

A Window Into the Future of US Real Estate

In Conversation With Amazon's HQ2 Developer

By **Janelle Nowak-Santo**

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The office plays a crucial role in recruiting and retaining talent, which in turn helps business leaders around the globe achieve their commercial objectives. The pandemic has accelerated several trends in innovative thinking about work: the agile, flexible structure of work, the evolution of the way we use the office to collaborate, the environment around the office, and the way we use spaces in our cities.

David Ritchey, EVP and Director of Asset Management and Commercial Leasing at JBG SMITH, Amazon's development partner for its HQ2 project across the river from Washington, D.C., recently sat down with Brunswick Group Partner **Janelle Nowak-Santo** to talk Amazon, sustainability, the future of the office and the firm's ongoing efforts to transform National Landing.

Here are three key takeaways from the conversation.

1. The future of the office goes well beyond four walls

As companies and developers think about how to make office space work for employees, they are thinking beyond their four walls.

Inside the office, Ritchey said the "80-20 rule" – the split between desk space and collaboration areas – is being flipped on its head.

"The truth is, most companies are still in the research and discovery phase, at the highest level. It is becoming clear that companies are starting to view their offices as a platform for collaboration and team building," he said. "What comes to mind is a space with high ceilings, access to natural light, with large staircases between floors to allow a flow of larger groups, and more hospitality-type services."

Beyond the office, Ritchey noted that tenants are now more likely to select commercial space in "vibrant" neighborhoods with a good mixture of uses, and great transport connections.

There are a variety of placemaking initiatives firms such as JBG SMITH employ to further create and elevate the neighborhoods where their assets are located, including investing in public spaces, curating a mix of national retailers alongside local operators, and ensuring a mix of housing types and transportation options.

In National Landing, JBG SMITH is working to bring expanded rail service to the neighborhood along with a pedestrian bridge that will provide a walkable connection directly to Washington's Reagan National Airport. Elsewhere, the firm has modified restaurant spaces to provide opportunities for up-and-coming businesses to create brick-and-mortar locations.

2. Building a tech ecosystem is crucial

Sticking with the theme of thinking bigger, Ritchey highlighted the importance of thinking about real estate development in the context of a wider ecosystem, versus individual projects.

JBG SMITH studied how the Seattle market, the home of Amazon's first headquarters, evolved with the company from 2010 to 2020. They found there was four million square feet of follow-on office demand, largely from other tech companies joining in the ecosystem.

To support the accelerated creation of an ecosystem in the wake of Amazon's HQ2, the firm has its eye on multiple interlinked demand drivers.

First up, JBG SMITH is working with Virginia Tech on the development of its \$1 billion Innovation Campus, which it expects will drive commercial demand and will produce highly qualified job candidates that feed the area's growing tech ecosystem.

Second, National Landing's proximity to the Pentagon, an increase in national defense spending and the confluence of defense and technology all combine to make the neighborhood an attractive prospect for defense companies.

Lastly, JBG SMITH is investing heavily in digital infrastructure, including a partnership with AT&T that will provide ubiquitous 5G across National Landing and an investment in a private cellular network.

"That level of digital infrastructure allows companies to come into the neighborhood and showcase their technologies in a living lab type of environment," Ritchey said.

3. Sustainability remains key

As with all industries at present, sustainability is top of mind in real estate, and it is in the nuts and bolts – rather than surface-level design – where the real progress is being made.

"So much of it is in the less exciting stuff from the outside. It's in the mechanical systems, whether it be in curbing energy consumption or water utilization," Ritchey said.

For new construction, JBG SMITH now produces "rigorous" analysis around energy and water utilization in forecasting models and invests substantial time to determine which back-end systems will ensure buildings are both efficient and sustainable.

To continue the conversation:

Janelle Nowak-Santo, Partner, Washington, D.C.

jnowak-santo@brunswickgroup.com