



Mid-Peninsula readying for the next wave of activity

Core submarkets sees rise in tenant overspill

Over the past 12 months the Mid-Peninsula has seen additional overspill activity from prime Silicon Valley submarkets and more tenants are exploring space options in the South County and 92 Corridor. With submarkets like Palo Alto and Mountain View offering few signs of rent relief, leasing activity and migration will continue to stay on an upward trend. Deals inked by EMC and Box reflect pent up demand for larger Class A blocks of space. This has prompted a flood of developers rushing to get their respective projects entitled and off the ground in time for the next wave of larger deals, especially in micro-urban areas. Availability will slowly decline this year as deal velocity ramps up given that there are several 100,000-square-foot users rumored to be in negotiations for space.

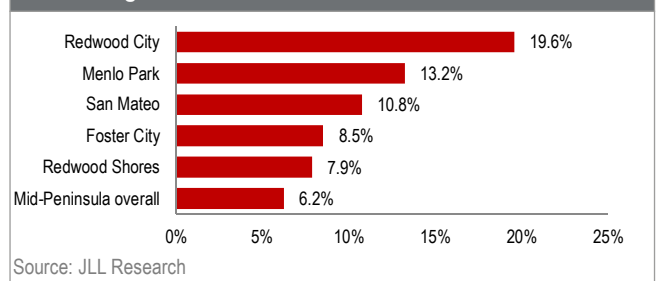
High-tech funding shifting to the Peninsula

Venture capitalists continue to chase high-growth startups, taking advantage of the robust expansion of the tech industry. Although funding volumes pale in comparison to San Francisco or Silicon Valley, investment in Mid-Peninsula tech startups have slowly risen since 2013. In contrast, over the past three quarters VC funding in Silicon Valley has slid. This is not necessarily indicative of a slowdown, but it reflects the growing number of seed to early-stage companies who have relocated or expanded in the Mid-Peninsula, like Addepar, iCracked, and Rovi. This is contributing to tightening market conditions and is expected to continue as tech hubs in the South County continue to grow and thrive.

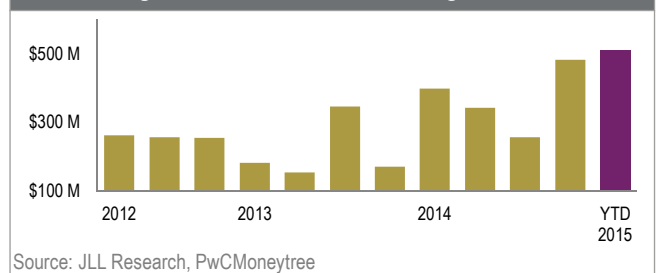
Investors remain focused on Class A, prime assets

It has been a record year for investment volume in the Mid-Peninsula, largely led by Hudson Pacific's acquisition of Blackstone's portfolio. Q2 2015 however, featured only two institutional investment sales. TA Realty sold two Class A buildings; the first was 3 Twin Dolphin in Redwood City to Rockpoint Group for ±\$465 per square foot. The second asset, 101 Lincoln in Foster City sold to Travelers Insurance for ±\$550 per square foot. Sandwiched between two of the hottest technology markets in the world, San Mateo County will continue to benefit from tenant and investor interest throughout the rest of the 2015.

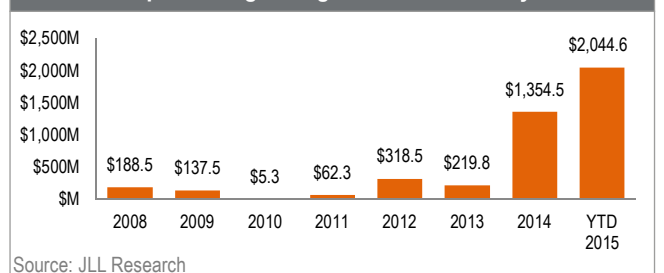
Y-o-Y rent growth in core submarkets exceeds overall market



Historical high-tech VC investment shifting north

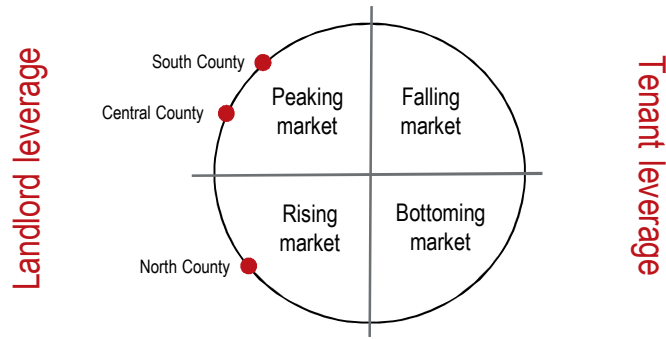


Peninsula experiencing strong investment activity



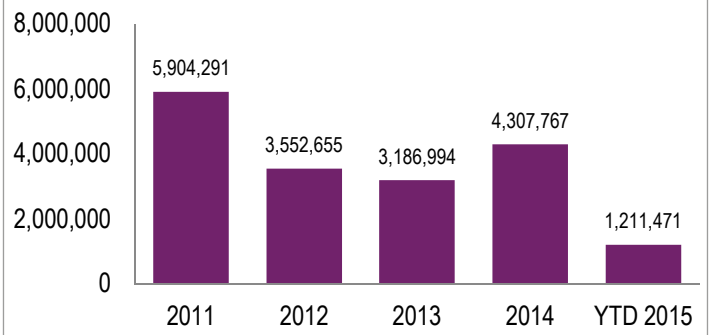
28,707,704 Total inventory (s.f.)	167,056 Q2 2015 net absorption (s.f.)	\$4.23 Direct average asking rent	1,076,039 Total under construction (s.f.)
13.2% Total vacancy	221,717 YTD net absorption (s.f.)	10.4% 12-month rent growth	53.1% Total preleased

Current conditions – submarket



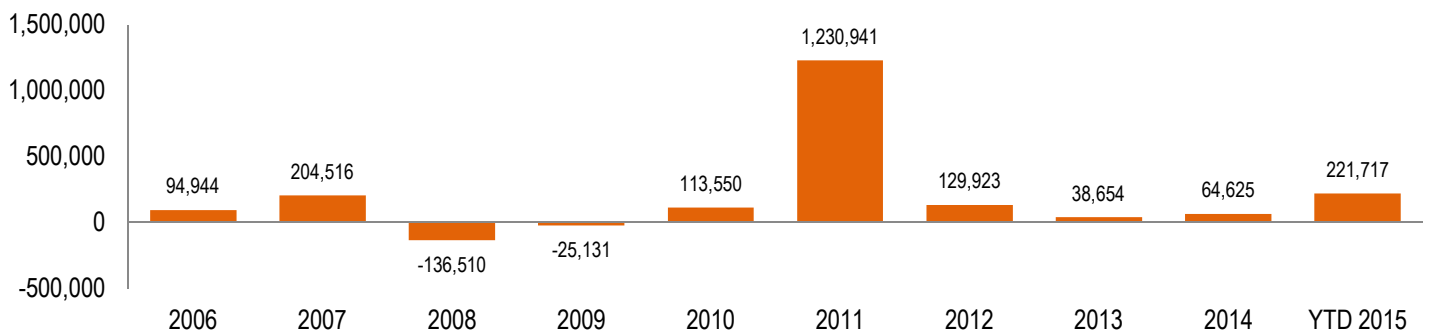
Source: JLL Research

Historical leasing activity (s.f.)



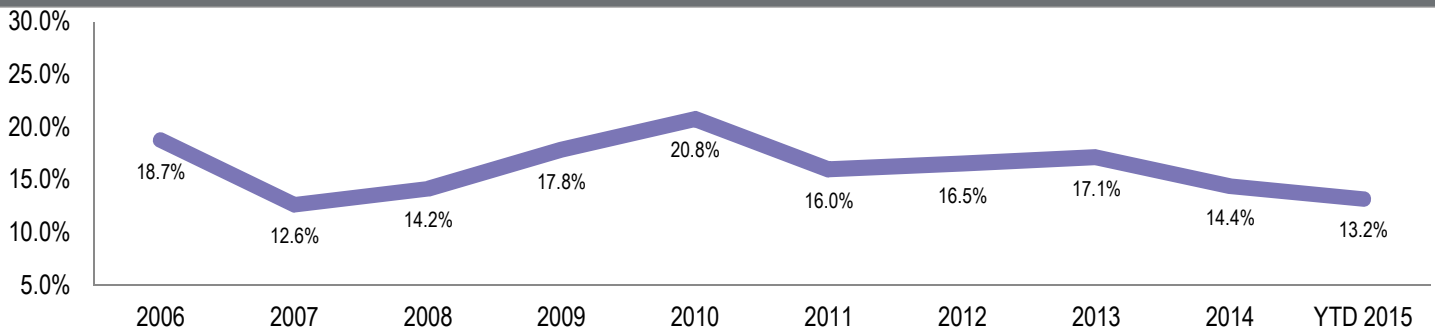
Source: JLL Research

Total net absorption (s.f.)



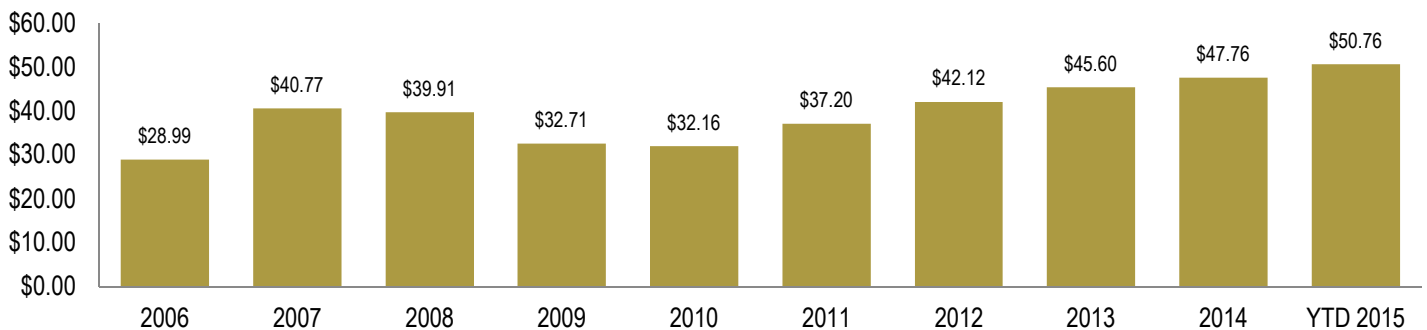
Source: JLL Research

Total vacancy rate (%)



Source: JLL Research

Direct average asking rent (\$ p.s.f.)



Source: JLL Research