

RealNews

the silicon valley quarterly on commercial real estate

***Third Quarter 2004
Quarterly Study***



Q304 R&D Highlights

Supply

In the third quarter, available space decreased 428,274 square feet to end the quarter at 43,377,980 square feet of available space which equates to a 25.72% availability factor. Sublease space as a percentage of total available inventory has declined steadily over 13 consecutive quarters and ended the third quarter at 26.98% of the available space. In the third quarter, the average time on the market for available space increased slightly to 1.7 years.

Demand

Gross absorption in the third quarter was 3,190,064 square feet, slightly lower than the four previous quarters. Net absorption in the third quarter totaled 379,577 square feet which was the second consecutive quarter that the market experienced positive net absorption. There were 168 lease transactions and 27 user sale transactions completed in the third quarter. Average time on the market for leased space increased to 1.46 years at the end of the third quarter, up from 1.06 years at the end of the second quarter.

Rent/Price

Average effective rents for leases consummated in the third quarter were \$.885 per square foot per month triple net, up from the second quarter average of \$.795 per square foot. In the third quarter, starting rents averaged \$.831 per square foot per month triple net up from the second quarter average of \$.752 per square foot. Average tenant improvement allowances decreased in the third quarter to \$6.21 per square foot, down from the second quarter average of \$8.70 per square foot.

The two strongest submarkets based on rents are Menlo Park/Palo Alto and Mountain View. The availability rate in Menlo Park/Palo Alto declined to 16.5% at the end of the third quarter, down from 17.49% at the end of the second quarter. The Menlo Park/Palo Alto average rent was \$1.39 per square foot triple net in the third quarter, a slight increase from the \$1.37 average in the second quarter. The availability rate in Mountain View declined to 26.63% at the end of the third quarter, down from 27.72% at the end of the second quarter. The Mountain View average rent was \$1.04 per square foot triple net in the third quarter, a large increase from the \$.68 average in the second quarter.

The weakest submarkets are Santa Clara and San Jose. The availability rate in Santa Clara declined slightly to 31.11% at the end of the third quarter, down from 31.44% at the end of the second quarter. The Santa Clara average rent was \$.79 per square foot triple net in the third quarter, a decline from the \$.90 average in the second quarter. The availability rate in San Jose increased slightly to 23.65% at the end of the third quarter, up from 22.78% at the end of the second quarter. The San Jose average rent was \$.81 per square foot triple net in the third quarter, an increase from the \$.73 average in the second quarter.

The 27 user sales that closed in the third quarter totaled 524,966 square feet. The average sales price was \$100.30 per square foot. Asking prices averaged \$111.07 per square foot.

Construction

Phase one of Venture Corporations condominium project totaling 71,393 square feet was completed in the third quarter. There is 140,449 square feet of new product currently under construction comprised of Borelli Investments condominium project and of the second phase of Venture Corporations project.

Forecast for Q404

Supply

Available inventory is expected continue to decrease in the fourth quarter especially in high quality and well located properties.

Demand

Gross absorption is expected to continue to be in the three million square foot per quarter range and net absorption is expected to continue to be positive.

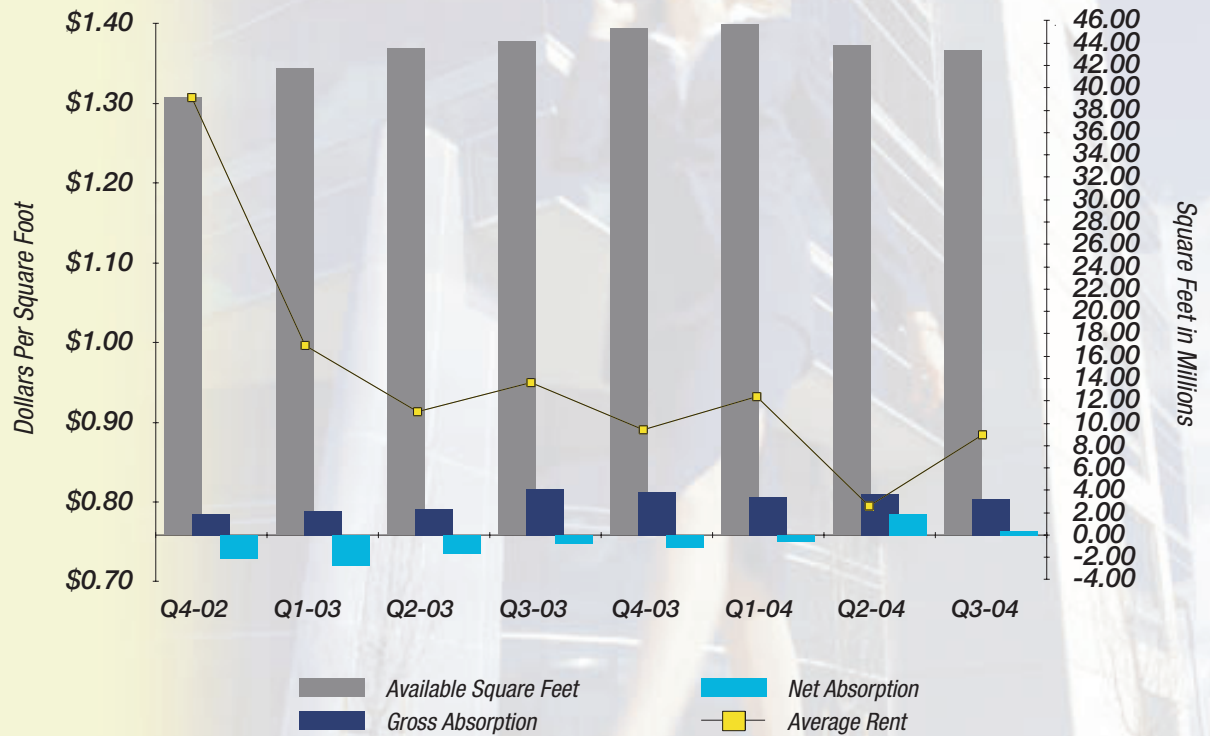
Rents

Rents are expected to average under \$1.00 per square foot per month triple net with rents in low quality and secondary locations expected to be substantially less.

Construction

There will be very little new construction.

3rd Quarter 2004 R&D Silicon Valley Summary



Q304

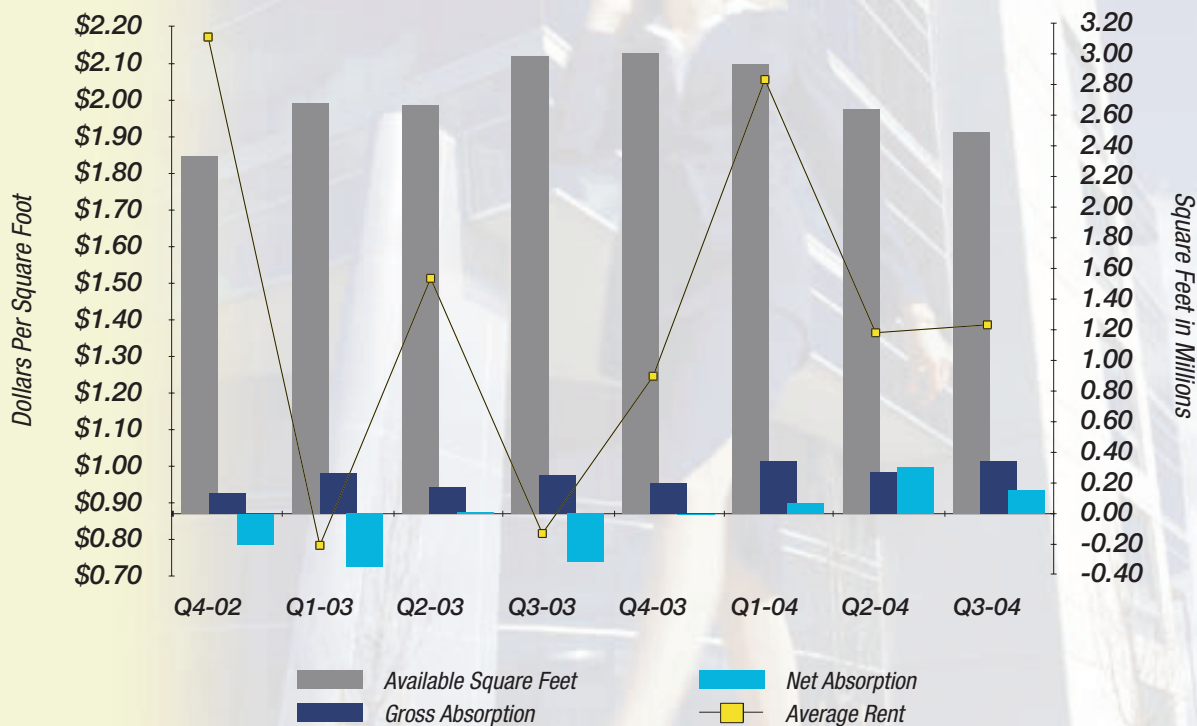
43.38M sf ▼ Available
 3.19M sf ▼ Gross
 .38M sf ▼ Net
 \$.89/sf ▲ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

3rd Quarter 2004 R&D Silicon Valley



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Shell Direct | 4,004,032 | 4,095,136 | 4,476,092 | 4,684,277 | 3,714,194 |
| Shell Sublease | 481,934 | 516,818 | 504,614 | 553,546 | 602,207 |
| Previously Occupied Direct | 27,668,945 | 27,745,771 | 27,669,366 | 26,564,753 | 25,340,728 |
| Previously Occupied Sublease | 11,223,069 | 11,448,529 | 12,972,290 | 13,546,173 | 14,526,634 |
| Total Available | 43,377,980 | 43,806,254 | 45,652,362 | 45,348,749 | 44,183,763 |
| Available Time on Market (In Months) | 20.61 | 19.17 | 17.39 | 16.31 | 15.39 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 116,684 | 153,500 | 172,464 | 109,685 | 602,117 |
| Shell Sublease | 0 | 0 | 0 | 21,000 | 0 |
| Previously Occupied Direct | 2,692,088 | 2,745,369 | 2,663,122 | 3,410,448 | 3,186,789 |
| Previously Occupied Sublease | 381,292 | 769,648 | 554,347 | 342,944 | 311,725 |
| Total Absorption | 3,190,064 | 3,668,517 | 3,389,933 | 3,884,077 | 4,100,631 |
| Absorption Time on Market (In Months) | 17.52 | 12.76 | 14.93 | 12.82 | 12.43 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 25.72% | 25.99% | 27.07% | 26.90% | 26.23% |
| Vacancy Rate | 25.50% | 25.83% | 26.88% | 26.69% | 26.09% |
| Sublease Factor | 26.98% | 27.31% | 29.52% | 31.09% | 34.24% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 456 | 469 | 510 | 519 | 502 |
| 20,001 to 40,000 | 305 | 320 | 344 | 325 | 316 |
| 40,001 to 60,000 | 169 | 174 | 170 | 174 | 163 |
| 60,001 to 80,000 | 84 | 85 | 95 | 98 | 93 |
| 80,001 to 100,000 | 61 | 58 | 52 | 52 | 49 |
| 100,001 to 120,000 | 22 | 24 | 25 | 26 | 30 |
| 120,001 to 140,000 | 9 | 8 | 10 | 12 | 15 |
| 140,001 and Over | 28 | 27 | 28 | 26 | 26 |
| Total Buildings Available | 1,134 | 1,165 | 1,233 | 1,232 | 1,194 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 150,000 | 0 |
| Spec Construction | 71,393 | 0 | 0 | 5,840 | 25,579 |
| Total Completed | 71,393 | 0 | 0 | 155,840 | 25,579 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 150,000 |
| Spec Construction | 140,449 | 211,842 | 138,400 | 138,400 | 5,840 |
| Total in Progress | 140,449 | 211,842 | 138,400 | 138,400 | 155,840 |



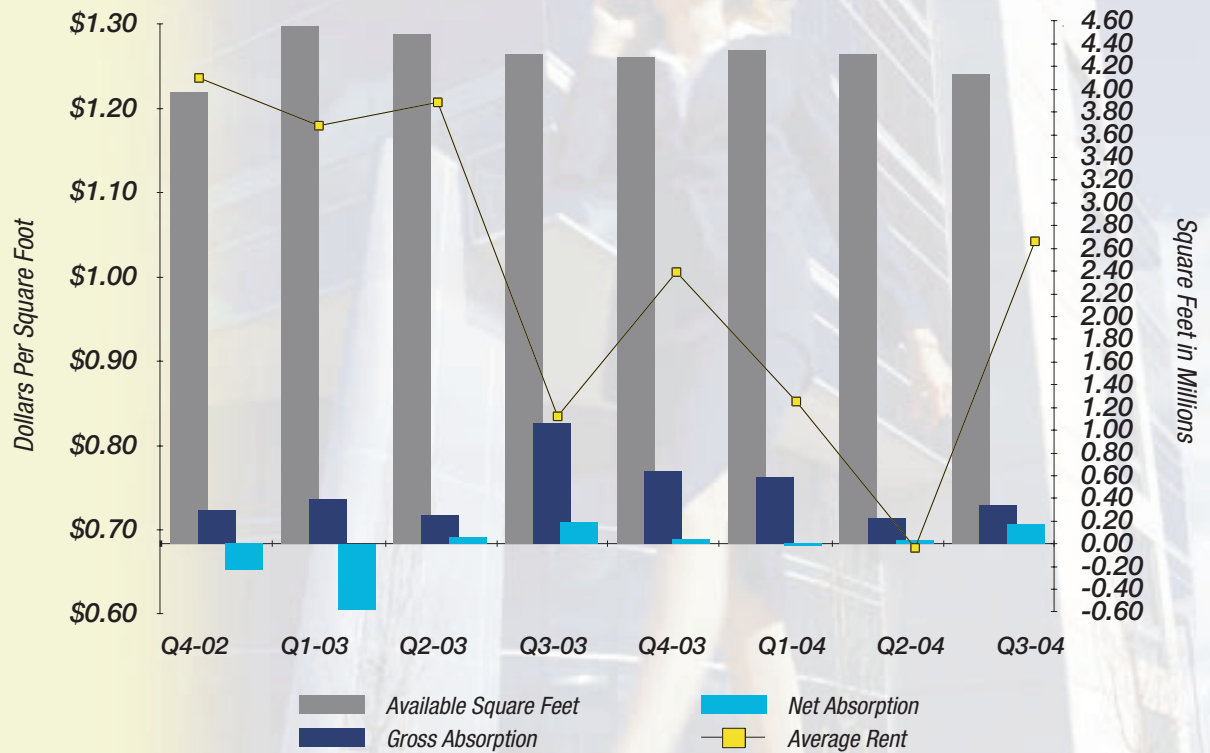
Q304

2.49M sf ▼ Available
 .34M sf ▲ Gross
 .15M sf ▼ Net
 \$1.39/sf ▲ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|---|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 98,051 | 71,869 | 71,869 | 91,315 | 81,315 |
| Shell Sublease | 5,999 | 40,883 | 41,652 | 34,652 | 55,286 |
| Previously Occupied Direct | 1,792,008 | 2,016,977 | 2,123,561 | 1,889,906 | 1,680,708 |
| Previously Occupied Sublease | 595,455 | 510,873 | 703,001 | 989,675 | 1,175,970 |
| Total Available | 2,491,513 | 2,640,602 | 2,940,083 | 3,005,548 | 2,993,279 |
| Available Time on Market (In Months) | 20.78 | 19.82 | 18.31 | 17.59 | 16.34 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 0 | 9,446 | 0 | 0 |
| Shell Sublease | 0 | 0 | 0 | 21,000 | 0 |
| Previously Occupied Direct | 294,024 | 173,837 | 303,585 | 118,356 | 216,541 |
| Previously Occupied Sublease | 48,658 | 91,936 | 30,694 | 63,716 | 35,901 |
| Total Absorption | 342,682 | 265,773 | 343,725 | 203,072 | 252,442 |
| Absorption Time on Market (In Months) | 18.61 | 5.16 | 17.13 | 13.22 | 14.73 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 16.50% | 17.49% | 19.47% | 19.90% | 19.82% |
| Vacancy Rate | 16.27% | 17.49% | 19.47% | 19.75% | 19.82% |
| Sublease Factor | 24.14% | 20.90% | 25.33% | 34.08% | 41.13% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 40 | 41 | 47 | 51 | 53 |
| 20,001 to 40,000 | 21 | 23 | 24 | 27 | 25 |
| 40,001 to 60,000 | 12 | 14 | 16 | 15 | 20 |
| 60,001 to 80,000 | 6 | 6 | 6 | 4 | 13 |
| 80,001 to 100,000 | 1 | 1 | 2 | 2 | 2 |
| 100,001 to 120,000 | 0 | 0 | 0 | 0 | 4 |
| 120,001 to 140,000 | 1 | 1 | 1 | 2 | 0 |
| 140,001 and Over | 1 | 1 | 1 | 1 | 1 |
| Total Buildings Available | 82 | 87 | 97 | 102 | 118 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total Completed | 0 | 0 | 0 | 0 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 0 | 0 |

3rd Quarter 2004 R&D Mountain View Summary



Q304

4.14M sf ▼ Available
 .34M sf ▲ Gross
 .17M sf ▲ Net
 \$1.04/sf ▲ Rent

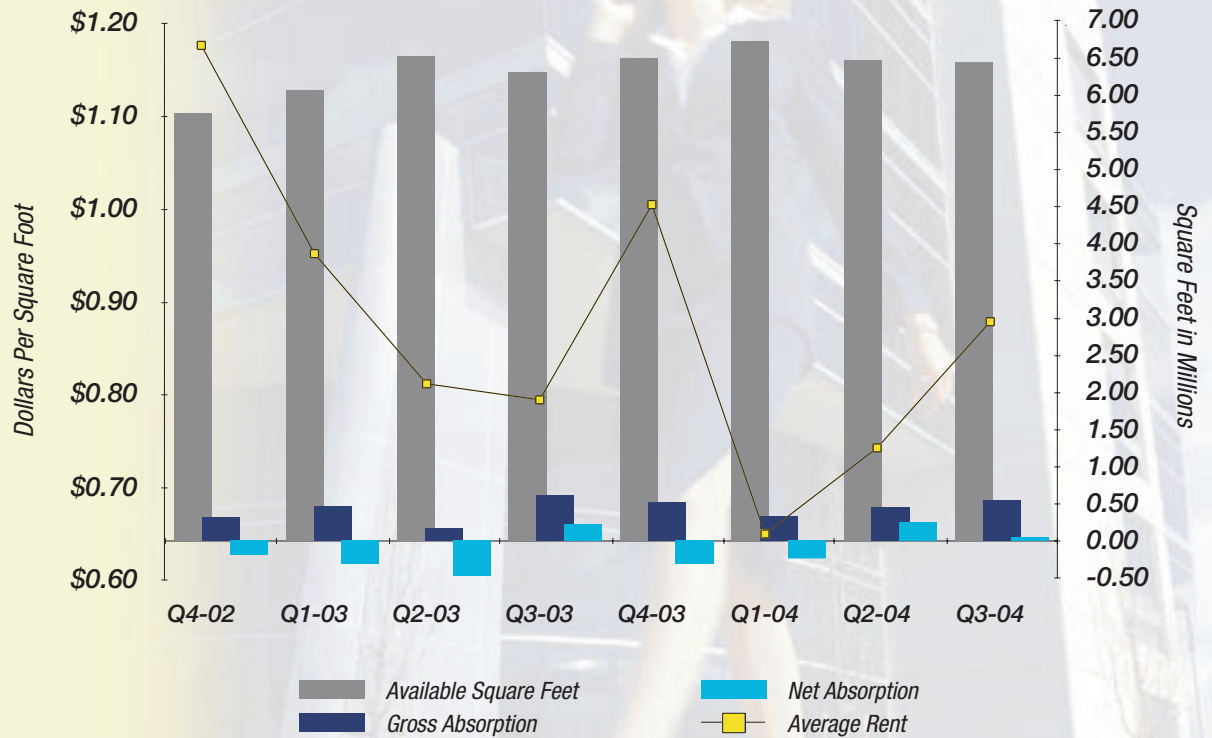
| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| Q304 | 4,143,493 | \$1.04 | 338,583 | 169,401 |
| Q204 | 4,312,894 | \$0.68 | 226,363 | 26,065 |
| Q104 | 4,339,673 | \$0.85 | 586,670 | -18,343 |
| Q403 | 4,286,213 | \$1.01 | 635,102 | 43,696 |
| Q303 | 4,306,437 | \$0.84 | 1,065,828 | 189,578 |
| 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 |

3rd Quarter 2004 R&D Mountain View



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|--|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 136,541 | 136,541 | 154,995 | 109,793 | 88,341 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 2,801,328 | 2,830,614 | 2,634,031 | 2,622,245 | 2,503,102 |
| Previously Occupied Sublease | 1,205,624 | 1,345,739 | 1,550,647 | 1,554,175 | 1,714,994 |
| Total Available | 4,143,493 | 4,312,894 | 4,339,673 | 4,286,213 | 4,306,437 |
| Available Time on Market (In Months) | 20.19 | 18.97 | 16.96 | 16.41 | 16.18 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 17,740 | 0 | 2,020 | 298,605 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 244,496 | 178,823 | 363,190 | 588,502 | 744,423 |
| Previously Occupied Sublease | 94,087 | 29,800 | 223,480 | 44,580 | 22,800 |
| Total Absorption | 338,583 | 226,363 | 586,670 | 635,102 | 1,065,828 |
| Absorption Time on Market (In Months) | 12.72 | 19.30 | 19.30 | 15.95 | 11.01 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 26.63% | 27.72% | 27.89% | 27.55% | 27.68% |
| Vacancy Rate | 26.30% | 27.72% | 27.66% | 27.55% | 27.12% |
| Sublease Factor | 29.10% | 31.20% | 35.73% | 36.26% | 39.82% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 49 | 49 | 57 | 51 | 53 |
| 20,001 to 40,000 | 36 | 38 | 38 | 29 | 25 |
| 40,001 to 60,000 | 16 | 17 | 15 | 18 | 20 |
| 60,001 to 80,000 | 9 | 9 | 12 | 14 | 13 |
| 80,001 to 100,000 | 1 | 2 | 2 | 2 | 2 |
| 100,001 to 120,000 | 2 | 2 | 2 | 3 | 4 |
| 120,001 to 140,000 | 0 | 1 | 1 | 0 | 0 |
| 140,001 and Over | 3 | 2 | 1 | 1 | 1 |
| Total Buildings Available | 116 | 120 | 128 | 118 | 118 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 25,579 |
| Total Completed | 0 | 0 | 0 | 0 | 25,579 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 0 | 0 |

3rd Quarter 2004 R&D Sunnyvale Summary



Q304

6.44M sf ▼ Available
 .55M sf ▲ Gross
 .05M sf ▼ Net
 \$.88/sf ▲ Rent

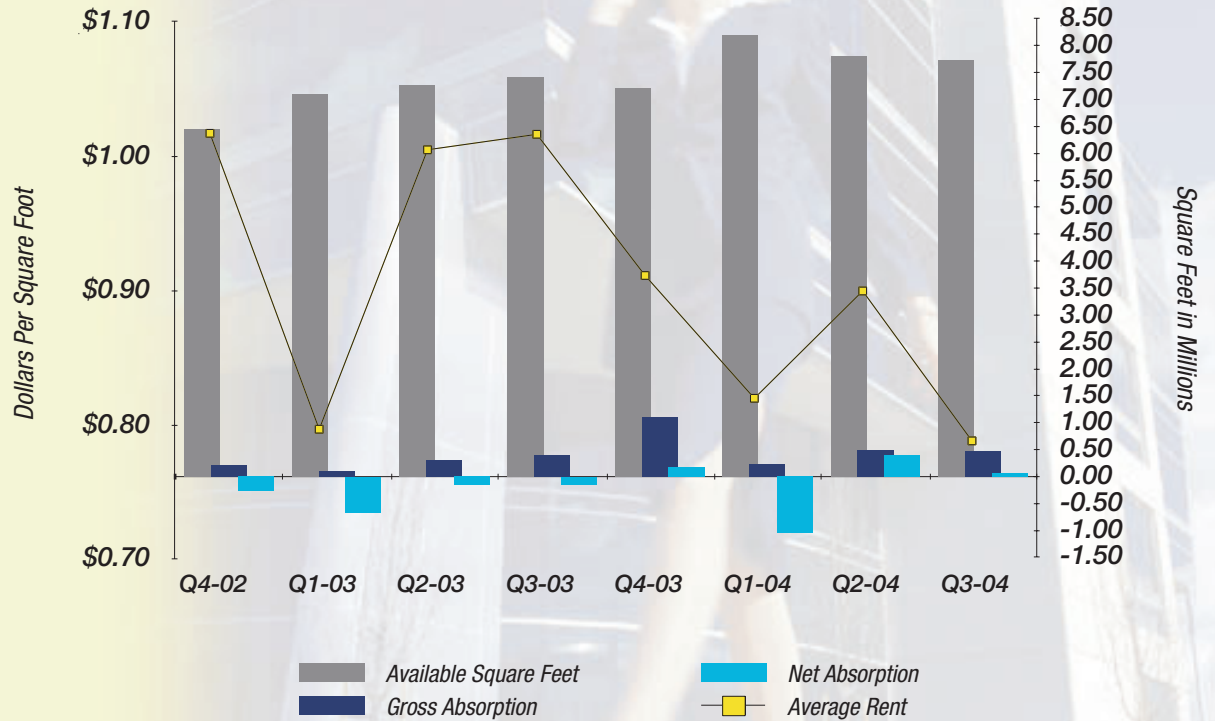
| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| Q304 | 6,440,168 | \$0.88 | 545,694 | 51,826 |
| Q204 | 6,471,607 | \$0.74 | 453,378 | 252,866 |
| Q104 | 6,724,473 | \$0.65 | 329,234 | -234,922 |
| Q403 | 6,496,179 | \$1.01 | 511,716 | -298,595 |
| Q303 | 6,297,956 | \$0.80 | 607,655 | 220,190 |
| 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 |

3rd Quarter 2004 R&D Sunnyvale



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|---|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 511,622 | 448,271 | 525,964 | 435,086 | 456,802 |
| Shell Sublease | 147,973 | 147,973 | 135,000 | 135,000 | 190,470 |
| Previously Occupied Direct | 4,117,510 | 4,305,089 | 4,350,852 | 4,120,066 | 3,956,639 |
| Previously Occupied Sublease | 1,663,063 | 1,570,274 | 1,712,657 | 1,806,027 | 1,694,045 |
| Total Available | 6,440,168 | 6,471,607 | 6,724,473 | 6,496,179 | 6,297,956 |
| Available Time on Market (In Months) | 21.57 | 19.76 | 17.79 | 17.23 | 15.91 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 41,599 | 42,670 | 27,794 | 22,858 | 107,643 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 476,715 | 375,498 | 231,170 | 404,179 | 340,370 |
| Previously Occupied Sublease | 27,380 | 35,210 | 70,270 | 84,679 | 159,642 |
| Total Absorption | 545,694 | 453,378 | 329,234 | 511,716 | 607,655 |
| Absorption Time on Market (In Months) | 17.00 | 17.42 | 9.60 | 15.19 | 11.44 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 23.51% | 23.62% | 24.54% | 23.71% | 23.11% |
| Vacancy Rate | 23.12% | 23.52% | 24.50% | 23.71% | 22.73% |
| Sublease Factor | 28.12% | 26.55% | 27.48% | 29.88% | 29.92% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 81 | 84 | 88 | 79 | 77 |
| 20,001 to 40,000 | 57 | 61 | 71 | 69 | 67 |
| 40,001 to 60,000 | 22 | 27 | 26 | 26 | 22 |
| 60,001 to 80,000 | 8 | 8 | 8 | 8 | 8 |
| 80,001 to 100,000 | 5 | 3 | 2 | 2 | 2 |
| 100,001 to 120,000 | 4 | 3 | 4 | 3 | 5 |
| 120,001 to 140,000 | 2 | 2 | 2 | 2 | 3 |
| 140,001 and Over | 5 | 5 | 5 | 5 | 4 |
| Total Buildings Available | 184 | 193 | 206 | 194 | 188 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 150,000 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total Completed | 0 | 0 | 0 | 150,000 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 150,000 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 0 | 150,000 |

3rd Quarter 2004 R&D Santa Clara Summary



Q304

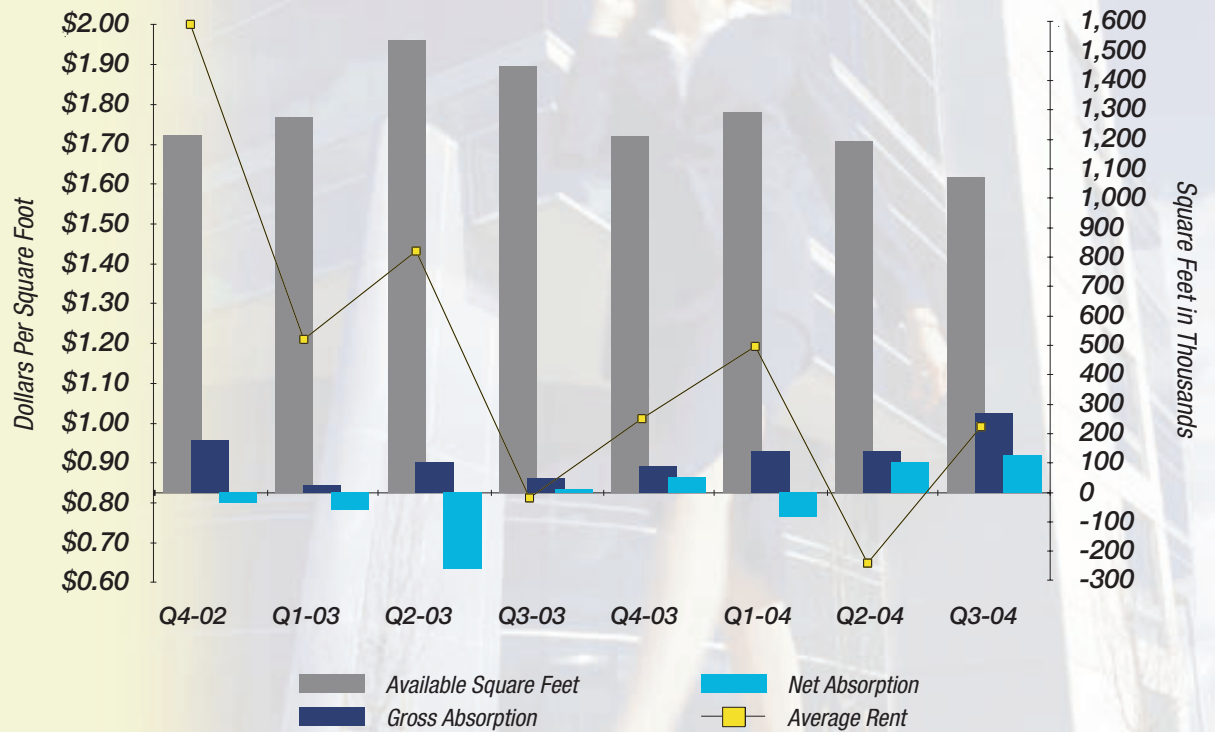
7.73M sf ▼ Available
 .46M sf ▼ Gross
 .07M sf ▼ Net
 \$.79/sf ▼ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

3rd Quarter 2004 R&D Santa Clara



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|---|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 167,736 | 167,683 | 167,683 | 165,533 | 162,152 |
| Shell Sublease | 43,333 | 43,333 | 43,333 | 99,265 | 99,265 |
| Previously Occupied Direct | 4,946,614 | 4,682,018 | 4,979,123 | 4,383,807 | 4,582,576 |
| Previously Occupied Sublease | 2,571,192 | 2,916,216 | 3,008,039 | 2,570,574 | 2,564,823 |
| Total Available | 7,728,875 | 7,809,250 | 8,198,178 | 7,219,179 | 7,408,816 |
| Available Time on Market (In Months) | 21.21 | 19.23 | 17.26 | 15.85 | 14.93 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 28,300 | 0 | 0 | 0 | 0 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 366,362 | 453,076 | 170,802 | 1,094,799 | 382,986 |
| Previously Occupied Sublease | 63,129 | 41,152 | 68,830 | 18,000 | 6,000 |
| Total Absorption | 457,791 | 494,228 | 239,632 | 1,112,799 | 388,986 |
| Absorption Time on Market (In Months) | 17.29 | 17.23 | 14.96 | 10.22 | 12.46 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 31.11% | 31.44% | 32.77% | 29.06% | 29.82% |
| Vacancy Rate | 31.03% | 31.44% | 32.77% | 29.06% | 29.82% |
| Sublease Factor | 33.83% | 37.90% | 36.22% | 36.98% | 35.96% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 63 | 68 | 74 | 76 | 67 |
| 20,001 to 40,000 | 37 | 39 | 44 | 40 | 39 |
| 40,001 to 60,000 | 29 | 28 | 27 | 29 | 30 |
| 60,001 to 80,000 | 11 | 10 | 13 | 13 | 14 |
| 80,001 to 100,000 | 13 | 13 | 10 | 9 | 7 |
| 100,001 to 120,000 | 7 | 8 | 8 | 8 | 8 |
| 120,001 to 140,000 | 2 | 2 | 2 | 2 | 5 |
| 140,001 and Over | 7 | 7 | 8 | 5 | 5 |
| Total Buildings Available | 169 | 175 | 186 | 182 | 175 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| 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 |



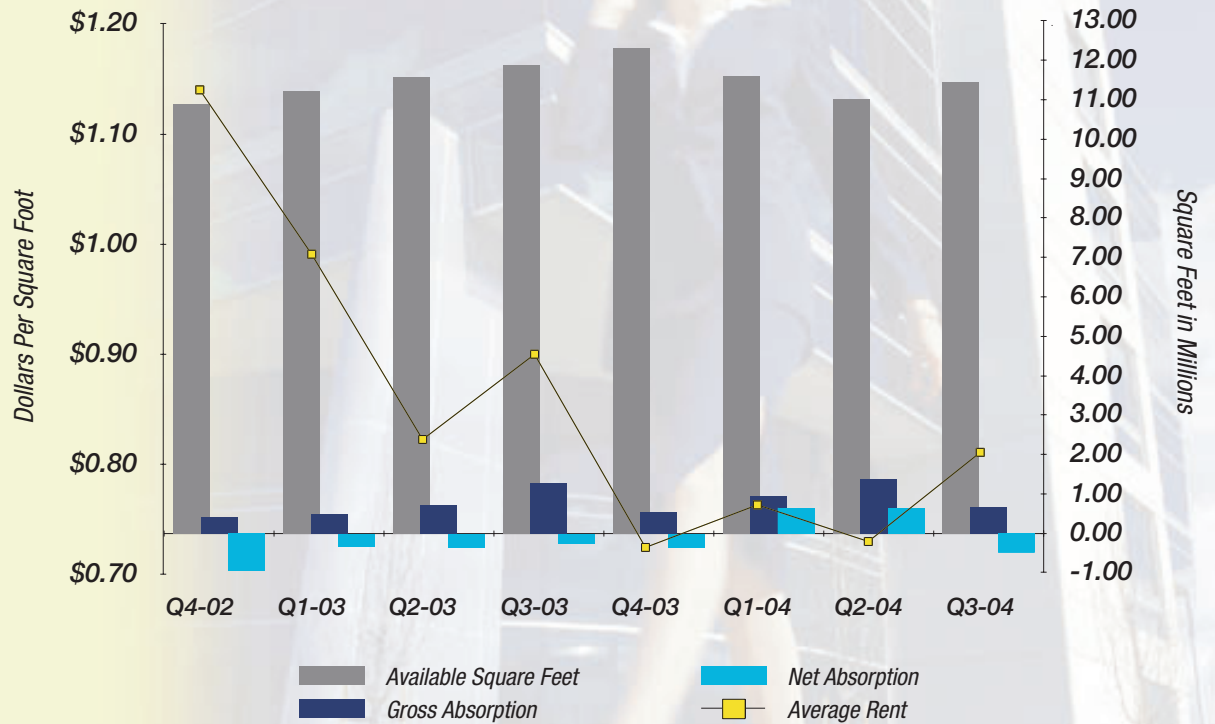
Q304

1.07M sf ▼ Available
 .27M sf ▲ Gross
 .12M sf ▲ Net
 \$.99/sf ▲ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|--|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 16,560 | 10,800 | 10,800 | 10,890 | 198,397 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 665,469 | 692,146 | 752,531 | 739,667 | 739,602 |
| Previously Occupied Sublease | 386,154 | 489,612 | 528,539 | 458,725 | 509,740 |
| Total Available | 1,068,183 | 1,192,558 | 1,291,870 | 1,209,282 | 1,447,739 |
| Available Time on Market (In Months) | 19.69 | 18.81 | 16.37 | 15.98 | 13.28 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 0 | 0 | 0 | 26,701 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 195,082 | 94,031 | 119,469 | 71,030 | 18,614 |
| Previously Occupied Sublease | 73,859 | 44,470 | 20,100 | 15,900 | 0 |
| Total Absorption | 268,941 | 138,501 | 139,569 | 86,930 | 45,315 |
| Absorption Time on Market (In Months) | 18.02 | 17.88 | 12.69 | 12.23 | 23.15 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 26.64% | 29.74% | 32.22% | 30.16% | 36.11% |
| Vacancy Rate | 26.64% | 29.74% | 31.78% | 29.71% | 35.66% |
| Sublease Factor | 36.15% | 41.06% | 40.91% | 37.93% | 35.21% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 25 | 29 | 29 | 25 | 29 |
| 20,001 to 40,000 | 7 | 10 | 12 | 15 | 12 |
| 40,001 to 60,000 | 5 | 5 | 5 | 4 | 6 |
| 60,001 to 80,000 | 1 | 1 | 2 | 1 | 1 |
| 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 | 0 | 0 | 1 |
| Total Buildings Available | 40 | 47 | 50 | 47 | 51 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total Completed | 0 | 0 | 0 | 0 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 0 | 0 |

3rd Quarter 2004 R&D San Jose Summary



Q304

11.46M sf ▲ Available
 .66M sf ▼ Gross
 -.49M sf ▼ Net
 \$.81/sf ▲ Rent

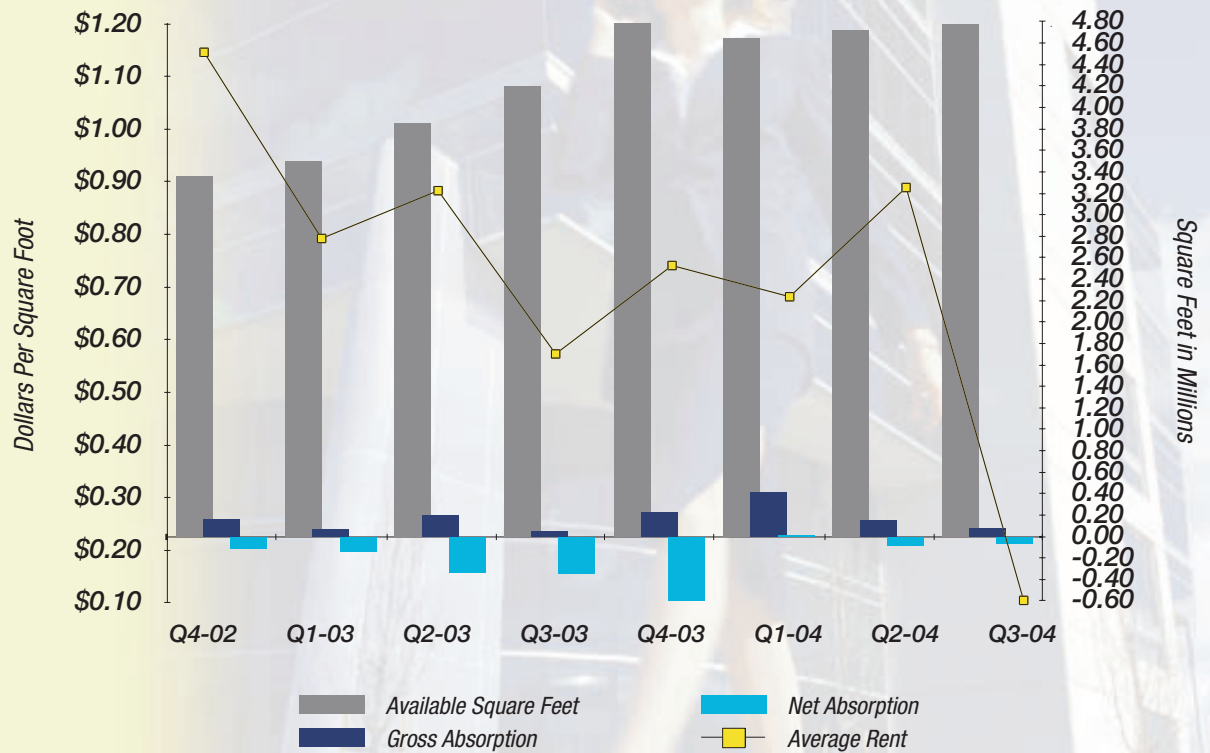
| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| Q304 | 11,458,851 | \$0.81 | 662,569 | -492,862 |
| Q204 | 11,023,400 | \$0.73 | 1,384,968 | 635,738 |
| Q104 | 11,611,081 | \$0.76 | 935,821 | 645,324 |
| Q403 | 12,317,935 | \$0.73 | 548,497 | -366,116 |
| Q303 | 11,866,579 | \$0.90 | 1,276,260 | -265,911 |
| 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 |

3rd Quarter 2004 R&D San Jose



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Shell Direct | 1,112,956 | 1,264,949 | 1,379,777 | 1,432,912 | 1,197,872 |
| Shell Sublease | 150,000 | 150,000 | 150,000 | 150,000 | 121,640 |
| Previously Occupied Direct | 7,158,459 | 6,833,758 | 6,691,681 | 6,791,793 | 6,193,546 |
| Previously Occupied Sublease | 3,037,436 | 2,774,693 | 3,389,623 | 3,943,230 | 4,353,521 |
| Total Available | 11,458,851 | 11,023,400 | 11,611,081 | 12,317,935 | 11,866,579 |
| Available Time on Market (In Months) | 20.42 | 19.59 | 17.72 | 16.31 | 15.45 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 7,932 | 64,205 | 37,500 | 5,840 | 151,026 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 602,434 | 905,213 | 782,193 | 542,657 | 1,109,602 |
| Previously Occupied Sublease | 52,203 | 415,550 | 116,128 | 0 | 15,632 |
| Total Absorption | 662,569 | 1,384,968 | 935,821 | 548,497 | 1,276,260 |
| Absorption Time on Market (In Months) | 19.89 | 11.11 | 16.83 | 9.96 | 11.87 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 23.65% | 22.78% | 24.00% | 25.46% | 24.53% |
| Vacancy Rate | 23.30% | 22.59% | 23.90% | 25.11% | 24.23% |
| Sublease Factor | 27.82% | 26.53% | 30.48% | 33.23% | 37.71% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 98 | 90 | 100 | 104 | 99 |
| 20,001 to 40,000 | 75 | 73 | 73 | 69 | 63 |
| 40,001 to 60,000 | 37 | 33 | 31 | 31 | 30 |
| 60,001 to 80,000 | 30 | 29 | 34 | 36 | 36 |
| 80,001 to 100,000 | 28 | 28 | 26 | 29 | 30 |
| 100,001 to 120,000 | 5 | 6 | 7 | 7 | 7 |
| 120,001 to 140,000 | 2 | 1 | 2 | 3 | 1 |
| 140,001 and Over | 6 | 6 | 6 | 7 | 7 |
| Total Buildings Available | 281 | 266 | 279 | 286 | 273 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 71,393 | 0 | 0 | 5,840 | 0 |
| Total Completed | 71,393 | 0 | 0 | 5,840 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 140,449 | 211,842 | 138,400 | 138,400 | 5,840 |
| Total in Progress | 140,449 | 211,842 | 138,400 | 138,400 | 5,840 |

3rd Quarter 2004 R&D Milpitas Summary



Q304

4.78M sf ▲ Available
 .07M sf ▼ Gross
 -.06M sf ▲ Net
 \$.33/sf ▼ Rent

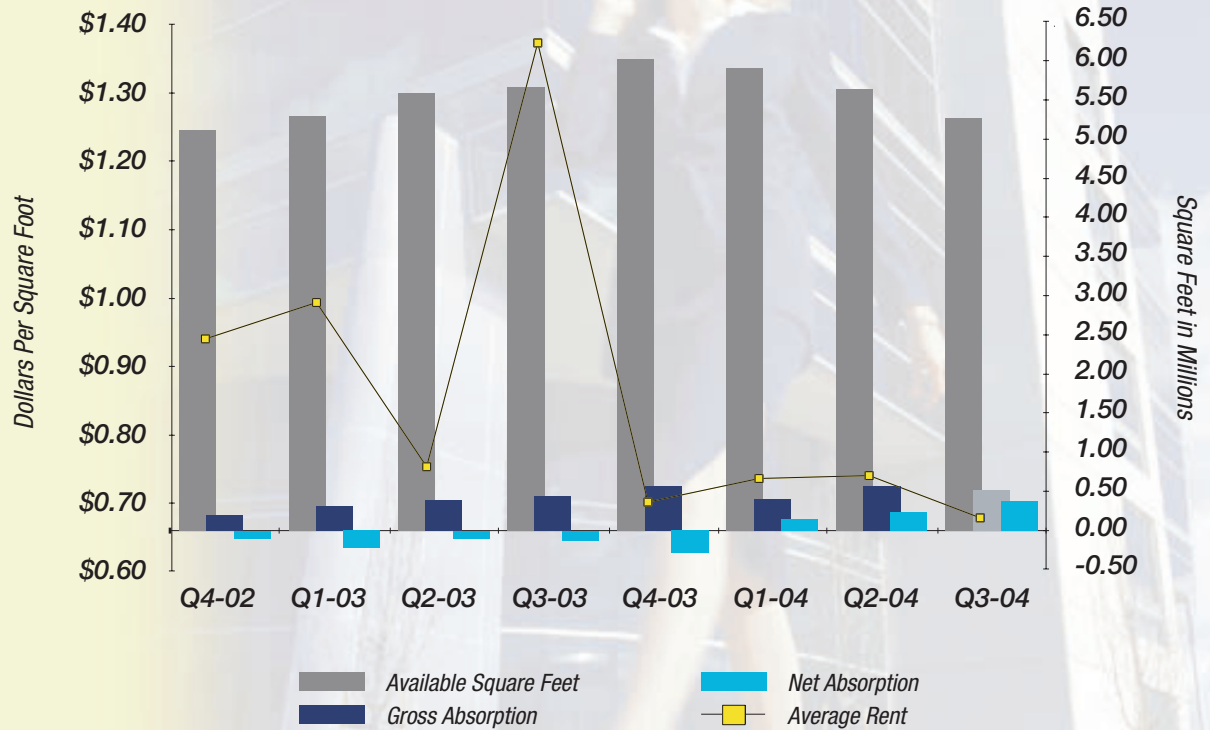
| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| Q304 | 4,777,531 | \$0.33 | 67,885 | -58,134 |
| Q204 | 4,719,371 | \$0.89 | 147,891 | -75,564 |
| Q104 | 4,643,783 | \$0.68 | 414,288 | 10,002 |
| Q403 | 4,789,211 | \$0.74 | 229,812 | -600,380 |
| Q303 | 4,188,831 | \$0.57 | 35,467 | -340,549 |
| 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 |

3rd Quarter 2004 R&D Milpitas



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|--|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 1,228,011 | 1,254,115 | 1,325,512 | 1,578,088 | 794,255 |
| Shell Sublease | 0 | 0 | 0 | 0 | 135,546 |
| Previously Occupied Direct | 2,403,683 | 2,316,814 | 2,114,512 | 1,957,511 | 1,831,227 |
| Previously Occupied Sublease | 1,145,837 | 1,148,442 | 1,203,759 | 1,253,612 | 1,427,803 |
| Total Available | 4,777,531 | 4,719,371 | 4,643,783 | 4,789,211 | 4,188,831 |
| Available Time on Market (In Months) | 18.81 | 17.00 | 14.76 | 13.45 | 13.81 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 0 | 76,556 | 0 | 0 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 67,885 | 147,891 | 312,887 | 190,384 | 14,405 |
| Previously Occupied Sublease | 0 | 0 | 24,845 | 39,428 | 21,062 |
| Total Absorption | 67,885 | 147,891 | 414,288 | 229,812 | 35,467 |
| Absorption Time on Market (In Months) | 16.34 | 6.84 | 12.69 | 11.21 | 7.63 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 31.00% | 30.63% | 30.14% | 31.08% | 27.18% |
| Vacancy Rate | 31.00% | 30.63% | 30.14% | 30.81% | 26.82% |
| Sublease Factor | 23.98% | 24.33% | 25.92% | 26.18% | 37.32% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 36 | 34 | 38 | 39 | 37 |
| 20,001 to 40,000 | 25 | 25 | 26 | 23 | 25 |
| 40,001 to 60,000 | 27 | 26 | 27 | 25 | 16 |
| 60,001 to 80,000 | 8 | 8 | 7 | 8 | 5 |
| 80,001 to 100,000 | 6 | 6 | 6 | 5 | 4 |
| 100,001 to 120,000 | 2 | 3 | 2 | 2 | 2 |
| 120,001 to 140,000 | 1 | 0 | 0 | 1 | 2 |
| 140,001 and Over | 4 | 4 | 4 | 5 | 5 |
| Total Buildings Available | 109 | 106 | 110 | 108 | 96 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total Completed | 0 | 0 | 0 | 0 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 0 | 0 |

3rd Quarter 2004 R&D Fremont Summary



Q304

5.27M sf ▼ Available
 .51M sf ▼ Gross
 .37M sf ▲ Net
 \$.68/sf ▼ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

3rd Quarter 2004 R&D Fremont



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|---|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 732,555 | 740,908 | 839,492 | 860,660 | 735,060 |
| Shell Sublease | 134,629 | 134,629 | 134,629 | 134,629 | 0 |
| Previously Occupied Direct | 3,783,874 | 4,068,355 | 4,053,075 | 4,059,758 | 3,853,328 |
| Previously Occupied Sublease | 618,308 | 692,680 | 876,025 | 970,155 | 1,085,738 |
| Total Available | 5,269,366 | 5,636,572 | 5,903,221 | 6,025,202 | 5,674,126 |
| Available Time on Market (In Months) | 21.01 | 19.10 | 18.21 | 16.83 | 15.65 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 38,853 | 20,135 | 21,168 | 0 | 18,142 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 445,090 | 425,750 | 379,826 | 479,508 | 359,848 |
| Previously Occupied Sublease | 21,976 | 111,530 | 0 | 76,641 | 50,688 |
| Total Absorption | 505,919 | 557,415 | 400,994 | 556,149 | 428,678 |
| Absorption Time on Market (In Months) | 18.84 | 9.67 | 12.46 | 12.46 | 13.35 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 29.48% | 31.53% | 33.03% | 33.71% | 31.74% |
| Vacancy Rate | 29.48% | 30.70% | 32.12% | 33.11% | 31.74% |
| Sublease Factor | 14.29% | 14.68% | 17.12% | 18.34% | 19.13% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 64 | 74 | 76 | 94 | 90 |
| 20,001 to 40,000 | 47 | 51 | 56 | 53 | 54 |
| 40,001 to 60,000 | 21 | 24 | 23 | 26 | 26 |
| 60,001 to 80,000 | 11 | 14 | 13 | 14 | 12 |
| 80,001 to 100,000 | 7 | 5 | 4 | 3 | 2 |
| 100,001 to 120,000 | 1 | 1 | 1 | 2 | 3 |
| 120,001 to 140,000 | 0 | 0 | 1 | 1 | 1 |
| 140,001 and Over | 2 | 2 | 3 | 2 | 2 |
| Total Buildings Available | 153 | 171 | 176 | 195 | 190 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| 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 |

Q304 Warehouse Highlights

Supply

The supply of warehouse space dropped by approximately 332,000 square feet during the third quarter of 2004. As of September 30, the availability factor was slightly above 19% or 6,421,000 square feet. For the first time in 10 quarters, the Fremont submarket does not have the highest availability rate. At the end of the third quarter, the Newark submarket led with a 25% vacancy rating followed by Fremont at 20%. The tightest market continues to be Sunnyvale with 8% vacancy.

Demand

Gross absorption increased an impressive 30% from the second quarter, finishing at 1.1 million square feet. This number represents the second highest quarterly total over the last 4 years, second only to the 4th quarter of 2003. Additionally, there were six renewals totaling 446,000 square feet (not counted in the gross absorption number), an indication of some larger companies continued commitment to the Silicon Valley. As a result, net absorption was back on the positive side with a total of 210,000 square feet.

Gross absorption increased an impressive 30% from the second quarter, finishing at 1.1 million square feet. This number represents the second highest quarterly total over the last 4 years, second only to the 4th quarter of 2003. Additionally, there were six renewals totaling 446,000 square feet (not counted in the gross absorption number), an indication of some larger companies continued commitment to the Silicon Valley. As a result, net absorption was back on the positive side with a total of 210,000 square feet.

Rents

Average rents continued to be inconsistent. In all but one of the last 10 quarters rents have alternately fallen, risen and fallen again. For Q304, average rents rose 15% from the previous quarter to \$.331 per square foot. As usual, rents for smaller, class A spaces tended to be 10-15% higher than the average.

Average tenant improvements decreased to \$1.51 per square foot, which is still about 120% above the historical average of \$.72 per square foot. The average lease term rose to a 5 quarter high of 4.6 years as tenants acted to lock in the relatively low lease rates.

Forecast for Q404

Supply

The supply of warehouse space should continue to slowly decline. We are not seeing as many tenants as in the recent past throw in the towel and most surviving tenants having already reduced their operation to the point that the next move (hopefully) will be to seek additional space. The large supply of Class B and C spaces will continue to remain available as most tenants in the market have a reasonable amount of quality spaces to choose from at still favorable rates. The lack of new construction and conversion of some projects to residential or retail will also aid in the reduction of supply.

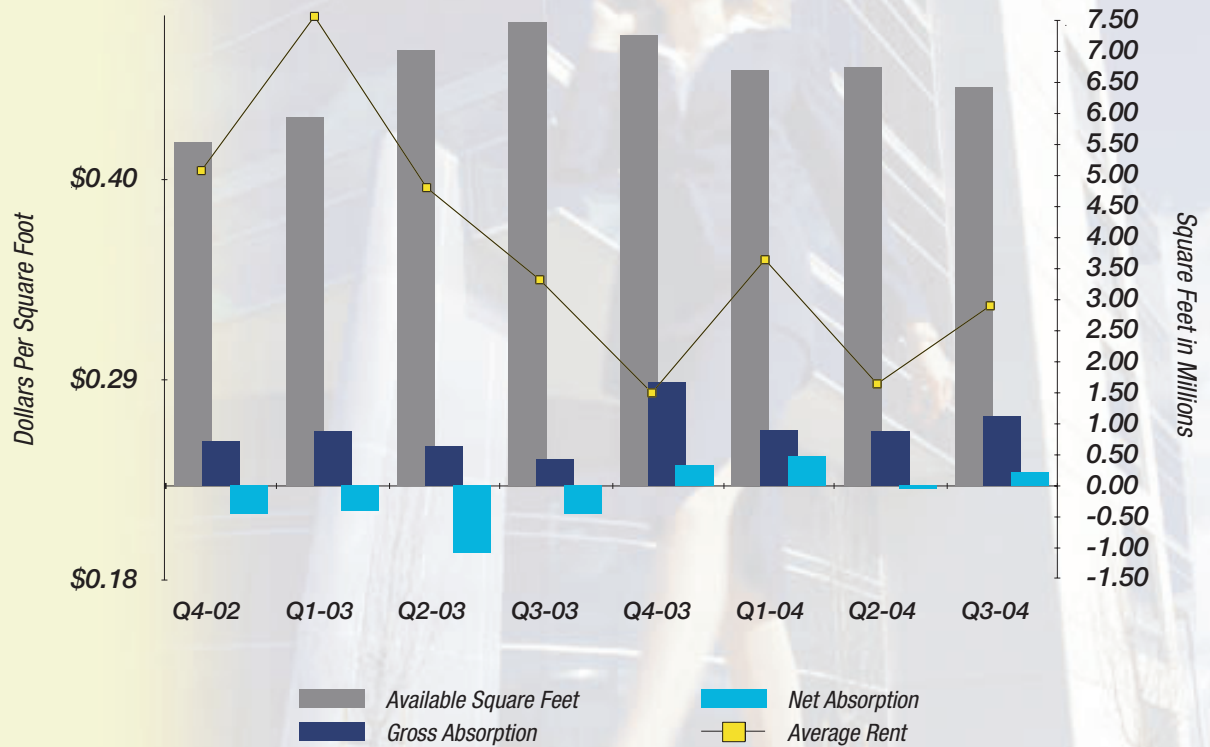
Demand

While we don't expect the number of transactions in Q404 to keep pace with Q3, we still expect some solid activity as there are many requirements currently in the market. The majority of the demand seems to be in the 20,000-50,000 square foot range but some larger deals are lurking.

Rents

We do not expect rents to rise significantly during the next quarter or two; however, look for a little more firmness during negotiations from landlords of Class A properties. Landlords will still be aggressive, especially for lesser quality properties that have been on the market over a year, but are less inclined to do long term (5 years and up) deals at today's depressed rents.

3rd Quarter 2004 Warehouse Silicon Valley Summary



Q304

6.42M sf ▼ Available
 1.11M sf ▲ Gross
 .21M sf ▲ Net
 \$.33/sf ▲ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

3rd Quarter 2004 Warehouse Silicon Valley



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|--|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 0 | 0 | 0 | 0 | 0 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 5,205,739 | 5,831,515 | 5,686,375 | 5,967,284 | 5,843,164 |
| Previously Occupied Sublease | 1,215,046 | 921,111 | 1,015,522 | 1,292,226 | 1,629,258 |
| Total Available | 6,420,785 | 6,752,626 | 6,701,897 | 7,259,510 | 7,472,422 |
| Available Time on Market (In Months) | 15.72 | 14.07 | 14.01 | 13.91 | 12.43 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 0 | 0 | 0 | 0 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 1,057,155 | 851,188 | 867,641 | 1,569,897 | 410,904 |
| Previously Occupied Sublease | 55,833 | 13,000 | 11,160 | 90,245 | 0 |
| Total Absorption | 1,112,988 | 864,188 | 878,801 | 1,660,142 | 410,904 |
| Absorption Time on Market (In Months) | 14.86 | 17.69 | 11.80 | 8.42 | 12.89 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 19.14% | 20.13% | 19.98% | 21.64% | 22.28% |
| Vacancy Rate | 18.86% | 19.95% | 19.57% | 21.64% | 22.28% |
| Sublease Factor | 18.92% | 13.64% | 15.15% | 17.80% | 21.80% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 32 | 38 | 33 | 30 | 25 |
| 20,001 to 40,000 | 47 | 48 | 50 | 46 | 44 |
| 40,001 to 60,000 | 16 | 19 | 16 | 18 | 20 |
| 60,001 to 80,000 | 11 | 12 | 11 | 11 | 10 |
| 80,001 to 100,000 | 6 | 6 | 4 | 3 | 8 |
| 100,001 to 120,000 | 7 | 9 | 10 | 11 | 11 |
| 120,001 to 140,000 | 3 | 4 | 3 | 5 | 6 |
| 140,001 and Over | 6 | 5 | 7 | 8 | 7 |
| Total Buildings Available | 128 | 141 | 134 | 132 | 131 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| 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 |

Q304 Office Highlights

Supply

The available office space decreased slightly in the third quarter of 2004, ending the quarter with 9,788,487 square feet, a decrease of 411,000 square feet. The availability rate decreased to 22.65%, a reduction of .95% over the third quarter. The percentage of available space that is for sublease dropped to 15.6% at the end of the third quarter, down from 16.9% in the second quarter.

Demand

Office demand remained stable in the third quarter of 2004. Gross absorption for the third quarter was 1,396,473 square feet. The third quarter of 2004 saw a positive net absorption of 472,377 square feet, the fifth consecutive quarter of positive net absorption.

Rent

The average effective rent at the end of the third quarter was \$2.317 per square foot full service, an increase of \$0.53 from the end of the second quarter 2004.

Submarkets

San Jose Airport

The total availability factor in the Airport office market increased from 19.95% to 22.37% at the end of the third quarter. The average rents have shown a slight increase in the third quarter of \$0.117, increasing from \$1.73 full service to \$1.847 full service. Sublease space in the Airport market increased to 16.99% of the total vacancy compared to 13% at the end of the second quarter.

Downtown Class A

The total vacancy factor in the Downtown Class A office market remained stable at 34.02% or 918,735 square feet in the third quarter of 2004. The Downtown Class A sublease space is 3.7% of the total vacancy, a drop of 1% from the second quarter. The Downtown Class A average rent at the end of the third quarter increased to \$2.17 full service from \$1.81 full service at the end of the second quarter.

Forecast for Q404

Supply

The supply of office space has remained stable. Good quality space in desirable areas is hard to find. The West Valley in particular is hot! Subleases are less and less common, making "plug and play" hard to find. Nevertheless, tenants are still expecting turn-key "plug and play".

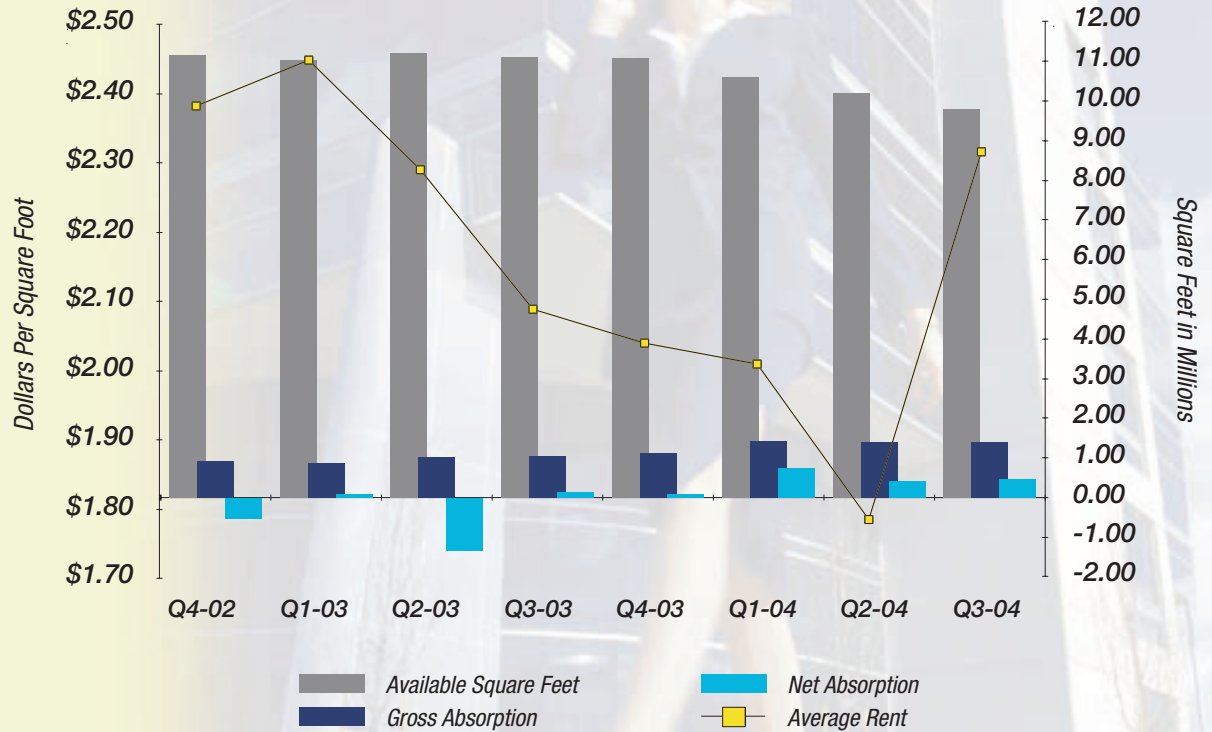
Demand

Gross absorption will remain stable as the market improves. There will be fewer landlord concessions available for tenants in the market. Net absorption will stay slightly positive as we are seeing signs of stabilization.

Rent

Rents will continue to stabilize as we are at the bottom of the market with fewer and fewer subleases in the market. Owners of high quality space in desirable areas are raising rents slightly and will continue to do so.

3rd Quarter 2004 Office Silicon Valley Summary



Q304

9.79M sf ▼ Available
 1.40M sf ▼ Gross
 .47M sf ▲ Net
 \$2.32/sf ▲ Rent

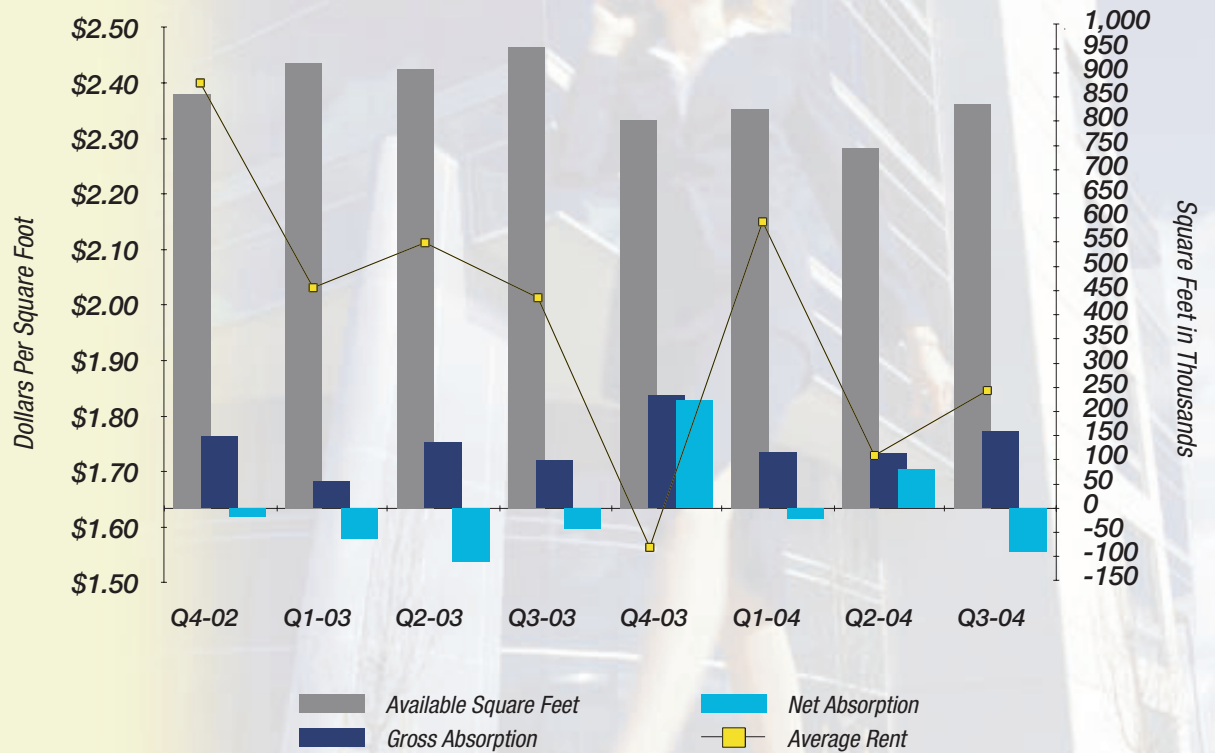
| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| Q304 | 9,788,487 | \$2.32 | 1,396,473 | 472,377 |
| Q204 | 10,199,642 | \$1.79 | 1,414,633 | 422,063 |
| Q104 | 10,600,943 | \$2.01 | 1,438,291 | 761,214 |
| Q403 | 11,090,443 | \$2.04 | 1,133,268 | 85,553 |
| Q303 | 11,098,363 | \$2.09 | 1,060,412 | 137,913 |
| 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 |

3rd Quarter 2004 Office Silicon Valley



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|----------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Shell Direct | 1,635,618 | 1,644,897 | 1,797,667 | 1,808,685 | 1,817,015 |
| Shell Sublease | 56,483 | 81,016 | 81,016 | 77,075 | 169,816 |
| Previously Occupied Direct | 6,565,710 | 6,826,669 | 6,745,207 | 6,860,850 | 6,703,755 |
| Previously Occupied Sublease | 1,530,676 | 1,647,060 | 1,977,053 | 2,343,833 | 2,407,777 |
| Total Available | 9,788,487 | 10,199,642 | 10,600,943 | 11,090,443 | 11,098,363 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 160,177 | 172,332 | 292,561 | 23,882 | 106,804 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 1,002,860 | 892,606 | 876,264 | 864,150 | 750,400 |
| Previously Occupied Sublease | 233,436 | 349,695 | 269,466 | 245,236 | 203,208 |
| Total Absorption | 1,396,473 | 1,414,633 | 1,438,291 | 1,133,268 | 1,060,412 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 22.65% | 23.60% | 24.53% | 25.83% | 25.84% |
| Vacancy Rate | 22.42% | 23.49% | 24.52% | 25.77% | 25.78% |
| Sublease Factor | 16.21% | 16.94% | 19.41% | 21.83% | 23.22% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 367 | 398 | 417 | 447 | 452 |
| 20,001 to 40,000 | 79 | 89 | 94 | 98 | 96 |
| 40,001 to 60,000 | 20 | 21 | 18 | 28 | 25 |
| 60,001 to 80,000 | 12 | 12 | 13 | 12 | 12 |
| 80,001 to 100,000 | 4 | 5 | 7 | 3 | 4 |
| 100,001 to 120,000 | 6 | 5 | 3 | 4 | 4 |
| 120,001 to 140,000 | 2 | 1 | 0 | 0 | 1 |
| 140,001 and Over | 7 | 8 | 9 | 9 | 8 |
| Total Buildings Available | 497 | 539 | 561 | 601 | 602 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 266,867 | 0 | 0 |
| Spec Construction | 0 | 7,061 | 0 | 0 | 0 |
| Total Completed | 0 | 7,061 | 266,867 | 0 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 266,867 | 266,867 |
| Spec Construction | 9,420 | 21,920 | 7,061 | 7,061 | 0 |
| Total in Progress | 9,420 | 21,920 | 7,061 | 273,928 | 266,867 |

3rd Quarter 2004 Office San Jose Airport Summary



Q304

.84M sf ▲ Available

.16M sf ▲ Gross

-.01M sf ▼ Net

\$1.85/sf ▲ Rent

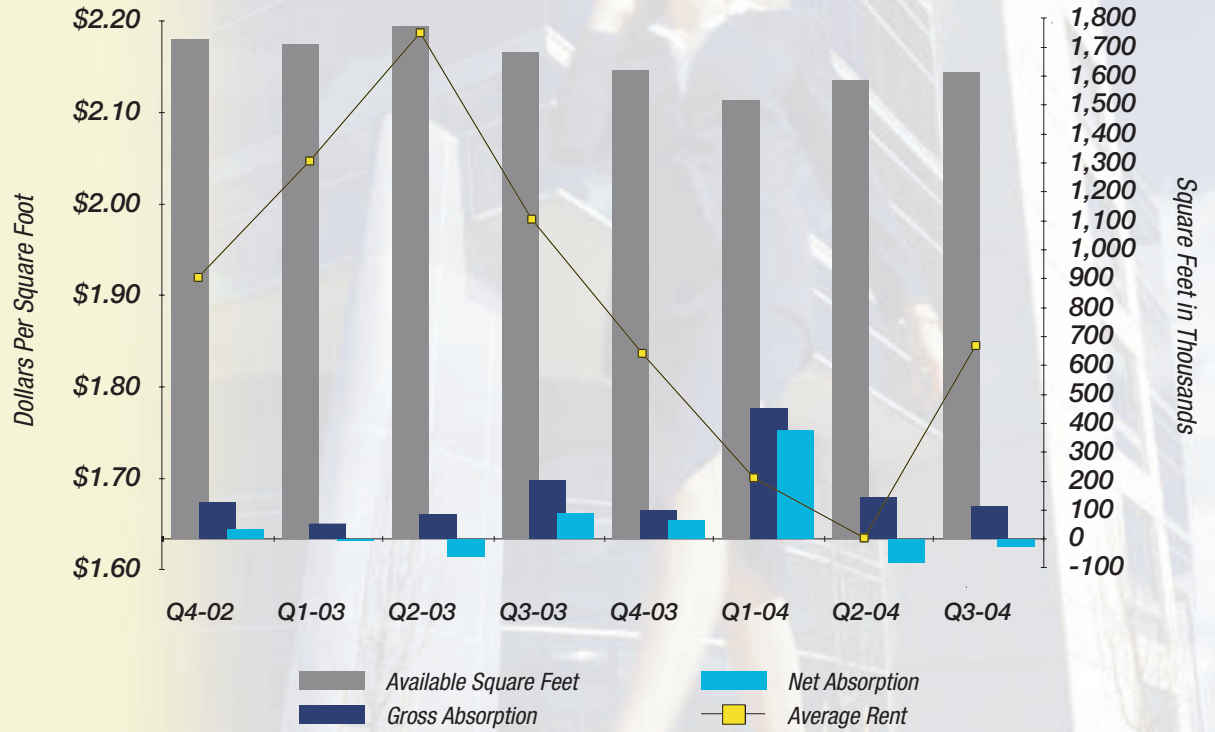
| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| Q304 | 835,910 | \$1.85 | 158,611 | -90,229 |
| Q204 | 745,681 | \$1.73 | 113,049 | 80,153 |
| Q104 | 825,834 | \$2.15 | 115,061 | -22,211 |
| Q403 | 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 |

3rd Quarter 2004 Office San Jose Airport



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Shell Direct | 34,304 | 35,360 | 34,305 | 49,444 | 0 |
| Shell Sublease | 24,042 | 24,042 | 24,042 | 24,042 | 120,825 |
| Previously Occupied Direct | 659,567 | 613,366 | 632,978 | 584,859 | 628,959 |
| Previously Occupied Sublease | 117,996 | 72,913 | 134,509 | 145,278 | 203,164 |
| Total Available | 835,910 | 745,681 | 825,834 | 803,623 | 952,948 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 0 | 12,085 | 0 | 0 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 147,337 | 50,784 | 88,960 | 151,009 | 83,222 |
| Previously Occupied Sublease | 11,274 | 62,265 | 14,016 | 82,586 | 15,366 |
| Total Absorption | 158,611 | 113,049 | 115,061 | 233,595 | 98,588 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 22.37% | 19.95% | 22.10% | 21.50% | 25.50% |
| Vacancy Rate | 20.82% | 19.95% | 22.10% | 21.50% | 25.50% |
| Sublease Factor | 16.99% | 13.00% | 19.20% | 21.07% | 34.00% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 17 | 15 | 15 | 18 | 22 |
| 20,001 to 40,000 | 9 | 9 | 13 | 10 | 11 |
| 40,001 to 60,000 | 4 | 3 | 2 | 3 | 3 |
| 60,001 to 80,000 | 3 | 3 | 3 | 3 | 3 |
| 80,001 to 100,000 | 0 | 0 | 0 | 0 | 1 |
| 100,001 to 120,000 | 0 | 0 | 0 | 0 | 0 |
| 120,001 to 140,000 | 0 | 0 | 0 | 0 | 0 |
| 140,001 and Over | 0 | 0 | 0 | 0 | 0 |
| Total Buildings Available | 33 | 30 | 33 | 34 | 40 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total Completed | 0 | 0 | 0 | 0 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 0 | 0 |

3rd Quarter 2004 Office Downtown San Jose Summary



Q304

1.61M sf ▲ Available
 .11M sf ▼ Gross
 -.03M sf ▲ Net
 \$1.85/sf ▲ Rent

| Period | Available sf | Average Rent | Gross Absorption | Net Absorption |
|--------|--------------|--------------|------------------|----------------|
| 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 |
| 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 |

3rd Quarter 2004 Office Downtown San Jose



| Available Supply | Q304 | Q204 | Q104 | Q403 | Q303 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Shell Direct | 455,162 | 455,162 | 464,991 | 464,991 | 464,961 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 1,038,942 | 1,015,704 | 919,402 | 959,279 | 1,046,541 |
| Previously Occupied Sublease | 118,835 | 116,117 | 130,847 | 196,560 | 170,773 |
| Total Available | 1,612,939 | 1,586,983 | 1,515,240 | 1,620,830 | 1,682,275 |
| Gross Absorption | Q304 | Q204 | Q104 | Q403 | Q303 |
| Shell Direct | 0 | 0 | 271,714 | 4,406 | 48,300 |
| Shell Sublease | 0 | 0 | 0 | 0 | 0 |
| Previously Occupied Direct | 99,099 | 126,912 | 154,733 | 80,875 | 98,240 |
| Previously Occupied Sublease | 13,768 | 16,730 | 26,000 | 15,797 | 55,786 |
| Total Absorption | 112,867 | 143,642 | 452,447 | 101,078 | 202,326 |
| Supply Rates | Q304 | Q204 | Q104 | Q403 | Q303 |
| Availability Rate | 27.00% | 26.56% | 25.36% | 28.40% | 29.47% |
| Vacancy Rate | 27.00% | 26.56% | 25.36% | 28.19% | 29.47% |
| Sublease Factor | 7.37% | 7.32% | 8.64% | 12.13% | 10.15% |
| Size Ranges | Q304 | Q204 | Q104 | Q403 | Q303 |
| 0 to 20,000 | 39 | 34 | 41 | 45 | 45 |
| 20,001 to 40,000 | 9 | 7 | 7 | 10 | 11 |
| 40,001 to 60,000 | 4 | 5 | 2 | 3 | 3 |
| 60,001 to 80,000 | 2 | 2 | 2 | 1 | 1 |
| 80,001 to 100,000 | 2 | 2 | 2 | 1 | 1 |
| 100,001 to 120,000 | 0 | 0 | 0 | 1 | 1 |
| 120,001 to 140,000 | 0 | 0 | 0 | 0 | 0 |
| 140,001 and Over | 2 | 2 | 2 | 2 | 2 |
| Total Buildings Available | 58 | 52 | 56 | 63 | 64 |
| Construction Types | Q304 | Q204 | Q104 | Q403 | Q303 |
| Completed Construction | | | | | |
| Build-To-Suit | 0 | 0 | 266,867 | 0 | 0 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total Completed | 0 | 0 | 266,867 | 0 | 0 |
| In-Process Construction | | | | | |
| Build-To-Suit | 0 | 0 | 0 | 266,867 | 266,867 |
| Spec Construction | 0 | 0 | 0 | 0 | 0 |
| Total in Progress | 0 | 0 | 0 | 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> |



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