Kidder Mathews

MARKET TRENDS

SILICON VALLEY *R&D*

MARKET DRIVERS

Asking lease rates were flat quarter-over-quarter and rose 1.2% year-over-year to $2.53 NNN, reflecting overall pricing stability despite shifting demand dynamics. The total vacancy rate declined 20 basis points quarter-over-quarter to 11.4% and remained flat year-over-year. Leasing activity totaled 1.0M SF in 1Q26, down 32.3% from the elevated pace in 4Q25, yet still well above the 737,400 SF recorded in 1Q25. Net absorption measured 265,100 SF, indicating a moderation from the 493,600 SF absorbed in the prior quarter but a substantial improvement from the negative 1.0M SF posted one year earlier.

Investment activity strengthened during the quarter, with sales volume reaching 1.6M SF and total dollar volume climbing to $421.6M. The average price per square foot rose sharply to $322.60, up from $217.49 in 4Q25, signaling renewed investor confidence. Within the R&D segment, availability increased slightly by 10 basis points quarter-over-quarter to 12.7%, though it remains 40 basis points lower than one year ago, underscoring gradual tightening over the longer term.

ECONOMIC REVIEW

California's unemployment rate improved 10 bps to 5.5% in December 2025, while Santa Clara County held at 4.0%, keeping the county below the statewide average entering 2026.

San Jose-Sunnyvale-Santa Clara's manufacturing sector reported 120.2K jobs in December 2025, down from 121.0K in September and modestly below year-ago levels, reflecting continued normalization across hardware and advanced manufacturing supply chains.

NEAR-TERM OUTLOOK

Near-term conditions in the Silicon Valley R&D market remain shaped by elevated but improving vacancy, selective tenant activity, and a growing divide between highly functional product and older inventory. As of 1Q 2026, total vacancy stood at 11.4%, down from 11.6% in 4Q25, while availability tightened to 12.7%. At the same time, quarterly leasing reached 1.0M SF, well ahead of 1Q25 levels, indicating that demand is still present when space aligns with specialized user requirements.

continued on page 3

Market Summary

	1Q26	4Q25	1Q25	YOY Change
Direct Vacancy Rate	11.4%	11.6%	11.4%	**0 bps**
Availability Rate	12.7%	12.6%	13.1%	**-40 bps**
Asking Lease Rate/SF/Mo	$2.53	$2.53	$2.50	**1.2%**
	1Q26	**4Q25**	**1Q25**	**YOY Change**
Gross Absorption (SF)	1,045,387	1,544,391	737,371	**41.8%**
Sales Volume (SF)	1,584,854	1,457,604	817,955	**93.8%**
Net Absorption (SF)	262,062	493,575	-1,034,096	**N/A**

1Q 2026

↑ *1.0M SF*
LEASING ACTIVITY

↑ *262K SF*
NET ABSORPTION

↔ *11.4%*
VACANCY RATE

↑ *$2.53*
ASKING RENT (AVG)

↔ *0 SF*
NEW DELIVERIES

Year-Over-Year Trend

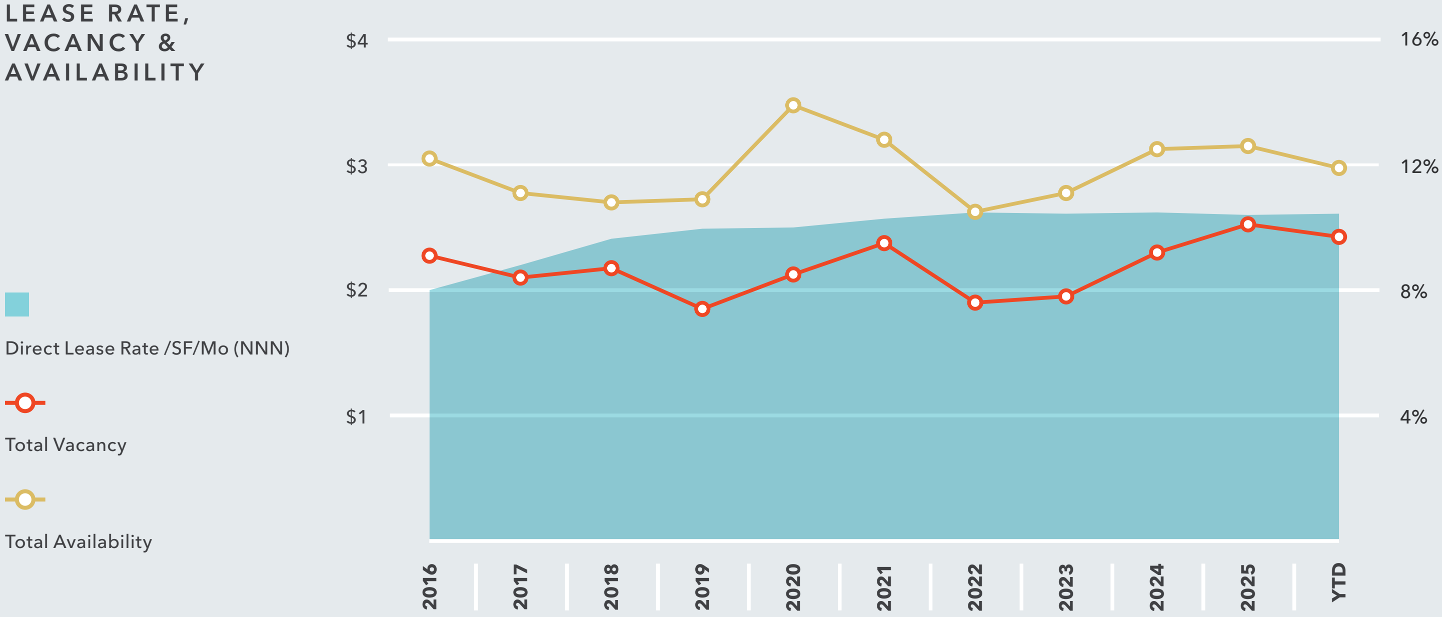
Market Highlights

ASKING LEASE RATES held at $2.53 PSF NNN quarter-over-quarter

VACANCY RATES fell 20 bps quarter-over-quarter to 11.4%

SALES VOLUME increased quarter-over-quarter from 1.5M SF to 1.6M SF

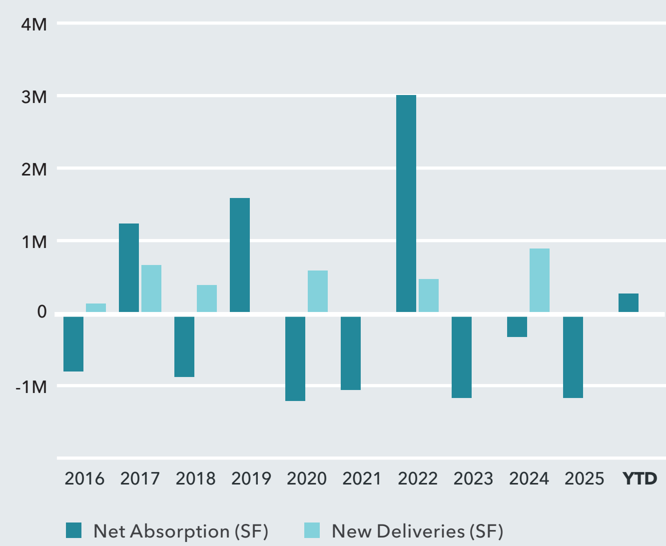
LEASE RATE, VACANCY & AVAILABILITY



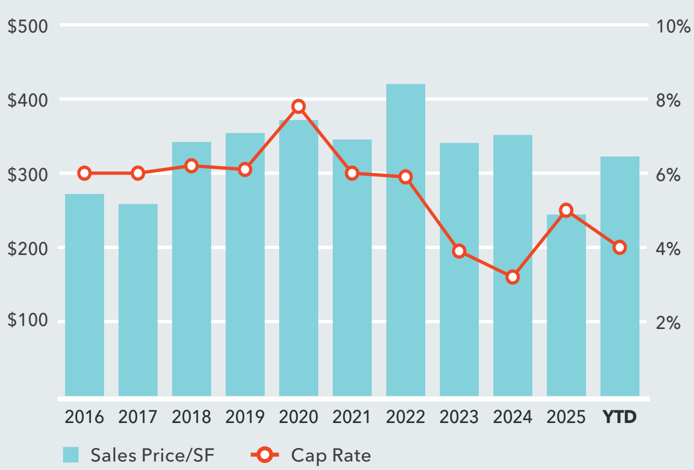
BIGGEST SALE OF THE QUARTER

Walsh Bowers Tech Ctr, Santa Clara

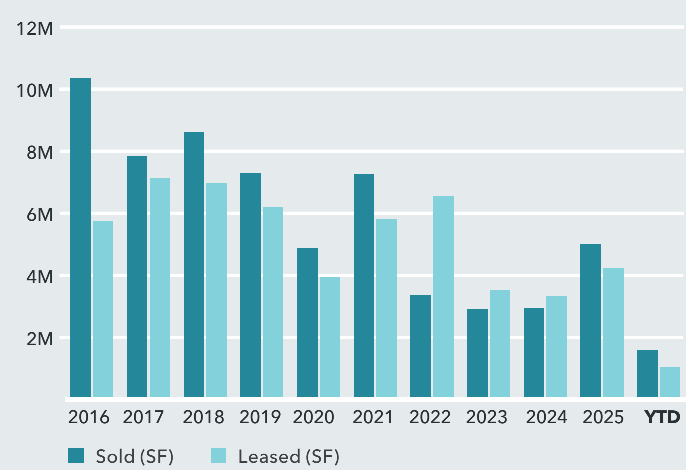
NET ABSORPTION & NEW DELIVERIES



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	1Q26 Direct Net Absorption	1Q26 Total Net Absorption	2025 Direct Net Absorption	2025 Total Net Absorption	1Q26 Gross Absorption	YTD Gross Absorption	Avg NNN Rental Rate
Campbell	1,447,550	-	2.3%	2.3%	2.6%	14,557	14,557	-1,581	-1,581	3,247	44,800	$2.44
Cupertino	2,068,546	-	1.7%	1.7%	2.1%	-11,850	-11,850	14,850	14,850	3,000	-	$2.89
Fremont	17,869,864	-	11.5%	13.0%	13.1%	5,843	71,054	-666,645	-788,707	148,220	721,282	$1.86
Milpitas	8,680,566	-	9.8%	11.5%	8.8%	173,710	111,093	54,368	79,014	7,535	42,781	$2.33
Mountain View	7,809,054	-	11.9%	13.8%	17.5%	-51,963	-67,797	-213,611	-195,724	8,810	222,653	$3.84
Newark	2,945,628	-	10.2%	13.0%	14.7%	-8,511	-8,511	47,785	15,218	33,127	78,682	$2.10
Palo Alto	4,871,957	-	5.8%	8.5%	10.6%	-14,046	-14,046	83,636	57,204	17,946	121,782	$5.03
San Jose	38,052,476	-	10.2%	11.9%	15.5%	288,907	268,259	-442,123	-664,117	449,244	1,259,327	$2.31
Santa Clara	13,105,123	300,000	9.7%	11.5%	10.6%	-94,783	-162,809	-39,585	-61,188	271,224	646,381	$2.58
Sunnyvale	13,337,225	1,027,000	8.4%	9.3%	9.2%	152,969	62,112	122,230	208,388	103,034	610,626	$2.82
Total	**110,187,989**	**1,327,000**	**9.8%**	**11.4%**	**12.7%**	**454,833**	**262,062**	**-1,040,676**	**-1,336,643**	**1,045,387**	**3,748,314**	**$2.53**

NEAR-TERM OUTLOOK CONTINUED

That demand continues to concentrate among semiconductor, AI, and advanced technology occupiers. In 1Q26, OpenAI signed a 449,006 SF lease at 350-380 Ellis in Mountain View, while Credo Semiconductor took 189,983 SF at RioTech Park in San Jose, reinforcing that large users are still willing to commit where buildings offer scale, power, and modern infrastructure. Renewals by Jabil Circuits and Kaiser also suggest that many occupiers prefer to remain in place when their existing facilities support long-term operational needs.

Recent capital markets activity points to a similar bifurcation. CoreSite's $100.0 M purchase of Walsh Bowers Technology Center in Santa Clara, coupled with the site's data center redevelopment potential, highlights how investors are increasingly targeting R&D assets with strong utility, power, or conversion optionality. At the same time, the January sale of Campus at Trimble in North San Jose underscores continued institutional interest in R&D campuses that can be repositioned to serve evolving demand.

Overall, the near-term outlook points to gradual stabilization rather than a broad-based rebound. Vacancy remains elevated by historical standards, but tighter availability, improving pricing, and continued demand from semiconductor and AI-related users should support the better-quality end of the market. Older product without infrastructure upgrades is likely to remain under pressure, reinforcing a market increasingly defined by functionality, location, and adaptability.

SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
Walsh Bowers Technology Center	Santa Clara	213,488	$100,000,000	$468.41	CoreSite	GI Partners
3750 Zanker Rd	San Jose	151,400	$63,000,000	$416.12	Anatomage Inc.	South Bay Development Co.
150-160 Great Oaks Blvd*	San Jose	226,377	$51,000,000	$225.29	Equinix	Kennedy Wilson, Inc.
32-70 Daggett Dr*	San Jose	190,636	$50,500,000	$264.90	Farallon Capital Management	BXP Inc.
211-281 River Oaks Parkway	San Jose	164,608	$45,000,000	$273.38	TPG Angelo Gordon & Co., L.P.	Global Net Lease

*Portfolio Sale

SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
350-380 Ellis St	Mountain View	449,006	February 2026	TMG / KKR	OpenAI	New Lease
RioTech Park	San Jose	189,983	February 2026	Washington Holdings	Credo Semiconductor	New Lease
Great Oaks Business Park	San Jose	181,656	January 2026	Broadstone Net Lease, Inc JBL CA, LLC	Jabil Circuits	Renewal
Vasona Technology Park	Campbell	92,692	January 2026	Kennedy Wilson	Kaiser Fdn. Hospitals & Health Plan	Renewal
Assembly at North First	San Jose	86,243	January 2026	Exeter Property Group	Teradyne	New Lease

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.

Data Source: CoStar; EDD; BLS; FRED; Applied Materials; Newmark; Business Wire; Data Center Dynamics

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, 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

COMMERCIAL BROKERAGE

$9B AVERAGE ANNUAL TRANSACTION VOLUME

32.4M ANNUAL SALES SF

32.5M ANNUAL LEASING SF

ASSET SERVICES

55M SF MANAGEMENT PORTFOLIO SIZE

800+ ASSETS UNDER MANAGEMENT

250+ CLIENTS SERVED

VALUATION ADVISORY

2,700+ AVERAGE ANNUAL ASSIGNMENTS

42 TOTAL APPRAISERS

23 WITH MAI DESIGNATIONS