



SILICON VALLEY RESEARCH & FORECAST REPORT



Holding Strong

CONTINUED GROWTH POSITIONED FOR A STRONG SECOND HALF

Silicon Valley's economy continued to thrive during the third quarter, once again leading most other major US metropolitan areas in job gains, income and innovation. During the third quarter, Silicon Valley start-ups raked in more than \$5 billion from VC investment across 368 deals, with software again claiming the number one spot with \$3 billion invested in 199 deals, according to data from PitchBook. The number of US companies that went public during the third quarter dropped from 28 during the prior quarter to 23. This brings the year-to-date total number of IPOs to 88, already surpassing the 2013 annual total of 81. The Silicon Valley has added nearly 21,000 jobs since the beginning of 2014, dropping the unemployment rate to 5.5%.

New leasing and user sale activity during the third quarter of 2014 decreased 19.9% from the previous quarter to 5.56 million square feet of total gross absorption. While there was a decrease in activity quarter-over-quarter, Q3 gross absorption was still 14.1% higher than activity measured during the first quarter of the year. The Silicon Valley's office and R&D sectors accounted for 72.7% of all new activity during the quarter, while the industrial sector produced nearly 20% of the total activity.

In total, 4.8 million square feet of space was vacated in the Silicon Valley during the third quarter. This is the first quarter of the year that less than 5 million square feet of preimproved space has come on the market. With a relatively low amount of rollover space finding its way into the supply pipeline, total space occupied in Silicon Valley once again increased during the most recent quarter. The 676,083 square feet of net absorption was a 53.6% decrease from the prior quarter, but nevertheless raised year-to-date net absorption to 2,010,354 square feet, extending a market recovery that now spans fourteen quarters. The overall availability rate for all product types (office, R&D, industrial, and warehouse) combined in Silicon Valley is now 10.4%, the lowest it has been since the first quarter of 2001.

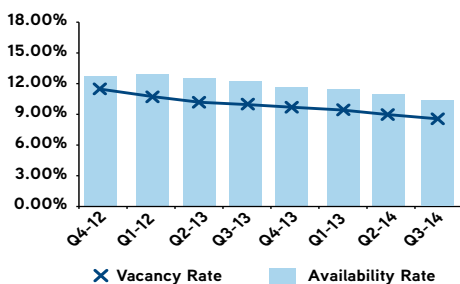
Colliers is now tracking more than 9.2 million square feet of commercial construction throughout the Silicon Valley, with even more slated to break ground before the end of the year. Even more remarkable is that of the thirty-seven projects currently underway, only eight of these are without a tenant in tow, leaving the availability rate of these new projects at only 12.2%. A number of deals were inked in these new projects during the third quarter. Most notable however, may be the three deals signed at Overton Moore's speculative warehouse project in Fremont in the I-880 corridor. Only seven months after starting construction, Living Spaces, Apple and Pivot Interiors all inked long-term leases totaling a combined 587,877 square feet, representing 85.1% of the entire speculative development.

During the third quarter of 2014, Silicon Valley's economy continued to grow amidst the current tech boom. Although some investors are signaling concern that we have entered into bubble territory, most are optimistic for continued growth throughout 2015. Colliers too, is optimistic about the remainder of 2014 and into 2015. We are currently tracking more than 7.7 million square feet of active requirements in the market, a certain sign that tech companies in the region remain bullish about their business prospects as we head into the final quarter of the year.

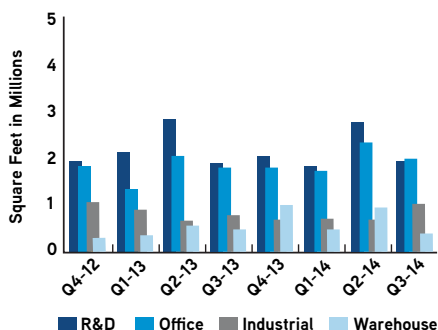
MARKET INDICATORS

	Q2 2014	Q3 2014	
Availability Rate	10.98%	10.42%	↓
Gross Absorption	6,953,335 SF	5,564,979 SF	↓
Net Absorption	1,458,404 SF	676,083 SF	↓

SILICON VALLEY AVAILABILITY



SILICON VALLEY GROSS ABSORPTION



OFFICE

The third quarter was another vibrant one for the Silicon Valley’s office sector. Activity was strong during the quarter, measuring 2.1 million square feet of gross absorption. Although this amount of activity represents a slight decrease from the prior quarter, it is the second consecutive quarter that the office market has produced more than 2.0 million square feet of gross absorption. Year-to-date, the office sector has generated 6.3 million square feet of new activity; this amount of gross absorption even exceeds Colliers’ aggressive forecast and is 19.6% higher than totals recorded during the same period last year.

During the third quarter, 1.5 million square feet of office space was vacated and returned to the market, a 25% decrease from the prior quarter. This reduction, coupled with the significant amount of activity, led to an occupancy gain totaling 483,501 square feet in the office sector, the highest quarterly occupancy gain measured so far this year. The third quarter’s net absorption gain surpassed that of the first and second quarters and continues the office market’s nine-quarter streak of positive net absorption.

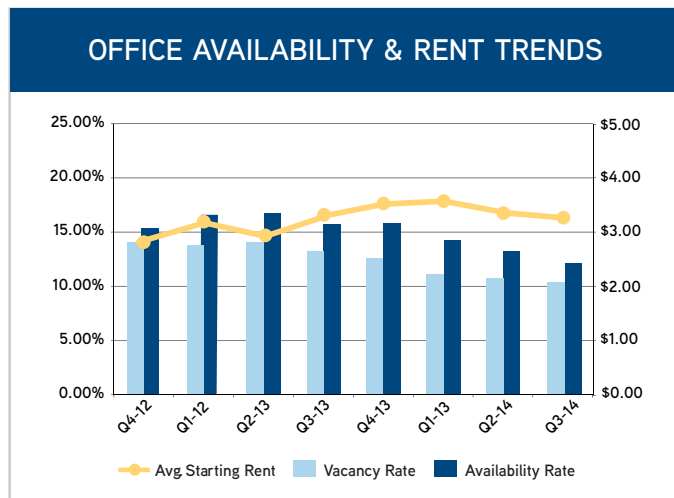
The office sector’s availability rate fell 104 basis points to 12.2% during the third quarter. This is the first time since the first quarter of 2001 that the overall availability rate has dipped below 13% in the Silicon Valley office market. In line with the robust demand, average asking rates continue to climb in the Silicon Valley. Average asking rates are now \$3.47 per square foot, full service. This

registers 9.8% and 24.4% higher than averages recorded during the third quarters of 2013 and 2012 respectively.

After a strong first half of the year, the Santa Clara office market cooled during the third quarter. The city produced 269,318 square feet of gross absorption, a 61.8% decrease in activity quarter-over-quarter, and the lowest figure recorded since

San Jose’s office sector measured increases in activity across the board during the third quarter. The 857,773 square feet of gross absorption is a 57.5% increase from the 544,363 square feet measured during the prior quarter. In addition to posting a significant amount of new office activity, the third quarter also put to bed a two-quarter streak of negative net absorption. San Jose recorded an occupancy gain of 123,352 square feet during the period. A large contributing factor to the occupancy gain measured during the quarter was a deal signed by Taiwan Semiconductor Manufacturing for 155,613 square feet at the long-vacant space at 2851 Junction Avenue. The former home of the County of Santa Clara’s Department of Child Support Services had moved out of this space at the end of 2012.

The tight Mountain View office market continued to generate significant activity during the third quarter, even as available space becomes harder and harder to find. Measuring a 31.6% increase in realized demand, Mountain View recorded 197,314 square feet of office gross absorption during Q3. The inventory of available office space continues to recede in Mountain View. With less than 200,000 square feet available within the city, Mountain View boasts a minuscule 4.3% availability rate. 23andMe subleased 70,232 square feet from Nuance on Evelyn Ave, a build-to-suit that was completed in 2013 but never occupied. WhatsApp occupied their newly-completed office building on Villa Street, a 21,750 square-foot deal that was inked earlier this year.



The office sector’s availability rate fell 104 basis points to 12.2% during the third quarter. This is the first time since the first quarter of 2001 that the overall availability rate has dipped below 13% in the Silicon Valley office market.

the fourth quarter of 2011. Despite the decrease, this amount of demand was sufficient to generate 78,140 square feet of office net absorption for Santa Clara. The largest new office deal signed in Santa Clara during the quarter was CA Technologies’ 53,708-square-foot expansion on Freedom Circle.

OFFICE LEASING & SALES ACTIVITY
SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
900 Lightpost Way, Morgan Hill	61,473	Lightpost Way Properties LLC	John J. Mauro & Sofia Fedatova	Investment Sale
1741 Technology Drive, San Jose	28,930	Equity Office Properties Trust	Global Logic, Inc	Lease
226 Airport Parkway, San Jose	24,938	Equity Office Properties Trust	Aerotek, Inc.	Lease
800 West El Camino Real, Mountain View	22,767	Asset Growth Partners	Elasticsearch, Inc.	Lease
2540 Mission College Blvd, Santa Clara	22,500	RedSeal Systems	Drobo, Inc.	Sublease
1503 Grant Road, Mountain View	19,771	Grant Road Office, LLC	MVG Capital	Investment Sale

The northernmost city in Santa Clara County, Palo Alto, also posted significant gains from the prior quarter. 260,340 square feet of new deals were transacted in what is arguably the most sought-after office market in the Silicon Valley. With its 188,964 square foot occupancy gain during the period, Palo Alto's year-to-date office net absorption now totals 176,079 square feet. The largest deal inked during the quarter was Machine Zone's 135,698 square foot lease at the long-vacant, former-headquarters of Facebook on Page Mill Road. Asking rates continue to soar in the Palo Alto office market, and at the end of Q3, averaged \$6.47 per square foot, full service—85% higher than the average across the rest of Silicon Valley.

Weighted-average starting rents for all office deals in the Silicon Valley checked-in at \$3.28 per square foot full service during the second quarter. This represents a 5.7% decrease over the previous quarter's average starting rate. This decrease is likely attributable to fewer transactions in more expensive submarkets, while activity continues to heat up in some of the less expensive, southern submarkets.

R&D

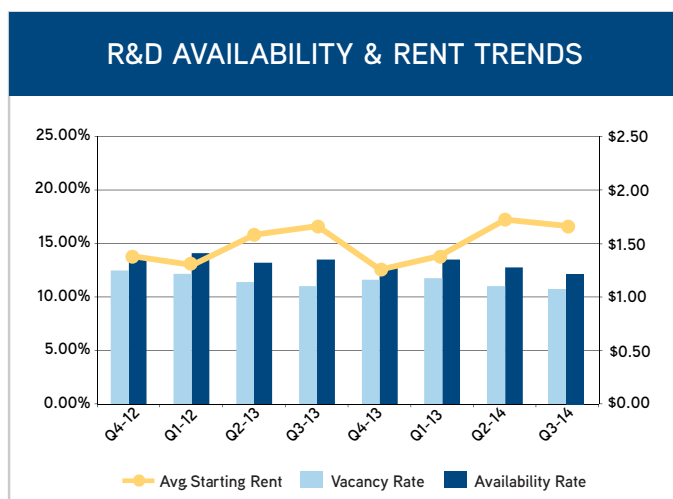
The Silicon Valley R&D sector has struggled to sustain momentum during the year, a disparity witnessed once again during the third quarter. Leasing and user-sale activity measured 1.9 million square feet, a 30% decrease from the amount of activity measured during the second quarter, yet a 4.6% increase from the first quarter of 2014.

In total, 1.9 million square feet of R&D space was vacated in the Silicon Valley during the third quarter. This is the first quarter that pre-improved, rollover space coming to market has been less than 2.0 million square feet since the third quarter of 2013. Despite the reduction in the amount of preimproved space added, the Silicon Valley R&D sector recorded a minor occupancy loss during the quarter. The 12,482 square feet of negative net

feet of new deals transacted, a slight decrease from the prior quarter, but more than twice the activity recorded during the same period of 2013. San Jose netted an occupancy gain of 231,244 square feet during the period, the second quarter in a row that the city has recorded a significant R&D occupancy gain. The two largest new deals signed in San Jose during the quarter were in the traditionally-quiet southern part of Silicon Valley. Jabil Circuits leased 102,114 square feet on San Ignacio Avenue, and Lelo leased 93,650 square feet on Fontanoso Way, both in South San Jose.

Fremont recorded a significant increase in R&D activity during the third quarter of 2014. The 441,650 square feet of new deals completed is more than twice the 208,266 square feet that was recorded during the second quarter. This increase in activity translated to a 235,614 square foot occupancy gain during the quarter, a welcomed change from the 150,306 square feet of negative net absorption measured during the second quarter. Corsair Components leased 61,454 square feet on Bayside Parkway and LAM Research leased 52,232 square feet on Starboard Drive during the quarter.

Milpitas continues to generate consistent, though not spectacular, demand. The third quarter's 152,664 square feet of gross absorption is within 5% of the amount of activity measured during the second quarter. However, during the third quarter, a significant amount of R&D space was vacated within the submarket, tipping the scales and causing an occupancy loss



In total, 1.9 million square feet of R&D space was vacated in the Silicon Valley during the third quarter. This is the first quarter that pre-improved rollover space coming to market has been less than 2.0 million square feet since the third quarter of 2013.

absorption brings the year-to-date, R&D occupancy loss to 30,497 square feet. As the numbers attest, it has been a flat year for occupancy growth in properties that Colliers classifies as R&D.

San Jose fared much better than the R&D market overall during the third quarter with 692,711 square

R&D LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
Seven Building Portfolio, Sunnyvale & Santa Clara	334,024	DivcoWest	Swift Realty Partners	Investment Sale
91 E Tasman Drive, San Jose	80,317	Toeniskoetter and Breeding Inc	SST Investment, LLC & 2200 Market Street, LLC	Investment Sale
18665 Madrone Parkway, Morgan Hill	60,109	Comcast of California	Mark & Karen Laisure	Investment Sale
1561 Buckeye Court, Milpitas	44,399	Tucker Family Trust	Asante Solutions	Lease
45800 Northport Loop West, Fremont	42,050	Fremont Bonaventure Partners	Penguin Computing	Renewal
412 Kato Terrace, Fremont	29,659	IndCor Properties	Juki Automation	Lease

to the tune of 131,742 square feet. This puts to bed a six-quarter streak of positive net absorption for Milpitas, and brings year-to-date net absorption into the red. Asante Solutions took down 44,399 square feet of R&D space on Buckeye Court, while Solexel, Inc. leased 34,481 square feet on McCarthy Boulevard during the quarter.

The weighted-average starting rent for R&D deals signed during the second quarter was \$1.66 per square foot, NNN. This represents a 20.2% increase in average starting rents since the beginning of 2014. As the office market continues to tighten in the Silicon Valley, higher-image space alternatives in the R&D sector are becoming more feasible, and that is reflected in the asking rents we are seeing.

INDUSTRIAL

During the third quarter, Silicon Valley’s industrial sector made quite the comeback after having taken a bit of a back seat to the office, R&D and warehouse sectors during the prior quarter. New activity increased from second quarter results, to measure 1.0 million square feet of gross absorption. This is the first quarter with more than 1.0 million square feet of industrial gross absorption since the fourth quarter of 2012.

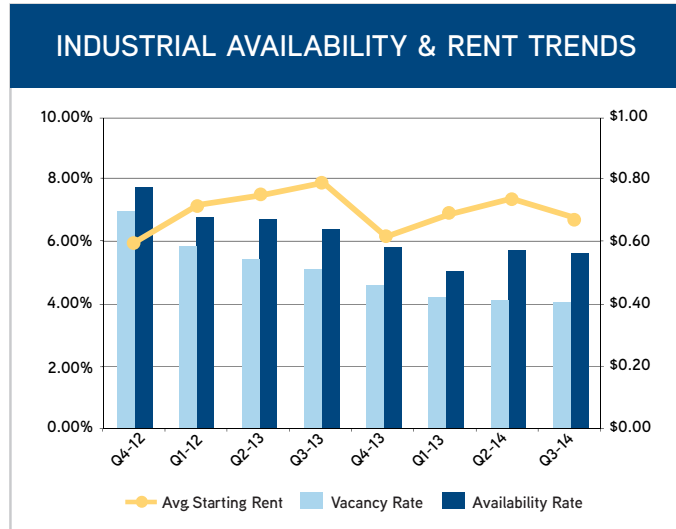
The 802,665 square feet of space vacated during Q3 was a slight increase from the amount recorded during the prior quarter, but not enough to tip the scales. The Silicon Valley registered 237,628 square feet of industrial net

absorption during the period. This ends a two-quarter streak of negative net absorption and is enough to bring the year-to-date tally back into the black to the tune of a 168,305-square-foot occupancy gain. Total available industrial space now resides just above 3.3 million square feet overall, representing a 5.6% availability rate for this product type.

year earlier. Despite the decrease in activity, San Jose registered an occupancy gain of 50,031 square feet. During the third quarter, Brown Associates purchased a 42,000 square-foot building on Phelan Avenue, and Beavex Incorporated leased 22,080 square feet on Junction Avenue.

Activity in Santa Clara’s industrial sector increased 3.3% during the third quarter, but activity remains modest, owing to the limited amount of available industrial space in Santa Clara. With only 94,521 square feet of new activity to pave the way, Santa Clara recorded an occupancy loss during the period. Corporate Sign Systems completed the largest deal in Santa Clara for industrial space during Q3. The architectural commercial signage company will occupy 31,320 square feet on De La Cruz Boulevard. Also during the third quarter, AG Appliances leased an 11,574 square-foot space on Parker Street.

Fremont recorded 477,121 square feet of industrial gross absorption during the third quarter. This is nearly an eight-fold increase from the activity measured during the second quarter of 2014, and accounts for nearly half of all new industrial activity in the Silicon Valley during the quarter. As a result, Fremont recorded an occupancy gain of 349,740 square feet during the third quarter, nearly 10% more than the occupancy gain measured in the first quarter of 2013 when Seagate leased the former Solyndra facility.



New activity increased from second quarter results, to measure 1.0 million square feet of gross absorption. This is the first quarter with more than 1.0 million square feet industrial gross absorption since the fourth quarter of 2012.

San Jose recorded another solid quarter in the industrial sector. The Valley’s largest city produced 253,722 square feet of gross absorption during the third quarter. This represents a 36% decrease from the amount of activity recorded during the second quarter and a 23.2% decrease from the same period one-

INDUSTRIAL LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
140 San Pedro Avenue, Morgan Hill	88,351	Johns Family Trust	Airtronics	Lease
37399 Centralmont Place, Fremont	59,000	Manfred & Kari Galgon	South Bay Solutions	Lease
15750 Vineyard Boulevard, Morgan Hill	50,400	Nearon Enterprises	Fratelli Development LLC	Investment Sale
4400 Auto Mall Parkway, Fremont	47,452	Reliance Steel & Aluminum Company	Regency General Contractors	Sublessor
785 Walsh Avenue, Sunnyvale	43,000	Barnhart Construction	Redwood Electric	Lease
2464-2470 De La Cruz Blvd, Santa Clara	31,320	De La Cruz Partners	Corporate Sign System	User Sale

Paving the way for this quarter’s gain, Thermo Fisher completed and occupied their 275,000 square-foot build-to-suit project on Fremont Boulevard. In addition, South Bay Solutions leased 59,000 square feet on Centralmont Place.

Leasing activity stood out in Morgan Hill’s industrial sector during the third quarter of 2014. After recording only 11,485 of industrial gross absorption in Q2, the 131,687 square feet of new activity in Q3 represented more than a ten-fold increase for Morgan Hill during the quarter. Largely contributing to this increase in activity was Airtronics’ lease of 88,351 square feet of industrial space on San Pedro Avenue, the largest new industrial deal signed in Morgan Hill year-to-date.

Weighted-average starting rates for industrial space in the Silicon Valley continue to hover around the \$0.70 per square foot, NNN mark, measuring \$0.68 during the quarter. Prices continue to inch upwards as available industrial space within the Silicon Valley becomes harder and harder to find.

WAREHOUSE

Gross absorption decreased 49.8% in the Silicon Valley’s warehouse sector during the third quarter. Still, the quarter’s 473,784 square feet of gross absorption was enough to raise the year-to-date total to 1.95 million square feet, which is right on par with Colliers’ forecast for the year. During the third quarter, there was one new warehouse transaction

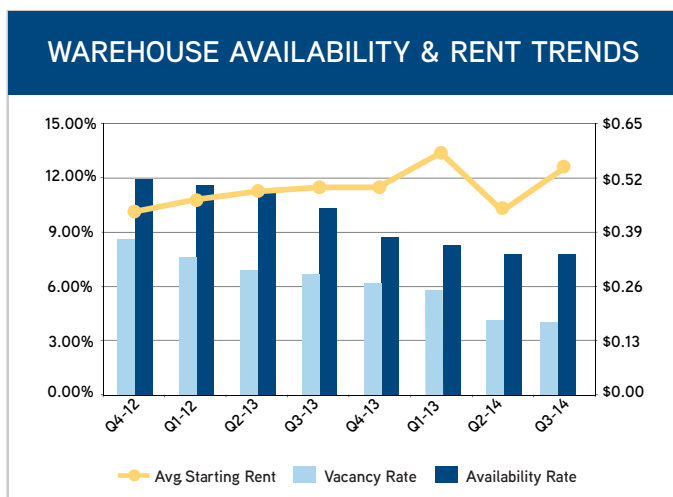
that went into the books greater than 100,000 feet, down from four such deals completed and absorbed during the second quarter. Nevertheless, this raises the number of 100,000+ square-foot warehouse deals to five for the year, compared to three in all of 2013.

Despite the decrease in measured new-user activity, a significant shift emanated for the

second building, and Pivot Interiors leased 103,341 square feet, leaving less than 15% of the project available. The developer began construction at the end of 2013 on the first speculative warehouse project built in the Silicon Valley in more than a dozen years. While many questioned the merits of this new development, Colliers accurately forecasted that it would be met with high demand and potentially fully leased before completion. Though most companies have shifted their logistics requirements outside of the Valley, there are some who still need to be here, and almost no product existed to meet that demand.

Excluding these deals that won’t be recorded into absorption until 2015, Colliers tracked only 11 new deals signed for warehouse space during the third quarter. This is a significant decrease in activity from the 20 and 23 deals inked during the second and first quarters, respectively. On the supply side of the equation, the amount of pre-improved space that was vacated during the quarter was just large enough to cause an occupancy loss. The 32,564 square feet of negative net absorption, however small, ends a six-quarter streak of positive net absorption for the Silicon Valley warehouse sector. We expect that trend to correct itself in the coming quarters.

Fremont led the way during Q3, even though the Overton Moore transactions do not show up in the quarterly results. Fremont’s 177,041



The quarter’s 473,784 square feet of (warehouse) gross absorption was enough to raise the year-to-date total to 1.95 million square feet, which is right on par with Colliers’ forecast for the year.

warehouse market during the third quarter. Overton Moore signed three large leases at their unfinished Fremont project—absorption that will not be realized by Colliers until project completion and occupancy during the first quarter of 2015. Apple leased one, 174,578-square-foot building, Living Spaces took all 311,469 square feet in a

WAREHOUSE LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q3 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
925-935 McLaughlin Avenue, San Jose	194,536	Morgan Stanley Real Estate	Legacy Transportation Services	Renewal
5555 Auto Mall Parkway, Fremont	177,041	Lifestyles Furniture Rentals	Synnex Corporation	Lease
1121-1135 Montague Expressway, Milpitas	101,066	WP Investments	Express Messenger Services	Renewal
450 & 470 Trimble Road, San Jose	82,800	Stockbridge Capital	DHL Solutions	Renewal
560 Lincoln Avenue, San Jose	35,433	Vida Anello	LuxBus	Lease
146 Caribbean Drive, Sunnyvale	23,040	Prologis	Space Systems Loral	Lease

square feet of recorded gross absorption brings that city's year-to-date total to 454,205 square feet. Fremont's warehouse availability rate fell 53 basis points to 6.1% at the end of Q3. Contributing to the results, Synnex Corporation leased 177,041 square feet on Auto Mall Parkway during the third quarter, which is the second warehouse space greater than 100,000 square feet to be absorbed within the city year-to-date.

San Jose recorded 177,385 square feet of warehouse activity during the third quarter, a 39.7% decrease from the amount of gross absorption recorded during the previous quarter. Nonetheless, San Jose's warehouse market registered an occupancy gain of 36,371 square feet. This is the seventh consecutive quarter that San Jose has recorded positive net absorption. Leading the way during Q3, Federal Express leased a 72,987 square foot facility on Junction Avenue and Legacy Transportation Services leased 47,040 square feet on Remillard Court.

Milpitas recorded a modest, 65,013 square feet of warehouse activity during the third quarter; this is less than one-fourth of the 283,430 square feet measured during the second quarter. Despite this decrease, Milpitas measured no occupancy loss during the period. Total available space within the Milpitas warehouse sector now stands just below 350,000 square feet, which translates to a 7.6% availability rate, the lowest since 2001.

Average warehouse starting rents increased from \$0.43 per square foot NNN during the second quarter to \$0.54 per square foot NNN, a 25.5% increase quarter-over-quarter. This anomaly is most likely the result of the limited number of transactions recorded during the quarter that contributed to the weighted-averages results.

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 1,015,798 square feet in the year's third quarter. Note that "change in availability" includes adjustments for space that is "taken off the market". Space "taken off the market" is not a factor in net absorption measurements.

Total Available end of 2Q14	36,453,713
Plus: Vacant & Occupied Space that came available in 3Q14	3,591,402
Plus: New Shell added in 3Q14	345,802
2Q14 Available + Newly Available in 3Q14	40,390,917
Less: 3Q14 Gross Absorption	-5,564,979
Less: 3Q14 Adjustments/Taken off Market	611,977
Total Available end of 3Q14	35,437,915

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 3Q14	-968,304
Previously Available Space that was vacated in 3Q14	-3,920,592
3Q14 Total Vacant added (Occupancy Loss)	-4,888,896

2Q14 Gross Absorption (occupancy gain)	5,564,979
3Q14 Net Absorption (change in Occupancy)	676,083

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 3Q14	-968,304
Occupied Space that came available 3Q14	-2,623,098
2Q14 Total Available added	-3,591,402

3Q14 Gross Absorption	5,564,979
3Q14 Effective Net Absorption	1,973,577

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

COLLIERS INTERNATIONAL | SAN JOSE

450 West Santa Clara Street
San Jose, CA 95113
United States
TEL +1 408 282 3800
FAX +1 408 292 8100
CA License No. 00490878

EXECUTIVE MANAGING DIRECTOR

Jeff Fredericks, SIOR
Executive Managing Partner
jeff.fredericks@colliers.com
TEL +1 408 282 3801
CA License No. 00802610

SAN JOSE RESEARCH

Jennifer Vaux
Regional Research Manager
jennifer.vaux@colliers.com
TEL +1 408 282 3898

This report and other research materials may be found on our website at www.colliers.com/sanjose. This quarterly report is a research document of Colliers International - San Jose, CA. Questions related to information herein should be directed to the Research Department at +1 408 282 3800. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers International is the third-largest commercial real estate services company in the world with over 15,800 professionals operating out of more than 485 offices in 63 countries. ©2014 Colliers International



Accelerating success.

MARKET COMPARISONS

OFFICE MARKET

CLASS	TOTAL INVENTORY SQ FT	DIRECT VACANT	SUBLEASE VACANT	DIRECT OCCUPIED	SUBLEASE OCCUPIED	TOTAL AVAILABLE SQ FT	AVAILABILITY RATE Q3-2014	AVAILABILITY RATE Q2-2014	NET ABSORPTION Q3-2014	YTD	COMPLETED Q3-2014	UNDER CONSTR	FS WTD AVG ASKING
CAMPBELL / LOS GATOS													
A	1,250,852	105,367	35,274	8,837	4,956	154,434	12.3%	13.6%	(44,650)	(24,039)	-	242,500	\$3.35
B	2,063,237	56,227	2,553	6,951	6,182	71,913	3.5%	5.8%	29,148	10,917	-	40,000	\$2.62
C	223,662	18,825	-	-	2,984	21,809	9.8%	9.5%	(2,416)	(15,768)	-	-	\$2.71
Total	3,537,751	180,419	37,827	15,788	14,122	248,156	7.0%	8.7%	(17,918)	(28,890)	-	282,500	\$3.15
CUPERTINO / SARATOGA													
A	856,209	-	-	-	1,942	1,942	0.2%	13.0%	3,183	11,398	-	3,060,000	\$4.75
B	2,769,462	42,148	1,193	12,851	-	56,192	2.0%	2.0%	(11,501)	(13,917)	-	-	\$3.30
C	156,752	931	-	-	-	931	0.6%	0.6%	-	164	-	-	\$3.25
Total	3,782,423	43,079	1,193	12,851	1,942	59,065	1.6%	4.4%	(8,318)	(2,355)	-	3,060,000	\$4.52
FREMONT / MILPITAS													
A	926,564	178,953	-	-	12,000	190,953	20.6%	19.2%	(29,078)	14,718	-	-	\$1.88
B	1,623,174	263,059	4,123	6,000	2,667	275,849	17.0%	16.1%	(13,801)	(6,144)	-	-	\$1.83
C	580,386	25,958	4,048	6,000	-	36,006	6.2%	5.6%	-	2,375	-	-	\$1.62
Total	3,130,124	467,970	8,171	12,000	14,667	502,808	16.1%	15.0%	(42,879)	10,949	-	-	\$1.84
GILROY / MORGAN HILL													
A	578,491	112,330	900	-	-	113,230	19.6%	29.3%	56,385	47,856	-	-	\$1.81
B	169,537	23,924	2,500	-	-	26,424	15.6%	15.6%	-	(2,500)	-	-	\$1.70
C	308,326	40,698	2,088	10,300	-	53,086	17.2%	17.0%	(810)	(3,556)	-	-	\$1.93
Total	1,056,354	176,952	5,488	10,300	-	192,740	18.2%	23.5%	55,575	41,800	-	-	\$1.82
LOS ALTOS													
A	256,016	9,974	-	-	-	9,974	3.9%	3.4%	(3,939)	19,061	-	21,199	\$5.14
B	493,012	10,336	8,238	9,673	5,128	33,375	6.8%	7.6%	(739)	9,264	-	-	\$4.02
C	373,597	3,258	-	16,000	-	19,258	5.2%	5.2%	-	(759)	-	-	\$4.79
Total	1,122,625	23,568	8,238	25,673	5,128	62,607	5.6%	5.7%	(4,678)	27,566	-	21,199	\$4.47
MOUNTAIN VIEW													
A	2,526,088	52,371	5,392	9,602	31,447	98,812	3.9%	6.5%	101,446	32,591	70,802	1,002,839	\$7.20
B	1,220,100	45,827	2,007	-	-	47,834	3.9%	5.9%	17,039	17,457	-	-	\$4.36
C	472,555	4,718	-	29,791	3,300	37,809	8.0%	5.0%	(177)	18,921	-	-	\$4.44
Total	4,218,743	102,916	7,399	39,393	34,747	184,455	4.4%	6.1%	118,308	68,969	70,802	1,002,839	\$5.93
PALO ALTO													
A	4,495,304	113,546	29,931	88,549	14,222	246,248	5.5%	9.7%	214,525	413,328	-	256,538	\$6.96
B	4,112,712	218,225	25,812	116,730	32,433	393,200	9.6%	7.9%	(35,660)	(120,303)	-	-	\$6.09
C	1,166,638	14,486	-	18,737	-	33,223	2.8%	1.9%	(2,786)	(9,768)	-	-	\$5.19
Total	9,774,654	346,257	55,743	224,016	46,655	672,671	6.9%	8.0%	176,079	283,257	-	256,538	\$6.42
SAN JOSE													
A	12,421,708	1,759,674	206,619	234,679	74,348	2,275,320	18.3%	20.8%	110,934	(220,567)	-	680,000	\$2.90
B	9,324,485	1,023,822	41,246	108,195	93,444	1,266,707	13.6%	14.5%	12,471	79,069	-	-	\$2.13
C	3,910,086	421,549	4,461	23,869	2,359	452,238	11.6%	12.2%	(53)	1,905	-	-	\$1.81
Total	25,656,279	3,205,045	252,326	366,743	170,151	3,994,265	15.6%	17.2%	123,352	(139,593)	-	680,000	\$2.55
SANTA CLARA													
A	6,173,745	1,009,593	113,268	268,414	141,394	1,532,669	24.8%	25.5%	40,700	687,978	-	1,062,124	\$3.65
B	4,236,758	429,693	12,573	59,200	63,583	565,049	13.3%	12.6%	18,975	69,294	-	-	\$2.74
C	610,513	63,627	-	4,220	-	67,847	11.1%	14.1%	18,465	31,896	-	-	\$1.81
Total	11,021,016	1,502,913	125,841	331,834	204,977	2,165,565	19.6%	19.9%	78,140	789,168	-	1,062,124	\$3.38
SUNNYVALE													
A	7,532,543	388,749	-	88,699	104,817	582,265	7.7%	6.7%	14,412	103,896	-	1,893,449	\$4.71
B	1,336,490	38,428	45,769	15,450	3,098	102,745	7.7%	6.8%	(8,572)	(18,570)	-	-	\$3.29
C	490,595	113,143	-	3,651	-	116,794	23.8%	23.8%	-	6,617	-	-	\$3.76
Total	9,359,628	540,320	45,769	107,800	107,915	801,804	8.6%	7.6%	5,840	91,943	-	1,893,449	\$4.58
SILICON VALLEY TOTALS													
A	37,017,520	3,730,557	391,384	698,780	385,126	5,205,847	14.1%	16.0%	463,918	1,086,220	70,802	8,218,649	\$3.79
B	27,348,967	2,151,689	146,014	335,050	206,535	2,839,288	10.4%	10.5%	7,360	24,567	-	40,000	\$2.93
C	8,293,110	707,193	10,597	112,568	8,643	839,001	10.1%	10.3%	12,223	32,027	-	-	\$2.46
Total	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

QUARTERLY COMPARISON AND TOTALS

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
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

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 Q3-2014	AVAILABILITY RATE Q2-2014	NET ABSORPTION Q3-2014	COMPLETED YTD	COMPLETED Q3-2014	UNDER CONSTR	NNN WTD AVG ASKING
CAMPBELL													
R&D	1,373,593	119,752	-	48,859	37,606	206,217	15.0%	15.5%	(28,391)	(5,668)	-	-	\$1.66
IND	862,702	20,811	11,309	9,800	-	41,920	4.9%	5.2%	(44)	6,712	-	-	\$1.50
TOTAL	2,236,295	140,563	11,309	58,659	37,606	248,137	11.1%	11.6%	(28,435)	1,044	-	-	\$1.66
CUPERTINO													
R&D	2,856,248	2,400	-	-	-	2,400	0.1%	0.0%	(2,400)	4,154	-	-	\$-
TOTAL	2,856,248	2,400	-	-	-	2,400	0.1%	0.0%	(2,400)	4,154	-	-	\$-
FREMONT													
R&D	19,124,613	3,607,886	219,596	364,330	143,053	4,334,865	22.7%	23.4%	235,614	(165,568)	-	-	\$0.89
IND	9,619,156	828,405	-	170,092	2,365	1,000,862	10.4%	10.7%	349,740	388,811	275,000	-	\$0.70
WSE	6,878,684	156,498	-	152,936	107,434	416,868	6.1%	6.6%	-	90,015	-	864,092	\$0.55
TOTAL	35,622,453	4,592,789	219,596	687,358	252,852	5,752,595	16.1%	16.8%	585,354	313,258	275,000	864,092	\$0.83
GILROY													
R&D	372,104	76,000	-	23,149	-	99,149	26.6%	21.8%	-	-	-	-	\$0.46
IND	1,528,055	112,516	-	-	-	112,516	7.4%	8.4%	16,156	6,595	-	-	\$0.45
WSE	3,392,470	251,992	33,310	164,021	-	449,323	13.2%	13.2%	-	-	-	-	\$0.40
TOTAL	5,292,629	440,508	33,310	187,170	-	660,988	12.5%	12.4%	16,156	6,595	-	-	\$0.41
LOS GATOS													
R&D	337,324	29,127	-	-	-	29,127	8.6%	8.8%	-	(29,127)	-	-	\$1.95
TOTAL	337,324	29,127	-	-	-	29,127	8.6%	8.8%	-	(29,127)	-	-	\$1.95
MILPITAS													
R&D	13,561,328	1,276,356	131,878	58,062	-	1,466,296	10.8%	12.2%	(131,742)	(15,533)	-	-	\$1.29
IND	3,083,509	235,886	12,666	15,839	-	264,391	8.6%	8.5%	(85,806)	(117,930)	-	-	\$0.86
WSE	4,571,471	-	-	337,132	10,000	347,132	7.6%	7.0%	-	306,666	-	-	\$0.73
TOTAL	21,216,308	1,512,242	144,544	411,033	10,000	2,077,819	9.8%	10.6%	(217,548)	173,203	-	-	\$1.13
MORGAN HILL													
R&D	2,753,773	107,952	-	9,328	-	117,280	4.3%	7.1%	70,731	53,887	-	-	\$0.80
IND	2,235,847	66,145	-	-	-	66,145	3.0%	3.6%	10,553	(193)	-	-	\$0.66
WSE	482,538	49,434	-	-	-	49,434	10.2%	10.2%	-	-	-	-	\$0.49
TOTAL	5,472,158	223,531	-	9,328	-	232,859	4.3%	5.9%	81,284	53,694	-	-	\$0.69
MOUNTAIN VIEW													
R&D	13,637,729	81,725	88,098	97,799	68,876	336,498	2.5%	3.2%	19,298	127,375	-	-	\$2.16
IND	1,627,952	29,739	-	-	41,534	71,273	4.4%	5.5%	12,905	18,771	-	-	\$0.96
TOTAL	15,265,681	111,464	88,098	97,799	110,410	407,771	2.7%	3.4%	32,203	146,146	-	-	\$1.91
PALO ALTO													
R&D	13,260,030	14,690	20,000	-	63,652	98,342	0.7%	1.1%	21,083	49,191	-	159,017	\$1.76
TOTAL	13,260,030	14,690	20,000	-	63,652	98,342	0.7%	1.1%	21,083	49,191	-	159,017	\$1.76
SAN JOSE													
R&D	40,865,848	5,875,899	533,715	295,331	186,896	6,891,841	16.9%	17.9%	231,244	254,637	-	-	\$1.44
IND	22,314,410	446,400	1,732	444,097	78,037	970,266	4.3%	4.5%	50,031	70,167	-	-	\$0.75
WSE	16,629,235	746,509	-	457,141	-	1,203,650	7.2%	7.3%	36,371	351,581	-	-	\$0.57
TOTAL	79,809,493	7,068,808	535,447	1,196,569	264,933	9,065,757	11.4%	11.9%	317,646	676,385	-	-	\$1.29
SANTA CLARA													
R&D	19,835,493	2,354,302	145,432	154,245	136,235	2,790,214	14.1%	14.5%	(296,074)	(239,152)	-	-	\$1.70
IND	11,412,192	311,888	32,544	70,028	16,800	431,260	3.8%	3.8%	(63,096)	(156,247)	-	-	\$0.78
WSE	3,169,166	70,636	-	137,552	-	208,188	6.6%	6.1%	(5,800)	66,205	-	-	\$0.79
TOTAL	34,416,851	2,736,826	177,976	361,825	153,035	3,429,662	10.0%	10.2%	(364,970)	(329,194)	-	-	\$1.56
SUNNYVALE													
R&D	23,305,261	1,407,909	190,841	365,721	-	1,964,471	8.4%	8.5%	(131,845)	(64,693)	-	-	\$2.02
IND	6,094,902	194,699	-	47,265	2,400	244,364	4.0%	3.2%	(40,611)	(29,849)	-	-	\$1.10
WSE	1,763,134	198,319	-	29,280	-	227,599	12.9%	9.6%	(63,135)	(84,735)	-	-	\$0.86
TOTAL	31,163,297	1,800,927	190,841	442,266	2,400	2,436,434	7.8%	7.5%	(235,591)	(179,277)	-	-	\$1.84

SILICON VALLEY TOTALS

R&D	151,283,344	14,953,998	1,329,560	1,416,824	655,455	18,355,837	12.1%	12.8%	(12,482)	(30,497)	-	159,017	\$1.41
IND	59,922,450	2,346,276	58,251	788,803	147,836	3,341,166	5.6%	5.7%	237,628	168,305	275,000	-	\$0.78
WSE	37,357,017	1,473,388	33,310	1,278,062	117,434	2,902,194	7.8%	7.6%	(32,564)	729,732	-	864,092	\$0.61
TOTAL	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	-	1,023,109	\$1.25

QUARTERLY COMPARISON AND TOTALS

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	1,023,109	\$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
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

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