

## 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 January and April 2025, California's unemployment rate saw a 10 bps decline to 5.3%, while Santa Clara County decreased 40 bps to 3.9%.

San Jose-Sunnyvale-Santa Clara's manufacturing sector reported 121.1K jobs, marking a 3.1% decrease since 2Q24 and a 1.5% dip since last quarter

continued on page 3

## Market Summary

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	11.7%	11.5%	10.2%	<b>150 bps</b>
Availability Rate	13.0%	12.9%	11.7%	<b>130 bps</b>
Asking Lease Rate	\$2.60	\$2.69	\$2.66	<b>-2.3%</b>
	2Q25	2025 YTD	2024 YTD	YOY Change
Gross Absorption (SF)	948,125	1,667,156	1,607,089	<b>3.7%</b>
Sales Volume (SF)	960,089	1,851,976	1,441,957	<b>28.4%</b>
Net Absorption (SF)	-331,478	-1,258,885	69,874	<b>N/A</b>

↓ **948K SF**  
LEASING ACTIVITY

↑ **-331K SF**  
NET ABSORPTION

↑ **11.7%**  
VACANCY RATE

↓ **\$2.60**  
ASKING RENT (AVG)

↑ **364K SF**  
NEW DELIVERIES

Year-Over-Year Trend

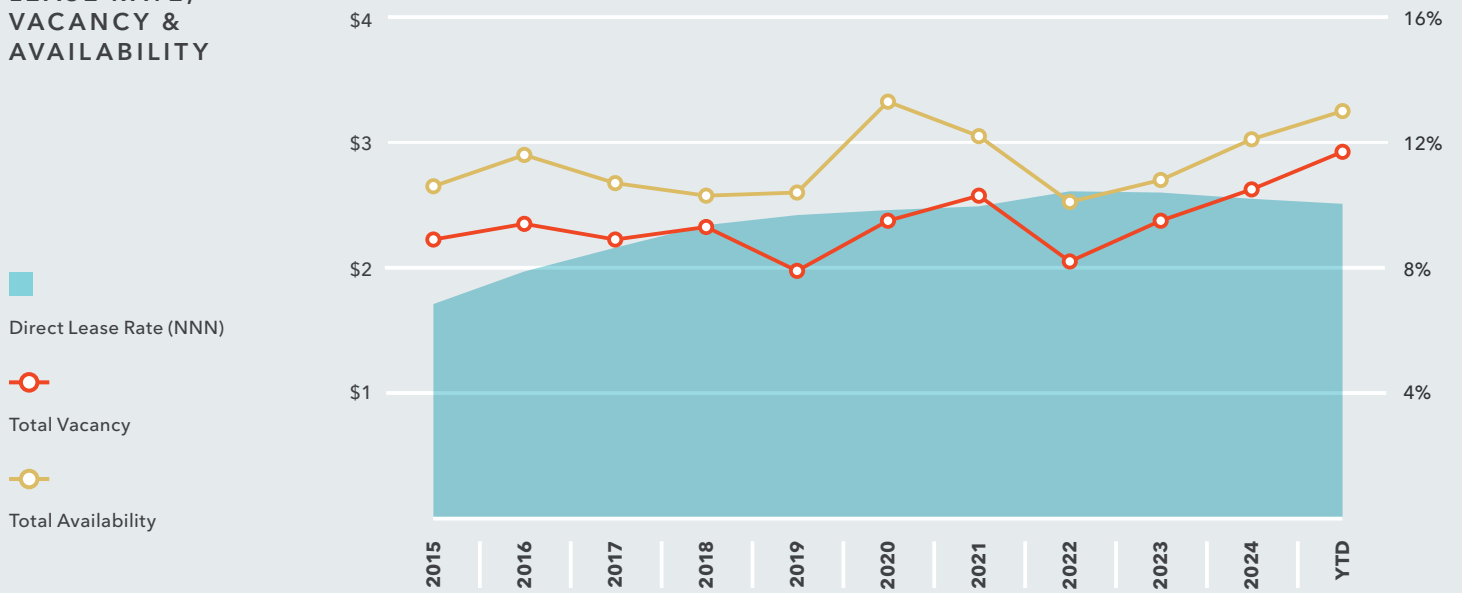
## Market Highlights

**ASKING LEASE RATES** dropped to \$2.60/SF NNN quarter-over-quarter.

**THE VACANCY RATE** nudged up 20 bps quarter-over-quarter.

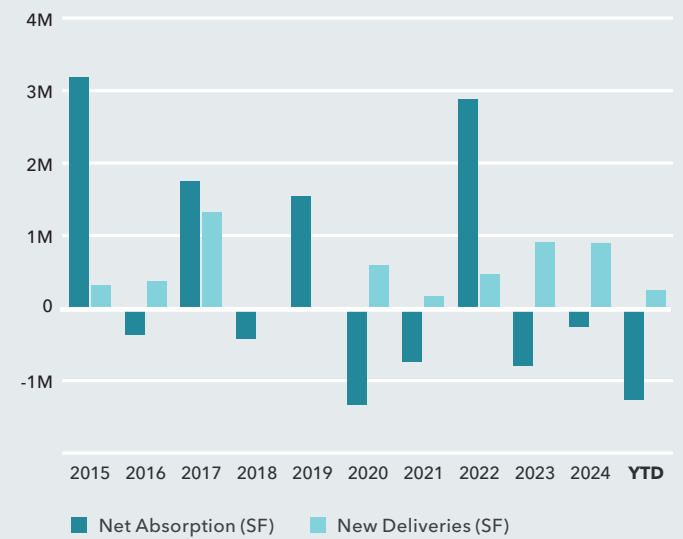
**SALES VOLUME** increased quarter-over-quarter from 891.9K SF to 960.1K SF.

## LEASE RATE, VACANCY & AVAILABILITY

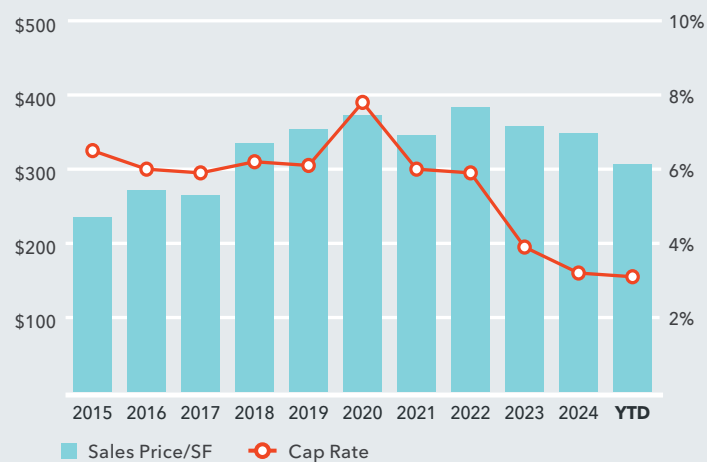


**BIGGEST SALE OF THE QUARTER**  
*2340-2348 Walsh Ave, Santa Clara*

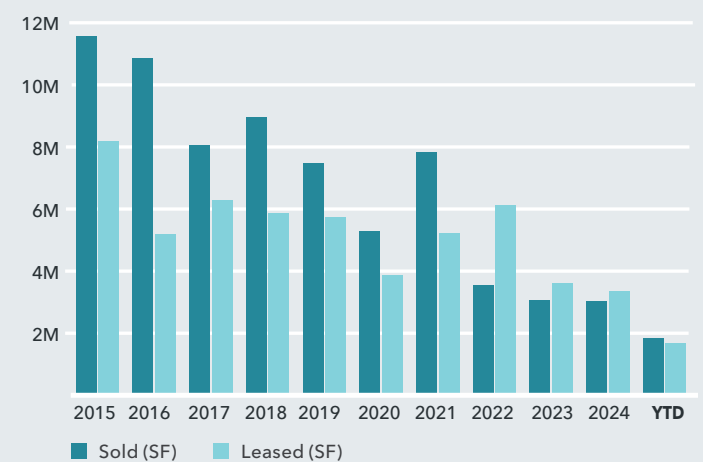
## NET ABSORPTION & NEW DELIVERIES



## 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	2Q25 Direct Net Absorption	2Q25 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	2Q25 Gross Absorption	YTD Gross Absorption	Avg NNN Rental Rate
Campbell	1,442,388	-	3.9%	3.9%	3.9%	-8,111	-8,111	-9,005	-9,005	18,510	19,810	\$2.53
Cupertino	2,227,219	-	1.7%	1.7%	1.7%	0	0	0	0	0	-	\$2.50
Fremont	17,901,110	-	10.0%	12.7%	15.5%	-308,537	-459,771	-414,820	-568,870	81,662	234,875	\$1.93
Milpitas	9,127,971	-	11.6%	14.3%	12.7%	133,921	37,901	18,297	-20,515	10,067	12,430	\$2.20
Mountain View	7,955,219	-	11.7%	13.2%	16.3%	-29,718	-16,064	-240,266	-206,461	44,028	175,925	\$3.74
Newark	3,071,214	-	12.1%	14.4%	14.9%	-13,086	-13,086	-23,721	-42,425	17,928	24,521	\$2.21
Palo Alto	5,307,303	-	6.7%	8.4%	9.7%	13,522	25,997	25,916	43,924	29,132	82,014	\$5.72
San Jose	39,347,175	436,600	10.0%	11.8%	17.4%	97,875	121,186	-107,284	-347,400	185,786	342,345	\$2.06
Santa Clara	18,295,876	-	9.3%	10.5%	9.9%	-5,581	9,749	33,141	-20,127	150,216	306,191	\$2.67
Sunnyvale	14,230,452	180,000	12.4%	12.6%	12.1%	-89,249	-29,279	-173,445	-88,006	410,796	469,045	\$3.25
<b>Total</b>	<b>118,905,927</b>	<b>616,600</b>	<b>10.1%</b>	<b>11.7%</b>	<b>14.0%</b>	<b>-208,964</b>	<b>-331,478</b>	<b>-891,187</b>	<b>-1,258,885</b>	<b>948,125</b>	<b>1,667,156</b>	<b>\$2.60</b>

## NEAR-TERM OUTLOOK

Transaction volume in Silicon Valley's R&D sector has gained momentum in 2025, surpassing the pace of last year and reflecting renewed investor and owner-user engagement. Nvidia has been the most active buyer, acquiring more than \$375M in Santa Clara real estate in recent months. These purchases, including properties on Walsh Avenue and San Tomas Expressway, reflect a strategic shift from leasing to ownership, allowing the company to control costs, secure long-term expansion space, and align real estate with rapid organizational growth. Nearby, the \$19.85M sale of 4750 Patrick Henry Drive to a new ownership group marks another example of owner-user confidence; AI firm Luminous is the building's current occupant.

In Fremont, institutional capital has followed tenant demand tied to power infrastructure and advanced manufacturing. Hines acquired a fully leased industrial facility at 401 Whitney Place for \$27.1 million, citing the building's power capacity and its tenant, Bloom Energy, as key drivers of the deal. The sale reflects a growing premium on buildings that can support AI-related operations and high-energy use, particularly in submarkets like the Warm Springs Corridor that continue to attract attention from both users and investors.

Even as sales activity improves, broader market fundamentals remain soft. Vacancy and availability rates have continued to rise, and average asking rents are down from year-ago levels. Higher construction costs, compounded by new steel and aluminum tariffs, and ongoing caution from smaller occupiers are contributing to longer deal cycles. Still, buyers are re-entering the market with a clear focus: strategic control, infrastructure access, and long-term alignment with growth industries. As a result, the near-term outlook for Silicon Valley's R&D market appears more stable, with a measured return of activity likely to continue through the second half of the year.

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2340-2348 Walsh Ave*	Santa Clara	258,282	\$123,000,000	\$476.22	NVIDIA Corporation	Link Logistics Real Estate
1511 Buckeye Dr*	Milpitas	319,835	\$40,400,000	\$126.32	Goodman Group	Analog Devices, Inc.
3060 Raymond St	Santa Clara	29,058	\$37,200,000	\$1,280.20	Colovore	Ellis Partners
401 Whitney Pl	Fremont	72,776	\$27,100,000	\$372.38	Hines	Peter Sullivan Associates
4750 Patrick Henry Dr	Santa Clara	65,360	\$19,850,000	\$303.70	D.R. Stephens & Company	Deerfield Realty Company

\* Portfolio Sale

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2230 Martin Ave	Santa Clara	71,823	4/24/2025	Peninsula Land & Capital, LLC	Hagg Lane II
4750 Patrick Henry Dr	Santa Clara	65,360	4/9/2025	Oak Creek Technology Place 2, LLC	Deerfield Patrick Henry
47513-47533 Westinghouse Dr	Fremont	65,136	4/1/2025	L'Heureux Real Estate, LLC	Colony Capital
3500 Gateway Blvd*	Fremont	64,383	6/4/2025	Drawbridge Realty	Neolife International, LLC
2100-2190 Gold St	San Jose	62,950	4/24/2025	Washington Holdings	PSAI Realty Partners   SFF Gold Street

\* Sublease

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
2431-2441 Mission College Blvd	San Jose	300,000	April 2026	Klein Investments Family, LP
970 E Arques Ave	Sunnyvale	180,000	May 2026	Applied Materials Inc.
2000 Trade Zone Blvd	San Jose	136,600	September 2025	Blue Rise Ventures

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



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

**GARY BARAGONA**  
Vice President of Research  
415.229.8925  
gary.baragona@kidder.com

**DAVID NELSON**  
Regional President, Brokerage  
Northern California & Nevada  
408.970.9400  
david.nelson@kidder.com  
LIC N° 01716942

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

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.