

# THE TENANT EXPERIENCE GAP:

Building Managers and Tenants Look at the  
Future through Different Eyes

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# INTRODUCTION

Commercial Real Estate (CRE) teams work hard – and invest considerably – in the quest for happy customers. But a changing workplace means that tenants keep raising the bar, holding their buildings to new, higher expectations. For them, the space they occupy has become an integral means of attracting and retaining talent. This has led to a surge of new amenities, technology, service offerings, and more as buildings compete in their own attempt win (and keep) tenants.

## **What will matter in the future?**

CRE professionals agree that demand for technological and experiential connectivity will continue to influence the industry for years to come. They also expect that properties that deliver the amenities and services that truly improve the tenant experience will be poised to win in competitive markets. But making the wrong decisions based on speculation and untested hypotheses will be costly in ways beyond just their financial impact.

## **The stakes are simply too high to guess what will keep tenants in buildings.**

At this industry inflection point, Building Engines embarked on an investigation to test common assumptions and clarify what really matters to tenants. We surveyed hundreds of both property management professionals and office workers in order to gain a better understanding of what people expect from the buildings they work in and the teams that manage them.

What we learned was eye-opening. We discovered some considerable disconnects between what property teams prioritize and what tenants really expect, including a few surprising findings about:

- » How tenants want to communicate with building management
- » Which amenities contribute the most to a positive workplace experience
- » What people want to know about the buildings and neighborhoods they work in

By comparing the responses of CRE professionals to those of tenants, we aim to give CRE professionals a better understanding of what amenities, practices, and skills will generate future loyalty from their tenants – the lifeblood of any property.

## This report contains four sections, each addressing an aspect of the tenant experience:

### » **Investment and Amenities:**

Certain amenities are critical to enhancing the workplace experience; others are overrated. Knowing which amenities have the largest impact on the tenant experience will help CRE professionals understand where to make investments (and where to avoid wasting budget dollars.)

### » **Communication:**

Communication is a fundamental part of any customer relationship. As tenant employees are increasingly regarded as direct customers of the buildings they work in, keeping them informed of how they can make the most of their experience will be crucial to tenant loyalty - as will receiving feedback regarding their preferences and satisfaction. Understanding which channels occupants prefer to use will help building managers engage them on their terms.

### » **Security and Access Control:**

Everyone deserves to feel safe at work. As physical and digital security threats against CRE buildings grow, every management team will need plans and procedures in place to safeguard access and information and to keep occupants secure.

### » **Talent:**

Elevating buildings to meet the new demands of tenants means evolving teams accordingly. Building management teams are dedicating more and more resources to enhancing the tenant experience, and many are recognizing the need for new roles and new skills on their teams.

# SUMMARY OF KEY FINDINGS

- 1. Eighty percent** of CRE professionals dedicate at least half their time to improving the tenant experience, but only **28 percent** allocate at least half their operating budget toward the same goal.
- The amenities arms race is on. **Over half** of property management teams are planning increases of at least **10 percent** in both capital and operational spending on amenities next year.
- CRE professionals generally understand which amenities are important to tenants, but tenants rank them differently.
- Not all amenities need to be on-site to deliver value to tenants; some just need to be easily accessible nearby.
- Seventy-five percent** of CRE professionals feel confident that building occupants consistently receive important information from them, but only **25 percent** of occupants agree.
- There are many gaps in how property managers currently communicate and how tenants expect to receive information in the future. For example, **66 percent** of building management teams communicate with tenants via phone today, while only **4 percent** of tenants plan to use this method in the future.
- CRE professionals underestimate how many tenant employees want to know about amenities and services at and near their buildings.
- Commercial building occupants overwhelmingly use messaging tools to keep up with friends and family, and the vast majority expect to do so for business communication.
- Buildings are under-investing in cybersecurity. **More than a third** of CRE professionals expect to increase spending on physical security by at least **10 percent** in the next two years; only **about a quarter** expect to do the same for cybersecurity, despite only **30 percent** having a cybersecurity program in place today.
- Sixty percent** of CRE professionals say their companies have created new tenant-facing roles in the past year, most of which focus on tenant engagement and community management.
- Capabilities in technology and customer service top the list of the skills CRE professionals expect the next generation of managers will need.

# RESULTS & COMPLETE ANALYSIS

## » Investment & Amenities

### Finding 1: Time vs. Money

**Eighty percent** of CRE professionals dedicate at least half of their time to improving the tenant experience, but **only 28 percent** allocate at least half of their operating budget toward the same goal.

Sensing that tenant expectations are changing, property management teams are spending a majority of their time on improving the experience for the people occupying their buildings. But operating budgets do not yet reflect a similar prioritization, as only **about a quarter** of CRE professionals say they allocate at least half of their budgets to tenant amenities.

#### Percentage of Property Management's Time Spent on Improving the Tenant Experience

50% or more

**80%**

#### Percentage of Operating Budget Spent on Amenities

25% or more

**28%**

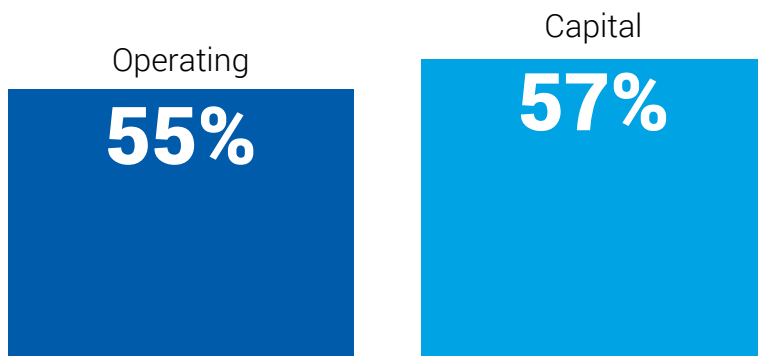
It is true that large line items like utilities and service contracts will always comprise a significant proportion of operating expenses, but this disparity may also suggest a persistent perception of amenities as a capital expense, rather than an operational one. As the industry continues to provide a workplace as a service, it will be important to provide not only spaces but also information and programming for amenities.

## Finding 2: Amenities Arms Race

**Over half** of property management teams are planning increases of at least **10 percent** in both capital and operational spending on amenities next years.

CRE professionals clearly see amenities as a crucial part of the workplace experience they provide their tenants. Over the next year, more than half of them plan to spend significantly (at least 10 percent) more on the amenities they offer. Based on this, it would not be an exaggeration to suggest that building owners and managers are in the midst of an amenities arms race in their efforts to attract and retain tenants.

### CRE Professionals Planning Budget Increases of 10 Percent or More



## Finding 3: Ranking Amenities

CRE professionals generally understand which amenities are important to tenants, but tenants rank them differently.

Deciding exactly which amenity spaces and services to offer can be the difference between standing out as a market leader and blending into the pack. Building occupants and CRE professionals have a general consensus when it comes to the half-dozen amenities that contribute most to a positive workplace experience. However, there are differences in priority between the two groups, with occupants ranking public wi-fi and gyms higher on the list and CRE professionals slightly overestimating the importance of cafés/restaurants and meeting/event space.

**The six most important amenities as ranked by each group of respondents are:**

<b>Rank</b> (Contribute Most to Positive Workplace Experience)	<b>Building Occupants</b>	<b>CRE Professionals</b>
<b>1</b>	<b>Public Wi-Fi</b>	<b>Café or restaurant</b>
<b>2</b>	<b>Gym</b>	<b>Meeting and event space</b>
<b>3</b>	<b>Café or restaurant</b>	<b>Coffee shop</b>
<b>4</b>	<b>Coffee shop</b>	<b>Public Wi-Fi</b>
<b>5</b>	<b>Meeting and event space</b>	<b>Gym</b>
<b>6</b>	<b>Lobby lounge or seating area</b>	<b>Lobby lounge or seating area</b>



CRE professionals and building occupants also agree on a group of amenities they consider overrated. None of these make a significant contribution to the workplace experience, but occupants place very little stock in electric car chargers, while CRE professionals hold them in somewhat higher regard.

**The eight most overrated amenities are:**

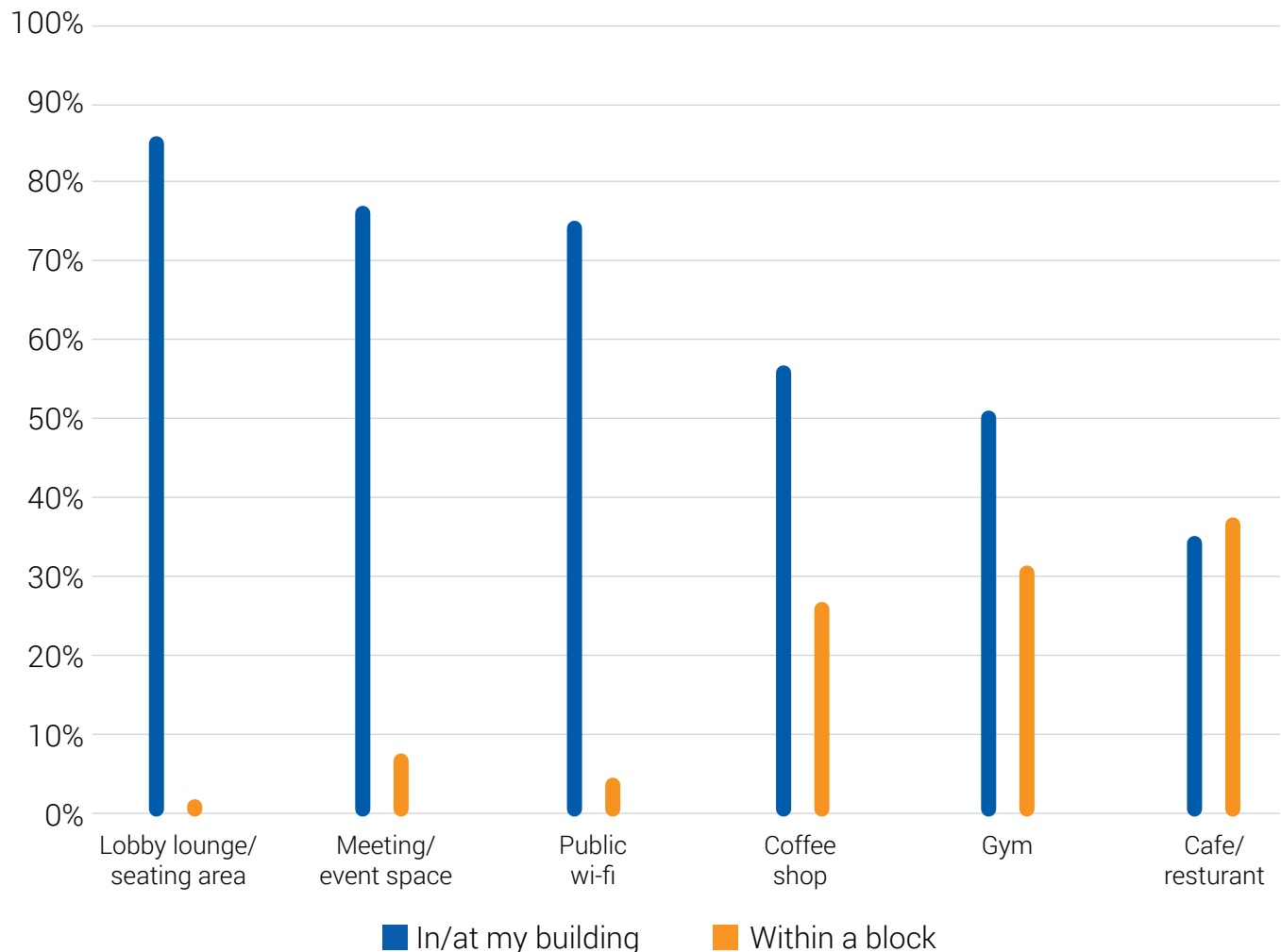
<b>Rank</b> (Contribute Least to Positive Workplace Experience)	<b>Building Occupants</b>	<b>CRE Professionals</b>
1	Nap pods	Nap pods
2	Electric car chargers	Dry cleaning pick up and drop off
3	Car wash	Cell phone charging station
4	Concierge service	Car wash
5	Dry cleaning pick up and drop off	Concierge service
6	Cell phone charging station	Electric car chargers
7	Personal package pick-up	Personal package pick-up
8	Bar	Bar

## Finding 4: Location Matters

Not all amenities need to be on-site to deliver value to tenants; some just need to be easily accessible nearby.

A big part of the tenant experience is convenience. Some amenities, such as meeting space and public wi-fi, need to be onsite to have meaning for tenants and their employees. But others can still offer value if located close enough to the building to be easily accessible.

### Location of Amenities

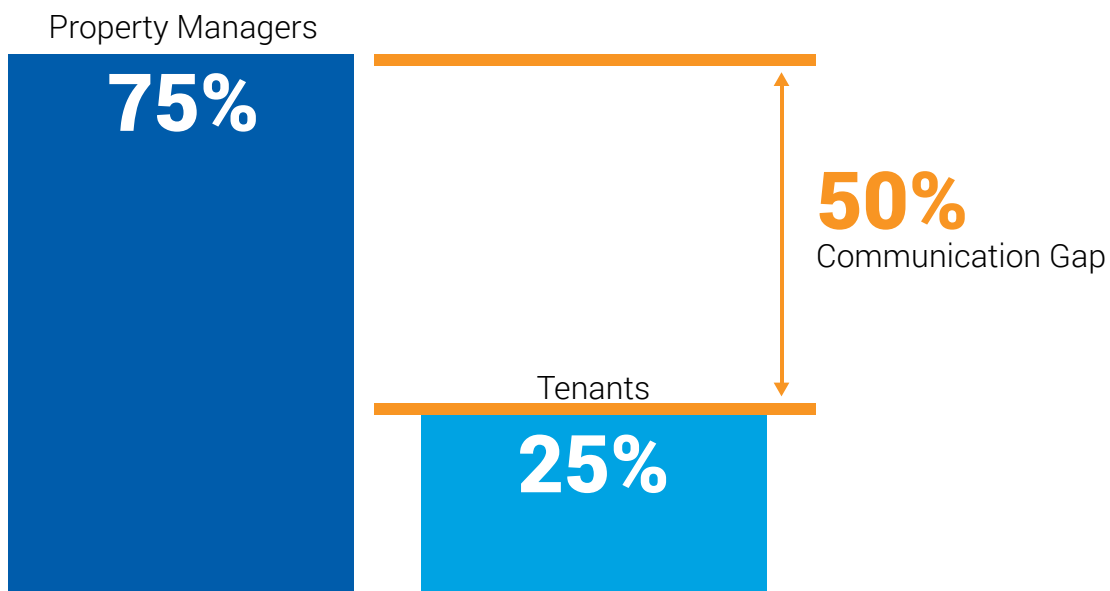


Choosing which amenities to put on site is a complex decision, and the location is a factor. For suburban buildings, the tradeoffs can be steep, as anything not on premise may require a drive. Buildings in cities have the advantage of proximity to many more retail and service options, but as a consequence may find it harder to differentiate themselves through their onsite amenities.

## » Communication

### Finding 5: The Communication Gap

**Seventy-five percent** of CRE professionals feel confident that building occupants consistently receive important information from them, but only **25 percent** of occupants agree.



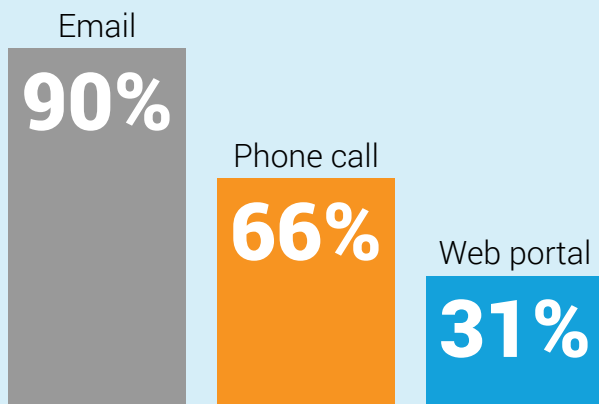
There is a clear disconnect in how effectively CRE professionals perceive themselves to communicate with building occupants and the reality experienced by the occupants themselves. Put simply, building owners and managers are overconfident about their ability to reach tenants and their employees, most of whom regularly miss out on information that would make their experience better.

## Finding 6: Don't Call, Please Text

There are many gaps in how property managers currently communicate and how tenants expect to receive information.

Communication between tenants and building management today is narrow and limited mostly to emails and phone calls, with regular use of web portals for items such as service requests, visitor registrations, and conference/event facility reservation.

### How Building Management Teams Communicate with Tenants Today

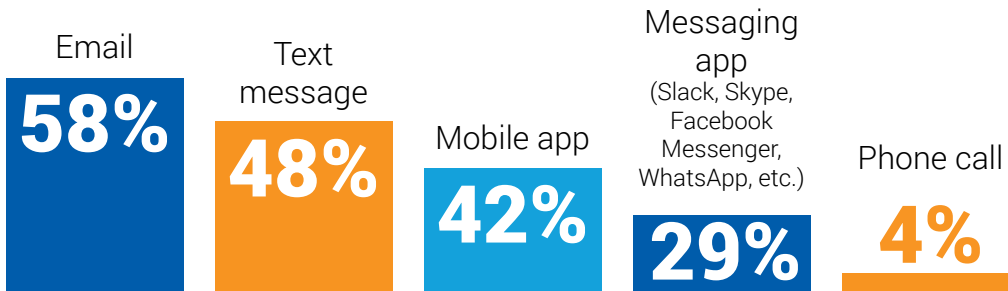


In the future, however, building occupants expect to communicate much more frequently through text message, mobile apps, messaging apps (such as Slack, Skype, Facebook Messenger, and WhatsApp) in addition to email for communication with building management.

These are the channels most are already using to interact with their friends and family members, so it is natural that they anticipate using them to ask questions and receive information in the workplace setting as well.

With only **4 percent** of tenants expecting to communicate with building management via phone, there is a clear mutual desire and opportunity to automate and simplify the communication process while also meeting the need for more effective information sharing.

## Methods of Building-to-Tenant Communication in the Future



Many of these communication changes are due to the generational shifts occurring in commercial properties. In 2015, the Millennial generation became the largest cohort of the workforce, bringing with it new expectations for how a workplace communicates with its tenants. Millennials currently comprise **35 percent** of the American labor force<sup>1</sup> - a proportion that continues to grow.

## Finding 7: What Tenants Want to Know

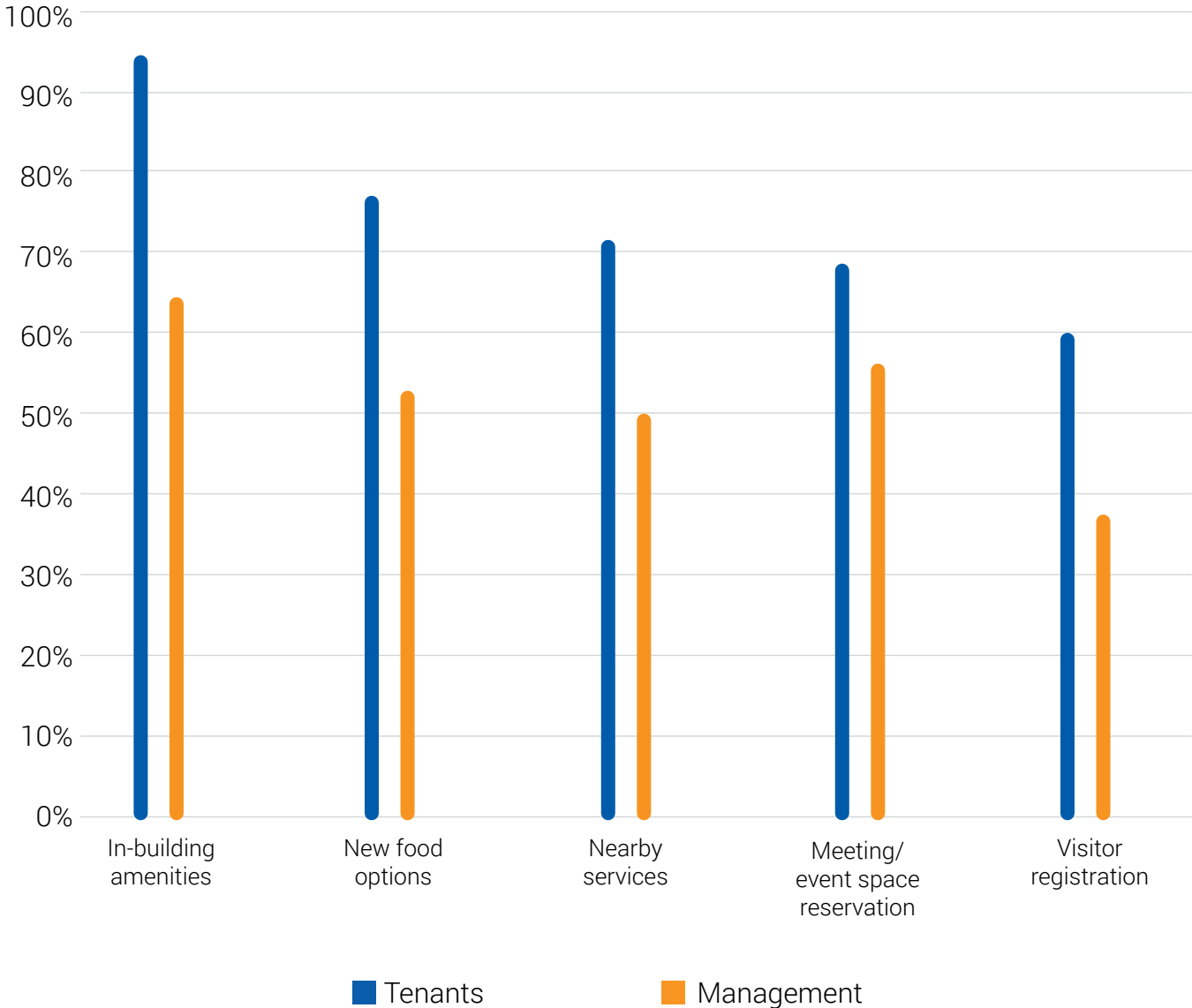
CRE professionals underestimate how many tenant employees want to know about amenities and services at and near their buildings.

The majority of building occupants want to stay informed about amenities, restaurants, and services both in and around their buildings, as well as in-building processes like meeting space reservation and visitor registration. CRE professionals recognize this desire, but underestimate it, perhaps in part because they are necessarily focused more on what happens inside the walls of the building and less on the surrounding neighborhood.

1. Pew Research Center analysis of U.S. Census Bureau data, April 2018, <http://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/>

In our study, **72 percent** of tenants said they want to know about nearby services, while only half of management teams thought this was important information for tenants to know. What's more, **94 percent** of tenants said yes, they want to know about in-building amenities. Only **64 percent** of management teams agreed, illuminating this disconnect.

### What do tenants want to know?

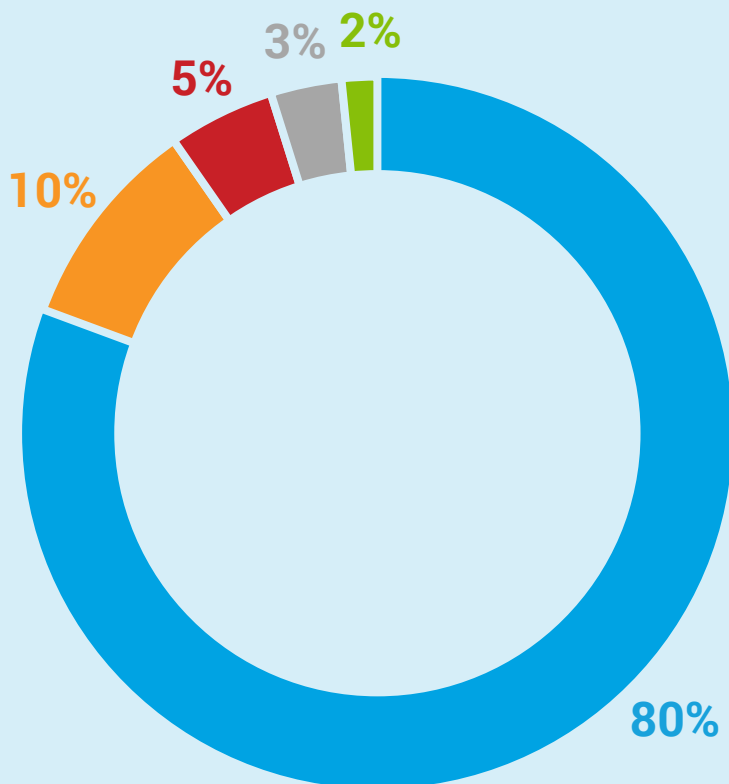


## Finding 8: Messaging is the Future of Tenant Communication

Commercial building occupants overwhelmingly use messaging to keep up with friends and family, and the vast majority expect to do so for business communication.

Messaging is overwhelmingly the most frequent choice of commercial building occupants when they need to keep up with their friends and family members. Far more of them use basic text/SMS or some other messaging app than rely on phone calls, video chat, social media, or email.

### How Tenants Communicate with Friends and Family



- Text/SMS or other messaging app
- Phone call
- Video chat / FaceTime
- Social media (Facebook, Instagram, Snapchat, etc.)
- Email

For most, using the same form of communication for business purposes only makes sense: seventy-three percent say they are comfortable using messaging for communication in a workplace setting. This is an indication that commercial building owners and managers will need to change their current processes and methods if they hope to stay in touch with their customers and provide them with the information they need. If CRE professionals are to offer the experience their tenants want, they will need to meet building occupants on the messaging channels where they are already active.

### **Comfort Using Text/SMS/Messaging Tools for Business Communication**





## » Security & Access Control

A safe, secure workplace environment is a crucial aspect of any commercial tenant experience, though hopefully one that building occupants rarely have to think about. More than four out of five (81 percent) occupants say they feel secure or very secure at work. Nearly a third (32 percent), however, admit that security concerns are increasing as they hear of more high-profile threats against commercial buildings.

### How Secure do Tenants Feel in CRE Buildings?

Secure or very secure

**81%**

**32 percent** of tenants say their security concerns are increasing due to recent events

Most CRE buildings have safety and security procedures in place for physical threats such as fire, natural disaster, and an active shooter. Only 30 percent have established security procedures to address cybersecurity.



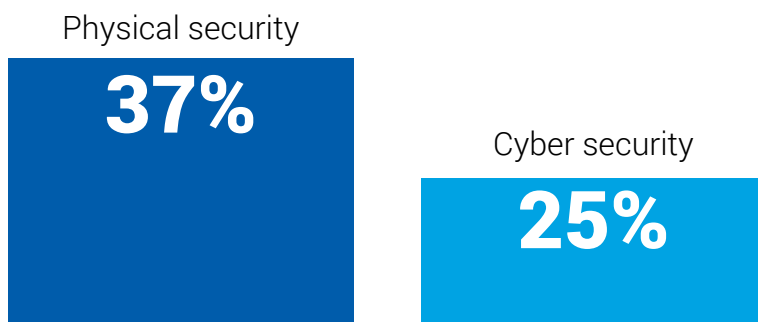
Fire **90%**  
Natural disaster **70%**  
Active shooter **58%**  
Cybersecurity **30%**

## Finding 9: Cybersecurity Lags Behind

**More than a third** of CRE professionals expect to increase spending on physical security by at least **10 percent** in the next two years; only **about a quarter** expect to do the same for cybersecurity, despite only **30 percent** having a cybersecurity program in place today.

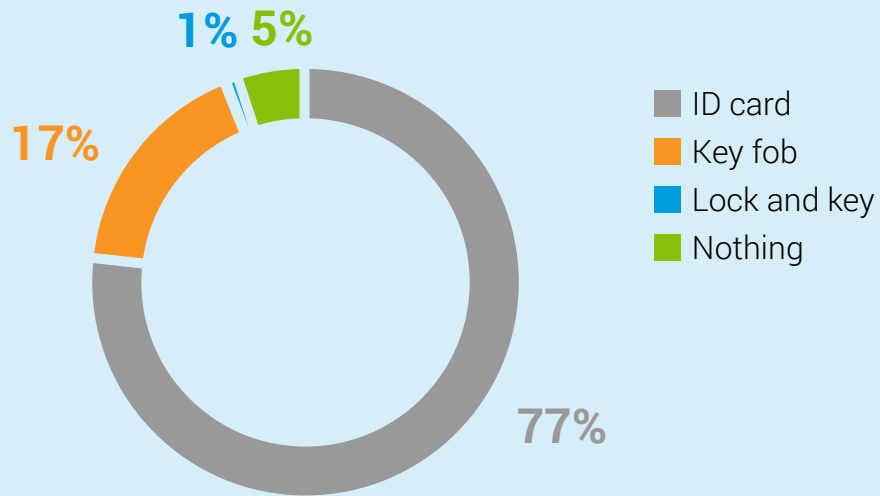
As security threats continue to rise for commercial buildings and their occupants, many CRE organizations are spending more to combat them. Additionally, fewer CRE professionals indicate increasing their spend in the next 2 years on mitigating cybersecurity risks (25 percent), as opposed to physical security (37 percent). With commercial buildings presenting inviting targets to hackers, their owners and managers will need to take care both to reduce the risk of a damaging attack and their liability should one occur.

### CRE Professionals Planning Significant Increase in Security Spend the Next Two Years

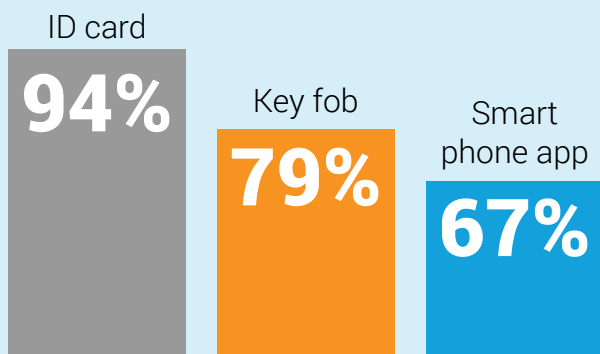


Today, ID cards are prevalent for access control to CRE buildings, but most occupants are open to alternatives, including key fobs or smartphone apps.

### Current CRE Building Access Control

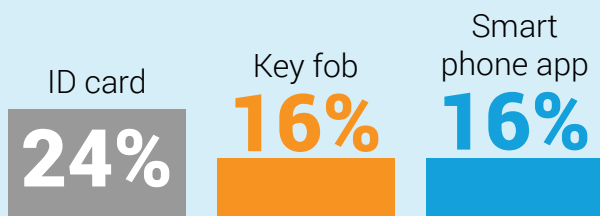


### Comfortable Using to Access Building



This aligns with the plans of CRE professionals. While most do not have plans to implement any new access control systems in the next two years, those who do are looking mostly at ID cards, smartphone apps, or key fobs.

### New Access Control Method Planned in Next two Years



In the future, biometric access control methods such as facial recognition, finger printing, and retinal scanning may become common, but most building owners and managers are not ready, nor are occupants yet comfortable with the ramifications. For now, the industry will continue to use digital methods, with perhaps a slight shift toward smartphone-enabled solutions.

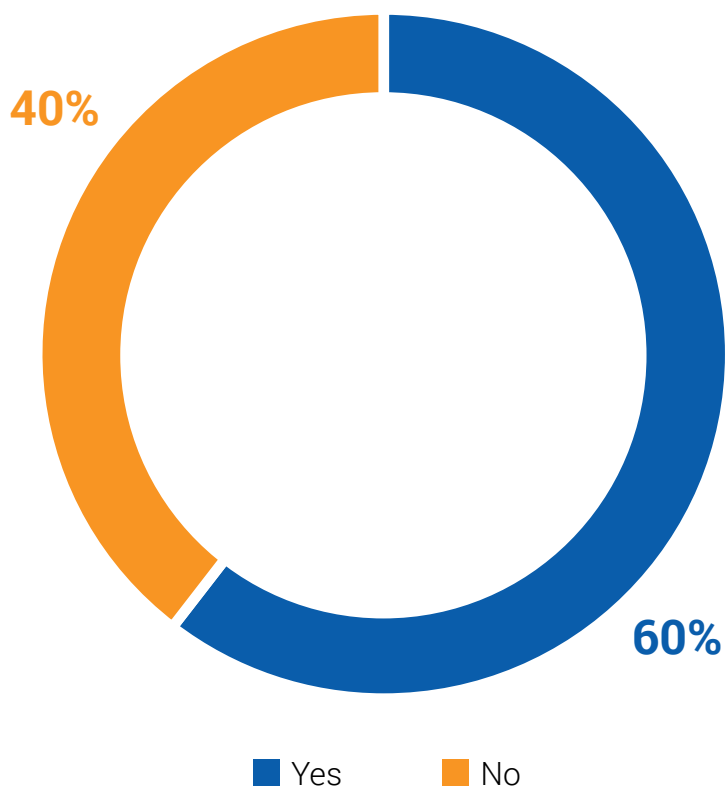
## » CRE Talent

### Finding 10: New Tenant-Facing Roles

**Sixty percent** of CRE professionals say their companies have created new tenant-facing roles in the past year, most of which focus on tenant engagement and community management.

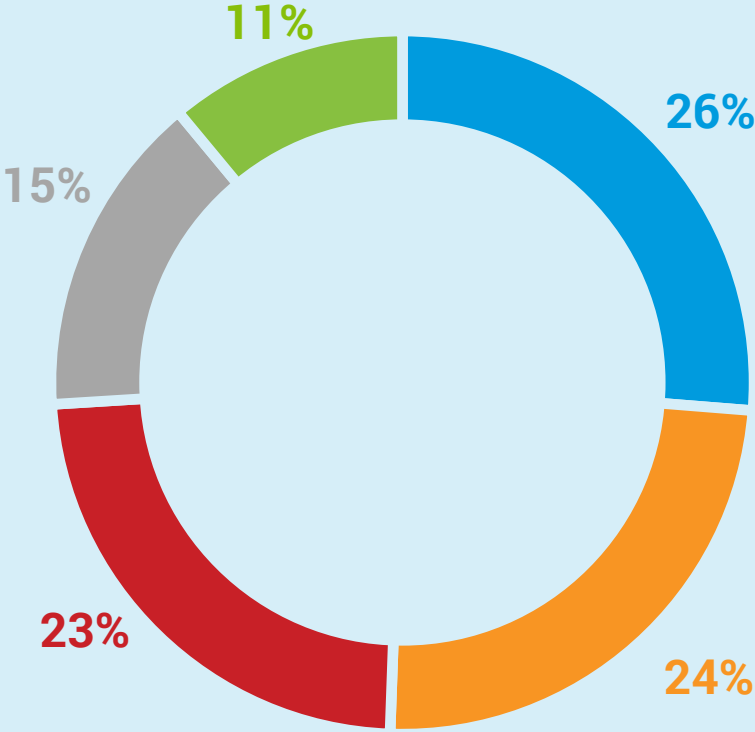
As the workplace continues to evolve more towards a service that contributes to positive employee experiences, a majority of CRE organizations are responding by adding new tenant-facing roles to their teams. These roles are specifically focused in areas such as tenant engagement and community management.

#### Established Tenant Facing Roles in the Last Year



Identifying talent for these new tenant-facing roles is one factor in a larger hiring crisis faced by building owners and managers. **About a quarter** (26 percent) of CRE professionals say that finding a pool of available talent is their biggest hiring challenge, with another **24 percent** pointing to gaps in skills.

### Biggest Challenge in Hiring New CRE Employees

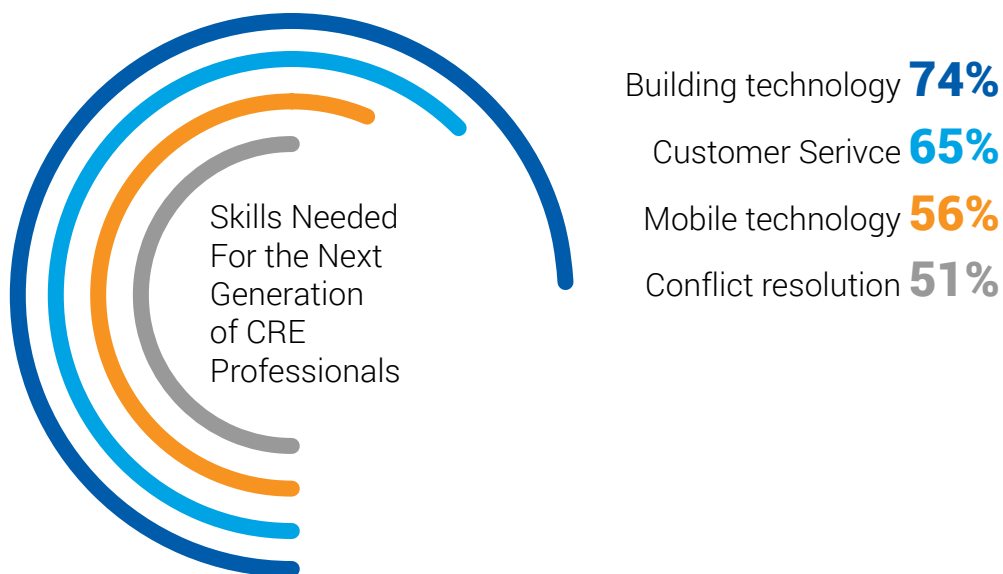


- Identifying a talent pool
- Gaps in skills
- Difference in work ethic
- High compensation expectations
- Cultural fit

## Finding 11: New Skills Are Key for Next Gen Managers

Capabilities in technology and customer service top the list of the skills CRE professionals expect the next generation of managers will need.

The addition of new tenant-facing roles is also indicative of the changing set of skills required for future building management teams. Tomorrow's building management teams will require tech-savvy people with a focus on micro-level customer service commonly found today in the apartment and hospitality industries. With no less need for operational understanding and financial knowledge, the competition for human capital will only intensify.



# CONCLUSION

## There are two sides to every story.

In the story of the CRE tenant experience, there are clearly some areas of alignment between building management teams and the tenants they serve. Both understand the importance of amenities, security, and communication. Both know that a building represents more than physical space – it is how companies acquire new talent and keep employees happy.

However, as this research reveals, there are still major disconnects between these two parties.

Building Engines is committed to helping every management team operate with the kind of efficiency and effectiveness required to deliver a great tenant experience. To help close some of the gaps uncovered by our research, we recommend the following:

1. Invest in those amenities that truly matter to tenants, not trends.
2. Consider that amenities are not only a capital expense – the best ones require ongoing programming and support.
3. Communicate with tenants on the messaging platforms they prefer.
4. Tell tenants what they want to know about both on-site amenities and what is available nearby.
5. Continue to prioritize tenants' safety and sense of security in the building, but keep sight of the importance of cybersecurity.
6. Invest in new, tenant-facing roles focused on tenant engagement and community management.
7. Hire talent with technology and customer service chops; these skills will define the next generation of building management that tenants want.

Many property teams are asking “what is the future of the tenant experience?” This research provides some answers that may surprise CRE professionals. Those that win in the future will not be the ones who race to follow the crowd toward sameness, but those who look at the question through the eyes of their customers.

# METHODOLOGY

In October 2018, Building Engines conducted a survey of CRE professionals and tenant employees in multi-tenanted CRE buildings across the United States.

The CRE professional respondents represented predominantly property managers and maintenance engineers from a combination of organizations that own and manage CRE properties. Tenant employee respondents all work in commercial buildings in both major cities and suburbs.

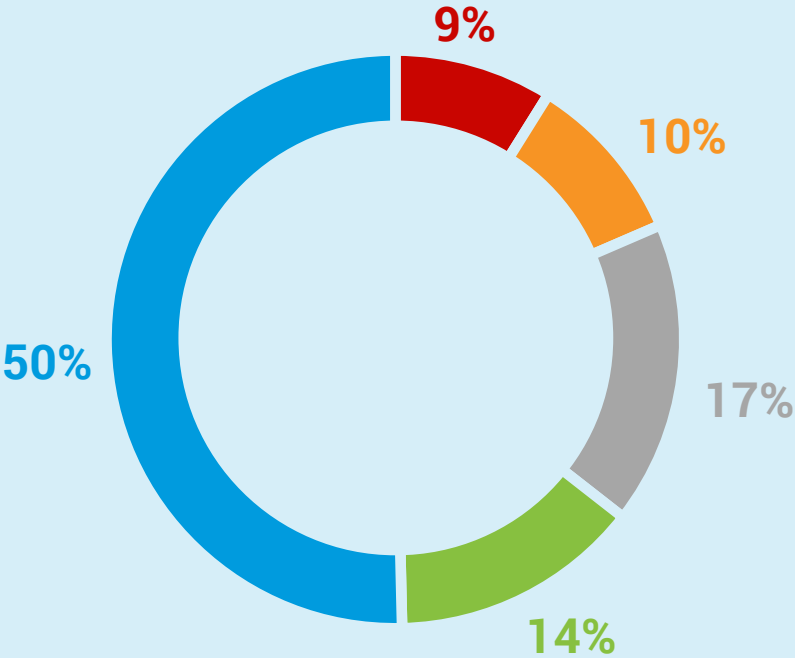
The survey launched on October 15, 2018 and remained open until October 22, 2018. The survey was promoted directly to CRE professionals and tenants through email and social channels to gather responses.

All participants were guaranteed that their individual responses would remain confidential. They were also promised that they would be among the first to see the results of the survey. The survey received over 600 valid responses.



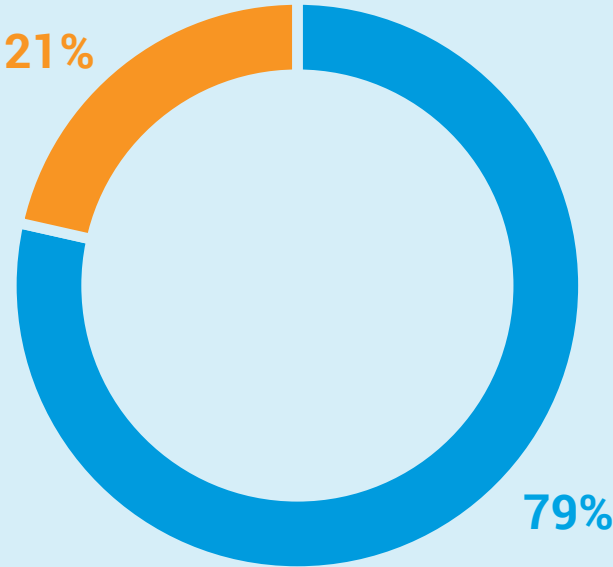
# Respondent Profile for Tenant Employees

## Tenant Respondent Role



■ C-level   ■ Vice president   ■ Director   ■ Manager   ■ Individual Contributor

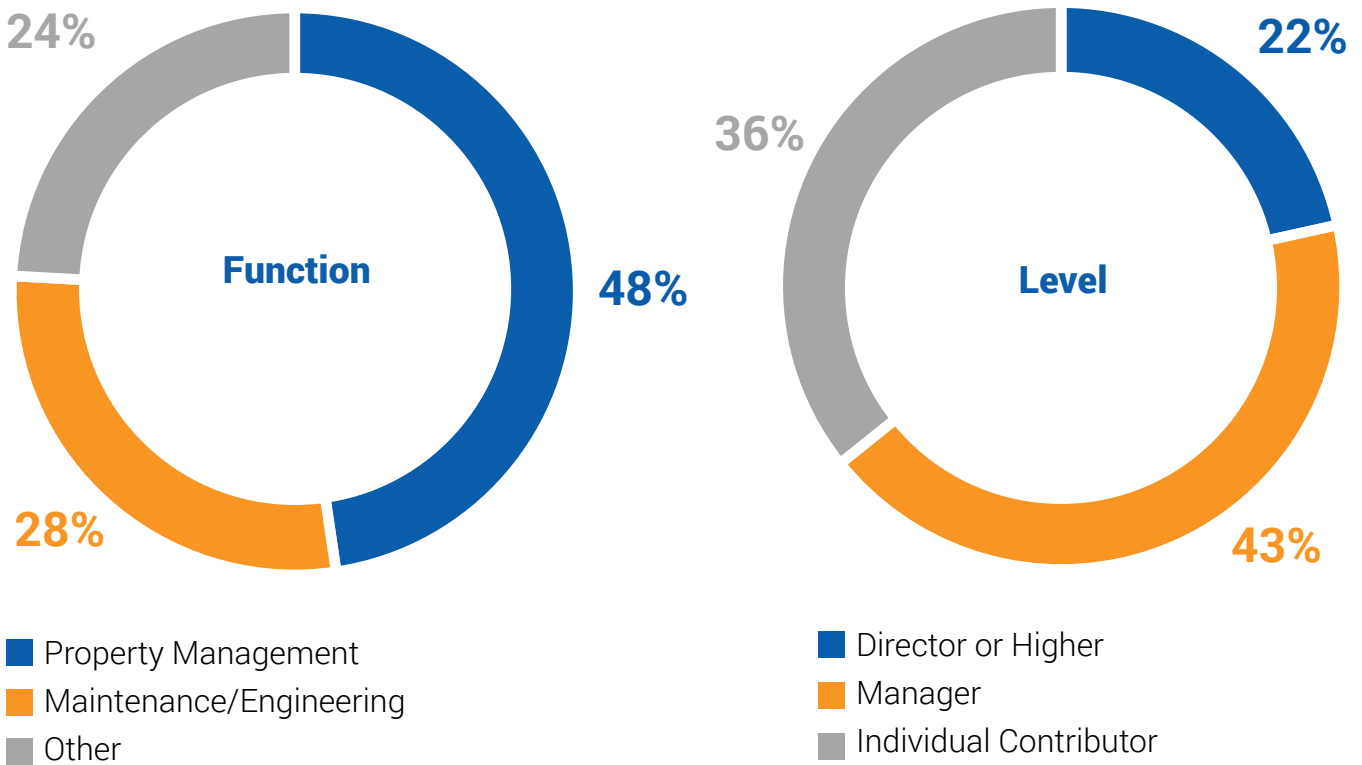
## Tenant Respondent by Building Location



■ Major city   ■ Suburb

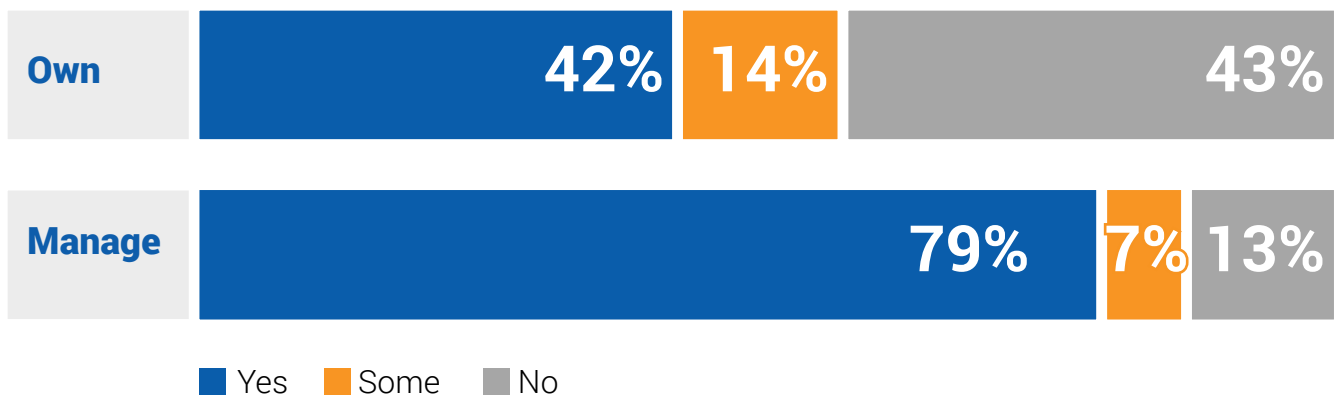
# Respondent Profile for CRE Professionals

## CRE Professional Respondent Role



## Building Ownership and Management

### Does your company own/manage the building(s) you work in?



# ABOUT BUILDING ENGINES

As a leading technology provider in the world of commercial real estate (CRE), Building Engines has been at the forefront of the changing tenant experience. We understand how important tenant satisfaction is to CRE professionals and building management teams. We deliver the CRE industry's most innovative web and mobile portfolio management platform to enable building management teams to connect with tenants and understand what they truly want from building management.

The Building Engines platform provides building management teams with the data and insights they need to improve operational efficiency, mitigate risk, and measure and improve tenant satisfaction to make better, more informed decisions. Our clients include many of the leading public REITs, private owners/managers, and third-party management firms in the United States and Canada operating multi-tenant commercial office, medical office, retail, and industrial properties.

For more information about Building Engines please visit: [www.buildingengines.com](http://www.buildingengines.com).



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Future through Different Eyes

