

# Market Report & Forecast

2013-2014 Colliers International  
San Jose/Silicon Valley





# TABLE OF CONTENTS

## About the Newsletter

This newsletter represents the one hundredth in a series published by Colliers International. The information basis for this newsletter is the Parrish Absorption Tracking System (PATS) from which the absorption-related statistics are developed and derived. PATS maintains monthly statistics within Silicon Valley for 14 cities, 31 geographical areas and 4 commercial/industrial building types.

If you desire more data in order to analyze sub-markets not specified in this newsletter; please submit your request through your Colliers International sales representative at 408 282 3800 or write to Colliers International at 450 West Santa Clara Street, San Jose, California 95113. In addition you may send your e-mail inquiry to [jennifer.vaux@colliers.com](mailto:jennifer.vaux@colliers.com). We look forward to supporting your specific needs.

Colliers International - Introduction	1
The Year in Review	2
Observations & Forecasts	4
Silicon Valley Office	8
Silicon Valley Research & Development	12
Silicon Valley Industrial	16
Silicon Valley Warehouse	20
Silicon Valley Retail	24
Silicon Valley Investment	26
Silicon Valley Market Statistics	28
Brokerage Profiles	36

## Contributors

### Editor and Chief Contributor:

Jeff Fredericks, SIO  
Executive Managing Director

### Contributing Writers:

Jennifer Vaux - Regional Research Manager  
Colliers Retail Services Group  
Colliers Investment Services Group

### Research:

Colliers Research Services Group

### Design and Production:

Colliers Graphic Services Group



# Metamorphosis

The Valley is changing. Actually, “change” shortchanges what is happening in many of our communities. It’s more of a metamorphosis. Downtowns are vibrant once again. Whether it’s quaint Willow Glen, trendy San Carlos, or even downtown San Jose, try to find a parking spot in these neighborhoods on a Friday night. With an upbeat economy, tech workers are living the high-life, working in energized environments, and socializing just a short walk or train ride away.

Some cities that don’t have an urban vibe have decided to build one. Cupertino and Santa Clara are two such examples. Cupertino’s vision has even been coined “Main Street Cupertino.” Being developed by Peter Pau’s Sand Hill Development Company, Main Street Cupertino is already under construction and will boast 260,000 square feet of office space, 130,000 square feet of retail, a 180-room hotel, and 120 live/work rental lofts. Peter Pau was quoted as saying “It’s going to be like building a little downtown from scratch.”

Pau’s project pales in comparison to what Santa Clara has in store next to Levi’s Stadium. Related California and Lowe Enterprises are collectively planning well over 3 million square feet of new development at a total cost of roughly \$2.0 billion. This is more than a new development; this is a new city within a city that will transform living, working, and shopping patterns throughout the Valley.

Along with an urbanization of communities, we are witnessing a metamorphosis of space. Already there is a clearly-established trend to go vertical. Now,

we’re beginning to see neighborhoods where the existing inventory of space is transitioning. Take the area bordered by the Guadalupe River on the west, Trimble Road to the south, First Street on the east and Montague Expressway to the north. This area is comprised of 41 buildings and a base inventory of 2.7 million square feet of dated office and R&D space. Since Q3 2010, 38 of these buildings totaling 2.5 million square feet have sold. Almost all are very close to completing multi-million-dollar renovations in an effort to reposition the entire area as Silicon Valley’s new showcase for market-ready, curb-appealing, available inventory.

More change will follow and that change extends to brokerage companies. New consolidations and mergers are taking place as our industry undergoes a metamorphosis of its own. Colliers has brought in entire new teams so we can be better positioned for corporate marketing and strategic planning. Change makes us all better and the metamorphosis is exciting.

Wishing everyone a healthy and prosperous 2014!



Jeff Fredericks, SIOR  
Executive Managing Director



SILICON VALLEY  
**FIFTEENTH ANNUAL**  
COMMERCIAL REAL ESTATE  
TRENDS2014 CONFERENCE

MAJOR SPONSOR



OTHER SPONSORS



# THE 2013 YEAR IN REVIEW

## January

- President Obama takes oath of office for second term in Washington, DC.
- Toyota Prius becomes the bestselling vehicle in California taking the top spot from the Honda Civic.
- Amazon to build 1-million-square-foot fulfillment center in Tracy, CA.
- Cisco agrees to pay \$475 million for Intucell, a software company that optimizes wireless networks.
- Brocade hires Lloyd Carney as CEO, replacing Michael Klayko.
- Nippon Airways grounds its new San Jose-to-Tokyo route four days after it launches after problems surface with Dreamliner batteries. Flights don't resume until June 1.

## February

- Michael Dell's \$24.4 billion bid to take Dell private leads to other offers for the company from Blackstone and Carl Icahn.
- Samsung sets up new \$100 million venture fund in the Silicon Valley.
- The iTunes music store sells its 25-billionth song almost 10 years after its launch in April 2003.
- Office Depot buys OfficeMax in \$1.2 billion, all-stock deal.
- Bass Pro pre-leases 145,000 square feet in San Jose's Almaden Valley, the retailer's first location in the region.
- Nvidia files plans for a 1-million-square-foot campus in Santa Clara and later says it will start with a 500,000 square foot building shaped like a giant triangle.
- Yahoo CEO Marissa Mayer bans telecommuting, causing a firestorm of criticism and support.

## March

- \$85 billion in automatic spending cuts take effect as sequestration kicks in.
- Judge cuts Apple's \$1 billion Samsung judgment by almost half.
- Ivanhoe Cambridge partners with TPG and DivcoWest, investing more than \$400 million in the former Mission West portfolio.
- San Jose's minimum wage increases from \$8 to \$10 per hour.
- San Jose City Council unanimously approves \$7 million incentive package for Samsung Semiconductor to expand its R&D headquarters.
- Internet is slowed worldwide by the 'biggest cyber-attack in history'.

## April

- Hewlett-Packard Board Chairman Ray Lane steps down with two other directors in a management shakeup.
- Two bombs go off at the finish line of the Boston Marathon, killing three and injuring hundreds.
- After five years and billions of dollars, Fresh & Easy calls it quits and exits the U.S. grocery market.
- San Jose City Council approves an elite corporate jet center at Mineta San Jose International Airport.
- Virgin Galactic's SpaceShipTwo makes its first powered flight breaking the sound barrier and reaching an altitude of 55,000 feet.
- Cisco sells off 57 acres in North San Jose to Trammell Crow Co.

## May

- Dow Jones industrial average breaks through 15,000 for the first time.
- Twitter expands into Sunnyvale, marking the San Francisco-based social media firm's first foray into the Silicon Valley.
- Eurozone economy shrinks in Q1 2013, marking six straight quarters of decline, exceeding the five-quarter downturn from 2008-2009.
- Yahoo buys Tumblr in \$1.1 billion deal.
- Irvine Company purchases 31-acre, 13-building Santa Clara office campus from RREEF.
- The 49ers new Levi's Stadium is picked to host the 2016 Super Bowl.
- Tesla Motors repays its \$451.8M Department of Energy loan, nine years before it was due.

## June

- Cisco sells 150-acre site in Fremont near Interstate 880 and Auto Mall Parkway to Newport Beach-based, mixed-use developer Integral Communities.
- Google buys social navigation company Waze for \$966M.
- City of San Jose sues Major League Baseball over a hold-up in the City's proposal to move the Oakland Athletics to downtown San Jose.
- Men's Warehouse fires iconic founder George Zimmer.
- California State Controller reports that state revenue was nearly \$800 million dollars above expectations – citing employment growth and increased consumer spending.

# THE 2013 YEAR IN REVIEW

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY  
MARKET REPORT & FORECAST

## July

- Assembly Bill 93 and Senate Bill 90 pass and the San Jose Enterprise Zone is repelled, sunseting at the close of 2013.
- Mi Pueblo Foods files for Chapter-11 bankruptcy protection as a result of disagreements with its lender, Wells Fargo.
- Once the richest city in America, Detroit files for bankruptcy, becoming the largest city in U.S history to hit the reset button.
- An Asiana Airlines flight from Seoul crashes at San Francisco International Airport, killing three and injuring 181.
- Samsung Semiconductor breaks ground on its high-design, North San Jose project that will be 10-stories tall.

## August

- Cisco Systems, announces plans to cut 4,000 jobs, or roughly 5% of its work force, in an effort to trim costs and reorganize during what executives describe as a “challenging” global economic climate.
- The NASDAQ stock exchange halts trading across all securities in the early afternoon due to a technical issue, leaving traders in the dark for nearly three hours.
- SugarCRM announces \$40 million funding deal from Goldman Sachs.
- Yahoo beats out Google, Facebook, Amazon in web traffic.
- Steve Ballmer, Microsoft CEO, announces retirement plans.
- Google leases 500,000 square feet in Mountain View at the former Mayfield Mall.

## September

- Cisco sells eight buildings totaling 800,000 square feet, in North San Jose, to TMG Partners.
- After years of delay and costly overruns, the new eastern span of the San Francisco-Oakland Bay Bridge opens ahead of schedule.
- Peery-Arrillaga announces plans for a two million square foot San Jose mega campus.
- McCarthy Ranch Corp. sells 55 acres in Gilroy to United Natural Foods Inc., which is planning a major distribution plant at the site that will bring hundreds of jobs to Gilroy.
- Apple unveils the iPhone 5S and the cheaper iPhone 5C.

## October

- Congressional brinkmanship leads to a 16-day shutdown of the federal government.
- A combination of technical glitches, high demand and faulty coding renders healthcare.gov barely usable for its first month of operation.
- The San Jose Mercury News sells off its 36-acre campus along Interstate 880 in San Jose to Super Micro Computer.
- Cupertino approves Apple’s circular campus, which at 2.8 million square feet will be one of the largest single office buildings in the country.
- Google stock crosses the \$1,000 mark for first time.

## November

- American Airlines becomes the largest U.S airline after a bankruptcy judge approves merger with U.S. Airways Group, Inc.
- Twitter goes public in one of the hottest initial public offerings of 2013, leaping 73% in its first day of trading.
- JP Morgan pays \$13 billion in a settlement sparked by investigations into its mortgage-backed securities business.
- Typhoon devastates the central Philippines, killing thousands.
- Microsoft renews its 515,000 square-foot lease in Mountain View, in the largest lease transaction of 2013 in the Silicon Valley.

## December

- Yahoo buys streaming concert startup Evtlive.
- On the last day of the year, the Dow and the S&P 500 finish with their largest gains in over a decade.
- Jay Paul wins approval needed to move forward with Moffett Place, a 1.8 million-square-foot office campus.
- Apple stock closes 2013 just 1% higher than it began the year.
- Box.com lands \$112 million in VC funding.
- USAA Real Estate Co. purchases America Center, a 430,000-square-foot San Jose office project, from Legacy Partners. The project is home to Flextronics and Polycom.



## The Economy

The world economy had a good 2013, although for many it was a struggle, with the eurozone in recession for much of the year and living standards in most of the developed world still below their 2007 peak. But by the end, even the stragglers had started to catch up, and for them, the long nightmare of recession and its aftermath began to recede.

Though America's recession is said to have ended in mid-2009, what followed barely qualified as a recovery. Here in the U.S., despite having to cope with feuding over the federal budget, the economy seems to have picked up. Going into the final months of 2013, America's economy has been inundated with something rarely seen these last five years: optimism. Evidence of accelerating economic activity has slowly convinced policymakers and investors that the recovery may have overcome the multiple headwinds seen in recent years.

Here in the Silicon Valley, the outlook is even more optimistic. After years of what had started as an uneven and patchy recovery, the market seemingly strengthened in 2013 and our habitual climb out of a nasty recession just might be over. The Valley is home to consumers earning the highest wages in the country, a housing market that has in some areas surpassed their 2007 peaks, and companies with record profits. It appears to many, that here in the heart of the Silicon Valley, stability and growth have materialized.

Consumer confidence gained momentum 2013. The Conference Board said that its sentiment index climbed to 78.1 from 72 in November, exceeding expectations. This comes as no surprise, as in 2013 we saw the biggest employment gain in eight years, the rebound in housing, and record stock values that are boosting household wealth.

U.S. domestic product growth was 2.6% through the first three quarters of 2013. Fourth quarter growth was even higher at 3.2% according to early numbers released by the Commerce Department, a sign that the economy may have gained momentum during the final months of the year. Janet Yellen, the new chairman of the Federal Reserve, said in an interview

that she believes that the U.S. economic growth will accelerate in 2014 to an average of 3% per quarter. She added, "The recovery has been frustratingly slow, but we're making progress and we're getting people back to work, and I anticipate that inflation will move back to our longer-run goal of 2 percent."

The Federal Reserve Board did its part to give direction to businesses and consumers as well. Since November 2008, the Federal Reserve has gone through three rounds of quantitative easing to help stimulate the economy. Whether the efforts have helped for the long-term is still yet to be seen, but many expect the Fed's actions to start tapering off later this year. The Federal Reserve warned Congress mid-year that the U.S. central bank could slow its asset purchase program in the coming months. The market reacted as U.S. stocks slid with the Dow Jones Industrial Average dropping in the days that followed. In September, the Fed reported that it will continue its bond-buying program at \$85

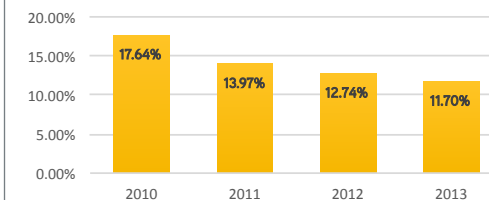
# OBSERVATIONS & FORECAST

COLLIERS INTERNATIONAL

2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

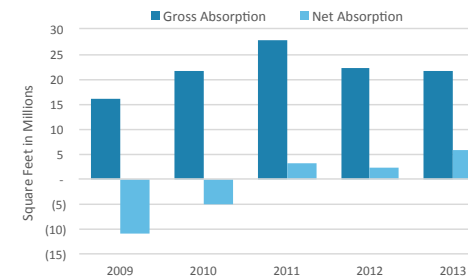
### Silicon Valley Availability

All Product Types



### Silicon Valley Absorption

All Product Types



billion in a decision that surprised the market, and the Dow rose back to record highs.

The U.S. national debt breached a record \$17 trillion in October 2013, greater than the economic output of the entire country. This was immediately following the end of the government shutdown and the debt ceiling was raised thanks to policy makers. Democrats and Republicans ended the stalemate by forming a budget conference committee to try and agree on how to lower the debt. This debt crisis has been ongoing since 2011 when the U.S. headed toward a debt default and continued with the fiscal cliff crisis in 2012. In 2013, the debt-to-GDP ratio reached 99%.

Economists are expecting to see U.S. consumer prices increase in 2014; however, inflation is expected to remain below the Federal Reserve's target of 2.0%. According to PricewaterhouseCoopers, their forecast sets GDP growth at 2.7% with inflation increasing 1.8% in 2014.

Despite drastically decreasing the \$15.7 billion budget deficit that California faced in 2012, the question still remains of the State's financial future. California no longer has a budget deficit, and tax receipts are far ahead of expectations—even producing a surplus. However, the dysfunction in Washington still poses a threat to the progress of California's economy. In June 2013, it was reported by the Office of the State Controller that state revenue was nearly \$800 million dollars above expectations. State controller John Chiang said in a press release, "California continues to show signs of recovery". He also added that "Higher revenues reflect growing employment, increased consumer spending and a resurgent housing market."

The national unemployment rate fell to 6.7% from 7.9% during 2013. The 1.9 million jobs gained in 2013 were slightly higher than the gains experienced in 2012 and 2011. The economy added an average of 158,000 jobs per month in 2013. It

was announced in a report by Challenger, Grey & Christmas, that job cuts fell to the lowest level of the year in December as US-based employers reported plans to reduce payrolls by 30,623 during the month. That was down 32% from November and was the lowest job-cut month in more than 13 years. The last time employers announced fewer job cuts was June 2000.

The unemployment rate in California fell to 7.9% in 2013, down from the recorded 9.8% at the end of 2012. According to the Bureau of Labor Statistics, the state unemployment rate is 1.2 percentage points higher than the national average. The unemployment rate in California peaked in February 2010 at 12.4%, and is now 4.5 percentage points lower.

California added more than 400,000 new jobs during 2013; more than 30,000 of those were right here in Santa Clara County according to figures released by the Bureau of Labor Statistics in December 2013. San Jose is closer to pre-recession levels than anywhere else in California. The San Jose metropolitan area started 2013 at 8.2% unemployment, with the Bureau reporting a preliminary rate of 5.8% in December 2013.

In 2013, Silicon Valley was home to three of the top six counties with the highest average weekly wages, according to a report published by the Bureau of Labor Statistics. Santa Clara County ranked number one, where workers bring home an average of \$1,810 per week, nearly double the national average of \$921 per week. San Mateo and San Francisco counties ranked third and fourth, respectively on the same list. San Jose has a median household income of \$77,000, well above the national median of \$51,000.

Consumer confidence is definitely up as the economic rebound gathers more steam. Borrowing in the U.S. increased in 2013, reflecting a gain in non-revolving debt such as student loans and auto loans. An improving job market and rising household wealth are giving

Americans the confidence to borrow after years spent cleaning up their balance sheets. Further gains in consumer spending, which accounts for 70% of the economy, will be needed to drive demand for credit beyond loans for big-ticket item purchases such as automobiles.

Foreclosures and default notices, which overwhelmed California and the greater Bay Area just a few years ago, have now slowed to a trickle. The good news is that foreclosure activity continues to drop, in large part due to the decrease in new-foreclosure activity. Newly started foreclosures in California are down 59% from a year ago.

Housing looks to have turned the corner as well. According to the U.S. Census Bureau, permits issued for new homes in November 2013 were at a seasonally adjusted annual rate of 1.1 million, up 29% from the previous year. The National Association of Realtors reports existing home sales were at a seasonally adjusted, annualized rate of 4.9 million in November, down 1.2% compared to 2012. This is the first time in 29 months that sales were down on a year-over-year basis.

Although the national housing market is struggling to maintain momentum, here in the Silicon Valley many markets have already surpassed their 2007 peaks. The average home sales price in Santa Clara County rose by 18.9% year-over-year to \$993,598 in 2013. The National Association of Realtors estimates that we will continue to see growth in the residential market in 2014. Prices will continue to increase year-over-year, but at a slower rate than witnessed in 2013.

Aggressive bond-buying by the Federal Reserve pushed the average rate on a 30-year mortgage below 4% for nearly all of 2012, bottoming out at less than 3.4% at the end of that year, the lowest in 65 years. Going into 2013, mortgage rates leveled off in the mid-4% range. Economists estimate that interest rates will increase throughout 2014, settling in the mid-5% range by the end of the year.



*The unemployment rate in California fell to 7.9% in 2013, down from the recorded 9.8% at the end of 2012. According to the Bureau of Labor Statistics, the state unemployment rate is 1.2 percentage points higher than the national average. The unemployment rate in California peaked in February 2010 at 12.4%, and is now 4.5 percentage points lower.*



*The trademark of the current market cycle lies in the occupancy growth that the Valley is experiencing. That growth has come about as the gap between three forces reaches an unprecedented equilibrium. Those forces are gross absorption, space that is being vacated, and new construction.*

Venture capitalists invested \$29.4 billion in 2013, a 7% increase from 2012 according to the MoneyTree report by PricewaterhouseCoopers. The total number of deals also increased by 4% to reach a total of 3,995 deals in 2013. Software companies captured more than one-third of total VC funding in 2013, totaling \$11 billion in 1,523 deals. According to the MoneyTree report, dollars invested in internet-specific companies and software companies reached the highest levels since 2001 and 2000, respectively.

Strong demand for initial public offerings continued throughout 2013, capping a robust year for the capital markets and setting the stage for continued growth in the new year. According to PriceWaterhouseCoopers, total IPO volume for 2013 reached 237 public company debuts, surpassing the overall volume of 146 in 2012 and representing the most active environment for newly listed companies since 2007. According to a study by BDO USA, polled capital-markets executives are projecting continued growth in IPOs on U.S. exchanges in 2014. However, 43% of respondents cite the Federal Reserve paring back monetary stimulus as the largest threat to any expected growth.

Stock prices climbed relentlessly in 2013, closing at all-time highs on the final day of the year. The Dow Jones Industrial Average closed at an all-time high of 16,576.66, up 26.5%, its best annual performance since 1995. The benchmark Standard & Poor's 500 was up 29.6% in 2013, to 1848.36, its best gain in 16 years. The Nasdaq composite was also up in 2013, recording a 38.3% increase to 4176.59, a level not seen since September 2000.

The tech rebound remains firmly in place, and businesses that call the Silicon Valley home are seemingly in the best shape they have been in years. The Silicon Valley is leading the state in growth, and the state continues to lead the nation. Silicon Valley should continue to add jobs in total, as one of the strongest regions and sectors in the United States in terms of the labor market. The fog of the recession has cleared here in the Valley and continued progress remains on the horizon.

### The Commercial Real Estate Market

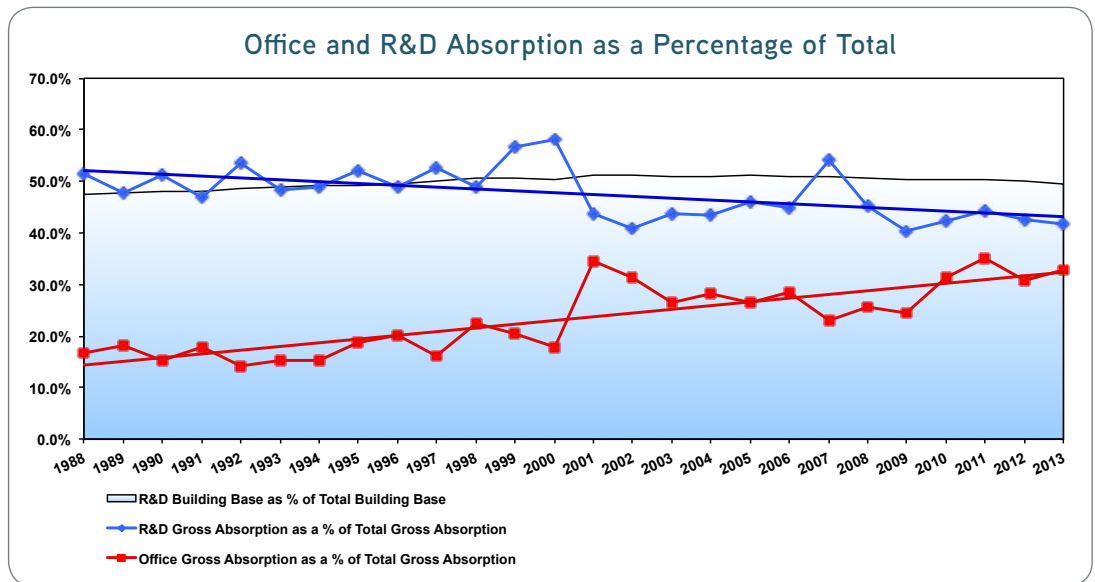
Colliers' forecasts for gross and net absorption were on the money across all product types in 2013. With the market having settled into a relatively consistent and predictable pattern, one might think that 2014 should bring about similar results. For sure, our Silicon Valley agents remain bullish as we move into 2014 and there are no overt signals that activity levels will change significantly in the near term. Likewise, the time horizon of our confidence has improved from a year ago as the nation's recovery continues to gather steam. For these reasons, Colliers anticipates another strong year for the Valley's commercial real estate market.

Turning to the numbers themselves, we do not expect that gross absorption will blow the doors off any records. The current pattern is noteworthy for its consistency, not its extremes. In fact, a shrinking inventory base and limited market choices will continue to suppress activity levels in both the industrial and warehouse sectors. At the same time, traditional R&D activity continues to represent a declining share of absorption overall. These dynamics are not temporary and the office sector alone cannot make up for industrial,

warehousing, and research & development operations that no longer have the presence here they once did.

The trademark of the current market cycle lies in the occupancy growth that the Valley is experiencing. That growth has come about as the gap between three forces reaches an unprecedented equilibrium. Those forces are gross absorption, space that is being vacated, and new construction. Too often in the past, the Valley would either experience too much new development, not enough leasing activity, or a shedding of space by companies going out of business, reducing headcount, or moving out of the area. Today, activity levels are consistent, there is a modest pipeline of new construction that is generating robust activity, and the pipeline of space getting vacated is at its lowest in 25 years. Throw those three data points up against the wall and what you get is robust occupancy growth across the Valley.

Colliers accurately forecasted that 2013 would be a bigger year for occupancy growth with or without an increase in gross absorption. That dynamic is likely to continue in 2014. Overall gross absorption has settled into a consistent range of





5.0-6.0 million square feet per quarter. Meanwhile, an average of 4.5 million square feet is vacated each quarter. Add in the nearly 1.5 million square feet of under construction space that will be occupied in 2014, and the back-of-the-napkin run-rate for net absorption in 2014 is more than 6.0 million square feet. That is our optimistic, yet achievable, estimate for occupancy growth in the new year.

The office market will lead the charge in 2014 as it has since the dot.com boom. Colliers is currently tracking nearly 2.7 million square feet of new construction that is expected to be completed in 2014, 1.2 million square feet of this will be new office space. Activity in the office sector has remained steady over the course of the last two years, on the heels of a record 2011. Momentum heading into the new year is strong, thanks to a slight uptick in office activity over the final three quarters of 2013.

With more than 1.5 million square feet of office absorption in the pipeline, Colliers estimates that with sufficient employment growth, office occupancy alone could expand by as much as 3.0 million square feet in 2014. Activity levels, which have been strong for three years and consistent for two, should remain steady. That translates to upwards of 7.0 million square feet of office gross absorption for 2014.

R&D gross absorption should inch upward from its steady pace of 2.0 million square feet of leasing and user-sale activity per quarter. As more R&D product is reconfigured to meet the needs of office users, these renovated R&D buildings will eke out a market niche which should be enough to bump gross absorption to the 9.0 million square foot range again. That forecast should be enough to produce 2.0 million square feet of occupancy growth for the R&D sector in 2014.

Turning to the industrial sector, a shrinking availability rate will limit choices for businesses looking to start or expand operations. Established businesses will tend to hold on to space they have unless they are able to find compelling options elsewhere. Those trends were strikingly evident in 2013 and will be the story again for 2014. As a result, industrial gross absorption is likely to top out somewhere around 3.0

million square feet. Strong business fundamentals will enable industrial occupancy to increase but not as much as it would if there were more space options. Colliers is calling for a 600,000-800,000 square-foot occupancy gain in 2014 for the industrial sector.

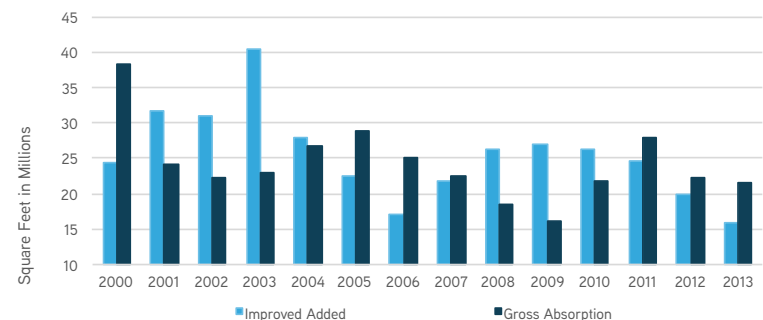
There are still companies that need warehouse space in the Silicon Valley and the improving economic climate along with the first new construction in years, is likely to boost leasing activity above 2013 levels. As with the industrial marketplace, space options are limited in the warehouse sector. Many of the deals we see are from third-party logistics companies or companies doing more than just warehousing, such as recyclers and home furnishing companies. We could see a few more of those deals in 2014, provided there is space to accommodate the demand. Look for 2.4 million square feet of warehouse activity during 2014, with net absorption approaching, and possibly exceeding 500,000 square feet.

Upward pressure on rents for all types of properties will prevail in 2014. While the momentum may ease a bit from 2013, the economy remains strong and there is no overbuilding threat to stop or reverse the current trend. Office and R&D rents have not hit their dot-com peaks, lending further evidence that there is room for landlords to push the envelope, and for tenants to accept their medicine or lose out on space to another user that is ready and willing to pay the price. Many tenants will continue to renew leases in order to minimize their exposure to skyrocketing occupancy costs, but Colliers anticipates that landlords are feeling more bullish too, and are more likely to call the bluffs of their existing tenants that threaten to move. Many of these landlords have more stable portfolios with lower vacancy rates, and they may be willing to lose a tenant here and there if it means they can upgrade their tenant mix, while improving their income stream and property values at the same time. Colliers expects another 10-15% increase in rents overall during 2014, with submarkets varying up or down from that average depending upon product type and submarket supply and demand.

## Silicon Valley All Product

Date	Available Vacant Direct	Available Occupied Direct	Available Sublease	Total Current Available	Vacancy Rate	Availability Rate	Available Under Construction	Current and Pending Availability
4Q 2013	27,900,744	4,635,186	4,209,791	36,745,721	9.75%	11.70%	752,031	37,497,752
3Q 2013	29,124,514	5,329,017	4,209,307	38,662,838	9.96%	12.32%	859,193	39,522,031
2Q 2013	30,031,917	5,251,025	4,257,735	39,540,677	10.20%	12.56%	600,679	39,853,256
1Q 2013	31,958,000	4,559,513	4,274,208	40,791,721	10.89%	12.98%	885,909	41,677,630
4Q 2012	33,367,341	3,058,161	3,595,383	40,020,885	11.36%	12.74%	781,292	40,802,177
3Q 2012	33,746,218	3,527,545	3,822,910	41,096,673	11.38%	13.06%	479,092	41,575,765
2Q 2012	35,371,291	3,488,128	3,556,471	42,415,890	11.86%	13.45%	1,048,187	43,464,077
1Q 2012	36,729,385	2,672,278	3,434,076	42,835,739	12.41%	13.60%	566,031	43,401,770

## Silicon Valley All Product Improved Added vs. Gross Absorption



## Absorption Breakdown - Silicon Valley

	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
<b>Building Inventory:</b>	315,043,926	315,469,361	314,782,217	314,216,044	314,305,284	314,770,785	313,929,125	314,126,923
<b>Availability:</b>	42,835,739	42,415,890	41,096,673	40,020,885	40,791,721	39,540,677	38,662,838	36,745,721
<b>Absorption:</b>								
Gross	5,987,278	5,397,536	5,814,743	5,027,499	4,949,496	6,104,063	5,160,134	5,446,379
Net	(293,292)	1,457,405	1,003,117	232,135	1,310,059	2,670,060	1,175,579	564,359
Effective Net	2,361,726	1,005,686	1,830,453	2,510,813	585,788	2,419,761	1,913,883	1,877,429
<b>Completed Construction:</b>	0	425,435	52,500	417,800	318,000	1,055,719	481,576	639,727
<b># of Avails by Size</b>								
< 10K SF	2338	2254	2173	2017	2006	1844	1726	1666
10K to 29K SF	612	567	536	494	503	465	439	422
30K to 59 K SF	200	202	198	188	193	184	182	170
60K to 99K SF	125	124	117	116	122	126	126	123
100K SF +	39	40	40	42	45	44	44	47

# OFFICE

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST | OFFICE MARKET

## Unshakeable Office Optimism

During 2013, Office activity was strong in the Silicon Valley, registering a total of 7.08 million square feet of gross absorption. Year-over-year, office activity was up 3.3% from 2012. Although total demand was slightly less than what Colliers had anticipated, the 7.08 million square feet of gross absorption is still indicative of a healthy year and lands 2013 in the top 10 when ranking annual results for office leasing and user sales.

After two consecutive years of positive net absorption, the office sector extended its streak to three years with an occupancy gain totaling 2.19 million square feet. This was exactly in line with Colliers' forecasted 2-million-square-foot increase, and nearly double the 1.2 million square feet recorded in 2012. The last time office net absorption was higher was in 2006, when Colliers recorded a 2.63 million-square-foot occupancy gain.

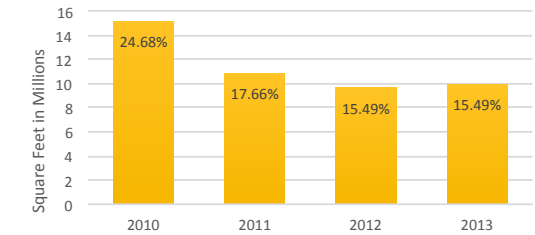
The office sector's availability rate held steady in 2013, closing the year at 15.5% overall, unchanged from one year prior. Although the year closed with slightly more available space, the building base increased by 2.9% during the year, allowing for the availability rate to hold steady and net absorption to be positive.

Helping the office market along in 2013 was the lower level of pre-improved or "rollover" space that came onto the market during the year. In 2013, 4.9 million square feet of rollover space found its way to market, the first time since 2006 that recycled supply has been below the 5-million-square-foot mark.

Construction and preleasing activity in the office sector remained strong in 2013. Another encouraging indicator for the office market is the preleasing activity ascribed to buildings either currently under construction or part of build-to-suit agreements. We reported on this same trend in 2012 and expected to see the impact of these transactions occur throughout 2013. This was exactly the case. Throughout 2013, Colliers recorded

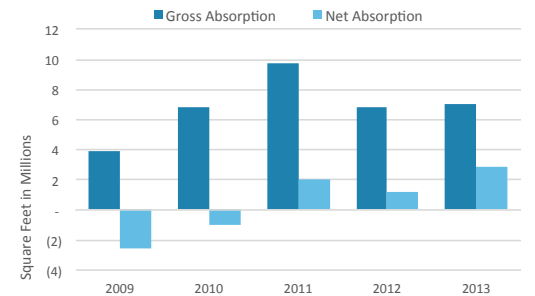
### Silicon Valley Availability

Office Product



### Silicon Valley Absorption

Office Product



1.4 million square feet of office absorption that was due to users occupying build-to-suits that were inked during 2011 and 2012.

Some of the noteworthy new transactions that occurred in 2013 that will not show up in statistics until occupied, were Google signing-on for an additional 232,000 square feet at the Jay Paul's Technology Corners, as well as entering into a second build-to-suit agreement with Sobrato Development for 168,895 square feet in Mountain View. Netflix also finalized their lease agreement for two new buildings totaling 242,500 square feet in Los Gatos being developed by Peter Pau.

At the end of 2012, Colliers accurately forecasted that weighted-average starting rents would continue to climb and would eclipse the \$3.00 per square foot mark. Starting rates climbed 25.2% throughout



2013, closing the year at \$3.48 per square foot, full service. However, when comparing all office deals in 2012 to all office deals in 2013, average starting rents were up only 6.6%. Average asking rents in the office sector followed a more consistent trend line in 2013 and were up 12.4% from 2012 and 21.8% from 2011.

#### Office Hot Spots

The Sunnyvale office market continued to shine, posting another big year in 2013. The 1.16 million square feet of office gross absorption

activity that was experienced in 2012. Office gross absorption in Silicon Valley's largest city totaled 2.04 million square feet compared to 1.57 million square feet in 2012. The San Jose office market generated just over one-quarter of Silicon Valley's total office activity for 2013. San Jose posted a healthy occupancy gain measuring 465,940 square feet. As a result, the total amount of available space in San Jose fell 4.3% since the beginning of 2013, leaving the office availability rate at 18.7%, year end. Notable office deals in San Jose include Cavium Network's lease of

similar year for exceptional sales activity in this submarket with 1.44 million square feet of sales. The average sale price in 2007 was \$278.48 per square foot and in 2012/2013 it was \$236.87 per square foot, off about 15% from those peak prices.

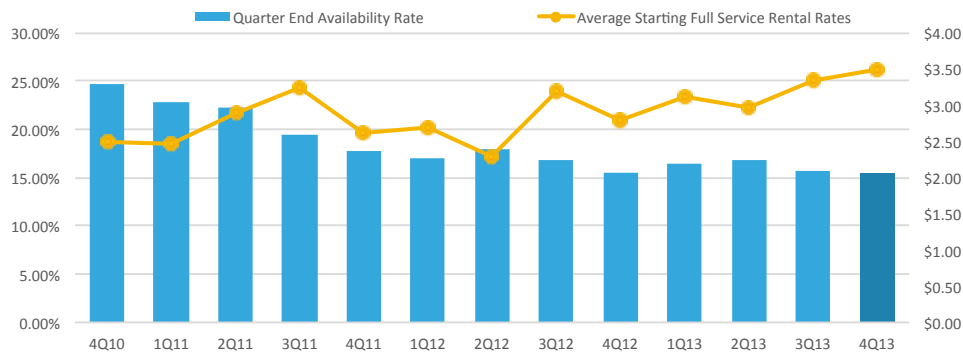
Activity was stable in the Santa Clara market. At 1.61 million square feet of gross absorption, Santa Clara's level of office activity was only 1% less than the 1.62 million square feet produced in 2012. This amount of demand translated to significant net absorption of 567,763 square feet, the largest office occupancy gain in Santa Clara since 2005. Significantly, the occupancy gains were consistent throughout the year with positive net absorption posted in all four quarters. Leading the way was NVIDIA's sublease of Renesas' former space on Scott Boulevard for a total of 200,000 square feet, and Abbott Laboratories' lease of 118,320 square feet on Great America Parkway.

Gross absorption in the Palo Alto office sector jumped 7.8% in 2013, representing demand of 768,990 million square feet. Of note, there were no office deals over 100,000 square feet for the second year in a row, with more than half the activity in 2013 coming from deals less than 10,000 square feet. Notable deals include SAP's expansion into an additional 35,495 square feet on Hillview Avenue and Adaptive Planning leasing 30,000 square feet on West Bayshore Road. Palo Alto remains a choice destination for start-ups and cutting edge social media companies. In 2013, even Google staked its claim in Palo Alto acquiring a collection of properties, including a 35,000 square-foot office building on Bayshore Road.

#### Looking Forward

When the Office numbers shook out for 2013, there were some striking similarities to 2012, and a few dissimilarities as well. Gross absorption in the two years was nearly identical, while net absorption almost doubled. Unlike in 2011, when

### Silicon Valley Office Rent vs. Availability Rate Trends



that Sunnyvale recorded was the fourth best on record. However, it should also be noted that it includes 675,481 square feet from Juniper Networks and Lab 126, as their buildings were completed and occupied in 2013. Likewise, 2013 produced an occupancy gain of 771,685 square feet, also the fourth best on record for Sunnyvale's office market. Big deals continue to be the story in Sunnyvale. New deals in 2013 included Wal-Mart leasing 107,000 square feet on California Avenue and Go-Daddy and Plaxo both wrapping up new leases at Jay Paul's Moffett Towers on Enterprise Way.

Leasing and user-sale activity in San Jose picked right back up in 2013 after a minor drop-off in

110,881 square feet on North First Street and Viradent Systems signing-on for 67,861 square feet on Technology Drive.

A once quiet submarket, Downtown San Jose, also experienced an increase in activity during 2013. Registering 232,963 square feet of occupancy gain, this ends a two year streak of occupancy loss for this area. Sales activity also boomed in this submarket. In the 12-month period from December 2012 to 2013, there were eight office buildings sold in Downtown San Jose for a record-setting total of 1.49 million square feet. During the prior ten years, the Downtown market saw an average of 250,000 square feet of sales per year. Notably, 2007 was the last



*In the Palo Alto office market, \$1,000 per square foot became the new norm in 2013, as investors paid top dollar for buildings in its core downtown location. 130 Lytton, 661 Bryant, and 555 Hamilton all sold in the fourth quarter of 2013 with price tags above \$1,000 per square foot mark.*



*Apple, Global Foundries, Google, and LinkedIn are amongst those scheduled to occupy office projects slated for completion this year. Whether Apple and Google have the same appetite for new deals in 2014 remains to be seen. Colliers is tracking nearly 1.5 million square feet of office space that is under construction and scheduled for occupancy in 2014. This is almost identical to the amount of newly constructed office space that was occupied in 2013.*

we saw a spike in office deals above 60,000 square feet, the number of deals done across all size ranges was fairly consistent between 2012 and 2013. Above 40,000 square feet, 18 deals were done in 2013, compared to 22 in 2012. This trend of consistency, which now spans more than two years, is expected to continue into 2014. We hope and expect that economic conditions will penetrate deeper and expand further into the Valley and that we will see more office deals during 2014 in sizes below 20,000 square feet.

Office gross absorption consistently tracked above 1.7 million square feet in each of the last three quarters of 2013 and has exceeded that figure in eleven out of the last thirteen quarters. At the same time, the amount of office space rolling over and becoming vacant continues to decline. During 2013, an average of 1.2 million square feet of office

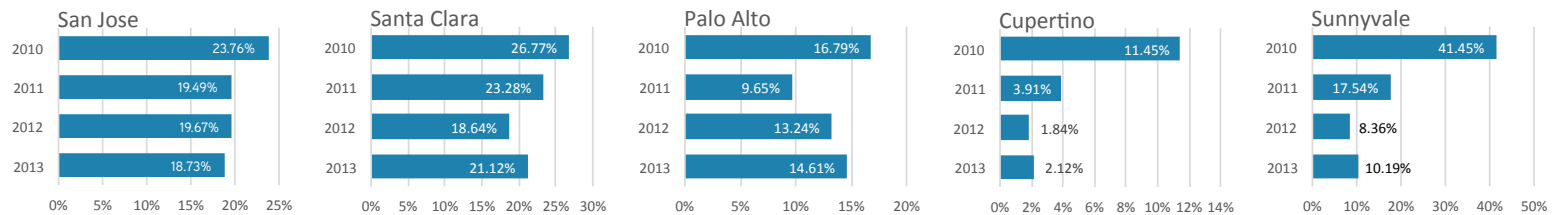
space was vacated each quarter. All totaled, the 4.9 million square feet of office space vacated in 2013 was the lowest amount since 2006 and second lowest since 2000. The 4.9 million square feet vacated in 2013 is 13.8% less than the 5.7 million square feet vacated in 2012. Clearly, the statistics are ripe for healthy net absorption results in 2014.

The limited number of blockbuster deals is also a similarity between 2013 and our 2014 forecast, and will serve to keep overall office activity well below the record set in 2011. Our crystal ball suggests office gross absorption will average 1.50-1.75 million square feet per quarter in 2014, which is on par with the 7.08 million square feet of gross absorption recorded in calendar year 2013.

Office net absorption stands a good chance to eclipse 2013's occupancy gain of 2.19 million square feet. As noted, activity is solid and consistent, space rollover is at an all-time low, and nearly 1.5 million square feet of net absorption is already teed up. Net absorption requires solid employment growth and Silicon Valley continues to post strong numbers, as evidenced by the nearly 30,000 jobs gained in 2013. Barring any sudden turn of events, office net absorption could reach 3.0 million square feet in 2014, which would be a new record for Silicon Valley, eclipsing the 2.82 million square feet of net absorption in 2000.

Office rents are extremely submarket sensitive and we are likely to see some areas with little movement in 2014 while other submarkets trend up another 10-15%.

### Selected Cities Historical Availability Rate Trends - Office



### OFFICE LEASING & SALES ACTIVITY

#### SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
860 California Avenue, Sunnyvale	107,000	Principal Financial	Wal-Mart Stores, Inc.	Lease
3355 Scott Blvd, Santa Clara	82,099	Menlo Equities	Akamai Technologies	Lease
55 Almaden Boulevard, San Jose	69,550	Embarcadero Capital	Bridge Bank	Lease/Expansion
40 S. Market St, San Jose	41,569	Post Street Corporation	San Jose Evergreen Community College	User Sale
10 Almaden Boulevard, San Jose	41,151	Equity Office Properties	Apigee	Lease





# R&D

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

## R&D Revolution

The Silicon Valley R&D sector continued to move forward in 2013. While R&D demand decreased 5% in 2013 compared to the levels measured in 2012, it closed the year with a solid 9.02 million square feet of gross absorption. Although R&D demand has not reached its prerecession norm of more than 10 million square feet per annum, totals recorded in 2013 were expected and spot-on with Colliers' forecast of 9.0 million square feet for the year.

Total occupancy gain was of notable size in 2013; the R&D sector recorded its third straight year of more than one million square feet of positive net absorption, weighing in at 1.91 million square feet. This is a 10.8% increase from the occupancy gain recorded in 2012, and a 30.7% increase from 2011. However, the R&D occupancy gain in 2013 was weighted significantly towards the first half of the year, as the fourth quarter closed with an overall occupancy loss to the tune of 241,804 square feet.

Growing stability is a function of both supply and demand. On the supply side, the pipeline of pre-improved R&D space that came on the market in 2013 declined for the fourth straight year, from 7.76 million square feet in 2012 to 7.10 million square feet in 2013, a drop of 8.5%. This decrease in rollover space is indicative of the stabilizing market and the total is the lowest Colliers has recorded since beginning to track absorption in 1988.

With decent demand and a subdued pipeline of pre-improved space coming to market, the R&D availability rate continued to decline steadily in 2013. Total available R&D space dropped 5.7% in 2013, settling at a 13% overall availability rate at the close of the year. This translates to 20.2 million square feet of available space in the Silicon Valley's R&D market, the lowest total since 2006.

The weighted-average asking rent for R&D space in the final quarter of 2013 was \$1.36 per square foot NNN, up 4.6% from the same period the prior year and 18.3% from the same period in 2011. This increase is in line with Colliers' expectations of a

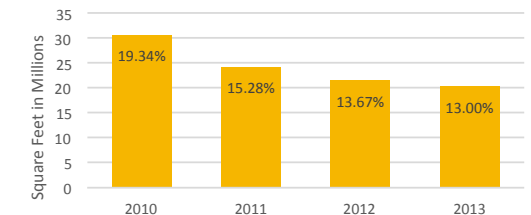
5-10% increase throughout the year. Additionally, the weighted-average starting rent for all R&D deals done in 2013 increased 3.5%, from the 2012 weighted-average start rate of \$1.43 per square foot NNN to \$1.48 per square foot. This is also in line with what Colliers had forecasted at the end of 2012.

### R&D Hot Spots

There are a number of positive results to speak of when looking at the R&D market overall. Activity in 2013 was more evenly distributed in 2013 than that recorded in previous years. Six cities in the Silicon Valley posted more than one million square feet of gross absorption, compared to only four in 2012. Moreover, the slight drop in total activity is secondary to the increase in R&D net absorption. This greater occupancy growth is happening because less space is flooding to the market, whether it be pre-improved R&D space or new construction.

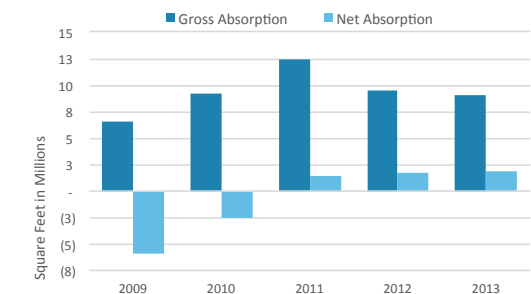
### Silicon Valley Availability

R&D Product



### Silicon Valley Absorption

R&D Product







San Jose is home to nearly one-third of the Silicon Valley's R&D building base, and accounted for 25.3% of the total activity in 2013. The 2.28 million square feet of leasing and user-sale activity in 2013 was just a small drop-off of 8.2% from the 2012 total of 2.49 million square feet recorded. Activity slowed during the second half of the year, as the first and second quarters accounted for 64.3% of the total activity during 2013. As a result of this slowed activity, San Jose posted an occupancy loss of 135,598 square feet in 2013. Net absorption turned negative when a handful of large spaces became vacant during the fourth quarter. To name a few, Autonomy moved out of 110,000 square feet on Tasman, and Phillips also moved out of 101,582 square feet on North First Street during the quarter. The largest R&D deal in San Jose for 2013 was a user sale: Kaiser Foundation Health Plan purchased 193,063 square feet on Technology Drive. Nimble Storage was another major contributor, leasing 164,608 square feet on River Oaks Parkway. Both of these deals were signed in the first half of the year.

Sunnyvale posted modest results in 2013. R&D gross absorption dropped nearly 40% in Sunnyvale from 1.76 million square feet in 2012 to 1.06 million square feet in 2013. This now marks the third straight year of declining R&D activity in Sunnyvale. Still, Sunnyvale generated an occupancy gain measuring 166,988 square feet for the year. Total available R&D space in Sunnyvale is hovering around the 2.1 million-square-foot mark, and the city's R&D availability rate remained below the 10% mark for the second consecutive year. Average asking rates in Sunnyvale have increased 10.8% since 2012 and 45.9% since 2011, to rest at \$1.94 per square foot, NNN.

Fremont posted the largest amount of new user activity for the East Bay during 2013 with 1.7 million square feet of R&D gross absorption. This is an 11.9% increase from

activity measured during 2012, and spot on with its 10-year average of 1.7 million square feet of annual activity. What may be even more impressive is that Fremont was able to record such gains without a single deal over 100,000 square feet. Four of the five largest R&D deals in Fremont during 2013 were user sales. These included Genmark's purchase of 83,108 square feet on Lakeview Boulevard, and Photo USA's purchase of 78,048 square feet on Landings Parkway.

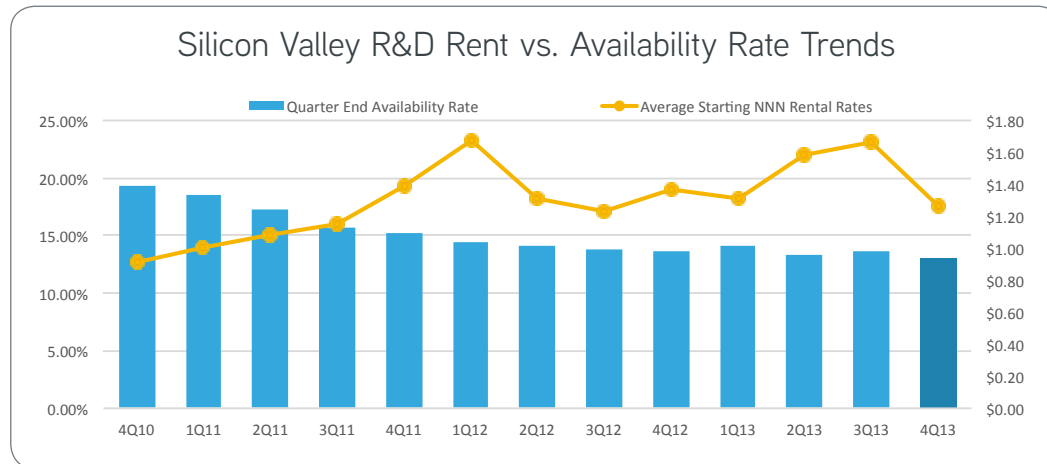
Further demonstrating that the recovery is spreading, Morgan Hill recorded more than five times the amount of activity recorded in 2012. Posting 398,806 square feet of R&D gross absorption, this is the largest amount of activity recorded in Morgan Hill since 2001. This amount of activity led the way for an occupancy gain of 272,232 square feet, the highest gain since 1999. Although much of this can be attributed to the Shoe Palace's purchase of 240,400 square feet of vacant space on Jarvis Drive, total available space in Morgan Hill's R&D submarket nevertheless dipped below the 10% mark in 2013 to 6.2% overall. It is the first time since 2001 that Morgan Hill's R&D availability rate has been in the single-digit range.

**Looking Forward**

With office vacancy rates dipping into the low single digits in favored submarkets, and investors seeking redevelopment opportunities with upside, some sleepy R&D markets are garnering renewed interest from Silicon Valley users. Demand has moved south to San Jose and has even wrapped around the Bay into Fremont. Some of that demand is simply attributable to an improved economy, but much of it has also been driven by users that cannot find the space they need at the price they're willing to pay in cities like Sunnyvale and Mountain View.

Truth be told, much of the activity Colliers ascribes as R&D is really office leasing in R&D buildings. The Silicon Valley has transformed and that transformation is best evidenced by the new product that we see under construction. Those developments are almost entirely office projects designed for technology companies. Of the 3.5 million square feet currently under construction, 2.34 million square feet of it, or 67%, is office space. It is impossible to say exactly how much of the 9.02 million square feet of R&D absorption was from pure office tenants, but a poll of Colliers brokers estimates

*It is impossible to say exactly how much of the 9.02 million square feet of R&D absorption was from pure office tenants, but a poll of Colliers brokers estimates that more than 80% of the space we call R&D is being used in an "office" capacity.*





*Today's tenants want a facility that will help them hire the best and brightest employees. Furthermore, companies are placing more emphasis on being with a landlord who has a portfolio where they can terminate a lease and expand without having to sublease their prior site.*

that more than 80% of the space we call R&D is being used in an "office" capacity. That is a far cry from the 1/3 office, 1/3 manufacturing, and 1/3 warehouse that much of our R&D building base was built to accommodate.

Today's tenants want a facility that will help them hire the best and brightest employees. Furthermore, companies are placing more emphasis on being with a landlord who has a portfolio where they can terminate a lease and expand without having to sublease their prior site. Investors have caught on and are jumping at opportunities to reposition R&D properties accordingly.

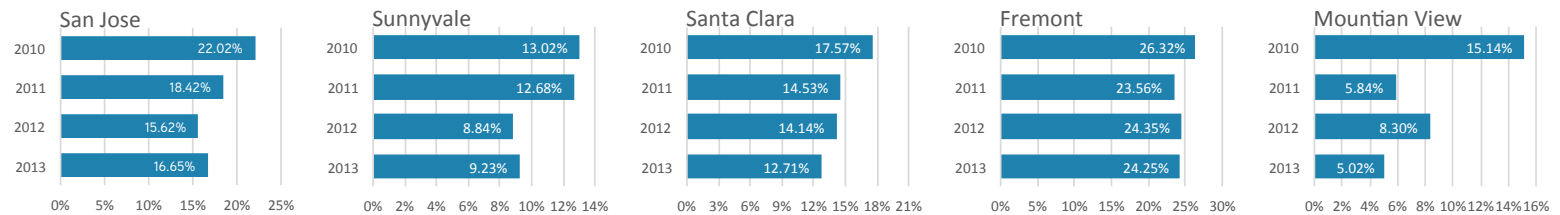
R&D gross absorption has been steadily churning at a 2.0 million square foot per quarter run-rate for 18 quarters, so it is a pretty safe bet that this should continue in 2014. Given market forces that are steering users towards reconditioned product, Colliers expects that R&D gross absorption could scale above 9.0 million square feet again this year.

As we are seeing in other sectors, less R&D space is being vacated and offered to the market for lease than in any recent year. There is no reason to believe that trend will not continue in 2014. R&D users are going to be more inclined to renew versus relocate in order to preserve their

economics. If they have to move, it is more likely because they are growing rather than because they are consolidating. At the current run-rate, we expect a little more than 7.0 million square feet of pre-existing R&D space will be vacated in 2014, which suggests R&D occupancy growth on the magnitude of 2.0 million square feet or more for the year ahead.

Rents are on the upswing and with the repositioning of R&D product to compete at a higher level, expect to see R&D rents increase on an annualized basis by at least 15% in 2014.

### Selected Cities Historical Availability Rate Trends - R&D



### R&D LEASING & SALES ACTIVITY

#### SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
Northport Loop, Fremont	237,312	Bentall Kennedy (U.S.) LP	Quanta Computer	Renewal
47201-47211 Lakeview Boulevard, Fremont	169,668	REIT Management & Research, LLC	Boston Scientific Corporation	Lease Renewal
2801-2881 Scott Blvd., Santa Clara	102,867	Rockpoint Group	Renesas Electronics	Lease
5550 Hellyer Avenue, San Jose	78,794	Divco West Group, LLC	CTS Electronics	Renewal
401 Whitney Place, Fremont	72,776	South Bay Development	Champion Telecom, Inc	Lease
560 Cottonwood Drive, Milpitas	66,570	iStar Financial	Stellartech Research Corporation	Lease







## Industrial Squeeze

It was a modest year for the Silicon Valley's industrial sector. Activity was down slightly from 2012, measuring 2.96 million square feet of gross absorption. This was the first time in five years that the Silicon Valley has recorded less than 3.0 million square feet of activity in the industrial sector and was also well below Colliers' forecast of 3.75 million square feet for the year.

Quarterly activity dropped by more than 20% from 2012 levels, not once surpassing the 1.0 million square foot mark during 2013. At the close of 2013, the industrial gross absorption tally of 2.96 million square feet was 21% less than the 3.75 million square feet reported in 2012 and 25% lower than activity measured in 2011.

Despite the lower levels of activity, the industrial sector managed to post positive net absorption in 2013. By year-end, the industrial sector recorded 740,665 square feet of positive net absorption, nearly a four-fold increase from the occupancy gain of 149,495 square feet in 2012. Weighing heavily in those results was Seagate's acquisition and occupancy of the Solyndra facility in Fremont, measuring 314,697 square feet. Net absorption also benefitted from very low turnover of space. The amount of preimproved industrial space added to available supply totaled 2.2 million square feet for the year. This marks the first time since 2006 that preimproved space added to available supply was less than 3.0 million square feet and the lowest that Colliers has recorded since tracking absorption statistics.

The industrial availability rate declined from 7.7% to 5.8% over the course of 2013. It is the first time since the first quarter of 2001 that the industrial availability rate has fallen below 6.0%. Total available industrial space now measures 3.2 million square feet, a 25.6% decline from one year earlier.

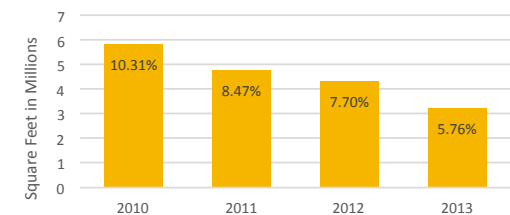
Despite a relatively good year for the industrial sector, weighted average asking rates remained

flat in 2013. At the close of the year, recorded asking rates were 2.5% less than those recorded in 2012. This decline can be directly correlated to the lack of quality space available on the market; with only subpar space available, these lower-rent spaces drag down the weighted average. When comparing average start rents for deals closed, weighted-average start rents were up by 1.6% in 2013, from \$0.63 per square foot to \$0.64 per square foot, NNN.

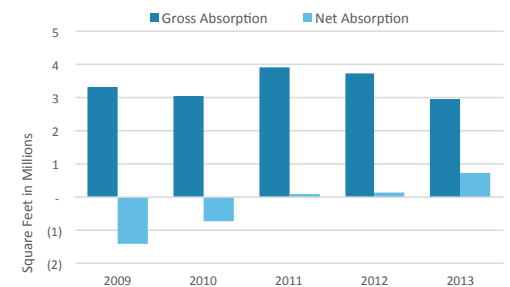
### Industrial Hot Spots

San Jose proved to be the cornerstone of the Silicon Valley's industrial sector, accounting for just over 40% of the activity during 2013. The 1.20 million square feet of industrial gross absorption San Jose produced in 2013 was decent but down 13.9% from 2012. Despite the decrease in

**Silicon Valley Availability**  
Industrial Product



**Silicon Valley Absorption**  
Industrial Product



# INDUSTRIAL

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST



activity year-over-year, San Jose generated 293,916 square feet of positive net absorption. The availability rate made significant strides, dropping 122 basis points from 5.6% at the end of 2012 to 4.4%. Of particular note, San Jose produced these results with only two deals greater than 30,000 square feet: those being Aura Hardwoods' 46,802-square-foot purchase on Quinn Avenue and Frank Pisco's 36,704-square-foot purchase on Paragon Drive.

Santa Clara's industrial sector struggled to produce the results that the city is accustomed to. At the close of 2013, Santa Clara had only produced 428,628 square feet of industrial gross absorption, a 51.8% decrease from the 889,456 square feet of fulfilled demand in 2012. This is also the lowest level of activity recorded in Santa Clara since 2001. However, one could attribute the low level of activity to the lack of space available in Santa Clara. The

After an occupancy loss of 846,552 square feet in 2012, Fremont finished in the black during 2013. With an occupancy gain of 314,697 square feet, Fremont's industrial availability fell 31.3% during 2013 and closed the year at an availability rate of 11.2%. As Colliers forecasted at the end of 2012, Fremont was poised for a good year as interested parties began to acquire properties vacated in the Solyndra fallout. During the first quarter of 2013, Seagate purchased Solyndra's former manufacturing building on Kato Road, accounting for 411,618 square feet of new occupancy. Another noteworthy transaction was Cal-Weld's purchase of 20,788 square feet on Solar Way.

Making small but worthy contributions to the activity levels in the Silicon Valley's industrial sector during 2013 were Morgan Hill and Gilroy. The Valley's most southern cities posted occupancy gains of 58,522 and 35,248 square

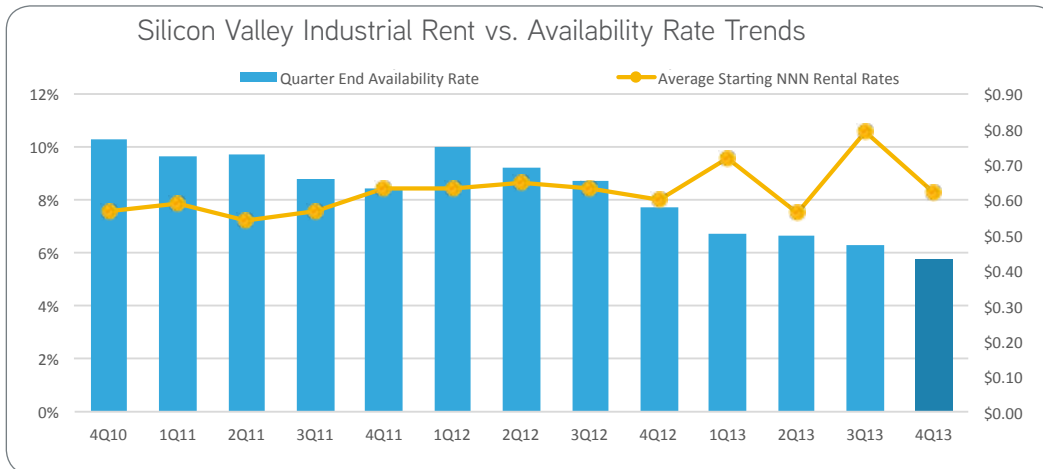
**Looking Forward**

The industrial market is another area that needs to be viewed in the proper context. Certainly, activity levels are down from their peaks and that fact holds true when comparing 2013 to 2012. Gross absorption was down by 20.7% to 2.96 million square feet in 2013. That figure represents the lowest amount of industrial gross absorption since Colliers began tracking absorption data in 1988. The fact is, 3.0 million square feet of industrial gross absorption is probably the new norm, down from what was once roughly 4.0 million square feet per year. The change is due primarily to the changing business make-up of Silicon Valley, but it is also attributable to lack of supply. Without choices, many users are forced to make do with what they have.

Lest anyone think the industrial market is languishing, in 2013 we saw local thriving businesses that occupy industrial/warehouse product expand into significantly larger facilities, and in some rare cases, convince landlords to have long term stability and control over its business operations. Commercial construction, new home construction, commercial and residential remodeling and restoration, interior retrofits, exterior renovations, hard and soft scape projects are all fueling many industrial trades that are thriving, hiring, investing and expanding. Logistics, office furniture, home furnishings, flooring firms, assemblers, electronic and commodity suppliers, food caterers, wearable products, HVAC contractors, and many others are cautiously optimistic about future growth.

The new norm in the industrial sector is also exemplified by its lack of churn. Very little space is being vacated and coming to market. The 2.22 million square feet that was vacated in 2013 is the least that Colliers has ever recorded. Meanwhile, it goes without saying that no new industrial development is likely

*The fact is, 3.0 million square feet of industrial gross absorption is probably the new norm, down from what was once roughly 4.0 million square feet per year. The change is due primarily to the changing business make-up of Silicon Valley, but it is also attributable to lack of supply. Without choices, many users are forced to make due with what they have.*



3.0% availability rate in Santa Clara is the lowest recorded since mid-2000. Similar to San Jose, Santa Clara did more with less, generating 37,489 square feet of net absorption in 2013, Reza Heidari purchased a 29,742 square foot building on Roland Street and Bauer's Intelligent Transportation leased 25,000 square feet on De La Cruz Avenue.

feet respectively, marking the second straight year that both submarkets have posted positive occupancy gains. Year-over-year, the industrial availability rate in Morgan Hill has fallen from 11.8% in 2012 to 9.6% in 2013. Likewise, Gilroy's industrial sector has measured a decrease in its availability rate from 12.7% in 2012, to 9.6% at the end of 2013.



*The new norm in the industrial sector is also exemplified by its lack of churn. Very little space is being vacated and coming to market. The 2.22 million square feet that was vacated in 2013 is the least that Colliers has ever recorded. Meanwhile, it goes without saying that no new industrial development is coming to market, while at the same time more existing industrial buildings are being torn down for alternative uses.*

to be delivered before 2015, while at the same time more existing industrial buildings are being torn down for alternative uses.

The net result of less absorption and less space coming to market is a net absorption “stalemate” of sorts. It is difficult to generate any meaningful net absorption if there is nothing meaningful to absorb. The 746,165 square feet of industrial net absorption recorded in 2013 was a fairly significant figure, but 411,618 square feet of it can be attributed to the Seagate acquisition in Fremont that kicked off the year. With limited supply and rollover space, suppressed activity,

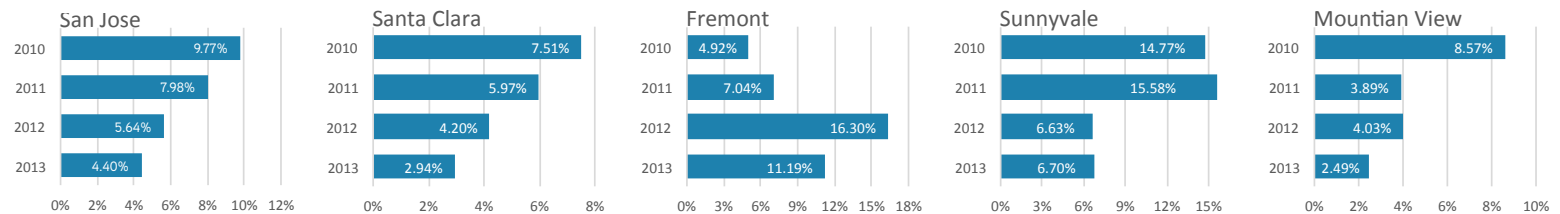
and no new development to pick up the slack, it is unlikely that the Valley will be able to generate much more net absorption in 2014 than Colliers recorded in 2013. Look for 600,000-800,000 of industrial occupancy growth in the coming year.

In order to achieve the upper end of our industrial net absorption forecast, it will take another 3.0 million square feet of gross absorption, which might be a stretch given the 656,000 square foot run-rate of the last three quarters. We believe that there is legitimate demand for that much industrial activity but the quality and quantity of available product is likely to preclude it. That

is why the industrial gross absorption run-rate is trending down. The numbers suggest that industrial gross absorption will be closer to 2.5 million square feet in 2014, which would likely move our net absorption forecast to the lower end of the projected range.

Industrial rents tend to reside in a fairly narrow band. With an aging inventory and no new product to drive up average asking rents, look for industrial rents to increase 5-10% in 2014. Sale prices will likely increase in 2014 as demand increases for the few owner-user options coming to market.

### Selected Cities Historical Availability Rate Trends - Industrial



### INDUSTRIAL LEASING & SALES ACTIVITY

#### SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
47488 Kato Road, Fremont	411,618	Solyndra Residual Trust	Seagate Technologies	User Sale
750 Ridder Park Drive, San Jose	395,000	San Jose Mercury News	Super Micro Computer	User Sale
6600 Stevenson Boulevard, Fremont	127,452	Prologis	OnCore Manufacturing Services, Inc.	Renewal
44111 Nobel Drive, Santa Clara	126,594	Prologis	Synnex Corporation	Renewal
1271-1273 Reamwood Avenue, Sunnyvale	41,125	The Sobrato Family Foundation	Arthur Takahara	User Sale
2277 Ringwood Avenue, San Jose	29,160	Executive Center San Jose	Northwest Door, Inc.	Lease







# Warehouse Awakens

The Silicon Valley warehouse market seemed to show new life in 2013. Moving a step forward, activity increased 21.5% in 2013, finishing the year with 2.60 million square feet of gross absorption. Warehouse demand improved consecutively throughout each quarter of the year, reaching the highest level since 2009 in Q4 at 1.0 million square feet. Gross absorption in the warehouse market exceeded Colliers' forecasted 2.2 million square feet for the year.

After five consecutive years of negative net absorption, the warehouse sector reversed its streak with an occupancy gain totaling 869,979 square feet. This surpassed Colliers' 500,000 square foot forecast and is a welcome victory for the Silicon Valley's warehouse sector. All four quarters contributed to the year's occupancy gain, marking the first year since 2000 that every quarter posted positive results. The last time an occupancy gain was higher was in 2006, when Colliers recorded 872,913 square feet of warehouse net absorption.

Also contributing to the warehouse sector's positive year was the lower levels of pre-improved or rollover space that came onto the market during the year. In 2013, 1.73 million square feet of rollover space found its way to market, the first time since 2007 that warehouse rollover space has been below the two million square foot mark.

Available warehouse space decreased by 26.5% from 2012 to finish the year at 3.35 million square feet available. This is the lowest amount of available space since the fourth quarter of 2008. The overall availability rate now sits at 8.75% in the warehouse sector, the first time it has dipped below the 10% mark since 2010.

The increase in activity did bring about an increase in warehouse rents. Starting rents meandered in the high \$0.40 per square foot range, NNN, finishing the year at \$0.49 per square foot, NNN. Comparing deals done in the fourth quarter of 2013 to the same

quarter of 2012, weighted-average start rents were up 13.9% year-over-year. Average asking rates also experienced a slight increase during 2013, ending the year 5.8% higher than 2012 at \$0.55 per square-foot, NNN.

### Warehouse Hot Spots

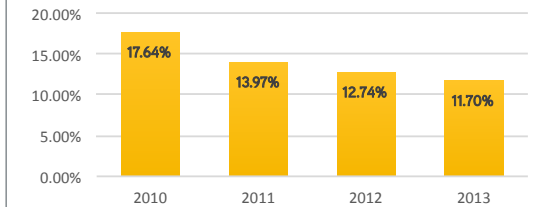
San Jose contributed the largest increase in warehouse occupancy during 2013. This is a welcome turnaround after posting the largest occupancy loss in 2012, at 806,759 square feet. It also puts to bed a five-year streak of occupancy loss that dates back to 2008. Activity in San Jose's warehouse sector increased 145% year-over-year, registering nearly 1.3 million square feet of gross absorption. San Jose was home to two of the Valley's three largest warehouse deals in 2013. First was Galleher Corporation's lease of 175,600

# WAREHOUSE

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY MARKET REPORT & FORECAST

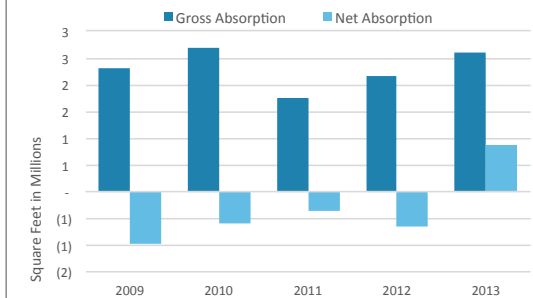
### Silicon Valley Availability

Warehouse Product



### Silicon Valley Absorption

Warehouse Product





square feet on Rogers Avenue, and La-Z-Boy Furniture's purchase of 157,453 square feet of warehouse space on Lenfest Road.

San Jose's warehouse activity was evenly distributed between the north and south parts of the city. North San Jose accounted for more than 45% of the city's total activity for the year, registering 586,562 square feet of gross absorption. This was nearly three times the amount of warehouse activity recorded during 2012. Also of note, North San Jose's warehouse market measured a total of 284,122 square feet of net absorption, accounting for more than 75% of the total net absorption for all of San Jose warehouse during 2013.

On the heels of San Jose, Fremont posted a warehouse occupancy gain of 350,093 square feet. Although this was down slightly from the occupancy gain during 2012, it was the second year in a row that Fremont has posted a positive occupancy gain. Gross absorption also increased during 2013, measuring 575,470 square feet for the year. Heightened demand for Fremont warehouse space was also reflected in the average asking rate. Measuring a 17.5% increase from 2012, average asking rates in Fremont now sit at \$0.57 per square-foot, NNN. Fremont was also home to the largest new warehouse deal during 2013. CW Kato Investors purchased a 254,593-square-foot building on Kato Road in the fourth quarter, which Homelegance intends to occupy.

Milpitas reclaimed its place in the market during 2013, accounting for a total occupancy gain of 155,488 square feet, a huge increase from the 78,886 square foot loss recorded in 2012. Gross absorption was also up year-over-year in Milpitas, Colliers recorded 405,885 square feet of new user activity in 2013, up 19.87% from 2012 and 25.75% from 2011.

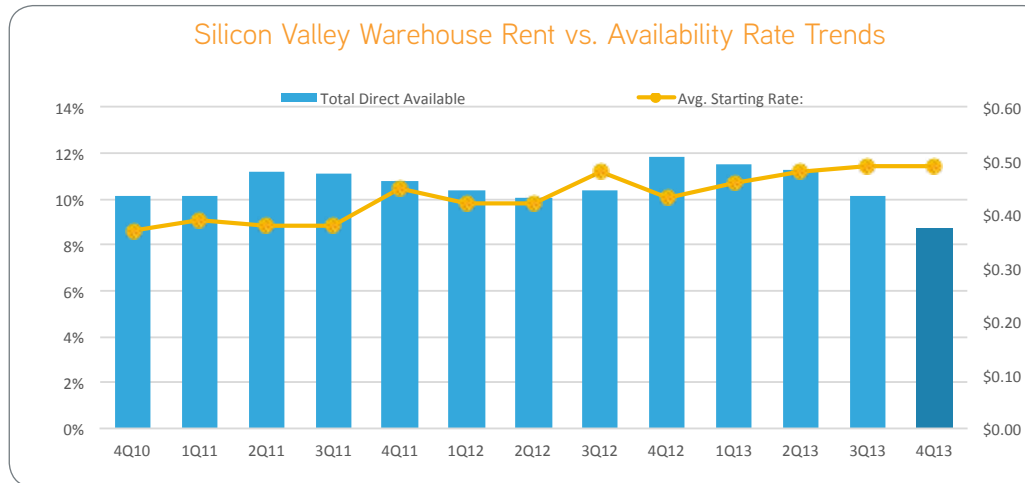
**Looking Forward**

Warehouse is another impacted sector where absorption will never be what it once was. Similar to the industrial sector, we think most of the shakeout is done and that absorption levels have flattened out to a "new norm" that will swing up or down depending on economic conditions and availability of space that meets the demand of the market. In addition, the warehouse sector can get skewed by a few large deals. Case in point, Homelegance's fourth quarter deal to occupy 254,593 square

feet in Fremont represents nearly 10% of the warehouse absorption that took place in the past year.

have been and will continue to be demolished in order to make way for BART, new housing, and other higher and better uses. Over the past 20 years, Silicon Valley has lost over 3,000,000 square feet of existing industrial/warehouse buildings to progress.

For the first time this decade, we have a new industrial/warehouse project being developed. The Crossings @880 development in Fremont is the only speculative industrial or warehouse product under construction in Santa Clara



feet in Fremont represents nearly 10% of the warehouse absorption that took place in the past year.

Valley, with completion expected in October 2014. Colliers has classified this project as warehouse for the time being, and already we are hearing rumblings of good interest in leasing portions of the 690,841 square foot development. If this project and the other new warehouse development in Newark (575,000 square feet, but outside Colliers' definition of Silicon Valley) are leased in the near future, we anticipate other development footsteps following this roadmap to success. In particular, Panattoni Development and Westcore Properties both have warehouse developments teed up in

Many users of industrial and warehouse product, like many of us, believe the confluence of several positive industry factors are about to collide and cause a reaction. Interest rates remain low and lenders are able to offer attractive conventional and SBA financing. Virtually no new construction of this product type has occurred over the past 15+ years. Many older warehouse and industrial buildings

After five consecutive years of negative net absorption, the warehouse sector reversed its streak with an occupancy gain totaling 869,979 square feet. This surpassed Colliers' 500,000 square foot forecast and is a welcome victory for the Silicon Valley's warehouse sector. All four quarters contributed to the year's occupancy gain, marking the first year since 2000 that every quarter posted positive results.





*Virtually no new construction of this product type has occurred over the past 15+ years. Many older warehouse and industrial buildings have been and will continue to be demolished in order to make way for BART, new housing, and other higher and better uses. Over the past 20 years, Silicon Valley has lost over 3,000,000 square feet of existing industrial/warehouse buildings to progress.*

Fremont and could start construction as early as this year. Combined, these two developments would add more than 500,000 square feet of supply to Fremont's warehouse submarket. Of course for others, finding suitable land at the right price will be the challenge.

Without any mega-deals to tip the scale, warehouse absorption is running about 500,000 square feet per quarter. It would not be unreasonable to project at least one deal in 2014 that will exceed 100,000 square feet under any circumstances. With new product under construction, the likelihood grows and Colliers anticipates much of The Crossings development

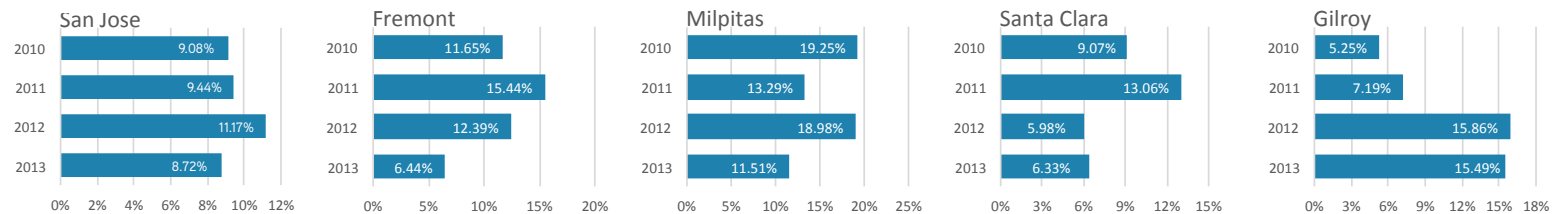
could be leased upon completion. In 2013, we recorded three new warehouse deals above 100,000 square feet, with the largest being the aforementioned Homelegance deal. Our forecast for 2013 would be for another 2.0-2.5 million square feet of gross absorption without considering The Crossings, and we believe that number could grow to as much as 3.0 million square feet including The Crossings.

Turning to the net absorption side of the equation, there is not much blood to squeeze out of the turnip. Gross absorption is far from any record pace and it pretty well matches up with the amount of space being vacated. In 2013, 1.73

million square feet of warehouse space was vacated, less than any year dating back to 1988, except for the nearly-identical figure that resulted in 2007. The Crossings could present enough of an opportunity to double what otherwise is likely to be warehouse net absorption below 500,000 square feet. Certainly, 750,000 square feet is achievable if The Crossings is a success and is completed as scheduled, in 2014.

The average starting rent for warehouse deals could take a jump if there is significant transaction activity in the new projects. Otherwise, rents should remain relatively stable with increases likely on the order of 10%.

### Selected Cities Historical Availability Rate Trends - Warehouse



### WAREHOUSE LEASING & SALES ACTIVITY

#### SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - 2013

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
47550 Kato Road, Fremont	254,593	Westcore Properties, LLC	CW Kato Investors	User Sale
1732 Rogers Avenue, San Jose	175,600	Prologis	Galleher Corporation	Lease
640 Lenfest Road, San Jose	157,453	Ecolab, Inc.	La-Z-Boy Furniture, Inc.	User Sale
1285 Walsh Avenue, Santa Clara	150,480	PS Business Parks, LP	Applied Materials, Inc.	Renewal
2110 Zanker Road, San Jose	116,559	Prologis	Avnet	Renewal
2070 South 7th Street, San Jose	54,000	Chaboya Ranch Partners	Splash Events, Inc.	Lease







# RETAIL

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

## Retail Revival

Coming off two solid years in a row, there was little doubt that 2013 would be a robust year for the retail sector in Silicon Valley. Questions regarding the sustainability of the market cycle were answered soundly with higher rents and increased tenant demand from within and outside of the market.

The Bay Area and Silicon Valley region enjoyed continued economic prosperity in 2013. Technology sector employment led the way in job creation and spurred substantial growth in related support services at a rate of four new jobs to each new high-tech job. Incomes of Silicon Valley's workers are now more than double the national average, and Santa Clara County was the best-performing metro economy in the nation in 2013 according to an annual survey conducted by the Milken Institute. The past year also witnessed a resurgence in home values that now average in excess of \$1 million. That growth and prosperity helped elevate the Bay Area and Silicon Valley to become a destination hotspot for U.S. and international retailers chasing the higher disposable incomes of the Valley's workers.

The International Council of Shopping Centers (ICSC) reported that the 2013 Christmas season ended on a positive note with growth of 2.7% ahead of 2012. However, many retailers were concerned midway through the holiday crush with lower than predicted sales, and compensated with larger discounts and promotions. That crush did not occur until the last week of December with many shoppers waiting until the last minute. Overall, according to ICSC, retail sales increased by 3% in 2013 from 2012, with more sales than ever before transacted electronically. Traditional retailers who have boosted their web presence took particular advantage of the changing shopping patterns, and are poised for even greater success in 2014. Retailers that saw substantial online growth include Macy's, Nordstrom, Gap, and Wal-Mart, to name a few.

As a result of the expansion in online sales and the advent of express shipping, many retailers are

scaling back the number of SKUs in store and the depth of inventory. As a result, larger-box retailers are scaling back their square footage in their retail locations. All of the tenants in the office category have scaled back their requirements with Staples going from 25,000 square feet to 12,000 and OfficeMax/Office Depot moving to even smaller units in urban locations with their standard store now in the range of 14,000-18,000 square feet.

Vacancy rates within major retail hubs, with top-tier shopping centers and tenants, are approximately 3%, with average rental rates for shops pushing \$3.50 per square foot, NNN. Conversely, with tertiary trade areas, and strip retail properties without retail synergy, vacancy is upwards of 9% with average rental rates of \$2.25 per square foot, NNN. The rural trade areas of South County (namely, Morgan Hill and Gilroy), are seeing more tenant activity, but still lag behind the denser residential/commercial areas of the Valley proper.

Strong retailer demand in desirable trade areas is spurring redevelopment of older centers in addition to new ground-up development. Rental rates in these newer centers are pushing north of \$4.00 per square foot, NNN, and in a number of projects where demand is strongest, the rents are closer to \$5.00 per square foot, NNN. Merlone & Geier's recent redevelopment of a portion of San Antonio Village in Mountain View is evidence of the direction rents have taken with shop rents in excess of \$4.50 per square foot and restaurant rents in excess of \$5.00 per square foot, NNN.

Restaurant demand continues to outpace the demand of non-restaurant, general merchandise, and service-based retailers, and is a contributing cause to the run-up in rental rates for shop tenants in the Valley. Landlords may want the rent associated with the growth in the restaurant sector, but they still covet traditional general merchandisers and retail service tenants who round out the tenant mix and have much less impact on parking and infrastructure, such as banks, pet food, and clothing retailers.



**Retailer Update**

If 2011 was the year of the grocery wars, and 2012 was the year of the burger wars, than 2013 certainly was the start of the pizza wars. New Chipotle-like fast casual gourmet pizza concepts such as Blaze Pizza, Pieology, Mod Pizza, Project Pie, and Studio Pizza announced plans to aggressively expand in the market. Blaze, Mod and Pieology have all announced new stores openings for 2014. Other operators such as Pizza Hut, Paxti's, Howie's Artisan and Papa Murphy's also pursued new stores in 2013.

Chic-fil-A, the chicken sandwich phenomenon from Atlanta continued its aggressive expansion with a new store opening in Sunnyvale and with several more stores in the development pipeline. Chick-fil-A is paying top dollar for freestanding drive-through locations. Starbucks was also very busy adding units in the double digits during 2013.

Pet store concepts Pet Food Express and Petco Unleashed both opened several new stores in the Valley in 2013. Fitness clubs continued to expand their footprints as well with Crunch, In Shape, Fitness Evolution, and 24-Hour Fitness backfilling second generation spaces while LA Fitness continued to push for ground-up development with a new store under construction in Sunnyvale, their third in the area.

Wal-Mart Neighborhood Market has their third unit under construction on Stevens Creek

Boulevard in San Jose, opening this summer. Safeway, Sprouts, The Fresh Market, and Whole Foods also made gains, while Tesco pulled the plug on its small-format grocery concept, Fresh and Easy. Lowe's Hardware acquired approximately 90 Orchard Supply stores out of bankruptcy last year in an effort to gain market penetration into Northern California and the west. Lowe's has decided to retain the brand and operate the stores independent of their namesake parent company.

According to Colliers International's Investment Services Group (CISG), Silicon Valley credit-tenanted retail properties are among the most sought after in the country and investors are paying record prices to buy them. These properties include grocery-anchored shopping centers, regional power centers, and single-tenant net leased investments. Institutional investors, REITS and private equity funds, are compressing capitalization rates beyond their 2007 lows. The average cap rate paid for multi-tenant retail properties with credit grade tenants was 5.5%. Cap rates for high quality, single-tenant net leased properties averaged lower at around 5%. The compaction of these capitalization rates is indicative of the scarcity of available investments and the premium investors are willing to pay in order to hold real estate in one of the best economic regions in the country. The demand from institutional investors has crowded out traditional smaller investors, high net worth individuals, and private trusts.

**Looking Forward**

What does Silicon Valley retail real estate look like in 2014? The Colliers Retail Services and Investment Group believe the New Year will look much like 2013. The macroeconomic indicators for the region remain strong and favorable, with continued job growth across multiple sectors and overall market synergy. There is some concern that interest rates will rise in the later part of the year, which could impact growth and cap rates, but the impact will be absorbed by market forces as falling unemployment and rising incomes will have a more direct effect.

We see retail rents leveling out as retailers start to exercise self-control and pay closer attention to their occupancy-to-sales ratios. Consumer confidence should remain strong, but budget-weary consumers who are getting pinched by rising food costs will also come to grips with the hidden costs of the Affordable Care Act, which could pose a serious drag on personal spending and the overall economy. Higher wages and inventory and supply costs are also a concern, especially for the food service sector with its higher labor component to sales. In spite of the potential headwinds, retail will persevere in 2014 with a host of new projects in the pipeline, including The Village at San Antonio, Village Oaks, Main Street Cupertino, Almaden Ranch, Homestead Square, and Main Street Santa Clara.

*Silicon Valley credit-tenanted retail properties are among the most sought after in the country and investors are paying record prices to buy them. These properties include grocery-anchored shopping centers, regional power centers, and single-tenant net leased investments. Intuitive investors, REITS and private equity funds, are compressing cap rates beyond their 2007 lows.*

**RETAIL LEASING & SALES ACTIVITY**

**SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - 2013**

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
405 S. San Antonio Road, Mountain View	45,550	San Antonio Partners, LLC	Merlone Geier Partners	Investment Sale
733 Wolfe Road, Sunnyvale	33,520	Safeway, Inc.	New Evolution Fitness	Sublease
20650 Homestead Road, Cupertino	25,230	The Sobrato Organization	Ross Stores Inc	Lease
760 Newhall Drive, San Jose	15,524	Arcadia Coleman Landings, LLC	Staples the Office Superstore, LLC	Lease



## Investment Activity Stays Strong as Market Fundamentals Drive Record Values

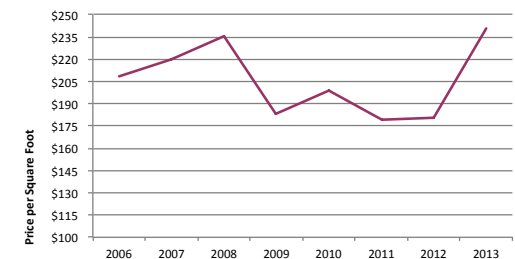
After deal volume jumped over 70% in 2012, led primarily by portfolio sales and opportunistic investors placing bets on the continued Silicon Valley recovery story, deal volume in 2013 dropped slightly to just under the \$5.5 billion mark. Although not a year-over-year increase, transaction volume nearly doubled 2010 levels.

As opposed to 2012 where one large portfolio sale took place (the Mission West Portfolio), 2013 still featured several small to mid-sized portfolio sales, mainly as Equity Office and RREEF continue to pare down their Silicon Valley footprints.

Non-portfolio transactions remained very strong during 2013 as opportunistic investors stabilized and exited assets throughout the Silicon Valley. Investors with more appetite for risk-acquired assets, targeted submarkets such as North San Jose, Downtown San Jose, Milpitas and Fremont. After several opportunistic investors found success leasing vacant buildings in 2012, investors formulated business plans to do the same in 2013, further fueling vacant building acquisition activity in 2013. While core markets throughout the Bay Area experienced very strong demand and investors required lower returns, assets in secondary markets are still considered "risky" and therefore have priced lower.

rate environment has driven cap rates down, and the significant amount of institutional and private capital flowing into the Silicon Valley has created immense competition for winning deals. As a result, the average price per foot during 2013 transactions eclipsed the \$240 per square foot mark, bettering the \$236 per square foot average in 2008.

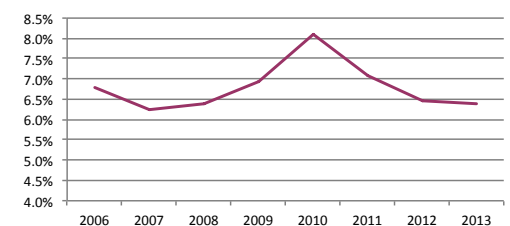
### Average Price Per Foot



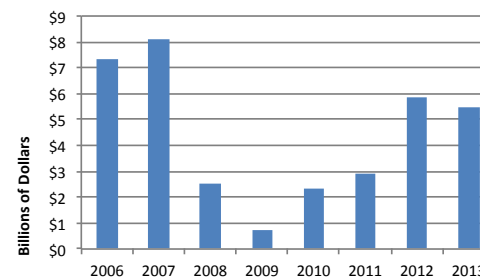
### Cap Rates

Driven by core buyers seeking relatively stronger yields in comparison to other financial instruments, and value-add buyers acquiring assets with short-term and below-market rental income, the average capitalization rates for transactions during 2013 fell to 6.4%. This is significantly less than the 2010 average cap rate of 8.25%, which reflected the uncertainty in the market at the time. Looking forward, we anticipate this trend will stabilize as core buyers continue to seek secure cash flow and value-add buyers continue to acquire high quality assets with short term leases that can be marked to market in the coming years at lease rates significantly higher than the current income.

### Average Cap Rate



### Transaction Volume



From a valuation perspective, on a whole, Silicon Valley asset values are at or near all-time highs on a price per square foot basis. The strong macroeconomic story in the Silicon Valley has fueled historically strong leasing activity; the low interest

# INVESTMENT



Looking Forward



**Deal Volume**

Colliers International predicts investment sales deal volume will increase in 2014 as many value-add investors will harvest profits from acquisitions made early in the cycle and institutional capital, primarily looking for stabilized assets, will continue to acquire deals with strong cash flow in strong locations. In addition to the institutional buyers targeting product within the Silicon Valley, Colliers predicts that 2014 will mark a strong comeback from private investors. After years of either shying away from real estate in general, or dealing with legacy issues on current assets, the private market returned in the latter part of 2013. As we begin 2014, look for more private investors focusing on sub-\$10 million deals as well as trade buyers looking to avoid capital gains taxes, to drive transaction volume as well.



**Cap Rates**

Driven by strong leasing fundamentals, low interest rates and a high level of demand for cash flow, strong demand for Silicon Valley real estate assets drove down cap rates in 2013. Given the strength of technology companies within the Silicon Valley and the relative strength of the commercial real estate market in relation to the balance of the United States, expect this trend to continue in 2014. Although the Federal Reserve started the tapering process in Q4 2013, we do not expect interest rates to increase in a way that would drive cap rates higher in the near future. With nearly historic low interest rates predicted for 2014 and potentially into 2015, expect cap rates to hover around 6.5% for core assets and single-tenant assets backed by stable income from long term leases.



**Price Per Square Foot**

Driven by relatively cheap debt, strong market fundamentals, and leases backed by technology firms with strong financials, low cap rates will continue to drive price per square foot numbers higher within the Silicon Valley. 2013 saw many record-breaking numbers on a price per square foot basis for vacant buildings, particularly in core markets where there is less perceived risk. In 2014, we will most likely see those records broken as opportunistic investors looking to acquire vacant buildings will continue to price the opportunities very aggressively given the strong leasing environment and healthy stabilized exit market. On the core side of the buyer pool, investors' yield thresholds continue to decline due to the relative strength of the Silicon Valley. The relative "safety" of the Bay Area combined with low interest rates will continue to drive cap rates lower for well-located real estate with strong credit on the rent roll.



**Distressed Asset Sales**

Although there were a large number of 2007 and 2008-vintage, five year loans that had either been extended or expired in 2013, Colliers saw significantly less foreclosure activity in 2013 than in the past few years, particularly in the \$10 million and over deal size. A combination of strong leasing fundamentals and renewed optimism from investors drove asset values higher than 2007 levels in most cases, allowing current borrowers to resolve their troubled loans. Looking forward to 2014, Colliers International sees very little foreclosure activity on the horizon as the majority of troubled loans have been worked out or resolved either through refinancing or asset sales.

*Driven by core buyers seeking relatively stronger yields in comparison to other financial instruments and value-add buyers acquiring assets with short term and below market rental income, the average capitalization rates for transactions during 2013 fell to 6.4%. This is significantly less than the 2010 average cap rate of 8.25%, which reflected the uncertainty in the market at the time.*

INVESTMENT SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - 2013

PROPERTY ADDRESS	SQUARE FEET	SELLER	BUYER	TYPE
40547-40577 Albrae Street, Fremont	173,946	Prologis	IIT Acquisitions, LLC	Warehouse
525 Almanor Avenue, Sunnyvale	166,307	Menlo Equities	525 Almanor LLC	Office
1265 & 1272 Borregas Avenue, Sunnyvale	163,374	Rockpoint Fund III Acquisitions	Swift Realty Partners	R&D/Office
2665 N. First Street, San Jose	130,524	2665 N 1st, LLC	Westcliff Group LLC	Office/R&D
152 N. Third Street, San Jose	127,346	Iron Point Investors	Brent Lee	Office
3111 Coronado Drive, Santa Clara	126,594	Bixby Land Company / JP Morgan	AEW Capital Management	R&D



# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL

2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Silicon Valley	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
<b>4Q13</b>										
Total Available	9,939,675	15.49%	20,243,421	13.00%	3,211,021	5.75%	3,351,604	8.75%	36,745,721	11.70%
New Construction	268,482		371,245		0		0		639,727	
Net Absorption	473,072		-241,804		119,654		213,437		564,359	
Gross Absorption	1,782,985		2,043,769		619,609		1,000,016		5,446,379	
<b>3Q13</b>										
Total Available	10,013,259	15.72%	21,222,769	13.61%	3,526,747	6.30%	3,900,063	10.18%	38,662,838	12.32%
New Construction	481,576		0		0		0		481,576	
Net Absorption	643,001		282,716		163,456		86,406		1,175,579	
Gross Absorption	1,891,057		1,947,671		760,484		560,922		5,160,134	
<b>2Q13</b>										
Total Available	10,704,301	16.87%	20,756,320	13.24%	3,742,816	6.66%	4,337,240	11.29%	39,540,677	12.56%
New Construction	1,055,719		0		0		0		1,055,719	
Net Absorption	824,512		1,566,410		66,992		212,146		2,670,060	
Gross Absorption	2,036,568		2,899,743		588,656		579,096		6,104,063	
<b>1Q13</b>										
Total Available	10,358,098	16.53%	22,235,654	14.16%	3,784,661	6.74%	4,413,308	11.49%	40,791,721	12.98%
New Construction	318,000		0		0		0		318,000	
Net Absorption	254,231		307,275		390,563		357,990		1,310,059	
Gross Absorption	1,369,899		2,125,272		990,089		464,236		4,949,496	
<b>TOTALS</b>										
New Construction	<b>2,123,777</b>		<b>371,245</b>		<b>0</b>		<b>0</b>		<b>2,495,022</b>	
Net Absorption	<b>2,194,816</b>		<b>1,914,597</b>		<b>740,665</b>		<b>869,979</b>		<b>5,720,057</b>	
Gross Absorption	<b>7,080,509</b>		<b>9,016,455</b>		<b>2,958,838</b>		<b>2,604,270</b>		<b>21,660,072</b>	
Campbell	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
<b>4Q13</b>										
Total Available	296,307	14.53%	189,484	14.70%	71,181	10.77%	0	0.00%	556,972	13.42%
New Construction	0		0		0		0		0	
Net Absorption	-2,666		-18,420		-2,703		0		-23,789	
Gross Absorption	99,174		1,100		18,890		0		119,164	
<b>3Q13</b>										
Total Available	324,489	15.91%	179,864	13.96%	91,603	13.87%	0	0.00%	595,956	14.36%
New Construction	0		0		0		0		0	
Net Absorption	-18,353		15,924		-17,482		0		-19,911	
Gross Absorption	59,397		27,045		43,266		0		129,708	
<b>2Q13</b>										
Total Available	355,305	17.07%	168,309	13.06%	70,380	10.65%	0	0.00%	593,994	14.17%
New Construction	0		0		0		0		0	
Net Absorption	45,911		1,823		6,936		0		54,670	
Gross Absorption	83,497		8,889		12,226		0		104,612	
<b>1Q13</b>										
Total Available	399,392	19.19%	153,411	11.91%	79,926	12.10%	0	0.00%	632,729	15.09%
New Construction	0		0		0		0		0	
Net Absorption	34,533		0		4,091		24,949		63,573	
Gross Absorption	64,834		5,967		12,629		24,949		108,379	

# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Cupertino	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
4Q13										
Total Available	69,970	2.12%	6,554	0.19%	0	0.00%	0	0.00%	76,524	1.13%
New Construction	0		0		0		0		0	
Net Absorption	2,296		-6,554		0		0		-4,258	
Gross Absorption	66,752		0		0		0		66,752	
3Q13										
Total Available	81,124	2.46%	0	0.00%	0	0.00%	0	0.00%	81,124	1.20%
New Construction	0		0		0		0		0	
Net Absorption	2,287		0		0		0		2,287	
Gross Absorption	45,968		0		0		0		45,968	
2Q13										
Total Available	94,219	2.85%	0	0.00%	0	0.00%	0	0.00%	94,219	1.40%
New Construction	0		0		0		0		0	
Net Absorption	-6,207		0		0		0		-6,207	
Gross Absorption	16,498		0		0		0		16,498	
1Q13										
Total Available	77,772	2.35%	0	0.00%	0	0.00%	0	0.00%	77,772	1.15%
New Construction	0		0		0		0		0	
Net Absorption	-10,928		0		0		0		-10,928	
Gross Absorption	19,124		0		0		0		19,124	
<b>Fremont</b>										
4Q13										
Total Available	284,447	17.34%	4,550,563	24.25%	1,019,437	11.19%	491,802	6.44%	6,346,249	17.08%
New Construction	0		229,530		0		0		229,530	
Net Absorption	14,523		71,452		31,861		314,013		431,849	
Gross Absorption	46,818		479,116		108,343		357,213		991,490	
3Q13										
Total Available	305,716	18.63%	4,386,041	23.37%	1,148,931	12.61%	849,015	11.12%	6,689,703	18.00%
New Construction	0		0		0		0		0	
Net Absorption	6,761		-36,882		8,040		-49,308		-71,389	
Gross Absorption	47,049		213,560		132,031		49,335		441,975	
2Q13										
Total Available	311,719	19.00%	4,180,200	22.27%	1,224,792	13.44%	914,303	11.97%	6,631,014	17.84%
New Construction	0		0		0		0		0	
Net Absorption	4,703		352,696		-45,634		85,388		397,153	
Gross Absorption	25,094		709,065		100,551		125,692		960,402	
1Q13										
Total Available	319,396	19.47%	4,622,737	24.63%	1,189,250	13.05%	946,442	12.39%	7,077,825	19.05%
New Construction	0		0		0		0		0	
Net Absorption	15,534		137,427		320,430		0		473,391	
Gross Absorption	26,364		299,163		449,343		43,230		818,100	



# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL

2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Gilroy	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
4Q13										
Total Available	44,509	23.35%	76,000	20.34%	130,411	9.60%	499,323	15.49%	750,243	14.58%
New Construction	0		0		0		0		0	
Net Absorption	-3,000		0		5,250		0		2,250	
Gross Absorption	0		0		7,013		0		7,013	
3Q13										
Total Available	41,509	21.78%	76,000	20.34%	135,661	9.99%	497,322	15.43%	750,492	14.58%
New Construction	0		0		0		0		0	
Net Absorption	-2,862		0		3,168		0		306	
Gross Absorption	9,981		0		3,168		0		13,149	
2Q13										
Total Available	38,647	20.28%	76,000	20.34%	138,829	10.22%	497,322	15.43%	750,798	14.59%
New Construction	0		0		0		0		0	
Net Absorption	0		40,083		14,500		0		54,583	
Gross Absorption	0		40,083		16,600		0		56,683	
1Q13										
Total Available	38,647	20.28%	116,083	31.06%	153,329	11.29%	497,322	15.43%	805,381	15.65%
New Construction	0		0		0		0		0	
Net Absorption	5,106		0		12,330		13,984		31,420	
Gross Absorption	6,023		0		18,780		13,984		38,787	
Los Altos										
Los Altos	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
4Q13										
Total Available	77,528	7.38%	0	0.00%	0	0.00%	0	0.00%	77,528	7.38%
New Construction	0		0		0		0		0	
Net Absorption	13,184		0		0		0		13,184	
Gross Absorption	27,816		0		0		0		27,816	
3Q13										
Total Available	89,674	8.54%	0	0.00%	0	0.00%	0	0.00%	89,674	8.54%
New Construction	0		0		0		0		0	
Net Absorption	26,689		0		0		0		26,689	
Gross Absorption	40,912		0		0		0		40,912	
2Q13										
Total Available	119,587	11.39%	0	0.00%	0	0.00%	0	0.00%	119,587	11.39%
New Construction	0		0		0		0		0	
Net Absorption	9,623		0		0		0		9,623	
Gross Absorption	26,523		0		0		0		26,523	
1Q13										
Total Available	123,252	11.74%	0	0.00%	0	0.00%	0	0.00%	123,252	11.74%
New Construction	0		0		0		0		0	
Net Absorption	12,244		0		0		0		12,244	
Gross Absorption	28,029		0		0		0		28,029	

# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Los Gatos	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
4Q13										
Total Available	77,631	8.30%	0	0.00%	4,915	18.15%	0	0.00%	82,546	6.80%
New Construction	0		0		0		0		0	
Net Absorption	623		967		0		0		1,590	
Gross Absorption	17,574		967		0		0		18,541	

3Q13										
Total Available	83,305	8.91%	967	0.41%	4,915	18.15%	0	0.00%	89,187	7.35%
New Construction	0		0		0		0		0	
Net Absorption	20,183		0		-3,415		0		16,768	
Gross Absorption	29,020		42,945		0		0		71,965	

2Q13										
Total Available	100,200	10.71%	43,912	9.80%	8,016	29.60%	0	0.00%	152,128	10.66%
New Construction	15,510		0		0		0		15,510	
Net Absorption	17,360		0		0		0		17,360	
Gross Absorption	28,548		0		0		0		28,548	

1Q13										
Total Available	107,159	11.65%	43,912	9.80%	8,016	29.60%	0	0.00%	159,087	11.27%
New Construction	0		0		0		0		0	
Net Absorption	-385		0		0		0		-385	
Gross Absorption	17,555		14,124		0		0		31,679	

Milpitas	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
4Q13										
Total Available	250,551	25.32%	1,716,886	13.28%	223,490	7.66%	525,312	11.51%	2,716,239	12.69%
New Construction	0		0		0		0		0	
Net Absorption	-49,153		46,022		-3,673		-122,946		-129,750	
Gross Absorption	33,632		194,292		43,090		93,051		364,065	

3Q13										
Total Available	260,593	26.33%	1,800,988	13.93%	186,927	6.41%	608,551	13.33%	2,857,059	13.35%
New Construction	0		0		0		0		0	
Net Absorption	-26,891		84,225		14,263		63,113		134,710	
Gross Absorption	27,164		215,241		31,499		63,113		337,017	

2Q13										
Total Available	235,713	23.82%	1,894,823	14.60%	197,220	6.70%	642,786	13.81%	2,970,542	13.77%
New Construction	0		0		0		0		0	
Net Absorption	5,303		172,942		6,574		55,222		240,041	
Gross Absorption	17,646		228,451		12,464		89,622		348,183	

1Q13										
Total Available	187,235	17.86%	2,083,752	15.93%	210,961	7.17%	723,008	15.53%	3,204,956	14.75%
New Construction	0		0		0		0		0	
Net Absorption	3,234		44,376		-3,425		160,099		204,284	
Gross Absorption	13,239		487,533		4,373		160,099		665,244	



# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL

2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Morgan Hill	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
<b>4Q13</b>										
Total Available	199,105	29.01%	165,655	6.16%	70,591	3.75%	52,150	13.55%	487,501	8.64%
New Construction	0		0		0		0		0	
Net Absorption	-2,450		4,655		43,616		-52,150		-6,329	
Gross Absorption	7,457		6,155		48,940		46,277		108,829	
<b>3Q13</b>										
Total Available	193,629	28.22%	170,310	6.33%	126,602	6.72%	0	0.00%	490,541	8.69%
New Construction	0		0		0		0		0	
Net Absorption	122		-169		0		0		-47	
Gross Absorption	7,172		6,332		1,791		0		15,295	
<b>2Q13</b>										
Total Available	191,251	27.87%	170,141	6.33%	126,602	6.72%	0	0.00%	487,994	8.65%
New Construction	0		0		0		0		0	
Net Absorption	1,954		309,996		0		0		311,950	
Gross Absorption	8,099		378,236		0		0		386,335	
<b>1Q13</b>										
Total Available	193,205	28.15%	480,137	17.86%	138,842	7.38%	0	0.00%	812,184	14.39%
New Construction	0		0		0		0		0	
Net Absorption	-1,725		-42,250		14,906		0		-29,069	
Gross Absorption	0		8,083		30,040		9,200		47,323	
<b>Mountain View</b>										
<b>4Q13</b>										
Total Available	179,774	4.59%	688,750	5.02%	65,029	2.49%	8,212	#DIV/0!	941,765	4.65%
New Construction	161,482		70,000		0		0		231,482	
Net Absorption	137,640		224,264		26,050		-8,212		379,742	
Gross Absorption	208,152		303,200		33,190		0		544,542	
<b>3Q13</b>										
Total Available	162,244	4.32%	862,670	6.23%	85,794	3.29%	8,212	#DIV/0!	1,118,920	5.53%
New Construction	0		0		0		0		0	
Net Absorption	31,237		418,613		946		0		450,796	
Gross Absorption	153,693		574,521		14,600		0		742,814	
<b>2Q13</b>										
Total Available	208,328	5.54%	1,247,284	8.88%	91,340	3.50%	8,212	#DIV/0!	1,555,164	7.62%
New Construction	0		0		0		0		0	
Net Absorption	-2,279		-50,939		6,820		0		-46,398	
Gross Absorption	85,264		32,867		22,288		0		140,419	
<b>1Q13</b>										
Total Available	214,841	5.72%	1,162,162	8.28%	88,300	3.38%	0	0.00%	1,465,303	7.18%
New Construction	0		0		0		0		0	
Net Absorption	29,068		-91,332		3,127		26,500		-32,637	
Gross Absorption	99,859		149,293		23,557		26,500		299,209	

# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Palo Alto	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
4Q13										
Total Available	906,964	14.61%	195,636	1.90%	122,319	9.63%	0	0.00%	1,224,919	6.78%
New Construction	0		0		0		0		0	
Net Absorption	77,999		-416		-3,150		0		74,433	
Gross Absorption	255,058		25,225		18,900		0		299,183	
3Q13										
Total Available	984,015	15.85%	208,164	2.02%	107,337	8.45%	0	0.00%	1,299,516	7.19%
New Construction	0		0		0		0		0	
Net Absorption	-72,370		5,739		9,540		0		-57,091	
Gross Absorption	171,801		71,871		22,340		0		266,012	
2Q13										
Total Available	1,040,029	16.76%	224,848	2.18%	116,877	9.20%	0	0.00%	1,381,754	7.64%
New Construction	25,799		0		0		0		25,799	
Net Absorption	97,225		41,050		-22,700		58,374		173,949	
Gross Absorption	221,299		46,744		10,240		58,374		336,657	
1Q13										
Total Available	938,363	15.18%	230,236	2.24%	108,377	8.53%	58,374	18.95%	1,335,350	7.40%
New Construction	0		0		0		0		0	
Net Absorption	-30,447		-486		-5,050		0		-35,983	
Gross Absorption	120,832		62,342		2,000		0		185,174	
<b>San Jose</b>										
4Q13										
Total Available	4,540,087	18.73%	7,660,757	16.56%	985,453	4.40%	1,393,204	8.72%	14,579,501	13.39%
New Construction	0		0		0		0		0	
Net Absorption	286,001		-531,302		86,381		231,316		72,396	
Gross Absorption	661,957		606,623		274,924		503,475		2,046,979	
3Q13										
Total Available	4,401,599	18.27%	7,891,579	17.06%	1,103,569	4.90%	1,587,870	9.94%	14,984,617	13.76%
New Construction	0		0		0		0		0	
Net Absorption	70,960		-191,916		80,817		75,901		35,762	
Gross Absorption	411,753		208,139		330,588		413,867		1,364,347	
2Q13										
Total Available	4,756,434	19.74%	7,612,037	16.24%	1,213,594	5.39%	1,943,329	12.16%	15,525,394	14.18%
New Construction	0		0		0		0		0	
Net Absorption	303,060		321,795		146,597		13,162		784,614	
Gross Absorption	662,437		773,673		357,872		305,408		2,099,390	
1Q13										
Total Available	5,147,571	21.36%	7,603,841	16.15%	1,265,106	5.61%	1,968,970	12.32%	15,985,488	14.57%
New Construction	0		0		0		0		0	
Net Absorption	-194,081		265,825		-19,879		49,658		101,523	
Gross Absorption	304,743		694,393		239,661		75,099		1,313,896	

# SILICON VALLEY MARKET STATISTICS

COLLIERS INTERNATIONAL

2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

Santa Clara	Office	% Available	R&D	% Available	Industrial	% Available	Warehouse	% Available	Total	% Available
<b>4Q13</b>										
Total Available	2,128,017	21.12%	2,818,900	12.71%	311,499	2.94%	217,137	6.33%	5,475,553	11.84%
New Construction	0		0		0		0		0	
Net Absorption	43,042		-19,619		-68,609		-35,000		-80,186	
Gross Absorption	231,382		229,130		58,416		0		518,928	
<b>3Q13</b>										
Total Available	2,230,651	22.14%	3,097,574	13.97%	312,387	2.95%	235,509	6.86%	5,876,121	12.70%
New Construction	0		0		0		0		0	
Net Absorption	129,087		53,833		76,159		-16,800		242,279	
Gross Absorption	318,525		383,508		159,261		0		861,294	
<b>2Q13</b>										
Total Available	2,369,308	23.06%	3,066,794	13.96%	367,045	3.47%	206,137	6.01%	6,009,284	12.99%
New Construction	907,255		0		0		0		907,255	
Net Absorption	335,273		146,927		-40,011		0		442,189	
Gross Absorption	827,221		307,936		49,465		0		1,184,622	
<b>1Q13</b>										
Total Available	1,920,335	20.50%	3,313,182	15.08%	350,143	3.31%	94,041	2.74%	5,677,701	12.52%
New Construction	0		0		0		0		0	
Net Absorption	60,361		-22,740		69,950		82,800		190,371	
Gross Absorption	231,197		123,589		161,486		111,175		627,447	
<b>Sunnyvale</b>										
<b>4Q13</b>										
Total Available	882,287	10.19%	2,174,236	9.23%	206,696	6.70%	164,464	6.31%	3,427,683	9.04%
New Construction	107,000		71,715		0		0		178,715	
Net Absorption	-44,967		-12,853		4,631		-113,584		-166,773	
Gross Absorption	127,213		197,961		7,903		0		333,077	
<b>3Q13</b>										
Total Available	852,213	10.05%	2,548,612	10.81%	223,021	7.23%	113,584	4.36%	3,737,430	9.90%
New Construction	481,576		0		0		0		481,576	
Net Absorption	476,151		-66,651		-8,580		13,500		414,420	
Gross Absorption	567,544		204,509		21,940		34,607		828,600	
<b>2Q13</b>										
Total Available	881,063	11.01%	2,071,972	8.80%	188,121	5.88%	125,151	4.80%	3,266,307	8.74%
New Construction	107,155		0		0		0		107,155	
Net Absorption	6,955		230,037		-6,090		0		230,902	
Gross Absorption	27,349		373,799		6,950		0		408,098	
<b>1Q13</b>										
Total Available	682,801	8.46%	2,426,201	10.29%	192,411	6.01%	125,151	4.80%	3,426,564	9.15%
New Construction	318,000		0		0		0		318,000	
Net Absorption	333,546		16,455		-5,917		0		344,084	
Gross Absorption	438,100		280,785		48,220		0		767,105	





# BROKERAGE PROFILES

## COLLIERS INTERNATIONAL

### 2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

#### SAN JOSE

James R. Abarta  
+1 925 227 6228  
jim.abarta@colliers.com

Diane Armstrong  
+1 408 282 3848  
diane.armstrong@colliers.com

Matt Arya  
+1 408 282 3835  
matt.arya@colliers.com

Jim Beeger  
+1 408 282 3942  
jim.beeger@colliers.com

Terry Bell, sior  
+1 408 282 3923  
terry.bell@colliers.com

Howard Berry  
+1 408 282 3809  
howard.berry@colliers.com

Drew Brown  
+1 408 282 3834  
drew.brown@colliers.com

Mark Bruening  
+1 408 282 3833  
mark.bruening@colliers.com

David Buchholz  
+1 408 282 3843  
david.buchholz@colliers.com

Mike Burke  
+1 408 282 4003  
mike.burke@colliers.com

Samuel E. Burnett  
+1 408 978 1916  
samuel.burnett@colliers.com

Dion Campisi, sior  
+1 408 282 3875  
dion.campisi@colliers.com

Jim Castignani  
+1 408 282 3893  
jim.castignani@colliers.com

John Colyar  
+1 408 282 3949  
john.colyar@colliers.com

Bob Cook  
+1 408 272 3811  
bob.cook@colliers.com

Natalie Coombs  
+1 408 272 3831  
natalie.coombs@colliers.com

Duffy D'Angelo, sior  
+1 408 282 3950  
duffy.dangelo@colliers.com

Scott Daugherty  
+1 408 282 3830  
scott.daugherty@colliers.com

Brent Dressen  
+1 408 282 3979  
brent.dressen@colliers.com

Tom de Jong  
+1 408 282 3829  
tom.dejong@colliers.com

Paige DeSmet  
+1 408 282 3918  
paige.desmet@colliers.com

Emerson DiNapoli  
+1 408 282 3816  
emerson.dinapoli@colliers.com

Joe Elliott, sior  
+1 408 282 3922  
joe.elliott@colliers.com

David N. Evans  
+1 408 282 3825  
david.evans@colliers.com

Craig L. Fordyce, sior, ccim  
+1 408 282 3911  
craig.fordyce@colliers.com

Greg Galasso, sior  
+1 408 282 3816  
greg.galasso@colliers.com

Stephen J. Gibson, sior  
+1 408 282 3890  
stephen.gibson@colliers.com

Mark Giovanzana  
+1 408 282 3861  
mark.giovanzana@colliers.com

Nick Goddard  
+1 408 282 3858  
nick.goddard@colliers.com

Jay Gomez  
+1 408 282 3989  
jay.gomez@colliers.com

Susan Gregory, sior  
+1 408 282 3940  
susan.gregory@colliers.com

Joan S. Haynes  
+1 408 282 3920  
joan.haynes@colliers.com

Terry Healy  
+1 408 282 3826  
terry.healy@colliers.com

H. L. (Bing) Heckman  
+1 408 282 3805  
bing.heckman@colliers.com

Jere Hench  
+1 408 282 3832  
jere.hench@colliers.com

Edward M. Hofer, sior  
+1 408 282 3819  
ed.hofer@colliers.com

Steve Hunt  
+1 408 282 3846  
steve.hunt@colliers.com

Michael R. Johnson, sior  
+1 408 282 3852  
m.johnson@colliers.com

James Kaye  
+1 408 282 3810  
james.kaye@colliers.com

John Kovaleski  
+1 408 282 3844  
john.kovaleski@colliers.com

Mark R. Kuiper  
+1 408 282 3850  
mark.kuiper@colliers.com

Carla Lindorff, MBA  
+1 408 282 3908  
carla.lindorff@colliers.com

John Machado, JD, MBA  
+1 408 282 3862  
john.machado@colliers.com

Kristen Macken, sior  
+1 408 282 3878  
kristen.macken@colliers.com

Kevin Manning  
+1 408 282 3804  
kevin.manning@colliers.com

Brian Mason  
+1 408 282 3959  
brian.mason@colliers.com

John McMahon  
+1 408 282 3944  
john.mcmahon@colliers.com

Paul McManus  
+1 408 282 3963  
paul.mcmanus@colliers.com

David C. Mein  
+1 408 282 3828  
david.mein@colliers.com

Marne Michaels  
+1 408 282 3838  
marne.michaels@colliers.com

Mike Miller  
+1 408 282 3842  
mike.miller@colliers.com

Shane Minnis, LEED, AP  
+1 408 282 3901  
shane.minnis@colliers.com

Martin A. Morici, sior  
+1 408 282 3921  
marty.morici@colliers.com

Kevin Moul  
+1 408 282 3873  
kevin.moul@colliers.com

Tom Nelson  
+1 408 282 3960  
tom.nelson@colliers.com

Jeffrey S. Nochimson, sior  
+1 408 282 3941  
jeffry.nochimson@colliers.com

Dharmesh Patel  
+1 408 282 3990  
dharmesh.patel@colliers.com

Kyle Portal  
+1 408 383 3954  
kyle.portal@colliers.com

M. Steven Prehm  
+1 408 282 3936  
steve.prehm@colliers.com

George Quinn  
+1 408 282 3912  
george.quinn@colliers.com

Donald H. Reimann, sior  
+1 408 282 3888  
don.reimann@colliers.com

Jeffrey L. Rogers  
+1 408 282 3919  
jeff.rogers@colliers.com

Michael L. Rosendin, sior, ccim  
+1 408 282 3900  
michael.rosendin@colliers.com

Ryan Rosendin  
+1 408 282 3902  
ryan.rosendin@colliers.com

Cynthia Rotwein  
+1 408 282 3856  
cynthia.rotwein@colliers.com

Robert Rowland  
+1 408 282 3880  
robert.rowland@colliers.com

Katherine Roxborough, LEED, AP  
+1 408 282 3939  
katherine.roxborough@colliers.com

David R. Sandlin, sior  
+1 408 282 3988  
david.sandlin@colliers.com

David V. Schmidt, sior  
+1 408 282 3814  
david.schmidt@colliers.com

Bob Shepherd  
+1 408 282 3855  
bob.shepherd@colliers.com

John Serex  
+1 408 282 3803  
john.serex@colliers.com

Ryan Slater  
+1 408 282 3812  
ryan.slater@colliers.com

Hitoshi Takahashi  
+1 408 282 3933  
hitoshi.takahashi@colliers.com

Brett Taylor  
+1 408 282 3889  
brett.taylor@colliers.com

Sean Toomey  
+1 408 282 3864  
sean.toomey@colliers.com

Kenneth D. Tsukahara  
+1 408 282 3934  
ken.tsukahara@colliers.com

Chris Twardus  
+1 408 282 3836  
chris.twardus@colliers.com

Gregg von Thaden  
+1 408 282 3915  
gregg.vonthaden@colliers.com

André R. Walewski  
+1 408 282 3837  
andre.walewski@colliers.com

Mary Wimmer  
+1 408 282 3913  
mary.wimmer@colliers.com

Mark P. Zamudio, ccim  
+1 408 282 3822  
mark.zamudio@colliers.com

Steve Zamudio, ccim  
+1 408 282 3824  
steve.zamudio@colliers.com

Romy Zeid  
+1 408 282 3818  
romy.zeid@colliers.com

#### GILROY

Jeffrey A. Barnes  
+1 408 842 7000  
jeff.barnes@colliers.com

Mark Sanchez  
+1 408 842 7000  
mark.sanchez@colliers.com

Matt van Keulen  
+1 408 842 7000  
matt.vankeulen@colliers.com

#### REDWOOD CITY

Philip Arnautou, Jr., CPA  
+1 650 486 2213  
phillip.arnautou@colliers.com

Gabe Burke  
+1 650 486 2240  
gabe.burke@colliers.com

Mike Cobb  
+1 650 486 2251  
mike.cobb@colliers.com

JP Custodio  
+1 650 486 2218  
jp.custodio@colliers.com

Mike Davis  
+1 650 486 2219  
mike.davis@colliers.com

Steve Divney  
+1 650 638 4331  
steve.divney@colliers.com

Michael Draeger  
+1 650 486 2221  
michael.draeger@colliers.com

Stephanie Elkins  
+1 650 486 2272  
stephanie.elkins@colliers.com

Dwight Gillberg  
+1 650 486 2217  
dwight.gillberg@colliers.com

David Gray, IFMA, R.E.C.  
+1 650 486 2262  
david.gray@colliers.com

Mike Kennedy  
+1 650 486 2216  
mike.kennedy@colliers.com

Wendy Leung, ccim  
+1 650 486 2228  
wendy.leung@colliers.com

John McLellan  
+1 650 486 2223  
john.mclellan@colliers.com

Douglas Marks, MBA  
+1 650 486 2222  
doug.marks@colliers.com

Gary Nichols  
+1 650 486 2250  
gw.nichols@colliers.com

Tom Schmidt, ccim  
+1 650 486 2226  
tom.schmidt@colliers.com

Robert Schwartz  
+1 650 486 2286  
rob.schwartz@colliers.com

Craig Walsh  
+1 650 486 2230  
craig.walsh@colliers.com

Brett Weber  
+1 650 486 2233  
brett.weber@colliers.com

Luke Wilson  
+1 650 486 2212  
luke.wilson@colliers.com

Ryan Young  
+1 650 486 2229  
ryan.young@colliers.com

#### Appraisal & Property Tax Division

Donn H. Byrne, Jr., MAI, MRICS, ASA  
+1 408 282 3853  
donn.byrne@colliers.com

Joel C. Yungen, Associate  
+1 408 282 3854  
joel.yungen@colliers.com

#### Executive Managing Director San Jose/Silicon Valley

Jeff S. Fredericks, sior  
+1 408 282 3801  
jeff.fredericks@colliers.com

#### Managing Partner Peninsula

Rick Knauf  
+1 650 486 2244  
rick.knauf@colliers.com





# GENERAL TERMS

COLLIERS INTERNATIONAL

2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

## General Terms

**Availability:** Vacant or occupied space that is offered for lease, sublease or sale (to an owner-occupant).

**Build-to-Suit:** A developable parcel that an owner will improve to suit the needs of a particular tenant. Construction does not begin until a tenant has committed to the property.

**Building Base:** Total square footage developed. Colliers tracks office buildings from 3,000 square feet, R&D from 5,000 square feet, industrial buildings from 7,500 square feet, and warehouse buildings from 10,000 square feet.

**CBD:** Central Business District, generally the downtown area of a major city.

**Completed Construction:** Construction which is completed during the period.

**Direct Space:** Space available through a landlord/owner.

**Effective Net Absorption:** Effective net absorption is a Colliers measurement of the net change in available space during a given period of time after adjustments for space taken off the market. Effective net absorption utilizes the same formula to measure change of occupancy as net absorption except that it treats any newly available space, whether available direct or for sublease, *as if it is coming onto the market vacant*.

**Gross Absorption:** The total square footage sold (to owner/occupants) or leased during a given time period.

**Net Absorption:** The net change in occupied space during a given period of time.

**PSF:** Per square foot.

**PSF/MO:** Per square foot per month.

**SF:** Square foot or square feet.

**Silicon Valley:** Colliers International defines Silicon Valley as all of Santa Clara County plus Fremont, for the purposes of its market reports.

**Speculative Construction:** Construction that will commence without any prior commitment from a tenant.

**Sublease Space:** Space available through a sublessor to a third party.

**T.I.s:** Tenant Improvements are a dollar amount offered by the lessor generally for the construction or modification of the premises.

**Total Available:** The sum of available direct and available sublease space.

**Vacancy:** Percentage of vacant inventory available including both vacant direct, and vacant sublease space.

## Product Classification

**Class "A" Office:** Modern, steel-framed low, mid or high-rise structures used exclusively for office tenants.

**Class "B" Office:** Wood and steel mix framed low to mid-rise structures and older brick or concrete structures used predominately for office.

**Industrial/Light Industrial:** Buildings with drive-in and/or dock-high truck capabilities, clear heights of less than 20 feet and parking ratios of 2.0/1,000 or less.

**Research and Development (R&D):** One to three story structures with extensive glass, heavy office buildout and 3.5/1,000 parking ratio. Buildings may include high-end production facilities, laboratory space and grade level truck doors.

**Warehouse/Distribution:** Buildings with a minimum 20-foot clear height, dock-high truck loading and parking ratios of 2.0/1,000 or less.

## Rental Terms

**CAM:** Common area maintenance charge. Generally used in Industrial Gross and NNN leases where the tenant pays a share of the costs associated with the maintenance of the common areas.

**Full Service:** Rental type generally used in office product where the landlord's rental rate contains all costs associated with occupying the premises inclusive of taxes, insurance, maintenance, janitorial, and utilities.

**Industrial Gross:** Rental type generally used in industrial product where the landlord's rental rate contains all costs associated with occupying the premises inclusive of taxes, insurance, and maintenance.

**Rental Rates:** All rental rates for office space are calculated on a Full Service basis unless otherwise noted. All rental rates for R&D, industrial and warehouse space are calculated on a NNN basis unless otherwise noted.

**Triple Net (NNN):** Rental type where the tenant pays rent to the landlord and additionally assumes all costs regarding the operation, taxes and maintenance of the premises and building.

## 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 from 2013, here is how Colliers measures change in availability and net absorption.

**Change in Availability:** This measurement is simply the difference between the amounts of space available at the end of one period to the next. The table below shows that total available space was reduced by 3.27 million square feet in 2013. 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 2012	44,020,885
Plus: Vacant & occupied space that came available in 2013	14,863,211
Plus: New Shell added in 2013	1,495,022
2012 Available + Newly Available in 2013 =	<u>57,379,118</u>
Less: 2013 Gross Absorption	21,660,072
Less: 2013 Adjustments/Taken off the Market	<u>1,778,706</u>
Total Available end of 2013	36,745,721

**Net Absorption:** Net absorption measures the change in occupied space from one period to the next. In this measurement, it is important to distinguish that a building may be "available", but not vacant (often the case in a sublease situation, for example). Therefore, occupancy is not reduced (negative net absorption) until the space is vacated, and sometimes that does not happen until the space is leased, creating a net absorption "wash" for the deal and for that particular period.

Vacant space that came available 2013	4,183,426
Previously available space that was vacated in 2013	<u>11,756,589</u>
2013 Total Vacant Added (occupancy loss)	15,940,015
2013 Gross Absorption (occupancy gain)	<u>21,660,072</u>
2013 Net Absorption (change in occupancy)	5,720,057



# COLLIERS BAY AREA LOCATIONS

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST



**SAN JOSE/SILICON VALLEY**  
450 West Santa Clara Street  
San Jose, CA 95113  
+1 408 282 3800

**GILROY/SOUTH COUNTY**  
8070 Santa Teresa Boulevard  
Suite 220  
Gilroy, CA 95020  
+1 408 842 7000

**SAN FRANCISCO PENINSULA**  
203 Redwood Shores Parkway  
Suite 125  
Redwood City, CA 94065  
+1 650 486 2200

**SAN FRANCISCO**  
50 California Street  
Suite 1900  
San Francisco, CA 94111  
+1 415 788 3100

**OAKLAND/EAST BAY**  
1999 Harrison Street  
Suite 1750  
Oakland, CA 94612  
+1 510 986 6770

**PLEASANTON/EAST BAY**  
3825 Hopyard Road  
Suite 195  
Pleasanton, CA 94588  
+1 925 463 2300

**FAIRFIELD/NORTH BAY**  
360 Campus Lane, Suite 101  
Fairfield, CA 94534  
+1 707 863 0188

**WALNUT CREEK/EAST BAY**  
1850 Mt. Diablo Boulevard  
Suite 200  
Walnut Creek, CA 94596  
+1 925 279 0120

**STOCKTON/CENTRAL VALLEY**  
3439 Brookside Road  
Suite 108  
Stockton, CA 95219  
+1 209 475 5100

**SACRAMENTO**  
301 University Avenue  
Suite 100  
Sacramento, CA 95825  
+1 916 929 5999

Colliers International is a global leader in real estate services with more than 13,500 professionals operating out of 482 offices in 62 countries. Colliers provides a full range of services to real estate users, owners and investors worldwide including: global corporate solutions; sales and lease brokerage; property and asset management; project management; hotel investment sales and consulting; property valuation and appraisal services; mortgage banking and insightful research. Colliers has 10 offices in Northern California and Nevada.



# COLLIERS OFFICES & INDIVIDUAL MEMBERSHIPS

COLLIERS INTERNATIONAL  
2013 - 2014 SILICON VALLEY | MARKET REPORT & FORECAST

## Colliers Offices Worldwide

<b>UNITED STATES</b>	Tampa Bay	Charlotte	<b>Nova Scotia</b>	Diegem	Vilnius	Bristol	Kolkata
<b>Alabama</b>	West Palm Beach	Durham	Halifax	<b>Bulgaria</b>	<b>Montenegro</b>	Edinburgh	Mumbai
Huntsville	<b>Georgia</b>	Raleigh	<b>Ontario</b>	Sofia	Podgorica	Glasgow	New Delhi
Birmingham	Atlanta	<b>Ohio</b>	Burlington	Varna	<b>Netherlands</b>	Leeds	Pune
<b>Arizona</b>	Savannah	Cincinnati	Greater Toronto	<b>Croatia</b>	Amsterdam	London City	<b>Indonesia</b>
Greater Phoenix	<b>Hawaii</b>	Cleveland	London Ontario	Zagreb	Eindhoven	London West End	Jakarta
Phoenix-Scottsdale	Big Island	Columbus	Ottawa	<b>Czech Republic</b>	Rotterdam	Manchester	<b>Japan</b>
<b>Arkansas</b>	Honolulu	<b>Oregon</b>	Waterloo	Prague	<b>Norway</b>	Plymouth	Osaka
Bentonville	Maui	Portland	<b>Quebec</b>	<b>Denmark</b>	Oslo	Uxbridge	Tokyo
Little Rock	<b>Idaho</b>	<b>Pennsylvania</b>	Montreal	Aalborg	<b>Poland</b>	<b>New Zealand</b>	<b>Japan</b>
<b>California</b>	Boise - Nampa	Allentown	<b>Saskatchewan</b>	Aarhus	Krakow	Christchurch	REMS
Bakersfield	<b>Illinois</b>	Conshohocken	Regina	Frederiksberg	Pozanan	Dunedin	Hamilton
Carlsbad	Chicago	Harrisburg	Saskatoon	Odense	Warsaw	Hawkes Bay	Nelson
Fairfield	Rosemont	Philadelphia	<b>LATIN AMERICA</b>	Vejele	Wroctaw	North Shore	Palmerston North
Fresno	<b>Indiana</b>	Pittsburgh	<b>Argentina</b>	<b>Estonia</b>	<b>Portugal</b>	Queenstown-Lake	South Auckland
Gilroy	Indianapolis	<b>South Carolina</b>	Buenos Aires	Tallinn	Funchal	Tauranga	Wellington
Los Angeles County	<b>Kansas</b>	Charleston	<b>Brazil</b>	Lisbon	Porto	Toronto	<b>Pakistan</b>
Brentwood	Lawrence	Columbia	Recite	Roma	<b>Romania</b>	Bucharest	Islamabad
City of Industry	<b>Maryland</b>	Greenville	Rio de Janeiro	<b>France</b>	Bucharest	Moscow	Karachi
Commerce	Columbia	Baltimore	Sao Paulo	Cergy-Pontoise	<b>Russia</b>	St. Petersburg	Lahore
Downtown LA	Greater Baltimore	<b>Tennessee</b>	<b>Chile</b>	Lilles	Moscow	Newcastle	<b>Philippines</b>
Encino	<b>Massachusetts</b>	Memphis	Santiago	Lyon	St. Petersburg	Perth	Cebu City
Island Empire	Boston	Nashville	<b>Columbia</b>	Marseille	<b>Saudi Arabia</b>	Sunshine Coast	Manila
Orange County	<b>Michigan</b>	<b>Texas</b>	Barranquilla	Montpellier	Jeddah	Cotton Tree	<b>Singapore</b>
Torrance	Ann Arbor	Dallas/Fort Worth	Bogota	Montreuil	Riyadh	Sydney	<b>South Korea</b>
Valencia	Detroit	Houston	Medellin	Montrouze	<b>Serbia</b>	CBD	Seoul
Oakland/East Bay	Grand Rapids	Sugarland	Costa Rica	Nantes	New Belgrade	North	Taiwan
Pleasanton	Kalamazoo	<b>Utah</b>	San Jose	Paris	Nis	South	Taipei
Redwood City/Palo Alto	<b>Minnesota</b>	Salt Lake City	<b>Mexico</b>	Strasbourg	<b>Slovakia</b>	Southwest	<b>Thailand</b>
Sacramento	Minneapolis	<b>Virginia</b>	Cancun	Toulouse	Bratislava	West	Bangkok
San Diego	<b>Missouri</b>	Richmond	Ciudad De Mexico	Strasbourg	<b>South Africa</b>	Toowoomba	Bangkok
San Francisco	Kansas City	Tyson Corner	Guadalajara	Toulouse	Cape Town	Townsville	San Mateo Chamber of Commerce
San Jose/Silicon Valley	St. Louis	<b>Washington</b>	Juarez	<b>Germany</b>	Johannesburg	Wollongong	San Carlos Chamber of Commerce
Stockton	<b>Nebraska</b>	Bellevue	Monterrey	Berlin	<b>Spain</b>	Beijing	Redwood City Chamber of Commerce
Walnut Creek	Lincoln	Seattle	Puebla	Dusseldorf	Madrid	Chengdu	Gilroy Chamber of Commerce
<b>Colorado</b>	Omaha	<b>Wisconsin</b>	Queretaro	Stuttgart	Gothenburg	Foshan	Sons of Sicily
Denver	<b>Nevada</b>	Fox Valley	Tijuana	<b>Greece</b>	Malmo	Guangzhou	Silicon Valley Capital Club
<b>Connecticut</b>	Las Vegas	Madison	<b>Republic of Panama</b>	Athens	Stockholm	Shenzhen	Asian American Manufacturer's Association (AAMA)
Hartford	Reno	Milwaukee	Panama City	<b>Hungary</b>	<b>Sweden</b>	Tianjin	Argus Seld Storage Sales Network
New Haven	<b>New Hampshire</b>	<b>CANADA</b>	<b>Peru</b>	Budapest	Geneva	<b>Hong Kong</b>	Rotary International
Stamford	Manchester	<b>Alberta</b>	Lima	<b>Ireland</b>	Zurich	Hong Kong	Kiwanis International
<b>Delaware</b>	Portsmouth	Calgary	<b>EUROPE, MIDDLE EAST &amp; AFRICA</b>	Dublin	<b>Turkey</b>	Wanchai	China Silicon Valley
Wilmington	<b>New Jersey</b>	Edmonton	<b>Albania</b>	<b>Israel</b>	Istanbul	Kowloon	Asian Business Association
<b>District of Columbia</b>	Mount Laurel	Greater Toronto	Tirana	Tel Aviv	<b>Ukraine</b>	India	Bay Area Mortgage Association
Washington DC	Parsippany	<b>British Columbia</b>	<b>Austria</b>	<b>Italy</b>	Kyiv	Bangalore	American Society of Appraisers
<b>Florida</b>	Princeton	Kelowna	Vienna	Milan	<b>United Arab Emirates</b>	Chennai	Royal Institute of Chartered Surveyors
Clearwater	Washington DC	Nanaimo	<b>Belarus</b>	Rome	Abu Dhabi	Gurgaon	
Fort Lauderdale	<b>New Mexico</b>	Surrey	Minsk	<b>Kazakhstan</b>	Dubai		
Fort Myers	Albuquerque	Vancouver	<b>Belgium</b>	Almaty	Birmingham		
Jacksonville	Sante Fe	Victoria	Antwerp	<b>Lithuania</b>			
Miami	<b>New York</b>	<b>Manitoba</b>					
Orlando	Buffalo	Winnipeg					
	Long Island	<b>New Brunswick</b>					
	New York City	Moncton					
	<b>North Carolina</b>						

## Individual Memberships



## Other Memberships

- Mountain View Chamber of Commerce
- San Mateo Chamber of Commerce
- San Carlos Chamber of Commerce
- Redwood City Chamber of Commerce
- Gilroy Chamber of Commerce
- Sons of Sicily
- Silicon Valley Capital Club
- Asian American Manufacturer's Association (AAMA)
- Argus Seld Storage Sales Network
- Rotary International
- Kiwanis International
- China Silicon Valley
- Asian Business Association
- Bay Area Mortgage Association
- American Society of Appraisers
- Royal Institute of Chartered Surveyors

# REGIONAL OFFICES

## San Jose/Silicon Valley

450 West Santa Clara Street  
San Jose, CA 95113  
+1 408 282 3800

## Gilroy/South County

8070 Santa Teresa Boulevard, Suite 220  
Gilroy, CA 95020  
+1 408 842 7000

## San Francisco Peninsula

203 Redwood Shores Parkway, Suite 125  
Redwood City, CA 94065  
+1 650 486 2200

## San Francisco

50 California Street, Suite 1900  
San Francisco, CA 94111  
+1 415 788 3100

## Oakland/East Bay

1999 Harrison Street, Suite 1750  
Oakland, CA 94612  
+1 510 986 6770

## Pleasanton/East Bay

3825 Hopyard Road, Suite 195  
Pleasanton, CA 94588  
+1 925 463 2300

## Fairfield/North Bay

360 Campus Lane, Suite 101  
Fairfield, CA 94534  
+1 707 863 0188

## Walnut Creek/East Bay

1850 Mt. Diablo Boulevard, Suite 200  
Walnut Creek, CA 94596  
+1 925 279 0120

## Stockton/Central Valley

3439 Brookside Road, Suite 108  
Stockton, CA 95219  
+1 209 475 5100

## Sacramento

301 University Avenue  
Suite 100  
Sacramento, CA 95825  
+1 916 929 5999



Colliers International is a global leader in real estate services with more than 13,500 professionals operating out of 482 offices in 62 countries. Colliers provides a full range of services to real estate users, owners and investors worldwide including: global corporate solutions; sales and lease brokerage; property and asset management; project management; hotel investment sales and consulting; property valuation and appraisal services; mortgage banking and insightful research. Colliers has 10 offices in Northern California and Nevada. CA License No. 00490878