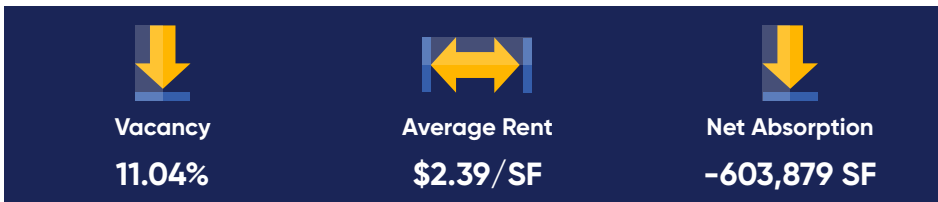
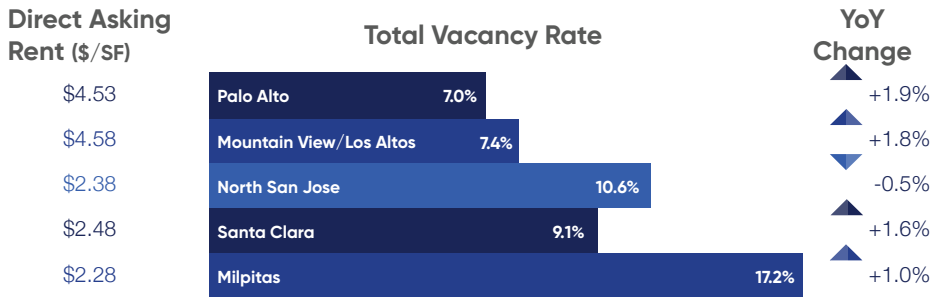


# Occupier's Guide - R&D

The R&D market in Silicon Valley remained relatively strong in Q3, amidst continuing uncertainty due to the COVID-19 pandemic and associated shelter in place restrictions from local and state government. Rental rates remained flat overall as compared to Q2. The Palo Alto and Mountain View submarkets experienced decreasing rates, while rates in the Cupertino and Milpitas submarkets increased. With much of the workforce remaining in a furloughed status, and companies implementing work remote strategies, much of the Valley has seen negative net absorption rates and increases in vacancy rates as compared to Q2. Unlike the office sector, which saw a large increase in the amount of sublease space on the market, the R&D sector has seen minimal increases in the amount of sublease space on the market. Large transactions continue to occur, consisting predominantly of lease renewals. Silicon Valley's Q3 performance indicates a steady demand for R&D space, and a much healthier outlook than we are seeing in the Office sector.



## Select Submarket Rental and Vacancy Rates



## Recent Transactions

Tenant	Submarket	Type	Size (SF)	Sector
Guardant Health	Palo Alto	Direct	245,000	Biotechnology
Facebook	Fremont	Direct	111,000	Technology
Hyundai	Fremont	Direct	73,000	Manufacturing
Chargepoint	San Jose	Renewal	72,000	Technology
Intuity Medical	Fremont	Direct	62,000	Health Care

## Occupier's Perspective

- Overall quarter-over-quarter rates remained flat, while select submarkets had large moves. For example, the Palo Alto submarket had a 21.2% rate decrease from previous quarter.
- 2021 timelines or permanent work from home strategies are being implemented by large key tenants in the Silicon Valley market. Google, Facebook, Twitter, and Apple all implemented plans to have employees work remote, with little interest in re-entering current spaces anytime soon.
- Technology, Biotech, and Health Care make up the sectors that had the largest lease transactions occur in Q3. Further cementing these sectors as key movers in the R&D space, creating a strong and steady market.

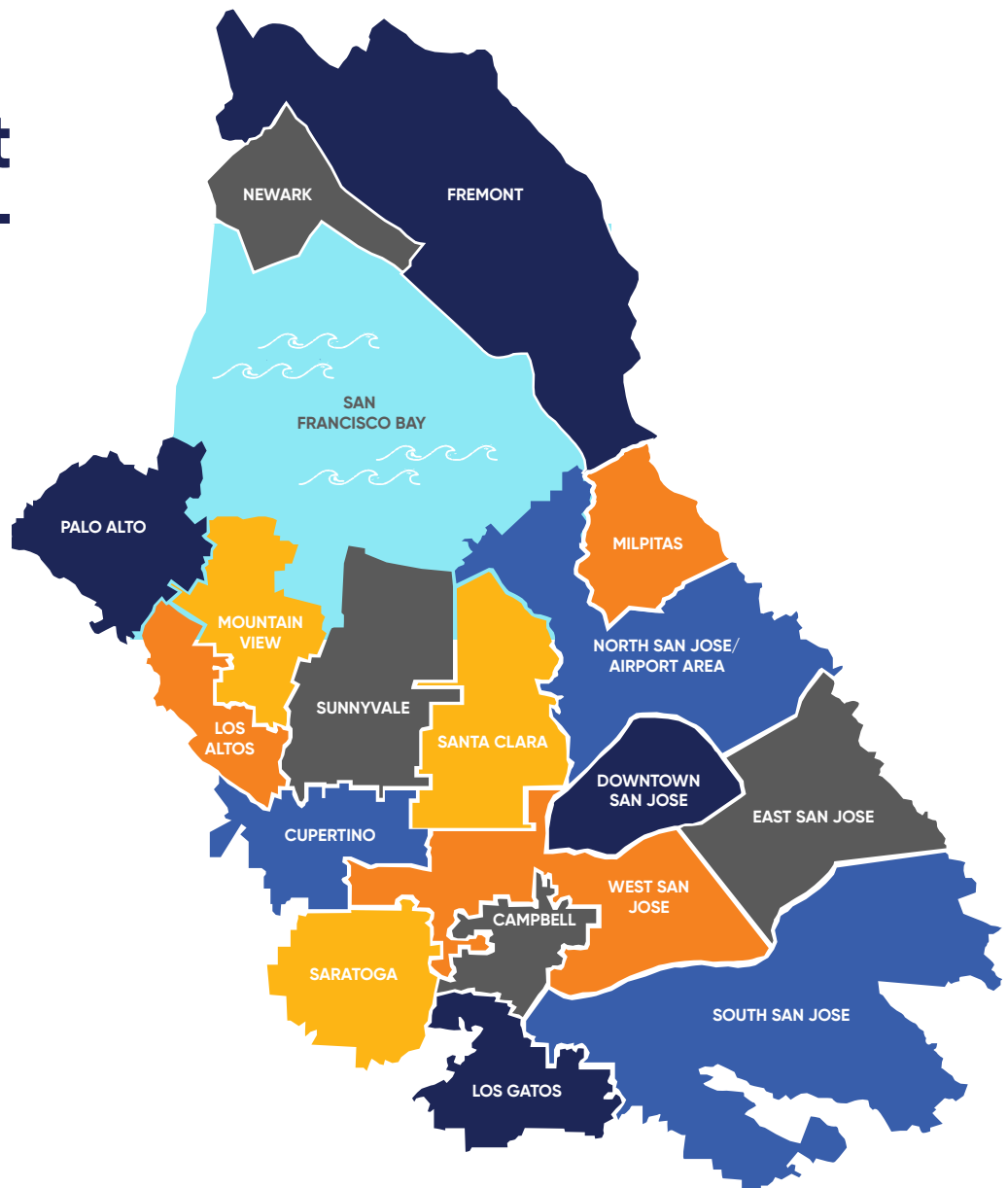
## Market Trends

**Prop 15 (Split roll initiative) will be put to vote in November**, effectively changing the way commercial properties will be taxed by reassessing the value of a property at current market value. This affects all commercial properties worth in aggregate more than \$3M. If passed, Prop 15 will generate roughly \$10.3B in taxes.

**Comparing office demand decreases**, flex spaces remain a strong sector in the Silicon Valley market. More and more subleases hit the market in the office space, while R&D spaces are primarily direct or renewal type leases.

**Select submarkets experienced slight increases** in vacancy rates, with on average a 0.56% increase across all submarkets.

# Submarket Statistics - R&D



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
Palo Alto	4,441,093	\$4.34	▼	7.0%	▲	(10,964)
Mountain View/ Los Altos	8,003,696	\$4.32	▼	7.4%	▲	(150,809)
Sunnyvale	15,256,137	\$3.12	▲	6.7%	▲	(172,391)
Cupertino	2,248,194	\$4.50	▲	0.3%	▼	21,175
West Valley	3,107,420	\$2.29	▲	2.4%	▼	28,289
North San Jose	29,432,568	\$2.31	▲	10.6%	▼	(152,620)
Santa Clara	18,578,495	\$2.38	▲	9.1%	▲	(172,391)
Milpitas	9,261,694	\$2.25	▲	17.2%	▼	104,144
South San Jose	8,640,720	\$1.49	▼	10.0%	▲	(25,604)
Fremont/Newark	20,395,041	\$1.59	▼	7.5%	▲	(131,311)