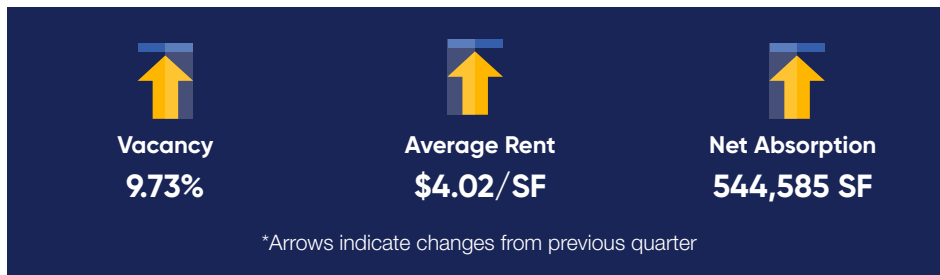


Occupier's Guide - Office

The first 10 weeks of Q1 2020 were business as usual, with vacancy rates, net absorption, and rental rates remaining essentially flat from Q4 2019. However, with the onslaught of COVID-19 hitting the country in early March, and aggressive shelter-in-place orders taking effect in the Greater Bay Area in the middle of the month, much of the local economy has ground to a halt. The tech-heavy NASDAQ Composite Index remains largely unchanged on a year-to-date basis, but top Wall Street investment banks are forecasting double-digit U.S. GDP contractions for Q1 2020. With the shelter-in-place orders currently extending through May 2020, and perhaps beyond, most Silicon Valley landlords are waiting to survey the "post shelter-in-place" landscape before adjusting rental rates or concessions offered to tenants. Consistent with what we have seen in past recessions such as the correction following the Dot Com Boom in the early 2000's and the Great Recession in 2008-2009, we expect to see rental rate declines lag the expected macroeconomic contraction by 1-4 quarters.




Select Submarket Rental and Vacancy Rates


Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$4.88	Downtown San Jose Class A 12.00%	▲ +2.0%
\$3.66	Downtown San Jose Class B 9.8%	▼ -0.6%
\$3.86	Santa Clara Class A 15.4%	▼ -4.5%
\$2.95	Santa Clara Class B 15.1%	▲ +3.3%
\$5.39	2.4% Mountain View Class A	▼ -5.6%
\$5.60	3.3% Mountain View Class B	◆ 0.00%


Recent Transactions

	Tenant	Submarket	Type	Size	Sector
1	Google	Mountain View	New Lease	222,000 RSF	Technology
2	Apple	Santa Clara	Expansion	147,500 RSF	Technology
3	Comcast	Sunnyvale	Renewal	80,995 RSF	Technology
4	Google	Palo Alto	New Lease	56,329 RSF	Technology
5	Applied Materials	Santa Clara	New Lease	35,776 RSF	Manufacturing

Occupier's Perspective

 More supply in the months to come? Morgan Stanley's CEO stated on Bloomberg Television that the firm may begin operating in a post-COVID environment with "much less real estate." The chief executive went on to say "we've proven we can operate with effectively no footprint," and that the majority of the bank's employees have been working from home with "almost no issues."

 WeWork CEO tells employees to brace for more lay-offs. The Financial Times is reporting people familiar with the matter say the lay-offs could affect more than 1,000 WeWork employees.

 Silicon Valley rental rates effectively remained flat from Q4 2019, with minor declines in most submarkets offsetting increases in Downtown San Jose, Palo Alto, and Sunnyvale.

Market Trends

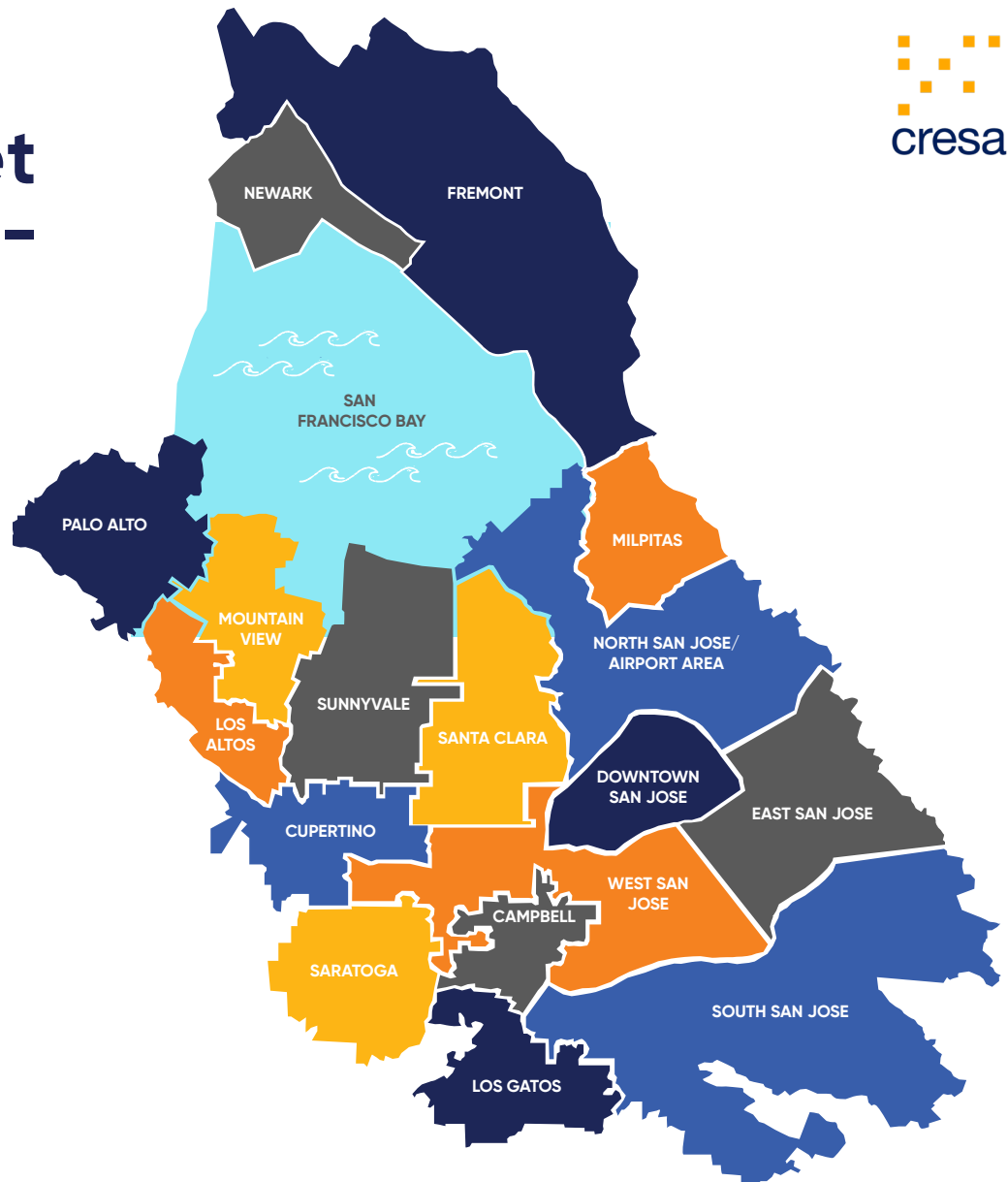


The U.S. economy remains largely stalled due to shelter-in-place orders. San Francisco, along with the rest of the Bay Area, remains under shelter-in-place orders through May 2020.

COVID-19 has not slowed Google's appetite for real estate, with the search giant closing on 165 Gibraltar in Sunnyvale for \$28.5 Million, as well as purchasing 225 W Tasman in North San Jose from Cisco Systems for \$41.2 Million.

According to CB Insights, in Q1 2020 global corporate venture capital funding fell 13% versus Q4 2019 to \$34B, with the number of deals declining by 19% to 1,337 during the same period.

Submarket Statistics - Office



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	10,235,996	\$6.99	▲	12.9%	▲	(77,974)
Mountain View/ Los Altos	11,962,021	\$6.40	▲	3.4%	▼	(13,980)
Sunnyvale	18,045,239	\$5.12	▲	6.3%	▲	124,404
Santa Clara	19,113,395	\$3.06	▼	15.3%	▼	(236,819)
Cupertino	7,300,661	\$4.45	▲	1.6%	▲	(19,165)
West Valley	8,752,450	\$3.73	▼	7.2%	▼	511,116
South San Jose	2,792,493	\$2.58	▲	7.2%	▲	(11,395)
Downtown San Jose	11,241,945	\$4.21	▲	10.7%	▲	(160,049)
North San Jose	16,014,834	\$3.23	▼	15.7%	▲	421,538
Milpitas	4,222,965	\$2.13	▲	11.5%	▲	31,871
Fremont/Newark	4,679,857	\$2.53	▼	4.1%	▲	(24,962)