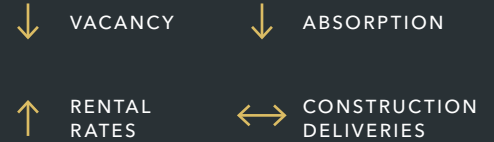


MARKET TRENDS

SILICON VALLEY INDUSTRIAL



Year-Over-Year Change

MARKET DRIVERS

The industrial space availability rate showed stability at 3.4% on a quarter-over-quarter basis. In contrast, the availability rate for warehouse space saw a slight increase from 4.1% in 1Q23 to 4.2% in 2Q23.

The vacancy rate for industrial buildings saw a marginal rise from 1.5% in 1Q23 to 1.6% in 2Q23 quarter-over-quarter, while the vacancy rate for warehouse buildings exhibited a more significant increase from 2.5% in 1Q23 to 2.9% in 2Q23.

The asking lease rates for industrial properties demonstrated both quarter-over-quarter and year-over-year growth, reaching \$1.79/SF NNN in 2Q23 compared to \$1.85/SF NNN in 1Q23 and \$1.77/SF NNN in 2Q22. Similarly, the asking lease rates for warehouse properties also experienced an increase on both a quarter-over-quarter and year-over-year basis, rising to \$1.42/SF NNN in 2Q23 from \$1.45/SF NNN in 1Q23 and \$1.33/SF NNN in 2Q22.

In 2Q23, leasing activity for industrial buildings experienced a quarter-over-quarter decline, reaching 224.3k SF, which was lower than the 280.7k SF recorded in 1Q23. The year-over-year comparison showed an even more significant decrease, as leasing activity dropped from 614.4k SF in 2Q22. In contrast, leasing activity for warehouse buildings saw an increase from 273.4k SF in 1Q23 to 496.9k SF in 2Q23. However, this represented a decrease compared to 2Q22, when leasing activity reached 1.4M SF.

Industrial building's total sales volume experienced a significant quarter-over-quarter decrease, declining from 1.5M SF in 1Q23 to 861.6k SF. On the other hand, sales volume for warehouse buildings increased from 53.9k SF in 1Q23 to 185.1k SF in 2Q23.

Direct net absorption reduced both in the industrial and warehouse sectors where industrial direct net absorption fell from negative 15.2k SF in 1Q23 to negative 37k SF in 2Q23 and warehouse direct net absorption fell from negative 6.5k SF in the 1Q23 to negative 191.6k SF in 2Q23.

continued on page 3

INDUSTRIAL MARKET BREAKDOWN

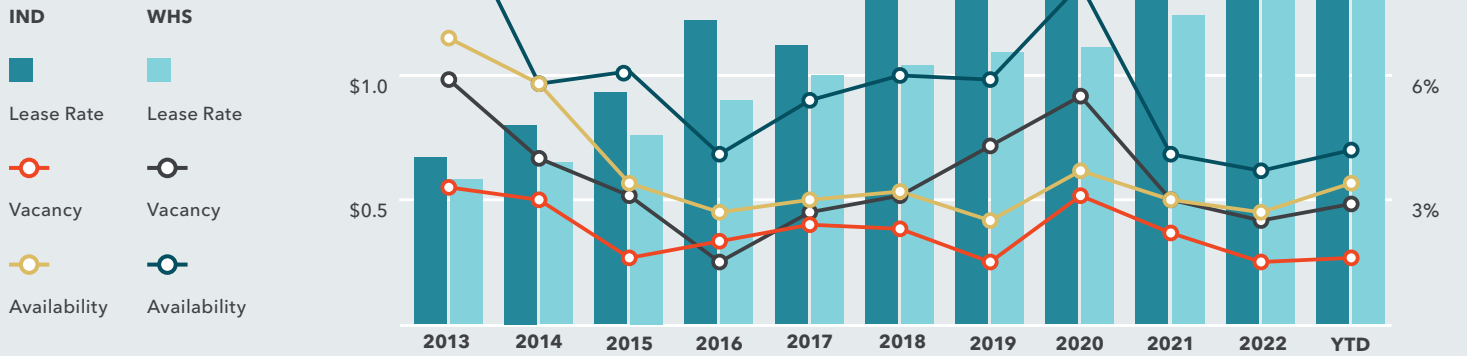
	2Q23	1Q23	2Q22	Annual % Change
Direct Vacancy Rate	1.58%	1.50%	2.00%	-20.82%
Availability Rate	3.43%	3.40%	2.40%	42.98%
Asking Lease Rate*	\$1.79	\$1.85	\$1.77	1.13%
Asking Lease Rate**	\$1.52	\$1.52	\$1.65	-7.88%
Leased SF	224,300	280,701	614,385	-63.49%
Sold SF	861,609	1,499,754	352,567	144.38%
Direct Net Absorption	(36,966)	(15,238)	151,966	N/A

*D Star | ** Costar

WAREHOUSE MARKET BREAKDOWN

	2Q23	1Q23	2Q22	Annual % Change
Direct Vacancy Rate	2.86%	2.50%	3.10%	-7.70%
Availability Rate	4.17%	4.10%	3.80%	9.73%
Asking Lease Rate*	\$1.42	\$1.45	\$1.33	6.77%
Asking Lease Rate**	\$1.49	\$1.50	\$1.33	12.03%
Leased SF	496,928	273,408	1,356,124	-63.36%
Sold SF	185,090	53,922	379,859	-51.27%
Direct Net Absorption	(191,554)	(6,476)	(278,423)	N/A

LEASE RATE, VACANCY & AVAILABILITY

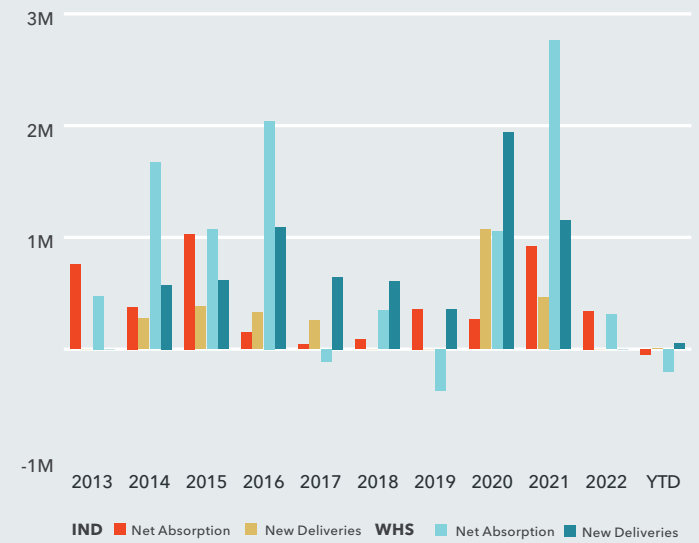


BIGGEST SALE OF THE QUARTER

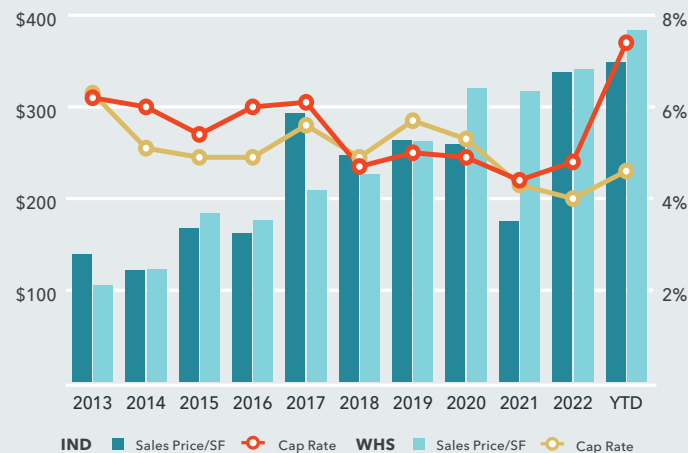
47488 Kato Rd, Fremont



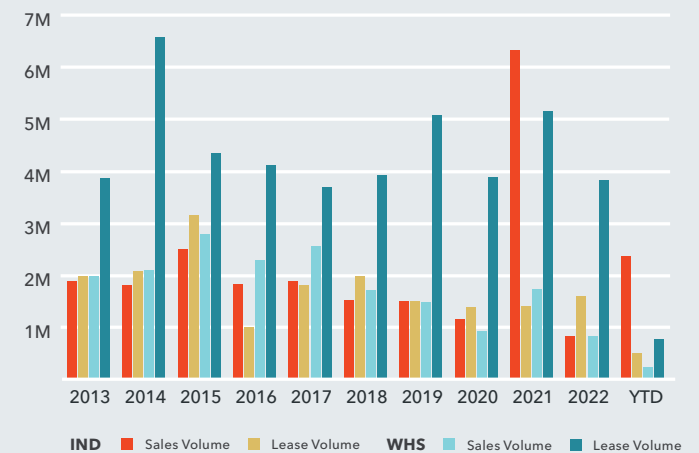
NET ABSORPTION & NEW DELIVERIES



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	2Q23 Direct Net Absorption	YTD Direct Net Absorption	2Q23 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	958,407	-	2.91%	2.91%	3.17%	-3,860	-9,456	0	5,440	\$2.19
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	---
Fremont	11,766,316	97,566	0.39%	0.39%	2.06%	-3,782	11,503	130,315	195,334	\$2.20
Milpitas	2,711,925	-	5.32%	5.32%	8.31%	6,000	6,000	0	36,036	\$2.01
Mountain View	810,352	-	0.59%	0.66%	0.36%	14,400	14,400	2,400	27,242	\$2.64
Newark	3,866,786	-	0.22%	5.43%	6.89%	0	-1,277	0	0	\$0.95
Palo Alto	1,378,870	-	0.36%	1.10%	1.10%	1,425	0	0	22,305	---
San Jose	14,825,015	339,331	1.05%	1.27%	3.08%	44,847	95,161	69,105	122,392	\$1.46
Santa Clara	8,698,953	-	3.79%	3.90%	4.64%	-81,909	-116,788	8,020	81,792	\$1.59
Sunnyvale	3,963,997	-	1.59%	1.71%	1.43%	-14,087	-51,747	14,460	14,460	\$2.22
Silicon Valley Industrial Total	49,517,997	436,897	1.58%	2.11%	3.43%	-36,966	-52,204	224,300	505,001	\$1.79
Campbell	744,448	-	1.00%	1.00%	0.53%	-508	-5,020	6,020	9,532	\$1.57
Cupertino	166,229	-	0.00%	0.00%	10.09%	0	0	0	0	---
Fremont	16,780,227	558,202	2.19%	5.33%	5.82%	-53,726	-149,007	257,581	290,811	\$1.46
Milpitas	6,464,303	-	1.38%	1.38%	2.22%	-52,822	43,127	0	7,480	\$1.31
Mountain View	933,291	-	5.69%	6.32%	8.21%	2,860	18,478	13,047	16,767	\$2.46
Newark	5,197,926	-	2.39%	2.69%	3.35%	-7,378	-4,384	1,860	16,998	\$1.50
Palo Alto	807,324	-	0.15%	0.15%	0.15%	0	0	0	0	---
San Jose	26,209,392	-	4.04%	4.24%	4.46%	-66,732	-71,596	108,139	271,920	\$1.34
Santa Clara	6,416,348	-	2.32%	2.32%	2.37%	-20,418	-37,130	81,118	120,692	\$1.69
Sunnyvale	2,115,925	-	1.57%	2.70%	1.49%	7,170	7,502	29,163	36,136	\$1.61
Silicon Valley Warehouse Total	65,835,413	558,202	2.86%	3.81%	4.17%	(191,554)	(198,030)	496,928	770,336	\$1.42

ECONOMIC OVERVIEW

The unemployment rate in Santa Clara County remained unchanged at 3.1%, suggesting stability in the region. On the other hand, there was a slight increase in California's unemployment rate from 4.3% in the previous quarter to 4.5% in the current quarter.

In the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA), industrial jobs witnessed a year-over-year increase; however, there was a decline quarter-over-quarter. Within the Transportation and Warehouse sector, there was a total of 121.5k jobs in 2Q23 which was a 0.9% decrease compared to the previous quarter, but a 1% increase year-over-year. As for the Manufacturing sector, there was a total of 180.5k jobs which was a slight 0.1% decrease compared to 1Q23, but a notable 2.6% increase compared to 2Q22.

NEAR-TERM OUTLOOK

The commercial real estate lending sector has decelerated due to higher interest rates, the possibility of a recession, and recent regional bank collapses. Investors are scrutinizing lenders more closely, leading to adjusted pricing expectations and conservative debt terms. To fill the lending gaps, alternative capital sources, including life insurance companies, have emerged. Regional and community banks are expected to account for less than 30% of maturing commercial real estate debt, and lenders are focusing on deals, markets, and sectors projected to be more resilient during an economic downturn.

Tesla, a major employer in Fremont with around 22k employees, operates a large 5.5M SF factory in the city. Recently, Tesla acquired an additional manufacturing facility in Fremont to enhance its production of the innovative 4680 battery cell technology. Originally meant for Applied Materials, the facility's plans were

withdrawn, allowing Prologis, who acquired the building from Duke Realty last year, to lease it directly to Tesla.

Despite the competitive nature of the industrial market, warehouses have been seen on the sublease market increasingly as companies brace for an economic downturn. One instance is Rivian Automotive Inc., the Irvine-based electric car manufacturer, who placed 350k SF of sublease space on the market shortly after acquiring it, in line with their cash conservation focus this year.

TOP SALE TRANSACTIONS 2Q 2023

Property	City	SF	Sale Price	\$/SF	Buyer	Seller
47488 Kato Rd	Fremont	575,775	\$260,000,000	\$451.57	Madison Capital Group/ Sixth Street Partners, LLC	Seagate Technology, LLC
Hannover Industrial Park	Fremont	188,999	\$45,000,000	\$238.10	FJM Investments, LLC	TA Realty
1980 Senter Rd	San Jose	132,721	\$37,828,500	\$285.02	Ho Enterprise, LLC	FJM Investments, LLC
1276 Reamwood Ave	Sunnyvale	20,020	\$15,100,000	\$754.25	Layline, LLC	United Parcel Service
242 Commercial St	Sunnyvale	5,000	\$6,000,000	\$1,200.00	Applied Materials, Inc.	Terry H Grimes Gst Trust

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
48401 Fremont Blvd	Fremont	209,926	May 2023	Prologis	Tesla, Inc.
47020 Kato Rd	Fremont	209,916	Apr 2023	Link Logistics Real Estate	RK Logistics
41460-41494 Boyce*	Fremont	132,900	May 2023	Prologis	OnTrac Logistics, Inc.
1121 Montague Expy*	Milpitas	101,066	Jun 2023	WP Investments	Ontrac Logistics, Inc.
40737 Encyclopedia Cir*	Fremont	81,485	May 2023	TRPF WC Industrial, LLC	Celestica

*Renewal

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Cochrane Technology Center	Morgan Hill	501,305	Jan 2024	Trammell Crow Co.
Fremont Technology Center	Fremont	395,125	Mar 2024	Ares Management
McCarthy Business Park	Gilroy	382,565	Mar 2024	Rockpoint
650 N King Road	San Jose	212,683	Sep 2023	Black Creek Group
1953-1965 Concourse Drive	San Jose	126,648	Jan 2024	Overton Moore Properties

Data Source: Costar; data.bls.gov, ycharts.com, bizjournals.com



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

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COMMERCIAL
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TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

46

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS

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