

South Bay 4Q14 Office Report



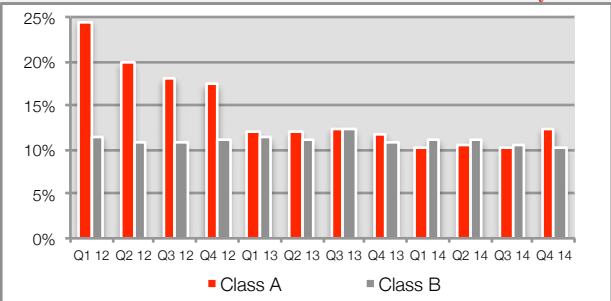
Two of the major leases in South Bay office market totaled 2,201,978 square feet of building space that occurred in the fourth quarter of 2014: Google, Inc. leased 1,891,632 square feet at 1152 Bordeaux Dr. in Sunnyvale and ServiceNow, Inc. leased 310,346 square feet at 2215 Lawson Ln. in Santa Clara.

Two major sale transactions occurred in the fourth quarter of 2014 in the South Bay. KBS REIT Properties purchased 10 Almaden Blvd. totaling 309,255 square feet from The Blackstone Group for \$116,700,000, with 15 tenants and 89% leased. Wealth Capital Management, Inc. purchased 303 Bryant St. totaling 55,956 square feet from Menlo Equities for \$64,400,000, with Speck Products and WhatsApp leasing.

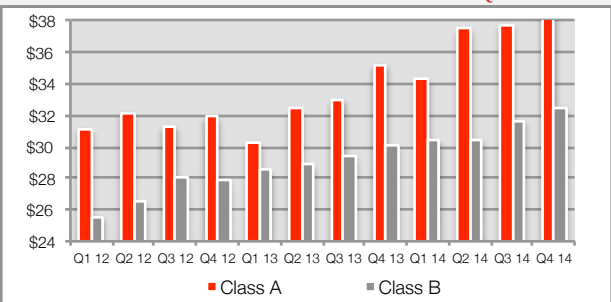
The South Bay area is having a technology space requirement boom; major companies are requiring large spaces in the South Bay. In the fourth quarter, South Bay office had 7,550,883 square feet (32 buildings) under construction. Major construction this quarter includes: 2,800,000 square feet for Apple, Inc.; 750,000 square feet for Samsung HQ; 945,816 square feet at 1152 Bordeaux Dr.; 424,464 square feet at; 592,492 square feet at Santa Clara Square for Ericsson; and 341,46 square feet at 690 E Middlefield Rd for Synopsys. Quoted rates for Class A office in the South Bay have increased 12.92% since the fourth quarter of 2013 from \$34.31 to \$39.78.

The average vacancy for South Bay office has dropped to 10.2% in 2014, this is 60 basis points below the average vacancy of 10.8% low in 2007; average annual vacancy hit a peak of 26.6% in 2009.

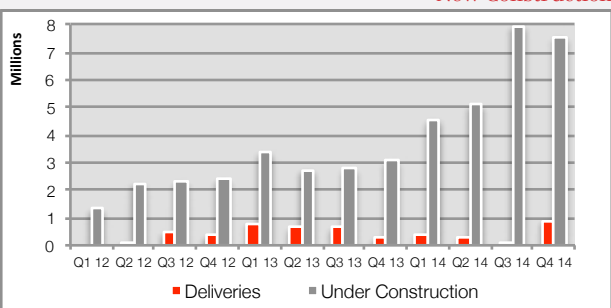
Vacancy Rates



Quoted Rates



New Construction



Trends for 4Q14

▲
NET ABSORPTION

▲
VACANCY RATE

▼
CONSTRUCTION

▲
QUOTED RATES

South Bay 4Q14

Office Report

Market Overview:

SUBMARKET NAME	# OF BLDGS	TOTAL RBA (SF)	VAC (%)	QUOTED RATES (\$/SF/YR)	YTD NET ABSORP. (SF)	YTD DELIV. (SF)	UNDER CONST. (SF)
Campbell/ Los Gatos	472	5,503,959	5.11%	\$34.00	161,681	9,000	289,313
Downtown San Jose	638	14,377,448	13.25%	\$28.89	226,695	-	-
Milpitas	111	4,584,178	9.00%	\$19.12	161,601	-	-
Morgan Hill/ Gilroy	211	1,884,338	6.59%	\$16.54	9,269	-	-
Mountain View/ Los Altos	502	11,767,476	7.23%	\$48.29	277,498	81,672	1,188,331
North San Jose	283	15,329,328	14.49%	\$28.25	6,685	-	650,000
Palo Alto	537	11,137,799	5.90%	\$63.03	(149,009)	81,180	254,120
San Benito County	113	733,559	8.41%	\$12.34	2,630	-	-
Santa Clara	375	16,307,939	13.76%	\$33.31	350,263	488,724	897,792
South San Jose	826	9,413,556	6.73%	\$28.49	78,726	33,339	-
Sunnyvale/ Cupertino	431	18,065,925	8.67%	\$40.41	97,742	925,429	4,271,327

Significant Sales Transactions:

Buyer	Address	Price	City
KBS REIT Properties	10 Almaden Blvd	\$116,700,000	San Jose
Wealth Capital Management, Inc.	303 Bryant St	\$64,400,000	Mountain View
Premia Capital	209-223 Castro St	\$19,000,000	Mountain View
CBRE Global Investors	1183-1185 Bordeaux Dr	\$14,000,000	Sunnyvale
Gahrahmat Properties	Oakmead Village Square	\$9,400,000	Sunnyvale
Fred Kunik	275 Di Salvo Ave	\$6,784,000	San Jose
Jenny Quan	400 Channing Way	\$4,350,000	Palo Alto

Significant Lease Transactions:

Tenant	Address	Size	Submarket
Google, Inc	1152 Bordeaux Dr	1,891,632	Sunnyvale
ServiceNow, Inc	2215 Lawson Ln	310,346	Santa Clara
TSMC North America	2851 Junction Ave	154,619	San Jose
Apple	4440 El Camino Real	96,562	Los Altos
MediaTek USA Inc	2840 Junction Ave	81,046	San Jose
Equinix	1188 E Arques Ave	47,380	Sunnyvale
Quora	605 Castro St	29,873	Mountain View

4Q'14

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