

Architects seeing hints of building recovery

Tom Abate, Chronicle Staff Writer

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Bay Area architects are sensing a tentative comeback in construction as the mild economic recovery that seems to be under way gives their clients the confidence to expand.

"The feeling in our office, the level of activity and the general character of what is going on feels totally different than it did three or four months ago," said Thomas Gilman, president of DES Architects + Engineers Inc. in Redwood City.

"The trend is definitely up," agreed Juan Diego Perez-Vargas, chairman of KMD Architects in San Francisco.

Bay Area architects say the budding rebound is modest compared with the tremendous loss of confidence and jobs caused by the financial crisis of 2008. But activity is trending in the right direction, says Clark Manus, a partner in San Francisco's Heller Manus Architects.

"Our firm's experience and my professional radar says 2009 was just terrible for everybody, but 2010 has started to show signs of life," he said.

The American Institute of Architects, which publishes a monthly index of architectural billings, recorded mild increases in February and March. "We could be moving closer to a recovery phase," said AIA Chief Economist Kermit Baker.

It can take six months to a year for projects now entering the architectural pipeline to generate work for contractors, and many of the projects on the drawing board are small, like the office space makeover being done for CubeTree, a 3-year-old startup in Redwood City.

Cubetree expansion

Chief Executive Carlin Wiegner described CubeTree as a software environment that enables workers to collaborate online. Backed by angel investment and venture capital, the 24-person firm has outgrown its 2,000-square-foot offices. Having shown that customers will pay \$60 per user per

year for the virtual teamwork it affords, Cube-Tree raised \$8 million in October with the intention of doubling or tripling its head count over the next couple of years.

Moving into new, 10,000-square-foot offices was an outgrowth of those expansion plans. "When customers start buying, companies like ours feel comfortable about spending and VCs feel comfortable about investing," Wiegner said.

Gilman said such activity is typical in the early stages of a rebound. "The first signs of a recovery are the tenant improvements," he said. "Companies that had been on the sidelines decide to move because rents have probably bottomed out."

Daniel Cressman, executive vice president with Grubb & Ellis Co. in San Francisco, said the market for office space seems to be warming up as tenants decide to lock in leases at favorable rates. Before the financial meltdown, prime office space in downtown San Francisco was going for about \$50 per square foot, he said. Now such property can be leased for about \$33 per square foot.

"We're seeing more tenants showing up with brokers looking for office space," Cressman added.

Rambus, a Los Altos firm that licenses designs for high-performance memory chips, recently leased 125,000 square feet of office space in Sunnyvale. The company, which has 225 Bay Area employees, was nearing the end of the lease on its 90,000-square-foot headquarters and wanted room to expand. Vice President Michael Schroeder, who is overseeing the move, said that when he began scouting sites last spring there were few buyers making the rounds. But as the search went on through the summer, "we noticed more people out there touring."

Schroeder declined to divulge the specifics of the new deal other than to observe that the company took its last lease at the height of the dot-com boom.

"We're very pleased that we're locking in at this point at a lower place in the market," Schroeder said.

No new buildings

But such moves will only lower vacancy rates for office space, which remain at elevated levels. It will probably take years before developers would contemplate new office construction.

"We're all looking for the increase in jobs because that's when people need space," Gilman said.

Meanwhile, federal stimulus spending is helping revive the transportation and infrastructure niches of the construction industry, said Marwan Nader, a vice president with T.Y. Lin International, a civil and structural engineering firm in San Francisco.

"I believe we're on our way to recovery," said Nader, who is lead design engineer for the new Bay Bridge. Nader said that sometime around July the towers of the suspension section of the new bridge should begin to rise. "For commuters it is going to be exciting," he said.

But the recovery that seems to be under way hardly begins to recoup the losses that have occurred during the recession. John Stewart of Stewart Associates Architects in San Carlos said home building is slow, and thousands of architects nationwide remain unemployed.

"And for every architect out of work, there are 35 jobless construction workers," he said.

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/04/28/BUK71D2CHQ.DTL>

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