

WiFi Promises

Real Estate Sectors Hook Up to New Technology, New Possibilities

By Jennifer D. Duell

White Plains, NY—During a recent visit to the W Hotel in Atlanta, Carl Cohen saw WiFi in action. "I watched people in the lobby connecting to our WiFi network using the most up-to-date laptops," said the vice president of broadband business for Starwood Hotels & Resorts Worldwide Inc., which owns the W brand. "WiFi usage among our guests is not yet widespread, but it does exist and is growing."

Although WiFi, or wireless fidelity, is the hot topic on everyone's mind today, the real estate industry has varying levels of awareness and interest in this promising new technology. And WiFi offers different challenges and opportunities for the hospitality, retail, office and industrial sectors. (*For an update on WiFi in corporate housing, log onto cpnonline.com, keyword Oakwood Worldwide*)

"We're in those awkward years of adopting new technology," said John Yunker, an analyst with Pyramid Research L.L.C., a research firm that specializes in new technology. "There are a lot of challenges, and it will take a while for companies to become comfortable with this technology."

Stephen Roulac, CEO of The Roulac Group Inc., believes that decisions regarding technology, especially WiFi, should be made strategically and not because it is the "trendy thing to do." Roulac cautioned that real estate owners may be investing in WiFi and creating a technology infrastructure that is more advanced than tenants want or need.

However, many technology and real estate experts believe that WiFi has potential beyond the end user. "Ultimately, we believe the larger value of a WiFi network will be gained through applications delivered over the network, not from the network itself," Yunker said.

WiFi Finds Home in Hotels

In 2002, more than 500 hotels added some degree of WiFi access, more than doubling the total number of WiFi-ready hotels on the market, according to Pyramid Research. A Pyramid report said: "Assuming the economy improves over the next 12 months, the number of WiFi hotels will reach 5,000 by the end of 2004, making hotels the leading industry segment offering public WiFi access."

This past March, Starwood began installing WiFi to enable wireless

Internet access in more than 150 Sheraton, Westin and W hotels across the United States. WiFi access points—called hotspots—will be installed primarily in hotel lobbies and public areas. Starwood's wireless LAN solution will enable the use of laptops, PDAs, pocket PCs and tablets. In-room high-speed Internet access will continue to be wired.

"We think WiFi will become much more pervasive within business travel over the next couple of years, and we are preparing for that need," Cohen said. "In the short term, we are deploying it in common areas. We are making it available in specific areas because demand is small initially. Once demand grows, we have plans to deploy WiFi to our rooms as well." Starwood plans to charge users to access the WiFi network and offers two fee structures: daily or hourly.



"WiFi will become much more pervasive within business travel over the next couple of years," said Carl Cohen, vice president of broadband business for Starwood Hotels & Resorts Worldwide Inc.

Although Starwood hesitates to disclose the total budget allotted for WiFi, Cohen said the average expense per hotel is about \$10,000. He added that the expense will be offset by WiFi's usage in Starwood's operations. For example, at Starwood resorts, servers will be able to take drink and food orders using a WiFi-enabled device and then transmit them to the kitchen.

Wingate Inns International Inc. is already working to provide its guests with in-room WiFi. The hotelier has contracted with LodgeNet Inc. to install WiFi access points throughout its new hotels, as well as to retrofit its existing hotels across the nation with the technology. "We think we're ahead of the curve when it comes to WiFi, but when consumers are ready for it, we'll be ready for the demand," said Keith Pierce, president of Wingate Inns. "We found it easy to make this step because we already have the T1 backbone in place."

The cost for the WiFi system (in-room and common areas) is expected to be less than \$20,000 per hotel, and Pierce believes that offering WiFi

will push occupancy and influence business travelers when they make their travel plans. For that reason, Wingate Inns plans to offer free WiFi access to its guests.

Wiring Retail Operations

WiFi actually got its start in the retail world, as cafes and bookstores across the nation created hotspots and charged for access. Starbucks Coffee Co., for example, teamed with T-Mobile USA Inc. to provide WiFi services across the nation for fees ranging from \$8.99 per hour to \$19.99 per month. But deli owner Schlotzsky's Inc. offers WiFi access for free.

Westfield America Inc. is taking its cue from Schlotzsky's. The shopping center owner is working with Wireless Facilities Inc. to enable all of its centers in the United States, using components from Cisco Systems Inc. It will first be deployed in the Westfield shopping centers in the San Diego, Los Angeles, San Jose, San Francisco, Chicago and New York City areas. Subsequent locations will be built out on an ongoing basis.

According to Todd Putnam, executive vice president of marketing, shoppers will be able to access the Internet using any WiFi-enabled device free of charge. Westfield also plans to use WiFi itself to improve the customer experience inside the shopping center, employing it for both marketing and customer service. For example, customer service representatives will be able to conduct customer surveys using handheld devices that link with Westfield's network.

"I don't think people will come to

our centers just to use WiFi," Putnam said. "But if they are here and WiFi helps them to have a better experience, then they will want to come back, perhaps more frequently than before."

Additionally, Westfield retailers will be able to access a wide variety of wireless-enabled features that could improve retailer operations. Putnam expects WiFi to "enhance the shopping experience and transform the way our retail partners conduct business."

To date, Westfield is the only shopping center owner that has a WiFi initiative.

Office Tenants Wary of WiFi

Although WiFi usage among corporations is growing daily, today there are few that use WiFi in an office setting. Therefore, they do not expect their landlords to offer the technology, nor are they making their real estate decisions based on its availability, according to Gregory Knoop, a managing director at Insignia/ESG Inc. who represents landlords.

"I see more problems with WiFi than anything else," Knoop said. He cited issues with data security and speed of data transfer that must be overcome before there is widespread WiFi usage. For those reasons, he does not believe building owners that offer WiFi are ahead of the curve. "I don't know that there is a demand at all," he said.

Knoop's opinion is based on ethnographic research. "I have asked at least a dozen corporate users what they would think of in-building WiFi. They are intrigued, but there's always a 'but.'"

Bo Bond, an associate with The Staubach Co., agreed: "Are building

High-Tech Locations

Top 10 Most Unwired Cities

1. Portland, Ore.-Vancouver, Wash.
2. San Francisco-San Jose, Calif.
3. Austin, Texas
4. Seattle-Bellevue-Everett-Tacoma, Wash.
5. Orange County, Calif.
6. Washington, D.C.
7. San Diego, Calif.
8. Denver, Co.
9. Ventura, Calif.
10. Boston, Mass.

Source: Intel Corp.



owners feeling that they should put WiFi in their buildings? I don't think so; not at this point—primarily because of security.” Additionally, he pointed out that tenants are not homogenous—they have different technology needs, depending on their sector, level of technological sophistication and, perhaps most important, size. Larger tenants, for example, likely have large IT staffs that allow them to put their own wireless systems in place, if they so desire.

And corporate users that do not have the ability to set up their own WiFi system can take advantage of providers such as U.S. RealTel Inc. According to Charles McNamee, CEO of U.S. RealTel, most of his clients are small service firms looking for a provider for telephone and data. “WiFi is a natural extension of what we provide our customers,” he said.

However, many building owners either are evaluating WiFi or have already made it available in an effort to differentiate their buildings by providing an additional amenity. Sentre Partners Inc., for example, plans to provide WiFi technology at its 600,000-square-foot One America Plaza in San Diego. “We want to make tenants as productive as possible,” said partner Matthew Spathas. “If we offer

WiFi through the building, it takes away one more IT headache.”

Sentre Partners will provide WiFi as an amenity for the entire building (34 floors and all four levels of below-grade parking), at no charge to tenants, guests or visitors. It will also use the WiFi network itself for the likes of a Web-based work order system, wireless Web-enabled security cameras and voice-over Internet Protocol communication.

Other office building owners evaluating WiFi include Trizec Properties Inc. and Berwind Property Group Ltd. According to Cory Hildebrand, director of information technology for Berwind, offering WiFi for multi-tenant buildings is more challenging than providing WiFi in a campus environment or for single-tenant buildings. As a result, Berwind has decided not to provide WiFi access either in public spaces or in tenant space.

Similarly, Trizec has no plans to add WiFi to tenant space, although the REIT is interested in providing the technology in common areas. “We’re generally interested in putting WiFi in areas with a lot of foot traffic,” said David Olsen, manager of telecommunications initiatives. However, Trizec is still looking into the cost of providing WiFi, as well as

potential service providers, but the REIT has not yet made any decisions regarding WiFi.

Industrial Impacted by WiFi

Industrial tenants are often the most sophisticated users of technology, and many have rolled out WiFi initiatives, including United Parcel Service Inc. However, that does not mean industrial owners and landlords need to help them out by investing in wireless technology, according to John Gates, CEO of CenterPoint Properties Inc.

According to Gates, any attempt to provide industrial tenants with a WiFi network would be met with failure. “It would be wrong no matter what we decided to do,” he said. “Our tenants run the gamut and have different needs. Our customers want to control their technology.”

UPS, for example, prefers to make its own decisions regarding its buildings’ technology, because its use of WiFi is pervasive and also quite specific, explained Dave Salzman, project manager of WiFi initiatives for the delivery company.

However, unlike the larger industrial landlords, many smaller landlords and industrial developers provide technology infrastructure in an effort to assist their clients. Salzman is that it is often more expensive to retrofit a facility with a new technology network than it is to create one from scratch.

“It’s more difficult for us if there is already some kind of technology infrastructure in place,” Salzman said. “We would just have to go back in and put in our own WiFi network.” In fact, the logistics company has had to work through these issues in the past when industrial landlords did install telephone and data technology.



“We want to make tenants as productive as possible,” said Matthew Spathas, a partner with Sentre Partners Inc. “If we offer WiFi through the building, it takes away one more IT headache.”

When it comes to security, industrial users are less concerned than office users. Salzman pointed out that most of UPS’s data being transferred via WiFi is not sensitive. (Although UPS is a big user of WiFi from an operations standpoint, the company is still studying the use of WiFi in the corporate environment.)

Still, increased investment in technology, and WiFi in particular, has impacted the industrial market significantly. “Tenants don’t like to walk away from a building that they’ve spent a lot of money on (from a technology standpoint),” Gates said. “It’s an embedded cost that they are responsible for.” ■



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WiFi Highlights

Even the most tech-savvy people are occasionally confused by the ubiquitous use of the word “wireless.” Here are a few WiFi facts:

- WiFi, also known as “wireless fidelity” or “802.11,” is a radio frequency that allows wireless devices, such as wireless local area networks (wLANs), to talk to each other or connect to the Internet.
- WiFi requires access to a wired network infrastructure, such as a T1 line or DSL. At least one access point must be connected to the wired network, and additional access points can be set up to form a wireless network. These access points have a reach of about 300 feet, and users can access the wireless network as long as they are within the access point’s range.
- WiFi users can access the Internet through specific geographic locations called “hotspots.” There are now more than 5,000 hotspots available nationwide in locations such as Borders Books & Music and Starbucks Coffee Co.
- To take advantage of WiFi, your computer or PDA must be configured with a WiFi-certified radio, such as a PC card or a built-in wireless device. Intel Corp., for example, recently introduced its Centrino mobile technology, which is available for laptops and LANs.
- WiFi is more than 100 times faster than a modem connection and is significantly faster than the 2.5G wireless services provided by cellular carriers, which typically deliver throughput of between 40 and 60 kilobytes.