

**Silicon Valley Economic Overview**

According to an April 28, 2010, statement by the Federal Reserve, "(U.S.) Economic activity has continued to strengthen and the labor market is beginning to improve." On April 30, the Bureau of Economic Analysis reported U.S. real gross domestic product grew at an estimated 3.2% annual rate during the first quarter of 2010, a decrease from the 5.6% growth rate during the fourth quarter of 2009 but still the third consecutive quarterly increase. According to Bank of America's Merrill Lynch, consumer spending – which accounts for two-thirds of U.S. GDP – also increased during the first quarter of 2010 at an estimated 3.5% annual rate, the fastest level in three years. And, according to a report issued by the U.S. Labor department on April 2nd, employment increased in March by the most in three years, with the unemployment rate remaining at 9.7% for a third straight month, indicating economic recovery may be broadening. Nevertheless, pockets of weakness remain at the national level. Spending on non-residential construction is shrinking rapidly, government spending at the state and local level is contracting, and national unemployment levels remain close to double-digit territory.

\*Unadjusted

In California, unemployment rose to 12.6% in March, even though the state added 4,200 jobs, according to a report issued April 16th by the Employment Development Department. This would seem to indicate that a greater number of people re-entered the labor force than the number of jobs that were created statewide. Unemployment in California remains close to 13% and the budget remains woefully out of balance, with an estimated \$20B shortfall. The unemployment rate\* in Santa Clara County stood at 12.0% at the end of March, up from 11.3% at the end of 2009. A year ago, unemployment in Santa Clara County stood at 10.4%. On the bright side, the increase in Santa Clara County's unemployment rate during Q110 appears to be largely the result of growth in the size of the labor force – a trend mirroring what appears to be occurring at the state level.

In Silicon Valley, bankers and venture capitalists are predicting a growing wave of M&A activity. "There are real signs that we are seeing the bottom," John Stumpf, Chairman and Chief Executive Officer with San Francisco-based Wells Fargo, said during a recent interview in Oakland. "We are even seeing a bounce off the bottom."

**Economic Indicators**

	Q110	Q409	Q109
<b>Unemployment Rate - Silicon Valley MSA*</b>	<b>12.3%</b>	<b>11.5%</b>	<b>10.5%</b>
<b>Unemployment Rate - Santa Clara County*</b>	<b>12.0%</b>	<b>11.3%</b>	<b>10.4%</b>
<b>Unemployment Rate - California*</b>	<b>13.0%</b>	<b>12.2%</b>	<b>10.3%</b>
<b>Unemployment Rate - National</b>	<b>9.7%</b>	<b>10.0%</b>	<b>8.5%</b>
<b>Inflation (CPI-U)*</b>	<b>2.3%</b>	<b>2.7%</b>	<b>-0.4%</b>
<b>US GDP</b>	<b>3.2%</b>	<b>5.6%</b>	<b>-6.4%</b>
<b>VC Investment National**</b>	<b>\$4.7B</b>	<b>\$5.2B</b>	<b>\$3.4B</b>
<b>VC Investment Silicon Valley**</b>	<b>\$1.5B</b>	<b>\$1.9B</b>	<b>\$1.3B</b>
<b>VC Confidence Index***</b>	<b>3.65/5</b>	<b>3.48/5</b>	<b>3.03/5</b>
<b>Job Growth - Santa Clara County</b>	<b>6,800</b>	<b>-5,800</b>	<b>14,200</b>
<b>Job Growth - Silicon Valley MSA*</b>	<b>7,000</b>	<b>-9,900</b>	<b>26,000</b>

\*Not seasonally adjusted

\*\*Source: PriceWaterhouseCoopers Money Tree

\*\*\*Source: USF Bloomberg ticker USFSVCI

## Significant Large R&D Transactions in Q110

Landlord/Sublessor	Tenant	Address	City	Size
BP Zanker Road	Lockheed Martin	3100 Zanker Road	San Jose	271,600
JER Bayside	Mentor Graphics	46859 Bayside Pky	Fremont	196,000
Mission West	Stryker Endoscopy	5900 Optical Court	San Jose	165,000
CarrAmerica Realty	Align Technology, Inc.	2560 Orchard Pky	San Jose	129,024
	Linear Technology	1511 Buckeye	Milpitas	94,653
Roland Lampert	Silicon Storage Tech	1020 Kifer Road	Sunnyvale	92,079
Walton Street Capital	Etrade	4500 Bohannon Drive	Menlo Park	76,000
AMB	Juniper Networks	1143 Borregas Ave	Sunnyvale	73,728
Pearlman/Terrence Rose	Terreno Realty Corp.	2190 Fortune Drive	San Jose	71,600

Venture capital investment also surged during Q110. According to CB Insights (no relation to CBRE), the first quarter saw \$5.9B invested nationally, up from \$3.9B during the same period of 2009. California also continued to dominate all other states in both the total number of VC dollars raised and the total number of VC investments during Q110. The top three sectors measured by total investment dollars were internet (22%), energy & utilities (20%), (note: this sector includes “green energy” investments in solar, smart-grid, and renewable energy companies), and health care (15%). Bay Area figures also rose, with \$1.62B invested into 178 deals during the quarter, up from \$1.39B and 163 deals a year earlier, according to a report from Dow Jones Venture Source.

### Q110 R&D Highlights

#### Absorption

During the first quarter of 2010, gross absorption of R&D space in Silicon Valley decreased by 7.2% compared to the three-month period ending December 31, 2009. Although gross absorption remained above the 2M sq. ft. threshold for the second consecutive quarter (2.2M sq. ft. in Q110 and 2.4M sq. ft. in Q409), and measured nearly 91% higher than the cycle’s low of 1.4M sq. ft. (Q109), gross absorption remains approximately 25% off the trailing 20 quarter average of 2.9M sq. ft. and 30% off the quarterly average for the past decade. (Please note that Cassidy Turley CPS gross absorption statistics do not include renewals.)

The Q409 to Q110 dip in gross absorption cannot be attributed solely to seasonal patterns. Gross absorption has increased during the first calendar quarter in 5 out of the past ten years and has decreased in the other 5. The sustained tepidness of the present R&D leasing market in Silicon Valley is more easily attributed to micro and macro economic factors than seasonal changes in demand.

A survey of Q110 gross absorption across major Silicon Valley sub-markets, however, reveals an interesting and unexpected outcome: R&D gross absorption increased on a quarter-to-quarter basis in southeastern Silicon Valley

sub-markets (Fremont: +16.4%; Milpitas: +81%; San Jose: +36.6%) and decreased in the historically better-performing submarkets located in the central and northwestern portion of the Valley. This discrepancy resulted from the completion of several large R&D lease transactions during Q1, including a 196,000 sq. ft. lease by Mentor Graphics in Fremont, a 129,024 sq. ft. lease by Align Technologies in North San Jose, and a 94,653 sq. ft. build-to-own completed by Linear Technology in Milpitas’ Oak Creek Business Park.

Through March 31, 2010 R&D net absorption in Silicon Valley has been negative for six consecutive quarters. During Q110, the amount of occupied space decreased by 850,000 sq. ft. (excluding additions and subtractions to the base inventory). By comparison, net absorption during the previous quarter totaled -622,000 sq. ft. However, despite the quarter-to-quarter increase in negative net absorption the Q110 level was 70% lower than the cyclical peak of -2.9M sq. ft. experienced during the first quarter of 2009.

Major Valley sub-markets experiencing noteworthy positive net absorption during the quarter included Mountain View (+124,000 sq. ft.), Fremont (+158,000 sq. ft.), and Milpitas (+50,000 sq. ft.). Leading the pack of under-performers during Q1 was Santa Clara (-580,000 sq. ft.) and San Jose (-550,000 sq. ft.).

#### Vacancy Trends

As expected, the sustained trend of negative net absorption translated into another quarterly increase in R&D vacancy rates, albeit at a slower pace. Since Q308, arguably the peak of the current real estate cycle, R&D vacancy in Silicon Valley has increased from 16.2% to 19.7%. This corresponds to a cumulative increase of 21.4%, or an additional 6M sq. ft. of R&D supply. Nearly all of this increase came as result of previously occupied space returning to the market for lease. As of quarter-end, 33.4M sq. ft. of R&D product was available for lease, sublease, or sale (excluding leased investments). This marks a slight increase of 18 basis points from the Q409 level.

### Significant New Q110 R&D Availabilities

Building	City	Size	Availability	Type
2801-2881 Scott Blvd	Santa Clara	295,314	2/19/2010	Lease/Sale
3110 & 3130 Zanker Road	San Jose	272,300	3/11/2010	Lease
821-881 Martin Ave	Santa Clara	126,540	7/1/2010	Lease
3001 Orchard Pky	San Jose	97,840	1/14/2010	Lease
5480 Great America Pky	Santa Clara	87,239	2/2/2010	Lease
3 W Plumeria Drive	San Jose	79,803	2/10/2010	Lease
120 Rose Orchard Way	San Jose	60,480	4/1/2010	Lease
2021 Stierlin Court	Mountain View	58,176	2/9/2010	Lease
975 California Ave	Palo Alto	55,000	3/19/2010	Lease/Sale
535 Oakmead Pky	Sunnyvale	55,000	1/7/2010	Sublease
10590 & 10600 N Tantau Ave	Cupertino	52,240	2/23/2010	Lease
5451 Patrick Henry Drive	Santa Clara	50,400	1/28/2010	Sublease

Major submarkets with R&D vacancy rates hovering in the mid teens include Mountain View (13.6%) Sunnyvale (16.4%), and Menlo Park/Palo Alto (10.5%), while those pushing the mid-to-high twenties include San Jose (23.1%), Milpitas (22.7%), and Fremont (27.3%). In Silicon Valley, where the R&D market is heavily dependent on the health of the volatile tech sector “equilibrium” in the leasing market is typically considered to be achieved at a vacancy rate of approximately 10%.

#### Rent Trends

Average rents for verified completed R&D transactions fell by 10.8% from Q409 to Q410. Compared to the same period one year ago, R&D rents have slipped by 32.0%. The relatively greater percentage of lease transactions completed during the quarter in lower-cost submarkets including Milpitas, Fremont, and North San Jose played a significant role in suppressing average rents during the first quarter. While one quarter does not make for a trend, average rents increased on a quarter-to-quarter basis in Milpitas and Fremont. In Sunnyvale and Mountain View, rents slipped modestly. For the past 4-5 quarters, however, R&D rents have been relatively stable in these two sub-markets, fluctuating between \$0.80 - \$0.90 per sq. ft. in Sunnyvale and \$1.35 - \$1.55 per sq. ft. in Mountain View depending on the ratio of deals completed for Class A, B, and C space in a given period.

### R&D Forecast for Q210

#### Absorption

As the economic recovery begins to take hold, gross absorption of R&D space should begin to increase along with increased confidence among Valley employers. Activity will be concentrated in large blocks of Class A space, market-ready Class B space in Sunnyvale and Mountain View, and Class C space in Milpitas and Oak Creek, where rents have fallen to a point where tenants are finding

significant economic value. Cassidy Turley CPS expects negative net absorption of R&D space to taper off during the second quarter. Pending another shock to the global economy - possibly triggered by a debt crisis in the Euro Zone – increased corporate investment and consumer spending (ipad, anyone?) should help power the overall Silicon Valley R&D market back to the long path towards recovery by the final quarter of the year, if not sooner.

#### Vacancy

Vacancy increases for Silicon Valley R&D space will begin to taper off during the second quarter, starting with a modest surge of deal volume in Palo Alto, Menlo Park, and to a lesser extent, Mountain View and Sunnyvale. R&D vacancy rates for the Valley as a whole will benefit, possibly shifting to a declining trend by as early as the third or fourth quarters.

#### Rent Trends

Two opposing trends – demand for Class A product and a simultaneous increase in demand for ultra-low cost Class C space in outlying sub-markets - will likely negate any positive rent impact expected from an increase in deal volume. Given the supply-demand imbalance, and the perception of “blood in the water” shared by many large users of R&D space, rent increases are not expected for at least the next several quarters. However, certain sub-markets – notably Palo Alto and Mountain View – are poised for a return to rent growth as we head into the third and fourth quarters.

*By Gregory M. Davies - Vice President Lic. 01362233*

## Q110 Office Highlights

### *Absorption Trends*

The office absorption statistics for the first quarter of 2010 indicate that the Silicon Valley office market may have reached a bottom. Net absorption was barely in negative territory at -27,415 square feet, a 64% improvement over the prior quarter. Nevertheless, the first three months of 2010 marked the 10th consecutive quarterly period of negative net absorption. Gross absorption improved dramatically to approximately 1.3 million square feet, an increase of 48% compared to the fourth quarters roughly 870,000 square feet. This increase in gross absorption brought the first quarter's total up to par with the trailing 20-quarter (five-year) average of 1.2 million square feet. It is worth noting that Cassidy Turley CPS net absorption statistics are not affected by the addition of newly constructed space to the base or available inventory.

The first quarter of 2010 saw a number of large office transactions across the Valley, many of which involved Equity Office or Sobrato Development Companies. Half of the 10 biggest leases during Q110 were renewals. McAfee signed the largest new lease deal, taking ±240,910 square feet on Mission College Blvd. in Santa Clara from Sobrato Development Companies. The space had been listed for sublease by Yahoo!, but McAfee penned a direct lease with Sobrato. McAfee's deal also included an option to expand into an additional ±47,000 square feet by October. Another noteworthy Q1 office deal was Brocade's sale-leaseback of a ±195,000-square-foot building in the San Jose Airport submarket with Equity Office. Brocade, which had acquired the building back in 2003 from Equity Office, reportedly negotiated a new 2-3 year lease agreement as a condition of the sale (Brocade is currently under construction with its new 562,000-square-foot office HQ in North San Jose at Hwy 237 and N First St.). In Los Gatos, online movie-rental company Netflix renewed its lease for 160,000 square feet with Sobrato Development Companies, while back in Santa Clara NetLogic leased ±105,930 square feet at Mission Towers from Equity Office.

### *Vacancy Trends*

At the end of the first quarter of 2010, the office vacancy improved slightly with 12.5 million square feet available in Silicon Valley, a decrease of approximately 124,000 square feet compared to the fourth quarter of 2009. Since bottoming at 14.5% at the end of the second quarter of 2007, office availability has increased by a cumulative 5.6 million square feet. As of the most recent quarter, office availability stood at 26.03%. Approximately 3.6 million square feet, or 64.3%, of the 5.6 million square feet of office space added to the available inventory since Q207 is new speculative construction that remained largely un-leased as of the first quarter of 2010.

Downtown San Jose, one of the larger office submarkets tracked by CPS, experienced a slight decrease in vacancy during the first quarter. Vacancy Downtown decreased from 40.4% during the fourth quarter of 2009 to 40.13% during the most recent quarter. Legacy Partners' 319,000 square foot Riverpark II tower and 488 Almaden, a 17-story, 380,000 square foot tower, both remain 100% vacant, substantially impacting the vacancy statistics of the Downtown Class A office market.

After nine consecutive periods of vacancy increases, the San Jose Airport office submarket reversed course in the second quarter and recorded a decrease in vacancy during the second and third quarters of 2009. However, the fourth quarter of 2009 again showed an increase in vacancy, going up by 2.19%, to end the quarter with a 27.30% vacancy rate. The first quarter of 2010 again saw an increase in vacancy, ending the quarter at 30.73%.

### *Rent Trends*

Until the first quarter of 2009, office rents bucked the generally negative trends of rising availability, below-average gross absorption and negative net absorption. Average rents for office transactions completed during the fourth quarter of 2008 were \$3.97 per square foot, full service. However, reality set in at the start of 2009 with average rents falling to \$2.57 per square foot for the year.

The first quarter of 2010 saw average rents stabilize at \$2.55 per square foot at the end of the first quarter. Please note that Cassidy Turley CPS's aggregate rent statistics are based on verified completed transactions - not asking rents - and exclude data on renewal transactions. For a custom study that includes renewal transaction data, please feel free to contact your Cassidy Turley CPS agent.

#### Construction

Cassidy Turley CPS market research tracked 1.2 million square feet of office space under construction during the first quarter of 2010, which includes the Brocade build-to-suit of 562,000 square feet on North First Street. Construction is on hold for both the Sobrato project on Lawson Lane and the Sand Hill Properties/RREEF Offices at Downtown Sunnyvale - a total of 490,000 square feet.

#### Submarkets

##### San Jose Airport

Average rents in the first quarter of 2010 increased by \$0.13 to \$2.051 per square foot full service, breaking through the \$2.00 barrier for the first time since Q1-09. Sublease space in the Airport sub-market was stable at 7.97% of the total vacancy. Deal volume - measured by gross absorption - doubled from 78,517 square feet in the fourth quarter of 2009 to 159,415 square feet in the first quarter of 2010; yet, despite this apparent improvement, the Airport office sub-market also more than doubled its negative net absorption to 191,984 square feet.

##### Downtown Class A

Vacancy in the Downtown Class A office sub-market was 39.12% at the end of the first quarter of 2010, the highest vacancy rate since the 42.59% registered in the third quarter of 2002, and a slight increase of 0.29% from the fourth quarter. Average Class A rents at the end of the first quarter of 2010 declined to \$1.667 full service. The activity level in Downtown Class A office was very low with only 17,847 square feet of gross absorption during the period.

#### Forecast for Q210

##### Absorption

Many companies are now starting to identify that in the current Silicon Valley market, everything is on sale. As prices have fallen, more companies are comfortable with signing deals than they have been in recent quarters. With this trend, and with most of the fat trimmed from Silicon Valley companies, we expect absorption to be fairly flat and possibly even slightly positive in the second quarter of 2010. We also expect to see a flight to quality because of low Class A rents.

##### Vacancy

We expect supply to continue to be stable in the second quarter, as most Silicon Valley companies have shed as many employees as possible already and are now "lean and mean." Market availability will likely remain primarily a landlord problem.

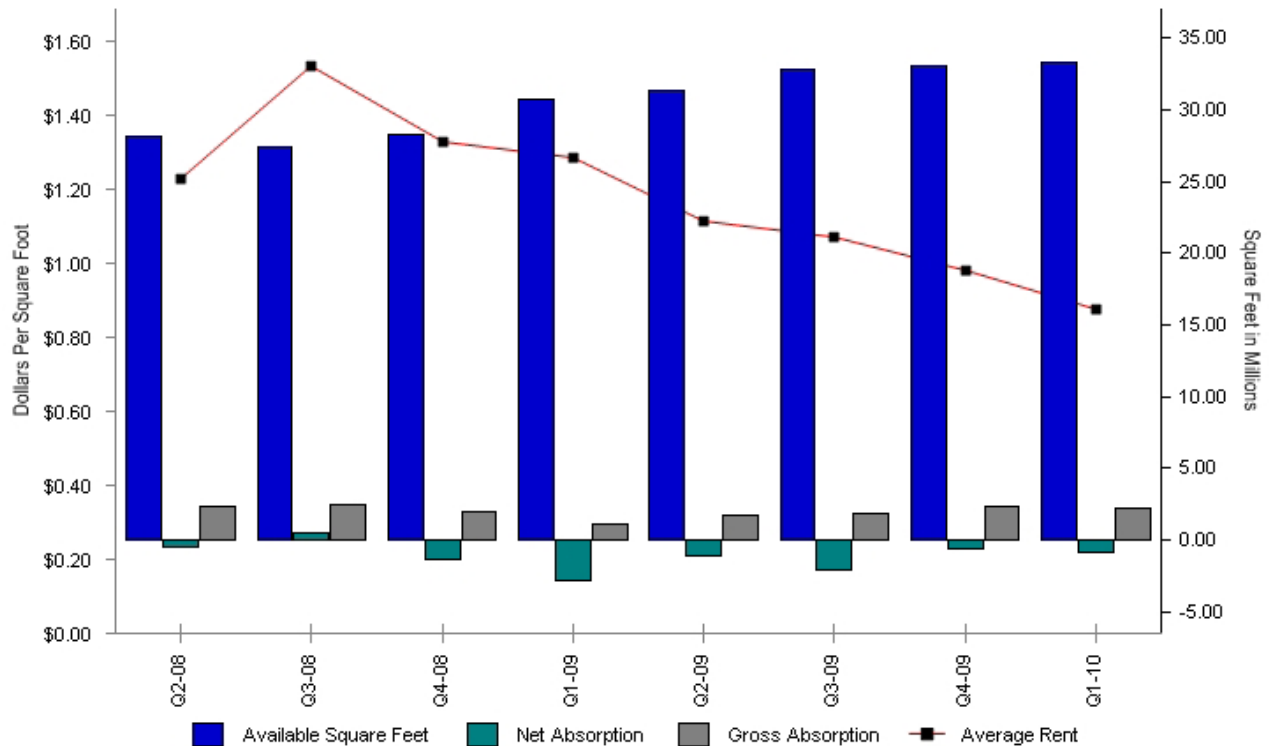
##### Rents

Rents today are driven by tenant improvement packages. With the T.I. packages requested by tenants today, many deals have a net present value of zero when contemplating T.I. and commission costs. As such, it is hard for rents to drop any further without a reduction of landlord concessions. Nevertheless, there will be heavy competition and rents will likely be very low for as-is deals that do not require significant capital investment. The overall effect of these two trends should be a continued slight reduction of average rents.

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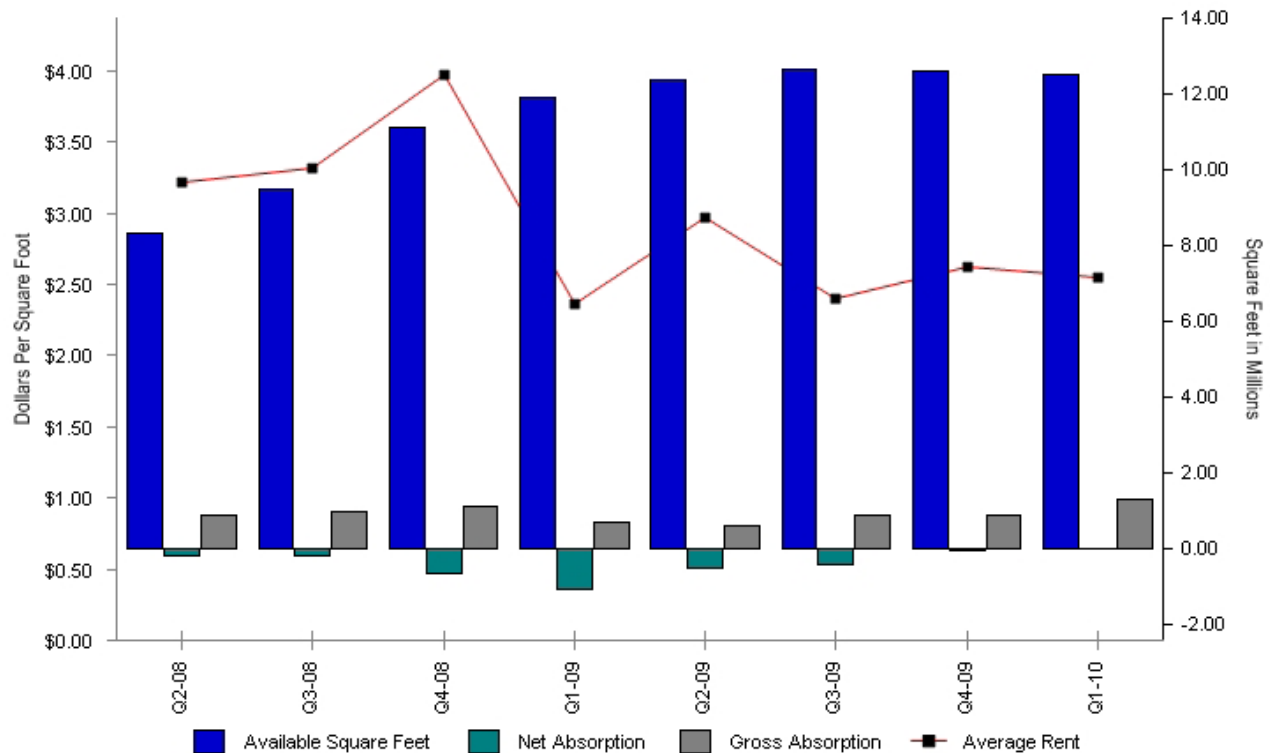


**Q110**

**33.36M sf** ▲ **Available**  
**2.19M sf** ▼ **Gross**  
**-.85M sf** ▼ **Net**  
**\$.87/sf** ▼ **Rent**

<i>Period</i>	<i>Available sf</i>	<i>Average Rent</i>	<i>Gross Absorption</i>	<i>Net Absorption</i>
<b>Q110</b>	33,356,551	\$0.87	2,186,552	-849,593
<b>Q409</b>	33,053,439	\$0.98	2,356,665	-622,606
<b>Q309</b>	32,827,365	\$1.07	1,867,083	-2,028,456
<b>Q209</b>	31,355,209	\$1.11	1,690,349	-1,030,864
<b>Q109</b>	30,688,088	\$1.29	1,146,022	-2,872,149
<b>Q408</b>	28,320,910	\$1.33	1,937,312	-1,378,052
<b>Q308</b>	27,402,891	\$1.53	2,504,993	566,411
<b>Q208</b>	28,165,084	\$1.23	2,343,122	-501,143

<i>Available Supply</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Shell Direct</i>	1,938,414	2,062,218	2,342,074	2,480,351	2,487,505
<i>Shell Sublease</i>	26,028	26,028	26,028	26,028	33,558
<i>Previously Occupied Direct</i>	26,345,798	25,437,512	24,891,967	22,879,268	22,445,007
<i>Previously Occupied Sublease</i>	5,046,311	5,527,681	5,567,296	5,969,562	5,722,018
<b>Total Available</b>	<b>33,356,551</b>	<b>33,053,439</b>	<b>32,827,365</b>	<b>31,355,209</b>	<b>30,688,088</b>
<i>Available Time on Market (In Months)</i>	<b>29.62</b>	<b>28.70</b>	<b>27.39</b>	<b>26.86</b>	<b>26.17</b>
<i>Gross Absorption</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Shell Direct</i>	155,301	295,042	4,067	9,861	88,339
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	2,002,445	1,723,693	1,605,600	1,401,042	1,035,343
<i>Previously Occupied Sublease</i>	28,806	337,930	257,416	279,446	22,340
<b>Total Absorption</b>	<b>2,186,552</b>	<b>2,356,665</b>	<b>1,867,083</b>	<b>1,690,349</b>	<b>1,146,022</b>
<i>Absorption Time on Market (In Months)</i>	<b>11.74</b>	<b>11.47</b>	<b>9.11</b>	<b>12.82</b>	<b>7.69</b>
<i>Supply Rates</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Availability Rate</i>	19.73%	19.56%	19.43%	18.56%	18.16%
<i>Vacancy Rate</i>	19.55%	19.38%	19.07%	18.41%	17.94%
<i>Sublease Factor</i>	15.21%	16.80%	17.04%	19.12%	18.76%
<i>Size Ranges</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>0 to 20,000</i>	428	429	421	419	386
<i>20,001 to 40,000</i>	228	231	235	231	221
<i>40,001 to 60,000</i>	129	128	131	116	115
<i>60,001 to 80,000</i>	72	76	77	70	67
<i>80,001 to 100,000</i>	46	45	43	37	36
<i>100,001 to 120,000</i>	22	25	24	24	24
<i>120,001 to 140,000</i>	9	7	10	11	9
<i>140,001 and Over</i>	15	13	10	11	13
<b>Total Buildings Available</b>	<b>949</b>	<b>954</b>	<b>951</b>	<b>919</b>	<b>871</b>
<i>Construction Types</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<b>Completed Construction:</b>					
<i>Build-To-Suit</i>	0	94,653	0	0	0
<i>Spec Construction</i>	0	0	0	0	116,603
<b>Total Completed</b>	<b>0</b>	<b>94,653</b>	<b>0</b>	<b>0</b>	<b>116,603</b>
<b>In-Process Construction:</b>					
<i>Build-To-Suit</i>	0	0	94,653	94,653	0
<i>Spec Construction</i>	0	0	0	0	0
<b>Total in Progress</b>	<b>0</b>	<b>0</b>	<b>94,653</b>	<b>94,653</b>	<b>0</b>

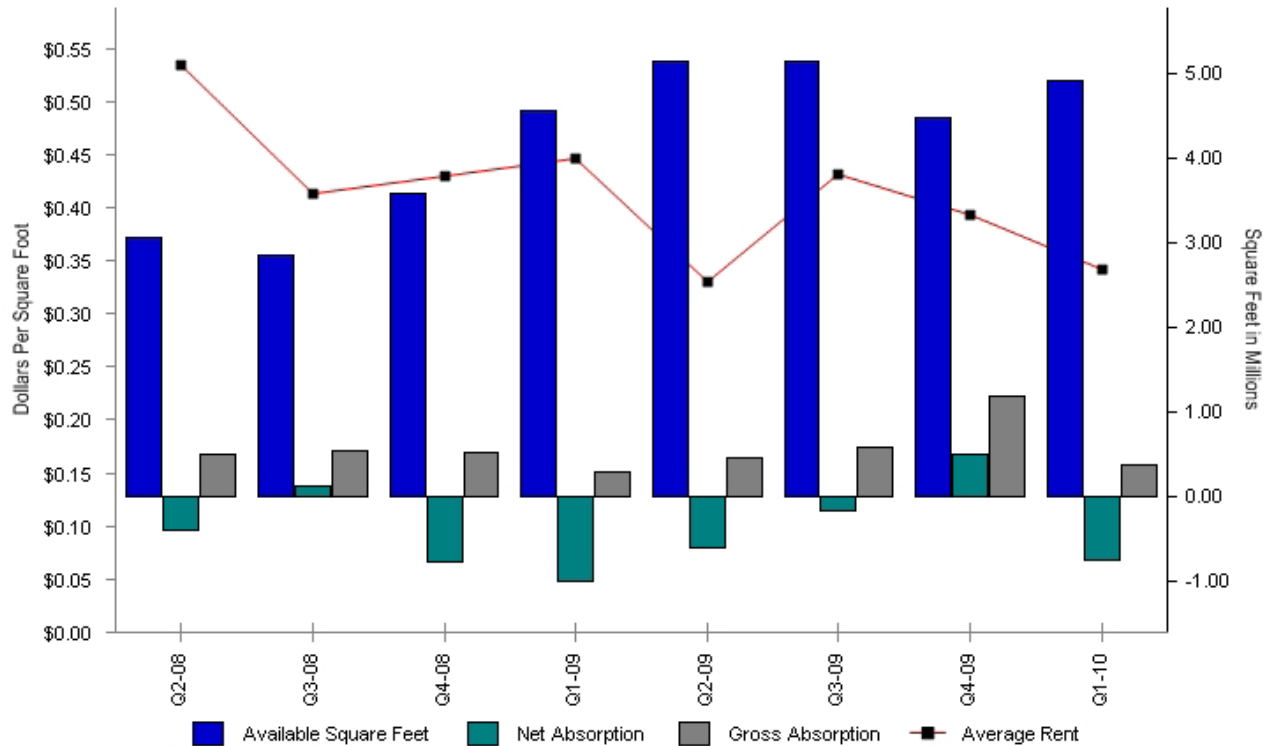


**Q110**

**12.50M sf** ▼ **Available**  
**1.29M sf** ▲ **Gross**  
**-.03M sf** ▲ **Net**  
**\$2.55/sf** ▼ **Rent**

<i>Period</i>	<i>Available sf</i>	<i>Average Rent</i>	<i>Gross Absorption</i>	<i>Net Absorption</i>
<b>Q110</b>	12,503,102	\$2.55	1,288,170	-27,415
<b>Q409</b>	12,626,615	\$2.62	869,464	-75,678
<b>Q309</b>	12,645,043	\$2.41	863,706	-441,564
<b>Q209</b>	12,388,942	\$2.98	596,514	-516,493
<b>Q109</b>	11,920,199	\$2.36	703,862	-1,060,575
<b>Q408</b>	11,114,203	\$3.97	1,089,793	-670,519
<b>Q308</b>	9,473,913	\$3.32	983,469	-214,186
<b>Q208</b>	8,345,611	\$3.22	862,179	-187,192

<i>Available Supply</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Shell Direct</i>	3,624,309	3,645,947	3,825,546	3,811,509	3,801,712
<i>Shell Sublease</i>	0	0	0	3,200	3,200
<i>Previously Occupied Direct</i>	7,843,544	7,598,445	7,493,342	7,074,015	6,788,759
<i>Previously Occupied Sublease</i>	1,035,249	1,382,223	1,326,155	1,500,218	1,326,528
<b><i>Total Available</i></b>	<b>12,503,102</b>	<b>12,626,615</b>	<b>12,645,043</b>	<b>12,388,942</b>	<b>11,920,199</b>
<i>Gross Absorption</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Shell Direct</i>	42,623	153,971	16,823	13,000	18,969
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	1,184,271	605,617	684,619	504,638	528,050
<i>Previously Occupied Sublease</i>	61,276	109,876	162,264	78,876	156,843
<b><i>Total Absorption</i></b>	<b>1,288,170</b>	<b>869,464</b>	<b>863,706</b>	<b>596,514</b>	<b>703,862</b>
<i>Supply Rates</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Availability Rate</i>	26.03%	26.29%	26.32%	26.01%	25.02%
<i>Vacancy Rate</i>	24.32%	25.91%	24.87%	25.24%	22.72%
<i>Sublease Factor</i>	8.28%	10.95%	10.49%	12.14%	11.16%
<i>Size Ranges</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>0 to 20,000</i>	537	510	512	513	485
<i>20,001 to 40,000</i>	72	75	81	79	75
<i>40,001 to 60,000</i>	16	19	17	18	20
<i>60,001 to 80,000</i>	9	8	9	12	8
<i>80,001 to 100,000</i>	5	6	5	4	5
<i>100,001 to 120,000</i>	4	2	2	1	1
<i>120,001 to 140,000</i>	0	0	0	0	1
<i>140,001 and Over</i>	14	15	14	13	12
<b><i>Total Buildings Available</i></b>	<b>657</b>	<b>635</b>	<b>640</b>	<b>640</b>	<b>607</b>
<i>Construction Types</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<b><i>Completed Construction:</i></b>					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	20,289	65,000	745,950	725,340
<b><i>Total Completed</i></b>	<b>0</b>	<b>20,289</b>	<b>65,000</b>	<b>745,950</b>	<b>725,340</b>
<b><i>In-Process Construction:</i></b>					
<i>Build-To-Suit</i>	752,000	752,000	752,000	752,000	752,000
<i>Spec Construction</i>	464,906	466,056	486,345	515,195	1,312,583
<b><i>Total in Progress</i></b>	<b>1,216,906</b>	<b>1,218,056</b>	<b>1,238,345</b>	<b>1,267,195</b>	<b>2,064,583</b>



**Q110**

**4.91M sf** ▲ **Available**  
**.38M sf** ▼ **Gross**  
**-.74M sf** ▼ **Net**  
**\$.41/sf** ▲ **Rent**

<i>Period</i>	<i>Available sf</i>	<i>Average Rent</i>	<i>Gross Absorption</i>	<i>Net Absorption</i>
<b>Q110</b>	4,912,919	\$0.41	375,424	-739,887
<b>Q409</b>	4,468,140	\$0.39	1,186,387	512,639
<b>Q309</b>	5,147,969	\$0.43	580,483	-154,029
<b>Q209</b>	5,140,531	\$0.33	462,219	-594,758
<b>Q109</b>	4,545,773	\$0.45	306,283	-980,403
<b>Q408</b>	3,588,212	\$0.43	524,630	-754,084
<b>Q308</b>	2,845,664	\$0.41	552,446	139,361
<b>Q208</b>	3,064,733	\$0.53	501,395	-390,196

<i>Available Supply</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Shell Direct</i>	0	0	0	0	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	4,574,315	4,237,238	4,643,074	4,642,257	4,161,198
<i>Previously Occupied Sublease</i>	338,604	230,902	504,895	498,274	384,575
<b>Total Available</b>	<b>4,912,919</b>	<b>4,468,140</b>	<b>5,147,969</b>	<b>5,140,531</b>	<b>4,545,773</b>
<i>Available Time on Market (In Months)</i>	13.87	13.51	13.12	12.43	12.66
<i>Gross Absorption</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Shell Direct</i>	0	0	0	0	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	375,424	957,123	573,523	462,219	306,283
<i>Previously Occupied Sublease</i>	0	229,264	31,000	0	0
<b>Total Absorption</b>	<b>375,424</b>	<b>1,186,387</b>	<b>604,523</b>	<b>462,219</b>	<b>306,283</b>
<i>Absorption Time on Market (In Months)</i>	10.78	13.68	12.89	11.28	4.70
<i>Supply Rates</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>Availability Rate</i>	14.65%	13.32%	15.35%	15.33%	13.55%
<i>Vacancy Rate</i>	14.50%	12.96%	14.89%	15.24%	13.36%
<i>Sublease Factor</i>	6.89%	5.17%	9.81%	9.69%	8.46%
<i>Size Ranges</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<i>0 to 20,000</i>	36	33	29	28	28
<i>20,001 to 40,000</i>	41	40	47	48	44
<i>40,001 to 60,000</i>	18	15	14	12	12
<i>60,001 to 80,000</i>	13	10	8	8	7
<i>80,001 to 100,000</i>	5	5	6	6	3
<i>100,001 to 120,000</i>	1	3	3	4	3
<i>120,001 to 140,000</i>	2	1	3	3	3
<i>140,001 and Over</i>	4	3	4	4	4
<b>Total Buildings Available</b>	<b>120</b>	<b>110</b>	<b>114</b>	<b>113</b>	<b>104</b>
<i>Construction Types</i>	<i>Q110</i>	<i>Q409</i>	<i>Q309</i>	<i>Q209</i>	<i>Q109</i>
<b>Completed Construction:</b>					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
<b>Total Completed</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>In-Process Construction:</b>					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
<b>Total in Progress</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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