

MARKET TRENDS

SILICON VALLEY INDUSTRIAL



Year-Over-Year Change

MARKET DRIVERS

Quarter-over-quarter, the industrial space availability saw slight dip from 5.0% to 4.6%, while the warehouse space availability stayed at 3.9% both quarters.

The vacancy rate for industrial properties saw a small climb from 2.0% in 3Q23 to 2.1% in 4Q23, whereas the warehouse property was flat at 3.1% showing that the market has not changed much for either property types in past half year.

Industrial property asking lease rates exhibited growth quarter-over-quarter, and a year-over-year decline, reaching \$2.04 per square foot in 4Q23 compared to \$1.92 per square foot in 3Q23 and \$1.93 per square foot in 4Q22. Warehouse property rates saw an increase both timeframes, rising to \$1.69 per square foot in 4Q23 from \$1.52 per square foot in 3Q23 and \$1.58 per square foot in 4Q22. With availability and vacancy remaining flat, landlords feel they can ask for higher rents for those looking to move in a stagnant market.

In 4Q23, leasing activity for industrial properties saw a slight quarter-over-quarter decline, reaching 262.5k SF, which was 125.0k SF less than the 3Q23 figure. This is also lower than the 501.6k recorded in 4Q22. Likewise, leasing activity for warehouse properties fell from

520.9k SF in 3Q23 to 351.5k SF in 4Q23. These figures are also lower than 4Q22 when leasing activity reached 723.3k SF.

Quarter-over-quarter, industrial buildings' total sales volume saw a small increase, rising from 56.4k SF in 3Q23 to 65.2k SF. Conversely, sales volume for warehouse buildings saw a small downtick from 148.7.3k SF in 3Q23 to 146.5.3k SF in 4Q23. This is higher than the 123.2k SF posted in 4Q22.

Both the industrial and warehouse sectors experienced a downturn in direct net absorption year-over-year. Industrial declined from 128.2k SF in 4Q22 to -142.5.4k SF in 4Q23, and warehouse direct net absorption went from 218.7k SF in 3Q23 to -2.6k SF in 4Q23. These numbers are both higher than the ones posted last quarter, where direct net absorption was -280.8k SF for industrial and -177.5k SF for warehouse properties.

ECONOMIC OVERVIEW

The unemployment rate in Santa Clara County slightly increased from 3.6% to 3.8% in 4Q23. California's unemployment rate also rose from 4.6% to 4.8% since the beginning of last quarter.

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INDUSTRIAL MARKET BREAKDOWN

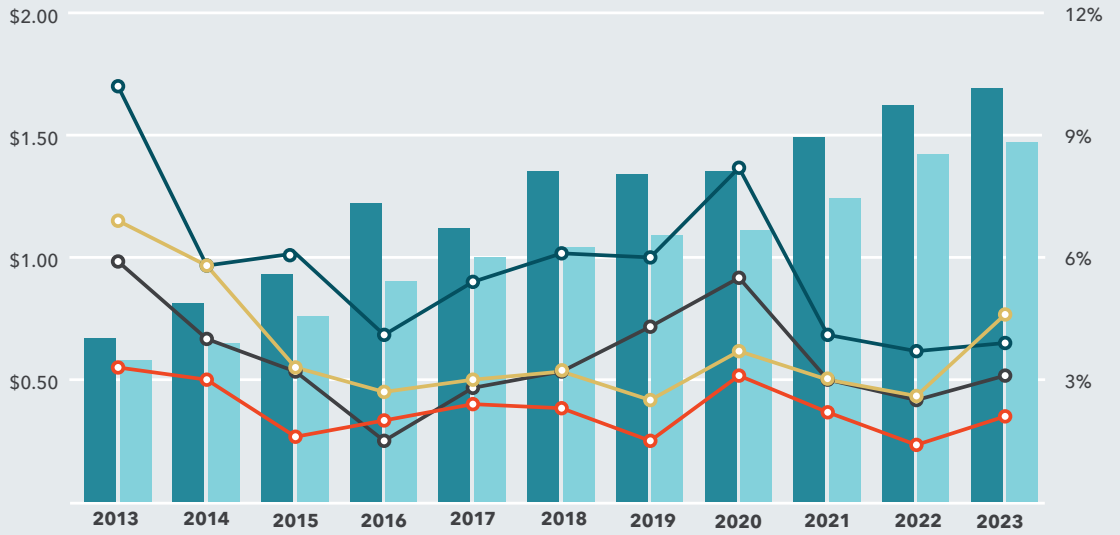
	4Q23	3Q23	4Q22	Annual % Change
Direct Vacancy Rate	2.05%	2.00%	1.40%	46.54%
Availability Rate	4.62%	5.00%	2.60%	77.50%
Asking Lease Rate*	\$2.04	\$1.92	\$1.93	5.70%
Asking Lease Rate**	\$1.69	\$1.54	\$1.62	4.32%
Leased SF	262,456	387,440	501,624	-47.68%
Sold SF	65,175	56,421	97,891	-33.42%
Direct Net Absorption (142,519)	(280,814)	128,162	N/A	

*D Star | ** Costar

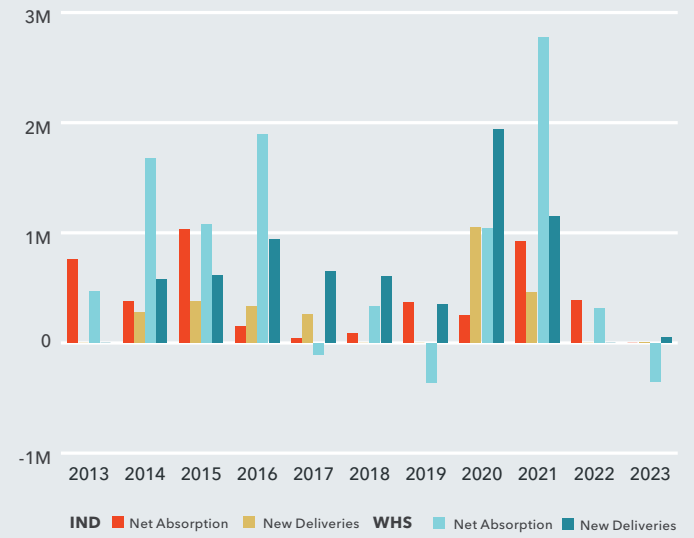
WAREHOUSE MARKET BREAKDOWN

	4Q23	3Q23	4Q22	Annual % Change
Direct Vacancy Rate	3.11%	3.10%	2.50%	24.39%
Availability Rate	3.94%	3.90%	3.70%	6.49%
Asking Lease Rate*	\$1.69	\$1.52	\$1.58	6.96%
Asking Lease Rate**	\$1.47	\$1.48	\$1.42	3.52%
Leased SF	351,508	520,870	732,306	-52.00%
Sold SF	146,487	148,702	123,195	18.91%
Direct Net Absorption (2,571)	(177,451)	218,770	N/A	

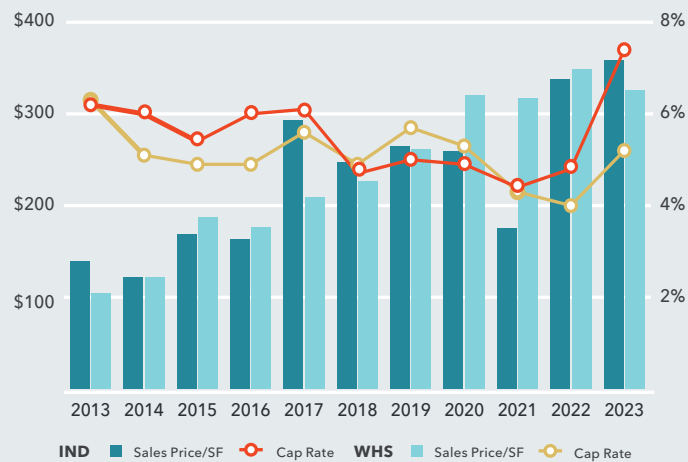
LEASE RATE, VACANCY & AVAILABILITY



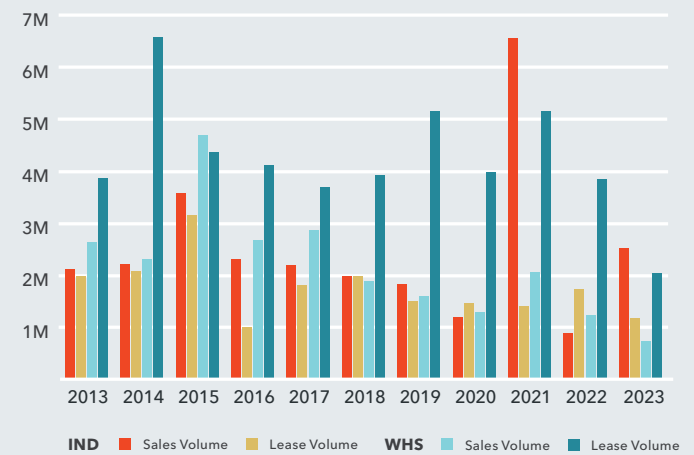
NET ABSORPTION & NEW DELIVERIES



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	4Q23 Direct Net Absorption	YTD Direct Net Absorption	4Q23 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	945,643	-	0.74%	0.74%	6.05%	11,668	11,442	800	20,338	\$2.04
Cupertino	537,376	-	0.00%	0.00%	0.00%	0	0	0	0	---
Fremont	11,779,328	348,286	0.45%	1.72%	5.77%	-592	4,517	8,008	468,242	\$1.81
Milpitas	2,711,925	-	5.39%	5.39%	7.09%	8,050	4,238	0	90,436	\$1.88
Mountain View	810,352	-	0.54%	0.61%	0.61%	-2,000	14,800	2,000	29,242	\$3.71
Newark	3,867,715	-	5.94%	15.01%	12.04%	-56,680	-222,650	137,578	139,270	\$1.50
Palo Alto	1,378,870	-	0.36%	1.10%	1.46%	0	0	0	22,305	---
San Jose	14,833,431	515,458	1.40%	1.62%	3.21%	-92,748	-2,632	67,716	212,659	\$1.63
Santa Clara	8,705,855	-	4.10%	4.10%	4.47%	-30,764	-144,579	36,854	126,400	\$1.72
Sunnyvale	4,171,156	-	1.02%	1.02%	1.28%	20,547	-31,200	9,500	64,996	\$2.08
Silicon Valley Industrial Total	49,749,741	863,744	2.05%	3.00%	4.62%	-142,519	-366,064	262,456	1,173,888	\$2.04
Campbell	759,303	-	2.49%	2.49%	2.69%	-7,765	-16,490	1,150	13,082	\$2.15
Cupertino	149,461	-	0.00%	0.00%	0.00%	0	0	0	0	---
Fremont	16,821,425	209,916	2.77%	4.52%	3.68%	-95,593	-247,706	160,051	983,288	\$1.50
Milpitas	6,436,585	-	1.59%	1.59%	1.59%	-23,267	30,183	72,576	139,569	\$1.60
Mountain View	933,291	-	4.36%	4.36%	9.36%	11,000	30,845	0	19,914	\$2.78
Newark	5,200,894	-	2.65%	2.65%	3.46%	3,450	-17,855	0	41,255	\$1.57
Palo Alto	566,514	-	1.80%	1.80%	1.80%	-9,025	-9,025	0	0	\$3.75
San Jose	26,157,726	-	4.11%	4.46%	5.22%	116,253	-87,911	84,932	517,968	\$1.42
Santa Clara	6,325,333	-	1.86%	1.86%	2.07%	21,231	-6,277	27,721	248,513	\$1.66
Sunnyvale	2,117,318	-	3.14%	3.14%	3.02%	-18,855	-25,833	5,078	41,214	\$2.18
Silicon Valley Warehouse Total	65,503,909	209,916	3.07%	3.54%	3.98%	(164,524)	(325,271)	435,839	1,513,544	\$1.52

ECONOMIC OVERVIEW CONTINUED

The San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) industrial jobs saw a decline quarter-over-quarter and year-over-year. Within the Transportation and Warehouse sector, there were a total of 123.1k jobs in 4Q23, representing a 0.1% increase from the 123.0k jobs observed in 3Q23, but a -0.3% decrease from the 123.5k jobs reports in 4Q22. In the Manufacturing sector, there were a total of 178.5k jobs, marking a 0.4% decrease compared to 3Q23, and a 2.7% decrease since 4Q22, where it was reported to be at 183.5k jobs.

NEAR-TERM OUTLOOK

Prologis Inc., a global leader in industrial and logistics real estate, is proposing the construction of a new 312,000 square feet industrial facility in North San Jose. Located at 2256 Junction Ave., the project aims to replace an older, vacant 141,300 square-foot industrial building. The proposed facility, still in the preliminary application phase, seeks at least a LEED Silver certification, incorporating solar-ready rooftops and EV-ready infrastructure. The site was previously owned by Duke Realty, and prior applications indicated plans for a warehouse and distribution facility for Amazon, although Prologis did not explicitly mention Amazon in its current proposal. The move follows Prologis' acquisition of the land beneath California's Great America theme park in 2022.

Hines and Oaktree Capital Management have secured a construction loan to transform the Dixon Landing Research Park in Fremont into a modern 267,000-square-foot Class A advanced manufacturing and distribution center. The development, named Milmont Industrial, will replace the existing tech campus near Tesla's factory. The project, set to begin construction early next year, addresses the scarcity of large Class A industrial properties in Silicon Valley. Fremont's tight industrial market, with a 1.7% vacancy rate, emphasizes the strategic importance of Milmont Industrial in meeting the demand for advanced manufacturing space in the region.

Pinnacle Exhibits Inc. has become the first tenant at Butterfield 5 Technology Park in Morgan Hill, leasing the 85,456-square-foot Building 1. The industrial park, developed by CBRE-owned Trammell Crow Co., offers a total of 410,000 square feet of industrial space and is part of Morgan Hill's effort to attract more industrial and advanced manufacturing businesses. Pinnacle's move to Butterfield 5 aligns with the city's goal of providing more employment opportunities locally, reducing the need for residents to commute to San Jose and beyond. The campus, purchased by Invesco for \$119 million in June last year, marks a significant step in Morgan Hill's industrial development ambitions.

TOP SALE TRANSACTIONS 4Q 2023

Property	City	SF	Sale Price	\$/SF	Buyer	Seller
1951-1991 Tarob Ct	Milpitas	37,336	\$26,000,000	\$696.38	Toll Brothers, Inc.	Geomax Developers
2150 Old Middlefield Way	Mountain View	11,000	\$5,300,000	\$481.82	Joseph Cardniale	KBD Holdings
44201 S Grimmer Blvd	Fremont	10,080	\$4,600,000	\$456.35	Sstephanie Blair	44201 South Grimmer Blvd LLC
299 E McGlincy Ln	Campbell	14,855	\$4,000,000	\$269.27	Strombom Properties, Inc.	David Biancalana
329 Sango Ct	Milpitas	8,050	\$3,750,000	\$466	Dimitrios Lignos	Joseph and Marleine Bechwati 2012 Living Trust

TOP LEASE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
999 1057 Montague Expy*	Milpitas	386,383	October 2023	WP Investments LLC	DGA Services
1077 1177 Gibraltar Dr*	Milpitas	344,512	December 2023	Prologis	Flextronics
550-600 E Brokaw Rd	San Jose	124,000	October 2023	Gary Graumann	Supermicro
44560 44660 Osgood Rd	Fremont	87,592	October 2023	DWS	East West Building Supply
776-800 S Milpitas Blvd	Milpitas	72,576	November 2023	Prologis	Valley Relocation

*Renewal

TOP UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
5853 Rue Ferrari	San Jose	302,775	December 2024	Prologis, Inc.
650 N King Road	San Jose	212,683	January 2024	Black Creek Group
47020 Kato Road	Fremont	209,916	June 2024	Link Logistics Real Estate
40541 Albrae St	Fremont	190,503	April 2024	Scannell Properties 483 Llc
40901 Encyclopedia Cir	Fremont	157,783	April 2024	Scannell Properties 483 Llc

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.

GARY BARAGONA
 Director of Research
 415.229.8925
 gary.baragona@kidder.com

DAVID NELSON
 Regional President, Brokerage
 Northern California & Nevada
 408.970.9400
 david.nelson@kidder.com
 LIC N° 01716942

COMMERCIAL BROKERAGE	\$12B TRANSACTION VOLUME ANNUALLY	32.1M ANNUAL SALES SF	41.2M ANNUAL LEASING SF
ASSET SERVICES	53M MANAGEMENT PORTFOLIO SF	771+ ASSETS UNDER MANAGEMENT	250+ ASSET SERVICES CLIENTS
VALUATION ADVISORY	2,800+ ASSIGNMENTS ANNUALLY	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS

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