

# Large new delivery leads to uptick in vacancy

▲ 5.4%  
Vacancy Rate

▼ (219K)  
Sq. Ft. Net Absorption

▼ 1.41M  
Sq. Ft. Under Construction

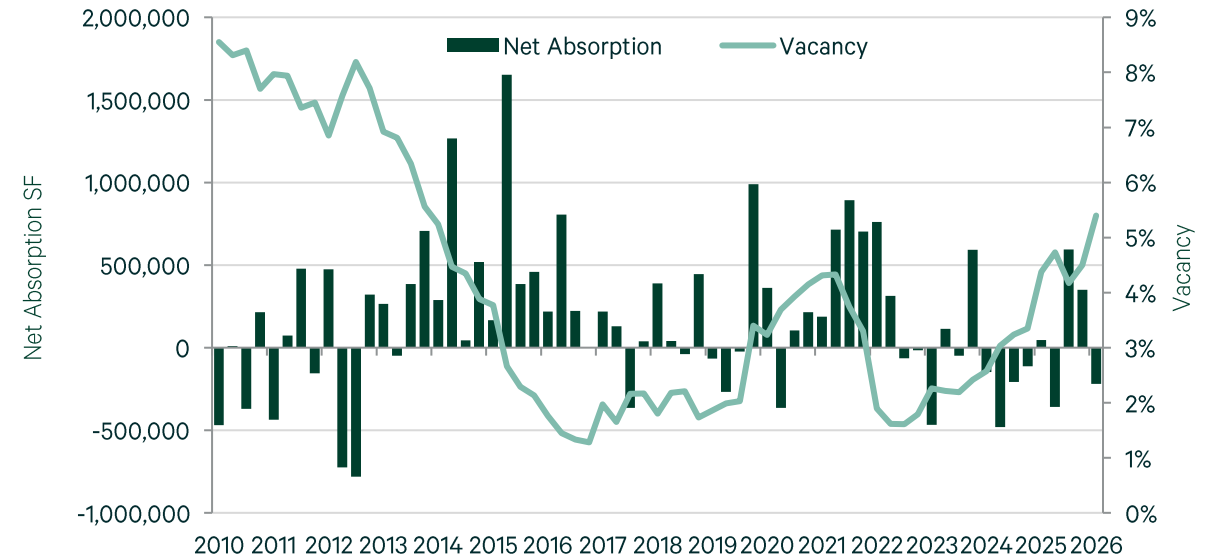
▼ \$1.73  
Average Asking Rate  
\$/SF (NNN)

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- There were 785,969 square feet (sq. ft.) in construction deliveries during Q1 2026 with 1.41 million square feet (msf) currently under construction.
- Tenant demand ended Q1 2026 at 11.18 msf, which is slightly lower from the 11.67 msf posted at the end of 2025.
- Overall net absorption in the Silicon Valley industrial market closed Q1 2026 at negative 218,958 sq. ft.
- The vacancy rate increased from 4.6% to 5.4% quarter-over quarter. Similarly, the availability rate went from 5.9% to 7.9%.
- The average direct asking rate in Silicon Valley ended Q1 2026 at \$1.73 on a monthly, direct, triple-net (NNN) basis; a decrease of \$0.06 Quarter-over-Quarter (QoQ) and \$0.09 Year-over-Year (YoY).
- Approximately 50.2% of all leased sq. ft. signed in Silicon Valley during Q1 2026 were renewals with 49.8% being new leases.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2026

## INDUSTRIAL OVERVIEW

The Silicon Valley industrial market is approximately 106.9 msf. In Q1 2026 there was 785,969 sq. ft. in construction completions with total under construction decreasing to 1.41 msf. An additional 707,528 sq. ft. of construction is expected to be delivered in 2026.

Net absorption totaled negative 218,958 sq. ft. for Q1 2026. San Jose – IBP/Downtown posted the largest occupancy growth among the submarkets with 119,437 sq. ft., followed by San Jose – North’s positive net absorption of 48,413 sq. ft. Overall vacancy and availability rates increased QoQ, to 5.4% and 7.9%, respectively. San Jose – South continued to post the highest availability (16.3%) for the fifth consecutive quarter and the highest vacancy (12.8%) for the fourth straight quarter. A vacant 714,419 sq. ft. project delivered in San Jose – IBP/Downtown which pushed the vacancy from 3.5% to 8.6% QoQ.

Leasing activity ended the quarter at roughly 1.93 msf, which was up from 1.85 msf in Q4 2025. New Deals for the quarter comprised 49.8% of all leased activity, down from 74.9% in Q4 2025. Deals 100,000 sq. ft. and greater accounted for 41.4% of leasing sq. ft. The top 25 deals totaled 1.65 msf of leasing activity. Distribution/Logistics properties accounted for 53.0% of leasing activity this quarter. Despite its high vacancy rate, San Jose – South had a strong quarter with 627,601 sq. ft. in leasing activity, with Fremont/Newark right behind at 603,440 sq. ft. Hardware Technology and Distribution/Logistics companies accounted for the high leasing activity in these submarkets.

The overall average asking rate for industrial space decreased by \$0.06 from \$1.79 in Q4 2025 to \$1.73 in Q1 2026 on a monthly, direct, NNN basis. This decrease was primarily driven by the availability of older properties. Approximately 67.3% of existing available sq. ft. is for buildings built before the year 2000. These properties lack certain building specifications modern tenants are seeking such as heavy power, clear heights, etc. While overall asking rents have decreased, further growth is constrained by the prevalence of antiquated space. In contrast, many leases for new product closed above \$2.00 NNN.

Tenant requirements decreased to 11.18 million sq. ft. in Q1 2026, a minimal decrease from 11.67 million sq. ft. in the previous quarter. Tenants in the technology and AI ecosystem accounted for about 53.0% of requirements. In Q1 2026, there were 58 requirements with an average size of approximately 192,759 sq. ft. More than half the requirements sought at least 100,000 sq. ft. of space. Most current available space lacks the aforementioned features needed by today's users.

While the Silicon Valley industrial market is experiencing adjustments, the core fundamentals remain strong with robust leasing activity and continued demand from key sectors like technology and AI. The strategic opportunities are clear: as older inventory presents attractive pricing, and new construction delivers cutting-edge spaces, tenants have an unparalleled chance to secure ideal locations that align with their evolving needs. This period of market recalibration creates a compelling environment for investors and occupiers alike to capitalize on favorable terms and secure premier locations, positioning the region for sustained success.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average NNN Direct Asking Rate Monthly (\$)			Current Net Absorption	YTD Net Absorption
				Mfg.	Whs.	Adv Mfg.		
Palo Alto	1,312,677	2.7	4.1	\$2.42	\$0.00	\$0.00	4,275	4,275
Mountain View/Los Altos	1,504,027	6.3	6.3	\$2.77	\$2.40	\$0.00	(18,086)	(18,086)
Sunnyvale	4,732,949	4.6	7.3	\$1.88	\$2.05	\$0.00	(170,593)	(170,593)
Santa Clara	14,315,568	3.7	4.8	\$1.83	\$1.65	\$0.00	22,661	22,661
West Valley	1,502,913	6.6	8.3	\$2.07	\$2.15	\$0.00	(8,082)	(8,082)
San Jose – IBP/Downtown	12,675,113	8.6	8.9	\$1.48	\$1.62	\$0.00	119,437	119,437
San Jose - North	10,170,921	3.0	6.1	\$1.69	\$1.52	\$0.00	48,413	48,413
San Jose - South	13,705,801	12.8	16.3	\$1.65	\$1.43	\$1.87	12,397	12,397
Milpitas	8,888,445	3.1	6.6	\$2.09	\$1.62	\$0.00	(74,000)	(74,000)
Fremont/Newark	38,162,154	3.7	6.7	\$1.71	\$1.55	\$2.25	(155,380)	(155,380)
<b>Silicon Valley</b>	<b>106,970,568</b>	<b>5.4</b>	<b>7.9</b>	<b>\$1.73</b>			<b>(218,958)</b>	<b>(218,958)</b>
<b>Manufacturing</b>	<b>52,047,198</b>	<b>4.2</b>	<b>4.6</b>	<b>\$1.84</b>			<b>(469,109)</b>	<b>(469,109)</b>
<b>Warehouse</b>	<b>40,437,156</b>	<b>3.8</b>	<b>8.8</b>	<b>\$1.51</b>			<b>76,684</b>	<b>76,684</b>
<b>Advanced Manufacturing</b>	<b>14,486,214</b>	<b>14.5</b>	<b>17.1</b>	<b>\$1.89</b>			<b>173,467</b>	<b>173,467</b>

Source: CBRE Research, Q1 2026

FIGURE 3: Notable Lease Transactions Q1 2026

Tenant	Location	Leased Sq. Ft.	Type
Confidential	49000-49090 Milmont Dr, Fremont	267,099	New Lease
Jabil	30-32 Great Oaks Blvd, San Jose	181,736	Renewal
Suddath Relocation Systems of NorCal	2020 S 10th St, San Jose	138,240	Renewal
Quanta Manufacturing	7447 Morton Ave, Newark	105,760	New Lease
PODs Enterprises	1959 Monterey Hwy, San Jose	104,400	New Lease

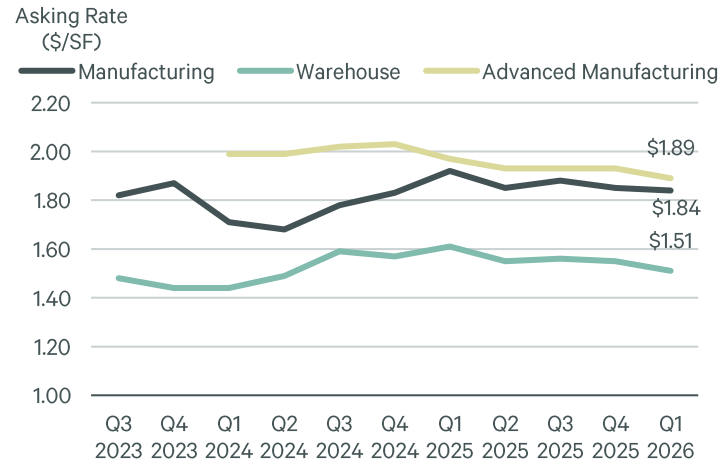
Source: CBRE Research, Q1 2026

FIGURE 4: Notable Sale Transactions Q1 2026

Buyer	Location	Sold Sq. Ft.	Sale Price/\$/Sq. Ft.
Morgan Stanley & Company	44400 Osgood Rd, Fremont	265,553	\$113.0M \$215
Redco Development	1245 Hammerwood Ave, Sunnyvale	159,424	\$42.2M \$265
Fortinet*	150-174 Commercial St and 927 933 Kifer Rd, Sunnyvale	82,700	\$47.0M \$568
Prologis**	41777 Boyce Rd, Fremont	110,000	\$70.1M \$627
Equinix***	6850 Santa Teresa Blvd, San Jose	30,058	\$6.0M \$200

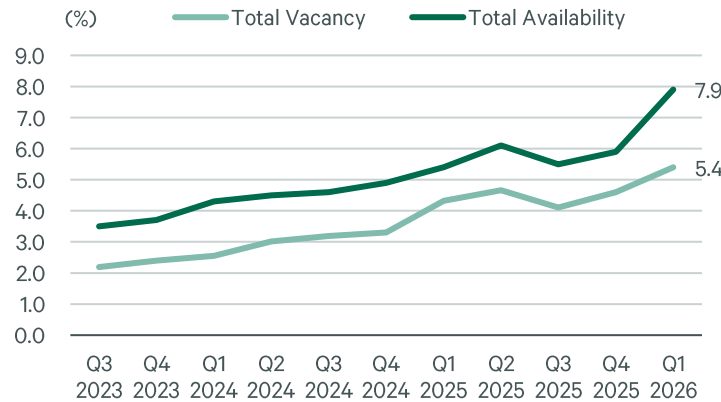
\*Part of a larger acquisition across product types  
 \*\*Part of 25.95-acre infill industrial redevelopment site  
 \*\*\*Part of a larger acquisition totaling \$51M across product types  
 Source: CBRE Research, Q1 2026

FIGURE 5: Lease Rates



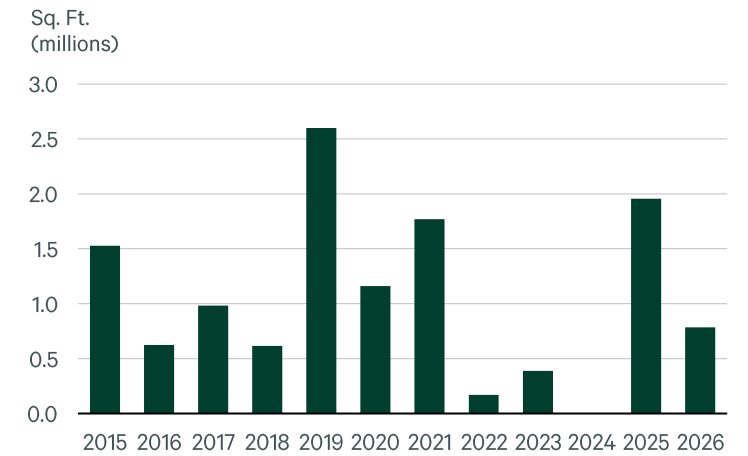
Source: CBRE Research, Q1 2026

FIGURE 6: Vacancy & Availability



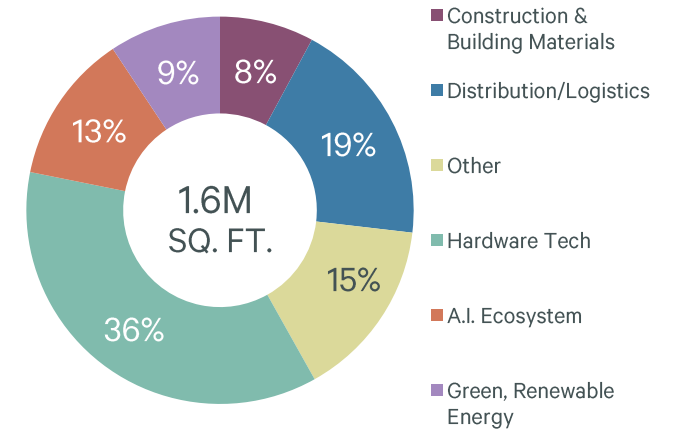
Source: CBRE Research, Q1 2026

FIGURE 7: Construction Completions



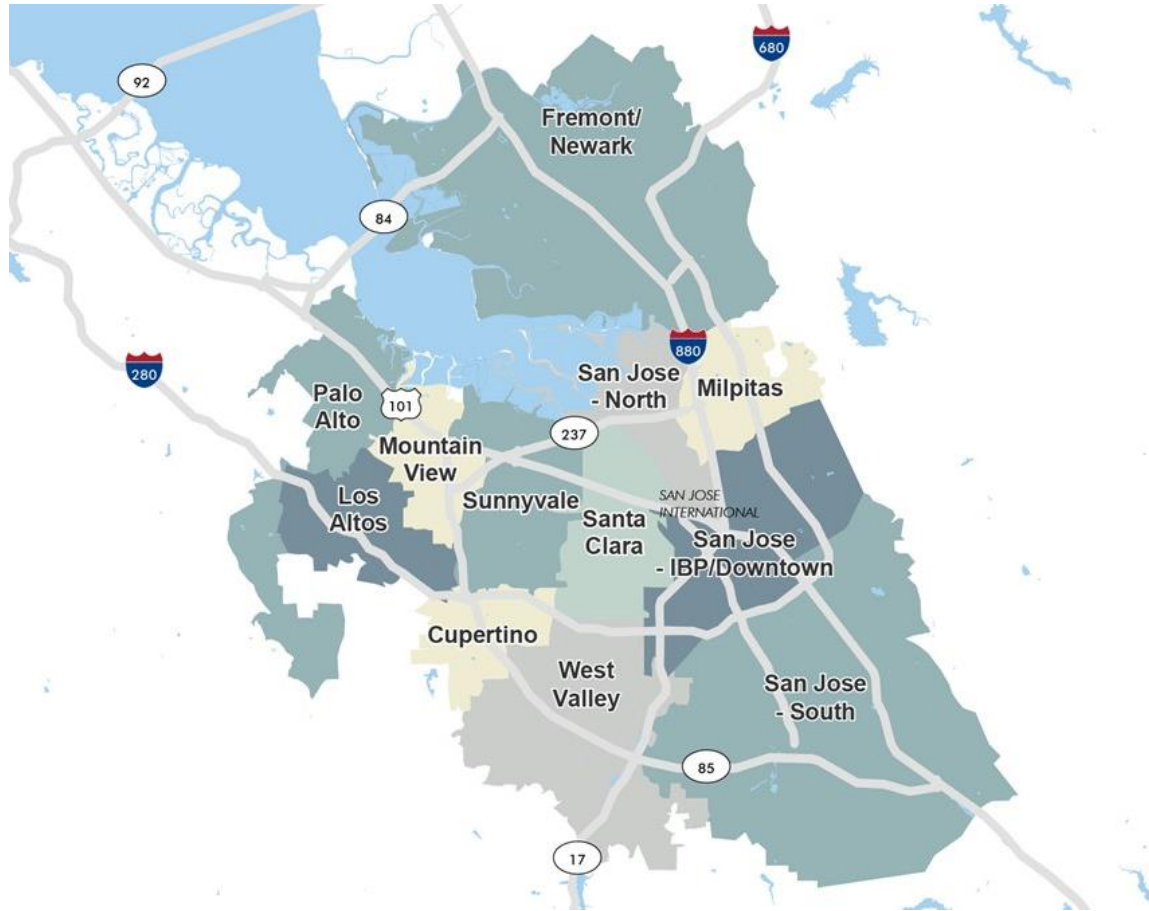
Source: CBRE Research, Q1 2026

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2026

### Submarket Map



Source: CBRE Research, Location Intelligence

### Definitions and Methods

**Average Asking Rate:** Direct Monthly Lease Rates, Triple Net (NNN). 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.

**Availability:** All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

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

CBRE's market report analyzes existing single- and multi-tenant Industrial buildings that total 10,000+ 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.

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