

# Silicon Valley Office

## Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



## Notable Lease Transactions

**Google, Inc.**  
1225 & 1265 Crossman Ave, Sunnyvale  
612,000 s.f.

**Cloudera**  
395 Page Mill Road, Palo Alto  
225,000 s.f.

**AMD**  
Santa Clara Square, Santa Clara  
220,156 s.f.

**SF Motors**  
3303 Scott Blvd, Santa Clara  
83,590 s.f.

## Notable Sales Transactions

**Google, Inc.**  
San Antonio Station, Mountain View  
750,000 s.f.

**Intercontinental Real Estate**  
60 S Market Street, San Jose  
235,000 s.f.

**TMG Partners**  
2460 & 2480 N First Street, San Jose  
148,000 s.f.

**Westbrook Capital**  
1 North First Street, San Jose  
82,203 s.f.

The Silicon Valley office real estate market built on gains from the second quarter during the third quarter of 2016, continuing one of the strongest runs in the market's history. Technology companies continue to be the market's driving force, adding more jobs and increasing their requirements for space in the Valley. The Silicon Valley economy continues to lead the nation in the areas of growth, income, innovation, and venture capital investment. Santa Clara County's unemployment rate rose from 3.3% in June to 4.0% in August, according to data released by California Employment Development Department. This increase can be attributed to the amount of new jobs created during the third quarter.

The office market saw 272,857 square feet of negative net absorption, ticking vacancies up to 5.79% at the end of the quarter. Demand for users is increasing in the cities of Palo Alto, Sunnyvale, and Santa Clara as users still want to be in the latest and greatest buildings. This trend should continue in the near future as large amounts of supply come onto the market in popular locations. Class A office developments are being leased before completion as companies are anxious to be in the latest and greatest buildings. Average asking full service rental rates experienced a decrease, moving from \$3.78FS in the second quarter to \$3.54FS this quarter.

The third quarter saw several large lease transactions completed. Google increased their Sunnyvale footprint by roughly 612,000 square feet. They signed leases at the Moffett Gateway buildings located at 1225 and 1265 Crossman Avenue. Cloudera came in second, leasing almost 225,000 square feet at 395 Page Mill Road in Palo Alto. AMD inked a deal at Santa Clara Square in Santa Clara for 220,156 square feet. Another notable Santa Clara lease was for 83,590 square feet by SF Motors on 3303 Scott Boulevard.

The sales market for local office product had another strong quarter and continues to be dominated by powerhouse corporations looking to increase their footprint in one of the country's strongest economies. Demand for well-placed product remains high, and companies are more than willing to pay. Google completed the quarter's largest purchase with its 750,000 square feet acquisition of San Antonio Station in Mountain View.

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**Offices**

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206.296.9600

Bellevue  
425.454.7040

South Seattle  
206.248.7300

Tacoma  
253.722.1400

Olympia  
360.705.2800

Portland  
503.221.9900

San Francisco  
415.229.8888

Redwood Shores  
650.769.3600

Silicon Valley  
408.970.9400

Sacramento  
916.970.9700

Roseville  
916.751.3600

Orange County  
949.557.5000

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

**Contact**

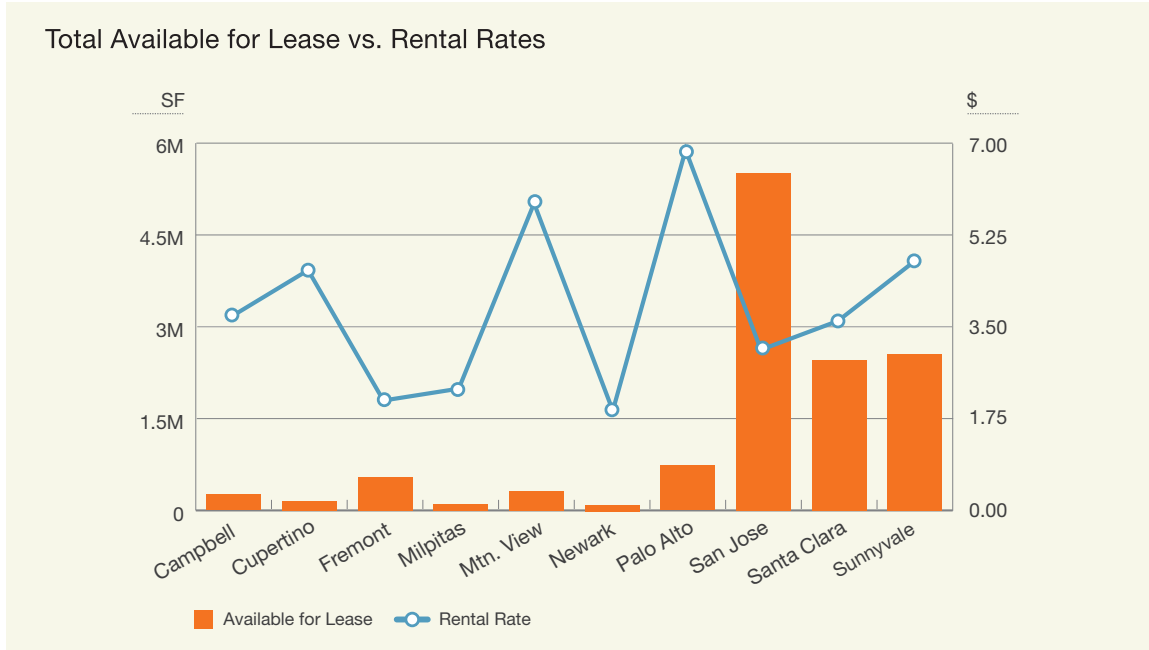
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Intercontinental Real Estate Corporation completed the second largest transaction with its nearly 235,000 square feet purchase of 60 S Market Street in San Jose. TMG Partners completed another large transaction in San Jose purchasing about 148,000 square feet located at 2460 and 2480 North First Street. A little farther down the block, Westbrook Capital purchased 1 North First Street which is approximately 82,203 square feet.

New office space under construction in Silicon Valley totaled approximately 7 million square feet at the end of the third quarter. Developers are racing to get product completed in an effort

to meet robust demand from companies, and many companies are leasing properties before completion. Construction costs are at an all-time high, and contractors have heavy backlogs. Kidder Mathews is tracking over 14 million square feet of office/R&D tenants currently in the market, which indicates that these construction projects cannot be completed soon enough.



**Submarket Statistics**

Submarket	Available	Total Available for Lease	Sublease	Total Available for Sale	Under Construction	Vacancy %	Current Net Absorbed	Net Absorption YTD
Campbell	262,836	260,309	88,741	2,527	177,815	4.23%	(24,876)	44,204
Cupertino	156,030	149,721	98,930	6,309	2,820,000	3.83%	(10,708)	(40,557)
Fremont	572,616	547,716	67,873	24,900	10,931	8.26%	(2,722)	258,305
Milpitas	130,577	105,685	6,647	24,892	0	26.23%	29,481	(23,835)
Mountain View	316,929	316,929	102,868	0	422,800	1.62%	24,333	110,707
Newark	100,136	100,136	5,000	0	0	12.83%	13,438	5,294
Palo Alto	751,321	733,171	272,220	18,150	187,032	1.41%	(83,047)	29,460
San Jose	6,125,658	5,516,159	973,970	609,499	1,256,740	12.43%	(165,968)	270,491
Santa Clara	2,531,264	2,452,619	769,303	78,645	584,094	3.98%	(149,182)	(105,287)
Sunnyvale	2,632,557	2,556,386	60,792	76,171	1,528,169	2.06%	96,394	694,337
<b>Total</b>	<b>13,579,924</b>	<b>12,738,831</b>	<b>2,446,344</b>	<b>841,093</b>	<b>6,987,581</b>	<b>5.79%</b>	<b>(272,857)</b>	<b>1,243,119</b>

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