



NEWMARK

Silicon Valley R&D Market Overview

1Q26

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U.S. Market Observations



Economy

- The San Jose–Sunnyvale–Santa Clara MSA unemployment rate decreased to 4.0% in January of 2026, down 30 basis points from the previous year.
- Total nonfarm payroll employment in the local market decreased 0.7% year-over-year, diverging from national contraction of 0.3%.
- Industrial sectors led employment growth across the San Jose-Santa Clara-Sunnyvale region. Growth was most pronounced in Mining and Construction, which expanded 6.0% year-over-year, and Manufacturing represented 11.0% of the total regional employment, which grew 1.5% over the same period.



Leasing Market Fundamentals

- Overall market vacancy held steady at 13.6% and recorded a 50-basis point increase compared to the same period last year.
- Silicon Valley’s R&D rental rates held firm at \$2.77 NNN, unchanged from the previous quarter. On an annual basis, the current rate stood 1.7% below the 2025 full-year average asking rent.
- Sublease availability rose 9.3% from the previous quarter, primarily driven by two new blocks of space added to the market, both located in San Jose.



Major Transactions

- Silicon Valley’s R&D sector recorded 3.1M SF of leasing activity in the first quarter of 2026, a 34.7% increase year-over-year and a 21.5% increase from the previous quarter. Activity was driven by several large transactions which were concentrated in San Jose.
- Notable transactions included Credo Semiconductor’s 190.0K SF direct lease and Jabil’s 181.7K SF renewal, both in San Jose, signaling continued demand from advanced manufacturing and AI-related hardware.



Outlook

- R&D construction activity remained subdued in the first quarter of 2026, maintaining two active, under construction projects in the pipeline.
- Increased growth in the U.S. information and manufacturing sectors bode well for Silicon Valley as it continues to lead in R&D innovation. This momentum is expected to support local development and job growth, helping to counterbalance national declines in Manufacturing employment.

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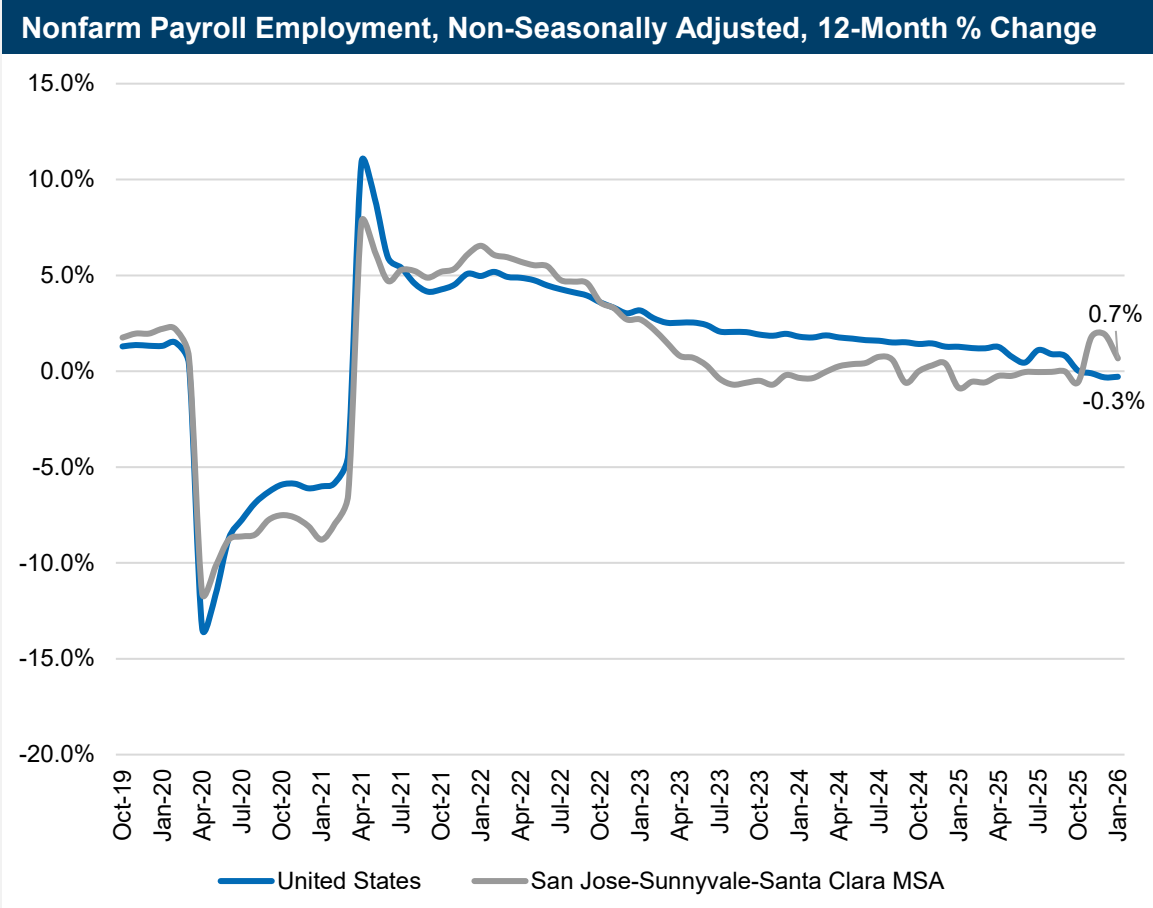
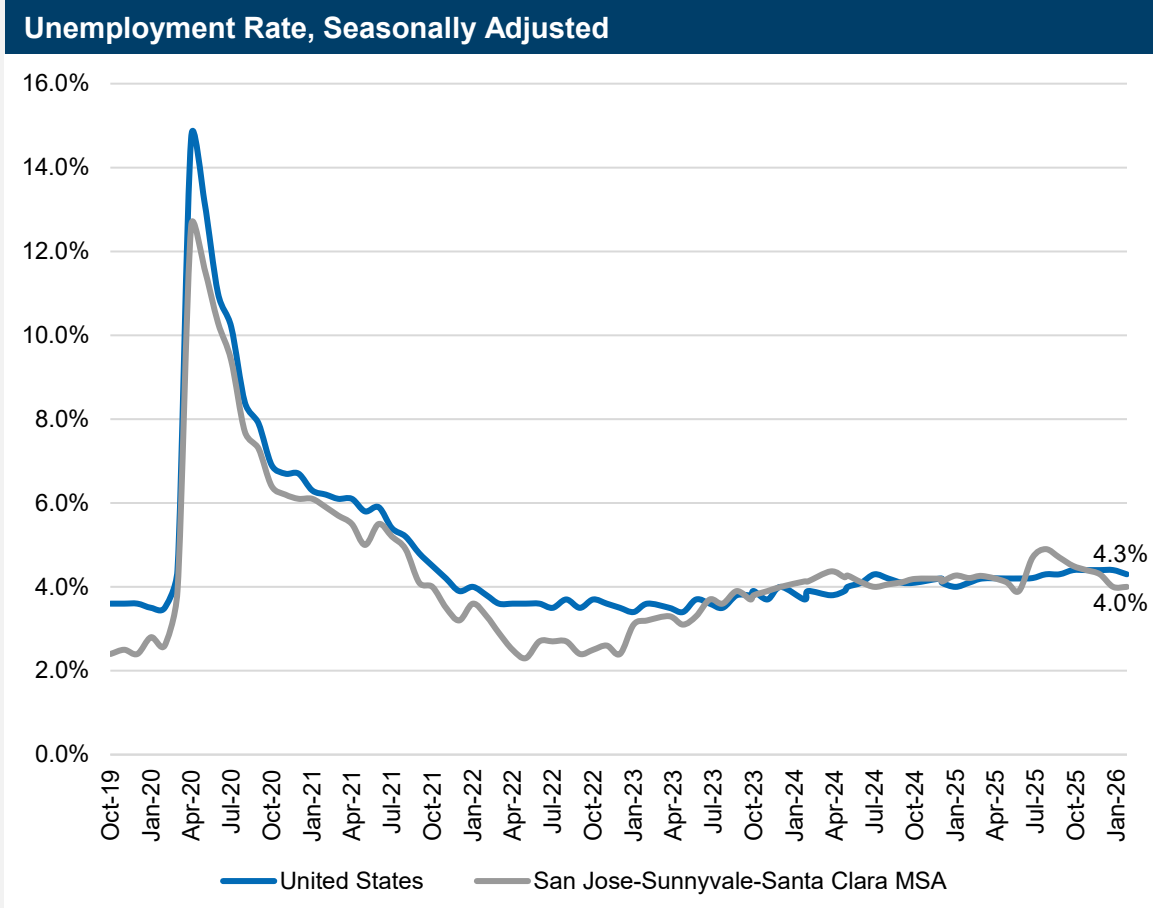
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Economy

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Local Labor Market Outperformed National Trends

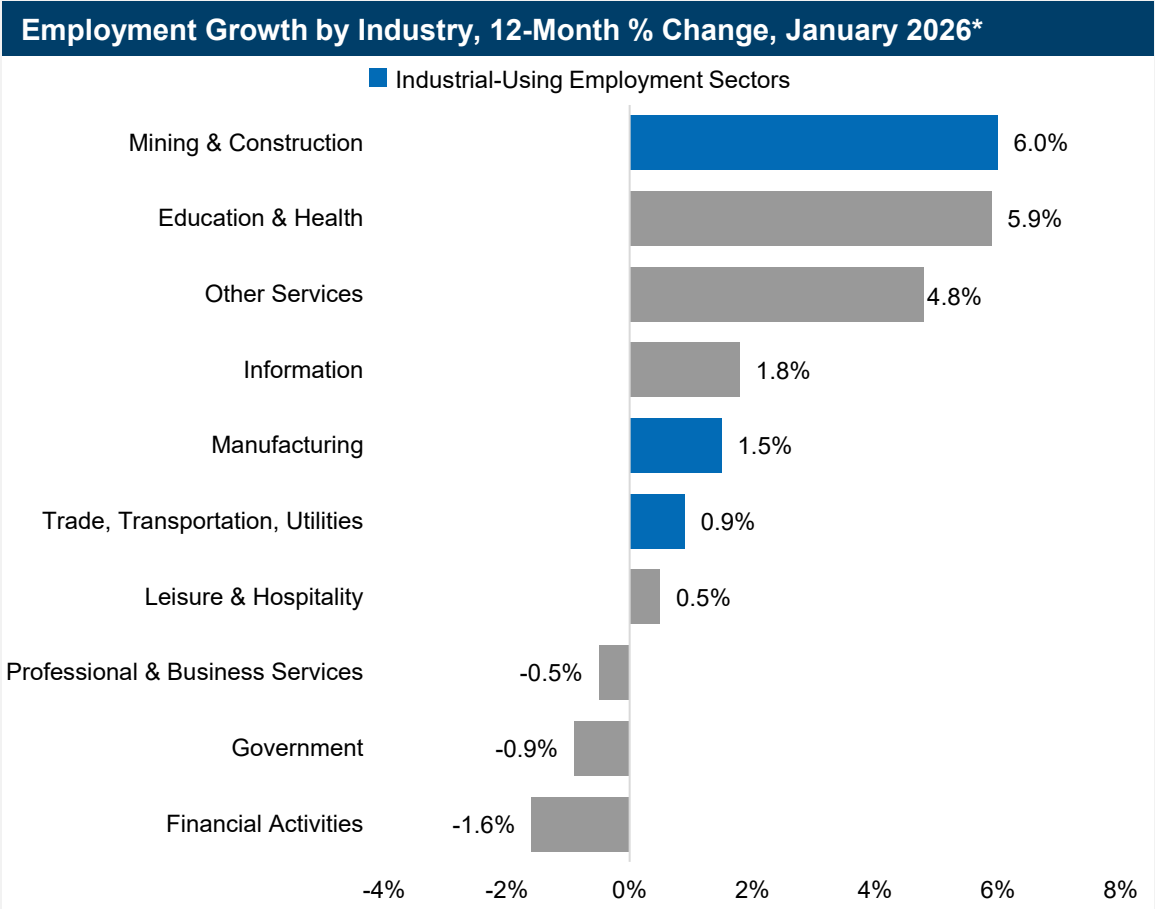
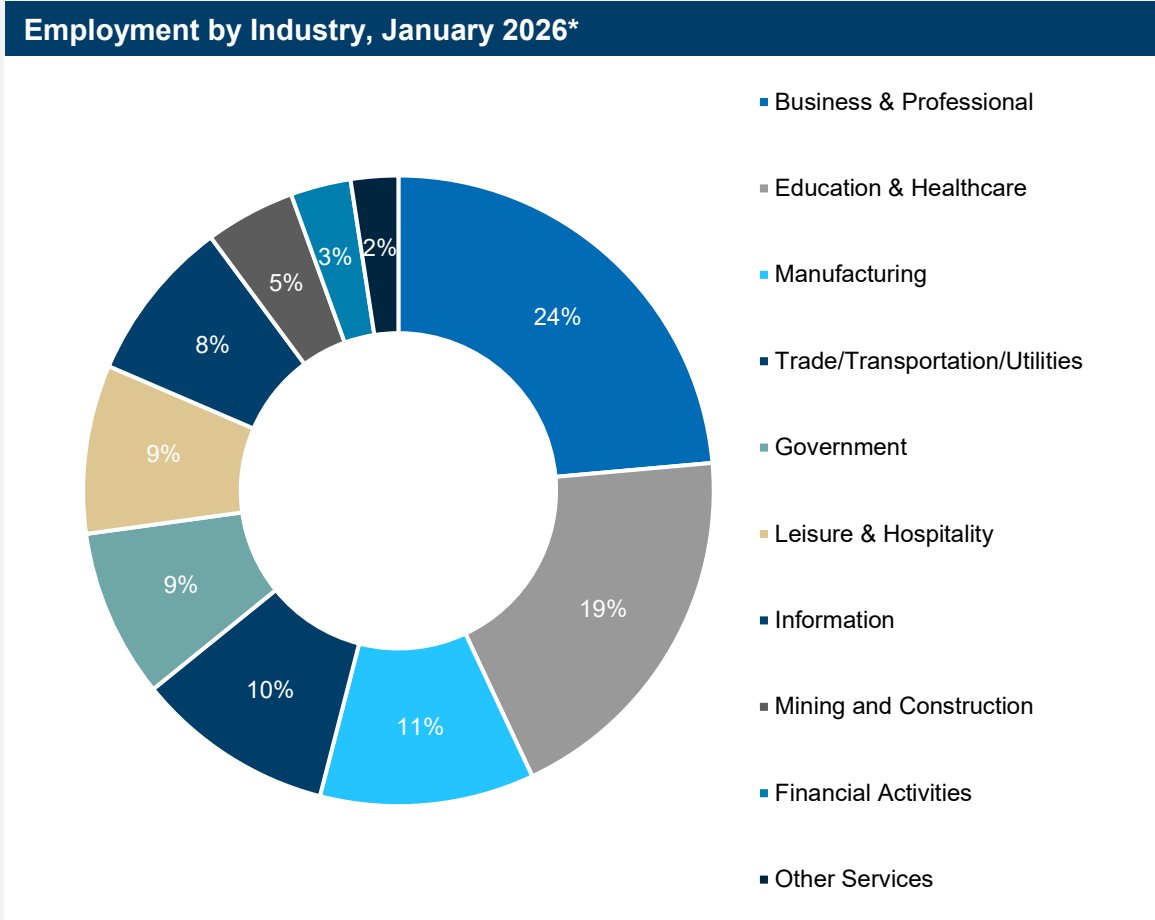
The San Jose–Sunnyvale–Santa Clara MSA unemployment rate decreased to 4.0% in January 2026, down 30 basis points from the previous year. Nationally, the unemployment rate followed the opposite path, as it increased 30 basis points over the same period. In contrast, total nonfarm payroll employment in the local market increased 0.7% year-over-year, diverging from a national contraction of 0.3%.



Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale
 *January 2026 data is preliminary

Industrial-Using Sectors Led Regional Employment Growth

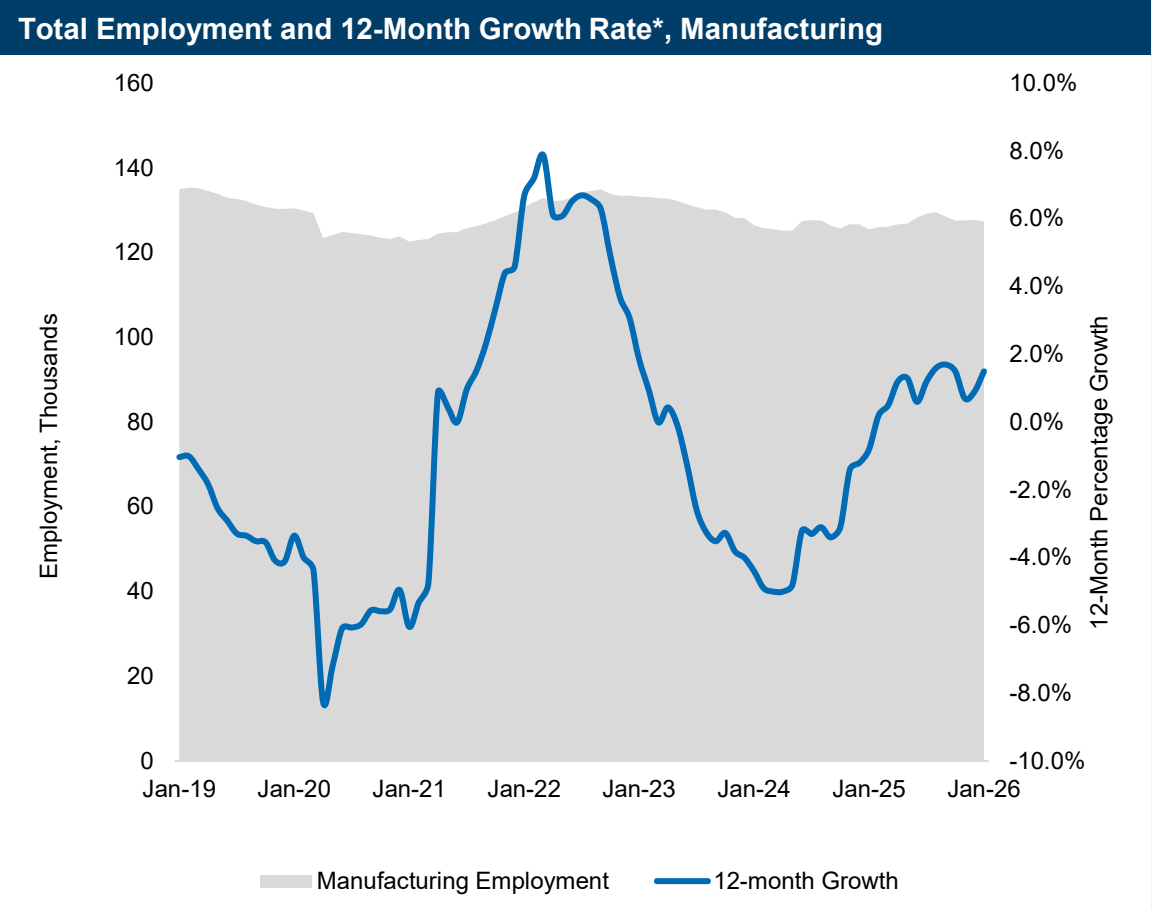
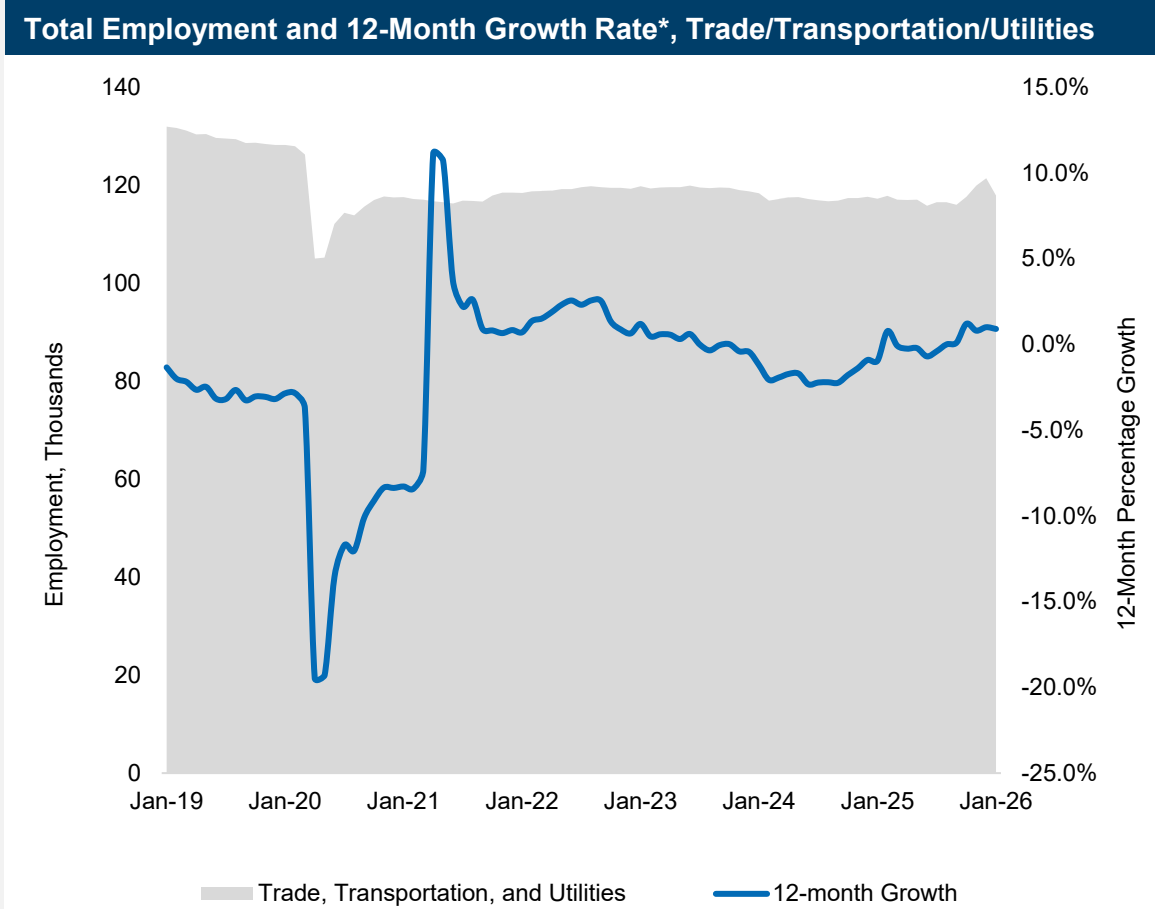
Industrial-using sectors led employment growth across the San Jose-Santa Clara-Sunnyvale region. Growth was most pronounced in Mining and Construction, which expanded 6.0% year-over-year, while Manufacturing, representing 11.0% of total regional employment, and grew 1.5% over the same period. The broad-based gains pointed to expanded activity across both infrastructure and service-oriented industries heading into the year, reinforcing the demand backdrop for R&D and industrial space in the region.



Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale
 *Preliminary as of 04/15/2026

Trade and Manufacturing Employment Returned to Growth

Employment in Trade, Transportation, and Utilities returned to positive territory in the first quarter of 2026, expanding 0.9% year-over-year to 117.9K jobs after holding essentially flat in the fourth quarter of 2025. Manufacturing employment reversed its prior contraction as well, growing 1.5% year-over-year to 127.4K jobs, a notable swing from the 3.2% decline recorded in the previous quarter. The rebound suggested that earlier pressure from softened global demand for technology products had begun to ease, although Manufacturing remained sensitive to shifts in global tech demand and trade policy given its increasingly capital-intensive profile and historical role as a key regional employer.



Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale
 *Preliminary as of 4/15/2026



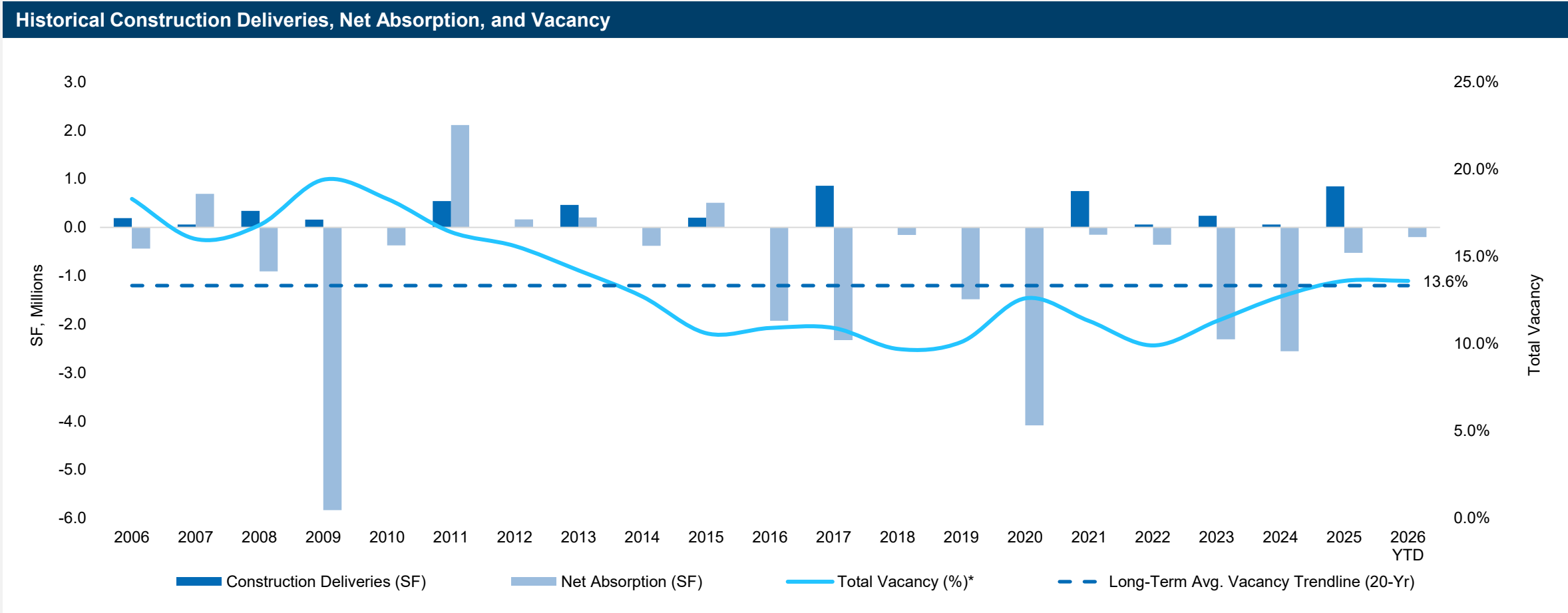
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Leasing Market Fundamentals

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R&D Market Stabilized as Absorption Losses Moderated

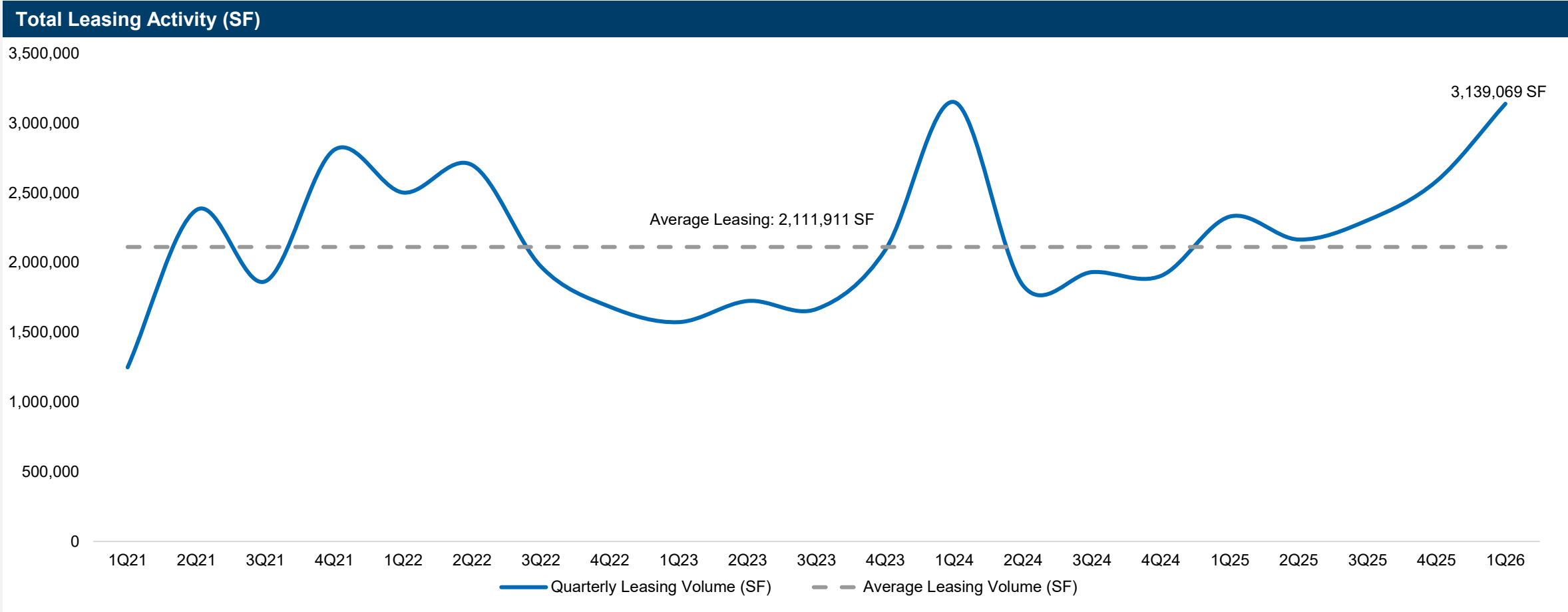
The Silicon Valley R&D market entered the year on cautious footing as total vacancy held steady at 13.6%, reflecting a 50-basis point increase compared to the same period a year ago. Net absorption, although negative at 201.8K SF, marked a 61.5% improvement over the prior year's figure of negative 524.7K SF, signaling early signs of market stabilization following a decade of consecutive yearly negative absorption.



Source: Newmark Research
 *Absorption includes owner-user sales and owner-user constructed deliveries.

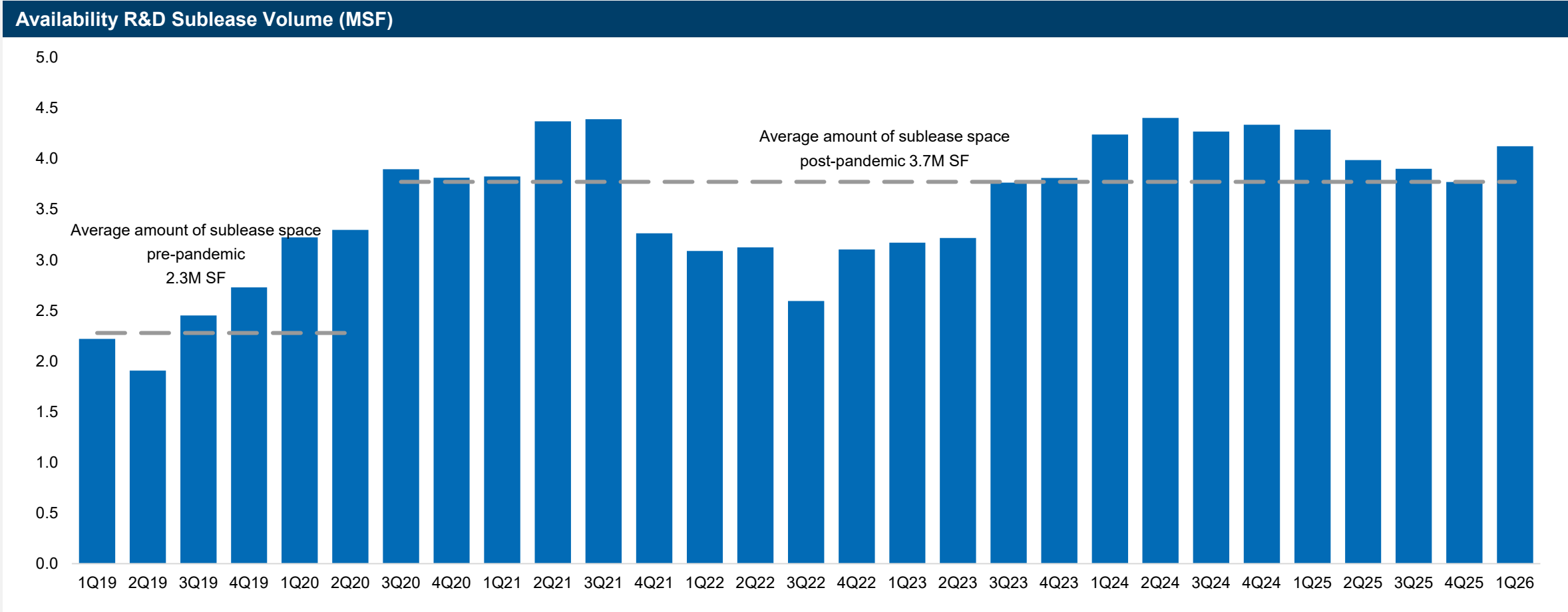
Gross Absorption Surged on San Jose Leasing Activity

The first quarter of 2026 closed with 3.1M SF of gross absorption, a 34.7% increase year-over-year and a 21.5% increase from the previous quarter. This quarter's larger transactions, which drove much of the uplift, were concentrated in San Jose, the city that posted the highest gross absorption across Silicon Valley and continued to anchor leasing activity in the region.



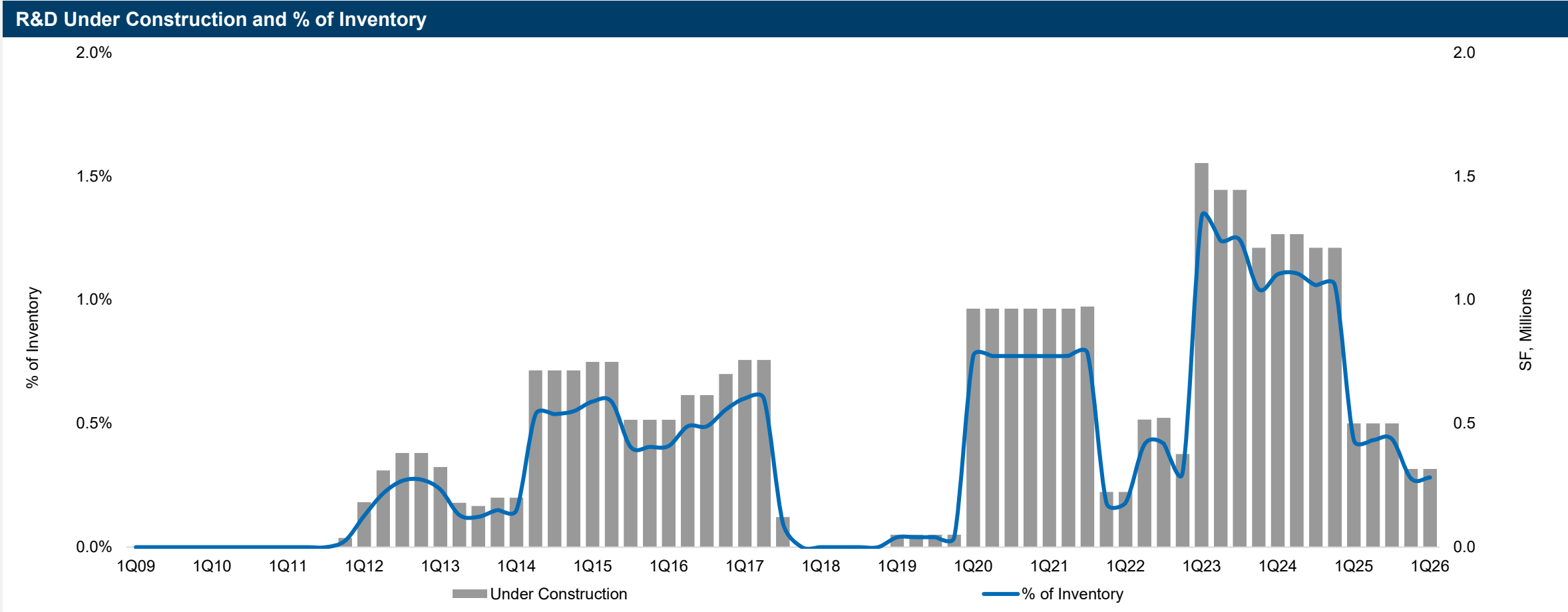
Sublease Availability Climbed on New Large-Block Additions

Sublease availability rose 9.3%, quarter-over-quarter, at the start of 2026, driven primarily by two new blocks of space added to the market: an 84.6K SF space at 2811 Orchard Parkway in San Jose, and the 80.6K SF QuantumScape sublease at 1756 Automation Parkway within the International Business Park submarket of San Jose. Total sublease availability reached 4.1M SF at quarter end, underscoring the continued overhang of second-generation space in the market.



Construction Pipeline Remained Constant in Q1 2026

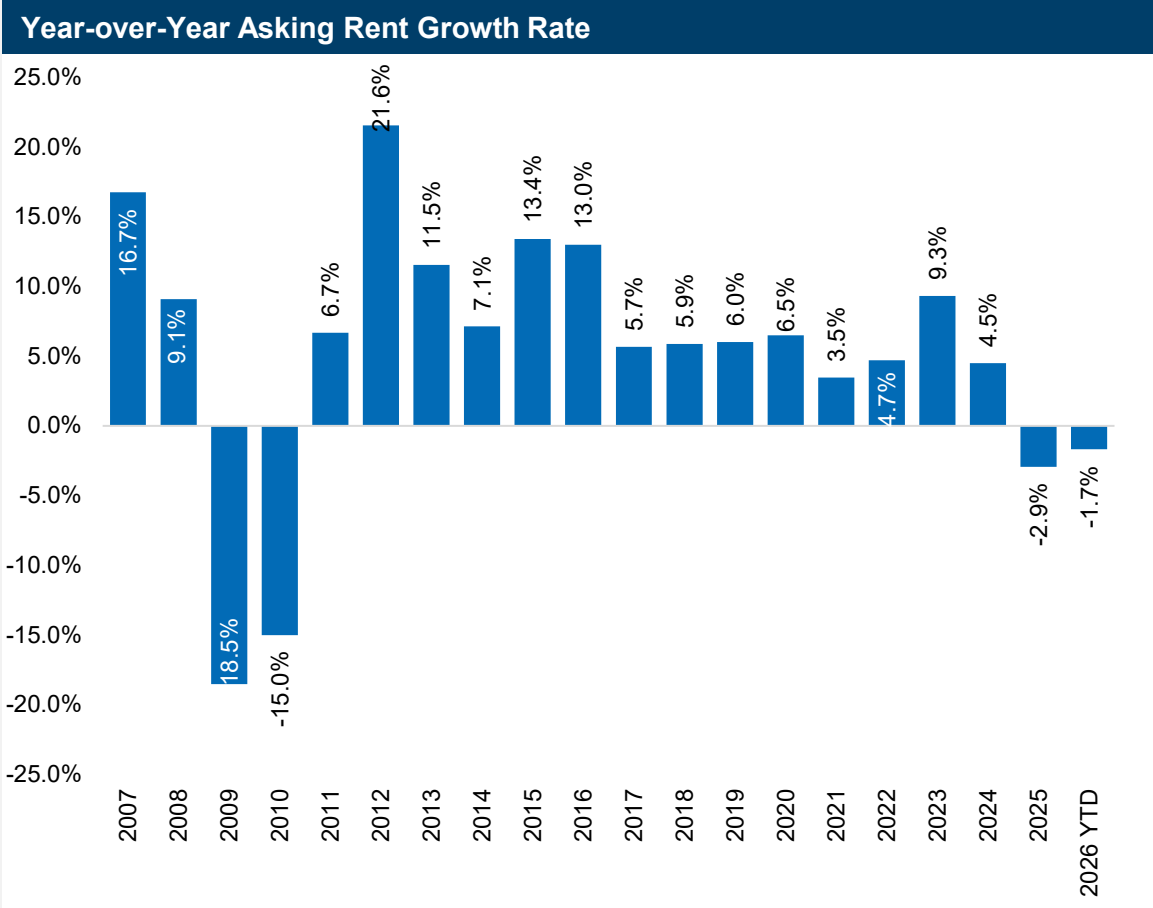
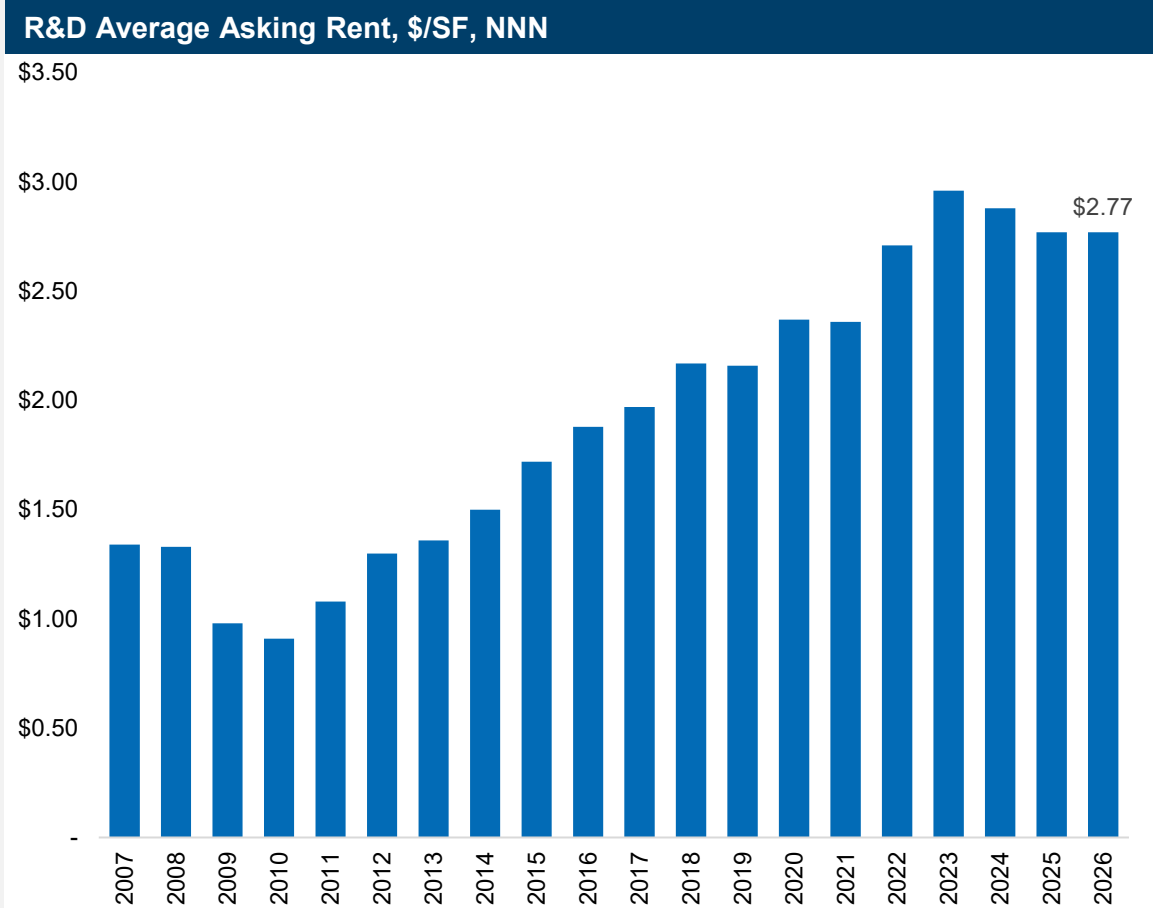
R&D construction activity remained subdued in the first quarter of 2026. The pipeline tracked only two active projects during the quarter: the 180.0K SF Epic Center building at 970 E Arques Avenue in Sunnyvale, and a 136.6K SF development at 2000 Trade Zone Boulevard in San Jose. Under Construction space represented 0.3% of total R&D inventory, down 10 basis points from 0.4% one year earlier, reflecting a continued pullback in new development activity.



Source: Newmark Research, CoStar, San Jose-Santa Clara-Sunnyvale MSA

Asking Rents Held Flat Quarter-Over-quarter

R&D rental rates held flat quarter-over-quarter at \$2.77 NNN, unchanged from the fourth quarter of 2025. On an annual basis, the current rate stood 1.7% below the 2025 full-year average asking rent. With a thin construction pipeline limiting new supply and tenants continuing to exercise caution when committing to larger blocks of space, asking rates appeared positioned to remain stable through 2026.



Large Transactions Drove Gross Absorption in The First Quarter

Silicon Valley’s R&D sector recorded 3.1M SF of gross absorption in the first quarter of 2026 representing a 21.5% increase year-over-year. Activity was driven by several large transactions, led by Credo Semiconductor’s 190.0K SF lease in North San Jose. Other notable transactions included Jabil’s 181.7K SF and SI Time’s 149.1K SF leases, both signaling continued demand from advanced manufacturing.

Notable 4Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Credo Semiconductor	90-134 Rio Robles	San Jose – North	Direct Lease	189,983
<i>Credo Semiconductor, a semiconductor supplier, expanded their presence at the Riotech Office Park with a direct lease in the North San Jose submarket.</i>				
Jabil	30-32 Great Oaks Blvd	San Jose – South	Lease Renewal	181,736
<i>Jabil, the electronics manufacturer, renewed its existing lease at the Great Oak Business Park in the South San Jose submarket. Jabil has been at this location since 1998.</i>				
SI Time	3250 Jay St	Santa Clara – 101 South	Direct Lease	149,062
<i>SI Time, a fabless chipmaker company, signed a direct lease at the Connect 101 building in the 101 South submarket of Santa Clara.</i>				
Kaiser Foundation Hospitals	200-254 E Hacienda Ave	Campbell	Lease Renewal	92,692
<i>Kaiser Foundation Hospitals, the healthcare provider, continued their lease in Campbell at the Vasona Technology Park.</i>				
Confidential	90 Headquarters Dr	San Jose – North	Direct Lease	83,475
<i>A confidential company signed a direct lease in North San Jose at The Assembly At North First.</i>				

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Appendix

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Access the Extended 1Q26 Silicon Valley R&D Report

To access, please reach out
to your Newmark contact.

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