

## If you hang art, they will come

BY KATHERINE CONRAD

Two years after Joe Lewis began hanging artwork from local artists, a once half-empty building on San Jose's North First Street is almost fully occupied.

This is no small feat in a market brokers are calling the "worst of times."

Lewis, president and CEO of Orchard Commercial Inc., is convinced there is a connection between the quarterly art shows he coordinates with San Jose State University and the leases he has signed since buying the 123,000-square-foot, three-story structure in late 2006.

"Absolutely the art has helped to fill the building," Lewis said. "Here's the thing, in order for a tenant to buy something like office space, they have to be emotionally engaged. Any great salesman will tell you that. And this is a building you can engage with."

### REAL ESTATE DIGEST

One such tenant is Cindi Rosse, presiding judge of the California Unemployment Insurance Appeals Board. Rosse said she enjoys going to work in the building, largely because of the art.

"It makes us feel comfortable and connected with the community," she said.

Lewis knows that tenants have "millions of choices" in this market, but the changing art exhibits have helped differentiate the otherwise nondescript structure built in 1984. And he has the leases to prove it. Companies that have signed in each of the past three quarters include Parametric Technology Corp. for 17,500 square feet, the Unemployment Insurance Appeals Board for 17,000 square feet and, most recently, Teranetics, which will lease 30,000 square feet.

Carla Turturici, who curates the exhibits for Orchard, said the most challenging part of the job is finding art big enough to fill the 32-foot-high walls in the three-story atrium.

"This is really a great opportunity to actually bring art into our environment where we work," she said. "It gives artists another venue to show their work and it gives tenants and the public a chance to experience art."



VICKI THOMPSON

**A REAL DRAW:** Brokers say exhibits, such as the one Carla Turturici hangs at 2665 N. First St., has helped attract tenants.

The current exhibit, "In Focus," features more than 150 photos and will run until October. The artist reception is planned for 5-7 p.m., Aug. 7, at 2665 N. First St.

### Transactions up slightly

Second quarter numbers from Jim Beeger at Colliers International as well as NAI/BT Commercial show transaction volume was better than the dismal showing in the first quarter. But the light at the end of the tunnel is still dim.

"Despite a relatively better second quarter than first quarter of 2009, it would be premature to believe that these markets have yet reached bottom," said Joshua Deale, NAI/BT's research analyst. "We will likely see continued slumping trends in these markets at least through early 2010."

Aaron Fritz, a broker with NAI/BT, said office vacancy on a total Silicon Valley building base of almost 75 million square feet is 18.6 percent, "the highest we have on record." The last time

numbers were so dismal was the second quarter of 2003, when vacancy was 17.5 percent.

"It continues to get more negative, but the velocity at which it was declining has slowed," Fritz said.

That's not to say there was no activity. Fritz said that on the list of the largest transactions for the quarter, half were either renewals or subleases.

Beeger counted 50 deals for a total of 1.5 million square feet of transactions in the second quarter, but the net overall effect was still negative.

Beeger ended on a positive note: "Second quarter effective rents on new leases in previously occupied R&D facilities actually increased in the second quarter over the first in North San Jose, Santa Clara and Mountain View. Go figure."

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