

# MARKET SPOTLIGHT

## Q3 2025 INDUSTRIAL

### San Jose Market

San Jose's industrial market remains soft in the fourth quarter of 2025, with weak tenant demand and limited expansion activity contributing to negative net absorption. After a boost in 2024 from tenants occupying pre-leased projects—most notably Amazon's 1 million SF Hollister facility—leasing has slowed sharply, especially for large and mid-sized spaces. Only a few major deals, such as PsiQuantum's 128,000 SF Milpitas lease, have closed in the past year. Vacancy has climbed to 8.9%, with flex space particularly strained at 11.9%, while logistics buildings remain comparatively tighter at 7.0%. Despite a pullback in development starts, 4.1 million SF remains under construction, spanning advanced manufacturing, distribution, and data centers. Rents are among the highest in the nation, but growth has turned negative, averaging -1.2% year-over-year. Looking ahead, demand is expected to improve with economic recovery, though upcoming speculative deliveries may push vacancy higher, with impacts varying widely by submarket based on supply constraints.

#### Local CRE:

VACANCY RATE	<b>8.9%</b>
AVG. MARKET RENT (PSF)	<b>\$2.11</b>
TOTAL INVENTORY (SF)	<b>200M</b>
12 MONTH NET ABSORPTION (SF)	<b>-1.6M</b>
UNDER CONSTRUCTION (SF)	<b>4.1M</b>
12 MONTH SALES VOLUME	<b>\$1.4B</b>
MARKET CAP RATE	<b>6.4%</b>

#### Local Economy:

UNEMPLOYMENT RATE	<b>4.2%</b>
JOB GROWTH	<b>0.3%</b>
POPULATION GROWTH	<b>0.84%</b>

#### National CRE:

VACANCY RATE	<b>7.5%</b>
AVG. MARKET RENT (PSF)	<b>\$1.00</b>
TOTAL INVENTORY (SF)	<b>19.5B</b>
12 MONTH NET ABSORPTION (SF)	<b>68.1M</b>
UNDER CONSTRUCTION (SF)	<b>329M</b>
12 MONTH SALES VOLUME	<b>\$80B</b>
MARKET CAP RATE	<b>7.3%</b>

#### National Economy:

UNEMPLOYMENT RATE	<b>3.8%</b>
JOB GROWTH	<b>0.9%</b>
POPULATION GROWTH	<b>0.5%</b>