

RealNews

the silicon valley quarterly on commercial real estate

***Fourth Quarter 2003
Quarterly Study***



Q403 R&D Highlights

Supply

Available inventory set a new record high of 45.35 million square feet at quarter-end. This represents a 26.9% availability factor, exceeded only by the all time high of 27% in the first quarter of 1986. Availability increased in the fourth quarter by 1.16 million square feet, a 2.6% increase. Over the last three quarters we have seen a slowing of available inventory growth.

Demand

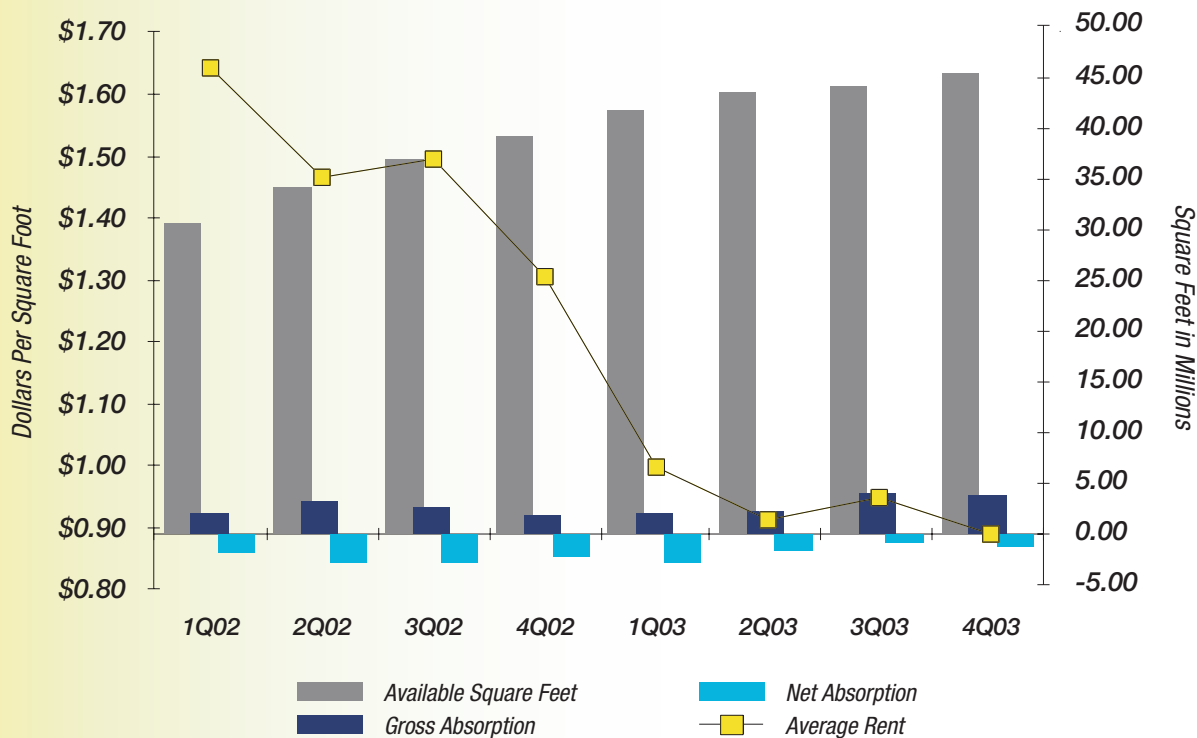
The market experienced a negative net absorption of 1,114,264 square feet in the fourth quarter, up slightly from the end of the third quarter. The last three quarters of 2003, negative net absorption declined substantially from the previous four quarters. Gross absorption remained high for the second quarter in a row and was 3.88 million square feet at the end of the fourth quarter. These strong back to back quarters indicate users are finally beginning to make real estate decisions and lease commitments again. Market activity remained steady through the holiday season of the fourth quarter.

Rent

Average effective rents declined 6.2% to \$.891 per square foot triple net, the lowest quarterly rent since the third quarter of 1995. Average starting rents at the end of the fourth quarter were \$.776 per square foot.

Construction

Network Applications completed its 150,000 square feet in Moffett Park, Sunnyvale and plans to phase-in their occupancy. Venture Corporation is under construction on its 138,400 square foot industrial condominium project in the International Business Park, San Jose.



Q403

45.34M sf ▲ Available
 3.88M sf ▼ Gross
 \$-1.11/sf ▼ Net
 .89M sf ▼ Rent

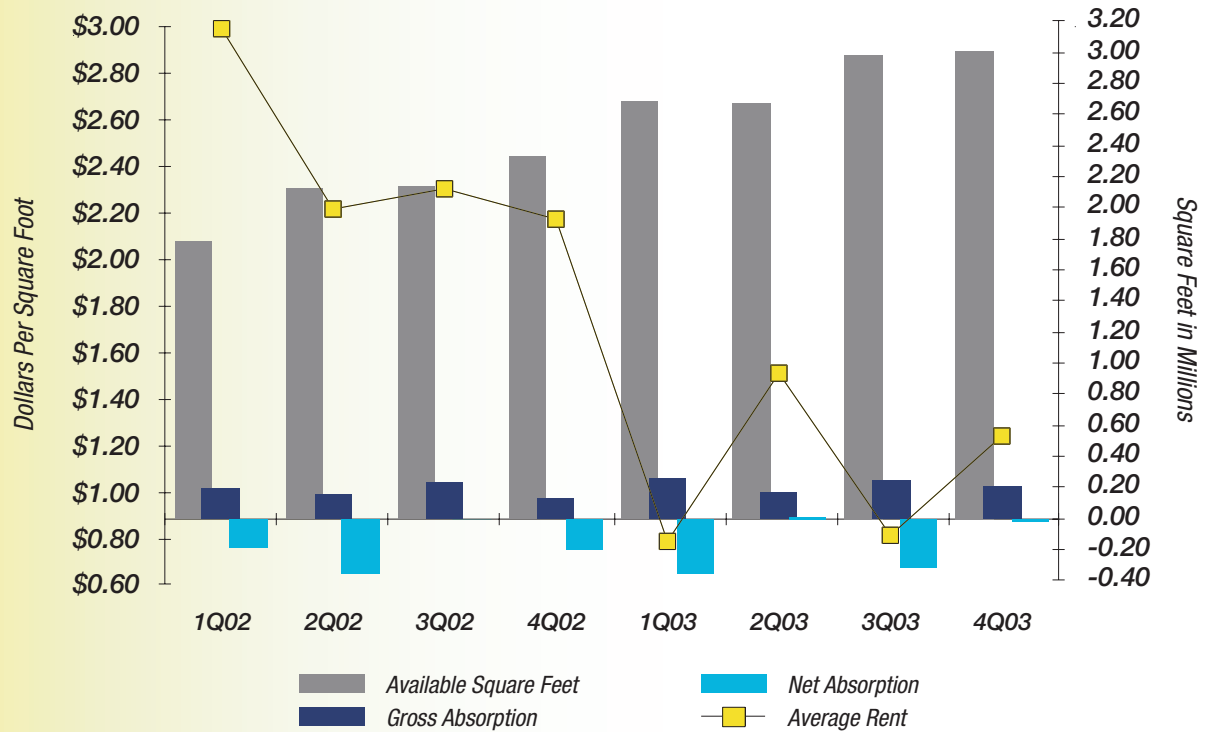
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	45,348,749	\$0.89	3,884,077	-1,114,264
Q303	44,183,763	\$0.95	4,100,631	-694,429
Q203	43,495,992	\$0.91	2,311,495	-1,588,680
Q103	41,720,282	\$1.00	2,105,111	-2,692,772
Q402	39,087,855	\$1.31	1,902,071	-2,104,325
Q302	36,956,299	\$1.50	2,742,097	-2,724,718
Q202	34,070,361	\$1.47	3,259,958	-2,670,923
Q102	30,475,499	\$1.65	2,019,700	-1,718,497

4th Quarter 2003 R&D Silicon Valley



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	4,684,277	3,714,194	4,042,331	3,774,402	3,846,294
Shell Sublease	553,546	602,207	851,375	997,772	1,092,533
Previously Occupied Direct	26,564,753	25,340,728	23,949,629	22,106,935	19,675,653
Previously Occupied Sublease	13,546,173	14,526,634	14,652,657	14,841,173	14,473,375
Total Available	45,348,749	44,183,763	43,495,992	41,720,282	39,087,855
Available Time on Market (In Months)	16.31	15.39	14.04	12.85	11.61
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	109,685	602,117	102,138	162,398	56,414
Shell Sublease	21,000	0	0	15,500	0
Previously Occupied Direct	3,410,448	3,186,789	1,767,868	1,635,019	1,656,875
Previously Occupied Sublease	342,944	311,725	441,489	292,194	188,782
Total Absorption	3,884,077	4,100,631	2,311,495	2,105,111	1,902,071
Absorption Time on Market (In Months)	12.82	12.43	11.84	8.71	8.78
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	26.90%	26.23%	25.83%	24.79%	23.33%
Vacancy Rate	26.69%	26.09%	25.71%	24.46%	22.69%
Sublease Factor	31.09%	34.24%	35.64%	37.96%	39.67%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	519	502	503	486	487
20,001 to 40,000	325	316	296	289	279
40,001 to 60,000	174	163	163	147	135
60,001 to 80,000	98	93	91	94	89
80,001 to 100,000	52	49	48	40	36
100,001 to 120,000	26	30	30	29	28
120,001 to 140,000	12	15	18	18	16
140,001 and Over	26	26	26	25	23
Total Buildings Available	1,232	1,194	1,175	1,128	1,093
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	150,000	0	75,000	0	73,420
Spec Construction	5,840	25,579	0	0	171,000
Total Completed	155,840	25,579	75,000	0	244,420
In-Process Construction					
Build-To-Suit	0	150,000	150,000	225,000	75,000
Spec Construction	138,400	5,840	31,419	32,990	32,990
Total in Progress	138,400	155,840	181,419	257,990	107,990

4th Quarter 2003 R&D Menlo Park / Palo Alto Summary



Q403

3.01M sf ▲ Available
 .20M sf ▼ Gross
 -.01M sf ▲ Net
 \$1.25/sf ▲ Rent

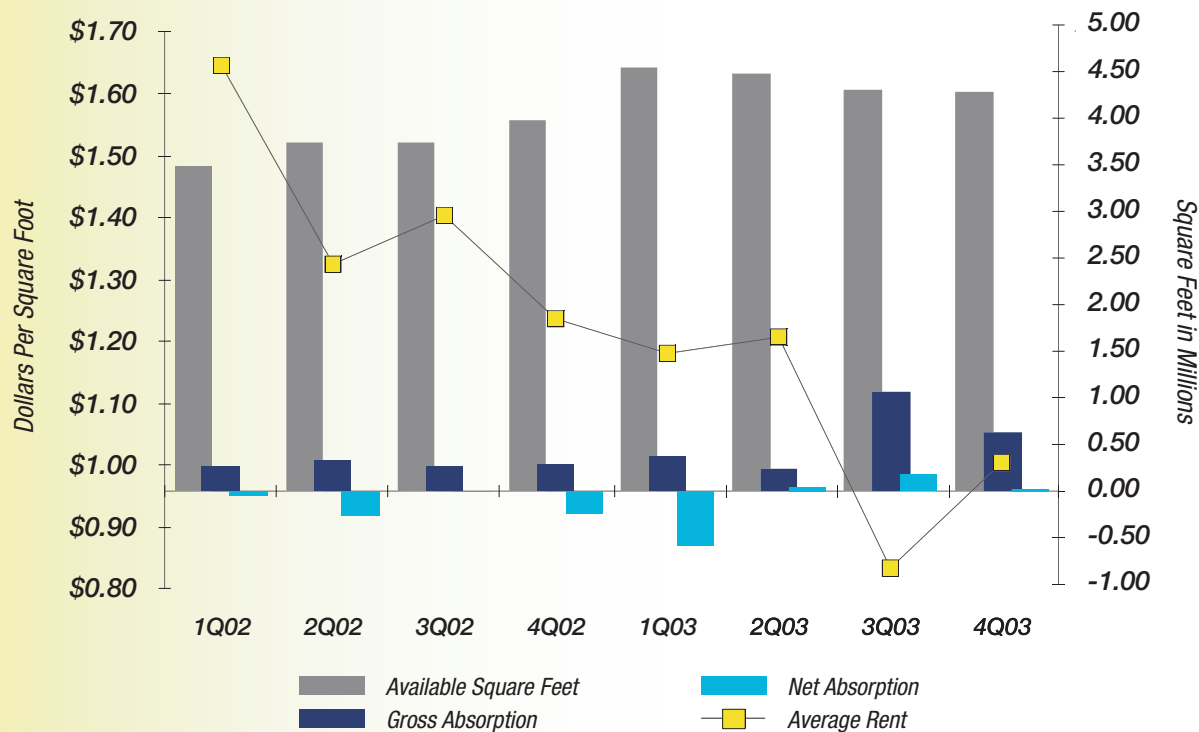
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	3,005,548	\$1.25	203,072	-12,269
Q303	2,993,279	\$0.82	252,442	-321,341
Q203	2,671,938	\$1.51	174,349	12,073
Q103	2,684,011	\$0.79	260,744	-352,669
Q402	2,331,342	\$2.17	127,308	-195,118
Q302	2,136,224	\$2.32	233,363	-2,252
Q202	2,133,972	\$2.22	156,197	-351,777
Q102	1,775,978	\$3.00	186,304	-178,541

4th Quarter 2003 R&D Menlo Park / Palo Alto



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	91,315	81,315	81,315	108,225	94,450
Shell Sublease	34,652	55,286	55,286	55,286	55,286
Previously Occupied Direct	1,889,906	1,680,708	1,309,633	1,358,995	1,224,757
Previously Occupied Sublease	989,675	1,175,970	1,225,704	1,161,505	956,849
Total Available	3,005,548	2,993,279	2,671,938	2,684,011	2,331,342
Available Time on Market (In Months)	17.59	16.34	15.16	12.33	11.70
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	0	16,000	0	41,619
Shell Sublease	21,000	0	0	0	0
Previously Occupied Direct	118,356	216,541	153,349	255,744	85,689
Previously Occupied Sublease	63,716	35,901	5,000	5,000	0
Total Absorption	203,072	252,442	174,349	260,744	127,308
Absorption Time on Market (In Months)	13.22	14.73	10.03	6.41	8.98
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	19.90%	19.82%	17.69%	17.77%	15.44%
Vacancy Rate	19.75%	19.82%	17.69%	17.31%	14.28%
Sublease Factor	34.08%	41.13%	47.94%	45.33%	43.41%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	51	53	48	56	51
20,001 to 40,000	27	25	31	33	30
40,001 to 60,000	15	20	13	12	9
60,001 to 80,000	4	13	5	5	5
80,001 to 100,000	2	2	1	0	1
100,001 to 120,000	0	4	0	0	0
120,001 to 140,000	2	0	2	2	1
140,001 and Over	1	1	0	0	0
Total Buildings Available	102	118	100	108	97
Construction Types	Q403	Q303	Q203	Q103	Q402
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

4th Quarter 2003 R&D Mountain View Summary



Q403

4.29M sf ▼ Available
 .65M sf ▼ Gross
 .04M sf ▼ Net
 \$1.01/sf ▲ Rent

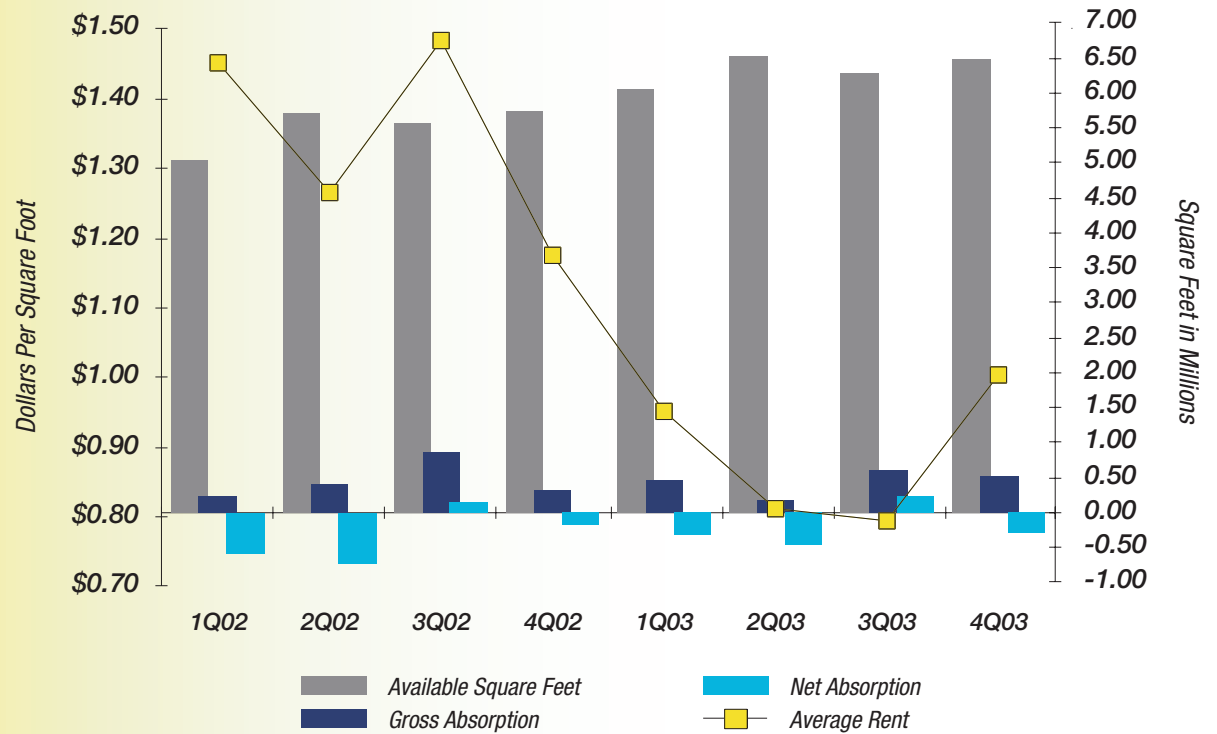
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	4,286,213	\$1.01	635,102	43,696
Q303	4,306,437	\$0.84	1,065,828	189,578
Q203	4,476,863	\$1.21	246,119	58,876
Q103	4,562,194	\$1.18	388,301	-584,498
Q402	3,984,098	\$1.24	302,808	-229,481
Q302	3,748,289	\$1.40	265,501	-524
Q202	3,747,765	\$1.32	337,952	-258,125
Q102	3,490,833	\$1.65	278,645	-36,116

4th Quarter 2003 R&D Mountain View



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	109,793	88,341	340,004	385,405	391,807
Shell Sublease	0	0	0	43,231	58,911
Previously Occupied Direct	2,622,245	2,503,102	2,361,095	2,259,292	1,708,375
Previously Occupied Sublease	1,554,175	1,714,994	1,775,764	1,874,266	1,825,005
Total Available	4,286,213	4,306,437	4,476,863	4,562,194	3,984,098
Available Time on Market (In Months)	16.41	16.18	15.12	14.24	12.66
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	2,020	298,605	20,816	142,852	14,795
Shell Sublease	0	0	0	15,500	0
Previously Occupied Direct	588,502	744,423	196,506	178,792	269,740
Previously Occupied Sublease	44,580	22,800	28,797	51,157	18,273
Total Absorption	635,102	1,065,828	246,119	388,301	302,808
Absorption Time on Market (In Months)	15.95	11.01	13.84	7.66	12.92
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	27.55%	27.68%	28.82%	29.37%	25.65%
Vacancy Rate	27.55%	27.12%	27.95%	28.34%	25.41%
Sublease Factor	36.26%	39.82%	39.67%	42.03%	47.29%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	51	53	48	46	53
20,001 to 40,000	29	25	22	25	21
40,001 to 60,000	18	20	20	17	17
60,001 to 80,000	14	13	13	15	13
80,001 to 100,000	2	2	3	3	3
100,001 to 120,000	3	4	4	4	4
120,001 to 140,000	0	0	2	2	3
140,001 and Over	1	1	1	1	0
Total Buildings Available	118	118	113	113	114
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	25,579	0	0	0
Total Completed	0	25,579	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	25,579	27,150	27,150
Total in Progress	0	0	25,579	27,150	27,150

4th Quarter 2003 R&D Sunnyvale Summary



Q403

6.50M sf ▲ Available
 .51M sf ▼ Gross
 -.30M sf ▼ Net
 \$1.01/sf ▲ Rent

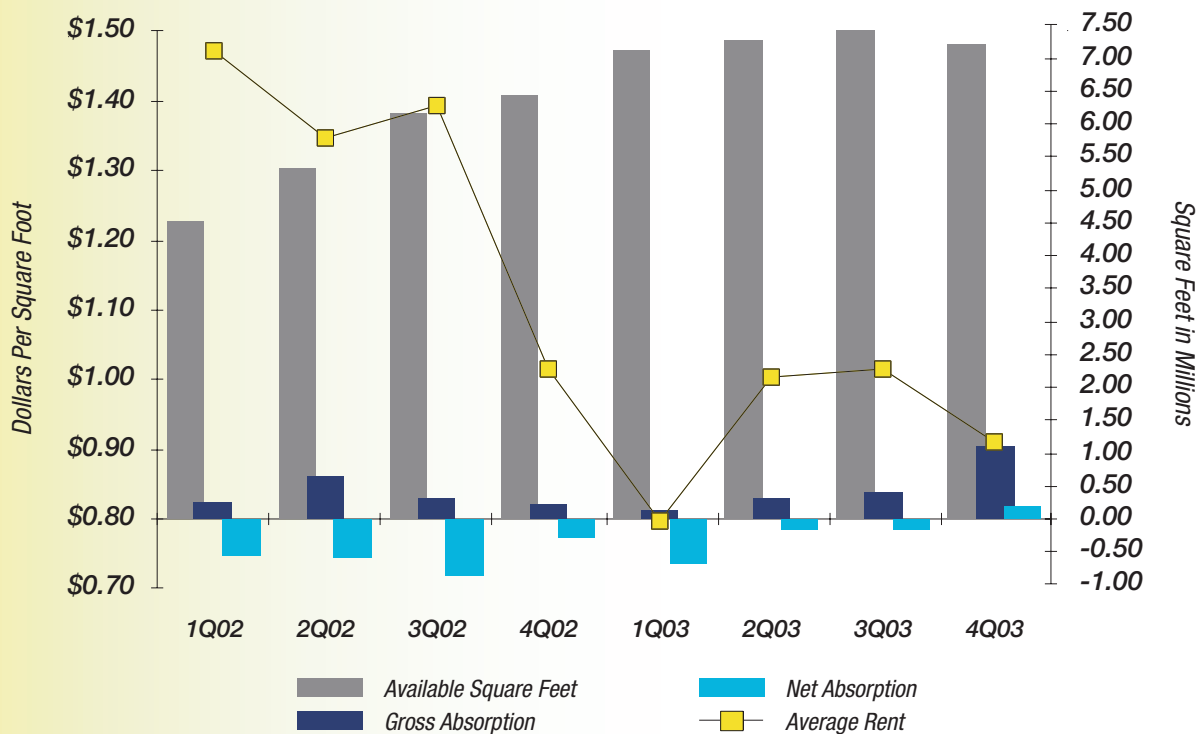
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	6,496,179	\$1.01	511,716	-298,595
Q303	6,297,956	\$0.80	607,655	220,190
Q203	6,518,146	\$0.81	167,631	-462,979
Q103	6,055,167	\$0.95	464,913	-308,530
Q402	5,746,637	\$1.18	308,201	-181,853
Q302	5,564,784	\$1.48	862,768	148,464
Q202	5,713,248	\$1.27	424,828	-725,473
Q102	5,044,893	\$1.45	215,414	-588,498

4th Quarter 2003 R&D Sunnyvale



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	435,086	456,802	549,077	480,411	483,229
Shell Sublease	135,000	190,470	190,470	190,470	225,022
Previously Occupied Direct	4,120,066	3,956,639	4,177,368	3,795,204	3,359,809
Previously Occupied Sublease	1,806,027	1,694,045	1,601,231	1,589,082	1,678,577
Total Available	6,496,179	6,297,956	6,518,146	6,055,167	5,746,637
Available Time on Market (In Months)	17.23	15.91	14.17	13.05	12.59
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	22,858	107,643	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	404,179	340,370	93,800	429,182	294,773
Previously Occupied Sublease	84,679	159,642	73,831	35,731	13,428
Total Absorption	511,716	607,655	167,631	464,913	308,201
Absorption Time on Market (In Months)	15.19	11.44	6.12	11.21	10.98
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	23.71%	23.11%	23.92%	22.22%	21.09%
Vacancy Rate	23.71%	22.73%	23.68%	21.83%	20.68%
Sublease Factor	29.88%	29.92%	27.49%	29.39%	33.13%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	79	77	86	82	73
20,001 to 40,000	69	67	64	54	60
40,001 to 60,000	26	22	25	21	19
60,001 to 80,000	8	8	8	8	9
80,001 to 100,000	2	2	3	3	1
100,001 to 120,000	3	5	5	5	4
120,001 to 140,000	2	3	3	3	3
140,001 and Over	5	4	4	4	4
Total Buildings Available	194	188	198	180	173
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	150,000	0	0	0	171,000
Spec Construction	0	0	0	0	0
Total Completed	150,000	0	0	0	171,000
In-Process Construction					
Build-To-Suit	0	150,000	150,000	150,000	0
Spec Construction	0	0	0	0	0
Total in Progress	0	150,000	150,000	150,000	0

4th Quarter 2003 R&D Santa Clara Summary



Q403

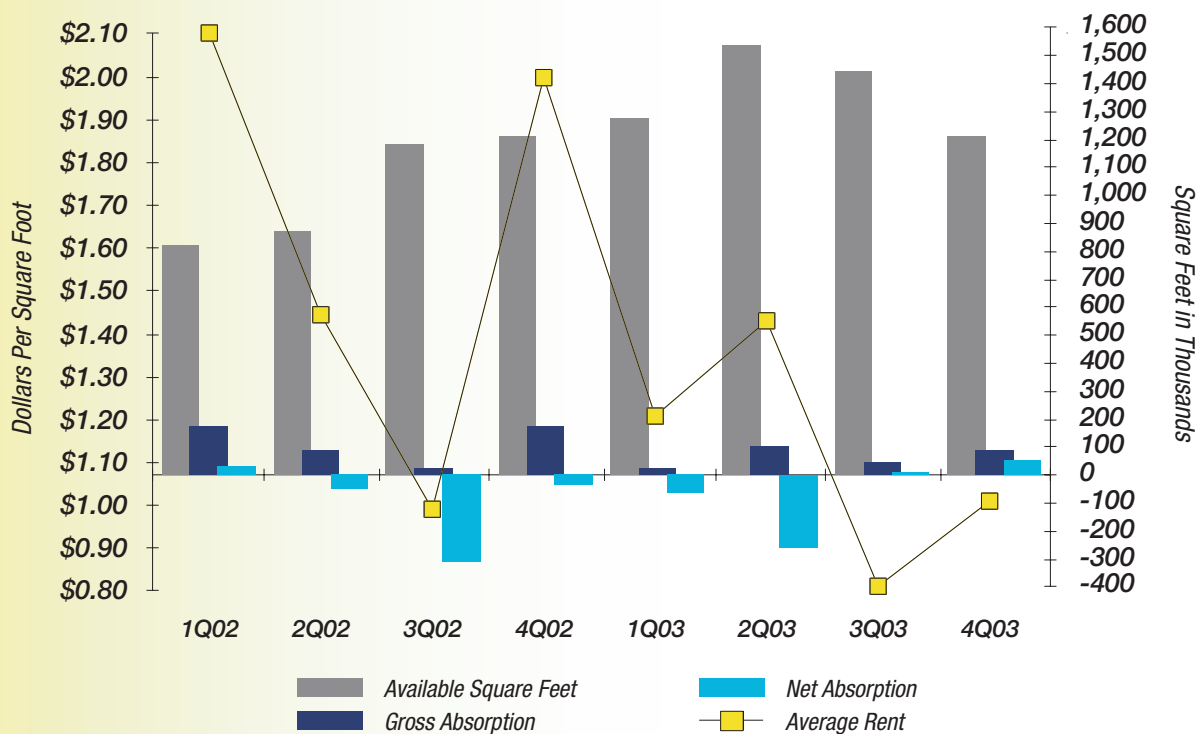
7.22M sf ▼ Available
 1.11M sf ▲ Gross
 .18M sf ▲ Net
 \$.91/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	7,219,179	\$0.91	1,112,799	175,018
Q303	7,408,816	\$1.02	388,986	-136,458
Q203	7,272,358	\$1.01	306,516	-158,532
Q103	7,113,826	\$0.80	106,042	-673,964
Q402	6,443,243	\$1.02	215,693	-269,451
Q302	6,170,411	\$1.40	314,484	-851,190
Q202	5,319,221	\$1.35	636,887	-570,722
Q102	4,534,499	\$1.47	246,152	-557,851

4th Quarter 2003 R&D Santa Clara



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	165,533	162,152	162,152	162,152	165,533
Shell Sublease	99,265	99,265	99,265	99,265	99,265
Previously Occupied Direct	4,383,807	4,582,576	4,504,444	4,327,253	3,815,617
Previously Occupied Sublease	2,570,574	2,564,823	2,506,497	2,525,156	2,362,828
Total Available	7,219,179	7,408,816	7,272,358	7,113,826	6,443,243
Available Time on Market (In Months)	15.85	14.93	13.51	12.85	11.18
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	1,094,799	382,986	267,645	92,342	195,102
Previously Occupied Sublease	18,000	6,000	38,871	13,700	20,591
Total Absorption	1,112,799	388,986	306,516	106,042	215,693
Absorption Time on Market (In Months)	10.22	12.46	16.44	6.44	7.43
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	29.06%	29.82%	29.28%	28.64%	25.94%
Vacancy Rate	29.06%	29.82%	29.28%	28.43%	24.40%
Sublease Factor	36.98%	35.96%	35.83%	36.89%	38.21%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	76	67	68	56	56
20,001 to 40,000	40	39	37	36	36
40,001 to 60,000	29	30	31	29	24
60,001 to 80,000	13	14	13	13	13
80,001 to 100,000	9	7	7	6	5
100,001 to 120,000	8	8	8	8	7
120,001 to 140,000	2	5	5	6	5
140,001 and Over	5	5	5	5	4
Total Buildings Available	182	175	174	159	150
Construction Types	Q403	Q303	Q203	Q103	Q402
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



Q403

1.21M sf ▼ Available
 .09M sf ▲ Gross
 .05M sf ▼ Net
 \$1.01/sf ▲ Rent

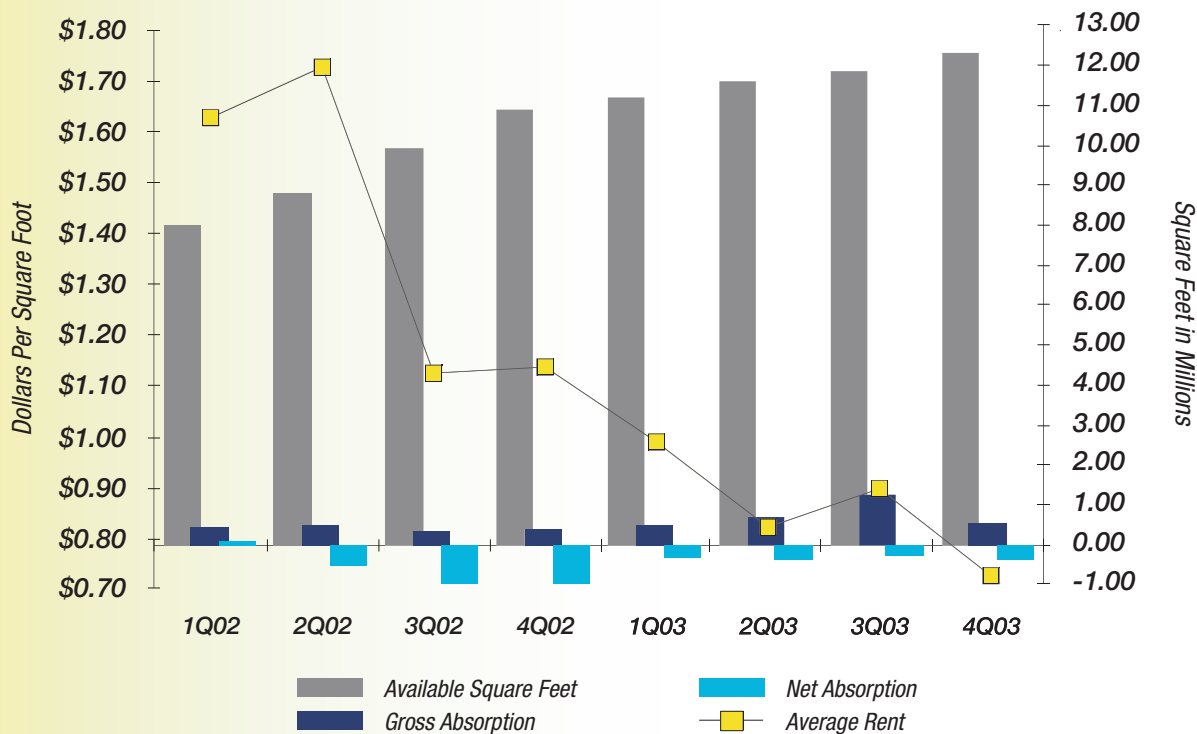
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	1,209,282	\$1.01	86,930	50,950
Q303	1,447,739	\$0.81	45,315	88,128
Q203	1,535,867	\$1.43	102,438	-260,984
Q103	1,274,883	\$1.21	23,227	-60,667
Q402	1,214,216	\$2.00	176,703	-35,994
Q302	1,184,445	\$0.99	25,469	-310,413
Q202	874,032	\$1.45	87,376	-52,038
Q102	821,294	\$2.10	172,542	29,673

4th Quarter 2003 R&D Los Gatos / Campbell / Cupertino



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	10,890	198,397	198,397	10,800	10,800
Shell Sublease	0	0	0	70,228	70,228
Previously Occupied Direct	739,667	739,602	777,915	652,265	463,776
Previously Occupied Sublease	458,725	509,740	559,555	541,590	669,412
Total Available	1,209,282	1,447,739	1,535,867	1,274,883	1,214,216
Available Time on Market (In Months)	15.98	13.28	12.53	12.33	10.45
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	26,701	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	71,030	18,614	102,438	23,227	176,703
Previously Occupied Sublease	15,900	0	0	0	0
Total Absorption	86,930	45,315	102,438	23,227	176,703
Absorption Time on Market (In Months)	12.23	23.15	17.03	13.78	9.99
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	30.16%	36.11%	38.31%	31.80%	30.28%
Vacancy Rate	29.71%	35.66%	37.81%	31.13%	30.28%
Sublease Factor	37.93%	35.21%	36.43%	47.99%	60.92%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	25	29	24	20	20
20,001 to 40,000	15	12	12	14	14
40,001 to 60,000	4	6	6	6	5
60,001 to 80,000	1	1	1	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	0	1	2	0	0
Total Buildings Available	47	51	47	44	43
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	10,800
Total Completed	0	0	0	0	10,800
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

4th Quarter 2003 R&D San Jose Summary



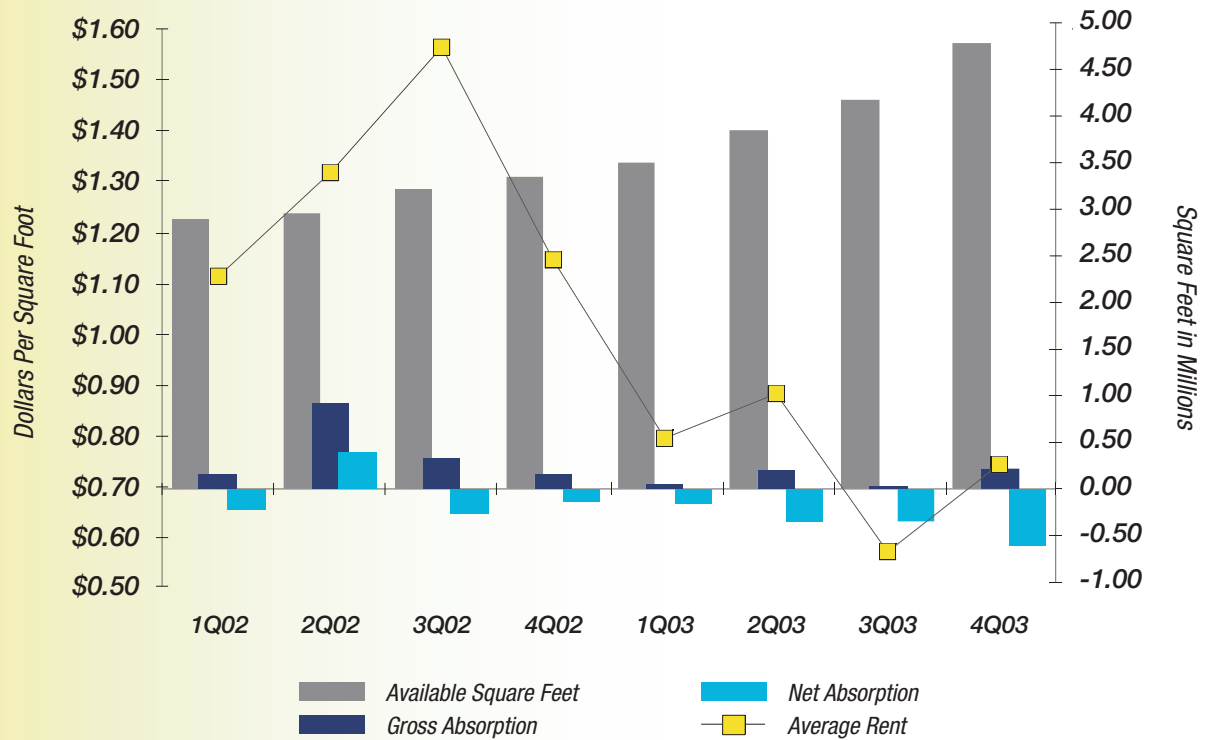
Q403

12.32M sf ▲ Available
 .55M sf ▼ Gross
 -.37M sf ▼ Net
 \$.73/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	12,317,935	\$0.73	548,497	-366,116
Q303	11,866,579	\$0.90	1,276,260	-265,911
Q203	11,580,468	\$0.82	710,111	-352,787
Q103	11,221,841	\$0.99	492,615	-336,273
Q402	10,891,408	\$1.14	410,243	-972,145
Q302	9,919,263	\$1.13	320,585	-975,534
Q202	8,793,309	\$1.73	504,281	-542,652
Q102	7,976,343	\$1.63	465,473	79,297

Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	1,432,912	1,197,872	1,307,672	1,247,572	1,253,412
Shell Sublease	150,000	121,640	121,640	154,578	154,578
Previously Occupied Direct	6,791,793	6,193,546	5,852,771	5,466,518	5,241,310
Previously Occupied Sublease	3,943,230	4,353,521	4,298,385	4,353,173	4,242,108
Total Available	12,317,935	11,866,579	11,580,468	11,221,841	10,891,408
Available Time on Market (In Months)	16.31	15.45	13.91	12.20	10.65
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	5,840	151,026	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	542,657	1,109,602	514,452	425,716	344,606
Previously Occupied Sublease	0	15,632	195,659	66,899	65,637
Total Absorption	548,497	1,276,260	710,111	492,615	410,243
Absorption Time on Market (In Months)	9.96	11.87	10.59	8.58	6.81
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	25.46%	24.53%	23.94%	23.23%	22.55%
Vacancy Rate	25.11%	24.53%	23.63%	22.45%	22.02%
Sublease Factor	33.23%	37.71%	38.17%	40.17%	40.37%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	104	99	97	99	107
20,001 to 40,000	69	63	58	60	55
40,001 to 60,000	31	30	29	28	31
60,001 to 80,000	36	36	35	33	30
80,001 to 100,000	29	30	30	25	23
100,001 to 120,000	7	7	7	6	6
120,001 to 140,000	3	1	1	1	1
140,001 and Over	7	7	7	8	8
Total Buildings Available	286	273	264	260	261
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	0	0	75,000	0	0
Spec Construction	5,840	0	0	0	0
Total Completed	5,840	0	75,000	0	0
In-Process Construction					
Build-To-Suit	0	0	0	75,000	75,000
Spec Construction	138,400	5,840	5,840	5,840	5,840
Total in Progress	138,400	5,840	5,840	80,840	80,840

4th Quarter 2003 R&D Milpitas Summary



Q403

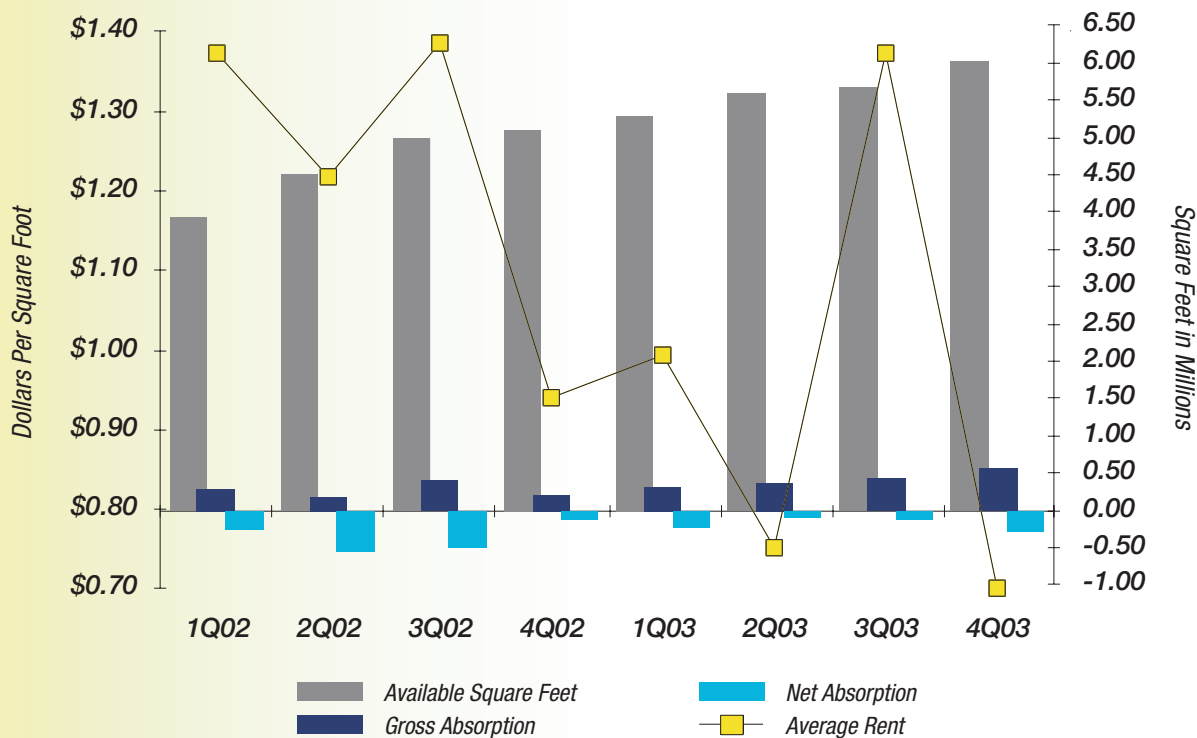
4.79M sf ▲ Available
 .23M sf ▲ Gross
 -.60M sf ▼ Net
 \$.74/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	4,789,211	\$0.74	229,812	-600,380
Q303	4,188,831	\$0.57	35,467	-340,549
Q203	3,848,282	\$0.88	198,376	-327,553
Q103	3,504,129	\$0.79	63,904	-141,535
Q402	3,362,594	\$1.15	159,911	-106,335
Q302	3,233,194	\$1.57	331,551	-264,083
Q202	2,958,311	\$1.32	928,749	402,049
Q102	2,895,641	\$1.11	167,067	-209,725

4th Quarter 2003 R&D Milpitas



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	1,578,088	794,255	625,670	566,255	566,255
Shell Sublease	0	135,546	363,546	363,546	363,546
Previously Occupied Direct	1,957,511	1,831,227	1,484,787	1,255,812	1,184,297
Previously Occupied Sublease	1,253,612	1,427,803	1,374,279	1,318,516	1,248,496
Total Available	4,789,211	4,188,831	3,848,282	3,504,129	3,362,594
Available Time on Market (In Months)	13.45	13.81	12.69	12.07	10.85
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	190,384	14,405	185,158	63,904	136,301
Previously Occupied Sublease	39,428	21,062	13,218	0	23,610
Total Absorption	229,812	35,467	198,376	63,904	159,911
Absorption Time on Market (In Months)	11.21	7.63	9.99	12.33	12.36
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	31.08%	27.18%	24.97%	22.74%	21.82%
Vacancy Rate	30.81%	26.82%	24.76%	22.43%	20.82%
Sublease Factor	26.18%	37.32%	45.16%	48.00%	47.94%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	39	37	35	35	38
20,001 to 40,000	23	25	24	21	19
40,001 to 60,000	25	16	15	12	11
60,001 to 80,000	8	5	4	4	3
80,001 to 100,000	5	4	2	1	1
100,001 to 120,000	2	2	2	3	3
120,001 to 140,000	1	2	2	1	1
140,001 and Over	5	5	5	5	5
Total Buildings Available	108	96	89	82	81
Construction Types	Q403	Q303	Q203	Q103	Q402
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



Q403

6.03M sf ▲ Available
 .56M sf ▲ Gross
 -.29M sf ▼ Net
 \$.70/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	6,025,202	\$0.70	556,149	-294,165
Q303	5,674,126	\$1.37	428,678	-128,066
Q203	5,592,070	\$0.75	377,011	-96,794
Q103	5,304,231	\$0.99	305,365	-234,636
Q402	5,114,317	\$0.94	201,204	-113,948
Q302	4,999,689	\$1.39	388,376	-500,186
Q202	4,499,503	\$1.22	183,688	-541,185
Q102	3,936,018	\$1.37	288,103	-256,736

4th Quarter 2003 R&D Fremont



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	860,660	735,060	778,044	813,582	880,808
Shell Sublease	134,629	0	21,168	21,168	65,697
Previously Occupied Direct	4,059,758	3,853,328	3,481,616	2,991,596	2,677,712
Previously Occupied Sublease	970,155	1,085,738	1,311,242	1,477,885	1,490,100
Total Available	6,025,202	5,674,126	5,592,070	5,304,231	5,114,317
Available Time on Market (In Months)	16.83	15.65	14.33	13.51	12.26
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	18,142	65,322	19,546	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	479,508	359,848	225,576	166,112	153,961
Previously Occupied Sublease	76,641	50,688	86,113	119,707	47,243
Total Absorption	556,149	428,678	377,011	305,365	201,204
Absorption Time on Market (In Months)	12.46	13.35	10.55	7.79	6.74
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	33.71%	31.74%	31.29%	29.68%	28.61%
Vacancy Rate	33.11%	31.74%	31.29%	29.37%	28.47%
Sublease Factor	18.34%	19.13%	23.83%	28.26%	30.42%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	94	90	97	92	89
20,001 to 40,000	53	54	48	46	44
40,001 to 60,000	26	26	24	22	17
60,001 to 80,000	14	12	12	14	14
80,001 to 100,000	3	2	2	2	2
100,001 to 120,000	2	3	3	2	3
120,001 to 140,000	1	1	2	2	2
140,001 and Over	2	2	2	2	2
Total Buildings Available	195	190	190	182	173
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	22,300
Total Completed	0	0	0	0	22,300
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

Q403 Warehouse Highlights

Supply

After experiencing steady increases to the supply of warehouse space in the Silicon Valley, the market began to show some life in the 4th quarter of 2003 with the first positive absorption quarter in 11 quarters. Supply decreased, albeit slightly, to 7.26 million square feet, making 21.6% of the Valley's warehouse base available for lease or sale. Fremont and Newark continued to suffer from the highest vacancy rate, accounting for about 41% of the total available space. Conversely, Sunnyvale, on the opposite side of the bay, was the tightest market, closing the year with an 8.7% vacancy factor.

Demand

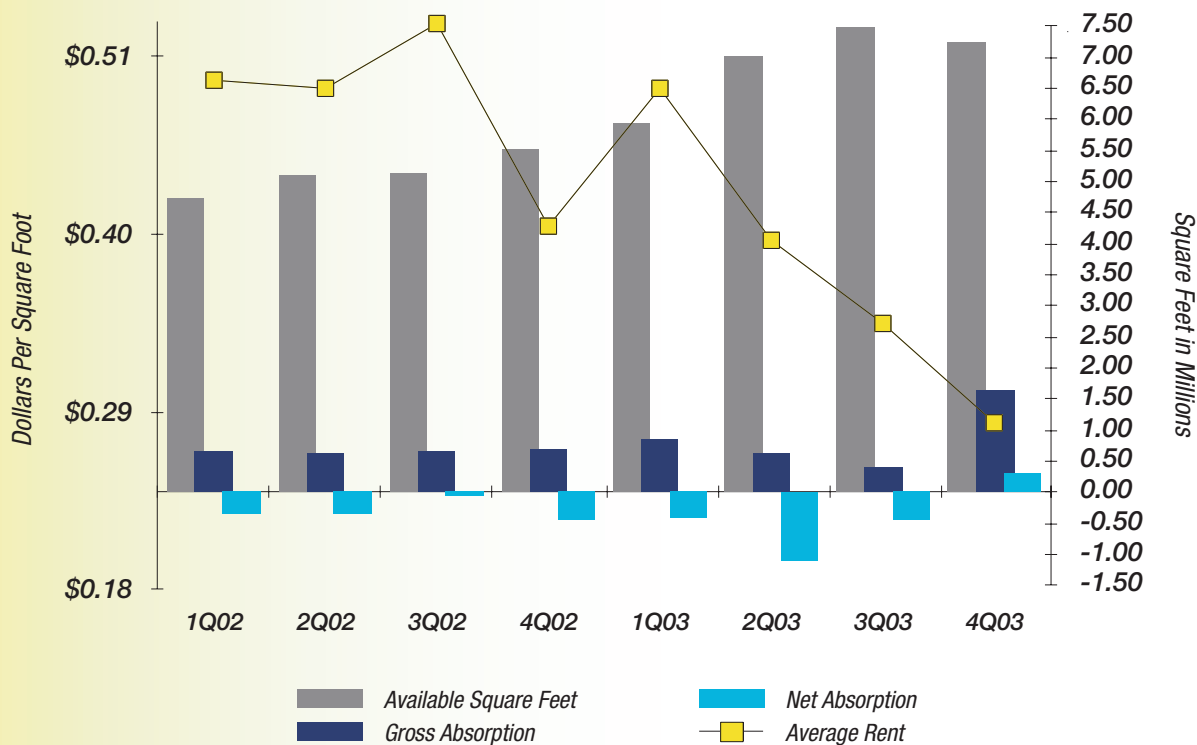
A combination of increased demand and aggressive rate and deal structure offerings from the Valley's landlords combined to generate 95 transactions totaling more than 1.6 million square feet of gross absorption for the quarter, which was about one million square feet more than the average for the preceding eight quarters. The 4th quarter volume was significant with 41 transactions, up from only 11 in the third quarter. Average time on the market for 4th quarter deals was the lowest of the year at about 8 _ months.

Net absorption was positive (319,000 square feet) for the first time in 11 quarters.

Rents

As mentioned above, aggressive deal making by Silicon Valley warehouse landlords led to a significant decline in average rents for 2003. Average rents were at an all time low of \$.283 for the quarter. Average TI's were noticeably high at \$2.85 per square foot – especially considering that there was no new shell space and only two previously occupied shell transactions.

4th Quarter 2003 Warehouse Silicon Valley Summary



Q403

7.26M sf ▼ Available
 1.66M sf ▲ Gross
 .32M sf ▲ Net
 \$.28/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	7,259,510	\$0.28	1,660,142	319,912
Q303	7,472,422	\$0.35	410,904	-445,609
Q203	7,026,813	\$0.40	620,477	-1,086,770
Q103	5,940,043	\$0.49	865,319	-406,006
Q402	5,534,037	\$0.41	699,630	-448,552
Q302	5,138,711	\$0.53	659,812	-47,866
Q202	5,090,845	\$0.49	631,476	-330,710
Q102	4,762,700	\$0.50	678,493	-352,015

4th Quarter 2003 Warehouse Silicon Valley



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	0	0	0	11,310
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	5,967,284	5,843,164	5,528,529	4,970,581	4,156,342
Previously Occupied Sublease	1,292,226	1,629,258	1,498,284	969,462	1,366,385
Total Available	7,259,510	7,472,422	7,026,813	5,940,043	5,534,037
Available Time on Market (In Months)	13.91	12.43	11.18	10.92	10.75
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	0	0	50,435	11,410	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	1,569,897	410,904	556,402	839,429	630,623
Previously Occupied Sublease	90,245	0	13,640	14,480	69,007
Total Absorption	1,660,142	410,904	620,477	865,319	699,630
Absorption Time on Market (In Months)	8.42	12.89	13.32	10.49	8.48
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	21.64%	22.28%	20.95%	17.71%	16.50%
Vacancy Rate	21.64%	22.28%	20.17%	16.70%	15.70%
Sublease Factor	17.80%	21.80%	21.32%	16.32%	24.69%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	30	25	27	24	22
20,001 to 40,000	46	44	42	40	39
40,001 to 60,000	18	20	19	19	17
60,001 to 80,000	11	10	12	10	7
80,001 to 100,000	3	8	7	6	6
100,001 to 120,000	11	11	9	5	6
120,001 to 140,000	5	6	5	5	6
140,001 and Over	8	7	7	6	5
Total Buildings Available	132	131	128	115	108
Construction Types	Q403	Q303	Q203	Q103	Q402
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

Q403 Office Highlights

Supply

The available office space remained stable in the fourth quarter ending the year with 11,090,000 square feet. The availability rate also remained stable at 25.83%. The percent of available space that is sublease space decreased from 23% at the end of the third quarter down to 21.83% at the end of the fourth quarter.

Demand

Fourth quarter 2003 demand improved from the third quarter 2003. Gross absorption gained 147,776 square feet, going from 1,060,412 square feet in the third quarter to 1,208,188 square feet in the fourth quarter 2003. On the bright side, fourth quarter 2003 saw the second consecutive quarter of positive net absorption at 85,553 square feet

Rent

The average effective rent at the end of the fourth quarter was \$2.07 per square foot full service which is consistent with the third quarter rate of \$2.09 per square foot.

Submarkets

San Jose Airport

The total availability factor in the Airport office market decreased to 21.50% or 803,623 square feet in the fourth quarter 2003 from 25.50% at the end of the third quarter. The average rents have shown a decrease in the fourth quarter of \$.52 per square foot decreasing from \$2.01 full service to \$1.49 full service. Sublease space in the airport market is 21.07% of the total vacancy, a decrease from 34% at the end of the third quarter.

Downtown Class A

The total vacancy factor in the Downtown Class A office market remained stable at 32.417% or 875,008 square feet in the fourth quarter 2003. The Class A sublease space is 7% of the total vacancy, which is a decrease of 1% from the third quarter 2003. The Class A average rent at the end of the fourth quarter has increased to \$2.435 full service from \$2.258 at the end of the third quarter.

Forecast for Q104

Supply

The supply of office space has stabilized. The amount of good quality space is limited given the total vacancy in the market. The percentage of sublease space has also declined dramatically. There is very little "plug and play" space left in the market.

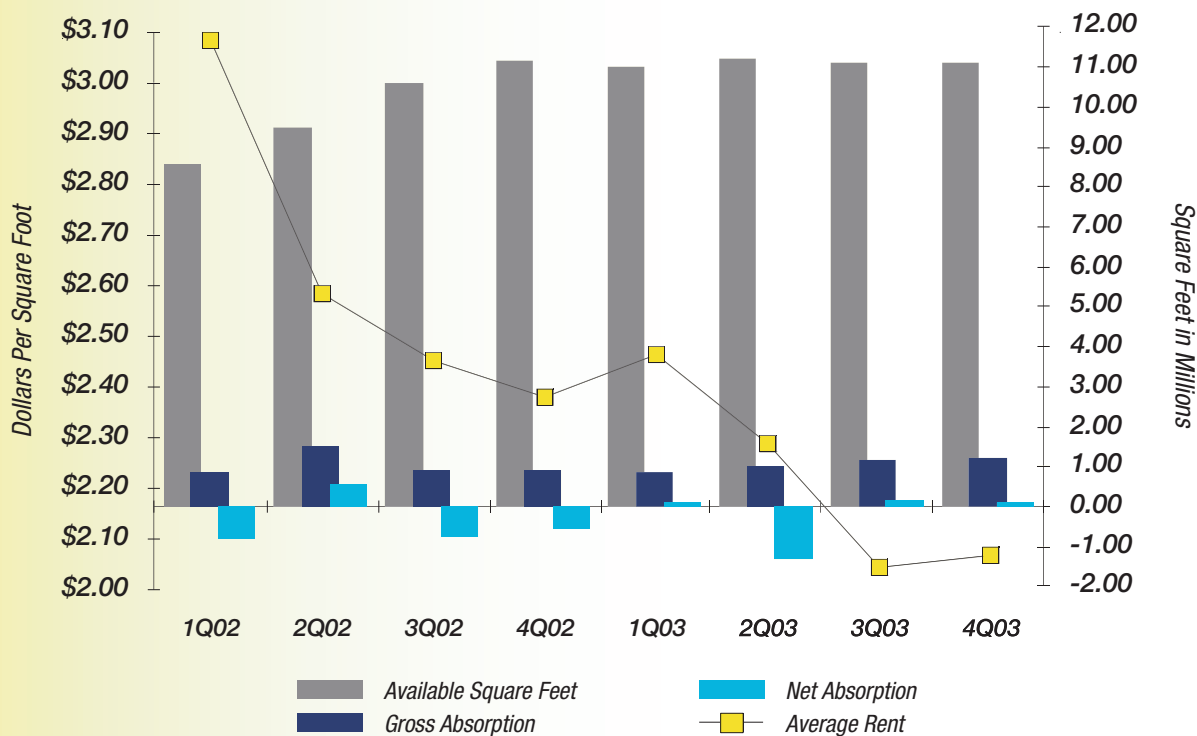
Demand

Gross absorption will continue its increase as financial markets and statistics improve. Start-up companies will be more of a force in the market, but will be limited to Class B space based on their price point. 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 with sublease percentages declining. Owners of high quality space will be able to garner a premium in the market for the first time since the first quarter of 2001.

4th Quarter 2003 Office Silicon Valley Summary



Q403

11.10M sf ▼ Available
 1.21M sf ▲ Gross
 .09M sf ▼ Net
 \$2.07/sf ▼ Rent

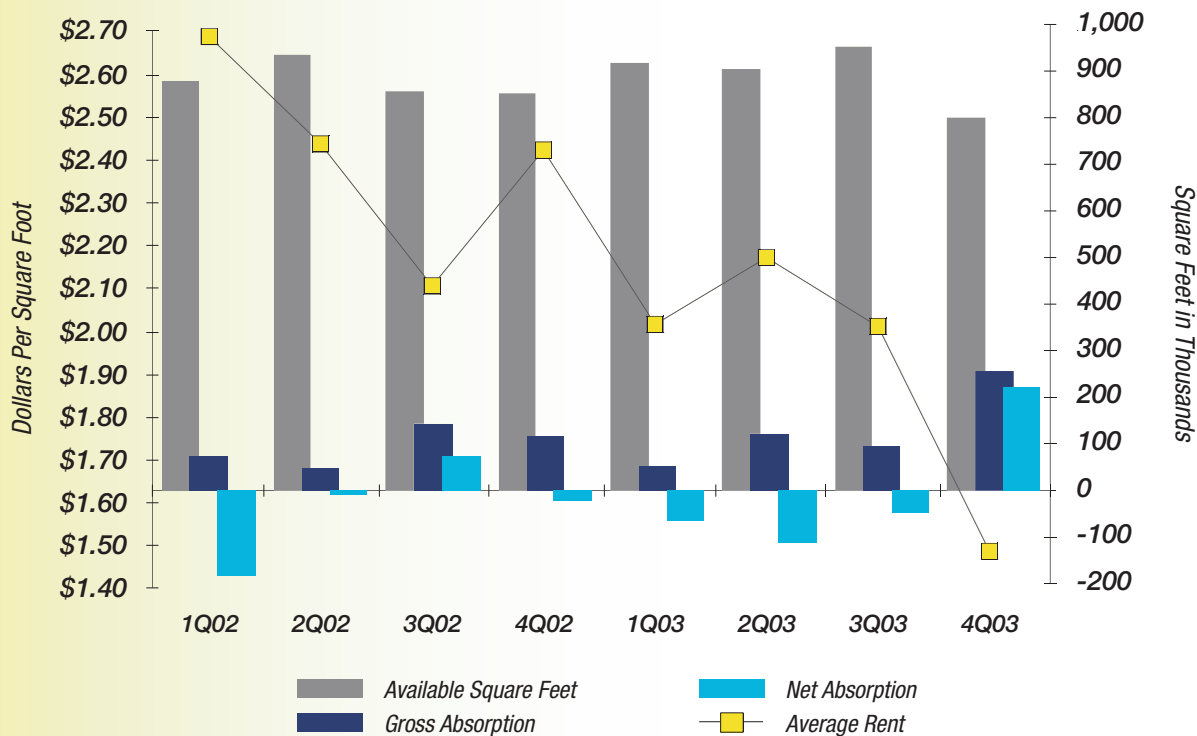
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	11,090,443	\$2.07	1,208,188	85,553
Q303	11,098,363	\$2.09	1,060,412	137,913
Q203	11,221,873	\$2.29	1,026,890	-1,332,371
Q103	11,033,341	\$2.45	867,140	105,887
Q402	11,161,242	\$2.38	939,256	-526,591
Q302	10,602,885	\$2.45	905,156	-781,383
Q202	9,477,735	\$2.59	1,497,255	536,507
Q102	8,569,927	\$3.09	868,377	-798,009

4th Quarter 2003 Office Silicon Valley



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	1,808,685	1,817,015	1,614,740	1,612,470	1,399,140
Shell Sublease	77,075	169,816	491,900	540,482	880,821
Previously Occupied Direct	6,860,850	6,703,755	6,446,761	6,074,403	5,720,851
Previously Occupied Sublease	2,343,833	2,407,777	2,668,472	2,805,986	3,160,430
Total Available	11,090,443	11,098,363	11,221,873	11,033,341	11,161,242
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	23,882	106,804	57,285	56,414	12,489
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	916,823	750,400	711,820	712,750	691,114
Previously Occupied Sublease	267,483	203,208	257,785	97,976	235,653
Total Absorption	1,208,188	1,060,412	1,026,890	867,140	939,256
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	25.83%	25.84%	26.13%	25.71%	26.01%
Vacancy Rate	25.77%	25.78%	26.10%	25.42%	26.58%
Sublease Factor	21.83%	23.22%	28.16%	30.33%	36.21%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	447	452	466	452	432
20,001 to 40,000	98	96	85	74	85
40,001 to 60,000	28	25	30	38	28
60,001 to 80,000	12	12	12	7	9
80,001 to 100,000	3	4	5	5	4
100,001 to 120,000	4	4	2	2	1
120,001 to 140,000	0	1	2	2	3
140,001 and Over	9	8	8	9	11
Total Buildings Available	601	602	610	589	573
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	0	0	0	0	599,120
Spec Construction	0	0	38,285	25,070	424,489
Total Completed	0	0	38,285	25,070	1,023,609
In-Process Construction					
Build-To-Suit	266,867	266,867	266,867	266,867	266,867
Spec Construction	7,061	0	0	38,285	63,328
Total in Progress	273,928	266,867	266,867	305,152	330,195

4th Quarter 2003 Office San Jose Airport Summary



Q403

.80M sf ▼ Available
 .26M sf ▲ Gross
 .22M sf ▲ Net
 \$1.49/sf ▼ Rent

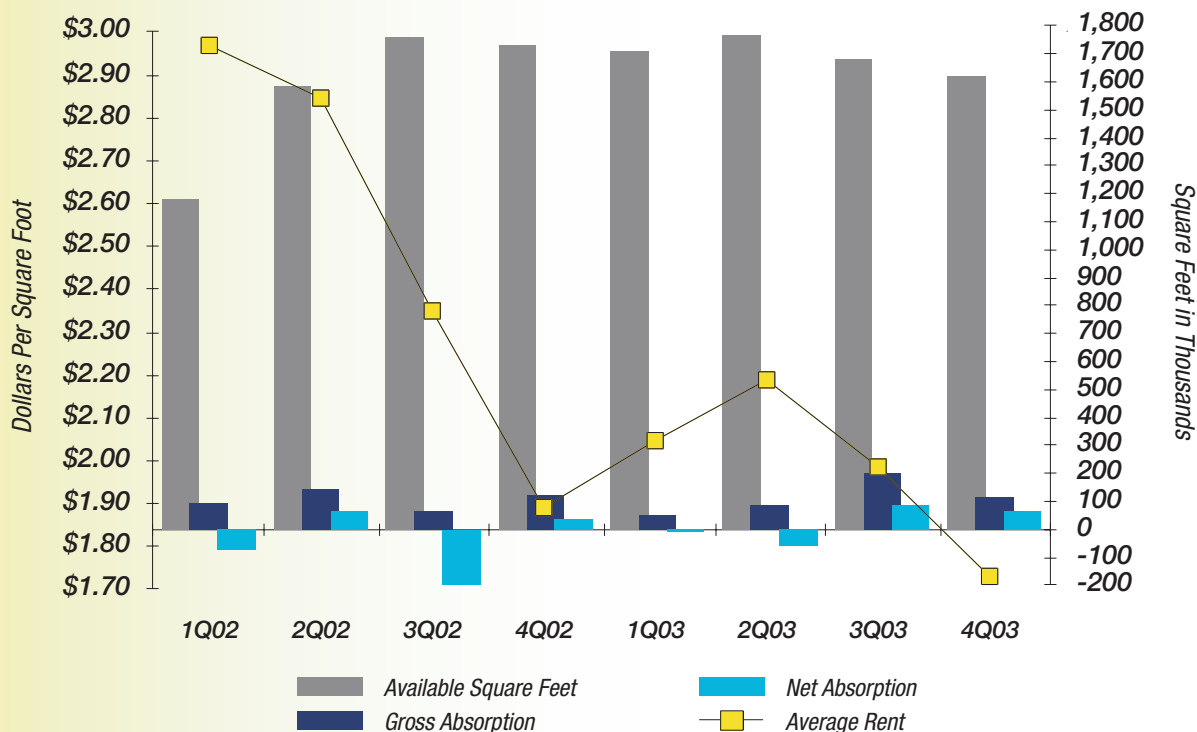
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	803,623	\$1.49	259,644	222,066
Q303	952,948	\$2.01	98,588	-44,497
Q203	908,451	\$2.18	135,456	-111,043
Q103	919,593	\$2.02	55,768	-63,873
Q402	855,720	\$2.43	148,330	-19,869
Q302	860,098	\$2.11	144,353	78,138
Q202	936,876	\$2.44	51,664	-7,004
Q102	881,788	\$2.69	76,175	-180,840

4th Quarter 2003 Office San Jose Airport



Available Supply	Q403	Q303	Q203	Q103	4Q02
Shell Direct	49,444	0	0	49,444	49,444
Shell Sublease	24,042	120,825	120,825	120,825	120,825
Previously Occupied Direct	584,859	628,959	523,834	511,333	473,937
Previously Occupied Sublease	145,278	203,164	263,792	237,991	211,514
Total Available	803,623	952,948	908,451	919,593	855,720
Gross Absorption	Q403	Q303	Q203	Q103	4Q02
Shell Direct	0	0	48,084	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	165,736	83,222	79,069	44,643	145,155
Previously Occupied Sublease	93,908	15,366	8,303	11,125	3,175
Total Absorption	259,644	98,588	135,456	55,768	148,330
Supply Rates	Q403	Q303	Q203	Q103	4Q02
Availability Rate	21.50%	25.50%	24.31%	24.60%	22.90%
Vacancy Rate	21.50%	25.50%	24.31%	24.60%	22.90%
Sublease Factor	21.07%	34.00%	42.34%	39.02%	38.84%
Size Ranges	Q403	Q303	Q203	Q103	4Q02
0 to 20,000	18	22	23	21	21
20,001 to 40,000	10	11	9	9	9
40,001 to 60,000	3	3	5	6	5
60,001 to 80,000	3	3	3	3	3
80,001 to 100,000	0	1	0	0	0
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	34	40	40	39	38
Construction Types	Q403	Q303	Q203	Q103	4Q02
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

4th Quarter 2003 Office Downtown San Jose Summary



Q403

1.62M sf ▼ Available
 .12M sf ▼ Gross
 .07M sf ▼ Net
 \$1.73/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q403	1,620,830	\$1.73	118,301	65,881
Q303	1,682,275	\$1.98	202,326	89,749
Q203	1,769,981	\$2.19	85,249	-60,644
Q103	1,710,957	\$2.05	51,582	-5,303
Q402	1,727,973	\$1.89	125,612	34,067
Q302	1,762,040	\$2.35	65,324	-198,878
Q202	1,584,569	\$2.85	141,950	60,907
Q102	1,181,873	\$2.97	91,992	-73,574

4th Quarter 2003 Office Downtown San Jose



Available Supply	Q403	Q303	Q203	Q103	Q402
Shell Direct	464,991	464,961	511,218	512,838	535,157
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	959,279	1,046,541	986,387	958,324	917,621
Previously Occupied Sublease	196,560	170,773	272,376	239,795	275,195
Total Available	1,620,830	1,682,275	1,769,981	1,710,957	1,727,973
Gross Absorption	Q403	Q303	Q203	Q103	Q402
Shell Direct	4,406	48,300	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	91,465	98,240	77,149	48,582	125,612
Previously Occupied Sublease	22,430	55,786	8,100	3,000	0
Total Absorption	118,301	202,326	85,249	51,582	125,612
Supply Rates	Q403	Q303	Q203	Q103	Q402
Availability Rate	28.40%	29.47%	31.01%	29.97%	30.27%
Vacancy Rate	28.19%	29.47%	31.01%	29.97%	30.27%
Sublease Factor	12.13%	10.15%	15.39%	14.02%	15.93%
Size Ranges	Q403	Q303	Q203	Q103	Q402
0 to 20,000	45	45	51	46	47
20,001 to 40,000	10	11	12	9	14
40,001 to 60,000	3	3	3	5	3
60,001 to 80,000	1	1	1	1	1
80,001 to 100,000	1	1	1	0	0
100,001 to 120,000	1	1	0	0	0
120,001 to 140,000	0	0	1	2	1
140,001 and Over	2	2	2	2	3
Total Buildings Available	63	64	71	65	69
Construction Types	Q403	Q303	Q203	Q103	Q402
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	381,000
Total Completed	0	0	0	0	381,000
In-Process Construction					
Build-To-Suit	266,867	266,867	266,867	266,867	266,867
Spec Construction	0	0	0	0	0
Total in Progress	266,867	266,867	266,867	266,867	266,867

<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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