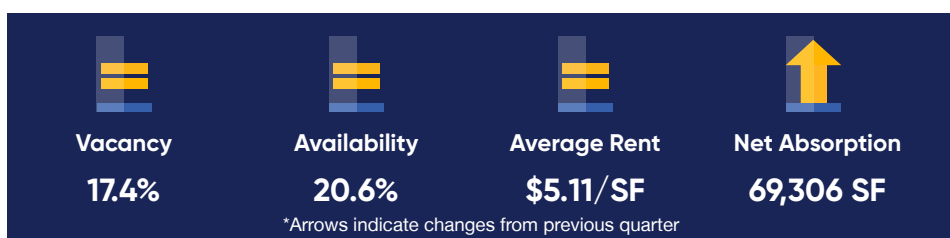


Occupier's Guide - Office

After an encouraging 2024, the Silicon Valley office market entered 2025 with modest yet positive momentum. Vacancy remained essentially unchanged quarter-over-quarter (QoQ) for the third consecutive quarter. Occupancy gains in North San Jose, Santa Clara, and Mountain View were offset by losses in Sunnyvale. Year-over-year (YoY), vacancy remained essentially flat, rising slightly by 0.3%. Availability increased 0.5% QoQ but remained flat at 20.6% YoY. Average asking rents recorded a decline of 1.7% or \$0.09 QoQ, with an annual reduction of \$0.17. However, Class A rents increased by \$0.12, or 2.2%, QoQ, indicating that the post-Covid flight to quality continues. Net absorption remained positive at 69K SF for the quarter, continuing the momentum from 2024, which saw 532K SF of positive net absorption.

Despite some encouraging indicators, optimism regarding trends in the Silicon Valley office market remains cautious. Unlike prior quarters, return-to-office (RTO) mandates have resulted in an uptick in utilization rates. However, many legacy tech firms continue consolidating, putting upward pressure on vacancy. Additionally, landlords of campuses that once looked for a single anchor tenant are finding success by subdividing space to welcome a wider mix of user sizes.



Direct Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$4.69	Downtown San Jose Class A 34.0%	▲ 0.6%
\$4.37	Downtown San Jose Class B 14.7%	▼ -1.6%
\$5.33	Santa Clara Class A 12.9%	▼ -5.2%
\$3.76	Santa Clara Class B 16.2%	▲ 0.6%
\$7.48	Mountain View Class A 19.9%	▼ -4.8%
\$6.02	Mountain View Class B 22.5%	▲ 1.0%

Recent Transactions

	Tenant	Size (SF)	Submarket	Type	Sector
1	SAP America Inc	85,420	Palo Alto	Sublease	Technology
2	Cisco	84,720	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	Renewal	Technology
3	Kodiak Sciences	82,662	Palo Alto	Sublease	Biotechnology
4	Ethced	49,500	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	New Lease	Technology
5	Databricks	47,836	Mountain View/Los Altos	New Lease	Technology
6	Intuit	42,632	Mountain View/Los Altos	Renewal	Technology
7	Regus	27,369	Santa Clara	New Lease	Real Estate
8	Kimley-Horn & Associates	22,158	Downtown San Jose	New Lease	Professional Services

Occupier's Perspective

Some municipalities are seeking ways to boost leasing activity and foot traffic by implementing incentive programs.

For example, in Downtown San Jose companies that lease 2.5K SF or more of office space for a minimum of 4 years are exempted from business tax and offered up to 2 years of free parking in city-owned garages.

Smaller tenants are experiencing lower barriers to entry into high quality assets.

Landlords are increasingly willing to divide space to attract smaller tenants when once they were only willing to transact with larger anchor tenants. For example, Santana West's recent strategy of dividing select floors to meet demand for smaller tenants increased the buildings occupancy to roughly 80%.

Despite positive market indicators such as increased leasing activity, legacy tech consolidations strategies are putting upward pressure on vacancy.

Google has given up space to consolidate to its new Caribbean campus, Meta plans to vacate 2M SF of unoccupied Bay Area offices, and Cisco's consolidation into its Santana Row location has served as a negative counterweight to positive net absorption elsewhere in the market. As a result of consolidation strategies, we expect to see an increase in high-quality second-generation space coming to the market for lease or sublease.

Market Trends

Vacancy and availability have largely remained flat YoY.

Since Q1 2024, vacancy has increased 0.3%, while availability remained flat. By comparison, in 2023 vacancy increased 2.8% while availability rose 4.1%. Early 2025 and 2024 trends indicate a decrease in the velocity of newly added space to the market, combined with an uptick in leasing activity in recent quarters.

Despite decreases in vacancy in some submarkets (Sunnyvale, Santa Clara, Cupertino, and Mountain View), asking rates remain on the decline YoY.

After several quarters of increasing average asking rents from 2020 to 2023, average asking rents peaked in Q3 2023, reaching \$5.44. Since that peak, asking rents have fallen 6.1%.

Venture capital funding in Q1 reached 24.1% of last year's total,

signaling a strong start to 2025. Series A and D companies are performing well, capturing over 27% and 40% of last year's capital totals, respectively. In contrast, Series B and C are underperforming, with capital invested reaching only 10.0% and 2.8% of 2024 levels.

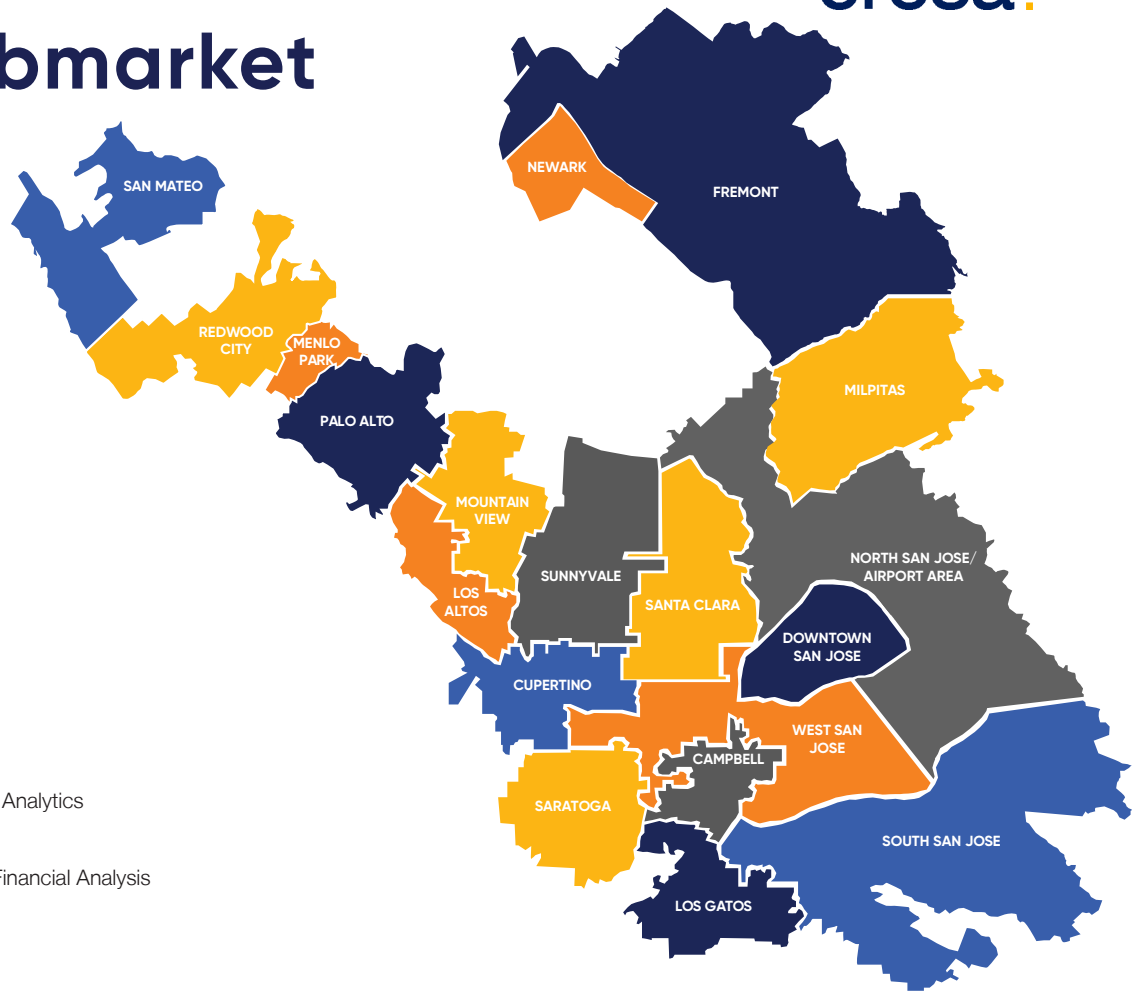
Office Submarket Statistics

Cresa is the world's only global commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. Our purpose is to think beyond space, strengthening those we serve and enhancing the quality of life for our clients. Delivered across every industry, with over 1000 employees in more than 80 offices globally, Cresa partners with occupiers everywhere. For more information, please visit cresa.com.

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Submarket	Inventory	Direct Asking Rent (FS)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
Fremont/Newark	4,645,736	\$2.86	15.4%	13.1%	28.5%	24.8%	(52,270)
Milpitas	4,110,594	\$2.91	9.9%	2.2%	12.1%	13.5%	20,735
North San Jose/Airport Area	17,410,045	\$4.06	14.3%	3.1%	17.4%	21.8%	239,562
Downtown San Jose	13,065,302	\$4.60	23.2%	1.8%	25.0%	28.5%	44,444
South San Jose	2,523,985	\$2.49	3.8%	0.0%	3.8%	7.4%	15,653
West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	8,780,829	\$4.30	12.8%	3.3%	16.1%	20.9%	45,644
Cupertino	4,748,119	\$4.54	3.1%	0.0%	3.2%	4.2%	(2,733)
Santa Clara	19,011,967	\$4.62	10.2%	4.3%	14.5%	18.9%	146,541
Sunnyvale	22,128,642	\$4.84	13.7%	4.4%	18.1%	17.4%	(303,801)
Mountain View/Los Altos	13,308,216	\$6.80	14.6%	6.7%	21.3%	27.7%	35,573
Palo Alto	9,967,052	\$8.17	9.4%	3.7%	13.0%	19.0%	35,753
Menlo Park	8,179,791	\$9.08	6.0%	4.8%	10.8%	12.3%	(8,214)
Redwood City	11,844,883	\$5.70	19.6%	2.3%	21.9%	25.5%	2,761
San Mateo	9,181,409	\$4.84	14.9%	4.4%	19.3%	23.8%	(150,342)
Total	148,906,570	\$5.11	13.5%	4.0%	17.4%	20.6%	69,306

*Arrows indicate changes from previous quarter.