

MARKET TRENDS | SILICON VALLEY

INDUSTRIAL

4TH QUARTER
2020

▲ VACANCY | ◀▶ UNEMPLOYMENT | ◀▶ RENTAL RATES | ▼ CONSTRUCTION DELIVERIES

Year-over-year change

MARKET DRIVERS

ASKING LEASE RATES for warehouses ticked up slightly to \$1.11 NNN for 2020. This represents a 1.83% increase over the previous year. Asking lease rates for other non-warehouse industrial building types are at \$1.40 NNN. This represents a 3.7% increase over 2019.

WAREHOUSE DIRECT VACANCY RATES increased 31.39% YOY in 2020 from 4.6% to 6.04%. Direct vacancy rates for other industrial property types doubled YOY from 1.7% to 3.5%.

GROSS ABSORPTION decreased YOY for all industrial property types. Gross absorption for warehouses decreased 42.66% YOY from 5.1 million s.f. to 3 million s.f. for 2020. Gross absorption for all other industrial property types fell 18.65% YOY from 1.5 million s.f. to 1.2 million s.f.

SALES VOLUME followed a similar downward trend, mainly due to a lack of available supply. Sales volume for warehouses fell 73% YOY from 3.1 million s.f. to 835,446 s.f. in 2020. Sales volume for all other industrial property types decreased 33% YOY from 1.7 million s.f. to 1.1 million s.f. in 2020.

DIRECT NET ABSORPTION stood at 1.3 million s.f. for warehouses in 2020 and 189,605 s.f. for all other industrial property types.

ECONOMIC REVIEW

COVID-19 caused multiple business closures and company layoffs in 2020. Surviving companies adapted by letting employees work remotely. The

pandemic prompted restrictions on non-essential businesses and retail properties, sharply dropping economic activity in Silicon Valley. California unemployment stood at 7.9% at the end of 2020, with Santa Clara County reporting a 5.1% unemployment rate.

Stay-at-home and social-distancing measures helped make e-commerce grow 36.7% YOY from 3rd quarter 2019 to 3rd quarter 2020. Amazon was involved in three of the top five leases for 2020.

NEAR-TERM OUTLOOK

While COVID-19 caused gross absorption and sales volume to fall, the industrial market bounced back quickly with 1.5 million s.f. of direct net absorption in 2020 for all industrial property types.

Industrial Market Breakdown

	2020	2019	2018	Annual % Change
Direct Vacancy Rate	3.47%	1.70%	2.30%	104.41%
Availability Rate	4.07%	2.80%	3.30%	45.36%
Asking Lease Rate	\$1.40	\$1.35	\$1.34	3.70%
Gross Absorption	1,249,041	1,535,359	1,994,544	-18.65%
Sold SF	1,147,652	1,713,961	1,451,015	-33.04%
Direct Net Absorption	189,605	285,142	88,889	N/A

Warehouse Market Breakdown

	2020	2019	2018	Annual % Change
Direct Vacancy Rate	6.04%	4.60%	3.50%	31.39%
Availability Rate	8.65%	6.20%	6.50%	39.57%
Asking Lease Rate	\$1.11	\$1.09	\$1.05	1.83%
Gross Absorption	3,368,940	5,168,775	3,958,424	-34.82%
Sold SF	835,446	3,132,962	1,799,240	-73.33%
Direct Net Absorption	1,294,320	(340,473)	231,685	N/A

SILICON VALLEY INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Direct Net Absorption	2020 Direct Net Absorption	4Q Gross Absorption	2020 Gross Absorption	Rental Rate
Campbell	998,484	0	5.50%	6.04%	6.04%	(38,933)	(38,595)	0	9,224	\$2.04
Cupertino	537,376	0	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	11,602,896	0	1.86%	2.72%	2.84%	10,507	(75,195)	84,206	232,310	\$1.59
Milpitas	2,986,692	0	6.23%	6.23%	4.11%	(118,337)	(125,245)	123,593	149,252	\$0.80
Mountain View	837,164	0	3.84%	4.12%	5.67%	(15,000)	(17,718)	8,800	13,200	\$2.37
Newark	3,938,965	0	12.15%	12.21%	12.21%	(16,818)	391,857	6,645	206,860	\$0.96
Palo Alto	1,378,017	0	0.00%	0.00%	3.01%	3,240	0	3,240	24,500	\$1.97
San Jose	14,653,299	0	2.75%	2.75%	3.62%	238,579	191,610	38,843	462,675	\$1.37
Santa Clara	8,544,281	0	2.12%	2.20%	2.39%	18,714	(3,372)	29,099	142,286	\$1.27
Sunnyvale	3,011,746	0	4.44%	4.44%	5.18%	0	(133,737)	0	8,734	\$2.50
Total	48,488,920	0	3.47%	3.72%	4.07%	81,952	189,605	294,426	1,249,041	\$1.40

SILICON VALLEY WAREHOUSE SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Direct Net Absorption	2020 Direct Net Absorption	4Q Gross Absorption	2020 Gross Absorption	Rental Rate
Campbell	706,765	0	2.92%	2.92%	4.15%	1,742	(3,370)	2,500	16,005	\$1.78
Cupertino	166,229	0	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	16,571,056	209,000	10.51%	10.91%	11.98%	64,381	1,284,557	472,438	1,387,570	\$1.17
Milpitas	5,534,228	729,998	2.43%	2.43%	11.88%	4,550	226,423	7,446	173,995	\$1.06
Mountain View	1,006,080	0	2.63%	2.63%	2.63%	14,744	(2,055)	800	12,323	\$3.52
Newark	5,132,077	0	10.49%	10.49%	14.11%	186,840	158,720	283,061	328,409	\$0.79
Palo Alto	884,252	0	1.77%	1.77%	3.48%	(1,950)	(15,652)	6,600	7,300	\$2.75
San Jose	26,308,538	223,717	4.43%	5.25%	6.47%	(294,176)	(197,887)	245,024	1,175,080	\$1.07
Santa Clara	6,536,582	0	4.09%	5.45%	6.50%	(115,618)	(143,976)	64,849	265,548	\$1.32
Sunnyvale	2,135,321	0	0.79%	0.79%	2.04%	3,534	(12,440)	1,110	2,710	\$1.51
Total	64,981,128	1,162,715	6.04%	6.61%	8.65%	(135,953)	1,294,320	1,083,828	3,368,940	\$1.11

TOP SALE TRANSACTIONS FOR 2020

Property	City	Square Feet	Sale Price	Price/SF	Buyer	Seller
901 Page Ave	Fremont	506,000	\$110,200,000	\$217.79	Morgan Stanley	Divco West
1605 S 7th St	San Jose	280,000	\$59,300,000	\$211.79	Amazon	Swenson
2144 Oakland Rd	San Jose	82,900	\$26,600,000	\$320.87	TA Realty	Panattoni Development
1800 Dobbin Dr	San Jose	81,475	\$20,550,000	\$252.22	Westcore Properties	Mohawk Packing
180-186 E Sunnyoaks Ave	Campbell	71,339	\$20,500,000	\$287.36	Robinson Oil	Dell Avenue Properties LLC

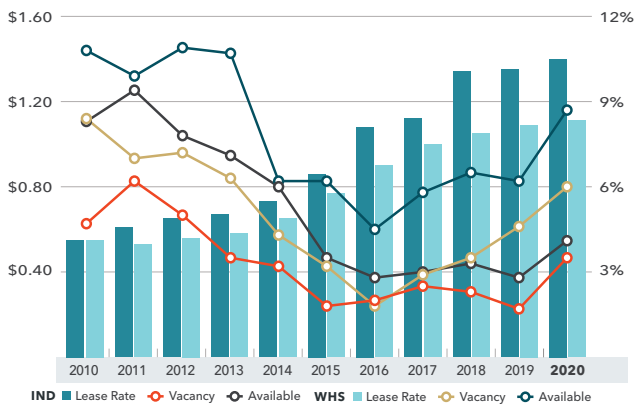
TOP LEASE TRANSACTIONS FOR 2020

Property	City	Square Feet	Date	Landlord	Tenant
Pacific Commons South	Fremont	743,137	January 2020	Overton Moore Properties	Amazon
Bridge Point Silicon Valley Bldg II	Milpitas	388,240	April 2020	Bridge Development Partners	Amazon
48350 Fremont Blvd	Fremont	246,450	March 2020	Blackstone	Supermicro
970 Interchange	Fremont	223,827	January 2020	Seefried Properties	Amazon
8311 Central Ave	Newark	194,033	December 2020	Prologis	Landsberg Orora

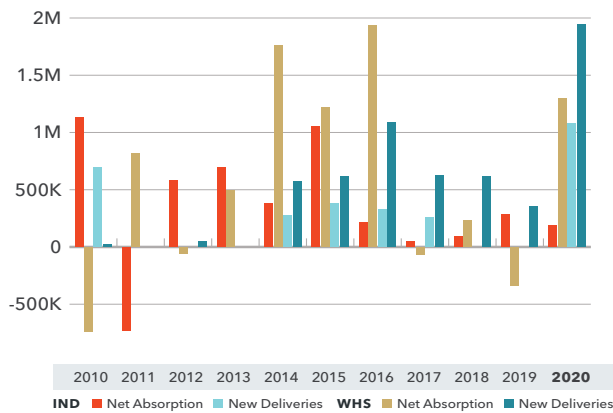
TOP UNDER CONSTRUCTION

Property	City	Square Feet	Date	Owner
Bridge Point Silicon Valley	Milpitas	729,998	June 2021	Bridge Development
970 McLaughlin Ave	San Jose	223,717	December 2020	Seefried Industrial Properties
48401 Fremont Blvd	Fremont	209,000	March 2021	Duke Realty

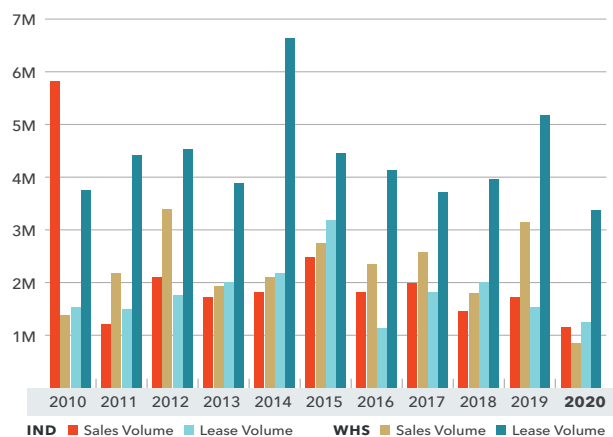
LEASE RATE, VACANCY & AVAILABILITY



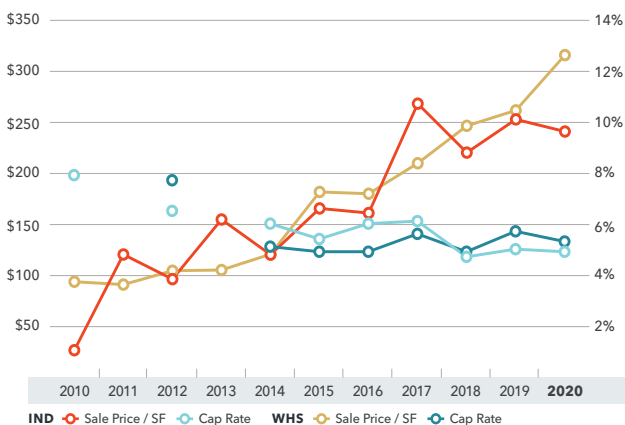
NET ABSORPTION & NEW DELIVERIES (SF)



SALES VOLUME VS. LEASE VOLUME (SF)



AVERAGE SALE PRICE & CAP RATES



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COMMERCIAL BROKERAGE

23M
ANNUAL SALES SF

42M
ANNUAL LEASING SF

470+
NO. OF BROKERS

\$8B
ANNUAL TRANSACTION VOLUME

VALUATION ADVISORY

1,800+
APPRAISALS ANNUALLY

39/20
TOTAL NO. APPRAISERS/MAI'S

PROPERTY MANAGEMENT

70M+
MANAGEMENT PORTFOLIO SF

\$12B+
IN ASSETS UNDER MANAGEMENT

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