

Behind the Scenes | Salesforce at Wolf Point

by Matt Baron, NAIOP Chicago Staff Writer

This is a summary of the October 15, 2019, meeting of the Chicago chapter of NAIOP, the Commercial Real Estate Development Association.

Its members gathered at River Point, 444 W. Lake St. in Chicago, to hear from leaders from Hines, Salesforce, CBRE and The Telos Group. They discussed one of the last remaining riverfront sites in downtown Chicago, The Salesforce Tower, a planned 1.2 million square foot office tower that represents the crown jewel and final phase of The Kennedy Family and Hines' Wolf Point development.

The session moderator was **Nikki Kern**, *Senior Vice President*, The Telos Group, LLC. Panelists were **Brian Atkinson**, *Managing Director*, Hines; **Steve Brashear**, *SVP – Global Real Estate*, Salesforce; and **Brad Serot**, *Vice Chairman*, CBRE, Inc.

Already with 1,350 employees in Chicago, Salesforce continues to be in a strong growth mode with the anticipated addition of 1,000 jobs over the next few years for the San Francisco-based technology firm.

The linchpin to those Windy City plans is **its 500,000-square-foot lease of the third (and final) high-rise of the Wolf Point development** along the northern banks of the Chicago River, where many of those employees will work.

Construction is set to begin in February 2020 and when it opens in 2023, it will be the centerpiece of a master plan that includes the already-constructed **Wolf Point West residential luxury tower** and the nearly-completed **Wolf Point East** residential luxury tower.

Driving Salesforce's decision is Chicago's abundant market potential. Within the context of the company being in 100 cities throughout 28 countries, Chicago is in "the top five" in important customer hubs, said Steve Brashear of Salesforce.

"It was a pretty easy decision—at least, I thought it was—for us to say, 'Let's double down on Chicago,'" said Brashear. "It took a while to get there. It was almost a two-year journey to convince everybody internally to get there."

Top factors that make Chicago appealing is its vast talent pool (owing in part to the strong universities in the region), affordability (CRE is less than half as expensive as San Francisco), and a lower cost of living for employees.

When the process of looking for more space began, anchoring a new building “was the furthest thing from our mindset,” said Brad Serot of CBRE.

After about six months, it became clear that it was not feasible to expand within 111 W. Illinois St., the space where most of Salesforce’s Chicago workforce are currently situated. Then, after exploring options throughout the entire city, the search narrowed down to River North and the central West Loop neighborhood, said Serot.

Other than Wolf Point, he added that the top sites under consideration were 110 North Wacker (the Bank of America tower) and the Freedom Center site in River North. Visibility and branding were key elements, and consistent with Salesforce’s brand of corporate growth: over the past four years, the company has opened five tower locations, in New York, London, San Francisco, Indianapolis and Atlanta.

“Part of it is about attracting and retaining talent. Part of it is about our actual brand in the market,” said Brashear. “We’re not as well-known as some of our peer companies, because we’re primarily a B-to-B brand. We don’t always have that name recognition, so if we can plant a flag in a city, a named tower, or signage, or all of the above, it really lets the world know, ‘Hey, Salesforce is here and we’re here in a big way.’”

The advocacy of Fred Clarke, co-founder of Pelli Clarke Pelli Architects, was instrumental in the process, said Brad Atkinson of Hines. Pelli Clarke Pelli had a pre-existing “deep relationship” with Salesforce through its work on the Salesforce Tower in San Francisco, among other sites.

In fact, said Brashear, Clarke had an observation that resonated within Salesforce’s upper echelons: “He said this is one of the most prominent development sites in all of North America. That was his opinion, and he said it, and we really used that as a rallying cry internally for some of our top stakeholders who aren’t typically part of the real estate decision-making process.”

The Kennedy family has owned the site since the 1940s and in 2007, Hines had preliminary meetings with Chris Kennedy and others about transforming the site from its longstanding use as a parking deck.

Serot credited Hines and other members of the development team for instilling a high level of “trust, confidence and creativity.”

Salesforce emphasizes light and space, such as having skylights in the top floor, and establishing a welcoming, community space for non-profit organizations to use at night and on weekends, at no cost. Those are both examples of non-traditional approaches, said Brashear, in which they are greeted with “skepticism” from landlords.

Providing an engaging overall experience, indoors and out, is a priority. Atkinson said Salesforce will have its own reception desk and video board, though there will also be amenities available to all tenants, including a gym, lounge space, and conference space. In addition, there will be an outdoor tent area, a kayak storage space to spur on access to the river and expanded bicycle capacity (250 bikes).

“From our perspective, how do you take it to the next level?” said Atkinson.

“...Salesforce has led the charge on ‘we need this for our people.’ Everybody else is going to need it, too. We need to stretch our boundaries on that.”

Prompted by a question from an audience member, Atkinson said a coworking element is “definitely on our radar” as one possible use in the tower.

Through the process of already having a footprint in the city, as well as finding the new location, Salesforce has found Chicago government officials to be “huge advocates,” said Brashear.

“Part of it is that we are a values-driven organization. We really want to connect with the different city agencies,” he added. “We mean it—we’re willing to put our money behind it, we’re willing to put our brand behind it and try to live that every day.”

For example, the company has **five ohana (Hawaiian for “extended family”) floors** around the world that have already hosted thousands of events.

As part of the planning process, said Atkinson, Salesforce has also made it clear that they do not want an in-house cafeteria—an approach they have everywhere except India, where it is required. Instead, they encourage employees to support local restaurants and connect with the surrounding community.

That approach meshes well with the 1,200 residential units that are part of the three-skyscraper mixed-use development, he noted.

“We’re building a different kind of community for the Hines brand...we really want it to be a mixed-use environment,” Atkinson said. “It was really great to hear, ‘We want it to be an open environment.’ It stretches us to think about our buildings in a little different way.”

Brashear called the 1,000-job projection “conservative,” adding, “There will be tremendous growth in Chicago.”

Salesforce has leased up to approximately the 25th floor, as well as floors 55 through 57. That leaves the middle- to most of the high-rise portion for others to lease.

No other leases have yet been announced, though Atkinson said he is optimistic those will be coming soon and “2020 will be a very active leasing year.”

Considering the low vacancy rate in Class A buildings, among other factors, Serot expressed optimism for attracting tenants. He also lauded Salesforce for setting a trend that tech tenants can locate in a Class A office tower, and not just “some sort of gritty older department store building, or meat-packing (plant) to try and re-create something special.”

“The other thing is it continued to legitimize Chicago as a tech ecosystem where tech firms can come to recruit, retain, and everything we’re talking about,” said Serot.

He also cited the strong regional labor pool, drawing from students coming out of area colleges with top engineering, computer science, and other disciplines.

“I feel very optimistic with how Chicago is positioned as a city,” said Serot, pointing to that labor pool and the relatively inexpensive commercial real estate, especially in comparison to places like San Francisco.

“If you wanted 500,000 feet in San Francisco, or even 100,000, where would you go?” Serot concluded. “It doesn’t exist. Literally, there is no space. San Francisco is sold out.”

Indeed, Brashear noted that Salesforce’s labor analytic studies the last three years have affirmed Chicago “at the top of every one of those studies,” bolstered by its population being able to support hiring on the scale that it envisions.

Panelists wrapped up by answering a series of audience questions, including one about lessons that they learned through the process.

Serot acknowledged that he had “preconceived notions of the types of opportunities that Salesforce would be interested in. I’ve been to San Francisco, and I’ve seen Salesforce Tower (there), but for some reason at first I was shying away from the idea that that was going to be a reality here.”

“It also reminded me that lease expirations don’t drive real estate decisions,” he added. “Talent, people, business objectives and goals, those are really what drive real estate.”

For Brashear, one key lesson is an age-old one: the importance of “maintaining great relationships,” including those with Salesforce’s current landlords with whom they have various lease expirations.

“We’ve got about four more years of occupancy; we have all kinds of different lease expirations,” Brashear said. “Once you start announcing this new tower, landlords could hold you over a barrel if they really wanted to.”

Years into the future, he added, Salesforce could outgrow its tower space, and “we want to make sure we are great tenants of the city, and not just of the building.”

Among Atkinson's biggest take-aways is the importance and influence of architecture in attracting a major tenant.

"The architectural influence of what's important to the tenant and then what's important to the architect, and what's actually commercially executable from the developer side has been quite eye-opening," said Atkinson.

Later, Atkinson addressed the "push-pull" of finding agreement between the architectural and commercial considerations.

"This is one of the more important sites in all of North America," he said. "So, from a legacy standpoint...we need to make every decision here that will be lasting for many, many generations. This building is going to stand on this skyline for years and years and years and we wanted to make sure that the decisions we made were not compromises."

Meeting Sponsor:

NAIOP Chicago

1700 West Irving Park Road, Suite 208

Chicago, IL 60613

(773) 472-3072

www.naiopchicago.org