# Robust leasing and sales despite large block occupancy losses

▲ 13.8%
Vacancy Rate

▼ (1.6M)
Sq. Ft. Net Absorption

▶ 713K
Sq. Ft. Under Construction

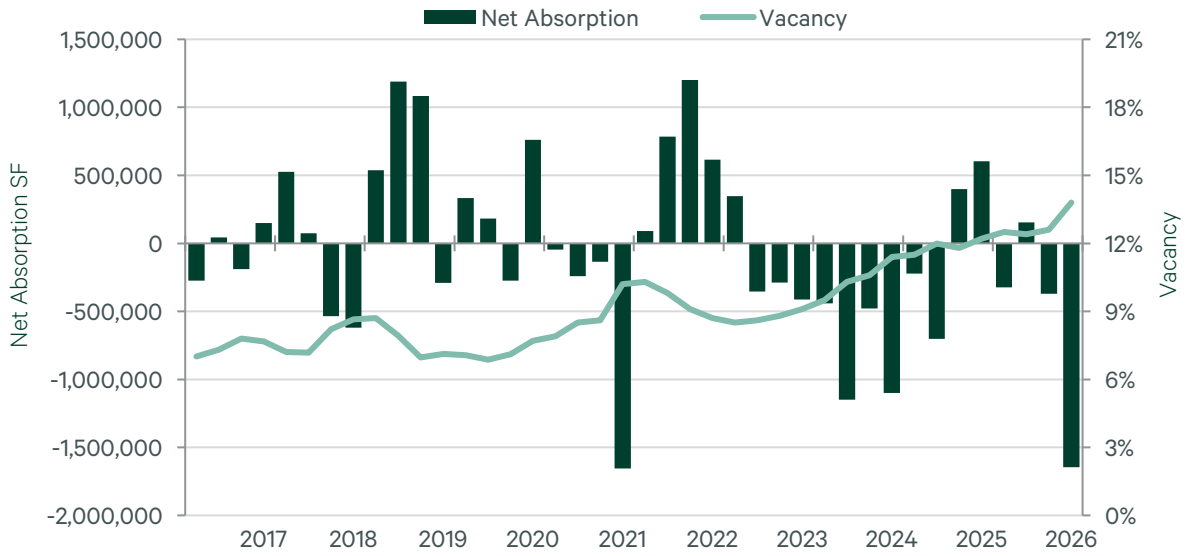
▼ $2.84
Average Asking Rate
$/SF (NNN)

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- Silicon Valley's R&D market contracted in Q1 2026, with vacancy at 13.8% and negative net absorption 1,645,572 square feet (sq. ft.), primarily due to give-backs in Palo Alto and San Jose – North.
- Average asking rents decreased slightly to $2.84 on a monthly, direct, triple-net (NNN) basis.
- Active requirements for office and R&D space ended at 8.6 million square feet (msf), with 56.0% of demand from the hardware, software, and AI sectors, and 29 tenants seeking large spaces of 100,000 square feet or more.
- Three R&D buildings, totaling approximately 713,000 sq. ft., are currently under construction in Silicon Valley. Two out of the three are owner-users.
- Capital markets activity improved modestly during Q1 2026, with notable R&D transactions highlighting a selective deal flow focused on well-located assets. Redevelopment of older R&D properties into residential or alternative uses continues to impact supply constraints.

FIGURE 1: Vacancy & Net Absorption Trend




Source: CBRE Research, Q1 2026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## R&D OVERVIEW

In the first quarter of 2026, the Silicon Valley R&D market tightened after remaining stable throughout 2025. Vacancy and availability increased to 13.8% and 16.3%, respectively. Net absorption totaled negative 1.6 msf, driven primarily by a large campus in Palo Alto, while performance elsewhere was mixed. Sunnyvale and San Jose - South recorded modest occupancy gains, underscoring continued variance across submarkets.

Leasing activity totaled 2.0 million sq. ft. during the quarter. New leases comprised approximately 70.5% of transactions completed in Q1 and 56.7% of leased square feet. Transactions under 100,000 sq. ft. dominated leasing, representing roughly three-quarters of overall deal volume. Technology tenants - particularly those in hardware, AI, robotics, and semiconductor-related fields - continued to account for the majority of notable transactions.

Active requirements for office and R&D space at the end of the quarter totaled 8.6 msf, a decrease from 10.6 msf in Q4 2025. This decrease is attributable to deals being signed instead of tenants no longer looking for space. Consistent with the previous quarter, the hardware, software, and A.I. sectors comprised approximately 56.0% of demand in Q1. Large block demand remains a defining feature of the market with 29 tenants in the market seeking spaces of 100,000 square feet or greater.

Average asking rents decreased slightly to $2.84 per sq. ft. NNN, with Palo Alto maintaining the highest average asking rents at $5.08 NNN, while San Jose - IBP and San Jose - South remained the most cost-competitive submarkets.

Capital markets was a notable tailwind in Q1 2026, with owner-user acquisitions and investment sales both contributing to an active quarter. Transaction volume reflected continued confidence in well-located R&D product, representing one of the stronger periods in the current cycle.

The Silicon Valley R&D market recorded a period of adjustment in Q1 2026, with vacancy rates rising and occupied space contracting, most notably in Palo Alto. Leasing velocity held steady quarter-over-quarter, though elevated move-outs outpaced new occupancy. Average asking rents declined modestly, consistent with broader market recalibration. Capital markets activity showed incremental improvement, and well-located assets continued to attract interest. Submarket performance varied, pointing to a differentiated recovery trajectory heading into the remainder of the year.

FIGURE 2: Submarket Statistics

| Submarket | Net Rentable Area | Total Vacancy (%) | Total Availability (%) | Average Asking Rate ($) | Current Net Absorption | YTD Net Absorption |
|---|---|---|---|---|---|---|
| Palo Alto | 10,966,443 | 21.0 | 23.8 | 5.08 | (925,996) | (925,996) |
| Mountain View/Los Altos | 10,574,363 | 19.3 | 20.6 | 4.40 | (96,917) | (96,917) |
| Sunnyvale | 17,578,169 | 10.0 | 11.3 | 3.14 | 26,738 | 26,738 |
| West Valley | 4,036,013 | 7.7 | 9.2 | 2.55 | (3,830) | (3,830) |
| Santa Clara | 18,371,340 | 13.4 | 15.1 | 2.46 | (42,951) | (42,951) |
| San Jose - IBP | 8,793,654 | 6.2 | 6.3 | 1.74 | (169,677) | (169,677) |
| San Jose - North | 22,634,150 | 15.5 | 20.3 | 2.66 | (365,784) | (365,784) |
| San Jose - South | 8,884,289 | 15.1 | 19.2 | 1.68 | 81,534 | 81,534 |
| Milpitas | 11,088,956 | 15.5 | 18.5 | 2.41 | (70,687) | (70,687) |
| Fremont/Newark | 22,450,796 | 12.0 | 14.5 | 1.97 | (78,002) | (78,002) |
| **Silicon Valley** | **135,378,173** | **13.8** | **16.3** | **2.84** | **(1,645,572)** | **(1,645,572)** |

Source: CBRE Research, Q1 2026


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FIGURE 3: Notable Lease Transactions Q1 2026

| Tenant | Location | Leased Sq. Ft. | Type |
|---|---|---|---|
| SiTime | 3250 Jay St, Santa Clara | 149,062 | New Lease |
| Kaiser | 200, 220, 250 E Hacienda Ave, Campbell | 92,692 | Renewal |
| Teradyne | 90 Headquarters Dr, San Jose | 83,475 | New Lease |
| WeRide | 2630 Orchard Pkwy, San Jose | 66,511 | New Lease |
| Figure AI | 3939 N 1st St, San Jose | 64,336 | New Lease |

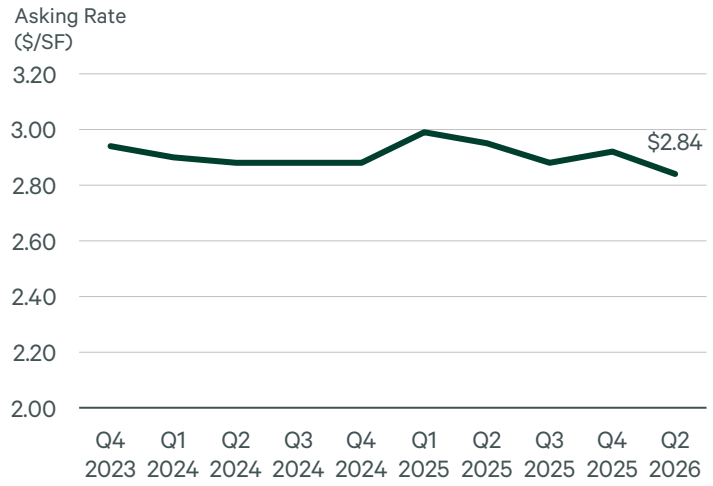
Source: CBRE Research, Q1 2026

FIGURE 4: Notable Sale Transactions Q1 2026

| Buyer | Location | Sold Sq. Ft. | Sale Price $/SF |
|---|---|---|---|
| PSAI Realty Partners | 301 381 E Evelyn Ave Mountain View | 280,091 | $193.0M $689 |
| Equinix | Great Oaks, Santa Teresa, San Ignacio San Jose | 257,453 | $51.0M $198 |
| CoreSite | 2805 Bowers Ave Santa Clara | 217,400 | $100.0M $460 |
| Farallon Capital Management L.L.C. | Zanker, Daggett, N 1st St San Jose | 190,636 | $50.5M $265 |
| TPG Angelo Gordon & Company | 211 281 River Oaks Pkwy San Jose | 164,608 | $45.0M $273 |

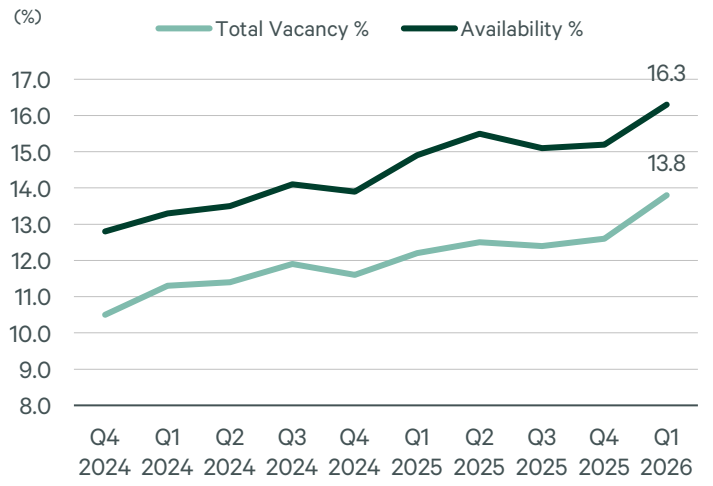
Source: CBRE Research, Q1 2026

FIGURE 5: Lease Rates



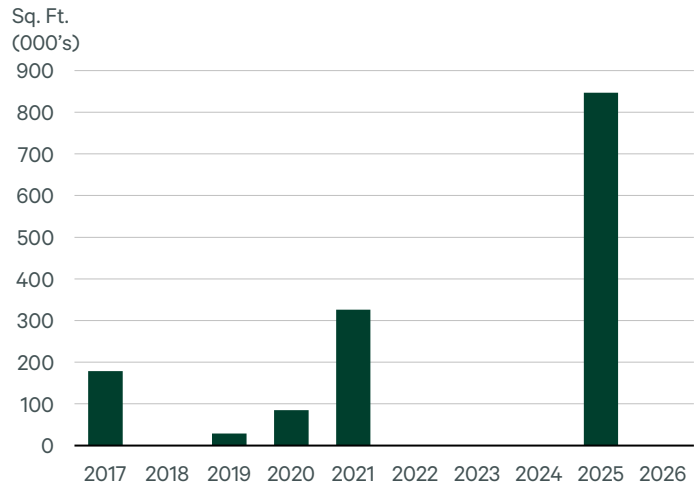

Source: CBRE Research, Q1 2026

FIGURE 6: Vacancy & Availability



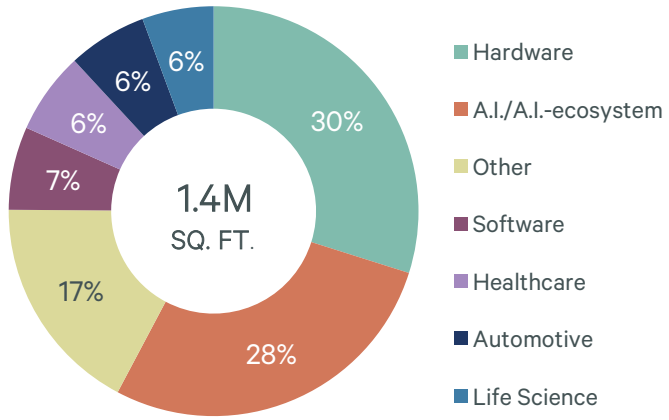

Source: CBRE Research, Q1 2026

FIGURE 7: Construction Completions




Source: CBRE Research, Q1 2026

FIGURE 8: Top 25 Leases of the Quarter by Industry




Source: CBRE Research, Q1 2026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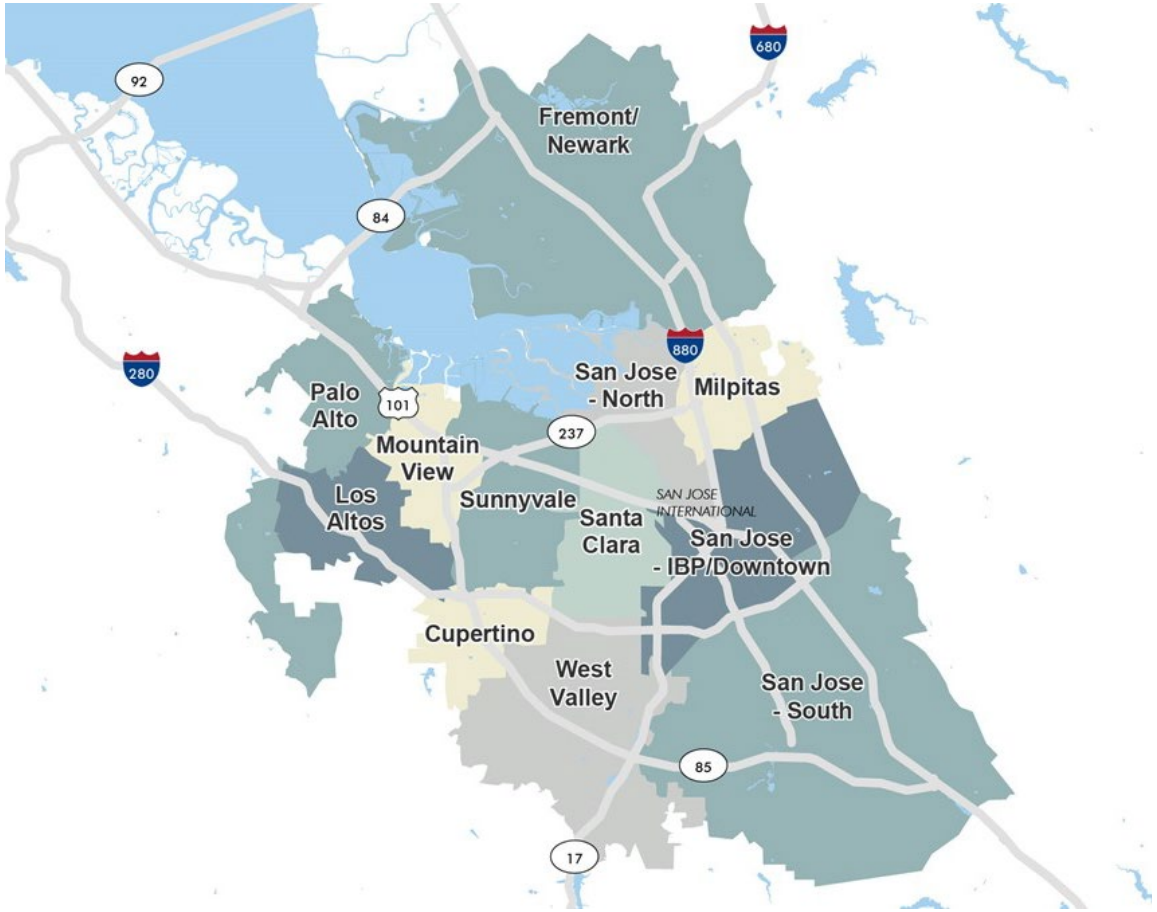
## Submarket Map




## Definitions and Methods

Average Asking Rate Direct Monthly Lease Rates., Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy. During the first quarter of 2025, a revision to our calculation methodologies was implemented, leading to a significant shift in our results on a quarter-over-quarter basis. This updated approach will be utilized for all future periods, providing a consistent and transparent framework for calculating asking rates going forward.

CBRE's market report analyzes existing single- and multi-tenant R&D buildings that total 7,500+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Effective 2025, our reporting methodology will be updated to include owner/user deliveries in the calculation of gross absorption, providing a more comprehensive and accurate representation of market activity.

A building reclassification project occurred in Q1 2025, which caused a shift in Net Rentable Area among classes.

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Source: CBRE Research, Location Intelligence

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