

Record Demand Fuels Silicon Valley Market with Strong Leasing Activity

▲ 4.6%
Vacancy Rate

▼ 350K
Sq. Ft. Net Absorption

▼ 1.71M
Sq. Ft. Under Construction

▲ \$1.79
Average Asking Rate
\$/SF (NNN)

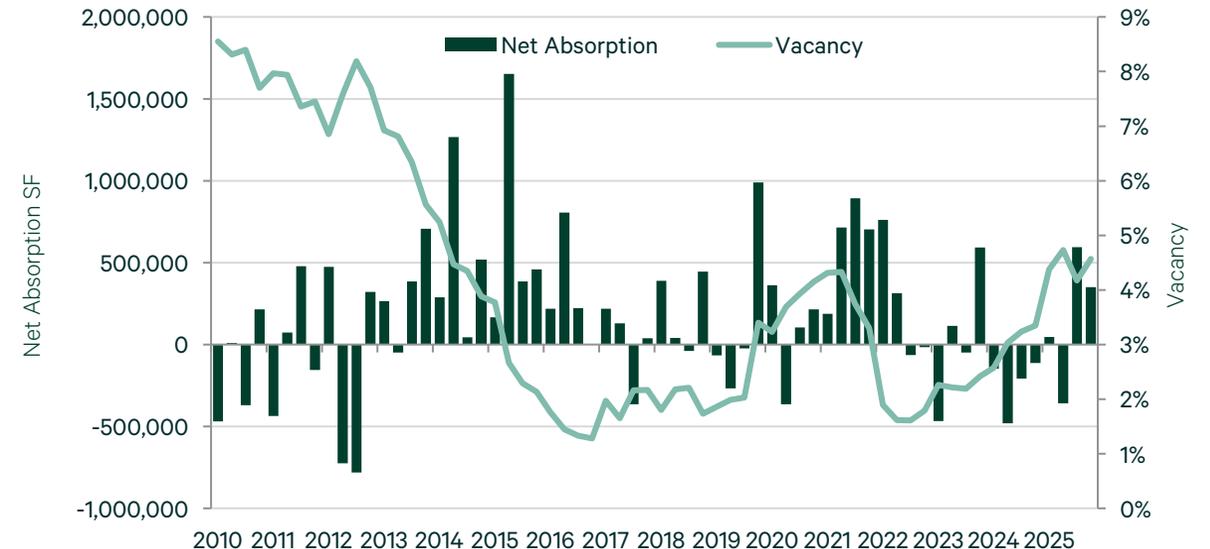
▼ 3.9%
Santa Clara
County Unemployment

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- Santa Clara County’s labor force stood at roughly 1.05 million with 1.01 million employed residents at the close of Q4 2025. The unemployment rate closed the quarter at 3.9%, a 24-basis-point (bps) decrease year-over-year (YoY), and 9 bps lower quarter-over-quarter (QoQ).
- There were 778,418 square feet (sq. ft.) in construction deliveries during Q4 2025 with 1.71 million square feet (msf) currently under construction.
- Tenant demand ended Q4 2025 at 11.67 msf, which is up significantly from 6.51 msf posted at the end of Q3 2025.
- Overall net absorption in the Silicon Valley industrial market closed Q4 2025 at positive 350,479 sq. ft.
- The average direct asking rate in Silicon Valley ended Q4 2025 at \$1.79 on a monthly, direct, triple-net (NNN) basis; an increase of \$0.04 QoQ and \$0.11 YoY.
- Approximately 74.87% of all leased sq. ft. signed in Silicon Valley during Q4 2025 were new deals.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2025

INDUSTRIAL OVERVIEW

The Silicon Valley industrial market is approximately 106.07 msf. In Q4 2025 there was 778,418 sq. ft. in construction completions with total under construction decreasing to 1.71 msf. In 2025, there was 1.96 msf of new product delivered to the Silicon Valley market.

Net absorption totaled positive 350,479 sq. ft. for Q4 2025 and YTD net absorption ended at 631,579 sq. ft. Fremont/Newark posted the largest growth among the submarkets with 330,243 sq. ft. QoQ and 847,504 sq. ft. YTD. Followed by San Jose – IBP/Downtown’s positive net absorption of 143,201 sq. ft. QoQ and 365,937 YTD. Overall vacancy and availability rates increased QoQ, to 4.6% and 5.9%, respectively. San Jose – South continued to post the highest availability (14.1%) for the fourth consecutive quarter and the highest vacancy (12.9%) for the third straight quarter. The uptick in San Jose – South and overall Silicon Valley was mainly attributable to large, vacant deliveries.

Leasing activity ended the quarter at roughly 1.85 msf, which is down from 2.12 msf in Q3 2025. Leasing YTD ended 2025 at 8.57 msf., which equates to a 41.1% increase YoY. New Deals for the quarter compromised 74.9% of all leasing activity which is up from 59.2% in Q3 2025. Deals 100,000 sq. ft. and greater accounted for 50.7% of leasing sq. ft., and a majority were new deals. The top 25 deals totaled 1.61 msf of leasing activity.

The overall average asking rate for industrial space increased by \$0.04 from \$1.75 in Q3 2025 to \$1.79 in Q4 2025 on a monthly, direct, NNN basis. This increase was driven by new construction deliveries of advanced manufacturing buildings with higher asking rates. While overall asking rents have risen, further growth is held back by a substantial amount of antiquated space. Older properties (built before 2000) continue to struggle to attract tenants, which keeps their rents low and pulls down the overall average asking rate. In contrast, many leases for new product are closing above \$2.00 NNN.

Tenant requirements increased to 11.67 million sq. ft. in Q4 2025, a substantial increase from 6.51 million sq. ft. in the previous quarter. Tenants in the technology and AI ecosystem accounted for about 40% of requirements. In Q4 2025, there were 63 requirements with an average size of approximately 185,238 sq. ft., an increase of roughly 22,613 sq. ft. QoQ. Most requirements (41) sought at least 100,000 sq. ft. of space. Q4 2025 represents the highest level of active tenant requirements recorded in recent history. A majority of current available space lacks features needed by today’s users such as heavy power, clear heights, etc.

Silicon Valley’s industrial market performed robustly in Q4 2025, marked by strong tenant demand and a highly active investment market. This demand, converting pre-existing interest into transactions, coupled with constrained supply, is expected to fuel leasing activity and place upward pressure on rental rates. The market’s resilience, underscored by positive absorption and a shift toward larger deals, signals an evolving landscape with attractive opportunities for investors and occupiers. Large scale investment sales indicate commitment to the region and focus on upgrading and repositioning existing assets. Further growth is hindered by functionally obsolete space.

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	1,323,265	3.0	3.0	1.62	2.20	0.00	8,300	7,605
Mountain View/Los Altos	1,502,803	5.0	5.3	2.67	2.40	0.00	27,767	21,641
Sunnyvale	4,732,949	1.0	3.7	1.88	2.05	0.00	-	1,700
Santa Clara	14,315,568	3.9	4.7	1.80	1.65	0.00	(106,005)	(174,289)
West Valley	1,502,913	6.0	7.0	1.96	2.15	0.00	(60,115)	(55,698)
San Jose – IBP/Downtown	11,911,842	3.5	4.2	1.47	1.56	0.00	143,201	365,937
San Jose - North	10,170,921	3.6	5.3	1.77	1.49	0.00	2,353	(158,123)
San Jose - South	13,705,801	12.9	14.1	1.64	1.46	1.88	(38,169)	(386,427)
Milpitas	8,900,945	2.3	4.0	2.13	1.57	0.00	42,904	161,729
Fremont/Newark	38,007,755	3.4	4.9	1.70	1.71	2.09	330,243	847,504
Silicon Valley	106,074,762	4.6	5.9	\$1.79			350,479	631,579
Manufacturing	52,115,206	3.3	3.5	\$1.85			(74,491)	(459,108)
Warehouse	40,591,810	3.8	6.6	\$1.55			(146,497)	104,205
Advanced Manufacturing	13,367,746	11.6	12.8	\$1.93			571,467	986,482

Source: CBRE Research, Q4 2025

FIGURE 3: Notable Lease Transactions Q4 2025

Tenant	Location	Leased Sq. Ft.	Type
MiTAC	47100 Lakeview Blvd, Fremont	253,472	New Lease
Quanta Manufacturing	7380 Morton Ave, Newark	225,861	New Lease
Quanta Manufacturing	44509 Pacific Commons Blvd, Fremont	178,910	New Lease
SYNNEX Corp.	5555 Auto Mall Pkwy, Fremont	177,041	Renewal
Quanta Manufacturing	800 Corporate Way, Fremont	152,995	New Lease

Source: CBRE Research, Q4 2025

FIGURE 4: Notable Sale Transactions Q4 2025

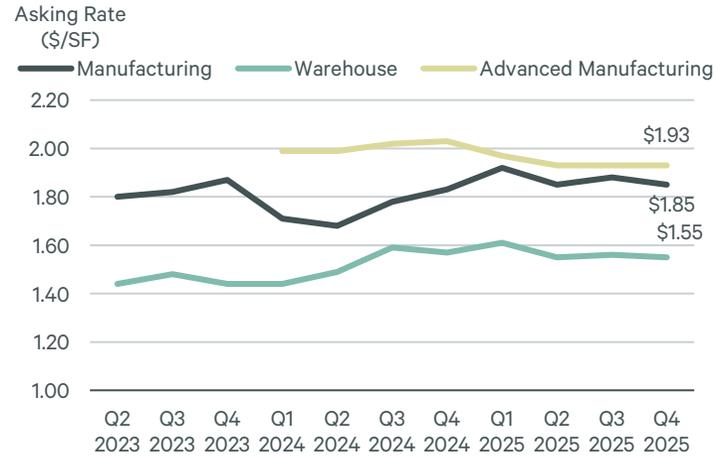
Buyer	Location	Sold Sq. Ft.	Sale Price/\$/Sq. Ft.
PGIM*	7025 7055 Central Ave, Newark	367,185	\$78.9M \$215
Tishman Speyer Properties	42701 42735 Christy St, Fremont	253,440	\$92.9M \$367
Pearlmark Real Estate	7411 Central Ave, Newark	140,762	\$34.0M \$241
Clarion Partners	47548 Kato Rd, Fremont	110,558	\$43.0M \$389
NHNR Hold**	44200 442280 Osgood Rd, Fremont	96,918	\$36.8M \$380

*Part of a larger acquisition across markets

**Part of a larger acquisition totaling \$110M across product types

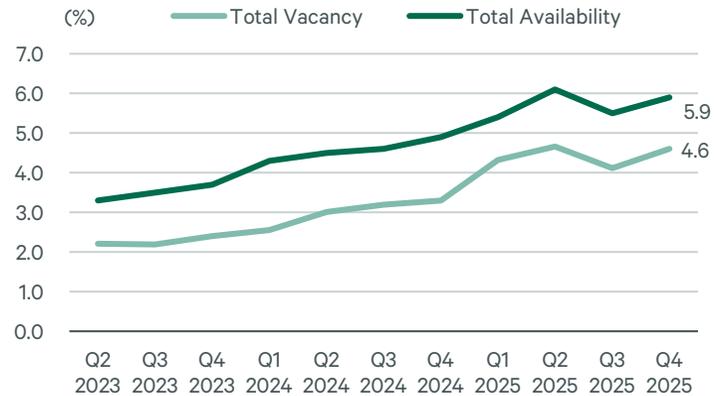
Source: CBRE Research, Q4 2025

FIGURE 5: Lease Rates



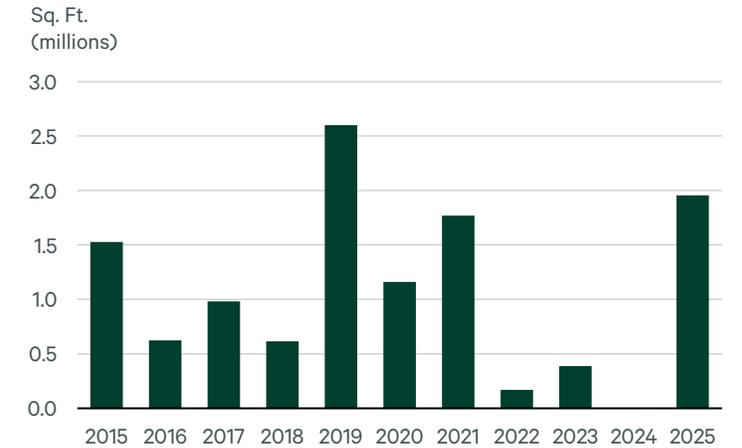
Source: CBRE Research, Q4 2025

FIGURE 6: Vacancy & Availability



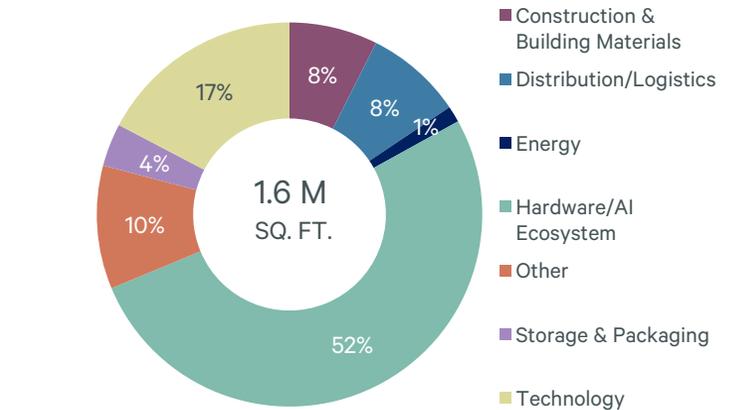
Source: CBRE Research, Q4 2025

FIGURE 7: Construction Completions



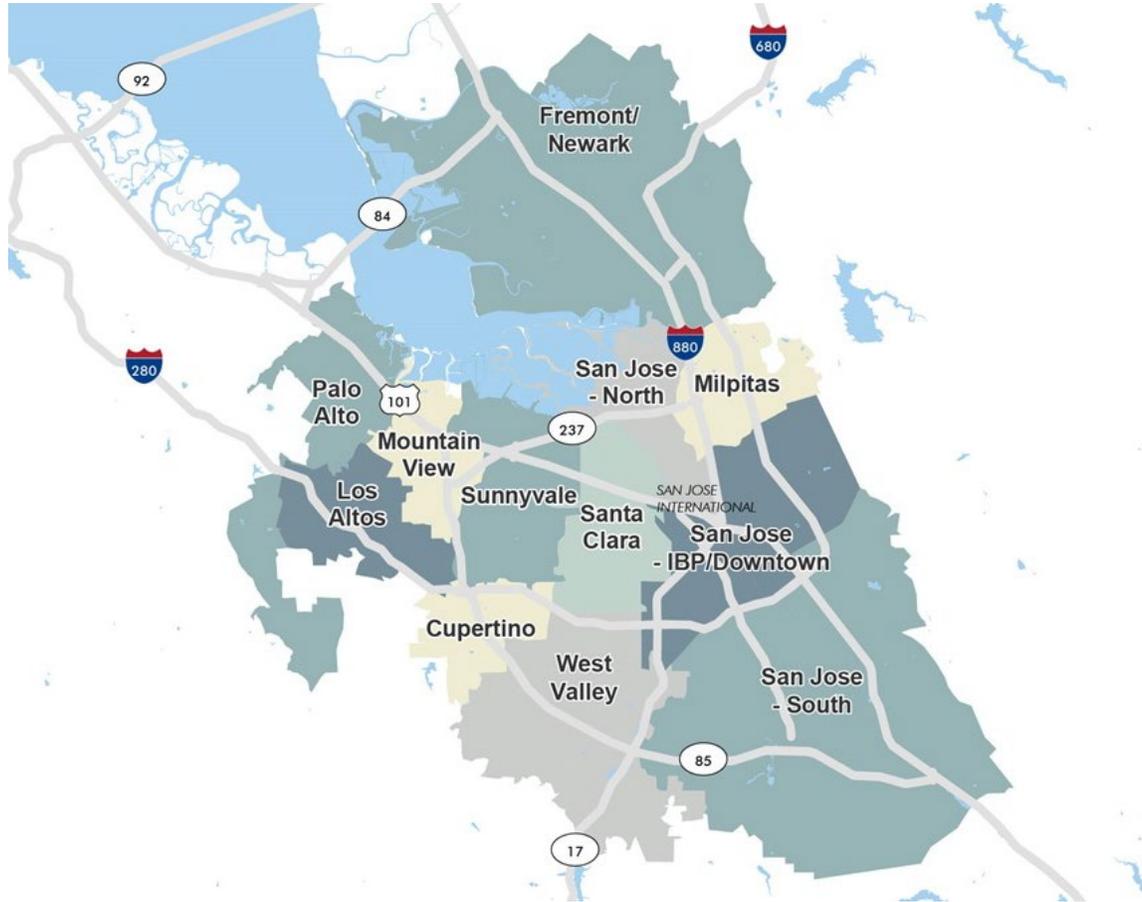
Source: CBRE Research, Q4 2025

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q4 2025

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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