

RealNews

the silicon valley quarterly on commercial real estate

***Fourth Quarter 2004
Quarterly Study***



Q404 R&D Highlights

Supply

Available inventory declined to 42 million square feet at the end of the fourth quarter down from 43.4 million square feet at the end of the third quarter. The availability rate has decreased for three consecutive quarters ending the fourth quarter at 24.9%. Sublease space as a percentage of available inventory has decreased 14 consecutive quarters and stands at 25.14%. Average available time on the market has increased for four consecutive quarters and ended the fourth quarter at a record 1.87 years.

Demand

Gross absorption for the fourth quarter decreased to 2.9 million square feet, down from 3.2 million in the third quarter. Net absorption for the fourth quarter increased to 1.4 million square feet, up from 380,000 square feet in the third quarter. There were 117 transactions below 50,000 square feet, ten transactions between 50,000 and 100,000 square feet, one transaction between 100,000 and 200,000 square feet and one transaction above 200,000 square feet completed during the quarter. Users took six spaces off the market to reoccupy during the quarter and there were 23 user sales totaling 530,622 square feet. Average time on the market for the quarter was 1.37 years and the average lease term for the quarter was 3.57 years.

Rent/Price

Average effective rents for the fourth quarter increased to \$.893 per square foot per month, up from the third quarter's \$.885 per square foot. Average tenant improvement allowances have dropped for three consecutive quarters to \$5.38 per square foot. The average sales price of buildings sold during the quarter was \$98.72 per square foot.

Construction

During the fourth quarter no new construction was completed and at the end of the quarter there was 207,489 square feet under construction.

R&D Forecast for 2005

Supply

Available inventory will continue its three quarter decline. The recovery will be accelerated in the Menlo Park/Palo Alto and West Valley submarkets.

Demand

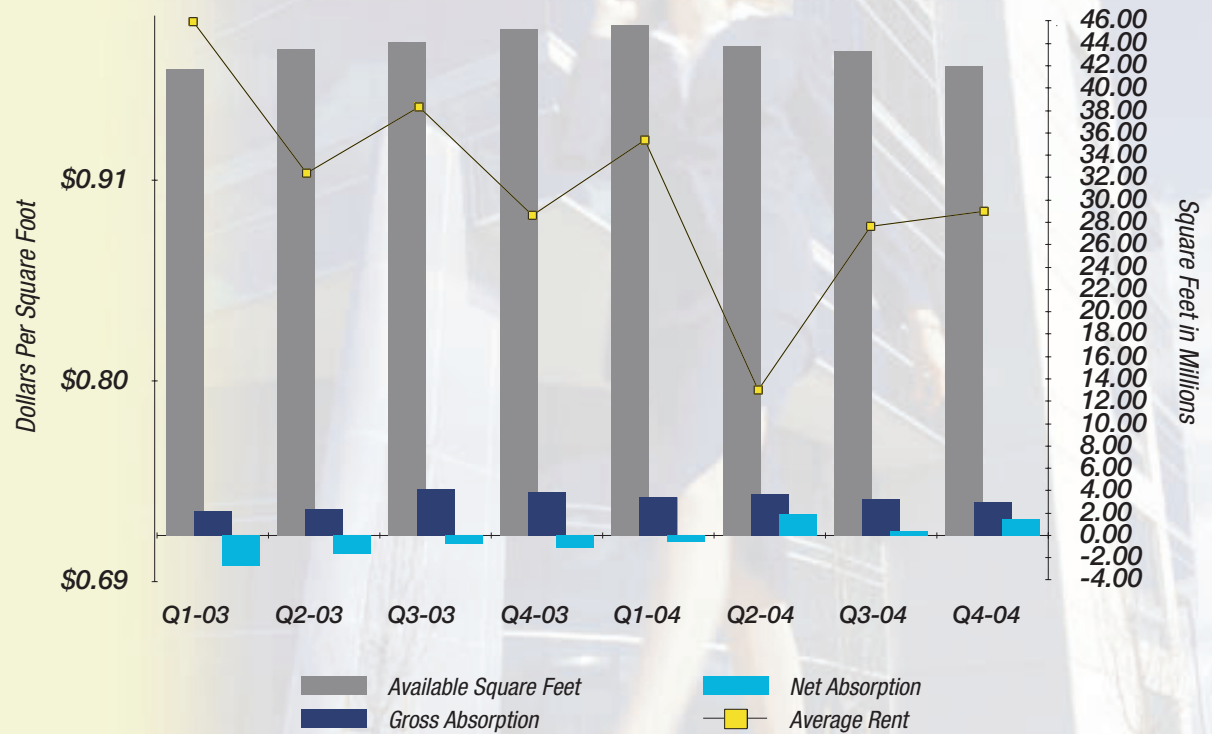
Gross absorption will remain healthy as the recovery continues. Positive net absorption will be minimal. Quality space will be the product of choice. Users will continue to pursue sale opportunities. Demand for investment property will exceed availability.

Rents

Stabilization of rents will continue. The Menlo Park/Palo Alto and West Valley submarkets will begin to experience moderate rent and property appreciation.

Construction

Planned construction will be minimal with some small building and condominium projects being the exception. There will continue to be strong demand for residential conversions from industrial projects.



Q404

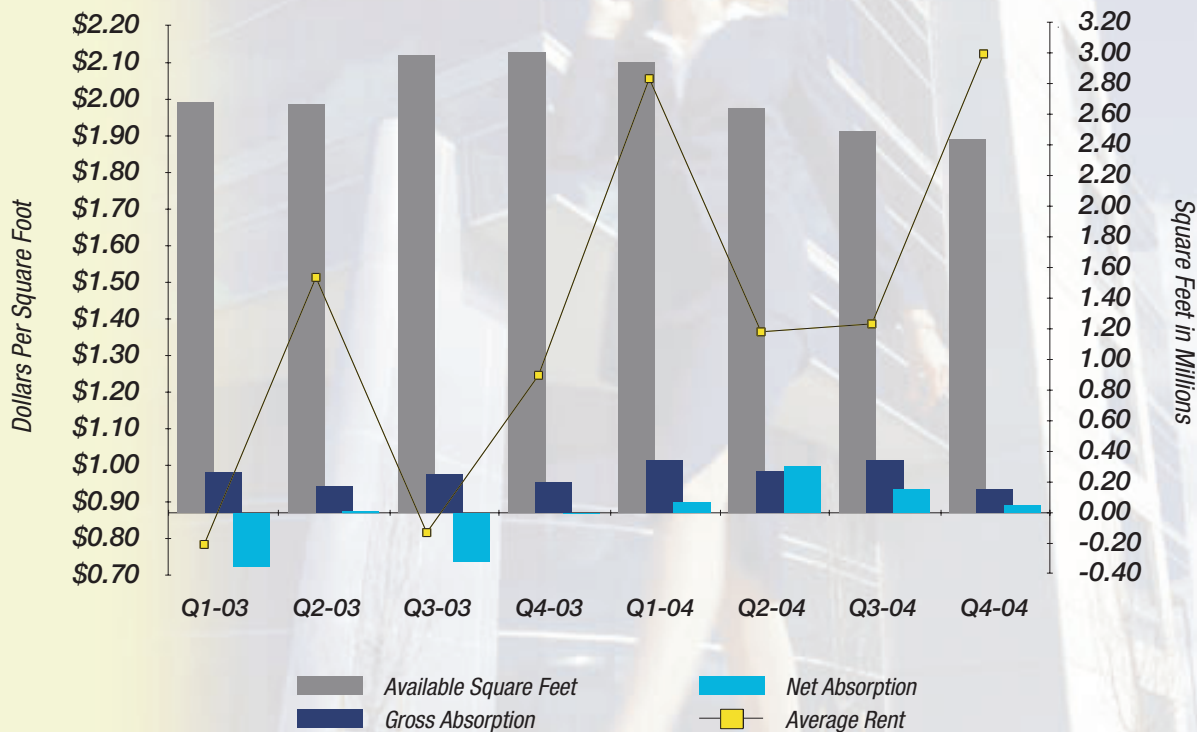
42.01M sf ▼ Available
 2.95M sf ▼ Gross
 1.42M sf ▲ Net
 \$.89/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	43,495,992	\$0.91	2,311,495	-1,588,680
Q103	41,720,282	\$1.00	2,105,111	-2,692,772

4th Quarter 2004 R&D Silicon Valley



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	3,955,694	4,004,032	4,095,136	4,476,092	4,684,277
Shell Sublease	403,489	481,934	516,818	504,614	553,546
Previously Occupied Direct	27,495,205	27,668,945	27,745,771	27,699,366	26,564,753
Previously Occupied Sublease	10,157,851	11,223,069	11,448,529	12,972,290	13,546,173
Total Available	42,012,239	43,377,980	43,806,254	45,652,362	45,348,749
Available Time on Market (In Months)	22.49	20.61	19.17	17.39	16.31
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	352,683	116,684	153,500	172,464	109,685
Shell Sublease	91,000	0	0	0	21,000
Previously Occupied Direct	1,752,612	2,692,088	2,745,369	2,663,122	3,410,448
Previously Occupied Sublease	752,163	381,292	769,648	554,347	342,944
Total Absorption	2,948,458	3,190,064	3,668,517	3,389,933	3,884,077
Absorption Time on Market (In Months)	16.44	17.52	12.76	14.93	12.82
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	24.91%	25.72%	25.99%	27.07%	26.90%
Vacancy Rate	24.85%	25.50%	25.83%	26.88%	26.69%
Sublease Factor	25.14%	26.98%	27.31%	29.52%	31.09%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	436	456	469	510	519
20,001 to 40,000	309	305	320	344	325
40,001 to 60,000	166	169	174	170	174
60,001 to 80,000	78	84	85	95	98
80,001 to 100,000	57	61	58	52	52
100,001 to 120,000	22	22	24	25	26
120,001 to 140,000	10	9	8	10	12
140,001 and Over	27	28	27	28	26
Total Buildings Available	1,105	1,134	1,165	1,233	1,232
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	150,000
Spec Construction	0	71,393	0	0	5,840
Total Completed	0	71,393	0	0	155,840
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	207,489	140,449	211,842	138,400	138,400
Total in Progress	207,489	140,449	211,842	138,400	138,400



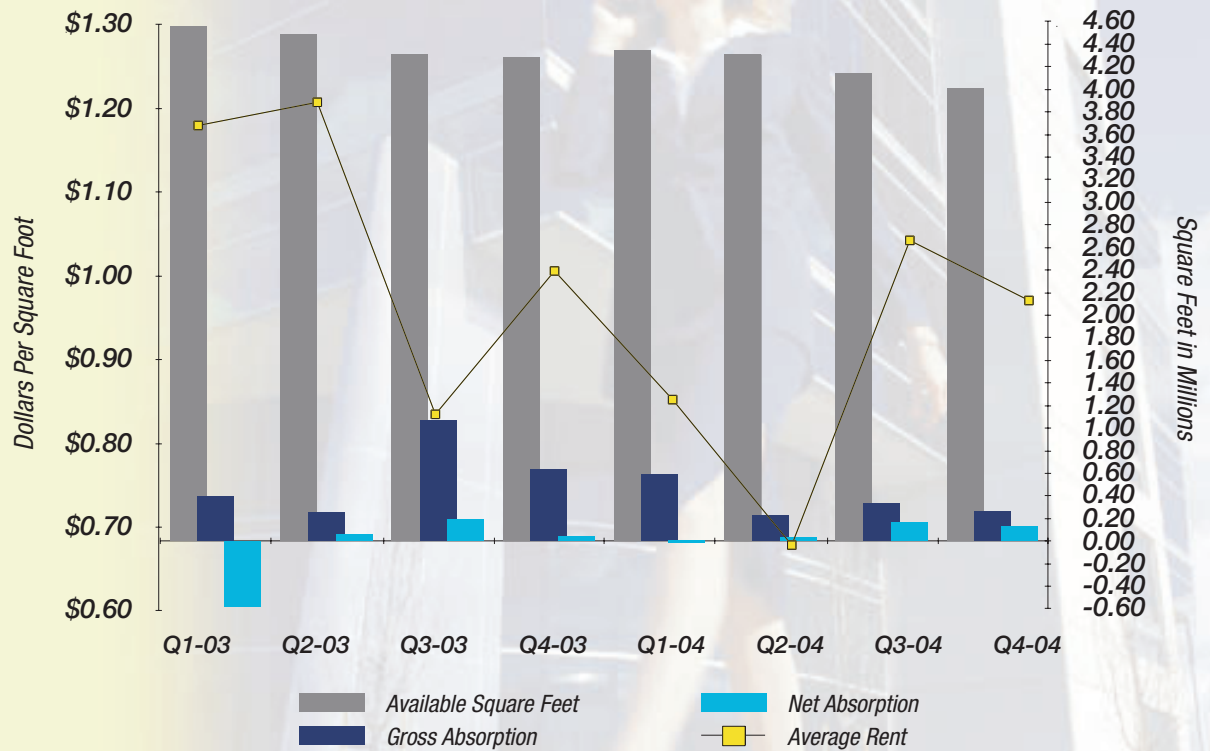
Q404

2.44M sf ▼ Available
 .15M sf ▼ Gross
 .05M sf ▼ Net
 \$2.12/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	2,671,938	\$1.51	174,349	12,073
Q103	2,684,011	\$0.79	260,744	-352,669

Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	98,051	98,051	71,869	71,869	91,315
Shell Sublease	32,027	5,999	40,883	41,652	34,652
Previously Occupied Direct	1,723,214	1,792,008	2,016,977	2,123,561	1,889,906
Previously Occupied Sublease	588,255	595,455	510,873	703,001	989,675
Total Available	2,441,547	2,491,513	2,640,602	2,940,083	3,005,548
Available Time on Market (In Months)	23.11	20.78	19.82	18.31	17.59
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	0	0	9,446	0
Shell Sublease	0	0	0	0	21,000
Previously Occupied Direct	154,822	294,024	173,837	303,585	118,356
Previously Occupied Sublease	0	48,658	91,936	30,694	63,716
Total Absorption	154,822	342,682	265,773	343,725	203,072
Absorption Time on Market (In Months)	16.04	18.61	5.16	17.13	13.22
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	16.17%	16.50%	17.49%	19.47%	19.90%
Vacancy Rate	16.17%	16.27%	17.49%	19.47%	19.75%
Sublease Factor	25.41%	24.14%	20.90%	25.33%	34.08%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	36	40	41	47	51
20,001 to 40,000	24	21	23	24	27
40,001 to 60,000	12	12	14	16	15
60,001 to 80,000	5	6	6	6	4
80,001 to 100,000	1	1	1	2	2
100,001 to 120,000	0	0	0	0	0
120,001 to 140,000	1	1	1	1	2
140,001 and Over	1	1	1	1	1
Total Buildings Available	80	82	87	97	102
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

4th Quarter 2004 R&D Mountain View Summary



Q404

4.01M sf ▼ Available
 .26M sf ▼ Gross
 .13M sf ▼ Net
 \$.97sf ▼ Rent

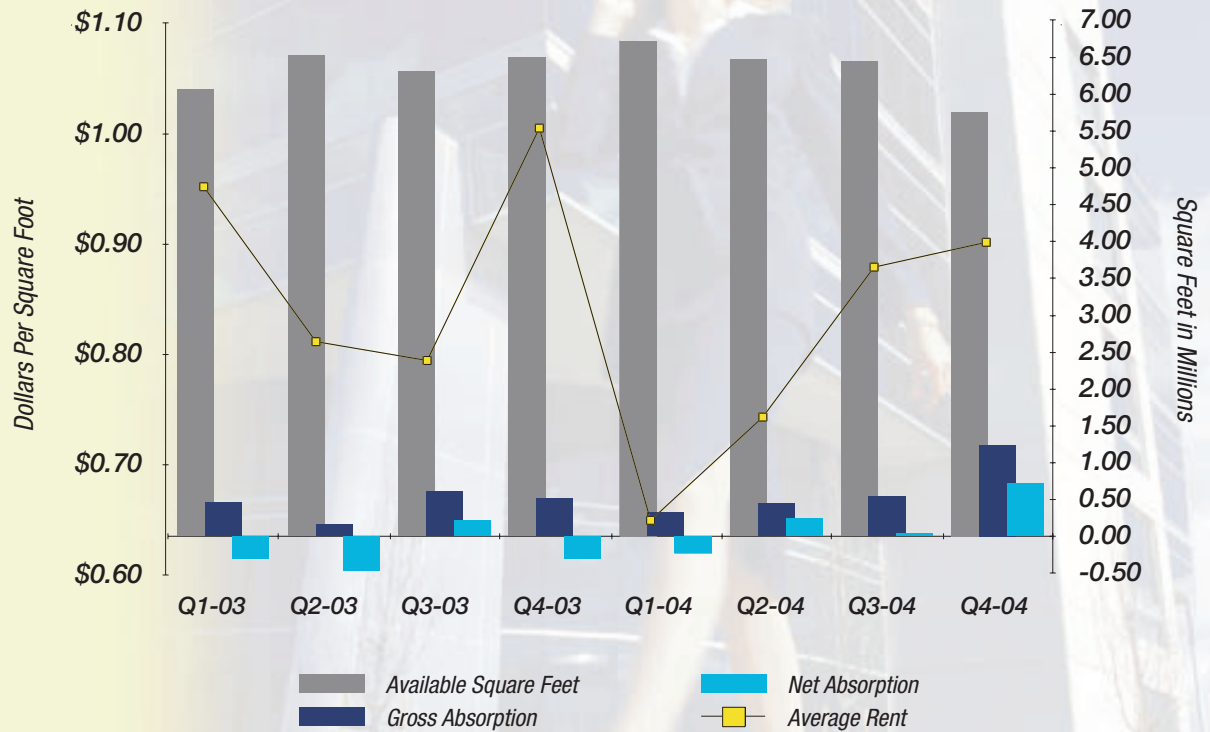
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q404	4,013,314	\$0.97	263,869	130,179
Q304	4,143,493	\$1.04	338,583	169,401
Q204	4,312,894	\$0.68	226,363	26,065
Q104	4,339,673	\$0.85	586,670	-18,343
Q403	4,286,213	\$1.01	635,102	43,696
Q303	4,306,437	\$0.84	1,065,828	189,578
Q203	4,476,863	\$1.21	246,119	58,876
Q103	4,562,194	\$1.18	388,301	-584,498

4th Quarter 2004 R&D Mountain View



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	140,781	136,541	136,541	154,995	109,793
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	2,827,293	2,801,328	2,830,614	2,634,031	2,622,245
Previously Occupied Sublease	1,045,240	1,205,624	1,345,739	1,550,647	1,554,175
Total Available	4,013,314	4,143,493	4,312,894	4,339,673	4,286,213
Available Time on Market (In Months)	22.98	20.19	18.97	16.96	16.41
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	0	17,740	0	2,020
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	171,469	244,496	178,823	363,190	588,502
Previously Occupied Sublease	92,400	94,087	29,800	223,480	44,580
Total Absorption	263,869	338,583	226,363	586,670	635,102
Absorption Time on Market (In Months)	7.82	12.72	19.30	19.30	15.95
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	25.79%	26.63%	27.72%	27.89%	27.55%
Vacancy Rate	25.55%	26.30%	27.72%	27.66%	27.55%
Sublease Factor	26.04%	29.10%	31.20%	35.73%	36.26%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	43	49	49	57	51
20,001 to 40,000	37	36	38	38	29
40,001 to 60,000	17	16	17	15	18
60,001 to 80,000	8	9	9	12	14
80,001 to 100,000	0	1	2	2	2
100,001 to 120,000	1	2	2	2	3
120,001 to 140,000	1	0	1	1	0
140,001 and Over	3	3	2	1	1
Total Buildings Available	110	116	120	128	118
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

4th Quarter 2004 R&D Sunnyvale Summary



Q404

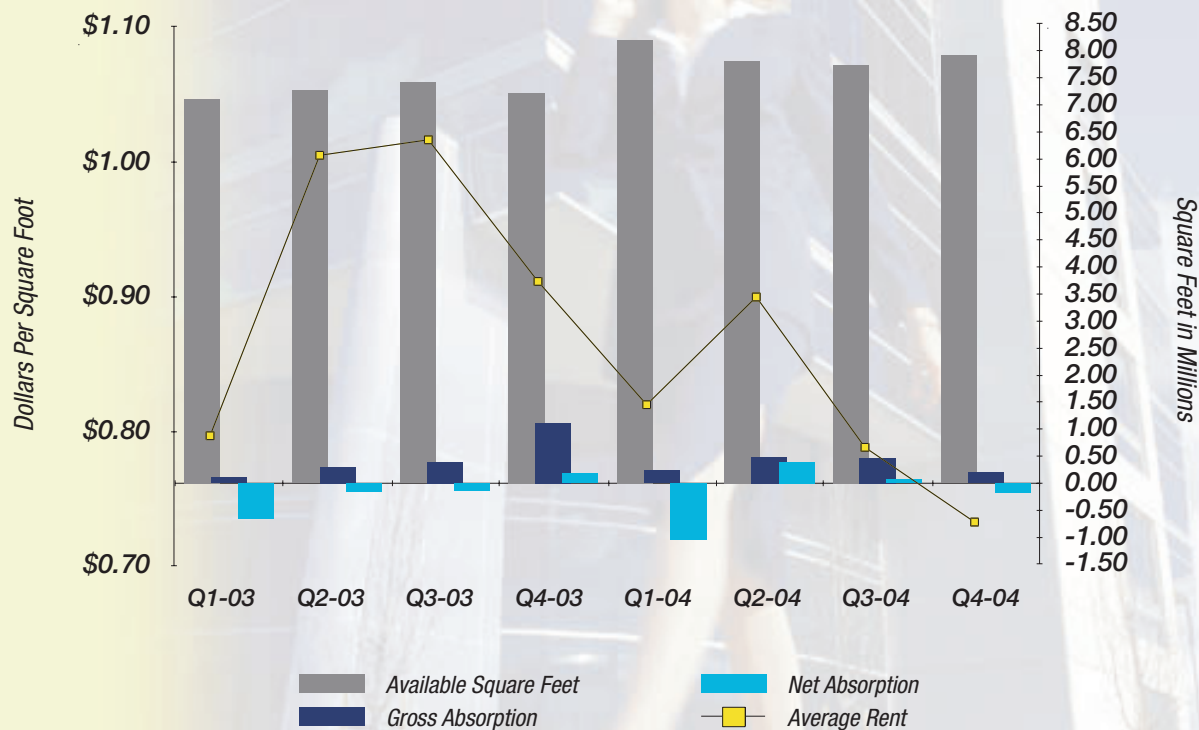
5.75M sf ▼ Available
 1.25M sf ▲ Gross
 .72M sf ▲ Net
 \$.90/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	6,518,146	\$0.81	167,631	-462,979
Q103	6,055,167	\$0.95	464,913	-308,530

4th Quarter 2004 R&D Sunnyvale



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	390,744	511,622	448,271	525,964	435,086
Shell Sublease	43,500	147,973	147,973	135,000	135,000
Previously Occupied Direct	4,026,556	4,117,510	4,305,089	4,350,852	4,120,066
Previously Occupied Sublease	1,286,185	1,663,063	1,570,274	1,712,657	1,806,027
Total Available	5,746,985	6,440,168	6,471,607	6,724,473	6,496,179
Available Time on Market (In Months)	22.36	21.57	19.76	17.79	17.23
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	163,044	41,599	42,670	27,794	22,858
Shell Sublease	91,000	0	0	0	0
Previously Occupied Direct	565,631	476,715	375,498	231,170	404,179
Previously Occupied Sublease	433,635	27,380	35,210	70,270	84,679
Total Absorption	1,253,310	545,694	453,378	329,234	511,716
Absorption Time on Market (In Months)	19.86	17.00	17.42	9.60	15.19
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	20.98%	23.51%	23.62%	24.54%	23.71%
Vacancy Rate	20.84%	23.12%	23.52%	24.50%	23.71%
Sublease Factor	23.14%	28.12%	26.55%	27.48%	29.88%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	84	81	84	88	79
20,001 to 40,000	54	57	61	71	69
40,001 to 60,000	19	22	27	26	26
60,001 to 80,000	9	8	8	8	8
80,001 to 100,000	4	5	3	2	2
100,001 to 120,000	4	4	3	4	3
120,001 to 140,000	2	2	2	2	2
140,001 and Over	3	5	5	5	5
Total Buildings Available	179	184	193	206	194
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	150,000
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	150,000
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



Q404

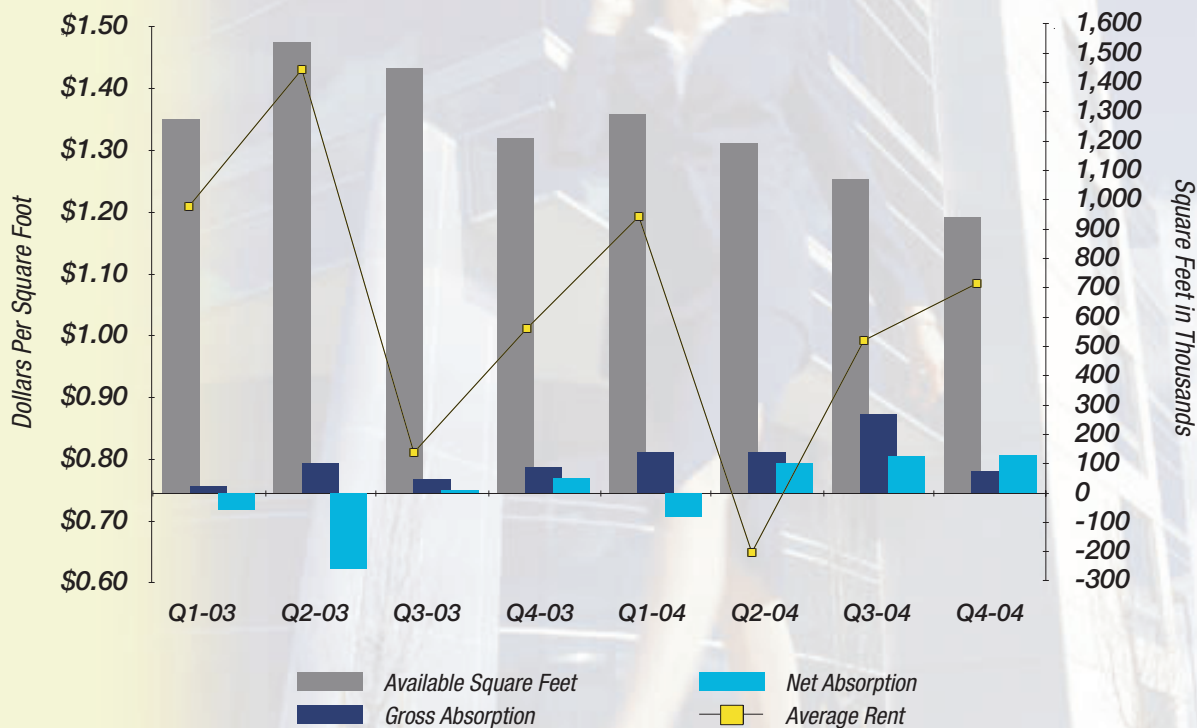
7.91M sf ▲ Available
 .20M sf ▼ Gross
 -.13M sf ▼ Net
 \$.73/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q404	7,910,950	\$0.73	198,628	-128,075
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
Q203	7,272,358	\$1.01	306,516	-158,532
Q103	7,113,826	\$0.80	106,042	-673,964

4th Quarter 2004 R&D Santa Clara



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	328,850	167,736	167,683	167,683	165,533
Shell Sublease	43,333	43,333	43,333	43,333	99,265
Previously Occupied Direct	5,001,243	4,946,614	4,682,018	4,979,123	4,383,807
Previously Occupied Sublease	2,537,524	2,571,192	2,916,216	3,008,039	2,570,574
Total Available	7,910,950	7,728,875	7,809,250	8,198,178	7,219,179
Available Time on Market (In Months)	22.62	21.21	19.23	17.26	15.85
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	28,300	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	87,073	366,362	453,076	170,802	1,094,799
Previously Occupied Sublease	111,555	63,129	41,152	68,830	18,000
Total Absorption	198,628	457,791	494,228	239,632	1,112,799
Absorption Time on Market (In Months)	16.31	17.29	17.23	14.96	10.22
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	31.85%	31.11%	31.44%	32.77%	29.06%
Vacancy Rate	31.85%	31.03%	31.44%	32.77%	29.06%
Sublease Factor	32.62%	33.83%	37.90%	36.22%	36.98%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	60	63	68	74	76
20,001 to 40,000	39	37	39	44	40
40,001 to 60,000	26	29	28	27	29
60,001 to 80,000	12	11	10	13	13
80,001 to 100,000	14	13	13	10	9
100,001 to 120,000	7	7	8	8	8
120,001 to 140,000	2	2	2	2	2
140,001 and Over	8	7	7	8	5
Total Buildings Available	168	169	175	186	182
Construction Types	Q404	Q304	Q204	Q104	Q403
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

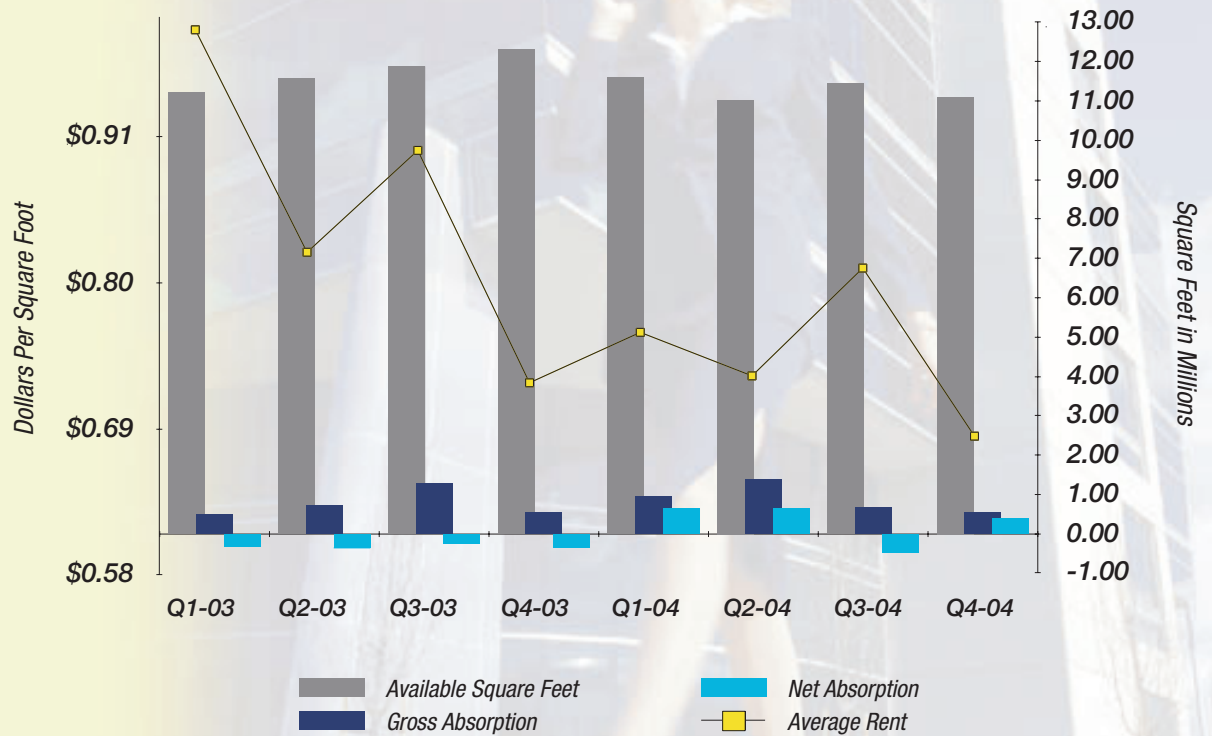


Q404

.94M sf ▼ Available
 .07M sf ▼ Gross
 .13M sf ▲ Net
 \$1.09/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	1,535,867	\$1.43	102,438	-260,984
Q103	1,274,883	\$1.21	23,227	-60,667

Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	10,800	16,560	10,800	10,800	10,890
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	595,435	665,469	692,146	752,531	739,667
Previously Occupied Sublease	333,972	386,154	489,612	528,539	458,725
Total Available	940,207	1,068,183	1,192,558	1,291,870	1,209,282
Available Time on Market (In Months)	23.93	19.69	18.81	16.37	15.98
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	5,760	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	68,100	195,082	94,031	119,469	71,030
Previously Occupied Sublease	0	73,859	44,470	20,100	15,900
Total Absorption	73,860	268,941	138,501	139,569	86,930
Absorption Time on Market (In Months)	8.84	18.02	17.88	12.69	12.23
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	23.45%	26.64%	29.74%	32.22%	30.16%
Vacancy Rate	23.45%	26.64%	29.74%	31.78%	29.71%
Sublease Factor	35.52%	36.15%	41.06%	40.91%	37.93%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	20	25	29	29	25
20,001 to 40,000	6	7	10	12	15
40,001 to 60,000	4	5	5	5	4
60,001 to 80,000	1	1	1	2	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	0
Total Buildings Available	33	40	47	50	47
Construction Types	Q404	Q304	Q204	Q104	Q403
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



Q404

11.09M sf ▼ Available
 .54M sf ▼ Gross
 .39M sf ▲ Net
 \$.69/sf ▼ Rent

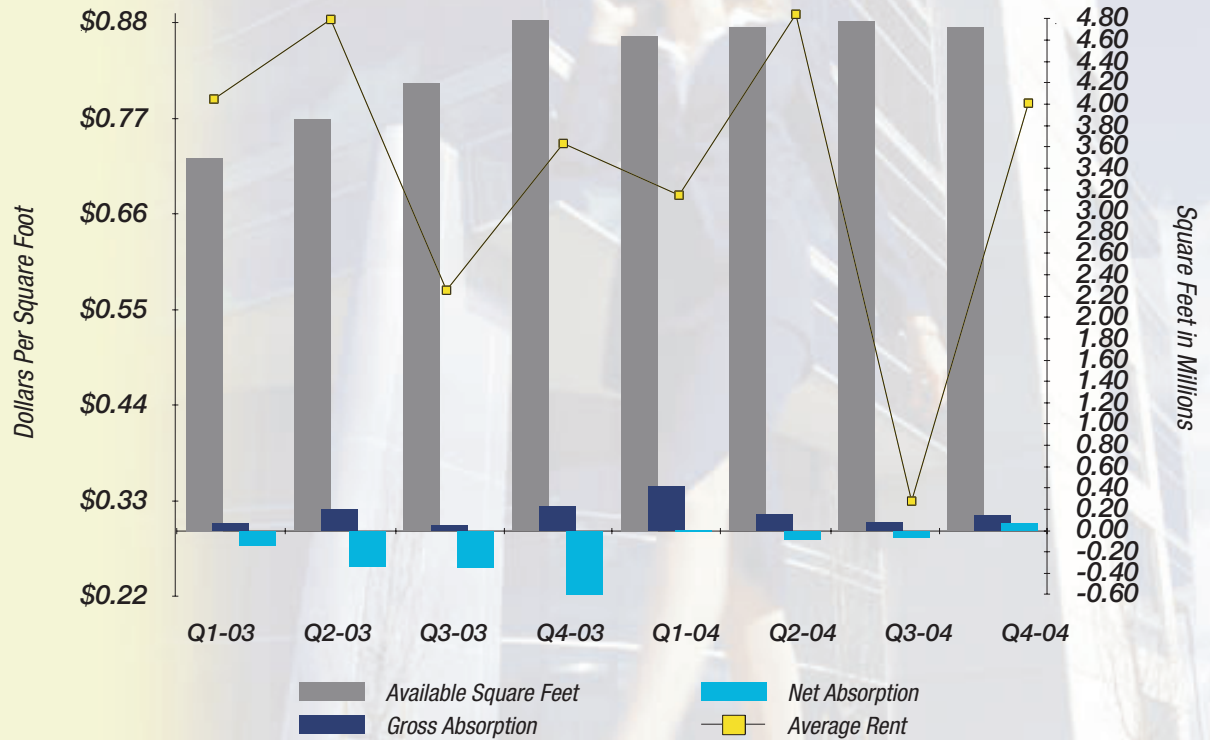
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q404	11,087,762	\$0.69	540,577	393,618
Q304	11,458,851	\$0.81	662,569	-492,862
Q204	11,023,400	\$0.73	1,384,968	635,738
Q104	11,611,081	\$0.76	935,821	645,324
Q403	12,317,935	\$0.73	548,497	-366,116
Q303	11,866,579	\$0.90	1,276,260	-265,911
Q203	11,580,468	\$0.82	710,111	-352,787
Q103	11,221,841	\$0.99	492,615	-336,273

4th Quarter 2004 R&D San Jose



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	1,092,526	1,112,956	1,264,949	1,379,777	1,432,912
Shell Sublease	150,000	150,000	150,000	150,000	150,000
Previously Occupied Direct	7,012,363	7,158,459	6,833,758	6,691,681	6,791,793
Previously Occupied Sublease	2,832,873	3,037,436	2,774,693	3,389,623	3,943,230
Total Available	11,087,762	11,458,851	11,023,400	11,611,081	12,317,935
Available Time on Market (In Months)	22.62	20.42	19.59	17.72	16.31
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	42,959	7,932	64,205	37,500	5,840
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	459,628	602,434	905,213	782,193	542,657
Previously Occupied Sublease	37,990	52,203	415,550	116,128	0
Total Absorption	540,577	662,569	1,384,968	935,821	548,497
Absorption Time on Market (In Months)	17.23	19.89	11.11	16.83	9.96
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	22.88%	23.65%	22.78%	24.00%	25.46%
Vacancy Rate	22.82%	23.30%	22.59%	23.90%	25.11%
Sublease Factor	26.90%	27.82%	26.53%	30.48%	33.23%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	89	98	90	100	104
20,001 to 40,000	78	75	73	73	69
40,001 to 60,000	40	37	33	31	31
60,001 to 80,000	26	30	29	34	36
80,001 to 100,000	26	28	28	26	29
100,001 to 120,000	5	5	6	7	7
120,001 to 140,000	2	2	1	2	3
140,001 and Over	6	6	6	6	7
Total Buildings Available	272	281	266	279	286
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	71,393	0	0	5,840
Total Completed	0	71,393	0	0	5,840
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	140,449	140,449	211,842	138,400	138,400
Total in Progress	140,449	140,449	211,842	138,400	138,400

4th Quarter 2004 R&D Milpitas Summary



Q404

4.72M sf ▼ Available
 .14M sf ▲ Gross
 .06M sf ▲ Net
 \$.79/sf ▲ Rent

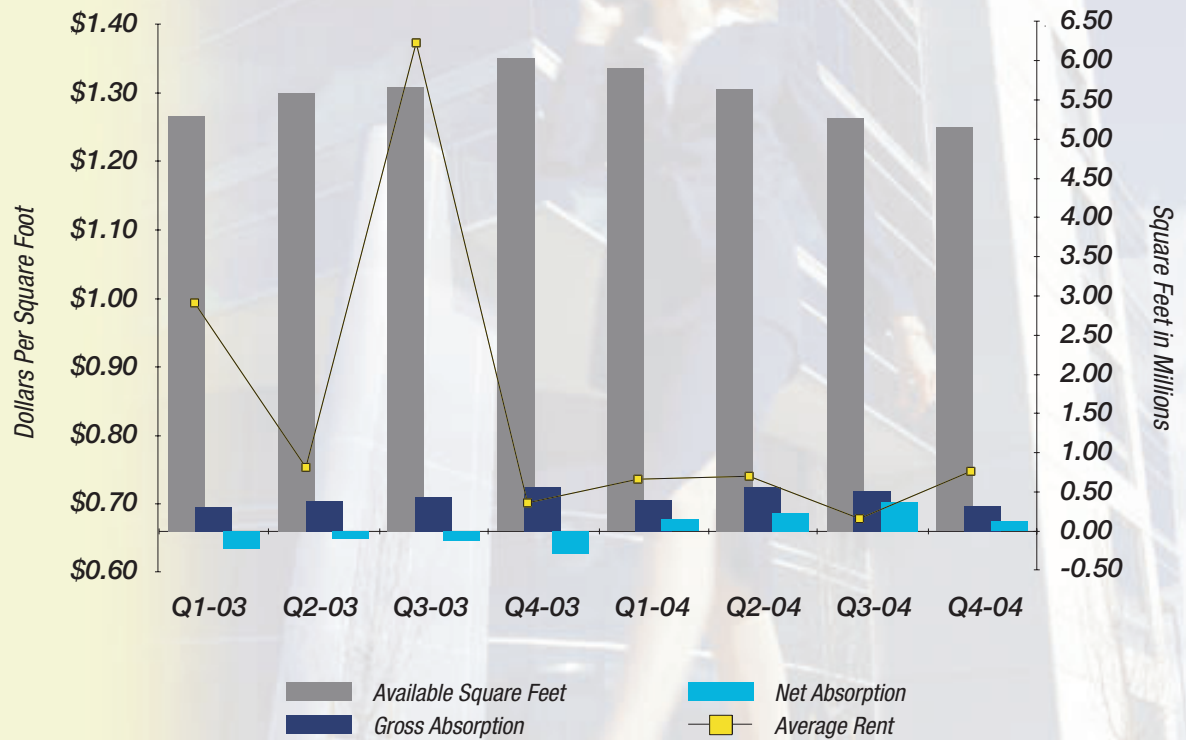
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q404	4,717,446	\$0.79	143,207	60,085
Q304	4,777,531	\$0.33	67,885	-58,134
Q204	4,719,371	\$0.89	147,891	-75,564
Q104	4,643,783	\$0.68	414,288	10,002
Q403	4,789,211	\$0.74	229,812	-600,380
Q303	4,188,831	\$0.57	35,467	-340,549
Q203	3,848,282	\$0.88	198,376	-327,553
Q103	3,504,129	\$0.79	63,904	-141,535

4th Quarter 2004 R&D Milpitas



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	1,161,387	1,228,011	1,254,115	1,325,512	1,578,088
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	2,555,007	2,403,683	2,316,814	2,114,512	1,957,511
Previously Occupied Sublease	1,001,052	1,145,837	1,148,442	1,203,759	1,253,612
Total Available	4,717,446	4,777,531	4,719,371	4,643,783	4,789,211
Available Time on Market (In Months)	20.98	18.81	17.00	14.76	13.45
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	66,624	0	0	76,556	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	0	67,885	147,891	312,887	190,384
Previously Occupied Sublease	76,583	0	0	24,845	39,428
Total Absorption	143,207	67,885	147,891	414,288	229,812
Absorption Time on Market (In Months)	17.13	16.34	6.84	12.69	11.21
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	30.61%	31.00%	30.63%	30.14%	31.08%
Vacancy Rate	30.61%	31.00%	30.63%	30.14%	30.81%
Sublease Factor	21.22%	23.98%	24.33%	25.92%	26.18%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	37	36	34	38	39
20,001 to 40,000	26	25	25	26	23
40,001 to 60,000	26	27	26	27	25
60,001 to 80,000	7	8	8	7	8
80,001 to 100,000	5	6	6	6	5
100,001 to 120,000	3	2	3	2	2
120,001 to 140,000	1	1	0	0	1
140,001 and Over	4	4	4	4	5
Total Buildings Available	109	109	106	110	108
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

4th Quarter 2004 R&D Fremont Summary



Q404

5.15M sf ▼ Available
 .32M sf ▼ Gross
 .12M sf ▼ Net
 \$.75/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	5,592,070	\$0.75	377,011	-96,794
Q103	5,304,231	\$0.99	305,365	-234,636

4th Quarter 2004 R&D Fremont



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	732,555	732,555	740,908	839,492	860,660
Shell Sublease	134,629	134,629	134,629	134,629	134,629
Previously Occupied Direct	3,754,094	3,783,874	4,068,355	4,053,075	4,059,758
Previously Occupied Sublease	532,750	618,308	692,680	876,025	970,155
Total Available	5,154,028	5,269,366	5,636,572	5,903,221	6,025,202
Available Time on Market (In Months)	22.36	21.01	19.10	18.21	16.83
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	74,296	38,853	20,135	21,168	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	245,889	445,090	425,750	379,826	479,508
Previously Occupied Sublease	0	21,976	111,530	0	76,641
Total Absorption	320,185	505,919	557,415	400,994	556,149
Absorption Time on Market (In Months)	20.55	18.84	9.67	12.46	12.46
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	28.83%	29.48%	31.53%	33.03%	33.71%
Vacancy Rate	28.79%	29.48%	30.70%	32.12%	33.11%
Sublease Factor	12.95%	14.29%	14.68%	17.12%	18.34%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	67	64	74	76	94
20,001 to 40,000	45	47	51	56	53
40,001 to 60,000	22	21	24	23	26
60,001 to 80,000	10	11	14	13	14
80,001 to 100,000	7	7	5	4	3
100,001 to 120,000	1	1	1	1	2
120,001 to 140,000	0	0	0	1	1
140,001 and Over	2	2	2	3	2
Total Buildings Available	154	153	171	176	195
Construction Types	Q404	Q304	Q204	Q104	Q403
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	67,040	0	0	0	0
Total in Progress	67,040	0	0	0	0

2004 Warehouse Highlights

Supply

Supply decreased for the first time in four years as the total square feet of available warehouse in Silicon Valley dropped by 17%. The year ended with 17.9% of the Silicon Valley's warehouse base available for lease or sale. Average time on the market was at an all time high of 1.14 years. At year end, San Jose accounted for the largest portion of the Valley's vacancy with about 48% or 2.9 million square feet. Sunnyvale, as usual, was the tightest market, closing the year with 240,000 square feet available or 4% of the Valley's total vacancy factor. Once again, no new warehouse projects were constructed in 2004 and there are none planned for 2005.

Demand

Gross absorption was virtually identical to 2003 with 3.58 million square feet leased or removed from the market. Net absorption for the year was a very positive 1.16 million square feet, the first positive absorption in the Valley since 2000 and 2.9 million square feet better than the previous year's net absorption of negative 1.74 million square feet. The demand was spread relatively equally among the four quarters of the year. Average deal size was consistent with the last seven years at 35,000 square feet. There were, however, six transactions in excess of 140,000 square feet.

Rents

As expected, rents continued their annual decline in 2004. However, the four percent decline from 2003 represents the smallest decline since rents began to slide at the end of 2001. This number was due, in part, to the landlords of Class A properties ceasing to offer "teaser rates" for short term deals in their projects. Additionally, average lease term was down as landlords won out in their effort to not have to endure the current low rates for extended periods. The 3.86 year average term was about eight months less than the average for 2003 and six months less than the previous 10 year average.

Forecast for 2005

Supply

The supply of warehouse space should continue its slow decline through 2005. We again expect larger blocks of space to be leased than will come on the market. As has been the case for the last few years, having no new construction planned and some existing projects being planned for residential or retail redevelopment will aid in the reduction of supply.

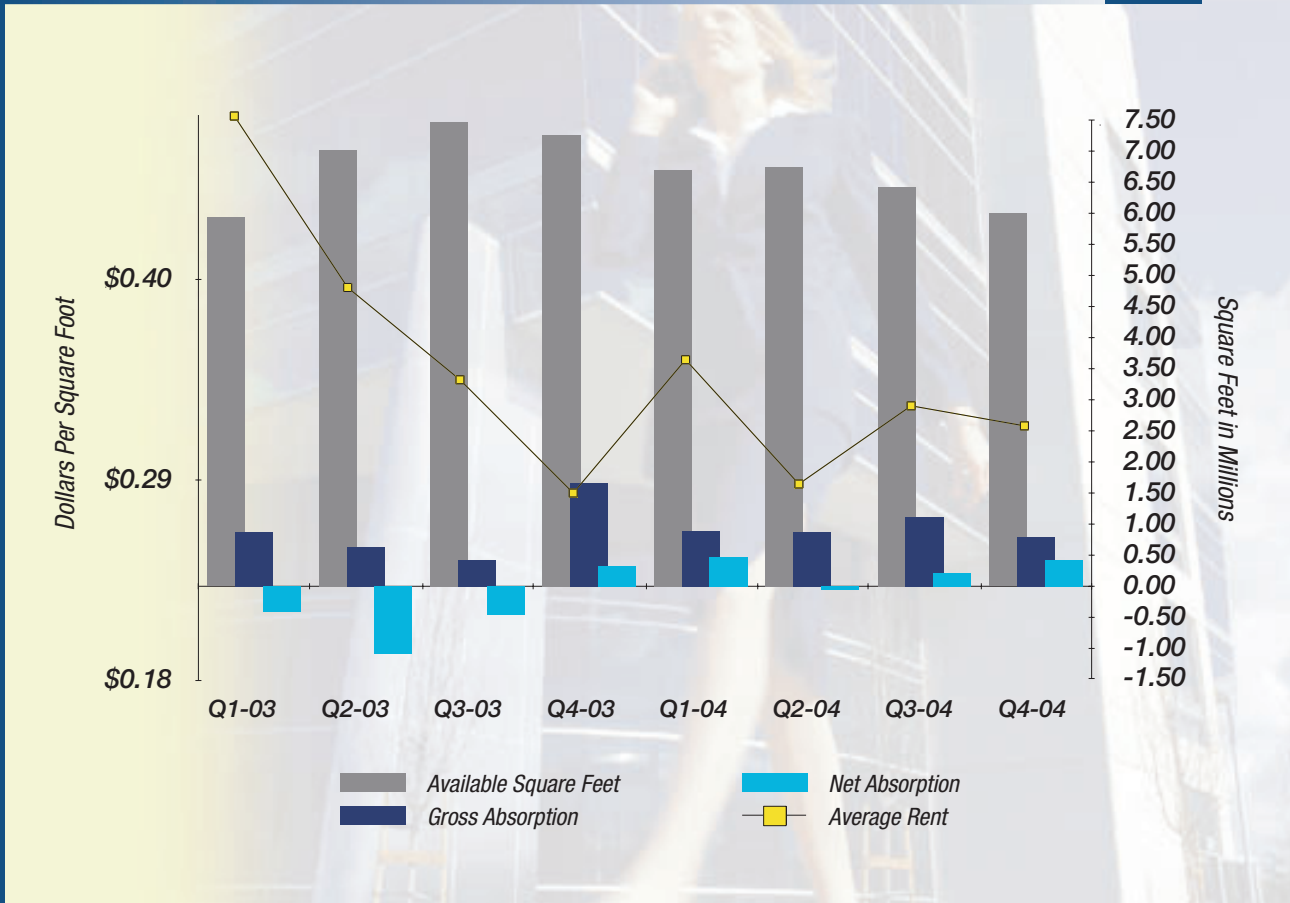
Demand

We expect the number of transactions to stay consistent with the last two years and we expect there to continue to be more expansions than consolidations as more of the Valley's tenants return to good health. The majority of the demand will continue to be for smaller (15,000-25,000 square feet) spaces and for quality properties; however, expect a few 100,000+ square feet deals to happen in 2005. While it has not yet materialized in the form of completed transactions, many tenants we have spoken with are close (a contract or two away) to being in the market for additional space. Also, we expect that tenants in Class B & C spaces will continue to take advantage of the opportunity to upgrade their respective facilities and locations because of the lower rents still available for Class A properties.

Rents

Look for rents to start showing more of a discrepancy based on the size, location and quality of a given warehouse property. Properties in the Fremont and Newark markets – as well as owners of Class B and C spaces Valley wide – will have to continue to be very aggressive with their rent/concession structure to lure tenants to their properties. As predicted for 2004, average rents in 2005 will again end up within 10% of where they finished 2004 as the increases in rents for Class A properties will be offset by the lower rates hammered out for Class B & C properties.

4th Quarter 2004 Warehouse Silicon Valley Summary



Q404

6.00M sf ▼ Available
 .79M sf ▼ Gross
 .42M sf ▲ Net
 \$.32/sf ▼ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	7,026,813	\$0.40	620,477	-1,086,770
Q103	5,940,043	\$0.49	865,319	-406,006

4th Quarter 2004 Warehouse Silicon Valley



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	4,845,675	5,205,739	5,831,515	5,686,375	5,967,284
Previously Occupied Sublease	1,154,463	1,215,046	921,111	1,015,522	1,292,226
Total Available	6,000,138	6,420,785	6,752,626	6,701,897	7,259,510
Available Time on Market (In Months)	19.07	15.72	14.07	14.01	13.91
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	0	0	0	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	771,051	1,057,155	851,188	867,641	1,569,897
Previously Occupied Sublease	14,205	55,833	13,000	11,160	90,245
Total Absorption	785,256	1,112,988	864,188	878,801	1,660,142
Absorption Time on Market (In Months)	13.81	14.86	17.69	11.80	8.42
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	17.89%	19.14%	20.13%	19.98%	21.64%
Vacancy Rate	17.89%	18.86%	19.95%	19.57%	21.64%
Sublease Factor	19.24%	18.92%	13.64%	15.15%	17.80%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	27	32	38	33	30
20,001 to 40,000	44	47	48	50	46
40,001 to 60,000	15	16	19	16	18
60,001 to 80,000	11	11	12	11	11
80,001 to 100,000	7	6	6	4	3
100,001 to 120,000	5	7	9	10	11
120,001 to 140,000	4	3	4	3	5
140,001 and Over	6	6	5	7	8
Total Buildings Available	119	128	141	134	132
Construction Types	Q404	Q304	Q204	Q104	Q403
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

Q404 Office Highlights

Supply

The available office space decreased slightly in the fourth quarter 2004, ending the quarter with 9,256,507 square feet available, a decrease of 531,980 square feet. The availability rate decreased to 21.42%, a drop of 1.23% over the third quarter. The percent of available space that is sublease space increased to 17.03% at the end of the quarter from 15.64% in the third quarter.

Demand

Office demand remained stable in the fourth quarter 2004. Gross absorption for the fourth quarter was 1,197,178 square feet. The fourth quarter of 2004 saw a positive net absorption of 533,082 square feet, the sixth consecutive quarter of positive net absorption.

Rent

The average effective rent at the end of the fourth quarter was \$2.234 per square foot Full Service, a slight decrease of \$0.08 from the end of the third quarter 2004.

Submarkets

San Jose Airport

The total availability factor in the Airport office market decreased from 22.37% to 19.08% at the end of the fourth quarter. The average rents have shown a slight decrease in the fourth quarter of \$0.145 decreasing from \$1.847 Full Service to \$1.702 Full Service. Sublease space in the Airport market decreased slightly to 16.40% of the total vacancy compared to 16.99% at the end of the third quarter.

Downtown Class A

The total vacancy factor in the Downtown Class A office market dropped slightly to 33.82% or 880,344 square feet in the fourth quarter 2004. The Class A sublease space stabilized at 3.7% of the total vacancy at the end of the fourth quarter. The Class A average rent at the end of the fourth quarter increased dramatically to \$2.65 Full Service from \$2.17 Full Service at the end of the third quarter.

Forecast for Q105

Supply

The supply of office space is stable and declining slowly. Good quality space in desirable areas is increasingly hard to find. The West Valley cities and other boutique locations are very tight, with some having single digit vacancies. Tenants are still expecting turn-key "plug and play", but are finding that they may have to pay a premium to do so given the lack of "plug and play" space in the market.

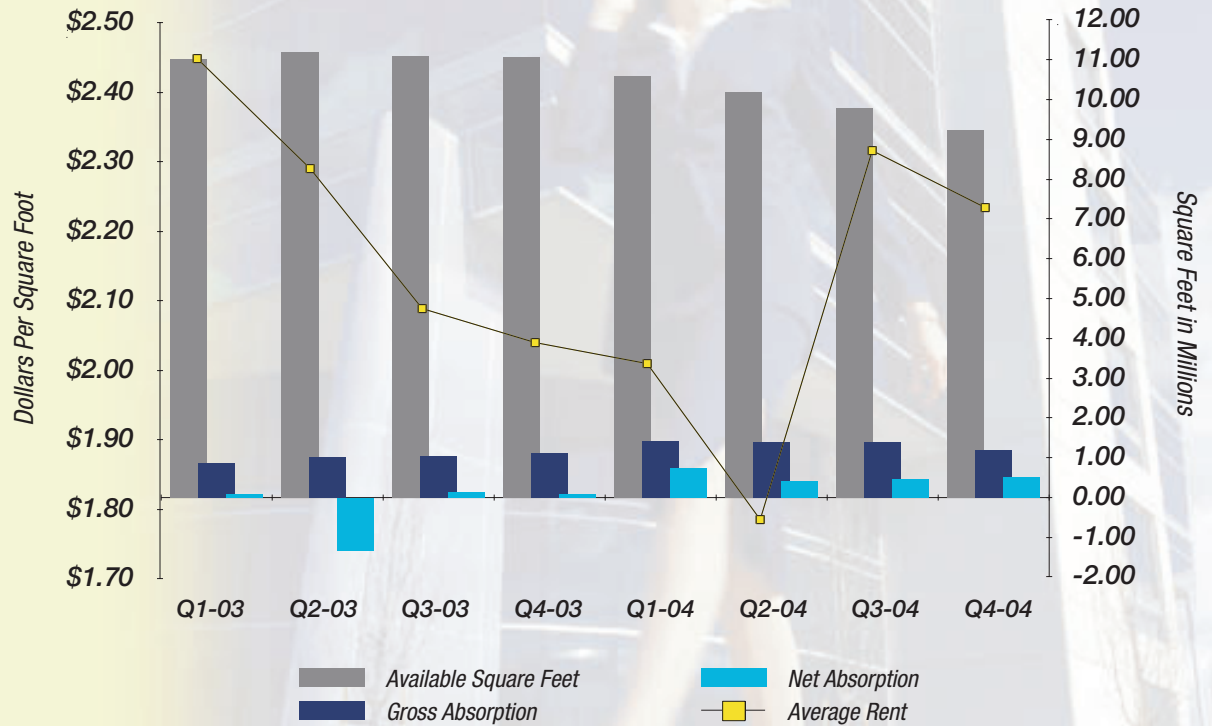
Demand

Gross absorption will rise in 2005 as the market improves. There will be fewer landlord concessions available for tenants in the market. Net absorption will stay slightly positive.

Rent

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

4th Quarter 2004 Office Silicon Valley Summary



Q404

9.26M sf ▼ Available
 1.20M sf ▼ Gross
 .53M sf ▲ Net
 \$2.23/sf ▼ Rent

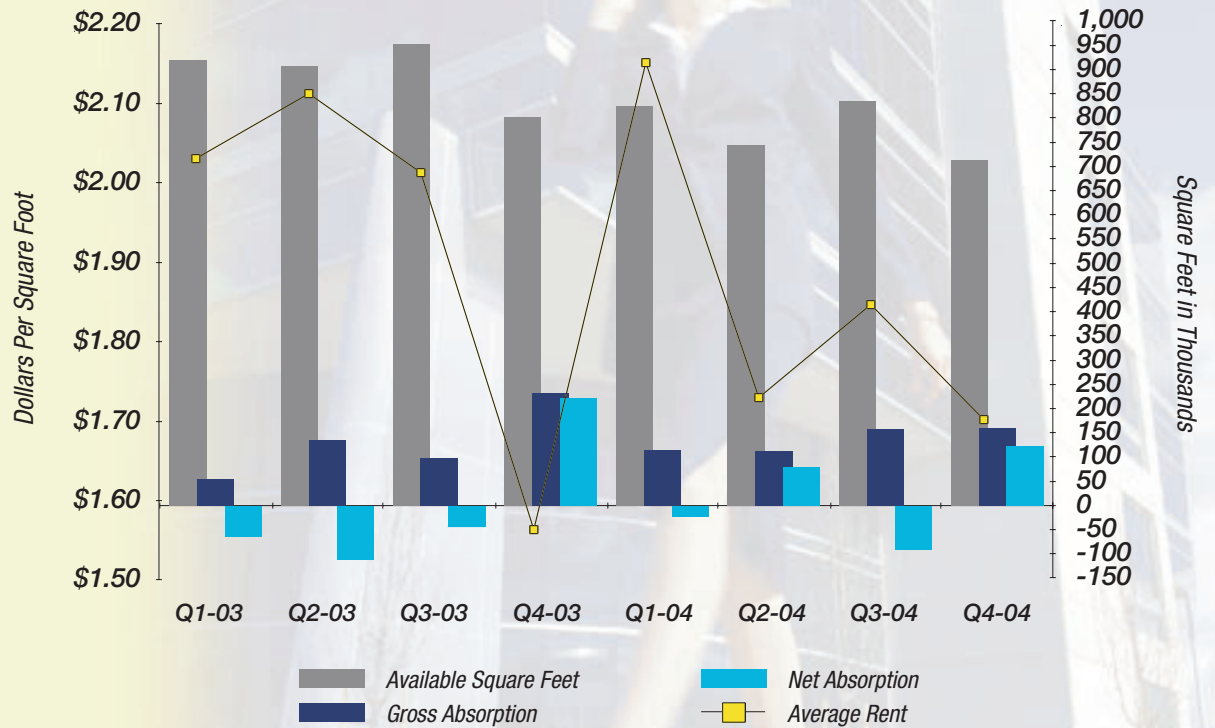
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q404	9,256,507	\$2.23	1,197,178	533,082
Q304	9,788,487	\$2.32	1,396,473	472,377
Q204	10,199,642	\$1.79	1,414,633	422,063
Q104	10,600,943	\$2.01	1,438,291	761,214
Q403	11,090,443	\$2.04	1,133,268	85,553
Q303	11,098,363	\$2.09	1,060,412	137,913
Q203	11,221,873	\$2.29	1,026,890	-1,332,371
Q103	11,033,341	\$2.45	867,140	105,887

4th Quarter 2004 Office Silicon Valley



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	1,389,774	1,635,618	1,644,897	1,797,667	1,808,685
Shell Sublease	56,483	56,483	81,016	81,016	77,075
Previously Occupied Direct	6,233,747	6,565,710	6,826,669	6,745,207	6,860,850
Previously Occupied Sublease	1,576,503	1,530,676	1,647,060	1,977,053	2,343,833
Total Available	9,256,507	9,788,487	10,199,642	10,600,943	11,090,443
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	219,153	160,177	172,332	292,561	23,882
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	854,520	1,002,860	892,606	876,264	864,150
Previously Occupied Sublease	123,505	233,436	349,695	269,466	245,236
Total Absorption	1,197,178	1,396,473	1,414,633	1,438,291	1,133,268
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	21.42%	22.65%	23.60%	24.53%	25.83%
Vacancy Rate	21.29%	22.42%	23.49%	24.52%	25.77%
Sublease Factor	17.64%	16.21%	16.94%	19.41%	21.83%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	377	367	398	417	447
20,001 to 40,000	79	79	89	94	98
40,001 to 60,000	19	20	21	18	28
60,001 to 80,000	9	12	12	13	12
80,001 to 100,000	5	4	5	7	3
100,001 to 120,000	5	6	5	3	4
120,001 to 140,000	1	2	1	0	0
140,001 and Over	7	7	8	9	9
Total Buildings Available	502	497	539	561	601
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	266,867	0
Spec Construction	0	0	7,061	0	0
Total Completed	0	0	7,061	266,867	0
In-Process Construction					
Build-To-Suit	0	0	0	0	266,867
Spec Construction	9,420	9,420	21,920	7,061	7,061
Total in Progress	9,420	9,420	21,920	7,061	273,928

4th Quarter 2004 Office San Jose Airport Summary



Q404

.71M sf ▼ Available
 .16M sf ▲ Gross
 .12M sf ▲ Net
 \$1.70/sf ▼ Rent

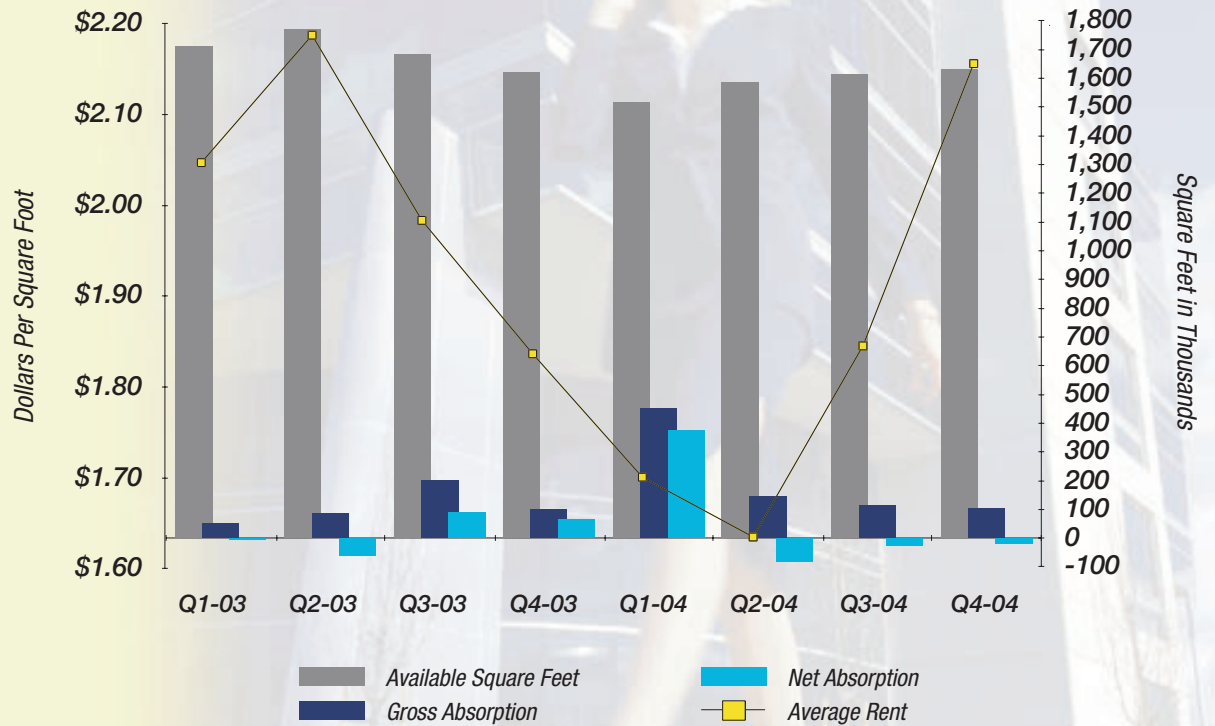
Period	Available sf	Average Rent	Gross Absorption	Net Absorption
Q404	713,317	\$1.70	160,348	122,593
Q304	835,910	\$1.85	158,611	-90,229
Q204	745,681	\$1.73	113,049	80,153
Q104	825,834	\$2.15	115,061	-22,211
Q403	803,623	\$1.56	233,595	222,066
Q303	952,948	\$2.01	98,588	-44,497
Q203	908,451	\$2.11	135,456	-111,043
Q103	919,593	\$2.03	55,768	-63,873

4th Quarter 2004 Office San Jose Airport



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	34,305	34,305	35,360	34,305	49,444
Shell Sublease	24,042	24,042	24,042	24,042	24,042
Previously Occupied Direct	562,051	659,567	613,366	632,978	584,859
Previously Occupied Sublease	92,919	117,996	72,913	134,509	145,278
Total Available	713,317	835,910	745,681	825,834	803,623
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	0	0	12,085	0
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	138,681	147,337	50,784	88,960	151,009
Previously Occupied Sublease	21,667	11,274	62,265	14,016	82,586
Total Absorption	160,348	158,611	113,049	115,061	233,595
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	19.08%	22.37%	19.95%	22.10%	21.50%
Vacancy Rate	19.08%	20.82%	19.95%	22.10%	21.50%
Sublease Factor	16.40%	16.99%	13.00%	19.20%	21.07%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	20	17	15	15	18
20,001 to 40,000	8	9	9	13	10
40,001 to 60,000	4	4	3	2	3
60,001 to 80,000	1	3	3	3	3
80,001 to 100,000	0	0	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	33	33	30	33	34
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	0	0
In-Process Construction					
Build-To-Suit	0	0	0	0	0
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	0

4th Quarter 2004 Office Downtown San Jose Summary



Q404

1.63M sf ▲ Available
 .10M sf ▼ Gross
 -.02M sf ▲ Net
 \$2.16/sf ▲ Rent

Period	Available sf	Average Rent	Gross Absorption	Net Absorption
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
Q203	1,769,981	\$2.19	85,249	-60,644
Q103	1,710,957	\$2.05	51,582	-5,303

4th Quarter 2004 Office Downtown San Jose



Available Supply	Q404	Q304	Q204	Q104	Q403
Shell Direct	455,162	455,162	455,162	464,991	464,991
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	1,030,865	1,038,942	1,015,704	919,402	959,279
Previously Occupied Sublease	145,455	118,835	116,117	130,847	196,560
Total Available	1,631,482	1,612,939	1,586,983	1,515,240	1,620,830
Gross Absorption	Q404	Q304	Q204	Q104	Q403
Shell Direct	0	0	0	271,714	4,406
Shell Sublease	0	0	0	0	0
Previously Occupied Direct	100,215	99,099	126,912	154,733	80,875
Previously Occupied Sublease	2,042	13,768	16,730	26,000	15,797
Total Absorption	102,257	112,867	143,642	452,447	101,078
Supply Rates	Q404	Q304	Q204	Q104	Q403
Availability Rate	27.31%	27.00%	26.56%	25.36%	28.40%
Vacancy Rate	27.31%	27.00%	26.56%	25.36%	28.19%
Sublease Factor	8.92%	7.37%	7.32%	8.64%	12.13%
Size Ranges	Q404	Q304	Q204	Q104	Q403
0 to 20,000	37	39	34	41	45
20,001 to 40,000	13	9	7	7	10
40,001 to 60,000	2	4	5	2	3
60,001 to 80,000	2	2	2	2	1
80,001 to 100,000	2	2	2	2	1
100,001 to 120,000	0	0	0	0	1
120,001 to 140,000	0	0	0	0	0
140,001 and Over	2	2	2	2	2
Total Buildings Available	58	58	52	56	63
Construction Types	Q404	Q304	Q204	Q104	Q403
Completed Construction					
Build-To-Suit	0	0	0	266,867	0
Spec Construction	0	0	0	0	0
Total Completed	0	0	0	266,867	0
In-Process Construction					
Build-To-Suit	0	0	0	0	266,867
Spec Construction	0	0	0	0	0
Total in Progress	0	0	0	0	266,867

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



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