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Commercial Real Estate Planning
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*Welcome to the Spring 2001 'Post Trembler' issue of **"OfficeIntelligencer"**. Pertinent information from OfficeLease/ITRA Seattle for well informed, office users.*

From the Editor
Paul Suzman:

Richter Scale Tales:

A)What happens if someone weighing about the same as you barges full tilt into you? You're probably knocked to the ground right? Hard.

B)What happens when someone tosses you, unexpectedly, a 12-35 lb medicine ball? You stagger; maybe you even fall?

Answers:

A) Is how it might feel in a high rise building that is doing it's job in a 7.5 Richter scale quake; the supposed 500 year event, the "BIG" One to which modern buildings are designed. More specifically, the 'g' forces at ground level (depending on the soil type) might be around .3. And the way your building and it's infrastructure absorbs and dissipates or dampens the kinetic energy of the event is to sway and oscillate and in the process multiply the effect of the g forces 2 to 3 times on the occupant. That's a big medicine ball! But the structure hereby maintains integrity and it does not collapse. It's not only you, the user that will be knocked around however. It's the bookshelves and filing cabinets and all those heavy star shaped solid crystal awards you proudly display on an upper shelf that become

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unguided missiles. Every building will behave a little differently. Whether low or high rise. But it's the unsecured objects that will cause the most problems. Obviously this all depends on the depth of the trembler.

B) Is more or less what was thrown at us in the "Nisqually" event a couple of weeks ago. Where we experienced 'accelerations' of only .1g (a 10 lb medicine ball tossed to a 100lb person) as actually measured at the base of some buildings which happened to be on landfill (which tends to amplify the effects of the shaking) And depending on the building and location and your own weight and location in the building this could have been a 20 or 30lb ball; but that was the extent of it. My thanks here to John Hooper of Skilling Ward Magnusson Barkshire Engineers for his physics tutelage.

I also asked Patrick Mays, CIO of NBBJ Group, to share with us his perspectives on preparedness and the impact of our recent trembler on certain buildings. I and a number of corporate facilities directors were shown photographs of tumbled filing and collapsed racking that clearly would have been the last resting place of anyone caught unawares. We also saw what happens when lighting systems installed to code started smashing against exit signs or HVAC ducting also installed to code; But reacting to the event at different frequencies they smashed into each other and became extremely dangerous. Or they sheared sprinkler heads and the result was, as you might imagine, a mess. And caused major disruption to operations. So look around your offices and ask yourself if the desk you plan on ducking under would hold up if a 200lb bookcase were to topple or if the mirrors in the restroom are securely anchored. One client had the mirrors in a bathroom collapse the day after the event and shards were sprayed everywhere. .....

But no one was killed. It was also clear from our related experiences that few employees are really prepared to react appropriately to such natural phenomena.

In future editions of 'OfficeIntelligencer' we will discuss practical suggestions from the experts. for emergency preparedness

One and a half million square feet! Is.....

a) The approximate amount of tech related office space 'returned' to the market for sublease over the last 4 months,
b) The amount of space that might be occupied by 8500 tech jobs @ 175 square feet per……,
c) Over $45M in unintended equity transfer.
d) The approximate total office space absorption for Q4 2000, and,
e) The equivalent of the 76 story Bank of America Tower.

The total amount of space now available for lease and sublease is greater than this, but this is all good news for local tenants who are in the business of growing viable companies. And based on the most recent vacancy numbers published by OfficeSpaceOnline it is clear that the vacancy rates are working their way towards a more tenant friendly market. Currently we are looking at 6.17% vacancy on the Eastside and 6.28% Downtown. This is still 'tight'. But, if one then adds the 6 Million s.f. of space under construction, and without taking into account absorption beyond the preleased space in these new buildings, then these vacancy numbers would rise to 16% and 12% respectively. There will of course be more space absorbed, but certainly not close to the record 4.5M square feet of 2000.

Will this mean lower occupancy costs? Yes, but indirectly for the moment. We are not yet seeing significantly

lower quoted rates on new property but landlords now have more inventory competition and must become more flexible in their dealings. Which they can certainly afford to be!

Class A sublease space is still leasing at rates comparable to the new space (replacement cost) But the hidden bonus for a user is in the completed infrastructure, 'sunk' tenant improvements and cabling which can save a sublessee up to $30/s.f. in value. The sub-lessor effectively will end up writing off most of these costs. To the clear benefit of their successors. And is another example of unintended involuntary equity transfer!

But, most sound real estate decisions are based on criteria other, simply, than lease rate. So priorities such as employee amenities, quality of construction and building systems and flexibility and efficiency of design should continue to determine your choices.

Lease Expiration: Time to assess corporate goals:

Lease expiration usually occurs on a date based on anything but your business cycle. Nor is it usually the result of careful and insightful planning. It is most often simply the last day of the 36th, 72nd or 120th month of a contract!

And it occurs frequently when you have all sorts of other corporate priorities with which to deal. But there is no excuse for an expiration to be a surprise. On the contrary. Depending on the size of your organization, but starting a minimum of a year prior, it should be an opportunity to reassess your partners' commitment to goals, to question corporate directions and priorities, to initiate internal and organizational 'house cleaning'. And it is also an opportunity to challenge the norms and established ways of an industry.

In short it should be a catalyst for change if such is needed.

Or reaffirmation of a business plan that is working.

"Liberty as a high rise model"

Thanksgiving weekend;a perfect time for my 9 year old, Max, and me to climb 334 steps to the crown of the Statue of Liberty? Little did we think that it's design principles provided the base technology from which the modern high rise office tower evolved.

There are many other things to do in New York than to spend 2 ½ hours clambering up the robes of a 125 year old immigration official. But given the untold millions of 'huddled masses' that have for over a century been willing to do almost anything for the mere sight of this coppered icon, there was nothing better we could have done that day.

And as we inched our way up through the greenish folds of Liberty's gown we all had plenty of time to reflect on both the brilliant engineering and the symbolic genius that inspired this construction. As well as that which earlier had crafted our Constitution

And the view from the crown towards the Verrezano Narrows is spectacular. (Even if you're not an immigrant you should make this climb!)

And, as always I was impressed by the sophistication of 19th Century construction. I learned that the creator of the Statue of Liberty, Frédéric-Auguste Bartholdi,had to figure out how to support 100 tons of copper plate and how to make the 151-ft-tall statue able to withstand the winds of New York Bay. So he turned to Gustave Eiffel, the engineer who would subsequently build the Eiffel Tower.

Eiffel produced a 94-ft-high wrought-iron square skeleton whose chief structural members are four posts that work in compression and supports a secondary iron frame that, in turn, carries a system of flat wrought iron bars. These members carry the copper plates that form the statue's exterior skin. The frame is braced with diagonal members and was designed so that in a 50-mph wind, the monument moves 3 inches!

The sheathing is of 350 copper plates supported by straps of iron .Although the copper plates overlap and are riveted to each other, they are supported entirely by these iron bars angled upward to act like springs. allowing the skin to bend without being damaged by high winds or extreme fluctuations in temperature. Clever no?

Bartholdi assembled then disassembled and shipped the statue in 210 crates to New York in 1885. (great example of prefabrication)

On Liberty Island in New York Bay, an 89-ft-high granite-faced reinforced concrete pedestal was built--one of the first instances of the large-scale use of reinforced concrete. The statue was then reassembled with 300,000 copper rivets and was dedicated in October 1886.

This project exemplified innovative use of new blended with traditional technologies, a willingness to accept considerable risk, and it depended on innovative funding to make it happen. Bartholdi could never have guessed how powerful, enduring and symbolic his structure would become.

So in many ways Eiffels' engineering and design was a successful precursor of the modern high rise office building . And, with a considerable stretch I came to the conclusion that this technology is therefore what makes our business possible.

But I resisted the temptation to write off the admission as an R& D expense.

ITRA SURVEY

Corporate America Embraces e-Commerce, Curbs e-Mail Abuse

Now in its third year, the ITRA National Business Survey has caught the attention of the national media. The Survey has been quoted in such outlets as the Associated Press, the Wall Street Journal, Business Week, HR and facilities trades, daily newspapers and regional business magazines as it takes the pulse of Corporate America.

Every year, ITRA members send the Survey to businesses in their respective local communities, and these responses then become grist for the national opinion mill.

The results from 2000 Survey covering alternative work styles and the business overview of the regional and national economies appears inside this edition of Real Estate Strategies. Below, are excerpts from the Survey sections on e-Commerce and e-Mail at the office:

E-COMMERCE AND THE INTERNET

A major new area of this year's survey was e-commerce and use of the Internet:

- Five out of every eight companies (62.7%) now use the web to access data bases, exchange files and perform research
- Six out of ten companies (59.9%) use web-based advertising and promotion

- Nearly four out of ten use a website to sell products and services directly to customers
- More than a fifth (20.9%) have an online purchasing system

CURBING INTERNET ABUSE

Corporate America is closely divided on the proper approach to curbing employee abuses of the Internet at the office. Nearly half of all companies (47%) restrict employee access to the Internet. But a look at mid-size companies shows that this number rises to 60% with Internet access restrictions. Large companies are even more restrictive, with 71% curbing Internet access.

The top three reasons cited by executives for limiting Internet access at their companies is:

- Sending personal e-mail messages (24.7%)
- Online personal shopping during work hours (20.9%)
- Access to X-rated adult websites (19%)

An additional 7.6% set limitations to prevent workers from applying for jobs with other companies. Nearly 10% said they wanted to limit all personal activity, while a few companies expressed concerns about protecting proprietary information and online stock trading.

In another sign of the times, 41% of all respondents said their companies had disciplined a worker for "inappropriate use of the Internet or company e-mail." Of those companies citing a specific reason for disciplining an employee, the most commonly cited:

- X-rated or pornography (37.5%)
- Violation of no-personal use rule (25.1%)
- Online stock trading (13.4%)
- Politically Incorrect Jokes (12%)

As always we welcome your comments.

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