

Occupancy losses despite robust activity

▲ 11.9%

Vacancy Rate

▼ (315K)

Sq. Ft. Net Absorption

▲ 380K

Sq. Ft. Under Construction

▼ \$2.95

Average Asking Rate
\$/SF (NNN)

▼ 4.1%

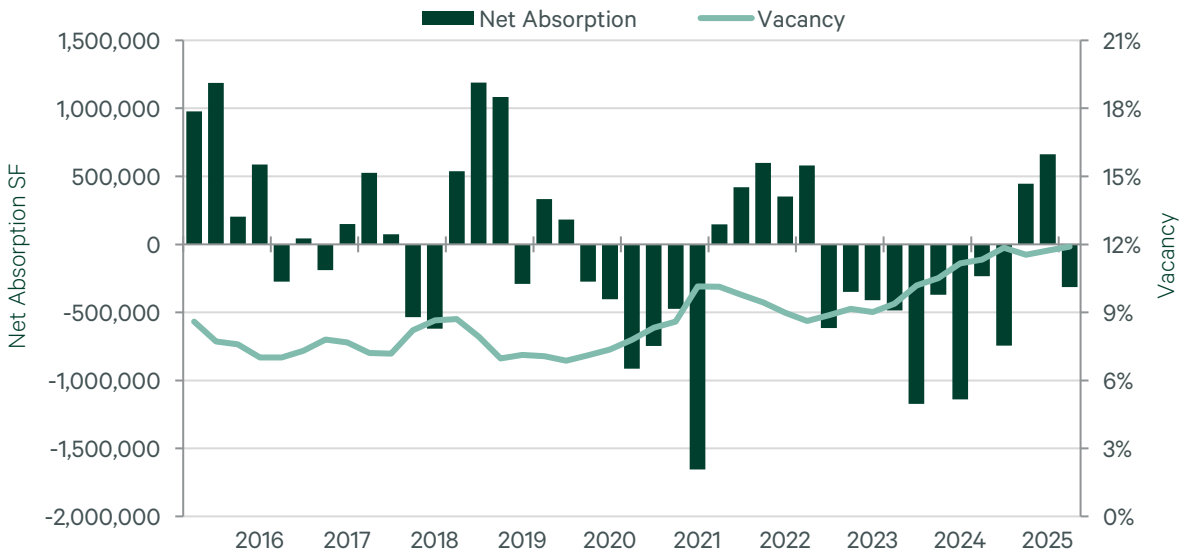
Santa Clara
County Unemployment

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 4.1%, a 1-basis-point (bps) increase year-over-year (YoY), and 5 bps lower quarter-over-quarter (QoQ).
- Net absorption for the Silicon Valley R&D market closed Q2 2025 at negative 314,786 square feet (sq. ft.) with lease terminations and subleases being the largest contributors.
- The average direct asking rate in Silicon Valley decreased QoQ, to \$2.95 per sq. ft. on a monthly, direct, triple-net (NNN) basis.
- Active requirements for office and R&D space increased 47.1% QoQ to 10.0 million sq. ft. (msf) at the close of Q2 2025.
- Two R&D buildings are currently under construction in Silicon Valley totaling 379,454 sq. ft. One is scheduled for delivery in Q4 2025, totaling 136,000 sq. ft. and offering 4,000 amps of power. The other is an owner-user, totaling 242,854 sq. ft.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q2 2025

R&D OVERVIEW

The Silicon Valley R&D market encompasses approximately 143.8 msf. Vacancy rose 20 basis points to 11.9%, while availability increased 50 basis points to 14.5% QoQ. Net absorption for Q2 2025 was negative 314,786 sq. ft., driven by lease expirations in Fremont/Newark and Mountain View/Los Altos. Milpitas. San Jose – North, and Sunnyvale were the only markets with positive net absorption, primarily due to smaller scale new leases. Fremont/Newark experienced large occupancy losses, with negative 122,508 sq. ft. of net absorption. However, this market still captured nearly 46% of the total sq. ft. leased this quarter in Silicon Valley.

Leasing activity ended Q2 2025 with roughly 2.3 msf. New deals and renewals respectively accounted for 33.5% and 66.5% of leasing activity for the quarter. Deals below 100,000 sq. ft. accounted for 71.9% of transactions. Life Science and A.I. related companies accounted for 44.0% of the top 25 deals of the quarter. Automotive companies were close behind, contributing 19.0% to the top 25.

Active requirements for office and R&D space ended the quarter at 10.0msf, an increase from 6.8 msf in Q1 2025. A.I. and A.I.-related companies bolstered tenant demand during Q2 2025. The last time tenant demand registered this high was Q4 2019. Approximately 33.0% of tenants in the market are looking for spaces at least 100,000 sq. ft.

The average asking rent for R&D space in Silicon Valley slightly decreased by \$0.04 to \$2.95 per sq. ft. on a monthly, direct NNN basis. Palo Alto maintained the highest average asking rent at \$5.80 NNN, while the IBP submarket in San Jose recorded most economical average asking rate at \$1.74 NNN.

The Silicon Valley R&D market experienced tailwinds and headwinds during Q2 2025. Despite occupancy losses, there were signs of potential growth. Robust leasing activity coupled with a substantial increase in demand, signals many companies are deciding to stay or even expand. Functionally obsolete product remains on the market, but a good portion of those buildings are slated for redevelopment. One of the largest headwinds is power supply. Demand, especially from A.I. related companies, continued to outpace supply.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate (\$)	Current Net Absorption	YTD Net Absorption
Palo Alto	10,936,169	11.9%	13.8%	5.80	(45,726)	(53,332)
Mountain View/Los Altos	11,240,173	14.6%	16.6%	4.21	(116,024)	(81,329)
Sunnyvale	19,486,806	9.8%	11.1%	3.62	16,860	908,059
West Valley	4,315,063	6.3%	7.4%	2.52	(21,589)	(21,589)
Santa Clara	19,860,184	13.9%	16.3%	2.70	(44,825)	(89,814)
San Jose - IBP	9,543,899	5.8%	6.1%	1.74	(57,143)	(60,375)
San Jose - North	23,554,549	13.6%	18.7%	2.74	74,684	(21,578)
San Jose - South	9,380,584	12.7%	18.3%	1.85	(12,960)	101,017
Milpitas	12,460,152	12.3%	14.4%	2.46	14,445	(50,572)
Fremont/Newark	22,975,446	12.1%	14.1%	2.09	(122,508)	(284,264)
Silicon Valley	143,753,025	11.9%	14.5%	2.95	(314,786)	346,223

Source: CBRE Research, Q2 2025

FIGURE 3: Notable Lease Transactions Q2 2025

Tenant	Location	Leased Sq. Ft.	Type
Quanta Computer	45500 W Northport Loop, 45225 - 45275 Northport CT Fremont	237,312	Renewal
Fujifilm Dimatix	2220 - 2250 Martin Ave Santa Clara	94,101	Renewal
Revance Therapeutics	7999 Gateway Blvd Newark	90,378	Renewal
Collaborative Robotics	4750 Patrick Henry Dr Santa Clara	65,360	New Lease
Confluent Medical Technologies	47513 - 47533 Westinghouse Dr Fremont	65,136	Renewal

Source: CBRE Research, Q2 2025

FIGURE 4: Notable Sale Transactions Q2 2025

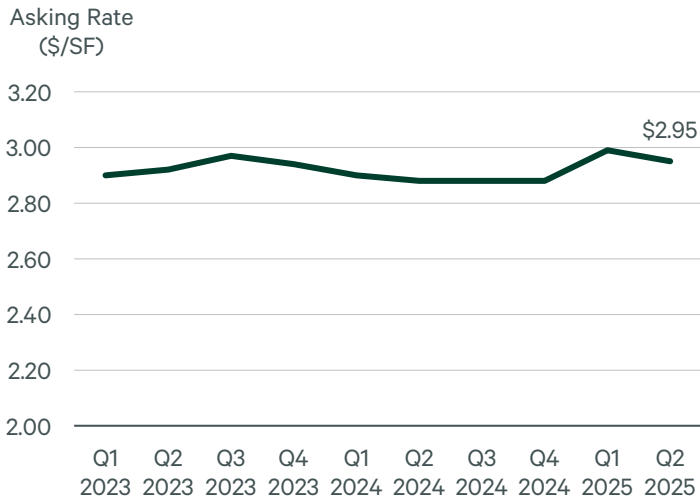
Buyer	Location	Sold Sq. Ft.	Sale Price \$/SF
Goodman*	720 and 790 Sycamore, 1610 and 1630 McCarthy, 1511 Buckeye Milpitas	319,835	\$40.0M \$125
BH Properties, LLC	2125 O'Nel Dr San Jose	110,669	\$15M \$136
Costco Companies**	1704 Automation Pkwy San Jose	84,208	\$14.0M \$166
Summerhill Homes	208 212 Baypointe Pkwy San Jose	67,968	\$13.5M \$199
DR Stephens & Co	4750 Patrick Henry Dr Santa Clara	65,360	\$19.9M \$304

*Sold for land value

**Redevelopment

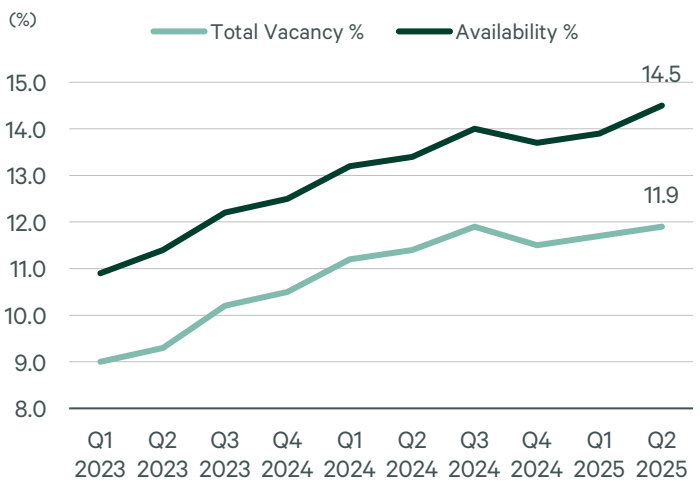
Source: CBRE Research, Q2 2025

FIGURE 5: Lease Rates



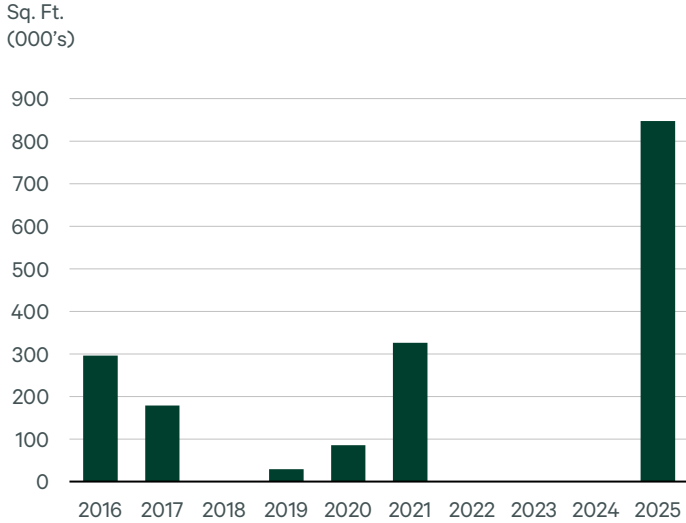
Source: CBRE Research, Q2 2025

FIGURE 6: Vacancy & Availability



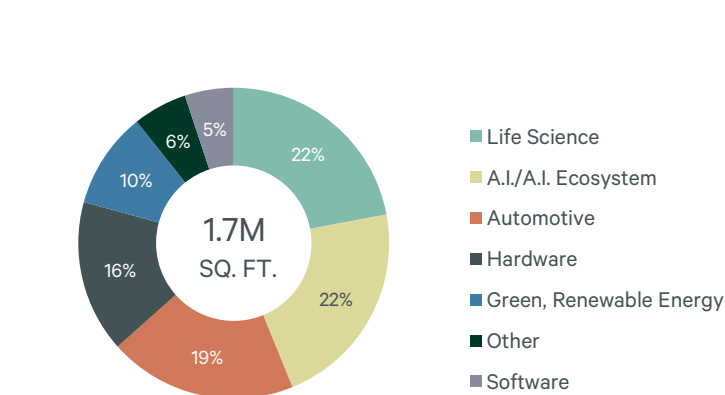
Source: CBRE Research, Q2 2025

FIGURE 7: Construction Completions



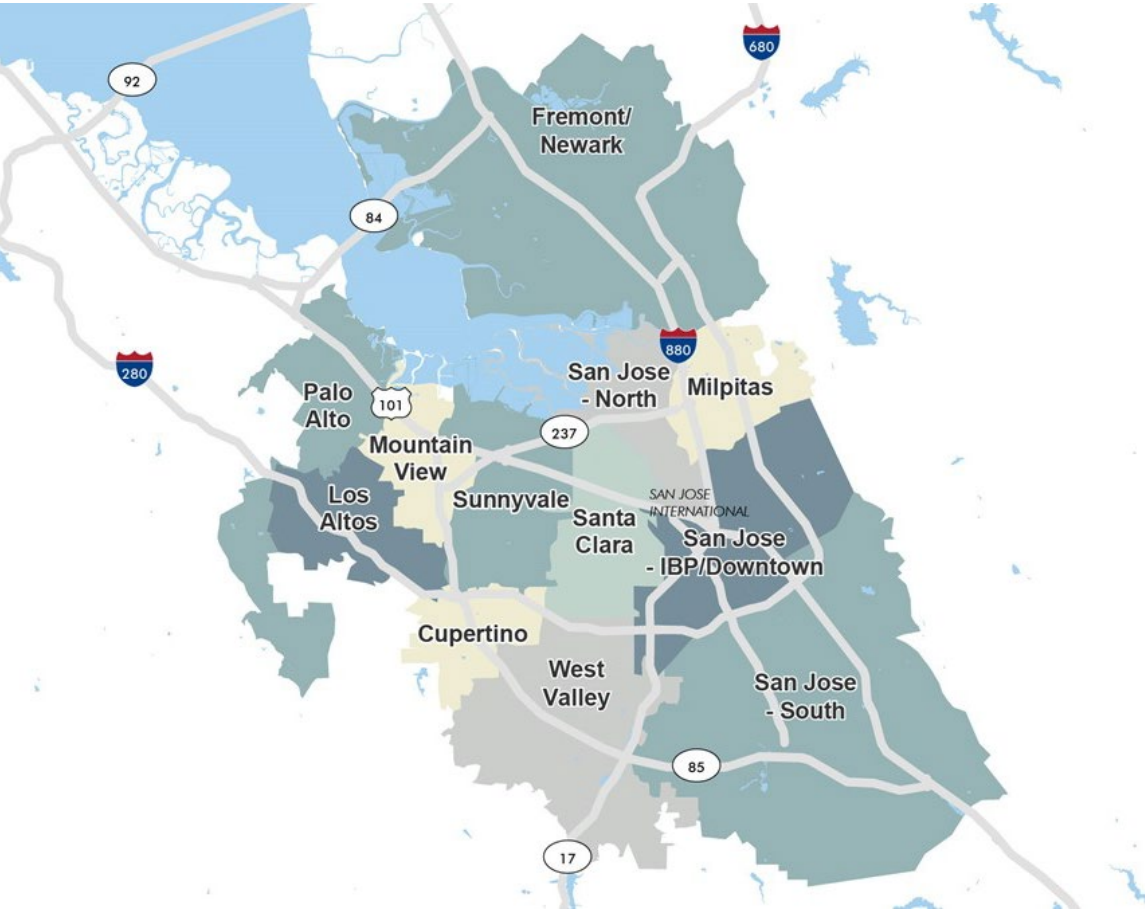
Source: CBRE Research, Q2 2025

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q2 2025

Submarket Map



Source: CBRE Research, Location Intelligence

© Copyright 2025 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE's Global Chief Economist.

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.

Contacts

Suzy Malburg	Jenna De Avila	Rebecca Schmid	Giovanni Giannotta
Field Research Analyst	Field Research Analyst	Sr Field Research Analyst	Field Research Manager
Suzy.Malburg@cbre.com	Jenna.DeAvila@cbre.com	Rebecca.Schmid@cbre.com	+1 408 790 5410
			Giovanni.Giannotta@cbre.com

Silicon Valley Office

225 W. Santa Clara Street
12th Floor
San Jose, CA 95113