

FIGURES | SILICON VALLEY R&D | Q4 2025

2025 closes with tech sector driving demand

▲ 12.3%

Vacancy Rate

▼ (342K)

Sq. Ft. Net Absorption

▲ 713K

Sq. Ft. Under Construction

▲ \$2.92

Average Asking Rate
\$/SF (NNN)

▼ 3.9%

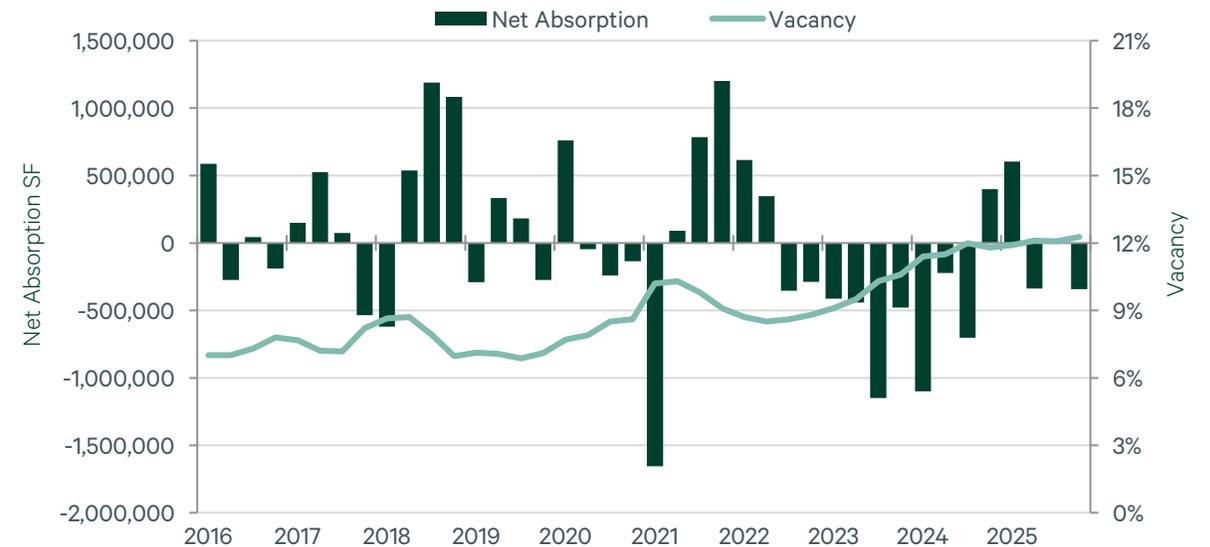
Santa Clara
County Unemployment

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).
- Silicon Valley's R&D market softened in Q4 2025, with vacancy at 12.3% and negative net absorption 342,430 square feet (sq. ft.), primarily due to declines in San Jose - North, contrasting with gains in Fremont/Newark.
- Average asking rents rose slightly to \$2.92 on a monthly, direct, triple-net (NNN) basis, which is an increase from \$2.88 QoQ and YoY.
- Active requirements for office and R&D space increased marginally by 3.0% QoQ to 10.6 million sq. ft. (msf) at the close of Q4 2025.
- Three R&D buildings, totaling 712,814 square feet, are currently under construction in Silicon Valley. Two out of the three are owner-users.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2025

R&D OVERVIEW

In Q4 2025, the Silicon Valley R&D commercial real estate market exhibited varied performance across submarkets. Both vacancy and availability rates increased during the quarter, reaching 12.3% and 14.6%, respectively. Net absorption was negative, registering a loss of 342,430 sq. ft., primarily attributed to reduced occupancy within the San Jose – North submarket. This brought the 2025 total net absorption to negative 47,699 sq. ft.; which was much less than the negative net absorption for 2024 (negative 1.6msf). The Fremont/Newark submarket demonstrated resilience, recording positive occupancy gains driven by seven of the quarter's largest transactions, highlighting distinct submarket dynamics. Annually, Sunnyvale posted the most growth due to a large owner/user delivery.

Total leasing volume for the quarter and year ended 2.5 msf and 8.7 msf, respectively. In Q4 2025, new leases comprised 57.7% of this activity. Transactions under 100,000 square feet dominated, representing 76.4% of all leasing. Technology firms represented 59.0% of the top 25 deals, underscoring their continued market influence.

Active requirements for office and R&D space increased to 10.6 million square feet, up from 10.3 million square feet in Q3 2025. The hardware, software, and AI sectors continued to drive demand, comprising approximately 55.0% of active requirements. Large block demand remains a defining feature, with roughly 41.6% of tenants in the market seeking spaces of at least 100,000 square feet.

The average asking rent for R&D space in Silicon Valley recorded a slight increase of \$0.04 to \$2.92 per square foot on a monthly, direct, NNN basis. Significant submarket disparities persisted, with San Jose – IBP offering the most economical rates at \$1.83 NNN, while Palo Alto maintained the highest asking rate at \$5.79 NNN.

The market was overall static throughout 2025. Despite marginal negative net absorption, leasing activity was robust, which indicates a large number of renewals as tenants opted to stay in their current spaces. Demand is at pre-pandemic levels in terms of sq. ft. and number of requirements, which portends future growth. Further, investment activity accelerated throughout the year. Many R&D projects continue to be looked at for redevelopment, especially multi-family and industrial. Overall, there are headwinds, but sound fundamentals indicate resilience for the market.

FIGURE 2: Submarket Statistics

| Submarket | Net Rentable Area | Total Vacancy (%) | Total Availability (%) | Average Asking Rate (\$) | Current Net Absorption | YTD Net Absorption |
|-------------------------|--------------------|-------------------|------------------------|--------------------------|------------------------|--------------------|
| Palo Alto | 10,958,234 | 12.6% | 15.0% | \$5.79 | 64,513 | (139,544) |
| Mountain View/Los Altos | 11,073,987 | 18.2% | 19.6% | \$4.37 | (231,991) | (480,026) |
| Sunnyvale | 18,609,924 | 9.6% | 10.5% | \$3.22 | (147,623) | 960,983 |
| West Valley | 4,084,387 | 7.5% | 8.3% | \$2.52 | (6,530) | (56,847) |
| Santa Clara | 18,786,668 | 13.1% | 15.8% | \$2.56 | 59,824 | 68,946 |
| San Jose - IBP | 9,176,631 | 4.2% | 4.3% | \$1.83 | 95,005 | 113,580 |
| San Jose - North | 22,841,137 | 13.8% | 18.2% | \$2.70 | (233,962) | (205,918) |
| San Jose - South | 9,256,927 | 15.3% | 19.3% | \$1.86 | (106,462) | (128,504) |
| Milpitas | 11,863,448 | 13.9% | 16.5% | \$2.42 | (139,898) | (181,186) |
| Fremont/Newark | 22,622,531 | 11.3% | 13.1% | \$1.98 | 304,694 | (33,319) |
| Silicon Valley | 139,273,874 | 12.3% | 14.6% | \$2.92 | (342,430) | (81,835) |

Source: CBRE Research, Q4 2025

FIGURE 3: Notable Lease Transactions Q4 2025

| Tenant | Location | Leased Sq. Ft. | Type |
|-----------------------------|-------------------------------------|----------------|-----------|
| Confidential | Stanford Research Park Palo Alto | 362,434 | Renewal |
| Figure AI | 4000 N 1st St San Jose | 115,174 | New Lease |
| Confidential | 45401 Research Ave Fremont | 108,137 | New Lease |
| Lattice Semiconductor Corp. | 2115 Onel Dr San Jose | 98,874 | Renewal |
| Confidential | 3600 Peterson Way Santa Clara | 75,841 | New Lease |

Source: CBRE Research, Q4 2025

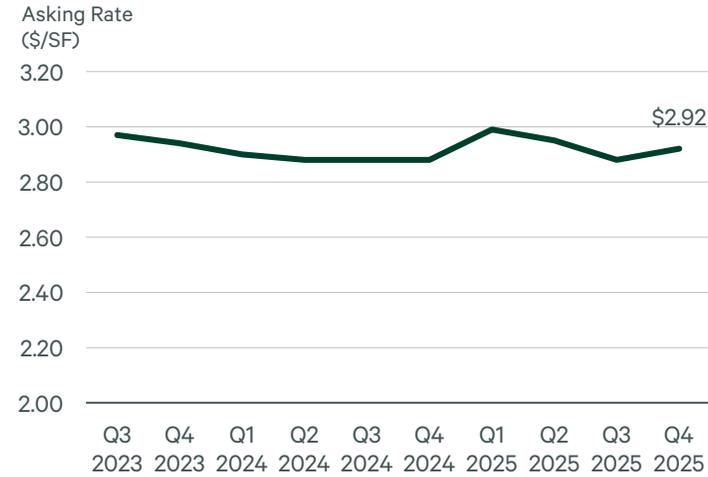
FIGURE 4: Notable Sale Transactions Q4 2025

| Buyer | Location | Sold Sq. Ft. | Sale Price \$/SF |
|---|--|--------------|------------------|
| South Bay Development* | 3750 Zanker Rd San Jose | 361,716 | \$34.4M \$95 |
| Grove/Divco | 399 W Trimble Rd San Jose | 252,523 | \$63.6M \$252 |
| NHNR HOLD Co. 35, LLC NHNR HOLD Co. 36 | 44100 Osgood Rd Fremont | 193,257 | \$73.5M \$380 |
| Deutscher Properties | 46700 - 46848 Lakeview Blvd Fremont | 125,652 | \$48.6M \$386 |
| Greymark | 47180 - 47200 Bayside Pkwy Fremont | 115,824 | \$30.0M \$259 |

*Part of larger portfolio sale

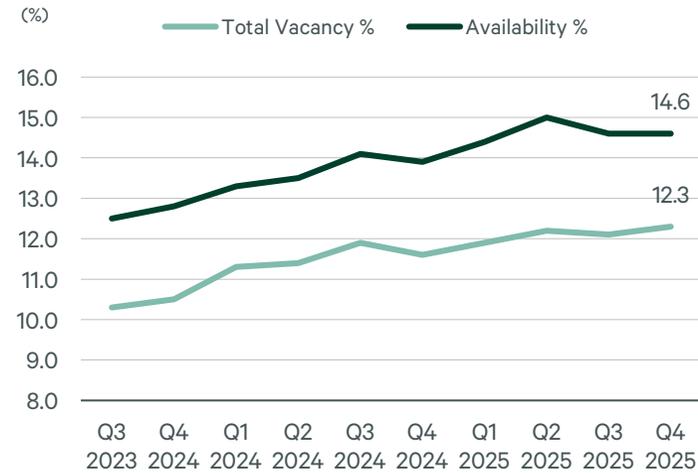
Source: CBRE Research, Q4 2025

FIGURE 5: Lease Rates



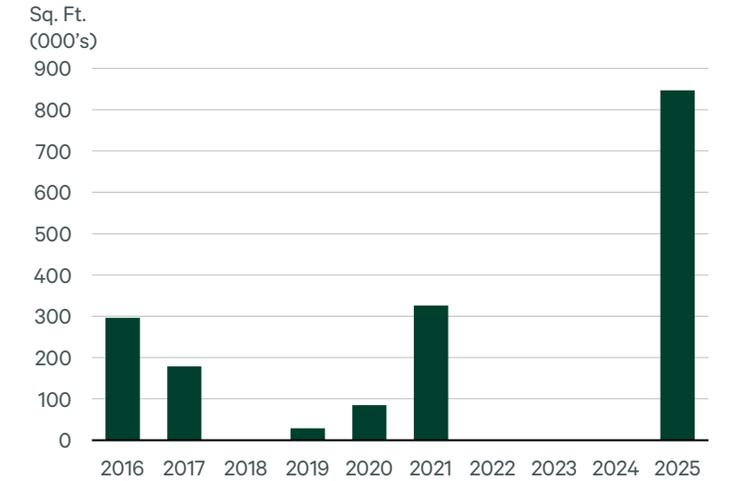
Source: CBRE Research, Q4 2025

FIGURE 6: Vacancy & Availability



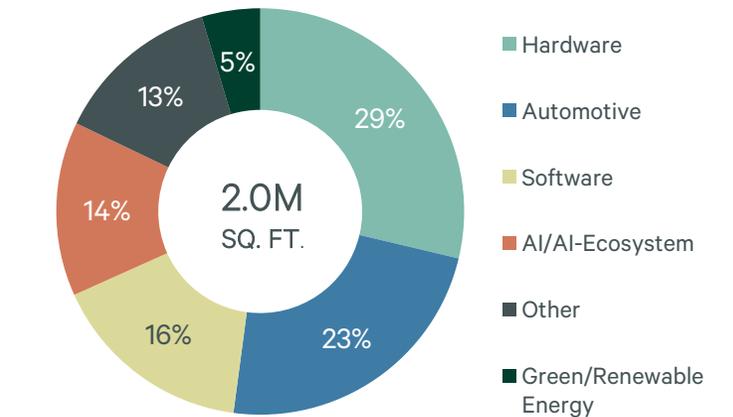
Source: CBRE Research, Q4 2025

FIGURE 7: Construction Completions



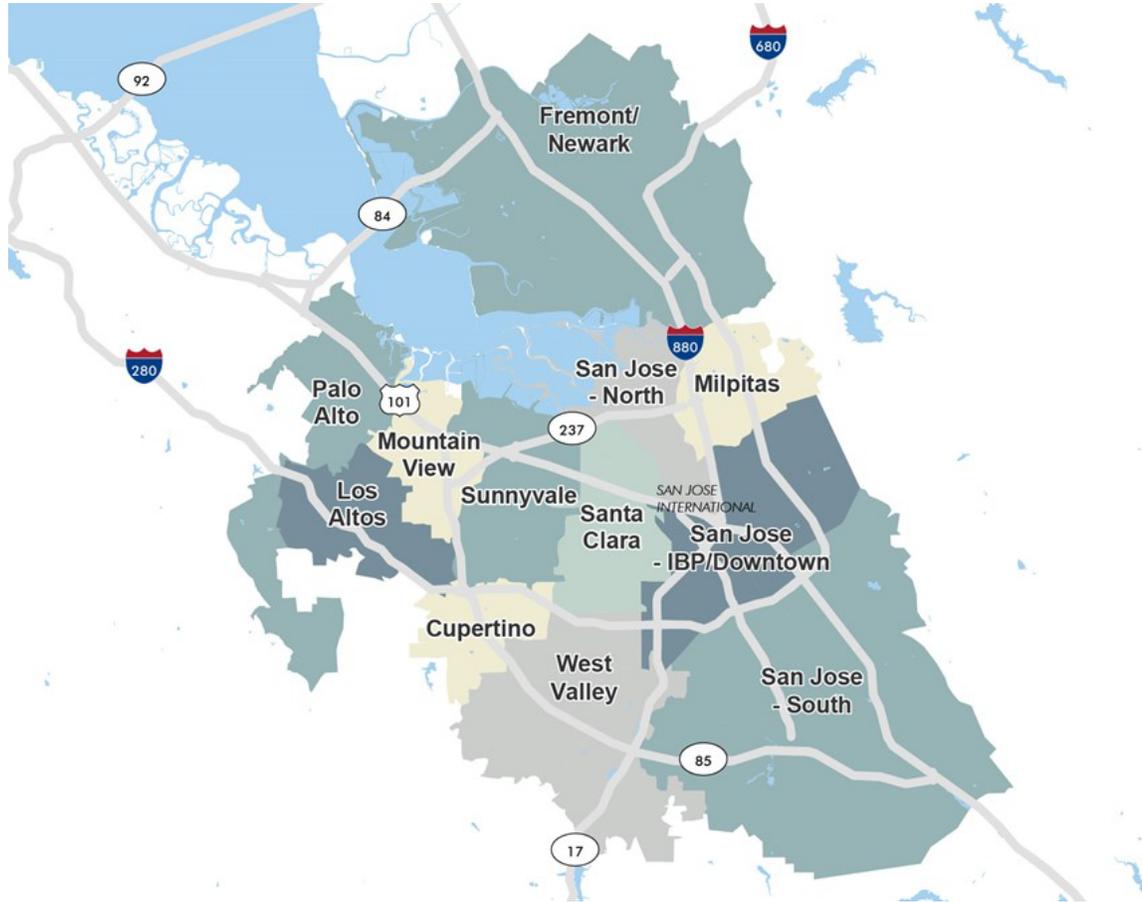
Source: CBRE Research, Q4 2025

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). 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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