

MARKET TRENDS

SILICON VALLEY OFFICE

MARKET DRIVERS

Since the last quarter, the office availability rate decreased by 20-bps (basis points) to 18.7% in 1Q25. Conversely, vacancy rate grew 10-bps to 16.5% in this timeframe.

Net absorption was -143.9K SF this quarter, a stark contrast to the 1.1M SF last quarter, but mildly better than the -320.5K SF recorded 1Q24. Despite the tough start to last year, the total net absorption for 2024 reached 217.4K SF, a trend that hopefully continues this year.

Asking lease rates decreased from \$4.07/SF FS (Full Service) to \$4.00/SF in the past quarter. This is 3.1% lower than this time last year and the lowest recorded rate since the pandemic started in 2020.

The sales volume reached 708.5K SF this quarter, a significant step up from the 289.9k SF recorded last quarter, and 17.8% higher than 1Q24. The average sale price per SF for this transaction was \$155.47, less than half of the value properties were being sold for last year. These discounted prices are an indication of a market correction and can also be attributed to deals being done in cash instead of financing.

Lease volume was 890K SF in 1Q25, 47.0% lower than 1Q24, and 25.8% lower than 4Q24.

ECONOMIC REVIEW

From October to January 2025, California's unemployment rate declined by 10 basis points to 5.4%, while Santa Clara County saw a 20-basis point increase, reaching 4.3%.

The Professional Business Sector in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) fell 1.8% yearly and 2.0% quarterly, dropping to 280.8K. Similarly, the information sector dropped 3.1% since last year.

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Market Summary

	1Q25	4Q24	1Q24	YOY Change
Vacancy Rate	16.5%	16.4%	16.5%	0-bps
Availability Rate	18.7%	18.9%	19.5%	-80-bps
Asking Lease Rate	\$4.00	\$4.07	\$4.13	-3.1%
Under Construction (SF)	2,601,662	2,601,662	3,404,066	-23.6%
	1Q25	4Q24	1Q24	YOY Change
Lease Volume (SF)	890,102	1,199,248	1,679,789	-47.0%
Sales Volume (SF)	708,501	289,862	601,600	17.8%
Deliveries (SF)	0	627,987	348,938	-100.0%
Net Absorption (SF)	-143,871	1,140,305	-320,514	N/A



890K SF
LEASING ACTIVITY

-143K SF
NET ABSORPTION

16.5%
VACANCY RATE

\$4.00 FS
ASKING RENT (AVG)

0K SF
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

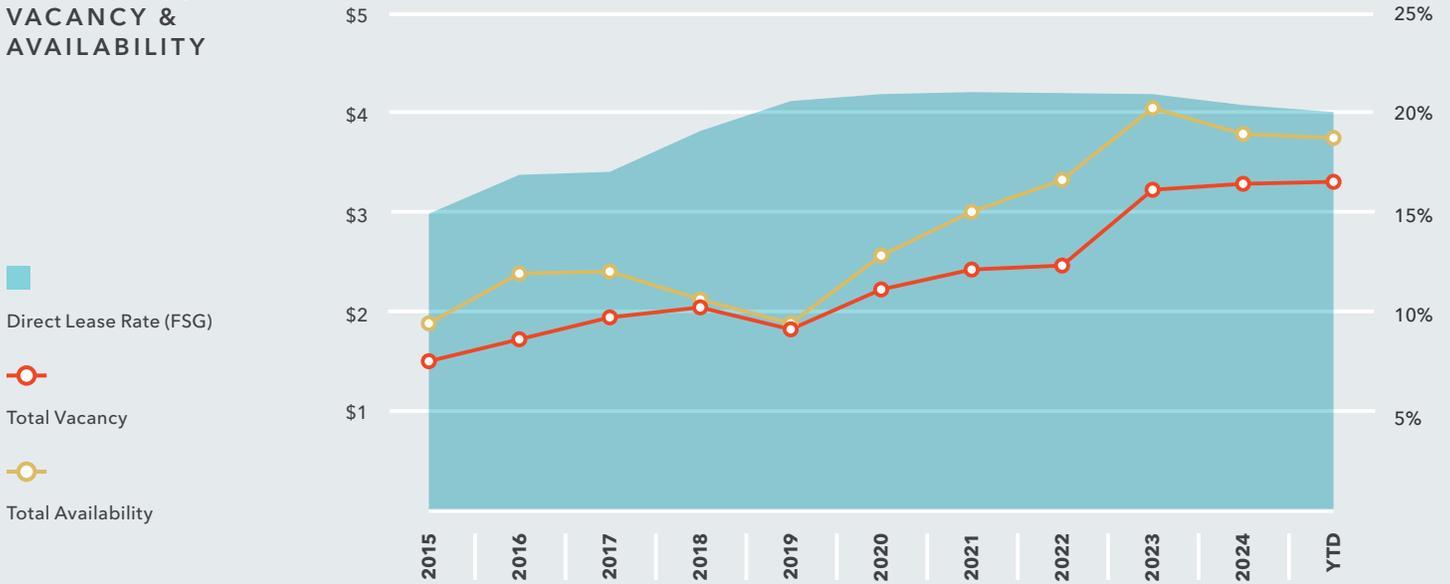
TOTAL AVAILABILITY is down quarter-over quarter to 18.7%.

ASKING LEASE RATES decreased quarter-over quarter to \$4.00/SF FS.

SALE VOLUME increased quarter-over quarter 708.5K SF.

NET ABSORPTION fell quarter-over quarter to -243.9K SF.

LEASE RATE, VACANCY & AVAILABILITY



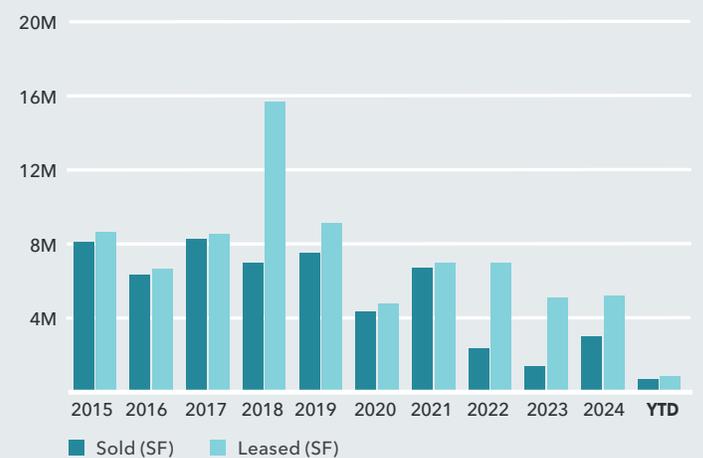
NET ABSORPTION & NEW DELIVERIES



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 Availability Rate	1Q25 Direct Net Absorption	1Q25 Total Net Absorption	2024 Direct Net Absorption	2024 Total Net Absorption	1Q25 Gross Absorption	2024 Gross Absorption	1Q25 Rental Rate KM CoStar
Campbell	2,685,493	-	23.5%	30.4%	36.3%	23,577	23,577	-26,659	-35,864	34,113	128,942	\$4.07
Cupertino	7,396,946	-	2.7%	2.7%	3.4%	-7,448	1,719	-9,821	-32,012	16,754	55,888	\$4.74
Fremont	5,188,806	-	7.3%	19.1%	19.4%	2,889	-48,753	-2,191	-2,873	11,500	165,978	\$2.51
Milpitas	4,698,361	-	11.8%	13.7%	13.1%	28,285	31,555	-45,298	-98,913	11,111	102,327	\$2.75
Mountain View	14,882,093	799,482	12.8%	18.8%	24.8%	-2,260	14,363	199,693	-390,045	86,961	741,830	\$6.99
Newark	1,239,982	-	29.2%	29.3%	33.1%	10,110	10,110	14,640	-13,152	5,852	28,226	\$2.79
Palo Alto	12,901,156	38,523	8.8%	11.3%	17.6%	6,981	71,151	-18,744	71,092	155,974	442,182	\$6.95
San Jose	43,826,661	231,579	16.8%	18.4%	20.7%	364,836	317,653	240,773	-233,226	369,566	1,918,266	\$4.10
Santa Clara	21,354,116	-	9.6%	13.2%	17.6%	85,520	168,542	670,836	1,008,630	161,632	719,275	\$4.18
Sunnyvale	22,898,138	1,532,078	15.4%	19.6%	19.9%	-673,792	-733,788	75,450	-56,212	36,639	574,484	\$5.13
Total	133,335,522	2,601,662	13.2%	16.5%	18.7%	-161,302	-143,871	1,098,679	217,425	890,102	4,877,398	\$4.00
Class A	63,300,866	2,601,662	14.6%	18.9%	22.8%	84,541	-14,152	1,047,192	822,911	336,415	2,607,092	\$5.08
Class B	60,165,034	-	13.1%	16.0%	18.2%	-244,216	-147,633	37,286	-531,690	436,481	2,049,660	\$4.45
Class C	13,605,852	-	7.2%	7.5%	9.0%	-1,627	17,914	14,201	-73,796	117,206	220,646	\$3.36

NEAR-TERM OUTLOOK

Silicon Valley's office market is experiencing a nuanced rebound in early 2025, marked by a clear flight to quality and a growing demand for flexible, well-located space. Large technology companies—including Google, Meta, Nvidia, and Amazon—are driving a return-to-office trend, with some campuses seeing weekday occupancy levels return to 70% of pre-pandemic norms. Leasing demand is expected to remain concentrated in transit-accessible, mixed-use areas like Palo Alto and Mountain View, as tenants continue to prioritize well-located, amenity-rich environments to support evolving workplace strategies.

Occupiers remain cost-conscious, with many favoring renewals to avoid expensive buildouts. However, there's a widening gap between demand for high-end office product and commodity space, leading to increased concessions and limited construction. Strategic expansions from companies like Ambarella, Tabapay, and DPR Construction—each investing in new or repositioned offices—suggest confidence in long-term occupancy needs. Meanwhile, firms like Realtor.com have relocated headquarters out of Silicon Valley, reflecting ongoing cost and talent considerations.

The coworking sector is also thriving in suburban nodes, driven by hybrid work models and rising demand for flexibility. Operators like Industrious, Pacific Workplaces, and WeWork are expanding rapidly, particularly in areas like Cupertino and Menlo Park where occupancy and rates remain high. Despite pockets of distress—including defaulted loans and underutilized properties—investor activity remains strong. While short-term headwinds persist, including elevated vacancy and lingering uncertainty around interest rates, Silicon Valley's office market is showing resilience, particularly in sectors aligned with innovation, flexibility, and long-term strategic investment.

SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1901-1999 S Bascom Ave	Campbell	374,482	\$54,000,000	\$144.20	PSAI Realty Partners	Oaktree Cpaital Management
4001-4015 Miranda Ave	Palo Alto	195,900	\$23,000,000	\$117.41	Stanford University	Hudson Pacific Properties
2880 Lakeside Dr	Santa Clara	98,619	\$18,800,000	\$190.63	MPG Atrium Owner, LLC	Miramar Capital
298 S Sunnyvale Ave	Sunnyvale	28,000	\$11,500,000	\$410.71	Silicon Valley Clean Energy	Four Corners Properties
244 N Jackson Ave	San Jose	11,500	\$2,850,000	\$247.83	J. Ascencion & Mabiela Calderon	Popular Tech

SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Sublease or Direct
3380 Coyote Hill Rd	Palo Alto	85,420	January 2025	Harrison Street	SAP America, Inc.	Direct
500 Santana Row*	San Jose	84,720	February 2025	Federal Realty Investment Trust	Cisco Corporation	Direct
5201 Great America Pkwy	Santa Clara	27,369	January 2025	Hudson Pacific Properties, Inc.	Regus-Santa Clara-Techmart Center	Direct
303 Almaden Blvd	San Jose	22,158	February 2025	Steerpoint Capital	Kimley-Horn & Associates	Direct
390 Lytton Ave*	Palo Alto	20,742	January 2025	Leonard W. & Shirley Ely	Lowenstein Sandler, LLP	Direct

*Renewals

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
100-200 Carribean Dr	Sunnyvale	1,042,078	May 2025	Google, Inc.
2003 Landings Dr	Mountain View	799,482	May 2025	Google, Inc.
399 W Java Dr	Sunnyvale	315,000	March 2025	Google, Inc.
1410 S Bascom Ave	Willow-Glen	231,579	October 2025	PMB Real Estate Services
300 S Mathilda Ave	Sunnyvale	175,000	October 2025	Sares-Regis Group

Data Source: Costar; data.bls.gov, www.bizjournals.com



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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	57M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	260+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	27 WITH MAI DESIGNATIONS

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