

Silicon Valley Office

Market Forecast

Trends

Absorption	↑
Vacancy	↓
Rental Rate	↔
New Construction	↔

Notable Lease Transactions

Amazon
1111 Lockheed Martin Way, Sunnyvale
350,663 s.f.

Bosch
384 Santa Trinita, Sunnyvale
104,470 s.f.

San Andreas Regional Center
6203 San Ignacio, San Jose
73,610 s.f.

Panasonic
10900 N Tantau Avenue, Cupertino
43,034 s.f.

Notable Sale Transactions

Embarcadero Capital
Murphy Crossing, Milpitas
363,237 s.f.

Tristar Capital
410-430 N Mary Ave, Sunnyvale
350,000 s.f.

Washington Township Health Care
2201 Walnut Ave, Fremont
180,846 s.f.

Gwin Property Inc.
2465-2485 E Bayshore Rd, Palo Alto
101,040 s.f.

The Silicon Valley Office market got off to a healthy start in 2017, with heavy activity across most categories that it will look to build on throughout the year. Demand for office space remains robust as economic performance in the region still leads the nation. Santa Clara County’s unemployment rate remained low at 3.5% from November to the end of February, per the California Employment Development Department. There is still some uncertainty about how President Donald Trump’s policies will impact Silicon Valley, especially with regard to the many immigrant workers. Overall, office product enjoyed a strong first quarter, and indicators point to Silicon Valley remaining in a mode of steady growth.

The first quarter started the year on a high note with 798,182 sf of positive net absorption, improving on Q4’s 719,013 sf. Vacancy decreased from 5.79% the previous two quarters to 5.59% this quarter, which is down from 6.7% year over year. Sublease availability remains high, at 2,689,376 sf, but is down from Q4’s 2,934,888 sf. Rental rates once again remained steady this quarter, at \$3.54 fully serviced, which is down from \$3.76 at this time last year. This may be attributable to the increased amount of sublease space on the market.

The slower pace in office leasing last quarter was short lived as the first quarter saw the return of robust activity. Amazon expanded their presence in Silicon Valley with their 350,663 sf pre-lease at 1111 Lockheed Martin Way in Sunnyvale. While this project is still currently under construction, Amazon plans to move in once it is complete. Bosch completed the largest sublease with a 104,470 sf agreement at 384 Santa Trinita Ave in Sunnyvale, taking the space from Symantec. San Andreas Regional Center inked the biggest lease in San Jose with a 73,610 sf transaction at 6203 San Ignacio Ave. Panasonic renewed their 43,034 sf space at 10900 N Tantau Ave in Cupertino, a building that it shares with Apple. Demand for Silicon Valley office space remains strong across a wide range of industries, so the market appears

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Offices

- Seattle
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

Los Angeles
213.880.5250

Long Beach
562.472.0071

Commerce
323.727.1144

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

Reno
775.301.1300

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602.513.5200

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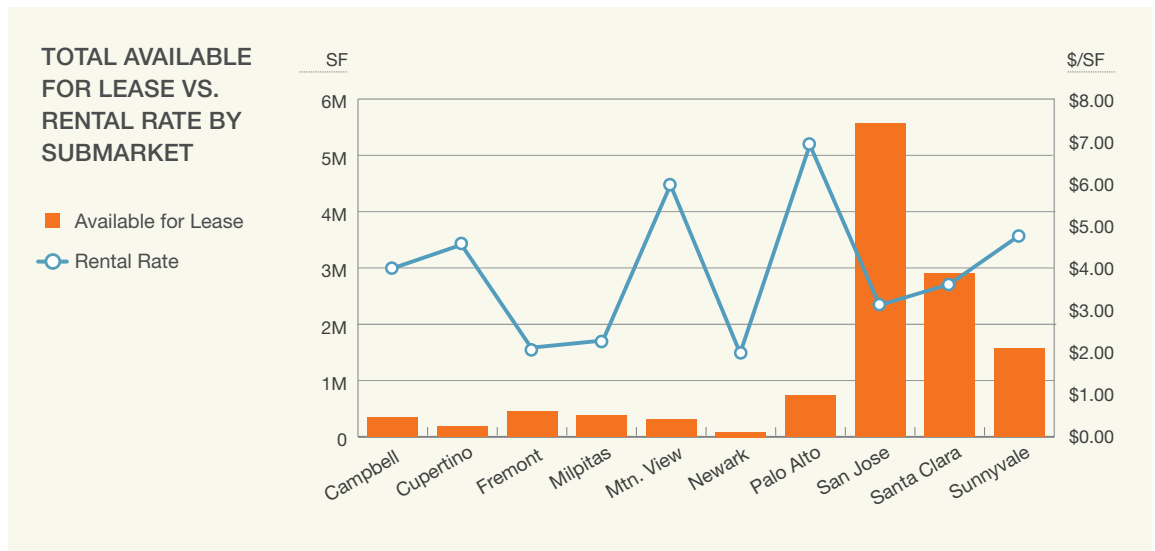
Designated Broker
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poised to continue its recent momentum in the near term.

Large office sales transactions saw a healthy mix of users and investors acquiring properties. Embarcadero Capital had the largest transaction with their purchase of the 363,237 sf Murphy Crossing office complex in Milpitas. Tristar Capital purchased a three building project fully leased to Apple totaling roughly 350,000 sf at 410, 420, and 430 N Mary Ave in Sunnyvale. Washington Township Health Care completed the largest purchase in Fremont with their acquisition of 180,846 sf at 2201 Walnut Ave. Gwin Property Inc. purchased a 101,040 square feet multi-tenant office project at 2465-2485

E Bayshore Road in Palo Alto. Investors and users continue to buy property in Silicon Valley, in spite of record high prices and a changing political climate.

New construction continues to push forward throughout the region with just under 7 million square feet in the works. Absorption numbers should stay positive as many projects under construction have been pre-leased with occupancy slated to occur once they are completed. Kidder Mathews is currently tracking nearly 10 million square feet of Office and R&D tenants looking for space in the market, which portends steady growth in the coming quarters.



Submarket Statistics

Submarket	Available	Total Available for Lease	Sublease	Total Available for Sale	Under Construction	Vacancy %	Current Net Absorbed	Net Absorption YTD
Campbell	381,055	354,953	73,394	26,102	177,815	6.23%	(20,769)	(20,769)
Cupertino	205,768	187,718	99,747	18,050	2,820,000	3.38%	9,926	9,926
Fremont	470,708	454,351	69,425	16,357	10,931	6.75%	90,715	90,715
Milpitas	385,325	385,325	7,309	0	0	16.35%	95,550	95,550
Mountain View	319,365	303,239	81,344	16,126	422,800	1.44%	(9,836)	(9,836)
Newark	105,360	105,360	5,000	0	0	12.66%	(9,012)	(9,012)
Palo Alto	760,170	739,930	347,717	20,240	187,032	1.17%	117,807	117,807
San Jose	6,536,543	5,562,479	474,048	974,064	1,256,740	11.50%	121,469	121,469
Santa Clara	2,944,977	2,899,719	1,153,754	45,258	584,094	5.87%	(230,949)	(230,949)
Sunnyvale	2,024,581	1,574,432	377,638	450,149	1,528,169	1.42%	633,281	633,281
Total	14,133,852	12,567,506	2,689,376	1,566,346	6,987,581	5.59%	798,182	798,182

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