

# Silicon Valley

## Market Facts

**7.4%**

Overall Vacancy

**\$2.20**

Average Asking Rate

**-121,095 SF**

Q1 2019 Net Absorption

**326,000 SF**

Under Construction

## R&D Market Overview

The Silicon Valley R&D market had a seemingly slow start to 2019. Following large occupancy gains in the final quarter of 2018, the Silicon Valley R&D market measured negative net absorption during the first quarter of 2019, totaling 121,095 square feet of occupancy loss. Despite the occupancy loss recorded in the first quarter, net absorption measured over the most recent twelve-month period totals more than 1.7 million square feet, indicating the Silicon Valley R&D market still has healthy levels of tenant demand.

Total available space in the Silicon Valley R&D market measured 7.4 million square feet at the close of the first quarter, this amount of space translates to a 7.4% vacancy rate in the Silicon Valley. Year over year, vacancy in the R&D sector has dipped 170 basis points, down from 9.1% recorded in the first quarter of 2018. Available sublease space accounts for 11.1% of total available supply in the Silicon Valley R&D market. Submarkets with the lowest vacancy rates include the West Valley and Palo Alto, at 1.1% and 2.5% of available space, respectively.

Average asking rates for R&D space in the Silicon Valley totaled \$2.20 per square foot, triple net at the end of the first quarter, a 13.9% increase year over year. However, overall average asking rates were relatively flat over the past two quarters as

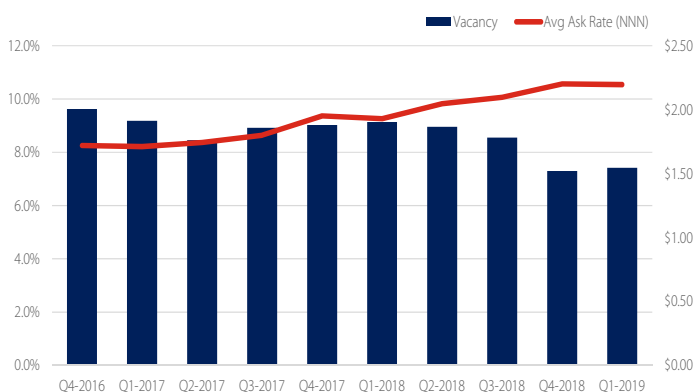
prices began to level off at the end of 2018. Palo Alto and Mountain View command rates more than twice the overall average as tech companies as willing to pay this premium for R&D space in these northern submarkets.

Total leasing activity in the first quarter of 2018 totaled 912,328 square feet. This is down from the 1.4 million square feet of activity measured during the prior quarter and the first time in five quarters that tenant activity has dipped below 1.0 million square feet on a quarterly basis.

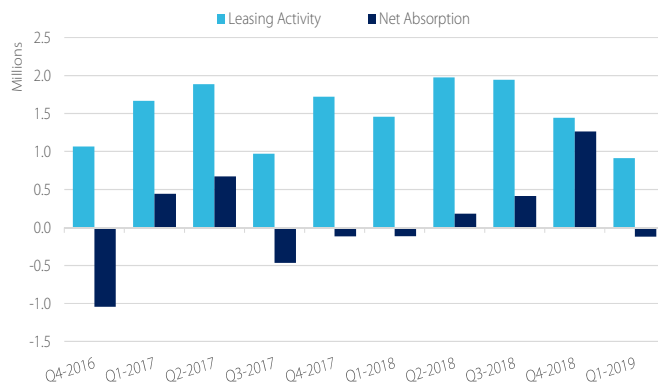
Notable transactions signed during the first quarter include Stellex Microwave renewing their commitment to 160,000 square feet on Hellyer Avenue in North San Jose. ThoughtSpot subleased 74,652 square feet from Ariba on Hermosa Avenue in Sunnyvale.

The Silicon Valley continues to have one of the healthiest job markets in the nation; at the close of November 2018, the unemployment rate stood at only 2.4%, down 40 basis points from one year earlier and the same rate measured during December 2000 as the dot.com era came to an end. Going forward, the Silicon Valley R&D market will remain stable; asking rents will level off as demand softens, however with tight vacancy tenants will continue to compete for quality space.

### Historical Vacancy & Asking Rental Rate (FSG)



### Historical Net Absorption & Leasing Activity



## Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Available Space (SF)	Sublet Available Space (SF)	Vacancy Rate		Total SF Leased	Net Absorption (SF)	Under Const.	SF Delivered	Avg. Asking Rate (NNN)
				Q4 18	Q1 19					
<b>Palo Alto</b>	3,892,414	61,931	36,600	3.4%	2.5%	0	31,936	0	0	\$4.75
<b>Mountain View</b>	6,360,302	298,971	75,700	5.4%	5.9%	47,081	-29,427	0	0	\$4.33
<b>Sunnyvale</b>	14,332,727	279,523	95,285	2.8%	2.6%	171,607	23,755	326,000	0	\$2.63
<b>Santa Clara</b>	13,230,088	463,562	62,727	5.2%	4.0%	110,775	167,057	0	0	\$2.16
<b>San Jose</b>	34,416,838	3,062,554	418,367	9.8%	10.1%	387,632	-117,137	0	0	\$2.17
<b>West Valley</b>	3,406,589	35,873	0	0.9%	1.1%	29,794	-6,132	0	0	\$2.37
<b>Milpitas</b>	8,849,060	1,428,860	99,085	15.6%	17.3%	10,873	-144,968	0	0	\$1.95
<b>Fremont</b>	16,404,779	4,990,849	580,179	6.2%	6.5%	154,566	-46,179	0	0	\$1.51
<b>TOTAL</b>	<b>100,892,797</b>	<b>10,622,123</b>	<b>1,367,943</b>	<b>7.3%</b>	<b>7.4%</b>	<b>912,328</b>	<b>-121,095</b>	<b>326,000</b>	<b>0</b>	<b>\$2.20</b>

## Significant Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Stellex Microwave	5300 & 5350 Hellyer Avenue	San Jose	160,000	Renewal
ThoughtSpot, Inc	910 Hermosa Avenue	Sunnyvale	74,652	Sublease
CDK Global	250 Holger Way	San Jose	76,410	Direct
WeRide	2630 Orchard Parkway	San Jose	61,723	Sublease
Ruckus Wireless	388 Java Drive	Sunnyvale	48,480	Direct

## Significant Sale Transactions

Buyer	Building	Submarket	Square Feet	Price Per SF
Hines	Oakmead West	Sunnyvale	431,095	\$437
Roche Molecular Systems	2801-2899 Scott Boulevard	Santa Clara	312,167	\$450
Vertical Ventures	49000 Milmont Drive	Fremont	196,507	\$192
Duke Realty Corporation	Bayside Campus	Fremont	185,510	\$162
CIP Real Estate Property Services	Fremont Business Center	Fremont	148,434	\$202



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Properties