

MARKET TRENDS | SILICON VALLEY

OFFICE

MARKET DRIVERS

ASKING lease rates dropped 2.1% year-over-year (YOY) to \$4.76/SF full service.

SALES volume gained 43.4% YOY from 4.1 million SF in 2020 to 5.8 million SF in 2021.

GROSS absorption rose 34.0% YOY from 4.8 million SF in 2020 to 6.5 million SF in 2021. Sunnyvale and Santa Clara were the most active markets with 1.8 million SF and 1.3 million SF respectively.

VACANCY rates grew 9.2% YOY from 11.5% in 2020 to 12.6% in 2021.

NET ABSORPTION for 2021 was 1.93 million SF, buoyed by 1.89 million SF of net absorption during 4Q 2021.

ECONOMIC OVERVIEW

UNEMPLOYMENT in California stood at 5.4% for California. Santa Clara County recorded an unemployment rate of 3.2% during this period.

THE CIVILIAN labor force for the San Jose-Sunnyvale-Santa Clara MSA grew 2.7% YOY to 1.07 million workers. The professional and business sector gained 5.7% YOY to 252,100 jobs.

NEAR-TERM OUTLOOK

INVESTORS looking for safe returns help drive sales demand upwards as Silicon Valley's concentration of high-tech companies represent an island of stability amidst a choppy economic climate.

TENANTS are gradually returning to the office while gauging the impact of the new omicron variant. Companies continue using short-term renewals and remote work options to fulfill office requirements.

DATA SOURCE: COSTAR; STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

Market Summary

	2021	2020	2019	% Annual Change
Vacancy Rate	12.56%	11.50%	9.40%	9.20%
Availability Rate	17.16%	13.20%	10.10%	29.99%
Asking Lease Rate	\$4.76	\$4.86	\$4.84	-2.06%
Lease Volume(SF)	6,544,192	4,884,463	9,137,400	33.98%
Sale Volume(SF)	5,809,751	4,050,741	7,178,075	43.42%
Net Absorption	1,933,910	(885,311)	2,644,276	N/A

▲ 1.934M
NET ABSORPTION
▲ 12.6%
VACANCY RATE
▼ \$4.76
AVERAGE ASKING RENT
▲ 3.374M
NEW DELIVERIES (SF)
CHANGE FROM PRIOR YEAR

Market Highlights

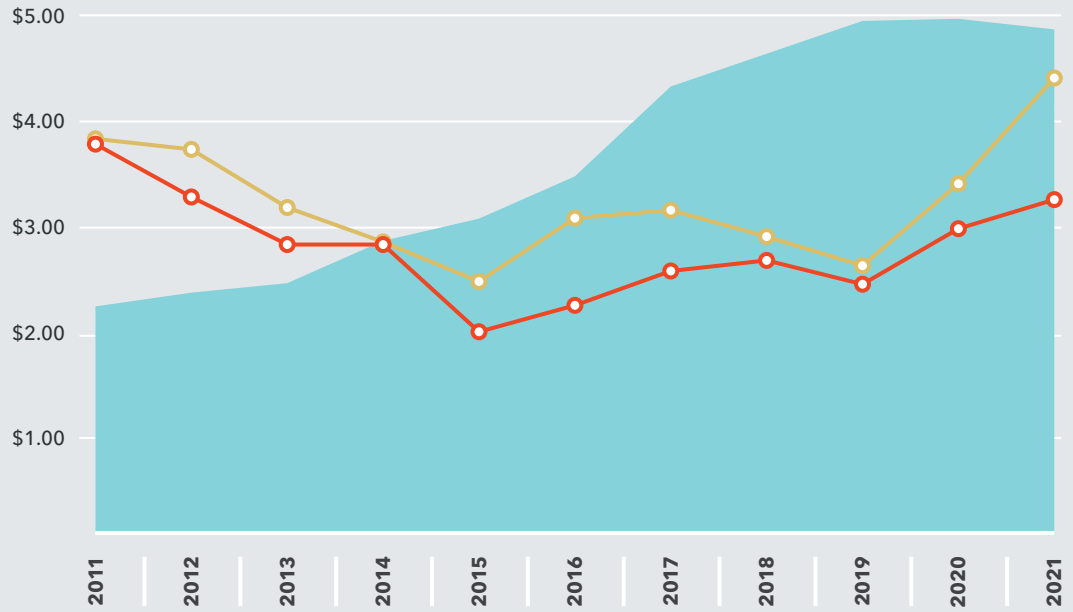
ASKING lease rates are at \$4.76/SF full service.

SALES volume was at 5.8 million SF.

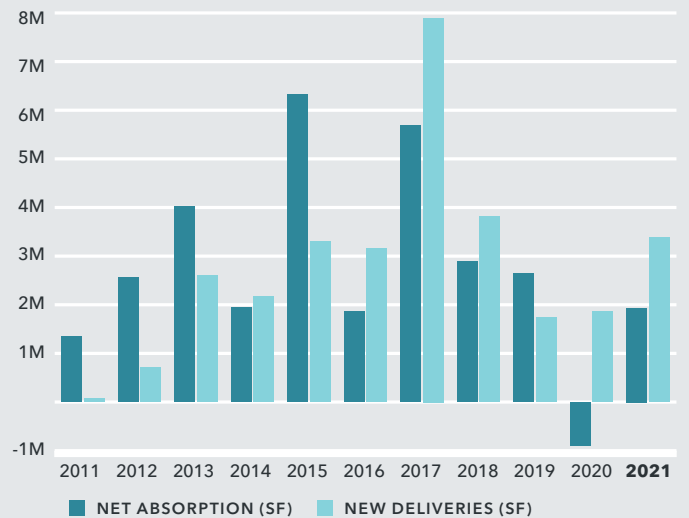
NET ABSORPTION for 2021 was 1.9 million SF.

Lease Rate, Vacancy & Availability

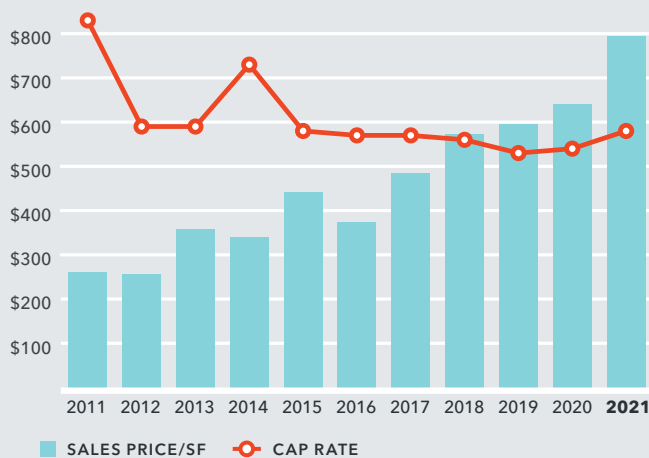
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



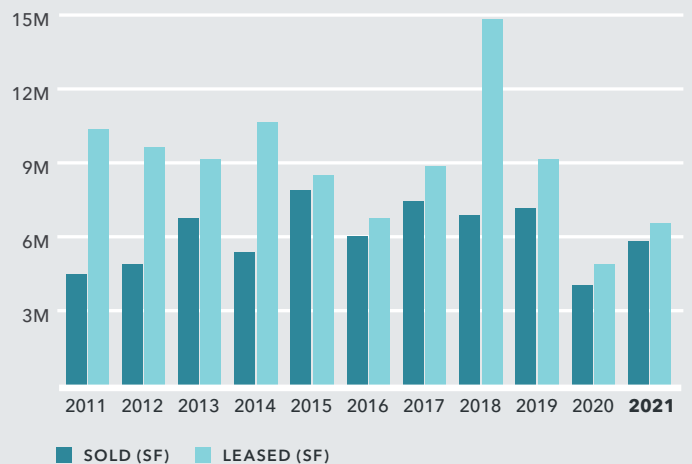
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Direct Net Absorption	4Q Total Net Absorption	2021 Direct Net Absorption	2021 Total Net Absorption	4Q Gross Absorption	2021 Gross Absorption	4Q21 Rental Rate KM (FS)
Campbell	2,591,618	-	16.65%	18.60%	29.96%	40,413	49,934	40,830	38,379	20,726	177,085	\$4.15
Cupertino	7,502,498	-	4.08%	4.55%	5.15%	2,702	19,988	-20,689	-9,947	11,062	98,198	\$5.28
Fremont	5,109,427	-	3.53%	4.72%	7.73%	101,316	96,291	464,314	452,500	43,271	297,365	\$2.68
Milpitas	4,672,598	-	9.75%	10.26%	15.79%	-20,417	-14,188	-5,907	12,094	0	228,228	\$2.70
Mountain View	12,759,625	595,000	7.49%	9.18%	12.48%	-194,076	-180,631	-469,834	-466,154	47,163	281,479	\$7.15
Newark	473,719	-	12.30%	12.30%	11.82%	19,206	19,206	-2,583	1,086	5,871	43,807	\$2.83
Palo Alto	12,765,032	51,726	10.00%	15.23%	17.51%	166,296	146,958	316,340	20,311	470,002	1,018,566	\$7.87
San Jose	39,331,539	3,231,745	10.20%	12.63%	19.96%	715,957	767,279	810,680	813,487	207,954	1,272,530	\$3.94
Santa Clara	19,970,116	418,127	13.94%	19.29%	26.56%	-66,684	-20,274	-309,410	-411,946	172,916	1,301,750	\$4.20
Sunnyvale	20,557,619	2,920,397	9.78%	10.96%	10.90%	996,567	1,007,120	1,541,126	1,484,100	919,569	1,825,184	\$6.00
Totals	125,733,791	7,216,995	9.92%	12.56%	17.16%	1,761,280	1,891,683	2,364,867	1,933,910	1,898,534	6,544,192	\$4.76
Class A	47,269,713	7,216,995	9.89%	13.28%	19.46%	1,479,429	1,570,196	2,860,618	2,715,289	1,087,408	3,171,268	\$5.43
Class B	65,145,129		11.03%	13.46%	17.78%	261,912	282,601	-311,071	-543,555	563,401	2,789,811	\$4.12
Class C	13,318,949		4.60%	5.56%	5.94%	19,939	38,886	-184,680	-237,824	247,725	583,113	\$3.26

BIGGEST LEASE OF THE YEAR

Meta Occupies 719,037 SF
at 1275-1395 Crossman Ave
Sunnyvale



TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Sale Price	Price Per Square	Buyer	Seller
1189-1193 Coleman Ave	San Jose	641,463	\$780,000,000	\$1,215.97	AGC Equity Partners	Hunter Properties
391-401 San Antonio Rd	Mountain View	521,475	\$630,000,000	\$1,208.11	Brookfield Properties	Merlone Geier Partners
HQ @ First	San Jose	603,666	\$535,000,000	\$886.25	KKR	Mori Trust
10500 De Anza Blvd	Cupertino	458,000	\$450,000,000	\$982.53	Apple	Berg Group
1275-1395 Crossman Ave	Sunnyvale	695,932	\$365,000,000	\$524.48	Tishman Speyer	NetApp

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
1275-1395 Crossman Ave	Sunnyvale	719,037	December 2021	Tishman Speyer	Meta
Pathline Park	Sunnyvale	698,550	May 2021	Irvine Company	Apple
700 Santana Row	San Jose	301,000	April 2021	Federal Realty Invstmt Trust	NetApp
The Quad	Mountain View	195,003	May 2021	The Lovewell Company	Google
684 W Maude Ave	Sunnyvale	194,624	December 2021	Invesco	LinkedIn

TOP UNDER CONSTRUCTION

Property	Submarket	Square Feet	Delivery Date	Owner
360 Caribbean	Sunnyvale	1,041,890	July 2024	Google
200 Park	San Jose	937,000	July 2023	Jay Paul Co
Adobe North Tower	San Jose	700,000	July 2022	Adobe
Charleston East	Mountain View	595,000	April 2022	Google
Catalyst Phase II	Sunnyvale	382,188	December 2022	Harvest Properties

DATA SOURCE: COSTAR

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial
 Brokerage**

\$8B
 TRANSACTION
 VOLUME (ANNUAL)

23M
 SALES SF
 (ANNUAL)

42M
 LEASING SF
 (ANNUAL)

**Valuation
 Advisory**

1,800+
 ASSIGNMENTS
 ANNUALLY

47/23
 TOTAL NO.
 APPRAISERS/MAI'S

**Asset
 Services**

64M
 MANAGEMENT
 PORTFOLIO SF

\$11B
 IN ASSETS UNDER
 MANAGEMENT

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