



Corporate Office Perspectives

December 1, 2005

ISSUE: 154

Office vacancy rates continue to decline in almost all parts of the United States. In the Bay Area, San Francisco is down to 12 to 16 percent depending upon whom you ask, subregions like Walnut Creek are below 10 percent, and for the first time since the dotbomb era, there is even speculation on when new office construction will begin ... For the latest vacancy and rental rate information, please go to www.officetimes.com.

In a recent article titled "Study: Businesses not driven from state," *Tri-Valley Herald* (10/26/05), "Contrary to dire warnings of recent years, the cost of doing business in California isn't driving large numbers of companies out of state and business relocation is not a major factor in job loss. The Public Policy Institute of California said it looked at business statistics over a 10-year period from 1992 to 2002, and found that out-of-state moving constituted less than 4 percent of the movement of businesses. When businesses did move, most stayed within the state, the study found. The job loss caused by businesses moving was never more than one-tenth of 1 percent of the total number of jobs during that period ... More than 98 percent of job losses were due to businesses closing or downsizing rather than companies leaving California."

Editor:

Jeffrey S. Weil,
MCR.h, CCIM, SIOR
Senior Vice President

1850 Mt. Diablo Blvd.
Suite 200
Walnut Creek, CA 94596

Phone: 925.279.5590
Fax: 925.279.0450
jweil@colliersparrish.com
www.OfficeTimes.com

If you're interested in a facility survey showing staffing levels for departments, the International Facilities Managers Association (www.ifma.org) has a publication entitled *Benchmarks IV: Research Report #25* that lists facility management costs for a variety of industry and facility types, provided on a per-employee basis and per-square-foot basis. While we're on surveys and reports, if you want to compare your average operating expenses against the marketplace, check out the BOMA 2005 Experience Exchange Report at www.boma.org.

"Smarter Ways to Reduce Space ... Corporate real estate executives today face conflicting pressures. On the one hand, they are being charged with finding new ways to lower occupancy costs. At the same time, the drumbeat to develop comfortable offices that help retain employees and improve productivity has grown louder. Increasingly the solution to all the requirements has come in an emerging concept known as alternative workspace strategies (AWS). The typical approach saves on space by eliminating large private offices. Most employees sit

at workstations located in open-floors. To improve productivity, workstations are outfitted with the latest in technology, including laptop computers, which allow employees to be more mobile. Seeking to save space, Capital One, the credit card provider ... was able to accommodate 1,200 employees in an office building designed for 650 employees. Under the new system, some Capital One business units only utilize one workstation for every three employees. Workers who need a desk take one on a first-come, first-serve basis. The approach works because many employees spend time in meeting rooms or outside the building. Capital One spent about \$2,000 per employee outfitting everyone with laptops and Blackberry wireless devices. But the savings are almost immediate ... it costs about \$10,000 a year to maintain a workstation The cost cutting is slowing demand for office buildings,” confirms Raymond Torto, chief strategist of Torto Wheaton Research. “With the economy growing, there will be more demand for office space, but we will not see the stellar performance that appeared in earlier decades,” Torto predicts. *National Real Estate Investor* (October 2005)

Mark Greiner, senior vice president of Steelcase, shared his vision of the office of the future – Immersive interfaces: “You will be able to view many documents at once on a wraparound screen that is three times the width of a 17-inch monitor; these are called ‘Haptic’ devices. Ambient technology will use the physical environment to convey digital information, such as an LED that blinks when a co-worker you need to speak with is off the phone. Smart furniture that will allow images and text to be displayed on its surface. RFID tags that will be in your phone, PDA, and allow locating co-workers – Ubitags will light up when co-workers become available.” *National Association of Industrial & Office Parks* (Fall 2005). Somehow this seems to conflict with several of the trends mentioned earlier, like no more private workstations, and mobility with PDA’s versus set offices or cubes ...

Just in case you’ve had this on your mind, in India the Indian equivalent to Feng Shui is Vastu and there are numerous books out that define how this affects the interior planning of office space. Mark Taylor, who heads up the London Colliers International office, suggests Vastu’s Guide by Dharnidhar Sharma ...

“India expects to have 20 million call center-related jobs by 2008 filling 81,000 call centers all across India. India-based call center operations are already moving some operations out of India into lower cost areas such as Pakistan, Thailand and elsewhere” ... *East Bay Business Times* (10/28/05). One silver lining to all these jobs going offshore is this has freed up tens of millions of feet of U.S. office space, keeping rental rates low for U.S. tenants and allowing expansion room for growing U.S. firms. See, it is not necessarily all bad news ...

“When it comes to measuring space efficiency, a growing number of corporations are moving away from standardized metrics. Welcome to the new world of corporate real estate benchmarking. Its defining characteristic? An emphasis on best practices rather than any specific metric.” *Real Estate Forum* (September 2005)

California is still on track to add another 10 million residents during the next two decades. *San Ramon Times* (10/20/05)

Deals & Rumors: In **San Francisco**, Orphanage Animation is rumored to be looking for 30,000 sf with expansion to 60,000 within two years; San Francisco State leased 107,000 sf at the Westfield San Francisco Centre at 835 Market St.; Hinshaw & Culbertson leased 16,000 sf at One California St.; Stockbridge Capital Group will be taking 22,000 sf at Four Embarcadero; Intagio leased 10,000 sf at 22 Fourth St.; the 1.8 million sf Bank of America Building sold for \$1.05 billion; Barclays Global Investors is rumored to be looking at 340,000 sf to be built at Foundry Square I, First & Howard St.; MindJet leased 46,000 sf at 1160 Battery St.; Texas Pacific Group doubled in size to 70,000 sf at 345 California St.; Symphony Asset Management leased 21,000 sf at the Bank of America tower; and Sonnenschein, Nath and Rosenthal took 69,000 sf at 525 Market St.; down in **Mountain View**, Google is looking at building a 1 million sf office campus at NASA's Ames Research Center, and Yahoo is reputedly also looking around the Bay Area for a million square feet of office space. In **Redwood City**, Packethop sublet 19,000 sf at 1000 Bridge Parkway, and in **San Mateo**, Net Suite Inc. expanded by 30,000 sf at Peninsula Office Park. In **Fremont**, the Bay Area School for Independent Study sublet 32,000 sf at 3300 Kearney St.; in **Hayward**, Paceco Corp. leased 18,000 sf at Whitesell Business Center; Kaiser Permanente purchased 63 acres from Albertson's in **San Leandro**; in **Oakland**, Pro-Shore leased 27,000 sf for their HQ at Pinole Business Park; and in **Berkeley**, Yahoo took 10,000 sf at 1950 University Avenue. In **Pleasanton**, Roche Molecular Systems will be breaking ground next year on a 138,000 sf R&D expansion; the 200,000 sf Hacienda West just sold for \$38.3 million; Britannia Business Center with 467,219 sf just sold to Triple Net Properties; 5000 Franklin is rumored to be in escrow; and CompuDyne leased 30,000 sf at Pleasanton Corporate Commons. In **San Ramon**, Norris Tech Center with 260,000 sf sold for \$45 million; and IndyMac Bank leased 30,000 sf at BR 8. In **Walnut Creek**, Coast Mortgage leased 10,000 sf at 1990 N. California Blvd.; Countrywide leased 12,000 sf at Mt. Diablo Plaza; the 100,000 sf 575 Lennon just sold, and Morgan Miller and Blair will be moving to 20,000 sf at 1331 N. California Blvd.; in **Concord**, Vodafone 10,000 sf, and DR Horton 24,000 sf, both transactions at 2300 Clayton Rd.

A recent article, "Outsourcing Outrage" discussed how some abusive Americans are having tantrums when they connect with an India call center. "An anti-outsourcing movement has drawn wide support as layoffs continue to mount at such U.S. companies as IBM, which is cutting 13,000 jobs in Europe and the United States and adding 14,000 jobs in India, according to the Washington Alliance of Technology Workers ... These humiliations, say observers, are tolerated by a labor force that savors the opportunity to join India's growing middle class. With monthly incomes of about \$200, call-center employees live well in a country where many are poverty-stricken ... In a recent 16-country Pew poll, India had the highest percentage of citizens with a favorable opinion of the United States, 71 percent." (So maybe all is not as bleak as this article tried to make it but I'm not sure about a survey named "Pew"... however, their link is www.pewglobal.org.) *San Francisco Chronicle* (11/17/05)

San Francisco Magazine ranked the best towns for families to live in the Bay Area, based on the percentage of households with at least one person under the age of 18, the local school district's Academic Performance Index and the number of crimes per year per 1,000 people in the area in towns under 100,000. The rankings were as follows: Piedmont, # 1; Monte Sereno, # 2; Cupertino, # 3; San Ramon, # 4; Danville, # 5; Pleasanton, # 6.

Wireless Utility – “As the need for wireless continues to grow, tenants will expect a 21st century building to have a wireless utility, just as tenants have expected air-conditioning for years. A wireless utility eliminates problems associated with discrete systems, enabling building owners and tenants to use a variety of wireless applications and devices, including cell phones, PDA’s, wireless building controls, and two-way radios for property maintenance and security staff on one unified infrastructure.” *Buildings* (October 2005)

I’ve mentioned this new technology in a previous newsletter, but Babble™ is finally a reality ... Sonare Technologies offers this white noise device that is attached to the user’s telephone, and masks the sound of the voice to ensure the conversation is private. *Today’s Facility Manager* (September 2005).

What do those initials behind my name mean? SIOR stands for the Society of Industrial and Office Realtors, made up of 2,300 of the top office and industrial brokers across the Country. Average industry experience is 18 years and extensive coursework and documented transactional background are required for membership. It is also common for SIORs to be the top brokers in their company as well as their region. (www.sior.com) CCIM, Certified Commercial Investment Member, requires approximately seven weeks of intensive commercial real estate coursework, usually done over five to seven years, and has 8,056 members. (www.ccim.com) MCR.h is the Master of Corporate Real Estate (with honors) designation from CoreNet Global (formerly Nacore) with a number of advanced CRE classes and either additional schooling at MIT or an extensive thesis. There are currently 1,100 MCR’s. I’ve been an SIOR 20 years, CCIM 26 years and MCR.h five years.

Cisco Systems announced it will spend \$1.1 billion, the largest overseas investment in the company’s history, to bolster its booming networking operation in India. The company first established a presence in India 10 years ago and now plans to triple its workforce of 1,400 employees.

Imagine these office perks: Car detailers come to the office, as do massage therapists, with visits by a roving farmer’s market – a reality at the San Jose BEA Systems office campus. Electronic Arts brought in an acupuncturist to its Redwood City campus. Cadence Design has a bike doctor tune up workers’ bicycles. However, in the old days the companies might have paid for these services, but in most cases today employees pay for them. *San Ramon Valley Times* (11/10/05)

What does this mean for the office market? “At the end of September 2005, Google was sitting on more than \$7 billion; Yahoo had about \$3.5 billion. Microsoft remains the cash king with almost \$40 billion on hand. Combined, the Big Five are expected to shell out \$2.5 billion this year on everything from new computers and gear to office space and bandwidth. Google, for instance, is expected to spend hundreds of millions on a private internet to connect its data centers. The beneficiaries of that kind of Big Five spending will include hundreds of vendors, from router makers Cisco and Juniper Systems to optical gear maker Ciena to drive manufacturers like Maxtor and Seagate.” *Business 2.0* (November 2005) We are already beginning to see this affect the office market, with Yahoo and Google’s multi-million square foot office space shopping spree ...

For the past 15 years, I have been in an 11-piece Dixieland Jazz Band (tenor sax), the East Bay Bear Cats. We did a benefit last month for the American Red Cross hurricane victims, and it reinforced once again why the United States is such an awesome place to live. From children raising money through lemonade stands to corporate America's generous donations, with all our shortcomings, no matter what the adversity, our sense of community always pulls us together. At last month's SIOR national convention in Chicago, I took my wife to the Science & Industry Museum. The exhibit surrounding the U-boat that was captured in WWII reminded me of how many sacrificed in so many ways so you and I could have all the freedoms we sometimes take for granted. There are billions of people who have never been on an airplane, there are dozens of countries where leaders are not voted into power, cars are only for the wealthy, and 70-hour work weeks are standard. As a first-generation American, I am truly grateful!

Soccer season is now behind us and as soon as we can get some serious snow up at Lake Tahoe, ski season is just around the corner. Madison has just started riding a 'real' bike with training wheels, and Jordan is enrolled in a hand chime class, learning how to read and play music. Their recent adventures can be viewed www.officetimes.com/JMDec05.htm.

Have a safe and wonderful holiday season!

Sincerely,

Jeffrey S. Weil, MCR.h, CCIM, SIOR
Senior Vice President
(925) 279-5590



Jeffrey S. Weil, MCR.h, CCIM, SIOR
Senior Vice President
1850 Mt. Diablo Blvd., Suite 200
Walnut Creek, CA 94596
(925) 279-5590
www.OfficeTimes.com

Newsletter

December 2005