



San Jose, California

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

Leasing activity remained strong in Q1 2012 led by Apple leasing 1.2 million square feet in Sunnyvale to relocate personnel to accommodate the start of construction of their 2.8 million square foot futuristic building in Cupertino. This had a significant impact on vacancy and rental rates with asking rates increasing dramatically in Sunnyvale and Mountain View. Activity has been led by large established companies generally transacting on the best quality space available. Our Q4 prediction of upward pressure on rental rates has in fact spread south with rate increases in the 5%-10% range.

Market Trends

- Hiring by Google and Apple has reduced vacancy in Mountain View and Cupertino to the low single digits. Sunnyvale has been the largest beneficiary with both companies leasing large blocks of space.
- Strong leasing has led to construction starts in Q1 on three speculative office projects totaling over one million square feet of new space. All will be delivered in the first half of calendar year 2013. More projects are in various stages of the entitlement process. We anticipate additional speculative construction this year.

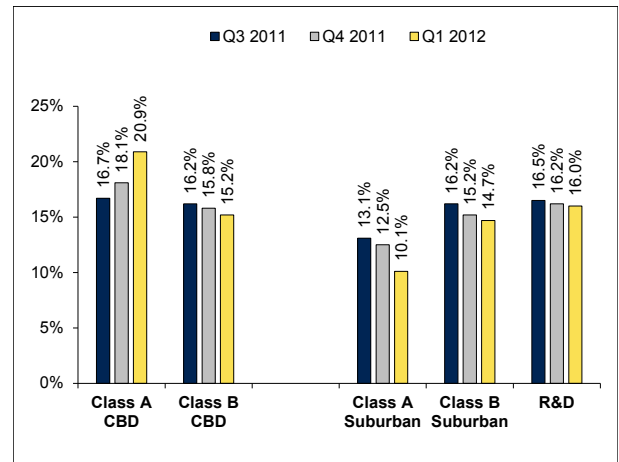
Tenant's Perspective

Landlords are generally extremely optimistic and are increasing asking rental rates on available space. There are submarkets which are extremely tight and tenants looking in those areas could find themselves with very few choices and a bidding war to secure space. Other submarkets remain extremely competitive with many options available depending upon the size requirement. As always, early entry in the market is to the tenant's advantage, and flexibility on location will provide the most attractive economic solution.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Informatica	241,000	Office	Purchase
Barnes & Noble	208,000	Office	Lease
Apple	222,000	Office	Lease
SanDisk	593,750	Office/R&D	Purchase
Apple	157,000	Office	Lease
Apple	105,000	Office	Lease
Apple	350,000	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$32.15	\$33.10	\$33.40
Class B Office	\$24.45	\$25.45	\$26.60
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$27.40	\$31.40	\$34.00
Class B Office	\$21.75	\$24.75	\$25.20
R&D	\$15.25	\$15.25	\$15.75

