



Corporate Office Perspectives

April 1, 2013

Issue: 198

This issue marks the 33rd year of my writing and publishing Officetimes Corporate Office Perspectives. I started this newsletter way back on June 1, 1980, sending it to a few hundred business contacts and corporate executives. Back then I was able to handwrite personal notes to many of the recipients, and even when the mailing list grew to several thousand, I remember hand-signing each and every newsletter. My former brokerage company, Grubb & Ellis, gave me grief about the postage at one point (and what happened to them?), but when I mentioned this to my readers, the hundreds of resulting letters caused management to relent and let me continue sending the newsletter. Thank you all for taking the time to read this and your comments are always welcome!

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 square foot 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?

This might be of interest to the tech office users in open space with exposed ceilings ... acoustics may be suffering, with speech garbled or invasive, and the use of suspended acoustical clouds and canopies from ceilings can either absorb or defuse sound, depending on what you need done ... do you want to increase privacy, or increase speech intelligibility? Absorptive materials improve speech privacy by intercepting it before it can bounce off pipes, ductwork and exposed decks, and these materials include fiberglass, mineral board and even cotton. For speech intelligibility, such as conference or lecture rooms, diffusive and reflective materials are used. *Buildings* (January 2013)

I'm not sure how many other office markets are experiencing this, but here in the East Bay suburbs, 20 miles to the East of San Francisco, our premier business addresses are currently experiencing spiking in office rents. One building, which has always maintained the highest occupancy and rental rates, recently jacked its monthly full-service rates from \$3.25/sf (already a high-water mark) to \$3.75/sf and low and behold, signed an office tenant at this 20 percent increase. Other Class A trophy buildings are

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following suit, while just a few miles away, less-fortunately located buildings are still throwing free rent at prospects at half the above-mentioned rates. What is interesting is that the overall regional office market vacancy rate has gone from 15.9 percent Q2-2010 to 15.6 percent Q4-2012, basically remaining flat at the macro level, while Downtown Walnut Creek is at 13 percent.

Title 24 of California's Building Energy Efficiency Standards now requires existing buildings undergoing an alteration or addition, as well as new structures, to comply with a host of regulations as of Jan. 1, 2013, including: Solar-ready rooftop space for future PV or solar thermal installations; lighting controls, sensor-based, for fixtures near windows to accommodate day lighting. *Buildings (January 2013)*

The Texans have tried to recruit California companies to move to their great state, even though the skiing, surfing, wine country, redwoods and a few thousand other factors are not quite the same, with the Texan governor himself flying to Silicon Valley and Southern California offering enticements to relocate. Research by Jod Kolkom, chief economist at Trulia.com, found that from 1992 to 2006, the net employment change in California as a result of relocation amounted to a loss of about 9,000 jobs a year – only 0.05 percent of California's 18 million jobs! "The vast majority of jobs that are lost in California are because a business got smaller or because it shut down – not moved," Kolko said. *San Francisco Chronicle* (February 2013)

There may be a ton of money available in 2013 from the Energy Policy Act of 2005 as only 3.5 percent of the rebates have been used to date ... building owners can deduct up to \$1.80/sf for installation of property that reduces energy or power costs, including energy-efficient indoor lighting, heating and cooling, and envelope improvements, but these upgrades must be put into service by the end of 2013. The first step is to benchmark building energy performance using the DOE free web-based Portfolio Manager ... http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager *Buildings (January 2013)*

With expectations of another year of lethargic economic growth, companies are responding to the "new normal" with almost constant cost cutting. This risks a vicious circle of job cuts leading to weak consumer spending, contributing to more company cost cutting ... Wells Fargo is shedding space and moving jobs to less-expensive locales. Federal Express is parking older trucks, and others are cutting payrolls, including Hewlett-Packard, Advanced Micro Devices and Citibank." *San Francisco Business Times* (January 4, 2013)

A new *Gensler Design Forecast* (February 2013) report 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 as well as 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.

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 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 ... *Buildings* (February 2013)

Deals & Rumors: **San Francisco** continues as one of the nation's hottest office leasing markets with Regus signing 16,000 sf at 350 Rhode Island St.; Autodesk inking for 27,000 sf at Pier 9; Rodant & Fields signing a 62,000 sf lease at 60 Spear St.; Obvious taking 75,000 sf at 760 Market St.; Github moving to 55,000 sf at 275 Brannon St.; AKQA leasing 67,000 sf at 360 3rd St. where Realpage Inc. also signed for 31,000 sf; Google is reportedly out looking for 350,000 sf, DemandForce for 100,000 sf, ZhenDesk 80,000 sf, Esurance 80,000 sf and the Chinese Trade Association 250,000 sf while Chartboost took 17,000 sf at 203 2nd St.; AmWin Insurance leased 12,000 sf at 140 New Montgomery and Gallagher & Co. Insurance signed for 39,000 sf at 1255/1265 Battery St. North in **Novato** at Hamilton Landing, Take Two Interactive expanded by 20,000 sf to 80,000 sf; and Marin IPA expanded from 12,000 sf to 22,000 sf. In **Oakland**, Naws leased 35,000 sf at Jack London Square and Cerexa Inc took 50,000 sf at 2100 Franklin St. Genworth is out looking for 40-60,000 sf in the **Pleasant Hill/ Walnut Creek** area; WCS Lending signed for 24,000 sf at 1655 Grant St. in **Concord**. Poms & Associates leased 20,000 sf at 1277 Treat Blvd in **Walnut Creek**. Mobitar is rumored to be looking for 10,000 sf and Mille Capital 15,000 sf, both in **San Ramon**, and Integra Med signed for 17,000 sf at 100 Park Place. In **Pleasanton**, I represented DR Horton for 13,000 sf at 5050 Hopyard Rd., Spigit is out for 35,000 sf and Zenith for 40,000 sf.

The San Francisco Bay Area created more than a fifth of all the nation's new jobs, according to a December report by KCBS and mentioned by *The Registry* Publisher Vladimir Bosanac.

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. *Buildings* (February 2013)

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: www.buildingiq.com, *SF Business Times* (February 2013)

A quote from the *SIOR 4th Quarter Professional*, "The demand for office space will come from growth in employment. The net payroll job addition is now very close to 5 million from the low point a few years ago. Still, we need to be mindful that 8 million jobs had been slashed during the Great Recession ... job creation has been slow such that net new job creation is only barely able to keep up with population growth."


Madison is now totally immersed in her fifth year of girl's softball. Her positions include short stop, second base and catcher, and once again the league has provided a great group of fun coaches and players. Last month I took Madison to our annual Colliers Hawaii trip, where she went ziplining and had a blast meeting new friends. Jordan has shifted from his Blue Chip traveling lacrosse team (flying to San Diego, Palm Springs

and elsewhere) to the Monte Vista High School lacrosse, which makes attending most of his games so much easier on his working Dad! Photos of the kids can be seen [here: http://www.officetimes.com/2013/April2013/NLApril2013.html](http://www.officetimes.com/2013/April2013/NLApril2013.html)

Last summer I helped lead our Boy Scout Troup on a 10-day canoe trek in the Canadian wilderness. We canoed across dozens of lakes and there were a number of instances where we had to carry heavy (80-100 lb) backpacks and the canoes across land to reach the next lake. It had been raining and I will always remember carrying this heavy backpack, losing sight of my canoe mates, and then all of a sudden on the wet path, sinking into mud up to my waist, with no help in sight, at the moment so many thoughts crowd your mind – will I sink deeper, will they get back to rescue me in time, will I be able to keep my boots on when I get pulled out or how will I complete this trip without them? In 2007, how many of us thought our retirement savings had partially vanished into thin air, our home equity totally disappeared, and the resulting devastating effect on so many industries and lives? On 9-11 we wondered if the three planes were just the beginning and whether we would ever be safe again on a plane or at a large-venue football game. The world has adjusted, and while old fears always seem to be replaced by new fears (global warming, a nuclear Iran) somehow, just like I was able to be pulled out of the waist-deep mud with my boots still on, we land back on our feet and once more plod on ahead.

Call me for anything commercial real estate related (522 offices, 62 countries) and enjoy our awesome spring!

Sincerely,



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