What's Going Up in Downtown?

Laura Tolkoff, San Jose Policy Director

SPUR | Ideas + Action for a Better City

How can San Jose get the downtown it wants?

- Welcome all kinds of uses, but hold out for jobs near regional transit
- Make sure that what gets built adheres to key urban design principles
- Promote a large area of "Central San Jose" with downtown as its core
- Make it easier to get to and through downtown without a car
- Retrofit downtown to be more pedestrian-oriented
- Build on downtown's strengths as the cultural and creative center of the South Bay

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Can Downtown San Jose Fit all the Growth it Wants?

- San Jose Planned to Build 48,500 new jobs and 10,360 new housing units (now: 58,500 new jobs and 14,360 new housing units)
- Constraints: parking requirements and building height limits

	Total New Jobs	Total New Housing Units	Total New Parking Spaces	Gross Square Feet of Office	Gross Square Feet of Residential
2040 General Plan goal	**48,500**	**10,360**			
Scenario 1: No parking	75,141	11,520	0	15,028,125	9,216,210
Scenario 2: Minimum parking requirements	46,587	8,928	31,936	9,317,438	7,142,563
Scenario 3: Market demand for parking	37,946	7,891	42,429	7,589,203	6,313,104

Source: SPUR analysis of data from SOM

We have a choice: Make room for people and jobs, or store cars?

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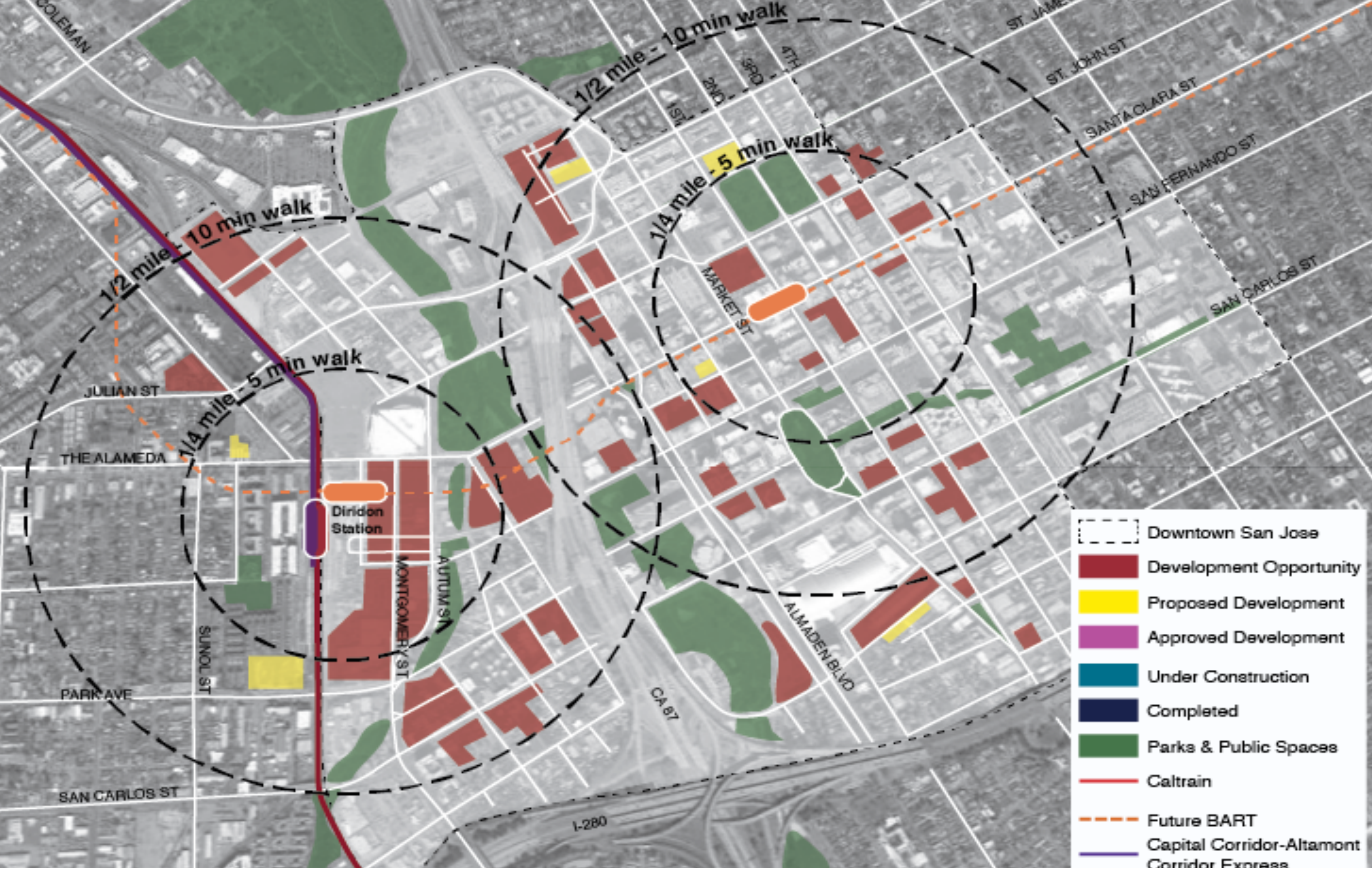

COLEMAN
ST. JAMES
ST. JOHN ST
SANTA CLARA ST
SAN FERNANDO ST
SAN CARLOS ST
1ST
2ND
3RD
4TH
1/2 mile - 10 min walk
1/4 mile - 5 min walk
1/2 mile - 10 min walk
1/4 mile - 5 min walk
MARKET ST
JULIAN ST
THE ALAMEDA
Diridon Station
MONTGOMERY ST
AUTUMN ST
SUNOL ST
PARK AVE
SAN CARLOS ST
ALMADEN BLVD
CA 87
I-280
Downtown San Jose
Development Opportunity
Proposed Development
Approved Development
Under Construction
Completed
Parks & Public Spaces
Caltrain
Future BART
Capital Corridor-Altamont Corridor Express

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#1 Healthy Residential Demand

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	Units Completed	Units Proposed	Units Under Construction
2014-2015	0	3,300	2,000
2015-2016	659	5,000	1,900
2016-2017	507	6,000	1,500

SPUR

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#2 Can't Count our Chickens Before They Hatch

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#3 Parking is a Mixed Bag

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#4 Office Market Wakes Up

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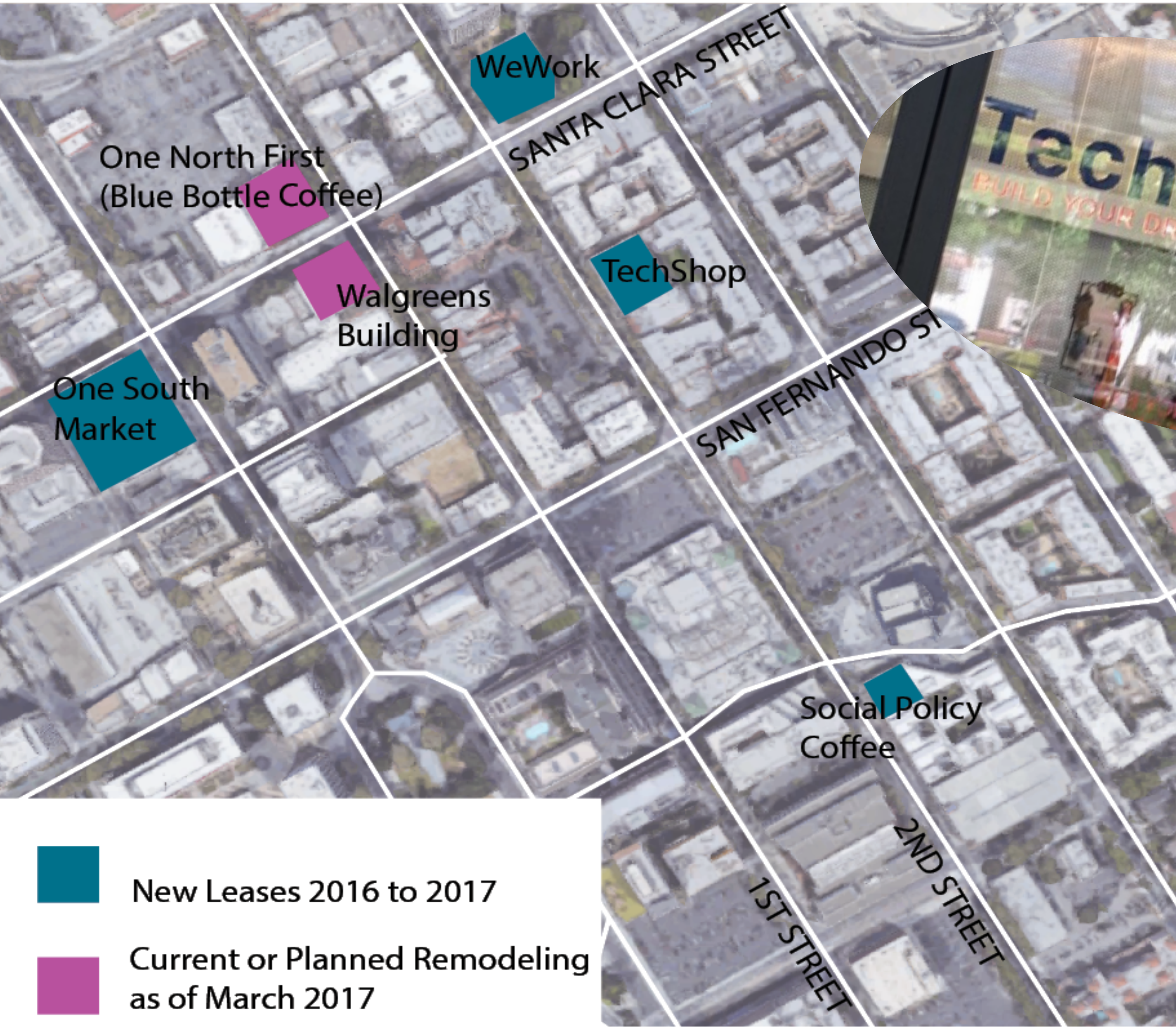

#5 Reinvestment in Existing Buildings, Ground Floors Filling Up

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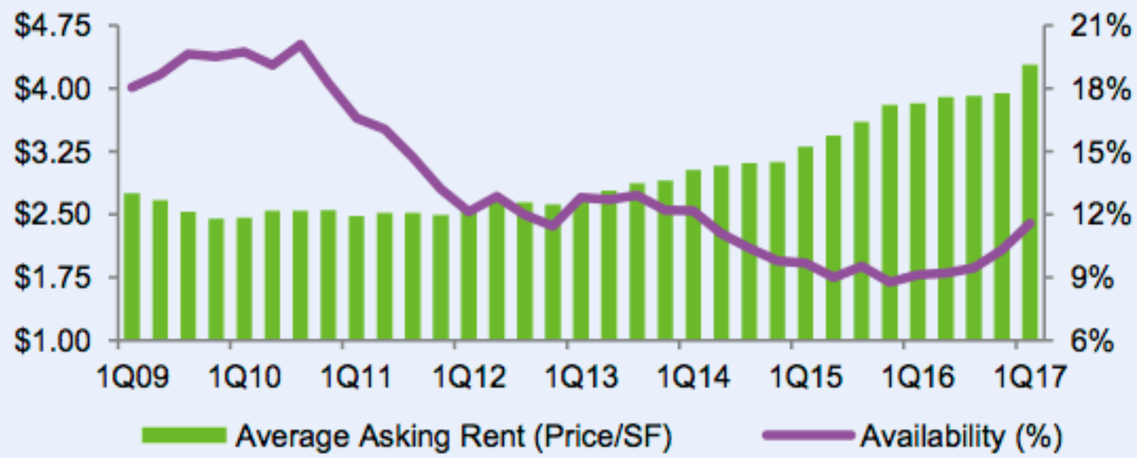
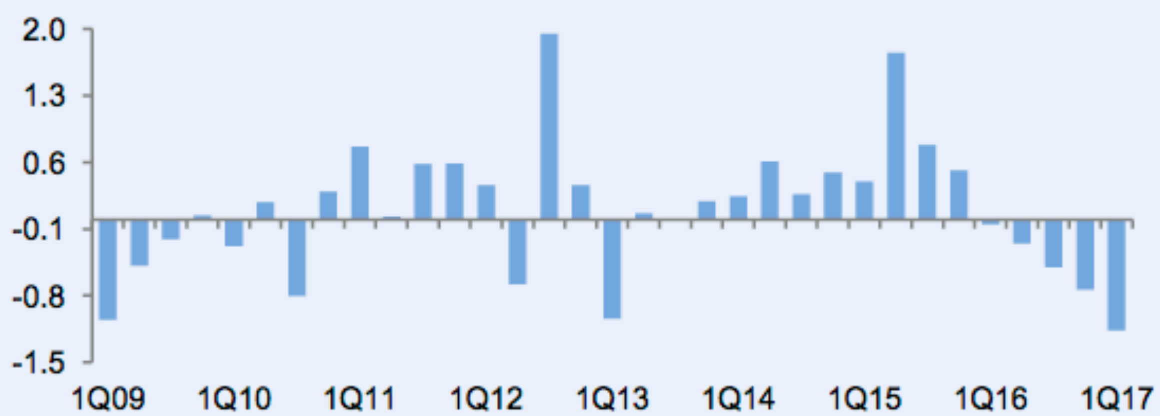
Current Conditions

Asking Rent and Availability



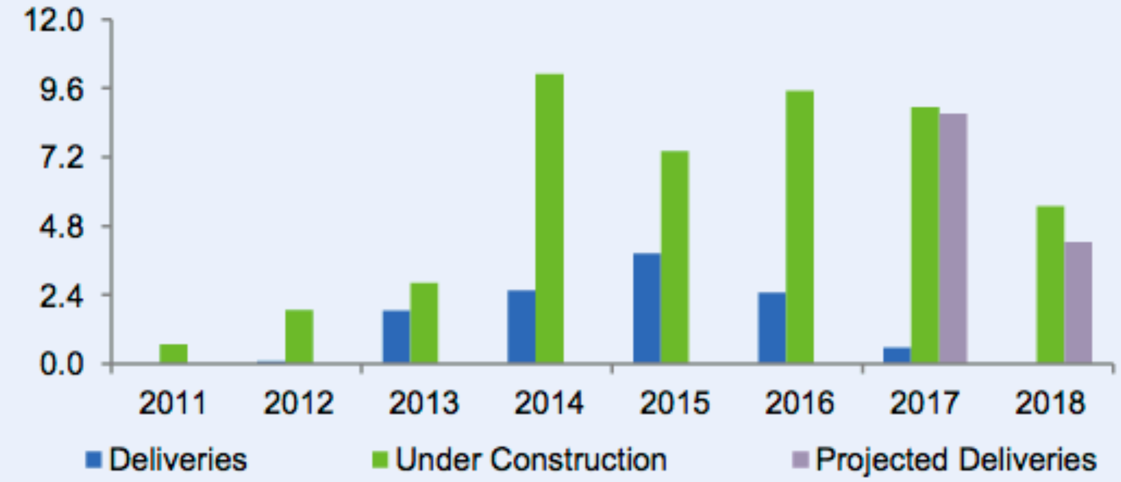
Net Absorption

Square Feet, Millions



Construction & Deliveries

Square Feet, Millions



Market Summary

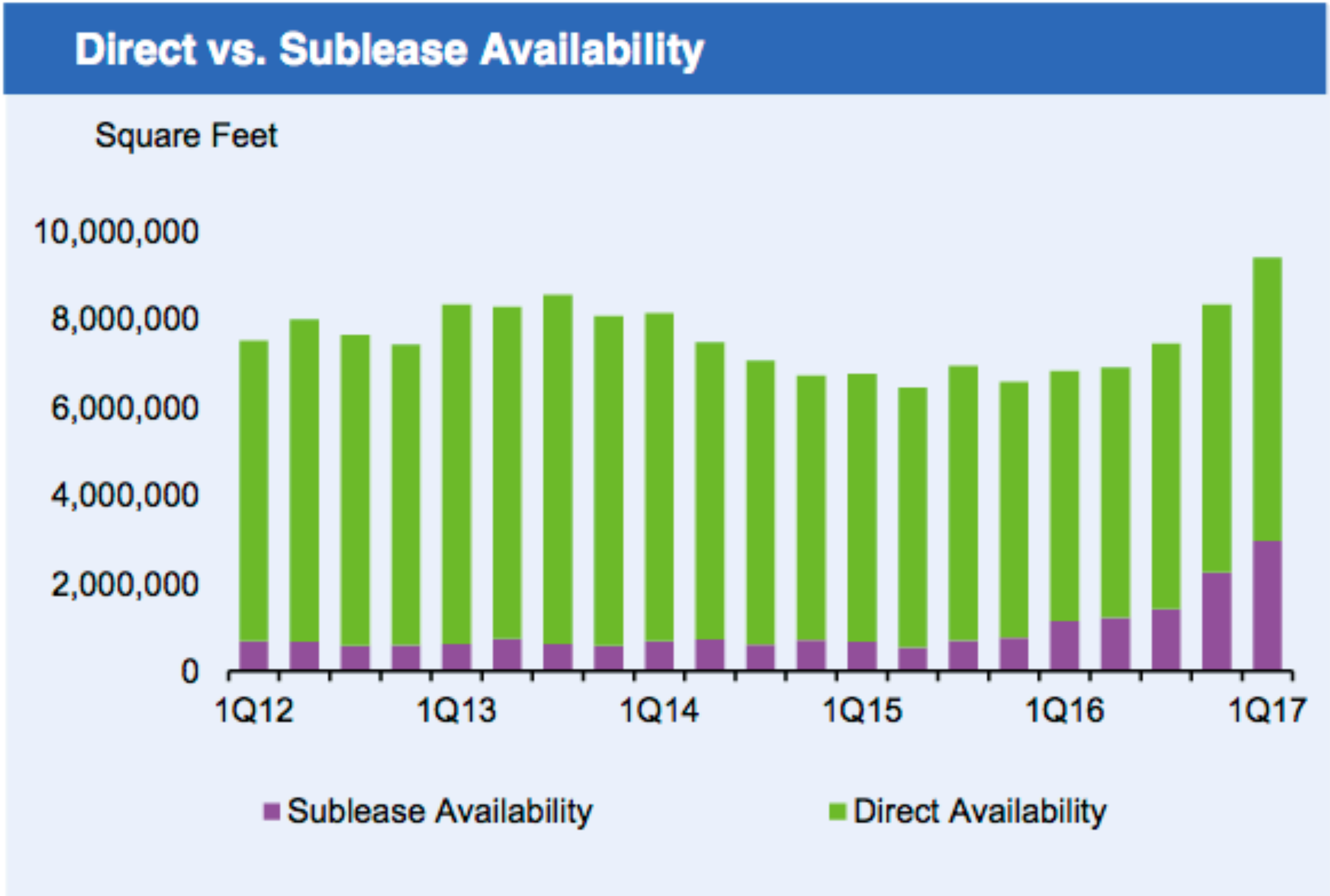
	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Availability Rate	11.57%	10.30%	9.11%	↑
Net Absorption (SF)	-1,167,199	-743,681	-52,140	↑
Gross Absorption (SF)	1.3M	1.1M	2.0M	←→
Average FS Asking Rent	$4.28	$3.94	$3.82	←→
Under Construction (SF)	8.9M	9.5M	9.4M	↓
Deliveries (SF)	577K	260K	1.4M	↑

Submarket Statistics

	Total Inventory (SF)	Total Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Sublease Availability Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	Avg Overall FS Asking Rent (Price/SF)
Campbell	**2,289,383**	**228,017**	**85,578**	**9.96%**	**3.74%**	**38,987**	**-55,833**	**$3.99**
Cupertino	**7,155,977**	**192,059**	**72,484**	**2.68%**	**1.01%**	**16,037**	**-90,682**	**$4.74**
Los Gatos	**2,129,669**	**97,861**	**17,612**	**4.60%**	**0.83%**	**9,741**	**-14,388**	**$3.60**
Milpitas	**1,132,935**	**132,051**	**0**	**11.66%**	**0.00%**	**12,579**	**-24,559**	**$2.52**
Mountain View	**8,556,380**	**959,623**	**542,016**	**11.22%**	**6.33%**	**62,363**	**-536,669**	**$6.83**
San Jose	**29,185,882**	**3,810,485**	**913,573**	**13.06%**	**3.13%**	**908,814**	**15,627**	**$3.56**
North	7,241,868	1,044,242	441,779	14.42%	6.10%	79,073	25,030	$3.56
Trimble South	2,032,758	239,460	41,293	11.78%	2.03%	26,729	-29,645	$3.02
Int'l Business Park	642,359	2,382	0	0.37%	0.00%	0	0	$2.25
Downtown	10,628,569	1,229,304	178,316	11.57%	1.68%	448,597	-102,915	$3.36
Airport	4,518,470	997,495	239,413	22.08%	5.30%	199,049	35,252	$3.84
South	444,845	17,827	0	4.01%	0.00%	93,545	75,888	$2.46
West	3,677,013	279,775	12,772	7.61%	0.35%	61,821	12,017	$4.07
Santa Clara	**14,627,603**	**2,962,072**	**1,004,560**	**20.25%**	**6.87%**	**237,990**	**-121,461**	**$4.33**
Saratoga	**361,273**	**64,206**	**52,036**	**17.77%**	**14.40%**	**0**	**0**	**$3.39**
Sunnyvale	**15,921,325**	**964,936**	**279,375**	**6.06%**	**1.75%**	**12,456**	**-339,234**	**$4.78**
Silicon Valley	**81,360,427**	**9,411,310**	**2,967,234**	**11.57%**	**3.65%**	**1,298,967**	**-1,167,199**	**$4.28**

Select Lease/Owner User Transactions

Tenant	Building	Submarket	Type	Square Feet
Adobe Systems, Inc.	151 S Almaden Blvd	San Jose (Downtown)	Owner/User	266,985
San Andreas Regional Center	6203 San Ignacio Avenue	San Jose (South)	Direct	73,610
Gigamon Systems, Inc.	3250 Olcott Street	Santa Clara (Central Expy N)	Direct	45,896
Viavi Solutions, Inc.	6001 America Center Drive	San Jose (North)	Sublease	36,715
Versa Networks	6001 America Center Drive	San Jose (North)	Sublease	36,715
Broadsoft, Inc.	355 Santana Row	San Jose (West)	Direct	33,529
Disney Online	1741 Technology Drive	San Jose (Airport)	Sublease	28,930
Grant Thornton	10 Almaden Blvd	San Jose (Downtown)	Direct	22,082
Signifyd	2540 First Street (N)	San Jose (Trimble South)	Sublease	20,163



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Silicon Valley Sublease Tracker Updated 3-15-2017

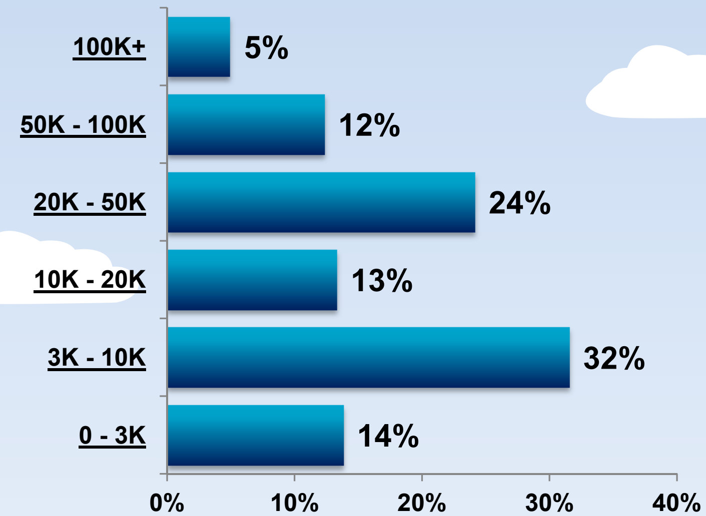
1 **OFFICE** (Class A,B,C)
116 Subleases – 2.55M SF

2 **R&D**
66 Subleases – 2.28M SF

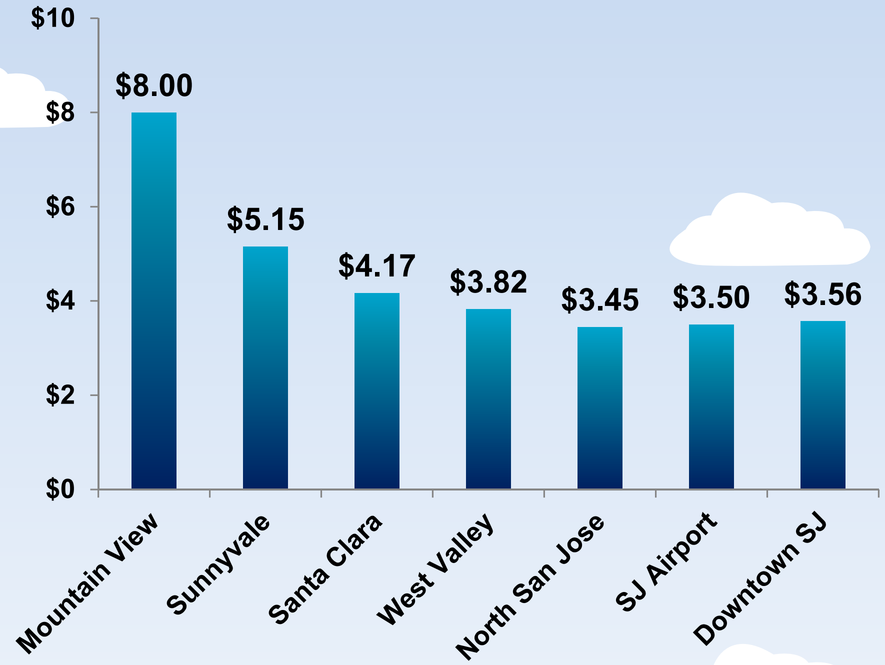
3 **INDUSTRIAL**
16 Subleases – 319K SF

4 **WAREHOUSE**
5 Subleases – 261K SF

Sublease Listing Volume by Size Range



Average Class A Sublease Rates (FS)



1 Year Change in Sublease Space
Sublease space increased from 2.7M at the beginning of 2016 to 5.4M in January of 2017.
+2.7M

Percent of Total Available Space
Sublease space now makes up 19.8% of all available space. The rate is up 8.37% year-over-year.
19.8%

23

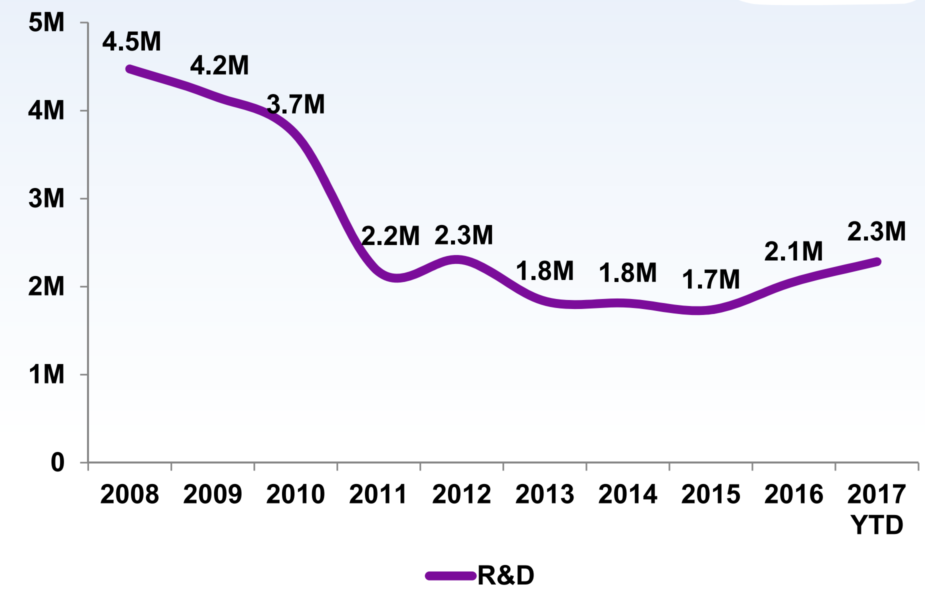
Total Subleases Transacted YTD
YTD 2017 there have been 23 subleases transacted totaling 371K SF.

19.4 M

All Time High for Sublease Space
Total sublease space skyrocketed from 2.4M in 2000 to more than 19.4M by the end of 2002.

Trends in Class A & B Office Sublease Availability

Trends in R&D Sublease Availability



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Q4 2016: Market Statistics Caltrain Corridor

Travel time via Montgomery/ Embarcadero (Southbound)

Millbrae:
Limited: 32 Minutes

Downtown Oakland:
Limited: 12 Minutes

Travel time via San Francisco (Southbound)

Downtown San Mateo:
Limited: 23 Minutes

Redwood City:
Baby Bullet: 31 Minutes
Limited: 34 Minutes

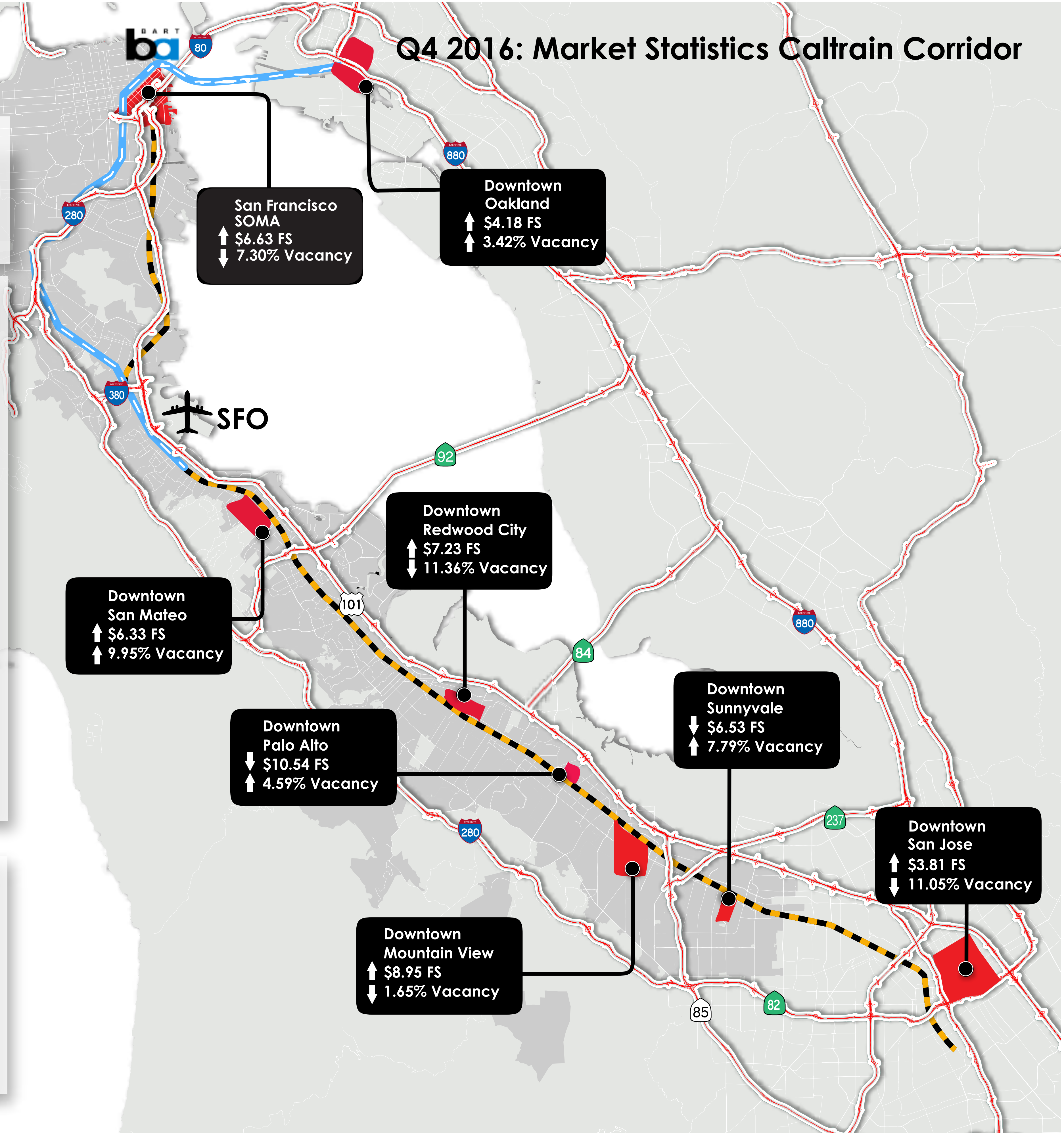
Downtown Menlo Park:
Baby Bullet: 36 Minutes
Limited: 39 Minutes

Downtown Palo Alto:
Baby Bullet: 39 Minutes
Limited: 42 Minutes

Downtown Mountain View:
Baby Bullet: 47 Minutes
Limited: 50 Minutes

Downtown Sunnyvale:
Baby Bullet: 51 Minutes
Limited: 59 Minutes

Downtown San Jose:
Baby Bullet: 61 Minutes
Limited: 83 Minutes



Legend

1. Average asking lease rates are quoted on Full Service basis
2. Rates are Class 'A' office product
3. Rates include sublease availabilities

↑ / ↓ *Indicates increase or decrease from previous quarter*