

MARKET TRENDS

SILICON VALLEY *R&D*

MARKET DRIVERS

Silicon Valley R&D market fundamentals remained mixed during the third quarter, as stronger year-to-date activity was offset by continued softness in occupancy. Asking direct lease rates increased 3.4% year-over-year (YOY) to \$2.71 NNN, while the vacancy rate rose to 11.7%, up 20 basis points (bps) from the prior quarter and 20 bps YOY. The availability rate increased slightly to 11.6% during the quarter, although it remains below last year's levels.

Tenant demand slowed from the second quarter, with leasing activity reaching 729.4K SF in 3Q26. Through the first nine months of the year, leasing volume totaled 3.8M SF, up 42.1% from the same period in 2025, suggesting that occupier activity remains healthier than last year despite elevated vacancy levels.

Net absorption remained negative at 198.0K SF during the quarter, bringing cumulative net absorption to negative 678.7K SF. Although occupancy losses continued, this remains materially improved from negative 1.4M SF through the same point in 2025. Meanwhile, investment activity remained ahead of last year, with sales volume reaching 4.0M SF cumulatively, a 16.4% increase YOY. Average pricing also remained resilient at \$346.57 PSF, above the five-year average of roughly \$338 PSF.

ECONOMIC REVIEW

California's unemployment rate held at 5.1% in August 2026, while Santa Clara County recorded a 4.1% rate. Santa Clara County remains below the statewide average despite a labor market that continues to normalize following prior tech-sector volatility.

San Jose-Sunnyvale-Santa Clara's manufacturing sector reported 131.4K jobs in August 2026, up 1.4% year-over-year. Total nonfarm employment reached 1.18M jobs, up 1.6% over the same period, providing a generally supportive employment backdrop for R&D and advanced manufacturing demand.

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Market Summary

	3Q26	2Q26	3Q25	YOY Change
Total Vacancy Rate	11.7%	11.5%	11.5%	20 bps
Total Availability Rate	11.6%	11.4%	12.9%	-130 bps
Asking Lease Rate/SF/Mo	\$2.71	\$2.61	\$2.62	3.4%

	3Q26	2026 YTD	2025 YTD	YOY Change
Gross Absorption (SF)	729,408	3,771,476	2,654,452	42.1%
Sales Volume (SF)	681,926	3,966,500	3,406,822	16.4%
Net Absorption (SF)	-198,043	-678,652	-1,439,838	N/A

↓ **729K SF**
LEASING ACTIVITY

↑ **-198K SF**
NET ABSORPTION

↑ **11.6%**
VACANCY RATE

↑ **\$2.71**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

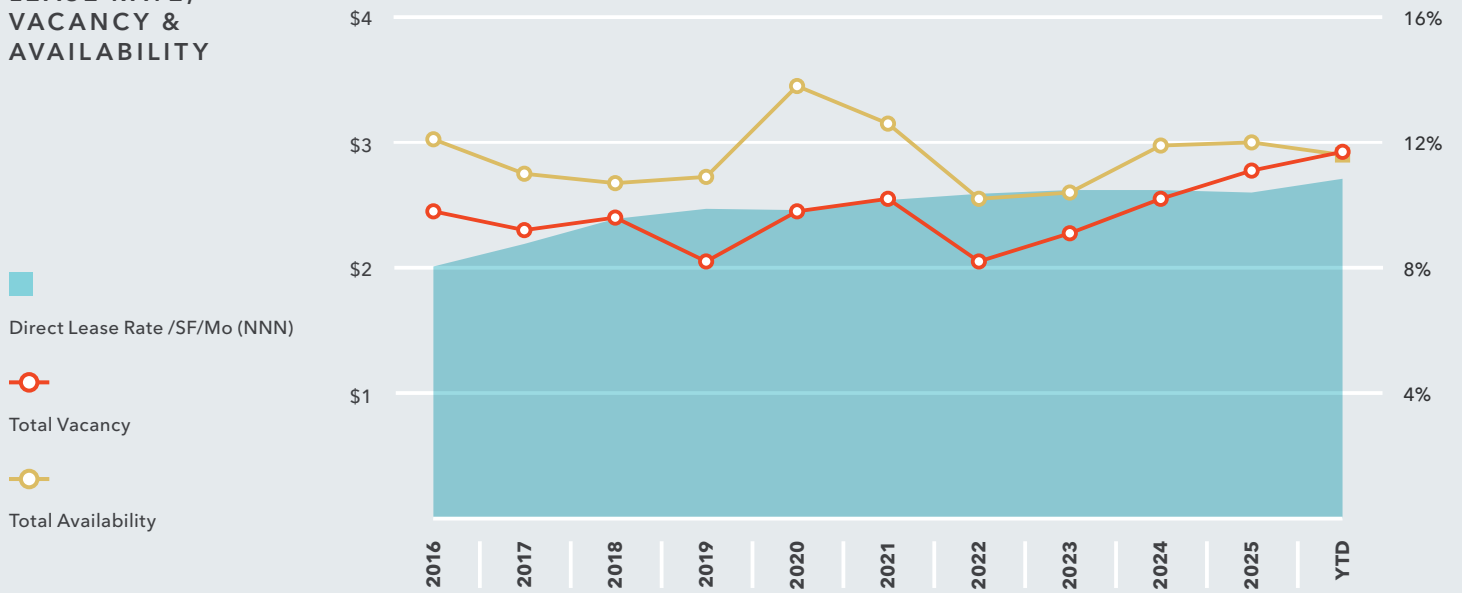
Market Highlights

ASKING LEASE RATES
increased to \$2.71 PSF NNN

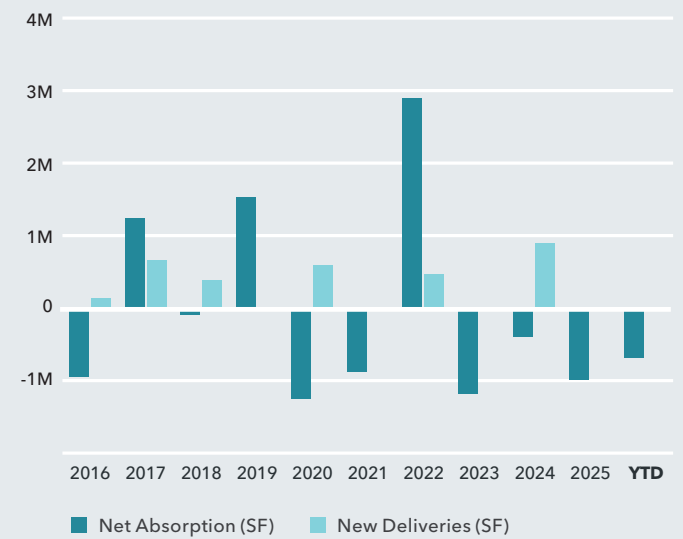
TOTAL VACANCY RATES
climbed to 11.6%

NET ABSORPTION edged up
to -198.0K SF

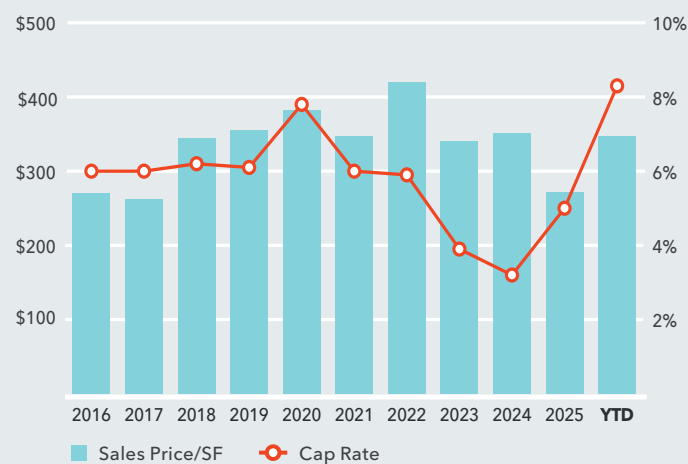
LEASE RATE, VACANCY & AVAILABILITY



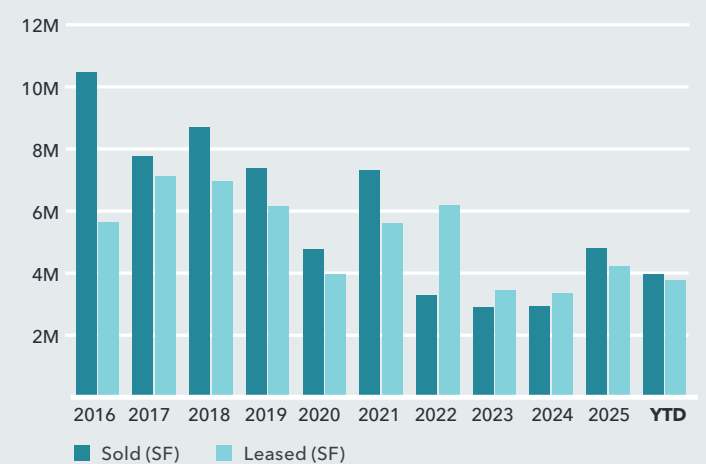
NET ABSORPTION & NEW DELIVERIES



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	3Q26 Direct Net Absorption	3Q26 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	3Q26 Gross Absorption	YTD Gross Absorption	Avg NNN Rental Rate
Campbell	1,426,885	0	3.7%	5.1%	5.1%	0	0	-4,765	-24,102	0	3,247	\$2.76
Cupertino	2,072,159	0	2.6%	2.6%	3.1%	10,196	10,196	-31,654	-31,654	0	17,850	\$2.89
Fremont	17,745,059	0	9.2%	11.5%	11.8%	62,413	-80,411	285,568	214,612	242,740	714,150	\$1.90
Milpitas	7,987,177	0	10.0%	11.5%	6.1%	-7,874	-7,611	75,778	44,589	17,089	204,150	\$2.18
Mountain View	7,755,030	0	13.1%	14.5%	16.1%	34,033	27,516	-201,746	-181,926	51,744	366,073	\$4.17
Newark	2,745,370	0	7.1%	10.6%	10.3%	47,805	47,805	40,915	27,052	19,408	162,141	\$1.94
Palo Alto	4,726,520	0	16.8%	19.0%	23.6%	-564,592	-564,591	-577,580	-550,464	31,612	236,699	\$5.05
San Jose	38,344,658	0	11.3%	13.6%	17.4%	54,148	76,742	-350,242	-513,815	219,245	1,326,400	\$2.52
Santa Clara	12,977,895	686,660	7.1%	9.2%	9.9%	210,606	176,542	122,658	12,652	42,507	385,821	\$2.88
Sunnyvale	13,215,984	1,027,000	6.6%	7.2%	7.6%	82,959	115,769	361,084	324,404	105,063	354,945	\$2.78
Total	108,996,737	1,713,660	9.8%	11.7%	11.6%	-70,306	-198,043	-279,984	-678,652	729,408	3,771,476	\$2.71

NEAR-TERM OUTLOOK

Conditions in the Silicon Valley R&D market remain mixed. Vacancy edged higher during the third quarter to 11.7%, while total availability increased slightly to 11.6%. The market recorded negative 198.0K SF of net absorption, but the loss was considerably smaller than in the second quarter. More importantly, the broader year-to-date picture remains more constructive than 2025, with leasing activity up 42.1% and cumulative absorption improved by more than 760K SF from the same point last year.

Recent leasing activity continues to show that demand is concentrated among specialized technology and advanced manufacturing users. Quanta Computer leased 210.0K SF at 46859-46889 Bayside Parkway in Fremont, while Sanmina-SCI Corporation took 102.8K SF at 2581 Junction Avenue in San Jose. Ayar Labs also leased 92.8K SF near Junction and Zanker avenues, reinforcing the importance of semiconductor, AI hardware and other technical users to current R&D demand.

The clearest example of this shift is OpenAI's pursuit of roughly 70.0K SF at 2950 Zanker Road in North San Jose. The facility has approximately 19 megawatts of electrical capacity, and reported negotiations exceed \$6 PSF per month, more than double the average asking rent for North San Jose R&D space. The potential transaction illustrates how access to power can materially differentiate specialized facilities as AI, robotics and advanced manufacturing users compete for infrastructure that can support energy-intensive operations.

Capital markets activity also remained lively, although transaction volume slowed from the second quarter. Strada Investment Group acquired the 258.5K SF Vasona Med Tech Park in Campbell for \$115M, or approximately \$445 PSF. The six-building office and R&D complex traded below its 2021 purchase price, illustrating that buyers are still finding opportunities in functional technology assets when pricing reflects current market conditions.

The R&D market remains uneven, but is showing meaningful improvement from 2025. Negative absorption and slightly higher vacancy indicate that broad-based occupancy growth has not returned, while stronger leasing and sales volume show that activity is recovering beneath the headline vacancy figures. Power-rich, adaptable R&D facilities in core technology corridors should remain best positioned to capture demand from AI hardware, semiconductors and advanced manufacturing users, while older commodity product faces a longer path to recovery.

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Vasona Med Tech Park	Campbell	258,508	\$115,000,000	\$444.86	Strada Investment Group	Kennedy Wilson, Inc.
2903-2953 Bunker Hill Lane	Santa Clara	223,842	\$76,930,000	\$343.68	Fabrinet	AlphaX RE Capital
1140-1150 Ringwood Ct	San Jose	80,472	\$29,527,000	\$366.92	ISE Labs, Inc.	EQT Real Estate
1215 Bordeaux Dr	Sunnyvale	26,615	\$12,800,000	\$480.93	Beam Reach Partners	Deerfield Realty Company
4039 Transport St	Palo Alto	7,349	\$3,600,000	\$489.86	Transport Works	Chawla Ventures, LLC

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
46859-46889 Bayside Pkwy	Fremont	210,000	July 2026	Prologis, Inc.	Quanta Computer	New Lease
2581 Junction Ave	San Jose	102,772	September 2026	Paceline Investors	Sanmina-SCI Corporation	New Lease
350 Holger Wy	San Jose	96,502	July 2026	The Wonderful Company	NXP Semiconductors	Renewal
Junction & Zanker Ave	San Jose	92,763	August 2026	South Bay Development Co.	Ayar Labs	New Lease
2175 Mission College Blvd	Santa Clara	75,810	July 2026	Wilshire Realty Associates Inc.	EdgeCloudLink	New Lease

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Intuitive Surgical Campus South Site	Sunnyvale	847,000	July 2027	Intuitive
5200 Patrick Henry Dr	Santa Clara	362,660	January 2027	Arista Networks
Nvidia Phase 3	Santa Clara	324,000	March 2027	Nvidia
EPIC Center	Sunnyvale	180,000	October 2026	Applied Materials, Inc.

Data Source: CoStar; EDD; BLS; Silicon Valley Business Journal



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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

32.4M

ANNUAL
SALES SF

32.5M

ANNUAL
LEASING SFASSET
SERVICES

55M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,700+

AVERAGE ANNUAL
ASSIGNMENTS

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS