

# San Jose, California

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

The second quarter in Silicon Valley may best be described as the Big Deal Quarter for 2010. Established companies made smart moves involving large blocks of space on long-term deals. The market was very active in the first half of the quarter but is slowing down with the summer season. High Tech/Clean Tech firms led the way. We expect more activity from start-up and mid-size firms to follow with increased activity toward the end of the third quarter. Even so, it will remain a tenant's market due to high vacancy rates. Expect additional influence from expiring commercial loans or delinquencies, as several projects recently have been foreclosed upon or surrendered back to the lender through a deed in lieu of foreclosure. These properties couldn't compete due to high underlying loan obligations, and if this trend continues, the tenant's market and low lease rates will be prolonged, which is good news for our clients. One interesting note is that demand for class A space is on the rise and may serve to stabilize rates at the higher end of the market.

## Market Trends

- Demand for class A office space will continue to increase.
- Lease renewals and lateral moves remain a large part of the leasing market.
- Companies will continue purchasing and taking advantage of low pricing and good value.
- The tenant's market will continue throughout 2010.

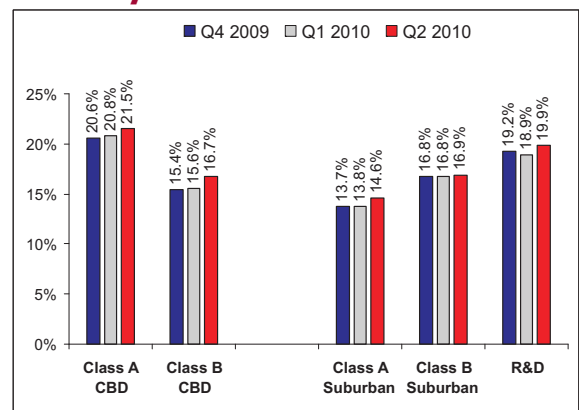
## Tenant's Perspective

Existing new class A shell office product began to lease in Q2 as predicted (e.g., Nokia). However, this down market remains ideal for tenants to leverage their requirements to achieve maximum concessions and transaction flexibility. Upfront strategic planning is essential to understand project expenses and leverage points to take advantage of this prolonged tenant's market. If possible, tenants should seek long-term real estate solutions.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Tesla Motors	5,000,000	Industrial	Purchase
Yahoo!	300,000	Office	Renewal
Intel	263,000	R&D	Sale
Apple	242,000	Office	Lease
McAfee	241,000	Office	Lease
Atheros	188,000	Office	Lease
Nokia	156,000	Office	Lease
VmWare	150,000	Office	Lease
InterMolecular	147,000	Office	Lease
Research in Motion	100,000	Office	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$30.22	\$30.15	\$31.15
Class B Office	\$23.10	\$22.90	\$22.70

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$25.00	\$24.90	\$24.90
Class B Office	\$20.40	\$20.20	\$20.20
R&D	\$12.20	\$11.90	\$11.95

Prepared By CresaPartners  
550 S. Winchester Blvd., Suite 600  
San Jose, California 95128  
408.554.8855 ■ [www.cresapartners.com](http://www.cresapartners.com)