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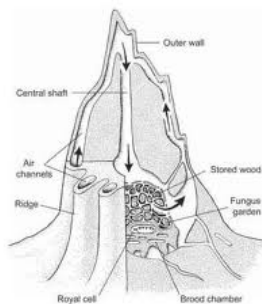
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Commercial Real Estate
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COMPANY CULTURE:

Why it matters and where it happens.

By Paul Suzman



E.O. Wilson is arguably the world's foremost authority on myrmecology. The study of ants. He is a prolific Pulitzer winning author and is also thought of as the father of sociobiology.

What, a reasonable reader might ask, has the social life of ants to do with commercial real estate? Could it be the similarity between the design, construction and occupancy of the extraordinarily sophisticated construct, the termite mound, with that of human behavior in urban high rise buildings? (In Harare, Zimbabwe, there actually is a midrise office complex, Eastgate Center, modeled on the 'ant hill' which embraces similar concepts of passive cooling.....and which uses 10% the energy of a typical office building.)

Actually, the focus of this article, while being about built environments, is more about cultural norms and the value of place.

Dr. Wilson's most recent book is "*The Social Conquest of Earth*." In it he not only reverses one of his long held views about the primacy of kin vs. group selection, but re-emphasizes the importance of The Group in the extraordinary evolution of our species. (He points out with a certain relish that the ant's biomass on this planet is several times greater than that of humankind and one gets the sense that he would not take it amiss were they to be the dominant species)

But like ants, wasps, meerkats and cape hunting dogs, we humans are genetically hard-wired for tribalism and are innately disposed to embrace our groups. And once we have joined a 'group', which could be as a Seattle Sounders fan, church or temple congregant, book club member, a cycling peleton, Seattleite, Washingtonian or United States Citizen, we will, for the most part, regard 'our group' as superior to other (competing?) groups.

Likewise we choose cars, coffee, footwear, neighborhoods, and smartphones with similar motivation; that our choices are, within budget, superior to the alternatives. And that there is a group that agrees with us in our choices and with whom we identify. The choices reflect on, and say something, about us.

The other interesting characteristic of most 'groups' is that they tend to rally around an identifying banner or brand. The (former) British Empire, Holiday Inns, Catholic Church and Starbucks as diverse examples, each respectively embrace unique and distinctive traditions, architecture, logos and rituals that are predictable and consistent, but which set themselves apart from the alternatives. These are also the qualities we expect of all the brands we choose.

Notice the interlocking pattern?

Which brings us to company culture, and why we, as tenant representatives, are so interested in it. In one of our transactions this year, we sourced a location for Bainbridge Graduate Institute which is the first school in the world to offer a 'sustainable' MBA program. They and their co-tenants, Social Venture Partners and HUB Seattle (a co-working and event space for socially conscious entrepreneurs), all were quite clear about the

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COMPANY CULTURE: *Why it matters and where it happens.*

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culture they wanted to foster and the impact their future office environment would have upon their missions.

They wanted to re-use space in an existing, preferably historic, building. They wanted to honor the past yet ensure the infrastructure enabled the technologies of the future. The space needed to encourage collaboration, and had to have street presence. It had to be 'to scale', approachable and easily accessible to public transportation. And they wanted to locate in a neighborhood where they weren't just 'another' tenant and where their presence, activities and influence could truly make a positive difference. Most importantly, they wanted to share this space with people and organizations of like mind.

Understandably, such specific parameters presented quite a challenge. But after nine months of searching and negotiating, a lease was signed for a suitable space. After three months of construction the 34,000 SF 'Center for Impact and Innovation' opened its doors and 1200 people attended the ribbon cutting.

With the advent of the internet many predicted that most of us could effectively telecommute. That the need for people to congregate on a daily basis was a thing of the past. Which might be technically correct. But they did not reckon with peoples' need to socialize with their 'other' families; to collaborate; to be inspired by the presence of others with shared energy and purpose if not exact mission. Especially if it is in a physical environment which speaks to shared values and

sense of productivity. But there is yet another reality at work here as has been detailed in a recent scholarly report entitled "*The Rise of Post-Familialism: Humanity's Future?*" Findings include these statistics.

The number of people who are living alone has increased up from 9 percent in 1950 to 28 percent today in America and 40 -45 percent of people live alone in Scandinavia. Only 41 percent of Americans say they believe that children are the key to a successful marriage, and in a 2011 survey, a majority of Taiwanese women under 50 said they did not want children.

Couple these emerging global trends with the number of single parent families in society and one understands that increasingly, people's co-workers become, in many ways, their extended families and their work place becomes their tribal 'longhouse'.

But back to the book. E.O.Wilson's premise is that while a selfish individual might prevail over a single altruist, groups of altruists working together will trump the efforts of selfish groups. In that regard, office environment can play a significant role in encouraging the collaboration that marks winning organizations. This is why company culture matters, as does the physical environment in which it is fostered.

As always, we welcome to your comments.

Paul Suzman: pauls@officelease.com

Non-Profit Profile

OfficeLease



CHILD CARE RESOURCES



To whom does an employer turn if they are seeking qualified childcare for employees in King County? Or a parent who needs access to childcare in order to hold a steady job? Who provides technical assistance, coaching and advice on licensing qualifications to childcare providers? And ongoing training to improve the skills and knowledge of those caring for our most precious resource? We at OfficeLease are proud to answer that question, and to support and provide professional services to: Child Care Resources.

Child Care Resources gives every child a great start by working directly with and advocating for families, caregivers and child care providers to improve the quality of child care and early learning experiences. CCR offers personalized guidance and referrals in several languages to families of all incomes who are looking for child care options for their young ones, and CCR is even able to provide

subsidies for families in need, including homeless families, so that all children have the opportunity for a safe and nurturing child care experience. CCR fields approximately 1000 calls each month from families and supports informal caregivers (family, friends & neighbors) in providing quality early learning experiences.

2,200 child care providers in King County look to CCR for over 12,000 hours of technical assistance and coaching in their home, at CCR's offices, over the phone or via email.

Case Study: A single mother with two children, ages 1 and 7, was enrolled in a medical assistant training program. CCR subsidized her child care initially – which allowed her to start both a job and the training program – but also helped her attain child care support from the Department of Social and Health Services (DSHS). Most importantly, CCR helped her find her independence and the best possible child care for her two children.

www.Childcare.org – (206) 329-1011

VALUE ADDED CLIENTS:

*A sampling
of the groups
we've served
this last year
whose success
enhances the
communities
they serve.*

Second Use

Reclaiming building materials for reuse since 1994. Their mission is to divert reusable building materials from the landfill, preserve components of our architectural heritage, provide affordable building materials to the public, and offer living wage jobs to their staff. Now happily serving the public from the premises we found for them at the former Alaska Copper building at 3223 6th Ave South, Seattle.



Bright Horizons Family Solutions

Named to FORTUNE Magazine's 2012 List of "100 Best Companies to Work For" in America, recognized on Working Mother 100 Best List, and recognized as one of the 100 'Top Places to Work In Massachusetts' for fifth year in a row by Boston Globe. We've been proud to be involved representing BH in lease negotiations for over 22 years: and during 2012 have worked on several leases in the Chicago marketplace as well as Seattle and the Bay Area.

Center for Impact and Innovation

The Grand Opening of the new home of Bainbridge Graduate Institute, HUB Seattle, and Social Venture Partners Seattle was held on October 26, 2012. With 1200 in attendance, Mayor McGinn and Gifford Pinchot cut the ribbon launching a new era of sustainability and social entrepreneurship from the classic 34,000SF former Masin's Furniture Building. We were proud to have represented BGI and SVP as they teamed with HUB to energize this historic neighborhood.



LETTERS OF INTENT...should be taken seriously

"A gentlemen's agreement is an agreement which is not an agreement, made between two persons neither of whom is a gentleman, whereby each expects the other to be strictly bound without himself being bound at all."
...The Honorable Sir Harry Bevir Vaisey, Justice of the High Court.

A letter of intent is a document which summarizes the bases upon which Tenant and Landlord or Buyer and Seller agree (in good faith) to move forward with lease documentation or a purchase and sale agreement (PSA). In other words the template upon which a binding agreement is to be built.

Some people will cite the disclaimer language that is usually incorporated into the LOI as evidence that one need not take the LOI

too seriously. And attorneys will advise that while the letter should contain enough detail it should not be so detailed that it be considered the definitive agreement.

In the State of Washington a real estate contract (a lease or PSA) is unenforceable unless signed by both parties irrespective of how much time might have been vested in the process to that point. So one needs to look inward and beyond the law. To one's intentions and whether they are honorable. In other words, do you mean what you say? Our advice is, if you are still negotiating with other parties, do not use this instrument. By all means send a letter of interest. But not intent.

In other words, do not sign an LOI unless you truly intend to live by its terms should the other party agree to them.

"There is nothing more likely to start disagreement among people or countries than an agreement."

E.B. White

THE VIEW FROM UNION STREET.

Although the definition of what constitutes downtown Seattle will likely vary by individual, there seems little argument that the center of gravity has shifted North over the last few years.

For the purposes of this article our boundaries are Cherry and Stewart Streets, I-5 and First Avenue. The disproportionate impact of Amazon's unparalleled growth and that of life science office users in South Lake Union won't be considered. And Pioneer Square which has seen the recent in-migration of numerous tech tenants is likewise excluded from this particular survey.

Our Mason-Dixon Line is Union Street.

South of Union (SoU), the fifteen largest Class A buildings contain 9.5 million square feet of office space and, as of mid-November, according to [Officespace.com](#), they have a vacancy rate of 19% for a total of 1,800,000 square feet. That's the equivalent of all of Columbia Center plus the Norton Building. Two of the three largest buildings are over 30% vacant while 1111 Third Avenue has the highest rate at 61%.

North of Union (NoU), the fifteen largest Class A buildings are reported to have a little over 8 million square feet of space available with a vacancy rate of 13% resulting in about 1,040,000 waiting to welcome tenants. That's

almost as much space as Two Union Square. However, the individual vacancy rates for each building are much lower than SoU with all but one of the fifteen being below 20%.

We reviewed vacancy rates two years ago as well as rental rates for the same thirty buildings to determine if rates go up as vacancy declines, which historically is the norm in commercial real estate.

SoU, vacancy rates increased 26% between 2010 and today, from 15% to 19%.

NoU the opposite occurred. The rate declined by 24%, from 17% to 13%.

What happened to asking rates? Not quite what one would expect. Although the vacancy rate increased significantly SoU, the asking rates actually *increased* 14% where the data is available, from an average of \$26.67/square foot in 2010 to \$30.33/square foot today. NoU, the asking rates also increased but by a smaller percentage, 12%. Interestingly, the dollar amount of the increase was the same for both areas, \$3.66/square foot.

So why did rental rates increase for all areas downtown regardless of the trend in vacancy rates?

Several factors contribute to what seems to be an anomaly. The Seattle Metro region is one of the healthiest in the country, thanks to Boeing's continued successes and compa-

nies such as Costco, Starbucks, Nordstrom, Amazon and Microsoft, as well as companies in the health sciences and global health arena.

According to the City of Seattle Office of Economic Development, business income increased 3.3% from 2010 to 2011 and new business licenses increased over 15%, both signs of a healthy growing economy. This growth is also evident in the unemployment numbers which have decreased by 35,000 since peaking in January 2010.

The second factor contributing to the increasing rental rates across the board is the lack of new inventory in Seattle. Most of the commercial construction is build to suit. Although some new office buildings are planned, stringent lender requirements mean they won't be built without a substantial amount of the space being preleased to credit tenants. So we certainly won't see a repeat of 1988 when 4.5million SF of speculative space was brought on line in Seattle!

The bottom line: while lease rates are higher and concessions less than a year ago there are still some sizeable blocks of quality space available for tenants; especially South of Union.

Larry Pflughoeft larryp@officelease.com

Clients Comment:

"Paul, we all know it would not have been possible without you. Your vision, persistence, diplomacy, and negotiating savvy is unbelievable. Know it has set a high bar for us all to make this special place all it can be for Seattle, the region, and the world. Thanks for making it happen - Congrats and appreciation from your BGI family."

John Gardner, Dean, Bainbridge Graduate Institute

"In our search for a new store location, Paul Suzman and Rick Page provided the kind of expertise we needed. They took the time and attention needed to learn about the unique needs of our business and worked hard to show us properties that met those needs. During lease negotiations and the permitting process for improvements, Paul and Rick provided solid advice and referred us to other capable professionals where needed. Their experience gave us considerable confidence during a complex and sometimes challenging relocation process. I would not hesitate to recommend OfficeLease to others."

Dirk Wassink, President, Second Use Building Materials, Inc.