



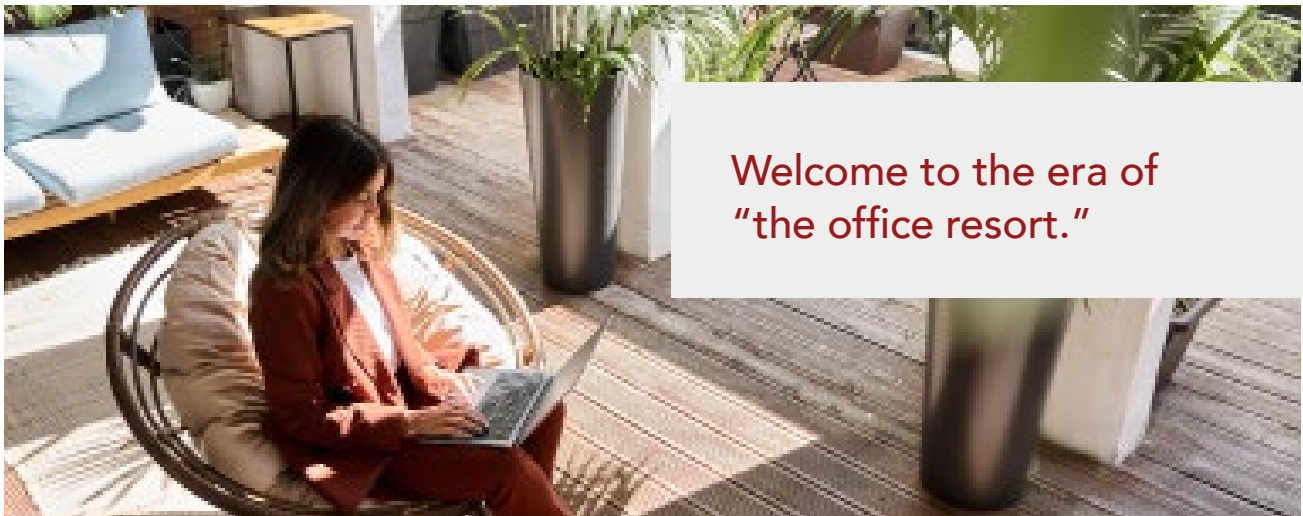
REIMAGINING THE FUTURE
OF THE WORKPLACE
THE OFFICE RESORT

As the U.S. evolves away from the remote work surge that followed the COVID-19 pandemic, the workplace is experiencing a seismic shift. The pandemic highlighted and amplified a foundational truth: as social creatures, our well-being and productivity are driven by human connection. This recognition inspired a significant pivot in the attributes occupiers and employees seek from their workspace. And it has forced developers to reconsider what matters in the built environment, and reassess the ways people engage with and utilize space.

Early on, the discussion centered around a “flight to quality”: premium, new construction, glass trophy towers bursting with amenities. But flight to quality fails to capture what occupants are yearning for. At Presidio Bay Ventures, we have spent more than a dozen years refining and improving our goal of delivering hospitality-inspired real estate across a variety of product types, including multifamily, office, life-science, and mixed-use developments. Regardless of project type, we have sought to transform physical locations into coveted destinations that catalyze emotional, meaningful, and memorable experiences. We design places where people are eager to congregate, connect, collaborate, create, relax, and play. Our programming intentionally incorporates immersive experiences within these spaces to ensure the development serves as a vital social hub and fosters the kind of placemaking that can invigorate neighborhoods and energize cities.

Therefore, rather than flight to quality, we have demonstrated that “flight to experience” is the appropriate paradigm. This evolution will redefine the future of the office. What started as our philosophical foundation has become a proven method and a new standard for the commercial real estate industry. Welcome to the era of “the office resort.”

The office resort combines physical design and experiential programming intentionally and holistically, creating an environment that rivals luxury hospitality and anticipates tenants’ needs. The office resort shifts the workplace from a functional space into a multi-dimensional, dynamic environment that feels like a destination, provoking a sense of arrival, ease, and welcome, and most importantly, inspiring connection. In this paper, we lay out our vision for the office resort, describing its foundational elements and the ways the workplace must shift and adapt to remain relevant to successful organizations.



**Welcome to the era of
“the office resort.”**



THE POST PANDEMIC EVOLUTION

The Spear, San Francisco, CA

Since its founding, Presidio Bay Ventures has regarded real estate as a partnership with tenants. We recognize that fostering wellness, engagement, and satisfaction is critical to attracting and retaining talent. In 2020, Presidio Bay began leaning even further into that value with the concept of the office resort. Before COVID-19, for the most part, people experienced a formal separation of residential/home versus commercial/work versus entertainment/experience -- each transpiring in distinct settings. But as the places and ways we live, work, and play started to blur and overlap during the pandemic, decision-makers began revisiting questions such as:

- What is the highest and best use of the office, and how much space is required?
- How can the workplace be designed to deliver a higher-quality experience – not just a checklist of amenities but an integrated environment that caters to the psychological, social, and emotional needs of talent?
- How can the office help achieve larger strategic goals and enhance connection, wellness, sustainability, and productivity?

To meet what would undoubtedly be a radically different workforce and commercial real estate environment, Presidio Bay began the process by reexamining its entire playbook: architecture, building materials, mechanical systems, interior layouts and features, shared spaces, technology, amenities, art, and programmatic and operational elements. We looked at desired outcomes from an operational perspective and designed, built, and managed to them. We concluded that the office resort must address three broad categories of needs to promote a thriving workforce: community and engagement, health and wellness, and productivity, in that order.

COMMUNITY & ENGAGEMENT

At the office resort, engagement begins at the front door with a high-touch sensory experience and welcome that feels personalized and exclusive, evoking a sense of calm, warmth, relaxation, and belonging. (The mood is established even before this through the property's brand, showcased through digital media and social presence.) It continues through purposeful programming, including events, entertainment, and spontaneous social interaction. Whether it's a TEDx-type Speaker Series, product launches, holiday celebrations, beer and wine tastings, art exhibitions, or even a mobile pet groomer -- authentically curated programs foster the sense of community so sorely missed during the pandemic. We curate meaningful and buzzy activations that bring together not just the tenants within the building, but the wider community, fostering the kind of density and interaction that energizes a space and promotes placemaking. Community and engagement also includes art, which is essential to human connection. To achieve a cohesive aesthetic and narrative, we commission and integrate artwork into a project's identity through an organic planning process in tandem with building plans.



HEALTH, WELLNESS, & SUSTAINABILITY

Work-life balance became a critical consideration during the pandemic, so the second category centers on the physical, mental, and emotional well-being of occupants. The office resort addresses this need in practical ways through state-of-the-art, spa-quality facilities with full gyms, fitness classes, yoga, and meditation rooms; steam, sauna, cold plunge, and country club-style locker rooms; and on-site services such as medical concierge, physiotherapy, chiropractor, acupuncture and massage. The goal is to provide employees with

flexibility in their routines, creating space to recharge and refocus during the day. The less obvious aspect of wellness is sustainability; tenants are invested in the well-being of communities and the environment, which means working in an office that considers the greater good. As a result, the office resort has a significant sustainability component, including technology that allows tenants to track their carbon footprint, energy, and water usage; connectivity to public transit and alternate forms of transportation; and certifications from organizations such as the U.S. Green Building Council, EnergyStar, and Fitwel. In addition, the office resorts may also incorporate childcare facilities, satisfying a core component of work-life balance for parents.

PRODUCTIVITY

Although productivity remains essential, emphasizing the first two categories will entice workers back to the office and promote this characteristic. Productivity is a by-product of tenants and employees feeling energized by their environment and inspired to want to connect with their colleagues. The office resort fuels social, emotional, and physical well-being, promoting engagement, hustle, belonging, creativity, chance meetings, exchanging ideas, and collaboration that optimize productivity. The physical spaces support connection and positive experiences, from entrance to amenities, outdoor spaces to food and beverage offerings -- right down to the signature scent in the lobby.

Cognizant that productivity is not one-size-fits-all, the office resort caters to different working styles with versatile spaces that foster opportunities for quiet, focused work; spontaneous, serendipitous interactions; group meetings and collaboration; and expansive all-hands and social events, with universal Wi-Fi connectivity. Amenity spaces, both inside and outside, are grand and inviting to maximize the variety of experiences available to occupants and invite them to "choose their own adventure." To this end, we think about our building design in moments or themes, like a play, with tiered storylines across interior "neighborhoods." The office resort also integrates biophilic design, connecting workers with the natural environment through blended indoor and outdoor spaces, abundant daylight and fresh air, and, where possible, parks, gardens, and trails -- design elements that boost strategic thinking and cognitive performance and reduce stress.



The office resort also demands an integrated, proactive approach to experiential management and lifestyle services, with properly trained staff to implement activations and maintain protocols that encourage a sense of community. Even if a developer cannot afford to invest in large cap-ex projects, these “soft services” are now table stakes to effectively operate desirable office space. As Presidio Bay developed office resort projects, we realized there was no off-the-shelf service to leverage for this unique approach to property management. As a result, we spun off a new company, The Main Post, to embody the values of differentiated placemaking and fill the void in the market for property management rooted in hospitality. The Main Post is dedicated to lifestyle management, event curation and activation, and placemaking. The Main Post provides property management for Presidio Bay properties as well as third parties. The firm can also step in and augment third-party property management by providing a layer of differentiated Lifestyle Management, which is not readily available in the market. We hold our measure of success to a higher standard, setting goals that go above and beyond the traditional expectations of a property manager. Whereas others may meet the bare minimum of ensuring timely rent collections and property-level reporting, we establish increasingly ambitious OKRs around the core tenets of our tenants’ community, health and wellness, and productivity, which are reset periodically.

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FLEXIBILITY AND FLUIDITY IN THE OFFICE RESORT DESIGN

The Spear, San Francisco, CA

Another fundamental component of the office resort is flexibility and fluidity of space. Office resorts emphasize shared, creative amenity spaces, transforming the value proposition for tenants. Consider The Spear, our 175,000-square-foot office renovation project located at 88 Spear Street in San Francisco. Shared amenities include all-hands and conferencing facilities; a rooftop restaurant, bar, and deck space accommodating 500 people; and media lounges, audio/visual, and music studios accommodating content production. The 13-story office tower is designed for single tenants per floor in their branded, secured space of roughly 17,000 square feet. However, in terms of functionality, tenants receive two to three times the space utilization because of our unique amenity offerings. In a traditional San Francisco office setting pre-COVID, a tenant would have to lease 45,000 square feet to receive the same functionality they get through shared spaces at The Spear.

Investing in moderate-sized premises with the functionality of a headquarters-type facility is a powerful value proposition -- particularly for innovative, fast-growing firms that may not know how their offerings or headcounts will evolve. The flexible office resort space gives them the confidence to make a long-term lease commitment, knowing that as their business evolves, they can flex up and down in other components of the building, whether that's overflow into a co-working space or leveraging a conferencing center.

In addition, the office resort does away with the notion that work style is static based on role or that employees are shackled to desks because that's where their computers are. In an agile world, the office resort accommodates hypermobility, creates interest and dynamism, and eliminates the monotony of regimented divisions of space. At 88 Spear, a professional can take a call or conduct a meeting from an office, conference room, roof deck, or lobby bakery, with the same reliable connectivity in every space.





A person in a dark suit is shown from the side, their hand resting on a sleek, dark, modern desk. They are holding a smartphone over a circular sensor or charging pad. The background is a blurred office environment with a railing and other desks, suggesting a high-tech, modern office space.

THE ROLE OF TECHNOLOGY IN THE OFFICE RESORT

At Presidio Bay Ventures, the desire to embrace new technology is deeply embedded in our DNA. Technology fuels our competitive edge, enhances the value of our assets, drives new forms of demand, and ensures we continually adapt and expand the utility of the built environment. From our vantage point in San Francisco, we have witnessed the spectacular convergence of technology upon a diverse array of industries that directly impact the way we think about and interact with our physical surroundings. Our goal for the office resort, and indeed all of our developments, is connectivity at scale: technology integrated into every process, at every step, from ideation to asset creation, through operation and experience of the real estate.

Technology helps us deliver the same high-tech experiences in the office that occupants enjoy in other aspects of their lives. Presidio Bay invests in innovations that maximize space utility, assist in wayfinding, connect tenants with colleagues, automate the reservation and use of amenities, help occupants communicate with neighbors, simplify guest access and event RSVPs, track energy and water consumption, and control appliances, lighting, and thermostats – among others.

As an advocate, thought partner, investor, and evangelist for startup innovators, Presidio Bay Ventures maintains insight into the landscape of innovation to unlock the most promising opportunities. We work to identify the right solutions and weave them together in a comprehensive tech ecosystem to build smarter, more efficient properties that yield a superior customer experience and not only meet but predict consumers' ever-changing needs. We also use technology to procure real-time data to monitor building systems and understand our occupants' behavior, which in turn drives continuous operational improvement, lower cost, and higher asset value.



THE ROLE OF RETAIL IN THE OFFICE RESORT

Arsticault at The Spear, San Francisco, CA

Given the deep desire for direct interaction, retail curation plays a critical role in the office resort. Retail is a central activation element within an overall placemaking strategy, providing a common meeting ground for shared and collective experiences. While the upfront investment is arguably greater, the outcome of thoughtful placemaking with the right retail clearly enhances the long-term value of the office resort. Proper retail curation promotes a symbiotic relationship and virtuous cycle: The developer creates retail that attracts both tenants and community members, and the traffic energizes the built environment and fuels the success of the neighborhood.

The winning strategy for retail in the office resort is not about bringing in a few “check the box” amenities, but consciously selecting the ideal uses helmed by the right operators who are then positioned into the right spaces. The goal is to curate an experience that people want by mirroring the way people actually interact with their communities.

This approach to retail flips the notion that tenants should be treated as arms-length entities positioned “on the other side of the table,” and viewed simply as a direct source of net operating income. In the office resort, retail is deliberately woven into the physical surroundings and the wider community. The more deeply connected retail is to the other product types, the more it actually aligns with the way human beings use space and the more successful it will be.

At Presidio Bay, we are seeing this thesis play out first-hand at our Springline development in Menlo Park, California, where we successfully leased 100% of the retail space by May of 2022, during arguably one of the worst environments for retail since 2008. The future success of physical retail depends on a new alignment between landlords and retailers, from purely short-term, transactional relationships to longer-term partnerships. Sponsors and investors must be willing to shoulder more underwriting risk in exchange for higher long-term value.



THE POWER OF TENANT CURATION IN THE OFFICE RESORT

Springline, North Building Office Space, Menlo Park, CA

The curation of tenants is an equally important dynamic in the success of the office resort. For example, our Springline development is located in the heart of Silicon Valley. Presidio Bay curated a tenant roster that includes innovative tech companies, venture capital firms, an investment bank, and a firm of intellectual property patent attorneys, as well as a coworking space to accommodate startups and smaller professional services firms. Creating a complementary ecosystem of diverse tenants creates an energetic and exciting environment.

We strive to achieve similar diversity at The Spear, our project in downtown San Francisco. The location by the waterfront adjacent to the Ferry Building is popular with finance, venture capital, private equity, and other professional services firms. A curated tenant roster guards against the risks associated with industry-specific occupancy, a lesson reinforced by the pandemic when tech-centric buildings emptied overnight. Similarly, an office filled only with financial and professional services is deserted on bank holidays, and the whole building feels dead. Given the severe challenges to the central business district, thoughtful curation of tenants is part of a holistic effort to boost foot traffic and density, promote vibrancy and safety, and support a thriving collection of community-serving businesses, ultimately revitalizing downtown San Francisco.

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THE ROLE OF COST BASIS IN THE OFFICE RESORT

Implementing the office resort model is not without its challenges, especially when it comes to cost. In the post-pandemic period, office values plunged, and what quickly emerged was a tale of two cities: Class A and everything else. Buildings that are candidates for repositioning require a significant reset in the cost basis to help new owners invest appropriate capital to authentically differentiate. The notion of buying a building, making superficial improvements, and dropping rents because of a reset in basis is a losing proposition in today's market, fueling a race to the bottom. With almost 40% vacancy in the market, that's not the race we want to run.

Differentiating an asset requires both the right capital stack and the ability to properly operate an office resort. Despite the recessionary environment in the office sector, construction pricing hasn't softened, making it very expensive to do this type of work. These practical considerations and limitations will influence the winners and losers in this evolution. As a result, we are seeing a K-shaped recovery.

Presidio Bay's strategy at The Spear exemplifies how a redefined cost basis can open the door to an office resort opportunity. The acquisition, for \$230 per square foot, is considerably lower than the replacement cost of \$1,100 to 1,200 per square foot. (Landlords must also consider tenant improvements (TIs) costs and leasing commissions, which are close to \$40 a foot for 10-year deals.) The building offered incredible bones, from side core to ceiling heights, its steel frame, and spectacular Bay views. High vacancies made it easier to pursue our design and construction plan, which aims to leverage those features and strengths and tell a story that is authentically San Francisco. We are reimagining the entire structure, adding floors to the building, and redesigning the exterior skin of the lower two floors. The Spear has all the ingredients and elements of the office resort, including a truly differentiated experiential program to satisfy demand at the trophy, Class A segment.

Despite the office downturn, we were motivated to pursue the opportunity because we saw the robust nature of the tenant demand, rents, absorption, and vacancies. There are still a significant number of tenants that are discerning and price-insensitive, looking for unique opportunities. Given the San Francisco market's size and limited inventory, The Spear provided an incredible opportunity to differentiate.

It is worth noting that we remain bullish on San Francisco. The city contains all of the components for a thriving economy: world-class educational institutions, billions in venture capital, dynamic new company formation, extensive public transportation, a stellar healthcare system, and a strategic location on the Pacific Rim. It's also one of the most beautiful cities in the world, with proximity to beaches and mountains. Startups in artificial intelligence are propelling a new wave of growth. We expect to see an influx of companies across the spectrum -- from finance and medicine to automotive and agriculture -- seeking the benefits of AI to remain competitive. This will cement San Francisco's position at the center of the transformation and continue to drive job growth. Meanwhile, the 2024 election in San Francisco demonstrated the power of a new, multifaceted, grassroots movement, which is pursuing a politics of moderation and common-sense solutions to crime, homelessness, drugs, and other challenges.

CONCLUSION

The office resort model represents a transformative shift in commercial real estate, redefining the role of buildings in the modern work landscape. The concept will undoubtedly continue evolving with how people work, live, and socialize. At Presidio Bay, we keep a finger on the pulse of these trends by fostering an internal culture of curiosity, exploration, innovation, and learning among our diverse team. We encourage our employees to draw inspiration from their travels, conversations, and experiences in different cities to keep the firm a step ahead of cultural, behavioral, and aesthetic trends. We draw insights from interviewing top brokers and tenants across the U.S., researching market trends, and tracking global best practices. We embrace forward-thinking ideas that challenge conventional notions.

As a result, office resorts are more than a trend. The flight to experience represents an adaptive and enduring approach to the office ecosystem that synthesizes connection, well-being, and productivity into an alchemy that resonates with today's workforce. As humans increasingly prioritize meaningful experiences and social engagement, the flight to experience will continue to shape the commercial real estate landscape. The office resort concept offers an opportunity to stay at the forefront of workplace evolution, leveraging these human-centered spaces to drive long-term value and tenant loyalty.

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