

MARKET TRENDS

SILICON VALLEY R&D

MARKET DRIVERS

Asking lease rates remained unchanged quarter-over-quarter at \$3.16/SF NNN, largely due to decreased demand for R&D properties and uncertain economic headwinds.

With many tenants decreasing their SF requirements, gross absorption fell 52.3% YOY from 1.6 million SF in 3Q21 to 742,012 SF in 3Q22.

Despite a noticeable slowdown in the R&D market, total net absorption increased to 1.02 million SF in 3Q22. The San Jose submarket was the primary reason for this, accounting for more than 60% of the total.

Vacancy rates decreased during the quarter to 8.13% in 3Q22, with Fremont and Cupertino posting the lowest rates at under 5% vacancy, while the Campbell submarket ended the quarter with the highest rate at 12%.

Sales volume fell 74.5% YOY from 2.6 million SF in 3Q21 to 674,583 SF in 3Q22 and 32.5% QOQ from 999,691 SF in 2Q22 to 674,583 SF in 3Q22.

Availability rates decreased 19.9% YOY with the QOQ rate dropping only 2.5%.

ECONOMIC REVIEW

Santa Clara County recorded a 2.2% unemployment rate for 3Q 2022 compared to the previous year where unemployment was at 4.9% for 3Q 2021.

San Jose-Sunnyvale-Santa Clara MSA saw a 3.3% increase in manufacturing jobs YOY from 170,800 jobs in 3Q21 to 176,350 jobs in 3Q22.

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MARKET SUMMARY

	3Q22	2Q22	3Q21	Annual Change
Vacancy Rate	8.13%	9.00%	10.60%	-23.34%
Availability Rate	10.26%	9.70%	12.80%	-19.87%
Asking Lease Rate	\$3.16	\$3.16	\$2.84	11.27%
Gross Absorption (SF)	742,012	1,889,201	1,557,496	-52.36%
Sale Volume(SF)	674,583	999,691	2,648,398	-74.53%
Net Absorption	1,020,379	819,269	11,396	N/A

↓ **742K SF**
LEASING ACTIVITY

↑ **1.02M SF**
NET ABSORPTION

↓ **8.13%**
VACANCY RATE

↑ **\$3.16**
ASKING RENT (AVG)

↓ **22K SF**
NEW DELIVERIES

Year-Over-Year Trend

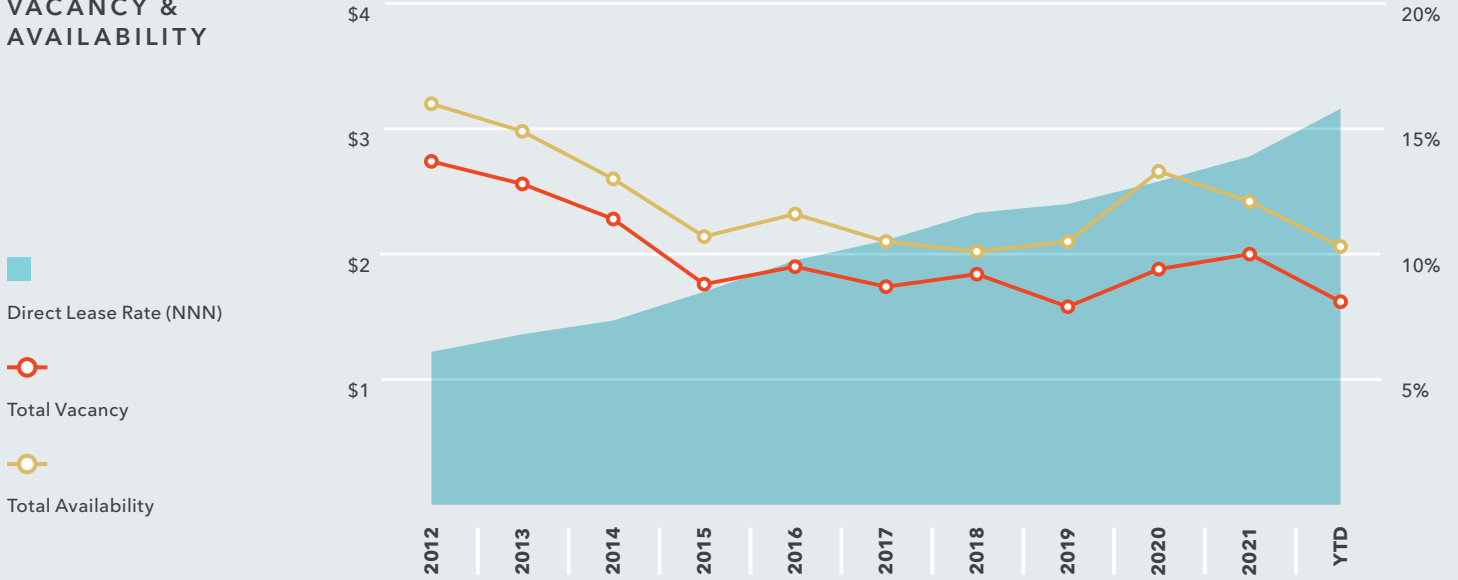
MARKET HIGHLIGHTS

Asking lease rates remained steady QOQ at \$3.16/SF NNN

Gross Absorption fell 52.3% YOY

Sales volume decreased 32.5% QOQ

LEASE RATE, VACANCY & AVAILABILITY

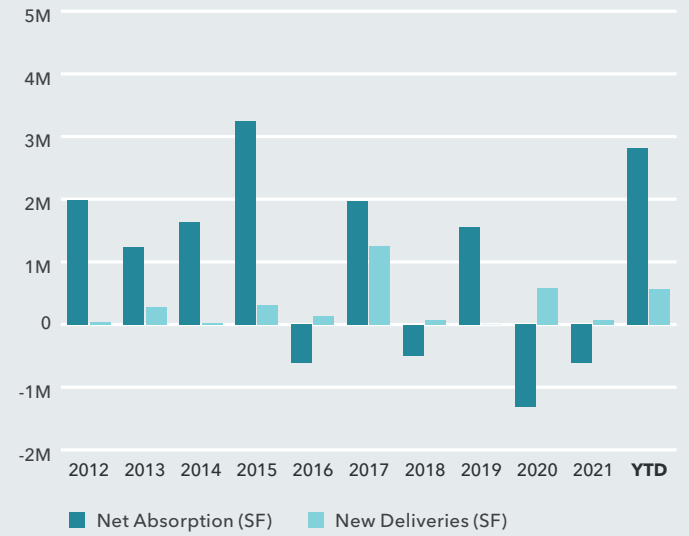


BIGGEST SALE OF THE QUARTER

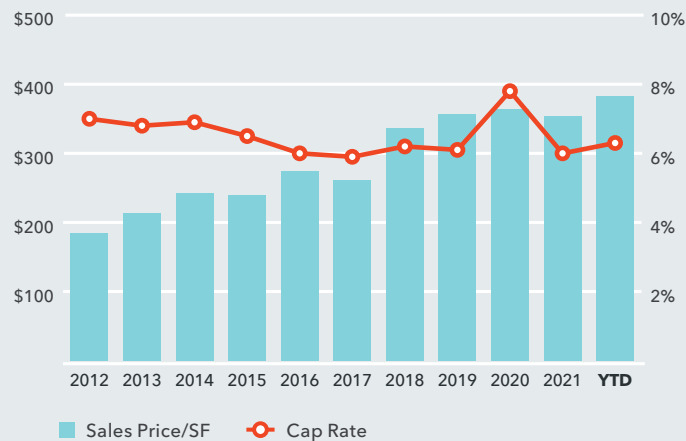
47071 Bayside Pkwy



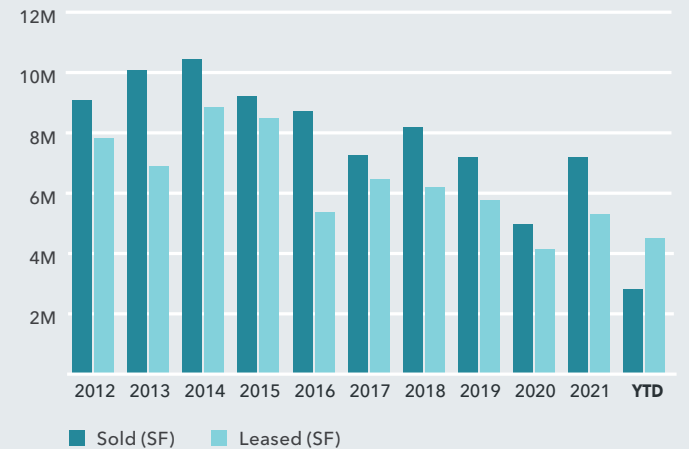
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Const.	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q Direct Net Absorption	3Q Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	3Q Gross Absorption	YTD Gross Absorption	Avg NNN Rental Rate
Campbell	1,422,824		12%	12%	12%	(4,680)	(4,680)	21,020	21,020	10,916	87,365	\$2.30
Cupertino	2,248,069		0%	0%	0%	-	-	-	-	-	-	\$4.25
Fremont	16,906,162	762,316	5%	5%	7%	13,693	129,960	150,793	209,796	88,783	466,970	\$2.28
Milpitas	9,224,204		9%	10%	9%	276,901	276,901	247,007	303,054	46,210	354,343	\$2.07
Mountain View	7,973,938		4%	7%	8%	102,912	113,157	160,068	177,178	23,680	340,976	\$4.53
Newark	3,538,524		6%	8%	9%	-	(45,340)	49,087	(94,427)	59,034	124,563	\$2.86
Palo Alto	4,763,903		7%	8%	5%	(48,136)	(42,315)	135,350	85,607	-	435,446	\$6.70
San Jose	40,015,032		8%	8%	13%	471,509	617,444	1,799,443	2,044,480	298,503	1,856,421	\$2.13
Santa Clara	17,964,827	908,679	9%	10%	11%	(23,782)	64,856	37,913	176,448	76,881	572,737	\$2.49
Sunnyvale	14,591,988	874,000	9%	10%	12%	(89,604)	(89,604)	(125,020)	(101,829)	138,005	264,339	\$3.70
Total	118,649,471	2,544,995	7%	8%	10%	698,813	1,020,379	2,377,487	2,821,327	742,012	4,503,160	\$3.16

NEAR-TERM OUTLOOK

While R&D properties remained in high demand throughout the pandemic, the market experienced a notable slowdown in 3Q22 as companies began to reduce their space needs and requirements while adjusting to the current financial environment with rising interest rates rise and high inflation.

Availability rates were 7% or greater in Mountain View, Newark, Palo Alto, and San Jose and 10% or greater in Santa Clara, Sunnyvale, Milpitas, and Campbell.

Despite the high availability rates in surrounding cities, Cupertino remained strong with a nearly 0% availability rate with well-established tech companies like Apple Inc. keeping availability rates low.

TOP SALE TRANSACTIONS 3Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
47071 Bayside Pky	Fremont	88,481	\$82,000,000	\$926.75	Diversified Healthcare Trust	Jadian Capital ; Graymark Capital
6500 Kaiser Dr & 6300 Dumbarton Cir	Fremont	128,992	\$80,500,000	\$624.07	LaSalle Investment Mgmt.	BioMed Realty
5201 Patrick Henry Dr	Santa Clara	144,277	\$49,400,000	\$342.40	DPR Construction, Inc.	W.F. Batton Management Company, Inc.
474 Potrero Ave	Sunnyvale	58,190	\$46,500,000	\$799.11	Apple Inc.	Harvest Properties ; Invesco Ltd
5729 Fontanoso Way	San Jose	78,160	\$27,400,000	\$350.56	Khloris Biosciences	TA Realty

TOP LEASE TRANSACTIONS 3Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
415 Oakmead Pky	Sunnyvale	60,517	August 2022	D.R. Stephens & Company	Undisclosed
1130 Ringwood Ct	San Jose	58,760	July 2022	EQT Exeter	Green Circuits
400 W California Ave	Sunnyvale	35,224	August 2022	Principal Real Estate Investors	Undisclosed
4251-4255 Burton Dr	Santa Clara	33,000	August 2022	Washington Holdings	Minerva Surgical
720-740 S Milpitas Blvd	Milpitas	25,333	September 2022	Dollinger Properties	GDM Electronic and Medical

TOP UNDER CONSTRUCTION

Property	Submarket	SF	Owner	Delivery
932 Kifer Rd	Sunnyvale	847,000	February 2024	Intuitive
45500 Fremont Blvd	Fremont	703,270	December 2023	Lennar
651 Walsh Ave	Santa Clara	435,000	November 2022	Digital Realty Trust, Inc.
2305 Mission College Blvd	Santa Clara	352,679	August 2023	Amazon
1111 Comstock St	Santa Clara	121,000	December 2022	Khosh Jim Living Trust

Data Source: CoStar, Bizjournals.com, ycharts.com, data.bls.gov, svb.com



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 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.

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COMMERCIAL BROKERAGE	\$10.9B TRANSACTION VOLUME ANNUALLY	49.7M ANNUAL SALES SF	43.7M ANNUAL LEASING SF
ASSET SERVICES	52M MANAGEMENT PORTFOLIO SF	875+ ASSETS UNDER MANAGEMENT	270+ ASSET SERVICES CLIENTS
VALUATION ADVISORY	2,600+ ASSIGNMENTS ANNUALLY	47 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS

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