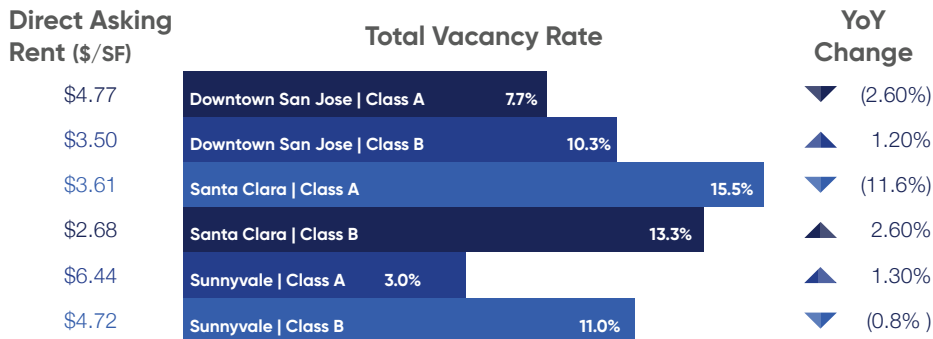


# Occupier's Guide - Office

Following a slow start to 2019, office activity has begun to pick up at the close of Q2. Due to extremely large deals being signed and minor amounts of available space coming onto the market, net absorption more than doubled from last quarter to 740,810 square feet. The vacancy rate dropped almost a full percent down to 9.3% as expected. As for rent, the asking rate per month remained flat despite the high volume of leasing activity. This is due to the large amount of sublease space that continues to represent a significant portion of total availability in the market, which in turn forces direct space to compete with discounted sublease rents.



## Select Submarket Rental and Vacancy Rates



## Recent Transactions

Buyer	Submarket	Type	Size	Sector
Google	San Jose	New Lease	728,335 SF	Technology
Google	San Jose	Owner/User	332,000 SF	Technology
Uber	Sunnyvale	New Lease	290,181 SF	Technology
Zcaler	San Jose	Sublease	172,405 SF	Technology
Netflix	Los Gatos	Renewal	165,068 SF	Technology
Roku	San Jose	Expansion	162,557 SF	Technology

## Occupier's Perspective



Along with leasing activity picking up, the investment market stayed hot. The largest transaction of the quarter was the Catalyst project in Sunnyvale currently in the planning stage. This project was purchased for \$165.5M (\$313/SF).



Another major acquisition was the purchase of 50 West Fernando Street in Downtown San Jose by Jay Paul. The 354,486 SF building was sold for \$238M. Jay Paul has now spent \$659.5M acquiring 5 properties in the Downtown core.



6.7M SF is in the process of being constructed in Silicon Valley. With large amounts of pre-leasing taking place, there seems to be no sign of office development slowing down in the near future.

## Market Trends

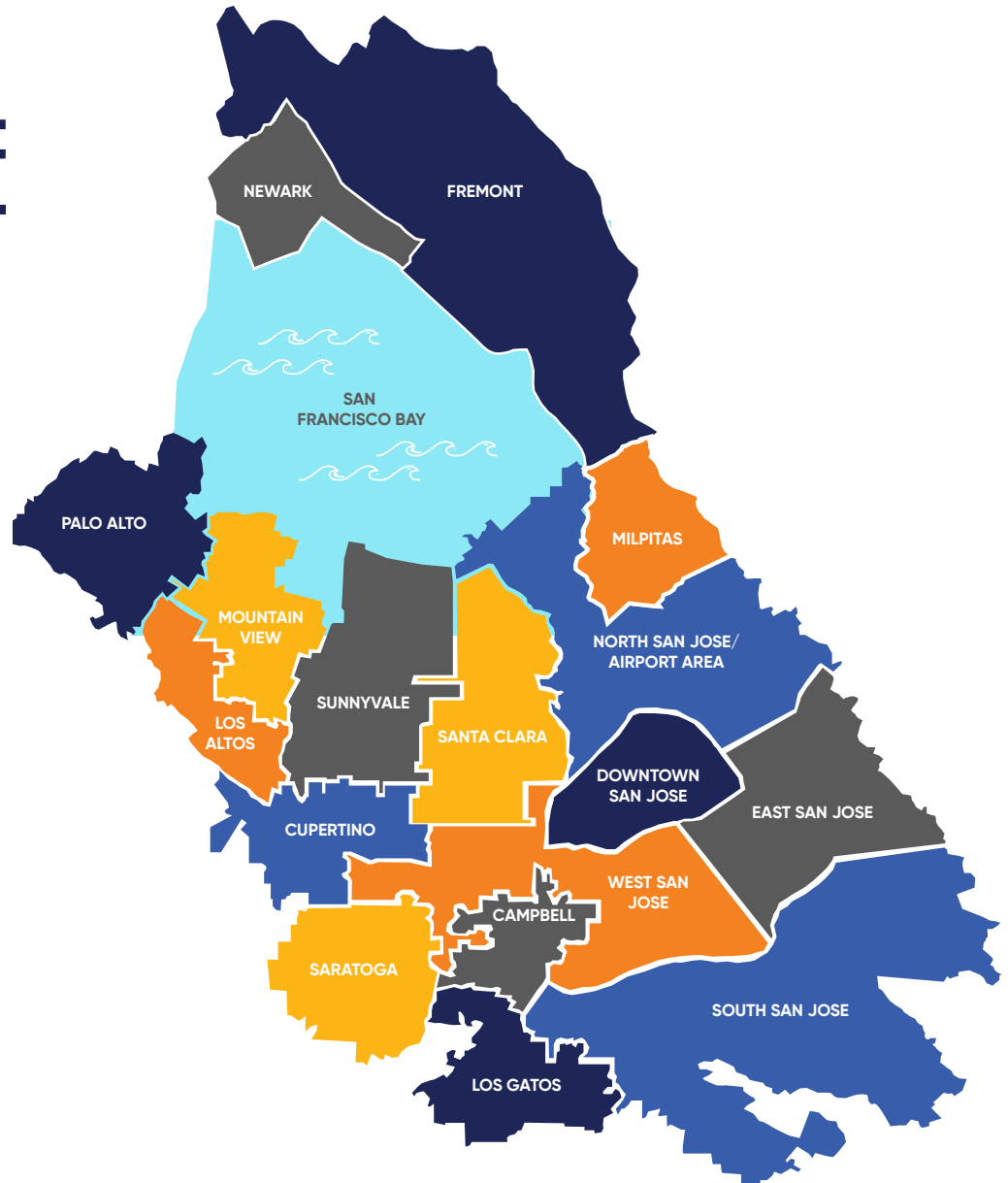


**According to Renaissance Capital,** 62 IPO's have raised over \$25B in the second quarter. This is the most active quarter by deal count in four years and the most capital raised in five years.

**The San Jose MSA's Employment Rate** for the end of Q2 2019 was 2.7%, which is near an all-time low. June numbers are showing an increase of about 9,500 jobs driving that number.

**Equity markets were broadly higher last quarter** despite the ongoing trade tensions and disappointing economic data. The S&P 500 returned 4.3% during the quarter and 18.5% for the year.

# Submarket Statistics - Office



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	9,867,595	\$6.90	▲	10.3%	▲	128,795
Mountain View/Los Altos	11,601,107	\$5.25	▼	3.4%	▼	112,878
Sunnyvale	16,527,746	\$5.22	▲	5.7%	▲	81,012
Santa Clara	19,396,174	\$3.28	▲	14.4%	▼	48,045
Cupertino	7,244,571	\$4.16	▲	1.3%	▼	9,060
West Valley	8,457,571	\$3.70	▲	10.2%	▲	3,384
S. San Jose	2,788,017	\$2.18	▲	3.9%	▲	(38,428)
N. San Jose/Airport Area	15,856,592	\$3.15	▲	18.3%	▼	234,177
Milpitas	4,149,782	\$2.02	▲	7.0%	▼	6,778
Fremont/Newark	4,213,331	\$2.34	▼	3.4%	▼	114,392