 40 percent of tenants opened HqO accounts and within six months 60 percent had done so, he said.

A software platform is needed in commercial real estate but will not be game-changing until the property and technology owners are the same, said Daniel Doyon, managing principal at consultancy Workplace Hospitality Management in San Francisco.

"The real value creation is going to be whoever figures out how to seamlessly blend those two. You can argue WeWork is the one who's done that," Doyon said, referring to the New York-based provider of shared workspaces.

Australia's Equiem, a pioneer in the space with more than 130 buildings using its software in Ireland, Britain, the United States and its home market, also reports a growing client base amid increasing competition from rivals.

Hines, a large U.S. developer, announced in December it was partnering with Paris-based Workwell to roll out tenant experience software in its buildings in Houston, New York, Chicago, Atlanta and elsewhere this year.

Others offering similar software are London-based District Technologies and Lane Technologies Inc of Toronto.

Equiem recently installed its software in the Nomad Tower in Manhattan, 5 Houston Center in that city's downtown and the Arborcrest campus in northern Philadelphia.

Melbourne-based Equiem last year hired a U.S. manager as it expands into Canada and Singapore this year. Since its launch in 2011, Equiem has posted a compound annual growth rate of 172 percent, said Chief Executive Gabrielle McMillan.

Equiem's software costs around 10 cents per square foot, or about \$100,000 annually for a 1 million square foot office tower, which is far less than property management budgets, she said.

The software can create a brand for property owners, drive loyalty among tenants and ultimately lead them to renew their office leases, said McMillan, who moved to New York from Australia last year to supervise the firm's U.S. expansion.

David Levy, principal of Adams & Co Real Estate LLC, has rolled out Equiem in 20 of his buildings located from 18th to 41st Street, perhaps the hottest swath in Manhattan catering to tech-centric young urban professionals who demand amenities.

Adams has tracked 3,700 users, exercise classes at his buildings are full and the tenant response has been positive, Levy said. But like public relations, he said it is hard to know how well the platform is working.

Brandon Kang, a 33-year-old fashion industry product manager who works at an Adams building on 40th Street, is emblematic of the clients whom landlords are hoping to cultivate with these systems.

Kang said he has noticed the Adams name and is aware the firm manages other buildings in the Garment District.

"I know their logo because they keep showing it on the elevator and on the website," Kang said.