

Silicon Valley Office Market

Tech Continues to Carry the Market

During the first quarter 2022, Silicon Valley's office market had a second consecutive quarter of positive net absorption, at 1,754,565 square feet. Similarly, gross absorption almost doubled quarter-over-quarter from 1,540,051 square feet to 3,049,779 square feet. These large quarter-over-quarter increases were mainly bolstered by the completion of two owner occupied projects: Google's Bay View Campus (1.1 million square feet) and LinkedIn's campus at South Middlefield (1.045 million square feet). Silicon Valley's net absorption without these completions would have been negative 390,435 square feet, and total gross absorption would have been 904,779 square feet. Even without the completion of the major projects, gross leasing increased nearly 300% compared to the first quarter of 2021 at 319,483 square feet, a testament to the market's recovery.

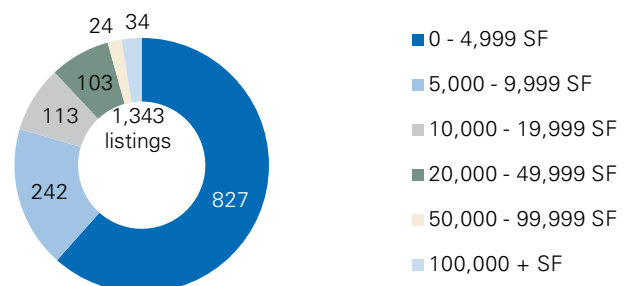
Overall vacancy rose again with a quarter-over-quarter increase of 70 basis points to 15.7%. The overall average asking rate on a full-service basis is \$5.04/SF. This represents \$0.02/SF quarter-over-quarter and \$0.23/SF year-over-year increases. It was also the third quarter in a row that asking rates increased.

Market Summary

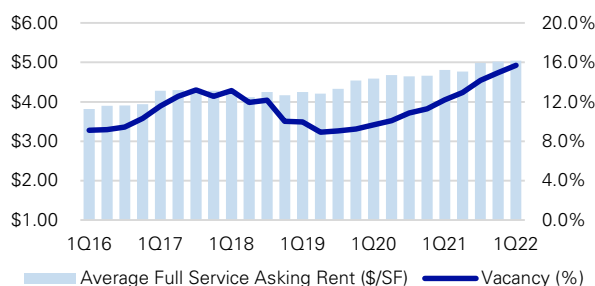
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Inventory	90.2M	90.6M	88.2M	↑
Vacancy Rate	15.7%	15.0%	12.19%	↓
Qtr Net Absorption	1.75M SF	465K SF	-630K SF	↑
Avg FS Asking Rent	\$5.04/SF	\$5.02/SF	\$4.81/SF	↑
Under Construction	1.8M SF	4.0M SF	8.3M SF	↓

Market Analysis

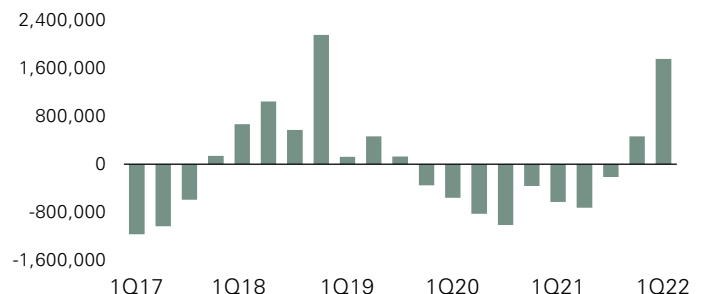
LEASE VACANCY BREAKDOWN



Asking Rent and Vacancy Rate



Net Absorption



RESEARCH 1Q 2022

Submarket Breakdown

With the two project completions by Google and LinkedIn, Mountain View had the highest net absorption during the quarter at 1,946,189 square feet. Only three other submarkets, Santa Clara, Milpitas and Saratoga, had positive net absorption, with 38,889 square feet, 4,943 square feet and 3,654 square feet, respectively. San Jose had the most negative absorption, at negative 185,498 square feet. Santa Clara had the largest increase in vacancy rate, which increased by 2.0% to 30.1%. This increase is largely due to three subleases coming on the market during the quarter: 220,156 square feet at 2555 Augustine Drive; 140,956 square feet at 4980 Great America Parkway.; and 75,000 square feet at 2841 Mission College Boulevard. Asking rates continued to hold steady, with the largest changes being \$0.04/SF increases in Milpitas and Sunnyvale, to \$2.85/SF and \$6.51/SF, respectively. Mountain View had the highest average asking rate, at \$7.87/SF, with Sunnyvale (\$6.51/SF) and Cupertino (\$6.15/SF) following. Milpitas commanded the lowest asking rate of \$2.85/SF.

Significant Transactions

There were a total of 117 lease transactions during the quarter, which is down from 138 in the previous quarter. However, 89.7% of the leases were for less than 10,000 square feet, which is consistent with fourth quarter of 2021 (90.5%). Though only 10.0% of transactions during the quarter were greater than 10,000 square feet, major technology firms comprised most of the largest leases to be transacted in the quarter. Amazon signed the largest lease this quarter, leasing 160,611 square feet at 3075 Olcott Street in Santa Clara's Central Expressway North submarket. A confidential tenant signed a renewal to stay in

116,586 square feet at 410 N. Mary Avenue in Sunnyvale's Peery Park submarket. Also, in Santa Clara's Central Expressway North submarket, DataStax signed a sublease of 31,250 square feet at 2755 Augustine Drive. In West San Jose, an undisclosed tenant signed a direct lease for 21,475 square feet at 1799 Hamilton Avenue. Wayfair signed a lease this quarter for 20,255 square feet at 150 Evelyn Avenue in Downtown Mountain View.

Major office investment activity slowed down this quarter, with only one transaction greater than 50,000 square feet of office space compared to three such transactions in the fourth quarter of 2021. The largest purchase of the quarter was Bayview Development's purchase of Lawrence Station at 3655 Kifer Road in Santa Clara for just under \$129.6 million (\$701/SF). In Los Gatos, The Carlyle Group paid \$52.8 million (\$1,319/SF) for 40,000 square feet of office space at 15400 Los Gatos Boulevard. In San Jose's Brokaw South submarket, the Berryessa Union School District purchased 16,592 square feet at 981 Ridder Park Drive for \$8.0 million (\$482/SF). Also in Los Gatos, Lynx purchased 14,222 square feet at 59 Santa Cruz Avenue for \$9.8 million (\$689/SF). Also in Los Gatos, LSPI Exchange Corporation purchased 10,435 square feet at 10 Jackson Street for \$6.4 million (\$613/SF).

As COVID-19 mandates are being revised and firms return to work, the Silicon Valley office market is recovering. Leasing activity is expected to increase in the coming quarters as active tenant requirements are at their highest level since the fourth quarter of 2019.

Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Amazon	3075 Olcott St	Santa Clara - Central Expy North	Direct Lease	160,611
Confidential	410 North Mary Ave	Sunnyvale - Peery Park	Renewal	116,586
DataStax	2755 Augustine Dr	Santa Clara - Central Expy North	Sublease	31,250
Undisclosed	1799 Hamilton Ave	San Jose - West	Direct Lease	21,745
Wayfair	150 Evelyn Ave	Mountain View - Downtown	Direct Lease	20,255

Select Investment/User Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
3655 Kifer Rd	Santa Clara - Central Expy South	\$129,575,000	\$701	184,614
15400 Los Gatos Blvd	Los Gatos	\$52,750,000	\$1,318	40,000
981 Ridder Park Dr	San Jose - Brokaw South	\$8,000,000	\$482	16,592
59 Santa Cruz Ave	Los Gatos	\$9,805,000	\$689	14,222
10 Jackson St	Los Gatos	\$6,400,000	\$613	10,435

Overall Submarket Statistics

	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Sublease Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Campbell	2,416,960	532,129	108,313	22.02%	4.48%	18,094	-9,081	\$4.42
Cupertino	7,367,698	386,092	28,417	5.24%	0.39%	5,963	-9,056	\$6.15
Los Gatos	2,114,800	87,361	22,065	4.13%	1.04%	6,608	-2,357	\$4.22
Milpitas	1,050,426	107,075	0	10.19%	0.00%	6,242	4,943	\$2.85
East 880	889,137	68,821	0	7.74%	0.00%	3,129	1,830	\$3.03
Oak Creek	161,289	38,254	0	23.72%	0.00%	3,113	3,113	\$2.53
Mountain View	11,004,106	1,218,905	358,102	11.08%	3.25%	2,273,269	1,946,189	\$7.87
Central	431,490	90,377	0	20.95%	0.00%	0	-2,469	\$6.11
Downtown	1,665,822	362,704	107,174	21.77%	6.43%	85,247	9,977	\$9.28
Shoreline	2,927,692	25,991	2,580	0.89%	0.09%	4,917	2,461	\$6.11
Middlefield	4,509,431	358,292	0	7.95%	0.00%	2,183,105	2,140,927	\$7.02
El Camino Corridor	1,469,671	381,541	133,193	25.96%	16.90%	0	-204,707	\$6.97
San Jose	31,700,358	5,304,479	1,270,639	16.73%	4.01%	250,789	-185,498	\$4.65
North	7,937,397	669,736	201,329	8.44%	2.54%	48,891	-6,661	\$4.59
Trimble South	2,838,555	417,010	17,837	14.69%	0.63%	13,966	-14,953	\$3.66
Int'l Business Park	624,787	4,354	0	0.70%	0.00%	4,314	0	\$2.45
Downtown	10,272,264	2,055,452	270,022	20.01%	2.63%	56,669	-52,740	\$4.59
Airport	5,181,693	1,470,576	774,149	28.38%	14.94%	51,035	-133,980	\$4.74
South	507,493	39,417	0	7.77%	0.00%	0	-6,181	\$2.63
West	4,338,169	647,934	7,302	14.94%	0.17%	75,914	29,017	\$5.54
Santa Clara	16,017,678	4,814,638	1,741,877	30.06%	10.87%	353,648	38,889	\$4.58
Downtown	1,008,819	75,099	8,799	7.44%	0.87%	206,450	-2,764	\$3.06
Central Expy N	4,147,755	812,379	662,124	19.59%	15.96%	8,451	-21,410	\$4.93
Marriott Park	7,983,910	3,228,686	1,064,509	40.44%	13.33%	137,294	-167,390	\$4.71
101 North	1,084,912	492,633	6,445	45.41%	0.59%	0	0	\$2.80
101 South	1,423,783	12,000	0	0.84%	0.00%	0	229,000	\$4.25
Central Expy S	368,499	193,841	0	52.60%	0.00%	1,453	1,453	\$5.58
Saratoga	344,467	53,986	14,503	15.67%	4.21%	3,654	3,654	\$4.18
Sunnyvale	18,218,416	1,665,517	413,433	9.14%	2.27%	131,512	-33,118	\$6.51
Downtown	1,405,270	269,327	6,366	19.17%	0.45%	5,726	-19,631	\$7.49
Peery Park	4,772,077	914,551	407,067	19.16%	8.53%	116,586	0	\$6.54
Moffett Park	9,772,142	73,239	0	0.75%	0.00%	0	-11,318	\$5.72
The Woods	186,213	154,181	0	82.80%	0.00%	0	0	\$6.77
Oakmead	1,485,838	235,866	0	15.87%	0.00%	5,600	-2,169	\$5.20
South Central	596,876	18,353	0	3.07%	0.00%	3,600	0	\$4.35
Silicon Valley	90,234,909	14,170,182	3,957,349	15.70%	4.39%	3,049,779*	1,754,565*	\$5.04

*Google and LinkedIn's newly completed projects in Mountain View's South Middlefield submarket added nearly 1.15 MSF to the gross and net absorption figures. Without both projects, gross and net absorption would be 904,779 SF and negative 390,435 SF, respectively.

Class A City Statistics

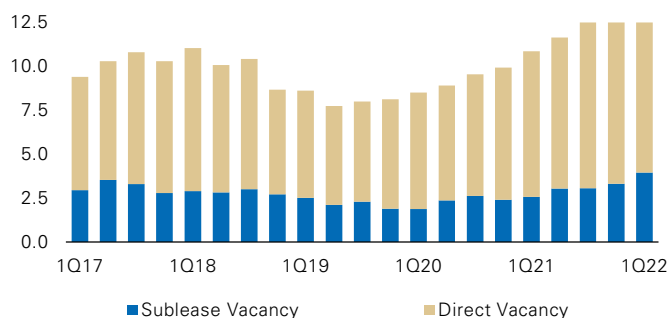
	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Sublease Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Campbell	1,063,275	334,213	86,719	31.43%	8.16%	13,690	9,930	\$4.65
Cupertino	6,284,999	279,199	18,688	4.44%	0.30%	2,017	2,017	\$6.68
Los Gatos	797,110	19,278	0	2.42%	0.00%	3,337	3,337	\$3.95
Milpitas	392,657	74,133	0	18.88%	0.00%	6,242	6,333	\$2.50
Mountain View	8,662,114	1,002,352	337,704	11.57%	3.90%	2,208,511	1,945,596	\$8.53
San Jose	20,180,990	3,718,256	1,145,094	18.42%	5.67%	140,904	-79,981	\$4.98
Santa Clara	11,959,789	3,686,233	1,578,444	30.82%	13.20%	327,952	58,168	\$4.94
Saratoga	100,529	33,350	10,708	33.17%	10.65%	0	0	\$4.77
Sunnyvale	17,053,995	1,536,752	413,433	9.01%	2.42%	122,312	-16,949	\$6.63
Silicon Valley	66,495,486	10,683,766	3,590,790	16.07%	5.40%	2,824,965	1,928,451	\$5.41

Class B City Statistics

	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Sublease Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Campbell	974,069	180,131	21,594	18.49%	2.22%	4,404	-19,011	\$4.13
Cupertino	811,424	92,071	9,729	11.35%	1.20%	3,946	-6,481	\$4.75
Los Gatos	958,770	61,169	22,065	6.68%	2.30%	3,271	-3,503	\$4.29
Milpitas	443,825	32,942	0	7.42%	0.00%	0	0	\$3.65
Mountain View	2,292,653	211,757	20,398	9.24%	0.89%	64,758	593	\$5.89
San Jose	8,961,872	1,389,618	116,096	15.51%	1.30%	104,308	-93,845	\$3.80
Santa Clara	3,500,702	1,098,056	157,345	31.37%	4.49%	25,696	-21,415	\$3.22
Saratoga	180,388	8,773	3,795	4.86%	2.10%	3,654	3,654	\$3.44
Sunnyvale	906,113	106,862	0	11.79%	0.00%	3,600	-14,009	\$4.50
Silicon Valley	19,029,816	3,181,379	351,022	16.72%	1.84%	213,637	-154,017	\$3.83

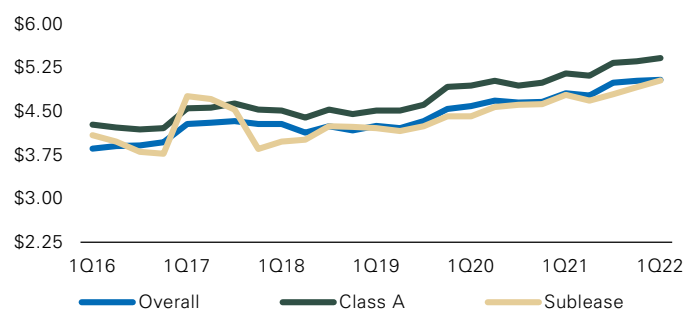
Vacancy Breakdown

SQUARE FEET, MILLIONS



Asking Rents

WEIGHTED, FULL SERVICE, MONTHLY



Historical Vacancy Rates								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	10.10%	10.86%	11.28%	12.19%	12.94%	14.18%	14.96%	15.70%
Campbell	15.17%	17.08%	18.21%	19.29%	19.13%	20.57%	22.52%	22.02%
Cupertino	4.82%	5.55%	5.75%	5.33%	5.41%	5.14%	5.22%	5.24%
Los Gatos	6.98%	7.23%	7.31%	7.17%	4.06%	4.28%	4.14%	4.13%
Milpitas	6.47%	8.39%	9.07%	9.71%	9.43%	9.60%	9.60%	10.19%
Mountain View	9.85%	10.13%	8.17%	10.46%	8.65%	10.35%	11.46%	11.08%
San Jose	10.10%	10.59%	10.79%	12.18%	12.42%	13.08%	15.77%	16.73%
Santa Clara	17.44%	19.38%	20.31%	21.29%	22.89%	27.57%	28.11%	30.06%
Saratoga	7.51%	8.92%	11.35%	9.98%	10.82%	13.03%	15.60%	15.67%
Sunnyvale	5.79%	6.05%	7.56%	7.65%	10.80%	10.37%	8.35%	9.14%

Historical Full Service Asking Rents								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	\$4.68	\$4.65	\$4.66	\$4.81	\$4.77	\$4.99	\$5.02	\$5.04
Campbell	\$4.41	\$4.46	\$4.36	\$4.38	\$4.42	\$4.45	\$4.43	\$4.42
Cupertino	\$6.23	\$6.25	\$6.17	\$6.22	\$6.19	\$6.13	\$6.12	\$6.15
Los Gatos	\$5.98	\$5.81	\$5.64	\$5.68	\$4.01	\$4.24	\$4.22	\$4.22
Milpitas	\$3.12	\$2.90	\$2.89	\$2.74	\$2.79	\$2.81	\$2.81	\$2.85
Mountain View	\$6.36	\$6.67	\$6.93	\$7.01	\$7.04	\$7.65	\$7.90	\$7.87
San Jose	\$4.03	\$4.06	\$4.05	\$4.32	\$4.30	\$4.37	\$4.66	\$4.65
Santa Clara	\$4.30	\$4.26	\$4.22	\$4.21	\$4.37	\$4.55	\$4.55	\$4.58
Saratoga	\$4.45	\$4.40	\$4.37	\$4.53	\$4.40	\$4.17	\$4.15	\$4.18
Sunnyvale	\$5.95	\$5.99	\$6.28	\$6.32	\$6.31	\$6.50	\$6.46	\$6.51

Historical Net Absorption								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	-825,962	-1,015,569	-364,215	-630,456	-725,039	-215,467	464,767	1,754,565
Campbell	-95,942	-59,502	-28,180	-29,802	-11,748	-52,061	-32,497	-9,081
Cupertino	-32,314	-71,792	-14,379	16,441	-319	18,626	4,125	-9,056
Los Gatos	-7,583	-8,282	-1,837	1,787	-3,538	-5,860	-15,928	-2,357
Milpitas	-13,628	-33,247	-7,717	-7,409	3,875	-3,047	0	4,943
Mountain View	-219,194	-44,603	109,623	-204,530	37,743	-277,721	-117,139	1,946,189
San Jose	-130,680	-253,811	-105,891	-229,943	-107,973	66,269	-56,137	-185,498
Santa Clara	-77,151	-489,992	-214,797	-159,146	-209,132	-19,462	-166,210	38,889
Saratoga	0	-5,175	-5,685	0	-3,109	-7,730	-9,487	3,654
Sunnyvale	-249,470	-49,165	-95,352	-17,854	-430,838	65,519	858,040	-33,118
Historical Gross Absorption								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	637,987	499,565	552,190	319,483	1,834,893	1,146,620	1,540,051	3,049,779
Campbell	26,230	33,192	14,391	41,751	27,349	63,232	25,895	18,094
Cupertino	43,354	17,327	28,612	71,128	12,923	58,200	8,943	5,963
Los Gatos	0	15,771	32,646	23,114	5,288	21,097	2,455	6,608
Milpitas	3,286	6,561	2,307	1,358	20,591	14,015	0	6,242
Mountain View	60,991	31,629	186,013	19,986	127,465	95,229	62,488	2,273,269
San Jose	253,219	251,402	198,376	104,647	578,672	332,761	357,170	250,789
Santa Clara	221,129	121,609	83,089	48,424	320,863	385,711	143,574	353,648
Saratoga	0	19,529	397	0	791	4,101	4,101	3,654
Sunnyvale	29,778	2,545	6,359	9,075	740,951	233,830	935,425	131,512

For more information:

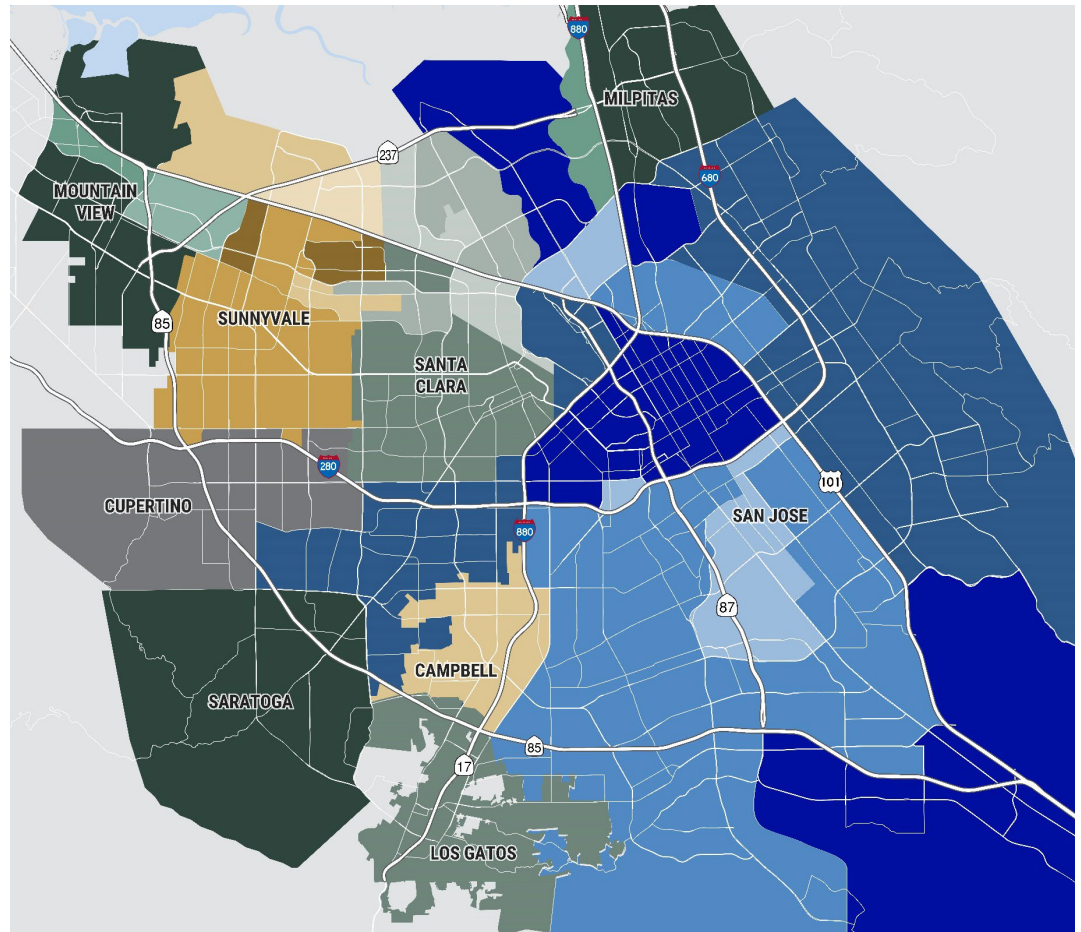
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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