

# Occupancy losses among robust fundamentals

▲ 4.6%

Vacancy Rate

▼ (278K)

Sq. Ft. Net Absorption

▲ 1.7M

SF Under Construction

▼ \$1.73

Average Asking Rate  
\$/SF (NNN)

▼ 4.1%

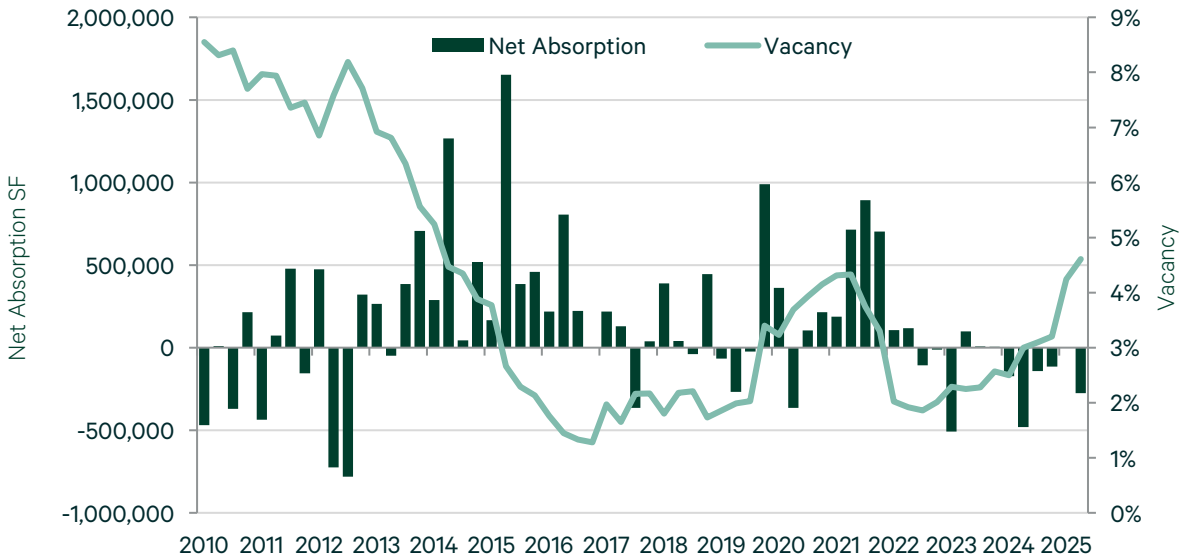
Santa Clara  
County Unemployment

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- Santa Clara County’s labor force stood at roughly 1.05 million with 1.0 million employed residents at the close of Q2 2025. The unemployment rate closed the quarter at 4.10%, a 1-basis-point (bps) increase year-over-year (YoY), and 5 bps lower quarter-over-quarter (QoQ).
- There were no construction deliveries during Q2 2025.
- Tenant demand ended Q2 2025 at 7.3 million square feet (msf) which is an increase from the 4.4 msf posted at the end of Q1 2025.
- Overall net absorption in the Silicon Valley industrial market closed Q2 2025 at negative 278,360 square feet (sq. ft.), which is a QoQ decrease from 636 sq. ft.
- The average direct asking rate in Silicon Valley decreased by \$0.09 quarter-over-quarter (QoQ) and increased by \$0.03 YoY on a monthly, direct, triple-net (NNN) basis.
- Approximately 70.3% of all leased sq. ft. signed in Silicon Valley during Q2 2025 were renewals.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q2 2025

INDUSTRIAL OVERVIEW

The Silicon Valley industrial market is approximately 110.7 msf. In Q2 2025 there were no construction completions; however, one project started that brought the total under construction to nearly 1.7 msf. These projects are expected to be delivered within the next twelve months, with one project currently pre-leased.

Overall vacancy and availability rates increased QoQ, to 4.6% and 5.9%, respectively. Net absorption totaled negative 278,360 sq. ft. The increase in vacancy and occupancy losses were mainly attributable to large move-outs in San Jose – South; which posted negative 320,892 sq. ft. of net absorption. Notably, 82.4% of net losses were distributed amongst four locations. Conversely, Fremont/Newark posted the largest occupancy gains of the quarter with 155,016 sq. ft. of net absorption, which was largely bolstered by leases at Fremont Technology Center.

Leasing activity ended the quarter at nearly 2.23 msf, which is up from 2.17 msf in Q1 2025, and is the highest since 2.67 msf in Q3 2021. Renewal activity represented 70.3% of the deals in Q2 2025, which is nearly double from 37.0% in Q1 2025. Deals 100,000 sq. ft. and greater accounted for 52.9% of leasing sq. ft., and those deals occurred in Fremont/Newark and Milpitas. The technology manufacturing sector accounted for 36.0% of the leased square footage among the top 25 leases of the quarter.

The overall average asking rate for industrial space decreased by \$0.09 from \$1.82 in Q1 2025 to \$1.73 in Q2 2025 on a monthly, direct, NNN basis. The newly delivered product, now leased, resulted in a redistribution of weight towards older spaces with lower price points.

Active tenant requirements totaled 7.3 msf in Q2 2025, up QoQ from 4.4 msf and YoY from 4.9 msf. This increase was primarily driven by AI-related companies seeking to expand their footprints. Q2 2025 concluded with 49 active industrial space requirements at an average size of approximately 149,000 sq. ft., an increase of roughly 8,000 sq. ft. QoQ. There were 31 requirements looking for at least 100,000 sq. ft.

Despite occupancy losses and a majority of availabilities in buildings built prior to 2000, Silicon Valley's industrial sector benefits from strong tailwinds. Increased leasing volume, new construction, robust tenant demand, and rising investment activity indicate potential growth.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average NNN Direct Asking Rate Monthly (\$)			Current Net Absorption	YTD Net Absorption
				Mfg.	Whs.	Adv Mfg.		
Palo Alto	1,323,265	3.3	3.8	\$1.54	\$2.20	\$0.00	(5,000)	3,580
Mountain View/Los Altos	1,813,591	5.6	8.0	\$2.86	\$2.40	\$0.00	(12,184)	(4,426)
Sunnyvale	5,701,124	0.8	1.2	\$1.88	\$2.05	\$0.00	(12,370)	1,700
Santa Clara	15,932,557	2.8	3.9	\$1.73	\$1.80	\$0.00	10,249	(69,613)
West Valley	1,578,873	1.7	2.4	\$2.30	\$2.15	\$0.00	12,190	10,540
San Jose – IBP/Downtown	12,790,754	5.9	6.0	\$1.49	\$1.53	\$1.95	(87,016)	18,823
San Jose - North	10,520,121	3.5	5.3	\$1.76	\$1.64	\$0.00	(149,557)	(151,684)
San Jose - South	13,064,479	7.7	8.3	\$1.65	\$1.45	\$1.75	(320,892)	(405,502)
Milpitas	9,735,520	2.7	4.4	\$2.11	\$1.45	\$0.00	131,204	102,088
Fremont/Newark	38,273,205	5.3	7.1	\$1.69	\$1.62	\$2.09	155,016	216,770
<b>Silicon Valley</b>	<b>110,733,489</b>	<b>4.6</b>	<b>5.9</b>	<b>\$1.73</b>			<b>(278,360)</b>	<b>(277,724)</b>
<b>Manufacturing</b>	<b>55,893,756</b>	<b>3.0</b>	<b>3.4</b>	<b>\$1.85</b>			<b>(221,437)</b>	<b>(439,983)</b>
<b>Warehouse</b>	<b>42,242,409</b>	<b>4.2</b>	<b>6.6</b>	<b>\$1.55</b>			<b>(171,316)</b>	<b>(142,637)</b>
<b>Advanced Manufacturing</b>	<b>12,597,324</b>	<b>12.9</b>	<b>14.3</b>	<b>\$1.93</b>			<b>114,393</b>	<b>304,896</b>

Source: CBRE Research, Q2 2025

FIGURE 3: Notable Lease Transactions Q2 2025

Tenant	Location	Leased Sq. Ft.	Type
Flextronics	777 – 1177 Gibraltar Dr, Milpitas	344,512	Renewal
Sanmina	42701 – 42735 Christy St, Fremont	253,440	Renewal
Javelin Logistics	7025 – 7095 Central Ave, Newark	231,118	Renewal
Quanta Manufacturing	45101 – 45169 Industrial Dr, Fremont	178,911	Renewal
MiTac	40901 Encyclopedia Cir, Fremont	157,783	New Lease

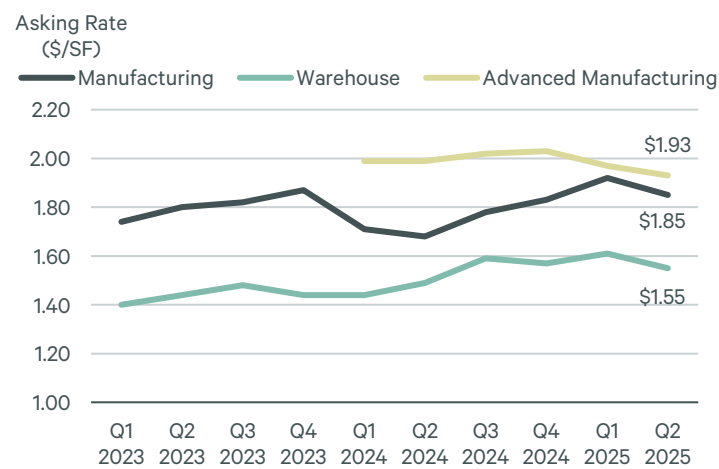
Source: CBRE Research, Q2 2025

FIGURE 4: Notable Sale Transactions Q2 2025

Buyer	Location	Sold Sq. Ft.	Sale Price/\$/Sq. Ft.
Prologis	5555 Auto Mall Pkwy, Fremont	177,041	\$59.0M \$333
BKM Capital Partners	Hannover Industrial Park, Fremont	165,243	\$43.0M \$260
Hines	401 Whitney Pl, Fremont	72,776	\$27.1M \$372
Greenwich Street Capital	1845 – 1875 Walsh Ave, Santa Clara	51,900	\$11.0M \$212

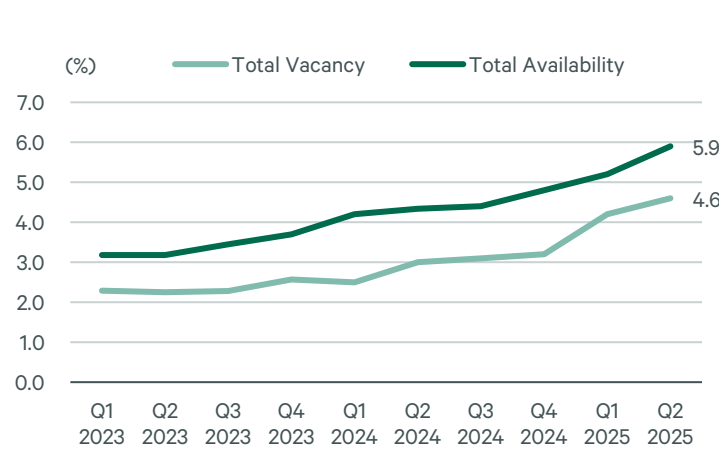
Source: CBRE Research, Q2 2025

FIGURE 5: Lease Rates



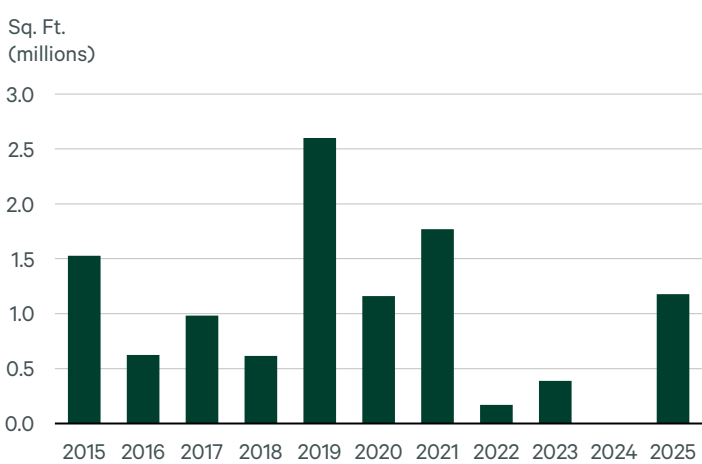
Source: CBRE Research, Q2 2025

FIGURE 6: Vacancy & Availability



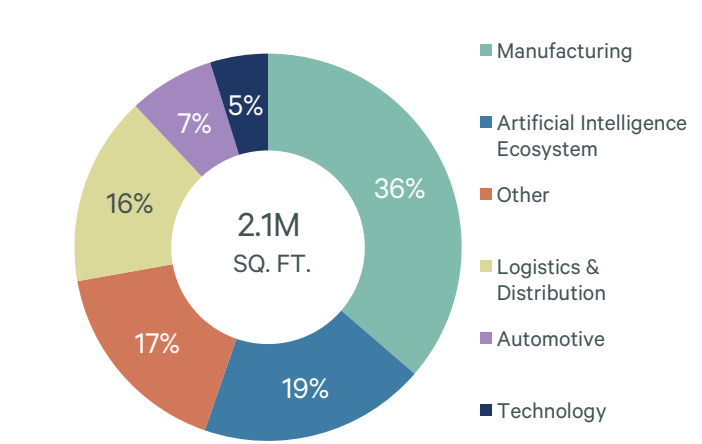
Source: CBRE Research, Q2 2025

FIGURE 7: Construction Completions



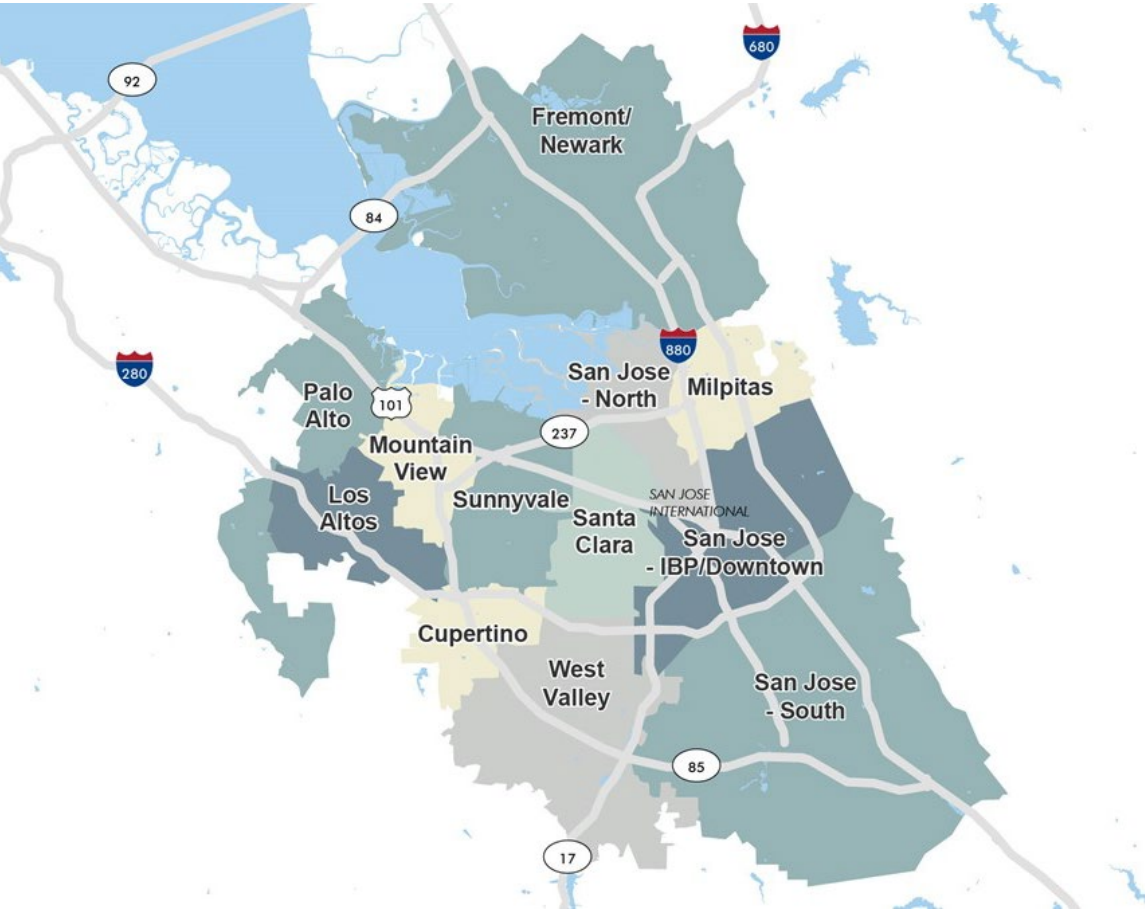
Source: CBRE Research, Q2 2025

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q2 2025

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions and 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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