

MARKET TRENDS

SILICON VALLEY INDUSTRIAL



Year-Over-Year Change

MARKET DRIVERS

Since the last quarter, availability rates remained at 6.1% for industrial space, while warehouse space dropped 80 basis points (bps) to 7.3%.

Direct vacancy rates for both properties declined since last quarter. Industrial reached 4.2%, a 40 bps change, and warehouse had a 20 bps increase to 4.2%. For industrial, this is the first time these rates have dropped in over a year for each product type.

Direct asking rates for industrial properties are down 8.6% since 3Q24, reaching \$1.80. Despite the drop, this rate is still higher than the 5-year average of \$1.76. Warehouse properties are down 0.6% in the same time frame, reaching \$1.59, just lower than the record high of \$1.61 recorded in the first quarter of this year.

For Industrial, leasing activity is 48.2% higher than last year's cumulative activity to this point. Warehouse activity is also 9.6% higher than it was in 2024 and is the most activity seen since 2022.

For both industrial and warehouse markets, sales nearly double in SF for both, with industrial being 88.9% higher and warehouse being 96.8% higher. This increase in sales and leasing activity is a great sign of demand for this market.

Industrial's net absorption this quarter posted its highest total in over a decade, bringing the total direct net absorption well over 1M SF. Warehouse on the other finished negative, due to 3 straight quarters of negative absorption before a slight rebound this quarter.

ECONOMIC OVERVIEW

Due to the government shutdown, the most recent unemployment data we have is from September of this year, when California inched up to a 5.6% rate, while Santa Clara County had a slight decline, reaching 4.5%.

In September, the manufacturing jobs and the trade, transportation, and utilities job sectors in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) are at the same rate as they were at that time in 2024 (116.0K jobs). The manufacturing sector reported 121.0K jobs, a 3.0% decrease in the same time frame.

NEAR-TERM OUTLOOK

The Silicon Valley industrial market is showing clear signs of renewed momentum as it enters 2026, supported by improving leasing activity, rising investor confidence, and a more defined demand profile.

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INDUSTRIAL MARKET BREAKDOWN

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	4.2%	4.6%	3.7%	50 bps
Availability Rate	6.1%	6.1%	5.2%	90 bps
Asking Lease Rate/SF/Mo	\$1.80	\$1.92	\$1.97	-8.6%
	4Q25	2025	2024	YOY Change
Leased SF	459,064	1,799,449	1,214,324	48.2%
Sold SF	541,969	1,286,340	680,877	88.9%
Direct Net Absorption (SF)	684,520	1,580,564	-271,876	N/A

WAREHOUSE MARKET BREAKDOWN

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	4.2%	4.4%	3.8%	40 bps
Availability Rate	7.3%	8.1%	7.9%	-60 bps
Asking Lease Rate/SF/Mo	\$1.59	\$1.60	\$1.56	1.9%
	4Q25	2025	2024	YOY Change
Leased SF	215,462	2,633,538	2,401,959	9.6%
Sold SF	246,781	1,024,317	520,528	96.8%
Direct Net Absorption (SF)	152,839	-151,351	-127,075	N/A

LEASE RATE, VACANCY & AVAILABILITY



BIGGEST SALE OF THE QUARTER

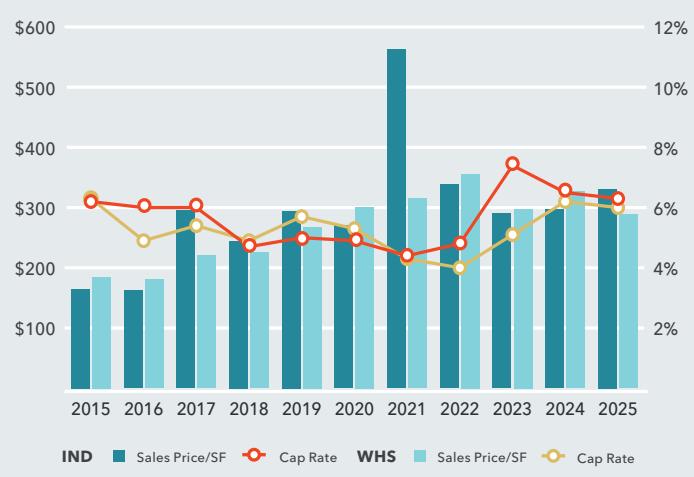
1130-1170 Olinder Ct, San Jose



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	4Q25 Direct Net Absorption	2025 Direct Net Absorption	4Q25 Gross Absorption	2025 Gross Absorption	Rental Rate
Campbell	953,253	0	16.5%	16.5%	16.5%	-72,991	-101,082	0	10,990	\$1.91
Cupertino	537,376	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	11,810,301	69,872	3.2%	4.2%	6.9%	205,265	363,226	6,377	764,521	\$1.97
Milpitas	3,924,826	0	1.9%	2.7%	9.5%	0	135,806	82,179	82,179	\$1.88
Mountain View	781,292	0	0.7%	0.7%	0.0%	0	13,740	5,302	40,802	\$3.41
Newark	3,228,186	0	10.6%	10.9%	13.1%	-154,086	-122,623	0	183,488	\$1.44
Palo Alto	1,390,802	0	5.3%	5.6%	0.5%	0	-73,414	74,974	87,967	\$2.25
San Jose	17,010,025	0	5.8%	5.8%	7.6%	97,868	4,423	269,592	406,136	\$1.70
Santa Clara	14,544,428	0	3.2%	3.3%	3.3%	597,822	1,360,488	20,640	186,394	\$1.71
Sunnyvale	4,300,156	0	0.0%	0.0%	0.0%	10,642	0	0	36,972	\$2.53
Silicon Valley Industrial Total	58,480,645	69,872	4.2%	4.6%	6.1%	684,520	1,580,564	459,064	1,799,449	\$1.80
Campbell	744,399	0	0.4%	0.4%	2.0%	2,004	5,280	5,020	9,910	\$2.73
Cupertino	149,461	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	17,102,461	0	3.7%	5.9%	5.3%	14,513	-54,877	51,675	997,404	\$1.59
Milpitas	5,195,222	0	5.4%	8.4%	7.3%	-104,302	-79,574	104,258	370,098	\$1.63
Mountain View	840,723	0	6.3%	6.3%	7.8%	12,900	21,171	29,550	55,188	\$2.63
Newark	5,618,052	0	3.5%	7.5%	6.7%	167,034	236,355	229,276	677,287	\$1.35
Palo Alto	543,770	0	4.6%	4.6%	4.6%	0	-23,708	0	0	\$2.00
San Jose	25,797,328	804,403	4.9%	5.5%	9.3%	80,322	-269,362	154,525	696,853	\$1.50
Santa Clara	6,132,018	0	2.0%	2.4%	1.7%	-24,942	-5,529	41,798	326,200	\$1.71
Sunnyvale	2,000,095	0	4.1%	10.4%	19.1%	5,310	18,893	3,390	29,603	\$1.74
Silicon Valley Warehouse Total	64,123,529	804,403	4.2%	5.8%	7.3%	152,839	-151,351	215,462	2,633,538	\$1.59

NEAR-TERM OUTLOOK CONTINUED

After an extended post-pandemic period marked by elevated availability, conditions are tightening, particularly for functional and well-located industrial assets. Direct vacancy for industrial properties declined to 4.2% this quarter, the first notable reduction in over a year, while leasing activity is up more than 48% compared with the same point last year. Net absorption surpassed one million square feet, representing the strongest quarterly performance in over a decade and signaling a shift from tenant consolidation to expansion.

Demand is increasingly concentrated among advanced manufacturing, aerospace, and technology-adjacent users rather than traditional logistics operators. Growth tied to artificial intelligence hardware, data-center infrastructure, and specialized manufacturing has elevated the importance of power availability, building functionality, and zoning flexibility. Submarkets such as Fremont and North San Jose continue to benefit from this shift, as newer or upgraded facilities are absorbed more quickly than older, power-constrained product. While asking rents have softened modestly from peak levels, they remain above long-term averages, suggesting the market is stabilizing rather than weakening.

Investment activity reinforces this outlook. Industrial sales volume nearly doubled year-over-year, driven by institutional and private capital targeting assets with repositioning potential. Recent transactions reflect a willingness to invest in building upgrades, particularly power infrastructure, to meet evolving tenant requirements. Financing activity has also improved, with lenders showing greater appetite for well-located assets with strong leasing fundamentals.

Looking ahead, limited new construction and ongoing power constraints are expected to restrict supply growth, supporting occupancy and pricing in the near term. While macroeconomic uncertainty remains a consideration, Silicon Valley's industrial market is positioned to benefit from durable, technology-driven demand and sustained investor interest into 2026.

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
4650 Old Ironsides Dr	Santa Clara	224,505	\$97,000,000	\$432.06	CenterSquare	Menlo Equities
7411 Central Ave	Newark	143,086	\$34,000,000	\$237.62	Palisade Group	United Logistics Solutions, Inc.
905 McLaughlin Ave	San Jose	80,253	\$20,250,000	\$252.33	Longpoint Realty Partners	LBA Logistics
1655 Little Orchard St	San Jose	95,936	\$14,500,000	\$151.14	Spieker Investments	Freidrik & Souzi Ternian
1501 Martin Ave	Santa Clara	37,780	\$10,025,000	\$265.35	JP DiNapoli Companies	Intel

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
7380 Morton Ave	Newark	225,679	November 2025	Terreno	Quanta Computer, Inc.	New Lease
44509 Pacific Commons Blvd	Fremont	178,910	November 2025	OMP, Overton Moore Prop./Invesco	Quanta Computer, Inc.	New Lease
650 N King Rd	San Jose	102,564	October 2025	ARES Management	Legence (Therma Hldgs.)	New Lease
45401 Research Ave	Fremont	89,195	November 2025	Lincoln Property Company	Tesla	New Lease
999-1075 Montague Expy, Building 3	Milpitas	82,179	November 2025	WP Investments	DGA Services	Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Bridge Point San Jose	San Jose	714,419	February 2026	Bridge Industrial
2925 S. King Road	San Jose	89,984	February 2026	Oaktree Capital Management
43990 Fremont Blvd	Fremont	69,872	June 2025	43990 Fremont Holdings, LLC

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 SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	41 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS