

RealNews

the silicon valley quarterly on commercial real estate

***Third Quarter 2003
Quarterly Study***



Q303 R&D Highlights

Supply

Available inventory increased slightly to an all time high of 44,183,763 square feet. The third quarter vacancy factor was 26.36% which represents only a 1.5% increase from the second quarter's 25.95% vacancy factor. The increase in vacant space is the smallest increase we have had in the last 3 three years of expanding available inventory. Although the market experienced a similar vacancy factor in the second quarter of 1986, the total square footage of vacant space at that time was 29,000,000 square feet - 52% less than today's available space. Out of the 1,194 available spaces at the end of the third quarter, 1 was under construction, 37 were previously occupied shell, 35 were new shell and the remainder were previously occupied. The time on the market for available space continued to increase to an average of 15.41 months.

Demand

Net absorption has improved to a negative 694,429 square feet at the end of the third quarter representing a 56% increase from the negative 1,588,680 of negative net absorption at the end of the second quarter. Gross absorption jumped significantly from 2,311,495 square feet in the second quarter to 4,100,631 square feet for the third quarter. eBay's 511,000 square feet in San Jose and Google's 506,000 square feet in Mt. View helped to boost the gross absorption. In every quarter of this year, activity has continued to improve. Out of 127 spaces absorbed in the third quarter, 4 were reoccupied by the sublessor, 10 were sales to users and 113 were leases and subleases. Average deal size has also continued to increase every quarter this year and stands at 21,179 square feet at the end of the third quarter, up a significant 14% from the second quarter.

Rent

Average effective rents in the third quarter rebounded slightly to \$.95 per square foot triple net, up from the second quarter's \$.914. For the same period, effective sublease rents increased to \$.859 from the second quarter's \$.785.

Construction

At the end of the third quarter, there was 155,840 square feet of R&D space under construction. The major project under construction is Network Appliance which is located in Moffett Park, Sunnyvale. In addition, 25,579 square feet of speculative space was completed in Mountain View during the third quarter.

Forecast Q403 R&D

Supply

Available inventory may continue to increase for another quarter or two as companies continue to market excess space.

Demand

Gross absorption should remain strong as users perceive that the Valley real estate market has hit bottom. The flight to quality will continue as companies in B and C grade product continue the movement to A grade product.

Forecast for Q403

Rent

Effective rents will begin stabilizing for quality product although the rents for secondary space may continue to decline. Overall rates will likely bounce up and down for a few quarters.

Construction

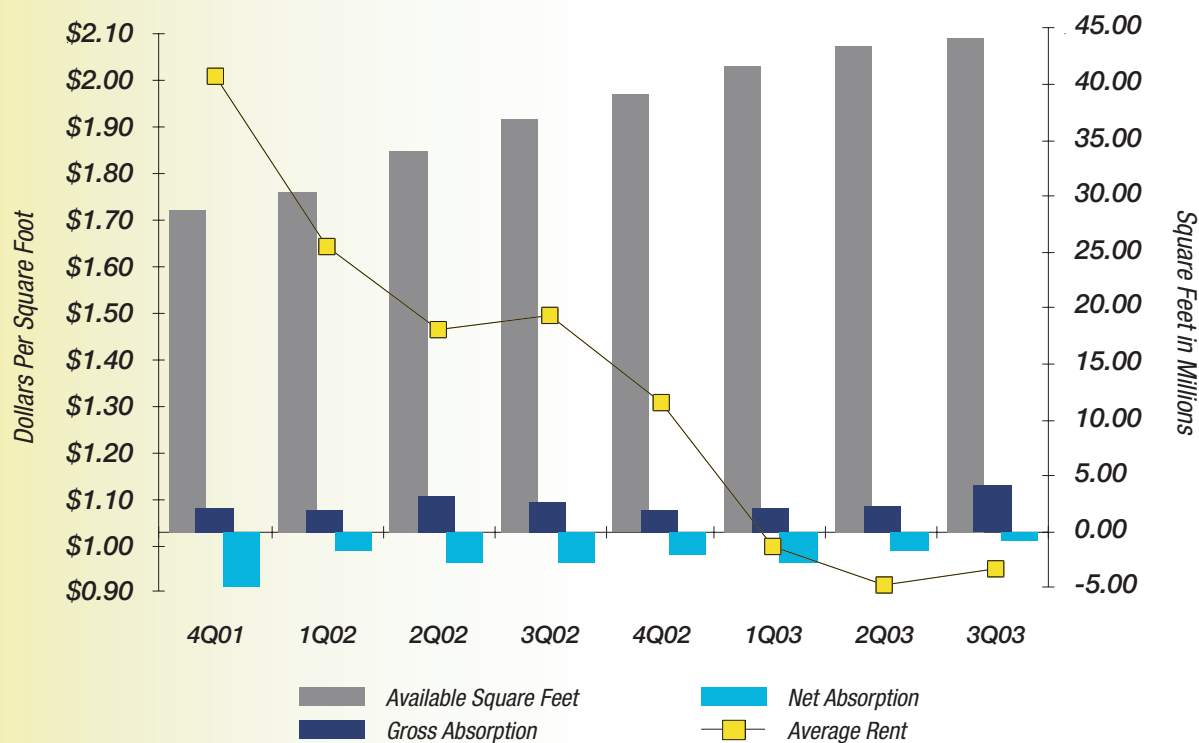
In the fourth quarter, Venture Corporation is planning to break ground in the International Business Park in San Jose on their six building, 138,400 square foot industrial condominium project for sale. BEA and eBay have put their proposed new construction on hold.

Why do statistics vary at different brokerage houses?

Brokerage houses use different assumptions and different formulas in calculating statistics. Assumptions vary from defining product types, determining how to handle properties that are re-occupied and removed from the market, to defining geographic boundaries.

Brokerage statistics indicate trends rather than absolutes. CPS's data is superior because it is collected and reviewed by the entire team weekly under senior management's direct supervision. Additionally, CPS manages the only uninterrupted continuous stream of historical data dating back to 1986.

If you have a question regarding our assumptions or formulas, please don't hesitate to contact our Chief Information Officer, Greg Davies or our Manager of Market Research, Julie Ferretti.



3Q03

44.18M sf ▲ Available
 4.10M sf ▲ Gross
 -.69M sf ▲ Net
 \$.95/sf ▲ Rent

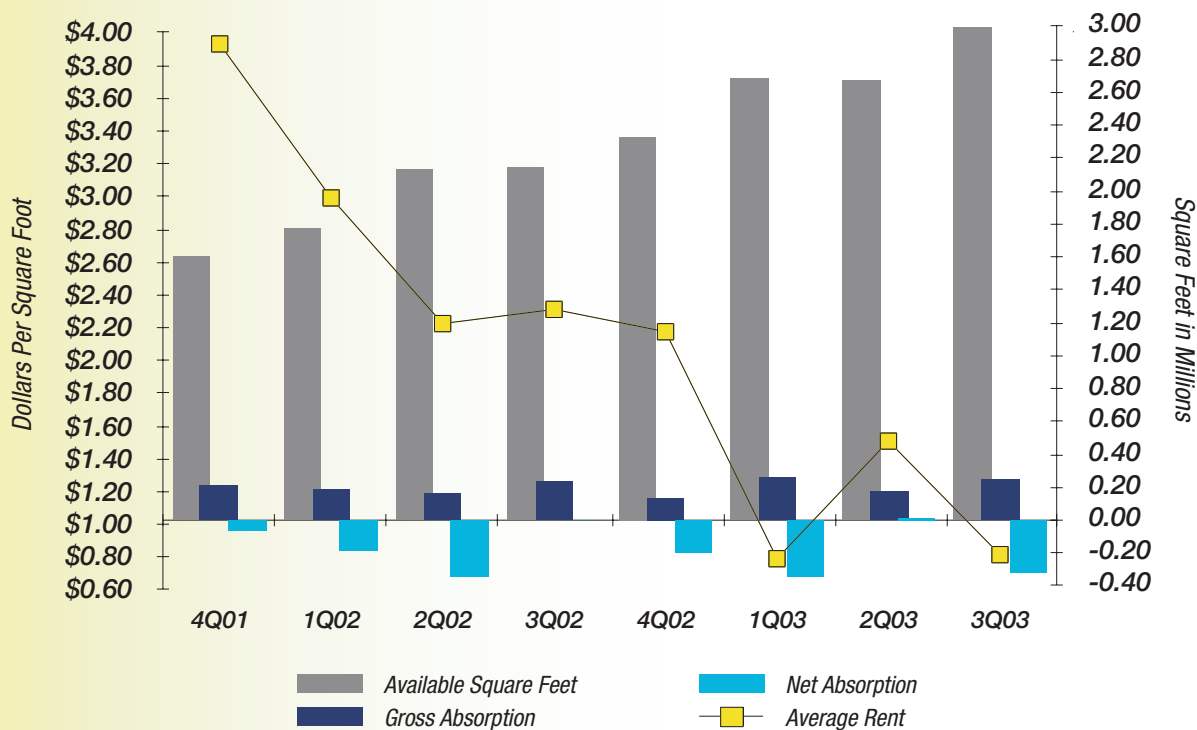
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	44,183,763	\$0.95	4,100,631	-694,429
2Q03	43,495,992	\$0.91	2,311,495	-1,588,680
1Q03	41,720,282	\$1.00	2,105,111	-2,692,772
4Q02	39,087,855	\$1.31	1,902,071	-2,104,325
3Q02	36,956,299	\$1.50	2,742,097	-2,724,718
2Q02	34,070,361	\$1.47	3,259,958	-2,670,923
1Q02	30,475,499	\$1.65	2,019,700	-1,718,497
4Q01	28,797,188	\$2.01	2,218,241	-4,919,523

3rd Quarter 2003 R&D Silicon Valley



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	3,714,194	4,042,331	3,774,402	3,846,294	3,924,325
Shell Sublease	602,207	851,375	997,772	1,092,533	988,157
Previously Occupied Direct	25,340,728	23,949,629	22,106,935	19,675,653	18,424,573
Previously Occupied Sublease	14,526,634	14,652,657	14,841,173	14,473,375	13,619,244
Total Available	44,183,763	43,495,992	41,720,282	39,087,855	36,956,299
Available Time on Market (In Months)	15.39	14.04	12.85	11.61	10.16
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	602,117	102,138	162,398	56,414	82,671
Shell Sublease	0	0	15,500	0	0
Previously Occupied Direct	3,186,789	1,767,868	1,635,019	1,656,875	2,016,241
Previously Occupied Sublease	311,725	441,489	292,194	188,782	569,066
Total Absorption	4,100,631	2,311,495	2,105,111	1,902,071	2,667,978
Absorption Time on Market (In Months)	12.43	11.84	8.71	8.78	6.60
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	26.36%	25.95%	24.90%	23.33%	22.09%
Vacancy Rate	26.09%	25.71%	24.46%	22.69%	21.39%
Sublease Factor	34.24%	35.64%	37.96%	39.67%	39.53%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	502	503	486	487	460
20,001 to 40,000	316	296	289	279	272
40,001 to 60,000	163	163	147	135	126
60,001 to 80,000	93	91	94	89	86
80,001 to 100,000	49	48	40	36	30
100,001 to 120,000	30	30	29	28	27
120,001 to 140,000	15	18	18	16	14
140,001 and Over	26	26	25	23	24
Total Buildings Available	1,194	1,175	1,128	1,093	1039
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	75,000	0	73,420	0
Spec Construction	25,579	0	0	171,000	0
Total Completed	25,579	75,000	0	244,420	0
In-Process Construction					
Build-To-Suit	150,000	150,000	225,000	75,000	246,000
Spec Construction	5,840	31,419	32,990	32,990	69,940
Total in Progress	155,840	181,419	257,990	107,990	315,940

3rd Quarter 2003 R&D Menlo Park / Palo Alto Summary



3Q03

2.99M sf ▲ Available
 .25M sf ▲ Gross
 -.32M sf ▼ Net
 \$.82/sf ▼ Rent

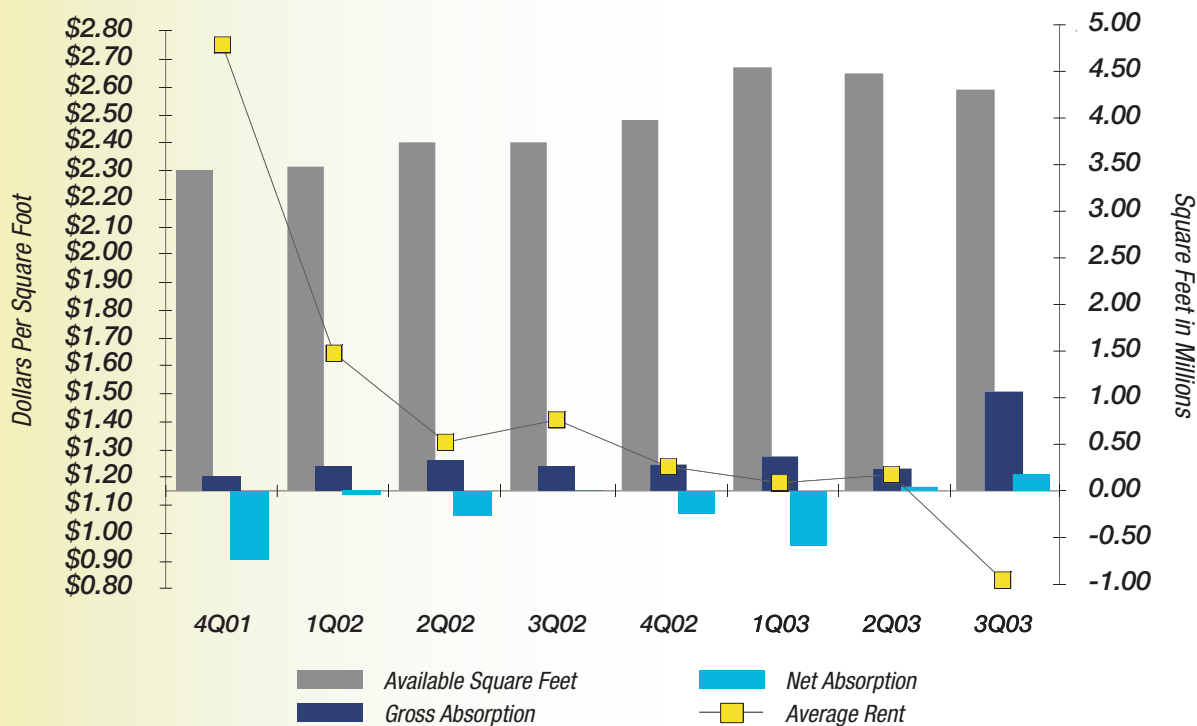
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	2,993,279	\$0.82	252,442	-321,341
2Q03	2,671,938	\$1.51	174,349	-12,073
1Q03	2,684,011	\$0.79	260,744	-352,669
4Q02	2,331,342	\$2.17	127,308	-195,118
3Q02	2,136,224	\$2.32	233,363	-2,252
2Q02	2,133,972	\$2.22	156,197	-351,777
1Q02	1,775,978	\$3.00	186,304	-178,541
4Q01	1,597,437	\$3.93	206,066	-64,686

3rd Quarter 2003 R&D Menlo Park / Palo Alto



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	81,315	81,315	108,225	94,450	136,069
Shell Sublease	55,286	55,286	55,286	55,286	55,286
Previously Occupied Direct	1,680,708	1,309,633	1,358,995	1,224,757	1,028,491
Previously Occupied Sublease	1,175,970	1,225,704	1,161,505	956,849	916,378
Total Available	2,993,279	2,671,938	2,684,011	2,331,342	2,136,224
Available Time on Market (In Months)	16.34	15.16	12.33	11.70	10.13
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	0	16,000	0	41,619	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	216,541	153,349	255,744	85,689	171,868
Previously Occupied Sublease	35,901	5,000	5,000	0	39,495
Total Absorption	252,442	174,349	260,744	127,308	211,363
Absorption Time on Market (In Months)	14.73	10.03	6.41	8.98	6.12
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	19.82%	17.69%	17.77%	15.44%	14.15%
Vacancy Rate	19.82%	17.69%	17.31%	14.28%	14.15%
Sublease Factor	41.13%	47.94%	45.33%	43.41%	45.49%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	53	48	56	51	50
20,001 to 40,000	25	31	33	30	25
40,001 to 60,000	20	13	12	9	8
60,001 to 80,000	13	5	5	5	5
80,001 to 100,000	2	1	0	1	1
100,001 to 120,000	4	0	0	0	0
120,001 to 140,000	0	2	2	1	1
140,001 and Over	1	0	0	0	0
Total Buildings Available	118	100	108	97	90
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

3rd Quarter 2003 R&D Mountain View Summary



3Q03

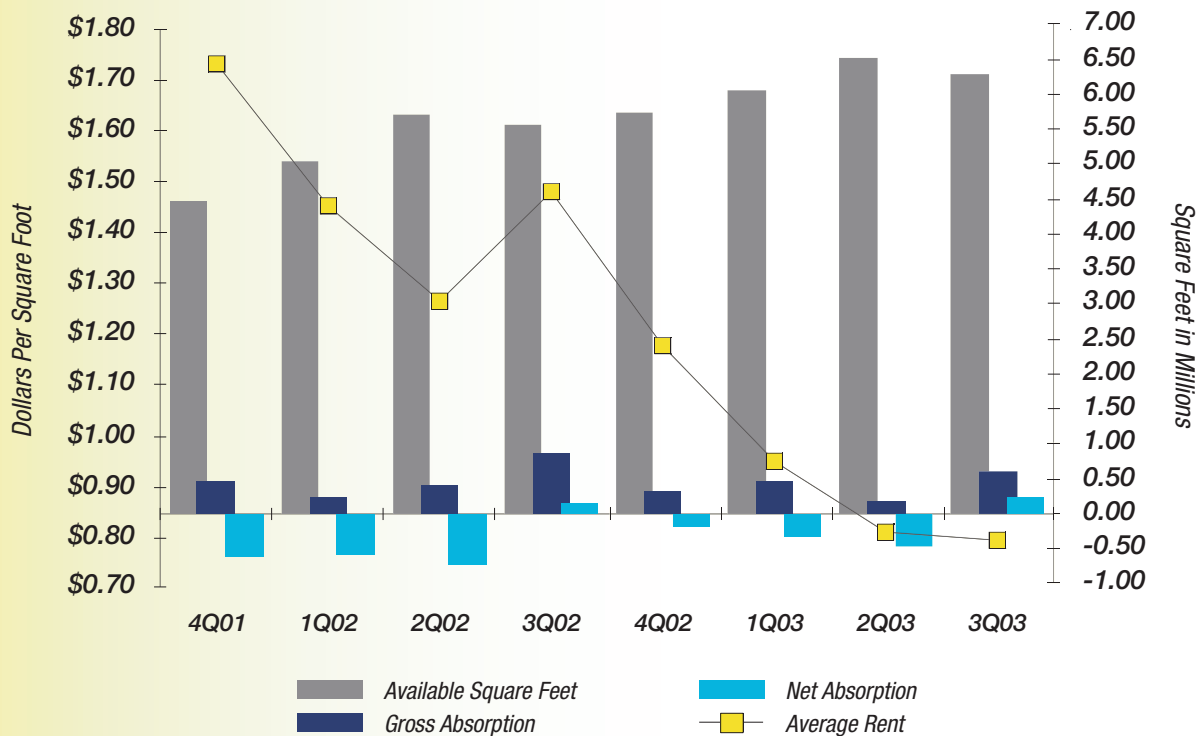
4.31M sf ▼ Available
 1.06M sf ▲ Gross
 .19M sf ▲ Net
 \$.84/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	4,306,437	\$0.84	1,065,828	189,578
2Q03	4,476,863	\$1.21	246,119	58,876
1Q03	4,562,194	\$1.18	388,301	-584,498
4Q02	3,984,098	\$1.24	302,808	-229,481
3Q02	3,748,289	\$1.40	265,501	-524
2Q02	3,747,765	\$1.32	337,952	-258,125
1Q02	3,490,833	\$1.65	278,645	-36,116
4Q01	3,448,787	\$2.75	174,582	-716,412

3rd Quarter 2003 R&D Mountain View



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	88,341	340,004	385,405	391,807	400,274
Shell Sublease	0	0	43,231	58,911	43,231
Previously Occupied Direct	2,503,102	2,361,095	2,259,292	1,708,375	1,503,548
Previously Occupied Sublease	1,714,994	1,775,764	1,874,266	1,825,005	1,801,236
Total Available	4,306,437	4,476,863	4,562,194	3,984,098	3,748,289
Available Time on Market (In Months)	16.18	15.12	14.24	12.66	11.90
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	298,605	20,816	142,852	14,795	59,290
Shell Sublease	0	0	15,500	0	0
Previously Occupied Direct	744,423	196,506	178,792	269,740	154,951
Previously Occupied Sublease	22,800	28,797	51,157	18,273	51,260
Total Absorption	1,065,828	246,119	388,301	302,808	265,501
Absorption Time on Market (In Months)	11.01	13.84	7.66	12.92	11.52
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	27.68%	28.82%	29.37%	25.65%	24.13%
Vacancy Rate	27.12%	27.95%	28.34%	25.41%	23.73%
Sublease Factor	39.82%	39.67%	42.03%	47.29%	49.21%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	53	48	46	53	48
20,001 to 40,000	25	22	25	21	24
40,001 to 60,000	20	20	17	17	15
60,001 to 80,000	13	13	15	13	12
80,001 to 100,000	2	3	3	3	3
100,001 to 120,000	4	4	4	4	4
120,001 to 140,000	0	2	2	3	2
140,001 and Over	1	1	1	0	0
Total Buildings Available		113	113	114	108
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	25,579	0	0	0	0
Total Completed	25,579	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	25,579	27,150	27,150	31,000
Total in Progress	0	25,579	27,150	27,150	31,000



3Q03

6.30M sf ▼ Available
 .61M sf ▲ Gross
 .22M sf ▲ Net
 \$.80/sf ▼ Rent

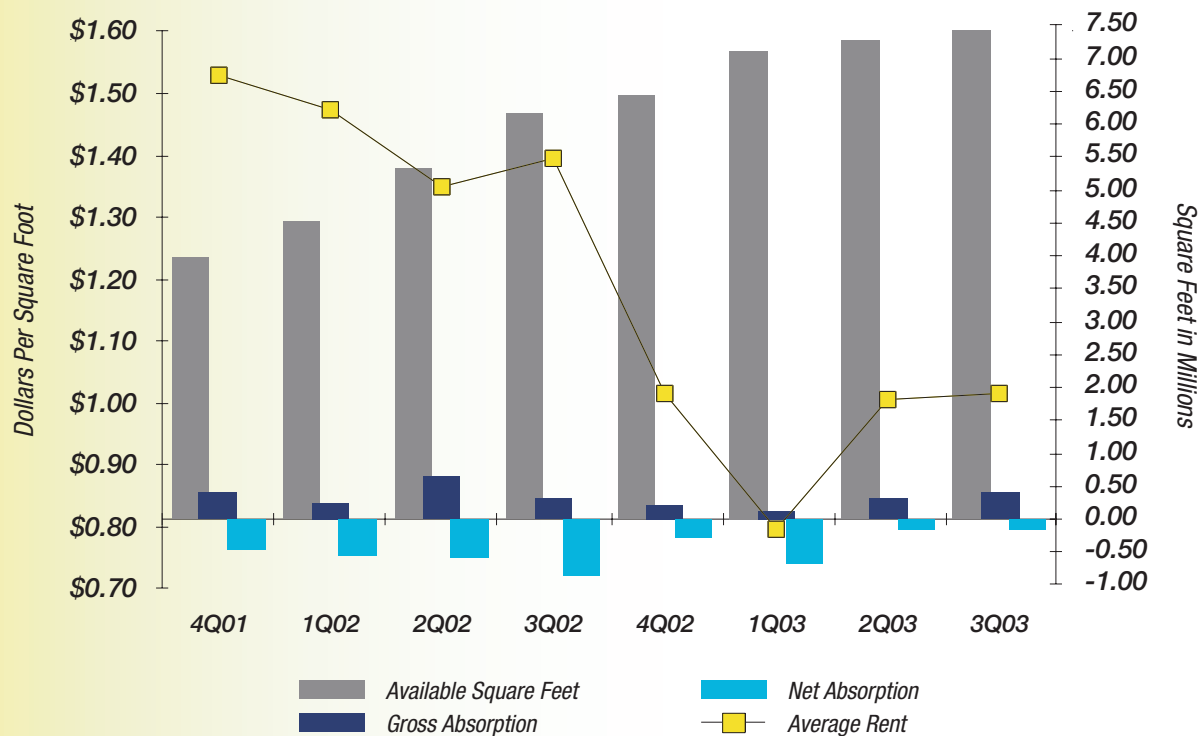
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	6,297,956	\$0.80	607,655	220,190
2Q03	6,518,146	\$0.81	167,631	-462,979
1Q03	6,055,167	\$0.95	464,913	-308,530
4Q02	5,746,637	\$1.18	308,201	-181,853
3Q02	5,564,784	\$1.48	862,768	148,464
2Q02	5,713,248	\$1.23	424,828	-725,473
1Q02	5,044,893	\$1.45	215,414	-588,498
4Q01	4,456,395	\$1.73	470,243	-601,279

3rd Quarter 2003 R&D Sunnyvale



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	456,802	549,077	480,411	483,229	483,229
Shell Sublease	190,470	190,470	190,470	225,022	158,742
Previously Occupied Direct	3,956,639	4,177,368	3,795,204	3,359,809	3,442,664
Previously Occupied Sublease	1,694,045	1,601,231	1,589,082	1,678,577	1,480,149
Total Available	6,297,956	6,518,146	6,055,167	5,746,637	5,564,784
Available Time on Market (In Months)	15.91	14.17	13.05	12.59	10.95
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	107,643	0	0	0	20,000
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	340,370	93,800	429,182	294,773	622,853
Previously Occupied Sublease	159,642	73,831	35,731	13,428	68,641
Total Absorption	607,655	167,631	464,913	308,201	711,494
Absorption Time on Market (In Months)	11.44	6.12	11.21	10.98	5.88
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	23.55%	24.37%	22.64%	21.48%	20.94%
Vacancy Rate	23.10%	24.13%	22.27%	20.68%	19.98%
Sublease Factor	29.92%	27.49%	29.39%	33.13%	29.69%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	77	86	82	73	62
20,001 to 40,000	67	64	54	60	62
40,001 to 60,000	22	25	21	19	23
60,001 to 80,000	8	8	8	9	12
80,001 to 100,000	2	3	3	1	0
100,001 to 120,000	5	5	5	4	3
120,001 to 140,000	3	3	3	3	1
140,001 and Over	4	4	4	4	4
Total Buildings Available	188	198	180	173	167
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	171,000	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	171,000	0
In-Process Construction					
Build-To-Suit	150,000	150,000	150,000	0	171,000
Spec Construction	0	0	0	0	0
Total in Progress	150,000	150,000	150,000	0	171,000

3rd Quarter 2003 R&D Santa Clara Summary



3Q03

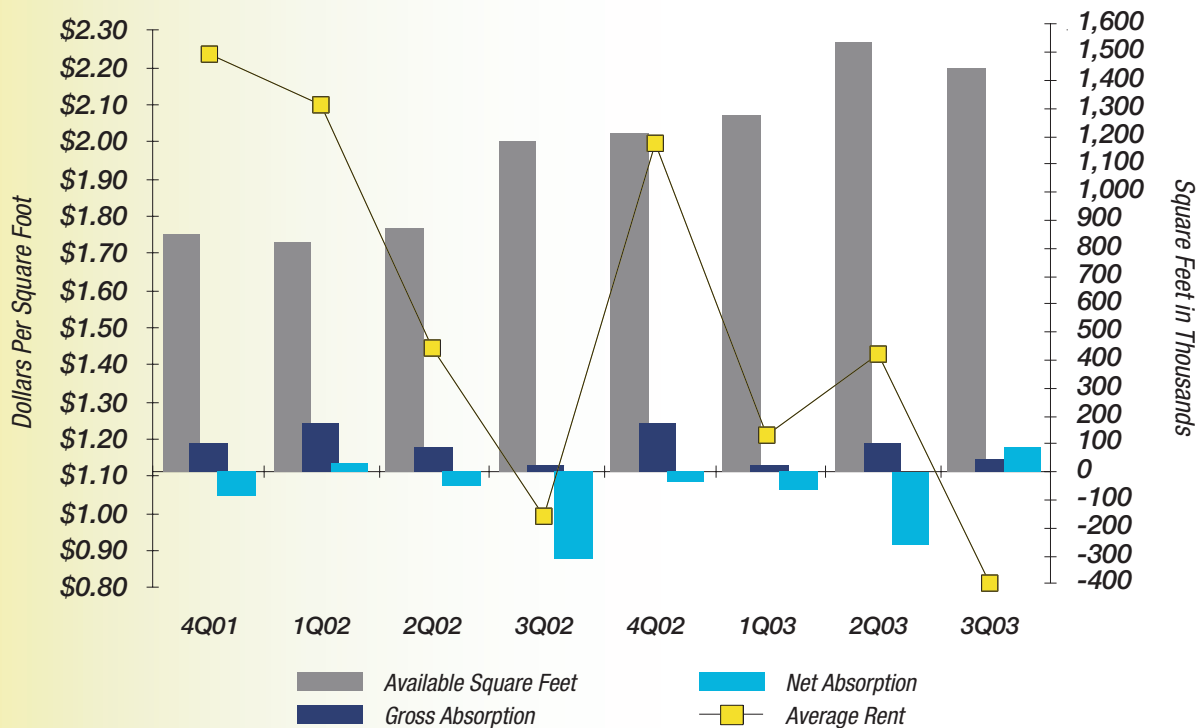
7.41M sf ▲ Available
 .39M sf ▲ Gross
 -.14M sf ▲ Net
 \$1.02/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	7,408,816	\$1.02	388,986	-136,458
2Q03	7,272,358	\$1.01	306,516	-158,532
1Q03	7,113,826	\$0.80	106,042	-673,964
4Q02	6,443,243	\$1.02	215,693	-269,451
3Q02	6,170,411	\$1.40	314,484	-851,190
2Q02	5,319,221	\$1.34	636,887	-570,722
1Q02	4,534,499	\$1.47	246,152	-557,851
4Q01	3,958,168	\$1.53	407,355	-462,830

3rd Quarter 2003 R&D Santa Clara



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	162,152	162,152	162,152	165,533	162,152
Shell Sublease	99,265	99,265	99,265	99,265	99,265
Previously Occupied Direct	4,582,576	4,504,444	4,327,253	3,815,617	3,736,083
Previously Occupied Sublease	2,564,823	2,506,497	2,525,156	2,362,828	2,172,911
Total Available	7,408,816	7,272,358	7,113,826	6,443,243	6,170,411
Available Time on Market (In Months)	14.93	13.51	12.85	11.18	9.47
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	0	0	0	0	3,381
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	382,986	267,645	92,342	195,102	244,236
Previously Occupied Sublease	6,000	38,871	13,700	20,591	66,867
Total Absorption	388,986	306,516	106,042	215,693	314,484
Absorption Time on Market (In Months)	12.46	16.44	6.44	7.43	2.40
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	30.19%	29.63%	28.99%	26.25%	25.14%
Vacancy Rate	30.05%	29.47%	28.43%	24.40%	22.71%
Sublease Factor	35.96%	35.83%	36.89%	38.21%	36.82%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	67	68	56	56	50
20,001 to 40,000	39	37	36	36	34
40,001 to 60,000	30	31	29	24	24
60,001 to 80,000	14	13	13	13	13
80,001 to 100,000	7	7	6	5	2
100,001 to 120,000	8	8	8	7	8
120,001 to 140,000	5	5	6	5	5
140,001 and Over	5	5	5	4	4
Total Buildings Available	175	174	159	150	140
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0



3Q03

1.45M sf ▼ Available
 .05M sf ▼ Gross
 .09M sf ▲ Net
 \$.81/sf ▼ Rent

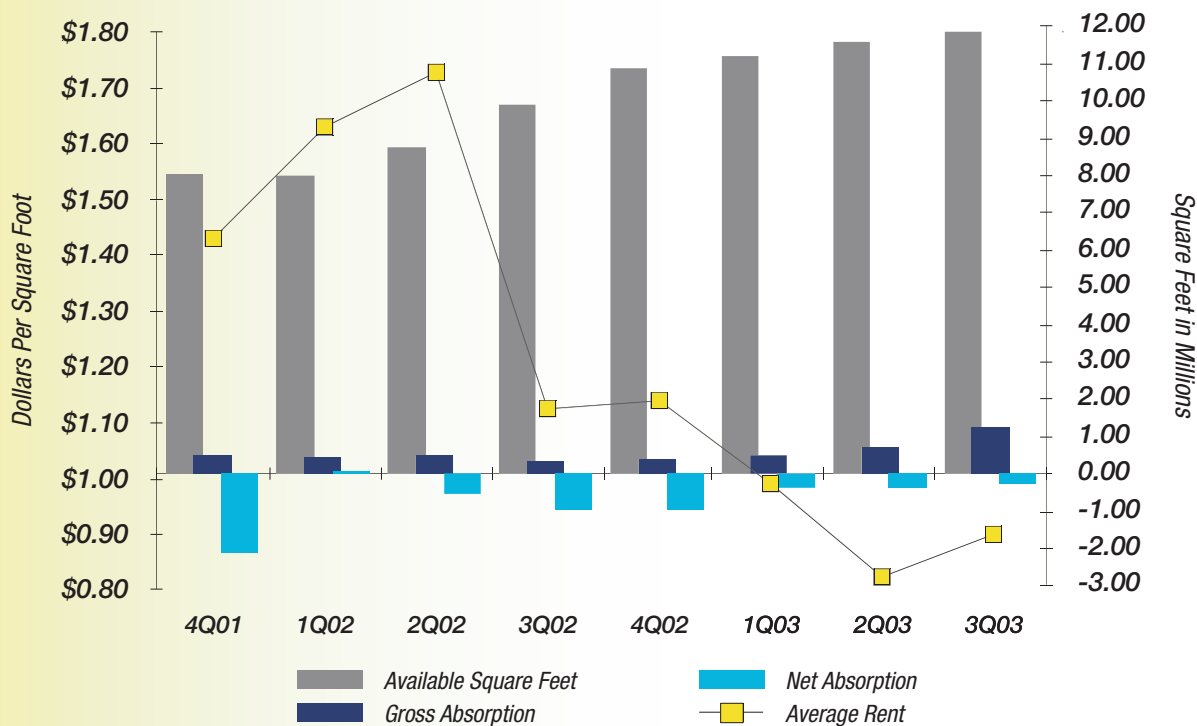
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	1,447,739	\$0.81	45,315	88,128
2Q03	1,535,867	\$1.43	102,438	-260,984
1Q03	1,274,883	\$1.21	23,227	-60,667
4Q02	1,214,216	\$2.00	176,703	-35,994
3Q02	1,184,445	\$0.99	25,469	-310,413
2Q02	874,032	\$1.45	87,376	-52,038
1Q02	821,294	\$2.10	172,542	29,673
4Q01	850,967	\$2.24	106,440	-86,819

3rd Quarter 2003 R&D Los Gatos / Campbell / Cupertino



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	198,397	198,397	10,800	10,800	17,023
Shell Sublease	0	0	70,228	70,228	70,228
Previously Occupied Direct	739,602	777,915	652,265	463,776	510,925
Previously Occupied Sublease	509,740	559,555	541,590	669,412	586,269
Total Available	1,447,739	1,535,867	1,274,883	1,214,216	1,184,445
Available Time on Market (In Months)	13.28	12.53	12.33	10.45	8.98
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	26,701	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	18,614	102,438	23,227	176,703	25,469
Previously Occupied Sublease	0	0	0	0	0
Total Absorption	45,315	102,438	23,227	176,703	25,469
Absorption Time on Market (In Months)	23.15	17.03	13.78	9.99	5.16
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	36.11%	38.31%	31.80%	30.37%	29.62%
Vacancy Rate	35.66%	37.81%	31.13%	30.28%	29.62%
Sublease Factor	35.21%	36.43%	47.99%	60.92%	55.43%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	29	24	20	20	23
20,001 to 40,000	12	12	14	14	12
40,001 to 60,000	6	6	6	5	5
60,001 to 80,000	1	1	2	2	2
80,001 to 100,000	0	0	0	0	0
100,001 to 120,000	1	1	1	1	1
120,001 to 140,000	1	1	1	1	1
140,001 and Over	1	2	0	0	0
Total Buildings Available	51	47	44	43	44
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	10,800	0
Total Completed	0	0	0	10,800	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	10,800
Total in Progress	0	0	0	0	10,800

3rd Quarter 2003 R&D San Jose Summary



3Q03

11.87M sf ▲ Available
 1.28M sf ▲ Gross
 -.27M sf ▲ Net
 \$.90/sf ▲ Rent

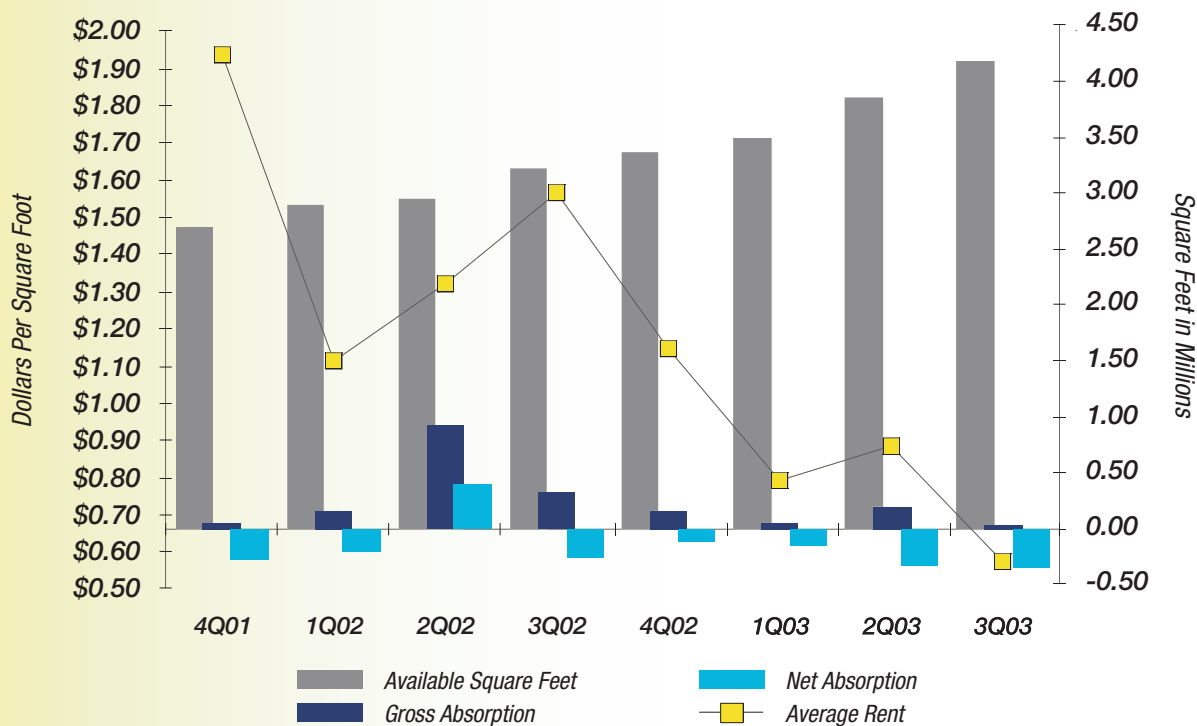
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	11,866,579	\$0.90	1,276,260	-265,911
2Q03	11,580,468	\$0.82	710,111	-352,787
1Q03	11,221,841	\$0.99	492,615	-336,273
4Q02	10,891,408	\$1.14	410,243	-972,145
3Q02	9,919,263	\$1.13	320,585	-975,534
2Q02	8,793,309	\$1.73	504,281	-542,652
1Q02	7,976,343	\$1.63	465,473	79,297
4Q01	8,048,692	\$1.43	523,430	-2,093,096

3rd Quarter 2003 R&D San Jose



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	1,197,872	1,307,672	1,247,572	1,253,412	1,253,412
Shell Sublease	121,640	121,640	154,578	154,578	154,578
Previously Occupied Direct	6,193,546	5,852,771	5,466,518	5,241,310	4,458,286
Previously Occupied Sublease	4,353,521	4,298,385	4,353,173	4,242,108	4,052,987
Total Available	11,866,579	11,580,468	11,221,841	10,891,408	9,919,263
Available Time on Market (In Months)	15.45	13.91	12.20	10.65	9.04
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	151,026	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	1,109,602	514,452	425,716	344,606	143,144
Previously Occupied Sublease	15,632	195,659	66,899	65,637	175,256
Total Absorption	1,276,260	710,111	492,615	410,243	318,400
Absorption Time on Market (In Months)	11.87	10.59	8.58	6.81	7.32
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	24.53%	23.94%	23.23%	22.55%	20.54%
Vacancy Rate	24.53%	23.63%	22.45%	22.02%	20.03%
Sublease Factor	37.71%	38.17%	40.17%	40.37%	42.42%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	99	97	99	107	107
20,001 to 40,000	63	58	60	55	55
40,001 to 60,000	30	29	28	31	27
60,001 to 80,000	36	35	33	31	27
80,001 to 100,000	30	30	25	23	21
100,001 to 120,000	7	7	6	6	6
120,001 to 140,000	1	1	1	1	1
140,001 and Over	7	7	8	8	7
Total Buildings Available	273	264	260	261	251
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	75,000	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	75,000	0	0	0
In-Process Construction					
Build-To-Suit	0	0	75,000	75,000	75,000
Spec Construction	5,840	5,840	5,840	5,840	5,840
Total in Progress	5,840	5,840	80,840	80,840	80,840

3rd Quarter 2003 R&D Milpitas Summary



3Q03

4.19M sf ▲ Available
 .04M sf ▼ Gross
 -.34M sf ▲ Net
 \$.57/sf ▼ Rent

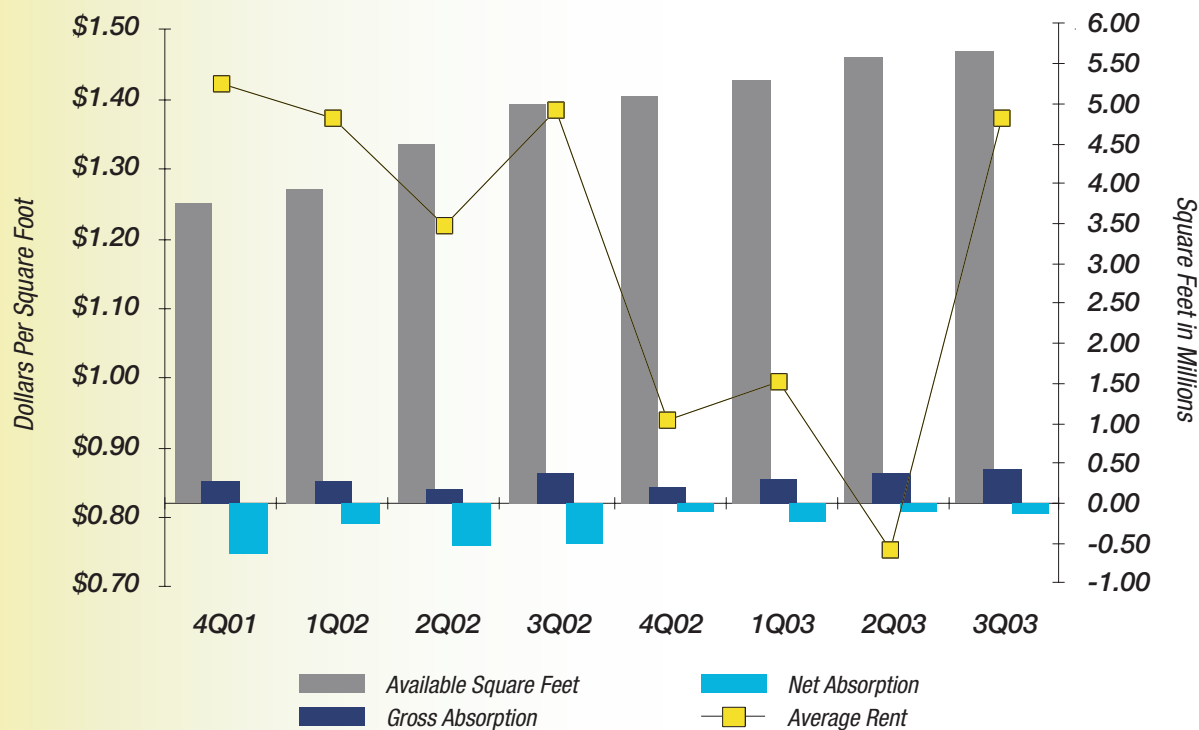
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	4,188,831	\$0.57	35,467	-340,549
2Q03	3,848,282	\$0.88	198,376	-327,553
1Q03	3,504,129	\$0.79	63,904	-141,535
4Q02	3,362,594	\$1.15	159,911	-106,335
3Q02	3,233,194	\$1.57	331,551	-264,083
2Q02	2,958,311	\$1.32	928,749	402,049
1Q02	2,895,641	\$1.12	167,067	-209,725
4Q01	2,685,916	\$1.94	49,923	-277,235

3rd Quarter 2003 R&D Milpitas



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	794,255	625,670	566,255	566,255	559,790
Shell Sublease	135,546	363,546	363,546	363,546	394,546
Previously Occupied Direct	1,831,227	1,484,787	1,255,812	1,184,297	1,151,164
Previously Occupied Sublease	1,427,803	1,374,279	1,318,516	1,248,496	1,127,694
Total Available	4,188,831	3,848,282	3,504,129	3,362,594	3,233,194
Available Time on Market (In Months)	13.81	12.69	12.07	10.85	10.75
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	31,000
Previously Occupied Direct	14,405	185,158	63,904	136,301	266,392
Previously Occupied Sublease	21,062	13,218	0	23,610	34,159
Total Absorption	35,467	198,376	63,904	159,911	331,551
Absorption Time on Market (In Months)	7.63	9.99	12.33	12.36	4.44
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	27.18%	24.97%	22.74%	21.82%	20.98%
Vacancy Rate	26.82%	24.76%	22.43%	20.82%	20.98%
Sublease Factor	37.32%	45.16%	48.00%	48.15%	47.08%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	37	35	35	38	33
20,001 to 40,000	25	24	21	19	18
40,001 to 60,000	16	15	12	11	10
60,001 to 80,000	5	4	4	3	3
80,001 to 100,000	4	2	1	1	1
100,001 to 120,000	2	2	3	3	1
120,001 to 140,000	2	2	1	1	0
140,001 and Over	5	5	5	5	7
Total Buildings Available	96	89	82	81	73
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

3rd Quarter 2003 R&D Fremont Summary



3Q03

5.67M sf ▲ Available
 .43M sf ▲ Gross
 -.13M sf ▼ Net
 \$1.37/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	5,674,126	\$1.37	428,678	-128,066
2Q03	5,592,070	\$0.75	377,011	-96,794
1Q03	5,304,231	\$0.99	305,365	-234,636
4Q02	5,114,317	\$0.94	201,204	-113,948
3Q02	4,999,689	\$1.39	388,376	-500,186
2Q02	4,499,503	\$1.22	183,688	-541,185
1Q02	3,936,018	\$1.37	288,103	-256,736
4Q01	3,750,826	\$1.42	280,202	-617,166

3rd Quarter 2003 R&D Fremont



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	753,060	778,044	813,582	880,808	912,376
Shell Sublease	0	21,168	21,168	65,697	12,281
Previously Occupied Direct	3,853,328	3,481,616	2,991,596	2,677,712	2,593,412
Previously Occupied Sublease	1,085,738	1,311,242	1,477,885	1,490,100	1,481,620
Total Available	5,674,126	5,592,070	5,304,231	5,114,317	4,999,689
Available Time on Market (In Months)	15.65	14.33	13.51	12.26	10.49
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	18,412	65,322	19,546	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	359,848	225,576	166,112	153,961	300,574
Previously Occupied Sublease	50,688	86,113	119,707	47,243	90,500
Total Absorption	428,678	377,011	305,365	201,204	391,074
Absorption Time on Market (In Months)	13.35	10.55	7.79	6.74	4.56
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	31.74%	31.29%	29.68%	28.61%	28.01%
Vacancy Rate	31.74%	31.29%	29.37%	28.47%	27.98%
Sublease Factor	19.13%	23.83%	28.26%	30.42%	29.88%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	90	97	92	89	87
20,001 to 40,000	54	48	46	44	42
40,001 to 60,000	26	24	22	17	14
60,001 to 80,000	12	12	14	14	12
80,001 to 100,000	2	2	2	2	2
100,001 to 120,000	3	3	2	3	4
120,001 to 140,000	1	2	2	2	3
140,001 and Over	2	2	2	2	2
Total Buildings Available	190	190	182	173	166
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	22,300	0
Total Completed	0	0	0	22,300	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	22,300
Total in Progress	0	0	0	0	22,300

Q303 Office Highlights

Supply

The available office space decreased by 123,310 square feet in the second quarter, from 11.22 million at the end of the second quarter to 11.09 million at the end of the third quarter 2003. The availability rate decreased from 26.13% in the second quarter of 2003 to 25.84% at the end of the third quarter 2003. The percent of available space that is sublease space decreased from 28% at the end of the second quarter down to 23% at the end of the third quarter.

Demand

Third quarter 2003 demand was consistent from the second quarter 2003. Gross absorption experienced minimal gains, going from 1,026,890 square feet in the second quarter to 1,186,781 square feet in the third quarter 2003. On the bright side, third quarter 2003 saw a positive net absorption of 137,913 square feet.

Rent

The average effective rent at the end of the third quarter was \$2.044 per square foot full service which is a \$.25 decrease from the second quarter rate of \$2.29 as rents continue to fall.

Submarkets

San Jose Airport

The total availability factor in the Airport office market increased slightly to 25.50% or 952,948 square feet in the third quarter 2003 from 24.31% at the end of the second quarter. The asking rates have shown a decrease in the third quarter of \$.16 per square foot decreasing from \$2.175 full service to \$2.013 full service. Sublease space in the airport market is 34% of the total vacancy, a decrease from 42% at the end of the second quarter.

Downtown Class A

The total vacancy factor in the Downtown Class A office market experienced a decrease to 31.84% or 859,745 square feet from 35.49% in the second quarter 2003. The Class A sublease space is 4% of the total vacancy, which is consistent with second quarter 2003. The Class A average rent at the end of the third quarter has fallen to \$2.258 full service from \$2.524 at the end of the second quarter.

Forecast for Q403

Supply

Supply will continue to stabilize. The amount of “plug and play” space has declined significantly, leaving very few quality “plug and play” opportunities in the market.

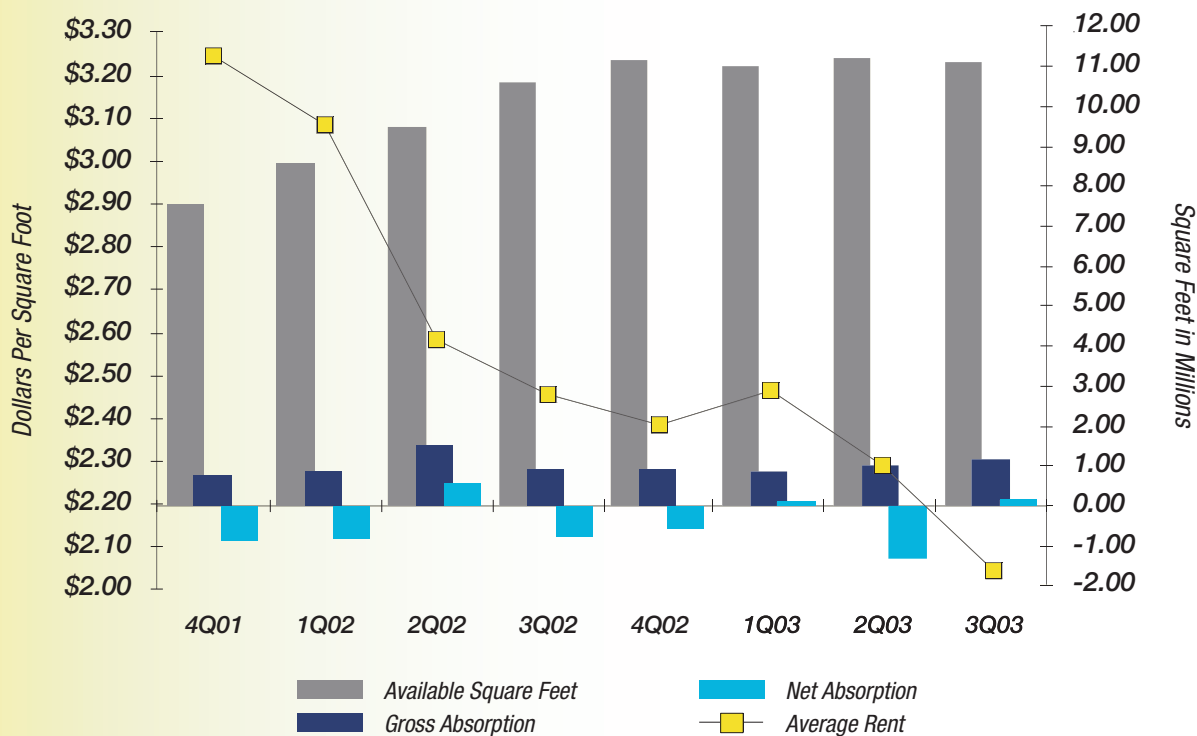
Demand

Gross absorption will increase slightly as tenants continue to take advantage of low rents. Net absorption should stay positive as we are seeing signs of stabilization.

Rents

Rents will continue to stabilize as we are at or near the bottom of the market and the sublease percentage of available space is continuing to decline.

3rd Quarter 2003 Office Silicon Valley Summary



3Q03

11.10M sf ▼ Available
 1.19M sf ▲ Gross
 .14M sf ▲ Net
 \$2.04/sf ▼ Rent

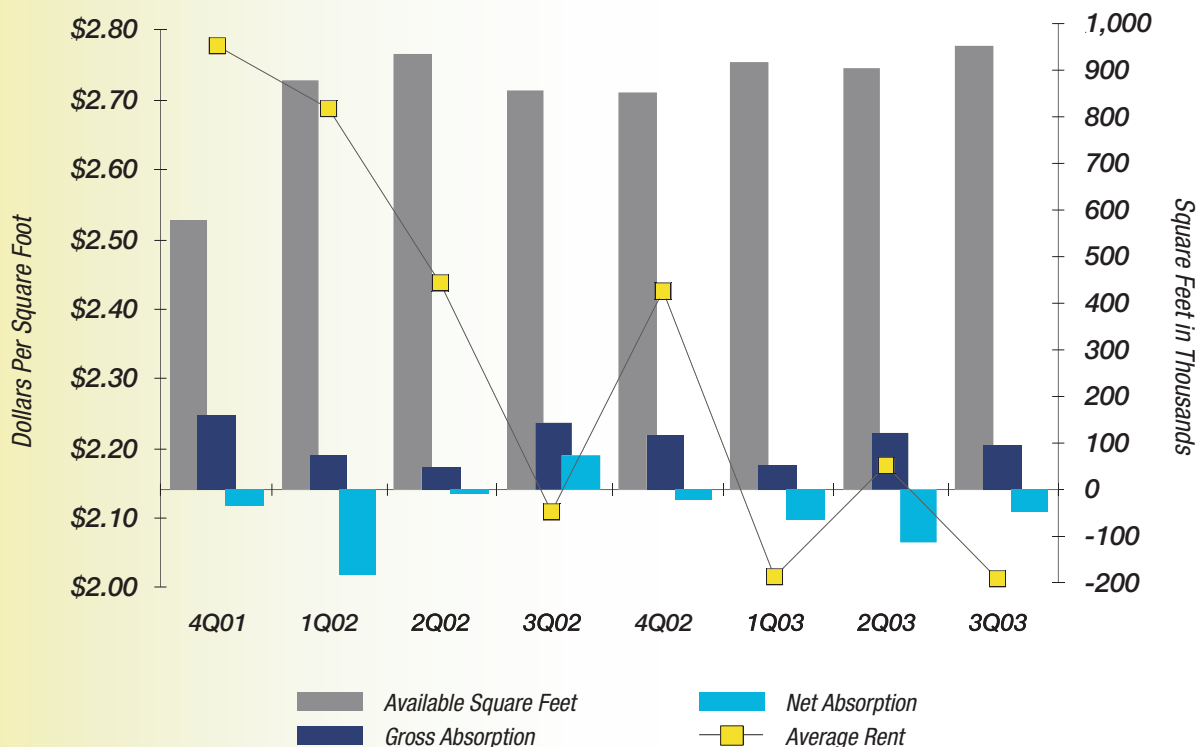
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	11,098,363	\$2.04	1,186,781	137,913
2Q03	11,221,873	\$2.30	1,057,439	-1,332,371
1Q03	11,033,341	\$2.47	889,546	105,887
4Q02	11,161,242	\$2.39	933,412	-526,591
3Q02	10,602,885	\$2.46	919,084	-781,383
2Q02	9,477,735	\$2.57	1,538,523	536,507
1Q02	8,569,927	\$3.10	860,434	-798,009
4Q01	7,541,572	\$3.16	775,029	-844,144

3rd Quarter 2003 Office Silicon Valley



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	1,817,015	1,614,740	1,612,470	1,399,140	1,228,820
Shell Sublease	169,816	491,900	540,482	880,821	1,038,087
Previously Occupied Direct	6,703,755	6,446,761	6,074,403	5,720,851	5,681,225
Previously Occupied Sublease	2,407,777	2,668,472	2,805,986	3,160,430	2,654,753
Total Available	11,098,363	11,221,873	11,033,341	11,161,242	10,602,885
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	106,804	57,285	56,414	12,489	4,550
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	863,299	740,765	722,313	685,270	672,451
Previously Occupied Sublease	210,908	259,389	110,819	235,653	242,083
Total Absorption	1,181,011	1,057,439	889,546	933,412	919,084
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	25.84%	26.13%	25.71%	26.01%	25.31%
Vacancy Rate	25.78%	26.10%	25.42%	26.58%	23.80%
Sublease Factor	23.22%	28.16%	30.33%	36.21%	34.83%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	452	466	452	432	411
20,001 to 40,000	96	85	74	85	84
40,001 to 60,000	25	30	38	28	26
60,001 to 80,000	12	12	7	9	10
80,001 to 100,000	4	5	5	4	3
100,001 to 120,000	4	2	2	1	3
120,001 to 140,000	1	2	2	3	1
140,001 and Over	8	8	9	11	10
Total Buildings Available	602	610	589	573	548
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	599,120	0
Spec Construction	0	38,285	25,070	424,489	181,840
Total Completed	0	38,285	25,070	1,023,609	181,840
In-Process Construction					
Build-To-Suit	266,867	266,867	213,000	213,000	812,120
Spec Construction	0	0	38,285	63,328	456,817
Total in Progress	266,867	266,867	251,285	276,328	1,268,937

3rd Quarter 2003 Office San Jose Airport Summary



3Q03

.95M sf ▲ Available

.10M sf ▼ Gross

-.04M sf ▼ Net

\$2.01/sf ▼ Rent

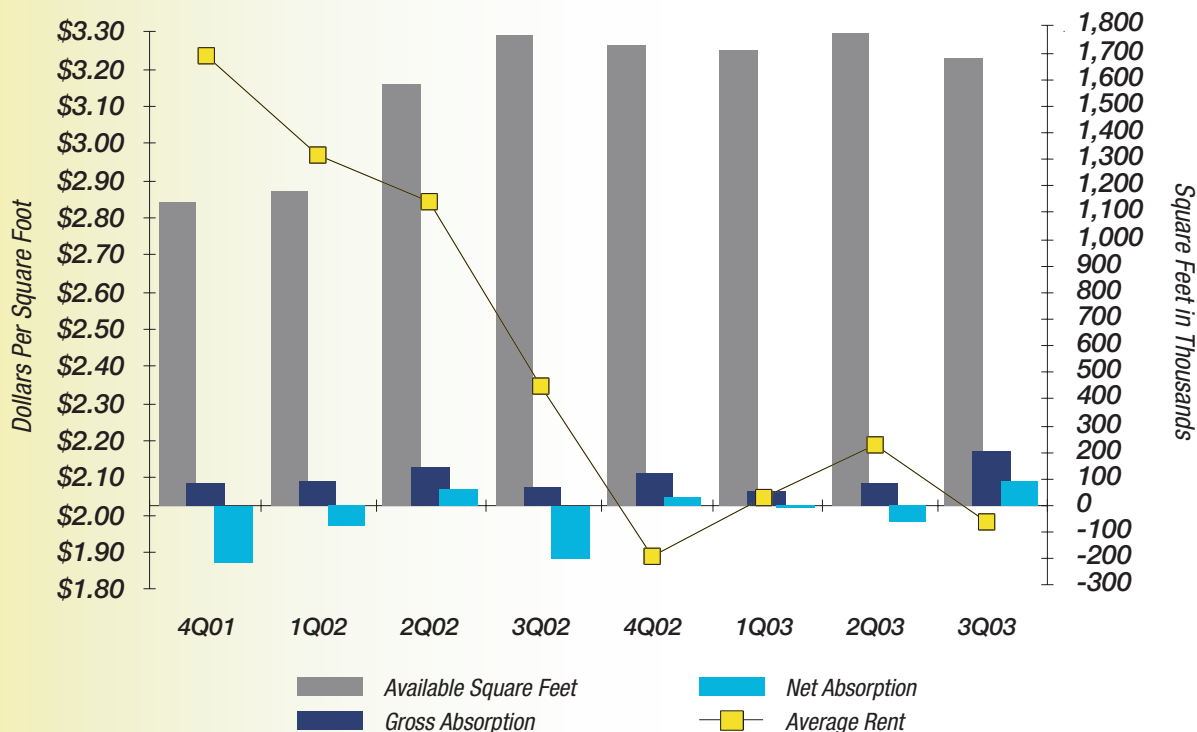
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	952,948	\$2.01	98,588	-44,497
2Q03	908,451	\$2.18	126,907	-111,043
1Q03	919,593	\$2.02	73,106	-63,873
4Q02	855,720	\$2.43	113,771	-19,869
3Q02	860,098	\$2.11	169,743	78,138
2Q02	936,876	\$2.44	56,164	-7,004
1Q02	881,788	\$2.69	76,175	-180,840
4Q01	579,918	\$2.78	162,724	-34,489

3rd Quarter 2003 Office San Jose Airport



Available Supply	Q303	Q203	Q103	4Q02	Q302
Shell Direct	0	0	49,444	49,444	49,444
Shell Sublease	120,825	120,825	120,825	120,825	145,072
Previously Occupied Direct	628,959	523,834	511,333	473,937	454,467
Previously Occupied Sublease	203,164	263,792	237,991	211,514	211,115
Total Available	952,948	908,451	919,593	855,720	860,098
Gross Absorption	Q303	Q203	Q103	4Q02	Q302
Shell Direct	0	48,084	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	83,222	70,520	61,981	113,771	104,203
Previously Occupied Sublease	15,366	8,303	11,125	0	65,540
Total Absorption	98,588	126,907	73,106	113,771	169,743
Supply Rates	Q303	Q203	Q103	4Q02	Q302
Availability Rate	25.50%	24.31%	24.60%	22.90%	23.01%
Vacancy Rate	25.50%	24.31%	24.60%	22.90%	23.01%
Sublease Factor	34.00%	42.34%	39.02%	38.84%	41.41%
Size Ranges	Q303	Q203	Q103	4Q02	Q302
0 to 20,000	22	23	21	21	22
20,001 to 40,000	11	9	9	9	9
40,001 to 60,000	3	5	6	5	4
60,001 to 80,000	3	3	3	3	2
80,001 to 100,000	1	0	0	0	1
100,001 to 120,000	0	0	0	0	0
120,001 to 140,000	0	0	0	0	0
140,001 and Over	0	0	0	0	0
Total Buildings Available	40	40	39	38	38
Construction Types	Q303	Q203	Q103	4Q02	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

3rd Quarter 2003 Office Downtown San Jose Summary



3Q03

1.68M sf ▼ Available
 .20M sf ▲ Gross
 .09M sf ▲ Net
 \$1.98/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	1,682,275	\$1.98	202,326	89,749
2Q03	1,769,981	\$2.19	76,560	-60,644
1Q03	1,710,957	\$2.05	51,582	-5,303
4Q02	1,727,973	\$1.89	122,244	34,067
3Q02	1,762,040	\$2.35	68,473	-198,878
2Q02	1,584,569	\$2.85	167,034	60,907
1Q02	1,181,873	\$2.97	91,992	-73,574
4Q01	1,140,227	\$3.24	88,037	-215,631

3rd Quarter 2003 Office Downtown San Jose



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	464,961	511,218	512,838	535,157	535,157
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	1,046,541	986,387	958,324	917,621	919,318
Previously Occupied Sublease	170,773	272,376	239,795	275,195	307,565
Total Available	1,682,275	1,769,981	1,710,957	1,727,973	1,762,040
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	48,300	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	98,240	68,460	48,582	122,244	57,365
Previously Occupied Sublease	55,786	8,100	3,000	0	11,108
Total Absorption	202,326	76,560	51,582	122,244	68,473
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	29.47%	31.01%	29.97%	30.27%	33.08%
Vacancy Rate	29.47%	31.01%	29.97%	30.27%	25.79%
Sublease Factor	10.15%	15.39%	14.02%	15.93%	17.46%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	45	51	46	47	51
20,001 to 40,000	11	12	9	14	12
40,001 to 60,000	3	3	5	3	4
60,001 to 80,000	1	1	1	1	1
80,001 to 100,000	1	1	0	0	0
100,001 to 120,000	1	0	0	0	1
120,001 to 140,000	0	1	2	1	0
140,001 and Over	2	2	2	3	3
Total Buildings Available	64	71	65	69	72
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	381,000	0
Total Completed	0	0	0	381,000	0
In-Process Construction					
Build-To-Suit	266,867	266,867	213,000	213,000	213,000
Spec Construction	0	0	0	0	381,000
Total in Progress	266,867	266,867	213,000	213,000	594,000

Q303 Warehouse Highlights

Supply

The third quarter of 2003 continued the 11 quarter trend of negative net absorption as supply at the end of the quarter increased to 7.5 million square feet with a corresponding availability factor of 22.3%. Once again, the east side of the Silicon Valley (Milpitas, Fremont and Newark) accounted for the largest portion of available space with 3.9 million square feet or 46 % of the total vacancy. Class “A” vacancy, as usual, was not as bad with a slightly more “respectable” factor of 14.1% valley wide.

Demand

After steady increases in gross absorption in 6 of the last nine quarters, third quarter gross was the lowest in eight quarters at 411,000 square feet. Notable was that 67% of the gross absorption was the result of 2 transactions. Further, the usually slower third quarter accounted for only 8 new deals, the lowest volume in 9 quarters. This coming after a relatively active second quarter in which the Valley saw 22 new deals. At press time, activity was stronger than at any time in the third quarter and I expect to see an increase in deal volume and a corresponding higher gross absorption for the fourth quarter. Time on the market hit a 15 quarter high of just over 14 months.

Rents

Rents continued their downward slide as third quarter average rents dropped 12% to \$.345 – the lowest since 1995. Extensive free rent is to be widely available to qualified tenants as Landlords continue to be aggressive in their pursuit of tenants. Occupancy is the number one goal of the REIT’s which account for the majority of warehouse ownership in the valley and sacrificing rental rates or tenant improvements to get it is not an issue. High credit tenants get the best deals in terms of rent, length of lease and improvements. The lower credit higher risk tenants can still find low rates but for shorter terms and without Landlord sponsored improvements.

Forecast for Q403

Supply

I see a continued stabilizing in the supply of warehouse space as we head toward year end. As discussed below, lower rents and an increase in demand will chip away at the staggering vacancy rate. Class “A” spaces will continue to see the majority of the activity as only the no credit, ultra low budget tenants or non-conventional uses will need to consider the “B” and “C” spaces.

Demand

As the economy continues to recover (it expanded at its fastest pace since 1984 in the third quarter) industrial production should increase, bringing with it a demand for industrial space. The wild card is manufacturers that continue to run employee-lean, look for more business friendly states or even ship new jobs overseas. For Silicon Valley, I expect demand to run about even with supply leading to a relatively flat quarter. The quality of the demand still remains suspect as the low rents and aggressive posture of many of the Valley’s landlords are giving rise to an increase in “start-ups” as well as a never ending parade of indoor sports related uses. Also, as many tenants continue take advantage of the opportunity to upgrade their facility and location because of the lower rents, demand for “B” and “C” properties will continue to be slow at best.

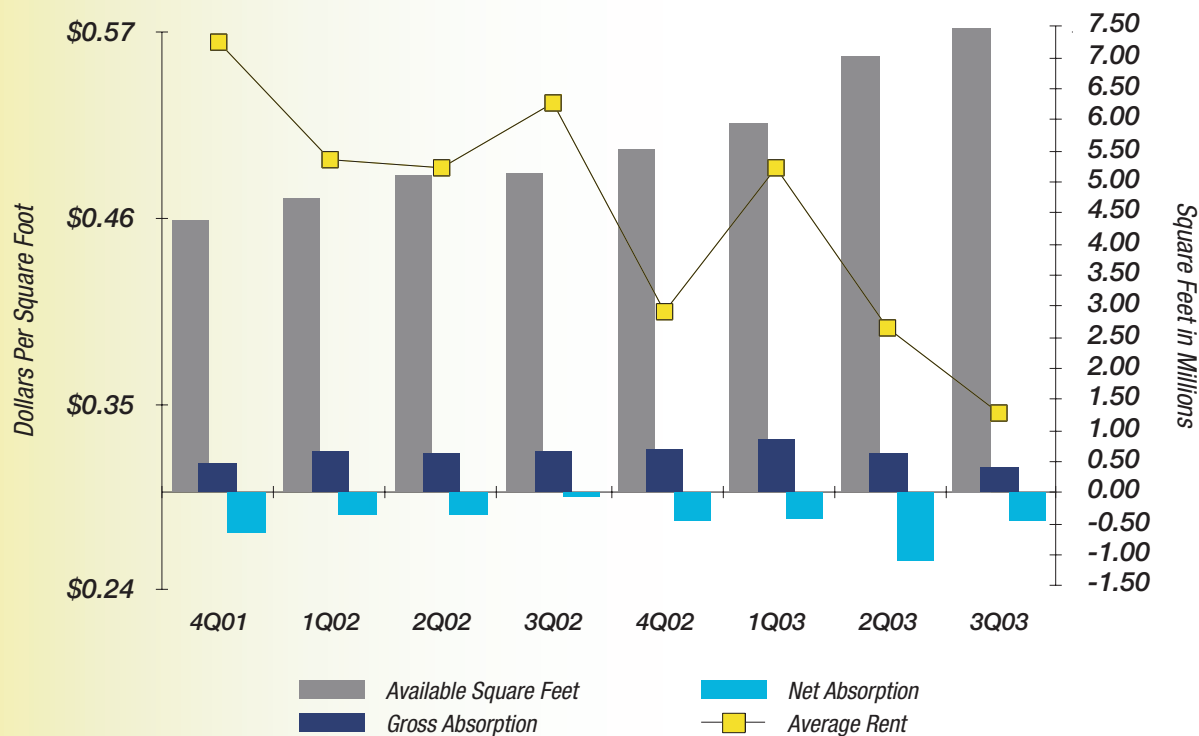
Forecast for Q403

Rents

Rents in the 4th quarter will continue vary greatly as Landlord's reach hard for quality tenants or to fill spaces that have been sitting vacant for a period of time. One of the Valley's largest class "A" warehouse landlords that made it clear that occupancy by the end of the year is their top priority and that rent or T.I.'s will not be an issue has caused other institutional landlord's to follow suit or be left out of the negotiations. Class "B" and "C" buildings will again suffer the most with rents falling into the high \$.20's and low \$.30's gross.

Still a great time to be a tenant in search of a great warehouse deal!

3rd Quarter 2003 Warehouse Silicon Valley Summary



3Q03

7.47M sf ▲ Available
 .41M sf ▼ Gross
 -.45M sf ▲ Net
 \$.35/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
3Q03	7,472,422	\$0.35	410,904	-445,609
2Q03	7,026,813	\$0.40	620,477	-1,086,770
1Q03	5,940,043	\$0.49	865,319	-406,006
4Q02	5,534,037	\$0.41	699,630	-448,552
3Q02	5,138,711	\$0.53	659,812	-47,866
2Q02	5,090,845	\$0.49	631,476	-330,710
1Q02	4,762,700	\$0.50	678,493	-352,015
4Q01	4,367,135	\$0.57	473,068	-622,417

3rd Quarter 2003 Warehouse Silicon Valley



Available Supply	Q303	Q203	Q103	Q402	Q302
Shell Direct	0	0	0	11,310	64,536
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	5,843,164	5,528,529	4,970,581	4,156,342	4,063,687
Previously Occupied Sublease	1,629,258	1,498,284	969,462	1,366,385	1,010,488
Total Available	7,472,422	7,026,813	5,940,043	5,534,037	5,138,711
Available Time on Market (In Months)	12.43	11.18	10.92	10.75	9.34
Gross Absorption	Q303	Q203	Q103	Q402	Q302
Shell Direct	0	50,435	11,410	0	24,600
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	410,904	556,402	839,429	630,623	619,612
Previously Occupied Sublease	0	13,640	14,480	69,007	15,600
Total Absorption	410,904	620,477	865,319	699,630	659,812
Absorption Time on Market (In Months)	12.89	13.32	10.49	8.48	5.76
Supply Rates	Q303	Q203	Q103	Q402	Q302
Availability Rate	22.28%	20.95%	17.71%	16.50%	15.32%
Vacancy Rate	22.28%	20.17%	16.70%	15.70%	15.29%
Sublease Factor	21.80%	21.17%	16.18%	24.47%	19.66%
Size Ranges	Q303	Q203	Q103	Q402	Q302
0 to 20,000	25	27	24	22	24
20,001 to 40,000	44	42	40	39	44
40,001 to 60,000	20	19	19	17	20
60,001 to 80,000	10	12	10	7	3
80,001 to 100,000	8	7	6	6	4
100,001 to 120,000	11	9	5	6	6
120,001 to 140,000	6	5	5	6	5
140,001 and Over	7	7	5	5	4
Total Buildings Available	131	128	115	108	110
Construction Types	Q303	Q203	Q103	Q402	Q302
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

<p>Shell: New, never occupied building</p>	<p>Direct: Transaction with Owner</p>	<p>Previously Occupied: New or old building that has been occupied at least once</p>	<p>Gross Absorption: The total space sold or leased</p>
<p>Speculative Construction: The amount of speculative space that commenced construction during period</p>	<p>Net Absorption: The increase or decrease in occupied space</p>	<p>Build to Suit: A building built specifically for a company, whether owned or leased</p>	<p>Vacancy Rate: Total vacant space divided by total standing inventory</p>
<p>Sublease Factor: Total available sublease space divided by total available space</p>	<p>Standing Inventory: All space in market regardless of occupancy status</p>	<p>Sublease: Transaction with existing tenant</p>	<p>Availability Rate: Total square feet of space available divided by total standing inventory</p>



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