

FIGURES | SILICON VALLEY R&D | Q3 2026

Strong leasing and positive absorption support occupancy growth

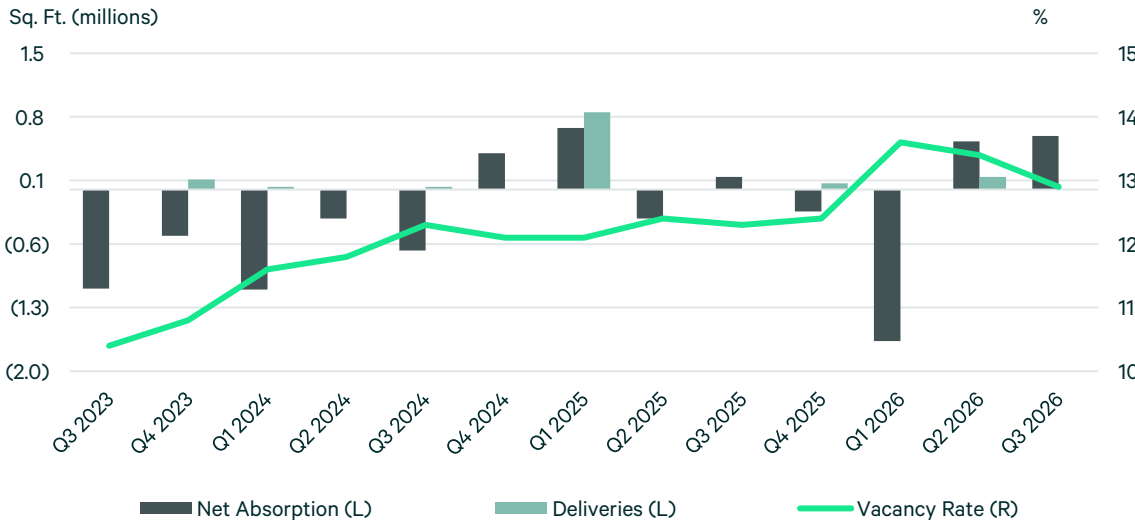


Note: Arrows indicate change from previous quarter.

Market Overview

- Overall vacancy declined 50 basis points (bps) quarter-over-quarter (QoQ) to 12.9%, driven by decreases in both direct and sublease vacancy; however, vacancy remained 60 bps above the year-ago level.
- Net absorption totaled 587,000 sq. ft. in Q3 2026, marking a second consecutive quarter of positive occupancy growth and the strongest quarterly performance since Q1 2025.
- Leasing activity totaled 2.6 msf in Q3 2026, bringing trailing four-quarter volume to 8.3 msf. While activity declined slightly quarter-over-quarter, it increased 54.7% YoY, led by San Jose - North and Fremont/Newark.
- Combined office/R&D tenant demand ended Q3 2026 at 12.4 msf, up 3.1 msf from the 9.3 msf posted at the end of Q2 2026. Tenants in the technology, hardware, software and AI ecosystem accounted for about 52.0% of requirements.
- The construction pipeline totaled 940,000 sq. ft. at quarter-end, with no new deliveries during the quarter. All active projects were fully preleased and concentrated in Sunnyvale, San Jose–North and Santa Clara.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy Rate

Overall vacancy declined 50 bps QoQ to 12.9% in Q3 2026, driven by improving occupancy across the market. Despite the quarterly gain, vacancy remained 60 bps above year-ago levels and well above the 10.4% rate recorded three years ago.

San Jose - IBP/Downtown (5.2%) remained the tightest submarket, followed by Sunnyvale and West Valley (9.0%), while Palo Alto (17.6%), Mountain View/Los Altos (17.0%) and Milpitas (16.8%) recorded the highest vacancy rates.

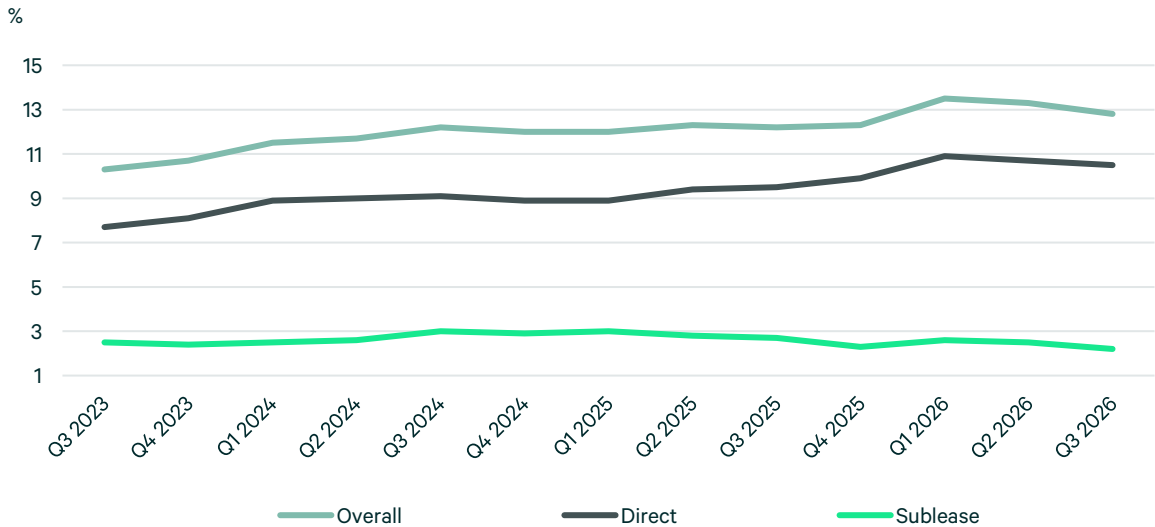
While several large blocks of space were returned to the market during the quarter, occupancy gains in Santa Clara, San Jose - North, San Jose - IBP/Downtown and Fremont/Newark more than offset these additions, contributing to a decline in vacancy across the region.

Net Absorption

Net absorption turned firmly positive in Q3 2026, signaling improved occupancy across the market. The market recorded 587,000 sq. ft. of net absorption during the quarter, surpassing the 527,000 sq. ft. posted in Q2 2026 and increasing 11.4% QoQ. Performance also improved significantly YoY, with net absorption up 328.5% from the 137,000 sq. ft. recorded in Q3 2025. Despite this momentum, the four-quarter rolling average remained negative at 198,500 sq. ft., indicating that recent gains have yet to fully offset weaker demand from prior periods.

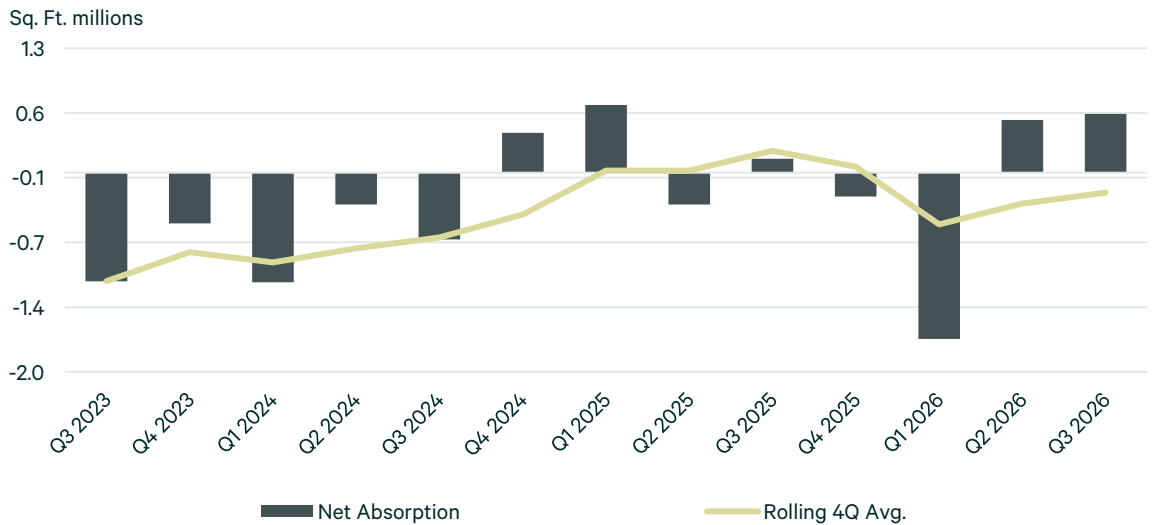
At the submarket level, Santa Clara and San Jose - North led occupancy gains in Q3 2026, posting net absorption of 200,000 sq. ft. and 174,000 sq. ft., respectively. San Jose - IBP/Downtown and Fremont/Newark also contributed to positive market performance, recording 163,000 sq. ft. and 70,000 sq. ft. of net absorption. In contrast, Sunnyvale and West Valley recorded negative net absorption of 48,000 sq. ft. and 37,000 sq. ft., respectively, as portions of the market continued to work through available inventory. Despite these losses, positive absorption was broad enough to support market-wide occupancy growth during the quarter.

Figure 2: Vacancy Rate



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Figure 3: Net Absorption Trend



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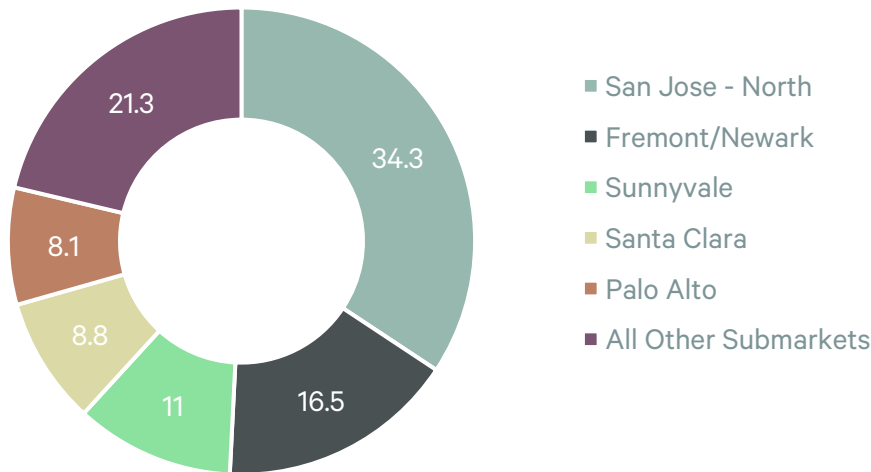
Leasing Activity

Leasing activity remained robust in Q3 2026, totaling 2.6 msf during the quarter and 8.3 msf on a trailing four-quarter basis. Although leasing activity declined marginally from Q2 2026, volume remained significantly above year-ago levels, increasing 54.7% YoY.

San Jose - North and Fremont/Newark led all submarkets with 906,000 sq. ft. and 437,000 sq. ft. of leasing volume, respectively. Additional activity was concentrated in Sunnyvale (289,000 sq. ft.), Santa Clara (232,000 sq. ft.), Palo Alto (213,000 sq. ft.), Mountain View/Los Altos (191,000 sq. ft.), San Jose-IBP/Downtown (143,000 sq. ft.), San Jose-South (141,000 sq. ft.), Milpitas (75,000 sq. ft.) and West Valley (13,000 sq. ft.).

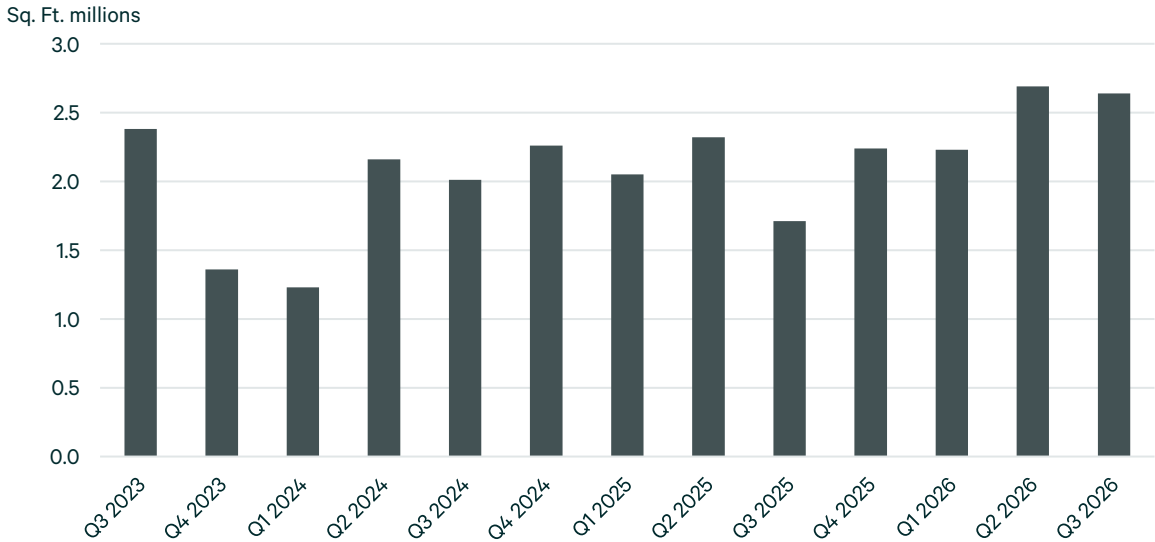
Renewals accounted for 52.1% of total leasing volume, while transactions ranging from 50,000 to 100,000 sq. ft. represented 35.5% of activity.

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



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Figure 4: Leasing Activity Trend



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Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Vantedge Medical	209,000	Renewal	2701 Orchard Pkwy	San Jose - North
Confidential Tenant	109,000	Renewal	3475 Deer Creek Rd	Palo Alto
Sanmina Coporation	103,000	New Lease	2581 Junction Ave	San Jose - North
Confidential Tenant	97,000	Renewal	350 Holger Way	San Jose - North
Figure AI	76,000	New Lease	250 Holger Way	San Jose - North

Source: CBRE Research, Q3 2026

Construction Activity

The construction pipeline totaled 940,000 sq. ft. in Q3 2026, with no new deliveries completed during the quarter. Space under construction was unchanged from Q2 2026 and increased 107.5% year-over-year. Development activity remained concentrated in a small number of projects, with no speculative construction underway.

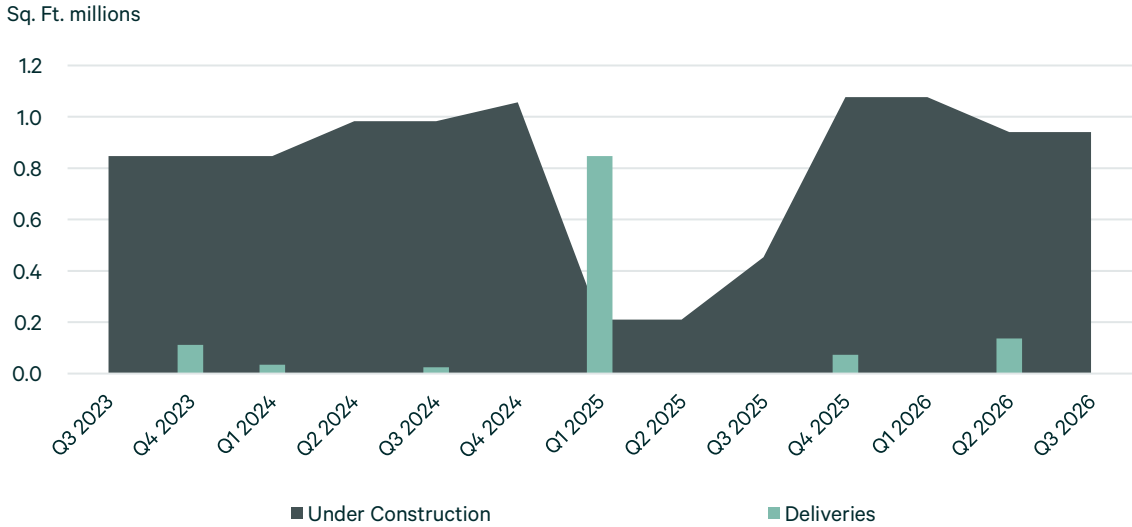
Sunnyvale and San Jose–North accounted for the majority of active construction, with 364,000 sq. ft. and 333,000 sq. ft. of R&D/flex space underway, respectively. Santa Clara was the only other submarket with active development. All projects under construction were build-to-suit developments for owner-user occupancy.

Asking Rent

Average asking rents increased modestly in Q3 2026, with the market-wide average asking rate reaching \$2.90 per sq. ft., up 1.8% quarter-over-quarter and 0.7% YoY. Overall pricing remained relatively stable during the quarter, although notable differences persisted across Silicon Valley's R&D submarkets.

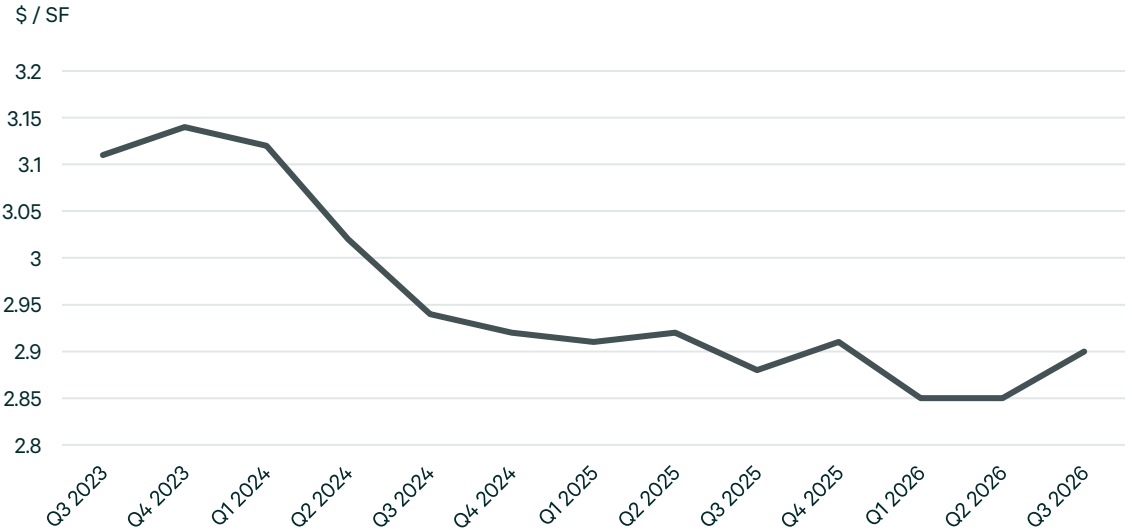
Palo Alto posted the highest average asking rate at \$4.96 per sq. ft., followed by Mountain View/Los Altos at \$4.52 per sq. ft. Sunnyvale and San Jose - North also remained among the higher-priced submarkets at \$2.94 per sq. ft. and \$2.83 per sq. ft., respectively. In contrast, San Jose - South recorded the lowest average asking rate at \$1.61 per sq. ft., followed by San Jose - IBP/Downtown at \$1.85 per sq. ft. and Fremont/Newark at \$1.93 per sq. ft. Milpitas, Santa Clara and West Valley formed a mid-priced tier, with average asking rates of \$2.42 per sq. ft., \$2.49 per sq. ft. and \$2.50 per sq. ft., respectively.

Figure 7: Construction Activity



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Figure 8: Average Direct Asking Rate



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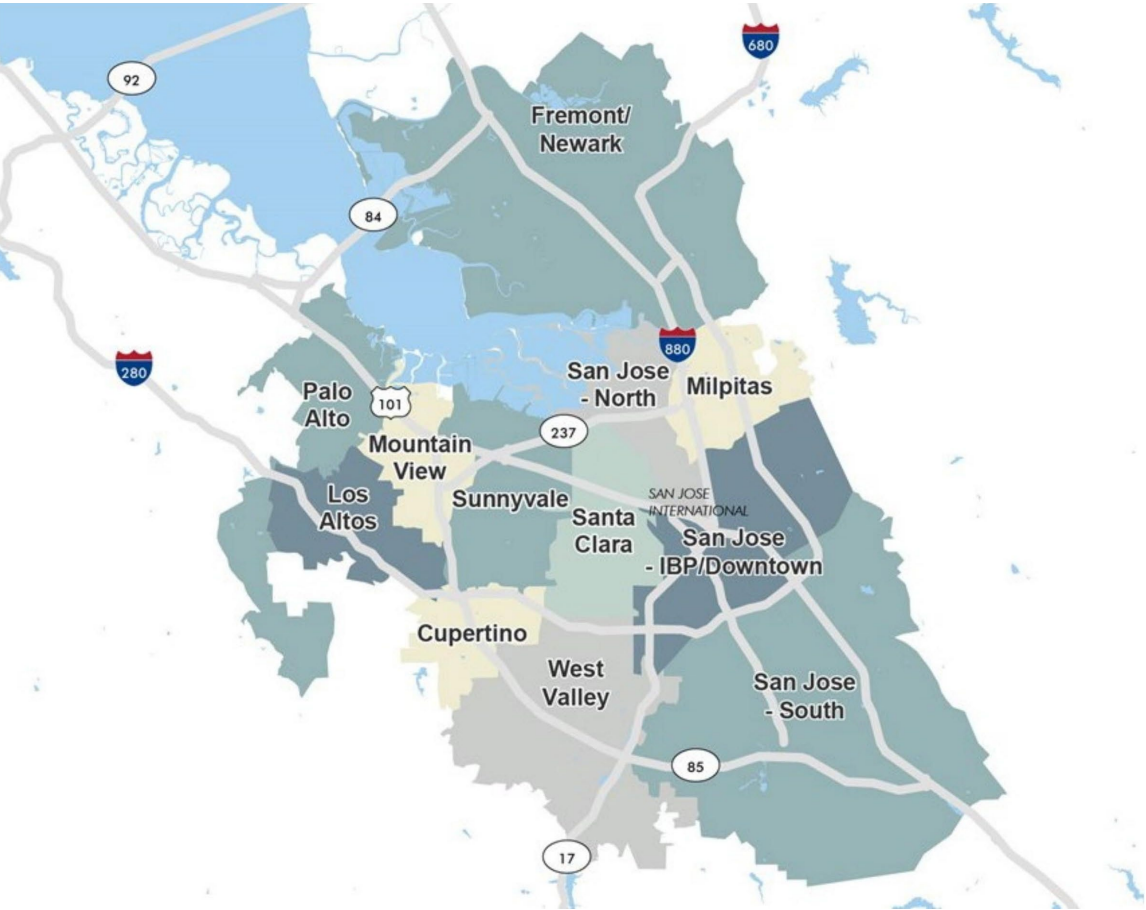
Market Statistics by Submarket

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	22.03M	11.6	13.8	8.8	5.1	1.93	70,000	140,000	-	-
Milpitas	10.76M	16.8	17.9	15.1	2.9	2.42	11,000	(199,000)	-	-
Mountain View/Los Altos	10.55M	17.0	19.9	19.1	0.7	4.52	61,000	23,000	-	-
Palo Alto	10.83M	17.6	20.1	16.6	3.5	4.96	25,000	(570,000)	-	-
San Jose - IBP/Downtown	8.93M	5.2	6.4	5.3	1.1	1.85	163,000	36,000	-	-
San Jose - North	22.60M	16.1	20.4	16.3	4.0	2.83	174,000	(620,000)	-	333,000
San Jose - South	8.73M	13.1	18.1	12.5	5.6	1.61	(33,000)	217,000	-	-
Santa Clara	18.35M	11.6	13.6	11.8	1.8	2.49	200,000	278,000	-	243,000
Sunnyvale	17.54M	9.0	10.1	8.6	1.5	2.94	(48,000)	202,000	-	364,000
West Valley	4.04M	9.0	9.5	6.3	3.2	2.50	(37,000)	(59,000)	-	-
Total	134.35M	12.9	15.4	12.3	3.0	2.90	587,000	(552,000)	-	940,000

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions

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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