



RESEARCH 3Q 2021

# Silicon Valley R&D Market

## Quiet Leasing, Strong Sales

The R&D market once again registered pre-pandemic levels of touring activity during the third quarter of 2021. Gross absorption was robust, with approximately 1.9 million square feet, which is below the 2.4 million square feet last quarter, but up from 1.5 million square feet one year ago. However, net absorption posted negative 693,668 square feet. The vacancy rate ended at 12.7%, which is up from 12.6% last quarter and up from 12.2% one year ago. Asking rates on a monthly triple-net basis decreased to \$2.36/SF from last quarter's \$2.45/SF. Despite this decrease, the asking rate recently hit a historic high of \$2.54/SF at the end of first-quarter 2021.

### Submarket Breakdown

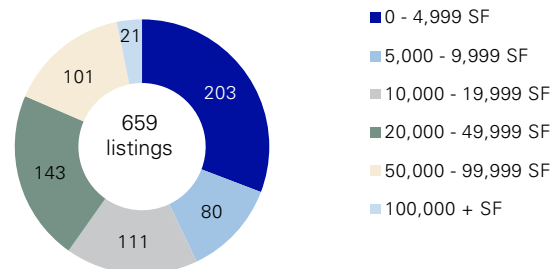
Milpitas, San Jose and Sunnyvale impacted net absorption the most this quarter. These three cities combined posted negative 611,185 square feet, mostly attributable to 25 spaces totaling over 900,000 square feet becoming vacant. Only 7 of those 25 listings were over 50,000 square feet. Most of the new space is an aggregate of small-to-medium sized listings. Only Los Gatos and Newark posted positive net absorption, with 38,212 square feet and 101,949 square feet, respectively. Despite another negative net absorption for the third quarter, the high levels of gross absorption is a good sign of future growth.

### Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Vacancy Rate	12.7%	12.6%	12.2%	↓
Qtr Net Absorption	-694K SF	-176K SF	-2.0M SF	↑
Qtr Gross Absorption	1.9M SF	2.4M SF	1.5M SF	↑
Avg NNN Asking Rent	\$2.36	\$2.45	\$2.39	↑
Under Construction	0 SF	0 SF	0 SF	↔

### Market Analysis

#### LEASE VACANCY BREAKDOWN

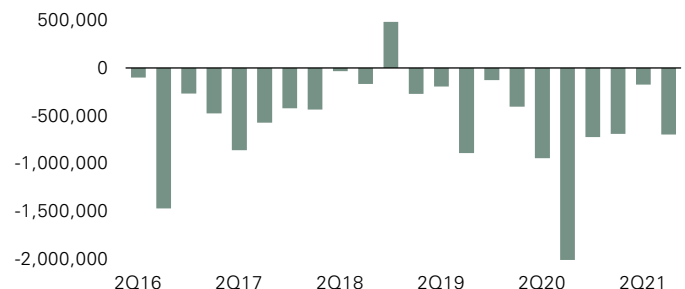


### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## RESEARCH 3Q 2021

Vacancy rates increased slightly across most submarkets, with the two most significant increases coming in Campbell and Mountain View, which posted an increase of 2.4 and 1.3 percentage points, respectively. Los Gatos and Newark posted the biggest decreases in vacancy, with Los Gatos decreasing 6.8 percentage points to 10.6% and Newark decreasing 4.9 percentage points to 6.7%. Asking rates on a monthly triple-net basis decreased in nearly every market, with Campbell and Mountain View having the biggest fall, decreasing by \$0.37/SF and \$0.21/SF, respectively. Fremont and Newark were the only submarkets that posted increases, respectively going up \$0.42/SF to \$2.08/SF and up \$0.19/SF to \$2.00/SF.

### Significant Transactions

A healthy mix of new and renewal transactions comprised the top leases of the third quarter, with one deal over 100,000 square feet, 11 additional deals over 50,000 square feet, and 16 more deals over 20,000 square feet. Personalis completed the largest lease of the quarter, taking 100,808 square feet at 6600 Dumbarton Circle in Fremont. Commscope had the largest

renewal, opting to stay in 96,415 square feet at 350 Java Drive in Sunnyvale. Quantumscope also renewed on 87,125 square feet at 1730 Technology Drive in San Jose. Credo Semiconductor signed a deal for 87,088 square feet at 110 Rio Robles in San Jose. Velo3D inked a deal for 81,704 square feet at 2710 Lakeview Court in Fremont.

Sales were vigorous during the third quarter. Exeter Property Group completed the largest purchase of the quarter, buying The Assembly at North First in San Jose. The deal was for a total of 489,094 square feet among six buildings for an estimated \$192 million or \$393/SF. Apple decided to purchase 447,000 square feet among five buildings it currently occupies in Cupertino for a total of \$450 million or \$1,007/SF. Although not a building transaction, Bridge Development decided to purchase roughly 379,970 square feet among three buildings on Qume and Commerce Drive in San Jose for \$134 million. It plans on redeveloping the site into a new industrial/warehouse project. Overall, this robust activity signals confidence in the future of Silicon Valley's R&D market.

### Select Lease Transactions

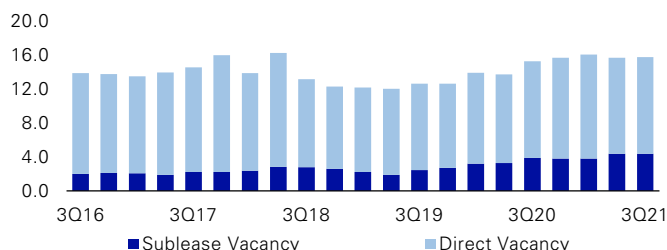
Tenant	Building(s)	Submarket	Type	Square Feet
Personalis	6600 Dumbarton Circle	Fremont – Bayside	Direct Lease	100,808
CommScope	350 Java Drive	Sunnyvale - Moffett Park	Lease Renewal	96,415
Quantumscape	1730 Technology Drive	San Jose - Airport	Lease Renewal	87,125
Credo Semiconductor	110 Rio Robles	San Jose - North	Direct Lease	87,088
Velo3D	2710 Lakeview Court	Fremont – Bayside	Direct Lease	81,704

### Select Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
The Assembly at North First	San Jose – North	\$192,000,000	\$393	489,094
Mariani Ave, Valley Green Drive	Cupertino	\$450,000,000	\$1,007	447,000
Qume and Commerce Drive	San Jose – International Business Park	\$134,000,000	\$353	379,970
Ardenwood Corporate Park	Fremont - Ardenwood	\$140,000,000	\$434	322,238
Vasona Technology Park	Campbell	\$147,200,000	\$550	267,476

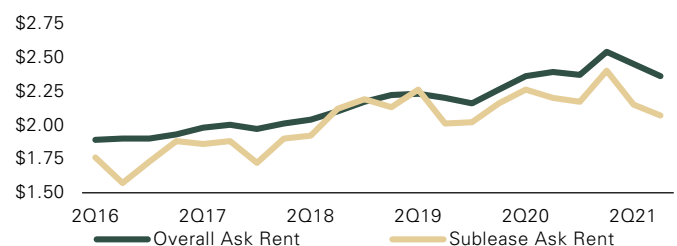
### Vacancy Breakdown

#### 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)
<b>Campbell</b>	<b>1,680,499</b>	<b>150,716</b>	<b>12,495</b>	<b>8.97%</b>	<b>0.74%</b>	<b>0</b>	<b>-38,276</b>	<b>\$2.02</b>
<b>Cupertino</b>	<b>2,662,186</b>	<b>19,822</b>	<b>13,200</b>	<b>0.74%</b>	<b>0.50%</b>	<b>0</b>	<b>0</b>	<b>\$4.28</b>
<b>Fremont</b>	<b>19,751,872</b>	<b>1,605,908</b>	<b>226,619</b>	<b>8.13%</b>	<b>1.15%</b>	<b>264,658</b>	<b>-84,206</b>	<b>\$2.08</b>
Ardenwood	2,629,302	36,477	36,477	1.39%	1.39%	63,439	19,439	\$3.06
Auto Mall North	1,426,795	98,185	5,421	6.88%	0.38%	1,579	-	\$1.48
Bayside	7,897,518	749,645	85,684	9.49%	1.08%	127,678	(70,593)	\$2.03
Mission North	1,306,007	120,102	-	9.20%	0.00%	-	-	\$1.35
Mission South	5,612,271	482,271	90,509	8.59%	1.61%	49,122	29,352	\$1.28
Warm Springs	879,979	119,228	8,528	13.55%	0.97%	22,840	(3,700)	\$1.65
<b>Los Gatos</b>	<b>424,711</b>	<b>45,000</b>	<b>0</b>	<b>10.60%</b>	<b>0.00%</b>	<b>48,578</b>	<b>38,212</b>	<b>\$0.00</b>
<b>Milpitas</b>	<b>13,578,303</b>	<b>2,506,176</b>	<b>623,695</b>	<b>18.46%</b>	<b>4.59%</b>	<b>47,262</b>	<b>-217,748</b>	<b>\$2.01</b>
East 880	6,215,759	639,825	52,390	10.29%	0.84%	8,956	-45,090	\$1.77
Oak Creek	7,362,544	1,866,351	571,305	25.35%	7.76%	38,306	-172,658	\$2.12
<b>Mountain View</b>	<b>10,752,446</b>	<b>1,061,888</b>	<b>301,582</b>	<b>9.88%</b>	<b>2.80%</b>	<b>336,162</b>	<b>-98,632</b>	<b>\$4.41</b>
Downtown	0	0	0	0.00%	0.00%	0	0	\$0.00
Central	1,772,555	253,178	36,080	14.28%	2.04%	64,631	-45,449	\$4.45
Shoreline	4,371,110	25,875	0	0.59%	0.00%	0	-6,175	\$4.25
Middlefield	4,608,781	782,835	265,502	16.99%	5.76%	271,531	-47,008	\$4.40
<b>Newark</b>	<b>3,088,407</b>	<b>207,122</b>	<b>136,346</b>	<b>6.71%</b>	<b>4.41%</b>	<b>135,530</b>	<b>101,949</b>	<b>\$2.00</b>
<b>San Jose</b>	<b>36,103,929</b>	<b>6,158,649</b>	<b>1,929,771</b>	<b>17.06%</b>	<b>5.35%</b>	<b>634,715</b>	<b>-217,449</b>	<b>\$2.14</b>
North	16,627,725	3,656,181	1,070,360	21.99%	6.44%	241,487	-68,970	\$2.40
Trimble South	4,054,634	1,075,122	582,324	26.52%	14.36%	86,866	-52,243	\$2.23
Int'l Business Park	7,457,331	563,601	56,539	7.56%	0.76%	121,649	-25,763	\$1.74
Brokaw South	668,120	144,449	30,930	21.62%	4.63%	59,640	-10,894	\$1.87
Central	488,652	51,778	0	10.60%	0.00%	0	0	\$0.00
South	6,807,467	667,518	189,618	9.81%	2.79%	125,073	-59,579	\$1.12
<b>Santa Clara</b>	<b>16,919,930</b>	<b>2,235,524</b>	<b>511,319</b>	<b>13.21%</b>	<b>3.02%</b>	<b>186,231</b>	<b>-1,530</b>	<b>\$2.44</b>
Central Expy N	3,085,571	297,137	49,530	9.63%	1.61%	46,600	-19,560	\$3.44
Marriott Park	4,619,150	1,317,852	280,541	28.53%	6.07%	115,716	89,305	\$2.57
101 North	1,379,121	138,630	46,064	10.05%	3.34%	0	-47,271	\$0.60
101 South	4,360,001	364,595	115,933	8.36%	2.66%	23,915	-4,753	\$2.01
Central Expy S	3,476,087	117,310	19,251	3.37%	0.55%	0	-19,251	\$2.35
<b>Sunnyvale</b>	<b>19,155,576</b>	<b>1,741,538</b>	<b>634,379</b>	<b>9.09%</b>	<b>3.31%</b>	<b>212,765</b>	<b>-175,988</b>	<b>\$3.07</b>
Peery Park	4,295,644	464,149	256,030	10.81%	5.96%	43,734	4,030	\$3.96
Moffett Park	4,946,852	425,841	233,036	8.61%	4.71%	116,369	-94,386	\$2.16
The Woods	1,746,750	152,604	16,450	8.74%	0.94%	2,654	-30,000	\$2.46
Oakmead	5,693,118	660,756	128,863	11.61%	2.26%	3,159	-102,481	\$3.27
South Central	2,473,212	38,188	0	1.54%	0.00%	46,849	46,849	\$3.30
<b>Silicon Valley</b>	<b>124,117,859</b>	<b>15,732,343</b>	<b>4,389,406</b>	<b>12.68%</b>	<b>3.54%</b>	<b>1,865,901</b>	<b>-693,668</b>	<b>\$2.36</b>

Historical Vacancy Rates								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Silicon Valley</b>	<b>10.13%</b>	<b>11.15%</b>	<b>10.98%</b>	<b>12.22%</b>	<b>12.57%</b>	<b>12.86%</b>	<b>12.55%</b>	<b>12.68%</b>
Campbell	5.92%	10.05%	7.29%	6.59%	6.53%	7.74%	6.57%	8.97%
Cupertino	0.50%	0.50%	0.50%	0.50%	0.50%	0.74%	0.74%	0.74%
Fremont	8.16%	9.38%	7.43%	8.06%	8.92%	9.31%	7.75%	8.13%
Los Gatos	-	-	-	-	17.39%	17.39%	17.39%	10.60%
Milpitas	18.02%	17.99%	17.50%	18.46%	18.50%	18.40%	17.63%	18.46%
Mountain View	5.37%	6.22%	6.87%	8.28%	7.77%	8.79%	8.57%	9.88%
Newark	8.07%	9.63%	3.38%	9.45%	7.92%	10.54%	11.63%	6.71%
San Jose	15.29%	15.78%	16.21%	17.86%	18.14%	18.00%	17.24%	17.06%
Santa Clara	8.18%	11.08%	10.89%	11.77%	13.15%	13.40%	13.43%	13.21%
Sunnyvale	3.45%	4.27%	5.72%	6.85%	6.60%	7.08%	8.49%	9.09%

Historical NNN Asking Rents								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Silicon Valley</b>	<b>\$2.16</b>	<b>\$2.26</b>	<b>\$2.36</b>	<b>\$2.39</b>	<b>\$2.37</b>	<b>\$2.54</b>	<b>\$2.45</b>	<b>\$2.36</b>
Campbell	\$2.55	\$2.81	\$2.62	\$2.36	\$2.54	\$2.64	\$2.39	\$2.02
Cupertino	\$2.45	\$2.45	-	\$4.50	\$4.50	\$4.50	\$4.50	\$4.28
Fremont	\$1.39	\$1.42	\$1.43	\$1.48	\$1.39	\$1.72	\$1.66	\$2.08
Los Gatos	-	-	-	-	\$2.95	-	-	-
Milpitas	\$1.97	\$2.08	\$2.08	\$2.17	\$2.14	\$2.22	\$2.09	\$2.01
Mountain View	\$4.16	\$4.57	\$4.67	\$4.34	\$4.41	\$4.41	\$4.62	\$4.41
Newark	\$2.08	\$1.96	\$1.66	\$1.77	\$1.69	\$2.36	\$1.81	\$2.00
San Jose	\$2.09	\$2.13	\$2.17	\$2.17	\$2.26	\$2.41	\$2.21	\$2.14
Santa Clara	\$2.36	\$2.55	\$2.65	\$2.58	\$2.53	\$2.61	\$2.51	\$2.44
Sunnyvale	\$2.42	\$2.87	\$3.02	\$2.97	\$2.91	\$3.23	\$3.11	\$3.07

Historical Net Absorption								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Silicon Valley</b>	<b>-127,292</b>	<b>-405,834</b>	<b>-941,359</b>	<b>-2,003,509</b>	<b>-733,661</b>	<b>-689,522</b>	<b>-176,212</b>	<b>-693,668</b>
Campbell	-30,229	70,605	47,180	4,568	1,033	-20,716	20,000	-38,276
Cupertino	-	-	-	-	-	-6,622	-	0
Fremont	-90,986	-22,923	214,381	-173,109	-180,797	-49,840	3,746	-84,206
Los Gatos	-	-	-	-	-73,856	-	-	38,212
Milpitas	20,191	39,023	-63,129	-290,782	-5,151	8,324	106,255	-217,748
Mountain View	25,160	-104,918	-121,099	-211,460	2,382	-150,114	14,244	-98,632
Newark	-	88,639	98,954	-156,369	47,002	-82,930	-33,680	101,949
San Jose	36,535	229,690	-859,379	-777,379	-195,562	-125,027	12,179	-217,449
Santa Clara	-180,545	-497,957	-47,972	-191,609	-287,668	-169,023	-13,426	-1,530
Sunnyvale	92,582	-207,993	-210,295	-207,369	-41,044	-93,574	-285,530	-175,988

Historical Gross Absorption								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
<b>Silicon Valley</b>	<b>2,575,910</b>	<b>1,454,226</b>	<b>1,396,258</b>	<b>1,503,684</b>	<b>1,742,914</b>	<b>1,248,986</b>	<b>2,377,526</b>	<b>1,865,901</b>
Campbell	13,771	-	93,880	142,713	25,682	3,200	37,210	-
Cupertino	-	29,616	3,622	45,410	-	-	-	-
Fremont	668,847	331,755	465,274	267,466	393,045	193,742	371,841	264,658
Los Gatos	-	-	24,363	-	46,871	-	-	48,578
Milpitas	188,720	133,307	23,132	144,647	90,323	63,850	303,309	47,262
Mountain View	74,738	73,878	13,650	63,940	30,362	30,362	587,034	336,162
Newark	1,320	-	204,127	35,516	129,661	-	-	135,530
San Jose	904,003	616,607	432,103	618,196	475,053	443,165	884,925	634,715
Santa Clara	460,526	202,574	114,673	57,910	71,621	46,981	126,724	186,231
Sunnyvale	263,985	66,489	21,434	127,886	480,296	467,686	66,483	212,765

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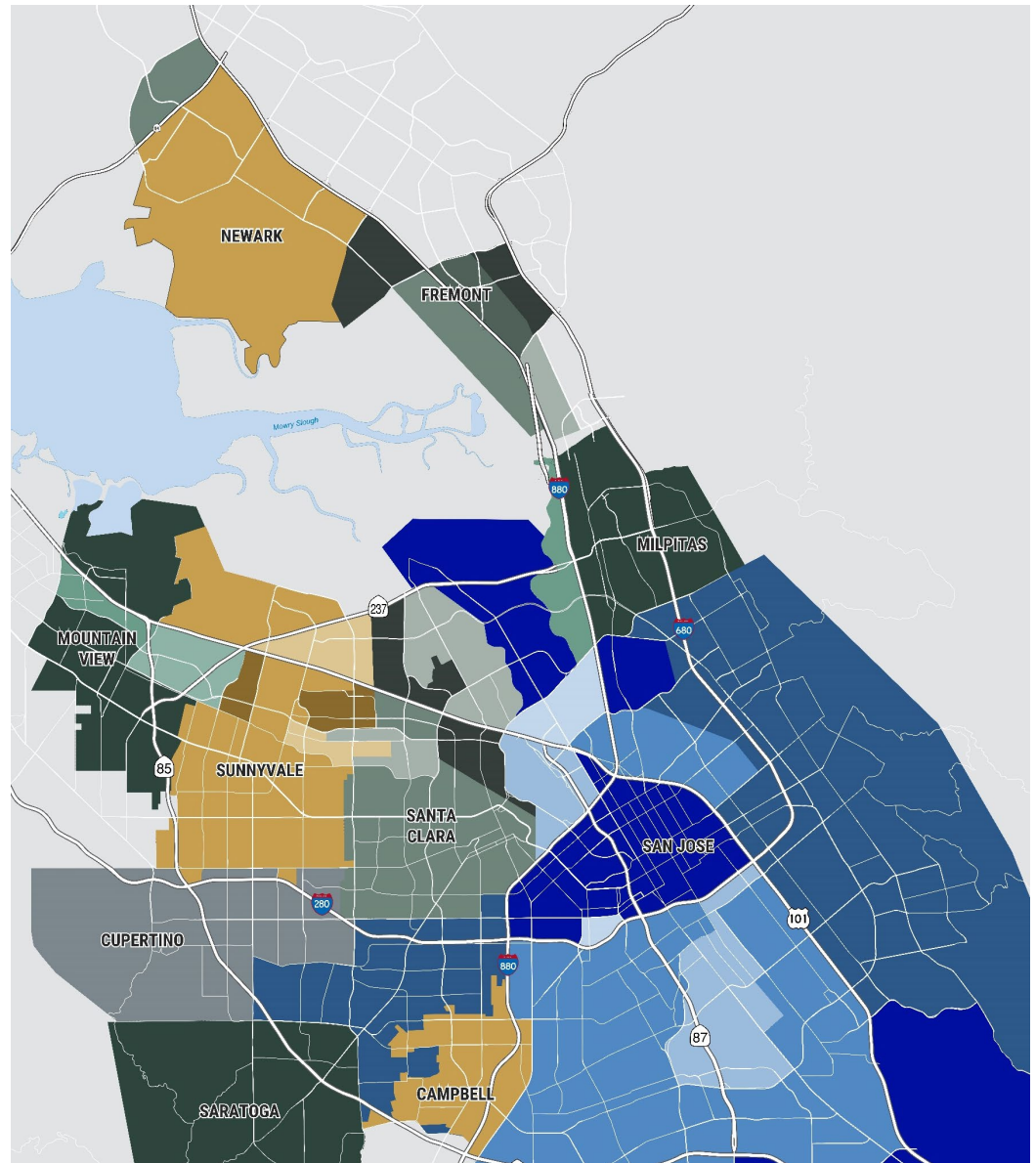
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