

## MARKET TRENDS

# SILICON VALLEY INDUSTRIAL



### MARKET DRIVERS

Since the last quarter, availability rates decreased 140 basis points (bps) to 4.7% for industrial space, while warehouse space rose 70 bps to 9.1%. Industrial availability is now 90 bps below the same time last year, while warehouse availability is 50 bps higher.

Direct vacancy rates were mixed between product types. Industrial vacancy dropped 100 bps quarter-over-quarter (QOQ) to 4.4%, which is 40 bps below the same time last year. Warehouse vacancy increased 60 bps QOQ to 7.5% and is now 180 bps higher year-over-year (YOY).

Direct asking rates for industrial properties are down 4.2% YOY, reaching \$1.84 PSF NNN. Despite the decline, this rate remains higher than the 5-year average of \$1.76. Warehouse properties increased 6.4% over the same time frame, reaching \$1.67 PSF NNN, which is above the 5-year average of \$1.45.

For Industrial, leasing activity is 23.5% higher than last year's cumulative activity to this point. Warehouse activity is also 49.7% higher than it was at this point in 2025, driven by 1.3M SF of leasing activity this quarter.

Sales activity was split between the two product types. Industrial sales volume reached 761.5K SF year-to-date, 528.7% higher than last year's cumulative total. Warehouse sales, on the other hand, are 46.2% lower than they were at this point last year, with 333.1K SF sold through the first half of the year.

Industrial's net absorption was positive for the second straight quarter, totaling 355.2K SF in 2Q and bringing year-to-date absorption to 370.6K SF. Warehouse absorption remained negative, totaling negative 39.1K SF for the quarter and negative 430.3K SF year-to-date, as availability continued to expand across the product type.

### ECONOMIC OVERVIEW

California's unemployment rate held steady at 5.3% in May 2026, while Santa Clara County recorded a 3.4% unemployment rate, remaining below the state average.

The manufacturing and trade, transportation, and utilities job sectors in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) remained relatively stable entering midyear. Manufacturing employment reported 128.3K jobs in May 2026, up 1.1% YOY, while trade, transportation, and utilities employment reached 116.5K jobs, up 0.4% YOY.

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### INDUSTRIAL MARKET BREAKDOWN

	2Q26	1Q26	2Q25	YOY Change
Total Vacancy Rate	4.4%	5.4%	4.8%	<b>-40 bps</b>
Total Availability Rate	4.7%	6.1%	5.6%	<b>-90 bps</b>
Asking Lease Rate/SF/Mo	\$1.84	\$1.80	\$1.92	<b>-4.2%</b>

	2Q26	2026 YTD	2025 YTD	YOY Change
Leased SF	843,246	1,450,762	1,175,064	<b>23.5%</b>
Sold SF	433,321	761,453	121,115	<b>528.7%</b>
Direct Net Absorption (SF)	355,224	370,583	240,476	<b>N/A</b>

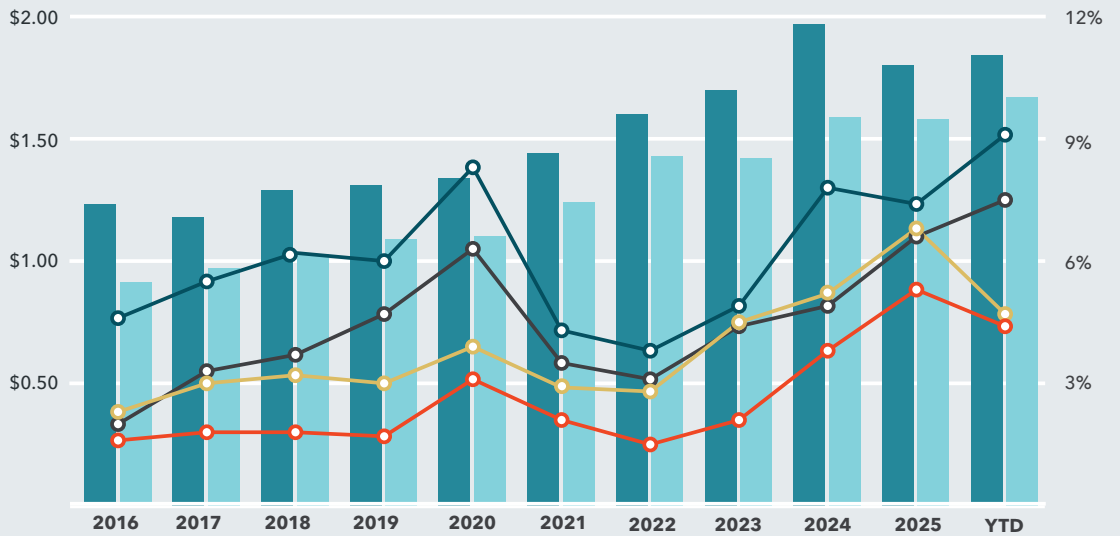
### WAREHOUSE MARKET BREAKDOWN

	2Q26	1Q26	2Q25	YOY Change
Total Vacancy Rate	7.5%	6.9%	5.7%	<b>180 bps</b>
Total Availability Rate	9.1%	8.4%	8.6%	<b>50 bps</b>
Asking Lease Rate/SF/Mo	\$1.67	\$1.57	\$1.57	<b>6.4%</b>

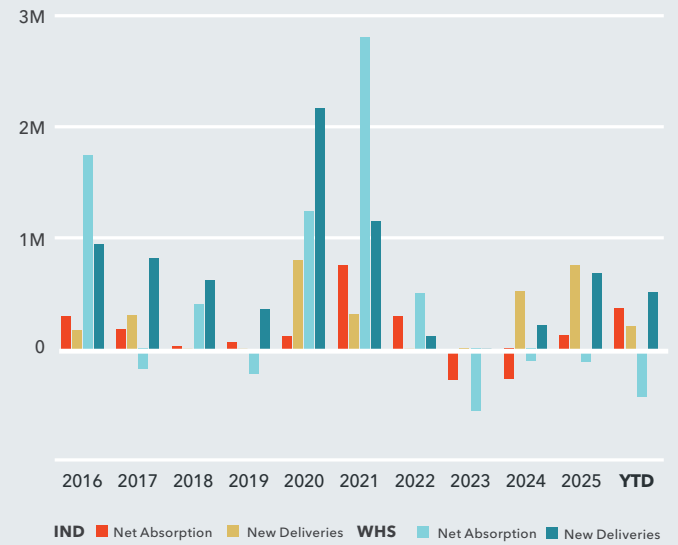
  

	2Q26	2026 YTD	2025 YTD	YOY Change
Leased SF	1,316,500	2,308,883	1,541,856	<b>49.7%</b>
Sold SF	127,976	333,145	619,095	<b>-46.2%</b>
Direct Net Absorption (SF)	-39,056	-430,277	-303,002	<b>N/A</b>

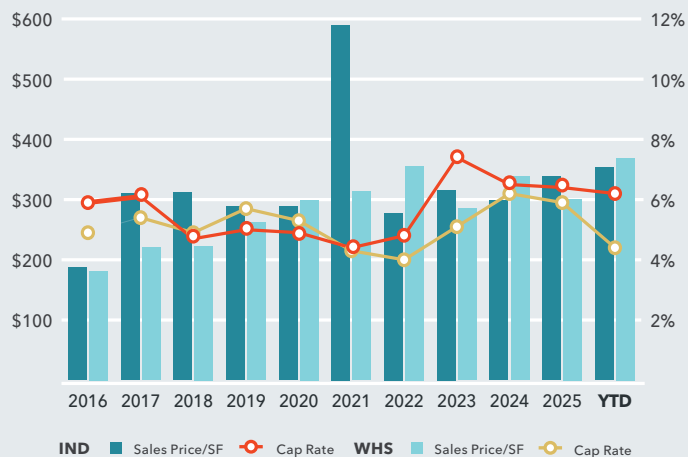
# LEASE RATE, VACANCY & AVAILABILITY



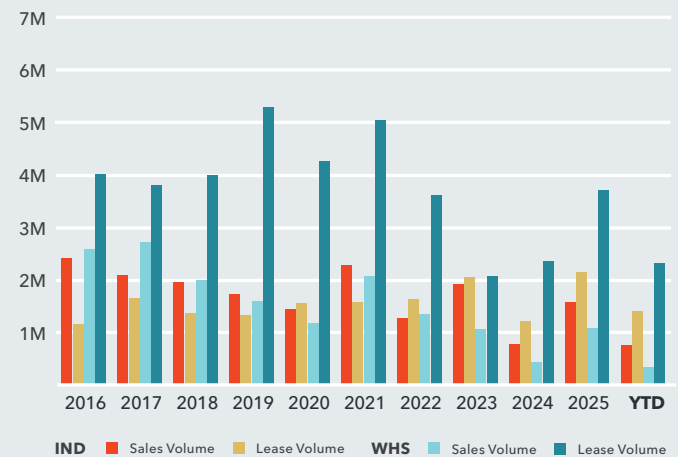
# NET ABSORPTION & NEW DELIVERIES



# AVERAGE SALES PRICE/SF & CAP RATE



# SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory (SF)	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q26 Direct Net Absorption	YTD Direct Net Absorption	2Q26 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	953,253	0	16.7%	17.0%	17.0%	-1,839	-1,739	0	0	\$1.90
Cupertino	537,376	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	11,920,392	415,114	1.1%	2.9%	5.2%	-50,730	265,328	14,483	285,350	\$2.78
Milpitas	4,030,260	294,000	1.2%	1.9%	8.4%	24,036	27,812	0	36,036	\$1.86
Mountain View	782,211	0	5.3%	5.3%	4.1%	-9,000	-35,967	11,582	11,582	\$2.92
Newark	3,228,186	0	11.8%	12.2%	8.1%	117,883	-40,195	201,668	410,683	\$1.22
Palo Alto	1,409,166	0	0.8%	0.8%	0.8%	64,094	61,934	0	2,160	\$2.03
San Jose	17,019,892	0	6.9%	6.9%	5.0%	85,623	-768	550,260	580,175	\$1.68
Santa Clara	14,528,757	0	2.4%	2.5%	3.1%	125,157	111,739	65,253	124,776	\$1.73
Sunnyvale	4,300,156	0	0.4%	0.4%	0.4%	0	-17,561	0	0	\$2.84
<b>Silicon Valley Industrial Total</b>	<b>58,709,649</b>	<b>709,114</b>	<b>3.9%</b>	<b>4.4%</b>	<b>4.7%</b>	<b>355,224</b>	<b>370,583</b>	<b>843,246</b>	<b>1,450,762</b>	<b>\$1.84</b>
Campbell	754,873	0	2.3%	2.3%	2.3%	3,082	-9,714	4,720	10,321	\$2.26
Cupertino	148,371	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	16,972,414	0	3.0%	4.3%	5.8%	147,581	117,822	216,167	312,990	\$1.41
Milpitas	5,013,921	0	7.1%	8.6%	11.7%	25,578	-120,495	201,639	233,157	\$1.62
Mountain View	829,557	0	3.5%	4.2%	4.5%	5,437	17,520	13,237	21,741	\$2.54
Newark	5,597,536	0	6.6%	6.6%	11.6%	-100,043	-170,994	171,584	252,918	\$1.38
Palo Alto	543,770	0	1.9%	1.9%	1.9%	4,275	14,581	5,000	14,275	\$1.91
San Jose	26,895,586	0	9.6%	10.3%	11.5%	9,263	-148,021	657,041	1,303,856	\$1.74
Santa Clara	5,862,936	0	1.5%	2.0%	2.4%	28,076	29,607	47,112	61,620	\$1.80
Sunnyvale	2,000,580	0	12.1%	18.4%	18.4%	-162,305	-160,583	0	98,005	\$1.72
<b>Silicon Valley Warehouse Total</b>	<b>64,619,544</b>	<b>0</b>	<b>6.5%</b>	<b>7.5%</b>	<b>9.1%</b>	<b>-39,056</b>	<b>-430,277</b>	<b>1,316,500</b>	<b>2,308,883</b>	<b>\$1.67</b>

## NEAR-TERM OUTLOOK

The Silicon Valley industrial market showed stronger momentum through the second quarter of 2026, led by improving industrial fundamentals and continued demand from advanced manufacturing and technology-adjacent users. Industrial vacancy fell to 4.4%, while availability tightened to 4.7%, suggesting that tenants are absorbing functional product faster than new space is being added. Positive absorption of 355.2K SF this quarter and 370.6K SF year-to-date further reinforces that the industrial segment is beginning to stabilize after several quarters of uneven demand.

Warehouse fundamentals remain more mixed. Leasing activity is nearly 50% above last year's pace, but availability increased to 9.1% and vacancy rose to 7.5%, indicating that warehouse users are still active but not absorbing space quickly enough to offset move-outs and newly available blocks. This split between improving industrial conditions and softer warehouse fundamentals is important to the near-term outlook, as it suggests demand is increasingly concentrated in specialized, higher-functioning product rather than broad-based logistics space.

Recent activity supports that narrative. Super Micro Computer leased a 714K SF campus on Qume Drive in San Jose to support its AI infrastructure manufacturing operations, while NVIDIA leased 302.8K SF at 5853 Rue Ferrari in San Jose. These transactions highlight how demand tied to AI hardware, server manufacturing, and advanced technology production is supporting large industrial requirements in the region. At the same time, Hines' purchase of the 155.5K SF Cherry Street Tech Center in Newark points to continued investor interest in manufacturing-ready assets that can serve specialized users.

Looking ahead, the market should remain bifurcated. Industrial product with power capacity, flexible layouts, and access to Silicon Valley's advanced manufacturing ecosystem is positioned to outperform, while warehouse space may remain under pressure until availability begins to compress. With limited new construction and several large users still expanding in the region, the market's near-term outlook remains constructive, though performance will continue to vary by product type, building functionality, and submarket.

**SIGNIFICANT SALE TRANSACTIONS 2Q 2026**

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
38083 Cherry St	Newark	155,500	\$28,600,000	\$183.92	Hines	United Logistics Solutions, Inc.
876 Yosemite Dr	Milpitas	50,000	\$21,875,000	\$437.50	Stotan Industrial	Blue Owl Capital
1190 Norman Ave	Santa Clara	30,240	\$11,200,000	\$370.37	Jill L Facchino & Robert B Facchino Separate Rev. Trust	South Bay Dev. Co.
8239 Enterprise Dr	Newark	34,500	\$8,950,000	\$259.42	DVW Commercial	Schmidt Property Mgmt., LLC
3031 Corvin Dr	Santa Clara	17,852	\$6,300,000	\$352.90	City of Santa Clara	Timothy C Bonasera

**SIGNIFICANT LEASE TRANSACTIONS 2Q 2026**

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Renewal
2350 Qume Dr	San Jose	714,491	April 2026	Kurv Industrial	Super Micro Computer Inc.	New Lease
5853 Rue Ferrari	San Jose	302,775	April 2026	Prologis, Inc.	NVIDIA	New Lease
7411 Central Ave	Newark	143,086	May 2026	Pearlmark Real Estate, LLC	Quanta	New Lease
930 Wrigley Wy	Milpitas	118,014	June 2026	Krieger Investment Co.	Store Inside RV Boat & Car Storage	New Lease
2256 Junction Ave	San Jose	107,719	April 2026	Prologis, Inc.	Tesla	New Lease

**SIGNIFICANT UNDER CONSTRUCTION**

Property	City	SF	Delivery Date	Owner
Campus @ Bayside	Fremont	345,242	September 2026	Clarion Partners
475 Sycamore Dr	Milpitas	294,000	September 2026	Prologis, Inc.
43990 Fremont Blvd	Fremont	69,872	July 2026	North Palisade Partners

Data Source: CoStar; EDD; BLS; FRED; Silicon Valley Business Journal; San Francisco Business Times; Bisnow



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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>32.4M</b> ANNUAL SALES SF	<b>32.5M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>54M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>800+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,700+</b> AVERAGE ASSIGNMENTS	<b>42</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS