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Refitting Vacancy for the Creative Industry; A Strategy to Create and Maintain a Creative Community

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Abstract

The high vacancy rate in the office building market in the Netherlands is mainly explained by an overproduction of office space. The demand is expected to decrease further due to aging of the population, a changing economy and the decreasing need for space. A possible new end-user is the creative industry. The different working standards of this industry lead to different use of office space than the large-scale offices of the production economy. Adaptive reuse can create a solution for the need of new accommodations in this part of the office market. In this research a strategy has been developed that explains which characteristics a vacant office building must meet to be reused for the creative industry, which facilities it must offer and how tenants should be selected and managed. The possibilities have been researched by a detailed literature research, three in-depth case studies with successful redevelopments for the creative industry in Eindhoven, Rotterdam and Amsterdam and interviews with several experts in practice.

1. Introduction

The aim of this research was to come up with a solution for the mismatch between supply and demand. The supply of vacant property does not match the demand of the creative industry (see Figure 1). The current supply is insufficient on different levels. What problems the property owners encounter during vacancy have be examined on the operational levels of property, facility and community management by means of literature research, case studies and interviews. To find out where exactly the mismatch in the market is, the user preferences of the creative industries are examined and categorised under the same three levels, by means of interviews that are based on previously investigated office user preferences. This way, supply and demand can easily be compared and will show where the problems lie and what level needs most attention.

To structure the research, the DAS frame is used as input. In case of a mismatch between supply and demand, the framework can help structuring the strategy design process (Arkestein, 2010). Alternatives are weighted and selected to come to a new or adapted supply and accordingly a step-by-step plan is designed. The strategy focuses on those points that are crucial to create a match between supply and demand and will therefore again be structured under the three management levels. Property and facility management are

static levels that result in a checklist of requirements. Community management is a more dynamic level and results in an advice.



Figure 1: Development strategy for matching demand and supply for the creative industry

1.1 Real estate owners

A real estate owner has three main types of objectives (Gool, 2007). These are the direct and indirect return on investment, risk, and non-financial objectives. Logically, vacancy has a negative influence on the portfolio of an owner. Vacancy generates no income and therefore no return on investment. The increasing vacancy rates lower prices and owners must be willing to upgrade the quality of the building in exchange for new leases. Since vacancy reached a peak of 16% in 2015, the tenant has a strong negotiation power. Lower rents are asked and more services need to be included in the rental price. On the other hand, owners still aim for a higher rent to generate as much income as possible and to increase the value of the property (French, 2010). This causes a conflict between the owner and the tenant.

When it comes to vacancy, the consequences in general are higher for the owner-occupier due to the large amount of own invested capital. The investors often have limited amount capital invested in the property; other parties such as banks finance the remaining funds. Vacancy however does not only result in financial problems. It reduces the vitality and value of neighbourhoods, and may aggravate social problems. Vacancy, impoverishment, insecurity and poor image reinforce each other, so the problems continue to increase. The area is in a tailspin and the longer the vacancy lasts, the greater the problems eventually become (Patti, 2015, Schalekamp, 2009).

1.2 Three management levels

Property that is being adapted for the creative industry should be managed on three levels: property management, facility management and community management. The property management focuses on adaptation, maintenance and management of the property (Kyle, 2000). The aim of facility management is to provide services at a competitive cost and with a high quality, in such a way that it improves the value of an organisation. Hereby it is crucial that the work environment enhances communication and cooperation, which in return lead to a higher productivity (Bijering, 2010).

The third level of community management is added specifically for the purpose of developing for the creative industry and to differentiate from office types that are now commonly available. Other than large corporate businesses that fulfil several functions within one company, businesses within the creative industry are small

companies that focus on their core business only and often have limited knowledge about other fields of work. A network of businesses within the creative industry creates physical and social connections between the businesses that will help enlarge their network, improve knowledge and increase productivity. The community manager will create, maintain and enlarge this network and provides tenants with services that go one step further than 'normal' multi-tenant office.

The inability to meet the requirements that are placed on one or more of these layers of management leads to a negative appreciation of the building by its users, with vacancy as a possible result. To prevent this, the strategy that has be developed covers all three layers, but specifically focuses on community management since this level exceeds the offering of standard office space, of which there apparently is too much.

1.3 Creative industry

The creative industry is the fastest growing sector in the Netherlands and therefore chosen as end user. The past has shown that the industry is a pioneer for working standards, which are later often picked up by more conventional companies and new generations of workers. This makes that developing for the creative industry now, could mean that in the future developed offices are suitable for different sectors. Also, accommodating the creative industry has a positive effect on the surrounding area and therefore the social value of a property. The creative business services are chosen as specific sub-sector since it is the largest sub-sector, but also since it is expected that the preferences of this group best suit accommodation in more standard office concepts.

2. Workspace preferences

The preferences of office users keep changing, due to different working standards. Traditional office concepts like the office garden have been invented many years ago and the cellular office or group office are nowadays still frequently used. Along with the New Way of Working comes the need for more innovative concepts. The individual workspace is disappearing and workspaces and facilities are more frequently shared. Throughout the years, many researches have been conducted on the preferences of office users and the creative industry in general. However, almost no research is done on the user preferences of the creative industry specifically.

When only looking at the preferences conducted from literature research, it appears that the preferences of the creative business services are broadly similar to those of the 'general' office user, which confirms the assumption that this group is suitable for accommodation in vacant offices. The research of Remøy and van der Voordt (Remoy, 2014) confirms this statement. Traditional factors like accessibility by car, extension possibilities, and location and building image are important factors for both larger organisations and the creative industry. Environmental issues are increasingly being high ranked. Factors that are found to be far more important by the creative industry than the 'general' office user are accessibility by public transportation and bike, multi-tenant buildings and ICT and meeting facilities.

3. Case studies

Before developing the strategy, three cases are studied to learn from successful redevelopments for the creative industry. The cases that are selected are *Strijp-S* in Eindhoven, the *Schieblock* in Rotterdam and the *Volkskrant* building in Amsterdam (see Figure 2). Although the cases seem very similar, there are many differences that offer a good insight in aspects that make or break a project. The tenants of *Strijp-S* and to a

lesser extend those of the *Schieblock* have been selected based on various selection criteria. This creates a community of tenants with complementing expertise. Skills and knowledge can be shared, ensuring that companies can engage in bigger and more complex projects. The *Volkskrant* building does not have specific selection criteria, other than being creative. This makes that this case is just a multi-tenant building for creative companies and does not offer what makes the other cases stand out; a network of companies that reinforces each other. The case of Rotterdam shows the importance of an appointed manager that can be approached for all sorts of matters.



Figure 2. Klokgebouw (Eindhoven), Schieblock (Rotterdam) and Volkshotel (Amsterdam)

Another aspect that becomes clear from the case studies is that the physical aspects of the office are relatively unimportant. Being able to reflect the organisation's identity onto the office or being able to grow or shrink within the building is found significantly more important than high ceilings or the building shape. For the facilities, the rule applies that all facilities are desired, unless they affect the rental price. This means that the facilities offered should support the companies in their daily activities and enhances communication and cooperation.

4. User preferences

Since the literature review shows that only limited research is done to the user preferences of the creative industry, this study investigates several creative companies about their preferences. The creative people are asked to score the preferences Arkenbout has listed in his study on a scale from one to ten (Arkenbout, 2012).

4.1 Location

The location characteristics (see Figure 3) are ranked between one and ten. According to the interviewees, accessibility and the proximity of restaurants or cafes are the aspects they value most when choosing an office location. Therefore, these factors are of decisive importance for the strategy. Safety, parking, quality of the public space and the proximity of shops, activity and cultural facilities are scored between six and eight and are therefore of average importance when considering a location. As proximity of housing is scored below six, this aspect is not taken into consideration in the choice.



Figure 3. Location preferences (Van der Hoek, 2016b)

4.2 Building

Characteristics that are of decisive importance when considering a new office are interior representativeness and layout flexibility. These factors are ranked higher than an eight by the interviewees (see Figure 4). Characteristics that are of average importance are small lettable work units, a multi-tenant building, comfort, technical status, recognisability and exterior representativeness. Characteristics that are not taken into consideration are building shape and floor height.



Figure 4: Building preferences (Van der Hoek, 2016b)

4.3 Facilities

The facility preferences concern the facilities that should or should not be offered at the office and if they should or should not be included in the rent. Figure 5 shows the facilities of which literature indicates that they are most appreciated. The interviewees value Internet connection, monthly terminable contracts, security and cleaning services most. Therefore, these facilities are standard available and will be included in

the rent. Facilities that are found unnecessary or superfluous are a reception, vending machines and textile care. The other facilities are of average importance and should therefore be optionally available.



Figure 5: Facility preferences (Van der Hoek, 2016b)

5. Community

During the interviews with the users, the interviewees were asked how they think tenants should be selected, managed and treated and what a thriving community would mean to them. This section discusses the most important statements given by the creative businesses.

5.1 Tenant selection

"If people with different expertise, but within one sector are put together, they will focus on their own development, but they can easily, quickly and often make use of each other's strengths. This way, people themselves are getting better and as a whole you will create better projects" (Van der Hoek, 2016a).

The above ensures support instead of competition. Companies can engage in larger and more complex projects or simply ask for tips or feedback. Apart from helping each other by means of services, each other's presence is also appreciated. Moral support and exchanging experiences helps building up the confidence that is needed for small companies to complete projects. Placing multiple smaller organisations within one building or one floor makes it easier to establish these contacts and to possibly enter into (temporarily) partnerships.

5.2 Support system

Creative people are nomads. As mentioned before, the rental price is the most important decision criterion and companies will move when cheaper offices are available nearby. In order to retain the tenants, they state that something 'special' should be offered. By making tenants part of a community that helps them grow as an organisation and supports them in their day to day activities, they not only attach to the physical work environment but also to the other tenants that are part of that environment. This way the community becomes more valuable than the lowest rental price. Besides sharing knowledge and expertise, office space and facilities can also be shared. Especially for smaller companies, sharing offices and facilities helps reducing costs. Particularly one-man businesses indicate that they feel comfortable working at shared work floors.

5.4 Tenant's freedom

Tenants want to have the freedom to establish new ideas and to make adjustments to their work environment. It is hard to design or 'plan' a certain atmosphere. By letting tenants leave their mark on the office, there will naturally arise an atmosphere that matches the behaviour and image of the tenants.

5.5 Community manager

If a manager is present, it is important that this is one familiar person that often shows his face. This way tenants know whom to address when issues arise. It is important for the manager to keep tenants informed on any developments that might concern the tenant and his residency in the building. Moreover, tenants should be able to give their opinion about or have a saying in any new developments. This way the manager gains more trust and minor issues sooner will be accepted.

	What	When	Who	How	
Level 1.	Property management				
Goal	Determine development potential based on location and building characteristics				
Step 1	Rate location characteristics	Initiative phase	Owner	Fill in checklist for the location in question (see Par. 8.1)	
Step 2	Rate building characteristics	Initiative phase	Owner	Fill in checklist for the building in question (see Par. 8.2)	
Step 3	Determine potential	Initiative phase	Owner	Checklist determines score automatically for both location and building	
Level 2.	Facility management				
Goal	Offering facilities that support tenants in their daily activities and increases their value				
Step 4	Offer facilities	Development phase	Owner	Provide the facilities that are listed in the strategy (see Par. 8.3)	
Step 5	Determine regulations for optionally available facilities	Start operational phase	Manager, tenants	Let tenants, in collaboration with the manager, decide the regulations for the use of the optionally available facilities mutually	
Level 3.	Community management				
Goal	Advising the manager on how to create and manage the community				
Step 6	Assign manager	End development phase/ Start operational phase	Owner	The owner can decide to take on the role of the manager, he can engage an external party or assign a willing tenant	
Step 7	Set up management plan (based on advice)	End development phase/ Start operational phase	Owner, manager	The manager, in collaboration with the owner, has to set up a management plan that is based on the advice given in the strategy (see Par. 8.4). All the aspects mentioned should therein be addressed.	
Step 8	Follow up management plan	Operational phase	Manager, tenants	The manager should consistently follow up his management plan throughout the entire operational phase of the office	

6. Development strategy for accommodating the creative business services

The final result of this research is a strategy that aims at accommodating the creative business services within the vacant office stock and to create a community of creative businesses that reinforces and motivates one another to become smarter, better and bigger. The strategy is designed for owners of (partly) vacant offices and explains according to three levels of management what location and building characteristics the property must meet, what facilities have to be provided to support businesses in their daily activities, and how a creative community can be created and managed. The strategy tackles these three levels: property management, facility management and community management (see Table 1).

6.1 Property management

The level of property management will determine the development potential for both the location and the building itself. By filling in two checklists, one for the location in question (see par. 8.1 Property Management – Location characteristics) and one for the building in question (see par 8.2 Property Management – Building characteristics), a score will be determined that will tell if the office has a high potential for a successful development, an average potential or a low potential.

6.2 Facility management

The facility management level is about facilities that should be offered to enlarge the productivity and profitability of the businesses, to add value to the business and to increase the user satisfaction. Distinction is made between facilities that are standardly available and optionally available. The standardly available facilities should be available to all tenants and therefore be included in the rent. The optionally available facilities concern facilities that should be available at the office, but its use will be at additional costs or services. See par. 8.3 (Facility management) for an overview of standard and optional available facilities.

6.3 Community management

An important aspect of adding value is the 'people' value. Community management focuses on the relation between the tenants and the building, but mainly on the establishment of relations between tenants mutually. See par. 8.4 for the advice given for the manager and the tenants.

7. Conditions

To establish whether the building in question is suitable for attracting tenants within the creative business service-sector, the property score must at least be average and preferably high. To achieve the best results in attracting and retaining creative businesses, the following points should be taken into account as accurate as possible:

- There is a mandatory set of facilities to be offered.
- Other (additional) facilities have to be brought in relation to the rent level, which should remain as low as possible.
- The offered facilities should support tenants in their daily activities and increase their productivity and profitability.
- The designated manager should execute management plans consistently during the operational period.

8. Checklists

8.1 Property Management – Location characteristics

The checklist of location characteristics is the result of research into the location preferences of creative business services. The checklist must be completed for the specific office location (see Table 2). The final score will tell if the location has a high, average or low potential for successful accommodating the creative industry.



Decisive importance	
Accessibility	
By bike	Cycling paths present
	Yes
	No
By car	Proximity of highway
-	Distance to nearest exit
	< 1000m
	1000m - 5000m
	> 5000m
By public	Proximity of bus, tram or subway Proximity of train
transportation	Distance to nearest stop Distance to nearest stop
	< 500m < 500m
	500m
	500m - 1000m 1000m
	> 1000m > 1000m
Restaurant or café	Distance to restaurant or café
in proximity	< 500m
in proximity	500m - 1500m
	> 1500m
Average importance	
Shops in proximity	Distance to daily amenities Distance to retail
Shops in proximity	< 500m < 500m
	500m -
	500m - 1500m 1500m
	> 1500m > 1500m
Activity in proximity	Distance to creative companies
лов. тоў тара салануў	< 500m
	500m - 1500m
	> 1500m
Cultural functions	Distance to cultural functions
in proximity	< 500m
in proximity	500m - 1500m
	> 1500m
Parking	Parking lots Bicycle storage
, annig	Yes Yes
	No No
	Liveliness of
Safety	area
	Vibrant public space
	Overlapping functions working & living
	Lighting
Quality of	Social environment Distance to public square Lighting
public space	a. Is vandalism present? < 500m Yes
	b. Facades with graffiti? 500m - 1000m No
	c. Is much litter present? > 1000m
	Degree in 500m radius
	0 x yes
	1 x yes
	2 or 3 x ves

8.2 Property Management – Building characteristics

The checklist of building characteristics is the result of research into the building preferences of creative business services. The checklist must be completed for the respective office building (see Table 3). The final score will tell if the building has a high, average or low potential for successful accommodating the creative industry.





8.3 Facility management

The facilities are divided into two groups. The first group of facilities should be standard available and are therefore included in the rent. The second group of facilities should be optional available. This means that the facilities themselves should be offered, but their use will be at additional costs or services. In most cases, tenants, manager and owner can mutually determine the rules for use.

Standard available

These facilities should be standard available and be included in the rental price (service costs).

• Internet (Wi-Fi)

Wi-Fi should be available to all tenants. Being able to connect to the Internet at any place or time is an important aspect for the creative industry.

• Monthly terminable contract

Contracts can be terminated with a one-month notice. This form of flexibility supports the changing nature of creative businesses.

• Basic security

This concerns security cams and alarms. Any additional security can be used but may lead to an increase of the rental price.

• Basic cleaning

This includes cleaning of sanitary, common spaces and available kitchenettes. Tenants are responsible for the cleaning of their office space.

Optional available

These facilities are available against extra costs or services.

Restaurant or café

Creative companies prefer a restaurant of café in or nearby the office. If a restaurant or café is located within the building this should be an independent operating business, that is separated from the office and open to the public. Therefore, this feature is preferably located in the plinth. Tenants are free to choose if they'll make use of this facility.

Coffee corner

Per floor at least one coffee corner should be available. Tenants and manager can make agreements mutually on the use and purchase of coffee, tea and other goods.

Repro facilities

Printers should be provided on shared floors and potentially on floors with small offices. Tenants can make agreements mutually on the purchase of paper or any other accessories

• Meeting places

At least one meeting room should be available, depending on the size of the office building. The room(s) should be available to all tenants, with the use of a registration system. There are several possibilities for the use.

All facilities offered have to be brought in relation to the rental price. The rent should remain as low as possible. The facilities offered are to support the community. If they do not so, they may be omitted. Traditional offices often contain facilities like a reception, one or more canteens and large conference rooms. These facilities take up many square meters that cannot be rented out and are therefore very expensive. Such facilities are redundant within a creative community and should be transformed into offices or other, more desired facilities

8.4 Community management

This part of the strategy concerns an advice on the management of the creative community. The advice is built up in several sections. The first section tells who should be the manager and for which tasks he is responsible. The second section is about tenant selection and management and the third sections are about the physical and social connections within the community. The fourth section concerns the financial model and the rental price (not presented in this paper). The advice should be followed as accurate as possible to achieve the best result.

Manager

The manager of the creative community can be the owner, an external party or a designated tenant. It is important that the manager is one familiar person that is approachable for all matters and is regularly present at the office. The manager is responsible for the supervision of the following matters:

- The manager is responsible for the tenant selection.
- The manager is the contact person for the tenants. He can be approached for any complaints, questions and suggestions.
- The manager has a passive-active role in building and maintaining the community. This means that he is available for the contacting of tenants when this is desired, but the initiative must lie with the tenants themselves. Periodic meetings can facilitate these contact moments.

Tenants

In order to create a working community, it is important to select a specific range of tenants. All tenants should be working in the same sector, which in this case are the creative business services. Their range of expertise should be as wide as possible. Various businesses with a single profession create competition, whereas various professions can reinforce each other. A thriving community cannot be planned. It is important that there is room for a natural course of developments where tenants are given the opportunity to express their own identity. Tenants must have the freedom to leave their mark on the office by allowing them to make adjustments (if reversible).

Furthermore, tenants should be stimulated to come up with initiatives to improve and enliven the building. Within a community, every member has an equal share of responsibility. For this reason, it is important to keep tenants informed on any developments that concern their accommodation, and to include their opinion in the process.

9. Conclusions and recommendations

There currently is a mismatch between the supply of vacant offices and the demand of the creative industry. This mismatch exists on three levels: on property level the offices are functionally obsolete, on facility level there is an abundance of the right facilities or the facilities are unsuitable, and on community level there is the inability to attract the creative industry due to a lack of tenant selection and management. The strategy that is designed in this research attacks the problems on these three levels and tries to solve the mismatch. The goal of the strategy is to accommodate the creative business services within the vacant office stock and create a community of creative businesses that reinforces and motivates each other to become smarter, better and bigger. Based on this research a number of recommendations can be made. On the one hand, these are recommendations for the adaptation of vacant offices for the creative industry and on the other hand recommendations for future research. Both recommendations are discussed below.

Practice

This section contains recommendations for the owners of vacant properties on the use of the strategy, partly based on recommendations by professionals in the field.

• According to Van der Salm (Van der Salm, 2016) it is important to set demarcations as an owner/manager for the input of tenants in order to avoid endless discussions. When 'hard' subjects can

be solidified by means of numbers, numbers of people or amounts of money, a reasoned decision can be made. 'Soft' subjects like emotional issues are personal and therefore poor arguable. As a manager, do not go into discussions on such matters and keep in mind that the manager makes the final decisions.

• The owner must not try to regulate too much. By giving the tenants responsibility, a community will be created in which everyone contributes equally. This will allow tenants to participate more actively, be less critical and at the same time leave their mark on the building, which will increase the appreciation.

Research

There are aspects within this research that can be examined more thoroughly and/or have not yet been included in this study. Following are the recommendations for further research, which arise from the knowledge gained.

- Where the location and building characteristics are quantified, this is to a lesser extent or not the case for the facility and community preferences. To ensure that the strategy can be applied and tested more easily these preferences will have to be quantified.
- The strategy now is specifically designed for the creative business services. It can be expected that the strategy will also be applicable for other industries. Further research can show which aspects of the strategy are general and which are industry-specific. By knowing this the strategy can be generalised and applied for any other sector, when the industry-specific information is known for the industry in question.

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