

Silicon Valley

Impact

Home to the world's biggest and best high-tech companies, the Valley has changed the way consumers and businesses go about their daily lives. Demand for faster, smaller, and more connected technology has generated a girth of consumer demand. Bringing back memories of the dot-com boom, the Valley is experiencing a resurgence of growth among the high-tech industry as hiring trends signal expansion and venture capital funding has led to the growth of a fresh crop of start-ups. As a result, leasing activity has surged creating a sense of heightened competition among tenants in hot submarkets such as Sunnyvale, Mountain View, and Palo Alto.

Overview

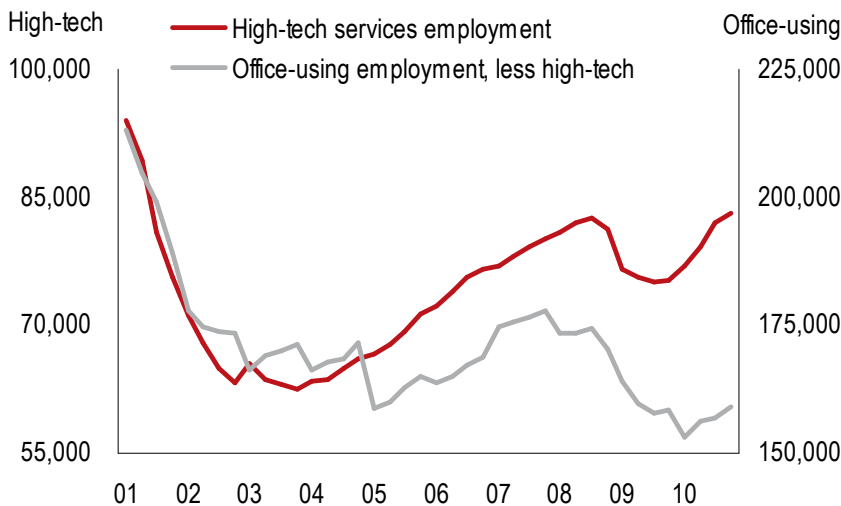
With the exception of small clusters of legal and financial firms in Palo Alto, Silicon Valley's most dominant industry is high-tech. Google, which occupies 85 percent of the Mountain View submarket, continues to aggressively expand in the area and Apple recently unveiled plans for a new, three million square foot campus in Cupertino. As two of the most dominant high-tech companies in the industry, desire to be located in the area continues to maintain its appeal.

Robust headcount projections are spurring demand for office space, causing tightening conditions and increased competition for high-profile locations. Groupon, Zynga, and Box.net have rapidly expanded over the past six months, and many are expected to follow suit. After years of attractive pricing due to an abundance of supply, the market has suddenly shifted in landlords' favor. Since the beginning of the year, asking rents have consistently increased as vacancies declined throughout the market.

Outlook

Renewed energy in the high-tech industry has helped push the local economic recovery forward as established firms continue to grow and technological innovations have sparked the inception of new companies. With tenant demand expected to maintain its strength in the market, deal volume will continue on its upward trajectory resulting in decreased vacancy and increased rental rates. With vacancy expected to tighten significantly in the coming months, the market may begin to experience a demand for new developments.

Silicon Valley high-technology employment



Players: top high-tech firms By real estate footprint

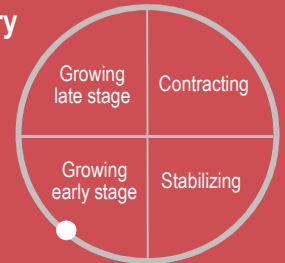


Cisco
Google
Apple
Intel
Hewlett-Packard

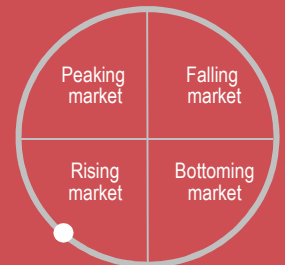
Position



High-tech industry Economic cycle clock



Office property Market cycle clock



Scorecard



Economic		rank
High-tech jobs / annual growth	188,996 / 5.0%	1/4
Percent of total jobs	24.5%	1
Number of firms	3,984	7
Venture capital funding (past 4 quarters)	\$3,607 M	1
Share of U.S. total	14.6%	
College education	43.9%	6
Diversity (non-white / foreign born)	45.0% / 36.0%	3/2
Office		
Cost (average asking rent)	\$31.44	5
Annual growth	-1.5%	16
Supply (vacancy rate)	23.2%	18
Demand (net absorption sf / (past 4 quarters))	914,029 sf / 1.6%	10 / 8
High-tech concentration (high-tech services vs. office jobs)	34.4%	1

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Recent lease activity



Microsoft
1020 Enterprise Way
237,000 sf



Telenav
920-950 DeGuigne Drive
175,000 sf

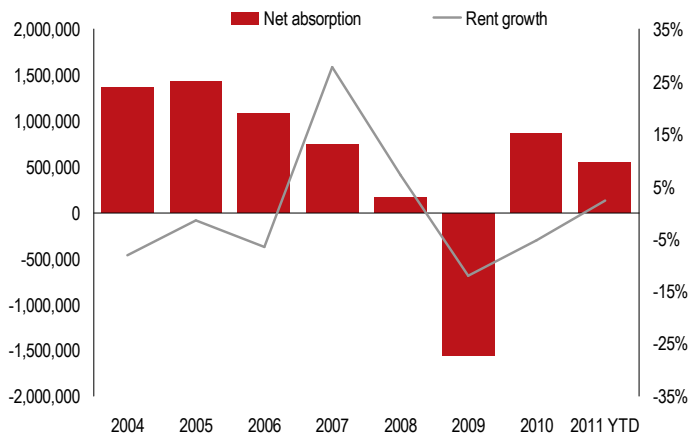


Box.net
4440 El Camino Real
96,000 sf



Groupon
3101 Park Boulevard
40,000 sf

Net absorption vs. rent growth



Top headlines

Silicon Valley

Apple planning massive 'spaceship' campus that can house 12,000 employees

Google+ challenges Facebook, estimated to have 10 million users within first month of launch

The rise of tablet computers: Tablets expected to outpace laptop sales as early as next year

Silicon Valley and San Francisco ranked the top two most social media savvy cities by NetProspex

Top Silicon Valley high-technology firms by real estate footprint

Alphabetical order:

1. Adobe
2. Agilent Technologies
3. Apple
4. Applied Materials
5. Broadcom
6. Brocade
7. Cisco
8. eBay
9. EMC
10. Google
11. Hewlett-Packard
12. Hitachi GST
13. Intel
14. Juniper Networks
15. KLA Tencor
16. Marvell Semiconductor
17. Microsoft
18. National Semiconductor
19. NetApp
20. nVidia Corporation
21. Symantec
22. Synopsys
23. VMware
24. Western Digital
25. Yahoo!

