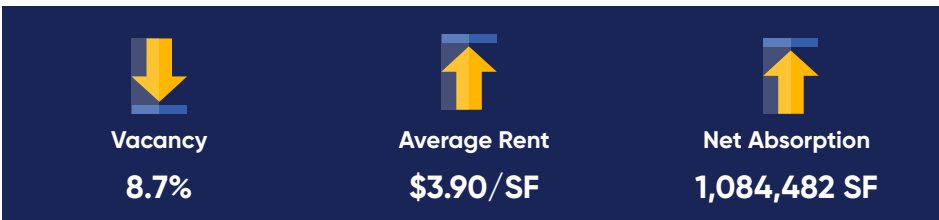


# Occupier's Guide - Office

Office activity has continued to remain strong through the close of the 3rd quarter. With significant amounts of leasing taking place, vacancy rates are decreasing, and net absorption remains solidly in the positive. With total vacancy below 9%, sublease space now plays a significant role consisting of more than 30% of the total vacant space. Those spaces include Palo Alto Networks and Citrix, both located in Santa Clara and Cavium, located in North San Jose. Although new development is in the pipeline all over Silicon Valley, many developers are still not interested in building office space on a speculative basis. With that said, investment-grade tenants such as Verizon and Roku at Coleman Highline are pre-leasing large blocks of space well before construction starts.



## Select Submarket Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$3.57	Downtown San Jose A 7.9%	▼ 2%
\$3.57	Downtown San Jose B 7.8%	▼ 2.1%
\$3.50	Santa Clara A 13.4%	▼ 12.3%
\$2.85	Santa Clara B 11.4%	▲ 0.5%
\$5.39	Mountain View A 1.3%	▼ 3.9%
\$5.10	Mountain View B 3.1%	▼ 1.1%

## Recent Transactions

Tenant	Submarket	Type	Size (SF)	Sector
Verizon	San Jose	New Lease	643,000	Telecom
8x8	Campbell	New Lease	177,000	Technology
Softbank	Menlo Park	New Lease	154,000	Banking
Intact Corp/Sage	San Jose	Renewal	118,000	Insurance
Rambus	North San Jose	New Lease	89,000	Technology
Bytedance	Mountain View	Sublease	78,000	Technology

## Occupier's Perspective

**Private companies have another year to deal with the new Lease Accounting Standards.** The Financial Accounting Standards Board has given U.S. private companies and non-profits another year to start treating their operating leases as liabilities on their balance sheets. Now they have to do so beginning in the first fiscal year after December 15, 2020, rather than December 15, 2019, as initially planned. The change would add a significant number of liabilities to the books of companies with a lot of leased space, so companies with cash and an aversion to debt may opt to buy buildings, if possible. Other companies might turn to co-working or other short term space.

**The largest investment deal was Preylock Holdings acquisition of a 152,000 square foot building in Mountain View.** The building is fully occupied with Google for another ten years and sold for \$190 Million. The next largest deal was the Valley Office Centre in N. San Jose, which is a two-building complex that was purchased by the Stanley Group for \$29.7 Million.

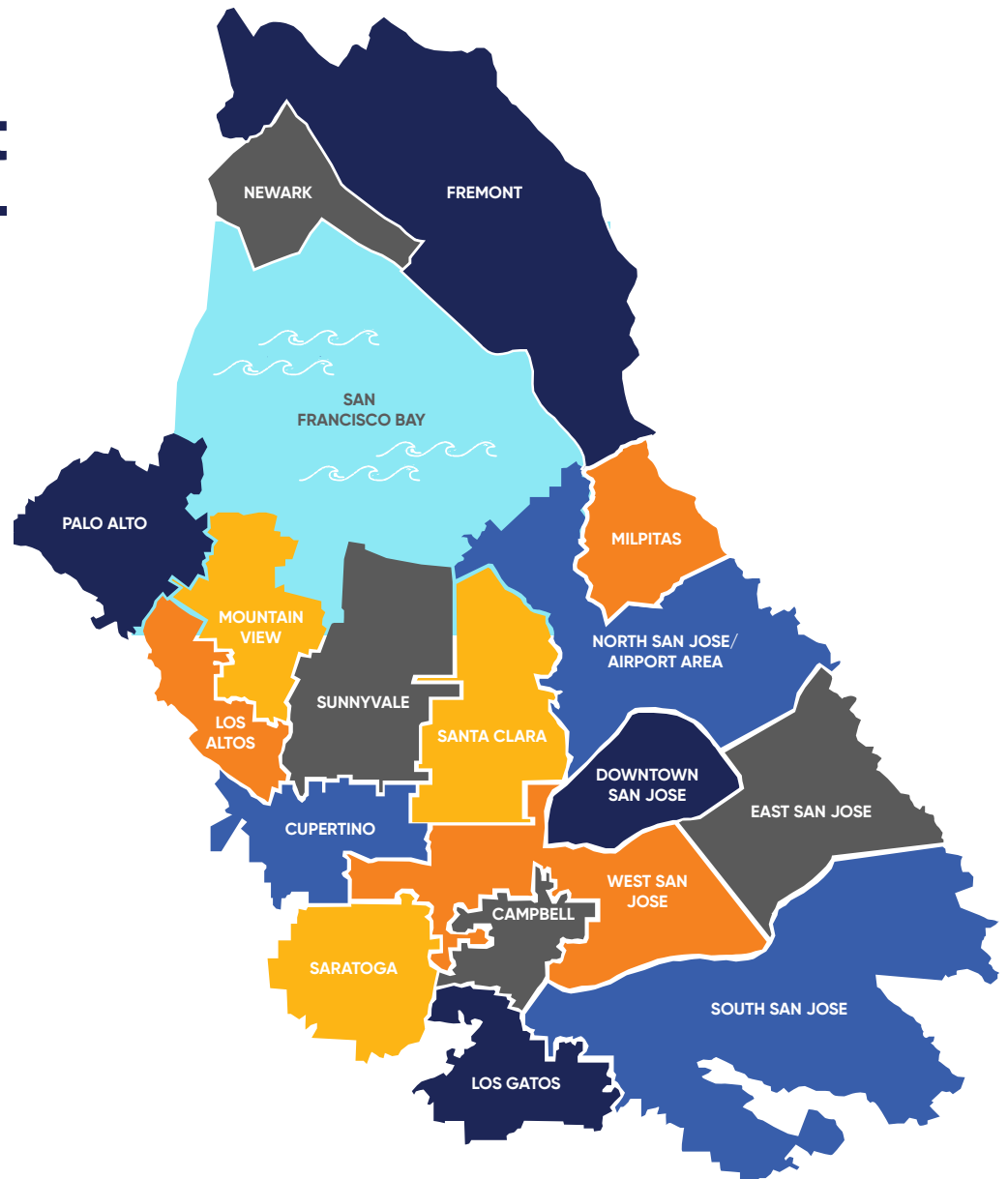
## Market Trends

**IPO's Fall as Market Volatility Rises.** With incredibly high anticipation for IPO'S in Q3, the number of companies going public dropped since the Q2. There have been disappointing numbers in major tech companies like Uber, Lyft, and Peloton, which has caused uncertainty in the market.

**Per SiliconANGLE, VC funding slowed in the 3rd quarter,** with just under \$2 billion of early-stage investment, over more than 1,000 deals, and \$17 billion of late-stage funding across 572 deals.

**According to the Employment Development Department,** the unemployment rate dropped from 2.7% to 2.2% at the close of the 3rd quarter.

# Submarket Statistics - R&D



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	10,097,144	\$5.84	▲	11.6%	▲	(36,655)
Mountain View/ Los Altos	11,878,715	\$5.32	▼	3.0%	▼	84,196
Sunnyvale	17,389,874	\$4.96	▲	5.1%	▲	526,497
Santa Clara	19,168,650	\$3.14	▼	12.5%	▲	34,965
Cupertino	7,241,889	\$4.23	▼	1.1%	▲	(56)
West Valley	8,497,640	\$3.76	▼	9.4%	▼	71,228
South San Jose	2,864,530	\$2.35	▲	2.4%	▲	39,696
Downtown San Jose	11,054,413	\$4.09	▼	8.6%	▲	96,477
North San Jose	15,868,830	\$3.20	▼	17.3%	▲	388,359
Milpitas	4,148,101	\$2.04	▲	7.6%	▼	(25,514)
Fremont/Newark	4,654,417	\$2.59	▼	3.6%	▲	(20,394)