



NEWMARK

Silicon Valley Industrial Market Overview

4Q25

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U.S. Market Observations



Economy

- The San Jose–Sunnyvale–Santa Clara MSA unemployment rate rose to 4.3% in November of 2025, up 10 basis points from the previous year.
- Total nonfarm payroll employment in the local market decreased 0.7% year-over-year, diverging from national growth of 0.5%.
- Industrial sectors performance was mixed throughout 2025. While the Manufacturing sector contracted by 2.9% year-over-year, the Natural Resources and the Trade, Transportation and Utilities industries both recorded expansions over the same period.



Leasing Market Fundamentals

- Vacancy rose above the long-term average of 5.8% in 2025, ending the year at 6.6%, largely driven by an increase in vacant speculative deliveries. Despite rising vacancy, net absorption improved meaningfully, totaling 505K SF and reversing two consecutive years of negative absorption.
- Gross absorption totaled 2.1M SF, down from 2.3M SF in Q3, which marked the highest quarterly level since the first quarter of 2019.



Major Transactions

- Leasing activity in 4Q25 reflected renewed confidence among large industrial and manufacturing users. The concentration of substantial transactions highlights sustained demand from advanced manufacturing and technology-related occupiers across Fremont, Newark, and Milpitas.
- The largest lease in the third quarter of 2025 was signed by Mitac Industrial, an electronics manufacturing company, with a prelease at the Campus at Bayside development



Outlook

- Two new projects broke ground in Q4, signaling renewed confidence in the Silicon Valley industrial market. This marked a notable shift after muted construction activity throughout the earlier quarters of 2025.
- The industrial labor market ended 2025 on a relatively stable footing, despite mixed performance across sectors. Strength in AI chip manufacturing, rising tech infrastructure investment, and a modest rebound in hiring and venture capital activity helped balance manufacturing headwinds.

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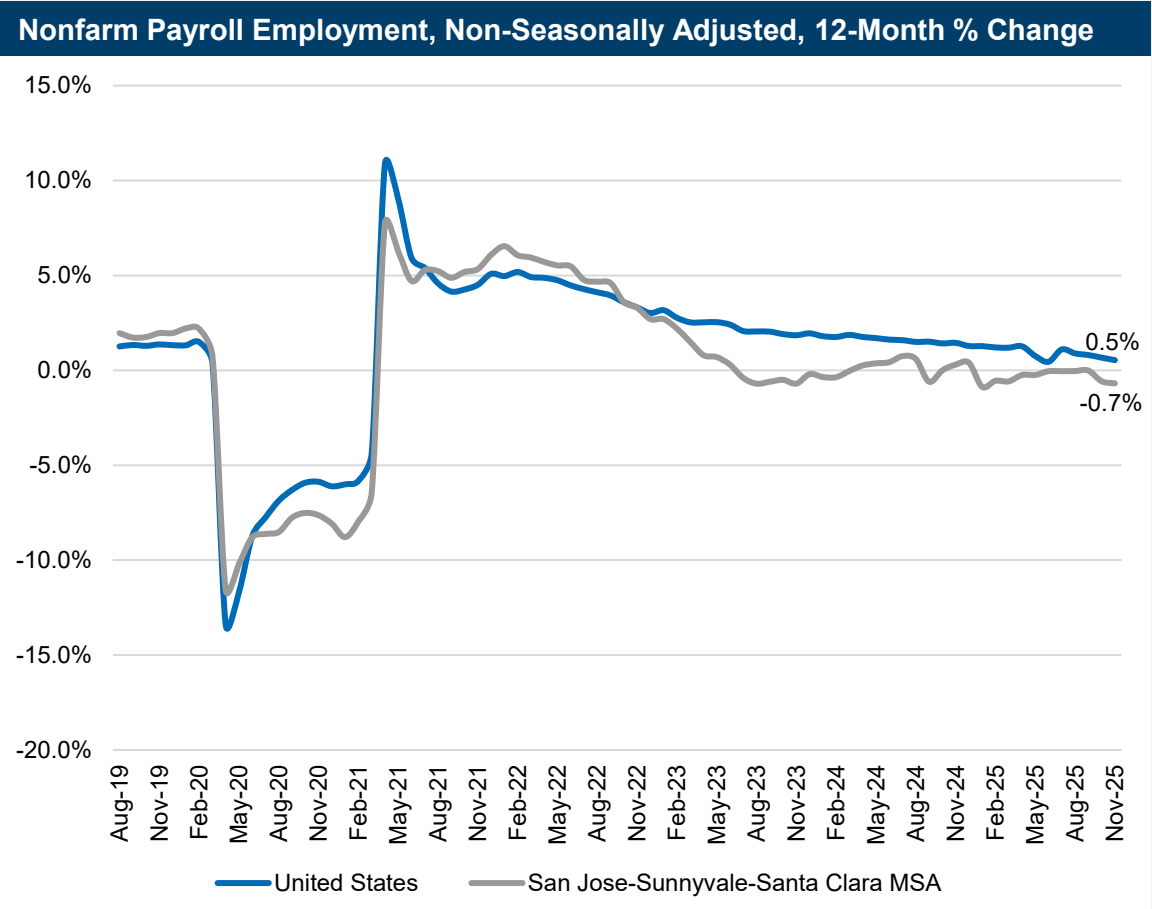
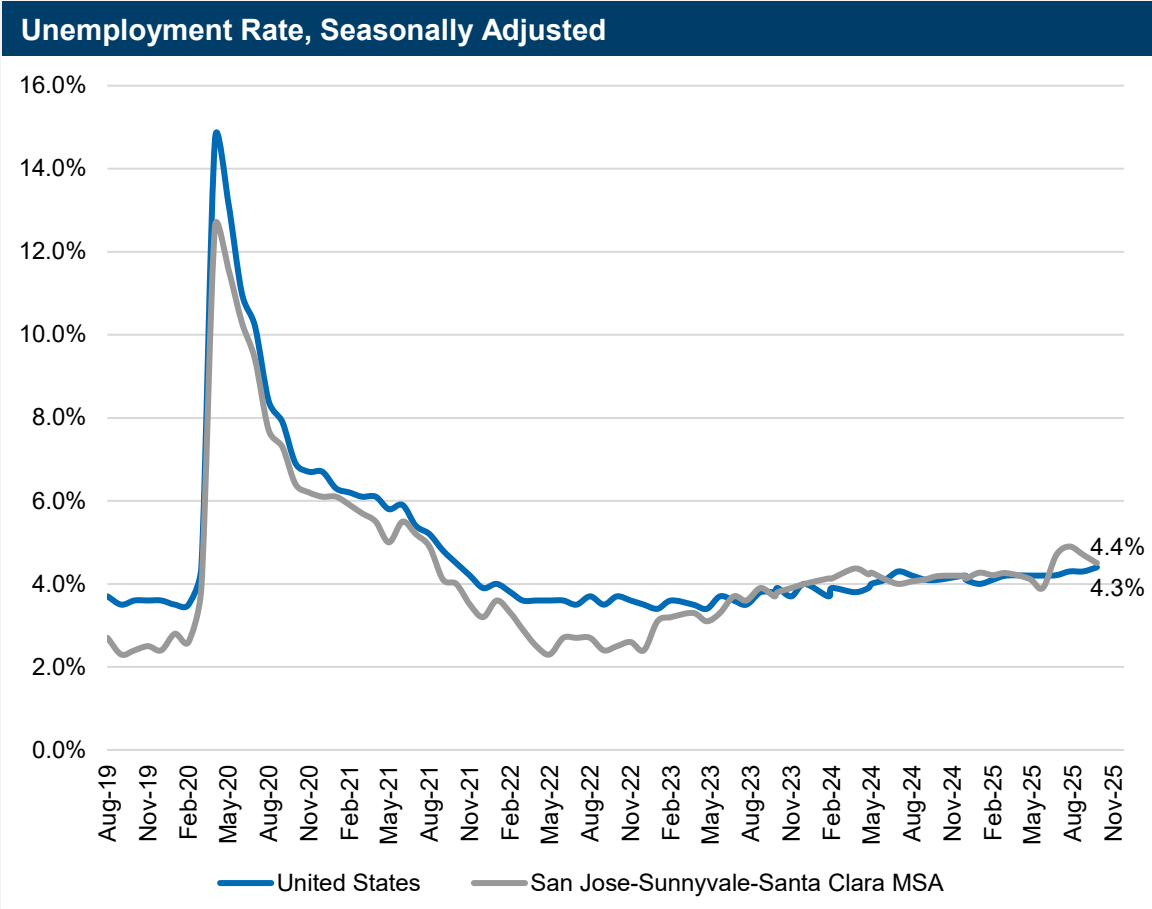
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Economy

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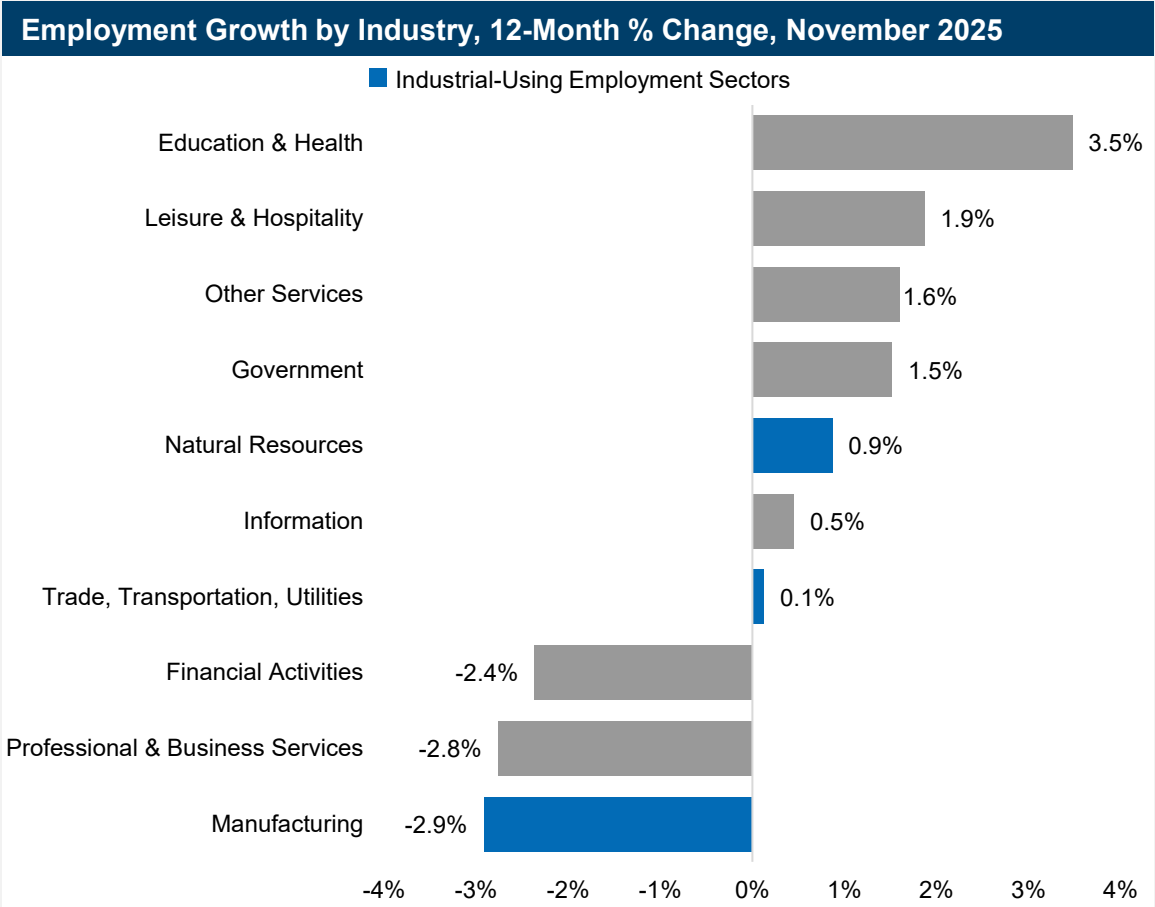
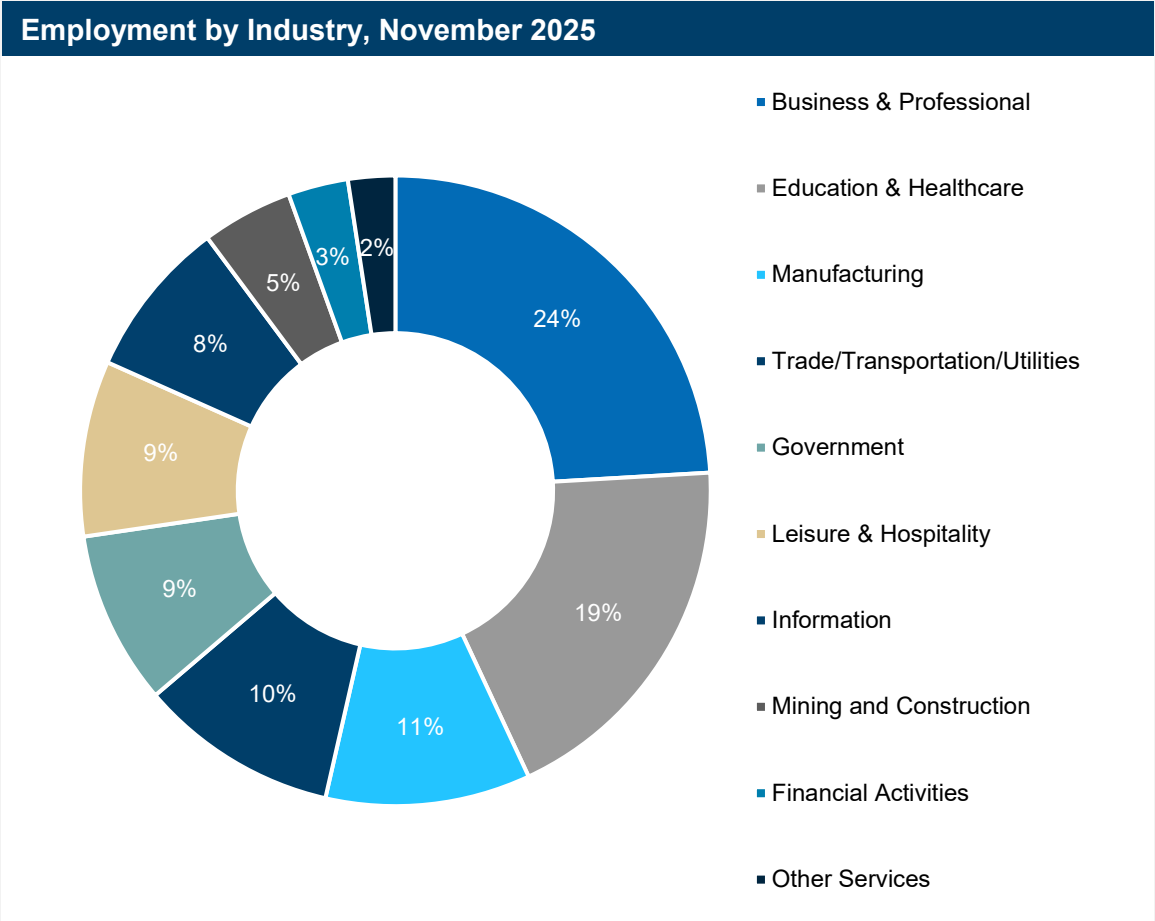
Silicon Valley Labor Market Mirrored National Unemployment Levels

The San Jose–Sunnyvale–Santa Clara MSA unemployment rate rose to 4.3% in November 2025, up 10 basis points from the previous year. Nationally, the unemployment rate followed a similar path, as it increased 20 basis points over the same period. In contrast, total nonfarm payroll employment in the local market decreased 0.7% year-over-year, diverging from national growth of 0.5%. The gap reflected ongoing adjustments within the tech sector, where restructuring and cautious rehiring have tempered job growth, yet demand in key industries hints at a rebound.



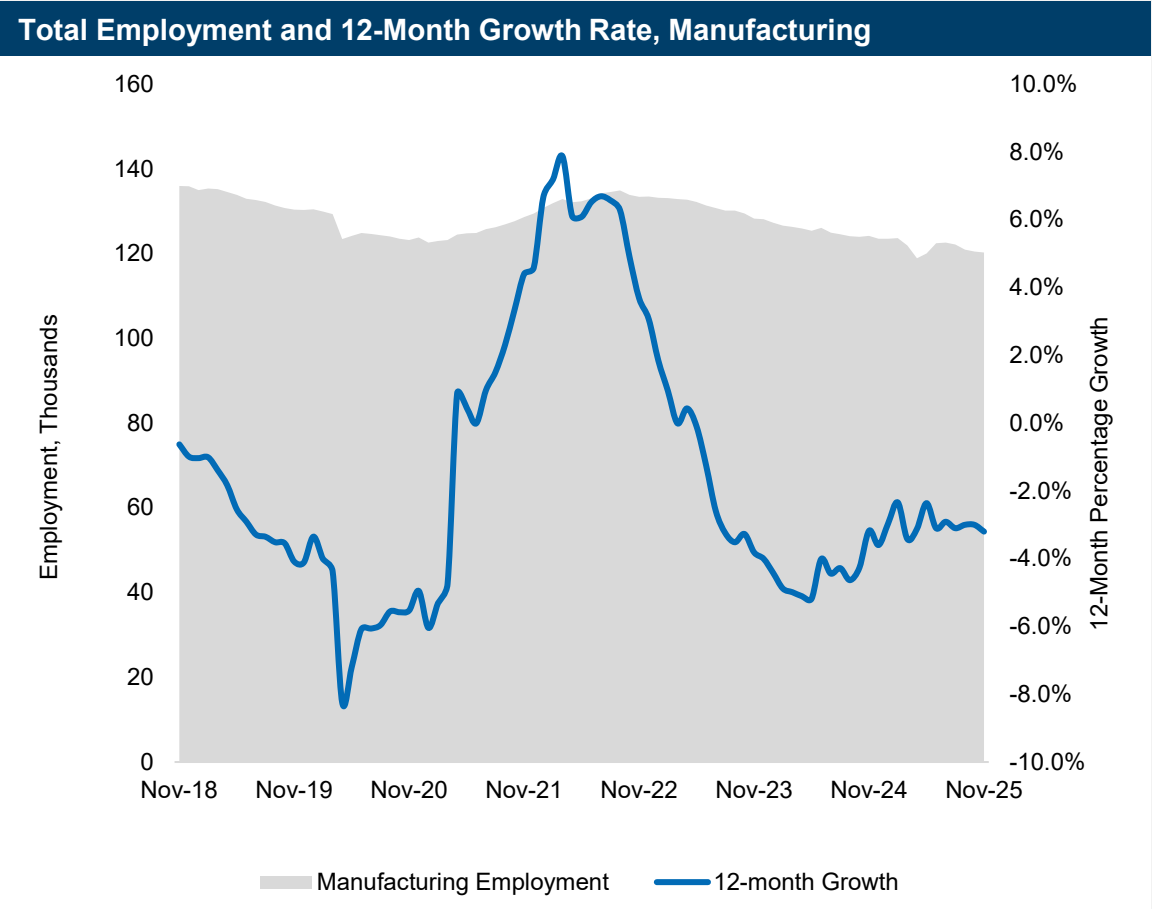
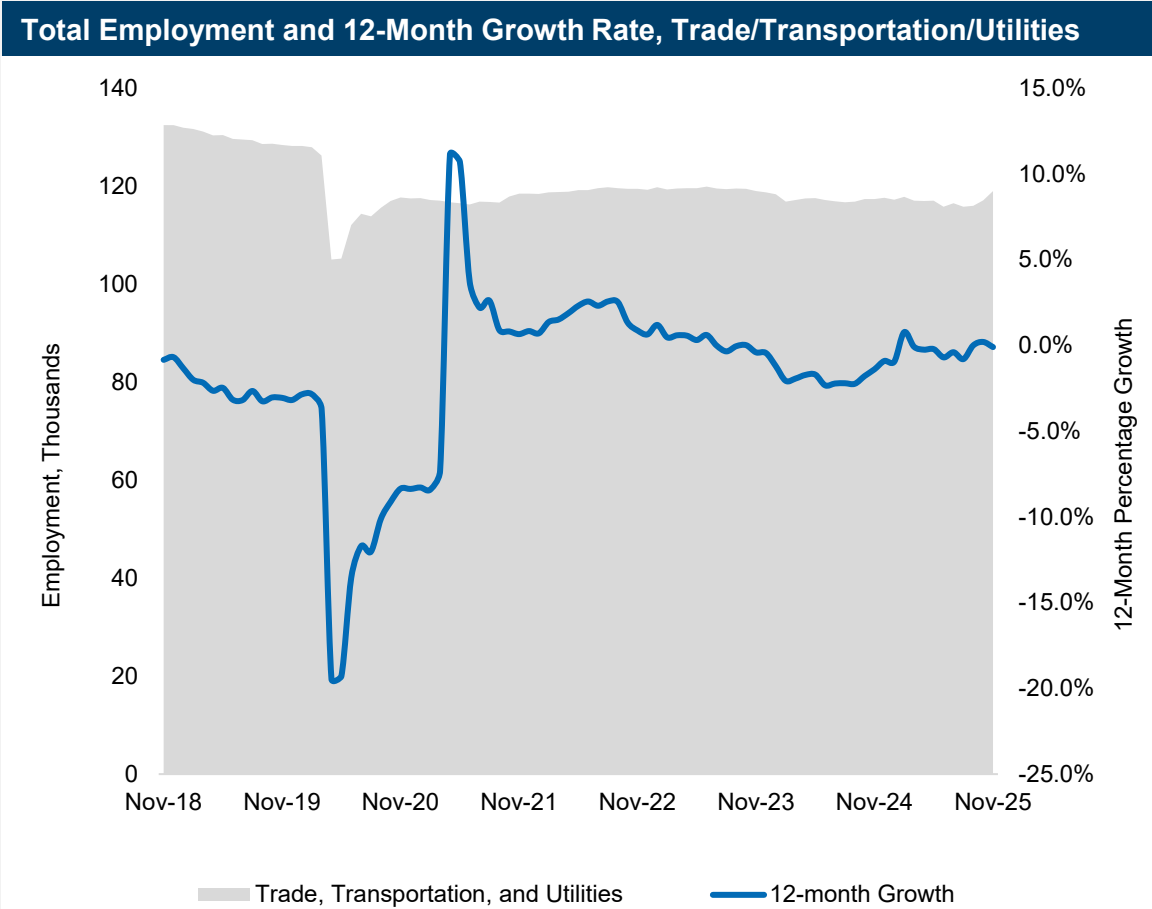
Historical Strength in Specialized Employment Persisted Through 2025

Industrial sectors performance was mixed throughout 2025. While the Manufacturing sector contracted by 2.9% year-over-year, the Natural Resources and the Trade, Transportation and Utilities industries both recorded expansions over the same period. Nonetheless, specialized employment in the San Jose-Santa Clara-Sunnyvale MSA continued to demonstrate historical resilience, typically proving more durable than broader economic segments during periods of market fluctuation.



Manufacturing Employment Declines Amid Softer Global Tech Demand

Employment in Trade, Transportation, and Utilities remained stable in Q4, with a slight 0.1% year-over-year decrease. Conversely, the Manufacturing recorded a more pronounced 3.2% contraction over the same period, a reflection of softened global demand for technology products. While Manufacturing has historically been a key employer in the region, it has become increasingly capital-intensive and more sensitive to shifts in global tech demand and trade policies.





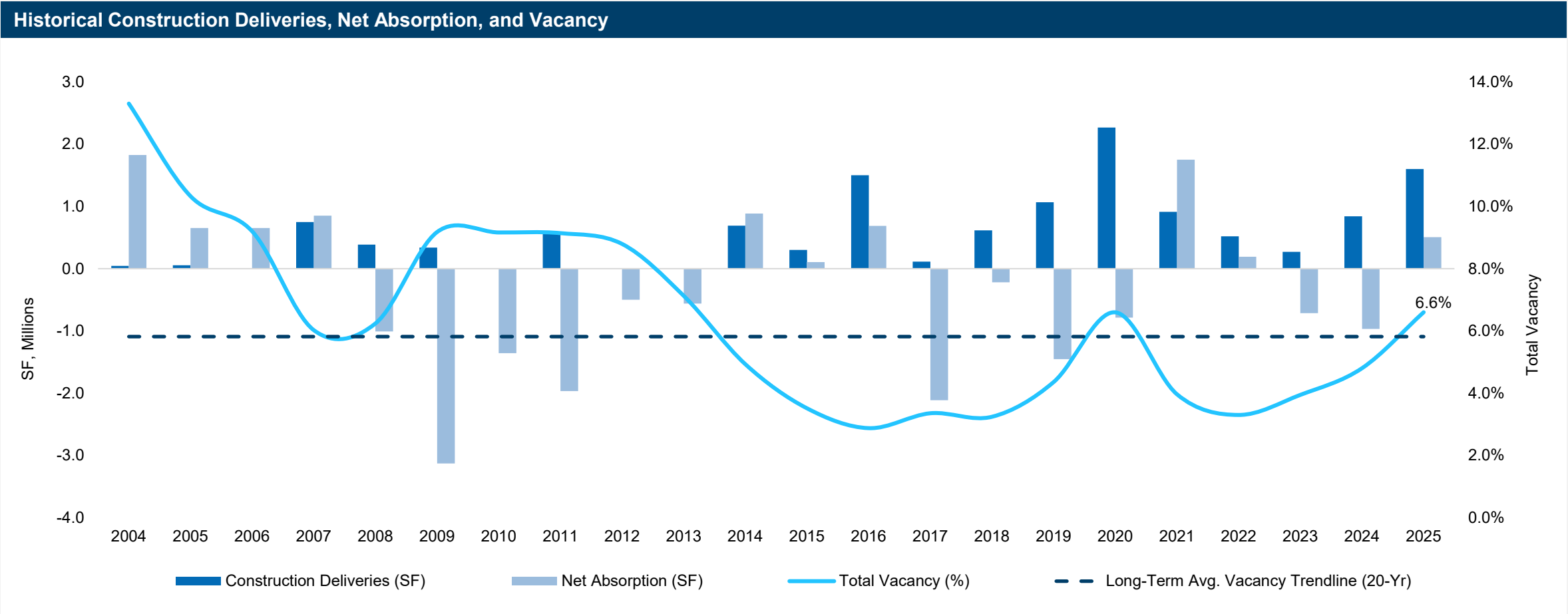
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Leasing Market Fundamentals

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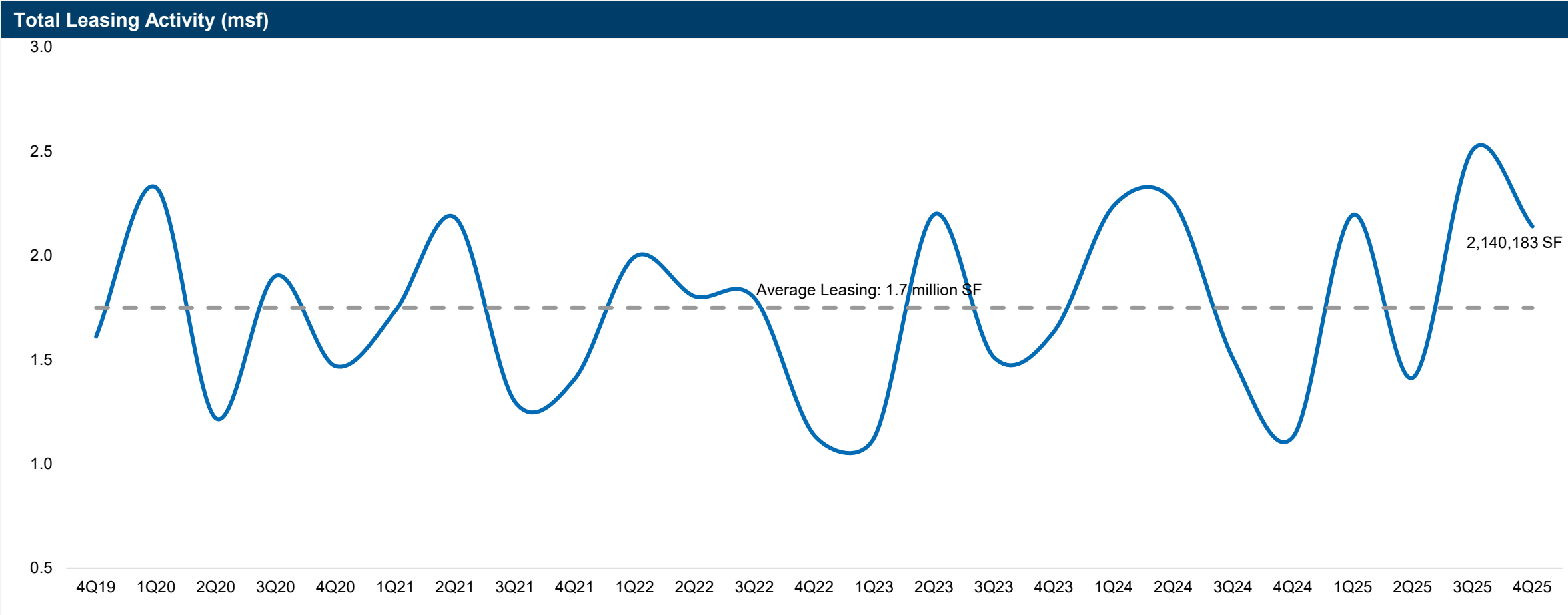
New Deliveries Push Vacancy Higher Despite Absorption Rebound

Vacancy rose above the long-term average of 5.8% in 2025, ending the year at 6.6%, largely driven by an increase in vacant speculative deliveries. Despite rising vacancy, net absorption improved meaningfully, totaling 505K SF and reversing two consecutive years of negative absorption. Construction activity also advanced, with three speculative buildings totaling 636K SF delivering in Q4 at Edenvale Industrial Park in the San Jose–South submarket, contributing to 1.6M SF of total industrial and warehouse deliveries for the year.



Seasonal Leasing Peak Gives Way to Q4 Normalization

Leasing activity cooled in Q4 following a seasonal Q3 peak. Gross absorption totaled 2.1M SF, down from 2.3M SF in Q3, which marked the highest quarterly level since 1Q 2019. Despite the decline, Q4 leasing remained above the long-term quarterly average of 1.7M SF, indicating steady underlying demand amid typical seasonal fluctuations.



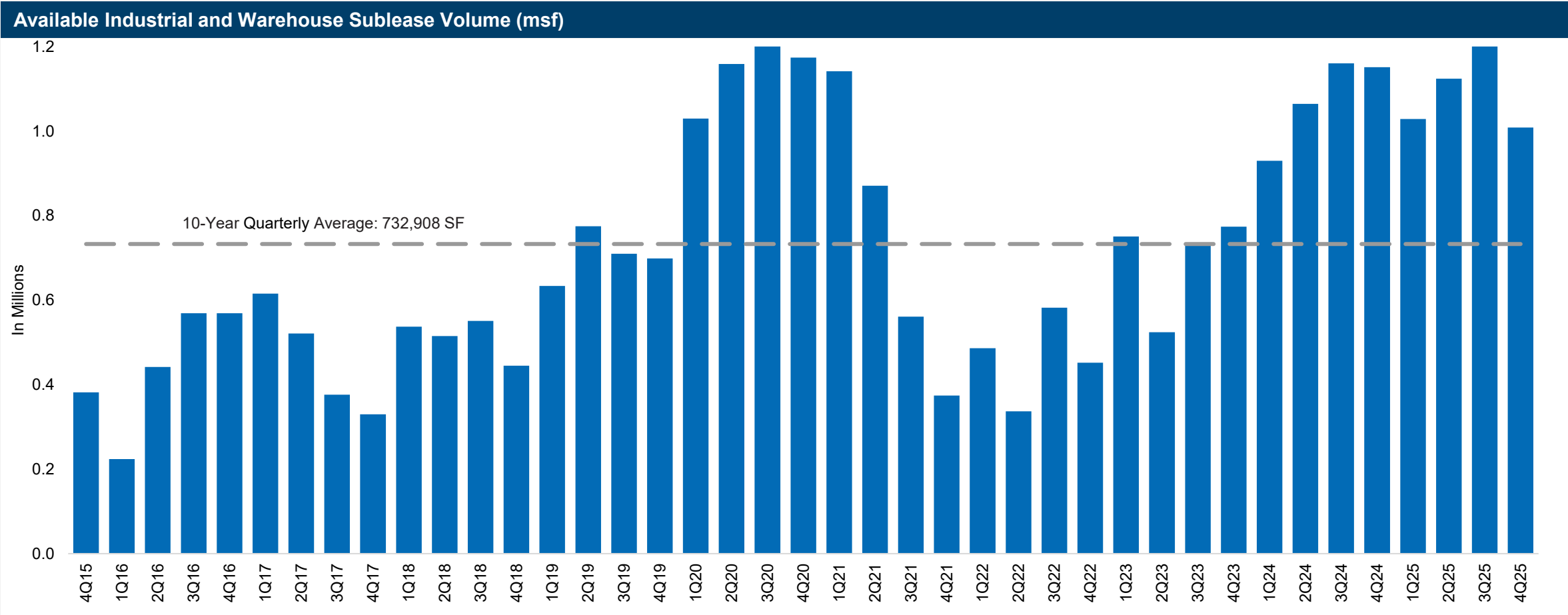
South Bay Industrial Demand Strengthens as Leasing Tops 8.3M Square Feet

Warehouse leasing activity represented 60.2% of the 8.3M SF leased year-to-date. Total industrial leasing volume surpassed 8.0M SF for the first time since 2014, breaking a decade-long streak of sub-8.0M SF annual totals. The quarter’s largest transaction was a 253.5K SF prelease in Fremont signed by electronics manufacturer Mitac Industrial. The prominence of sizable preleasing deals further signals that South Bay industrial demand is accelerating.



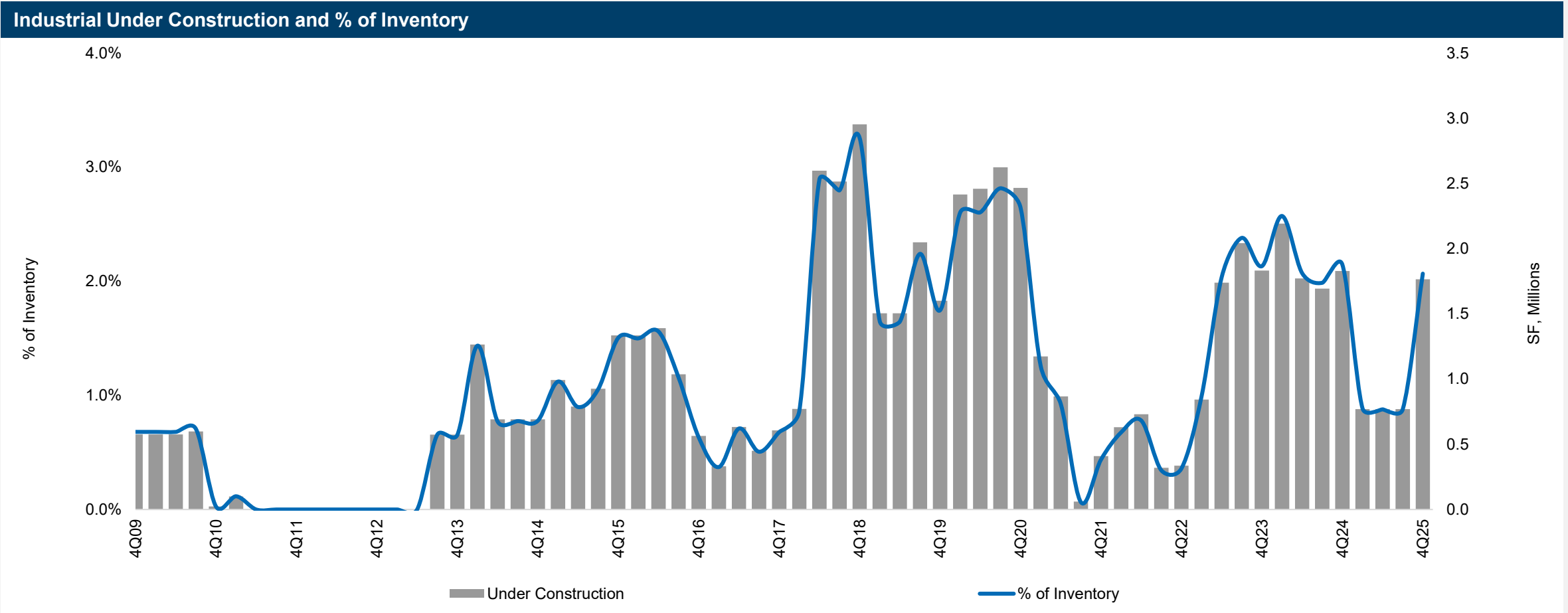
Sublease Availability Eased as Conversions to Direct Leases Increased

Sublease availability decreased 34.3% quarter-over-quarter to 1.0 million square feet, remaining above the 10-year average but easing from recent peak levels. The decrease was largely driven by sublease terminations that converted to direct leases, materially reducing available sublease inventory. Despite this improvement, sublease activity remained challenged, as many industrial sublease offerings failed to meet occupier requirements for power, clear height, dock-high and grade-level doors, and other critical specifications.



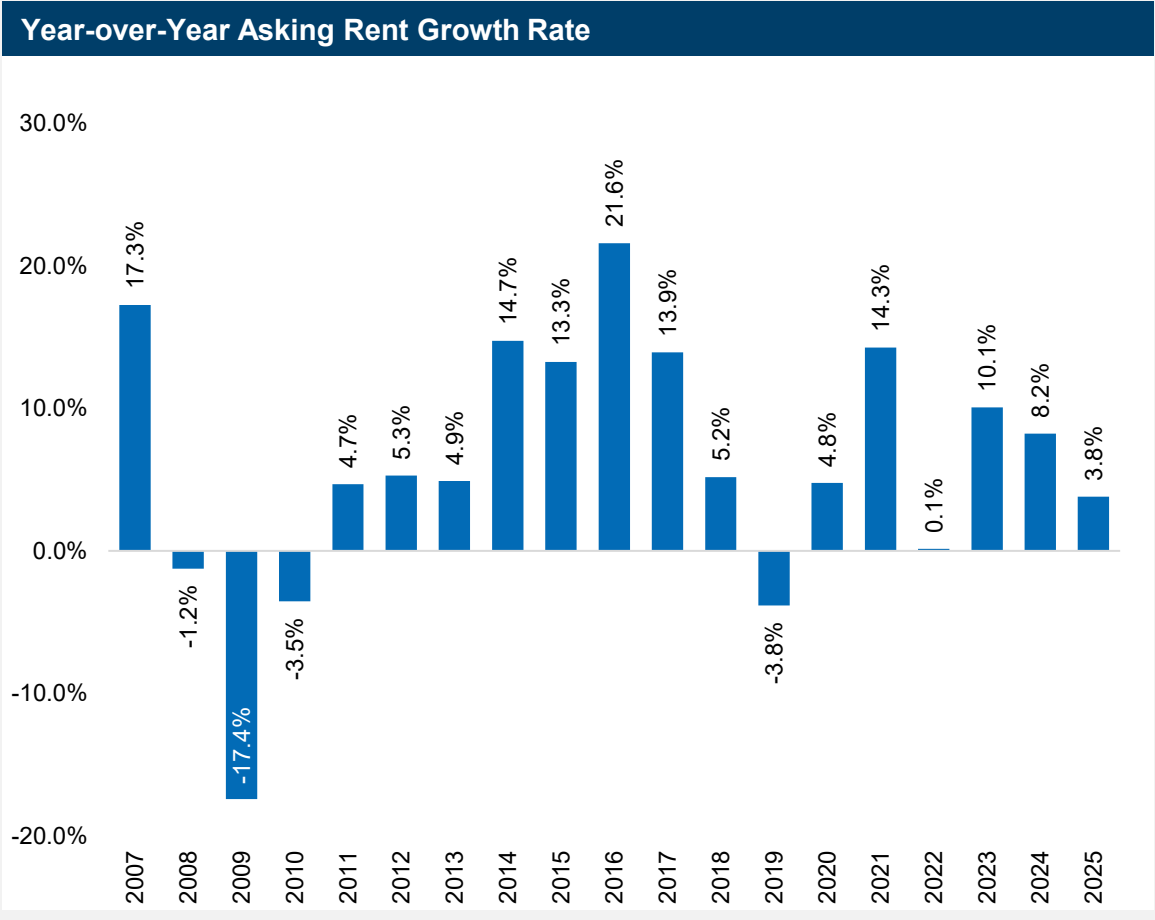
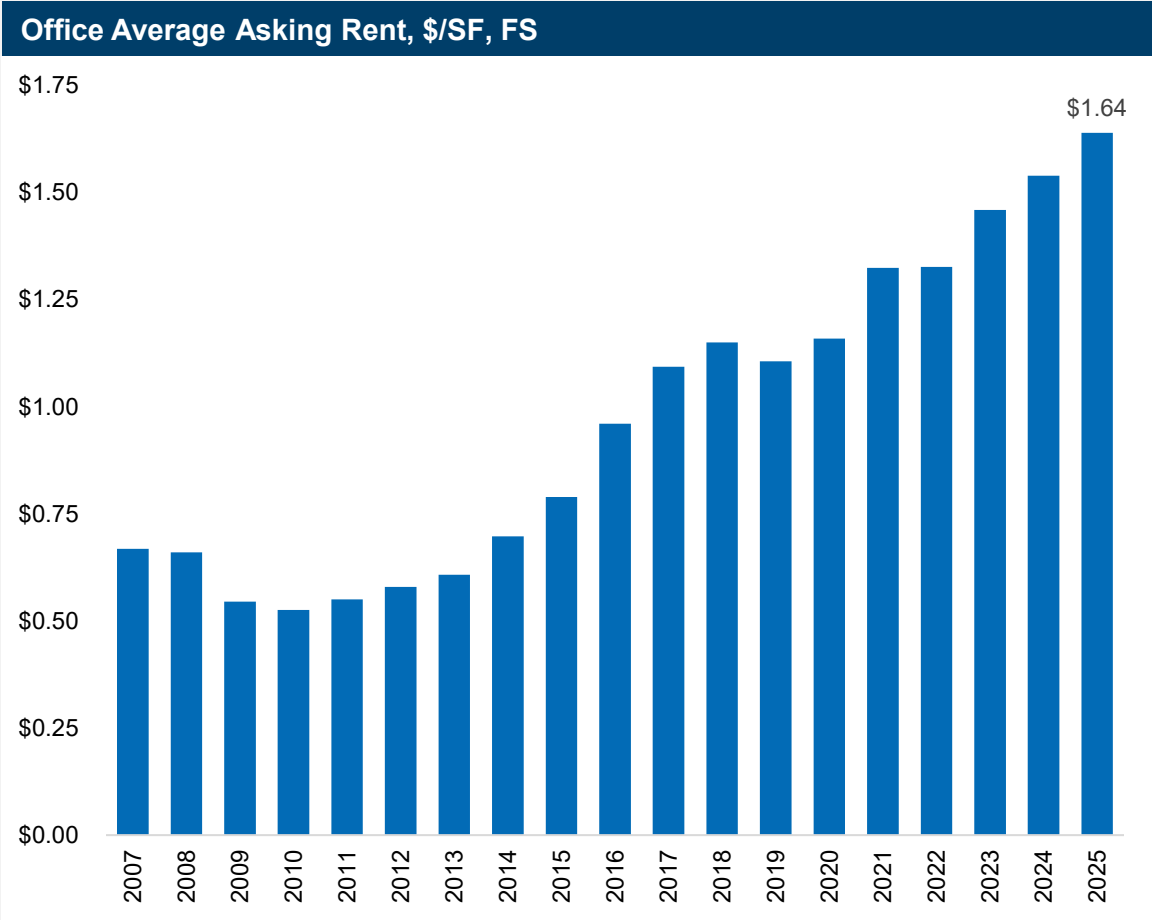
New Developments Underscored Industrial Sector Growth

Two new projects broke ground in Q4, signaling renewed confidence in the Silicon Valley industrial market. Developments at 475 Sycamore Dr. and 43990 Fremont Blvd. added positive momentum to the construction pipeline, reflecting healthy demand for modern, industrial space and sustained investment activity in the region. This marked a notable shift after muted construction activity throughout the earlier quarters of 2025.



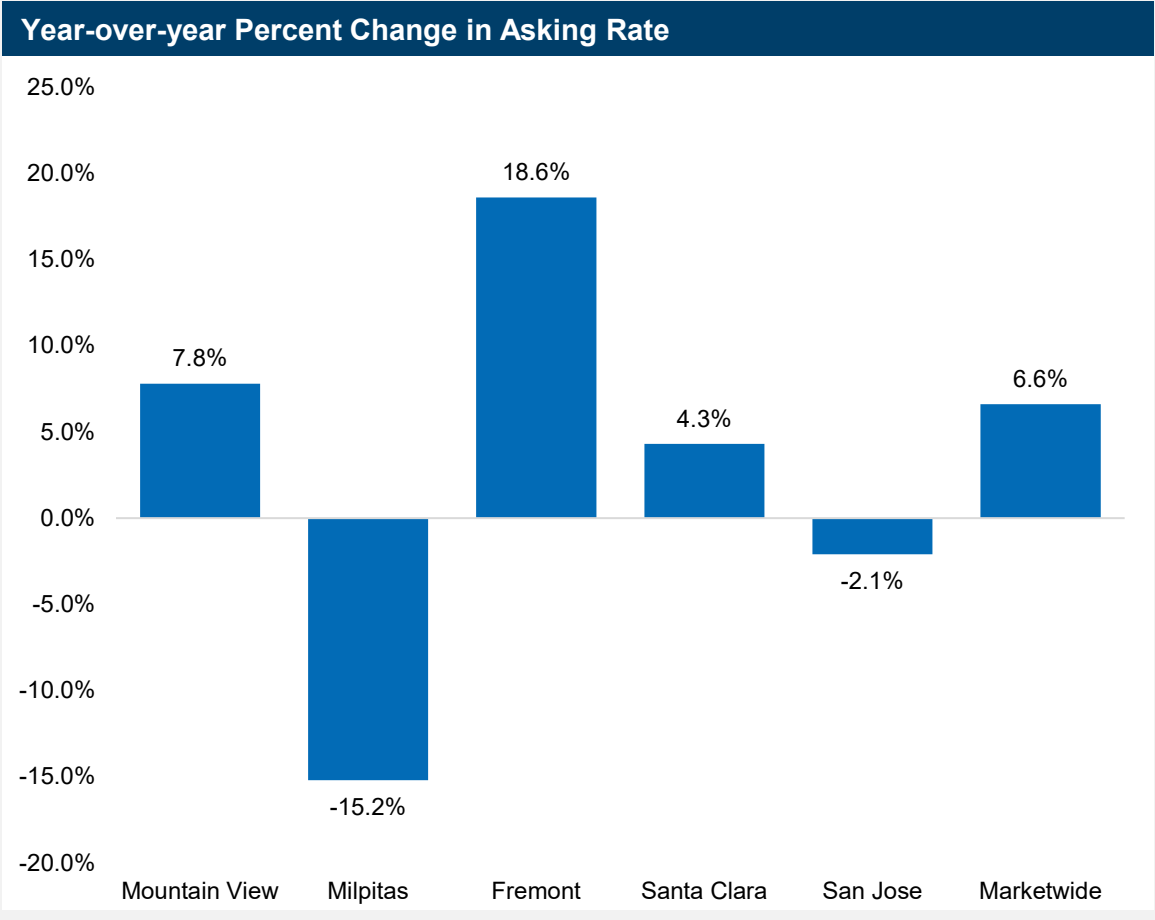
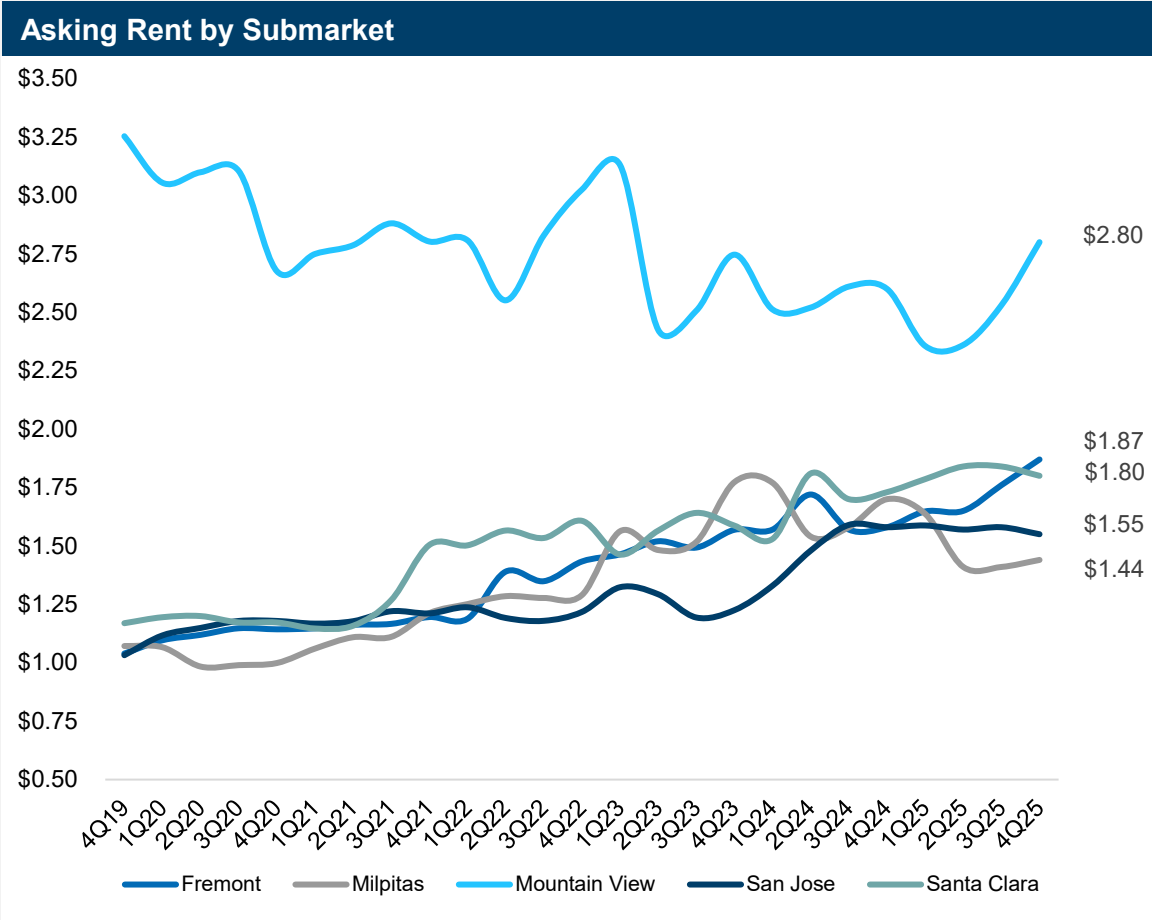
Asking Rents Slip in Q4 but Finish the Year Higher Year-Over-Year

Asking rents in the fourth quarter marginally decreased 61 basis points compared to the previous quarter, as average asking rates ended the year at \$1.64 per square foot NNN. Due to the slight quarter-over-quarter decrease, market asking rates recorded a 3.8% increase year-over-year from the previous. This is a 60 basis point year-over-year decrease from the previous quarter.



Marketwide Asking Rents Rise, Led by Fremont

Marketwide asking rents increased 6.6% year-over-year, reflecting modest but broad-based improvement across the industrial market. Fremont was the primary driver of growth, posting an 18.6% annual increase and continuing to command some of the strongest rent gains in the region. This strength more than offset softness in Milpitas, where asking rents declined 15.2% year-over-year, exerting downward pressure on the overall average. Other submarkets posted more moderate changes, reinforcing that recent rent growth has been uneven and largely concentrated in Fremont.



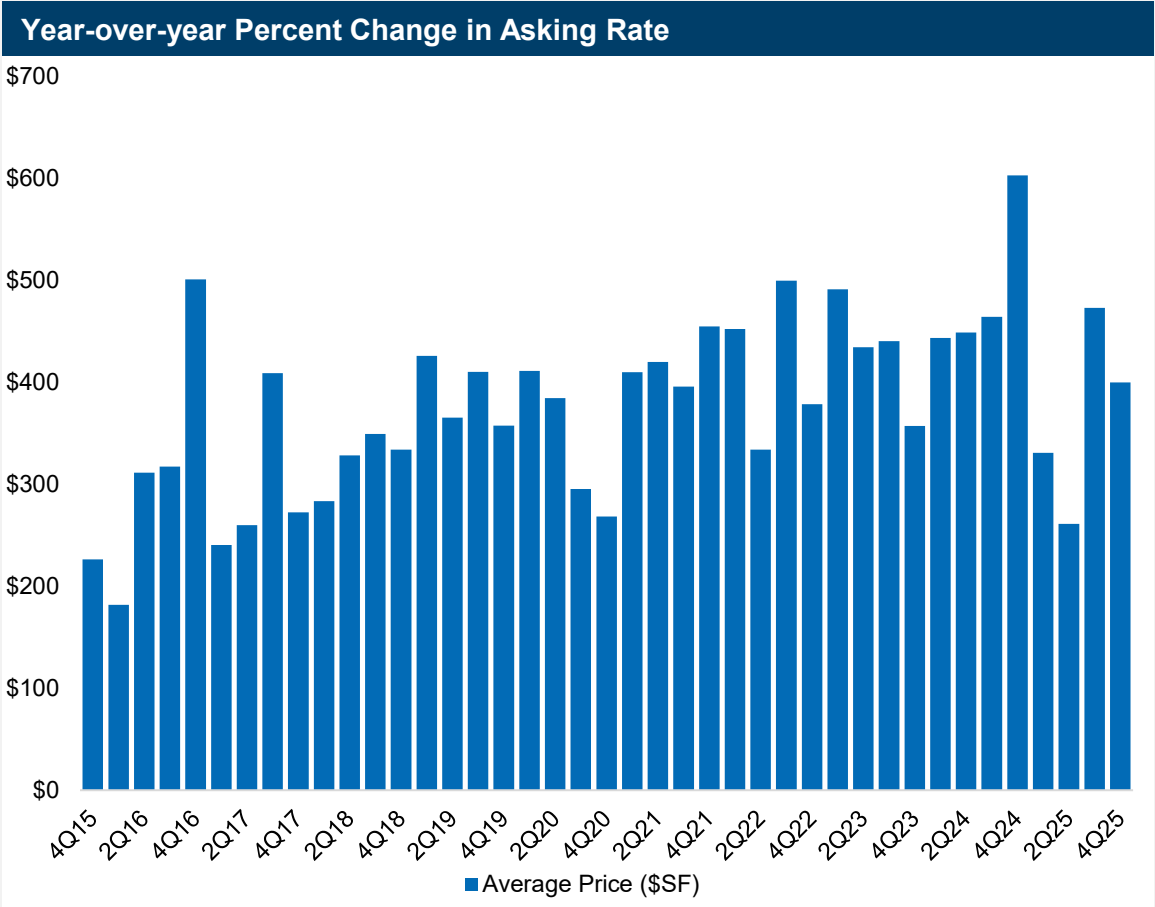
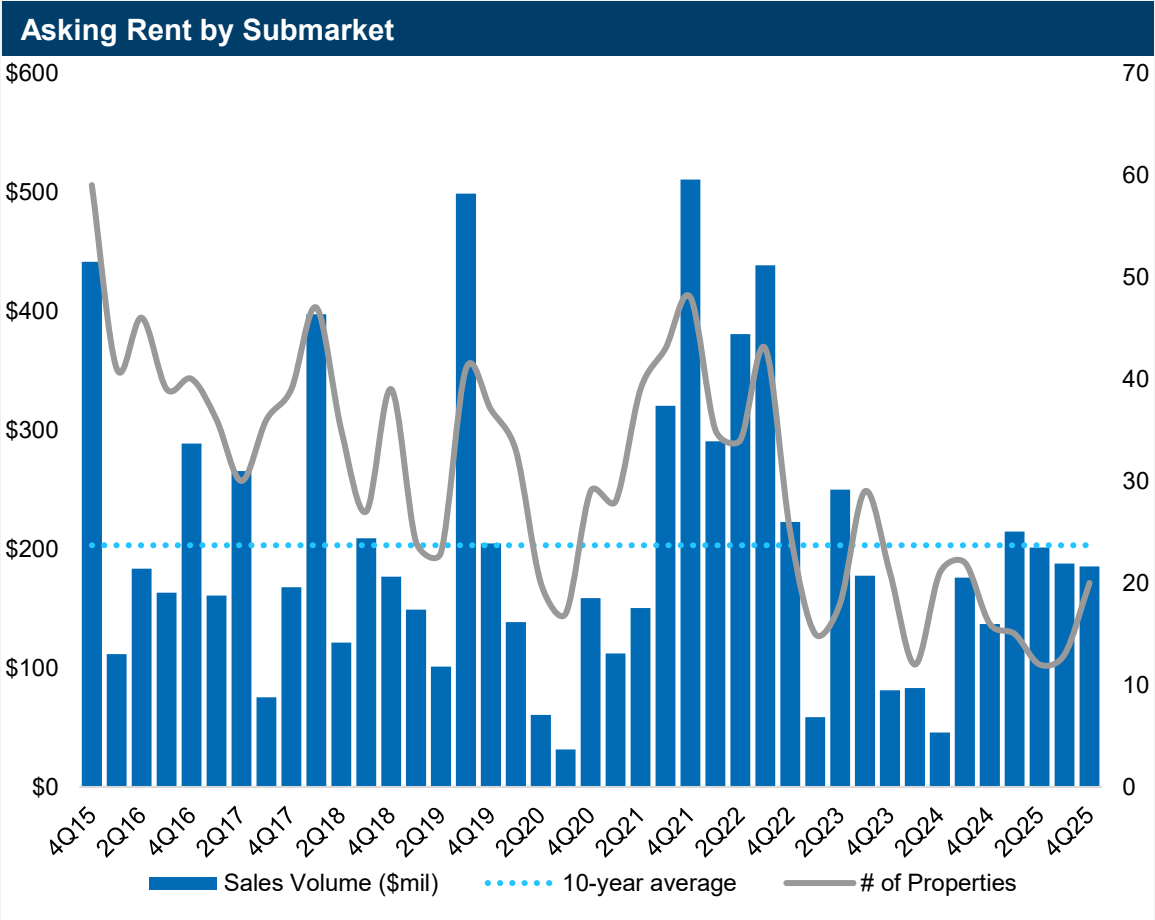
Mitac and Quanta Anchor Silicon Valley Industrial Leasing Activity

Leasing activity in 4Q25 reflected renewed confidence among large industrial and manufacturing users. Notable preleasing and direct lease activity from Mitac Industrial and Quanta Computer drove overall deal volume higher, underscoring continued tenant willingness to commit to high-quality, strategically located assets despite broader market uncertainty. The concentration of substantial transactions highlights sustained demand from advanced manufacturing and technology-related occupiers across Fremont, Newark, and Milpitas.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Mitac Industrial	46901, 47001, 47100 Lakeview Boulevard	Fremont – Bayside	Prelease	253,472
<i>Mitac Industrial, an electronics manufacturing company, preleased Phase I of the Campus at Bayside development.</i>				
Quanta Computer	7380 Morton Avenue	Newark	Direct Lease	225,679
<i>Quanta Computer, a manufacturing company, signed a direct lease in Newark after the previous tenant terminated their sublease, further expanding their footprint in the South Bay.</i>				
Quanta Computer	44509 Pacific Commons Boulevard	Fremont – Bayside	Direct Lease	178,910
<i>Quanta Computer signed a direct lease in the Pacific Commons South Building Park, leasing an entire building in the Bayside submarket in Fremont after the previous tenant terminated their sublease.</i>				
Synnex Corp.	5555 Auto Mall Parkway	Fremont – Auto Mall North	Lease Renewal	177,041
<i>Synnex Corp., a logistics and manufacturing company, renewed in the Auto Mall North submarket of Fremont. Synnex has been at this location since 2014.</i>				
DGA Services	999-1057 Montague Expressway	Milpitas – East 880	Lease Renewal	82,179
<i>DGA Services, a logistics service company, continued interest by renewing one of their five buildings in the Fleming Business Park.</i>				

Industrial Sales Activity Moderates as Pricing Holds Firm

Industrial sales activity softened further in 4Q 2025, totaling \$185.4 million across 20 transactions. While average pricing declined 15.4% quarter-over-quarter, values remained healthy at \$399.9 per square foot, underscoring the sector’s long-term pricing resilience despite near-term market fluctuations. Investor and tenant interest continues to favor well-located assets, reflected in a 53.8% quarterly increase in transaction activity, even as overall volume moderated.



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Appendix

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Access the Extended 4Q25 Silicon Valley Industrial Report

To access, please reach out
to your Newmark contact.

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