

# Silicon Valley Industrial

## Market Forecast

### Industrial

Absorption



Vacancy



Rental Rate



New Construction



### Warehouse

Absorption



Vacancy



Rental Rate



New Construction



## Notable Lease Transactions

**SAS Automotive Systems**  
39888 Eureka Drive, Newark  
142,388 s.f.

**Golden State T's**  
2070 S 7th Street, San Jose  
120,000 s.f.

## Notable Sales Transactions

**TA Realty**  
Hannover Business Park, Fremont  
163,317 s.f.

**LBA Realty**  
1250 Elko Drive, Sunnyvale  
90,554 s.f.

**SST Investments, LLC**  
805-809 Aldo Avenue, Sunnyvale  
69,753 s.f.

The Silicon Valley industrial and warehouse market loosened in the third quarter of 2016, reporting 252,526 s.f. of negative net absorption. Average blended industrial and warehouse asking rental rates market-wide showed a modest decrease from \$1.16 to \$1.14 per s.f. per month on a triple-net basis. Industrial vacancies experienced a slight uptick going from 4.80% at the end of last quarter to 4.91% to close out the third quarter. Builders are starting to catch up with the demand for industrial product as they complete projects and satiate companies' appetites for new product.

Despite the slight increase in vacancy from the previous quarter, the Silicon Valley industrial market remains tight. The vacancy rate is still lingering below 5.0% and remains near historically low levels making it difficult for tenants to find suitable spaces. The industrial vacancy rate swelled slightly from 4.80% to 4.91% this quarter, while warehouse vacancies stayed constant at 2.22%, as the Silicon Valley warehouse market saw 182,848 s.f. of negative net absorption. San Jose experienced the biggest industrial net absorption loss in the Silicon Valley, posting negative 43,474 s.f. Fremont had the largest warehouse net absorption loss this quarter with negative 160,434 s.f. Newark posted the largest gains with 7,600 industrial and 87,472 warehouse s.f. of positive net absorption this quarter. Fremont and Milpitas experienced the second and third largest gains respectively, showing industrial users are moving east for space. Vacancy rates may be on the rise in the coming quarters if this trend continues.

Notable industrial and warehouse lease transactions during the third quarter were not dominated by the usual suspects. SAS Automotive inked the largest deal, snagging 142,388 s.f. at 39888 Eureka Drive in Newark. Golden State T's came in second with their 120,000 s.f. lease at 2070 S. 7th Street in San Jose. The largest transaction in Fremont was for 105,830 s.f. completed by Quanta Computer at 44320 Nobel Drive. Javelin logistics rounds out the top four, leasing 97,034 s.f. in Newark at 7025 Central Avenue.

Historically high volumes of user requirements paired with decreasing industrial supply kept rental rates at \$1.14 per s.f. per month on a triple-net basis this quarter. New developments continue to boost their asking rents, driving price tags higher on choice product market-wide. At \$1.75 per s.f., Mountain View had the highest industrial asking rent in the Silicon Valley market at quarter's end, while Newark, at \$0.92 per s.f., had the lowest. About 4.32 million s.f. of industrial space was available for lease at quarter's end, with San Jose accounting for 45% of the availabilities and Fremont contributing another 28%.

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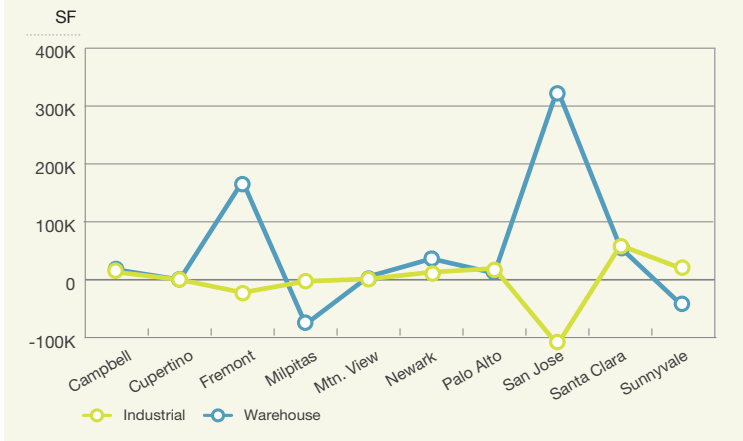
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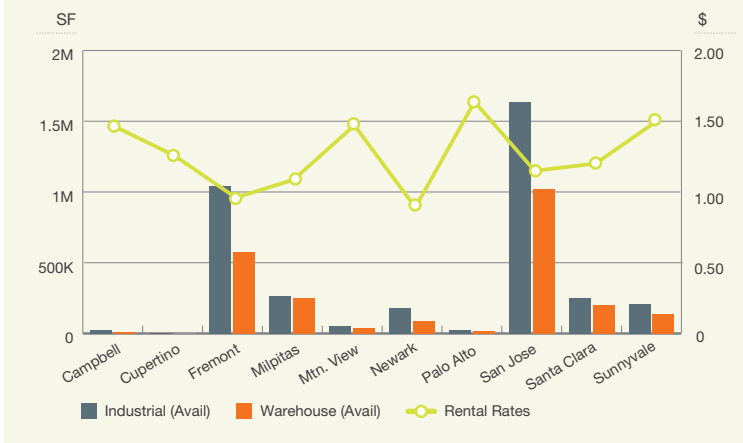
Designated Broker  
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**YTD Net Absorption by Submarket**



Industrial sales activity remained robust this quarter, especially for well-located projects with long-term tenants. TA Realty had the quarter's largest transaction with their purchase of the seven-building Hannover Business Park in Fremont totaling 163,317 s.f. Runner up goes to LBA Realty, who purchased 90,554 s.f. at 1250 Elko Drive in Sunnyvale. The next largest purchase was also in Sunnyvale, where SST Investments, LLC purchased 805-809 Aldo Avenue totaling 69,753 s.f. The largest purchase in San Jose was 63,597 s.f. by Dedeaux Properties and occurred at 1130-1170 Olinder Court. Industrial and warehouse space is expected to continue a strong run as self-driving cars are becoming more and more popular each day, and companies are expected to acquire space for production.

**Total Available For Lease/Rental Rates by Submarket**



New construction surged during the third quarter. Industrial construction increased from nearly 600,000 s.f. to 1,090,960 s.f. with delivery expected in the next 6-24 months. Warehouse construction has paused for the time being.

**Submarket Statistics**

Submarket	INDUSTRIAL					WAREHOUSE				
	Total Available for Lease	Sublease	Total Available for Sale	Vacancy %	Net Absorption YTD	Total Available for Lease	Sublease	Total Available for Sale	Vacancy %	Net Absorption YTD
Campbell	22,427	0	25,600	3.22%	12,994	7,742	0	0	0.67%	17,258
Cupertino	0	0	0	0.00%	0	0	0	0	0.00%	0
Fremont	1,042,934	86,451	175,820	6.52%	(22,161)	578,904	32,440	12,258	3.19%	169,989
Milpitas	266,021	9,800	18,471	21.99%	(2,758)	249,396	0	36,288	12.56%	(76,980)
Mountain View	50,500	0	0	2.51%	1,209	39,828	0	0	1.71%	5,418
Newark	180,696	52,700	0	4.80%	13,098	86,372	32,700	19,400	8.07%	36,196
Palo Alto	21,370	0	0	0.63%	19,423	17,300	0	0	0.10%	11,300
San Jose	1,633,546	115,158	291,595	7.06%	(112,074)	1,018,940	73,958	199,475	3.85%	328,844
Santa Clara	252,712	64,426	0	4.33%	59,279	201,322	57,000	0	1.32%	55,573
Sunnyvale	210,524	40,182	127,877	4.72%	(2,910)	139,151	32,590	29,620	6.26%	(46,423)
<b>Total</b>	<b>3,680,730</b>	<b>368,717</b>	<b>639,363</b>	<b>4.91%</b>	<b>(33,900)</b>	<b>2,338,955</b>	<b>228,688</b>	<b>297,041</b>	<b>2.22%</b>	<b>501,175</b>

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