

# MARKET TRENDS | SILICON VALLEY

# INDUSTRIAL

2ND QUARTER  
2021

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

Year-over-year change

### MARKET DRIVERS

**ASKING** lease rates for warehouses ticked up 4.55% year-over-year (YOY) to \$1.15/SF NNN. Non-warehouse industrial asking lease rates rose 12.9% YOY to \$1.58/SF NNN.

**WAREHOUSE** direct vacancy rates rose 45.2% YOY from 4.4% in 2Q20 to 6.39% in 2Q21. Direct vacancy rates for non-warehouse property types fell 10.1% YOY from 3.10% in 2Q20 to 2.79% in 2Q21.

**GROSS** absorption for warehouses nearly tripled YOY from 399,483 SF in 2Q20 to 1.47 million SF for 2Q21. Gross absorption for non-warehouse property types remained flat YOY from 390,751 SF in 2Q20 to 391,126 SF in 2Q21.

**SALES** activity for all industrial property types skyrocketed

when compared to the start of the pandemic. Sales volume for warehouses more than doubled YOY from 153,036 SF in 2Q20 to 323,749 SF in 2Q21. Sales volume for non-warehouse property types more than tripled YOY from 100,741 SF in 2Q20 to 320,122 SF in 2Q21.

**DIRECT** net absorption was 161,704 SF for warehouses and 353,863 SF for non-warehouse property types.

### ECONOMIC OVERVIEW

**MANUFACTURING** jobs for the San Jose-Sunnyvale-Santa Clara MSA held steady, gaining 1.4% YOY to 168,800. Fueled by e-commerce, transportation and warehousing jobs gained 13.0% YOY to 16,500.

**CALIFORNIA** unemployment stood at 7.5% for May 2021. Santa Clara County recorded the third-lowest unemployment rate in the state with 4.7% during this period.

**CALIFORNIA** largely removed COVID-19 restrictions on June 15. As the economy improves, this is poised to increase demand for industrial properties.

### NEAR-TERM OUTLOOK

Industrial properties have remained resilient during the pandemic. Demand for these properties continues to be strong. Technology and biotech firms helped drive demand for manufacturing properties, while logistics companies fuel requirements for more warehouse space. Owner-users and investors continue to chase the limited supply of available industrial properties.

## Industrial Market Breakdown

	Q2 2021	Q1 2021	Q2 2020	Annual % Change
Direct Vacancy Rate	2.79%	2.80%	3.10%	-10.14%
Availability Rate	3.40%	3.50%	4.40%	-22.66%
Asking Lease Rate	\$1.58	\$1.47	\$1.40	12.86%
Leased SF	391,126	390,546	390,751	0.10%
Sold SF	320,122	125,954	100,741	217.77%
Direct Net Absorption	353,863	289,054	-96,406	N/A

## Warehouse Market Breakdown

	Q2 2021	Q1 2021	Q2 2020	Annual % Change
Direct Vacancy Rate	6.39%	6.10%	4.40%	45.23%
Availability Rate	7.17%	7.80%	8.10%	-11.48%
Asking Lease Rate	\$1.15	\$1.14	\$1.10	4.55%
Leased SF	1,469,442	1,227,091	399,483	267.84%
Sold SF	323,749	349,550	153,036	111.55%
Direct Net Absorption	161,704	42,999	806,413	N/A

## SILICON VALLEY INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q21 Direct Net Absorption	YTD Direct Net Absorption	2Q21 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	959,551	-	0.59%	1.16%	0.59%	0	10,259	5,440	5,440	\$1.81
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	11,672,435	-	2.52%	2.52%	3.26%	-57,138	13,295	34,580	65,363	\$1.95
Milpitas	2,907,698	-	2.00%	2.00%	6.90%	124,365	127,680	0	51,458	\$1.35
Mountain View	827,101	-	4.86%	5.14%	5.89%	-11,587	-16,587	1,800	1,800	\$3.26
Newark	3,927,808	-	12.42%	12.48%	5.45%	90,920	81,727	167,082	366,939	\$0.89
Palo Alto	1,365,583	-	0.92%	0.92%	2.93%	700	-12,500	13,180	13,180	\$1.97
San Jose	14,664,730	-	1.15%	1.17%	2.81%	43,518	228,777	131,454	177,595	\$1.38
Santa Clara	8,780,430	-	1.78%	1.88%	1.96%	161,145	208,326	33,450	91,732	\$1.28
Sunnyvale	3,046,920	-	4.33%	4.33%	6.01%	1,940	1,940	4,140	8,165	\$2.37
<b>Total</b>	<b>48,689,632</b>	<b>-</b>	<b>2.79%</b>	<b>2.83%</b>	<b>3.40%</b>	<b>353,863</b>	<b>642,917</b>	<b>391,126</b>	<b>781,672</b>	<b>\$1.58</b>

## SILICON VALLEY WAREHOUSE SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q21 Direct Net Absorption	YTD Direct Net Absorption	2Q21 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	742,298	-	2.14%	2.14%	3.82%	1,020	10,655	5,636	16,834	\$1.67
Cupertino	166,229	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	16,800,854	-	9.46%	10.65%	9.47%	124,816	370,631	330,166	886,146	\$1.21
Milpitas	5,540,496	388,240	7.85%	7.85%	13.52%	-115,752	-300,058	209,982	307,221	\$1.08
Mountain View	988,056	-	3.43%	3.43%	3.95%	-4,524	-15,024	880	880	\$3.19
Newark	5,136,414	-	15.02%	15.45%	3.89%	-15,972	-213,567	361,664	676,541	\$0.71
Palo Alto	880,891	-	1.78%	3.09%	9.68%	0	0	0	0	0
San Jose	26,381,026	-	4.20%	5.02%	5.75%	191,499	269,630	482,248	631,018	\$1.14
Santa Clara	6,486,547	-	2.92%	3.29%	4.71%	-42,033	76,087	78,866	138,894	\$1.41
Sunnyvale	2,135,311	-	0.49%	1.61%	7.74%	22,650	6,349	0	38,999	\$1.63
<b>Total</b>	<b>65,258,122</b>	<b>388,240</b>	<b>6.39%</b>	<b>7.15%</b>	<b>7.17%</b>	<b>161,704</b>	<b>204,703</b>	<b>1,469,442</b>	<b>2,696,533</b>	<b>\$1.15</b>

## TOP SALE TRANSACTIONS FOR 2Q 2021

Property	City	Square Feet	Sale Price	Price/SF	Buyer	Seller
6550 Dumbarton Circle	Fremont	100,187	\$27,500,000	\$274.49	Angelo Gordon JV LPC West	DR Stephens & Co
2250 S 10th St	San Jose	115,930	\$22,000,000	\$189.77	Clarion Partners	Mannington Mills
559 Charcot Ave	San Jose	53,332	\$12,200,000	\$228.76	Briggs Development	Joseph & Debra Herr
500 Phelan Ave	San Jose	24,000	\$8,385,000	\$349.38	Lift Partners	Phelan Partners LLC
560 E Gish Rd	San Jose	7,200	\$8,004,500	\$1,111.74	Terreno Realty	Dino Tomassi

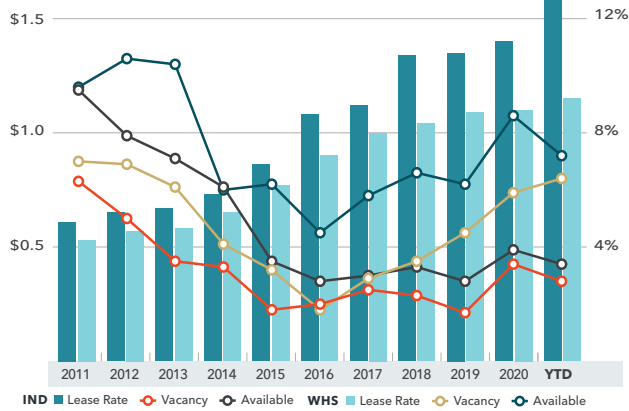
## TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	City	Square Feet	Date	Landlord	Tenant
48401 Fremont Blvd	Fremont	209,252	June 2021	Duke Realty	Applied Materials
607 N McCarthy Blvd	Milpitas	136,632	May 2021	McCarthy Ranch	Watchpoint Logistics
38503 Cherry St	Newark	101,250	May 2021	Prologis	Transpak
2071 Ringwood Ave	San Jose	83,914	May 2021	DR Stephens	Piedmont Moving Systems
587 Charcot Ave	San Jose	80,170	April 2021	Prologis	Future Motion

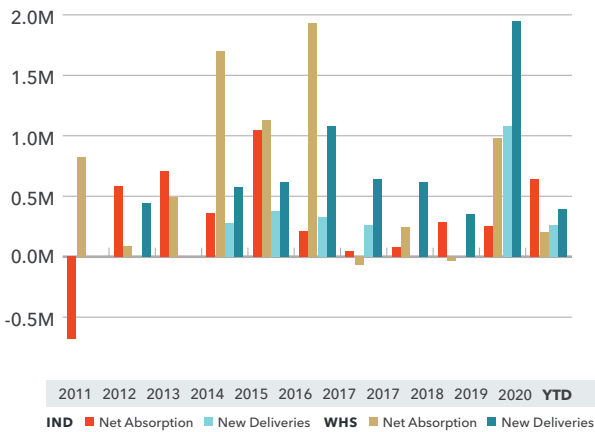
## TOP UNDER CONSTRUCTION

Property	City	Square Feet	Date	Owner
Bridge Point Silicon Valley	Milpitas	388,240	December 2021	Bridge Development

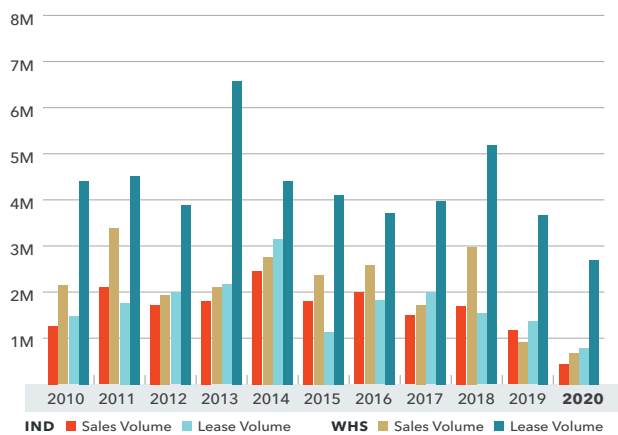
## LEASE RATE, VACANCY & AVAILABILITY



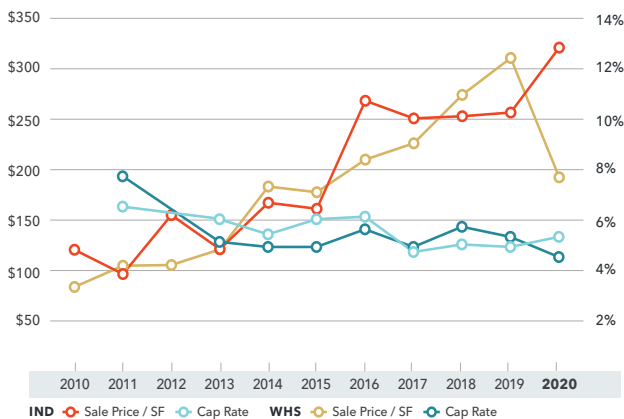
## NET ABSORPTION & NEW DELIVERIES (SF)



## 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

**460+**  
NO. OF BROKERS

**\$8B**  
ANNUAL TRANSACTION VOLUME

## VALUATION ADVISORY

**1,800+**  
APPRAISALS ANNUALLY

**40/19**  
TOTAL NO. APPRAISERS/MAI'S

## ASSET SERVICES

**70M**  
MANAGEMENT PORTFOLIO SF

**\$12B**  
IN ASSETS UNDER MANAGEMENT

The information in this report was composed by the Kidder Mathews Research Group.

### GARY BARAGONA

Director of Research  
415.229.8925  
[gary.baragona@kidder.com](mailto:gary.baragona@kidder.com)

### ERIC LUHRS

Regional President, Brokerage  
Northern California & Nevada  
408.970.9400  
[eric.luhrs@kidder.com](mailto:eric.luhrs@kidder.com)

Designated Broker: Mark Read | LIC N° 00572743

[KIDDER.COM](http://KIDDER.COM)



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