

Carrie S. Holstead Real Estate Consultants | Pittsburgh

NEWS FROM PITTSBURGH, PA

HOLSTEAD NEGOTIATES \$7,000,000 IN OFFICE LEASES

Since last fall, Carrie S. Holstead Real Estate Consultants, Inc. / ITRA Global has provided tenant representation services for clients entering into leases valued at some \$7,000,000. All clients have enlisted Carrie multiple times to resolve their corporate real estate needs.

Gordon & Rees is a national law firm with more than 650 attorneys in 37

offices whom Carrie has represented in new, expansion, and renewal leases totaling some 27,000 SF in downtown Pittsburgh, Harrisburg and Wheeling. Leadership Pittsburgh is dedicated to developing a robust pipeline of diverse civic leaders to serve the region. They have just relocated their headquarters in downtown Pittsburgh. Olson Zaltman Associates is a pioneer in the use of mind science which helps marketers better understand consumer beliefs, behaviors, and decision making. They recently renewed their lease in downtown Pittsburgh. Veolia Water Solutions & Technologies North America has been providing water and wastewater treatment solutions to industries or municipalities for more than one hundred years. Including their most recent transaction, Carrie has worked with them on 110,000 SF of office leases in multiple states.

NEW LOCATION. SAME GREAT SERVICE!

Carrie S. Holstead Real Estate Consultants, Inc. / ITRA Global has relocated its office to the 43rd floor of One Oxford Center, a premier building in downtown Pittsburgh. The new phone number is 412.255.3737. If you have a corporate real estate need, contact Carrie Holstead, President & CEO of the longest established tenant representation firm in Pittsburgh, Chairman Emeritus of ITRA Global with experience in nearly 300 markets around the world, 2015 Woman of Influence (*Real Estate Forum Magazine*), and acclaimed author of the monthly *Insider's View To Corporate Real Estate* (sign up to receive this at www.carrieholstead.com).



Carrie S. Holstead
President & CEO



Perth Skyline

Leasing Office Space Down Under The Aussie Way of Doing Business

By Lisa Seun, Director
ACORPP / ITRA Global
Perth, Australia

Australia is known as the land down under where our nearest neighbours are New Zealand and the major emerging markets of Asia. It is the birthplace of great Aussie icons like Steve Irwin and Crocodile Dundee.

Aussies are known to be very friendly and relaxed. Most cities enjoy an amazing array of gourmet delights, and the climate allows us to enjoy the great outdoors almost year-round.

But corporate leasing in Australia is very different than in the USA, and it is important to understand Aussie business terms and practices.

Business 101

The following overview will be useful to any company that wants to establish a presence in Australia:

- **Taxes.** Without question, the taxman always comes first. The two primary taxes that affect business operations are corporate tax, which is 30 percent of the net profit, and GST (Goods & Sales Tax), currently at 10 percent. Tenants pay the GST on all lease charges.
- **Working Hours.** The legal standard working week is 37 hours, but this number can be fuzzy because we have a “work hard, play hard” mentality, and it’s difficult to determine if people only work 37 hours per week.
- **Year End Holidays.** It’s not an official holiday period, but offices, especially in the real estate and construction industry,

shutdown for two weeks over Christmas and New Year’s. If you’re working out a Lease Commencement Date, avoid this dead period or account for it.

- **Time Zone.** Perth, on the west coast, is in the same time zone (GMT+8) as Singapore and Hong Kong. On the east coast, Sydney, Melbourne, and Brisbane are two hours ahead (GMT+10). Some Australian states have daylight savings and some don’t. Sydney is 14 hours ahead of the USA, 10 hours ahead of London.
- **Currency Exchange.** The Australian dollar has been falling for some time, making Australia less of a financial burden than it was a few years ago.

Tenant Representation

You will find that corporate leasing—and the legal system—in Australia are somewhat like the United Kingdom:

- **Tenant and Landlord.** We use these terms, too, but it is also accepted to see them referred to as Lessee and Lessor.
- **Brokers.** In Australia, this refers to stockbrokers or insurance brokers. Here, “agents” act for owners and “tenant representatives” act for tenants.

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Corporate Culture and Space Design

By John R. Patelski, PE, LEED AP
Executive Vice President, Ghafari Associates, LLC
Chicago, Illinois USA

In early 2012, a fascinating story of transformation, collaboration, and creativity began to unfold in Ft. Collins, Colorado, where Woodward, Inc. was headquartered.

This energy and aerospace company engaged Wayne Timura of ITRA Global / Commercial Real Estate, LLC and Next Level Development in Colorado Springs to assist with the selection of an architectural/engineering firm to transform six large, vintage manufacturing facilities into 21st century operations along with an innovative office environment and a new headquarters building.

After a careful evaluation and interview process, Woodward and Next Level Development selected Dearborn, Michigan-based Ghafari Associates LLC to upgrade their corporate headquarters in Ft. Collins, Colorado, create a new Build-To Suit facility in Loves Park, Illinois, and transform their vintage facilities in Niles, Illinois; Windsor, Colorado; Loveland, Colorado; and Tianjin, China. This article highlights two of those projects.

Woodward, guided by a clear set of values and principles dating back to its founding in 1870, understands that in order to achieve distinction in their field, it is essential to foster a culture of continuous improvement. With this in mind, design elements are important to see that the workplace is a catalyst for improvement in aesthetics and employee behavior. The classic cubicle could be consigned to history because today is all about collaboration and spontaneity. It's about finding new ways of working that put the occupants of offices center stage.

Today's workplace celebrates shared knowledge that is fostered in an environment that responds to an employee's needs at a human level. Space is now recognized as one of the most powerful vehicles for communicating a brand—and by extension—building a business. The workplace of the future should reflect Woodward's brand and its core values, creating spaces in which staff members have a sense of shared vision.

Colorado Headquarters

Ghafari provided master planning, architecture, and engineering services for a 100-acre campus that will serve as Woodward's new corporate headquarters. The overall campus will include industrial, testing, and research facilities as well as integrated office facilities and a corporate headquarters building.

Ghafari assembled a proficient team comprised of individuals with a wide variety of technical expertise in specific disciplines.

Then Ghafari created a Basis of Design that contained key pillars for Woodward to consider. The design seeks to facilitate ideation and creative development, knowledge transfer, social networking, and problem solving. The layout of the office interiors include open team meeting areas, enclosed team meeting areas, shared amenities, and individual work spaces.



As the company reviewed the recommendations and envisioned its future, they settled on design principles that create a flexible workplace, provide a place for knowledge transfer, foster innovation, establish collaboration and connectivity, and amplify the company brand.

Those principles are now reflected in specific design solutions that include quiet zones, team zones, neighborhoods, touch-down spaces and desks, collaboration areas, war rooms, circulation space and "collision" points, the right furniture, coffee bars, café, and central organizing Main Street that brings together the office space and manufacturing space with open staircases and abundant natural light.

The manufacturing facility design and construction in Ft. Collins will be carried out in four phases, with Phase I consisting of approximately 260,000 square feet of building space. This phase includes manufacturing space, office areas, a cafeteria, and a physical support building that will service the mechanical needs of the entire campus. Additional phases will add 610,000 square feet to the campus gross total and will be constructed over the course of five to ten years.

For the new Woodward corporate headquarters building, Ghafari designed a 60,000 square foot facility that will feature executive office spaces, conferencing facilities, col-

laboration zones, boardroom facilities, and a multi-level lobby / exhibit atrium. This building will serve as a welcoming center for the larger campus.

All support space will incorporate sustainable elements with an emphasis on daylighting and views of the mountains to the west. The building envelopes are designed to exceed the energy code in Ft. Collins, one of the more stringent building codes in the nation.

Different Challenge

At Woodward's Niles, Illinois-based air-frame systems manufacturing site, Ghafari designed a new manufacturing facility within an existing Grainger Distribution facility that Woodward had acquired. It then designed the tenant space of a new office building that had recently been constructed adjacent to the existing distribution center. This suburban Chicago project streamlines the group's operations by relocating 590 Woodward members who were located in five buildings across Skokie and Niles, Illinois. The project involves the conversion of an

existing one-story, 234,000 square foot former Grainger warehouse building into a manufacturing / assembly plant and the addition of a new two-story, 100,000 square foot office building. The primary intent of the project is the creation of a design solution that promotes collaboration.

The manufacturing area is divided into two business units (Aviation Component Systems and Motion Control + Sensing Solutions) with common-use facilities such as the paint shop, powder coat, and sand blast shops located between them.

Situated between the office and manufacturing areas will be "Main Street," a 20-foot-wide space that will serve as an informal meeting area to unite office and manufacturing employees. This Main Street design feature is common to all of the newest Woodward projects. A cafeteria is located at the west end to enliven the Main Street atmosphere.

Conclusion

Woodward has taken the opportunity at a strategic point in the company's history to transform the workplace and production environment with multiple locations simultaneously in a truly unique and consistent way. The long term benefits of these solutions are just beginning to be realized and will continue well into the future as all manufacturing facility projects are completed.

Select ITRA Global Transactions

- **AREA Occupier Solutions / ITRA Amsterdam** represented Lloyd's Register for the renegotiation of their 46,510 square foot Dutch headquarters in Rotterdam, Netherlands.
- **Rosen Realty Group / ITRA San Francisco-Silicon Valley** represented Social Chorus for the sublease of its 14,300 square foot headquarters office in San Francisco, California.
- **CREST Commercial Real Estate Strategies/ ITRA Minneapolis** represented Acorn Mini Storage in the acquisition of a two-story, 85,000 square foot retail property in Minneapolis, Minnesota.
- **MacLaurin Williams / ITRA Denver-Boulder** represented Cintron Medical Corporation for the purchase of a 17,672 square foot Flex/R&D Building for its corporate headquarters and light assembly use in Westminster, Colorado.
- **Stagman Commercial Real Estate Advisors / ITRA Fort Lauderdale** represented Willoughby Supply of Florida, LLC in the lease of their new 25,030 square foot distribution center in Orlando, Florida.
- **Cox Oddo Commercial / ITRA Austin** completed a 32,000 square foot retail lease for Spohn Enterprises in Austin, Texas.
- **Carrie S. Holstead Real Estate Consultants, Inc. / ITRA Pittsburgh** completed a 22,777 square foot office lease for the Gordon & Rees law firm in Pittsburgh, Pennsylvania.
- **Cooke, Swaney & Cooke / ITRA Dallas** represented Advanta, Inc. in a 7,000 square foot office lease for their North American headquarters in Dallas, Texas.
- **Compass Commercial, LLC / ITRA Detroit** represented the State of Michigan for the lease of a 39,000 square foot warehouse space in Detroit, Michigan.
- **Corporate Realty Advisors / ITRA Orange County** represented Nations Direct Mortgage for a 50,000 square foot office lease in Santa Ana, California.

Tenant Representation

- Regional, National, International Headquarters
- Research & Development
- Life Sciences
- Warehouse / Distribution
- Manufacturing

Real Estate Market Analysis

- Acquisitions
- Dispositions
- Lease Renewals

Negotiations

- Proposals
- Leases
- Dispositions
- Acquisition Contracts
- State & Local Incentives
- Sale / Leasebacks
- Work Letters
- Operating Expense & Tax Audits
- Architectural / Engineering Contracts
- Developer Agreements

State & Local Incentive Negotiations

- Statutory and Negotiated Incentives
- Cash Grants
- Infrastructure
- Tax Credits and Abatements
- Workforce Grants and Training
- Subsidized Land and Building Costs

Lease Management

- Lease Abstracting
- Financial Reports
- Tax & Operating Expenses

Strategic Planning

- Model Development
- Acquisition/Consolidation Analysis
- Policies & Procedures Manuals
- Space Planning

Location Analysis

- Labor Market Analysis
- Transportation Costs
- Utility Costs & Availability
- Quality of Life
- Taxation
- Market Accessibility

Financial Analysis

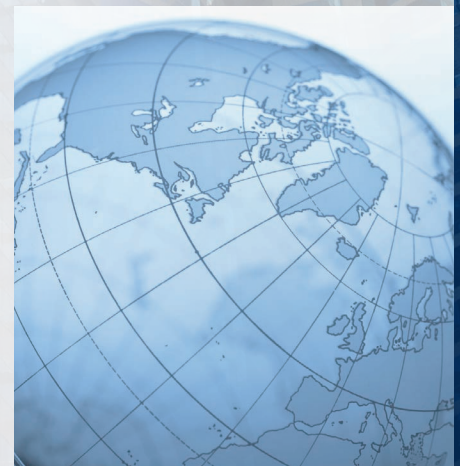
- Buy vs. Lease
- Build-to-Suit
- Equity Participation
- Sale / Leasebacks

Surplus Property Analysis

- Marketability
- Highest & Best Use
- Disposition Strategies

Project Management

- Needs Assessment
- Project Budget Management
- Selection and Oversight of Design Team Contractors and Vendors
- Move Coordination



United States

Fourth Quarter 2015

	CITY	Total Square Feet	Vacancy	Available Space	Average Rent
1	Atlanta	303.8M	12.1%	36.9M	\$20.70
2	Austin	95.1M	8.0%	7.7M	\$30.68
3	Baltimore	138.6M	10.6%	14.7M	\$21.93
4	Boston	391.9M	8.8%	34.7M	\$21.27
5	Charlotte	100.9M	9.0%	9.1M	\$21.87
6	Chicago	467.6M	13.0%	60.8M	\$23.28
7	Colorado Springs	28.7M	11.6%	3.3M	\$17.17
8	Dallas/Ft. Worth	351.3M	14.2%	49.7M	\$23.39
9	Denver	193.1M	9.5%	18.4M	\$24.44
10	Detroit	196.1M	14.4%	28.3M	\$18.60
11	Ft. Lauderdale / Broward Co.	70.0M	11.4%	8.0M	\$24.78
12	Grand Rapids / West MI	79.3M	8.6%	6.8M	\$12.29
13	Houston	297.8M	13.6%	40.4M	\$28.04
14	Indianapolis	100.9M	8.2%	8.3M	\$16.98
15	Kansas City	115.0M	10.3%	11.9M	\$17.85
16	Long Island	174.4M	7.7%	13.5M	\$28.28
17	Los Angeles	428.1M	11.0%	47.3M	\$31.60
18	Miami / Dade Co.	99.5M	10.1%	10.0M	\$31.20
19	Minneapolis	189.3M	8.8%	16.7M	\$18.61
20	Nashville	78.6M	5.3%	4.2M	\$22.39
21	New York City	557.5M	7.5%	41.9M	\$59.58
22	Northern New Jersey	363.0M	14.1%	51.3M	\$24.32
23	Orange County (CA)	153.1M	9.7%	14.9M	\$26.48
24	Philadelphia	411.4M	10.0%	41.0M	\$22.16
25	Phoenix	164.9M	16.3%	26.9M	\$22.10
26	Pittsburgh	125.7M	8.3%	10.4M	\$20.51
27	Portland	96.9M	7.8%	7.6M	\$22.55
28	Richmond	61.1M	9.5%	5.8M	\$17.06
29	Salt Lake City	93.6M	6.4%	6.0M	\$19.48
30	San Diego	114.0M	11.3%	12.9M	\$29.55
31	San Francisco	164.7M	7.1%	11.6M	\$51.49
32	Seattle/Puget Sound	189.6M	8.1%	15.4M	\$30.66
33	St. Louis	130.3M	10.7%	13.9M	\$18.30
34	Tampa	149.0M	10.1%	15.1M	\$19.68
35	Tucson	25.0M	12.8%	3.2M	\$18.93
36	Washington, D.C. Metro	468.2M	14.3%	67.0M	\$34.42
37	W. Palm Beach / Palm Beach Co.	54.8M	13.1%	7.2M	\$27.17
38	Westchester County, NY	171.9M	13.2%	22.8M	\$28.25

*The above data set includes all buildings, including government, owner-occupied, and small (less than 5,000 square foot) build-

Toronto

Fourth Quarter 2015

	Total Square Feet	Vacancy	Available Space	Average Rent
39	73.2M	9.3%	6.80M	\$21.63

London

Fourth Quarter 2015

	DISTRICTS	Take Up	Grade A Vacancy	Prime Rent
40	City Core	2.00M	4.40M	£70.00
41	London Docklands	0.30M	0.700M	£42.50
42	London Southbank	0.10M	0.50M	£67.50
43	London West End	1.40M	3.20M	£117.50
44	London Midtown	0.90M	0.80M	£70.00

Definitions for London: **"Take Up" – Space absorbed in the previous quarter / "GBP" – British Pounds / per sq ft.

Paris

Fourth Quarter 2015

	DISTRICTS	Take Up*	Vacancy	Prime Yield	Prime Rent*
45	Paris Central Business District (CBD)	0.140M	4.6%	3.50% - 4.20%	€720
46	Paris Central Districts excluding CBD	0.080M	4.9%	4.60% - 5.30%	€495
47	La Défense	0.056M	12.1%	4.90% - 6.50%	€540
48	Western Suburbs	0.256M	12.5%	5.00% - 6.10%	€490

Definitions for Paris: **"Take Up" – Space absorbed in the previous quarter in m² / "Grade A Vacancy" – Available Space / Euros / m²

Warsaw*

	Total Office Stock*	Take Up*	Vacancy Rate	Rental Rate*
49	4.63M	.612M	12.90%	€285.00

Definitions for Warsaw: Fourth Quarter figures unavailable; statistics listed are for first three quarters. Total Office Stock, Take Up in m², Rental Rate in m² per annum

Brisbane

Fourth Quarter 2015

	Total Square Feet	Vacancy	Available Space	Average Rent*
50	23.221M	14.9%	3.459M	\$29.50

*Definitions for Brisbane: Average Gross Rent/\$USD

Perth

Fourth Quarter 2015

	Total Square Feet	Vacancy	Available Space	Average Rent*
51	18.740M	19.2%	3.595M	\$30.20

*Definitions for Perth: Average Gross Rent/\$USD

Dr. Ronald R. Pollina, Ph.D.

Dr. Ronald R. Pollina Ph.D., 71, Chairman Emeritus of ITRA Global and Founder of Park Ridge, Illinois-based Pollina Corporate Real Estate, Inc., recently passed away peacefully, surrounded by his family.

While Ron was extraordinarily devoted to his family, he was also a friend and mentor to many. All who knew him felt fortunate to experience his unfailing work ethic, infectious sense of humor, enduring quest for knowledge, and willingness to share all that he had learned.



An entrepreneur and geoeconomist, Ron was the founder and president of Pollina Corporate Real Estate, Inc. in 1981. As a recognized expert in corporate location analysis, economic development, and geoeconomic trends, he represented numerous Fortune 500 clients both nationally and internationally. Ron authored over 70 published articles on the subjects of commercial real estate, corporate relocation, and

economic development, and his opinions have been quoted in *The Wall Street Journal*, *Financial Times*, *BusinessWeek*, *Forbes*, *The New York Times* and *Chicago Tribune*.

From 2002 to 2010, Dr. Pollina served as Chairman of the ITRA Global Board of Directors and brought his unique leadership skills to the organization during a period of economic uncertainty and upheaval. Due to his extensive background on boards of other organizations, he was able to impart his tremendous knowledge of running an organization such as ITRA to its board. As such, the board, under Ron's leadership, rewrote the ITRA bylaws that have become the structure which still governs ITRA to this day. These bylaws were instrumental in ITRA's growth and its becoming the world's leading tenant representative organization.

After eight years as the ITRA chairman, Ron stepped down and became Chairman Emeritus of the board enabling him to continue his guidance of successive boards. He was also a key member at the ITRA semi-annual meetings, using his diplomatic but assertive management style to create consensus between members with divergent opinions. Ron was always the smart-

est person in the room and used a magical combination of self-deprecating humor peppered with unbridled honesty to overcome difficult issues. His enthusiasm and support for ITRA Global were limitless. All of the ITRA members who worked with Ron feel fortunate to have had the opportunity to experience his persona.

Ron and his son, Brent, were the authors of the highly respected annual *Pollina Corporate Top 10 Pro-Business States* study, which has received national coverage by a multitude of news outlets, for over ten years. Four years in the making, Ron's book, *Selling Out a Superpower: Where the U.S. Went Wrong and How We Can Turn It Around*, was published by Prometheus Books in 2010.

In addition to being interviewed numerous times on television and radio, Ron made scores of presentations before national and international professional groups and several state legislatures. He also served on the faculties of the University of Illinois and DePaul University and on the Board of Directors of the International Development Research Council (IDRC). He also was Chairman of the Board for the International Association of Attorneys and Executives in Corporate Real Estate (AECRE).

Ron is survived by his wife of 47 years, Mary, daughter, Kristen, and son, Brent.

The Aussie Way of Doing Business *Continued from page 1*

- **Outgoings.** You probably call them pass-throughs. There are some tricky things that get added to outgoing that negatively add to the corporate bottom line. Tenants should avoid paying for anything that is a capital improvement.
- **Build to Specification.** We use this term instead of Build to Suit. Australia is just over 200 years old, and we are still building new buildings.
- **Fitout.** In the U.S., this is called Build Out. The tenant's fitout is usually built by the tenant and remains part of the tenant's property.
- **Net Lettable Area (NLA).** The measuring guidelines are set by the Property Council of Australia. NLA is an essential component of a lease to avoid paying for unnecessary space (e.g. stairs and bathrooms are excluded from the NLA measurement).
- **Space Size.** Almost everything in Australia is calculated in the metric system, so it's per square metre for office measurements. The rule of thumb is to multiply the square metres by 10 to get an idea of what the figure is in square feet.
- **Reinstatement.** This term is also known as "make good and restoration." It is the requirement to return the ten-

ancy into the same condition as at the beginning of the lease. This is negotiable even though many agents falsely represent it as non-negotiable.

- **Base Build.** This is the expectation that fixtures and fittings will be in place prior to the tenant starting its fitout. We generally expect an office to include painted walls, carpet tiles, ceilings, lighting, power points, and air conditioning, but other items can be negotiated.
- **NABERS Rating.** It is the national guideline for environmental building design—similar to a LEED rating. It seems buildings with a four or five-star NABERS Energy Rating have significantly lower occupancy costs than those with only two or three stars.
- **Rent Reviews.** Annual fixed increases are fairly common, but for longer leases landlords tend to look for market rent reviews throughout the lease term. Think of it as evaluating the market and negotiating a rate every two or three years. The way the market rent review is drawn up is critical to achieving the best result for the tenant.
- **Stages of Leasing.** We start with an "Offer to Lease" or a "Lease Proposal" that establishes the terms to be negotiated. There is no set format for the

proposal, so the complexity depends on the structure used by your tenant representative. This proposal goes back and forth between the opposing parties until agreement is reached, although we often find a face-to-face meeting more productive in closing a deal.

Once agreement has been reached, we arrange sign off by both parties on a "Heads of Agreement" that can bind the parties to a lease even though a lease hasn't been prepared. From here, the lawyers prepare the lease document for signing (and perhaps further negotiation on the legal terms).

Conclusion

One last but important aspect of tenant leasing in Australia is that the tenant pays the tenant representative's fee. The only way to achieve "conflict free" representation is for a company to appoint their own tenant representative.

If the tenant pays the fee, then the tenant representative is bound to advocate and protect the tenant's best interests. At ACORPP / ITRA Global, a tenant will find that the savings achieved in "conflict free" negotiations far outweigh the payment of professional agency fees.

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Global Coverage

