



Corporate Office Perspectives

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The San Francisco and Peninsula office markets are on fire, and Silicon Valley is in a leasing frenzy as well. Yet, just 30 miles away in Pleasanton, Walnut Creek and Concord, Class A office space is available at 50 to 70 percent lower rents with abundant supply. The answer to “Why is that?” can be answered with two words. “Hiring is driving the better markets, and Google, Facebook and its many spinoffs and associated companies have been hiring by the hundreds and thousands. The East Bay lacks this type of employer base, and companies would much rather spend double or triple the rent dollars to be able to attract the software, marketing and tech-savvy employees who thrive in San Francisco but not in Concord. The second word is “lateral” and whereas tech-companies expand in San Francisco by 50,000 square feet or 200,000 square feet a pop, in the East Bay, most of the big leases or purchases are lateral moves, such as Ross Stores purchasing 414,000 sf in Dublin but leaving a huge vacancy in Pleasanton or Robert Half signing for 250,000 sf in San Ramon but vacating 11 office buildings in Pleasanton, a number of which then went into foreclosure. San Francisco and the East Bay are physically close, but still worlds apart ...

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New tech ideas for commercial facilities ... turning the employee access control card into a debit card for use at facility cafeterias and vending machines, with some employers helping subsidize just to keep the employees on-site which may enhance productivity ... Wi-Fi in the common areas, parking lots and outside campus areas, with paid advertising banners on the edge of the screen (no, I don't like that idea either) to generate revenue ... using a web portal for maintenance and building issues ... having digital signage that also allows the facility manager to add their messages to the tenants (i.e. in elevators) ... equipping lobby staff with iPads so they aren't tied to the guard desk ...

The “greenest” federal building in the country is NASA's newest 50,000 square foot two-story office building in Mountain View, California. It is so energy-efficient it actual generates more electricity than it consumes, with fuel cells from Bloom Energy, solar panels, a water recovery system, and building controls that can react to subtle changes in sunlight, temperature, wind and occupancy. It has the LEED Platinum rating, the highest possible, with windows that open, an office floor plan that as the *Mercury News* (4/20/12) stated, “scrapped private offices in favor of open spaces that encourage teamwork and collaboration.” The cost was \$25 million and eventually will have umbrellas on the patios that will be covered with solar panels with charging stations for smartphones and iPads ... for a slideshow of this new building <http://www.greenbiz.com/blog/2012/04/20/slideshow-nasa-green-office-building> Bay Area News Group (Friday, April 20, 2012).

In a recent study, *The Workplace of the Future* (<http://www.iida.org/content.cfm/the-workplace-of-the-future>), workplace mobility is expected to reduce annual occupancy expenses by as much as 30 percent per year, and the per employee square footage allotment is anticipated to drop from 200 sf per employee to 50 to 100 sf per employee by 2015. There will be more open, collaborative workspaces, far fewer individual offices, densification of individual workstations, increased numbers of employees working remotely, and as Kay Sargent, VP at Teknion stated, “We are no longer designing environments but the experience.”

The cost to operate office buildings varies widely across the U.S. ... on an annual per square foot basis, including utilities, real estate taxes and other normal operating expenses Fresno, California had the lowest rate at \$4.25/sf per year, Chicago/Los Angeles were midway with \$12.49/sf, and New York City came in at the top at \$21.44/sf. If you want to see the entire report please contact www.boma.org.

Googlelicious office space ... according to *Globe Investor*, no two Google offices are the same, but there are common elements of shared spaces, cubes, yurts, eggs and “huddles,” video games, pool tables and pianos, cafes and little kitchens stocked with healthy food, and whiteboards. Employees have the technology to be able to work from home, but are still encouraged to show up at the office. Half of the space is dedicated to collaborative environments, with white boards and laptop plugs sprinkled through the office for spontaneous brainstorming. Local themes are used, such as the jungle theme in Australia, or the rock-climbing wall in the Boulder Colorado office. Google likes “urban cores” with pre-existing buildings with character, in neighborhoods with amenities like restaurants, nightclubs, public transit and housing. *Globe Investor* (April 24, 2012)

Deals and Rumors: **San Francisco** continued taking the lead in office lease deals, with RichRelevance leasing 28,000 sf at 633 Folsom St.; Avison Young signing for 12,000 sf at 601 California St.; Voxer taking 50,000 sf at 760 Market St.; Ustream downsizing from 24,000 sf to 10,000 sf at 410 Townsend St.; Airbnb expanding to 170,000 sf at 888 Brannan St.; Salesforce taking another 80,000 sf at 600 Townsend as well as rumored to be seeking another 500,000 sf; Yelp is rumored to be working on a 115,000 sf expansion at 140 New Montgomery; ATEL Capital Group leased 20,000 sf at 600 Montgomery St.; Square Inc. expanded from 12,000 sf to 50,000 sf at 901 Mission St.; Yammer leased 80,000 sf at 1355 Market St. and Constellation Brands took 48,000 sf at Levi’s Plaza. In **South San Francisco**, SuccessFactors leased 90,000 sf at Centennial Tower One. Farther south in **San Mateo**, Serena Software leased 21,000 sf at 1850 Gateway Dr. and Actuate took 58,000 sf at San Mateo Bay Center. Evernote took 90,000 sf at 305 Walnut St. in **Redwood City**, and in **Menlo Park**, Intersect ENT leased 32,000 sf at 1555 Adams Drive. Hopping across the Bay, in **Newark**, Theranos leased 220,000 sf at Pacific Research Center and FireEye Inc. took 62,000 sf at Tasman Technology Park in **Milpitas**. In **Alameda**, Chinese American Schools purchased a 32,000 sf office building at 1501 Harbor Bay Parkway, The University of California Berkeley leased 93,000 sf of office space at 1608 4th St. in, yup, **Berkeley**, and in **Oakland**, Navis LLC leased 35,000 sf at 55 Harrison St. and the State of California leased 23,000 sf at 1111 Broadway. In **Pleasanton**, Stratford Schools leased 46,000 sf at 4576 Willow Road and Workday may have expanded by another 30,000 sf at Pleasanton Corporate Commons. In **Walnut Creek**, John Muir Medical leased 144,000 sf at 1450 Treat Blvd. Up in **Concord**, Jenkins Insurance leased 23,000 sf at 1320/1390 Willow Pass Road. Mustang Engineering leased 17,000 sf at 777 Arnold Drive in **Martinez**.

Physical telephone desk sets are on their way out, Mobility Routers are taking over ... Aaron Lee, president of Maverick Networks told me that now with new technology only 25 percent of phones for offices are desk sets, and 75 percent allow the use of whatever mobile phone the employee has, i.e. Droid, iPhone, Blackberry, to function just like it was a desk set. When you are in the office the high-speed Wi-Fi connects your mobile to the company mobility router and the other party doesn’t see the difference in phone number, i.e. shows the office number versus the cell ... step outside and the 3G/4G network takes over, and when that isn’t available you are on a cell connection ... you can still do extensions to extensions even when offsite, and there is an overall 30 percent cost reduction for the system ... for more info check out <http://blog.mavericknetworks.net>

Green Tenants More Productive ... according to the Building Owners and Managers Association, office tenants who locate in “green” sustainable buildings enjoy higher employee satisfaction and retention, lower energy costs, lower common-area operational expenses, and because their employees appreciate working in a more ethical environment they are likelier to attract higher quality talent ... *SF Business Times* (April 20-26, 2012).

Ken Rosen, local commercial real estate guru at UC Berkeley told a crowd recently that the Bay Area economy was the strongest in the nation (with the exception of oil-booming North Dakota, and how many people even live in North Dakota?), and we still have a long way to go in this recovery. He predicts a growth rate for Northern California of 4.9 percent, with San Jose and San Francisco leading the way ... the East Bay is just beginning to stabilize ... *The Registry SF* (May 3, 2012).

Tips for Office Recycling courtesy of *Buildings Magazine* (April 2012) ... 1. Make it a top-down decision; 2. Appoint a recycling coordinator; 3. Start small; 4. Build on the no-brainers, i.e. start with soda cans, cardboard, then add glass, ink cartridges and if you want to take it to the max, “Some offices have containers housing worms that eat food scraps – coffee grounds, banana peels, and so on ... and as it passes through the worm’s body it forms compost, turning waste into the life-giving ingredients to grow new life.” ... yum yum. I can just envision a future Office Depot supply order ... toner, copier paper, worms ...

The tech office employee of the future ... I was reading about the new eyeglasses Google is developing where you can view the computer screen from the glasses ... Google Goggles is not the name (Project Glass is), and then I read an article about the Kinetic games where you move your hands and/or feet and the video responds ... take this a few steps further, add to the equation Cloud computing, super high-speed connectivity, and continued reduction of corporate overhead, and one can envision rows and rows of employees sitting at long benches wearing computer glasses or contacts, with their hands using virtual recognition so there is no need for separate computers or monitors ... now we can get down to 30 square feet per employee, just enough for your seat and room to be able to get up without bumping a coworker when you need to use the restroom ... is that depressing or what?

Editorial Director David Bodamer, in the April 2012 *National Real Estate Investor* issue, made several excellent points on myth versus reality on Onshoring, which is bringing manufacturing and other jobs that went overseas back here to America. He points out that while some firms have brought their manufacturing back home to the U.S. it should be recognized that with the great advances we have had in productivity, it takes much fewer workers here to produce the same amount of product that was required in the past. Additionally, way back when fully a quarter of U.S. jobs were in manufacturing, and those days are long gone, never to return, and the current trend in U.S. manufacturing wages gives workers less consumer power than their predecessors ... “What onshoring means for commercial real estate is a small boost to the industrial sector, which has been doing pretty well as it is, but any knock-on effects for the retail or office sectors might not be as strong ... it just might not be the game-changer some are hoping it will be.”

As a country, the San Francisco Bay Area now ranks among the top 20 largest economies in the world. It is home to the second-largest number of Fortune 500 companies in the United States after New York, it has more fast-growing companies than anywhere in the nation, almost half of the nation’s top clean-tech companies and seven of the top 10 social media companies. Its universities host more top-10 graduate programs than anywhere in the country, it leads the nation in patent generation and attracts 40 percent of all U.S. venture investment. *SF Chronicle* (3/18/2012)

The kids' sports seem to have once again dominated our lives these past two months. Madison, our 9-year-old daughter, plays competitive girls' softball, which is very exciting at this age as the girls pitch, they can steal bases and there is always fast action going on. One practice and two games a week is comparatively relaxed versus my son Jordan, who just turned 15 last week, with his high school lacrosse team having three to four weekly practices plus two games – add it all up and it works out to nine sports events per week. Don't ask me about any T.V. shows – who has time to watch? I took Madison to our annual Colliers Hawaii trip for her first time, and Jordan and I are in training for a 50 mile canoe trip this August with the Boy Scouts in Canada. Their recent adventures can be seen at <http://officetimes.com/2012/Jun2012/JMJun2012.htm>

I only represent office and lab tenants, sellers and buyers, but with 36 years of extensive experience, I can hook you up with the best broker literally anywhere in the world and any product type. Between my SIOR, CCIM and the 15,000 professionals at Colliers International, there is almost no commercial real estate requirement we can't take excellent care of, so please give me a call or send me an email!

Folks say that "things" happen for a reason ... maybe so ... or maybe things just "happen" but here's hoping all your spring thing happenings are great!



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