

## MARKET TRENDS

# SILICON VALLEY INDUSTRIAL



Year-Over-Year Change

### MARKET DRIVERS

Since the last quarter, availability rates rose 10 basis points (bps) to 5.1% for industrial spaces, while warehouse dropped 40-bps to 7.2%.

Direct vacancy rate for both properties grew since last quarter. Industrial reached 4.0%, a 50-bps change, and warehouse had a 60-bps increase to 4.4%. For industrial, this is the highest recorded since 2012. Warehouse is still below the 6.1% high recorded in 2Q21.

Direct asking rates are down 3.6% since 1Q24, reaching \$1.90. Despite the drop, this rate is still significantly higher than the 5-year average of \$1.67. Warehouse is up 4.5% in the same time frame, reaching \$1.61, a new record high for the product type.

For Industrial, leasing activity is 28.8% lower than 1Q24, but only 4.3% lower than last quarter. Conversely, Warehouse activity is just 7.5% lower than 1Q24, but more than twice as high than it was in 4Q24. In a similar light, warehouse leases did not reach the previous quarter or year's volume and is down 31.9% cumulatively. Although both are slightly below average, they aren't strong indicators of decreasing demand for the respective products.

Sales volume for both industrial and warehouse properties were poor this quarter, industrial is down 86.2% compared to last year, and 13.4% to last quarter, and warehouse is down in the same time frames 28.3% and 29.2% respectively. There has yet to be a bump in investments that were hoped for from the lower interest rates.

One bright spot for Industrial was direct net absorption, which was 357.8K SF, significantly higher than the 45,5K SF last quarter, and the -29.3K SF in 1Q24. Warehouse dropped to -361.4K SF which is lower than last quarter's negative 190.0K SF, and 1Q24's 7.6K SF.

### ECONOMIC OVERVIEW

From October to January 2025, California's unemployment rate decreased by 10 basis points to 5.4%, while Santa Clara County's rate rose by 20 basis points, reaching 4.3%.

The San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) has been on a downward trend for manufacturing jobs and for the trade, transportation, and utilities. The manufacturing sector reported 122.8K jobs, marking a 1.2% dip since last quarter and a 2.4% decrease since 1Q24. The trade, transportation, and utilities sector recorded 124.8K jobs, 1.4% lower than last quarter, but 0.8% higher than last year.

### NEAR-TERM OUTLOOK

Silicon Valley's industrial and warehouse sector continues to evolve as stakeholders navigate a dynamic mix of investment, development, and economic pressure. Significant transactions, such as Ingrasys Technology USA's \$128M purchase of six Sunnyvale buildings, underscore investor interest in locations proximate to semiconductor and AI infrastructure.

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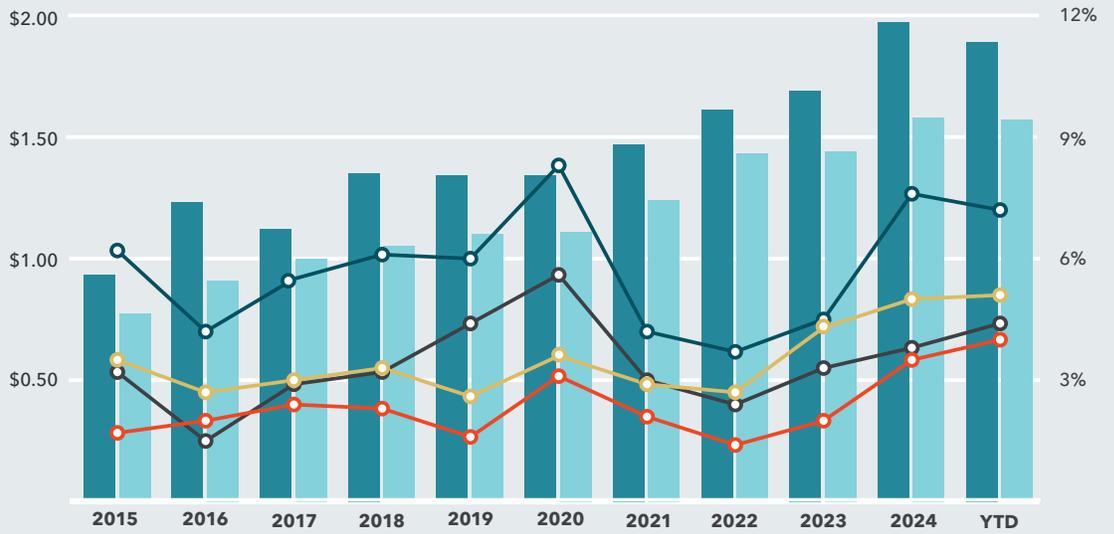
### INDUSTRIAL MARKET BREAKDOWN

	1Q25	4Q24	1Q24	YOY Change
Direct Vacancy Rate	4.0%	3.5%	2.5%	<b>150 bps</b>
Availability Rate	5.1%	5.0%	4.2%	<b>90 bps</b>
Asking Lease Rate	\$1.90	\$1.97	\$1.97	<b>-3.6%</b>
	1Q25	4Q24	1Q24	YOY Change
Leased SF	358,576	374,730	503,365	<b>-28.8%</b>
Sold SF	56,941	65,778	411,203	<b>-86.2%</b>
Direct Net Absorption	357,775	45,492	-29,291	<b>N/A</b>

### WAREHOUSE MARKET BREAKDOWN

	1Q25	4Q24	1Q24	YOY Change
Direct Vacancy Rate	4.4%	3.8%	3.6%	<b>80 bps</b>
Availability Rate	7.2%	7.6%	4.6%	<b>260 bps</b>
Asking Lease Rate	\$1.61	\$1.60	\$1.54	<b>4.5%</b>
	1Q25	4Q24	1Q24	YOY Change
Leased SF	773,289	342,008	836,015	<b>-7.5%</b>
Sold SF	92,332	130,336	128,846	<b>-28.3%</b>
Direct Net Absorption	-361,403	-190,013	7,632	<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	1Q25 Direct Net Absorption	2024 Direct Net Absorption	1Q25 Gross Absorption	2024 Gross Absorption	Rental Rate
Campbell	992,153	-	5.1%	5.9%	6.0%	5,000	-49,060	0	62,681	\$1.91
Cupertino	537,376	-	0.0%	0.0%	0.0%	0	0	0	15,400	-
Fremont	11,825,090	46,839	4.3%	5.2%	6.0%	229,671	-68,926	192,740	340,926	\$1.86
Milpitas	2,648,445	-	3.3%	3.3%	3.4%	123,574	-65,518	0	175,076	\$2.54
Mountain View	745,089	-	4.8%	4.8%	0.0%	-16,458	-4,142	35,500	43,028	\$3.03
Newark	3,616,102	-	5.9%	5.9%	7.8%	5,000	-156,538	0	13,210	\$1.53
Palo Alto	1,393,802	-	0.0%	0.0%	5.3%	0	5,000	11,568	10,000	\$2.87
San Jose	15,593,827	770,422	5.1%	5.1%	6.5%	-7,297	33,536	30,187	181,725	\$1.71
Santa Clara	9,200,269	-	3.1%	3.5%	4.0%	33,557	494,938	69,881	455,196	\$1.62
Sunnyvale	4,185,852	-	0.4%	0.4%	0.4%	-15,272	34,950	18,700	42,637	\$2.46
<b>Silicon Valley Industrial Total</b>	<b>50,738,005</b>	<b>817,261</b>	<b>4.0%</b>	<b>4.3%</b>	<b>5.1%</b>	<b>357,775</b>	<b>224,240</b>	<b>358,576</b>	<b>1,339,879</b>	<b>\$1.90</b>
Campbell	744,399	-	1.2%	1.2%	2.8%	-690	16,630	0	31,809	\$1.85
Cupertino	149,461	-	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	17,104,712	615,385	3.9%	6.7%	6.7%	-83,202	158,229	284,711	445,281	\$1.53
Milpitas	6,503,235	-	3.9%	4.2%	3.8%	-55,272	-94,211	35,230	241,348	\$1.51
Mountain View	854,023	-	8.9%	9.6%	9.7%	-1,676	-19,623	16,500	25,350	\$2.65
Newark	5,609,437	-	7.5%	11.8%	13.8%	14,601	-297,884	219,538	98,285	\$1.52
Palo Alto	554,406	-	0.2%	0.2%	0.2%	0	0	0	3,250	\$2.00
San Jose	26,148,252	302,843	4.7%	5.0%	8.4%	-233,782	148,481	188,792	897,746	\$1.48
Santa Clara	6,176,591	-	1.9%	2.2%	3.8%	-5,991	-2,031	4,225	152,478	\$1.59
Sunnyvale	2,114,210	-	4.7%	4.7%	3.6%	4,609	-37,341	24,293	30,687	\$2.51
<b>Silicon Valley Warehouse Total</b>	<b>65,958,726</b>	<b>918,228</b>	<b>4.4%</b>	<b>5.7%</b>	<b>7.2%</b>	<b>-361,403</b>	<b>-127,750</b>	<b>773,289</b>	<b>1,926,234</b>	<b>\$1.57</b>

In Fremont, which leads California in manufacturing jobs, Mayor Raj Salwan is advancing policies to streamline permitting and bolster industrial development. These efforts align with broader regional momentum, as industrial areas adapt to post-pandemic trends and new logistical demands. Similarly, revitalization projects, like Magnussen's Toyota redevelopment in Mountain View, reflect a continued focus on repositioning aging assets for modern use.

However, not all signals point to growth. Distress is emerging in pockets of the market, most notably in Mountain View where Zappettini Capital's 100,000 SF portfolio faces foreclosure risk amid rising vacancies and maturing debt. While loan activity in Silicon Valley's commercial and industrial (C&I) banking sector surged over the past year—reaching \$1.32T as of Q3 2024—these figures do not reflect underlying performance issues in all corners of the market. At the same time, a resurgence in demand for flexible, sustainable facilities is prompting developers to pursue net-zero and mixed-use industrial assets, particularly in San Jose's urban core. This signals a shift in occupier preference, especially among advanced manufacturing and logistics firms seeking more integrated, high-performance environments.

Policy uncertainty, however, continues to cloud the near-term outlook. A sweeping set of tariffs—including new levies on imports from Canada, Mexico, and China—has introduced volatility into supply chains and construction pricing. Industrial occupiers are reevaluating expansion plans, and construction costs are projected to rise by 4%–8% according to Skanska's latest analysis. Currently, there is uncertainty about which direction the market could head in. With many proposed policies including tariffs, decreased corporate taxes, and deregulation all having possible effects but not being implemented yet, it's difficult to project where things will go. Once there are answers to what policies will be implemented, there will be more clarity on the overall effects on the market and allow decision makers to act accordingly.

## SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2123-2129 Monterey Hwy	San Jose	58,534	\$13,000,000	\$222.09	Tk Holdings, Inc.	Menlo Land & Capital Xia Llc
37444 Sycamore St	Newark	56,941	\$9,300,000	\$163.33	Newark Industrial Park, LLC	37444 Sycamore, LLC
1028 W Evelyn Ave	Sunnyvale	12,000	\$5,975,000	\$497.92	Escudero Sunnyvale West, LLC	Trago Investments, LLC
760 San Antonio Rd	Palo Alto	11,186	\$5,525,000	\$493.92	Smtkd, LLC	Bach Investment Co.
1472 Gladding Ct	Milpitas	8,224	\$2,550,000	\$310.09	Tuyen Chung & Suping Zeng Revocable Trust	Silicon Valley World Trade Corp.

## SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
47550 Kato Rd	Fremont	261,242	February 2025	Fortress Investment Group	AIVRES	New Lease
48350 Fremont Blvd	Fremont	246,450	February 2025	Prologis, Inc.	Supermicro Computer, Inc.	New Lease
40541 Albrae St	Fremont	190,503	February 2025	Ares Industrial R.E. Income Trust, Inc.	Mitac Industrial	New Lease
6955 Mowry Ave	Newark	161,000	January 2025	Vivico Partnership	Valassis Digital, Inc.	New Lease
38505 Cherry St	Newark	103,645	January 2025	Prologis, Inc.	Columbia Steel Services, Inc.	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 R.E. 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
5920 Hellyer Ave	San Jose	134,589	June 2025	Oaktree Capital Management

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



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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>26.2M</b> ANNUAL SALES SF	<b>36.7M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>58M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>850+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,400+</b> AVERAGE ASSIGNMENTS	<b>39</b> TOTAL APPRAISERS	<b>24</b> WITH MAI DESIGNATIONS

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