

# MARKET TRENDS | SILICON VALLEY

# INDUSTRIAL

1ST QUARTER  
2022

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

Year-over-year change

### MARKET DRIVERS

**ASKING LEASE RATES** for warehouses climbed 15.2% year-over-year (YOY) to \$1.29/SF NNN. Non-warehouse asking lease rates rose 9.3% YOY to \$1.65/SF NNN

**WAREHOUSE DIRECT VACANCY** rates cratered, falling 56.5% YOY from 6.1% in 1Q 2021 to 2.7% in 1Q 2022. Direct vacancy rates for non-warehouse properties dropped 11.5% YOY from 2.7% in 1Q 2021 to 2.4% in 1Q 2022

**SALES ACTIVITY** for non-warehouse properties doubled YOY, rising from 125,954 SF in 1Q 2021 to 308,888 SF in 1Q 2022. Sales activity for warehouses halved YOY, dropping from 351,079 SF in 1Q 2021 to 164,784 SF in 1Q22.

**DIRECT NET ABSORPTION** was 325,582 SF for warehouses and negative 76,071 SF for non-warehouse property types.

### ECONOMIC OVERVIEW

**MANUFACTURING JOBS** for the San Jose-Sunnyvale-Santa Clara MSA gained 3.1% YOY to 171,900. Transportation and warehousing jobs grew 5.5% YOY to 17,300.

**UNEMPLOYMENT** in California was 5.4% for February 2022. Santa Clara County reported an unemployment rate of 2.9% during this period.

### NEAR-TERM OUTLOOK

**WITH DIRECT VACANCY RATES** for all properties at 2.6%, the industrial market remains strong. Demand stays high for all industrial properties as tenants compete for a very limited supply. With only 161,315 SF of warehouse space under construction, asking rates are expected to climb for the foreseeable future. Asking lease rates are expected to increase faster for properties with access to heavy power.

## Industrial Market Breakdown

	1Q22	4Q21	1Q21	Annual % Change
Direct Vacancy Rate	2.39%	2.20%	2.70%	-11.51%
Availability Rate	2.98%	3.00%	3.50%	-14.83%
Asking Lease Rate (/SF NNN)	\$1.65	\$1.67	\$1.51	9.27%
Leased SF	342,640	478,660	390,546	-12.27%
Sold SF	308,888	320,122	125,954	145.24%
Direct Net Absorption	(76,071)	(2,640)	291,754	N/A

## Warehouse Market Breakdown

	1Q22	4Q21	1Q21	Annual % Change
Direct Vacancy Rate	2.66%	3.10%	6.10%	-56.47%
Availability Rate	3.72%	4.20%	7.70%	-51.69%
Asking Lease Rate (/SF NNN)	\$1.29	\$1.23	\$1.12	15.18%
Leased SF	619,619	1,123,613	1,234,279	-49.80%
Sold SF	164,784	568,816	351,079	-53.06%
Direct Net Absorption	325,582	1,640,393	359,224	N/A

## SILICON VALLEY INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q22 Direct Net Absorption	2021 Direct Net Absorption	1Q22 Gross Absorption	2021 Gross Absorption	Rental Rate (/SF NNN)
Campbell	953,241	-	0.60%	0.60%	0.73%	3,363	6,896	10,751	10,480	\$1.66
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	11,692,128	-	3.09%	3.20%	3.18%	-75,497	10,287	66,711	176,084	\$2.42
Milpitas	2,827,534	-	6.11%	6.11%	1.42%	17,492	-4,292	144,772	98,458	\$1.36
Mountain View	820,318	-	0.44%	0.51%	2.99%	11,500	8,500	7,118	38,200	\$2.12
Newark	3,927,808	-	4.57%	4.57%	4.31%	-10,154	317,096	10,154	355,755	\$1.12
Palo Alto	1,371,470	-	2.39%	2.39%	0.67%	-32,773	0	0	40,008	\$1.86
San Jose	14,841,474	-	1.18%	1.36%	2.76%	33,077	282,600	71,465	267,550	\$1.32
Santa Clara	9,361,965	-	2.59%	2.69%	4.33%	-16,679	115,512	31,669	133,353	\$1.33
Sunnyvale	3,012,690	-	0.21%	0.36%	1.14%	-6,400	99,912	0	8,165	\$1.95
<b>Total</b>	<b>49,346,004</b>	<b>-</b>	<b>2.39%</b>	<b>2.50%</b>	<b>2.98%</b>	<b>-76,071</b>	<b>836,511</b>	<b>342,640</b>	<b>1,128,053</b>	<b>\$1.65</b>

## SILICON VALLEY WAREHOUSE SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q22 Direct Net Absorption	2021 Direct Net Absorption	1Q22 Gross Absorption	2021 Gross Absorption	Rental Rate (/SF NNN)
Campbell	742,298	-	0.38%	0.38%	0.25%	-766	24,422	1,584	47,933	\$1.65
Cupertino	166,229	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	17,008,191	161,315	2.32%	2.48%	2.05%	-23,215	1,798,382	110,403	1,324,360	\$1.38
Milpitas	6,571,633	-	4.84%	4.92%	4.37%	111,133	125,339	164,799	607,937	\$1.22
Mountain View	939,446	-	2.97%	3.78%	4.49%	-9,438	443	1,800	26,967	\$3.61
Newark	5,162,365	-	0.28%	0.28%	0.20%	76,453	447,155	81,305	887,242	\$0.92
Palo Alto	803,324	-	6.99%	6.99%	6.99%	780	-10,833	0	4,275	0
San Jose	26,432,193	-	3.29%	3.39%	5.36%	137,141	318,844	249,597	1,142,799	\$1.23
Santa Clara	6,501,249	-	0.78%	0.78%	1.91%	33,494	181,514	9,031	326,524	\$1.43
Sunnyvale	2,127,027	-	1.42%	2.55%	8.70%	0	-13,379	1,100	38,999	\$1.50
<b>Total</b>	<b>66,453,955</b>	<b>161,315</b>	<b>2.66%</b>	<b>2.79%</b>	<b>3.72%</b>	<b>325,582</b>	<b>2,871,887</b>	<b>619,619</b>	<b>4,407,036</b>	<b>\$1.29</b>

## TOP SALE TRANSACTIONS FOR 1Q 2022

Property	City	Square Feet	Sale Price	Price/SF	Buyer	Seller
123-127 Uranium Dr	Sunnyvale	105,000	\$44,000,000	\$419.05	Apple	Invesco JV NVPERS
57-67 E Evelyn Ave	Mountain View	32,158	\$18,100,000	\$562.85	Charities Housing	Eakins Living Trust
2000-2036 Senter Rd	San Jose	54,146	\$16,250,000	\$300.11	Luu Fortune LLC	Intelli LLC
1650 Old Bayshore Hwy & 1628 Rogers Ave	San Jose	28,867	\$9,565,000	\$331.35	R&C Brown Associates	Peninsula Land & Capital
2769-2781 Scott Blvd	Santa Clara	30,000	\$7,250,000	\$241.67	Peninsula Land & Capital	Siripoke Properties LLC

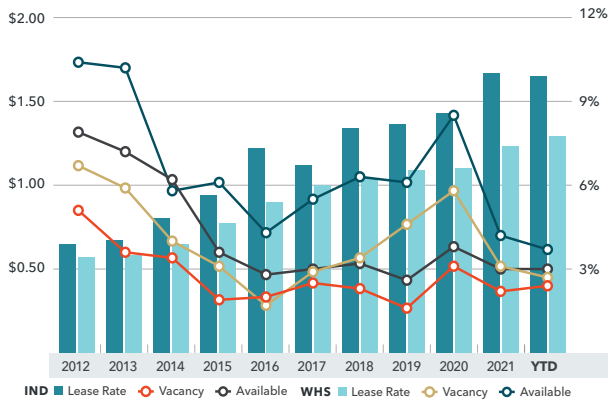
## TOP LEASE TRANSACTIONS FOR 1Q 2022

Property	City	Square Feet	Date	Landlord	Tenant
48541-48551 Warm Springs	Fremont	186,690	January 2022	Intercontinental Real Estate Corp	S&M Moving Systems
41652 Boscell Rd	Fremont	102,626	February 2022	Prologis	Quanta Manufacturing
450 S Abbott St	Milpitas	102,407	January 2022	Blackstone	Extron Logistics
5995 Hellyer Ave	San Jose	90,299	February 2022	Prologis	Youngs Market Company
1171 Montague Expwy	Milpitas	75,547	February 2022	WP Investments	SMTC Manufacturing

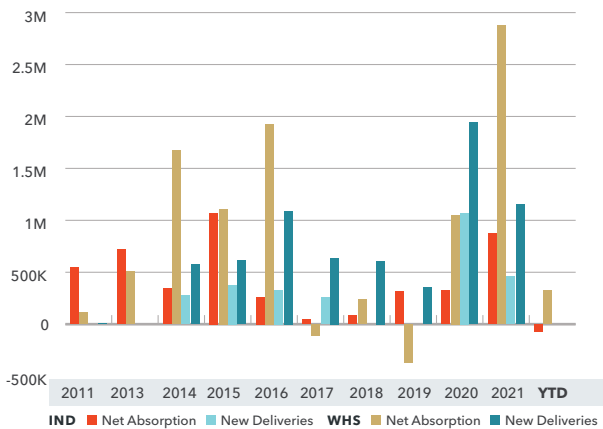
## TOP UNDER CONSTRUCTION

Property	City	Square Feet	Date	Owner
47540 Kato Rd	Fremont	110,588	June 2022	Steelwave
43510 Osgood Rd	Fremont	50,727	June 2022	PPI Exchanges LLC

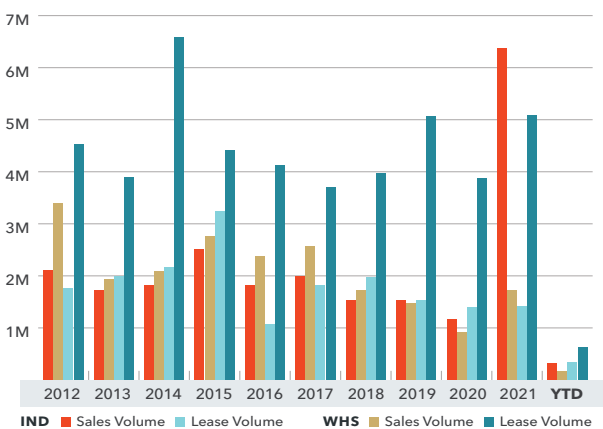
## LEASE RATE, VACANCY & AVAILABILITY



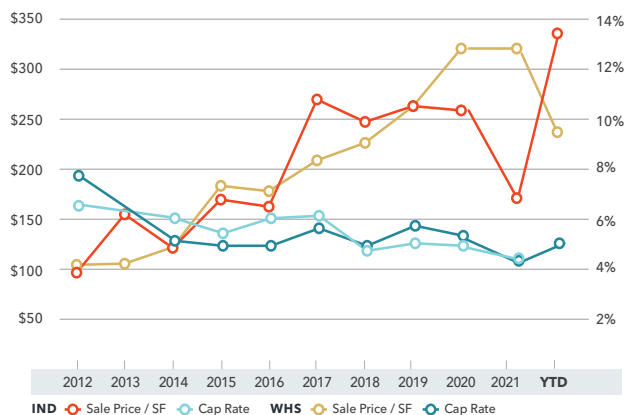
## NET ABSORPTION & NEW DELIVERIES (SF)



## SALES VOLUME VS. LEASE VOLUME (SF)



## AVERAGE SALE PRICE & CAP RATES



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## COMMERCIAL BROKERAGE

**49.7M**

ANNUAL SALES SF

**43.7M**

ANNUAL LEASING SF

**460+**

NO. OF BROKERS

**\$10.9B**

ANNUAL TRANSACTION VOLUME

## VALUATION ADVISORY

**2,600+**

APPRAISALS ANNUALLY

**51/24**

TOTAL NO. APPRAISERS/MAI'S

## ASSET SERVICES

**62M**

MANAGEMENT PORTFOLIO SF

**\$11B**

IN ASSETS UNDER MANAGEMENT

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

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