

South Bay 4Q14 Industrial Report

Industrial



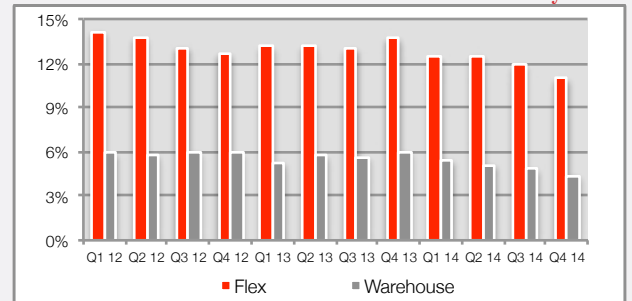
In the fourth quarter, we want to highlight three major industrial sales in the South Bay. CBRE Global Investors purchased 1320-1368 Bordeaux Dr in Sunnyvale with 7 properties totaling 261,000 square feet on 41.86 acres from Prologis for \$116,600,000. Kilroy Realth Corporation purchased 1310-1327 Chesapeake Ter. in Sunnyvale with 4 properties totaling 261,059 square feet from DivcoWest for \$100,450,000, leased by Cepheid and Accuray Inc. Prudential Real Estate Investors purchased 2305 Mission College Blvd. in Santa Clara totaling 358,503 square feet on 15.78 acres from Kinship Capital for \$95,000,000.

Two major lease transactions occurred in the fourth quarter of 2014: Flextronics renewed 142,272 square feet at 240-270 S Milpitas Blvd. and Tesla leased 90,554 square feet at 1250 Elko Dr.

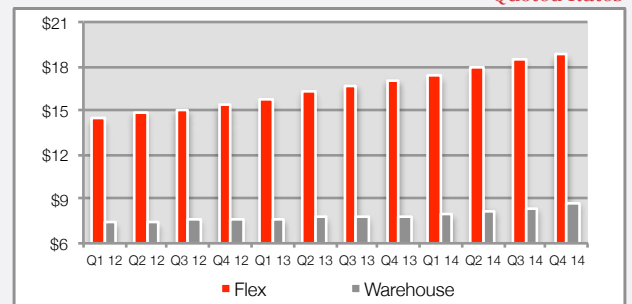
The South Bay industrial overall market quoted rates have been on the rise since 2010. The rise in quoted rates in the last year was about 11.09%. Average quoted rates were \$15.83 in the fourth quarter of 2014. With the rise in quoted rates, the vacancy rate for the South Bay has declined 220 basis points since last year. Warehouse vacancy was 4.4% in the fourth quarter of 2014, which has declined 160 basis points since the fourth quarter of 2013.

Investor confidence is on the rise as unemployment declines and the economy recovers. As smaller buildings are being redeveloped into office space and multifamily, the vacancy rate has declined since the third quarter of 2013.

Vacancy Rates



Quoted Rates



New Construction (in Square Feet)



Trends for 4Q14

▲
NET ABSORPTION

▼
VACANCY RATE

▲
CONSTRUCTION

▲
QUOTED RATES

South Bay 4Q14

Industrial 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	322	4,153,165	5.03%	\$19.52	18,970	-	-
Downtown San Jose	498	6,171,914	3.39%	\$8.18	(37,255)	-	-
Milpitas	351	18,612,971	8.22%	\$10.65	604,237	-	-
Morgan Hill/ Gilroy	425	12,434,274	7.21%	\$7.12	467,546	-	-
Mountain View/ Los Altos	507	10,944,471	4.76%	\$23.20	176,752	-	-
North San Jose	1162	49,618,723	10.33%	\$15.87	624,419	-	-
Palo Alto	243	7,529,960	2.33%	\$33.06	282,432	115,600	-
San Benito County	157	3,906,482	1.98%	\$3.69	148,368	-	-
Santa Clara	1040	34,104,868	7.95%	\$18.19	17,678	20,219	-
South San Jose	740	24,911,999	10.09%	\$11.44	234,522	-	-
Sunnyvale/ Cupertino	771	27,881,192	7.25%	\$23.04	266,386	-	-

Significant Sales Transactions:

Buyer	Address	Price	City
CBRE Global Investors	1320-1368 Bordeaux Dr	\$116,600,000	Sunnyvale
Kilroy Realty Corporation	1310-1327 Chesapeake Ter	\$100,450,000	Sunnyvale
Prudential Real Estate Investors	2305 Mission College Blvd	\$95,000,000	Santa Clara
Oakmont Corporation	3151 Zanker Rd	\$55,000,000	San Jose
The Irvine Company	Arden Realty Portfolio	\$39,500,000	Sunnyvale
ARC Properties	3001 Orchard Pky	\$36,000,000	San Jose
SIMEON Commercial Properties	870 W Maude Ave	\$26,400,000	Sunnyvale
Dollinger Properties	1060-1080 E Brokaw Rd	\$23,000,000	San Jose

Significant Lease Transactions:

Tenant	Address	Size	City
Flextronics (Renewal)	240-270 S Milpitas Blvd	142,272	Milpitas
Tesla	1250 Elko Dr	90,554	Sunnyvale
Suddath Relocation System	2071 Ringwood Ave	83,914	San Jose
International Technological University	2711-2717 N 1st St	74,621	San Jose
Mediatek USA, Inc (Renewal)	2860 Junction Ave	68,539	San Jose
Verifone	2720 Orchard Pky	50,485	San Jose

4Q'14

South Bay Industrial Market Report

NAI Northern California

560 S Winchester Blvd Suite 500
San Jose, CA USA 95128
+1 408 740 7225

For inquiries about joining our team contact VP of Sales & Recruiting Scott Przybyla.

James Kilpatrick
President
BRE Lic No: 01277022
(415) 449-8784

Scott Przybyla
VP of Sales & Recruiting
(510) 336-4711

Jake Delgadillo
Senior Researcher
(510) 336-4716

Dante Guazzo
Industrial Vice President
BRE Lic No: 01301236
(510) 336-4714

Douglas Sharpe
NAI Director
BRE Lic No: 693583
(408) 740-7224

Allen Valdellon
Associate
BRE Lic No: 01263899
(408) 641-7494

Danielle Derrickson
Transaction Coordinator
BRE Lic No: 01914893
(408) 740-7225