

FIGURES | SILICON VALLEY OFFICE | Q3 2026

Leasing activity surges amid strong demand for premium office space

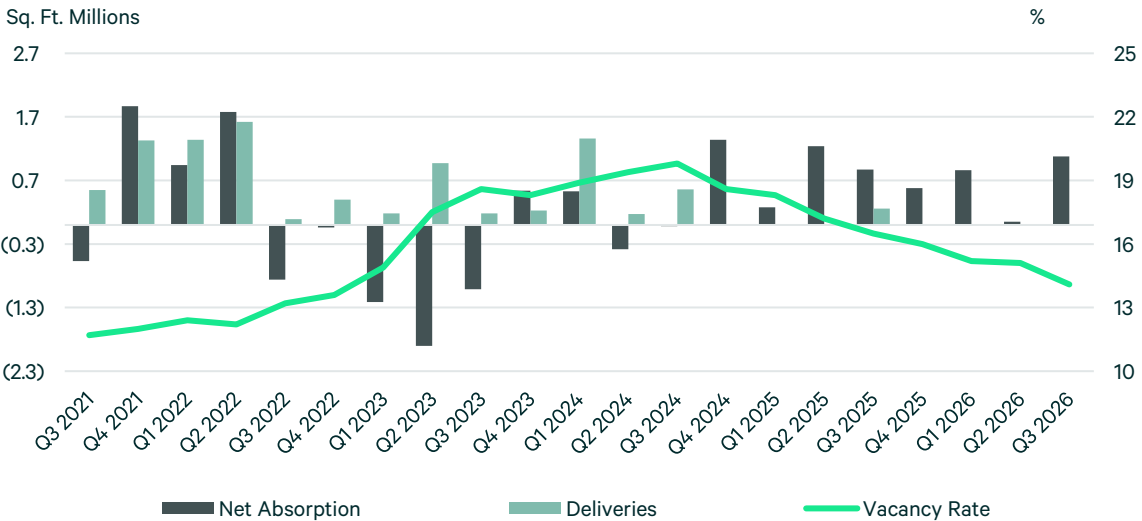


Note: Arrows indicate change from previous quarter.

Market Overview

- Overall net absorption totaled 1.1 million square feet (msf) in Q3 2026, up from approximately 50,000 square feet of gains in Q2 2026.
- The vacancy rate decreased from 15.1% to 14.1% quarter-over-quarter (QoQ). The availability rate moved in the same direction, falling from 17.4% to 16.9%.
- Combined Office/R&D tenant demand ended Q3 2026 at 12.4 msf, up from 9.3 msf posted at the end of Q2 2026. Tenants in the technology, hardware, software and AI sectors continued to drive requirements, representing approximately 52.0% of total requirements.
- The average direct asking rate decreased to \$5.15 on a monthly, direct (FSG) basis, down \$0.12 QoQ and \$0.44 year-over-year (YoY). The decline was driven by the leasing of premium, higher-priced inventory, reducing the amount of top-tier space available on the market rather than reflecting any weakening in market fundamentals.
- New leases accounted for 62.8% of all leased sq. ft. signed in Q3 2026, with renewals and subleases making up the remaining 33.7% and 3.5%, respectively.
- One project broke ground in Q3 2026, bringing the total space under construction to 382,000 sq. ft.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Asking rate decline driven by absorption of higher-priced inventory
CBRE Research

Vacancy

In Q3 2026, vacancy across the major office property classes moved lower overall to 14.1%, with the sharpest improvement concentrated in Class A space. Class A overall vacancy decreased 130 basis points QoQ to 12.8%, while Class B fell 60 bps to 19.1% and Class C increased 10 bps to 7.2%, highlighting broadly improving market conditions across most property classes, particularly within Class A assets. YoY, Class A vacancy declined 340 bps, Class B decreased 70 bps and Class C fell 20 bps, showing a continued decrease in vacancy. Relative to Q3 2023, Class A vacancy declined 690 basis points, Class C declined 180 basis points and Class B increased 100 basis points, underscoring a pronounced three-year improvement in higher-quality space and modest softening in mid-tier assets.

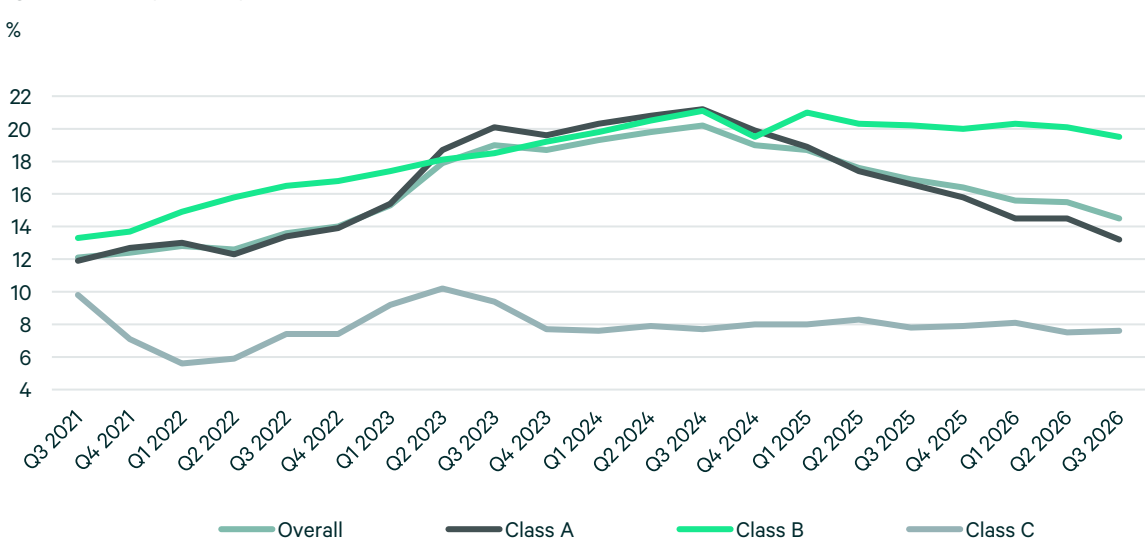
Vacancy varied widely by submarket in the quarter, with a clear split between core urban locations and lower-availability suburban nodes. Cupertino recorded the lowest overall vacancy rate at 2.3%, followed by San Jose - IBP/Milpitas at 6.3%, while the CBD posted the highest overall vacancy at 33.3%, as a large contributor, 200 Park’s 968,000 sq. ft., remained fully vacant. San Jose - North, West Valley and Palo Alto all decreased QoQ, with overall rates ranging from 16.0% to 17.1%.

Net Absorption

In Q3 2026, the market posted strong positive net absorption, reflecting broad-based occupancy gains. Total net absorption reached 1.08 million sq. ft., well above the 50,000 sq. ft. in Q2 2026 and up roughly 24% YoY from 868,000 sq. ft. in Q3 2025. Class A space contributed 923,000 sq. ft. of net absorption, Class B added 157,000 sq. ft., while Class C posted net absorption totaling negative 3,000 sq. ft. reinforcing the flight-to-quality trend.

Across submarkets, Mountain View/Los Altos and Sunnyvale recorded the strongest positive net absorption in Q3 2026, driven in large part by Amazon’s 316,604 sq. ft. lease at 1000 Enterprise Way. Among the remaining submarkets with meaningful gains, Santa Clara and West Valley posted positive net absorption of 94,000 sq. ft. and 51,000 sq. ft., respectively. At the other end of the spectrum, the CBD and San Jose - IBP/Milpitas recorded net absorption totaling negative 33,000 sq. ft. and negative 6,000 sq. ft., respectively.

Figure 2: Vacancy Rates by Class



CBRE Research

Figure 3: Net Absorption Trend

Sq. Ft. (millions)



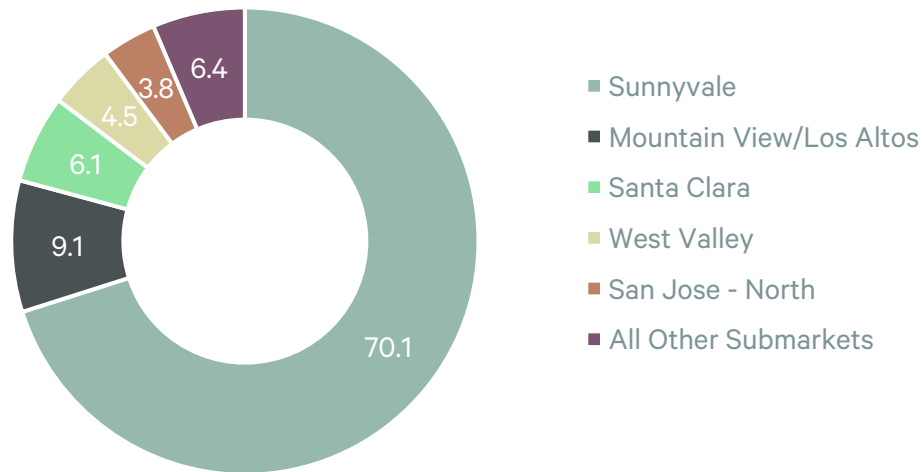
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Leasing Activity

Leasing activity increased sharply in Q3 2026, with tenants signing substantially more space QoQ and YoY and with Class A assets capturing most of the activity. Total leasing reached 4.08 msf in Q3 2026, the highest quarterly total since Q3 2019. YTD leasing has reached 9.53 msf, already more than the 7.90 msf recorded in all of 2025. QoQ, volume rose 48.7% from 2.75 million sq. ft. and was 71.1% higher than the 2.39 million sq. ft. leased in Q3 2025, with Class A deals accounting for 86.3% of Q3 2026 activity at 3.53 million sq. ft. compared to 537,000 sq. ft. in Class B.

Sunnyvale and Mountain View/Los Altos recorded the strongest leasing activity in Q3 2026, standing out as the most active submarkets. Sunnyvale posted 2.87 million sq. ft. of Class A leasing, largely due to a 2.2 msf renewal by a notable tech tenant, while Mountain View/Los Altos recorded 373,000 sq. ft. of total leasing due to numerous large leases. The top 5 leases of the quarter represented 78.3% of overall leasing activity for the quarter. Other submarkets with positive activity included Santa Clara with 254,000 sq. ft., West Valley with 181,000 sq. ft., San Jose - North with 132,000 sq. ft., Palo Alto with 117,000 sq. ft., CBD with 86,000 sq. ft., Cupertino with 23,000 sq. ft.

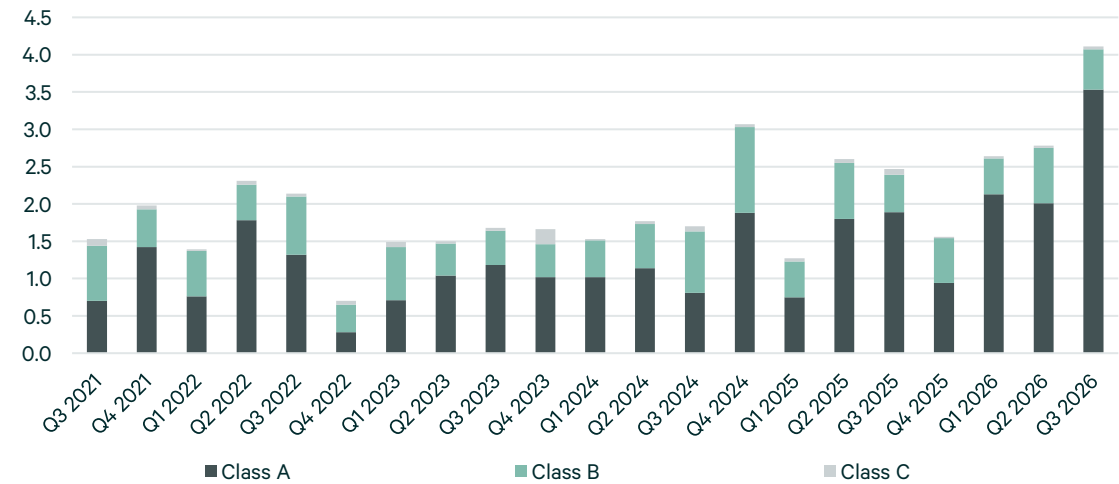
Figure 5: Leasing by Submarket (% of Total Activity)



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Figure 4: Leasing Activity Trend

Sq. Ft. (millions)



CBRE Research

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential	2,173,204	Renewal	1155 Borregas Ave	Sunnyvale
Juniper Networks	318,712	Sale/Leaseback	1221 N Mathilda Ave	Sunnyvale
Amazon	316,604	New Lease	1000 Enterprise Way	Sunnyvale
Physical Intelligence	233,543	New Lease	1300 La Avienda	Mountain View/Los Altos
Confidential	160,379	New Lease	1255 Pear Ave	Mountain View/Los Altos

Source: CBRE Research Q3 2026

Asking Rent

In Q3 2026, the office market’s asking rents eased marking the sixth consecutive quarter of asking rates decreasing. The overall decrease in asking rates can be attributed to higher product being leased rather than softening market fundamentals. The overall average asking rent was \$5.15 per sq. ft., down from \$5.27 per sq. ft. QoQ and from \$5.59 per sq. ft. YoY, yet still higher than the \$4.49 per sq. ft. recorded in Q3 2021, a 14.7% increase over the full period. Class A asking rent fell \$6.04 per sq. ft., decreasing from \$6.28 per sq. ft. QoQ and \$6.54 per sq. ft. YoY, but remaining up 29.3% from \$4.67 per sq. ft. in Q3 2021 and preserving a \$0.89 per sq. ft. premium to the overall market.

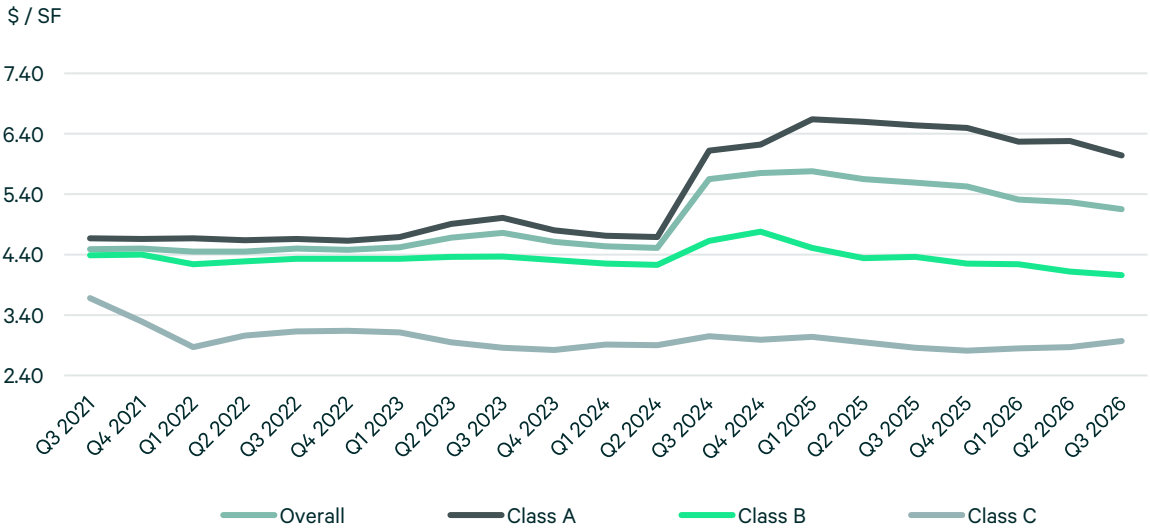
Across submarkets, asking rents showed a clear stratification between premium and more cost-effective locations. Class A rents were highest in Palo Alto at \$10.05 per sq. ft. and Mountain View/Los Altos at \$8.01 per sq. ft., followed by Cupertino at \$6.32 per sq. ft., Sunnyvale at \$6.31 per sq. ft., Santa Clara at \$5.60 per sq. ft. and West Valley at \$5.16 per sq. ft., all above the market-wide average. More moderate Class A and Class B pricing in CBD at \$4.48 and \$4.09 per sq. ft., San Jose - North at \$4.78 and \$3.43 per sq. ft., and Fremont/Newark at \$3.29 and \$2.85 per sq. ft. Low Class B and Class C rents in San Jose - IBP/Milpitas, San Jose - Central, offered occupiers a set of more affordable alternatives ranging between \$1.95-\$2.82.

Construction Activity

In Q3 2026, the office market recorded 382,000 sq. ft. under construction and no construction delivered, indicating a modest but active development pipeline.

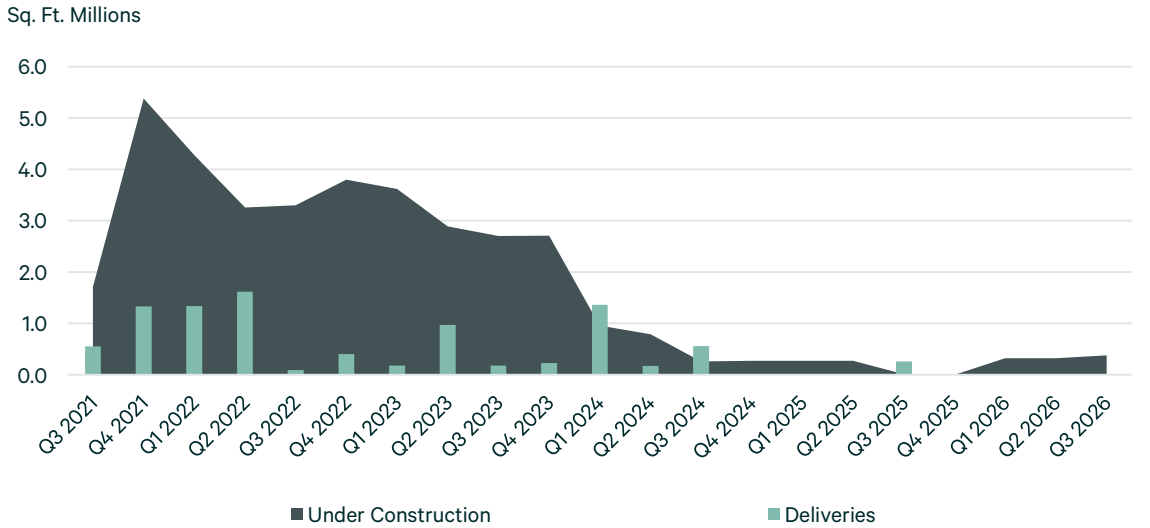
Santa Clara and Palo Alto posted all the under construction activity in Q3 2026, led by the 324,000 sq. ft. NVIDIA Phase 3 project in Santa Clara, which is 100% pre-leased, and the 58,150 sq. ft. 2525 Park Boulevard development in Palo Alto.

Figure 7: Average Direct Asking Rate by Class



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Figure 8: Construction Activity



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Market Statistics by Submarket

Figure 9

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	33.3	34.3	33.1	1.2	4.24	4.48	(38,000)	(130,000)	-	-
Cupertino	7.19M	2.3	2.4	2.3	0.1	5.44	6.32	6,000	-	-	-
Fremont/Newark	2.44M	18.9	19.4	19.3	0.1	2.86	3.29	-	(11,000)	-	-
Mountain View/Los Altos	12.13M	11.9	17.0	14.8	2.2	7.07	8.01	464,000	821,000	-	-
Palo Alto	8.01M	16.0	18.8	15.4	3.4	9.29	10.05	49,000	21,000	-	58,000
San Jose - Central	2.75M	17.0	17.5	17.5	0.0	2.64	-	7,000	6,000	-	-
San Jose - IBP/Milpitas	2.37M	6.3	6.3	6.3	-	2.32	-	(6,000)	7,000	-	-
San Jose - North	15.15M	17.1	20.5	16.7	3.8	4.14	4.78	30,000	35,000	-	-
San Jose - South	2.68M	6.7	6.9	6.0	0.9	2.82	-	(2,000)	(46,000)	-	-
Santa Clara	15.37M	12.5	15.7	14.5	1.2	4.94	5.60	137,000	358,000	-	324,000
Sunnyvale	22.00M	9.0	12.1	11.9	0.2	6.10	6.31	350,000	784,000	-	-
West Valley	6.60M	16.6	21.8	17.0	4.8	4.32	5.16	81,000	143,000	-	-
Total	106.61M	14.1	16.9	15.2	1.7	5.15	6.04	1.08M	1.99M	-	382,000

Source: CBRE Research, Q3 2026

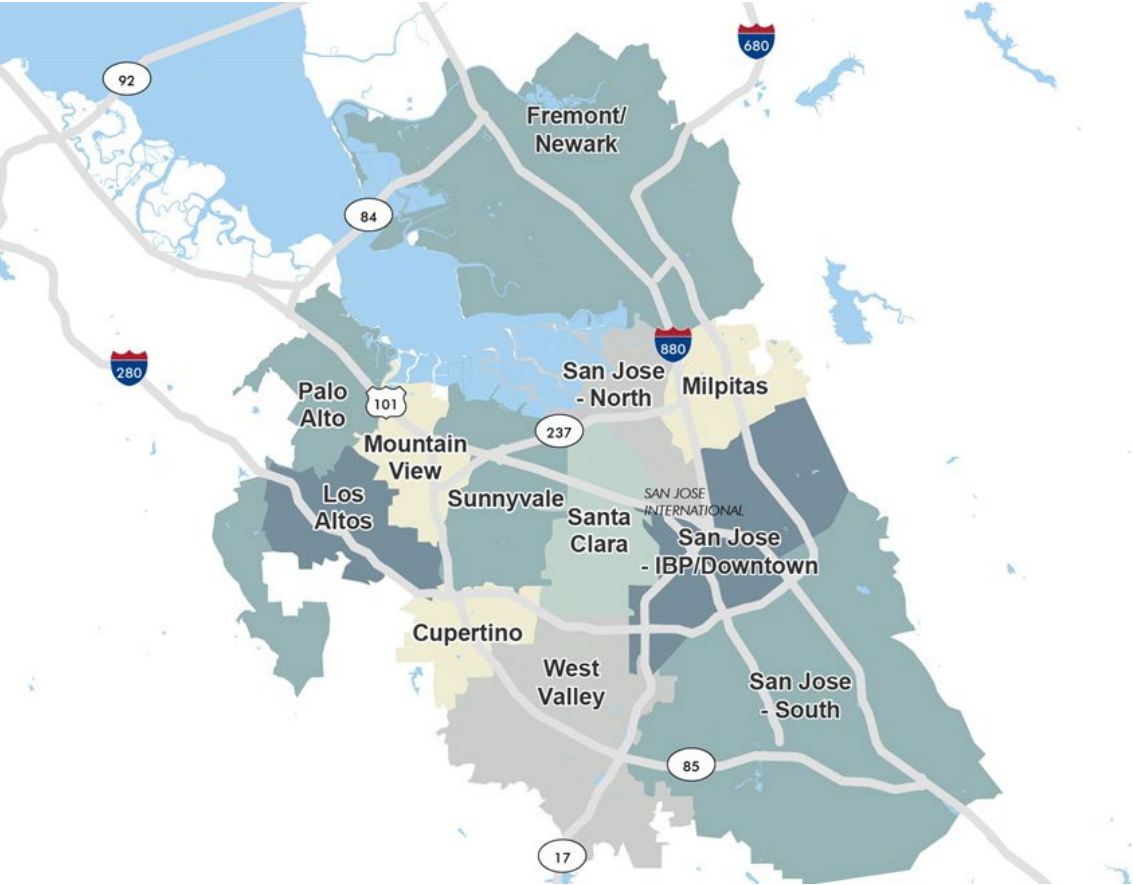
Market Statistics by Class

Figure 10: 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	70.57M	12.8	16.5	14.3	2.2	6.04	923,000	1.91M	-	382,000
Class B	28.64M	19.1	20.3	19.4	0.9	4.06	157,000	120,000	-	-
Class C	7.40M	7.2	8.2	7.8	0.3	2.97	(3,000)	(45,000)	-	-
Total	106.61M	14.1	16.9	15.2	1.7	5.15	1.08M	1.99M	-	382,000

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions & Methods

Average Asking Rate: Direct Monthly Lease Rates., Triple Net (NNN), 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.

Availability: All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

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

CBRE's market report analyzes existing single- and multi-tenant Industrial 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.

Contacts

Suzy Malburg
Research Analyst
Suzy.Malburg@cbre.com

Cole Bryant
Research Analyst
Cole.Bryant@cbre.com

Rebecca Schmid
Senior Research Analyst
Rebecca.Schmid@cbre.com

Silicon Valley Office

225 W. Santa Clara Street
12th Floor
San Jose, CA 95113