

Silicon Valley Sheds Suburban Past for Urban Future

By [Lisa Brown \(/author/profile/Lisa-Brown/\)](#) | April 01, 2019 at 04:00 AM



(<https://images.globest.com/contrib/content/uploads/sites/312/2019/03/sf-miles-garber.jpg>)
Miles Garber says the Valley is looking to the future to gear up for “the Google effect”.

SAN JOSE—While new housing production in the Silicon Valley has historically been geared towards single-family homes and townhomes, denser product (<https://www.globest.com/2019/03/18/oakland-is-leading-the-higher-density-charge/>) came to the market in 2018. For example, Sares Regis' 1101 West in Mountain View and The Ashton in Belmont, 777 Walnut by Landmark in San Carlos and SiliconSage's The Almaden in Willow Glen. In addition, Genzon's Kylli announced plans to build up to 6,000 units in a series of towers perhaps 35 stories high near Santa Clara's 49ers stadium.

Simultaneously, a series of underutilized retail and office projects are planned to be repositioned as either housing-only developments or mixed-use centers with new housing. For example, Daly City's Westlake Shopping Center, San Mateo's 2 Waters Park and Cupertino's Vallco Center.

Looking back at prices, Silicon Valley ended the year with a median condo price of \$870,000, a 14.7% increase from the prior year. Of the seven urban condo markets Polaris Pacific tracks on the West Coast, Silicon Valley experienced the highest year-over-year price increase.

The largest price increases occurred in Sunnyvale/Santa Clara and around San Jose's **Diridon Station** (<https://www.globest.com/2019/02/28/schools-near-transit-harness-connectivity-benefits/>), where a host of nearby office complexes were

announced in 2018 (namely, Google's proposed 1 million- square-foot campus set to break ground in 2019. In addition, TMG/ Oak Tree secured entitlements for an additional 1 million square feet in 2018 and a new 18-story tower by Adobe is also in the works.

These new projects demonstrate a trend that the Valley is slowly shedding its suburban past and moving towards a more urban future, particularly as it gears up for "the Google effect", says Miles Garber, vice president of research at Polaris Pacific in this **exclusive**.

GlobeSt.com: How is the Google effect having an impact on housing?

Garber: While some of the largest annual price increases have been in Mountain View, Sunnyvale and near Diridon Station, all places where Google currently operates or intends to operate in the future, Google alone is not the sole causes for these price increases. It is just one of many technology firms continually adding office space and more high-income employees to a constrained housing market, resulting in a condition in which demand for housing vastly outstrips supply.

GlobeSt.com: What new projects demonstrate a trend that the Valley is moving towards a more urban future?

Garber: Sunnyvale Cityline, a 36-acre mixed-use project adjacent to the Sunnyvale Caltrain station, is one instance of the valley shedding its suburban past and moving towards a more urban future. The development is a joint venture between Sares Regis Group, Hunter Storm and JP Morgan Asset Management, and features offices, retail, parks, housing and transit within one community. The first phase of this development, consisting of 198 apartments and 85,000 square feet of retail, was recently completed and two additional phases are planned. The two other notable projects still in planning are Kylli Genzon's redevelopment of a former Yahoo campus in Santa Clara into a high-density mixed-use community. The other most notable development is Sand Hill Property Company's redevelopment of the former Vallco Center in Cupertino, within walking distance of Apple's new world headquarters. Both of the developments are still in planning. When built, however, they will feature large high-rises and will be radical departures from Silicon Valley's suburban past.

GlobeSt.com: How are underutilized retail and office projects planned to be repositioned as either housing-only developments or mixed-use developments with housing?

Garber: Certain developments are taking advantage of the state's new housing density bonus to reposition underperforming retail or office sites to either housing sites mixed-use centers with housing (such as Vallco Center). In other instances, developers are able to convey to neighborhood stakeholders that changing the land use from retail or office to housing will create significantly less traffic, at a time in which traffic congestion is one of the largest pain points for Bay Area residents. One example of this is Strada's repositioning of an old office campus in San Mateo to 162 townhomes.

GlobeSt.com: Is mixed-use going to be a large part of most housing projects, in your estimation?

Garber: As land becomes more and more scarce over time, the number of mixed-use developments will increase. We foresee the majority of these mixed-use complexes to be near transit stops and major employment centers. While townhomes or single-family home construction will still continue, they will represent less and less of Silicon Valley's housing stock over time.

GlobeSt.com: How much higher was Silicon Valley's pricing from the prior year?

Garber: The median condominium price increased 5.7% from the prior year.

GlobeSt.com: What does your crystal ball tell you about how much higher pricing can go and where will housing be located?

Garber: With transaction volumes declining in the most major West Coast urban markets, one should expect more modest price increases over the next two to three years. While future housing sites are planned throughout the Valley, most of the future housing sites are in southern portion of the Valley, principally from Campbell to San Jose. A high percentage of these future developments are near a transit stop.

Lisa Brown

Lisa Brown is an editor for the south and west regions of GlobeSt.com. She has 25-plus years of real estate experience, with a regional PR role at Grubb & Ellis and a national communications position at MMI. Brown also spent 10 years as executive director at NAIOP San Francisco Bay Area chapter, where she led the organization to achieving its first national award honors and recognition on Capitol Hill. She has written extensively on commercial real estate topics and edited numerous pieces on the subject.