

## Real Estate Portfolio Strategy

The image features the KLG logo in the top left corner, consisting of a stylized 'K' made of three curved lines in green, red, and blue, followed by the text 'KLG' in bold black, and 'Strategy People Location Real Estate' in a smaller font below it. The background is a composite image of a green field with a world map overlay and a meeting table with white chairs. A flip chart on the right shows a line graph with a green line on a grid. The text on the left describes KLG's mission.

**KLG**  
Strategy People Location Real Estate

**KLG is a consultancy dedicated to**  
aligning geographic location and corporate real  
estate with overall strategic business objectives in  
order to enhance revenues, minimize expense, and  
maximize performance.

### Case Study: Portfolio Optimization

## *Rethinking the Headquarters*



KLG Specializes in aligning real estate strategy with overall corporate fiscal and operating objectives

### Case Study: Portfolio Optimization

## Rethinking the Headquarters

The Equitable Center at 787 Seventh Avenue in Midtown Manhattan is the quintessential corporate headquarters property. It is 54 stories of glass, Indiana limestone, and red granite designed by Edward Larabee Baines. Roy Lichtenstein's murals adorn the multi-story lobby. Equitable Life's headquarters anchored the building's tenancy roster since it opened in 1986.

In 1994 Equitable retained KLG to provide strategic portfolio services. The company was leasing over 1.5 million square feet of space in New York City with much of it underutilized after a series of downsizings of the home office staff. The process of 'demutualizing' Equitable and converting the company to public ownership had created tremendous pressure to cut costs. Against this backdrop real estate stood out like a sore thumb. KLG was asked to fix it.

As the company had anticipated, KLG skillfully designed a portfolio strategy that consolidated activities while exiting over forty tertiary obligations. What Equitable had not anticipated was the centerpiece of our strategy required leaving Equitable Center.

KLG recognized that vacancy in tertiary properties was only one part of the problem. The other part was Equitable's space use in the headquarters itself. The building, with its expansive windowed offices, was ill-designed for the needs of a lean and mean insurance company, especially one with shareholders to answer to. On top of this, from a property management perspective, the building could garner high rents from leasing to high-end law firms and consultancies that could both better utilize the layout and would be willingly to pay far more for it. Since the real estate investment arm of the Equitable owned the property and profited from leasing it, the proposition was truly win-win. Lower occupancy costs for Equitable Life and more income earned for the insurer's real estate investors.

In the summer of 1995, Equitable signed a 15 year fixed lease at 1290 Avenue of the Americas, a property literally down the street from Equitable Center. The building's large, efficient floor plates and the implementation of new space standards across the company allowed Equitable to consolidate all of its home office staff into just over a half million square feet.

The lease rate on the new space was 40% less expensive per square foot and, combined with the massive downsizing of the portfolio, Equitable is saving \$30 million a year in occupancy costs between 1997 and 2011.

Now that is a headquarter strategy that makes *dollars* and *sense*.

