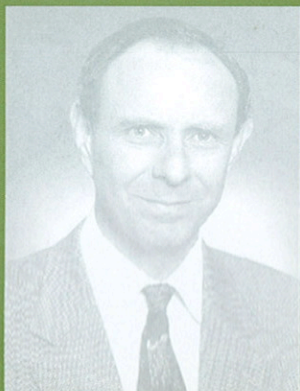


officelease OfficeIntelligencer

January 2003

1301 5th Avenue, Suite 3535, Seattle, WA 98101
Ph: 206-624-0000 206-464-1389 FAX
www.officelease.com



From Paul Suzman,
Managing Director

(Paul was recently a panelist on Law Seminars International's 14th annual advanced conference on commercial real estate leases.)

"Workmanship of risk"

This phrase, coined by British professor David Pye in his book, *Nature and the Art of Workmanship*, is used to describe the hand production of any item that can never be exactly replicated. (In contrast, he also cites "Workmanship of Certainty"—items made by the "cookie cutter" approach of, say, a plastic extrusion plant.

(continued on Page 4)

So much for the paperless society!

Some 18 months ago, we decided to save trees, postage and paper cuts by dispatching OfficeLease's newsletter in e-format. We did this with some trepidation—which was well justified. Email in-boxes are inundated with 'spam.' By default, even the soundest information can get junked. So...

We have changed the name of our newsletter from *Corporate Real Estate Strategies* to *OfficeIntelligencer*. We hope you find this information useful and thought provoking. Back issues may be found at our website: www.officeintelligencer.com.

CLIENT PROFILE:

PhenoPath Laboratories Brings High-Tech Science To Funky Fremont

We are proud to represent a fast-growing enterprise, PhenoPath Laboratories, which recently moved into a beautiful new space on Fremont's colorful ship canal. PhenoPath was founded in 1998 by pathologist-scientist Dr. Allen M. Gown, a leading expert in the diagnostic and research applications of immunohistochemistry. PhenoPath Laboratories specializes in the fast turnaround of second-opinion pathology work for breast cancer patients.

Using both manual and automated techniques, PhenoPath's technologists are recognized and experienced experts in the



fields of histology and immunohistochemistry. Their pathologists are widely published leaders in diagnostic immunohistochemis-

(continued on Page 2)

VoIP: The Business Voice of the Future

Recently, Seitel, Leeds & Associates, a leading Seattle-based IT engineering and consulting firm (<http://www.sla.com>), arranged for a group of Facilities Infrastructure providers and advisors, including OfficeLease, to visit with the folk at Cisco for a demonstration of their Voice over IP technology. **It is very cool stuff!**

VoIP—Voice over Internet Protocol—uses computers to make telephone calls, and is being backed by some of the biggest players in telecommunications.

These companies are not just promoting VoIP as an important new technology, but as an inevitable adjunct to doing business—like fax, photocopy, or e-mail.

Over the next three to four years, almost every enterprise will seriously consider junking its PBX-style systems in favor of VoIP. Why? Because VoIP technology is so cost-efficient that it will not make sense for corporations to put off the decision.

VoIP combines voice and data communications over a single system, which makes it much easier to maintain and manage a company's data and communications system.

Long distance charges also disappear, to be replaced by the much-cheaper cost of Internet connectivity. The cost plummets from its current corporate rates. The phones can store many hours of voice mail, and even record calls.

Many handsets come equipped with infrared ports, so people can synchronize their hand-held computers with the corporate system, and with regular computer ports for laptops. And the screens can be used to display e-mail or any bulletins the company wishes to send to its employees.

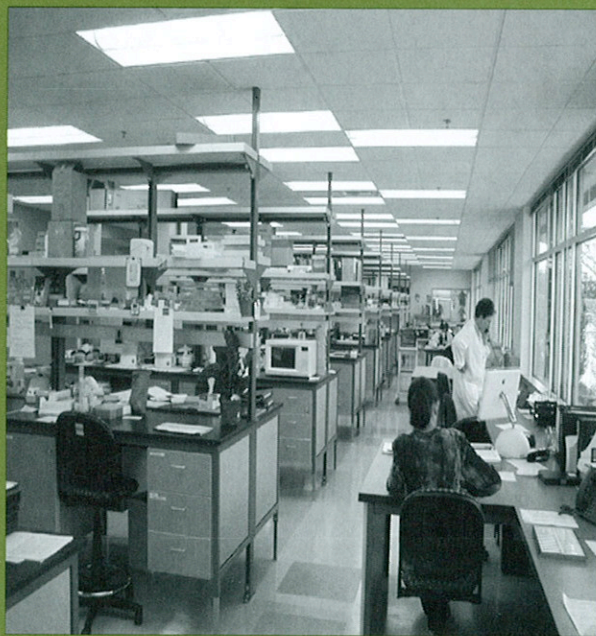
If your firm is planning to move offices,

Phenopath Laboratories (continued from Page 1)

try, giving regional and national lectures and workshops on a regular basis.

PhenoPath Laboratories currently works with a number of investigators in the academic, biotechnology, and pharmaceutical communities.

The company's investigators, using the techniques of immunohistochemistry and in situ pathologists, as individualized attention it deserves. PhenoPath is located at 551 North 34th Street, #100, in Seattle, Washington. Their telephone number is (206) 374-9000.



or to expand your current space, it's likely that your computer and telephone systems will need some careful attention. It is crucial that the day after the move, important data, voice and network services must be available to managers and staff.

We asked Dana Jones at Seitel Leeds (e-mail: djones@sla.com) what sort of questions firms should ask themselves. Here they are:

1. Is our current system adequate for our current needs?
2. What value would we realize from moving to a converged network?
3. Can our system support that move?

If you need a hand answering these, or other salient and potentially crucial IT questions, we suggest that you contact Dana!



"Other folks have to pay taxes too, Mr. Herndon, so would you please spare us the dramatics?"

OfficeLease Sponsors "The FacilitiesRoundtable"- A quarterly forum of Northwest facilities directors, from a dozen diverse companies, who meet to discuss relevant issues and concerns

On October 23rd, 2002, we facilitated a timely, if not sobering, presentation about international security and personnel travel concerns and health issues. Our speakers were Dave Richter, of Richter International Consulting, and Tom Dougherty, security advisor to Boeing.

The overarching issue of the presentation was employee safety. In light of the litigious nature of modern society, the presentation also stressed the importance of providing clear proof that employers have made their best possible effort to provide travel safety, both nationally and internationally.

The presentation addressed three topics:

Preparation of employees: It is vital that workers are clear about issues of travel safety. Dougherty typically visits with the whole family in a "town meeting," if they are relocating overseas, well prior to trip departure, to ensure they are clear on "dos" and "dons."

Support in place: It is of great importance that employees know to whom they can turn to for advice on all aspects of their local assignment. Included in these

concerns are the location of medical facilities. (Boeing has an intranet website where employees can look up the safety status of the different countries in which they operate.)

Plans in place: Should a serious medical situation arise, keep in mind a valuable resource on the Internet: <http://www.internationalosos.com/online/> This organization globally evacuates over 12,000 people annually. Their website is informative and useful. Dave Richter (who is available via e-mail at this address: dave@richterinfl.com) has worked for this organization. He offers an insider's perspective and provides local consulting on these requirements.

Following these topics was an open discussion. This talk touched on such issues as what to do if a foreign invitee/employee/visitor requires medical treatment while in the US; securing insurance data for foreign workers; and insurance liability and personal action in the case of a kidnapping for ransom.

Dougherty stressed employee awareness of possible signs of trouble around the work place. They are encouraged to notice cars or people that they've not no-

ticed before—loitering, or doing anything out of the ordinary.

Also addressed was a Roundtable favorite—the importance of contingency planning.

In closely held institutions, it should be standard for the owners to establish continuation plans, in the event that key employees are lost in an accident.

Case in point:: consider the major impact and ramifications of the unplanned demise of Senator Wellstone and his staff. It was agreed that the key executives of such companies should be encouraged to travel separately, and that their companies should run a contingency exercise to simulate the loss of one or more key figures, and how remaining management should best react.

Past FacilitiesRoundtable forums included discussions about emergency and contingency planning, earthquake-related damages, the impact of technologies on facilities use, and "future@work."

pauls@officelease.com

OfficeLease is Greater Seattle's first tenant representative firm. We assist companies with strategic real estate planning, lease analysis and negotiations, and lease vs. purchase evaluation. We are the Washington State partner of ITRA— International Tenant Representative Alliance.

www.officelease.com

(206) 624-0000

"Yes, it used to be so, but we have changed all that..."

So states a charlatan, pretending to be a doctor, in Moliere's 17th century satire, *Le Medecin Malgre Lui*, as he confuses the relative location of heart and liver and thus justifies his mistake.

This explanation could well have been ascribed to "voodoo" economics during the recent dot-com boom. It became a justification used to attract otherwise thoughtful investors who ignored their better judgment. It also ignored the basic principles of a bottom line. Who among us were not, even in a small way, sucked into this "new economic reality?"

The U.S. economy, which has withstood the impact of the last couple of years, was once described as a beehive or honeycomb—a compartmentalized structure able to sustain considerable damage without leaking all of its precious contents.

The so-called "Tech Boom" financed most of the infrastructure built into many of the spaces now being re- or sub-let. There is something very organic and "Northwest" in this process—similar to a fallen tree composting on a forest floor or salmon carcass fertilizing a river after spawn. Much of this highly developed space will help "fertilize" the next generation of innovative companies and entrepreneurs.

As always, we value your comments. Please write to us at : pauls@officelease.com

"Workmanship of risk" (continued from Page 1)

The creation of a wooden boat is an example of "Workmanship of Risk." The process involves the steaming and bending wood to fit the frame, plank by plank, finally arriving at a finished product.

A lease document is another result of Workmanship of Risk, although not as pleasing to the eye as a dory, skiff or yawl. It is hard to predict what the final product will look like. Its creation depends on two elements—the raw materials and the ingenuity and collaboration of its creators.

Happily for our clients, the market again permits the inclusion of numerous enticing negotiation concessions. Rent abatement, enhanced tenant improvements, lease assumption, free moving, expansion or contraction are some of the options available to clients. Recent CBD transactions in Class A buildings include fully serviced lease rates in the mid \$20s with "turnkey" buildouts (\$50+!) And all moving costs are again covered. These are rates that almost take us back to 1988!

The table below, courtesy of OfficeSpace.com, illustrates the impact of Building Vacancy Rate and Age on the range of asking rents. The four most recent buildings are in the '91-'03 age group. The '85-'90 has nine buildings constructed during the last market boom. The six built in the previous "cycle" are in the '73-'84 period. Vacancy Rate has been broken into three groups: less than 10%, that past experience indicates is a landlords' market; greater than 30% where the tenant should be able to call the shots; and the middle 20%. Remember, asking rates are just that... **asking!**

Building Built Vacancy Rate, %	'91-'03	'85-'90	'73-'84
	\$/sqft/year fully serviced		
> 30	28-33	23-32	none
10-30	31-38	32-36	27-35
< 10	35-40	33-39	30-38

Excellent deals are certainly possible in buildings with the highest vacancy rates. And don't overlook this fact: downtown Bellevue has an average vacancy rate greater than Seattle!

The current office space market is welcoming to "Workmanship of Risk." One-of-a-kind lease agreements can be crafted to fit a client's business plans. This is a personalized and pleasing alternative to past markets, in which clients had to scramble to find anything that would simply keep employees reasonably warm and dry. For detailed information about vacancy rates, contact Don Maclaren at donm@officelease.com.

Flexibility Pays Dividends

With office vacancy rates exceeding 15% in Seattle and 25% on the Eastside, it's fair to assume that there are ample space alternatives available for any organization. These opportunities can prove cost-effective if the prospective tenant is willing to compromise on layout, amenities and location.

When we work with clients on needs analysis, we stress the importance of ranking criteria, and of developing internal consensus on areas of compromise. The

present-day Seattle market has over 6,000,000 square feet of space available—much of this space with costly infrastructure already built in.

As you evaluate your options, keep the art of compromise in mind. It will provide a greater array of choices and will minimize your cost of occupancy.

For a copy of our Weighted Ranking sheet, email Larry Pflughoeft at this address: larryp@officelease.com