

MARKET TRENDS | SILICON VALLEY

OFFICE

MARKET DRIVERS

ASKING LEASE RATES re flattening and ended the quarter at \$5.07/SF full service.

TOTAL NET ABSORPTION was 842,461 SF, buoyed by the completion of Google's first ever self-designed and self-developed 1.1 million SF Bay View campus in Mountain View.

SALE VOLUME nearly halved YOY, falling 49.5% from 1.67 million SF in 2Q 2021 to 842,804 SF in 2Q 2022.

VACANCY RATES crept upward 2.5% YOY from 12.6% in 1Q 2022 to 12.9% in 2Q 2022.

GROSS ABSORPTION gained 18.7% YOY from 1.59 million SF in 2Q 2021 to 1.88 million SF in 2Q 2022. Santa Clara and Sunnyvale were the most active markets with 597,014 SF and 542,149 SF respectively.

ECONOMIC OVERVIEW

UNEMPLOYMENT in California was 4.3% for May 2022. Santa Clara County reported an unemployment rate of 1.8% during this period.

THE CIVILIAN LABOR FORCE for the San Jose-Sunnyvale-Santa Clara MSA grew 3.7% YOY to 1.07 million workers. The professional and business services sector grew 4.7% YOY to 252,200 jobs.

NEAR-TERM OUTLOOK

MARKET VELOCITY is being driven almost exclusively by large deals (100K+) by large tech companies with household names, while deal flow under 25K has been relatively slow.

LANDLORDS are still holding the line on asking lease rates, with concessions coming through other means such as more tenant improvements or free rent.

INFLATION AND RISING interest rates have reintroduced market uncertainty. Major tech firms have instituted hiring freezes or layoffs. Investment activity has stalled as borrowing costs increase due to rising interest rates.

Market Summary

	2Q22	1Q22	2Q21	% Annual Change
Vacancy Rate	12.92%	12.30%	12.60%	2.53%
Availability Rate	17.79%	16.00%	15.20%	17.03%
Asking Lease Rate	\$5.07	\$4.88	\$4.76	6.51%
Gross Absorption (SF)	1,884,319	918,644	1,587,459	18.70%
Sale Volume (SF)	842,804	482,899	1,667,447	-49.46%
Net Absorption	842,461	792,925	-361,731	N/A

▲ **842,461**
NET ABSORPTION

▲ **12.9%**
VACANCY

▲ **\$5.07**
LEASE RATE

▲ **392,155**
DELIVERIES

CHANGE FROM PRIOR YEAR

Market Highlights

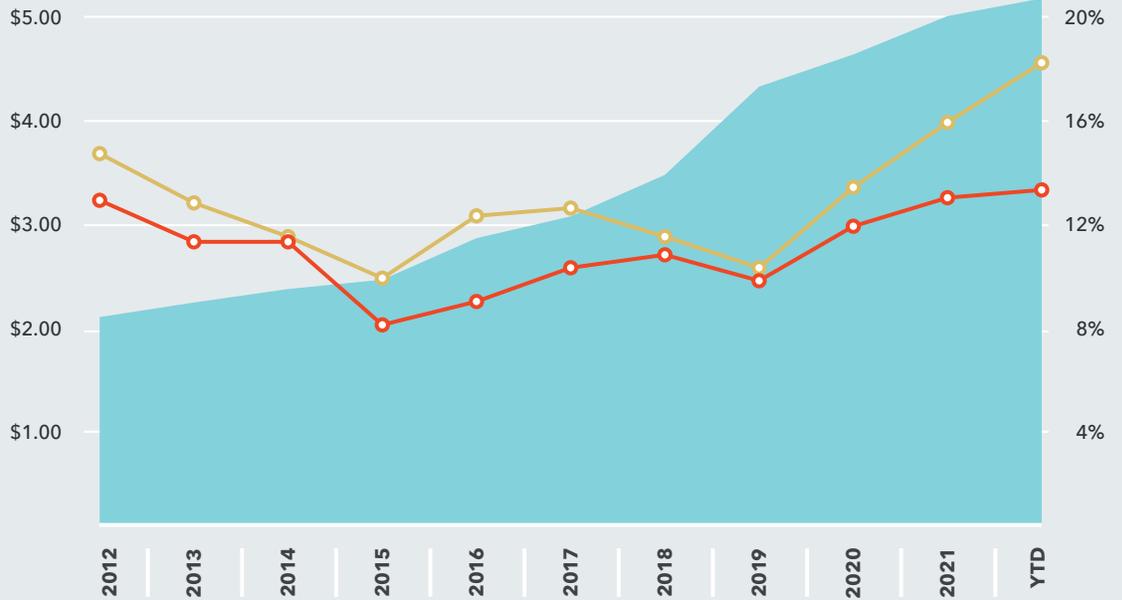
ASKING LEASE RATES are at \$5.07/SF full service.

TOTAL NET ABSORPTION is 842,461 SF

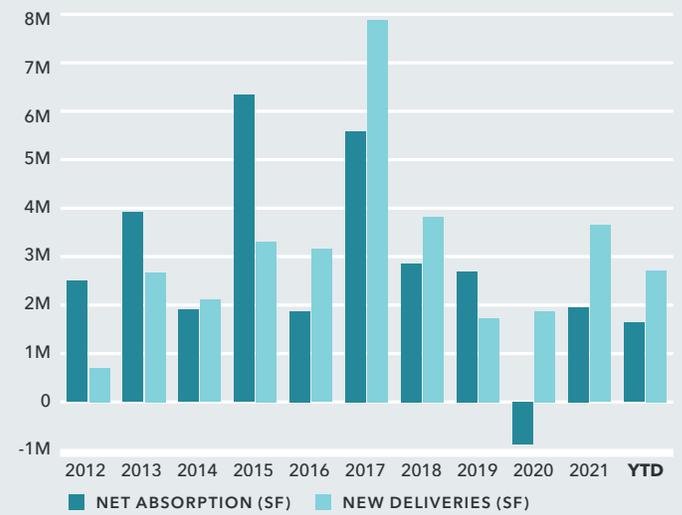
SALES VOLUME is 842,804 SF

Direct Lease Rate, Total Direct Vacancy & Availability

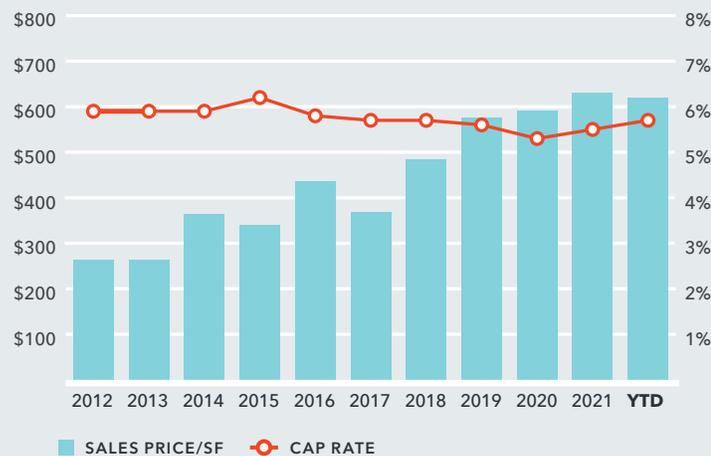
■ DIRECT LEASE RATE (FSG)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



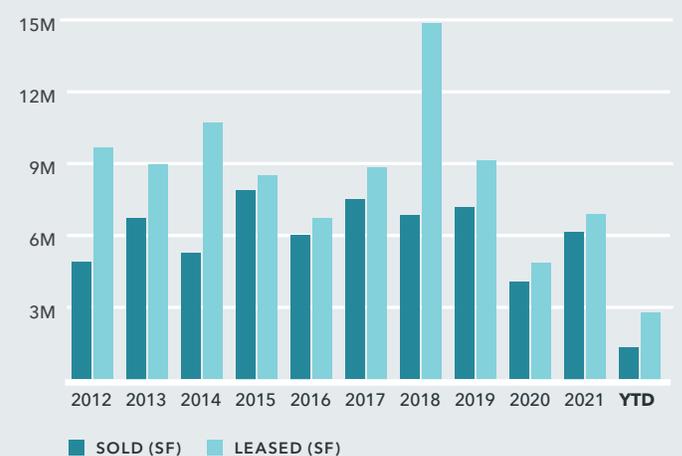
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume Vs. Lease Volume



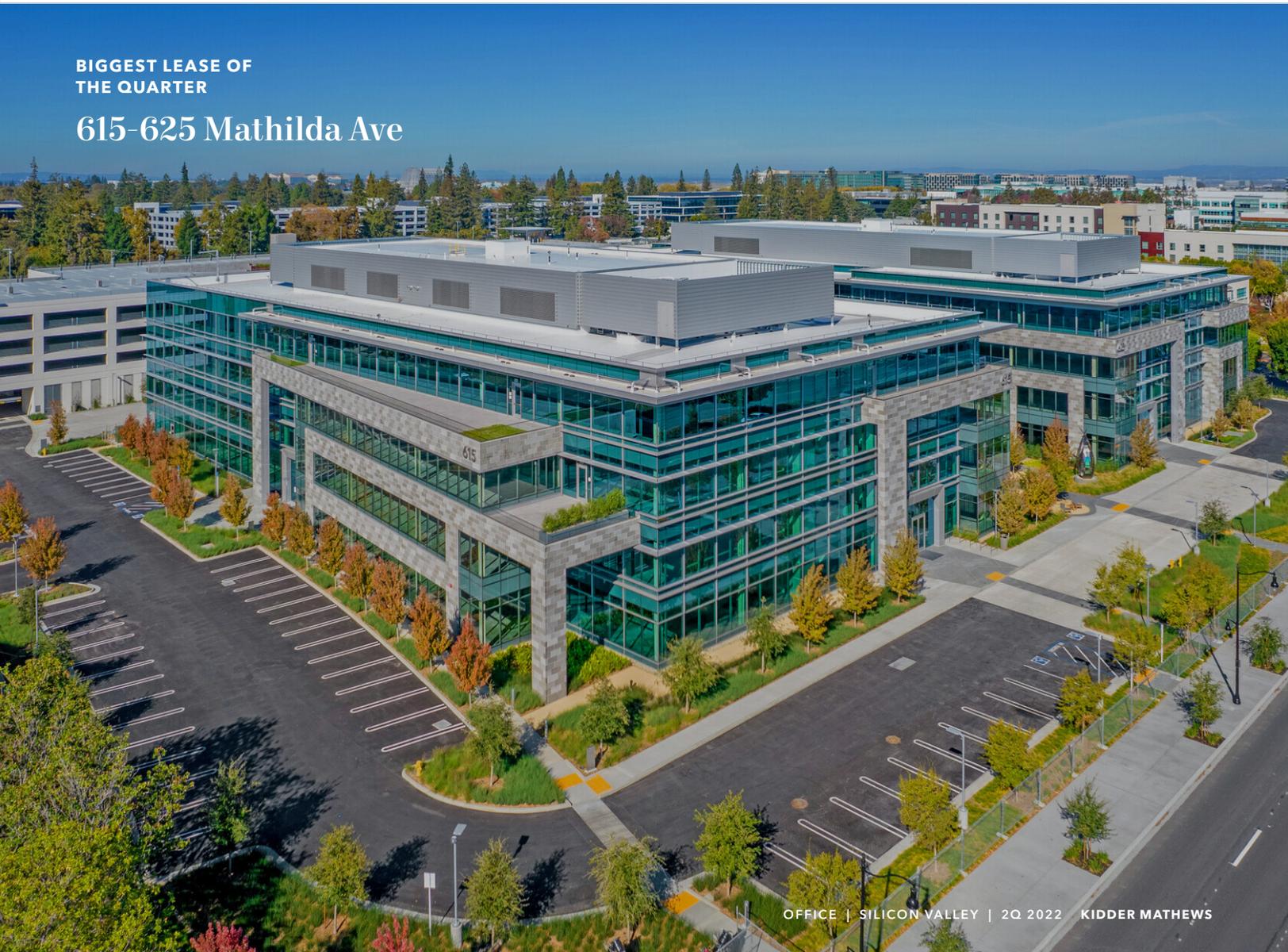
SILICON VALLEY SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q22 Direct Net Absorption	2Q22 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	2Q22 Gross Absorption	YTD Gross Absorption	2Q22 Rental Rate KM (FS)
Campbell	2,513,740	161,870	14.89%	15.81%	24.74%	3,362	26,566	57,302	84,699	58,378	78,513	4.05
Cupertino	7,491,198	-	4.40%	4.85%	5.31%	-8,207	-10,817	-23,531	-22,069	24,747	36,448	5.35
Fremont	5,083,728	34,000	5.17%	5.51%	6.77%	-20,513	-20,513	-20,447	23,296	10,584	89,449	2.79
Milpitas	4,755,680	-	9.50%	11.65%	18.30%	128	-5,672	3,712	-74,668	72,920	84,545	2.64
Mountain View	14,609,153	1,631,547	5.98%	7.73%	13.28%	1,311,867	1,444,715	1,359,140	1,459,898	252,264	282,874	7.19
Newark	473,719	-	13.54%	13.54%	15.23%	1,140	1,140	-7,605	-7,605	5,295	12,606	2.88
Palo Alto	12,906,639	51,726	9.47%	12.25%	17.90%	-66,728	-15,363	89,519	438,505	148,496	229,640	8.18
San Jose	39,835,939	3,459,745	12.38%	15.68%	22.27%	-748,403	-765,533	-619,014	-963,355	172,472	438,835	4.02
Santa Clara	19,970,525	173,472	14.16%	19.98%	24.74%	-100,143	67,463	-54,871	-90,023	597,014	983,320	4.23
Sunnyvale	21,265,877	3,651,772	8.54%	9.63%	12.04%	131,794	120,475	776,811	786,708	542,149	546,478	5.70
Totals	128,906,198	9,164,132	10.20%	12.92%	17.79%	504,297	842,461	1,561,016	1,635,386	1,884,319	2,782,708	5.07
Class A	50,031,045	9,164,132	9.62%	12.81%	19.38%	927,611	1,489,129	2,168,758	2,301,842	1,165,760	1,460,729	5.81
Class B	65,634,751		11.86%	14.45%	18.67%	-404,743	-546,733	-676,894	-674,812	640,149	1,195,454	4.40
Class C	13,240,402		4.17%	5.74%	7.39%	-42,472	-123,836	45,251	-15,545	54,509	102,624	3.44

DATA SOURCE: COSTAR; STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

BIGGEST LEASE OF THE QUARTER

615-625 Mathilda Ave



TOP SALE TRANSACTIONS FOR 2Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1275-1395 Crossman Ave	Sunnyvale	695,932	\$707,000,000	\$1,015.90	CommonWealth Partners	Tishman Speyer
250 Cambridge Ave	Palo Alto	35,950	\$39,300,000	\$1,093.18	Wheatley Properties	Tarlton Properties
431 Waverley St	Palo Alto	15,599	\$36,000,000	\$2,307.84	Deerfield Realty	Windy Hill JV Spieker Companies
707 California St	Mountain View	10,942	\$14,000,000	\$1,279.47	Sand Hill Property Co	Wholly Cow LP
516 W Remington Dr	Sunnyvale	13,551	\$10,000,000	\$737.95	Remington Realty	Sunnyvale Dental Center

TOP LEASE TRANSACTIONS FOR 2Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
615-625 N Mathilda Ave	Sunnyvale	382,500	June 2022	Jay Paul Co	Apple
2555-2565 Augustine Dr	Santa Clara	331,420	June 2022	Irvine Company	Pure Storage ⁽¹⁾
3333 Scott Blvd	Santa Clara	245,830	May 2022	CalSTRS	Applied Materials
650 Page Mill Rd	Palo Alto	178,096	May 2022	Commonwealth Partners	Wilson Sonsini Goodrich & Rosati ⁽²⁾
690 E Middlefield Rd	Mountain View	170,823	April 2022	Kilroy	Waymo ⁽¹⁾

NOTES: (1) SUBLEASE; (2) RENEWAL

TOP UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Platform 16	San Jose	1,078,000	March 2025	Boston Properties JV CPPIB
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	September 2022	Adobe

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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

50/25
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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