

MARKET TRENDS | SILICON VALLEY

INDUSTRIAL

3RD QUARTER
2021

◀ VACANCY | ▲ NET ABSORPTION | ▲ RENTAL RATES | ▼ CONSTRUCTION DELIVERIES

Year-over-year change

MARKET DRIVERS

ASKING lease rates for warehouses rose 8.1% year-over-year (YOY) to \$1.20/SF NNN. Non-warehouse asking lease rates climbed 23% YOY to \$1.70/SF NNN.

WAREHOUSE direct vacancy rates remained steady at 5.2%. Direct vacancy rates for non-warehouse properties fell 22.7% YOY from 2.9% in 3Q 2020 to 2.2% in 3Q 2021.

SALES activity for industrial property types continues to be active. Warehouse sales volume climbed 89.6% YOY from 357,684 SF in 3Q 2020 to 678,088 SF in 3Q 2021. Non-warehouse sales volume gained 65.4% from 153,384 SF in 3Q 2020 to 253,692 in 3Q 2021.

DIRECT net absorption was 817,053 SF for warehouses and 424,340 SF for non-warehouse property types.

ECONOMIC OVERVIEW

MANUFACTURING jobs for the San Jose-Sunnyvale-Santa Clara MSA gained 2.1% YOY to 173,500. Transportation and warehousing jobs gained 11.7% YOY to 17,100.

UNEMPLOYMENT in California stood at 7.5% for August 2021. Santa Clara County recorded an unemployment rate of 4.8% during this period.

NEAR-TERM OUTLOOK

DEMAND for industrial properties remains strong, especially for ones with access to heavy power. Direct vacancy rates are approaching pre-pandemic lows.

INVESTORS and owner-occupiers circle around a shrinking inventory of high-quality properties, driving up asking rates and sale prices for all industrial property types.

Industrial Market Breakdown

	Q3 2021	Q2 2021	Q3 2020	Annual % Change
Direct Vacancy Rate	2.24%	2.70%	2.90%	-22.70%
Availability Rate	3.46%	3.20%	4.30%	-19.56%
Asking Lease Rate	\$1.70	\$1.59	\$1.38	23.19%
Leased SF	169,581	339,184	327,720	-48.25%
Sold SF	253,692	320,122	153,384	65.40%
Direct Net Absorption	424,340	202,788	50,405	N/A

Warehouse Market Breakdown

	Q3 2021	Q2 2021	Q3 2020	Annual % Change
Direct Vacancy Rate	5.22%	6.50%	5.20%	0.48%
Availability Rate	4.53%	7.10%	8.70%	-47.96%
Asking Lease Rate	\$1.20	\$1.15	\$1.11	8.11%
Leased SF	1,136,654	1,507,173	558,997	103.34%
Sold SF	678,088	155,060	357,684	89.58%
Direct Net Absorption	817,053	55,476	(410,404)	N/A

SILICON VALLEY INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q21 Direct Net Absorption	YTD Direct Net Absorption	3Q21 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	959,551	-	0.59%	0.59%	0.95%	0	10,259	5,040	10,480	\$1.65
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	11,670,453	-	2.28%	2.28%	4.20%	28,451	41,746	21,762	87,125	\$2.29
Milpitas	2,827,638	-	1.54%	1.54%	6.57%	14,800	142,480	0	66,258	\$1.35
Mountain View	811,996	-	3.39%	3.46%	3.59%	12,687	-3,900	23,400	25,200	\$3.15
Newark	3,927,808	-	7.84%	7.90%	4.30%	179,937	170,744	45,193	355,755	\$0.86
Palo Alto	1,359,083	-	0.52%	0.52%	2.95%	5,500	-7,000	0	13,180	\$1.97
San Jose	14,772,130	-	0.90%	1.12%	2.70%	203,839	395,461	15,537	203,612	\$1.42
Santa Clara	8,784,975	-	1.95%	2.05%	2.45%	-23,074	162,252	58,649	129,536	\$1.26
Sunnyvale	3,046,921	-	4.25%	4.25%	4.85%	2,200	4,140	0	8,165	\$2.37
Total	48,697,931	-	2.24%	2.33%	3.46%	424,340	916,182	169,581	899,311	\$1.70

SILICON VALLEY WAREHOUSE SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q21 Direct Net Absorption	YTD Direct Net Absorption	3Q21 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	742,298	-	1.66%	1.66%	1.49%	4,779	14,184	13,051	35,921	\$1.67
Cupertino	166,229	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	17,143,508	-	5.11%	5.94%	4.59%	706,314	1,438,756	260,283	1,164,660	\$1.25
Milpitas	5,540,496	388,240	11.84%	11.84%	7.59%	-221,173	-521,231	294,866	602,087	\$1.14
Mountain View	953,583	-	3.45%	3.45%	4.11%	1,036	-13,988	6,156	15,916	\$3.19
Newark	5,149,914	-	7.58%	8.00%	2.61%	381,520	147,953	113,667	901,441	\$0.92
Palo Alto	880,891	-	2.53%	3.84%	7.48%	-6,600	-6,600	4,275	4,275	0
San Jose	26,362,401	-	4.66%	5.00%	4.04%	-58,777	99,899	395,757	921,126	\$1.15
Santa Clara	6,508,495	-	2.82%	2.82%	4.09%	5,954	82,041	48,599	187,493	\$1.50
Sunnyvale	2,145,039	-	1.22%	2.34%	8.44%	4,000	-9,379	0	38,999	\$1.47
Total	65,592,854	388,240	5.22%	5.67%	4.53%	817,053	1,231,635	1,136,654	3,871,918	\$1.20

TOP SALE TRANSACTIONS FOR 3Q 2021

Property	City	Square Feet	Sale Price	Price/SF	Buyer	Seller
2222-2350 Qume & 2150 Commerce	San Jose	381,010	\$134,000,000	\$351.70	Bridge Industrial	Beckton Dickinson
Little Orchard Business Park	San Jose	690,000	\$95,800,000	\$138.84	Black Creek Group	Stockbridge JV Harvest Properties
4211 Starboard Dr	Fremont	129,808	\$32,000,000	\$246.52	Lasalle	Bixby Land
2175 Martin Ave	Santa Clara	31,500	\$13,900,000	\$441.27	Prime Data Centers	Lightstone Group
5275 Central Ave	San Jose	15,200	\$13,100,000	\$861.84	Fortress Investment Group	Young Family Trust

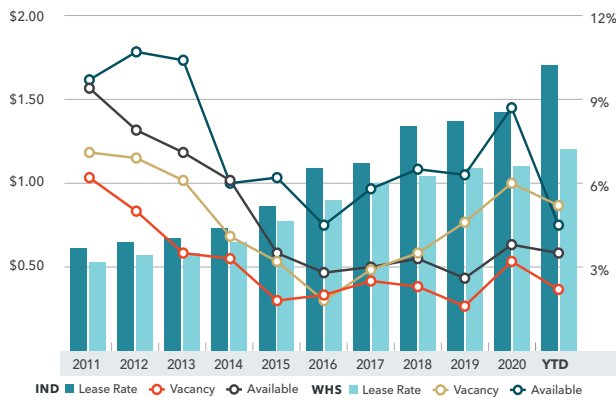
TOP LEASE TRANSACTIONS FOR 3Q 2021

Property	City	Square Feet	Date	Landlord	Tenant
1605 Industrial Ave	San Jose	179,600	September 2021	LBA Realty	FedEx
5567 Cushing Pkwy	Fremont	163,193	September 2021	Overton Moore Properties	Sana Biotechnology
1029 Montague Expwy	Milpitas	141,017	August 2021	WP Investments	Weee!
1991 Senter Rd	San Jose	97,059	July 2021	D&D Ranch	Bentek
1935 Lundy Ave	San Jose	77,035	July 2021	Prologis	Leotek Electronics

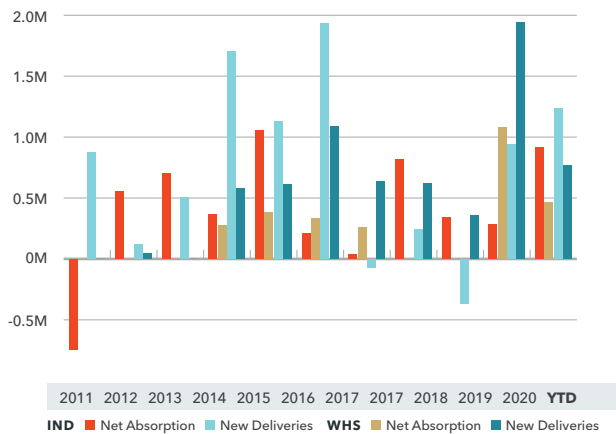
TOP UNDER CONSTRUCTION

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

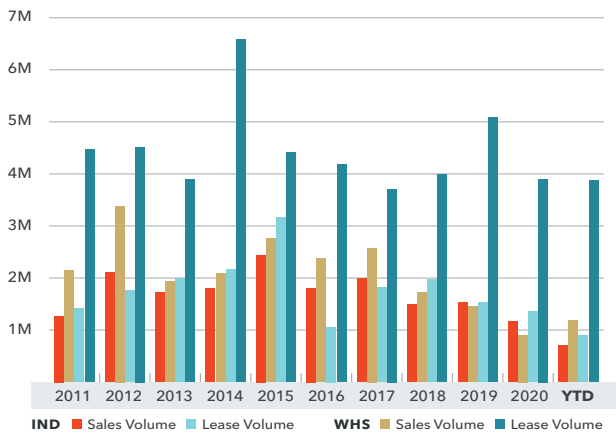
LEASE RATE, VACANCY & AVAILABILITY



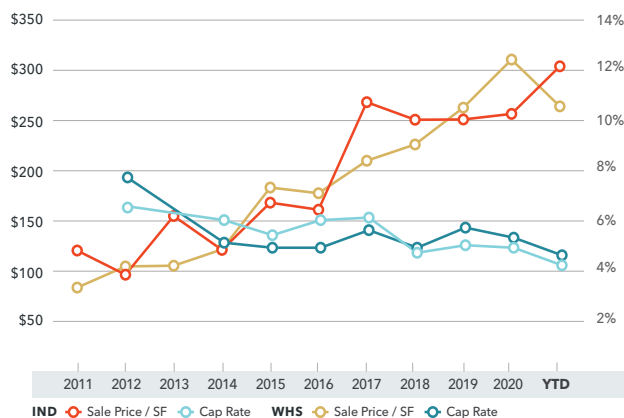
NET ABSORPTION & NEW DELIVERIES (SF)



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

39/20
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.

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