

+ THE VALUE OF PLACE

**HOW WE USE PLACE TO ACCELERATE
INNOVATION AND DRIVE VALUE FOR
EVERYONE FROM USERS TO OWNERS.**

Beginning in 2010, FIX conducted a multi-year research study on the role of real estate in innovation, sponsored by Forest City. We used techniques from the design world that involve a mix of quantitative and qualitative methodologies inspired by social anthropology. The goal has been to identify new market opportunities and create an entirely new approach to placemaking. We have focused specifically how physical place can increase the rate of innovation. We have developed from this research a specific perspective on the role of real estate as an enabling tool for organizations and companies of all sizes. We feel this is a massive competitive advantage and believe our findings can help bring new ambitious development visions to life.

This is a primer on what we've learned.



OUR VIEW

We do not need to build more suburban innovation campuses. We as thriving, sustainable cities do not need another gated corporate R&D center. Today's great icons of innovation — NASA, Google, Salesforce, Stanford, QB3 — all seem to agree: we will not find inspiration for tomorrow's challenges in isolation. Our potential to create and invent is directly tied to our ability to exchange wildly diverse ideas, across public and private sectors.



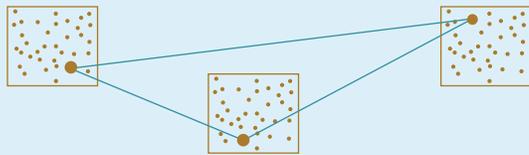


I / COMPANIES NEED AND VALUE INNOVATION MORE THAN EVER

The average lifecycle of a company on the S&P 500 in 1935 was 90 years. In 1970, that shrank to 30 years. Today it is nearly half of that time, according to a study by McKinsey & Company. Said another way, a company added to the S&P 500 today would likely not exist in 15 years. The pressure to sustain growth and market relevance in today's economy requires that companies consistently innovate.

Innovation is no longer a windfall 'nice-to-have' and that is evident in the rate at which companies are funding their R&D programs. Between 1952 and 2000, R&D budgets grew by more than 800%. In 2000 alone, those numbers increased \$250 billion. Innovation is how companies survive and it is how they grow. Companies must innovate to survive and they are prioritizing the resources that help them stay innovative.

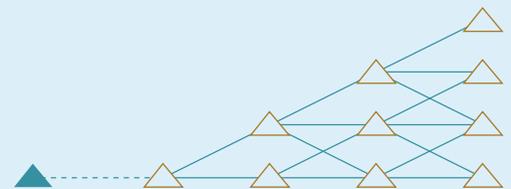




2 / INNOVATION IS THE CONNECTION OF IDEAS ACROSS DISCIPLINES

Nearly all major inventions throughout history have come by way of the same formula: the application of refined expertise or technology to an entirely new circumstance. That is what the scientists and anthropologists studying creativity and innovation tell us today. A Stanford Business School study recently revealed that networks of diverse people with differing expertise were three times more innovative than networks comprised of more uniform sets of skills and interests.

The repeated stories and lore within our culture of the great inventors working alone in their garages or of top-secret R&D facilities cracking grand problems make this fact highly counterintuitive. Our impulse is often to create deep but narrow cultures of expertise in order to create innovation. Everything we are learning today suggests we should be doing the opposite. To consistently stimulate innovation, we must facilitate the intersection of diverse disciplines.

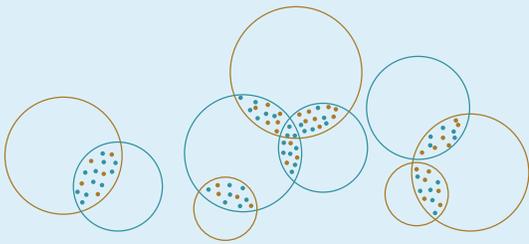


3 / THE SINGLE MOST IMPORTANT RESOURCE FOR CONSISTENT INNOVATION IS CREATIVE TALENT

Ideas come from people — an obvious point, but an important one in pursuing innovation. The single most important resource that companies have is diverse, creative talent. The more skilled and diverse a company's pool of talent, the more ideas and potentially intersecting ideas that company generates. But companies never have enough of the right talent. They cannot find, afford or keep enough of the right kinds of people.

This is why, in part, our economy is so excited by social networking: networks provide companies with the ability to find, reach and tap the creative minds of their employees' colleagues and friends. The greater one's network, the greater one's potential for intersecting knowledge and ideas from diverse disciplines. Companies that prioritize innovation, prioritize getting the best talent and a company culture that fosters the interaction with and the expansion of one's network.

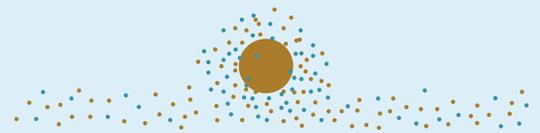




4 / CREATIVE PEOPLE AND NETWORKS THRIVE ON VARIED EXPERIENCES

Deep and diverse networks are created with one-part trust and one-part interaction, neither of which are possible without varied shared experiences. The internet has created a means to build connections in a network, but people will always develop lasting, trusting bonds through shared experiences—eating meals together, exercising together, attending events together, listening to ideas together. The web is great at searching, sorting and connecting, but it is amidst real experiences where people solidify their network bonds that make sharing of ideas possible.

The implication for organizations and companies who value innovation is this: the work environment can no longer be a place that merely facilitates day-to-day operations of core business function. The office, in addition, must become part of a broader civic place that enables people from disparate groups to have shared experiences. This is the value of integrated, mixed-use-office environments. And the city versus being in a suburban office park. This is the value of being in a neighborhood that is naturally rich with varied experiences.



5 / PLACE ENABLES INNOVATION BY ATTRACTING TALENT AND PROVIDING SHARED EXPERIENCES

Innovation is the intersection of diverse ideas from diverse networks of people. Place can be an enabler of those interactions by providing the shared experiences around which networks form bonds and ideas collide forming wholly new ideas in turn. This is beyond creating quality office buildings and beautiful campuses. This is about creating truly dynamic, civic places with seemingly non-sequitor programs and activities. This is about integrating quality offices into these places and providing new, unforeseen opportunities for individuals and teams to blur work with culture. This is the dynamic convergence and overlap of art, culture, business and socializing.

This is what we do as a developer: we create great places that stimulate free and open-minded interaction between diverse people to increase creativity and enable innovation. By doing this, we are creating places that provide greater financial return for landowners, more creative and inspired talent for companies, and more enjoyable neighborhoods for communities.



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FORESTCITY