Office market maintains upward momentum amid tech-driven demand

▼ 16.1%
Vacancy Rate

▼ 508K
Sq. Ft. Net Absorption

▼ 0K
Sq. Ft. Under Construction

▼ $5.60
Average Asking Rate $/SF (FSG)

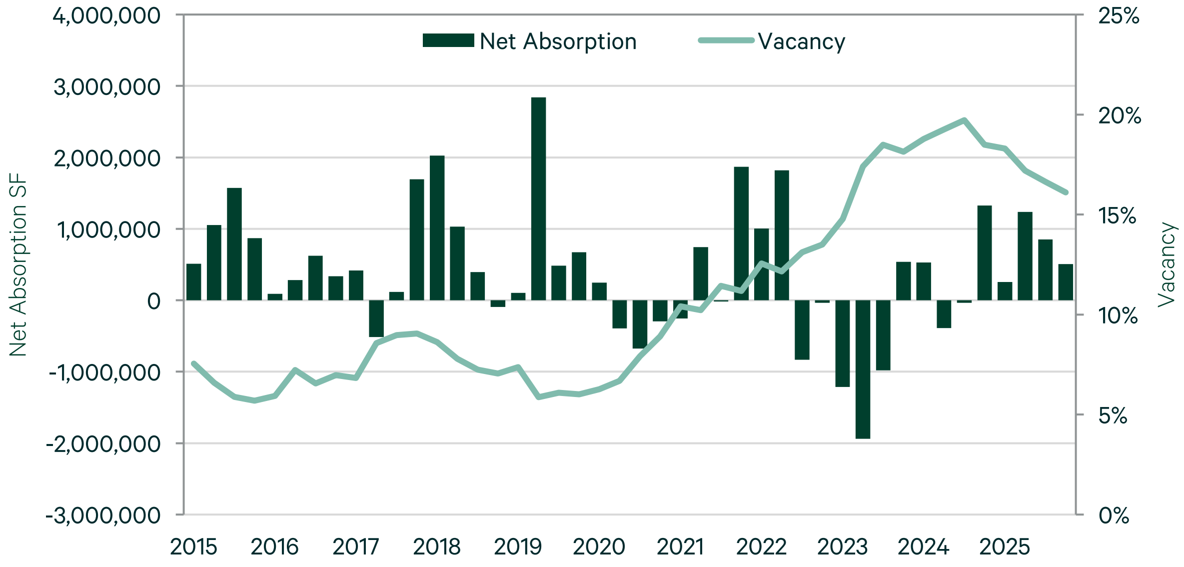
▼ 3.9%
Santa Clara County Unemployment

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- Santa Clara County's labor force stood at roughly 1.05 million with 1.01 million employed residents at the close of Q4 2025. The unemployment rate closed the quarter at 3.9%, a 24-basis-point (bps) decrease year-over-year (YoY), and 9 bps lower quarter-over-quarter (QoQ).
- Overall vacancy and availability decreased to 16.1% and 18.2% respectively.
- Net absorption for the Silicon Valley office market recorded 508,413 square feet (sq. ft.) in Q4 2025, bringing the annual total to 2.9 million square feet (msf).
- Active requirements for office and R&D space increased marginally by 3.0% QoQ to 10.6 million sq. ft. at the close of Q4 2025.
- Overall asking rates in Silicon Valley dropped slightly by $0.01 to $5.60 on a monthly (Full-Service Gross, direct basis). This is an increase YoY from $5.37 in Q4 2024.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2025

OFFICE OVERVIEW

The Silicon Valley office market encompasses approximately 107.1 million square feet. There was one construction delivery in Q4 2025 at 747 W Dana St in Mountain View totaling 10,527 sq. ft. Deliveries for 2025 totaled 242,106 sq. ft. between two projects. This annual total is the lowest in recent history. Despite positive momentum, there are currently no projects under construction.

Vacancy rates decreased for the fifth consecutive quarter in Q4 2025, declining by 50 basis points QoQ to 16.1%. Availability continues to decrease as Q4 2025 closes at 18.2%. Net absorption for the quarter ended at 508,413 sq. ft., which brought the 2025 total to 2.9 msf. Sunnyvale recorded the largest gain for the quarter and year, largely due to leasing at new construction projects in Downtown Sunnyvale.

Leasing activity totaled 1.5 msf at the end of Q4 2025, and 7.8 msf for all of 2025. Palo Alto and Sunnyvale accounted for 52.7% of the total leasing activity in Q4 2025 totaling 776,565 sq. ft. Class A properties comprised 61.3% of the total square footage leased. Consistent with the prior quarter, the technology and A.I. sectors continued to drive leasing activity, accounting for 85.3% of the total square footage among the top 25 leases.

Active requirements for office and R&D space at the end of the quarter totaled 10.6 million square feet, an increase from 10.3 million square feet in Q3 2025. The hardware, software, and A.I. sectors comprised approximately 55.0% of demand in Q4. Large block demand remains a defining feature of the market with 39 tenants in the market seeking spaces of 100,000 square feet.

The overall average asking rate for office space in Silicon Valley decreased by $0.01 to $5.60 per month (Full-Service Gross, direct basis) in Q4 2025. Palo Alto continued to ask the highest overall average rent at $9.14 FSG. Sunnyvale registered a large decrease in average asking rates, which is attributable to a significant amount of higher priced product being leased. The overall decrease in asking rates reflects the leasing at high-quality, Class A spaces, rather than softening market fundamentals.

Despite a slowdown in leasing activity, the Silicon Valley office market continued to show signs of gradual growth, with consecutive vacancy and availability declines. Momentum in the flight to quality scale carried throughout 2025, as Class A assets represented the largest share of square footage leased. The increase in demand was heavily impacted by more employers rolling out return to office mandates. Asking rates held stable, reflecting firm landlord expectations as market conditions rebalance. These dynamics collectively point to a market that is stabilizing slowly and poised for a measured recovery as tech-driven demand continues to shape leasing behavior.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average FSG Direct Asking Rate ($)	Current Net Absorption	YTD Net Absorption
San Jose - Downtown CBD	10,116,099	32.2	32.9	4.38	(15,222)	94,703
Class A	5,876,185	35.1	35.2	4.62	342	142,740
San Jose - Central	2,769,748	17.3	17.6	2.56	(22,937)	232,208
Class A	231,579	-	-	-	-	231,579
San Jose - North	15,172,841	17.4	20.2	4.20	(14,238)	159,058
Class A	9,242,915	15.0	19.2	4.87	18,693	199,060
San Jose - South	2,696,135	5.3	5.7	2.72	(7,738)	(26,579)
Class A	440,838	-	-	-	-	-
IBP/Milpitas	2,426,829	6.4	6.4	2.53	10,057	12,733
Class A	-	-	-	-	-	-
Cupertino	7,187,306	2.6	2.7	4.67	(474)	21,378
Class A	5,641,006	0.3	0.4	6.29	-	8,253
West Valley	6,622,325	19.0	23.4	4.43	12,870	137,587
Class A	2,681,280	16.6	26.2	5.29	6,156	135,495
Santa Clara	15,497,446	14.7	17.7	4.73	(24,467)	620,488
Class A	12,090,563	14.9	17.7	5.34	(29,643)	596,745
Sunnyvale	21,995,459	12.5	12.6	6.49	450,059	1,035,786
Class A	20,256,503	12.2	12.3	6.75	440,381	949,442
Mountain View/Los Altos	12,235,850	18.7	24.3	7.94	(41,350)	79,446
Class A	9,186,094	18.0	24.0	8.40	23,553	70,115
Palo Alto	7,975,879	17.2	20.3	9.14	151,248	490,439
Class A	4,604,799	20.5	24.6	10.10	33,908	265,668
Fremont/Newark	2,457,119	18.4	18.5	2.94	10,605	(6,444)
Class A	325,310	58.4	58.4	3.18	-	10,104
Silicon Valley	**107,153,036**	**16.1**	**18.2**	**5.60**	**508,413**	**2,850,803**
Class A	**70,577,072**	**15.6**	**18.0**	**6.53**	**493,390**	**2,609,201**

Source: CBRE Research, Q4 2025

FIGURE 3: Notable Lease Transactions Q4 2025

Tenant	Location	Leased Sq. Ft	Type
Confidential	250 W Washington Ave Sunnyvale	140,623	Expansion
xAI	1510 Page Mill Rd Palo Alto	103,378	New Lease
Confidential	250 W Washington Ave Sunnyvale	45,666	Expansion
CoreWeave	100 Mathilda Pl Sunnyvale	39,314	New Lease
Frank, Rimerman + Co.	60 S Market St San Jose	34,882	Renewal

Source: CBRE Research, Q4 2025

FIGURE 4: Notable Sale Transactions Q4 2025

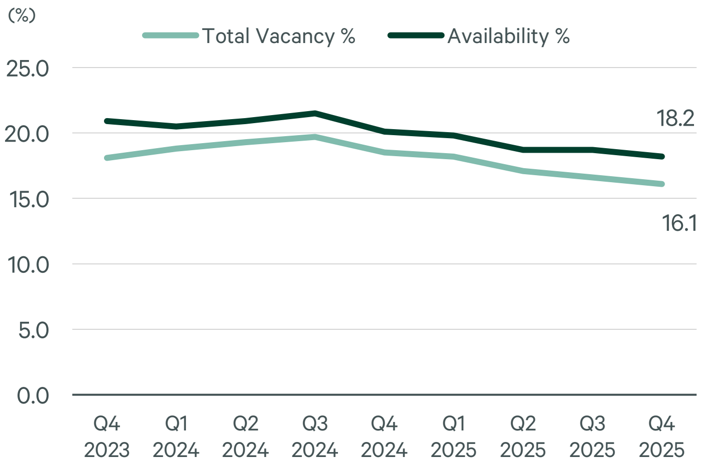
Buyer	Location	Sold Sq. Ft.	Sale Price $/SF
South Bay Development*	300 E Tasman Dr San Jose	247,153	$23.5M $95
Brookfield Properties Development*	3440 Walnut Ave Fremont	203,405	$65.0M $320
LBA Realty*	2800-2830 De La Cruz Blvd Santa Clara	108,215	$19.7M $182
Bridgeton Holdings	260 Sheridan Ave Palo Alto	47,768	$17.0M $356
El Camino Hospital	399 W El Camino Real Mountain View	32,048	$22.0M $686

* Part of a larger portfolio sale
Source: CBRE Research, Q4 2025

FIGURE 5: Lease Rates

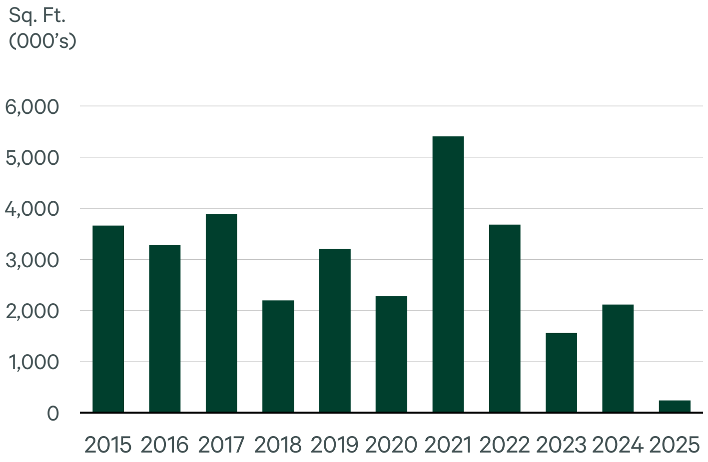
Source: CBRE Research, Q4 2025

FIGURE 6: Vacancy & Availability



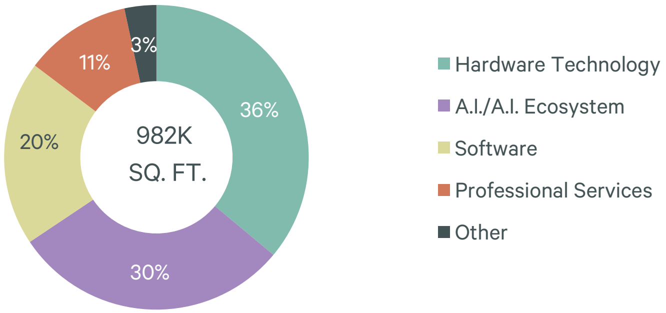
Source: CBRE Research, Q4 2025

FIGURE 7: Construction Completions



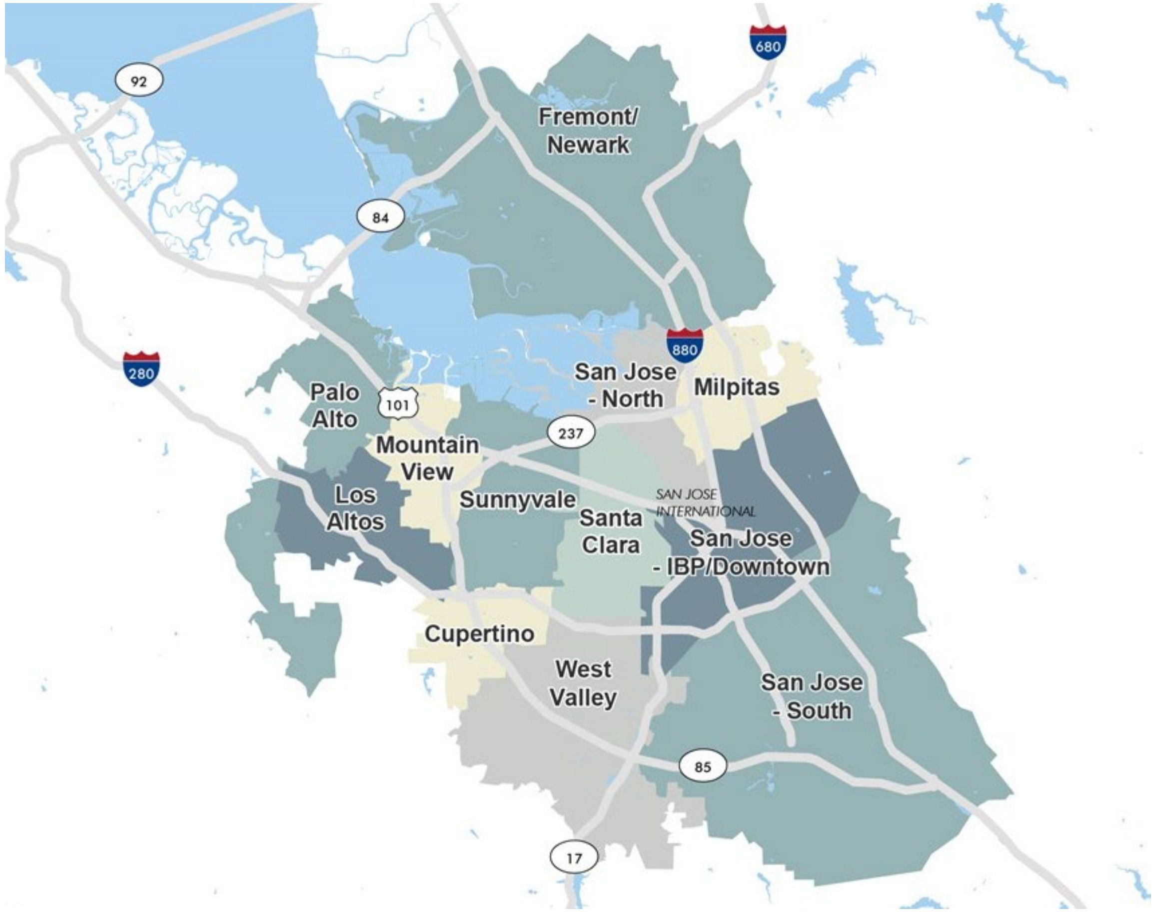
Source: CBRE Research, Q4 2025

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q4 2025

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions and Methods

Average Asking Rate Direct Monthly Lease Rates., Full-Service Gross (FSG). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant Office buildings that total 10,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

During the first quarter of 2025, a revision to our calculation methodologies was implemented, leading to a significant shift in our results on a quarter-over-quarter basis. This updated approach will be utilized for all future periods, providing a consistent and transparent framework for calculating asking rates going forward.

A building reclassification project occurred in Q1 2025, which caused a shift in Net Rentable Area among classes.

Effective 2025, our reporting methodology will be updated to include owner/user deliveries in the calculation of gross absorption, providing a more comprehensive and accurate representation of market activity.

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