

**MARKET TRENDS | SILICON VALLEY**

# R&D

**MARKET DRIVERS**

**ASKING LEASE RATES** rose 8.08% year-over-year (YOY) from \$2.60/SF NNN in 2Q20 to \$2.81/SF NNN in 2Q21.

**NET ABSORPTION** rose to 230,238 SF for 2Q21. For the first half of 2021, net absorption is at negative 1.2 million SF.

**THE R&D VACANCY RATE** increased 27.3% year-over-year from 8.4% in 2Q20 to 10.7% in 2Q21. The vacancy rate in Fremont increased YOY from 7.4% to 8.05%. Likewise, the vacancy rate in San Jose increased YOY from 9.5% to 12.3%.

**GROSS ABSORPTION** increased 54.9% YOY from 963,720 SF in 2Q20 to 1.49 million in 2Q21. San Jose and Fremont were the most active markets for the year with 623,915 SF and 409,168 SF respectively.

**SALES VOLUME** nearly doubled YOY from 735,578 SF in 2Q20 to 1.38 million SF in 2Q21.

**ECONOMIC REVIEW**

**HIGH TECH** and life science companies continue to fuel requirements for R&D properties. Demand can only increase as California reopens the economy and removes most COVID-19 restrictions.

**UNEMPLOYMENT** in California stood at 7.5% for May 2021. Santa Clara County recorded the third-lowest unemployment rate in the state with 4.7% during this period.

**NEAR TERM OUTLOOK**

**DIRECT ASKING LEASE RATES** are expected to remain steady. While short-term leases remain common, companies are becoming more open to pursuing long-term leases as the economy improves post-COVID. Large YOY gains in sales and leasing volume signals the high demand for R&D space.

## Market Summary

	2Q 2021	1Q 2021	2Q 2020	Annual Change
Vacancy Rate	10.69%	10.60%	8.40%	<b>27.31%</b>
Availability Rate	13.98%	13.30%	11.90%	<b>17.46%</b>
Asking Lease Rate	\$2.81	\$2.76	\$2.60	<b>8.08%</b>
Gross Absorption (SF)	1,492,521	1,105,338	963,720	<b>54.87%</b>
Sale Volume (SF)	1,384,931	770,314	735,578	<b>88.28%</b>
Net Absorption (SF)	230,238	-963,209	255,383	<b>N/A</b>

**▼ 1.49M**
**LEASING ACTIVITY**
**▼ 230K**
**NET ABSORPTION (SF)**
**▲ 10.7%**
**VACANCY RATE**
**◀▶ \$2.81**
**AVERAGE ASKING RENT**
**◀▶ 000K**
**NEW DELIVERIES (SF)**
CHANGE FROM PRIOR YEAR

## Market Highlights

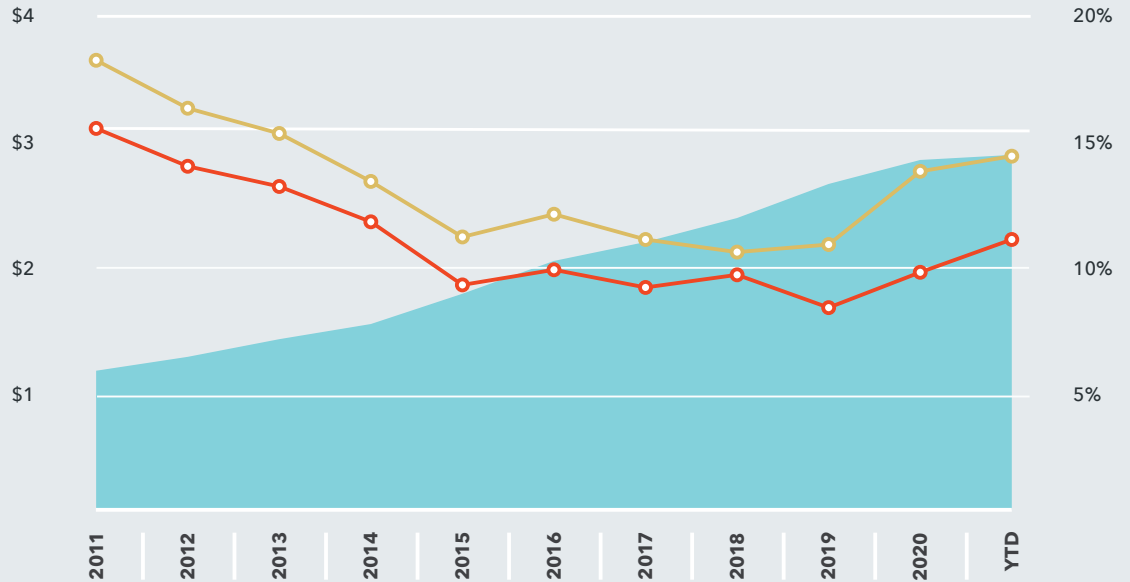
**ASKING** lease rates rose 8.08% YOY to \$2.81/SF full service.

**GROSS** absorption skyrocketed 54.9% YOY to 1.49 million SF.

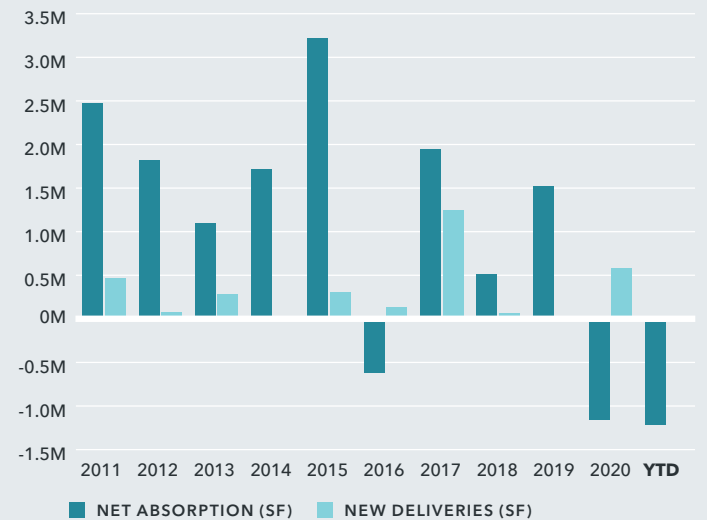
**SALES** volume nearly doubled to 1.38 million SF.

# Lease Rate, Vacancy & Availability

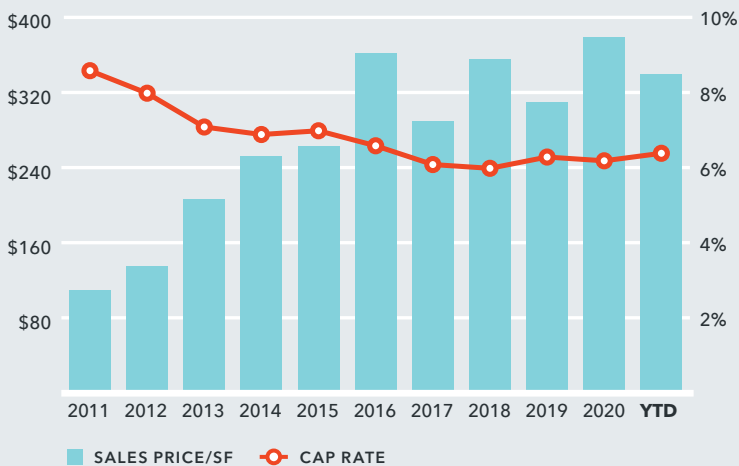
■ DIRECT LEASE RATE  
○ DIRECT VACANCY  
○ TOTAL AVAILABILITY



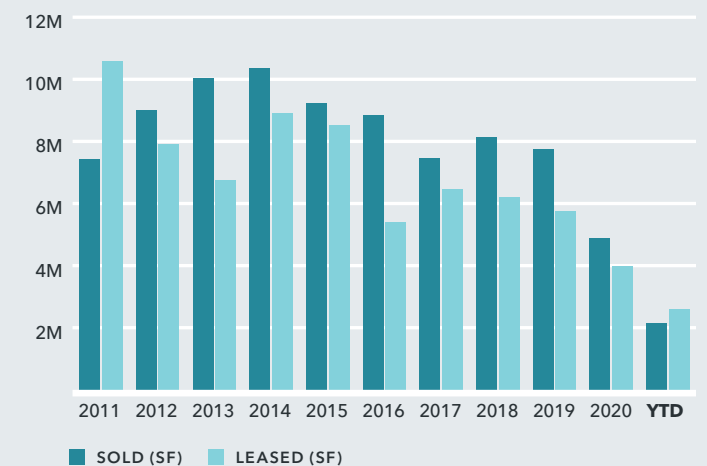
# Net Absorption & New Deliveries



# Average Sales Price/SF & Cap Rate



# Sale Volume & Leasing Activity



## SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q21 Direct Net Absorption	2Q21 Total Net Absorption	YTD Total Direct Net Absorption	YTD Total Net Absorption	2Q21 Gross Absorption	YTD Total Gross Absorption	Average Rental Rate
Campbell	1,424,712	-	15.17%	16.46%	15.74%	(120,134)	(128,434)	(155,516)	(158,816)	10,200	30,120	\$2.40
Cupertino	2,220,069	-	0.30%	0.30%	0.89%	-	-	(6,622)	(6,622)	-	-	\$4.00
Fremont	16,838,181	-	6.80%	8.05%	8.92%	239,206	214,732	218,232	208,112	409,168	636,872	\$1.74
Milpitas	9,286,193	-	14.11%	14.60%	16.49%	92,556	83,793	245,908	237,145	212,625	234,195	\$1.87
Mountain View	7,906,003	-	8.27%	11.48%	13.03%	(32,875)	(8,914)	(141,047)	(125,218)	82,009	144,283	\$4.16
Newark	3,549,900	-	2.54%	7.97%	13.66%	(51,064)	(122,129)	(67,510)	(241,563)	-	-	\$2.32
Palo Alto	4,460,238	-	9.81%	10.43%	13.27%	(9,112)	68,897	(284,286)	(273,755)	28,349	69,264	\$5.31
San Jose	39,908,518	-	10.60%	12.25%	17.01%	57,715	203,520	(466,144)	(536,680)	623,915	1,122,447	\$2.35
Santa Clara	18,462,976	-	10.17%	11.66%	14.47%	114,130	3,313	(204,644)	(294,030)	98,295	233,994	\$2.64
Sunnyvale	15,335,833	755,144	6.62%	7.30%	12.03%	(69,340)	(84,540)	(86,964)	(21,837)	27,960	126,684	\$3.48
<b>Silicon Valley Total</b>	<b>119,392,623</b>	<b>755,144</b>	<b>9.20%</b>	<b>10.69%</b>	<b>13.98%</b>	<b>221,082</b>	<b>230,238</b>	<b>(948,593)</b>	<b>(1,213,264)</b>	<b>1,492,521</b>	<b>2,597,859</b>	<b>\$2.81</b>

## BIGGEST LEASE OF THE QUARTER

QuantumScape Occupies 196,647 SF  
at 1710 Automation Pkwy in San Jose



## TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
RloTech Office Park	San Jose	368,178	\$169,800,000	\$461.19	Washington Real Estate Holdings	Westbrook Partners JV Four Corners Properties
DRA Fund Portfolio	San Jose, Milpitas, Fremont	542,666	\$142,000,000	\$261.67	Peninsula Land & Capital	DRA Advisors JV Westcore Properties
2050 Martin Ave	Santa Clara	83,055	\$58,100,000	\$699.54	Cologix	The Stephens Group JV vXchnge
5521 Hellyer Ave	San Jose	203,783	\$51,640,000	\$253.41	WP Carey REIT	Velodyne Lidar
34801 Campus Dr	Fremont	92,256	\$51,300,500	\$556.07	BentallGreenOak	LBA Realty

## TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1710 Automation Pkwy	San Jose	196,647	April 2021	Exeter Property Group	Quantumscape
399 W Trimble Rd	San Jose	92,842	May 2021	Metlife	Cepton Technologies
2711 N 1st St	San Jose	76,568	April 2021	JJ&W First LLC	Tesla
34175 Ardenwood Blvd	Fremont	72,500	June 2021	Biomed Realty	Ardylex
6550 Dumbarton Circle	Fremont	62,523	June 2021	Lincoln Property West	Alexza Pharmaceuticals

## TOP UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Intuitive Surgical Campus	Sunnyvale	755,144	Apr-22	Intuitive Surgical

DATA SOURCE: COSTAR; STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

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The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial  
 Brokerage**

**\$8B**  
 TRANSACTION  
 VOLUME (ANNUAL)

**23M**  
 SALES SF  
 (ANNUAL)

**42M**  
 LEASING SF  
 (ANNUAL)

**Valuation  
 Advisory**

**1,800+**  
 ASSIGNMENTS  
 ANNUALLY

**40/19**  
 TOTAL NO.  
 APPRAISERS/MAI'S

**Asset  
 Services**

**70M**  
 MANAGEMENT  
 PORTFOLIO SF

**\$12B**  
 IN ASSETS UNDER  
 MANAGEMENT

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