



Silicon Valley R&D Market

Asking Rents and Vacancy Rates Increase as Leasing Activity Slows

Net absorption for the Silicon Valley R&D market was negative 809,645 square feet during the third quarter of 2022. This is the most negative net absorption for the market since the third quarter of 2020. Gross absorption for the R&D market was 1,971,509 square feet, a decrease of 36.0% quarter-over-quarter but a 6.0% increase compared to the third quarter of 2021. The overall vacancy rate for the Silicon Valley R&D market increased by 21 basis points quarter-over-quarter to 9.9%. Average asking rates for the Silicon Valley R&D market increased by \$0.31/SF quarter-over-quarter to \$2.65/SF.

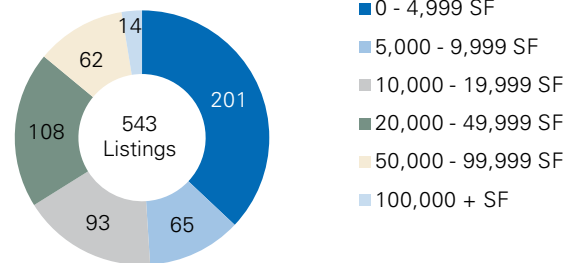
Sunnyvale and San Jose had the most negative net absorption during the quarter with negative 340,891 square feet and negative 145,004 square feet, respectively. Sunnyvale and San Jose's negative net absorption was largely due to 13 listings totaling roughly 639,000 square feet hitting the market in those cities during the quarter. Campbell and Morgan Hill were the only submarkets with positive net absorption during the quarter with positive 6,925 square feet and positive 3,000 square feet, respectively. San Jose, Sunnyvale, and Santa Clara had the highest gross absorption during the quarter with 472,978 square feet, 448,081 square feet, and 373,664 square feet, respectively. On a percentage-of-inventory basis, Campbell led the way as the city's gross absorption represented 3.1% of its inventory compared to 1.3%, 2.1%, and 2.3% in San Jose, Sunnyvale, and Santa Clara, respectively.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Vacancy Rate	9.9%	9.7%	12.7%	→
Qtr Net Absorption	-810K SF	-75K SF	-693K SF	→
Qtr Gross Absorption	2.0M SF	2.7M SF	1.9M SF	↓
Avg NNN Asking Rent	\$2.65/SF	\$2.34/SF	\$2.36/SF	→
Under Construction	0 SF	0 SF	0 SF	↔

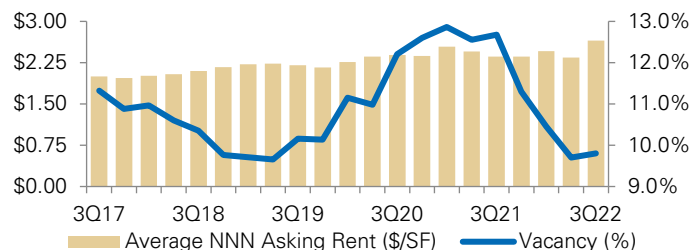
Market Analysis

LEASE VACANCY BREAKDOWN

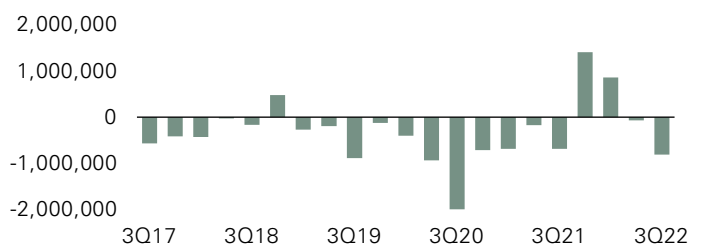


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



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Los Gatos, Milpitas, and Newark had the highest vacancy rates during the quarter with 19.9%, 14.5% and 14.2%, respectively. Mountain View and Morgan Hill had the highest and lowest average asking rates during the quarter asking \$4.85/SF and \$1.15/SF, respectively.

After a healthy start to 2022, the Silicon Valley R&D leasing market slowed down during the third quarter. Leasing activity on a square footage basis was down 35% quarter-over-quarter. Furthermore, the total number of signed leases decreased by 17% quarter-over-quarter.

Significant Transactions

Gigamon signed the largest R&D lease during the quarter, renewing its lease for 105,644 square feet at 3300 Olcott St. in Santa Clara's Central Expressway North submarket. In Santa Clara's 101 South submarket, Nvidia renewed its lease for 99,800 square feet at 2770 Scott Blvd. In North San Jose, Logitech leased 86,243 square feet on a direct basis at 3930 First St., and Electric Hydrogen Co. signed a direct lease for 70,000 square feet at 2950 Zanker Rd. while Skyworks Solutions renewed and

expanded their lease at 2740 Zanker Rd. for a total of 66,975 square feet.

The largest R&D sale during the quarter was Diversified Healthcare Trust's purchase of an 88,481 square foot fully leased life science building at 47071 Bayside Parkway in Fremont's Bayside submarket for \$82,000,000 (\$927/SF). In South San Jose, Khloris Biosciences paid \$27,400,000 (\$351/SF) for 78,160 square feet at 5729 Fontanoso Way. In South Central Sunnyvale, 59,300 square feet was purchased across 130-139 Kifer Court by R1 RCM for \$48,930,058 (\$465/SF). A confidential technology company paid \$46,500,000 for 58,190 square feet at 474 Potrero Avenue in Sunnyvale's Peery Park submarket. In San Jose's International Business Park submarket, JCY Homes purchased 46,040 square feet at 1110 Ringwood Court for \$15,250,000 (\$331/SF). Additionally, 3 properties totaling nearly 600,000 square feet were included in Blackstone's \$7.3 billion acquisition of PS Business Parks during the quarter: Kifer Industrial Park (Sunnyvale), Bayview Business Park (Fremont) and Dixon Landing Business Park (Milpitas).

Select Lease Transactions

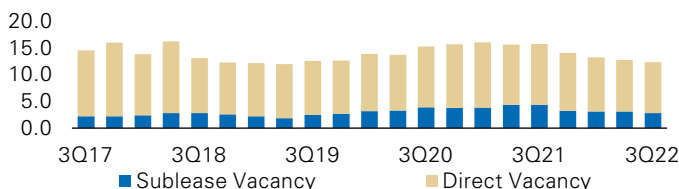
Tenant	Building(s)	Submarket	Type	Square Feet
Gigamon	3300 Olcott St	Santa Clara - Central Expy North	Lease Renewal	105,664
Nvidia	2770 Scott Blvd	Santa Clara - 101 South	Lease Renewal	99,800
Logitech	3930 First St	San Jose - North	Direct Lease	86,243
Electric Hydrogen Co.	2950 Zanker Rd	San Jose - North	Direct Lease	70,000
Skyworks Solutions, Inc	2740 Zanker Rd (Bldg1)	San Jose - North	Renewal Expansion	66,975

Select Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
47071 Bayside Pky	Fremont - Bayside	\$82,000,000	\$927/SF	88,481
5729 Fontanoso Way	San Jose - South	\$27,400,000	\$351/SF	78,160
130-139 Kifer Ct	Sunnyvale - South Central	\$27,600,000	\$465/SF	59,300
474 Potrero Ave	Sunnyvale - Peery Park	\$46,500,000	\$799/SF	58,190
1110 Ringwood Ct	San Jose - IBP	\$15,250,000	\$331/SF	46,040

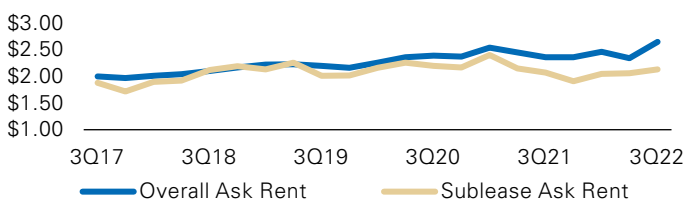
Vacancy Breakdown

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	1,680,499	168,291	7,175	10.01%	0.43%	52,039	6,925	\$2.18
Cupertino	2,662,186	0	0	0.00%	0.00%	3,622	0	\$0.00
Fremont	18,182,778	1,014,095	255,789	5.58%	1.41%	194,504	-21,655	\$2.27
Ardenwood	2,634,414	172,450	55,588	6.55%	2.11%	0	0	\$4.29
Auto Mall North	1,193,131	3,987	0	0.33%	0.00%	0	-3,987	\$1.54
Bayside	7,734,152	220,340	3,600	2.85%	0.05%	124,633	-8,190	\$1.91
Mission North	968,996	0	0	0.00%	0.00%	38,880	0	-
Mission South	4,640,381	336,698	40,036	7.26%	0.86%	30,991	3,178	\$1.95
Warm Springs	1,011,704	280,620	156,565	27.74%	15.48%	0	-12,656	\$2.50
Los Gatos	425,051	84,400	66,400	19.86%	15.62%	0	-66,400	-
Milpitas	13,611,680	1,967,778	521,508	14.46%	3.83%	296,793	-59,387	\$2.09
East 880	6,244,709	356,409	63,590	5.71%	1.02%	36,780	-22,748	\$2.13
Oak Creek	7,366,971	1,611,369	457,918	21.87%	6.22%	260,013	-36,639	\$2.07
Morgan Hill	1,308,178	95,288	21,539	7.28%	1.65%	3,000	3,000	\$1.15
Mountain View	10,819,928	830,811	146,453	7.68%	1.35%	86,726	-125,520	\$4.85
Downtown	0	0	0	0.00%	0.00%	0	0	\$0.00
Central	1,787,067	96,217	19,080	5.38%	1.07%	3,106	-4,633	\$4.32
Shoreline	4,405,432	23,899	13,776	0.54%	0.31%	1,875	-125	\$3.04
Middlefield	4,627,429	710,695	113,597	15.36%	2.45%	81,745	-120,762	\$4.97
Newark	3,139,135	446,225	48,863	14.21%	1.56%	19,783	-46,741	\$3.01
San Jose	36,112,618	3,990,163	1,195,600	11.05%	3.31%	472,978	-145,004	\$2.43
North	16,632,713	2,183,167	521,096	13.13%	3.13%	295,911	-128,621	\$2.67
Trimble South	4,054,634	799,074	426,611	19.71%	10.52%	76,604	-19,191	\$2.62
Int'l Business Park	7,457,331	322,750	25,720	4.33%	0.34%	94,211	42,337	\$1.87
Brokaw South	668,120	80,519	37,460	12.05%	5.61%	0	-37,460	\$1.28
Central	488,652	16,854	0	3.45%	0.00%	0	0	-
South	6,811,168	587,799	184,713	8.63%	2.71%	26,571	-2,069	\$1.76
Santa Clara	17,703,418	1,682,871	54,696	9.51%	0.31%	373,664	-13,792	\$2.35
Central Expy N	3,084,867	256,575	6,180	8.32%	0.20%	39,072	-3,200	\$2.44
Marriott Park	4,621,960	987,358	47,316	21.36%	1.02%	36,885	-123,567	\$2.59
101 North	1,379,121	109,560	0	7.94%	0.00%	18,326	18,326	\$1.05
101 South	5,112,127	168,232	1,200	3.29%	0.02%	279,381	160,489	\$2.20
Central Expy S	3,505,343	161,146	0	4.60%	0.00%	0	-65,840	\$1.64
Sunnyvale	19,173,727	2,047,337	537,583	10.68%	2.80%	448,081	-340,891	\$3.33
Peery Park	4,260,963	664,270	242,098	15.59%	5.68%	98,346	-272,049	\$4.25
Moffett Park	4,982,084	463,644	216,804	9.31%	4.35%	125,849	-24,743	\$2.26
The Woods	1,764,350	182,650	19,328	10.35%	1.10%	105,157	-63,539	\$2.75
Oakmead	5,693,118	698,635	59,353	12.27%	1.04%	98,729	19,390	\$3.45
South Central	2,473,212	38,138	0	1.54%	0.00%	20,000	50	\$2.87
Silicon Valley	124,819,198	12,327,259	2,855,606	9.88%	2.29%	1,971,509	-809,465	\$2.65

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Historical Vacancy Rates								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	12.57%	12.86%	12.55%	12.68%	11.28%	10.45%	9.67%	9.88%
Campbell	6.53%	7.74%	6.57%	8.97%	8.97%	9.14%	10.43%	10.01%
Cupertino	0.50%	0.74%	0.74%	0.74%	0.74%	0.74%	0.00%	0.00%
Fremont	8.92%	9.31%	7.75%	8.13%	7.43%	6.88%	6.28%	5.58%
Los Gatos	17.39%	17.39%	17.39%	10.60%	0.00%	4.23%	4.23%	19.86%
Milpitas	18.50%	18.40%	17.63%	18.46%	15.14%	14.42%	14.91%	14.46%
Morgan Hill	-	-	-	-	-	7.64%	7.51%	7.28%
Mountain View	7.77%	8.79%	8.57%	9.88%	9.03%	8.75%	6.90%	7.68%
Newark	7.92%	10.54%	11.63%	6.71%	5.49%	4.96%	13.42%	14.21%
San Jose	18.14%	18.00%	17.24%	17.06%	14.97%	13.22%	11.03%	11.05%
Santa Clara	13.15%	13.40%	13.43%	13.21%	12.09%	11.62%	9.66%	9.51%
Sunnyvale	6.60%	7.08%	8.49%	9.09%	8.96%	8.38%	9.03%	10.68%

Historical NNN Asking Rents								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	\$2.37	\$2.54	\$2.45	\$2.36	\$2.36	\$2.46	\$2.34	\$2.65
Campbell	\$2.54	\$2.64	\$2.39	\$2.02	\$2.50	\$2.56	\$2.19	\$2.18
Cupertino	\$4.50	\$4.50	\$4.50	\$4.28	\$4.10	\$4.10	-	-
Fremont	\$1.39	\$1.72	\$1.66	\$2.08	\$2.13	\$2.13	\$2.48	\$2.27
Los Gatos	\$2.95	-	-	-	-	-	-	-
Milpitas	\$2.14	\$2.22	\$2.09	\$2.01	\$1.93	\$2.20	\$1.94	\$2.09
Morgan Hill	-	-	-	-	-	\$1.43	\$1.17	\$1.15
Mountain View	\$4.41	\$4.41	\$4.62	\$4.41	\$4.41	\$4.41	\$4.50	\$4.85
Newark	\$1.69	\$2.36	\$1.81	\$2.00	\$2.21	\$1.46	\$2.49	\$3.01
San Jose	\$2.26	\$2.41	\$2.21	\$2.14	\$2.15	\$2.26	\$2.34	\$2.43
Santa Clara	\$2.53	\$2.61	\$2.51	\$2.44	\$2.39	\$2.43	\$2.30	\$2.35
Sunnyvale	\$2.91	\$3.23	\$3.11	\$3.07	\$3.39	\$3.40	\$3.06	\$3.33

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Historical Net Absorption								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	-733,661	-689,522	-176,212	-693,668	1,406,686	860,128	-75,427	-809,465
Campbell	1,033	-20,716	20,000	-38,276	-	-2,900	-21,600	6,925
Cupertino	-	-6,622	-	-	-	-	-	0
Fremont	-180,797	-49,840	3,746	-84,206	123,737	72,645	72,856	-21,655
Los Gatos	-73,856	-	-	38,212	45,000	-18,000	-	-66,400
Milpitas	-5,151	8,324	106,255	-217,748	-25,185	98,191	-97,622	-59,387
Morgan Hill	-	-	-	-	-	-	-	3,000
Mountain View	2,382	-150,114	14,244	-98,632	65,690	-27,067	131,252	-125,520
Newark	47,002	-82,930	-33,680	101,949	37,579	13,440	-301,489	-49,741
San Jose	-195,562	-125,027	12,179	-217,449	541,420	570,673	132,133	-147,731
Santa Clara	-287,668	-169,023	-13,426	-1,530	726,850	59,037	156,276	-13,792
Sunnyvale	-41,044	-93,574	-285,530	-175,988	-108,405	94,109	-147,233	-340,891

Historical Gross Absorption								
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Silicon Valley	1,742,914	1,248,986	2,377,526	1,865,901	2,808,704	2,502,116	2,699,849	1,896,646
Campbell	25,682	3,200	37,210	-	-	32,167	54,269	51,653
Cupertino	-	-	-	-	-	-	20,286	3,622
Fremont	393,045	193,742	371,841	264,658	711,669	338,928	562,065	256,748
Los Gatos	46,871	-	-	48,578	45,000	-	-	-18,000
Milpitas	90,323	63,850	303,309	47,262	64,720	318,808	370,440	198,391
Morgan Hill	-	-	-	-	-	17,787	-	3,000
Mountain View	30,362	30,362	587,034	336,162	113,857	262,375	149,821	86,726
Newark	129,661	-	-	135,530	46,905	13,440	141,862	19,783
San Jose	475,053	443,165	884,925	634,715	1,087,436	1,118,864	897,718	472,978
Santa Clara	71,621	46,981	126,724	186,231	496,562	181,579	284,067	373,664
Sunnyvale	480,296	467,686	66,483	212,765	242,555	218,168	219,321	448,081

For more information:

Newmark

3055 Olin Avenue, Suite 2200
San Jose, CA 95128
t 408-727-9600
Corporate CA RE #: 00832933

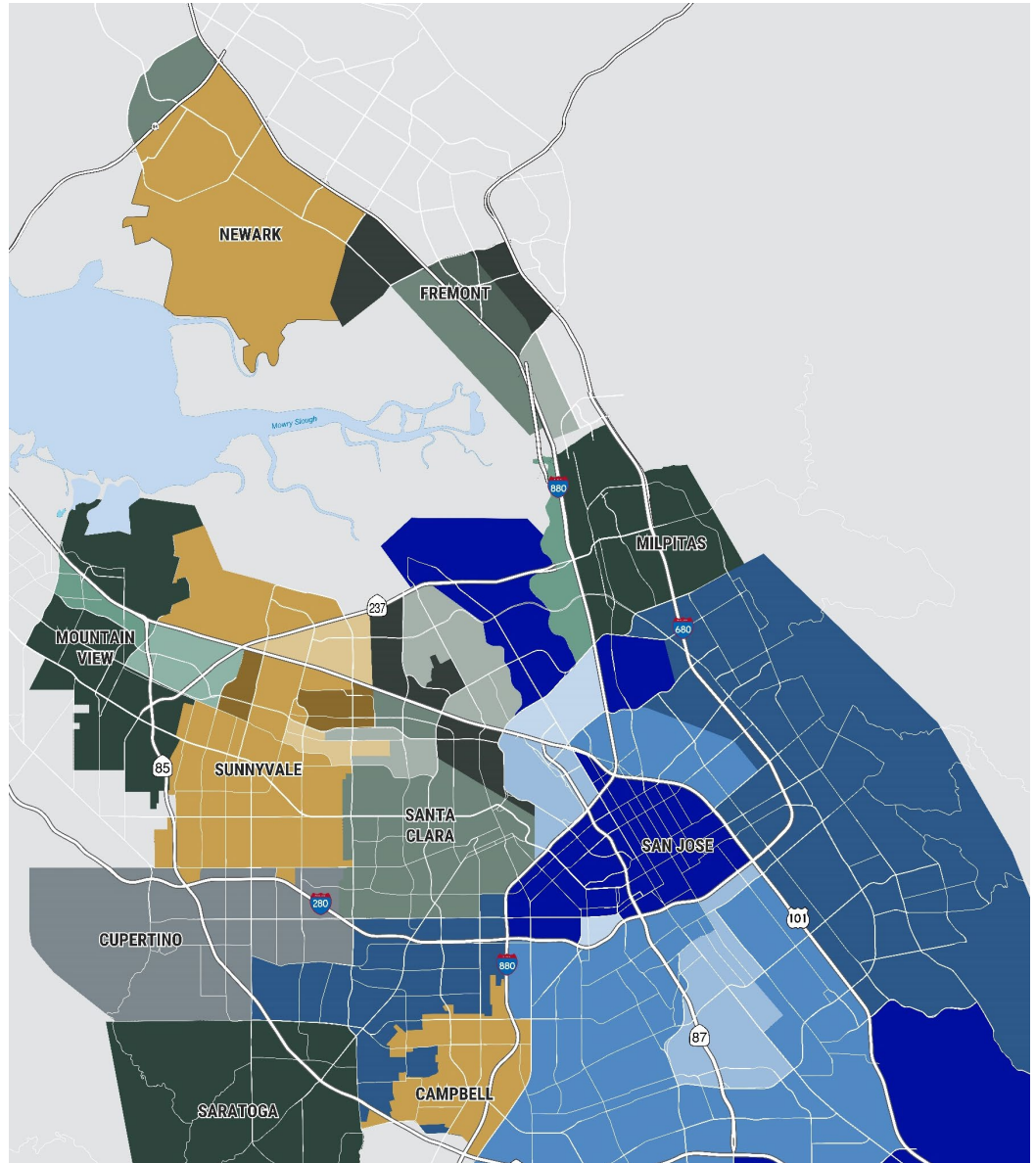
Michael Bublik

Research Analyst
Michael.Bublik@nmrk.com

NuNandar Aung

Research Analyst
NuNandar.Aung@nmrk.com

nmrk.com



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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