Kidder Mathews

3Q 2026

MARKET TRENDS

SILICON VALLEY *INDUSTRIAL*

↓ VACANCY	↑ ABSORPTION
↓ RENTAL RATES	↑ CONSTRUCTION DELIVERIES

Year-Over-Year Change

MARKET DRIVERS

Since the last quarter, availability rates decreased 80 basis points (bps) to 4.4% for industrial space, while warehouse availability fell 60 bps to 6.5%. Industrial availability is now 200 bps below the same time last year, while warehouse availability is also 200 bps lower.

Total vacancy rates improved across both product types. Industrial vacancy dropped 70 bps quarter-over-quarter (QOQ) to 4.6%, which is 40 bps below the same time last year. Warehouse vacancy decreased 70 bps QOQ to 6.7% but remains 40 bps higher year-over-year (YOY).

Direct asking rates for industrial properties are down 4.7% YOY, reaching $1.83/SF NNN. Despite the decline, this rate remains above the 5-year average. Warehouse properties increased 8.2% over the same time frame, reaching $1.72/SF NNN, continuing the divergence in pricing between the two product types.

For Industrial, leasing activity is 24.4% higher than last year's cumulative activity to this point, reaching 1.8M SF year-to-date. Warehouse activity is also 24.2% higher than it was at this point in 2025, with 3.5M SF leased through the first three quarters of the year.

Sales activity increased across both product types. Industrial sales volume reached 1.7M SF year-to-date, 118.4% higher than last year's cumulative total. Warehouse sales volume reached 1.2M SF through the third quarter, 58.3% higher than the same period last year.

Industrial's net absorption was positive for the third straight quarter, totaling 563.5K SF in 3Q and bringing year-to-date absorption to 1.1M SF. Warehouse absorption also turned positive, totaling 319.0K SF for the quarter and reducing year-to-date negative absorption to 56.4K SF.

ECONOMIC OVERVIEW

California's unemployment rate held at 5.1% in August 2026, while Santa Clara County recorded a 4.3% 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) continued to expand modestly. Manufacturing employment reached 131.4K jobs in August 2026, up 1.4% YOY, while trade, transportation, and utilities employment totaled 117.3K jobs, up 0.7% YOY.

continued on page 3

INDUSTRIAL MARKET BREAKDOWN

	3Q26	2Q26	3Q25	YOY Change
Total Vacancy Rate	4.6%	5.3%	5.0%	**-40 bps**
Total Availability Rate	4.4%	5.2%	6.4%	**-200 bps**
Asking Lease Rate/SF/Mo	$1.83	$1.84	$1.92	**-4.7%**

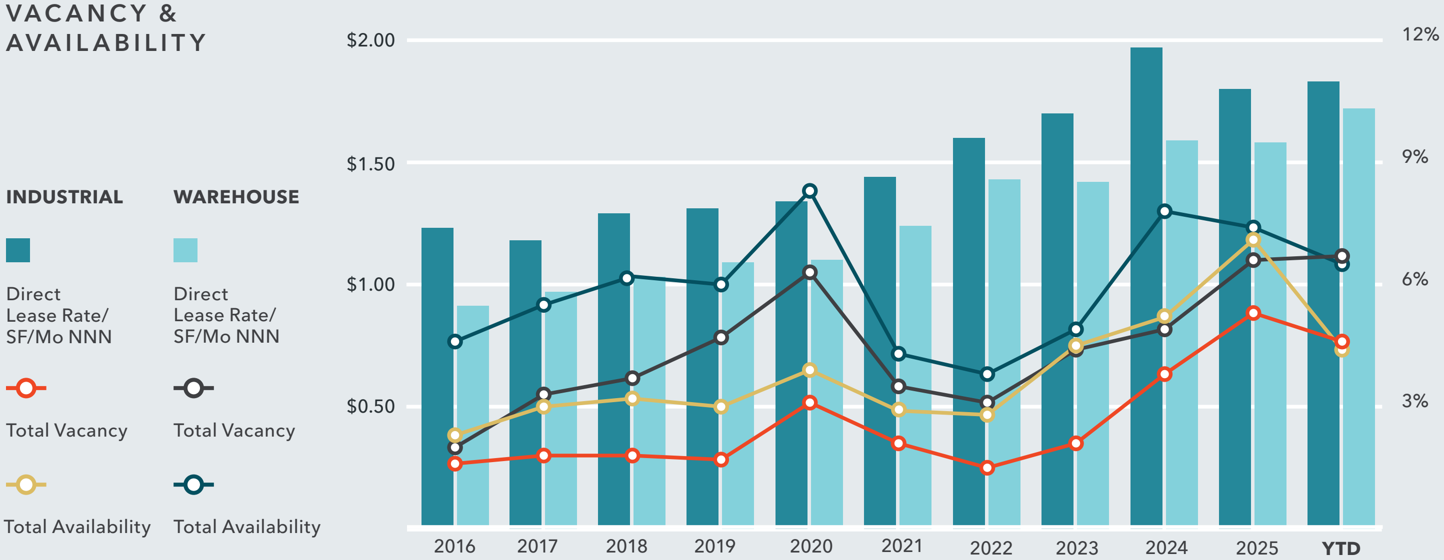
	3Q26	2026 YTD	2025 YTD	YOY Change
Leased SF	342,513	1,758,153	1,413,207	**24.4%**
Sold SF	712,924	1,748,951	800,628	**118.4%**
Direct Net Absorption (SF)	563,526	1,149,097	150,092	**N/A**

WAREHOUSE MARKET BREAKDOWN

	3Q26	2Q26	3Q25	YOY Change
Total Vacancy Rate	6.7%	7.4%	6.3%	**40 bps**
Total Availability Rate	6.5%	7.1%	8.5%	**-200 bps**
Asking Lease Rate/SF/Mo	$1.72	$1.67	$1.59	**8.2%**

	3Q26	2026 YTD	2025 YTD	YOY Change
Leased SF	965,145	3,495,406	2,813,428	**24.2%**
Sold SF	756,799	1,237,754	782,138	**58.3%**
Direct Net Absorption (SF)	319,014	-56,386	-312,561	**N/A**

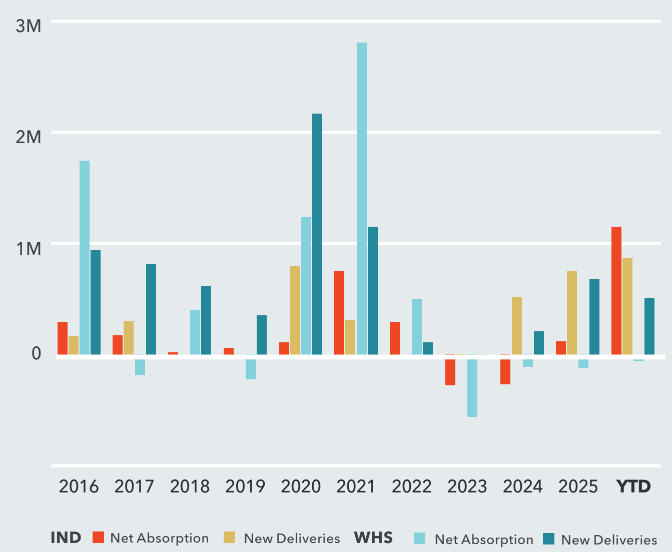
LEASE RATE, VACANCY & AVAILABILITY



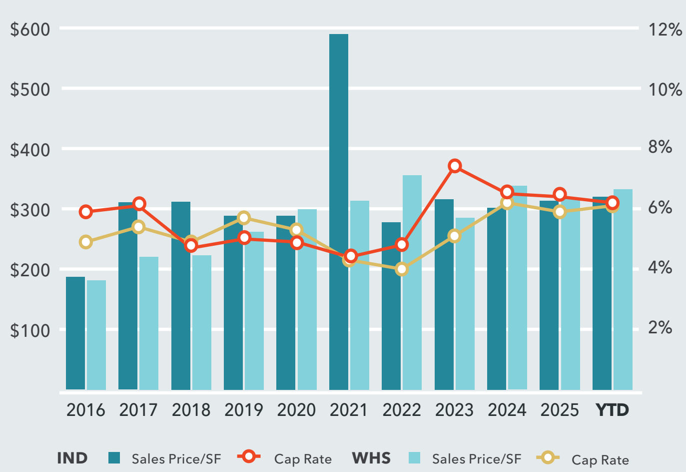
BIGGEST SALE OF THE QUARTER

48105 Warm Springs Blvd, Fremont

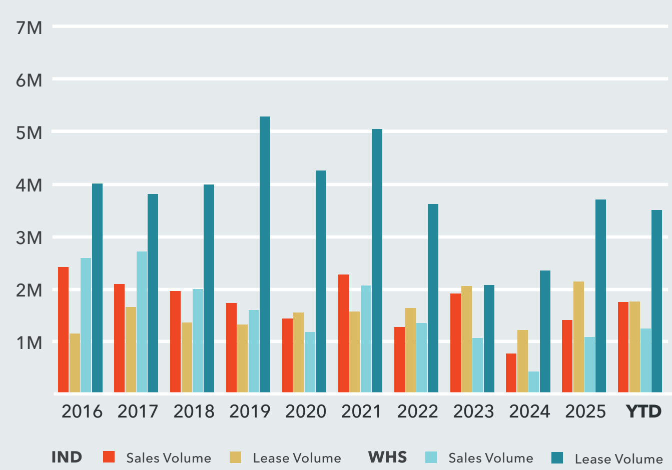
NET ABSORPTION & NEW DELIVERIES



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	3Q26 Direct Net Absorption	YTD Direct Net Absorption	3Q26 Gross Absorption	YTD Gross Absorption	Rental Rate
Campbell	928,853	0	18.0%	18.3%	15.9%	-7,966	-9,705	21,948	21,948	$1.67
Cupertino	537,376	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	11,897,508	253,801	2.1%	2.9%	3.8%	-43,009	217,097	175,745	462,745	$2.34
Milpitas	4,209,506	0	7.1%	7.8%	8.5%	6,000	69,848	0	36,036	$1.86
Mountain View	739,219	0	3.6%	3.6%	3.9%	14,980	-20,987	0	14,980	$2.97
Newark	2,906,686	0	5.4%	5.8%	9.0%	225,397	185,202	24,000	376,101	$1.31
Palo Alto	1,363,847	0	1.0%	1.0%	1.0%	-2,600	59,334	0	8,160	$2.03
San Jose	15,549,237	426,556	5.9%	5.9%	4.2%	319,511	519,460	96,941	683,429	$1.66
Santa Clara	7,253,349	107,000	3.8%	4.1%	4.9%	52,313	147,509	23,879	154,754	$1.75
Sunnyvale	3,967,549	0	0.5%	0.5%	0.5%	-1,100	-18,661	0	0	$2.73
Silicon Valley Industrial Total	**49,353,130**	**787,357**	**4.3%**	**4.6%**	**4.4%**	**563,526**	**1,149,097**	**342,513**	**1,758,153**	**$1.83**
Campbell	754,873	0	2.6%	2.6%	2.1%	-1,734	-11,448	4,758	15,079	$2.26
Cupertino	148,371	0	0.0%	0.0%	0.0%	0	0	0	0	-
Fremont	16,912,529	456,886	3.0%	4.0%	3.9%	9,256	118,990	195,587	569,831	$1.45
Milpitas	5,013,921	0	8.0%	9.5%	11.8%	-45,568	-166,063	47,200	281,699	$1.59
Mountain View	829,557	0	2.2%	2.9%	2.6%	10,660	28,180	14,692	41,093	$2.49
Newark	5,630,742	0	7.8%	7.8%	4.9%	-69,886	-240,880	193,068	508,146	$1.25
Palo Alto	574,631	0	5.3%	5.3%	5.3%	-20,171	-5,590	0	80,555	$3.84
San Jose	26,984,684	215,667	7.5%	8.0%	8.0%	469,794	392,026	371,573	1,694,813	$1.76
Santa Clara	5,898,902	0	2.1%	2.1%	2.0%	-28,067	-5,748	17,140	83,588	$1.99
Sunnyvale	1,975,080	0	12.5%	18.9%	18.9%	-5,270	-165,853	121,127	220,602	$2.92
Silicon Valley Warehouse Total	**64,723,290**	**672,553**	**5.9%**	**6.7%**	**6.5%**	**319,014**	**-56,386**	**965,145**	**3,495,406**	**$1.72**

NEAR-TERM OUTLOOK

The Silicon Valley industrial market continued to strengthen through the third quarter of 2026, with improving fundamentals extending beyond the industrial segment into warehouse space. Industrial vacancy declined to 4.6% and availability tightened to 4.4%, while 563.5K SF of positive absorption brought year-to-date absorption to 1.1M SF. Although quarterly industrial leasing volume was comparatively modest, cumulative leasing activity remains 24.4% ahead of last year's pace, indicating that earlier tenant demand is translating into tighter occupancy conditions.

Warehouse fundamentals also improved during the quarter. Vacancy declined to 6.7% and availability fell to 6.5%, while quarterly absorption turned positive at 319.0K SF after remaining negative through the first half of the year. Warehouse leasing activity remains 24.2% above last year's cumulative pace, and asking rents increased 8.2% YOY to $1.72 PSF NNN. Together, these trends suggest that the gap between the stronger industrial segment and the softer warehouse market narrowed during the third quarter, even as warehouse vacancy remains slightly above its year-ago level.

Recent transactions continue to point to demand for functional industrial facilities serving manufacturing, distribution, and technology-related users. Quanta Computer signed a 198.8K SF lease at 8311 Central Avenue in Newark, while Wismettac Asian Foods leased 174.6K SF at 48688 Fremont Boulevard. Investment activity also remained active: Wistron Corporation acquired 48105 Warm Springs Boulevard in Fremont for $120M, and Lift Partners purchased 1885 Las Plumas Avenue in San Jose for $18.35M. The latter property includes 3,400 amps of power capacity and is planned for capital improvements and lease-up, underscoring the value of functional infrastructure in the region's industrial inventory.

Silicon Valley's industrial market appears better balanced than earlier in the year. Industrial and warehouse availability are both 200 bps below year-ago levels, and both product types recorded positive absorption in the third quarter. Power capacity should remain an important differentiator, as AI, semiconductor, robotics, and advanced-manufacturing companies compete for facilities capable of supporting energy-intensive operations. With year-to-date sales and leasing activity ahead of 2025 levels across both product types, performance should remain strongest in well-located buildings with modern loading, power, and flexible configurations.

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
48105 Warm Springs Blvd	Fremont	375,200	$120,000,000	$319.83	Wistron Corporation	Link Logistics Real Estate
901-931 Cadillac Ct	Milpitas	301,480	$93,700,000	$310.80	Galvanize Real Estate	DRA Advisors
45101-45169 Industrial Dr	Fremont	198,676	$61,400,000	$309.05	Bridge Logistics Properties	Link Logistics Real Estate
1885 Las Plumas Ave	San Jose	74,000	$18,350,000	$247.97	Lift Partners	Freeland Foods, Inc.
4019 Transport St	Palo Alto	11,185	$5,400,000	$482.79	Presidio Bay Ventures	Chawla Ventures, LLC

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
8311 Central Ave	Newark	198,768	September 2026	Prologis, Inc.	Quanta	New Lease
935 McLaughlin Ave	San Jose	194,536	August 2026	Lendlease R.E. Investments	Legacy Transportation Services	Renewal
48688 Fremont Boulevard	Fremont	174,578	August 2026	Crossing 880 Industrial, LLC	Wismettac Asian Foods	New Lease
745-755 Sycamore Dr	Milpitas	107,350	July 2026	Milpitas Oak Creek Delaware	Cisco	Renewal
48888 Fremont Blvd	Fremont	102,919	August 2026	BlackRock Realty	Apple, Inc.	Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	City	SF	Delivery Date	Owner
Campus @ Bayside	Fremont	464,267	October 2026	Clarion Partners
550 E. Brokaw Rd	San Jose	333,400	December 2027	SuperMicro
4553 & 4563 N First St	San Jose	215,667	May 2027	Second Harvest of Silicon Valley
46885 Bayside Parkway	Fremont	203,414	September 2027	Prologis, Inc.
3065 Bowers Ave	Santa Clara	107,000	June 2027	Intel Corporation

Data Source: CoStar; EDD; BLS; Silicon Valley Business Journal

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 20 offices in Washington, Oregon, California, Nevada, Arizona, and Texas. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

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

GARY BARAGONA
Vice President of Research
415.229.8925
gary.baragona@kidder.com

DAVID NELSON
Regional President, Brokerage
Northern California & Nevada
415.229.8890
david.nelson@kidder.com
LIC N° 01716942