



Corporate Office Perspectives

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San Francisco Tech Mecca ... Since early 2010, San Francisco's number of tech sector workers has grown by 13,000, hitting 44,000 ... 150 tech companies have opened for business, with the tech company total now at about 1,850 companies ... as one tech-company founder stated, "San Francisco is the clear place for expansion to happen ... it has a talent pool that is different and more robust than the talent pool that exists in the Midwest." To cater to these techies, landlords are ripping out walls and ceilings so Class A offices will look more like old warehouses ... *San Francisco Chronicle* (Sunday, July 8, 2012)

According to Ron Leuty of the *San Francisco Business Times* (May 25-31, 2012), the California biomedical industry totals more than 2,300 companies, generates more than \$100 billion in revenue, and employs nearly 270,000 people.

State regulators with the California Energy Commission are expected to approve stringent energy efficiency standards for new residential and commercial buildings. The new standards, which would take effect January 1, 2014, would range from requiring hot-water pipes to be insulated, and new homes and commercial buildings to have "solar ready roofs," with roofs to have clear, unobstructed access to the sun for most of the day, *MercuryNews.com* (May 30, 2012). Remember, usually when California comes up with stuff like this it is only a matter of time before the rest of the states follow suit ...

Thanks to Richard Plehn from our New York City Colliers office for sharing his Energy and Expenditure Inventory thoughts: Have someone do a detailed survey of your office, note everything that uses energy and/or gets disposed of on a regular basis, i.e. lighting, computers, printers, photocopiers, iPhone/iPad chargers, etc. Lighting: does every light need to be on all the time, can you use more energy efficient lighting like LED, are the lights in the restrooms and corridors on sensors, if staff is working by the windows, can rows of lights be turned off on clear days? Computer and Electric: a computer on standby uses almost as much power as a computer left on, so power down all machines before leaving each night. If your data center is using tons of energy to keep it cool, have you considered the cost savings potential by switching to cloud computing? Chargers: are your staff charging their phones, iPads and other such items and being left in the charger even after being fully charged drawing unnecessary energy? Does everything your staff (and management) print really need to be printed? For one week, ask your staff to put all their waste paper in one bin/bag/room and write their name on it. Then

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determine did it really need to be printed in the first place? Are you using recycled paper vs. regular paper for lesser requirements? Do you print double-sided? Can you use the conference room projector versus printing separate copies for each participant? For more on this, please go to: <http://www.greenerideal.com/business/0623-guide-to-green-office>. Along these same lines are 66.5 Best Energy Efficiency Tips For Your Office or Facility which can be found at <http://ownersrepny.com/2012/06/26/66-5-best-energy-efficiency-tips-for-your-office-or-facility>.

You love to bike, wish you could get more exercise but working too many hours? This guy in Pleasanton just invented a “bike desk,” which is a desk modified recumbent bike where you can pedal away burning up calories while you do your reports and business calls ... called the ActivOffice Exercise Desk, no danger of texting while riding and getting whacked by cars ... I would imagine the next phase of development will allow the worker to harness the energy generated and feed it back to the grid. *MercuryNews.com* (July 10, 2012)

The Registry SF did an interview with Dan Hoffman, former director of real estate at Google, Inc. on corporate real estate trends. “One trend that is abundantly clear is that the big companies are looking to consolidate onto large campuses they are developing or redeveloping. They desire the benefits they get with that kind of critical mass, so they are tending to get away from telecommuting and maintaining smaller satellite offices. We’ll see more and more corporate campuses that are closed. Companies like Facebook and Google are concerned about privacy and scouting for intellectual property and physical property. Another trend is that tech companies, driven in part by the desires of their younger employees, want cleaner and greener environments. We’ll see more bike parking and showers ... the newer fast-growing social-networking and gaming applications we see popping up with 20 to 250 employees need to be nimble and act quickly. They prefer short-term arrangements with expansion options until they hit the point that they need much larger facilities. *www.theregistry.com* (Q12012)

San Francisco’s office tenants net-absorbed 1 million square feet of office space during the first half of 2012, and during the past 2½ years office rents have increased over 50 percent. *San Francisco Business Times* (July 6-12, 2012)

ReisReports recent update on the national office market included the statistic that the national vacancy rate fell to 17.2 percent but cautioned “The sector continues to be hampered by the anemic pace of improvement in the job market. Two and a half years after the advent of the economic recovery, the labor market is struggling to consistently gain more than 200,000 jobs per month.” So for most parts of the U.S., it will be a slow grind back up the hill and the vacancy rate needs to get below 10 percent before developers begin dusting off their new office development plans which have sat in closets and storage bins for years ... *Commercial Property Research* (June 15, 2012)

While commercial real estate lenders may be willing to negotiate workouts with a number of property types that are underwater in regard to their debt load, in the trophy property department, lenders might actually prefer taking back high-profile properties that they can then sell and in some cases recover most of their money. One recent example was the Two California Plaza 1.3 million square foot office building in Los Angeles, which went into default in December 2010, had \$470 million in debt and was recently appraised at \$360 million. It had been acquired by MPG Office Trust from The Blackstone Group for \$579 million in 2007. *NREI* (May 2012)

Our construction management division just published a ballpark lead time report for various tenant improvement components, such as a four to eight week lead time for doors, frames and hardware, carpet lead time of seven to eight weeks and server equipment which might require four to five weeks ... specific locations and circumstances might shorten or lengthen these lead times so this is only a rough guide ... Greg Stone’s report can be found at http://officetimes.com/PressReleases/lead_times.html

ENERGY STAR-certified buildings use an average of 35 percent less energy and are responsible for 35 percent less carbon dioxide emissions than typical buildings. Los Angeles, Washington D.C., Atlanta, Chicago and San Francisco were at the top of the EPA honor roll of the U.S. metropolitan areas with the most ENERGY STAR-certified buildings in 2011. *Buildings Magazine* (June 2012)

According to the San Francisco Colliers 6-27-12 Market Update, there are 156 tenants currently in the market with almost 4 million square feet of office requirements, with the average size tenant 25,000 square feet and 45 percent of new tenant requirements being technology companies. The second largest category of user type is Legal Services followed by Education. For the full report go to <http://officetimes.com/PressReleases/SFMktUpdate6-27-12.pdf>

A recent graph in *National Real Estate Investor* (May 2012) caught my eye ... it showed national office vacancy rates along with asking and effective rental rates averaged for the U.S., and while this chart by REIS pointed to the “positive” trend of vacancy rates falling to 17.2 percent and effective rental rates increasing to \$22.66/sf, the chart also showed that asking rents are \$28/sf, which is a 20 percent spread between asking and effective ... still lots of room for negotiation and concessions ...

Johnson Controls used an expansion and renovation of their headquarters campus as a real life example of reducing environmental impact and improving worker comfort and productivity. In earning the LEED Platinum certification, employee spaces were configured to provide a more open atmosphere, going from 50 percent private office and 50 percent workstations to 10 percent private office and 90 percent workstations. They added windows to provide daylight and views, placed workstations 6 to 10 feet from windows and used window shades with automatic controls to reduce unwanted heat gain. The shades were programmed to track the sun and position themselves accordingly. At each desk, occupancy sensors track energy usage, and as their workstations were only occupied 39 percent of the time, this translated into additional energy savings. A 30,000 gallon cistern collected rooftop rainwater for toilet and urinal flushing, reducing water use by 77 percent. Both photovoltaic and thermal solar systems were used. *Today's Facility Manager* (June 2012)

The East Bay is really kind of a laggard in the recovery. It has not had much employment gain, if any, since the end of the recession, according to Jon Haveman, chief economist for the Bay Area Council Economic Institute. I have had a number of calls from major East Bay office building owners during the past few weeks asking me if I thought the tech boom in San Francisco and San Mateo County would soon spill over into Alameda and Contra Costa counties. My opinion, for what it is worth, is that tech companies are successful based on the creativity and culture of their employees, and the techies in their 20's and 30's thrive on the vitality of San Francisco versus the predictability of the suburbs ... and regardless of the rent differential I do not see very many firms leaping across the Bay just to save rent dollars ... so when I read the front page of the *San Francisco Business Times* (June 8-14, 2012) “Creative Overflow Tenants next stop for stylish digs: Oakland” I couldn't wait to read about the big relocations from San Francisco to the burbs ... I will be the first to admit when I am wrong, and if we can start getting the 50,000 sf and other large tech users to lease office space in my neighborhood, cha ching cha ching! But at least now, this is not to be ... the article talked about the handful of 2,000 to 5,000 square foot users recently relocated to Oakland, and that was that ...

The largest energy consumer in the United States government is the Department of Defense, and the Miramar Air Station in California has volunteered to become a net-zero energy installation. Here is what they are doing: Purchasing electricity from landfill gas generation ... installing solar panels on building rooftops and carports ... reclaiming water for irrigation and plumbing ... replacing portions of landscaping with artificial turf ... installing combined heat and power fuel cells. *Buildings Magazine* (June 2012)

Deals and Rumors: **San Francisco** continues to be the hotbed of office leasing activity, with Wikimedia Foundation expanding by 11,000 sf to 34,000 sf at 149 New Montgomery; Amazon.com leased 83,000 sf at 188 Spear St.; at One Market Street Autodesk expanded by 108,000 sf and now occupies 250,000 sf in the City and also at One Market RPX Corp. leased 67,000 sf; Velti took 74,000 sf and ICIX signed for 30,000 sf; Wantful.com took 32,000 sf at 1244 Sutter St.; Climate Corp. leased 28,000 sf at 201 Third St.; Keller and Hookman inked 12,000 sf at One Embarcadero Center; Salesforce.com expanded once again, taking 83,000 sf at 600 Townsend Street East and Tagged Inc. leased 40,000 sf at 840-848 Battery St. Down the Peninsula, Stem Inc. will be moving their R&D/office facility from San Francisco to **Millbrae**, taking 17,000 sf. In **Pleasanton**, Axis Health bought a 24,000 sf building at 5925 W. Las Positas for a health care facility, and in **San Ramon**, Tiburon leased 19,000 sf; KB Homes 18,000 sf and Nestle 12,000 sf.

The world's largest technology park is in, of course, China, covers 90 square miles, and has more than 20,000 companies. *Bay Area News Group* (Thursday, June 7, 2012)

Saving money on facility management using Smartphones – The Los Angeles Unified School District is the largest public school system in California and second largest in the United States, with 14,000 buildings spread out over 710 square miles. Their facilities team developed a program that enables students, facility and administrators to use Smartphones to send text messages and photos whenever students and staff see broken toilets, leaky faucets and graffiti, which reduces time, money and energy spent on locating and reporting problems. *Today's Facility Manager* (June 2012)

Buildings account for 42 percent of the world's energy use and emit more harmful carbon dioxide emissions into the environment than cars do. Energy costs alone represent 30 percent of our office buildings total operating costs. To counter this, commercial building automation systems will double during the next decade, according to the U.S. Green Building Council. *Today's Facility Manager* (June 2012)

Ideas for healthier, more productive employees ... Harvard researchers found in 2010 that medical costs dropped by about \$3.27 for every dollar a company spent on wellness programs. One company offered their 95 employees a company gym, batting cage, pool and basketball court, and they now have virtually no absenteeism or turnover. Another firm traded in their junk food vending machine for more healthy snacks like apples and yogurt. (Fresh Healthy Vending out of San Diego). Check out <http://recess.keenfootwear.com/recess-at-work/> for The Instant Recess Toolkit for other ideas. *Fortune Magazine* (March 19, 2012)

“Coming up three years since the end of the Great Recession, the economy has only recovered about half of nearly 8.8 million jobs lost ... modest hiring has been offset in part by companies still downsizing. The latest NFIB survey of small businesses found that business owners expect the U.S. economy to get somewhat worse instead of better over the next six months,” Mark Heschmeyer, *CoStar Advisor* (June 27, 2012). “A majority of economists in the latest Associated Press Economy Survey expect the national unemployment rate to stay above 6 percent, the upper bounds of what's considered healthy – for at least four more years. If this occurs it will be the longest stretch of high unemployment since the end of World War II.” *Contra Costa Times* (July 5, 2012)

For my fourth year I will be doing a 150 mile bike ride, Waves to Wine, benefitting Multiple Sclerosis (MS) on September 22nd and 23rd. The ride starts at San Francisco's Mission Bay, crosses the Golden Gate Bridge, over and down Mt. Tamalpais, up Highway 1, (which is so beautiful!) and then inland to Rohnert Park for day one. Day two winds and loops through the Sonoma wine country. If you'd like to join me on this ride, super, and if instead you'd like to make a donation, large or small (even \$10 is terrific) just go to my link at:

http://main.nationalmssociety.org/site/TR/Bike/CANBikeEvents?px=7075340&pg=personal&fr_id=17854

Jordan, my 15-year-old son, is having a terrific summer after completing his first year of high school and loving it. Between summer lacrosse practice, working on a summer class project, going to Tahoe for a week with his sister and dad, Hawaii with a friend's family and next week flying to Canada with his Boy Scout troop to do a 50-mile canoe trip above Minnesota, there is plenty of time to "hang out" as teenagers seem to do a lot of. His younger sister Madison, who turns 10 later this month, spent nine days at camp up in the redwoods of Santa Rosa and a week with her aunt's family in Disneyland. Their pictures can be seen at <http://officetimes.com/2012/Aug2012/JMAug2012.htm>

In San Francisco, trophy office buildings fetch \$800/square foot, while 30 miles away, suburban Class A buildings are still trickling into foreclosure. Workday is hiring, the Post Office is firing, Neiman Marcus just opened in downtown Walnut Creek, but one of the hottest retail segments is still the 99 Cent Store ... an associate just locked in a 5-year fixed rate 2.75 percent commercial loan, while 25 percent of all California homes with a mortgage are still underwater. When I make my weekly bike ride up majestic Mt. Diablo (believe it or not, the most unobstructed view in all of North America even though it is only 3,800 feet tall) I try not to think of any of this. Hey, as long as the earth keeps spinning ... If one has a terrific job, great health, a loving and incredible family, loves where he or she lives and is fulfilled in so many other areas of life (religion, giving back, financial security, hobbies, goals and on and on) and they live through gratitude, then all is right with the world ...



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