

Technological Tipping Point

Municipalities Sell Free WiFi as Amenity to Lure Businesses, Tenants

By Amy S. Choi



Today's amenity is quickly becoming tomorrow's utility. As a result, both cities and commercial landlords are striving to cash in on the latest technology craze: wireless fidelity

"New technology goes through a very predictable bell curve, where it has to reach a certain point of value and ease of implementation," said Richard Podos, senior vice president of CRESA Partners L.L.C. "Then the technology reaches a tipping point when everybody has to have it—like cell phones or Blackberrys."

Public wireless fidelity, or WiFi, has not yet reached the tipping point. But it appears to be well on its way. In response to WiFi's popularity in private residences, hotels and retail spaces—not to mention surging demand among office tenants—municipalities across the country are beginning to offer free wireless connectivity in the public spaces in office districts. The uses are threefold: an economic development tool for the city, an amenity for residents, and ultimately, a sales tool for real estate brokers and landlords.

"WiFi has got a lot of sizzle in cities where you can get public access," said Frank Hanzlik, managing director of Wi-Fi Alliance, a non-profit organization of manufacturers of wireless systems and companies that provide WiFi. "It's a value-added service to our constituents, and it is in keeping with revitalizing certain areas. It's a great way to attract a certain kind of clientele and can also address the digital-divide issues in terms of making wireless broadband more available to a variety of folks."

The majority of WiFi users in North America are home consumers, but as WiFi becomes more inexpensive and easier to use, consumers are demanding

that it is also made available in other environments. Among those demands is the ability to be connected outdoors. "It's a great thing that you can check your e-mail while you are sitting under an oak tree," Hanzlik said.

Hooked Up

Currently, most people that utilize free, public WiFi are residents surrounding a particular hot spot. For example, in New York City, residents can bring laptops to Bryant Park in Midtown or to any of the hot spots Downtown, which provide coverage to essentially all of Lower Manhattan.

"WiFi is becoming the new mobile phone," said Ron Sege, president & CEO of Tropos Networks, a WiFi provider that worked with suburbs in both Minnesota and Northern California to launch citywide paid access. "Public WiFi is going to become more and more important. Consider how much more convenient it is to use your cell phone instead of look for a pay phone. It's that much more convenient to check your e-mail in your car on a WiFi-enabled device than have to find a Starbucks or another retail hot spot."

At paid hot spots, such as a Starbucks or McDonald's, or even malls and hotels, the user forks over a small fee and is immediately connected to a site that promotes the WiFi host. For example, the splash page of the Internet browser would be for the coffee maker or fast food chain, which could significantly increase the number of page views for that site. Cities and municipalities are employing similar tactics to make citywide public WiFi work for them, even though they provide it for free.

"It helps promote an image of the organization or area as very cutting

edge," Hanzlik said. "Cities can use it to promote a specific attraction or area, and it helps their image as being very technologically savvy. There's a real opportunity there."

In the spirit of this sort of economic development, the Alliance for Downtown New York is capitalizing on WiFi. The Lower Manhattan WiFi Network launched eight wireless hot spots in Lower Manhattan in the spring of 2003 and plans to open several more areas in the coming year. When a user signs on to any of these hot spots, a location-specific Lower Manhattan splash page featuring retailers or cultural attractions in the neighborhood pops up.

"It's a great way for us to demonstrate how good the telecommunications infrastructure is down here," said Jordan Silbert, director of rebuilding initiatives for the Downtown Alliance. "It helps brand the area as contemporary and shows that the area is dynamic and young and technically sophisticated, and firms and residents are attracted to that."

New York City may be a pioneer in providing free, public WiFi, but it is not the only city doing so. Philadelphia,

same way an employee wants to eat outside or be on a waterfront, this is another amenity to help make them happy."

"Tenants enjoy it and respond well to it," said Brad Gerla, senior vice president of CB Richard Ellis Inc. and leasing agent for buildings in Lower Manhattan adjacent to hot spots. "They respond well to it. Tenants are beginning to ask for it, and right now, it's something additional to help you compete. It's the icing on the cake."

Network Building

And as wireless fidelity in public spaces grows, WiFi in multi-tenant office buildings is growing as well.

U.S. RealTel Inc., a WiFi provider, expects to install the infrastructure for wireless networks in as many as 2,000 office buildings in the next 24 months.

Currently, most tenants who want their offices to be WiFi-enabled generally contract with service providers independently. For example, Cisco Corp., which uses wireless connections exclusively for all of its offices worldwide, seeks out its own network contracts. In response, some landlords are taking the step of providing wireless service in their multi-tenant buildings. GE Asset Management, for one, is offering standardized telecommunications as a utility and free WiFi connectivity in multi-tenant office campuses in San Diego and Phoenix.

"Increasingly, landlords are looking at things like WiFi as an amenity that's eventually going to be akin to a utility in a building," said Mark Golan, vice president of worldwide real estate and workplace resources at Cisco. "It's the same thing with bandwidth in general. No tenant comes into a building and sets up its own water pipes or HVAC. That model would be ludicrous. A very logical progression is for landlords to start providing bandwidth and WiFi on a managed service basis to their tenants and even turn it into an area of profit for them."

Sentre Partners last year reported it would provide WiFi technology at its 600,000-square-foot One America Plaza in San Diego. The entire property, which includes 34 floors and four levels of below-grade parking, will be wireless, and tenants and guests will not be charged. ■

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—Jordan Silbert, Alliance for Downtown New York

Tucson, Charlotte, N.C., San Diego and Cleveland are among those offering similar services and utilizing the technology to promote their regions to tech-savvy businesses and residents.

Consumer usage of WiFi is growing exponentially. According to Tropos Networks, in the past four years, there were less than 50 million WiFi hot spots (whether residential or commercial) in the United States. Now, hot spots are growing by about 50 million per year.

Among the most wireless: Portland, Ore., San Francisco, Austin and Seattle, according to Intel Corp.

Real estate executives are catching on and beginning to market public WiFi as an employee amenity when showing space. "Firms are attracted to it because it helps make a better place for an employee to work," Silbert said. "The