

# Still Going Strong

- > Leasing activity topped out at 7.2 million square feet
- > Total available space dipped 14% in the second quarter
- > Net absorption stands at 5.4 million square feet year to date

**Silicon Valley's economy is thriving as we cross the halfway point of 2015.** It is without dispute that the Silicon Valley's red-hot economy continues to lead the nation with extraordinary growth in jobs, income, innovation, and venture capital investment. Silicon Valley companies took claim to 33.2% of the total global venture capital dollars invested during the second quarter. This translates to more than \$9 billion invested in 412 deals. Job growth within the San Jose metropolitan area is climbing at an annual pace of 6% - the best in the nation - according to data released by the Bureau of Labor Statistics. Adding more than 50,000 jobs over the prior twelve months, the unemployment rate has dipped to 4.1% as of May 2015.

The commercial market is on fire in the Silicon Valley. During the second quarter of 2015 a total of 7.23 million square feet of new deals transacted across all product types. This amount of demand translated into an occupancy gain of 3.04 million square feet. Total available space in the Silicon Valley now measures 26.1 million square feet, translating into an overall availability rate of 7.9% for all product types throughout the Valley. Available space continues to decline in the Valley and is at its lowest level since the first quarter of 2001, when the availability rate was just 6.49%.



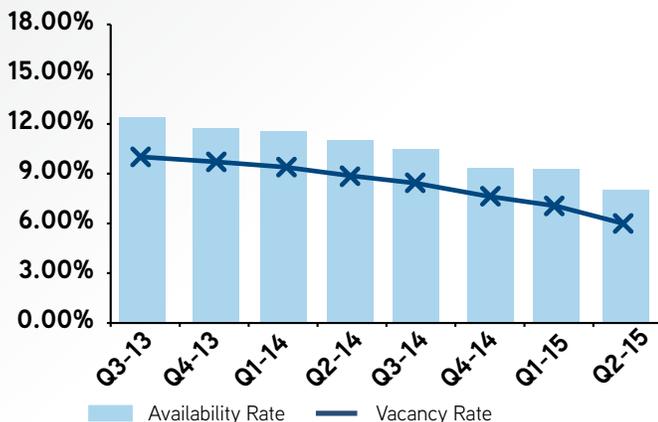
### Market Trends

Relative to prior quarter	Q2 2015	Q3 2015*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↓	↔
Rental Rate	↑	↑

\*Projected

### Vacancy Vs. Availability Rates

Silicon Valley | All Products



Overall availability dipped 136 basis to 7.9% points during the second quarter of 2015, while vacancy fell by 60 basis points to 6.5%

### Summary Statistics

Q2 2015 Silicon Valley All Products	Previous Quarter	Current Quarter
Overall Vacancy Rate	7.17%	6.11%
Net Absorption	2,400,296	3,041,367
Construction Completed	1,919,775	432,375
Under Construction	8,311,364	9,248,791
Office Asking Rents*	\$3.63 FS	\$3.68 FS
R&D Asking Rents*	\$1.61 NNN	\$1.69 NNN
Industrial Asking Rents*	\$0.79 NNN	\$0.86 NNN
Warehouse Asking Rents*	\$0.71 NNN	\$0.70 NNN

\*Asking Rents Reported Monthly

### Economic Indicators

	Previous Quarter	Current Quarter
Total VC Funding	\$6.0 Billion	\$9.8 Billion
Total Number of Deals	323	412
Unemployment Rate	4.4%	4.1%

# Office

- > Leasing activity measured 2.48 million square feet
- > Net absorption stands at 2.0 million square feet year to date, and is within 1% of the total occupancy gain measured in all four quarters combined of 2014
- > Total available space fell 15.3%, to an overall availability rate of 9.6%
- > Average asking rates are up 14% year-over-year

**During the second quarter of 2015 office activity was strong in the Silicon Valley**, registering a total of 2.48 million square feet of gross absorption, finishing the first half of the year with another strong quarter on the books. This is now the fifth straight quarter that office demand has surpassed the 2.0 million square foot mark on a quarterly basis, demonstrating the long run of heightened demand for office space in the Silicon Valley.

During the second quarter less “rollover” space found its way back to the market, as tenants gave back just 1.51 million square feet to the market, the lowest level since the first quarter of 2014. As a result, the Silicon Valley office market recorded another occupancy gain during the second quarter, measuring 972,289 square feet. This is the twelfth straight quarter that the office market has recorded positive net absorption. The office market has absorbed more than 2 million square feet year to date, and is within 1% of the total occupancy gain measured in all four quarters combined of 2014. This is in line with Colliers’ forecast, and 2015 is on the right track to be a record year.

The Silicon Valley skyline continues to fill with cranes and steel as new construction continues to break ground. Colliers is now tracking more than 7 million square feet of office projects currently under construction, with total potential development reaching more than an astounding 40 million square feet in the form of proposed developments. Of the 25 projects currently under construction only nine are without a tenant in tow. The pipeline of construction has a steady flow; as many projects near completion, others are beginning to file for building permits and others have started the early phases of site work. New completions recorded during the second quarter include the first one of six buildings at Moffett Place, the 1.9 million square foot campus leased by Google in 2014, Palo Alto Medical Foundation’s new building on Los Gatos Boulevard and Quora’s new headquarter location on Castro Avenue in Mountain View.

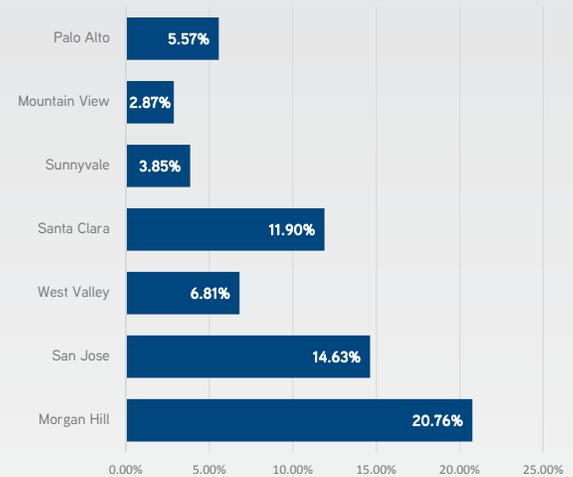
As a result of the heightened demand, the office market measured an uptick in starting rates during the second quarter of 2015. Average starting rates for office space in the Silicon Valley have climbed 12.5% over the previous twelve months, closing the quarter at \$3.77 per square foot, full service. Average asking rents in the office sector followed a similar trend line and are up 14% from averages measured during the same period of 2014. Office space in the Silicon Valley is now being marketed at an average rental rate of \$3.68 per square foot, full service.

## Office Availability & Rent Trends



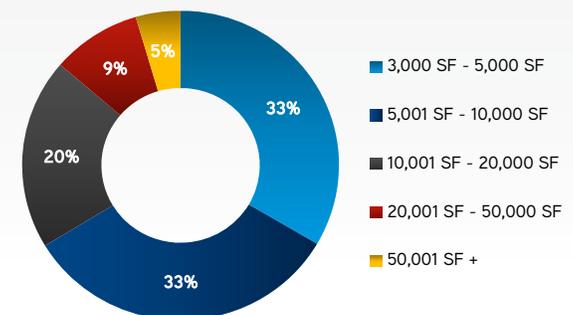
Source: Colliers International Research

## Office Availability Rates Select Silicon Valley Cities



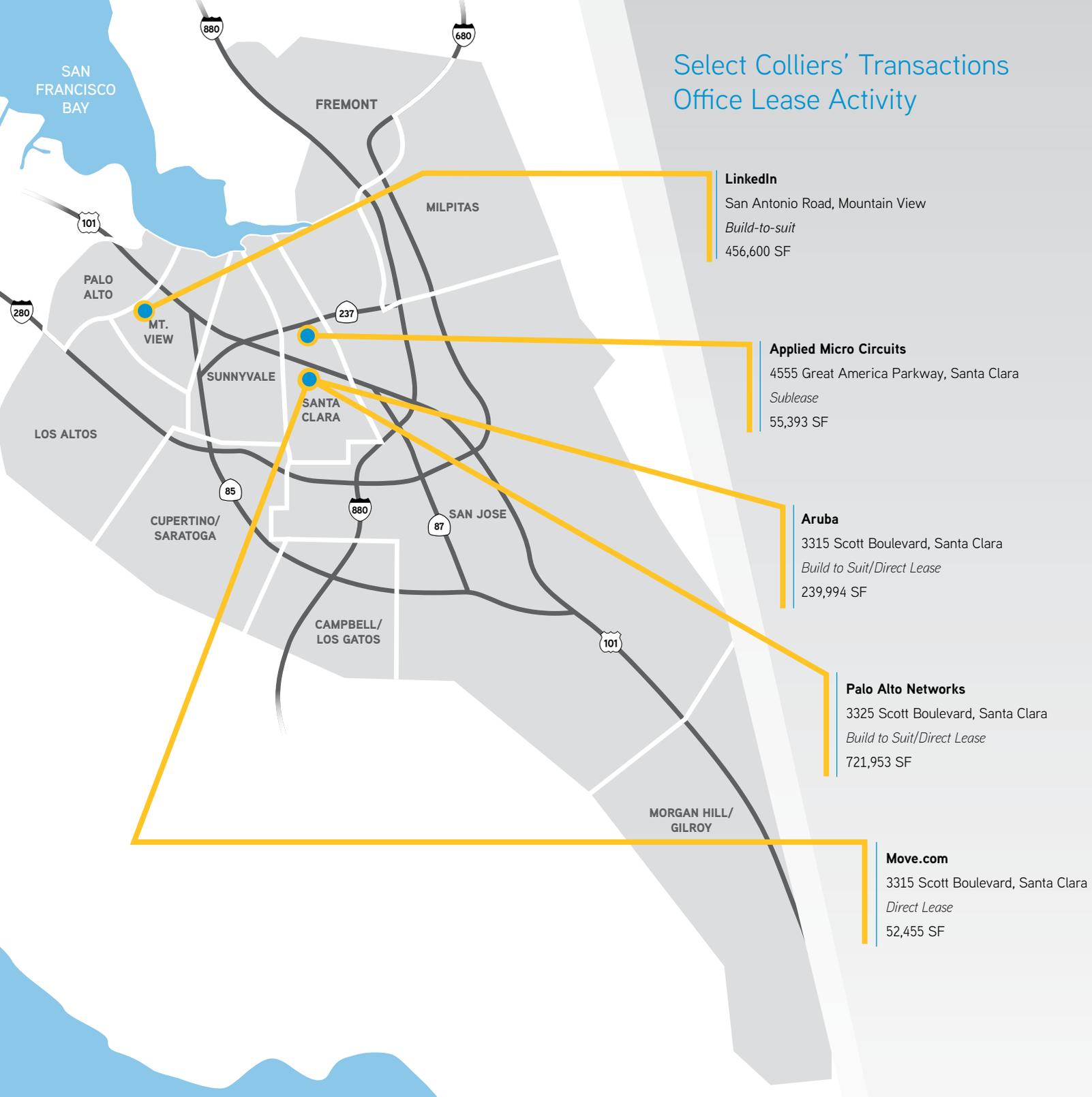
Source: Colliers International Research

## Office Availability Breakdown by Size Range



Source: Colliers International Research

## Select Colliers' Transactions Office Lease Activity



## Select Colliers' Transactions - Office Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
50-90 N 1st Street, San Jose	61,241	The Marshall Squares	FF Realty LLC
1708 McCarthy Boulevard, Milpitas	47,636	Nanotechnology Partners, LLC	JW Equities, LLC
1700 S Winchester Boulevard, Campbell	18,360	1700 Winchester LLC	936 E. Duane Avenue, LLC
2496 El Camino Real, Palo Alto	6,300	Louis Storino Trust	Louis Storino Trust
6010 Hellyer Avenue, Suite 100 & 150, San Jose	4,478	3dos LLC	Nirman Medical Center

# R&D

- > Leasing activity was up 12.2% quarter-over-quarter, measuring 2.72 million square feet of tenant demand
- > Total available space dipped 9.7% in the second quarter
- > 1.15 million square feet of R&D space was absorbed during the second quarter in the Silicon Valley

**The Silicon Valley R&D sector measured robust levels of activity during the second quarter of 2015.** Measuring 2.72 million square feet of gross absorption, this is 12.2% more than the 2.42 million square feet recorded the prior quarter. While R&D demand increased during the first quarter, so did occupancy levels. Measuring 1.15 million square feet of net absorption, this is a 49.3% increase in total occupancy gain quarter-over-quarter and brings the year to date total for R&D net absorption to 1.92 million square feet.

On the supply side, the pipeline of pre-improved R&D space that came on the market during the second quarter decreased 5% from totals measured during the first quarter, to 1.57 million square feet, the lowest it has been since the second quarter of 2013. This is now the fourth quarter in a row that the R&D market has seen less than 2.0 million square feet of space find its way back to the market, demonstrating that tenants are holding on to space as the market tightens.

Total available R&D space in the Silicon Valley declined 9.53% during the second quarter, bringing the overall availability rate to 9.79%, the first time since the first quarter of 2001 that total availability has dipped into the single digit range. When comparing only vacant space, the overall vacancy rate in the Silicon Valley R&D sector stands at just 7.79%, the lowest it has been since the third quarter of 2001.

During the second quarter the Silicon Valley R&D market measured a 43% increase in the number of deals signed as 181 tenants flooded the market competing for space. Also of note was that the average size of a new deal signed during the second quarter decreased 21.8% from 19,259 square feet during the first quarter to 15,047 square feet, demonstrating that the increase in demand measured during the second quarter was not solely due to any handful of monster deals, and that there continues to be a healthy amount of demand from small and mid-sized tenants in the market.

The largest new deals signed for R&D space during the second quarter were both for more than 100,000 square feet. BAE Systems inked a deal for 131,718 square feet on San Ignacio Road in San Jose and Apple signed a long term lease for 129,119 square feet on Patrick Henry Drive in Santa Clara. Of the ten largest new deals completed during the second quarter, four were owner/user sales.

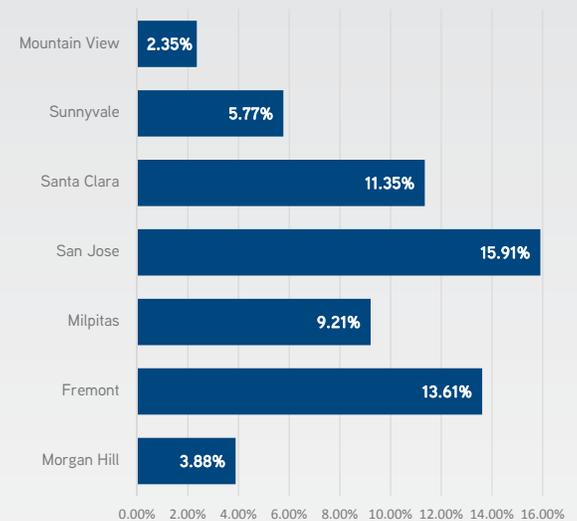
Average starting rates for R&D space in the Silicon Valley have climbed 13.1% since the beginning of the year, closing the books on the first half at \$1.55 per square foot, NNN. The weighted-average asking rent for R&D space is now \$1.69 per square foot NNN, up 22.4% from the same period one year earlier.

## R&D Availability & Rent Trends



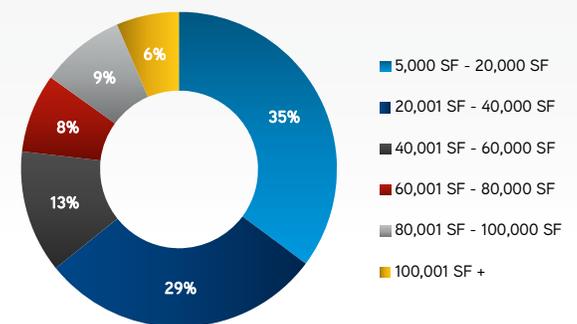
Source: Colliers International Research

## R&D Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

## R&D Availability Breakdown by Size Range



Source: Colliers International Research



**Select Colliers' Transactions - R&D Sale Activity**

PROPERTY ADDRESS	SIZE	SELLER	BUYER
48603-48633 Warm Springs Boulevard, Fremont	141,440	Terreno Realty Corporation	Franmar Company
3300 Olcott Street, Santa Clara	105,664	Menlo Equities	PSAI Realty Partners
2711-2717 N 1st Street, San Jose	76,568	Lane Partners, LLC	JJ & W, Co., Inc
401 Whitney Place, Fremont	72,776	McKay Henry, LLC	Champion Telecom, Inc
2550 Walsh Avenue, Santa Clara	65,840	Lane Partners, LLC	JJ & W, Co., Inc

# Industrial

- > Leasing activity measured 1.48 million square feet
- > Total available industrial space decreased by 36.6% during the second quarter
- > Net absorption measured 852,523 square feet, the largest quarterly occupancy gain since 1994
- > Average asking rates are up 13.2% year-to-date

## It was a strong quarter for the Silicon Valley's industrial sector. Activity was up nearly two times from the previous quarter,

measuring 1.48 million square feet of gross absorption. As a result of the increased level of activity, the industrial sector closed the second quarter with an 852,523 square foot occupancy gain, a welcome turnaround from the minor occupancy loss measured during the first quarter of the year, putting the market back in the black half way through the year. This is the largest occupancy gain measured on a quarterly basis since the fourth quarter of 1994, when just over 1 million square feet of positive absorption was measured in the industrial sector.

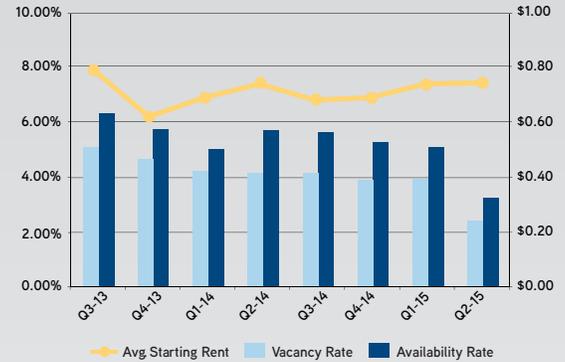
Total available space decreased by 36.6% during the second quarter, totaling only 1.9 million square feet of available space throughout the Silicon Valley. The total available space rate fell 184 basis points during the second quarter, resting at an overall availability rate of 3.18% in the Silicon Valley industrial market. This is the lowest level of available space measured in the Silicon Valley industrial market since 1998.

The second quarter of 2015 marked a milestone for the Fremont industrial market as Tesla Motors leased the single largest remaining vacancy in the Silicon Valley. At just over a half million square feet, 901 Page was the only building left over from the Solyndra fallout in 2011 that haunted the industrial market up until now. With the removal of this space from available inventory, the overall availability rate in Fremont plummeted to 1.7%, the lowest it has been since Colliers began tracking the Fremont industrial market in 1989.

Fremont is not the only city in the Silicon Valley with historically low levels of available supply. Not one of the nine cities that Colliers is tracking for industrial space has an availability rate greater than 10%, and six stake claim to availability rates less than 6%. Mountain View claims the title as the city with the lowest level of available industrial supply, with an overall availability rate of just 0.1%, followed by Fremont and Santa Clara, tied at an availability rate of 1.7%.

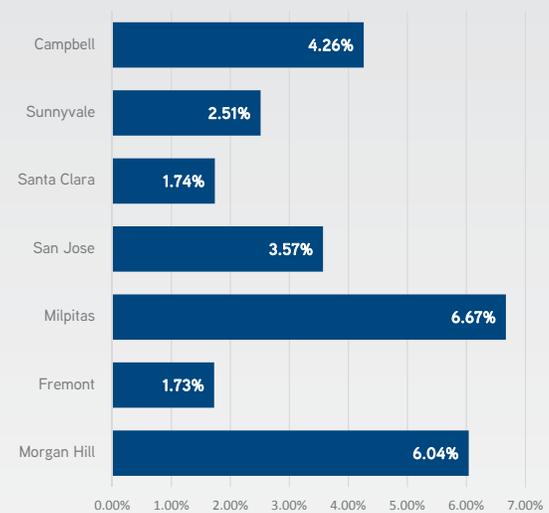
When comparing average starting rates for deals closed, the weighted average remained flat quarter-over-quarter at \$0.74 per square foot, NNN. However, in what is likely a demonstration of landlords and owners sensing the heightened demand for space from tenants, weighted average asking rates measured an uptick and surpassed the \$0.80 mark during the second quarter for the first time since 2002. At the close of the quarter, average asking rates were 13.2% more than those recorded at the beginning of 2015.

## Industrial Availability & Rent Trends



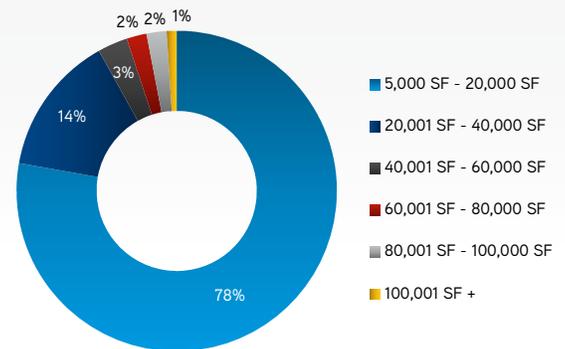
Source: Colliers International Research

## Industrial Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

## Industrial Availability Breakdown by Size Range



Source: Colliers International Research

## Select Colliers' Transactions Industrial Lease Activity



## Select Colliers' Transactions - Industrial Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
37399 Centralmont Place, Fremont	59,000	Galgon Trust	Drewniany & Laukin
936 Duane Avenue, Sunnyvale	33,977	936 E. Duane Avenue, LLC	Watt Investments
45957 Hotchkiss Street, Fremont	30,192	R.G. Miller Enterprises, LP	CWC Income Properties 4, LLC
6700 Brem Lane, Gilroy	27,549	Marina Barreras	Martin Baccaglio
2901 Mission Street, Santa Cruz	16,200	Wave Crest Development	Nantec, LLC

# Warehouse

- > Leasing activity totaled 536,452 square feet in Q2
- > Warehouse availability is the lowest it has been since 2000, at 5.05% throughout the Silicon Valley
- > Year-to-date net absorption stands at 743,277 square feet

**Activity in the Silicon Valley warehouse sector was modest during the second quarter of the year**, following a milestone first quarter which marked the completion of the first speculative warehouse project in over a decade in the Silicon Valley, which was 100% leased upon completion. Measuring 536,452 square feet of gross absorption, this is down more than 60% from the prior quarter, and 43% from the same period one year earlier.

Despite the mild demand during the quarter, the warehouse sector recorded an occupancy gain of 65,599 square feet of net absorption, bringing the year-to-date tally to 743,277 square feet and a demonstration that less space is getting returned to the market.

This is now the third quarter in a row that the warehouse market has measured lower levels of pre-improved space coming onto the market. Down 32.4% from the first quarter, warehouse tenants in the Silicon Valley only kicked back 470,853 square feet of vacant space to the market.

After two consecutive quarters of positive net absorption, available space continues to decline. Total available warehouse space in the Silicon Valley now measures only 1.92 million square feet. This amount of space translates to an overall availability rate of 5.05%, and is the lowest that available space has dipped since the fourth quarter of 2000. When measuring only vacant space within the warehouse market, true vacancy stands at just 3.2% throughout the Silicon Valley.

There were only 12 new deals inked for warehouse space during the second quarter of the year, down from the 26 recorded during the first quarter. With only 60 available spaces at the close of the second quarter, tenants are limited in their options and may begin looking in neighboring regions such as the East Bay and Central Valley for viable space. The average deal size measured during the second quarter was 44,704 square feet, also down from the 52,885 square foot average recorded during the first quarter of the year. Notable transactions signed during the second quarter include Leale's RV signing on for 99,000 square feet of space on 7th Street in San Jose and Teknion's lease of 91,202 square feet on Brennan Street, also in San Jose.

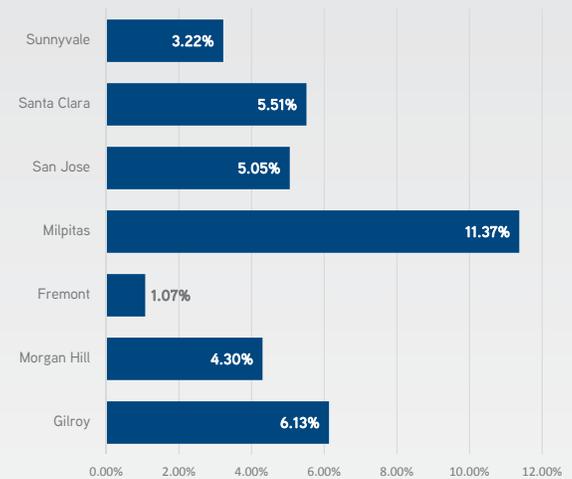
Colliers is tracking nearly 1.0 million square feet of new warehouse construction throughout the Silicon Valley. With the historically low level of available supply developers can barely keep up with demand as every square foot of the new warehouse construction is spoken for by tenants like Tesla Motors, JFC International and United National Foods. More projects are expected to break ground this year in the warehouse sector, and it is unlikely they will reach completion without a tenant scooping it up first.

## Warehouse Availability & Rent Trends



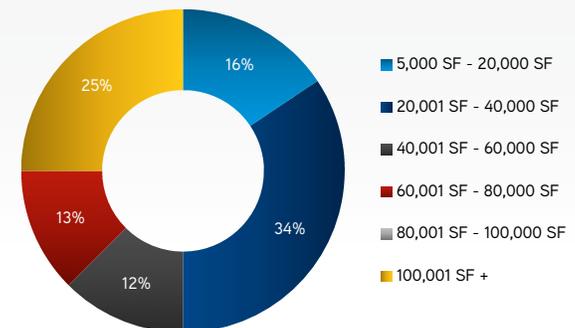
Source: Colliers International Research

## Warehouse Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

## Warehouse Availability Breakdown by Size Range



Source: Colliers International Research

## Select Colliers' Transactions Warehouse Lease Activity



## Select Colliers' Transactions - Warehouse Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
1985 E Bayshore Road, Palo Alto	49,668	American Storage Associates	Public Storage Inc
43015 Osgood Road, Fremont	22,764	All Season Mini Storage	Storage Solutions

# Market Comparisons – Silicon Valley

## OFFICE MARKET

CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE Q2-2015	AVAILABILITY RATE Q1-2015	NET ABSORPTION Q2-2015	NET ABSORPTION YTD	COMPLETED Q2-2015	UNDER CONST. SF	FS WTD AVG ASKING
<b>CAMPBELL / LOS GATOS</b>													
A	1,483,712	89,196	-	41,329	10,659	141,184	9.5%	13.0%	(44,001)	(7,211)	40,000	6,813	\$4.03
B	2,188,889	87,573	-	13,138	-	100,711	4.6%	5.1%	6,654	(13,510)	-	-	\$2.82
C	227,312	8,009	-	-	2,984	10,993	4.8%	5.2%	780	(1,406)	-	-	\$3.55
<b>Total</b>	<b>3,899,913</b>	<b>184,778</b>	<b>-</b>	<b>54,467</b>	<b>13,643</b>	<b>252,888</b>	<b>6.5%</b>	<b>7.8%</b>	<b>(36,567)</b>	<b>(22,127)</b>	<b>40,000</b>	<b>6,813</b>	<b>\$3.56</b>
<b>CUPERTINO / SARATOGA</b>													
A	901,524	1,551	-	9,460	-	11,011	1.2%	0.0%	(1,551)	(1,551)	-	3,096,246	\$4.99
B	2,783,137	32,914	4,066	56,439	1,823	95,242	3.4%	3.4%	(9,764)	(624)	-	-	\$4.32
C	156,752	931	-	1,040	-	1,971	1.3%	0.0%	(931)	-	-	-	\$3.25
<b>Total</b>	<b>3,841,413</b>	<b>35,396</b>	<b>4,066</b>	<b>66,939</b>	<b>1,823</b>	<b>108,224</b>	<b>2.8%</b>	<b>2.5%</b>	<b>(12,246)</b>	<b>(2,175)</b>	<b>-</b>	<b>3,096,246</b>	<b>\$4.49</b>
<b>FREMONT / MILPITAS</b>													
A	863,229	162,888	-	7,490	4,040	174,418	20.2%	18.9%	(3,771)	(4,222)	-	9,656	\$2.03
B	1,666,819	225,749	-	31,491	-	257,240	15.4%	14.9%	(1,571)	17,384	-	-	\$2.22
C	579,071	11,958	-	-	-	11,958	2.1%	2.1%	-	-	-	-	\$1.57
<b>Total</b>	<b>3,109,119</b>	<b>400,595</b>	<b>-</b>	<b>38,981</b>	<b>4,040</b>	<b>443,616</b>	<b>14.3%</b>	<b>13.6%</b>	<b>(5,342)</b>	<b>13,162</b>	<b>-</b>	<b>9,656</b>	<b>\$2.14</b>
<b>GILROY / MORGAN HILL</b>													
A	578,491	109,639	-	25,000	-	134,639	23.3%	23.4%	692	2,509	-	-	\$1.80
B	187,330	18,237	2,500	2,477	-	23,214	12.4%	12.2%	-	-	-	-	\$1.86
C	312,700	32,977	-	-	-	32,977	10.5%	13.0%	-	-	-	-	\$2.05
<b>Total</b>	<b>1,078,521</b>	<b>160,853</b>	<b>2,500</b>	<b>27,477</b>	<b>-</b>	<b>190,830</b>	<b>17.7%</b>	<b>18.6%</b>	<b>692</b>	<b>2,509</b>	<b>-</b>	<b>-</b>	<b>\$1.81</b>
<b>LOS ALTOS</b>													
A	277,215	6,564	-	1,358	-	7,922	2.9%	4.7%	23,971	24,844	21,207	-	\$5.28
B	500,812	30,404	-	1,872	-	32,276	6.4%	9.1%	5,184	(4,896)	-	-	\$4.61
C	375,197	699	-	17,600	-	18,299	4.9%	4.7%	759	759	-	-	\$4.98
<b>Total</b>	<b>1,153,224</b>	<b>37,667</b>	<b>-</b>	<b>20,830</b>	<b>-</b>	<b>58,497</b>	<b>5.1%</b>	<b>6.7%</b>	<b>29,914</b>	<b>20,707</b>	<b>21,207</b>	<b>-</b>	<b>\$4.84</b>
<b>MOUNTAIN VIEW</b>													
A	3,554,990	-	-	45,812	26,614	72,426	2.0%	1.4%	55,792	937,025	29,924	-	\$8.18
B	1,223,791	27,774	-	19,977	12,901	60,652	5.0%	5.6%	12,066	5,571	-	-	\$4.45
C	476,305	17,550	-	-	-	17,550	3.7%	4.4%	-	(2,315)	-	-	\$4.15
<b>Total</b>	<b>5,255,086</b>	<b>45,324</b>	<b>-</b>	<b>65,789</b>	<b>39,515</b>	<b>150,628</b>	<b>2.9%</b>	<b>2.6%</b>	<b>67,858</b>	<b>940,281</b>	<b>29,924</b>	<b>-</b>	<b>\$6.05</b>
<b>PALO ALTO</b>													
A	4,596,946	49,601	-	155,927	13,563	219,091	4.8%	5.1%	45,751	33,606	25,972	220,416	\$8.62
B	4,338,993	227,399	13,819	52,120	14,123	307,461	7.1%	9.4%	56,458	(38,841)	-	-	\$6.30
C	1,249,575	10,618	4,029	14,876	10,854	40,377	3.2%	3.0%	3,704	(3,201)	-	-	\$7.15
<b>Total</b>	<b>10,185,514</b>	<b>287,618</b>	<b>17,848</b>	<b>222,923</b>	<b>38,540</b>	<b>566,929</b>	<b>5.6%</b>	<b>6.7%</b>	<b>105,913</b>	<b>(8,436)</b>	<b>25,972</b>	<b>220,416</b>	<b>\$7.38</b>
<b>SAN JOSE</b>													
A	12,530,117	1,739,046	117,661	326,654	129,009	2,312,370	18.5%	19.3%	37,278	56,774	-	1,840,075	\$3.43
B	9,744,037	926,883	60,590	107,677	22,330	1,117,480	11.5%	13.6%	(18,895)	(113,106)	-	-	\$2.46
C	3,991,645	330,130	2,066	81,851	-	414,047	10.4%	12.0%	52,006	17,458	-	-	\$2.17
<b>Total</b>	<b>26,265,799</b>	<b>2,996,059</b>	<b>180,317</b>	<b>516,182</b>	<b>151,339</b>	<b>3,843,897</b>	<b>14.6%</b>	<b>16.1%</b>	<b>70,389</b>	<b>(38,874)</b>	<b>-</b>	<b>1,840,075</b>	<b>\$3.09</b>
<b>SANTA CLARA</b>													
A	6,483,087	403,803	84,614	173,283	173,192	834,892	12.9%	22.2%	525,431	384,009	-	1,088,686	\$3.97
B	4,542,387	251,510	53,598	155,751	22,500	483,359	10.6%	10.9%	(66,261)	(87,200)	-	-	\$2.65
C	617,833	59,881	-	6,925	-	66,806	10.8%	11.6%	4,470	7,961	-	-	\$1.81
<b>Total</b>	<b>11,643,307</b>	<b>715,194</b>	<b>138,212</b>	<b>335,959</b>	<b>195,692</b>	<b>1,385,057</b>	<b>11.9%</b>	<b>17.0%</b>	<b>463,640</b>	<b>304,770</b>	<b>-</b>	<b>1,088,686</b>	<b>\$3.64</b>
<b>SUNNYVALE</b>													
A	8,945,605	136,820	73,320	14,047	5,116	229,303	2.6%	4.4%	303,966	762,694	315,272	1,508,746	\$4.97
B	1,361,710	59,278	-	24,694	-	83,972	6.2%	5.1%	(17,008)	21,671	-	-	\$3.90
C	490,595	102,790	-	-	-	102,790	21.0%	21.2%	1,080	7,370	-	-	\$3.84
<b>Total</b>	<b>10,797,910</b>	<b>298,888</b>	<b>73,320</b>	<b>38,741</b>	<b>5,116</b>	<b>416,065</b>	<b>3.9%</b>	<b>5.3%</b>	<b>288,038</b>	<b>791,735</b>	<b>315,272</b>	<b>1,508,746</b>	<b>\$4.76</b>
<b>SILICON VALLEY TOTALS</b>													
A	40,214,916	2,699,108	275,595	800,360	362,193	4,137,256	10.3%	12.6%	943,558	2,188,477	432,375	7,770,638	\$3.98
B	28,537,905	1,887,721	134,573	465,636	73,677	2,561,607	9.0%	10.1%	(33,137)	(213,551)	-	-	\$3.15
C	8,476,985	575,543	6,095	122,292	13,838	717,768	8.5%	9.4%	61,868	26,626	-	-	\$2.86
<b>Total</b>	<b>77,229,806</b>	<b>5,162,372</b>	<b>416,263</b>	<b>1,388,288</b>	<b>449,708</b>	<b>7,416,631</b>	<b>9.6%</b>	<b>11.3%</b>	<b>972,289</b>	<b>2,001,552</b>	<b>432,375</b>	<b>7,770,638</b>	<b>\$3.68</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>													
2Q-15	77,229,806	5,162,372	416,263	1,388,288	449,708	7,416,631	9.6%	11.3%	972,289	2,001,552	432,375	7,770,638	\$3.68
1Q-15	76,705,120	5,926,588	532,015	1,731,090	505,245	8,694,938	11.3%	11.1%	1,029,263	1,029,263	1,228,557	8,090,151	\$3.63
4Q-14	75,136,480	6,014,559	554,237	1,164,914	576,782	8,310,492	11.1%	12.2%	878,251	2,021,065	581,837	8,086,492	\$3.52
3Q-14	72,659,597	6,589,439	547,995	1,146,398	600,304	8,884,136	12.2%	13.3%	483,501	1,142,814	70,802	8,258,649	\$3.47
1Q-14	72,452,104	7,057,523	698,229	1,389,412	467,955	9,613,119	13.3%	14.2%	364,663	659,313	246,000	4,993,108	\$3.22

# Market Comparisons – Silicon Valley

## R&D, INDUSTRIAL & WAREHOUSE MARKETS

TYPE	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE Q2-2015	AVAILABILITY RATE Q1-2015	NET ABSORPTION Q2-2015	COMPLETED Q2-2015	UNDER CONSTR. SF	NNN WTD AVG ASKING
<b>CAMPBELL</b>												
R&D	1,371,053	72,397	-	65,023	24,660	162,080	11.8%	14.4%	42,558	46,508	-	\$1.78
IND	953,359	23,220	-	17,399	-	40,619	4.3%	3.1%	(7,320)	(20,220)	-	\$1.50
<b>TOTAL</b>	<b>2,324,412</b>	<b>95,617</b>	<b>-</b>	<b>82,422</b>	<b>24,660</b>	<b>202,699</b>	<b>8.7%</b>	<b>9.8%</b>	<b>35,238</b>	<b>26,288</b>	<b>-</b>	<b>\$1.77</b>
<b>CUPERTINO</b>												
R&D	2,856,248	-	-	-	-	-	0.0%	0.0%	-	-	-	\$-
<b>TOTAL</b>	<b>2,856,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$-</b>
<b>FREMONT</b>												
R&D	19,684,938	2,124,079	147,182	338,420	70,418	2,680,099	13.6%	16.8%	463,778	726,802	-	\$1.13
IND	9,684,396	151,148	-	16,000	-	167,148	1.7%	8.2%	582,622	541,739	354,540	\$0.72
WSE	7,319,293	24,626	-	53,410	-	78,036	1.1%	2.3%	54,642	748,018	-	\$0.62
<b>TOTAL</b>	<b>36,688,627</b>	<b>2,299,853</b>	<b>147,182</b>	<b>407,830</b>	<b>70,418</b>	<b>2,925,283</b>	<b>8.0%</b>	<b>11.6%</b>	<b>1,101,042</b>	<b>2,016,559</b>	<b>830,236</b>	<b>\$1.09</b>
<b>GILROY</b>												
R&D	372,104	107,938	-	-	-	107,938	29.0%	26.6%	(8,789)	(31,938)	-	\$0.75
IND	1,581,961	89,932	8,806	-	-	98,738	6.2%	5.1%	(21,464)	(27,568)	-	\$0.66
WSE	3,382,070	207,470	-	-	-	207,470	6.1%	6.1%	-	48,190	450,000	\$0.50
<b>TOTAL</b>	<b>5,336,135</b>	<b>405,340</b>	<b>8,806</b>	<b>-</b>	<b>-</b>	<b>414,146</b>	<b>7.8%</b>	<b>7.3%</b>	<b>(30,253)</b>	<b>(11,316)</b>	<b>450,000</b>	<b>\$0.59</b>
<b>LOS GATOS</b>												
R&D	337,324	14,470	-	9,923	-	24,393	7.2%	4.3%	-	(14,470)	-	\$2.07
<b>TOTAL</b>	<b>337,324</b>	<b>14,470</b>	<b>-</b>	<b>9,923</b>	<b>-</b>	<b>24,393</b>	<b>7.2%</b>	<b>4.3%</b>	<b>-</b>	<b>(14,470)</b>	<b>-</b>	<b>\$2.07</b>
<b>MILPITAS</b>												
R&D	13,545,297	948,719	139,464	86,479	72,960	1,247,622	9.2%	9.1%	(56,624)	216,687	-	\$1.46
IND	3,058,976	120,522	15,090	68,432	-	204,044	6.7%	7.9%	108,102	60,040	-	\$0.78
WSE	4,705,691	163,351	-	366,934	4,806	535,091	11.4%	12.0%	-	(163,351)	-	\$0.67
<b>TOTAL</b>	<b>21,309,964</b>	<b>1,232,592</b>	<b>154,554</b>	<b>521,845</b>	<b>77,766</b>	<b>1,986,757</b>	<b>9.3%</b>	<b>9.5%</b>	<b>51,478</b>	<b>113,376</b>	<b>-</b>	<b>\$1.17</b>
<b>MORGAN HILL</b>												
R&D	2,768,135	86,688	13,200	7,654	-	107,542	3.9%	3.7%	(27,546)	(49,848)	-	\$0.94
IND	2,235,576	48,693	5,040	81,185	-	134,918	6.0%	6.2%	-	(17,220)	-	\$0.95
WSE	482,538	20,754	-	-	-	20,754	4.3%	4.3%	-	-	-	\$0.49
<b>TOTAL</b>	<b>5,486,249</b>	<b>156,135</b>	<b>18,240</b>	<b>88,839</b>	<b>-</b>	<b>263,214</b>	<b>4.8%</b>	<b>4.8%</b>	<b>(27,546)</b>	<b>(67,068)</b>	<b>-</b>	<b>\$0.90</b>
<b>MOUNTAIN VIEW</b>												
R&D	13,757,754	117,239	43,327	94,361	68,617	323,544	2.4%	2.9%	52,297	(2,296)	-	\$2.79
IND	1,670,654	2,000	-	-	-	2,000	0.1%	1.2%	1,196	7,780	-	\$-
<b>TOTAL</b>	<b>15,428,408</b>	<b>119,239</b>	<b>43,327</b>	<b>94,361</b>	<b>68,617</b>	<b>325,544</b>	<b>2.1%</b>	<b>2.7%</b>	<b>53,493</b>	<b>5,484</b>	<b>-</b>	<b>\$2.79</b>
<b>PALO ALTO</b>												
R&D	13,369,975	22,494	57,666	-	28,151	108,311	0.8%	0.9%	(37,666)	(40,778)	47,917	\$4.15
<b>TOTAL</b>	<b>13,369,975</b>	<b>22,494</b>	<b>57,666</b>	<b>-</b>	<b>28,151</b>	<b>108,311</b>	<b>0.8%</b>	<b>0.9%</b>	<b>(37,666)</b>	<b>(40,778)</b>	<b>47,917</b>	<b>\$4.15</b>
<b>SAN JOSE</b>												
R&D	41,202,364	4,915,565	298,926	929,681	410,960	6,555,132	15.9%	17.1%	356,497	357,655	150,000	\$1.61
IND	22,885,223	465,992	47,536	302,864	-	816,392	3.6%	4.9%	149,431	134,150	-	\$0.84
WSE	16,856,594	563,658	120,000	168,015	-	851,673	5.1%	5.5%	(131,759)	(19,696)	-	\$0.60
<b>TOTAL</b>	<b>80,944,181</b>	<b>5,945,215</b>	<b>466,462</b>	<b>1,400,560</b>	<b>410,960</b>	<b>8,223,197</b>	<b>10.2%</b>	<b>11.2%</b>	<b>374,169</b>	<b>472,109</b>	<b>150,000</b>	<b>\$1.45</b>
<b>SANTA CLARA</b>												
R&D	19,739,735	1,776,522	118,021	250,442	95,302	2,240,287	11.3%	11.9%	124,986	335,736	-	\$1.98
IND	11,497,421	164,238	10,060	25,436	-	199,734	1.7%	2.7%	29,785	90,005	-	\$1.38
WSE	3,193,166	78,256	-	97,551	-	175,807	5.5%	7.5%	64,836	30,636	-	\$0.84
<b>TOTAL</b>	<b>34,430,322</b>	<b>2,019,016</b>	<b>128,081</b>	<b>373,429</b>	<b>95,302</b>	<b>2,615,828</b>	<b>7.6%</b>	<b>8.4%</b>	<b>219,607</b>	<b>456,377</b>	<b>-</b>	<b>\$1.91</b>
<b>SUNNYVALE</b>												
R&D	22,940,873	768,671	58,169	303,369	193,682	1,323,891	5.8%	7.2%	241,465	377,734	-	\$2.33
IND	6,059,982	135,427	-	16,806	-	152,233	2.5%	3.1%	5,171	(11,364)	-	\$0.93
WSE	1,763,134	56,773	-	-	-	56,773	3.2%	10.5%	77,880	99,480	-	\$2.30
<b>TOTAL</b>	<b>30,763,989</b>	<b>960,871</b>	<b>58,169</b>	<b>320,175</b>	<b>193,682</b>	<b>1,532,897</b>	<b>5.0%</b>	<b>6.6%</b>	<b>324,516</b>	<b>465,850</b>	<b>-</b>	<b>\$2.25</b>
<b>SILICON VALLEY TOTALS</b>												
R&D	151,945,800	10,954,782	875,955	2,085,352	964,750	14,880,839	9.8%	10.8%	1,150,956	1,921,792	-	\$1.69
IND	60,841,303	1,318,834	86,532	528,122	-	1,933,488	3.2%	5.0%	852,523	775,042	354,540	\$0.86
WSE	38,132,805	1,114,888	120,000	685,910	4,806	1,925,604	5.0%	6.0%	65,599	743,277	925,696	\$0.70
<b>TOTAL</b>	<b>250,919,908</b>	<b>13,388,504</b>	<b>1,082,487</b>	<b>3,299,384</b>	<b>969,556</b>	<b>18,739,931</b>	<b>7.5%</b>	<b>8.7%</b>	<b>2,069,078</b>	<b>3,440,111</b>	<b>1,478,153</b>	<b>\$1.53</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>												
2Q-15	250,919,908	13,388,504	1,082,487	3,299,384	969,556	18,739,931	7.5%	8.7%	2,069,078	3,440,111	1,478,153	\$1.53
1Q-15	249,910,294	15,875,910	1,084,472	3,349,747	1,452,806	21,762,935	8.7%	8.8%	1,371,033	1,371,033	691,218	\$1.42
4Q-14	248,937,322	16,903,856	1,351,619	2,554,630	1,003,083	21,813,188	8.8%	9.9%	1,106,844	1,974,384	111,100	\$1.32
3Q-14	248,562,811	18,773,662	1,421,121	3,483,689	920,725	24,599,197	9.9%	10.3%	192,582	867,540	275,000	\$1.25
2Q-14	247,642,980	18,762,522	1,836,049	3,978,883	950,207	25,527,661	10.3%	10.7%	1,093,741	674,958	1,124,813	\$1.22

# 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 4,138,417 square feet in the year's second 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.

<b>Total Available end of 1Q15</b>	<b>30,457,873</b>
Plus: Vacant & Occupied Space that came available in 2Q15	2,790,763
Plus: New Shell added in 2Q15	432,375
<b>1Q15 Available + Newly Available in 2Q15</b>	<b>36,011,380</b>
Less: 2Q15 Gross Absorption	-7,233,211
Less: 2Q15 Adjustments/Taken off Market	128,344
<b>Total Available end of 2Q15</b>	<b>26,156,562</b>

**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.

<b>New Vacant Space that came available 2Q15</b>	<b>-801,033</b>
Previously Available Space that was vacated in 2Q15	-3,390,811

**2Q15 Total Vacant added (Occupancy Loss)** -4,191,844

1Q15 Gross Absorption (occupancy gain)	7,233,211
<b>2Q15 Net Absorption (change in Occupancy)</b>	<b>3,041,367</b>

**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 is not. 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.

<b>New Vacant Space that came available 2Q15</b>	<b>-801,033</b>
Occupied Space that came available 2Q15	-4,989,730
<b>1Q15 Total Available added</b>	<b>-2,790,763</b>

2Q15 Gross Absorption	7,233,211
<b>2Q15 Effective Net Absorption</b>	<b>4,442,448</b>

**502** offices in  
**67** countries on  
**6** continents

United States: **140**  
Canada: **31**  
Latin America: **24**  
Asia Pacific: **199**  
EMEA: **108**

**\$2.3**

billion in  
annual revenue

**1.7**

billion square feet  
under management

**16,300**

professionals  
and staff

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