

MARKET TRENDS

SILICON VALLEY OFFICE

MARKET DRIVERS

The Silicon Valley office market vacancy rate declined 100 basis points (bps) quarter-over-quarter (QOQ) to 16.6% in 4Q25, while remaining essentially flat year-over-year (YOY). Total availability also improved, falling to 17.2% (down 80 bps QOQ and 190 bps YOY), reflecting a modest drawdown in both direct and sublease space.

Leasing activity totaled 1.1M SF in 4Q25, below both 3Q25 (1.6M SF) and 4Q24 (1.2M SF). However, direct net absorption swung strongly positive, with total net absorption posting a 1.3M SF gain in the quarter (vs. 200K SF in 3Q25), signaling that occupants are selectively taking down space, often in higher-quality assets, despite a still-measured pace of new deal volume.

Office investment sales reached 1.2M SF of transactions in 4Q25, bringing 2025's market-wide activity above last year's pace. Average pricing held near \$466/SF, as investors continued to underwrite cautiously amid elevated vacancy and a bifurcated tenant landscape.

ECONOMIC REVIEW

In September 2025, Santa Clara County's unemployment rate was 4.5%, down 10 bps from August (4.6%) but up 40 bps YOY (4.1%). For context, California's unemployment rate was 5.6% in September, and the release of October and November labor market data was delayed due to impacts from the federal government shutdown.

The San Jose-Sunnyvale-Santa Clara MSA's employment base remained relatively steady through September 2025. Total nonfarm employment measured 1.1M jobs in September (seasonally adjusted), down 2.8K from May. Information sector employment was essentially flat at 93.0K jobs, while Professional & Business Services employment totaled 276.5K, underscoring the region's continued reliance on tech-adjacent and knowledge-economy hiring.

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Market Summary

	4Q25	3Q25	4Q24	YOY Change
Vacancy Rate	16.6%	17.6%	16.5%	10 bps
Availability Rate	17.2%	18.0%	19.1%	-190 bps
Asking Lease Rate/SF/Mo	\$4.10	\$4.15	\$4.09	0.2%
Under Construction (SF)	1,763,657	1,763,657	1,802,180	-2.1%
	4Q25	2025	2024	YOY Change
Lease Volume (SF)	1,104,554	6,335,983	5,431,317	16.7%
Sales Volume (SF)	1,197,848	5,965,509	2,966,371	101.1%
Deliveries (SF)	0	38,523	1,256,327	-96.9%
Net Absorption (SF)	1,317,259	-42,525	701,924	-106.1%

4Q 2025

↑ **1.1M SF**
LEASING ACTIVITY

↑ **1.3M SF**
NET ABSORPTION

↑ **16.6%**
VACANCY RATE

↑ **\$4.10 FS**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

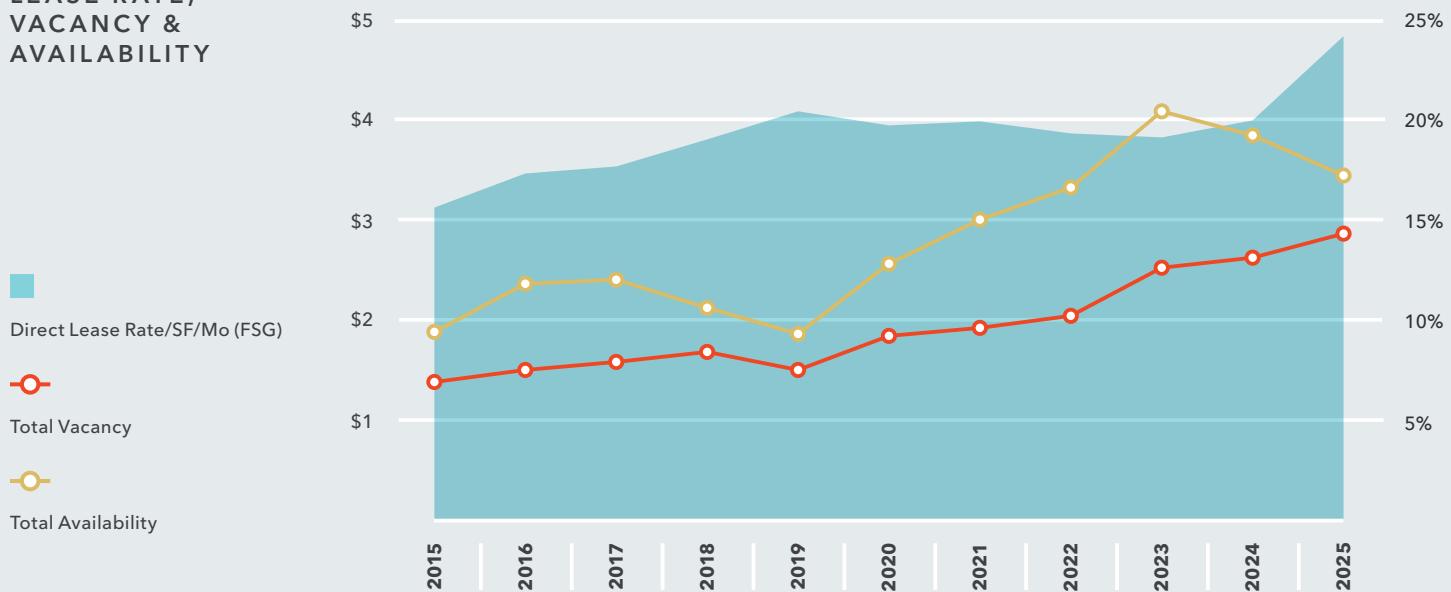
LEASING VOLUME

totaled 1.1M SF in 4Q25, down 10.0% YOY

RENTAL RATES averaged \$4.10/SF FSG in 4Q25, down 0.2% YOY

SALE VOLUME totaled 1.2M SF in 4Q25, up sharply from 300K SF in 4Q24

LEASE RATE, VACANCY & AVAILABILITY



BIGGEST SALE OF THE QUARTER

*19339 Stevens Creek Blvd
Cupertino, CA*



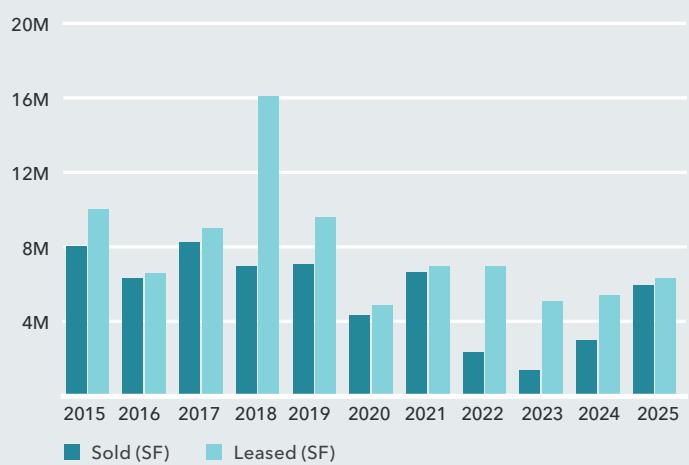
NET ABSORPTION & NEW DELIVERIES



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	4Q25 Direct Net Absorption	4Q25 Total Net Absorption	2025 Direct Net Absorption	2025 Total Net Absorption	4Q25 Gross Absorption	YTD Gross Absorption	4Q25 Rental Rate
Campbell	2,688,265	0	22.3%	29.5%	35.1%	42,461	52,704	57,166	48,864	57,260	194,229	\$4.10
Cupertino	7,211,965	0	2.1%	2.2%	2.6%	13,063	13,063	38,268	44,508	6,182	50,005	\$4.76
Fremont	5,119,106	0	7.4%	19.2%	19.4%	-15,456	-13,037	-68,263	-113,155	2,162	58,954	\$3.15
Milpitas	4,731,763	0	15.4%	19.2%	20.0%	-130,922	-130,967	-145,292	-136,830	21,369	132,612	\$2.77
Mountain View	14,739,287	0	14.8%	18.5%	23.5%	-24,246	261,561	-354,427	-4,079	204,391	681,184	\$6.76
Newark	1,000,417	0	31.9%	31.9%	31.4%	-4,040	-4,040	-5,899	-4,599	9,466	21,820	\$2.88
Palo Alto	12,803,503	0	14.0%	15.2%	18.4%	242,329	258,566	-573,782	-353,683	176,492	790,460	\$7.58
San Jose	43,698,069	0	17.7%	19.5%	19.2%	-146,631	-105,712	-26,470	-68,748	236,441	1,393,944	\$4.03
Santa Clara	21,785,455	0	11.3%	13.5%	15.9%	-52,606	60,436	-314,286	51,729	102,241	1,183,227	\$4.02
Sunnyvale	23,394,533	1,532,078	14.1%	14.8%	14.3%	385,767	924,685	-262,414	493,468	288,550	1,829,548	\$5.67
Total	133,335,522	1,532,078	14.3%	16.6%	17.2%	309,719	1,317,259	-1,655,399	-42,525	1,104,554	6,335,983	\$4.10
Class A	61,791,255	1,532,078	15.4%	17.2%	18.4%	227,691	1,194,266	1,047,192	822,911	511,125	2,607,092	\$5.42
Class B	61,972,674	0	14.7%	17.9%	19.3%	113,343	118,283	37,286	-531,690	515,903	2,049,660	\$4.38
Class C	13,408,434	0	7.7%	7.8%	7.8%	-31,315	4,710	14,201	-73,796	77,526	220,646	\$3.25

NEAR-TERM OUTLOOK

Recent activity in Silicon Valley points to a market that is slowly finding its footing, driven less by broad-based office recovery and more by strategic, user-specific decisions. Select technology firms with long-term commitments to the region are choosing to solidify their presence through ownership rather than leasing, even as new office development remains difficult to justify. In Mountain View, a long-occupied office asset recently changed hands as its primary tenant elected to purchase the building outright, signaling confidence in the location despite ongoing uncertainty across the office sector. At the same time, proposed large-scale office developments continue to face headwinds. In Santa Clara, a fully entitled office site previously slated for nearly 700,000 square feet of space was sold and is now being repositioned for residential use, reflecting persistent challenges tied to construction costs, infrastructure constraints, and tenant demand.

While traditional office development remains limited, demand tied to artificial intelligence continues to concentrate in select Peninsula submarkets. An AI-focused technology firm has expanded its Palo Alto presence through multiple leases and significant interior renovations, clustering operations near existing research, engineering, and talent hubs. This expansion, supported by aggressive hiring and substantial capital backing, stands in contrast to broader office market caution.

Collectively, these transactions illustrate a market increasingly shaped by consolidation, adaptive reuse, and targeted expansion by next-generation technology users, rather than a return to pre-pandemic leasing patterns.

Silicon Valley's office market continues to show early signs of stabilization, with demand increasingly concentrated in modern, amenity-rich buildings and AI/enterprise software users. Large tech-driven commitments, such as Databricks' 305,000 SF Sunnyvale expansion, highlight the 'flight-to-quality' dynamic even as broader leasing remains uneven. At the same time, owners are actively repositioning portfolios: Cisco's recent sale of four buildings at its San Jose campus and the advancement of office-to-residential conversion plans in downtown San Jose illustrate how capital is being redeployed to align with post-pandemic space needs.

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
19339 Stevens Creek Blvd	Cupertino	259,796	\$218,000,000	\$839.12	Apple	Sand Hill Property Company
3440 Walnut Ave	Fremont	203,405	\$65,000,000	\$319.56	Brookfield Properties Development	Wells Fargo
1808 N Shoreline Blvd	Mountain View	21,208	\$32,800,000	\$1,546.59	Google	Jeffrey A. Morris Group, Inc.
399 W El Camino Real	Mountain View	32,048	\$22,000,000	\$686.47	El Camino Hospital	The Swig Company
775 Page Mill Rd	Palo Alto	10,544	\$9,500,000	\$900.99	David Brett Company, Inc.	A. E. Inc.

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
1510-1530 PAge Mill Rd	Palo Alto	105,536	November 2025	Hudson Pacific Properties, Inc.	xAI	Direct
3172 Porter Dr*	Palo Alto	61,081	October 2025	Board of Trustees Leland Stanford JR. Univ.	Stanford School Of Med.	Direct
250 W Washington Ave	Sunnyvale	45,666	October 2025	Sares Regis Group; JP Morgan	CrowdStrike	Direct
100 Mathilda Pl	Sunnyvale	39,314	October 2025	JP Morgan	CoreWeave	Direct
85 Willow Rd	Mountain View	38,667	November 2025	Sobrato Development Company	ID.me	Sublease

*Renewals

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Google Caribbean	Sunnyvale	1,042,078	December 2026	Google
300 S Mathilda Ave	Sunnyvale	175,000	March 2026	Sares-Regis Group

Data Source: CoStar, BLS, EDD, FRED, The Business Journals



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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 SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ANNUAL ASSIGNMENTS	41 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS