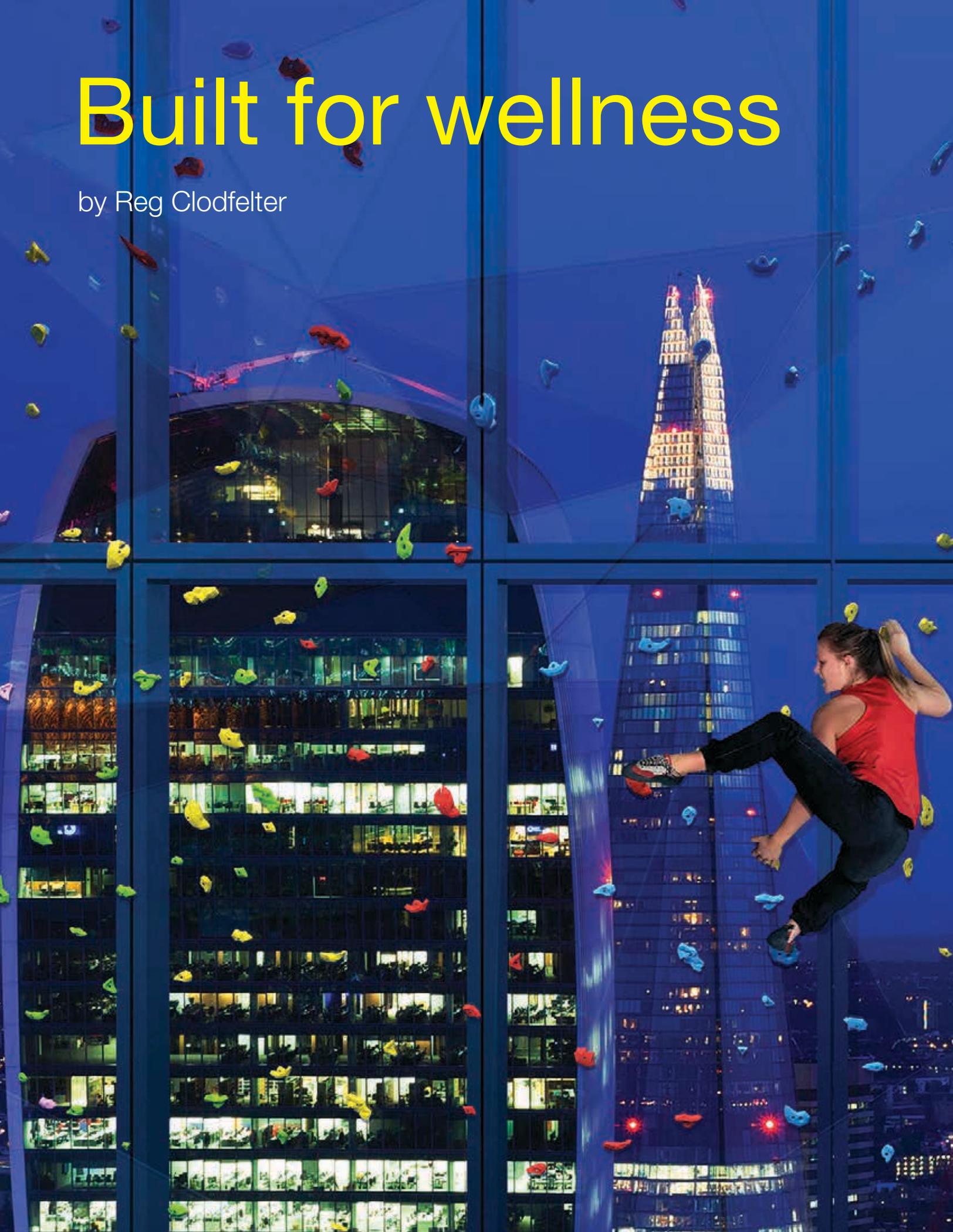


# Built for wellness

by Reg Clodfelter





## *Investors are developing properties to keep tenants healthy — and happy*

Reaching above your head, you grab the last handhold and pull yourself up, finally solving the problem you have labored on your last three lunch breaks. In your moment of triumph, you pause to enjoy the 400-foot-high London view through the climbing window you are perched on. Yes, climbing *window*. The year is 2019, and you are at 22 Bishopsgate.

The 62-story wonder-building, being developed by AXA Investment Managers – Real Assets and Lipton Rogers, is still under construction today; however, it is set to not only be London’s tallest skyscraper upon completion, but also the first fully certified WELL building in Britain. From the 24th-floor gym, to the 41st-floor spa, all the way down to London’s largest bike park in the basement, the entire 1.3 million-square-foot building, affectionately called Twentytwo, is designed with the well-being of its tenants in mind — and to help its occupants solve more problems than the ones built into its climbing window.

The WELL Building Standard, developed by Delos Living of New York City and administered by the International Well Building Institute, is the result of a years-long shift in the way we consider the relationship between our health and the buildings we occupy. The certification program focuses on seven areas — air, water, nourishment, light, fitness, comfort and mind — with each category scored and a final certification of silver, gold or platinum awarded depending on the scores achieved. Think LEED certification but with a focus on the health of people instead of our planet (see sidebar on page 30 for how wellness and sustainability can be linked).

The focus on well-being has not been limited to real estate developers either. The typical company in the United States today offers nearly 15 different programs to support the physical and emotional well-being of employees, and about two-thirds of employees around the globe agree employers have a role to play in helping them manage their health, according to the 2017–2018 Willis Towers Watson Global Benefits Attitudes Survey. The idea that people themselves are a business’ most important asset has been contagious.

“In service- and information-based industries, which forms a large part of Western economies at this point, people are the critical resource,” says Andrew Stainer, global head of asset management and development for AXA Investment Managers – Real Assets.

Though the actual effectiveness of a program or building feature in improving an individual’s well-being is nebulous and hard to measure, early studies have been positive. According to research from Dodge Data & Analytics, some 69 percent of U.S. building owners surveyed who had implemented healthy building features reported a corresponding improvement in employee satisfaction and engagement. But is this focus on well-being a bellwether for the buildings of tomorrow or another passing fad?

At left:  
Problem-solving at 22  
Bishopsgate in London:  
In rock-climbing parlance,  
to solve a problem means  
to complete a route.

ers surveyed who had implemented healthy building features reported a corresponding improvement in employee satisfaction and engagement. But is this focus on well-being a bellwether for the buildings of tomorrow or another passing fad?



Interior view of the shopping mall at HKRI Taikoo Hui, a mixed-use project in Shanghai developed by HKRI International and Swire Properties and the first WELL Platinum-certified building in Asia Pacific

### Well understood

We spend about 90 percent of our time indoors, according to a study from Harvard University titled *The impact of green buildings on cognitive function*, so it would stand to reason the environmental conditions within the buildings we inhabit would have a significant effect on our well-being. Indeed, the same study found not only can these conditions improve health, but also cognitive functions. Measured across nine domains — including crisis response, strategy and focused activity level — the cognitive functions for participants in the study were 61 percent higher in green-building conditions than in conventional buildings and 101 percent higher in enhanced green-building conditions. Although the focus of this study was on green buildings and not wellness-focused buildings, the factors that had the biggest effect, among them CO<sub>2</sub> levels and ventilation rates, were factors that are also emphasized in wellness-focused developments.

Considering the effects these initiatives seem to have on employees' health and mental acuity, it is easy to understand why businesses have been

fond of them. But how exactly does one design a building around wellness?

“When we look at how to design a space to promote the well-being of the people inside, fresh air, natural light and biophilic design all play a key role in the overall plan,” explains Scott Delano, design director with Wright Heerema Architects, adding other factors he sees tenants request include a higher prevalence of hydration stations and managed fitness.

Wright Heerema Architects helped in the wellness-focused renovation of 200 W. Jackson, a 29-story office building in Chicago. The renovation included a full-service fitness center with state-of-the-art cardio and weightlifting equipment, as well as a Farmer's Fridge vending machine and a tenant amenity lounge, dubbed “The Notch.” The renovation paid off, too, with the building owner signing a flurry of leases after completion that brought building occupancy from less than 50 percent in 2015 to 81 percent by fall 2017.

Another focus of the wellness movement has been the creation of increased social opportunities, as well as shared office spaces that allow tenants

to grow and contract their workforces as needed. Perhaps no new building better exemplifies this focus than HKRI Taikoo Hui, a mixed-use project developed by HKRI International and Swire Properties in Shanghai. The building, which recently became the first WELL Platinum-certified building in Asia Pacific and the third in the world, was specifically designed to embrace a flexible co-working style that encourages collaboration, according to JLL, which relocated its Shanghai office to the property in 2017.

Although office buildings have garnered most of the attention, they are not the only buildings getting the wellness treatment. Retail owners have begun to embrace various wellness initiatives to create more pleasant spaces to shop, in an effort to attract more customers and encourage them to stay longer and spend more money. Multifamily developers have been in on the excitement as well, with many duking it out in what sources called an “amenities arms race,” especially in the luxury market.

Aiding the notion these changes are here to stay, the cohorts most swayed by wellness initiatives are likely going to be a growing part of the workforce moving forward. “There is an increased focus on wellness and well-being among all generations, especially millennials,” explains Ada Choi, senior director of research at CBRE Asia Pacific.

But if a focus on wellness is going to be increasingly embedded in our global consciousness going forward, shifting from a feature of cutting-edge buildings to a requirement, some aspects of the wellness movement must be ironed out.

### Well intentioned

Although many employer-sponsored wellness programs are well intentioned, it can be difficult to get strong results without a buy-in from the workforce — and getting that buy-in is not always as easy as one would think.

Wellness programs are offered by 85 percent of large employers in the United States, but only 60 percent of employees are aware of the programs, and a staggeringly low 40 percent of those who are aware actually participate, according to “Why Your Workplace Wellness Program Isn’t Working,” a May 2014 article by Ed O’Boyle and Jim Harter of Gallup. Employees are less apt to participate in wellness programs that are focused on changing their behavior, such as programs that offer financial incentives to change diet or exercise habits, according to *Health, Well-being, and the Evolution of ESG*, a September 2017 report by Delos Living (see page 35 for an excerpt from the report).

Luckily for real estate developers and investors, some of the best results have been derived

## Linking wellness and sustainability

The current emphasis on environmental, social and governance factors (ESG) naturally has led many real estate investors and investment managers to link wellness and sustainability.

“One of the reasons why wellness has moved under the sustainability umbrella is the numerous synergies with what traditional green-building certifications offer — sustainable, high-performance buildings include a focus on human health and productivity,” explains Anna Murray, vice president of sustainability at Bentall Kennedy. “It starts with what tenants are demanding. Corporations are flocking to buildings that help them attract and retain talent, and are striving to provide a workplace environment that enables those employees to do their best work.”

Tenant satisfaction is one of the key elements pulling together environmental and social concerns, and driving the development of sustainability features and wellness features.

“People want to live, work and play in places that make them feel happier, healthier and productive. Considering health, well-being and experiential factors in how we design and manage buildings enables

our occupiers to have happy, productive employees; our retail destinations to attract customers; and our homes to be places where people want to live. ‘Health, well-being and occupier experience’ is one of the four key impact areas of M&G Real Estate’s Responsible Property Investment strategy,” says Nina Reid, director – responsible property investment at M&G Real Estate.

Another element linking sustainability and wellness: Both have compelled investment managers to investigate ways to improve, measure and communicate the performance of their buildings.

“Wellness has traditionally meant many things to many people — this new wellness movement focuses more on quantitative data, which enables a shared understanding and measurement,” explains Murray. “This is key for property owners as they discover how a combined focus on sustainability and wellness strategies generates the potential for higher value and more satisfied tenants. And when tenants are happy, they’re more likely to stick around for the long haul, positively impacting the building’s profitability.”

from the wellness initiatives over which they have the most control. Having on-site or nearby health and well-being services leads to greater employee engagement around well-being. Simply having these services available led to employees being twice as likely to have positive things to say about their employers' broader well-being initiatives than those whose employers did not have them available, according to Willis Towers Watson's survey.

This underlying issue — that some portions of wellness initiatives require active participation from landlords as well as tenants and their employees — has made the certification process complicated for landlords or investors that make it a priority.

"The industry needs to step back and decide that this aspect is the landlord's responsibility, and this aspect is the occupier's responsibility, and we can do this together, but not one party can do it all — which makes getting a certification more challenging," explains David Hirst, chair of real estate

in pursuit of tenant wellness. "As property developers and owners, we should be saying that we are providing a physical space with wellness features without claiming that these will directly improve your life — because a lifestyle is a choice, but we are not driving that; we are providing the menu for a wellness lifestyle."

Although the difference in messaging is subtle, the subjective nature of determining whether an occupant's well-being has improved makes controlling — and, thus, making claims on — the end results in wellness improvement a tricky process. But that does not mean wellness initiatives should be avoided. Especially if you, like most sources for this story, believe wellness initiatives are here to stay, regardless of the issues that still need to be resolved.

### Well into the future

Depending on the chosen CBD, wellness requirements may be a necessity of today, not a futuristic feature of the buildings of tomorrow. Some high-end tenants have made it clear they will only consider leasing in a building that focuses on enhancing occupants' well-being, and this attitude may not change.

"What today is deemed innovative, tomorrow will be regarded as the norm," explains AXA IM – Real Estate's Stainer, adding the quantitative impact of not doing the right thing from a wellness perspective will be accelerated obsolescence and increased refurbishment in the future.

"It is time to stop just paying lip service to talent being valued and to create a really positive environment in which people can work," continues Stainer. "We need to redefine tomorrow's class A office offering, and for those of us that are developers, we need to be doing that today."

But, it is also important to consider the value of zigging when everyone else zags.

"We are seeing new investment prospects in the pipeline that are positioned away from the amenities arms race, which include wellness features, and are instead focused on being more affordable," says Resmark's Cohen. "That's really where the largest segment of the demand is."

Cohen is speaking specifically to the U.S. multifamily sector, but his insight is important to keep in mind.

In the near term, though, many of the wellness-focused buildings of tomorrow are already under construction today. Once they've been completed, they are sure to help tenants solve problems on their lunch breaks — and not only those on the climbing wall. ❖



The tenant amenity lounge, dubbed "The Notch," at 200 W. Jackson in Chicago, designed by Wright Heerema Architects on behalf of White Oak Realty Partners, incorporates an abundance of natural light, glass walls, outdoor furniture and green plantings.

and private markets' sustainability workgroup at UBS Asset Management.

But these are not the only issues institutional investors should be aware of before making a big bet on wellness initiatives.

"There are real complex liability questions here, and I think it is best to pay attention to them before you jump headfirst into executing an all-encompassing wellness strategy," says Ziv Cohen, president with Resmark Apartment Living. Currently, local, state and federal governments are responsible for items such as air and water quality, adds Cohen, but legal ramifications could arise from property owners taking on that responsibility

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