

**Real Estate Market Review**

# Silicon Valley Office

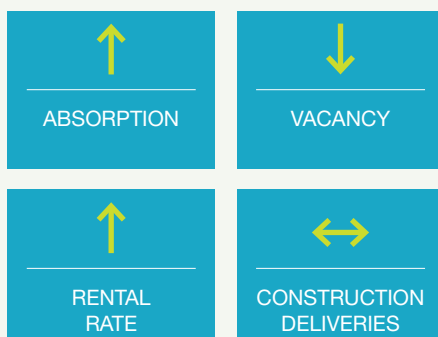
The Silicon Valley Office market took a breather during the third quarter of 2017, but demand for office space remains steady across all size ranges. Santa Clara County's unemployment rate rose from 2.9% in May to 3.8% in August, but added 15,700 new workers per the California Employment Development Department. The rise in the unemployment rate can be attributed to the influx of new workers into the market. Overall, the market for office product relaxed during the third quarter, but this does not necessarily point to a downward trend.

The market posted negative 541,275 sf of net absorption this quarter, which is down from the 59,087 sf of positive net absorption in Q2. Although net absorption was negative, gross absorption for the quarter was a robust 2,950,032 sf. This quarter's vacancy came in at 8.86%. Sublease availability increased again, going from 3,082,159 sf in the second quarter to 3,404,604 sf this quarter. The rise in sublease space may be attributed to companies growing and leaving their current spaces before their lease expirations, as well as some companies leasing more space than needed. Rental rates held relatively steady coming in at \$3.99 fully serviced. Steady demand and ample supply should keep rates fairly level in the near future.

Notable lease transactions this quarter included Amazon inking the largest transaction, with their 176,558 sf sublease at 2795 Augustine Drive in Santa Clara. Avaya renewed 130,460 sf of space at 4655 Great America Parkway in Santa Clara. Bank of America signed a deal for 65,944 sf at 560 S Winchester Boulevard in San Jose. Finally, also in San Jose, Adobe took three floors at 10 Almaden Boulevard totaling 63,254 sf. Many tenants remain in the market for Silicon Valley office space, and demand remains relatively strong across most size ranges.

Investment acquisitions continue to make up a majority of the key sales transactions, but large users continue to see value in owning

## Market Forecast Trends



## Notable Lease Transactions

**Amazon**  
2795 Augustine Drive, Santa Clara  
176,558 s.f. leased

**Avaya**  
4655 Great America Parkway, Santa Clara  
130,460 s.f. leased

**Bank of America**  
560 S Winchester Blvd, San Jose  
65,944 s.f. leased

## Notable Sale Transactions

**Google**  
475-495 Java Dr & 1330 Geneva Dr, Sunnyvale  
374,705 s.f.

**Best Fang Holdings, LLC**  
3060-3080 N 1st Street, San Jose  
265,054 s.f.

**The Angus Group**  
2025 Gateway Place, San Jose  
158,332 s.f.

**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

Commerce  
323.727.1144

Long Beach  
562.472.0071

Orange County  
949.557.5000

Inland Empire  
909.764.6500

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

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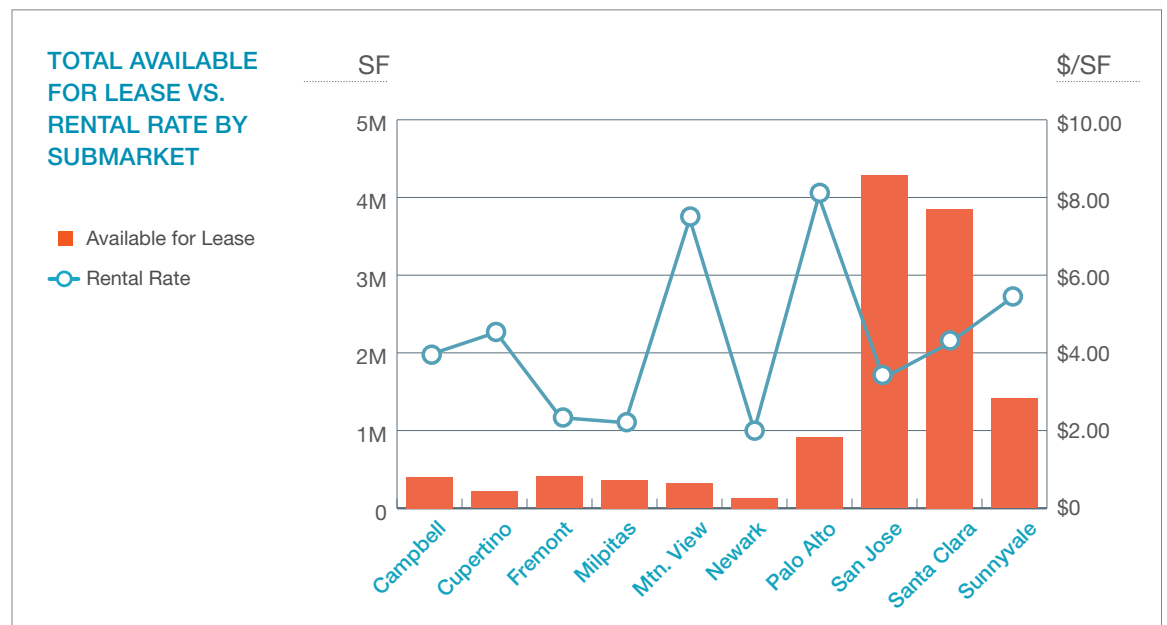
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their real estate outright. Google was once again active this quarter, with their purchase of NetApp's three building, 374,705 sf campus at 475-495 Java and 1330 Geneva in Milpitas. Best Fang Holdings, LLC had the second largest transaction with their 265,054 sf purchase of two buildings at 3060-3080 North 1st Street in San Jose. The Angus Group invested in the 158,332 sf building located at 2025 Gateway Place, San Jose. Finally, Prometheus purchased 158,294 sf at 675-685 E Middlefield Road in Mountain View with plans to redevelop the property from office use into a multi-unit residential property. The office sales market

remains robust and prices continue to land at or near historic highs.

New construction continues to push forward throughout the region with roughly 4.27 million sf of new and preleased space in the works. Absorption numbers will look to trend upwards as many projects under construction have been pre-leased with occupancy slated to occur once they are completed. Kidder Mathews is currently tracking over 12 million sf of Office and R&D tenants looking for space in the market, which signifies 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	427,392	403,270	64,955	24,122	177,815	6.15%	30,023	(133,230)
Cupertino	216,416	216,416	82,374	0	0	4.09%	13,190	(722)
Fremont	419,015	409,538	64,429	9,477	0	4.82%	70,208	110,963
Milpitas	372,029	362,935	9,872	9,094	0	15.06%	54,587	138,802
Mountain View	317,506	316,406	110,721	1,100	741,590	1.96%	53,309	(67,962)
Newark	133,630	133,630	22,675	0	0	14.39%	2,352	(24,328)
Palo Alto	932,975	917,348	405,784	15,627	241,331	1.37%	137,574	98,256
San Jose	4,995,801	4,281,624	741,784	714,177	1,194,246	13.02%	601,420	(91,698)
Santa Clara	3,989,888	3,854,882	1,641,216	135,006	165,078	21.45%	1,941,180	(248,431)
Sunnyvale	1,489,496	1,414,096	260,794	75,400	1,753,315	2.55%	46,189	534,344
<b>Total</b>	<b>13,294,148</b>	<b>12,310,145</b>	<b>3,404,604</b>	<b>984,003</b>	<b>4,273,375</b>	<b>8.86%</b>	<b>2,950,032</b>	<b>315,994</b>

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