



Palo Alto, California

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The fourth quarter of 2011 continued a surge of strong demand along the Peninsula corridor with several large transactions taking place in Mountain View and Redwood City. Labor demand for highly skilled engineers is very strong, driving various technology companies to offer incentive packages to candidates. Class A leasing activity for 2011 on a year over year basis may be the strongest since 2000-2001.

Market Trends

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

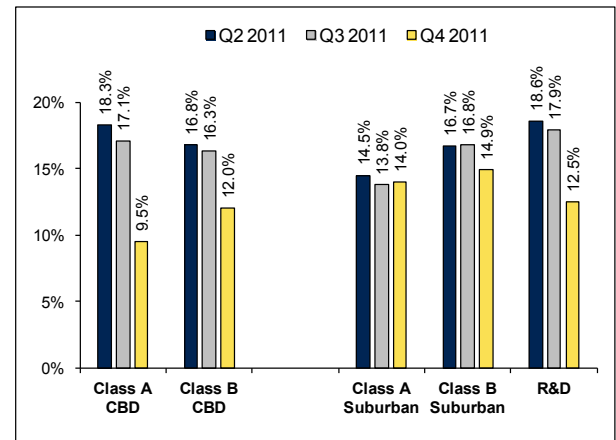
Tenant's Perspective

Tenants looking for space near Cal Train will be forced to pursue alternatives elsewhere. 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. Demographic flexibility will be key when pursuing space on the Peninsula.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Synopsis	300,000	Office/R&D	Lease
Symantec	136,000	Office	Lease
Bristol-Meyers Squibb	133,000	R&D	Renewal
Zazzle	120,000	Office	Lease
Omniceil	100,000	Office/R&D	Lease
Perfect World Entertainment	100,000	Office	Lease
SAP	92,500	Office/R&D	Lease
Siebel Foundation	68,000	Office	Lease
Zynga	58,000	Office	Lease
Kabam	57,000	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$72.00	\$76.00	\$76.00
Class B Office	\$56.00	\$56.00	\$56.00
Suburban /			
Stanford Park	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$56.00	\$56.00	\$60.00
Class B Office	\$36.00	\$36.00	\$40.00
R&D	\$28.00	\$28.00	\$28.00