

# MARKET TRENDS | SILICON VALLEY

# INDUSTRIAL

2ND QUARTER  
2022

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

Year-over-year change

### MARKET DRIVERS

**ASKING LEASE RATES** for warehouses climbed 15.7% year-over-year (YOY) to \$1.33/SF NNN. Non-warehouse asking lease rates rose 12.0% YOY to \$1.77/SF NNN.

**WAREHOUSE DIRECT VACANCY** rates dropped 50.1% YOY from 6.1% in 2Q 2021 to 3.1% in 2Q 2022. Direct vacancy rates for non-warehouse properties also fell 22.1% YOY from 2.6% in 2Q 2021 to 2.0% in 2Q 2022.

**SALES ACTIVITY** for non-warehouse properties grew 6.5% YOY, rising from 257,809 SF in 2Q 2021 to 274,619 SF in 2Q 2022. Sales activity for warehouses nearly tripled YOY, growing from 155,060 SF in 2Q 2021 to 605,933 SF in 2Q 2022.

**DIRECT NET ABSORPTION** was 152,034 SF for non-warehouse property types and negative 365,289 SF for warehouses.

### ECONOMIC OVERVIEW

**MANUFACTURING JOBS** for the San Jose-Sunnyvale-Santa Clara MSA gained 3.4% YOY to 173,000. Transportation and warehousing jobs grew 8.3% YOY to 17,000

**UNEMPLOYMENT** in California was 4.3% for May 2022. Santa Clara County reported an unemployment rate of 1.8% during this period.

### NEAR-TERM OUTLOOK

**PERSISTENTLY** low vacancy and availability rates for all industrial types point to the strength of the industrial market. While rising interest rates place downward pressures on industrial asking prices, investors and owner-users are still competing over a very limited supply.

**THIS QUARTER** nearly 320,000 SF of warehouse space has just broken ground in Fremont providing much needed inventory.

## Industrial Market Breakdown

	2Q22	1Q21	2Q21	Annual % Change
Direct Vacancy Rate	2.02%	2.30%	2.60%	-22.14%
Availability Rate	2.70%	2.80%	3.20%	-15.59%
Asking Lease Rate	\$1.77	\$1.67	\$1.58	12.03%
Leased SF	301,753	402,111	326,952	-7.71%
Sold SF	274,619	293,088	257,809	6.52%
Direct Net Absorption	152,034	(81,421)	157,783	N/A

## Warehouse Market Breakdown

	2Q22	1Q21	2Q21	Annual % Change
Direct Vacancy Rate	3.05%	2.50%	6.10%	-50.07%
Availability Rate	3.52%	3.50%	6.70%	-47.52%
Asking Lease Rate (/SF NNN)	\$1.33	\$1.31	\$1.15	15.65%
Leased SF	565,935	653,952	1,495,753	-62.16%
Sold SF	605,933	140,175	155,060	290.77%
Direct Net Absorption	(365,289)	293,510	55,513	N/A

## SILICON VALLEY INDUSTRIAL SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q22 Direct Net Absorption	YTD Direct Net Absorption	2Q22 Gross Absorption	YTD Gross Absorption	Rental Rate (/SF NNN)
Campbell	953,241	-	0.08%	0.08%	1.18%	4,908	8,271	0	10,751	\$2.40
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	0
Fremont	11,686,286	61,000	0.81%	0.93%	1.99%	265,808	190,311	3,141	69,852	\$2.10
Milpitas	2,827,534	-	11.10%	11.10%	6.50%	-132,474	-123,732	10,000	190,848	\$2.18
Mountain View	820,360	-	2.49%	2.56%	3.97%	-16,800	-5,300	0	7,118	\$2.13
Newark	3,927,808	-	4.12%	4.12%	0.00%	17,654	7,500	161,680	179,334	\$1.12
Palo Alto	1,378,870	-	0.59%	0.59%	1.86%	24,668	-8,105	1,080	1,080	\$2.25
San Jose	14,845,944	-	0.97%	1.34%	2.87%	16,004	49,081	19,546	91,926	\$1.29
Santa Clara	9,344,885	-	2.69%	2.78%	4.49%	-11,604	-24,883	82,986	129,635	\$1.34
Sunnyvale	3,974,330	-	0.57%	0.81%	0.69%	-16,130	-22,530	23,320	23,320	\$1.80
<b>Total</b>	<b>50,296,634</b>	<b>61,000</b>	<b>2.02%</b>	<b>2.20%</b>	<b>2.70%</b>	<b>152,034</b>	<b>70,613</b>	<b>301,753</b>	<b>703,864</b>	<b>\$1.77</b>

## SILICON VALLEY WAREHOUSE SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q22 Direct Net Absorption	YTD Direct Net Absorption	2Q22 Gross Absorption	YTD Gross Absorption	Rental Rate (/SF NNN)
Campbell	742,298	-	0.00%	0.00%	3.63%	2,854	2,088	1,846	3,430	\$1.65
Cupertino	166,229	-	0.00%	0.00%	0.00%	0	0	0	0	N/A
Fremont	16,857,296	319,916	1.61%	2.52%	2.53%	8,922	-11,093	105,456	282,199	\$1.46
Milpitas	6,571,633	-	4.74%	4.81%	4.68%	19,840	86,166	36,663	169,455	\$1.22
Mountain View	939,557	-	2.93%	3.74%	5.51%	-556	-9,094	5,500	7,300	\$3.47
Newark	5,162,473	-	1.28%	1.28%	1.28%	-55,698	24,886	0	81,305	\$1.06
Palo Alto	803,324	-	1.93%	1.93%	1.93%	40,596	41,376	4,275	4,275	N/A
San Jose	26,447,069	-	4.53%	4.54%	4.84%	-327,035	-191,198	264,476	514,073	\$1.27
Santa Clara	6,486,649	-	1.56%	1.56%	1.76%	-56,625	-17,323	10,490	19,521	\$1.51
Sunnyvale	2,115,834	-	1.31%	2.45%	2.07%	2,413	2,413	137,229	138,329	\$1.50
<b>Total</b>	<b>66,292,362</b>	<b>319,916</b>	<b>3.05%</b>	<b>3.34%</b>	<b>3.52%</b>	<b>(365,289)</b>	<b>(71,779)</b>	<b>565,935</b>	<b>1,219,887</b>	<b>\$1.33</b>

## TOP SALE TRANSACTIONS FOR 2Q 2022

Property	City	Square Feet	Sale Price	Price/SF	Buyer	Seller
3660 Thomas Rd	Santa Clara	135,000	\$54,600,000	\$404.44	Terreno Realty	Marchese Properties
275 S Hillview Dr	Milpitas	127,574	\$32,800,000	\$257.11	GEM Realty Capital	Analog Devices
42744-42774 Boscell Rd	Fremont	93,385	\$29,000,000	\$310.54	Fortress Investment Group	AER Worldwide
1066 E Meadow Cir	Palo Alto	36,321	\$28,300,000	\$779.16	Silicon Valley International School	Karl & Trudy Widl Trust
43960 Fremont Blvd	Fremont	47,600	\$17,650,000	\$370.80	Portner Living Trust	New Mountain Capital

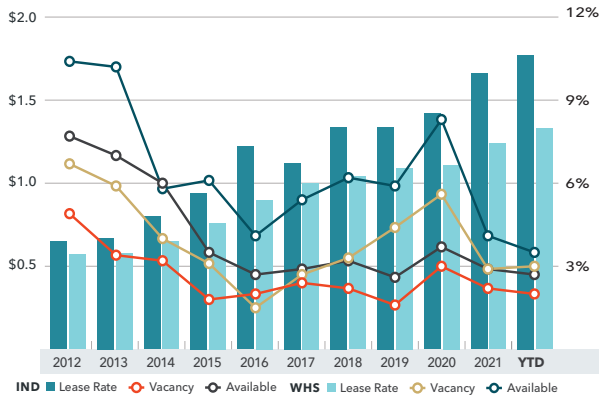
## TOP LEASE TRANSACTIONS FOR 2Q 2022

Property	City	Square Feet	Date	Landlord	Tenant
7395 Morton Ave	Newark	161,680	May-22	Overton Moore Properties	Lucid Motors
111 Uranium Dr	Sunnyvale	126,788	May-22	DWS	Intuitive Surgical
990 Benecia Ave & 590 Macara Ave	Sunnyvale	113,074	Apr-22	Stockbridge Capital Group	Apple
401 Whitney Place	Fremont	72,776	Jun-22	401 Whitney LLC	Bloom Energy
2040 S 7th St	San Jose	67,800	May-22	Chaboya Ranch	National Construction Rentals

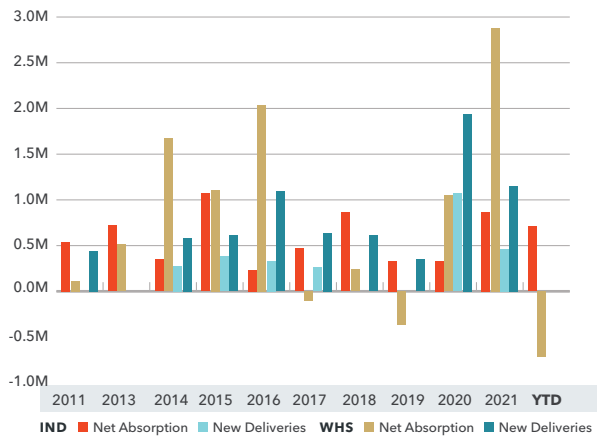
## TOP UNDER CONSTRUCTION

Property	City	Square Feet	Date	Owner
47020 Kato Rd	Fremont	209,916	Aug-23	Link Logistics
47541 Kato Rd	Fremont	110,000	Dec-22	Barings Real Estate
43510 Osgood Rd	Fremont	61,000	Aug-22	Pape Group

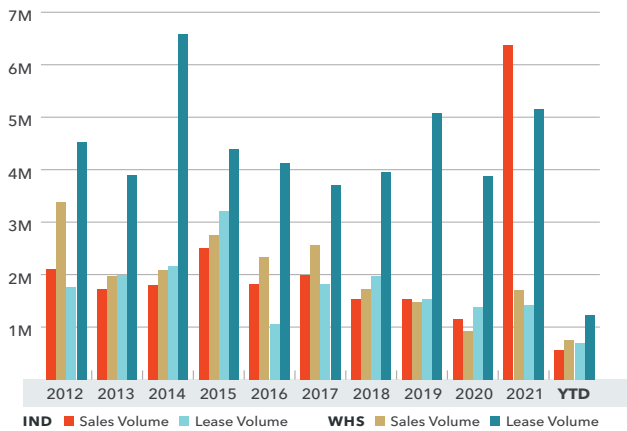
## LEASE RATE, VACANCY & AVAILABILITY



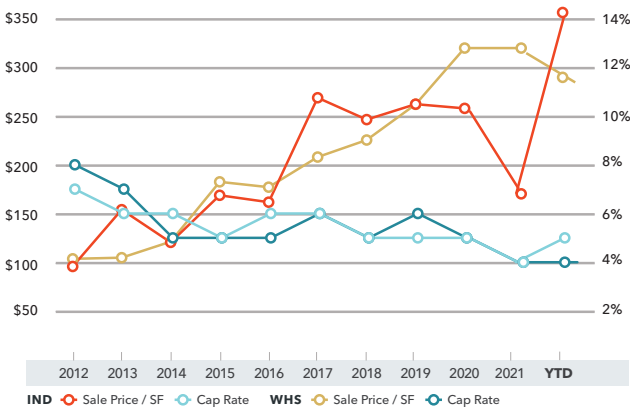
## NET ABSORPTION & NEW DELIVERIES (SF)



## SALES VOLUME VS. LEASE VOLUME (SF)



## AVERAGE SALE PRICE & CAP RATES



DATA SOURCE: COSTAR; STATE OF CALIFORNIA EDD

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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

**46/24**  
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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