

FIGURES | SILICON VALLEY R&D | Q2 2026

Positive absorption returns to Silicon Valley R&D sector in second quarter

▼ 13.3%

Vacancy Rate

▲ 519,000

SF Net Absorption

▲ 136,600

SF Construction Delivered

▼ 940,214

SF Under Construction

▼ \$2.84

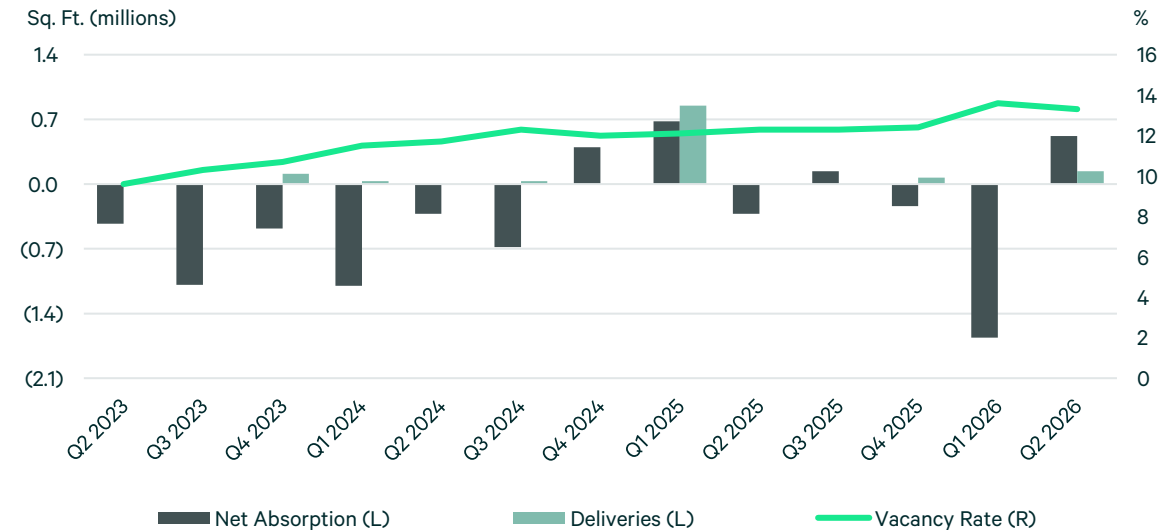
NNN/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- Tenant demand for office and R&D space ended Q2 2026 at 9.3 million square feet (msf), up from 8.6 msf at the end of Q1 2026.
- Net absorption totaled 519,000 sq. ft. in Q2 2026, improving from negative 1.7 msf in Q1 and negative 324,000 sq. ft. one year ago.
- Leasing activity reached 2.7 msf during the second quarter, increasing 28.3% quarter-over-quarter (QoQ) and 16.0% year-over-year (YoY), with activity distributed across the region's major R&D submarkets.
- Overall vacancy declined 30 basis points (bps) QoQ to 13.3%, as both direct and sublease vacancy decreased; however, vacancy remained 100 bps above the level recorded one year ago.
- Development activity totaled 1.26 msf under construction at quarter-end, with all projects fully preleased and concentrated among user-driven developments in Sunnyvale, San Jose–North, and Santa Clara.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy Rate

Overall vacancy declined 30 bps QoQ to 13.3% in Q2 2026, as both direct (10.7%) and sublease (2.6%) vacancy improved. Despite the quarterly gain, vacancy remains 100 bps above year-ago levels and well above the 9.6% metric recorded three years ago.

San Jose–IBP/Downtown (7.0%) and West Valley (8.3%) remain the tightest submarkets, while Palo Alto (18.1%), Mountain View/Los Altos (17.6%), and San Jose–North (16.9%) continue to post the highest vacancy rates.

Sublease availability totaled 3.5 msf, led by Fremont/Newark and San Jose–North. New listings from Atlassian, Mercury Systems, and Crocus Technology were largely offset by absorption during the quarter.

Meanwhile, several large blocks of direct space were returned to the market, including nearly 149,000 sq. ft. at Genesis Point in San Jose–North and the former Infinera facility in Sunnyvale. Even with these additions, leasing activity and inventory reductions drove modest vacancy compression across the market.

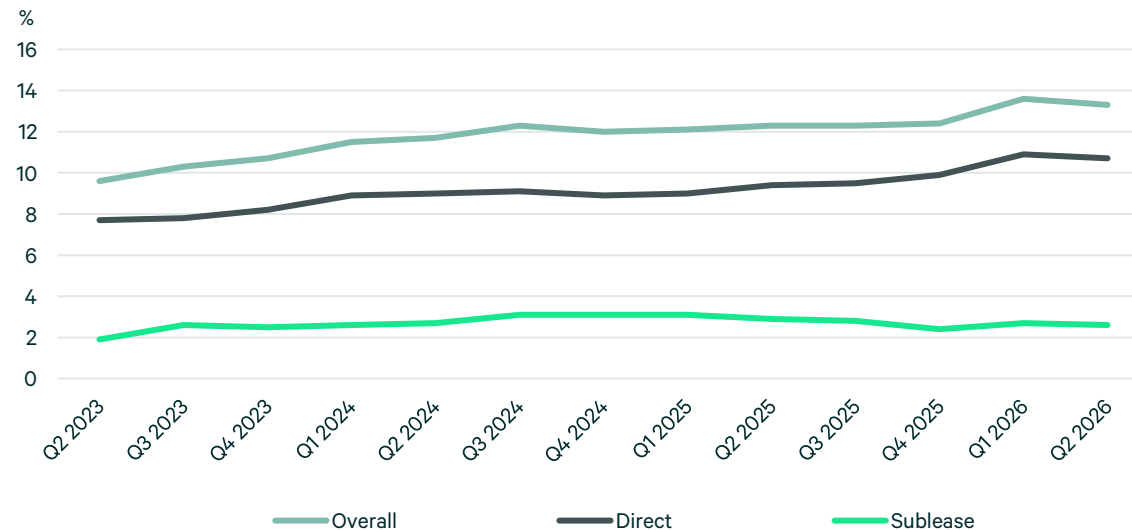
Net Absorption

Net absorption turned positive in Q2 2026, reaching 519,000 sq. ft., a substantial improvement from the 1.7 msf of negative absorption recorded in Q1 and the 324,000 sq. ft. loss posted one year ago. The rolling four-quarter average also improved, although it remained negative at 312,000 sq. ft.

Palo Alto led all submarkets with 309,000 sq. ft. of positive absorption, largely driven by GM's 350,000-sq. ft. occupancy commitment. Sunnyvale followed with 223,000 sq. ft., supported by owner-user acquisitions and expanding AI-related demand from firms such as Rhoda AI, Aptronik, and Cerebras. Strong gains were also recorded in San Jose South (169,000 sq. ft.), fueled by SK Hynix's 110,542-sq.-ft. owner-user acquisition, and Fremont/Newark (159,000 sq. ft.).

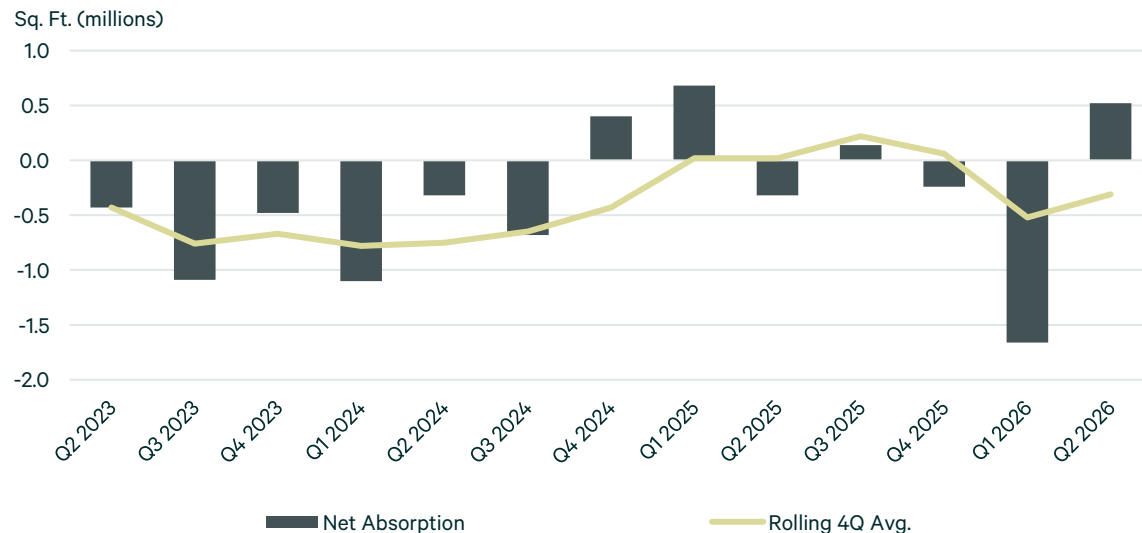
Offsetting these gains, San Jose North posted 430,000 sq. ft. of negative absorption, while Milpitas recorded a 127,000 sq. ft. loss despite notable leases by Etched AI and Think Surgical. Overall, the quarter highlighted continued demand from AI, advanced manufacturing, aerospace, and owner-user buyers, with several large occupancies driving the market back into positive absorption territory.

Figure 2: Vacancy Rate



Source: CBRE Research, Q2 2026

Figure 3: Net Absorption Trend



Source: CBRE Research, Q2 2026

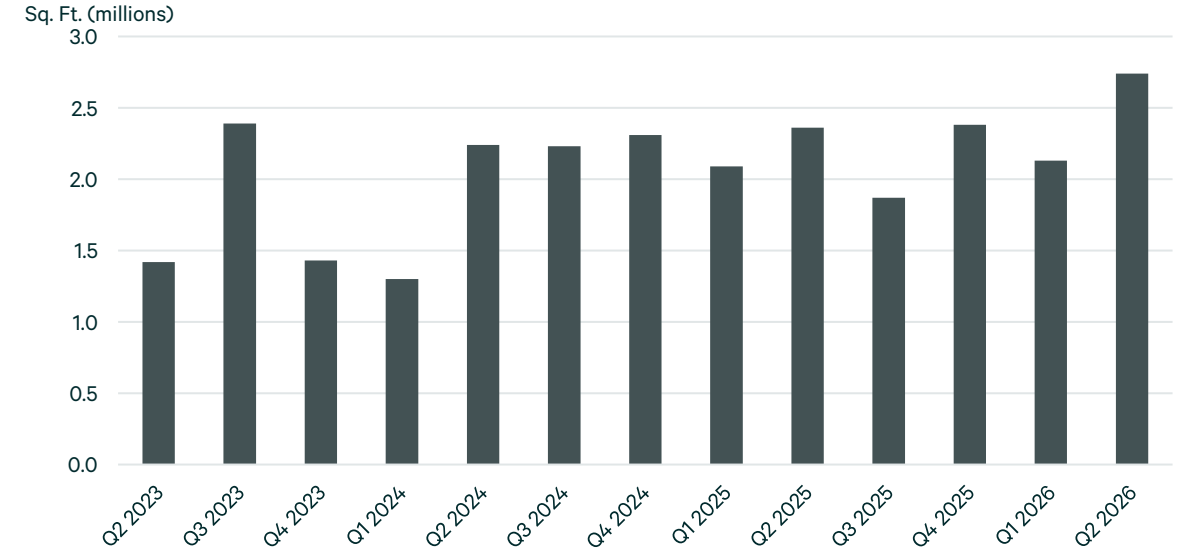
Leasing Activity

Leasing activity totaled 2.7 msf in Q2 2026, bringing the trailing four-quarter total to 9.1 msf. Volume increased 28.3% from the prior quarter and 16.0% YoY, reflecting improving demand across Silicon Valley's R&D market.

Fremont/Newark (608,000 sq. ft.) and Palo Alto (551,000 sq. ft.) led activity, accounting for more than 42.0% of quarterly leasing volume, while San Jose–North, San Jose–South, Sunnyvale, and Milpitas also posted strong totals.

New leases represented nearly 69.8% of leased square footage, with transactions larger than 100,000 sq. ft. accounting for more than one-third of total volume. AI and AI-related companies were the primary demand drivers, generating 21.5% of leasing activity, followed by automotive, hardware, and aerospace/defense users. Continued expansion by firms in artificial intelligence, advanced manufacturing, autonomous vehicles, and defense technologies underscored the quarter's leasing momentum.

Figure 4: Leasing Activity Trend



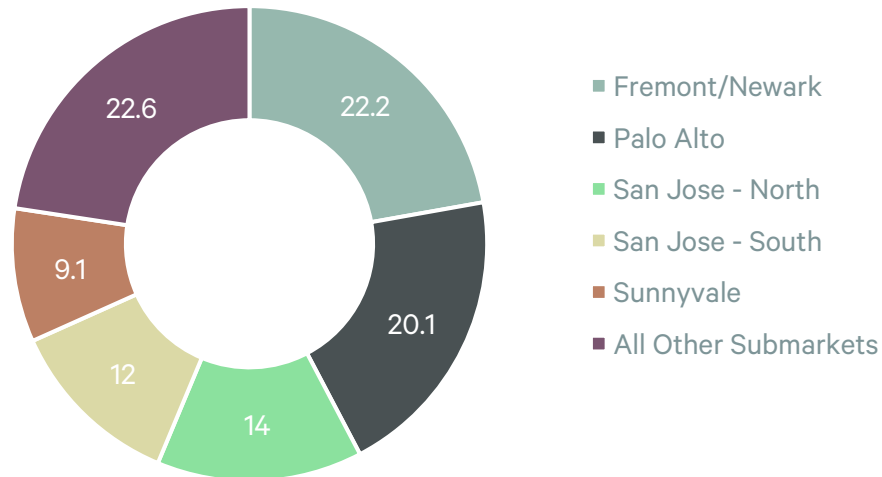
Source: CBRE Research, Q2 2026

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
General Motors	350,356	New Lease	3431 Hillview Ave	Palo Alto
Archer Aviation	191,887	New Lease	190 & 210 W Tasman Dr	San Jose - North
Teradyne	128,000	Renewal	5345 Hellyer Ave	San Jose - South
Lucid USA	111,926	New Lease	7151 Gateway Blvd	Newark
Rivian Automotive	108,931	Renewal	607 Hansen Way	Palo Alto

Source: CBRE Research, Q2 2026

Figure 5: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Construction Activity

Development activity totaled 940-thousand sq. ft. under construction at the end of Q2 2026, all of which was fully preleased or build-to-suit space. During the quarter, 137,000 sq. ft. was delivered. The current pipeline remains concentrated among large corporate users, underscoring the limited appetite for speculative R&D development amid elevated vacancy levels.

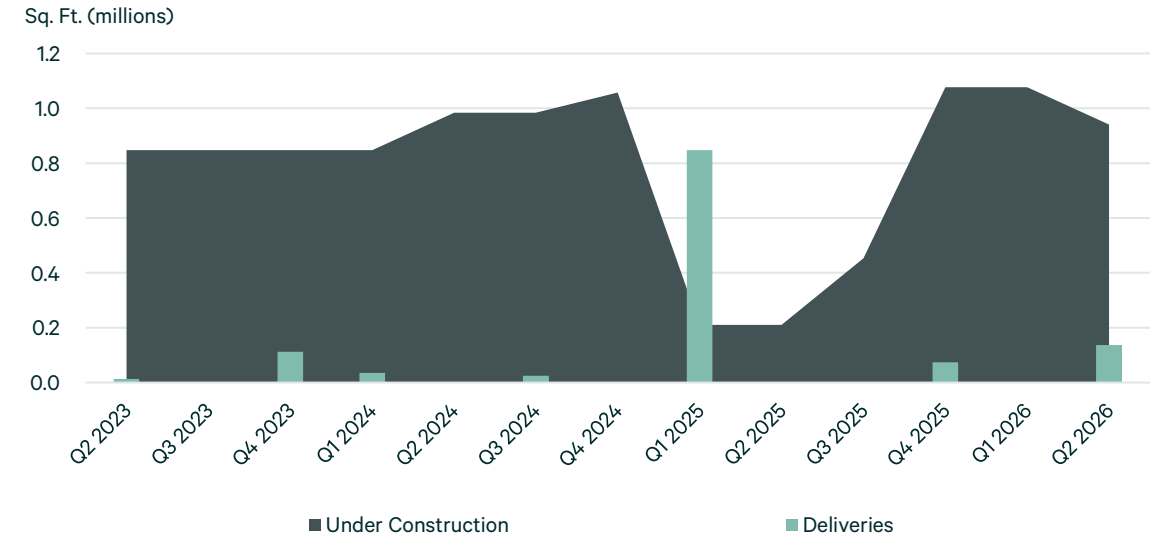
Sunnyvale, San Jose–North, and Santa Clara account for all active construction, led by Intuitive Surgical's 364,000-sq.-ft. Phase III project and Supermicro's 333,000-sq.-ft. facility at 550 E. Brokaw Road. Arista Networks is also constructing a 243,000-sq.-ft. R&D building in Santa Clara. With 100% of the pipeline committed to occupiers, current development activity remains driven by long-term expansion plans from established technology and advanced manufacturing companies rather than speculative development.

Asking Rent

Average asking R&D rents declined to \$2.84 per sq. ft. in Q2 2026, down 0.4% from the prior quarter and 2.4% YoY. Rents have remained relatively stable over the past six quarters, ranging between \$2.84 and \$2.91 per sq. ft., although pricing has gradually softened since mid-2025 as elevated vacancy and tenant-favorable market conditions have persisted.

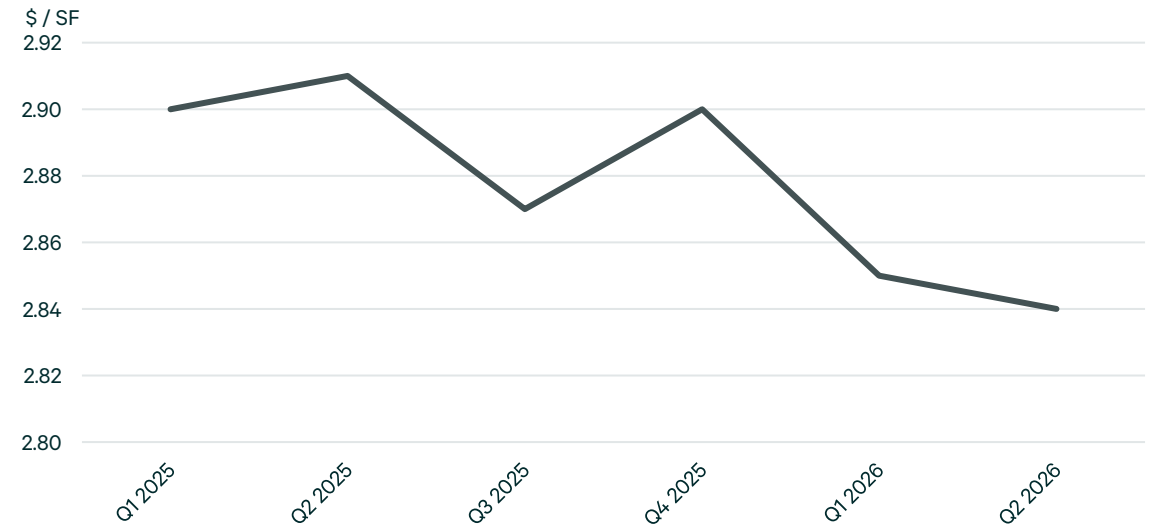
Pricing remains highly segmented across Silicon Valley. Palo Alto (\$4.84/sq. ft.) and Mountain View/Los Altos (\$4.38/sq. ft.) continue to command the region's highest rents, reflecting the concentration of premier R&D assets and proximity to major technology employers. Sunnyvale (\$2.93/sq. ft.) also remains above the market average, while Fremont/Newark, Santa Clara, Milpitas, West Valley, and San Jose–North (\$2.76/sq. ft.), San Jose–IBP/Downtown, and San Jose–South (\$1.61/sq. ft.) offer more cost-competitive alternatives, highlighting the significant pricing variation across the market.

Figure 7: Construction Activity



Source: CBRE Research, Q2 2026

Figure 8: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

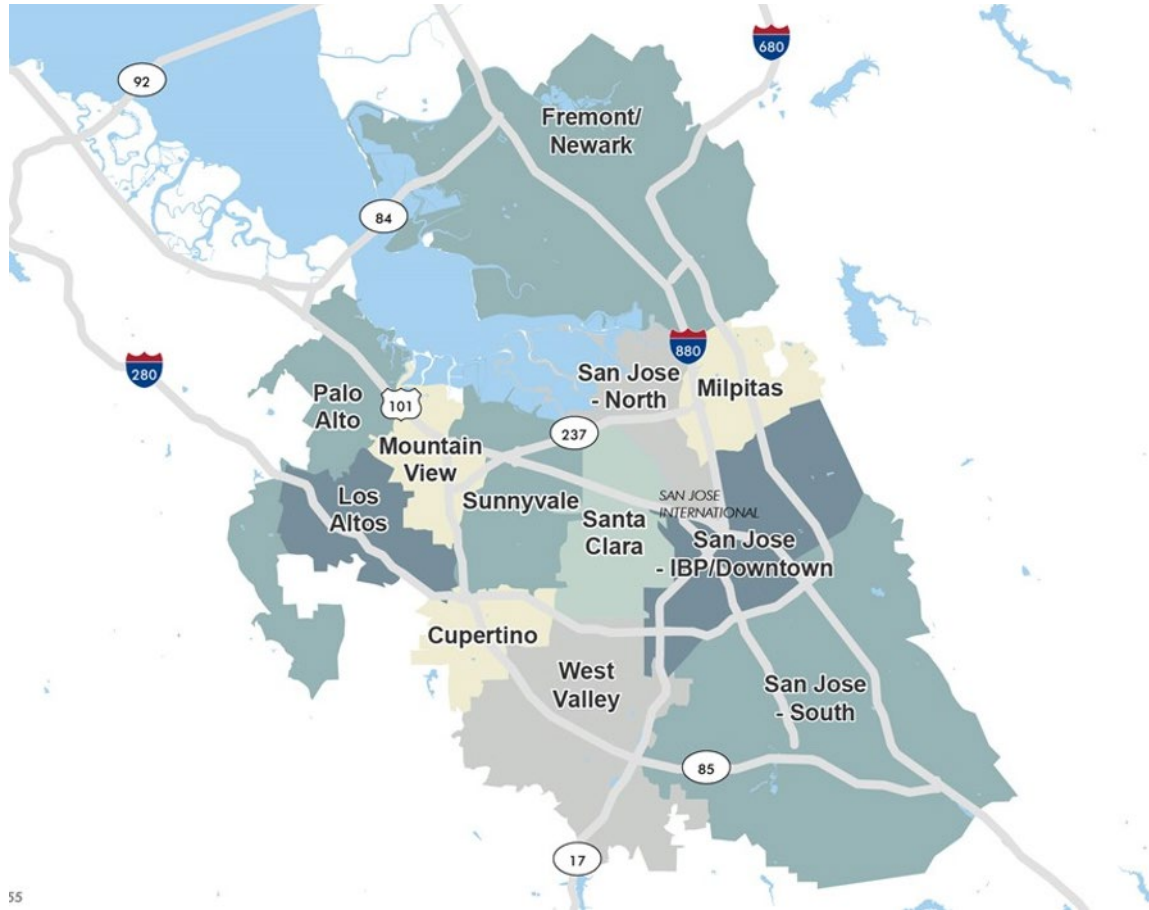
Market Statistics by Submarket

Figure 9

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	22.34M	11.3	13.3	8.6	4.7	1.96	159,000	81,000	-	-
Milpitas	11.09M	16.3	17.7	14.6	3.1	2.42	(127,000)	(197,000)	-	-
Mountain View/Los Altos	10.58M	17.6	20.0	18.5	1.5	4.38	48,000	(49,000)	-	-
Palo Alto	10.92M	18.1	20.4	17.1	3.3	4.84	309,000	(604,000)	-	-
San Jose - IBP/Downtown	8.93M	7.0	7.1	6.2	0.9	1.73	43,000	(127,000)	137,000	-
San Jose - North	22.60M	16.9	21.5	16.3	5.2	2.76	(430,000)	(796,000)	-	333,000
San Jose - South	8.82M	12.9	17.1	11.0	6.1	1.61	169,000	250,000	-	-
Santa Clara	18.35M	12.7	14.4	12.5	1.9	2.39	121,000	78,000	-	243,000
Sunnyvale	17.54M	8.7	10.1	8.7	1.4	2.93	223,000	250,000	-	364,000
West Valley	4.04M	8.3	9.1	6.0	3.2	2.48	3,000	(31,000)	-	-
Total	135.20M	13.3	15.6	12.3	3.3	2.84	519,000	(1.14M)	137,000	940,000

Source: CBRE Research, Q2 2026

Market Area Overview



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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