

## Deals rain down in the Valley, sprouting development

The expansion of the technology sector has yet to exhibit any signs of a slowdown on the heels of another quarter of robust leasing activity. Although there were fewer mega transactions when compared with the same time last year, there were multiple 100,000-square-foot leases to sign during the quarter. Additionally, Google has been rumored to have leased nearly 900,000 square feet of office development across multiple sites, including the former Hewlett Packard site on Mayfield Avenue in Mountain View. The continued demand for space has been strong enough to keep rents afloat at their current level. Sleepy submarkets like Milpitas and Fremont are beginning to see an uptick in activity as tenants still in need of space are beginning to look to bargain submarkets for less expensive product.

With demand for space remaining unchanged over the past 18 months, additional speculative development has begun to sprout throughout the Valley, including the Downtown Palo Alto and Downtown Mountain View micro markets where vacancy levels have fallen to single digit numbers. Additionally, the construction of the new 49'ers stadium combined with plans to redevelop an adjacent parcel into a vibrant shopping center has attracted more tenants to Santa Clara. This trend is expected to continue given that there are still several tenants seeking 200,000 square feet or greater, prompting some developers to move forward with more construction.

### Leasing activity

- Abbott leased 118,320 square feet of Class A space at 4551 Great America Parkway in Santa Clara. The building was formerly occupied by Yahoo.
- Pre-IPO company Gigamon subleased space from Palo Alto Networks at 3300 Olcott Street in Santa Clara. The transaction doubles its footprint from its current location in Milpitas.
- Violin Memory landed a sublease deal with Tellabs, taking 96,209 square feet at 4555 Great America Parkway. The firm's current location on Clyde in Mountain View is slated for re-development and was preleased by Samsung earlier this year.

### Tenants in the market

- Akamai is rumored to be in negotiations for at least 60,000 square feet at 3333 Scott Boulevard in Santa Clara. The company is looking to split its operations from the Mid-Peninsula between San Francisco and Silicon Valley.
- Law Firm Fenwick & West is rumored to be in the market for 160,000 square feet in Palo Alto and Menlo Park.



Arrows represent change from prior quarter

- Morrison Foerster is looking for 90,000 square feet of office space in Palo Alto and is one of several law firms competing for a significant amount of space in the Stanford Research Park.

### Sales activity

- 1265 & 1272 Borregas Avenue were sold to GEM Realty from Rockwood Capital for \$30.5 million, or \$187 per square foot. The 163,000-square-foot Class B complex is currently vacant.
- The Wescliff Group acquired 2665 N 1st Street in North San Jose for \$20.1 million, or \$164 per square foot. The Class B, 122,619-square-foot building is fully leased to multiple tenants including Samsung and the State of California.
- Grosvenor Americas acquired a 99,126-square-foot building located in San Jose from Deka Immobilien Investment at 560 S Winchester Boulevard for \$47.1 million, or \$475 per square foot.

### Construction activity

- Construction broke ground on a new, 21,745-square-foot office building in downtown Mountain View at 900 Villa Street. The Class A development is expected to complete by Q1 2014.
- A 17,150-square-foot office building in downtown Palo Alto is under construction at 537 Hamilton Avenue. It is rumored that asking rates for the building are above \$7.00 NNN per month, and is expected to complete by Q2 2014.
- Spear Street Capital is planning to start construction on a 221,173-square-foot, Class A office tower at 5490 Great America Parkway. Site work could start as early as Q4 2013 as the development is an expansion an existing 307,050-square-foot office project that is currently occupied by Dell.

