

# Silicon Valley Industrial

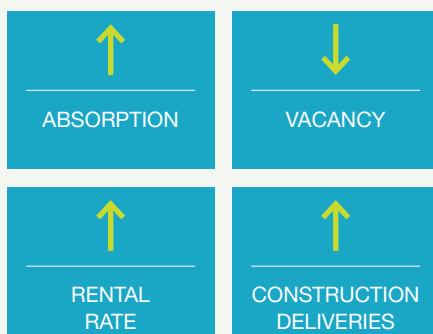
The industrial and warehouse markets posted positive gains once again to open up 2018. Net absorption for industrial and warehouse products was healthy, posting positive 527,395 s.f. and positive 499,778 s.f., respectively. Vacancies dropped to astounding lows with 1.70% and 1.80%, respectively. The average asking rate for industrial space increased to \$1.31 and warehouse is now at \$1.14/s.f./month on a triple-net basis. Silicon Valley’s industrial and warehouse properties do not have much room left to improve, and new construction is crucial to the future success of this product. Demand remains strong, but the lack of supply has forced users to look at the far edges of the Valley for suitable spaces. The constrained supply paired with robust demand indicates rental rates figure to trend further upward in the near future.

The vacancy rate for industrial properties came in at 1.70%, while the rate for warehouse properties came in at 1.80%. These are down from last quarter’s 2.78% for industrial and 2.76% for warehouse. While these are large drops, it is not surprising as tenants’ demand for this product cannot be met fast enough. This demand should keep these vacancy rates low as long as these tenants do not start to look outside of the Valley. Owners continue to seek redevelopment opportunities for their assets, which reduce the supply. San Jose experienced the biggest industrial and warehouse net absorption gains in Silicon Valley for the quarter, adding 446,178 s.f. and 395,568 s.f. Mountain View posted the largest industrial and warehouse losses with 33,400 s.f. and 12,643 s.f. of negative net absorption. Tenants continue to

stray from the western parts of the Valley, as they look for more affordable and suitable spaces.

Leases in the southern and eastern parts of the valley composed the top leases for industrial and warehouse space during the quarter. SF Motors signed the largest new lease with their deal for 136,632 s.f. at the newly constructed 607 N McCarthy Boulevard in Milpitas. The largest renewal was signed by S&M Moving for 61,340 s.f. at 48541 Warm Springs Boulevard in Fremont. California Wine Transport inked the largest sublease for 40,756 s.f. at 905 McLaughlin Avenue in San Jose. Also in San Jose, Brightview Landscape Maintenance leased 33,105 s.f. at 490-498 Phelan Avenue. Large blocks of space do not sit on the market long, and tenants continue to snap these up very quickly.

## Market Trends



## Notable Lease Transactions

**SF Motors**  
607 N McCarthy Boulevard, Milpitas  
136,632 s.f. leased

**S&M Moving**  
48541 Warm Springs Boulevard, Fremont  
61,340 s.f. leased (renewal)

**California Wine Transport**  
905 McLaughlin Avenue, San Jose  
40,756 s.f. leased

**Brightview Landscape Maintenance**  
490-498 Phelan Avenue, San Jose  
33,105 s.f. leased

## Notable Sale Transactions

**Google**  
5079, 5087 & 5093 Disk Drive, San Jose  
563,211 s.f.

**Berkeley Partners**  
1180-1190 Ames Avenue, Milpitas  
175,044 s.f.

**Trammell Crow**  
501 Cinnabar Street, San Jose  
118,619 s.f.

**TA Realty**  
5830 Hellyer Avenue, San Jose  
109,700 s.f.

**Offices**

- Seattle  
206.296.9600
- Bellevue  
425.454.7040
- South Seattle  
206.248.7300
- Tacoma  
253.722.1400
- Olympia  
360.705.2800
- Portland  
503.221.9900
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415.229.8888
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- Silicon Valley  
408.970.9400
- Sacramento  
916.970.9700
- Roseville  
916.751.3600
- Los Angeles  
213.880.5250
- El Segundo  
310.807.0880
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323.727.1144
- Long Beach  
562.472.0071
- Orange County  
949.557.5000
- Inland Empire  
909.764.6500
- San Diego  
858.509.1200
- Carlsbad  
760.430.1000
- Reno  
775.301.1300
- Phoenix  
602.513.5200

**Contact**

**Mark Read**  
Executive VP, Brokerage  
Northern California / NV  
408.970.9400  
[mread@kiddermathews.com](mailto:mread@kiddermathews.com)

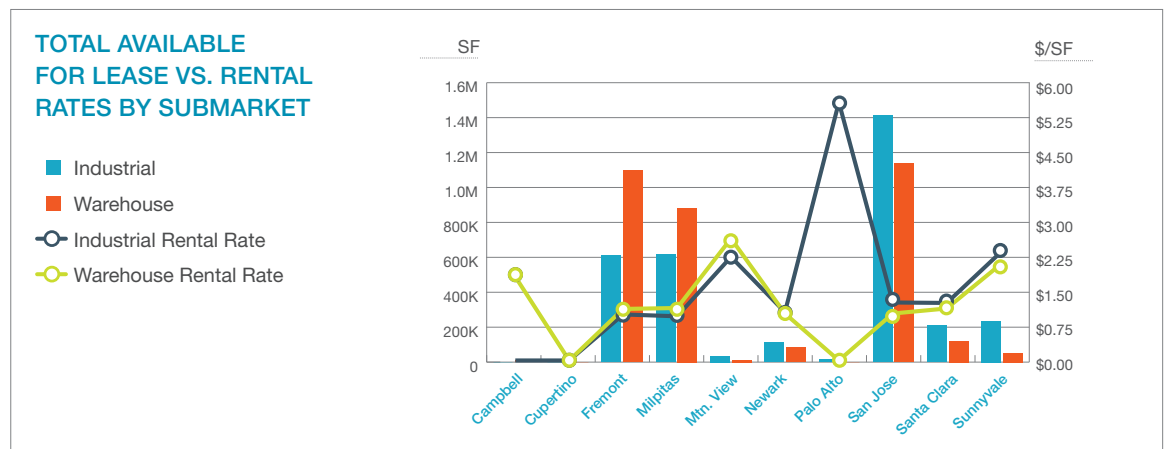
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Users and investors remained active this quarter for both warehouse and industrial properties. Google returned to the sales market with their three-building, 563,211 s.f. purchase on Disk Drive. Berkeley Partners closed on the largest warehouse purchase with their 175,044 s.f. deal at 1180-1190 Ames Avenue in Milpitas. Trammell Crow purchased the largest warehouse property in San Jose at 501 Cinnabar Street. This 118,619 s.f. building was most likely purchased for future redevelopment by Google. In San Jose, TA Realty purchased 5830 Hellyer Avenue, a 109,700 s.f. building. Users and investors who can afford industrial and warehouse properties will continue to acquire them, as the strong demand portends future growth for both products.

The constrained supply, along with continued steady demand, bumped rental rates up this quarter. The average asking rates for industrial and warehouse are at \$1.31 and \$1.14. Milpitas

has the most affordable industrial space at \$0.96/s.f. Newark has the best deal for warehouse space coming in at \$1.02/s.f. The quarter ended with 3.24M s.f. of available industrial space for lease and 3.39M s.f. of warehouse product. San Jose still accounts for roughly 44% of the industrial availabilities and 34% of the warehouse availabilities. Supply remains primarily concentrated in large blocks of space, while demand is mainly for small to midsize spaces. New construction should help take off some of the pressure.

Construction remains crucial to meeting the market demands. There is currently one 313,978 s.f. industrial project under construction. Warehouse construction remains at one 155,909 s.f. project. Both projects are available, and will help alleviate some of the demand pressure, but significantly more product will need to come on line to satisfy the demand.



**Submarket Statistics**

Submarket	INDUSTRIAL					WAREHOUSE				
	Vacancy %	Total Available for Sale	Total Available for Lease	Sublease	Net Absorption YTD	Vacancy %	Total Available for Sale	Total Available for Lease	Sublease	Net Absorption YTD
Campbell	0.50%	0	0	0	-2,454	1.20%	0	7,392	0	0
Cupertino	0.00%	0	0	0	0	0.00%	0	0	0	0
Fremont	2.00%	0	610,232	330,009	32,682	2.90%	47,000	1,095,528	28,116	13,389
Milpitas	1.60%	49,845	614,603	36,000	57,089	1.30%	0	882,259	0	39,681
Mountain View	7.80%	0	35,585	3,600	-33,400	3.10%	0	11,693	0	-12,643
Newark	1.80%	0	111,436	20,000	-26,159	1.10%	0	84,853	0	49,885
Palo Alto	1.00%	43,889	13,652	0	0	2.00%	0	0	0	-12,200
San Jose	1.80%	402,826	1,410,449	172,167	446,178	1.90%	450,190	1,138,581	69,407	395,568
Santa Clara	1.70%	237,927	209,552	25,500	41,009	0.07%	45,200	120,540	25,500	19,988
Sunnyvale	0.04%	127,877	235,288	30,000	12,450	0.00%	0	51,839	30,000	6,110
<b>Total</b>	<b>1.70%</b>	<b>862,364</b>	<b>3,240,797</b>	<b>617,276</b>	<b>527,395</b>	<b>1.80%</b>	<b>542,390</b>	<b>3,392,685</b>	<b>153,023</b>	<b>499,778</b>

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