

MARKET TRENDS | SILICON VALLEY

R&D

MARKET DRIVERS

ASKING LEASE RATES rose 8.8% year-over-year (YOY) from \$2.61/SF NNN in 3Q 2020 to \$2.84/SF NNN in 3Q 2021.

NET ABSORPTION rose to 414,771 SF for 3Q 2021. Year-to-date (YTD) net absorption is negative 1.1 million SF.

R&D VACANCY RATE increased 20% YOY from 8.8% in 3Q 2020 to 10.6% in 3Q 2021. The vacancy rate in Fremont decreased 9.0% YOY from 8.2% in 3Q 2020 to 7.5% in 3Q 2021. The vacancy rate in San Jose increased 22.5% YOY from 10.3% in 3Q 2020 to 12.7% in 3Q 2021.

SALES VOLUME 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 increased 88.9% YOY from 986,515 SF in 3Q 2020 to 1.9 million in 3Q 2021.

ECONOMIC REVIEW

COMPUTER and Electronic Manufacturing jobs for the San Jose-Sunnyvale-Santa Clara MSA gained 1.1% YOY to 122,000.

UNEMPLOYMENT in California stood at 7.5% for August 2021. Santa Clara County recorded an unemployment rate of 4.8% during this period.

NEAR TERM OUTLOOK

HIGH SALES VOLUMES signal large demands for R&D properties as investors queue up for an economic recovery post pandemic.

CONVERSIONS to life science properties increase as owners chase potential higher rents and space requirements for biotech and life science companies

Market Summary

	3Q 2021	2Q 2021	3Q 2020	Annual Change
Vacancy Rate	10.56%	10.50%	8.80%	20.04%
Availability Rate	13.53%	13.20%	12.80%	5.71%
Asking Lease Rate	\$2.84	\$2.81	\$2.61	8.81%
Gross Absorption (SF)	1,694,405	1,886,392	1,087,132	55.86%
Sale Volume (SF)	1,863,354	1,533,174	986,515	88.88%
Net Absorption (SF)	414,771	230,238	-584,349	N/A

▼ 1.3M
LEASING ACTIVITY
▲ 414K
NET ABSORPTION (SF)
◀▶ 10.56%
VACANCY RATE
◀▶ \$2.84
AVERAGE ASKING RENT
▲ 78K
NEW DELIVERIES (SF)
CHANGE FROM PRIOR YEAR

Market Highlights

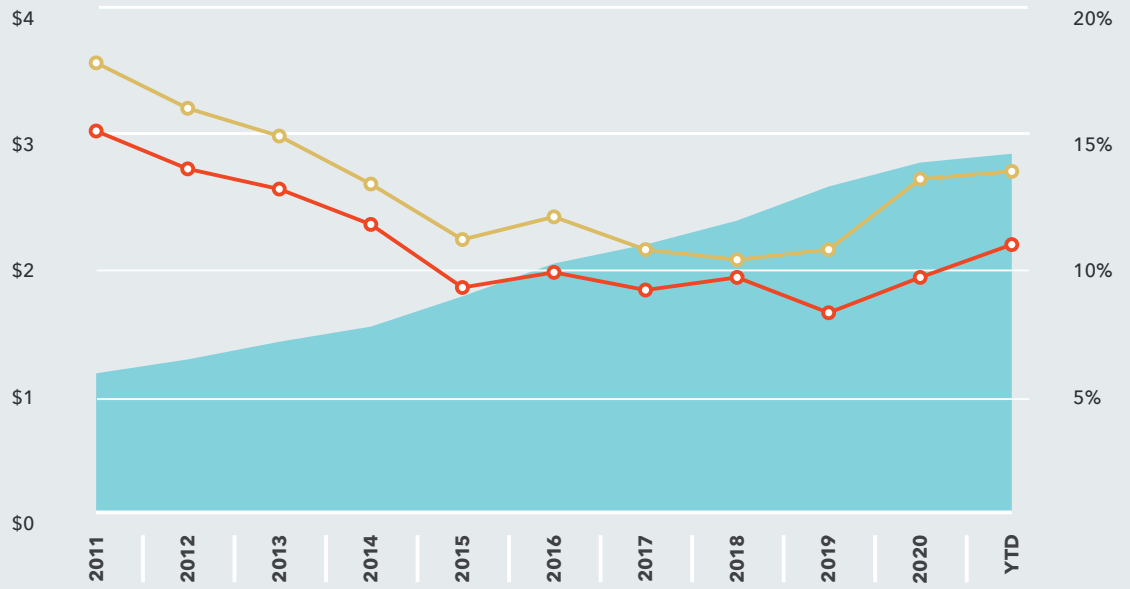
ASKING lease rose 8.8% YOY to \$2.84/SF NNN.

NET absorption rose to 414,771 SF.

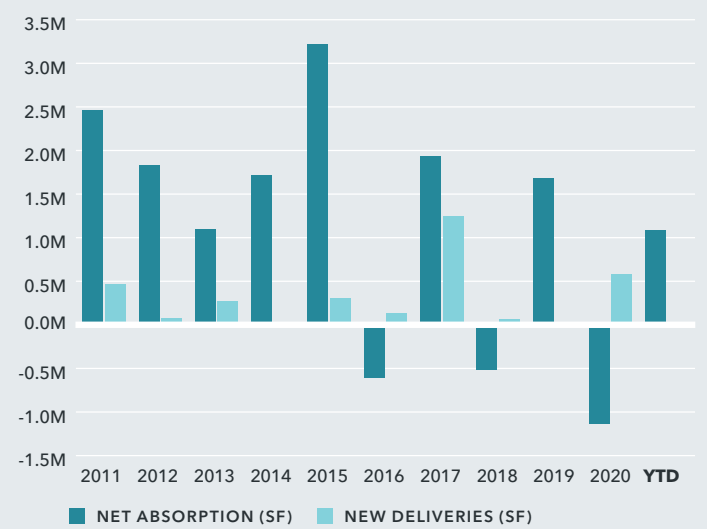
SALES volume increased 88.9% YOY

Lease Rate, Vacancy & Availability

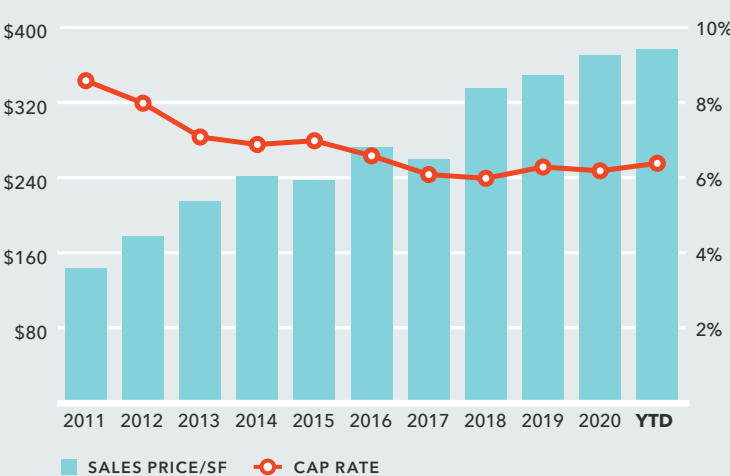
■ DIRECT LEASE RATE
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



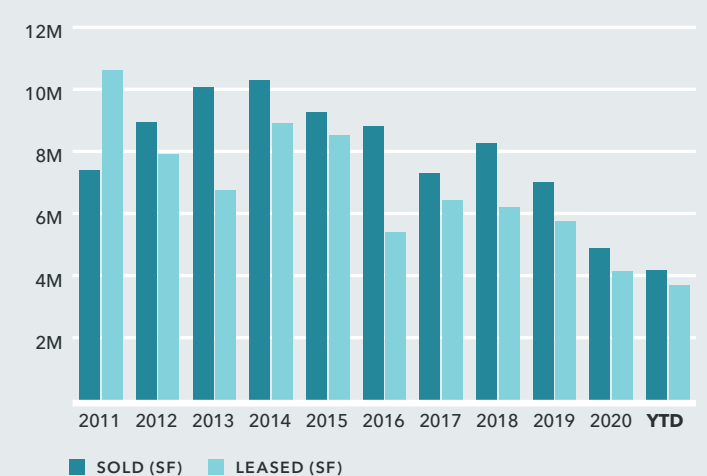
Net Absorption & New Deliveries



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	3Q21 Direct Net Absorption	3Q21 Total Net Absorption	YTD Total Direct Net Absorption	YTD Total Net Absorption	2Q21 Gross Absorption	YTD Total Gross Absorption	Average Rental Rate
Campbell	1,496,499	-	13.07%	14.30%	16.42%	20,544	20,544	-134,972	-138,272	3,200	29,433	\$2.40
Cupertino	2,220,069	-	0.30%	0.30%	0.89%	0	0	-6,622	-6,622	0	0	\$4.30
Fremont	16,820,869	-	6.35%	7.47%	8.85%	94,840	114,586	141,576	153,880	146,786	645,894	\$1.83
Milpitas	9,370,607	-	12.88%	13.61%	15.39%	103,564	81,108	304,657	273,438	0	199,380	\$2.06
Mountain View	7,885,773	-	8.40%	11.55%	10.94%	72,184	77,584	-68,362	-47,133	306,996	487,972	\$4.38
Newark	3,547,578	-	4.22%	8.23%	9.10%	-19,455	30,872	-86,965	-210,691	207,059	216,421	\$2.30
Palo Alto	4,472,836	-	8.50%	10.01%	15.00%	39,447	-911	-226,862	-256,689	53,601	140,842	\$5.24
San Jose	39,895,096	-	11.47%	12.67%	16.68%	-158,445	20,111	-599,337	-584,159	526,693	2,073,455	\$2.38
Santa Clara	18,200,975	-	8.89%	10.69%	13.38%	196,786	144,877	-28,858	-170,153	204,033	453,108	\$2.67
Sunnyvale	15,355,837	-	6.81%	7.78%	12.99%	-29,856	-74,000	-118,321	-97,338	246,037	452,697	\$3.52
Silicon Valley Total	119,266,139	-	9.15%	10.56%	13.53%	319,609	414,771	-824,066	-1,083,739	1,694,405	4,699,202	\$2.84

BIGGEST LEASE OF THE QUARTER

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



TOP SALE TRANSACTIONS FOR 3Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
10500 N De Anza Blvd	Cupertino	458,000	\$450,000,000	\$982.53	Apple	Berg Group
Assembly at North First	San Jose	489,100	\$192,000,000	\$392.56	Exeter Orierty Group	ProspectHill Group JV Invesco JV SKS Investments
The Campus at Ardenwood	Fremont	307,000	\$140,000,000	\$456.03	TPG Real Estate	Deutsche AWM
2610-2630 Orchard Pkwy	San Jose	218,645	\$108,500,000	\$496.24	Grosvenor Americas	Gaw Capital
5970-5981 Optical Ct	San Jose	239,020	\$63,500,000	\$265.67	Peninsula Land & Capital	DRA Advisors

TOP LEASE TRANSACTIONS FOR 3Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
6600 Dumbarton Cir	Fremont	100,000	August 2021	Association 42	Personalis
110 Rio Robles	San Jose	87,608	July 2021	Washington Holdings	Credo Semiconductor
5717 Fontanoso Way	San Jose	79,180	August 2021	TA Realty	Khloris Biosciences
7151 Gateway Blvd	Newark	71,065	July 2021	KBS REIT	Lucid Motors
331 E Evelyn Ave	Mountain View	61,496	September 2021	Rockwood Capital	HeartFlow

DATA SOURCE: COSTAR; STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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

GARY BARAGONA

Director of Research
415.229.8925

gary.baragona@kidder.com

ERIC LUHRS

Regional President, Brokerage
Northern California & Nevada
408.970.9400

eric.luhrs@kidder.com

Designated Broker

Mark Read | LIC N° 00572743

**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

39/20
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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