



Tech giants re-engage in large-block leasing activity

As new work styles are being incorporated in a post-pandemic reality, many tech companies are focused on the importance of both work-from-home flexibility and in-office collaboration. With vaccination more widespread, the return-to-office has spurred leasing activity in the second quarter. In May, Apple leased enough Sunnyvale space for 3,000 workers in the largest South Bay office deal of the COVID era. This involved a mega-expansion encompassing six buildings and a total of 701,000 square feet (sf) of office space in Peery Park. Additionally, NetApp moved its global headquarters from a six-building campus in Sunnyvale to a single building in the heart of Santana Row. NetApp leased 301,000 sf of office space at 700 Santana Row, a move driven by consolidation paired with improved amenities. With 1.2 million square feet (msf) leased this quarter, activity nearly tripled from Q1.

Life sciences sector drives a robust development pipeline

While tech is just now ramping up for post-pandemic plans, the life sciences sector has experienced exponential growth over the past 18 months. The Silicon Valley has nearly 2.8 msf of lab and R&D space in the construction pipeline, fueled by intense demand. The life sciences sector continues to see large capital commitments, and as more capital is committed to the sector, tenants will continue to seek out prime spaces for the foreseeable future. Last year an estimated \$70 billion of public and private capital went into the life sciences industry; this year that is expected to reach \$90 billion.

Tenants shift to longer leases and larger spaces with current window of market softness

As the pandemic forced many companies to put long-term real estate decisions on the back burner, we saw an influx of short-term extensions and renewals as tenants hoped to buy time to understand market direction. Now as the region is emerging from pandemic restrictions and challenges, companies are committing to longer lease terms and larger spaces. Still, availability is hovering close to 20.0% across the market and tenants are facing more options at lower pricing and increased flexibility as the market recovers. While asking rents have seen some downward movement compared to last year, the overall average asking rent for the region ended Q2 at \$5.32 per square foot (psf) per month, up almost 2% over the quarter. Even if asking rents see little movement (and additional uptick as owners are more confident in recovery) tenants should expect increased concessions and more flexible terms until there is a true rebalancing of supply and demand.

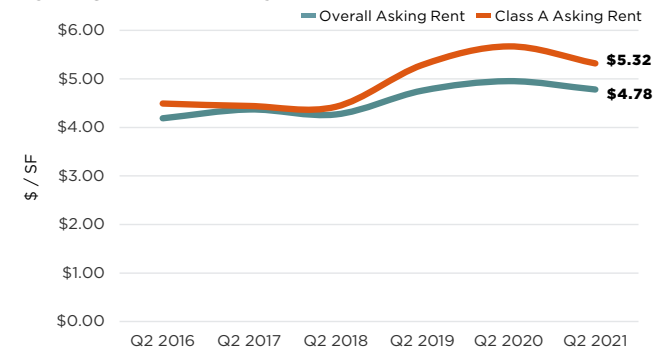
Outlook

- The life sciences and technology sectors will drive market recovery as the region emerges from the pandemic
- The fact that occupiers are seeking longer terms and larger spaces signals that demand is returning and companies are confident in the long-term health of the market
- Tenants that are in the market now can capitalize on lingering market softness before rents return to pre-pandemic numbers and options become more limited

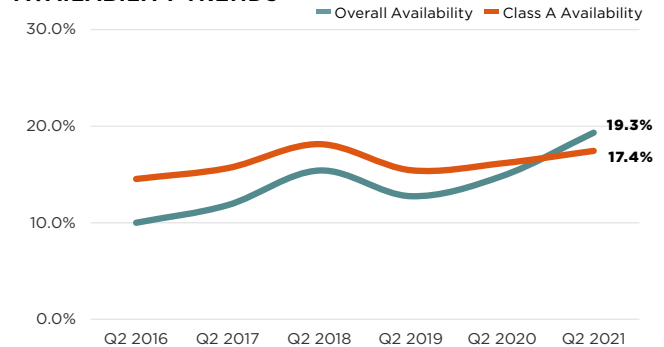
KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	84.0 MSF	84.2 MSF	▲
Availability Rate	14.8%	19.3%	▲
Asking Rental Rate	\$4.95	\$4.78	▼
Class A Asking Rental Rate	\$5.67	\$5.32	▼
Quarterly Leasing Activity	0.8 MSF	1.2 MSF	▲

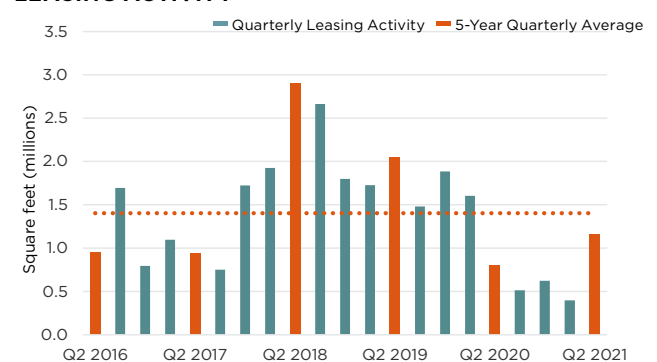
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

63.0%

of major transactions were new locations by square footage

51.0%

of large transactions occurred in the Sunnyvale/Cupertino submarket by square footage

100%

Technology sector tenants represented 100% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Apple	701,000	N Mary Avenue	New Location	Sunnyvale/Cupertino	Technology
NetApp	301,000	700 Santana Row	Relocation	San Jose	Technology
Google	207,857	3400 Hillview Avenue	Renewal	Palo Alto	Technology
Amazon	86,410	3075 Olcott Street	New Location	Santa Clara	Technology
Vocera Communications	77,822	3030 Orchard Parkway	New Location	San Jose	Technology

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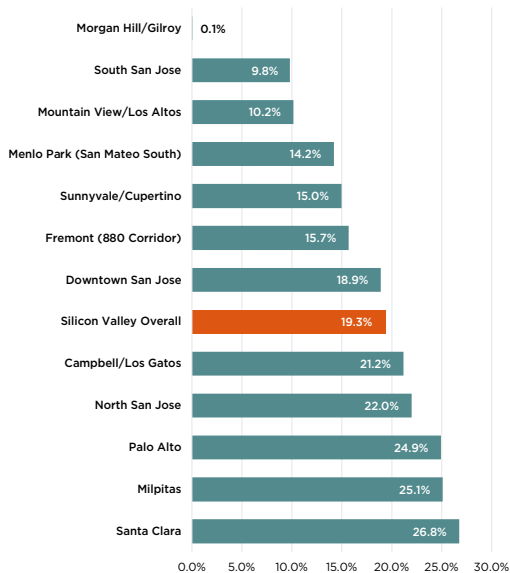
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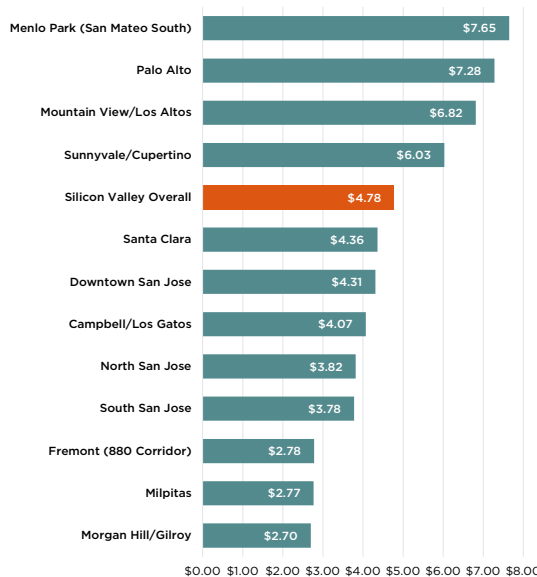
AVAILABILITY RATE COMPARISON

Silicon Valley Suburban Submarkets



RENTAL RATE COMPARISON (\$/SF)

Silicon Valley Suburban Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

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