

R&D Report

Bay Area | Fourth Quarter 2015



R&D Market Report

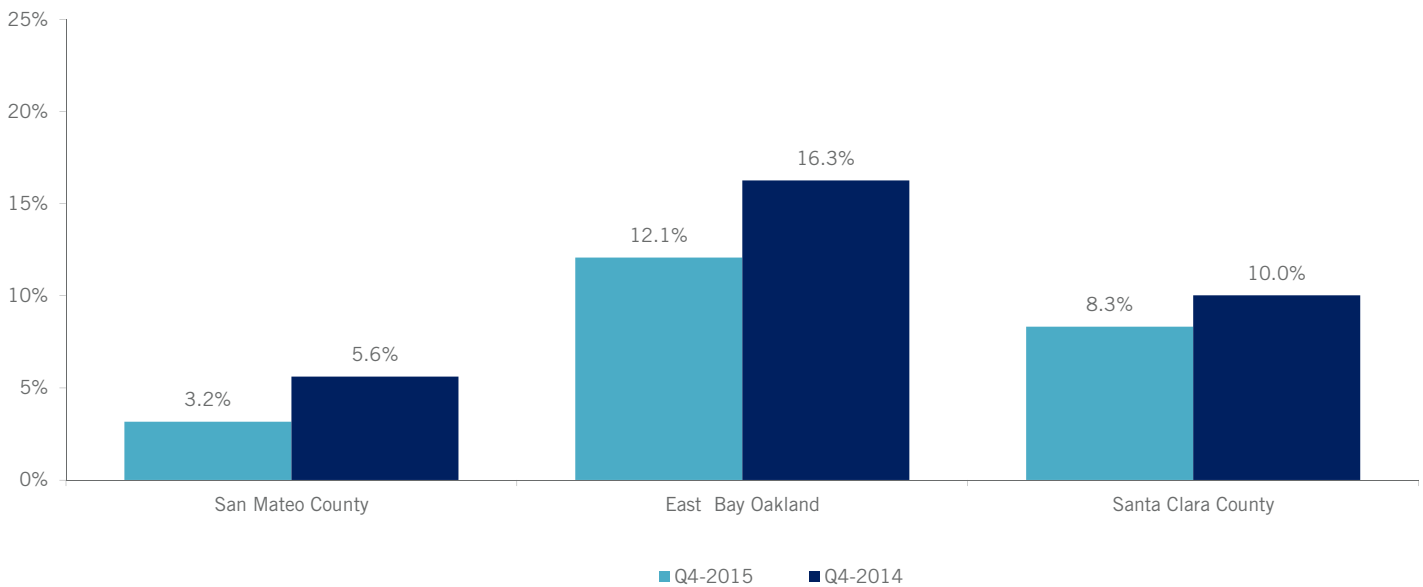
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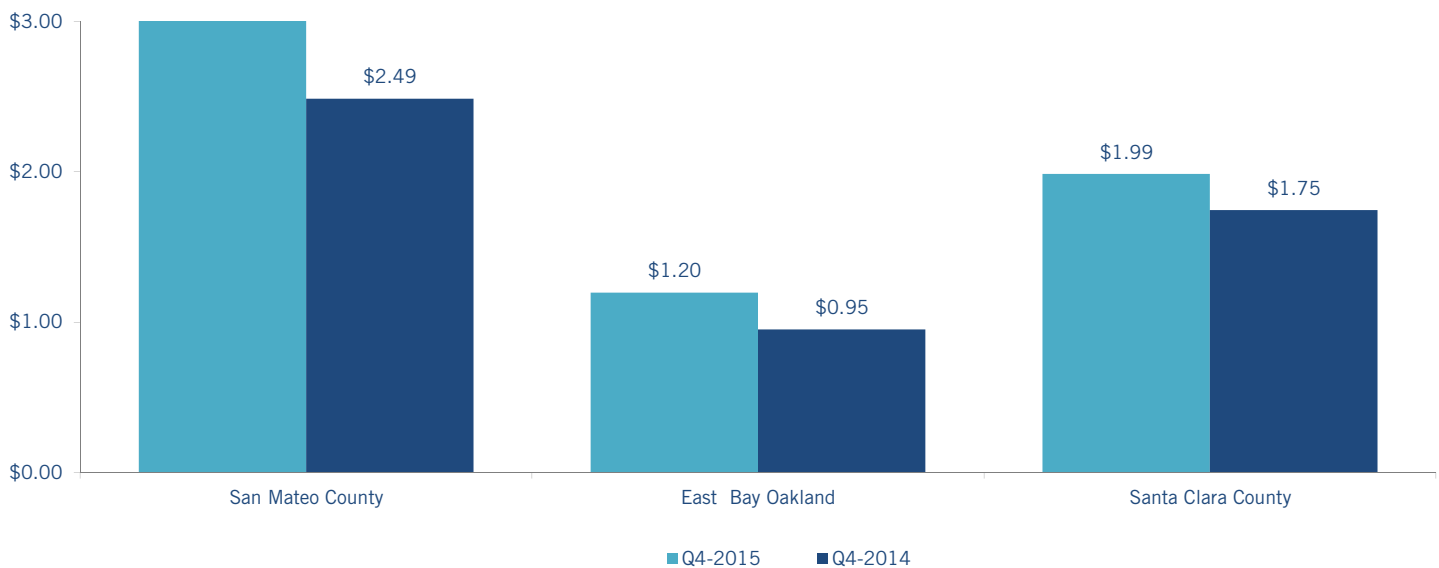
R&D Market Summary

Area	Building Base	Direct	Available Space		Vacancy Rate		Average Asking Rate (NNN)
			Sublease	Total	Q4-2015	Q4-2014	
San Mateo County	20,134,624	436,234	200,279	636,513	3.2%	5.6%	\$3.44
East Bay Oakland	33,250,242	3,624,174	388,626	4,012,800	12.1%	16.3%	\$1.20
Santa Clara County	140,138,427	10,226,296	1,445,249	11,671,545	8.3%	10.0%	\$1.99
Grand Total	193,523,293	14,286,704	2,034,154	16,320,858	8.4%	10.6%	\$1.85

Vacancy by Area



Average Asking Rate by Area (NNN)



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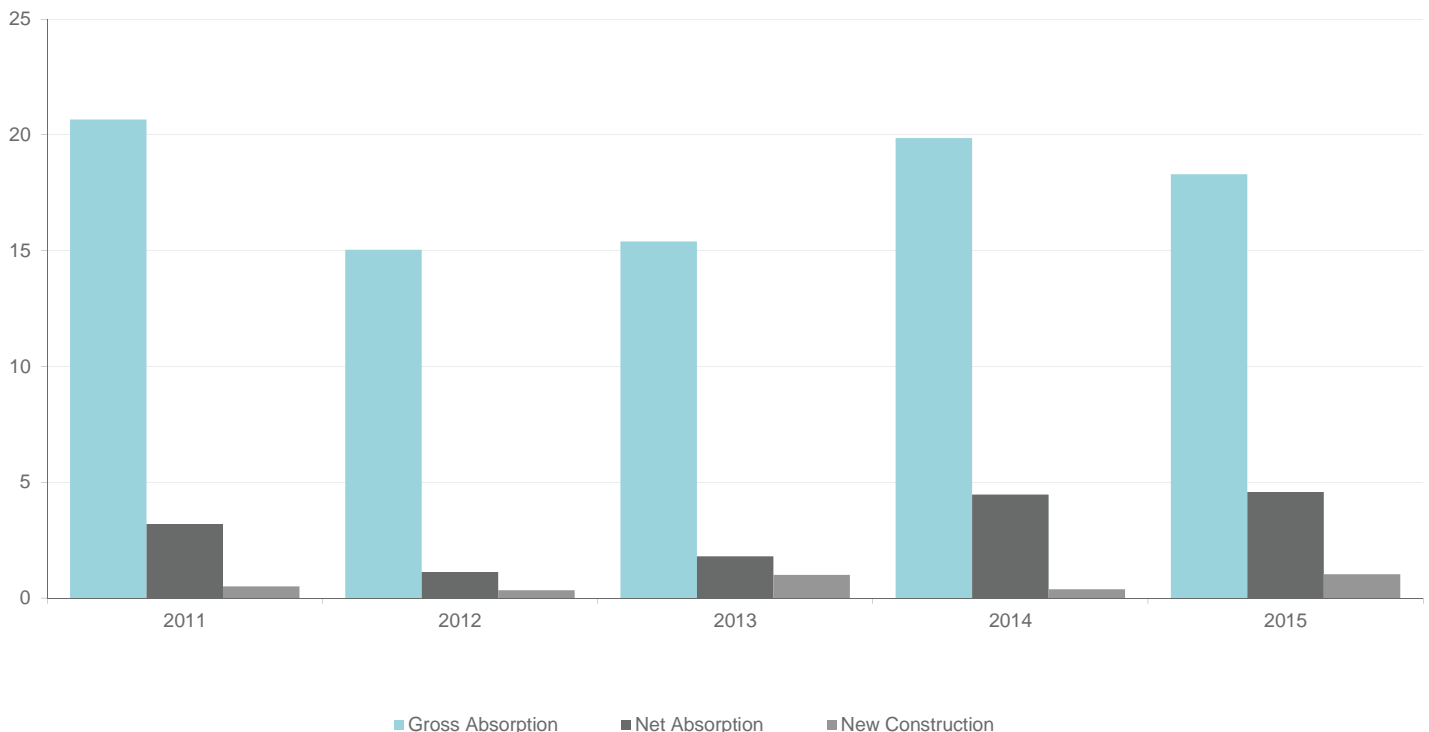
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Historical Summary

Area		2011	2012	2013	2014	2015
San Mateo County	Avg Rent (NNN)	\$2.14	\$2.21	\$2.29	\$2.49	\$3.44
	Available Sq.Ft.	2,424,270	2,567,286	2,039,814	1,105,609	636,513
	Vacancy	12.8%	13.5%	10.6%	5.6%	3.2%
	Gross Absorption	2,745,498	1,165,052	1,849,403	2,939,841	2,014,899
	Net Absorption	612,777	-143,016	737,472	933,339	881,709
	New Construction	170,618	0	225,000	107,000	0
East Bay Oakland	Avg Rent (NNN)	\$0.87	\$0.92	\$0.92	\$0.95	\$1.20
	Available Sq.Ft.	7,283,404	6,961,202	6,559,601	5,377,705	4,012,800
	Vacancy	22.1%	21.1%	19.9%	16.3%	12.1%
	Gross Absorption	3,752,198	3,590,860	2,980,987	5,028,589	4,741,335
	Net Absorption	319,899	322,202	401,601	1,359,174	1,540,905
	New Construction	0	0	0	275,000	176,000
Santa Clara County	Avg Rent (NNN)	\$1.23	\$1.47	\$1.70	\$1.75	\$1.99
	Available Sq.Ft.	20,609,676	18,144,685	16,978,389	14,065,976	11,671,545
	Vacancy	14.4%	12.8%	12.0%	10.0%	8.3%
	Gross Absorption	14,166,259	10,277,835	10,567,568	11,899,499	11,542,291
	Net Absorption	2,274,374	951,325	659,565	2,184,879	2,161,265
	New Construction	334,800	336,665	772,061	0	852,504
Total Bay Area	Avg Rent (NNN)	\$1.22	\$1.40	\$1.55	\$1.58	\$1.85
	Available Sq.Ft.	30,317,350	27,673,173	25,577,804	20,549,290	16,320,858
	Vacancy	15.6%	14.3%	13.2%	10.6%	8.4%
	Gross Absorption	20,663,955	15,033,747	15,397,958	19,867,929	18,298,525
	Net Absorption	3,207,050	1,130,511	1,798,638	4,477,392	4,583,879
	New Construction	505,418	336,665	997,061	382,000	1,028,504

Total Bay Area Absorption & New Construction



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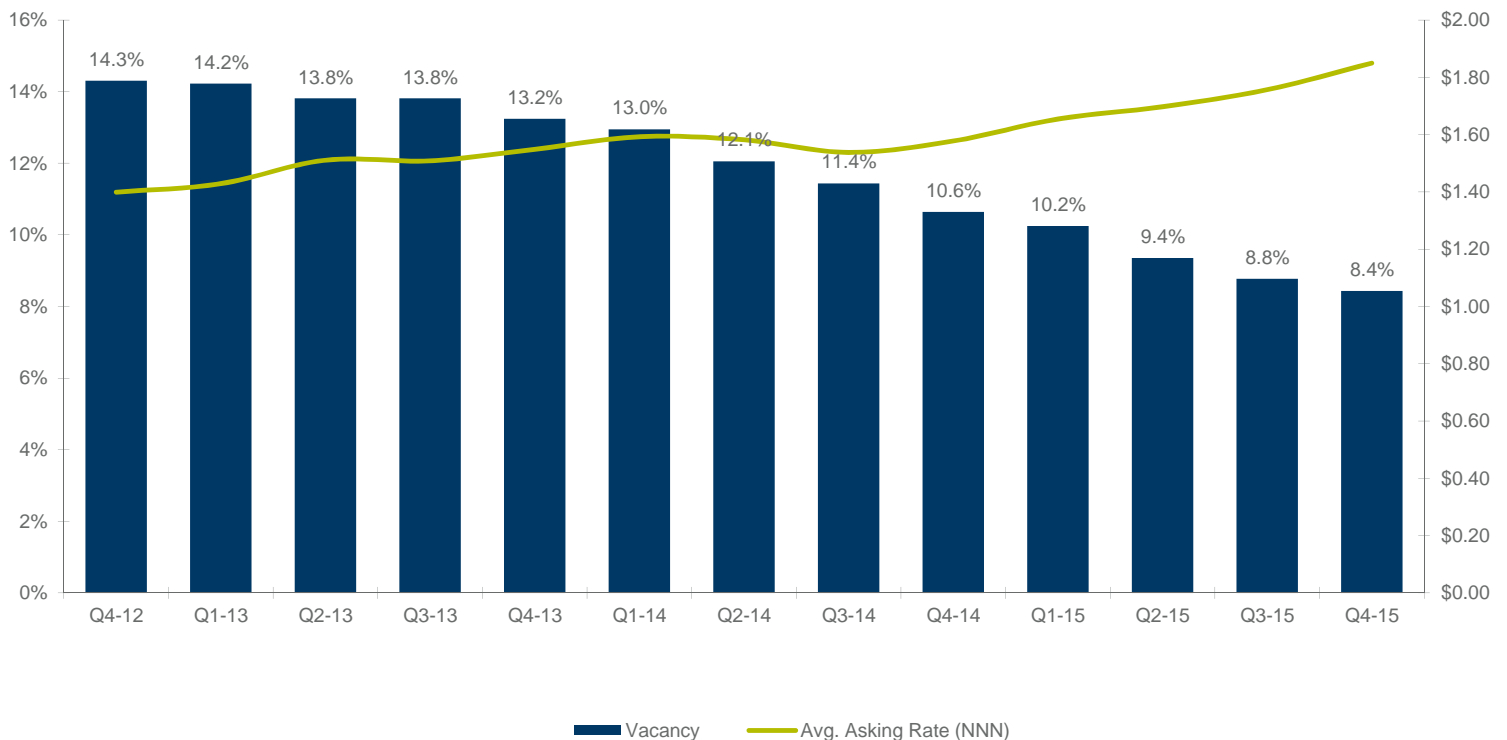
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Total Bay Area

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Total Building Base:	193,167,846	193,297,159	193,557,996	193,153,784	193,523,293
Direct Availabilities:	17,795,458	17,174,488	15,626,208	14,582,312	14,286,704
Sublease Availabilities:	<u>2,753,832</u>	<u>2,630,628</u>	<u>2,476,099</u>	<u>2,367,690</u>	<u>2,034,154</u>
Total Availabilities:	20,549,290	19,805,116	18,102,307	16,950,002	16,320,858
Growth Rate (%):	0.8%	0.5%	1.0%	0.4%	0.5%
Vacancy:	10.6%	10.2%	9.4%	8.8%	8.4%
Gross Absorption:	5,465,468	3,847,435	5,341,168	4,851,507	4,258,415
Net Absorption:	1,539,426	873,487	1,963,646	748,093	998,653
New Construction:					
Build-To-Suit:	275,000	95,000	176,000	0	132,960
Spec Construction:	<u>0</u>	<u>360,000</u>	<u>204,837</u>	<u>336,117</u>	<u>336,590</u>
Total New Construction:	275,000	455,000	380,837	336,117	469,550
Available Listings:					
Avg Asking Rate (NNN):	\$1.58	\$1.65	\$1.70	\$1.76	\$1.85
# of Availables by Size:					
100K SF+	33	29	26	26	24
50K SF - 99.9K SF	115	110	99	98	100
25K SF - 49.9K SF	108	108	110	108	91
10K SF - 24.9 K SF	171	179	150	140	131
Total Availables:	427	426	385	372	346

Vacancy & Average Asking Rate Trend



R&D Market Report

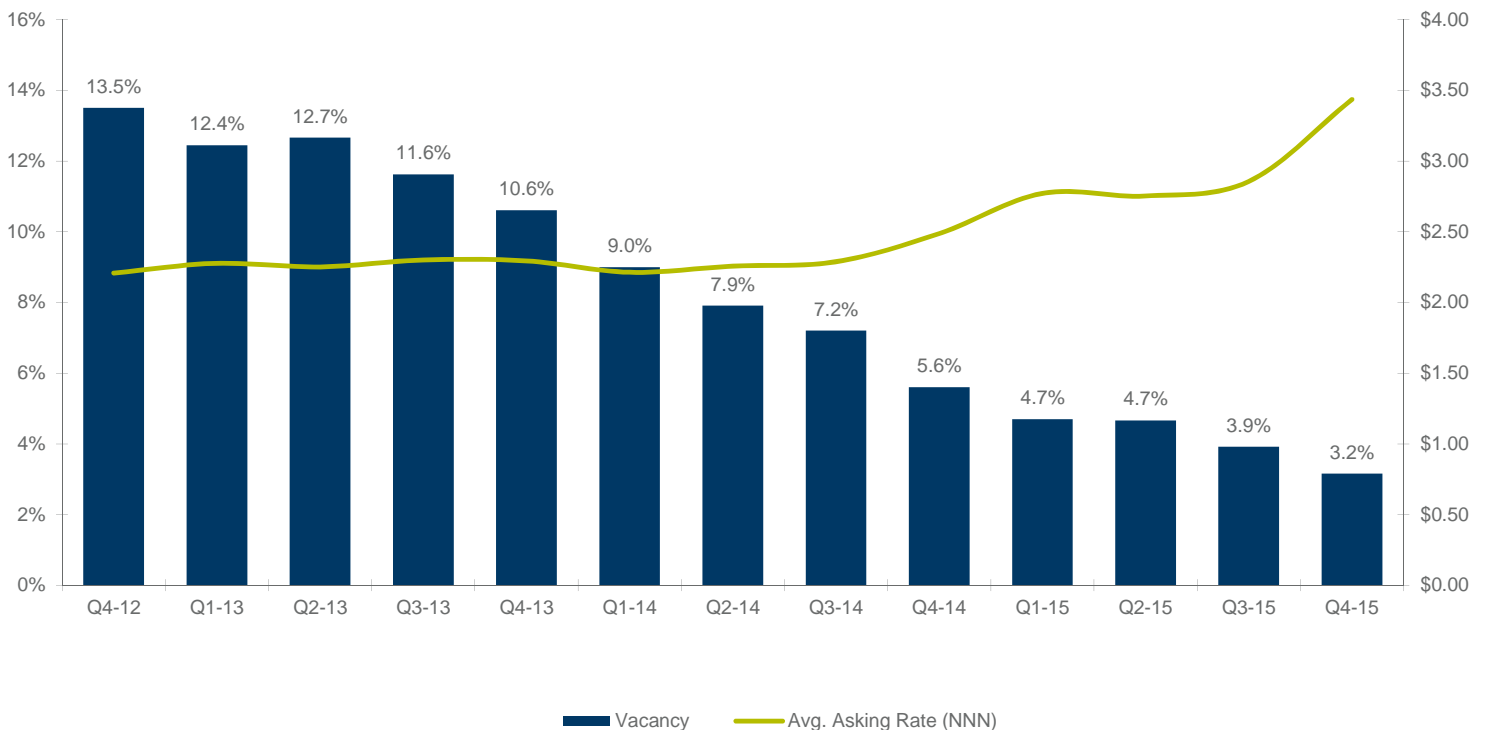
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San Mateo County

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Total Building Base:	19,722,011	19,881,624	19,881,624	19,881,624	20,134,624
Direct Availabilities:	610,712	408,413	371,487	301,035	436,234
Sublease Availabilities:	494,897	525,077	555,898	478,689	200,279
Total Availabilities:	1,105,609	933,490	927,385	779,724	636,513
Growth Rate (%):	1.6%	1.7%	0.0%	0.7%	2.0%
Vacancy:	5.6%	4.7%	4.7%	3.9%	3.2%
Gross Absorption:	1,129,554	361,873	203,051	640,727	809,248
Net Absorption:	315,097	331,732	6,105	147,661	396,211
New Construction:	0	200,387	0	0	0
Build-To-Suit:					
Spec Construction:	0	360,000	0	0	253,000
Total New Construction:	0	0	0	0	0
	0	360,000	0	0	253,000
Available Listings:					
Avg Asking Rate (NNN):	\$2.49	\$2.77	\$2.75	\$2.86	\$3.44
# of Availables by Size:					
100K SF+	1	1	1	1	1
50K SF - 99.9K SF	2	2	2	2	2
25K SF - 49.9K SF	7	5	5	4	2
10K SF - 24.9 K SF	18	14	13	9	11
Total Availables:	28	22	21	16	16

Vacancy & Average Asking Rate Trend



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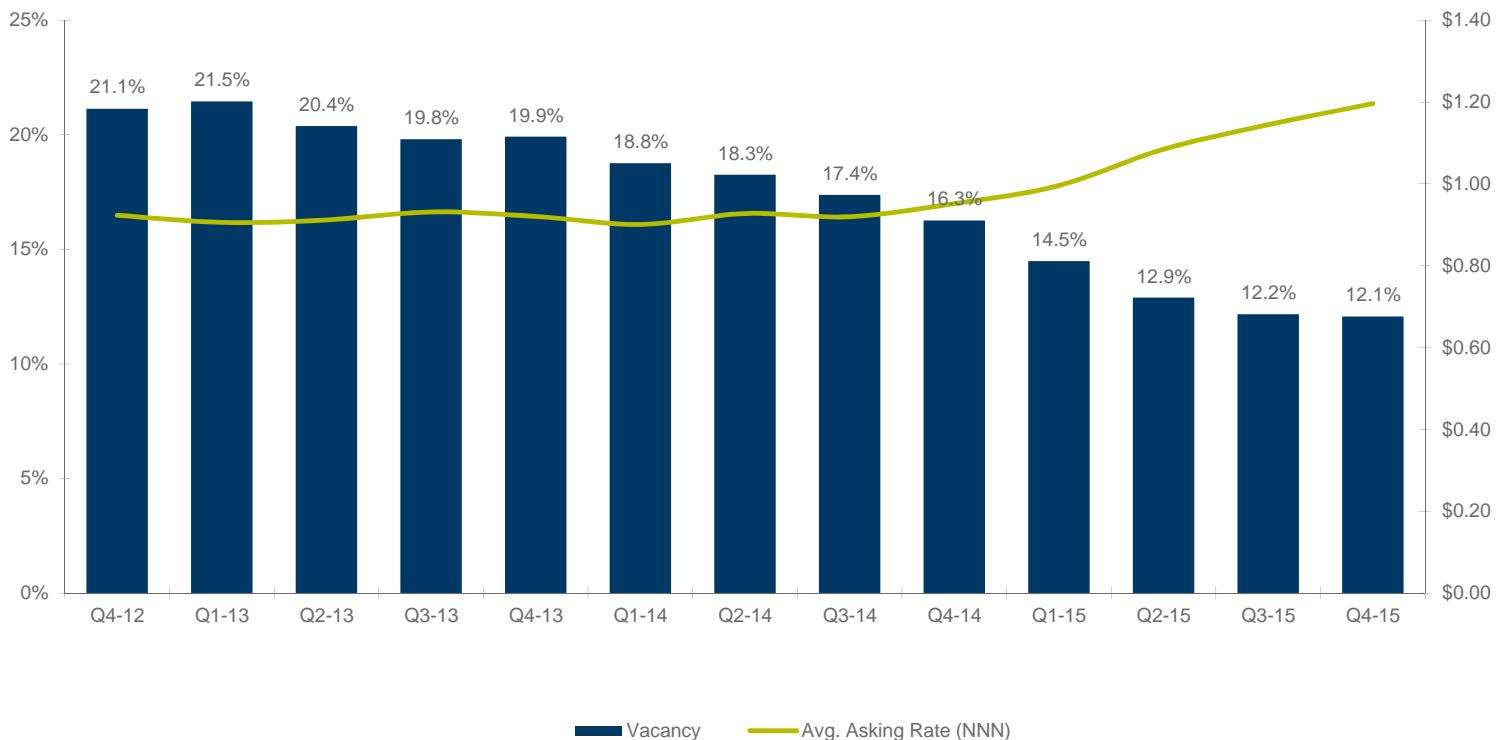
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East Bay Oakland

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Total Building Base:	33,074,242	33,074,242	33,250,242	33,250,242	33,250,242
Direct Availabilities:	4,929,823	4,414,376	4,035,726	3,768,189	3,624,174
Sublease Availabilities:	<u>447,882</u>	<u>378,485</u>	<u>249,892</u>	<u>277,476</u>	<u>388,626</u>
Total Availabilities:	5,377,705	4,792,861	4,285,618	4,045,665	4,012,800
Growth Rate (%):	1.8%	1.8%	2.1%	0.7%	0.1%
Vacancy:	16.3%	14.5%	12.9%	12.2%	12.1%
Gross Absorption:	1,473,486	1,388,579	1,624,760	1,033,029	694,967
Net Absorption:	588,730	584,844	683,243	239,953	32,865
New Construction:					
Build-To-Suit:	275,000	0	176,000	0	0
Spec Construction:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Construction:	275,000	0	176,000	0	0
Available Listings:					
Avg Asking Rate (NNN):	\$0.95	\$1.00	\$1.08	\$1.14	\$1.20
# of Availables by Size:					
100K SF+	9	7	8	8	7
50K SF - 99.9K SF	25	21	16	16	19
25K SF - 49.9K SF	32	32	32	31	29
10K SF - 24.9 K SF	59	60	50	43	42
Total Availables:	125	120	106	98	97

Vacancy & Average Asking Rate Trend



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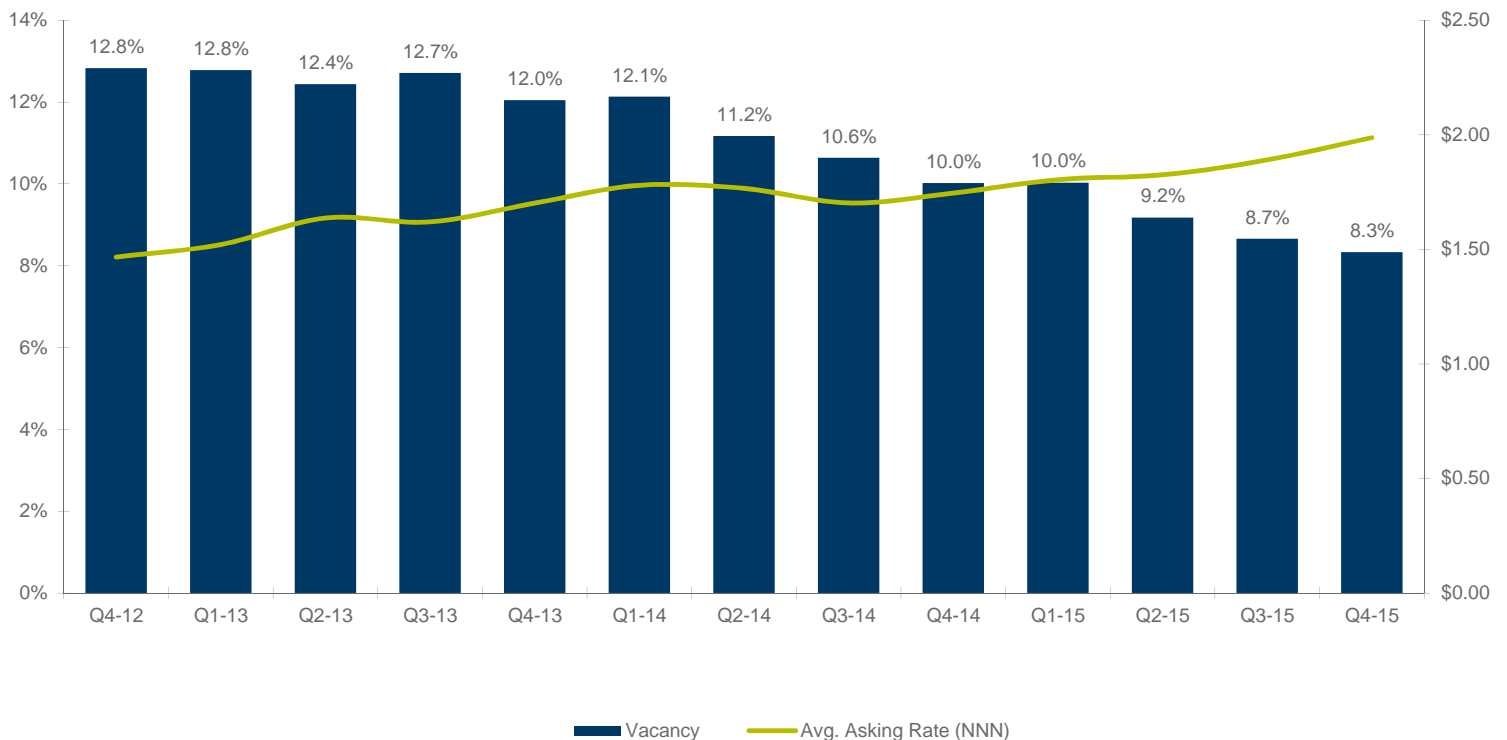
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Santa Clara County

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Total Building Base:	140,371,593	140,341,293	140,426,130	140,021,918	140,138,427
Direct Availabilities:	12,254,923	12,351,699	11,218,995	10,513,088	10,226,296
Sublease Availabilities:	1,811,053	1,727,066	1,670,309	1,611,525	1,445,249
Total Availabilities:	14,065,976	14,078,765	12,889,304	12,124,613	11,671,545
Growth Rate (%):	0.45%	-0.03%	0.91%	0.26%	0.41%
Vacancy:	10.0%	10.0%	9.2%	8.7%	8.3%
Gross Absorption:	2,862,428	2,096,983	3,513,357	3,177,751	2,754,200
Net Absorption:	635,599	-43,089	1,274,298	360,479	569,577
New Construction:					
Build-To-Suit:	0	95,000	0	0	132,960
Spec Construction:	0	0	204,837	336,117	83,590
Total New Construction:	0	95,000	204,837	336,117	216,550
Available Listings:					
Avg Asking Rate (NNN):	\$1.75	\$1.80	\$1.82	\$1.89	\$1.99
# of Availables by Size:					
100K SF+	23	21	17	17	16
50K SF - 99.9K SF	88	87	81	80	79
25K SF - 49.9K SF	69	71	73	73	60
10K SF - 24.9 K SF	94	105	87	88	78
Total Availables:	274	284	258	258	233

Vacancy & Average Asking Rate Trend



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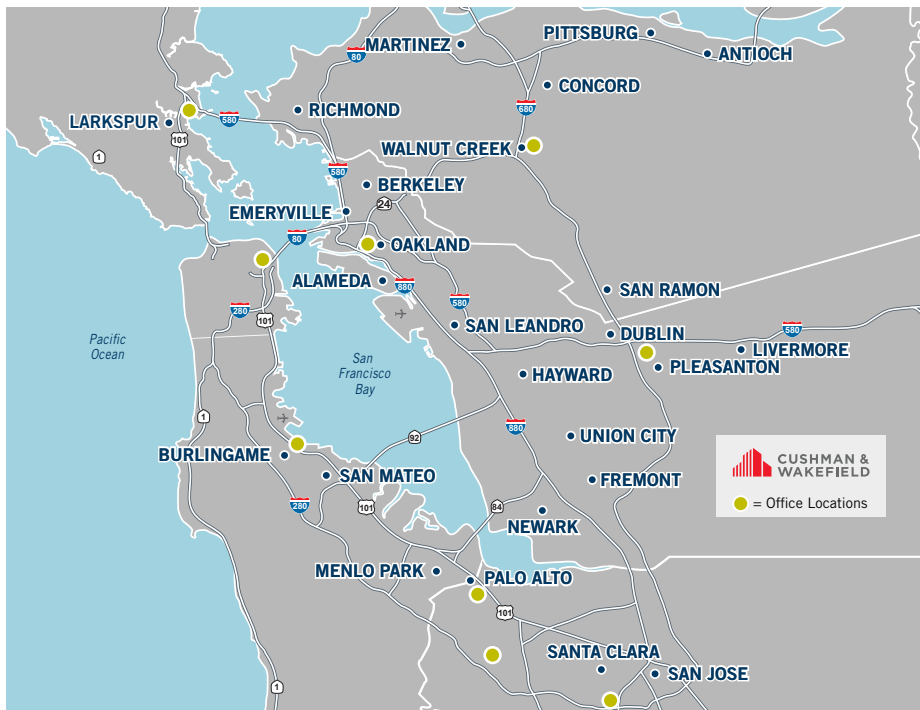
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Definitions

R&D Product

Buildings Typically Used For R&D Purposes (3/1000 Parking Or Greater, No More Than Two Stories Clear Height Less Than 18', Three Sides Of Glass, Usually Improved With A Mixture Of Office, Manufacturing & Assembly).

Total Building Base

Total Square Footage Of R&D Buildings.

Direct Availabilities

Total Square Footage Being Marketed For Lease By Landlord Available Within 90 Days. This May Include Availabilities With Pending Leases.

Sublease Availabilities

Total Square Footage Being Marketed For Lease By Sublessor.

Vacancy

Total Available Square Footage (Direct & Sublease) Divided By Total Building Base.

BTS (Build-to-Suit)

A Method Of Leasing Property Whereby The Landlord Builds To Suit The Tenant (According To Tenant's Specifications). The Cost Of Construction Is Figured In To The Rental Amount Of The Lease, Which Is Usually For A Long Term.

New Spec (Speculative)

A Building Constructed For Lease Or Sale But Without Having A Tenant Or Buyer Before Construction Begins.

Gross Absorption

Total Leasing And User Sale Activity In The Marketplace In A Given Time Period.

Net Absorption

Change In Occupied Building Square Footage In A Given Time Period.

Avg. Asking Rate

Weighted Average NNN Rate With Gross Rates Converted To NNN Rates.

Avg. Time On Market

Weighted Average Time On Market (By Available Square Footage) Of Available Space Reflected In Months.

Availables By Size

Number Of Current Available Spaces For Lease In The Given Size.

Historical Continuity

Cushman & Wakefield maintains a building by building historical record. Comparing previous reports to this report may show different building size numbers and statistics. Changes are caused by reclassification of buildings and revised building sizes. Historical comparisons should be made from this report only as Cushman & Wakefield adjusts the historical record accordingly.



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