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# WeeklyTAKE

KNOCK ON WOOD: WHY TIMBER IS SAFE, SUSTAINABLE AND DESTINED FOR A LARGER ROLE IN CONSTRUCTION

W/ STEVE LUTHMAN, LAURA HINES-PIERCE AND EMMA BUCKLAND [05.11.2021]

## **Spencer Levy**

I'm Spencer Levy and this is The Weekly Take. I don't know about you, but when we talk about office buildings, I tend to think of brick and mortar or skyscrapers made of steel and glass. But on this episode, we've got something else in mind in a conversation about sustainability and construction we will center on an old school concept that's a new frontier in building development these days. One word, timber.

## **Laura Hines-Pierce**

They're getting this old school feel that evokes creative mentality and richness, a feel of space and ability to use a space differently. But they're getting it with this new technology.

## **Spencer Levy**

That's Laura Hines Pierce, senior managing director in the office of the CEO at Hines, a privately owned real estate investment management and development firm headquartered in Houston. Hines has a presence in 27 countries and an industry leading commitment to sustainability.

## **Steve Luthman**

These buildings are far more environmentally sustainable than any other building typology in the world.

## **Spencer Levy**

And that Steve Luthman, Hines senior managing director who sits among the steel and glass of downtown Chicago, Steve works on a variety of the firm's financing, development and management activities in the U.S. and Canada and was part of the team that initiated its move into timber. And to help us put all of this into context, we're also joined by CBRE's global president of Property Management Emma Buckland. Emma is responsible for a portfolio with some 25000 assets in 40 countries around the world, a total of two point seven billion square feet of property.

## **Emma Buckland**

As tenants become more demanding and expecting more from us around sustainability and sustainability disclosure and reporting in the way that we manage assets, I definitely think those kinds of technologies are certainly increasing and are going to continue to be really, really important.

## **Spencer Levy**

We'll take a wide ranging view on construction and development trends in the office sector today with a particular interest in the unusual, perhaps emerging use of timber. We'll talk about everything from design and what it's like to visit a building made of wood for the first time. The impact of timber on ESG and the bottom line. Coming up into the wood we go construction and timber. That's right now on The Weekly Take. Welcome to The Weekly Take, and this week we are going to be talking about timber and construction and in an extension of our ESG series that we started a couple of weeks ago in honor of today's episode, I am taping this for the very first time outdoors and I'm feeling very much timber today. But let's start big picture the last 14 months where our world views have certainly changed and I think that the focus on ESG plus R is definitely one of those areas. But I don't want to

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prejudice the answer. Lauren, big picture. How is your view of real estate in the world changed in the last 14 months?

## **Laura Hines-Pierce**

Yeah, you know, the last 14 months, I think, have been, you know, absolutely a roller coaster for everyone. But, you know, in some ways what's been interesting, I think, for us is that it really has just accelerated trends that I think were already underway. So one, you know, in terms of technology and the use of technology and how we work and how we operate buildings, how we connect with our tenants, this is really put some hyper speed behind that. And, you know, just seeing the industry of proptech moving from five to seven billion dollar industry to now, I think around 30 billion dollars a year going into proptech a year. That's one aspect I think the flexibility that our tenants are asking for is obviously being impacted by everything we've gone through over the last year. I think that, you know, the convergence of different types of spaces and uses and working and interacting with retail and, you know, logistics differently. And then lastly, on the topic that, you know, I think we'll circle around quite a bit today, ESG has just been brought quite a bit more into the forefront. You know, the E has always been probably the star of that concept. And that continues to be, you know, a big push. But I think everything that we've seen over the last year in terms of social justice and how we as an industry can be interacting with that has again, I think, been accelerated.

## **Emma Buckland**

I'd agree with everything Laura said. And I think really for us in property management, the pandemic has bought property management kind of front and center sort of visible in a way that maybe previously it wasn't so visible. So just to talk to technology, I think there's probably two big areas of focus that have come up for us really predominantly in the last 12 months. The first is definitely been tenant engagement tech. So we've got our own product, which we call CBRE Host, which is a tenant engagement app, which just allows us to be able to create community and connect to tenants, whether they're in the office, whether they're at home or whether they're working in some kind of a hybrid. And we've seen real success with that in terms of landlords and tenants being able to really connect and create some safety and security during what has been a very uncertain time. And I think the other big place we're seeing a lot of technology increasingly to Laura's point about ESG is really smart building technologies and meeting technologies in the landscape. So as tenants become more demanding and expecting more from us around sustainability and sustainability disclosure and reporting in the way that we manage assets, I definitely think those kinds of technologies are all certainly increasing and are going to continue to be really, really important for us.

## **Steve Luthman**

It does feel like we've come through that curve and it really feels like the world is starting to present itself and it's starting to land. And I'm sure your tenant rep team would bear this out that, you know, highly differentiated office space, that provides amenities, it provides the wellness attributes, that it provides the flexibility it provides the technology that Emma was just speaking of. It also provides emotional connections that people are seeking. We believe and we think that the data is really starting to bear it out, that that differentiated office is going to be a winner and that the commodity office space is really going to suffer. We are starting to see this for a trophy office. If you look across the United States, trophy absorption is up and the all the other office costs are down. So overall, we expect to see and I expect to see that we might see a flattening or even a downward sloping demand trend line in office nationally. But in it, there's going to be dramatic winners and dramatic losers. And so

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as we think about the future and the future of office, it's really about how do we play in that differentiated office space that Hines has played in for the last five decades. And how do we continue to accelerate our leadership position in that differentiated office space in order to really address what our customers need?

## **Laura Hines-Pierce**

I would just add to that, you know, I think that what that really does, I think for us in the real estate industry, is shift the dynamic to an incredibly client centric perspective. And you know what that client is needing and wanting for their space and for productivity and culture building. And you know, what they're demanding on an ESG front becomes significantly more important for us as landlords, as owners, as property managers, as developers, etc.

## **Spencer Levy**

Let's get right down to the weeds of timber construction. Laura, from a client perspective, from a partner's perspective, from tenants, how do they react to this old school technology in the 21st century?

## **Laura Hines-Pierce**

You know, I think that they're getting this old school feel that evokes a creative mentality, richness, a feel of space and ability to use a space differently. But they're getting it with this new technology and with all of the amenities and comforts of a brand new building and all of the technology that comes with it, and so to me, that intersection is exactly what appeals to both tenants and to our investors.

## **Spencer Levy**

Steve, let me turn to you now to a very specific question that some of our listeners are thinking about, which is to build a timber building, you got to cut down trees. Is that environmentally friendly?

## **Steve Luthman**

Yeah. So in North America, we grow enough timber to build one of these seven story buildings every 20 minutes. And so these are young trees that are easily replaced. And so we're not impacting at all the forest volumes that we have in North America through the construction of these buildings. And in fact, these buildings are far more environmentally sustainable than any other building typology in the world. And in fact, if we think about the carbon sequestration of these buildings, about 3600 metric tons of carbon is sequestered in the wood that we use to build these buildings. And to make that more simple, that's the equivalent of taking about a thousand cars off the road permanently. And so that plus the carbon avoidance that we get from not building with steel or concrete is another fourteen hundred metric tons. And so that's another 500 cars. And so we really are doing a great job of reducing the embodied carbon of our built environment through the use of these buildings.

## **Spencer Levy**

Emma, you managed two point seven billion square feet of properties around the world. How common is this? Any unique property management issues you have to deal with for this type of asset?

## **Emma Buckland**

I'm going to be honest. I've never been in one of these beautiful buildings, although I'm desperate to go now, having had everything we've just heard about it. But maybe we could

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ask Steve if there's any particular things that are different from a management perspective. Nothing springs to mind, but I'd love to hear from you Steve.

## **Steve Luthman**

There's no unique attributes. One thing that I will say that's really interesting about these buildings is the way that people engage with them. People that walk through these buildings for their first time, they touched the building. They touched the columns. They engage tactically with the wood and they smell different. These buildings smell like an old cabin. And I think there's something biophilic about that for people in terms of how they engage with it. So your question about, you know, property management, maybe cleaning some fingerprints off of the columns, because I've never once been on a tour of any of our T3 buildings with anyone who hasn't touched it. And that's a really interesting phenomenon. When you think about how people engage with office buildings, they generally don't engage with them. But with these timber buildings, they actually touch them.

## **Spencer Levy**

Well, I think it speaks to something that we've been talking about for four years in commercial real estate in a slightly different context. We always say credit versus cool when you're picking a tenant. And it was about the type of tenant you had in your building, not the physical building itself. But I think what you're seeing here, Steve, it is the physical building itself is not just cool, but it elicits that same emotional reaction. You agree?

## **Steve Luthman**

Yes, I agree. But you don't have to sacrifice credit either. In our buildings, we've been lucky to sign leases for some of the greatest credits in the world. And even those great big, large growing companies see the value of locating in these differentiated office buildings.

## **Spencer Levy**

I'm glad you used the term differentiated office rather than using the term class A office, because differentiated, I think is the right term today. And there's nothing more differentiated, I think, than not just having great amenities in the building, but the physical construction of it itself. So I think there's a real visionary in what Hines has been doing with timber. Steve, why don't you give us the big picture? What are you doing on timber construction for office?

## **Steve Luthman**

Well, if you've ever been to the old brick and timber warehouse buildings, you know, south of market in San Francisco or Fulton Market in Chicago or Brooklyn or King West in Toronto, you know, the look and feel of beautiful, authentic, creative brick and timber buildings that have been repurposed from their original uses into office buildings or residential buildings. But they retain that amazing, authentic character, you know, the structure, the brick, the timber beams, the bow truss roofs. Those are all the main events of these buildings. Back in 2013, we started to see tremendous customer demand for these buildings. The absorption statistics were incredible. But what we also saw was that the retention rates were substantially lower for these buildings. And when we dug in, we realized that the authentic character, the soul of these buildings, attracted the tenants, but the poor sound attenuation and the inconsistent natural light and the inferior elevators, all of those deficiencies were pushing tenant customers out of these buildings at the end of their lease terms. Those two sort of competing dynamics led our team in Minneapolis, led by my partner, Bob Riley, to ask ourselves, you know, could we build a building with all of the esthetic characteristics of these fantastic old brick and timber buildings. But put all of the next generation systems, you know,

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the MEP technology, the elevators, even all the modern tech that Emma's been describing that we put into our next generation skyscrapers. Can we take all that technology and put it in a wrapper that looked authentic and old? Essentially, could we build a brand new old building? And that was kind of the start. So we coined them T-3. We've built to complete so far one in Minneapolis, one in Atlanta. They are six to seven story buildings. The structures are completely made of what's called mass timber. It's really the modern form of timber that looks just like ancient old growth timbers used a hundred years ago, but are now harvested in a sustainable fashion and they're engineered versus cutting down old growth. We've completed two and we have two more that are under construction as we speak. And we have about 16 others that are in various forms of predevelopment all around the United States, North America, and there's even three or four that are overseas.

## **Spencer Levy**

You said that these are seven story skyscrapers. How much sky can you scrape today with a timber building? How tall can you go? That's number one. And number two, I want to go right to a point that I think there's still a misconception about fire risk that some people will say about these buildings. Once you address both of those head on.

## **Steve Luthman**

these would not ever be called skyscrapers in the construct of Hines. These would be called street scrapers there, six or seven stories tall by code. Generally we can only go eighty five feet. And that is changing a little bit right now with some of the IBC. The International Building Code changes, but generally in North America, we think of them as 85 feet tall. So by no means skyscrapers. The three questions people always ask Spencer, you asked one of them, which is fire. People ask about termites and they ask about cost. How much does it cost? So in terms of fire these buildings are not what you think of as wood. You might think of as what we you know, in the industry as stick built apartment buildings. These are massive logs. And the way I like to think about, you know, the fire is if you were on the beach and you were having a bonfire with your family, you would start that bonfire with kindling. You would not start it with a giant log. Well, these buildings are made out of giant logs. They're fully sprinkled buildings. They're sprinkled to modern fire codes. So if there was a fire event, these massive logs would char. And all the studies are showing that these mass timber buildings actually perform better in a fire event than steel buildings would, because instead of failing, the outer layer of the timber would actually char instead of failing. So from a fire performance standpoint, there's been just a rigorous amount of testing that's been done all over the world about how mass timber buildings perform. We've obviously done a ton of studying as well with our structural engineers and we feel very confident in the safety mechanisms that are in place for these buildings.

## **Spencer Levy**

And then you mentioned the two other issues. Termites, I guess, is secondary, but primarily is cost. What I really appreciated about your initial comments there, Steve, is your candor that in the beginning people went in there because they were aesthetically pleasing, but they weren't modern enough so you were losing them. But I would also suggest that maybe the cost issue hasn't been fully vetted out either yet, but people are willing to go for it. And what's your point of view there, Steve?

## **Steve Luthman**

So just to be clear, Spencer, so when I was talking about people going in, it was on the old you know, the 100 year old buildings that have been repurposed to office space, they were never purpose built for modern office tenancy. And now with T3, that's what we're solving.

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We're basically putting all of our modern technology into a mass timber building so they act like class AAA machines. They're set up for the modern office tenant needs. But in terms of the cost, if you just were to compare a mass timber building with a concrete or steel building, generally you would find that the construction costs alone for mass timber versus concrete or steel would generally be about 10 percent higher for mass timber. That's just construction costs. But then when you start to factor in all of the other project costs, when you factor in G&A costs, you factor in general conditions, cost you factor in interest meters all of the time, weighted costs associated with building a building. Those are far better in timber buildings because you build them faster. And so overall, net, net, we believe that mass timber buildings are equivalent in cost. And in fact, with the recent run up in steel prices, mass timber maybe actually more affordable than building with steel, and the last thing I'll raise is lumber pricing has gone through the roof and we all know that it's gone up 300 percent since the pandemic. But lumber is different than mass timber and the actual commodity itself, the log prices have not increased. They've stayed flat basically for the last decade. It's the finished product and the lumber that goes into home building or goes into stick built multifamily. That's very different than the mass timber that we build our office buildings with. We just recently priced a building and the overall cost of the structure from pre pandemic to now has only gone up six percent compared to what we're seeing in our multifamily buildings.

## **Laura Hines-Pierce**

The other really interesting thing to me on the cost side is, is in the TI component, you know, you come into, you know, a steel building and a tenant coming in. It's really corn shell that they're coming into. They have a lot of build out and money that has to go in on the TI side, when you think about our timber product tenant coming in there, they're coming into a much more finished space because you've got these beautiful concrete floors, beautiful timber, finished ceilings and the TI that needs to go into those spaces from a tenant perspective. And then ultimately, therefore, you know, an owner perspective is much, much lower. And so that's a really, I think, an interesting component to the cost equation as well.

## **Spencer Levy**

So we may have comparable construction cost of the corn shell, but TIs may be lower because it's beautiful to look at a wood beam to put it in very basic terms, but I think that's aesthetically true. So, Emma, let's turn to you for just a moment. And one of the things I were having a timber episode is not just because it's cool, it's innovative, it's new. It also expands the conversation about what is the carbon footprint of a building, not just the four walls, but the sourcing of the goods to build the building where they come from and two point seven billion square feet. I don't know if you know, off the top of the head how many trucks of maintenance workers we have, but I'm sure it's in the tens of thousands. And that is yet another piece of our footprint. So Emma how do you look at it as the global leader of the largest property management organization in the world, not just within the four walls, but outside of them?

## **Emma Buckland**

Yeah, we're definitely looking exactly as you say, through at the end to end supply chain. And this is something important that CBRE as a group has recently committed to, is a science based target around carbon emissions. And so what that means for property management is we're going to reduce our emissions by 67 percent by 2035. To make that kind of a lift, we are going to need to look at all of our activity, not simply the traditional ESG elements that we might have been focused on in the past. So absolutely, to your point, transportation is a part of it. So both transportation of our own, our own fleet, as you say. So

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we've committed to transitioning to electric vehicles right around the world, and that's beginning across all of our organization. So the GWS business as well as property management. But we're also obviously looking at transportation as it impacts the supply of all of the other goods that we might be procuring in a given building. And I think increasingly, as we start to have ESG targets and conversations with clients, we will all be looking at the combined impact of the supply chain on the tenant activity, as well as the decisions the landlord is making in totality to really understand how we can make the greatest impact from the sum of the parts.

## **Spencer Levy**

Laura, I would love to get a little bit more of a global perspective. How do you see some of these issues differently from perhaps in the United States versus, say, Europe, which is an environment which seems to be more environmentally friendly?

## **Laura Hines-Pierce**

Sure. You know, I think the fact that we are a global firm has really in some ways helped us on the topic of ESG because as you say, you know, different parts of the world are moving at different speeds. And I think it helps to push us in the right way and really take the best of what's happening globally. A lot of our European investors are laser focused on ESG, you know, in terms of what our funds are doing. I think what particular assets are doing and that's been a great partnership for us working with some of those investors in some of our European funds have really led the way on our thinking about ESG strategies and thinking about ESG from a portfolio standpoint. So our European Core Fund has really been a leader on that front. And then generally I think European regulations are more ESG forward. And so we've been able to really push the envelope in our products in that context. So then being able to take our learning from what's happening there and use it more broadly globally, I think has been. A great opportunity.

## **Spencer Levy**

Steve, let's turn to the data question, if I could, for just a moment with you and not to challenge your supposition that this is a product of the tenants one. I think that that's a given we've seen that tenants wanted. But what data can you point to, if any, that can support the fact that you have better absorption, that can support the fact that you might get better rents with this what you call differentiated product?

## **Steve Luthman**

Yeah, I mean, if we just look at the performance of our timber office buildings, you know, when we performed them, we were thinking that the rents would be basically right between the traditional creative office building in the class W.A. office building. We'd be right in the middle. And what we found in both Minneapolis and Atlanta is that our rents are the very, very top of market. So we're getting the same rents as the top of the building, best traditional class AA building in the city. So the rental rate performance has been proven. The absorption, you know, these buildings, once tenants were able to see them, they filled up rapidly. We've seen tremendous pickup once people have been able to touch and feel and see them. And then the last thing, I guess, is the capital markets performance. We sold our first project, T3, Minneapolis, and we sold it for a three seven five cap, which, as you may know, Spencer, three seven five caps are not available in Minneapolis. That market would generally be a six on that on the very top end. And so we're seeing demand from tenants, rental rate, performance absorption and cap market performance. I think we've seen the full lifecycle and it's given our entire organization and our investor base confidence to do this.

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## **Spencer Levy**

Well, you know, the three seven five cap rate may not be available in Minneapolis normally, but they have this hamburger invention up there that I don't know if you ever had the Juicy Lucy, which is a burger where they put the cheese inside the burger. So with that type of innovation, maybe the three seven five cap isn't quite so out of hand.

## **Laura Hines-Pierce**

Sounds like a tenant we need and one of our buildings in Minneapolis, Steve.

## **Spencer Levy**

Absolutely. I had my first one of those burgers at the airport and doggone it, I want the real thing downtown. So let's talk now about another one of the Ts. I know we touched on the three Ts and we're so focused on timber, but the other two Ts are technology and then transportation. And we talked a lot about technology. Let's go back to transportation. When I spoke to Emma about transportation, we were talking about the trucks that we use to service our buildings. Steve or Laura, what do you mean by the third T transportation in the context of your three T approach?

## **Steve Luthman**

Well, we think that diversity in the way that people commute is critically important to the future. It's not just public transportation. It is people are going to bike, people are going to run, people are going to walk. People are going to drive. People are going to take the train. They're going to take bus rapid transit. We need to find locations that enable a diversity of commuting patterns. That's the key for the future. And that's what we're going to start to see more and more of. And it's not just locating on the subway stops is locating in areas that enable a diversity. And so that's key for us. And that's paramount for this thesis is to drive demand. Let's locate these buildings in areas that have diversity in transportation optionality, and that's why Ts there for us three Ts.

## **Spencer Levy**

Let me expand the conversation a little bit. I think when we talk about ESG plus or timber specifically, we're largely thinking with our office. But what are you seeing in some of the other asset classes that Hines owns, builds, manages in terms of some of these EU plus our initiatives?

## **Laura Hines-Pierce**

Well, I think, you know, it's a broad question. And part of the reason I think a lot of the focus has been on office is because I think office is one of the biggest contributors from, you know, a carbon footprint standpoint. You know, when you think about carbon, you think about carbon reduction. There's sort of two buckets where that falls into there's operational carbon and then there's the embodied carbon within the physical building itself, the materials that were used to build it, transporting those materials to the site, the manufacturing and those materials, et cetera. And when you think about that, the world of real estate, the biggest footprint, the biggest offenders, if you will, are office buildings. And we are looking at that really across our entire portfolio. The operational carbon, I think, is something that we've been focused on for a really long time. It really is part of our DNA, given my grandfather was a mechanical engineer, he really, when he started designing and developing buildings, really came in with a focus on energy efficiency because it makes good business sense as well as, you know, that minimizing an impact on the environment. And so that's really been part of our DNA going all the way back to the beginning. The major changes in operational



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carbon will come as the energy grid really starts to move to renewable energy, and that's really where a lot of the impact will happen. You know, we will continue to work on operational efficiency within the buildings, and that really is across all of our asset classes. But then the embodied carbon, I think, is really where the real estate industry can make a difference.

## **Spencer Levy**

Steve, at the beginning of today's conversation, Laura talked about acceleration of trend, but also what's coming next, because it's funny, like back to the future with lumber. What's next is what was in the past. But what about other types of construction? What about modular? So flex and modular or what else comes next in the construction?

## **Steve Luthman**

Well, I think modular is there's been a lot of people who have tried modular over the last 30 years, and modular has always been the Holy Grail. And I think now the investments of firms like Kitara and Sidewalk Labs and what they're doing in terms of modular, it might actually break through this time, and especially on product types that are a little bit simpler. If we think about garden style apartments or even if we think about industrial buildings, you know, there's a simplicity element of that that enables modular to be the right solution. So I'm optimistic on modular. And frankly, you know, I think Hines in this industry, we have an opportunity on affordable housing in all of our urban markets to really think about how Modular can help that, because cost is cost is cost. And if modular can help reduce the cost, I think we can get to a more affordable outcome for our cities. In terms of flex. I'm excited for Flex. One thing that your surveys show and our surveys show is flex is the number one amenity that tenants want. I think a relationship with their property manager and that connection to their partner in the in the building. And Emma, Emma knows that that's maybe number two. But Flex is number one. And I think especially coming out of a pandemic where a lot of tenant customers are really thinking about what is the future for me. I think Flex plays a really important role in that because it's going to enable them to maybe take some risks and try some different things and that flex will be there for them.

## **Laura Hines-Pierce**

I completely agree with Steve and I think really as a firm believe in the opportunity that Flex provides to really create an amenity for our tenants. One of the challenges with the way that Flex was approached previously was the lease model. When Flex providers really were sort of unique tenants in the building, they weren't integrated with the services of that building and the offering that that building provided to the tenants within the space. We believe the shift is moving more towards a management agreement model where the landlord, the property manager, is much more integrated with the operations of a flexible space, coordinated on offerings around all the things that can come with flex space, like conference space and just true sort of usable space that you're not paying for on a day to day basis in your rented space. Hines has been pushing into this with Hines squared and which is our flex offering that we've really launched in the last year and a half. And so we'll be pushing into that more broadly in our portfolio.

## **Emma Buckland**

Exactly to the points that Laura just made. We definitely see space as a service, if you like, as an amenity that is increasingly important in all of the assets of businesses that we manage and demand of both our tenants and our landlords. Increasingly, just to refer back to a point Steve made, we did our future of the office survey September and 82 percent of respondents told us that that was what they wanted. So certainly the integration of the

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overall management of the asset on a day to day basis, including all of the front of House and all of the operations alongside the flex provider as a part of an amenity offering is, I think, a really a naturally very sort of holistic fit and is a sort of natural expansion in terms of how we think about flexible office as one of the many things that we can help our clients do in property management.

## **Spencer Levy**

Absolutely. And I think property management is at the point of sale with tenants more than probably anybody else. You're the most visible. And so clearly you're going to be instrumental in the growth of that sector. One of the remainder of the I hear a lot about while we talk about amenities, it's just outdoor space itself. Actually, in New York City, I came in as the number one amenity pre-pandemic. I suspect that's going to only increase now. What's your point of view on that?

## **Emma Buckland**

And she's saying all those really interesting conversions of, you know, rooftops into gardens and all kinds of unusual things, though I think seeing organizations take Wi-Fi outside so that we can have people working in the open air in a way that they might not have done before, putting things like picnic tables, outdoor desks, patios. As I said, on those types of things, I think we're seeing more and more basically any creative solution to create some outdoor and even if it didn't exist before, I think is increasingly important. So we're definitely seeing that trend, particularly in urban locations where true kind of garden or landscaping is maybe a bit of a premium or hasn't been designed in that certainly here to stay, I think in terms of not just the pandemic conversation, but also the wider emphasis on well buildings, on wellness and on tenant health as a part of that productivity conversation in terms of what the office is.

## **Spencer Levy**

With that, let's get final thoughts. Looking at our crystal ball five years from now, looking back on where we are today, where do we see not just the office space generally, but specifically in some of the innovations, the three Ts that you were spearheading? Steve, let's start with you.

## **Steve Luthman**

Yeah, thank you, Spencer. I'm really hopeful. I think, you know, notwithstanding some difficulties we've had in polling over the last couple of cycles in the United States, I think what we've started to see in the polls is that Americans are more concerned with climate change than ever before. And I believe that it's starting to be spoken about in more hopeful tones as well. And it remains probably the greatest existential crisis affecting the entire planet. But we can also think of it in terms of what we can do to improve and to participate in change. And I believe that over the next five years, we're going to see a tremendous evolution and growth in the timber construction space simply because of the embodied carbon and the carbon sequestration attributes of these buildings. And so I'm very hopeful about the small step that these timber buildings can help in solving a major global climate issue that we're all facing.

## **Laura Hines-Pierce**

My hope is that the real estate industry really takes some ownership and leadership on that front. I think our tenants are investors. Continuing to push us is really important. We as a firm, as we've thought about our ESG strategy and where we've really gotten to, is that we really want to help lead the industry, help to share information, to bring others along. I think,

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especially as we think about, you know, embodied carbon and operational carbon, you know, sharing best practices, sharing ways to really make reductions there. Because, as Steve said, I think this is such a critical issue for our time. I think it's only going to become more and more critical. As someone who's based in Houston, I felt the effects of climate change. And I think that we all have a responsibility to help lead the industry and bring others along. That's my hope that that will continue in that direction. And certainly we, you know, as Hines hope to be a big part of doing that.

## **Spencer Levy**

Well, speaking of Houston, I did my first business trip, you'll be happy to know, two weeks ago to Houston. And my gig was at a place called the Armadillo Palace.

## **Laura Hines-Pierce**

I know it well. I think the best part about it is it literally has a giant mirrored armadillo out front. So it really could not get any more Texas in a stereotypical way. I'm glad you made it there.

## **Spencer Levy**

Yeah. Mechanical bull automated, slightly more Texas. But that aside, you're right. So, Emma, five years from now, looking back, what do we see?

## **Laura Hines-Pierce**

Well, from a property management perspective, I hope we've been part of really leading the operational ESG agenda. So I think we've got a huge opportunity around the world to really positively impact ESG goals in all of the assets that we manage. And we're really going to be focused here at CBRE in helping our teams do that with our clients. And I think big areas of focus are going to be, you know, continuing the tenant engagement conversation, thinking about advances in technology and how we can deploy them, and also continuing to push the possibilities of supply chain, thinking about the traditional elements, if you like, but also thinking about things like diversity in our supply chain. So as an organization, we've made a big commitment around supplier diversity targets and continuing to play our part in helping make that happen. But for the a wider community and ultimately all of those things adding up to giving all people around the world just a much greater sense of purpose in their work, which I think is the big opportunity that we all have in grappling with this ESG agenda.

## **Spencer Levy**

Great final words, Emma. And on behalf of The Weekly Take, I want to thank our friends and clients from Hines, starting with Laura Hines-Pierce senior managing director at Hines. Laura, thank you for joining us.

## **Laura Hines-Pierce**

Thanks for having me. It was a great conversation. Thanks, Spencer.

## **Spencer Levy**

Thank you, Laura and Steve Luthman, senior managing director of Hines. Steve, thank you for joining us.

## **Steve Luthman**

Thank you so much, Spencer,

## **Spencer Levy**

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# WeeklyTAKE

And last and certainly not least, our friend and colleague, Emma Buckland, global president of Property Management, CBRE.

**Emma Buckland**

Thank you so much to all of you. It's been great.

**Spencer Levy**

For more on our show, our guests and the topics we covered on this episode, check out [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). We'd also love to hear your thoughts. So drop us a note with your feedback and whether you found us on Apple podcasts, Spotify or another platform. Please subscribe rate and review us wherever you listen. Thanks for joining us. Until next time, I'm Spencer Levy. Be smart. Be safe. Be well.