Owen Thomas:

You've got to have the expertise internally, both on the development side and on the construction side to deliver the building on time. And our team, which is very stable in Washington, has an incredible track record. I mean, you can go around the district and point to dozens of buildings that our firm has built over the decades. And we have a strong track record, which I think gives the clients comfort.

Matt Slepin:

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode recorded on February 19th is a conversation with Owen Thomas, the CEO of the largest office REIT, Boston Properties. I wanted to talk about the office sector and how return to office is playing out. Who better to have this conversation with than with Owen? We last visited with him three years ago. Holy cow, we were just then, in my words, coming out of COVID about three years ago. Now here we are again today talking about this subject.

We'll be doing two in a row on the subject of office and back to office since our next guest will be Shannon Loew, the head of Worldwide Corporate Real Estate at Amazon, which in the off chance you missed it has called their global workforce back to the office. By the way, the global workforce under Shannon's remit is 335,000 employees in 65 million square feet in 70 countries with 550 locations. So I think that Shannon will have a lot to share.

With the new administration and DOGE making tidal waves in Washington, as Owen says on the show, no one can really game out the real implications on the real estate industry. DOGE's back to office mandate will be helpful for our downtowns at the same time that layoffs and consolidation will be a negative impact on our business. The D.C will be the most effective, but the ripples are everywhere on downtowns generally the office market and in places like D.C for the housing market as well. We have friends and clients working on real estate climate mitigation programs that are being shut down, which as you know from the podcast is the area of retrenchment from this administration that I most fear. It's hard not to be glued to the news in the latest updates, the term ripples feels inadequate to describe how we need to game this stuff out. As this does settle down and the outlines start to make sense, each part of our industry needs to adopt for both the threats and opportunities presented. And we'll keep talking about that on the show.

I'm thrilled to have Owen back for a second time on the show. One of the blessings on Leading Voices is to get to have ongoing dialogue with leaders like Owen so we can hear their evolution and thinking. This was our second repeat guest in a few weeks.

We had Gilda Perez-Alvarado recently. Last time around, she was the head of hospitality at JLL, and now she's the chief strategy officer on the client side of the business at Accor Hotels. Listen to both of hers and both of Owen's for the evolution of their insights.

I hope that you're enjoying the show. I say this every time and I really mean it. If you are appreciating this or other episodes, please hit the share button on your podcast app and share this episode with a colleague or two. That's the best way for us to increase our impact and listenership within the industry. If you have comments on the show, thoughts for guests, or importantly, if you have questions about how ZRG can help your firm through recruiting strong talent for your team or in advisory work relating to the human capital and business platform of your company, please email me at mslepin.zrgpartners.com. I hope that you enjoy this conversation with Owen Thomas.

Owen Thomas, welcome back to Leading Voices in Real Estate. You and I had our prior interview in January of 2022, which seems like forever ago. It was, we were kind of coming out of COVID. We understood what the readjustments in the office world might mean and people back to office might mean. But now we're three years later around that, and so now it means a lot of stuff. And there's so many conversations on podcasts about office, return to office downtowns, those are our subjects today, and I wanted to cover it. And no one better in the world than you to talk about this, so welcome back.

Owen Thomas:

Well, thank you, Matt. I appreciate you having me back. I look forward to the conversations. It's cool.

Matt Slepin:

Well, so there's so much to talk about. And maybe the place to start might be back to office, but I want to think about how all of these topics relate to each other and what it means in your portfolio, what it means in your company, what it means for our downtowns, what it means for deal flows, and what it means for how we work. I think those are the topics. So that's a lot to talk about.

Maybe the place to start is a report card from you on how it's going and what office occupancy means and your portfolio means overall and then city to city. So I'll let you start and then we'll kind of tour different cities.

Owen Thomas:

Yeah. Okay. Well look, let's start with a macro. I think there are three big, or maybe four, but they're in some environmental factors that are in our favor and our tailwind for office owners at the current time.

The first one, which you talked a lot about and is important is return to office. We have turnstile data on half of our 55 million square foot portfolio and what we're meaning we have the badge swipes. We know how many people are coming into the buildings. In New York, three days a week, we're back to pre-COVID levels. In Boston, that number is probably 85%. And in San Francisco it's probably 55 to 60%. So a little bit different in every market. We don't have good turnstile data in Washington, so I'm not quoting that for you or in Seattle or L.A pre and post COVID. So that's kind of the return to office numbers.

But more importantly, look at what the corporations are doing. Amazon announced five days a week. I don't know if you've heard the Jamie Dimon rant yet, but that's says it in my opinion like it is, about remote work. And it's just multiple examples, DOGE. Look what's going on with the new administration, what they're doing with federal employees. So the atmosphere around working is more in person, and so that's helping office. So that's important.

But I think the other thing that's really important that people forget is that in office, our customers are companies. We're a B2B, we're not a B2C. So what is the health of the companies? Because when companies are healthy and they're growing, they are much more likely to add people and acquire space. So if you look at the companies, in '22 and '23, their earnings weren't growing, in general. I'm using the S&P 500 as a proxy. But as rates started to come down in '24 and now in '25 S&P 500 earnings are growing again. So when earnings are growing, companies are more confident and they're taking more space. And we're clearly seeing that in our portfolio.

Last quarter, rough justice, we leased about 2 million square feet, which was the biggest quarter we've had since I think 2019. And our leasing overall in 2024 was up about 35% over 2023. We're going into 2025 with a lot of momentum with a lot of clients. Those are two positives.

Now, interest rates which are critical to real estate, I think the reduction has halted, but there has been a reduction. And the short end of the curve is important. The long end of the curve is more important, we can come to that, but it is down from what it was last year. And many companies are funding themselves short and it's helping with their earnings. And so I think that's another tailwind we've had.

And then the last one is flight to quality. I'm sure we talked about this in 2022. I'm going to talk about it again because if you want to have people back in the office, the best way to do it is carrots, not sticks. And the carrot is it's great office, it's easy to get to. So all the buildings that are around transit are doing better. And all the buildings that have great amenities are doing better. And if you look at the statistics for what we call the premier workplaces, which are the top 10% buildings, which fortunately is where most of our buildings reside, the direct vacancy is five percentage points lower. So it's about a third lower. Asking rents are 50, 50% higher. And the net absorption over our five cities was like a positive 6 or 7 million square feet over the last three years versus a negative, say, 20 to 25 million square feet for everything else. So that's also a tailwind force. So those are all good things.

Matt Slepin:

Yeah, tailwind, especially for you because your portfolio, what percentage of your portfolio is what you're calling premier office. And what does the step below Premier office look like and how is that performing?

Owen Thomas:

Yeah. CBRE Econometrics is doing this work for us. Because if we did it ourselves, it wouldn't be as credible. And we think 90 plus percent of our downtown assets are in that premier workplace basket. And the ones that aren't, we're trying to make them into that in terms of the monetization and so forth. So that's been super helpful to our activities.

In terms of the market, actually I would say trifurcated. So there's the premier workplaces which I just described, which is the top 10% where we operate. Then there's the middle, which are the buildings that are not in that top 10%, but they're still going to compete in office. And some of those are getting premier clients because they're close to transit and others are just competing in the value part of the market. They're competing on having lower rents as opposed to having the best amenities. Not every office using client is going to pay the premium rent. Some of them are more cost-conscious. And it's just like any product, right?

Matt Slepin:

Of course.

Owen Thomas:

There's Maserati and then there's the Volvo. There's the Ford. So it's the same kind of thing. And it's true in office as well. And then the third bucket are buildings that probably aren't going to compete in the office world going forward, and they're going to have to be something else.

In New York right now, I've heard numbers all over the place, but let's just say something like 10 to 20 million square feet of office buildings are currently being converted to primarily residential properties. And by the way, that works particularly well in New York because there's a lot of office stock over 400 million square feet. And the rents are high, so it's easier to get conversions done. But I do think you see examples of this really all over the country, but New York's going to be particularly active because of those characteristics.

Matt Slepin:

And what about the obsolete office that is not convertible? And how much is there of that stuff? And then what do we do with that backlog of stuff and what does that do for the cities that we're in and it probably differs city to city in terms of its percentage of stuff?

Owen Thomas:

Yeah. Matt, I don't really know exactly what that percentage is. It's not 50%. It's 10% or something, I think. I mean, look, if you look at the vacancy rate across the country, at least in our market, San Francisco is probably the worst. And on an availability rate basis, that's in the high 30s. If you come back to New York, I think the stated vacancy rates are still south of 20%. And in hot areas like around Grand Central, they're less than 10%. And if you say some percentage is going to go off and be residential converted, there is something else that's still in this other basket. And look, these buildings are valuable because of where they are. They're in the middle of these incredible cities where there's lots of commerce. So maybe somebody will make them into some other use that's valuable, or maybe they get demolished and they get built into something else.

I'll give you an example. In Washington, DC, we just announced that we bought a building at 725 12th Street for $110 a square foot. It's sitting right on top of the most active transit station in Washington, DC. Right on the [inaudible 00:13:06] side.

Matt Slepin:

Metro Center? Is that Metro center? Which is it?

Owen Thomas:

Metro Center. So we bought the building at Metro Center. We were $110 a foot. We currently signed a lease with McDermott Will & Emery, which is a leading law firm to take half of it. And we're in negotiations with another firm to take the other half. We're going to demolish the building and build a brand new building. And the yields are very accretive to our shareholders. McDermott and this other firm, they've got lots of options that they can look at in Washington, but they wanted to be in a new building sitting on transit that had the right amenities for them, had the right entry experience, had the right client experience with the outdoor spaces and so forth, because they want to impress their clients and they want to have their employees come back to the office and have a great experience and have it be easy to get to. So that's what happened with that office building. It got demolished. And by the way, it wasn't even that old. I think it's an '80s vintage kind of building.

Matt Slepin:

Right. And from a carbon standpoint, which is another discussion later on in the conversation, tearing something down and putting new is a tough thing to do.

Owen Thomas:

That is true. And I think that's why on the residential side, that is another argument to convert office to residential as opposed to tear it down and build something.

Matt Slepin:

Right.

Owen Thomas:

And I think that is a benefit.

Matt Slepin:

Okay. I want to go back to that building though, because as I think of DC, and I now spend half my time living in DC, have my time living in the Bay Area, so two interesting cities. But if I think of Metro Center, my recollection from six months ago is that was the part of downtown that was difficult and challenged. And maybe that means you're in the safety business and you're in the... What are the echoes around your building and how do you make that neighborhood better? You're probably in that everywhere that you're in, but they're making a bet on that and as tenants, and you're making a bet on that building there because that's been a rough part of downtown DC. Comments on how you deal with that?

Owen Thomas:

Well, look, I think that McDermott is more on the west end of town. Excuse me, on the east end of town, near Union Station. So they're moving west, right?

Matt Slepin:

Yep.

Owen Thomas:

I'm not sure I would state that Metro Center area is a tough area of town. I think the Capitol Hill area, frankly, is where, when I think about DC, I think is the tougher [inaudible 00:15:29] city.

Matt Slepin:

My house is there, so be nice.

Owen Thomas:

Yeah, from a... Yeah, so I think we see a lot of migration to the west in general. And then I think with all the cities, they're all very different. But the one thing that's going on in... Washington is quiet on the street, and the reason is because of the federal government. There's been no concerted effort until the new administration just took over to bring people back to the office, and now they're mandating it.

Now, they're also in the middle of a rationalization process, and I know there's going to be layoffs and all that kind of thing, but the people that are going to be working for the federal government going forward are going to be in person. And I think that's going to help because they're going to be on the street going to the office. But importantly, a lot of the economy in Washington are government contractors either directly or law firms are supporting, lobbyists. And the way they think about it is, "Look, if my client is at home, then why do I need to be in the office?"

So now all of a sudden, the big client goes back to the office, which is the federal government. All of the vendors and the service providers that are surrounding that, they're going to be in person in the office as well. So it's a big... I think this is a very big deal, this return to office by the federal workers. And I think it's going to help DC immensely.

Matt Slepin:

So let's stick with that for a little bit because we started going city by city and then we went high level, but let's go back city by city and stick with DC. What's the pros and cons of... Definitely pro. So two or three points. One is there's pros to back to the office for DC and for the government. So that's going to help a lot. Second is some people won't go back to the office because they're going to get cut. Third, there won't be offices for some of the agencies because they won't exist. So that level of uncertainty in DC that maybe the president administration wants to export DC around the country or something?

Owen Thomas:

Yeah, that's a possibility. I mean, we don't know... In our company, I think our leasing to the GSA right now is 70,000 square feet over 55 million.

Matt Slepin:

That's it.

Owen Thomas:

It's nothing. It's very small. It's de minimis. So what we're more focused on are really two things. One, this return to the office, which I think is very positive as I've articulated. And then the second thing is we do have government contractors. We have life science companies. We have companies that are funded by NIH, for example. Those could be negatively impacted by all this. And we don't know. We just don't know. But DOGE is going through this process and they're kind of going agency by agency, and I'm sure they're looking at everything with direct employees, contractors. There's possibility that some of the clients that we have in our buildings could be impacted through their funding from the federal government or their contracts. We just don't know that yet.

Matt Slepin:

So you're steering through uncertainty no matter how you look at it right now?

Owen Thomas:

No one knows. No one knows, Matt. This thing is going day by day and no one really knows exactly how it's all going to shake out. But I do think a rational way to look at it from our perspective is, who's contracting with the government and what is going to happen with those contractors? We just don't know.

Matt Slepin:

Yeah. A couple of other questions about DC, we'll stick with it. One is, I was in your building in Friendship Heights six months ago. We did a podcast with Artemis that just got sold. I think it's one of your buildings.

Owen Thomas:

Yes. In Wisconsin Place. Yep.

Matt Slepin:

So I was there. And then I was in Reston Town Center riding my bike on the bike path down there. I've been in the buildings. So those are three different markets downtown, Friendship Heights, Bethesda, and Chevy Chase, whichever it is. And then Virginia. Just talk about those a little bit.

Owen Thomas:

Yeah. So I've talked about the downtown. So in our Washington, DC business, we generate 60 to 70% of our revenue from Reston, Virginia because we own the entire park or the entire project. So we own all the office, we own all the retail, and we either built and/or own the residential. And so that's a much bigger driver of BXP's overall result.

Reston is a great asset. I think today it's 95% occupied. And the rents that we get in Reston are 20 plus percent premium to rents in the surrounding area. And it's back to the premier workplace story. You can commute there by car and park easily and get into your office. It's fully amenitized because of all the retail and the restaurants. People live there, so it's a live-work-play environment. And now the Silver Line Metro stops there and it's 10 minutes if that to Dulles Airport. So that's impacting the house. And it's probably... I took it once. It's 45 minutes plus to actually right next to our office downtown. So we've got Metro that's walkable to Reston.

We just opened a very large residential project called Skymark that's leasing up very well. So it's a great project and it's because it's live-work-play, it's well located, it's well-amenitized, it's easy to get there, et cetera, et cetera, et cetera. So that market is stronger than the downtown.

Matt Slepin:

Right. And Virginia's a miracle. Virginia's doing overall.

Owen Thomas:

But it's different at Reston than it is for an isolated building somewhere because again, the workers in that building, okay, maybe there's a gym in the building, maybe there's a food outlet. But when you're in Reston, it's very different. There's health, there's shopping, there's four or five eating opportunities. It's just a very different experience. That's why we get the premium, and that's why it's so full.

If you go to the Wisconsin Place asset, which is in Bethesda, that's just a smaller market. We only own one building there. And so I think that one has not performed as well as the rest of our portfolio in Washington for those reasons. So I think that's a weaker market. There's not as much tenant demand in that market. And we've amenitized that building to the extent possible and are doing our best leasing at it. But it hasn't performed at the same level as either the downtown or Reston house.

Matt Slepin:

Single building versus campus.

Owen Thomas:

Yes. Makes a big difference.

Matt Slepin:

Although it feels like Friendship Heights is a campus. I don't know the total square footage of office at Friendship Heights. And if you put in Bethesda, then you have a lot of square footage and there's a real there there.

Well, last question about the government. One, I was with a friend from Hines recently, and we were talking about downtown, DC. We were talking about the government, and he said return to the office could be really tough for the government because the amount of obsolete space. He said the bathrooms aren't ready to accommodate people coming back to work. And a lot of the government-owned office buildings were run down to begin with, so now given five years later.

Is that true? Do you have any comment on that? And is there an opportunity there for either privatization or non-government to be helping?

Owen Thomas:

Yeah, I don't know the answer. It could be. It makes sense to me if no one's come into the office for five years, they're definitely going to have to [inaudible 00:23:08]-

Matt Slepin:

There are Kremlins in there, man.

Owen Thomas:

... to work down to it. So I just don't know the answer. And my guess is yes, there are definitely some agencies that haven't been coming to the office, but I'm sure there's some that have. And so it's probably a mixed bag. I think it's hard whenever I hear things like this that are broad statements over a very large portfolio, I just don't think... It's probably correct in certain areas in certain buildings, but it's probably not correct across the whole portfolio.

Matt Slepin:

That's a fair deal. Well probably figure therefore 20, 30% probably hit that end of the extreme. But-

Owen Thomas:

Yeah. I mean if I were in their shoes... So they're doing two things, right? They're mandating return to the office and they're cutting people. So I think they need to look in their portfolio and figure out where the best buildings are that need the lease capital. And so have those fewer employees come into those buildings and then figure out what to do with the buildings that have deferred maintenance and just don't use those and try to exit them in some way.

Matt Slepin:

Yeah. Well, we can't go political. It could be really interesting period of time.

So okay, let's go through a couple cities quickly. Talk about New York. And you mentioned before that you can, either you or others, can definitely take office buildings, convert them to Resi. It works. New York is such a dense, lively place and it feels as dense and lively there now as it ever has to me.

Owen Thomas:

Yeah. New York is the leading office market just generally in the nation. There's no question about it. There are submarkets in other cities that we can talk about like Century City that are doing really well. But across all of LA, I don't think the market's very strong. But in New York, generally the market is strong. There are definitely pockets of stronger areas.

So why is New York so strong? Well, one, it's a work in person culture. Why is that? Well, one, there's a very significant percentage of the college graduates in the whole country come to New York City because the leading employers are here in finance, legal, investment management, technology. Young people want to come to New York and learn. And they don't want to learn at home. They want to come to the office and be properly apprenticed by more senior and experienced people. They want to collaborate with others, so they don't want to work at home. In fact, they get disappointed when their seniors aren't in the office. It's a negative. So that's one.

And then two, housing stock here is expensive. Particularly young people can't afford big apartments, so working from home is not a great experience. I think the employers, the smart employers in New York are making the office a great experience. I mean, Google has built an incredible campus in the lower West side. JP Morgan is building an incredible headquarters on Park Avenue that's going to have every amenity you could possibly want for all their workers that are going to be coming to the office. And it's easy to get there because right next to Grand Central. So I think that's what's happening with New York.

And then New York also has what I'd call client-facing and product-facing and workers that need to collaborate to be successful. Most of the remote work that is going on is with support areas. So if it's a call center or accounting or some of those kinds of roles where collaboration every day is just not as important, we don't have as much of that work in New York. Frankly, a lot of it's in the Southeast and the Southwest. So I think that's more susceptible to remote work than the work that goes on in New York.

So I think those are the factors that... Oh, by the way, the other thing too, we have a wonderful public transit system in New York City. The subway, I mean, I'm sitting here at 53rd and Lex, I can get anywhere in New York in 20 or 30 minutes, and that's not true in a lot of other cities. So I think that's another reason why in-person work has basically been reinstated in New York City.

Matt Slepin:

So let's go back to in-person work for a few minutes because I'm going to argue the point not against what you're saying at all whatsoever. So I'm into it except I am a remote worker. Now, I'm in my late 60s and I have made my contacts in the world and I keep them alive by seeing them in person as well as on Zoom. But also I'm in a business that lends itself to being a consultant and working remotely. Other businesses need in-person collaboration all the time. But my company, which is the seventh-largest human capital firm in the world, we're largely remote.

I think that the panoply of options will continue to be diverse versus every company has offices all the time everywhere. And with that level of diversity, there'll be different demands on office. There'll be maybe three days a week as a more norm than five days a week. And that will affect not just the office buildings. It may not affect you as a landlord particularly in ultra premium buildings, but it's going to affect the groundscape and the coffee shops and the dry cleaners and the barbers.

So comments to what will, I think, be more diverse in terms of the answers.

Owen Thomas:

So Matt, I think this is a really complicated topic, and so I'm going to give you two or three themes that I think will guide the remote work discussion. Look, I don't think there's any doubt that the pandemic accelerated remote work and that the overall level of office demand is less today than it was because of remote work.

By the way, people forget it may be notched down, but the economy's growing. So if the economy's growing, even if the percentage of workers that working in the office went down, it's still all going up because of the growth in the economy. So that's kind of an overall statement.

So where is that remote work happening? Because I think that's really the question. Well, one, you described your business, you have a business model where you can work remotely. I don't think that's the majority of companies, but I do think there are businesses, but work remotely. By the way, they're particularly small businesses, individuals that just want to work that way. And even if it's not perfect, they're willing to do it because it meets their lifestyle. So look, that's going to happen. I don't think that's a huge percentage of the market, but it's out there. SO that's one.

Two, that I described earlier, jobs that do not require collaboration, jobs that are more support areas. Accounting, HR, IT, call centers, those kinds of things, those are not going to be as in-person. Frankly, a lot of those jobs are getting off-shored. I think AI is going to-

Matt Slepin:

AI is going to affect that too. We haven't mentioned it yet. Yeah.

Owen Thomas:

So that office demand went away. I know I speak with some of the large bank clients about how they use their space. And this isn't true necessarily across the board, but it's a really good example. Half of their workers are bankers, investment bankers, investment managers, traders, they all have a workstation and are expected to be in the office all the time or most of all the time. But half of their workers are support areas. And those workers, they might have one and a half to two employees per workstation and it's all flexible. So you don't have to come in. But if you want to come in, you can. Just call us and let us know so we'll fix you at workstation. Or your group leader might want you to be in next Tuesday so you can have a group meeting. So yes, you'll get an office that day. So that's obviously taken away some demand, which is the support areas.

And then the last piece of it is, I think at the end of the day, companies realize remote work, in my opinion, is a lot like compensation. It's a benefit that many employees want, but it has a real cost. So companies that are trying to compete with industry leaders and they're trying to take talent, in the past, the way they did that is they just paid more. But today they might pay more, but they also will say, "Well, you know what? You come to us and we'll let you work remotely because that's the way we roll." And so again, I view remote work as like compensation. It's, again, something that people want, but it does have a real cost. And that cost is training, culture, collaboration. And those are real cost of businesses over time.

Matt Slepin:

Yeah, they are. There will be a new normal in which all these things exist. And in there will also be coworking, which we didn't mention as yet another kind of in-between way for this to work versus the traditional ten-year office lease.

Owen Thomas:

Matt, I think the coworking thing is a small part of the business. There was a company, it still exists, called Regis. They've always had coworking. And then WeWork came along. That was the last existential crisis office went through, which was coworking was going to take it all over and there were research reports saying it was going to be 20 or 30% of the market. And it's just not going to be the case.

Our clients are big companies. They are very careful about where they are or where they want to be. And when they decide they want to be there for a long time and they want to build the space out the way they want it and they're going to express their brand and their culture through their space, and they don't want to do a short lease because a short lease works both ways. They can leave, but we can also kick them out if we get somebody better. And that's not what they want.

And so when you look at our leasing statistics, our leases, if anything, they've gotten longer. This past year, I think over are five plus million square feet of leasing, our average lease term was almost just under 10 years, which I think was longer than the year before. So I think co-working is, it's for a small company that's starting and they don't know exactly how big they're going to be in a year or two and they just want to get in some space as quickly as possible and not deal with architects and brokers and lawyers with a big lease and all that. And there's a place for that, but I don't think it's huge.

Also too, I've seen a lot of organizations that maybe they want to be in a new city, and so they might start with co-working just to get some people located there and then they'll ultimately convert into an office. Or maybe an organization has an employee that, for whatever reason, needs to be based in another city for personal reasons, and so they might use co-working for that. So there's a place for it, but in my opinion, it's-

Matt Slepin:

De minimis.

Owen Thomas:

It's less than 5% or Something like that of the office space.

Matt Slepin:

I'll push on you for just a sec because I continued to be a focus group of one. My company, before we sold to ZRG, there were seven of us and it moved down to three of us just in terms of people who came to the office. And when there were three of us, we moved into co-working, It was the best thing we ever did. So small businesses or weirdos like me, not just startups, can find a sustainable place there that fits better. And I'll tell you, behind a wooden door in an office suite with three people, with someone who traveled about every other week, that's a brutal place. It's just lonely.

Owen Thomas:

Yeah, yeah. No, I get it. You're right. There's some community that you can create. I think there's extra cost too, by the way. I know we have some co-working space that we call Flex by BXP, and we feel like we should price that at a premium because we don't have any security. The client could leave, and that's not inappropriate. You pay for flexibility.

Matt Slepin:

We paid a huge amount of price per square foot basis, but my actual rent stayed the same. So the outlay was the same. I didn't care.

Owen Thomas:

Yeah, no, look. Again, as I said, there are always great stories and situations. And by the way, I love it. I love it when people use an office and there's lots... When you're building a apartment building, you don't build all two bedrooms, you build a studio, you build a one bedroom, you build a penthouse suite, all the different needs and price points. It's the same thing in office. We have the corporate headquarters, the whole building goes to a client and they lease it for a long time. Then you've got the multi-tenant building where some people, clients come in and take a floor, 20,000 feet, 30,000 feet. Then you've got the spec suites, which we'll build. You might take a floor, break it into four suites, 5,000 square feet each, build it out, try to lease it for five years to a client. Then you got the coworking, which is for the smaller client that wants more flexibility. If you're trying to sell office space, you want to come up with different products to sell it.

Matt Slepin:

And there will be a panoply of different solutions that weren't the same stable thing that we had during the '90s and the aughts because we were just used to that. Yeah.

Owen Thomas:

One thing I wanted to mention while we're on this is these coworking firms too have different models. So Regis and WeWork leased space from a landlord like us, and then they in turn subleased it to somebody else. And that's a riskier business model.

There's another firm that CBRE just bought called Industrious, and they have a very high quality product. They have a different business model, which is they work for a fee. So in other words, you build the space as a landlord and then they manage it for you. And then the other thing that I think is interesting about their model is we increasingly are amenitizing our office buildings and having a hospitality component. So the GM building, for example, we just built a floor called Savoy Club, and it's got extensive meeting facilities. You can create either a boardroom or more of an auditorium for a larger meeting. Of course, we have food, a bar and a food offering associated with that. Then there's grab and go food for the employees that just want to get something quickly. There's breakout areas, and then there's a health club.

We're an office landlord. We don't have the expertise to manage that, and so Industrious does. I think they're going to give increasingly large amount of businesses as more and more office companies put these hospitality components in. We just, I mean, in Embarcadero Center, built a meeting facility called Mosaic and hired Industrious to manage that. So I think that's going to be a good opportunity for them.

Matt Slepin:

Yeah. Well, Jamie was on the podcast before you were, so this is probably four years ago, and we're going to get him back on to talk about how that business has evolved. And you've gotten me to two or three interesting points. I was going to ask about Mosaic because I walked by it the other day. It was interesting because I had an hour to spare between a podcast, I think. In Embarcadero we talked about you, so it was stepstone. And a lunch meeting. So I had to blow an hour. I didn't want to be in a coffee shop. I walked into Mosaic, but that's like you have to be a tenant of course. So, "Oh, I wanted in. It wasn't fair." So I went to a hotel. I went to the hotel there.

Owen Thomas:

The Hyatt?

Matt Slepin:

The Hyatt was great, and they have space that people could hang out and work in that huge cavernous room. But anyhow, so it was beautiful.

Owen Thomas:

Yeah, no, it's a great amenity. We just opened it November, December last year, and I think it's very helpful for...

If you have board room and you use it four times a year and you're leasing it, that's inefficient. So I think increasingly, I think our clients are saying, "Okay, fine. When I have my board meeting, I'm just going to release it at Mosaic. I mean, It's private enough, it's very nice. We can have food brought in, and I don't have to pay the rent on this all year. I just rent it four times a year."

And the same goes with big meetings. So let's say you're a hedge fund or a private equity firm, midsize, and you want to have an annual meeting. Well, it's nice to have it in the building where your office is. It feels more like you're bringing in your clients into your space, but you don't have that space. You don't need to have it because we'll have it. And you can have a big meeting with 200 or 300 people in these spaces. And I think that's also a real benefit to the clients in our building.

Matt Slepin:

Totally true. But that may get rid of their boardroom, which they only use three, four times a year. And so you're going to have the boardroom, but that's less space they'll use from you. But that's worthwhile.

Owen Thomas:

Yeah. But if we can provide that's... But unfortunately given our balance sheet and buildings, we can provide that amenity in these...

Matt Slepin:

Really important.

Owen Thomas:

Like the places like the Savoy Club. I also would also point out not only the boardroom, but also the bigger meetings. I think that's also important. Many companies want to have an all-hands meeting and they don't have a space big enough for that. We can provide it. Or they want to bring in their clients and have an event, we can provide that as well.

Matt Slepin:

It was interesting, sticking with Industrious firm. And I've told this story before, but when I moved my company there from behind this brown door in the so-so office building, my wife was nervous my clients would not believe the fantasy that I was a big company because I had a semi fancy office and they like coming to my office and she's, "They'll never come to Industrious." And they had a meeting actually with the top three leaders of Trammell Crow Company at my office to interview candidates for a search we were doing, and they loved it. And maybe that's why Industrious is now part of CBRE. But they came and I said, "Hey, do you guys feel worse about me that my office space is not my own?" And he said, "Of course not." And then we sat in there and smiled as all the people were milling around and it had so much energy. It was a wonderful thing.

Owen Thomas:

Yeah. Good.

Matt Slepin:

So I have an apology for you and everybody. One of the things I talk about on my podcast in my work all the time is that there's a huge importance to the business platform in real estate and the company business platform as distinct from the assets.

Last week's podcast with the principles of PCCP. And we were talking about this and I said, "How do you underwrite the business platform and the companies that you join venture with?" And I said, "In some asset classes, the platform might be more or less important than others." And I said, "Maybe in office the platform isn't that important." And I broke my own belief by putting the question that way because I believe the platform is important, although you also just tempered it with, "We're not hospitality folks."

Owen Thomas:

We have the asset, we just don't manage it.

Matt Slepin:

Yeah. And the assets are assets that in any other property type, I wouldn't ask a guest about their individual buildings. But here I'm going to ask you about an individual buildings because I've been in all of them and they have meaning for us. But talk about in your company, the platform that you've built, what BXP is under the hood and what your legacy around that's going to have been.

Owen Thomas:

So it's a good question and I'm going to answer it in two ways, one internal and two external. So internal, the way we're set up is we basically are four big regions. And the West Coast is really three regions under one. Each region operates autonomously and it's centrally-funded. And every region has its own leasing department, its own property management department, a development department, a construction department, a legal department, and a marketing department. Every region. And again, the West Coast is three regions, but they have those assets kind of spread around the three regions that we have. So I kind of think about it as four big regions from an operating standpoint.

Why is that important? Well, we want to be nimble. And every region has its own characteristics in terms of how buildings get built, how brokers get used on the leasing side. The clients tend to procure space regionally instead of nationally. It's not like a retail business. We own these great assets, but they need to be nurtured. We are always leasing them. We're always fixing them up. I haven't talked a lot about it. Older buildings have CapEx requirements. We have to find ways to do that. We have a big part of our external growth is development. So we need to have the expertise internally to not only create these great buildings, but also to construct them on time and on budget, which we do. So our team is critical for success.

And from the client side, the value of our platform has never been higher. I used to say when a client is leasing space, there were four things that they were focused on, and rarely was the owner the top one. Where is the building? What is the building? What does it cost? And who's the sponsor? And I would say before this office, challenging period we've been through the sponsor, it was always important, but I'm not sure it was as high on the list. Today, I don't know if it's at the top of the list, but it's definitely moved up from fourth position because we just have less competition. Many companies, many buildings are over levered. A client doesn't want to go into a building that is going to get foreclosed or if the landlord can't afford or can't fund the tenant work and the brokerage commissions that are required.

So often in these RFPs today, some of the first questions are, "Well, what's the debt on the property? When does it come due? Who's the landlord? What's the funding source? So for us, this is a really easy question to answer because we're public. My answer is, "Hey, we're an S&P 500 company and we're investment grade-rated. What else do you need to know? Because there's no question that we can fund the requirements of whatever it is."

Think about this McDermott and this other client hopefully at 725 12th Street. Do you think they would've done the deal if they didn't have full confidence that BXP could not only fund the development but also had the track record of success in developing the building? No, they would not. So it's a hugely important and competitive advantage that our firm has at this juncture.

Matt Slepin:

And how much of that... It's interesting how you answered it because you answered it more about balance sheet than the skill set, the expertise, the warmth and hospitality of running this stuff.

Owen Thomas:

Yeah, it's both. Well, let's take the new development. So our team spent tremendous amount of time with McDermott and the other client going through the design of the building and showing them, "Okay, here's how you're going to enter. Here's what your floors are going to look like. Here's your outdoor space. Here are the amenities we're going to put in the building." So all that was done with the client as we were controlling this particular site.

And then of course, the next question is, they have to have confidence that we're going to deliver the building. So what is the delivery of the building? Well, the first thing is you've got to be able to fund all the capital that's required along the way. So balance sheet is really important.

And then the second thing is you've got to have the expertise internally, both on the development side and on the construction side to deliver the building on time. And our team, which is very stable in Washington, has an incredible track record. I mean, you can go around the district and point to dozens of buildings that our firm has built over the decades. We have a strong track record, which I think gives the clients comfort on that topic.

Matt Slepin:

Right. It's interesting. Your answer might be, I'm going to suggest, the opposite of what Zell was trying to do when he was creating EOP, which is at size and scale, we could have a centralization that enables office to transcend the office business. And I've long thought that that didn't make sense in office, but make sense in apartments, it makes sense in industrial, but the office property type is so big and lumpy and the leases are big and lumpy. And they're buildings we know that your model works better in the office space.

Owen Thomas:

Well, look, I think there are definite advantages to scale. We are trying to get bigger. But it doesn't mean we're trying to get bigger everywhere. We've picked a very small number of markets and we said, "This is where the talent wants to be. Development is difficult, the competition is less as a result or it's more complicated to compete in this market. And that's where we want to be." So we definitely want to be bigger, but we're not trying to get bigger by being everywhere. We're trying to get bigger by being bigger where we are.

And if you look across our cities, we're definitely the biggest office player in Boston. And we're one of the biggest in New York, although we're not at the largest scale. And in Washington, we're clearly one of the biggest players. And in San Francisco we are. So that is our strategy, but we're just not trying to do it everywhere like EOP did.

Matt Slepin:

Yeah. So talk about the strategy a little bit. Talk about what this last five years has meant in the office business. You've talked about you are almost only in the top 10% of buildings. There's other office companies in your space that go further down scale in this and have a broader range of offices and also in different markets. And the overall office rate index has gone down 50%. I don't know overall. And I can't contrast you with others because I can't look at all the numbers. But what does that roller coaster mean? What does that strategy mean? And talk a little bit about that overall space, not just you. Place yourself in context.

Owen Thomas:

Yeah. So the economics big picture for us are the stock is less than half. It's like 71 today, it was 148 at the peak, which was in the first quarter of 2020. So it's down a little bit over half.

Matt Slepin:

2020.

Owen Thomas:

FFO per share is about the same, and the dividend is the same. So the dividend yield is doubled and the income is the same. So why is that? Well, one is interest rates. So real estate is partially a bond. And so if interest rates are higher, the value's less. Period. It doesn't matter whether it's an office, an industrial building, whatever it is, it's worth less.

So part of that drop is because of interest rates, but the other part is sentiment. There's just more fear about office. So the sentiment part is the part that will improve for us over time. I can't do anything about the interest rates. They're going to be what they are and they're going to impact the stock price. But the sentiment part is, in my opinion, the upside, which is I think that will start to evaporate over time as offices start to perform again. So that's the kind of big picture economics.

In terms of strategy, ours is pretty simple. I mean, we want to own the best buildings and the best markets. I mean the founders of our company, Mort Zuckerman and Ed Linde, that's what they said. And that's what we're saying.

Our language is a little bit different. We say premier workplaces instead of best buildings. And best markets, I would say we want to be in the markets that have the deepest talent pools and that have some barriers to entry. And so if you look at the cities that we've selected, I think it's where the talent in this nation wants to be. And I also think it's harder to develop because it's expensive and it's complicated. We're trying to get bigger in those cities as opposed to go to new ones. Because again, if we have 11 million square feet in New York, the market's 420 million square feet. So the biggest players have 20 million feet. They're not that significant either. So there's a lot of room to continue to grow.

Matt Slepin:

Yeah. And I had Colin Connolly on the podcast two years ago, so halfway between when we last spoke, I think. Another Morgan Stanley alum.

Owen Thomas:

I know Colin will.

Matt Slepin:

I bet you do. And he would've said many of the same things that you said, just different markets. So premium in the best markets, but he's southern markets. Any comments about contrasting the markets you have selected and you're sticking with, versus the markets that they have inherited and they stick with?

Owen Thomas:

Yeah, no, I think you're right. I think the cousin's strategy is similar to ours, but he's focused on primarily Atlanta and Austin, which I think is about 70% of his company, and then he is got other cities.

I think the play there is it's going to have higher growth. You're going to have more people moving there and probably more net absorption of office because of growth, but you also have a lot more supply because it's easier to develop. There are limited obstacles to new development.

Matt Slepin:

Right. I don't know all the office players either in the public or in the private markets, but if they're playing across the spectrum into the B grade or the A- grade office buildings, or they have some obsolete buildings, how does your sentiment challenge work when you're the premium price? And so the sentiment has to be around premium office, not around the entire market, because they're not buying the entire market by buying you.

Owen Thomas:

Right. I mean, look, the public office sector is honestly very small relative to the whole office business. We own 5% of the... I mean, this is a little bit, don't write this down, but this is directionally correct. We own like 5% of the... The whole public office world owns maybe 5% of the office stock. Maybe it owns 10 or 15% of the office stock that you want to own, something like that. But it's small. Most of the office business is done privately and it's privately-funded.

So I think if you look at the way that companies trade, it's really, honestly what's driving it is regions. So right now the New York companies are hot for all the reasons I've articulated in this interview. And the West Coast companies are not, for all the reasons I've articulated already in this interview. We're kind of in the middle because we've got, frankly, more east coast than west, but we've got a little bit of both. So we're trading in the middle.

Five years ago, there was the reverse. Hudson Yards was coming online. There was a lot more vacancy in New York and the West Coast was very hot because of all the tech leasing. So the West Coast companies were trading better than anyone. And the New York companies were at the bottom and we were kind of in the middle again. So that's our spot. We're going to be the biggest where we already are. And I think that will continue. And we're going to have a little bit of each of the markets and we're going to be more diversified.

Matt Slepin:

Cool. You have a big passion in the climate and carbon challenge. And you've made a major contribution to ULI for... You'll tell me what the name of the fund is. And also in your business, you've made a major commitment to that. What does that mean in the next four years? This is a political question kind of, but help us think about that.

Owen Thomas:

Yeah, I think it's a good question. We should address it. So I serve as shareholders. And the shareholders, we have a very significant percentage of ESG shareholders in our register. When we issue green bonds, which are used to fund leave platinum projects, we get a pricing advantage for those.

Our capital providers are mandating that we remain a leader in sustainability, and our clients do as well. We're trying to build a new building at 343 Madison, all electric. And a lot of the interest that we have in this project is from investors that want that. They want that sustainability performance. So this is about doing what our constituents. And clearly our cities want this because New York is fining. Local law 97, if your emissions are over a certain amount per square foot, you get fined. So I serve the shareholders, I serve the communities, I serve our clients, and they all are interested in this topic. And so we need to continue to be a leader in it.

Matt Slepin:

Uh-huh. And how much? You said before the demand by the shareholders for the new building, or was that demand by the tenants for the building?

Owen Thomas:

I mean, look, I'm not, all shareholders are invested in us because of our sustainability performance. But some are, and it's not a small percentage. We're a very significant issuer of unsecured debt. And from time to time when we're building a lead platinum or lead gold plus building, we're using those debt proceeds to build that building. And so those are "green bonds." And green bonds get a slight pricing advantage, and that's material.

And then on new buildings that we build our clients are increasingly focused on what's the carbon footprint of this property? And 343 Madison that we're building here in New York's going to be an all electric building. And several of the clients that we're talking to about that property want to be in there for that reason, because there's not very many of them in New York. The JP Morgan headquarters is because brand new. I think other new buildings will be, but there's not a lot of them now.

In other words, we're not burning any fossil fuels inside the building. So the carbon emissions from the building are 100% correlated to what the grid provides, how much green versus brown power is in the grid.

Matt Slepin:

Good for you. Now, I thought you did this because Owen Thomas is a good guy.

Owen Thomas:

You know, I like that I [inaudible 00:58:50]-

Matt Slepin:

Who cares about this stuff?

Owen Thomas:

I mean, look, being good at sustainability is, in my opinion, the right thing to do, but it's also the smart thing to do for our company. I think there's a full alignment in terms of trying to do the right thing, but also do what the constituents that are important to BXP want us to do.

Matt Slepin:

Right. And you're a leader in ULI that also talks about this. Do we go backwards over this next political period? And how do you continue to sail in the direction you are without hearing the noise there?

Owen Thomas:

Well, I think you got to back up from the whole topic, right, and say, "Okay. Do you think the climate is changing on our planet? Yes or no? Do you think that fossil fuel emissions are causing it? Yes or no? And what are we going to do about it? And if you believe it's yes, yes, on the first two questions, people are going to want to try to continue to do something about it. So the politics and the external factors will change over time, but I think those will not. Will climate change change next year? I would love it if it would. I kind of think it's not going to. So I think that's ultimately going to drive the response in the world that all of us are dealing with.

Matt Slepin:

Happy to hear that. Is it a buying time in office? And you've described what you're doing downtown DC are others now, A, are sellers capitulating in terms of the pricing change in the world? And is it a time for opportunistic? Which is not you guys, but just kind of talk and think about that a little bit.

Owen Thomas:

Yeah, I think so. I mean, look, there are different kinds of deals that are going on. I mean, in the last couple of years, what you've seen is family offices, deep discount buyers buying buildings that have a lot of vacancy and they're paying 20 cents on the dollar from a replacement cost standpoint. And they're kind of taking a punt, in my opinion. It could work out well. I think it probably will, but it's riskier because you don't know you're going to have to spend some money on the building. And you're going to have to think a little bit about price point on leasing and all that kind of stuff. But I think some of these investors just said, "Look..." Particularly in San Francisco. Buying something in the middle of the city at 20 cents on the dollar over time should work out. And by the way, I think it will. I think San Francisco is going to come back. Don't know the timing for it, but I think it will.

So we've seen a lot of those kinds of deals. By the way, they're usually small. 40 million, 50 million, don't need financing, all that kind of thing. So now today we're having some larger and higher quality deals that are selling less on a per square foot cents on the dollar basis and more on a yield basis. So you mentioned Colin and cousins. They bought a very high quality building from the Dell Family Office in Austin, Texas late last year. And you should get this from the source, but I've heard probably a high six is kind of cap rate. That was not cents on the dollar, and that was not a per square foot deal. I'm sure it was attractive, but it was sold on a yield basis. And we've got more coming. There's a lot of discussion here in New York. Blackstone buying a half interest in a building over on 6th Avenue. And now everybody in the world knows that 590 Madison is for sale, which is the IBM building and it's price that Eastdil's got the listing, and they're talking about a billion dollars for that.

So we'll see. These are going to be interesting because it's a lot different, buying a building for $50 million in San Francisco and buying Madison for 1.1 billion. You're going to need a financing and you're going to need a big source of equity, and we'll see how it goes.

But to your question, Matt, the market's definitely improving. There's more capital coming into office. I don't think it's a tidal wave, but I think it is coming back. And you've seen it in our stock. I think our stock of the low point was in the 40s, and now it's in the 70s. By the way, it was in the 80s, but when the view of interest rates was that we were going to have a more aggressive drop, our stock was in the 80s. But once that leveled out, it settled in at the 70s.

Matt Slepin:

Makes sense. You have a mission on this podcast, which is sentiment. Any comments on sentiment that you haven't covered today? What do you need to say to our listeners before I ask the last question?

Owen Thomas:

Well, I mean, look, I think that the biggest issue that, at least from my standpoint, that our sector faces is that it's called office. And all the research is about every single office building in a market. And when you look at that, all the vacancy rates look really high, and the data is not attractive. But what we keep saying is we're not in the office business. We're in the premier workplace business. And so the data that you should look at to evaluate the market that BXP competes in is the premier workplace segment, and that data is very, very different. And we're going to keep providing the data. We're going to keep performing, we're going to keep doing deals like 725 12th, and we're going to prove that what I'm saying is right.

Matt Slepin:

Stick with it. It's going to work.

Owen Thomas:

Yeah. It will work.

Matt Slepin:

So the last question always on Leading Voices is your advice for a young person entering into the real estate business.

Owen Thomas:

Well, I think when you ask it that way, the most important thing is, the good news is you've decided to come into the industry. Because I do think with a lot of young men and women that I speak with, a lot of what they're working with is they're not quite sure exactly what they want to do. So I think frankly, just knowing that you want to be in the industry is great. That's step one. And then step two, I think you chose wisely because I think real estate has been an incredibly rewarding profession.

So the main thing is, I think... And by the way, I didn't invent this. I got this from one of my great colleagues, John Powers, who recently retired from BXP. But I think real estate, you have to really have three skills to be successful. One, you got to know all about the properties. And real estate, I don't think it's complicated, but it has a lot of vernacular. So what's a net lease? A gross lease? What's an FAR? What are entitlements? You got to understand all that, and you have to become an expert in whatever space that you're in. So maybe that's kind of obvious, but that's really important.

And then the second thing is you've got to be an expert in finance. Real estate is capital intensive. If you say, "Well, I'm a developer. I don't really need to deal with that." Wrong. You need to deal with it because any project is going to cost a fortune.

And by the way, finance has two dimensions, right? There's the property finance, so you might be a private person, you're going to get a mortgage. How does that work? Who's the provider? What are the right terms, et cetera, et cetera? And then you need equity. Who's the partners and who's going to provide that, and what's the right partnership agreement and all these issues. So we do some of that at BXP. And then we do corporate finance, which is actually part of the fun and intellectual interest of the job is we have a whole other market, two other markets, the public equity and public debt markets where we can raise capital. And understanding how those work and how to position our company and structure things that are best for the public markets also are really important. So anyway, being an expert in finance for properties is really important for success.

And then the last is relationships. And this is the fun part of real estate because it's relational. Real estate's not homogenous. Every building's different. Every floor is different. Every deal's different. It's all about the people. So getting a lot of contacts in real estate and friends, professional friends, and then growing up together in the industry, and then all of a sudden everyone has become pretty senior and interesting to know. But having those relationships across the industry, a lot of deals get done privately. You're not trading stocks, right? You're doing leases with individuals and companies. And often buildings get traded privately, so relationships are very important.

In a career, I would think about developing those three talent sets. And then the other thing, when you talk about going into real estate, it's such a broad topic, right? If you're very mathematically oriented and you love analysis, maybe you should go into the acquisitions part of the business. If you're like, I talked to a young man last week who really loves sales, so I'm like, "Fine. You should go in the brokerage business, either investment brokerage or leasing. You'd be perfect for that." And I explained it all, and he really liked that idea.

You might have other people that are on the development side that want to build buildings. They're very creative and they want to go deep on all the various aspects of a building.

And also development. I think it's also super interesting because kind of in the middle of everything, right? You've got to deal with the city to get the thing entitled. You've got to deal with the architects to design it. You have a lot of engineering issues, right, with the construction of the property. And then you've got the finance. You've got to do all that. And then you got to get the client to come lease the property. So think of the rich array of experiences you could have on the development side.

And then on the construction side, again, very engineering oriented. What systems are we going to use in this and what's the foundation system going to be in the property, and all that kind of stuff? So there's all kinds of different areas you can go into. When you say you want to go into real estate.

Matt Slepin:

Yeah. When you say welcome to real estate or congratulations on having chosen real estate, for me, it was always the last point that you made, which is finding the role that's right for you. And for anybody, there is a role in this panoply of roles that will fit their personality and their skillset. It took me forever actually. I got into the nicheous role, which is the human capital role in real estate. But it took touring around to find the things that I was uniquely good at.

Owen Thomas:

Yeah, no, I mean, same with me, Matt. I mean, I started as a banker. So I was a advisor on the financial side. And then I moved into principal work, but not as an operator, as a fund manager. And then here at BXP, we definitely do investment work, but we're an operator. We're managing buildings, we're building things. So it's even broader remit in terms of skillset required.

Matt Slepin:

And you're blessed and lucky and talented in your career to have been able to tour each of those things and end up in the chair that you have to experience the breadth of that kind of work. So congratulations on that.

Owen Thomas:

Well, thank you. Life is experiences. I think it's always great for an individual to try different ones.

Matt Slepin:

Totally true. Well, Owen, thank you very much for being in the show. Again, we'll touch base in three years, I think, maybe. We'll see how we're doing.

Owen Thomas:

Okay, great. Well, we should go back to the last recording and see if I was right about what I said, but [inaudible 01:10:41].

Matt Slepin:

Don't worry, our listeners will.

Owen Thomas:

Okay.

Matt Slepin:

I didn't bat a thousand, but I think I've batted pretty well.

Matt Slepin:

Pretty good. Thank you so much.

Owen Thomas:

Thanks for having me.

Matt Slepin:

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