

FIGURES | SILICON VALLEY INDUSTRIAL | Q3 2026

New supply lifts vacancy as Silicon Valley leasing holds firm

▼5.6%

Availability Rate

▲4.5%

Vacancy Rate

▼(154.4)

KSF Net Absorption

▼1.5

MSF Under Construction

▲454.1

KSF Construction Delivered

▲\$1.78

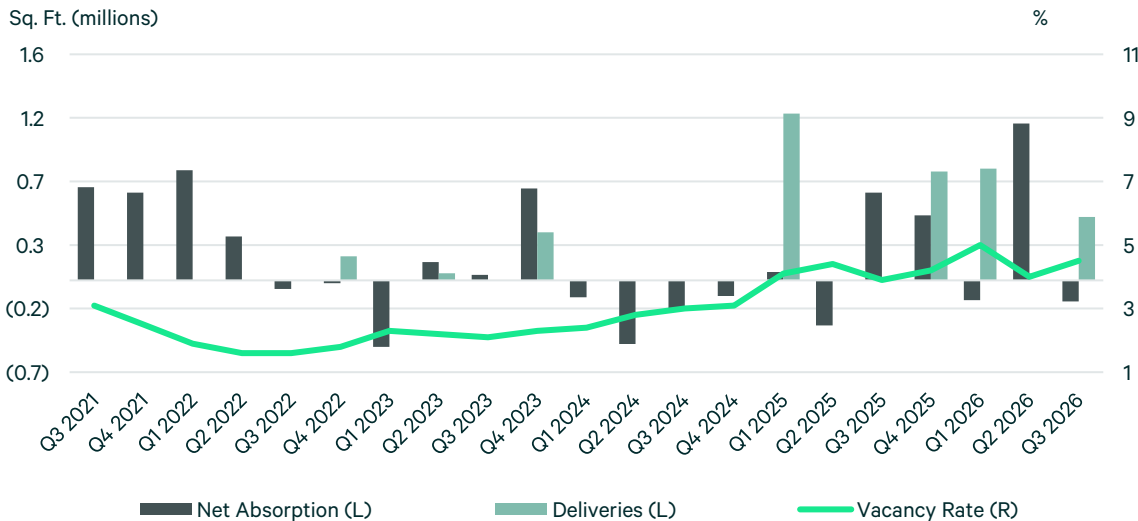
Avg. Direct Asking Rate (NNN/MTH)

Note: Arrows indicate change from previous quarter.

Market Overview

- Overall net absorption closed Q3 2026 at negative 154,373 square feet (sq. ft.), down from 1.1 million sq. ft. (msf) of gains in Q2 2026.
- The vacancy rate rose from 4.0% to 4.5% quarter-over-quarter (QoQ) as 454,056 sq. ft. of new product delivered. The availability rate moved in the opposite direction, falling from 6.0% to 5.6%.
- Tenant demand ended Q3 2026 at 8.7 msf, down 5.2 msf from the 13.9 msf posted at the end of Q2 2026. Tenants in the technology and AI ecosystem accounted for about 45% of requirements. In Q3 2026, there were 57 requirements with an average size of approximately 156,000 sq. ft. Most current available space lacks the features needed by today's users.
- The average direct asking rate rose to \$1.78 on a monthly, triple-net (NNN) basis, up \$0.04 QoQ and \$0.06 year-over-year (YoY), the highest rate on record.
- New leases accounted for 62.2% of all leased sq. ft. signed in Q3 2026, with renewals making up the remaining 37.8%.
- Three projects delivered 454,056 sq. ft., leaving 1.5 msf under construction.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



CBRE Research

Vacancy Rate

Market-wide vacancy closed Q3 2026 at 4.5%, up 50 basis points (bps) from 4.0% in Q2 2026. Direct vacancy drove the increase, rising 70 bps to 4.0%, while sublease vacancy held steady at 0.6%. On a YoY basis, overall vacancy is 60 bps higher than the 3.9% recorded in Q3 2025, with direct vacancy up 110 bps and sublease vacancy down 40 bps. Much of this quarter's increase came from new supply, as 475 Sycamore Dr, 2925 S King Rd and 43990 Fremont Blvd delivered a combined 454,000 sq. ft. Over a three-year horizon, overall and direct vacancy have each risen 240 bps since Q3 2023, when the market stood at 2.1% overall and 1.6% direct.

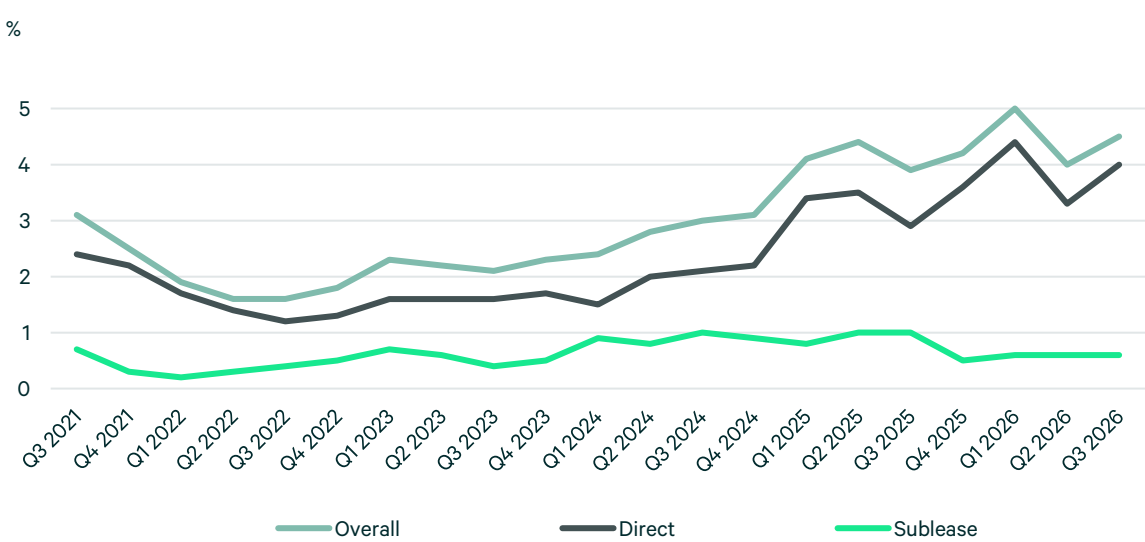
Milpitas posted the sharpest increase this quarter, with vacancy climbing from 1.6% to 6.1% as 475 Sycamore Dr delivered and 128,000 sq. ft. at Fleming Business Park became vacant. San Jose - IBP/Downtown now holds the lowest overall vacancy at 2.0%, followed by Palo Alto at 2.7% and Santa Clara at 3.0%. San Jose - South records the highest overall vacancy at 10.6%, more than double the market average due to recent new construction deliveries. Sublease vacancy held at 604,555 sq. ft., with Sunnyvale carrying the highest sublease availability at 2.7%.

Net Absorption

Net absorption totaled negative 154,000 sq. ft. in Q3 2026, giving back a portion of the 1.1 msf gained in Q2 2026, when Super Micro's move into the Bridge development lifted occupancy. YoY, net absorption fell from the positive 621,000 sq. ft. recorded in Q3 2025. The rolling four-quarter average remains positive at 320,000 sq. ft., though it declined 37.7% QoQ.

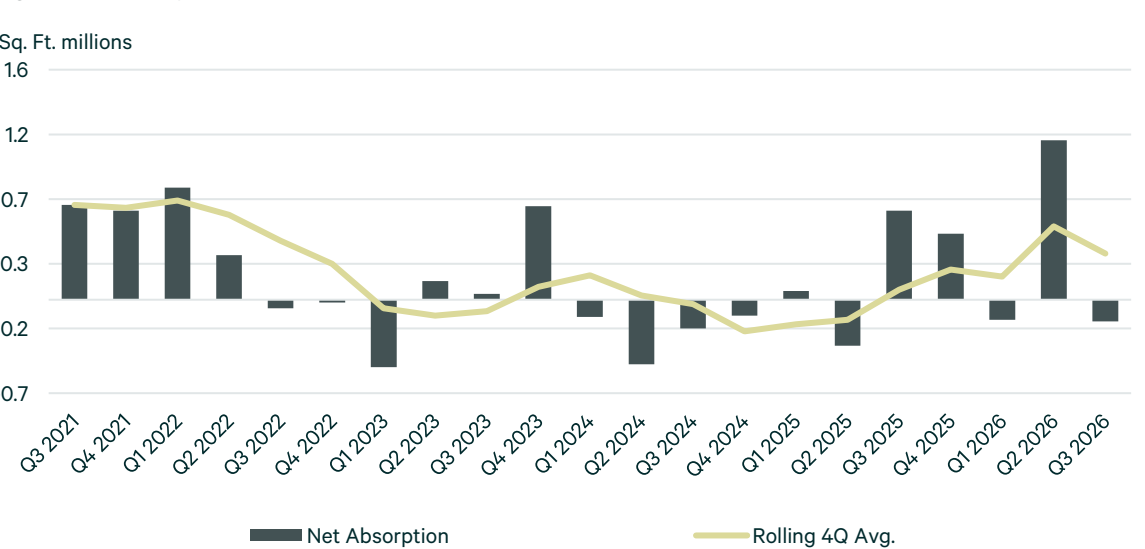
Milpitas recorded the steepest decline at negative 125,000 sq. ft., driven by 128,000 sq. ft. at Fleming Business Park that had been marketed since Q4 2025 and became vacant this quarter. Santa Clara followed at negative 28,000 sq. ft., with smaller losses in Palo Alto (19,000 sq. ft.), Sunnyvale (16,000 sq. ft.) and Fremont/Newark (13,000 sq. ft.). San Jose - IBP/Downtown led all submarkets with 26,000 sq. ft. of occupancy growth, followed by Mountain View/Los Altos (9,000 sq. ft.), San Jose - South (8,000 sq. ft.) and San Jose - North (7,000 sq. ft.). By product type, Distribution/Logistics properties accounted for most of the quarter's losses at negative 118,000 sq. ft.

Figure 2: Vacancy Rate



CBRE Research

Figure 3: Net Absorption trend



CBRE Research

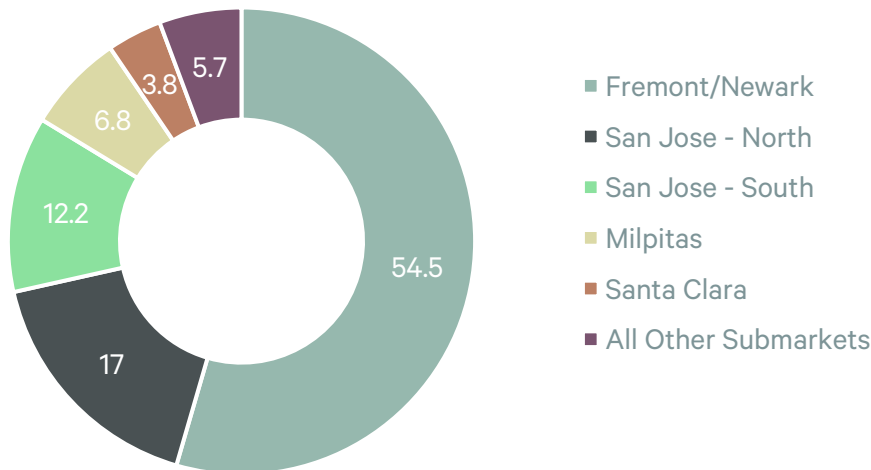
Leasing Activity

Leasing activity totaled 2.63 msf in Q3 2026, increasing 23.7% YoY despite easing 14.9% from the record-setting 3.09 msf recorded in Q2 2026. Year-to-date leasing has reached 7.77 msf, just 930,000 sq. ft. from the 2025 total leasing activity of 8.70 msf.

Fremont/Newark dominated, capturing 54.5% of all activity with 1.44 msf leased and six of the quarter's eight largest deals, including a 203,000-sq. ft. new lease at 46895 Bayside Pkwy and Wismettac Asian Foods' 175,000-sq. ft. new lease at 48778-49088 Fremont Blvd. San Jose - North followed with 448,000 sq. ft., anchored by American Tire Distributors' 138,000-sq. ft. renewal at 635-645 Dado St. San Jose - South (322,000 sq. ft.), Milpitas (179,000 sq. ft.), Santa Clara (101,000 sq. ft.) and Sunnyvale (76,000 sq. ft.) recorded more moderate volumes. Outside of the Silicon Valley market, Morgan Hill saw healthy leasing and sales activity in Q3 2026, with Archer Aviation signing 501,000 sq. ft. lease at Cochrane Technology Center and MIR Tile purchasing 18215 Butterfield Blvd for 83,000 sq. ft.

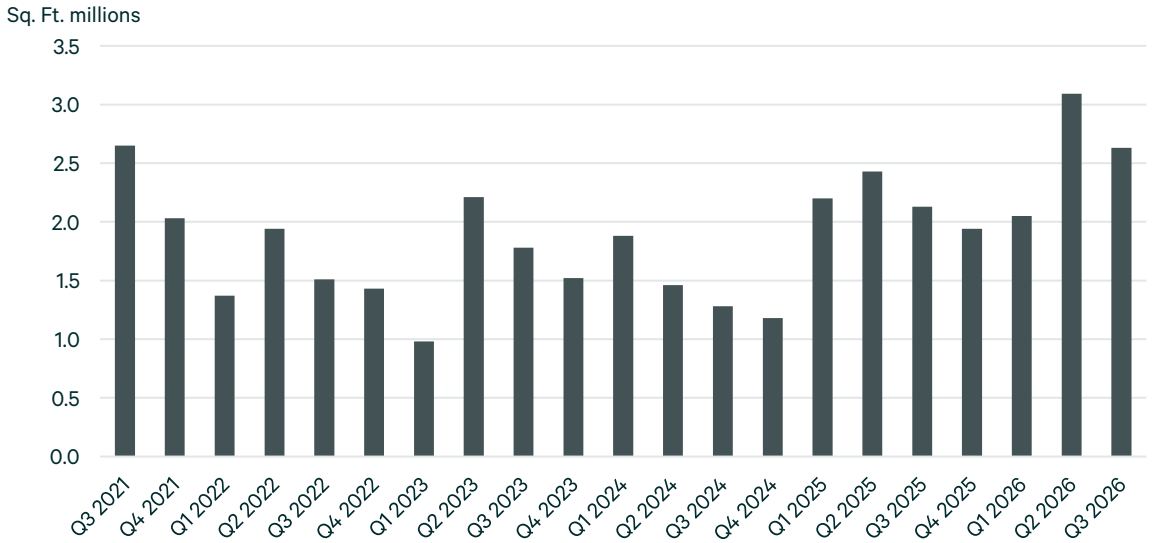
New leases made up 62.2% of activity and renewals 37.8%. Large blocks drove the quarter: the eight largest transactions totaled 1.37 msf, more than half of all sq. ft. leased, while renewals by Legacy Transportation Services (195,000 sq. ft.) and Transpak (164,000 sq. ft.) kept established logistics users in place.

Figure 7: Leasing Activity by Submarket (% of Total Activity)



CBRE Research

Figure 6: Leasing Activity Trend



CBRE Research

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Future Motion	227,000	Renewal	2086 – 3000 Zanker Rd & 587 Charcot Ave	San Jose - North
Confidential Tenant	203,000	New Lease	46891-46943 Bayside Pkwy	Fremont
Confidential Tenant	199,000	New Lease	8311 Central Ave	Newark
Legacy Transportation Services	195,000	Renewal	925-935 McLaughlin Ave	San Jose - South
Wismettac Asian Foods	175,000	New Lease	48778-49088 Fremont Blvd	Fremont

Source: CBRE Research, Q3 2026

Asking Rate

In Q3 2026, the average direct asking rate reached \$1.78, up from \$1.74 in Q2 2026 and \$1.72 in Q3 2025. This reflects a 2.3% QoQ increase and a 3.5% YoY gain and marks the highest rate in the current data set. Rents have risen 26.2% since Q3 2021, when the market averaged \$1.41. Modern, highly specialized product continues to command a premium: Advanced Manufacturing properties averaged \$2.03, compared with \$1.77 for General Manufacturing and \$1.53 for Distribution/Logistics.

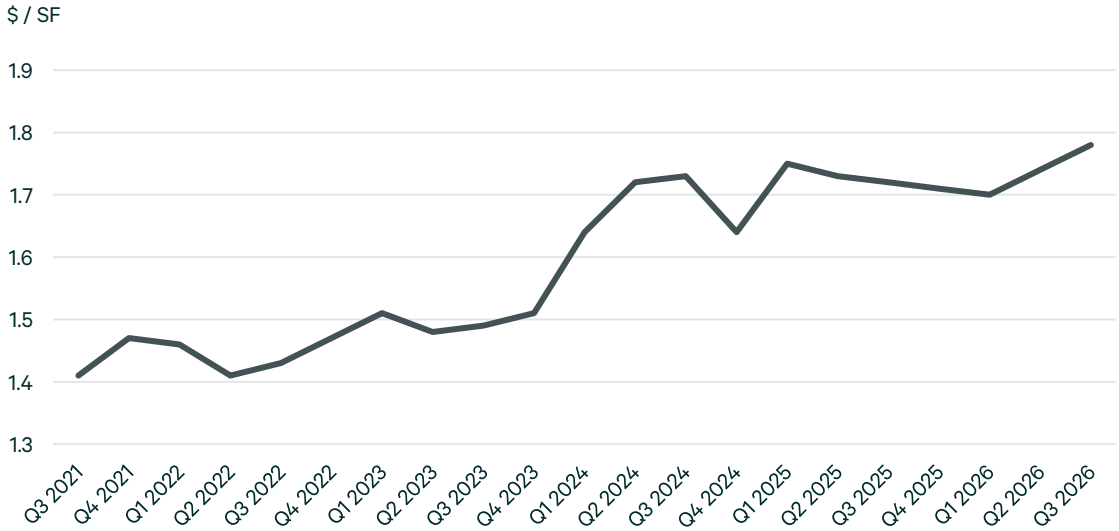
Palo Alto and Mountain View/Los Altos remain the highest-priced submarkets at \$3.72 and \$3.23 due to the lack of inventory, respectively, with West Valley also elevated at \$2.05. San Jose - North (\$1.54) and San Jose - IBP/Downtown (\$1.56) offer the most affordable rates, while Fremont/Newark, Santa Clara, Sunnyvale, Milpitas and San Jose - South fall within a narrow \$1.68-\$1.83 band.

Construction Activity

As of Q3 2026, the market has 1.47 msf under construction, down 14.6% QoQ and 40.7% YoY. Three projects totaling 454,000 sq. ft. delivered this quarter: 475 Sycamore Dr in Milpitas (294,000 sq. ft.), 2925 S King Rd in San Jose - South (90,000 sq. ft.) and 43990 Fremont Blvd in Fremont (70,000 sq. ft.), all Advanced Manufacturing product.

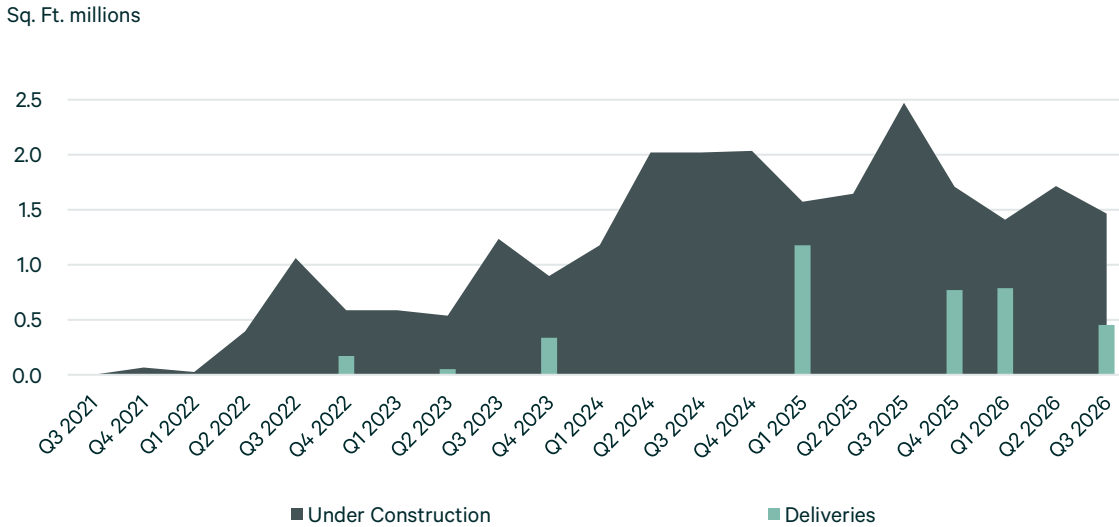
Fremont/Newark leads the pipeline with 669,000 sq. ft. underway across Campus @ Bayside Phases I and II and 46895 Bayside Pkwy, where construction began this quarter. In Milpitas, the 486,000-sq. ft. Amazon Last Mile development at 1001 Gibraltar Dr remains under construction. Two other projects are unchanged from last quarter: Second Harvest of Silicon Valley's 216,000-sq. ft. owner-user warehouse at 4553 N First St in San Jose - North and the 96,000-sq. ft. distribution/logistics project at 2033 Concourse Dr in San Jose - IBP/Downtown.

Figure 4: Average Direct Asking Rate



CBRE Research

Figure 5: Construction Activity



CBRE Research

Market Statistics by Submarket

Figure 11

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Fremont/Newark	37.90M	3.6	4.7	3.5	1.3	1.74	(13,000)	(90,000)	70,000	669,000
Milpitas	9.18M	6.1	9.0	8.0	0.9	1.81	(125,000)	(118,000)	294,000	486,000
Mountain View/Los Altos	1.50M	3.8	3.8	3.8	-	3.23	9,000	9,000	-	-
Palo Alto	1.31M	4.2	4.2	4.2	-	2.40	(19,000)	(15,000)	-	-
San Jose - IBP/Downtown	12.69M	2.0	2.5	2.5	-	1.56	26,000	897,000	-	96,000
San Jose - North	10.16M	3.5	4.2	3.3	0.9	1.54	7,000	(57,000)	-	216,000
San Jose - South	13.89M	10.6	10.8	10.8	0.1	1.83	8,000	345,000	90,000	-
Santa Clara	14.32M	3.0	4.0	3.4	0.6	1.72	(28,000)	52,000	-	-
Sunnyvale	4.70M	5.0	7.7	5.0	2.7	1.68	(16,000)	(187,000)	-	-
West Valley	1.50M	6.5	6.5	6.3	0.2	2.05	(4,000)	(18,000)	-	-
Total	107.15M	4.5	5.6	4.8	0.8	1.78	(154,000)	820,000	454,000	1.47M

Source: CBRE Research, Q3 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	40.35M	3.8	5.8	4.6	1.2	1.53	(118,000)	83,000	-	797,000
Manufacturing - General	51.83M	3.4	3.7	3.3	0.4	1.77	(37,000)	(363,000)	-	39,000
Manufacturing - Advanced	14.95M	10.5	11.5	10.5	1.0	2.03	-	1.10M	454,000	630,000
Other Industrial	15,000	19.7	19.7	19.7	-	2.50	-	-	-	-
Total	107.15M	4.5	5.6	4.8	0.8	1.78	(154,000)	820,000	454,000	1.47M

Source: CBRE Research, Q3 2026

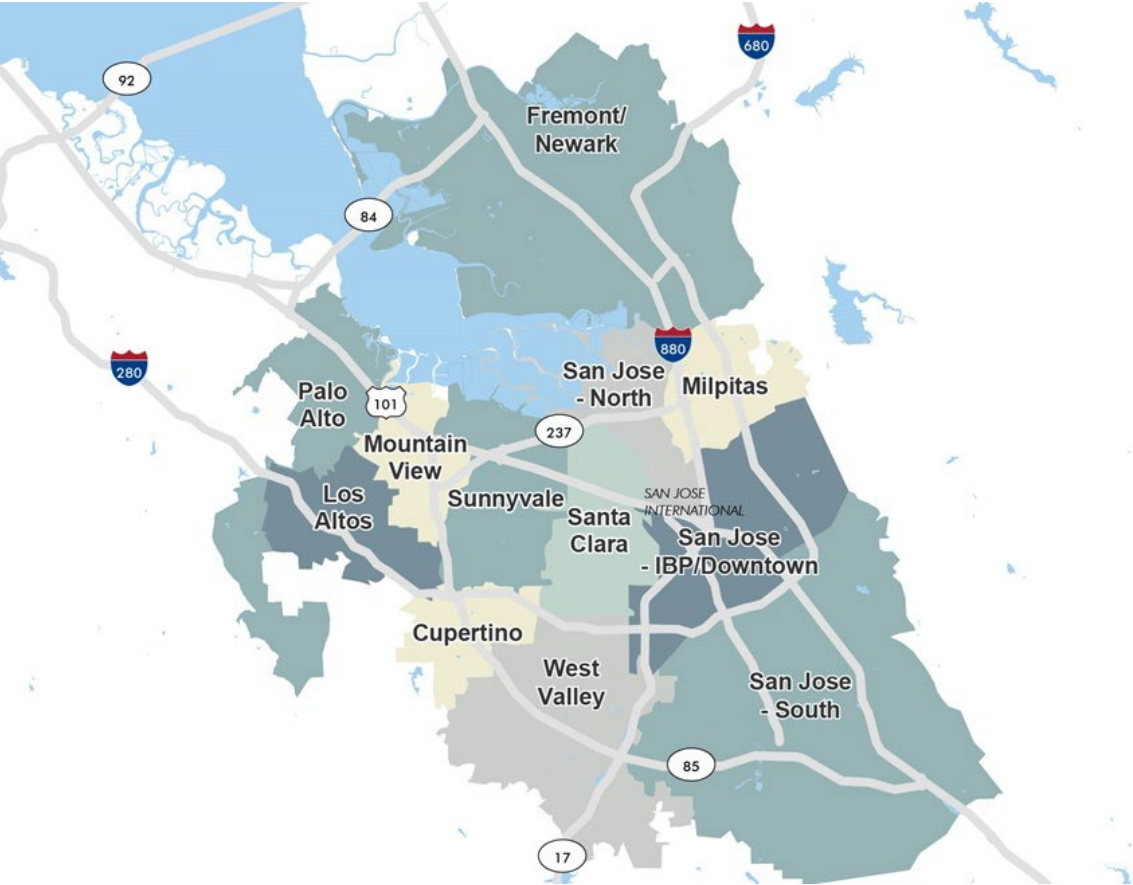
Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	36.34M	3.5	3.9	3.4	0.5	1.78	1,000	89,000	-	39,000
50K-99,999 SF	17.54M	6.3	8.0	7.2	0.9	1.72	48,000	45,000	160,000	420,000
100K-249,999 SF	32.98M	5.1	7.2	5.8	1.4	1.71	(52,000)	(90,000)	-	522,000
250K-499,999 SF	10.37M	5.5	5.5	5.5	-	2.10	(23,000)	905,000	294,000	486,000
500K-749,999 SF	2.92M	3.5	3.5	-	3.5	-	-	-	-	-
750,000 SF +	7.00M	1.8	1.8	1.8	-	1.65	(128,000)	(128,000)	-	-
Total	107.15M	4.5	5.6	4.8	0.8	1.78	(154,000)	820,000	454,000	1.47M

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions & 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.

Contacts

Suzy Malburg
Research Analyst
Suzy.Malburg@cbre.com

Cole Bryant
Research Analyst
Cole.Bryant@cbre.com

Rebecca Schmid
Senior Research Analyst
Rebecca.Schmid@cbre.com

Silicon Valley Office

225 W. Santa Clara Street
12th Floor
San Jose, CA 95113