



## Corporate Office Perspectives

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With few exceptions, the U.S. office market is expected to continue its slow grind of recovery, with moderate rental rate increases anticipated in many areas. Without any (other than healthcare) significant hiring trends, it will just be a continuation of 2012. Exceptions to this are the San Francisco Bay Area, Houston and oil-industry regions, and Seattle. Corporations continue to “right size,” jobs will still flow offshore-and rental rates in most locales will still be far too low to support new office development. It could be a lot worse considering how far we’ve come since the 2008 Great Recession began ...

Wellness in the workplace – Bayer Healthcare, in its new Whippany, N.J. campus, features adjustable sit-to-stand desks for each of its 2,500 on-site employees, healthy menu choices and nutritional snacks, indoor and outdoor walking trails, a stand-alone fitness center, and bike parking and showers. The campus will include a medical suite with three exam rooms, a lab, a nurse - and a part-time doctor. *Gensler Dialog 22*

According to a research study by Gensler, 48 percent of the average U.S. office workday is spent doing focused work, 45 percent is the average office space utilization rate among U.S. organizations, 75 percent is the increase in virtual collaboration in U.S. law firms from 2010 to 2011, 70 percent of the collaboration in law firms occurs in attorneys’ offices, not in meeting rooms, and 87 percent of U.S. corporate real estate executives use cost/square feet as a key measure of portfolio performance.

“Facebook developed a deliberately ‘un-designed’ headquarters workspace that reflects its flat organization. Not even the CEO has a private office – everyone gets what amounts to a blank canvas and is asked to create an environment that suits, desks are customizable and height-adjustable, and there’s a choice of chairs ... screens, movable and otherwise, are used to support different levels of privacy.” *Gensler*

The new 176-acre Apple campus in Cupertino, which at 2.8 million square feet will be one of the largest buildings in the world (according to the *San Francisco Chronicle* 11/22/2012), will accommodate 14,200 employees, with most of the 10,500 parking spaces underground and 7,000 trees above ground. For a visual of this campus please click <http://www.cnn.com/2012/05/22/tech/innovation/new-apple-campus/index.html>

The percentage of office employees who work in a cubicle is still 70 percent, in 1994, the office space per employee was a whopping 90 square feet and has now shrunk to 75 square feet, the average commute time for workers who drive is 23 minutes, who take public transportation is 53 minutes and who walk is 16 minutes ... the percentage of people who would take a pay cut for a more flexible work schedule: 42 percent... *Esquire Fall 2012*

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California, even with its high cost of living, high wages, comparatively less advantageous business taxation, and all the other reasons the economic development directors from Kansas and Nebraska use to try to entice firms to relocate, still has a panache in attracting great companies seeking the best employees ... given a choice, would you prefer 20 degrees below zero for three to four months of the year, or winter weather in the 50's and 60's with world-class skiing only a three-hour drive, the wine country, Carmel/Monterey and on and on ... Credit score firm FICO just announced it is moving its headquarters from Minneapolis to San Jose to be closer to the Silicon Valley's engineering talent pool . *Contra Costa Times 1/4/13*

In the *SIOR Fourth Quarter Professional Report 2012* "The demand for office space will come from growth in employment. The net payroll job addition is now very close to 5 million from the low point a few years ago. Still, we need to be mindful that 8 million jobs had been slashed during the Great Recession ... job creation has been slow such that the new job creation is only barely able to keep up with population growth."

An article published in *Today's Facility Manager (September 2012)* on Data Center Evolution there were a few interesting quotes ... Yahoo's new data center in New York uses outside air to cool its servers, venting hot air from the roof's peak while drawing in cooler air from the base of the structure. Opened in late 2010, it uses less than 1 percent of its energy for cooling, compared to a traditional data center that uses up to half its total electricity for cooling. Google, in its Douglas County, Ga. facility, uses sewer water to cool the data center. Google built a sewage treatment plant that siphons off and cleans some of the sewage generated by the local community, which is then used in the air conditioning cooling tower before it is cleaned further and then sent back into the Chattahoochee River. AOL, which has more than 60,000 servers, is experimenting with miniaturizing the data center into a phone booth, self-enclosed box complete with cooling.

According to *the San Francisco Chronicle (November 29, 2012)*, Obamacare will add 758,000 new computer and information-technology jobs which will be created by the health care industry from 2010 to 2020 ... and on the same day Blue Cross / Anthem announced it was raising all its medical plans 20 to 25 percent in 2013 ... wonder if there is a connection?

The world's second tallest building, Shanghai Tower, now under construction, reached its halfway point mid-2012 at 985 feet, and when complete will be 2,073 feet tall. It will have the world's fastest and longest elevators, taking guests at a speed of 59 feet per second from the lobby all the way to the tower's open-air observation deck, in a single run ... who needs Six Flags with that kind of speed and excitement!?

"With expectations of another year of lethargic economic growth, companies are responding to the "new normal" with almost constant cost-cutting. This risks a vicious circle of job cuts leading to weak consumer spending, contributing to more company cost-cutting ... Wells Fargo is shedding space and moving jobs to less-expensive locales. Federal Express is parking older trucks, and others are cutting payrolls, including Hewlett-Packard, Advanced Micro Devices and Citibank." *San Francisco Business Times January 4, 2013*

The San Francisco office market continues to be the envy of landlords from across the country, with average full-service rental rates increasing during 2012 by 25 percent on top of a 23 percent annual increase the prior year, according to the *San Francisco Business Times (December 7, 2012)*, with net absorption for this year expected to reach 1.3 million square feet ... and yup, mostly tech firms like Meraki, Docusign, SquareTrade, Splunk and others enjoying social media growth and related phenoms ...

"A new crop of environmentally conscious gyms and fitness centers are adopting practices to save energy by adding electricity-generating workout equipment and using other strategies to reduce environmental impacts. It's called the green gym movement." These gyms generate power from their members working out on treadmills and elliptical machines and feed it back to the power grid. Members bring refillable bottles,

store their belongings in lockers made from recycled plastic, and even the floor mats are made from recycled tires. Just think when this spreads to the office workforce. Keystrokes take energy and if the keypads are harnessed, who knows how much energy can be generated. I wonder what other energy-producing activities us office workers do on a daily basis?

*Deals and Rumors:* Starting in **Pleasanton**, the big news in was WorkDay purchasing the 560,000 sf in Stoneridge Corporate Center for its headquarters and Hitachi High Technologies America, Inc. leasing 25,000 sf at 5960 Inglewood Drive. Next door in **Livermore** I assisted Festo Corporation in a downsize and lease extension for 20,000 sf at 4935 Southfront Rd and RHUSA downsized from 43,000 sf to 30,000 sf, relocating to 455 North Canyons Parkway. Pacific Gas Transmission expanded to 38,000 sf, at 575 Lennon Lane in **Walnut Creek**. In **Oakland** Ask.com expanded by 25,000 sf at 555 12<sup>th</sup> street and Navis leased 35,000 sf at 55 Harrison St. Across the Bay on the Peninsula, Electronics For Imaging is reportedly looking for 200,000 sf; Shutterfly for 60,000 sf and in **San Mateo** IXL expanded from 17,000 sf to 45,000 sf at 777 Mariners Island Blvd. In **San Francisco**, the big, big deal was Salesforce signing a \$400 million dollar lease for 445,000 sf at 350 Mission St., and they also leased 225,000 sf at 101 Spear St. Google is reportedly out looking for 500,000 sf; Bechtel for 140,000 sf and KPMG for 125,000 sf. The City and County of San Francisco leased 104,000 sf at 1155 Market St.; SoMa Central took 26,000 sf at 450 Townsend St.; Knoll leased 10,000 sf at 140 New Montgomery; Docusign Inc. leased 40,000 sf at 221 Main St.; SquareTrade took 55,000 sf at 360 Third St.; Obvious signed for 75,000 sf at 760 Market St.; Fivespotter Labs inked 17,000 sf at 275 Sacramento St.; Lending Club expanded to 35,000 sf at 49 Stevenson St.; and SF Environment leased 24,000 sf at 1455 Market St.

Jordan, who just began driving with his learners permit at 15 ½, was selected for a traveling lacrosse team and has been playing six-game weekend tournaments around the Western United States. His 10-year old sister Madison was just drafted in an advanced girls softball team and we are about to begin the lacrosse/softball kids sports rollercoaster, racing from one child's practice or game to the other child's practice or game and making sure both kids have been getting their homework done and eating healthy along the way. Their recent adventures can be seen here: <http://www.officetimes.com/2013/Feb2013/JMFeb2013loc.html>

I have friends who each morning write in their iPad what they are grateful for in order to begin each day with gratitude for what they have. Others have their annual goals posted on their wall, or hidden within their smart phones, reminding themselves of where they want to be by the end of 2013. What seems easy to some may be an insurmountable challenge to others, and sometimes it is hard to believe we are all given the same 24 hours a day to get everything done. May this 2013 year be the best one possible for you and your family, and I truly thank you for taking the time to read my newsletter!

Sincerely,



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