

# Silicon Valley Office Market

## Large Leases by Tech Giants to Close 2021

Silicon Valley's office market ended 2021 with a lot of momentum, despite the ongoing pandemic. The surge of the new variant hit late in the year, so the impact has been minimal. Once again, tech companies proved to be the strength of this market, with many significant deals to close out the year. Net absorption ended at roughly 465,000 square feet, which is positive for the first time since the third quarter of 2019. This brings the annual net absorption total to roughly negative 1.1 million square feet. Comparatively, 2020 ended negative 2.7 million square feet of net absorption. Approximately 1.6 million square feet of new office space was delivered, and 194,850 square feet were pre-leased. The remaining projects are capturing a lot of interest in the market and will most likely be leased in the near future. Gross absorption was also vigorous this quarter, ending at 1.5 million square feet, which brings the annual total to 4.9 million square feet. This is up from 2020's 3.0 million square feet. Overall sublease space increased from 3.1 million square feet to 3.3 million square feet quarter-over-quarter. Yahoo's approximate 658,000-square-foot sublease at Coleman Highline was delivered this quarter, which was the biggest cause of the sublease increase.

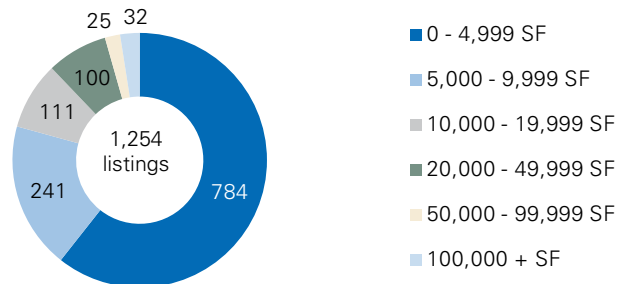
Despite the positive net absorption, overall vacancy increased to 15.0%, which is up 78 basis points since the third quarter of 2021's 14.2% and up 368 bps year-over-year from 11.3% at the end of 2020. This is mainly attributable to the 1.6 million square feet of newly delivered space, of which 1.4 million square feet was vacant. Asking rates on a monthly full-service basis increased by \$0.03/SF to \$5.02/SF, a new record high. This is an increase of \$0.36/SF from \$4.66/SF at the end of 2020. Current tracked demand is roughly 9.0 to 10.0 million square feet, which is at pre-pandemic levels. Overall, Silicon Valley will look to build off this momentum and recover from the pandemic during 2022.

### Market Summary

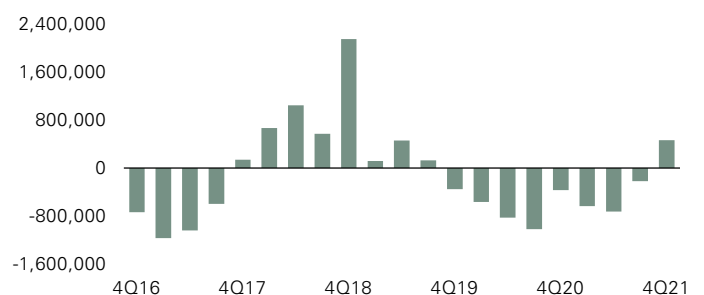
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Inventory	90.6M	89.0M	88.2M	↑
Vacancy Rate	15.0%	14.2%	11.3%	↓
Qtr Net Absorption	465K SF	-215K SF	-365K SF	↑
Avg FS Asking Rent	\$5.02/SF	\$4.99/SF	\$4.66/SF	↑
Under Construction	4.0M SF	5.6M SF	8.3M SF	↓

### Market Analysis

#### LEASE VACANCY BREAKDOWN



#### NET ABSORPTION



## RESEARCH 4Q 2021

### Submarket Breakdown

Cupertino and Sunnyvale were the only cities to post positive net absorption during the fourth quarter of 2021, with Sunnyvale bolstering the market at 858,040 square feet of positive net absorption. The Moffett Park submarket posted 592,210 square feet of positive net absorption, mainly due to Meta Platforms' 719,037-square-foot lease at Moffett Green. Sunnyvale's Peery Park posted positive 390,000 square feet, primarily due to LinkedIn leasing 194,624 square feet at 684 W. Maude Avenue, and 194,850 square feet at 465 N. Mary Avenue was delivered pre-leased to a confidential tenant. Conversely, Santa Clara was responsible for the most negative net absorption, with negative 166,210 square feet. San Jose had the largest increase in vacancy rate, which rose 269 bps to 15.8%. Sunnyvale once again had the largest decrease, dropping to 8.4% from 10.4%. Sunnyvale has remained one of the most sought-after submarkets.

Most of the cities' asking rents remained steady since last quarter, but San Jose increased more than any other submarket, going up \$0.29/SF to \$4.66/SF. Mountain View remains the most expensive submarket, at \$7.90/SF, and Milpitas offers the most economical rate, at \$2.81/SF.

### Significant Transactions

Technology companies comprised most of the top leases this quarter. Meta Platforms inked the largest deal this quarter, leasing 719,037 square feet at 1275-1395 Crossman Avenue in Sunnyvale's Moffett Park submarket. LinkedIn signed a direct lease of 194,624 square feet in Sunnyvale's Peery Park at 684 W. Maude Avenue. LinkedIn also purchased two nearby parcels of land slated for redevelopment at 810 and 870 W. Maude Avenue. In Downtown San Jose, Western Alliance Bank renewed its

51,974-square-foot lease at 55 Almaden Boulevard. Bloom Energy continued leasing space at 4353 N. First Street this quarter, with a lease for 32,799 square feet. EarGo signed a lease this quarter for 25,417 square feet at 2665 N. First Street in North San Jose.

The office investment market was once again robust this quarter, which indicates investor confidence in the future of Silicon Valley office space. West San Jose saw two significant office transactions this quarter. First, there was LBA Realty's purchase of 5300 Stevens Creek Boulevard for just over \$76.0 million, or roughly \$893/SF. Second, Montgomery Building Inc. purchased a nearly-15,000-square-foot office building at 2960 Stevens Creek Boulevard for roughly \$974/SF. Also in San Jose, Menlo Equities purchased a 99,552-square-foot building at 300 Holger Way for \$352/SF. The next most expensive sale was Palo Alto Networks's purchase of two office buildings in Santa Clara, 3408 Garrett Drive and 3385 Scott Boulevard, totaling 67,335 square feet and equating to roughly \$578/SF. An individual investor purchased a 28,579-square-foot office property in Cupertino, located at 10600 N. De Anza Boulevard, for nearly \$604/SF.

Companies remain bullish on the Silicon Valley office market, despite the various COVID-19 variants. This quarter, the market demonstrated it is heading towards a return to pre-pandemic levels of leasing and activity. Tech companies continue to bolster the market, and their recent activity bodes well for the rest of the area. The multi-tenant office market seems to be taking longer to recover, as many of these jobs were the easiest to do remotely. Anecdotally, traffic is making a return to the South Bay, which is indicative of employees returning to the office. Silicon Valley office is poised for growth over the next few quarters.

### Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Meta Platforms	1275-1395 Crossman Avenue	Sunnyvale – Moffett Park	Direct	719,037
LinkedIn	684 W Maude Avenue	Sunnyvale- Peery Park	Direct	194,624
Western Alliance Bank	55 Almaden Blvd	San Jose – Downtown	Renewal	51,974
Bloom Energy	4353 North First Street	San Jose – North	Direct	32,799
EarGo	2665 North First Street	San Jose – North	Direct	25,417

### Select Investment/User Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
5300 Stevens Creek Blvd	San Jose – West	\$76,500,000	\$893	85,628
3408 Garrett Dr. & 3385 Scott Blvd	Santa Clara – Central Expressway North	\$38,900,000	\$578	67,335
300 Holger Way	San Jose – North	\$35,000,000	\$352	99,552
10600 N. De Anza Blvd	Cupertino	\$17,250,000	\$604	28,579
2960 Stevens Creek Blvd	San Jose – West	\$14,500,000	\$974	14,882

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)
<b>Campbell</b>	<b>2,503,069</b>	<b>563,600</b>	<b>124,330</b>	<b>22.52%</b>	<b>4.97%</b>	<b>25,895</b>	<b>-32,497</b>	<b>\$4.43</b>
<b>Cupertino</b>	<b>7,409,698</b>	<b>386,571</b>	<b>29,565</b>	<b>5.22%</b>	<b>0.40%</b>	<b>8,943</b>	<b>4,125</b>	<b>\$6.12</b>
<b>Los Gatos</b>	<b>2,150,995</b>	<b>89,059</b>	<b>27,116</b>	<b>4.14%</b>	<b>1.26%</b>	<b>2,455</b>	<b>-15,928</b>	<b>\$4.22</b>
<b>Milpitas</b>	<b>1,148,239</b>	<b>110,216</b>	<b>0</b>	<b>9.60%</b>	<b>0.00%</b>	<b>0</b>	<b>0</b>	<b>\$2.81</b>
East 880	986,950	68,849	0	6.98%	0.00%	0	0	\$2.98
Oak Creek	161,289	41,367	0	25.65%	0.00%	0	0	\$2.52
<b>Mountain View</b>	<b>8,797,585</b>	<b>1,008,222</b>	<b>198,666</b>	<b>11.46%</b>	<b>2.26%</b>	<b>62,488</b>	<b>-117,139</b>	<b>\$7.90</b>
Central	377,353	75,801	0	20.09%	0.00%	0	-36,604	\$6.49
Downtown	1,665,822	359,454	137,833	21.58%	8.27%	17,624	-64,532	\$9.22
Shoreline	2,363,931	368,331	14,612	15.58%	0.62%	10,845	9,929	\$4.64
Middlefield	1,462,787	176,184	43,641	12.04%	2.98%	34,019	-16,139	\$7.03
El Camino Corridor	2,927,692	28,452	2,580	0.97%	0.09%	0	-9,793	\$7.01
<b>San Jose</b>	<b>32,715,457</b>	<b>5,160,281</b>	<b>1,245,415</b>	<b>15.77%</b>	<b>3.81%</b>	<b>357,170</b>	<b>-56,137</b>	<b>\$4.66</b>
North	7,937,397	712,848	186,254	8.98%	2.35%	89,124	66,704	\$4.49
Trimble South	2,838,555	402,057	17,837	14.16%	0.63%	12,784	-669	\$3.68
Int'l Business Park	627,959	4,354	0	0.69%	0.00%	0	0	\$2.45
Downtown	10,863,594	1,991,585	253,509	18.33%	2.33%	129,201	-52,871	\$4.59
Airport	5,534,998	1,339,844	776,250	24.21%	14.02%	56,367	-80,787	\$4.79
South	507,493	34,035	0	6.71%	0.00%	12,236	-5,341	\$2.60
West	4,405,461	675,558	11,565	15.33%	0.26%	57,458	16,827	\$5.51
<b>Santa Clara</b>	<b>16,261,532</b>	<b>4,570,442</b>	<b>1,430,209</b>	<b>28.11%</b>	<b>8.80%</b>	<b>143,574</b>	<b>-166,210</b>	<b>\$4.55</b>
Downtown	1,114,126	71,864	8,799	6.45%	0.79%	11,349	-26,176	\$3.09
Central Expy N	4,146,256	759,719	473,218	18.32%	11.41%	26,649	14,699	\$4.95
Marriott Park	8,239,956	3,051,440	941,747	37.03%	11.43%	96,945	-143,448	\$4.66
101 North	1,084,912	492,125	6,445	45.36%	0.59%	5,687	-11,802	\$2.81
101 South	1,182,783	0	0	0.00%	0.00%	0	0	\$0.00
Central Expy S	493,499	195,294	0	39.57%	0.00%	517	517	\$5.55
<b>Saratoga</b>	<b>368,467</b>	<b>57,490</b>	<b>12,094</b>	<b>15.60%</b>	<b>3.28%</b>	<b>4,101</b>	<b>-9,487</b>	<b>\$4.15</b>
<b>Sunnyvale</b>	<b>19,236,306</b>	<b>1,606,018</b>	<b>259,962</b>	<b>8.35%</b>	<b>1.35%</b>	<b>935,425</b>	<b>858,040</b>	<b>\$6.46</b>
Downtown	1,474,081	252,363	7,881	17.12%	0.53%	2,285	-121,738	\$7.48
Peery Park	4,567,571	710,045	252,081	15.55%	5.52%	194,624	389,474	\$6.46
Moffett Park	10,712,653	242,493	0	2.26%	0.00%	730,356	592,210	\$5.55
The Woods	186,213	151,931	0	81.59%	0.00%	0	0	\$6.77
Oakmead	1,698,912	232,794	0	13.70%	0.00%	8,160	-1,906	\$5.23
South Central	596,876	16,392	0	2.75%	0.00%	0	0	\$4.35
<b>Silicon Valley</b>	<b>90,591,348</b>	<b>13,551,899</b>	<b>3,327,357</b>	<b>14.96%</b>	<b>3.67%</b>	<b>1,540,051</b>	<b>464,767</b>	<b>\$5.02</b>

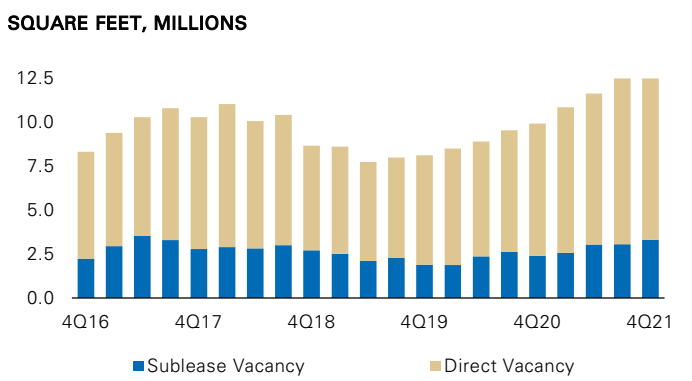
**Class A City Statistics**

	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	1,074,769	365,134	94,931	33.97%	8.83%	20,637	-24,492	\$4.63
Cupertino	6,284,999	290,751	18,688	4.63%	0.30%	2,197	2,197	\$6.66
Los Gatos	797,110	19,103	0	2.40%	0.00%	0	0	\$4.01
Milpitas	392,657	80,466	0	20.49%	0.00%	0	0	\$2.49
Mountain View	6,516,614	803,833	178,268	12.34%	2.74%	30,365	-78,305	\$8.29
San Jose	20,166,564	3,713,964	1,140,103	18.42%	5.65%	157,537	-25,835	\$4.97
Santa Clara	12,099,835	3,458,578	1,266,776	28.58%	10.47%	92,961	-136,930	\$4.87
Saratoga	100,529	30,941	8,299	30.78%	8.26%	2,427	-8,299	\$4.79
Sunnyvale	17,867,604	1,497,384	259,962	8.38%	1.45%	924,980	859,941	\$6.58
<b>Silicon Valley</b>	<b>65,300,681</b>	<b>10,260,154</b>	<b>2,967,027</b>	<b>15.71%</b>	<b>4.54%</b>	<b>1,231,104</b>	<b>588,277</b>	<b>\$5.36</b>

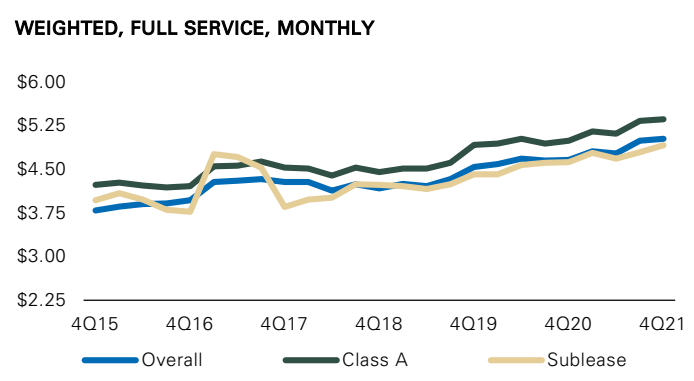
**Class B City Statistics**

	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	982,169	169,999	18,717	17.31%	1.91%	5,258	-3,384	\$4.24
Cupertino	811,424	85,590	7,489	10.55%	0.92%	6,368	1,928	\$4.73
Los Gatos	977,185	65,233	27,116	6.68%	2.77%	1,471	-16,912	\$4.29
Milpitas	518,638	29,750	0	5.74%	0.00%	0	0	\$3.65
Mountain View	2,231,632	199,593	20,398	8.94%	0.91%	32,123	-36,714	\$6.00
San Jose	9,621,596	1,260,083	95,863	13.10%	1.00%	182,909	-30,669	\$3.80
Santa Clara	3,562,781	1,082,548	157,345	30.38%	4.42%	41,317	-26,591	\$3.22
Saratoga	204,388	12,427	3,795	6.08%	1.86%	0	0	\$3.66
Sunnyvale	1,039,991	96,064	0	9.24%	0.00%	8,285	-2,621	\$4.48
<b>Silicon Valley</b>	<b>19,949,804</b>	<b>3,001,287</b>	<b>330,723</b>	<b>15.04%</b>	<b>1.66%</b>	<b>277,731</b>	<b>-114,963</b>	<b>\$3.84</b>

**Vacancy Breakdown**

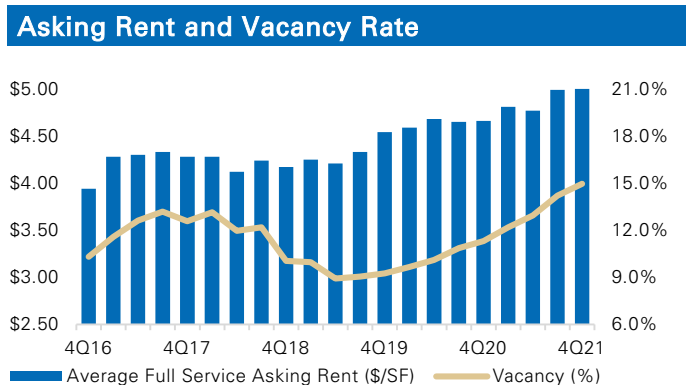


**Asking Rents**



Historical Vacancy Rates								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Silicon Valley</b>	<b>9.66%</b>	<b>10.10%</b>	<b>10.86%</b>	<b>11.28%</b>	<b>12.19%</b>	<b>12.94%</b>	<b>14.18%</b>	<b>14.96%</b>
Campbell	12.79%	15.17%	17.08%	18.21%	19.29%	19.13%	20.57%	22.52%
Cupertino	4.41%	4.82%	5.55%	5.75%	5.33%	5.41%	5.14%	5.22%
Los Gatos	6.91%	6.98%	7.23%	7.31%	7.17%	4.06%	4.28%	4.14%
Milpitas	7.45%	6.47%	8.39%	9.07%	9.71%	9.43%	9.60%	9.60%
Mountain View	7.49%	9.85%	10.13%	8.17%	10.46%	8.65%	10.35%	11.46%
San Jose	10.24%	10.10%	10.59%	10.79%	12.18%	12.42%	13.08%	15.77%
Santa Clara	18.38%	17.44%	19.38%	20.31%	21.29%	22.89%	27.57%	28.11%
Saratoga	7.51%	7.51%	8.92%	11.35%	9.98%	10.82%	13.03%	15.60%
Sunnyvale	4.12%	5.79%	6.05%	7.56%	7.65%	10.80%	10.37%	8.35%

Historical Full Service Asking Rents								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Silicon Valley</b>	<b>\$4.59</b>	<b>\$4.68</b>	<b>\$4.65</b>	<b>\$4.66</b>	<b>\$4.81</b>	<b>\$4.77</b>	<b>\$4.99</b>	<b>\$5.02</b>
Campbell	\$4.31	\$4.41	\$4.46	\$4.36	\$4.38	\$4.42	\$4.45	\$4.43
Cupertino	\$6.26	\$6.23	\$6.25	\$6.17	\$6.22	\$6.19	\$6.13	\$6.12
Los Gatos	\$5.73	\$5.98	\$5.81	\$5.64	\$5.68	\$4.01	\$4.24	\$4.22
Milpitas	\$3.04	\$3.12	\$2.90	\$2.89	\$2.74	\$2.79	\$2.81	\$2.81
Mountain View	\$6.55	\$6.36	\$6.67	\$6.93	\$7.01	\$7.04	\$7.65	\$7.90
San Jose	\$4.06	\$4.03	\$4.06	\$4.05	\$4.32	\$4.30	\$4.37	\$4.66
Santa Clara	\$4.20	\$4.30	\$4.26	\$4.22	\$4.21	\$4.37	\$4.55	\$4.55
Saratoga	\$4.45	\$4.45	\$4.40	\$4.37	\$4.53	\$4.40	\$4.17	\$4.15
Sunnyvale	\$5.79	\$5.95	\$5.99	\$6.28	\$6.32	\$6.31	\$6.50	\$6.46



Historical Net Absorption								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Silicon Valley</b>	<b>-561,624</b>	<b>-825,962</b>	<b>-1,015,569</b>	<b>-364,215</b>	<b>-630,456</b>	<b>-725,039</b>	<b>-215,467</b>	<b>464,767</b>
Campbell	29,571	-95,942	-59,502	-28,180	-29,802	-11,748	-52,061	-32,497
Cupertino	-146,122	-32,314	-71,792	-14,379	16,441	-319	18,626	4,125
Los Gatos	-67,241	-7,583	-8,282	-1,837	1,787	-3,538	-5,860	-15,928
Milpitas	-3,926	-13,628	-33,247	-7,717	-7,409	3,875	-3,047	0
Mountain View	161,820	-219,194	-44,603	109,623	-204,530	37,743	-277,721	-117,139
San Jose	-289,306	-130,680	-253,811	-105,891	-229,943	-107,973	66,269	-56,137
Santa Clara	-173,202	-77,151	-489,992	-214,797	-159,146	-209,132	-19,462	-166,210
Saratoga	0	0	-5,175	-5,685	0	-3,109	-7,730	-9,487
Sunnyvale	-73,218	-249,470	-49,165	-95,352	-17,854	-430,838	65,519	858,040

Historical Gross Absorption								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Silicon Valley</b>	<b>1,330,414</b>	<b>637,987</b>	<b>499,565</b>	<b>552,190</b>	<b>319,483</b>	<b>1,834,893</b>	<b>1,146,620</b>	<b>1,540,051</b>
Campbell	76,465	26,230	33,192	14,391	41,751	27,349	63,232	25,895
Cupertino	96,483	43,354	17,327	28,612	71,128	12,923	58,200	8,943
Los Gatos	21,714	0	15,771	32,646	23,114	5,288	21,097	2,455
Milpitas	7,910	3,286	6,561	2,307	1,358	20,591	14,015	0
Mountain View	312,333	60,991	31,629	186,013	19,986	127,465	95,229	62,488
San Jose	505,211	253,219	251,402	198,376	104,647	578,672	332,761	357,170
Santa Clara	161,253	221,129	121,609	83,089	48,424	320,863	385,711	143,574
Saratoga	0	0	19,529	397	0	791	4,101	4,101
Sunnyvale	149,045	29,778	2,545	6,359	9,075	740,951	233,830	935,425



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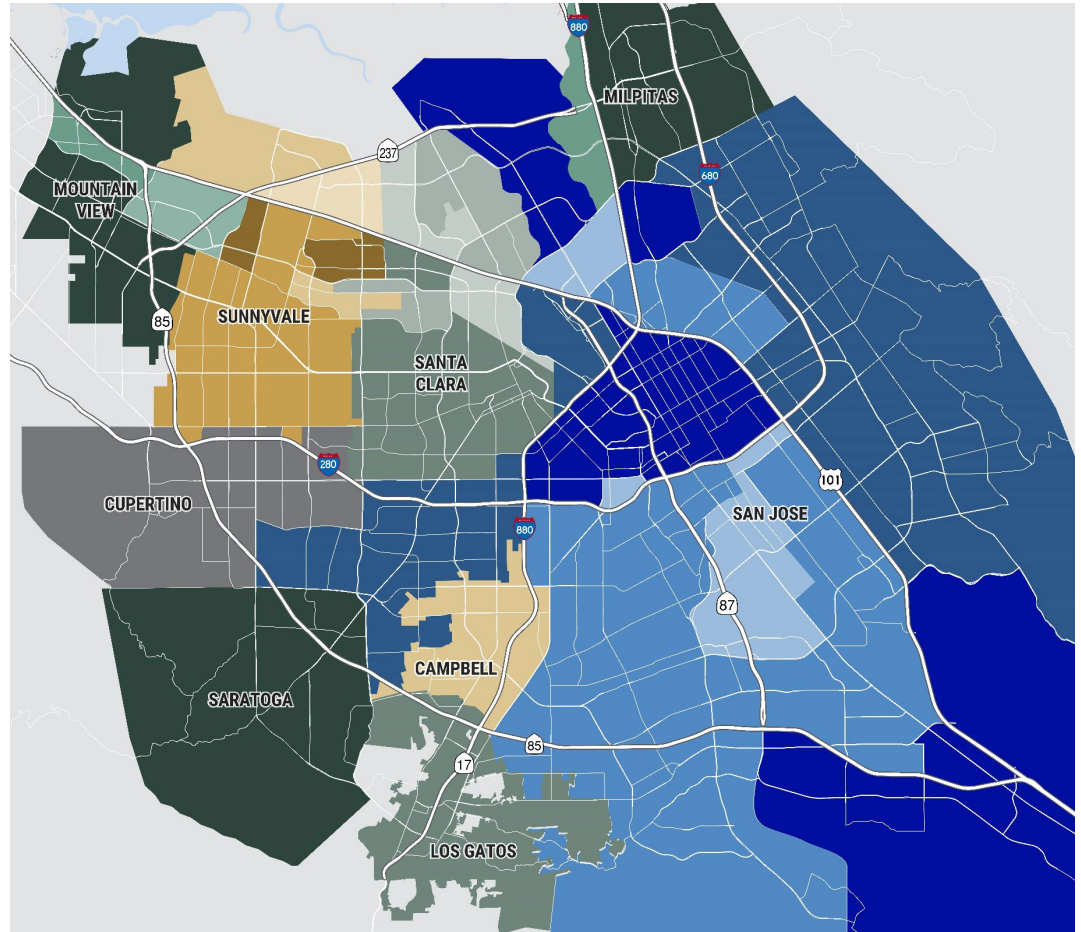
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