

MARKET TRENDS

SILICON VALLEY INDUSTRIAL



Year-Over-Year Change

MARKET DRIVERS

Since the last quarter, availability rates rose 10 basis points (bps) to 5.3% for industrial space, while warehouse dropped 50 bps to 7.8%.

Direct vacancy rate for both properties grew since last quarter. Industrial reached 4.4%, a 20 bps change, and warehouse had a 10 bps increase to 4.4%. For industrial, this is the highest recorded since 2011. Warehouse is still below the 6.0% high recorded in 2Q21.

Direct asking rates for industrial properties are down 5.4% since 2Q24, reaching \$1.93. Despite the drop, this rate is still significantly higher than the 5-year average of \$1.67. Warehouse is up 1.9% in the same time frame, reaching \$1.59, a tad lower than last quarter's record high.

Industrial leasing has remained consistent, matching last year's pace year-to-date. In contrast, Warehouse activity is down 17.6% from this time in 2024, partly due to a 30.3% drop from last quarter.

Although industrial sales are 70.7% lower than they were at this time last year, warehouse demand has skyrocketed. This quarter alone has eclipsed the activity from the first half of 2024 altogether. This increase in sales is a great sign of demand, despite the lackluster leasing activity.

Industrial saw negative net absorption this quarter but remains positive year-to-date. Meanwhile, Warehouse has posted three straight negative quarters and is aiming for a rebound.

ECONOMIC OVERVIEW

From January to April 2025, California's unemployment rate edged down by 10 basis points to 5.3%, while Santa Clara County saw a steeper decline of 40 basis points, falling to 3.9%.

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 121.6K jobs, marking a 0.5% dip since last quarter and a 2.6% decrease since 2Q24. The trade, transportation, and utilities sector recorded 116.0K jobs, 1.2% and 0.4% lower in the respective time frames.

NEAR-TERM OUTLOOK

The Silicon Valley industrial market is experiencing renewed momentum as both investors and occupiers respond to shifting macroeconomic forces. In Fremont, Prologis acquired the 177,000-square-foot warehouse at 5555 Auto Mall Parkway for \$59 million, reinforcing confidence in core infill submarkets. The transaction comes as Prologis and other institutional players ramp up activity amid increased logistics demand driven by global supply chain disruption and rising tariffs.

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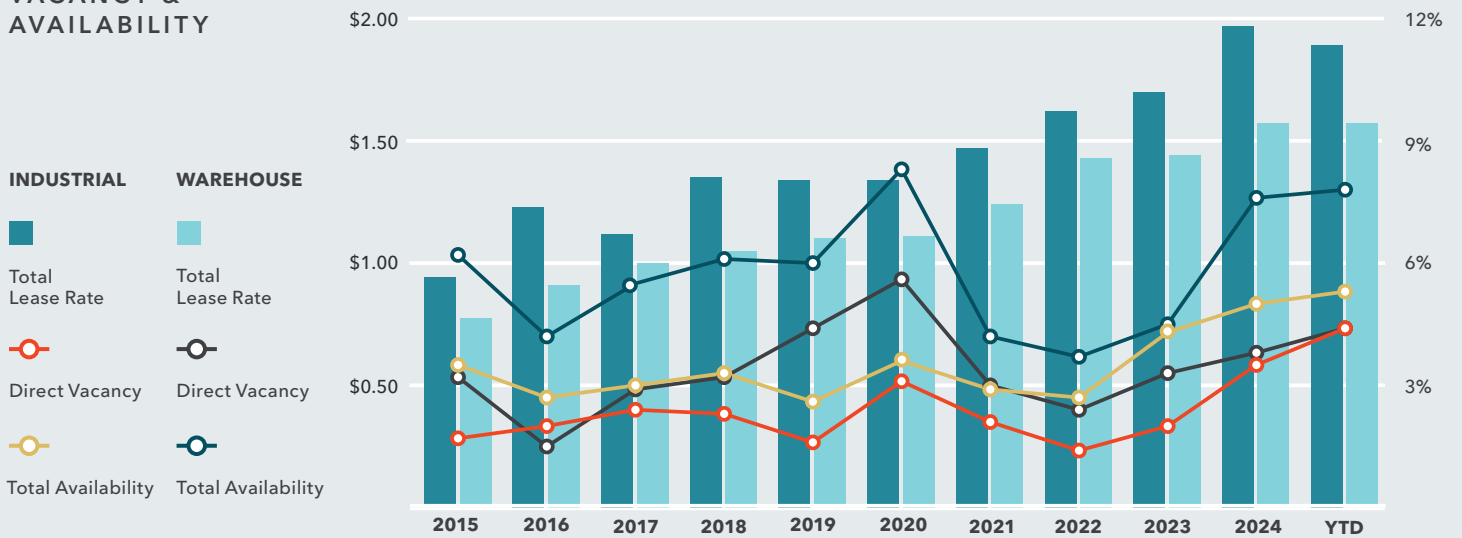
INDUSTRIAL MARKET BREAKDOWN

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	4.4%	4.2%	2.7%	170 bps
Availability Rate	5.3%	5.2%	4.3%	100 bps
Asking Lease Rate	\$1.93	\$1.90	\$2.04	-5.4%
	2Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	369,016	747,175	742,202	0.7%
Sold SF	76,584	133,525	456,129	-70.7%
Direct Net Absorption	-91,331	167,653	-110,578	N/A

WAREHOUSE MARKET BREAKDOWN

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	4.4%	4.3%	3.8%	60 bps
Availability Rate	7.8%	7.3%	5.3%	250 bps
Asking Lease Rate	\$1.59	\$1.61	\$1.56	1.9%
	2Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	431,531	1,050,880	1,274,820	-17.6%
Sold SF	691,776	784,108	162,590	382.3%
Direct Net Absorption	-54,320	-396,121	-158,794	N/A

LEASE RATE, VACANCY & AVAILABILITY

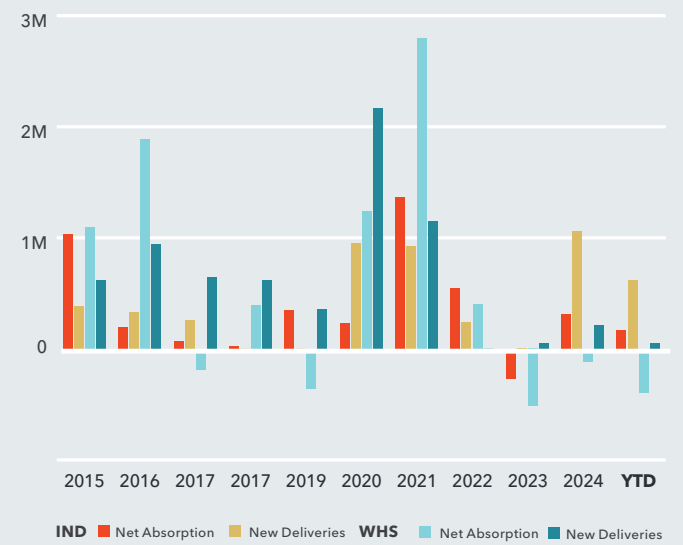


BIGGEST SALE OF THE QUARTER

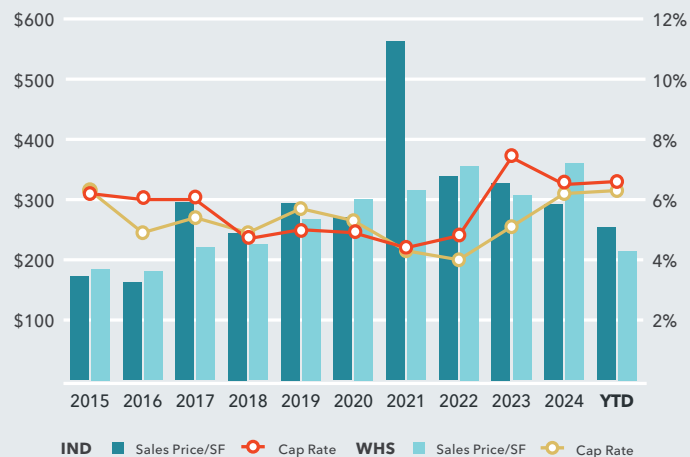
555 Auto mall Pkwy, Fremont



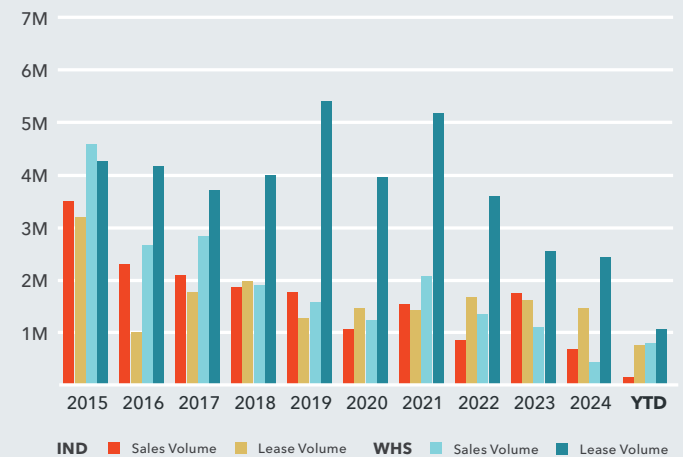
NET ABSORPTION & NEW DELIVERIES



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	2Q25 Direct Net Absorption	YTD Direct Net Absorption	2Q25 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	992,812	-	5.2%	5.9%	8.1%	-1,000	4,000	2,488	2,488	\$1.91
Cupertino	537,376	-	0.0%	0.0%	0.0%	0	0	0	0	
Fremont	11,824,953	-	5.1%	6.0%	4.8%	-22,111	130,964	263,216	455,956	\$1.76
Milpitas	2,635,629	-	3.3%	3.3%	3.4%	0	123,574	0	0	\$2.58
Mountain View	758,789	-	0.7%	0.7%	0.7%	30,198	13,740	0	35,500	\$3.02
Newark	3,221,345	-	6.2%	6.2%	9.8%	13,940	18,940	18,940	18,940	\$1.54
Palo Alto	1,386,802	-	0.1%	0.1%	5.4%	-1,425	-1,425	0	11,568	\$2.25
San Jose	15,605,444	635,833	5.8%	5.9%	7.6%	-107,875	-112,097	52,034	87,221	\$1.72
Santa Clara	9,141,148	-	3.3%	3.8%	4.3%	-21,758	15,549	24,708	109,172	\$1.91
Sunnyvale	4,145,274	-	0.6%	0.6%	0.4%	18,700	-25,592	7,630	26,330	\$2.35
Silicon Valley Industrial Total	50,249,572	635,833	4.4%	4.7%	5.3%	-91,331	167,653	369,016	747,175	\$1.93
Campbell	744,399	-	1.2%	1.2%	2.6%	276	-414	1,200	1,200	\$1.65
Cupertino	149,461	-	0.0%	0.0%	0.0%	0	0	0	0	
Fremont	17,008,255	-	3.8%	6.4%	8.7%	-33915	-94015	53,331	68,894	\$1.62
Milpitas	6,482,835	-	3.7%	4.9%	4.1%	14480	-40792	101,990	137,220	\$1.54
Mountain View	840,723	-	7.8%	8.5%	11.0%	6100	8824	0	16,500	\$2.57
Newark	5,613,302	-	6.4%	10.7%	12.7%	56742	74043	3,135	278,287	\$1.37
Palo Alto	554,406	-	0.2%	0.2%	1.0%	0	0	0	0	\$2.21
San Jose	26,011,879	1,010,542	5.2%	5.6%	8.8%	-111800	-356182	236,916	397,938	\$1.46
Santa Clara	6,170,148	-	2.0%	2.4%	3.5%	-7616	-13607	34,959	126,548	\$1.58
Sunnyvale	2,006,349	-	3.9%	3.9%	3.9%	21413	26022	0	24,293	\$2.61
Silicon Valley Warehouse Total	65,581,757	1,010,542	4.4%	5.7%	7.8%	-54320	-396,121	431,531	1,050,880	\$1.57

NEAR-TERM OUTLOOK CONTINUED

Leasing fundamentals remain healthy. The recently completed 880 Technology Center reached full occupancy less than a year after delivery, with tenants in AI hardware and electric vehicle innovation. This success reflects the city's strategic land-use flexibility, converting former retail sites into high-value industrial campuses. Nearby, BKM Capital Partners purchased the 165,000-square-foot Hanover Industrial Park with plans to reposition the partially leased asset. The firm also secured a \$1.5 billion joint venture with Kayne Anderson to expand its footprint in light industrial across the Bay Area and beyond.

Strong tenant demand and AI-related growth continue to reshape the industrial landscape. Fremont is seeing robust activity from occupiers seeking heavy power, modern infrastructure, and access to Silicon Valley's talent pool. Investors remain bullish on the long-term potential of this market, especially in submarkets with limited development pipelines and below-replacement-cost acquisition opportunities.

Tariffs and construction costs remain headwinds. Steel and aluminum price hikes, compounded by evolving trade policy, have pushed developers to adopt new strategies, including bulk materials purchasing and tariff contingencies. General contractors are adjusting forecasts, with some materials seeing lower-than-expected cost increases while others remain volatile.

Prologis executives noted during their earnings call that global fragmentation is prompting occupiers to duplicate infrastructure across markets. As companies diversify supply chains and build regional redundancy, demand for warehouse space is increasing—a dynamic that played out in the UK post-Brexit and may now unfold across the U.S. Amid geopolitical risk, 3PLs are gaining popularity, offering flexibility in an unpredictable trade environment. Despite broader economic uncertainty, Silicon Valley's industrial sector remains fundamentally strong, with institutional capital, tech-driven demand, and strategic land use continuing to shape its trajectory.

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
5555 Auto Mall Pkwy	Fremont	177,041	\$59,000,000	\$333.26	Prologis	LBA Logistics
4755-4900 Hannover Pl	Fremont	165,243	\$43,000,000	\$260.22	BKM Capital Partners	FJM Investments, LLC
1511 Buckeye Dr*	Milpitas	319,835	\$40,400,000	\$126.32	Goodman Group	Analog Devices, Inc.
1845-1879 Walsh Ave*	Santa Clara	51,900	\$11,046,000	\$212.83	Greenwich Street Capital	CA 1805 Walsh, LLC
6711 Central Ave	Newark	7,500	\$5,887,500	\$785.00	Subway	Ferma Corporation

*Portfolio Sale

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
42701-42735 Christy St	Fremont	253,440	April 2025	Blackrock Realty Advisors	Sanmina Corp.	Renewal
45101 Industrial Dr	Fremont	178,911	June 2025	Link Logistics	Quanta Computer	Renewal
40901 Encyclopedia Cir	Fremont	157,783	June 2025	Ares Management	MiTAC Information Systems Corp.	New Lease
48888 Fremont Blvd	Fremont	101,830	May 2025	BlackRock, Inc.	Pivot Interiors	Renewal
755 Yosemite Dr	Milpitas	97,000	May 2025	Bottomley Distribution Co.	Rivian	New Lease

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Bridge Point San Jose	San Jose	714,419	February 2026	Bridge Industrial
Edenvale Industrial Park	San Jose	635,833	June 2025	Hines
5920 Hellyer Ave	San Jose	134,589	June 2025	Oaktree Capital Management
2925 S. King Rd	San Jose	89,984	February 2026	Oaktree Capital Management
880 Industrial Center - Phase II	San Jose	71,550	February 2026	LBA Logistics

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



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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

58M SF

MANAGEMENT
PORTFOLIO SIZE

850+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS