OSBORNE
+ CO

+ Standard Chartered Bank HQ
Dubai, UAE

Overview

The new Standard Chartered Tower in Dubai was created as a result of a uniquely successful collaboration between the Bank and GRDI.

- The process started with joint site selection, agreement of commercial targets.
- Then collaboration on design, specification, construction and commissioning.
- At the outset an aggressive occupancy cost target was set that was 20% below the Bank's then running cost. This target was exceeded. The market in Dubai has now moved in the Bank's favor to a point where they occupy at over 30% below market.
- The building the first instance of a Global Bank working with a developer to deliver a fully fitted building on a pre-let basis for a single rental figure.
- The Agreement for Lease was based on GRDI delivering to all of SCB's global workplace and engineering standards. This happened without exception and in many areas these standards were exceeded.
- The Agreement was predicated on SCB having full participation and final right of approval over all design and specification.

GREEN CREDENTIALS: LEED GOLD

SHORT TIME TO COMPLETION 17 MONTHS

541,000FT²

AED 600M

- The Agreement was based on SCB having zero capital spend or contribution with the exception of active equipment and artwork. This was delivered on.
- The development was delivered and the first moves happened exactly on schedule. The building was made available to SCB three weeks early to allow a Board Meeting to be held on the executive floor.
- The success of the development was due to a commitment to collaboration and trust. Clear alignment of interests was generated from start to end.
- Standard Chartered have stated that this model of delivery will be the basis on which they will engage with developers in the future. They maintain that this model when executed properly will deliver a better product, at a lower occupation cost and in a shorter timeframe.
- The final product has served as a basis for SCB redefining their Global Workplace and Engineering Standards. This has come about through a leaner, more simplified and more appropriate design and specification.
- Based on the success of the project, Standard Chartered selected GRDI to replicate the model for a new head office in Accra as well as a service center in Chennai. GRDI secured these projects through exhaustive competition among a field of well-regarded Indian and African developers.
- GRDI hope to reach closure with Standard Chartered on a pipeline of similar opportunities in Jakarta, Seoul and Bangkok.
- This model of delivery has set a new high benchmark for the delivery of fully fitted, design and build to suit for financial services industry occupiers.
- The project has redefined Occupiers' expectations of what can be achieved with the right approach in the Middle East and elsewhere. The project has caused a re-think among occupiers of a certain size about whether they have the same opportunity to reduce costs and optimize their portfolio. GRDI has closed another development in Dubai on the same basis with a Global conglomerate. GRDI will share detail and offer a reference on this project on a confidential basis.

Background

Over a period of 18 months during from the middle of 2007 to the end of 2009, Standard Chartered Bank engaged in a number of studies in order to evaluate suitable alternative accommodation strategies for their head office in Dubai.

While there was a clear desire and operational rationale in instigating relocation to a new building, the Dubai market prior to 2008 made such an option prohibitively expensive. SCB in Dubai, as elsewhere, was highly cost sensitive both in terms of annual occupation costs and particularly in terms of the significant capital expenditure that relocation would entail.

The 2008 economic crisis had a dramatic effect on the real estate development industry in Dubai. Land prices and construction costs, which had for a number of years been on a steep upward curve, reversed dramatically. This reversal prompted a rethink by SCB on their accommodation strategy. Part of that rethink was to examine the possibilities of the Bank becoming an anchor tenant in a new building, developed to the Bank's specification. By doing so the Bank could leverage its covenant to achieve commercial terms that would justify the move and which would not have been achievable before the reversal in the market.

In late 2009 SCB negotiated a position with GRDI through which both parties would work together to select a site, which GRDI would acquire with the purpose of developing a new head office for the Bank. The basis of the agreement was that SCB would sign a pre-let as anchor tenant. An aggressive target was set to define a rent that would make economic sense to the Bank. It was agreed that GRDI would deliver the building on a 'fully fitted' basis, as the business could not tolerate the profit and loss spike a traditional relocation would involve.

SCB wanted transparency and a high degree of control over the final product. One of the main challenges was that SCB had little foresight of the exact space program that would be required so far out from completion.

The Agreement for Lease included a comprehensive set of SCB's Global Office Workplace standards as well as crucially their Global Engineering Standards. Little if anything could be provided in the way of specific designs let alone layouts. GRDI collaborated with SCB to maintain a degree of flexibility with specifics until the very latest stages of the project.

There was never any penalty to SCB for indecision and late change. The contract with the Constructor was structured to ensure this 'flexibility without penalty'.

Key drivers

The key drivers in evaluating options for the Bank's accommodation strategy fell into three broad categories. These drivers were economic, specification and location.

In 2010, GRDI embarked on a due diligence exercise with the Bank's CRES team in order to align their final proposed scheme with these drivers. In summary these were as follows:

- Economic – any relocation had to be cost neutral or below. There could be no significant profit and loss impact tolerated by the Bank as a result of major capital cost expenditure. In the final event it was possible to drive the occupancy cost down by over 20%.
- Specification – the new building should fully meet the detailed requirements of the Bank's Global Workplace and Engineering standards.
- Location – any relocation should be to a prime business district with direct access to the new Dubai Metro and should have primary utility infrastructure in place. Further that the immediate environs be mature so the Bank would not be housed in a 'construction site'.

The GRDI Proposal

After an exhaustive and collaborative due diligence exercise and market testing, Standard Chartered Bank signed a Memorandum of Understanding with GRDI for the construction and fit-out of a new 500,000 sq. ft. build-to-suit development at Emaar Square in Dubai.

With Ground plus 13 office floors and 4 podium floors of parking, the total built up area of the development was in excess of 500,000 sq. ft.

The building would also incorporate a retail component at ground floor level. Key facets of the arrangement were as follow:

- The fit-out would include all FF&E and structured cabling.
- The building would be highly efficient with floor plates in excess of 16,000 sq. ft. and working to a key metric of 90 sq. ft. per available desk.
- Parking would be provided at one space per 400 sq. ft. of NIA at no additional cost to Standard Chartered.
- The development to be in full compliance with the requirements set out in the Bank's detailed Workplace and Engineering Specifications (a Tier 2 facility).
- The Bank would enter a fixed 15-year lease with renewal options for two further 5-year terms.
- The fully fitted space would be delivered to the Bank within 24 months of signing an Agreement to Lease.
- The rent would be fixed for the first 5-years and then adjusted after that on fixed increments.
- All service, estate and management costs would be fixed for the first 5-years of the lease, and subsequent years would be by negotiation.
- The Bank would have full standard pre-emption rights over all other space in the building and the lease would include standard carve out clauses in relation to the suitability and acceptability of other tenants.
- GRDI would provide full FM services to the Bank and operate the building for the life of the lease.
- All desks would be AWS enabled. (IP Telephony enabling log in to phone with own number etc.).
- Prayer Rooms, Cafeteria and Main Technology Room (40 racks) to be provided.

Sustainability

GRDI would deliver a Gold Standard base building and commercial interior fit-out using the LEED method of assessment.

- The building would be sustainable socially, environmentally, and economically - 'The Triple Bottom Line'.
- The building would be maximised for Net / Gross efficiency.
- The building would be 'long life – loose fit'. This allows for maximum flexibility.
- The building would be designed and constructed with a holistic approach to sustainability. A complete synthesis of space, structure and services.

Risk Mitigation

A number of key risks were tabled at the outset of the due diligence particularly given that the due diligence was being carried out in 2010, yet the completion and move-in of the building would not take place until late 2012.

At the forefront of theses discussions were the following key risks:

- Uncertainty in specific requirements for interior design
- The need for cost surety and certainty
- Ability to deal with changes in requirements
- Late Delivery of the project
- Compromises to base building quality

Uncertainty in Specific Requirements

The interior fit-out needed to meet the Bank's requirements not only in terms of specifications, but also in terms of Standard Chartered departmental operational requirements impacting space planning and interior design. Departmental operation requirements could not be fully defined for premises that would not be occupied for another 2 years.

The need for cost certainty

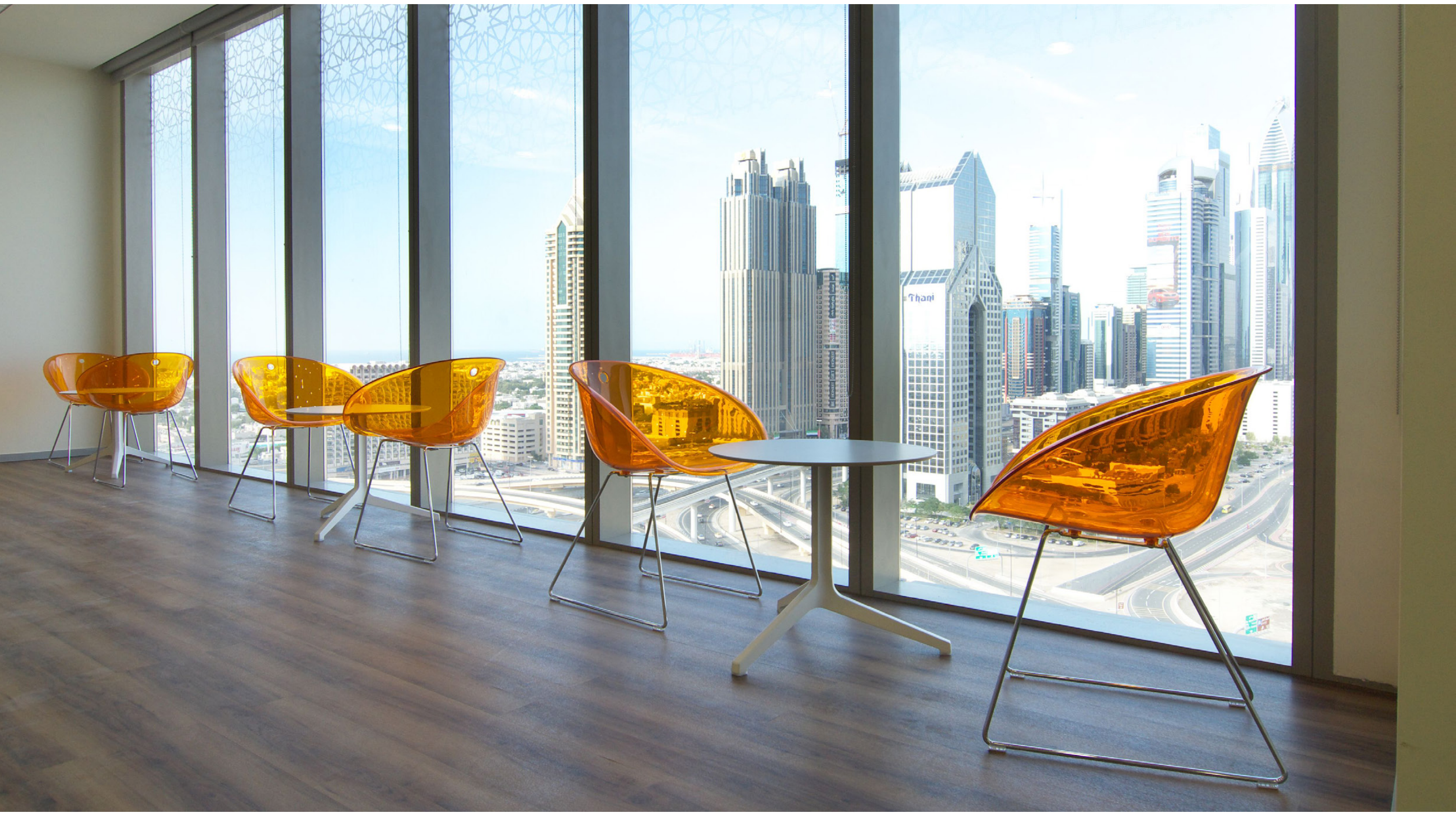
There was a need for cost surety for both the Bank and GRDI to ensure no cost overrun that could consequently impact the agreed rental rates, or call for additional cash investment over and above the Bank's approved Project Authorization Request.

Ability to deal with changing in requirements

Change in business requirements over the proceeding 24 months would impact space planning and interior design. Any agreement thus needed to be robust enough to enable inevitable changes, without risk to cost certainty and programme, and have a mechanism in place to deal with significant changes in scope that did have an impact cost surety and time.

Late delivery of the project

The backdrop for the delivery of the new building was one of multiple projects in Dubai having either been delivered late or having failed completely. It was clear that there existed a pervasive culture with the Dubai construction industry of late delivery.



Compromise to quality or reliability

As with the inherent programme issues that existed in Dubai, quality was also a major issue that needed to be addressed. Many contractors had been bringing in unskilled labour to the market during the boom and this was clearly evident in the outturn quality of many projects.

It was therefore very clear at the outset that an implementation model was required that met the following criteria:

- Cost Surety and Cost Certainty
- A high level of participation by the Bank in design and procurement
- Programme certainty and efficiency
- Ability to accommodate changes in requirements
- Quality assurance

Mitigating Actions

The contract agreement established a lump sum fixed price for the interior fit out based on an explicit scope, specification and quantum. This contract included a contingency assigned specifically to deal with client driven change, as did the agreed programme.

SCB would assign an independent party as client representative to review and recommend all cost as the concept, scheme and detailed interior design was developed.

In the contract, contingency would be reserved and controlled/ authorized by the Bank and their representative, and would only be utilized for client driven changes impacting quantities.

The Bank would assign an out of contract contingency forming part of the PAR for any significant changes to scope.

The base building specifications would form part of the Agreement to Lease. The Bank through its CRES division had full monitoring rights on the day-to-day progress of the construction and fit-out work.

The End Result – Value and operational excellence

Under the lease terms, GRDI are to operate the building for the life of the lease, and GRDI has agreed to provide to Standard Chartered a 5 star FM service. Detailed KPI's are currently being agreed, and service levels include;

- A 5 star hotel cleaning standard maintained 24/7 by a competent and experienced cleaning team.
- The Service Provider will manage and supervise the operation, maintenance and servicing of the property in a manner that is comparable to, or better than, that generally found in other "Class A" office properties located in the Dubai market.
- Priority Levels for Service Request and Work Order Resolution and Completion.

The Agreement to Lease was signed in November 2010 and ground works commenced in July 2011. The Bank commenced relocations into the building at the beginning of December 2012 – a construction and fit-out duration of 18 months.

All variations to the original contract value have been assessed, and the value of additional works represent under 2% of the original contract value. Standard Chartered had no exposure to the developers over-run on costs.

The base building has achieved a GOLD rating under LEED and the Commercial interiors have achieved a PLATINUM rating under LEED.

The fit-out meets the Bank's original Workplace and Engineering standards and supports agile working and desk sharing ratios. In many areas the final product exceeds the Bank's standards.

The finished project is judged by Standard Chartered, GRDI and all other stakeholders as a complete success and has become the foundation for an ongoing partnership. This partnership is set to deliver as many as 15,000 desks in six cities over the next 3-years.

Should the partnership succeed to its planned extent, it will result in over 17% of SCB's current headcount being rehoused in new purpose built buildings with lower occupancy costs than present.