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Even mentioning the terrible events in New York, Washington and Pennsylvania gets me worked up. I'm not sure I've ever watched more intensive T.V. or listened to more radio in my life, and my eyes misted many, many times. I can't even begin to express how much sorrow, sympathy, and sadness felt about what happened to the victims and their families. Between family, work, friends and community, each life lost has deeply affected hundreds of others, thus this tragedy has an immense magnitude in a direct way, and to those as well I offer my deepest condolences, prayers and thoughts...Switching to the "back to business" side, I understand that between 15 and 30 million square feet of office properties were destroyed or damaged, and my New Jersey associates report this amount of leasing activity. I've been asked by a number of folks how what happened might affect office users in the near future. It may be too soon to surmise this. Will the term "trophy office building" remain a positive connotation or when leases come up for renewal being in the tallest, most prestigious building cause a reconsideration of location, identity, or even which floor the company is on? Will increased security measures raise rents, and will they actually make the building more secure if external forces such as a hijacked aircraft can be used as a weapon? Will this change the future design of high-rise office buildings, possibly adding "safe floors" where strengthened fire-suppressed construction could provide shelter. Some industry experts noted it was amazing that the World Trade Center Towers' construction gave so many the time necessary to evacuate. As most of my readers spend the majority of their working hours, as I do, in an office building, it was not only our fellow Americans but our brethren office workers whose lives were prematurely extinguished...

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Today's Facility Manager (July 2001) had an article titled "What Workers Want: In Today's Knowledge Based Workplace, Employees Are Demanding Supportive Environments." The following four items have been mentioned time and time again by employees: Comfort: ergonomic issues, indoor air quality, personal control of temperature and lighting, the ability to personalize their environment; Access: access to coworkers, equipment and outside views; to good communication with individuals, teams, and departments; to meeting rooms; Privacy: both from auditory and visual distraction; a place for concentrated study; Flexibility: ease of adaptability to network processes and to new technologies; support of telecommuting and alternative work strategies...Of the 75 percent of respondents who were dissatisfied with their current work environment, lack of outside views, lack of privacy, temperature and indoor air quality, poor visual appeal, noise and uncomfortable furniture were listed most frequently.

In a mid-2001 national office update published by Colliers International, sublease space increased 183 percent overall in the major downtown markets, with a 651 percent increase posted in Boston, 588 percent in San Jose, 420 percent in San Francisco, and 285 percent in Seattle.

What's the future prognosis of the Northern California office market? Let's see, how does one put a positive spin on fairly bleak news? "It will be a great several years of opportunity for tenants to get fantastic office and flex space at fabulous rental rates and terms?" In my opinion, we still haven't seen bottom yet, more space continues to come on-line, and job layoff announcements are as intense as ever. Space - the new frontier, and we sure have a lot of it right now...San Francisco has between 9 to 11 million square feet vacant, San Mateo County has 5 to 6 million, Santa Clara is at 25 to 28 million feet vacant, and the East Bay has 2 to 3 million feet vacant. Some submarkets have been less dramatically impacted, while in a few of the subregions lenders may be forced into landlording during 2002...

One industry that's poised for rebound are the specialists who assist property owners in property tax appeals. With office rents dropping 25 to 75 percent during the past year property values have also decreased, in some cases substantially. If you're an office tenant paying passthroughs, make sure your

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landlord has thoroughly investigated the property valuation situation and don't assume they have filed an appeal. Property taxes still make up one of the largest portions of the operating expense budget.

www.officetimes.com, now in its sixth year on the web, continues its evolution as one of the leading corporate real estate sites in the Country. In the Hot New Topics For October (bottom of the Home Page at **www.officetimes.com**) we've added a Business Relocation Checklists and Guidelines section loaded with various relocation processes and forms. At the bottom of the Home Page are all the San Francisco Bay Area commercial real estate organizational calendars, so with one bookmark you have a central place to check out lunch, dinner and educational programs for BOMA, IDRC, NACORE, CCIM, CREW, and all the others, and in most cases you can connect directly to their web site to register on-line. We also have a new section on locating Executive Office space in more than 67 countries at www.officetimes.com/Executive-VirtualOffices.htm with information we've developed for those considering which type and budget of the various executive office centers available. Hundreds and hundreds of informational pages on almost every facet of the office space industry can be located at **www.officetimes.com**.

Deals and Rumors: We'll start with **San Francisco**, with one of the shortest "deal" lists in my 21 years publishing of OfficeTimes... Covington & Burling leased 47,000 sf at One Front St., and Epicentric took 74,000 sf at the Landmark Building. If I wrote about all the space put back on the market this section would be huge... In **Novato**, BioMarin leased 25,000 sf at 79 Digital Drive, and up in **Petaluma**, IGC Polycold took 72,000 sf at 3800 Lakeville Highway. In **South San Francisco**, Zinio Systems leased 10,000 sf at 8000 Marina Blvd., and down in **San Mateo**, Scimagix leased 12,000 at 2855 Campus Drive. In **Oakland**, Newscale sublet 24,000 sf from Versata at The Kaiser Building, and Kaiser Permanente is rumored to be looking at 200,000 sf at the new Oakland City Center tower under construction. BioMedicine leased 11,000 sf at 2000 Powell St. in **Emeryville**, and SkipStone Ventures is leaving **San Francisco** to skip to 20,000 sf in **Berkeley**. In **San Leandro**, Alpha Innotech is taking 36,000 sf at Marina Corporate Center. I helped Aevia terminate and GlobeExplorer sign a new 12,000 sf leasehold at 3021 Citrus Circle in **Walnut Creek**. In **Concord**, Kaiser Permanente is rumored to be close to signing 200,000 sf in Lincoln's new planned Concord BART project, and at 2550 Stanwell Dr., Cerus just expanded by 14,000 sf. Up in **Martinez**, Sasco leased 20,000 sf at 777 Arnold Dr. In **Pleasanton**, Extreme Networks leased 68,000 sf at 5775 West Las Positas, and in **Livermore**, CCI Triad took 76,000 sf at 7633 South Front Rd.

In an article titled "How To Thrive During Difficult Economic Times" published in *Today's Facility Manager* (August 2001), Nine Cost Cutting Steps to curtail TI costs are outlined as follows: 1. Consolidate Networking – spending into one contract 2. Evaluate Workspace Costs – remote access and virtual workspaces can save 10 to 15 percent in infrastructure costs 3. Measure Business Processes – actively monitoring, e-metrics, total cost of ownership and business process management can lead to huge savings 4. "Rightsize" copiers, Printers, Fax Machines, and Scanners – evaluate newer technologies such as multifunction printers, cost-per-page service contracts. 5. Renegotiate Better Conditions and Terms for PCs – evaluate ways to reduce PC costs, especially with today's intense price wars 6. Evaluate Server and Storage Infrastructure – create a cross-functional team to negotiate, develop an infrastructure vision 7. Staff Management – human capital management is key to maximizing staff on the most important projects during downturns 8. Reduce Costs and Keep Operations Staff – deliver short-term cost reductions while maintaining staffing levels 9. Implement a Total Cost of Ownership Strategy – most companies with \$1 billion to \$5 billion in revenue can reduce IT support by \$4 million to \$6.5 million in using a total cost of ownership strategy (www.gartner.com/economy)

According to The Bay Area Bioscience Center, as reported in *Silicon Valley Business Ink* (6/29/01), there are 747 Bay Area biomedical companies employing 84,819 workers, with an \$8 billion dollar worldwide revenue. Of these, 55 percent are located in San Mateo and Santa Clara counties, 34 percent in the East Bay, and 11 percent in San Francisco, Marin and Sonoma.

In a survey conducted mid-July to 1,7000 IFMA members employed at Fortune 500 companies, 20 percent of respondents are currently using the Web a lot to purchase supplies and materials; 85 percent said they expect to purchase supplies and materials on the Web during the next two years; 52 percent said they think B to B e-commerce sites will change their FM departments "some" during that period and 24 percent said they expect "a lot" of change. For a copy of this survey, reported in *Today's Facility Manager* (August 2001), www.ifma.org.

In an article titled, "Shut up so we can do our jobs" published in the *San Ramon Valley Times* (8/31/01) discusses how noise within the office environment is interfering with worker productivity. "Still, acoustical privacy remains the biggest concern of workstation employees," says Richard Pollack, a commercial architect in San Francisco. "Not lighting, not air conditioning, and not lack of space. It's that everything is too noisy." Suggested ways to reduce this: wrap cubicles in extra fabric, hang decorative sound-absorbers from the ceiling; white noise; separate your quiet workers (i.e. engineers) from your more vocal sales and marketing folks; switch to higher cubicle walls; have rollable message boards available so workers can write "Do Not Disturb" to remind co-workers of their need to concentrate; offer more tiny conference rooms with network connections to allow employees a place to escape to...

The *San Francisco Chronicle* (9/9/01) had an article about the dotcomers losing jobs, but not wanting to leave the area. "There's absolutely nothing to do in South Jersey, nothing to do at all," said Jennifer O'Donnell, 27, who moved to the Bay Area four years ago. "I've made good friends here, and the weather is so beautiful. I walk down the street and see the view of the Bay Bridge. How

can I even imagine leaving this place...even when I'm broke?"

GlobeSt.com did a recent corporate real estate survey asking companies to predict the future need for space. The heading of its August 2, 2001 summary says it all – “Corporate Real Estate Nose Dive Will Keep Spiraling.” Of those who responded, 66 percent predict a decrease in space needs for the next year. “Major corporate space consolidation has not yet peaked in this down cycle,” says another writer. “It will get worse before it gets better.” That sentiment was echoed in a number of essays... In a Loopnet August 8, 2001 dispatch, “No Market Recovery until 2004, Researcher says.” PricewaterhouseCooper’s Real Estate Value Cycles report claims most markets will continue to contract for the next 18 months with a turnaround projected for 2004. However, PwC’s Peter Korpacz, who edited the report, says “conservative development in the 1990’s will prevent deep erosions in values. Immediate access to economic data is cited as causing the industry to react quickly to the economic changes.”

An interesting article titled “Fast Tracking – The Truth About B2B Purchasing” published in *Buildings* (August, 2001) interviewed Dan Smith, CEO of Omware Inc. “The web is yet to become the communications tool that it will be in the next three to five years. We saw a lot of start-up dotcom companies come out trying to build web hubs for contractor communications and material purchasing. Almost all of them are dead now or dying.” The mistake was in underestimating how many of us do business, which is not just based on price but on relationships, the quality of service, reliability, habit, culture and many other less-tangible decision factors. Mr. Smith predicts the following: • Contractors will use estimating systems that have supplier databases included in them. As a contractor assembles a materials list from a set of plans, an RFP or purchase order is issued in the form of an XML document and then sent electronically to a supplier. • XML purchase orders will include all the necessary information to file the mandatory pre-lien notice: materials ordered, the owner, the project leader, the contractor and/or subcontractor ordering the materials, and more. • Suppliers will electronically bill the contractor. Enormous amounts of time and paperwork will be eliminated. • Materials purchases will be paid electronically.” I agree...In five years, imagine sitting down with a space-planner, who sketches out your space layout on a white board which automatically does unit-pricing, generating an on-the-spot construction estimate for the total buildout cost. Once the client approves the layout, one push of the button and everything Mr. Smith predicted becomes a reality...

I’m sure a number of California businesses have been solicited (I know I have...) during the past few months by states such as Oklahoma (plentiful power, and lots of parking), Idaho (tax incentives, and great potatoes), Tennessee (distribution hub and country-western music) and others. I’m sure back in June there was inspiration from our energy crisis (which never really materialized), our low unemployment (not so low anymore, with hundreds of thousands of Californians looking for jobs), and our soaring rental rate, (which just dropped in half or more in most Northern California sub-markets). There are a few items we Californians can’t compete on with Oklahoma and Idaho. The cost of housing is beginning to drop but don’t expect to see executive housing for \$200,000 like some other regions offer. We probably don’t have the most competitive incentive packages or the lowest tax structure, but what we do have blows the socks off most other parts of the world. I was reflecting the other day on what is within an hour drive of my home and office: 30 to 40 colleges and universities, including Stanford, U.C. Berkeley, St. Mary’s, USF, U of Santa Clara and dozens more; 10 to 20,000 movie screens; on any given night at least 200 to 300 + musicals, ballet, opera, symphonies, etc.; 25+ major museums; tens of thousands of restaurants (San Francisco has been ranked #1 worldwide for its phenomenal restaurants) serving every ethnic, style and price category imaginable; 20 + weekly farmers markets with the most amazing, fresh assortment of fruits, vegetables, meats and cheeses, almost all grown here in California; thousands of special events every week of the year, varying from food festivals to car shows; two major amusement parks and dozens of smaller amusement parks. Then, expanding the geography to a three-hour radius gets me to Napa Valley (45 minutes), Santa Cruz/Pacific Ocean (1½ hours), Carmel (2 hours), Mendocino and Lake Tahoe (3 hours), and hundreds of other incredible destinations. So take that, Mr. Potatohead! (No offense, and if any of my readers want assistance moving to Tennessee or Montana, please call me as I have excellent teams of associates who can make your relocation a breeze!)

Ouch, East Dublin over in Eastern Alameda County suffered a few stinging blows to their economy last month when Cisco terminated its 1.2 million square foot campus, Commerce One abandoned plans to build its 780,000 sf campus and Oracle pulled out of their 850,000 sf campus. These projects totaled almost 3 million square feet of office users which would have employed an estimated 14,000 workers, and this will impact the regional housing and retail which was planned to take care of all these folks.

Ever wonder why different brokerage houses claim different building inventory amounts or differing vacancy rates? In an article titled, “In A Class Of Their Own,” recently published in *Commercial Investment Real Estate* (September/October 2001), there is a discussion about how the major brokerage companies often define Class A, B and C buildings differently, and this is even done regionally. Thus, while one company defines a Class B property as those built between 1940 and 1960, another major firm may use glass/steel construction, or 4+ stories, building image or some other characteristic as a benchmark. Also, a Class C building might be rehabbed to a Class B level but usually due to original design deficiencies, it is rare for a Class C to get to a Class A level no matter how much money is invested. We also have the new office building classification – Class E, which are typically older, one-story warehouses that offer new HVAC, the latest telecom wiring, and appeal to the dotcom/e-commerce tenancies. Some companies track 10,000 sf and larger, while others opt for a higher minimum size. Regarding vacancy statistics, some firms count sublease

space, some only count sublease that is 100 percent vacant and if one employee is working in a 50,000 sf space, it is considered "occupied." Firms may count space coming on-line in 90 days "available," others might use six months or currently available. There is no standard...

In specific regard to the office building industry, what changes might we see as a direct result of the Sept. 11 tragedies? More office building security, possible airport type measures in major complexes, possible searching/screening of cars headed to underground parking garages, higher operating expenses due to these measures, more expensive insurance coverage for "trophy" type buildings, higher insurance rates overall, Corporate America's reconsideration of housing huge chunks of operations within the same building, more off-site back-up data, possible increase of mail scanners and bulletproof glass in reception areas, and more emergency drills for evacuation...

Next month marks the beginning of my 26th year in the office leasing and sales industry. Having started in the business on my birthday (Oct.11) makes this easy to track. So many wonderful friends met in this business, and each real estate situation with its own nuance, a never-ending opportunity to learn, and so many great people to work with!

Seeing a child grow up is about as blessed as one can be...I had one of those special experiences last month, when I went swimming with our 4-year-old son, Jordan. He had been taking swimming lessons all summer, but it was my first time swimming side-by-side across the pool. I was awestricken and kept turning my head just to watch his little body move all by itself through the water...I should probably stop being amazed when he does something by himself for the first time, or endures what used to be difficult and now is done without complaint, but maybe it's okay to be awed over and over! Two weeks ago he bowled 10 frames, picking up the ball off the return and carrying it to the lane, all 10 frames and without complaints, and last week we climbed up a small mountain and he not only did not complain but had a blast racing to the top. I know those of you with older children have also had special experiences like your kid's first touchdown pass, or first concert at school, or theater performance or one of a zillion events to which I have to look forward. Some events are fleeting. I know the thrill of Jordan putting his little hand on mine when we go into the hardware store will be outgrown at some point, but I know so many other yet-to-be-discovered thrills still await us. To see his recent photos, just go to www.officetimes.com/jordanOctober2001.htm. Take care, smell the roses, and feel free to call me anytime!

Sincerely,

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