

RealNews

the silicon valley quarterly on commercial real estate

***First Quarter 2004
Quarterly Study***



Q104 R&D Highlights

Supply

In the first quarter, available inventory of R&D space established a historic record high of 45,638,934 square feet which equates to a 27.07% availability factor comprised of 1,234 spaces. The available inventory of R&D space grew by 290,185 square feet in the quarter, continuing the seven quarter trend of a slowing of available inventory growth. At the end of the first quarter, sublease space as a percentage of available inventory was 29.32% down from 31.2% in the fourth quarter and in-line with historical averages. The average time on the market for available product was 1.45 years at the end of the first quarter, the highest level since the first quarter of 1995.

Demand

Gross absorption for the quarter was a healthy 3,521,248 square feet, resulting in three consecutive quarters of market activity that are consistent with historic averages. Net absorption was negative 465,892 square feet, the smallest decline in 13 consecutive quarters. The average time on the market for absorbed space was 1.2 years which is a slight increase from 1.07 years in the fourth quarter.

Rent/Price

Average effective rents for transactions completed in the first quarter were \$.937 per square foot per month NNN up from \$.891 per square foot the previous quarter. The quarterly average rents have been fluctuating up and down in small increments during the last four quarters, reflecting the major leases signed during those quarters. Leases completed in the Palo Alto, Menlo Park and the West Valley submarket, comprised of Campbell, Los Gatos, West San Jose and Cupertino, continue to increase the overall market's average rents. Average tenant improvement allowances for transactions completed in the quarter jumped to \$13.49 per square foot, the highest level since the second quarter of 1991, and an increase of \$4.88 from the previous quarter's average of \$8.61 per square foot. Leases completed in the Palo Alto and Menlo Park submarkets had an average tenant improvement allowance of \$82.60 per square foot, primarily related to venture capital and law firm leases, which contributed to the increase in the overall higher market average. There were 15 user sales that closed the first quarter comprised of 792,875 square feet. The average sales price was \$120.62 per square foot.

Construction

At the end of the first quarter, Venture Corporation's 138,400 square foot industrial condominium development is the only project under construction. 39,000 square feet of this project has been presold.

Forecast for Q204

Supply

Available inventory may increase slightly, but the increase should be insignificant.

Demand

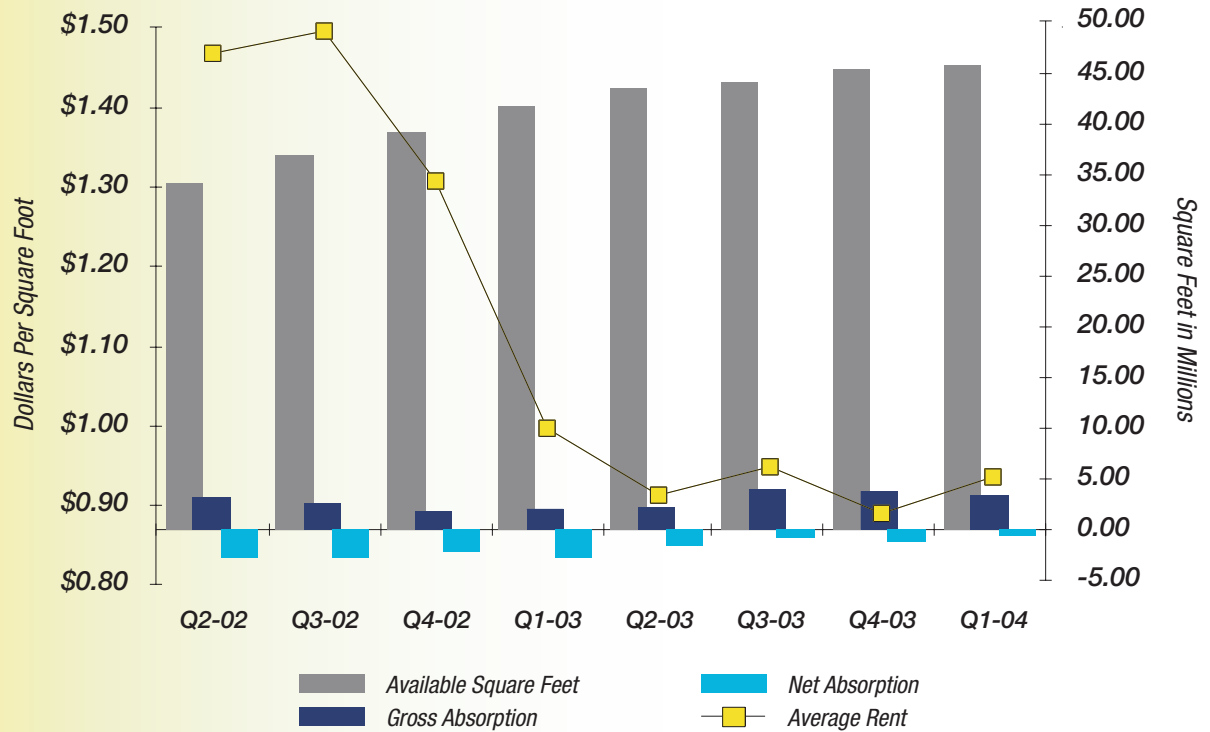
The market should experience minimal negative net absorption. Gross absorption should continue to be healthy as the economy continues to recover.

Rents

Lease rates will continue to stabilize and we expect to see fluctuation in the overall market average lease rates for completed transactions in the coming quarters reflecting the major leases closed during those quarters.

Construction

With the exception of planned condominium projects, new construction will continue to be minimal.



Q104

45.64M sf ▲ Available
 3.52M sf ▼ Gross
 -.47M sf ▲ Net
 \$.94/sf ▲ Rent

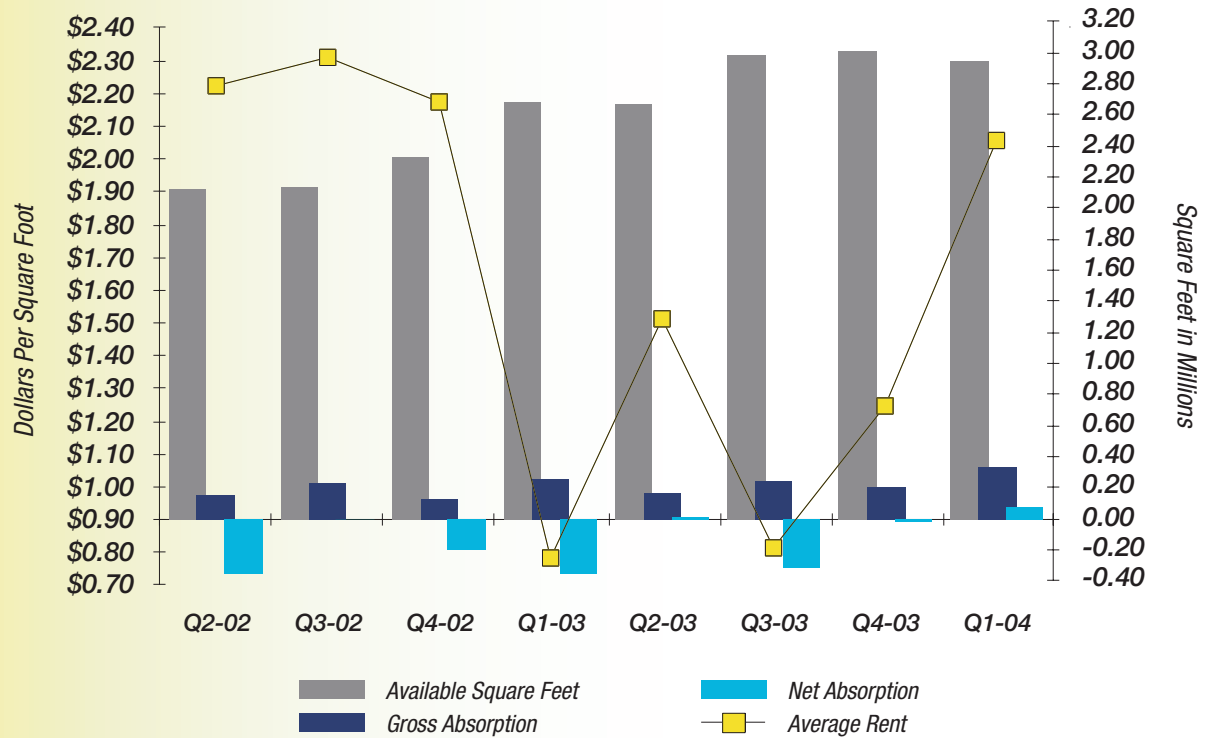
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	45,638,934	\$0.94	3,521,248	-465,892
Q403	45,348,749	\$0.89	3,884,077	-1,114,264
Q303	44,183,763	\$0.95	4,100,631	-694,429
Q203	43,495,992	\$0.91	2,311,495	-1,588,680
Q103	41,720,282	\$1.00	2,105,111	-2,692,772
Q402	39,087,855	\$1.31	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

1st Quarter 2004 R&D Silicon Valley

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	4,476,092	4,684,277	3,714,194	4,042,331	3,774,402
Shell Sublease	504,614	553,546	602,207	851,375	997,772
Previously Occupied Direct	27,779,618	26,564,753	25,340,728	23,949,629	22,106,935
Previously Occupied Sublease	12,878,610	13,546,173	14,526,634	14,652,657	14,841,173
Total Available	45,638,934	45,348,749	44,183,763	43,495,992	41,720,282
Available Time on Market (In Months)	17.36	16.31	15.39	14.04	12.85
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	172,464	109,685	602,117	102,138	162,398
Shell Sublease	0	21,000	0	0	15,500
Previously Occupied Direct	2,794,437	3,410,448	3,186,789	1,767,868	1,635,019
Previously Occupied Sublease	554,347	342,944	311,725	441,489	292,194
Total Absorption	3,521,248	3,884,077	4,100,631	2,311,495	2,105,111
Absorption Time on Market (In Months)	14.60	12.82	12.43	11.84	8.71
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	27.07%	26.90%	26.23%	25.83%	24.79%
Vacancy Rate	26.88%	26.69%	26.09%	25.71%	24.46%
Sublease Factor	29.32%	31.09%	34.24%	35.64%	37.96%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	510	519	502	503	486
20,001 to 40,000	345	325	316	296	289
40,001 to 60,000	169	174	163	163	147
60,001 to 80,000	95	98	93	91	94
80,001 to 100,000	52	52	49	48	40
100,001 to 120,000	25	26	30	30	29
120,001 to 140,000	10	12	15	18	18
140,001 and Over	28	26	26	26	25
Total Buildings Available	1,234	1,232	1,194	1,175	1,128
Construction Types	Q104	Q403	Q303	Q203	Q103
Completed Construction					
Build-To-Suit	0	150,000	0	75,000	0
Spec Construction	0	5,840	25,579	0	0
Total Completed	0	155,840	25,579	75,000	0
In-Process Construction					
Build-To-Suit	0	0	150,000	150,000	225,000
Spec Construction	138,400	138,400	5,840	31,419	32,990
Total in Progress	138,400	138,400	155,840	181,419	257,990



1st Quarter 2004 R&D Menlo Park / Palo Alto Summary



Q104

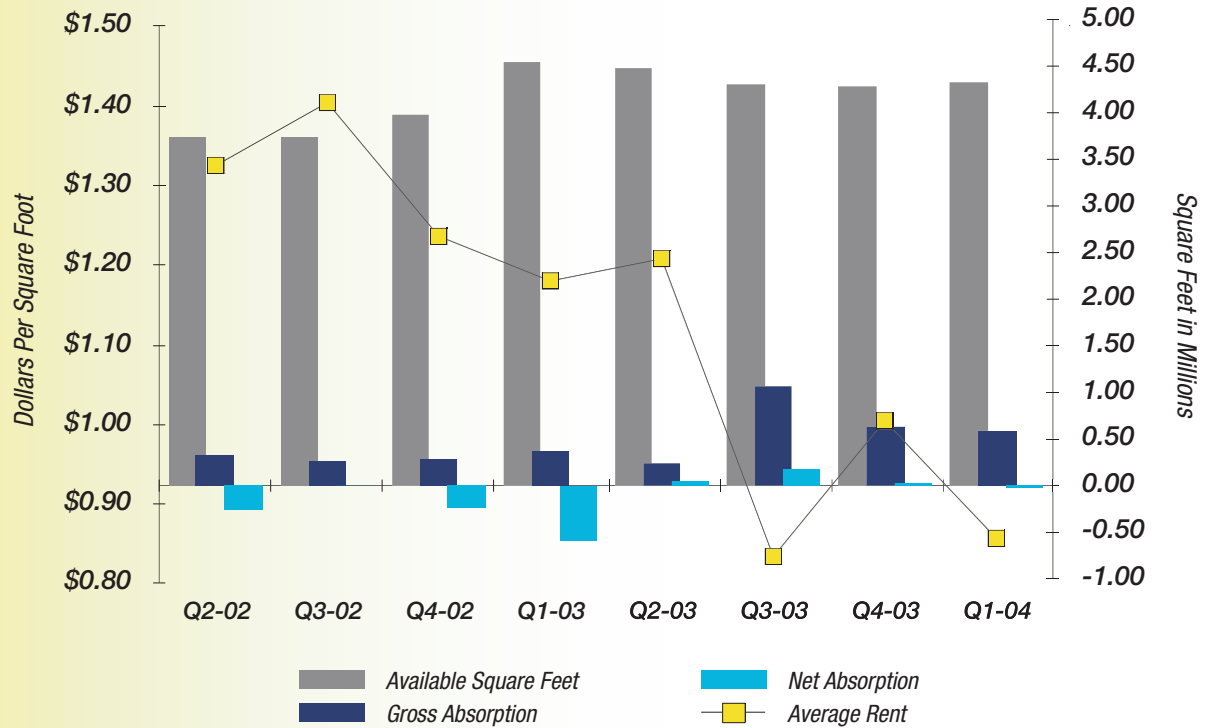
2.94M sf ▼ Available
 .34M sf ▲ Gross
 .07M sf ▲ Net
 \$2.06/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	2,940,083	\$2.06	343,725	65,465
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

1st Quarter 2004 R&D Menlo Park / Palo Alto

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	71,869	91,315	81,315	81,315	108,225
Shell Sublease	41,652	34,652	55,286	55,286	55,286
Previously Occupied Direct	2,123,561	1,889,906	1,680,708	1,309,633	1,358,995
Previously Occupied Sublease	703,001	989,675	1,175,970	1,225,704	1,161,505
Total Available	2,940,083	3,005,548	2,993,279	2,671,938	2,684,011
Available Time on Market (In Months)	18.31	17.59	16.34	15.16	12.33
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	9,446	0	0	16,000	0
Shell Sublease	0	21,000	0	0	0
Previously Occupied Direct	303,585	118,356	216,541	153,349	255,744
Previously Occupied Sublease	30,694	63,716	35,901	5,000	5,000
Total Absorption	343,725	203,072	252,442	174,349	260,744
Absorption Time on Market (In Months)	17.13	13.22	14.73	10.03	6.41
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	19.47%	19.90%	19.82%	17.69%	17.77%
Vacancy Rate	19.47%	19.75%	19.82%	17.69%	17.31%
Sublease Factor	25.33%	34.08%	41.13%	47.94%	45.33%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	47	51	53	48	56
20,001 to 40,000	24	27	25	31	33
40,001 to 60,000	16	15	20	13	12
60,001 to 80,000	6	4	13	5	5
80,001 to 100,000	2	2	2	1	0
100,001 to 120,000	0	0	4	0	0
120,001 to 140,000	1	2	0	2	2
140,001 and Over	1	1	1	0	0
Total Buildings Available	97	102	118	100	108
Construction Types	Q104	Q403	Q303	Q203	Q103
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

1st Quarter 2004 R&D Mountain View Summary



Q104

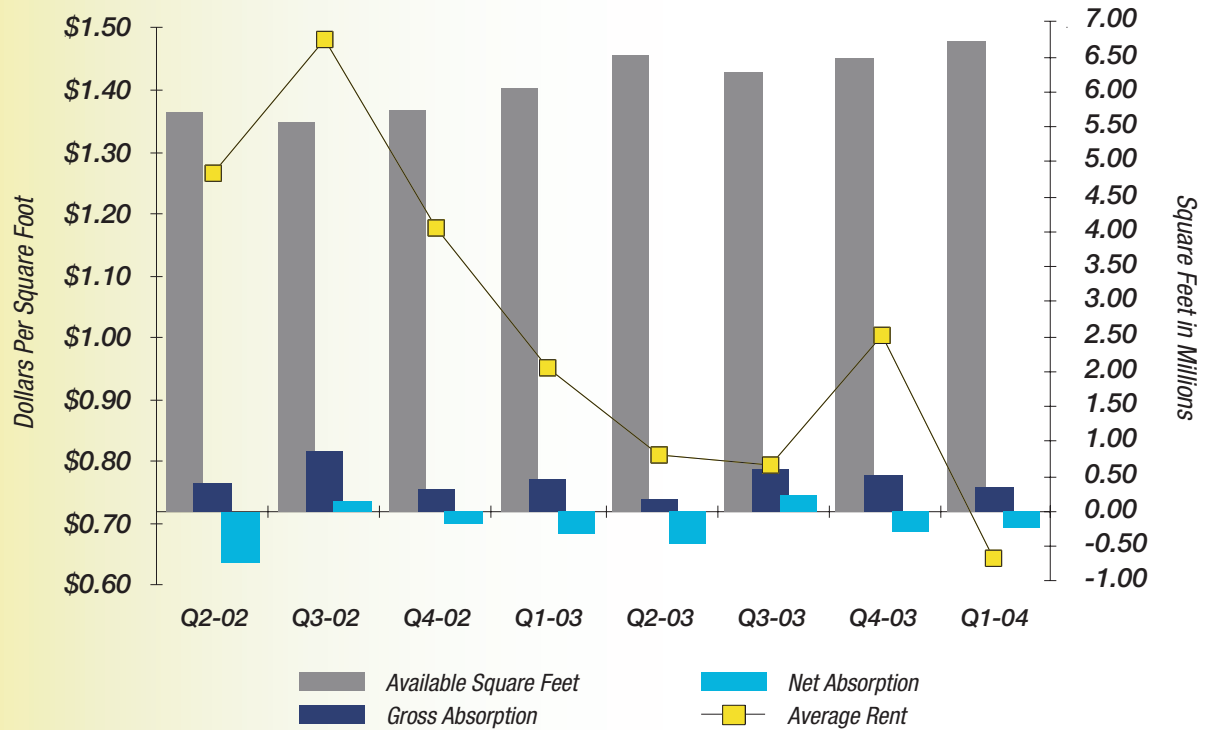
4.34M sf \blacktriangle Available
 .59M sf \blacktriangledown Gross
 -.02M sf \blacktriangledown Net
 \$.86/sf \blacktriangledown Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	4,339,673	\$0.86	586,670	-18,343
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

1st Quarter 2004 R&D Mountain View

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	154,995	109,793	88,341	340,004	385,405
Shell Sublease	0	0	0	0	43,231
Previously Occupied Direct	2,634,031	2,622,245	2,503,102	2,361,095	2,259,292
Previously Occupied Sublease	1,550,647	1,554,175	1,714,994	1,775,764	1,874,266
Total Available	4,339,673	4,286,213	4,306,437	4,476,863	4,562,194
Available Time on Market (In Months)	16.96	16.41	16.18	15.12	14.24
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	0	2,020	298,605	20,816	142,852
Shell Sublease	0	0	0	0	15,500
Previously Occupied Direct	363,190	588,502	744,423	196,506	178,792
Previously Occupied Sublease	223,480	44,580	22,800	28,797	51,157
Total Absorption	586,670	635,102	1,065,828	246,119	388,301
Absorption Time on Market (In Months)	19.30	15.95	11.01	13.84	7.66
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	27.89%	27.55%	27.68%	28.82%	29.37%
Vacancy Rate	27.66%	27.55%	27.12%	27.95%	28.34%
Sublease Factor	35.73%	36.26%	39.82%	39.67%	42.03%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	57	51	53	48	46
20,001 to 40,000	38	29	25	22	25
40,001 to 60,000	15	18	20	20	17
60,001 to 80,000	12	14	13	13	15
80,001 to 100,000	2	2	2	3	3
100,001 to 120,000	2	3	4	4	4
120,001 to 140,000	1	0	0	2	2
140,001 and Over	1	1	1	1	1
Total Buildings Available	128	118	118	113	113
Construction Types	Q104	Q403	Q303	Q203	Q103
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	25,579	0	0
Total Completed	0	0	25,579	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	25,579	27,150
Total in Progress	0	0	0	25,579	27,150

1st Quarter 2004 R&D Sunnyvale Summary



Q104

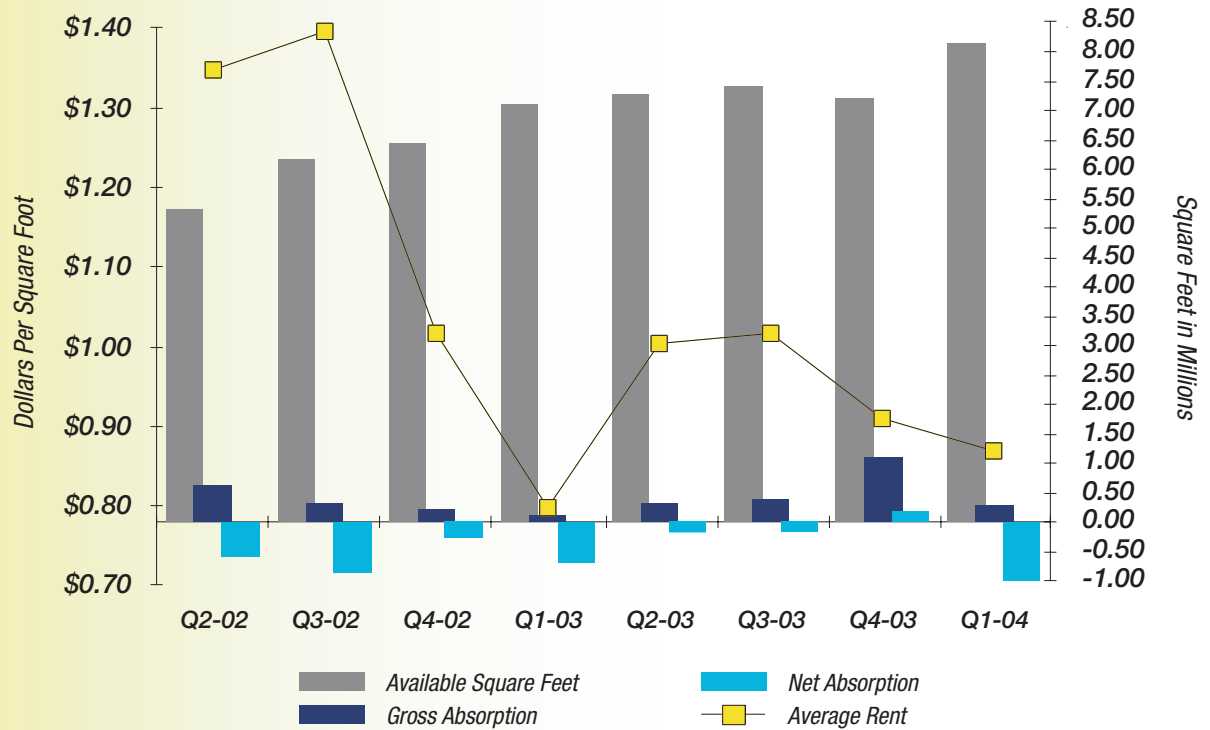
6.72M sf ▲ Available
 .35M sf ▼ Gross
 -.23M sf ▲ Net
 \$.65/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	6,724,473	\$0.65	345,134	-234,922
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

1st Quarter 2004 R&D Sunnyvale

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	525,964	435,086	456,802	549,077	480,411
Shell Sublease	135,000	135,000	190,470	190,470	190,470
Previously Occupied Direct	4,350,852	4,120,066	3,956,639	4,177,368	3,795,204
Previously Occupied Sublease	1,712,657	1,806,027	1,694,045	1,601,231	1,589,082
Total Available	6,724,473	6,496,179	6,297,956	6,518,146	6,055,167
Available Time on Market (In Months)	17.79	17.23	15.91	14.17	13.05
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	27,794	22,858	107,643	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	247,070	404,179	340,370	93,800	429,182
Previously Occupied Sublease	70,270	84,679	159,642	73,831	35,731
Total Absorption	345,134	511,716	607,655	167,631	464,913
Absorption Time on Market (In Months)	9.34	15.19	11.44	6.12	11.21
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	24.54%	23.71%	23.11%	23.92%	22.22%
Vacancy Rate	24.50%	23.71%	22.73%	23.68%	21.83%
Sublease Factor	27.48%	29.88%	29.92%	27.49%	29.39%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	88	79	77	86	82
20,001 to 40,000	71	69	67	64	54
40,001 to 60,000	26	26	22	25	21
60,001 to 80,000	8	8	8	8	8
80,001 to 100,000	2	2	2	3	3
100,001 to 120,000	4	3	5	5	5
120,001 to 140,000	2	2	3	3	3
140,001 and Over	5	5	4	4	4
Total Buildings Available	206	194	188	198	180
Construction Types	Q104	Q403	Q303	Q203	Q103
Completed Construction					
Build-To-Suit	0	150,000	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	150,000	0	0	0
In-Process Construction					
Build-To-Suit	0	0	150,000	150,000	150,000
Spec Construction	0	0	0	0	0
Total in Progress	0	0	150,000	150,000	150,000

1st Quarter 2004 R&D Santa Clara Summary



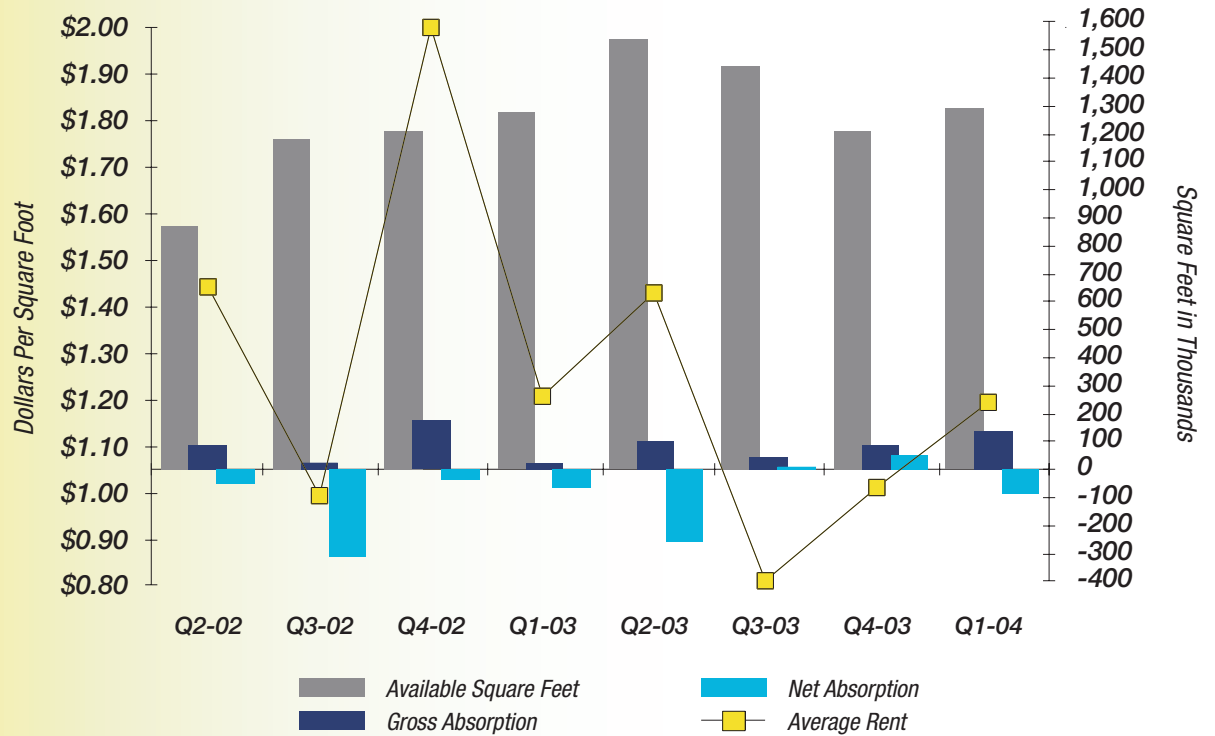
Q104

8.14M sf ▲ Available
 .29M sf ▼ Gross
 -.99M sf ▼ Net
 \$.88/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	8,139,858	\$0.88	294,544	-985,190
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

1st Quarter 2004 R&D Santa Clara

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	167,683	165,533	162,152	162,152	162,152
Shell Sublease	43,333	99,265	99,265	99,265	99,265
Previously Occupied Direct	4,979,123	4,383,807	4,582,576	4,504,444	4,327,253
Previously Occupied Sublease	2,949,719	2,570,574	2,564,823	2,506,497	2,525,156
Total Available	8,139,858	7,219,179	7,408,816	7,272,358	7,113,826
Available Time on Market (In Months)	17.19	15.85	14.93	13.51	12.85
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	225,714	1,094,799	382,986	267,645	92,342
Previously Occupied Sublease	68,830	18,000	6,000	38,871	13,700
Total Absorption	294,544	1,112,799	388,986	306,516	106,042
Absorption Time on Market (In Months)	14.96	10.22	12.46	16.44	6.44
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	32.77%	29.06%	29.82%	29.28%	28.64%
Vacancy Rate	32.77%	29.06%	29.82%	29.28%	28.43%
Sublease Factor	36.77%	36.98%	35.96%	35.83%	36.89%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	74	76	67	68	56
20,001 to 40,000	44	40	39	37	36
40,001 to 60,000	26	29	30	31	29
60,001 to 80,000	13	13	14	13	13
80,001 to 100,000	10	9	7	7	6
100,001 to 120,000	8	8	8	8	8
120,001 to 140,000	2	2	5	5	6
140,001 and Over	8	5	5	5	5
Total Buildings Available	185	182	175	174	159
Construction Types	Q104	Q403	Q303	Q203	Q103
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



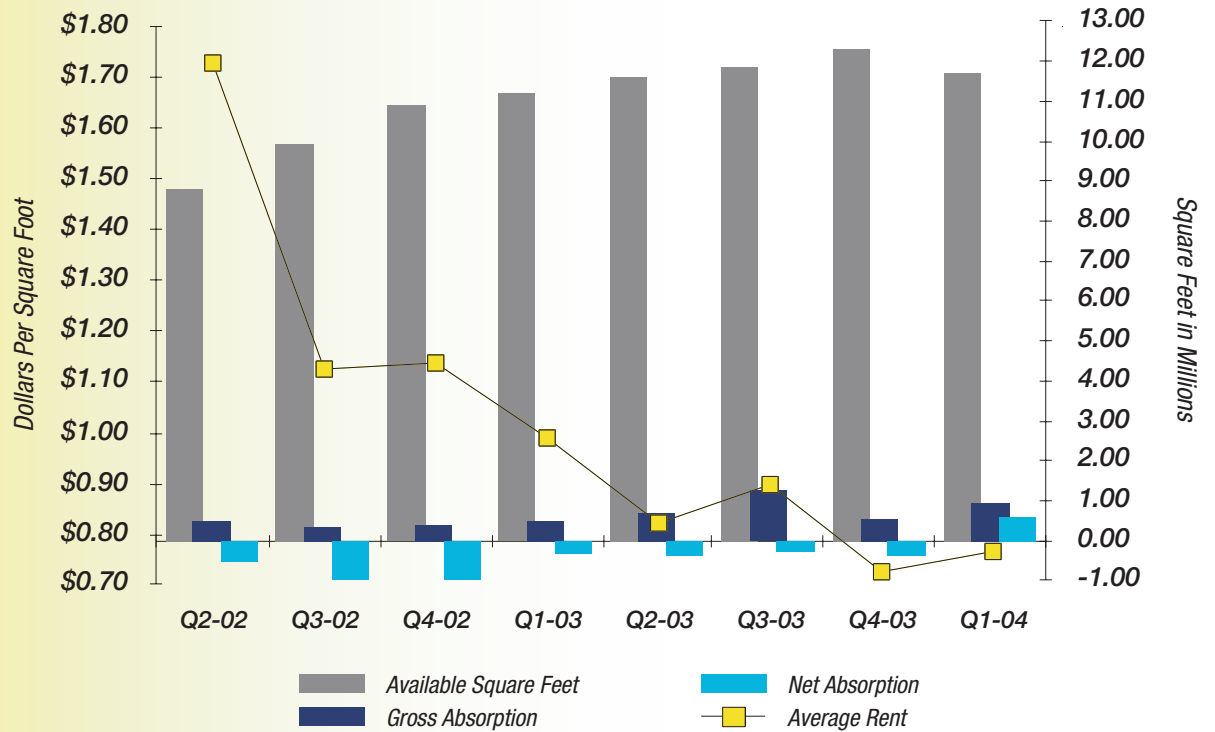
Q104

1.29M sf ▲ Available
 .14M sf ▲ Gross
 -.08M sf ▼ Net
 \$1.19/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	1,291,870	\$1.19	139,569	-82,678
Q403	1,209,282	\$1.01	86,930	50,950
Q303	1,447,739	\$0.81	45,315	8,128
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

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	10,800	10,890	198,397	198,397	10,800
Shell Sublease	0	0	0	0	70,228
Previously Occupied Direct	752,531	739,667	739,602	777,915	652,265
Previously Occupied Sublease	528,539	458,725	509,740	559,555	541,590
Total Available	1,291,870	1,209,282	1,447,739	1,535,867	1,274,883
Available Time on Market (In Months)	16.37	15.98	13.28	12.53	12.33
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	0	0	26,701	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	119,469	71,030	18,614	102,438	23,227
Previously Occupied Sublease	20,100	15,900	0	0	0
Total Absorption	139,569	86,930	45,315	102,438	23,227
Absorption Time on Market (In Months)	12.69	12.23	23.15	17.03	13.78
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	32.22%	30.16%	36.11%	38.31%	31.80%
Vacancy Rate	31.78%	29.71%	35.66%	37.81%	31.13%
Sublease Factor	40.91%	37.93%	35.21%	36.43%	47.99%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	29	25	29	24	20
20,001 to 40,000	12	15	12	12	14
40,001 to 60,000	5	4	6	6	6
60,001 to 80,000	2	1	1	1	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	0	1	2	0
Total Buildings Available	50	47	51	47	44
Construction Types	Q104	Q403	Q303	Q203	Q103
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

1st Quarter 2004 R&D San Jose Summary



Q104

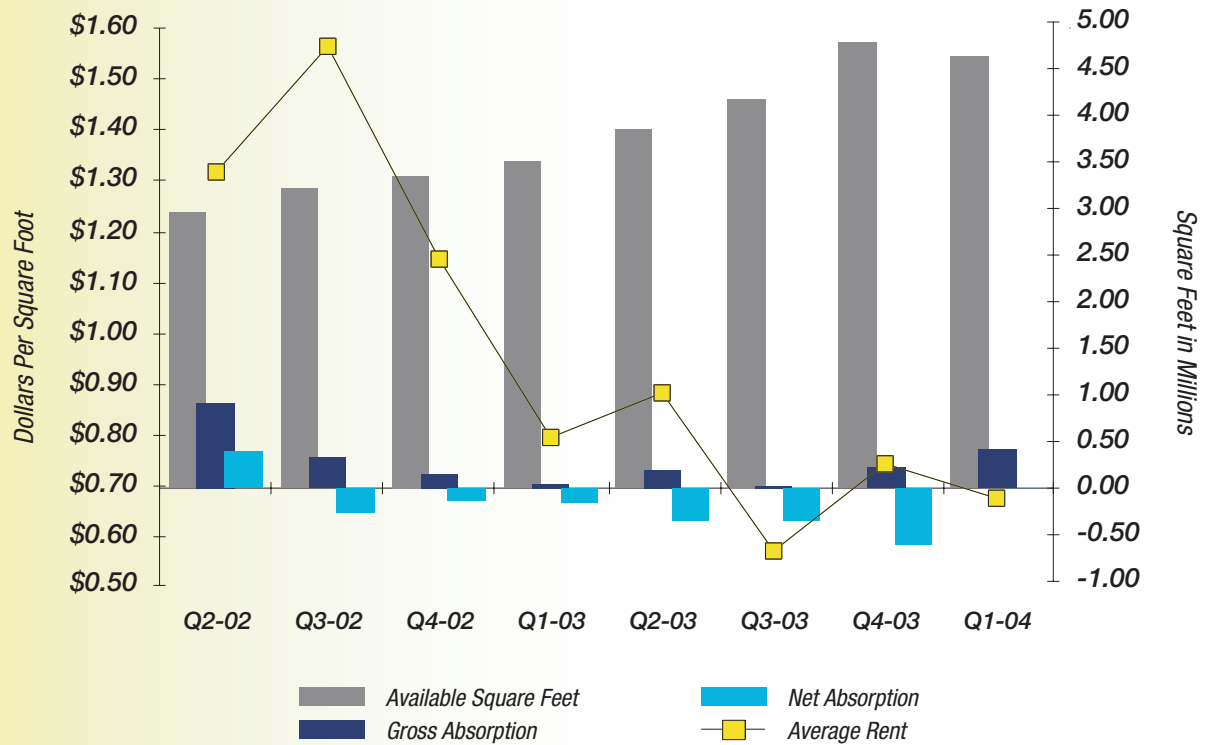
11.69M sf ▼ Available
 .95M sf ▲ Gross
 .59M sf ▲ Net
 \$.77/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	11,691,333	\$0.77	953,821	590,891
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

1st Quarter 2004 R&D San Jose

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	1,379,777	1,432,912	1,197,872	1,307,672	1,247,572
Shell Sublease	150,000	150,000	121,640	121,640	154,578
Previously Occupied Direct	6,771,933	6,791,793	6,193,546	5,852,771	5,466,518
Previously Occupied Sublease	3,389,623	3,943,230	4,353,521	4,298,385	4,353,173
Total Available	11,691,333	12,317,935	11,866,579	11,580,468	11,221,841
Available Time on Market (In Months)	17.72	16.31	15.45	13.91	12.20
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	37,500	5,840	151,026	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	800,193	542,657	1,109,602	514,452	425,716
Previously Occupied Sublease	116,128	0	15,632	195,659	66,899
Total Absorption	953,821	548,497	1,276,260	710,111	492,615
Absorption Time on Market (In Months)	16.83	9.96	11.87	10.59	8.58
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	24.17%	25.46%	24.53%	23.94%	23.23%
Vacancy Rate	23.90%	25.11%	24.23%	23.63%	22.45%
Sublease Factor	30.28%	33.23%	37.71%	38.17%	40.17%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	101	104	99	97	99
20,001 to 40,000	75	69	63	58	60
40,001 to 60,000	31	31	30	29	28
60,001 to 80,000	34	36	36	35	33
80,001 to 100,000	26	29	30	30	25
100,001 to 120,000	7	7	7	7	6
120,001 to 140,000	2	3	1	1	1
140,001 and Over	6	7	7	7	8
Total Buildings Available	282	286	273	264	260
Construction Types	Q104	Q403	Q303	Q203	Q103
Completed Construction					
Build-To-Suit	0	0	0	75,000	0
Spec Construction	0	5,840	0	0	0
Total Completed	0	5,840	0	75,000	0
In-Process Construction					
Build-To-Suit	0	0	0	0	75,000
Spec Construction	138,400	138,400	5,840	5,840	5,840
Total in Progress	138,400	138,400	5,840	5,840	80,840

1st Quarter 2004 R&D Milpitas Summary



Q104

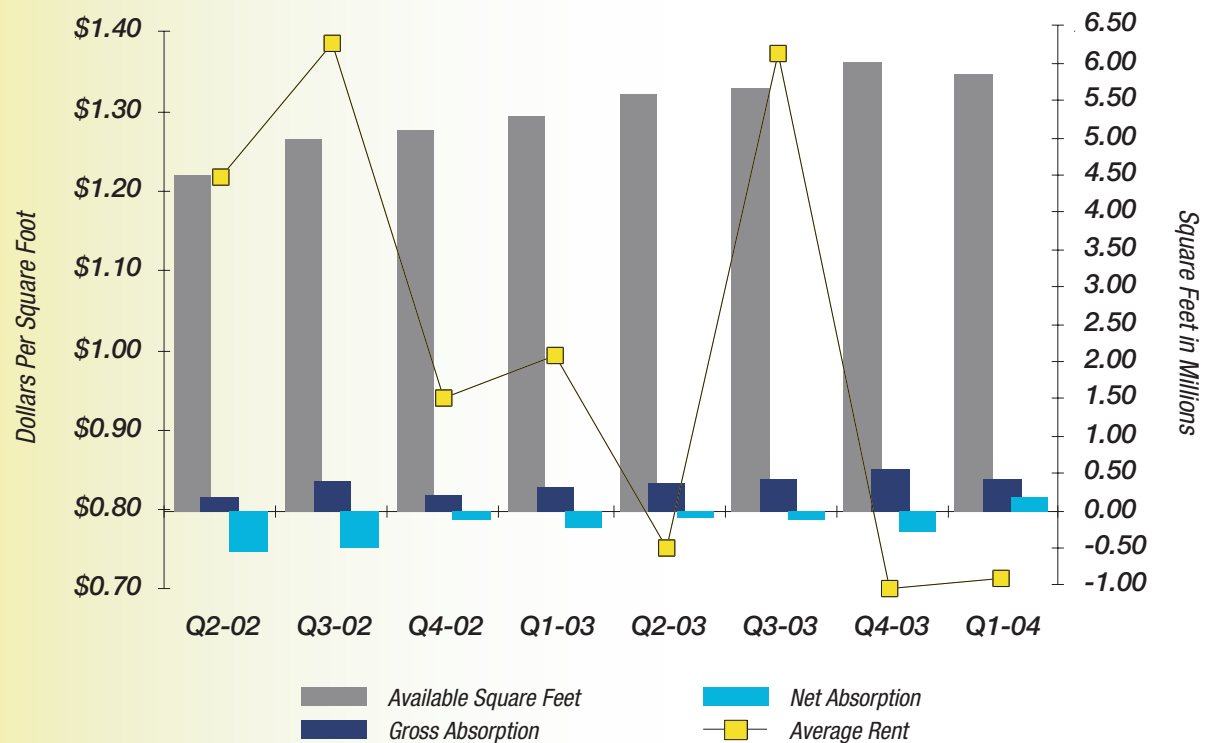
4.64M sf ▼ Available
 .42M sf ▲ Gross
 .01M sf ▲ Net
 \$.67/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	4,643,783	\$0.67	423,844	10,002
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

1st Quarter 2004 R&D Milpitas

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	1,325,512	1,578,088	794,255	625,670	566,255
Shell Sublease	0	0	135,546	363,546	363,546
Previously Occupied Direct	2,114,512	1,957,511	1,831,227	1,484,787	1,255,812
Previously Occupied Sublease	1,203,759	1,253,612	1,427,803	1,374,279	1,318,516
Total Available	4,643,783	4,789,211	4,188,831	3,848,282	3,504,129
Available Time on Market (In Months)	14.76	13.45	13.81	12.69	12.07
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	76,556	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	322,443	190,384	14,405	185,158	63,904
Previously Occupied Sublease	24,845	39,428	21,062	13,218	0
Total Absorption	423,844	229,812	35,467	198,376	63,904
Absorption Time on Market (In Months)	12.69	11.21	7.63	9.99	12.33
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	30.14%	31.08%	27.18%	24.97%	22.74%
Vacancy Rate	30.14%	30.81%	26.82%	24.76%	22.43%
Sublease Factor	25.92%	26.18%	37.32%	45.16%	48.00%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	38	39	37	35	35
20,001 to 40,000	26	23	25	24	21
40,001 to 60,000	27	25	16	15	12
60,001 to 80,000	7	8	5	4	4
80,001 to 100,000	6	5	4	2	1
100,001 to 120,000	2	2	2	2	3
120,001 to 140,000	0	1	2	2	1
140,001 and Over	4	5	5	5	5
Total Buildings Available	110	108	96	89	82
Construction Types	Q104	Q403	Q303	Q203	Q103
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

1st Quarter 2004 R&D Fremont Summary



Q104

5.87M sf ▼ Available
 .43M sf ▼ Gross
 .19M sf ▲ Net
 \$.71/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	5,867,861	\$0.71	433,941	188,883
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

1st Quarter 2004 R&D Fremont

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	839,492	860,660	735,060	778,044	813,582
Shell Sublease	134,629	134,629	0	21,168	21,168
Previously Occupied Direct	4,053,075	4,059,758	3,853,328	3,481,616	2,991,596
Previously Occupied Sublease	840,665	970,155	1,085,738	1,311,242	1,477,885
Total Available	5,867,861	6,025,202	5,674,126	5,592,070	5,304,231
Available Time on Market (In Months)	18.21	16.83	15.65	14.33	13.51
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	21,168	0	18,142	65,322	19,546
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	412,773	479,508	359,848	225,576	166,112
Previously Occupied Sublease	0	76,641	50,688	86,113	119,707
Total Absorption	433,941	556,149	428,678	377,011	305,365
Absorption Time on Market (In Months)	12.46	12.46	13.35	10.55	7.79
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	32.83%	33.71%	31.74%	31.29%	29.68%
Vacancy Rate	32.12%	33.11%	31.74%	31.29%	29.37%
Sublease Factor	16.62%	18.34%	19.13%	23.83%	28.26%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	76	94	90	97	92
20,001 to 40,000	55	53	54	48	46
40,001 to 60,000	23	26	26	24	22
60,001 to 80,000	13	14	12	12	14
80,001 to 100,000	4	3	2	2	2
100,001 to 120,000	1	2	3	3	2
120,001 to 140,000	1	1	1	2	2
140,001 and Over	3	2	2	2	2
Total Buildings Available	176	195	190	190	182
Construction Types	Q104	Q403	Q303	Q203	Q103
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

Q104 Warehouse Highlights

Supply

After experiencing steady increases in the supply of warehouse space in the Silicon Valley for the last three years, the market began to show some life with availability decreasing in the fourth quarter of 2003 and continuing into the first quarter of 2004. After 12 straight quarters of increasing supply, the market availability dropped by eight percent over the previous quarter. Also significant was the positive net absorption of 462,000 square feet, the best since the third quarter of 2000. The quarter ended with a supply of 6.7 million square feet for an availability factor of 20%.

Demand

Gross absorption was down significantly from the fourth quarter of 2003 but still about 10% above the average for the last eight quarters. Volume was solid with 35 transactions taking place during the quarter. Also of note was the occurrence of five transactions in excess of 85,000 square feet each, with the largest, 269,000 square feet in Fremont, being a renewal. Average time on the market remains high at just under 12 months.

Rents

Along with the return of positive net absorption, rents increased dramatically from the previous quarter, moving up 25%. However, it should be noted that Q4-03's average rent was the lowest ever in the Silicon Valley. Average Tenant Improvements dropped as well, to \$1.87 per square foot, but were still high compared to the historical average of \$.68 per square foot. The average lease term also dropped to about 3.5 years as landlords were willing to be aggressive in their rental rates but only for shorter terms.

Forecast for Q204

Supply

The supply of warehouse space should continue a slow decline through 2004. With most tenants having already leaned-out their operation or gone under altogether we do not foresee significant blocks of Class A space coming on the market during the next quarter. The availability of class B and C spaces, on the other hand, will become more prevalent as those tenants continue to upgrade the locations and/or functionality of their warehouses. Having no new construction planned and some projects being considered for residential or retail redevelopment should also aid in the reduction of supply.

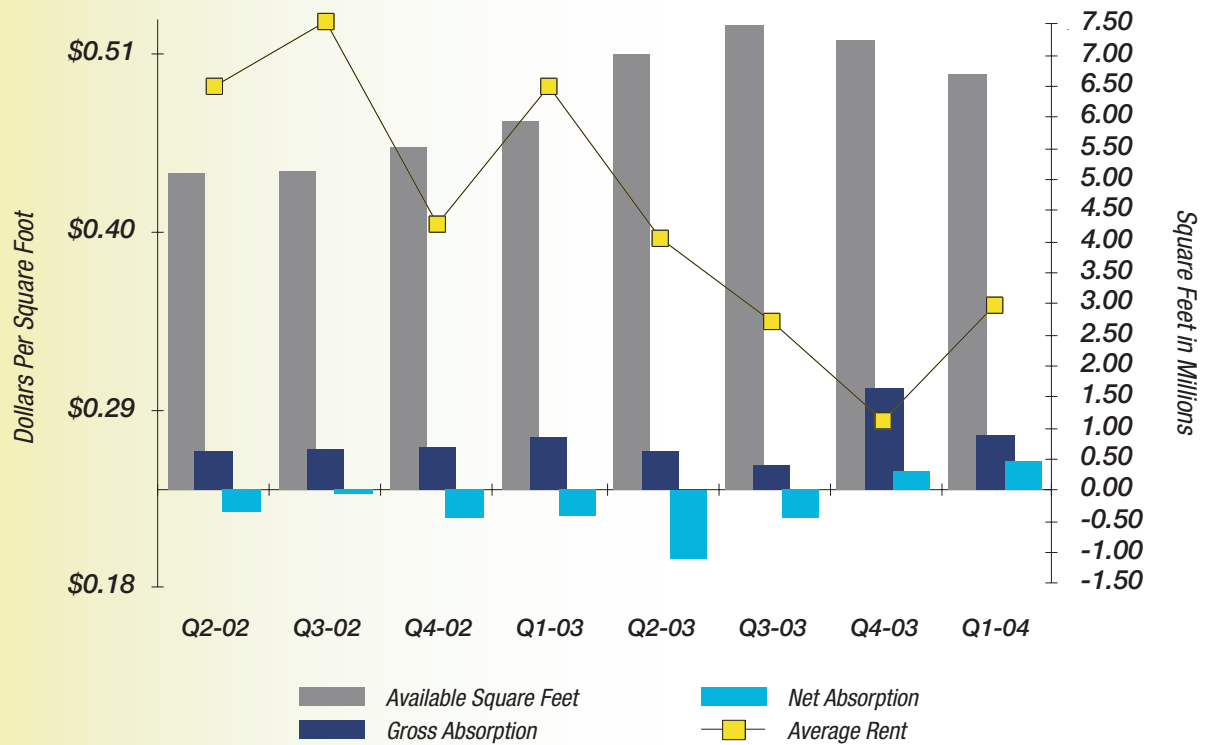
Demand

While we expect the number of transactions to slow slightly over the summer, we still expect some solid activity as some of the Valley's stronger tenants return to good health. More hiring by Valley companies and more new equipment for the tech industry will get the warehouseers busy again. The majority of the demand will continue to be for smaller (20,000-30,000 SF) spaces and for quality properties. However, expect a few more 100,000+ square foot deals to make in 2004.

Rents

While rents won't rise significantly during the next quarter or two, look for a little more firmness during negotiations from Landlords of class A properties. The continuation of "activity" will be enough to keep them from "giving away the farm" to the first tenant that walks in the door. As is usually the case, Landlords will still be aggressive for a top credit company asking for little or no tenant improvement dollars. We don't expect asking rates to rise significantly until at least the fourth quarter of this year.

1st Quarter 2004 Warehouse Silicon Valley Summary



Q104

6.70M sf ▼ Available
 .89M sf ▼ Gross
 .46M sf ▲ Net
 \$.35/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	6,701,897	\$0.35	889,982	462,113
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

1st Quarter 2004 Warehouse Silicon Valley

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	5,686,375	5,967,284	5,843,164	5,528,529	4,970,581
Previously Occupied Sublease	1,015,522	1,292,226	1,629,258	1,498,284	969,462
Total Available	6,701,897	7,259,510	7,472,422	7,026,813	5,940,043
Available Time on Market (In Months)	14.01	13.91	12.43	11.18	10.92
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	0	0	0	50,435	11,410
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	878,822	1,569,897	410,904	556,402	839,429
Previously Occupied Sublease	11,160	90,245	0	13,640	14,480
Total Absorption	889,982	1,660,142	410,904	620,477	865,319
Absorption Time on Market (In Months)	11.80	8.42	12.89	13.32	10.49
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	19.98%	21.64%	22.28%	20.95%	17.71%
Vacancy Rate	19.57%	21.64%	22.28%	20.17%	16.70%
Sublease Factor	15.15%	17.80%	21.80%	21.32%	16.32%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	33	30	25	27	24
20,001 to 40,000	50	46	44	42	40
40,001 to 60,000	16	18	20	19	19
60,001 to 80,000	11	11	10	12	10
80,001 to 100,000	4	3	8	7	6
100,001 to 120,000	10	11	11	9	5
120,001 to 140,000	3	5	6	5	5
140,001 and Over	7	8	7	7	6
Total Buildings Available	134	132	131	128	115
Construction Types	Q104	Q403	Q303	Q203	Q103
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

Q104 Office Highlights

Supply

The available office space decreased slightly in the first quarter of 2004, ending the quarter with 10,600,943 square feet available. The availability rate decreased to 24.53%, a drop of 1.3%, at the end of the first quarter. The percent of available space that is sublease space remained stable at 19.2% at the end of the quarter.

Demand

Office demand improved in the first quarter of 2004. Gross absorption gained 416,894 square feet, going from 1,133,268 square feet in the fourth quarter to 1,550,162 square feet in the first quarter 2004. On the bright side, the first quarter of 2004 saw positive net absorption of 761,214 square feet, the third consecutive quarter of positive net absorption.

Rent

The average effective rent at the end of the first quarter was stable at \$2.008 per square foot full service.

Submarkets

San Jose Airport

The total availability factor in the Airport office market increased .60% to 22.10% or 825,834 square feet in the first quarter of 2004 from 21.50% at the end of the fourth quarter of 2003. The average rents have shown an increase in the first quarter of \$.78 increasing from \$1.564 full service to \$2.347 full service. Sublease space in the airport market stabilized at 21.2% of the total vacancy.

Downtown Class A

The total vacancy factor in the Downtown Class A office market remained stable at 33.10% or 893,662 square feet in the first quarter of 2004. The Class A sublease space is 4.5% of the total vacancy, which is a decrease of 2.5% from the fourth quarter of 2003. The Class A average rent at the end of the first quarter has increased to \$2.54 full service from \$2.49 at the end of the fourth quarter.

Forecast for Q204

Supply

The supply of office space has stabilized. The amount of good quality space is limited given the high vacancy in the market largely because of the lack of speculative improvement dollars being spent by landlords. The percentage of sublease space continues to decline. There is less and less "plug and play" space left in the market. There will be less money from landlords available to "buy" deals through extravagant Tenant Improvements and commissions.

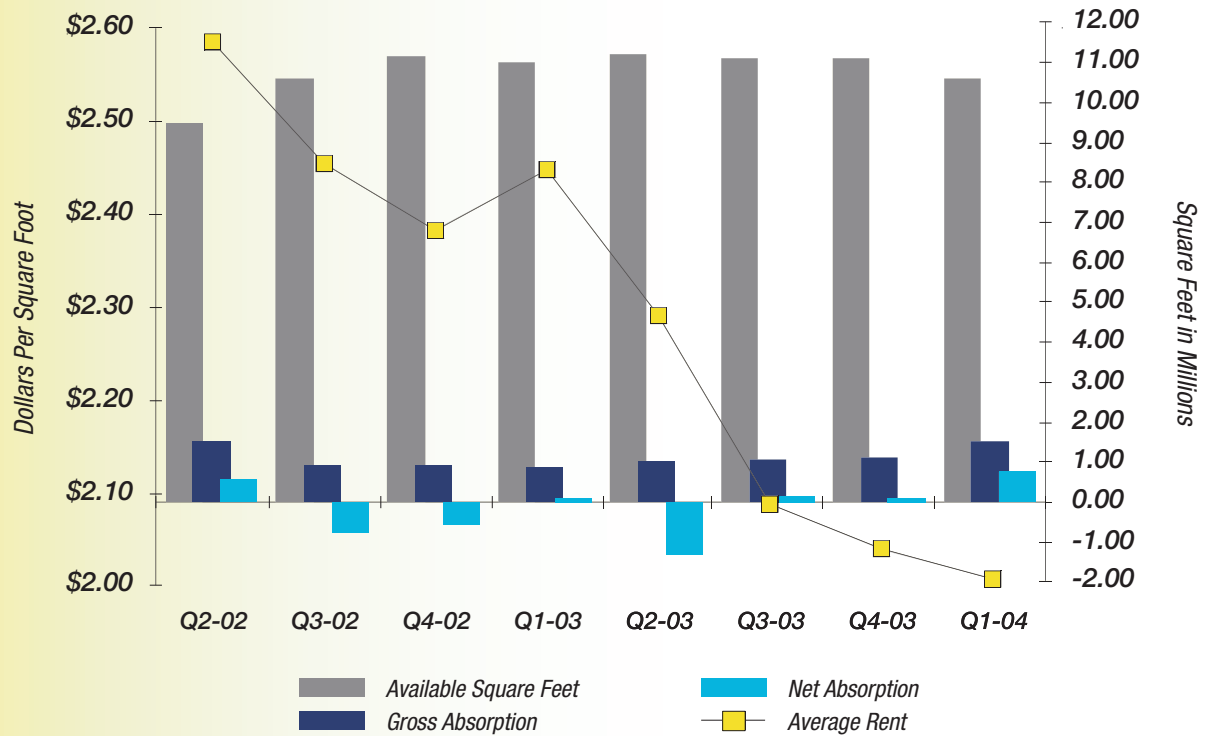
Demand

Gross absorption will remain stable as the market improves. Start-up companies will be more of a force in the market, but there will be fewer Tenant Improvements available for them. Net absorption should stay positive as we are seeing signs of stabilization.

Rent

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 if their space is market ready.

1st Quarter 2004 Office Silicon Valley Summary



Q104

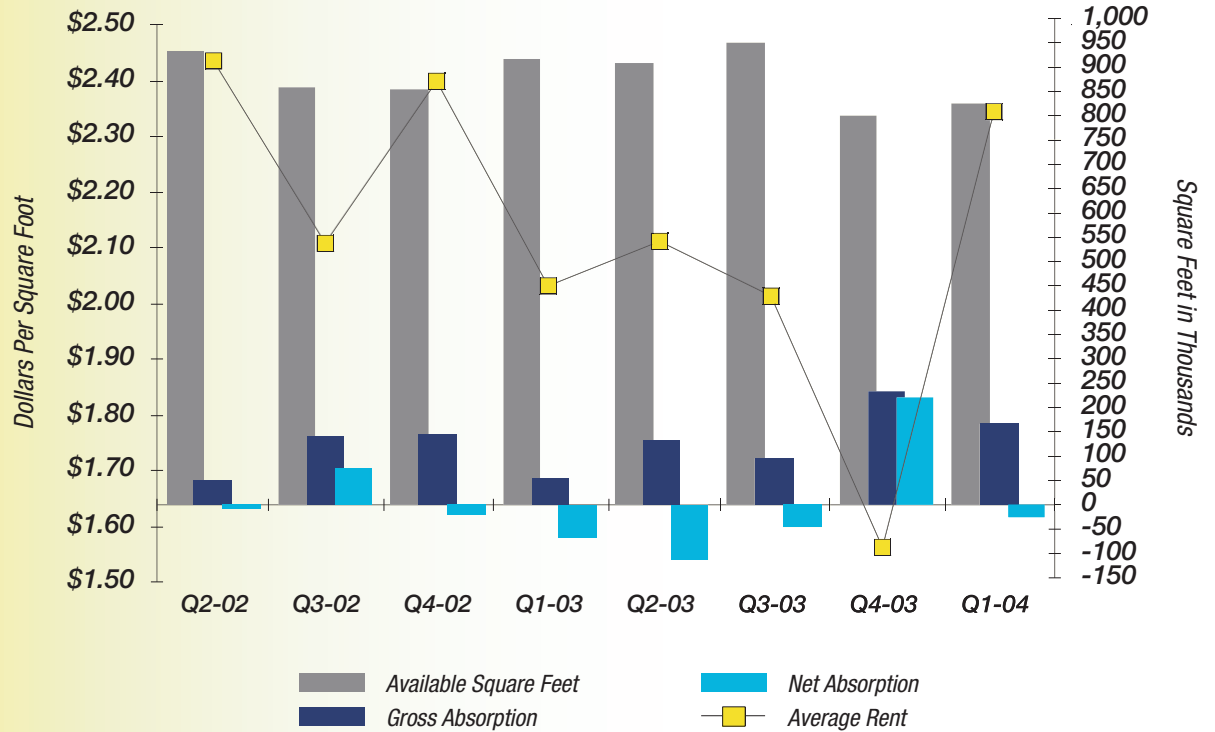
10.60M sf ▼ Available
 1.55M sf ▲ Gross
 .76M sf ▲ Net
 \$2.01/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	10,600,943	\$2.01	1,550,162	761,214
Q403	11,090,443	\$2.04	1,133,268	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

1st Quarter 2004 Office Silicon Valley

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	1,797,667	1,808,685	1,817,015	1,614,740	1,612,470
Shell Sublease	81,016	77,075	169,816	491,900	540,482
Previously Occupied Direct	6,745,207	6,860,850	6,703,755	6,446,761	6,074,403
Previously Occupied Sublease	1,977,053	2,343,833	2,407,777	2,668,472	2,805,986
Total Available	10,600,943	11,090,443	11,098,363	11,221,873	11,033,341
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	294,731	23,882	106,804	57,285	56,414
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	969,496	864,150	750,400	711,820	712,750
Previously Occupied Sublease	285,935	245,236	203,208	257,785	97,976
Total Absorption	1,550,162	1,133,268	1,060,412	1,026,890	867,140
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	24.53%	25.83%	25.84%	26.13%	25.71%
Vacancy Rate	24.52%	25.77%	25.78%	26.10%	25.42%
Sublease Factor	19.41%	21.83%	23.22%	28.16%	30.33%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	417	447	452	466	452
20,001 to 40,000	94	98	96	85	74
40,001 to 60,000	18	28	25	30	38
60,001 to 80,000	13	12	12	12	7
80,001 to 100,000	7	3	4	5	5
100,001 to 120,000	3	4	4	2	2
120,001 to 140,000	0	0	1	2	2
140,001 and Over	9	9	8	8	9
Total Buildings Available	561	601	602	610	589
Construction Types	Q104	Q403	Q303	Q203	Q103
Completed Construction					
Build-To-Suit	266,867	0	0	0	0
Spec Construction	0	0	0	38,285	25,070
Total Completed	266,867	0	0	38,285	25,070
In-Process Construction					
Build-To-Suit	0	266,867	266,867	266,867	266,867
Spec Construction	7,061	7,061	0	0	38,285
Total in Progress	7,061	273,928	266,867	266,867	305,152

1st Quarter 2004 Office San Jose Airport Summary



Q104

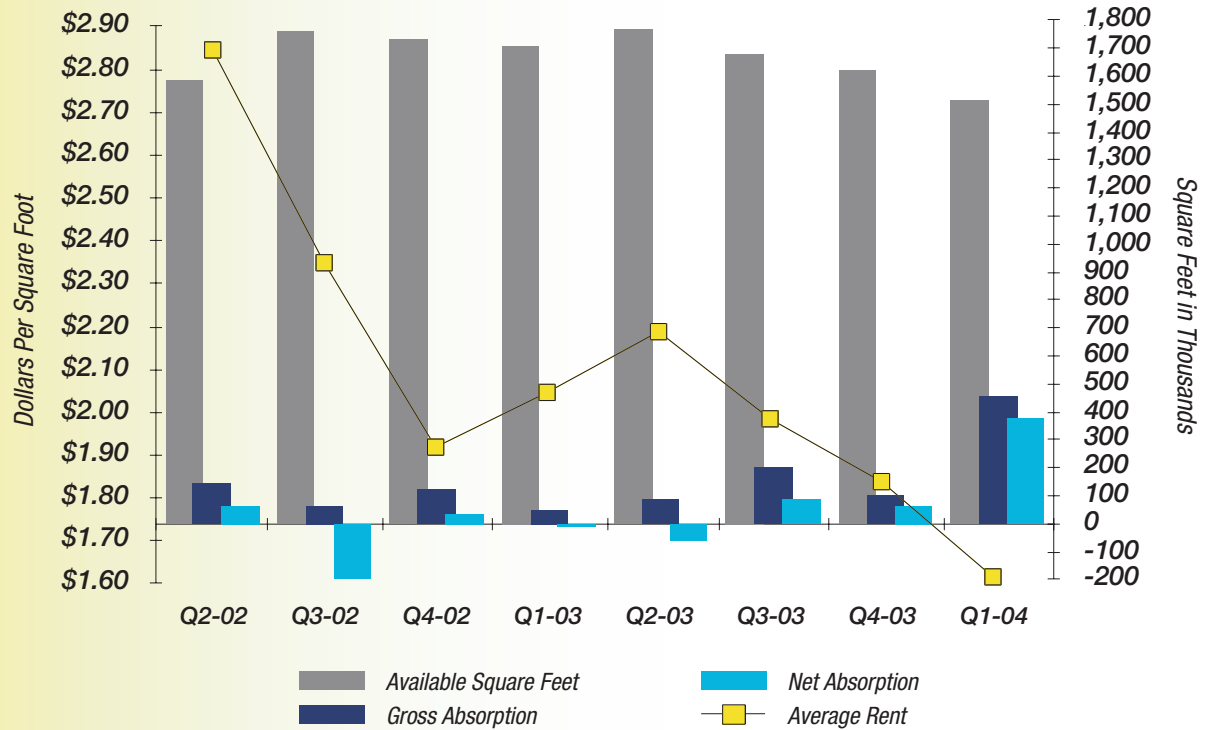
.83M sf \wedge Available
 .17M sf \vee Gross
 -.02M sf \vee Net
 \$2.35/sf \wedge Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	825,834	\$2.35	168,248	-22,211
Q403	803,623	\$1.56	233,595	222,066
Q303	952,948	\$2.01	98,588	-44,497
Q203	908,451	\$2.11	135,456	-111,043
Q103	919,593	\$2.03	55,768	-63,873
Q402	855,720	\$2.40	148,330	-19,869
Q302	860,098	\$2.11	144,353	78,138
Q202	936,876	\$2.44	51,664	-7,004

1st Quarter 2004 Office San Jose Airport

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	34,305	49,444	0	0	49,444
Shell Sublease	24,042	24,042	120,825	120,825	120,825
Previously Occupied Direct	632,978	584,859	628,959	523,834	511,333
Previously Occupied Sublease	134,509	145,278	203,164	263,792	237,991
Total Available	825,834	803,623	952,948	908,451	919,593
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	12,361	0	0	48,084	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	141,871	151,009	83,222	79,069	44,643
Previously Occupied Sublease	14,016	82,586	15,366	8,303	11,125
Total Absorption	168,248	233,595	98,588	135,456	55,768
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	22.10%	21.50%	25.50%	24.31%	24.60%
Vacancy Rate	22.10%	21.50%	25.50%	24.31%	24.60%
Sublease Factor	19.20%	21.07%	34.00%	42.34%	39.02%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	15	18	22	23	21
20,001 to 40,000	13	10	11	9	9
40,001 to 60,000	2	3	3	5	6
60,001 to 80,000	3	3	3	3	3
80,001 to 100,000	0	0	1	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	33	34	40	40	39
Construction Types	Q104	Q403	Q303	Q203	Q103
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

1st Quarter 2004 Office Downtown San Jose Summary



Q104

1.52M sf ▼ Available
 .45M sf ▲ Gross
 .38M sf ▲ Net
 \$1.62/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q104	1,515,240	\$1.62	452,447	377,304
Q403	1,620,830	\$1.84	101,078	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	\$1.92	125,612	34,067
Q302	1,762,040	\$2.35	65,324	-198,878
Q202	1,584,569	\$2.85	141,950	60,907

1st Quarter 2004 Office Downtown San Jose

Available Supply	Q104	Q403	Q303	Q203	Q103
Shell Direct	464,991	464,991	464,961	511,218	512,838
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	919,402	959,279	1,046,541	986,387	958,324
Previously Occupied Sublease	130,847	196,560	170,773	272,376	239,795
Total Available	1,515,240	1,620,830	1,682,275	1,769,981	1,710,957
Gross Absorption	Q104	Q403	Q303	Q203	Q103
Shell Direct	271,714	4,406	48,300	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	154,733	80,875	98,240	77,149	48,582
Previously Occupied Sublease	26,000	15,797	55,786	8,100	3,000
Total Absorption	452,447	101,078	202,326	85,249	51,582
Supply Rates	Q104	Q403	Q303	Q203	Q103
Availability Rate	25.36%	28.40%	29.47%	31.01%	29.97%
Vacancy Rate	25.36%	28.19%	29.47%	31.01%	29.97%
Sublease Factor	8.64%	12.13%	10.15%	15.39%	14.02%
Size Ranges	Q104	Q403	Q303	Q203	Q103
0 to 20,000	41	45	45	51	46
20,001 to 40,000	7	10	11	12	9
40,001 to 60,000	2	3	3	3	5
60,001 to 80,000	2	1	1	1	1
80,001 to 100,000	2	1	1	1	0
100,001 to 120,000	0	1	1	0	0
120,001 to 140,000	0	0	0	1	2
140,001 and Over	2	2	2	2	2
Total Buildings Available	56	63	64	71	65
Construction Types	Q104	Q403	Q303	Q203	Q103
Completed Construction					
Build-To-Suit	266,867	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	266,867	0	0	0	0
In-Process Construction					
Build-To-Suit	0	266,867	266,867	266,867	266,867
Spec Construction	0	0	0	0	0
Total in Progress	0	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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