

MARKET TRENDS

SILICON VALLEY OFFICE

MARKET DRIVERS

The Silicon Valley office market vacancy rate held steady quarter-over-quarter (QOQ) at 16.5% in 1Q26 and improved 10 basis points (bps) year-over-year (YOY). Total availability tightened further to 16.6%, down 80 bps from 4Q25 and 260 bps from 1Q25, reflecting a continued reduction in marketed space despite only limited change in overall occupancy.

Leasing activity totaled 2.1M SF in 1Q26, up 46.7% from 4Q25 and 48.2% from 1Q25. Even with that rebound, total net absorption was slightly negative at 39.2K SF, following the outsized 1.5M SF gain recorded in 4Q25, suggesting that demand remains concentrated in a handful of larger commitments rather than broad-based market recovery.

Office investment sales totaled 615.0K SF across 11 transactions in 1Q26. While traded square footage was below both 4Q25 and 1Q25, dollar volume rose to \$546.1M and average pricing climbed to \$902.62/SF, driven by a small number of high-value trades and continued interest from owner-users and selective institutional buyers.

ECONOMIC REVIEW

Using the latest available labor market data, Santa Clara County's unemployment rate was 4.0% in December 2025, up 10 bps from one year earlier. California's unemployment rate was 5.5% in December, keeping the county below the statewide average even as labor conditions remained softer than pre-pandemic lows.

The San Jose-Sunnyvale-Santa Clara MSA's employment base was relatively stable through year-end 2025. Total nonfarm employment measured 1.149M jobs in December 2025, up 2.8K from September. Information sector employment was essentially flat at 93.3K jobs, while Professional & Business Services employment totaled 275.5K, down 1.2K from September, underscoring that the region's office demand drivers remain intact but selective.

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Market Summary

	1Q26	4Q25	1Q25	YOY Change
Vacancy Rate	16.5%	16.5%	16.6%	-10 bps
Availability Rate	16.6%	17.4%	19.2%	-260 bps
Asking Lease Rate/SF/Mo	\$4.16	\$4.10	\$4.02	3.5%
Under Construction (SF)	1,791,112	1,532,078	1,801,107	-0.6%
	1Q26	4Q25	1Q25	YOY Change
Lease Volume (SF)	2,068,983	1,410,575	1,395,673	48.2%
Sales Volume (SF)	614,965	1,100,151	832,587	-26.1%
Deliveries (SF)	0	230,506	0	0.0%
Net Absorption (SF)	-39,190	1,532,521	-334,472	N/A

↑ **2.1M SF**
LEASING ACTIVITY

↑ **-39K SF**
NET ABSORPTION

↓ **16.5%**
VACANCY RATE

↑ **\$4.16 FS**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

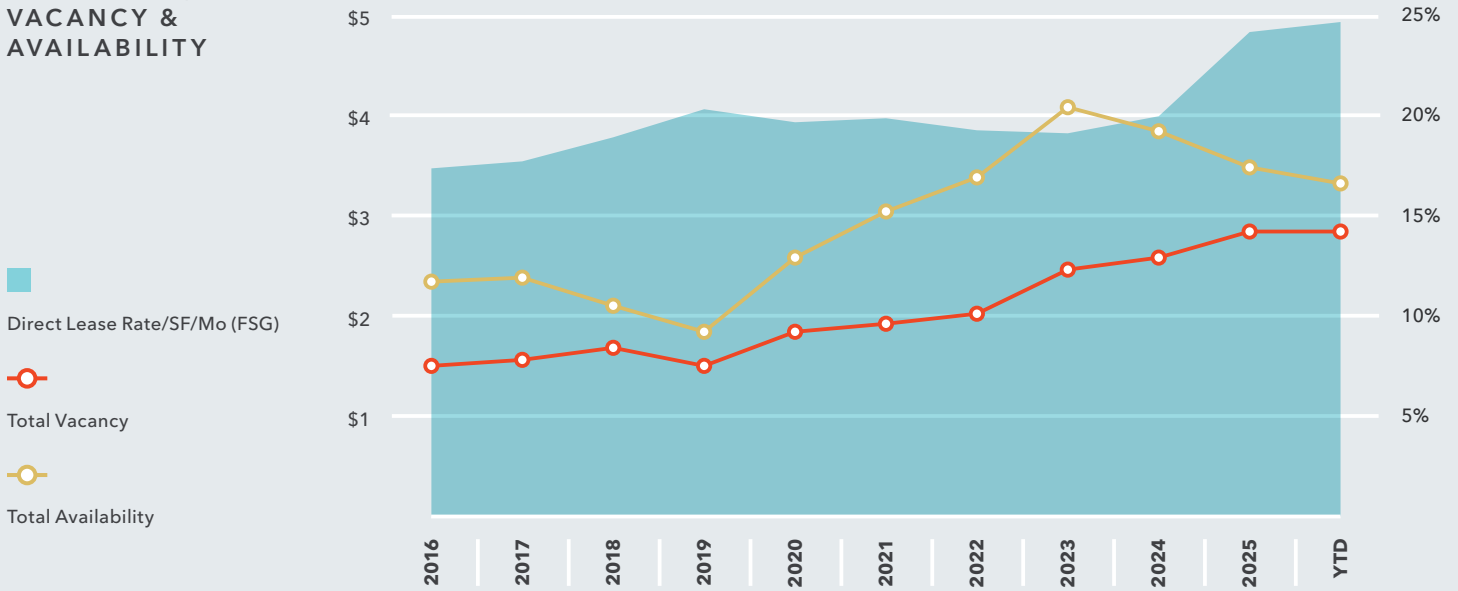
Market Highlights

LEASING VOLUME totaled 2.1M SF in 1Q26, down 48.2% YOY

RENTAL RATES averaged \$4.16 PSF FSG in 1Q26, down 5.7% YOY

SALE VOLUME totaled 615K SF in 1Q26, down from 832.6K SF in 1Q25

LEASE RATE, VACANCY & AVAILABILITY

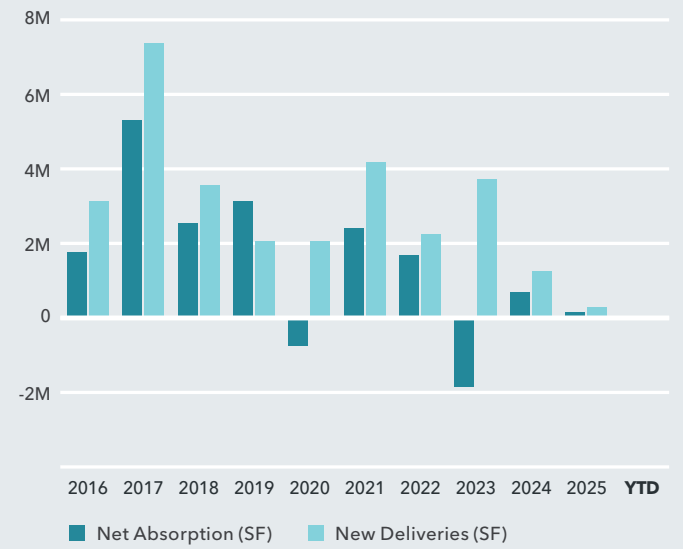


BIGGEST SALE OF THE QUARTER

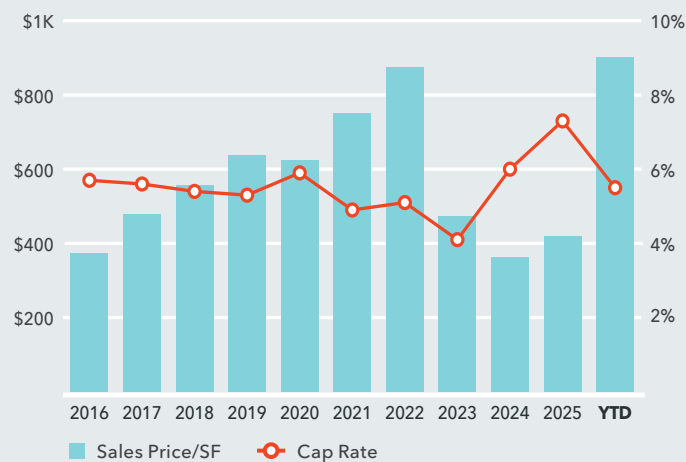
*Bascom Station
San Jose, CA*



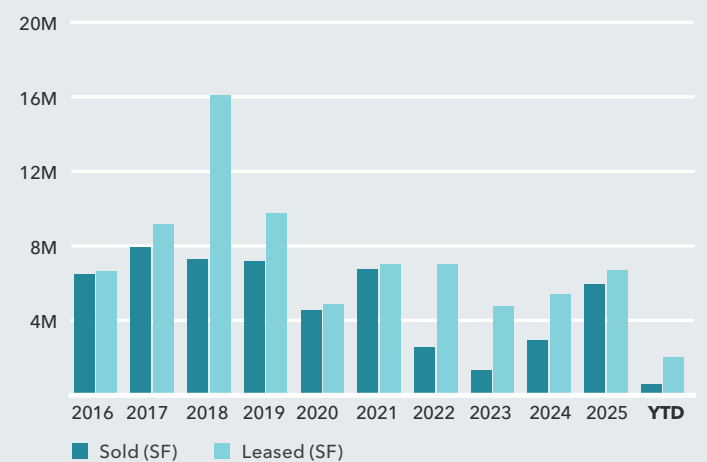
NET ABSORPTION & NEW DELIVERIES



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	1Q26 Direct Net Absorption	1Q26 Total Net Absorption	2025 Direct Net Absorption	2025 Total Net Absorption	1Q26 Gross Absorption	YTD Gross Absorption	1Q26 Rental Rate
Campbell	2,688,265	0	23.4%	31.5%	36.5%	-31,558	-55,522	57,166	48,864	3,971	194,229	\$4.15
Cupertino	7,204,811	0	2.0%	2.0%	2.5%	11,330	14,654	38,268	44,508	12,532	50,005	\$5.38
Fremont	5,095,041	0	7.1%	18.9%	19.0%	14,397	14,288	-68,263	-113,155	17,346	58,954	\$3.23
Milpitas	4,735,375	0	16.8%	21.7%	21.9%	-71,091	-117,430	-145,292	-136,830	50,618	132,612	\$2.79
Mountain View	14,771,942	259,034	15.2%	18.7%	20.8%	-74,440	-42,869	-354,427	-4,079	524,375	681,184	\$6.97
Newark	1,000,417	0	31.0%	31.0%	31.1%	9,152	9,152	-5,899	-4,599	8,324	21,820	\$2.91
Palo Alto	12,731,237	0	15.7%	17.5%	19.7%	-215,888	-282,765	-573,782	-353,683	150,714	790,460	\$7.28
San Jose	43,514,973	0	16.9%	18.6%	19.0%	129,850	153,765	-26,470	-68,748	650,663	1,393,944	\$4.05
Santa Clara	21,822,713	0	10.9%	13.0%	14.7%	81,127	96,580	-314,286	51,729	226,804	1,183,227	\$4.27
Sunnyvale	23,478,829	1,532,078	13.6%	14.2%	12.5%	167,288	170,957	-262,414	493,468	423,636	1,829,548	\$5.83
Total	133,335,522	1,791,112	14.2%	16.5%	16.6%	20,167	-39,190	-1,655,399	-42,525	2,068,983	6,335,983	\$4.16
Class A	60,683,066	1,532,078	14.7%	16.8%	18.1%	344,486	276,879	1,047,192	822,911	864,880	2,607,092	\$5.52
Class B	63,099,956	0	15.2%	18.1%	18.2%	-348,959	-342,411	37,286	-531,690	1,159,116	2,049,660	\$4.47
Class C	13,260,581	0	7.3%	7.3%	7.3%	24,640	26,342	14,201	-73,796	44,987	220,646	\$3.40

NEAR-TERM OUTLOOK

Recent activity in Silicon Valley suggests that the office market's recovery is still being shaped by large, strategic occupier decisions rather than a broad return in day-to-day leasing. That pattern was visible in 1Q26, when Pure Storage leased 440,132 SF in Santa Clara, Infineon took 220,872 SF in North San Jose, and Databricks renewed 180,417 SF in Sunnyvale. Those deals helped push quarterly leasing above 2.0M SF, even as total absorption finished near flat, reinforcing that momentum is concentrated in high-conviction transactions and better-quality product.

Outside the quarter's top transactions, AI-related expansion continues to provide one of the clearest signs of demand. OpenAI's recently reported roughly 450,000 SF lease in Mountain View points to continued appetite from next-generation technology users for large, campus-style space in core Silicon Valley locations. At the same time, San Jose's new office-to-residential conversion incentive program underscores a parallel reality: older and less competitive inventory is increasingly being repositioned rather than held for a full traditional office rebound.

Taken together, these trends point to a market that is gradually stabilizing, but one where recoveries will likely remain uneven by asset quality and submarket. Well-located buildings that can attract AI, enterprise software, and established technology tenants should continue to outperform, while obsolete product faces growing pressure to compete on price, reposition, or convert to alternative uses.

SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Bascom Station	San Jose	230,506	\$340,000,000	\$1,475.02	County of Santa Clara	Harrison Street Asset Mgmt.
4500 N 1st St	San Jose	83,309	\$25,200,000	\$302.49	Google	Gemdale USA
19220-19200 Stevens Creek Blvd	Cupertino	17,537	\$17,000,000	\$969.38	Hanover Company	Hall Family Trust
1793 Lafayette St	Santa Clara	22,638	\$4,890,000	\$216.01	Chinese Church In Christ	Mkm Ventures, LLC
425 N Whisman Rd	Mountain View	14,592	\$1,200,000	\$82.24	M & M Thread Salon	Edward Wong

SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
2555 & 2565 Augustine Dr	Santa Clara	440,132	March 2026	Irvine Company	Pure Storage	Direct
6001 America Center Dr	San Jose	220,872	January 2026	Shorenstein Properties	Infineon	Direct
100 Altair Way	Sunnyvale	180,417	January 2026	100 Altair, LLC	Databricks	Direct
840 W California Ave*	Sunnyvale	58,601	February 2026	Principal Global Investors	Cruise Automation	Direct
525 Almanor Ave	Sunnyvale	34,936	February 2026	Invesco	Cylake	Sublease

*Renewals

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Google Carribean	Sunnyvale	1,042,078	December 2026	Google
300 S Mathilda Ave	Sunnyvale	175,000	April 2026	Sares-Regis Group
465 Fairchild Dr	Mountain View	259,034	June 2027	The Sobrato Organization

Data Source: CoStar, BLS, EDD, FRED, The Business Journals, SF Chronicle, The Registry



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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	55M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS