TENANTADVISORYGROUP

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TENANT TALK

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GRUBB & ELLIS. From Insight to Results

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Alternative Workplace Strategies

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Consumer Price Index (CPI-U):	Unemployment Rate:	The Fed (U.S.) Prime Rate:
+0.5% in Dec. 2010	9.4% in Dec. 2010	3.25% Jan 19, 2011 (The Current U.S. prime rate)
+0.1% in Nov. 2010	9.8% in Nov. 2010	3.25% Dec. 16, 2009
+0.2% in Oct. 2010	9.6% in Oct. 2010	4.00% Oct. 29, 2008
Source: www.bls.gov	***Source:*** www.bls.gov	***Source:*** www.wsjprimerate.us

This issue addresses Alternative Workplace Strategies (AWS) and the thought processes involved with creating an Alternative Workplace program.

A well thought out AWS can help a company achieve its business goals and objectives. Some of the common business goals for an AWS initiative include creating workplace flexibility to accommodate business changes, designing new workplaces to attract and retain talent and increase worker productivity, reducing portfolio operating and occupancy costs, further incorporating responsibility programs by reducing the portfolio's carbon footprint , and enhancing technology to enable employee mobility and improve workplace functionality.
If you examine the typical workspace utilization it is amazing to learn that up to 40% of all seats are vacant every day and another 20% are unoccupied, with only a sign of life (coffee, monitor on, coat over chair...). If you can change the traditional way of utilizing space and create an AWS program, space utilization can improve by 25-50% which will produce substantial savings.

One of the most important factors for attracting and retaining younger talent is the employer's ability to provide flexible work environments. In a recent survey, 65% of young graduates said that having a flexible work environment was the primary reason for choosing one job over another. This also relates to employee retention. Companies offering flexible work programs have a much higher retention rate than companies without these programs in place. Satisfied employees are productive employees, who will in turn drive business success.

There are varying degrees of change that can benefit and provide savings. The most conservative strategy is simply revising all standards for the utilization of space, which can result in a 10-15% savings . Moving to a moderate plan which involves "hoteling ", or workers reserving space, rationalize the space and overall portfolio footprint, which can result in a 25-30% savings on space. And lastly, moving to an aggressive plan enabling a fully mobile workforce that can work whenever and wherever they are most productive, can produce savings up to 50%. This last scenario typically involves breaking down walls and creating collaborative workspace settings that support the way people work today.

Creating a successful AWS program entails assessing the current situation, designing a program catered to improving the workplace, implementing the plan, which includes a rigorous change management process, and measuring and monitoring the results of the program to make future refinements. If executed correctly, your company will improve productivity, decrease costs and enhance employee recruiting and retention. The Grubb & Ellis AWS team has assisted many companies with their AWS and created plans that cater to their goals. If your company has not examined these new strategies now is the time to review and plan.

Improve Economics

- Reduced real estate costs
- Reduced travel expense
- Lower cost of operation

Attract & Retain Talent

- Enhanced workplace amenities
- Broad flexible work programs
- Cool work environments

Increase Productivity

- Cutting edge technology
- Instant accessibility to pec and information
- Improved workplace functionality
- Faster decisions

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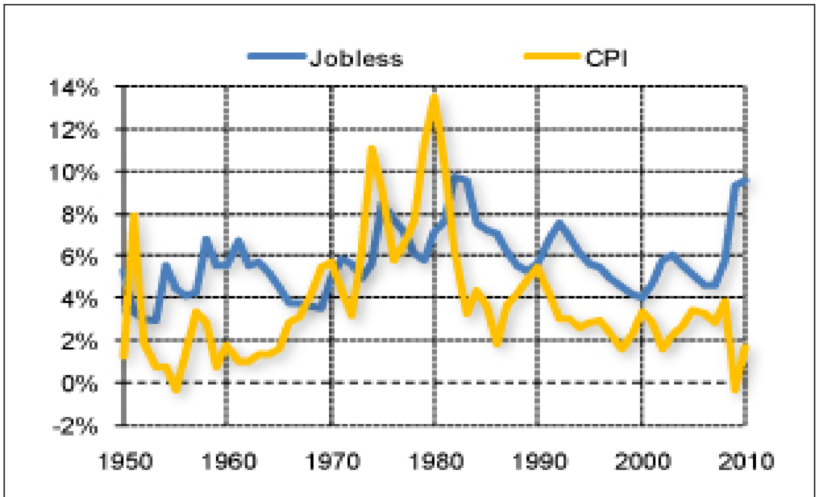
OFFICE MARKET – FOURTH QUARTER 2010

Market	Class A Vacancy %	Class A Asking Rents	Total Net Absorption
Atlanta	23.2%	$22.79	(229,362)
Boca Raton	19.9%	$32.16	118,222
Boston	14.1%	$36.18	526,944
Chicago	20.5%	$29.75	(503,381)
Cleveland	17.1%	$21.57	(446,986)
Dallas	21.6%	$23.71	425,966
Denver	15.8%	$23.49	1,586,524
Detroit	21.7%	$21.77	(810,012)
Houston	14.0%	$28.83	92,502
Los Angeles County	17.4%	$35.84	(1,594,465)
Miami	22.9%	$36.87	413,382
New York – Midtown	9.3%	$73.05	1,647,835
New York – Downtown	11.2%	$45.04	(2,470,114)
Oakland - CBD	11.6%	$29.19	(86,699)
Orange County	23.8%	$26.23	(588,044)
Philadelphia	14.5%	$27.80	(320,578)
Phoenix	29.1%	$24.39	225,108
Portland	14.1%	$23.16	635,618
San Antonio	19.1%	$26.39	353,293
San Diego	18.7%	$30.42	450,651
San Francisco	15.3%	$34.36	(709,032)
San Jose	26.5%	$34.36	528,901
Overall U.S. Market	**17.7%**	**$30.90**	**(8,781,088)**

Vacancy: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop.

Net Absorption: The net change in physically occupied space over a period of time.



CPI vs. Unemployment Rate

(Not Seasonally Adjusted)

Inflation and unemployment usually move in opposite directions. By creating slack in the economy, rising unemployment puts the brakes on wage increases, causing inflation to slow. But there have been periods when the inverse relationship breaks down. From the mid-1970s to the early 1980s, the U.S. was beset by stagflation. Unemployment was high as a result of three recessions between 1973 and 1982 while inflation also was high due to questionable policy decisions by the government. The last of these recessions in 1981 and 1982 was a byproduct of the Federal Reserve's strategy to wring excess inflation from the economy by raising the target federal funds rate as high as 20 percent. (Currently it stands between 0 and 0.25 percent.) The Fed's plan worked, setting the stage for a 25-year era of low inflation, low interest rates and rising asset prices. The inverse relationship broke down again in the 1990s when both inflation and unemployment fell. Then-Federal Reserve Chairman Alan Greenspan believed it was not necessary to raise interest rates even as unemployment sank to 3.8 percent, well below the 5 percent level considered to be full employment. Chairman Greenspan saw that rising productivity resulting from the expanding use of computers would tamp down inflation. But the very low interest rates contributed to the formation of two asset bubbles – technology in the late 1990s and real estate from about 2002 until 2007. Today the inverse relationship has been restored with a low 1.6 percent gain in the consumer price index last year coupled with a high average unemployment rate of 9.6 percent. Inflation is expected to remain tame in the next two years due to slack in the economy, although energy and commodity prices may be volatile. In the longer term, inflation could become problematic as high levels of public sector borrowing crowd out rising demand for credit from the private sector, pushing interest rates higher. In an inflationary era, hard assets such as gold, commodities and real estate would tend to outperform fixed income assets such as bonds.

Source: Federal Reserve, Grubb & Ellis

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