

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 was reduced by 2.9 million 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.

Total Available end of 1Q04	66,139,306
Plus: Vacant & occupied space that came available Q204	<u>6,034,476</u>
Q1 Available + Newly Available in Q2 =	72,173,782
Less: 2Q04 Gross Absorption	-7,273,177
Less: 2Q04 Taken off the Market	-1,676,339
Total Available end of 2Q04	63,224,266

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.

Vacant space that came available Q204	-2,935,999
Previously available space that was vacated in Q204	<u>-4,284,007</u>
2Q04 Total Vacant Added (occupancy loss)	-7,220,006

2Q04 Gross Absorption (occupancy gain)	<u>7,273,177</u>
2Q04 Net Absorption (change in occupancy)	53,171

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.

Vacant space that came available Q204	-2,935,999
Occupied space that came available Q204	<u>-3,098,477</u>
2Q04 Total Available Added	-6,034,476

2Q04 Gross Absorption	<u>7,273,177</u>
Effective Net Absorption	1,238,701

*For more analysis, refer to our market statistics report which can be found at : <http://www.colliersparrish.com/newsletters/sjc.all.stats.Q2-04.pdf>



Colliers International
450 West Santa Clara Street
San Jose, California USA 95113
Tel 408-282-3800 Fax 408-292-8100
www.colliersparrish.com