

Occupier's Guide - Office

Leasing activity has continued to remain strong throughout the 4th quarter with over 2.5 million square feet of transactions signed. With well-funded tech companies and pre-IPO unicorns flooding into the valley, vacancy has continued to drop even with an ample amount on new product on the market. With regards to net absorption, we saw 468,215 sf during this quarter. This number had major contributions from two major submarkets including Sunnyvale and Santa Clara. Sunnyvale had major amounts of preleasing from finished developments and Santa Clara inked 3 major leases totaling over 500,000 sf. Sublease activity accounted for a quarter of the overall absorption due to Airbnb and Nuvia. With major projects in the Silicon Valley pipeline, there seems to be now slowing down with office leasing soon.




Select Submarket Rental and Vacancy Rates


Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$4.90	Downtown San Jose A 10.1%	▼ 0.1%
\$3.54	Downtown San Jose B 8.5%	▼ 0.6%
\$3.44	Santa Clara A 15.1%	▼ 5.7%
\$2.93	Santa Clara B 11.5%	▼ 0.2%
\$4.95	Mountain View A 4.2%	▼ 0.9%
\$3.96	Mountain View B 8.0%	▼ 0.1%

Recent Transactions

Tenant	Submarket	Type	Size (SF)	Sector
Confidential	Sunnyvale	New Lease	498,362	Confidential
Airbnb	Santa Clara	Sublease	301,163	Hospitality
Bill.com	Santa Clara	New Lease	131,801	Software
Nuvia	Santa Clara	Sublease	80,000	Technology
CA Technologies	San Jose	New Lease	79,974	Technology
Comcast	Sunnyvale	Renewal	71,411	Telecom

Occupier's Perspective

 **Over 200 deals** were signed in the 4th quarter with an average deal size of almost 12,000 square feet.

 **Lease rates have continued to climb as competition rises.** With average rents throughout the valley in the low \$4.00 range, some submarkets like downtown San Jose have reached rents north of \$5.00 a foot full service.

 **With over 10 million square feet** of office product coming online in the next couple years, preleasing has and will take a major role in leasing activity with less and less developers building spec product.

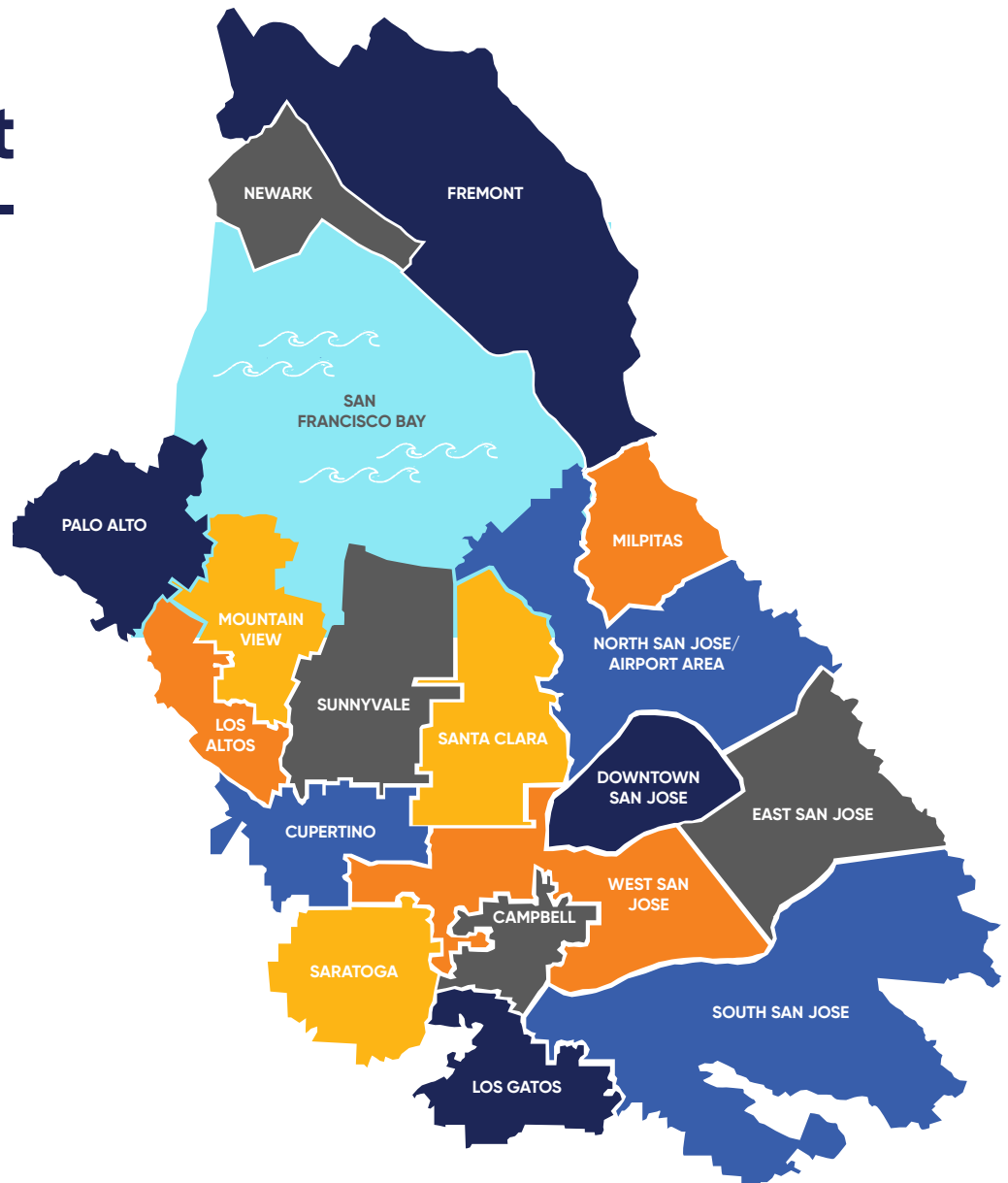
Market Trends

According to Schroders, trade uncertainties fade as the US and China begin the first phase trade deal announcement, scheduled to be completed for mid-January. The US tariffs beginning in September 2019 of \$120B on Chinese goods were reduced by half. With the US China trade war seeming to slow down, causing large gains in US Q4 equities.

According to Baird Private Wealth Management, S&P 500 rose 9% during the quarter, with 31.5% annual increase, marking the best performance for the index since 2013.

Silicon Valley VC funding investing fell to its lowest point since 2013, but most of all investing is still done in Silicon Valley. Investors are branching out from SV to other close by areas, and out of state, but SV still has the majority share worth of capital investments. This is due to all the talent, entrepreneurs, customers, and IPOs that spring out from SV.

Submarket Statistics - R&D



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	10,106,075	\$7.19	▲	11.4%	↔	167,282
Mountain View/ Los Altos	11,879,221	\$6.10	▼	3.2%	▲	51,873
Sunnyvale	17,826,549	\$5.22	▼	5.8%	▲	302,175
Santa Clara	19,151,155	\$3.15	▼	13.3%	▼	3,358
Cupertino	7,233,995	\$4.17	↔	1.2%	▲	(9,892)
West Valley	8,743,098	\$3.81	▲	13.0%	▲	(6,606)
South San Jose	2,791,061	\$2.57	▲	6.8%	▲	6,623
Downtown San Jose	11,216,596	\$4.09	▼	9.1%	▲	127,502
North San Jose	15,817,624	\$3.30	▼	17.3%	▲	5,127
Milpitas	4,224,385	\$2.16	▲	12.1%	▲	(185,517)
Fremont/Newark	4,655,281	\$2.56	▼	3.5%	▲	6,290