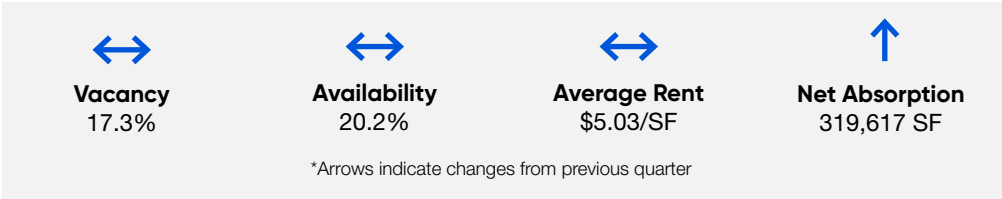


The Silicon Valley office market had a strong first half of the year. A recent flurry of leasing activity pushed vacancy down 0.1% quarter-over-quarter (QoQ). Net absorption was positive for the quarter at 319K SF, bringing the year-to-date (YTD) total to 388K SF. Despite the positive momentum, average asking rates declined 1.4% QoQ to \$5.03 and 3.7% year-over-year (YoY). Some submarkets are an exception. Sunnyvale saw asking rates rise 3.4% QoQ while red-hot Palo Alto continues to command the highest asking rent at \$7.92 per SF, 62.0% above the Silicon Valley average.

After a lackluster start to 2025, the Silicon Valley office market had a breakout second quarter. Leasing activity surged by 39.8% QoQ. Meanwhile, tech giants like Apple underscored their confidence in the region, investing over \$500 million in office acquisitions during Q2 alone. With both leasing momentum and capital commitments in play, the Silicon Valley office market looks poised for a strong second half of the year.

## Quarterly Snapshot



## Submarket Movement

Direct Asking Rent (\$/SF)		Total Vacancy Rate	QOQ Change
\$4.70	Downtown San Jose   Class A	34.9%	1.0% ▲
\$4.22	Downtown San Jose   Class B	13.2%	-1.5% ▼
\$5.31	Santa Clara   Class A	11.9%	-1.0% ▼
\$3.67	Santa Clara   Class B	13.9%	-2.3% ▼
\$7.44	Mountain View   Class A	20.5%	0.6% ▲
\$6.01	Mountain View   Class B	23.8%	1.4% ▲

## Recent Transactions

Tenant	Size (SF)	Submarket	Purchase	Sector
Valley Transportation Authority (VTA)	390,023	Downtown San Jose	Other	Transportation
Walmart	338,307	Sunnyvale	Renewal	Retail
Zscaler	301,163	Santa Clara	Sublease	Technology
Guardant Health	229,872	Palo Alto	Renewal	Healthcare
Snapchat	156,050	Sunnyvale	New Lease	Technology
WeWork (Amazon)	140,935	Sunnyvale	New Lease	Real Estate
Stanford Health Care	113,964	Mountain View	New Lease	Healthcare
Kimley-Horn & Associates	22,158	Downtown San Jose	New Lease	Professional Services

## Occupier's Perspective

**Rising construction costs and tariff uncertainty make design planning critical.** Increased build-out expenses may require design compromises or greater upfront capital. It is critical that tenants oversee design and construction efforts carefully to optimize both costs and timelines.

**Transit access remains a top priority for many tenants when deciding between comparable locations.** Proximity to BART, Caltrain, or major highways supports employee retention and eases commutes. Other factors still include walkable, amenity-rich buildings with modern designs.

**Silicon Valley continues to position itself as a leading AI hub,** attracting companies seeking access to top talent and an innovative ecosystem. For example, Deepwatch expanded into Silicon Valley from Tampa to maintain proximity to AI firms and talent clusters.

## Market Trends

**Sublease supply declined in the second quarter** as companies such as Zscaler and Snowflake recently secured high-quality, move-in-ready sublease space. Together, the two firms subleased a combined 1 million SF in Santa Clara and Menlo Park, respectively.

**Q2 included seven deals over 100K SF, totaling more than 1.6M SF** of leasing activity. Three of these transactions were signed in Sunnyvale alone, accounting for nearly 600K SF. Of the seven deals, three were new leases, two were renewals, one was a sublease and one an owner-user building purchase.

**Average asking rates declined for the eighth consecutive quarter.** Since Q3 2023, the average asking rent in Silicon Valley has dropped by 7.4%, a decrease of \$0.40 psf. Over this same period, Class A office rents have also dropped, declining by 7.1%, to \$5.44 psf.

# Silicon Valley

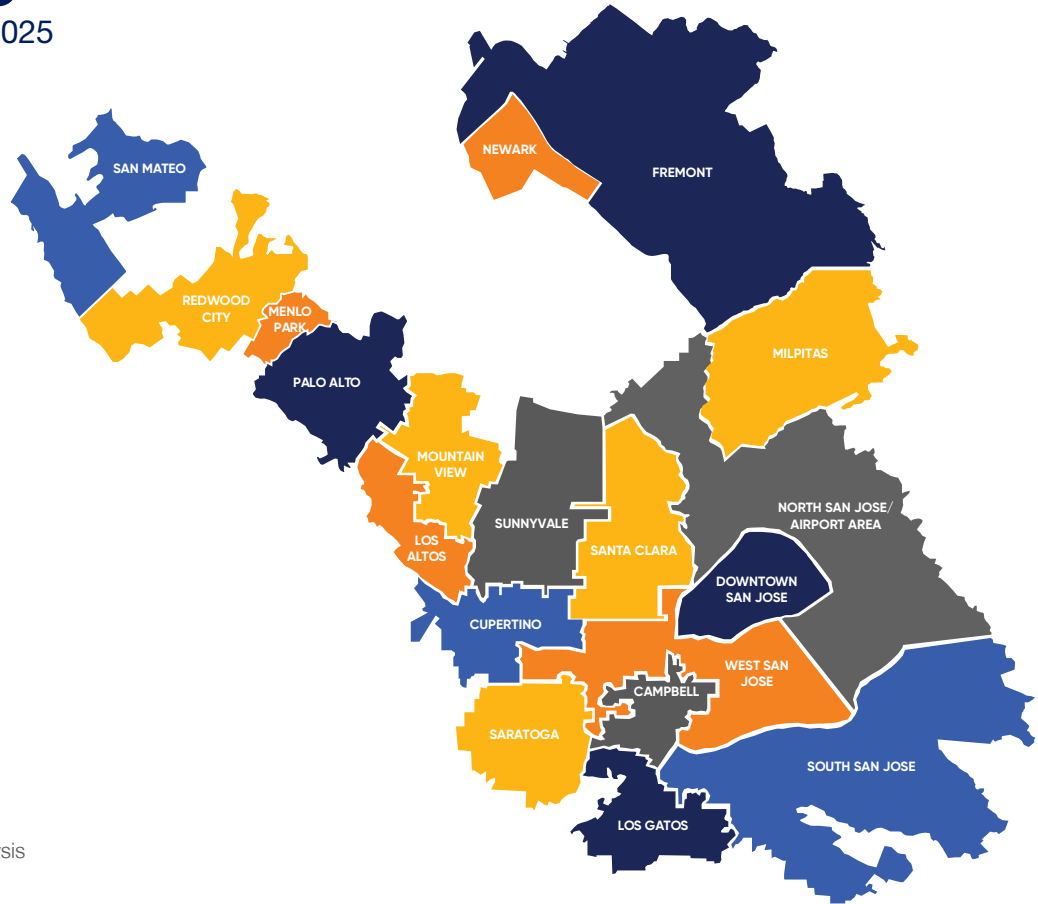
## Office Submarket Statistics | Q2 2025

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Silicon Valley

Mid-Peninsula

Submarket	Inventory	Direct Asking Rent (FS)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
Fremont/Newark	4,645,736	\$2.86 =	12.3%	13.2%	25.4% ↓	24.3%	49
Milpitas	4,110,594	\$2.90 =	10.1%	2.2%	12.3% =	15.3%	(20,614)
North San Jose/Airport Area	17,410,045	\$4.14 =	14.8%	2.9%	17.7% =	20.8%	(73,213)
Downtown San Jose	13,065,302	\$4.55 =	23.6%	1.0%	24.6% =	27.0%	(47,545)
South San Jose	2,523,985	\$2.56 =	5.4%	0.0%	5.4% ↑	9.1%	(36,862)
West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	8,780,829	\$4.06 =	12.5%	3.7%	16.1% =	20.6%	17,771
Cupertino	4,748,119	\$4.54 =	2.6%	0.1%	2.7% =	3.5%	(4,139)
Santa Clara	19,011,967	\$4.56 =	9.8%	3.0%	12.9% ↓	17.0%	24,610
Sunnyvale	22,128,642	\$5.01 =	13.2%	4.4%	17.6% =	16.0%	(80,061)
Mountain View/Los Altos	13,308,216	\$6.84 =	15.6%	6.8%	22.4% ↑	26.7%	17,759
Palo Alto	9,967,052	\$7.92 ↑	12.3%	1.6%	14.0% =	20.6%	11,683
<b>Silicon Valley Total</b>	<b>119,700,487</b>	<b>\$4.90</b>	<b>13.4%</b>	<b>3.6%</b>	<b>17.0%</b>	<b>19.6%</b>	<b>(190,562)</b>
Menlo Park	8,179,791	\$8.84 =	7.2%	5.0%	12.2% ↑	13.4%	701,364
Redwood City	11,844,883	\$5.14 ↑	19.9%	2.5%	22.4% ↑	27.8%	(196,446)
San Mateo	9,181,409	\$4.74 ↑	15.0%	4.3%	19.3% ↑	23.6%	5,261
<b>Peninsula Total</b>	<b>29,206,083</b>	<b>\$5.54</b>	<b>14.8%</b>	<b>3.8%</b>	<b>18.6%</b>	<b>22.4%</b>	<b>510,179</b>
<b>Market Total</b>	<b>148,906,570</b>	<b>\$5.03</b>	<b>13.7%</b>	<b>3.6%</b>	<b>17.3%</b>	<b>20.2%</b>	<b>319,617</b>

\*Arrows indicate changes from previous quarter.