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Diminishing Demand

By SHEILA MUTO Staff Reporter of THE WALL STREET JOURNAL March 31, 2004; Page B4

It may not be surprising that companies will require less space in the U.S. over the next few years. But the reasons why may be surprising.

CoreNet Global, an Atlanta-based association of corporate real-estate executives, commissioned the Gallup Organization to conduct a poll of corporate real-estate managers to assess the impact of technology and other issues on how employees and companies operate now and will in 2010, and, therefore, how their real-estate needs will change.

Nearly 40% of the 314 respondents say that 25% or more of their company's knowledge workers -- defined as employees whose primary work roles are white collar, technical or administrative in nature, rather than physical -- will be working remotely, such as from home, a client office or a Starbucks, in 2010. Moreover, the amount of assigned space for workers will decrease.

Although companies increasingly are moving operations overseas, access to low-wage workers ranked at the bottom of the list of nine factors that most influence executives in making location decisions. More than half of the respondents cited access to customers and markets as the top factor in driving location decisions, followed by 27% who cited access to specialized talent as a top factor. Quality of life for employees and quality of the local infrastructure were each cited as top factors among 20% of the respondents.

The most surprising part was that just 8% of respondents said access to low-wage workers was the top factor.

"Everyone has read about how important low-cost work forces are in driving companies to China and India," says Barbara Hampton, a vice president at CoreNet, but the survey responses "fly in the face of what we've read."

The survey responses also indicate that companies may be more willing to pay a premium for the ability to quickly rearrange the layout of their space and move in and out of a space in short

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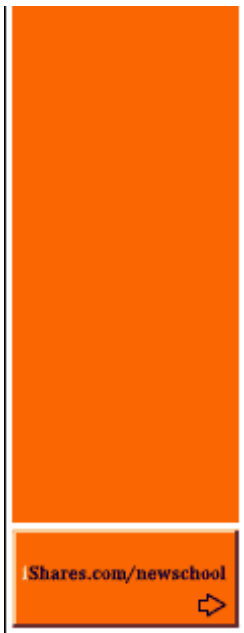
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order. That runs counter to the perception that cost-conscious companies are unwilling to do so.

About 46% of the respondents said they are currently willing to pay a premium for flexible workplace designs, while 67% of the respondents said they would be willing to pay such a premium in 2010. And 60% of the respondents said they are willing to pay a premium for flexible leasing terms, while 65% said they would be willing to pay such a premium in 2010.

The poll -- the results of which are scheduled to be released this week -- was conducted at the end of last year and has an error margin of plus or minus 5.6 percentage points.

### For the Birds

Architect Sid Schlomann's business has gone to the birds.

Mr. Schlomann, an in-house architect for the U.S. Postal Service who helps manage construction, renovation and repair matters in the New York metropolitan area, has turned his attention to the unsightly and unsanitary droppings and property damage caused by pigeons and seagulls.

The U.S. Postal Service last year began trying to clean up the pigeon-droppings problem at the two-block-long Farley Post Office building, a historic structure in New York City -- a portion of which is being converted into an addition to the Penn Station railroad terminal. This summer, part of the building will be used for the Republican National Convention.

"The building has been very much in the news in recent months," given the Penn Station conversion project and the upcoming convention, says Mr. Schlomann. "That's what triggered the need to spruce up the building" and try to get rid of the pigeons. "It was unsightly with white streaks running down the columns" of the building, he says, which isn't a good backdrop for news conferences.

To deal with the pigeon problem, Mr. Schlomann says about \$10,000 was spent to purchase and install netting and an electric track system developed by Bell Environmental Services, a pest-control company based in Parsippany, N.J. The tracks, which are laid out on the building's window ledges, give pigeons a nonlethal electric shock.

Phil Waldorf, Bell Environmental's president, believes the pigeon population has grown substantially in New York, in part, because a few years ago, the city banned the use of a pesticide that caused hallucinations and even death in pigeons.

Meantime, Mr. Schlomann is contending with birds of another sort at a mail-processing plant near John F. Kennedy International Airport. Crafty seagulls have discovered they can crack open clams they find at a nearby beach by dropping them onto the roof of the processing plant. Mr. Schlomann believes those fly-over drops have been the cause of roof leaks at the facility. "It's an ongoing problem," he says.

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