

FIGURES | SILICON VALLEY INDUSTRIAL | Q2 2026

San Jose industrial fundamentals strengthen amid robust demand



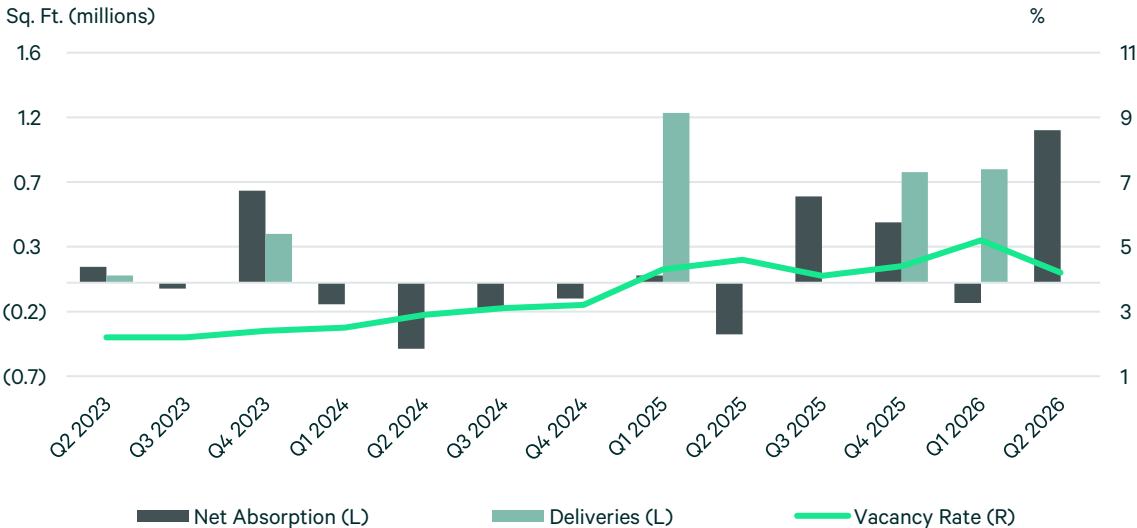
Note: Arrows indicate change from previous quarter.

Market Overview

- Overall net absorption in the Silicon Valley industrial market closed Q2 2026 at positive 1.1 million square feet (msf).
- The vacancy rate decreased from 5.2% to 4.2% quarter-over quarter (QoQ). Similarly, the availability rate went from 7.9% to 6.0%.
- Tenant demand ended Q2 2026 at 13.9 msf which is over 2 msf higher from the 11.2 msf posted at the end of Q1 2026. Tenants in the technology and AI ecosystem accounted for about 39.5% of requirements. In Q2 2026, there were 63 requirements with an average size of approximately 219,921 sq. ft. Most current available space lacks the features needed by today's users.
- The average direct asking rate in Silicon Valley ended Q2 2026 at \$1.74 on a monthly, direct, triple-net (NNN) basis; an increase of \$0.04 QoQ and \$0.01 Year-over-Year (YoY).
- Approximately 69.8% of all leased sq. ft. signed in Silicon Valley during Q2 2026 were new leases with 27.6% being renewals.
- There was 0 square feet (sq. ft.) in construction deliveries during Q2 2026 with 1.7 msf currently under construction.



Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. (millions)



Source: CBRE Research, Q2 2026

Vacancy Rate

Market-wide vacancy closed Q2 2026 at 4.2%, down from 5.2% in Q1 2026, a QoQ decline of 100 basis points (bps). Direct vacancy accounts for most of the empty space at 3.6%, easing by 110 bps from 4.7% the previous quarter, while sublease vacancy held steady at 0.6%. On a YoY basis, overall vacancy is 40 bps lower than the 4.6% recorded in Q2 2025, with direct vacancy down 10 bps and sublease vacancy down 40 bps. Despite this recent improvement, vacancy remains higher than three years ago; overall and direct vacancy have each risen 200 basis points since Q2 2023, when the market stood at 2.2% overall and 1.6% direct. This increase in vacancy is largely due to older product remaining on the market as modern tenants seek newer buildings with more power, higher clear heights, etc.

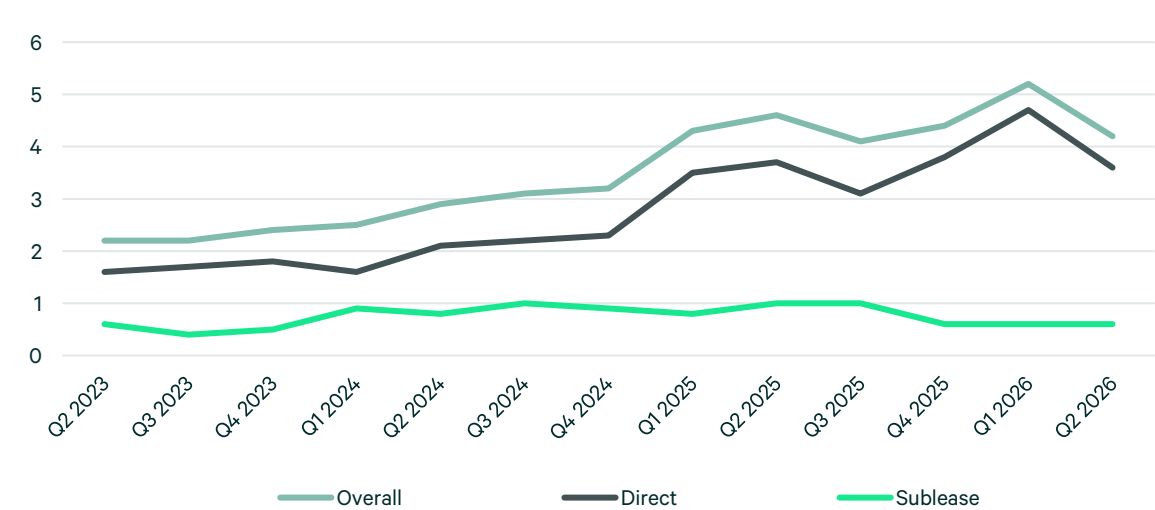
In Q2 2026, Milpitas posted the lowest overall vacancy at 1.6%, offering very limited available space. San Jose - IBP/Downtown holds the second lowest overall vacancy at 2.5%, followed closely by Palo Alto at 2.7%. San Jose - South records the highest overall vacancy at 10.4%, underpinned by approximately 1.3 million sq. ft. of direct space standing empty, highlighting a clear concentration of options in that submarket.

Net Absorption

In Q2 2026, total net absorption reached 1.1 million sq. ft., marking a strong rebound in occupied space. On a QoQ basis, this level exceeded the negative 140,000 sq. ft. recorded in Q1 2026, and YoY it was well above the negative 359,000 sq. ft. in Q2 2025. The rolling four-quarter average also improved, rising to 484,000 sq. ft., exceeding both the 128,500 sq. ft. average in the prior quarter and the negative 152,500 sq. ft. reading a year earlier.

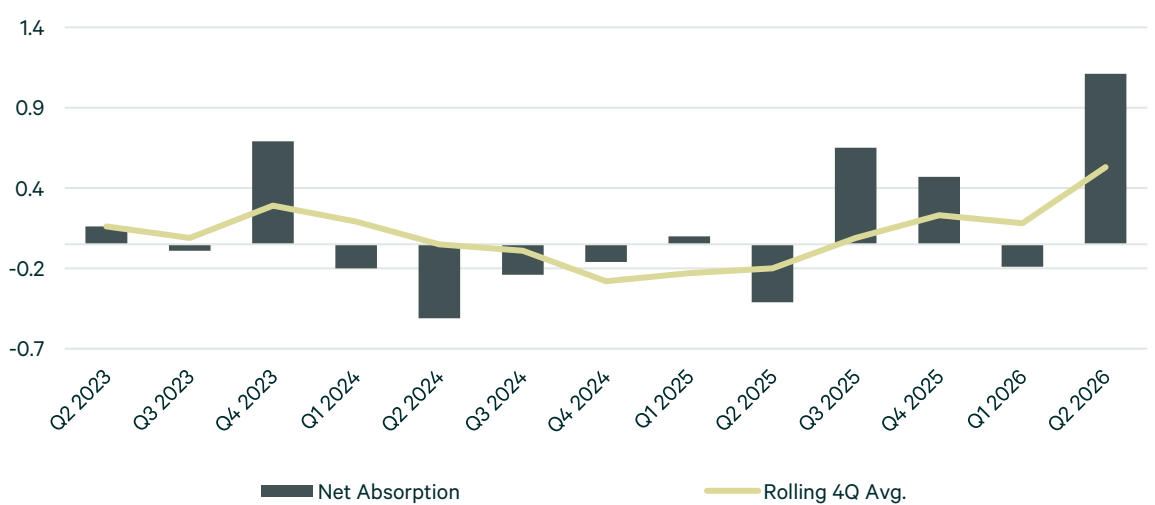
In Q2 2026, San Jose - IBP/Downtown posted the highest net absorption at 741,000 sq. ft. due to SuperMicro taking the Bridge development, followed by San Jose - South at 325,000 sq. ft. Santa Clara and Fremont/Newark each contributed 54,000 sq. ft. of positive net absorption, representing the next highest gains among growing submarkets. San Jose - North recorded the most negative result giving back 112,000 sq. ft. due to multiple vacant spaces being added to the market, while West Valley saw a more modest negative 6,000 sq. ft. Smaller submarkets such as Mountain View/Los Altos and Milpitas registered limited but positive absorption of 4,000 sq. ft. and 2,000 sq. ft., respectively.

Figure 2: Vacancy Rate
%



Source: CBRE Research, Q2 2026

Figure 3: Net Absorption Trend
Sq. Ft. millions



Source: CBRE Research, Q2 2026

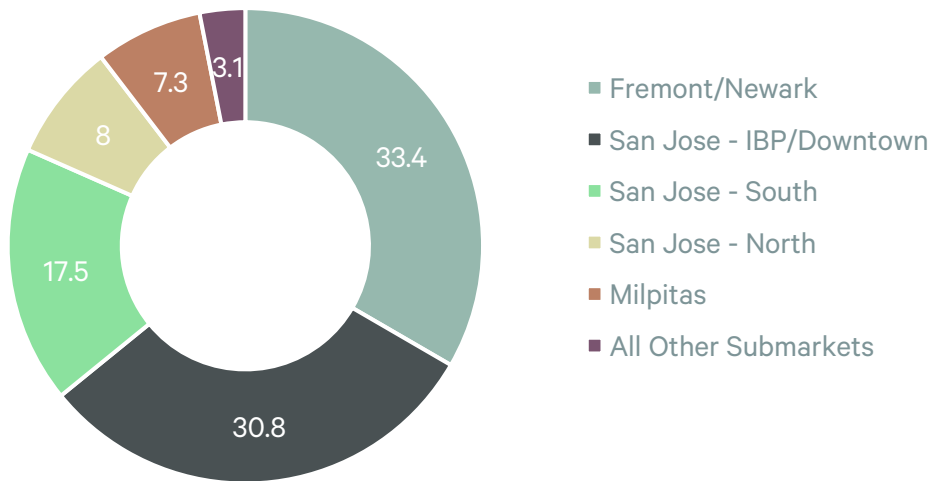
Leasing Activity

Leasing activity reached 3.0 msf in Q2 2026, the highest quarterly volume in the current data set. This represented a 53.2% increase QoQ and 33.2% growth YoY, following 1.9 million sq. ft. in Q1 2026. In 2025, leasing activity totaled 8.1 million sq. ft. across the market.

Fremont/Newark and San Jose - IBP/Downtown were the most active submarkets, with 971,055 sq. ft. and 843,517 sq. ft. leased, respectively. Leasing activity was also recorded in San Jose - South (486,266 sq. ft.), San Jose – North (250,119 sq. ft.), Milpitas (210,795 sq. ft.), Santa Clara (145,139 sq. ft.), and Mountain View/Los Altos (19,957 sq. ft.).

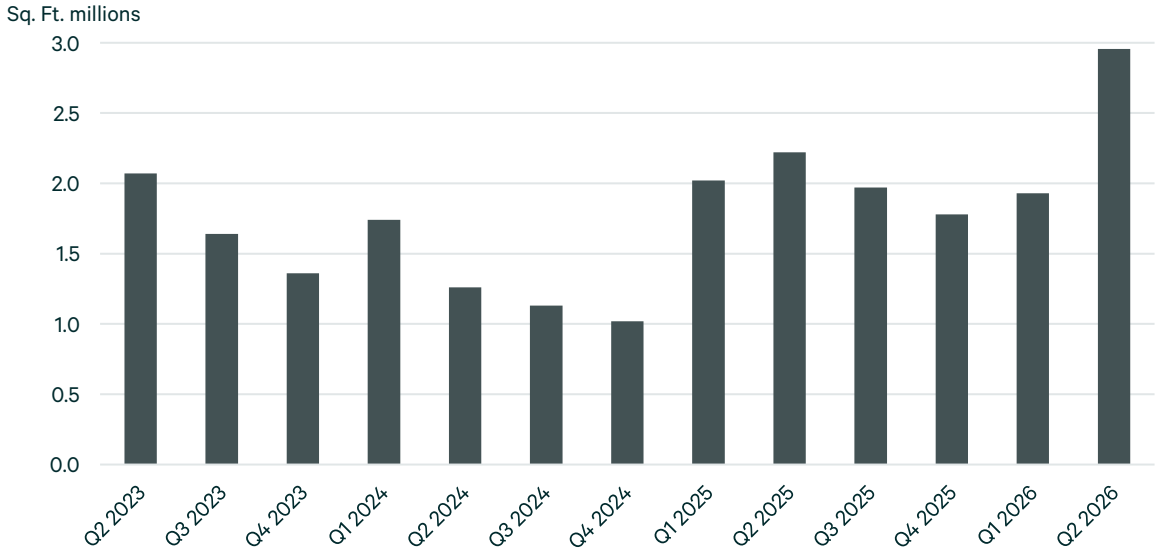
New deals for the quarter comprised 69.8% of all leased activity, up from 49.8% in Q1 2026. Deals 100,000 sq. ft. and greater accounted for 59.2% of leasing sq. ft. The top 25 deals totaled 2.43 msf of leasing activity. Distribution/Logistics properties and Advanced Manufacturing properties accounted for 40.5% and 34.3% of leasing activity this quarter, respectively. Despite its high vacancy rate, San Jose – South had a strong quarter with 486,266 sq. ft. in leasing activity. Hardware technology companies accounted for the high leasing activity in these submarkets.

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



Source: CBRE Research, Q2 2026

Figure 4: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Super Micro	714,488	New Lease	2350 Qume Dr	San Jose - IBP/Downtown
Hyve Solutions	161,280	New Lease	6955 Mowry Ave	Newark
Quanta Manufacturing	143,086	New Lease	7411 Central Ave	Newark
Store Inside	118,014	Renewal	930 Wrigley Way	Milpitas
Quanta Manufacturing	102,755	Renewal	38505 Cherry St	Newark

Source: CBRE Research, Q2 2026

Construction Activity

As of Q2 2026, the market has 1.7 msf under construction and no new space delivered this quarter, with a total of 2.7 msf completed over the last two years. Under construction volume increased 21.8% QoQ and 4.4% YoY, up from 1.4 msf in Q1 2026.

At the submarket level, Milpitas has the highest construction volume with 780,000 sq. ft. across 1001 Gibraltar Dr, an Amazon Last Mile development, and 475 Sycamore Drive, followed by Fremont/Newark, where Campus @ Bayside and 43990 Fremont Blvd total 534,000 sq. ft. Further, San Jose - North has a 216,000-sq. ft. project at 4553 N First Street, Second Harvest’s owner-user warehouse. Additional projects are underway including San Jose - IBP/Downtown, where 2033 Concourse Dr adds 96,000 sq. ft. of distribution/logistics space.

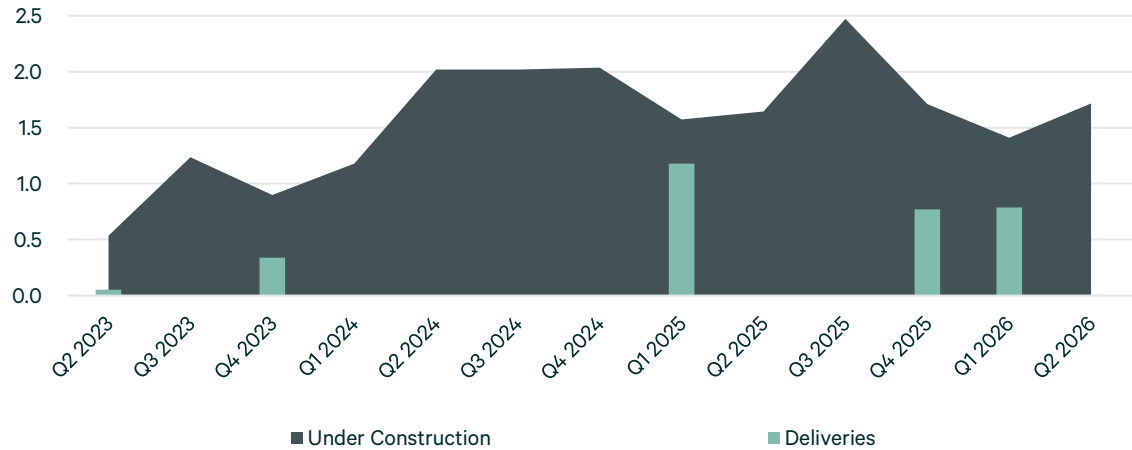
Asking Rent

In Q2 2026, the average asking rate was \$1.74, compared with \$1.70 in Q1 2026 and \$1.73 in Q2 2025. This reflects a 2.4% QoQ increase and a 0.6% YoY gain, following several quarters of modest declines in late 2025 and early 2026. Since Q1 2024, when asking rates averaged \$1.66, rents have moved higher overall, peaking at \$1.75 in Q1 2025 before growth moderated after the strong 2024 run-up.

Approximately 79.0% of existing available sq. ft. are buildings built before the year 2000. These properties lack certain building specifications modern tenants are seeking such as heavy power, clear heights, etc. While overall asking rents have decreased, further growth is constrained by the prevalence of antiquated space. In contrast, many leases for new product closed above \$2.00 NNN.

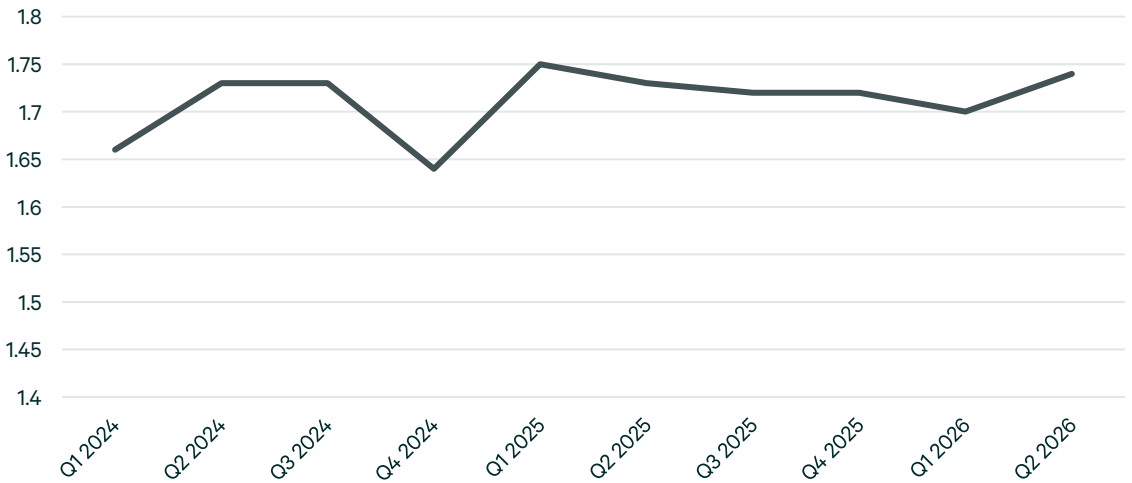
In Q2 2026, Mountain View/Los Altos and Palo Alto posted the highest average asking lease rates at \$2.93 and \$2.43, respectively, well above the market average. West Valley also recorded elevated pricing at \$2.02, while Fremont/Newark (\$1.71), Santa Clara (\$1.67), Milpitas (\$1.63), Sunnyvale (\$1.56), and the San Jose submarkets, ranging from \$1.52 to \$1.78, offered comparatively more moderate rent levels.

Figure 7: Construction Activity
Sq. Ft. millions



Source: CBRE Research, Q2 2026

Figure 8: Average Direct Asking Rate (NNN/MTH)
\$/ SF



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	38.2M	3.4	5.8	4.4	1.4	1.71	54,000	(101,000)	-	534,000
Milpitas	8.9M	1.6	4.3	3.7	0.5	1.63	2,000	7,000	-	780,000
Mountain View/Los Altos	1.5M	6.0	6.0	6.0	-	2.93	4,000	(14,000)	-	-
Palo Alto	1.3M	2.7	4.1	4.1	-	2.43	-	4,000	-	-
San Jose - IBP/Downtown	12.7M	2.5	3.2	3.2	-	1.56	741,000	861,000	-	96,000
San Jose - North	10.2M	4.1	5.0	4.0	1.0	1.52	(112,000)	(64,000)	-	216,000
San Jose - South	13.7M	10.4	12.4	11.9	0.6	1.78	325,000	337,000	-	90,000
Santa Clara	14.3M	3.3	4.4	4.0	0.4	1.67	54,000	77,000	-	-
Sunnyvale	4.7M	4.7	7.4	4.7	2.7	1.56	-	(171,000)	-	-
West Valley	1.5M	7.0	7.9	7.0	0.9	2.02	(6,000)	(14,000)	-	-
Total	106.9M	4.2	6.0	5.1	0.9	1.74	1.06M	923,000	-	1.72M

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 10

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	40.4M	3.6	7.4	6.0	1.4	1.53	1,000	157,000	-	797,000
Manufacturing - Light	52.0M	3.8	4.2	3.8	0.4	1.77	134,000	(335,000)	-	39,000
Manufacturing - Advanced	14.5M	7.8	8.7	7.7	1.1	2.02	927,000	1.10M	-	880,000
Total	106.9M	4.2	6.0	5.1	0.9	1.74	1.06M	923,000	-	1.72M

Source: CBRE Research, Q2 2026

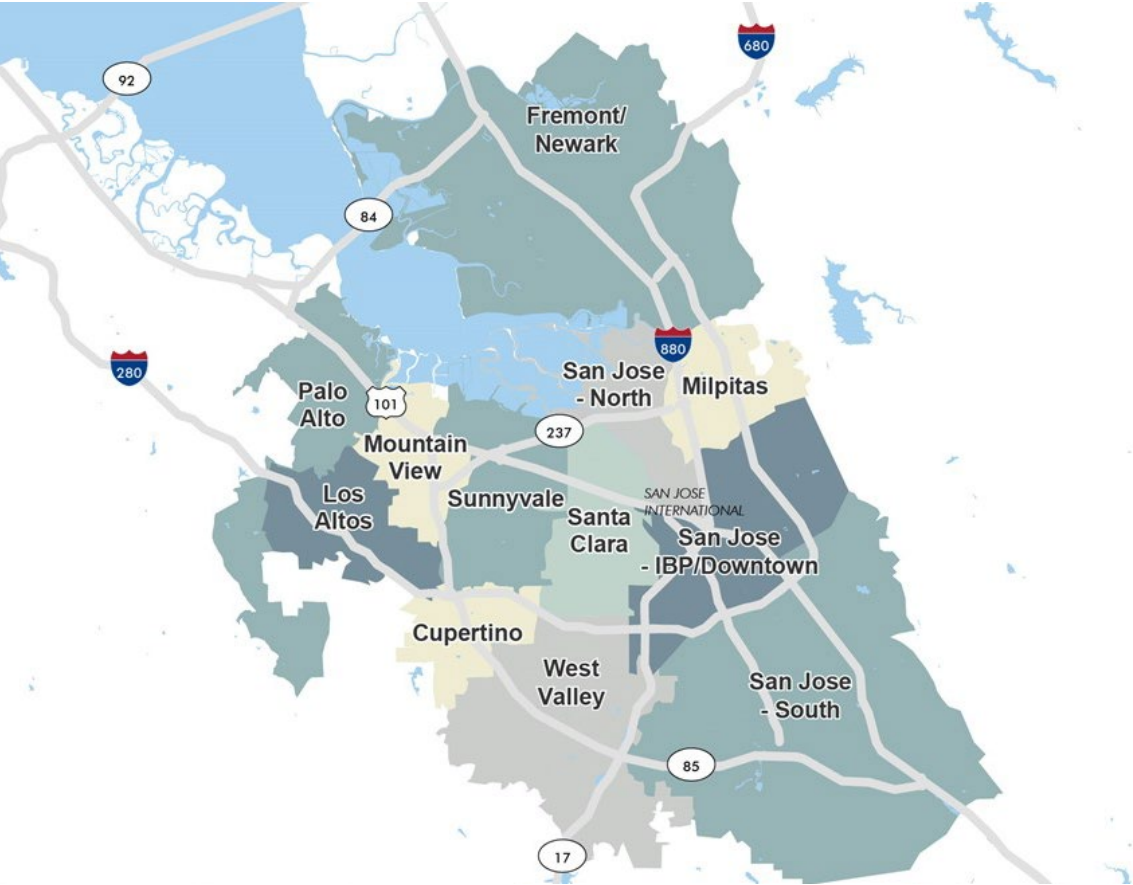
Market Statistics by Size

Figure 11

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	36.4M	4.1	4.9	4.4	0.5	1.78	87,000	72,000	-	39,000
50K-99,999 SF	17.3M	5.7	7.5	6.0	1.5	1.66	91,000	(14,000)	-	580,000
100K-249,999 SF	33.3M	5.1	8.7	7.4	1.3	1.71	170,000	(63,000)	-	317,000
250K-499,999 SF	10.1M	2.5	2.5	2.5	-	2.15	715,000	928,000	-	780,000
500K-749,999 SF	9.9M	1.0	2.3	1.3	1.0	1.17	-	-	-	-
Total	106.9M	4.2	6.0	5.1	0.9	1.74	1.06M	923,000	-	1.72M

Source: CBRE Research, Q2 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.

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