



Silicon Valley Office Market

Tech Leasing Drives The Market

Market Overview

Net absorption for the Silicon Valley office market finished the quarter at positive 68,870 square feet. This is the third quarter in a row the market has finished with positive net absorption. For comparison, net absorption in the second quarter of 2021 was negative 725,039 square feet. Akin to the past several quarters, the leasing activity of major technology companies continued to bolster the market. Gross absorption for the Silicon Valley office market was 2,313,318 square feet, which represents a 26% increase in leasing activity compared to the second quarter of 2021. The flight to quality continued as 82% of leased square footage during the quarter was Class A space.

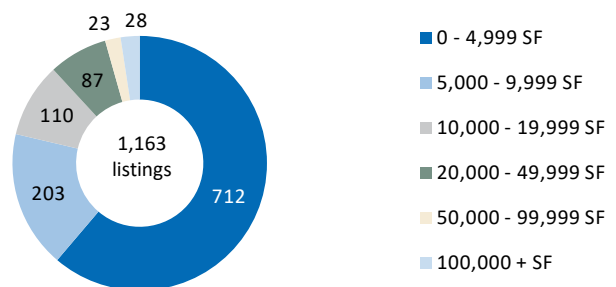
Office vacancy for Silicon Valley during the quarter was 14.85%. This represents a quarter-over-quarter decrease of 85 basis points; however, it is still up 191 basis points compared to the second quarter of 2021. San Jose and Santa Clara accounted for most of this figure, with over 70% of total vacant square feet in Silicon Valley coming from those two cities alone. The average asking rate for Silicon Valley is \$5.05/SF. This represents a \$0.01/SF quarter-over-quarter increase, a \$0.28/SF increase compared to the second quarter of 2021 and is the fifth quarter in a row that rates have increased.

Market Summary

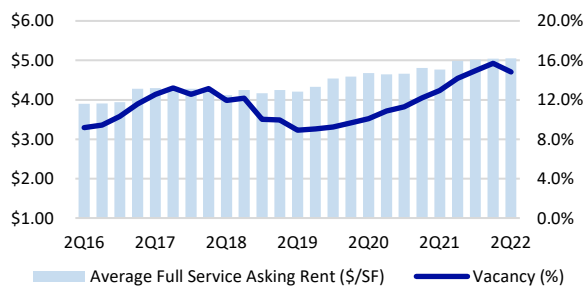
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Inventory	90.2M SF	90.2M SF	90.1M SF	↑
Vacancy Rate	14.8%	15.7%	12.9%	↓
Qtr Net Absorption	68.8K SF	1.75M SF	-725K SF	↓
Avg FS Asking Rent	\$5.05/SF	\$5.04/SF	\$4.77/SF	↑
Under Construction	1.8M SF	1.8M SF	8.3M SF	↓

Market Analysis

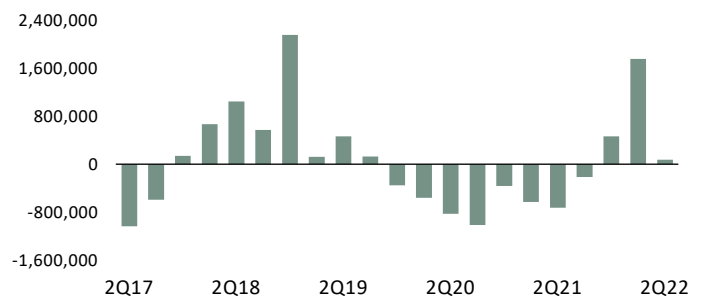
LEASE VACANCY BREAKDOWN



Asking Rent and Vacancy Rate



Net Absorption



RESEARCH 2Q 2022

Submarket Breakdown

Sunnyvale had the greatest net absorption during the quarter with positive 531,831 square feet, while San Jose had the lowest with negative 345,013 square feet. In the 10 quarters since the start of 2020, San Jose has had just one quarter with positive net absorption the third quarter of 2021. Santa Clara had, by far, the greatest gross absorption with 931,003 square feet, largely due to the Pure Storage (332,529 square feet) and Applied Materials (245,830 square feet) subleases. Los Gatos, Cupertino and Sunnyvale had the lowest vacancy rates during the quarter with 4.32%, 5.30% and 6.20%, respectively. Santa Clara and Campbell had the highest vacancy rates with 28.42% and 22.76%, respectively. Mountain View and Milpitas continued to have the highest and lowest asking rates during the quarter with rates of \$7.87/SF and \$2.89/SF, respectively. The largest decrease in asking rates occurred in Sunnyvale, where rates dropped \$0.23/SF from \$6.51/SF to \$6.28/SF. The largest increase in asking rates occurred in San Jose where rates grew by \$0.12/SF from \$4.65/SF to \$4.77/SF.

Significant Transactions

Overall, leasing activity in the Silicon Valley office market was strong during the quarter, with the total number of lease transactions increasing by nearly 65% quarter-over-quarter. Lease transactions greater than 10,000 square feet also increased quarter-over-quarter from roughly 10% of all office transactions in the first quarter of 2022 to just over 16% in the second quarter of 2022. Furthermore, the average transaction size for office leases during the quarter was 11,736 square feet compared to an average of 6,526 square feet in the first quarter of 2022.

Three of the five largest office leases signed during the quarter were subleases. A confidential technology company leased 382,484 square feet at 625-655 Mathilda Ave. in Sunnyvale's Peery Park submarket. In Santa Clara, Pure Storage subleased 332,529 square feet across two buildings at 2555 and 2565 Augustine Dr. At 3333 Scott Blvd. in Santa Clara, Applied Materials subleased 245,830 square feet. Waymo also signed a sublease during the quarter for 170,825 square feet at 690 Middlefield Rd. in Mountain View. At 675 Almanor Ave. in Sunnyvale, Synopsys leased 150,651 square feet on a direct basis.

The Silicon Valley office investment sales market only saw three sales over 10,000 square feet during the quarter. The largest, by far, was Commonwealth Partners' purchase of Moffett Green in Sunnyvale. The 719,037-square-foot property, located at 1275-1395 Crossman Ave., sold for an \$867,500,000 (\$1,206/SF). In Sunnyvale's Peery Park submarket, PSAI Realty Partners purchased 32,500 square feet at 348 Potrero Ave. for over \$19.8 million (\$610/SF). In Downtown Mountain View, Sand Hill Property Company purchased 10,942 square feet for \$14.0 million (\$1,279/SF) at 707 California St.

In the first half of 2022, the Silicon Valley office market saw signs of recovery with positive net absorption, increased leasing activity and decreasing vacancy rates. There is now uncertainty in the market due to climbing COVID-19 cases, slowed hiring, layoffs, increased interest rates and increasing inflation, resulting in the lowest tenant demand since the first quarter of 2021.

Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Confidential	625-655 Mathilda Avenue	Sunnyvale - Peery Park	Direct Lease	382,484
Pure Storage	2555-2565 Augustine Drive	Santa Clara - Central Expy North	Sublease	332,529
Applied Materials	3333 Scott Blvd	Santa Clara - Central Expy North	Sublease	245,830
Waymo	690 Middlefield Road	Mountain View - South Middlefield	Sublease	170,825
Synopsys	675 Almanor Avenue	Sunnyvale - The Peery Park	Direct Lease	150,651

Select Investment/User Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
1275-1395 Crossman Ave	Sunnyvale - Moffett Park	\$867,500,000	\$1,206/SF	719,037
348 Potrero Ave	Sunnyvale - Peery Park	\$19,825,000	\$610/SF	32,500
707 California Street	Mountain View - Downtown	\$14,000,000	\$1,279/SF	10,942

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	550,210	96,977	22.76%	4.01%	77,927	4,413	\$4.41
Cupertino	7,367,698	390,248	34,188	5.30%	0.46%	34,120	-2,785	\$6.07
Los Gatos	2,114,800	91,351	16,406	4.32%	0.78%	38,345	365	\$4.13
Milpitas	1,050,426	94,464	0	8.99%	0.00%	16,345	9,500	\$2.89
East 880	889,137	57,052	0	6.42%	0.00%	15,503	8,658	\$3.12
Oak Creek	161,289	37,412	0	23.20%	0.00%	842	842	\$2.52
Mountain View	11,004,106	1,373,034	594,604	12.48%	5.40%	221,365	-167,487	\$7.87
Central	431,490	87,077	12,517	20.18%	2.90%	8,060	-4,457	\$6.11
Downtown	1,665,822	478,675	285,325	28.74%	17.13%	35,925	-115,071	\$9.28
Shoreline	2,927,692	21,651	0	0.74%	0.00%	1,760	0	\$6.11
Middlefield	4,509,431	377,432	17,100	8.37%	0.38%	170,825	-19,240	\$7.02
El Camino Corridor	1,469,671	408,199	128,537	27.77%	19.03%	4,795	-28,719	\$6.97
San Jose	31,716,131	5,163,995	1,121,113	16.28%	3.53%	353,046	-345,013	\$4.77
North	7,937,397	532,199	113,116	6.70%	1.43%	76,750	63,955	\$4.98
Trimble South	2,838,555	393,271	14,806	13.85%	0.52%	22,755	-24,547	\$4.13
Int'l Business Park	624,787	5,978	0	0.96%	0.00%	2,080	-5,978	\$2.71
Downtown	10,279,327	1,917,182	223,236	18.65%	2.17%	143,820	-77,586	\$4.59
Airport	5,181,693	1,685,572	733,460	32.53%	14.15%	70,009	-288,000	\$4.82
South	516,203	50,159	15,600	9.72%	3.02%	0	-15,600	\$2.73
West	4,338,169	579,634	20,895	13.36%	0.48%	37,632	2,743	\$5.75
Santa Clara	16,019,101	4,552,283	1,442,461	28.42%	9.00%	931,003	38,756	\$4.59
Downtown	1,008,819	71,185	6,088	7.06%	0.60%	4,953	-2,430	\$3.12
Central Expy N	4,147,755	532,165	343,699	12.83%	8.29%	613,927	275,152	\$4.96
Marriott Park	7,985,333	3,256,808	1,092,674	40.78%	13.68%	255,211	-239,297	\$4.69
101 North	1,084,912	485,089	0	44.71%	0.00%	10,416	7,796	\$2.82
101 South	1,423,783	12,000	0	0.84%	0.00%	0	0	\$4.25
Central Expy S	368,499	195,036	0	52.93%	0.00%	7,724	-2,465	\$5.67
Saratoga	344,467	56,251	14,503	16.33%	4.21%	40,692	-710	\$4.19
Sunnyvale	18,218,416	1,129,833	424,752	6.20%	2.33%	600,475	531,831	\$6.28
Downtown	1,405,270	261,290	6,366	18.59%	0.45%	8,024	6,239	\$7.64
Peery Park	4,772,077	532,067	407,067	11.15%	8.53%	591,275	533,135	\$6.24
Moffett Park	9,772,142	77,440	11,319	0.79%	0.12%	0	-4,200	\$5.52
The Woods	186,213	1,280	0	0.69%	0.00%	0	0	\$3.25
Oakmead	1,485,838	240,954	0	16.22%	0.00%	0	-3,343	\$5.21
South Central	596,876	16,802	0	2.81%	0.00%	0	0	\$4.67
Silicon Valley	90,252,105	13,401,669	3,745,004	14.85%	4.15%	2,313,318	68,870	\$5.05

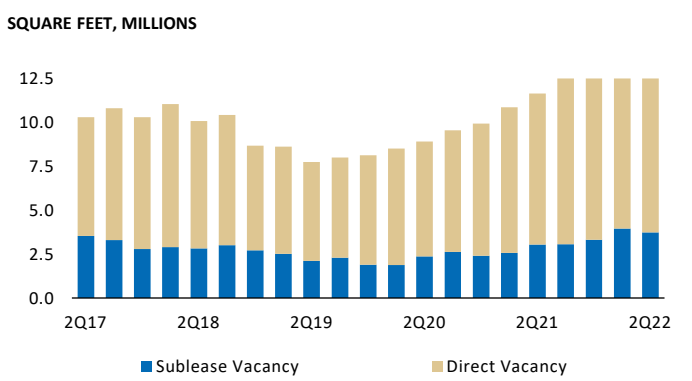
Class A City Statistics

	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	328,211	75,383	30.87%	7.09%	51,979	13,818	\$4.63
Cupertino	6,284,999	276,404	18,688	4.40%	0.30%	21,493	8,905	\$6.58
Los Gatos	797,110	15,766	0	1.98%	0.00%	18,669	0	\$3.99
Milpitas	392,657	64,724	0	16.48%	0.00%	16,345	9,500	\$2.51
Mountain View	8,662,114	1,109,137	531,564	0.00%	0.00%	201,282	-134,138	\$8.73
San Jose	20,180,990	3,851,032	989,376	19.08%	4.90%	162,846	-280,282	\$5.12
Santa Clara	11,959,789	3,344,624	1,221,339	27.97%	10.21%	1,014,604	150,038	\$5.01
Saratoga	100,529	33,350	10,708	33.17%	10.65%	38,772	0	\$4.77
Sunnyvale	17,053,995	1,003,618	424,752	5.88%	2.49%	591,275	533,135	\$6.45
Silicon Valley	66,495,458	10,026,866	3,271,810	15.08%	4.92%	1,915,983	300,976	\$5.47

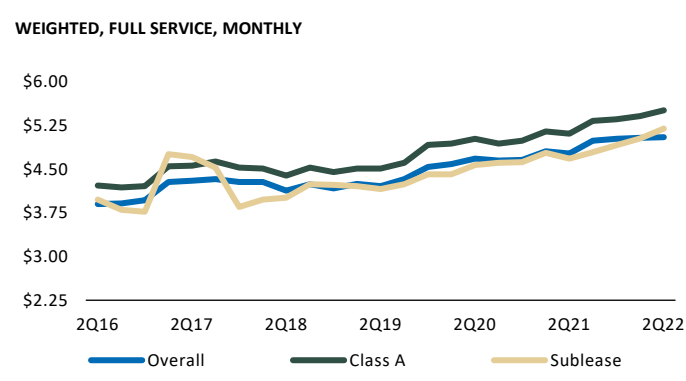
Class B City Statistics

	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	204,214	21,594	20.97%	2.22%	25,948	-9,405	\$4.17
Cupertino	811,424	103,614	12,112	12.77%	1.49%	12,627	-11,690	\$4.68
Los Gatos	958,770	67,699	15,405	7.06%	1.61%	18,669	1,037	\$4.16
Milpitas	443,825	28,350	0	6.39%	0.00%	0	0	\$3.65
Mountain View	2,292,653	231,915	63,040	0.00%	0.00%	20,083	-28,889	\$5.84
San Jose	8,977,645	1,177,814	127,005	13.12%	1.41%	162,058	-71,896	\$3.84
Santa Clara	3,502,125	1,181,999	215,034	33.75%	6.14%	121,029	-111,282	\$3.39
Saratoga	180,388	8,069	3,795	4.47%	2.10%	1,380	0	\$3.64
Sunnyvale	906,113	111,035	0	12.25%	0.00%	8,024	-1,304	\$4.32
Silicon Valley	19,047,012	3,114,709	457,985	16.35%	2.40%	369,818	-233,429	\$3.85

Vacancy Breakdown



Asking Rents



Historical Vacancy Rates								
	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Silicon Valley	10.86%	11.28%	12.19%	12.94%	14.18%	14.96%	15.70%	14.85%
Campbell	17.08%	18.21%	19.29%	19.13%	20.57%	22.52%	22.02%	22.76%
Cupertino	5.55%	5.75%	5.33%	5.41%	5.14%	5.22%	5.24%	5.30%
Los Gatos	7.23%	7.31%	7.17%	4.06%	4.28%	4.14%	4.13%	4.32%
Milpitas	8.39%	9.07%	9.71%	9.43%	9.60%	9.60%	10.19%	8.99%
Mountain View	10.13%	8.17%	10.46%	8.65%	10.35%	11.46%	11.08%	12.48%
San Jose	10.59%	10.79%	12.18%	12.42%	13.08%	15.77%	16.73%	16.28%
Santa Clara	19.38%	20.31%	21.29%	22.89%	27.57%	28.11%	30.06%	28.42%
Saratoga	8.92%	11.35%	9.98%	10.82%	13.03%	15.60%	15.67%	16.33%
Sunnyvale	6.05%	7.56%	7.65%	10.80%	10.37%	8.35%	9.14%	6.20%

Historical Full Service Asking Rents								
	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Silicon Valley	\$4.65	\$4.66	\$4.81	\$4.77	\$4.99	\$5.02	\$5.04	\$5.05
Campbell	\$4.46	\$4.36	\$4.38	\$4.42	\$4.45	\$4.43	\$4.42	\$4.41
Cupertino	\$6.25	\$6.17	\$6.22	\$6.19	\$6.13	\$6.12	\$6.15	\$6.07
Los Gatos	\$5.81	\$5.64	\$5.68	\$4.01	\$4.24	\$4.22	\$4.22	\$4.13
Milpitas	\$2.90	\$2.89	\$2.74	\$2.79	\$2.81	\$2.81	\$2.85	\$2.89
Mountain View	\$6.67	\$6.93	\$7.01	\$7.04	\$7.65	\$7.90	\$7.87	\$7.87
San Jose	\$4.06	\$4.05	\$4.32	\$4.30	\$4.37	\$4.66	\$4.65	\$4.77
Santa Clara	\$4.26	\$4.22	\$4.21	\$4.37	\$4.55	\$4.55	\$4.58	\$4.59
Saratoga	\$4.40	\$4.37	\$4.53	\$4.40	\$4.17	\$4.15	\$4.18	\$4.19
Sunnyvale	\$5.99	\$6.28	\$6.32	\$6.31	\$6.50	\$6.46	\$6.51	\$6.28

Historical Net Absorption								
	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Silicon Valley	-1,015,569	-364,215	-630,456	-725,039	-215,467	464,767	1,754,565	68,870
Campbell	-59,502	-28,180	-29,802	-11,748	-52,061	-32,497	-9,081	4,413
Cupertino	-71,792	-14,379	16,441	-319	18,626	4,125	-9,056	-2,785
Los Gatos	-8,282	-1,837	1,787	-3,538	-5,860	-15,928	-2,357	365
Milpitas	-33,247	-7,717	-7,409	3,875	-3,047	0	4,943	9,500
Mountain View	-44,603	109,623	-204,530	37,743	-277,721	-117,139	1,946,189	-167,487
San Jose	-253,811	-105,891	-229,943	-107,973	66,269	-56,137	-185,498	-345,013
Santa Clara	-489,992	-214,797	-159,146	-209,132	-19,462	-166,210	38,889	38,756
Saratoga	-5,175	-5,685	0	-3,109	-7,730	-9,487	3,654	-710
Sunnyvale	-49,165	-95,352	-17,854	-430,838	65,519	858,040	-33,118	531,831

Historical Gross Absorption								
	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Silicon Valley	499,565	552,190	319,483	1,834,893	1,146,620	1,540,051	3,049,779	2,313,318
Campbell	33,192	14,391	41,751	27,349	63,232	25,895	18,094	77,927
Cupertino	17,327	28,612	71,128	12,923	58,200	8,943	5,963	34,120
Los Gatos	15,771	32,646	23,114	5,288	21,097	2,455	6,608	38,345
Milpitas	6,561	2,307	1,358	20,591	14,015	0	6,242	16,345
Mountain View	31,629	186,013	19,986	127,465	95,229	62,488	2,273,269	221,365
San Jose	251,402	198,376	104,647	578,672	332,761	357,170	250,789	353,046
Santa Clara	121,609	83,089	48,424	320,863	385,711	143,574	353,648	931,003
Saratoga	19,529	397	0	791	4,101	4,101	3,654	40,692
Sunnyvale	2,545	6,359	9,075	740,951	233,830	935,425	131,512	600,475

For more information:

Newmark

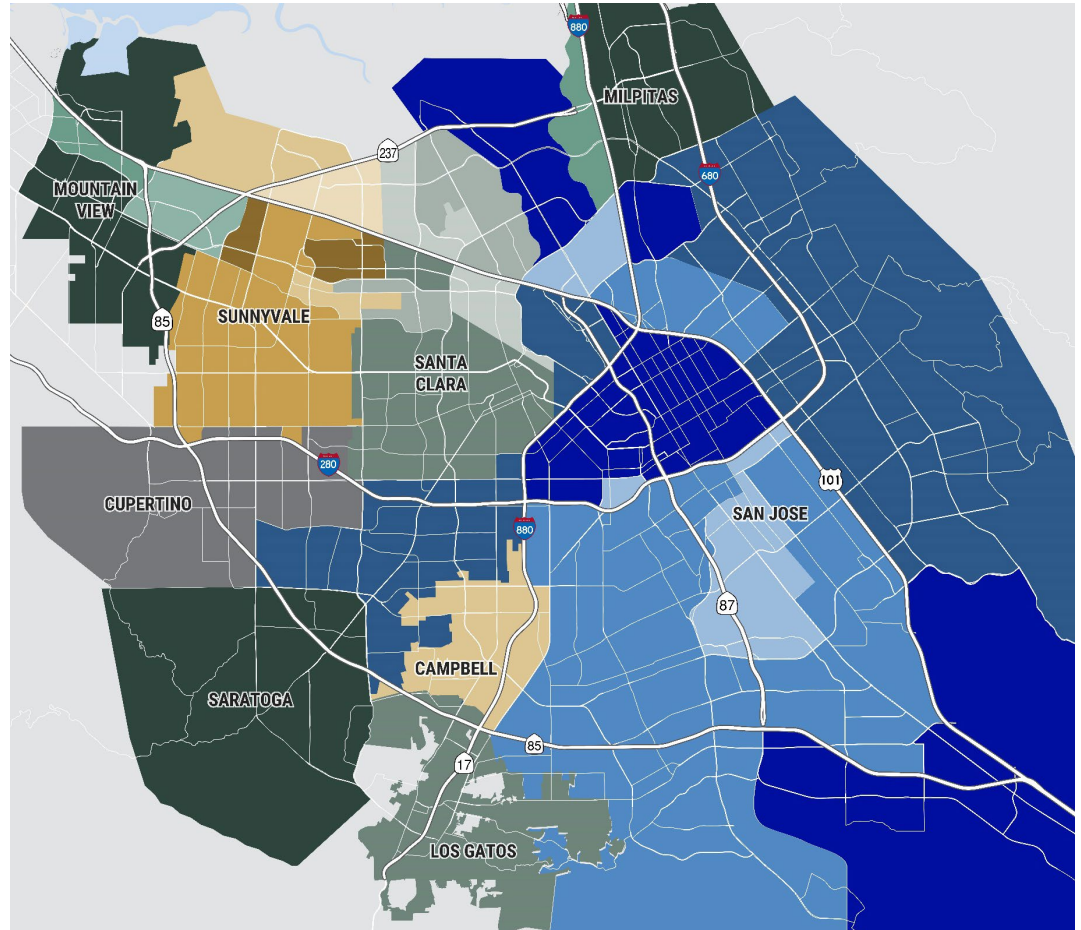
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