

Silicon Valley

Market Facts

7.2%

Overall Vacancy

\$2.16

Average Asking Rate

506,225 SF

Q2 2019 Net Absorption

418,216 SF

Under Construction

R&D Market Overview

The Silicon Valley R&D market measured an occupancy gain during the second quarter of 2019, totaling 506,225 square feet of positive net absorption. Net absorption measured over the most recent twelve-month period totals more than 1.7 million square feet, indicating the Silicon Valley R&D market still has very healthy levels of tenant demand.

Total available space in the Silicon Valley R&D market measured 7.2 million square feet at the close of the second quarter, this amount of space translates to a 7.2% vacancy rate in the Silicon Valley. Year over year, vacancy in the R&D sector has dipped 180 basis points, down from 9.0% recorded in the second quarter of 2018. Available sublease space accounts for only 7.6% of total available supply in the Silicon Valley R&D market. Submarkets with the lowest vacancy rates include the West Valley and Palo Alto, at 1.1% and 1.8% of available space, respectively.

Average asking rates for R&D space in the Silicon Valley totaled \$2.16 per square foot, triple net at the end of the second quarter, a 5.4% increase year over year. Overall average asking rates have begun to level off and have remained relatively flat over the past three quarters. Palo Alto and Mountain View command rates more than twice the overall average as tech companies as willing

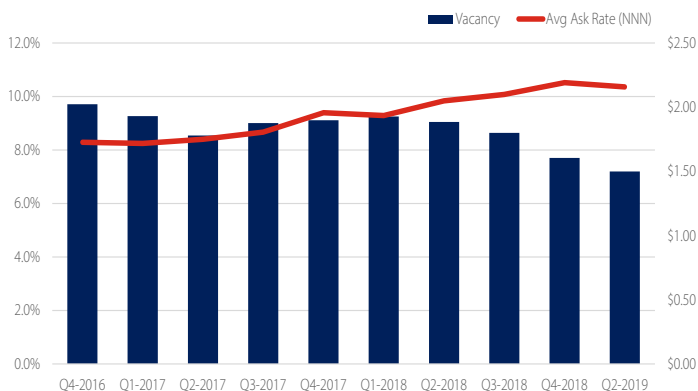
to pay this premium for R&D space in these northern submarkets.

Total leasing activity in the second quarter of 2019 totaled 1.1 million square feet. This is up from the 990,378 square feet of activity measured during the prior quarter, which marked the first time in five quarters that tenant activity had dipped below 1.0 million square feet on a quarterly basis. The increased measured quarter over quarter is another indicator that tenant demand for R&D space remains strong.

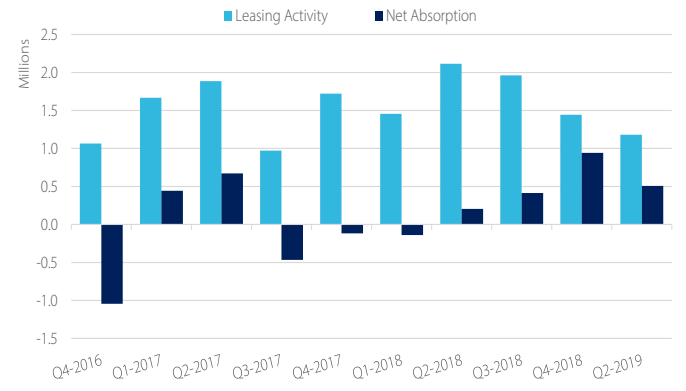
Notable transactions signed during the second quarter of 2019 include ASML leasing 262,060 square feet on Tasman Drive and Rio Robles in North San Jose, A10 Networks subleased 116,381 square feet at 2300 Orchard Pkwy in San Jose and LAM Research renewed their commitment to 116,202 square feet on Northport Loop and Starboard Ct in Fremont.

The Silicon Valley continues to have one of the healthiest job markets in the nation; at the close of May 2019, the unemployment rate stood at only 2.1%, down 10 basis points from one year earlier. Going forward, the Silicon Valley R&D market will remain stable; asking rents will level off as demand softens, however with tight vacancy tenants will continue to compete for quality space.

Historical Vacancy & Asking Rental Rate (FSG)



Historical Net Absorption & Leasing Activity



Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Available Space (SF)	Sublet Available Space (SF)	Vacancy Rate		Total SF Leased	Net Absorption (SF)	Under Const.	SF Delivered	Avg. Asking Rate (NNN)
				Q1 19	Q2 19					
Palo Alto	3,892,414	66,993	4,000	3.4%	1.8%	27,320	59,474	31,354	0	\$6.60
Mountain View	6,360,310	219,793	15,000	4.9%	3.7%	207,214	75,451	0	0	\$4.49
Sunnyvale	14,421,244	360,548	92,207	2.8%	3.1%	26,646	-54,192	386,862	0	\$3.07
Santa Clara	13,294,327	784,676	67,501	6.0%	6.4%	87,475	-49,896	0	0	\$2.18
San Jose	34,508,753	2,765,829	236,393	10.7%	8.7%	458,798	696,197	0	0	\$2.06
West Valley	3,341,892	35,571	0	0.9%	1.1%	17,048	-5,830	0	0	\$2.40
Milpitas	8,849,060	1,431,239	99,085	15.6%	17.3%	29,963	-147,347	0	0	\$1.96
Fremont	16,307,320	5,017,315	402,979	6.2%	6.6%	326,760	-67,632	0	0	\$1.51
TOTAL	100,975,320	10,681,964	917,165	7.7%	7.2%	1,181,224	506,225	418,216	0	\$2.16

Significant Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
ASML	10 & 80 Tasman, 125 Rio Robles	San Jose	262,060	Direct
A10 Networks	2300 Orchard Pkwy	San Jose	116,381	Sublease
LAM Research	45365 Northport, 4050 Starboard	Fremont	116,202	Renewal
Miasole	435 Oakmead Pkwy	Sunnyvale	98,820	Renewal
Confluent Medical	47600 Westinghouse Drive	Fremont	89,415	Renewal

Significant Sale Transactions

Buyer	Building	Submarket	Square Feet	Price Per SF
Gemini Rosemont Commercial Real Estate	Central Technology Park	Santa Clara	368,707	\$467
Lumentum	Ridder Park Technology Center	San Jose	238,342	\$227
Jones Lang LaSalle Income Property Trust	45225-4550 Northport Loop	Fremont	237,312	\$198
Google	900 Alta, 1489 Charleston, 1053 Joaquin	Mountain View	167,647	\$1,492
Peninsula Land & Capital	178 Tasman Drive	San Jose	112,043	\$321



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Properties