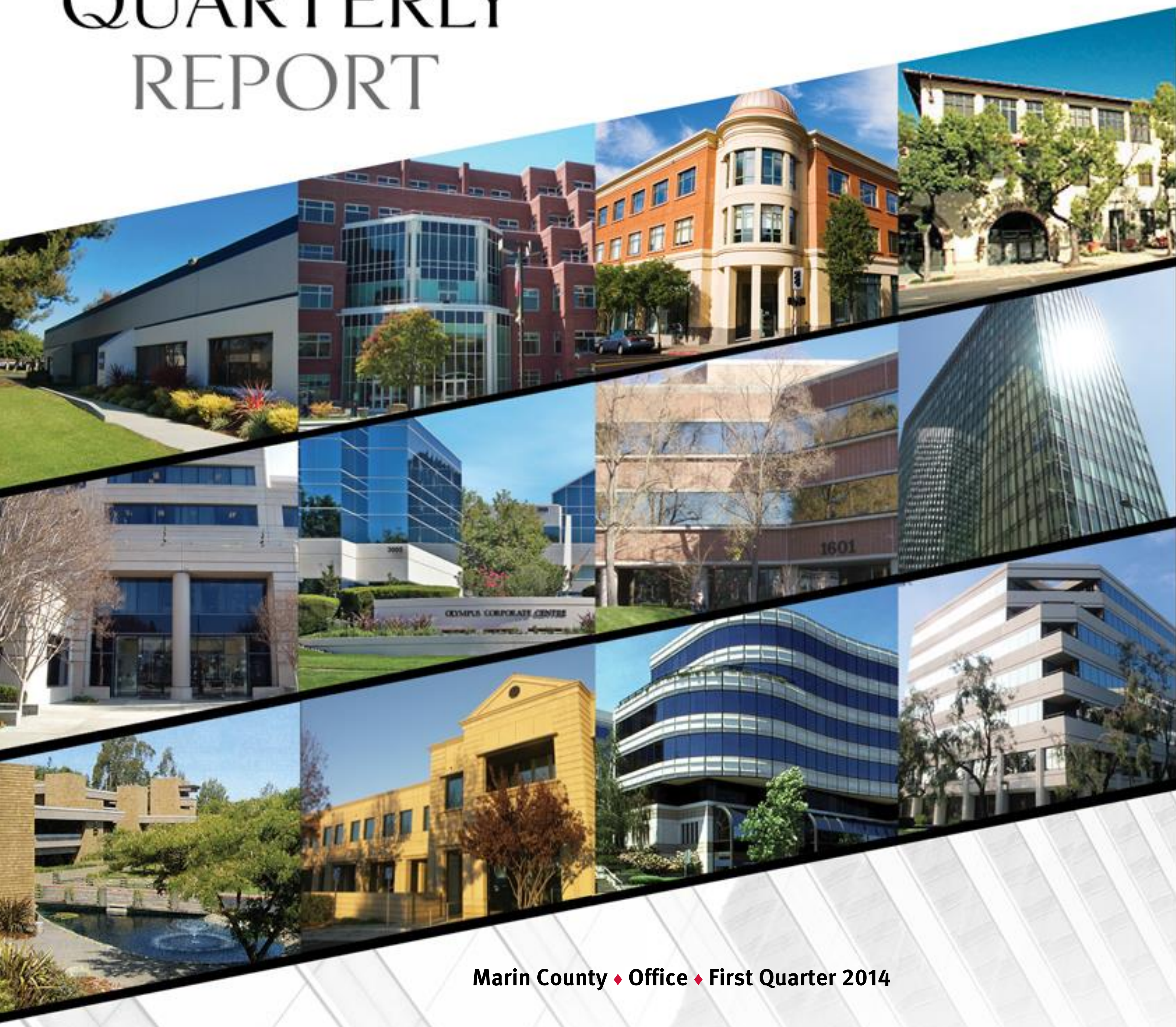
Cornish & Carey Commercial
Newmark Knight Frank

QUARTERLY REPORT



Marin County ♦ Office ♦ First Quarter 2014

SAN RAFAEL OFFICE
1101 Fifth Avenue, Suite 230 • San Rafael, CA 94901 • Tel: 415.526.7676 • Fax: 415.526.7679

SANTA ROSA OFFICE
2455 Bennett Valley Road, Suite C200 • Santa Rosa, CA 95404 • Tel: 707.583.8400 • Fax: 707.583.8499

www.ccareynkf.com

QUARTERLY REPORT

First Quarter | 2014

Market Overview

By Mark Carrington

The business of developing cures for rare diseases has had a profound effect on the Marin County office market. BioMarin closed on its purchase of San Rafael Corporate Center in the First Quarter, immediately removing almost 50,000 square feet of available space from the market. Over 130,000 square feet of additional space in the project is leased by tenants other than BioMarin, whose leases will not be extended, and who, in some cases, have been provided with the opportunity to end their leases early.

In Novato, BioMarin continues to invest heavily in the expansion of its production facilities, and two of BioMarin's spin-offs, Raptor Pharmaceuticals and Ultragenyx have expanded aggressively. Raptor continues to add to its initial 20,000 square foot occupancy at Hamilton Landing and is in the process of concluding negotiations to expand its presence in the project to 60,000 square feet. After a hugely successful initial public offering, Ultragenyx committed to doubling its occupancy at 60 Leveroni Court, leasing the remainder of that building.

Medical requirements continue to be active in the market with a number of large requirements looking at securing growth in a market with few options for medical tenants, south of Novato. Marin General Hospital, Kaiser and Prima continue to evaluate options in the market.

Vacancy

The vacancy rate in Marin County has steadily declined for the past three quarters and now stands at 18.4 percent. Strong absorption in Southern Marin, and BioMarin's purchase for occupancy of San Rafael Corporate Center, have dramatically reduced the number of large spaces available in the Central and Southern part of the County. There are three contiguous 10,000-plus square foot spaces available from Sausalito to Central San Rafael. North San Rafael and Novato continue to offer several alternatives for large tenants.

Class A vacancy in Marin County is now 22.1%, a decline from the almost 27 percent vacancy in Class A buildings at the same time last year. Class B vacancy has seen a slight increase in the same period, moving from 9.8 percent a year ago, to 11.3 percent in the current reporting period.

Leasing Activity and Absorption

The first wave of San Rafael Corporate Center tenants is in the market looking at options for new locations. Southern Marin was particularly active in the First Quarter with Glass Door continuing to expand at 100 Shoreline, Marina Plaza leasing up 24,000 square feet of space and 1&3 Harbor Drive marketing almost 30,000 fewer square feet than it did at the end of 2013. Much of this activity has resulted more from local growth than an influx of tenants from a very tight San Francisco market.

Class A net absorption was almost 85,000 square feet in the First Quarter and over 263,000 square feet over the past four quarters. Class B occupancy has been relatively stable with 3,057 square feet of negative net absorption for the First Quarter. Over the past year, vacancy in Class B buildings has increased by 40,000 square feet.

Rental Rates and Concessions

While statistics indicate a decline in Class A asking rental rates in the First Quarter, asking rates in some buildings have increased dramatically in some buildings and remained stable in the rest. The indicated drop is a result of high quality space with above average rates being removed from the market at San Rafael Corporate Center and in Southern Marin. Asking rents at Wood Island, Drakes Landing and 100 Shoreline, have all increased significantly since the sale of these buildings around the New Year.

Free rent and tenant improvements all continue to be provided in lease transactions.

Investment Activity

4000 Civic Center, 4040 Civic Center and the Autodesk Headquarters at 111 McInnis Drive are all on the market. The 126-acre Golden Gate Seminary property in Mill Valley sold to the Fasken Trust for an undisclosed amount and it is rumored that the site will eventually be developed with housing and a new campus for the Branson School.

Outlook

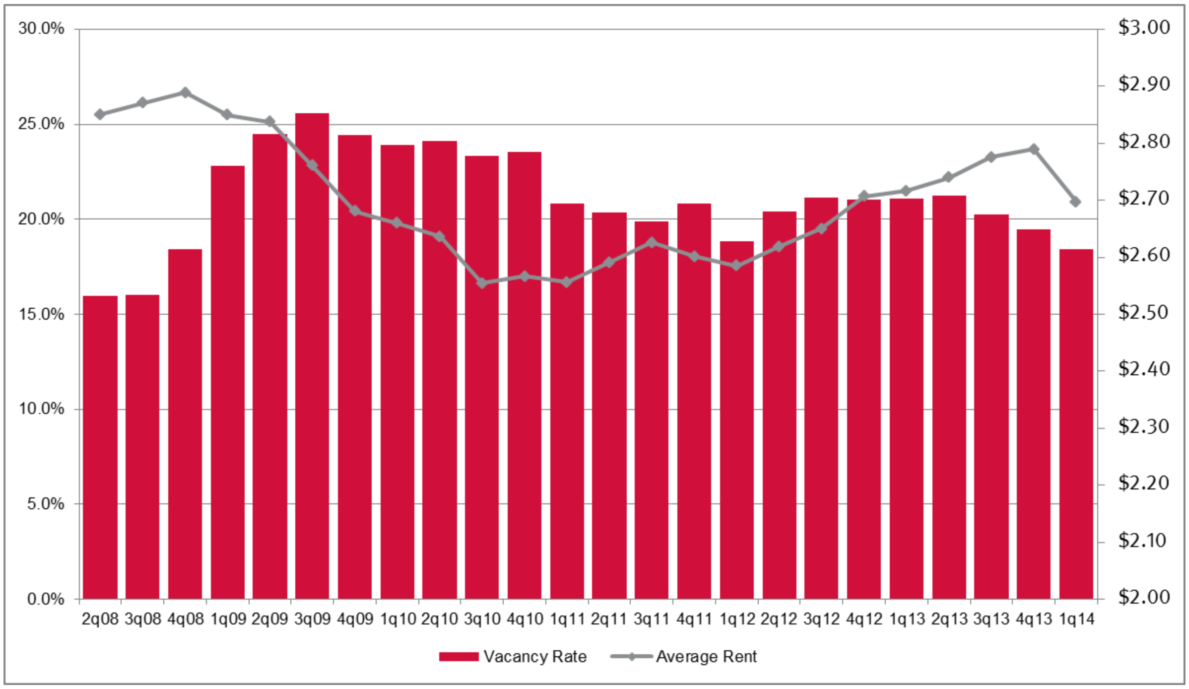
A positive business outlook for tenants located in Marin, combined with major additional pressure provided by tenants leaving San Rafael Corporate Center, will provide significantly increased demand for Class A space in North San Rafael and Novato. Demand pressure in Southern and Central Marin will likely lead to continued increases in asking rents in the southern half of the County, providing additional pressure on tenants to move to North San Rafael and Novato as leases roll.

The City of Novato has spearheaded an aggressive national campaign to lure additional Biotech companies to the area. The success of this venture, together with market pressures described above, may see large blocks of space removed from available inventory in Northern Marin.

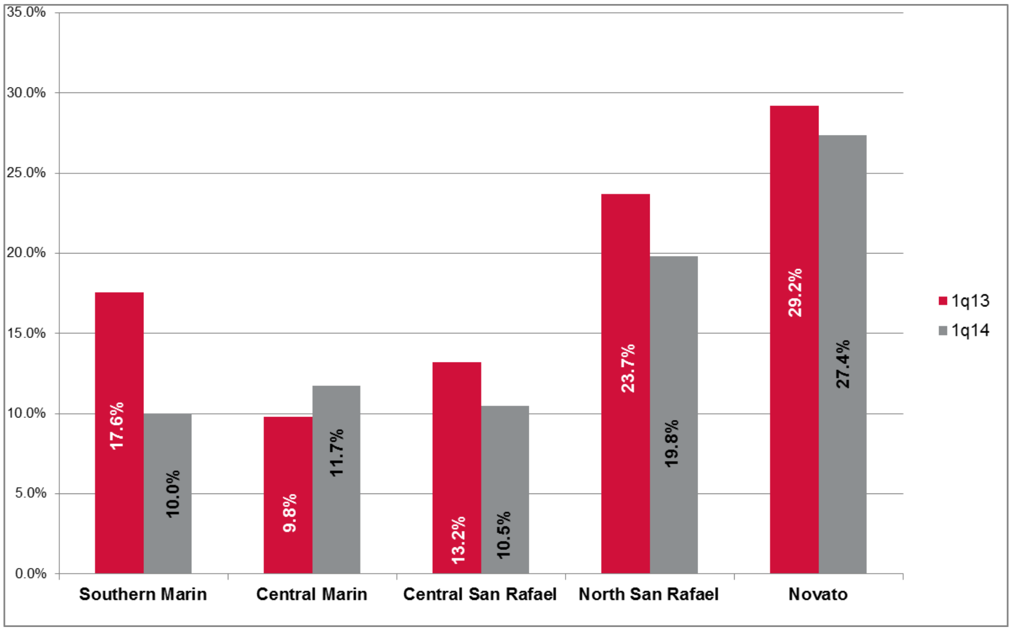
Coverage Map

Market Summary

Marin County Historical Vacancy Rate vs. Class A Average Asking Rent



Marin County Comparative Vacancy Analysis by Submarket – 1q2013 vs 1q2014



Cornish & Carey Commercial
Newmark Knight Frank

QUARTERLY REPORT

First Quarter | 2014

Market Statistics

Submarket	Building Class	Inventory*	Direct Available	Sublease Available	Vacancy Rate	1q14 Net Absorption	Average Asking Rent	12 Month Direct Asking Rent Change
Southern Marin	Class A	516,877	62,091	8,070	13.6%	49,655	$3.69	4.3%
	Class B	386,798	20,300	0	5.2%	2,872	$2.61	4.6%
	Total	**903,675**	**82,391**	**8,070**	**10.0%**	**52,527**	**$3.43**	
Central Marin	Class A	638,159	70,238	12,715	13.0%	-10,571	$3.93	2.6%
	Class B	457,804	45,673	0	10.0%	-11,566	$2.81	8.5%
	Total	**1,095,963**	**115,911**	**12,715**	**11.7%**	**-22,137**	**$3.49**	
Central San Rafael	Class A	751,544	54,173	1,500	7.4%	48,876	$2.92	0.3%
	Class B	516,610	72,260	5,095	15.0%	9,944	$2.24	-0.9%
	Total	**1,268,154**	**126,433**	**6,595**	**10.5%**	**58,820**	**$2.53**	
North San Rafael	Class A	1,363,766	302,938	38,255	25.0%	287	$2.55	3.5%
	Class B	679,663	58,116	5,254	9.3%	-1,083	$1.97	-2.6%
	Total	**2,043,429**	**361,054**	**43,509**	**19.8%**	**-796**	**$2.46**	
Novato	Class A	1,873,774	313,700	272,504	31.3%	-3,565	$2.33	0.7%
	Class B	607,840	89,483	3,843	15.4%	-3,224	$1.82	1.2%
	Total	**2,481,614**	**403,183**	**276,347**	**27.4%**	**-6,789**	**$2.22**	
Marin County	Class A	5,144,120	803,140	333,044	22.1%	84,682	$2.79	-0.7%
	Class B	2,648,715	285,832	14,192	11.3%	-3,057	$2.15	2.2%
	Total	**7,792,835**	**1,088,972**	**347,236**	**18.4%**	**81,625**	**$2.62**	

*Buildings over 15,000 sf

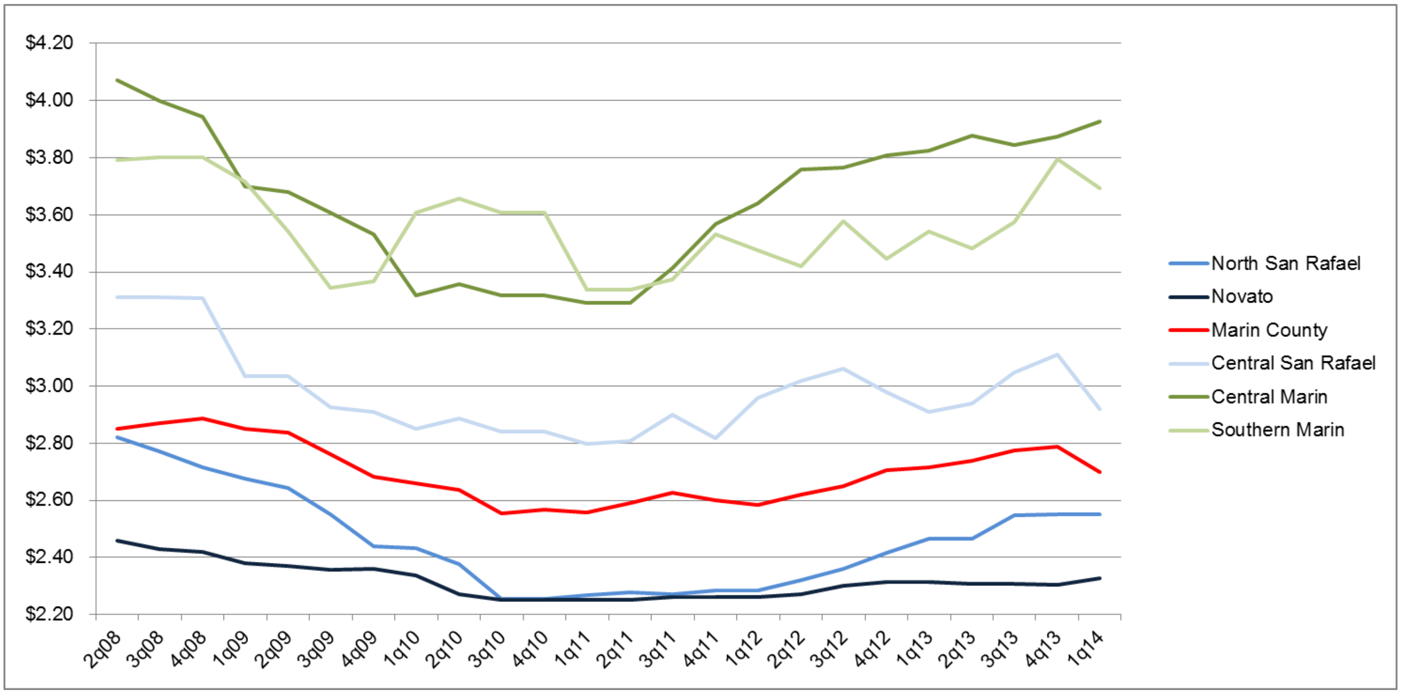
Notable Transactions

Property	Tenant	Size	Date Signed
60 Leveroni Courtt	Ultragenyx (C)(R)(E)	43,517 sf	2/14
100 Shoreline Drive	Glassdoor (E)	37,203 sf	12/13
4040 Civic Center Drive	Vionic (E)	20,809 sf	12/13
630 Las Gallinas (C)	Union Bank (R)	14,441 sf	12/13
800 A Street (C)	Insight Editions	9,168 sf	1/14

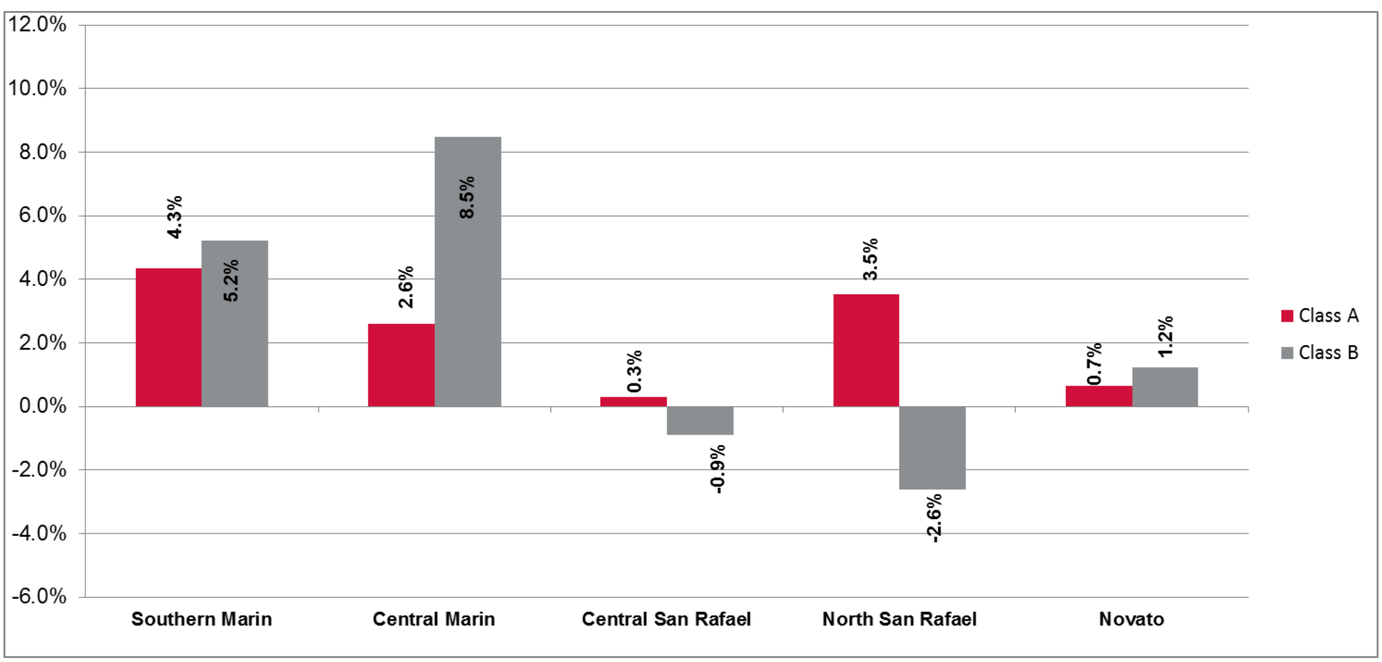
(C) Cornish & Carey Newmark Knight Frank Representation (R) Renewal (E) Expansion

Market Statistics

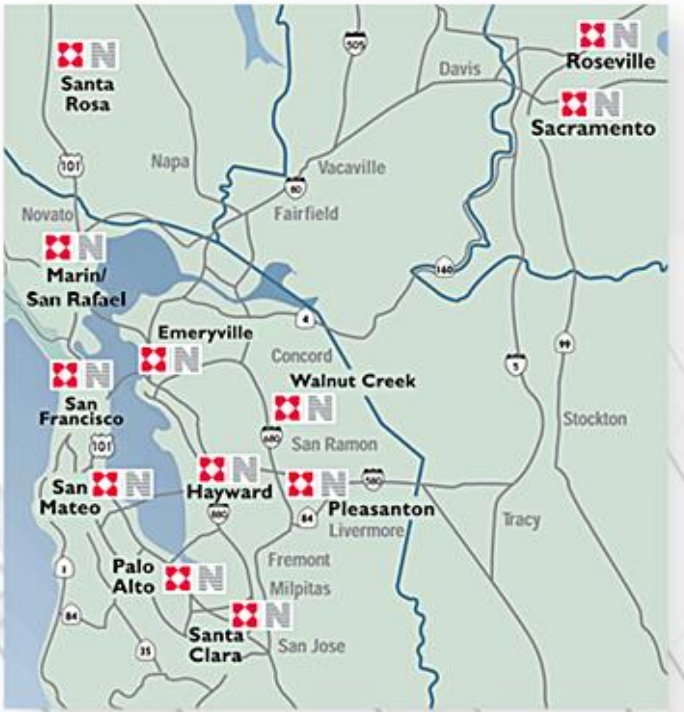
Marin County Historical Average Class A Asking Rental Rates by Submarket



Change in Average Asking Rents in Past 12 Months



Cornish & Carey Commercial
Newmark Knight Frank



SANTA ROSA OFFICE
Tel: 707.583.8400
Fax: 707.583.8499

SAN RAFAEL OFFICE
Tel: 415.526.7676
Fax: 415.526.7679

EMERYVILLE OFFICE
Tel: 510.923.6200
Fax: 510.923.6260

SAN FRANCISCO OFFICE
Tel: 415.445.8888
Fax: 415-445-8885

HAYWARD OFFICE
Tel: 510.300.0200
Fax: 510.300.0201

PLEASANTON OFFICE
Tel: 925.467.0900
Fax: 925.467.0911

ROSEVILLE OFFICE
Tel: 916.367.7000
Fax: 916.367.6362

SANTA CLARA OFFICE
Tel: 408.727.9600
Fax: 408.988.6340

PALO ALTO OFFICE
Tel: 650.322.2600
Fax: 650.321.0719

SAN MATEO OFFICE
Tel: 650.341.5800
Fax: 650.341.7024

LEASED INVESTMENT GROUP
Tel: 415.373.4060
Fax: 415.373.4060

SACRAMENTO OFFICE
Tel: 916.920.4400
Fax: 916.920.0854

WALNUT CREEK OFFICE
Tel: 925.974.0100
Fax: 925.974.0123

www.ccareynkf.com