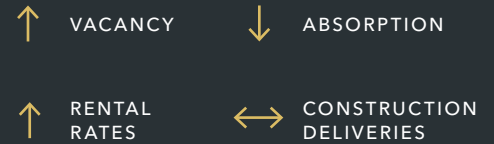


## MARKET TRENDS

# SILICON VALLEY INDUSTRIAL



Year-Over-Year Change

### MARKET DRIVERS

Since the last quarter, availability rates rose 50 basis points (bps) to 5.2% for industrial spaces, and 70-bps for warehouse which reached 7.4%.

Direct vacancy rate for both properties grew since last quarter as well. Industrial by 10-bps, and warehouse by 30-bps. Outside of a few outlier quarters, this has been the general trend since 2022 for these markets, and neither of which have reached their post pandemic highs.

Direct asking rates increased for both property types over the course of the year, industrial is up 7.4%, and warehouse is up 10.4% in that time frame. Industrial is \$.02 from it's all time high recorded two quarters ago, and warehouse has remained at it's all time high recorded last quarter, indicating that the two property types have healthy demand and strong staying power despite availability and vacancy increases.

Despite the uptick in rental rates, leasing activity has been tough for both industrial and warehouse properties this year. Though there was a rise from activity compared to last quarter, industrial leases did not reach last year's volume and cumulatively there has been a 44.6% decline in activity. In a similar light, warehouse leases did not reach the previous quarter or year's volume and is down 31.9% cumulatively.

Sales volume for both industrial and warehouse properties were poor this quarter, resulting in the lowest recorded yearly figures recorded in over a decade for each property type.

There has yet to be a bump in investments that were hoped for from the lower interest rates, but more cuts and a new administration are on the way, which should lead volume to pick up in the next year.

Both industrial and warehouse sectors experienced negative net absorption this past quarter. Industrial was measured at -39.1K SF but ended the year with 224.2K SF in net absorption. In 2024, warehouse also had a positive net absorption until this past quarter's -205.0K SF swung the figure to -127.8K SF.

### ECONOMIC OVERVIEW

Santa Clara County outpaced California in terms of unemployment rate. Santa Clara County's rate fell 50-bps to 4.0% while California's rose 10-bps to 5.4% over the past quarter.

The San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) has been on a downward trend for manufacturing jobs, but positive for the trade, transportation, and utilities. The manufacturing sector reported 173.1K jobs, marking a 3.0% decrease since 4Q23 and a 0.5% dip since last quarter. Conversely, the trade, transportation, and utilities sector reached 124.8K jobs, 2.9% higher than last quarter and 1.6% higher than last year.

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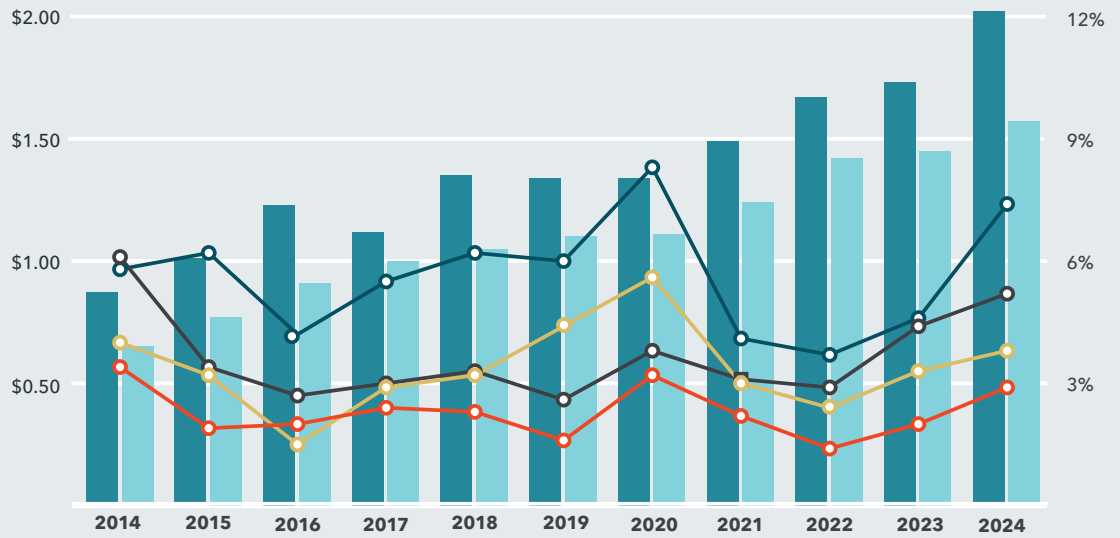
### INDUSTRIAL MARKET BREAKDOWN

	4Q24	3Q24	4Q23	YOY Change
Direct Vacancy Rate	2.9%	2.8%	2.0%	<b>90 bps</b>
Availability Rate	5.2%	4.7%	4.4%	<b>80 bps</b>
Asking Lease Rate	\$2.02	\$1.99	\$1.88	<b>7.4%</b>
	4Q24	2024	2023	YOY Change
Leased SF	388,877	1,339,879	1,550,237	<b>-13.6%</b>
Sold SF	48,312	663,048	1,740,634	<b>-61.9%</b>
Direct Net Absorption	(39,051)	224,240	(268,145)	<b>N/A</b>

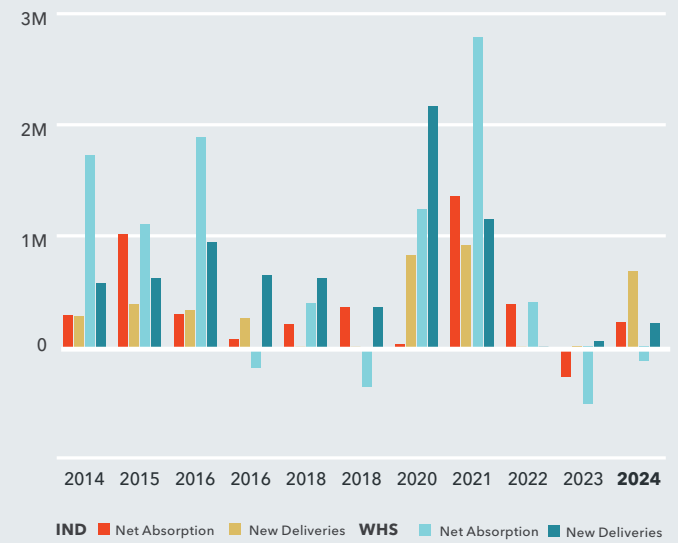
### WAREHOUSE MARKET BREAKDOWN

	4Q24	3Q24	4Q23	YOY Change
Direct Vacancy Rate	3.8%	3.5%	3.3%	<b>50 bps</b>
Availability Rate	7.4%	6.7%	4.6%	<b>280 bps</b>
Asking Lease Rate	\$1.59	\$1.59	\$1.44	<b>10.4%</b>
	4Q24	2024	2023	YOY Change
Leased SF	243,004	1,926,234	2,556,604	<b>-31.9%</b>
Sold SF	53,014	326,109	1,102,968	<b>-69.3%</b>
Direct Net Absorption	(204,977)	(127,750)	(513,386)	<b>N/A</b>

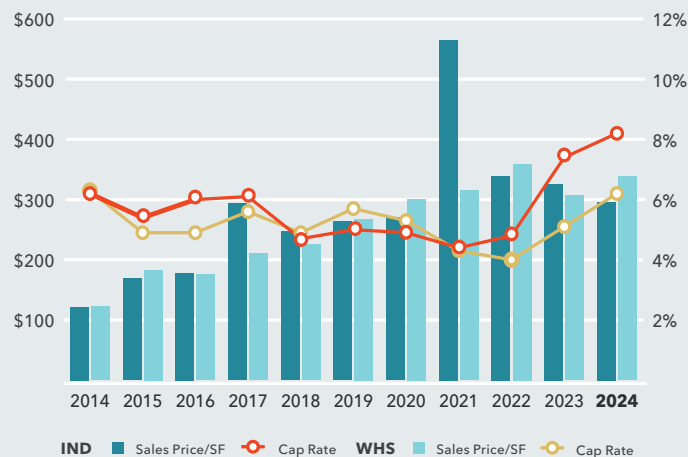
## LEASE RATE, VACANCY & AVAILABILITY



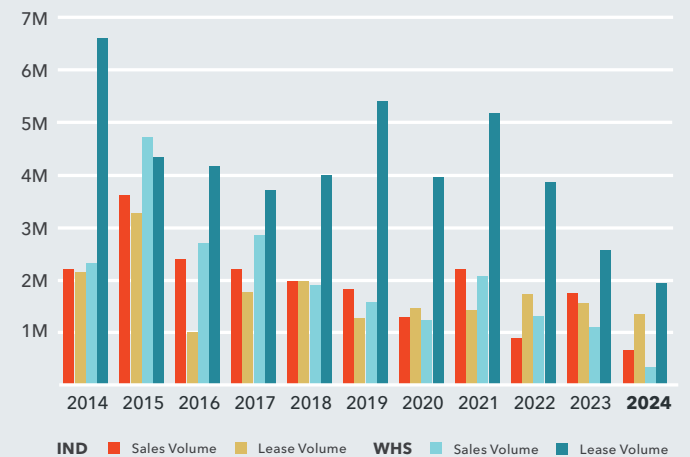
## NET ABSORPTION & NEW DELIVERIES



## 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	4Q24 Direct Net Absorption	2024 Direct Net Absorption	4Q24 Gross Absorption	2024 Gross Absorption	Rental Rate
Campbell	992,153	-	5.7%	5.7%	5.7%	-15,222	-49,060	5,440	62,681	\$2.01
Cupertino	537,376	-	0.0%	0.0%	0.0%	0	0	0	15,400	
Fremont	11,281,351	46,839	1.1%	1.1%	7.1%	87,400	-68,926	2,080	340,926	\$1.92
Milpitas	2,648,445	-	8.0%	8.0%	8.1%	-30,000	-65,518	166,326	175,076	\$2.54
Mountain View	745,089	-	2.6%	2.6%	4.8%	4,544	-4,142	39,788	43,028	\$3.03
Newark	3,616,139	-	6.0%	6.0%	4.9%	-112,578	-156,538	5,000	13,210	\$1.53
Palo Alto	1,378,802	-	0.0%	0.7%	6.1%	0	5,000	0	10,000	\$2.83
San Jose	15,077,471	635,833	3.2%	3.2%	5.3%	56,022	33,536	123,579	181,725	\$2.06
Santa Clara	9,052,099	-	3.6%	3.9%	4.3%	-29,217	494,938	43,664	455,196	\$1.67
Sunnyvale	4,161,852	-	0.1%	0.1%	0.6%	0	34,950	3,000	42,637	\$2.25
<b>Silicon Valley Industrial Total</b>	<b>49,490,777</b>	<b>682,672</b>	<b>2.9%</b>	<b>3.0%</b>	<b>5.2%</b>	<b>-39,051</b>	<b>224,240</b>	<b>388,877</b>	<b>1,339,879</b>	<b>\$2.02</b>
Campbell	759,399	-	1.1%	1.8%	1.8%	5,880	16,630	0	31,809	\$1.72
Cupertino	149,461	-	0.0%	0.0%	0.0%	0	0	0	0	
Fremont	17,107,648	615,385	3.2%	5.2%	8.2%	-9,585	158,229	55,728	445,281	\$1.53
Milpitas	6,505,543	-	3.5%	3.8%	4.2%	29,474	-94,211	23,028	241,348	\$1.60
Mountain View	850,415	-	8.6%	8.6%	10.6%	-12,804	-19,623	2,000	25,350	\$2.84
Newark	5,448,284	-	7.9%	12.4%	12.2%	-80,112	-297,884	27,717	98,285	\$1.54
Palo Alto	569,406	-	0.2%	0.2%	0.2%	3,250	0	3,250	3,250	\$2.00
San Jose	26,241,616	302,843	3.8%	4.3%	8.4%	-80,065	148,481	81,801	897,746	\$1.46
Santa Clara	6,198,094	-	1.8%	2.1%	1.6%	-30,791	-2,031	38,000	152,478	\$1.61
Sunnyvale	2,118,756	-	4.9%	4.9%	4.7%	-30,224	-37,341	11,480	30,687	\$2.59
<b>Silicon Valley Warehouse Total</b>	<b>65,948,622</b>	<b>918,228</b>	<b>3.8%</b>	<b>4.9%</b>	<b>7.4%</b>	<b>(204,977)</b>	<b>(127,750)</b>	<b>243,004</b>	<b>1,926,234</b>	<b>\$1.57</b>

## NEAR-TERM OUTLOOK

After three rate cuts in 2024, the fed expected two further rate cuts this year, which is sure to shakeup the Silicon Valley industrial market. Rate cuts could rejuvenate the industrial market by encouraging investments at more competitive rates and supporting long-term assets to cover short-term liabilities, easing distressed markets. Although property sales have slowed this year, demand remains steady, as shown by competitive vacancy and availability rates. Increased funding for companies could also drive greater competition in the leasing market.

The other big news from 2024 is the election, with the incoming administration proposing increased tariffs and a decrease in immigration. If put into place, these policies would greatly increase construction costs, which will slow the new delivery pipeline and limit the supply of prime spaces. In the short term, warehouse space could see an increase in demand as companies elect to purchase natural goods and hold on to them to save on the future costs to import after tariffs take place. Nothing is set in stone, and the fear of the unknown may lead the market players to take a “wait and see” approach for the start of 2025. If these policies go into place, however, it is likely that the increased demand and limit in supply will lead to higher prices across the marketplace.

A recent study by CompStak found that more than 27% of nationwide industrial leases are set to expire within the next 2 years. It also determined that the rates of these leases are 75.7% lower than the current market rate. A trend that used to be exclusive to office tenants is beginning to creep into the industrial market as well, called “flight-to-quality” where tenants have opted to move to newer and nicer space and being prudent with the size of space they need. This can be seen in the Silicon Valley market, where asking rents increased despite vacancy and availability rising. Prospective tenants are about to be hit with unexpected increases in their lease rates and may search for higher quality product to move to. Although construction costs are set to rise, companies like Overton Moore Properties, who purchased a 130,752 SF San Jose flex building, believe that their investment and redevelopment to industrial will lead to attracting quality tenants at a rate high enough to validate their purchase.

SIGNIFICANT SALE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
990 Ames Ave	Milpitas	22,000	\$7,700,000	\$350.00	Andrew J & Lindsey Castiglione	Sika Corp
2225 Martin Ave*	Santa Clara	20,214	\$5,835,080	\$288.67	Dollinger Properties	CIM Group, LP
940 Commercial St	Palo Alto	15,000	\$4,100,000	\$273.33	Foster Art & Wilderness Foundation	Carolyn L Williams   Michael A Keeler
270 Cimino St	San Jose	9,552	\$2,950,000	\$308.84	Acharya International Inc	Bobby J. & Kathryn M. Landrum
1780 S 7th St	San Jose	10,800	\$2,401,000	\$222.31	Sunrise Value Investments	Ronald B Massei

\* Portfolio Sale

SIGNIFICANT LEASE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
1101-1117 Montague Expy	Milpitas	65,082	October 2024	WP Investments	AC Wholesale Foods	Renewal
41440-41498 Boyce Rd, Bldg D	Fremont	64,396	November 2024	Prologis, Inc.	Minghua	Renewal
1010 Commercial St	San Jose	33,106	November 2024	CSBC, LLC	Clean Harbors Environmental Serv., Inc.	Renewal
605 Laurelwood Rd	Santa Clara	33,000	October 2024	Thomas Hennig Co., LLC	Pace Supply Corp	Renewal
2222 Ronald St	Santa Clara	32,000	October 2024	Portisi, LLC	Fuse Energy	New Lease

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Edenvale Industrial Park	San Jose	635,833	June 2025	Hines
Fremont Technology Center	Fremont	395,125	January 2025	Ares Industrial Real Estate Income Trust Inc.
5853 Rue Ferrari	San Jose	302,843	January 2025	Prologis, Inc.
49000 Milmont Dr	Fremont	267,099	May 2025	Milmont Owner, LLC

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



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, 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.

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<b>COMMERCIAL BROKERAGE</b>	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>57M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>850+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

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