

MARKET TRENDS

SILICON VALLEY

R&D

MARKET DRIVERS

Asking lease rates rose 4.3% year-over-year (YOY) to \$2.69 NNN.

The total vacancy rate increased 160 basis points (bps) to 11.2% YOY, with the highest increase occurring in Milpitas, climbing 340-bps to 14.4%.

Leasing activity dipped 52.7% quarter-over-quarter (QOQ), however it increased by 7.3% YOY, reaching 650.9K SF in 1Q25.

Net absorption was measured at -656.5K SF, significantly lower than the 135.6K SF recorded last quarter, and the 605.3K SF in 1Q24.

Conversely, sales volume more than doubled YOY, and nearly 50% higher than last quarter, reaching 937.1K SF. The average price per SF for these transactions is \$263.29, while the 5-year average has been \$362.11.

The R&D availability rate rose 80-bps to 12.7% QOQ, and 180-bps YOY. This marks the tenth consecutive quarter of rising availability, though it remains below the post-pandemic peak of 13.3% reached in 2021.

ECONOMIC REVIEW

Between October and January 2025, California's unemployment rate saw a 10-bps decline to 5.4%, while Santa Clara County increased 20-bps to 4.3%.

San Jose-Sunnyvale-Santa Clara's manufacturing sector reported 123.0K jobs, marking a 2.8% decrease since 1Q24 and a 1.0% dip since last quarter.

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Market Summary

	1Q25	4Q24	1Q24	YOY Change
Direct Vacancy Rate	11.2%	10.4%	9.6%	160 bps
Availability Rate	12.7%	11.9%	10.9%	180 bps
Asking Lease Rate	\$2.69	\$2.69	\$2.58	4.3%
	1Q25	4Q24	1Q24	YOY Change
Gross Absorption (SF)	650,893	1,375,263	606,436	7.3%
Sales Volume (SF)	937,123	636,098	430,245	117.8%
Net Absorption (SF)	-656,520	135,617	605,270	N/A

↑ **651K SF**
LEASING ACTIVITY

↓ **-656K SF**
NET ABSORPTION

↑ **11.2%**
VACANCY RATE

↑ **\$2.69**
ASKING RENT (AVG)

↓ **240K SF**
NEW DELIVERIES

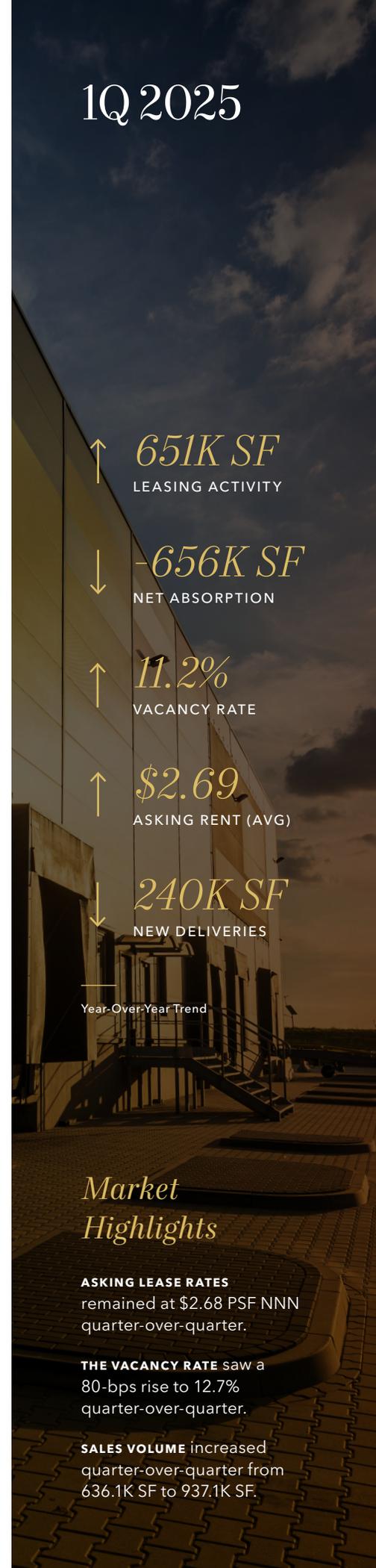
Year-Over-Year Trend

Market Highlights

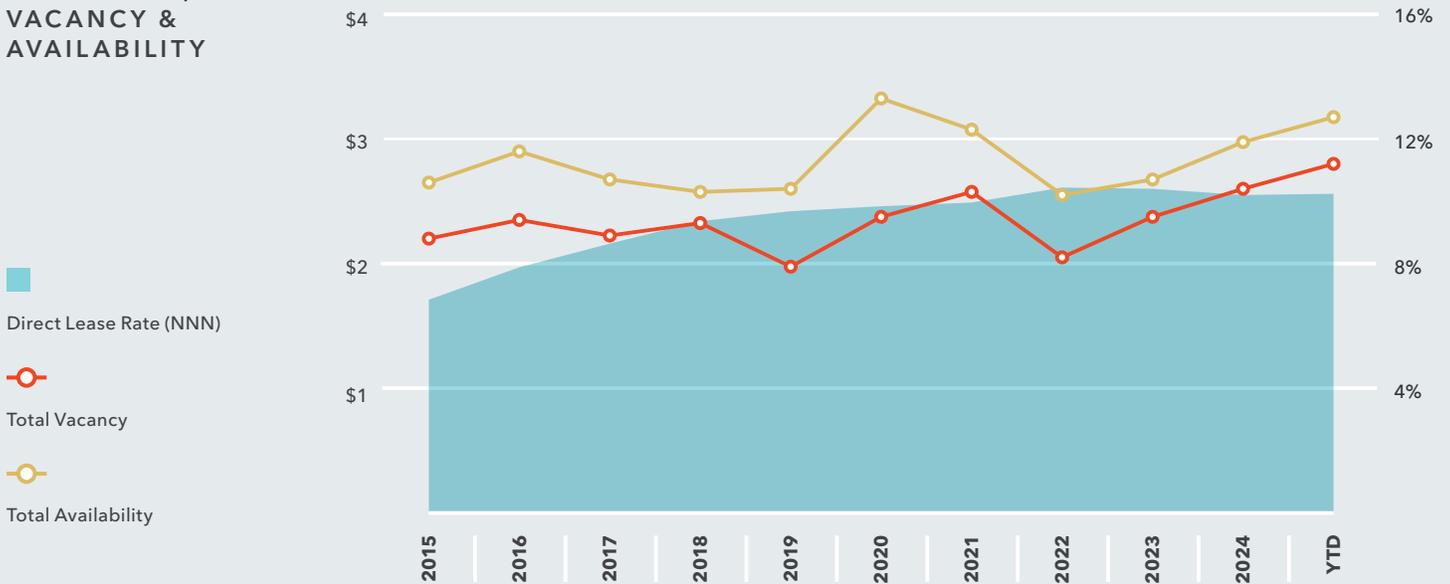
ASKING LEASE RATES remained at \$2.68 PSF NNN quarter-over-quarter.

THE VACANCY RATE saw a 80-bps rise to 12.7% quarter-over-quarter.

SALES VOLUME increased quarter-over-quarter from 636.1K SF to 937.1K SF.



LEASE RATE, VACANCY & AVAILABILITY



NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Const.	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q25 Direct Net Absorption	1Q25 Total Net Absorption	1Q25 Direct Net Absorption	2024 Total Net Absorption	1Q25 Gross Absorption	2024 Gross Absorption	Avg NNN Rental Rate
Campbell	1,442,388	-	3.3%	3.3%	4.9%	-894	-894	-15,210	-15,210	1,300	43,804	\$2.50
Cupertino	2,227,219	-	1.7%	1.7%	1.7%	-	-	-20,100	-20,100	-	-	\$2.50
Fremont	17,920,335	-	7.9%	9.8%	11.6%	-96,817	-99,633	54,814	215,653	139,305	674,716	\$1.98
Milpitas	9,271,824	-	12.8%	14.4%	11.5%	-107,618	-50,410	-230,581	-296,233	1,078	158,684	\$2.24
Mountain View	7,931,483	-	11.4%	13.0%	16.5%	-211,798	-191,647	13,288	174,489	131,897	158,401	\$3.59
Newark	2,848,739	-	10.5%	12.9%	12.5%	-10,635	-29,339	-88,172	-88,172	6,593	90,205	\$2.21
Palo Alto	5,288,310	-	7.0%	9.2%	9.5%	12,394	1,247	-30,662	-11,912	52,882	241,795	\$5.47
San Jose	39,427,465	136,600	9.7%	11.6%	16.5%	-4,357	-267,784	-396,777	-396,485	141,986	1,112,864	\$2.11
Santa Clara	18,226,889	-	9.3%	10.5%	10.4%	35,171	-33,427	149,581	52,333	145,925	273,600	\$2.71
Sunnyvale	14,163,004	1,211,000	11.2%	12.0%	15.3%	-3,759	15,367	-171,304	-102,077	29,927	328,165	\$3.44
Total	118,747,656	1,347,600	9.6%	11.2%	13.5%	-388,313	-656,520	-735,123	487,714	650,893	3,082,234	\$2.69

NEAR-TERM OUTLOOK

In early 2025, Silicon Valley's R&D landscape has seen notable developments. Mercedes-Benz announced plans to consolidate its R&D operations from three buildings into a single facility, aiming for increased efficiency in its research endeavors. Additionally, the 2025 Silicon Valley Index reported a substantial \$69 billion in venture capital investment, highlighting the region's robust innovation ecosystem. However, this financial influx is juxtaposed with a slight 0.1% decline in employment, suggesting complex dynamics in the local economy. These trends underscore Silicon Valley's ongoing role as a pivotal hub for technological advancement, even amid evolving economic conditions.

Currently, there is uncertainty about which direction the market could head in. With many proposed policies including tariffs, decreased corporate taxes, and deregulation all having possible effects but not being implemented yet, it's difficult to project where things will go. Once there are answers to what policies will be implemented, there will be more clarity on the overall effects on the market and allow decision makers to act accordingly.

Despite tech layoffs, companies moving to other markets, and a continuing rise in availability rate, sales volume was strong this quarter. There were 17 sales transactions this quarter, totaling 937,123 SF. Of these, five made up 715,928 SF. Although the average price per SF was lower than recent quarters, it's important to note that three of these transactions, 3550 North First St., 3725 North First St., and 3270 Jay St., were all cash deals. This allowed the transactions to be done at lower prices, and because it made up so much of the SF of this quarter, it skewed the averages and doesn't paint the full picture of the marketplace. Silicon Valley continues to be the leader in start up companies and AI innovation, demonstrated by the \$7.3B that was raised by 118 separate unicorn companies (private companies with valuations over \$1B) in January. Innovation will inevitably lead to more demand for R&D space, and a sign for hope in the near-term future.

SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1230-1280 E Arques Ave	Sunnyvale	314,400	\$128,000,000	\$407.12	Ingrasys Technology USA, Inc.	Lane Partners
3725 N 1st St	San Jose	70,656	\$27,000,000	\$382.13	Samsung Semiconductor, Inc.	Apple Inc.
3270 Jay St	Santa Clara	149,062	\$21,150,000	\$141.89	Four Corners Properties	Cole Ofc Santa Clara Ca
3550 N 1st St	San Jose	76,690	\$18,530,000	\$241.62	LBA Realty	Analog Devices, Inc
3200 Patrick Henry Dr	Santa Clara	105,120	\$18,000,000	\$171.23	Modesto Retail Group, LLC	The Bigler Trust

SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5970 Optical Ct	San Jose	129,221	3/4/2025	Peninsula Land & Capital, LLC	Muon Space
1820 McCarthy Blvd	Milpitas	42,912	2/18/2025	Oak Creek Technology Place 2, LLC	Bigfoot Biomedical, Inc
48800 Milmont Dr	Fremont	53,000	1/17/2025	L'Heureux Real Estate, LLC	Finisar Corporation
4600 Patrick Henry Dr	Santa Clara	51,136	2/4/2025	Drawbridge Realty	EBR Systems
40 Rio Robles	San Jose	42,574	1/8/2025	Washington Holdings	Frore Systems

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
945-955 Kifer Rd	Sunnyvale	1,211,000	May 2025	Intuitive Surgical
2000 Trade Zone Blvd	San Jose	136,600	September 2025	Blue Rise Ventures

Data Source: CoStar; bizjournals.com, ycharts.com, data.bls.gov, Forbes



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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	58M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS

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