

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
5.0% Vacancy Rate	▲	▲
-848K YTD Net Absorption, SF	▼	▼
\$1.53 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.2M San Jose MSA Employment	▲	▲
4.0% San Jose MSA Unemployment Rate	▲	▼
4.1% U.S. Unemployment Rate	▲	▼

Source: BLS

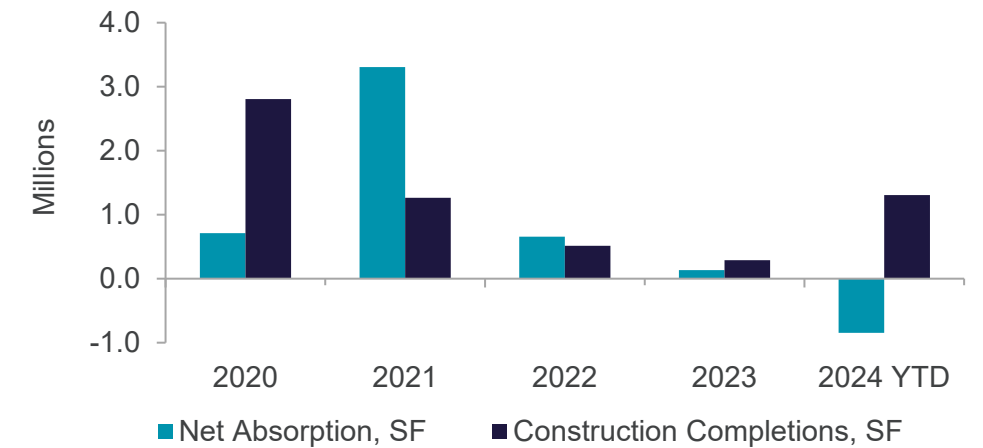
BOTH JOB COUNT AND VC FUNDING CLIMB

Size optimization for technology companies, both Big Tech and startups, continued in the third quarter of 2024 with regard to both headcount and footprint in Silicon Valley. For the San Jose MSA, the unemployment rate climbed 20 basis points (bps) year-over-year (YOY) closing at 4.0% in the third quarter. Despite the increase in unemployment, jobs expanded by 7,400 positions or 0.6% YOY. Venture capital funding into Santa Clara County-based companies topped \$3.9 billion (B) in 141 deals for the third quarter, up from \$3.1B in 221 deals in the second quarter. The largest deals of the quarter were a \$1.0B-early-stage round to artificial intelligence (AI) / software development application company Safe Superintelligence of Palo Alto followed by a \$640 million later-stage round to AI/ Semiconductor company Groq of Mountain View.

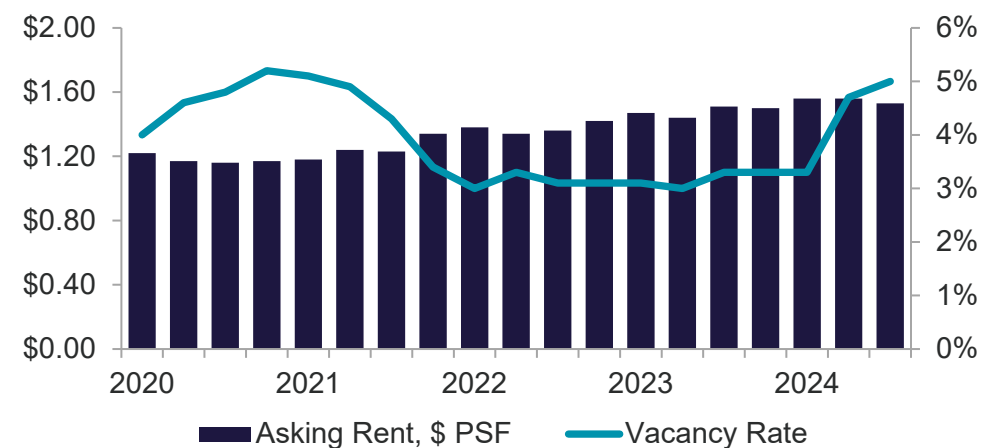
SLIGHT VACANCY RISE AMID RECORD SUBLEASE LEVELS

In the third quarter, the overall industrial vacancy rate across all sectors in Silicon Valley (the Valley) increased to 5.0%, up 30 bps quarter-over-quarter (QOQ) from 4.7% and up 170 bps YOY from 3.3%. Though remaining relatively low, it was the highest recorded vacancy rate since the second quarter of 2021. The North San Jose submarket significantly contributed towards the third quarter vacancy climb, with the completion of a 213,000-square-foot (sf) manufacturing building that came online with no preleasing. Since the fourth quarter of 2023, sublease space had steadily risen, peaking this quarter at its highest level in 18 years. Sublease space accounted for approximately 23.2% of total vacancy in the market, at 1.4 million square feet (msf), with a QOQ increase of 288,000 sf.

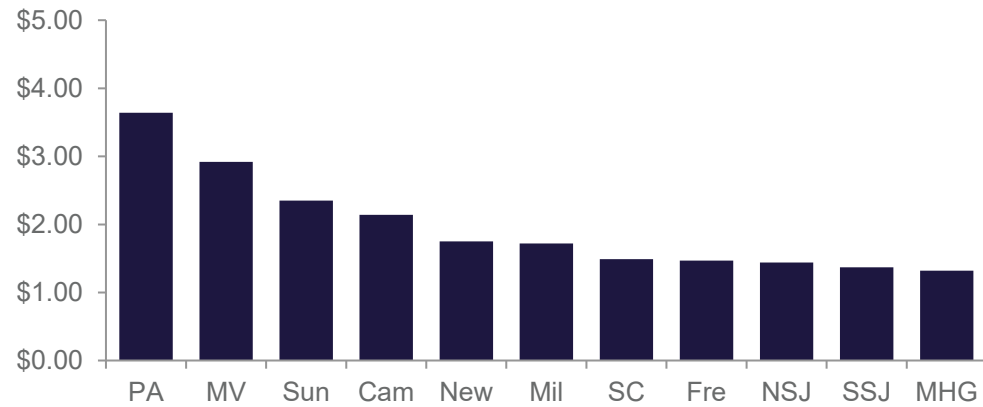
SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



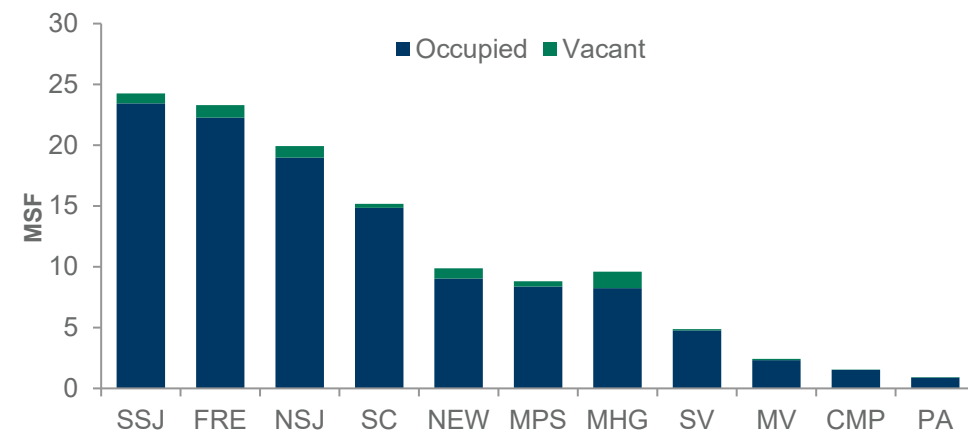
AVERAGE ASKING RATE BY SUBMARKET



WAREHOUSE/MANUFACTURING ASKING RENT



OCCUPIED VS. VACANT SPACE



ASKING RATES CONTINUE TO HOLD

The overall average asking rate for industrial product in the Valley closed the third quarter at \$1.53 per square foot (psf), on a monthly triple net basis across all sectors, slightly decreasing by \$0.03 psf (1.9%) QOQ and up nominally by \$0.02 psf (1.3%) YOY. The average asking rates reported in the third quarter for the warehouse and manufacturing sectors were \$1.38 psf and \$1.67 psf, respectively. QOQ, the warehouse sector declined by \$0.05 psf (3.5%) while the manufacturing sector remained flat.

GROSS ABSORPTION DECLINES

Deal activity declined in the third quarter as gross absorption (the total amount of combined leasing and user-sale activity) was approximately 1.4 msf, dropping by 11.2% (182,000 sf) QOQ and 9.7% (155,000 sf) YOY. Renewals, totaling 415,000 sf, accounted for four out of the top five deals completed in the third quarter.

NET ABSORPTION STILL IN THE RED

Net absorption across all sectors remained in the red in the third quarter at negative 100,000 sf, though that was an 88.3% improvement from the negative 851,000 sf in the previous quarter. The warehouse sector reported net absorption of negative 321,000 sf while the manufacturing sector reported net absorption at positive 221,000 sf. The Fremont submarket reported the steepest negative absorption, mainly due to Apple’s 150,000 sf warehouse sublease located at 49088 Fremont Boulevard, which returned to the market as vacant within the quarter. The South San Jose submarket experienced the highest positive absorption in the third quarter, at 50,000 sf.

PROPOSED DEVELOPMENT PIPELINE ROBUST

In the third quarter, two manufacturing and four warehouse buildings, totaling approximately 1.6 msf, were under construction, representing 1.3% of the total market inventory. These speculative projects are concentrated in Fremont and San Jose and have not yet been preleased. Meanwhile, 24 projects, consisting of approximately 4.5 msf, remain in the proposed stages of the development pipeline. Constraints in land availability and high construction costs have limited the acceleration and growth of the development pipeline, with few new projects breaking ground or being planned despite low overall vacancy levels. That said, one project was delivered as vacant in the third quarter, a 213,000-sf manufacturing building located at 650 North King Road in San Jose.

OUTLOOK

- Despite continuing economic uncertainty, industrial vacancy is expected to remain low due in large part to persistent demand from e-commerce, last mile delivery, and a long-term growing need from the life science sector for advanced manufacturing and distribution.
- An uptick of new deliveries will reduce supply constraints but will also push up rents. This trend may be somewhat offset by subleases and older product being placed on the market.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Palo Alto	929,031	46,108	5.0%	-34,320	-29,878	0	0	\$3.64	\$0.00	\$3.64
Mountain View	2,421,143	98,791	4.1%	4,714	-34,636	0	0	\$2.92	\$0.00	\$2.92
101 Technology Corridor	3,350,174	144,899	4.3%	-29,606	-64,514	0	0	\$3.15	\$0.00	\$3.15
Campbell	1,544,277	31,018	2.0%	12,056	-5,424	0	0	\$2.14	\$0.00	\$2.14
Sunnyvale	4,867,694	93,582	1.9%	38,730	67,643	0	0	\$2.35	\$2.45	\$2.35
Santa Clara	15,178,483	335,261	2.2%	-3,715	17,976	0	0	\$1.45	\$1.72	\$1.49
North San Jose	19,928,227	955,300	4.8%	46,713	-341,380	0	212,683	\$1.57	\$1.39	\$1.44
South San Jose	24,254,395	817,619	3.4%	49,505	-162,810	938,608	0	\$1.57	\$1.33	\$1.37
Central Silicon Valley	65,773,076	2,232,780	3.4%	143,289	-423,995	938,608	212,683	\$1.64	\$1.37	\$1.47
Milpitas	8,814,474	434,662	4.9%	-17,657	-209,449	0	0	\$2.01	\$1.49	\$1.72
Fremont	23,289,208	1,023,534	4.4%	-150,002	-159,788	662,325	0	\$1.40	\$1.54	\$1.47
Newark	9,876,818	845,450	8.6%	-84,597	-257,952	0	0	\$1.83	\$1.53	\$1.75
South I-880 Corridor	41,980,500	2,303,646	5.5%	-252,256	-627,189	662,325	0	\$1.69	\$1.53	\$1.62
Morgan Hill/Gilroy	9,601,951	1,362,917	14.2%	38,817	268,100	0	0	\$1.42	\$1.10	\$1.32
SUBTYPE BREAKDOWN										
Warehouse	48,360,010	2,816,413	5.8%	-320,602	-774,765	918,261	0			
Manufacturing	72,345,691	3,227,829	4.5%	220,846	-72,833	682,672	212,683			
SILICON VALLEY TOTALS	120,705,701	6,044,242	5.0%	-99,756	-847,598	1,600,933	212,683	\$1.67	\$1.38	\$1.53

*Rental rates reflect weighted net asking \$psf/month

MF = Manufacturing W/D = Warehouse/Distribution

*Market indicators are not reflective of US MarketBeat tables

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5555 Auto Mall Pkwy	Fremont	Synnex	177,041	Renewal
6600 Stevenson Blvd	Fremont	Quanta	127,452	New Lease
2070 Seventh St	South San Jose	Sunnytech	84,000	Renewal
2071 Ringwood Ave	North San Jose	Piedmont Transportation Systems	83,914	Renewal
843 Auburn Ct	Fremont	Underwriters Laboratories	60,312	Renewal

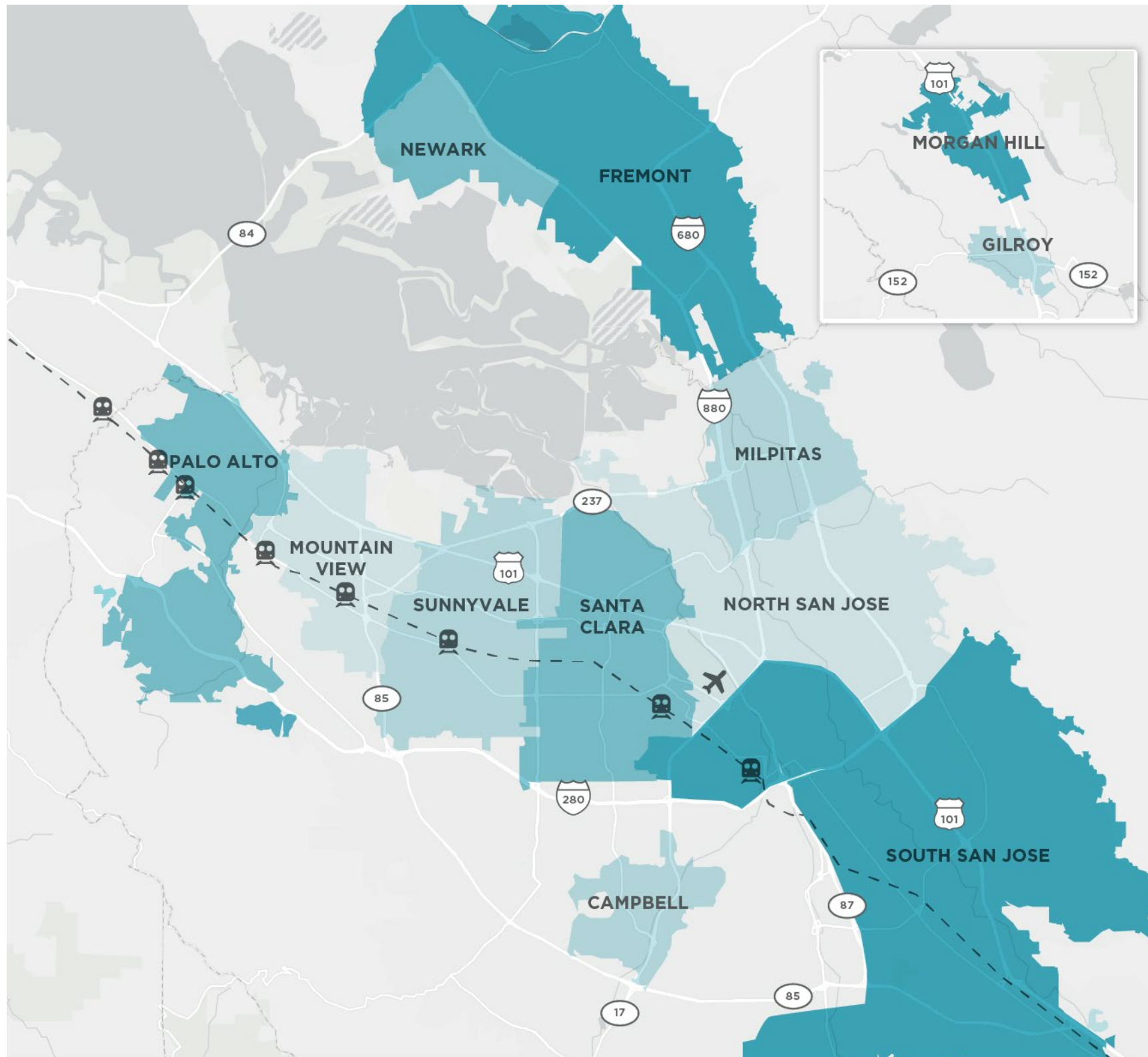
KEY SALE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
47020 Kato Rd	Fremont	Link Logistics / KKR	209,916	\$79.5M / \$379
Charter Business Park	South San Jose	F&W Investment Co. / Robinson Oil Co.	155,818	\$38.8M / \$249
3011 N First St	North San Jose	Cannae Partners / Klein Investments Family LP	146,159	\$63.6M / \$435

KEY CONSTRUCTION COMPLETIONS Q3 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
650 N King Rd	North San Jose	N/A	212,683	Ares Management Corp

INDUSTRIAL SUBMARKETS



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