



"Boston is expected to become the first major city in the nation to require private developers to adhere to a strict set of so-called green building standards, officials said yesterday. The standards will be required before permits are issued for all projects of 50,000 square feet or more. The goal is to make new buildings more energy efficient and environmentally friendly, by promoting, for example, use of efficient heating and cooling systems, recycled building materials, and careful separation and disposal of waste." *The Boston Globe* (12-20-06) "San Francisco is aiming to become one of the nation's first large cities to require that new, privately developed buildings meet rigorous standards of environmental friendliness ... Green buildings minimize environmental impacts with features such as natural lighting, solar power, low-flow water fixtures, no-flush urinals that use a chemical trap instead of water and even use of nontoxic paints, glue, carpet and varnishes. A popular new product is an elevator that produces electricity as it descends." *San Francisco Chronicle* (2/4/07) Hmmm ... wonder if we can harness the energy expended in computer or Blackberry e-mail keystrokes ...

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According to my San Francisco office broker associates, the City is in an upward-rental-frenzy. There are reportedly dozens of office buildings selling in the \$500 to \$900/sf range, with Class B fully serviced annual rents recently increasing from \$25 to \$35/rsf; Class A rents from \$38 to \$48/rsf; Class A view space now at \$60/rsf and Premier space leasing for as much as \$100/rsf.

East Bay office building sales: The 328,000 sf EmeryBay may be on the market for \$110 mil; Creekside Oaks in Walnut Creek just sold for \$16 million with a challenging ground lease, and the largest office complex in Walnut Creek, Walnut Creek Executive Center with 422,000 sf, is reportedly on the market for \$90 million. The 90,000 rsf 355-365 Lennon Lane in Walnut Creek is rumored to be closing escrow in two weeks to a medical investment group.

Issue 162 marks the beginning of the 27th year of OfficeTimes, which takes me an average of 40 hours of research and six to eight hours of writing. Wow, when I add this all up, it translates to 310 days I've devoted to this endeavor - no wonder there are so few out there doing this! I'd probably be shooting a 2 handicap if my focus had been on golf ...

"Robust economy forecast" from Steven Levy, executive director of the Center for

Continuing Study of the California Economy. He predicts "the region will add about 700,000 jobs, 850,000 residents and 400,000 households from 2005 to 2015." *San Francisco Chronicle* (2/16/07)
"Survey sees hiring frenzy on horizon - Business owners throughout the Bay Area are poised to hire plenty of workers, the Bay Area Council reported as part of its quarterly business confidence survey." *San Ramon Valley Times* (2/16/07). The Bay Area economy is humming, with roughly 40 percent of companies planning to hire more employees and 8 percent planning cutbacks. "The job market is as attractive as it's been since the dot-com bubble burst," said Lenny Mendonca, a director with the Bay Area office of McKinsey & Co. A separate report, released by the Center for Continuing Study of the California Economy, predicted that the entire Bay Area is at the beginning of an economic surge that could persist for five to ten years." *Tri-Valley Herald* (2/16/07)

According to a recent survey by the Association of Foreign Investors in Real Estate (AFIRE), "the top five favorite markets for capital appreciation are: United States (23%); India (18%); China (14.8%); Germany (9.8%); and Russia (8.2%). AFIRE members collectively own \$600 billion in real estate globally, \$185 billion of it in the U.S." *National Real Estate Investor* (March 2007). Global Office Cap Rates/Initial Yield Rates: Tokyo: 3.6%; Hong Kong 3.7%; London 4%; Rome 4.5%. *Colliers International* (3/14/07)

The number one region in the nation for biotech is, of course, the San Francisco Bay Area, with the world's largest concentration of bioscience companies totaling more than 600. Four of the top 20 United States institutions receiving research and development funds are Stanford, UC Berkeley, UC Davis and UC San Francisco, which together received \$2.8 billion in R&D funding from federal grants in 2006. The California Institute for Regenerative Medicine, a \$3 billion state government institute for stem cell research, will hand out \$300 million a year in grants. UCSF is undergoing a \$1.5 billion expansion to hold 10,000 students. Annual job growth in biotechnology is expected to average between 5 and 9 percent over the next 10 years, and Bay Area based companies may add as many as 500,000 biotech and nanotechnology-related jobs over the next 10 to 15 years." *San Francisco Chronicle* (March 2007)

According to a "Germs in the workplace" study funded by Clorox Co., bacteria levels in women's offices are nearly three times higher than in men's. "What we found is that women seemed to have more `stuff' in their offices, from makeup bags to pictures of family and purses on their desks. Women's surfaces such as keyboards are germier because women are primary caregivers to children, and research shows they eat at their desks more often. However, men's wallets were the germiest item in any office." Of course, this self-serving study recommends using disinfecting wipes daily on hard surfaces in cubicles and offices, which of course are made by Clorox, which funded the study. *Tri-Valley Herald* (2/15/07). Next we will discuss the recent study, "Using iPods Reduces Stress and The Chance of Heart Attacks!" funded by Apple Computer or "Better Workspace Furniture Yields Higher Worker Productivity" sponsored by Haworth ...

Several months ago, OfficeTimes mentioned the rumor that California State Auto Association. might be leasing 228,000 sf in Bishop Ranch, and a few days ago, the *San Francisco Chronicle* (3/27/07) had a headline in the financial section, "CSAA buildings for sale" with a spokesperson for CSAA stating they were putting their 573,000 sf San Francisco headquarters up for sale. hmmm...

"Simply put, green strategies are green because they work with surrounding climatic and geographical conditions instead of against them ... you have to know about the environment in which you're

designing and building to know whether or not you're truly being green ... you also need to identify and reduce your building's need for resources that are scarce (water and energy, perhaps) and increase the use of abundant, available resources (sun, rainwater, wind, etc.). When talking sustainability, it's common to look at five areas: 1) site conservation, 2) water conservation, 3) energy efficiency, 4) materials conservation, and 5) the indoor environment." *Buildings* (March 2007). At www.officetimes.com we have an extensive list of Green Building links, and this resource is continually growing as we discover new relevant links to add. As an example, if you want to find a complete list of green building incentives in your area go to www.officetimes.com/sustainableofficebldg.htm and click on **DSIREUSA**. If you have any terrific sites to recommend, please email them to our webmaster at kmoe@colliersparrish.com. Thanks!

Deals and Rumors: In **San Francisco**, which has been incredibly active, Seven Hills leased 17,000 sf at 275 Battery St.; Teknion took 11,000 sf at 88 Kearny St.; Google sublet 210,000 sf at 245 Spear St.; Sirna Therapeutics expanded from 33,000 sf to 66,000 sf at Mission Bay; Francisco Partners leased 20,000 sf in the Presidio at One Letterman Drive; Girard, Gibbs & Debartolomea took 13,000 sf at 601 California St. where in the same building, Wedbush Morgan Securities leased 13,000 sf and Alaska National took 10,000 sf; Sephora leased 50,000 sf at 425 Market St.; Goodby, Silverstein & Partners leased 81,000 sf at 720 California St.; The Art Institute of California may have signed for 100,000 sf at 300 California St.; A T Kearney leased 12,000 sf at 255 California St.; and Linden Lab leased 28,000 sf at 945 Battery St. Up in **Novato**, Birkenstock Distribution leased 16,000 sf of office space at Hamilton Landing. Going south in **South San Francisco**, Elan Corp. leased 185,000 sf at 180/200 Oyster Point Blvd., while in **Foster City**, Philips Electronics extended and expanded to 64,000 sf at 400 E. Third Ave. In **Brisbane**, Walmart.com sublet 35,000 sf at 8000 Marina, and in **San Bruno**, Nexxo Financial leased 13,000 sf at 1100 Grundy Landing. In **San Mateo**, Epocrates sublet 60,000 sf; Wameworks sublet 38,000 sf and Intero Real Estate leased 12,000 sf; all three deals done at 1100 Park Place; and Blue Jungle sublet 17,000 sf at 1875 S. Grant St. In **Redwood City**, Proteus Biomedical leased 25,000 sf at 2600 Bridge Parkway; Care2.com expanded into 12,000 sf at 275 Shoreline; and Seiler & Company leased 31,000 sf at 3 Lagoon. Intuit leased 140,000 sf at 180/190 Jefferson Drive; Stanford University leased 60,000 sf at 301 Ravenswood; and Allstate sublet 22,000 sf at 4200 Bohannon in **Menlo Park**. In **Palo Alto**, Affymax renewed and expanded from 53,000 sf to 84,000 sf at 4001/4015 Miranda Ave. In **Fremont**, Boston Scientific Expanded by 94,000 sf at Fremont's Bayside Technology Park. Across the Bay, in **Oakland**, Foley & Mansfield leased 24,000 sf and FEMA expanded to 48,000 sf, both at 1111 Broadway; HJW Geospatial leased 13,000 sf at the I Magnin building. In **Alameda**, Argosy University took 28,000 sf at Marina Village. Tethys Biosciences leased 13,000 sf at 5858 Horton St. and Onyx Pharmaceutical sublet 14,000 sf at 2100 Powell St., both in the city of **Emeryville**. In **San Ramon's** Bishop Ranch, Arthur J. Gallagher may be leasing 22,000 sf. Out in **Walnut Creek**, the University of California Genome facilities is expected to expand from 60,000 sf to 82,000 sf at 2800 Mitchell Drive.

I've been asked why the high velocity of office leasing currently taking place in San Francisco and Santa Clara has not had more of an impact in the East Bay. In a February 18, 2007 report of the top 25 privately held companies receiving financing during the fourth quarter of 2006, which totaled \$868 million, only three of these 25 companies were based in the East Bay and of those three, two were in Fremont, which is almost Santa Clara North. So for all of Pleasanton, San Ramon, Emeryville and Oakland, this means only 3 percent of the \$868 million went to the East Bay, which in part accounted for our lack of office leasing.

The Baby Boomers' age will impact our workplace design - "Despite the logic and reality of the transformation of the workforce, it is quite rare for businesses to address the impact of employee age on workplace design. According to the MetLife Employee Benefits Trend Study of 2005/2006, 34 percent of all American employers and 46 percent of those with 25,000 or more workers agree that an aging workforce will significantly impact their business. However, less than 21 percent of these businesses have taken any steps to accommodate older workers. Unfortunately, the most prevalent and costly of work related disorders - musculoskeletal disorders (MSD's) of the back, neck and upper limbs - not only have task design, but also age, as significant risk factors. This means the office worker in 2007 is more likely than ever to be at risk of an injury that has the potential to affect efficiency, productivity and employment costs." *Facility Management* (February 2007)

Green Commercial Buildings update: BOMA and the US Green Building council have teamed up to share best practices, and web-based seminars on topics like energy efficiency and green building applications. BOMA has 16,500 members and USGBC has 7,600 organizations. According to Rick Fedrizzi, USGBC president, "Kids in green schools are performing 20 percent better on test scores, and patients in green hospitals are leaving their beds on average two-and-a-half days sooner after major surgery. In an office setting, you can improve productivity by, as some studies suggest, as much as 6 to 16 percent, and you can decrease absenteeism, the amount of medical claims and insurance costs ... One thing I want to mention is the development of Ashrae Standard 189, which will provide minimum requirements for the design of sustainable buildings. It's being developed primarily to affect building codes across the U.S. As you're pulling plans for a new construction or renovation project, there will be certain requirements such as the holistic interpretation of energy and water, indoor air quality, materials and so on." *Real Estate Forum* (February 2007)

Commercial construction prices still headed upward: Even with the deflation of the housing market, commercial construction costs will increase by 6 to 8 percent in 2007, two to four times faster than inflation. Driving those increases are international demand for materials, limited domestic supplies and high energy prices. A lack of substantial overlap between residential and commercial construction, however, means prices will climb unabated for many building materials. The same is true of labor: few homebuilding skills are transferable to the construction of an office building, "You can't take a framing carpenter and put him in a tower crane." *National Real Estate Investor* (February 2007)

With my undergraduate business degree from UC Berkeley, I was feeling mighty proud of my alma mater with the recent announcement that "UC Berkeley's Haas School of Business was rated No. 3 in a list of the Best Undergrad Business Schools by Business Week." *San Ramon Times* (3/17/07)

"If the world is our playground, why can't the office be one too? At communications firm, JPL Productions, employees were given \$500,000 to design their new digs. Among the handiwork: the Sushi Lounge, a meeting room with an Asian flair; the Majestic, a conference room modeled after an old movie theater; Gallery 471, which exhibits employee artwork; and e-Learning Island, a beach-themed room for midday lounging ... letting employees create their workspace boosts morale while showcasing their skills to prospective clients." *Business 2.0* (March 2007)

"Personal soundmasking for spot-treatment in situations where one individual is distracted by voices, outside traffic or other noises - Cambridge Sound Management Sonet Qt, small in size, portable and user controllable." *Buildings* (March 2007) www.cambridgesoundmanagement.com.

I'm not totally sure how to translate this to office buildings, but in an October 2006 study, "Greening America's Schools: Costs and Benefits," "green schools use an average of 33 percent less energy than conventionally designed schools. The 30 green schools evaluated also achieved an average water-use reduction of 32 percent. Researchers found that green schools cost less than two percent more than conventional schools but provide financial benefits that are 20 times as large." *Buildings* (February 2007)

Silicon Valley is likely to lose at least one out of every five computer programming, software engineering and data-entry jobs that existed in 2004 due to offshoring during the next decade. The top five most vulnerable metro areas in the U.S. included San Jose; San Francisco; Boulder, Colo.; Lowell, Mass.; and Stamford, Conn. *Contra Costa Times* (2/13/07) Of course, with our unemployment rate as low as it is and employers having great difficulties in hiring new workers, this may be a blessing in disguise.

Teleconferencing/Telepresence - Recent advances in Internet telephony, including increases in network bandwidth have greatly improved virtual conferencing ... telepresence uses fiber-optic networks, dramatically speeding up data-transfer rates, with state-of-the-art cameras; high-definition, wide-angle viewing screens; and advanced networking equipment. These almost-virtual conference centers aren't cheap, with pricetags ranging from \$100,000 to \$400,000 plus monthly service charges as much as \$18,000, but as this industry takes off, expect prices to drop. As bandwidth continues to increase, expect more realist imagery, and for key executives, this can translate to days or weeks saved in reduced travel-time. This might be worthy of replacing one of the corporate jets ... *CFO* (January 2007)

Tips for a Successful Move: Create a Detailed Schedule, including step-by-step who does what when. Make sure long lead items like new furniture, which can have an 8 to 10 week lead time, or voice and data servers which might require a two to four month lead time are planned accordingly. Get rid of as much waste as possible - don't take "junk" to the new space just to store it another 15 years. Choose your vendors carefully i.e., movers, data cabling, furniture. Be proactive to make the transition as seamless as possible, i.e. having movers on hand the day after for rearrangement, having a punch crew checking all modular furniture systems or data and phone connections for problems. *Buildings* (March 2007)

The number one outsource company, Tata, employs 83,500 people in 150 offices in 35 nations and just passed \$3 billion in revenues, and the CEO wants to grow Tata into a \$10 billion company by 2010, becoming one of the 10 largest tech companies in the world. *San Francisco Chronicle* (3/14/07)

"Build it and they will come ... Shorenstein is planning to build a 26-story office tower totaling 584,000 square feet in Downtown Oakland. Bay Meadows on the Peninsula is scheduled to be shut down, with 1.5 million square feet of office/retail replacing it along with substantial housing. In San Ramon, Bishop Ranch is in planning for 700,000 square feet of new office space. In San Francisco, 'applications for new downtown office towers have come in fast and furious' ... hoping to capture rising office rent and eager to capitalize on a new city policy, guaranteeing faster approvals for sustainable green buildings, more than 3 million square feet of proposed office space has been filed during the past 12 months." *San Francisco Business Times* (2/16/07)

The San Francisco Bay Area is now the Green Clean Technology Machine epicenter of the world,

with clean technology venture capitalists' fastest-growing segment and the Bay Area snagging almost 25 percent of this \$2.9 billion cash invested in 2006. Solar panels, alternative fuels, smart irrigation systems and everyone seems to think this is just the beginning ... *San Francisco Business Times* (2/16/07)

When we give away the kids' outgrown toys and clothes, I sometimes get a twinge of sadness - what, my daughter, who will be 5 this summer, doesn't need her baby monitors anymore? My son's books on construction trucks and "Bob the Builder" has little value for my daughter, even though I tried, so out they go ... for the first time in my life, I inadvertently put on one of my 9-year-old son's jackets, and it almost fits ... I love my job, I love my kids and wife, and I wish I had twice the time to spend at work and especially at home, but the best things in life are like that - always gone too quickly, while the wait at DMV or the pharmacy seems to take much longer than it should ... Spring is just about here, although with our recent weather it feels like we skipped spring and jumped into an extended early summer ... for pictures of Jordan and Madison, visit their website at www.officetimes.com/JMApril2007.htm, and we'll be back to you, as always, in two months!

Thank you!

Sincerely,

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