

2Q25

Silicon Valley Industrial Market Overview

NEWMARK

Market Observations

Economy

- In Q2 2025, the San Jose–Sunnyvale–Santa Clara MSA unemployment rate held steady at 4.1% in June 2025, with a slight decrease of -0.3%, year-over-year. Nationally, the unemployment rate remained steady, decreasing 10 basis points from the first quarter, yet remained stagnant, year-over-year.
- Employment weakened across key industrial across key industrial sectors, with year-over-year declines in Construction (-2.7%), Manufacturing (-1.7%), and Trade, Transportation & Utilities (-0.3%). These broad declines reflect cautious business sentiment and point to a muted near-term outlook for industrial and logistics demand.
- Trade, Transportation & Utilities held steady in Q2, dipping just -0.2% year over year. Manufacturing fell -3.0%, driven by weak global tech demand. While modest sector gains may emerge later in the year, a full recovery likely lags into 2026. Tech hiring and venture capital trends will remain key indicators of future growth.

Major Transactions

- Fremont led large block leasing activity this quarter, accounting for four 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 923,682 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.
- The largest lease in the second quarter of 2025 was signed by Sanmina Corporation, a manufacturing services provider, renewing and expanding its Fremont space for a combined total of 253,400 for an additional five years.

Leasing Market Fundamentals

- The vacancy rate continued to rise, marking the seventh consecutive quarter of rising vacancy rates. Vacancy in the second quarter rose approximately 36 basis points from the previous quarter, and 218 basis points year-over-year. At 6.5%, second quarter vacancy has risen above the 20-year average of 5.8%.
- Following a seasonal trend, the second quarter closed on a low note with gross absorption at 1.4 million square feet, a 35.6% decrease from the first quarter of 2025. This represents the lowest amount for mid-year levels since Q2 2019.
- Asking rents in the second quarter of 2025 marginally increased compared to the previous quarter, with average asking rates recording \$1.57 per square foot NNN. This represents a modest 0.9% decline year-over-year from Q2 2024. While asking rents appear to be gradually rising in select submarkets, concessions, in the form of TIs and free rent, continue to be a large part of lease negotiations.

Outlook

- The construction pipeline for industrial buildings remained constant in Q2 2025 compared to 1Q 2025. There are currently two projects under construction: the Edenvale Industrial Park, and the manufacturing site at 5920 Hellyer Avenue, both in San Jose. These projects are expected to be completed later this year. Their delivery will bring the construction pipeline to its lowest point in more than a decade, as it is already at its lowest level since Q1 2023.
- Looking ahead, the industrial labor market remains stagnant and may not fully recover until 2026. Growth in AI chip manufacturing, tech infrastructure investment, tech hiring, and venture capital activity will remain key indicators of future economic improvement in the industrial sector.

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1. Economy
 2. Leasing Market Fundamentals
 3. Appendix

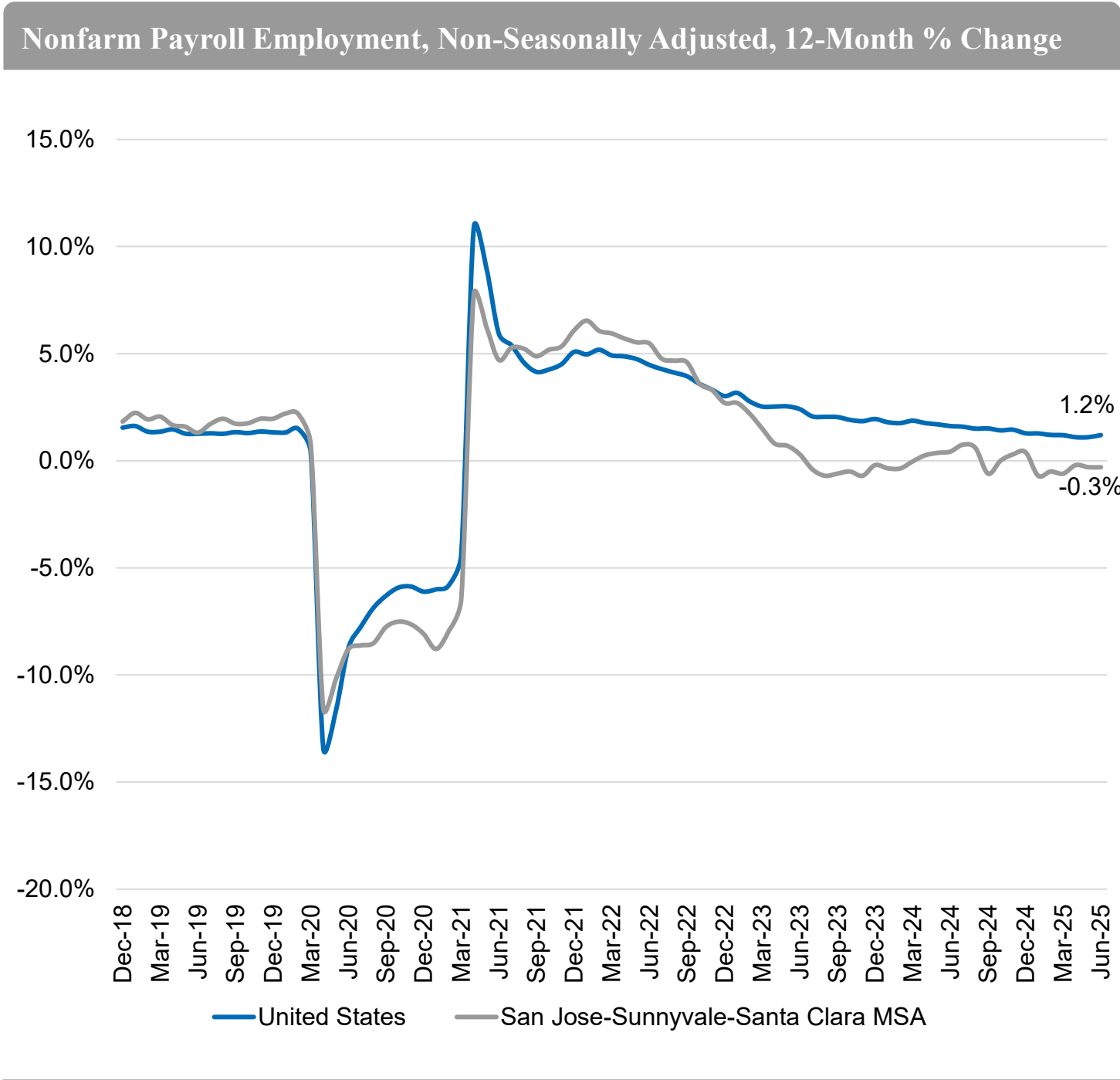
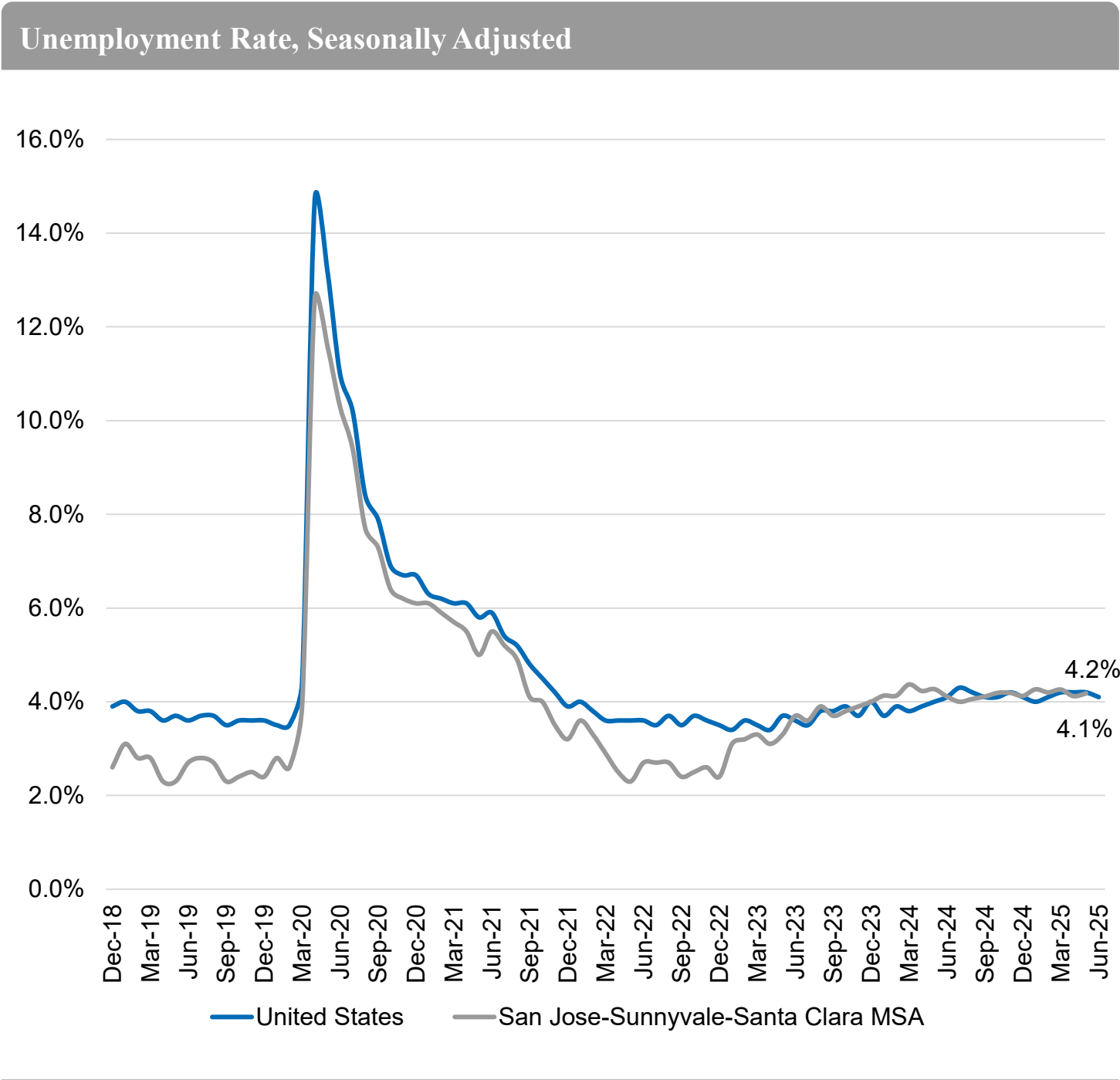
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Economy



Silicon Valley Labor Market Mirrored National Unemployment Levels

In the second quarter of 2025, the San Jose–Sunnyvale–Santa Clara MSA unemployment rate held steady at 4.1% in June 2025, with a slight decrease of -0.3%, year-over-year. Nationally, the unemployment rate remained steady, decreasing 10 basis points from the first quarter, yet remained stagnant, year-over-year. Although both the broader U.S. labor market and local MSA softened in previous years, the local San Jose-Sunnyvale-Santa Clara MSA experienced increases in the labor market, reaching comparable levels to the broader U.S. labor market.

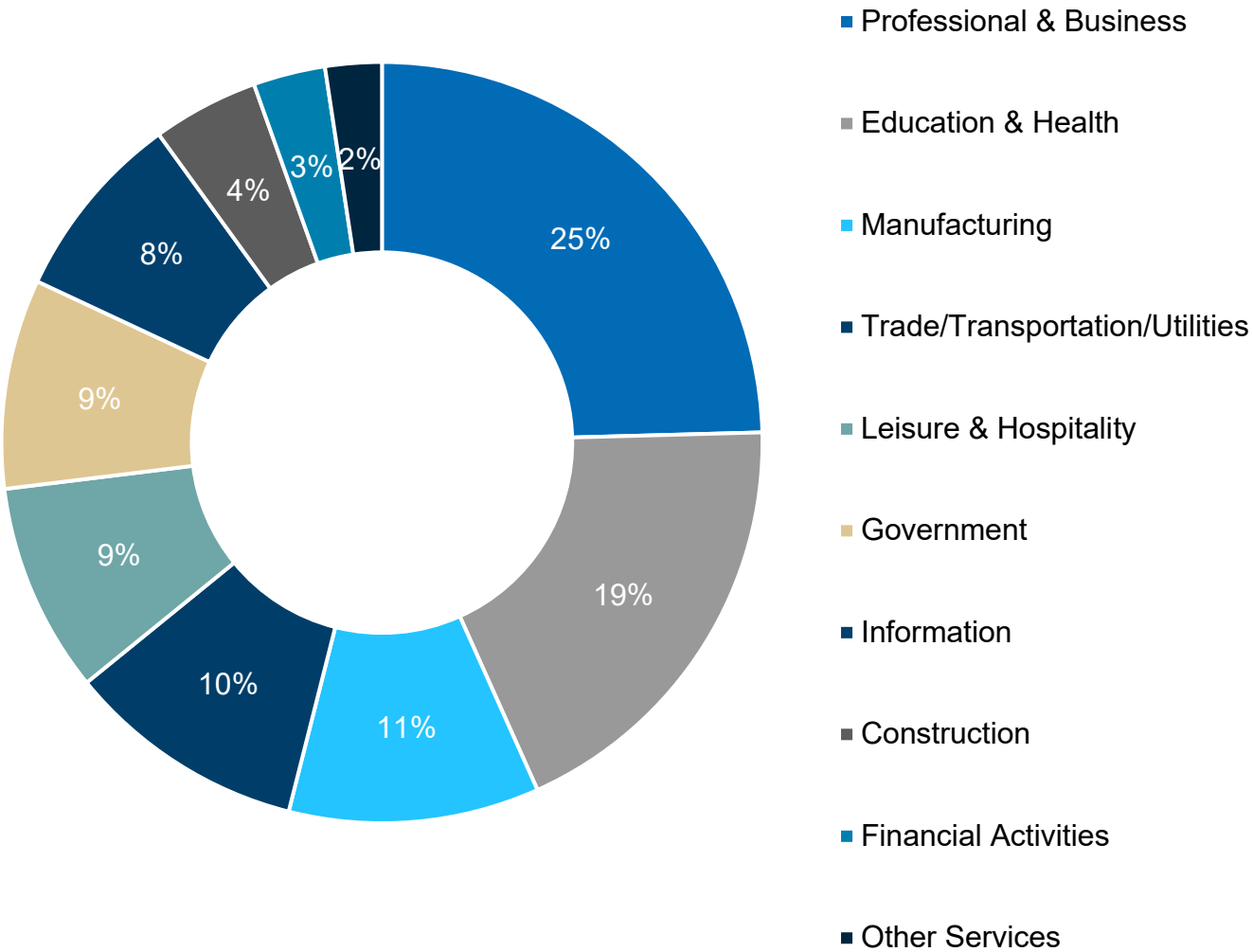


Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale
National data is as of June. May is the latest month available for metro employment stats

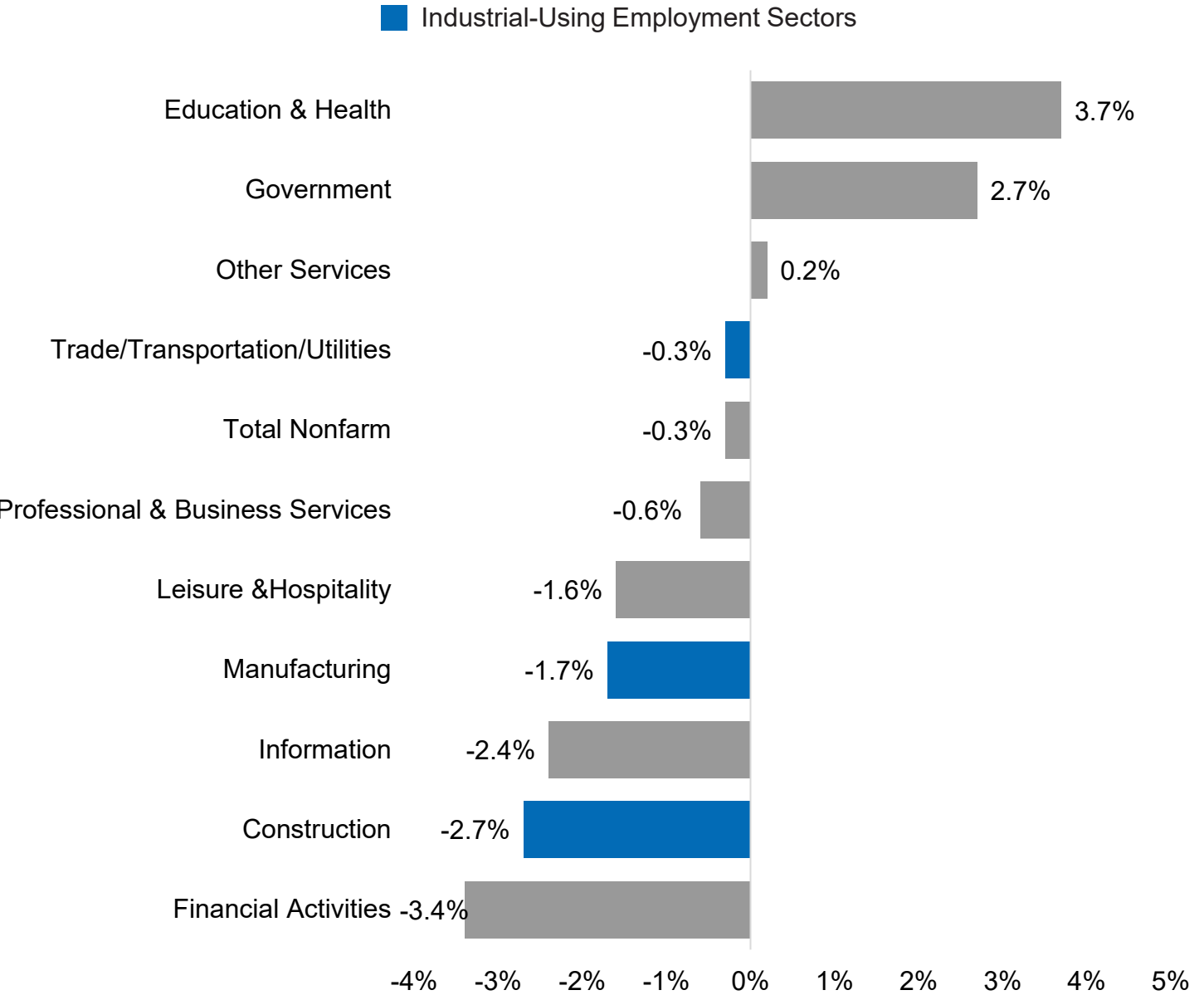
Industrial-Using Employment Sectors Continued to Slide

Employment continued to soften across key industrial-oriented sectors: Construction fell -2.7% year over year, Manufacturing declined -1.7%, and Trade, Transportation & Utilities edged down -0.3%. The breadth of these setbacks underscores cautious business sentiment and suggests that any near-term rebound in industrial and logistics-related demand is likely to remain muted throughout 2025.

Employment by Industry, June 2025



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

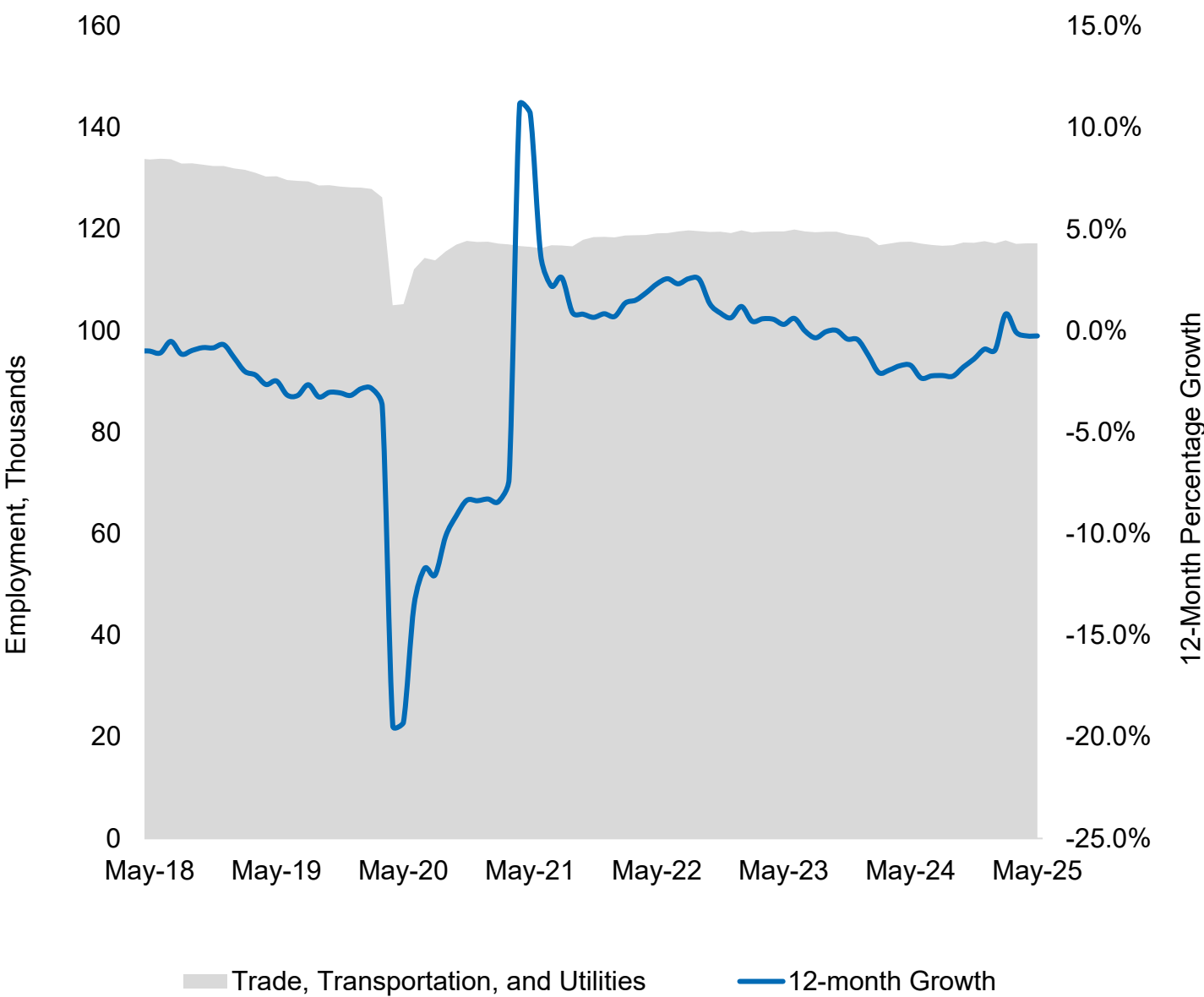


Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale

San Jose Labor Market Held Steady as Manufacturing Slipped

Employment in Trade, Transportation, and Utilities held steady in Q2, with a slight -0.2% year-over-year decline. Manufacturing saw a sharper 12-month contraction of -3.0%, reflecting weak global tech demand. Some stabilization in manufacturing is possible later in the year, particularly if AI chip and infrastructure tech demand rebounds, though a full recovery may not arrive until 2026. Modest gains in Trade and Transportation could emerge from seasonal activity, but significant growth is unlikely. Tech hiring and venture capital trends remain critical indicators for future economic momentum.

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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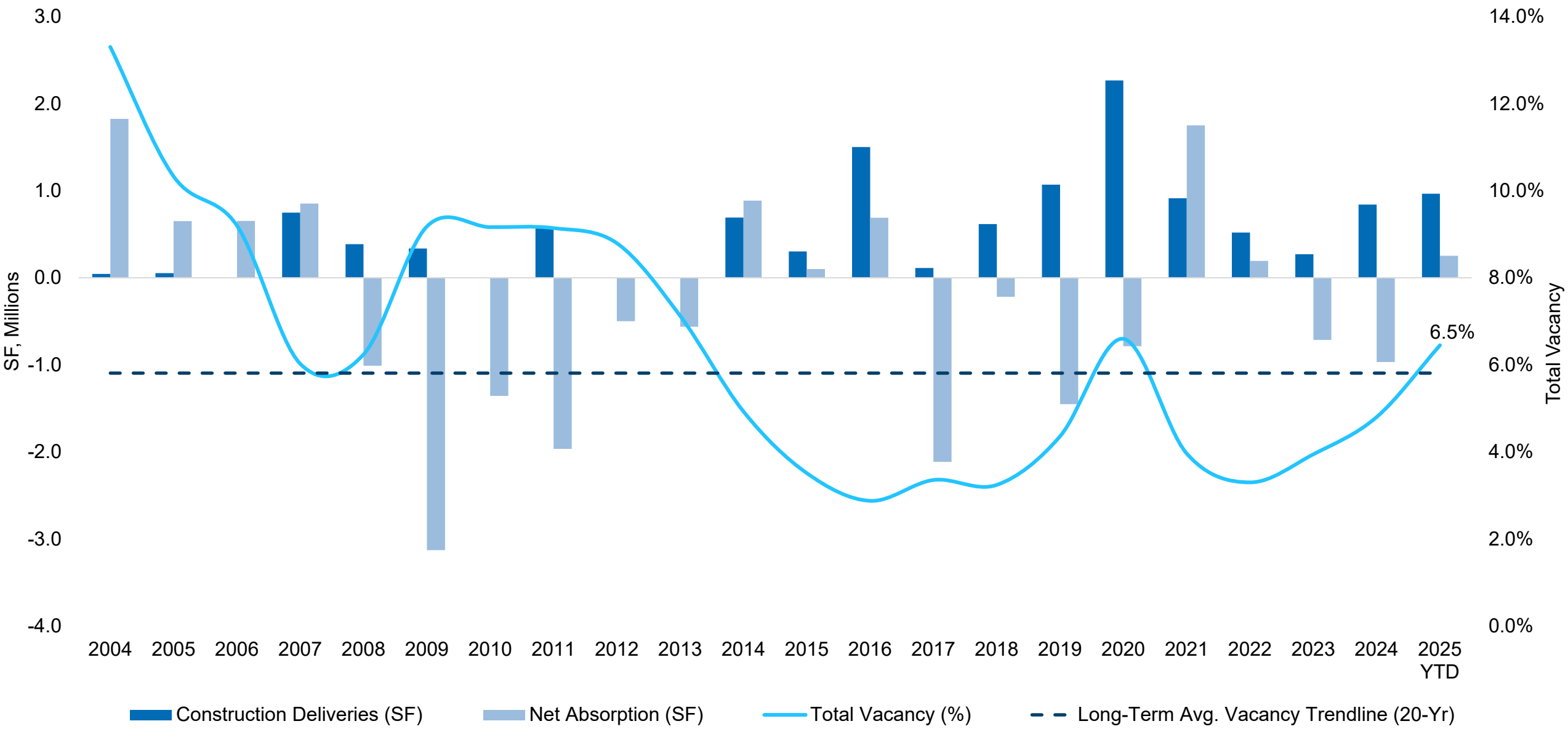
Leasing Market Fundamentals



Vacancy Continued to Climb, Rising Above 20-Year Average

The vacancy rate continued to rise, marking the seventh consecutive quarter of rising vacancy rates. Vacancy in the second quarter rose 36 basis points from the previous quarter, and 218 basis points year-over-year. At 6.5%, second quarter vacancy has risen above the 20-year average of 5.8%. Despite vacancy rising above the historical average, any market with vacancy this low is considered a tight market and welcomes additional construction. However, construction deliveries remained constant at the 965,067 square feet level from Q1 2025.

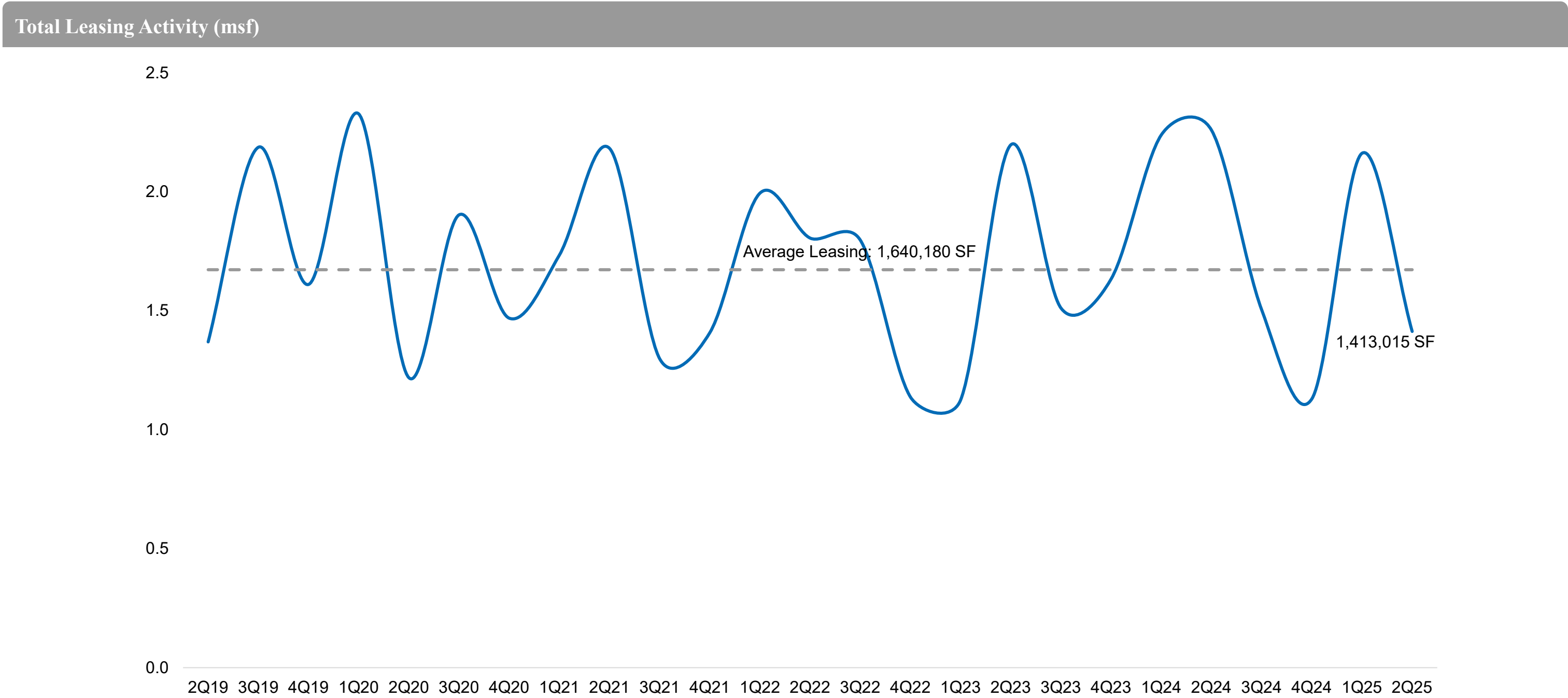
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Total Leasing Activity Fluctuates Seasonally

Following a seasonal trend, the second quarter closed on a low note as gross absorption recorded 1.4 million square feet, a 35.6% decrease from the first quarter of 2025. This represented the lowest amount for mid-year levels since the second quarter of 2019. Considering the trend from previous years, the total leasing activity may fluctuate in the following quarters.

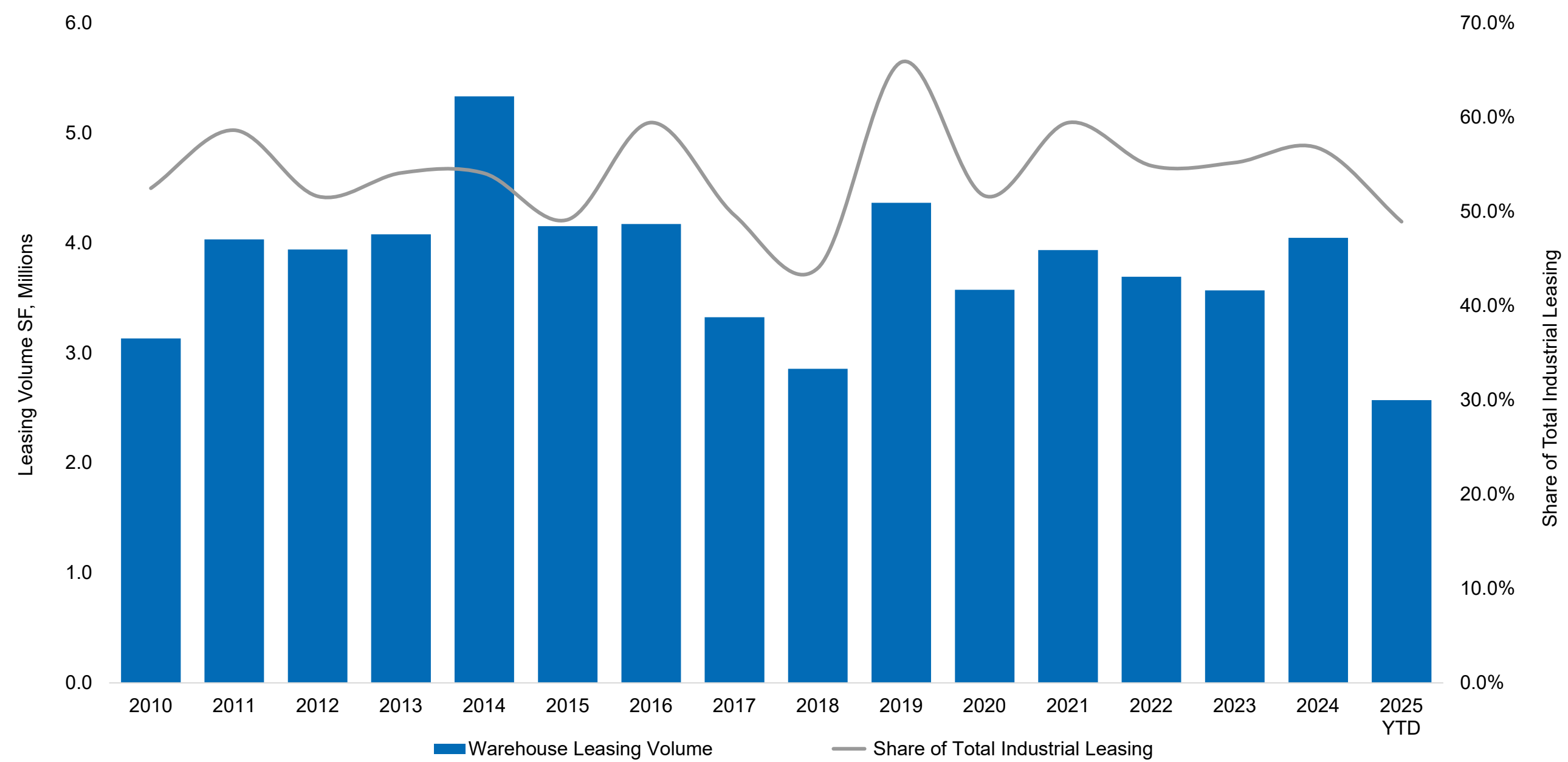


Source: Newmark Research, CoStar

Warehouse Leasing up From Previous Quarter

Warehouse leasing activity accounted for approximately 48.9% of the 5.3 million square feet of total YTD leased signed. The largest warehouse lease during the quarter was also the largest transaction recorded with Sanmina Corporation, an integrated manufacturing solutions provider, renewing and expanding their Fremont space for 253,400 square feet. Other notable large leases were from IT hardware, packaging and supply chain solutions, and Consumer Goods and Products companies.

Warehouse Leasing Volume and Percentage of Total Industrial Leasing Volume

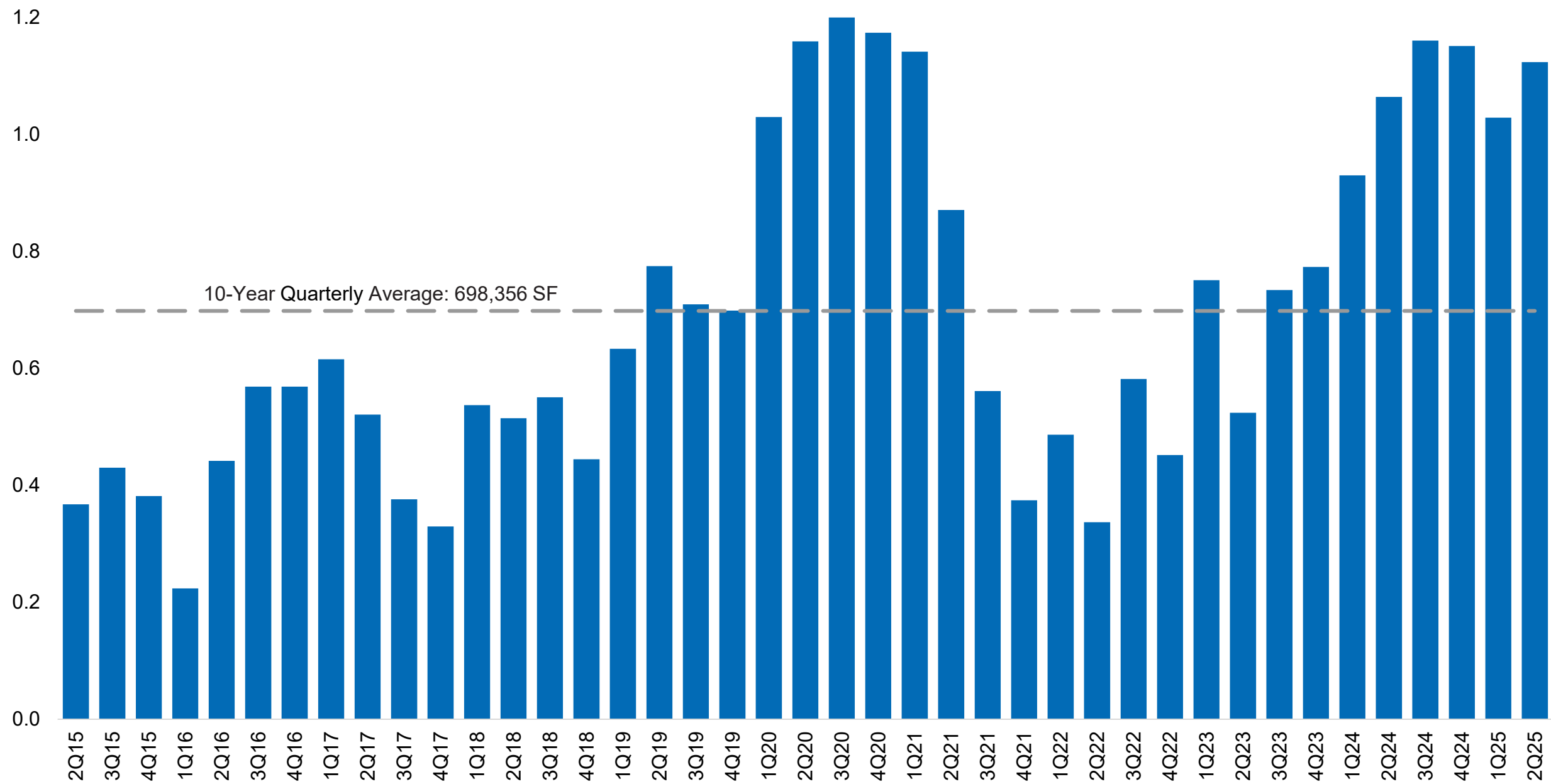


Source: Newmark Research, CoStar

Sublease Availability Edged up in Q2 2025

Sublease availability increased during the second quarter of 2025 to 1.1 million square feet, well above the industrial and warehouse 10-year average of nearly 700K square feet. Compared to the previous quarter, sublease availability increased 9.2% from the previous quarter of 1.0 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 1.3% of the total inventory.

Available Industrial and Warehouse Sublease Volume (msf)

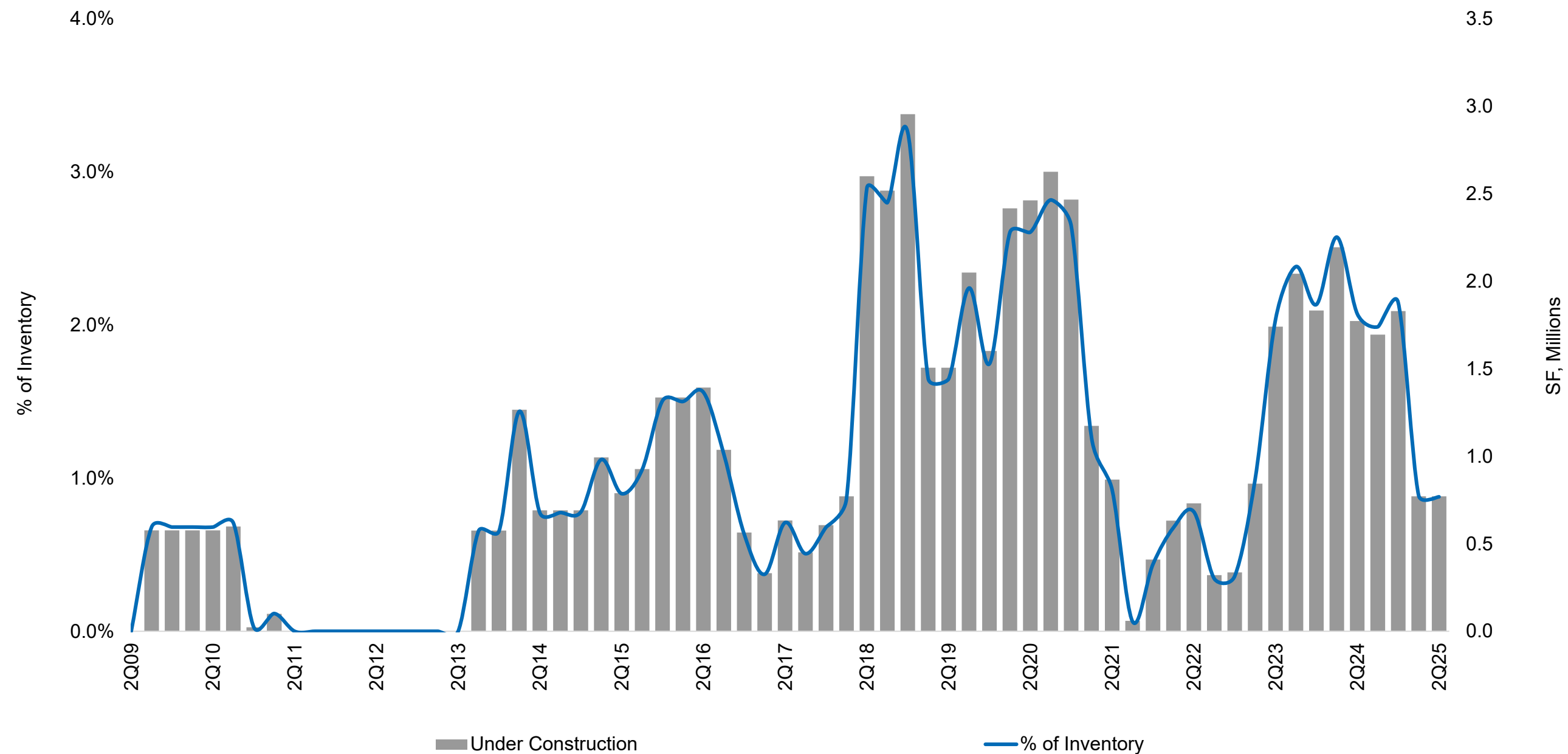


Source: Newmark Research, CoStar

Industrial Construction Pipeline Held Steady, Poised to Hit Decade Low by Year-End

The construction pipeline for industrial buildings remained constant in the second quarter of 2025 compared to 1Q 2025. There are currently two projects under construction: the Edenvale Industrial Park, and the manufacturing site at 5920 Hellyer Avenue, both in San Jose. These projects are expected to be completed later this year. Their delivery will bring the construction pipeline to its lowest point in more than a decade, as it is already at its lowest level since Q1 2023.

Industrial Under Construction and % of Inventory

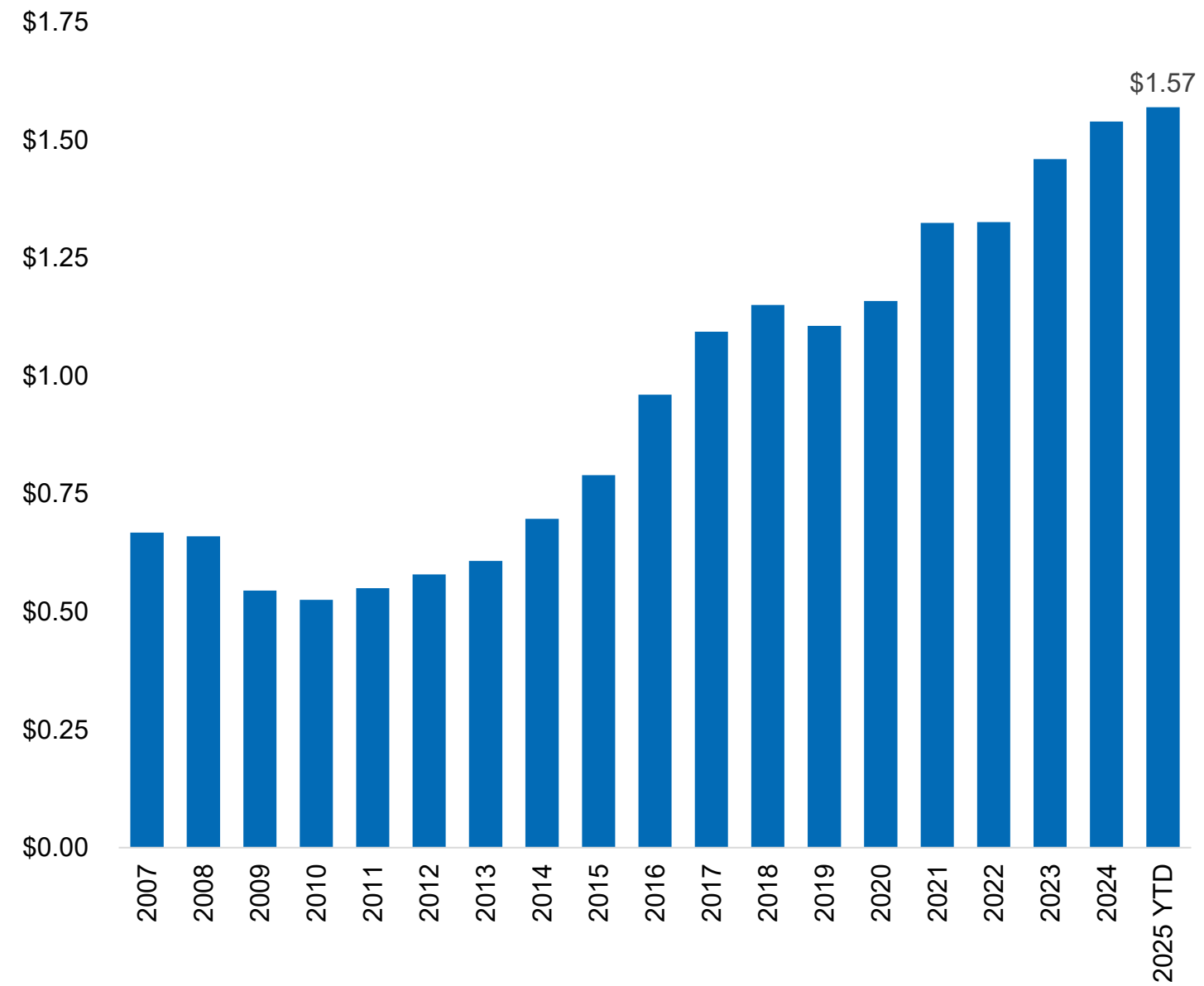


Source: Newmark Research, CoStar

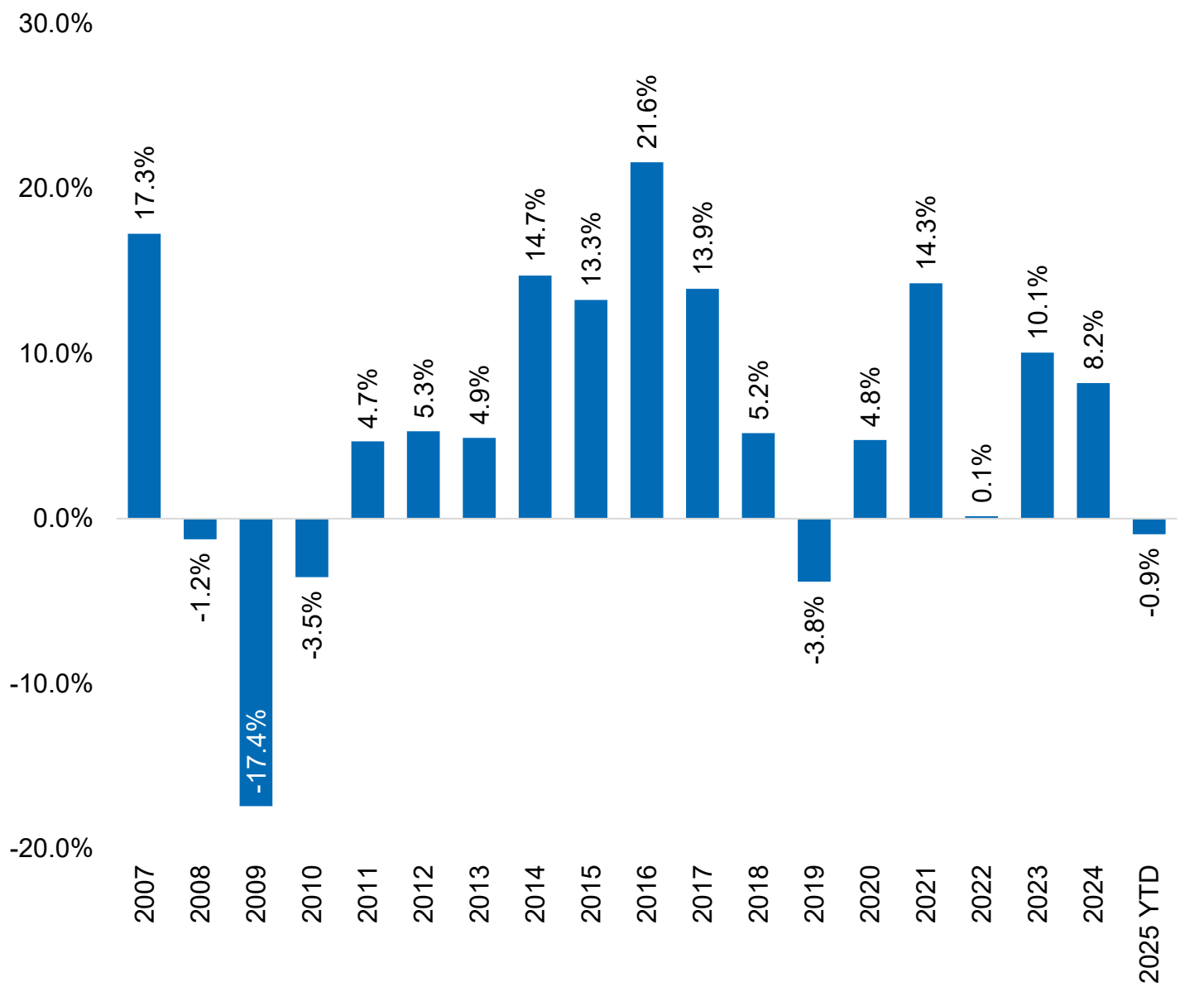
Asking Rates Held Steady Due to Concessions

Asking rents in the second quarter of 2025 marginally increased compared to the previous quarter, with average asking rates recording \$1.57 per square foot NNN. Overall, marketwide asking rates represented a modest 0.9% decline year-over-year from 2Q 2024. While asking rents appear to be gradually rising in select submarkets, concessions, in the form of TIs and free rent, continue to be a large part of lease negotiations. Approximately 15.0% of Industrial transactions included one or both forms of incentives.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

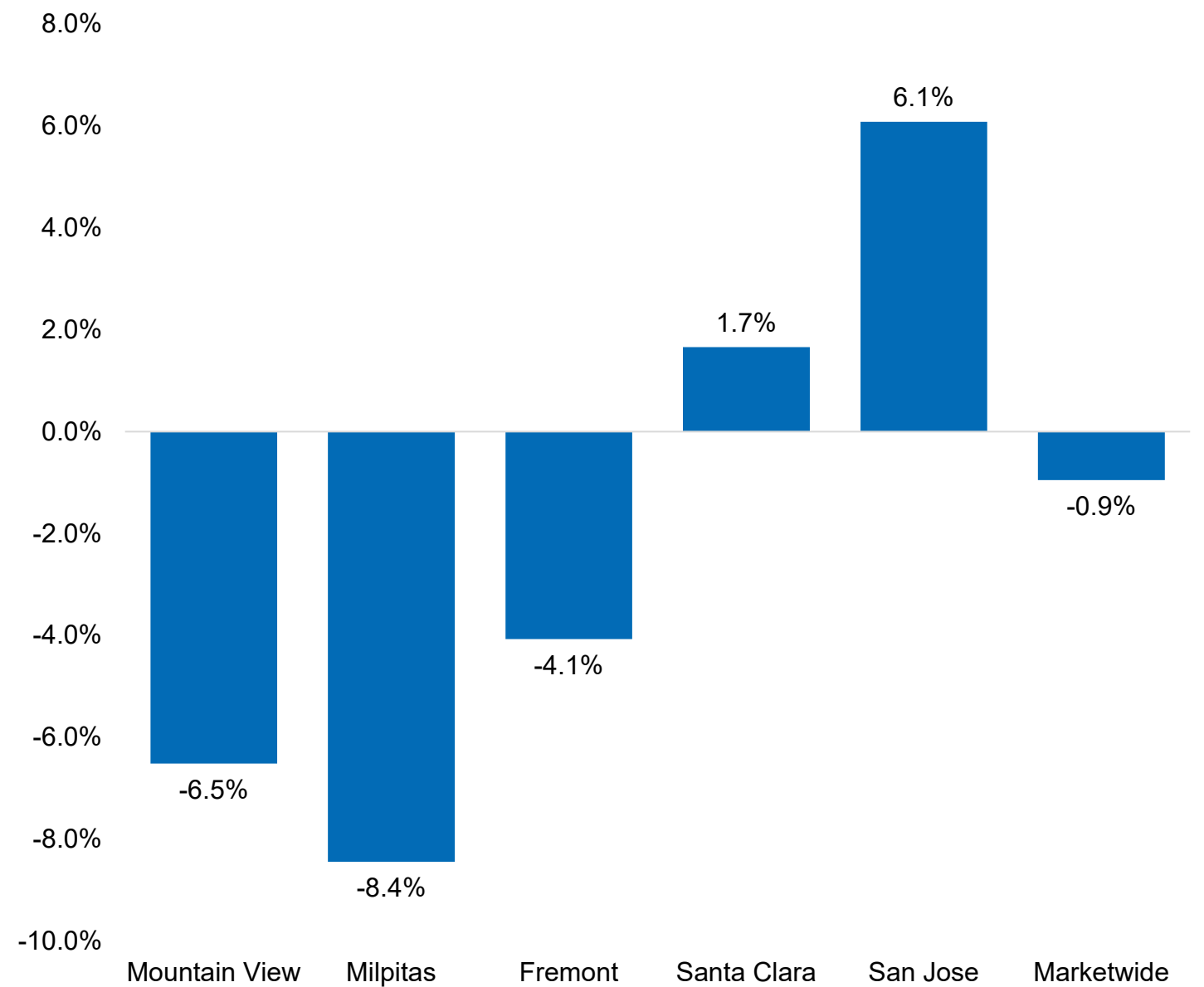
Strong Year-over-Year Gains in San Jose Asking Rents Pushed Overall Market Rates Up

Mountain View posted the highest overall rent at \$2.36 per square foot NNN. Although San Jose recorded a -1.2% quarterly decrease, year-over-year, San Jose’s asking rate increased 6.1%, recording \$1.57 per square foot NNN. Despite a 0.9% year-over-year decline in Marketwide rents, select submarkets like San Jose and Santa Clara saw notable increases. San Jose led the region with a 6.1% year-over-year rent growth, and Santa Clara followed with a 1.7% increase.

Asking Rent by Submarket



Year-over-year Percent Change in Asking Rate



Source: Newmark Research, CoStar

Fremont Recorded Majority of Top Leases

Fremont led large block leasing activity this quarter, accounting for four 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, recording 923,682 square feet. Fremont’s strong leasing performance highlighted its appeal as a location of choice for companies seeking industrial or warehouse space in Silicon Valley.

Select Lease Transactions

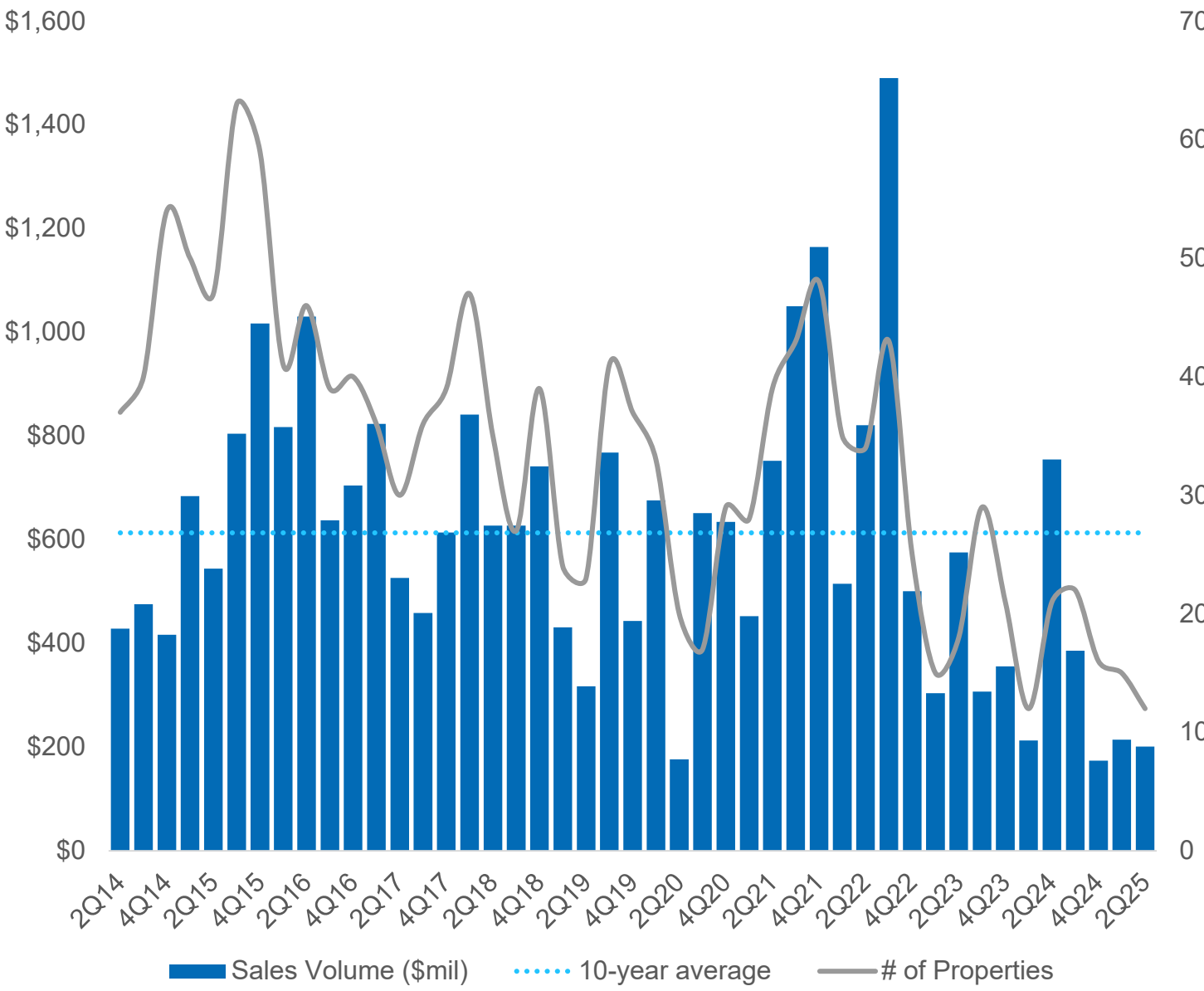
Tenant	Building	Submarket	Type	Square Feet
Sanmina Corporation <i>Sanmina Corporation, a manufacturing services provider, renewed its 201,939 square feet lease and expanded by an additional 52,047 square feet for 5 additional years.</i>	42701 Christy Street	Fremont – Auto Mall North	Lease Renewal/Expansion	253,400
Quanta Computer <i>Quanta Computer renewed their lease for 178,911 square feet for an additional 77 months. Quanta Computer has been at this location since 2014.</i>	45101-45169 Industrial Drive	Fremont – Mission North	Lease Renewal	178,911
MiTAC, Inc. <i>MiTAC, Inc., a large-scale system integration company, signed a lease for 157,783 square feet in Fremont.</i>	40901 Encyclopedia Circle, Building 2	Fremont – Auto Mall North	Direct Lease	157,783
Pivot Interiors <i>Pivot Interiors renewed their 101,830 square feet lease for an additional 65 months.</i>	48888 Fremont Boulevard	Fremont – Bay Side	Lease Renewal	101,830
Eleryc, Inc. <i>Eleryc, a research company focusing in electrochemical technologies, leased 45,000 square feet in the International Business Park submarket of San Jose.</i>	1911 Lundy Avenue	San Jose – International Bus Park	Direct Lease	45,000

Source: Newmark Research

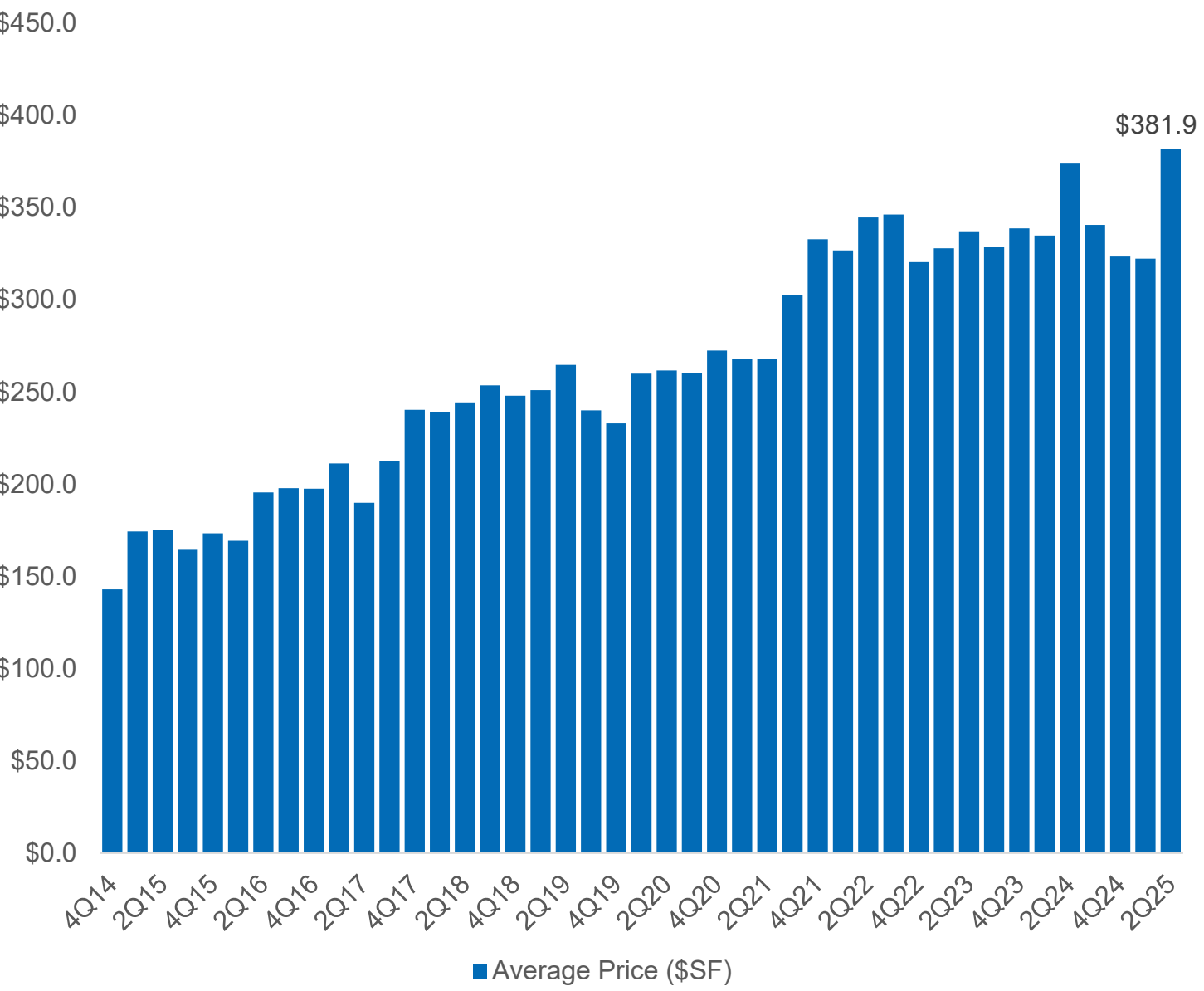
While Sales Volume Inched Down, Pricing Trended Up

Sales activity in the industrial sector marginally decreased in the second quarter of 2025, with \$201.3M in sales volume across 12 properties. Pricing remained strong, as the average price-per-square foot increased 18.5% to \$381.9 per-square-foot. This reflected the industrial sector’s continued strength, with pricing holding steady over the past decade despite ongoing market fluctuations. Tenants remain interested in well-located buildings, even though fewer sales occurred.

Sales Volume (\$Million) and Number of Properties Sold



Average Price Per Square Foot



Source: Newmark Research, Real Capital Analytics

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