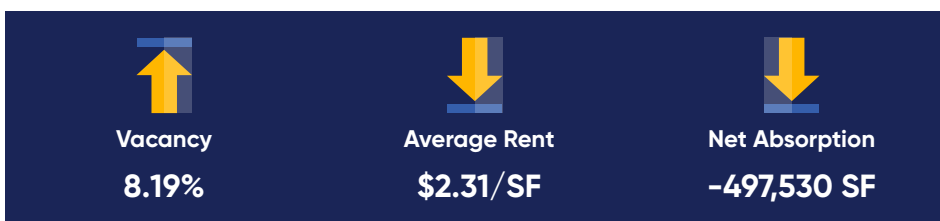
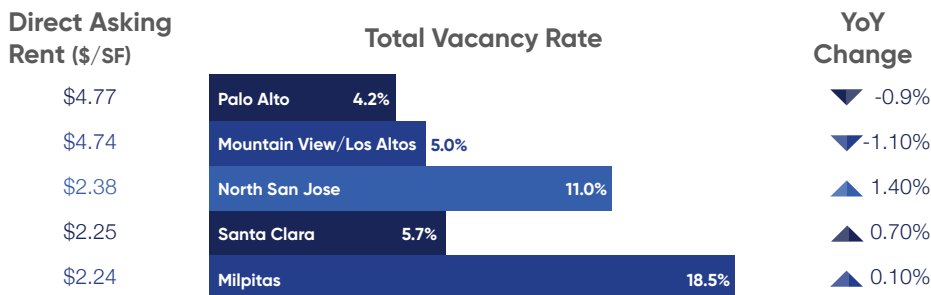


Occupier's Guide - R&D

The vacancy rate across Silicon Valley increased more than 0.5% in Q1 2020, with negative net absorption of nearly 500,000 square feet. However, with the onslaught of Covid-19 hitting the country in early March, and aggressive shelter-in-place orders taking effect in the Greater Bay Area in the middle of the month, much of the local economy has ground to a halt so we are expecting much more significant changes throughout the balance of 2020. The tech-heavy NASDAQ Composite Index remains largely unchanged on a year-to-date basis, but top Wall Street investment banks are forecasting double-digit U.S. GDP contractions for Q1 2020. With the shelter-in-place orders currently set to expire on May 3rd 2020, but likely to be extended deeper into May or beyond, and most Silicon Valley landlords are waiting to survey the "post shelter-in-place" landscape before adjusting rental rates or concessions offered to tenants. Consistent with what we have seen in past recessions such as the correction following the Dot Com Boom in the early 2000's and the Great Recession in 2008-2009, we expect to see rental rate declines lag the expected macroeconomic contraction by 1-4 quarters.





Select Submarket Rental and Vacancy Rates



Recent Transactions

Tenant	Submarket	Type	Size (SF)	Sector
Apple, Inc.	Cupertino	Renewal	383,747	Technology
Raytheon	North San Jose	New Lease	142,710	Aerospace
Verseon Corporation	Fremont	New Lease	87,544	Pharmaceutical
Shockwave Medical	Santa Clara	New Lease	85,200	Medical Manufacturing
Enovix	Fremont	New Lease	68,658	Manufacturing
Google, Inc.	Palo Alto	New Lease	56,329	Technology

Occupier's Perspective

-  Facebook's lease of 230,000 SF in the Ardenwood submarket in Fremont continued its growth into the East Bay, right across the Bay from its Menlo Park HQ.
-  Healthcare & Medtech continue to push into the Valley with UCSF's purchase of 88,000 SF in Fremont Shockwave Medical's lease of 50,000 SF in Santa Clara.
-  Silicon Valley rental rates effectively remained flat from Q4 2019, with declines in the Palo Alto, Mountain View & Sunnyvale submarkets offsetting minor increases in most other Valley submarkets.

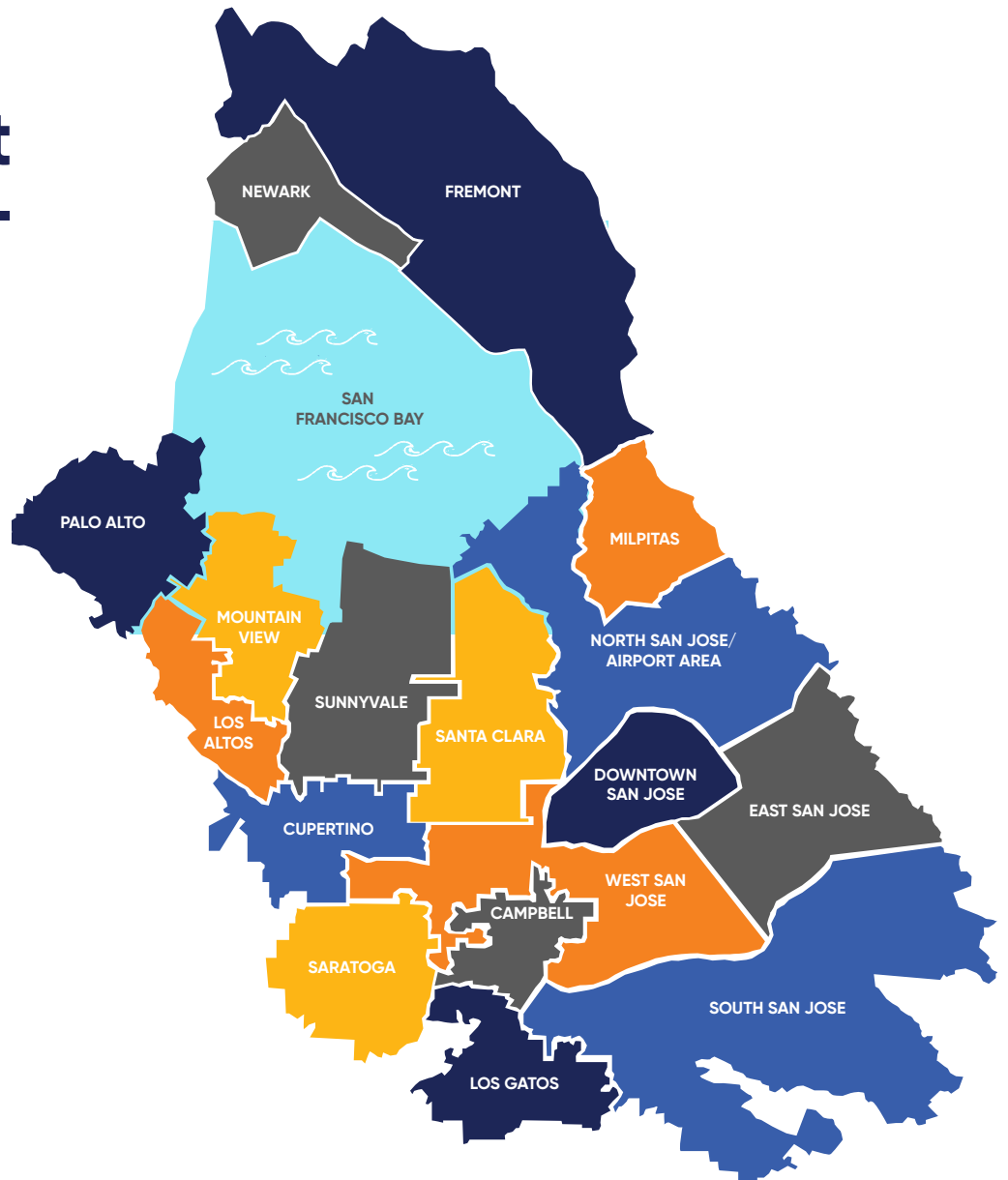
Market Trends

The U.S. economy remains largely stalled due to shelter-in-place orders. San Francisco, along with the rest of the Bay Area, remains under shelter-in-place orders through May 2020.

Investor appetite remained strong in Q1 with TMG, Soma Capital/Timber Creek (JV) & Swift Real Estate purchasing 1.1 Million SF combined in Santa Clara, Milpitas & South San Jose, respectively.

According to CB Insights, in Q1 2020 global corporate venture capital funding fell 13% versus Q4 2019 to \$34B, with the number of deals declining by 19% to 1,337 during the same period.

Submarket Statistics - R&D



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	4,408,924	\$4.65	▼	4.2%	↔	5,414
Mountain View/ Los Altos	8,122,668	\$4.50	▲	5.0%	▼	92,316
Sunnyvale	15,865,328	\$3.09	▲	5.3%	▼	76,770
Cupertino	2,222,861	\$4.25	▲	1.3%	▲	0
West Valley	2,440,310	\$2.81	▲	5.6%	▲	(39,605)
North San Jose	29,374,672	\$2.27	▼	11.0%	▼	(415,586)
Santa Clara	18,214,517	\$2.16	▼	4.2%	▼	(138,304)
Milpitas	9,347,539	\$2.20	▲	18.5%	▲	(11,060)
South San Jose	8,453,793	\$1.44	▼	8.1%	▼	(39,047)
Fremont/Newark	20,293,003	\$1.59	▲	7.0%	▲	(28,428)