Silicon Valley

R&D Occupier's Guide | Q2 2025

The Silicon Valley R&D market remained stable but continued to show indications of potential future softening. Vacancy remained flat quarter-over-quarter (QoQ), however year-over-year (YoY) vacancy increased 0.7% to 9.5%. Overall availability rose 0.2% QoQ to 12.8%. Average asking rents declined for the ninth consecutive quarter, falling 2.4% to $2.77 psf. Net absorption was slightly negative at 11K SF, marking the ninth quarter of negative absorption in the past ten.

Despite short-term headwinds, several enterprise firms reaffirmed their long-term commitment to Silicon Valley through property acquisitions. The "flight to control" indicates a growing trend of ownership, allowing occupiers to avoid lease volatility and tailor space to suit R&D activities. Nonetheless, move-in ready lab space remains in short supply, and long term infrastructure constraints, including heavy power, continue to limit new development. In addition, tariff uncertainty is adding another level of complexity, specifically for those companies with global supply chain exposure.

Quarterly Snapshot

↔	↔	↔	↑
Vacancy 9.5%	**Availability** 12.8%	**Average Rent** $2.77/SF	**Net Absorption** (11,539) SF

*Arrows indicate changes from previous quarter

Submarket Movement

QOQ Change		Direct Asking Rent (NNN)		Total Vacancy Rate
-2.2%	▼	$2.68	North San Jose/Airport Area	7.8%
1.2%	▲	$1.67	South San Jose	13.3%
2.7%	▲	$2.40	Fremont/Newark	12.3%
-0.5%	◆	$2.63	Milpitas	10.7%
0.5%	▲	$2.84	Santa Clara	9.6%
-1.5%	▼	$3.22	Sunnyvale	8.7%

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Sector
Matson Technology Inc	100,728	Fremont	Renewal	Semiconductor
Fujifilm Dimatix	71,823	Santa Clara	Renewal	High-Tech Manufacturing
Collaborative Robotics	65,360	Santa Clara	New Lease	Robotics
Confluent Medical Technologies, Inc.	65,136	Fremont	Renewal	Medical Devices
Tandem PV	64,383	Fremont	Sublease	Cleantech
Kioxia America	62,950	San Jose	New Lease	Information Technology Hardware
Cruise	58,601	Sunnyvale	Renewal	Autonomous Vehicle Technology

Occupier's Perspective

SB 131 will help reduce permitting delays for advanced manufacturing occupiers in California by exempting qualifying projects, such as those for the semiconductor industry, from CEQA review. While not a cure all, this should streamline project delivery, which will be advantageous for companies looking to reshore operations in the Silicon Valley.

Tenants continue to prioritize spaces with existing infrastructure, especially those with extensive HVAC and power upgrades. Lengthy lead times for power upgrades have constrained projects and new development.

Tariff uncertainty is contributing to market hesitation, with R&D occupiers particularly affected due to their reliance on imported materials. However, it also presents an opportunity for companies that are positioned to absorb advanced manufacturing domestically.

Market Trends

Top enterprise firms are taking advantage of the high vacancy environment to acquire R&D campuses. Companies such as Apple and Nvidia are purchasing R&D assets in order to control long term cost, avoid future lease volatility, and adapt the space to meet evolving operational needs.

Santa Clara faces the greatest impact from power constraints, as rapid data center growth has stretched Silicon Valley Power's capacity, leading to a pause on new electrical hookups in some areas.

44.1% of leases signed in Q2 were 20K-25K size range, while 36.5% of the deals were between the 50K-75K range. Only one lease exceeded 100K SF, with the majority of activity, 74.8%, concentrated in the Fremont/Newark, Santa Clara, and Sunnyvale submarkets.

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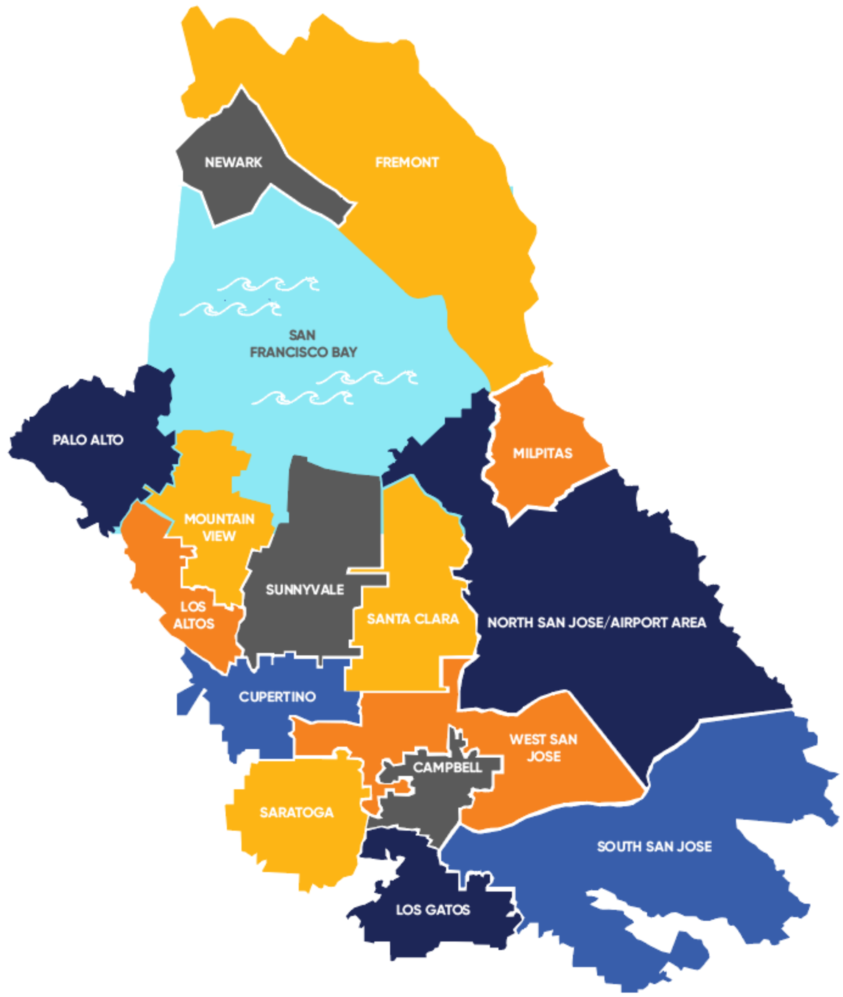
R&D Submarket Statistics | Q2 2025



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Submarket	Inventory	Direct Asking Rent (FS)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
Fremont/Newark	20,394,691	$2.40 =	9.8%	2.4%	12.3% ↑	14.6%	(296,964)
Milpitas	8,846,635	$2.63 ↓	7.9%	2.8%	10.7% =	12.3%	(6,756)
North San Jose/Airport Area	27,930,040	$2.68 =	6.8%	0.9%	7.8% ↓	13.1%	258,527
South San Jose	7,432,119	$1.67 =	13.3%	0.0%	13.3% ↑	21.6%	(6,587)
West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	2,159,726	$2.43 =	3.0%	0.0%	3.0% =	6.8%	(3,879)
Cupertino	2,266,347	$2.98 ↑	2.5%	0.0%	2.5% =	2.5%	0
Santa Clara	12,342,026	$2.84 =	7.9%	1.7%	9.6% =	12.7%	57,516
Sunnyvale	13,443,696	$3.22 ↑	8.4%	0.3%	8.7% ↓	10.3%	(1,588)
Mountain View	7,230,356	$4.36 =	8.9%	0.8%	9.7% ↑	10.2%	(37,805)
Palo Alto	4,602,135	$6.27 ↑	6.2%	1.9%	8.1% =	8.4%	25,997
Total	**106,647,771**	**$2.77** =	**8.2%**	**1.3%**	**9.5%** =	**12.8%**	**(11,539)**

*Arrows indicate changes from previous quarter.