

Location, Bandwidth, Location

Rudin's tech guru shares his insights on the "smart" amenities of today and infrastructures of tomorrow

by Karen Halm

John J. Gilbert, III, is executive vice president and chief operating officer at Rudin Management Company, one of New York City's largest privately owned real estate groups. He served as chief technology officer for the company's New York



John Gilbert led the team that developed the first building-specific Web site.

Information Technology Center, a groundbreaking 400,000-sq. ft. building that proved a mecca for tenants seeking a wired business environment in Manhattan's "Silicon Alley," as well as 32 Sixth Avenue, a carrier-neutral facility that allows wired and wireless carriers to access thousands of buildings throughout the city. He recently spoke to the *Journal* about the value of technology amenities, the telecommunications landscape in office and residential properties and his vision for a wireless broadband network for small businesses.

JPM: You helped create a prototype for the intelligent building with the launch of the New York Information Technology Center at 55 Broad Street. Is it still ahead of the curve?

John Gilbert: It's interesting to note that it was described as the grandfather of all smart buildings at the Realcomm conference last summer when it was given an award for "industry impact." It really defined how voice, video and data should be distributed throughout a multi-tenant building and the model has stood the test of time. It is all about enhancing and creating choice. Very simply, what do your tenants want and how, ultimately, do you most efficiently deliver that to them? Listen to your customers. They want a choice of carriers. Listen to the carriers who ultimately become your customers. They want easy access to their customer, so give them a just-plug-in infrastructure. Then say, 'What do I want?' and listen to yourself. We want peace of mind knowing the investments we make are for the long term.

JPM: One source estimates as few as four percent of the country's more than 750,000 commercial office buildings are directly connected to fiber. How powerful is a building's technology system as a competitive advantage in attracting and retaining tenants?

Gilbert: I can tell you our most recent ground-up project, 3 Times Square [the Reuters Building], literally was designed from the inside out because of Reuters and who they are and what we learned at 55 Broad Street. The redundant distribution of fiber was the most important component of that building from an invisible design standpoint. Reuters is in the information business and if they aren't able to create information and distribute it or receive information and dissect it, they're out of business. Instead of 'location, location, location,' 'location, bandwidth, location' is really the better moniker. The ability to touch customers across the globe relates directly to your ability to access optical fiber.

JPM: What background analysis do you recommend managers use to assist owners in deciding whether to make a major technology investment to improve the appeal and value of their properties?

Gilbert: Really listen to your customers. When you can say to a tenant one building will give them multiple choices of carriers, all the carriers stacked up and access to wi-fi and redundant wireless networks when they rent a 40,000-sq. ft. space, and next door they will just have the space and will have to figure out all these other things for themselves, the value-

add for that first building is clear. The owners have taken the time to try to get inside their customer's head, understand their issues and deliver a level of service those customers want. That's the building people are going to go to.

JPM: When you're working on a new or rehab project, there's flexibility for planning the technology infrastructure. What advice do you have for property managers faced with upgrading telecommunications in retrofit scenarios, possibly in phases to accommodate individual tenants?

Gilbert: It's something we wrestle with every day. That's why we focus on building the trunks. The branches will come later. They'll be allowed to grow as people demand services from that trunk—you'll then extend the branch.

The key piece is understanding the core of your building not only contains elevators and power risers, but telecommunications risers. Who owns the right to ultimately drill down through that telecommunications riser and extract revenue from the customers you've spent money stacking up is a very, very important consideration. It doesn't matter whether it's wireless or wired distribution, what we want to do is lay the foundation. We won't necessarily build to every tenant right away. We'll wait for that tenant to come to us and say, "I want service from Verizon or AT&T or MCI."

The beauty of the carrier neutrality of our risers is everybody rides the same [one]. If you are using Verizon today and want to use AT&T tomorrow, under our model you don't have to change any wiring at all. It's seamless from your standpoint. The old model is to let the carriers run it and

build it, which means if you've got Verizon today, you've got to wait for AT&T to come in and run that fiber all the way up to your space, connect it and punch it down in your block. Our model is very much an efficiency of investment.

JPM: You took a unique approach to marketing 55 Broad Street, promoting the bandwidth amenity to end users—technology managers and digital artists—beginning on the Internet. Can traditional property marketing techniques capture the excitement of the average office tenant about technology features?

Gilbert: It's amazing to think that 55 Broad Street was the first building in the world ever to have its own Web site. It's only 10 years ago. The ability to use that Web site to market was huge because ultimately the tenants we were trying to attract communicated through that medium. What we tried to do early on was jump to the users—the creative people who would understand the value contained within our model—and get them to walk into the real estate decision maker and say, 'We have to be in this building. Do you realize how much money we can save by the infrastructure and investment the Rudins have made?' We spent a lot of time focusing on that as our marketing plan.

People ask what the real motivation was behind [the concept of the building] and sometimes are shocked when I say it was fear. It had been vacant for six years and didn't have a single tenant. We tried to differentiate it from all other vacant buildings. Remember, there was 30 million square feet of vacant space in lower Manhattan from

1990 to 1995—that's more space than most cities have in total.

JPM: Talk about the Information Technology Center's worldwide network that links smart buildings around the world.

Gilbert: We came up with that [marketing] strategy and got a lot of attention. We met with representatives from China, the crown prince of Jordan, the ambassador from the Court of St. James in London and Jean-Pierre Raffarin, who's one of the top people in French government—all these amazing people. We were looking at ourselves and going, 'Why are they talking to us? We're just real estate people trying to create a product [tenants] are going to care about.'

As everybody was inviting us to this country and that country, we came up with the concept we should help these people create smart buildings and connect them. Then we looked at ourselves and said, 'We have enough to do right here in New York. Even though it's very nice and flattering, let's not let our egos get carried away because we've got a lot of work to do.'

In terms of a global network, it really created itself without our help as others began to embrace the need to wire buildings. It became more ubiquitous than specialized, the way it should be.

JPM: You chair the Lower Manhattan Telecom User's Working Group, formed to improve the city's telecommunication infrastructure in the wake of lessons learned following 9-11. What advances do you see for individual managers as far as preparing for service interruptions and data back-up?

Gilbert: The first thing I did [as chair] was politely ask all the carriers to take a time out. I wanted to get all the major IT users in lower Manhattan—banks, the Federal Reserve, law firms, large insurance companies—in a room with their IT folks and ask, ‘What do you want? Let’s assume we have a clean canvas here. What’s the picture you want to paint?’

We came up with a requirements document with 17 items and reached back out to the carriers and said, ‘We’ve done all your market research for you. This is what the companies of lower Manhattan want and didn’t have prior to 9-11. Look at this list and tell us what you can do today, what you can do tomorrow and peek around the corner and tell us what you can do the day after tomorrow.’

The one piece nobody was saying they could or would build was a broadband wireless network. The governor has now put \$10 million on the table and initiated a study of how to create one. It will be the first in the world. The big kahunas like Merrill Lynch, the Bank of New York and the Mercantile Exchange have already created private broadband wireless networks. What we wanted to do was create a network that small- or medium-sized companies could buy into because they didn’t have the purchasing power of the 500-lb. gorilla. That’s what we’re focused on doing now.

JPM: Before joining Rudin, you were president and chief executive officer of the Rent Stabilization Association, representing more than 25,000 owners. How do you see the residential market moving in regard to embracing the latest telecom technologies? Are owners in this sector quicker to adopt

broadband technology compared to their office counterparts?

Gilbert: First, let’s look at advantages and disadvantages of residential and commercial, because they’re exactly the opposite. In commercial buildings, it’s the vertical riser that is the most prohibitive because of the lack of space. In residential buildings, it’s the horizontal—how do you run these cables in a hallway and hide them and make whatever’s hiding them aesthetically pleasing and secure?

You don’t have a lot of companies trying to get into residential. It’s really a battle between the incumbent phone company and the cable companies. If we look at countries like South Korea, the data delivery infrastructure is becoming wireless and incredibly cheap. In many cases in Asia, it’s actually included in the rent. Is that model going to work in the United States? If that’s the case, what happens to the cable companies? Very interesting questions and the jury is definitely still out.

I see huge advances in wireless technology. The wi-max models are very interesting. I see those technologies on the residential side—more and more entertainment coming into the home. That’s also what’s interesting about broadband over power. That’s an already built pathway coming into my building, whether it’s residential or commercial. What I think we’re definitely not going to see are new pathways. Applications will be derived over existing pathways and whoever can provide the greatest product at the lowest cost is going to win.

JPM: Thank you for sharing your experiences and observations with our readers. □