



# Corporate Office Perspectives

[www.OfficeTimes.com](http://www.OfficeTimes.com)



EDITOR:

**Jeffrey S. Weil,**  
MCR.h, CCIM, SIOR  
Executive Vice President

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

Phone: +1 925 279 5590  
Fax: +1 925 279 0450  
CA Lic: 00786195  
Email: [jeff.weil@colliers.com](mailto:jeff.weil@colliers.com)  
Blog: [www.officetimes.com](http://www.officetimes.com)

AUGUST 1, 2014

ISSUE: 205

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For the first time since 2007, I am beginning to see signs of cautious corporate expansion in the East Bay, almost like watching the spring blooms begin to emerge after a long, cold winter. Professional organizations and corporations have run lean as long as possible and are now tentatively thinking about expansion ... It's been seven long years and our 15% vacancy rate means plenty of expansion space just waiting for them. In most cases it is modest growth, such as the CPA or financial planner who now has sufficient workload to justify adding one or two new employees, but after being lean and mean for the past seven years, has no extra space for them to work at. In some cases, the firm has already experimented with having employees work from home or hired third-party workers housed elsewhere, but now need to have these new employees in-house. Other firms may have a lease renewal coming up and are at a crossroads – stay at the same size and not be able to grow, or take a more optimistic approach by taking on additional office space either adjacent or through relocation. Then, the next question is how much expansion space. Unlike the tech companies that have budgets and master plans to add hundreds or even thousands of new employees, most 'non-tech' companies are still stinging from the Great Recession and think in terms of cautious, conservative growth. For us in the office leasing trenches any type of growth is a welcome relief for our past seven-year downturn!

More and more companies are designing office space to promote corporate culture, employee collaboration, enhance employee retention, boost morale and increase productivity. It is not x square feet per employee metrics anymore: L. Kershner Design owner, Lorri Kershner, "We were able to incorporate things like walls that could be written all over, walls that had embedded technology and power." Work surfaces that can be raised or lowered, "pink noise" generator that spreads low-level random frequencies across the space, most conference rooms are small for privacy, and the main boardroom has switch glass, which can be made transparent or opaque with the flick of a switch. ([The Registry Bay Area Real Estate 2014 Q2](#))

I'm not sure how much I am sticking my neck out in this prediction, but within 20 years, most office buildings will be energy neutral or will actually produce more energy than used. Roofing material will be solar collectors as

well with exterior glass and sidings, and super efficient small windmills to generate energy. Building systems will keep usage down to amazingly low levels, and technology will be transforming. According to the July 10, 2014 [Bay Area News Group](#), the Lawrence Berkeley Lab has a new facility devoted to cutting-edge research on energy-efficiency in commercial buildings, called FLEXLAB. Buildings account for 40% of all U.S. electricity use. “Many employers have found that improving the energy performance of buildings has a positive impact on employee health and productivity.”

Spike in office building operating expense pass-throughs with office building values in some submarkets space. In some states, the real estate property taxes can double, causing a huge financial hit to the tenant. If a building which was previously valued at \$300/sf sells for \$600/sf, the increase in property taxes could be as much as \$375/year, or a monthly rent spike of \$.31/sf. Few landlords are willing to cap this property tax increase exposure as, using a 6% cap rate as an example, the per square foot value of this \$3.75/rsf year expense is roughly \$67.50 per building foot. Sounds small, but for a 100,000 sf building, the value differential works out to \$6.25 million!

At least out in the suburbs we are seeing a trend with certain industries like title and insurance companies downsizing, often taking half their previous space, as paper goes online, into the clouds or gets processed overseas. Landlords with national tenancies of this type might not get the occupancy stability they have enjoyed during the past 20 years...

Ford Fish, senior vice president at Salesforce.com, is responsible for global real estate and workplace services, supporting more than 13,000 employees in 28 countries. “More and more, we are adding workplace features beyond what the city has to offer – doing things to make life a little easier for our people, like a “Bring Your Dog to Work” program, spaces for relaxation or meditation, and even basic medical services. We’ve gone from 25 percent communal space in our high-rise buildings to more than 50 percent.” ([Gensler Dialogue 25](#))

Open floor plans for offices may lead to more time off due to sickness... Swedish researchers just came out with a new study compared data from 2,000 people in seven different office designs, and those who worked in open floor plans took more time off for sickness. Women took more sick time than men in total open layouts, and in open-plan layouts without individual workstations but with some meeting rooms, men had higher rates of “sick leave.”

More Silicon Valley cutting-edge design concepts – the Comcast Cable Innovation Center in Sunnyvale recently expanded to 70,000 sf and features walls employees are encouraged to write on, lots of natural light, exposed ceiling ductwork, significant green elements, earning a Gold LEED designation, foosball and ping-pong tables, bright colors, lots of open areas as well as work nooks – all designed to foster creativity and collaboration. ([SF Registry 2014 Q2](#))

**Deals and Rumors:** In **Pleasanton**, Veera Systems bought a 141,000 sf office building for expansion at 4280 Hacienda Drive, North American Title is

relocating to 12,000 sf at 6616 Owens Drive, and Ellie Mae leased 106,000 sf at the Rosewood office complex, just purchased by SwiftPartners. In **Walnut Creek** Liberty Mutual expanded to 35,000 sf at 1340 Treat Blvd, and Verisight leased 13,000 at 1350 Treat Blvd. YapStone will be taking 35,000 sf sublease at 2121 N. California Blvd. In **Concord** FrontLine Mortgage leased 13,000 sf at 1855 Gateway Blvd. Down the Peninsula, Facebook just bought another million-square-foot ten-building complex on 59 acres in **Menlo Park** and in **Palo Alto** Google's Nest labs leased 208,000 sf which was the former Barnes & Noble headquarters at 300 Constitution Ave. CardioDx took 70,000 sf in **Redwood City**. In South San Francisco Portola Pharmaceuticals leased 10,000 sf at 270 E Grand Ave, and in **San Francisco** Credit Karma took 46,000 sf at 760 Market St., Google bought an 88,000 sf office building at 188 Embarcadero and also leased 50,000 sf at One Market Plaza, Pinterest bought a 245,000 warehouse at the SF Showplace Square, NerdWallet leased 46,000 sf at 901 Market St., Lenovo took 17,000 sf and the British Consulate leased 10,000 sf, both deals at One Sansome St.; and Clovis Oncology leased 19,000 sf at 1700 Owens St. In **San Rafael** BioCision signed for 11,000 sf.

"No longer a trend but a standard, the open office has become a symbol of the modern workplace. Building owners can't afford to waste space, so every nook and cranny must be considered a potential work area." ([Buildings, May 2014](#)) I would change the words "building owners" to "office users" as it is usually the office tenant paying the landlord rent who is concerned with maximizing space usage. Benching systems, collaborative spaces, glass walls - increased occupancy while leasing a smaller space - the tradeoff of closer co-worker proximity, smaller desks, but the ability to work in different areas, not chained down but mobile and flexible. Other concepts: the open executive office, with managers seated among their subordinates or using glass walls to foster transparency; floating conference rooms, some just large enough for one or two people; the Café Corner, with a bistro atmosphere conducive to people touching down and collaborating; the benching alternative with long tables, headphones for privacy and densities as low as 70 square feet per person.

San Francisco office growth is not sustainable and there will soon come a time when new office construction will slow down, primarily due to Prop M cap limitations. Every year, San Francisco has 950,000 sf of office allotment, and during The Great Recession unused allotments rolled over to allow the tremendous new building going on today. As of May 2014 there was slightly more than 2 million feet available for allocations with more than 8 million feet in pre-approval. With potentially limited office space supply, rents will go up further, and non-tech companies that aren't dependent on the San Francisco tech labor pool may either move some or all their operations eastward to the suburbs, or lower-expense areas like Texas, or offshore the jobs, or a combination of these. And, it is inevitable that at some point we will have another economic downturn to start the cycle all over again. ([San Francisco Business Times, June 2014](#))

Introverts have issues with open-plan office space and need to be able to access "private space" from time to time. An estimated 35% of the workforce

are introverts. Steelcase surveyed 39,000 workers and found that 95% of them at some point needed access to a private space, whether it be to call their doctor or spouse, or handle a special client. Susan Cain, who in 2012 published her bestseller “Quiet”, teamed up with office furniture designer Steelcase to come out with new sealed room concepts ranging from 48 to 100 square feet. “Flow,” which evokes a library, has a desk and library shelves for focus work. “Mindshare” has two chairs and a wall-embedded computer screen for team brainstorming. “Be Me” and “Studio” allow workers to decompress, meditate or take a company-sanctioned short nap. There is no prediction of any return to private offices, as the open plan, increased workforce in a smaller footprint is here to stay, but a recognition that one size doesn’t necessarily fit all. ([SFGate, June 2014](#))

How might office design and perks for tech companies one day impact traditional companies office space, hiring and retention? Will there be a “silo” effect where tech workers get all the perks, collaborative and supportive office design, no-cost lunches and dinners, be allowed to bring their dogs to the office, and not tell their friends, and not have it affect “traditional” company hiring? I can just hear the HR speech now from the insurance or financial planner, “Well, we don’t pay as much, the office is boring, no foosball, no free food, and you can’t ride your bike to work, but at least you get your office cubicle -- and no, you can’t use your iPad for company business...” Wonder where the creative, excited new millennials are headed?

“Why You Should Take Your Dog to Work” is a terrific article with benefits (and downsides). The author Richard Moran comments, “I doubt that Chevron or Nordstrom are looking at their dog policy in the Employee Manual just yet. But for many in smaller companies, especially startups, “To take or not to take, that is the question”. I would also check your lease to make sure you aren’t violating your contract.

**Some of the pros:**

- Your dog will introduce you to your coworkers.
- The hours you spend in the office become infinite because you don’t have to race home to let the dog out.

**Some of the cons:**

- A Saint Barnard or Newfoundland will take up your entire cubicle.
- Some coworkers maybe allergic or hate dogs.

[See the full article here](#)

**Five Signs You’d Hate Working From Home:**

1. You have work FOMO (fear of missing out), being physically separated from workplace and co-workers
2. You crave social interaction
3. You are easily distracted
4. You are not a self-starter
5. You lack work-life boundaries (work interfering with normal personal life)

[\(Bay Area News Group June 2014\)](#)

According to the San Francisco Colliers office, 51 office lease transactions have occurred within the past 60 days, accounting for more than 1.8 million square feet of office space.

What an awesome summer my two kids are having! I have asked them both if they could trade places with me, as even though I love my job... Madison, who turns 12 on August 23rd, goes to various teen camps where one day they go to Six Flags amusement park, the next day bowling in the morning and roller skating in the afternoon, then Waterworld with outdoor water slides, then Great America, followed by go-karting and indoor rock-climbing. Jordan, who just turned 17, has a full-time summer construction job and is right now collecting new and slightly used shoes for his Boy Scout Eagle project at Troop 36 ([click here](#) for his flyer), assisting an organization called Soles for Souls, so if you are in the Walnut Creek California area and want to donate shoes for a worthy cause, please email me at [jeff.weil@colliers.com](mailto:jeff.weil@colliers.com) and I will forward these to Jordan. Thanks! Their latest photos can be viewed [here](#).

It's not what you have, it is what you have ... Sure, all things being equal, it is preferable to have the financial resources to be able to not worry about paying your bills, your children's college, helping them with their first house, being able to go on vacations that are truly a "vacation" (i.e., how many of us are really able to shut off email for a full week or more?), but like I am constantly reminded by the people in my life, on your dying day, your life satisfaction isn't how much money you will be leaving for family or how many endowments you've set up, but how you have personally enriched your family and friends with your soul, spirit and genuine love. When faced with never-ending work deadlines and financial pressures, it is so very hard to contemplate this far out in the future, but everyday words and actions that slowly add up to who you are and what impact you have had on others. Hope I didn't get too deep this time. Enjoy your summer! So you can experience why my clients keep coming back (I strive to always give 150%), please call me with all your commercial real estate needs!

Sincerely,



**Jeffrey Weil**, MCR,h,SIOR, CCIM  
Executive Vice President  
CA License No. 00786195

**925 279 5590**

[jeff.weil@colliers.com](mailto:jeff.weil@colliers.com)

[www.officetimes.com](http://www.officetimes.com)