

**MARKET TRENDS | SILICON VALLEY**

# R&D

**MARKET DRIVERS**

**ASKING LEASE RATES ROSE** 5.1% year-over-year (YOY) from \$2.76/SF NNN in 1Q 2021 to \$2.90/SF NNN in 1Q 2022.

**NET ABSORPTION** was 1.3 million SF for 1Q 2022. The quarter was very active with 2.1 million SF of gross absorption, almost equaling the 3 million SF of gross absorption of the second half of 2021.

**R&D VACANCY RATE DECREASED** 9.9% YOY from 10.4% in 1Q 2021 to 9.4% in 1Q 2022. The direct vacancy rate in Fremont decreased 19.4% YOY from 7.2% in 1Q 2021 to 5.8% in 1Q 2022. The direct vacancy rate in San Jose decreased 11.2% YOY from 10.7% in 1Q 2021 to 9.5% in 1Q 2022.

**SALES VOLUME INCREASED** 32.2% YOY from 771,314 SF in 1Q 2021 to 1 million SF in 1Q 2022.

**ECONOMIC REVIEW**

**MANUFACTURING JOBS** for the San Jose-Sunnyvale-Santa Clara MSA gained 5,100 jobs YOY from 166,800 jobs in February 2021 to 171,900 jobs in February 2022.

**UNEMPLOYMENT** in California was 5.4% for February 2022. Santa Clara County reported an unemployment rate of 2.9% during this period.

**NEAR TERM OUTLOOK**

**INCREASING SALES VOLUMES SIGNAL** large demands for R&D properties as investors and owner-users compete for a limited supply of high-quality assets. Properties with access to heavy power and lab space are especially desired.

**CONVERSIONS** to life science properties increase as owners chase potential higher rents from the growing requirements of biotech and life science companies.

## Market Summary

	1Q22	4Q21	1Q21	Annual Change
Vacancy Rate	9.38%	10.00%	10.40%	<b>-9.85%</b>
Availability Rate	11.49%	12.20%	13.30%	<b>-13.62%</b>
Asking Lease Rate	\$2.90	\$2.78	\$2.76	<b>5.07%</b>
Gross Absorption (SF)	2,076,549	1,452,661	1,134,467	<b>83.04%</b>
Sale Volume (SF)	1,019,685	2,167,842	771,314	<b>32.20%</b>
Net Absorption (SF)	1,341,152	623,952	-1,348,886	<b>N/A</b>

**▼ 9.38%**
**VACANCY RATE**
**▲ 1.34M**
**NET ABSORPTION (SF)**
**▲ \$2.90**
**AVERAGE ASKING RENT (SF/NNN)**
**▼ 0**
**NEW DELIVERIES (SF)**
**CHANGE FROM PRIOR YEAR**

## Market Highlights

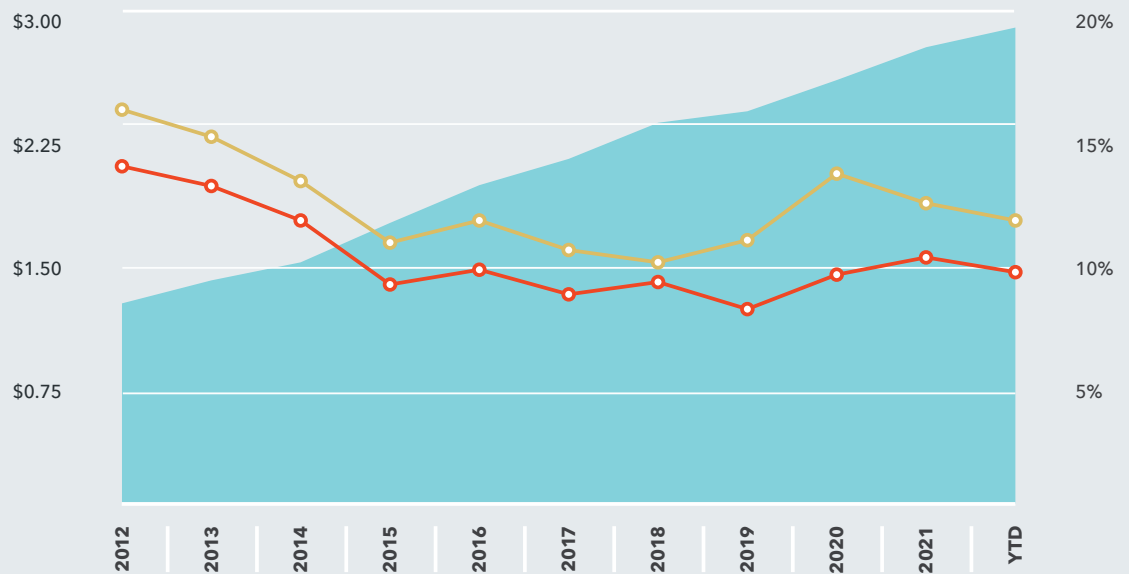
**ASKING** lease rates rose 5.1% YOY to \$2.90/SF NNN.

**TOTAL** net absorption is 1.3 million SF

**SALES** volume increased 32.2% YOY to 1 million SF.

## Lease Rate, Vacancy & Availability

 DIRECT LEASE RATE (SF/NNN)  
 TOTAL VACANCY  
 TOTAL AVAILABILITY

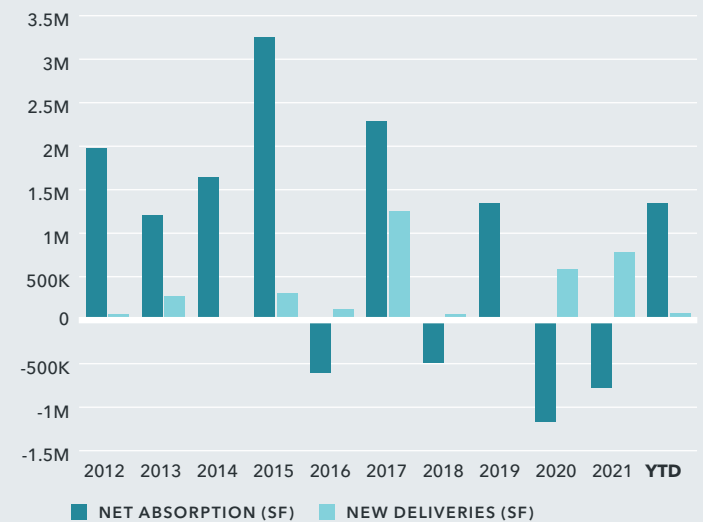


BIGGEST SALE OF THE QUARTER

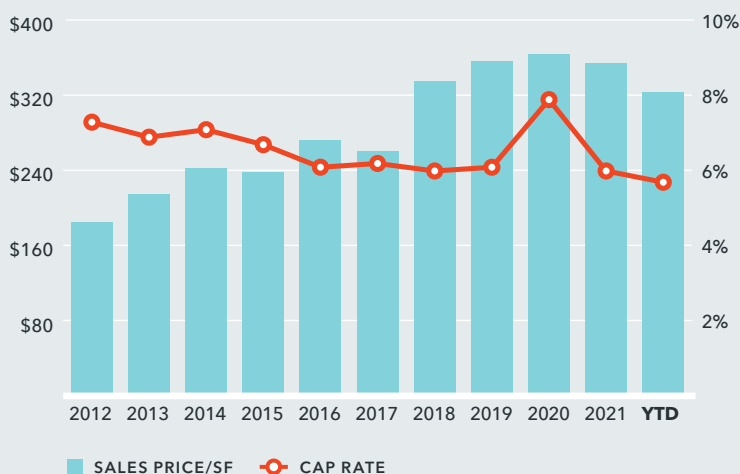
3301-3307 Hillview Ave



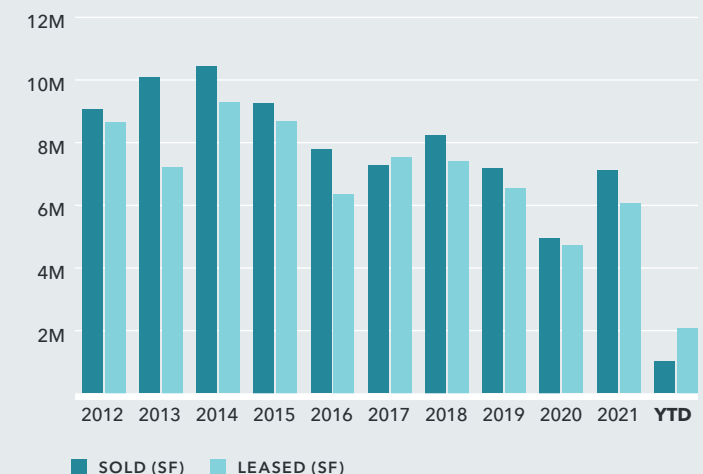
## Net Absorption & New Deliveries



## 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	1Q22 Direct Net Absorption	1Q22 Total Net Absorption	2021 Direct Net Absorption	2021 Total Net Absorption	1Q22 Gross Absorption	2021 Gross Absorption	Avg NNN Rental Rate
Campbell	1,496,499	-	14.25%	14.25%	14.61%	0	0	-152,522	-137,522	35,749	29,433	\$2.46
Cupertino	2,220,069	-	0.30%	0.30%	0.30%	0	0	-6,622	-6,622	-	-	\$4.25
Fremont	16,937,158	-	5.75%	6.95%	8.51%	55,993	-1,905	460,939	516,666	245,876	1,122,794	\$1.97
Milpitas	9,387,541	-	11.73%	11.81%	10.88%	50,861	112,026	371,026	339,807	163,641	249,290	\$2.05
Mountain View	7,882,302	-	5.29%	8.16%	8.88%	16,537	3,933	70,919	126,653	168,077	430,759	\$4.55
Newark	3,538,524	-	5.33%	5.33%	7.01%	-13,510	-13,510	-152,147	-133,508	3,193	171,842	\$2.42
Palo Alto	4,736,112	-	6.57%	7.43%	9.16%	63,382	35,600	-217,154	-203,687	21,136	265,472	\$5.92
San Jose	39,685,578	-	9.53%	10.86%	14.27%	1,015,851	1,048,352	-317,288	-249,951	1,199,188	2,488,456	\$2.38
Santa Clara	18,122,869	-	9.24%	10.49%	12.35%	-21,663	28,234	-92,827	-196,555	132,501	603,114	\$2.66
Sunnyvale	15,051,247	-	7.73%	8.38%	11.33%	113,622	128,422	-282,716	-225,682	107,188	567,826	\$3.69
<b>Silicon Valley Total</b>	<b>119,057,899</b>	<b>-</b>	<b>8.26%</b>	<b>9.38%</b>	<b>11.49%</b>	<b>1,281,073</b>	<b>1,341,152</b>	<b>-318,392</b>	<b>-170,401</b>	<b>2,076,549</b>	<b>5,928,986</b>	<b>\$2.90</b>

## BIGGEST LEASE OF THE QUARTER

Nio Occupies 201,500 SF  
at 3151 Zanker Road, San Jose





## TOP SALE TRANSACTIONS FOR 1Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
3301-3307 Hillview Ave (Leasehold)	Palo Alto	292,000	\$446,000,000	\$1,527.40	Alexandria Real Estate Equities	Morgan Stanley
892-894 Ross Dr	Sunnyvale	139,482	\$88,500,000	\$634.49	Menlo Equities	Miramar Capital
475-501 Sycamore Dr	Milpitas	213,519	\$60,500,000	\$283.35	Duke Realty	Vertical Ventures
Silicon Valley Research Center	San Jose	231,719	\$58,000,000	\$250.30	South Bay Development	Synaptics
400 Logue Ave	Mountain View	42,200	\$52,800,000	\$1,251.18	400 Logue Owner LLC	Miramar Capital

## TOP LEASE TRANSACTIONS FOR 1Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3151 Zanker Rd	San Jose	201,500	January 2022	Oakmont Corporation	Nio
1764-1768 Automation Pkwy	San Jose	118,848	March 2022	Peninsula Land & Capital	Foxconn
90 & 130-134 Rio Robles	San Jose	102,375	January 2022	Washington Holdings	Analog Devices
1109-1151 McKay Dr	San Jose	100,516	February 2022	South Bay Development	Synaptics
190 W Tasman Dr	San Jose	95,948	January 2022	Milken Institute	Archer Aviation

DATA SOURCE: COSTAR; STATE OF CALIFORNIA EDD

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**Commercial  
Brokerage**

**\$10.9B**  
TRANSACTION  
VOLUME (ANNUAL)

**49.7M** **43.7M**  
SALES SF (ANNUAL) LEASING SF (ANNUAL)

**Valuation  
Advisory**

**2,600+**  
ASSIGNMENTS  
ANNUALLY

**51/24**  
TOTAL NO.  
APPRAISERS/MAI'S

**Asset  
Services**

**62M**  
MANAGEMENT  
PORTFOLIO SF

**\$11B**  
IN ASSETS UNDER  
MANAGEMENT

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

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