



SILICON VALLEY

RESEARCH & FORECAST REPORT



Playing With Fire

WILL THE FED RAIN ON OUR PARADE?

The end of the third quarter also marks the end of the fiscal year for the federal government – which ended the year in a political deadlock. The federal shutdown threatened to undo the economy’s recent recovery and left the nation unsettled as we awaited a decision from lawmakers about the debt ceiling. Although to many the federal squabble may have seemed merely frustrating, the effects of the shutdown were felt across the nation. For commercial real estate, the Small Business Administration shutdown halted small business lending. Investors experienced delays and the postponing of deals. In commercial real estate, delays can be deal breakers.

Leading up to the government shutdown, the micro economy here in the Silicon Valley continued to thrive. Construction is booming in both the commercial and residential markets. Unemployment and labor force statistics published by the Bureau of Labor Statistics continue to show promise. Unemployment in the Silicon Valley has fallen to 6.8%. Compared to one year ago, the number of people employed in the Silicon Valley has increased by 34,188 people, or 4.0%.

New leasing and user-sale activity during the third quarter decreased 15.5% from the previous quarter to register 5.16 million square feet. Despite the decrease in activity, this amount of gross absorption is indicative of a healthy quarter and is on track to meet Colliers expectations of just over 22.45 million in 2013. While gross absorption declined in the office, R&D, and warehouse sectors during the quarter, activity picked up in the industrial sector. Historically, the Silicon Valley’s office and R&D sectors see the majority of activity in the overall market. This was the case during the third quarter as well, with office and R&D leasing accounting for 74.9% of all new activity.

Despite a slight increase in rollover vacancy during the quarter, Silicon Valley still managed to close the period with positive net absorption. Much of this however, can be attributed to the completion of the final building at Jay Paul’s Moffett Towers project, and LinkedIn’s build-to-suit on Mary Avenue. Each of the four product types, like the first and second quarters, were positive contributors to the quarter’s net absorption tally of 1.17 million square feet.

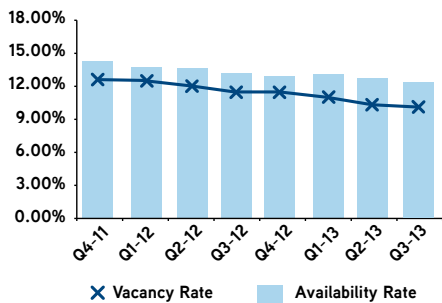
Available space continues to decline in the Silicon Valley, decreasing from 39.54 million square feet at the end of the second quarter to 38.66 million square feet after the third quarter. Although the change in available space may seem insignificant, the direction continues to be promising and is at the lowest level since just before the dot-com bust in 2001. This chipping away at available inventory over the last three years, has resulted in a very significant 30.1 million square-foot reduction from the 2003 peak of 68.9 million square feet available.

The Silicon Valley seems to be at it again. The tech giants housed here continue to have a huge appetite for space and talent. The third quarter had its share of surprising and noteworthy activity. Several build-to-suits were completed and office product traded at prices not seen yet this cycle, all factors driving this unique market we call home. As lawmakers on Capitol Hill have found a temporary solution to the debt ceiling, it seems we have avoided sending the economy back into a spiral that is still so fresh in our minds.

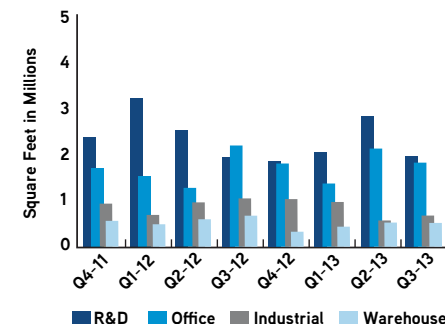
MARKET INDICATORS

	Q2 2013	Q3 2013	
Availability Rate	12.56%	12.32%	↓
Gross Absorption	6,104,063 SF	5,160,134 SF	↓
Net Absorption	2,670,060 SF	1,175,579 SF	↓

SILICON VALLEY AVAILABILITY



SILICON VALLEY GROSS ABSORPTION



OFFICE

The Silicon Valley’s office market continued to move forward and activity appears to have stabilized going into the second half of the year. In the earlier quarters of 2013, the office market experienced 23% and 48% variances in activity levels quarter over quarter. Between the second and third quarters of this year, total activity only fluctuated by 7.2%, with Q3 registering a total of 1.89 million square feet of office gross absorption. This leveling of activity is suggestive of a stable market and totals during the third quarter are in line with Colliers’ expectations for the year.

The more normalized office demand still translated into an occupancy gain of 643,001 square feet, marking the fifth straight quarter of occupancy gain for the Silicon Valley office market. Contributing to the quarter’s occupancy gain was the completion of pre-leased office projects. Over two-thirds of the third quarter’s office net absorption was due to pre-leased, new construction that was completed and occupied. Since the space was pre-leased, it was never considered vacant and part of the office vacancy rate.

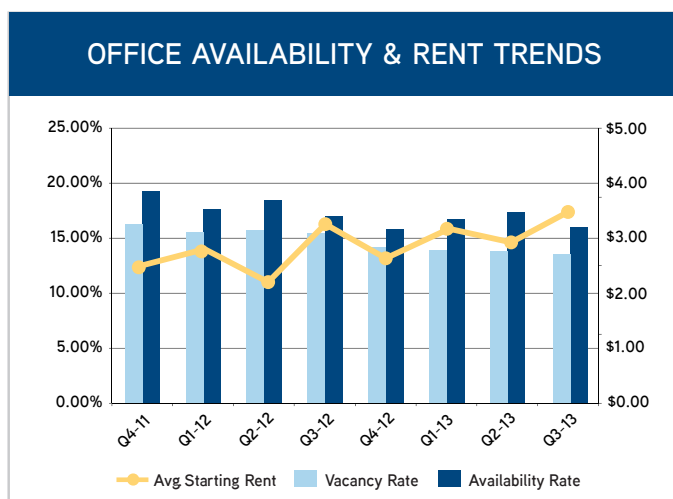
After having taken a back seat to Santa Clara in the second quarter, Sunnyvale has quickly reclaimed its spot at the top, posting the highest level of activity over all other Silicon Valley submarkets; accounting for nearly 50% of the office sector’s occupancy gain in the third quarter. Coupled with a large amount of activity, Sunnyvale registered an occupancy gain of 451,059 square feet in the office category. The bulk of this

resulted from the completion of the seventh building at Moffett Towers, where Lab 126 is scheduled to occupy 357,481 square feet. Sunnyvale is not unfamiliar with pre-leasing and build-to-suit projects sprouting in its backyard. During the third quarter LinkedIn also leased a 125,000-square-foot office building developed by Peery-Arrillaga at 580 N. Mary Avenue, a deal that many had assumed had gone to Apple.

continued to rise, marking the fourth consecutive quarter of rising rents in Santa Clara. As was the case during the second quarter, Santa Clara’s Marriot Business Park was responsible for most of the city’s leasing activity. Violin Memory expanded into 96,209 square feet on Great America Parkway, migrating south from its previous home in Mountain View. Also on Great America Parkway, 53,718 square feet was leased by Shutterfly.

San Jose’s office sector continued to gain ground during the third quarter of 2013. The office vacancy rate fell to 16.0%, its lowest since 2008. Although overall activity decreased by 37.8% from the previous quarter, the 411,753 square feet of new activity recorded during the third quarter is in line with the city’s five-year average of 458,841 square feet per quarter. San Jose’s Airport and Downtown submarkets were this quarter’s powerhouses; combined, they accounted for more than 60% of the new activity throughout the quarter. A significant contribution came from Samsung, which subleased 57,328 square feet on North First Street.

The Downtown submarket has now posted three straight quarters of occupancy gain, the first time it has done so since 2006. Highlighting activity downtown was the renewal and expansion of Bridge Bank’s headquarters location on Almaden Boulevard for a total transaction size of 69,550 square feet. Bridge Bank renewed their lease on the three floors that they currently occupy and will expand



Between the second and third quarters of this year, total activity only fluctuated by 7.2%, with Q3 registering a total of 1.89 million square feet of office gross absorption. This leveling of activity is suggestive of a stable market

A distant second was Santa Clara’s office sector. During the third quarter, the city posted an occupancy gain of 129,087 square feet. Although dwarfed by Sunnyvale, this was the eighth-straight quarter that Santa Clara has recorded positive office net absorption, a feat that Sunnyvale cannot boast. Average asking rates

OFFICE LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
675-695 North 1st Street, San Jose	109,850	LNR Partners, LLC	Bai Zhi Yan	Investment Sale
55 Almaden Boulevard, San Jose	69,550	Embarcadero Capital	Bridge Bank	Lease/Expansion
10 Almaden Boulevard, San Jose	43,384	Equity Office	Berliner Cohen, LLP	Lease Renewal
15400 Los Gatos Boulevard, Los Gatos	40,000	Sandhill Property Company	Palo Alto Medical Foundation	Lease
125 South Market Street, San Jose	22,013	Equus Capital Partners	Bank of America	Lease Renewal
400 W. California Street, Sunnyvale	9,999	Principal Financial Group	Twitter	Lease/Expansion

into 17,941 square feet on one additional floor. Although not a contributor to the new activity tally, another notable transaction in San Jose during the third quarter was Sony's renewal of 106,874 square feet on North First Street.

Palo Alto is recognized as having the highest rents and lowest vacancy rates in the region; however, Mountain View is now giving Palo Alto a run for its money. During the third quarter, average office asking rates in Mountain View soared above the five-dollar mark, to \$5.30 per square foot full service, just \$0.10 less than the average asking rate of its northern neighbor, Palo Alto. New office construction plays a large role in this increase. It goes without saying, Google's appetite for Mountain View real estate has had a hand in the city's flourishing office market. Most notably in Q3 was Google's long-term lease for a 168,895 square foot build-to-suit at Sobrato Development's Campus at Shoreline.

Weighted average asking rates in the Silicon Valley office sector increased to \$3.16 per square-foot full service during the third quarter. This represents a 6.7% increase from the previous quarter and the first time in five years that average asking rates for the entire Silicon Valley office sector have risen above the three-dollar mark. This increase highlights the heightened demand in the market and what many of us here at Colliers International have been sensing over the past few quarters. Now more than half of the submarkets Colliers

reports on boast average asking rents of more than \$3.00 per square-foot full service.

R&D

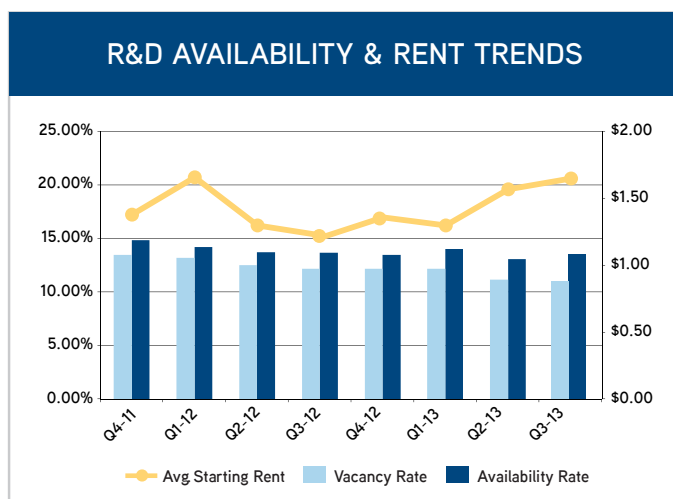
The Silicon Valley R&D sector posted modest results during the third quarter of 2013. Activity steadied in the R&D sector as only 1.95 million square feet of new transactions were recorded, down 32.8% from the second quarter's historic

The amount of vacant space available in the Silicon Valley R&D sector dropped a mere 15 basis points, representing an 11.2% vacancy rate during the third quarter.

In today's market, a number of obsolete R&D projects sit on the chopping block as owners and developers continue to make way for new Class-A office product. Compared to one year ago, average asking rates are up 7.4% to \$1.31 per square-foot, NNN despite a slight decrease from the previous quarter.

San Jose was a conspicuously small contributor to the R&D gross absorption tally in the third quarter. Recording only 208,139 square feet of new activity, the city accounted for only 10% of the R&D gross absorption in Silicon Valley during the period. Despite the mediocre numbers, the city did warrant some noteworthy deals during the quarter. Avnet leased 52,685 square feet on Junction Avenue in North San Jose during the third quarter. Edgewater Networks leased 37,582 square feet in South San Jose at the Hellyer Oaks Technology Park, where it plans to relocate their Santa Clara headquarters next year.

Santa Clara's R&D submarket posted an increase in new user activity of more than twice that recorded in the second quarter. Year over year, Santa Clara's gross absorption is up 147% from the third quarter of 2012. The R&D vacancy rate is now 12.1% in Santa Clara, the lowest it has been since the end of 2008. Some of the notable



Year over year, R&D gross absorption is down 8.9% from 2012. However, net absorption for the R&D market is up 33.1% from totals this time last year, indicating that there is notably less space being returned to the market.

tally of 2.89 million square feet. Year over year, R&D gross absorption is down 8.9% from 2012. However, net absorption for the R&D market is up 33.1% from this time last year, indicating that there is notably less space being returned to the market.

R&D LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
47201-47211 Lakeview Boulevard, Fremont	169,668	REIT Management & Research, LLC	Boston Scientific Corporation	Lease Renewal
1953-1965 Concourse Drive, San Jose	110,148	Pacific Fortune, LLC	NY Life Investment Management	Investment Sale
560 Cottonwood Drive, Milpitas	66,570	iStar Financial	Stellartech Research Corporation	Lease
47280 Kato Road, Fremont	65,993	Indcor Properties	Fossa Apparel	User Sale
3301-3333 Leonard Court, Santa Clara	64,992	PS Business Parks LP	Lumasense Technologies, Inc.	Lease
2580 Junction Avenue, San Jose	52,685	Montague Office Partners	Avnet	Lease

activity that occurred in Santa Clara during the third quarter include Gigamon's sublease of 105,664 square feet on Olcott Street.

Mountain View, to no one's surprise, had a record quarter. Google inked a long-term office lease for 520,000 square feet at the former Mayfield Mall in Mountain View in Q3. The removal of this space lowered the amount of available space in Mountain View by more than 30%. Mountain View recorded 574,521 square feet of R&D gross absorption for the quarter. This is only the second time in ten years that R&D gross absorption has surpassed the 500,000 square-foot mark in the city's R&D sector. Although almost all of this can be attributed to one monster deal, it is a welcomed number for the submarket.

Another byproduct of the Mayfield Mall lease in Mountain View, is that the average asking rate for the R&D market declined, as this was the most expensive space previously available in the submarket. Google continued its breathtaking expansion within the city during the third quarter with a purchase appetite as well. Notably, their largest purchase was six buildings totaling over 400,000 square feet from Equity Office. The transaction included Mountain View Technology Center on Fairchild Drive, Gateway Center on Ellis Street and Middlefield Road, and the Fairchild Research Center in which Google was the tenant.

INDUSTRIAL

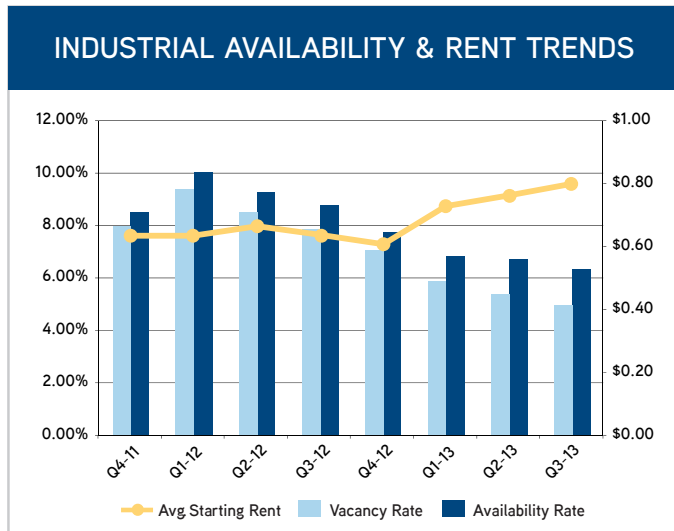
The Silicon Valley's industrial market finished the third quarter strong. Out of the four product types that we report on in the Silicon Valley, it was the only one to see an increase in new user activity during the third quarter. Up 29.2% from the second quarter, the industrial market recorded 760,484 square feet of gross absorption during the period. Although there was no increase in the

The availability rate in the Silicon Valley industrial market dipped to 6.3% during the third quarter, the lowest it has been since the second quarter of 2001. Along with it, the sector's vacancy rate also decreased to 5.1% during the third quarter, the lowest it has been since the first quarter of 2008. Overall asking rates in the Silicon Valley also declined slightly during the quarter, down \$0.02 from the prior quarter. Q3 ended with an average

asking rate of \$0.73 per square foot, NNN overall. This decline is partly attributed to higher-quality, higher rent space becoming occupied during the quarter.

San Jose's industrial availability rate dropped from 9.1% after the second quarter of 2013 to 4.1%, the lowest it has been in more than two decades. Vacant industrial space fell to 721,035 square feet in San Jose, aided by an 80,817 square-foot occupancy gain during the quarter. This was the second consecutive quarter of positive net absorption for San Jose's industrial sector. Notable transactions during the quarter include an owner/user purchase of 36,704 square feet on Paragon Drive and All Bay Cooperative's lease of 21,254 square feet on Dado Street.

During the third quarter of 2013, gross absorption in Santa Clara's industrial sector was nearly three times the amount witnessed during the previous quarter. The industrial availability rate in Santa Clara is now below 3% for the first time since 2000. The largest new industrial deal signed in Santa Clara during the third quarter



The availability rate in the Silicon Valley industrial market dipped to 6.30% during the third quarter, the lowest it has been since the second quarter of 2001.

number of new deals signed quarter over quarter, the average size of industrial transactions increased. During the third quarter, the industrial sector recorded 25 new deals over 10,000 square feet, compared to only 16 deals recorded during the second quarter.

INDUSTRIAL LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
1271-1273 Reamwood Avenue, Sunnyvale	41,125	The Sobrato Family Foundation	Arthur Takahara	User Sale
2222 Ronald Street, Santa Clara	29,742	Advantage Office Investments	Reza Heidari	User Sale
1520 Dell Avenue, Campbell	21,639	South Bay Development	Ecopia Farms	Lease/Expansion
615 Dado Street, San Jose	21,254	High Five Partners	All Bay Cooperative	Lease
1236-1238 North 5th Street, San Jose	20,500	Lencar Investments	Aquatek Plumbing Inc	User Sale
1630 Zanker Road, San Jose	16,000	Tom Yuki	Precision Measurements	Lease

was Reza Heidari's purchase of 29,742 square feet from Advantage Office Investments, LLC in a user sale transaction on Ronald Street.

Fremont's industrial sector recorded a modest occupancy gain of 8,040 square feet during the third quarter of 2013. Despite this small gain, gross absorption was up, measured at 132,031 square feet during the period. The total amount of available space in Fremont's industrial sector dropped 6.2% to 1.15 million square feet. Fremont was also the beneficiary of the second-largest industrial deal during the quarter; BATS Real Estate, LLC purchased 31,802 square feet on Industrial Avenue in Fremont.

User sales throughout the industrial market picked up in the Silicon Valley during the third quarter. Four of the top ten new user deals were sales, compared to only two from the prior quarter. For the year, the volume of industrial user sales in the Silicon Valley is up 30.5% from the same period of 2012; versus leasing activity, which has declined 15.7% during the same time period.

WAREHOUSE

The warehouse market remained stable during the third quarter of 2013. There was 560,922 square feet of gross absorption during the quarter, down slightly from the previous quarter's tally of 579,096 square feet, and year to date is slightly trailing Colliers' forecast for the year. Although activity was down from the prior quarter, activity measured in the third quarter was up from totals recorded during the first quarter of this year.

Year to date, the Silicon Valley warehouse market has recorded a total of 1.6 million square feet of gross absorption, down from 2012's three-quarter total of 1.82 million square feet, but up significantly from the 446,140 square feet registered after three quarters in 2011.

Despite the decline in overall activity in the warehouse market, the third quarter posted a

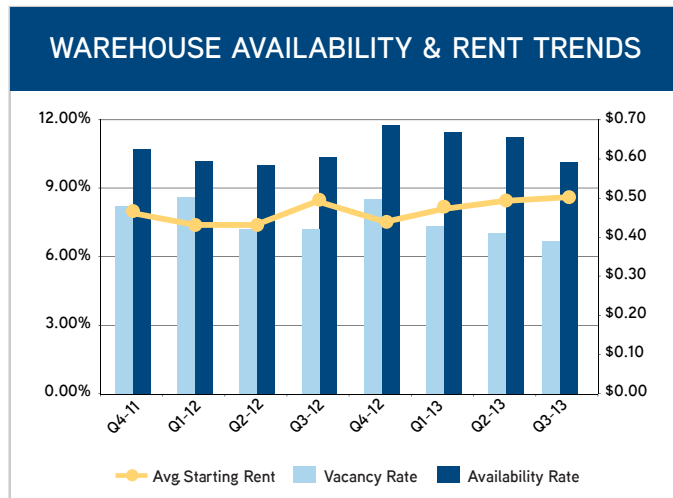
year over year, this is the first time in five years that the warehouse market has closed the third quarter with a positive occupancy gain.

The warehouse sector's healthy occupancy gain during Q3 occurred without the benefit of any increase in gross absorption. This is impressive and indicative that companies that still warehouse in Silicon Valley need to warehouse here, and are not giving up space. It is important to note that this trend will most likely continue as long as activity levels remain above the abysmal, pre-2012 levels.

San Jose's warehouse market surpassed all other submarkets in the Silicon Valley in terms of new activity generated during the quarter. Registering 413,867 square feet of gross absorption, the activity in San Jose accounted for more than 73% of the total in the Silicon Valley's warehouse market. During the third quarter, La-Z-Boy Furniture Galleries purchased 157,453 square feet at 640 Lenfest Road in San Jose. This represents the first new warehouse transaction over 100,000 square feet this year and the first in the Silicon Valley since the second quarter of 2012.

positive occupancy gain of 86,406 square feet. This is now the third straight quarter of positive net absorption in the Silicon Valley warehouse market, bringing the year-to-date total to 656,542 square feet. This amount of positive net absorption is in line with Colliers' expectations for the year. Comparing the same time period

Milpitas posted a warehouse occupancy gain of 63,113 square feet during the third quarter, the third straight quarter of occupancy gain for the city. Apple expanded into an additional 95,067 square feet in their building on Yosemite Drive, and now occupies the entire building. Although it did not contribute to the occupancy gain during



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WAREHOUSE LEASING & SALES ACTIVITY
SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
640 Lenfest Road, San Jose	157,453	Ecolab, Inc.	La-Z-Boy Furniture, Inc.	User Sale
2070 South 7th Street, San Jose	54,000	Chaboya Ranch Partners	Splash Events, Inc.	Lease
2070 South 7th Street, San Jose	30,000	Chaboya Ranch Partners	Golden State T's	Lease Renewal
1919 Monterey Road, San Jose	19,610	Theresa Hui	ZStaging Artists	Lease
1670-B Las Plumas Avenue, San Jose	11,520	PS Business Parks, LP	The Emperor's Closet, Inc.	Lease
1753 Junction Avenue, San Jose	6,389	Prologis	ABS Facility Services, Inc.	Lease

the third quarter, another notable transaction was R&R Partners' renewal of 118,014 square feet of warehouse space on Wrigley Way.

Activity was quiet in Fremont's warehouse sector during the third quarter. Down 60.7% from the second quarter, warehouse gross absorption only amounted to 49,335 square feet. The sole contributor to this tally was Aramark Refreshment Services' lease of 49,335 square feet on Christy Street. Despite the limited activity, net absorption during the quarter was only marginally negative at 49,308 square feet. Although not a contributor to gross absorption, Fremont was home to the largest warehouse transaction during the third quarter. Sanmina renewed their 201,393 square foot lease on Christy Street.

Average warehouse starting rents remained unchanged during the quarter at \$0.48 per square foot NNN. Average starting rents have hovered around \$0.45 per square foot triple net since the beginning of 2012, a sign that the warehouse market has rebounded and stabilized since its recession low.

UNDERSTANDING ABSORPTION

Colliers uses several measurements to track market conditions and deal flow. While related, the formulas to arrive at these measurements differ. Using the results of the most recent quarter, here is how Colliers measures change in availability, net absorption and effective net absorption.

Change in Availability: This measurement is simply the difference between the amounts of space available at the end of one period to the next. The table below shows that total available space decreased by 877,839 square feet in the year's Third Quarter. Note that "change in availability" includes adjustments for space that is "taken off the market". Space "taken off the market" is not a factor in net absorption measurements.

Total Available end of 2Q13	39,540,677
Plus: Vacant & Occupied Space that came available in 3Q13	3,246,251
Plus: New Shell added in 3Q13	481,576
2Q13 Available + Newly Available in 3Q13	43,268,504
Less: 3Q13 Gross Absorption	-5,160,134
Less: 3Q13 Adjustments/Taken off Market	554,468
Total Available end of 3Q13	38,662,838

Net Absorption: Net absorption measures the change in *occupied* space from one period to the next. In this measurement, it is important to distinguish that a building may be "available", but not vacant (often the case in a sublease situation, for example). Therefore, occupancy is not reduced (negative net absorption) until the space is vacated, and sometimes that does not happen until the space is leased, creating a net absorption "wash" for the deal and for that particular period.

New Vacant Space that came available 3Q13	-771,839
Previously Available Space that was vacated in 3Q13	-3,212,716
3Q13 Total Vacant added (Occupancy Loss)	-3,984,555

2Q13 Gross Absorption (occupancy gain)	5,160,134
3Q13 Net Absorption (change in Occupancy)	1,175,579

Effective Net Absorption: In 2003, Colliers created a measurement of "effective net absorption". Effective net absorption uses the same formula as the net absorption formula, except that it treats any space that comes available as if it is vacant, whether it is or it isn't. The purpose of the measurement is to get a better "real time" gauge of occupancy flow in and out of the market, acknowledging that space that is available for lease is likely to be vacated shortly and underutilized presently.

New Vacant Space that came available 3Q13	-771,839
Occupied Space that came available 3Q13	-2,474,412
3Q13 Total Available added	-3,246,251

3Q13 Gross Absorption	5,160,134
3Q13 Effective Net Absorption	1,913,883

482 offices in 62 countries on 6 continents

United States: 140
Canada: 42
Latin America: 20
Asia Pacific: 195
EMEA: 85

- \$2.0 billion in annual revenue
- 1.12 billion square feet under management
- Over 13,500 professionals

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MARKET COMPARISONS

OFFICE MARKET

CLASS	BLDGS	TOTAL INVENTORY SQ FT	DIRECT VACANT	SUBLEASE VACANT	DIRECT OCCUPIED	SUBLEASE OCCUPIED	TOTAL AVAILABLE SQ FT	AVAILABILITY RATE Q3-2013	AVAILABILITY RATE Q2-2013	NET ABSORPTION Q3-2013	NET ABSORPTION YTD	COMPLETED Q3-2013	UNDER CONSTR	FS WTD AVG ASKING
CAMPBELL / LOS GATOS														
A	20	1,139,119	123,805	-	62,024	30,856	216,685	19.0%	21.9%	(3,809)	73,833	-	-	\$3.05
B	86	1,670,417	91,758	5,040	44,601	900	142,299	8.5%	8.8%	(1,348)	18,911	-	-	\$2.55
C	12	165,488	14,220	-	31,590	3,000	48,810	29.5%	32.8%	6,987	6,505	-	-	\$1.81
Total	118	2,975,024	229,783	5,040	138,215	34,756	407,794	13.7%	15.1%	1,830	99,249	-	-	\$2.87
CUPERTINO / SARATOGA														
A	8	734,525	9,587	8,201	13,959	-	31,747	4.3%	5.1%	1,551	(16,237)	-	260,000	\$4.68
B	83	2,530,294	36,906	-	7,980	3,687	48,573	1.9%	2.2%	736	5,191	-	-	\$2.86
C	22	290,394	3,302	-	-	-	3,302	1.1%	1.1%	-	-	-	-	\$1.95
Total	113	3,555,213	49,795	8,201	21,939	3,687	83,622	2.4%	2.7%	2,287	(11,046)	-	260,000	\$4.45
FREMONT / MILPITAS														
A	15	805,847	182,473	-	30,766	-	213,239	26.5%	26.9%	3,484	10,306	-	-	\$1.87
B	38	1,188,439	230,686	14,443	62,953	9,344	317,426	26.7%	24.9%	(22,884)	(11,954)	-	-	\$1.77
C	35	636,178	35,644	-	-	-	35,644	5.6%	5.5%	(730)	10,292	-	-	\$1.54
Total	88	2,630,464	448,803	14,443	93,719	9,344	566,309	21.5%	20.8%	(20,130)	8,644	-	-	\$1.80
GILROY / MORGAN HILL														
A	17	471,036	162,494	900	-	-	163,394	34.7%	34.7%	-	2,496	-	-	\$1.65
B	7	120,088	26,628	-	-	-	26,628	22.2%	21.7%	(520)	(2,438)	-	-	\$0.95
C	29	285,730	39,316	-	3,300	-	42,616	14.9%	14.1%	(2,220)	2,537	-	-	\$1.75
Total	53	876,854	228,438	900	3,300	-	232,638	26.5%	26.2%	(2,740)	2,595	-	-	\$1.65
LOS ALTOS														
A	10	250,807	21,713	-	7,322	2,581	31,616	12.6%	14.2%	708	11,074	-	19,500	\$5.43
B	17	326,781	46,728	2,034	-	1,940	50,702	15.5%	22.3%	23,769	30,799	-	-	\$4.19
C	38	472,356	7,356	-	-	-	7,356	1.6%	2.4%	2,212	6,683	-	-	\$4.36
Total	65	1,049,944	75,797	2,034	7,322	4,521	89,674	8.5%	11.4%	26,689	48,556	-	19,500	\$4.84
MOUNTAIN VIEW														
A	22	2,196,395	13,817	-	12,761	16,444	43,022	2.0%	3.4%	14,448	32,815	-	655,384	\$6.44
B	45	1,085,736	52,517	1,751	29,420	11,797	95,485	8.8%	9.8%	12,524	26,744	-	-	\$3.44
C	44	476,518	23,737	-	-	-	23,737	5.0%	5.9%	4,265	(1,533)	-	-	\$2.51
Total	111	3,758,649	90,071	1,751	42,181	28,241	162,244	4.3%	5.5%	31,237	58,026	-	655,384	\$5.30
PALO ALTO														
A	67	2,881,142	266,397	314,467	41,109	55,303	677,276	23.5%	25.2%	(43,161)	29,638	-	77,300	\$5.38
B	106	2,406,015	124,482	11,279	86,087	41,760	263,608	11.0%	10.6%	(29,743)	(35,209)	-	-	\$5.52
C	81	919,895	26,775	5,100	8,766	2,490	43,131	4.7%	6.4%	534	(21)	-	-	\$4.81
Total	254	6,207,052	417,654	330,846	135,962	99,553	984,015	15.9%	16.8%	(72,370)	(5,592)	-	77,300	\$5.40
SAN JOSE														
A	80	10,907,612	2,011,277	106,914	168,858	56,692	2,343,741	21.5%	25.0%	40,143	67,564	-	-	\$2.73
B	243	9,081,730	1,176,672	46,430	178,966	110,089	1,512,157	16.7%	15.8%	(205)	74,544	-	-	\$2.00
C	187	4,106,137	522,878	1,662	21,161	-	545,701	13.3%	13.7%	31,022	37,831	-	-	\$1.64
Total	510	24,095,479	3,710,827	155,006	368,985	166,781	4,401,599	18.3%	19.7%	70,960	179,939	-	-	\$2.38
SANTA CLARA														
A	39	5,645,359	1,306,952	114,967	15,988	19,579	1,457,486	25.8%	27.6%	62,647	365,239	-	653,188	\$3.61
B	128	3,769,247	405,473	86,223	110,066	40,180	641,942	17.0%	17.1%	67,876	162,289	-	-	\$2.42
C	40	660,949	126,551	3,572	1,100	-	131,223	19.9%	20.4%	(1,436)	(2,807)	-	-	\$1.75
Total	207	10,075,555	1,838,976	204,762	127,154	59,759	2,230,651	22.1%	23.1%	129,087	524,721	-	653,188	\$3.22
SUNNYVALE														
A	42	6,834,051	385,926	116,888	94,940	26,659	624,413	9.1%	10.4%	451,059	769,589	481,576	667,000	\$4.09
B	55	1,177,562	46,693	-	41,260	-	87,953	7.5%	6.7%	17,491	46,823	-	-	\$3.64
C	24	471,440	119,247	-	20,600	-	139,847	29.7%	30.4%	7,601	240	-	-	\$3.32
Total	121	8,483,053	551,866	116,888	156,800	26,659	852,213	10.0%	11.0%	476,151	816,652	481,576	667,000	\$3.94
SILICON VALLEY TOTALS														
A	320	31,865,893	4,484,441	662,337	447,727	208,114	5,802,619	18.2%	20.6%	527,070	1,346,317	481,576	2,332,372	\$3.55
B	808	23,356,309	2,238,543	167,200	561,333	219,697	3,186,773	13.6%	13.3%	67,696	315,700	-	-	\$2.54
C	512	8,485,085	919,026	10,334	86,517	5,490	1,021,367	12.0%	12.7%	48,235	59,727	-	-	\$2.13
Total	1,640	63,707,287	7,642,010	839,871	1,095,577	433,301	10,010,759	15.7%	16.9%	643,001	1,721,744	481,576	2,332,372	\$3.16

QUARTERLY COMPARISON AND TOTALS

3Q-13	1640	63,707,287	7,642,010	839,871	1,095,577	433,301	10,010,759	15.7%	16.9%	643,001	1,721,744	481,576	2,332,372	\$3.16
2Q-13	1642	63,467,191	7,964,482	768,169	1,188,100	783,550	10,704,301	16.9%	16.5%	824,512	1,078,743	1,055,719	312,579	\$2.99
1Q-13	1636	62,649,478	7,881,931	774,557	992,759	708,851	10,358,098	16.5%	15.5%	254,231	254,231	318,000	2,531,264	\$2.84
4Q-12	1635	62,347,478	7,923,368	755,730	579,218	399,096	9,657,412	15.5%	16.7%	309,276	1,181,077	318,000	1,454,213	\$2.83
3Q-12	1634	62,029,478	8,420,952	381,774	804,702	778,699	10,386,127	16.7%	17.8%	713,952	871,801	52,500	1,018,473	\$2.79

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MARKET COMPARISONS

R&D, INDUSTRIAL & WAREHOUSE MARKETS

TYPE	BLDGS	TOTAL INVENTORY SQ FT	DIRECT VACANT	SUBLEASE VACANT	DIRECT OCCUPIED	SUBLEASE OCCUPIED	TOTAL AVAILABLE SQ FT	AVAILABILITY RATE Q3-2013	AVAILABILITY RATE Q2-2013	NET ABSORPTION Q3-2013	COMPLETED YTD	COMPLETED Q3-2013	UNDER CONSTR	NNN WTD AVG ASKING
CAMPBELL														
R&D	61	1,288,603	87,743	7,921	84,200	-	179,864	14.0%	13.1%	15,924	17,747	-	-	\$1.54
IND	49	660,621	54,694	-	25,600	11,309	91,603	13.9%	10.7%	(17,482)	(6,455)	-	-	\$1.14
TOTAL	110	1,949,224	142,437	7,921	109,800	11,309	271,467	13.9%	12.2%	(1,558)	11,292	-	-	\$1.53
CUPERTINO														
R&D	50	3,439,813	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
TOTAL	50	3,439,813	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
FREMONT														
R&D	346	18,767,569	3,573,251	138,766	464,801	209,223	4,386,041	23.4%	22.3%	(36,882)	453,241	-	-	\$0.84
IND	355	9,113,518	970,129	83,512	95,290	-	1,148,931	12.6%	13.4%	8,040	282,836	-	275,000	\$0.67
WSE	50	7,638,159	569,526	-	248,501	30,988	849,015	11.1%	12.0%	(49,308)	36,080	-	-	\$0.52
TOTAL	751	35,519,246	5,112,906	222,278	808,592	240,211	6,383,987	18.0%	17.8%	(78,150)	772,157	-	275,000	\$0.76
GILROY														
R&D	9	373,694	76,000	-	-	-	76,000	20.3%	20.3%	-	40,083	-	-	\$-
IND	73	1,357,937	135,661	-	-	-	135,661	10.0%	10.2%	3,168	29,998	-	-	\$0.41
WSE	18	3,224,101	301,992	33,310	162,020	-	497,322	15.4%	15.4%	-	13,984	-	-	\$0.34
TOTAL	100	4,955,732	513,653	33,310	162,020	-	708,983	14.3%	14.4%	3,168	84,065	-	-	\$0.36
LOS GATOS														
R&D	9	235,739	967	-	-	-	967	0.4%	9.8%	-	-	-	-	\$2.45
TOTAL	9	235,739	967	-	-	-	967	0.4%	9.8%	-	-	-	-	\$2.45
MILPITAS														
R&D	212	12,931,335	1,304,367	304,503	100,207	91,911	1,800,988	13.9%	14.6%	84,225	301,543	-	-	\$0.83
IND	117	2,916,369	127,170	-	21,375	38,382	186,927	6.4%	6.7%	14,263	17,412	-	-	\$0.82
WSE	35	4,565,113	183,720	-	388,236	36,595	608,551	13.3%	13.8%	63,113	278,434	-	-	\$0.61
TOTAL	364	20,412,817	1,615,257	304,503	509,818	166,888	2,596,466	12.7%	13.3%	161,601	597,389	-	-	\$0.78
MORGAN HILL														
R&D	62	2,688,925	170,310	-	-	-	170,310	6.3%	6.3%	(169)	267,577	-	-	\$0.84
IND	76	1,882,576	112,332	-	14,270	-	126,602	6.7%	6.7%	-	14,906	-	-	\$0.68
WSE	5	384,880	-	-	-	-	-	0.0%	0.0%	-	-	-	-	\$-
TOTAL	143	4,956,381	282,642	-	14,270	-	296,912	6.0%	6.0%	(169)	282,483	-	-	\$0.77
MOUNTAIN VIEW														
R&D	274	13,852,541	529,214	156,620	114,536	62,300	862,670	6.2%	8.9%	418,613	276,342	-	70,000	\$2.39
IND	145	2,607,350	80,534	-	-	5,260	85,794	3.3%	3.5%	946	10,893	-	-	\$1.29
TOTAL	419	16,459,891	609,748	156,620	114,536	67,560	948,464	5.8%	8.0%	419,559	287,235	-	70,000	\$2.32
PALO ALTO														
R&D	59	10,292,315	36,483	52,964	7,076	111,641	208,164	2.0%	2.2%	5,739	46,303	-	111,100	\$2.43
TOTAL	59	10,292,315	36,483	52,964	7,076	111,641	208,164	2.0%	2.2%	5,739	46,303	-	111,100	\$2.43
SAN JOSE														
R&D	634	46,271,190	6,252,244	247,576	1,008,305	383,454	7,891,579	17.1%	16.2%	(191,916)	395,704	-	-	\$1.26
IND	1,082	22,518,382	692,064	28,971	265,714	116,820	1,103,569	4.9%	5.4%	80,817	207,535	-	-	\$0.63
WSE	175	15,979,279	1,355,165	-	232,705	-	1,587,870	9.9%	12.2%	75,901	138,721	-	-	\$0.52
TOTAL	1,891	84,768,851	8,299,473	276,547	1,506,724	500,274	10,583,018	12.5%	12.6%	(35,198)	741,960	-	-	\$1.12
SANTA CLARA														
R&D	373	22,172,346	2,655,340	28,393	117,947	295,894	3,097,574	14.0%	14.0%	53,833	178,020	-	-	\$1.67
IND	607	10,582,776	240,634	4,252	67,501	-	312,387	3.0%	3.5%	76,159	106,098	-	-	\$0.94
WSE	31	3,431,532	110,841	-	106,296	18,372	235,509	6.9%	6.0%	(16,800)	66,000	-	-	\$0.55
TOTAL	1,011	36,186,654	3,006,815	32,645	291,744	314,266	3,645,470	10.1%	10.1%	113,192	350,118	-	-	\$1.57
SUNNYVALE														
R&D	506	23,568,057	1,567,770	207,704	641,288	131,850	2,548,612	10.8%	8.8%	(66,651)	179,841	-	71,700	\$1.85
IND	180	3,082,954	185,001	-	36,320	1,700	223,021	7.2%	5.9%	(8,580)	(20,587)	-	-	\$1.15
WSE	35	2,606,972	-	-	23,040	90,544	113,584	4.4%	4.8%	13,500	13,500	-	-	\$0.76
TOTAL	721	29,257,983	1,752,771	207,704	700,648	224,094	2,885,217	9.9%	8.1%	(61,731)	172,754	-	71,700	\$1.75
SILICON VALLEY TOTALS														
R&D	2,595	155,882,127	16,253,689	1,144,447	2,538,360	1,286,273	21,222,769	13.6%	13.2%	282,716	2,156,401	-	252,800	\$1.31
IND	2,684	56,023,500	2,707,571	119,635	526,070	173,471	3,526,747	6.3%	6.7%	163,456	621,011	-	275,000	\$0.73
WSE	349	38,316,211	2,521,244	33,310	1,169,010	176,499	3,900,063	10.2%	11.3%	86,406	656,542	-	-	\$0.53
TOTAL	5,628	250,221,838	21,482,504	1,297,392	4,233,440	1,636,243	28,649,579	11.4%	11.5%	532,578	3,433,954	-	527,800	\$1.15
QUARTERLY COMPARISON AND TOTALS														
3Q-13	5,628	250,221,838	21,482,504	1,297,392	4,233,440	1,636,243	28,649,579	11.4%	11.5%	532,578	3,433,954	-	527,800	\$1.15
2Q-13	5,650	251,303,594	22,067,435	1,314,490	4,062,925	1,391,526	28,836,376	11.5%	12.1%	1,845,548	2,901,376	-	288,100	\$1.17
1Q-13	5,658	251,655,806	24,076,069	1,486,381	3,566,754	1,304,419	30,433,623	12.1%	12.1%	1,055,828	1,055,828	-	181,100	\$1.15
4Q-12	5,662	251,868,566	25,443,973	1,586,731	2,478,943	853,826	30,363,473	12.1%	12.2%	(77,141)	1,218,288	99,800	111,100	\$1.15
3Q-12	5,685	252,752,739	25,325,266	1,691,288	2,722,843	971,149	30,710,546	12.2%	12.4%	289,165	1,295,429	-	111,100	\$1.10