



Palo Alto, California

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

Overview

Leasing activity for the first quarter of 2012 continued the strong trend from calendar year 2011. Peninsula class A properties are becoming extremely rare. One of the larger transactions, 290,000 SF by Informatica, was a purchase from Starwood. This reflects a recent desire by corporations to control their real estate. Much of the same was done by Google, VMWare, and others recently. It's also rumored that the vacancy hit 0% for all class A office in San Francisco's South of Market area, further driving Peninsula demand.

Market Trends

- Demand for class A office remains a priority.
- Venture Capital funding is growing amid a generally stagnant US market.
- If a requirement is for greater than 100,000 square feet, tenants are being pushed to pursue options south to Santa Clara and San Jose.

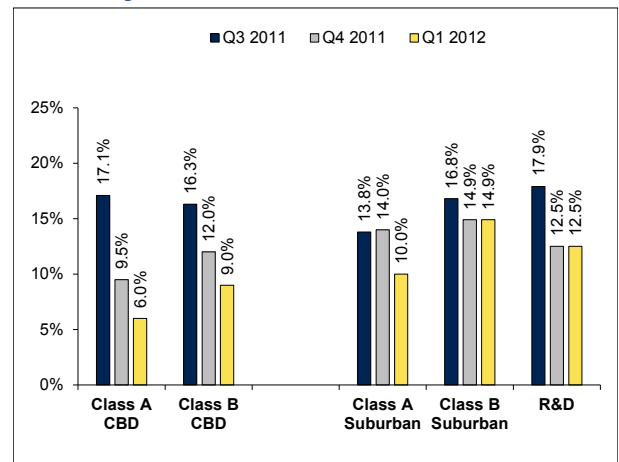
Tenant's Perspective

Tenants are being forced further south to relocate. Large blocks of space are really only available in Santa Clara and San Jose, while Sunnyvale and Northern Peninsula areas have virtually no, or very low, supply. Tenants should continue to maintain an attitude similar to the dot-com era when negotiating on preferred space, particularly when the current market conditions are in the landlord's favor and multiple offers exist.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Menlo Corporate Center	374,000	Office/R&D	Sale
Informatica	290,000	Office/R&D	Purchase
Barnes and Noble	208,000	R&D	Lease
West El Camino	140,000	Office	Sale
Google	125,000	Office	Lease
GoPro	85,000	Office	Lease
Johnson & Johnson	30,000	Office/R&D	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$76.00	\$76.00	\$76.00
Class B Office	\$56.00	\$56.00	\$56.00
Suburban /			
Stanford Park	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$56.00	\$60.00	\$60.00
Class B Office	\$36.00	\$40.00	\$40.00
R&D	\$28.00	\$28.00	\$28.00