

MARKET TRENDS | SILICON VALLEY

OFFICE

MARKET DRIVERS

ASKING LEASE RATES rose 2.1% year-over-year (YOY) to \$4.88/SF full service.

TOTAL NET ABSORPTION was 813,035 SF and remained positive for three straight quarters.

SALE VOLUME gained 14.2% YOY to 669,245 SF.

VACANCY RATES crept upward 3.7% YOY from 11.8% in 1Q 2021 to 12.2% in 1Q 2022.

GROSS ABSORPTION declined 32% YOY from 1.1 million SF in 1Q 2021 to 767,962 SF in 1Q 2022. Santa Clara and San Jose were the most active markets with 387,673 SF and 203,336 SF respectively.

ECONOMIC OVERVIEW

UNEMPLOYMENT in California was 5.4% for February 2022. Santa Clara County reported an unemployment rate of 2.9% during this period.

THE CIVILIAN LABOR FORCE for the San Jose-Sunnyvale-Santa Clara MSA grew 5.8% YOY to 1.1 million workers. The professional and business services sector grew 3.9% YOY to 248,600 jobs.

NEAR-TERM OUTLOOK

WITH THE LIFTING of indoor mask mandates in March 2022, companies have been more open in pursuing long term leases and renewals. Major tech companies are planning strategies to better utilize their office spaces, ranging from hybrid work schedules to a full pre-covid five-day workweek.

WHILE RISING INTEREST rates may dampen investment flow, the large concentration of technology and biotech firms fuel demand for more office space.

LANDLORDS HAVE BEEN hesitant to lower asking rates, especially with the market feeling ever closer to a full recovery.

Market Summary

	1Q22	4Q21	1Q21	% Annual Change
Vacancy Rate	12.24%	12.50%	11.80%	3.74%
Availability Rate	17.83%	15.70%	14.10%	26.48%
Asking Lease Rate	\$4.88	\$4.76	\$4.78	2.09%
Gross Absorption (SF)	767,962	2,200,491	1,128,868	-31.97%
Sale Volume (SF)	669,245	1,468,492	586,072	14.19%
Net Absorption	813,035	1,942,842	-24,778	N/A

▲ **813,035**
NET ABSORPTION

▲ **12.24%**
VACANCY

▲ **\$4.88**
LEASE RATE

▲ **392,155**
DELIVERIES

CHANGE FROM PRIOR YEAR

Market Highlights

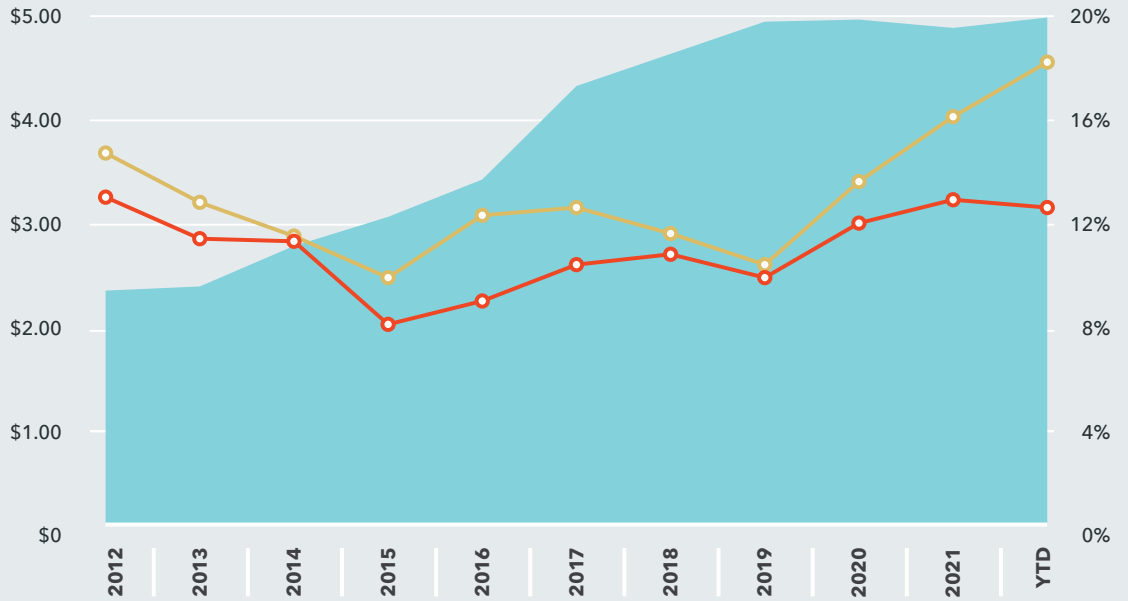
ASKING LEASE RATES are at \$4.88/SF full service.

TOTAL NET ABSORPTION is 813,035 SF.

SALES VOLUME is 669,245 SF.

Direct Lease Rate, Total Direct Vacancy & Availability

■ DIRECT LEASE RATE (FSG)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY

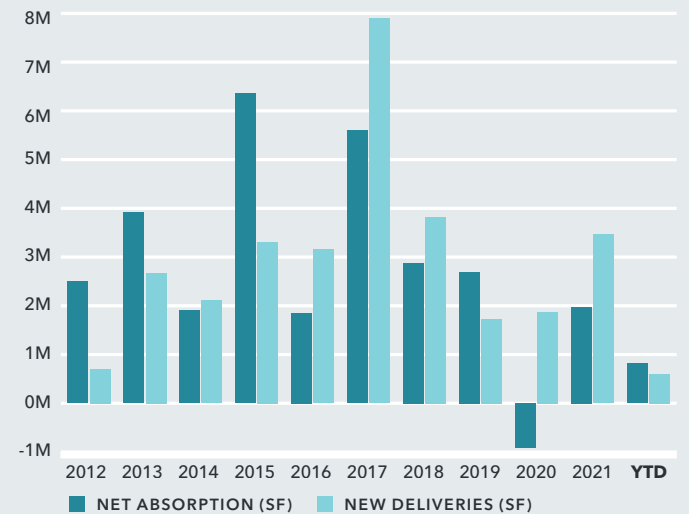


BIGGEST SALE OF THE QUARTER

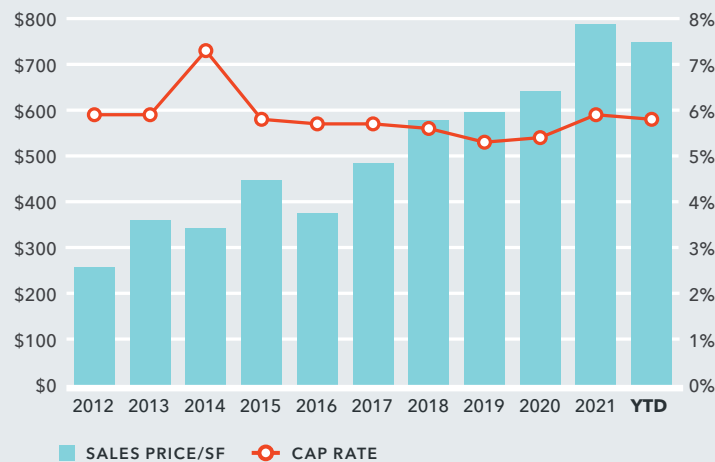
Lawrence Station



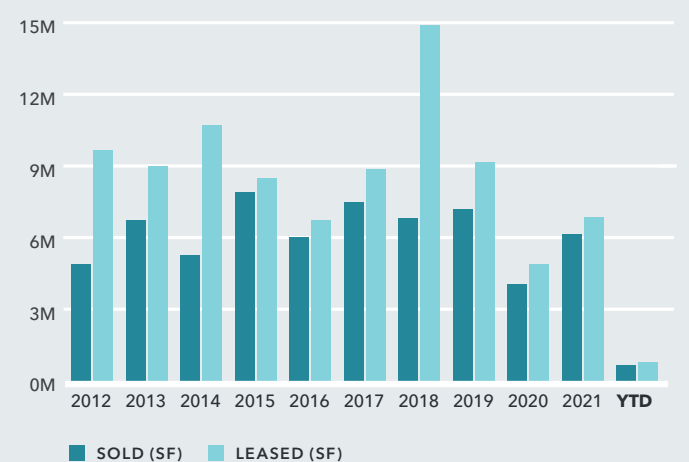
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume Vs. Lease Volume



SILICON VALLEY SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q22 Direct Net Absorption	1Q22 Total Net Absorption	2021 Direct Net Absorption	2021 Total Net Absorption	1Q22 Gross Absorption	2021 Gross Absorption	1Q22 Rental Rate KM (FS)
Campbell	2,514,940	-	15.02%	17.06%	26.71%	53,940	53,087	40,830	38,379	15,542	177,085	3.94
Cupertino	7,491,198	-	4.29%	4.70%	5.36%	-15,324	-11,252	-20,689	-9,947	11,701	98,198	5.27
Fremont	5,084,427	-	3.56%	3.89%	8.24%	66	43,809	464,314	452,500	17,411	297,365	2.70
Milpitas	4,731,860	-	9.25%	11.29%	17.51%	17,620	-54,960	-5,907	12,094	3,955	228,228	2.80
Mountain View	12,678,951	1,631,547	6.86%	8.58%	14.52%	67,528	35,438	-469,834	-466,154	36,003	281,479	7.18
Newark	473,719	-	13.78%	13.78%	14.03%	-8,745	-8,745	-2,583	1,086	3,328	43,807	2.89
Palo Alto	12,754,706	51,726	8.84%	11.77%	15.43%	157,653	455,274	316,340	20,311	84,684	1,018,566	8.35
San Jose	39,798,895	2,091,745	10.53%	13.74%	22.21%	123,457	-188,223	810,680	813,487	203,336	1,272,530	3.99
Santa Clara	19,971,800	173,472	13.75%	20.11%	26.06%	72,852	-129,906	-309,410	-411,946	387,673	1,301,750	4.17
Sunnyvale	20,894,561	3,510,397	7.64%	8.70%	11.01%	645,149	666,365	1,541,126	1,484,100	4,329	1,825,184	5.84
Totals	126,395,057	7,458,887	9.43%	12.24%	17.83%	1,066,344	813,035	2,364,867	1,933,910	767,962	6,544,192	4.88
Class A	47,917,386	7,703,542	8.50%	12.67%	20.47%	1,215,782	782,302	2,860,618	2,715,289	256,963	3,171,268	5.71
Class B	65,271,849	-	11.23%	13.42%	18.28%	-186,059	-26,456	-311,071	-543,555	467,021	2,789,811	4.17
Class C	13,205,822	-	3.87%	4.82%	6.08%	84,473	105,041	-184,680	-237,824	43,978	583,113	3.59

DATA SOURCE: COSTAR; STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

BIGGEST LEASE OF THE QUARTER

3075 Olcott St



TOP SALE TRANSACTIONS FOR 1Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Lawrence Station	Santa Clara	175,163	\$129,575,000	\$739.74	Bayview Development Group	Beijing Damei
379 Lytton Ave	Palo Alto	34,600	\$53,883,500	\$1,557.33	Walnut Hill Capital	Campbell Associates
15400 Los Gatos Blvd	Los Gatos	40,000	\$52,750,000	\$1,318.75	Anchor Health JV Carlyle Group	Sand Hill Property Co
981 Ridder Park Dr	San Jose	16,592	\$8,000,000	\$482.16	Berryessa Union School District	Grelli Family Partnership
711 Colorado Ave	Palo Alto	5,900	\$7,379,500	\$1,250.76	Camden House LP	REDCO Development

TOP LEASE TRANSACTIONS FOR 1Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3075 Olcott St	Santa Clara	160,611	January 2022	MDY Properties	Amazon
3111 Coronado Dr	Santa Clara	129,594	February 2022	D.R. Stephens & Co	Apple
410 N Mary Ave	Sunnyvale	116,586	January 2022	Tristar Capital	Apple
160 W Santa Clara	San Jose	34,924	March 2022	Barrett Block Partners	Okcoin
2550 Great America Way	Santa Clara	27,597	March 2022	Irvine Company	Versa Networks

TOP UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
360 Caribbean	Sunnyvale	1,041,890	July 2023	Google
200 Park	San Jose	937,000	July 2023	Jay Paul Co
Google Landings	Mountain View	803,004	July 2024	Google
Adobe North Tower	San Jose	700,000	July 2022	Adobe
Charleston East	Mountain View	595,000	June 2022	Google

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

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**Commercial
Brokerage**

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M
SALES SF
(ANNUAL)

43.7M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

2,600+
ASSIGNMENTS
ANNUALLY

51/24
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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