

MARKET TRENDS

SILICON VALLEY

R&D

MARKET DRIVERS

DESPITE DROPPING 2 CENTS since last quarter, asking rates are up 8 cents since this time last year demonstrating that the prices are stable.

ECONOMIC UNCERTAINTY in the tech industry has contributed to gross absorption declining from 2.0M SF in 2Q22 to 427.6K SF in 2Q23.

NET ABSORPTION went from -749.4K SF in 1Q23 to -267.7K SF, this is an improvement, but far from where the market was at when the net absorption was 822.9k SF in 2Q22.

THE DIRECT VACANCY RATE increased from 8.5% to 8.9% since the beginning of this year, reversing a trend of decreased vacancy in the area since 2021. The largest drop was seen in Campbell, which fell from 14.2% to 11.7% since last quarter.

SALES VOLUME has increased from 85.3k SF in 1Q23, to 323.8K in 2Q23. Although this is lower than the 692.5K sold in 2Q22, it is good to see an increase from the slow start to the year.

R&D AVAILABILITY remained at 10.5%, which is an increase from 9.9% in 2Q22.

ECONOMIC REVIEW

SANTA CLARA COUNTY'S unemployment rate has remained at 3.2% from the end of 1Q22 to the end of 2Q22. This remains lower than California's total unemployment rate, which climbed to 4.5%.

SAN JOSE-SUNNYVALE-SANTA CLARA manufacturing sector increased from 176.1k jobs in May 2022 to 180,200 jobs in May 2023.

continued on page 3

Market Summary

	2Q23	1Q23	2Q22	Annual Change
Vacancy Rate	8.90%	8.50%	9.00%	-1.11%
Availability Rate	10.50%	10.50%	9.90%	6.06%
Asking Lease Rate	\$2.62	\$2.64	\$2.56	2.34%
Gross Absorption (SF)	427,568	448,140	2,033,715	-78.98%
Sale Volume(SF)	323,766	85,257	692,465	-53.24%
Net Absorption	(267,730)	-749,390	822,867	N/A

↓ 427K SF
LEASING ACTIVITY

↓ -905K SF
NET ABSORPTION

↓ 8.90%
VACANCY RATE

↑ \$2.62
ASKING RENT (AVG)

↑ 121K SF
NEW DELIVERIES

Year-Over-Year Trend

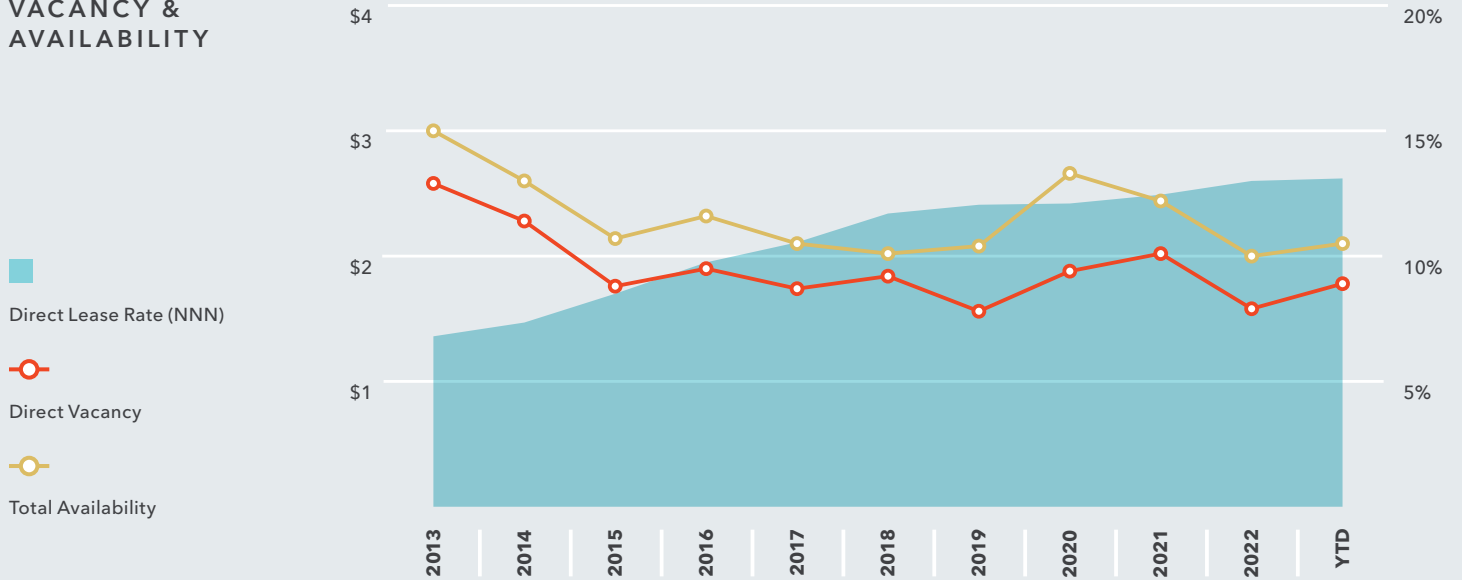
Market Highlights

ASKING LEASE RATES
decreased quarter-over-quarter to \$2.62/SF NNN

VACANCY RATES INCREASED
from 8.5% to 8.9% quarter-over-quarter

SALES VOLUME increased quarter-over-quarter, from 85.3k to 323.8K

LEASE RATE, VACANCY & AVAILABILITY

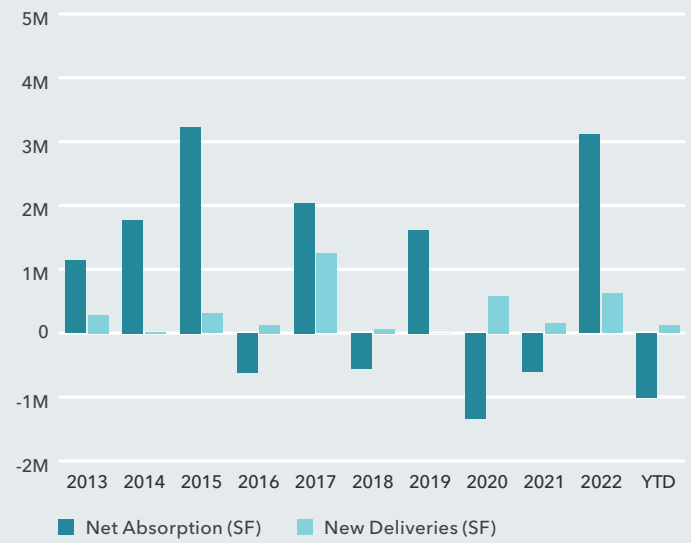


BIGGEST SALE OF THE QUARTER

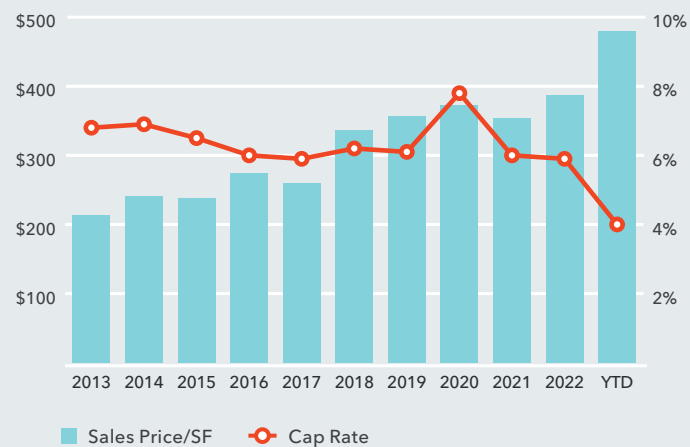
*880-888 W Maude Ave
Mountain View*



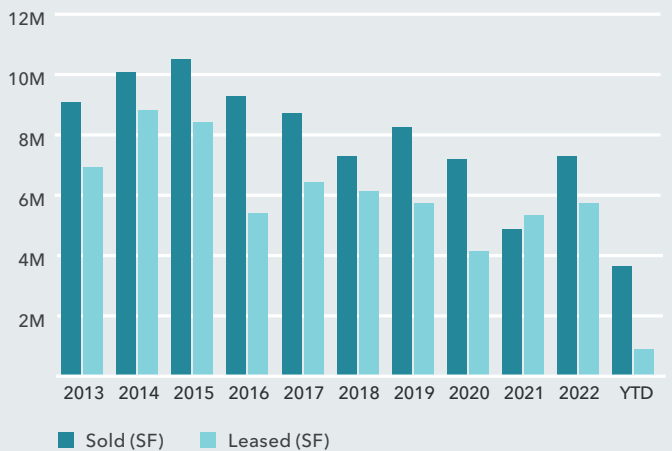
NET ABSORPTION & NEW DELIVERIES



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	2Q Direct Net Absorption	2Q Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	2Q Gross Absorption	YTD Gross Absorption	Avg NNN Rental Rate
Campbell	1,422,824	-	11.7%	11.7%	11.5%	36,345	36,345	39,036	39,036	1,726	1,726	\$1.75
Cupertino	2,248,159	-	0.0%	0.0%	0.0%	-	-	-	-	-	-	-
Fremont	17,087,004	703,270	4.8%	6.5%	7.8%	84,874	86,206	137,703	(28,957)	94,004	178,712	\$1.78
Milpitas	9,149,259	-	10.1%	11.8%	8.7%	(5,892)	(95,482)	(116,484)	(272,991)	47,305	77,977	\$2.18
Mountain View	8,008,721	-	5.9%	8.1%	10.6%	(126,721)	(124,789)	(193,218)	(176,343)	27,758	50,102	\$4.18
Newark	3,542,203	-	9.4%	12.1%	16.2%	(156,681)	(156,681)	(80,626)	(132,626)	1,500	1,500	\$2.20
Palo Alto	4,809,444	-	6.1%	7.0%	11.6%	(72,983)	(51,022)	(83,563)	(83,563)	8,963	15,696	\$6.72
San Jose	40,042,657	-	7.9%	9.3%	13.8%	7,716	(94,109)	(305,068)	(576,520)	208,156	366,288	\$2.35
Santa Clara	17,437,916	1,037,679	8.3%	8.3%	10.6%	135,160	210,970	274,092	347,567	18,783	63,657	\$2.54
Sunnyvale	14,605,461	847,000	9.0%	10.4%	11.7%	10,509	(79,168)	(25,393)	(132,723)	19,373	120,050	\$3.45
Total	118,353,648	2,587,949	7.6%	7.6%	11.3%	(87,673)	(267,730)	(353,521)	(1,017,120)	427,568	875,708	\$2.62

NEAR-TERM OUTLOOK

APPLIED MATERIALS INC. plans on building a \$4 billion research facility in Sunnyvale for developing semiconductor manufacturing technology. The 180,000 square feet center will feature a cutting-edge clean room and hopes to facilitate collaboration among university researchers, chipmaker employees, and industry professionals.

AMID THE AI BOOM in Silicon Valley, companies are competing to capitalize on the trend. Semiconductors are vital for advanced AI tools like ChatGPT, and investors are taking note. The industry has been allocated \$53 billion in federal funding and has also secured \$150 billion in private commitments. One success story is San Jose headquartered Supermicro, the AI-focused server design company has experienced a remarkable 400% surge in stock prices and doubled profits in the past year alone.

THE RISE IN AVAILABILITY AND VACANCY RATES is minimal and falls within the range observed in quarters prior to the pandemic. Additionally, R&D has not been affected in the same way that the office sector has been by the pandemic and work from home policies. These facilities are sought after due to their flexibility to install specialized labs that high tech, biotech, medical device, and other companies need. Although the poor economy has slowed transactions, Silicon Valley remains the leading tech hub, and despite an increase in supply of available spaces, landlords and owners believe the demand is still high enough to justify keeping prices at current levels.

TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
880-888 W Maude Ave	Sunnyvale	40,925	\$23,000,000	\$562.00	iHealth Labs	Microsoft Corporation
5891-5895 Rue Ferrari	South San Jose	76,800	\$21,000,000	\$273.44	First Pentecostal Church of San Jose	South Bay Development Co.
151 Martinvale Ln	South San Jose	20,384	\$7,700,000	\$377.75	On Lok, Inc.	Rocha & Henderson LLC.
2095 Ringwood Ave	San Jose-Berryessa	27,000	\$7,600,000	\$281.48	MMA Enterprises Inc	Komico Technology Inc
2102 Walsh Ave - Bldg 7	Santa Clara	9,000	\$1,860,000	\$206.67	The Fox Real Estate and Dev. Co.	Link Logistics Real Estate

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2801-2811 Orchard Pkwy	San Jose	84,560	April 2023	Flynn Properties	Fetch Robotics (acquired by Zebra Technologies)
2500 Walsh Ave	Santa Clara	65,840	June 2023	RMR	CommScope
2350 Zanker Rd	San Jose	50,330	June 2023	Zanker Development	Antora Energy, Inc.
5883 Rue Ferrari St	San Jose	48,802	April 2023	Peninsula Land & Capital	San Joaquin Valley College, Inc.
390 Java Dr, W.	Sunnyvale	48,480	April 2023	Joe Perillo	SpaceX

TOP UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
932 Kifer Rd	Sunnyvale	847,000	February 2024	Intuitive
45500 Fremont Blvd	Fremont	703,270	December 2023	Lennar

Data Source: CoStar; bizjournals.com, ycharts.com, data.bls.gov



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.

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

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COMMERCIAL
BROKERAGE

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

46

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS