

CONNECTION

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INSites



A Silver Lining

Yes, we are in the throes of the worst downturn since the Depression, and no quick fix is in sight, as detailed in Market Trends on page 2. So why is

there a hint of optimism in this edition of *Connection*?

First, we at CresaPartners are in an excellent position to counsel our corporate clients about how they can leverage conditions in what has clearly become a tenant's market.

Second, we are pleased that our independent firm—now the nation's largest pure tenant representation firm—is not subject to the whims of the stock market. Unlike highly leveraged public companies, we have no debt. Rather, our old-fashioned partnership model allows us to be stable and fiscally sound.

Finding advantages in today's down market is the theme of this month's newsletter, and we call your attention to Tenant Tips and Strategies that Save on page 3. Under "Strategies..." we outline how project management can help companies do more with less. Also on page 3, in Client Corner, we profile how project management and transaction management can work together to enhance value for tenants.

Finally, in Going Green on page 2, we continue our series about sustainability at the workplace. Even with upfront investments, green initiatives pay for themselves within three years.

For more information on these topical issues, please visit our web site: www.cresapartners.com.

Bill Goade, Chief Executive Officer
CresaPartners, LLC.

As Market Meltdown Takes Its Toll, Leverage Shifts to Tenants

The meltdown of capital markets continues to shake up commercial real estate markets throughout corporate America. More companies are closing, and unemployment claims have reached their highest level in seven years. While the financial rescue plan was expected to stimulate lending activity, the Treasury seems to be shifting its focus toward bailing out consumer credit markets, which may not help commercial debt markets.

The upshot is continued uncertainty and anxiety, with some companies shutting down and others forced to cut back. Given this bleak scenario, it is ironic that many landlords still

seem to be outwardly confident, pointing to statistics that indicate low vacancies and stable rents. The truth, however, is that statistics are better at recording the past than reflecting the present.

A reality check:

- Artificially inflated rents are now undergoing an inevitable correction. Asking rents are down from inflated heights of 20% in the last quarter in many markets, and we expect they will decline another 20% in the next three quarters.

- Companies are shedding more space, vacancies are rising, and limited new inventory is anticipated.
- Sales in commercial real estate have declined about 90% this year, and limited trading is expected, as financing is hard to secure.
- Venture capital investments have dropped dramatically, and commercial mortgage-backed securities are completely stalled.

Tenants should recognize that the pendulum has shifted, and they can apply this leverage to their advantage.

Despite our reality check, we should put this crisis in perspective. The mess in the commercial market is not nearly as bad as it's been on the residential

side. The commercial market is typically stable, with much less supply and more income sources. Landlords generally can still generate enough cash, and defaults are low.

Moreover, corporate tenants are now in the driver's seat, and we are counseling them to be patient and prudent, and not panic. Tenants should recognize that the pendulum has shifted, and they can apply this leverage to their advantage. (See Tenant Tips on page 3.)

MARKETtrends



Darker Days Ahead, But We Can Expect to See the Light

The bad news: The financial crisis will likely get worse before it levels off, and the areas with the “biggest bubble” will take the biggest tumble. New York City, the Bay Area, and Boston—with some of the nation’s highest rental rates—will experience the greatest market corrections as rents come down. Job layoffs will likely intensify, and companies will continue to dispose of space—in fact, many subleases have started to hit the market, and today’s statistics don’t tell the whole story. Within the next nine months, we expect vacancies to rise another 3%-6%, while sales and velocity will remain sluggish in virtually all North American markets.

The better news: The recession is actually more than one year old, according to the National Bureau of Economic Research, most economists predict that the recovery should begin by Q4 2009.

The widespread effect: This is an equal opportunity recession affecting all regions and all sectors. While the market crash hit financial institutions first, and the larger metro centers were generally the first to suffer the blow, cities on each coast are now weathering the impact, and virtually no industries are unscathed. Meanwhile, the Rust Belt and Detroit has been in a recession for three years.

The takeaway for tenants: Adversity for some brings opportunities for others. Use your market leverage in dealings with landlords, who are desperate to hold onto credit-worthy tenants.



GOINGgreen

A Healthy Workplace Needn’t Cost Much “Green”

With Corporate America in a cost-cutting mode, some companies are having second thoughts about their sustainability strategy. While green improvements do require an upfront investment, they tend to pay for themselves within three years.

Beyond bottom-line savings, there are many business reasons to go green: Studies show that sustainable working environments result in more effective recruiting, improved staff productivity, lower absenteeism, better employee retention, and positive publicity.

Of course, the larger issue is that offices have a huge impact on the environment. According to the U.S. Department of Energy, buildings account for:

- 36% of total energy use
- 65% of electrical consumption
- 30% of greenhouse gas emissions
- 30% of raw material use
- 30% of waste output
- 12% of potable water output

So, even during this economic crisis, it makes business sense to go green. We’re all in this together, and CresaPartners is proud to take a leadership role in the green movement as our home office takes steps toward sustainability and our employees nationwide work toward Leadership in Energy and Environmental Design (LEED) accreditation.



STRATEGIES THAT save

During this economic downturn, a challenge for companies is to do more with less. While construction costs are rising, the cost of furniture is actually less than it was 20 years ago. For companies that are downsizing, now may be a good time to work with a project manager to see how you can reconfigure your space and streamline your workstations.

For instance:

- Flat screen monitors with arms reduce workstation footprint by up to 20% and still allow for the same functional area.
- Personal storage towers or work walls can take the place of panels.
- Shaped worksurfaces and smaller corners turn wasted space into useable space.

A little creativity and practicality can go a long way. In terms of value, consider this:

In 1988, a typical "Grade A", 6' x 8' workstation cost \$5,500 (with the price adjusted for inflation). Today, the same station costs \$2,200—a reduction of 60%! And a 6' x 6' station would cost even less.

TENANTtips

What is our advice to tenants during these uncertain times? They should be deliberate and strategic. Indeed, companies can find a silver lining in today's volatile economy if they do the following:

- **Exercise greater control.** In today's market, companies have more leverage in dealing with landlords who want to maintain their assets. Tenants may consider negotiating new lease terms like cancellation rights, tenant improvements, and additional concessions. Companies with leases approaching expiration should determine what assets to hold onto and what to unload. Key locations should be considered for long-term commitments to take advantage of favorable terms. Locations of less strategic importance may be eliminated.
- **Protect the bottom line.** It's critical that companies protect their assets and cut costs. In considering cost-saving measures, tenants should note that if they negotiate directly with landlords (versus outsourcing to service providers), they may overpay by about 20%. And they can save even more by partnering with a tenant advisory firm that exclusively represents them, not landlords.
- **Think strategically and long term.** Another way to save is to make modest upfront investments in strategic planning and project management. (See Strategies that Save.)
- **Ask about conflicts of interest.** Landlords wary of their cash flow are putting enormous pressure on brokers to close deals. This can be problematic to tenants when they consider that brokers from traditional firms (which represent tenants *and* landlords) cannot adequately serve two masters and avoid conflicts of interest.

Especially in this environment, tenants should ensure that their advisors and project managers put their interests first.

corner

CLIENT

GH&I is one of Atlanta's largest, full-service CPA firms. The firm had expanded four times within the same building during the last 10 years, resulting in staff being disconnected in separate spaces. With future growth plans and the need to consolidate its space and upgrade its image, the firm engaged CresaPartners to find a new headquarters in Atlanta.



"Thanks to CresaPartners, our new location at Concourse VI will offer convenient access to our clients from across the metro area. In addition, our corporate center will provide the type of favorable work environment and enhanced amenities that will assist us in attracting and retaining top talent for years to come."

-Steven R. Baldwin, CEO

Our intense site selection process resulted in GH&I relocating to a conveniently located "trophy" building, where the firm will occupy 40,000 SF this spring, after CresaPartners completes its project management, including a turnkey buildout.

The transaction terms included starting rent equivalent to the rate in the firm's prior location, a substantial tenant improvement allowance, and a moving allowance.

THE results

- CresaPartners has been selected to develop and execute a strategic plan for United Space Alliance's (USA) facilities in the post-shuttle era. The CresaPartners team from Houston and Denver will lead the development of the strategic plan, and our team from Orlando, Birmingham, and Washington, DC, will assist during the execution phase, which will likely involve multiple moves and occupancies as some facilities are shut down and others are expanded. USA, a space operations company, has 10,000 employees in 1.3 million SF of space, primarily in Houston and Cape Canaveral.
- CresaPartners in Orange County represented Corinthian Colleges—a for-profit, post-secondary education company—in four leases totaling 131,411 square feet in Southfield, MI; Tampa, FL; Toronto, Canada; and West Los Angeles. In Southfield, the OC office teamed up with CresaPartners in Detroit to represent the college in a 10-year, 46,124 SF lease at 21107 Lahser Rd. At 3000 S. Robertson in Los Angeles, the college renewed its lease for 31,340 SF for five years. In Toronto, the OC office teamed up with CresaPartners in Toronto to represent the college in a five-year, 25,165 SF lease renewal at 117 Eglinton Ave. East. And in Tampa, the college expanded its lease to 28,782 SF at 3275 W. Hillborough Avenue for seven years.
- CresaPartners in Los Angeles represented Sony Computer Entertainment America, Inc. in a lease renewal and expansion of 44,751 square feet at 1630 Stewart Street in Santa Monica. Sony Computer Entertainment America is a manufacturer of audio, video, communications, and information technology products.
- CresaPartners in Atlanta and Miami represented The Great American Hanger Company—a clothes hanger manufacturer and retailer—in a lease of 84,560 square feet of warehouse space at the Savannah LogistiPort. The Great American Hanger Company will move its primary import distribution center to this 72-acre business park that was developed in 2007.
- CresaPartners in San Diego represented The Aesthetic Arts Institute of Plastic Surgery in a \$1.683K purchase of one of La Mesa's historic buildings, the James Morrison House. Located at 8401-8415 Grant St., the house built in 1909 was declared a historic landmark in 1984 and completely renovated in 1985.
- CresaPartners in Boston represented Cesari and McKenna, LLP in a lease at 88 Black Falcon Avenue in Boston. Cesari and McKenna, an intellectual property law firm, extended its lease of 21,171 square feet of office space on the second floor.

UNITED STATES

Atlanta	Kansas City	Phoenix
Austin	Long Island	Pittsburgh
Bellevue	Los Angeles	Portland
Bethesda	Memphis	Princeton
Birmingham	Miami	Raleigh
Boston	Minneapolis	Sacramento
Chicago	Nashville	San Antonio
Cincinnati	New York City	San Diego
Dallas	Ontario	San Francisco
Denver	Orange County	San Jose
Detroit	Orlando	Seattle
Fairfield County	Palo Alto	St. Louis
Houston	Paramus	Tyson's Corner
Indianapolis	Philadelphia	Washington DC

CANADA

Calgary	Ottawa	Vancouver
Montreal	Toronto	

INTERNATIONAL

Anney	Glasgow	Mulhouse
Athens	Graz	Mumbai
Bangalore	Hamburg	Munich
Barcelona	Heitzing	Nancy
Beijing	Hong Kong	Nantes
Belfast	Jersey	Newcastle
Berlin	Klagenfurt	Nice
Birmingham	La Paz	Orleans
Bogota	Leeds	Panama City
Bordeaux	Leipzig	Paris
Bratislava	Lille	Prague
Bristol	Lima	Queretaro
Brussels	Linz	Rennes
Budapest	Lisbon	Rouen
Buenos Aires	London	San Juan
Caracas	Luxembourg	Santiago
Cardiff	Lyon	Santo Domingo
Clermont-Ferrand	Madrid	Sao Paulo
Cologne	Manchester	Seville
Delhi	Marbella	Shanghai
Dijon	Marseille	Southampton
Doblfhofgasse	Metz	Strasbourg
Dublin	Mexico City	The Hague
Dusseldorf	Milan	Tokyo
Edinburgh	Modling	Toulouse
Essen	Monterrey	Valencia
Frankfurt	Montpellier	Vienna

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