A Diverse Portfolio

An Interview with Dennis Friedrich,
Chief Executive Officer, Brookfield Office Properties

Dennis Friedrich

EDITORS' NOTE *Dennis Friedrich was appointed to his current post in July 2012 following a year as President and Global Chief Investment Officer. Before this, he held the position of Chief Executive Officer of U.S. Commercial Operations since 2009. Previously, he was President of U.S. Commercial Operations, following two years as its Chief Operating Officer. He also previously held the role of Head of Strategic Initiatives for the U.S. property portfolio. Prior to joining Brookfield Office Properties, Friedrich was Co-Head of Jones Lang LaSalle's tenant advisory practice in New York. He holds a business degree in finance from Baruch College, is a member of the Real Estate Board of New York, and sits on the Board of Governors of NAREIT.*

COMPANY BRIEF *Brookfield Office Properties (brookfieldofficeproperties.com) owns, develops, and manages premier office properties in the United States, Canada, Australia, and the U.K. Its portfolio is comprised of interests in 110 properties totaling 80 million square feet in the downtown cores of New York, Washington, D.C., Houston, Los Angeles, Toronto, Calgary, Ottawa, London, Sydney, Melbourne, and Perth, making it the global leader in the ownership and management of office assets. Landmark properties include Brookfield Place in Manhattan, Bank of America Plaza in Los Angeles, Bankers Hall in Calgary, and Darling Park in Sydney.*

How strong is the commercial market and has it fully recovered?

There are tenant sectors that have really supported the recovery in a number of ways. Clearly the tech and creative class sector groups have helped keep the market moving forward. The professional service sector growth has at times been healthy and has also helped.

We haven't gotten to a full recovery. A number of sectors are showing encouraging signs that haven't fully kicked in yet, including financial services, which for New York is a key driver to the market. Once we see the financial services sector rebound, we're in for a nice run-up in 2014.

What makes Brookfield so special?

Our year-over-year success comes from a number of areas. We have a diverse portfolio around the globe, which means that our earnings are diverse; our balance sheet is strong; and we see a wider breadth of opportunities.

We are also extremely focused on the performance of asset investments we make, whether they be new asset investments, new portfolio acquisitions or investment in our own portfolio through redevelopment and capital improvements. We have been able to maintain that focus, even through recessionary times. This positions our portfolio to perform through the ups and downs of real estate cycles.

The business is cyclical, but if you provide the best offerings for tenants, you're able to maintain a high occupancy level relative to the market and drive strong results.

Nowhere is this more evident than in the investments we're making in the former World Financial Center – now Brookfield Place New York. We're investing $250 million in the common areas as well as the retail areas to reinvent the complex and assure it is always of the highest quality in the marketplace.

What we're seeing within our portfolio, around New York and the globe, is that the residential patterns have changed dramatically. There is an urbanization of residential that is going on in almost every one of our markets, but nowhere as dramatically as in New York. So our focus on vibrant urban markets and dynamic sub-markets within New York that draw from high-growth residential neighborhoods has been critical to our success.

Lower Manhattan and the far West Side are standouts in terms of markets that are going through dramatic changes.

How optimistic are you about the potential growth for Lower Manhattan?

I'm bullish on Lower Manhattan. In the next few years, we're going to have the most modern transportation infrastructure in the U.S. coming online, which is the polar opposite of the transportation infrastructure we have had historically. In any developed nation, we have seen that investment in transportation drives real estate values and performance of the market.

Access to the waterfront and the green spaces in Lower Manhattan lends itself to the high quality of life the modern worker is seeking, including the ability to live and play very close to the office. We have positioned ourselves to further invest in our trophy assets there to leverage off that advantage.

Also, with the World Trade Center development and with our redevelopment at Brookfield Place, we're positioned to deliver the most technologically advanced office buildings in the marketplace on a timeline that is ahead of the far West Side and Hudson Yards.

Another area where we see considerable opportunity is in retail, where we have had much success in attracting luxury brands.

Has the New York market come back more quickly than other areas?

Our portfolio is comprised of 80 million square feet of space across the globe, which will increase in relatively short order. However, New York has seen one of the more diversified and healthy recoveries. The energy sector markets like Houston have also achieved a robust recovery as have the heavily tech-oriented markets like Seattle and San Francisco, but New York is in that mix.

The Canadian markets remain very healthy because of their natural resources and energy, and the Canadian financial services sector did not retreat much during the global financial crisis.

Is your growth organic or are acquisitions a key component of Brookfield's development?

It has been a mix of both around the globe. Development has been somewhat organic given that we are monetizing a very sizable existing development pipeline.

Today, we have five active projects underway that total over eight million square feet. So that is big for us.

We continue to enhance our portfolio through development and are generating returns that we view as attractive on a risk-adjusted basis. Existing asset redevelopment has been a big area of growth for us around the globe including in New York at Brookfield Place.

We also entered London last year on an $850-million acquisition of an existing portfolio of assets plus some development sites. We are also in the process of closing a major portfolio acquisition in Los Angeles, which will make us the largest landlord in downtown L.A. and increase our portfolio size there to over eight million square feet.

How important is environmental responsibility to Brookfield?

It's very important. We're focused on achieving LEED certifications throughout our global portfolio. We have a Chief Sustainability Officer and support teams around the globe that cut across all areas. It's not only an important aspect of new developments, but it's important within our existing portfolio. We participate in the Global Real Estate Sustainability Benchmark (GRESB) and always rank very high in our peer group.

Around the globe, we have also begun to create what we have branded "Brookfield Places." We have guidelines on what will define a Brookfield Place; it's about creating an exceptional workplace experience, and sustainability is a large component. ●