BAY AREA OFFICE MARKET

Yardi® Matrix

Market Analysis

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Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl
Institutional Research Manager
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu
Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author
Timea-Erika Papp
Associate Editor
Timea-Erika.Papp@Yardi.com

For more information please contact:

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Tech Sector Sustains Growth

The Bay Area's office market continues its boom, due to its well-established technology sector and longstanding presence of major companies such as Google, Apple and Facebook. **Demand for space is robust**, which is reflected in a busy development pipeline and rising rents and property values.

The Bay Area's strength is seen in the employment picture. The metro added **38,500 jobs** in the 12 months ending in April, led by the information sector with 9,700 new jobs. Office-using employment is a particular bright spot, expanding by more than 50% since the start of this economic cycle and adding jobs at more than twice the national rate. What's more, the growth shows little signs of a slowdown.

Office market fundamentals remain solid. Roughly **7.5 million square feet is under construction**, while developers navigate impediments such as the 50,000-square-foot cap on new office space in Palo Alto. Luckily, the restriction doesn't apply to Stanford Research Park, the area's largest technology park.

Leasing activity is solid, save for a few far-flung suburban submarkets. Rents are growing in more in-demand submarkets, led by the $113.43 per square foot commanded in Mountain View–West. Companies have also shifted their focus to **secondary submarkets**, where prices are more affordable, such as Fairfield ($26.12). Investment volume has lost step compared to prior years, due in part to soaring prices, but investor demand is strong if the asking price is reasonable.

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