



Grubb & Ellis

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Dear Special Tenant or Owner:

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A quote from the S.F. Examiner 9/17/96, "The Bay Area's 'knowledge-based' industries - which include computer and multimedia businesses - have fueled the growth of suburban business parks and reinvigorated the region's commercial real estate market...According to the survey released Monday by the Bay Area Council, the region's businesses bought a whopping 860 acres of suburban land in the past two years for future business park developments." (In case you're wondering, using a 3:1 land/building ratio, 860 acres represents 12.5 million sq. ft. of office space with a capacity of 62,000+ employees...)

When negotiating in a tight office market, if possible line up internal corporate approvals at the front end as once the location is identified, undue corporate process delays may allow either the space to be leased to someone else, or the rental rates to increase during the delay.

Net office absorption along the I-680 Corridor through the 3rd Quarter 1996 appears to be around 243,000 square feet. Annualized, this would be 324,000 sq. ft. for the entire year. We currently have approx. 900,000 sq. ft. of totally speculative office space scheduled for completion within the next 12 months. Overall, the office market is approximately 8.4% vacant w/o sublease space, and 8.9% with. The hot regions of Pleasanton/San Ramon are 3-4% vacant, with all 900,000 sq. ft. being built in this Tri-Valley region. However, to just keep up with new construction we have to increase net absorption 300%. Guess I've got my work cut out for me in 1997!

The era that was: The Detroit Renaissance Center was built in 1976 for \$357 million, would cost at least \$750 million to replace today (Wall Street Journal 10/11/96), and sold in October this year for all of \$73 million.

Corporate 'reengineering/downsizing' may result in greatly-increased population densities i.e. less feet per person (no jokes about defeat...) ending up with more people in the same space. This may affect parking ratios (is 4/1000 enough?), and may require more HVAC and electrical capacity.

According to a recent study by PG&E, if California were a country, it would be the 7th largest economy in the world, and if the Bay Area by itself were a country, we would be the 21st largest world economy.

In Equitable's latest "Emerging Trends in Real Estate: 1997", San Francisco tops this year's list with the highest overall investment rating in the country.

Wow! This December 1996 Newsletter marks the 100th issue, and several of my readers tell me this is the longest-running regular 'home-grown' office newsletter in the United States. Thanks, all of you, for your continued support and super letters during these past 16+ years!!

Deals and Rumors: On the Peninsula, @Home Corp. may be taking a total of 500,000 sf at Mid-Point Technology Park (formerly Ampex) in Redwood City, including 190,000 sf of existing space and 300,000 sf of built-to-suit space. Further north, SF International Airport leased 12,000 sf at 111 Anza Blvd., Burlingame. In South San Francisco, Oncology Therapeutics leased 18,000 sf at 395 Oyster Point. In San Francisco, Bayview Hunters Point Foundation leased 16,000 sf at 1740 Cesar Chavez St., The Guardian took 10,000 sf at 88 Kearny St., Ernst & Young expanded by 20,000 sf to 76,000 sf at the B of A building, Norcal Mutual Insurance is consolidating to 50,000 sf at Golden Gateway Commons, and Barclays Global expanded from 85,000 sf to 155,000 sf at 45 Fremont St. Up in Marin, Sutter Insurance leased 14,000 sf at 101 Railroad in Novato, and Lucasfilm is going ahead on their 3,400 acre ranch, which will be 97% permanently dedicated to

agriculture and open space. They intend to only build 641,000 sf on 108 acres. On the other side of the Bay, in Oakland, Informix is reportedly relocating 140,000 sf to the Kaiser Center. The County of Alameda may have leased 56,000 sf and Shared Medical Services taken 32,000 sf, both transactions at 1000 Broadway, also in Oakland. In Alameda, gene/Networks is building 32,000 sf at Harbor Bay Business Park. In Emeryville, Covance might be looking for 30,000 sf, and Pixar is reportedly looking at building 200-500,000 sf at the old Del Monte site. Spieker Properties is rumored to be buying the 810,000 sf Watergate Office Complex in Emeryville. In Walnut Creek, ESI Engineering leased 17,000 sf at Park Center, and MIG might be taking 13,000 sf at 2175 N. Cal Blvd. In Concord, Regional Centers of the East Bay leased 12,000 sf at 2151 Salvio Street, and down in San Ramon, System Recovery leased 15,000 sf at Bishop Ranch. In Dublin, Humphrey Instruments might be doing a 140,000 sf build-to-suit, relocating from San Leandro. In Pleasanton, Sprint has taken 22,000 sf at 4256 Hacienda Drive, Ericksson might be taking 35,000 sf at the new Opus project in Stoneridge, and PeopleSoft is going ahead with their 380,000 sf campus on 17 acres in Hacienda. A number of 100-250,000 sf requirements floating around, but isn't this always the case?

Trends in furniture systems: Using office furniture as another tool to boost productivity and cut costs...going from an 8x8 cube to a 6x6 cube...using tables that can fit into workspaces to enhance employee collaboration...keeping cubicle wall height below 65 inches...sensitivity to ergonomics to avoid repetitive stress injuries, as well as ergonomic movement for computer set-up, maximum space usage, keyboard placement, etc.

Three key issues in security systems, as reported in Building Operating Management, May 1996 ... "how to use electronic access control, where the systems are headed in the near future, and what steps to take to ensure that what is purchased today will be flexible enough to meet changing security needs in the future."

As mentioned in the CI Real Estate Journal, Nov/Dec 1996, "Almost a third of U.S. corporate real estate departments downsized in the past year, according to a report by Deloitte & Touche LLP and the International Association of Corporate Real Estate Executives. The study, 'Corporate Real Estate Cost Reduction and Outsourcing Incentives' found that 80% of these downsized departments did so as part of an overall corporate strategy."

As reported in the East Bay Business Journal, 11/1/96, "In Contra Costa, business growth means comparable growth in new hiring. While only about half of Bay Area companies plan to take on additional employees, a full 90% of Contra Costa firms plan to hire."

Today's Facility Manager, Nov. 1996, "85% of office workers decorate their work space with personal belongings, according to the latest Steelcase Workplace Index survey. According to the survey, 68% of those who personalized their work space say it improves their overall attitude at work."

If you'd like to share hot real estate Internet web sites, just e-mail, fax, or send me your favorites and I'll send you a list of mine. The information power of this medium is phenomenal!

According to Don Olmstead of Contra Costa Newspapers in a speech given Oct. 31, 1996, and using ABAG projections, "The Contra Costa/E. Alameda Co. area added 103,000 households from 1980 to 1995, far more than any other Bay Area region. Contra Costa/E. Alameda is expected to add 104,600 more households from 1995 to 2010 - again, far more than any other Bay Area region...from 1995 to 2010 we can expect 176,000 additional workers (employed residents) in Contra Costa/E. Alameda, and 174,200 additional jobs located in Contra Costa/E. Alameda"...and of course, no increase in traffic or congestion...

Since the beginning of last year I personally have sold or leased over 500,000 sq. ft. of office space, and have been involved in another 200,000 sq. ft. of completed transactions. My goal for 1997/1998 is to double this, so when I call, please put me to work on your behalf! Thanks!!

Sincerely,



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