

Corporate Relocation

BY MARY K. PRATT
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When Microsoft Corp. announced last month that it was expanding its Massachusetts R&D operations, the computer giant also said it was going to keep its new operations near its existing New England Research & Development Center.

Microsoft is taking 113,000 square feet of office space at One Cambridge Center, a nearby neighbor to its facilities at One Memorial Drive. The expansion will bring Microsoft employees located elsewhere into one area in Cambridge.

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Catherine Collins
Spokeswoman,
Microsoft Corp.

The company will close its Beverly location as part of this expansion and consolidation but isn't laying off any workers. In fact, it's hiring, said Microsoft spokeswoman Catherine Collins.

"We're doing this to bring together our R&D employees around the state into one location," Collins said.

Microsoft's real estate moves represent a growing trend of companies closing some or all of their satellite operations and bringing their workers together in one location.

"Companies are absolutely looking to consolidate, and there are a few core reasons for that," said Greg D. Peterson, who handles complex real estate transactions at Tarlow

Breed Hart & Rodgers PC.

Peterson and others said many companies want to cut capital and operational costs, others need less space, and some want to foster the kind of collaboration and interactions that comes from workers sharing the same space.

These are some of the factors that have driven Verizon to consolidate facilities in recent years, said company spokesman Phil Santoro.

"Consolidation is really the result of a couple of things, not the least of which is working more efficiently, improving productivity and paying attention to green issues," Santoro said.

Verizon declined to detail the number of sites it has shuttered as it moved forward with consolidation, but Santoro said it is something that's happening nationally as well as in New England. He said as that the telecommunications industry evolves, Verizon's space needs have changed. The company needs less space to service its traditional wire line business but needs more space – along with more innovative configurations of that space – to grow its FiOS and 4G business lines.

To help do that, Verizon is building a Technology Innovation Center at its existing Technology Campus in Waltham. Santoro said the new building, expected to open in 2011, will enable the company to center many of its R&D employees in one location rather than spreading them out among multiple locations. When the Verizon Technology Innovation Center is complete, the current 136,000-square-foot Verizon Technology Campus will be expanded to a total of 196,000 square feet.

"Having all of our scientists and Ph.D.s there in that center makes a lot of sense," he said.

In addition to the collaboration that it fosters, Santoro said consolidating facilities enables the company to cut costs and energy consumption associated with servicing and powering multiple sites.

"Corporate consolidation has been a popular buzzword for the past decade, and the major driver is a goal toward more efficient use of space," said Ted Wheatley, senior vice president of Jones Lang LaSalle. "I think the push for smaller space is lower overhead, lower occupancy costs."

He, like others, pointed out that Corporate America has been driving down the average amount of square footage per employee from 250 to 200 or less as companies switch from walled offices and large formal conference rooms to work stations, informal collaboration spaces and more telecommuting workers.

"There's a lot of pressure to reduce the amount of occupied space, not just from a dollar standpoint, but to become more green and reduce the company's and the employees' carbon footprint," Wheatley said.

Bradford Spencer, suburban group senior vice president at Grubb & Ellis Co., said many companies see such advantages in consolidation. And they see the soft market, where large spaces are available at good rates, as the right time to make the move.

Spencer cited one recent consolidation he helped handle as case in point. He worked to move Acme Packet from three facilities to one, located at 100 Crosby Drive in Bedford.

"They were concerned from a management perspective about having that many facilities," he said. Like other companies, his client saw benefits in moving to one larger facility. Companies can reduce redundancies and associated costs but gain amenities, such as full cafeteria service, when they consolidate.

Some consolidations, however, are happening as a result of the recession, said Steve Fox, a partner at Fort Point Project Management. Many large and midsize companies have gone through layoffs and are finding themselves with an abundance of space. And as their leases come up, they're deciding to shed some of that excess space while bringing the remaining workers together to keep capital costs in check.

But while consolidation often helps the corporate bottom line, companies also have to contend with potential drawbacks, according to Jeff Wagner, a senior project manager at Fort Point Project Management. Workers might be forced to commute longer, which could lead some to quit, he said, noting that that's a more likely scenario in a better economy.

Yet, real estate experts said they expect consolidation to continue even as the economy improves.

"Any well-managed company is going to continue to hold down their real estate costs," said Gretchen Fox, president of Fox RPM Corp. She added that younger workers will likely drive down space needs further as they push for more telecommuting options and work spaces based on their more casual, mobile work space preferences. "That generation isn't looking for the same workspace or work arrangements or even face time. They want some, but perhaps not as much as the older workers. So I think consolidation is a move that will continue."