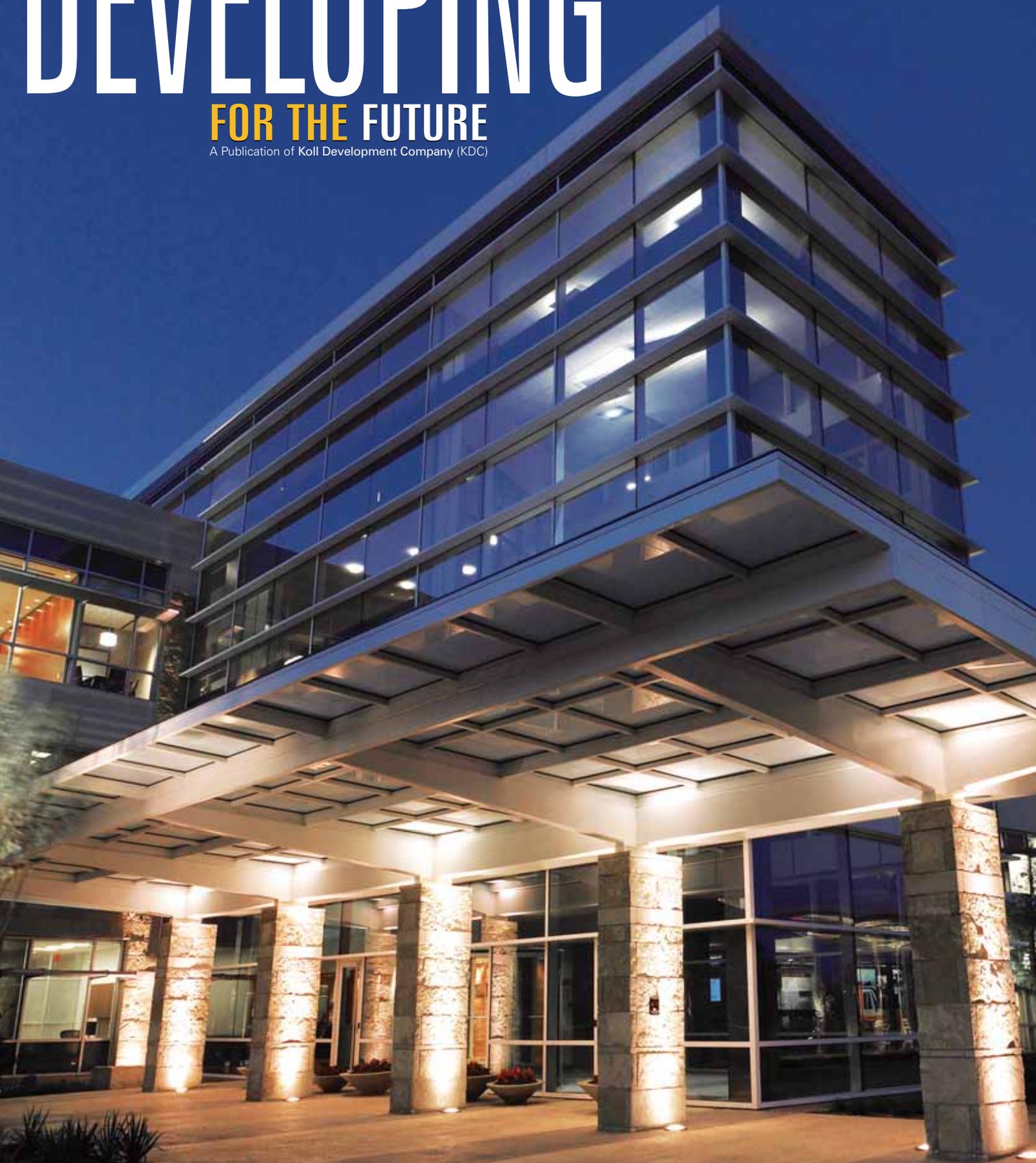


SPRING 2007

DEVELOPING

FOR THE FUTURE

A Publication of Koll Development Company (KDC)



IN THIS ISSUE

THE SMART CHOICE

COMMERCIAL REAL ESTATE PERSPECTIVE

NEXT-GENERATION DATA CENTER DEVELOPMENT

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Welcome to the fourth issue of *Developing for the Future*. This issue is a great mix of real estate stories, sports profiles and industry perspectives from those “working the deals.” And then there’s the KDC “NewsWire,” designed to keep you updated on our many projects.

In this issue, we pay tribute to the golf legend Byron Nelson, a great man who influenced so many people, including me. Mr. Nelson’s passing in 2006 caused many of us affiliated with the EDS Byron Nelson Championship to take a closer look at our stewardship roles at work and in the community. At KDC, we strive to bring integrity, trust and innovation to all of our projects. These attributes drive our business and keep us focused on what is important.

Another outstanding individual who possesses these character traits is Alan Williams. I’ve known Alan and his family for several years and have watched his career as an author, speaker and mentor to young athletes unfold. At the heart of Alan’s message is the value of teamwork, one of our “best practices” at KDC. Alan’s book, *Walk-On: Life from the End of the Bench*, provides valuable insight into what it takes to be a leader and create a winning team.

Our publication wouldn’t be complete without providing you with an update on our “green” building activities. At KDC, we feel it is our responsibility to be “good stewards of the environment,” and we have committed to creating the healthiest workplaces possible. Approximately 70 percent of KDC’s current projects in development are “green” buildings. Be sure to check out the stories about raised-access flooring and Travelers’ selection of *Intellicenter-Houston* for its Houston operations.

Thanks to those who contributed to this publication. And a special thanks to our invited consultants and contractors who support *Developing for the Future* with their advertisements.

Our KDC Team hopes you enjoy our spring issue of *Developing for the Future*.

A handwritten signature in black ink that reads "Steve Van Amburgh". The signature is fluid and cursive.

Steve Van Amburgh
Chief Executive Officer
Koll Development Company (KDC)

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NewsWire



KDC to Develop New 1.1 Million-Square-Foot Blue Cross and Blue Shield of Texas Headquarters

RICHARDSON, TEXAS – The biggest development project in The Richardson Telecom Corridor, KDC will develop and own the LEED-certified facility, with completion slated for early 2010.

"We are honored to have been selected to develop the new headquarters," KDC President Tobin Grove said. "We've worked diligently to meet the needs of Blue Cross and Blue Shield of Texas."



New Fast-Track, Build-to-Suit Facility for National Envelope Corp. Near Completion

ENNIS, TEXAS – Tilt panels are erected in preparation for the world's largest envelope company's move into its new 315,000-square-foot facility.

"The new manufacturing and distribution center will allow National Envelope to consolidate two existing facilities in the D/FW area and increase overall operational efficiencies," said Mark Cashman, senior vice president of KDC.



Intellicenter-Atlanta Ready for Tenant

ATLANTA – The 150,000-square-foot "green" building features raised access flooring and a flexible floor design, and was completed in February 2007.

"Intellicenter is the perfect concept for rapidly growing Gwinnett County," said Larry Wilson, president of the KDC-Southeastern Division office. "It is an accessible building, fronting on Interstate 85 and the Sugarloaf Parkway/Old Peachtree Road interchange."



Blue Cross and Blue Shield Fulfillment Center

CHICAGO – The new 138,000-square-foot office service center, constructed on a fast-track schedule of nine months, is near completion.

"Our development team was able to meet the challenges and keep the project on time and on budget," said Don Mills, senior vice president of KDC.



KDC Selected to Develop Chevron Corporate Office Campus

COVINGTON, LA. – KDC recently broke ground on the new 300,000-square-foot regional office complex for Chevron Corporation's Gulf of Mexico offshore drilling and exploration activities.

"This 'green' build-to-suit office project will showcase our ability to construct cost-effective buildings in suburban settings and office parks, as well as our ability to create a 'custom home' for a leading energy company," said Mike Rosamond, senior vice president of KDC.

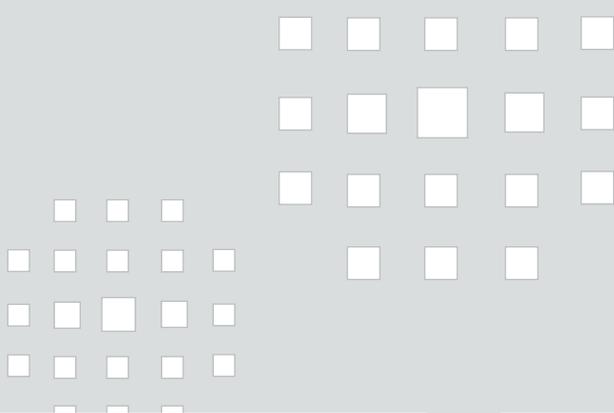


KDC Completes New Rent-A-Center Headquarters

PLANO, TEXAS – Rent-A-Center's new 175,000-square-foot headquarters — located in Legacy Business Park just north

of Dallas — is complete. This is KDC's sixth build-to-suit project in the area.

"The new low-rise corporate campus provides a more unified work environment, an important element for the company," KDC Executive Vice President Murry Newton said.



KDC Breaks Ground and Develops New Credit Suisse Facility
RALEIGH, N.C. – Credit Suisse will have a new 205,000-square-foot “Center of Excellence” in July 2007 — thanks to KDC. The “green” building will serve as a global business center with the capacity to house more than 1,000 employees.

“This new facility meets the client’s demand for an efficient workplace, and it features a design to accommodate maximum flexibility,” said Sean McDonald, vice president of KDC-Carolinas office.



KDC Secures First Intellicenter Lease with Travelers

HOUSTON – KDC’s first Intellicenter tenant, The Travelers Companies, Inc., is consolidating four offices and is leasing the entire 160,000-square-foot Intellicenter-Houston.

“The Travelers lease validates our Intellicenter program, and the response has been very positive,” said Jake Ragusa, senior vice president of KDC.



KDC Wrapping Up Construction on Build-to-Suit for CUNA Mutual Group
FORT WORTH, TEXAS – CUNA Mutual will soon move into its new Customer Operations Center at the Campus at

CentrePort, a KDC development, which will feature the latest in technology.

“KDC’s partnership with AEW Capital Management, and our history of successful endeavors with the City of Fort Worth, turned a search for existing space into an ambitious and ‘fast-track’ build-to-suit project,” KDC Senior Vice President Bill Guthrey said.

KDC Secures Lease with Denbury Resources for Build-to-Suit
PLANO, TEXAS – Construction will begin in April 2007 for the new 100,000-square-foot office building for Denbury Resources.

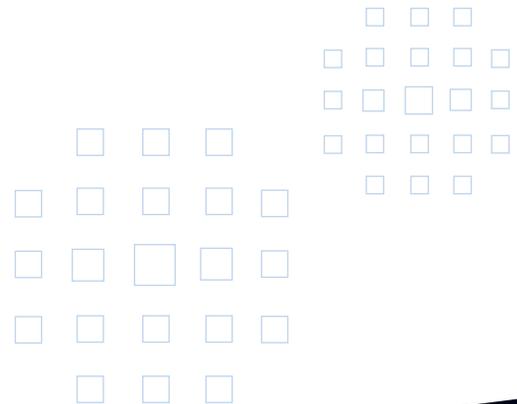
“Our reputation for developing multiple office projects in the Legacy area contributed to this project coming together so quickly,” KDC Senior Vice President Scott Ozymy said.



KDC Redevelops 1 Million-Square-Foot Campus at Legacy

DALLAS – The Campus at Legacy, a former EDS campus in Plano, Texas, features a new entrance, extensive landscape redesign and multiple interior upgrades.

“We have the largest block of available space in the Dallas area,” said John Brownlee, senior vice president of KDC. “And we have dedicated the last year to turning it into the premier corporate campus in the market.”





Legend of Our Time

BYRON NELSON

“Winners are different,” golf legend Byron Nelson said. “They’re a different breed of cat. I think, the reason is, they have an inner drive and are willing to give of themselves whatever it takes to win. It’s a discipline a lot of people are not willing to impose on themselves. It takes a lot of energy — a different way of thinking. It makes a difference on you to win tournaments than to just go out and win money.”

When KDC’s Steve Van Amburgh learned of Mr. Nelson’s passing on September 26, he could not help but flash back nearly three decades, to one of the most indelible days of his young life.

The year was 1977, and Van Amburgh was 24 years old. His best friend, Todd Hunt, invited him to play a round of golf at Riverhill Club in Kerrville. Their playing partners that day were Todd’s dad, Riverhill owner/developer Sherman Hunt, and the golf course’s architect, Byron Nelson.

“It was a foursome that I’ll surely never forget,” said Van Amburgh, CEO of Koll Development Company.

He said he recalls being extremely nervous while shooting a score in the high 90s. He remembers Mr. Nelson shooting 1 over par. It was not Mr. Nelson’s score, however, that left a lifelong impression on Van Amburgh.

“I remember the qualities — the genuineness, the compassion, the friendliness. I saw a man of really strong character and great principles and a man who really seemed comfortable in his skin. So, from that time and at that age, I’ve always looked at him not only as a golf great, but as an outstanding man with great character and a mentor to many.”





Mr. Nelson's passing at age 94 brought a worldwide outpouring of similar praise from golfers and non-golfers alike.

Older fans know him as Lord Byron, the Hall of Fame golfer who won 52 tournaments, including five major titles. During one magical season, 1945, he won a tour-record 18 tournaments, including a record 11 straight victories. But to most fans, and especially anyone who was fortunate enough to know him personally, Mr. Nelson forged his most enduring legacies off the course.

In 1968, he agreed to give his name to a struggling tournament called the Dallas Open. Mr. Nelson said, "When you're happy, it's easier to do things."

Since then, the EDS Byron Nelson Championship has raised more than \$94 million for the Salesmanship Club of Dallas' Youth and Family Centers.

PGA Tour stars such as Tiger Woods and Phil Mickelson annually include the Irving



stop on their schedules. They don't come because Mr. Nelson was a legendary golfer. They come because of their regard for him as a person and respect for his great character. After all, today's players never saw Mr. Nelson play in person because they were born long after he retired from the tour in 1946, at age 34.

As a member of the Salesmanship Club, Van Amburgh in recent years has served on the EDS Byron Nelson Championship's player relations committee. He and fellow Salesmanship Club members marveled as Mr. Nelson, year after year, tirelessly worked on the tournament's behalf. Mr. Nelson wrote letters to players and annually traveled to the Players Championship in Florida to personally invite them to the Nelson Championship.

"Golf is like life in many ways," Mr. Nelson said. "For example, when you make a decision, you should stick with it."

During the week of the Nelson Championship, he personally greeted and thanked each player for coming. In turn, whenever players spoke of Mr. Nelson, they did so with deep regard, affection and appreciation.

When Mr. Nelson died, his protégé and longtime friend Tom Watson said Byron "will be most remembered for the genuineness and gentleness he brought to all those around him." PGA Tour Commissioner Tim Finchem noted that "players, young and old, looked to Byron as the consummate role model of our sport." Salesmanship Club President Mac Wesson called Mr. Nelson "an amazing man and an example to all of us."

U.S. Ryder Cup Captain Tom Lehman made it a point to play in the 2006 Nelson Championship because it had been several years since he had taken part in the event. He said he felt he owed it to Mr. Nelson to come. That week, Lehman and

fellow tour player Jim Furyk had dinner with Byron and Peggy Nelson at their Roanoke ranch. When Mr. Nelson died, Lehman withdrew from the WGC American Express Championship in Europe and flew back to attend the funeral service at Richland Hills Church of Christ.

"I felt like I had the obligation to return to honor one of the all-time great players and gentlemen," Lehman said.

Van Amburgh said many important lessons, both in life and business, can be learned from the manner in which Byron Nelson lived, how he treated people, and the way they responded to him.

Everyone has someone in their life they look up to, have been influenced by, and tried to emulate. Often, it is a parent, grandparent, friend, business associate or civic leader. When Van Amburgh thinks about his team at Koll Development and the "corporate personality" that he would like its employees to convey every day, he thinks of one person.

"The man that I've personally seen the most people hold the highest regard for is Byron Nelson."

During his life and after his passing, pro golfers, dignitaries and even President Bush described Mr. Nelson with words such as honesty, integrity, humility, sensitivity, focus and confidence. It is no wonder that he is one of only five athletes to be awarded the Congressional Gold Medal.

It is an obvious choice, Van Amburgh said, for many companies in the Dallas-Fort Worth area to be corporate sponsors of the EDS Byron Nelson Championship. Great man. Great cause. In life and business, Van Amburgh noted, people are judged by the company they keep.

As Mr. Nelson said late in his life: "I'm more proud of my reputation than the fact I won a lot of tournaments."

It is a reputation that will endure for eternity. It was paved with good deeds, sound values and principles, hard work and legendary results, on and off the course. A case in point is that 1-over-par round that young Van Amburgh watched Mr. Nelson shoot nearly 30 years ago.

Mr. Nelson was 65 years old at the time, and he played with a plaster cast on his right arm.

Brad Townsend with The Dallas Morning News has covered sports for 22 years.

THE



Smart Choice

Travelers Picks *Intellicenter* to Consolidate Houston Operations

Like many Fortune 500 companies today, The Travelers Companies, Inc. is looking for ways to efficiently manage its real estate. One obvious way: consolidating under one roof the 800 employees spread throughout six different facilities in the Houston metropolitan area.

After a seven-month search, the St. Paul, Minn.-based property casualty company, which is ranked 85th on the Fortune 500 list, chose the 150,000-square-foot *Intellicenter*™ for its Houston operations.



"This was not an easy process," says Tom Maloney, an executive vice president and principal with The Staubach Co. who represents Travelers. "Finding a building that offered the right location in a safe and secure business park environment, the right amount of space and greater efficiencies is a challenge. But at the end of the day, we felt comfortable with Koll Development Company's (KDC) *Intellicer* product."

David Bale with Staubach's Houston office also represented Travelers in the deal, while Phil Arnett and Kyle Kelley with CB Richard Ellis Inc.'s Houston office handle the leasing for *Intellicer-Houston*.

Unlike Other Buildings

Travelers plans a January 2008 move into its new home in the Westway Park development, a 150-acre master-planned business park at the intersection of the Sam Houston Tollway and Clay Road between Interstate 10 and U.S. 290. Westway Park is a Wolff Companies development.

The *Intellicer* building, developed by KDC, was one of 15 buildings that Travelers considered. "Initially, the *Intellicer* building was just like the other options — a building in the right location that could accommodate our space needs," Maloney explains. "But, once we learned about the potential efficiencies provided by the *Intellicer's* floorplates and building systems, we became more interested."

Travelers is the first tenant to lease space in one of KDC's *Intellicer* buildings. The Houston building is one of 16 speculative buildings totaling more than 2 million square feet that KDC is building as part of a \$250-million development program with Prudential Real Estate Services. In addition to the Houston building, there are three more *Intellicers* under development in Atlanta, Dallas and Ft. Mill, S.C. KDC plans to have five more under construction by the end of 2007.

Designed for Corporate America

KDC created the *Intellicer* concept after conducting a survey of 40 corporate users, CEO Steve Van Amburgh says. The survey found that most companies are focused on decreasing the amount of square feet allocated for each employee to roughly 200 square feet and are increasingly interested in "green" building.

Every *Intellicer* offers 150,000 to 200,000 square feet and the same design features. The buildings provide corporate users with building features previously only available in build-to-suit projects, including: large floorplates to accommodate more employees per square foot, raised-access flooring for under-floor air distribution and easy access to electrical, phone and data cabling, and 30 to 50 percent more parking than conventional buildings.

Intellicer floorplates, which range from 40,000 square feet to 50,000 square feet, are substantially larger than the 20,000-square-foot and 25,000-square-foot floorplates found in older, conventional buildings.

"The larger floorplate is highly desirable to today's corporate user," Van Amburgh says, pointing out that Travelers was able to decrease its space from 210,000 square feet to about 150,000 square feet because of the *Intellicer's* larger floorplates and increased parking. *Intellicer-Houston* will provide six spaces per 1,000 square feet of building space.

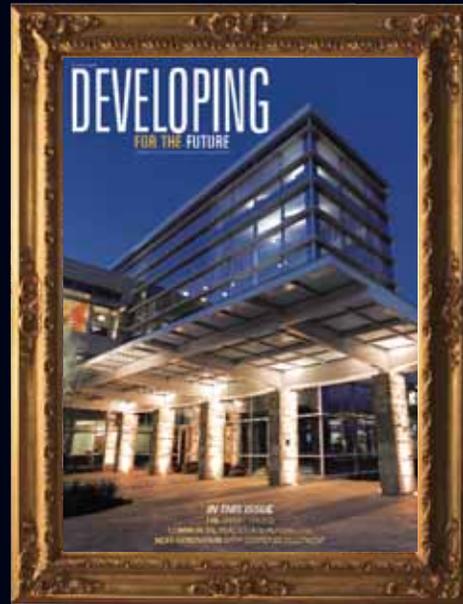
"The thing that ultimately differentiated *Intellicer* was the efficiency," Maloney says. "We found that the floorplates were planned very well for high density operations, and the projected operating expense associated with the building systems was very attractive."

Van Amburgh explains that studies have shown that the combination of raised-access flooring and under-floor air decreases energy usage by 35 percent compared to traditional ceiling delivery. Moreover, raised-access flooring is considered an important element of the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) building rating system, which is widely recognized as the industry standard to evaluate environmentally friendly and sustainable buildings. All *Intellicers* will be LEED-certified.

More Benefits for the Same Price

Maloney admits that Travelers was a little skeptical that *Intellicers* could provide such extensive operating savings. "Because this was the first *Intellicer* building, we had more questions about the performance of the building than potential tenants will later on," he notes. "Our biggest question revolved around operating expense savings related to the raised floors."

Travelers challenged KDC to demonstrate the cost savings, and KDC answered that challenge by inviting the Fortune 500 company to visit similar facilities that KDC had built for Citigroup and Chase Bank. "At the end of the day, we found that the *Intellicer* economics were comparable with alternative buildings that didn't offer as many benefits as the *Intellicer* does," Maloney says.



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Commercial Real Estate Perspective



The real estate market continues to change and move at a fast pace. As professionals in this exciting industry, we are always honing our skills and working to stay ahead of our next deal. As we embark on another exciting year, we decided to gather some thoughts from those “working the deals.” Thanks to the panelists for sharing your perspective.

– Toby Grove, KDC President

Toby: How will the economy affect the real estate market in 2007? What are your predictions?

With the Federal Reserve closely watching the rates and an anticipated slow down in job growth, the real estate market will continue to improve, but will be moderate in its recovery.

*Rick Hughes
Senior Director
Cushman & Wakefield, Dallas*

Construction pricing is forcing rental rates for new office projects to rise sharply. Luckily, due to the growing economy, we now have prospects willing to pay these rising prices to get the space they need. As the market continues to tighten, rental rates for existing buildings should also increase more rapidly. A spike in rental rates will help justify the low cap rates many investors have been forced to accept recently.

*Anne Vulcano
First Vice President
CB Richard Ellis, Charlotte*

In Atlanta, the economy has showed some signs of slowing, as evidenced by declining job growth and fewer housing permits. However, the condition of the office market in certain submarkets is actually improving. Strong absorption, combined with little new construction, has resulted in declining vacancy and increased rental rates.

*Kerry Davidson
First Vice President
CB Richard Ellis, Atlanta*

On the whole, we're very bullish on 2007. Rental rates are rising in most cities, businesses are expanding, and the economy is strong. We're optimistic.

*Jeffrey Ellerman
Executive Vice President
The Staubach Company, Dallas*

Our clients are generally very optimistic about the economy. Albeit modest, growth is influencing virtually all of our clients.

*Mike Sessa
Managing Principal
The Staubach Company, Chicago*

The design business is a strong indicator of the immediate economic outlook. When businesses and institutions are "bullish," they begin and continue to plan for growth and the buildings that facilitate it. When the bear sets in, businesses quickly stop anything that hasn't broken ground. 2007 will be a strong year in many markets, particularly education and facilities that support technology growth, such as data centers.

*Bob Morris
Managing Principal
Corgan Associates, Inc., Dallas*

Planning and design are always at the front end of the economy, especially when it comes to income-producing properties. Interior design is a big part of that, too. Obviously, when business is good, companies grow and need more space. So, we'll be busy with relocations, as well as upgrades and restacks.

*Jim Furr
Managing Principal, FAIA
Gensler, Houston*



Toby: Keeping in mind your predictions for 2007, please complete the following sentences.

The good news for the real estate market is _____.
The bad news for the real estate market is _____.

The good news is rental rates are trending upward, and the long-term outlook for Atlanta's growth is positive. The bad news is the economy has slowed, and construction costs are high.

Kerry Davidson

The good news is the economic indicators are strong, and business is in a cautious growth mode. The bad news is developers in Dallas have clearly over-responded to the activity, and we see a difficult time ahead for building landlords.

Rick Hughes

The good news is that we're busier than ever. The bad news is that it's impossible to take a breather.

Jim Furr

The good news is the long-term prognosis for the real estate business is good. The bad news is I am not getting any younger!

Anne Vulcano

Toby: How are developers responding to the need for space in each of your markets? Do you think we are becoming oversupplied?

Staubach represents tenants — we can never be oversupplied! Chicago, in particular, has seen a great deal of development in the face of only modest growth. However, development is slowing down.

Mike Sessa



“Planning and design are always at the front end of the economy, especially when it comes to income-producing properties.”

With regard to Atlanta, generally speaking, the answer in town (inside the perimeter) is “yes” — the office market is being oversupplied. This is already evidenced by the new space coming on line in downtown and midtown. The situation is different in the suburbs, since there has been no significant new construction for several years.

Kerry Davidson

I can only share my opinion for the Charlotte market, but the answer here is “no,” we are not creating an oversupply in any product type. I believe the buildings under construction, and most of what is proposed, can be easily absorbed within the delivery timeframe.

Anne Vulcano

In Dallas, we are quickly becoming oversupplied, even in the recent hot markets like Frisco and Plano. The new construction in the Uptown market will have a dramatically negative impact on the occupancy of both the CBD and Uptown.

Rick Hughes

In Dallas, a couple submarkets have a lot of new development going on, and the deal flow is strong.

Jeffrey Ellerman

Demand is not infinite, and responding quickly with a quality product is key. Even in an oversupplied market, your product can be differentiated. This is when quality buildings and spaces will pay off. For example, sustainable properties will come out ahead in such a market.

Jim Furr

Toby: I'd like to get your thoughts on how consolidation in Corporate America is affecting the real estate business. We are seeing more corporate mergers than ever before. Is this having a positive impact on the real estate market? How are mergers affecting your business?

We're generally positively affected because change drives our industry. A negative impact would be the lost momentum that occurs when long-term business relationships are disrupted and growth is stalled during a company's transition phase.

Bob Morris

Working for CBRE, I can say that mergers are working very well for me, personally. Consolidation is inevitable, and it has long been predicted that middle-size companies will disappear in favor of either mega-firms or boutique firms. In the long run, service is the key. The competition to offer increased service will force brokers to work harder and smarter.

Anne Vulcano

The landscape is certainly changing with businesses consolidating. I don't think it will have much impact on us in the short term, but long term — who knows?

Jeffrey Ellerman

Real estate is obviously a huge factor in mergers. Gensler has a consulting group that works with companies to help them assess their newly acquired property and to understand their consolidation options. Mergers and their impact on portfolios can seem daunting, but the opportunity exists for refocusing a real estate strategy on a new corporate vision.

Jim Furr

Corporate mergers and acquisitions will continue to have an impact on Atlanta's office market for two reasons: The hype that precedes a merger or acquisition is typically negative due to the uncertainty it creates. The post-merger/acquisition can have both a negative and positive effect. It positively affects some developments as companies consolidate, expand or relocate. It negatively affects others as companies downsize or vacate space.

Kerry Davidson

There will continue to be consolidations and mergers. We are constantly seeing business opportunities resulting from the confusion of the merger. Some firms use us in the underwriting process of a merger to help assess the synergies of the two real estate portfolios. Confusion is good for the real estate consulting business!

Rick Hughes

Mergers have always been a factor in our business. The impact has become more significant as they have increased in number. Rarely is it negative.

Mike Sessa

Toby: Can you discuss the importance of flexibility with regards to securing and keeping clients? Just how important is flexibility to the success of your business?

In any type of market, flexibility is key. Real estate isn't a commodity, and therefore, the developer, architect, broker and attorney must be flexible to adjust to the needs of the client. This means that flexibility

must be exercised with regards to all aspects of a transaction, including the physical characteristics of a building, timing, lease term, rental structure, etc.

Kerry Davidson

Gensler is structured to be very flexible and collaborative across all of our offices. As one financial entity, we are continually "resource leveling" to redistribute staff where it is most needed. It's a big part of our culture. Also, our diversification into a number of practice areas allows us to ride out the lean periods.

Jim Furr

Although real estate leases are usually transacted over a fairly short period of time, I look at this business from a long-term relationship standpoint. The more flexible and fair you are perceived to be, the more repeat business you will get.

Anne Vulcano

We see our clients increasingly able to move on new initiatives quickly. We realize that, even as a smaller business, we must be flexible and do the same.

Bob Morris

We continue to provide our clients with the utmost flexibility, including rights to expand, contract and terminate. It is unconscionable for a real estate professional not to provide this flexibility to his client.

Rick Hughes

Toby: I'd like to focus on another business practice — the K.I.S.S. method. What are your thoughts on this method? Is it something that you practice in your day-to-day interactions with clients?

K.I.S.S. is the acronym for "Keep It Simple, Stupid." While it might sound insulting to some, the idea is sound. Find the simplest solution and present it. That is probably the one that will work.

Anne Vulcano

With a bit of a twist, it's "keep it stupidly simple." Business tends to draw itself toward complication. Our job is to arrive at just the right compromise between the complex need for detail



and accuracy, and the need for a simple execution strategy with clear, definable results.

Bob Morris

The K.I.S.S. method makes a lot of sense at the outset of a project — define before you design. Everyone benefits if you quickly get to a clear definition of scope, cost and time. If you omit the definition step, you might as well say “ready, fire, aim.”

Jim Furr

We all know this business isn’t rocket science. It’s about relationships, leadership and doing the right thing for the customer.

Jeffrey Ellerman

I do not subscribe to the K.I.S.S. method for today’s business. Business demands focus on the bottom line, which requires an in-depth, comprehensive approach, and that approach is far from simple. We have to do more quickly and at a much greater level in order to produce the results our clients require.

Rick Hughes

Toby: I’d like to get input on new trends we are seeing in the industry. What strategies are catching fire in today’s climate, and what are the key challenges?

Some practices, such as hospitality and mixed-use/entertainment, are especially robust. Increasingly, our global reach and diverse expertise is helping us to land such work. We’re seeing that some very large-scale projects are demanding new roles. For MGM Mirage’s Project CityCenter in Las Vegas, we play the role of executive architect, where we lead the design process for a team of other architectural firms.

Jim Furr

We are having great success with an “open-book” build-to-suit program. The program is very effective in reducing occupancy costs for the users. Companies are beginning to toy with green buildings as the LEED program is beginning to show positive economic growth.

Rick Hughes

It’s important to focus on managing “run-rate,” long-term financial stability with significant emphasis on lease flexibility. Corporate tenants want user-friendly, adaptable workspaces that will allow them to attract and keep good employees.

Mike Sessa

We’re always tweaking our model to adapt to the competitive landscape of the business, to win more business, and to provide better value to our customers.

Jeffrey Ellerman

The most significant trend regarding new markets in Atlanta is the return to the oldest market(s), specifically the urban markets including downtown, midtown and Buckhead. With the significant increase of infrastructure (residential and retail amenities) in these markets, new office development is flourishing and resulting in more mixed-use developments.

Kerry Davidson

There is a substantial need for mission-critical facilities and data centers in order to meet the demand for these products. Third parties are moving quickly to reposition existing assets or build “new” in order to meet this demand. It’s not a one-size-fits-all facility type, making it a key challenge to define the scope of the new product.

Bob Morris



The Internet, which was available to only a fraction of the population just five years ago, is now the primary source for communication, research and shopping. Learning to harness this resource and expand its uses is a continuing challenge.

Anne Vulcano

Toby: During your daily dealings, do you find yourself wondering: “Is the grass greener?” Is there a better deal around the corner?

No. Real estate directors are very sophisticated. They understand that the dynamics of each transaction are unique. They want a solution that meets the needs of their organization and rarely are drawn into the “cocktail party chatter” about other great things on the market.

Mike Sessa

No. Thirty-five years of experience tells me that, while many things look good at a distance, particularly when someone else is creating the picture, they rarely look as good close up.

Bob Morris

In a production-based, “What have you done for me lately?” business, I always look back and wonder how I’m ever going to do as much business in the coming years as in the past. Things have a way of coming together.

Jeffrey Ellerman

With regard to real estate companies, the grass is probably not always greener. When relocating tenants, it depends on which party we are representing.

Anne Vulcano





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FIGHTING TO BE A TEAMMATE



What It Takes to Be on the Winning Team

Developing large buildings requires a team effort and a real commitment. Former Wake Forest University basketball player Alan Williams provides a perspective about what it takes to be part of a TEAM. In his new book, *Walk-On: Life from the End of the Bench*, Williams describes his experience as a walk-on and what prompted him to write a book about teamwork.

Though he wore the jersey for Wake Forest University's legendary Deacons basketball team, Alan Williams' experiences on the hardwood were unlike anything he pictured as a kid shooting baskets in the backyard. In 120 games, the undersized shooting guard played a total of 59 minutes. During his career, Alan averaged only 10 points, 3 rebounds and 4 assists *per year*. He was a walk-on — someone who plays a college sport without an athletic scholarship.

Williams notes, "I didn't know what it was like to hit a game-winning shot.... I didn't know what it was like to have a press conference ... and I didn't know what it was like to be hounded by a little kid for an autograph.... I was just the guy that loved the game — the guy that went crazy on the bench."

Williams vividly remembers the first practice of his freshman year, when 6-foot-7-inch Josh Howard, now a Dallas Maverick, swatted Williams' finger roll

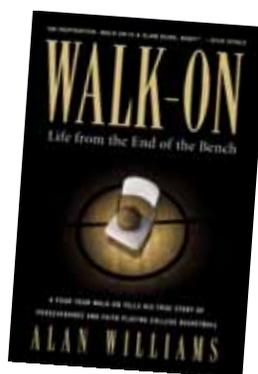




“I didn’t spend four years fighting to be a walk-on. I spent four years of my life fighting to be a teammate.”

attempt nearly 40 feet in the air onto the air conditioning unit. Williams chuckles to himself, “Guess I failed to take into consideration that Josh Howard’s recovery time was a little quicker than most.” Needless to say, that was the end of the drill and Coach Dave Odom’s response to Williams was unforgettable: “Son, welcome to the Atlantic Coast Conference (ACC).”

Two different times during his career, Williams’ coaches “cut” him in fear that he could not compete at his size. Williams says, “I still remember the coach calling me into his office after my freshman year and telling me that he wasn’t going to guarantee my spot for the next year.... I remember crying as I walked down those stairs and



Walk-On: Life from the End of the Bench by Alan Williams is currently in bookstores. To schedule Williams for a speaking engagement, please call 336.749.0427 or e-mail info@teammatesfirst.org.

realizing that, for the first time in 14 years, I was no longer going to be a part of a team.”

The coach’s words did not hinder Williams. He continued to show up for pickup games even though he never got to play. He would watch his teammates condition in the afternoon and then return to the track later that night to go through the exact same workout on his own. Later that fall, Williams was walking on campus and saw a sign that read: “Walk-On Tryouts — Open to All Students.” Williams knew that his coach was looking for a bigger player, but he showed up anyway — along with 35 other hopeful students.

The Wake Forest walk-on recalls what happened in the middle of the tryouts: “I was dribbling up the right side of the floor.... I reverse-dribbled back to the center of the court, and that’s when I saw the double doors to the gym open — it was them.” One by one, the scholarship players walked into the gym to cheer on Williams. They wanted him back on the team.

Two days later, Coach Skip Prosser called Williams into his office and closed the door. He said to Williams, “Alan, this is not *Hoop Dreams* — you’ll probably never play, and you will never travel.” Williams recalls his coach pausing for a few seconds, then extending his hand and saying, “Congratulations, you’re back on the team.”

For four years, Alan Williams dressed out for every single Wake Forest game. He never missed a road trip.

Toward the end of Williams’ career, a reporter from the *Greensboro News and Record* was writing an article on walk-ons in the ACC. He asked Alan, “You hardly ever played, you hardly ever scored — why would you do it? And what kept you coming back all those years?”

Williams went on to explain to the reporter that his experience at Wake Forest went beyond mere numbers. To this day, Williams claims he doesn’t remember the score of one single game or any other statistics. Williams says, “But I do remember my teammates.... I remember the locker room.... I didn’t spend four years fighting to be a walk-on. I spent four years of my life fighting to be a teammate.”

Weeks later, after being inspired by the conversation with the reporter, Williams took his journal and began outlining what eventually would become the book *Walk-On: Life from the End of the Bench*. The book is a longer, more detailed response to the reporter’s question: “Alan what kept you coming back all those years?”

Since that time, *Walk-On* has been released nationally in all major bookstores. Williams also has gained a reputation as a bright young speaker who endears audiences with heartfelt stories that remind "teammates" of all ages that there is something special about being a member of a team.

Currently, Williams resides in Nashville, Tenn., where he is the founder of Teammates First™, an organization that allows Williams to travel the country to share his message of team, perseverance and faith with groups ranging from young athletes to corporate leaders. In light of Williams' father's battle with leukemia, a portion of the proceeds from each of his books goes to the V-Foundation, one of the nation's leaders in cancer research.

In an individualistic culture consumed with statistics and stardom, Williams metaphorically uses basketball and experiences with his teammates as platforms to share two important ingredients that make a good teammate: humility and boldness.

Whether in business or athletics, Williams is reminded that the strongest teams are those whose leaders are willing to serve their other teammates. This type of leadership is vital to a successful team because it conveys to every player that their roll is significant. The scout team player's job is just as important as the starter's.

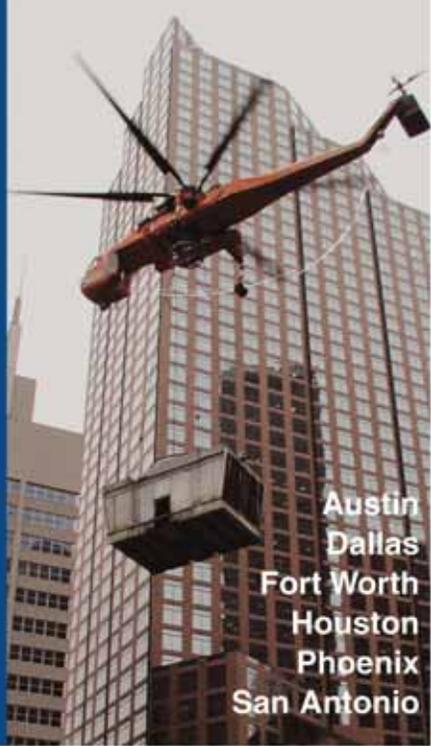
Williams, who has known members of the KDC team for a long time, says, "To have a winning team and build great projects like KDC, you have to have a team captain and a team with the character to know what it takes to win. A team that knows a company has to be strong at every turn. You have to have a bunch of teammates who don't care who gets the credit because the job is getting done. Because, when you put a lot of good teammates in one room, good things are bound to happen."

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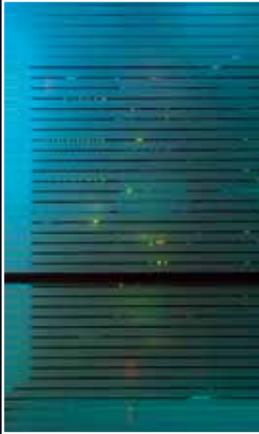
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Next-Generation Data

KDC Partners with Data Center Expert to Develop

Finding innovative ways to meet the changing needs of Corporate America is Koll Development Company's (KDC) mission, and its most recent venture with Palo Alto, Calif.-based DCI Technology Holdings helps achieve that mission.

Known as KDCI, the venture will develop data centers and mission-critical facilities both on a speculative and build-to-suit basis. "We're trying to stay ahead of what our clients need — just as we did with the *Intelliscenter* program," KDC President Toby Grove says. "We believe there is a tremendous market for modern data centers as companies continue to use technology to run their business and interact with their customers."

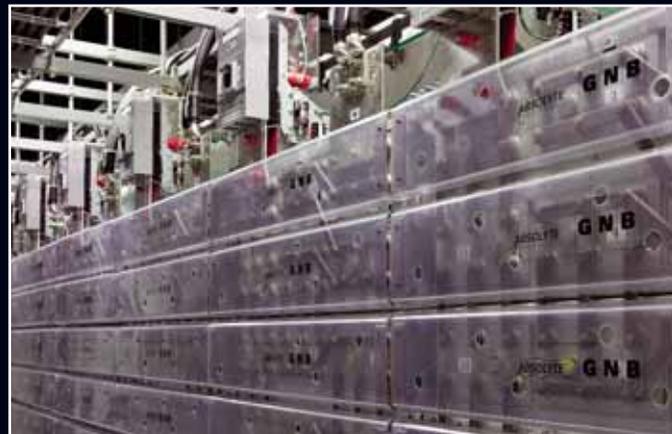
The KDCI venture is the first of its kind. "There is no 'go-to' development company that senior management of large enterprise companies can trust when it comes to building next-generation data centers in the U.S.," says Dan Schryer, CEO of DCI Technology Holdings, which owns and operates more than 2.5 million square feet of technical facilities across the United States. "Most new data centers are the result of a build-by-committee approach, which results in high cost overruns and a long development cycle. Within many organizations, there is a struggle between IT and real estate departments to get it right. The joining of the two companies in this venture enables it to have credibility with both the real estate group *and* the chief technology officer."

The venture will initially construct its campus data center environments in eight to 10 markets, including: Atlanta, Chicago, Dallas, Denver, Northern California, Phoenix, Washington, and the New York and Washington, D.C. metro areas. In addition, KDCI will build data centers on a build-to-suit basis for its corporate clients who need facilities in any other market. This footprint will enable KDCI to capitalize on cost savings through bulk-purchasing and planning costs, thereby eliminating cost overruns and shortening long lead time items, such as generators.

Supply and Responsible Demand

The current lack of supply is a marked change from the 1990s, when millions of square feet of data centers were developed, resulting in an over-built market after the dot-com economy crashed. No significant new data center development has occurred since 2000, and the excess inventory has since been absorbed.

"What has occurred is similar in nature to the office overbuild cycle of the early 1990s," according to Schryer. "That period was followed by a long cycle where product was developed in response to appropriate demand, not speculation. The buildup to the dot-com crash was pure speculation, and what we are seeing now is very responsible demand."



Center Development

Mission-Critical Facilities

Grove experienced the current lack of supply first hand recently when KDC got involved in the marketing of a second-generation data center. “The facility was less than ideal from current data center design and construction specifications, yet we had incredible demand from various corporate clients jockeying to buy or lease it.”

Top-Flight Facilities

Schryer estimates that fewer than 20 percent of Fortune 1000 companies are satisfied with the safety and security of their data. These companies are looking for modern, high-tech facilities in several markets across the nation. According to a recent Gartner Group report (“The Data Center Power and Cooling Challenge” by Michael Bell), “By 2008, 50 percent of current data centers will have insufficient power and cooling capacity to meet the demands of high-density equipment.”

Data centers are highly complex facilities, Grove says, pointing out that they’re very expensive to build on a per-square-foot basis — five to 10 times more expensive than a traditional office building, or \$800 to \$1,500 or more. Power and cooling, telecommunications, security and safety requirements make cost overruns a big concern for traditional developers and users.

KDCI’s data centers will offer: high density power from dual utility sources; abundant cooling sources in excess capacity; redundant, diverse path fiber from multiple Tier-1 providers; (N+1) or 2(N) backup power from multiple generators and uninterruptible power supplies (UPS); and state-of-the-art fire detection and suppression systems. “These facilities will be located to minimize risks from geographic and environmental hazards and designed to withstand any geological or metrological event,” Schryer says. Depending upon the client’s need, they will be rated as Tier III or Tier IV — commonly used measures by the IT world to describe data centers. Sites will also feature security enhancements, such as 100-percent camera coverage, fenced perimeters with guarded entry and intrusion protection systems.

KDCI will focus on the facilities’ scalable shell and infrastructure (30 to 50 percent of the overall cost) and will build in flexibility, so corporate users will be able to direct the build out.

In addition, the venture plans to shorten the time to market for data centers. “Most mission-critical facilities take two years or more to develop, but KDCI’s data centers will boast a compressed construction schedule of six to 12 months,” Schryer says.



SEALING



THE DEAL

Corporate Mindset, Experienced Team Differentiate KDC in Bid for National Envelope's B-T-S

As the world's largest envelope manufacturer, National Envelope Corp. has always had its choice of business partners, and when the time came to choose a developer to build a new facility in Ennis, Texas, the company looked for one that could bring together the right team.

"We looked at this building as a tool for our business, and we were very concerned about having the right people and the right team to help us continue to grow," says Nathan Moser, CEO of Uniondale, N.Y.-based National Envelope Corp.

After a lengthy evaluation process, National Envelope chose Koll Development Company (KDC) to build a 315,000-square-foot build-to-suit manufacturing and distribution center. Upon completion, the Dallas-based firm will own the new manufacturing center, located on a 29.4-acre site at 4401 Sterlite in the Ennis Industrial Park.



Currently, National Envelope operates 21 facilities in 14 states; the new center in Ennis will consolidate facilities in Grand Prairie and Corsicana, Texas. “We really wanted a developer that would watch our back — one that would take on all the headaches for us,” Moser says. “KDC was the one that was left standing.”

Concerned about Details

During the past 25 years, National Envelope has grown significantly through acquisitions and organic growth. The company, which was founded in 1952, has always handled the construction of new facilities internally, calling on in-house development and design expertise. But National Envelope reached a size where the facilities were far too complex and costly to handle internally, Moser explains.

“The project in Ennis was the first one that we decided to not build on our own,” Moser says. “Turning over a project like this to someone else was a big concern, and we wanted to make sure that the company we chose would be as concerned about the details as we were.”

With that in mind, National Envelope’s brokers — Rick Hughes and Noel Hutchinson of Cushman & Wakefield of Texas Inc. in Dallas and Heather Sloan

with Cushman & Wakefield Inc. in New York — requested proposals from 10 developers from Dallas and surrounding areas.

All 10 development firms were pre-qualified based on their ability to deliver a building on time and within the budget, build a quality facility, and handle any issues that arose during the development process.

“The RFP process was very competitive,” Hughes says. “There are a lot of companies that would have loved to work on the deal, but we narrowed it down to three final options, including KDC.”

Economics was a huge part of the decision process, of course, but it was equally important that the developer be able to pull together a capable and qualified team to manage the process and to deliver the type of building National Envelope needed, Hughes says.

According to Mark Cashman, senior vice president with KDC, the firm brought on the very best team members it could find. “We had worked with these companies on other projects, and we worked to put together a team for National Envelope that would be second to none.”

An outstanding team is critical, Cashman says, because it ensures that KDC is able to meet client expectations regarding on-time delivery and budget. "Our teamwork lays the foundation for a successful project — it guarantees communication and collaboration throughout the planning and development process," he explains.

That process also called for KDC and its development team — project architect Meinhardt & Associates and general contractor Cadence McShane Corp. — to sit down with National Envelope to get to know each other. Every KDC client has the opportunity to share its business strategy and objectives. "It impressed us that KDC took the time to understand us as a company and why we needed things a certain way," Moser says.

"We realize that every company has unique needs, so the KDC team has become adept at being good listeners," Cashman says. "We build to suit to our clients' needs — not ours."

Sharing the Corporate Mindset

Ultimately, KDC's corporate mindset was the thing that set it apart from other developers. "We felt that KDC was in tune with our company — that they were like us in many ways — and we realized that we were very comfortable with the way KDC's team approached the job and analyzed it. The people KDC brought in really created a seamless approach to the project," Moser says.

"Turning over a project like this to someone else was a big concern, and we wanted to make sure that the company we chose would be as concerned about the details as we were."

The seamless approach was clearly evident through the permitting and approval process, which was fast-tracked, according to Ennis City Manager Steve Howerton. "KDC really simplified the process for National Envelope," he says, adding that KDC's team was able to get things approved in eight weeks — a timeframe that was previously inconceivable.

"We were impressed with the company's speed, accuracy and completeness," Howerton says. "I don't know of any other company that could move a project as quickly as KDC. To get the permits and approvals within eight weeks is quite unusual and exemplary."

Upon completion in May 2007, National Envelope's new facility will employ approximately 300 employees. "Because of the KDC team, I can say unequivocally that we have the confidence that this facility is going to stand out among our entire operations," Moser says.



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Today's office environment is changing at an increasingly fast pace, and, as a result, many businesses are looking for more than just an attractive lease when evaluating office space. There is an increased demand for office space that is efficient to operate, easy to reconfigure and sustainable. However, finding cost-effective solutions that help tenants meet these demands is no small task, especially when the needs are unpredictable as in today's technologically advanced business climate. Many developers are turning to underfloor wire and cable (UFWC) management systems with modular wiring to attract tenants in today's competitive commercial real estate market.

For many years, data centers have utilized raised-access floors to easily distribute electrical wiring and cables to their equipment. The accessible floorplate provided a means to easily manage and reconfigure cables and equipment, making it more efficient than overhead wiring. It was not until the late 20th century that UFWC management became more widely used. Its popularity started in Europe and Asia, and then spread worldwide. Today, many of the largest commercial building projects under construction use underfloor wire and cable distribution because of its accessibility and convenience.

By delivering services under a raised-access floor, tenants and building owners have the ability to distribute electrical, voice and data lines anywhere in the floor. This accessibility also allows floor plans to remain flexible and adaptable in order to meet future technological changes and organizational growth.

How It Works

A "home run" is wired from the electrical panel in the service room to a power distribution box on the floor slab. The power distribution box is equipped with up to 10 quick-connect outlets, which can be connected to termination boxes in the access floorplate using flexible modular wire. The termination boxes are also equipped with in-and-out modular wire connectors that can be daisy chained to four additional terminal boxes. The system is listed under UL 183 to be connected and disconnected while energized.

In order to manage the distribution of large volumes of voice and data cables under the floor, a cabling hub is positioned where the cables enter the underfloor area. The hub allows a large volume of cables to be collected, organized and rerouted in smaller groups to the area of the room where they will be needed.

"By using a modular system under the access floor for power, voice and data distribution, the user has maximum flexibility with the least amount of disruption to the workplace," said Jon Dumbauld, vice president of sales and marketing for Communications Integrators Inc. "It also provides a much better value compared to traditional systems."

The Benefits of Underfloor Wire and Cable Management

Utilizing a UFWC management system with modular wiring provides optimum value, flexibility and sustainability throughout the life cycle of a building. During the initial construction, materials



Access Flo

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can be reduced by eliminating unnecessary wiring. Terminals are placed in the access floorplate only where they will be used, instead of at specified intervals in a wall. In addition, the pre-manufactured modular wiring components can be installed under the floor faster than outlets in walls and ceilings, thus reducing labor costs and decreasing construction time. The end result is a space that can be occupied sooner, at a reduced expense.

Investing in expensive pre-wired furniture is no longer necessary since wire, voice and data terminals can be placed next to every desk on the floorplate. "The flexibility of the system allows the tenant to plan their space around functional requirements rather than be limited by fixed, inflexible services," said Bill Reynolds, director of product development for Tate Access Floors.

When reconfiguration of an office is required, the panel with the wire and cable termination unit can be lifted, unplugged and exchanged with a solid panel in a new location. The flexible

wiring is then fed under the floor and reconnected. The whole process can be performed in minutes using in-house facility management staff, reducing down time and eliminating the need to hire expensive outside professionals.

Using an access floor system with UFWC distribution is a cost-effective way to provide efficient and flexible solutions for Corporate America. It provides a marketing advantage for the building owner, while providing savings for the tenant in a flexible space.



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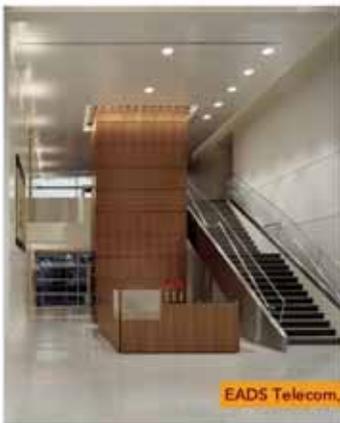


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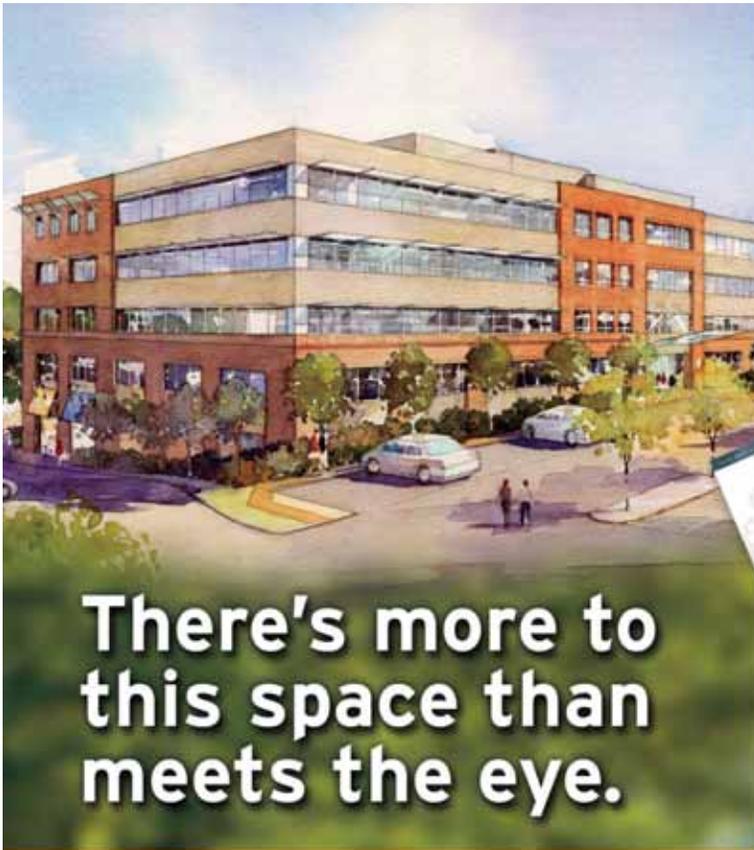
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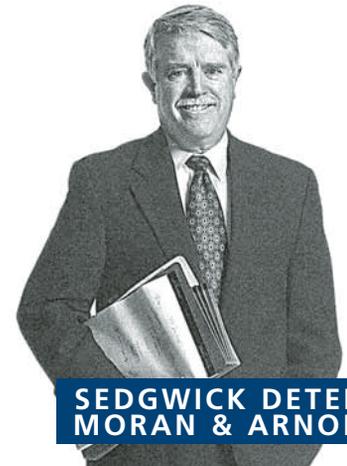
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