



Transitional commercial real estate markets can make for interesting times. In nearby office submarkets such as Downtown San Francisco, Palo Alto and the Peninsula, leasing is active and rental rates have gone up by as much as 25 percent, while investors have bid well-leased quality office building prices back up towards “frothy” territory. At the same time, suburban secondary markets offer outright bargains, such as I-680 corridor recent leases in Class A office buildings at \$1.50 to \$1.65/rsf fully-serviced monthly rents including \$30+/rsf tenant improvement allowances plus free rent plus other concessions I can’t put in print. The commercial building foreclosure “tsunami” never materialized but office, retail and hotel properties are still being foreclosed at a slow, intermittent pace. I’ve seen the same major investors with debt exceeding value walk away from one property, hang onto another nearby that was not leveraged and purchase someone else’s foreclosure in yet a third transaction. Astute office building owners judge each submarket, particular project, and specific vacancy on its own merit, and while few want to miss opportunities to raise rental rates, even fewer want to get ahead of the market and then get clobbered with even more vacancy as well as astronomical turnover costs. Owner-user buyers have seldom had it as good as they do today, with vacant and partially vacant office and industrial buildings selling at a fraction of replacement cost while at the same time, SBA loan rates are super-low with 90 percent financing available. Yet many small and medium businesses are still in survival mode and more worried about covering next month’s expenses than making an incredible building purchase. As Charles Dickens once wrote, “It was the best of times, it was the worst of times,” and for many not quite either and they just wish these “times” were past ...

“The age of bling is over,” according to architect Ken Shuttleworth regarding future construction of signature office skyscrapers, particularly in London ... high-rise buildings cost \$82 to \$250 more per square foot than shorter ones because of their stronger frames ... and a 500,000 square foot skyscraper can cost twice as much as a lower-rise building, without significantly higher rental rates to justify the additional cost. “Tenants are demanding austere and efficient buildings that are more likely to be ground-scrappers than high-rises ... the tall glass box is dead,” says Shuttleworth ... *San Francisco Chronicle* (4/22/11).

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A while back in one of my [www.officetimes.com](http://www.officetimes.com) newsletters, I predicted there would eventually be solar paint that would capture the energy of the sun just by painting the exterior of commercial and other buildings and linking this back to the energy grid. We are not quite all the way there yet, but according to [www.buildings.com](http://www.buildings.com) (March 2011), new solar films are low cost, lightweight and so slim they can be installed flush to a surface including adhering the thin films to the roof. There are thin-film laminates for standing seam roofing and other products now available ...

Please check out my daily commercial real estate blog [www.blog.officetimes.com](http://www.blog.officetimes.com). We are also posting short YouTube videos with tips on Plug & Play Office Subleasing, Office Lease Renewal tips, lowering your occupancy costs without relocating and more. Please go to [www.youtube.com/user/officetimes](http://www.youtube.com/user/officetimes) to check this out. We have also totally redone the [www.officetimes.com](http://www.officetimes.com) website, so please let me know what you think!

Want a very cost-effective way to increase worker productivity, teamwork and creativity? “According to design experts from Business Interiors by Staples ... use of varying height furniture to create more of an open feeling ... arrange desks and cubicle areas with lower panels in opposing directions to encourage better communication and collaboration ... brighten an office by using a mix of patterned and solid carpeting to make interesting shapes, define aisles and create central areas ... select accent colors that can contrast with furniture and add energy to a space ... adjust the position of light fixtures and add warmth with LED lighting ... think outside the box, like turning a wall into a dry-erase board ... de-clutter by including more centralized storage and prominently located recycle bins.” *Buildings (March 2011)*

Just when you thought it was safe to work in an office building ... there is a movement around the country (37 bills introduced in 16 state legislatures this year involving guns on company property) that would allow employees to bring guns into the office. According to the *San Francisco Chronicle* (4/4/11), “What little research data exist on the issue ... Workplaces that allowed guns were five times more likely to experience a homicide as those where all weapons were banned,” concludes a May 2005 report in the *American Journal of Public Health* ... hmmm, telecommuting is looking better and better ...

A mind-boggling 2010 Land Deal of the Year in San Francisco was the sale of 14 acres in Mission Bay to Salesforce.com for \$278 million which works out to \$455 per square foot of land ... wow, over three dollars an inch!

Flight from Class B office space to Class A office space ... I have been hearing from associates around the country that in a number of subregions the rental rate spread between Class A and Class B space is so thin that companies are able to relocate to much higher quality space at basically the same or slightly higher cost than they were paying for older, less efficient office space that may have also been void of bells and whistles ... for example, in the East Bay, a Class B office building might be a 25 to 40-year-old two-story wooden construction with surface parking. For an additional \$0.20/rsf a month, a tenant can relocate to a 10-story steel and glass midrise with free parking in the multi-level parking garage, have the free usage of building conference and exercise facilities, an on-site deli, etc. ... what may happen over time is Class A rents will head upwards as their availability decreases, thus making the rent spread larger and at the same time, Class B buildings in some cases, might lower rents due to the detrimental loss of tenancy ...

Companies are using their workplace as one means to courting new employees. Softer, friendlier, with rounded corners, natural fabrics and other elements to give a more informal feeling. One-person phone-booth privacy spaces, teleconferencing rooms and consistency in carpeting, furniture, colors and design elements in same-company offices around the country. *The Registry SF* (March 2011)

Just in case someone asks you during Trivial Pursuit who the largest private landowner in the U.S. is, the answer is not Ted Turner, who only owns 2.1 million acres ... he was just beat out by John C. Malone who now owns 2.2 million acres ... to quote Mark Twain, "Buy land, they're not making it any more ..." and it was Will Rogers who said, "Buy land, they ain't makin any more of the stuff." *Forbes* (March 28, 2011)

*Deals and Rumors:* For a change we'll start with **Emeryville**, where Lawrence Berkeley Lab leased 31,000 sf at 6401 Hollis St.; Novartis is taking 22,000 sf at 5980 Horton St.; Weiss Associates is moving to 13,000 sf at 2200 Powell St. and next door at 2100 Powell Street, Santen Pharmaceutical leased 50,000 sf. Down south in **Milpitas**, Quantros Inc. leased 13,000 sf at 690 McCarthy Blvd. and in **Newark**, at the Pacific Research Center Synarc took 50,000 sf; Stem Cells 43,000 sf and Logitech International signed to occupy 263,000 sf. Over in **Hayward**, Dust Networks Inc. leased 15,000 sf at 30695 Huntwood Ave. and in **Fremont**, Nova Solar leased 65,000 sf at 48664 Milmount. In **San Leandro**, MID Labs took 10,000 sf at 626 Whitney St. In **Alameda**, VF Outdoors will be building a 160,000 sf headquarters at the Harbor Bay Business Park and Webcor Buildings leased 38,000 sf in the same complex. In **Dublin**, Rockin Jump leased 19,000 sf of office/flex space at 5875 Arnold Drive and Taleo expanded by 12,000 sf at 4140 Dublin Blvd. In **Pleasanton**, MegaPath, Inc. took 26,000 sf at 6800 Koll Center Parkway. Over in **Concord**, Sutter Health took 25,000 sf and Towell took 18,000, both at 2300 Clayton Road. In **Walnut Creek**, Union Bank signed for 19,000 sf at 3000 Oak Road; PG&E leased 17,000 sf at 350 Wiget; Boresha took 10,000 sf at 101 Ygnacio and Allied Container leased 15,000 sf at 201 N. Civic Drive. In **Redwood City**, Storm 8 leased 12,000 sf at 1000 Bridge Parkway; Enecsys took 20,000 sf at 275 Shoreline Dr. and Zenprise Inc. leased 15,000 sf at 1600 Seaport Blvd. In **San Mateo**, Konica Minolta signed for 25,000 sf at 2855 Campus Drive and Alpha Omega Pain Medicine leased 17,000 sf at 1900 O'Farrell St. Up in **Novato**, Radiant Logic took 11,000 sf at 75 Rowland Way, in the same building Marin IPA leased 12,000 and Biomarin Pharmaceutical leased 21,000 sf at 100 Wood Hollow Dr. In **San Rafael**, Wells Fargo Advisors leased 13,000 sf at 790 Lindaro St. In **South San Francisco**, HCP, Inc. plans to build 800,000 sf of lab/office on a former 20 acre U.S. Steel site. Lots of leasing action in **San Francisco**, where Intrax, Inc. leased 24,000 sf at Rincon Center; Kimpton expanded to 24,000 sf at 222 Kearny St. Heat Ventures leased 12,000 sf 150 Green St.; Helios AMC signed for 12,000 sf at 2 Embarcadero; Hutchison Whampoa-Americas took 11,000 sf at 139 Townsend; Kilimanjaro Energy inked for 11,000 sf at 1630 Tennessee Dr.; Inside View signed for 10,000 sf at 444 De Haro St.; Grass Valley leased 14,000 sf at 475 Brannan St.; BTIG sublet 22,000 sf at 600 Montgomery St.; BitTorrent took 17,000 sf at 303 Second St.; University of the Pacific School of Dentistry might be buying the 350,000 sf 155 Fifth St. property; Catholic Healthcare West expanded to 55,000 sf at 185 Berry St.; Stumbleupon Inc. leased 24,000 sf at 301 Brannan St.; Tiffany & Company took 18,000 sf at 360 Post St.; TEGSCO inked 11,000 sf at 375 Alabama St.; Mozilla is opening a 15,000 sf office at 2 Harrison St.; WideOrbit has a 17,000 sf commitment at 1155 Battery St.; A2Z Development Inc. leased the entire 21<sup>st</sup> floor at 475 Sansome and Bank of America found a new subtenant to fill the entire sixth floor at 600 Montgomery St.

Cost is just one of many factors why companies stay or leave California. I've had executives list all the reasons why companies leave California for less expensive locales, but most of those same execs love living here so much they wouldn't ever consider moving their offices – weather, culture, environment, natural beauty, dozens and dozens of top universities, abundance of sport teams, beaches and snow skiing within three hours of each other, more theatre and great restaurants than anyone has the time or money to partake – and Apple, Oracle, HP, Salesforce.com, Google, Facebook, LinkedIn, Twitter and so many others must attribute some part of their success to the high caliber of our workforce ...

Data centers ... according to a recent article in [www.theregistrysf.com](http://www.theregistrysf.com), “Most data centers are ranked at one of four levels based on their reliability, or the likely duration of any failures. The least reliable centers, or tier I, experience an average of 2.8 hours of downtime a year. A tier IV data center, in contrast, experiences only 2.8 seconds of downtime a year.” While we are on data centers, Facebook just designed and built a new energy-efficient data center in Oregon, which is 38 percent more energy-efficient than industry standards, resulting in a 24 percent savings in cost. Facebook is sharing the technology with other Internet companies, hoping to cut the huge amounts of electricity consumed by the industry. To learn more about this go to [www.opencompute.org/datacenters](http://www.opencompute.org/datacenters).

I was excited over the headlines in the *Contra Costa Times* on March 24, 2011 at the top of the business section ... “Bay Area hiring expected to rise” ... all right, about time! The article started out ok, with 31 percent of employers intending to increase their work force during the next 12 months ... but then I went to the second page where the survey was broken down by counties, and for Contra Costa County, 23 percent of the companies surveyed intended to hire, but 24 percent intended job cuts!! ... still more pain with the gain ...

“Worker cubicles and workstations – and even executive offices – are shrinking, new research shows. Blame the smaller quarters on changes in work culture and the way we do our jobs, experts say. Technology such as flat screen and smartphones require less desk space. And a younger, mobile workforce is more apt to get shared or unassigned space” *Baltimore Sun* (March 6, 2011). The sequel to the movie, “Honey, I Shrunk The Kids” is out and it is called, “Honey, Who Shrunk My Workspace?” ... According to International Management Facility Association (IFMA), the average individual workspace is shrinking for most position levels. Call center cube size down to 52 sf, general clerical 69 sf, senior clerical 81 sf, senior professional 75 sf, middle management 120 sf, senior management 169 sf and executive management 246 sf. “The downward trend is due to firms reducing space as a cost-saving measure, new technology that requires less desk space (flat screens etc.), the movement to non-dedicated workspace, and a change in culture driven by a younger workforce.” *Buildings* (March 2011)

Among the top-emerging parking trends for 2011 is ... you guessed it, accommodation for electric cars ... there is expectation that by 2015 (which seems way off but is only four years away) there may be 1 million electric cars on U.S. roads ... and there will need to be 1 million charge points by then to be able to handle demand. Buying and commissioning a single-charge station that can charge two cars comes in at \$5,500 not including the cost of the electrician ... will building owners offer this as a free amenity? Will they set up charging stations to accept credit cards? There are also different levels of charging, with Level 2 240 volts that can charge a car in half the time it would take with a 110V. There

is also a fast-charging Level 3 with 480V that can charge at twice the speed of Level 2 ...

Sounds a bit like Apple or HP's early beginnings ... Google, which was founded in a Menlo Park garage in 1998, started with an upstairs office in downtown Palo Alto, and in 2003 leased the former Silicon Graphics headquarters ... and now occupies more than 65 buildings totaling 4.3 million square feet of office space in Mountain View. They are rumored to be completing a deal on a two-building complex on Fairchild Drive, as well as the former Netscape headquarters off Ellis Street. They are also in planning for a 600,000 square foot super-green office building to be constructed on 9.4 acres they leased from the city of Mountain View ...

Companies that have already outsourced are continuing to outsource more, not less ... according to research firm HfS, of the 209 firms polled in 2010, 40 percent plan to expand the number of F&A processes they outsourced, while fewer than 10 percent expressed interest in pulling back in-house what they had outsourced.

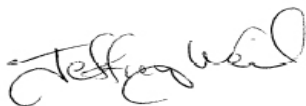
"Dilbert would hardly recognize the newest Bay Area office of Skype, eBay and other technology companies. Cubicles are vanishing. Employees can look all the way across a room and see who else is there. They can sit in twos and threes on a couch to collaborate on a project, instead of stuffing themselves in a conference room. If they need a place for a private phone call or special concentration, they can step into small study rooms or a phone booth." *theregistrysf.com* (March 2011)

Jordan, who just turned 14 last week, is excited about starting high school in the fall. He finished his first Lacrosse season and absolutely loved it – something about running full-speed down the field and having a stick for defense ... in July, he heads up to Yosemite with his Boy Scout Troop for a 50-miler, and then in August again with his Troop biking 370 miles down Highway One along the coast ending up in Los Angeles. His younger sister, Madison, is finishing up her fourth season of girls softball and just a few games ago hit a bottom-of-the last inning, last batter up, bases loaded grand slam homer – wow, was she excited! Their photos can be seen <http://www.officetimes.com/2011/June2011/JMJun11.htm>.

Life can sometimes be bittersweet – you arrive in Hawaii and while you observe an awesome sunset your mind is stuck wondering why all your luggage ended up in St. Lucia ... your family finally makes it on the Alaskan cruise you've been saving up for years, and then just on the second day your youngest child trips, breaks his foot and you take turns not going on the fabulous excursions to keep him company on the ship. I made both of these scenarios up and just rereading what I wrote made me smile and feel comparatively fortunate – hey, at least that didn't happen to me! However, being a 100 percent tenant rep and owner/user commercial broker these days is not quite the same as it was a few years ago. Before 2007, landlord brokers kept busy leasing their vacant office building listings and pursuing new office development opportunities while we tenant rep brokers looked after the user side of the equation. During the past few years, everyone became a tenant rep broker, and just think if the medical profession went this same route. Cardiologists could do lung surgery and if there wasn't enough business for pediatricians, they could take on orthopedics or brain surgery ... no offense, landlord brokers who try to do anything, but tenant reps are dedicated to securing a win-win situation with an experienced and definite focus for the tenant's best interest ...

During the past 35 years, I have built up a network of not just the best tenant reps in the U.S. but the best commercial brokers for office, retail, industrial, investment, apartments and just about every other specialty city by city and in a number of cases, country by country – so call me first for any commercial real estate requirements anywhere! And, thank you for reading Officetimes!

Sincerely,



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# Newsletter

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