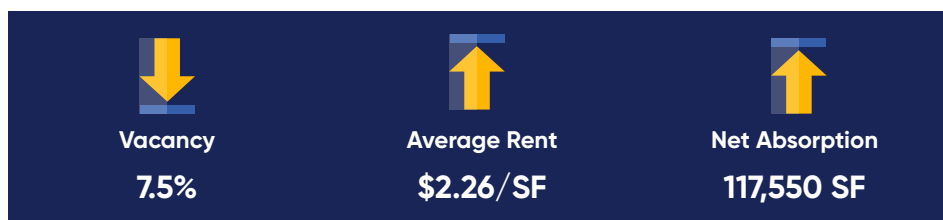
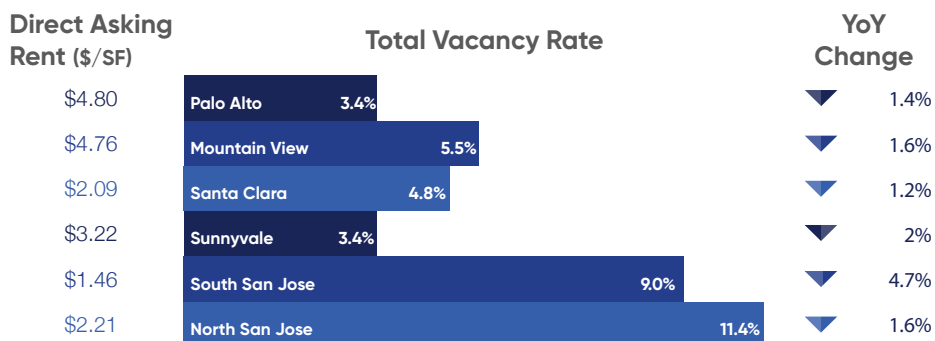


# Occupier's Guide - R&D

After a robust first half of 2019, particularly in the 2nd quarter, activity leveled off in the 3rd quarter. Both Net Absorption and Vacancy mostly remained flat for the quarter, which caused average rental rates to do the same. With Silicon Valley submarket vacancy rates in the low single digits, the lack of overall activity may be more a symptom of the overall strength of the R&D market than a sign of weakness or a slowdown. After all, it's hard to have activity when there isn't any product available to lease! Despite the lack of vacancy throughout much of the Valley, select submarkets such as North San Jose, Milpitas, and South San Jose still provide opportunities for tenants looking for quality R&D options.



## Select Submarket Rental and Vacancy Rates



## Recent Transactions

Tenant	Submarket	Type	Size (SF)	Sector
Raytheon Semiconductor	Sunnyvale	Renewal	162,550	Technology
Olympus Corporation	San Jose	New Lease	128,000	Manufacturing
Aurora Innovation	Mountain View	New Lease	111,154	Software
Equinix, Inc.	San Jose	Renewal	103,420	Telecom
MKS Instruments	Milpitas	New Lease	102,000	Technology
Infinera	South San Jose	New Lease	82,000	Telecom

## Occupier's Perspective

Consistent with historical trends, rental rates in the northern Silicon Valley cities of Palo Alto, Mountain View & Sunnyvale push the average asking rates higher, while there are still more affordable opportunities available for tenants in submarkets like South San Jose and Fremont/Newark.

Silicon Valley is experiencing significant development of R&D products, although the majority of the projects constructed are built-to-suits for major corporate tenants. Many of these tenants, including Google, Nvidia, Intuitive Surgical, and Adobe, are building on land they already own.

There was a slowdown in R&D investment sales in the 3rd quarter. Even though activity has decreased, there were a couple of notable deals this quarter. Drawbridge Partners acquired Rose Orchard Tech Park for \$128.2 Million and BPM Real estate acquired 2300 Orchard Parkway for \$61 Million.

## Market Trends

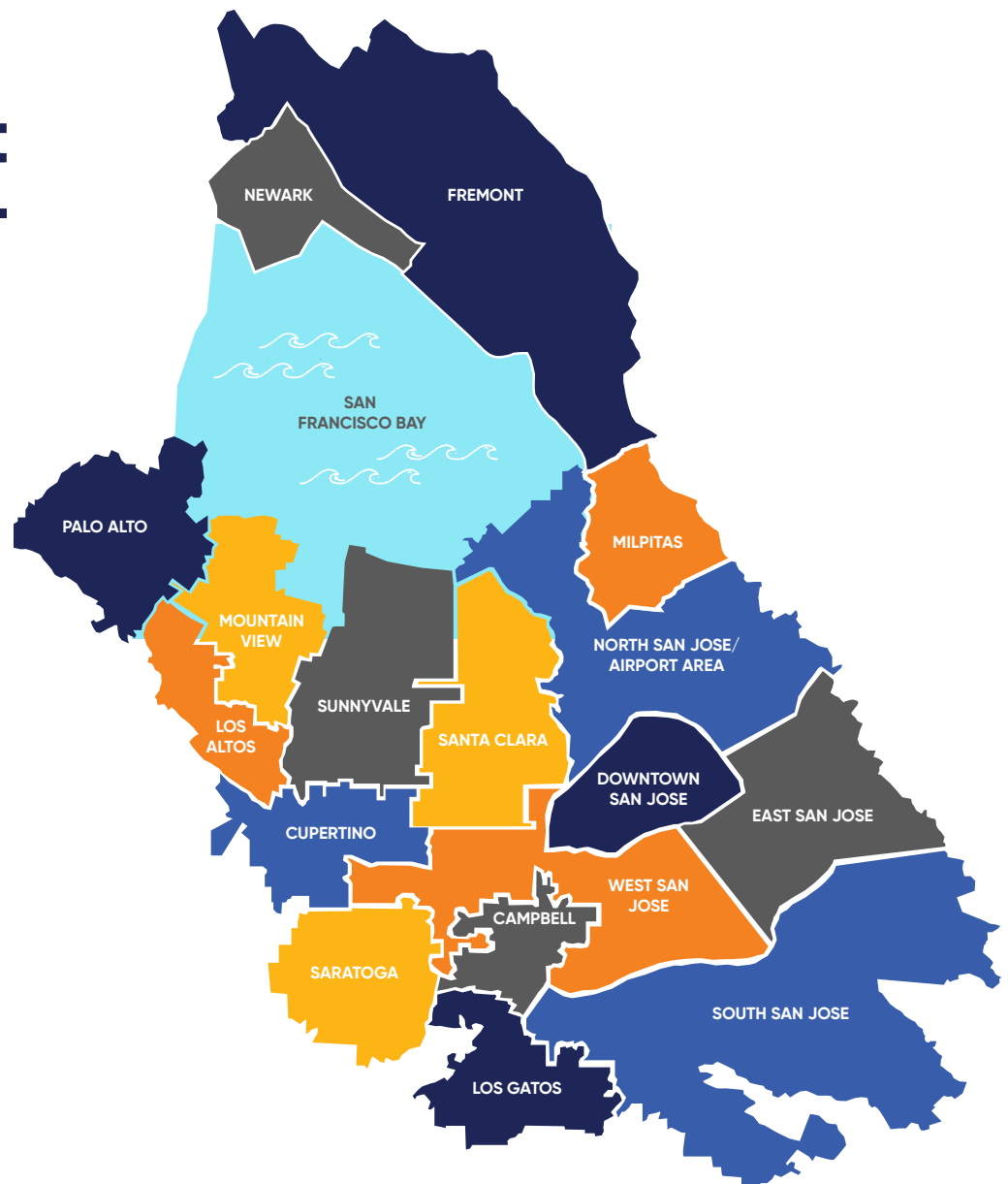
**IPO's Fall as Market Volatility Rises.** With incredibly high anticipation for IPO'S in Q3, the number of companies going public dropped since the Q2. There have been disappointing numbers in major tech companies like Uber, Lyft, and Peloton, which has caused uncertainty in the market.

**Per SiliconANGLE, VC funding slowed in the 3rd quarter,** with just under \$2 billion of early-stage investment, over more than 1,000 deals, and \$17 billion of late-stage funding across 572 deals.

**According to the Employment Development Department,** the unemployment rate dropped from 2.7% to 2.2% at the close of the 3rd quarter.



# Submarket Statistics - R&D



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	4,406,874	\$4.70	▼	3.4%	▼	(20,172)
Mountain View/ Los Altos	8,128,646	\$4.67	▼	5.5%	▲	(11,667)
Sunnyvale	15,895,809	\$3.08	▼	3.4%	▲	68,741
Santa Clara	17,969,185	\$2.07	▼	4.8%	▼	110,707
Cupertino	2,222,861	\$2.65	▲	1.3%	▲	7,445
West Valley	2,443,494	\$2.52	▼	2.8%	▲	(10,013)
South San Jose	8,087,683	\$1.46	▼	9.0%	▲	19,315
North San Jose	29,241,572	\$2.12	▼	11.4%	▼	(43,892)
Milpitas	9,423,135	\$2.08	▲	17.5%	▲	35,970
Fremont/Newark	19,956,596	\$1.64	▼	5.6%	▲	(39,576)