



SILICON VALLEY RESEARCH & FORECAST REPORT



Fresh Ink

RENEWED ACTIVITY SPREADS THROUGH THE VALLEY

The Silicon Valley economy continues to lead the nation with growth in jobs, income, innovation and venture capital investments. During the second quarter of 2014, Silicon Valley remained the center of the universe for venture capital investments, claiming 41.6% of all venture capital dollars invested during the period. Overall, VC funding is at the highest level in fourteen years. The Silicon Valley has added more than 8,200 jobs since the beginning of 2014, dropping the unemployment rate to 5.3%.

After what felt like a sluggish start to the year, new leasing and user-sale activity during the second quarter of 2014 increased 42.5% over the previous quarter to 6.95 million square feet of total gross absorption. This is the highest level of activity since the third quarter of 2011. While gross absorption dipped in the industrial sector during the quarter, activity picked up in the office, R&D and warehouse markets. Each of these three product types measured an increase in activity of at least 40% over the previous quarter. The Silicon Valley's office and R&D sectors accounted for 76.9% of all new activity and combined, they posted a 46% increase over activity levels measured during the first quarter of the year.

In total, 5.4 million square feet of space was vacated in the Silicon Valley during the second quarter. This is now the second straight quarter that more than 5.0 million square feet of space has found its way back to the market during a single quarter. Despite the slight uptick in rollover space, the Silicon Valley measured an increase in occupancy during the period. Generating 1.46 million square feet of net absorption, this anticipated turnaround reversed the minor occupancy loss measured during the first quarter of the year.

Commercial construction is on fire throughout the Silicon Valley. Colliers is now tracking more than six million square feet of projects currently under construction, with even more scheduled to begin before the end of the year. Irvine Company broke ground in Q2 on the first phase of their Santa Clara Square office project totaling 607,186 square feet. The developer also landed the largest office deal year-to-date when Ericsson preleased 412,492 square feet in two of the three buildings they have under construction. Commuters on the 237 corridor can now see steel going up at Jay Paul's Moffett Place, which will add 945,816 square feet of office inventory to Sunnyvale's Moffett Park submarket towards the end of 2015.

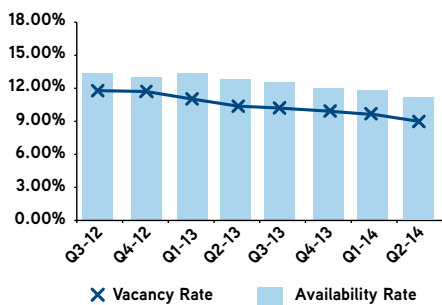
Unlike the first quarter, when no new deals were signed over 70,000 square feet across all product types, nineteen deals were signed above this threshold during the second quarter. This increase in large deal velocity is in line with Colliers' expectations and is likely to continue throughout the second half of the year. It further demonstrates that the Silicon Valley's relatively weak first quarter was just a bump in the road on the way to what could still be a record year for the office market.

The Silicon Valley remains the greatest beneficiary of the current tech boom. As reports continue to pour in of record-setting economic indicators, the murmurs of a dreaded bubble begin to surface. So is it a bubble? Many industry professionals insist that Silicon Valley is not in bubble territory; that the revolution of mobile and cloud computing coupled with profitable companies going public, is just enough of a boom to have us positioned just right.

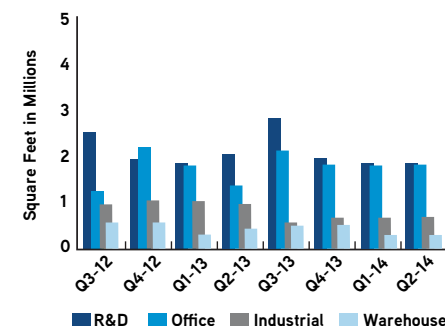
MARKET INDICATORS

| | Q1 2014 | Q2 2014 | |
|-------------------|--------------|--------------|---|
| Availability Rate | 11.51% | 10.98% | ↓ |
| Gross Absorption | 4,876,730 SF | 6,953,335 SF | ↑ |
| Net Absorption | (124,133) SF | 1,458,404 SF | ↑ |

SILICON VALLEY AVAILABILITY



SILICON VALLEY GROSS ABSORPTION



OFFICE

The Silicon Valley’s office sector continued to gain ground in the second quarter of the year. Activity was strong during the quarter, measuring 2.5 million square feet of gross absorption, a 41% increase from the amount of activity measured during the first quarter of the year. Year to date, the office sector has measured 4.2 million square feet of new activity; this amount of gross absorption exceeds Colliers’ expectations and is 25.2% higher than totals recorded during the first half of 2013.

Pre-improved, rollover space coming to the market did not show the amount of restraint that the market has become accustomed to over the past few years. During the second quarter 2.1 million square feet of office space was vacated and returned to the market. This is the first time since the first quarter of 2011 that rollover space has surpassed the 2.0 million-square-foot mark in a single quarter. Still, when coupled with the significant increase in activity, the office market managed to register a robust occupancy gain totaling 364,663 square feet. The second quarter’s net absorption gain surpassed that of the first quarter and continues the office market’s eight-quarter streak of positive net absorption.

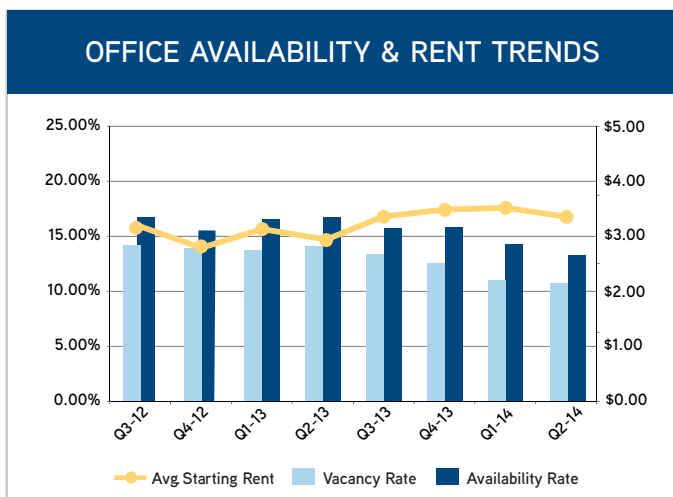
The office sector’s availability rate fell 97 basis points to 13.3% during the second quarter. This is the first time since the third quarter of 2007 that the overall availability rate has dipped below 14.0% in the Silicon Valley office market. In line with the continued tightening of the market,

average asking rates continue to climb in the Silicon Valley and are now averaging \$3.22 per square foot, full service. This registers 7.7% and 15.0% higher than averages recorded during the second quarters of 2013 and 2012 respectively.

After leading Silicon Valley’s office sector during the first quarter, Santa Clara hit it out of the park again during the second quarter of the year. The

anticipated, Apple moved into their new 188,000-square-foot building on Stevens Creek; a deal they inked with Peery & Arrillaga in late 2012. Also contributing to this quarter’s occupancy gain, Hortonworks leased 66,137 square feet, and Barnes and Noble’s Nook division leased 55,426 square feet—both on Great America Parkway. Both tenants are moving south and vacating space in the highly sought-after Palo Alto office market.

San Jose’s office sector struggled to find balance during the second quarter of the year. While posting a significant amount of new activity, the office sector also recorded its second straight quarter of occupancy loss during the period. Measuring 239,609 square feet of negative net absorption, this is the largest quarterly occupancy loss for San Jose in thirteen quarters. It should be noted that net absorption would have been positive were it not for the 264,694 square feet vacated during the quarter by Micron Technology. Micron moved to Milpitas, where they generated positive net absorption of 141,449 square feet. Setting this large vacancy aside, it is significant to note that San Jose recorded a 34.6% increase in activity during the quarter, despite not one new deal larger than 45,000 square feet inked within the city’s office market. Also of note, seven of the ten largest office deals signed in San Jose during the quarter were in the once sleepy downtown sector. Loring Ward leased 42,610 square feet at 10 Almaden while the Mercury News finalized their lease for 33,186 square feet at 4 N. 2nd Street.



Year to date, the office sector has measured 4.2 million square feet of new activity; this amount of gross absorption exceeds Colliers’ expectations and is 25.2% higher than totals recorded during the first half of 2013.

city posted the highest level of office activity amongst all Silicon Valley cities, measuring 706,556 square feet of gross absorption. This is a 36.3% increase in activity quarter over quarter. This level of demand translated to 326,880 square feet of office net absorption for Santa Clara, the second quarter in a row above 300,000 square feet. As

OFFICE LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2014

| PROPERTY ADDRESS | SQUARE FEET | LANDLORD/SELLER | TENANT/BUYER | TYPE |
|--|-------------|----------------------------------|--------------------------|-------------------|
| 680 & 840 W. California Ave, Sunnyvale | 127,262 | Principal Real Estate Investors | Wal-Mart Stores, Inc. | Lease |
| 2953 Bunker Hill Lane, Santa Clara | 57,914 | Sleepy Hollow Management Company | Inphi Corporation | Renewal/Expansion |
| 160 W Santa Clara Street, San Jose | 52,259 | DiNapoli Companies | ThreatMetrix | Renewal/Expansion |
| 3250 Olcott Street, Santa Clara | 48,275 | American National Insurance Co | Tabula, Inc | Renewal |
| 20400 Stevens Creek Boulevard, Cupertino | 39,568 | Prometheus Real Estate Group | Seagate Technology LLC | Lease |
| 3965 Freedom Circle, Santa Clara | 26,201 | Shorenstein Properties, LLC | Big Switch Networks, Inc | Lease |

The Sunnyvale office market continued to show life during the second quarter even as available space becomes harder and harder to find in this sought-after submarket. Measuring nearly three times the amount of activity as it did during the first quarter, Sunnyvale recorded 524,839 square feet of office gross absorption during Q2. The office availability rate fell 83 basis points to 7.6%, the lowest for Sunnyvale since 2000. Google leased the former headquarters of Palm Computing in Sunnyvale, a two-building campus measuring 287,644 square feet.

Weighted average starting rents for office deals throughout the Silicon Valley were \$3.35 per square foot full service during the second quarter. This represents a 3.7% decrease over the previous quarter's starting rate and a 13% increase from one year earlier. With fewer options in the northern submarkets, companies with space needs are looking for value and turning to the less expensive, southern submarkets.

R&D

Leasing and user-sale activity was strong during the second quarter in the Silicon Valley's R&D sector. Gross absorption increased 50.7% from the first quarter of 2014, and 39.6% from the fourth quarter of 2013. The 2.85 million square feet of gross absorption is the highest in four quarters and is a welcomed sight from the sluggish results measured during the first quarter of the year.

Further telling that story is the slowing of existing R&D space being vacated. The 2.3 million square feet of space vacated during the second quarter reverses a two-quarter trend that had been inching upwards. The combination of increased tenant movement and less space being vacated allowed the R&D sector to post 522,369 square feet of occupancy gain. This gain solidifies Colliers' expectations that

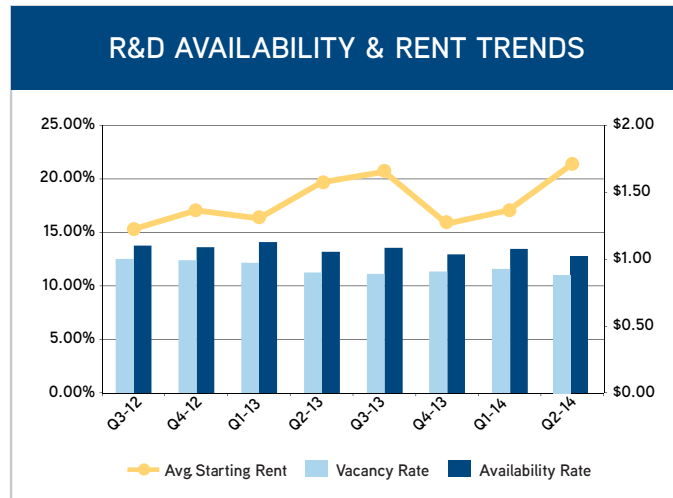
city, a 57% increase from levels recorded during the first quarter. This increase in activity translated to an occupancy gain of 364,059 square feet in San Jose, putting to bed a three-quarter streak of negative net absorption. The northern submarkets in San Jose continue to see the majority of the action, with almost 70% of the new activity occurring in the North San Jose and International Business Park areas.

Vanderbend Manufacturing leased 207,006 square feet on Orchard Parkway in North San Jose, and Spansion leased 124,592 square feet in the International Business Park submarket on Ridder Park Drive.

Sunnyvale also recorded a significant increase in R&D activity during the second quarter of 2014. The 475,434 square feet of new deals completed is nearly twice the 242,201 square feet that was recorded during the first quarter. The availability rate for the city's R&D sector fell 152 basis points to 8.5%, the lowest it has been since the fourth quarter of 2000. Apple leased the four remaining buildings available at Sunnyvale Crossing, totaling 172,558 square feet during the second quarter. Apple now occupies the entire seven-building campus after signing leases for the

balance of the campus during the first quarter of 2014.

Although not a contributor to absorption, a transaction of noteworthy size was Google's purchase of the roughly, 400,000-square-foot campus at 700 Middlefield Road in Mountain



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positive net absorption would return after the R&D occupancy losses recorded in the prior two quarters.

San Jose led Silicon Valley's R&D sector in new activity. During the second quarter, 922,060 square feet of new deals transacted within the

R&D LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2014

| PROPERTY ADDRESS | SQUARE FEET | LANDLORD/SELLER | TENANT/BUYER | TYPE |
|--|-------------|-----------------------------------|---------------------------|-----------------|
| 2858-2860 De La Cruz Blvd, Santa Clara | 73,968 | Bixby Airport Technology Park LLC | Rovi Corporation | Lease |
| 3003 Bunker Hill Lane, Santa Clara | 73,145 | TMG Partners | Jasper Technologies | Lease |
| 401 Kato Terrace, Fremont | 72,536 | IndCor Properties | All Quality & Services | Renewal |
| 3901 N. 1st Street, San Jose | 61,337 | Northhall Group Holdings, LLC | 3901 First, LLC | Investment Sale |
| 1561 Buckeye Court, Milpitas | 44,339 | Asanta Solutions | Tucker Family Trust | Lease |
| 5883 Rue Ferrari, San Jose | 34,107 | PSAI Realty Partners | Jan Marini Skin Resesarch | Lease |

View during the second quarter. The campus was purchased from Deutsche Asset & Wealth Management who had been planning to tear down the older project currently occupied by Synopsys, and build up to one million square feet of new office space. There is speculation as to what the internet search giant plans for the site, but this transaction is evidence of Google’s insatiable appetite for Mountain View real estate.

The Milpitas R&D sector continues to make strides with each passing quarter. Milpitas nabbed 161,737 square feet of gross absorption during the second quarter of 2014. When compared to other submarkets within the Valley, this may not seem noteworthy. However, this submarket has now recorded consistent levels of demand, and positive net absorption gains for six straight quarters. Average asking rates for R&D space within the submarket also continue to climb. Measuring a 34% increase from averages recorded one year earlier, the weighted-average asking rate for R&D space in Milpitas is now \$1.17 per square foot, NNN.

Overall, weighted average starting rents for R&D deals signed during the second quarter averaged \$1.72 per square foot, NNN. This represents a 24.6% increase over the previous quarter’s average starting rents. As the R&D market continues to tighten in the Silicon Valley, higher-profile tenants paying greater rent are starting to matriculate as far from the Sunnyvale-to-Palo Alto epicenter as Milpitas and Fremont.

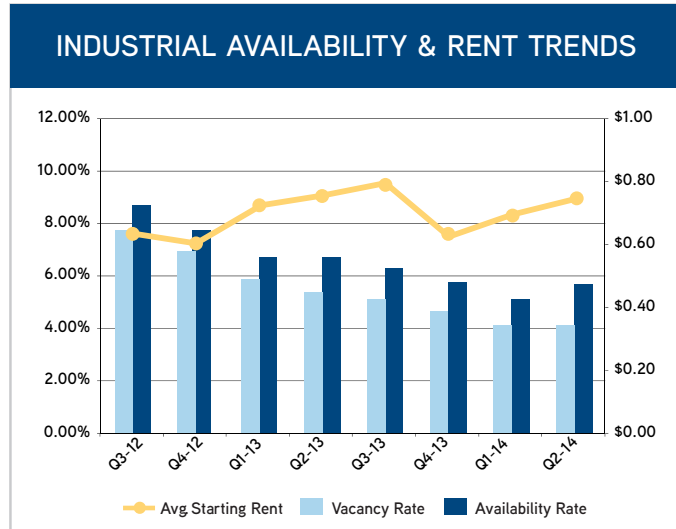
INDUSTRIAL

During the second quarter, Silicon Valley’s industrial sector took a bit of a back seat to the office, R&D and warehouse sectors. New activity slowed ever-so slightly from the previous quarter to measure 658,698 square feet of gross absorption. With historically-low levels of available space on the market, industrial activity continues to lag well below the 900,000 square-

during the quarter. The 661,931 square feet of space vacated during Q2 was just enough to tip the scales into the red in the industrial sector. The Silicon Valley measured a modest 3,233 square feet of industrial negative net absorption during the period. This is now the second straight quarter that the industrial sector has recorded negative net absorption, albeit nominally. The total available space rate remains below 6.0%, currently residing at 5.6%, which represents 3.36 million square feet of available industrial space throughout the entirety of Santa Clara County plus Fremont.

San Jose led the way for the industrial sector during the second quarter. Accounting for more than 60% of all new activity, San Jose produced 397,612 square feet of gross absorption during the second quarter. This represents a 27% increase from the amount of activity recorded during the first quarter and an 11.1% increase from the same period one-year earlier. Four out of the five largest new industrial deals signed during the second quarter were in San Jose. The county of Santa Clara leased 73,876 square feet on Senter Road and Mos Plastics purchased a 54,375-square-foot building on Zanker Road.

Activity in Santa Clara’s industrial sector dipped 15.3% during the second quarter. Measuring only 91,428 square feet of new activity, the Santa Clara industrial market still managed to record an occupancy gain during



The total available space rate remains below 6.0%, currently residing at 5.6%, which represents 3.36 million square feet of available industrial space throughout the entirety of Santa Clara County plus Fremont.

feet-per-quarter average measured in the ten-year period prior to 2014. Outside of San Jose, no new deals above 40,000 square feet were signed during the quarter.

Along with a decrease in gross absorption, the amount of industrial space vacated also shrunk

INDUSTRIAL LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2014

| PROPERTY ADDRESS | SQUARE FEET | LANDLORD/SELLER | TENANT/BUYER | TYPE |
|--|-------------|----------------------------|------------------------------|-----------------|
| 2308 Zanker Road, San Jose | 54,375 | New York Life | Mos Plastics | User Sale |
| 15750 Vineyard Boulevard, Morgan Hill | 50,400 | Nearon Enterprises | Fratelli Development LLC | Investment Sale |
| 190 Dillon Avenue, Campbell | 28,750 | Wolf Family Investments LP | Robson Homes LLC | Investment Sale |
| 1249 & 1253 Birchwood Drive, Sunnyvale | 25,517 | 1253 Noc Group | 1249 & 1253 Birchwood Dr LLC | Investment Sale |
| 2989 San Ysidro Way, Sunnyvale | 16,780 | Haladus Trust | Senju Comtek, Inc | User Sale |
| 290-294 Martin Avenue, Santa Clara | 15,300 | Geraldine Winter | German Auto Body | Lease |

the period. Demonstrating that available space within the city is still in high demand, Santa Clara’s industrial availability rate hovers just above 3.0%. Star Tech Auto Body signed the largest new lease in Santa Clara for industrial space during the second quarter. The auto body shop will occupy 14,078 square feet on De La Cruz Boulevard. Also during the second quarter, Pacific WeatherShield leased CMT’s former 11,410-square-foot space on Walsh Avenue.

Fremont recorded 55,178 square feet of industrial gross absorption during the second quarter. This is a 59.4% decrease from activity levels measured during the first quarter of 2014. As a result of the slow deal flow, Fremont recorded an occupancy loss of 34,880 square feet during the second quarter, causing an ever-so-slight increase in the overall availability rate, bumping it to 10.7%. OnCore Manufacturing Services signed the largest new industrial lease in Fremont during the quarter, committing to 36,087 square feet on Boyce Road.

Regardless of the lagging activity that occurred in the Silicon Valley’s industrial sector, weighted average starting rates for industrial space jumped 7.0% to \$0.74 per square foot, NNN during the period. This is just another sign that low activity levels should not be confused with lack of demand. Prices continue to inch upwards as quality industrial space within the Silicon Valley becomes harder and harder to find.

WAREHOUSE

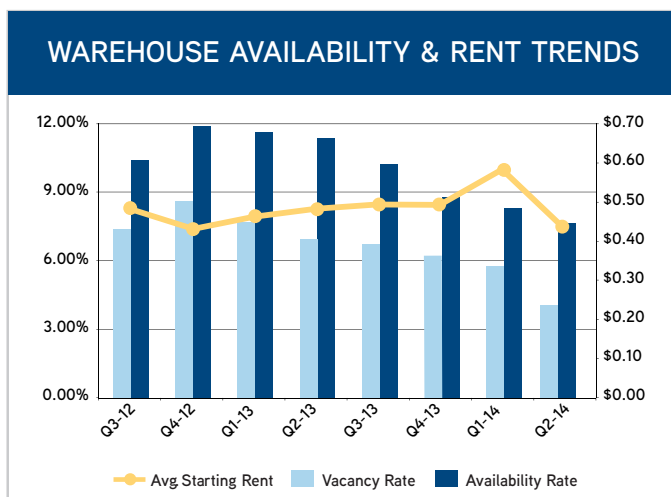
New activity increased 77% in the Silicon Valley’s warehouse sector during the second quarter. The 945,194 square feet of gross absorption brings the year-to-date total to 1.48 million square feet, which is right on par with Colliers’ forecast for the year. There were four new deals above the 100,000 square foot mark that were signed during

of the four product types reported by Colliers, at 574,605 square feet. This is more than twice the size of the occupancy gain measured during the first quarter, and is the highest quarterly gain in the warehouse sector since the fourth quarter of 2006 when Colliers measured 635,449 square feet of net absorption. The Silicon Valley warehouse market has produced an occupancy gain of more than 1.6 million square feet over the last six quarters.

Activity during the second quarter was distributed fairly evenly throughout the Silicon Valley. San Jose, Fremont and Milpitas all accounted for just about 30% of new activity, and each of the three submarkets recorded an occupancy gain of greater than 100,000 square feet. Milpitas registered the highest occupancy gain of the three, totaling 234,700 square feet. This is the largest warehouse occupancy gain for Milpitas that Colliers has recorded. As a result, total available space also dipped 32.4% to rest at only 319,925 square feet. This amount of available space translates to an availability rate of 7.0%. DGA Services signed the largest warehouse lease in both Milpitas and the entire Silicon Valley during

the second quarter. The moving company is taking 142,783 square feet on Montague Road.

San Jose recorded 294,252 square feet of warehouse activity during the second quarter, a 12.3% increase from the amount of gross absorption recorded during the previous quarter.



As a result of the continued strength in activity, punctuated by a few large deals, the warehouse sector recorded the largest net absorption gain of the four product types reported on by Colliers, at 574,605 square feet.

second quarter, surpassing the grand total of three such deals signed in the entire 2013 calendar year.

As a result of the continued strength in activity, punctuated by a few large deals, the warehouse sector recorded the largest net absorption gain

WAREHOUSE LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q2 2014

| PROPERTY ADDRESS | SQUARE FEET | LANDLORD/SELLER | TENANT/BUYER | TYPE |
|---|-------------|-------------------------|------------------------------------|-----------|
| 45101-45125 Industrial Drive, Fremont | 125,501 | PS Business Parks | Quanta Computer | Lease |
| 205 Alma Street, San Jose | 120,000 | Rock Tenn | Eagle Recycling | Sublease |
| 2121 Laurelwood Road, Santa Clara | 119,808 | SPI 2121 Laurelwood, LP | Amerco Real Estate Company | User Sale |
| 650-652 Brennan Street, San Jose | 103,140 | Porter Estate | Interline Brands | Renewal |
| 1101-1117 Montague Expressway, Milpitas | 82,105 | WP Investments | Consolidated Electric Distributors | Lease |
| 2086 Zanker Road, San Jose | 42,805 | Prologis | Business Resource Group | Lease |

As previously noted, San Jose's warehouse market registered an occupancy gain of 188,830 square feet. This is the sixth consecutive quarter that San Jose has recorded positive net absorption and the third straight quarter that the occupancy gain measured greater than 100,000 square feet. Leading the way during Q2, Eagle Recycling subleased Rock Tenn's former 120,000-square-foot facility on Alma Street.

Fremont posted a tremendous increase in warehouse activity during the second quarter. Measuring 230,904 square feet of gross absorption, this is more than a four-fold increase from the 46,260 square feet of activity recorded during the first quarter. As a result, Fremont was able to achieve a warehouse occupancy gain of 100,875 square feet, a welcome turnaround from the 10,860-square-foot loss measured during the first quarter. Fremont's warehouse availability rate fell 140 basis points to 6.6% overall. Quanta Computer leased 125,501 square feet on Industrial Drive during the second quarter, and Toyota Tsusho America leased 64,396 square feet on Boyce Road.

Despite the relatively strong quarter in the warehouse market, average warehouse starting rents decreased during the second quarter to \$0.43 per square foot NNN. This anomaly is most likely the result of large transactions skewing the weighted averages. Average starting rents have hovered around \$0.45 per square foot triple net since the beginning of 2012, and they certainly are not going down any time soon

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 2,431,913 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 1Q14 | 38,885,626 |
| Plus: Vacant & Occupied Space that came available in 2Q14 | 3,773,443 |
| Plus: New Shell added in 2Q14 | 246,000 |
| 1Q14 Available + Newly Available in 2Q14 | 42,105,069 |
| Less: 2Q14 Gross Absorption | -6,953,335 |
| Less: 2Q14 Adjustments/Taken off Market | 1,301,979 |
| Total Available end of 2Q14 | 36,453,713 |

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 2Q14 | -1,107,212 |
| Previously Available Space that was vacated in 2Q14 | -4,387,719 |
| 2Q14 Total Vacant added (Occupancy Loss) | -5,494,931 |

| | |
|--|------------------|
| 1Q14 Gross Absorption (occupancy gain) | 6,953,335 |
| 2Q14 Net Absorption (change in Occupancy) | 1,458,404 |

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 2Q14 | -1,107,212 |
| Occupied Space that came available 2Q14 | -2,666,231 |
| 2Q14 Total Available added | -3,773,443 |

| | |
|--------------------------------------|------------------|
| 2Q14 Gross Absorption | 6,953,335 |
| 2Q14 Effective Net Absorption | 3,179,892 |

485 offices in 63 countries on 6 continents

United States: 146
Canada: 44
Latin America: 25
Asia Pacific: 186
EMEA: 84

- \$2.1 billion in annual revenue
- 1.46 billion square feet under management
- Over 15,800 professionals

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MARKET COMPARISONS

OFFICE MARKET

| CLASS | TOTAL INVENTORY SQ FT | DIRECT VACANT | SUBLEASE VACANT | DIRECT OCCUPIED | SUBLEASE OCCUPIED | TOTAL AVAILABLE SQ FT | AVAILABILITY RATE Q2-2014 | AVAILABILITY RATE Q1-2014 | NET ABSORPTION Q2-2014 | YTD | COMPLETED Q2-2014 | UNDER CONSTR | FS WTD AVG ASKING |
|------------------------------|-----------------------|------------------|-----------------|------------------|-------------------|-----------------------|---------------------------|---------------------------|------------------------|------------------|-------------------|------------------|-------------------|
| CAMPBELL / LOS GATOS | | | | | | | | | | | | | |
| A | 1,250,852 | 86,349 | 12,073 | 25,677 | 46,464 | 170,563 | 13.6% | 12.4% | 31,445 | 20,611 | - | 242,500 | \$3.24 |
| B | 2,110,732 | 83,253 | 6,669 | 16,440 | 15,212 | 121,574 | 5.8% | 7.7% | 20,746 | (18,231) | - | - | \$2.69 |
| C | 223,662 | 18,359 | - | - | 3,000 | 21,359 | 9.5% | 5.1% | (10,024) | (13,352) | - | - | \$2.66 |
| Total | 3,585,246 | 187,961 | 18,742 | 42,117 | 64,676 | 313,496 | 8.7% | 9.2% | 42,167 | (10,972) | - | 242,500 | \$3.02 |
| CUPERTINO / SARATOGA | | | | | | | | | | | | | |
| A | 854,856 | 6,406 | - | 95,000 | 9,467 | 110,873 | 13.0% | 13.4% | 11,184 | 8,215 | - | 260,000 | \$4.72 |
| B | 2,774,399 | 32,946 | - | 23,506 | - | 56,452 | 2.0% | 2.3% | 7,516 | (2,416) | - | - | \$2.99 |
| C | 156,752 | 931 | - | - | - | 931 | 0.6% | 0.9% | 458 | 164 | - | - | \$3.25 |
| Total | 3,786,007 | 40,283 | - | 118,506 | 9,467 | 168,256 | 4.4% | 4.8% | 19,158 | 5,963 | - | 260,000 | \$4.58 |
| FREMONT / MILPITAS | | | | | | | | | | | | | |
| A | 886,512 | 140,568 | - | 26,976 | 2,656 | 170,200 | 19.2% | 21.8% | 25,684 | 43,796 | - | - | \$1.83 |
| B | 1,717,859 | 254,050 | 9,951 | 9,394 | 2,667 | 276,062 | 16.1% | 18.3% | 6,690 | 7,657 | - | - | \$1.81 |
| C | 579,153 | 28,603 | 4,048 | - | - | 32,651 | 5.6% | 5.4% | 2,368 | 2,375 | - | - | \$1.55 |
| Total | 3,183,524 | 423,221 | 13,999 | 36,370 | 5,323 | 478,913 | 15.0% | 16.3% | 34,742 | 53,828 | - | - | \$1.80 |
| GILROY / MORGAN HILL | | | | | | | | | | | | | |
| A | 578,491 | 168,715 | 900 | - | - | 169,615 | 29.3% | 29.7% | 2,247 | (8,529) | - | - | \$1.68 |
| B | 169,537 | 23,924 | 2,500 | - | - | 26,424 | 15.6% | 15.5% | - | (2,500) | - | - | \$1.70 |
| C | 308,326 | 39,888 | 2,088 | 10,300 | - | 52,276 | 17.0% | 16.1% | (2,746) | (2,746) | - | - | \$1.82 |
| Total | 1,056,354 | 232,527 | 5,488 | 10,300 | - | 248,315 | 23.5% | 23.4% | (499) | (13,775) | - | - | \$1.70 |
| LOS ALTOS | | | | | | | | | | | | | |
| A | 256,016 | 6,035 | 2,581 | - | - | 8,616 | 3.4% | 11.9% | 21,799 | 23,000 | - | 21,199 | \$4.90 |
| B | 418,853 | 12,611 | 5,224 | 9,701 | 4,234 | 31,770 | 7.6% | 3.6% | (8,046) | 10,003 | - | - | \$4.06 |
| C | 368,737 | 3,258 | - | 16,000 | - | 19,258 | 5.2% | 1.3% | 1,593 | (759) | - | - | \$4.79 |
| Total | 1,043,606 | 21,904 | 7,805 | 25,701 | 4,234 | 59,644 | 5.7% | 4.9% | 15,346 | 32,244 | - | 21,199 | \$4.48 |
| MOUNTAIN VIEW | | | | | | | | | | | | | |
| A | 2,285,628 | 2,075 | 86,332 | 26,587 | 34,130 | 149,124 | 6.5% | 6.2% | 49,148 | (68,855) | - | 1,073,641 | \$6.74 |
| B | 1,217,100 | 64,873 | - | 1,668 | 4,907 | 71,448 | 5.9% | 6.8% | 1,053 | 418 | - | - | \$3.44 |
| C | 472,555 | 4,541 | - | 14,720 | 4,237 | 23,498 | 5.0% | 5.7% | 13,498 | 19,098 | - | - | \$4.92 |
| Total | 3,975,283 | 71,489 | 86,332 | 42,975 | 43,274 | 244,070 | 6.1% | 6.3% | 63,699 | (49,339) | - | 1,073,641 | \$5.92 |
| PALO ALTO | | | | | | | | | | | | | |
| A | 4,524,041 | 347,853 | 24,834 | 52,340 | 15,549 | 440,576 | 9.7% | 11.7% | 131,893 | 198,803 | 58,000 | 200,766 | \$5.43 |
| B | 4,103,212 | 195,462 | 12,915 | 111,858 | 5,017 | 325,252 | 7.9% | 6.2% | (14,502) | (84,643) | - | - | \$5.56 |
| C | 1,163,613 | 11,700 | 4,150 | - | 6,096 | 21,946 | 1.9% | 2.8% | (11,857) | (6,982) | - | - | \$4.40 |
| Total | 9,790,866 | 555,015 | 41,899 | 164,198 | 26,662 | 787,774 | 8.0% | 8.4% | 105,534 | 107,178 | 58,000 | 200,766 | \$5.45 |
| SAN JOSE | | | | | | | | | | | | | |
| A | 12,324,648 | 1,938,703 | 212,357 | 356,446 | 50,347 | 2,557,853 | 20.8% | 21.3% | (289,448) | (331,501) | - | 680,000 | \$2.92 |
| B | 9,316,722 | 1,026,986 | 51,871 | 184,915 | 87,688 | 1,351,460 | 14.5% | 15.8% | 51,423 | 66,598 | - | - | \$2.10 |
| C | 3,949,646 | 447,466 | 4,461 | 28,656 | - | 480,583 | 12.2% | 12.7% | (1,584) | 1,958 | - | - | \$1.75 |
| Total | 25,591,016 | 3,413,155 | 268,689 | 570,017 | 138,035 | 4,389,896 | 17.2% | 17.9% | (239,609) | (262,945) | - | 680,000 | \$2.55 |
| SANTA CLARA | | | | | | | | | | | | | |
| A | 6,234,566 | 1,047,634 | 115,927 | 286,857 | 139,075 | 1,589,493 | 25.5% | 30.9% | 341,257 | 647,278 | 188,000 | 777,186 | \$3.45 |
| B | 4,235,495 | 445,449 | 24,500 | 46,650 | 17,885 | 534,484 | 12.6% | 13.0% | (24,450) | 50,319 | - | - | \$2.71 |
| C | 610,513 | 82,092 | - | 4,220 | - | 86,312 | 14.1% | 16.9% | 10,073 | 13,431 | - | - | \$1.70 |
| Total | 11,080,574 | 1,575,175 | 140,427 | 337,727 | 156,960 | 2,210,289 | 19.9% | 23.2% | 326,880 | 711,028 | 188,000 | 777,186 | \$3.21 |
| SUNNYVALE | | | | | | | | | | | | | |
| A | 7,532,543 | 398,927 | 63,936 | 25,478 | 16,226 | 504,567 | 6.7% | 7.2% | 669 | 89,484 | - | 1,737,816 | \$4.07 |
| B | 1,336,490 | 29,866 | 45,769 | 12,372 | 3,098 | 91,105 | 6.8% | 9.3% | (3,862) | (9,998) | - | - | \$3.06 |
| C | 490,595 | 108,000 | 5,143 | 3,651 | - | 116,794 | 23.8% | 24.9% | 438 | 6,617 | - | - | \$3.76 |
| Total | 9,359,628 | 536,793 | 114,848 | 41,501 | 19,324 | 712,466 | 7.6% | 8.4% | (2,755) | 86,103 | - | 1,737,816 | \$3.91 |
| SILICON VALLEY TOTALS | | | | | | | | | | | | | |
| A | 36,728,153 | 4,143,265 | 518,940 | 895,361 | 313,914 | 5,871,480 | 16.0% | 17.4% | 325,878 | 622,302 | 246,000 | 4,993,108 | \$3.53 |
| B | 27,400,399 | 2,169,420 | 159,399 | 416,504 | 140,708 | 2,886,031 | 10.5% | 11.2% | 36,568 | 17,207 | - | - | \$2.72 |
| C | 8,323,552 | 744,838 | 19,890 | 77,547 | 13,333 | 855,608 | 10.3% | 10.5% | 2,217 | 19,804 | - | - | \$2.31 |
| Total | 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 |

QUARTERLY COMPARISON AND TOTALS

| | | | | | | | | | | | | | |
|-------|------------|-----------|---------|-----------|---------|------------|-------|-------|---------|-----------|-----------|-----------|--------|
| 2Q-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 |
| 1Q-14 | 72,401,264 | 7,304,703 | 660,797 | 1,756,268 | 583,328 | 10,305,096 | 14.2% | 15.5% | 294,650 | 294,650 | 465,283 | 2,336,647 | \$3.21 |
| 4Q-13 | 64,187,305 | 7,166,414 | 820,798 | 1,521,880 | 430,583 | 9,939,675 | 15.5% | 15.7% | 473,072 | 2,194,816 | 268,482 | 2,336,647 | \$3.18 |
| 3Q-13 | 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 | 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 |

Due to a change in reporting standards, variations in the total building base during the first quarter 2014 are not reflective of actual changes in the market

MARKET COMPARISONS

R&D, INDUSTRIAL & WAREHOUSE MARKETS

| TYPE | TOTAL INVENTORY SQ FT | DIRECT VACANT | SUBLEASE VACANT | DIRECT OCCUPIED | SUBLEASE OCCUPIED | TOTAL AVAILABLE SQ FT | AVAILABILITY RATE Q2-2014 | AVAILABILITY RATE Q1-2014 | NET ABSORPTION Q2-2014 | COMPLETED YTD | COMPLETED Q2-2014 | UNDER CONSTR | NNN WTD AVG ASKING |
|--|-----------------------|-------------------|------------------|------------------|-------------------|-----------------------|---------------------------|---------------------------|------------------------|------------------|-------------------|------------------|--------------------|
| CAMPBELL | | | | | | | | | | | | | |
| R&D | 1,373,593 | 91,361 | - | 84,259 | 37,606 | 213,226 | 15.5% | 12.6% | (11,305) | 22,723 | - | - | \$1.65 |
| IND | 853,235 | 20,767 | 11,309 | 12,244 | - | 44,320 | 5.2% | 5.3% | (436) | 6,756 | - | - | \$1.50 |
| TOTAL | 2,226,828 | 112,128 | 11,309 | 96,503 | 37,606 | 257,546 | 11.6% | 9.8% | (11,741) | 29,479 | - | - | \$1.65 |
| CUPERTINO | | | | | | | | | | | | | |
| R&D | 2,945,136 | - | - | - | - | - | 0.0% | 0.1% | 2,932 | 6,554 | - | - | \$- |
| TOTAL | 2,945,136 | - | - | - | - | - | 0.0% | 0.1% | 2,932 | 6,554 | - | - | \$- |
| FREMONT | | | | | | | | | | | | | |
| R&D | 19,107,513 | 3,841,252 | 264,604 | 242,563 | 124,351 | 4,472,770 | 23.4% | 23.1% | (150,306) | (401,182) | - | - | \$0.86 |
| IND | 9,320,421 | 848,193 | 58,652 | 89,136 | 4,730 | 1,000,711 | 10.7% | 10.1% | (34,880) | 39,071 | - | 275,000 | \$0.70 |
| WSE | 6,823,144 | 156,498 | - | 293,077 | - | 449,575 | 6.6% | 8.0% | 100,875 | 90,015 | - | 690,796 | \$0.63 |
| TOTAL | 35,251,078 | 4,845,943 | 323,256 | 624,776 | 129,081 | 5,923,056 | 16.8% | 16.7% | (84,311) | (272,096) | - | 965,796 | \$0.79 |
| GILROY | | | | | | | | | | | | | |
| R&D | 348,955 | 76,000 | - | - | - | 76,000 | 21.8% | 20.6% | - | - | - | - | \$- |
| IND | 1,528,055 | 128,672 | - | - | - | 128,672 | 8.4% | 7.3% | (26,161) | (9,561) | - | - | \$0.55 |
| WSE | 3,392,470 | 251,992 | 33,310 | 164,021 | - | 449,323 | 13.2% | 14.1% | - | - | - | - | \$0.40 |
| TOTAL | 5,269,480 | 456,664 | 33,310 | 164,021 | - | 653,995 | 12.4% | 12.7% | (26,161) | (9,561) | - | - | \$0.43 |
| LOS GATOS | | | | | | | | | | | | | |
| R&D | 331,504 | 29,127 | - | - | - | 29,127 | 8.8% | 0.0% | (29,127) | (29,127) | - | - | \$1.95 |
| TOTAL | 331,504 | 29,127 | - | - | - | 29,127 | 8.8% | 0.0% | (29,127) | (29,127) | - | - | \$1.95 |
| MILPITAS | | | | | | | | | | | | | |
| R&D | 13,533,509 | 1,102,173 | 211,449 | 342,599 | - | 1,656,221 | 12.2% | 12.9% | 28,280 | 116,209 | - | - | \$1.17 |
| IND | 2,961,327 | 150,101 | 12,666 | 87,831 | - | 250,598 | 8.5% | 7.2% | 3,685 | (32,124) | - | - | \$0.86 |
| WSE | 4,571,490 | - | - | 309,925 | 10,000 | 319,925 | 7.0% | 10.2% | 234,700 | 306,666 | - | - | \$0.74 |
| TOTAL | 21,066,326 | 1,252,274 | 224,115 | 740,355 | 10,000 | 2,226,744 | 10.6% | 11.5% | 266,665 | 390,751 | - | - | \$1.07 |
| MORGAN HILL | | | | | | | | | | | | | |
| R&D | 2,718,497 | 182,499 | - | 9,328 | - | 191,827 | 7.1% | 6.0% | (25,347) | (16,844) | - | - | \$0.78 |
| IND | 2,227,647 | 76,698 | - | 3,600 | - | 80,298 | 3.6% | 2.9% | (12,165) | (10,746) | - | - | \$0.64 |
| WSE | 482,538 | 49,434 | - | - | - | 49,434 | 10.2% | 10.2% | - | - | - | - | \$0.49 |
| TOTAL | 5,428,682 | 308,631 | - | 12,928 | - | 321,559 | 5.9% | 5.1% | (37,512) | (27,590) | - | - | \$0.70 |
| MOUNTAIN VIEW | | | | | | | | | | | | | |
| R&D | 13,637,518 | 80,031 | 238,012 | 38,191 | 74,524 | 430,758 | 3.2% | 4.9% | 190,574 | 108,077 | - | - | \$2.14 |
| IND | 1,624,992 | 42,644 | - | 5,891 | 41,534 | 90,069 | 5.5% | 2.8% | 2,720 | 5,866 | - | - | \$1.15 |
| TOTAL | 15,262,510 | 122,675 | 238,012 | 44,082 | 116,058 | 520,827 | 3.4% | 4.7% | 193,294 | 113,943 | - | - | \$1.96 |
| PALO ALTO | | | | | | | | | | | | | |
| R&D | 13,260,030 | 38,323 | 23,432 | - | 85,845 | 147,600 | 1.1% | 1.6% | 44,473 | 28,108 | - | 159,017 | \$3.51 |
| TOTAL | 13,260,030 | 38,323 | 23,432 | - | 85,845 | 147,600 | 1.1% | 1.6% | 44,473 | 28,108 | - | 159,017 | \$3.51 |
| SAN JOSE | | | | | | | | | | | | | |
| R&D | 40,607,251 | 6,075,827 | 586,840 | 423,162 | 178,779 | 7,264,608 | 17.9% | 19.1% | 364,059 | 23,393 | - | - | \$1.41 |
| IND | 22,216,401 | 496,476 | 16,912 | 363,613 | 132,141 | 1,009,142 | 4.5% | 3.7% | 52,487 | 20,136 | - | - | \$0.69 |
| WSE | 16,632,424 | 787,450 | - | 418,881 | - | 1,206,331 | 7.3% | 6.7% | 188,830 | 315,210 | - | - | \$0.57 |
| TOTAL | 79,456,076 | 7,359,753 | 603,752 | 1,205,656 | 310,920 | 9,480,081 | 11.9% | 12.2% | 605,376 | 358,739 | - | - | \$1.27 |
| SANTA CLARA | | | | | | | | | | | | | |
| R&D | 19,830,723 | 2,099,510 | 149,626 | 382,322 | 241,597 | 2,873,055 | 14.5% | 15.0% | 98,928 | 56,922 | - | - | \$1.69 |
| IND | 11,393,354 | 262,963 | 34,796 | 132,831 | - | 430,590 | 3.8% | 3.5% | 4,604 | (93,151) | - | - | \$0.73 |
| WSE | 3,180,158 | 73,836 | - | 120,052 | - | 193,888 | 6.1% | 8.0% | 71,800 | 72,005 | - | - | \$0.80 |
| TOTAL | 34,404,235 | 2,436,309 | 184,422 | 635,205 | 241,597 | 3,497,533 | 10.2% | 10.5% | 175,332 | 35,776 | - | - | \$1.56 |
| SUNNYVALE | | | | | | | | | | | | | |
| R&D | 23,344,674 | 1,412,004 | 194,441 | 360,573 | 12,400 | 1,979,418 | 8.5% | 10.0% | 9,208 | 67,152 | - | - | \$1.95 |
| IND | 6,069,164 | 154,088 | - | 33,822 | 6,700 | 194,610 | 3.2% | 3.4% | 10,413 | 10,762 | - | - | \$1.00 |
| WSE | 1,712,254 | 135,184 | - | 29,280 | - | 164,464 | 9.6% | 9.6% | (21,600) | (21,600) | - | - | \$0.85 |
| TOTAL | 31,126,092 | 1,701,276 | 194,441 | 423,675 | 19,100 | 2,338,492 | 7.5% | 8.7% | (1,979) | 56,314 | - | - | \$1.80 |
| SILICON VALLEY TOTALS | | | | | | | | | | | | | |
| R&D | 151,038,903 | 15,028,107 | 1,668,404 | 1,882,997 | 755,102 | 19,334,610 | 12.8% | 13.6% | 522,369 | (18,015) | - | 159,017 | \$1.38 |
| IND | 59,339,280 | 2,280,021 | 134,335 | 760,650 | 185,105 | 3,360,111 | 5.7% | 5.0% | (3,233) | (69,323) | - | 275,000 | \$0.75 |
| WSE | 37,264,797 | 1,454,394 | 33,310 | 1,335,236 | 10,000 | 2,832,940 | 7.6% | 8.3% | 574,605 | 762,296 | - | 690,796 | \$0.62 |
| TOTAL | 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 |
| QUARTERLY COMPARISON AND TOTALS | | | | | | | | | | | | | |
| 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 |
| 1Q-14 | 247,623,940 | 20,132,573 | 2,001,495 | 3,281,575 | 1,125,074 | 26,540,717 | 10.7% | 10.7% | (418,783) | (418,783) | - | 386,100 | \$1.21 |
| 4Q-13 | 249,939,618 | 20,734,330 | 1,917,715 | 3,113,306 | 1,040,695 | 26,806,046 | 10.7% | 11.4% | 91,287 | 3,525,241 | 371,245 | 386,100 | \$1.21 |
| 3Q-13 | 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 | 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 |

Due to a change in reporting standards, variations in the total building base during the first quarter 2014 are not reflective of actual changes in the market