

FIGURES | SILICON VALLEY INDUSTRIAL | Q1 2024

Tenant demand led to rise in advanced manufacturing property subtype

▲ 2.9%

Vacancy Rate

▼ (231K)

SF Net Absorption

▲ 1.2M

SF Under Construction

▲ \$1.69

Average Asking Rate
\$/SF (NNN)

▲ 4.0%

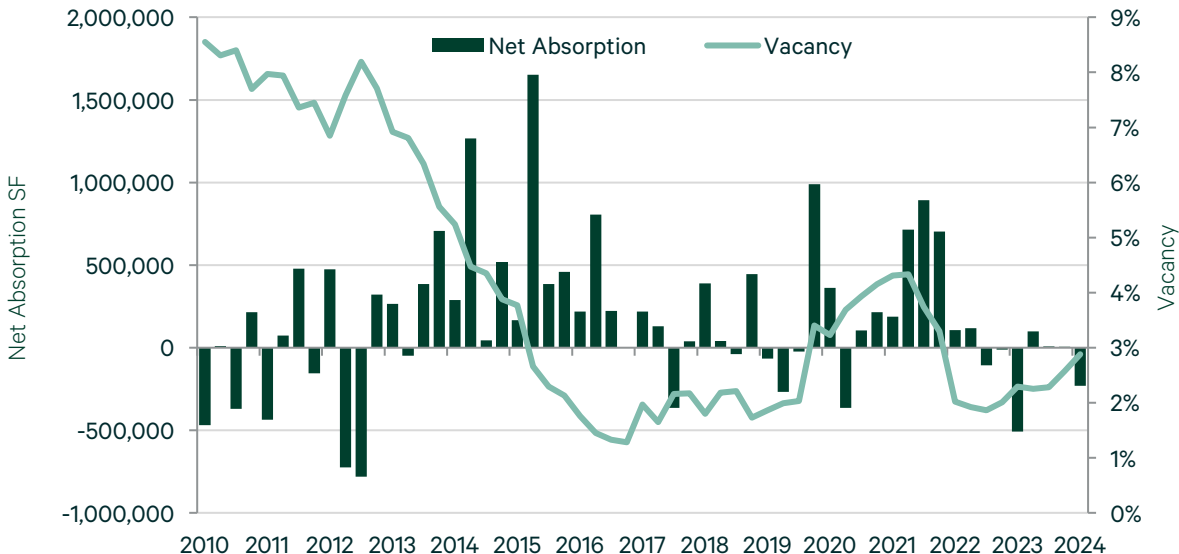
Santa Clara
County Unemployment

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- Santa Clara County's labor force stood at 1.06 million with 1.02 million employed residents at the close of Q1 2024. The unemployment rate closed the quarter at 4.0%, a 139-basis-point (bps) increase year-over-year (YoY), and 18 bps higher than the previous quarter.
- The Silicon Valley Industrial Market reclassified a set of properties into a new property subtype called advanced manufacturing, which is typically defined as buildings with minimum 3,000 amps of power, minimum 22' clear height, and built after the year 2000.
- Overall net absorption in the Silicon Valley industrial market closed Q1 2024 at negative 230,744 square feet (sq. ft.).
- The average direct asking rate in Silicon Valley increased by \$0.02 quarter-over-quarter (QoQ) and by \$0.12 YoY since Q1 2023. Pricing continued to grow in this competitive market with minimal supply and healthy demand.
- Approximately 52.9% of all leases signed in the Silicon Valley during Q1 2024 were new leases, compared to 60.0% in Q4 2023.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2024

INDUSTRIAL OVERVIEW

The Silicon Valley industrial market is comprised of approximately 109.43 million sq. ft. There were zero construction completions during Q1 2024; however, two warehouse projects are expected to deliver in Q2 2024, totaling 607,808 sq. ft. The Hines Milmont building in Fremont broke ground in Q1 2024 with an expected footprint of 267,089 sq. ft., raising the aggregated square footage to 1,177,672 for current under construction projects in Silicon Valley. Both the overall vacancy and availability rate increased QoQ, reaching 2.9% and 4.1%, respectively.

The industrial market registered a slight increase in activity during Q1 2024. Leasing activity totaled 1.92 million sq. ft., up 23.2% from the 1.56 million sq. ft. reported last quarter. Renewal activity accounted for roughly 54.9% of the current quarter’s deal volume. Net absorption totaled negative 230,744 sq. ft., which is the lowest net absorption since Q1 2023’s total of negative 508,080 sq. ft.

The overall average asking rate for industrial space increased from \$1.67 NNN in Q4 2023 to \$1.69 NNN in Q1 2024 on a monthly, triple-net (NNN), direct basis. Rates have continued to increase as demand remained steady and the supply of quality space was limited. Amongst all submarkets, Santa Clara average asking rate recorded the largest increase from \$1.62 NNN in Q4 2023 to \$1.69 NNN in Q1 2024.

In Q1 2024, tenant demand ended at 4.81 million sq. ft., which was up from 3.72 million sq. ft. at the end of Q4 2023. There were 38 industrial space requirements for tenants and occupiers at an average size of 126,579 sq. ft. Heavy power continued to be a sought-after attribute amongst large users in Silicon Valley.

Tenant demand in the market necessitated the introduction of the advanced manufacturing property subtype. By offering ample power, enhanced customization options, and superior clear height, advanced manufacturing facilities allowed tenants to speed up production times. These modern and flexible designs tend to benefit companies that utilize robotics, automation, automotive, and high-tech manufacturing. New product currently under construction falls into the advanced manufacturing category, which typified the demands of current users.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average NNN Asking Rate (\$)			Q1 Net Absorption	YTD Net Absorption
				Mfg.	Whs.	Adv Mfg.		
Palo Alto	1,318,677	6.6	6.6	2.35	2.05	-	0	0
Mountain View/Los Altos	1,820,807	4.3	5.3	3.03	2.40	-	(19,016)	(19,016)
Sunnyvale	5,701,124	1.2	1.7	2.94	2.05	-	0	0
Santa Clara	15,977,912	2.4	2.7	1.76	1.53	-	391	391
West Valley	1,578,873	4.0	6.3	2.22	2.00	-	(30,865)	(30,865)
San Jose - Downtown/IBP	12,592,142	4.3	5.1	1.79	1.49	-	(71,507)	(71,507)
San Jose - North	10,550,101	1.8	2.1	1.73	1.55	-	(5,773)	(5,773)
San Jose - South	12,788,189	2.4	4.6	1.59	1.26	-	191,959	191,959
Milpitas	9,790,520	1.7	3.1	1.75	1.49	-	16,255	16,255
Fremont/Newark	37,316,508	3.4	5.2	1.82	1.65	1.99	(312,188)	(312,188)
Silicon Valley	109,434,853	2.9	4.1	1.69*			(230,744)	(230,744)
Manufacturing	56,282,822	2.6	3.3	1.71	N/A	N/A	(165,899)	(165,899)
Warehouse	41,920,362	2.8	4.6	N/A	1.44	N/A	185,026	185,026
Advanced Manufacturing	11,231,669	4.5	6.5	N/A	N/A	1.99	(249,871)	(249,871)

*Combined warehouse, manufacturing, & advanced manufacturing
Source: CBRE Research, Q1 2024

FIGURE 3: Notable Lease Transactions Q1 2024

Tenant	Location	Leased Sq. Ft.	Type
Confidential	2055 S. 7 th St San Jose	457,750	New Lease
Maxar Technologies	1989 Little Orchard Dr San Jose	158,200	Renewal
Transpak	210 230 Railroad Ave Milpitas	129,936	Renewal
Quanta Manufacturing	41707 42001 Christy St Fremont	120,629	Renewal
Home Depot	650 652 Brennan St San Jose	103,124	Renewal

Source: CBRE Research, Q1 2024

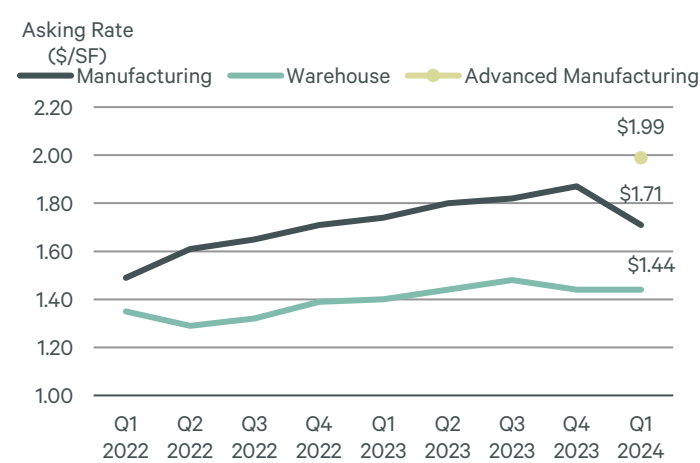
FIGURE 4: Notable Sale Transactions Q1 2024

Buyer	Location	Sold Sq. Ft.	Sale Price \$/SF
Super Micro	550 600 E. Brokaw Rd San Jose	292,800	\$80.00M \$273
Fortinet*	Kifer Rd/Semiconductor Dr Santa Clara	250,000	\$103.75M \$415
Artisan Ventures	40737 Encyclopedia Ct Fremont	81,485	\$25.26M \$310
Layline	1853 S. 7 th St San Jose	39,378	\$8.31M \$211

*Mixed-use portfolio sale totaling 462,590 sq. ft. to Fortinet for \$191.97M.

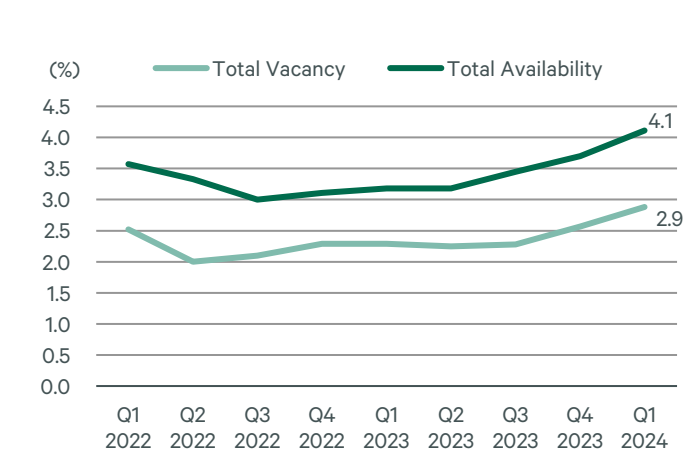
Source: CBRE Research, Q1 2024

FIGURE 5: Lease Rates



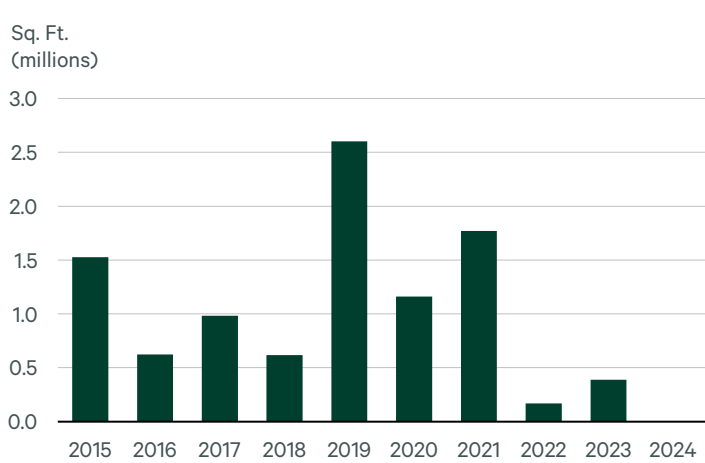
Source: CBRE Research, Q1 2024

FIGURE 6: Vacancy & Availability



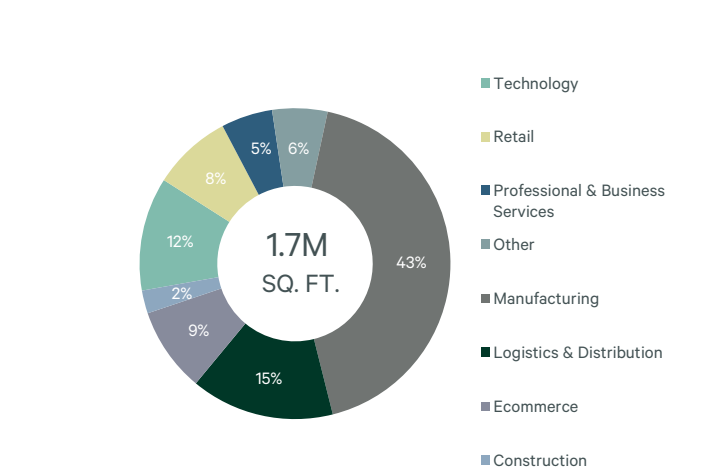
Source: CBRE Research, Q1 2024

FIGURE 7: Construction Completions



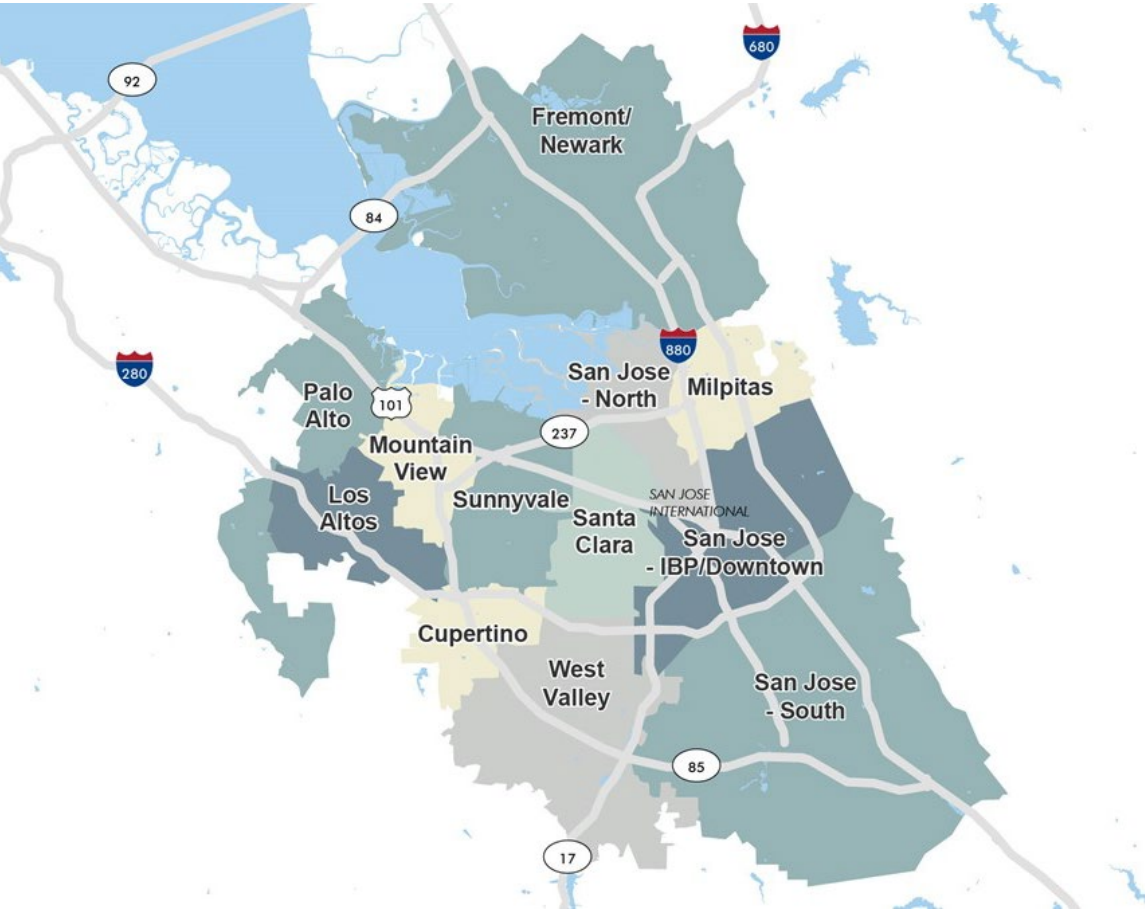
Source: CBRE Research, Q1 2024

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2024

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Monthly Lease Rates, Triple Net (NNN), Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant Industrial buildings that total 7,500+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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