



Silicon Valley R&D Market

Pre-Pandemic Absorption Portends Future Growth

The 4th of July fireworks were a fitting end to an explosive quarter for the R&D market, with leasing levels returning to pre-pandemic levels of activity and absorption. Net absorption posted negative 176,212 square feet, which is the lowest net loss since the fourth quarter of 2019's negative 127,292 square feet. Gross absorption was robust, with approximately 2.4 million square feet, which is the highest gross absorption has been since fourth-quarter 2019. The vacancy rate ended at 12.6%, which is down from 12.9% last quarter, but up from 11.0% just one year ago. Asking rates on a monthly triple-net basis decreased to \$2.45/SF from last quarter's historic high of \$2.54/SF. The decrease is due to 28 new listings over 10,000 square feet coming to the market, 16 of those being subleases.

Submarket Breakdown

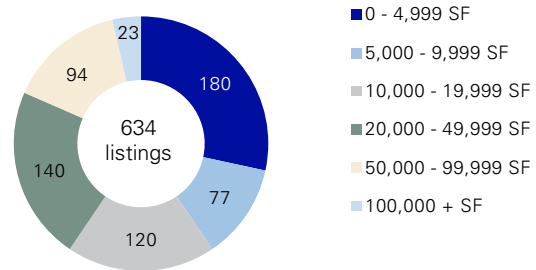
Net absorption was mainly affected by two submarkets this quarter: Milpitas and Sunnyvale. Milpitas had a strong showing and posted positive 106,255 square feet, despite nearly 150,000 square feet of new space hitting the market. Sunnyvale posted -285,530 square feet of net absorption, with over half of that coming from the Peery Park submarket. Vacancy rates decreased or stayed flat across most submarkets, with the only two significant increases coming in Newark and Sunnyvale, which

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Vacancy Rate	12.6%	12.9%	11.0%	↑
Qtr Net Absorption	-176 SF	-690K SF	-941K SF	↑
Qtr Gross Absorption	2.4M SF	1.2M SF	1.4M SF	↑
Avg NNN Asking Rent	\$2.45	\$2.54	\$2.36	↑
Under Construction	0 SF	0 SF	0 SF	↔

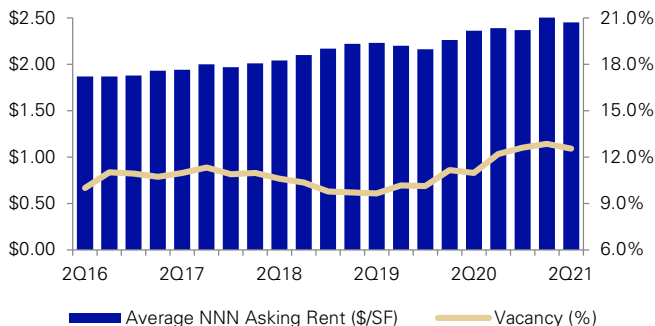
Market Analysis

LEASE VACANCY BREAKDOWN

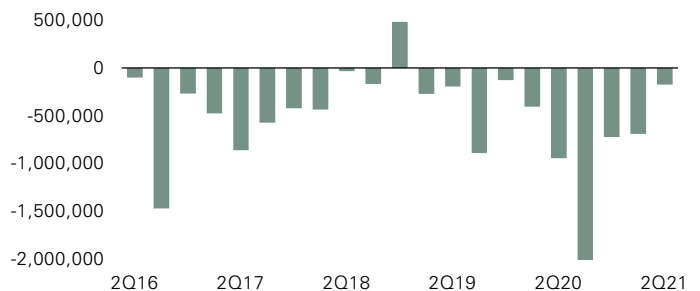


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



NEWMARK

RESEARCH 2Q 2021

posted an increase of 1.1 and 1.4 percentage points, respectively. Campbell and Fremont saw the biggest decreases in vacancy, with Campbell decreasing 1.2 points to 6.6%, and Fremont decreasing 1.6 points to 7.8%. Asking rates decreased in nearly every market, with Campbell and Newark having the biggest fall, decreasing by \$0.25/SF and \$0.55/SF, respectively. Mountain View was the lone market where asking rates increased, going up \$0.21/SF to a near-historic \$4.62/SF.

Significant Transactions

Large transactions were back this quarter, with four deals over 100,000 square feet, 11 deals over 50,000 square feet, and 46 deals over 10,000 square feet. The largest lease of the quarter was Google renewing a seven-building, 443,620-square-foot project at Mountain View Research Center (“The Quad”). The second largest lease was just shy of 200,000 square feet, with Quantumscape taking the 196,647-square-foot sublease at 1710 Automation Parkway in San Jose. The last remaining lease over 100,000 square feet was in Milpitas, where Corsair leased

118,127 square feet at 115 McCarthy Boulevard. Applied Materials has been expanding rapidly post-pandemic and made two owner/user purchases in Sunnyvale: a 115,000-square-foot purchase for \$46.6 million at 545 Oakmead Parkway and the 85,454-square-foot two-building campus at 955-965 Arques Avenue for \$34.3 million.

Investment sales were active, with six deals over 100,000 square feet and 14 total deals over 50,000 square feet. The largest purchase of the quarter was an eight-building portfolio in San Jose, Milpitas and Fremont, where Peninsula Land & Capital purchased 584,696 square feet for approximately \$142 million, or \$242/SF. Another large portfolio purchase was made by Hines, where the company purchased the 209,000-square-foot Dixon Landing Research Park in Fremont for \$47.0 million, or \$225/SF. Another notable purchase was made by Steelwave, which purchased the two-building, 152,444-square-foot campus at 515-545 Whisman Road in Mountain View for \$100.5 million, or \$659/SF.

Select Lease/User Transactions

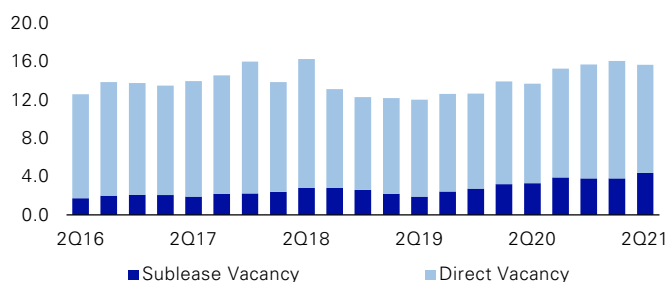
Tenant	Building(s)	Submarket	Type	Square Feet
Google	Mountain View Research Center (“The Quad”)	Mountain View - South Middlefield	Lease Renewal	443,620
Quantumscape	1710 Automation Parkway	San Jose - International Bus Park	Direct Lease	196,647
Corsair	115 McCarthy Boulevard	Milpitas - Oak Creek	Direct Lease	118,127
Applied Materials	545 Oakmead Parkway	Sunnyvale – Oakmead	User Sale	115,000
Cepton Technologies	399 Trimble Road	San Jose – North	Sublease	92,842

Select Investment Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
6311-6351 San Ignacio Avenue	San Jose, Milpitas, Fremont	\$142,000,000	\$242	584,696
49000, 49036, 49086 Milmont Drive	Fremont - Mission South	\$47,000,000	\$225	209,000
5521 Hellyer Avenue	San Jose - South	\$51,400,000	\$252	203,807
515-545 Whisman Road	Mountain View - South Middlefield	\$100,500,000	\$659	152,444
3011 First Street	San Jose – North	\$28,900,000	\$198	146,159

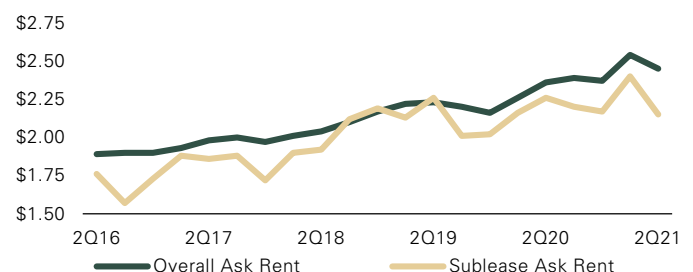
Vacancy Breakdown

SQUARE FEET, MILLIONS



Asking Rents

WEIGHTED, NNN, MONTHLY



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	1,711,964	112,440	7,175	6.57%	0.42%	37,210	20,000	\$2.39
Cupertino	2,662,186	19,822	13,200	0.74%	0.50%	0	0	\$4.50
Fremont	19,751,872	1,560,748	282,312	7.75%	1.43%	371,841	3,746	\$1.66
Mission South	2,629,302	128,416	55,916	4.88%	2.13%	62,523	62,523	\$3.07
Warm Springs	1,426,795	98,185	5,421	6.88%	0.38%	1,168	-58,832	\$1.41
Mission North	7,897,518	563,571	85,684	7.14%	1.08%	240,324	-9,245	\$1.69
Bayside	1,306,007	151,004	-	11.56%	0.00%	0	28,146	\$1.35
Auto Mall North	5,612,271	504,044	126,763	8.98%	2.26%	39,680	-18,846	\$1.21
Ardenwood	879,979	115,528	8,528	13.13%	0.97%	28,146	0	\$1.65
Los Gatos	424,711	73,856	0	17.39%	0.00%	0	0	\$0.00
Milpitas	13,578,303	2,394,402	478,681	17.63%	3.53%	303,309	106,255	\$2.09
East 880	6,215,759	583,914	7,300	9.39%	0.12%	44,593	0	\$1.92
Oak Creek	7,362,544	1,810,488	471,381	24.59%	6.40%	258,716	106,255	\$2.16
Mountain View	10,566,269	906,023	270,879	8.57%	2.56%	587,034	14,244	\$4.62
Downtown	0	0	0	0.00%	0.00%	0	0	\$0.00
Central	1,762,565	207,743	40,214	11.79%	2.28%	8,590	-66,932	\$3.89
Shoreline	4,371,110	63,910	44,210	1.46%	1.01%	0	0	\$4.65
Middlefield	4,432,594	634,370	186,455	14.31%	4.21%	578,444	81,176	\$4.73
Newark	3,088,407	359,319	269,434	11.63%	8.72%	0	-33,680	\$1.81
San Jose	36,540,383	6,301,178	2,017,703	17.24%	5.52%	884,925	12,179	\$2.21
North	16,611,174	3,624,332	1,222,929	21.82%	7.36%	289,586	49,715	\$2.43
Trimble South	4,054,634	1,021,546	521,674	25.19%	12.87%	179,804	-25,993	\$2.22
Int'l Business Park	7,578,308	566,567	30,819	7.48%	0.41%	207,703	168,095	\$1.75
Brokaw South	712,259	140,806	52,663	19.77%	7.39%	0	-47,333	\$1.79
Central	488,652	51,778	0	10.60%	0.00%	26,934	0	\$0.00
South	7,095,356	896,149	189,618	12.63%	2.67%	180,898	-132,305	\$1.52
Santa Clara	16,993,665	2,282,113	492,068	13.43%	2.90%	126,724	-13,426	\$2.51
Central Expy N	3,121,299	292,828	49,530	9.38%	1.59%	0	0	\$3.25
Marriott Park	4,619,150	1,407,201	280,541	30.46%	6.07%	66,330	-85	\$2.53
101 North	1,379,121	131,583	46,064	9.54%	3.34%	0	0	\$1.71
101 South	4,361,063	359,842	115,933	8.25%	2.66%	33,460	2,845	\$2.05
Central Expy S	3,513,032	90,659	0	2.58%	0.00%	26,934	-16,186	\$2.35
Sunnyvale	19,382,412	1,645,923	537,640	8.49%	2.77%	66,483	-285,530	\$3.11
Peery Park	4,334,036	494,951	265,626	11.42%	6.13%	5,858	-161,039	\$3.92
Moffett Park	5,106,529	353,356	160,551	6.92%	3.14%	0	-48,480	\$2.47
The Woods	1,776,700	147,804	32,450	8.32%	1.83%	26,511	20,500	\$2.50
Oakmead	5,691,935	564,775	79,013	9.92%	1.39%	12,892	-49,662	\$3.12
South Central	2,473,212	85,037	0	3.44%	0.00%	21,222	-46,849	\$3.57
Silicon Valley	124,700,172	15,655,824	4,369,092	12.55%	3.50%	2,377,526	-176,212	\$2.45

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Historical Vacancy Rates								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Silicon Valley	10.16%	10.13%	11.15%	10.98%	12.22%	12.57%	12.86%	12.55%
Campbell	6.72%	5.92%	10.05%	7.29%	6.59%	6.53%	7.74%	6.57%
Cupertino	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.74%	0.74%
Fremont	8.02%	8.16%	9.38%	7.43%	8.06%	8.92%	9.31%	7.75%
Los Gatos	-	-	-	-	-	17.39%	17.39%	17.39%
Milpitas	18.19%	18.02%	17.99%	17.50%	18.46%	18.50%	18.40%	17.63%
Mountain View	5.71%	5.37%	6.22%	6.87%	8.28%	7.77%	8.79%	8.57%
Newark	8.62%	8.07%	9.63%	3.38%	9.45%	7.92%	10.54%	11.63%
San Jose	15.26%	15.29%	15.78%	16.21%	17.86%	18.14%	18.00%	17.24%
Santa Clara	7.65%	8.18%	11.08%	10.89%	11.77%	13.15%	13.40%	13.43%
Sunnyvale	3.79%	3.45%	4.27%	5.72%	6.85%	6.60%	7.08%	8.49%

Historical NNN Asking Rents								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Silicon Valley	\$2.20	\$2.16	\$2.26	\$2.36	\$2.39	\$2.37	\$2.54	\$2.45
Campbell	\$2.29	\$2.55	\$2.81	\$2.62	\$2.36	\$2.54	\$2.64	\$2.39
Cupertino	\$2.45	\$2.45	\$2.45	-	\$4.50	\$4.50	\$4.50	\$4.50
Fremont	\$1.40	\$1.39	\$1.42	\$1.43	\$1.48	\$1.39	\$1.72	\$1.66
Los Gatos	-	-	-	-	-	\$2.95	-	-
Milpitas	\$1.94	\$1.97	\$2.08	\$2.08	\$2.17	\$2.14	\$2.22	\$2.09
Mountain View	\$4.20	\$4.16	\$4.57	\$4.67	\$4.34	\$4.41	\$4.41	\$4.62
Newark	\$2.12	\$2.08	\$1.96	\$1.66	\$1.77	\$1.69	\$2.36	\$1.81
San Jose	\$2.19	\$2.09	\$2.13	\$2.17	\$2.17	\$2.26	\$2.41	\$2.21
Santa Clara	\$2.44	\$2.36	\$2.55	\$2.65	\$2.58	\$2.53	\$2.61	\$2.51
Sunnyvale	\$2.50	\$2.42	\$2.87	\$3.02	\$2.97	\$2.91	\$3.23	\$3.11

RESEARCH 2Q 2021

Historical Net Absorption								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Silicon Valley	-888,988	-127,292	-405,834	-941,359	-2,003,509	-733,661	-689,522	-176,212
Campbell	12,368	-30,229	70,605	47,180	4,568	1,033	-20,716	20,000
Cupertino	16,490	-	-	-	-	-	-6,622	-
Fremont	-262,339	-90,986	-22,923	214,381	-173,109	-180,797	-49,840	3,746
Los Gatos	-	-	-	-	-	-73,856	-	-
Milpitas	181,381	20,191	39,023	-63,129	-290,782	-5,151	8,324	106,255
Mountain View	99,018	25,160	-104,918	-121,099	-211,460	2,382	-150,114	14,244
Newark	-90,873	-	88,639	98,954	-156,369	47,002	-82,930	-33,680
San Jose	-492,402	36,535	229,690	-859,379	-777,379	-195,562	-125,027	12,179
Santa Clara	-373,590	-180,545	-497,957	-47,972	-191,609	-287,668	-169,023	-13,426
Sunnyvale	20,959	92,582	-207,993	-210,295	-207,369	-41,044	-93,574	-285,530

Historical Gross Absorption								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Silicon Valley	2,024,983	2,575,910	1,454,226	1,396,258	1,503,684	1,742,914	1,248,986	2,377,526
Campbell	29,485	13,771	-	93,880	142,713	25,682	3,200	37,210
Cupertino	16,490	-	29,616	3,622	45,410	-	-	-
Fremont	284,677	668,847	331,755	465,274	267,466	393,045	193,742	371,841
Los Gatos	-	-	-	24,363	-	46,871	-	-
Milpitas	287,155	188,720	133,307	23,132	144,647	90,323	63,850	303,309
Mountain View	235,377	74,738	73,878	13,650	63,940	30,362	30,362	587,034
Newark	65,150	1,320	-	204,127	35,516	129,661	-	-
San Jose	611,191	904,003	616,607	432,103	618,196	475,053	443,165	884,925
Santa Clara	197,711	460,526	202,574	114,673	57,910	71,621	46,981	126,724
Sunnyvale	297,747	263,985	66,489	21,434	127,886	480,296	467,686	66,483

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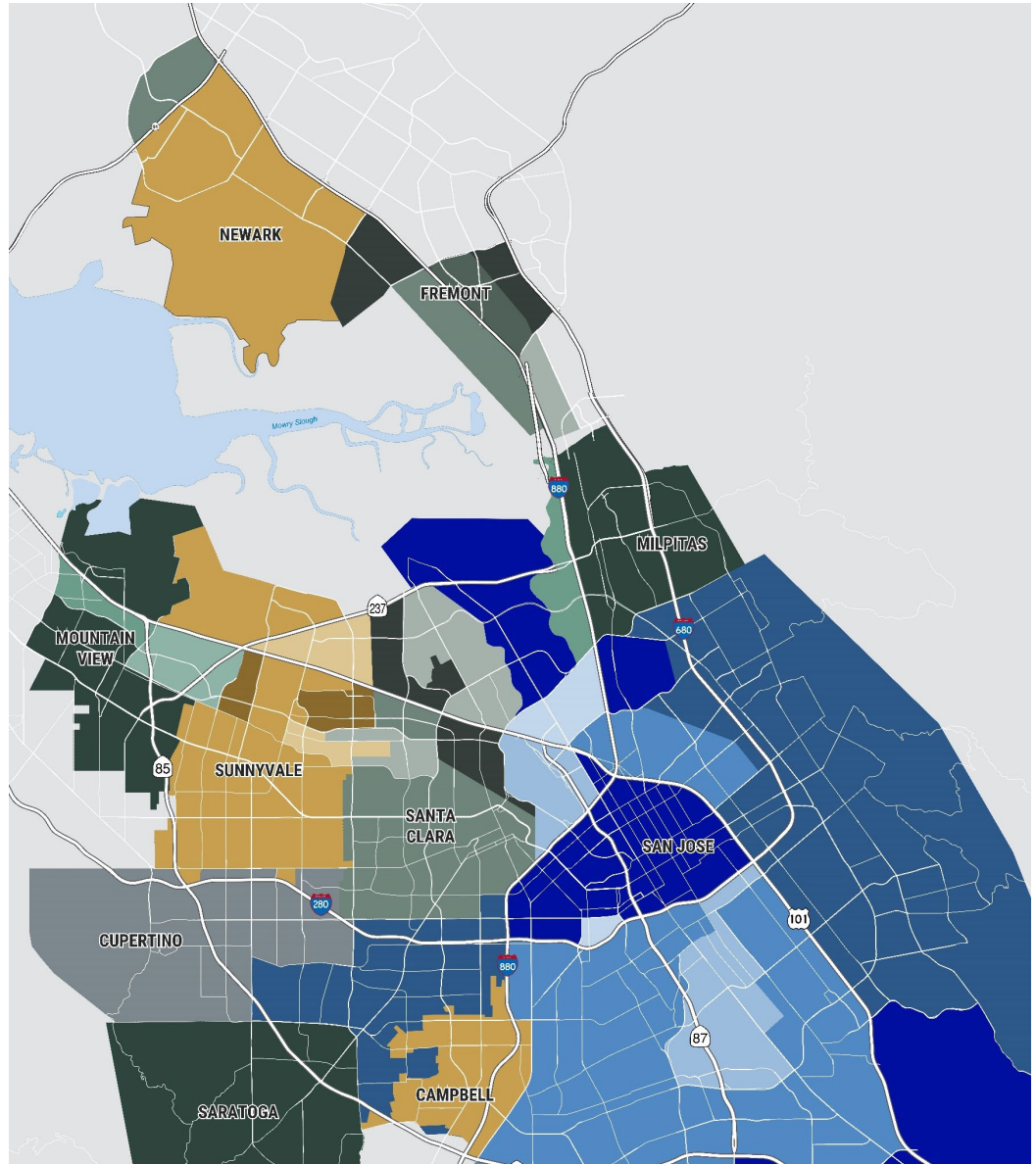
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