



SILICON VALLEY

RESEARCH & FORECAST REPORT



Caution: Optimism Ahead

OVERVIEW

The Valley racked up another quarter of encouraging gross absorption results across all product types. Although there is an increase in optimism about the region's commercial real estate market, the crawl out from 2009 still carries some excess baggage. Job growth in the region remains in the doldrums as reflected in the latest figures reported by the U.S. Department of Labor in June, that show an 11.4 percent unemployment rate, down from the this year's peak of 12.4 percent reported in January. Until this area shows improvement, the region will have to settle for a slow and painful climb out of economic recession.

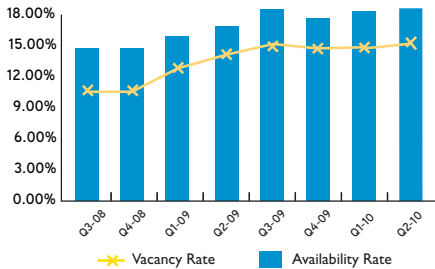
Growing confidence from corporate users has helped to increase the amount of leasing and user sale activity (gross absorption), which rose from 6.5 million square feet in the first half of 2009 to 9.9 million square feet in the first half of 2010. This is good news considering the beating the market took last year. Net absorption, which is somewhat improved but still negative, now totals negative 3.36 million square feet for the year, compared to an occupancy loss of 8.35 million square feet in the first half of 2009. Office was the only product type that produced positive net absorption for the quarter at almost half a million square feet of occupancy growth.

Rents are generally continuing to trend down. However, we are seeing some increases in Palo Alto, Cupertino and Sunnyvale. On the hopeful side, increased gross absorption signals that more new tenants are entering the market along with the usual lateral movement by existing tenants. A somewhat positive sign came out of PricewaterhouseCoopers' most recent venture capital numbers that showed venture capital investment in Silicon Valley jumping to \$2.92 billion in Q2, up from \$1.57 billion in the first quarter. Investments nationwide increased 34 percent from the prior quarter to \$6.5 billion. Clean technology investing doubled from last quarter. This is welcome news for the Silicon Valley.

MARKET INDICATORS

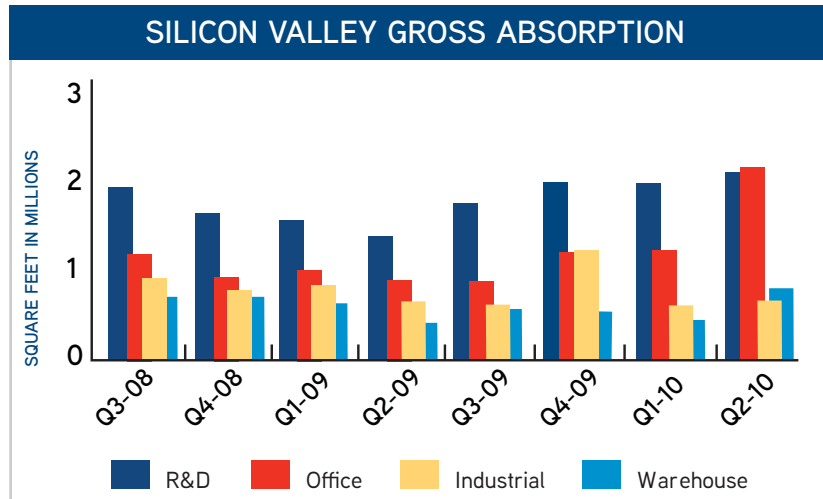
	Q1 2010	Q2 2010	
Availability Rate	18.25%	18.32%	▲
Gross Absorption	4,420,270 SF	5,488,064 SF	▲
Net Absorption	(2,036,914) SF	(1,321,902) SF	▲

SILICON VALLEY AVAILABILITY



Growing confidence from corporate users has helped to increase the amount of leasing and user sale activity (gross absorption), which rose from 6.5 million square feet in the first half of 2009 to 9.9 million square feet in the first half of 2010.

SILICON VALLEY GROSS ABSORPTION



R&D activity in Silicon Valley measured 2.03 million square feet during Q2. That was the most quarterly R&D gross absorption since Q2 2008 and the first time R&D activity has eclipsed 2.0 million square feet since that same quarter.

R&D

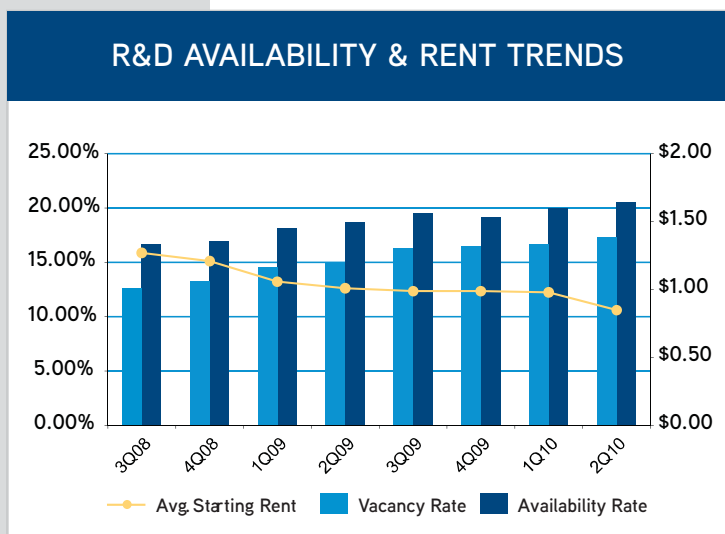
In spite of increased demand, the amount of available space in Silicon Valley’s R&D sector continued to rise as available supply grew to 32.5 million square feet (20.6 percent availability rate) at the end of the second quarter. Inventory in the R&D sector has been growing at a steady pace since the end of 2007 when 25.4 million square feet (16.3 percent availability rate) was available for lease or sale.

R&D activity in Silicon Valley measured 2.03 million square feet during Q2. That was the most quarterly R&D gross absorption since Q2 2008 and the first time R&D activity has eclipsed 2.0 million square feet since that same quarter. R&D activity hit rock bottom a year ago in Q2 2009 (1.25 million square feet

of gross absorption) and has subsequently flattened out at a little more than 1.8 million square feet per quarter.

On the flipside, the amount of R&D rollover space (preimproved space added back to the market) increased from Q1 by 25 percent to 3.67 million square feet. Much of that increase was attributed to 896,889 square feet put on the market by Roche Pharmaceuticals in Stanford Research Park. The rollover space in Q2 was the second largest total recorded in the past 25 quarters, the largest being the 4.0 million square feet added in Q3 2009. The result was a loss in occupancy of 1.64 million square feet in Q2, 71 percent greater than the loss realized in Q1 and the R&D sector’s seventh consecutive quarter of negative net absorption. The first half of 2010 realized an R&D net occupancy loss of 2.59 million square feet, compared to a 3.17-million-square-foot loss in the first half of 2009.

Of the five major R&D markets, San Jose and Mountain View generated more gross absorption in Q2 than in Q1. San Jose’s R&D activity increased quarter-over-quarter by 83 percent to 684,707 square feet, the most quarterly activity since Q1 2008. Mountain View R&D activity spiked to 310,255 square feet in Q2, 209 percent greater than the previous quarter and the largest quarterly gross absorption total since Q4 2005. Deals adding to the uptick in activity included Intermolecular, Inc. occupying 146,882 square feet on North 1st Street in San Jose, Symantec Corporation completing a 100,842-square-foot lease on Ellis Street in



LEASING ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2010

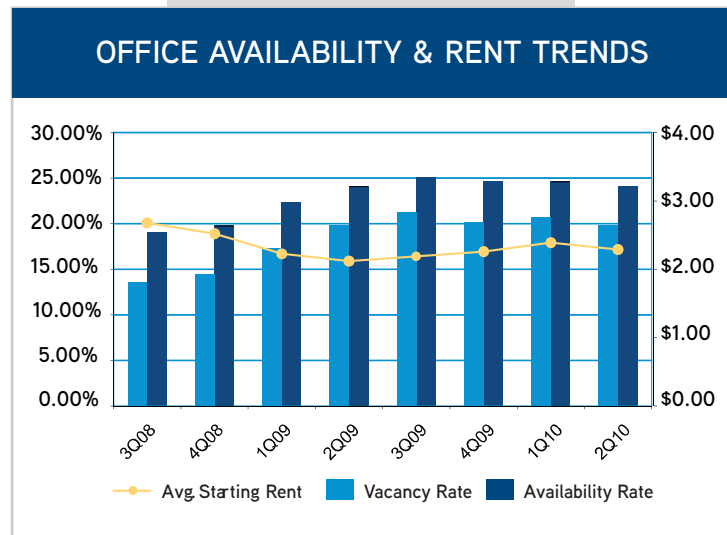
PROPERTY ADDRESS	SQUARE FEET	TENANT	TYPE
5900 Optical Court, San Jose	165,000	Stryker Corporation	R&D Lease Renewal
1185 Campbell Avenue, San Jose	130,381	Zazzle, Inc.	Industrial Lease
90/100 Albright Way & 14600 Winchester Blvd, Los Gatos	79,787	Calera Corporation	Office/R&D Lease/Expansion
1143 Borregas Avenue & 1160 Bordeaux Drive, Sunnyvale	73,728	Juniper Networks Inc.	R&D Lease
587 Charcot Avenue, San Jose	68,502	Southwest Offset Printing	Warehouse Lease

Mountain View and an owner-user purchase of 76,319 square feet on Fortran Drive in San Jose.

In terms of net absorption, Mountain View came out ahead with 122,991 square feet of positive net absorption for the quarter after nine consecutive quarters of R&D occupancy loss. San Jose, however, took it on the chin with an R&D occupancy loss of 599,770 square feet, its thirteenth consecutive quarter of negative net absorption.

Santa Clara and Fremont's R&D activity both fell significantly in Q2 compared to Q1 and both realized losses in occupancy. Santa Clara's R&D activity measured 124,654 square feet, 53 percent lower than the quarter before, and net absorption was negative to the tune of 40,276 square feet. Fremont generated 335,547 square feet of R&D gross absorption, a 46 percent decrease from the prior quarter, and recorded a loss in occupancy of 182,093 square feet. Sunnyvale's R&D market generated less gross absorption in Q2 (207,597 square feet), but realized a slight occupancy gain measuring 11,011 square feet.

Starting rents for R&D deals completed in Q2 averaged \$0.85 per square foot, NNN, down 13 percent from the prior quarter. In spite of some rent growth in favored locations, most of the Valley remains highly competitive as a result of increasing R&D supply overall.



Office activity in Silicon Valley continued to gain momentum through the second quarter of 2010. In Q2, 2.07 million square feet of office gross absorption was generated, 58 percent greater than the previous quarter. It is the third consecutive quarter of office activity above one million square feet, and the first time activity has risen above two million square feet since Q4 2006.

OFFICE

Office activity in Silicon Valley continued to gain momentum through the second quarter of 2010. In Q2, 2.07 million square feet of office gross absorption was generated, 58 percent greater than the previous quarter. It is the third consecutive quarter of office activity above one million square feet, and the first time activity has risen above two million square feet since Q4 2006.

Rollover space in the office sector was historically "average" in Q2. In the past ten years, office rollover space averaged 1.64 million square feet per quarter, and in Q2, rollover space fell just below that average at 1.59 million square feet.

The uptick in activity combined with average rollover was enough to fuel positive net absorption in Q2 for the office sector. The net gain in office occupancy measured 483,557 square feet and was the second quarterly occupancy gain realized in the past twelve quarters, with the other gain recorded just two quarters earlier.

After a 2009 run-up in new office construction that contributed to the Valley's office availability rate rising to 24.7 percent at the end of Q1, Silicon Valley's new supply pipeline has finally settled down. At mid-year, 14.86 million square feet of office space stood available, down 0.4 percent from the 14.98 million square feet (24.7 percent availability) available at the end of the first quarter.

LEASING ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2010

PROPERTY ADDRESS	SQUARE FEET	TENANT	TYPE
1195 West Fremont Avenue, Sunnyvale	65,000	Innopath Software, Inc.	Office Sublease
8100 Camino Arroyo, Gilroy	49,080	North Coast Medical	Industrial Lease
840 West California Street, Sunnyvale	27,550	Kana Software Inc.	Office Lease
1751 McCarthy Boulevard, Milpitas	20,000	Memsic	R&D Lease
3945 Freedom Circle, Santa Clara	14,578	Inphi Corporation	Office Lease

INDUSTRIAL

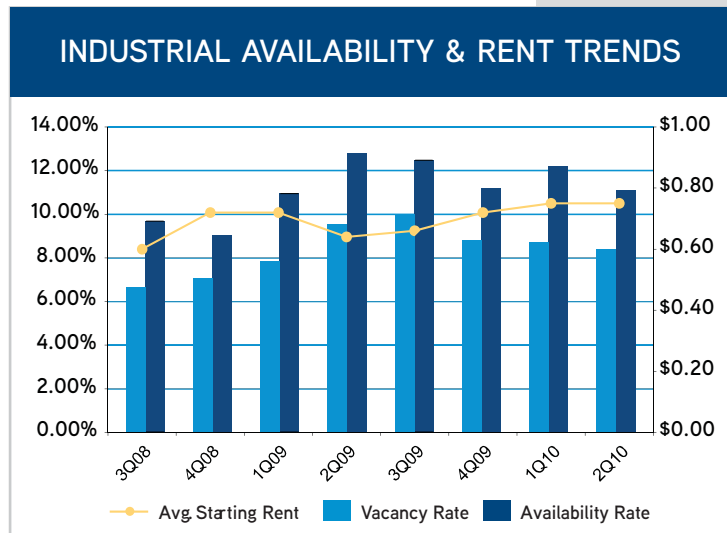
The office markets in San Jose and Cupertino were the main reason why the Valley realized net occupancy gains in Q2. San Jose and Cupertino both posted significant positive net absorption totals in Q2, 506,644 and 246,646 square feet, respectively. Along with the gains in occupancy, both markets generated more office activity in Q2 than in Q1. Cupertino’s office gross absorption increased quarterly by 110 percent to 275,013 square feet, most of that activity resulting from Apple’s 230,789-square-foot lease on Stevens Creek Boulevard. San Jose recorded 869,342 square feet of office gross absorption, a 253 percent increase from the previous quarter and the most office activity since Q4 2006. Much of San Jose’s surge was the result of Brocade Communications’ occupation of two newly built buildings (343,349 square feet) of its three-building campus on Holger Way.

Available supply of industrial space decreased in Silicon Valley by 6 percent from the first quarter to 6.36 million square feet at midyear. Historically, the industrial sector’s availability rate has tended to peak around 12-13 percent before it flattens out and starts to fall. Since Q1 2009, the industrial availability rate has floated between 11 percent and 13 percent and remains in that range today at its current availability rate of 11.3 percent.

Industrial net absorption “broke even” in Q2 after a first quarter occupancy loss of 408,140 square feet. Significantly, the amount of preimproved industrial space that came onto the market in Q2 totaled only 675,852, 37 percent lower than what was added in Q1 and the lowest amount since Q4 2006.

The Valley generated 673,936 square feet of industrial gross absorption in Q2, which brings the year-to-date total to 1.34 million square feet. The first half results are historically low and behind the 3.5-million-square-foot-pace that we forecasted for 2010. In the past, as more space came available in the industrial sector, it tended to

Sunnyvale and Palo Alto also witnessed a quarterly uptick in office activity with Q2 gross absorption totals of 121,501 and 157,838 square feet, respectively. However, it was not enough to avoid small occupancy losses in both Sunnyvale (3,745 square feet) and Palo Alto (82,467 square feet). After starting the year with impressive Q1 results, Santa Clara’s office activity decreased to 287,281 square feet and that city also sustained a small occupancy loss totaling 30,169 square feet. After recording a modest, 6 percent increase in average starting rents in Q1, office deals completed in Q2 averaged \$2.29 per square foot, full service, a 4 percent decrease from the previous quarter. The small quarter-over-quarter changes are indicative that office rents are flat and are likely to remain that way over the balance of the year.



SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2010

PROPERTY ADDRESS	SQUARE FEET	TENANT	TYPE
801 & 821 Fox Lane and 1781-1797 Fox Drive, San Jose	166,834	SuperMicro Computer Inc.	R&D Sale
4425 Fortran Drive, San Jose	76,319	Richardson Family Trust	R&D Sale
2345 Paragon Drive, San Jose	36,704	Peacock - Paragon, LLC	Industrial Sale
16245 Vineyard Boulevard, Morgan Hill	23,549	Lin Engineering	R&D Sale
936 East Duane Avenue	12,000	936 East Duane Avenue, LLC	Industrial Sale

Warehouse gross absorption measured 710,804 square feet in Q2, 53 percent greater than the activity generated in the first quarter of 2010 and the second-largest quarterly activity total since Q1 2007. Unfortunately, the amount of preimproved space added back to the market did not slow down from the previous quarter. Warehouse rollover space measured 876,844 square feet in Q2, 6 percent greater than during Q1. The result was a warehouse occupancy loss of 166,040 square feet in Silicon Valley, the sector's ninth consecutive quarter of negative net absorption.

result in some increased activity fueled by greater selection and lower rents. That is not taking place so much in 2010, as witnessed by slow demand in spite of an inventory of available industrial space measuring 6.38 million square feet.

Industrial net absorption "broke even" in Q2 after a first quarter occupancy loss of 408,140 square feet. Significantly, the amount of preimproved industrial space that came onto the market in Q2 totaled only 675,852 square feet, 37 percent lower than what was added in Q1 and the lowest amount since Q4 2006.

Of the five major industrial markets in Silicon Valley, Sunnyvale and Mountain View both generated more gross absorption in Q2 than in Q1. Sunnyvale posted 87,298 square feet of industrial activity, resulting in a net gain in occupancy of 42,699 square feet and breaking the city's streak of six straight quarters of negative net absorption. Mountain View generated 67,959 square feet of industrial gross absorption in Q2 and also realized a gain in occupancy of 36,423 square feet.

The three largest industrial markets (San Jose, Santa Clara, and Fremont) did not fare so well. In Q2, Santa Clara's industrial gross absorption

totaling -29,912 square feet and Fremont's loss equaling -45,499 square feet. San Jose's Q2 industrial activity (229,278 square feet) was also two-thirds of what was generated the quarter before; however, industrial occupancy was unchanged in San Jose for the quarter. Amongst the industrial activity recorded in San Jose was Peacock-Paragon, LLC's purchase of 36,704 square feet on Paragon Drive.

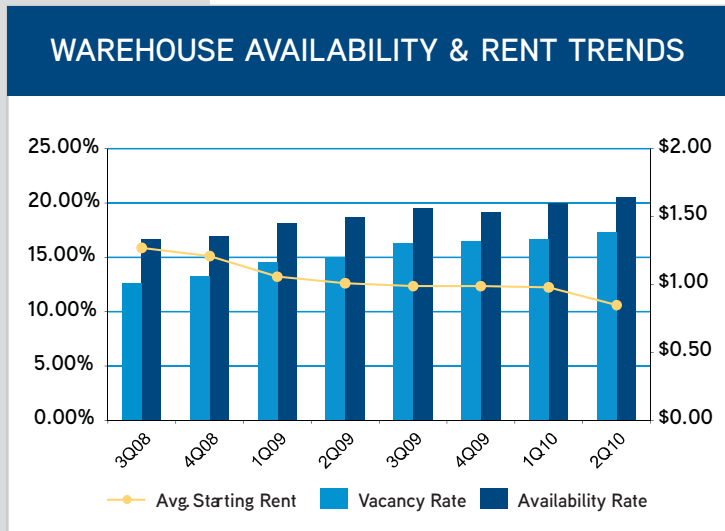
Silicon Valley industrial starting rents for deals completed in Q2 averaged \$0.55 per square foot, NNN, 3.5 percent lower than the \$0.57 average from Q1. Industrial gross absorption remains historically low, offering a limited overall view of average starting rents. However, with asking rents falling across the board, landlords are feeling pressure to get their vacant space occupied in all product categories.

WAREHOUSE

After dropping below 10 percent availability at the end of 2009 and staying there through Q1 2010, Silicon Valley's warehouse availability grew to 10.2 percent, or 3.94 million square feet, in Q2 2010. This availability rate remains a far cry from the 20 percent availability rates recorded seven years ago. Still, available supply has been growing at a rate of 206,467 square feet per quarter, year-to-date.

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Of the five major warehouse markets in Silicon Valley, San Jose was the only one to realize a warehouse occupancy gain in Q2. San Jose's warehouse market realized positive net absorption totaling 91,046 square feet on the strength of 422,425 square feet of gross absorption. San Jose, which houses 44 percent of all available warehouse space, accounted for 59 percent of the new lease and sale activity in Q2. Those transactions include Southwest Offset



totalled 60,090 square feet and Fremont checked-in with 127,657 square feet of industrial gross absorption. Both cities' totals were down by one-third from the prior quarter. Each also posted an occupancy loss with Santa Clara's net absorption



OFFICE MARKET STATISTICS
SECOND QUARTER 2010

EXISTING PROPERTIES			VACANT AVAILABLE		OCCUPIED AVAILABLE		TOTAL AVAILABILITY			NET ABSORPTION		CONSTRUCTION		RENT
Type	Bldgs	Total Inventory Sq Ft	Direct Vacant	Sublease Vacant	Direct Occupied	Sublease Occupied	Sq Ft	Rate Q2-2010	Rate Q1-2010	Q2-2010	YTD	Completed Q2-2010	Under Constr	FS Wtd Avg Asking

SUB MARKETS

CAMPBELL / LOS GATOS

A	19	1,123,609	197,063	24,512	54,115	-	275,690	24.5%	24.9%	(4,507)	28,618	-	895	\$2.40
B	89	1,705,002	289,883	3,171	110,557	-	403,611	23.7%	23.1%	(29,598)	(16,188)	-	-	\$1.98
C	13	172,155	37,268	-	3,650	-	40,918	23.8%	23.0%	(1,242)	(5,164)	-	-	\$0.90
Total	121	3,000,766	524,214	27,683	168,322	-	720,219	24.0%	23.8%	(35,347)	7,266	-	895	\$2.14

CUPERTINO / SARATOGA

A	8	734,525	51,551	58,984	7,337	-	117,872	16.0%	17.1%	7,378	80,956	-	-	\$3.21
B	83	2,530,294	242,341	68,315	26,078	8,511	345,245	13.6%	25.8%	232,093	(73,105)	-	-	\$2.62
C	22	290,394	10,950	-	-	-	10,950	3.8%	2.5%	(3,790)	(3,790)	-	-	\$2.35
Total	112	3,555,213	304,842	127,299	33,415	8,511	474,067	13.3%	22.1%	235,681	4,061	-	-	\$2.74

FREMONT / MILPITAS

A	15	805,847	259,668	11,483	36,597	24,892	332,640	41.3%	37.4%	(13,754)	(59,912)	-	-	\$1.94
B	38	1,218,040	225,106	14,139	47,019	-	286,264	23.5%	22.2%	(9,947)	997	-	-	\$1.73
C	35	636,178	60,874	-	1,407	-	62,281	9.8%	11.9%	375	(3,492)	-	-	\$1.68
Total	88	2,660,065	545,648	25,622	85,023	24,892	681,185	25.6%	24.2%	(23,326)	(62,407)	-	-	\$1.84

GILROY / MORGAN HILL

A	16	311,036	43,334	-	32,344	-	75,678	24.3%	24.3%	-	(7,153)	-	-	\$2.13
B	7	120,088	52,280	-	-	-	52,280	43.5%	41.3%	-	-	-	-	\$1.97
C	29	285,730	54,289	-	3,300	-	57,589	20.2%	20.2%	61	7,898	-	-	\$1.35
Total	52	716,854	149,903	-	35,644	-	185,547	25.9%	25.5%	61	745	-	-	\$2.04

LOS ALTOS

A	9	231,534	103,414	2,979	-	-	106,393	46.0%	4.1%	(97,000)	(96,355)	-	-	\$3.88
B	18	380,906	62,243	3,740	13,790	-	79,773	20.9%	20.1%	103,180	110,347	-	-	\$2.97
C	39	498,356	25,149	-	-	-	25,149	5.0%	4.6%	(107,181)	(94,539)	-	-	\$2.68
Total	66	1,110,796	190,806	6,719	13,790	-	211,315	19.0%	9.8%	(101,001)	(80,547)	-	-	\$3.00

MOUNTAIN VIEW

A	22	2,196,395	85,964	-	28,360	22,149	136,473	6.2%	6.8%	15,337	71,965	-	-	\$3.17
B	45	1,085,736	216,754	8,210	11,101	3,913	239,978	22.1%	22.9%	10,176	(24,084)	-	-	\$2.67
C	45	482,537	39,990	5,478	10,273	-	55,741	11.6%	11.0%	-	(2,250)	-	-	\$2.13
Total	112	3,764,668	342,708	13,688	49,734	26,062	432,192	11.5%	11.9%	25,513	45,631	-	-	\$2.80

PALO ALTO

A	63	2,806,466	251,523	128,365	56,598	46,213	482,699	17.2%	16.8%	(32,822)	(98,236)	-	196,853	\$4.70
B	104	2,400,415	309,802	86,908	149,718	3,064	549,492	22.9%	23.1%	(34,103)	(82,993)	-	-	\$3.85
C	83	929,756	71,066	9,132	21,432	1,911	103,541	11.1%	12.3%	(15,542)	(2,343)	-	-	\$3.41
Total	250	6,136,637	632,391	224,405	227,748	51,188	1,135,732	18.5%	18.6%	(82,467)	(183,572)	-	196,853	\$4.18

SAN JOSE

A	82	11,056,043	2,321,748	123,338	972,328	197,668	3,615,082	32.7%	32.6%	536,320	449,903	343,349	172,007	\$2.57
B	239	8,586,576	1,095,044	50,300	187,943	13,823	1,347,110	15.7%	15.3%	(32,578)	(95,802)	-	-	\$1.94
C	187	4,193,337	718,171	3,132	110,047	-	831,350	19.8%	21.2%	4,885	23,598	-	-	\$1.69
Total	508	23,835,956	4,134,963	176,770	1,270,318	211,491	5,793,542	24.3%	24.2%	508,627	377,699	343,349	172,007	\$2.31

SANTA CLARA

A	31	4,431,204	587,164	54,918	142,664	12,416	797,162	18.0%	18.4%	17,505	330,879	-	365,000	\$2.84
B	130	4,050,125	1,050,590	61,305	71,173	16,425	1,199,493	29.6%	30.3%	(24,530)	(143,729)	-	-	\$1.76
C	40	660,949	140,102	-	8,400	-	148,502	22.5%	20.0%	(21,250)	(29,765)	-	-	\$1.50
Total	201	9,142,278	1,777,856	116,223	222,237	28,841	2,145,157	23.5%	23.8%	(28,275)	157,385	-	365,000	\$2.28

SUNNYVALE

A	35	5,325,330	2,240,289	242,418	7,301	266,082	2,756,090	51.8%	51.6%	(2,189)	(38,736)	-	179,739	\$3.25
B	57	1,372,356	180,030	7,198	6,618	-	193,846	14.1%	15.5%	18,588	(20,484)	-	-	\$2.02
C	24	471,440	132,423	-	-	-	132,423	28.1%	28.1%	(20,144)	(19,844)	-	-	\$1.97
Total	116	7,169,126	2,552,742	249,616	13,919	266,082	3,082,359	43.0%	43.2%	(3,745)	(79,064)	-	179,739	\$3.14

SILICON VALLEY TOTALS

A	300	29,021,989	6,141,718	646,997	1,337,644	569,420	8,695,779	30.0%	29.5%	426,268	661,929	343,349	914,494	\$2.98
B	810	23,449,538	3,724,073	303,286	623,997	45,736	4,697,092	20.0%	21.3%	233,281	(345,041)	-	-	\$2.15
C	517	8,620,832	1,290,282	17,742	158,509	1,911	1,468,444	17.0%	17.6%	(163,828)	(129,691)	-	-	\$1.89
Total	1,627	61,092,359	11,156,073	968,025	2,120,150	617,067	14,861,315	24.3%	24.7%	495,721	187,197	343,349	914,494	\$2.65

QUARTERLY COMPARISON AND TOTALS

2Q-10	1627	61,092,359	11,156,073	968,025	2,120,150	617,067	14,861,315	24.3%	24.7%	495,721	187,197	343,349	914,494	\$2.65
1Q-10	1625	60,749,010	11,391,293	1,163,064	1,798,898	627,680	14,980,935	24.7%	24.6%	(308,524)	(308,524)	-	1,059,908	\$2.67
4Q-09	1625	60,749,010	11,190,686	1,058,841	1,774,345	919,023	14,942,895	24.6%	25.1%	379,539	(2,518,890)	-	1,076,398	\$2.66
3Q-09	1625	60,749,010	11,490,436	1,383,243	1,437,527	938,664	15,249,870	25.1%	24.1%	(708,234)	(3,254,328)	485,094	1,104,851	\$2.74
2Q-09	1622	60,263,916	10,606,359	1,353,905	1,538,833	1,046,812	14,545,909	24.1%	22.4%	(1,558,514)	(2,546,094)	420,710	1,736,143	\$2.83

R&D, INDUSTRIAL & WAREHOUSE MARKET STATISTICS
SECOND QUARTER 2010

EXISTING PROPERTIES			VACANT AVAILABLE		OCCUPIED AVAILABLE		TOTAL AVAILABILITY			NET ABSORPTION		CONSTRUCTION		RENT
Type	Bldgs	Total Inventory Sq Ft	Direct Vacant	Sublease Vacant	Direct Occupied	Sublease Occupied	Sq Ft	Rate Q2-2010	Rate Q1-2009	Q2-2010	YTD	Completed Q2-2010	Under Constr	NNN Wtd Avg Asking
SUB MARKETS														
CAMPBELL														
R&D	69	1,462,027	253,539	-	129,690	19,859	403,088	27.6%	24.8%	(19,468)	(40,446)	-	-	\$1.16
IND	40	465,815	42,277	-	13,917	-	56,194	12.1%	15.6%	16,296	6,439	-	15,318	\$1.12
TOTAL	109	1,927,842	295,816	-	143,607	19,859	459,282	23.8%	22.6%	(3,172)	(34,007)	-	15,318	\$1.16
CUPERTINO														
R&D	50	3,439,813	217,056	-	85,840	-	302,896	8.8%	9.2%	(136,942)	(136,942)	-	-	\$1.64
TOTAL	50	3,439,813	217,056	-	85,840	-	302,896	8.8%	9.2%	(136,942)	(136,942)	-	-	\$1.64
FREMONT														
R&D	345	18,649,034	4,181,783	89,261	432,317	255,743	4,959,104	26.6%	26.2%	(182,093)	(308,890)	-	118,535	\$0.77
IND	353	8,682,412	368,332	30,700	110,076	-	509,108	5.9%	5.7%	(45,499)	(47,197)	-	-	\$0.66
WSE	50	7,638,159	408,218	27,313	177,380	-	612,911	8.0%	6.4%	(126,888)	(69,140)	-	-	\$0.45
TOTAL	748	34,969,605	4,958,333	147,274	719,773	255,743	6,081,123	17.4%	16.8%	(354,480)	(425,227)	-	118,535	\$0.74
GILROY														
R&D	9	373,694	27,216	-	54,670	-	81,886	21.9%	35.3%	50,000	50,000	-	-	\$0.95
IND	72	1,342,937	186,021	-	180,458	-	366,479	27.3%	26.7%	(8,289)	(21,839)	-	-	\$0.73
WSE	18	3,224,101	169,341	-	-	-	169,341	5.3%	5.3%	-	-	-	-	\$0.38
TOTAL	99	4,940,732	382,578	-	235,128	-	617,706	12.5%	13.3%	41,711	28,161	-	-	\$0.47
LOS GATOS														
R&D	20	475,159	105,769	24,952	-	-	130,721	27.5%	29.7%	10,443	5,638	-	-	\$1.36
TOTAL	20	475,159	105,769	24,952	-	-	130,721	27.5%	29.7%	10,443	5,638	-	-	\$1.36
MILPITAS														
R&D	233	14,005,916	2,353,008	710,566	169,330	277,072	3,509,976	25.1%	25.6%	39,594	134,583	-	1,526	\$0.75
IND	117	2,872,595	417,960	-	261,134	-	679,094	23.6%	30.2%	(17,272)	(40,443)	-	-	\$0.58
WSE	37	4,761,248	637,506	71,229	344,567	31,000	1,084,302	22.8%	19.6%	(153,133)	(189,189)	-	-	\$0.43
TOTAL	387	21,639,759	3,408,474	781,795	775,031	308,072	5,273,372	24.4%	24.9%	(130,811)	(95,049)	-	1,526	\$0.66
MORGAN HILL														
R&D	62	2,688,925	346,103	-	117,652	-	463,755	17.2%	18.1%	22,478	26,789	-	-	\$0.76
IND	77	2,042,576	275,350	-	93,956	-	369,306	18.1%	18.3%	3,848	(11,652)	-	-	\$0.59
WSE	5	384,880	46,970	-	47,000	-	93,970	24.4%	36.1%	-	(45,033)	-	-	\$0.46
TOTAL	144	5,116,381	668,423	-	258,608	-	927,031	18.1%	19.5%	26,326	(29,896)	-	-	\$0.68
MOUNTAIN VIEW														
R&D	274	13,971,801	912,851	484,778	458,993	95,688	1,952,310	14.0%	15.5%	122,991	71,800	-	-	\$1.54
IND	148	2,698,054	163,906	-	58,723	-	222,629	8.3%	10.8%	36,423	(21,421)	-	-	\$1.00
TOTAL	422	16,669,855	1,076,757	484,778	517,716	95,688	2,174,939	13.0%	14.7%	159,414	50,379	-	-	\$1.51
PALO ALTO														
R&D	59	10,292,315	998,068	425,678	319,216	93,235	1,836,197	17.8%	6.7%	(915,471)	(925,471)	-	-	\$2.69
TOTAL	59	10,292,315	998,068	425,678	319,216	93,235	1,836,197	17.8%	6.7%	(915,471)	(925,471)	-	-	\$2.69
SAN JOSE														
R&D	645	47,449,305	9,665,749	1,006,007	1,255,419	200,529	12,127,704	25.6%	24.3%	(599,770)	(900,334)	-	-	\$0.97
IND	1,089	22,646,103	1,654,184	51,575	383,015	123,775	2,212,549	9.8%	10.7%	919	(145,604)	-	-	\$0.67
WSE	179	16,365,906	1,217,359	12,995	416,625	14,580	1,661,559	10.2%	10.0%	91,046	(243,809)	-	-	\$0.48
TOTAL	1,913	86,461,314	12,537,292	1,070,577	2,055,059	338,884	16,001,812	18.5%	18.0%	(507,805)	(1,289,747)	-	-	\$0.89
SANTA CLARA														
R&D	374	21,787,116	2,738,123	215,903	699,644	3,300	3,656,970	16.8%	18.7%	(40,276)	(422,607)	-	-	\$1.03
IND	615	11,000,628	878,003	90,642	122,813	1,415	1,092,873	9.9%	9.9%	(29,912)	(99,677)	-	-	\$0.77
WSE	30	3,229,532	87,809	14,875	57,060	-	159,744	4.9%	4.6%	(4,075)	28,123	-	-	\$0.43
TOTAL	1,019	36,017,276	3,703,935	321,420	879,517	4,715	4,909,587	13.6%	14.7%	(74,263)	(494,161)	-	-	\$0.98
SUNNYVALE														
R&D	507	23,632,946	2,463,804	160,781	484,860	-	3,109,445	13.2%	14.1%	11,011	(150,795)	-	-	\$1.25
IND	186	3,349,093	421,867	16,920	50,090	1,700	490,577	14.6%	18.6%	42,699	(28,533)	-	-	\$0.69
WSE	34	2,606,972	159,250	-	-	-	159,250	6.1%	6.1%	-	(47,700)	-	-	\$0.56
TOTAL	727	29,589,011	3,044,921	177,701	534,950	1,700	3,759,272	12.7%	13.9%	53,710	(227,028)	-	-	\$1.17
SILICON VALLEY TOTALS														
R&D	2,647	158,228,051	24,263,069	3,117,926	4,207,631	945,426	32,534,052	20.6%	20.0%	(1,637,503)	(2,596,675)	-	120,061	\$1.06
IND	2,828	56,386,252	4,603,882	189,837	1,441,573	126,890	6,362,182	8.0%	8.0%	(1,916)	(410,056)	-	15,318	\$0.70
WSE	361	38,696,973	2,726,453	126,412	1,042,632	45,580	3,941,077	10.2%	9.5%	(166,040)	(527,118)	-	-	\$0.46
TOTAL	5,836	253,311,276	31,593,404	3,434,175	6,691,836	1,117,896	42,837,311	16.9%	16.7%	(1,805,459)	(3,533,849)	-	135,379	\$0.96

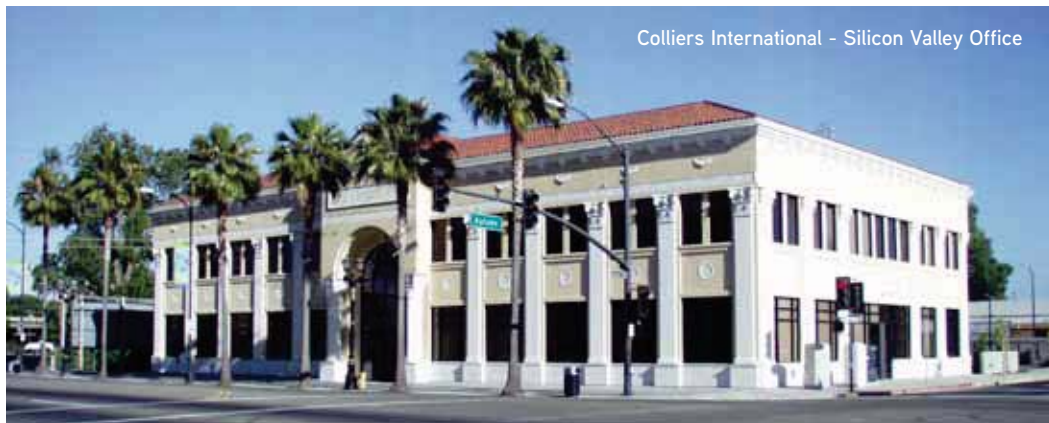
Printing Co. occupying 68,502 square feet on Charcot Avenue and Splash Events inking a deal for 30,000 square feet on South Seventh Street.

Fremont, Milpitas and Santa Clara all recorded modest warehouse activity in Q2, with gross absorption totals of 37,060, 50,562 and 10,800 square feet, respectively. All three markets also realized negative net absorption in Q2. Fremont and Milpitas recorded the largest warehouse occupancy losses of 126,888 square feet and 153,133 square feet, while Santa

Clara's negative net absorption measured just 4,075 square feet. Gilroy's warehouse activity jumped, thanks to a 127,514-square-foot user purchase by Murray Avenue Partners on Murray Avenue.

Starting rents for warehouse deals completed in Q2 jumped from \$0.37 per square foot, NNN, to \$0.44 per square foot. The small sampling of transactions may have played a roll in the increase and Colliers expects warehouse rents to remain flat over the duration of 2010, closer to the \$0.40 NNN mark.

Colliers International - Silicon Valley Office



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 increased by 219,930 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 1Q10	57,324,646
Plus: Vacant & Occupied Space that came available in 2Q10	6,044,715
Plus: New Shell added in 2Q10	343,349
1Q10 Available + Newly Available in 2Q10	63,712,710
Less: 2Q10 Gross Absorption	-5,488,064
Less: 2Q10 Taken off the Market	-680,070
Total Available end of 2Q10	57,544,576

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 2Q10	-4,341,027
Previously Available Space that was vacated in 2Q10	-2,468,939
2Q10 Total Vacant added (Occupancy Loss)	-6,809,966

2Q10 Gross Absorption (occupancy gain)	5,488,064
2Q10 Net Absorption (change in Occupancy)	-1,321,902

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 2Q10	-4,341,027
Occupied Space that came available 2Q10	-1,703,688
2Q10 Total Available added	-6,044,715

2Q10 Gross Absorption	5,488,064
2Q10 Effective Net Absorption	-556,651

480 offices in 61 countries on 6 continents

United States: 135
 Canada: 39
 Latin America: 17
 Asia Pacific: 194
 EMEA: 95

- \$1.9 billion in annual revenue
- 2.4 billion square feet under management
- Over 15,000 professionals

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