Kidder Mathews

1Q 2026

MARKET TRENDS

SILICON VALLEY *INDUSTRIAL*

↔ VACANCY	↓ ABSORPTION
↓ RENTAL RATES	↓ CONSTRUCTION DELIVERIES

Year-Over-Year Change

MARKET DRIVERS

Since the last quarter, availability rates fell 120 basis points (bps) to 5.6% for industrial space, while warehouse space increased 110 bps to 8.0%.

Direct vacancy trends diverged this quarter: industrial fell 60 bps to 4.3%, back to its 1Q25 level, while warehouse rose 60 bps to 5.6%, the highest level in over three years.

Direct asking rates for industrial properties are down 5.8% since 1Q25, reaching $1.80. Despite the drop, this rate is still slightly higher than the 5-year average of $1.76. Warehouse properties are up 0.6% in the same time frame, reaching $1.57, which is also above the 5-year average of $1.45.

Industrial leasing activity is 4.3% higher year-to-date, while warehouse leasing is down 57.0% from 1Q 2025, reflecting a slower start for large distribution users.

For both industrial and warehouse markets, sales activity increased in square footage terms compared with the same time last year. Industrial sales volume rose 517.8%, while warehouse sales increased 122.2%, signaling that buyers remain active for well-located functional assets even as underwriting stays selective.

Industrial direct net absorption remained slightly negative in 1Q26, though it improved from last quarter. Warehouse, on the other hand, posted negative 395.4K SF of direct net absorption after finishing positive in 4Q25, reinforcing that recovery has been uneven across the two product types.

ECONOMIC OVERVIEW

In December 2025, California's unemployment rate was 5.5%, while Santa Clara County recorded a 4.0% unemployment rate. The county remains below the statewide average, though labor conditions are still modestly softer than they were a year ago.

In the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA), manufacturing employment measured 120.2K jobs in December 2025, down from 121.0K in September. Trade, transportation, and utilities employment was essentially flat at 116.7K jobs, indicating that industrial-linked employment remains relatively stable despite broader economic caution.

continued on page 3

INDUSTRIAL MARKET BREAKDOWN

	1Q26	4Q25	1Q25	YOY Change
Direct Vacancy Rate	4.3%	4.9%	4.3%	**0 bps**
Availability Rate	5.6%	6.8%	5.4%	**20 bps**
Asking Lease Rate/SF/Mo	$1.80	$1.80	$1.91	**-5.8%**

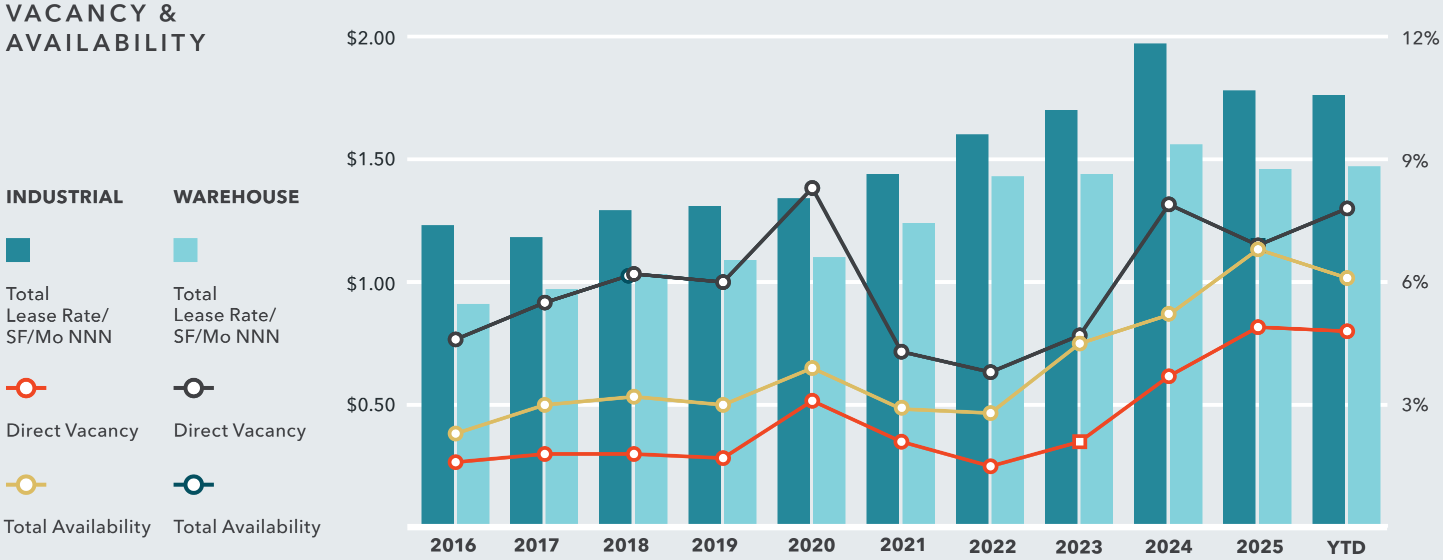
	1Q26	4Q25	1Q25	YOY Change
Leased SF	502,493	718,833	481,747	**4.3%**
Sold SF	351,806	828,325	56,941	**517.8%**
Direct Net Absorption (SF)	-25,015	-42,914	291,421	**N/A**

WAREHOUSE MARKET BREAKDOWN

	1Q26	4Q25	1Q25	YOY Change
Direct Vacancy Rate	5.6%	5.0%	4.5%	**110 bps**
Availability Rate	8.0%	6.9%	7.6%	**40 bps**
Asking Lease Rate/SF/Mo	$1.57	$1.58	$1.56	**0.6%**

	1Q26	4Q25	1Q25	YOY Change
Leased SF	256,087	904,902	595,922	**-57.0%**
Sold SF	205,169	192,503	92,332	**122.2%**
Direct Net Absorption (SF)	-395,373	204,216	-350,754	**N/A**

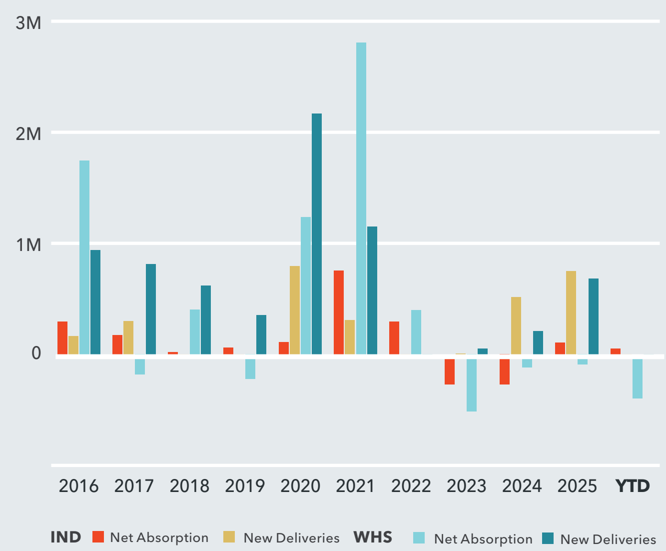
LEASE RATE, VACANCY & AVAILABILITY



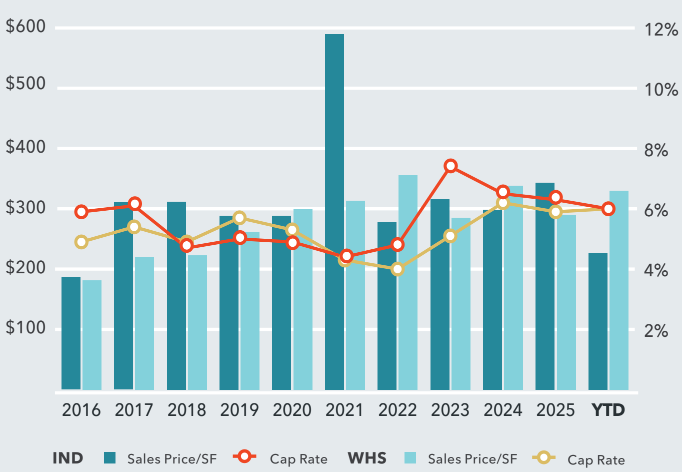
BIGGEST SALE OF THE QUARTER

44100 Osgood Rd, Fremont, CA

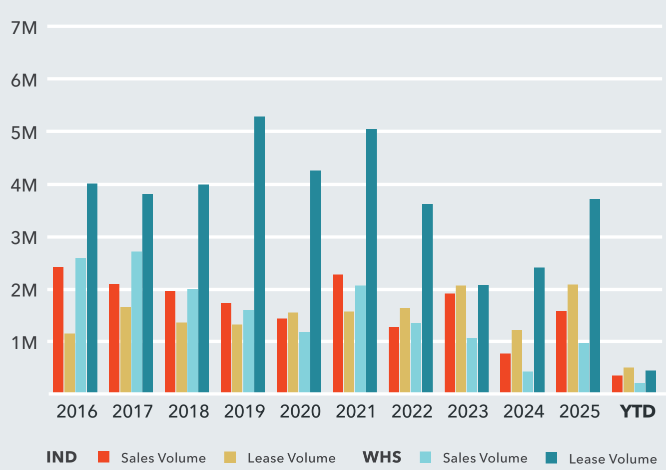
NET ABSORPTION & NEW DELIVERIES



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	1Q26 Direct Net Absorption	2025 Direct Net Absorption	1Q26 Gross Absorption	2025 Gross Absorption	Rental Rate
Campbell	953,253 SF	0	16.5%	16.8%	16.8%	100	-101,082	0	10,990	$1.91
Cupertino	537,376 SF	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	11,942,008 SF	413,024	0.6%	2.3%	3.4%	316,058	363,226	270,867	764,521	$2.11
Milpitas	3,963,660 SF	294,000	0.9%	1.7%	7.6%	39,812	135,806	36,036	82,179	$1.88
Mountain View	781,292 SF	0	4.1%	4.1%	4.4%	-26,967	13,740	0	40,802	$2.96
Newark	3,228,186 SF	0	15.5%	17.4%	17.7%	-158,078	-122,623	105,760	183,488	$1.44
Palo Alto	1,412,146 SF	0	5.4%	5.4%	0.0%	-2,160	-73,414	2,160	87,967	$2.25
San Jose	16,954,502 SF	0	6.7%	6.8%	7.8%	-162,801	4,423	26,267	406,136	$1.71
Santa Clara	14,537,091 SF	-	3.3%	3.4%	3.3%	-13,418	1,360,488	61,403	186,394	$1.74
Sunnyvale	4,300,156 SF	-	0.4%	0.4%	0.4%	-17,561	0	0	36,972	$2.63
Silicon Valley Industrial Total	**58,609,670**	**707,024**	**4.3%**	**4.8%**	**5.6%**	**-25,015**	**1,580,564**	**502,493**	**1,799,449**	**$1.80**
Campbell	754,483 SF	0	2.1%	2.1%	3.4%	-12,796	5,280	3,198	9,910	$2.26
Cupertino	149,461 SF	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	17,004,903 SF	0	3.8%	4.9%	4.3%	-29,759	-54,877	128,163	997,404	$1.58
Milpitas	5,156,558 SF	0	7.4%	8.9%	11.4%	-146,073	-79,574	31,518	370,098	$1.63
Mountain View	829,557 SF	0	4.1%	4.8%	6.2%	12,083	21,171	23,328	55,188	$2.67
Newark	5,597,536 SF	0	4.8%	8.8%	12.6%	-70,951	236,355	18,798	677,287	$1.39
Palo Alto	543,770 SF	0	2.7%	2.7%	1.9%	10,306	-23,708	9,275	0	$1.91
San Jose	26,471,113 SF	804,403	7.8%	8.3%	10.3%	-157,284	-269,362	209,345	696,853	$1.49
Santa Clara	6,076,484 SF	0	1.9%	2.4%	2.2%	1,531	-5,529	14,508	326,200	$1.81
Sunnyvale	2,000,095 SF	0	4.2%	10.5%	10.2%	-2,430	18,893	7,320	29,603	$1.74
Silicon Valley Warehouse Total	**64,583,960**	**804,403**	**5.6%**	**6.8%**	**8.0%**	**-395,373**	**-151,351**	**256,087**	**2,633,538**	**$1.57**

NEAR-TERM OUTLOOK CONTINUED

Silicon Valley's industrial market entered 2026 with mixed signals. Conditions for traditional industrial product improved modestly as availability tightened and vacancy moved lower, but the warehouse segment softened as larger blocks took longer to absorb. That split suggests demand is still present, but it is concentrated in specific user groups and property types rather than broad based across the market.

Recent activity points to where that demand is coming from. In 1Q26, Tesla leased 267,099 SF in Fremont, Quanta took 105,760 SF in Newark, and Apple renewed 90,685 SF in Sunnyvale, highlighting continued appetite from advanced manufacturing and technology-adjacent users for functional space in core locations. On the investment side, Fortinet's purchase of 150-152 Commercial Street in Sunnyvale and Morgan Stanley's acquisition of 44100 Osgood Road in Fremont both suggest buyers are still willing to commit capital where location and building functionality align.

At the same time, the supply pipeline remains targeted rather than broad. Projects such as Bridge Point San Jose, Campus @ Bayside in Fremont, and 475 Sycamore Drive in Milpitas are scheduled to deliver in 2026, adding modern product that will test the depth of demand from AI hardware, manufacturing, and logistics users. With limited land and ongoing power constraints still shaping occupier decisions, newer buildings should continue to lease ahead of older, more constrained inventory.

Looking ahead, Silicon Valley's industrial market appears positioned for a gradual, uneven recovery. Industrial assets tied to advanced manufacturing and technology infrastructure should continue to outperform, while warehouse fundamentals may remain under pressure until excess availability is worked through. As a result, well-located product in Fremont, North San Jose, Milpitas, and other power-capable submarkets is likely to remain the most resilient heading further into 2026.

SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
44100 Osgood Rd	Fremont	312,660	$110,000,000	$351.82	Morgan Stanley & Co., LLC	TPG Angelo Gordon & Co., L.P.
41494 Boyce Rd	Fremont	111,675	$70,100,000	$627.71	Prologis, Inc.	Walters & Wolf
150-152 Commercial St	Sunnyvale	100,289	$47,000,000	$468.65	Fortinet Inc	Intuitive Surgical Inc
1245 Hammerwood Ave	Sunnyvale	174,745	$42,000,000	$240.35	REDCO Development	United Parcel Service
1141 W San Carlos St	San Jose	59,780	$6,000,000	$100.37	City Ventures	The Tina Jean Survivors Trust

SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
49000-49090 Milmont Dr	Fremont	267,099	January 2026	Hines	Tesla	New Lease
38505 Cherry St	Newark	117,115	January 2026	Prologis, Inc.	Specialized Packaging Solutions	Renewal
7447 Morton Ave	Newark	105,760	January 2026	Geomax	Quanta	New Lease
1324-1330 Kifer Rd	Sunnyvale	90,685	January 2026	Link Logistics Real Estate	Apple	Renewal
2070 Seventh St, S.	San Jose	87,120	January 2026	Chaboya Ranch	Pacific Coast Supply	Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Bridge Point San Jose	San Jose	714,419	April 2026	Bridge Industrial
Campus @ Bayside	Fremont	343,152	April 2026	Clarion Partners
475 Sycamore Dr	Milpitas	294,000	April 2026	Prologis, Inc.
2925 S. King Road	San Jose	89,984	April 2026	Oaktree Capital Management
43990 Fremont Blvd	Fremont	69,872	June 2026	43990 Fremont Holdings, LLC

Data Source: Costar; Costar; EDD; BLS; FRED

Kidder Mathews

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COMMERCIAL BROKERAGE

$9B
AVERAGE ANNUAL TRANSACTION VOLUME

32.4M
ANNUAL SALES SF

32.5M
ANNUAL LEASING SF

ASSET SERVICES

55M SF
MANAGEMENT PORTFOLIO SIZE

800+
ASSETS UNDER MANAGEMENT

250+
CLIENTS SERVED

VALUATION ADVISORY

2,700+
AVERAGE ASSIGNMENTS

42
TOTAL APPRAISERS

23
WITH MAI DESIGNATIONS