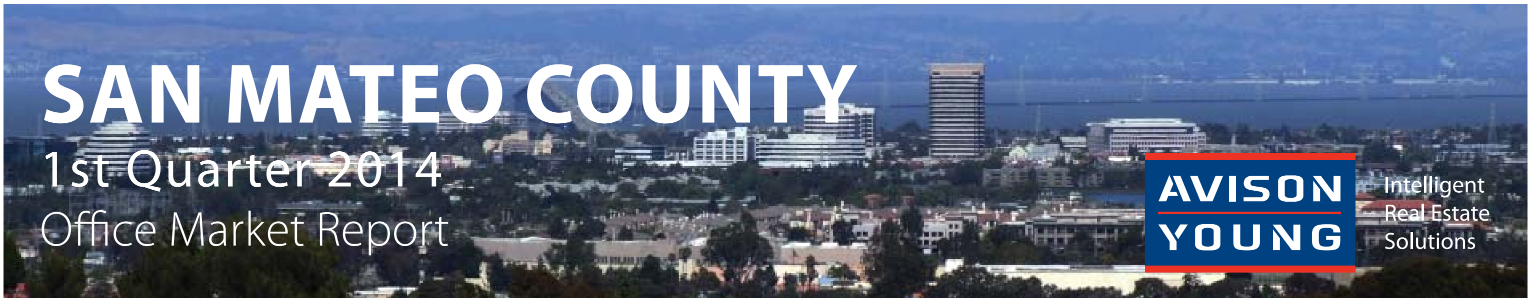
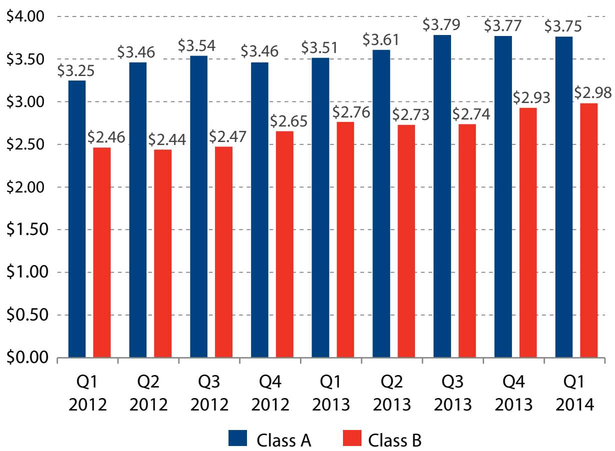
SAN MATEO COUNTY

1st Quarter 2014

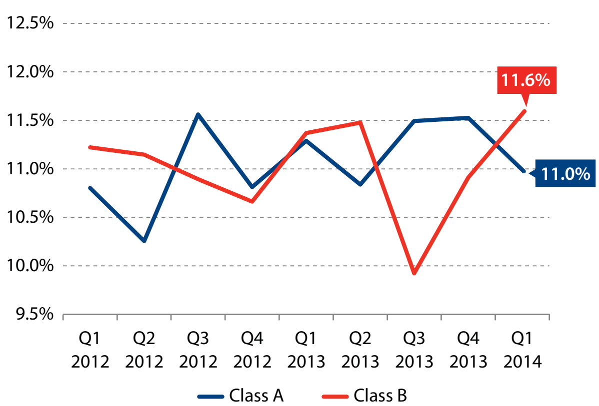
Office Market Report



Historical Asking Rental Rates (Direct, FSG)



Historical Vacancy Rates



San Mateo County Market at a Glance

Inventory:	**36,791,419 SF**
Vacancy:	**10.4%**
2014 YTD Absorption:	**60,073 SF**
Average Asking Rent:	
Class A:	**$3.75**
Class B:	**$2.98**

SAN MATEO COUNTY MARKET OVERVIEW

Prepared by Todd Campbell, Vice President, Research

For the first time in 14 quarters, total leasing activity fell below 700,000 sf in San Mateo County; however, the county witnessed 60,000 sf in occupancy gains in Q1 2014, ending the quarter with a vacancy rate of 10.4%. The lack of new vacant space to hit the market during the first three months of the year enabled the county to experience minimal occupancy gains despite slowed activity.

Southern San Mateo County, which is comprised of Belmont/San Carlos, Redwood City, and Menlo Park continues to house the most sought after office space in the county, recording only 6.3% vacancy. Menlo Park, which borders one of the hottest real estate markets in the country in Palo Alto, demands the highest average rents in the county ($5.11 psf FS). Redwood City, which borders Menlo Park to the north, witnessed the biggest spike in rents in the county over the past three months, increasing by 7.1% to $4.05 psf FS. Central San Mateo County, which is comprised of San Mateo, Foster City, and Redwood Shores is home to corporate giants like Visa, Oracle, EA Sports, and Sony PlayStation. With 11 existing vacant spaces over 50,000 sf totaling over 780,000 sf and 1.3 million sf of entitled build-to-suit opportunities, central San Mateo County is looking to add another household name to their resume. Central county closed the quarter with a 9.9% vacancy rate and an average asking rate of $3.69 psf FS. North San Mateo County has struggled to keep up with the central and southern submarkets, as it recorded a 16.9% vacancy rate to close the quarter and a $2.82 psf FS average asking rate. The average asking rent for the entire county remained flat quarter-over-quarter, holding steady at $3.49 psf FS.

Developers are taking advantage of low vacancy and rising asking rates in southern San Mateo county as Kilroy and Hunter Storm have teamed up to build a 300,000 sf speculative office complex dubbed Crossing/900 in downtown Redwood City. This project sits adjacent to CalTrain and all of the amenities that downtown Redwood City has to offer. With an expected delivery date of Q1 2015, Crossing/900 is exactly what many modern companies are looking for, partly due to it being a new class A office building and partly because of the location. Most growth companies on the Peninsula want to be at a location easily accessible by CalTrain and within a 24/7 environment in which to live, work and play.

San Mateo County is bordered by two of the hottest real estate markets in the country, San Francisco and Palo Alto. Tenant activity in these markets is showing no signs of slowing down, resulting in increasing asking rates and limited supply. Well established companies that may be focused on their bottom line could eventually seek shelter from these high priced markets and look to relocate to neighboring cities on the Peninsula where they can dramatically reduce their facility costs.

Q1 2014 Top 5 Leases

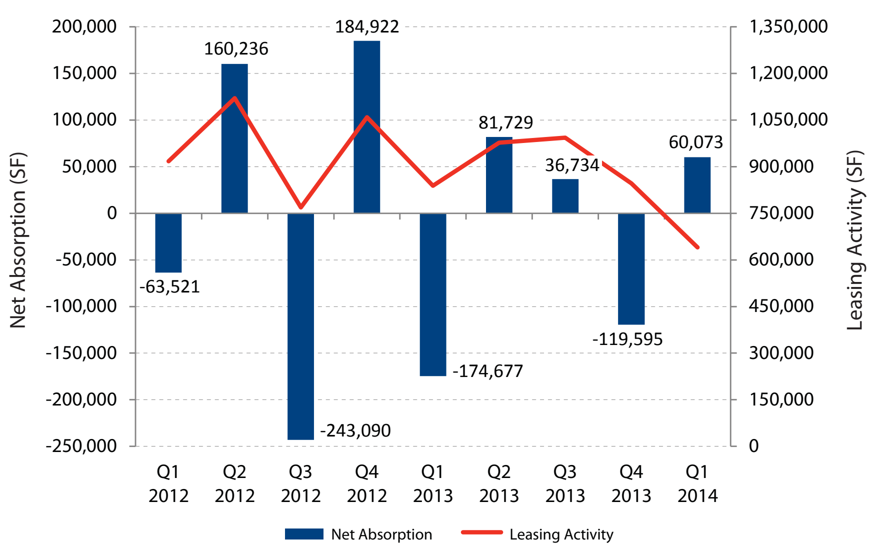
Genesys Telecomm	**Gilead Sciences**	**StrongView Systems**	**Progreso Financiero**	**Public Co. Accounting Oversight**
2001 Junipero Serra Blvd.	101 Lincoln Centre Drive	1300 Island Drive	1600 Seaport Boulevard	950 Tower Lane
Daly City, CA	Foster City, CA	Redwood Shores, CA	Redwood City, CA	Foster City, CA
156,477 SF (Renew/Exp.)	108,088 SF (Expansion)	25,543 SF (Renew/Exp.)	23,241 SF (New)	15,075 SF (New)

Q1 2014 - THE MARKET BY NUMBERS

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate		Available Rate		Total SF Leased	Net Absorption (SF)	Average Asking Rent		
				Class A	Class B	Class A	Class B			Total	Class A	Class B
Daly City	1,131,868	59,936	4,138	3.7%	7.9%	40.5%	7.9%	158,806	20,852	$1.83	$1.80	$1.92
Brisbane	843,483	367,418	10,000	53.4%	5.9%	59.6%	8.8%	9,676	6,257	$2.93	$2.96	$2.27
South San Francisco	2,340,311	655,347	9,931	27.6%	34.8%	30.2%	35.6%	19,441	-38,106	$2.97	$3.11	$2.80
San Bruno/Millbrae	1,834,975	74,167	13,992	4.4%	4.5%	8.4%	32.5%	11,331	-45,596	$3.12	$3.15	$3.36
Burlingame	2,560,089	278,977	0	13.3%	11.8%	16.2%	14.1%	27,423	-3,561	$2.42	$3.02	$2.33
North County	**8,710,726**	**1,435,845**	**38,061**	**20.5%**	**15.4%**	**27.7%**	**20.6%**	**226,677**	**-60,154**	**$2.82**	**$3.01**	**$2.59**
San Mateo	7,614,278	792,267	75,074	13.0%	10.8%	20.7%	14.8%	92,558	-53,470	$3.41	$3.77	$2.92
Foster City	3,128,714	401,164	60,251	16.2%	0.8%	17.6%	4.4%	139,723	129,203	$4.10	$4.16	$2.36
Redwood Shores	5,856,891	230,903	88,403	5.6%	3.4%	8.8%	5.5%	30,030	-31,244	$3.83	$3.86	$3.09
Central County	**16,599,883**	**1,424,334**	**223,728**	**10.4%**	**9.6%**	**14.5%**	**13.4%**	**262,311**	**44,489**	**$3.69**	**$3.94**	**$2.92**
Belmont/San Carlos	1,577,195	111,604	0	6.8%	10.0%	12.2%	23.6%	1,073	1,073	$3.34	$3.22	$3.48
Redwood City*	4,468,636	271,771	3,927	2.3%	12.1%	11.0%	12.8%	90,812	74,888	$4.05	$4.23	$3.52
Menlo Park	5,434,979	297,731	36,951	6.1%	8.6%	9.6%	8.6%	59,507	-223	$5.11	$5.90	$3.67
South County	**11,480,810**	**681,106**	**40,878**	**5.0%**	**10.7%**	**10.4%**	**13.5%**	**151,392**	**75,738**	**$4.43**	**$5.20**	**$3.55**
San Mateo County Avg.	**36,791,419**	**3,541,285**	**302,667**	**11.0%**	**11.6%**	**16.4%**	**15.5%**	**640,380**	**60,073**	**$3.49**	**$3.75**	**$2.98**

*Excluding Redwood Shores

HISTORICAL LEASING ACTIVITY



AVISON YOUNG IN THE KNOW

"The first step for successful 3rd party property management is to carefully listen to the client's needs and requirements. Excellent property management does not come from building the best systems, but rather building the best tools. The art is allowing trained professionals to utilize the tools to craft a solution around specific client needs."

-Roger Bilstad (Property Management)

A LOOK INTO THE FUTURE

TOP 5 TENANTS IN THE MARKET

TENANT	REQUIREMENT (SF)
A9	250,000
Turn	100,000
WalMart	100,000
Morrison & Foerster	80,000
Orrick	80,000

We are tracking almost **2.4 million** square feet of demand in San Mateo County.

TOP 5 NEW CONSTRUCTION / PLANNED BUILDINGS

	BUILDING	BUILDING RSF	STATUS	DELIVERY
	Burlingame Point Burlingame, CA	767,000	Planned	TBD
	Bay Meadows Station San Mateo, CA	755,000	Planned	TBD
	Facebook West Campus Menlo Park, CA	440,000	Under Construction	Q2 2015
	North Tower - Centennial Towers South San Francisco, CA	350,603	Planned	TBD
	Crossing/900 Redwood City, CA	300,000	Under Construction	Q1 2015

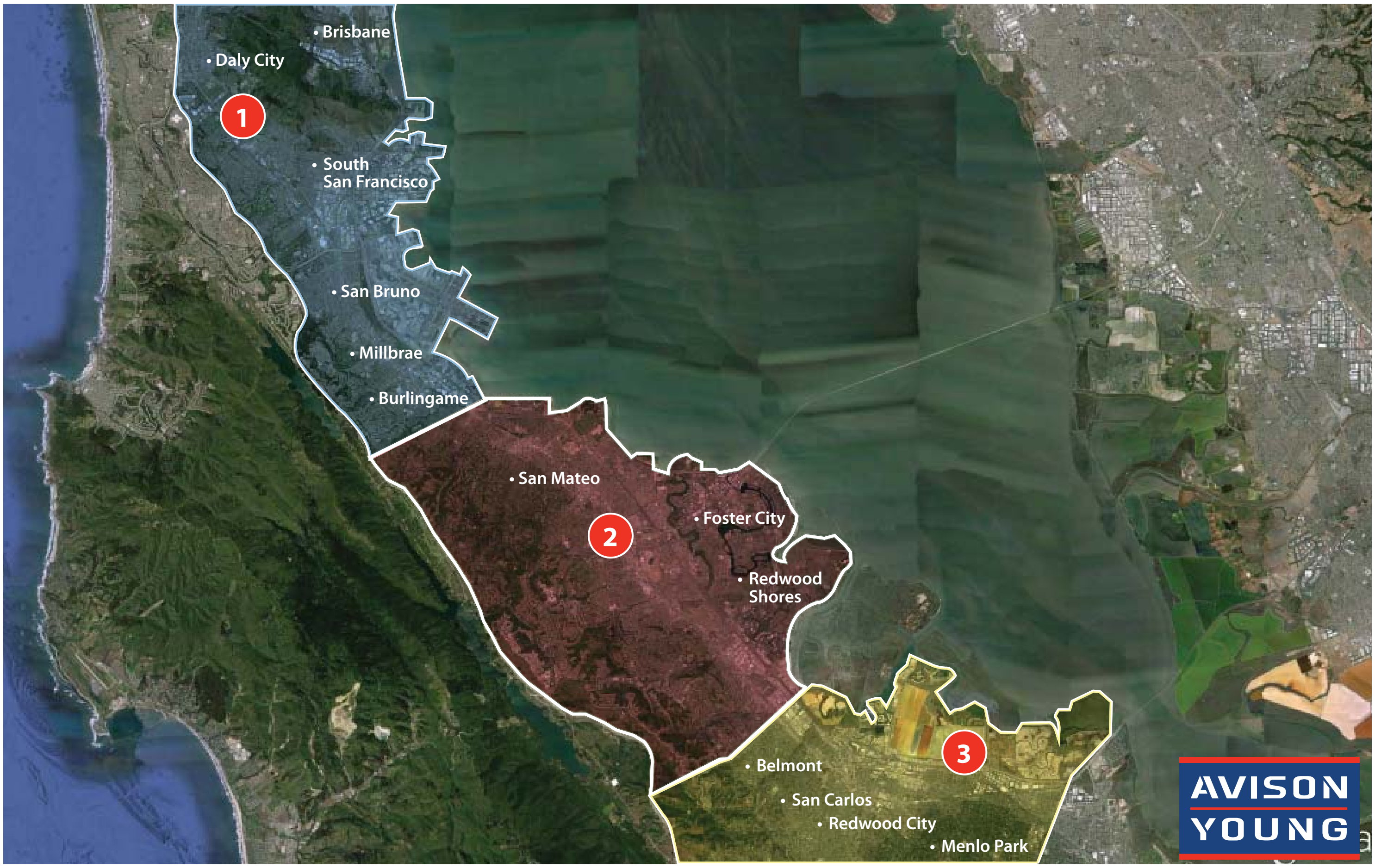
TOP 5 CONTIGUOUS EXISTING SPACES

	BUILDING	TOTAL SF CONTIGUOUS BLOCKS AVAILABLE
	Metro Center Foster City, CA	285,336 SF Vacant
	8000 Marina Boulevard Brisbane, CA	201,861 SF Available
	South Tower - Centennial Towers South San Francisco, CA	159,043 SF Vacant
	801 Gateway Boulevard South San Francisco, CA	136,074 SF Vacant
	6000 Shoreline Court South San Francisco, CA	124,697 Vacant

4 out of top 5 contiguous blocks available are in North County.

AVISON YOUNG Intelligent Real Estate Solutions

COVERAGE MAP



NORTH COUNTY 1

No. of Buildings:	150
Square Feet:	8,710,726
Class A Average Rent (psf):	$3.01
Vacancy Rate:	16.9%

CENTRAL COUNTY 2

No. of Buildings:	204
Square Feet:	16,599,883
Class A Average Rent (psf):	$3.94
Vacancy Rate:	9.9%

SOUTH COUNTY 3

No. of Buildings:	253
Square Feet:	11,480,810
Class A Average Rent (psf):	$5.20
Vacancy Rate:	6.3%

SAN MATEO TEAM

OFFICE GROUP

Randy Keller, Managing Director / Principal	650.425.6425
Tim Grant, Senior Vice President	650.425.6424
Todd Campbell, Vice President, Research	650.425.6412
Cheryl Simpson, Operations Manager	650.425.6420
Raquel Ledesma, Marketing Coordinator	415.322.5057

PROPERTY MANAGEMENT / LEASE ADMINISTRATION

Roger Bilstad, CPM®, Executive Vice President, Management Services	916.426.3582
Bryce McEfee, LEED® AP, Property Manager	916.426.3584
Tom McEfee, CPM®, Senior Vice President, Management Services	916.426.3570

PROJECT / CONSTRUCTION MANAGEMENT

David Gonzales, Managing Director / Principal	415.322.5065
Marnie Herrling, Director / Project Management	415.349.3401
John McCausland, Senior Project Manager	415.322.5063
Ted Lawton, Senior Project Manager	415.349.3400
Shannon Dupler, Manager, Financial Reporting	415.349.3399

The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young - Northern California, Ltd.

AVISON YOUNG Intelligent Real Estate Solutions

RE Lic #01914446

AVISON YOUNG
950 Tower Lane, Suite 120
Foster City, CA 94404
T 650.425.6420
F 650.425.6413
www.avisonyoung.com

CANADA'S BEST MANAGED COMPANIES

partnership. performance.