



NEWMARK

Silicon Valley R&D Market Overview

4Q25

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

- Overall market vacancy fell 20 basis points from the previous quarter, as most submarkets experienced a vacancy contraction through the end of the year.
- Silicon Valley's R&D rental rates decreased 3.7% year-over-year in the final quarter of 2025. Despite the annual drop, rents remained elevated from a broader perspective, up 2.2% from the same period in 2022 and 3.7% from early 2023.



Major Transactions

- Silicon Valley's R&D sector recorded 2.6M SF of gross absorption in the final quarter of 2025, representing a 35.7% increase year-over-year. Activity was driven by several large transactions, led by Quanta Computer's 153.0K SF lease in Fremont's Warm Springs submarket.
- Other notable transactions included Figure AI's 115.2K SF and Tesla Motors' 108.1K SF leases, both signaling continued demand from advanced manufacturing and AI companies.



Outlook

- R&D construction activity remained muted in the final quarter of 2025 as some market projects moved to a hold status.
- Despite slowing growth in the U.S. information and manufacturing sectors, Silicon Valley 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.

Table of Contents

1. Economy
2. Leasing Market Fundamentals
3. Appendix

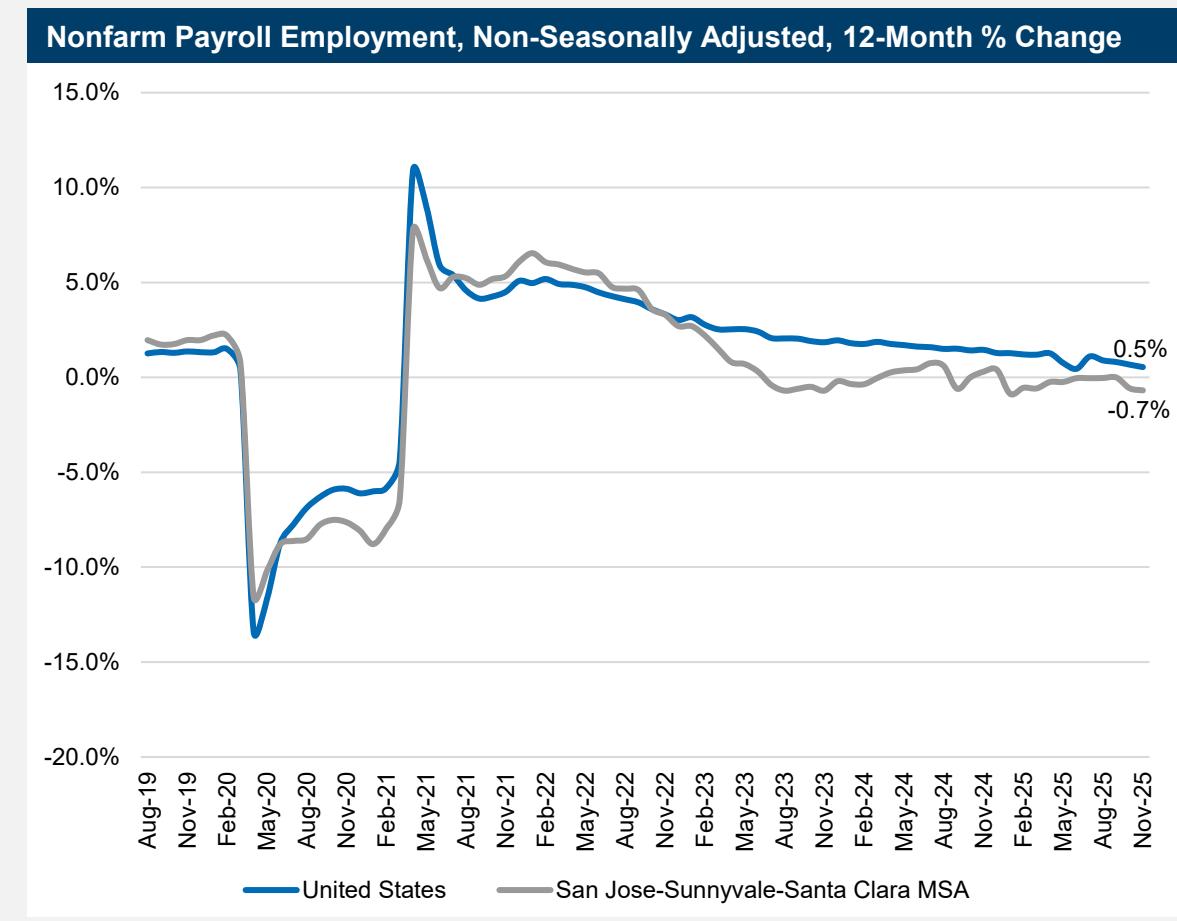
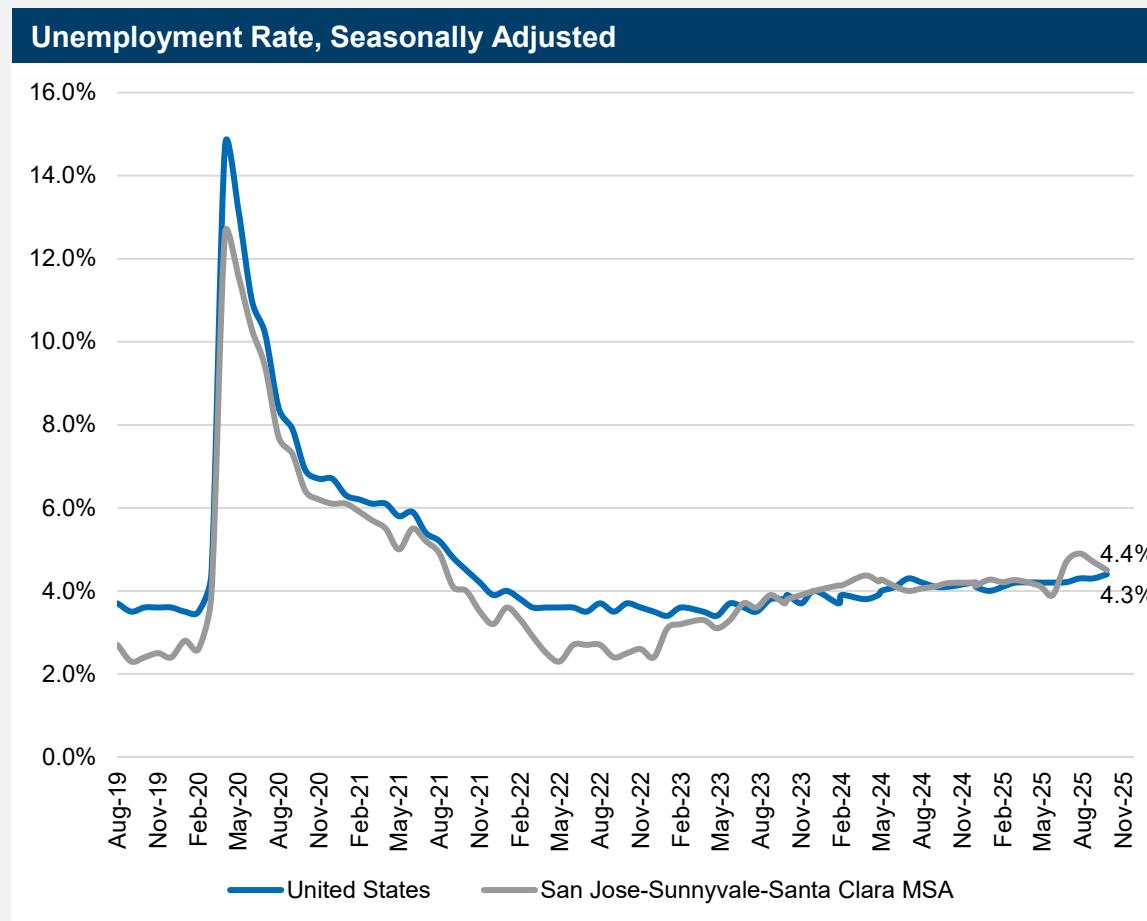
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Economy

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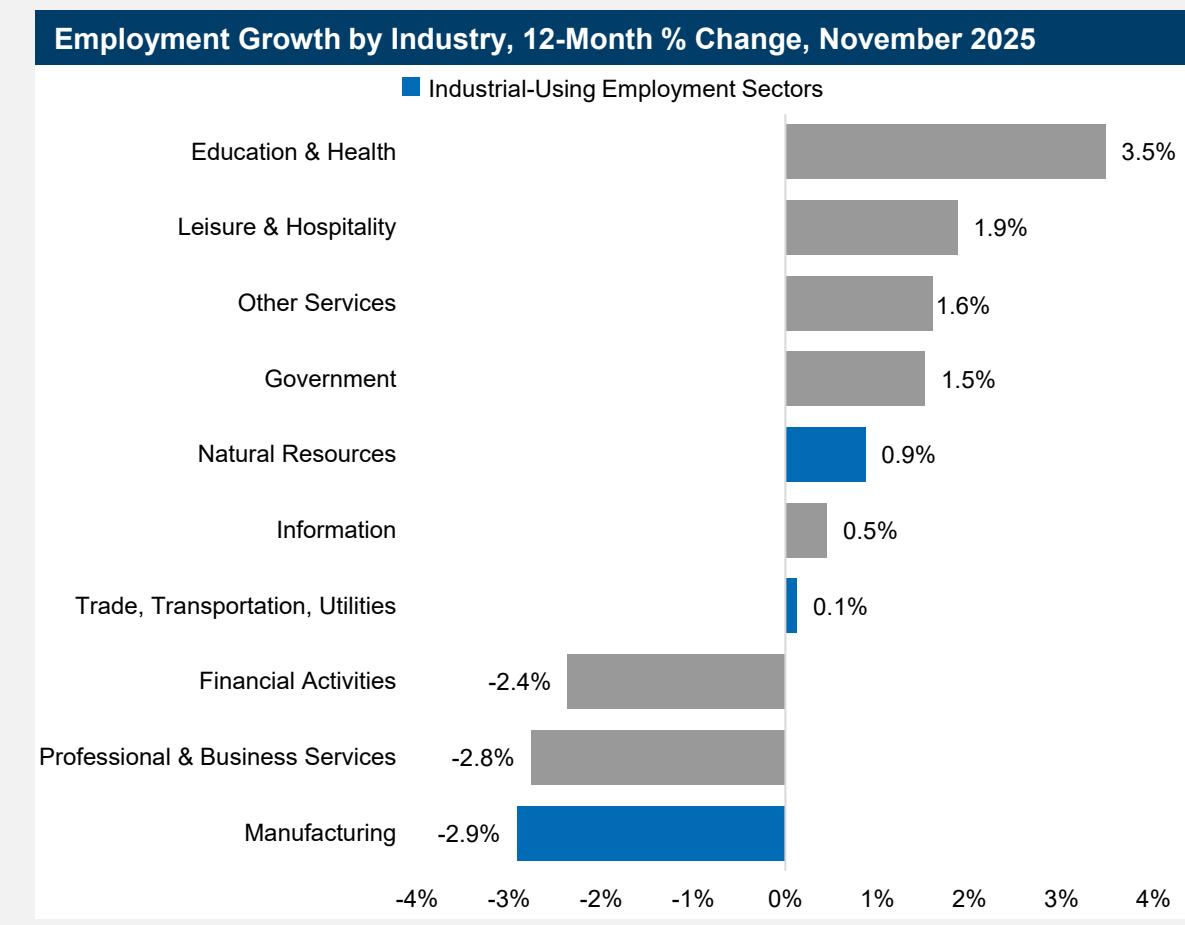
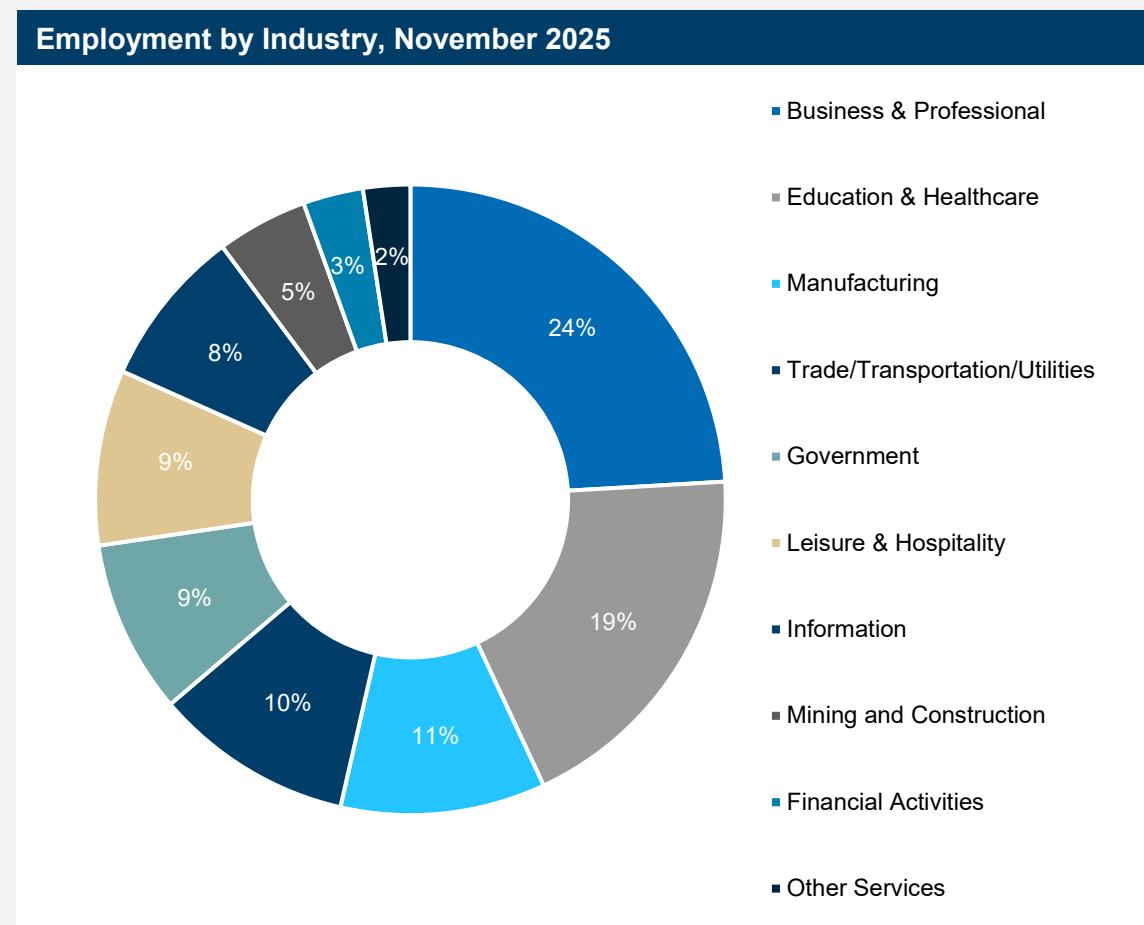
Silicon Valley Labor Market Mirrored National Unemployment Levels

The San Jose–Sunnyvale–Santa Clara MSA unemployment rate rose to 4.3% in November of 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.



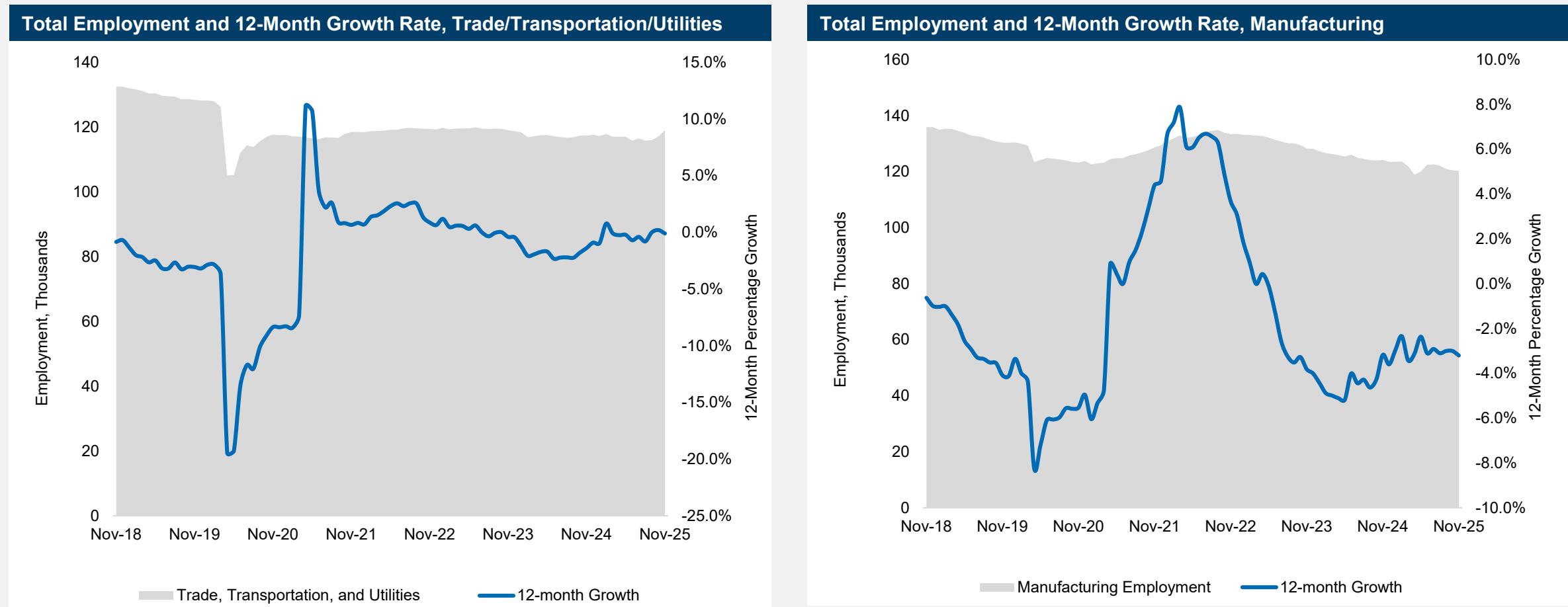
Historical Strength in Specialized Employment Persisted Through 2025

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.



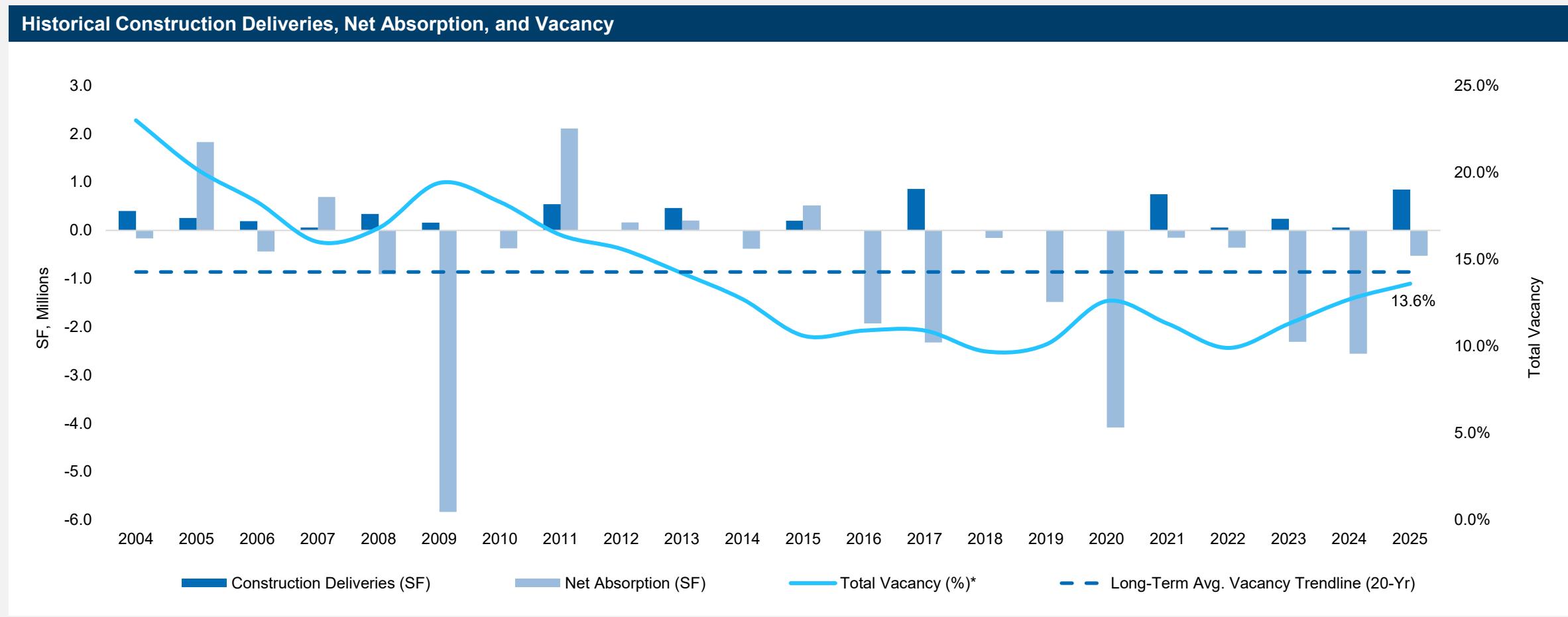
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Leasing Market Fundamentals

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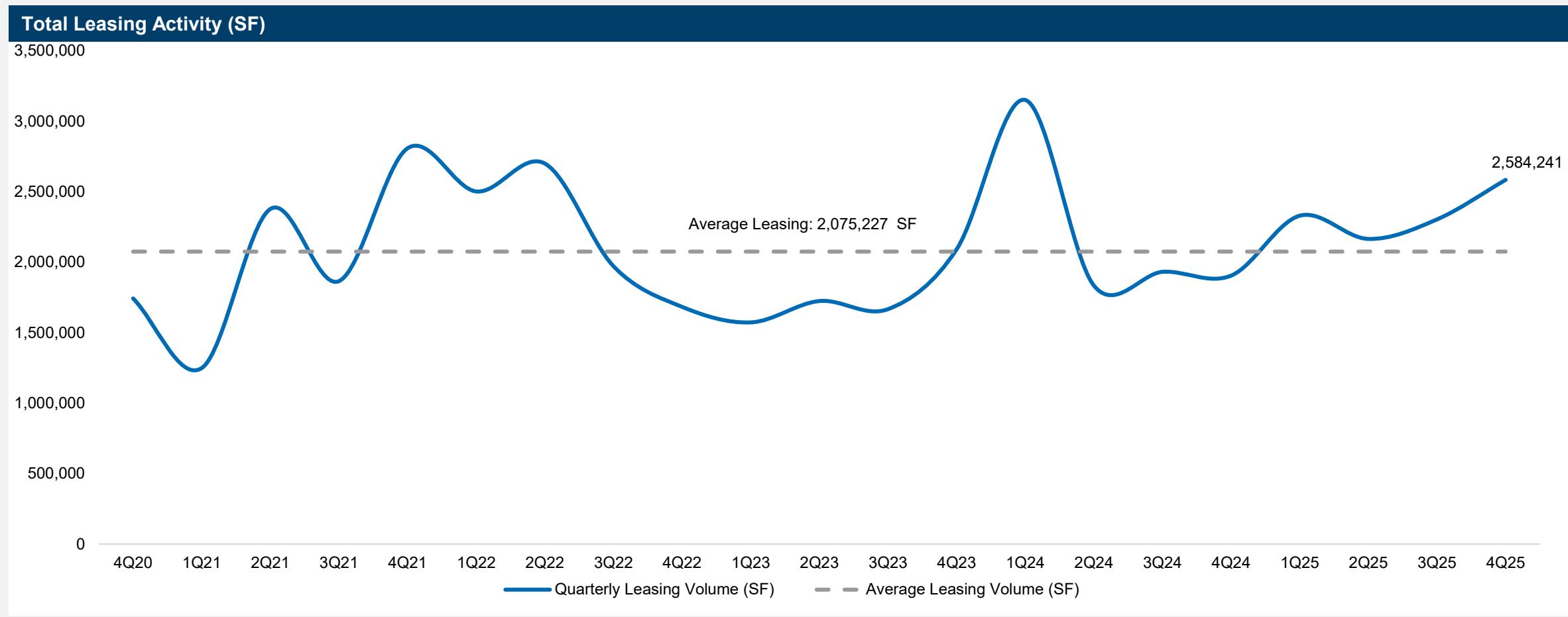
R&D Market Continued to Trend Towards Stabilization

The positive momentum in the Silicon Valley R&D market accelerated in the final quarter of 2025. Vacancy showed signs of improvement, falling 20 basis points from the previous quarter to 13.5%, indicating growing tenant activity and momentum toward market stabilization. While year-to-date net absorption remained negative at -524.7K SF, losses narrowed dramatically. This figure represented a 71.4% improvement over the previous quarter and a 67.7% reduction year-over-year, showing that tenant demand is regaining traction.



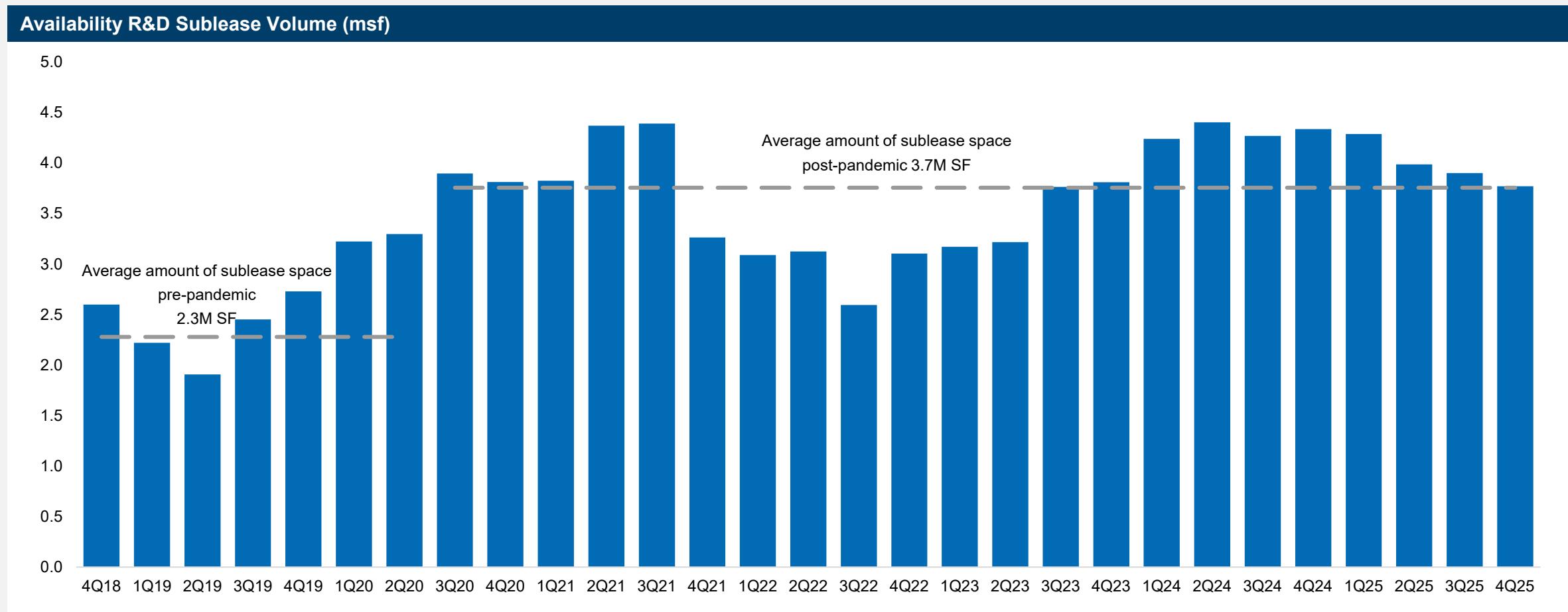
Vacancy Rates Fell as Market Showed Strong Recovery

The fourth quarter of 2025 closed with 2.6M SF of gross absorption, which represented a 35.7% increase year-over-year and a 24.5% increase from the previous quarter. Additionally, overall market vacancy fell 20 basis points from the previous quarter, as most submarkets experienced a vacancy contraction through the end of the year. This growth was fueled by a broadening of the tenant base, as emerging sectors like AI absorbed medium sized blocks of space that were vacant for most of the year.



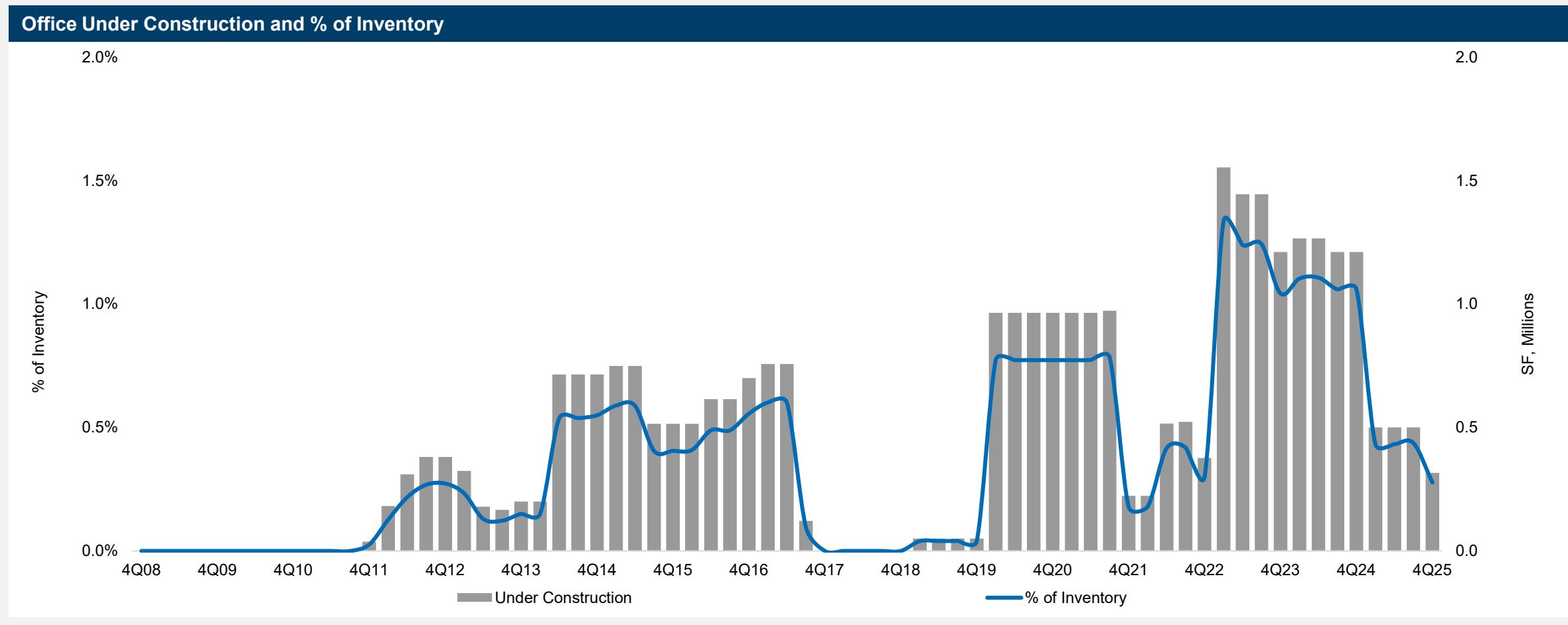
Sublease Levels Contracted but Remained Historically Elevated Through Q4

Sublease availability decreased through the end of the fourth quarter yet remained elevated overall. Sublease space accounted for 22.4% of total available inventory, up 30 basis points from the previous quarter, but down 280 basis points year-over-year. This trend was projected to persist through the end of 2025 as sublease terms expired, and direct availability remained abundant.



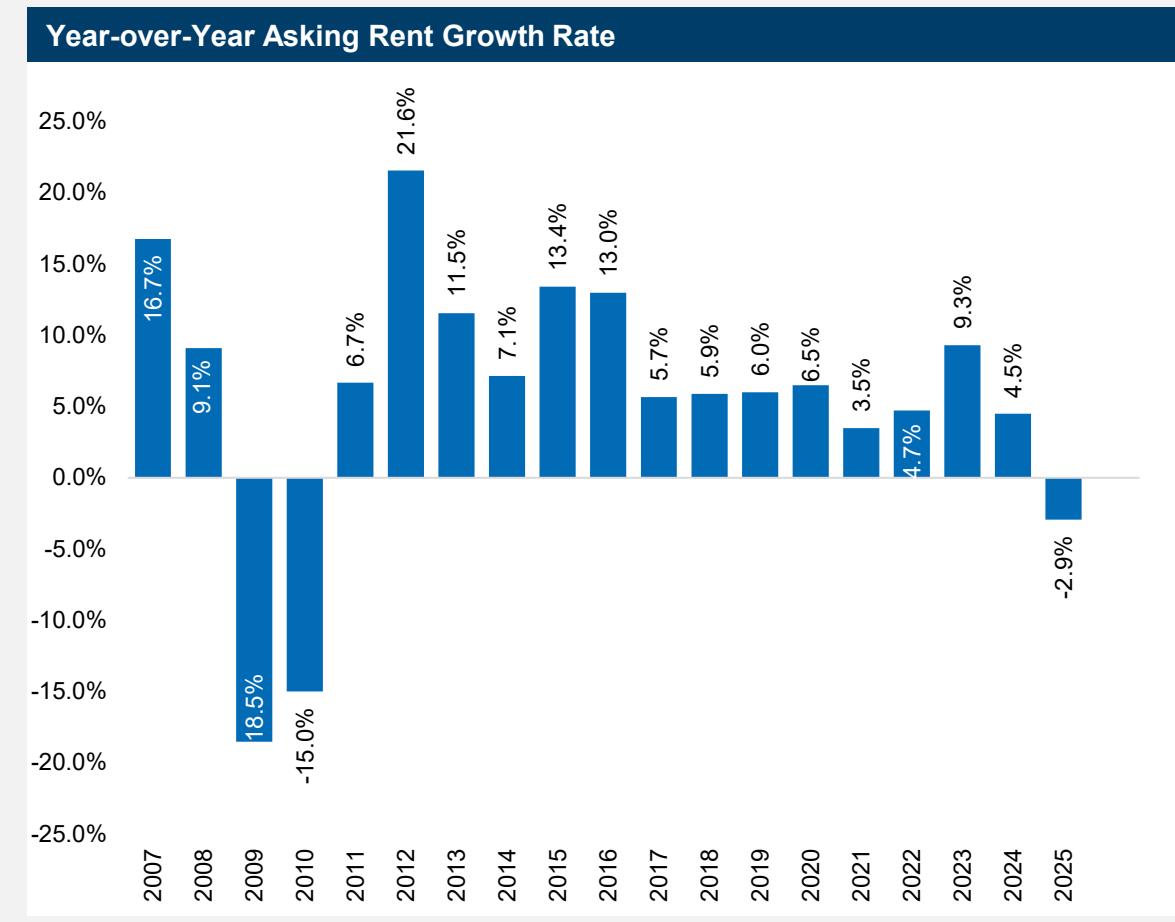
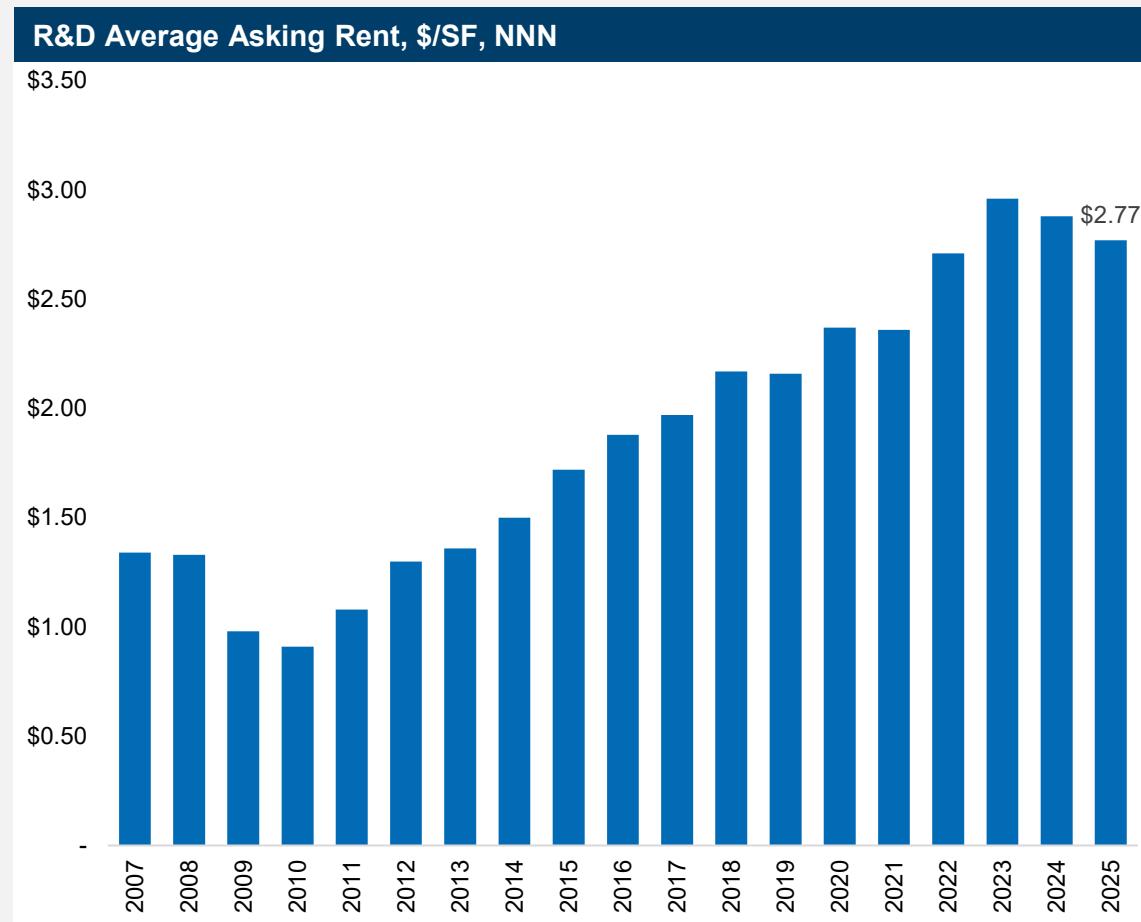
Muted R&D Construction Pipeline Awaits Market Improvement

R&D construction activity remained muted in the final quarter of 2025 as some market projects moved to a hold status. Although several entitled and proposed developments in the Sunnyvale submarket had been exploring speculative or build-to-suit strategies, most developers postponed groundbreakings until tenant demand strengthened, and broader economic conditions improve. During the quarter, the construction pipeline tracked only two active projects: 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.



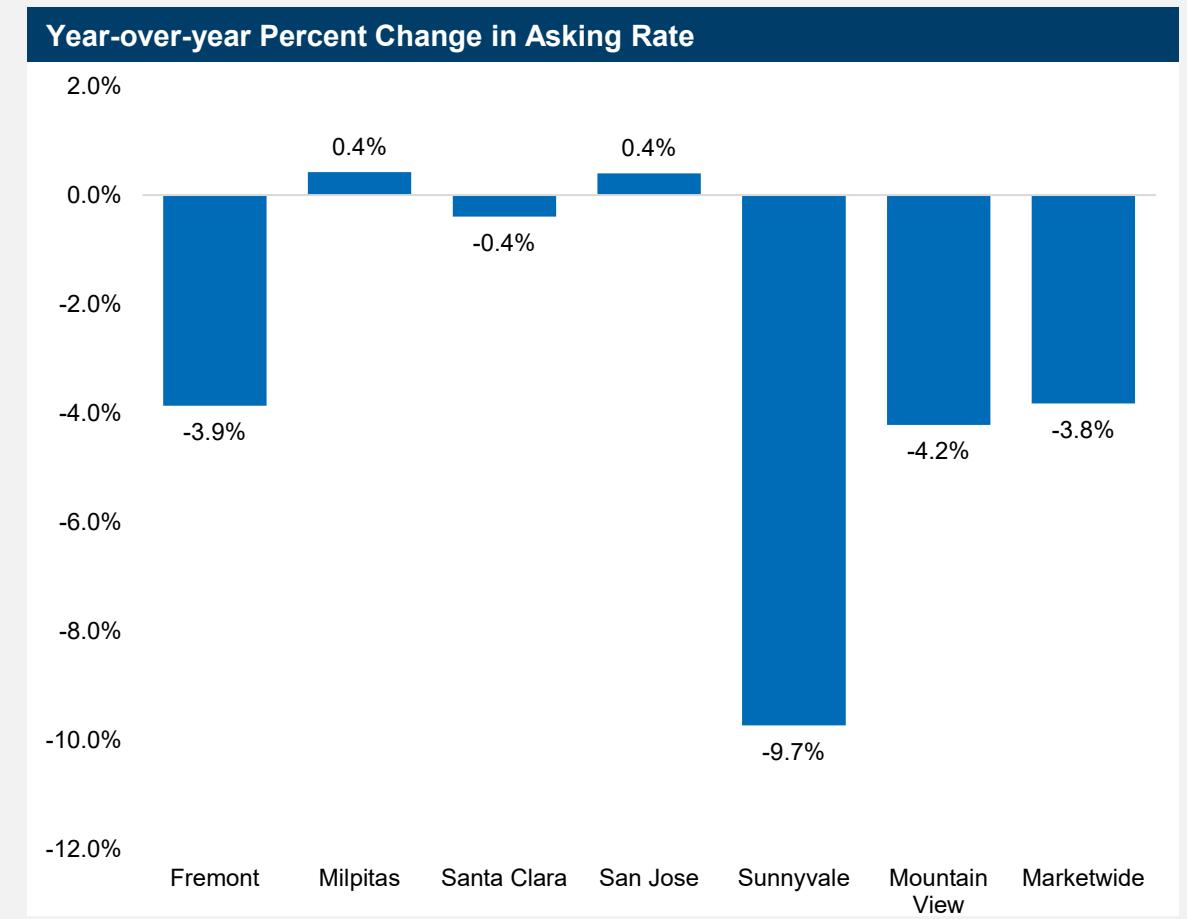
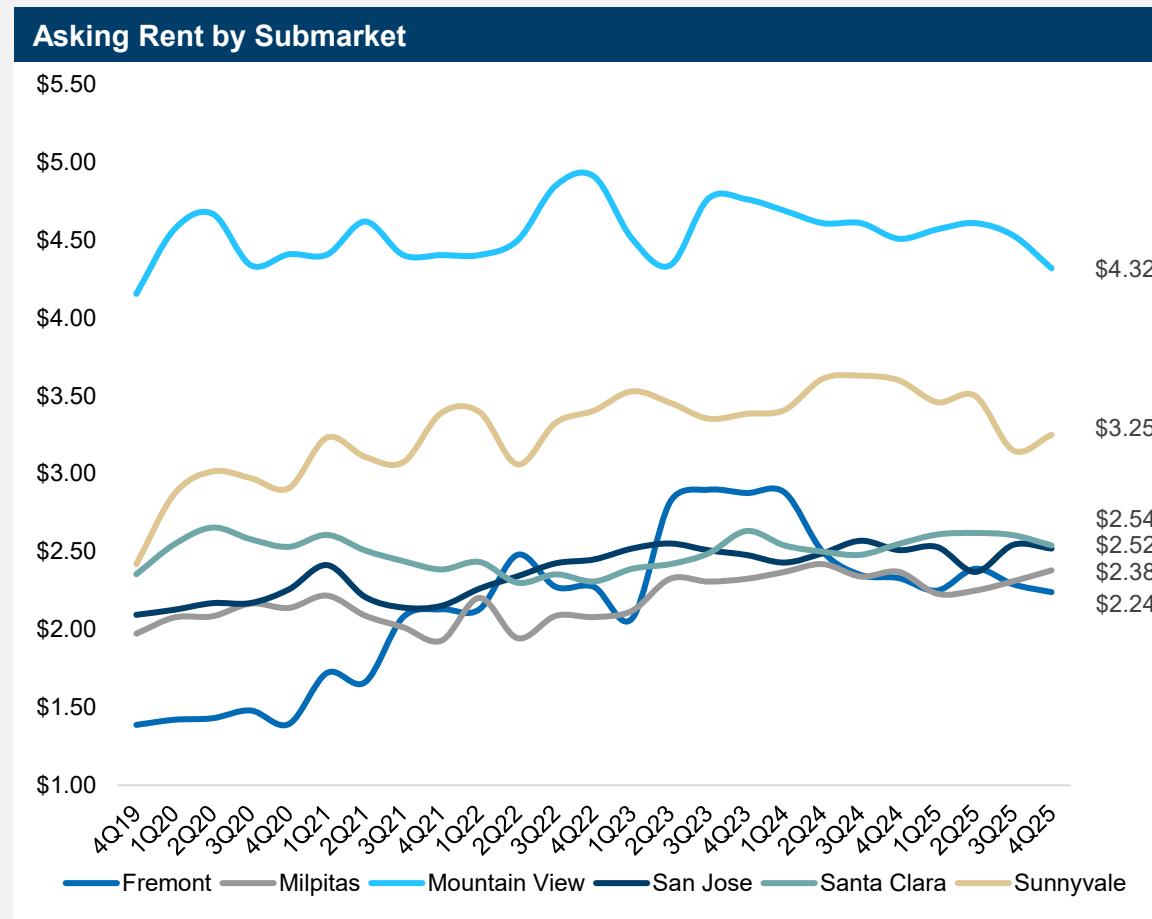
Modest Correction for R&D Rental Rates Amid Sparse Construction

R&D rental rates extended their downward trend into the final months of 2025, decreasing 1.1% from the previous quarter and 2.9% year-over-year. This represented the most significant annual correction since 2010 in the aftermath of the Great Financial Crisis. However, this downturn appeared to be a stabilizing adjustment rather than a sharp decline, following a prolonged era of consistent growth. Given the combination of a thin construction pipeline and tenants showing caution toward committing to larger blocks of space, rents seem likely to hold steady heading into 2026.



Rental Rates Pointed to Stabilization in 4Q25

Silicon Valley's R&D rental rates decreased 3.7% year-over-year in the final quarter of 2025. Despite the annual drop, rents remained elevated from a broader perspective, up 2.2% from the same period in 2022 and 3.7% from early 2023. Among major submarkets, Sunnyvale experienced the steepest annual decrease at 9.7%, though its 3.2% quarterly gain pointed to early signs of stabilization. Rental rates have remained elevated relative to early years due to limited new construction and steady demand from AI and manufacturing firms.



New Leases Drove Growth in Silicon Valley's R&D Sector

Silicon Valley's R&D sector recorded 2.6M SF of gross absorption in the final quarter of 2025, representing a 35.7% increase year-over-year. Activity was driven by several large transactions, led by Quanta Computer's 153.0K SF lease in Fremont's Warm Springs submarket. Other notable transactions included Figure AI's 115.2K SF and Tesla Motors' 108.1K SF leases, both signaling continued demand from advanced manufacturing and AI companies.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Quanta Computer	800 Corporate Way	Fremont – Warm Springs	Direct Lease	152,995
<i>Quanta Computer, a manufacturing company, signed a direct lease in the Warm Springs submarket after the previous tenant terminated their sublease.</i>				
Figure AI	4000 N First Street	San Jose – North	Direct Lease	115,174
<i>Figure AI, the AI robotics company, signed a direct lease in the North San Jose submarket, which marked its fourth building in the Assembly at North First business park.</i>				
Tesla Motors	45401 Research Avenue	Fremont – Warm Springs	Direct Lease	108,137
<i>Tesla Motors, an automotive company, signed a direct lease in the Warm Springs submarket of Fremont.</i>				
Lattice Semiconductor	2115 O'Nel Drive	San Jose – Trimble South	Lease Renewal	98,874
<i>Lattice Semiconductor, a semiconductor company, continued their lease in the Trimble South submarket of San Jose. Lattice Semiconductor has been at 2115 O'Nel Drive since 2013.</i>				
Carbon3D	1272 Borregas Ave	Sunnyvale – Moffett Park	Direct Lease	94,386
<i>Carbon3D, a digital manufacturing company, signed a direct lease in the Moffett Park submarket of Sunnyvale.</i>				

03

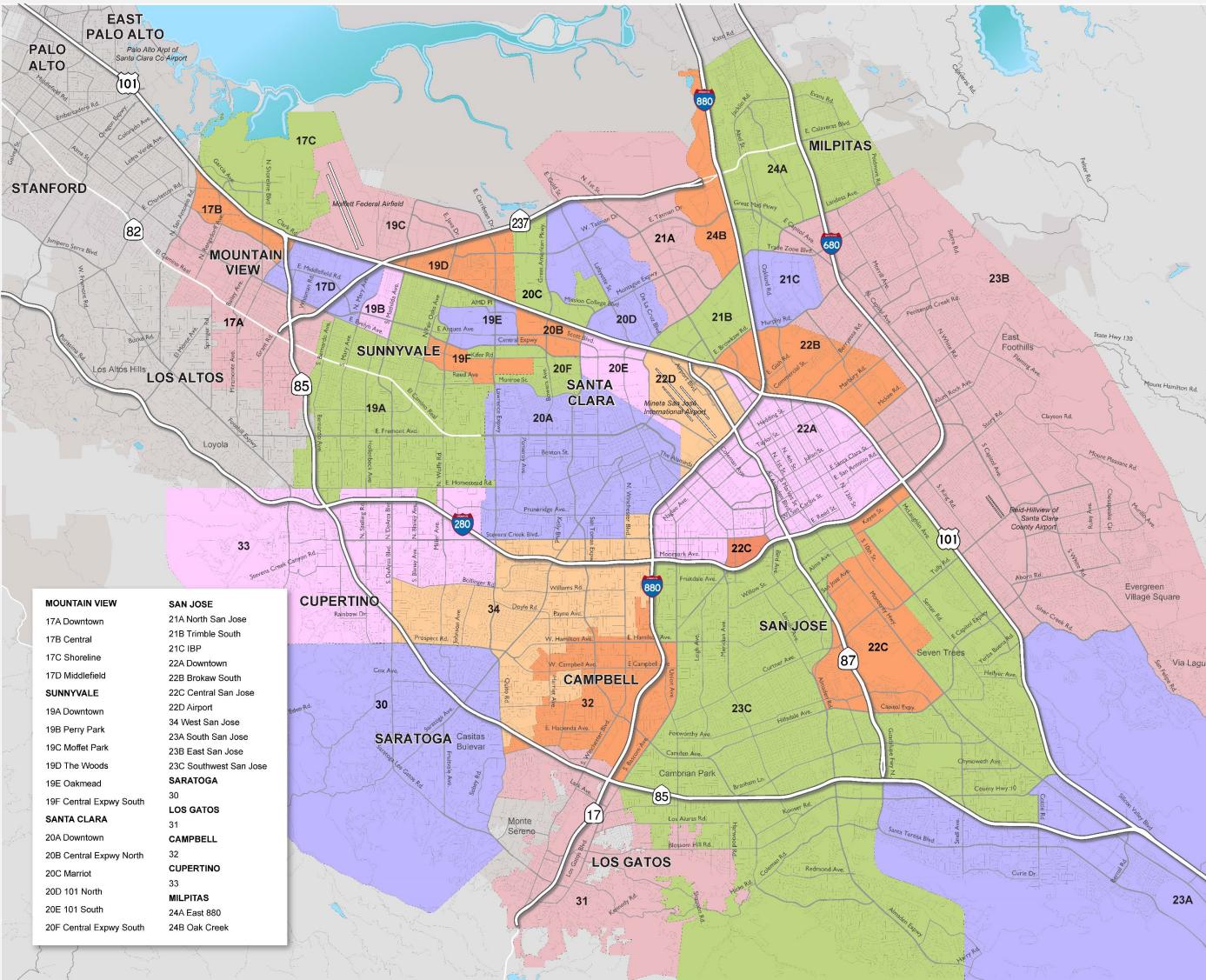
Appendix

4Q25

Access the Extended 4Q25 Silicon Valley R&D Report

To access, please reach out
to your Newmark contact.

Silicon Valley – Submarket Map



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