Kidder Mathews

3Q 2025

MARKET TRENDS

SILICON VALLEY *INDUSTRIAL*

↑	VACANCY	↓	ABSORPTION
↓	RENTAL RATES	↔	CONSTRUCTION DELIVERIES

Year-Over-Year Change

MARKET DRIVERS

Since the last quarter, availability rates remained at 5.5% for industrial space, while warehouse rose 50 basis points (bps) to 8.3%.

Direct vacancy rates for both properties grew since last quarter. Industrial reached 4.7%, a 40 bps change, and warehouse had a 10-bps increase to 4.3%. For industrial, this is the highest recorded since 2011. Warehouse is still below the 6.0% high recorded in 3Q21.

Direct asking rates for industrial properties are down 1.0% since 3Q24, reaching $1.96. Despite the drop, this rate is still significantly higher than the 5-year average of $1.67. Warehouse properties are up 2.6% in the same time frame, reaching $1.59, a tad lower than last quarter's record high.

For industrial, leasing activity is up 80.9% compared to last year's cumulative activity to this point. Warehouse activity is also 16.2% higher than it was at this point in 2024, due in part to this quarter's 894.1K SF of activity, the highest recorded since 2Q23.

Although industrial sales are 54.7% lower than they were at this time last year, warehouse sales have picked up the slack. On the year, warehouse sales are 149.0% higher than it was last year. This increase in sales is a great sign of demand for this market.

Industrial's net absorption was negative this quarter but remains positive to this point of the year. Warehouse on the other hand has had four straight negative quarters and is looking to rebound and finish positive for the first time since 2022.

ECONOMIC OVERVIEW

California's unemployment increased 20 bps to 5.5%, while Santa Clara County increased 80 bps to 4.7% between May and August.

The manufacturing jobs and the trade, transportation, and utilities job sectors in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) have shown modest decline over the year. The manufacturing sector reported 122.3K jobs, adding 600 jobs since last quarter, but a 3.0% decrease since 3Q24. The trade, transportation, and utility sector recorded 116.0K jobs, 700 jobs less than this time last year and just 100 shy of last quart's figures.

NEAR-TERM OUTLOOK

Silicon Valley's industrial market remained resilient through the third quarter of 2025, with new construction and policy-driven optimism counterbalancing lingering economic uncertainty.

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INDUSTRIAL MARKET BREAKDOWN

	3Q25	2Q25	3Q24	YOY Change
Direct Vacancy Rate	4.7%	4.3%	2.7%	**200 bps**
Availability Rate	5.5%	5.5%	4.6%	**90 bps**
Asking Lease Rate	$1.96	$1.83	$1.98	**-1.0%**

	3Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	328,977	1,448,666	800,762	**80.9%**
Sold SF	157,293	278,408	614,736	**-54.7%**
Direct Net Absorption	-165,642	52,237	-136,940	**N/A**

WAREHOUSE MARKET BREAKDOWN

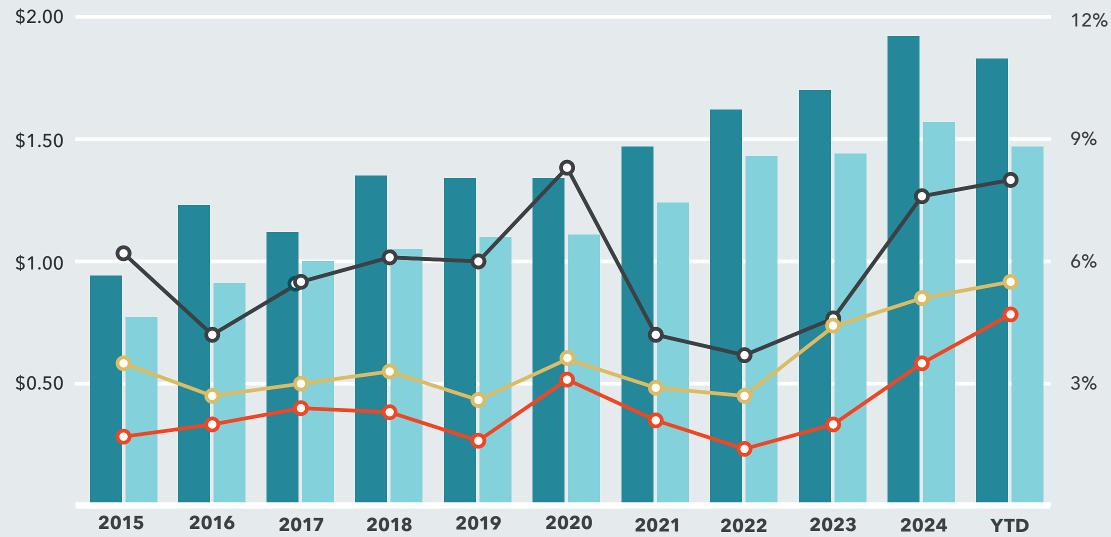
	3Q25	2Q25	3Q24	YOY Change
Direct Vacancy Rate	4.3%	4.2%	3.4%	**90 bps**
Availability Rate	8.3%	7.8%	6.8%	**150 bps**
Asking Lease Rate	$1.59	$1.57	$1.55	**2.6%**

	3Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	894,058	2,092,951	1,801,458	**16.2%**
Sold SF	104,442	723,537	290,591	**149.0%**
Direct Net Absorption	-42,572	-319,374	80,852	**N/A**

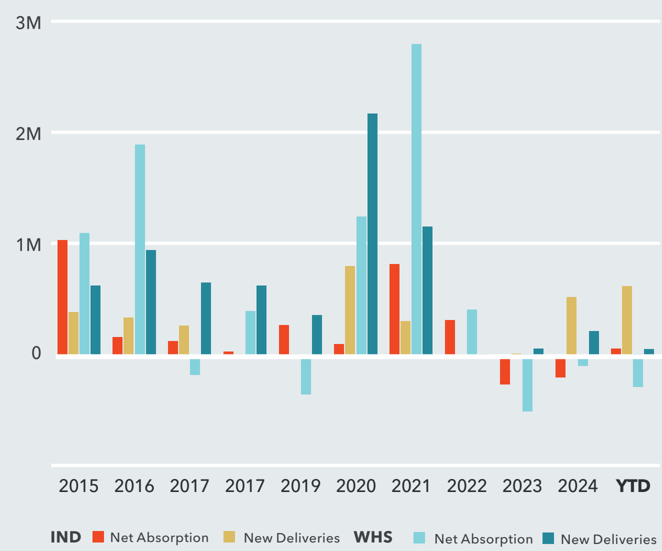
LEASE RATE, VACANCY & AVAILABILITY

INDUSTRIAL
- Total Lease Rate
- Direct Vacancy
- Total Availability

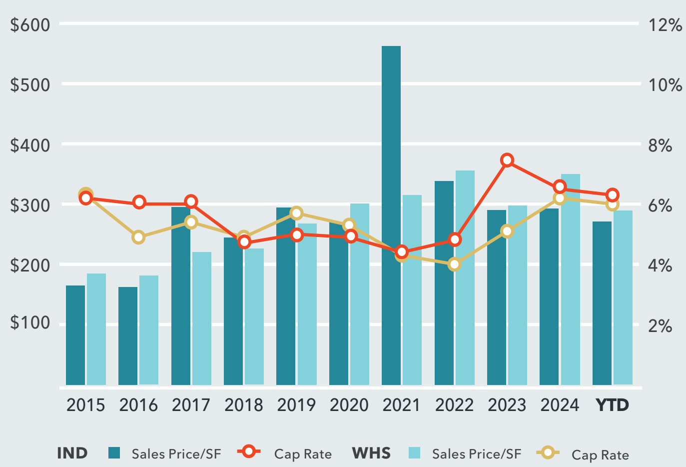
WAREHOUSE
- Total Lease Rate
- Direct Vacancy
- Total Availability



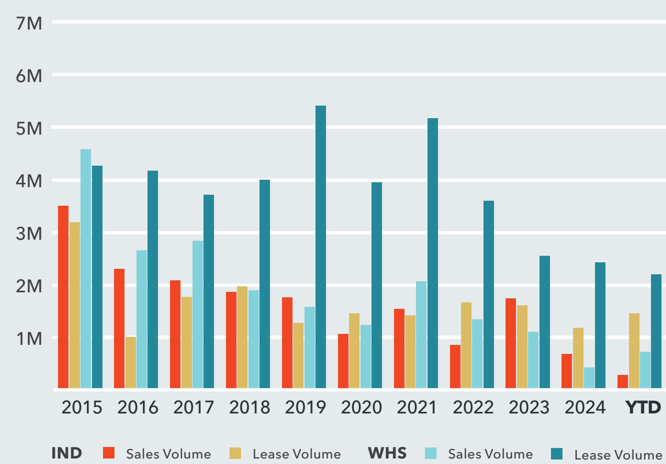
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory (SF)	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q25 Direct Net Absorption	YTD Direct Net Absorption	3Q25 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	956,526	0	8.8%	8.8%	8.8%	-32,091	-28,091	7,002	10,990	$2.25
Cupertino	537,376	0	0.0%	0.0%	0.0%	0	0	0	0	0
Fremont	11,566,651	69,872	5.1%	6.1%	5.1%	26,997	157,961	48,748	758,144	$1.96
Milpitas	2,570,812	0	3.0%	3.0%	3.0%	12,232	135,806	0	0	$2.58
Mountain View	737,637	0	0.7%	0.7%	0.7%	0	13,740	0	35,500	$3.02
Newark	3,099,620	0	7.6%	8.4%	10.0%	-36,437	-17,497	60,960	183,488	$1.61
Palo Alto	1,386,802	0	5.3%	5.3%	5.4%	-71,989	-73,414	1,425	12,993	$2.25
San Jose	14,999,709	134,589	6.1%	6.3%	8.0%	-62,944	-129,179	155,456	246,663	$1.71
Santa Clara	7,214,265	0	2.7%	3.0%	3.6%	-9,040	10,873	44,744	163,916	$1.93
Sunnyvale	3,972,600	0	0.5%	0.5%	0.2%	7,630	-17,962	10,642	36,972	$2.37
Silicon Valley Industrial Total	**47,041,998**	**204,461**	**4.7%**	**5.1%**	**5.5%**	**-165,642**	**52,237**	**328,977**	**1,448,666**	**$1.96**
Campbell	744,399	0	0.7%	0.7%	2.1%	3,690	3,276	3,690	4,890	$1.65
Cupertino	149,461	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	16,973,469	0	3.6%	7.0%	7.9%	-16,478	-63,654	393,136	642,621	$1.62
Milpitas	6,454,415	0	2.7%	5.1%	5.7%	-30,730	24,728	128,620	265,840	$1.54
Mountain View	840,723	0	7.9%	7.9%	11.4%	-553	8,271	9,138	25,638	$2.52
Newark	5,599,802	0	6.5%	10.5%	12.2%	-4,722	69,321	169,724	448,011	$1.34
Palo Alto	543,770	0	4.6%	4.6%	4.6%	-13,402	-23,708	0	0	$2.21
San Jose	25,826,359	1,727,486	5.3%	5.9%	10.0%	1,917	-378,769	107,915	499,757	$1.50
Santa Clara	6,170,780	0	1.5%	2.0%	1.3%	19,176	16,609	151,810	284,358	$1.68
Sunnyvale	2,028,670	0	3.9%	10.2%	10.1%	-1,470	24,552	1,920	26,213	$2.44
Silicon Valley Warehouse Total	**65,331,848**	**1,727,486**	**4.3%**	**6.2%**	**8.3%**	**-42,572**	**-319,374**	**894,058**	**2,092,951**	**$1.59**

NEAR-TERM OUTLOOK CONTINUED

Market fundamentals showed steady performance as vacancy increased modestly to 6.2%, up from 5.5% in Q2, while average asking rents held firm at $1.59 PSF NNN. The overall inventory stands at 65.3M SF, with 635,000 SF currently under construction—a restrained pace that reflects both measured developer confidence and elevated financing costs.

One of the few ground-up developments to break ground this quarter was the Campus at Bayside in Fremont, a six-building, 473,000 SF industrial project by 9th Street Partners and Clarion Partners. The development, located within Bayside Technology Park, marks a notable milestone as the only new commercial construction start in Silicon Valley this quarter. With flexible building sizes and robust power capacity, the project targets tenants in AI, advanced manufacturing, new energy, and automotive sectors. City officials noted that Fremont continues to lead in AI server manufacturing, underscoring the region's emergence as a hub for technology-driven industrial demand.

Broader construction sentiment has been shaped by federal policy developments. According to DPR Construction's latest Market Conditions Report, the recently passed One Big Beautiful Bill Act is expected to boost commercial and industrial project starts by making permanent the 100% depreciation allowance for buildings and equipment. While this measure could help restart stalled projects, industry leaders cautioned that labor shortages, tariffs, and rising material costs—particularly in steel, copper, and aluminum—remain key headwinds.

Meanwhile, corporate realignment continues to influence occupancy trends. QuantumScape, a San Jose-based battery manufacturer, announced an early termination of its lease at 1750 Automation Parkway, signaling a shift toward a leaner, capital-light operating model.

Despite mixed signals, sentiment across the industrial sector remains cautiously optimistic. Developers and tenants alike are adapting to changing economic conditions, while policy incentives and AI-related demand provide a foundation for gradual growth heading into 2026.

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
1130-1170 Olinder Ct	San Jose	64,595	$18,000,000	$278.66	CSB Partners, LP	Morgan Stanley & Co., LLC
1841-1853 S 7th St	San Jose	33,300	$16,600,000	$498.50	PG&E Corporation	Layline, LLC
1903-1911 Tarob Ct	Milpitas	34,910	$13,500,000	$386.71	Toll Brothers, Inc.	Geomax Developers
2000 Oakland Rd	San Jose	23,367	$12,000,000	$513.54	Quinn Enterprises, LP	TMT Enterprises, Inc.
1677 Little Orchard St	San Jose	6,000	$2,550,000	$425.00	Mario Plascencia	Zingheim Family Bypass Trust

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
47422 Kato Rd	Fremont	214,809	September 2025	UBS	The New IEM, LLC	New Lease
565 Sinclair Frontage Rd	Milpitas	120,965	August 2025	EastGroup Properties, Inc.	Lockheed Martin	Renewal
650 N King Rd	San Jose	110,119	August 2025	Ares Industrial R.E. Income Trust Inc.	THERMA, LLC	New Lease
40577 Albrae St	Fremont	100,290	August 2025	Link Logistics Real Estate	Quanta Computer	New Lease
3660 Thomas Rd	Santa Clara	65,069	July 2025	Terreno Realty	Archer Aviation	Renewal

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
Second Harvest HQ	San Jose	215,700	January 2027	Second Harvest of Silicon Valley
5920 Hellyer Avenue	San Jose	134,589	June 2025	Oaktree Capital Management
2925 S. King Road	San Jose	89,984	February 2026	Oaktree Capital Management

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

Kidder Mathews

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, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS