

## San Francisco Peninsula Office Highlights Q4 2009

### Positive momentum moving into 2010

Peninsula market fundamentals are beginning to show signs of stabilization after a steep downturn in the first three quarters of 2009. The pace of corporate headcount attrition has slowed and tenants are beginning to come off the sidelines in order to take advantage of cyclical low rents. Oracle, for example, took back one of the three spaces they had marketed for lease in the first quarter, which is presumably for Sun Microsystems employees pending EU approval of their acquisition. Furthermore, many Peninsula companies are providing improved 2010 revenue outlooks to Wall Street as global demand for computer hardware and software is expected to pick up. The biotechnology industry has shown resiliency throughout the recession and became the leading industry for venture capital investment for the first time on record in the third quarter.

Although these indicators are positive, they are unlikely to shift the commercial real estate market into the recovery cycle. Job recovery is expected to lag corporate revenue growth by 12-18 months and many companies are already banking more than enough excess space to fill short-term growth.

#### Leasing activity

- Commercial software company DemandTec signed an 81,778 square foot, eight-year direct lease with Franklin Resources in San Mateo. Franklin placed one of their four owned properties on the market earlier in 2009. DemandTec will relocate from San Carlos.
- Law firm Quinn Emanuel renewed their 34,998 square foot lease at 555 Twin Dolphin Drive in Redwood Shores for 10 years.
- Commercial real estate services company, Regus signed a five-year renewal for 24,756 square feet at 1001 Bayhill Drive in San Bruno.
- Video game developer Activision spun off a new studio dubbed Sledgehammer Games as a result of hiring two former Electronic Arts executives. Activision signed a five-year, 22,000 square foot lease at 1001 E. Hillsdale Boulevard in Foster City. This is just over half of the former Reardon Commerce sublease space, which they bought out in the second quarter.

- Online payment transfer company Obopay, Inc. signed a 14-month renewal at 275 Shoreline Drive in Redwood Shores for 20,604 square feet.
- Financial software company Third Pillar Systems signed a seven-year lease at 577 Airport Boulevard in Burlingame for 18,061 square feet. Third Pillar will occupy the top floor of IBM's former Peninsula headquarters and will relocate from Santa Mateo.
- The Montessori Bilingual School signed a 10-year, 16,758 square foot lease at 3080 Le Selva Drive in San Mateo.
- Wells Fargo Advisors (formerly Wachovia Securities) renewed their 13,982 square foot lease for 64 months at 1950 University Circle in East Palo Alto.
- Online auto auction company Openlane signed a five-year, 13,391 square foot lease at 2200 Bridge Parkway in Redwood Shores. Openlane will relocate from Menlo Park.

#### Tenants in the market

- Law firm Cooley Godward is looking for 225,000 square feet.
- Walmart.com is looking for 200,000 square feet in the Peninsula. They currently occupy 84,495 square feet in Brisbane.
- Digital photo company Shutterfly is in the market for 120,000 square feet.
- Network hosting and colocation facility provider Equinix is in the market for 70,000 square feet. Equinix was leasing space from Electronics For Imaging who sold the building to Gilead Sciences in January.

#### Sales activity

- There were no completed sales in San Mateo County valued at more than \$5.0 million in the fourth quarter. The only significant investment sales in 2009 have been completed by owner-users including Gilead Sciences, Electronic Arts and Actelion.

#### Construction Activity

- Elan Pharmaceuticals 84,000 square foot, build-to-suit project at 200 Oyster Point Boulevard is nearing completion in South San Francisco. It is the last remaining office/R&D building under construction in San Mateo County.