

MARKET TRENDS

SILICON VALLEY INDUSTRIAL

- ↑ VACANCY
- ↓ ABSORPTION
- ↑ RENTAL RATES
- ↓ CONSTRUCTION DELIVERIES

Year-Over-Year Change

MARKET DRIVERS

Quarter-over-quarter, the industrial space availability saw slight increase from 4.6% to 5.0%, while the warehouse space availability rate grew from 4.4% to 4.9%.

The vacancy rate for industrial properties saw a small climb from 2.3% in 4Q23 to 2.4% in 1Q24, while warehouse property went from 3.1% to 4.1% over that time frame. Availability and vacancy increased for both property types over this quarter, but are both at healthy levels, especially compared to other product types.

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 1Q24, leasing activity for industrial properties saw a slight quarter-over-quarter decline, reaching 202.4K SF, which was 123.0K SF less than the 4Q23 figure. This is also lower than the 364.6k recorded in 1Q23. Likewise, leasing activity for warehouse properties fell from 789.6K SF in 4Q23 to 650.0k SF in 1Q24. This is however much stronger than the 311.5K SF recorded in 1Q23.

Industrial buildings' total sales volume saw a steep increase, from 65.2K SF in 4Q23 to 561.7K SF. Conversely, sales volume for warehouse buildings saw a downtick from 210.1K SF in 4Q23 to 81.5K SF in 1Q24.

Both the industrial and warehouse sectors experienced a downturn in direct net absorption year-over-year. Industrial declined from -6.1K SF in 1Q23 to -57.9K SF in 1Q24, and warehouse direct net absorption went from -7.3K SF in 4Q23 to -618.7K SF in 1Q24. These numbers are expected with vacancy and availability rising and leasing numbers not being dramatically different than last year.

ECONOMIC OVERVIEW

The unemployment rate in Santa Clara County slightly increased from 3.8% to 4.3% in 1Q24. California's unemployment rate also rose from 5.1% to 5.3% since the beginning of last quarter.

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 119.4K jobs in 1Q24, representing a -4.1% decrease from the 124.5K jobs observed in 4Q23, but a -1.6% decrease from the 121.3K jobs reports in 1Q23. Likewise, in the Manufacturing sector, there were a total of 175.7K jobs, marking a -1.7% decrease compared to 4Q23, and a -2.1% decrease since 1Q23, where it was reported to be at 179.4K jobs.

continued on page 3

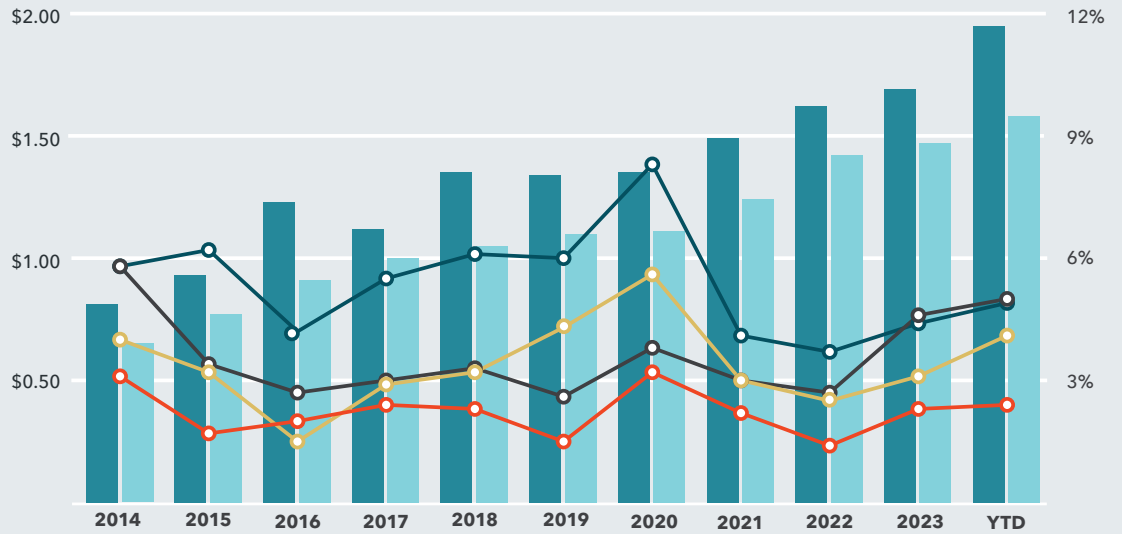
INDUSTRIAL MARKET BREAKDOWN

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	2.4%	2.3%	1.4%	100-bps
Availability Rate	5.0%	4.6%	3.3%	170-bps
Asking Lease Rate	\$1.95	\$1.69	\$1.52	28.3%
	1Q24	2023 Total	1Q23	YOY Change
Leased SF	202,356	1,540,037	364,597	-44.5%
Sold SF	561,735	1,724,810	1,276,140	-56.0%
Direct Net Absorption	(57,864)	(428,128)	(6,121)	N/A

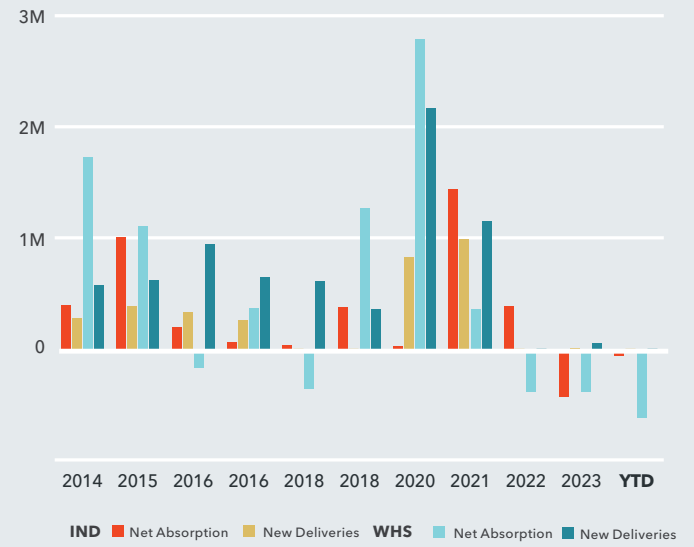
WAREHOUSE MARKET BREAKDOWN

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	4.1%	3.1%	2.5%	160-bps
Availability Rate	4.9%	4.4%	4.1%	80-bps
Asking Lease Rate	\$1.58	\$1.47	\$1.50	5.3%
	1Q24	2023 Total	1Q23	YOY Change
Leased SF	650,047	2,468,318	311,529	108.7%
Sold SF	81,485	1,020,706	279,601	-70.9%
Direct Net Absorption	(618,748)	(386,729)	(7,340)	N/A

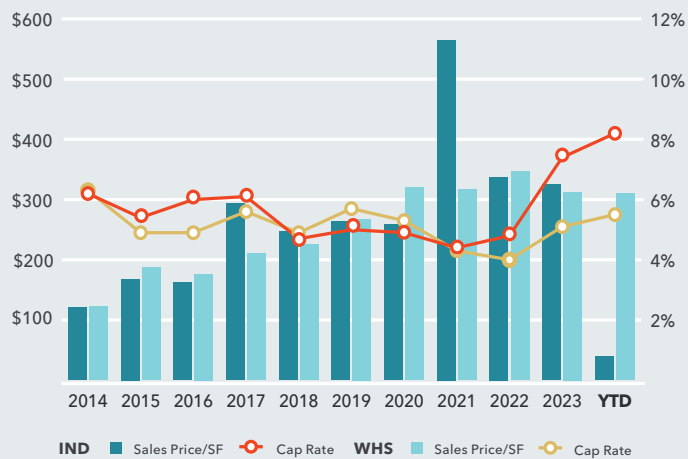
LEASE RATE, VACANCY & AVAILABILITY



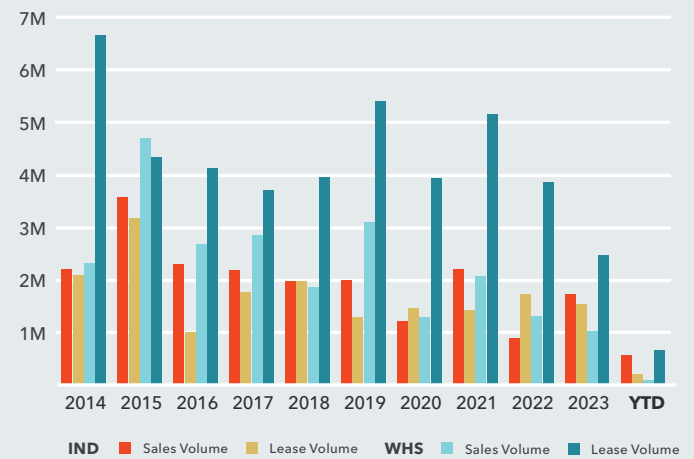
NET ABSORPTION & NEW DELIVERIES



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	1Q24 Direct Net Absorption	YTD Direct Net Absorption	1Q24 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	945,643	-	6.1%	6.1%	5.3%	-50,239	-50,239	7,002	7,002	\$1.99
Cupertino	537,376	-	0.0%	0.0%	0.0%	0	0	15,400	15,400	-
Fremont	11,233,263	348,286	0.6%	0.6%	4.9%	-10,985	-10,985	121,820	121,820	\$1.69
Milpitas	2,642,279	-	5.5%	5.5%	8.7%	0	0	0	0	\$2.39
Mountain View	775,536	-	3.0%	3.0%	5.9%	-8,042	-8,042	2,000	2,000	\$3.68
Newark	3,642,589	-	7.4%	7.4%	6.6%	-52,220	-52,220	0	0	\$1.53
Palo Alto	1,378,383	-	0.4%	1.1%	1.1%	0	0	5,000	5,000	\$3.05
San Jose	14,880,030	515,458	1.9%	1.9%	6.2%	7,533	7,533	9,158	9,158	\$1.99
Santa Clara	8,572,588	-	3.2%	3.2%	3.4%	70,176	70,176	41,976	41,976	\$1.61
Sunnyvale	4,166,239	-	1.3%	1.3%	1.8%	-14,087	-14,087	0	0	\$1.99
Silicon Valley Industrial Total	48,773,926	863,744	2.4%	2.4%	5.0%	-57,864	-57,864	202,356	202,356	\$1.95
Campbell	759,303	-	2.9%	3.4%	4.1%	2,773	2,773	4,740	4,740	\$2.27
Cupertino	149,461	-	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	16,907,496	209,916	4.2%	5.7%	5.7%	-211,233	-211,233	8,580	8,580	\$1.52
Milpitas	6,532,516	-	3.3%	3.3%	3.9%	-81,212	-81,212	110,414	110,414	\$1.59
Mountain View	877,390	-	2.9%	2.9%	6.1%	3,481	3,481	11,350	11,350	\$2.63
Newark	5,423,077	-	2.8%	6.9%	7.8%	-12,341	-12,341	0	0	\$1.13
Palo Alto	566,514	-	1.8%	1.8%	1.8%	0	0	0	0	\$3.75
San Jose	26,123,954	-	5.3%	5.6%	5.0%	-322,174	-322,174	464,202	464,202	\$1.55
Santa Clara	6,215,078	-	1.5%	1.8%	1.4%	15,918	15,918	50,761	50,761	\$1.56
Sunnyvale	2,117,318	-	3.8%	3.8%	3.8%	-13,960	-13,960	0	0	\$2.32
Silicon Valley Warehouse Total	65,672,107	209,916	4.1%	5.0%	4.9%	(618,748)	(618,748)	650,047	650,047	\$1.58

NEAR-TERM OUTLOOK

In the face of increased vacancies and the looming housing crisis in California, the state instituted the "builder's remedy" which allows real estate developers to convert spaces into housing regardless of zoning requirements. Industrial properties are not suffering from the vacancies that Office and R&D properties have been facing, but it was within the realm of possibilities that these spaces could have been converted to housing. This might change however as there is new legislation aiming at preventing projects from moving forward on industrial sites or adjacent to parcels being used for industrial. The reason being cited is for health purposes. Conversion projects have been largely centered on Office spaces, but this bill shuts the door on any possibilities of unwanted Industrial spaces being converted and lowering the supply in the market.

Institutional investors have noticed the resilience of Industrial properties and have begun to switch investment strategies to reflect this. From 2007 to 2023, institutional investors went from having office space make up 44% of their purchases, down to 17% presently. In the same time frame, industrial doubled to 26%. The institutional capital being injected into the market has been pushing prices for spaces higher and higher. In the same time that institutional investment has doubled, median sales prices have more than doubled, and rents have nearly tripled in the Silicon Valley market. Institutional investors leaving the marketplace has allowed for more owner-user opportunities for office businesses. If this trend continues, industrial businesses may begin to get priced out of these same kinds of opportunities.

SIGNIFICANT SALE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
3000 Semiconductor Dr*	Santa Clara	120,663	\$192,000,000	\$1,591.21	Fortinet, Inc.	Texas Instruments Incorporated
868 San Antonio Rd	Palo Alto	6,000	\$4,365,000	\$727.50	Carpenters Llc	Padmanbhan K Menon
807 E Bayshore Rd	Palo Alto	4,615	\$2,500,000	\$541.71	Barragan LLC	Lucky Children LLC
240 S Milpitas Blvd	Milpitas	142,272	\$1,505,000	\$10.58	Pratyush Deshpande LLC	Sharon L Ignaut LLC
1297 E San Fernando St	San Jose	2,900	\$1,000,000	\$345	Odilio Chavez	Persekian Family Revocable Trust

* Portfolio sale

SIGNIFICANT LEASE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
2055 S 7th St	San Jose	457,750	January 2024	Blackstone Inc.	Super Micro Computer	New Lease
1989 Little Orchard St	San Jose	158,200	Febraury 2024	Little Orchard Street LLC	Maxar Technologies	Renewal
Wrigley Creek Indust Park	Milpitas	129,936	January 2024	Link Logistics Real Estate	Transpak	Renewal
41707-42001 Christy St	Fremont	120,960	February 2024	AFL-CIO Building Investment Trust	Quanta Computer	Renewal
3540-3548 Bassett St - 3560	Santa Clara	75,376	February 2024	Hines Global Income Trust, Inc.	Intevac	Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
5853 Rue Ferrari	San Jose	302775	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: ycharts.com, data.bls.gov, bizjournals.com



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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 CA & Nevada
415.229.8890
david.nelson@kidder.com
LIC N° 01716942

COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	51M SF MANAGEMENT PORTFOLIO SIZE	750+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.