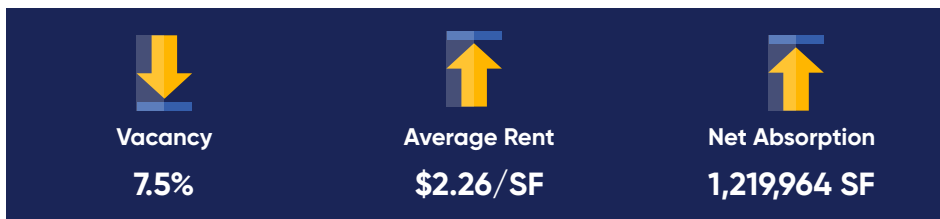
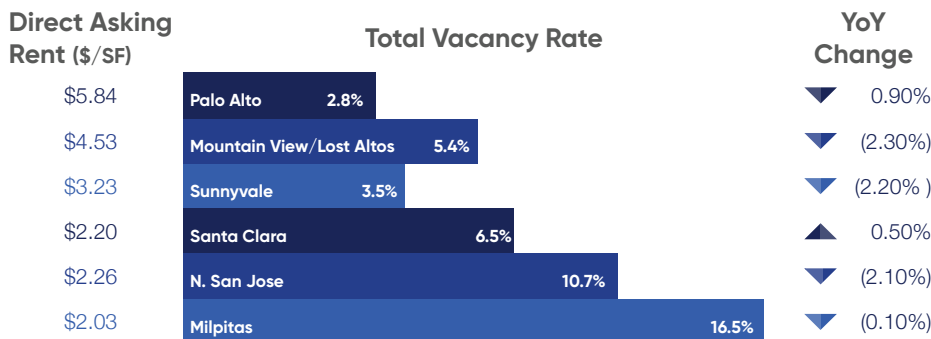


# Occupier's Guide - R&D

Following a slow start to 2019, occupancy has begun to surge in Silicon Valley's R&D market. The asking rates are strong and steady while availability is starting to decrease. Net absorption finished Q2 at 1.2 Million square feet. This brings the mid-year 2019 number to 917,000 sf which is more than double the full-year 2018 absorption number. The average asking rate has remained steady since the last quarter. The driving factor of this rate is the Northern Silicon Valley cities of Palo Alto, Menlo Park, and Mountain View who are posting extremely high rents to counterbalance the lower rents from Fremont and Milpitas. Looking forward, technology tenants will continue to lead the growth in both leasing and user purchases. With the pool of tenants competing for space, one can expect to see more and more preleasing occurring in the market for the remainder of the year.



## Select Submarket Rental and Vacancy Rates



## Recent Transactions

Buyer	Submarket	Type	Size (SF)	Sector
ASML	San Jose	New Lease	262,060	Technology
A10 Networks	N. San Jose	Renewal	116,000	Manufacturing
MiaSole	Sunnyvale	Renewal	92,000	Solar Energy
VMware	Palo Alto	Renewal	85,000	Software
Bigfoot Biomedical	Milpitas	New Lease	83,000	Healthcare
Hamonic Inc.	N. San Jose	New Lease	64,000	Technology

## Occupier's Perspective

With R&D space in high demand, we plan to see more development coming to the market. Currently, only 2 projects are under construction midway through 2019. The two projects consist of Intuitive Surgical's 326,000 square foot building at 1050 Kifer Road in Sunnyvale, and Jay Paul's 29,120 square foot building at 3045 Park Boulevard in Palo Alto.

There were two major acquisitions that took place in Q2 starting with the sale of Central Technology Park in Santa Clara. Gemini Rosemont purchased the four-building campus for \$188 million. The second largest investment sale was JLL Income Property Trust who purchased the Northport Business Park in Fremont for \$47 Million.

There were two large owner/user sales that took place during Q2. Lumentum purchased a 238,342 square foot building in San Jose, and Google purchased a 166,659 square foot property in Mountain View.

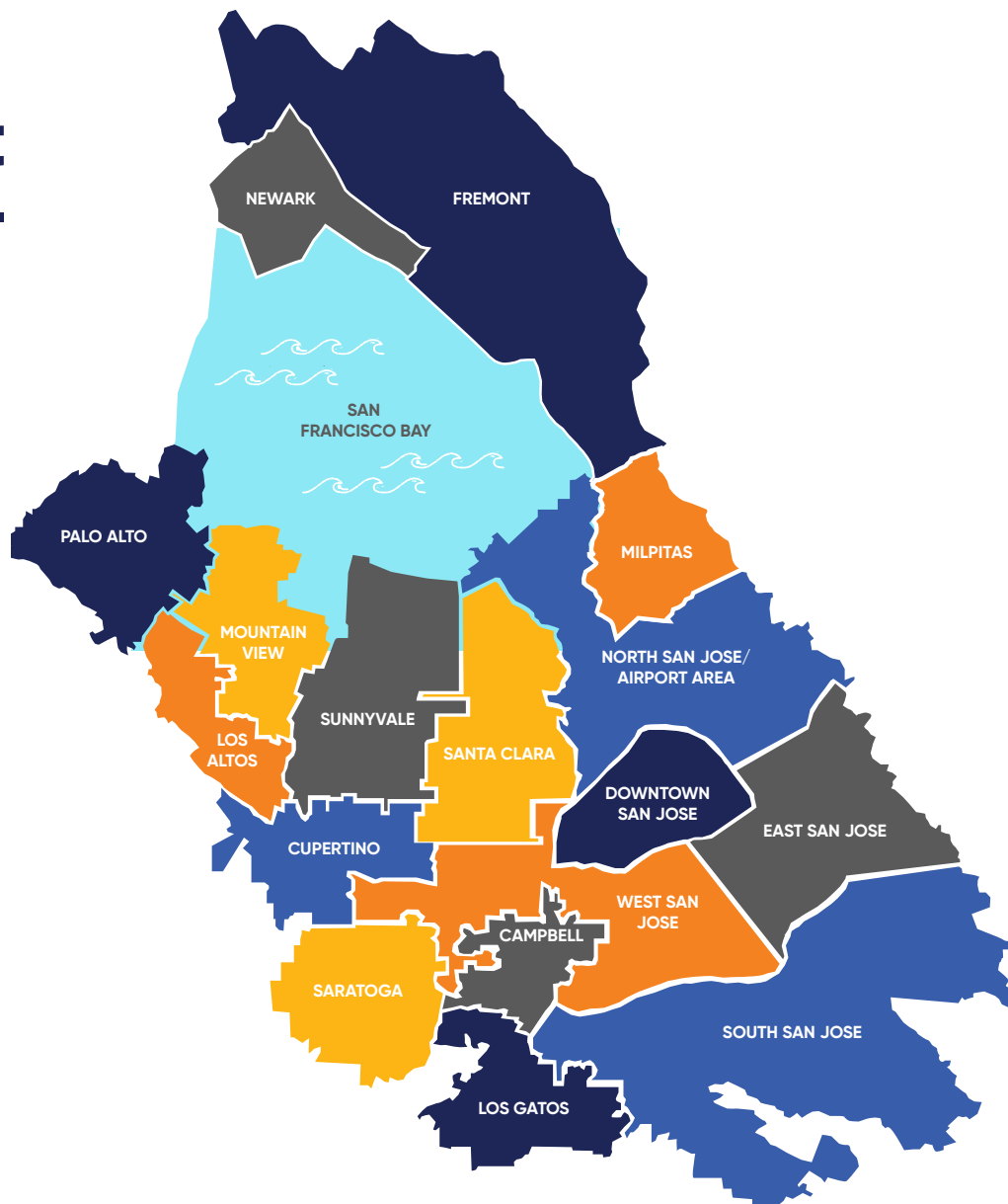
## Market Trends

According to Renaissance Capital, 62 IPO's have raised over \$25 billion in the second quarter. This is the most active quarter by deal count in four years and the most capital raised in five years.

The San Jose MSA's unemployment rate for the end of Q2 2019 was 2.7% which is near an all-time low. June numbers are showing an increase of about 9,500 jobs which is driving that number.

Equity markets were broadly higher last quarter despite the ongoing trade tensions and disappointing economic data. The S&P 500 returned 4.3% during the quarter and 18.5% for the year.

# Submarket Statistics - R&D



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	4,614,408	\$5.84	▼	2.8%	▲	(13,483)
Mountain View/ Los Altos	8,171,362	\$4.39	▲	5.4%	▼	21,040
Sunnyvale	16,408,794	\$3.09	▲	3.5%	▼	144,309
Santa Clara	18,257,248	\$2.19	▲	6.5%	▲	(27,176)
Cupertino	2,222,861	\$2.45	▼	1.7%	▲	(16,490)
West Valley	2,453,926	\$2.44	▲	2.4%	▼	1,514
S. San Jose	8,343,166	\$1.44	▲	9.0%	▼	351,141
N. San Jose	29,121,417	\$2.21	▲	10.7%	▼	644,991
Milpitas	9,418,743	\$1.97	▲	16.5%	▼	(12,788)
Fremont/Newark	20,434,444	\$1.63	▲	6.0%	▼	134,102