

MARKET TRENDS

SILICON VALLEY OFFICE

MARKET DRIVERS

The Silicon Valley office market vacancy rate declined 60 basis points (bps) quarter-over-quarter (QOQ) and 170 bps year-over-year (YOY) to 16.0% in 2Q26. Total availability remained flat over the quarter at 16.5%, but is down 210 bps from the same time last year, reflecting continued improvement in overall marketed space.

Leasing activity totaled 1.9M SF in 2Q26, down from 3.0M SF in 1Q26 but above the 1.6M SF recorded in 4Q25. Cumulatively, leasing activity reached 4.9M SF through the first half of 2026, up 34.7% from the same point last year. Net absorption was positive 863.4K SF in the quarter, bringing year-to-date absorption to 1.2M SF, a meaningful improvement from the negative 1.8M SF recorded during the first half of 2025, and marks the fourth consecutive positive quarter.

Office investment sales totaled 1.4M SF in 2Q26, bringing year-to-date sales volume to 2.2M SF. While that figure is 27.4% below the same period last year, dollar volume increased to \$627.9M in the quarter and average pricing reached approximately \$454/SF, indicating that investors remain selective but are still pursuing well-located assets with stronger tenant profiles.

ECONOMIC REVIEW

In May 2026, Santa Clara County's unemployment rate was 3.4%, below California's 5.3% unemployment rate and down from the higher levels recorded earlier in the year. The decline suggests that the local labor market remains comparatively resilient, even as hiring across several office-using sectors has become more measured.

The San Jose-Sunnyvale-Santa Clara MSA's employment base remained relatively steady entering the second quarter. Based on the latest BLS area data available, total nonfarm employment measured 1.168M jobs in April 2026. Information sector employment totaled 96.2K jobs, while Professional & Business Services employment totaled 276.0K jobs, underscoring that Silicon Valley's office demand continues to be tied to tech, software, and knowledge-economy users rather than a broad-based office recovery.

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Market Summary

	2Q26	1Q26	2Q25	YOY Change
Vacancy Rate	16.0%	16.6%	17.7%	-170 bps
Availability Rate	16.5%	16.5%	18.6%	-210 bps
Asking Lease Rate/SF/Mo	\$4.99	\$4.90	\$4.68	6.6%
Under Construction (SF)	1,079,112	1,079,112	1,626,107	-33.6%
	2Q26	2026 YTD	2025 YTD	YOY Change
Lease Volume (SF)	1,937,129	4,904,849	3,641,383	34.7%
Sales Volume (SF)	1,383,594	2,161,447	2,979,182	-27.4%
Deliveries (SF)	0	537,000	0	N/A
Net Absorption (SF)	863,377	1,218,739	-1,751,715	N/A

↓ **1.9M SF**
LEASING ACTIVITY

↑ **863K SF**
NET ABSORPTION

↓ **16.0%**
VACANCY RATE

↑ **\$4.99 FS**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

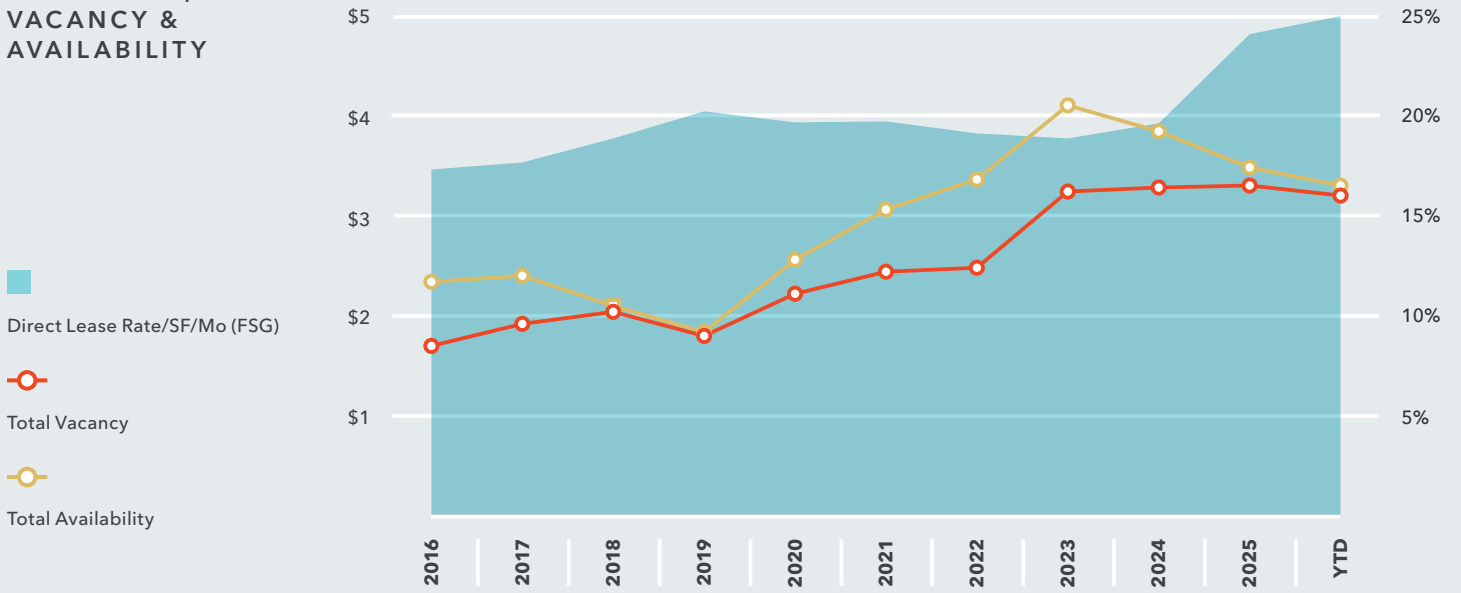
Market Highlights

LEASING VOLUME totaled 1.9M SF in 2Q26, down 14.1% YOY

RENTAL RATES averaged \$4.99 PSF FSG in 2Q26, up 6.6% YOY

SALE VOLUME totaled 1.4M SF in 2Q26, down from 2.0M SF in 2Q25

LEASE RATE, VACANCY & AVAILABILITY

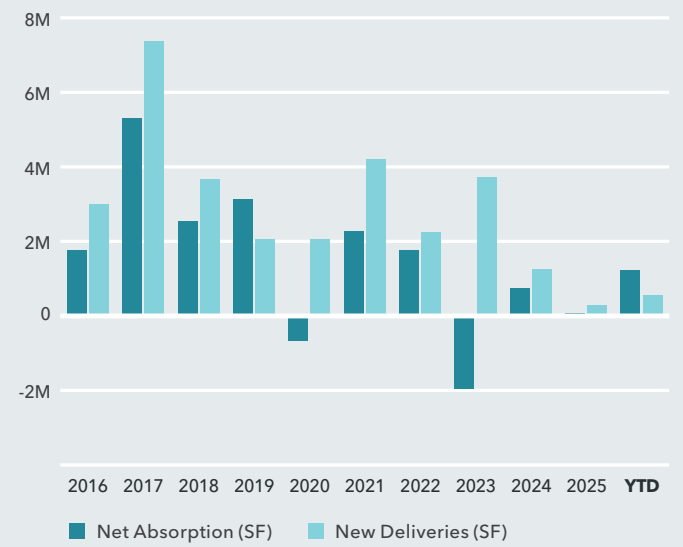


BIGGEST SALE OF THE QUARTER

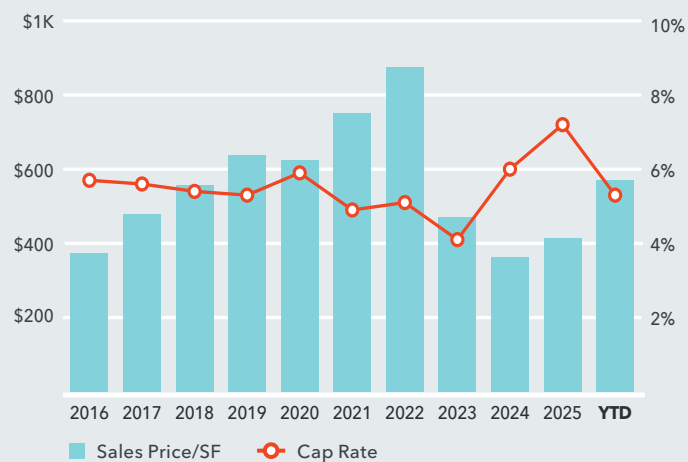
*Great American Commons
Santa Clara, CA*



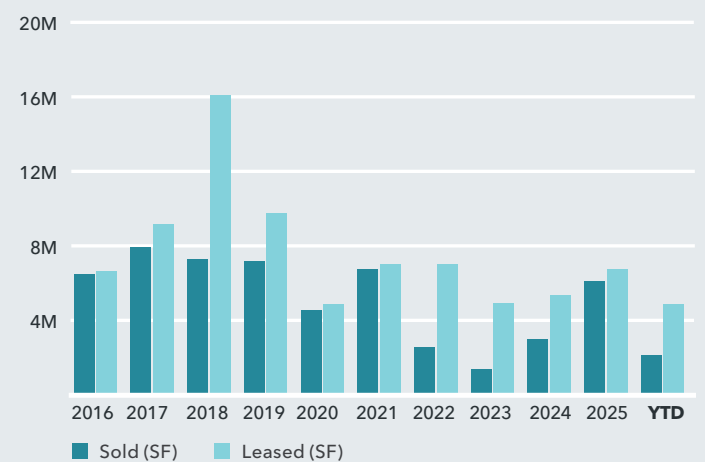
NET ABSORPTION & NEW DELIVERIES



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	2Q26 Direct Net Absorption	2Q26 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	2Q26 Gross Absorption	YTD Gross Absorption	2Q26 Rental Rate
Campbell	2,704,041	-	24.8%	33.1%	36.4%	-37,326	-44,450	-69,023	-101,870	33,136	38,750	\$4.20
Cupertino	7,147,932	-	1.5%	1.6%	2.0%	31,564	31,564	42,894	46,218	31,384	43,916	\$5.30
Fremont	5,095,041	-	7.0%	7.0%	7.1%	4,885	606,985	19,282	621,273	12,914	30,260	\$3.20
Milpitas	4,712,306	-	17.5%	20.3%	20.3%	-27,227	69,897	-98,318	-47,533	15,000	65,618	\$2.78
Mountain View	14,784,011	259,034	14.9%	18.5%	23.7%	42,570	27,412	-31,870	-15,457	145,973	670,348	\$6.83
Newark	914,546	-	32.3%	32.3%	32.5%	14,582	14,582	23,734	23,734	220	9,291	\$2.69
Palo Alto	12,607,252	-	13.9%	15.8%	18.5%	206,063	187,628	5,475	-77,095	172,026	336,446	\$7.48
San Jose	43,770,161	-	17.5%	19.3%	20.3%	-188,866	-264,371	-29,112	-155,105	171,460	926,934	\$4.02
Santa Clara	21,960,008	-	11.6%	12.8%	14.0%	67,066	260,508	39,023	247,918	1,159,507	1,983,724	\$4.56
Sunnyvale	24,110,494	820,078	13.7%	14.0%	13.0%	-112,537	-26,378	586,828	676,656	195,509	799,562	\$5.75
Total	137,805,792	1,079,112	14.3%	16.0%	16.5%	774	863,377	488,913	1,218,739	1,937,129	4,904,849	\$4.99
Class A	61,542,557	1,079,112	15.6%	17.4%	18.6%	-516,302	-257,558	278,367	469,504	1,204,829	2,812,867	\$5.55
Class B	62,136,085	-	14.6%	16.5%	18.0%	435,795	1,052,657	19,481	571,230	680,948	1,880,476	\$4.58
Class C	14,140,488	-	7.0%	7.1%	7.0%	82,893	69,890	192,252	179,192	53,899	214,288	\$3.38

NEAR-TERM OUTLOOK

Recent activity in Silicon Valley points to a market that is improving, but still uneven. Vacancy and availability have tightened materially from one year ago, and positive absorption through the first half of 2026 suggests that tenants are beginning to work through some of the excess space that weighed on the market in 2024 and 2025. However, the recovery remains concentrated in larger, high-conviction commitments rather than a broad return of smaller users.

That pattern is visible in the quarter's largest leasing activity. Palo Alto Networks' 909.6K SF renewal in Santa Clara, AMD's 313.9K SF renewal, and Illumio's 119.8K SF lease at 3315 Scott Blvd. helped anchor quarterly demand and reinforced Santa Clara's position as one of the market's strongest office nodes. These transactions also highlight a continued preference for well-located, amenity-rich campuses that can support long-term technology and enterprise software users.

Capital markets activity is also showing signs of selective confidence. The \$310.0M sale of Great America Commons in Santa Clara to Ellis Partners and The Baupost Group was one of the largest local office trades of the quarter, while Apple's \$162.2M purchase of 684 W. Maude Ave. in Sunnyvale reflects continued owner-user conviction in core Silicon Valley locations. At the same time, the market remains bifurcated, with older or less competitive assets still facing pressure from high vacancy, conversion discussions, and tenant flight-to-quality. Looking ahead, Silicon Valley's office market appears positioned for gradual stabilization, but performance will continue to depend heavily on asset quality, submarket, and exposure to AI and technology-driven demand.

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Great America Commons	Santa Clara	634,760	\$310,000,000	\$488.37	Ellis Partners The Baupost Group, LLC	PGIM, Inc.
684 W Maude Ave	Sunnyvale	194,622	\$162,190,500	\$833.36	Apple	Union Investment Metzler R.E.
110 Rio Robles*	San Jose	96,196	\$46,037,255	\$478.58	BGO	Washington Holdings
3003 Bunker Hill Ln*	Santa Clara	80,878	\$36,363,794	\$449.61	Rubicon Point Partners, LLC	TG USA Development Corp
2105 S Bascom Ave	Campbell	123,849	\$24,600,000	\$198.63	Peninsula Land & Capital, LLC	Pacific Oak Capital Advisors

*Part of Portfolio

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
3333 Scott Blvd. *	Santa Clara	909,616	April 2026	Preylock Holdings	Palo Alto Networks	Direct
2485 & 2755 Augustine Dr. *	Santa Clara	313,906	June 2026	The Irvine Company	Advanced Micro Devices, Inc.	Direct
3315 Scott Blvd	Santa Clara	119,780	April 2026	Ellis Partners	Illumio, Inc	Direct
5453 Great America Pky - Bldg II	Santa Clara	110,979	May 2026	The Irvine Company	MediaTek	Direct
6201 America Center Dr *	San Jose	42,040	April 2026	Shorenstein Properties	FLEX LTD.	Direct

*Renewals

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
Google Caribbean	Sunnyvale	820,078	December 2026	Google
465 Fairchild Dr	Mountain View	259,034	June 2027	The Sobrato Organization

Data Source: CoStar, BLS, EDD, FRED, Silicon Valley Business Journal, The Real Deal, CoStar News



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COMMERCIAL BROKERAGE	<i>\$9B</i> AVERAGE ANNUAL TRANSACTION VOLUME	<i>32.4M</i> ANNUAL SALES SF	<i>32.5M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>54M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,700+</i> AVERAGE ANNUAL ASSIGNMENTS	<i>42</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS