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I am pleased to present you with the second issue of KDC’s Developing for the Future! We have created this publication to inform our clients, friends and associates of current trends as well as provide an inside look into the future of commercial and corporate real estate. Developing for the Future will be distributed semi-annually and will provide readers with interesting information about real estate development, acquisitions and asset management.

In this issue, we are especially pleased that a select group of top brokers from across the country have shared with us their insight and personal ideas on success.

We want to thank everyone who contributed to this effort and once again encourage anyone interested in submitting an article in the future to contact our KDC offices for more information.

With that said, I would like to extend our thanks to the invited consultants and contractors who helped support this effort with their advertisements. We could not have produced this piece without your support and we appreciate your involvement. It is my promise that we will consistently deliver accurate and enlightening articles in each and every issue.

I hope that you enjoy our second installment of Developing for the Future.

Steve Van Amburgh
Chief Executive Officer
Koll Development Company (KDC)
Knowledge that CAN Take you Places

CB RICHARD ELLIS
2004 Number One Rankings

"Organization of the Year"
Commercial Real Estate Women Network 2004

"Fastest Growing Retail Property Manager"
Chain Store Age, May 2004

"Top U.K. Investment Deal Maker"
Estates Gazette, July 2004

"Top Firm in Global Business"
Estates Gazette, July 2004

"Top Firm in European Business"
Estates Gazette, July 2004

"Top Services Provider in Europe"
Property Week, May 2004

"Most Powerful Brokerage Firm"
Commercial Property News, June 2004

"Most Frequent Dealmaker"
Commercial Property News, June 2004

"Top Property Manager"
National Real Estate Investor, July 2004

"Top Brokerage"
National Real Estate Investor, April 2004

"Top Commercial Real Estate Brand"
The Lipsey Company, July 2004

"Top Real Estate Investment Broker"
Real Capital Analytics, July 2004

"Top Broker"
Midwest Real Estate News, May 2004

"Top Property Manager"
Midwest Real Estate News, May 2004
<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
</table>
| 8    | Fluor Relocation  
It is possible to attain both timeliness and top-notch quality in a project, and KDC makes it look so easy while building new headquarters for Fluor Corp., a *Fortune* “Most Admired Company.” |
| 12   | The Ideal Corporate Campus  
A strong relationship with EDS produced the hallmark acquisition of a highly admired corporate real estate portfolio, the Campus at Legacy. |
| 18   | Developing for the Future: Broker Roundtable Forum  
Join CEO Steve Van Amburgh as he discusses best business practices and the future of Corporate America with eleven top brokers in the nation. |
| 28   | KDC Rolling Out Intellicenter Nationwide  
Atlanta will be the first city to experience one of these “green” high performance office buildings, slated for completion in 2006. |
| 32   | Walking on Air  
The benefits list of an underfloor air distribution system goes on and on, all while over-all operating savings and efficiencies increase. |
| 36   | Corporate Consolidation  
A prominent trend in efficient strategies, consolidating business operations promotes a sharp competitive edge. |
KDC Selected to Develop New
One of the world’s largest design/build engineering, construction and maintenance firms, Fluor Corp., is currently building a $1 billion petrochemical complex for Dow Chemical Company and Petrochemical Industries Company in Kuwait. Yet, when it came time to select from a large competitive field of developers to build its own new corporate headquarters in Irving, Texas, Fluor — named as one of Fortune magazine’s “Most Admired Companies” — selected Koll Development Company (KDC).
Welcome to Texas

KDC began construction for Fluor’s new 136,000-square-foot headquarters on July 31, 2005, just 60 days after Fluor announced it would move its headquarters to North Texas from Aliso Viejo, California. Fluor, a $9.4 billion company that provides services globally in the fields of engineering, procurement, operations, maintenance and project management, is moving its new corporate home to a 26-acre property in Las Colinas, a prestigious master-planned development in Irving, Texas.

Fluor, with the assistance of Cushman and Wakefield, conducted an extensive analysis of several existing facilities and build-to-suit office locations in the Dallas/Fort Worth area and settled on the Las Colinas location because of its proximity to D/FW International Airport, key client locations and desirable residential communities available to Fluor employees. After numerous presentations, KDC was selected as the developer, competing against a number of local and national companies.

“We were really excited about this opportunity because Fluor is relocating its headquarters to D/FW. The very fact that they have given us the responsibility to develop a first-class home for them is very flattering, yet also humbling,” said KDC Chief Executive Officer Steve Van Amburgh.

“Our motto everyday is to ‘Exceed Fluor’s expectations — Everyday in Every Way.’ Consequently, all of our activities and efforts are focused on making sure that they’re pleased and happy as it relates to cost, quality and schedule.”

Providing clients those three requisites is KDC’s strong suit. Fluor wanted a quality facility customized to the company’s needs, at the best price and in record time. To demonstrate that KDC could “move mountains” to get the job done, the KDC team began taking steps even before winning the contract in late June by starting work on architectural and civil plans, renderings of buildings and landscape plans. KDC also expedited tax incentives for Fluor from the city of Irving in record time.

“The tax abatement was a critical piece. The other site Fluor was considering would have taken at least 60 to 90 days to secure an abatement, but we pulled it off in one week,” said Scott Ozymy, senior vice president for KDC.

Speed Is Key

A building the size and quality of Fluor’s usually takes 12 to 14 months from start to finish, but KDC promised to have the facility finished by March 31 — just eight months after construction began.
“Maintaining the quality is critical and expected of KDC and Clayco, our general contractor. In order to meet Fluor’s expectations, we have been working long hours and have overstaffed the project with additional management personnel on-site to make certain that the quality, schedule and budget are the best possible. We have literally doubled the project management team to ensure success,” Van Amburgh said.

Even before construction began, the land purchase transaction, which normally takes 60 to 90 days to complete, was accomplished in less than three weeks, according to Ozymy.

“Fluor chose us based on what they perceived was our ability to make things happen faster than anybody else and what really ought to be possible. And that’s what we did,” Ozymy said. “In fact, I think even Fluor was stunned at our ability to pull off some of the things we did and resolve some of the problems. The reason it takes 90 days to close a land transaction is that you basically solve 15 or 20 problems over that period of time. We had three weeks.”

The headquarters will be a three-story, dual-wing office building with amenities including an auditorium, cafeteria, fitness center and covered parking garage.

“Because of the site location and the fact that it sits on an elevated plateau, it has great visibility and great views for employees and guests. The location is ultimately first class … just like the company that will call it home!” Van Amburgh said.

About 300 employees, some relocating from California and some hired in the Dallas/Fort Worth area, are expected to work in the new Fluor facility.

“Fluor is going to great lengths to make sure this building is better for its employees and guests than their previous facility in California. The company had to consider that they are relocating people who have lived in Southern California for years and asking them to move halfway across the country to Texas. For this reason, they want to give their employees a first-class environment to live and work,” said Don Mills, senior vice president for KDC.

“At the end of the day, it will truly be an outstanding building surrounded by a beautiful landscape. There’s a circulating stream with collecting ponds on the property, and we preserved countless natural trees and topography that were already on the site,” Mills said. “We hope that Fluor is delighted, to say the least.”
DS and KDC have a longstanding, fruitful relationship. In the last few years, KDC has built three buildings for EDS and purchased numerous land sites in EDS’s corporate-owned Legacy Park, located in Plano, Texas. Therefore, it was no surprise when KDC learned that EDS was selling a large portfolio of corporate-owned real estate in a sale-leaseback. When that opportunity “hit the street,” KDC quickly mobilized its resources to purchase it. The resulting transaction is a hallmark case study in how KDC can quickly, quietly and effectively satisfy its client’s needs.
In late 2004, EDS set out to lower its worldwide occupancy costs by reducing vacant space across its portfolio, realigning its owned portfolio more closely with business operations and by outsourcing the management of its corporate real estate. It achieved the last goal by hiring Trammell Crow Company, which happened to be EDS’s exclusive agent on the sale of the Portfolio. A portion of the first two goals was accomplished by agreeing to sell 2.75 million square feet of office property located in seven states and in four European countries. A team, led by Jack Crews of Trammell Crow Company, marketed the Portfolio worldwide on behalf of EDS.

Trammell Crow Company suggested a certain purchase price for the entire Portfolio, and solicited offers based upon the terms of the leaseback. Selection of the winner was to be based upon the lowest rental rates and flexibility of lease terms offered, an interesting twist to a more conventional auction.

To bid most effectively, KDC split the Portfolio into three pools: a European pool, a domestic pool of long-term leased buildings and a domestic pool of short-term leased buildings. It then matched each pool with the most suitable capital partner. KDC was most interested in becoming an owner in the third pool, which included
an office campus of 1.2 million square feet located in Legacy Business Park in Plano, Texas.

The KDC-managed consortium came together quickly. Citigroup Property Investors Europe bid on the buildings located in the UK, France, Italy and Germany. NorthStar Realty Finance Corp., a NYSE-traded REIT (NRF) and close ally of KDC, bid on the long-term net leased buildings located in Sacramento, Detroit, Harrisburg (Pennsylvania) and Tulsa. Invesco Real Estate teamed with KDC on the purchase of the Plano office campus, along with two smaller buildings located in Denver and Dayton. After a number of competitive rounds, KDC’s consortium won the bidding.

“Our goal is to create the ideal corporate campus ...”
From the award of the deal in mid-May to the final closing on September 30th, teams from all groups worked nonstop to get it closed. Because of the geographic diversity and sheer size of the Portfolio, the closing required a creative and mammoth effort.

KDC and Invesco have planned to redevelop the Plano office campus as a world-class location for corporate America. Now renamed “The Campus at Legacy,” it consists of three identical, +/- 400,000-square-foot, low-rise office buildings arrayed around a circle on 107 acres. Previously hidden behind security gates and earthen beams, the Campus at Legacy will be opened up to create a warm and welcoming environment for new tenants. KDC plans a multi-million dollar investment to redevelop the campus entryway, roadways, landscaping, building entries and exterior appearances of the buildings. Of course, each building will be further adapted to suit incoming tenants.

“Our goal is to create the ideal corporate campus,” said John Brownlee, senior vice president of KDC and director of leasing. “Legacy is already known as one of the finest corporate locations in the nation, featuring top companies like JC Penney, EDS, Countrywide, Frito-Lay, Ericsson, McAfee, Intuit, PepsiCo, and Cadbury Schweppes. The Campus at Legacy offers a rare opportunity for a major company to occupy as much as 1.2 million square feet on a large, efficient, and flexible site. Employers will benefit from the outstanding amenities in place, like structured parking, full cafeterias in each building, and best-in-class power and communication infrastructure.”

KDC is very excited about owning and redeveloping the Campus at Legacy. Nevertheless, KDC’s ultimate goal was to provide a creative and profitable solution for a long-standing client and friend, EDS.

“This is a good example of KDC’s sophisticated approach to meeting complex real estate needs for prominent companies,” says Steve Van Amburgh, chief executive officer of KDC. “We tailored a transaction to meet EDS’s goal of realigning its real estate portfolio, by bringing together a great group of institutional partners to quickly execute a plan.”

Purchasing the Portfolio was another hallmark accomplishment for KDC, as each party to the transaction left the closing table with a smile.
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When planning our second issue of *Developing for the Future*, we wanted to add a bit of real-life broker insight. We pulled together a number of excellent, top notch brokers in the business from across the U.S. and requested their insight about business trends and “best practices” in the workplace. We want to thank the following individuals for their perspective about where the industry is headed and how to manage an ever-changing workload. We hope you will find their answers helpful as you negotiate your “next big deal.”
or the Future:
dtable Forum
The fall forum was moderated by Steve Van Amburgh, CEO of Koll Development Company.

Lee W. Winter
Vice President
Tenant Representation
CB Richard Ellis
Tampa, Florida

John A. Gates
President
Southwest Corporate Services
The Staubach Company
Dallas, Texas

Matthew T. Heidelbaugh
Director
Cushman & Wakefield of Texas, Inc.
Dallas, Texas

John Shlesinger
Vice Chairman
Office Tenant Representation
CB Richard Ellis
Atlanta, Georgia

Steve Stratton
Regional President
The Staubach Company
Chicago, Illinois

Jeffrey L. Osborn
Senior Director
Cushman & Wakefield of California, Inc.
Irvine, California

Tim D. Relyea
Vice Chairman
Cushman & Wakefield of Texas, Inc.
Houston, Texas

Thomas B. Maloney
Executive Vice President & Principal
The Staubach Company
Northern California

James Becker
Managing Director
Corporate Solutions Group
Jones Lang LaSalle
Detroit, Michigan

John Boyle
Principal
Trammell Crow Company
Boston, Massachusetts

Barry Dorfman
President
The Staubach Company
Denver, Colorado
Character Trait Needed for Success

STEVE: Each of you has a great reputation in the real estate industry and is recognized as a leader in the field of corporate tenant representation. If you had to pick one “character trait” that has helped you with your success, what would it be?

Integrity.
Being the same on the inside as you are on the outside, always putting the needs of the client first and always doing the right thing. We only have our name and reputation in this business, and if a broker ever loses his reputation in the marketplace, he is tarnished forever. A bad reputation spreads like gangrene.

Matthew T. Heidelbaugh
Director
Cushman & Wakefield of Texas, Inc.

Talent and Trust.
Surrounding yourself with talented, like-minded professionals with whom you develop loyal and trusting relationships. You will share business opportunities and successes at the mutual service/transactional level as well as share the equity or business profits of your company-wide initiatives.

Steve Stratton
Regional President
The Staubach Company, Chicago

Stability.
I have worked side-by-side with Lou and John Cushman who gave me the opportunity to join them almost 28 years ago. I have not changed firms during my entire career in a business that sees most brokers jumping ships several times. I expect to work another 15 to 20 years, hopefully side-by-side with both of these people, if not, at least with the same nucleus that we have formed.

Tim D. Relyea
Vice Chairman
Cushman & Wakefield of Texas, Inc.

Practice the Fundamentals.
I have always compared a good broker to a good baseball player. As a player, you have to practice those fundamentally right things every day and the same is true about brokerage. The fundamentals of being a good broker include being a team player, constantly improving your skill set, increasing your knowledge and being a service provider to clients. If you have a weakness, then you need to work on that weakness, just as a ball player would.

Jeffrey L. Osborn
Senior Director
Cushman & Wakefield of California, Inc.

Passion.
It goes without saying. To be successful, you must be passionate about what you do. For our team, it is passion that aids us in serving and keeping clients, developing new and creative approaches to solving their issues, and constantly improving our capabilities.

Thomas B. Maloney
Executive Vice President & Principal
The Staubach Company

Persistence and Integrity.
Persistent effort along with the highest level of integrity is paramount to long-term success in our business. Do your very best under any and all circumstances, regardless of how much compensation you receive for your services. This involves truly knowing your talents and maximizing them to the best of your ability.

Lee W. Winter
Vice President, Tenant Representation
CB Richard Ellis, Tampa

Time Management Secrets

STEVE: All of those outstanding character traits explain why you are all at the top of your game. Thanks for being so forthcoming in your answers.

Next up — All of us are busy. We try to manage our personal lives — spouses, children and friends — with our professional lives — clients, meetings, and multi-tasking phone calls, e-mails and more. With so many responsibilities and so little time, how do you manage your time effectively?

1. Get up before everyone else. Whether it’s getting to the office first or being up before the kids and the dogs, the early morning hours are when you can take some time for yourself and go over the plans for the day.

2. Organize meetings and the day’s activities the night before. Have “to do” lists ready and meetings and your calendar scheduled so that you can know what’s in store for you.

3. Don’t over-schedule. While it may be tempting to fit in that extra meeting, it’s better to keep at least an hour a day free for those unexpected, but urgent meetings and calls.

Begin with an end in mind. Make sure you surround yourself with a great team and treat all your team members as partners. It is important to prioritize but also critical to remember that it is impossible to over-communicate with clients. Also remember, it is okay to say “no” sometimes when presented with new business opportunities. Make a definitive plan, think about the “end game” and go attack the plan. Begin with an end in mind!

John Shlesinger
Vice Chairman
Office Tenant Representation
CB Richard Ellis, Atlanta

A Blackberry and an understanding family!

James Becker
Managing Director, Corporate Solutions Group
Jones Lang LaSalle

First off, a dedicated and trusting senior level administrative support person is essential. In my case, she manages my internal calendar with the skills of a diplomat and my external calendar with client and prospective care in mind. Also, I tend to work an hour in the evening in my library at home and then again early in
the morning for an hour or so to organize my thoughts, work on presentations, mail, etc., so that my day is ready to go when I get to the office.

Steve Stratton

I know many brokers that seemingly spend the night at the office grinding on deals. While I respect their enthusiasm for the business, I always believe you must have a balance in your life between faith, family and business. It is critical for me to have a plan outlining my priorities for each day. It seems my wife and I spend more time at the dinner table going over our schedule for the next day than actually eating. Touring a tenant all over Tampa looking for space in the morning, following-up with your future clients throughout the day, and making sure you’ve loaded the bat bag for baseball practice that night makes it imperative that I keep the Treo welded to my hand. I have the greatest memory in the world … it’s just short!

Lee W. Winter

I advocate the Norman Schwarzkopf rule — pick five things each week and three smaller things on a daily basis that, no matter what happens, you absolutely will get done and make sure they get done. It’s really a prioritization or goal-setting exercise. By definition, if we focus on everything, then we are not really focusing on anything. Most of our daily events and accomplishments either determine themselves, or are determined by others. Make sure the big, important things get done, and the rest will get taken care of.

John A. Gates
President, Southwest Corporate Services
The Staubach Company

Exceeding Your Customers’ Expectations

STEVE: So it sounds like we all agree that having a strong support group and an organized schedule is the key to survival in our business. Next, I’d like to discuss customer satisfaction. In this business, clients are the main focus of your business and the top priority should be to always service them in the best possible manner. Since we operate in a service business, what are your top three “best practices” or secrets that help set you apart from your competition and exceed their expectations?

1. We take a consultative approach, meaning we take time to get to know our clients. We learn about their business and implement a strategic real estate plan that mirrors the goals and objectives of the business. 
2. We are not specific transaction-oriented; we are focused on the long-term relationship that we have. Doing all the little things and always looking at the “big picture,” this helps us to earn trust that we have with our client base.
3. Constant communication is a key factor in exceeding our client’s expectations. Being responsive, disclosing everything and being focused on the details provides your client with a comfort level with their best interests being looked after. We simply strive to be good business partners with our clients.

Barry Dorfman
President
The Staubach Company, Denver

1. Communication — it can never be too frequent. It can never be too clear or too timely (in terms of response).
2. Fiduciary obligation — always do what’s best for the client even if it means no fee or a greatly reduced fee. Clients always notice!
3. Give thanks — remember to say “thank you” to your client. Make sure they know you appreciate them. You can never say these words too much!

Matthew T. Heidelbaugh

1. Listen — put their needs before yours and everyone else’s. Make them the most important client you’ve ever had.
2. Constant contact — develop personal relationships with clients. If they like you, they will be more likely to do business with you. Contact your client either by e-mail, letter or phone at least once a month. Put them on mailing lists, research reports, holidays, etc. Stay on the radar screen. Know their hobbies, wife/husband, kids and activities.
3. Follow up and follow through. Do what you say you’ll do when you say you’ll do it.

John Shlesinger

1. Be accountable. People want responsible accountability by their service providers. They want to know you and be able to trust you and that trust can only be earned through accountability.
2. Be an advocate. Make sure at all times you are working as an advocate for your client. You are always working and defending their interests, which at all times is ahead of your own self-interests.
3. Care and build strong relationships with clients. All clients are obviously ordinary people who have families and friends with life’s joys and sorrows. If you can grow the relationship to where there is mutual “caring” or, even better, becoming a real good friend with your client, it is tough to lose them.

John Boyle

I believe the key element is bringing forth the right resources and team members to meet the needs of the client. Delegation and empowering team members to make the right decisions makes everyone look good.

James Becker

1. Caring — making a special effort to look after the smallest detail in all transactions and take interest in the client’s personal and professional needs.
2. Anticipate requirements and recognize all possible impediments.
3. Do the right thing, at the right time, in the right way.

Lee W. Winter
What Corporate America Wants

STEVE: Thanks for those helpful tips. Your responses are a good reminder that our business revolves around strong communication skills. Let’s now discuss corporate America. The construction of new office facilities in the United States looks much different than it did in the past. What are the prime characteristics that corporate America is looking for in today’s office space?

Corporate America is seeking economical, functional space. Employers are trying to create the best possible working environment for their employees in order to reduce churn. This means finding space in buildings that have retail amenities within reasonable proximity to their location, creating a comfortable work environment that is well-lit and well-furnished, etc. Space today is more conservatively designed and decorated than it was four to six years ago. Companies look for space that will allow them to attract a solid workforce. It all comes down to labor, as it is the most valuable characteristic to any organization.

Barry Dorfman

We are in an era where expenses may be greater than the increases in revenue and profits. Therefore, the clients we represent are focused on how to best manage their occupancy costs. It involves more than renting affordable and the most functional space but space that increases creativity, productivity and eventually the company’s profitability. Corporate real estate must be aligned with the corporate goals and contribute significantly to the overall performance of the company, regardless of the economy.

Jeffrey L. Osborn

I would say the three biggest things are efficiency and utility, flexibility (size, term of commitment, use, etc.), and of course the lowest possible cost.

John A. Gates

Corporate America wants two things: 1. A “team atmosphere” space with open cubes and friendly workspaces. 2. Efficiency — getting away from big offices and moving toward cubicles and the open/team work environment.

John Shlesinger

New space standards due to the evolving competition on a global basis. With various functions and companies competing with labor markets in China, India and other places around the world, U.S. companies have recently broken models that have existed for decades and tried to streamline their internal operations, which means searching for buildings that will allow them to achieve this. In addition, security has obviously moved up near the top of the ladder. How landlords provide this service in their buildings, how the buildings are situated, such as parking below the building vs. adjacent and separate from the building, how loading docks are accessed, etc. is without a doubt a key element in almost any transaction.

Tim D. Relyea

Corporate America is looking for three things: value, quality and efficiency. Today more than ever, corporations are focused on value, i.e. easily laid out floor plates, quality systems in place, good amenity packages, and those in the best locations are going to win the day. Unfortunately, a significant amount of the office buildings in the U.S. were built in the 1980s. The issue here is these buildings are now approximately 25 years old and, therefore, from a “competence” perspective, the factors relating to building systems and structural integrity are being called into question. Building infrastructure components are very expensive to replace and corporations today are more aware of the base building’s core competencies and capabilities. Because of this, new quality product will be well received for corporate office users today. It is being understood it is imperative that the pricing of this new product needs to be “value driven.”

John Boyle

2006 Crystal Ball

STEVE: Since we’ve just discussed what Corporate America wants now, let’s look to the future. One of my final questions has to do with the future of real estate and business in general. We all know that business growth and the economy have fluctuated during the past decade. In your expert opinion, what will activity levels look like in 2008? Will companies be expanding, consolidating or restructuring?

We believe the office market, particularly here in Northern California, will continue to improve in 2006 as tenant activity absorbs vacant space. In fact, many markets have already witnessed positive absorption as a result of the delayed expansion needs from the period between 2003 and 2004 and venture capital funding. Many companies have maximized the utilization of their existing space, and will be looking to secure long-term occupancy costs before the real estate market turns in the landlord’s favor.

Thomas B. Maloney

Most companies will be expanding rather than contracting. The economy appears to be strengthening despite Katrina, the war in Iraq and an interest rate bump. Companies will continue to look for creative ways to consolidate excess space and reduce occupancy costs in their portfolios. With a strengthening market, restructuring is a great way to “lock in” today’s dollars for tomorrow’s term. Smart tenants are restructuring now in an effort to save money in 2006, 2007 and beyond.

Matthew T. Heidelbaugh
Activity levels in 2006 will increase, particularly in the services industry, which has stayed constant during the past few years. The trade industry will be increasing due to the aftermath of Hurricane Katrina as Atlanta becomes a host for trade shows and conferences once held in New Orleans. However, with the high price of natural gas, businesses could be paying up to 52% more for natural gas this year than last year. This could significantly affect their bottom line and they may be looking for other ways to offset this expense by downsizing or restructing. All businesses will be affected by this price increase, but the ones being the heaviest hit will include the carpet and textile, automotive and transportation, and pulp and paper industries.

John Shlesinger

The Orange County office market will continue on the same path as 2005, which means that companies will continue to expand their operations. Strong business fundamentals such as a strong economy and low unemployment rates will further support this growth. Rents for quality office space will increase based upon strong demand; therefore, further reducing the vacancy rate. Today, there are only two new projects under construction and, in both cases, they have already been pre-leased.

Jeffrey L. Osborn

I believe that companies will expand at a very slow pace, maybe 1%-2% annually. However, I feel that the economy is very unstable and that many events could occur that would slip us back into a recession. Occurrences such as rising interest rates, rising energy costs, another significant terrorist incident in our country or additional natural disasters could hurt consumer confidence, resulting in less personal and corporate spending. As for lease structures, they will still be popular in soft markets with high vacancy. Markets that have recovered, or that are quickly recovering, will cause landlords to have less of an appetite to restructure as they are more confident in the potential upside of future rents.

Barry Dorfman

Obviously, this depends on the industry. The chemical industry is currently headed for consolidation and there will be fewer players in 2006 than exist in 2005. In the energy sector, there are new start ups, spin offs, etc. that are now in existence and growing like we have not seen in the last 20 years. Further consolidation in the energy industry is an open question and depends on commodity prices and the future status of reserves.

Tim D. Relyea

The parking at 5 per 1000 will be dense for some, but overall you should experience great success.

Matthew T. Heidelbaugh

In today’s competitive environment, corporate financial officers and real estate executives are demanding their office space needs be met with flexible, efficient and cost-effective solutions. Human resources departments are seeking a competitive advantage in attracting and maintaining a superior workforce. KDC’s Intellicenter projects offer all of these benefits as well as being environmentally responsible.

John Shlesinger

KDC’s Intellicenter

STEVE: I want to, again, thank each of you for your time and insight. It isn’t often that we have the opportunity to bring all of this talent together and talk about our business at length. Before we conclude, I would like to ask one more question that relates specifically to KDC. What are your thoughts on our new branded, high-performance Intellicenters being built across the country?

I think the Intellicenter office development program is a great idea. You will see your biggest success with the tenant that needs to move rather quickly. Your competition will be mostly obsolete buildings and the Intellicenter with its large floor plates and flexibility will stand out as the obvious choice.
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DEVELOPING FOR THE FUTURE
KDC Rolling Out *Intellicenter* Nationwide

High-Performance “Green” Office Buildings Reveal New Sector of KDC
In an industry first, KDC, together with Prudential Real Estate Services, is launching a template concept for the commercial real estate market that will include a national rollout of branded, high-performance office buildings across the U.S.
While other developers have tried something similar, KDC is the first to take the visionary idea to fruition. “Traditionally, corporate executives adapted their employee needs to fit the structure of an existing building. Now, a flexible building template has been designed that can be easily adapted to meet the individual needs of every tenant right from the start,” said Steve Van Amburgh, chief executive officer of KDC.

**Intelllicenter = Improved Business Performance**

Each branded Intelllicenter building will feature a similar state-of-the-art design and amenity package in a cost-effective and environmentally friendly environment. The buildings will offer the corporate end user several important advantages, including lower operating costs, improved efficiencies, and maximum flexibility to upgrade technology and expand interior components as needed for future tenant improvements.

“This is an important product for our industry because it will give large corporate tenants the ability to quickly access much-needed ready inventory in key high-growth markets,” said Mark Cashman, senior vice president with KDC. “There is a strong customer demand for this type of facility based on current market trends, KDC research, and the real-world feedback we’ve received from our customers.”

The prototype design allows for either a three- or four-story building for a total square footage of either 150,000 or 200,000, with up to five or six parking spaces per thousand square feet. The Class A lobbies will feature high-finish floors and glass entryways that span from ground level to the roofline.

“From the site selection to everyday operations, each Intelllicenter building will be developed with the goal of helping our clients improve their bottom-line business performance, while protecting the environment by minimizing the use of natural resources,” Cashman said.

The first Intelllicenter building, located in Atlanta, began construction in the fourth quarter of 2005 and is expected to be completed within 10 months. The 13.5-acre site in Atlanta is located in Gwinnett County on Interstate 85. The Dallas site will be located on Regent Boulevard, just one block south of LBJ Freeway. Other major cities in the South and Southwest will be announced in the near future.
KDC is working with Clayco on a Design-Build basis, while Gensler and Forum Studio, Inc. are splitting architectural and engineering responsibilities.

“The Intellicenter project sets a milestone in our partnership with KDC. We have worked together on numerous projects in the past, but nothing quite like this. Our goal is to integrate this concept consistently throughout the country and create an innovative and successful brand of office buildings,” said Bob Clark, chief executive officer of Clayco.

Environmentally Friendly Design

In light of rising energy prices, implementing energy-saving measures makes more sense than ever. The Intellicenter buildings will be built according to sustainable design principles that focus on creating healthy, productive environments for building occupants while reducing energy and resource consumption.

Sustainable design principles include the ability to optimize site potential, use environmentally preferable products, protect and conserve water, enhance indoor environmental quality, and optimize operational and maintenance practices. Towards that end, the buildings will offer 14-inch raised-access floors and large, efficient floor plates with a floor design that will accommodate more employees per square foot.

The Intellicenter building design will be granted certification under the Leadership in Energy and Environmental Design (LEED) program. The program, implemented by the U.S. Green Building Council, promotes buildings that are environmentally responsible, profitable and healthy places to live and work.

By installing advanced energy control systems and following the development guidelines of the U.S. Environmental Protection Agency (EPA) and the U.S. Green Building Council, green-savvy architects and engineers can trim energy costs by up to 30%, according to the Council.

Employees also thrive in environmentally friendly buildings. Studies of employers who moved into naturally lit spaces have demonstrated double-digit drops in worker absenteeism and similar increases in productivity, according to research by Seattle City Light, the municipal power authority of the City of Seattle.

Unlike traditional office buildings, Intellicenter buildings have been carefully designed to provide numerous quality-of-life features for residents, including individual HVAC comfort and control in offices and workstations, improved indoor air quality, and natural day lighting, which can reduce building energy consumption by 70%.

But the economic gains for building owners who invest in the green technology that Intellicenter buildings offer will extend beyond simple monthly reductions in energy bills. “Green buildings reflect attention to every detail, which ultimately results in a Class-A product,” Cashman said.
Walking on
Imagine an office building that is cost-efficient, circulates clean indoor air and allows employees to adjust the temperature to their own comfort level. This building is also flexible enough to meet high churn rates in the commercial real estate world of multi-tenant, multi-technology environments where the pace of future expansion is guaranteed, yet the nature of the expansion unpredictable. In today’s workplace, more and more innovative designers and builders are incorporating underfloor air distribution systems (UFAD), a system of supplying conditioned air from a pressurized plenum created between the floor slab and a raised floor system, into their building design strategies.

**UNDERFLOOR AIR DISTRIBUTION**

*The Next Generation of Office Buildings Promises Enhanced Workplace Performance and Quality of Life*
Popular in Europe and Japan for many years, UFAD is catching on in North America as more American companies become conscious of the system’s numerous benefits. Although the idea is still new to many industries in the United States, the trend of using UFAD in the next generation of buildings looks certain to have effect.

Koll Development Company (KDC) is at the forefront of utilizing this system of UFAD in its new high-performance Intellicenter buildings that offer a number of cost-saving features. Raised access floors have become a preferred means of delivering voice, data and power for years, but developers are just now beginning to recognize the added value these floors can provide as a means for air distribution. Underfloor air technology can improve environmental quality, reduce construction and operating costs, and boost productivity by giving employees greater control over their environment and their comfort.

“Ninety percent of the marketplace is looking for the cost-efficient building that incorporates effective operational expenses and speed-to-market, two features that Intellicenter buildings will offer. If the developer can’t deliver the building cost-effectively and produced in a timeframe that meets the schedule demands of corporate America, companies are not going to select you,” said Murray Newton, executive vice president of KDC.

Before the practice of equipping all buildings with UFAD becomes industry-standard in the U.S., general contractors and designers will have to become more educated and aware of the system’s many benefits, according to Rives Taylor, AIA, LEED, an architect with Gensler, the company coordinating LEED (Leadership in Energy and Environment Design) for KDC’s new Intellicenter buildings.

“The raised floor in all its variations is really the next evolutionary step in Heating, Ventilation, and Air Conditioning (HVAC). We are simply turning the building upside down. I think this will be the standard in 10 years, particularly those places that can use the thermal mass of concrete structure to be cooled at night and have some advantages in cooling the air during the day,” Taylor said.

“This is what corporate America is looking for, so we’ve incorporated their needs into this speculative building program. Our ultimate goal is that this program gains acceptance,” Newton said. In addition to offering companies lower operational costs, Newton added, UFAD is expected to help boost employee productivity.

**Air Supply**

Cleaner air signifies healthier employees and healthier employees signify a boost in productivity. With a UFAD system, conditioned air is delivered to an underfloor plenum, traveling through a shorter distance of plenum than ceiling-based systems. Within the plenum, air flows freely and enters the workspace through diffusers at the floor level or as part of the furniture or partitions. The system improves indoor air quality by delivering the fresh supply air near the occupant at floor or desktop level, allowing an overall floor-to-ceiling air flow pattern to more efficiently remove contaminants.

‘A human resources director can say ‘We’re going to offer a healthier work environment here, and that’s going to reduce absenteeism and make more productive people.’ That’s something that is difficult to quantify until you put
into practice. But, if you have a better environment for people to work in, the turnover rate can be reduced, there’s less absenteeism, and therefore you’re a more efficient machine,” Newton said.

Supply air from the underfloor plenum is emitted into the workspace through diffusers located in the floor. Compared to standard overhead systems, UFAD systems have a larger number of supply diffusers, many in close proximity to the employees, with each delivering a smaller amount of air than typical ceiling diffusers. In most systems, diffusers placed near workstations allow employees to have some amount of control over their area climate without affecting climate of nearby co-workers.

“If you walk around our office, some people have heaters under their desks. Some people are hot while others can be freezing. To be able to change and control the air within your space, psychologically, it just makes people feel more in control. They can get as much or as little air as they want,” Newton said.

Regardless of the pros and cons of a particular technology, most often it’s the bottom line that drives its adoption. First costs for UFAD systems utilizing raised access flooring can be slightly higher (approximately $2.33 per square foot) than those for a conventional overhead system, Taylor said. However, this additional cost can be offset by savings in material and installation costs for ductwork, installation of electrical services, as well as from downsizing on mechanical equipment. If a raised floor system has already been selected for other reasons, such as improved cable management, UFAD is easily shown to be cost-effective. Savings in annual HVAC systems can be in the range of 10-20 percent, depending on system design and weather conditions, according to the University of California–Berkeley’s Center for the Built Environment.
In today’s global economy, banks, telecommunications and numerous other industries face fierce competition and are embarking on new strategies to improve efficiency while enhancing revenue and adopting state-of-the-art technology. The next step for many companies is to consolidate operations in order to protect their competitive edge. Moving hundreds of people from multiple locations leaves commercial real estate developers with the complex task of consolidating multiple operations into a common location. Increasingly, companies turn to Koll Development Company (KDC) to head up these and other major development projects based on the company’s approach and processes, along with experience and past success. By early 2006, two new companies consolidating their operations will call Recent Center Business Park, a KDC development, home.

Coming Together

KDC is developing a 75,000-square-foot corporate office building for Epsilon, a leading relationship marketing company, in Regent Center Business Park, located on LBJ Freeway at Belt Line Road in Irving. The build-to-suit project will incorporate Epsilon’s two Dallas offices, serving as a regional headquarters focused on supporting client needs and the company’s ongoing expansion. The development, situated on seven acres of land, includes a two-story office building complex that will have a 5,000-square-foot data center, will house 340 employees and will join other well-known companies such as Citigroup, FedEx and First Horizon Home Loans at the office park.
“Epsilon approached us about a year ago when they were looking at consolidating. They had outgrown the buildings they occupied in the Metroplex. They were in two buildings across the street from each other in Irving — one was a free-standing building, and the other was part of a multi-tenant complex,” said Tobin Grove, president of KDC. “Everyone involved in the project said the initial driver for the proposed consolidation was greater efficiency and a better work culture. Employees in different buildings felt like different tiers of citizens almost, and they wanted everybody together.”

But the Epsilon build-to-suit transaction was not a slam-dunk. Epsilon did its research, talking to several other developers about a newly built facility as well as looking at existing buildings, both freestanding and multi-tenant, before making the decision to select KDC.

“I think that we were ultimately selected for this project based upon our historical experience and our focus on building single-tenant corporate projects. In addition, we had the benefit of having been the developer on a similar project located near their current operations that they found very appealing and one which they had gravitated toward,” Grove said.

By blending employees into one building, Epsilon will be able to reduce their required square footage from the 90,000 square feet that they currently occupy to 75,000 square feet — a 15 percent savings in space use — in the company’s new build-to-suit facility. Grove said KDC is typically able to help corporate clients save 15 to 20 percent in space when moving to a new build-to-suit project from multiple facilities or spread out in a high-rise building.

Groundbreaking for Regent Center’s latest addition took place in June 2005, and construction is scheduled for completion in April 2006. The building was designed by Alliance Architects. The rest of the development team includes DFW Consulting Group, Glenn Engineering, TBG Partners and Cadence-McShane

**Consolidating Citigroup**

Citigroup, Epsilon’s future neighbor in Regent Center, is also undergoing a major consolidation, although this consolidation project is much more complex. It involves moving 5,000 employees from 15 facilities scattered around the Dallas metroplex into four new office buildings.

Global financial services company, Citigroup, selected KDC to oversee their build-to-suit regional corporate offices, and HKS Architects to design the architectural and civil plan, totaling 850,000 square feet at two campus sites in Irving and Las Colinas, as part
of a plan to consolidate Citigroup’s Dallas-area operations.

“As one of the county’s finest development companies, KDC continues to honor us with the highest compliment — their repeat business,” said Dan Jeakins, director of HKS Architects, Inc. “We have enjoyed our time thus far working with them to consolidate the Citigroup operations, and it has expanded our valued relationship with both KDC and Citigroup.”

The Regent Center project includes development of a 625,000-square-foot, three-building, three-story office complex. Citigroup purchased 52 acres of land in Regent Center, and construction began in August 2004 with occupancy starting in November 2005. The second build-to-suit development is a three-story, 225,000-square-foot facility located on Citigroup’s current 137-acre campus at Royal Lane in Las Colinas. Construction began in September 2004 and will be ready to occupy in December 2005.

“Citigroup was looking for a developer that they knew had taken on something this big before, who knew how to handle a project with a lot of moving parts and who knew how to effectively work with a team to bring about the overall project,” said Don Mills, senior vice president of KDC. “Getting everybody to work well together and stay on pace is critical.”

Citigroup’s new office space will be first-rate. Each building will have open office space on raised flooring, quality furniture and lighting, close proximity to break areas, and full-service dining rooms and fitness centers.

“I think the companies we work with view these types of operations as having to be a win-win for everybody. If they just do it strictly for productivity’s sake, and the employees aren’t happy, it’s not an effective project. But I think this one is well on track to achieve the goals Citigroup set early in the decision making process,” Mills said.
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ADVERTISERS INDEX

Abstract Construction .................. 27
AEW Capital Management, L.P........... 3
Alliance Geotechnical Group ........... 42
CB Richard Ellis .............................. 6
Clayco Corp. ................................. 11
Compass Bank .............................. 35
Corgan Architects ......................... 40
Cummings Electrical, Inc................. 39
Gardere Wynne Sewell LLP ............. 2
Gensler ........................................ 40
Glenn Engineering ......................... 41
Greensboro Economic Development Partners .......... 4
Highland Builders, Inc.................... 17
Hill & Wilkinson, Ltd...................... 41
HKS, Inc. ...................................... 17
J.R. Engineering ............................ 41
Kimley-Horn & Associates, Inc........... 41
McCarthy Building Companies, Inc...... 26
Munsch, Hardt, Kopf & Harr PC ....... 36
Pacific Builders, Incorporated ......... 40
Page Southerland Page ................... 26
Peterman & Associates, Inc............. 41
Potter Concrete Co., Inc.................. 27
Promise Building Service, Inc......... 42
Rogers-O'Brien Construction Company 42
Sunwest Communications ............... 42
TD Industries, Inc. ......................... 39
The Stauback Company ................... 44
Thomas S. Byrne, Ltd..................... 42
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