

MARKET SPOTLIGHT

Q4 INDUSTRIAL

Silicon Valley, CA

San Jose's industrial market faces subdued demand due to tenant reluctance amid high interest rates and economic uncertainty. The technology sector's historic growth has driven demand for flex properties and data centers. Leasing activity, especially for larger spaces, slowed, with notable exceptions like Amazon's 1 million-SF distribution center in Hollister. Vacancy is at 7.0%, up by 80 basis points in the past year, aligning with the historical average. Development has surged to a 20-year high, with 5.2 million SF under construction, mainly in distribution and data center space. Subdued demand is expected until economic improvement in 2025, and with increased construction, localized vacancy impacts are anticipated. Transaction volume is half the five-year average, totaling \$1.2 billion, with national institutional buyers dominating. San Jose's industrial market remains one of the nation's most expensive, with an average transaction price of \$360/SF, significantly above the national average. Recent notable sales include Amazon's acquisition of a manufacturing site and the sale-leaseback of the Western Digital campus in Milpitas.

Local CRE:

Local Economy:

National CRE:

National Economy:

VACANCY RATE	7.0%	▲
AVG. MARKET RENT (PSF)	\$2.14	▲
TOTAL INVENTORY (SF)	199M	▲
12 MO NET ABSORPTION (SF)	1.4M	▼
UNDER CONSTRUCTION (SF)	4.8M	▲
QTRLY SALES VOLUME	\$175M	▼
MARKET CAP RATE	5.9%	▲

UNEMPLOYMENT RATE	3.9%	▲
JOB GROWTH	1.1%	▼
POPULATION GROWTH	1.0%	▲

VACANCY RATE	6.0%	▲
AVG. MARKET RENT (PSF)	\$0.99	▲
TOTAL INVENTORY (SF)	18.9B	▲
12 MONTH NET ABSORPTION (SF)	124M	▼
UNDER CONSTRUCTION (SF)	417M	▼
QUARTERLY SALES VOLUME	\$13.8B	▼
MARKET CAP RATE	7.2%	▲

UNEMPLOYMENT RATE	3.8%	▲
JOB GROWTH	1.8%	▼
POPULATION GROWTH	0.4%	▲