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## Corporate Real Estate Execs Push Space Exchange

By Connie Gore

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DALLAS-Four major corporations have formed a network that requires members to review each other's surplus space before going to the open market. Three of the four are minority investors in San Francisco-based NetStruxr Inc., which is the high-tech trading floor for the space exchange.

Brokers still get to ply their trade. Corporations get to network to unload excess space. And as long as it's an alternative and not a mandate, it's not being viewed as a possible monopoly, say corporate real estate executives of NetStruxr investors' Prudential Life Insurance Co. and Bank of America Corp. International Business Machines Corp., also a NetStruxr investor, and Automated Data Processing Inc. are the other team players. Today, corporate Real Estate Exchange, CREX for short, marks its first week on the Web. No space has been hawked, but the real estate chiefs believe it's the way to go. All involved say the idea sprung from Sept. 11 when New York City corporations and building owners dug in their heels in an unprecedented camaraderie to find office space for displaced companies.

The four corporations leading the charge are courting a trophy list of 30 would-be participants. NetStruxr has suggested another 100 big names that could be wined and dined for membership, says Richard Podos, NetStruxr executive vice president in New York City. The four founding members and 30 prospects equate to more than 1.5 billion sf, with a preliminary estimate that at least 100 million sf is surplus.

There's always a hitch. It's more than a pledge, it's a commitment that must be kept. Renewals as well as surplus must be posted on the CREX online marketplace. If there's a

match, the member gets an alert. There is no obligation to take, just screen, each other's available space, most of which is sublease predominantly in office buildings.

"I am not going to take space from Robert Patterson (Bank of America's senior vice president of corporate real estate) just because he's a good old boy," Edward Rytter, Prudential's vice president of corporate real estate, tells GlobeSt.com. "I am only going to take space if it meets my need, if it's a match. If it's not, we move on."

The Prudential portfolio contains 19 million sf; six million sf is owned. Less than one million sf is outside US borders. Rytter estimates that 5% of the portfolio is excess space. He says Prudential's brokerage firm, GVA Williams of New York City, supports the approach. "We have the ability to look at the entire market, including sublease space," he says. "The information flow on both sides of the equation is what is going to make this work."

Patterson says CREX will be used in adjunct with traditional strategies employed by its recently retained brokerage firms, Dallas-based Trammell Crow Co. and Chicago-based Jones Lang LaSalle. "The specific application here is getting rid of surplus space," he says. "The traditional corporate approach to that is to become a landlord and lease that space to someone else. Sometimes that works and sometimes it doesn't."

Patterson says Bank of America's 40 million-sf portfolio, excluding branch locations, has 30 million sf in leased sites and the balance owned. He's willing to put up Bank of America's three million sf of renewals each year to help unload the estimated three million-sf surplus. Besides, there's always the chance that there's a match at a cheaper rate. Then, the task is to weigh the bottom line of renewing, moving and long-term savings. For the space holder, more than one match could trigger a bidding war.

Hard savings is merely a hypothesis at this stage. Patterson crunches numbers that show Bank of America could realize, theoretically, \$1.3 million in savings annually by connecting with discounted surplus space for a fraction of its renewals that come up each year. The challenge is finding the shoe that fits. And even if it looks like a match, he says, "you're still a long way from a deal"—and that's where the broker steps in to do his job.

NetStruxr's Michael Baumann, executive vice president, says "all we do is identify there's an opportunity in the market." Brokers aren't being shortchanged by the exchange. "They still have to negotiate," he stresses. But, he's quick to add, "people who join agree to behave in a certain way. Whenever a corporation has a new space requirement or renewal, they will prioritize considering relocation to another CREX members' excess space."