

MARKET TRENDS

SILICON VALLEY OFFICE

MARKET DRIVERS

The Silicon Valley office market vacancy rate declined 30 basis points (bps) quarter-over-quarter (QOQ) and 160 bps year-over-year (YOY) to 15.9% in 3Q26. Total availability also declined 30 bps over the quarter and 190 bps from the same time last year to 16.3%, extending the gradual tightening in marketed space.

Leasing activity totaled 2.9M SF in 3Q26, roughly in line with 2Q26 and up 97.2% from the 1.5M SF recorded in 3Q25. Cumulatively, leasing activity reached 8.9M SF through the first three quarters of 2026, up 70.7% from the same point last year. Net absorption was positive 491.1K SF in the quarter, bringing year-to-date absorption to 1.2M SF compared with negative 1.6M SF through 3Q25 and marking the fourth consecutive quarter of positive absorption.

Office investment sales totaled 1.1M SF across 12 transactions in 3Q26, bringing year-to-date sales volume to 4.4M SF. While year-to-date volume remains 32.3% below the same period last year, quarterly dollar volume totaled \$374.6M and average pricing reached approximately \$342 PSF, up from roughly \$293 PSF in 3Q25. The quarter's largest transactions were concentrated in Mountain View, Sunnyvale, and Santa Clara, indicating that capital remains active but selective.

ECONOMIC REVIEW

In July 2026, Santa Clara County's unemployment rate was 4.1%, below California's seasonally adjusted 5.1% unemployment rate. While the county rate increased from the spring lows, the local labor market continues to compare favorably with the state as technology and other knowledge-based industries remain central to the region's employment base.

The San Jose-Sunnyvale-Santa Clara MSA totaled approximately 1.176M nonfarm jobs in July 2026, up 1.3% from one year earlier. Information employment measured 98.6K jobs, up 0.5% YOY, while Professional & Business Services employment totaled 279.2K jobs, down 0.4% YOY. The mixed performance across office-using sectors suggests that the improvement in office demand remains concentrated among larger technology and growth-oriented users rather than reflecting a broad-based hiring expansion.

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Market Summary

	3Q26	2Q26	3Q25	YOY Change
Vacancy Rate	15.9%	16.2%	17.5%	-160 bps
Availability Rate	16.3%	16.6%	18.2%	-190 bps
Asking Lease Rate/SF/Mo	\$4.98	\$4.98	\$4.85	2.7%
Under Construction (SF)	60,188	60,188	508,472	-88.2%
	3Q26	2026 YTD	2025 YTD	YOY Change
Lease Volume (SF)	2,905,435	8,829,208	5,172,937	70.7%
Sales Volume (SF)	1,095,852	4,385,356	6,478,488	-32.3%
Deliveries (SF)	0	537,000	38,523	N/A
Net Absorption (SF)	491,072	1,204,948	-1,550,456	N/A

3Q 2026

↑ **2.9M SF**
LEASING ACTIVITY

↑ **491K SF**
NET ABSORPTION

↓ **15.9%**
VACANCY RATE

↑ **\$4.98 FS**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

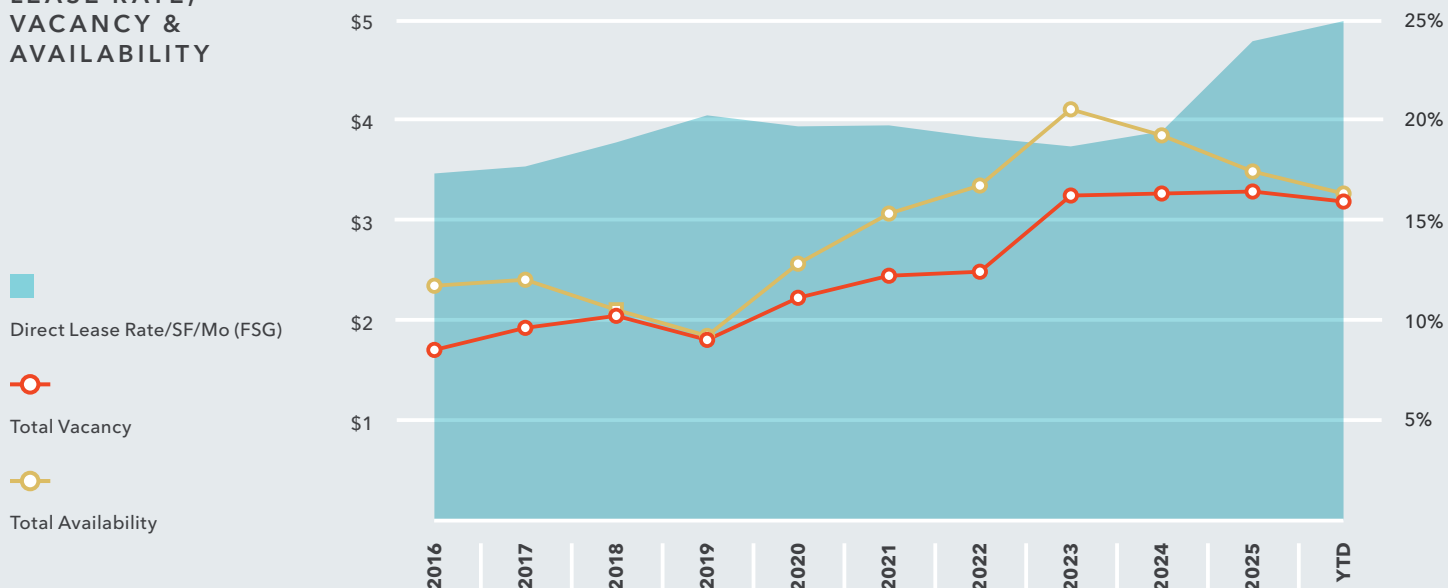
Market Highlights

LEASING VOLUME
totaled 2.9M SF in 3Q26,
up 97.2% YOY

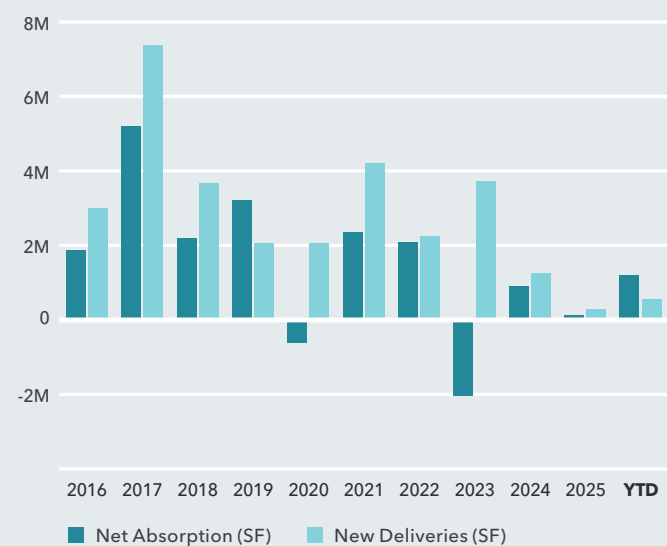
RENTAL RATES
averaged \$4.98/SF FSG in
3Q26, up 2.7% YOY

SALE VOLUME totaled 1.1M SF
in 3Q26, down from 3.2M SF
in 3Q25

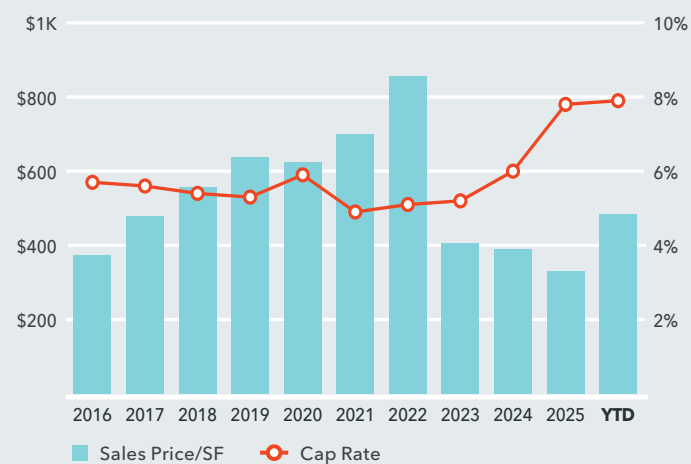
LEASE RATE, VACANCY & AVAILABILITY



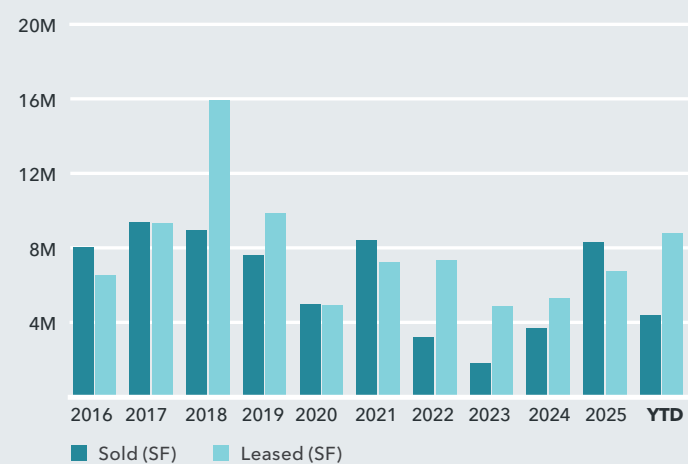
NET ABSORPTION & NEW DELIVERIES



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	3Q26 Direct Net Absorption	3Q26 Total Net Absorption	YTD Direct Net Absorption	YTD Total Net Absorption	3Q26 Leasing Activity	YTD Leasing Activity	3Q26 Rental Rate
Campbell	2,704,041	0	24.8%	32.9%	33.6%	1,263	7,049	-67,930	-94,991	66,762	137,766	\$4.22
Cupertino	7,143,418	0	1.5%	1.5%	1.9%	798	798	43,252	47,979	15,281	77,775	\$5.21
Fremont	5,271,095	0	6.9%	20.5%	20.6%	66,993	-646,402	93,391	-366,077	20,634	57,419	\$3.18
Milpitas	5,134,174	0	19.6%	21.6%	21.5%	-142,033	-112,520	-133,792	-53,494	29,414	109,222	\$2.86
Mountain View	14,834,011	0	15.2%	17.7%	23.3%	-37,577	129,359	-21,785	127,399	179,770	929,939	\$6.99
Newark	1,092,593	0	33.9%	33.9%	35.8%	-14,412	-14,412	7,831	7,831	-	9,291	\$3.92
Palo Alto	12,815,365	60,188	13.7%	15.1%	15.6%	81,880	160,766	76,636	66,942	198,252	696,976	\$7.50
San Jose	43,884,644	0	16.5%	17.8%	20.3%	453,150	772,233	367,365	511,354	308,299	1,345,449	\$4.09
Santa Clara	21,998,569	0	12.3%	13.3%	13.3%	12,932	76,168	-135,055	135,372	150,188	2,701,934	\$4.63
Sunnyvale	24,311,063	0	13.1%	13.4%	11.7%	131,577	118,033	746,349	822,633	1,936,835	2,763,437	\$5.63
Total	139,188,973	60,188	14.1%	15.9%	16.3%	554,571	491,072	976,262	1,204,948	2,905,435	8,829,208	\$4.98
Class A	60,487,492	60,188	14.9%	16.5%	17.9%	356,778	428,930	632,830	571,487	2,234,399	5,517,406	\$5.55
Class B	64,378,722	0	15.0%	17.0%	18.3%	213,318	124,251	206,703	567,376	619,466	3,015,365	\$4.64
Class C	14,322,759	0	7.4%	7.9%	7.8%	-15,525	-62,109	136,729	66,085	51,570	296,437	\$3.45

NEAR-TERM OUTLOOK

Silicon Valley's office recovery continued through 3Q26, with vacancy and availability both declining from the prior quarter and positive absorption extending to a fourth consecutive quarter. Quarterly leasing remained near the strong pace recorded in 2Q and nearly doubled from the same quarter last year, bringing year-to-date activity 70.7% above the same period in 2025. The combination of positive absorption and lower availability suggests that tenants are continuing to work through excess space, though demand remains concentrated in a relatively small number of large commitments.

That concentration is evident in the quarter's largest transactions. Google recommitted to approximately 2.1M SF across Moffett Place and Moffett Gateway in Sunnyvale, while Amazon leased roughly 318.3K SF at 1000 Enterprise Way in Moffett Towers. These commitments reinforce the renewed willingness of major technology companies to secure large blocks of space in core Silicon Valley locations after several years of footprint reductions. More recent activity points in the same direction: Google is nearing a 156.5K SF lease near its Mountain View headquarters, while OpenAI is exploring an additional 300K to 400K SF in Mountain View, although neither prospective transaction had been finalized as of mid-September.

The supply side remains comparatively constrained. No office space delivered during 3Q26, while approximately 60.2K SF remained under construction, down 88.2% from one year ago. With vacancy and availability already moving lower, limited additions to inventory could support further tightening if large technology and AI-related users continue to absorb space. Capital markets remain more uneven: 3Q26 sales volume fell sharply from last year even as average pricing improved, suggesting that transaction activity is still selective and concentrated in assets and locations where buyers see stronger long-term demand. Looking ahead, the market appears positioned for continued gradual stabilization, but the pace of improvement will depend on whether recent large commitments translate into broader leasing demand across smaller and older office properties.

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
400 Castro St	Mountain View	150,416	\$121,500,000	\$807.76	Spear Street Capital	Tishman Speyer
384 Santa Trinita Ave	Sunnyvale	104,470	\$46,000,000	\$440.32	SFF Realty Partners	Clarion Partners
2390 Mission College Blvd	Santa Clara	155,102	\$44,250,000	\$285.30	SFF Realty Partners	AllianceBernstein, L.P.
2350 Mission College Blvd	Santa Clara	255,184	\$40,500,000	\$158.71	SFF Realty Partners	PCCP
2550 Walsh Ave	Santa Clara	65,841	\$29,650,000	\$450.33	SFF Realty Partners	Peninsula Building Materials

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
Moffett Place*	Sunnyvale	1,576,360	July 2026	Jay Paul Company	Google	Direct
1225 & 1265 Crossman Ave*	Sunnyvale	612,796	July 2026	Jay Paul Company	Google	Direct
1000 Enterprise Way	Sunnyvale	318,255	July 2026	Jay Paul Company	Amazon	Direct
2755 Augustine Drive	Santa Clara	31,250	July 2026	Irvine Company	Maverick Capital	Direct
1741 Technology Dr	San Jose	28,930	August 2026	Hudson Pacific Properties, Inc.	Axiado Corporation	Direct

*Renewals

SIGNIFICANT UNDER CONSTRUCTION

Property	Submarket	SF	Delivery Date	Owner
2525 Park Blvd	Palo Alto	60,188	January 2027	The Douglas Living Trust

Data Source: CoStar, EDD, U.S. Bureau of Labor Statistics, Silicon Valley Business Journal



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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

32.4M

ANNUAL
SALES SF

32.5M

ANNUAL
LEASING SFASSET
SERVICES

55M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,700+

AVERAGE ANNUAL
ASSIGNMENTS

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS