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Milpitas' Tasman Tech campus is quietly filling up — and it's bringing in tenants from outside Silicon Valley

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What do a Massachusetts Institute of Technology spinoff, a San Leandro hardware manufacturer and a Newark developer of storage products have in common?

They've all leased space at the same Milpitas office park over the last seven months. That's the story unfolding at Tasman Tech, a 14-building campus on Tasman Drive that's tucked between Coyote Creek and Interstate 880.



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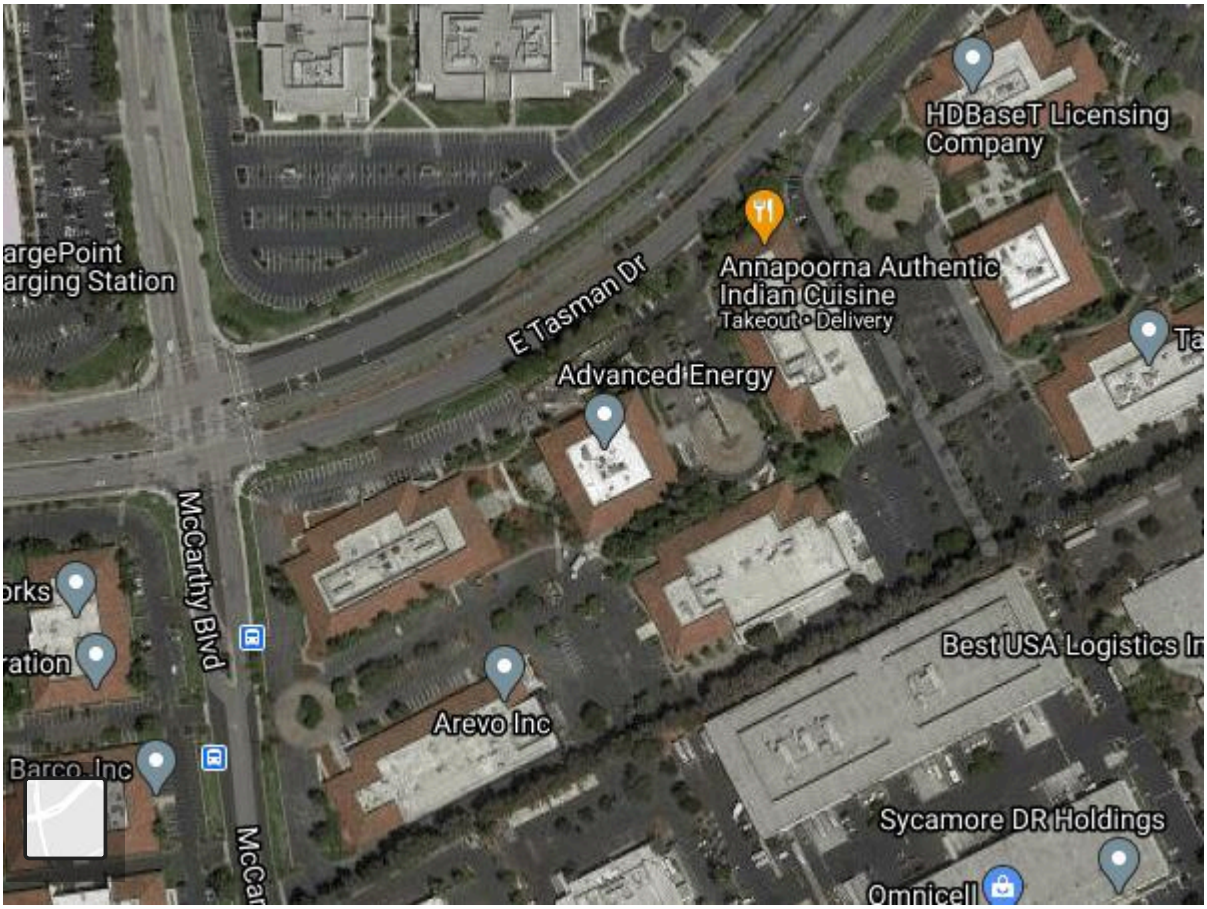
Located in Milpitas near Interstate 880 and Highway 237, the Tasman Tech campus includes 14 buildings with a mixture of office and research-and-development space. Between its buildings at 888 Tasman Drive and 890 Tasman Drive is an outdoor seating area.



What drew those three companies to Tasman Tech were its location, its amenities, and their ability to directly access their offices there, said Mike Biggar, co-founder and managing partner of Orchard Partners, the office park's co-owner.

Orchard and Lionstone Investments bought the campus for about $116 million, or roughly $190 a square foot, in 2014. Since then, Orchard has worked with Studio G Architects and South Bay Construction to update the office park's interiors and exteriors. They've added bike parking and restrooms with showers, among other changes.

Tasman Tech offers easy access to both Interstate 880 and Highway 237 via Tasman Drive and McCarthy Boulevard, respectively. The property, which features a combined 608,000 square feet of space, sits along a VTA light-rail line that has a stop adjacent to it. The campus is one stop away from the Milpitas Transit Center, which opened for BART and light-rail service last June.

Like many new or recently renovated Class A campuses in Silicon Valley, Tasman Tech offers an on-site fitness center and electric

vehicle chargers. But unlike many area office parks, it also has a trio of on-site restaurants.

Milpitas has long been Silicon Valley's affordable alternative

The companies that have signed on to Tasman Tech since last June are looking at Milpitas as an investment opportunity, particularly during the current pandemic-induced recession, said Alex Andrade, Milpitas' economic development director.

Milpitas has long been an affordable option for tech companies looking for new space for offices or research and development, or R&D, centers. It's become even more so recently, amid the economic downturn.

The city's vacancy rate for R&D space was 18% at the end of last quarter. That's the highest rate among 16 Silicon Valley submarkets, according to CBRE research. Meanwhile, at the end of the fourth quarter, the average asking rate for Milpitas R&D space was $1.75 a square foot per month, excluding utilities, property expenses and building services, according to CBRE. By contrast, the average asking rate for R&D space in Silicon Valley as a whole was $2.72 a square foot.

Milpitas' office market has fared better than that for R&D space. The vacancy rate for office space in the Milpitas/International Business Park submarket was just 5.1% at the end of last quarter, according to CBRE data.

But there, too, the city's space is going for much lower rates than space in the rest of the Valley. The average asking rate for office space in the Milpitas/IBP submarket was $1.87 a square foot a month, excluding expenses, at the end of the fourth quarter. That was the lowest rate among 11 different Silicon Valley submarkets and a little more than one-third of the area-wide average of $5.53 a square foot, according to CBRE.

Those low rates and high vacancy levels for R&D space may now be playing to the advantage of Tasman Tech, which offers R&D and office space, amid the pandemic.

"If you look at our tenant roster, a lot of our companies are lab-centric or R&D centric, and they need that type of space as

opposed to pure office space," Biggar said.

Among Tasman Tech's tenants are hardware company Array Networks, network surveillance startup SS8 and laser component manufacturer Blue Sky Research. The campus is currently 74% leased, excluding space that's available for sublease, Biggar said. Senior vice presidents Sherman Chan and Bob Steinbock of CBRE's San Jose office are Tasman Tech's listing brokers.

Tenants are finding space to grow and to be closer to customers

NVZN Labs was drawn to Tasman Tech because it offered room for the company to expand in a Class A building, said Collin Stoner, the company's president and owner. NVZN, previously known as Selene Photonics Inc., provides electronic manufacturing services, machining, and contract manufacturing.

The company signed a 14,025-square-foot lease within Tasman Tech at 800 Tasman Drive last month and expects to open its new space toward the end of June, Stoner said. It will be moving from its current 3,800-square-foot headquarters in San Leandro, he said.

The move will allow NVZN to be closer to its customer base. Some 90% of the company's clients are located in the Greater San Jose area, Stoner said. Another advantage of Tasman Tech: It's much easier to find workers with experience in electronics manufacturing and machining in Silicon Valley than in San Leandro, he said.

Other than Stoner, NVZN has only one full-time employee. But Stoner plans to hire at least 3 to 4 workers as part of the company's move to Tasman Tech and "likely more after that," he said.

Stoner declined to disclose details of NVZN's lease. But a Securities and Exchange Commission (SEC) filing by another new Tasman Tech tenant offers a sense of how much it costs to lease space in the park.

SMART Modular Technologies signed a lease last October to occupy just under half of a Tasman Tech building at 890 Tasman Drive, a short walk from NVZN's building. The Newark company, which designs and develops products including USB flash drives and SD cards, agreed to lease the 21,365-square-foot space for 10

years and 5 months, according to an SEC filing by its owner, SMART Global Holdings Inc.

As part of its lease, SMART Modular received five months of free rent and will pay a monthly rate of $1.98 a square foot, excluding expenses, during the first 18 months of its lease term, according to the agreement it disclosed in its SEC filing. It will pay $2.58 a square foot each month during the last 10 months of its lease, according to the lease agreement.

SMART Modular plans to move its corporate headquarters from Newark — where it occupies nearly 80,000 square feet on a lease that expires in April 2023 — to Tasman Tech once its office space there is built out, according to an Orchard Partners press release dated Oct. 14. Its new space is expected to be ready for move-in early this year, according to the news release. It's unclear how many of its Newark-based employees SMART Modular will relocate to Tasman Tech.

The hardware manufacturer did not respond to a request for comment by press time.

The new leases are a hopeful sign for Milpitas' future

The first of the three new leases signed at Tasman Tech since last summer was by Commonwealth Fusion Systems (CFS), according to real estate industry sources and Business Journal research.

CFS is a private spinoff from MIT that is collaborating with the school's Plasma Science and Fusion Center to build what it says is the world's first net energy-producing fusion machine. The Massachusetts-based company raised $84 million in new funding last year and is reportedly on track to create a demonstration fusion reactor by 2025.

Last June, CFS signed a 64-month lease for 33,429 square feet in the same building that NVZN will occupy, according to industry sources. The startup, whose lease term began Oct. 1, will pay $1.85 a square foot a month, excluding expenses, at the start of its lease term, sources said. Its lease term goes through 2026, according to property records website CompStak.

Biggar declined to discuss CFS' lease. CFS said in an email that it could not comment for this story.

Andrade is hopeful that what's happening at Tasman Tech is an indication of Milpitas' future. The city is the fourth fastest-growing in the United States according to WalletHub.

It's a place where highly trained workers live and, increasingly, where they work. More than 35% of Milpitas' daytime population of 116,529 people are high-tech and professional employees, according to city data. Milpitas, as Andrade put it, is where "smarts meets parts."

It's a place where "innovation, talent, and investment (are) coming together," he said.

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