

Real News

the silicon valley quarterly on commercial real estate

*Second Quarter 2005
Quarterly Study*



Real News

the silicon valley quarterly on commercial real estate

Q205 R&D Highlights

Supply

Silicon Valley available inventory continued its five quarter drop from a high of 45.65 million square feet at the end of the first quarter of 2004 to 38.69 million square feet, reflecting a 22.93% availability rate, at the end of the second quarter 2005. The vacancy rate, which denotes properties available within 30 days or less, stood at 22.60% at the end of the second quarter, the lowest rate in 10 quarters. Sublease space as a percentage of available inventory continued its 15 quarter decrease to 22.88% from its high of 45.38% at the end of the third quarter 2001. Average available time on the market at the end of the second quarter was a record setting 2.0 years. The Milpitas submarket ended the second quarter with the highest availability rate -- 28.94% -- and the Menlo Park/Palo Alto submarket ended the second quarter with the lowest availability rate -- 15.14%.

Demand

Gross absorption for the second quarter was 4.6 million square feet, the highest in 18 quarters. There were 175 transactions comprised of: 151 transactions below 50,000 square feet; 14 transactions between 50,000 and 100,000 square feet; seven transactions between 100,000 and 200,000 square feet; and three transactions over 200,000 square feet. Users took nine spaces off the market to reoccupy during the second quarter, totaling 278,000 square feet. Twenty-five user sales contributed 677,367 square feet of absorption. Average time on the market for absorbed space increased to 1.57 years. The average lease term for the second quarter was 51 months. The West Valley submarket, comprised of Campbell/Los Gatos/Cupertino, ended the second quarter with the lowest gross absorption of 137,495 square feet, while Santa Clara ended the second quarter with the highest gross absorption of just over one million square feet.

The Valley experienced positive net absorption for the fifth consecutive quarter. A significant 2.3 million square feet of net absorption occurred during the second quarter, the highest in 20 quarters. The West Valley submarket, comprised of Campbell/Los Gatos/Cupertino, ended the quarter with the lowest net absorption of negative 190,631 square feet. Sunnyvale ended the quarter with the highest net absorption of 852,441 square feet.

Rent

Average effective rents dipped back under \$1.00 per square foot per month in the second quarter to \$.933. Average tenant improvements in the second quarter were \$5.59 per square foot. San Jose experienced the lowest average rent of the quarter at \$.70 per square foot and Menlo Park/Palo Alto averaged the highest rent of the quarter at \$1.80 per square foot. The average sale price of buildings in Silicon Valley for the second quarter was \$89.45 per square foot.

Construction

At the end of the second quarter there were six condominium projects comprised of 535,217 square feet remaining under construction. No construction was completed in the second quarter.

Real News

the silicon valley quarterly on commercial real estate

Forecast for Q305

Supply

We expect that available inventory will continue its five quarter decline.

Demand

Gross absorption should remain healthy as the recovery continues and positive net absorption should continue. We believe that quality space will continue to be the product of choice. Users will probably continue to pursue sale opportunities. Condominium sales will likely increase the velocity of user sales. We expect that there will continue to be strong demand for residential conversions. Investment property sale transactions should continue to be active.

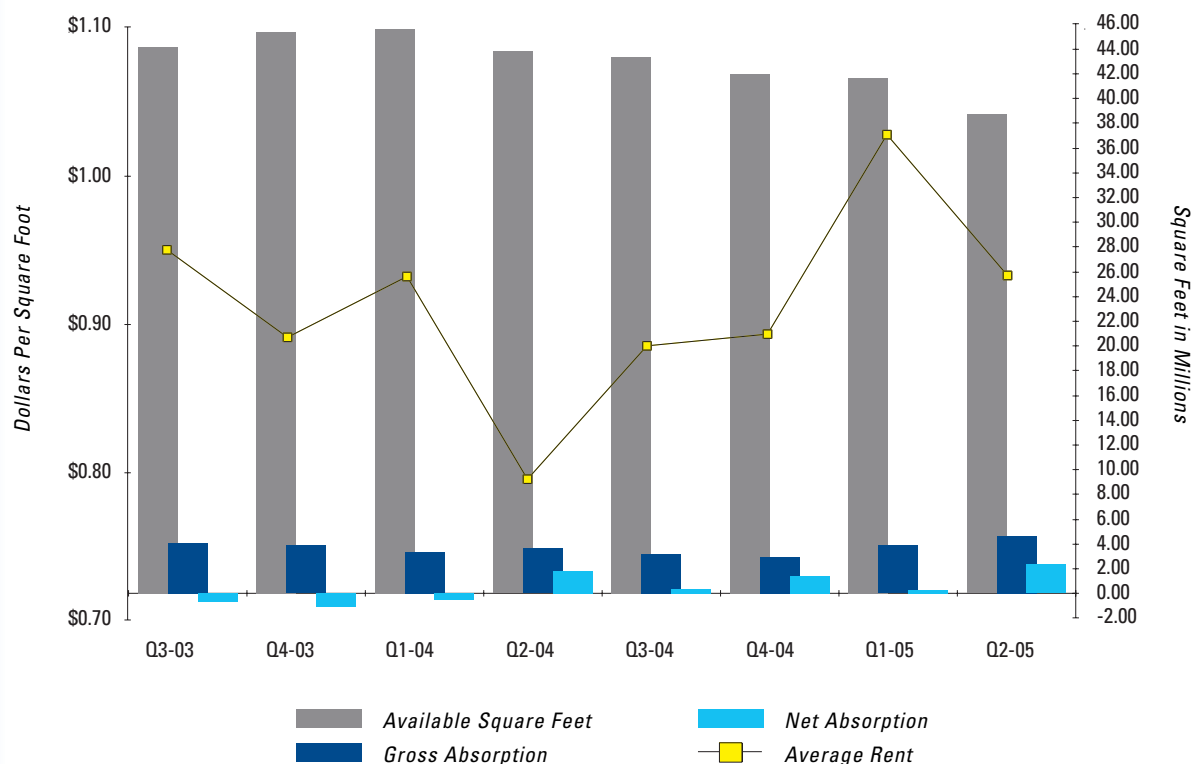
Rent

Stabilization of rents will probably continue. Select submarkets such as the Menlo Park/Palo Alto submarket will most likely experience rent and property appreciation. Sale prices should continue to increase, affected by the strong demand for properties from both institutional and private investors.

Construction

Planned construction should continue to be minimal with condominium projects the exception.

2nd Quarter 2005 R&D Silicon Valley Summary



Q205

38.70M sf ▼ **Available**
4.65M sf ▲ **Gross**
2.34M sf ▲ **Net**
\$.93/sf ▼ **Rent**

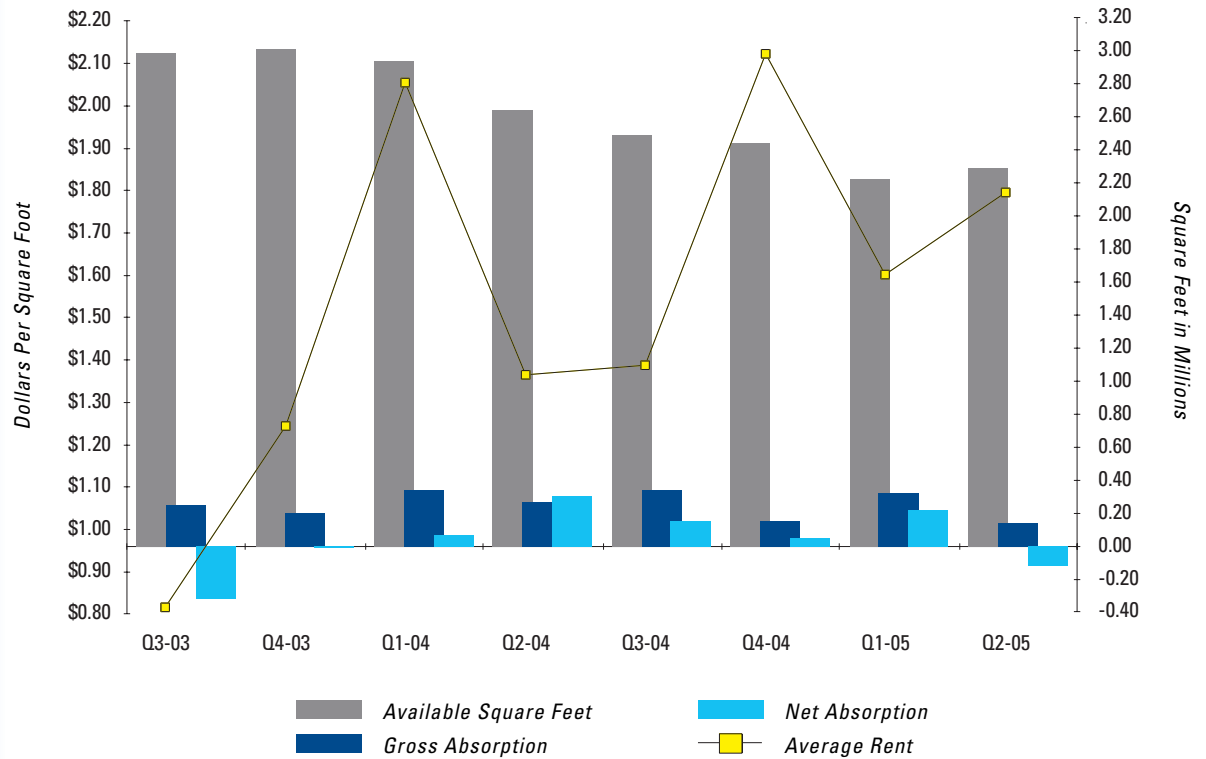
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	38,696,498	\$0.93	4,648,660	2,344,991
Q105	41,688,378	\$1.03	3,886,944	252,535
Q404	42,012,239	\$0.89	2,948,458	1,417,796
Q304	43,377,980	\$0.89	3,190,064	379,577
Q204	43,806,254	\$0.80	3,668,517	1,861,933
Q104	45,652,362	\$0.93	3,389,933	-505,139
Q403	45,348,749	\$0.89	3,884,077	-1,114,264
Q303	44,183,763	\$0.95	4,100,631	-694,429

2nd Quarter 2005 R&D Silicon Valley



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	3,859,888	4,055,506	3,955,694	4,004,032	4,095,136
<i>Shell Sublease</i>	383,578	403,489	403,489	481,934	516,818
<i>Previously Occupied Direct</i>	25,982,460	27,871,237	27,495,205	27,668,945	27,745,771
<i>Previously Occupied Sublease</i>	8,470,572	9,358,146	10,157,851	11,223,069	11,448,529
Total Available	38,696,498	41,688,378	42,012,239	43,377,980	43,806,254
<i>Available Time on Market (In Months)</i>	24.07	22.98	22.49	20.61	19.17
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	360,745	95,873	352,683	116,684	153,500
<i>Shell Sublease</i>	7,530	0	91,000	0	0
<i>Previously Occupied Direct</i>	3,777,749	3,284,865	1,752,612	2,692,088	2,745,369
<i>Previously Occupied Sublease</i>	502,636	506,206	752,163	381,292	769,648
Total Absorption	4,648,660	3,886,944	2,948,458	3,190,064	3,668,517
<i>Absorption Time on Market (In Months)</i>	19.20	17.69	16.44	17.52	12.76
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	22.93%	24.70%	24.91%	25.72%	25.99%
<i>Vacancy Rate</i>	22.60%	24.07%	24.85%	25.50%	25.83%
<i>Sublease Factor</i>	22.88%	23.42%	25.14%	26.98%	27.31%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	423	406	436	456	469
<i>20,001 to 40,000</i>	288	294	309	305	320
<i>40,001 to 60,000</i>	159	170	166	169	174
<i>60,001 to 80,000</i>	79	81	78	84	85
<i>80,001 to 100,000</i>	53	56	57	61	58
<i>100,001 to 120,000</i>	20	22	22	22	24
<i>120,001 to 140,000</i>	12	12	10	9	8
<i>140,001 and Over</i>	20	27	27	28	27
Total Buildings Available	1,054	1,068	1,105	1,134	1,165
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	140,449	0	71,393	0
Total Completed	0	140,449	0	71,393	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	535,217	67,040	207,489	140,449	211,842
Total in Progress	535,217	67,040	207,489	140,449	211,842

2nd Quarter 2005 R&D Menlo Park / Palo Alto Summary



Q205

2.29M sf ▲ **Available**
.14M sf ▼ **Gross**
-.12M sf ▼ **Net**
\$1.80/sf ▲ **Rent**

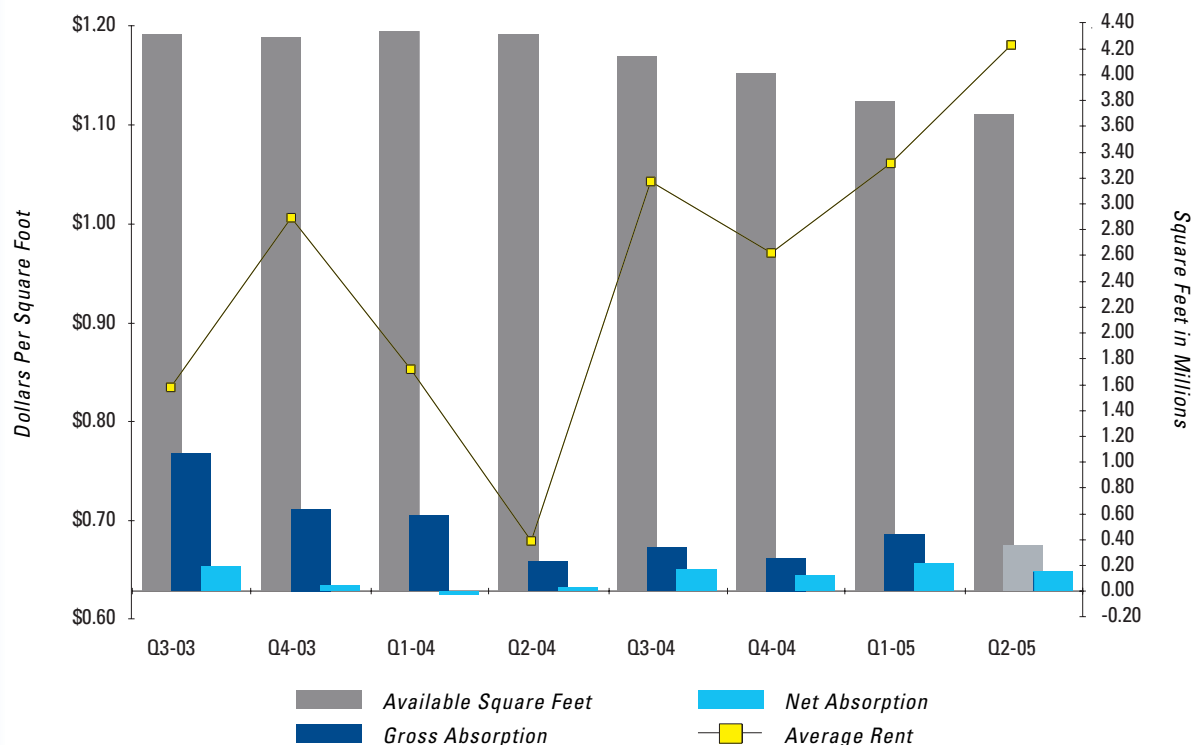
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	2,286,744	\$1.80	143,960	-118,786
Q105	2,226,052	\$1.60	316,159	215,495
Q404	2,441,547	\$2.12	154,822	49,966
Q304	2,491,513	\$1.39	342,682	149,089
Q204	2,640,602	\$1.37	265,773	299,481
Q104	2,940,083	\$2.06	343,725	65,465
Q403	3,005,548	\$1.25	203,072	-12,269
Q303	2,993,279	\$0.82	252,442	-321,341

2nd Quarter 2005 R&D Menlo Park / Palo Alto



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	26,182	98,051	98,051	98,051	71,869
<i>Shell Sublease</i>	32,027	32,027	32,027	5,999	40,883
<i>Previously Occupied Direct</i>	1,636,792	1,577,178	1,723,214	1,792,008	2,016,977
<i>Previously Occupied Sublease</i>	591,743	518,796	588,255	595,455	510,873
Total Available	2,286,744	2,226,052	2,441,547	2,491,513	2,640,602
<i>Available Time on Market (In Months)</i>	22.85	23.47	23.11	20.78	19.82
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	0	0	0	0	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	71,523	189,111	154,822	294,024	173,837
<i>Previously Occupied Sublease</i>	72,437	127,048	0	48,658	91,936
Total Absorption	143,960	316,159	154,822	342,682	265,773
<i>Absorption Time on Market (In Months)</i>	14.63	12.23	16.04	18.61	5.16
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	15.14%	14.74%	16.17%	16.50%	17.49%
<i>Vacancy Rate</i>	15.14%	14.74%	16.17%	16.27%	17.49%
<i>Sublease Factor</i>	27.28%	24.74%	25.41%	24.14%	20.90%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	34	32	36	40	41
<i>20,001 to 40,000</i>	19	20	24	21	23
<i>40,001 to 60,000</i>	13	13	12	12	14
<i>60,001 to 80,000</i>	4	4	5	6	6
<i>80,001 to 100,000</i>	2	1	1	1	1
<i>100,001 to 120,000</i>	0	0	0	0	0
<i>120,001 to 140,000</i>	1	1	1	1	1
<i>140,001 and Over</i>	1	1	1	1	1
Total Buildings Available	74	72	80	82	87
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total in Progress	0	0	0	0	0

2nd Quarter 2005 R&D Mountain View Summary



Q205

3.69M sf ▼ **Available**
.36M sf ▼ **Gross**
.15M sf ▼ **Net**
\$1.18/sf ▲ **Rent**

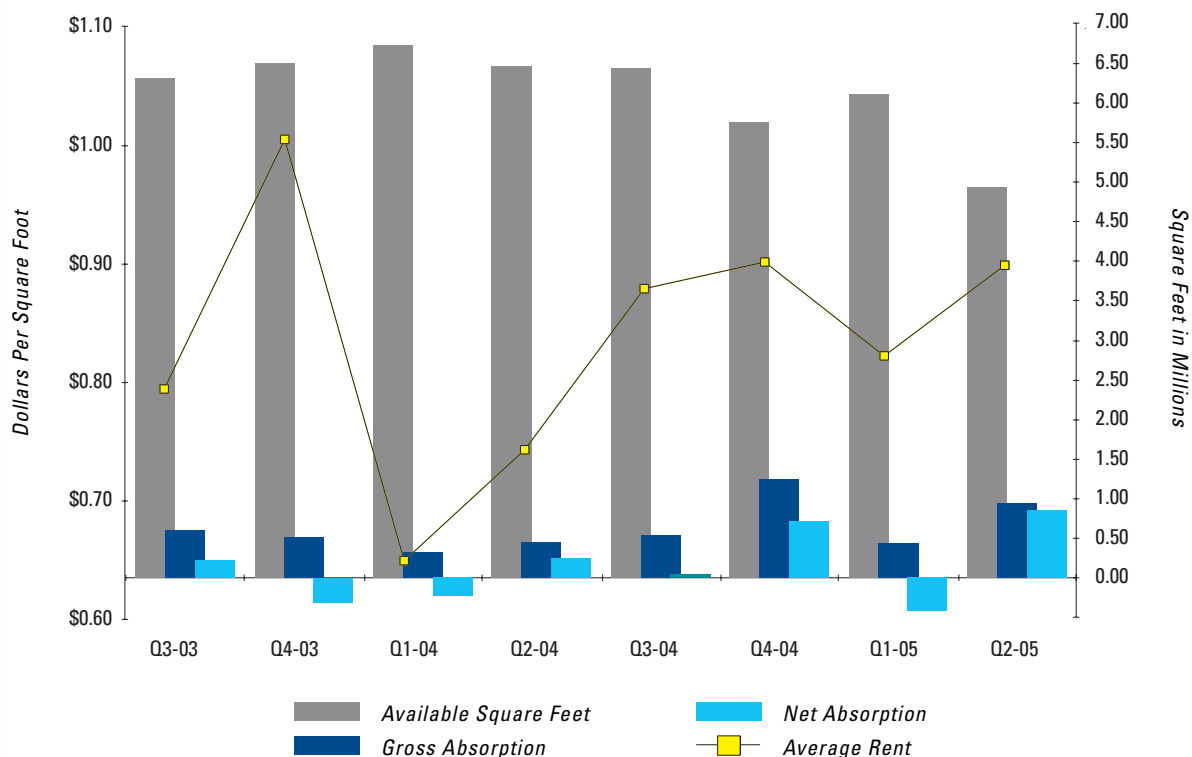
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	3,688,635	\$1.18	358,555	147,923
Q105	3,791,234	\$1.06	435,026	222,080
Q404	4,013,314	\$0.97	263,869	130,179
Q304	4,143,493	\$1.04	338,583	169,401
Q204	4,312,894	\$0.68	226,363	26,065
Q104	4,339,673	\$0.85	586,670	-18,343
Q403	4,286,213	\$1.01	635,102	43,696
Q303	4,306,437	\$0.84	1,065,828	189,578

2nd Quarter 2005 R&D Mountain View



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	186,105	140,781	140,781	136,541	136,541
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	2,812,762	2,913,737	2,827,293	2,801,328	2,830,614
<i>Previously Occupied Sublease</i>	689,768	736,716	1,045,240	1,205,624	1,345,739
Total Available	3,688,635	3,791,234	4,013,314	4,143,493	4,312,894
<i>Available Time on Market (In Months)</i>	23.11	21.99	22.98	20.19	18.97
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	0	0	0	0	17,740
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	320,274	146,091	171,469	244,496	178,823
<i>Previously Occupied Sublease</i>	38,281	288,935	92,400	94,087	29,800
Total Absorption	358,555	435,026	263,869	338,583	226,363
<i>Absorption Time on Market (In Months)</i>	23.31	20.48	7.82	12.72	19.30
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	23.71%	24.37%	25.79%	26.63%	27.72%
<i>Vacancy Rate</i>	23.31%	22.79%	25.55%	26.30%	27.72%
<i>Sublease Factor</i>	18.70%	19.43%	26.04%	29.10%	31.20%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	47	45	43	49	49
<i>20,001 to 40,000</i>	36	34	37	36	38
<i>40,001 to 60,000</i>	16	17	17	16	17
<i>60,001 to 80,000</i>	7	8	8	9	9
<i>80,001 to 100,000</i>	1	1	0	1	2
<i>100,001 to 120,000</i>	0	0	1	2	2
<i>120,001 to 140,000</i>	1	1	1	0	1
<i>140,001 and Over</i>	2	2	3	3	2
Total Buildings Available	110	108	110	116	120
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	45,324	0	0	0	0
Total in Progress	45,324	0	0	0	0

2nd Quarter 2005 R&D Sunnyvale Summary



Q205

4.93M sf ▼ **Available**
.95M sf ▲ **Gross**
.85M sf ▲ **Net**
\$.90/sf ▲ **Rent**

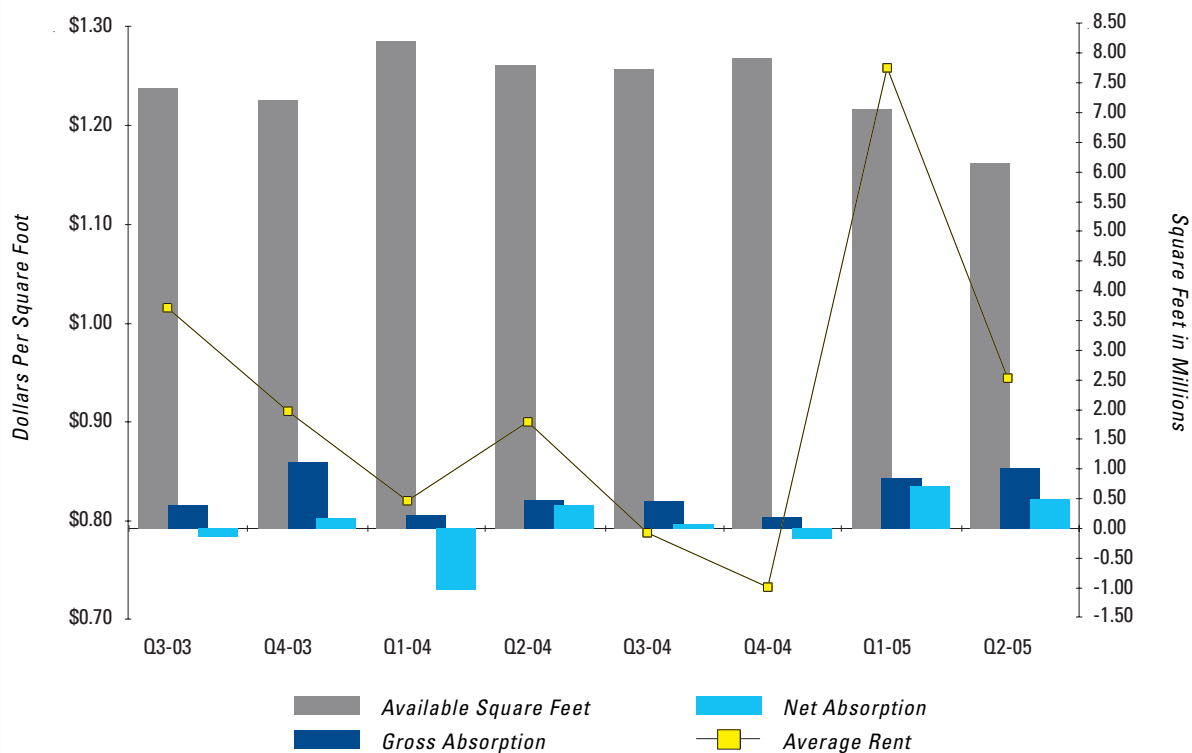
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	4,929,787	\$0.90	953,817	852,441
Q105	6,096,148	\$0.82	436,666	-409,129
Q404	5,746,985	\$0.90	1,253,310	722,709
Q304	6,440,168	\$0.88	545,694	51,826
Q204	6,471,607	\$0.74	453,378	252,866
Q104	6,724,473	\$0.65	329,234	-234,922
Q403	6,496,179	\$1.01	511,716	-298,595
Q303	6,297,956	\$0.80	607,655	220,190

2nd Quarter 2005 R&D Sunnyvale



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	312,690	231,478	390,744	511,622	448,271
<i>Shell Sublease</i>	43,500	43,500	43,500	147,973	147,973
<i>Previously Occupied Direct</i>	3,533,189	4,531,455	4,026,556	4,117,510	4,305,089
<i>Previously Occupied Sublease</i>	1,040,408	1,289,715	1,286,185	1,663,063	1,570,274
Total Available	4,929,787	6,096,148	5,746,985	6,440,168	6,471,607
<i>Available Time on Market (In Months)</i>	24.03	21.86	22.36	21.57	19.76
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	37,328	60,260	163,044	41,599	42,670
<i>Shell Sublease</i>	0	0	91,000	0	0
<i>Previously Occupied Direct</i>	901,489	334,371	565,631	476,715	375,498
<i>Previously Occupied Sublease</i>	15,000	42,035	433,635	27,380	35,210
Total Absorption	953,817	436,666	1,253,310	545,694	453,378
<i>Absorption Time on Market (In Months)</i>	22.29	17.39	19.86	17.00	17.42
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	17.99%	22.25%	20.98%	23.51%	23.62%
<i>Vacancy Rate</i>	17.67%	21.26%	20.84%	23.12%	23.52%
<i>Sublease Factor</i>	21.99%	21.87%	23.14%	28.12%	26.55%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	68	81	84	81	84
<i>20,001 to 40,000</i>	50	53	54	57	61
<i>40,001 to 60,000</i>	21	20	19	22	27
<i>60,001 to 80,000</i>	9	12	9	8	8
<i>80,001 to 100,000</i>	4	4	4	5	3
<i>100,001 to 120,000</i>	0	4	4	4	3
<i>120,001 to 140,000</i>	3	3	2	2	2
<i>140,001 and Over</i>	2	3	3	5	5
Total Buildings Available	157	180	179	184	193
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	76,080	0	0	0	0
Total in Progress	76,080	0	0	0	0

2nd Quarter 2005 R&D Santa Clara Summary



Q205

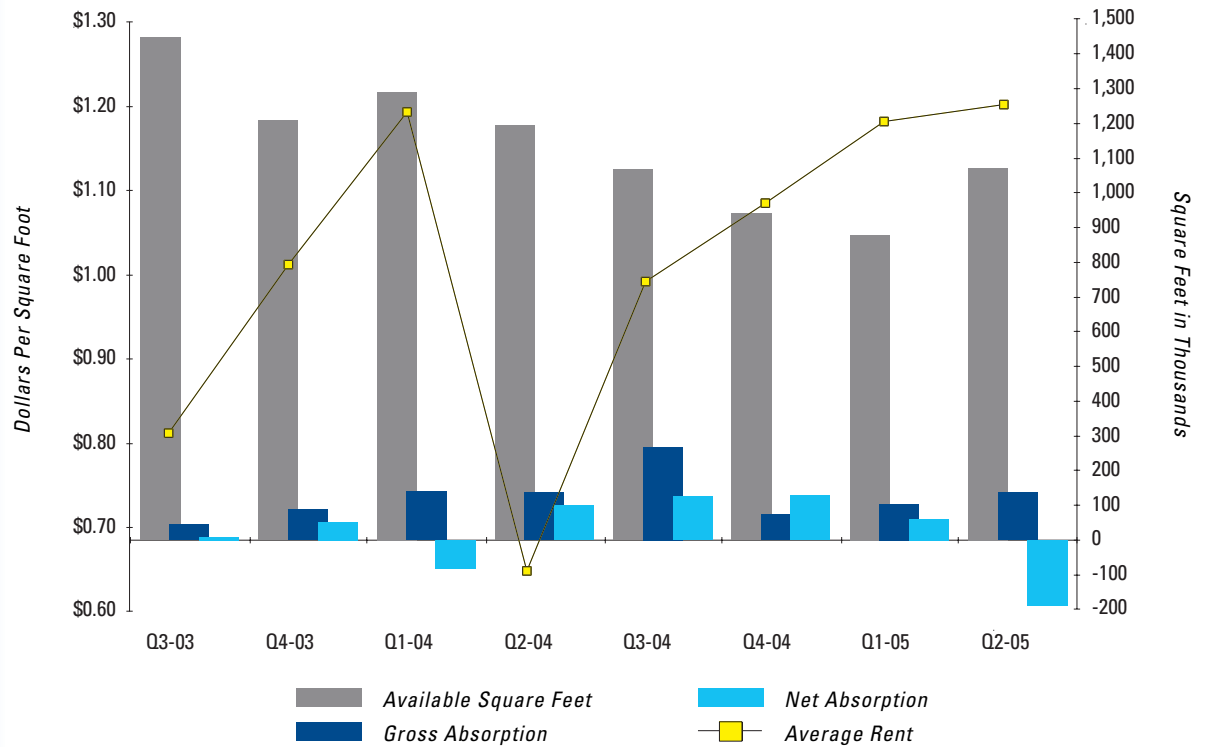
6.15M sf ▼ **Available**
1.02M sf ▲ **Gross**
.51M sf ▼ **Net**
\$.94/sf ▼ **Rent**

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	6,154,339	\$0.94	1,022,273	506,468
Q105	7,047,171	\$1.26	840,600	708,062
Q404	7,910,950	\$0.73	198,628	-182,075
Q304	7,728,875	\$0.79	457,791	68,676
Q204	7,809,250	\$0.90	494,228	388,928
Q104	8,198,178	\$0.82	239,632	-1,043,510
Q403	7,219,179	\$0.91	1,112,799	175,018
Q303	7,408,816	\$1.02	388,986	-136,458

2nd Quarter 2005 R&D Santa Clara



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	90,752	298,997	328,850	167,736	167,683
<i>Shell Sublease</i>	43,333	43,333	43,333	43,333	43,333
<i>Previously Occupied Direct</i>	4,045,560	4,445,512	5,001,243	4,946,614	4,682,018
<i>Previously Occupied Sublease</i>	1,974,694	2,259,329	2,537,524	2,571,192	2,916,216
Total Available	6,154,339	7,047,171	7,910,950	7,728,875	7,809,250
<i>Available Time on Market (In Months)</i>	25.61	24.66	22.62	21.21	19.23
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	0	29,853	0	28,300	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	781,346	787,596	87,073	366,362	453,076
<i>Previously Occupied Sublease</i>	240,927	23,151	111,555	63,129	41,152
Total Absorption	1,022,273	840,600	198,628	457,791	494,228
<i>Absorption Time on Market (In Months)</i>	18.02	19.82	16.31	17.13	17.23
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	24.77%	28.37%	31.85%	31.11%	31.44%
<i>Vacancy Rate</i>	24.77%	28.37%	31.85%	31.03%	31.44%
<i>Sublease Factor</i>	32.79%	32.67%	32.62%	33.83%	37.90%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	57	49	60	63	68
<i>20,001 to 40,000</i>	30	30	39	37	39
<i>40,001 to 60,000</i>	20	23	26	29	28
<i>60,001 to 80,000</i>	12	12	12	11	10
<i>80,001 to 100,000</i>	10	11	14	13	13
<i>100,001 to 120,000</i>	9	9	7	7	8
<i>120,001 to 140,000</i>	2	2	2	2	2
<i>140,001 and Over</i>	4	7	8	7	7
Total Buildings Available	144	143	168	169	175
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total in Progress	0	0	0	0	0



Q205

1.07M sf ▲ **Available**
.14M sf ▲ **Gross**
-.19M sf ▼ **Net**
\$1.20/sf ▲ **Rent**

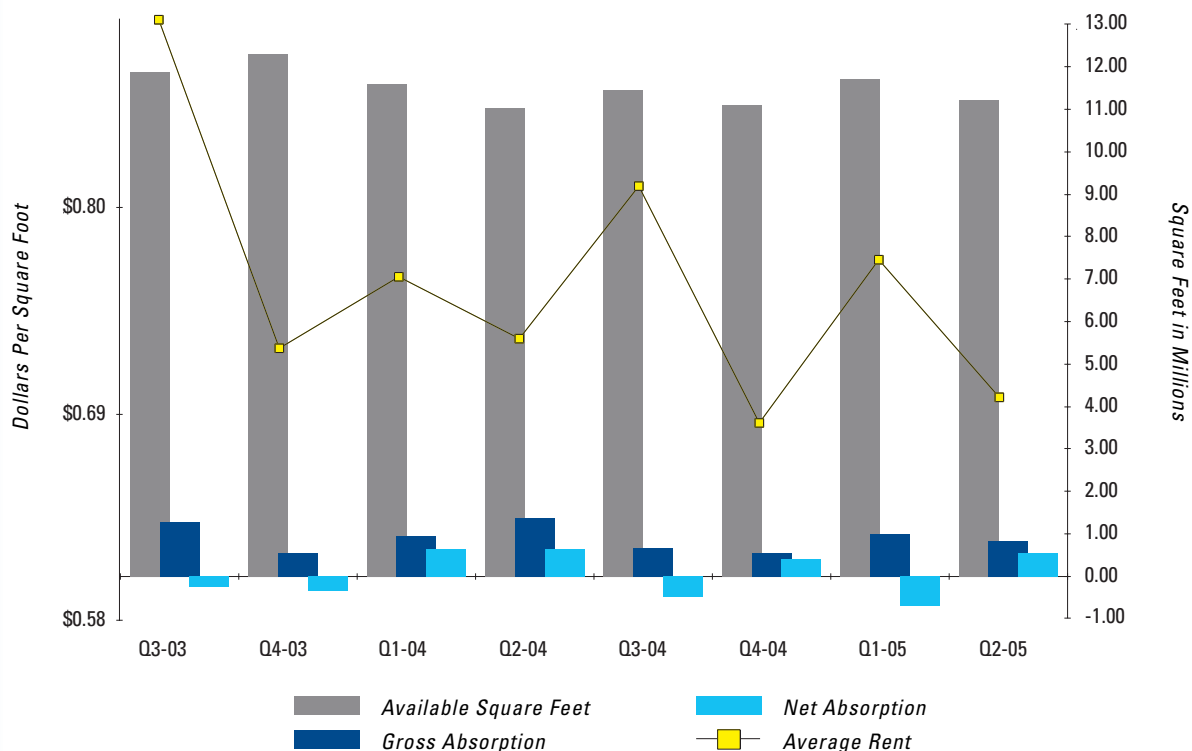
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	1,069,863	\$1.20	137,495	-190,631
Q105	879,232	\$1.18	104,465	60,975
Q404	940,207	\$1.09	73,860	127,976
Q304	1,068,183	\$0.99	268,941	124,375
Q204	1,192,558	\$0.65	138,501	99,312
Q104	1,291,870	\$1.19	139,569	-82,678
Q403	1,209,282	\$1.01	86,930	50,950
Q303	1,447,739	\$0.81	45,315	8,128

2nd Quarter 2005 R&D Los Gatos / Campbell / Cupertino



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	25,250	25,250	10,800	16,560	10,800
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	753,261	562,630	595,435	665,469	692,146
<i>Previously Occupied Sublease</i>	291,352	291,352	333,972	386,154	489,612
Total Available	1,069,863	879,232	940,207	1,068,183	1,192,558
<i>Available Time on Market (In Months)</i>	26.89	26.27	23.93	19.69	18.81
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	0	0	5,760	0	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	127,495	104,465	68,100	195,082	94,031
<i>Previously Occupied Sublease</i>	10,000	0	0	73,859	44,470
Total Absorption	137,495	104,465	73,860	268,941	138,501
<i>Absorption Time on Market (In Months)</i>	29.49	25.81	8.84	18.02	17.88
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	26.68%	21.93%	23.45%	26.64%	29.74%
<i>Vacancy Rate</i>	26.68%	21.93%	23.45%	26.64%	29.74%
<i>Sublease Factor</i>	27.23%	33.14%	35.52%	36.15%	41.06%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	18	20	20	25	29
<i>20,001 to 40,000</i>	5	9	6	7	10
<i>40,001 to 60,000</i>	3	1	4	5	5
<i>60,001 to 80,000</i>	2	1	1	1	1
<i>80,001 to 100,000</i>	0	0	0	0	0
<i>100,001 to 120,000</i>	3	1	1	1	1
<i>120,001 to 140,000</i>	1	1	1	1	1
<i>140,001 and Over</i>	0	0	0	0	0
Total Buildings Available	32	33	33	40	47
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total in Progress	0	0	0	0	0

2nd Quarter 2005 R&D San Jose Summary



Q205

11.24M sf ▼ **Available**
.83M sf ▼ **Gross**
.54M sf ▲ **Net**
\$.70/sf ▼ **Rent**

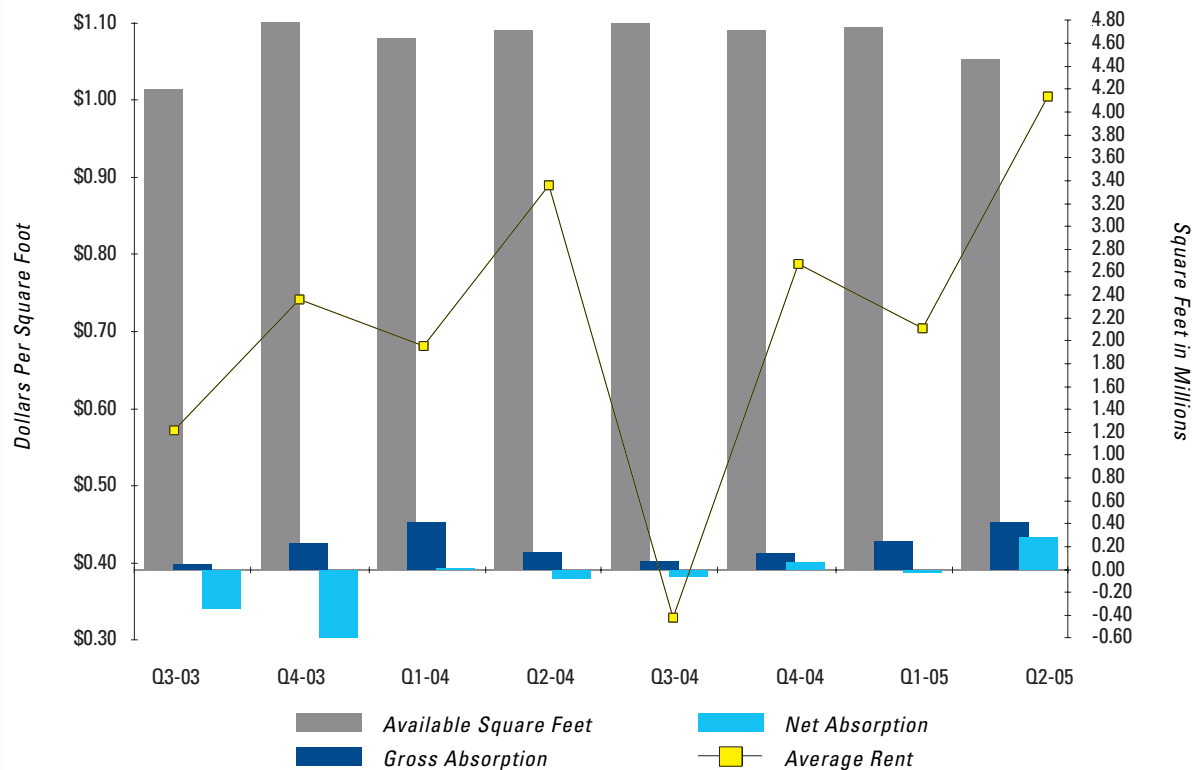
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	11,235,574	\$0.70	830,983	538,237
Q105	11,707,646	\$0.77	986,669	-706,565
Q404	11,087,762	\$0.69	540,577	393,618
Q304	11,458,851	\$0.81	662,569	-492,862
Q204	11,023,400	\$0.73	1,384,968	635,738
Q104	11,611,081	\$0.76	935,821	645,324
Q403	12,317,935	\$0.73	548,497	-366,116
Q303	11,866,579	\$0.90	1,276,260	-265,911

2nd Quarter 2005 R&D San Jose



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	1,682,013	1,436,203	1,092,526	1,112,956	1,264,949
<i>Shell Sublease</i>	150,000	150,000	150,000	150,000	150,000
<i>Previously Occupied Direct</i>	6,868,067	7,323,919	7,012,363	7,158,459	6,833,758
<i>Previously Occupied Sublease</i>	2,535,494	2,797,524	2,832,873	3,037,436	2,774,693
Total Available	11,235,574	11,707,646	11,087,762	11,458,851	11,023,400
<i>Available Time on Market (In Months)</i>	24.56	23.34	22.62	20.42	19.59
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	44,373	5,760	42,959	7,932	64,205
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	688,074	955,872	459,628	602,434	905,213
<i>Previously Occupied Sublease</i>	98,536	25,037	37,990	52,203	415,550
Total Absorption	830,983	986,669	540,577	662,569	1,384,968
<i>Absorption Time on Market (In Months)</i>	16.41	15.12	17.23	19.89	11.11
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	23.12%	24.09%	22.88%	23.65%	22.78%
<i>Vacancy Rate</i>	22.73%	23.93%	22.82%	23.30%	22.59%
<i>Sublease Factor</i>	23.90%	25.18%	26.90%	27.82%	26.53%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	91	81	89	98	90
<i>20,001 to 40,000</i>	71	75	78	75	73
<i>40,001 to 60,000</i>	40	46	40	37	33
<i>60,001 to 80,000</i>	27	27	26	30	29
<i>80,001 to 100,000</i>	22	24	26	28	28
<i>100,001 to 120,000</i>	6	5	5	5	6
<i>120,001 to 140,000</i>	3	3	2	2	1
<i>140,001 and Over</i>	7	8	6	6	6
Total Buildings Available	267	269	272	281	266
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	140,449	0	71,393	0
Total Completed	0	140,449	0	71,393	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	346,773	0	140,449	140,449	211,842
Total in Progress	346,773	0	140,449	140,449	211,842

2nd Quarter 2005 R&D Milpitas Summary



Q205

4.46M sf ▼ **Available**
.41M sf ▲ **Gross**
.28M sf ▲ **Net**
\$1.01/sf ▲ **Rent**

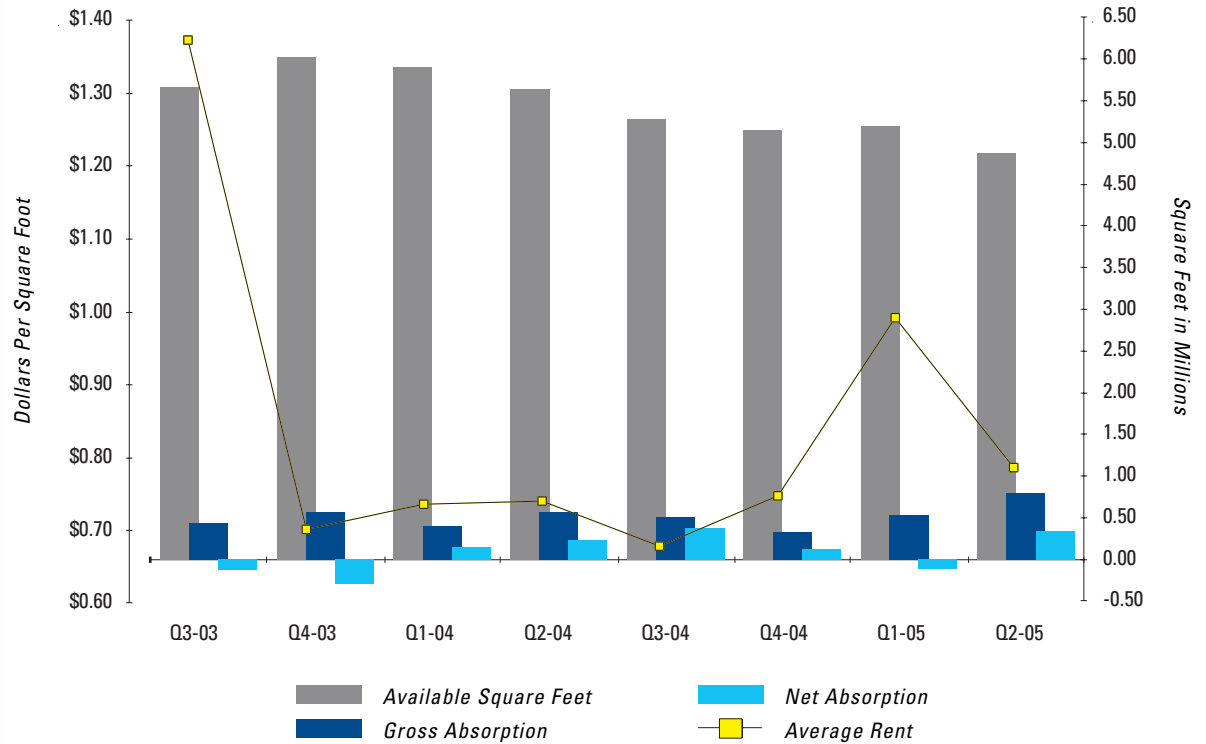
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	4,459,444	\$1.01	409,950	277,865
Q105	4,737,309	\$0.71	245,823	-19,863
Q404	4,717,446	\$0.79	143,207	60,085
Q304	4,777,531	\$0.33	67,885	-58,134
Q204	4,719,371	\$0.89	147,891	-75,564
Q104	4,643,783	\$0.68	414,288	10,002
Q403	4,789,211	\$0.74	229,812	-600,380
Q303	4,188,831	\$0.57	35,467	-340,549

2nd Quarter 2005 R&D Milpitas



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	1,139,621	1,167,228	1,161,387	1,228,011	1,254,115
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	2,448,490	2,621,470	2,555,007	2,403,683	2,316,814
<i>Previously Occupied Sublease</i>	871,333	948,611	1,001,052	1,145,837	1,148,442
Total Available	4,459,444	4,737,309	4,717,446	4,777,531	4,719,371
<i>Available Time on Market (In Months)</i>	23.11	21.83	20.98	18.81	17.00
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	59,044	0	66,624	0	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	338,976	245,823	0	67,885	147,891
<i>Previously Occupied Sublease</i>	11,930	0	76,583	0	0
Total Absorption	409,950	245,823	143,207	67,885	147,891
<i>Absorption Time on Market (In Months)</i>	19.17	12.20	17.13	16.34	6.84
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	28.94%	30.74%	30.61%	31.00%	30.63%
<i>Vacancy Rate</i>	28.10%	30.02%	30.61%	31.00%	30.63%
<i>Sublease Factor</i>	19.54%	20.02%	21.22%	23.98%	24.33%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	38	35	37	36	34
<i>20,001 to 40,000</i>	29	28	26	25	25
<i>40,001 to 60,000</i>	25	27	26	27	26
<i>60,001 to 80,000</i>	8	7	7	8	8
<i>80,001 to 100,000</i>	6	6	5	6	6
<i>100,001 to 120,000</i>	2	2	3	2	3
<i>120,001 to 140,000</i>	0	1	1	1	0
<i>140,001 and Over</i>	3	4	4	4	4
Total Buildings Available	111	110	109	109	106
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total in Progress	0	0	0	0	0

2nd Quarter 2005 R&D Fremont Summary



Q205

4.87M sf ▼ **Available**
.79M sf ▲ **Gross**
.33M sf ▲ **Net**
\$.79/sf ▼ **Rent**

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	4,872,112	\$0.79	791,627	331,474
Q105	5,203,586	\$0.99	521,536	-124,595
Q404	5,154,028	\$0.75	320,185	115,338
Q304	5,269,366	\$0.68	505,919	367,206
Q204	5,636,572	\$0.74	557,415	235,107
Q104	5,903,221	\$0.74	400,994	153,523
Q403	6,025,202	\$0.70	556,149	-294,165
Q303	5,674,126	\$1.37	428,678	-128,066

2nd Quarter 2005 R&D Fremont



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	397,275	657,518	732,555	732,555	740,908
<i>Shell Sublease</i>	114,718	134,629	134,629	134,629	134,629
<i>Previously Occupied Direct</i>	3,884,339	3,895,336	3,754,094	3,783,874	4,068,355
<i>Previously Occupied Sublease</i>	475,780	516,103	532,750	618,308	692,680
Total Available	4,872,112	5,203,586	5,154,028	5,269,366	5,636,572
<i>Available Time on Market (In Months)</i>	23.11	22.65	22.36	21.01	19.10
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	220,000	0	74,296	38,853	20,135
<i>Shell Sublease</i>	7,530	0	0	0	0
<i>Previously Occupied Direct</i>	548,572	521,536	245,889	445,090	425,750
<i>Previously Occupied Sublease</i>	15,525	0	0	21,976	111,530
Total Absorption	791,627	521,536	320,185	505,919	557,415
<i>Absorption Time on Market (In Months)</i>	15.09	20.42	20.55	18.84	9.67
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	27.26%	29.11%	28.83%	29.48%	31.53%
<i>Vacancy Rate</i>	26.81%	27.15%	28.79%	29.48%	30.70%
<i>Sublease Factor</i>	12.12%	12.51%	12.95%	14.29%	14.68%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	70	63	67	64	74
<i>20,001 to 40,000</i>	48	45	45	47	51
<i>40,001 to 60,000</i>	21	23	22	21	24
<i>60,001 to 80,000</i>	10	10	10	11	14
<i>80,001 to 100,000</i>	8	9	7	7	5
<i>100,001 to 120,000</i>	0	1	1	1	1
<i>120,001 to 140,000</i>	1	0	0	0	0
<i>140,001 and Over</i>	1	2	2	2	2
Total Buildings Available	159	153	154	153	171
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	67,040	67,040	67,040	0	0
Total in Progress	67,040	67,040	67,040	0	0

Real News

the silicon valley quarterly on commercial real estate

Q205 Office Highlights

Supply

The available office space increased in the second quarter of 2005, ending the quarter with 9,601,922 square feet available, an increase of 272,076 square feet. The availability rate increased to 22.22%, an increase of .61% at the end of the second quarter. The percent of available space that is sublease space decreased to 17.33% at the end of the quarter, down from 18.10% in the first quarter 2005.

Demand

Office demand remained stable in the second quarter of 2005. Gross absorption for the second quarter was 1,123,269 square feet. The second quarter of 2005 saw a negative net absorption of 244,258 square feet, the second quarter of negative net absorption in seven quarters.

Rent

The average effective rent at the end of the second quarter was \$2.235 per square foot Full Service, an increase of \$0.178 from the end of the first quarter of 2005.

Construction

Construction in the second quarter of 2005 shows 132,991 square feet of office space under construction. Of that total number 80,000 square feet is being built for NetFlix as their new headquarters in Los Gatos.

Submarkets

San Jose Airport

The total availability factor in the Airport office market decreased from 18.90% to 17.43% at the end of the second quarter. Average rents have shown an increase in the second quarter of \$.176, increasing from \$1.779 Full Service in the first quarter to \$1.958 Full Service in the second quarter. Sublease space in the Airport market increased slightly to 13.61% of the total vacancy, compared to 13.36% at the end of the first quarter of 2005.

Downtown Class A

The total vacancy factor in the Downtown Class A office market showed little change, ending the second quarter at 34.33%, or 927,241 square feet, with no Class A office direct lease transactions occurring. There were, however, lease renewals totaling 14,752 square feet. The Class A sublease space stabilized at 3.5% of the total vacancy at the end of the second quarter. The Class A average rent at the end of the second quarter remained at \$2.25 Full Service.

Real News

the silicon valley quarterly on commercial real estate

Forecast for Q305

Supply

The supply of office space is stable and declining slowly. Good quality space in desirable areas is hard to find. There is a separation in certain markets between Class A and Class B rents. The West Valley cities and other boutique locations are very tight with some having single digit vacancies. Tenants are expecting landlords to provide turn-key "plug and play" space, but are willing to pay a premium for it in some cases given the lack of "plug and play" space in the market. Downtime is significantly reduced for "plug and play" spaces.

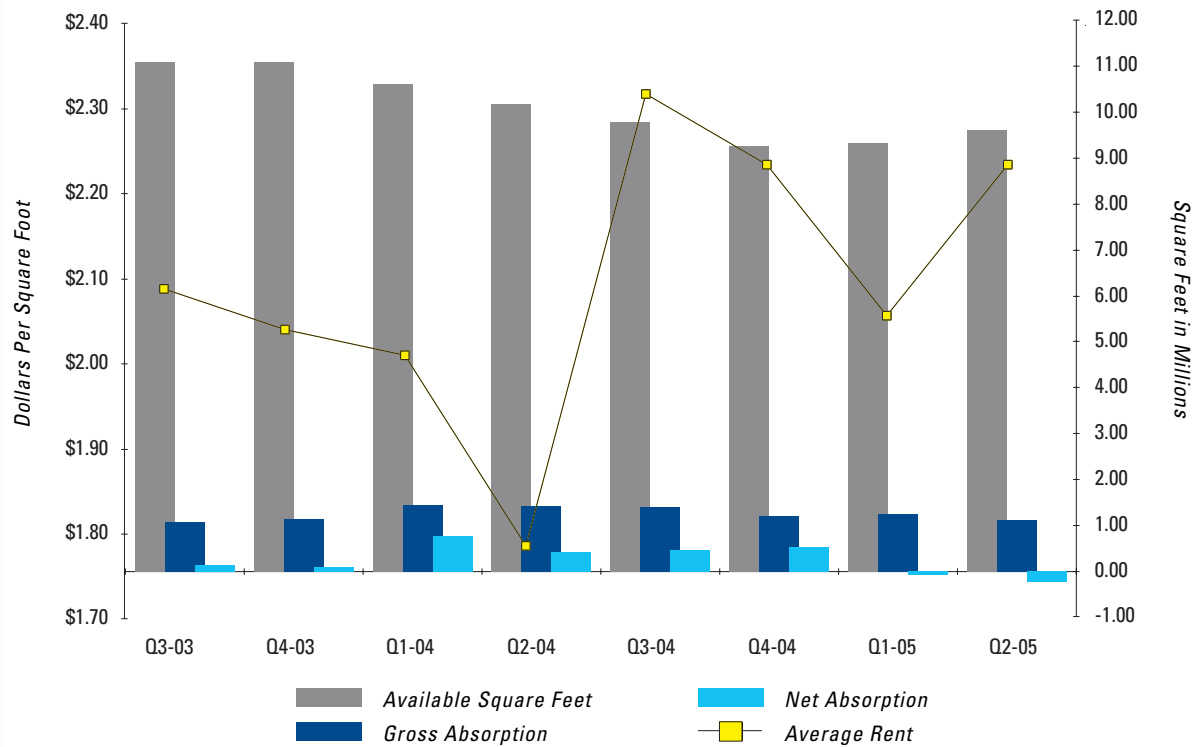
Demand

Net absorption should be slightly positive in the third quarter after one period of negative net absorption. We expect there to be fewer landlord concessions available for tenants in the market. Gross absorption should remain stable.

Rent

Rents will probably increase in certain desirable markets, while other markets with more inventory should remain extremely competitive. Class A buildings will most likely rent for a premium over lesser quality space in the market.

2nd Quarter 2005 Office Silicon Valley Summary



Q205

9.60M sf ▲ **Available**
1.12M sf ▼ **Gross**
-.24M sf ▼ **Net**
\$2.24/sf ▲ **Rent**

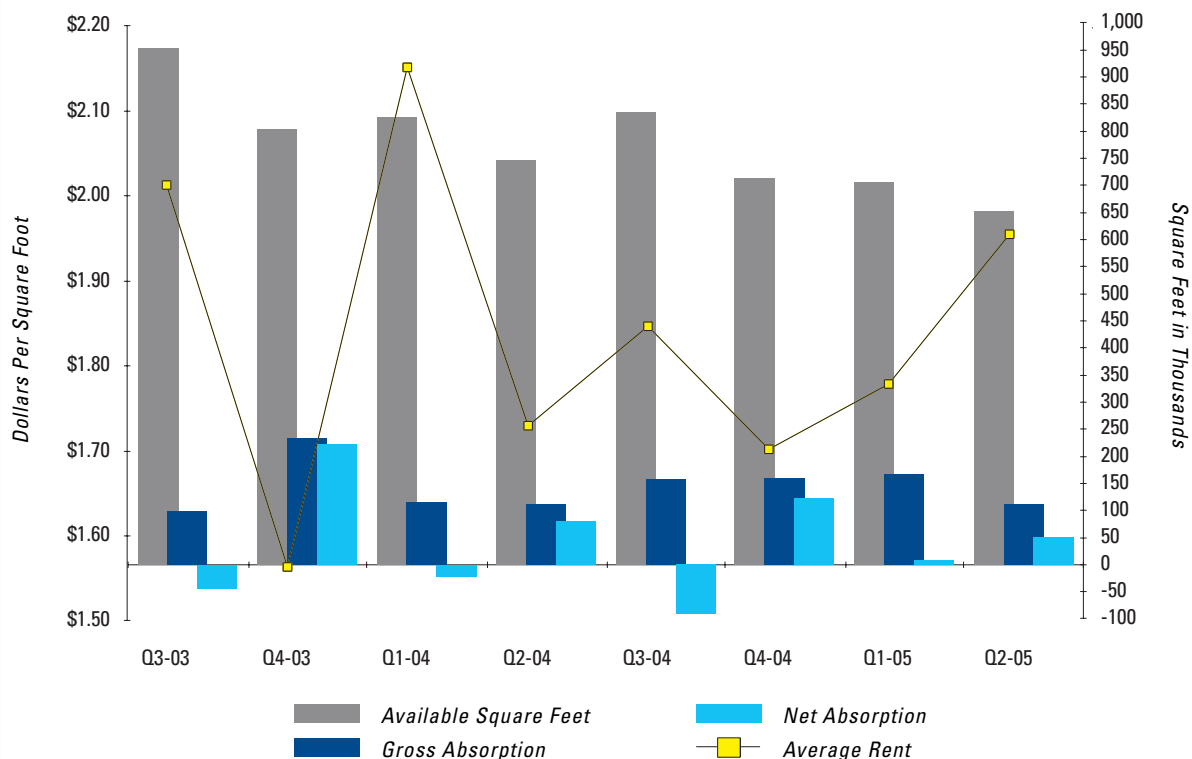
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	9,601,922	\$2.24	1,123,269	-244,258
Q105	9,329,846	\$2.06	1,264,595	-66,258
Q404	9,256,507	\$2.23	1,197,178	533,082
Q304	9,788,487	\$2.32	1,396,473	472,377
Q204	10,199,642	\$1.79	1,414,633	422,063
Q104	10,600,943	\$2.01	1,438,291	761,214
Q403	11,090,443	\$2.04	1,133,268	85,553
Q303	11,098,363	\$2.09	1,060,412	137,913

2nd Quarter 2005 Office Silicon Valley



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	1,309,355	1,360,792	1,389,774	1,635,618	1,644,897
<i>Shell Sublease</i>	34,723	35,814	56,483	56,483	81,016
<i>Previously Occupied Direct</i>	6,628,598	6,280,361	6,233,747	6,565,710	6,826,669
<i>Previously Occupied Sublease</i>	1,629,246	1,652,879	1,576,503	1,530,676	1,647,060
Total Available	9,601,922	9,329,846	9,256,507	9,788,487	10,199,642
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	289,681	57,535	219,153	160,177	172,332
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	714,398	999,685	854,520	1,002,860	892,606
<i>Previously Occupied Sublease</i>	119,190	207,375	123,505	233,436	349,695
Total Absorption	1,123,269	1,264,595	1,197,178	1,396,473	1,414,633
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	22.22%	21.93%	21.42%	22.65%	23.60%
<i>Vacancy Rate</i>	21.60%	21.18%	21.29%	22.42%	23.49%
<i>Sublease Factor</i>	17.33%	18.10%	17.64%	16.21%	16.94%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	373	349	377	367	398
<i>20,001 to 40,000</i>	75	83	79	79	89
<i>40,001 to 60,000</i>	21	16	19	20	21
<i>60,001 to 80,000</i>	9	8	9	12	12
<i>80,001 to 100,000</i>	5	5	5	4	5
<i>100,001 to 120,000</i>	4	5	5	6	5
<i>120,001 to 140,000</i>	3	3	1	2	1
<i>140,001 and Over</i>	7	7	7	7	8
Total Buildings Available	497	476	502	497	539
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	7,061
Total Completed	0	0	0	0	7,061
In-Process Construction					
<i>Build-To-Suit</i>	80,000	80,000	0	0	0
<i>Spec Construction</i>	52,991	9,420	9,420	9,420	21,920
Total in Progress	132,991	89,420	9,420	9,420	21,920

2nd Quarter 2005 Office San Jose Airport Summary



Q205

.65M sf ▼ *Available*
.11M sf ▼ *Gross*
.05M sf ▲ *Net*
\$1.96/sf ▲ *Rent*

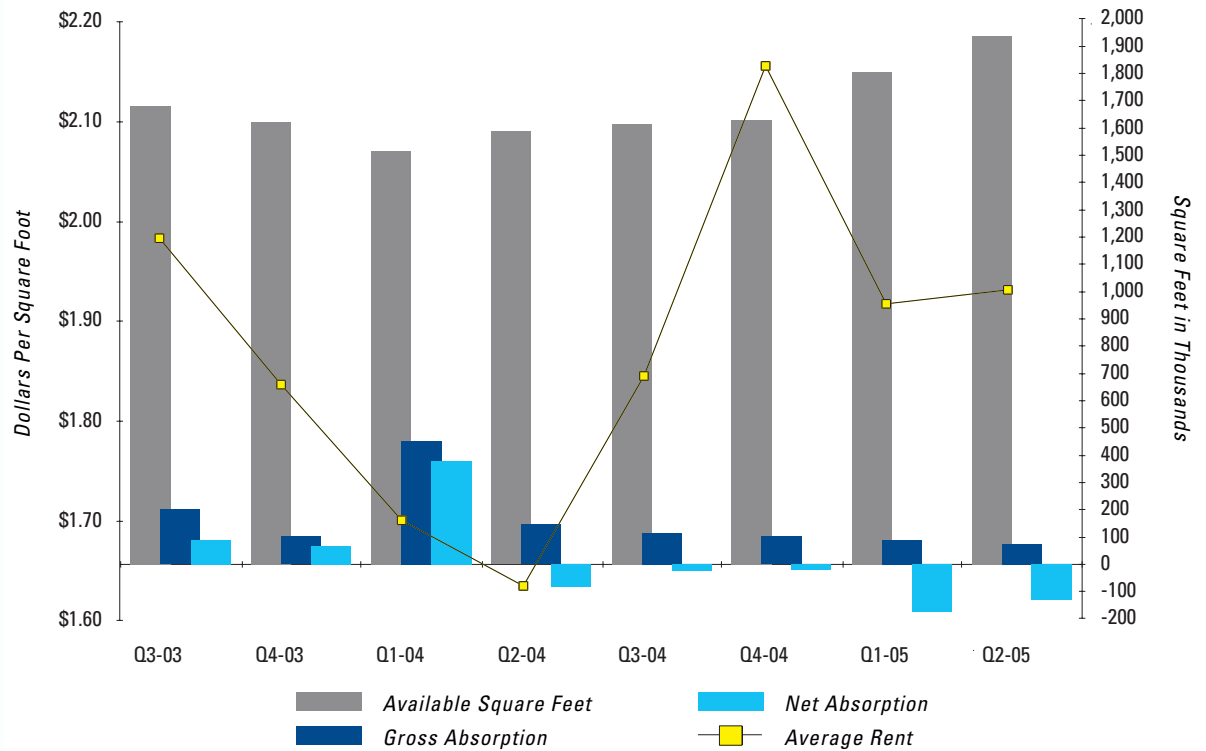
<i>Period</i>	<i>Available sf</i>	<i>Average Rent</i>	<i>Gross Absorption</i>	<i>Net Absorption</i>
<i>Q205</i>	651,300	\$1.96	112,061	50,924
<i>Q105</i>	706,255	\$1.78	155,801	7,062
<i>Q404</i>	713,317	\$1.70	160,348	122,593
<i>Q304</i>	835,910	\$1.85	158,611	-90,229
<i>Q204</i>	745,681	\$1.73	113,049	80,153
<i>Q104</i>	825,834	\$2.15	115,061	-22,211
<i>Q403</i>	803,623	\$1.56	233,595	222,066
<i>Q303</i>	952,948	\$2.01	98,588	-44,497

2nd Quarter 2005 Office San Jose Airport



Available Supply	Q205	Q105	Q404	Q304	Q204
Shell Direct	34,305	34,305	34,305	34,305	35,360
Shell Sublease	0	0	24,042	24,042	24,042
Previously Occupied Direct	528,363	577,582	562,051	659,567	613,366
Previously Occupied Sublease	88,632	94,368	92,919	117,996	72,913
Total Available	651,300	706,255	713,317	835,910	745,681
Gross Absorption	Q205	Q105	Q404	Q304	Q204
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	100,329	125,430	138,681	147,337	50,784
Previously Occupied Sublease	11,732	30,371	21,667	11,274	62,265
Total Absorption	112,061	155,801	160,348	158,611	113,049
Supply Rates	Q205	Q105	Q404	Q304	Q204
Availability Rate	17.43%	18.90%	19.08%	22.37%	19.95%
Vacancy Rate	17.43%	18.90%	19.08%	20.82%	19.95%
Sublease Factor	13.61%	13.36%	16.40%	16.99%	13.00%
Size Ranges	Q205	Q105	Q404	Q304	Q204
0 to 20,000	17	15	20	17	15
20,001 to 40,000	7	8	8	9	9
40,001 to 60,000	3	2	4	4	3
60,001 to 80,000	2	2	1	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	29	28	33	33	30
Construction Types	Q205	Q105	Q404	Q304	Q204
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

2nd Quarter 2005 Office Downtown San Jose Summary



Q205

1.94M sf ▲ **Available**
.07M sf ▼ **Gross**
-.13M sf ▲ **Net**
\$1.93/sf ▲ **Rent**

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	1,937,554	\$1.93	73,396	-129,708
Q105	1,804,352	\$1.92	88,899	-172,870
Q404	1,631,482	\$2.16	102,257	-18,543
Q304	1,612,939	\$1.85	112,867	-25,956
Q204	1,586,983	\$1.64	143,642	-81,572
Q104	1,515,240	\$1.70	452,447	377,304
Q403	1,620,830	\$1.84	101,078	65,881
Q303	1,682,275	\$ 1.98	202,326	89,749

2nd Quarter 2005 Office San Jose Downtown



Available Supply	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	455,162	455,162	455,162	455,162	455,162
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	1,333,585	1,216,484	1,030,865	1,038,942	1,015,704
<i>Previously Occupied Sublease</i>	148,807	132,706	145,455	118,835	116,117
Total Available	1,937,554	1,804,352	1,631,482	1,612,939	1,586,983
Gross Absorption	Q205	Q105	Q404	Q304	Q204
<i>Shell Direct</i>	3,494	0	0	0	0
<i>Shell Sublease</i>	0	0	0	0	0
<i>Previously Occupied Direct</i>	59,853	69,069	100,215	99,099	126,912
<i>Previously Occupied Sublease</i>	10,049	19,830	2,042	13,768	16,730
Total Absorption	73,396	88,899	102,257	112,867	143,642
Supply Rates	Q205	Q105	Q404	Q304	Q204
<i>Availability Rate</i>	32.43%	30.20%	27.31%	27.00%	26.56%
<i>Vacancy Rate</i>	32.43%	30.20%	27.31%	27.00%	26.56%
<i>Sublease Factor</i>	7.68%	7.35%	8.92%	7.37%	7.32%
Size Ranges	Q205	Q105	Q404	Q304	Q204
<i>0 to 20,000</i>	41	37	37	39	34
<i>20,001 to 40,000</i>	10	12	13	9	7
<i>40,001 to 60,000</i>	4	2	2	4	5
<i>60,001 to 80,000</i>	3	2	2	2	2
<i>80,001 to 100,000</i>	2	2	2	2	2
<i>100,001 to 120,000</i>	0	0	0	0	0
<i>120,001 to 140,000</i>	1	1	0	0	0
<i>140,001 and Over</i>	2	2	2	2	2
Total Buildings Available	63	58	58	58	52
Construction Types	Q205	Q105	Q404	Q304	Q204
Completed Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
<i>Build-To-Suit</i>	0	0	0	0	0
<i>Spec Construction</i>	0	0	0	0	0
Total in Progress	0	0	0	0	0

Real News

the silicon valley quarterly on commercial real estate

Q205 Warehouse Highlights

Supply

Supply ended the second quarter virtually unchanged from the end of the first quarter. Overall vacancy stood at 19.25% for warehouse in the greater Silicon Valley. Net absorption for the period was slightly negative with 48,250 square feet more coming on the market than was taken off the market. This makes the year to date total net absorption negative 457,000 square feet. Average time on the market increased again, albeit slightly, to 1.35 years. This figure represents the longest time period in the last 4 quarters - near the record level of 1.47 years. The city of San Jose continues to account for the largest portion of the Valley's vacancy with about 44% or 2.9 million square feet on the market for sale or lease. Sunnyvale, as usual, was the tightest market, finishing the quarter with only 155,000 square feet available or 2.5 % of the Valley's total vacancy factor. Once again, no new warehouse projects were constructed in the quarter and there is no new construction planned.

Demand

Gross absorption continued to be strong with 1.11 million square feet leased, sold or taken off the market during the second quarter. There were 35 new transactions, five renewals and one space taken off the market and/or reoccupied by the tenant. Last quarter again saw three deals in excess of 100,000 square feet, highlighted by Alom Technology's taking of 120,000 square feet in Fremont. Of note was the motivation for this tenant's relocation: their existing Class A warehouse building has been sold and will be torn down and replaced with a residential development. Average deal size remained consistent with the previous eight quarters at 34,555 square feet.

Rent

On the surface, average rents took their biggest hit in 2 1/2 years, dropping 20% to \$.254 NNN. This number reflects several short term deals in space soon to be torn down for residential, as well as a few larger deals struck in Class C buildings. It is important to note that 35% of the deals from last quarter had a starting rate of at least \$.35 NNN. Also of note were the six warehouse sales (all to users) in the second quarter that totaled 294,000 square feet or 27% of the total gross absorption. With interest rates still at historic low levels, warehouse tenants are looking to become owners rather than renters. The average sales price for the six transactions was \$78.49 per square foot; somewhat surprising as the last time rents were in the \$.33-\$.35 NNN range, these types of buildings traded in the \$35-\$40 per square foot range. The 3.9 year average lease term was right on average for the previous 12 quarters.

Real News

the silicon valley quarterly on commercial real estate

Forecast for Q305

Supply

The supply of warehouse space should resume its slow decline through 2005 as the market remains active. We don't expect a huge change in the overall supply near term. However, as the overall warehouse base in the market continues to decline with residential conversions, we feel that an increase in growth demand, coupled with the relocation of a few hundred thousand square feet of tenants from these conversions, could lead to a noticeable change in the vacancy number and, ultimately, rents.

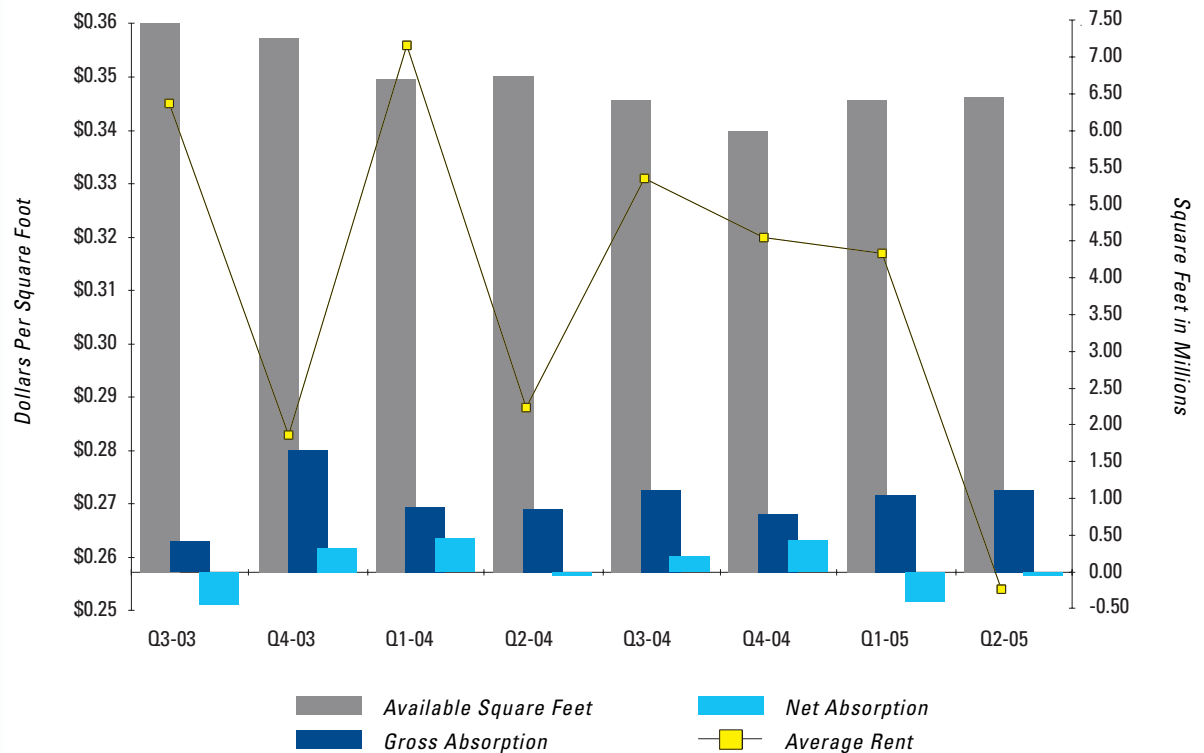
Demand

We expect the number of transactions to remain strong as the market continues to be active with requirements. While there are a few larger deals lurking in the market, the majority of the demand will continue to be for smaller (15,000-25,000 square feet) spaces and for quality properties. The demand will be evenly split between companies expanding and companies contracting.

Rents

Rents in general should not see any significant increase during the balance of 2005. We expect Class A spaces in the best locations will be able to hold firmer on asking rates that currently average in the high \$.30's NNN right now. However, one major Silicon Valley and national warehouse landlord, in an effort to lease their long vacant spaces, has announced they are willing to sign three year leases at \$.29 NNN flat. This same group two years ago announced a similar "two years at \$.25" campaign in an effort to get all of their spaces leased by the end of the year. This demonstrates in part that some of the greatest minds in the country don't see the demand or rents in the Silicon Valley increasing significantly over the next three years.

2nd Quarter 2005 Warehouse Silicon Valley Summary



Q205

6.46M sf ▲ **Available**
1.11M sf ▲ **Gross**
-.05M sf ▲ **Net**
\$.25/sf ▼ **Rent**

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q205	6,456,920	\$0.25	1,108,067	-48,250
Q105	6,408,670	\$0.32	1,046,176	-408,532
Q404	6,000,138	\$0.32	785,256	420,647
Q304	6,420,785	\$0.33	1,112,988	210,641
Q204	6,752,626	\$0.29	864,188	-50,729
Q104	6,701,897	\$0.36	878,801	462,113
Q403	7,259,510	\$0.28	1,660,142	319,912
Q303	7,472,422	\$0.35	410,904	-445,609

2nd Quarter 2005 Warehouse Silicon Valley



Available Supply	Q205	Q105	Q404	Q304	Q204
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	5,360,038	5,186,276	4,845,675	5,205,739	5,831,515
Previously Occupied Sublease	1,096,882	1,222,394	1,154,463	1,215,046	921,111
Total Available	6,456,920	6,408,670	6,000,138	6,420,785	6,752,626
Available Time on Market (In Months)	16.21	17.95	19.07	15.72	14.07
Gross Absorption	Q205	Q105	Q404	Q304	Q204
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	1,062,465	982,548	771,051	1,057,155	851,188
Previously Occupied Sublease	45,602	63,628	14,205	55,833	13,000
Total Absorption	1,108,067	1,046,176	785,256	1,112,988	864,188
Absorption Time on Market (In Months)	16.21	15.19	13.81	14.86	17.69
Supply Rates	Q205	Q105	Q404	Q304	Q204
Availability Rate	19.25%	19.11%	17.89%	19.14%	20.13%
Vacancy Rate	18.69%	18.49%	17.89%	18.86%	19.95%
Sublease Factor	16.99%	19.07%	19.24%	18.92%	13.64%
Size Ranges	Q205	Q105	Q404	Q304	Q204
0 to 20,000	27	20	27	32	38
20,001 to 40,000	33	44	44	47	48
40,001 to 60,000	16	14	15	16	19
60,001 to 80,000	12	8	11	11	12
80,001 to 100,000	7	7	7	6	6
100,001 to 120,000	7	8	5	7	9
120,001 to 140,000	4	5	4	3	4
140,001 and Over	8	7	6	6	5
Total Buildings Available	114	113	119	128	141
Construction Types	Q205	Q105	Q404	Q304	Q204
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

Real News

the silicon valley quarterly on commercial real estate

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



475 El Camino Real, Suite 100
Santa Clara, California 95050-4300
Tel (408) 615-3400 Fax (408) 615-3444
www.cps-co.com