



June 1, 2013

Issue: 199

Optimism crossing paths with conservative realism ... office landlords in most parts of the United States feel optimistic about the future of their investments. Rental rates have increased, usually without commensurate supporting decreases in the vacancy rate, and buyers are paying top dollar for trophy and even less than trophy office buildings in many parts of the country. In most regions, it will take several more years of rental increases and vacancy decreases before new office building construction becomes economically viable. This usually occurs several years ahead of reality, due to the one- to three-year lead times involved in most new office building development. Then, if history repeats itself as it almost always seems to do, the first and second waves of development bat home runs and are immensely profitable which spurs even more development. This leads to overbuilding and eventually too much space which turns the landlord market back to a tenants market.

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In a survey published March 2, 2012 in *Facilities Management News*, office space per worker is expected to drop below 100 square feet per worker within five years for many companies ... this has been the case in Europe for the past several years but is now heading for the Americas ... the average per worker in 2017 will be 151 square feet, compared to 176 square feet today and 225 square feet in 2010. More companies are adopting open floor plans in which employees do not have any permanently designated space at all ... I wonder where they put their family photos and mementos?

A new *Gensler Design Forecast 2013* report just out includes information on new trends for law, accounting and management consulting firms. Law firms are coming to grips with falling revenue, and becoming more open to innovation in the work process and how it is supported by the office workplace, mobility and technology. Accounting and management consulting firms are organizing the workspace by activity to support different work modes more effectively while maintaining or improving utilization of the space.

BuildingIQ has software that learns how a building uses energy, combines that with forecasting and optimization, and then uses a computer processor to figure out the optimal way to use energy in a building to keep people comfortable and also use as little energy as possible ... they not only sense information, but have an active control based

on that information. For more info, go to www.buildingiq.com.

There was a recent research study on the possible savings from combining LED office fixtures with advanced wireless systems that allowed individual control of overhead lighting in some of United Stationers Sacramento California office space. "The project resulted in a staggering 94 percent monthly lighting energy savings over previous energy usage, thanks in part to the replacement of hundreds of fluorescent fixtures with LEDs and the resulting reduction in the number of fixtures in the building." A majority of occupants keep their light levels partially dimmed and have wholeheartedly embraced the personal remote controls ...

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There is a new lighting technology about to hit the market shortly which might replace fluorescent and LED ... the lighting is based on field-induced polymer electroluminescent technology, which results in at least twice the efficiency as compact fluorescent lighting ... the new light bulb can be molded into any shape necessary, from traditional Edison bulbs to flat sheets that can replace office lighting.

"In most developed countries, new buildings amount to about 1 percent of existing stock ... but China is adding 4 percent every year to 20 billion square feet. Older buildings in China are poorly insulated and have poor window systems, but occupants have put up with uncomfortable conditions, wearing coats and hats indoors in winter and making do with a fan in summer. However, this tolerance of discomfort is changing, with the result that new buildings are consuming more energy than older buildings despite their greater efficiency." *Buildings February 2013*

National Real Estate Investor, in the March 2013 edition, reports the national office vacancy has dropped all the way down to 17.1 percent ... wow, in the old days even 10 percent was a high vacancy factor ... how to put a positive spin on not a lot of positive news ... "It is now 50 basis points below its recession high." Well, whoopeddoo, 50 basis points is only half of 1 percent.

One recent report out shows San Ramon, California office rents increasing almost \$0.50/rsf per month during the past 12 months ... with the vacancy rate now at 5.8 percent and net gross absorption of 632,744 square feet. The industrial vacancy rate overall dropped from 15.2 percent at the beginning of 2012 to 11.8 percent at the end of 2012.

Just think if renting a house was handled like renting an office suite ... sure I will rent your house, just change the size of the bedrooms, move the kitchen to the other side of the house, and you need to build out a larger family room ... sure ..., but for office space, tenant improvements in most normal markets are the name of the game and leasing an office suite in excess of 2,000 square feet "as-is" is not that common an occurrence ...

Deals & Rumors: **San Francisco** continues as one of the nation's hottest office leasing markets with Optimizely Inc. signing 36,000 sf at 631 Howard St.; Factset Research Systems Inc. leasing 22,000 sf at One Sansome St. where Arch Insurance also signed for 16,000 sf; Practice Fusion is reportedly out looking for 80,000 while Constellation Brands Inc. took 60,000 sf at 1255 Battery St.; Flurry leased 31,000 sf and Real Page leased 28,000 sf at 360 Third St.; Square Inc. signed for 85,000 sf at 1455 Market; Mckenna, Long &

Aldridge signed a sublease for 42,000 sf at 1 Market; Gensler leased 57,000 sf at 2 Harrison St; LG electronics took 10,000 sf at 642 Harrison St. and SCB signed for 13,000 sf at 255 California St. In **Milpitas**, Samsung leased 187,000 sf of office/R&D space at 601 McCarthy Blvd. In **Concord**, Coldwell Banker leased 16,000 sf at 1855 Gateway Blvd.

Many office leases these days require the vacating tenant to remove their cabling when they vacate, which makes sense if the wiring is old, not reutilized by the next tenant, and presents a fire or other hazard if the landlord ends up with lots of obsolete cabling in the walls and above the ceiling. However, if the wiring is current and useful for the next tenant (who doesn't get a chance to save money because it has been removed per the lease), (insert parentheses) it seems the wiring companies are doing great at the tenant's expense ... too bad there isn't a separate wiring deposit whereby if the wiring isn't reutilized by the next tenant, it is forfeited to pay for the removal but in the case of reuse it is returned to the tenant ...

Business Facilities Magazine, Jan/Feb 2013, published an article about the abundant shale oil deposit reserves California has, one mile below the surface, estimated at 15.4 billion barrels of oil, according to the U.S. Energy Information Administration. Opening this up to development could generate \$250 billion in tax receipts during the next two decades alone, and new technological advances in drilling might alleviate environmental concerns to allow these huge resources to potentially fuel a rebirth of the California infrastructure for years to come.

Energy savings in commercial buildings through simple repairs and adjustments ... Energy Star notes that lighting efficiencies can decrease due to poor control function, dirt and lumen depreciation which are all avoidable with a few basic maintenance tasks. Cleaning the fixtures and replacing burned out lamps and ballasts periodically will increase the light output of the fixtures. After this is done, measure the light levels to see whether each space is lit correctly for the tasks performed in it. Space use and furnishings change over time, and the areas might be over or under lit which should be corrected. Check the calibration of your lighting controls and make sure all the timing systems are current. Cleaning can boost light output from 10-60 percent depending on the type of fixture and the cleanliness of its environment, and an energy use reduction of 50 percent or more is possible by recalibrating occupancy sensors and photocells, *BUILDINGS* March 2013

"California lawmakers set an ambitious goal to have all new homes achieve zero net energy use by 2020. With less than a decade to go, home builders have a lot of catching up to do," *SF Business Times* March 29, 2013 ... what does this have to do with commercial real estate? This could be an entire new industry, with technological cutting-edge advances which will lead the world in energy-efficiencies. In addition to creating jobs, of which some will be housed in offices and laboratories, there will also be significant technological advances that spill over into the commercial building arena.

Jordan, who just turned 16 last week, is a sophomore at Monte Vista High School. A few weeks ago he was pulled up from the high school JV lacrosse team to join Varsity and totally loves this sport. He will be on a Blue Chip traveling team this summer playing tournaments in Denver, Baltimore and elsewhere, and yes, he is now driving ... Madison, his younger sister, turns 11 this August and plays competitive girls softball. She

made the All Stars team and has playoffs in early June, then off to various day and overnight camps throughout the summer so her Dad can get focus time at the office. Photos of the kids can be seen here: <http://www.officetimes.com/2013/June2013/KidsLocalJune2013.html>

Everyone says it but until “it” actually happens to you and your life, “it” is just words. They tell you, “oh having kids will totally change your life” and it does. Your child is a teenager and most of what you were cautioned about happens, like being the chauffeur to sports and schools, not dressing as cool as your kid would like, their preference to hang with their buddies than with Dad ... and now I face two remaining short years before my son (hopefully) goes off to college, and our time together becomes even more precious. Meanwhile, how long should it really take for a pre-teen to do her hair? Why does it take so long for girls to pick out their clothes? Then in a blink they are off on their own ...

Have a great summer, call me for anything commercial real estate-related, and wherever you are and whatever you are doing, please count your blessings and take nothing for granted!

Sincerely,



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Newsletter

June 2013