The Weekly Take

A Kind of Magic: Inside Charter Communications' Real Estate Strategy

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Spencer Levy
With 25 million square feet of property, not to mention a fleet of 30,000 trucks that need to be parked and maintained, our guests have some of the biggest and most varied real estate needs of any occupier we've had on the show. On this episode, real estate leaders from Charter Communications – perhaps more familiar as the owner operator of the Spectrum Cable brand – on the ways real estate is a foundation for business efficiency.

Carrie Walters
I feel like our business leaders are truly partners with us. They share their strategy so that we can align real estate to what they're trying to accomplish.

Spencer Levy
That's Carrie Walters, Vice President of Real Estate and Portfolio Planning for Charter Communications. Carrie covers strategic planning, transactions, property administration, and more for a company that provides mobile, video, and voice services across 45 states.

Mike Reid
We do try to look as comprehensively as possible at the business strategy and make sure that we can formulate a real estate approach that helps support the efficiencies that we need, how do we better service our customers and the communities that we serve.

Spencer Levy
And that's Mike Reid, Senior Vice President of Corporate Services, a role he describes as an umbrella within the organization, covering real estate, facilities and fleet management, along with a host of other operational functions that ultimately serve Charter's 37 million connected customers. Coming up, inside the real estate strategies and tactics of a Fortune 500 brand, one of America's largest companies and how they evolved to serve both corporate needs and customer relationships on a massive scale. I'm Spencer Levy, and that's right now on The Weekly Take.

Spencer Levy
Welcome to Denver, and we are delighted to be taping with Charter Communications, talking real estate, Carrie Walters. Carrie, so good to see you.

Carrie Walters
So good to see you, too. Thanks for having us.

Spencer Levy
And then Mike Reid. So glad that you're out here. Thanks for having me today.

Mike Reid
Thank you for being here, Spencer.

Spencer Levy
Well, Carrie, give us a sense of what is the size and scope of the Charter Communications portfolio. What do you own? What do you manage? What do you do?

Carrie Walters
So we have, rounding numbers up, 25 million square feet, 3,500 locations. A pretty good mix of 50-50 owned and leased. Of those 3,500 locations – about 1,300 – are people locations. The rest are technical sites.

Spencer Levy
And when you say a people location, this is a location for people that are either like in an office environment, or maybe it's a staging area for people that need to go out and do technical things.

Carrie Walters
Correct. Exactly.

Mike Reid
Yeah, and I could pick up on that. I think the best way to describe our portfolio is truly vertically integrated. So we have traditional office space, sales offices, administrative corporate offices, technician offices, so those that are most closely related to our customers and our network out in the field. We have call center space. We have stores. So really, you name it. We run the full gamut of commercial real estate characteristics and property types in our portfolio. The best way we describe our company is we really are a connectivity company. So when you think about mass media and communications, we service all the different elements and mechanisms that help people connect. So that is– you think about the three legs on the stool, so to speak. We have video, we have broadband, mobile. Those are the three primary service delivery lines that we have. Really our job is to increase and provide connectivity services to the communities that we serve and the customers that we help.

Carrie Walters
I personally spend most of my time – joking, not joking – in meetings. A lot of my and my team's time are spent with business unit leadership, trying to understand their business needs, wants, desires for space.

Spencer Levy
I love that because I think historically very often we were viewed as a subsidiary function. But we made the big time, in my opinion, during COVID. That's when we finally made the mainstays, like, well, maybe this real estate stuff isn't just four walls to keep the lights on. It is something that can make us better, make us more productive.

Carrie Walters
Absolutely. I think that one of the unique aspects of Charter for me is I feel like we really do have good business unit alignment with our leadership. This is my sixth corporate real estate group I've worked in, not to date myself. But sometimes business unit folks will see you as a necessary evil. You have to reach out to real estate to get a lease. You have reach out to real estate to do whatever. I feel our business leaders are truly partners with

us. They share their strategy so that we can align real estate to what they're trying to accomplish over the next one, three, five, seven years, which I think is unique. I don't think all companies include their real estate folks in their strategic planning.

Mike Reid
A lot of corporate real estate functions are tactical and reactionary and so one of the things we pride ourselves on at Charter and one of things we have a great opportunity to be and to do is to be strategic and proactive. I think that's facilitated through a couple different areas. One is that we have an extremely receptive and participatory executive team. They care about real estate, they understand the functionality and the benefit and the utility of real estate and how it can help advance our business strategy. The other thing is we have fantastic relationships. So we have a very approachable, very engaged executive team that allows us to have a place at the table. Carrie mentioned earlier also about spending the bulk of our time in meetings. A lot of those meetings, if not the majority, are spent aligning with our business leaders to make sure that we understand the business strategy and then we can go and formulate and execute a real estate strategy that supports the business.

Spencer Levy
This is a very interesting conversation because most of the conversations start off, we've got 25 million feet. We've got X number of employees. You're starting off in the opposite direction. You're thinking top down rather than thinking bottom up. Am I looking at this right? That's kind of how your mindset is?

Mike Reid
That's it. I think the key to success also is you have to understand what the business is trying to accomplish. So we want to understand the who and the what. What is it they're trying to accomplish? Who is it that they're trying to make sure is positioned closest to our customers, closest to the marketplace. We then get to develop the how out of that from a real estate perspective. So we do try to look as comprehensively as possible at the business strategy and make sure that we can formulate a real-estate approach that helps support the efficiencies that we need. How do we better service our customers in the communities that we serve. And then out of that what you have is a nice symbiotic relationship between real estate and active portfolio that supports the business and an executable business strategy. And so it works well. I'll give you a couple examples. Depending on what primary use type we're focused on, if it's an administrative or a corporate type of building, we typically focus on being in an urban market where we have close proximity to the workforce, close proximity to amenities and other beneficial elements of the portfolio that we need to be successful. One initiative that I think is widely known is our rural expansion initiative. And so we need to make sure that our technical locations are close to the network, but also in expanding and growing markets so that we can better serve those communities and those customers. So because of all that, there is such a tight link between our real estate footprint, where we wanna be, not only today, but where we want to be going forward in the business strategy. We're seen as a real partner to the business, which is very advantageous for us in our positions.

Spencer Levy
So we're here in Denver, right, lots of infrastructure, lots of people. What percentage of your office is in Denver where we're sitting right now? How much is in Denver, and then how much is outside of Denver?

Carrie Walters

So we have about 5,000 employees in Denver.

Spencer Levy
So you have the 5,000 – let's just stay, just keep it simple – start office for first, you have 5,000 employees here. Do you have other office employees around the country?

Carrie Walters
Yeah, our five big markets are Denver, Charlotte, St. Louis, Stanford, well that's our corporate headquarters, and soon to be another market.

Spencer Levy
Very good – got it, the market to be named later

Carrie Walters
Yes.

Spencer Levy
But let's just talk office now

Mike Reid
Sure.

Spencer Levy
You've got offices in these four plus one cities, thousands of employees. You've used the word needs wants desires

Mike Reid
Sure.

Spencer Levy
I'm gonna go to the fourth word: productivity. How do you make those people better?

Mike Reid
Yeah, that's a great question. And it's one that I think all corporate real estate functions look at and struggle with in certain cases and try to make sure that we're optimizing our footprint. And really what it comes down to is making sure that we are delivering workspaces that are conducive for the type of work taking place within those four walls. I think traditionally, and especially pre-COVID, there were a lot of corporate real-estate groups, similar to us, that were more focused on role-based planning, I think, as the transition through the COVID years into a more modern workplace approach. As that continued to grow, we're much more focused on activity-based work. So what we do is when we're looking at any type of existing office spaces, particular functions that are within those administrative office spaces or any type of new build that we're looking at, the first thing we want to understand is the what. So what type of work is taking place? And then it's the how. How do you work when you're in the office? What does the day in the life look like for somebody? We want to make sure that we are not so myopic in terms of a one-size-fits-all or a cookie-cutter approach to our workplaces. We really spend a lot of time understanding the business needs for what does the day in the life look like, what type of tools, amenities, workspace, environmental characteristics do you need in order to be successful when you're in the office. We very much, certainly in our group, we believe that work is best done in the office, but we also feel an obligation from a corporate real estate standpoint to deliver space that supports and advances the type of work that's being done.

And then from that, organically, we can grow into what that workplace environment needs to look like.

Carrie Walters
Charter – and this is public – Charter is in the office four-one. So we are in the office four days a week, have the opportunity to work from home one day a week should we choose or should the business unit that we report into choose to allow that, which is a little bit different than some of the other companies who are still on a 3-2 or have a little more of a hybrid-flexible role. So we do do assigned seating. It's interesting because I think that one of the things that I appreciate about Charter is we don't apologize for who we are. Like Mike just said, we believe work is best done in the office, and that is something that all leaders throughout Charter say and live by.

Mike Reid
Real quickly, Spencer, one of the big benefits that we also saw, and I think all companies probably noticed this to some extent during the COVID era, was the lack of collisions that would occur if everybody's remote. There's so much value that's, I think, derived from people being able to have that hallway conversation, that water cooler conversation, that then spurs some other business discussion that's important and valuable. It felt like in a remote environment for us, at least, that you miss out on that. And so that's one of the, I think, the biggest benefits of the way that we work. But that being said, and Carrie did articulate that, we are traditionally a one-for-one seating assignment type of environment. It's equally important for us to have breakout spaces because we wanna make sure that people don't have to feel obligated to their desk all day. So we do try to create pockets of space that facilitate different types of work when people are in the office. And exactly what you pointed out, what's different about the workplace that you can't get at home. One, I think it's the camaraderie with your colleagues. Two, I think it's mentorship capabilities as well. Just having a discussion with somebody during COVID and they said, you know, one of the concerns we had is for newer employees missing out on the opportunities to see more veteran and more tenured employees, the way that they work, how they conduct themselves in the office – invaluable. That's something that I think a lot of folks miss out on when they're remote. We just try to create workspaces that are conducive for the way we work and I think we've done a nice job of that.

Spencer Levy
We can get all fancy-talk of what the most important amenity is, but I'm going to get simple talk here. The most important amenity is other people.

Mike Reid
That's exactly right.

Spencer Levy
Direct feedback I've gotten from some of our clients – we have clients that have both the bullpen set up; we have clients that have exterior offices – and I had one client tell me point blank–said, well, a lot of people are getting rid of these exterior offices, and she said, well, you know, I've been in this company 15 years and I earned it. That was literally the quote. Do you still have exterior offices here?

Mike Reid
We do. We have design guidelines. And I'll be quick to point out also, in my mind there's a difference between design guidelines and design standards. Standards are a little bit more specific. Guidelines give us general direction in terms of how we wanna design and build

out an office. Our design guidelines typically now focus on interior office space. And really the driver behind that is what we call the democracy of light. We wanna make sure that everybody that's on a floorplate has access to natural light and the same viewpoints that somebody historically in a perimeter office would have. That being said, there are a lot of what I'll call our legacy facilities that were built out in such a way where you have perimeter offices. When the time is right, then we will typically go in and reset those floor plates and convert to our design guidelines, which is exterior workstations, more democracy of light, interior offices with glass fronts. But we do still have a number of locations where we do have perimeter offices. And it's funny, years ago, I worked for a company where my boss always said, I will never give up my corner office because I want my younger employees to look at that and aspire to be in that corner office one day, which was an interesting perspective. And I don't know if there's a right or wrong, but I thought it was a very unique viewpoint.

Spencer Levy
Beyond office, let's move to the more technical elements of it. They need space, too. 30,000 trucks got to go somewhere. So move from the office sector to the technical aspects – the trucks, the people with the lines. How do you manage that real estate?

Carrie Walters
That real estate is tricky. When we do site searches for a new field operations location, it takes one, three, five years. We have some deals. I've been at Charter five years now. I was going through a list for the Midwest, and some of the site searches that we've had for potential relocations have been active since before I started. Trying to find areas that have the right in and out, that have the right level of parking, that have the ability to pave if it's not paved, to handle the truckloads, and it's hard. It's harder than one would think, but it's interesting. And I think that that's the biggest takeaway for my team, like, when we're recruiting, is that for transaction managers or for planners, is that our portfolio is huge, but its also eclectic. Every single day you're gonna have something different to do. You might be looking for a field ops location, you might be looking for a retail store, might be doing a renewal on an office lease. No day is the same. I think that's the coolest part of the Charter real estate portfolio.

Spencer Levy
And to follow up on Carrie's point there – we're jumping into the weeds right here – when you see cars parked on a piece of land, you have three choices. You can keep it raw land, which is a bad choice because it gets muddy. Choice number two is you can put asphalt on it, which a common choice, which works for lighter trucks. And then you have a concrete pad. And the concrete pad is what you need when you're dealing with heavy 18-wheelers coming in and out of there every day. But each one of these costs more money. Right? How do you deal with that, Carrie?

Carrie Walters
When we are looking at locations like that, we have – or for any location – we use scenario assessments. It's a template where we take status quo versus option A, B, or C. Within that is the cost to build out a space. So whether it's building out the interior of a space, whether it's a new parking lot, whatever it is, and we start to layer in those costs. We present that to the business. And then the business makes the decision. So we do all of the due diligence, we do of all the costing, and then, the business gets an option A B C or D, check which boxes you want. And we go forward, because they are the ones who manage their budgets and the spend. So we present it, but they're the ones that actually pay for it.

Mike Reid
Yeah, let me also preface this by saying our model is a little bit unique compared to some other peers that are in our space when it comes to a fleet and storage of the vehicles. We have a take-home model. And so the bulk of our technicians actually bring the vehicles home in the evening. And so where some of our peers that are in the industry, they need big vehicle depots – and they need vehicle depot because at the end of their shift or day they're bringing their vehicles back to one of our locations – we don't have that. So I think it's a big perk and a benefit for our employees is that they get to bring the vehicles home.

Spencer Levy
And as we get into the weeds, these are details our listeners should understand. The ability to take your truck home means you don't have to have another vehicle to take you to and from the office. It may sound unusual. But you know what? That's a good perk.

Mike Reid
Yeah, I'll tell you another great benefit from a business standpoint is what we also do–let me take a step back real quick, is with our field operations locations, we have what we call tote swap process.

Spencer Levy
I'm sorry, say that again please.

Mike Reid
It's called tote swapping.

Spencer Levy
Tote swapping.

Mike Reid
So think of a large Tupperware container, that's the tote. And so within that tote, when work orders are placed and assigned to our field ops technicians, the equipment and the materials that they need in order to service the customers, those are placed in the tote, so the drivers, be it once a week, maybe several times a week depending on volume. They'll go to the closest field operations location, they'll pick up their tote, and then they're off and running. They can go service the customers. What benefits us with our take-home model, and again, it comes down to efficiency and how can we better serve the communities that we operate in and the customers that we have. With our vehicle take-home model, those drivers can pick up a tote, go back to their house the next morning, rather than having to take the time to fight traffic, drive to an office, get their equipment, they're straight to a job site. So we can really, I think, increase our efficiency by being able to go straight to the customer location rather than having to come into an office on a daily basis.

Spencer Levy
Data centers, given what you do, what percentage of your portfolio is data centers?

Mike Reid
It's actually quite small. So we have two national data centers and several regional data centers as well. We've certainly seen that grow, but what also is changing as quickly as the need for data center space is the technology within that data center. And so I'll give you a couple examples with our network efficiency efforts. We've been able to take what would have historically taken up a significantly broader or bigger square footage. We're

able to shrink that footprint quite a bit and yet still process even more data than we ever could before. So there's a real efficiency gain because of the equipment and the technology that's flowing through data centers.

Spencer Levy [00:17:01]
Carrie, going back to what you were talking about earlier – which I loved by the way – talking about how you listen very carefully to the business lines but ultimately you give them options and and they make a decision. And I often have this capex versus opex debate with clients. How do you handle that question?

Carrie Walters
We focus a lot on ROI. There is the opportunity, even in constrained environments, to spend money if the ROI is right. It is something that we talk a lot about with our business units. They are very focused on expenses all the time, even in great environments, tighter environments. It's interesting to go through the budget process with everybody to understand where their head's at, where they feel that they have some spend ability and where they don't. And then it also varies by business unit as well. Some business units are like, hey, we need to be focused on this right now. We can't spend the money on real estate. Or others are like hey, we have some extra. It never fails at the end of every year. Hey, we've got a little extra capital. How much can you spend in the last 60 days of the year? He's like, great, you know, how much can I do over the holidays? But it's definitely a topic of conversation and it's certainly cyclical.

Mike Reid
Carrie mentioned, and rightly so, ROI is a big driver for us. So we do look at what that ultimate quantitative return's going to look like, but what's not lost on the business is the qualitative benefit also. So sometimes there are benefits or advantages for pursuing some sort of aspect of a real estate endeavor that might not be measured in cost savings, cost effectiveness, something financial. But it could have a real tangible benefit. And so our executives are also very keen on that. We have to make sure the math works, right? And if the math doesn't math, then we might not have an opportunity. But also in addition to that, what are those soft benefits that we wanna make sure that we don't overlook? And so you put all that together and usually it leads to what I think is a very clear and well-defined and data-driven recommendation that then the business unit can act on.

Spencer Levy
Well, speaking of ROI driven, it's hard to measure, because cool and happiness, I hate to use a fancy economics term here, but the fancy economics term is called utility. Utility isn't just productivity; it's productivity plus happiness. And I think you get a level of ROI there that's often hard to measure.

Mike Reid
Yeah, and I think that's really reflected in our overall retention. So I think we at Charter are very fortunate in that not only from the business standpoint but also the built environment helps us attract and retain talent. That to me is one of the ultimate measures of are we doing the right thing and are we succeeding when it comes to setting the real estate footprint where it needs to be.

Spencer Levy
I can guarantee you your truck policy is retaining people at a rate that is far higher than people that are similarly situated businesses because you've saved them time, effort,

money, made their lives better by just structurally changing and by the way, you've also saved yourself some money on parking lots.

Mike Reid
That's exactly right. Yeah. And parking is one of our biggest constraints when it comes to trying to find new locations. If you think about a traditional office space, we are in an office company, so we do demand a lot of parking stalls and parking requirements. The fact that at some of our technical office locations, we can minimize that parking requirement because of our take-home policy does help extensively. I think the other thing that I'm probably most proud of when it comes to our fleet policy and our take home practice is it's beneficial for the employee, but it's equally beneficial for customers because – like I mentioned earlier – now, when they get up in the morning they grab their tote, they're out the door. First stop they're gonna make is to service a customer. So that's really beneficial. So it's a creative policy that again has benefit across all aspects of our business.

Spencer Levy
So ROI in the context of leasing versus owning. And in a portfolio as large as yours, you probably have a lease that's rolling almost every day and or you know it's coming in one, two, three, five years. Can you walk me through that process? At what point do you start thinking about a renewal or a purchase or getting out of a lease?

Carrie Walters
We start looking at all of our real estate 36 months out from the critical date. And that's when we start socializing options with the business, start the conversation. Then we start to dig a little bit deeper, do more due diligence as we understand what the business is thinking longer term. And then roughly 24 months, we start to present options so that we actually have leverage with our landlords if we're renegotiating. We have the opportunity to sell if we were going to sell and relocate, et cetera. So we try to stay 36 months out ahead of time. Own versus lease, it depends on the cycle that the company is in. Sometimes it's like, hey, we're gonna be here forever. Other times the mentality is we need more flexibility than we need longevity right now, so let's try to stay as flexible as we can.

Mike Reid
I think historically, a lot of corporate services or corporate real estate groups will identify a critical date and then go back to the business units or whoever they're supporting internally and say, you have a lease that's set to expire or a critical day coming in 12 months – let's just use that as the example – what do you want to do? The business units typically throw up their hands and say geez, I don't know, I'll get back to you. And so then what happens is time bleeds off, you get closer and closer to that date or that critical date. The real estate team will continue to press the business unit for a direction, at which point they'll say, well, I don't think we have an option, we'll renew. We wanted to make sure at Charter that we avoid that as much as possible, and so we like an elongated runway of 36 months so that we can collect all of our information, we can do a deep dive diagnostic on the real estate market, we can ensure that our footprint is still working and still conducive for the business, then bring back recommendations to the business units. If we put the burden back on the business and say, hey, you have a date coming, what do you want to do, we're the professionals. They're the professionals in other aspects of the business. So that's something that our team does. I think one, it's a little bit unique, but it's highly successful and it's been really beneficial for us to drive recommendations to the business unit. But you have to have that runway in order to do so.

Spencer Levy

I hate to bring up the weather related day, but when you know there's a hurricane coming, you know things are going to get bad, what do you do?

Mike Reid
That's a great question and something that we do deal with very frequently, especially in the Southeast with our portfolio, which is a big service territory for us. The first immediate thing we do is tracking this storm, right? So days before it's expected to make landfall, we make sure that we're galvanized as a team, that we have all core business units and elements of the business galvanized and represented so that we can talk about the preparation that's necessary. I say this, it's fortunate, but it's unfortunate for us that we go through it a ton. So we're pretty well seasoned and well versed at how best to respond. We make sure that we have surplus fuel on hand. So we have our tanker trucks, great partnerships. We're able to make sure that we have fuel supplies able to fuel the fleet vehicles. Anytime you're gonna have a storm, be it a snow event or a hurricane type of wind and rain event, there's gonna be disruptions to the network. So what we need to make sure that we can do is, the second that something happens, if we can't prevent it, we need to make sure our trucks can roll and get to that network to get customers back online. So fuel is a critical piece. And let me take a step back, because what's more important is making sure that our customers and our employees are safe. So there's always a mitigation strategy. One of the aspects of the business that I oversee is corporate travel. So we always block off a series of hotel rooms so that if employees need access to hotels, if they get evacuated, they don't have to worry about where to stay. We can help take care of that for them. So that's a big piece of it, is just making sure that everything's prepared in advance. The business does such a good job of ensuring that we're ready to respond accordingly. Those trucks, those drivers are ready to hit the road, the second that an all-clear has been given and we can get out and service the network.

Spencer Levy
So let's just talk case studies. And I'll turn to you first, Carrie, about: do you have a case study where your decision-making helped change – not the decision per se, if it was like buy versus lease versus own – but a year after the fact, you met to one of those business leaders and they said, geez, you know, that was really the right call and it helped us. So just any case studies you want to point to you say, we did our job well and we're recognized for it.

Carrie Walters
I'm going to twist that a little bit. Okay. It is a case study and it will answer your question in a roundabout way. We looked at a relocation opportunity a couple of years ago in a major city. It would have provided tremendous cost savings from an opex standpoint. The capital outlay at that time was too much. My team was devastated because they had spent years on this potential relocation. The business itself actually loved the location. And they were like, look, if there was any way we could do this, we would.

Mike Reid
And the real estate – real quickly – I know the site you're talking about, the real-estate outcome was phenomenal. So the team worked so hard to deliver what was from a real estate perspective, just a tremendous result.

Carrie Walters
And the fun part about that, and what made me think of this when you asked about, the business still talks about, that business EVP still brings it up. Man, that was such a great opportunity. We are so bummed that we weren't able to do that. He literally brought it up

like six weeks ago. And while my team was bummed, I'm like, but we won. I mean, it was a win. We had the accolades, we did our work, we did out work well. It would have been the perfect deal. Because we could not as a business at that point in time do it, doesn't mean that it wasn't right or that we did anything wrong. And the EVP is still happy about it to this date, even though we didn't end up relocating.

Spencer Levy
Just because they don't go with your decision doesn't mean you lost.

Carrie Walters
Exactly.

Mike Reid
We did our job extremely well, and the business recognized it, which was great. I'll give real quickly, Spencer, if you don't mind, another quick example. And it's our corporate headquarters in Stanford, Connecticut. We were at a much smaller building for a number of years in Stanford that we had outgrown, looked at a variety of different potential solutions and locations where we could either construct or relocate our new corporate headquarters to, and found a great build-to-suit opportunity that happened to be in Stanford immediately next to the train station. So we built a 900,000 square foot campus. State-of-the-art, filled with amenity space, filled with functional space. Seeing the employee reaction, the way that they utilize our campus, now that it's operational, the attraction and retention aspect of having a properly sited and properly fit-out headquarters space has been tremendous. Being able to yield and deliver a real estate solution that was cost effective, certainly operationally efficient, but also state- of-the art and something that's had such a great impact, I think, on employee morale, has been really, really neat to see.

Spencer Levy
Terrific any other case studies you might want to bring up, similar type of case studies where you made it maybe take a case study you actually did execute the decision?

Carrie Walters
I can give you another one, and this is another shout out to CBRE.

Spencer Levy
That's why I put it in there, by the way, so all our listeners know that.

Mike Reid
Shameless plug.

Carrie Walter
In the 36 months ahead of time outlook that we do, we started looking at a potential relocation of a high-cost lease. 36 months out, conversation continued, continued. The question was, do we relocate to a less expensive area a little bit further across town? Do we renew? What do we do? Landowners holding firm, holding firm, holding firm. We negotiated with a couple of other landlords in the vicinity. At the last minute, the current landlord came back and was like, OK, I'll play ball. And so it shows the need to be able to negotiate far ahead of time to have that leverage. And we're staying in place.

Spencer Levy

The comment I get all the time from large occupiers like yourselves is they wish the conversations with landlords was more strategic and less tactical.

Carrie Walters
Oh, I can take this so many different ways. Some of the conversations with the landlords that we have start off with, you're a large company, you have deep pockets, so therefore we're not going to negotiate. That's like my number one angst with some of the larger landlords that we work with. With the help of our brokerage company, another shout out, we're able to really say, hey, look, this is who we are. This is what we're trying to do. You're not gonna fleece us. This is where our bottom line is, et cetera, et cetera. That helps. The landlords that are more sophisticated are more strategic. They sit down and they say, okay, what are your long-term plans? What are you guys trying to accomplish? How do we structure your lease? What's more important to you? TI or termination options by floor, et cetera. They're really willing to dig in. Less sophisticated landlords – or less, just, interested, maybe even not less sophisticated – are just like, here's your renewal option, take it or leave it. I think it depends on the sophistication of the landlord. And then it also depends on how much leverage you have up front. And it depends on the brokerage company that you're working with and if they understand your strategy as well, which I feel like we have a good relationship there and are tied at the hips of that.

Mike Reid
Yeah, I think that's spot on. We find that our best landlord partnerships are the ones where there's a strategic element to it and we can talk shop with them a little bit more openly. I think again, another–I'll go back to the advantage of us starting our critical date cycle so far in advance–is that we do wanna go out. We feel that we're obligated to do this for ourselves as a team, but also for the company. We have to go out to the market and look at what the alternatives are. If you're gonna buy a car, you're probably gonna go car shop. You're not gonna be fixated on one specific vehicle at one specific dealership. You're gonna go shop around to see what else is out there. It's no different in the approach that we have with real estate. So we want to make sure that we understand the commercial landscape. We understand what type of inventory's on the market. What we've often found, Spencer, is that when we do that, landlords talk. Landlords know that we might be in the market for an alternative location or relocation option that oftentimes triggers them to want to come to the table and be more strategic. But again, it goes back to we've got to have that elongated runway so that we have optionality in our approach to the portfolio.

Spencer Levy
The place where the market has changed the most, I think – putting aside data centers where there's been just a sea change there. I think the other area – which is not, it doesn't get the press, but we've had several shows on it – is IOS, industrial outdoor storage. I've been hearing from the occupier side on IOS that rents are going up much faster than the rents elsewhere. And they're thinking about other options here for IOS and given the large size of fleet you have, a lot of them are parked in your house so you mitigate that cost. Are you seeing what I'm saying and how are you dealing with it?

Mike Reid
What we're definitely seeing in the marketplace is industrial flex and data center space is fetching a premium and we'll continue to do so. Our portfolio needs are a little bit unique in that we don't have the surface lot requirements that a lot of other connectivity companies have because of our take home model, but as Carrie articulated earlier, that circulation pattern that we have to maintain at our field ops locations is absolutely critical. Industrial

flex space remains at a premium. Our field ops tech office is where the vehicles have to access and egress from those locations on a frequent basis.

Spencer Levy
By the way, let's pause it for a second. I want to understand, you use the term industrial flex. To me, that means a smaller industrial building, probably where you store your materials so they can pick it up, rather than a 40-foot clear height building that an 18-wheeler can go into. Is that correct?

Mike Reid
That's exactly right. Yeah. Now we have both in our portfolio not dissimilar from a lot of other players in the connectivity space. We have what we call – and I'll differentiate it a bit Spencer – distribution centers are typically our regional locations that are much bigger warehouse type functions where you could have clearance or access for an 18-wheeler to get in and out we want to make sure from an efficiency standpoint – I've used that word a couple times today, but it's critical for us – how can we be most efficient for the communities that we serve and ultimately the customers that we served in those markets? We have the distribution centers that can get product out to our local locations. That's where our equipment is stored when the vehicles have to come and pick something up and be able to go. Those are much smaller. Think of a small warehouse space. That's what I consider industrial flex in our portfolio. But there's demand and it's hard to find.

Spencer Levy
It is. And I would tell you it used to be flex industrial was a dirty word people that didn't want to talk about. Now It's one of the hottest subsectors in real estate

Mike Reid
It absolutely is. Yeah. One of the things too I'll touch on is a big part of our business over the last few years has been, I think, well advertised and extremely successful for us and for our customers and the communities is our rural build out. So we wanna make sure that we're providing access where possible to the underserved or underutilized markets that are out there. So we've had an aggressive program to be able to expand our network and provide new service to customers that previously never had access to high level connectivity. When you're looking at some of these markets, and again, these are beyond tertiary markets. So we have our urban settings, our suburban, our ex-urban, and then tertiary. A lot of the rural build out that we're doing is beyond that. So if we need an operations location or a tech center in any of those areas, there's no commercial inventory built up, or very, very little. And so what is on the market and what's available, it's hard to find and we have to be able to move quickly.

Spencer Levy
Carrie, you've been in this business for a while. How do you see the next three to five years playing out?

Carrie Walters
Oh, Spencer, isn't that the $100 question? I think it's going to be very interesting to see the effect of AI on companies, on internal real estate groups, on just how we work. We are taking the approach that we are going to embrace it. We want to bring it in and have it be part of our organization, part of our teams. Not just an occasional, hey, I'm going to use chat to do this, but how do we embrace it and make it part of the workflow? We're at the very beginning stages within the real estate side of the house, but we're excited about it. We are constantly trying to do more with less. So I think that will help with that. What that

does to our footprint, I have no idea. Maybe we grow, maybe we contract, no clue. We are curious to see what sort of M&A activity continues through current and future administrations. Our company itself, you heard Mike use the term customer probably 50 times throughout the podcast. It is something that Charter lives and breathes by. We all are constantly focused on the customer. What is that customer experience? Even in the real estate group, it's ingrained in all of us, no matter what level or what division you're in here. So I think the focus will continue to be, how do we better serve our customers?

Mike Reid
Yeah, I'll piggyback real quickly. I think one of the keys, Spencer, that I envision going forward is flexibility. So it's flexibility in terms of term. It's flexibility in terms of conversion of space as needed. It's flexibility to be able to respond to wherever the business or the industry goes, or whatever macroeconomic conditions that we envision. The other key piece–Carrie mentioned AI, and it rang a bell for me. And it's not just AI, but the evolution of data and access to data and the systems that we can use to now measure success and quantify performance in a real estate portfolio the size of ours. That's going to continue to grow and I think be way more efficient. I think historically, as we've all grown up in the corporate real estate space, a lot of decisions were made, anecdotally, it's what we felt about the condition or the experience that somebody would generate from being in a building. We kind of felt, did it work? Did it not work? Does it feel like we're located properly or does it feel like maybe we were in the wrong spot? Now I think with the advent, continued growth and evolution and rapid evolution of data, we're now able to measure what success looks like and we're able to measure whether or not our location strategy is accurate. We're able to get, I think, real-time data on what markets are dictating or what they're providing far faster than we used to. So I think the leverage of data is going to help us make more quantified and more logical decisions in terms of where we want to be and what our portfolio should look like. But the key also for us, I think, is flexibility.

Spencer Levy
I love what you said just now as well, which is how you're trying to quantify what has typically been not quantifiable.

Mike Reid
Yeah, 100%. That's where I think as we continue to apply new data evolutions, AI, other aspects of the technological world that's out there, what we're already finding and starting to dabble with, some of that is the efficiency gained. It doesn't replace what we are doing and it doesn't replace the people on our team that are doing the work, but boy, it makes us a lot more efficient and allows us to then take on more and be even more productive. So to me, it's a thrilling time to be in the space.

Spencer Levy
Well, on behalf of The Weekly Take, what a great discussion here in Denver today with Charter Communications, starting with Carrie Walters, Vice President, Real Estate and Property Administration. Carrie, terrific job, great seeing you.

Carrie Walters
You too.

Spencer Levy
And Mike Reid, Senior Vice President Corporate Services Charter communications. Terrific job, Mike.

Mike Reid
Thank you, Spencer, always a pleasure to see you.

Spencer Levy
For more insights on the ways occupiers approach real estate strategy, this year alone we've covered a range of businesses from industrial outdoor storage – which we talked about on this show – to data centers, food halls, and lots more. You can find those informative conversations archived on our website, CBRE.com/TheWeeklyTake, or on your favorite podcast platform. We look forward to having you back again next week as we continue to seek insights from across the commercial real estate spectrum. Thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.