

MARKET TRENDS

# SILICON VALLEY OFFICE

MARKET DRIVERS

Since the last quarter, the office availability rate decreased by 60 basis points to 18.2% in 2Q25. Conversely, vacancy rate grew 80 basis points to 17.4% in this timeframe.

Net absorption was -1.1M SF this quarter, down sharply from -200K SF last quarter and 395.5K SF in 2024. Much of this reflects owner-user purchases, which don't show as leased space despite being occupied.

Asking lease rates increased from \$4.01/SF FS (Full Service) to \$4.07/SF in the past quarter. This is 0.2% lower than this time last year and a return to a more normal rate that should be expected for the marketplace.

Sales volume hit 1.6M SF this quarter, more than double last quarter's 707.8K SF and 48.2% ahead of this time in 2024. The average price/SF was \$360.26—slightly below last year, but well under the five-year average of \$622.98, showing investors' appetite for discounted deals.

Lease volume reached 2.2M SF SF in 2Q25, which is not too far off from the 2.6M SF recorded for all of 2024 to this point.

ECONOMIC REVIEW

Between January and April 2025, California's unemployment rate declined by 10 basis points to 5.3%, while Santa Clara County experienced a more significant drop of 40 basis points, reaching 3.9% over the past quarter.

The Professional Business Sector in the San Jose-Sunnyvale-Santa Clara MSA fell 1.8% yearly and 0.1% quarterly to 279.8K, while the information sector declined 0.8% over the year, 0.3% since last quarter.

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## Market Summary

	2Q25	1Q25	2Q24	YOY Change
Vacancy Rate	17.4%	16.6%	16.2%	120 bps
Availability Rate	18.2%	18.8%	19.5%	-130 bps
Asking Lease Rate	\$4.07	\$4.01	\$4.08	-0.2%
Under Construction (SF)	2,601,662	2,601,662	3,404,066	-23.6%
	2Q25	2025 YTD	2024 YTD	YOY Change
Lease Volume (SF)	2,156,572	3,219,166	2,626,441	-17.9%
Sales Volume (SF)	1,647,942	2,355,709	1,111,892	48.2%
Deliveries (SF)	0	0	549,830	-100.0%
Net Absorption (SF)	-1,136,558	-1,336,519	395,510	N/A

↑ 2.2M SF  
LEASING ACTIVITY

↓ -1.1M SF  
NET ABSORPTION

↑ 17.4%  
VACANCY RATE

↓ \$4.07 FS  
ASKING RENT (AVG)

↓ OK SF  
NEW DELIVERIES

Year-Over-Year Trend

## Market Highlights

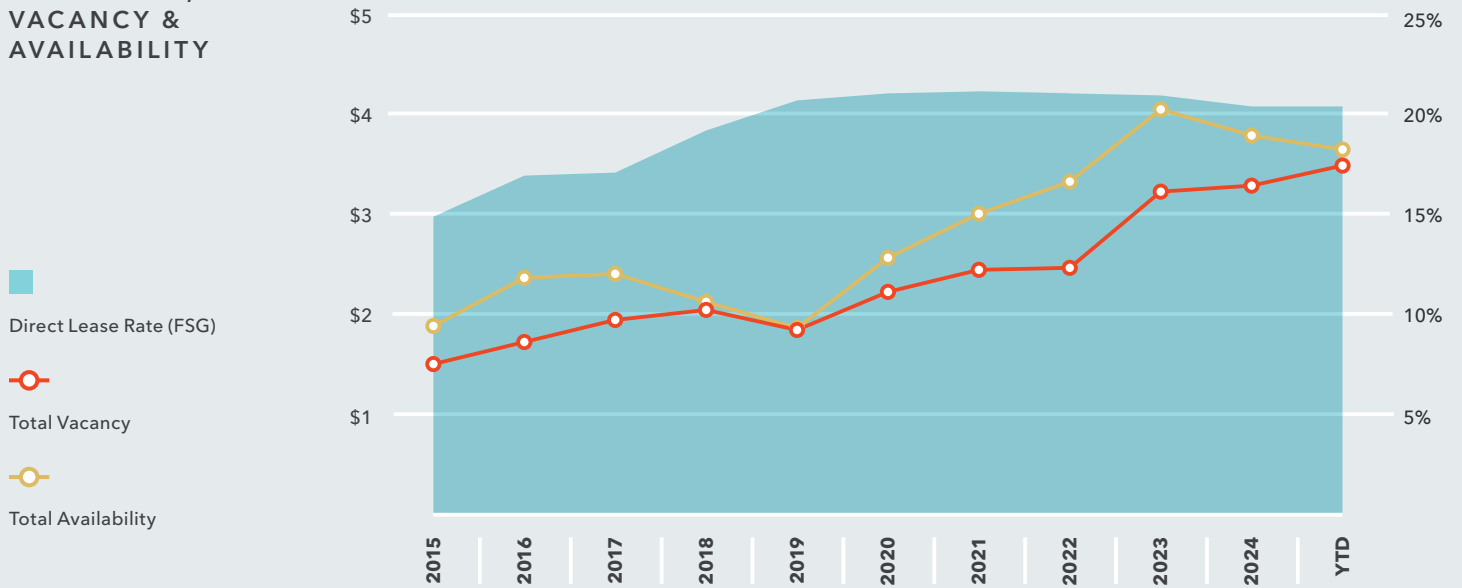
**TOTAL AVAILABILITY** is down quarter over quarter to 18.2%.

**ASKING LEASE RATES** increased quarter over quarter to \$4.07/SF FS.

**SALE VOLUME** increased quarter over quarter 1.6M SF.

**NET ABSORPTION** fell quarter over quarter to -1.1M SF.

## LEASE RATE, VACANCY & AVAILABILITY

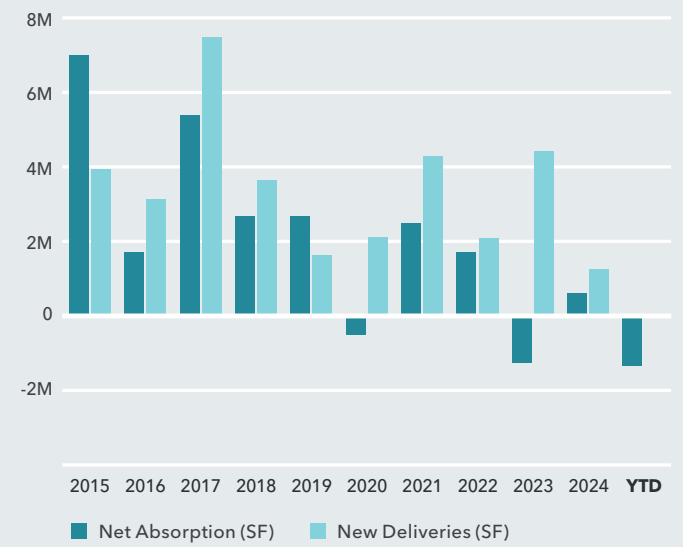


## BIGGEST SALE OF THE QUARTER

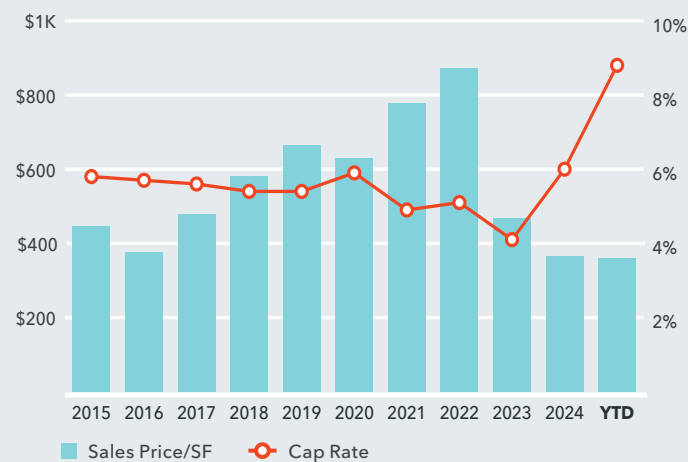
*Nvidia Campus, Santa Clara*



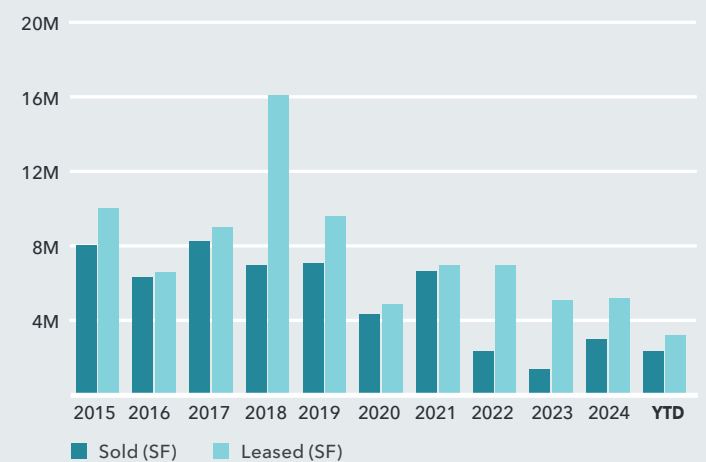
## NET ABSORPTION & NEW DELIVERIES



## 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	2Q25 Direct Net Absorption	2Q25 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	2Q25 Gross Absorption	YTD Gross Absorption	2Q25 Rental Rate KM CoStar
Campbell	2,676,240	-	24.6%	32.2%	37.8%	-27,181	-39,955	-2,722	-20,455	25,202	54,894	\$4.11
Cupertino	7,337,559	-	2.5%	2.5%	2.8%	19,662	18,138	9,335	16,978	15,187	31,941	\$4.83
Fremont	5,119,106	-	5.9%	17.9%	18.1%	4,408	3,188	7,297	-45,565	8,858	21,225	\$3.03
Milpitas	4,580,560		12.5%	14.5%	15.3%	-17,765	-17,765	10,520	13,790	10,626	35,341	\$2.72
Mountain View	14,865,924	799,482	14.1%	20.2%	23.9%	-161,309	-177,003	-196,235	-195,280	271,431	384,379	\$6.99
Newark	1,017,507	-	30.7%	30.8%	30.9%	-9,297	-9,297	813	813	1,409	9,254	\$2.79
Palo Alto	12,523,712	38,523	11.7%	14.3%	20.6%	-339,994	-353,160	-331,159	-272,560	441,586	616,699	\$7.42
San Jose	43,556,267	231,579	17.2%	19.0%	20.2%	-98,611	-163,079	214,970	123,319	407,777	839,433	\$4.01
Santa Clara	21,404,635	-	11.1%	13.8%	16.4%	-303,794	-131,160	-221,741	42,694	574,853	787,342	\$4.20
Sunnyvale	22,968,735	1,532,078	16.5%	20.7%	19.2%	-275,220	-266,465	-949,012	-1,000,253	399,643	442,521	\$5.17
<b>Total</b>	<b>133,335,522</b>	<b>2,601,662</b>	<b>14.2%</b>	<b>17.4%</b>	<b>18.2%</b>	<b>-1,209,101</b>	<b>-1,136,558</b>	<b>-1,457,934</b>	<b>-1,336,519</b>	<b>2,156,572</b>	<b>3,223,029</b>	<b>\$4.07</b>
Class A	62,693,489	2,601,662	15.6%	19.9%	21.8%	-493,277	-478,310	1,047,192	822,911	1,091,019	2,607,092	\$5.09
Class B	60,110,164		14.3%	17.1%	18.6%	-761,910	-700,363	37,286	-531,690	1,000,053	2,049,660	\$4.49
Class C	13,246,592		6.8%	7.2%	8.7%	46,086	42,115	14,201	-73,796	65,500	220,646	\$3.28

## NEAR-TERM OUTLOOK

The Silicon Valley office market is navigating a complex inflection point, where opportunistic sales activity, uneven leasing momentum, and macroeconomic pressure continue to shape dynamics. Sales activity rose in the first half of 2025, with discounted transactions led by owner-users and strategic investors. LinkedIn acquired a 120,000 square foot building for \$75 million near its Sunnyvale HQ. Fortinet, Cannae Partners, and VTA made similar moves, with all deals closing significantly below previous valuations, a sign of both distress and long-term confidence in select locations.

Leasing activity showed signs of life, particularly in larger blocks. Zscaler inked the quarter's largest lease, subleasing 301,000 square feet at 4401 Great America Parkway. Elsewhere, tenants such as One X Tech, Lowenstein Sandler, and ALPFA Medical expanded into high-quality space, reflecting continued demand for well-located, move-in-ready offices. Meanwhile, Google listed a large portion of its Pacific Shores campus in Redwood City for lease, following major cutbacks in its real estate footprint. The shift has left many properties with limited activity, but also created new opportunities for AI-focused firms looking for modern space, including Snowflake and C3.ai.

Tenant improvement costs remain elevated, \$245 to \$335 per square foot, and uncertainty around tariffs and materials pricing has made budgeting more complex. These challenges have accelerated the ongoing flight to quality, as landlords invest in upgrades to remain competitive. Companies are being selective, gravitating toward assets that minimize buildout timelines and maximize amenities.

Capital markets remain under pressure. Nearly \$1 trillion in commercial real estate loans are scheduled to mature in 2025, and CMBS delinquency rates have surpassed pandemic highs. Refinancing activity has slowed, with many borrowers seeking workouts as valuations soften and interest rates remain elevated. Even so, private capital is still circling discounted opportunities, especially for properties with redevelopment potential or long-term strategic value.

While fundamentals remain in flux, early signs of recovery are visible. Leasing velocity across the Bay Area is stronger than last year, and touring activity is up. The next few quarters will be critical in determining whether this interest converts to meaningful deal volume, and whether the capital markets environment allows for broader market stabilization.

## SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2731 San Tomas Expy	Santa Clara	500,000	\$339,020,000	\$678.04	NVIDIA Corporation	The Sobrato Organization
221 N Mathilda Ave	Sunnyvale	156,048	\$87,800,000	\$562.65	Spear Street Capital	Stockbridge Capital Group, LLC
1022 W Maude Ave	Sunnyvale	120,000	\$75,165,000	\$626.38	LinkedIn	Synopsis
488 Almaden Blvd	San Jose	390,023	\$63,700,000	\$163.32	Santa Clara Valley Transp. Authority	Lane Partners
285 Sobrante Way	Sunnyvale	125,100	\$42,300,000	\$338.13	LBA Realty	SteelWave, Inc.   Principal R.E. Inv., LLC

## SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
815 11th Ave	Sunnyvale	338,307	June 2025	Jay Paul Co.	Walmart	Direct
4401 Great America Pkwy	Santa Clara	301,163	April 2025	Zscaler	The Sobrato Organization	Sublease
3000 Hanover St*	Palo Alto	229,872	April 2025	Sand Hill Property Company	Guardant Health	Direct
815 11th Ave*	Sunnyvale	204,837	June 2025	Jay Paul Co.	Walmart	Direct
223 N Mathilda Ave	Sunnyvale	156,050	June 2025	Spear Street Capital, LLC	Snapchat	Direct

\*Renewals

## SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
100-200 Carribean Dr	Sunnyvale	1,042,078	August 2025	Google, Inc.
2003 Landings Dr	Mountain View	799,482	May 2025	Google, Inc.
399 W Java Dr	Sunnyvale	315,000	July 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



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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COMMERCIAL  
BROKERAGE

\$9B

AVERAGE ANNUAL  
TRANSACTION VOLUME

26.2M

ANNUAL  
SALES SF

36.7M

ANNUAL  
LEASING SFASSET  
SERVICES

58M SF

MANAGEMENT  
PORTFOLIO SIZE

850+

ASSETS UNDER  
MANAGEMENT

250+

CLIENTS  
SERVEDVALUATION  
ADVISORY

2,400+

AVERAGE ANNUAL  
ASSIGNMENTS

39

TOTAL  
APPRAISERS

24

WITH MAI  
DESIGNATIONS