

San Francisco Peninsula

Impact

While its location between Silicon Valley and San Francisco put the Mid-Peninsula right in the middle of the current high-tech boom, growth rates have not been as robust as those of its neighbors. However, recent spill-over into the southern part of the market paired with the perceived notion that high-tech is driving much of the demand has led to an improvement in real estate fundamentals. Additionally, a lack of supply has placed a premium on quality space and allowed landlords to push rents up throughout the market.

Overview

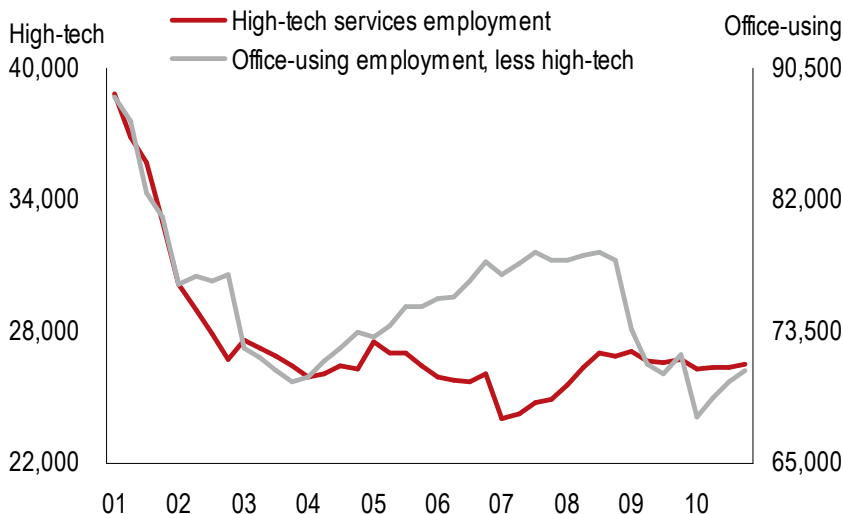
Primarily known for its concentration of life sciences companies, such as Genentech, recent activity in the market has begun to diversify its tenant base. In early 2011, Facebook leased approximately one million square feet in Menlo Park, just north of Palo Alto and Stanford, in one of the largest deals since 1991. Other social media and gaming companies have since jumped on the bandwagon. Electronic Arts, headquartered in Redwood Shores, recently acquired Playfish, a social entertainment company that works closely with Facebook. Google-owned YouTube also has a large presence in the market with plans to stay put, having recently renewed on much of its occupied space.

While activity in the Mid-Peninsula has been modest for the past four quarters, Silicon Valley's buzz is beginning to influence the area. Many high-tech companies, especially smaller start-ups have begun to favor areas such as San Mateo, Burlingame, and Redwood City as good alternatives to its popular neighbors, by placing them within close proximity to both markets. Easy access to the freeway and other modes of public transportation has also added to its attraction.

Outlook

With social media and related platforms growing at an exponential rate, more start-ups are expected to emerge in the Mid-Peninsula area. Current improvements in market fundamentals paired with a lack of supply among blocks over 100,000 square feet will create a more competitive market in coming months. Tenants and landlords will experience a shift in negotiating leverage as high-tech demand continues to creep into the market.

San Francisco Peninsula high-technology employment



High-Technology Industry • U.S. Office Outlook • Fall 2011

Players: top high-tech firms By real estate footprint



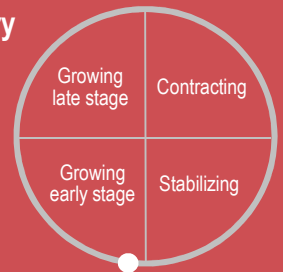
Oracle
Facebook
Electronic Arts
Sony
YouTube (Google)

Position



High-tech industry

Economic cycle clock



Office property

Market cycle clock



Scorecard



		rank
Economic		
High-tech jobs / annual growth	33,362 / 0.1%	14/12
Percent of total jobs	11.5%	2
Number of firms	1,057	18
Venture capital funding (past 4 quarters)	\$1,418 M	5
Share of U.S. total	5.7%	
College education	43.8%	7
Diversity (non-white / foreign born)	36.4% / 33.3%	8/5
Office		
Cost (average asking rent)	\$39.00	3
Annual growth	4.9%	2
Supply (vacancy rate)	19.2%	13
Demand (net absorption sf / %)	366,630 sf / 1.4%	15 / 9
High-tech concentration (high-tech services vs. office jobs)	27.2%	3

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Recent lease activity



Ion Torrent Systems
7000 Shoreline Court
69,000 sf



Trion Worlds
1200 Bridge Parkway
52,000 sf

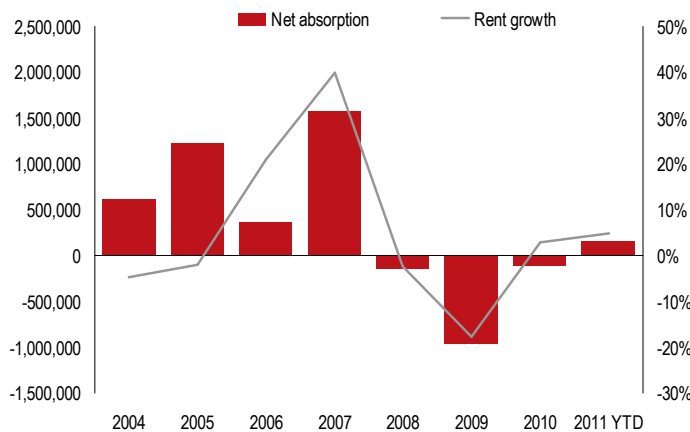


Ingenuity Systems
1700 Seaport Boulevard
42,000 sf



EFI Solutions
303 Velocity Way
40,000 sf

Net absorption vs. rent growth



Top headlines

S.F. Peninsula

Facebook to move, completes biggest office deal since 1991, then announces further expansion plans

After losing YouTube five years ago, San Mateo creates council to attract new tech companies

San Mateo-based Jumio develops video credit card scanner for online transactions

Digital Chocolate announces launch of five games for Intel AppUpSM center

Top San Francisco Peninsula high-technology firms by real estate footprint



Alphabetical order:

1. Actuate
2. Acxiom Digital
3. Adchemy
4. Avid Technology
5. Capcom USA
6. Dreamworks SKG
7. EFI Solutions
8. Electronic Arts
9. Equinix
10. Exponent
11. Facebook
12. Informatica
13. Ion Torrent Systems
14. L-3 Communications
15. NetSuite
16. Oracle
17. Salesforce.com
18. Shutterfly
19. Silver Springs Networks
20. Sony
21. Trion World Networks
22. Tyco Electronics
23. Walmart.com
24. Webroot
25. YouTube (Google)

