

New Supply Drives Occupancy Gains in 2017

- > There is now more than 4.1 million square feet of commercial space under construction in the Silicon Valley.
- > Total available space has increased 11.1 percent year-over-year for all product types combined.
- > 5.9 million square feet of improved space came onto the market during the fourth quarter of 2017.

The Silicon Valley economy continues to experience growth as the fourth quarter came to a close. Job reports indicate an increase in hiring as the unemployment rate decreased to 2.7 percent in November, the lowest in over ten years. During the fourth quarter of 2017 Silicon Valley start-ups raked in more funding totaling \$2.6 billion across 147 deals, up from \$2.2 billion recorded in the previous quarter, according to data from PricewaterhouseCoopers.

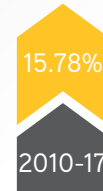
Leasing activity was robust in the Silicon Valley during the fourth quarter, gross absorption for all product types totaled 7.2 million square feet. Tenant demand is up 24.7 percent quarter-over-quarter. During the fourth quarter, the Silicon Valley measured an increase in total occupancy, at 1.3 million square feet of positive net absorption. Total availability sits just above 30.0 million square feet in the Silicon Valley, translating to an overall availability rate of 8.8 percent, 63 basis points higher than one year earlier.

Market Indicators - Santa Clara County

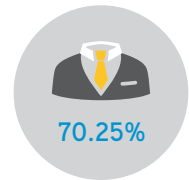
Average Household Income



Population Growth



White Collar Jobs



Market Trends

Relative to prior quarter

	Q4 2017	Q1 2018*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↓	↔
Rental Rate	↓	↔
*Projected		

Summary Statistics

Silicon Valley All Products

	Previous Quarter	Current Quarter
Overall Vacancy Rate	6.36%	6.22%
Net Absorption	846,249	1,300,034
Construction Completed	2,337,391	1,728,351
Under Construction	5,618,133	4,126,603
Office Asking Rents*	\$4.33 FS	\$4.27 FS
R&D Asking Rents*	\$2.11 NNN	\$2.12 NNN
Industrial Asking Rents*	\$1.13 NNN	\$1.11 NNN
Warehouse Asking Rents*	\$0.95 NNN	\$0.96 NNN

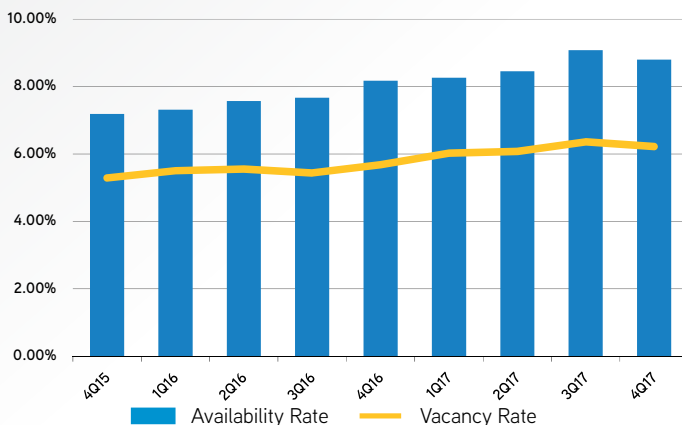
*Asking Rents Reported Monthly

Economic Indicators

	Previous Quarter	Current Quarter
Total VC Funding	\$2.2 Billion	\$2.6 Billion
Total Number of Deals	162	147
Unemployment Rate	3.9%	2.7%

Vacancy vs. Availability Rates

Silicon Valley | All Products



Overall availability decreased 28 basis points to 8.8% during the fourth quarter, while vacancy decreased 14 basis points to 6.2%.

Office

- > Leasing activity measured 3.6 million square feet this quarter.
- > The Silicon Valley's office market recorded its twenty-second consecutive quarterly occupancy gain.
- > Total availability sits at 12.1 percent, up 142 basis points from last year.

During the fourth quarter of 2017 office activity remained steady in the Silicon Valley, registering a total of 3.6 million square feet of gross absorption. With strong demand rolling over from the third quarter, gross absorption year-to-date totals 13.0 million square feet in the Silicon Valley office market, a 64.5 percent increase compared to 2016.

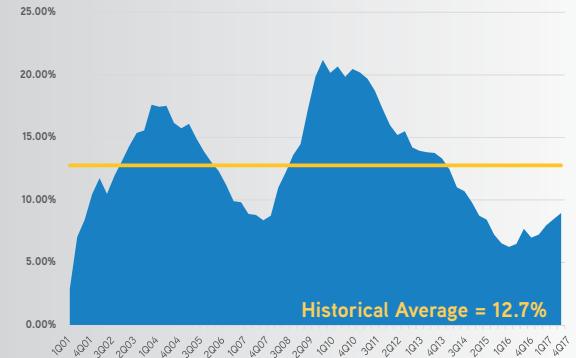
The Silicon Valley office market recorded another quarter of occupancy gains during the fourth quarter, measuring 1.4 million square feet, making it the twenty-second consecutive quarter for positive net absorption, bringing total occupancy gain in the Valley to more than 16.0 million square feet.

Total vacancy within the Silicon Valley office market measured a slight decrease during the fourth quarter. This was largely due to a decrease in new sublease space coming to the market. Total vacant sublease space decreased from 2.2 million square feet to 1.8 million during the fourth quarter, an 18.2 percent decrease quarter-over-quarter. Total available space in the Silicon Valley office market measured 11.0 million square feet. This translates to an overall availability rate of 12.6 percent, up 142 basis points from one year earlier when the availability rate stood at 10.6 percent.

New project completions during the fourth quarter include Phase II of USAA Real Estate Company's America Center campus in San Jose totaling 457,450 square feet across two buildings and Creekside @ 17 with 177,815 square feet in one building. All three buildings remain unleased.

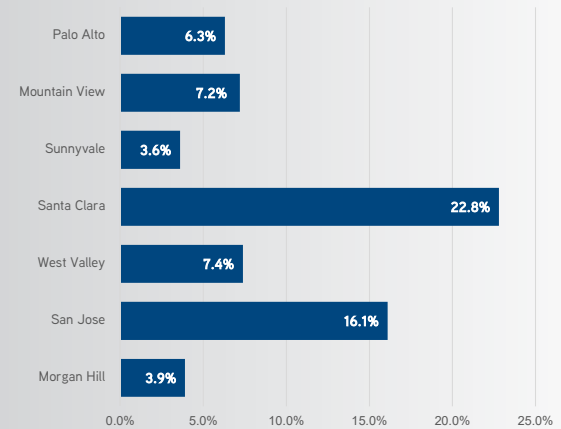
Weighted asking rates for office space in the Silicon Valley measured another decrease during the fourth quarter closing the year at an average of \$4.27 per square foot full service. This is a 1.0 percent decrease year-over-year.

Historical Office Vacancy



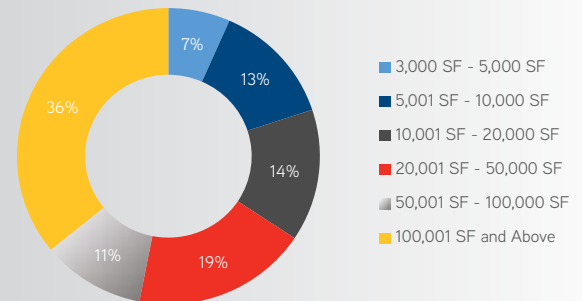
Source: Colliers International Research

Office Availability Rates Select Silicon Valley Cities



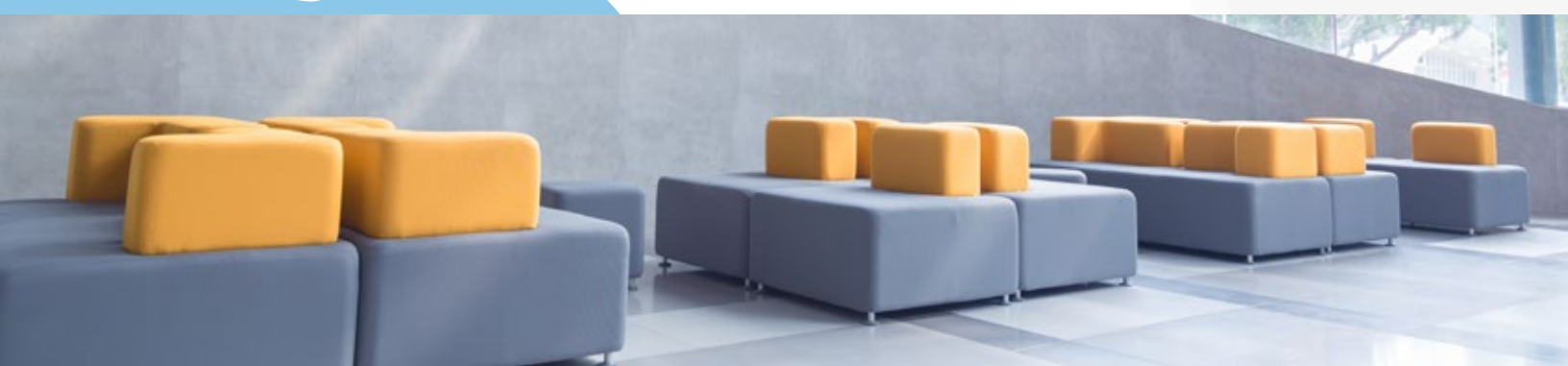
Source: Colliers International Research

Office Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions Office Lease Activity



R&D

- > Total leasing activity in the fourth quarter increased 73.2 percent since the fourth quarter in 2016, measuring 2.38 million square feet.
- > Availability rate is up 24 basis points year-over-year at 10.6 percent.
- > R&D experienced another loss in occupancy this quarter.

The R&D sector of Silicon Valley measured a growth in leasing activity compared to 2016, closing the year at 2.38 million square feet compared to 1.37 million square feet in 2016. This is a solid 73.2 percent increase in tenant demand year-over-year. In the past eight quarters, demand has only surpassed the 2.0 million-square-foot threshold twice, measuring 2.08 million square feet in the second and quarter of 2017 and 2.38 million square feet in the fourth quarter of 2017.

With the rise in tenant demand, occupancy has continued to decline following the third quarter this year. The Silicon Valley R&D market measured a 412,339 square foot decline in total occupancy in the fourth quarter following the steady downturn from the previous quarter. Although ending the year in the red for net absorption, 2017 fared better than the end of 2016, which measured a 620,131 square foot loss in occupancy.

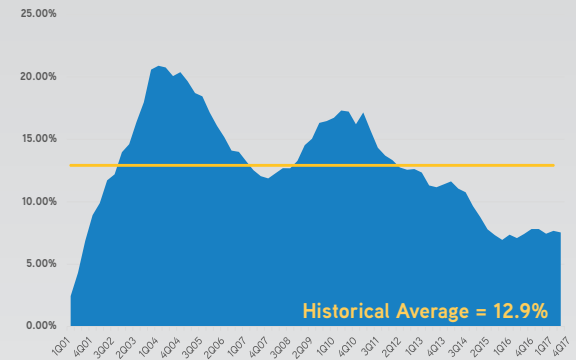
New construction in R&D measured 36,120 square feet, an increase over the lackluster construction reported the previous year. Following the 101,375 square feet of completed construction in the third quarter, the end 2017 remained consistent with the fourth quarter of 2016 reporting no completed construction. However, there was a 49.1 percent decline in buildings under construction, measuring 642,639 square feet compared to the 1.26 million square feet in 2016.

Total available space in Silicon Valley R&D measured 16.3 million square feet. This is a 2.85 percent increase year-over-year compared to 15.9 million square feet in 2016. The availability rate is up 24 basis points from 2016 and 23 basis points down from the third quarter of 2017. Sublease space accounts for 18.7 percent of the total available space in the R&D sector at 3.06 million square feet. This is an increase from the 2.62 million square feet measured in the year prior, which accounted for 16.4 percent of available space.

The largest deal involved both renewals and expansion by Roche Molecular Systems in Santa Clara. They renewed 109,532 square feet at 2482 and 2861 Scott Boulevard and expanded into 2801, 2821, and 2881 Scott Boulevard for a total of 249,771 additional square feet, occupying a total of 312,167 square feet. Trimble Navigation renewed 136,874 square feet at 920-926 Stewart Drive in Sunnyvale. Additionally, Siliconix, Inc. leased 2585 Junction Avenue in San Jose for 56,359 square feet and Actiontec Electronics inked a deal at 3301-3371 Olcott Street in Santa Clara for 46,866 square feet.

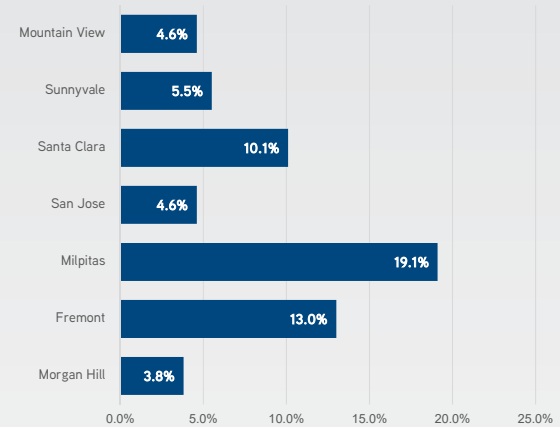
Weighted average asking rates for R&D increased 6.0 percent year-over-year, with 2017 recording \$2.12 per square foot, NNN compared to 2016 at \$2.00 per square foot, NNN. Rates were also up 0.47 percent from the previous quarter, where asking rates were \$2.11 per square foot, NNN in the third quarter.

Historical R&D Vacancy



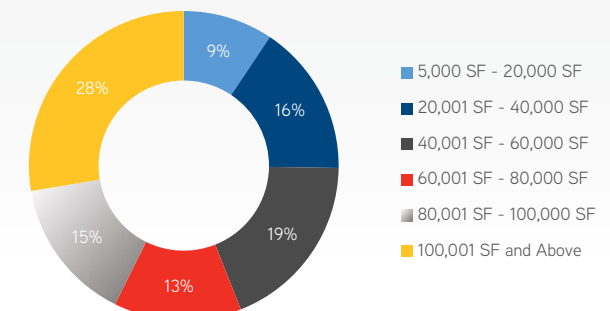
Source: Colliers International Research

R&D Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

R&D Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions R&D Lease Activity



Select Colliers' Transactions - R&D Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
611-697 River Oaks Parkway, San Jose	271,582 SF	PSAI Realty Partners	Washington Holdings
1050, 1060, 1070 East Arques Avenue, Sunnyvale	224,548 SF	iStar Financial, Inc.	Applied Materials, Inc.
3101, 3131, 3151 Jay Street, Santa Clara	142,552 SF	Dividend Capital Diversified Property Fund	TA Associates

Industrial

- > Leasing activity measured 534,147 square feet.
- > Occupancy levels were relatively flat during the fourth quarter.
- > 450,880 square feet of new vacant industrial space was added.
- > Overall availability in the industrial market remained below 4.0 percent for the eleventh consecutive quarter.

Silicon Valley's industrial sector remained mostly unchanged this quarter, finishing the year with modest gains. Quarterly gross absorption tallied 534,147 square feet, up 11.1 percent quarter over quarter, and quarterly net absorption measured 83,267 square feet, offsetting the previous quarter's occupancy loss of 79,146 square feet. Over the year, industrial net absorption totaled 67,165 square feet; a fairly small change given the size of the market.

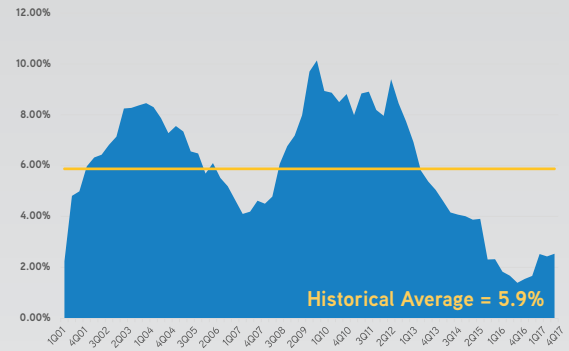
Scarcity in the region is a likely explanation for the lack of movement in the market. Availability currently sits at 3.2 percent, and vacancy at 2.3 percent, meaning that tenants looking to relocate may struggle to find an ideal space for their individual needs without significant investment into improvements. Midsize tenants have it especially difficult — there are just six spaces available in the 40,000–80,000-square-foot range Valley-wide, comprising just 11.0 percent of total availability. Previously occupied space coming to the market is also a contributing factor — just 450,880 square feet of space came online this quarter, a 19.4 percent decrease compared to the previous period. This is the third consecutive quarter where less space has been brought to market than the previous quarter, indicating a lower rate of turnover among industrial tenants. Thus, unless a drastic change in tenant behavior occurs in the industrial sector, large occupancy shifts quarter over quarter are unlikely to occur.

One project broke ground this quarter, a 155,909-square-foot industrial building at 448 Piercy Road. It joins the 450,610-square-foot Phase I of McCarthy Creekside (which also broke ground in 2017) as the only potential new industrial shell in the market. Given the size and the scarcity of space in the market of these projects, a single tenant lease could potentially drive availability down in the region even further.

Five new deals over 20,000 square feet were signed in Silicon Valley in the fourth quarter, the most notable being Custom Spaces, that took 130,381 square feet in Campbell. Legacy Transportation Services also renewed on their 129,269-square-foot space in San Jose. In addition to being the largest deals this quarter, these two deals were the only deals over 100,000 square feet this year.

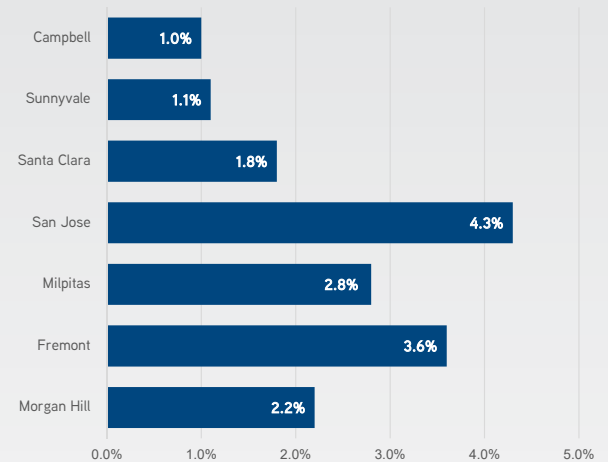
Weighted average asking rates for industrial product fell very slightly in the fourth quarter of 2017 to \$1.11 NNN, a \$0.02 decrease quarter over quarter, though it remains \$0.05 higher than it was at the same point last year. Given the low vacancy in the region and the long wait until new construction arrives, modest increases in lease rates can be expected going into 2018.

Historical Industrial Vacancy



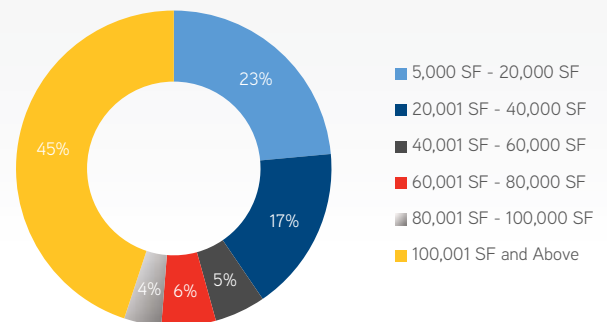
Source: Colliers International Research

Industrial Availability Rates Select Silicon Valley Cities



Source: Colliers International Research

Industrial Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions Industrial Lease Activity



Select Colliers' Transactions - Industrial Sale Activity

PROPERTY ADDRESS	SIZE	SELLER	BUYER
900-912 Olinder Court, San Jose	58,516 SF	Don Van Nortwick	Olinder Court, LLC
198 Stauffer Boulevard, San Jose	20,049 SF	Gavial Properties, LLC	Krypton Solutions
1330 Memorex Drive, Santa Clara	9,600 SF	1200 Partners, LLC	Cienrose Properties, LLC
7238 Alexander Street, Gilroy	8,540 SF	Ignacio and Lisa Magana	Peter and Mary Voss

Warehouse

- › Leasing activity measured 675,899 square feet of new tenant demand during the fourth quarter.
- › Large occupancy gains drove vacancy rates even further down in an already tight market.
- › Asking lease rates increased \$0.01 quarter-over-quarter to \$0.96, a new historical high.

The Silicon Valley warehouse market saw a surprising amount of activity in the fourth quarter in spite of low vacancy rates. Both gross and net absorption were at their highest points this quarter since Q3 2016, ending the fourth quarter off with 675,899 square feet and 155,556 square feet, respectively. Leasing activity for the year totaled 1,954,172 square feet, with 34.6 percent of activity coming in the fourth quarter alone. Considering that the vacancy rate going into the fourth quarter was just 1.4 percent, the fact that vacancy fell another 42 basis points to 0.9 percent speaks to the high levels of demand for warehouse product in the Valley.

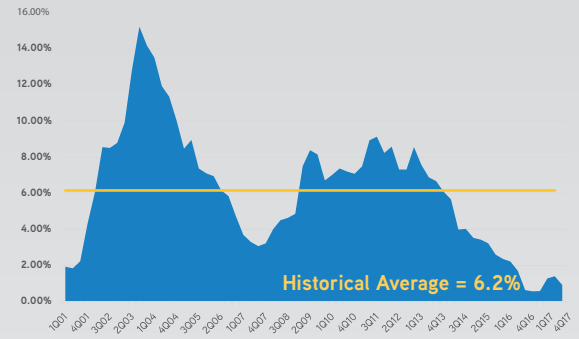
This surge in activity was driven by just two deals over 100,000, the first being CEVA Logistics' 212,840 square foot lease at 1710 Little Orchard Street in San Jose, a deal that caused San Jose availability to fall 172 basis points. The other deal was Crothall Healthcare, who took 102,466 square feet in Gilroy and actually depleted the Warehouse product in that submarket.

Tenants looking for space on their own may find themselves hard-pressed to find options, with warehouse availability bottoming out this quarter in submarkets such as Sunnyvale, Morgan Hill, Gilroy, and even Fremont, as well as the entire size range of 60,000 to 80,000 square feet. While these figures may seem jarring, it bears reminder that this only refers to space that is currently both existing and on the market – not what may be available through off-market transactions.

Total availability in the Valley is currently at 1.2 million square feet, a 22.1 percent decrease quarter over quarter but a 7.4 percent increase year over year. Due to the scarcity of space in the region, a single large lease or space being put on the market can dramatically shift warehouse fundamentals in the Valley. There is only one warehouse project currently under construction: the 450,610 square foot McCarthy Creekside project. If delivered vacant in 2018, it could provide much needed space in a tight market. However, if the project is leased upon completion, competition for space in the warehouse sector will only become greater.

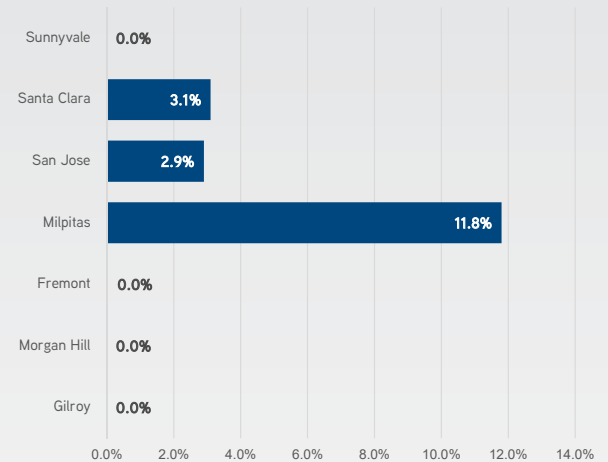
Due to the heavily-constricted supply in the region, asking lease rates have continued to creep upward to \$0.96 NNN per square foot, a new historical high. While this is just a \$0.01 increase quarter over quarter, asking lease rates have increased 39.1 percent since the same point in 2015, and have doubled since Q4 2009. Given the necessity of warehouse space and lack of availability, it's likely that this upward trend will continue.

Historical Warehouse Vacancy



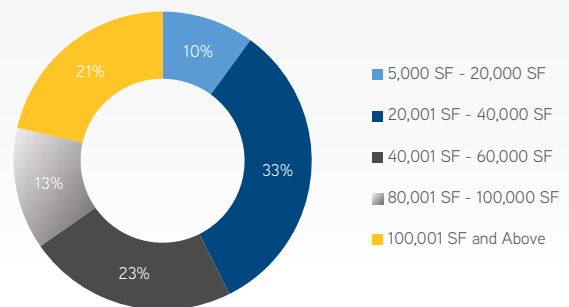
Source: Colliers International Research

Warehouse Availability Rates Select Silicon Valley Cities



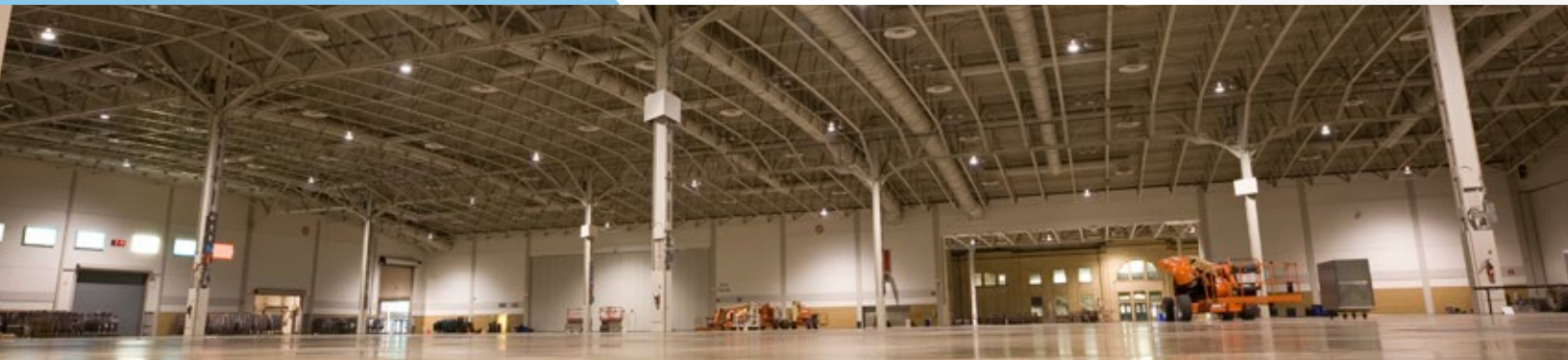
Source: Colliers International Research

Warehouse Availability Breakdown by Size Range



Source: Colliers International Research

Select Colliers' Transactions Warehouse Lease Activity



Market Comparisons – Silicon Valley

OFFICE MARKET

CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE CURR QTR	AVAILABILITY RATE PREV QTR	NET ABSORPTION CURR QTR	NET ABSORPTION YTD	COMPLETED CURR QTR	UNDER CONST. SF	FS WTD AVG ASKING
CAMPBELL / LOS GATOS													
A	1,920,942	276,941	44,089	67,202	46,640	434,872	22.6%	13.7%	(11,643)	195,730	177,815	-	\$4.33
B	2,303,120	87,001	9,727	54,593	27,883	179,204	7.8%	8.3%	5,308	(24,970)	-	-	\$3.43
C	235,576	6,238	4,051	-	-	10,289	4.4%	7.1%	-	(7,044)	-	-	\$3.50
Total	4,459,638	370,180	57,867	121,795	74,523	624,365	14.0%	10.4%	(6,335)	163,716	177,815	-	\$4.09
CUPERTINO / SARATOGA													
A	4,299,983	31,355	36,111	29,660	10,824	107,950	2.5%	3.2%	6,657	3,117,641	-	-	\$4.57
B	3,017,596	49,843	40,532	50,414	-	140,789	4.7%	5.2%	7,710	15,410	-	-	\$3.80
C	178,010	7,528	-	2,093	-	9,621	5.4%	2.0%	(6,227)	(2,209)	-	-	\$3.08
Total	7,495,589	88,726	76,643	82,167	10,824	258,360	3.4%	4.0%	8,140	3,130,842	-	-	\$4.17
FREMONT / MILPITAS													
A	884,642	114,095	9,756	48,958	3,032	175,841	19.9%	17.7%	(12,472)	41,539	-	-	\$2.51
B	1,700,885	80,457	4,140	20,465	20,795	125,857	7.4%	7.9%	(11,148)	41,335	-	-	\$2.29
C	581,654	8,263	2,147	-	-	10,410	1.8%	1.8%	(2,147)	2,503	-	-	\$-
Total	3,167,181	202,815	16,043	69,423	23,827	312,108	9.9%	9.5%	(25,767)	85,377	-	-	\$2.41
GILROY / MORGAN HILL													
A	418,491	12,215	-	-	-	12,215	2.9%	2.9%	-	(3,592)	-	-	\$2.50
B	434,902	5,660	-	-	-	5,660	1.3%	1.8%	-	589	-	-	\$-
C	289,137	21,765	-	-	5,031	26,796	9.3%	9.8%	1,440	4,494	-	-	\$-
Total	1,142,530	39,640	-	-	5,031	44,671	3.9%	4.3%	1,440	1,491	-	-	\$2.50
LOS ALTOS													
A	295,515	11,501	-	732	-	12,233	4.1%	10.7%	16,214	9,633	-	-	\$7.44
B	510,553	73,767	2,034	4,347	12,093	92,241	18.1%	11.7%	(37,963)	(38,309)	-	-	\$4.84
C	382,892	6,660	1,732	-	7,346	15,738	4.1%	3.2%	(777)	(2,870)	-	-	\$4.96
Total	1,188,960	91,928	3,766	5,079	19,439	120,212	10.1%	8.7%	(22,526)	(31,546)	-	-	\$5.36
MOUNTAIN VIEW													
A	4,489,076	258,245	20,801	22,781	13,983	315,810	7.0%	17.6%	358,868	502,909	-	934,918	\$7.45
B	1,314,133	44,596	34,393	17,720	20,708	117,417	8.9%	8.1%	(7,825)	(11,397)	-	-	\$6.19
C	512,873	2,391	10,850	6,342	-	19,583	3.8%	4.9%	(12,312)	(14,859)	-	-	\$3.80
Total	6,316,082	305,232	66,044	46,843	34,691	452,810	7.2%	14.6%	338,731	476,653	-	934,918	\$7.08
PALO ALTO													
A	5,010,558	68,561	21,535	190,152	112,721	392,969	7.8%	7.1%	(11,891)	229,750	-	579,122	\$8.42
B	4,342,224	84,646	20,694	36,932	88,176	230,448	5.3%	6.0%	(8,447)	(25,832)	-	-	\$6.46
C	1,271,489	18,232	2,992	9,971	13,210	44,405	3.5%	2.7%	(9,206)	4,165	-	-	\$6.86
Total	10,624,271	171,439	45,221	237,055	214,107	667,822	6.3%	6.1%	(29,544)	208,083	-	579,122	\$7.74
SAN JOSE													
A	15,226,479	2,290,126	316,957	539,019	105,544	3,251,646	21.4%	17.1%	(113,277)	(140,060)	574,338	698,000	\$3.79
B	9,623,754	682,313	61,367	192,983	61,765	998,428	10.4%	9.9%	(109,574)	(188,885)	-	-	\$3.14
C	3,976,208	282,985	-	106,952	4,553	394,490	9.9%	10.2%	(7,608)	(49,529)	-	-	\$2.67
Total	28,826,441	3,255,424	378,324	838,954	171,862	4,644,564	16.1%	13.6%	(230,459)	(378,474)	574,338	698,000	\$3.62
SANTA CLARA													
A	10,502,547	1,294,390	1,105,925	226,221	220,004	2,846,540	27.1%	30.4%	738,254	1,283,335	525,444	150,000	\$4.02
B	4,262,990	389,534	38,046	108,690	32,457	568,727	13.3%	12.7%	(12,308)	(66,816)	-	-	\$3.20
C	431,892	47,233	2,689	-	-	49,922	11.6%	14.2%	(5,298)	(24,598)	-	-	\$2.69
Total	15,197,429	1,731,157	1,146,660	334,911	252,461	3,465,189	22.8%	24.8%	720,648	1,191,921	525,444	150,000	\$3.87
SUNNYVALE													
A	11,371,554	101,726	19,612	247,471	12,825	381,634	3.4%	4.2%	588,016	973,191	450,754	1,277,833	\$5.93
B	1,553,772	73,782	7,795	6,615	7,333	95,525	6.1%	15.1%	131,926	(49,153)	-	-	\$3.48
C	490,595	1,440	-	-	-	1,440	0.3%	0.1%	(720)	360	-	-	\$2.95
Total	13,415,921	176,948	27,407	254,086	20,158	478,599	3.6%	5.4%	719,222	924,398	450,754	1,277,833	\$5.70
SILICON VALLEY TOTALS													
A	54,419,787	4,459,155	1,574,786	1,372,196	525,573	7,931,710	14.6%	14.7%	1,558,726	6,210,076	1,728,351	3,639,873	\$4.47
B	29,063,929	1,571,599	218,728	492,759	271,210	2,554,296	8.8%	9.1%	(42,321)	(348,028)	-	-	\$3.68
C	8,350,326	402,735	24,461	125,358	30,140	582,694	7.0%	7.3%	(42,855)	(89,587)	-	-	\$3.19
Total	91,834,042	6,433,489	1,817,975	1,990,313	826,923	11,068,700	12.1%	12.2%	1,473,550	5,772,461	1,728,351	3,639,873	\$4.27
QUARTERLY COMPARISON AND TOTALS													
4Q-17	91,834,042	6,433,489	1,817,975	1,990,313	826,923	11,068,700	12.1%	12.2%	1,473,550	5,772,461	1,728,351	3,639,873	\$4.27
3Q-17	89,909,440	5,853,504	2,203,083	1,781,618	1,106,564	10,944,769	12.2%	11.7%	1,468,728	4,998,911	2,236,017	5,131,403	\$4.33
2Q-17	87,580,374	5,633,294	1,789,215	1,577,070	1,218,946	10,218,525	11.7%	11.7%	2,666,093	2,830,183	3,447,606	6,661,318	\$4.40
1Q-17	84,144,876	5,663,121	1,041,698	1,442,899	1,736,242	9,883,960	11.7%	10.6%	164,090	164,090	1,133,270	9,843,293	\$4.35
4Q-16	82,861,783	5,143,457	843,462	1,041,630	1,782,172	8,810,721	10.6%	9.6%	501,669	1,682,577	785,665	10,607,669	\$4.23

Market Comparisons – Silicon Valley

R&D, INDUSTRIAL & WAREHOUSE MARKETS

TYPE	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE CURR QTR	AVAILABILITY RATE PREV QTR	NET ABSORPTION CURR QTR	NET ABSORPTION YTD	COMPLETED CURR QTR	UNDER CONSTR. SF	NNN WTD AVG ASKING
CAMPBELL													
R&D	1,378,087	68,323	-	53,307	-	121,630	8.8%	10.9%	(7,111)	20,505	-	-	\$2.44
IND	995,329	9,815	-	-	-	9,815	1.0%	2.5%	15,501	(3,561)	-	-	\$2.60
TOTAL	2,373,416	78,138	-	53,307	-	131,445	5.5%	7.4%	8,390	16,944	-	-	\$2.45
CUPERTINO													
R&D	3,098,845	26,416	-	-	-	26,416	0.9%	0.9%	-	273,206	-	-	\$3.34
TOTAL	3,098,845	26,416	-	-	-	26,416	0.9%	0.9%	-	273,206	-	-	\$3.34
FREMONT													
R&D	20,568,484	2,014,259	92,107	383,028	193,315	2,682,709	13.0%	13.3%	(240,856)	(227,112)	-	-	\$1.56
IND	9,926,760	141,108	32,473	184,802	-	358,383	3.6%	4.1%	60,215	(4,757)	-	-	\$1.01
WSE	8,446,205	-	-	82,446	10,933	93,379	1.1%	0.3%	-	8,950	-	-	\$0.85
TOTAL	38,941,449	2,155,367	124,580	650,276	204,248	3,134,471	8.0%	8.2%	(180,641)	(222,919)	-	-	\$1.52
GILROY													
R&D	372,117	27,042	-	89,163	-	116,205	31.2%	31.2%	-	(6,111)	-	-	\$0.92
IND	1,813,262	28,019	-	-	-	28,019	1.5%	0.9%	(12,282)	(11,682)	-	-	\$0.85
WSE	3,812,905	-	-	-	-	-	0.0%	2.7%	-	-	-	-	\$-
TOTAL	5,998,284	55,061	-	89,163	-	144,224	2.4%	3.9%	(12,282)	(17,793)	-	-	\$0.92
LOS GATOS													
R&D	337,327	-	-	-	-	-	0.0%	0.0%	-	1,400	-	-	\$-
TOTAL	337,327	-	-	-	-	-	0.0%	0.0%	-	1,400	-	-	\$-
MILPITAS													
R&D	13,826,862	1,750,191	47,385	786,396	58,509	2,642,481	19.1%	19.4%	(501,066)	(455,071)	-	-	\$1.82
IND	2,943,652	11,096	-	50,891	20,624	82,611	2.8%	2.2%	(10,018)	-	-	450,610	\$0.97
WSE	4,715,290	82,179	-	309,947	164,173	556,299	11.8%	12.9%	33,820	(82,179)	-	-	\$0.99
TOTAL	21,485,804	1,843,466	47,385	1,147,234	243,306	3,281,391	15.3%	15.6%	(477,264)	(537,250)	-	450,610	\$1.65
MORGAN HILL													
R&D	2,874,930	90,491	-	20,000	-	110,491	3.8%	3.1%	-	(11,987)	-	-	\$0.94
IND	2,374,297	51,653	-	-	-	51,653	2.2%	2.3%	30	46,220	-	-	\$1.19
WSE	482,538	-	-	-	-	-	0.0%	0.0%	-	-	-	-	\$-
TOTAL	5,731,765	142,144	-	20,000	-	162,144	2.8%	2.6%	30	34,233	-	-	\$0.99
MOUNTAIN VIEW													
R&D	13,956,038	206,955	73,015	218,521	137,766	636,257	4.6%	5.2%	69,633	(61,801)	-	-	\$3.44
IND	1,741,468	85,879	2,400	14,500	3,600	106,379	6.1%	6.1%	(17,178)	(41,347)	-	-	\$2.53
TOTAL	15,697,506	292,834	75,415	233,021	141,366	742,636	4.7%	5.3%	52,455	(103,148)	-	-	\$3.32
PALO ALTO													
R&D	13,747,112	36,154	182,486	115,174	230,011	563,825	4.1%	3.9%	(94,460)	(184,464)	-	36,120	\$6.29
TOTAL	13,747,112	36,154	182,486	115,174	230,011	563,825	4.1%	3.9%	(94,460)	(184,464)	-	36,120	\$6.29
SAN JOSE													
R&D	42,868,341	3,824,648	752,586	1,232,238	531,471	6,340,943	14.8%	14.1%	475,156	382,116	-	-	\$1.98
IND	24,863,440	865,052	74,853	105,912	25,560	1,071,377	4.3%	4.8%	20,046	24,897	-	-	\$0.93
WSE	17,035,814	243,649	-	176,528	81,556	501,733	2.9%	4.7%	119,236	(74,077)	-	-	\$0.92
TOTAL	84,767,595	4,933,349	827,439	1,514,678	638,587	7,914,053	9.3%	9.5%	614,438	332,936	-	-	\$1.76
SANTA CLARA													
R&D	19,092,745	1,407,075	151,681	89,763	279,173	1,927,692	10.1%	12.5%	(23,652)	(147,657)	-	-	\$2.05
IND	11,460,911	80,768	-	120,893	-	201,661	1.8%	1.6%	5,908	(24,973)	-	155,909	\$1.28
WSE	3,354,755	19,500	25,000	58,562	-	103,062	3.1%	2.6%	2,500	(38,469)	-	-	\$1.00
TOTAL	33,908,411	1,507,343	176,681	269,218	279,173	2,232,415	6.6%	7.8%	(15,244)	(211,099)	-	155,909	\$2.01
SUNNYVALE													
R&D	22,270,363	726,904	171,454	164,427	167,047	1,229,832	5.5%	5.9%	(89,983)	(203,092)	-	-	\$2.68
IND	6,050,081	58,787	-	-	5,620	64,407	1.1%	1.4%	1,145	(17,842)	-	-	\$2.12
WSE	1,672,947	-	-	-	-	-	0.0%	0.0%	-	56,773	-	-	\$-
TOTAL	29,993,391	785,691	171,454	164,427	172,667	1,294,239	4.3%	4.7%	(88,838)	(164,161)	-	-	\$2.67
SILICON VALLEY TOTALS													
R&D	154,391,251	10,178,458	1,470,714	3,152,017	1,597,292	16,398,481	10.6%	10.9%	(412,339)	(620,068)	-	36,120	\$2.12
IND	63,379,091	1,344,377	117,226	504,152	55,404	2,021,159	3.2%	3.4%	83,267	67,165	-	606,519	\$1.11
WSE	39,699,973	345,328	25,000	627,483	256,662	1,254,473	3.2%	4.1%	155,556	(129,002)	-	-	\$0.96
TOTAL	257,470,315	11,868,163	1,612,940	4,283,652	1,909,358	19,674,113	7.6%	8.0%	(173,516)	(681,905)	-	642,639	\$1.96
QUARTERLY COMPARISON AND TOTALS													
4Q-17	257,470,315	11,868,163	1,612,940	4,283,652	1,909,358	19,674,113	7.6%	8.0%	(173,516)	(681,905)	-	642,639	\$1.96
3Q-17	257,478,522	12,379,628	1,646,586	4,492,318	2,066,994	20,585,526	8.0%	7.4%	(622,479)	(508,389)	101,374	486,730	\$1.92
2Q-17	256,983,032	11,999,386	1,512,372	3,407,995	1,981,581	18,901,334	7.4%	7.1%	35,064	114,090	-	588,104	\$1.86
1Q-17	257,251,978	12,380,440	1,479,305	2,559,598	1,899,311	18,318,654	7.1%	7.4%	79,026	79,026	1,145,154	551,610	\$1.88
4Q-16	255,798,490	12,156,427	1,102,412	3,543,600	2,056,995	18,859,434	7.4%	7.1%	(716,222)	(7,402)	-	1,261,992	\$1.83

Understanding Absorption

Colliers uses several measurements to track market conditions and deal flow. While related, the formulas to arrive at these measurements differ. Using the results of the most recent quarter, here is how Colliers measures change in availability, net absorption and effective net absorption.

Change in Availability: This measurement is simply the difference between the amounts of space available at the end of one period to the next. The table below shows that total available space decreased by 1,321,380 square feet in the year's third quarter. Note that "change in availability" includes adjustments for space that is "taken off the market". Space "taken off the market" is not a factor in net absorption measurements.

Total Available end of 3Q17	31,530,295
Plus: Vacant & Occupied Space that came available in 4Q17	3,321,391
Plus: New Shell added in 4Q17	1,728,351
2Q17 Available + Newly Available in 4Q17	36,580,037
Less: 4Q17 Gross Absorption	-7,233,024
Less: 4Q17 Adjustments/Taken off Market	3,504,662
Total Available end of 4Q17	32,851,675

Net Absorption: Net absorption measures the change in *occupied* space from one period to the next. In this measurement, it is important to distinguish that a building may be "available" but not vacant (often the case in a sublease situation, for example). Therefore, occupancy is not reduced (negative net absorption) until the space is vacated, and sometimes that does not happen until the space is leased, creating a net absorption "wash" for the deal and for that particular period.

New Vacant Space that came available 4Q17	-1,040,955
Previously Available Space that was vacated in 4Q17	-4,892,035
4Q17 Total Vacant added (Occupancy Loss)	-5,932,990
4Q17 Gross Absorption (occupancy gain)	7,233,024
4Q17 Net Absorption (change in Occupancy)	1,300,034

Effective Net Absorption: In 2003, Colliers created a measurement of "effective net absorption". Effective net absorption uses the same formula as the net absorption formula, except that it treats any space that comes available as if it is vacant, whether it is or it is not. The purpose of the measurement is to get a better "real time" gauge of occupancy flow in and out of the market, acknowledging that space that is available for lease is likely to be vacated shortly and underutilized presently.

New Vacant Space that came available 4Q17	-1,040,955
Occupied Space that came available 4Q17	-2,280,436
4Q17 Total Available added	-3,321,391
4Q17 Gross Absorption	7,233,024
4Q17 Effective Net Absorption	3,911,633

396 offices in
68 countries on
6 continents

United States: **153**
Canada: **29**
Latin America: **24**
Asia Pacific: **78**
EMEA: **111**

\$2.6
billion in
annual revenue*

2.0
billion square feet
under management

15,000
professionals
and staff

* All statistics are for 2016 and include affiliates

FOR MORE INFORMATION

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