



SILICON VALLEY RESEARCH & FORECAST REPORT



Going Out With a Bang

SOLID ACTIVITY CLOSES THE YEAR WITH RECORD NUMBERS

Here in the Silicon Valley, 2014 proved to be a robust year for the local economy. The Silicon Valley economy continues to lead the nation in matters of growth, income, innovation, and venture capital investments. Silicon Valley is still the largest technology hub in the nation and the anchor for the Bay Area. Technology firms in Santa Clara County employ over 270,000 people, according to data released by the Milken Institute.

New leasing and user sale activity during the fourth quarter of 2014 increased 28.2% from the previous quarter to 7.1 million square feet of total gross absorption. Activity measured during the final quarter of the year was the highest number recorded on a quarterly basis since the second quarter of 2011. The Silicon Valley's office and R&D sectors accounted for 75.6% of all new activity during the quarter, while the industrial sector produced just over 13% of the total activity.

In total, 5.1 million square feet of space was vacated in the Silicon Valley during the fourth quarter. With a relatively low amount of rollover space finding its way into the supply pipeline, total space occupied in Silicon Valley once again increased during the most recent quarter. The 1.9 million square feet of net absorption was nearly a two-fold increase from the prior quarter, and raised year-to-date net absorption to 3,335,449 square feet, extending a market recovery that now spans fifteen quarters. The overall availability rate for all product types (office, R&D, industrial, and warehouse) combined in Silicon Valley is now 9.3%, the lowest it has been since the first quarter of 2001 when total availability stood at 6.5%.

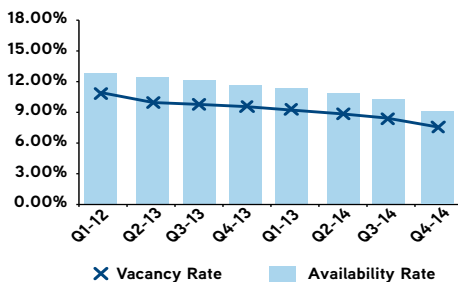
Construction and preleasing activity in the Silicon Valley remained strong in 2014. Another encouraging indicator for the market is the preleasing activity ascribed to buildings either currently under construction or part of build-to-suit agreements. This has been a consistent trend in the Silicon Valley's commercial market and we expect to see the impact of these transactions continue to occur throughout 2015 and 2016. Some of the noteworthy transactions that occurred in 2014 that will not show up in statistics until occupied, include Google signing-on for more than 1.9 million square feet at Jay Paul's Moffett Place, in what is said to be the largest office lease in the nation, ever. Overton Moore's speculative warehouse project in Fremont, snagged three tenants in 2014; Living Spaces, Apple and Pivot Interiors all inked long-term leases totaling a combined 587,877 square feet, representing 85.1% of the entire speculative development.

Optimism among small- and mid-sized business have reached levels last seen during the pre-recession years of the early 2000s, and all indicators are pointing to continued growth. The Silicon Valley has measured sustainable growth over the past year and is expected to continue to measure gains in the coming years—both economic and in number of jobs. However the issues of transportation and housing affordability have lingered over this Valley for many years. Coupled with a tight job market, where tech employers struggle to find qualified workers, these challenges will continue to be major obstacles to new growth.

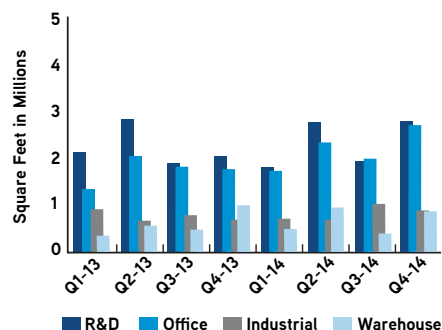
MARKET INDICATORS

	Q3 2014	Q4 2014	
Availability Rate	10.42%	9.30%	↓
Gross Absorption	5,564,979 SF	7,135,558 SF	↓
Net Absorption	676,083 SF	1,985,095 SF	↓

SILICON VALLEY AVAILABILITY



SILICON VALLEY GROSS ABSORPTION



OFFICE

During 2014, office activity was strong in the Silicon Valley, registering a total of 8.97 million square feet of gross absorption. Year over year, office activity was up 26.7% from 2013. Total demand for office space in the Silicon Valley during 2014 was right on par with Colliers' expectations and is the second-largest amount of annual gross absorption recorded since Colliers began tracking absorption in 1988—trailing only the 9.78 million square feet of office gross absorption posted in 2011.

After three consecutive years of positive net absorption, the office sector extended its streak to four years with an occupancy gain totaling 2.02 million square feet. The Silicon Valley office market has now seen an occupancy gain totaling more than 7.4 million square feet since 2011. The amount of net absorption recorded in 2014 was slightly lower than Colliers' forecasted 3.0-million-square-foot increase, but nonetheless is evidence of another good year for the office market. With more than a 2.0 million-square-foot occupancy gain, the Silicon Valley office market produced stellar results in 2014.

The office sector's availability rate fell 442 basis points during 2014, closing the year at 11.1% overall. This dip in the office availability rate is in line with Colliers' expectations and the sentiment of our brokers, who find competition for quality space increasing with the tightening of the market. The last time the office availability rate was

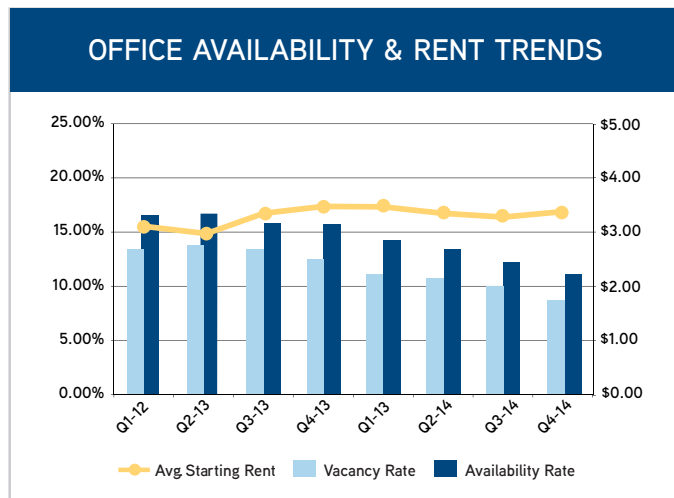
lower, was during the first quarter of 2001, when it stood at 8.9%.

The Sunnyvale office market posted another big year in 2014, as tenants continue to seek out space within the city. The 1.48 million square feet of office gross absorption that Sunnyvale recorded was the third best on record according to Colliers' statistics. As a result of the continued

Mart also leased an additional 127,000 square feet on California Avenue, and Equinix signed a new lease for 71,070 square feet on Arques Avenue.

Activity was strong in the Santa Clara market as well. At 2.05 million square feet of gross absorption, Santa Clara's level of office activity was 27.3% higher than the 1.61 million square feet produced in 2013. This amount of demand translated to significant net absorption of 1.13 million square feet, the largest office occupancy gain in Santa Clara since Colliers began tracking absorption in 1988. Significantly, the occupancy gains were consistent throughout the year, with positive net absorption posted in all four quarters. Leading the way was ServiceNow's lease of Sobrato's Lawson Lane Campus. The 328,867 square-foot campus was completed in 2012 and has remained vacant until now.

Leasing and user-sale activity in San Jose was stable during 2014. The Silicon Valley's largest city measured 2.27 million square feet of office gross absorption, compared to 2.04 million square feet in 2013. Despite the healthy amount of activity measured during the year, it still wasn't enough to tip the scale, and San Jose posted an office occupancy loss to the tune of 255,101 square feet during the year. As a result, the total amount of available space in San Jose remained flat, with the office availability rate still hovering around 15%. Notable office deals in San Jose include Taiwan Semiconductor



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demand, 2014 produced an occupancy gain of 488,568 square feet in Sunnyvale, the fourth consecutive year of positive net absorption. In 2014, Google consumed more than 700,000 square feet in two new deals for five buildings on Maude and Mathilda, a result of the tech giant's massive expansion during the year. Wal-

OFFICE LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q4 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
2215-2225 Lawson Lane, Santa Clara	328,867	Sobrato Development	ServiceNow	Lease
4440 El Camino Real, Los Altos	96,562	Travelers Insurance	LinkedIn	Lease
150 Almaden Boulevard, San Jose	36,772	Equus Capital Partners	Heritage Commerce Corporation	Lease
3355 Scott Boulevard, Santa Clara	23,405	Menlo Equities	Pivot Interiors	Lease
1740 Technology Drive, San Jose	21,345	Equity Office Properties Trust	Nutanix	Lease
225 W Santa Clara Street, San Jose	16,025	Principal Financial Group	Dice Career Solutions	Lease

Manufacturing's lease of 155,613 square feet on Junction Avenue, while Xactly Corporation and Intact Corporation committed to two full floors of 59,205 square feet each on Park Avenue.

Gross absorption in Palo Alto jumped 46.5% in 2014, representing demand of 1.12 million square feet; ending a two-year streak where no deals greater than 100,000 square feet were signed within the city. Machine Zone grabbed Facebook's former campus on Page Mill Road; the 222,087 square-foot space had stood empty since Facebook vacated in 2011. Palo Alto remains a choice destination for start-ups and cutting edge social media companies. In 2014, even Google made major moves into Palo Alto, acquiring a collection of properties, including a 207,857 square-foot office campus on Hillview Avenue, for its newly acquired Nest Labs.

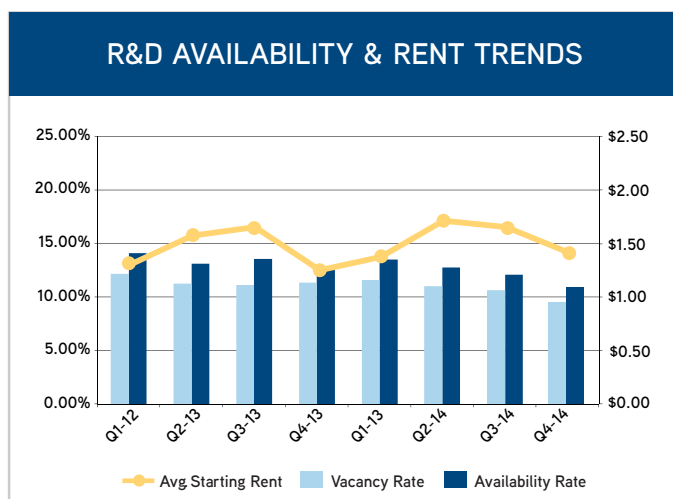
Average asking rents in the office sector were up 10.7% percent from 2013, and are up 24.4% percent from 2012. When comparing all completed office deals in 2013 to all completed office deals in 2014, weighted-average starting rents in the office sector increased 4.3% year over year.

R&D

The Silicon Valley R&D sector continued to move forward in 2014. R&D demand increased 6.4% when compared to the levels measured in 2013, and closed the year with a solid 9.59 million square feet of gross absorption. This is now the third straight

year that the R&D sector has recorded just below 10 million square feet of activity on an annual basis. R&D demand inches closer with each passing year to its prerecession norm of more than 10 million square feet per annum. Totals recorded in 2014 were expected and spot-on with Colliers' forecast of 9.0 million square feet for the year.

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the R&D sector recorded its fourth straight year of more than one million square feet of positive net absorption, weighing in at 1.18 million square feet. This is, however, a 38.1% decrease from the occupancy gain recorded in 2013, and a 31.4% decrease from 2012. The R&D occupancy gain measured in 2014 was also weighted decidedly

towards the end of the year, as going into the fourth quarter net absorption was measuring negative 30,497 for the first three quarters combined.

San Jose is home to nearly one-third of the Silicon Valley's R&D building base, and accounted for 31.9% of the total activity in 2014. The 3.06 million square feet of leasing and user-sale activity in 2014 was a 34.4% increase from the 2013 total of 2.28 million square feet. As a result of this renewed activity, San Jose posted an R&D occupancy gain of 875,748 square feet in 2014, accounting for 74% of the total occupancy gain in the Silicon Valley R&D market during the year. Notable transactions in San Jose included, Vanderbend Manufacturing's lease of 207,006 square feet on Orchard Parkway; Spansion signed on for 124,592 square feet on Ridder Park Drive, and Jabil Circuits expanded into an additional 102,114 square-foot space on San Ignacio Avenue.

Sunnyvale posted modest results in 2014. R&D gross absorption picked up by nearly 12% in Sunnyvale from 1.05 million square feet in 2013 to 1.17 million square feet in 2014. This ends a three-year streak of declining R&D activity in Sunnyvale. Still, Sunnyvale generated an occupancy loss measuring 94,199 square feet for the year. Total available R&D space in Sunnyvale is hovering around the 1.89 million-square-foot mark, and the city's R&D availability rate remained below the 10% mark for the third consecutive year. Average asking rates in Sunnyvale have increased 8.3% since 2013 and 19.8% since 2012, to rest at \$2.10 per square foot, NNN. This is the first time

R&D LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q4 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
3535 Garrett Drive, Santa Clara	118,800	Applied Materials, Inc.	McCarthy Cook	Investment Sale
2841 & 2861 Scott Boulevard, Santa Clara	109,552	Rockpoint Group & Presidio Investments	Roche Molecular Systems Inc	Lease
48761 Kato Road, Fremont	91,270	Datong Corporation	WGI 48761 Kato RD LLC	Investment Sale
48133 Warm Springs Boulevard, Fremont	68,600	IndCor Properties	Compass Components	Lease
843 Auburn Court, Fremont	60,312	IndCor Properties	Underwriters Laboratories, Inc.	Lease
48800 Milmont Drive, Fremont	53,000	DivcoWest	Finisar Corporation	Lease

since 2001 that average R&D asking rates have surpassed the two-dollar mark.

Fremont recorded a strong amount of user activity during 2014 with 1.3 million square feet of R&D gross absorption. This is an 11.4% increase from activity measured during 2013, and higher than its 10-year average of 1.1 million square feet of annual activity. Something of note was that in 2014, no deals greater than 100,000 square feet were recorded in Fremont's R&D market. This now marks the second year in a row which Fremont has failed to snag a six-figure square footage deal in the R&D or office sector. Mentor Graphics purchased a 94,439 square-foot building on Bayside Parkway, and Compass Components leased 68,600 square feet on Warm Springs Boulevard, to highlight the year.

The weighted-average asking rent for R&D space in the final quarter of 2014 was \$1.49 per square foot NNN, up 9.4% from the same period the prior year and 14.4% from the same period in 2012. This increase is in line with Colliers' expectations of a 5-10% increase year over year. Additionally, the weighted-average starting rent for R&D deals done in 2014 increased 4.7% from the 2013 weighted-average start rate of \$1.48 per square foot NNN, to \$1.55 per square foot. This too is in line with Colliers forecast for the year.

INDUSTRIAL

Silicon Valley's industrial sector was seemingly stable throughout 2014. Activity was up slightly from 2013. Measuring an 8.0% increase, the

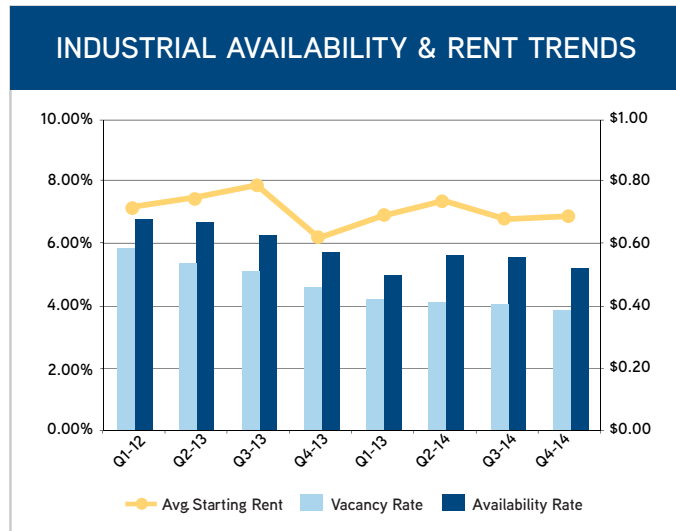
Silicon Valley tallied 3.19 million square feet of gross absorption during 2014. This was a return to surpassing the 3.0 million-square-foot threshold, after gross absorption had dropped to 2.9 million square feet in 2013. Industrial gross absorption has now exceeded 3.0 million square feet in five out of the last six years.

The industrial availability rate has hovered in the

due in large part to the lack of desirable space on the market. When quality space did become available, it did not sit for long.

By year-end, the industrial sector recorded only 77,746 square feet of positive net absorption, a whopping 89.5% decrease from the occupancy gain of 746,165 square feet in 2013. Weighing heavily in those results and in the results going forward, is the fact that the available inventory has become so impacted that it is nearly impossible to effect any significant occupancy gain without new development, and there is no new development to speak of in this product category. As a result, in three of the four quarters this year, industrial net absorption was slightly in the red. It was only during the third quarter that the industrial market measured a gain, to the tune of 237,628 square feet, and that was enough to generate positive net absorption overall.

San Jose proved to be the foundation of the Silicon Valley's industrial sector, accounting for 37.9% of the activity during 2014. The 1.21 million square feet of industrial gross absorption San Jose produced in 2014 was within 1.0% of the activity level recorded in 2013. San Jose ended the year with 202,438 square feet more industrial space on the market than at the beginning of the year. That slight increase resulted in a 94 basis-point increase in San Jose's industrial availability rate during the year, to a still low, 5.4%, up from 4.4% from the year before. Notable deals in San Jose during 2014 included



The industrial availability rate has hovered in the 5.0% range since late 2013 and continued to do so throughout 2014. With total available industrial space in the Silicon Valley not surpassing 3.8 million square feet for more than two years, this limits the options for tenants significantly.

5.0% range since late 2013 and continued to do so throughout 2014. With total available industrial space in the Silicon Valley not surpassing 3.8 million square feet for more than two years, this limits the options for tenants significantly. As the industrial numbers fell flat during 2014—especially on the net absorption side of the equation—it was

INDUSTRIAL LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q4 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
1855-1885 Norman Ave	23,295	Jeff Miller	Good Foods, LLC	User Sale
18850 Adams Court, Morgan Hill	21,500	MH Adams Court, LLC	Bruce & Heather Perlitch	User Sale
2240 Paragon Drive, San Jose	20,710	Allred Investments LLC	West Coast Cranes	Lease
3180 Molinaro Street, Santa Clara	16,700	Molinaro Street Associates	Scientific Metal Finishing, Inc.	Renewal
1510 Dell Avenue, Campbell	13,822	South Bay Development Company	Exley Mixon, Inc.	Lease
386 Railroad Court, Milpitas	12,405	IndCor Properties	Welker Bros.	Lease

the County of Santa Clara's lease of 73,876 square feet on Senter Road, and Don van Nortwick's owner/user purchase of a 58,510 square foot building on Olinder Court.

Santa Clara's industrial sector struggled to produce the results that the city has been accustomed to in previous years. At the close of 2013, Santa Clara had only generated 460,357 square feet of industrial gross absorption. However, as previously noted, the low level of activity can be attributed to the lack of space available. The 2.9% availability rate in Santa Clara is the lowest recorded since mid-2000. The two largest new deals in Santa Clara during 2014 were user sales. Generating net absorption in 2014, Corporate Sign Systems purchased a 31,320 square foot building on De La Cruz Boulevard, and Good Food, LLC purchased 23,295 square feet on Norman Avenue.

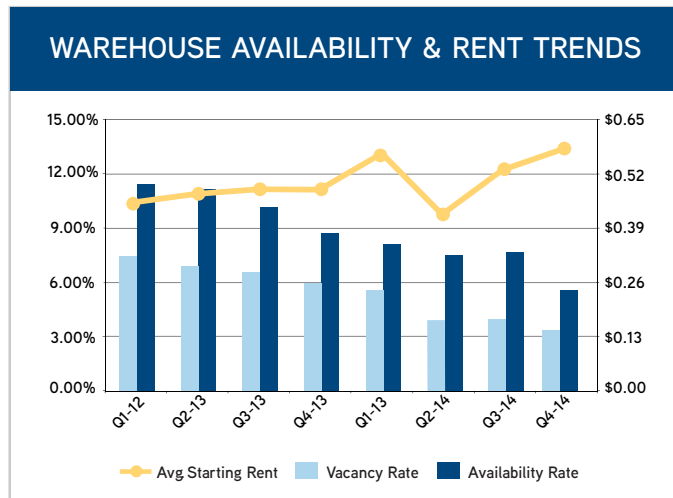
Other submarkets making small but worthy contributions to the activity levels in the Silicon Valley's industrial sector during 2014 were Morgan Hill and Gilroy. The Valley's southernmost cities posted occupancy gains of 22,251 and 46,644 square feet respectively, marking the third straight year that both submarkets have posted positive occupancy gains. Year over year, the industrial availability rate in Morgan Hill fell from 3.7% in 2013, to 2.2% at the end of 2014. Likewise, Gilroy's industrial sector measured a decrease in its availability rate, from 9.6% to 5.5%, during 2014.

Colliers' data shows that asking rents over the last year have remained flat, but that is an apples-to-rotten-apples comparison. Higher-rent, higher-quality industrial spaces are not available long enough to always figure into monthly statistics. When examining specific industrial business parks and comparing their asking rates from one year ago to today, we discover that those rents have increased by

gross absorption, this is the highest level of warehouse activity recorded since 2006, and is in line with Colliers' 2.5 million square foot forecast for the year.

After ending a five-year streak of negative net absorption during the previous year, the warehouse market attained another year of positive net absorption in 2014. The total occupancy gain in the warehouse sector measured 711,671 square feet during 2014 and is a welcome victory for Silicon Valley's warehouse sector. Available warehouse space decreased by 38.3% during 2014 to finish the year at 2.06 million square feet available throughout the Silicon Valley. This is the lowest amount of available space measured since the fourth quarter of 2000. The overall availability rate now sits at 5.5% in the warehouse sector, the first time that the availability rate has dipped below the 6.0% mark since 2006.

For the first time in nearly 20 years, developers reinvested in Silicon Valley's warehouse base by breaking ground on new construction. A decision that was questioned by some as risky, turned out to be a winning bet for those who took the plunge. Each project that started construction during the year, snagged tenants well before the project's completion date. Most notable however, are the three deals noted earlier that were signed at Overton Moore's speculative warehouse project in Fremont, on



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more than 10%, and that is our expectation for 2015 as well.

WAREHOUSE

The Silicon Valley warehouse market recorded another strong year in 2014. With robust demand totaling 2.76 million square feet of

WAREHOUSE LEASING & SALES ACTIVITY

SELECTED COLLIERS INTERNATIONAL TRANSACTIONS - Q4 2014

PROPERTY ADDRESS	SQUARE FEET	LANDLORD/SELLER	TENANT/BUYER	TYPE
500 Luchessa Avenue, Gilroy	164,021	Jeff Barnes, Lee Evans, & Myron Zimmerman	Epic Wines	User Sale
501 Cinnabar Street, San Jose	105,000	Hamilton Lohr	Storage Solutions	User Sale
156-166 S Milpitas Boulevard, Milpitas	65,373	Buzz and Lance Crain	Milpitas Boulevard, LLC	Investment Sale
1935 Lundy Avenue, San Jose	54,255	Prologis	Andrian, Inc.	Lease
44901 Industrial Drive, Fremont	50,200	DW Morgan Company	Best USA Logistics, Inc.	Sublease
1030 Commercial Street, San Jose	49,728	CSBC, LLC	UPS	Renewal

the I-880 Corridor. However, the effect of these transactions will not be seen in absorption until the project is completed in early 2015.

For the second year in a row, San Jose contributed the largest increase in warehouse occupancy during the year. 2013 had put to bed a five-year streak of occupancy loss for San Jose that had dated back to 2008. Now, San Jose seems to have turned the corner, recording another year of occupancy gain to the tune of 250,545 square feet. Total gross absorption in San Jose's warehouse sector measured 920,000 square feet in 2014. San Jose also claimed one of the year's warehouse deals greater than 100,000 square feet. Eagle recycling leased 120,000 square feet on Alma Street, while Federal Express leased 72,987 square feet of warehouse space on Junction Court.

Fremont posted a warehouse occupancy gain of 119,487 square feet. Although this was down slightly from the occupancy gain during 2013, it was the third year in a row that Fremont has posted positive net absorption. Gross absorption increased during 2014, measuring 663,277 square feet for the year. Fremont was also home to the largest new warehouse deal during 2014, and two deals in excess of 100,000 square feet. Synnex Corporation leased 177,041 square feet on Auto Mall Parkway during the third quarter, and Quanta Computer leased 125,501 square feet on Industrial Boulevard.

Milpitas reclaimed its place in the market during 2014, accounting for a total occupancy gain of 304,666 square feet—nearly twice the 155,488 square feet recorded in 2013. Gross absorption was also up year over year in Milpitas. Colliers recorded 559,740 square feet of user activity in 2014, up 37.9% from 2013 and 65.3% from 2012. Notable deals in Milpitas include DGA Services' lease of 142,783 square feet, and Consolidated Electric Distributors signing on for 82,105 square feet, both on Montague Expressway.

The increase in warehouse activity did bring about an increase in rents. Comparing deals done in the fourth quarter of 2013 to the same quarter of 2014, weighted-average start rents were up 20.4% year-over-year. Average asking rates also experienced an increase during 2014, ending the year 16.5% higher than at the end of 2013, at \$0.64 per square-foot, NNN.

UNDERSTANDING ABSORPTION

Colliers uses several measurements to track market conditions and deal flow. While related, the formulas to arrive at these measurements differ. Using the results of the most recent quarter, here is how Colliers measures change in availability, net absorption and effective net absorption.

Change in Availability: This measurement is simply the difference between the amounts of space available at the end of one period to the next. The table below shows that total available space decreased by 3,390,534 square feet in the year's fourth quarter. Note that "change in availability" includes adjustments for space that is "taken off the market". Space "taken off the market" is not a factor in net absorption measurements.

Total Available end of 3Q14	35,437,915
Plus: Vacant & Occupied Space that came available in 4Q14	3,455,870
Plus: New Shell added in 4Q14	692,937
3Q14 Available + Newly Available in 4Q14	39,586,722
Less: 4Q14 Gross Absorption	-7,135,558
Less: 4Q14 Adjustments/Taken off Market	403,783
Total Available end of 4Q14	32,047,381

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

New Vacant Space that came available 4Q14	-1,074,752
Previously Available Space that was vacated in 4Q14	-4,075,711
4Q14 Total Vacant added (Occupancy Loss)	-5,150,463

3Q14 Gross Absorption (occupancy gain)	7,135,588
4Q14 Net Absorption (change in Occupancy)	1,985,095

Effective Net Absorption: In 2003, Colliers created a measurement of "effective net absorption". Effective net absorption uses the same formula as the net absorption formula, except that it treats any space that comes available as if it is vacant, whether it is or isn't. The purpose of the measurement is to get a better "real time" gauge of occupancy flow in and out of the market, acknowledging that space that is available for lease is likely to be vacated shortly and underutilized presently.

New Vacant Space that came available 4Q14	-1,074,752
Occupied Space that came available 4Q14	-2,381,118
3Q14 Total Available added	-3,455,870
4Q14 Gross Absorption	7,135,558
4Q14 Effective Net Absorption	3,679,688

485 offices in 63 countries on 6 continents

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

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

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MARKET COMPARISONS

OFFICE MARKET

CLASS	TOTAL INVENTORY SQ FT	DIRECT VACANT	SUBLEASE VACANT	DIRECT OCCUPIED	SUBLEASE OCCUPIED	TOTAL AVAILABLE SQ FT	AVAILABILITY RATE Q4-2014	AVAILABILITY RATE Q3-2014	NET ABSORPTION Q4-2014	YTD	COMPLETED Q4-2014	UNDER CONSTR	FS WTD AVG ASKING
CAMPBELL / LOS GATOS													
A	1,241,212	94,629	35,274	25,517	3,233	158,653	12.8%	13.6%	10,738	(13,301)	-	249,313	\$3.57
B	2,136,937	42,593	3,643	26,155	1,090	73,481	3.4%	5.8%	2,404	13,321	-	40,000	\$2.67
C	223,662	6,603	-	-	2,984	9,587	4.3%	9.5%	12,217	(3,551)	-	-	\$3.55
Total	3,601,811	143,825	38,917	51,672	7,307	241,721	6.7%	8.7%	25,359	(3,531)	-	289,313	\$3.33
CUPERTINO / SARATOGA													
A	901,524	-	-	-	-	-	0.0%	13.0%	-	11,398	-	3,080,820	\$4.75
B	2,783,137	37,865	1,193	11,735	4,709	55,502	2.0%	2.0%	4,243	(9,674)	-	-	\$3.28
C	156,752	931	-	-	-	931	0.6%	0.6%	-	164	-	-	\$2.95
Total	3,841,413	38,796	1,193	11,735	4,709	56,433	1.5%	4.4%	4,243	1,888	-	3,080,820	\$4.55
FREMONT / MILPITAS													
A	863,229	158,763	-	-	12,000	170,763	19.8%	19.2%	20,190	34,908	-	-	\$1.90
B	1,644,942	252,147	4,123	6,000	6,018	268,288	16.3%	16.1%	2,618	(3,526)	-	-	\$1.84
C	574,386	31,958	-	-	-	31,958	5.6%	5.6%	(1,952)	423	-	-	\$1.52
Total	3,082,557	442,868	4,123	6,000	18,018	471,009	15.3%	15.0%	20,856	31,805	-	-	\$1.85
GILROY / MORGAN HILL													
A	578,491	111,248	900	-	-	112,148	19.4%	29.3%	1,082	48,938	-	-	\$1.81
B	169,537	21,237	2,500	-	-	23,737	14.0%	15.6%	2,687	187	-	-	\$1.70
C	308,326	40,273	2,088	10,300	-	52,661	17.1%	17.0%	425	(3,131)	-	-	\$1.93
Total	1,056,354	172,758	5,488	10,300	-	188,546	17.8%	23.5%	4,194	45,994	-	-	\$1.82
LOS ALTOS													
A	256,016	12,044	-	3,828	9,970	25,842	10.1%	3.4%	(2,070)	16,991	-	21,199	\$5.64
B	500,812	22,494	7,283	8,373	-	38,150	7.6%	7.6%	(11,203)	(1,939)	-	-	\$4.24
C	373,597	1,458	-	16,000	-	17,458	4.7%	5.2%	-	(759)	-	-	\$4.95
Total	1,130,425	35,996	7,283	28,201	9,970	81,450	7.2%	5.7%	(13,273)	14,293	-	21,199	\$4.89
MOUNTAIN VIEW													
A	2,721,153	53,798	51,140	11,620	10,445	127,003	4.7%	6.5%	128,727	161,318	175,902	831,837	\$6.73
B	1,220,677	33,345	-	-	8,766	42,111	3.4%	5.9%	1,843	19,300	-	-	\$3.86
C	476,305	15,235	-	19,352	-	34,587	7.3%	5.0%	(13,800)	5,121	-	-	\$4.36
Total	4,418,135	102,378	51,140	30,972	19,211	203,701	4.6%	6.1%	116,770	185,739	175,902	831,837	\$5.93
PALO ALTO													
A	4,539,926	51,071	29,931	65,743	32,959	179,704	4.0%	9.7%	79,625	492,953	17,150	231,388	\$7.07
B	4,095,640	192,011	22,214	77,259	88,976	380,460	9.3%	7.9%	13,075	(107,228)	-	-	\$6.31
C	1,148,478	14,512	2,600	9,514	8,421	35,047	3.1%	1.9%	(2,626)	(12,394)	-	-	\$5.52
Total	9,784,044	257,594	54,745	152,516	130,356	595,211	6.1%	8.0%	90,074	373,331	17,150	231,388	\$6.54
SAN JOSE													
A	12,532,467	1,880,135	132,854	144,796	137,584	2,295,369	18.3%	20.8%	(130,246)	(350,813)	-	680,000	\$2.95
B	9,519,463	932,980	49,529	217,676	23,318	1,223,503	12.9%	14.5%	35,113	114,182	-	-	\$2.25
C	3,927,921	362,538	-	57,178	6,925	426,641	10.9%	12.2%	(20,375)	(18,470)	-	-	\$1.81
Total	25,979,851	3,175,653	182,383	419,650	167,827	3,945,513	15.2%	17.2%	(115,508)	(255,101)	-	680,000	\$2.61
SANTA CLARA													
A	6,516,781	767,816	159,893	281,318	87,231	1,296,258	19.9%	25.5%	345,965	1,033,943	-	1,147,124	\$3.75
B	4,636,079	266,341	13,059	116,357	27,336	423,093	9.1%	12.6%	7,617	76,911	-	-	\$2.62
C	610,513	68,298	-	6,925	-	75,223	12.3%	14.1%	(4,671)	27,225	-	-	\$1.81
Total	11,763,373	1,102,455	172,952	404,600	114,567	1,794,574	15.3%	19.9%	348,911	1,138,079	-	1,147,124	\$3.50
SUNNYVALE													
A	8,631,432	386,544	-	38,493	104,817	529,854	6.1%	6.7%	390,990	494,886	388,785	1,804,811	\$4.79
B	1,356,490	45,532	36,013	10,775	-	92,320	6.8%	6.8%	2,652	(15,918)	-	-	\$3.26
C	490,595	110,160	-	-	-	110,160	22.5%	23.8%	2,983	9,600	-	-	\$3.83
Total	10,478,517	542,236	36,013	49,268	104,817	732,334	7.0%	7.6%	396,625	488,568	388,785	1,804,811	\$4.63
SILICON VALLEY TOTALS													
A	38,782,231	3,516,048	409,992	571,315	398,239	4,895,594	12.6%	14.1%	845,001	1,931,221	581,837	8,046,492	\$3.84
B	28,063,714	1,846,545	139,557	474,330	160,213	2,620,645	9.3%	10.4%	61,049	85,616	-	40,000	\$3.00
C	8,290,535	651,966	4,688	119,269	18,330	794,253	9.6%	10.1%	(27,799)	4,228	-	-	\$2.40
Total	75,136,480	6,014,559	554,237	1,164,914	576,782	8,310,492	11.1%	12.2%	878,251	2,021,065	581,837	8,086,492	\$3.52
QUARTERLY COMPARISON AND TOTALS													
4Q-14	75,136,480	6,014,559	554,237	1,164,914	576,782	8,310,492	11.1%	12.2%	878,251	2,021,065	581,837	8,086,492	\$3.52
3Q-14	72,659,597	6,589,439	547,995	1,146,398	600,304	8,884,136	12.2%	13.3%	483,501	1,142,814	70,802	8,258,649	\$3.47
2Q-14	72,452,104	7,057,523	698,229	1,389,412	467,955	9,613,119	13.3%	14.2%	364,663	659,313	246,000	4,993,108	\$3.22
1Q-14	72,401,264	7,304,703	660,797	1,756,268	583,328	10,305,096	14.2%	15.5%	294,650	294,650	465,283	2,336,647	\$3.21
4Q-13	64,187,305	7,166,414	820,798	1,521,880	430,583	9,939,675	15.5%	15.7%	473,072	2,194,816	268,482	2,336,647	\$3.18

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

MARKET COMPARISONS

R&D, INDUSTRIAL & WAREHOUSE MARKETS

TYPE	TOTAL INVENTORY SQ FT	DIRECT VACANT	SUBLEASE VACANT	DIRECT OCCUPIED	SUBLEASE OCCUPIED	TOTAL AVAILABLE SQ FT	AVAILABILITY RATE Q4-2014	AVAILABILITY RATE Q3-2014	NET ABSORPTION Q4-2014	COMPLETED YTD	COMPLETED Q4-2014	UNDER CONSTR	NNN WTD AVG ASKING
CAMPBELL													
R&D	1,373,682	114,905	5,530	48,859	-	169,294	12.3%	15.0%	(4,094)	(9,762)	-	-	\$1.28
IND	922,781	3,000	11,309	23,494	-	37,803	4.1%	4.9%	17,811	24,523	-	-	\$1.50
TOTAL	2,296,463	117,905	16,839	72,353	-	207,097	9.0%	11.1%	13,717	14,761	-	-	\$1.29
CUPERTINO													
R&D	2,856,248	-	-	-	-	-	0.0%	0.1%	2,400	6,554	-	-	\$-
TOTAL	2,856,248	-	-	-	-	-	0.0%	0.1%	2,400	6,554	-	-	\$-
FREMONT													
R&D	19,338,572	3,061,380	193,446	187,509	127,404	3,569,739	18.5%	22.7%	432,757	267,189	-	-	\$0.88
IND	9,675,076	695,863	-	125,099	2,365	823,327	8.5%	10.4%	41,109	429,920	-	-	\$0.72
WSE	6,743,144	81,426	-	78,136	57,234	216,796	3.2%	6.1%	29,472	119,487	-	864,092	\$0.61
TOTAL	35,756,792	3,838,669	193,446	390,744	187,003	4,609,862	12.9%	16.1%	503,338	816,596	-	864,092	\$0.83
GILROY													
R&D	372,104	76,000	-	23,149	-	99,149	26.6%	26.6%	-	-	-	-	\$0.46
IND	1,537,858	72,467	-	11,510	-	83,977	5.5%	7.4%	40,049	46,644	-	-	\$0.42
WSE	3,342,470	222,350	33,310	-	-	255,660	7.6%	13.2%	29,642	29,642	-	-	\$0.48
TOTAL	5,252,432	370,817	33,310	34,659	-	438,786	8.4%	12.5%	69,691	76,286	-	-	\$0.47
LOS GATOS													
R&D	337,324	-	-	-	14,470	14,470	4.3%	8.6%	29,127	-	-	-	\$1.20
TOTAL	337,324	-	-	-	14,470	14,470	4.3%	8.6%	29,127	-	-	-	\$1.20
MILPITAS													
R&D	13,520,297	1,175,341	131,878	79,160	-	1,386,379	10.3%	10.8%	49,751	34,218	-	-	\$1.31
IND	3,084,176	195,592	12,666	44,202	-	252,460	8.2%	8.6%	30,694	(87,236)	-	-	\$0.75
WSE	4,577,739	2,000	-	242,918	4,806	249,724	5.5%	7.6%	(2,000)	304,666	-	-	\$0.70
TOTAL	21,182,212	1,372,933	144,544	366,280	4,806	1,888,563	8.9%	9.8%	78,445	251,648	-	-	\$1.15
MORGAN HILL													
R&D	2,768,135	74,896	-	-	-	74,896	2.7%	4.3%	12,259	66,146	-	-	\$0.84
IND	2,235,847	42,645	1,056	-	5,040	48,741	2.2%	3.0%	22,444	22,251	-	-	\$0.88
WSE	482,538	20,754	-	-	-	20,754	4.3%	10.2%	28,680	28,680	-	-	\$0.49
TOTAL	5,486,520	138,295	1,056	-	5,040	144,391	2.6%	4.3%	63,383	117,077	-	-	\$0.77
MOUNTAIN VIEW													
R&D	13,683,899	121,740	88,367	21,740	87,095	318,942	2.3%	2.5%	(40,284)	87,091	-	-	\$2.13
IND	1,643,952	14,914	-	-	-	14,914	0.9%	4.4%	9,691	28,462	-	-	\$1.50
TOTAL	15,327,851	136,654	88,367	21,740	87,095	333,856	2.2%	2.7%	(30,593)	115,553	-	-	\$2.09
PALO ALTO													
R&D	13,371,130	19,382	20,000	-	74,833	114,215	0.9%	0.7%	105,408	154,599	111,100	47,917	\$2.00
TOTAL	13,371,130	19,382	20,000	-	74,833	114,215	0.9%	0.7%	105,408	154,599	111,100	47,917	\$2.00
SAN JOSE													
R&D	40,964,381	5,174,054	501,146	563,451	219,008	6,457,659	15.8%	16.9%	621,111	875,748	-	-	\$1.52
IND	22,490,952	652,653	49,976	323,333	181,803	1,207,765	5.4%	4.3%	(272,605)	(202,438)	-	-	\$0.74
WSE	16,696,397	688,278	-	203,933	-	892,211	5.3%	7.2%	(101,036)	250,545	-	-	\$0.58
TOTAL	80,151,730	6,514,985	551,122	1,090,717	400,811	8,557,635	10.7%	11.4%	247,470	923,855	-	-	\$1.34
SANTA CLARA													
R&D	19,618,964	2,178,378	110,702	59,495	143,685	2,492,260	12.7%	14.1%	36,535	(202,617)	-	-	\$1.81
IND	11,453,137	289,001	21,392	11,576	16,800	338,769	3.0%	3.8%	12,474	(143,773)	-	-	\$0.70
WSE	3,193,166	108,892	-	157,792	-	266,684	8.4%	6.6%	(38,256)	27,949	-	-	\$0.80
TOTAL	34,265,267	2,576,271	132,094	228,863	160,485	3,097,713	9.0%	10.0%	10,753	(318,441)	-	-	\$1.65
SUNNYVALE													
R&D	23,098,983	1,378,638	170,841	282,152	61,840	1,893,471	8.2%	8.4%	(29,506)	(94,199)	-	-	\$2.10
IND	6,094,902	141,063	-	35,440	6,700	183,203	3.0%	4.0%	43,349	13,500	-	-	\$0.86
WSE	1,763,134	156,253	-	-	-	156,253	8.9%	12.9%	42,066	(42,669)	-	-	\$0.89
TOTAL	30,957,019	1,675,954	170,841	317,592	68,540	2,232,927	7.2%	7.8%	55,909	(123,368)	-	-	\$1.96

SILICON VALLEY TOTALS

R&D	151,303,719	13,374,714	1,221,910	1,265,515	728,335	16,590,474	11.0%	12.1%	1,215,464	1,184,967	111,100	47,917	\$1.49
IND	60,350,996	2,242,560	96,399	606,336	212,708	3,158,003	5.2%	5.6%	(90,559)	77,746	-	-	\$0.76
WSE	37,282,607	1,286,582	33,310	682,779	62,040	2,064,711	5.5%	7.8%	(18,061)	711,671	-	864,092	\$0.64
TOTAL	248,937,322	16,903,856	1,351,619	2,554,630	1,003,083	21,813,188	8.8%	9.9%	1,106,844	1,974,384	111,100	912,009	\$1.32

QUARTERLY COMPARISON AND TOTALS

4Q-14	248,937,322	16,903,856	1,351,619	2,554,630	1,003,083	21,813,188	8.8%	9.9%	1,106,844	1,974,384	111,100	912,009	\$1.32
3Q-14	248,562,811	18,773,662	1,421,121	3,483,689	920,725	24,599,197	9.9%	10.3%	192,582	867,540	275,000	1,023,109	\$1.25
2Q-14	247,642,980	18,762,522	1,836,049	3,978,883	950,207	25,527,661	10.3%	10.7%	1,093,741	674,958	-	1,124,813	\$1.22
1Q-14	247,623,940	20,132,573	2,001,495	3,281,575	1,125,074	26,540,717	10.7%	10.7%	(418,783)	(418,783)	-	386,100	\$1.21
4Q-13	249,939,618	20,734,330	1,917,715	3,113,306	1,040,695	26,806,046	10.7%	11.4%	91,287	3,525,241	371,245	386,100	\$1.21

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