

FIGURES | GREATER SILICON VALLEY OFFICE | Q2 2026

# Leasing activity continues to grow as tenants opt to renew instead of relocate

▼ 15.2%

Vacancy Rate

▼ 14,880

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 324,000

SF Under Construction

▼ \$5.27

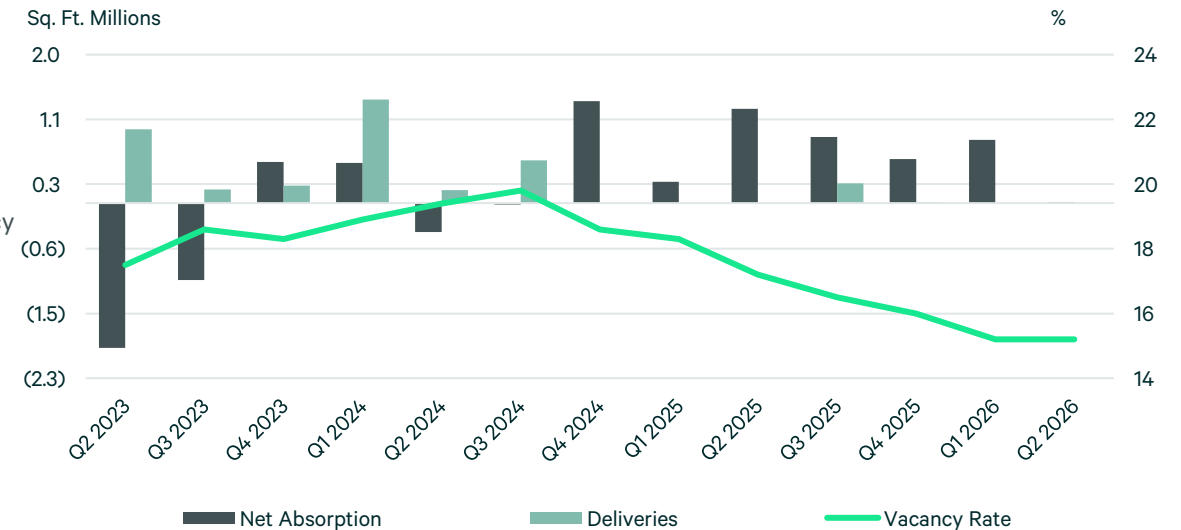
FSG/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

## Market Overview

- Highest leasing volume since Q4 2024 at 2.7 msf. Renewals accounted for 1.7 msf of the total volume.
- Tenant demand for office and R&D space ended Q1 2026 at 9.3 million square feet (msf) which is an increase from the 8.6 msf posted at the end of Q1 2026. Technology, hardware, software, AI and AI ecosystem comprised of 50.5% of total demand for office and R&D space at the end of Q2 2026.
- Net absorption for the Silicon Valley office market recorded its seventh consecutive quarter of occupancy gains at 14,880 square feet (sq. ft.) in Q2 2026.
- The vacancy decreased from 15.4% to 15.2% quarter-over-quarter (QoQ). The availability rate increased from 17.4% to 17.5%.
- The average direct asking rate in Silicon Valley ended Q2 2026 at \$5.27 on a monthly, direct Full-Service Gross (FSG) basis. This is a decrease of \$0.04 QoQ, primarily due to higher priced Class A product being leased.
- There were no construction deliveries during Q2 2026 with one project under construction in Santa Clara.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

## Vacancy

In Q2 2026, overall vacancy continued to diverge by property class. Class B posted the highest overall vacancy at 19.7%, easing by 20 basis QoQ and 20 basis points YoY. Class A vacancy was 14.1%, unchanged QoQ, down 290 basis points YoY. Class C held the lowest overall vacancy at 7.1%, declining by 60 basis points QoQ, 80 basis points YoY and 270 basis points versus Q2 2023. This is the seventh consecutive quarter of vacancy decreasing or remaining unchanged.

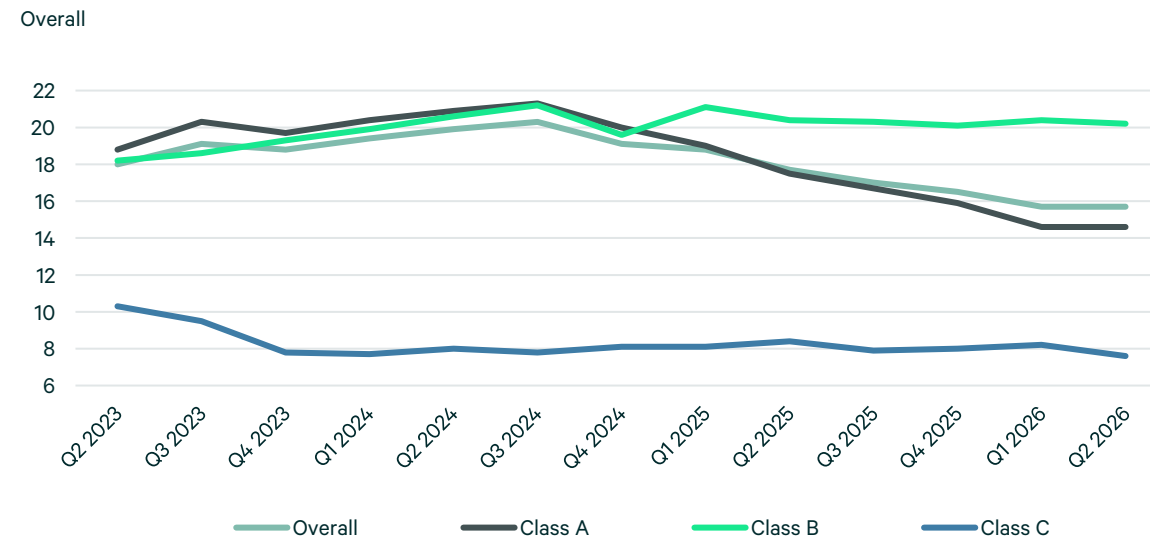
Vacancy is lowest in Cupertino, where the overall rate is 2.4%. The second lowest vacancy is in San Jose – IBP/Milpitas at 6.0%. At the other end of the spectrum, CBD recorded the highest vacancy at 32.9%, with 3.2 million sq. ft. of direct space sitting empty.

## Net Absorption

Total net absorption in Q2 2026 was 15,000 sq. ft., indicating a narrowly positive quarter for the market. This total was below the 770,000 sq. ft. absorbed in Q1 2026 and below the 1.2 million sq. ft. recorded YoY. Class B space contributed 60,000 sq. ft. of positive net absorption, partially offsetting negative 17,000 sq. ft. in Class A and negative 28,000 sq. ft. in Class C.

At the submarket level, Santa Clara and Mountain View/Los Altos posted the highest positive net absorption in Q2 2026, at 82,000 sq. ft. and 70,000 sq. ft., respectively. Sunnyvale and West Valley were the next strongest positive submarkets, with 68,000 sq. ft. and 18,000 sq. ft. of net absorption. Contrarily, San Jose - North and the CBD recorded the largest net givebacks, at negative 95,000 sq. ft. and negative 75,000 sq. ft., respectively, together accounting for much of the space returned to the market. San Jose – North saw this decrease due to multiple floors at 6201 America Center becoming vacant. Despite net absorption decreasing QoQ, the market remains healthy with an increase in leasing activity primarily due to renewals.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Net Absorption Trend



Source: CBRE Research, Q2 2026

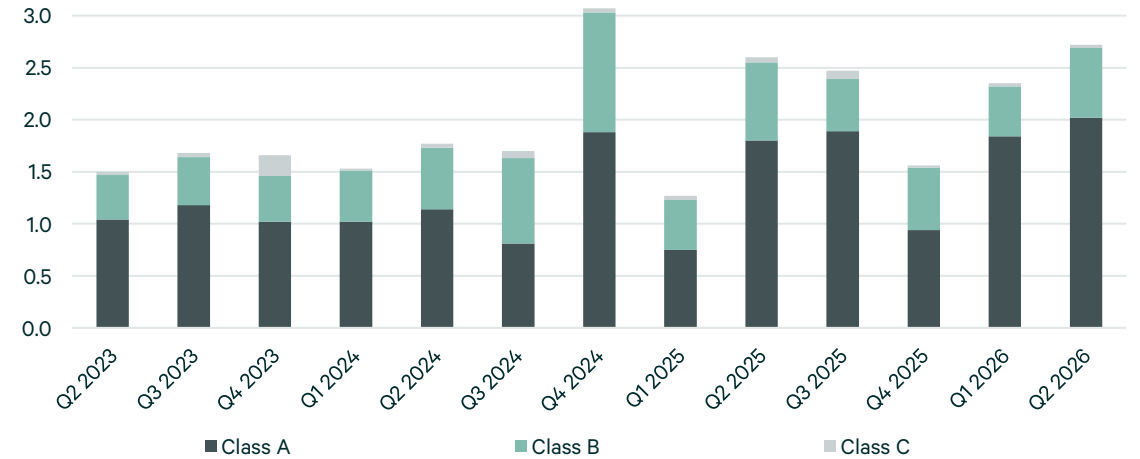
## Leasing Activity

Combined Class A and Class B leasing in Q2 2026 totaled 2.7 million sq. ft., bringing year-to-date 2026 volume to 5.0 million sq. ft. Overall leasing increased 15.7% QoQ, driven by a 9.8% rise in Class A activity and a 39.5% gain in Class B. Q2 leasing was 4.6% higher YoY than Q2 2025, with Class A up 12.2% and Class B down 10.6%, leaving Class A responsible for roughly three-quarters of current volume at roughly 74.3%. Renewals accounted for 62.9% of total leasing volume with 1.7 msf leased. Class A product represented 82.4% of the renewal volume, indicating that tenants in highly amenitized space are choosing to stay in place rather than relocate.

At the submarket level, Santa Clara and Palo Alto recorded the highest leasing volumes in Q2 2026, at 1.6 million sq. ft. and 271,000 sq. ft., respectively, with Santa Clara heavily concentrated in Class A space. Santa Clara was bolstered by a 940k renewal by Palo Alto Networks. Remaining submarkets with positive activity included Mountain View/Los Altos, San Jose - North, West Valley, the CBD, Sunnyvale, Cupertino, Fremont/Newark, San Jose - Central, San Jose - IBP/Milpitas, and San Jose - South, where leased volumes ranged from 9,000 sq. ft. to 203,000 sq. ft. Continuing the sentiment from Q1 2026, software and artificial intelligence companies accounted for 63.0% of total leasing volume at 1.7 msf.

Figure 4: Leasing Activity Trend

Class A



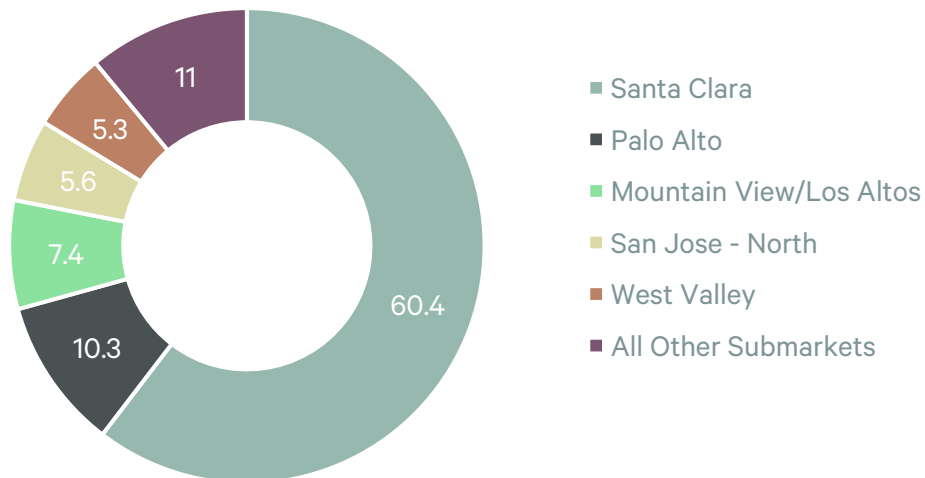
Source: CBRE Research, Q2 2026

Figure 6: Notable Lease Transactions

Tenant	Location	Leased Sq. Ft	Type
Palo Alto Networks	3335 Scott Blvd, Santa Clara	940,564	Renewal
Confidential	2485 2755 Augustine Dr, Santa Clara	313,906	Renewal
MediaTek USA, Inc.	5453 Great America Pkwy, Santa Clara	110,979	New Lease
Illumio	3315 Scott Blvd, Santa Clara	108,781	New Lease
Palantir Technologies Inc.	100 Hamilton, Palo Alto	74,250	Renewal

Source: CBRE Research, Q2 2026

Figure 5: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

## Asking Rent

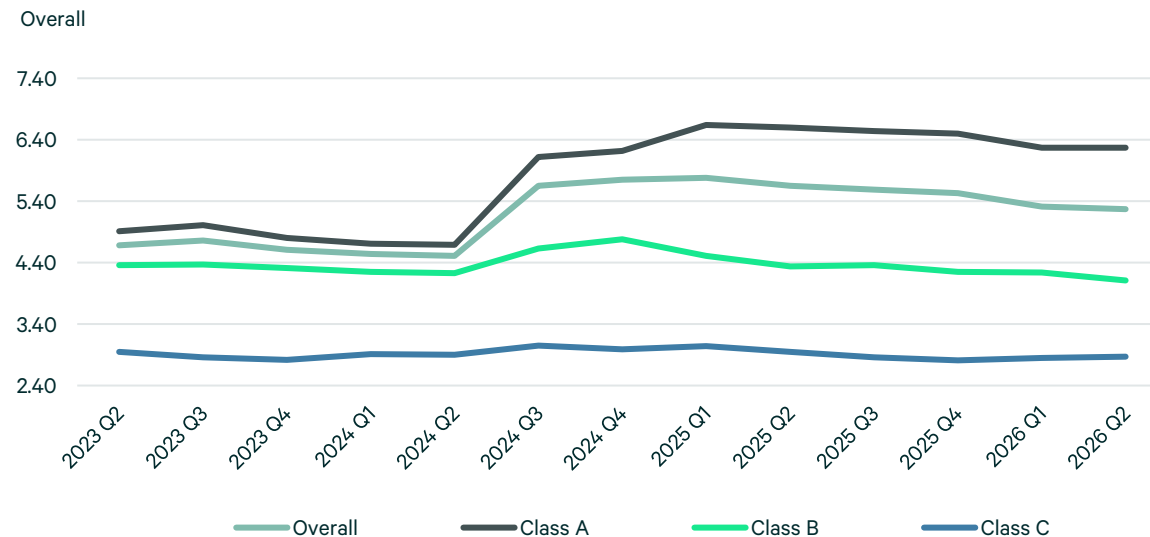
In Q2 2026, the overall average asking rent was \$5.27, down from \$5.31 in Q1 2026, a QoQ decline of 0.8%, and below the \$5.65 recorded in Q2 2025, a YoY decrease of 6.7%. Since Q2 2023, overall asking rents have risen from \$4.68 to \$5.27 in Q2 2026, an increase of 12.6%. Class A asking rent was \$6.27 in Q2 2026, unchanged QoQ, down from \$6.60 a year earlier, and above the \$4.91 reported in Q2 2023, a gain of 27.7%.

In Q2 2026, Class A asking rents were highest in Palo Alto at \$10.05 and Mountain View/Los Altos at \$8.40. Other notable Class A submarkets included Sunnyvale and Cupertino at \$6.32, Santa Clara at \$5.56, West Valley at \$5.17, San Jose - North at \$4.89, the CBD at \$4.50, and Fremont/Newark at \$3.26. For Class B space, rents ranged from \$7.45 in Palo Alto and \$6.52 in Mountain View/Los Altos down to \$2.30 in San Jose - IBP/Milpitas, while Class C rents peaked at \$4.71 in Mountain View/Los Altos and were lowest at \$1.95 in San Jose - IBP/Milpitas, followed by \$2.17 in the CBD and \$2.25 in San Jose - Central.

## Construction Activity

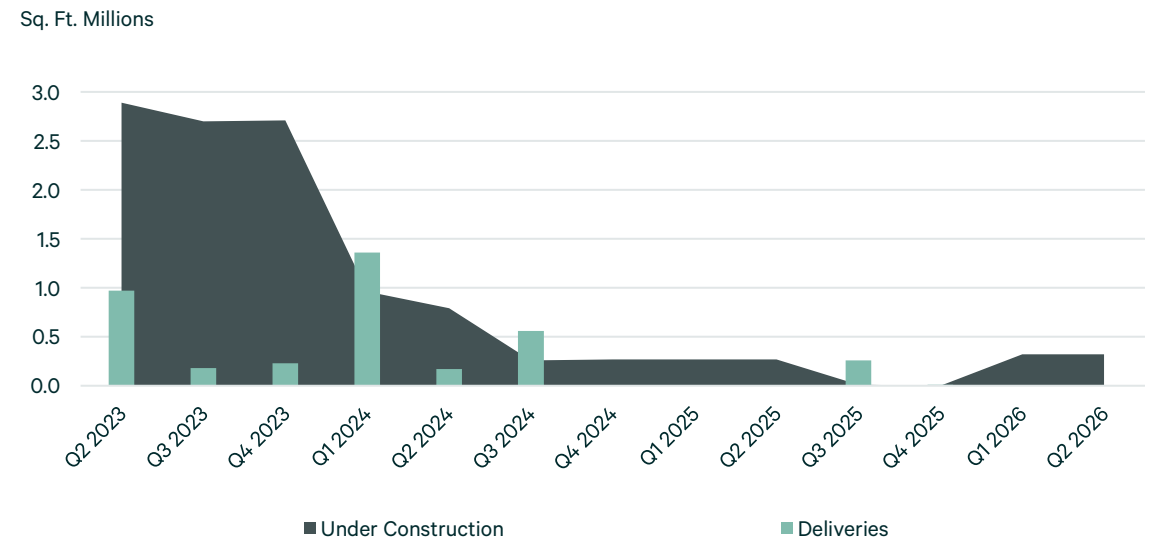
In Q2 2026, there is one owner-user project under construction in Santa Clara for 324,000 sq. ft. that is expected to be delivered in Q1 2030. There was 0 sq. ft. of new construction delivered in Q2 2026. YoY, under construction space in Q2 2026 increased 18.2% from 274,000 sq. ft. in Q2 2025, and deliveries were 0 sq. ft. in each of those comparison periods.

Figure 7: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Figure 8: Construction Activity



Source: CBRE Research, Q2 2026

## Market Statistics by Submarket

Figure 8

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
CBD	9.92M	32.9	34.1	32.8	1.3	4.22	4.50	(75,000)	(96,000)	-	-
Cupertino	7.19M	2.4	2.5	2.3	0.1	5.49	6.32	(5,000)	(7,000)	-	-
Fremont/Newark	2.44M	19.0	19.1	19.0	0.1	2.86	3.26	(9,000)	(11,000)	-	-
Mountain View/Los Altos	12.12M	16.0	21.6	19.4	2.3	7.73	8.40	70,000	326,000	-	-
Palo Alto	8.00M	16.5	18.6	15.4	3.3	9.35	10.05	(23,000)	(27,000)	-	-
San Jose - Central	2.75M	17.3	17.7	17.6	0.0	2.62	-	-	(1,000)	-	-
San Jose - IBP/Milpitas	2.37M	6.0	6.1	6.1	-	2.28	-	8,000	13,000	-	-
San Jose - North	15.15M	17.3	19.8	16.9	2.9	4.11	4.89	(95,000)	5,000	-	-
San Jose - South	2.65M	6.5	6.9	6.0	0.9	2.81	-	(25,000)	(47,000)	-	-
Santa Clara	15.37M	13.4	16.0	14.8	1.2	4.88	5.56	82,000	214,000	-	324,000
Sunnyvale	22.00M	10.6	12.1	11.9	0.2	6.08	6.32	68,000	434,000	-	-
West Valley	6.63M	18.3	23.4	18.3	5.1	4.35	5.17	18,000	40,000	-	-
<b>Total</b>	<b>106.58M</b>	<b>15.2</b>	<b>17.5</b>	<b>15.9</b>	<b>1.6</b>	<b>5.27</b>	<b>6.27</b>	<b>15,000</b>	<b>844,000</b>	<b>-</b>	<b>324,000</b>

Source: CBRE Research, Q2 2026

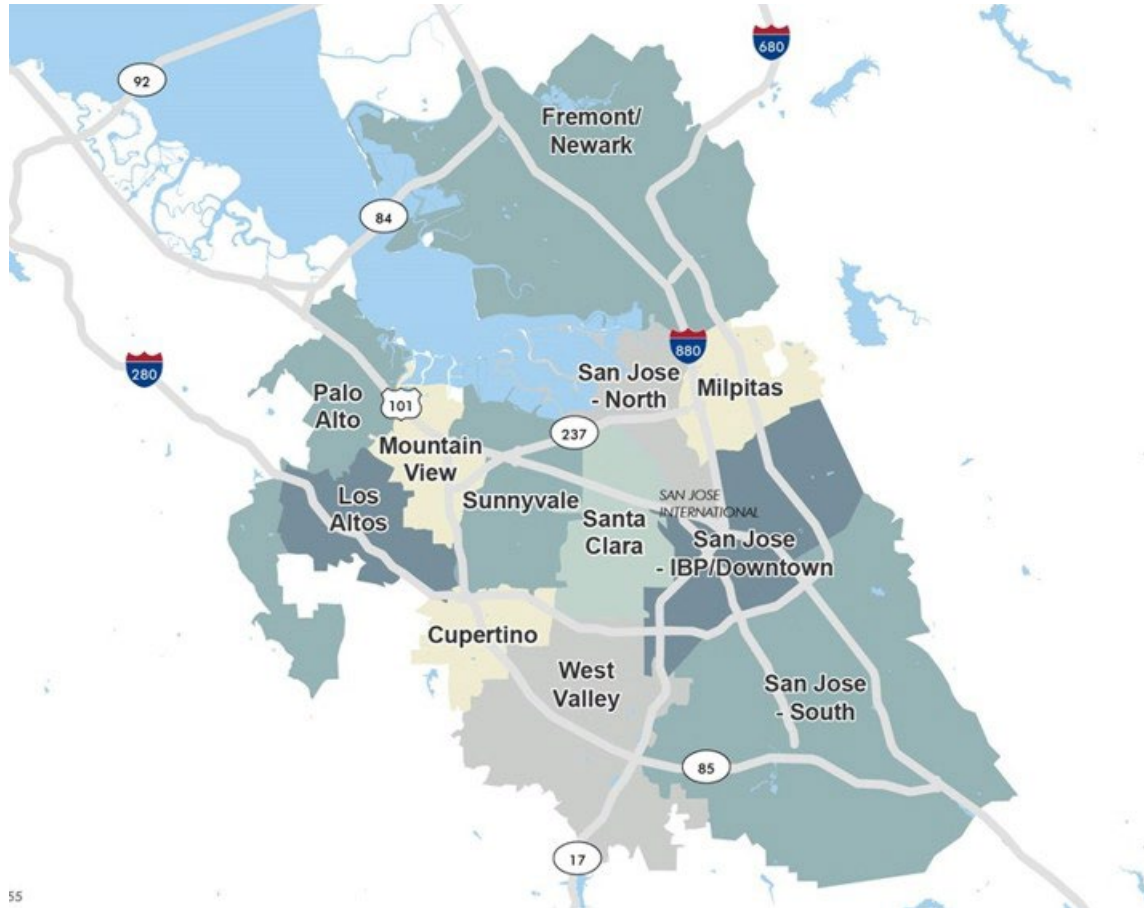
## Market Statistics by Class

Figure 9: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	70.55M	14.1	17.1	15.0	2.1	6.27	(17,000)	933,000	-	324,000
Class B	28.64M	19.7	20.8	20.1	0.7	4.11	60,000	(47,000)	-	-
Class C	7.39M	7.1	8.1	7.7	0.4	2.87	(28,000)	(42,000)	-	-
<b>Total</b>	<b>106.58M</b>	<b>15.2</b>	<b>17.5</b>	<b>15.9</b>	<b>1.6</b>	<b>5.27</b>	<b>15,000</b>	<b>844,000</b>	<b>-</b>	<b>324,000</b>

Source: CBRE Research, Q2 2026

**Market Area Overview**



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**Definitions**

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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