

MARKET TRENDS

SILICON VALLEY INDUSTRIAL



MARKET DRIVERS

The industrial availability rate increased by 2.2% quarter-over-quarter (QOQ) from 2.4% in 3Q22 to 2.5% in 4Q22, whereas the warehouse availability rate increased 13.3% QOQ from 3.3% in 3Q22 to 3.7% in 4Q22.

The vacancy rate for industrial buildings decreased 14.3% QOQ from 1.7% in 3Q22 to 1.5% in 4Q22, whereas the warehouse vacancy rate decreased 9.9% QOQ from 2.8% in 3Q22 to 2.5% in 4Q22.

The industrial asking lease rates rose 6.7% QOQ from \$1.64 SF/NNN in 3Q22 to \$1.75 SF/NNN in 4Q22, whereas asking lease rates for warehouse decreased 15.5% QOQ from \$1.61 SF/NNN in 3Q22 to \$1.36 SF/NNN in 4Q22.

Total leasing activity for industrial buildings rose 29.2% QOQ from 165,860 SF in 3Q22 to 214,282 SF in 4Q22 but fell 57% year-over-year from 498,654 SF in 4Q21 to 214,282 SF in 4Q22. Warehouse activity fell 78.2% QOQ from 983,827 SF in 3Q22 to 214,497 SF consistent with the decline in leased SF YOY.

Total sales volume increased substantially by 4,340% QOQ from 101k SF to 4.5M SF for industrial, while the sales volume of warehouse fell by 55.7% from 209,398 SF in 3Q22 to 92,858 SF in 4Q22.

Direct net absorption decreased 10.6% from 143,403 SF in 3Q22 to 128,162 SF in 4Q22 for industrial, as well as increasing 32% from 156,365 SF in 3Q22 to 206,386 SF in 4Q22 for warehouse.

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INDUSTRIAL MARKET BREAKDOWN

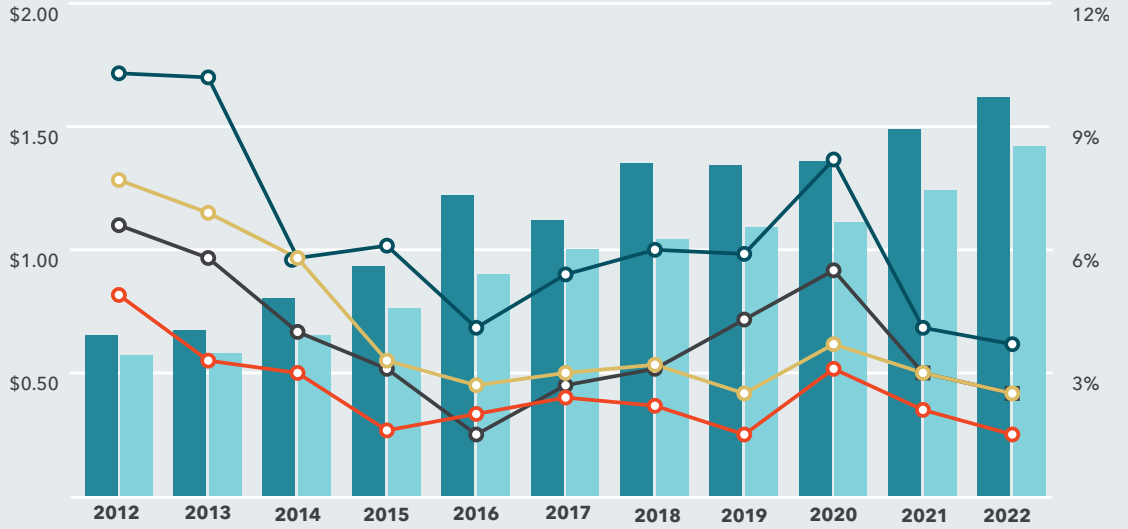
	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	1.46%	1.70%	2.10%	-30.60%
Availability Rate	2.45%	2.40%	3.00%	-18.20%
Asking Lease Rate*	\$1.75	\$1.64	\$1.65	6.06%
Asking Lease Rate**	\$1.62	\$1.61	\$1.49	8.72%
Leased SF	214,282	165,860	498,654	-57.03%
Sold SF	4,461,283	100,477	1,194,014	273.64%
Direct Net Absorption	128,162	143,403	57,939	N/A

*D Star | ** Costar

WAREHOUSE MARKET BREAKDOWN

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	2.52%	2.80%	3.00%	-15.93%
Availability Rate	3.74%	3.30%	4.10%	-8.78%
Asking Lease Rate*	\$1.36	\$1.61	\$1.23	10.57%
Asking Lease Rate**	\$1.42	\$1.32	\$1.24	14.52%
Leased SF	214,497	983,827	1,198,827	-82.11%
Sold SF	92,858	209,398	579,183	-83.97%
Direct Net Absorption	206,386	156,365	1,640,393	N/A

LEASE RATE, VACANCY & AVAILABILITY

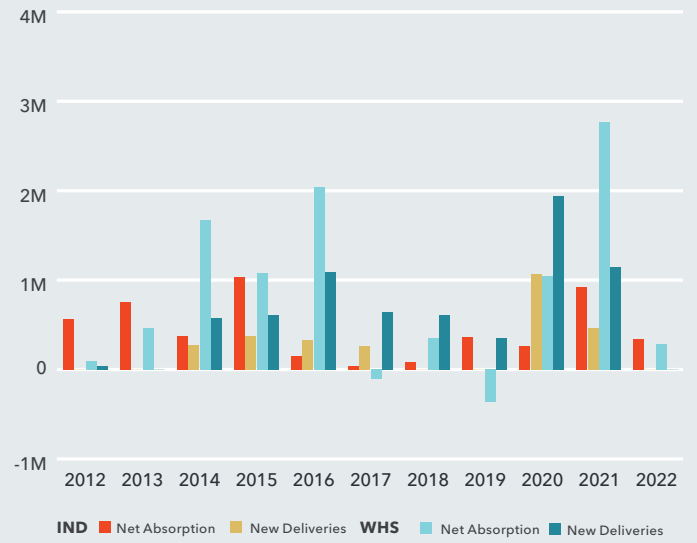


BIGGEST SALE OF THE QUARTER

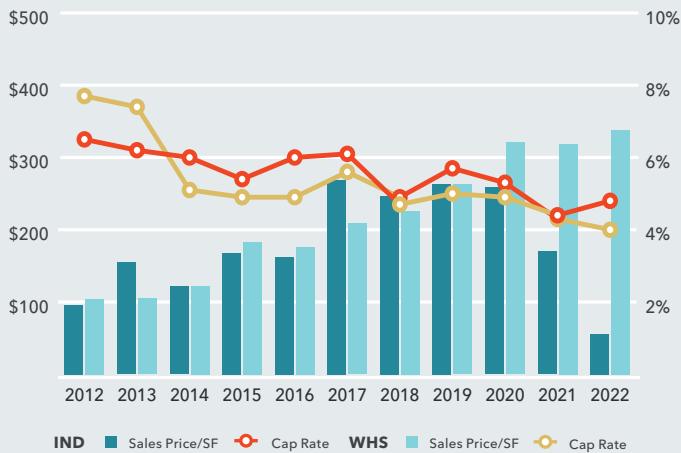
2302 Calle De Mundo



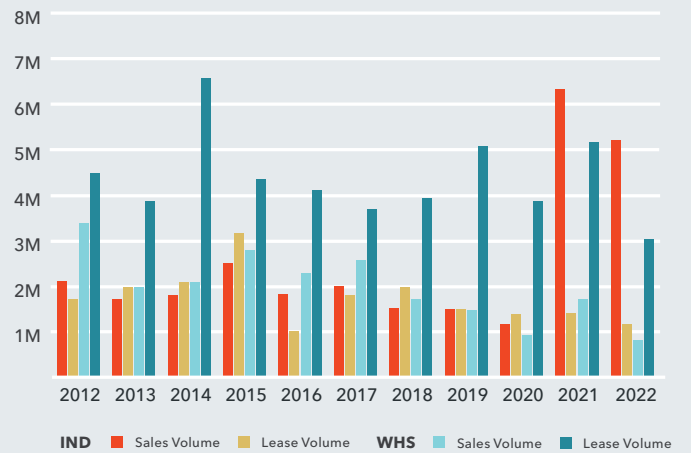
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q22 Direct Net Absorption	YTD Direct Net Absorption	4Q22 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	953,241	7,002	1.20%	1.20%	2.90%	-1,970	-2,371	800	39,929	\$2.38
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	-
Fremont	11,601,824	-	0.50%	0.50%	1.49%	1,576	175,981	18,900	93,102	\$2.25
Milpitas	2,712,065	-	5.54%	5.54%	5.54%	4,000	39,883	2,628	215,469	\$2.05
Mountain View	820,360	-	2.34%	2.70%	3.68%	1,218	-4,082	4,818	17,536	\$2.45
Newark	3,924,044	-	0.18%	1.20%	1.15%	154,622	162,122	60,690	240,024	\$0.90
Palo Alto	1,378,870	-	0.36%	0.36%	2.41%	5,945	-5,000	0	9,185	\$3.03
San Jose	14,970,645	-	1.67%	1.89%	2.81%	-67,340	-56,526	59,524	225,726	\$1.34
Santa Clara	8,867,500	-	2.40%	2.96%	3.65%	30,111	43,553	66,922	286,024	\$1.47
Sunnyvale	3,975,442	-	0.29%	0.40%	0.40%	0	-11,450	0	30,520	-
Silicon Valley Industrial Total	49,741,367	7,002	1.46%	1.72%	2.45%	128,162	342,110	214,282	1,157,515	\$1.75
Campbell	739,248	-	0.32%	0.32%	0.46%	1,512	-312	28,432	31,862	\$1.45
Cupertino	166,229	-	0.00%	0.00%	0.00%	0	0	0	0	-
Fremont	16,752,673	655,924	1.01%	2.89%	4.56%	-9,860	91,336	21,796	1,129,165	\$1.37
Milpitas	6,572,336	-	2.02%	2.09%	0.87%	-17,020	264,952	26,885	371,679	\$1.29
Mountain View	933,320	-	7.67%	7.67%	8.81%	-26,246	-53,118	0	15,337	\$2.42
Newark	5,166,464	-	2.32%	2.32%	1.69%	-53,961	-29,106	0	114,177	\$1.50
Palo Alto	807,324	-	0.15%	0.15%	0.15%	14,328	55,704	0	18,603	-
San Jose	26,175,687	642,158	3.82%	4.00%	4.72%	213,847	8,095	130,147	1,159,860	\$1.27
Santa Clara	6,435,326	-	1.94%	1.94%	2.60%	-2,267	-40,802	7,237	53,493	\$1.78
Sunnyvale	2,115,945	-	1.93%	3.06%	3.06%	86,053	-10,566	0	141,169	\$1.55
Silicon Valley Warehouse Total	65,864,552	1,298,082	2.52%	3.12%	3.74%	206,386	286,183	214,497	3,035,345	\$1.36

ECONOMIC OVERVIEW

Santa Clara County's unemployment rate remained steady at 2.3% and still maintained a lower unemployment rate than the state of California at 4.0%.

Industrial jobs increased both QOQ and YOY in the San Jose-Sunnyvale-Santa Clara MSA. The Transportation and Warehouse sector increased 2.0% QOQ and 3.3% YOY to 123,400 jobs, while the Manufacturing sector increased 0.4% QOQ and 3.2% YOY to 176,400 jobs.

NEAR TERM OUTLOOK

The Silicon Valley industrial market continued to demonstrate strength with 260,643 SF of warehouse deliveries in Fremont and 862,697 SF of industrial construction completions in Campbell, San Jose, and Santa Clara.

Low vacancy, high construction, and rental-rate growth in industrial markets has led to the sector becoming more competitive. Smaller users such as e-commerce startups are turning to co-warehousing, where they lease "end of life" properties and share it with other tenants.

A sizable industrial center was approved for construction in South San Jose paving the way for companies like Amazon to expand their operations. This significant industrial construction demonstrates the industrial market's resilience even in a much-anticipated economic downturn.

TOP SALE TRANSACTIONS 4Q 2022

Property	City	SF	Sale Price	\$/SF	Buyer	Seller
2302 Calle Del Mundo	Santa Clara	16,398	\$9,652,500	\$588.64	Life Span Home Inc	USA Properties Fund Inc
2290 De La Cruz Blvd	Santa Clara	25,600	\$7,495,000	\$292.77	Dollinger Properties	Victor Leasing Company
44111 Fremont Blvd	Fremont	18,100	\$7,400,000	\$408.84	Bay Tube & Machining, LLC	Genesis Investment Properties
1137 Olinder Ct	San Jose	28,900	\$5,890,000	\$203.81	Skyline Displays Bay Area, Inc.	Macdonald Enterprises LLC
471 Nelo St	Santa Clara	13,600	\$4,800,000	\$352.94	Ltd Nelo Investment Llc	Daniel & Nadine Diercks Revocable Trust

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
6753 Mowry Ave	Newark	268,538	November 2022	Link Logistics Real Estate	RK Logistics
1953-1965 Concourse Dr	San Jose	126,648	October 2022	Overton Moore Properties	The Home Depot
6600 Smith Ave	Newark	58,582	October 2022	Prologis, LP.	Three Way Logistics, Inc.
44320-44380 Osgood Rd	Fremont	48,334	September 2022	DWS Group	1-800-PACK-RAT LLC
715-735 Sycamore Dr	Milpitas	43,947	October 2022	Nearon	Johnson & Johnson Surgical Vision, Inc

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Cochrane Technology Center	Morgan Hill	501,656	December 2023	Trammell Crow JV CBRE Investment Mgmt.
Fremont Technology Center	Fremont	395,281	September 2023	Ares Management
6500-6503 Camino Arroyo	Gilroy	383,000	December 2024	McCarthy Ranch
650 N King Road	San Jose	212,638	December 2023	Black Creek Group
1953-1965 Concourse Drive	San Jose	126,700	June 2023	Overton Moore Properties

Data Source: edd.ca.gov, ycharts.com, bizjournals.com



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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

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COMMERCIAL BROKERAGE	<i>\$10.9B</i> TRANSACTION VOLUME ANNUALLY	<i>49.7M</i> ANNUAL SALES SF	<i>43.7M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>52M</i> MANAGEMENT PORTFOLIO SF	<i>875+</i> ASSETS UNDER MANAGEMENT	<i>270+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>48</i> TOTAL APPRAISERS	<i>25</i> WITH MAI DESIGNATIONS

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