



# Grubb & Ellis

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Dear Special Tenant or Owner:

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As reported in the Contra Costa Times 6/19/96, a recent UCLA study is predicting 3% annual job growth for both 1996 and 1997. Santa Clara reported a 5.2% increase for the last four quarters. In the SF Chronicle 6/28/96, H.D. Palmer, a spokesman for the State Department of Finance states "California lost 730,000 jobs during the recession, but we've already recovered all of them. A forecast by UCLA says that the state will be creating an additional one million jobs over the next three years."

A recent article in *Building Operating Management*, May 1996, entitled 'Office Soundscapes' deals with office space 'noise' caused by acoustical design, furniture systems, and numerous other factors. "An independent survey by the American Society of Interior Designers has quantified the problem. The majority of American office workers say noise (or lack of sound privacy) is the major impediment of improved productivity - not a surprising finding because the typical open office installation is noisy and does not provide much sound privacy." The most common and intrusive noise seems to be the sound of people talking, particularly the colleague in the next workstation. One solution may be to install a white-noise or masking speaker system, with acoustical furniture changes to additionally help absorb the sound.

Telecommuting - there have been studies estimating millions of U.S. workers telecommuting, but these figures might be inaccurate. As reported in *Today's Realtor*, June 1996, "William Wheaton, a professor at the MIT Center for Real Estate, says the oft-quoted U.S. Commerce Department statistic can be a bit misleading. If you subtract the people who telecommute only a few days a week, those who take their briefcase home for extra work at night, and those who run a small business out of their home, what's left is about 100,000 full-time salaried workers who've traded their formal corporate space for at-home offices. That adds up to less than one-tenth of 1 percent of the U.S. workforce," Wheaton says. On the other hand... "We're imploding," says Burke Stinson, a spokesman for AT&T. "We've saved \$80 million in 1994 by having employees telecommute. We don't pay taxes, rent, heat, air-conditioning, or any of the other expenses that go with running offices for those workers." One of every three AT&T managers now telecommutes at least a few days a week, says Stinson. He expects that by the end of the decade, at least half will have tried it." Call me if you'd like a list of telecommuting web sites to learn more about this topic.

*Deals and Rumors:* Let's start in Walnut Creek for a change... I subleased 24,000 sf on behalf of McCutchen, Doyle, Brown & Enersen to Miller, Starr & Regalia at 1331 California Blvd. and WRMS leased 11,000 sf at 1556 Parkside Drive. Down in San Ramon, Tri-Valley Growers may be leasing 45,000 sf at Bishop Ranch, taking the Providian Bancorp space when they relocate to another 60,000 sf Providian is building in Pleasanton. Also in Pleasanton, NEC is considering vacating all or part of it's 37,000 sf in Bernal Corporate Center, with at least two prospects seriously looking at this space. Remedy might be subleasing 30,000 sf from Griener Engineering at 5890 Stoneridge Drive, Livingston Enterprises might be taking 50,000 sf at 5645 Gibraltar, and Thoratec might be relocating out of Berkeley to a 50,000 sf build-to-suit, all in Pleasanton's Hacienda Business Park. Pixar (Toy Story) is rumored to be relocating out of Richmond and headed for Emeryville, and Teknekron is reportedly taking the 72,000 sf Ingres space at Marina Village in Alameda, moving over from Berkeley. Musical chairs... In Oakland, Cranbrook Financial closed escrow on the 265,000 sf Airport Corporate Center for \$14.2 mil (\$54/sf in case you're curious), Deloitte & Touche leased 14,000 sf and Merrill Lynch signed for 18,000 sf, both leases at the APL Building at 1111 Broadway. Up in Marin County, Fair, Isaac & Co. may be buying 15 acres for a 400,000 sf office complex. In San Mateo, Siebel Systems leased 66,000 sf at the new Crossroads III project under construction, and in Foster City, Electronic for Imaging is buying 35 acres for \$25 million (\$16.40/sf), with the first phase projected at 300,000 sf and 700,000 sf for later phases. In South San Francisco, Eveready Battery and Digital Medical Systems each leased 10,000 sf at 400 Oyster Point. In San Francisco, Mathew Bender leased 34,000 sf at 201 Mission St.,

CMP Publications leased 19,000 sf at 185 Berry St., Andersen Consulting is expanding by 60,000 sf at One Market, American Arbitration Association took 22,000 sf at 225 Bush St., Red Herring took another 17,000 sf at 1550 Bryant St., and Charles Schwab sublet 50,000 sf at 88 Kearny St. A number of significant sales are closing this month which I will report in my next issue...

Not surprisingly, computer software growth companies are one of the drivers for Bay Area office space absorption. As quoted from The SF Business Times 6/14/96, "Oracle also has the largest number of employees on The List (25 largest software companies in the Bay Area) at 5,530, an increase of almost 40% over the previous year." Another quote, same paper, on 7/15/96 regarding PeopleSoft, located in Pleasanton. "The company employs 1,900 people overall. Where employment is concerned, CEO David Duffield said, "We're doubling on an annual basis. There's a lot of demand." Aren't you glad I collect all these quotes...and, to add fuel to this fire, Softbank Corp., a Japanese computer software company (huge), has just announced it will raise \$46.4 billion selling bonds to create a fund to invest in U.S. high-tech startup companies. The fund, the largest of its kind in Japan, will invest in 100 to 200 online companies. That should help fill a lot of office space...

"At least six new-home developers are busy in the Central Valley building single-family detached homes with prices under \$100,000. The least expensive is a three-bedroom, one-bath home for \$69,950. For that low-end price, the stucco home offers a surprising list of standard amenities, including front yard landscaping, a fenced backyard, vaulted ceilings in the living room and master bedroom, finished wood cabinets in the kitchen, and a range and dishwasher." (SF Chronicle 6/23/96). Almost 50% of the buyers of these homes in Modesto, Stockton and Tracy commute to jobs in the Bay Area. This is yet another reason the Tri-Valley region including Pleasanton and Livermore has reduced its office vacancy from 30% in the early 1990's to under 3.6% today, with several new speculative office projects already under construction.

According to NPA Data Services out of Washington DC, by the year 2020, Nevada will have grown by over 70%, Arizona by 68%, Florida by 58%, and Colorado by 53%... California didn't even make the top ten, but we were (fortunately or unfortunately...) the leaders in overall projected population growth, with another 11,300,000 additional residents expected by 2020. (20/20 hindsight might be to wish everyone went back to their native states...).

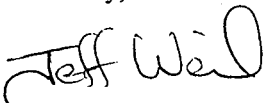
It seems, at least from one non-expert (me!), that most 'sick buildings' are caused by poorly-maintained HVAC systems and/or insufficient cycling of fresh air within the system. The good news is that we have the technology to remedy this.

Noticed a free service for facility executives seeking job postings - FacilitiesNet will post positions free of charge. Their web site is [www.facilitiesnet.com](http://www.facilitiesnet.com). Also, please take a peek at my web site, ([www.grubb-ellis.com/weil/welcome.html](http://www.grubb-ellis.com/weil/welcome.html)) now featuring articles and information on Office Hoteling, Tenant Strategies in a Landlord Market, The Art of Subleasing Office Space, and lots more.

Good article in Entrepreneur, June 1996, on home offices, with mention of electrical, ventilation, and security as issues to be aware of. For example, if you run the fax, copier, computer and try to make coffee you may blow a circuit unless your system is set up to handle the extra load. More equipment may mean more heat generated requiring more ventilation or fresh air. Also, security issues may need to be addressed, including computer system back-up, smoke detectors, and the possible need for a burglar alarm system.

I hope your summer is terrific. My wife and I are moving into our new house later this month, having spent the last four months going from sold house to rental house to rental apartment (not a lot of fun, but hey, it's an experience!). I've also moved my office twice this summer, both times within Grubb & Ellis, and if anyone shows me another moving box...Take care, and call or e-mail me your thoughts on the future of the office market!

Sincerely,



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