



Silicon Valley Office Market

Net Absorption Negative For The Quarter, Still Positive Year-To-Date

Market Overview

Net absorption for the Silicon Valley office market finished the quarter with negative 1,186,294 square feet. This is the first quarter net absorption has surpassed negative 1 million square feet since the third quarter of 2020. Gross absorption for the Silicon Valley office market increased by 12% quarter-over-quarter from 2.3 million square feet to 2,600,365 square feet. Total gross absorption year-to-date for 2022 is currently 62.0% higher than all of 2021 combined. The first three quarters of 2022 also represent the best three-quarter stretch of gross absorption since the last three quarters of 2019. The flight to quality continued as 86.0% of leased square footage during the quarter was Class A space.

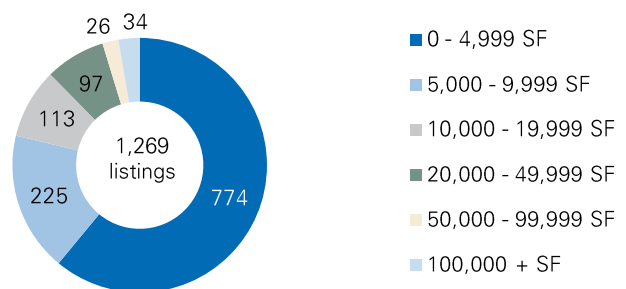
The overall vacancy rate for the Silicon Valley office market increased by 21 basis points quarter-over-quarter from 14.9% to 15.1%. However, the overall vacancy rate is still down 64 basis points, compared with the first quarter of 2022. The average overall asking rate for the Silicon Valley office market decreased by \$0.08/SF quarter-over-quarter to \$4.97/SF. This is the first time asking rates decreased quarter-over-quarter since the second quarter of 2021. An average asking rate of \$4.97/SF also represents a \$0.02/SF decrease compared to the third quarter of 2021.

Market Summary

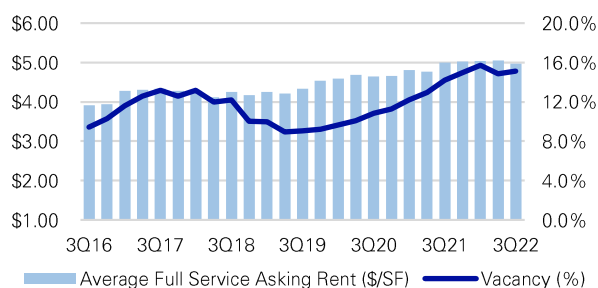
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Inventory	90.3M SF	90.2M SF	88.9M SF	↑
Vacancy Rate	15.1%	14.8%	14.2%	↑
Qtr Net Absorption	-1.2M SF	68.8K SF	-215K SF	↓
Avg FS Asking Rent	\$4.97/SF	\$5.05/SF	\$4.99/SF	↓
Under Construction	4.9M SF	1.8M SF	8.4M SF	↑

Market Analysis

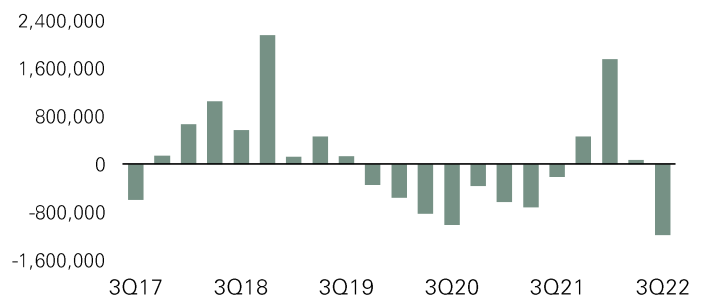
LEASE VACANCY BREAKDOWN



Asking Rent and Vacancy Rate



Net Absorption



RESEARCH 3Q 2022

Submarket Breakdown

San Jose had the most negative net absorption during the quarter with negative 364,837 square feet. This was largely due to three direct listings totaling 609,439 square feet coming available during the quarter. Cupertino was the only city to have positive net absorption during the quarter, with positive 956 square feet. San Jose and Santa Clara had the highest level of gross absorption during the quarter, both on a total square footage and percent-of-inventory basis, as 1,378,945 square feet (4.0% of submarket inventory) and 979,676 square feet was leased (6.0% of submarket inventory), respectively, in those cities. Campbell and Santa Clara had the highest vacancy rates during the quarter, with 30.5% and 28.3%, respectively. Campbell also had the greatest quarter-over-quarter change in vacancy, increasing 843 basis points. This increase was largely due to a 177,815 square-foot sublease availability that came available during the quarter. Mountain View and Cupertino saw the largest quarter-over-quarter changes in asking rates, increasing by \$0.25/SF to \$8.13/SF and decreasing by \$0.61/SF to \$5.54/SF, respectively. As in previous quarters, Mountain View and Milpitas continued to have the highest and lowest average asking rents with \$8.13/SF and \$2.89/SF, respectively.

Significant Transactions

Quarter over quarter, the total number of lease transactions in the Silicon Valley office market decreased by nearly 23.0%; however, lease transactions greater than 10,000 square feet increased quarter over quarter from roughly 16.0% of all office transactions in the second quarter of 2022 to just over 20.0% in the third quarter of 2022. Furthermore, the average transaction size for

office leases during the quarter was 15,895 square feet compared to an average of 11,736 square feet in the second quarter of 2022.

All five of the largest leases during the quarter occurred in San Jose or Santa Clara. In San Jose's Airport submarket, ByteDance subleased 657,934 square feet at 1199 Coleman Ave. Nutanix renewed its lease for 215,857 square feet at 1740 Technology Dr. in San Jose's Airport submarket. The other three significant lease transactions all occurred in Santa Clara's Central Expressway submarket. At 3303 Scott Blvd., Blue River Technology subleased 83,590 square feet. Advanced Micro Devices expanded its lease by 62,500 square feet at 2755 Augustine Dr. Also on Augustine Dr., SiFive subleased 45,657 square feet at 2625 Augustine Dr.

The Silicon Valley office sales market saw four investment sales over 10,000 square feet during the quarter. The largest, by far, was DPR Construction's purchase of 124,000 square feet at 5201 Patrick Henry Dr. in Santa Clara's Marriot Park submarket for \$49.4 million, or \$398/SF. An 87,656-square-foot property located at 385 Moffett Park Dr. was sold to Ellis Partners for \$28.0 million, or \$319/SF, in Sunnyvale's Moffett Park submarket. In North San Jose, Blackstone acquired 14,556 square feet at 800 Charcot Ave. for \$7.4 million, or \$506/SF. In Downtown San Jose, a private investor purchased 12,000 square feet for \$5.3 million, or \$445/SF, at 380 N. 1st St.

After a positive first half of 2022, the Silicon Valley office market is beginning to feel the effects caused by uncertainty in the greater macroeconomic environment. Recession fears and rising interest rates have caused hiring freezes, layoffs, delayed expansion plans and increased sublease space to come onto the market.

Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
ByteDance	1199 Coleman Ave	San Jose - Airport	Sublease	657,934
Nutanix	1740 Technology Dr	San Jose - Airport	Lease Renewal	215,857
Blue River Technology	3303 Scott Blvd	Santa Clara - Central Expy North	Sublease	83,590
Advanced Micro Devices Inc	2755 Augustine Dr	Santa Clara - Central Expy North	Lease Expansion	62,500
SiFive	2625 Augustine Dr	Santa Clara - Central Expy North	Sublease	45,657

Select Investment/User Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
5201 Patrick Henry Dr	Santa Clara-Marriot Park	\$49,370,000	\$398/SF	124,000
385 Moffett Park Dr	Sunnyvale-Moffett Park	\$28,000,000	\$319/SF	87,656
800 Charcot Ave	San Jose-North	\$7,360,000	\$506/SF	14,556
380 N 1st St	San Jose-Downtown	\$5,340,000	\$445/SF	12,000

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	2,428,287	739,499	265,974	30.45%	10.95%	62,727	-217,566	\$4.36
Cupertino	7,367,698	385,117	27,704	5.23%	0.38%	17,008	956	\$5.54
Los Gatos	2,074,800	242,896	180,577	11.71%	8.70%	26,509	-163,005	\$4.14
Milpitas	1,050,426	97,435	0	9.28%	0.00%	6,358	-1,571	\$2.89
East 880	889,137	60,023	0	6.75%	0.00%	6,358	-1,571	\$3.11
Oak Creek	161,289	37,412	0	23.20%	0.00%	0	0	\$2.52
Mountain View	11,004,148	1,575,227	762,880	14.31%	6.93%	120,704	-205,826	\$8.13
Central	426,490	81,133	12,517	19.02%	2.93%	5,944	5,944	\$6.09
Downtown	1,665,822	453,433	197,503	27.22%	11.86%	41,159	11,633	\$9.51
Shoreline	2,927,692	21,651	0	0.74%	0.00%	0	0	\$6.09
Middlefield	4,509,431	347,617	10,040	7.71%	0.22%	46,795	36,755	\$6.88
El Camino Corridor	1,474,713	671,393	128,573	45.53%	36.81%	26,806	-260,158	\$7.02
San Jose	31,799,766	4,936,022	458,882	15.52%	1.44%	1,378,945	-364,837	\$4.63
North	7,937,397	528,087	119,106	6.65%	1.50%	24,930	-307,440	\$4.93
Trimble South	2,838,555	415,121	14,806	14.62%	0.52%	54,942	-26,399	\$4.17
Int'l Business Park	624,787	12,698	0	2.03%	0.00%	0	-6,720	\$2.71
Downtown	10,337,628	1,933,636	163,416	18.70%	1.58%	178,351	-132,825	\$4.63
Airport	5,181,939	1,417,047	129,065	27.35%	2.49%	1,099,260	110,528	\$4.18
South	532,289	45,940	15,600	8.63%	2.93%	5,447	0	\$2.78
West	4,347,171	583,493	16,889	13.42%	0.39%	16,015	-1,981	\$5.75
Santa Clara	16,085,074	4,543,449	1,095,341	28.25%	6.81%	979,676	-182,757	\$4.53
Downtown	1,009,171	64,210	6,088	6.36%	0.60%	246,024	1,219	\$3.13
Central Expy N	4,145,376	406,936	246,850	9.82%	5.95%	564,537	76,688	\$4.74
Marriott Park	7,985,333	3,331,829	842,403	41.72%	10.55%	162,420	-134,247	\$4.71
101 North	1,084,912	502,740	0	46.34%	0.00%	1,814	-29,879	\$2.79
101 South	1,491,783	45,608	0	3.06%	0.00%	0	-33,608	\$2.95
Central Expy S	368,499	192,126	0	52.14%	0.00%	4,881	-62,930	\$5.71
Saratoga	344,467	57,499	3,795	16.69%	1.10%	0	-1,248	\$4.11
Sunnyvale	18,195,076	1,031,815	333,769	5.67%	1.83%	8,438	-50,440	\$6.26
Downtown	1,405,270	280,914	22,383	19.99%	1.59%	3,621	-49,990	\$6.76
Peery Park	4,899,388	424,937	300,067	8.67%	6.12%	0	0	\$6.61
Moffett Park	9,772,142	77,440	11,319	0.79%	0.12%	0	0	\$5.52
The Woods	35,562	1,270	0	3.57%	0.00%	0	0	\$3.30
Oakmead	1,485,838	230,452	0	15.51%	0.00%	4,817	0	\$5.22
South Central	596,876	16,802	0	2.81%	0.00%	0	-450	\$4.67
Silicon Valley	90,349,742	13,608,959	3,128,922	15.06%	3.46%	2,600,365	-1,186,294	\$4.97

Class A City Statistics

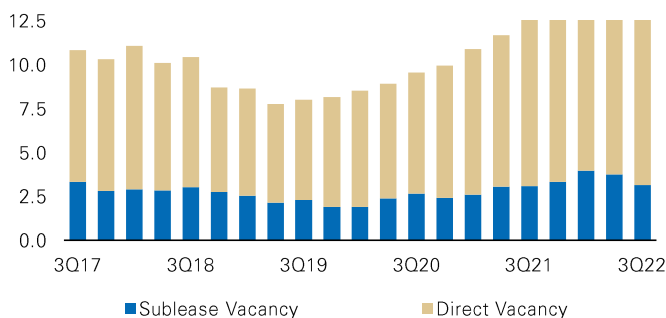
	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Sublease Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Campbell	1,074,602	505,820	256,473	47.07%	23.87%	46,077	-199,425	\$4.58
Cupertino	6,284,999	276,404	18,688	4.40%	0.30%	0	0	\$6.02
Los Gatos	797,110	178,743	167,424	22.42%	21.00%	5,564	-161,471	\$4.25
Milpitas	392,657	64,724	0	16.48%	0.00%	3,698	-1,571	\$2.51
Mountain View	8,662,156	1,361,185	699,840	0.00%	0.00%	91,329	-224,307	\$8.82
San Jose	20,261,238	3,555,420	357,232	17.55%	1.76%	1,162,745	-223,314	\$4.94
Santa Clara	11,959,789	3,243,917	854,159	27.12%	7.14%	922,791	35,137	\$5.00
Saratoga	100,529	33,350	0	33.17%	0.00%	0	0	\$4.77
Sunnyvale	17,030,655	912,505	333,769	5.36%	1.96%	0	-46,383	\$6.50
Silicon Valley	66,563,735	10,132,068	2,687,585	15.22%	4.04%	2,232,204	-821,334	\$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	215,894	9,501	22.16%	0.98%	13,800	-18,141	\$4.16
Cupertino	811,424	98,483	5,628	12.14%	0.69%	10,166	-5,886	\$4.86
Los Gatos	918,770	58,458	12,152	6.36%	1.32%	20,165	-1,234	\$4.15
Milpitas	443,825	31,321	0	7.06%	0.00%	2,660	0	\$3.62
Mountain View	2,292,653	209,246	63,040	0.00%	0.00%	29,375	18,481	\$5.45
San Jose	8,964,917	1,226,690	86,216	13.68%	0.96%	184,919	-120,414	\$3.83
Santa Clara	3,589,746	1,287,161	235,094	35.86%	6.55%	44,471	-228,494	\$3.32
Saratoga	180,388	9,317	3,795	5.16%	2.10%	0	-1,248	\$3.87
Sunnyvale	906,113	104,130	0	11.49%	0.00%	6,278	-3,607	\$4.24
Silicon Valley	19,081,905	3,240,700	415,426	16.98%	2.18%	311,834	-360,543	\$3.79

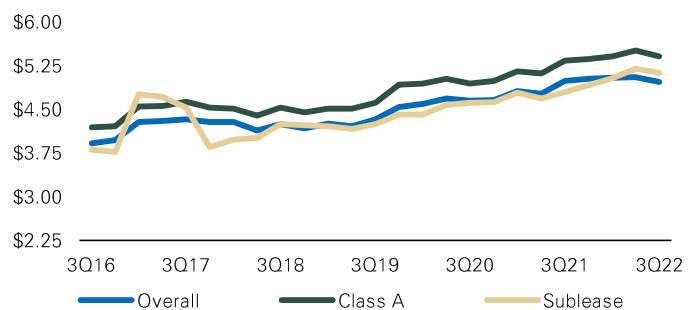
Vacancy Breakdown

SQUARE FEET, MILLIONS



Asking Rents

WEIGHTED, FULL SERVICE, MONTHLY



Historical Vacancy Rates								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	11.28%	12.19%	12.94%	14.18%	14.96%	15.70%	14.85%	15.06%
Campbell	18.21%	19.29%	19.13%	20.57%	22.52%	22.02%	22.76%	30.45%
Cupertino	5.75%	5.33%	5.41%	5.14%	5.22%	5.24%	5.30%	5.23%
Los Gatos	7.31%	7.17%	4.06%	4.28%	4.14%	4.13%	4.32%	11.71%
Milpitas	9.07%	9.71%	9.43%	9.60%	9.60%	10.19%	8.99%	9.28%
Mountain View	8.17%	10.46%	8.65%	10.35%	11.46%	11.08%	12.48%	14.31%
San Jose	10.79%	12.18%	12.42%	13.08%	15.77%	16.73%	16.28%	15.52%
Santa Clara	20.31%	21.29%	22.89%	27.57%	28.11%	30.06%	28.42%	28.25%
Saratoga	11.35%	9.98%	10.82%	13.03%	15.60%	15.67%	16.33%	16.69%
Sunnyvale	7.56%	7.65%	10.80%	10.37%	8.35%	9.14%	6.20%	5.67%

Historical Full Service Asking Rents								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	\$4.66	\$4.81	\$4.77	\$4.99	\$5.02	\$5.04	\$5.05	\$4.97
Campbell	\$4.36	\$4.38	\$4.42	\$4.45	\$4.43	\$4.42	\$4.41	\$4.36
Cupertino	\$6.17	\$6.22	\$6.19	\$6.13	\$6.12	\$6.15	\$6.07	\$5.54
Los Gatos	\$5.64	\$5.68	\$4.01	\$4.24	\$4.22	\$4.22	\$4.13	\$4.14
Milpitas	\$2.89	\$2.74	\$2.79	\$2.81	\$2.81	\$2.85	\$2.89	\$2.89
Mountain View	\$6.93	\$7.01	\$7.04	\$7.65	\$7.90	\$7.87	\$7.87	\$8.13
San Jose	\$4.05	\$4.32	\$4.30	\$4.37	\$4.66	\$4.65	\$4.77	\$4.63
Santa Clara	\$4.22	\$4.21	\$4.37	\$4.55	\$4.55	\$4.58	\$4.59	\$4.53
Saratoga	\$4.37	\$4.53	\$4.40	\$4.17	\$4.15	\$4.18	\$4.19	\$4.11
Sunnyvale	\$6.28	\$6.32	\$6.31	\$6.50	\$6.46	\$6.51	\$6.28	\$6.26

Historical Net Absorption								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	-364,215	-630,456	-725,039	-215,467	464,767	1,754,565	68,870	-1,186,294
Campbell	-28,180	-29,802	-11,748	-52,061	-32,497	-9,081	4,413	-217,566
Cupertino	-14,379	16,441	-319	18,626	4,125	-9,056	-2,785	956
Los Gatos	-1,837	1,787	-3,538	-5,860	-15,928	-2,357	365	-163,005
Milpitas	-7,717	-7,409	3,875	-3,047	0	4,943	9,500	-1,571
Mountain View	109,623	-204,530	37,743	-277,721	-117,139	1,946,189	-167,487	-205,826
San Jose	-105,891	-229,943	-107,973	66,269	-56,137	-185,498	-345,013	-364,837
Santa Clara	-214,797	-159,146	-209,132	-19,462	-166,210	38,889	38,756	-182,757
Saratoga	-5,685	0	-3,109	-7,730	-9,487	3,654	-710	-1,248
Sunnyvale	-95,352	-17,854	-430,838	65,519	858,040	-33,118	531,831	-50,440
Historical Gross Absorption								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	552,190	319,483	1,834,893	1,146,620	1,540,051	3,049,779	2,313,318	2,600,365
Campbell	14,391	41,751	27,349	63,232	25,895	18,094	77,927	62,727
Cupertino	28,612	71,128	12,923	58,200	8,943	5,963	34,120	17,008
Los Gatos	32,646	23,114	5,288	21,097	2,455	6,608	38,345	26,509
Milpitas	2,307	1,358	20,591	14,015	0	6,242	16,345	6,358
Mountain View	186,013	19,986	127,465	95,229	62,488	2,273,269	221,365	120,704
San Jose	198,376	104,647	578,672	332,761	357,170	250,789	353,046	1,378,945
Santa Clara	83,089	48,424	320,863	385,711	143,574	353,648	931,003	979,676
Saratoga	397	0	791	4,101	4,101	3,654	40,692	0
Sunnyvale	6,359	9,075	740,951	233,830	935,425	131,512	600,475	8,438

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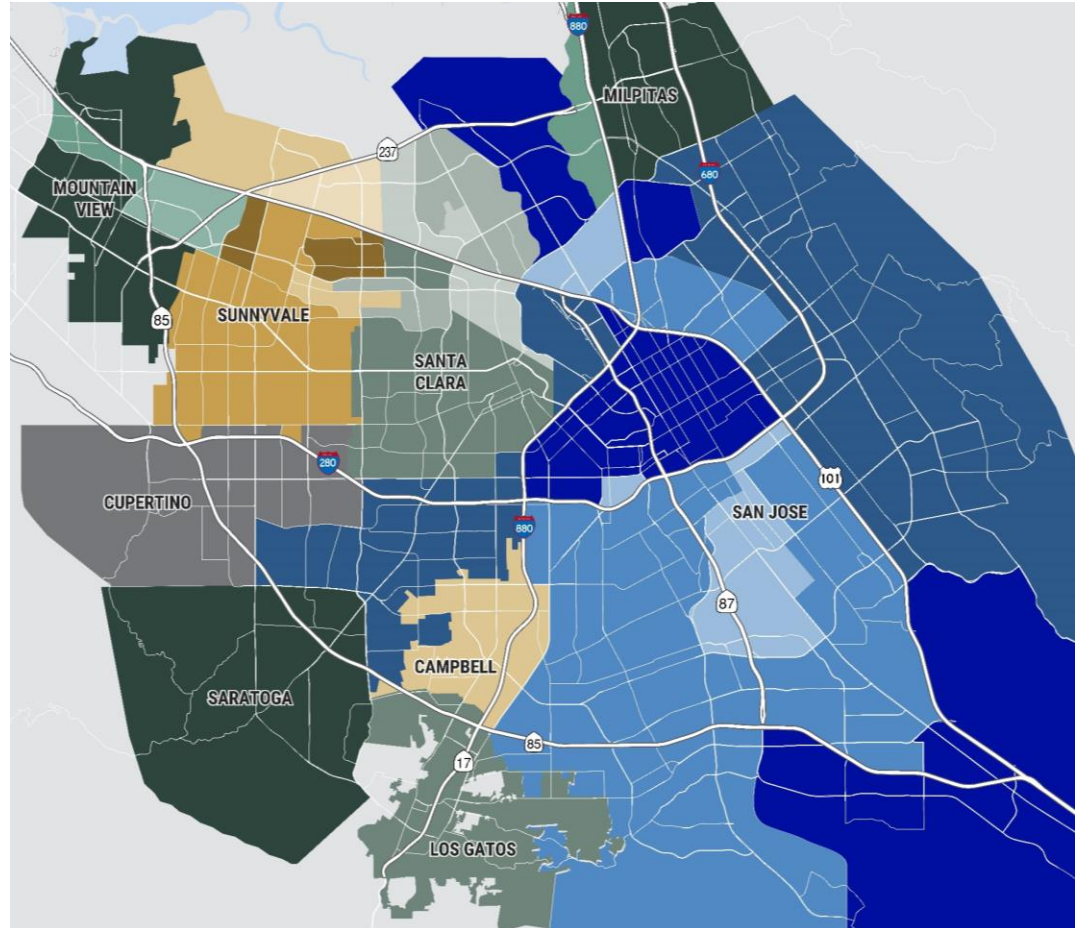
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective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

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