



Silicon Valley R&D Market

Market Momentum Continues into 2022

The Silicon Valley R&D market’s momentum continued into the first quarter of 2022 with net absorption of positive 860,128 square feet. This is the second quarter in a row the market had positive net absorption. Gross absorption during the quarter totaled 2,502,116 square feet. This represents an over 100% increase in leasing activity compared to the first quarter of 2021. Average asking rates on a triple-net basis during the quarter were \$2.46/SF, which is a \$0.10/SF quarter-over-quarter increase. The market’s vacancy rate during the quarter was 10.7%. This represents a decrease of 221 basis points compared to the first quarter of 2021 and a quarter-over-quarter decrease of 63 basis points.

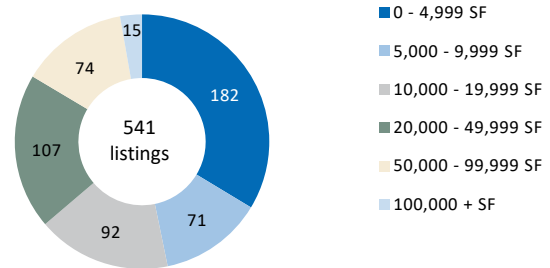
Of the R&D submarkets tracked in Silicon Valley, six submarkets had positive net absorption during the quarter. The largest positive net absorption occurred in San Jose, with 570,673 square feet. This was largely the result of 18 lease transactions of greater than 20,00 square feet occurring within the city. Fourteen of these transactions were in North San Jose. This is also the second quarter in a row the city had net absorption greater than 500,000 square feet. Milpitas and Sunnyvale had the next highest net absorption, with positive 98,191 square feet and 94,109 square feet, respectively. Only Mountain View, Los Gatos and Campbell had negative net absorption during the quarter with negative 27,067 square feet, negative 18,000 square feet and negative 2,900 square feet, respectively.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Vacancy Rate	10.7%	11.3%	12.9%	↓
Qtr Net Absorption	860KSF	-1.4MSF	-689K SF	↑
Qtr Gross Absorption	2.5M SF	2.8M SF	1.2M SF	↑
Avg NNN Asking Rent	\$2.46	\$2.36	\$2.54	↓
Under Construction	0 SF	0 SF	0 SF	↔

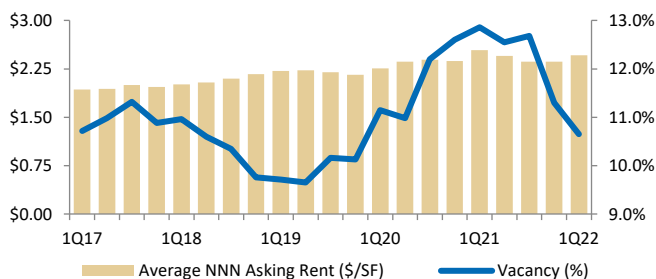
Market Analysis

LEASE VACANCY BREAKDOWN

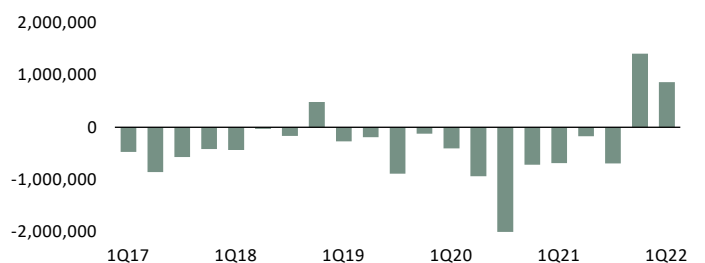


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH 1Q 2022

The largest increase in vacancy rate was Los Gatos's increase from 0.0% to 4.2%, which was due to an 18,000-square-foot availability coming onto the market. Outside of Los Gatos, the largest changes in vacancy rates occurred in San Jose and Newark. San Jose's vacancy rate decreased 171 basis points to 13.3% while Newark's vacancy rate increased 127 basis points to 6.8%. Average asking rates increased across all submarkets, except for Newark. The largest increases occurred in Milpitas and San Jose, where asking rates increased on a triple-net basis by \$0.27/SF to \$2.20/SF and \$0.11/SF to \$2.26/SF, respectively.

Significant Transactions

Three of the quarter's top five leases were in San Jose. The largest transaction of the quarter was Synaptics's leaseback of 151,247 square feet from South Bay Development Company at 1109-1151 McKay Dr. in San Jose's International Business Park submarket. ServiceNow renewed its 130,399-square-foot lease at 2251 Lawson Ln. in Santa Clara's 101 South submarket. Foxconn signed the largest direct lease during the quarter, acquiring 118,488 square feet at 1764-1768 Automation Pkwy. near San Jose's International Business Park. Archer Aviation signed the

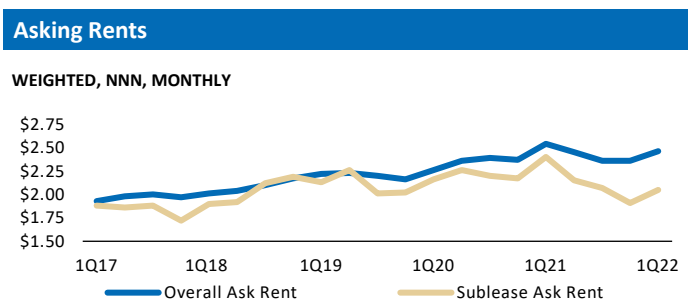
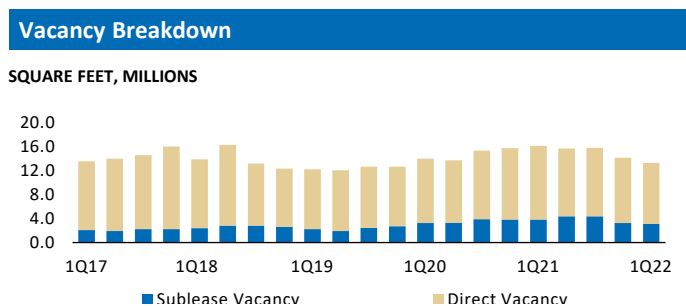
largest sublease during the quarter, taking 95,948 square feet at 190 Tasman Dr. in North San Jose.

The R&D investment market remained active during the quarter. The largest transaction of the quarter was Menlo Equities's \$177.0-million, or \$753/SF, purchase of 235,183 square feet across 888-894 Ross Dr. in Sunnyvale's The Woods submarket. In San Jose, South Bay Development Company purchased 231,719 square feet across 1109-1151 McKay Dr. and 1140-1150 Ringwood Ct. for just under \$58 million, or \$250/SF. In Milpitas, Duke Realty paid \$60.5 million, or \$281/SF, for 215,170 square feet across 475-525 Sycamore Dr. In Fremont, LSMD Fund REIT purchased 122,092 square feet at 47900 Bayside Pkwy. for \$44.8 million, or \$367/SF. Also in Fremont, Divco West purchased 100,808 square feet at 6600 Dumbarton Cir. for over \$68.5 million, or \$680/SF, in Fremont's Bayside submarket.

This is the second quarter in a row of strong leasing and sales activity in the Silicon Valley R&D market. Investor confidence appears to be returning to pre-pandemic levels and healthy leasing activity is expected to continue, based on current active tenant requirements.

Select Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Synaptics	1109-1151 McKay Dr	San Jose - IBP	Leaseback	151,247
ServiceNow	2251 Lawson Ln	Santa Clara - 101 South	Renewal	130,399
Foxconn	1764-1768 Automation Pky	San Jose - IBP	Direct	118,488
Archer Aviation	190 Tasman Dr	San Jose - North	Sublease	95,948
Confidential Tech Company	910 Hermosa Ct	Sunnyvale - Peery Park	Direct	86,000

Select Sale Transactions				
Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
888-894 Ross Dr	Sunnyvale - The Woods	\$177,000,000	\$753	235,183
1109-1151 McKay Dr & 1140-1150 Ringwood Ct	San Jose - IBP	\$57,999,950	\$250	231,719
475-525 Sycamore Dr	Milpitas - Oak Creek	\$60,500,000	\$281	215,170
47900 Bayside Pky	Fremont - Bayside	\$44,800,000	\$367	122,092
6600 Dumbarton Cir	Fremont - Bayside	\$68,549,440	\$680	100,808



Overall Submarket Statistics								
	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Sublease Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
Campbell	1,680,499	153,616	12,495	9.14%	0.74%	32,167	-2,900	\$2.56
Cupertino	2,662,186	19,822	13,200	0.74%	0.50%	0	0	\$4.10
Fremont	18,151,511	1,411,860	249,074	7.78%	1.37%	338,928	72,645	\$2.13
Ardenwood	2,632,743	235,544	118,088	8.95%	4.49%	23,934	-62,500	\$4.25
Auto Mall North	1,193,131	35,747	2,798	3.00%	0.23%	0	0	\$1.65
Bayside	7,733,856	448,913	20,519	5.80%	0.27%	67,734	46,484	\$1.80
Mission North	982,920	91,711	0	9.33%	0.00%	125,495	28,391	-
Mission South	4,751,289	492,945	107,669	10.37%	2.27%	113,237	60,270	\$1.07
Warm Springs	857,572	107,000	0	12.48%	0.00%	8,528	0	\$1.60
Los Gatos	425,051	18,000	0	4.23%	0.00%	0	-18,000	\$0.00
Milpitas	13,578,303	1,957,934	487,508	14.42%	3.59%	318,808	98,191	\$2.20
East 880	6,215,759	275,937	58,790	4.44%	0.95%	43,240	-5,027	\$1.69
Oak Creek	7,362,544	1,681,997	428,718	22.85%	5.82%	275,568	103,218	\$2.27
Morgan Hill	1,308,178	110,943	21,539	8.48%	1.65%	17,787	0	\$1.43
Mountain View	10,809,901	946,005	204,255	8.75%	1.89%	262,375	-27,067	\$4.41
Downtown	0	0	0	0.00%	0.00%	0	0	\$0.00
Central	1,787,024	112,475	19,080	6.29%	1.07%	176,635	59,173	\$4.11
Shoreline	4,405,432	23,774	13,776	0.54%	0.31%	18,700	4,924	\$2.73
Middlefield	4,617,445	809,756	171,399	17.54%	3.71%	67,040	-91,164	\$4.48
Newark	3,088,407	208,725	35,000	6.76%	1.13%	13,440	13,440	\$1.46
San Jose	36,004,113	4,773,855	1,272,291	13.26%	3.53%	1,118,864	570,673	\$2.26
North	16,524,208	2,609,856	505,524	15.79%	3.06%	665,736	486,738	\$2.44
Trimble South	4,054,634	965,940	504,574	23.82%	12.44%	57,782	4,428	\$2.43
Int'l Business Park	7,457,331	346,498	27,800	4.65%	0.37%	274,261	89,097	\$1.76
Brokaw South	668,120	95,071	21,430	14.23%	3.21%	39,878	24,191	\$1.80
Central	488,652	124,522	0	25.48%	0.00%	0	0	\$0.00
South	6,811,168	631,968	212,963	9.28%	3.13%	81,207	-33,781	\$1.66
Santa Clara	17,698,861	2,058,060	384,021	11.63%	2.17%	181,579	59,037	\$2.43
Central Expy N	3,082,436	252,495	6,180	8.19%	0.20%	163,157	96,005	\$2.45
Marriott Park	4,621,960	1,160,459	170,130	25.11%	3.68%	5,627	366	\$2.66
101 North	1,379,121	125,926	0	9.13%	0.00%	0	-33,360	\$1.44
101 South	5,110,001	420,149	178,455	8.22%	3.49%	12,795	-3,974	\$2.20
Central Expy S	3,505,343	99,031	29,256	2.83%	0.83%	0	0	\$1.62
Sunnyvale	19,173,712	1,607,598	429,871	8.38%	2.24%	218,168	94,109	\$3.40
Peery Park	4,260,948	414,096	198,030	9.72%	4.65%	127,063	86,934	\$4.24
Moffett Park	4,982,084	338,655	138,650	6.80%	2.78%	0	-7,200	\$2.64
The Woods	1,764,350	119,111	19,328	6.75%	1.10%	13,415	13,415	\$2.76
Oakmead	5,693,118	697,548	73,863	12.25%	1.30%	77,690	960	\$3.35
South Central	2,473,212	38,188	0	1.54%	0.00%	0	0	\$3.28
Silicon Valley	124,580,722	13,266,418	3,109,254	10.65%	2.50%	2,502,116	860,128	\$2.46

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Historical Vacancy Rates								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	10.98%	12.22%	12.57%	12.86%	12.55%	12.68%	11.28%	10.65%
Campbell	7.29%	6.59%	6.53%	7.74%	6.57%	8.97%	8.97%	9.14%
Cupertino	0.50%	0.50%	0.50%	0.74%	0.74%	0.74%	0.74%	0.74%
Fremont	7.43%	8.06%	8.92%	9.31%	7.75%	8.13%	7.43%	7.78%
Los Gatos	-	-	17.39%	17.39%	17.39%	10.60%	0.00%	4.23%
Milpitas	17.50%	18.46%	18.50%	18.40%	17.63%	18.46%	15.14%	14.42%
Morgan Hill								8.48%
Mountain View	6.87%	8.28%	7.77%	8.79%	8.57%	9.88%	9.03%	8.75%
Newark	3.38%	9.45%	7.92%	10.54%	11.63%	6.71%	5.49%	6.76%
San Jose	16.21%	17.86%	18.14%	18.00%	17.24%	17.06%	14.97%	13.26%
Santa Clara	10.89%	11.77%	13.15%	13.40%	13.43%	13.21%	12.09%	11.63%
Sunnyvale	5.72%	6.85%	6.60%	7.08%	8.49%	9.09%	8.96%	8.38%

Historical NNN Asking Rents								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	\$2.36	\$2.39	\$2.37	\$2.54	\$2.45	\$2.36	\$2.36	\$2.46
Campbell	\$2.62	\$2.36	\$2.54	\$2.64	\$2.39	\$2.02	\$2.50	\$2.56
Cupertino	-	\$4.50	\$4.50	\$4.50	\$4.50	\$4.28	\$4.10	\$4.10
Fremont	\$1.43	\$1.48	\$1.39	\$1.72	\$1.66	\$2.08	\$2.13	\$2.13
Los Gatos	-	-	\$2.95	-	-	-	-	-
Milpitas	\$2.08	\$2.17	\$2.14	\$2.22	\$2.09	\$2.01	\$1.93	\$2.20
Morgan Hill								\$1.43
Mountain View	\$4.67	\$4.34	\$4.41	\$4.41	\$4.62	\$4.41	\$4.41	\$4.41
Newark	\$1.66	\$1.77	\$1.69	\$2.36	\$1.81	\$2.00	\$2.21	\$1.46
San Jose	\$2.17	\$2.17	\$2.26	\$2.41	\$2.21	\$2.14	\$2.15	\$2.26
Santa Clara	\$2.65	\$2.58	\$2.53	\$2.61	\$2.51	\$2.44	\$2.39	\$2.43
Sunnyvale	\$3.02	\$2.97	\$2.91	\$3.23	\$3.11	\$3.07	\$3.39	\$3.40

Historical Net Absorption								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	-941,359	-2,003,509	-733,661	-689,522	-176,212	-693,668	1,406,686	860,128
Campbell	47,180	4,568	1,033	-20,716	20,000	-38,276	0	-2,900
Cupertino	-	-	-	-6,622	-	0	0	0
Fremont	214,381	-173,109	-180,797	-49,840	3,746	-84,206	123,737	72,645
Los Gatos	-	-	-73,856	-	-	38,212	45,000	-18,000
Milpitas	-63,129	-290,782	-5,151	8,324	106,255	-217,748	-25,185	98,191
Morgan Hill								0
Mountain View	-121,099	-211,460	2,382	-150,114	14,244	-98,632	65,690	-27,067
Newark	98,954	-156,369	47,002	-82,930	-33,680	101,949	37,579	13,440
San Jose	-859,379	-777,379	-195,562	-125,027	12,179	-217,449	541,420	570,673
Santa Clara	-47,972	-191,609	-287,668	-169,023	-13,426	-1,530	726,850	59,037
Sunnyvale	-210,295	-207,369	-41,044	-93,574	-285,530	-175,988	-108,405	94,109

Historical Gross Absorption								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Silicon Valley	1,396,258	1,503,684	1,742,914	1,248,986	2,377,526	1,865,901	2,808,704	2,502,116
Campbell	93,880	142,713	25,682	3,200	37,210	-	0	32,167
Cupertino	3,622	45,410	-	-	-	-	0	0
Fremont	465,274	267,466	393,045	193,742	371,841	264,658	711,669	338,928
Los Gatos	24,363	-	46,871	-	-	48,578	45,000	0
Milpitas	23,132	144,647	90,323	63,850	303,309	47,262	64,720	318,808
Morgan Hill								17,787
Mountain View	13,650	63,940	30,362	30,362	587,034	336,162	113,857	262,375
Newark	204,127	35,516	129,661	-	-	135,530	46,905	13,440
San Jose	432,103	618,196	475,053	443,165	884,925	634,715	1,087,436	1,118,864
Santa Clara	114,673	57,910	71,621	46,981	126,724	186,231	496,562	181,579
Sunnyvale	21,434	127,886	480,296	467,686	66,483	212,765	242,555	218,168

For more information:

Newmark

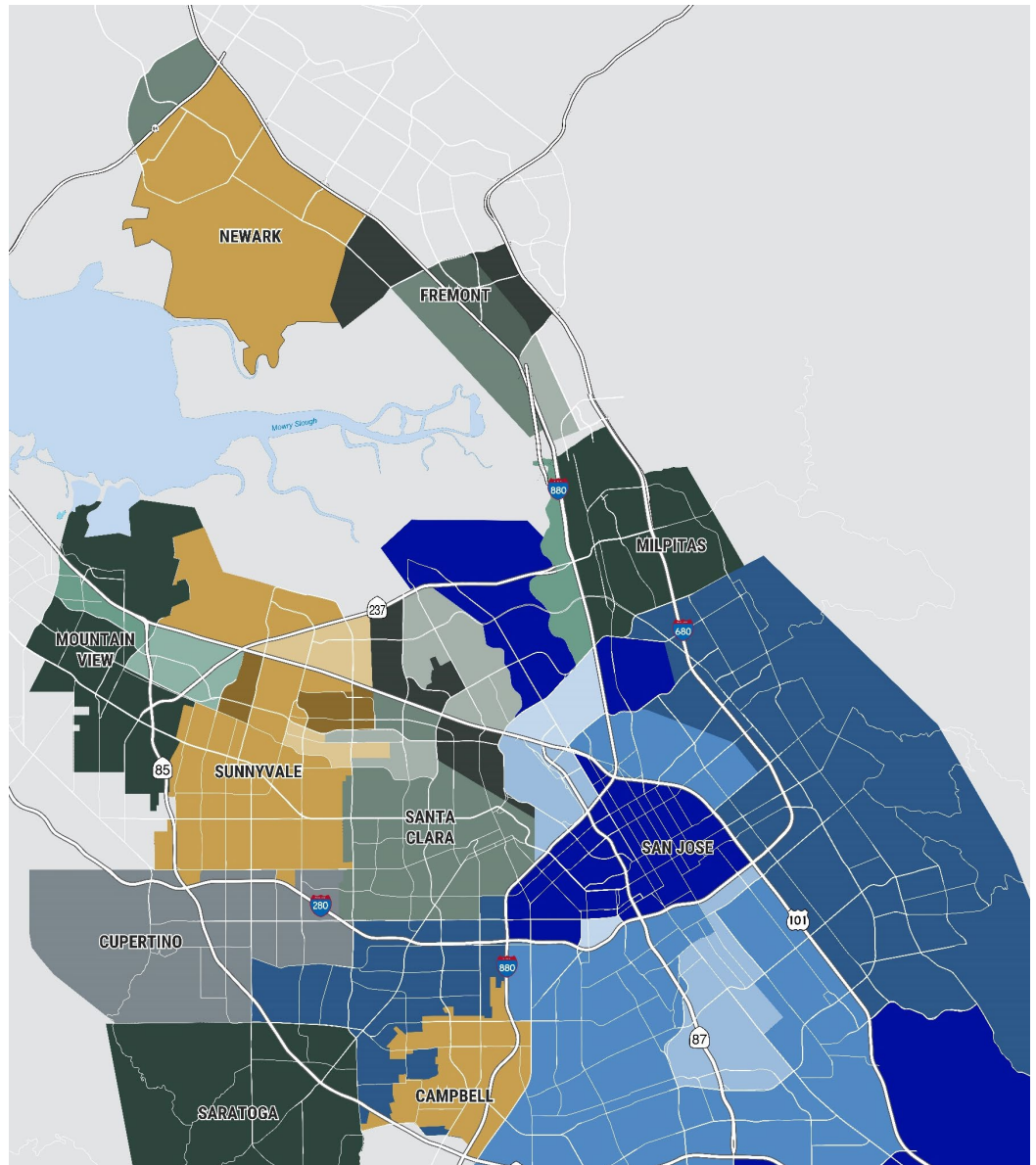
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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