

Silicon Valley Industrial Market

Industrial Boom Propels Market into the New Year

The industrial market closed out a turbulent year on a high note, posting a positive net absorption of 297,665 square feet, the first quarter with positive net absorption since 2018. The vacancy rate dropped to 3.96% from 4.54% in the previous quarter. Gross absorption was still strong with 662,188 square feet, although that is the lowest total of the year. This is in large part due to two leases in Fremont totaling over 150,000 square feet per transaction. Newark was the one submarket that didn't fare well this quarter, due to over 100,000 square feet coming to the market in the submarket, while not many other new listings cropped up this quarter.

The warehouse market also ended the year in an encouraging way, with the second positive net absorption in a row, with 199,474 square feet. Fremont was the sole submarket with a negative net absorption this quarter, at 20,948 square feet. Asking rates jumped up \$0.03/SF to \$1.06/SF, a historic high for Silicon Valley. Vacancy rates in the warehouse market also dropped down to 7.26%, the lowest vacancy for the warehouse market in Silicon Valley since 2018.

Submarket Breakdown

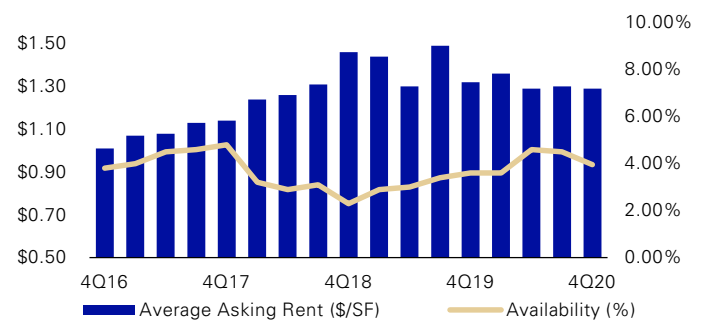
The three biggest deals of the quarter for the industrial market were all done in Fremont, and that is reflected in the stats, with Fremont having the largest net and gross absorption, with 420,951 square feet and 467,015 square feet, respectively. However, the neighboring city of Newark was the worst performer of the quarter, posting zero gross absorption, while having a negative net absorption of 109,959 square feet.

For the warehouse market, things were switched around. Newark had three out of the top five deals done in the quarter, with the largest deal being Landsberg Orora taking 194,033 square feet at 8311 Central Avenue. Newark posted a net absorption of 82,536 square feet and a whopping 394,529 square feet, nearly half of the total for Silicon Valley.

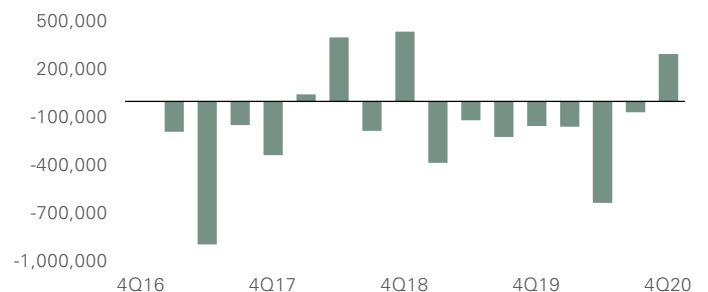
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Industrial Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter		Year Ago Period	
	IND	WHS	IND	WHS
Vacancy Rate	4.0%	7.3%	3.6%	7.3%
Qtr Net Absorption	298K SF	199K SF	-154K SF	237K SF
Qtr Gross Absorption	662K	807K	655K	723M
Avg NNN Asking Rent	\$1.29/SF	\$1.06/SF	\$1.32/SF	\$0.96/SF
Under Construction	1.3M SF	763K SF	951M SF	1.4M SF

RESEARCH 4Q 2020

Asking rates in Newark also jumped \$0.10/SF to \$1.07/SF, while every other submarket stayed mostly unchanged. The best-performing market for net absorption was Milpitas, which posted a net absorption of 120,965 square feet. The only submarket with a negative net absorption this quarter was Fremont, with negative 20,948 square feet. Fremont was also the only submarket to see an increase in vacancy; Newark and Milpitas both saw a significant decrease in vacancy by about 2% each, while Fremont increased by a minor 0.2% up to 5.0% total.

Significant Transactions

In a change of pace from last quarter where mid-range leases reigned supreme, this quarter was propelled by a handful of large deals. The three largest transactions were all in Fremont, with two deals over 150,000 square feet: Cepheid leased 178,910 square feet at 44509 Pacific Commons in the Bayside submarket, while Orchard Therapeutics did a sublease of 152,995 square feet at 800 Corporate Way in Warm Springs. Hub Logistics also leased 51,5345 square feet at 42744 Boscell Road.

Also notable is Amazon leasing 31,000 square feet at 2256 Junction Avenue San Jose in the Trimble South submarket. Amazon has had at least one of the top deals in the industrial market every quarter in 2020.

The warehouse market shows a similar trend as the industrial market. Two transactions over 100,000 square feet were done, along with 12 other deals within the range of 20,000 square feet to 70,000 square feet. Newark was the star of the show, with Landsberg Orora leasing the 194,033 square feet at 8311 Central

Avenue. Two other notable transactions in Newark are Service Partners Supply leasing 81,960 square feet in total at 8628 and 8648 Thornton Avenue and RK Logistics Group leasing 60,536 square feet at 38503 Cherry Street.

The second biggest transaction of the quarter was Lockheed Martin leasing 120,965 square feet at 565 Sinclair Frontage Road in Milpitas.

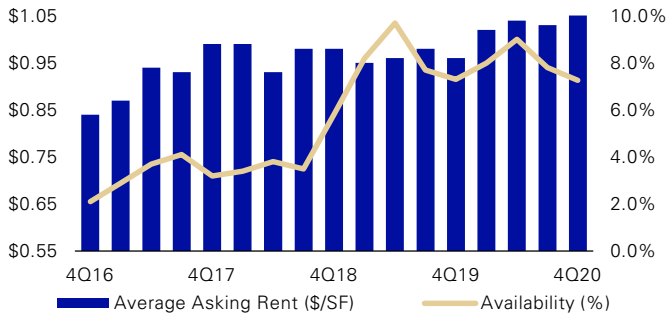
Both largest sales of the quarter were done on the warehouse side. TA Realty purchased the 82,900-square-foot property at 2144 Oakland Road in San Jose for \$26.6 million, or \$321/SF. Going north to Milpitas for an owner-user sale, Ark Row Industrial Partners purchased 47375 Fremont Boulevard’s 40,947-square-foot property for \$9.771 million, or \$239/SF.

For the industrial market, the top four largest sales all occurred in either San Jose or Santa Clara. In Santa Clara, both transactions were done in the 101 South submarket, with 2170 Martin Avenue’s 38,256-square-foot property being purchased by Ajay Real Estate for \$7.3 million, or 191/SF, and 365 Reed Street’s 24,145-square-foot property being sold in an owner-user sale to C&S Hybrid for \$5.357 million, or \$221/SF.

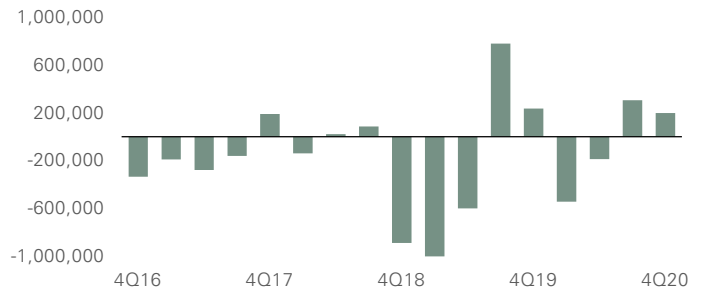
In San Jose, both sales were investments. Stone Avenue Partners bought 1742 Stone Avenue, a 35,200-square-foot property in Central San Jose for \$8.5 million. In the Trimble South submarket, A&J Investments purchased 2219 Paragon Drive, a 27,632-square-foot property for \$8.43 million.

Warehouse Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Select Industrial Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Cepheid	44509 Pacific Commons Blvd (Bldg 2B)	Fremont (Bayside)	Direct	178,910
Orchard Therapeutics North America	800 Corporate Way	Fremont (Warm Springs)	Sublease	152,995
Hub Logistics	42744 Boscell Road	Fremont (Auto Mall North)	Direct	51,535
Amazon	2256 Junction Avenue	San Jose (Trimble South)	Direct	31,000
C&S Hybrid, Inc.	365 Reed Street	Santa Clara (101 South)	Owner-User Sale	24,145
Quantum Global Technologies, Inc.	44081 Old Warm Springs Blvd	Fremont (Warm Springs)	Extension	22,710
Bryan Bach	4261 Business Center Drive	Fremont (Mission North)	Owner-User Sale	17,280

Select Warehouse Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Landsberg Orora	8311 Central Ave	Newark	Direct	194,033
Lockheed Martin	565 Sinclair Frontage Road	Milpitas (East 880)	Direct	120,965
Service Partners Supply Inc.	8628 & 8648 Thornton Ave	Newark	Renewal/Direct	81,960
Amy's Kitchen	1885 Las Plumas Ave	San Jose (Brokaw South)	Direct	65,173
RK Logistics Group	38503 Cherry Street	Newark	Direct	60,536
Stresssteel, Inc.	47375 Fremont Blvd	Fremont (Bayside)	Direct	41,799
Ark Row Industrial Partners, LLC	47375 Fremont Blvd	Fremont (Bayside)	Owner-User Sale	40,947

Select Industrial Investment Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
2170 Martin Ave	Santa Clara (101 South)	\$7,300,000	\$191	38,256
1742 Stone Avenue	San Jose (Central)	\$8,500,000	\$241	25,200
2219 Paragon Drive	San Jose (Trimble South)	\$8,430,000	\$305	27,632
550 Parrott Street	San Jose (Central)	\$4,300,000	\$254	16,956

Select Warehouse Sale Transactions

Building(s)	Submarket	Reported Sale Price	Approx. \$/SF	Square Feet
2144 Oakland Road	San Jose (International Bus. Park)	\$26,600,000	\$321	82,900

Industrial Submarket Statistics								
	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
Campbell	1,007,117	33,367	0	3.31%	3,363	1,851	-17,292	\$1.65
Fremont	12,334,519	737,437	12,480	5.98%	467,015	420,951	-133,428	\$1.19
Mission South	2,359,504	93,936	0	3.98%	0	-5,160	-70,665	\$1.15
Warm Springs	2,575,061	63,007	12,480	2.45%	180,505	170,205	-9,735	\$1.26
Mission North	2,130,490	69,840	0	3.28%	29,858	25,258	44,740	\$1.19
Bayside	1,332,880	329,232	0	24.70%	178,910	178,910	-164,293	\$1.15
Auto Mall North	3,936,584	181,422	0	4.61%	77,742	51,738	66,525	\$1.25
Los Gatos	63,378	0	0	0	0	0	0	0
Milpitas	3,666,631	197,503	142,482	5.39%	17,446	4,024	-20,480	\$1.15
East 880	2,737,527	60,871	5,850	2.22%	17,446	4,024	-20,480	\$1.13
Oak Creek	929,104	136,632	136,632	14.71%	0	0	0	\$1.15
Mountain View	2,371,948	87,097	11,800	3.67%	14,307	14,307	-52,419	\$2.68
Central	1,249,431	39,797	10,000	3.19%	0	0	-39,019	\$2.65
Shoreline	454,826	0	0	0.00%	0	0	0	0
Middlefield	667,691	47,300	1,800	7.08%	14,307	14,307	-13,400	\$2.70
Newark	4,116,675	206,442	0	5.01%	0	-109,959	-237,884	\$1.28
San Jose	17,319,540	539,600	35,423	3.12%	94,989	-29,203	4,566	\$1.23
North	726,459	19,248	0	2.65%	0	0	-2,850	\$1.50
Trimble South	3,343,717	134,493	14,136	4.02%	45,425	8,404	40,223	\$1.39
Int'l Business Park	1,292,375	6,030	0	0.47%	17,842	0	-6,030	\$1.25
Brokaw South	4,960,392	87,513	10,800	1.76%	23,512	-13,198	-13,769	\$1.21
Central	6,298,002	258,972	10,487	4.11%	0	-17,215	18,586	\$1.10
South	698,595	33,344	0	4.77%	8,210	-7194	-31,594	\$1.53
Santa Clara	10,883,682	306,421	36,793	2.82%	62,655	-4,306	-90,136	\$1.29
Central Expy N	48,494	0	0	0.00%	0	0	0	0
101 North	4,367,492	111,813	2,428	2.56%	7,069	-22,086	-55,400	\$1.25
101 South	5,282,729	88,368	8,045	1.67%	50,190	20,100	-2,520	\$1.53
Central Expy S	1,184,967	106,240	26,320	8.97%	5,396	-2,320	-32,216	\$1.48
Sunnyvale	2,708,890	48,776	5,833	1.80%	2,413	0	-16,368	\$1.55
Peery Park	200,066	0	0	0.00%	0	0	0	0
Moffett Park	43,500	0	0	0.00%	0	0	0	0
The Woods	1,025,415	41,511	5,833	4.05%	2,413	0	-16,368	\$1.49
Oakmead	536,653	3,240	0	0.60%	0	0	0	0
South Central	903,256	4,025	0	0.45%	0	0	0	\$2.20
Silicon Valley	54,472,380	2,156,643	244,811	3.96%	662,188	297,665	-563,441	\$1.29

Warehouse Submarket Statistics								
	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
Fremont	10,388,229	520,570	145,795	5.01%	95,214	-20,948	155,644	\$1.08
Mission South	2,922,894	24,960	24,960	0.85%	0	-24,960	19,346	-
Warm Springs	865,410	238,592	120,835	27.57%	31,031	0	0	\$0.93
Mission North	450,801	0	0	0.00%	24,136	24,136	24,136	\$0.00
Bayside	1,778,225	0	0	0.00%	40,047	0	369,180	-
Auto Mall North	4,370,899	257,018	0	5.88%	0	-20124	-257,018	\$1.22
Milpitas	5,250,868	541,075	276,334	10.30%	149,285	120,965	-101,361	\$0.94
East 880	5,143,518	541,075	276,334	10.52%	149,285	120,965	-101,361	\$0.94
Oak Creek	107,350	0	0	0.00%	0	0	0	-
Newark	4,179,812	821,899	55614	19.66%	394,529	82,536	-187,697	\$1.07
San Jose	15,006,434	608,651	210,465	4.06%	167,594	16,921	7,531	\$1.13
Trimble South	3,714,113	269,010	0	7.24%	17,500	-36,000	-26,868	\$1.12
Int'l Business Park	1,182,505	83,914	83,914	7.10%	0	0	-105,536	\$1.25
Brokaw South	3,914,781	69,109	37,542	1.77%	150,094	52,921	84,529	\$1.07
Central	6,195,035	186,618	89,009	3.01%	0	0	55,406	\$1.20
Santa Clara	2,627,811	184,618	125,500	7.03%	0	0	40,377	\$0.97
101 North	560,271	65,000	65,000	11.60%	0	0	48,693	-
101 South	1,410,872	26,740	0	1.90%	0	0	0	\$0.75
Central Expy S	656,668	92,878	60,500	14.14%	0	0	-8,316	\$1.04
Sunnyvale	1,289,064	136,972	41,200	10.63%	0	0	-136,972	\$1.23
Peery Park	113,074	0	0	0.00%	0	0	0	-
Moffett Park	613,184	0	0	0.00%	0	0	0	-
South Central	562,806	136,972	41,200	24.34%	0	0	-136,972	\$1.23
Silicon Valley	38,742,218	2,813,785	854,908	7.26%	806,622	199,474	-222,478	\$1.06

Historical Industrial Vacancy Rates								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	2.89%	3.02%	3.39%	3.59%	3.57%	4.55%	4.54%	3.96%
Campbell	3.47%	3.94%	2.82%	1.62%	2.58%	2.99%	3.50%	3.31%
Fremont	4.79%	5.29%	4.93%	5.63%	5.55%	9.03%	9.46%	5.98%
Los Gatos	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Milpitas	0.59%	1.62%	5.75%	5.50%	5.56%	4.93%	5.50%	5.39%
Mountain View	5.12%	4.32%	4.31%	3.78%	4.22%	4.83%	4.28%	3.67%
Newark	2.28%	1.79%	3.80%	2.88%	2.45%	2.72%	2.34%	5.01%
San Jose	3.19%	3.07%	3.03%	3.38%	3.35%	3.46%	2.96%	3.12%
Santa Clara	1.22%	1.57%	1.85%	2.19%	1.98%	2.66%	2.87%	2.82%
Sunnyvale	1.22%	1.01%	1.20%	1.21%	1.80%	1.80%	1.80%	1.80%

Historical Industrial NNN Asking Rents								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	\$1.44	\$1.30	\$1.49	\$1.32	\$1.36	\$1.29	\$1.30	\$1.29
Campbell	\$1.84	\$1.75	\$1.74	\$1.85	\$1.87	\$1.74	\$1.64	\$1.65
Fremont	\$1.16	\$1.13	\$1.65	\$1.12	\$1.18	\$1.18	\$1.18	\$1.19
Los Gatos	-	-	-	-	-	-	-	-
Milpitas	\$1.16	\$1.35	\$1.18	\$1.17	\$1.17	\$1.14	\$1.15	\$1.15
Mountain View	\$3.53	\$3.04	\$3.07	\$3.25	\$3.05	\$3.10	\$3.10	\$2.68
Newark	\$1.07	\$1.02	\$1.20	\$1.61	\$1.44	\$1.35	\$1.38	\$1.28
San Jose	\$1.12	\$1.13	\$1.16	\$1.10	\$1.18	\$1.17	\$1.23	\$1.23
Santa Clara	\$1.59	\$1.29	\$1.52	\$1.43	\$1.51	\$1.39	\$1.29	\$1.29
Sunnyvale	\$1.94	\$1.43	\$1.67	\$1.55	\$1.86	\$1.57	\$1.50	\$1.55

Historical Industrial Net Absorption								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	-384,192	-117,875	-225,811	-153,931	-158,703	-634,920	-67,483	297,665
Campbell	-20,681	-9,006	11,278	3,162	-6,815	-7,244	-5,084	1,851
Fremont	-262,528	-57,729	42,126	-78,279	3,381	-517,580	-40,180	420,951
Los Gatos	0	0	0	0	0	0	0	0
Milpitas	-10,278	-33,444	-134,940	360,457	-334	0	-24,170	4,024
Mountain View	-30,046	14,926	145	3,971	-6,920	-40,174	-19,632	14,307
Newark	-29,642	20,799	-86,222	-21,200	-119,494	-21,150	12,719	-109,959
San Jose	-22,882	-11,123	-21,281	-380,557	-52,849	-4,733	91,351	-29,203
Santa Clara	1,827	-40,188	-31,741	-41,485	11,128	-14,471	-82,487	-4,306
Sunnyvale	-9,962	-2,110	-5,176	0	13,200	-29,568	0	0

Historical Industrial Gross Absorption								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	486,031	576,696	521,577	654,959	961,289	760,141	960,912	662,188
Campbell	5,600	11,200	26,472	10,550	3,353	7,717	16,838	3,363
Fremont	40,855	114,148	120,973	91,495	441,763	23,730	189,581	467,015
Los Gatos	0	0	0	0	0	0	0	0
Milpitas	44,805	15,710	20,621	365,754	7,196	425,145	13,680	17,446
Mountain View	2,640	43,591	26,034	26,931	29,430	4,341	19,211	14,307
Newark	174,693	70,260	65,437	1,789	20,777	70,576	77,636	0
San Jose	181,862	202,138	186,545	93,904	309,077	148,447	323,235	94,989
Santa Clara	35,576	103,559	75,495	64,536	136,493	74,378	320,731	62,655
Sunnyvale	0	16,090	0	0	13,200	5,807	0	2,413

Historical Warehouse Vacancy Rates								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	8.23%	9.69%	7.67%	7.31%	7.96%	9.02%	7.82%	7.26%
Fremont	14.11%	16.55%	8.58%	7.42%	3.71%	5.15%	4.81%	5.01%
Milpitas	7.35%	8.78%	10.87%	10.59%	11.47%	15.07%	12.61%	10.30%
Newark	13.46%	13.16%	13.16%	13.16%	22.57%	24.38%	21.64%	19.66%
San Jose	3.28%	4.94%	4.71%	4.67%	5.09%	4.94%	4.29%	4.06%
Santa Clara	11.08%	11.24%	10.17%	10.25%	10.18%	10.27%	7.03%	7.03%
Sunnyvale	0.00%	0.00%	0.00%	0.00%	10.63%	10.63%	10.63%	10.63%

Historical Warehouse NNN Asking Rents								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	\$0.95	\$0.96	\$0.98	\$0.96	\$1.02	\$1.04	\$1.03	\$1.06
Fremont	\$0.92	\$0.96	\$0.96	\$0.97	\$0.96	\$1.00	\$1.08	\$1.08
Milpitas	\$1.02	\$1.03	\$1.04	\$1.03	\$1.04	\$0.95	\$0.94	\$0.94
Newark	\$0.90	\$0.90	\$0.89	\$0.89	\$1.02	\$1.03	\$0.97	\$1.07
San Jose	\$0.98	\$1.00	\$0.97	\$0.96	\$1.07	\$1.13	\$1.14	\$1.13
Santa Clara	\$0.80	\$0.83	\$1.22	\$0.94	\$0.94	\$0.99	\$0.97	\$0.97
Sunnyvale	-	-	-	-	-	\$1.26	\$1.23	\$1.23

Historical Warehouse Net Absorption								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	-884,034	-597,920	776,325	149,018	-540,445	-185,392	303,885	199,474
Fremont	-474,845	-252,477	823,437	244,190	256,325	-115,234	35,501	-20,948
Milpitas	136,923	-74,822	-110,042	0	-156,344	-160,561	94,579	120,965
Newark	-477,642	12,280	0	0	-384,915	0	114,682	82,536
San Jose	-68,470	-278,701	34,992	-84,979	-120,416	90,403	20,623	16,921
Santa Clara	0	-4200	27,938	-10,193	1,877	0	38,500	0
Sunnyvale	0	0	0	0	-136,972	0	0	0

Historical Warehouse Gross Absorption								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Silicon Valley	975,678	792,356	1,665,271	930,221	1,365,992	458,618	931,883	806,622
Fremont	154,218	46,665	1,060,263	422,182	722,902	67,920	162,953	95,214
Milpitas	136,923	214,169	0	143,024	0	166,600	233,351	149,285
Newark	0	134,279	0	0	46,202	0	166,296	394,529
San Jose	656,672	397,243	509,177	293,184	447,107	224,098	275,783	167,594
Santa Clara	27,865	0	95,831	71,831	22,993	0	103,500	0
Sunnyvale	0	0	0	0	126,788	0	0	0

For more information:

Newmark

3055 Olin Avenue, Suite 2200
San Jose, CA 95128
t 408-727-9600
Corporate CA RE #: 00832933

Wing Lee

Director of Research, San Jose
wclee@ngkf.com

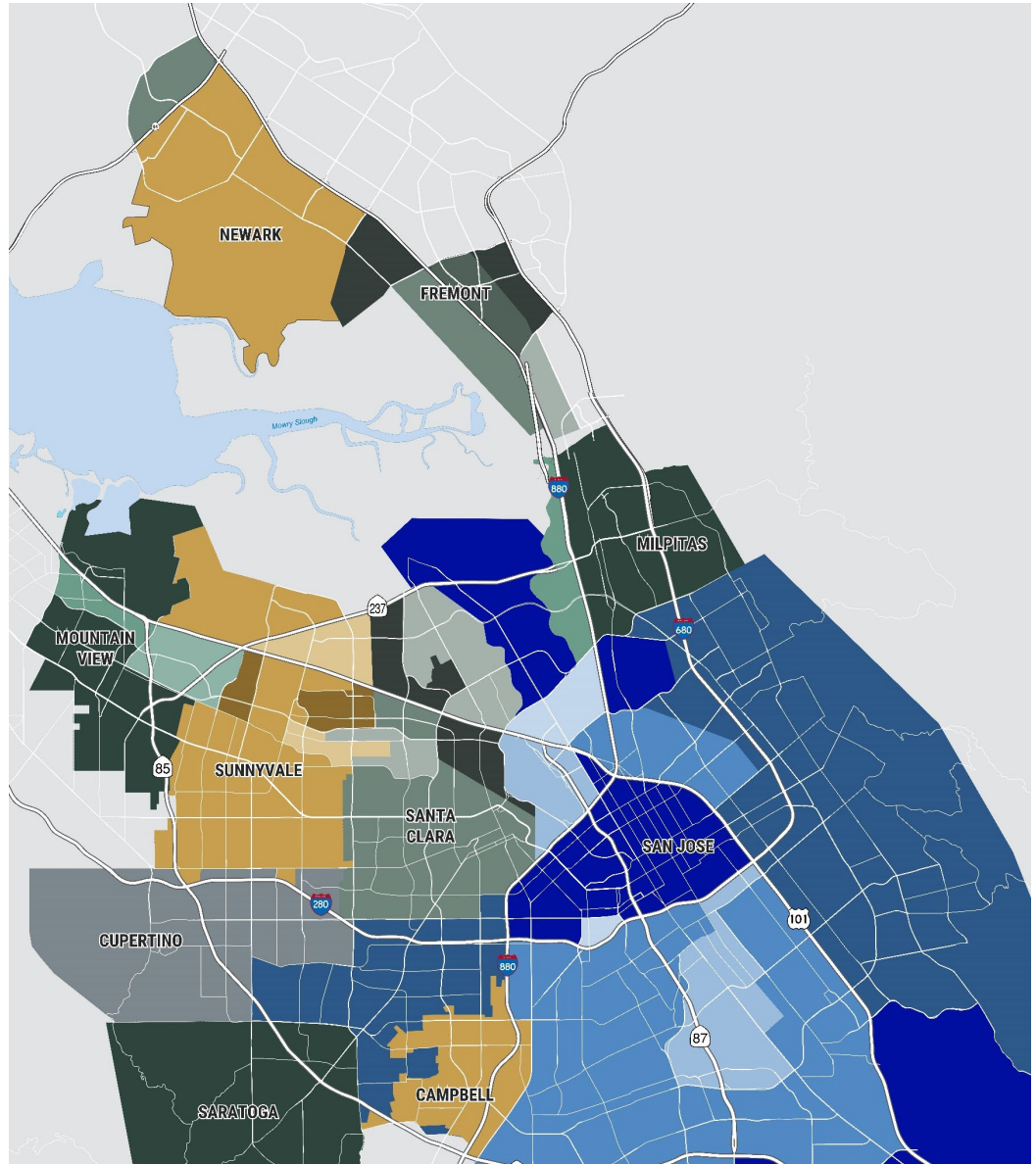
Mickey Moran

Research Analyst
mickey.moran@ngkf.com

Miles Whittemore

Research Analyst
miles.whittemore@ngkf.com

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.
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