Kidder Mathews

MARKET TRENDS

SILICON VALLEY *OFFICE*

3Q 2025

MARKET DRIVERS

Since the last quarter, the office availability rate decreased by 50 basis points to 17.9% in 3Q25. Vacancy rates also fell 40 basis points to 17.3% in this timeframe.

Net absorption was 513.8K SF this quarter, a stark contrast to the -1.3M SF last quarter. Cumulatively, the market has experienced -1.1M SF of net absorption, even after this positive quarter. At this point last year, there was -587.7K SF of net absorption, but the year ended at positive 615.4K SF, so there is hope that 2025 could still end positively even after the tough start to the year.

Asking lease rates increased from $4.08 PSF FS (Full Service) to $4.11/SF in the past quarter. This is the same asking rates we saw at this time last year, and shows that asking rates have normalized at this range.

The sales volume reached 1.2M SF this quarter, a step down from the 2.0M SF recorded last quarter. This year's sale volume has outpaced 2024's, already 46.3% higher than this time last year. The price per SF for purchases this year is $416.59, higher than the $365.15 rate they were going at last year, but it's a significant discount from the highs seen in 2022 when buildings were going at $856.45, highlighting investor's willingness to purchase property at a discount.

Lease volume reached 1.6M SF in 3Q25, and the cumulative volume of transactions this year is 23.5% higher than in 2024.

ECONOMIC REVIEW

California's unemployment increased 20 bps to 5.5%, while Santa Clara County increased 80 bps to 4.7% between May and August.

The Professional Business Sector in the San Jose, Sunnyvale, Santa Clara Metropolitan Statistical Area (MSA) fell 2.8% yearly, dropping to 279.6K, the same as it was last quarter. Similarly, the information sector also dropped 0.5% over the year, but added 1.3K jobs since last quarter, reaching 93.7K jobs.

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Market Summary

	3Q25	2Q25	3Q24	YOY Change
Vacancy Rate	17.3%	17.7%	17.0%	**30 bps**
Availability Rate	17.9%	18.4%	20.2%	**-230 bps**
Asking Lease Rate	$4.11	$4.08	$4.11	**0.0%**
Under Construction (SF)	1,802,180	1,802,180	2,463,236	**-26.8%**

	3Q25	2025 YTD	2024 YTD	YOY Change
Lease Volume (SF)	1,644,358	4,933,984	3,995,390	**23.5%**
Sales Volume (SF)	1,206,030	3,953,204	2,702,141	**46.3%**
Deliveries (SF)	0	0	562,446	**-100.0%**
Net Absorption (SF)	513,837	-1,083,222	-587,652	**84.3%**

↑ *1.6M SF*
LEASING ACTIVITY

↑ *513K SF*
NET ABSORPTION

↑ *17.3%*
VACANCY RATE

↔ *$4.11 FS*
ASKING RENT (AVG)

↓ *0K SF*
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

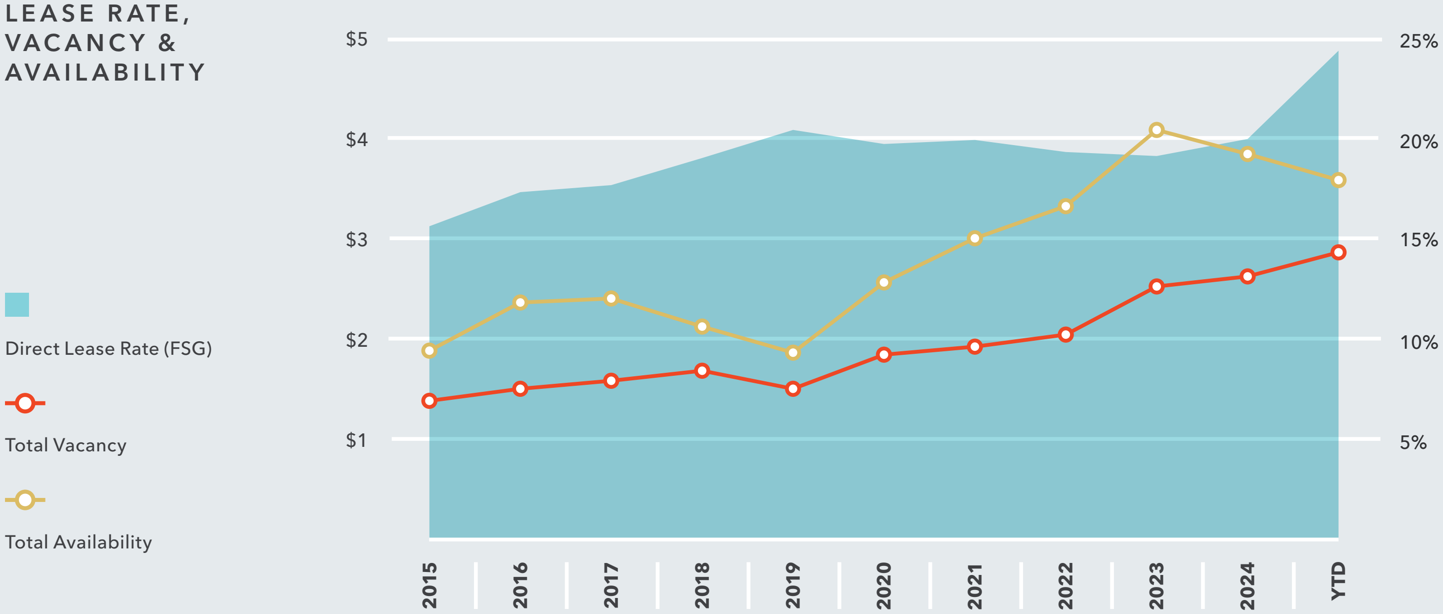
TOTAL AVAILABILITY is down quarter over quarter to 17.9%

ASKING LEASE RATES increased quarter over quarter to $4.11 PSF FS

SALE VOLUME decreased quarter over quarter 1.2M SF

NET ABSORPTION improved quarter over quarter to 513.8K SF SF

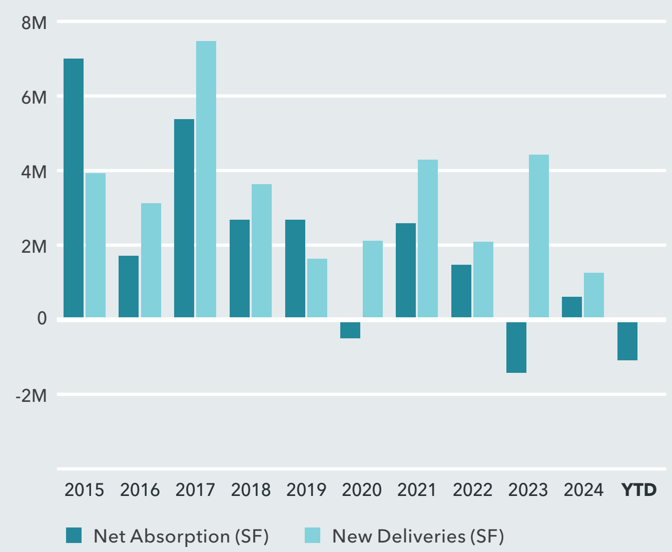
LEASE RATE, VACANCY & AVAILABILITY



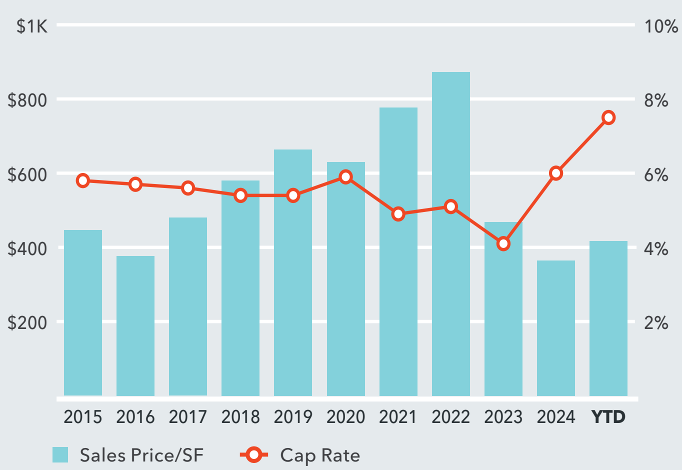
BIGGEST SALE OF THE QUARTER

3315-3355 Scott Blvd, Santa Clara

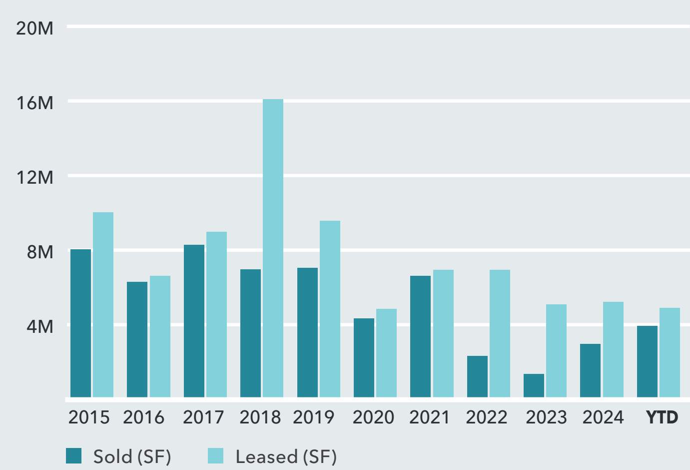
NET ABSORPTION & NEW DELIVERIES



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	3Q25 Direct Net Absorption	3Q25 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	3Q25 Gross Absorption	YTD Gross Absorption
Campbell	2,692,486	0	23.8%	31.4%	37.3%	25,626	24,814	14,705	-3,840	32,372	90,931
Cupertino	7,337,559	0	2.3%	2.3%	2.7%	15,870	14,467	25,205	31,445	10,490	42,431
Fremont	5,119,106	0	7.1%	18.9%	19.2%	-60,104	-54,553	-52,807	-100,118	25,420	49,838
Milpitas	4,626,034	0	12.5%	15.8%	17.6%	-15,744	-10,507	1,553	10,060	29,173	75,473
Mountain View	14,736,394	0	14.7%	20.4%	25.5%	-137,213	-73,627	-337,925	-273,384	67,335	470,923
Newark	1,017,507	0	30.9%	30.9%	31.1%	-2,672	-1,372	-1,859	-559	0	10,554
Palo Alto	12,612,357	38,523	13.7%	15.2%	17.7%	-247,118	-99,179	-593,766	-389,904	152,465	541,651
San Jose	43,857,437	231,579	17.3%	19.1%	18.9%	-61,626	-27,352	147,076	81,453	507,035	1,118,517
Santa Clara	21,417,030	0	11.2%	14.0%	17.2%	-17,893	139,262	-257,241	-6,340	233,256	1,058,605
Sunnyvale	23,400,708	1,532,078	15.7%	18.7%	17.3%	333,679	601,884	-648,999	-432,035	586,812	1,409,161
Total	**133,335,522**	**1,802,180**	**14.3%**	**17.3%**	**17.9%**	**-167,195**	**513,837**	**-1,704,058**	**-1,083,222**	**1,644,358**	**4,868,084**
Class A	62,515,946	1,763,657	15.5%	18.9%	20.4%	-30,361	424,934	1,047,192	822,911	1,011,851	2,607,092
Class B	61,266,552	38,523	14.6%	17.7%	18.9%	-54,137	168,011	37,286	-531,690	481,030	2,049,660
Class C	13,034,120	0	7.6%	7.9%	7.7%	-82,697	-79,108	14,201	-73,796	151,477	220,646

NEAR-TERM OUTLOOK

The Silicon Valley office sector is navigating a gradual recovery, with companies selectively expanding and investors focusing on repositioning older properties rather than pursuing ground-up development. A prime example is Ellis Partners' redevelopment of 755 North Mathilda Avenue in Sunnyvale, formerly a Microsoft campus. The firm acquired the two-building, 105,000 SF property for $15M earlier this year and has begun extensive renovations scheduled to complete in early 2026. Positioned near major freeways and public transit, the upgraded Class A campus—now branded Mathilda Park—is intended to meet tenant demand for high-quality, amenity-driven space in proximity to leading technology employers such as Apple and LinkedIn.

Major technology firms continue to drive significant real estate activity in the region. Nvidia expanded its ownership footprint in Santa Clara with the $83M purchase of 2701 San Tomas Expressway, the fourth building it has acquired within the same office park this year. The company's latest acquisitions, totaling more than $330M, complement plans for a 324,000 SF headquarters expansion nearby. In San Jose, E Ink Corp. purchased 3200 North First Street for $22.7M, bringing an end to the property's receivership and restoring stability to an 85,000 SF office and R&D facility once occupied by electric-vehicle maker Nio.

Market indicators point to incremental improvement. Vacancy edged down to 17.3% in 3Q25, compared with 17.7% in the previous quarter, while average asking rents rose slightly to $4.11 PSF (FS). Overall inventory remained steady at about 137 million square feet, with 1.8 million square feet still under construction. Activity is being led by technology and AI-related occupiers, including Walmart, Zscaler, Snap, and OpenAI, which are each evaluating large contiguous blocks of space across Sunnyvale, Santa Clara, and Mountain View. With 18 tenants now searching for 100,000 SF or more, more than double last year's count, the region's transition toward higher-quality space and continued AI growth signal a cautiously optimistic path forward for the Silicon Valley office market.

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
3315-3355 Scott Blvd	Santa Clara	459,724	$210,000,000	$456.80	Ellis Partners	Clarion Partners
250 University Ave	Palo Alto	41,428	$82,000,000	$1,979.34	First-Citizens Bank & Trust Company	Capricorn Investment Group, LLC
1109-1151 McKay Dr	San Jose	111,000	$29,500,000	$265.77	FH1 Investments, Inc.	South Bay Development Co.
255 W Julian St	San Jose	56,415	$14,500,000	$257.02	Westbank Corp	Davidson Living Trust
490 California Ave	Palo Alto	28,743	$14,000,000	$487.08	Premia Capital	CIM Group, LP

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
101-131 Albright Way*	Los Gatos	547,398	July 2025	King Asset Management	Netflix	Direct
200 W Washington Ave	Sunnyvale	305,429	July 2025	Hunter Properties	Databricks	Direct
250 W Washington Ave	Sunnyvale	90,686	July 2025	Hunter Properties	Crowdstrike	Direct
4453 N 1st St	San Jose	49,500	July 2025	CBRE Investment Management	Expedia	Direct
800 W El Camino Real	Mountain View	35,053	July 2025	Rees Properties, Inc.	Otter AI	Direct

*Renewals

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Google Carribean	Sunnyvale	1,042,078	November 2025	Google
1410 S Bascom Ave	San Jose	231,579	November 2025	PMB Real Estate Services
300 S Mathilda Ave	Sunnyvale	175,000	November 2025	Sares-Regis Group
388 Cambridge Ave	Palo Alto	38,523	February 2026	Presidio Bay Ventures

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

Kidder Mathews

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, 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.

GARY BARAGONA
Vice President of Research
415.229.8925
gary.baragona@kidder.com

DAVID NELSON
Regional President, Brokerage
Northern California & Nevada
408.970.9400
david.nelson@kidder.com
LIC N° 01716942

COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ANNUAL ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS

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