

FIGURES | SILICON VALLEY | Q4 2022

Silicon Valley Industrial Figures

▲ 2.3%

Vacancy Rate

▲ (8.7K)

SF Net Absorption

▼ 995K

SF Under Construction

▲ \$1.56

NNN / Lease Rate
Existing Properties

▲ 272K

Industrial Using Employment
Santa Clara County

Note: Arrows indicate change from previous quarter.

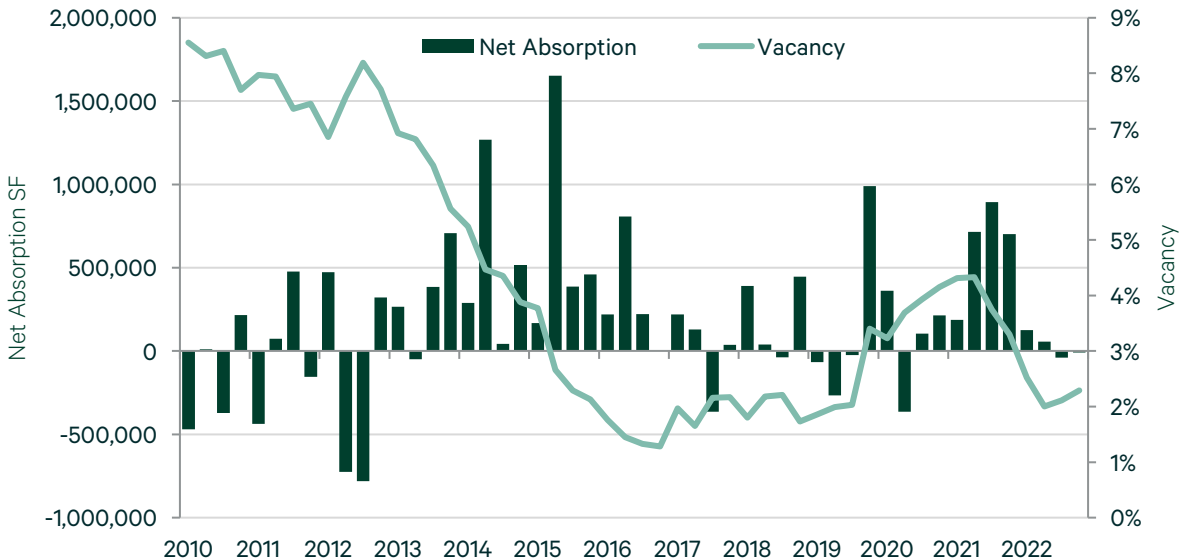
EMPLOYMENT

The Silicon Valley is primarily comprised of Santa Clara County and is home to 1.9 million residents with a labor force of 1.06 million. At the close of Q4 2022, the total resident employment was 1.03 million, up 4.3% from Q4 2021. The Silicon Valley total in-market employment added another 53,410 jobs to the employment base and totaled 1.17 million employed at the close of Q4 2022. The unemployment rate for Silicon Valley in Q4 2022 was 2.6% an 82 basis-point (bps) reduction from the fourth quarter of 2021. Industrial sector jobs in the Silicon Valley, inclusive of total in-market employment, grew by 1,370 jobs since the end of Q2 2022, to close Q3 2022 at 271,970.

INDUSTRIAL OVERVIEW

The industrial market in Q4 2022 recorded levels of stagnation throughout the Silicon Valley as the lack of viable available product remained scarce and tenant demand increased. The average market vacancy decreased 91 bps from 3.3% in Q4 2021 to 2.3% in Q4 2022. Comparatively, the market availability rate decreased from 4.7% to 3.1% in the last 12 months. Vacancy rates for both subcategories (manufacturing and warehouse) displayed 2.6% and 2.0% for the quarter, respectively. Limited supply with constrained development tightened market fundamentals over the past year.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

Net absorption in the industrial market recorded net occupancy losses for the second consecutive quarter in Q4 2022, totaling negative 8,699 sq. ft., which dropped the total year-to-date net absorption to positive 107,742 sq. ft. in 2022. The largest contributor to positive occupancy gains this quarter transpired at 615 N King Road, San Jose where Inspur signed a 77,608 sq. ft. deal. Conversely, Q4 2021 recorded 701,932 sq. ft. of positive net absorption, adding to the final year-to-date net absorption metric of 2.7 million sq. ft. in 2021.

The average asking rate for industrial space in Q4 2022 increased to \$1.56 per square foot (psf) on a monthly NNN basis for the combination of manufacturing and warehouse product types. This change displayed an increase of \$0.17 from Q4 2021. Further bifurcation of rents occurred with an increase of \$0.34 for manufacturing to \$1.71 psf, and no change for warehouse of \$1.39 psf since Q4 2021.

Space requirements for tenants and occupiers decreased from 6.4. million sq. ft. in Q4 2021 to 5.7 million sq. ft in Q4 2022, encompassing 40 total industrial requirements at an average requirement size of 143,350 sq. ft. For large users, there was only 4 vacant options over 100,000 sq. ft. as the erosion of functionally obsolete buildings with limited developable sites in the Silicon Valley has persisted with supply-constrained characteristics in the market.

Among the top 25 transactions completed in Q4 2022, 14 were new leases, where 9 landed in manufacturing properties. As displayed in Q3, supply in Q4 2022 remained tight forcing companies to remain in their current locations, despite many intending to enhance their space and image by engaging the market. As a result, 11 of the top 25 transactions were renewals.

At the close of Q4 2022, 5 projects in the Silicon Valley totaling 995,307 sq. ft. were under construction with most expected to deliver by the middle of 2023. Two projects totaling 169,046 sq. ft. completed in Q4 2022, which accounted for the entirety of the year. Most notably, a 110,000-sq.-ft. preleased warehouse building at 47538 Kato Rd in Fremont was delivered. Adversely, construction completions in 2021 totaled up to 1.8 million sq. ft., indicating a slowdown in construction over the past 12 months.

FIGURE 2: Submarket Statistics

| Submarket | Net Rentable Area | Total Vacancy (%) | Total Availability (%) | Average Asking Lease Rate (\$) | | Q4 Net Absorption | YTD Net Absorption |
|-------------------------|--------------------|-------------------|------------------------|--------------------------------|-------------|-------------------|--------------------|
| | | | | Mfg. | Whs. | | |
| Palo Alto | 1,269,247 | 2.0 | 2.0 | 2.90 | 2.25 | 0 | 5,275 |
| Mountain View/Los Altos | 1,858,307 | 4.0 | 4.7 | 2.87 | 1.49 | (11,776) | (23,976) |
| Sunnyvale | 5,879,277 | 2.8 | 3.5 | 2.90 | 1.65 | (17,342) | 117,672 |
| Santa Clara | 14,882,474 | 2.2 | 3.3 | 1.56 | 1.75 | 30,200 | (3,996) |
| West Valley | 1,591,717 | 3.2 | 4.4 | 1.99 | 2.15 | 29,944 | 28,955 |
| San Jose - Downtown/IBP | 12,566,657 | 2.9 | 3.7 | 1.26 | 1.43 | (12,196) | (57,525) |
| San Jose - North | 10,550,101 | 1.8 | 2.4 | 1.62 | 1.41 | (12,802) | (60,885) |
| San Jose - South | 12,774,905 | 4.0 | 5.1 | 1.46 | 1.27 | (39,895) | (84,530) |
| Milpitas | 9,657,524 | 2.1 | 2.4 | 1.72 | 1.50 | (70,741) | 105,730 |
| Fremont/Newark | 37,077,594 | 1.5 | 2.4 | 1.55 | 1.40 | 95,909 | 81,022 |
| Silicon Valley | 108,107,803 | 2.3 | 3.1 | 1.56* | | (8,699) | 107,742 |
| Manufacturing | 59,669,981 | 2.6 | 3.3 | 1.71 | N/A | (47,325) | (265,356) |
| Warehouse | 48,437,822 | 2.0 | 2.9 | N/A | 1.39 | 38,626 | 373,098 |

*Combined Warehouse and manufacturing
Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

| Tenant | Location | Leased Sq. Ft. | Type |
|--------------------------------|------------------------------|----------------|-----------|
| RK Logistics Group | 6753 Mowry Ave Newark | 268,538 | Renewal |
| Legacy Transportation Services | 1991 2011 Senter Rd San Jose | 129,260 | Renewal |
| Confidential | 1953 Concourse Dr San Jose | 126,648 | New Lease |
| Innovated Packaging Company | 38505 Cherry St Newark | 103,588 | Renewal |
| Inspur | 615 North King Rd San Jose | 77,608 | New Lease |

Source: CBRE Research

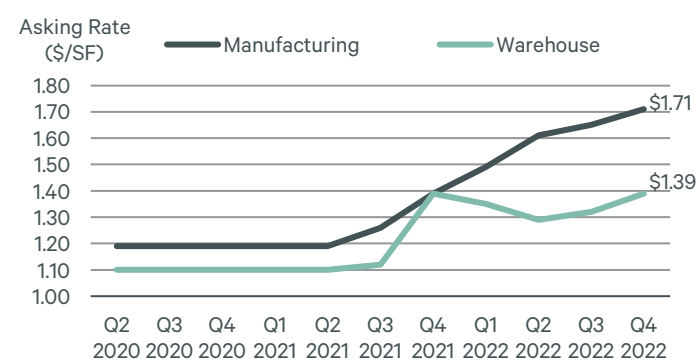
FIGURE 4: Notable Sale Transactions Q4 2022

| Buyer` | Location | Sold Sq. Ft. | Sale Price \$/SF |
|--------------------------|----------------------------------|--------------|--------------------|
| BentallGreenOak | 38811 Cherry St Newark | 574,647 | *\$120.0M \$208.82 |
| Teledyne Digital Imaging | 35545 Dumbarton Cir Newark | 55,872 | \$16.9M \$303.32 |
| Dollinger Properties | 2290 De La Cruz Blvd Santa Clara | 25,700 | \$7.50M \$292.77 |
| Bay Tube & Machining | 44111 Fremont Blvd Fremont | 18,200 | \$7.40M \$409.00 |
| OOIBODO LLC | 1150 W Evelyn Ave Sunnyvale | 15,000 | \$6.20M \$413.33 |

*Part of a 5 Building Portfolio multi market Sale; sold on 12/22/2022 totaling 1,320,630 Sq. Ft.

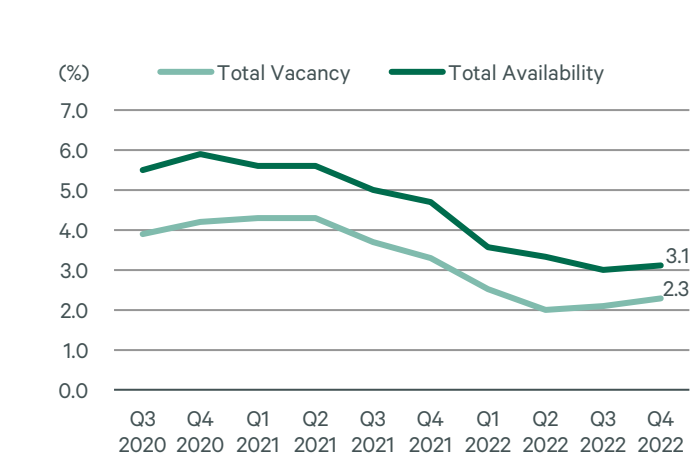
Source: CBRE Research

FIGURE 5: Lease Rates



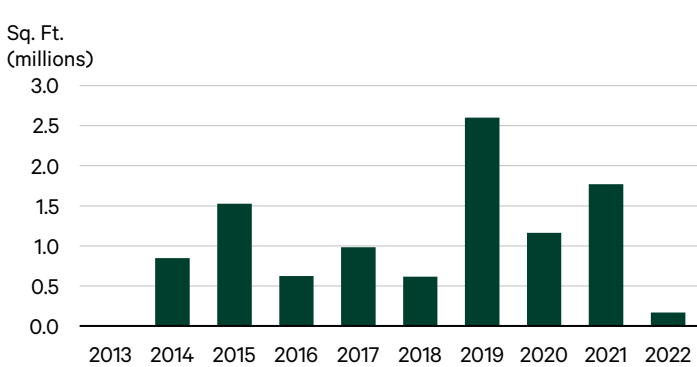
Source: CBRE Research

FIGURE 6: Vacancy & Availability



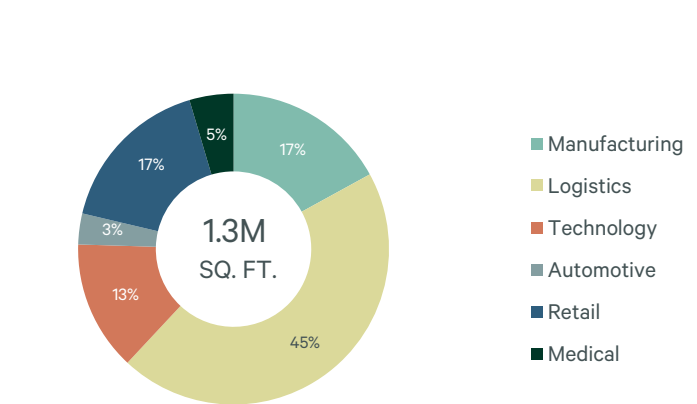
Source: CBRE Research

FIGURE 7: Construction Completions



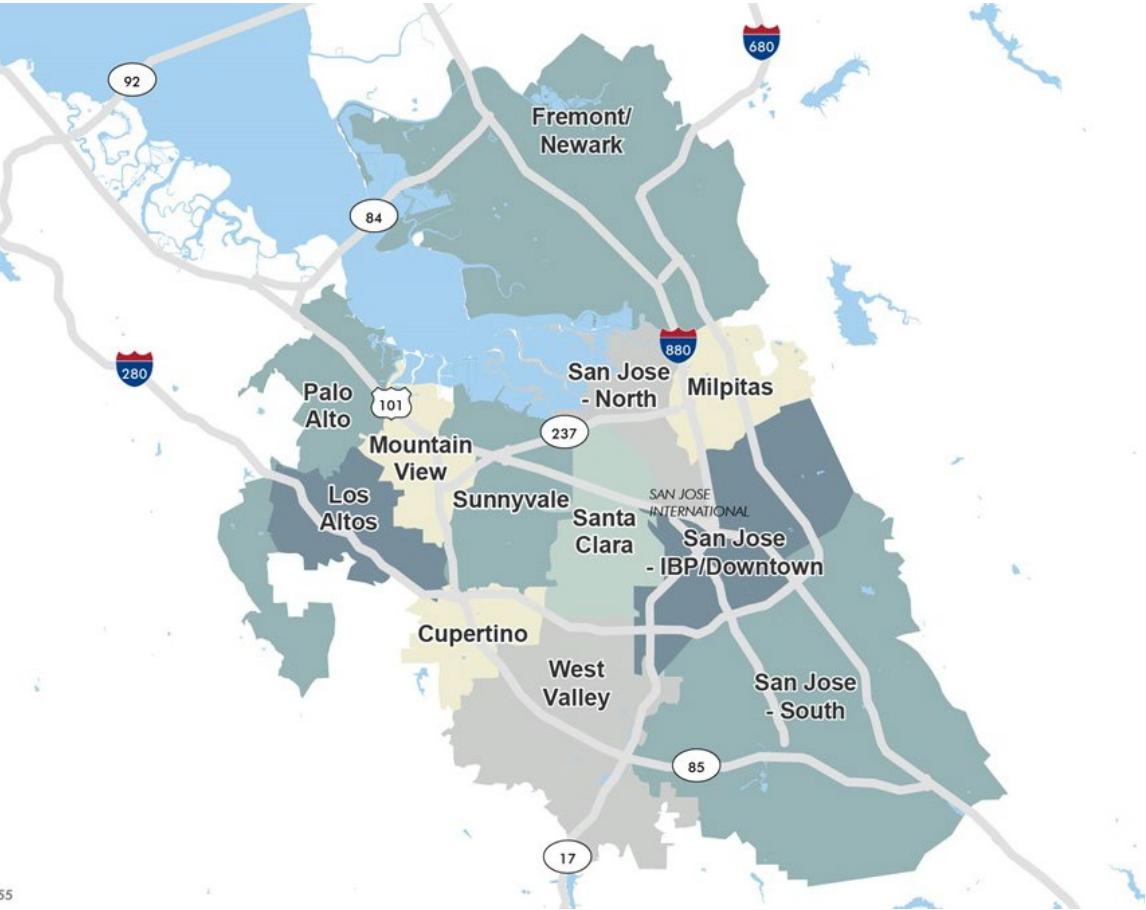
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research

Submarket Map



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Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Monthly Lease Rates, Full-Service Gross (FSG). 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 Office 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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