

MARKET TRENDS | **SILICON VALLEY**

OFFICE

**4TH QUARTER
2020**

▲ **ABSORPTION** | ◀▶ **VACANCY** | ◀▶ **RENTAL RATE** | ▼ **CONSTRUCTION DELIVERIES**

Year-over-year change

MARKET DRIVERS

NET ABSORPTION dropped to negative 639,344 S.F. for 2020, breaking a ten year run of positive net absorption.

OFFICE AVAILABILITY increased 41.25% year-over-year in 2020 to 14.69%. Sublease availability rose 100 basis points YOY, standing at 3.4% at the end of 2020 for all class types.

GROSS ABSORPTION decreased 50% YOY from 9.2 million in 2019 to 4.5 million in 2020. San Jose and Santa Clara were the most active markets for the year with 977,920 s.f. and 1.2 million s.f. respectively. Sales volume has followed a similar trend, falling 45% YOY from 7.3 million in 2019 to 4.1 million in 2020.

THERE ARE currently 8.2 million s.f. of office development in the construction pipeline. Construction deliveries totaled 1.8 million for 2020. Notable completions for 2020 include 358,000 SF in Coleman Highline Buildings 3 & 4 in San Jose and 195,000 SF in Phase I of the Catalyst project in Sunnyvale.

ECONOMIC REVIEW

COVID-19 caused multiple business closures and company layoffs in 2020. Surviving companies adapted by letting employees work remotely. The pandemic prompted restrictions on non-essential businesses and retail properties, sharply dropping economic activity in Silicon Valley. California unemployment stood at 7.9% at the end of 2020, with Santa Clara County reporting a 5.1% unemployment rate.

NEAR-TERM OUTLOOK

COVID-19 measures have tamped down office demand in 2021 as companies allow employees to work from home. Direct asking lease rates are expected to hold firm, while tenants can hunt for deals amongst the growing amount of sublease space. Short-term leases become common as companies gauge how quickly the economy returns to normal.

Sources: Federal Reserve Bank of St. Louis; State of California Employment Development Department

Market Breakdown

	2020	2019	2018	Annual % Change
Vacancy Rate	11.05%	9.20%	10.20%	20.08%
Availability Rate	14.69%	10.40%	11.40%	41.25%
Asking Lease Rate	\$4.86	\$4.84	\$4.53	0.41%
Lease Transactions	4,536,134	9,225,128	14,975,133	-50.83%
Sale Transactions	4,064,749	7,323,831	6,840,115	-44.50%
Net Absorption	-639,344	2,845,062	2,670,961	N/A

SILICON VALLEY SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q 2020 Direct Net Absorption	4Q 2020 Total Net Absorption	2020 Direct Net Absorption	2020 Total Net Absorption	4Q Gross Absorption	2020 Gross Absorption	4Q 2020 Rental Rate KM
Campbell	2,586,325	-	18.16%	20.02%	25.11%	-38,413	-36,368	128,080	111,816	24,301	150,232	4.18
Cupertino	7,525,610	-	3.79%	4.41%	6.15%	-12,297	-11,197	-2123,178	-235,717	2,478	78,035	5.09
Fremont	5,129,296	-	12.71%	13.66%	5.67%	-148,809	-149,840	-431,444	-465,777	11,831	419,063	2.71
Milpitas	4,620,699	-	9.91%	10.81%	17.84%	-80,082	-28,520	-85,508	-54,931	580	41,756	2.58
Mountain View	12,375,079	1,866,607	2.17%	4.29%	6.46%	144,630	77,689	119,544	14,334	181,225	540,880	6.55
Newark	471,587	-	11.80%	12.58%	12.58%	-1,385	-5,054	-2,468	-6,137	805	8,667	2.70
Palo Alto	12,574,887	-	9.92%	12.47%	15.77%	-85,899	-109,496	-5,556	-196,512	47,119	790,266	8.18
San Jose	38,084,432	3,973,000	9.37%	11.08%	15.19%	536,091	449,563	850,052	818,765	148,962	977,920	3.84
Santa Clara	20,252,177	1,432,161	10.19%	14.96%	22.9%	-214,189	-316,904	-299,136	-407,158	19,770	1,244,888	4.11
Sunnyvale	19,258,734	2,024,103	10.03%	10.99%	13.21%	-438,071	-509,317	36,301	-144,645	71,236	284,427	5.76
Total	122,778,826	9,295,871	8.95%	11.05%	14.69%	-338,424	-565,962	96,687	-639,344	508,307	4,536,134	4.86
Class A	43,853,875	9,295,871	9.15%	11.43%	16.78%	215,402	261,363	801,159	1,192,645	223,141	1,479,585	5.15
Class B	65,426,285	-	9.94%	12.24%	15.10%	-475,041	-839,369	-708,515	-1,703,803	260,635	2,862,282	4.76
Class C	13,498,666	-	3.47%	4.01%	5.95%	-78,785	-61,338	4,043	-54,804	24,531	194,267	3.20

TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Results Way Corporate Park	Cupertino	373,402	\$346,000,000	\$926.62	Swift Realty Partners	DWS Group
2215-2235 Lawson Lane	Santa Clara	328,867	\$276,300,000	\$840.16	Northridge Capital JV Kamco	Sobrato Organization
1143-1155 Coleman Ave	San Jose	357,106	\$275,000,000	\$770.08	Blackstone	Hunter Properties
Santa Clara Towers	Santa Clara	422,046	\$195,000,000	\$462.03	Hines JV Oaktree Capital	Shorenstein Properties
237 @ First	San Jose	368,702	\$184,000,000	\$499.05	CBRE Global Investors	South Bay Development JV PCCP

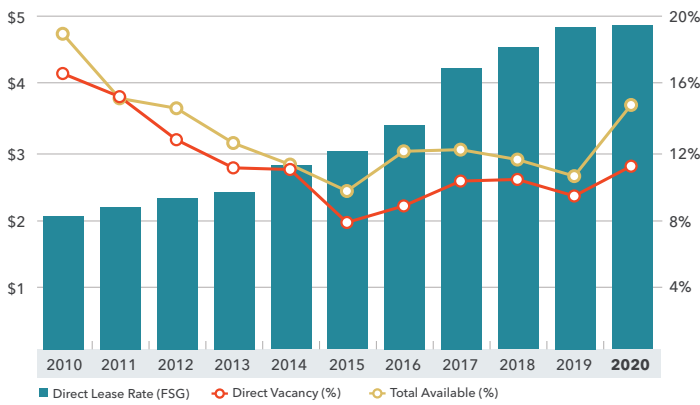
TOP LEASE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Date	Landlord	Tenant
Ameswell	Mountain View	222,000	February 2020	Broadreach Capital Partners	Google
680 E Middlefield Rd	Mountain View	170,823	December 2020	Synopsis	Waymo
5407 Stevens Creek Blvd	Santa Clara	147,500	August 2020	Peery-Arrillaga	Apple
1501 Page Mill Rd	Palo Alto	98,690	July 2020	Hewlett Packard	TripActions
1050 Enterprise Way	Sunnyvale	80,995	January 2020	Jay Paul	Comcast

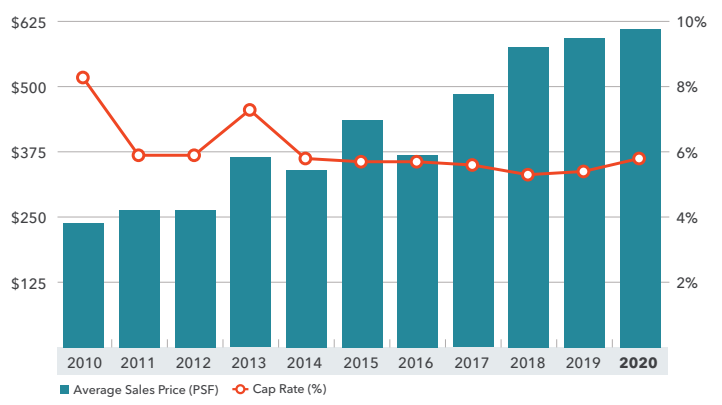
TOP UNDER CONSTRUCTION

Property	Submarket	Square Feet	Owner	Delivery Date
Platform 16	San Jose	1,078,000	Boston Properties	July 2023
200 Park	San Jose	937,000	Jay Paul Co	July 2023
LinkedIn Campus	Mountain View	763,397	LinkedIn	September 2021
Voyager Bldg	Santa Clara	754,800	NVIDIA	January 2021
Adobe North Tower	San Jose	700,000	Adobe	July 2022

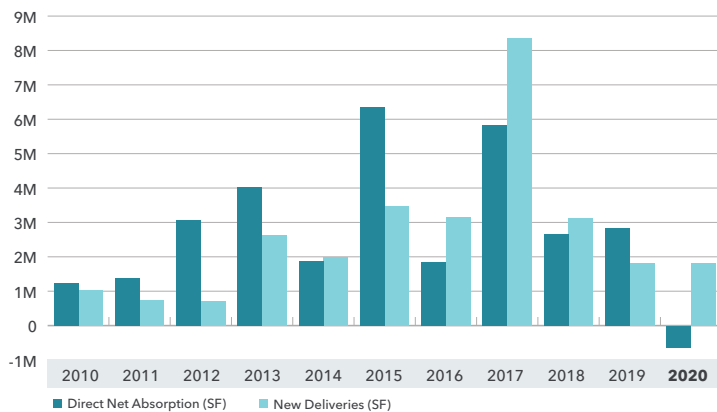
DIRECT VACANCY, TOTAL AVAILABILITY & DIRECT LEASE RATE



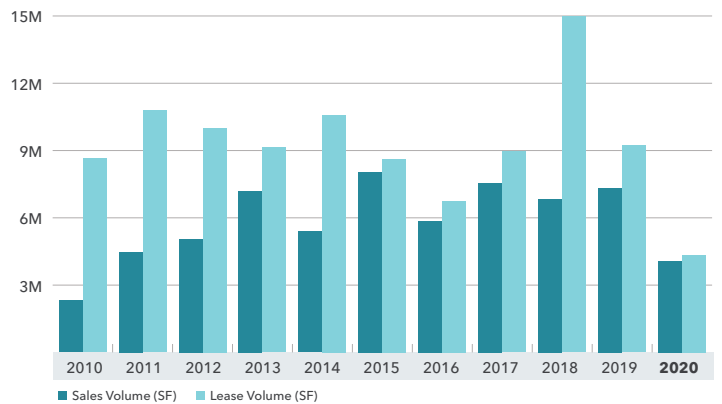
AVERAGE SALES PRICE & CAPITALIZATION RATES



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME VS. LEASE VOLUME



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COMMERCIAL BROKERAGE

23M	ANNUAL SALES SF	450+	NO. OF BROKERS
\$8B	ANNUAL TRANSACTION VOLUME	42M	ANNUAL LEASING SF

VALUATION ADVISORY

1,800+	APPRAISALS ANNUALLY	39/20	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

70M+	MANAGEMENT PORTFOLIO SF	\$12B	IN ASSETS UNDER MANAGEMENT
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