

## Economic uncertainty impacts Bay Area Fortune 500's real estate strategies

Twenty-nine Bay Area based companies were represented on Forbes Magazine's annual Fortune 500 list announced in April, 2009. Visa, Gilead Sciences and Con-way Inc. were three of twenty-two new additions to the list representing the region's finance, life sciences and logistics industries respectively. Three quarters of the Bay Area companies improved their 2007 rankings, with the largest jump made by San Francisco based construction management firm URS Corporation (-185). Other notable movers included Symantec (-55), Google (-33) and Apple (-32). It was the Silicon Valley's semiconductor stalwarts who bore the brunt of the pain as Intel, Applied Materials, Sun Microsystems and Advanced Micro Devices all lost rank. The region's largest financiers and retailers also displayed signs of stress from the global economic downturn including Gap, Charles Schwab and Franklin Resources.

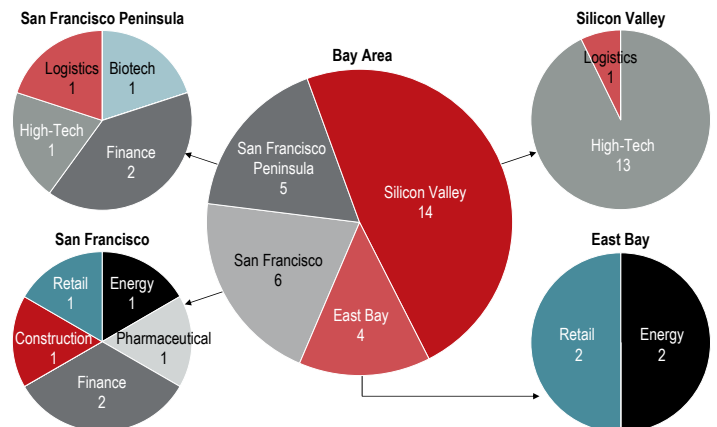
Few Bay Area companies on the list have been immune from the global economic downturn. Many, in fact, have been scaling back their businesses and local real estate footprints as a result. Intel announced in February that they would be closing the doors on their lone remaining wafer fabrication facility in Santa Clara. The D2 plant is 900,000 square feet and contains over 100,000 square feet of clean room space. Intel is not however outsourcing manufacturing overseas as they plan to invest \$7 billion into their Arizona, Oregon and New Mexico plants. Internet search giant Yahoo! has placed over 383,000 square feet on the market for sublease in Santa Clara, while announcing three major rounds of job cuts since October. Charles Schwab plans to reduce its workforce by nearly 600 people and has placed 357,539 square feet on the sublease market in San Francisco with plans to consolidate operations at 211 Main Street. Safeway is expected to let their 120,000 square foot headquarters expire at the end of the year in Pleasanton. They will consolidate their operations into 11555 Dublin Canyon Road – a Pleasanton property they purchased in January 2006. Franklin Resources will place a 120,000 square foot building on the market for direct lease which sits amidst their four-building 365,000 square foot owned campus in San Mateo. Franklin now joins Oracle and Google in the landlord business as the latter companies have placed 232,000 square feet and 165,000 square feet of owned real estate on the market respectively for lease in 2009.

Contrastingly, newcomer to the list, Gilead Sciences was amongst the region's most active companies in the commercial real estate market in 2008. In January, the company purchased a 163,000 square foot building and thirty acres of adjacent land from Electronics For Imaging (EFI) which is entitled to an additional 540,000 square feet of development. Gilead has also been actively seeking FAR increases to expand vertically along their sprawling Foster City campus.

Business software juggernaut Oracle's announcement of the acquisition of Sun Microsystems will also undoubtedly have a profound effect on the region's commercial real estate market. Sun's footprint is in excess of three million square feet across the Bay Area – 30% of which is leased. Oracle's 2007 acquisition of San Jose based software company BEA Systems has had over a half million square foot negative absorption impact on the Downtown and North San Jose markets.

Although the recent commercial real estate activity by the region's largest U.S. companies has mainly resulted in market attrition, their solid foundation and commitment to operating locally can provide us with a sense of optimism. The region's marquee companies drive the market during expansion periods as was the case in 2006 and 2007, and they are likely to do so again when market conditions turn the corner. Non Bay Area based Fortune 500 companies also continue to contribute positively to the market's growth and outlook. Most notably Irvine, CA based Broadcom is completing a 540,000 square foot, three building campus in North San Jose with entitlements to expand up to one and a half million square feet. Furthermore, there remains a strong backlog of Bay Area based companies that could join the Forbes rankings in the years to come on the heels of the region's innovative and entrepreneurial spirit.

### Fortune 500 Bay Area Headquarters Locations



### 2008 Fortune 500 Bay Area Rankings

2008 Rank	2007 Rank	Movement	Company Name	Headquarters Location	Industry	2008 Global Employee Headcount
264	449	-185	URS	San Francisco	Construction	56,000
394	NR	N/A	Visa	Foster City	Finance	5,765
444	NR	N/A	Gilead Sciences	Foster City	Biotechnology	2,979
419	461	-42	Symantec	Cupertino	High-Tech - Software	17,600
117	150	-33	Google	Mountain View	High-Tech - Internet	20,222
71	103	-32	Apple*	Cupertino	High-Tech - Hardware	35,100
470	NR	N/A	Con-Way	San Mateo	Logistics	26,600
384	412	-28	Ross Stores	Pleasanton	Retail	39,100
113	137	-24	Oracle	Redwood City	High-Tech - Software	84,233
176	200	-24	PG&E	San Francisco	Energy	20,050
303	326	-23	Ebay	San Jose	High-Tech - Software	16,200
452	474	-22	Clorox	Oakland	Retail	8,300
57	71	-14	Cisco Systems*	San Jose	High-Tech - Hardware	66,129
338	350	-12	Synnex	Fremont	Logistics	7,672
345	353	-8	Yahoo!*	Sunnyvale	High-Tech - Software	13,600
425	433	-8	Agilent Technologies	Santa Clara	High-Tech - Semiconductors	19,600
9	14	-5	Hewlett-Packard	Palo Alto	High-Tech - Hardware	321,000
50	55	-5	Safeway	Pleasanton	Retail	201,000
15	18	-3	McKesson	San Francisco	Pharmaceuticals	32,900
3	3	0	Chevron	San Ramon	Energy	65,000
41	41	0	Wells Fargo	San Francisco	Finance	281,000
61	60	1	Intel	Santa Clara	High-Tech - Hardware	83,900
187	184	3	Sun Microsystems*	Santa Clara	High-Tech - Semiconductors	34,900
418	406	12	AMD*	Sunnyvale	High-Tech - Semiconductors	14,700
178	162	16	Gap	San Francisco	Retail	150,000
410	389	21	Franklin Resources	San Mateo	Finance	8,800
292	255	37	Sanmina-Sci	San Jose	High-Tech - Hardware	45,610
440	402	38	Charles Schwab	San Francisco	Finance	13,300
315	270	45	Applied Materials	San Jose	High-Tech - Semiconductors	15,410

NR = Not Ranked

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