

MARKET TRENDS | **SILICON VALLEY**

R&D

4TH QUARTER
2020

▲ VACANCY | ◀▶ UNEMPLOYMENT | ◀▶ RENTAL RATE | ▼ CONSTRUCTION DELIVERIES

Year-over-year change

MARKET DRIVERS

ASKING LEASE RATES have held steady at \$2.58 NNN in Silicon Valley for 2020. This represents a slim 1.53% decrease over last year.

R&D VACANCY RATE has increased 17.5% YOY in 2020 to 9.40%. The vacancy rate in Mountain View increased YOY from 7.5% to 9.6%. Likewise, the vacancy rate in Sunnyvale increased YOY from 5.8% to 7.2%.

GROSS ABSORPTION decreased 46% YOY from 6.6 million in 2019 to 3.5 million in 2020. San Jose and Fremont were the most active markets for the year with

952,946 s.f. and 894,474 s.f. respectively. Sales volume has followed a similar trend, falling 37% YOY from 7.8 million s.f. in 2019 to 4.9 million s.f. in 2020.

NET ABSORPTION dropped to negative 1.1 million s.f. This value was a stark contrast to the positive 1.5 million s.f. of net absorption in 2019.

ECONOMIC REVIEW

COVID-19 caused multiple business closures and company layoffs in 2020. Surviving companies adapted by letting employees work remotely. The pandemic prompted restrictions on non-essential businesses and retail properties, sharply dropping economic activity in Silicon Valley. California unemployment stood at 8.8% for December 2020, with Santa Clara County reporting a

5.9% unemployment rate. Employment numbers are expected to improve as vaccine distribution spreads and more businesses open.

NEAR-TERM OUTLOOK

COVID-19 measures have tamped down R&D demand in 2021 as companies allow employees to work from home. Direct asking lease rates are expected to hold firm, while tenants can hunt for deals amongst the growing amount of sublease space. Short-term leases become common as companies gauge how quickly the economy can return to normal. Growth of the life science industry within the Bay Area fuels speculation on converting R&D buildings to properties better suited for biotech companies.

Market Breakdown

	2020	2019	2018	Annual % Change
Vacancy Rate	9.40%	8.00%	9.30%	17.53%
Availability Rate	13.83%	10.60%	10.30%	30.45%
Asking Lease Rate	\$2.58	\$2.62	\$2.30	-1.53%
Gross Absorption (SF)	3,512,136	6,558,682	7,413,477	-46.45%
Sale Volume(SF)	4,890,674	7,786,467	8,031,400	-37.19%
Net Absorption	-1,126,573	1,499,651	-546,877	N/A

SILICON VALLEY SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Direct Net Absorption	4Q Total Net Absorption	2020 Direct Net Absorption	2020 Total Net Absorption	4Q Gross Absorption	2020 Gross Absorption	Rental Rate
Campbell	1,476,351	-	4.51%	5.52%	7.62%	-16,032	-26,032	19,236	4,236	11,500	97,237	\$2.29
Cupertino	2,248,194	-	0.31%	0.31%	0.90%	-	-	21,175	21,175	-	19,616	\$3.80
Fremont	16,863,208	-	7.08%	8.29%	10.18%	61,489	-14,242	-136,501	-305,119	167,249	894,474	\$1.63
Milpitas	9,259,194	-	16.25%	16.64%	17.17%	-71,039	-77,967	-1,563	69,889	34,927	86,970	\$2.08
Mountain View	7,964,321	-	6.24%	9.62%	12.11%	-45,104	-172,537	-108,204	-286,892	58,355	213,054	\$4.15
Newark	3,531,103	-	0.65%	1.17%	9.92%	27,388	97,634	224,102	260,730	79,609	375,619	\$2.30
Palo Alto	4,445,512	-	4.06%	4.97%	10.27%	50,060	74,211	20,379	-8,234	5,000	62,402	\$4.68
San Jose	39,899,955	-	9.43%	10.68%	18.02%	-229,398	-236,295	-413,247	-585,262	193,274	952,946	\$2.08
Santa Clara	18,484,460	-	8.87%	9.87%	14.15%	-147,710	-149,931	-340,020	-425,085	89,512	640,296	\$2.59
Sunnyvale	15,345,068	755,144	6.05%	7.15%	9.84%	300,756	248,256	186,053	127,989	-	169,522	\$3.62
Total	119,517,366	755,144	8.20%	9.40%	13.83%	-69,590	-256,903	-528,590	-1,126,573	639,426	3,512,136	\$2.58

TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Tasman at North First	San Jose	313,540	\$160M	\$510.30	Soulbrain Holdings	DivcoWest
The Quad	Santa Clara	410,106	\$152M	\$370.64	TMG Partners	Bixby Land JV JP Morgan
Murphy Crossing	Milpitas	365,157	\$130M	\$356.01	Soma Capital Partners JV Timbercreek Asset Mgmt	Embarcadero Capital
3540-3546 Bassett St	Santa Clara	416,767	\$107M	\$256.86	Hines	DRA Advisors JV Westcore Properties
1200-1270 E Arques Ave	Sunnyvale	314,400	\$104M	\$330.79	Lane Partners	WJFS

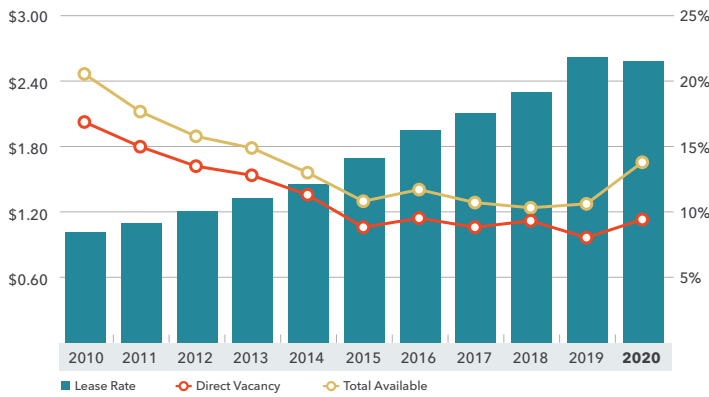
TOP LEASE TRANSACTIONS 2020

Property	Submarket	Square Feet	Date	Landlord	Tenant
3000 Hanover St	Palo Alto	249,549	July 2020	Sand Hill Property Co	Guardant Health
6800-6900 Dumbarton Circle	Fremont	229,530	February 2020	Peery-Arrillaga	Facebook
3850-3870 N 1st St	San Jose	179,232	September 2020	Sobrato	Microchip
800 Corporate Way	Fremont	152,995	November 2020	Blackstone	National Resilience
1200-1250 Page Mill Rd	Palo Alto	55,474	June 2020	Sand Hill Property Co	Kodiak Sciences

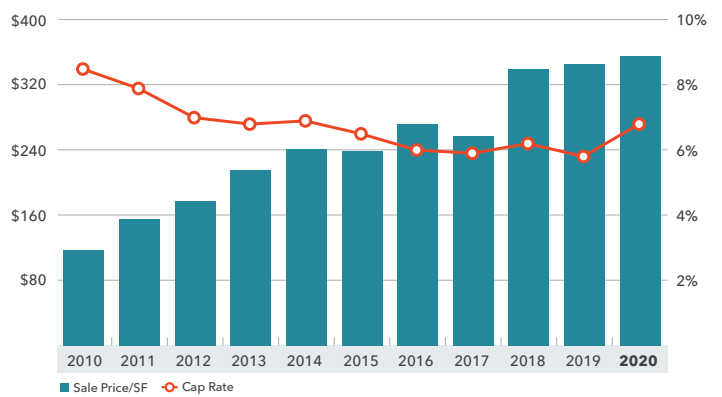
TOP UNDER CONSTRUCTION

Property	Submarket	Square Feet	Delivery Date	Owner
Intuitive Surgical Campus	Sunnyvale	755,144	September 2020	Intuitive Surgical

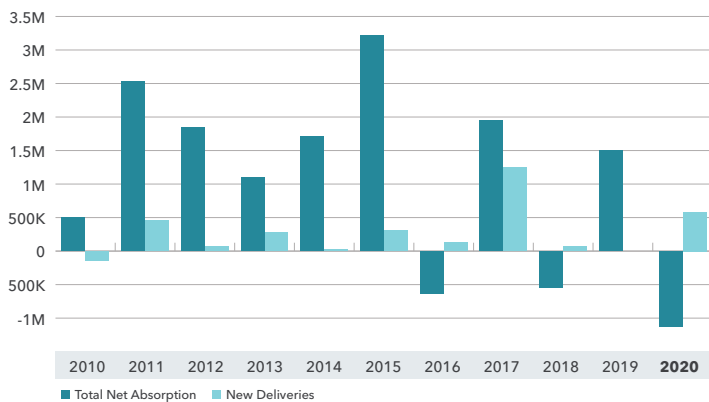
VACANCY, AVAILABILITY, & LEASE RATE



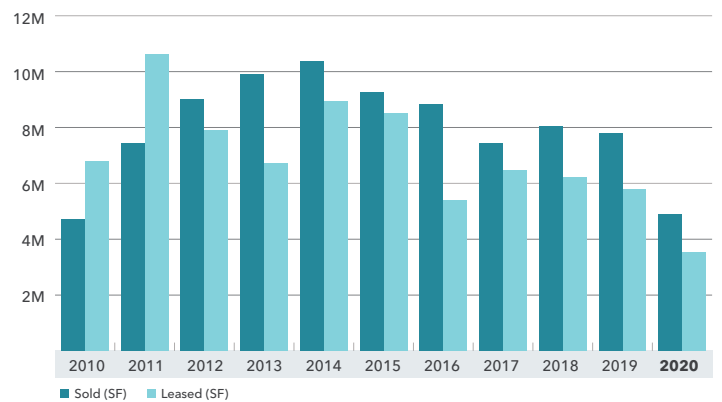
AVERAGE SALES PRICE/SF & CAP RATES



TOTAL NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASE VOLUME



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COMMERCIAL BROKERAGE

27M	ANNUAL SALES SF	450+	NO. OF BROKERS
\$9.6B	ANNUAL TRANSACTION VOLUME	42M	ANNUAL LEASING SF

VALUATION ADVISORY

1,680+	APPRAISALS ANNUALLY	37/23	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

70M+	MANAGEMENT PORTFOLIO SF	\$12B+	IN ASSETS UNDER MANAGEMENT
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