

## CRE Terms: Space For New Occupant Categories



In this article on commercial real estate (CRE) terminology, we're looking at terms for different types of building occupiers.

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Two global emerging trends in CRE at the moment are the immense growth in life sciences as a CRE end user (owner, tenant, occupant) and the flourishing of logistics and warehousing. Typically, both of these types of occupiers require specialist amenities in their properties. One option is "build-to-suit".

The ever-useful NAIOP 2017 Terms and Definitions document defines build-to-suit as a property "designed and tailored for a specific tenant, often because the tenant is unable to find suitable space in the speculative market".

Build-to-suit is a longer-term strategy that requires high client interaction from the get-go, often with the intended occupant having direct input into specific design features to meet their needs. This might be elevated headroom for a type of machinery or safety features as required in medical and research facilities.

NAIOP adds: "The build-to-suit project is usually contracted with a developer who owns and operates the completed facility occupied by the tenant. Generally, a build-to-suit project becomes a single-tenant building upon completion."

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### Rethink, Reuse, Recycle

Many major cities, however, don't have greenfield (or undeveloped) pockets of land within their centers for these types of occupants. That leaves CRE professionals with a quandary: how can we find suitable properties for these categories that were traditionally left out of the high street mix?

With retail and office occupancies down, some cities are seeing office and retail space being snapped up for adaptive reuse, or conversion. Think beleaguered big box stores turning into fulfillment centers, or tired hotels finding new life as micro-apartments.

As a reminder, adaptive reuse is a category of conversion, changing a building or space to fulfill a new purpose. Conversion is more than re- or retro-fitting. NAIOP says that "space being converted is removed from current inventory and included in the under-construction category for the planned future use. Rezoning and other regulations will need to be undertaken, depending on applicable bylaws.

