

Silicon Valley Industrial Market Overview

Market Observations



- In the first quarter of 2025, the San Jose-Sunnyvale-Santa Clara MSA unemployment rate edged up slightly from 4.1% in February 2024 to 4.2% in February 2025, a modest 1.7% year-over-year increase. Nationally, the unemployment rate rose more notably, climbing from 3.9% to 4.1% over the same period, a 5.1% year-over-year increase. This indicates that while the broader U.S. labor market experienced a mild softening, Silicon Valley’s job market remained comparatively stable, underscoring the region’s resilience in key sectors such as technology
- Trade, Transportation and Utilities employment grew steadily in early 2025, supported by resilient consumer spending and supply chain improvements, while manufacturing plateaued due to weak industrial demand and inventory adjustments. This ongoing divergence highlights the service sector’s stronger post-pandemic rebound compared to goods-producing industries. Looking ahead, Trade, Transportation and Utilities should maintain moderate growth, but Manufacturing’s recovery remains constrained until export markets and business investment show sustained improvement.



- Fremont led large block leasing activity this quarter, accounting for three of the five largest leases signed. In addition to dominating on a deal count basis, Fremont also recorded the highest total square footage leased among all Silicon Valley submarkets, with 885,057 square feet.
- The largest lease for the first quarter of 2025 was AIVRES, a data center and AI infrastructure provider, signing a 10-year deal for 261,242 square feet at 47550 Kato Road.
- Supermicro Computer, Inc, the server and storage systems provider for data centers, renewed their 246,450 square foot lease at the Bayside Business Park for an additional 63 months.



Leasing Market Fundamentals

- The vacancy rate continued to rise, marking the sixth consecutive quarter of rising vacancy rates. Vacancy in the first quarter rose 57 basis points from the previous quarter and 233 basis points from the previous year. At 6.4%, first quarter vacancy has risen above the 20-year average of 5.8%.
- The first quarter closed on a high note with gross absorption for the quarter at 2,161,656 square feet, a 91.4% increase from the fourth quarter of 2024. Gross absorption in the first quarter was also 28.3% more than the 5-year average of 1,685,267 square feet.
- While conditions in the overall economy and broader industrial market remain murky, asking rental rates continued to rise. The average asking rent as of the first quarter of 2025 increased 4.8% year-over-year from the first quarter of 2024 to \$1.57 per square foot NNN. While asking rents are inching up, concessions, in the form of TIs and free rent, continue to be a large part of the lease negotiation so it is likely that effective rents are down to flat.



Outlook

- Compared to the fourth quarter of 2024, sublease availability decreased -10.6% from 1,151,400 square feet. While current sublease availability seems high on an absolute level, relative to the size of broader industrial market, this amount of space represents 1.2% of the total inventory. However, if more large sublease space becomes available, it could drive the overall vacancy rate up.
- New developments totaling 965,067 square feet were delivered across three different projects in Fremont and San Jose, impacting a decrease of -55.6% of square feet under construction compared to the fourth quarter of 2024. We are now tracking 770,422 square feet currently under construction at the Edenvale Industrial Park development, and the development of 5920 Hellyer Ave.

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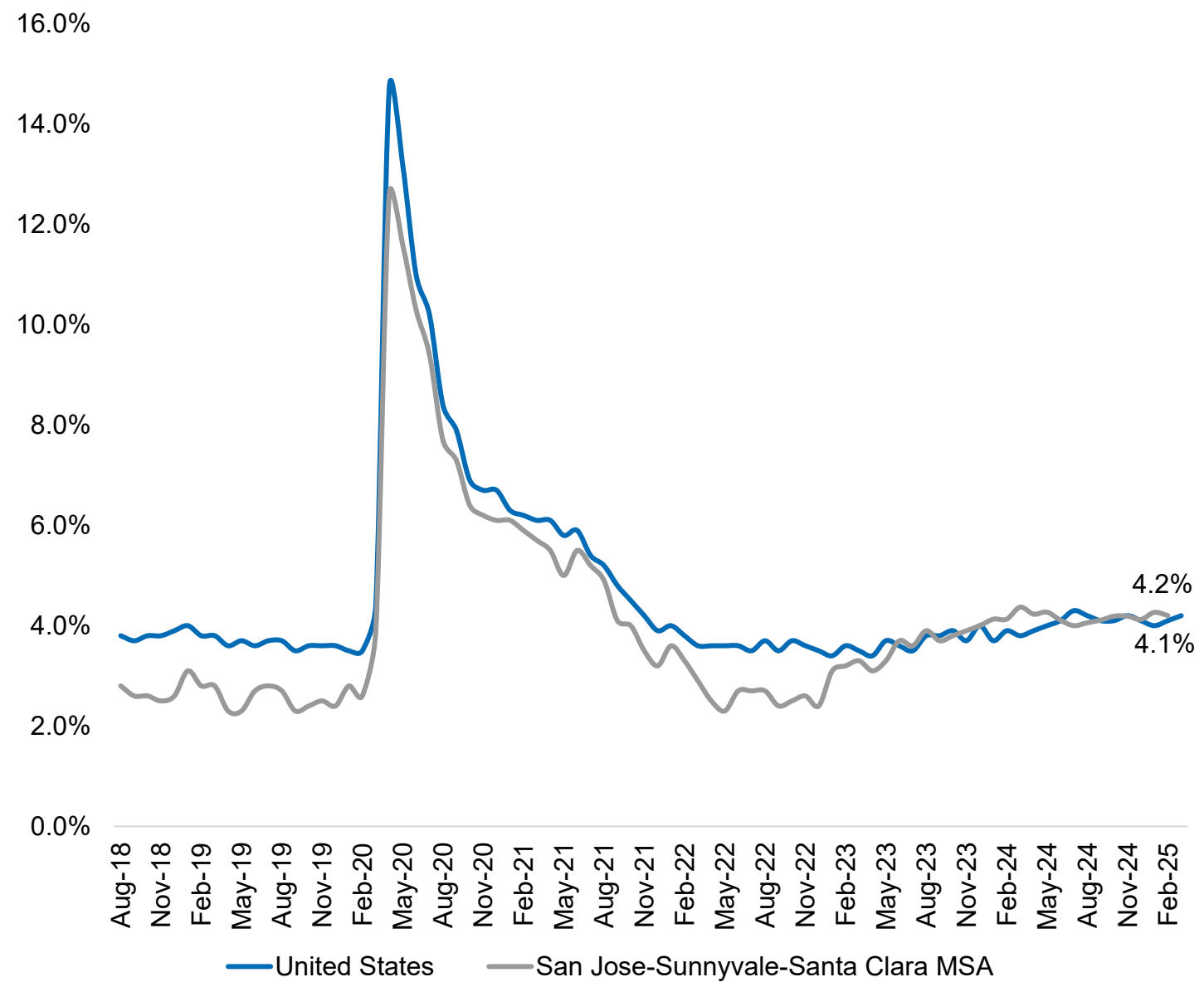
Economy



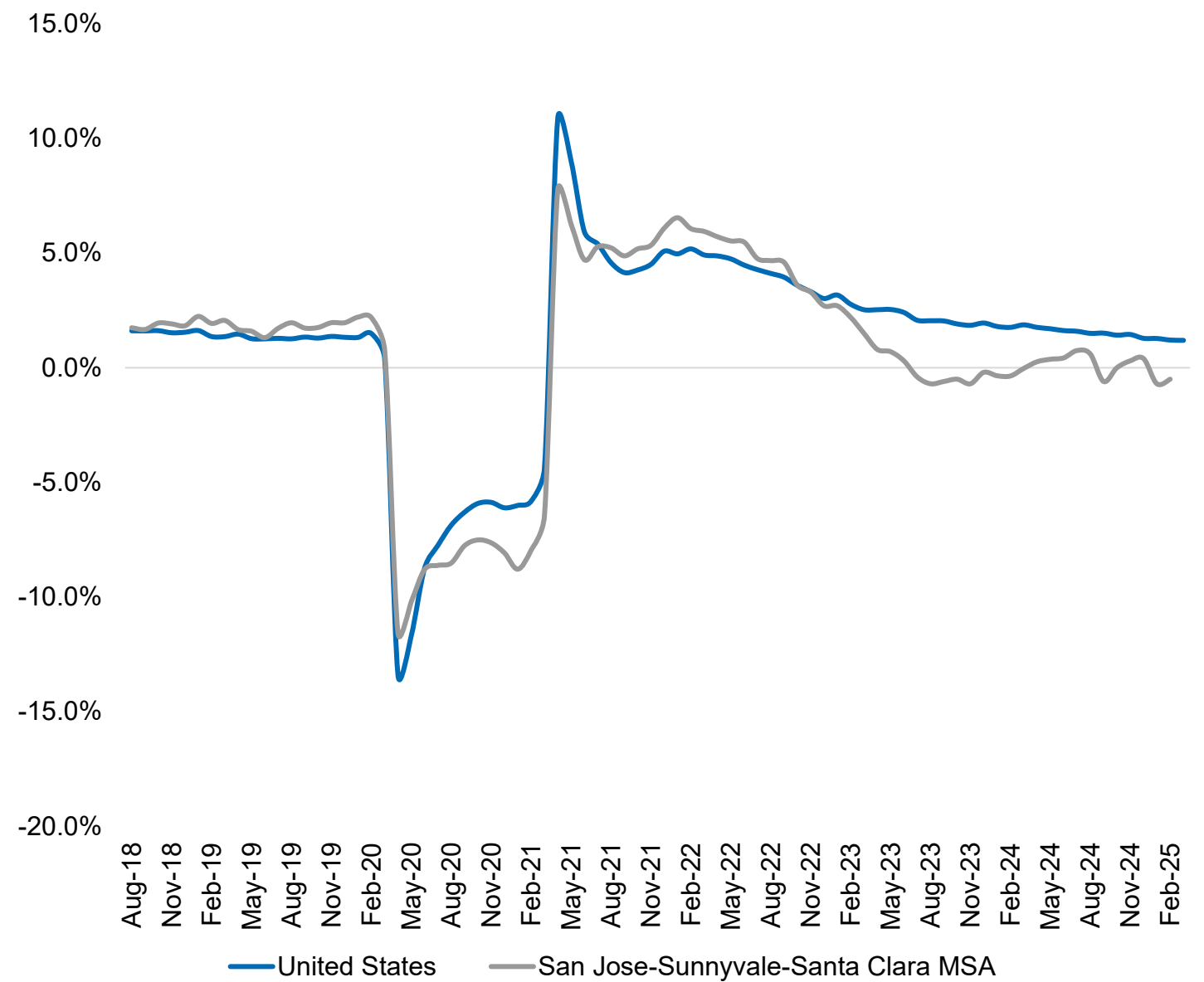
Silicon Valley Labor Market Holds Steady Amid National Softening

In the first quarter of 2025, the San Jose–Sunnyvale–Santa Clara MSA unemployment rate edged up slightly from 4.1% in February 2024 to 4.2% in February 2025, a modest 1.7% year-over-year increase. Nationally, the unemployment rate rose more notably, climbing from 3.9% to 4.1% over the same period, a 5.1% year-over-year increase. While the broader U.S. labor market experienced a mild softening, Silicon Valley’s job market remained comparatively stable, underscoring the region’s resilience in key sectors such as technology.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

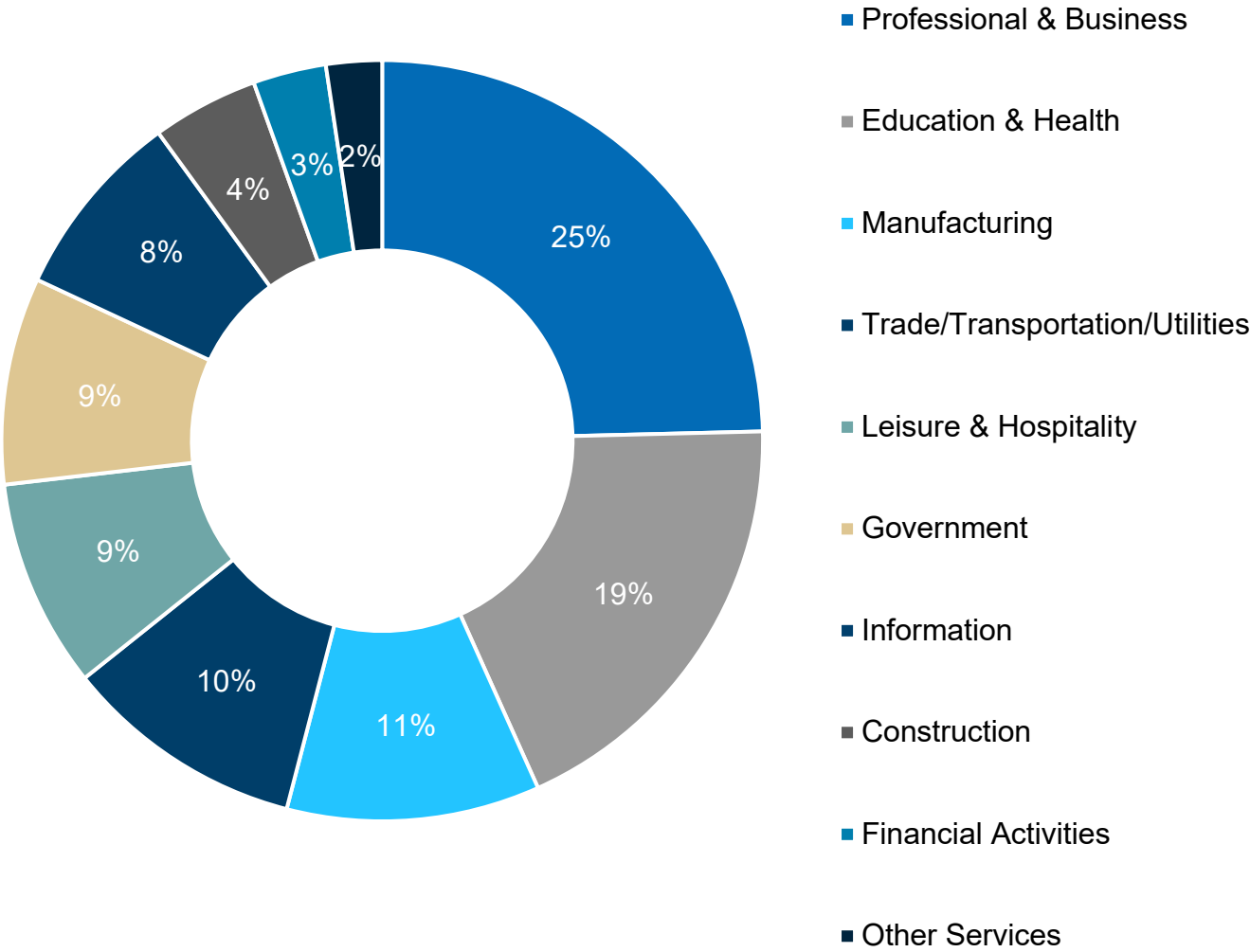


Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale

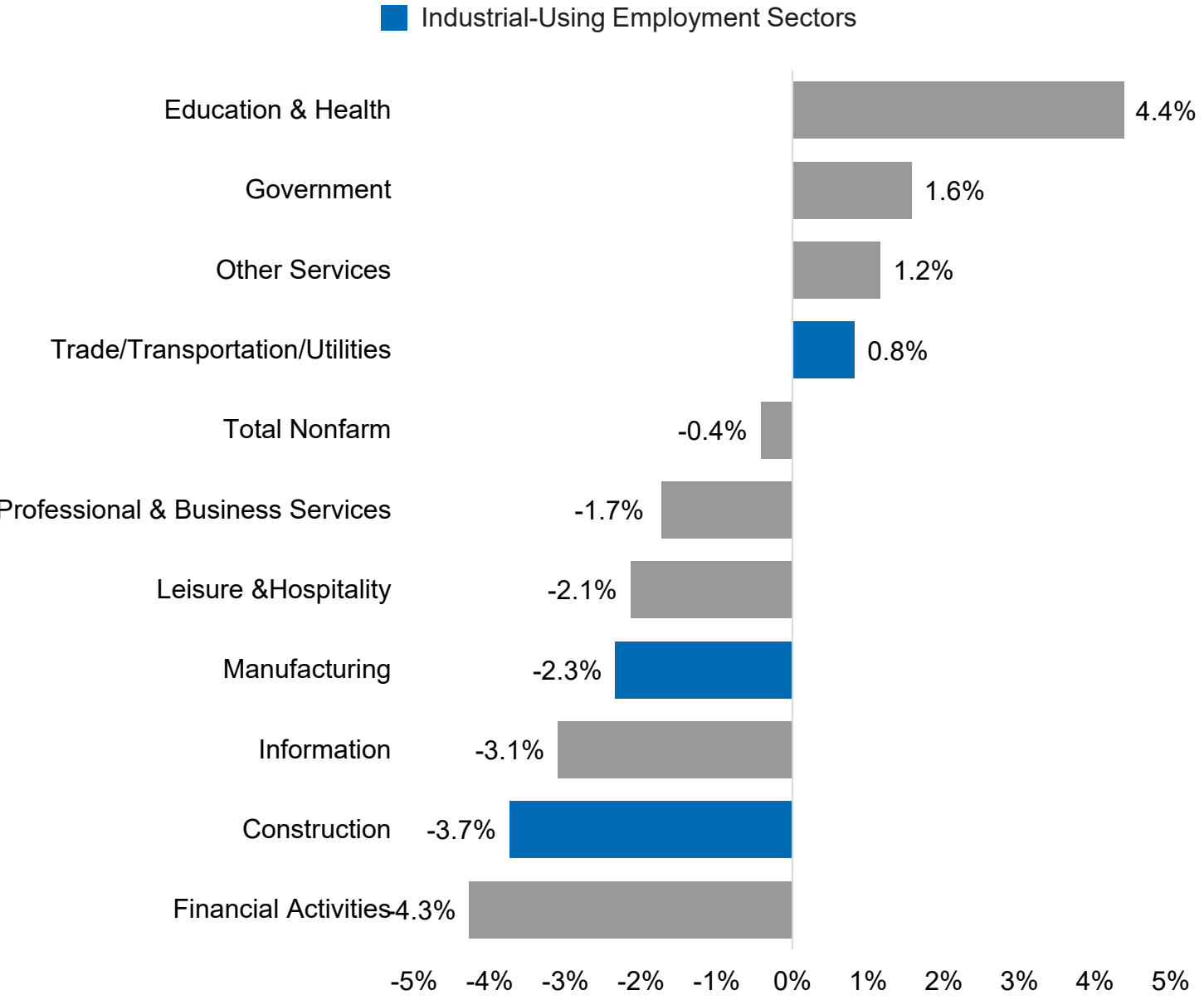
Tech Sector Continued to Shed

Job gains in Education & Health Services, Government, Trade, Transportation & Utilities, and Other Services were insufficient to offset employment declines in key sectors such as Professional & Business Services, Financial Activities, Information, Construction, and Manufacturing. The slowdown in the Information sector could contribute to rising vacancy rates and continued softness in leasing activity in the R&D market.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

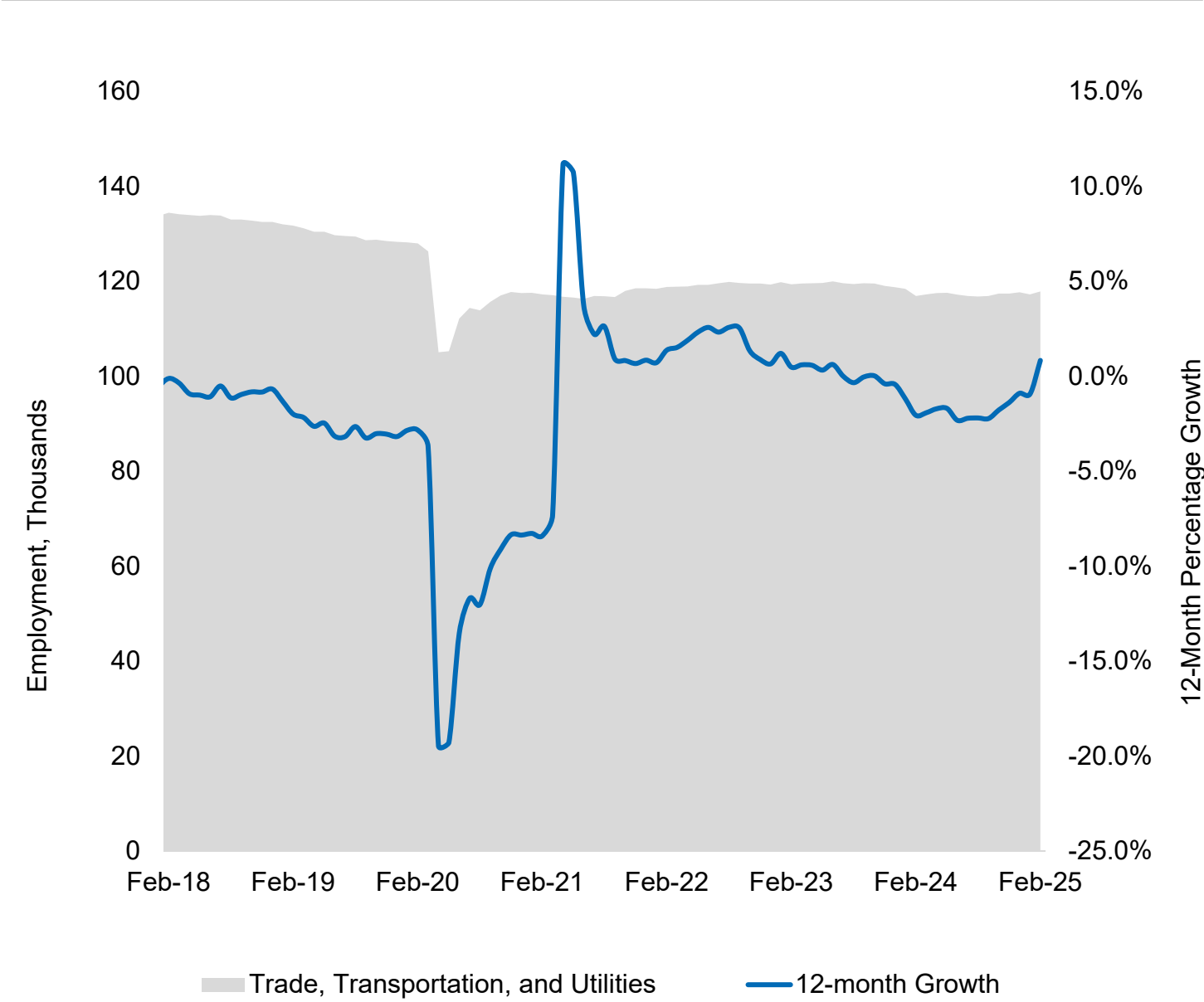


Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale, layoffs.fyi

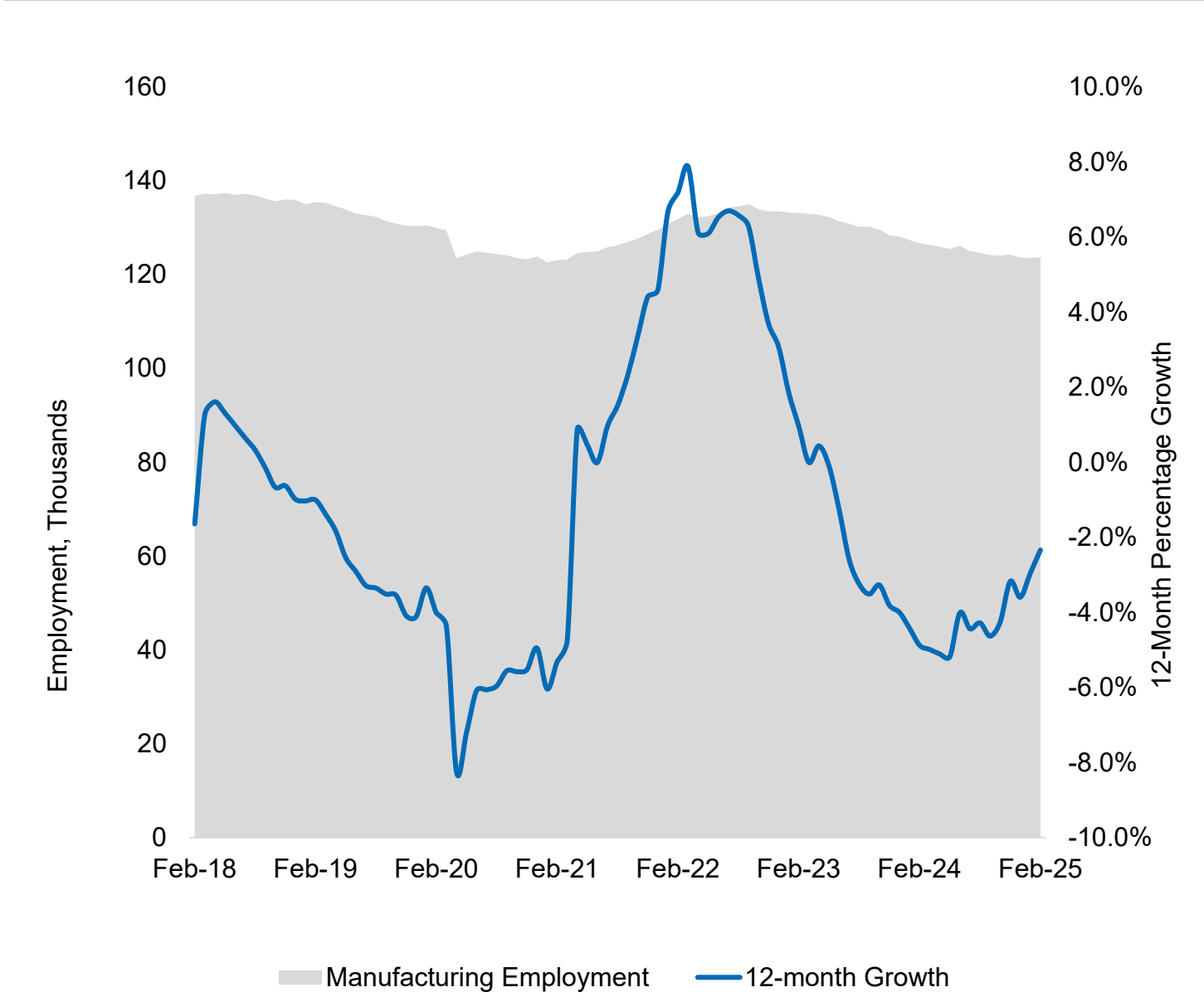
Services Outpace Manufacturing in Early 2025

Trade, Transportation and Utilities employment grew steadily in early 2025, supported by resilient consumer spending and supply chain improvements, while Manufacturing plateaued due to weak industrial demand and inventory adjustments. This ongoing divergence highlights the service sector's stronger post-pandemic rebound compared to goods-producing industries. Looking ahead, Trade, Transportation and Utilities should maintain moderate growth, but Manufacturing's recovery remains constrained until export markets and business investment show sustained improvement.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, San Jose-Sunnyvale-Santa Clara MSA

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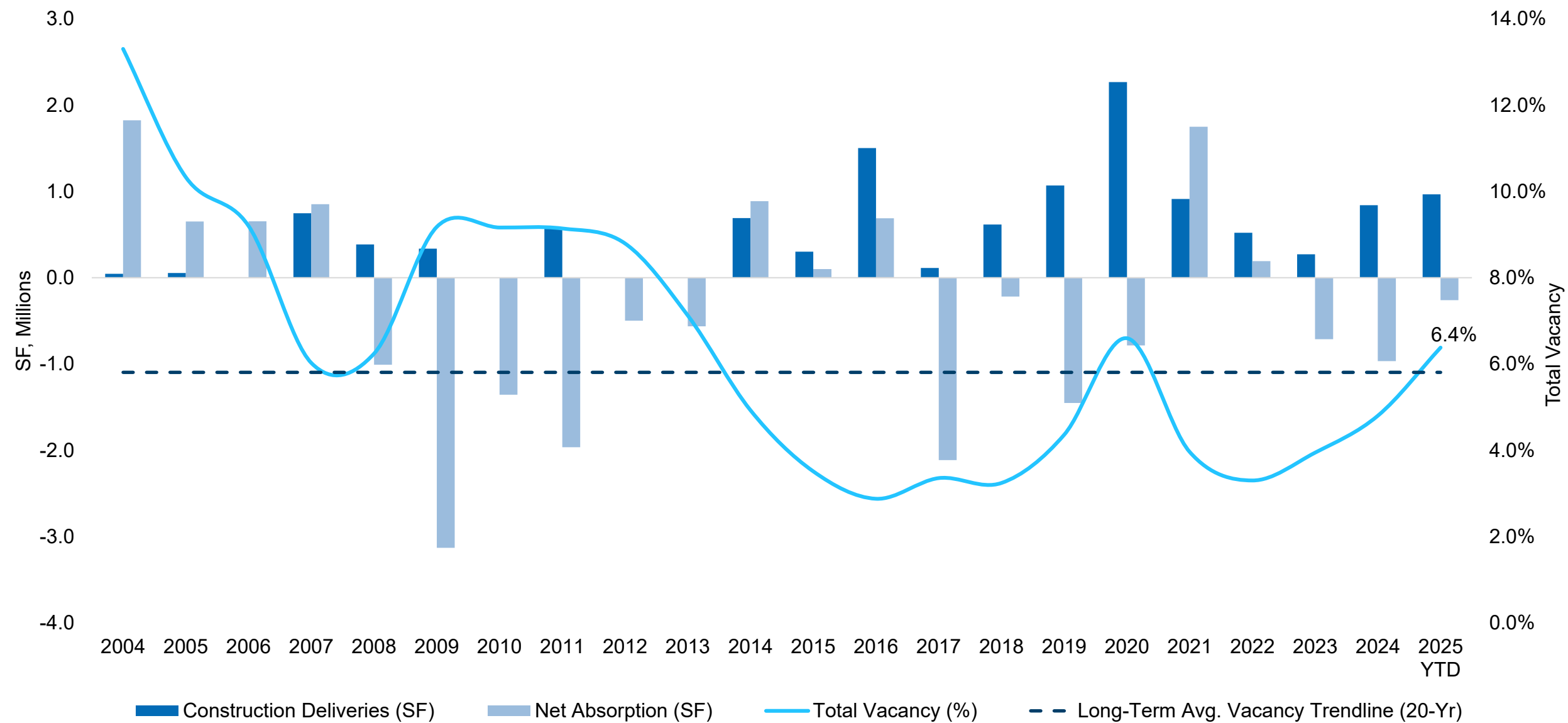
Leasing Market Fundamentals



Vacancy Continued to Climb, Rising Above 20-Year Average

The vacancy rate continued to rise, marking the sixth consecutive quarter of rising vacancy rates. Vacancy in the first quarter rose 57 basis points from the previous quarter and 233 basis points from the previous year. At 6.4%, first quarter vacancy has risen above the 20-year average of 5.8%. Any market with vacancy this low is considered a tight market and welcomes additional construction. New construction deliveries in the first quarter totaled 965,067 square feet, 14.8% more than was delivered space in all of 2024.

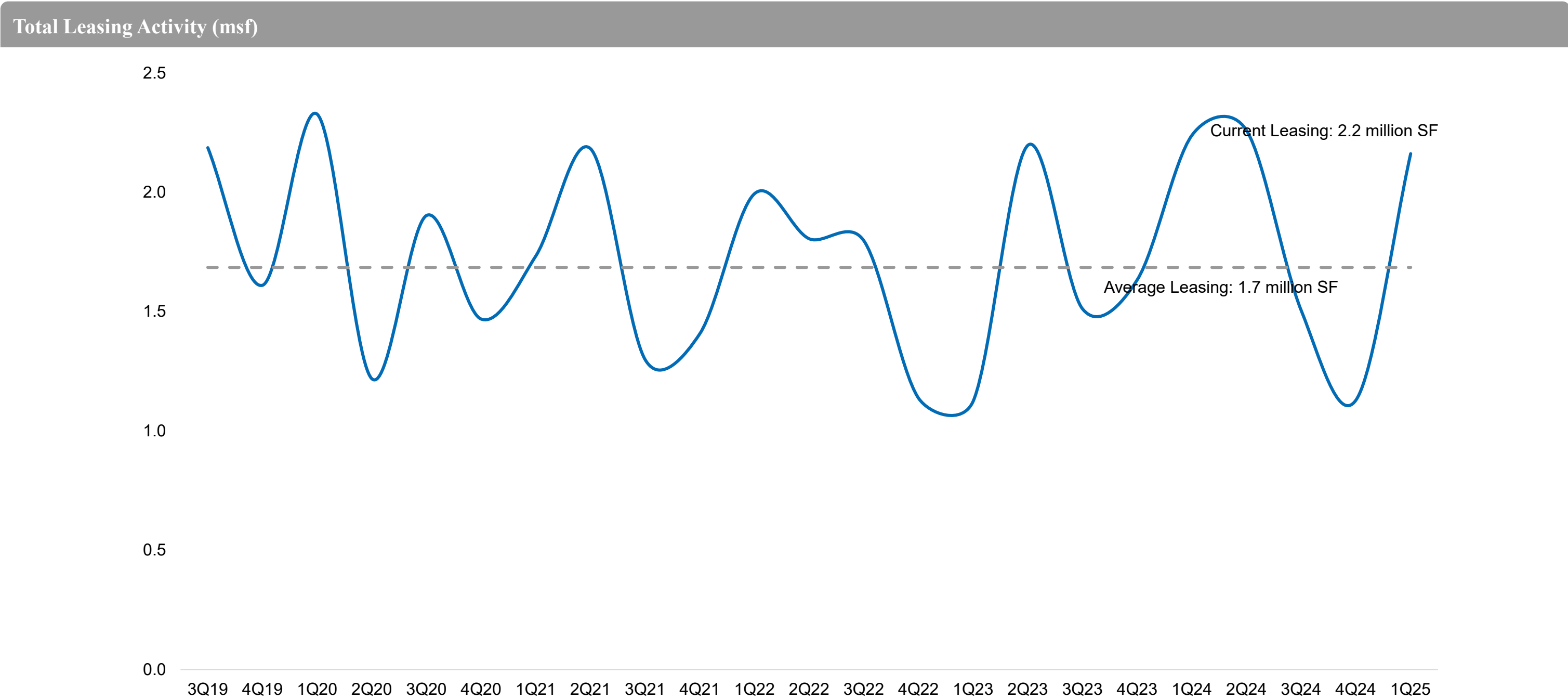
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Strong Leasing Quarter Dominated Historical Average

The first quarter closed on a high note with gross absorption for the quarter at 2.2 million square feet, a 91.4% increase from the fourth quarter of 2024. In addition to a significantly strong quarter-over-quarter leasing, gross absorption in the first quarter was also 28.3% greater than the 5-year average of 1.7 million square feet. Despite this impressive gain in first quarter, gross absorption year-over-over was -3.5% less than first quarter 2024, which recorded 2.2 million square feet of gross absorption.

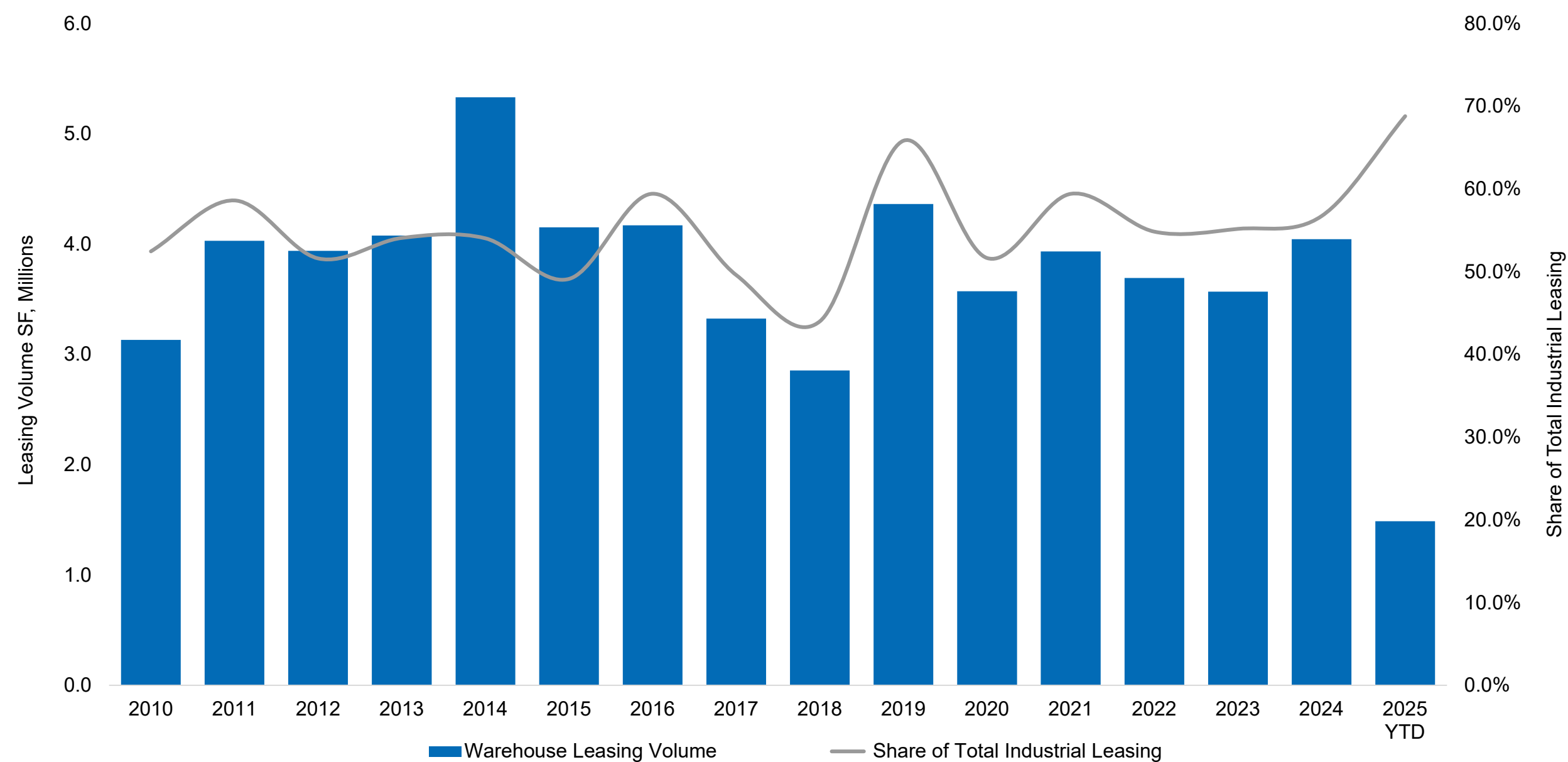


Source: Newmark Research, CoStar

AI Infrastructure Was the Largest New Lease During the Quarter

Warehouse leasing activity accounted for most of the overall leasing for the first quarter of 2025, accounting for 68.8% of the 2.2 million square feet leased. The largest warehouse lease during the quarter was also the largest direct lease recorded with AIVRES, a data center and AI infrastructure solutions provider. Other notable large leases were from IT hardware, packaging and supply chain solutions, and digital advertising technology companies.

Warehouse Leasing Volume and Percentage of Total Industrial Leasing Volume

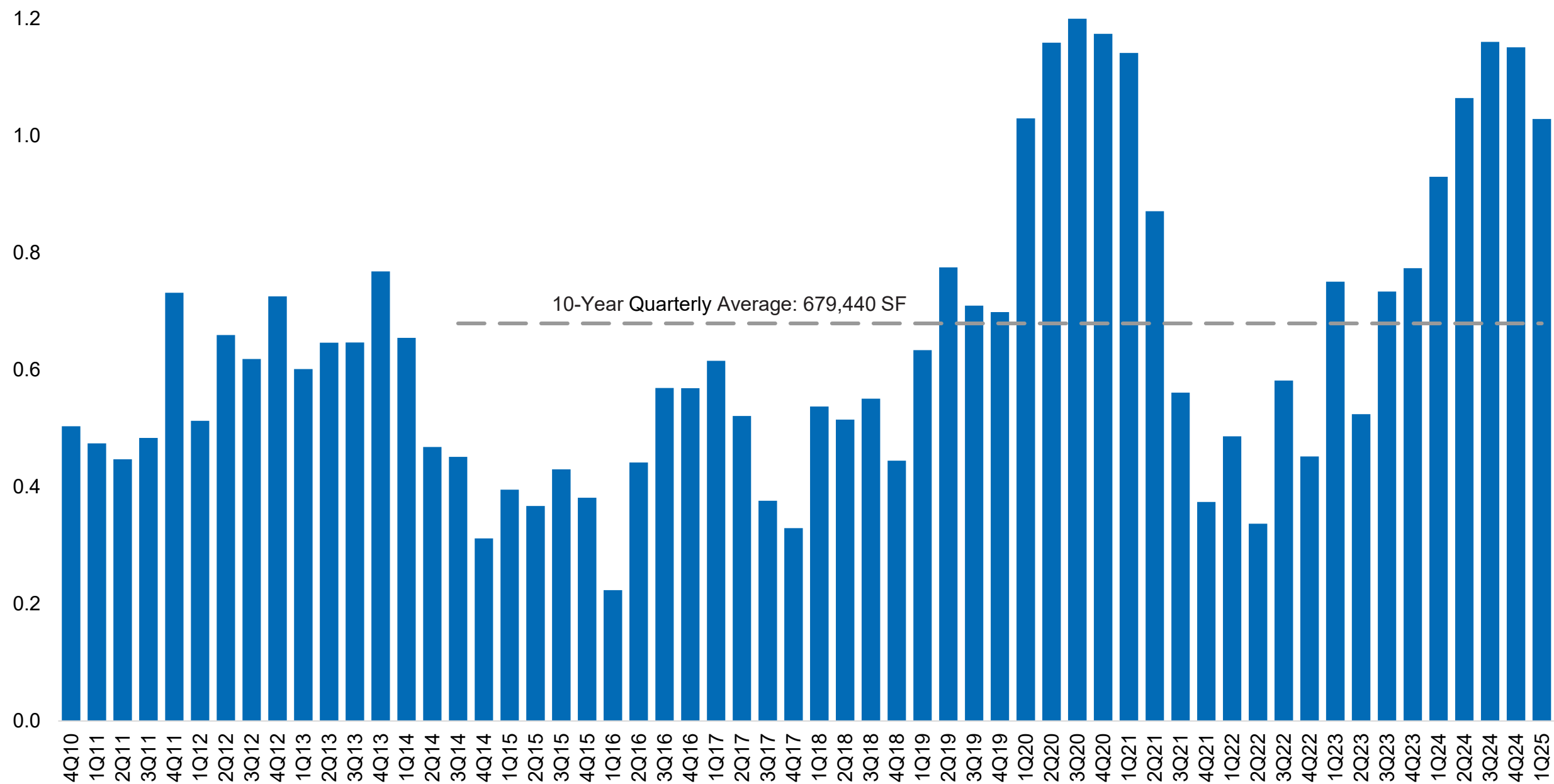


Source: Newmark Research, CoStar

Sublease Availability Declined but Still In-Check Relative to the Size of the Market

The amount of sublease space on the market inched down during the first quarter of 2025 to just over 1.0 million square feet, well above the industrial and warehouse 10-year average of 680K square feet. Compared to the fourth quarter of 2024, sublease availability decreased -10.6% from 1.2 million square feet. While current sublease availability seems high on an absolute level, relative to the size of broader industrial market, this amount of space represents 1.2% of the total inventory.

Available Industrial and Warehouse Sublease Volume (msf)

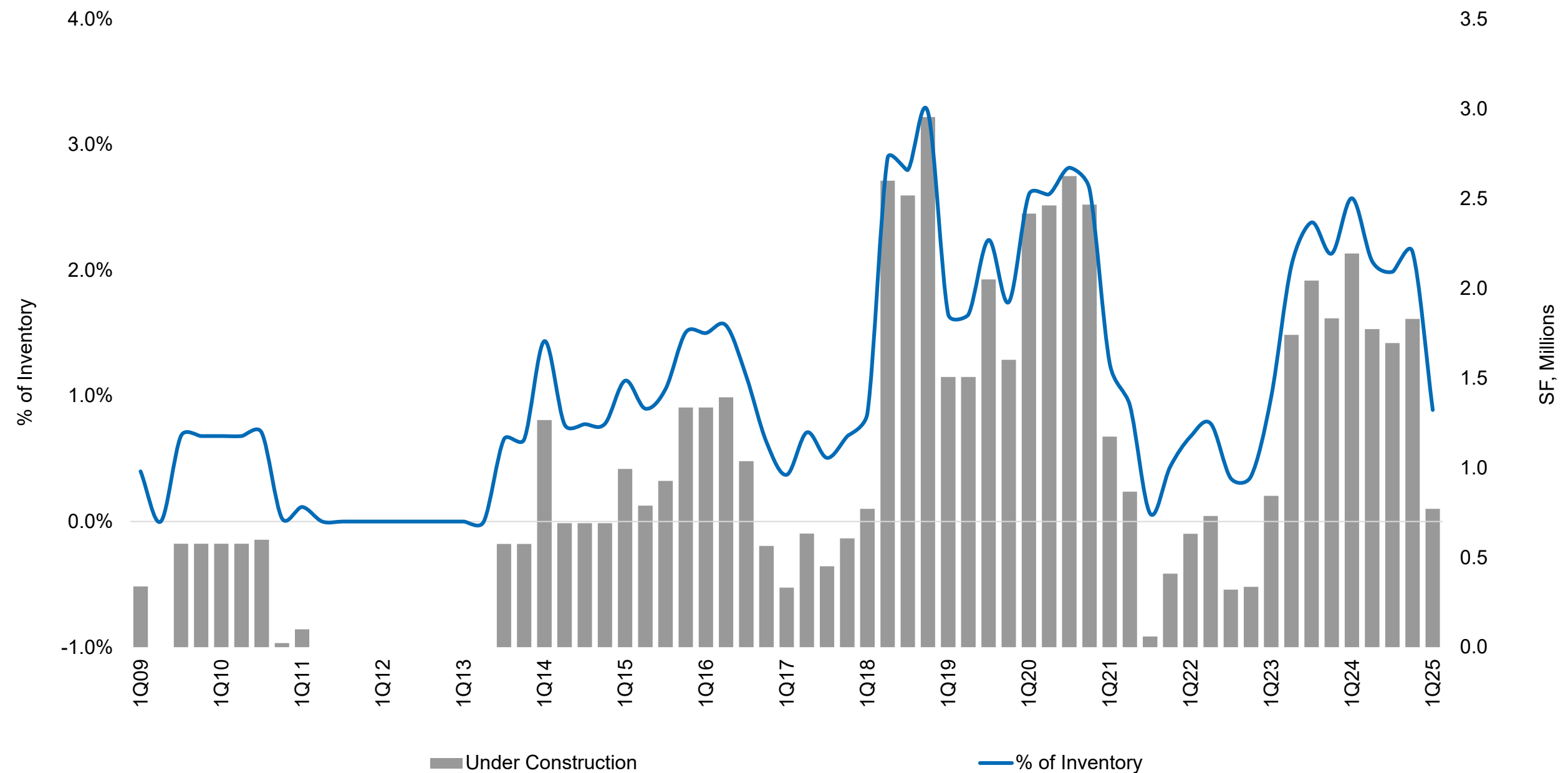


Source: Newmark Research, CoStar

The Construction Pipeline Faces Sharp Decline Following Deliveries

New construction deliveries totaled 965,067 square feet across three different projects in Fremont and San Jose, impacting a decrease of -55.6% of square feet under construction compared to the fourth quarter of 2024. The three projects delivered comprised of the Hines Fremont Warehouse project, Fremont Technology Center, and 5853 Rue Ferrari in South San Jose. We are now tracking 770,422 square feet currently under construction at the Edenvale Industrial Park development, and the development of 5920 Hellyer Ave.

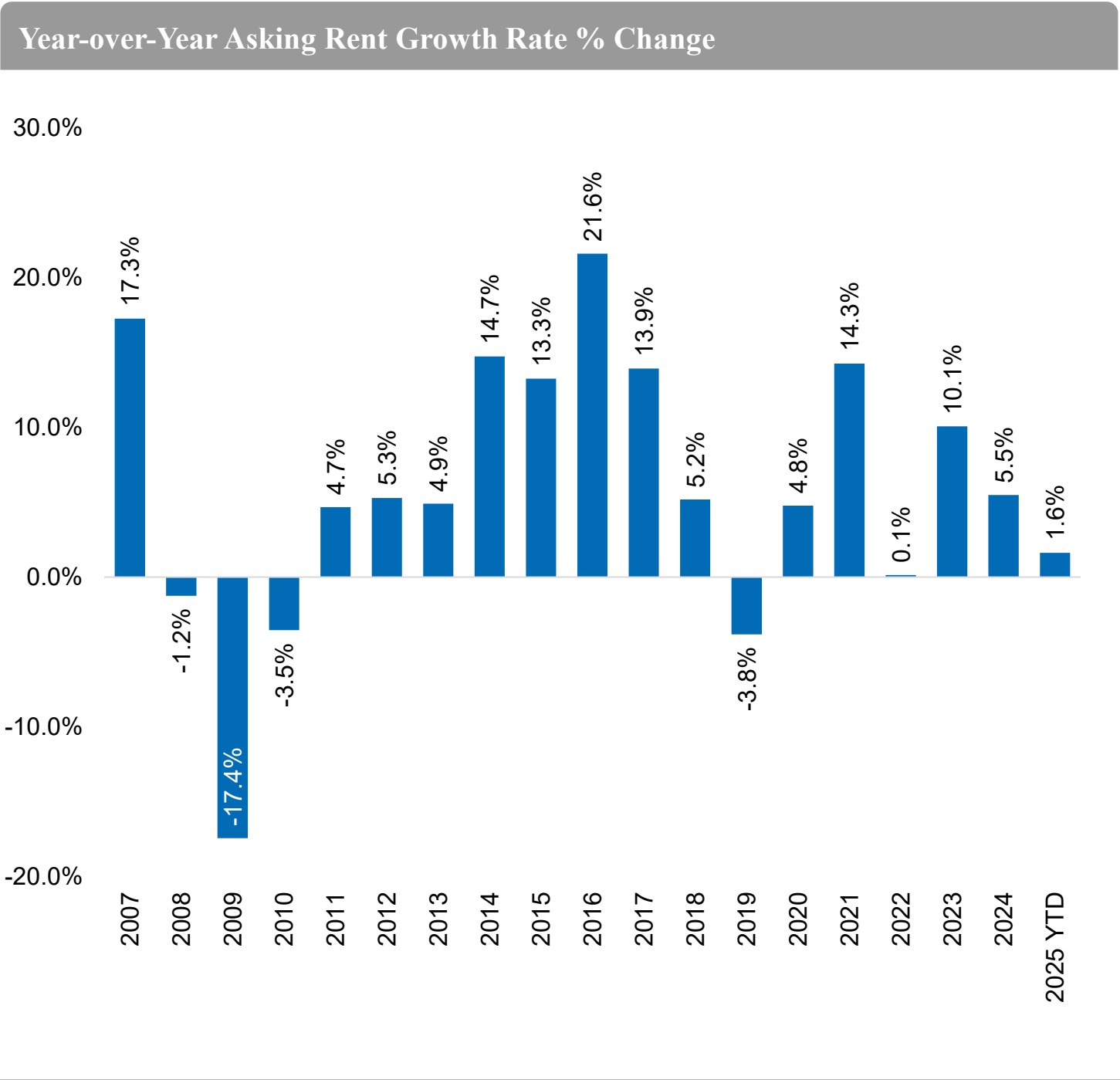
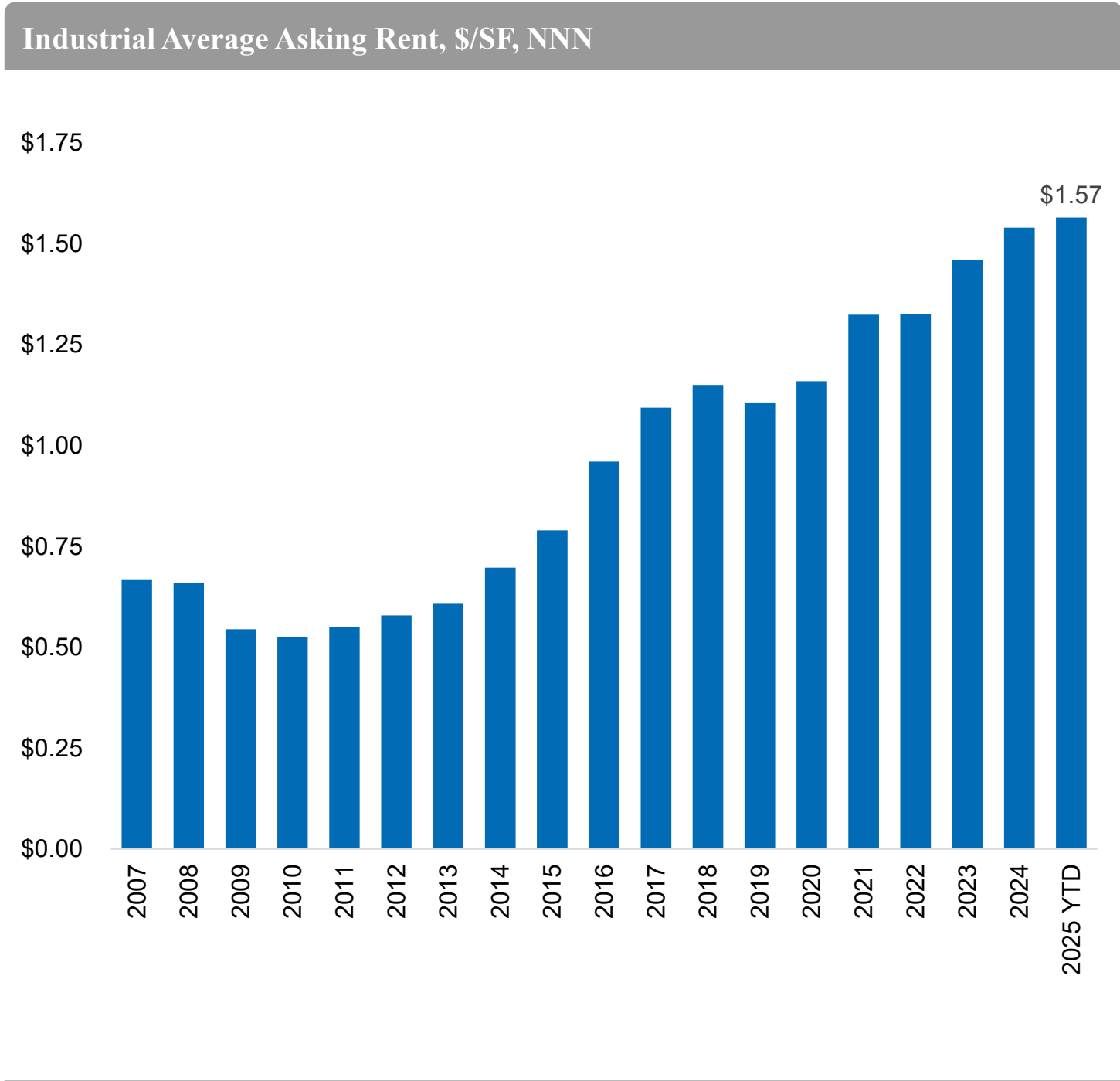
Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Asking Rents Continued to Trend Upward

While conditions in the overall economy and broader industrial market remain murky, asking rental rates continued to rise. Average asking rents in the first quarter of 2025 increased 4.8% year-over-year from the first quarter of 2024 to \$1.57 per square foot NNN. While asking rents are inching up, concessions, in the form of TIs and free rent, continue to be a large part of the lease negotiation, so it is likely that effective rents are down to flat.



Source: Newmark Research, CoStar



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Fremont Recorded Majority of Top Leases

Fremont led large block leasing activity this quarter, accounting for three of the five largest leases signed. In addition to dominating on a deal count basis, Fremont also recorded the highest total square footage leased among all Silicon Valley submarkets, with over 880,000 square feet. San Jose followed with nearly 770,000 square feet. Fremont’s strong leasing performance highlights its appeal as a location of choice for companies seeking industrial or warehouse space in Silicon Valley.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
AIVRES	47550 Kato Road	Fremont – Mission South	Direct Lease	261,242
AIVRES, a data center and AI infrastructure provider, signed a 10-year deal at the 261,242 warehouse in the Fremont submarket. AIVRES is set to move into the property in Q2 of 2025.				
Supermicro Computer, Inc.	48350 Fremont Boulevard	Fremont - Bayside	Lease Renewal	246,450
Supermicro Computer, Inc, the server and storage systems provider for data centers, renewed their lease at the Bayside Business Park for an additional 63 months.				
Landsberg Orora	8311 Central Avenue	Newark	Lease Renewal	206,592
Landsberg Orora, the custom packaging solutions, logistics, and supply chain services provider, renewed their lease at the LBA Logistics Center for an additional 10 years.				
Mitac Industrial	40541 Albrae St	Fremont - Auto Mall North	Direct Lease	190,503
Mitac Industrial, a provider in industrial-grade computing products, expanded their footprint into the Fremont submarket signing a 3-year deal.				
Valassis Digital, Inc.	6955 Mowry Avenue	Newark	Lease Renewal	161,000
Valassis Digital, Inc., a digital advertising and marketing solutions provider, renewed their lease for an additional 36 months. Valassis Digital has been at this location since 2005.				

Source: Newmark Research



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Appendix / Tables





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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 nmrk.com/insights.

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