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## Corporate Office Perspectives

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*Building Operating Management*, November 2000, had an interesting article titled "Weighing Electronic Procurement", where facility executives were queried on their usage of the Internet for building industry purchases. One executive stated, "We don't order online as a rule," while another believes the invoice cost reduction alone can be reduced 70 to 80 percent with an online system. A common theme was "Don't give up if it's hard the first time or two." I love the quote in *Today's Facility Manager*, October 2000 by April Kelsey, senior facilities operations for E\*TRADE... "Here's irony for you; I work for an on-line stock trading company, and yet I don't do any on-line shopping. I'm not intimidated by the new technology- I'm in step with it as much as possible- but web shopping is not adequate for the kind of products I buy. In the future, as my established vendors get more active on the web, I may be more inclined to replace catalog orders with Web shopping...one thing is clear: e-commerce is here to stay; there is no point in looking back now." Check out all the various business-to-business corporate real estate websites all listed at [www.officetimes.com](http://www.officetimes.com).

Even with all the NASDAQ gloom and doom, the Bay Area continues to be the main magnet for venture capital. According to the *San Francisco Chronicle* 11/3/2000 "local high-tech startups attracted a third of all VC dollars invested in U.S. companies... investments in local companies rose to a record \$6.6 billion from \$6.2 billion during the second quarter, even as venture capital firms pared their U.S. investments to \$16.1 billion during the third quarter." San Francisco attracted \$1.6 billion, San Mateo \$1.7 billion, Santa Clara \$3.8 billion and Alameda \$1.3 billion.

Another part of the world...*Associated Press*, 10/21/00, in an article describing the great success of Corning Inc, as one of the leaders in the fiber-optic industry, "As Corning zooms along the fast lane – it anticipates \$7 billion in sales this year, up from \$4.7 billion in 1999 – the company town (Corning, New York) of 12,000 gets whipped right along. Stroll down the main shopping thoroughfare, five gentrified blocks crammed with craft shops, and upscale boutiques. Count the BMW's in the parking lots or \$300,000 homes in the hills"...another proof positive success exists in many formats, not just the San Francisco Bay Area.

Reflect back on what the I-680 Corridor of the early-1970s represented to the Bay Area. Great affordable housing for office workers commuting daily to Oakland and San Francisco and large tracts of undeveloped land. Then came Bishop Ranch and Hacienda Business Park, creating extensive job centers and pushing affordable housing further Eastward. Fast forward to today, where 50,000 daily commuters drive over the Altamont Pass from their San Joaquin County residences in Manteca, Stockton, Modesto and Tracy. New major office park developments in design include Gateway Business Park, a 5.8 million square foot office project planned for Tracy, and Grupe Homes proposed 100-acre technology park near I-580 and I-5. A quote in the *San Ramon Valley Times*, 10/17/00, "A survey to be released today reveals that nearly 90 percent of workers who commute over the Altamont Pass would shift to nearby jobs if they were available... planners estimate the number of vehicles on the Altamont will triple, from 50,000 to 150,000 a day, by 2020...the average commuter leaves his Central Valley home at 5:43 a.m. and spends 1 hour and 35 minutes on the road..."In towns like Tracy and Manteca,

*Editor:*

**Jeffrey S. Weil**  
MCRS.h, CCIM, SIOR  
Senior Vice President

1850 Mt. Diablo Blvd.  
Suite 200  
Walnut Creek, CA 94596

Phone: 925.279.5590  
Fax: 925.279.0450  
[www.officetimes.com](http://www.officetimes.com)  
[jweil@colliersparrish.com](mailto:jweil@colliersparrish.com)

it's still possible to buy a new single-family house for under \$200,000 (or move to Corning, NY and live with the wealthy for \$300,000)"

We've totally redesigned [www.officetimes.com](http://www.officetimes.com), and have had rave reviews on our new format and content. Want a list of collaborative Intranet sites? Where to go for b-to-b corporate real estate services? Lease rates across the U.S.? Current Bay Area housing costs? Hundreds and hundreds of pages of office leasing tips, trends and links all await you at [www.officetimes.com](http://www.officetimes.com)!

During the past several weeks I've heard a number of San Francisco office brokers voice concerns that their office vacancy rate will rise from its current 1 percent to 4 to 6 percent during the next four months, primarily due to dot.com giveback or sublease space. One landlord I recently met had a large office tenant close to signing, and was worried that for the first time in years, office tenants have an increased array of relocation options, including below-market sublease space already loaded with new office furniture and equipment.

A new system just introduced by Herman Miller called "Resolve" breaks with the 90-degree angled traditional cubicle. It instead utilizes a center pole with constellations which allows workers to reshape their work space by moving fabric panels. This new system recognizes the increasing collaborative and constantly changing nature of the work. They've put filing cabinets and desks on casters for mobility, added mini-shelves to unclutter desktops and replaced the heavy fabric-covered wall panels with lighter fabric screens, glass or nothing at all.

Deals and Rumors: The hot spot for the Bay Area has been **East Dublin**, where Cisco announced a 1 million sf office campus, Oracle an 830,000 sf campus and Sun Microsystems a 750,000 sf campus. There goes the neighborhood...Also in **Dublin**, Cisco leased 240,000 sf of office space at the Opus project and Calpine Corp. took 102,000 sf at Koll Dublin Corporate Center. In **Pleasanton**, Cisco leased 300,000 sf at the Lincoln BART project. In **Livermore**, Operating Engineers Federal Credit Union might be buying 6.2 acres for a new headquarters facility, near where the San Jose Sharks are purchasing 5.8 acres for a public ice rink and practice facility. In **Oakland**, the National Park Services leased 59,000 sf at 11<sup>th</sup> & Jackson; Minecom signed 96,000 sf at 1945 Broadway; Kaiser California took 60,000 sf at 2000 Broadway; Turner Construction leased 10,000 sf and Ketchum Advertising, 17,000 sf, both leases at 17<sup>th</sup> & Clay Street; and Covance took 45,000 sf on Edgewater Drive at the Oakland Airport. In Emeryville, LeapFrog leased 41,000 sf at the Hollis Business Center. State Compensation Fund leased 100,000 sf of office space in Fairfield. In **Fremont**, Cisco leased 3.4 million sf of office space at the Catellus Pacific Commons project (Wow!) and Avanex took 110,000 sf at Stevenson Point Technology Park. In **San Francisco**, the huge news was Sun Microsystems leasing 525,000 sf with an option to expand to 850,000 sf at Foundry Square at First & Howard Street; Microsoft leased 41,000 sf at One Market St; where Commerce One took 16,000 sf and Salesforce.com might have leased 60,000 sf; Venture Law Group leased 27,000 sf at Pier 1; Venture One took 21,000 sf at 201 Spear St; Robertson Stephens Inc. is reportedly searching for 500,000 sf; MarchFirst may have leased 270,000 sf at Mission Bay; Shook, Hardy & Bacon took 35,000 sf and Globalnetxchange leased 18,000 sf, both at 333 Bush Street, The Industry Standard expanded by 25,000 sf at 945 Battery Street, and Cnet leased 230,000 sf at Second & Howard St. Up in **Petaluma**, WorkRite Ergonomics leased 123,000 sf to be built in the Lakeville Business Park. In **Brisbane**, Walmart.com leased 140,000 sf at Sierra Point; Fish & Richardson took 58,000 sf at 500 Arguello St. in **Redwood City**, Deltagen leased 45,000 sf in **Menlo Park**, and Imagine Media Inc. is looking at 120,000 sf at FuturePlex by 3 Com Park.

In *Entrepreneur*, October 2000, "On the West Coast, an entire state is moving to dominate the 'Best Cities' listing. With seven metropolitan areas, California is better-represented than any other state, despite having no top-10 cities."

As reported in the *Contra Costa Times*, 11/15/00, "An estimated 24 million Americans regularly or occasionally telecommute," says the International Telework Association and Council in Washington. That's up from 8.5 million in 1995, according to Find/SVP. But in a sign of mounting disaffection with the once-popular prerequisite, more companies now allow only proven stars, rather than newcomers, to telecommute. Other employers have created tough hurdles for would-be home workers. Some concerns no longer allow even existing employees to participate. "We're creating new things and building new solutions," explains Barbara Beasley, executive vice president of People at First Point Partners Inc., an Internet services firm in San Francisco, "We need people working side by side, in the office, sharing ideas." Then in the *Contra Costa Times*, 11/24/00, titled "Telecommuting trend is expected to grow" the first line in this pro-telecommute article reads, "Want to increase your employee's productivity, save on real estate and energy expenses, reduce absenteeism, increase job satisfaction, retain your best workers and maybe even help keep the environment clean? Then think about telecommuting." And in an article reported in the *Boston Globe* in October, "Working from home increasing as option. More companies embrace telecommuting to cut costs, and while only 2 % of workers now fit in that niche, growth of 12.5% is forecast," with again more benefits of telecommuting

extolled. Go figure!

Gil Gordon's Tips for Safe, Comfortable and Functional Home Office: A separate, dedicated work area; desk with enough space on it and storage space nearby; suitable and comfortable chair; desk at comfortable work height and sturdy enough to support your computer; no spaghetti bowl of extension cords; task lighting versus area lighting; installed smoke detector and nearby fire extinguisher." Gil, the guru of telecommuting can be accessed from [www.officetimes.com](http://www.officetimes.com) or at 732.329.2266.

The downside to a boom office economy in San Francisco and I'm sure elsewhere: non-profit organizations are experiencing astronomical rental increases, evictions due to expansion minded for-profit neighbors and to many, a threat to their very existence. A number of urban non-profits cannot move to lower-cost suburbs if their clientele and reason for being requires their remaining in the larger cities. However, if you owned a building where the major tenant was willing to pay 300 percent more rent, and the only thing in the way was the 2,000 sf non-profit...tough call any way one slices it...

Sybase's new 420,000 square feet Dublin office campus will include a fitness center, gourmet cafeteria, dry cleaning service, day care and a park-like plaza with fountains. Employees will be able to check out bicycles to ride on Dublin's new bike paths. The new facility will offer 60 percent enclosed offices and will eventually house 1,600 employees.

So many mixed signals. I opened the *Contra Costa Times* on October 13, 2000 and on just one page was the following: "Bausch & Lomb to out 450 jobs; Unisys plans to out up to 1,500 jobs; Hasbro to out 550 jobs." Daily we read about new dot.com layoffs, and as I write this newsletter issue, NASDAQ has dropped 1,400 points since March of this year. On November 19, 2000 in the *SF Chronicle*, Julianne Malveaux reeled off these statistics..."layoffs at Coca-Cola of 5,000, a 1,700 reduction at Energy Corp, 8,000 by Xerox," and others. However, while recent articles cited 31,000 Internet layoffs in 2000, the Bureau of Labor Statistics credited the computer and information services sector with adding 169,700 jobs during the past 12 months. Most office brokers and developers I've spoken with are not concerned about overbuilding, falling rental rates or dark clouds looming ahead. For almost all in my industry, it's business as usual, but I remember back in the mid-1980s when we also felt this way...

In *Today's Facility Manager*, September 2000, "For all the talk that the Internet and other high speed communications will eliminate face-to-face interactions in the workplace, the reality is that employee's physical surroundings are more important than ever. Companies that want to stay on top will recognize that employee demographics and the way in which business is done will dictate changes in the workplace. Consequently, companies that fail to heed these trends, may find themselves with retention and morale problems, which will adversely affect their bottom line... According to Christine Barber, director of workplace research at Knoll, Inc.... employees in high-performing companies rate their physical working conditions higher than their counterparts in all other companies...When asked what would make the greatest impact on their productivity, the office workers Knoll surveyed said technology, storage space, climate control, quiet space and space that can be customized to individual work styles...Another hot item on employee's wish list is space for teamwork. A survey of Fortune 1000 and dot.com managers done by Cincinnati-based workplace designer Hixson indicates that team-based work processes in corporations are expected to grow 44 percent over the next five years."

A question arises – how will the NASDAQ devaluation, a potential recession and dot.com "unleashing" affect our office market? Take one of our largest office space gobblers, CISCO. They have 39,000 employees and expect to double to 80,000 within 10 years. Even though their stock is way down, so are the stock prices of most of the companies they plan to acquire (one industry expert estimated they may purchase 25 companies/year) and with a miniscule \$19.6 billion in cash reserves, I don't see the economy affecting the 12 million sf of long-term new space they have in the pipeline. Beyond that, who knows...

One of the new-millennium office building buzzwords might be "Commercial High Performance Buildings" a designation placed by the U.S. Department of Energy on energy-efficient commercial buildings which minimize the environmental impact and improve comfort, utility and cost effectiveness. Elements include energy efficiency, sustainability, occupant impact (indoor air quality, comfort, acoustics, system reliability and security), and responsiveness of the building to variations, for example, in number of occupants and time of year. To learn more about this project, please visit [www.eren.doe.gov/buildings/highperformance](http://www.eren.doe.gov/buildings/highperformance).

Cisco Systems has set the standard for on-site childcare, opening its \$10 million facility in Santa Clara in September 2000. With a capacity for 400 children aged 6 weeks to 5 years, the center offers IPTV whereby parents can watch junior via the Internet; there are computers in every classroom, enabling parents and teachers to communicate via e-mail as well as train tikes to be tech-savvy. (*Silicon Valley Business Ink*, September 22, 2000). With a staff of 100,

the monthly tuition is around \$800. Wow, \$10,000 a year so you can watch your kid via the Web, and your six week old can e-mail you messages...

California is now the sixth largest economy in the world, with gross state product of \$1.21 trillion in 1999, according to the California Finance Department and Anderson Forecast (*San Francisco Chronicle*, 10/5/00). We moved ahead of Italy and are just behind the United Kingdom.

In the *National Real Estate Investor* September 2000, a recent 2000 Corporate Real Estate Executive Study gave outsourcing high marks, with transaction services outsourcing at 59 percent in 2000, as compared with 45 percent in 1999, and facility management outsourcing at 41 percent in 2000, up from 27 percent in 1999. The Internet has increased the efficiency in service provider interaction with 58 percent of respondents and 47 percent indicate the efficiency of their site selection process has increased due to the Internet. If you're interested in more information regarding this study, e-mail Editor Matt Valley at [Matt\\_Valley@intertec.com](mailto:Matt_Valley@intertec.com) and please mention **[www.officetimes.com](http://www.officetimes.com)**!

Our son Jordan, who just turned 3½ last week, is undergoing so many transformations. I know the more experienced parents will tell me "you ain't seen nothin' yet!" But to me, it is fascinating to watch him change. We just went on a hike, and even though I miss his bobbing up and down in the backpack of last year, now he walks next to me and gets excited spotting lizards, deer and gopher. A few weeks ago we went to Disney World and the Disney Cruise and I'm not sure who had more fun on the rides, 75-year-old grandpa Arthur, little Jordan or me. Later this month we are going to ski school, and I know it won't be more than a few years until Jordan will be spraying snow in my face as he speeds by. To him, the world is a constant stream of firsts. First time fishing, first time riding a bicycle and each so special...All of you, have a wonderful and safe holiday season!

Sincerely,

Jeffrey S. Weil, MCRS.h, CCIM, SIOR  
Senior Vice President



Jeffrey S. Weil, SIOR, CCIM, MCRS.h  
Senior Vice President  
1850 Mt. Diablo Blvd., Suite 200  
Walnut Creek, CA 94596

# Newsletter

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