

MARKET TRENDS

# SILICON VALLEY

## R&D

MARKET DRIVERS

Asking lease rates dipped 1.1% year-over-year to \$2.52 NNN, while vacancy climbed 120 basis points to 11.7% YOY. Despite this, leasing activity showed strength, rising 7.2% quarter-over-quarter and up 11.0% cumulatively compared to the 3.4M SF recorded in 2024. Net absorption reached 384,400 SF in Q4, though full-year absorption remained negative at -1.3M SF, a deeper contraction than 2024's -290,200 SF.

Investment trends were more positive, with Q4 sales volume hitting 1.0M SF and 2025's cumulative total surging 59.9% to 4.7M SF. Pricing softened, as the average price per square foot for Q4 transactions was \$178.43—well below the five-year average of \$338.19. Meanwhile, R&D availability tightened slightly, falling 80 basis points to 12.7% quarter-over-quarter, though still up 20 basis points year-over-year.

ECONOMIC REVIEW

California's unemployment rate edged up 20 basis points to 5.6% between June and September 2025, signaling slight labor market softening at the state level. In contrast, Santa Clara County posted a modest improvement, with unemployment declining 10 basis points to 4.5% over the same period, underscoring regional resilience despite broader economic headwinds.

Within the San Jose-Sunnyvale-Santa Clara metro, the manufacturing sector reported 121,000 jobs in September 2025, down 1.6% year-over-year. This contraction reflects ongoing right-sizing across hardware and advanced manufacturing supply chains, as companies continue to adjust operations in response to evolving global demand and cost pressures.

NEAR-TERM OUTLOOK

Near-term conditions in the Silicon Valley R&D market remain defined by elevated availability, selective tenant activity, and increasing capital markets price discovery. As of 4Q 2025, total vacancy stands at 11.7%, reflecting a modest quarter-over-quarter improvement from 3Q levels, though still well above long-term historical norms. Availability continues to be driven primarily by direct space, with sublease inventory accounting for approximately 1.6 percentage points of total vacancy, signaling that most occupiers have already brought excess space to market.

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### Market Summary

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	11.7%	12.0%	10.5%	120 bps
Availability Rate	13.6%	13.5%	12.5%	110 bps
Asking Lease Rate/SF/Mo	\$2.52	\$2.61	\$2.62	-3.8%
	4Q25	2025	2024	YOY Change
Gross Absorption (SF)	1,073,971	3,748,314	3,378,301	11.0%
Sales Volume (SF)	1,046,552	4,701,013	2,940,166	59.9%
Net Absorption (SF)	384,373	-1,336,643	-290,194	N/A

↓ 1.0M SF  
LEASING ACTIVITY

↑ 384K SF  
NET ABSORPTION

↑ 11.7%  
VACANCY RATE

↑ \$2.52  
ASKING RENT (AVG)

↓ 0 SF  
NEW DELIVERIES

Year-Over-Year Trend

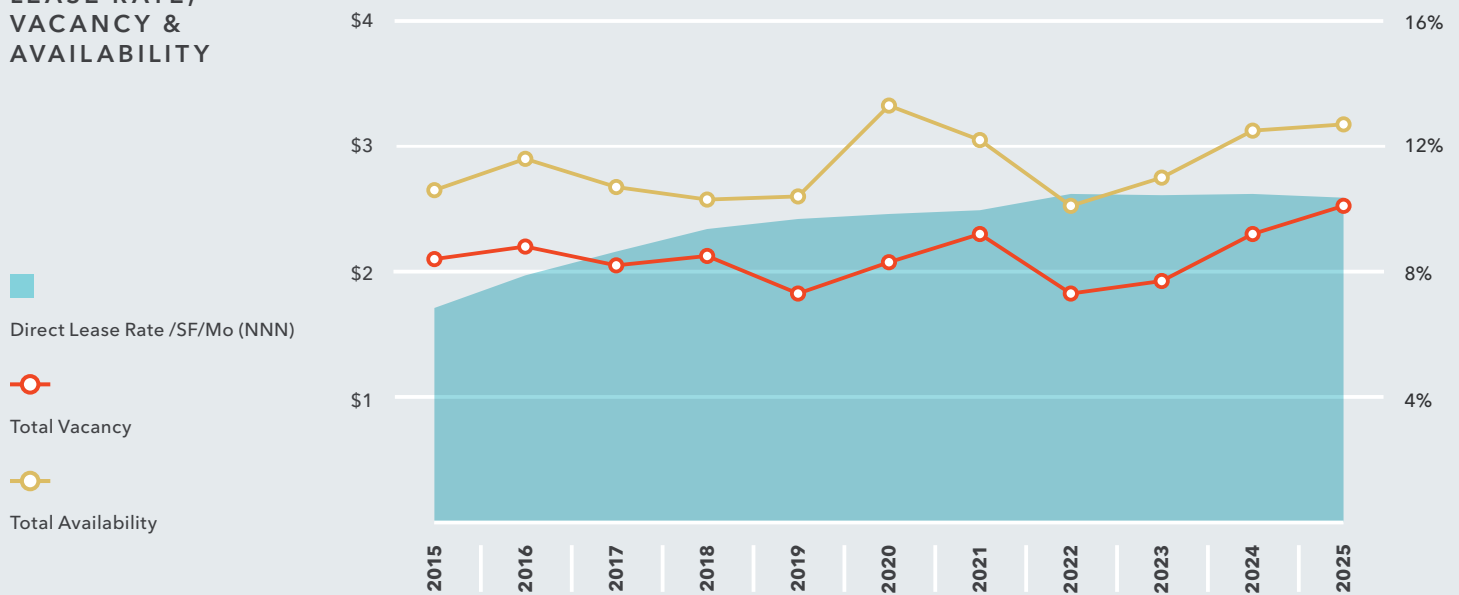
### Market Highlights

**ASKING LEASE RATES**  
held to \$2.52 PSF NNN  
quarter-over-quarter

**VACANCY RATES**  
fell 30 bps quarter-over-  
quarter to 11.7%

**SALES VOLUME** decreased  
quarter-over-quarter from  
1.7M SF to 1.0M SF

## LEASE RATE, VACANCY & AVAILABILITY

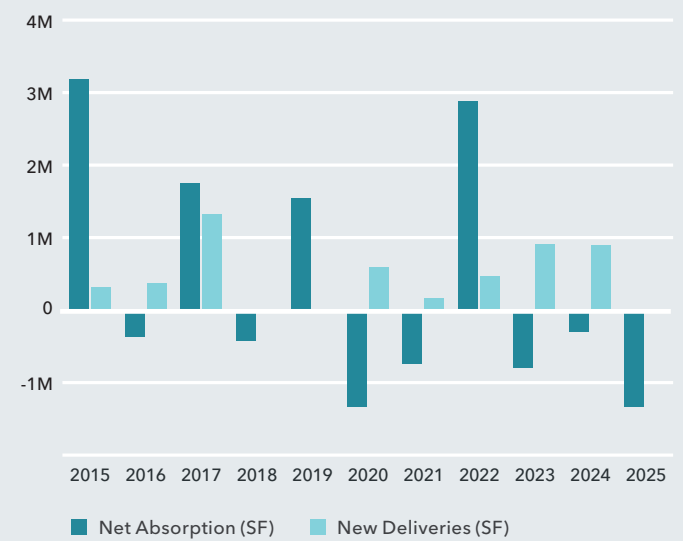


## BIGGEST SALE OF THE QUARTER

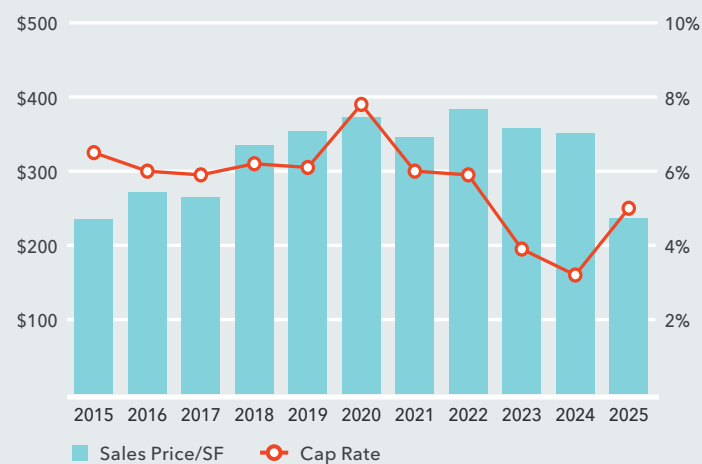
*300 E Tasman Dr, San Jose*



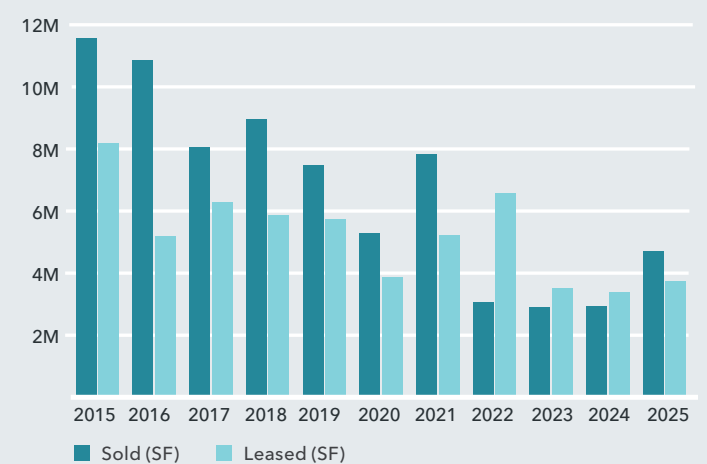
## NET ABSORPTION & NEW DELIVERIES



## 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	4Q25 Direct Net Absorption	4Q25 Total Net Absorption	2025 Direct Net Absorption	2025 Total Net Absorption	4Q25 Gross Absorption	YTD Gross Absorption	Avg NNN Rental Rate
Campbell	1,406,476	0	3.4%	3.4%	2.9%	8,776	8,776	-1,581	-1,581	10,180	44,800	\$2.54
Cupertino	2,094,396	0	1.1%	1.1%	1.1%	14,850	14,850	14,850	14,850	0	0	\$2.50
Fremont	17,869,475	0	11.2%	13.7%	13.5%	-137,989	-138,222	-666,645	-788,707	297,567	721,282	\$1.77
Milpitas	8,692,959	0	11.7%	12.8%	11.2%	-24,127	25,001	54,368	79,014	2,401	42,781	\$2.31
Mountain View	7,782,529	0	11.1%	12.8%	16.7%	123,091	86,010	-213,611	-195,724	16,555	222,653	\$3.79
Newark	2,940,605	0	10.0%	12.9%	14.4%	46,446	32,583	47,785	15,218	0	78,682	\$2.27
Palo Alto	4,976,131	0	5.2%	7.9%	9.7%	-950	-48,066	83,636	57,204	3,050	121,782	\$5.74
San Jose	38,226,416	136,600	11.1%	12.8%	16.4%	-157,580	-12,817	-442,123	-664,117	409,754	1,259,327	\$2.26
Santa Clara	13,162,984	300,000	8.9%	10.2%	12.9%	208,749	204,346	-39,585	-61,188	110,117	646,381	\$2.55
Sunnyvale	13,355,121	1,027,000	9.3%	9.6%	10.2%	217,770	211,912	122,230	208,388	224,347	610,626	\$2.82
<b>Total</b>	<b>110,507,092</b>	<b>1,463,600</b>	<b>10.1%</b>	<b>11.7%</b>	<b>13.6%</b>	<b>299,036</b>	<b>384,373</b>	<b>-1,040,676</b>	<b>-1,336,643</b>	<b>1,073,971</b>	<b>3,748,314</b>	<b>\$2.52</b>

## NEAR-TERM OUTLOOK CONTINUED

Despite these headline vacancy levels, leasing activity illustrates a more nuanced demand profile. Expansionary requirements are largely concentrated among specialized users in aerospace, defense-related technologies, advanced manufacturing, and select life sciences applications. Recent full-building subleases and long-term commitments in North San Jose highlight continued demand for flexible R&D product with strong power capacity, clear heights, and lab-capable buildouts. These transactions suggest that while broad tech leasing remains muted, functional R&D space tied to long-term innovation cycles continues to perform comparatively well.

Rental rates have stabilized after prior downward pressure. Overall asking rents averaged \$2.60 NNN per square foot in 4Q 2025, up slightly on a sequential basis, supported by limited new deliveries and a lack of large-scale speculative development. With no new R&D inventory delivered during the quarter, competitive pressure remains concentrated among existing assets, particularly older products lacking modernization or infrastructure upgrades.

On the capital markets front, investment activity increasingly reflects a value-oriented approach. Assets trading at significant discounts to replacement cost are attracting interest from both regional and institutional buyers, especially in core submarkets such as North San Jose and the Golden Triangle. At the same time, larger institutional owners continue to rationalize portfolios and divest non-core holdings, contributing to transaction velocity without materially increasing new supply.

Overall, the near-term outlook points to continued bifurcation: elevated vacancy at the market level, offset by durable

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
300 E Tasman Dr	San Jose	718,500	\$63,000,000	\$87.68	South Bay Development Co.	Cisco Technology
2858-2860 De La Cruz Blvd	Santa Clara	298,525	\$55,500,000	\$185.91	LBA Realty	Swift Real Estate Partners
780 Montague Expy	San Jose	97,601	\$30,000,000	\$307.37	Kayne Anderson Real Estate	PacTrust
3500-3550 W Warren Ave	Fremont	115,824	\$30,000,000	\$259.01	Graymark Capital	Nuveen
3350 W Bayshore Rd	Palo Alto	60,000	\$29,000,000	\$483.33	Strada Investment Group	Alexandria Real Estate Equities, Inc.

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
4000 N 1st St	San Jose	115,174	October 2025	Exeter Property Group	Figure AI	New Lease
45401 Research Ave	Fremont	108,137	November 2025	Lincoln Property Company	Tesla Motors, Inc.	New Lease
2115 O'Nel Dr	San Jose	98,874	November 2025	SIR San Jose, LP	Lattice Semiconductor	Renewal
1272 Borregas Ave	Sunnyvale	94,386	October 2025	Google	Carbon3D, Inc.	New Lease
1762 Automation Pkwy, Bldg 2*	San Jose	61,100	December 2025	Utah Land & Capital	Momentus, Inc.	New Lease

\*Sublease

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Intuitive Surgical Campus	Sunnyvale	847,000	September 2026	Intuitive
Sutter East Santa Clara Campus	Santa Clara	300,000	April 2026	Klein Investments Family, LP
EPIC Center	Sunnyvale	180,000	May 2026	Applied Materials, Inc.
2000 Trade Zone Blvd	San Jose	136,600	June 2026	Blue Rise Ventures

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



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

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<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>53M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<i>2,400+</i> AVERAGE ANNUAL ASSIGNMENTS	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS