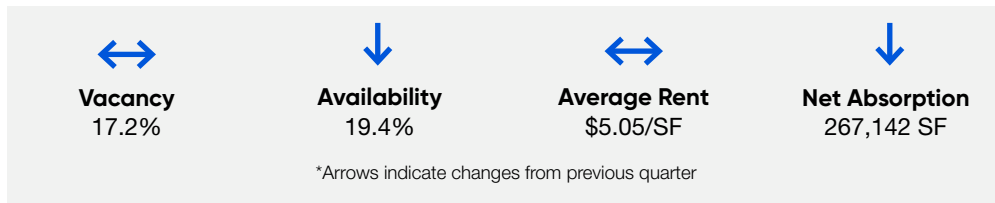


The Silicon Valley office market sustained its momentum into the second half of the year, marking the second consecutive quarter of declining vacancy, which fell to 17.2%. The vacancy rate has remained largely stable since Q1 2024, rising up by just 0.1% over that period. Availability also improved, down 0.8% quarter-over-quarter (QoQ) and 1.2% year-over-year (YoY). The Silicon Valley average asking rate trended down \$0.13 psf to \$4.90 psf, while the Mid-Peninsula region (Redwood City, Menlo Park, San Mateo) saw a 1.5% increase from \$5.54 psf to \$5.63 psf. Net absorption remained positive for the quarter with 267K SF of absorption.

Leasing activity continues to trend upward, with AI and Technology firms as the primary driver of demand, while making several significant commitments in the third quarter. Netflix renewed its 547K SF campus lease in Los Gatos, while Databricks expanded by 305K SF in Sunnyvale. Other commitments included transactions from CrowdStrike, Otter.ai, Landing AI, and Etched.ai.

### Quarterly Snapshot



### Submarket Movement

Direct Asking Rent (\$/SF)		Total Vacancy Rate	QOQ Change
\$4.65	Downtown San Jose   Class A	34.9%	-0.1% ▼
\$4.11	Downtown San Jose   Class B	15.0%	1.8% ▲
\$5.27	Santa Clara   Class A	10.0%	-1.9% ▼
\$3.54	Santa Clara   Class B	16.1%	2.2% ▲
\$7.08	Mountain View   Class A	21.1%	0.7% ▲
\$6.31	Mountain View   Class B	23.1%	-0.8% ▼

### Recent Transactions

Tenant	Size (SF)	Submarket	Lease Type	Sector
Netflix	547,398	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	Renewal	Technology
Databricks	305,429	Sunnyvale	Expansion	Technology
CrowdStrike	90,686	Sunnyvale	New Lease	Technology
Expedia	49,500	North San Jose/Airport Area	New Lease	Technology
Otter.ai	35,053	Mountain View/Los Altos	Expansion	Technology
Accenture	30,218	Mountain View/Los Altos	Expansion	Professional Services
Etched.ai	15,412	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	Expansion	Technology

### Occupier's Perspective

**Data centers and other power-intensive industries are creating uncertainty in operating expenses and adding pressure on local resources.** As landlords absorb higher utility and infrastructure costs, traditional office tenants may see these expenses passed through, particularly under triple-net (NNN) lease structure. Though full-service gross (FSG) lease structures are provided with some protection from the base year.

**San Jose goes All-in on AI.** Building on a series of recent incentives, Mayor Matt Mahan launched the nation's first city-run AI grant program, awarding a total of \$175K to four selected startups. The initiative is designed to retain top AI talent and keep emerging companies in the region.

**Sunnyvale remains a leading choice among occupiers,** capturing 26.7% of total leasing volume YTD. Followed by San Jose and Santa Clara at 18.1% and 16.5%, respectively. Overall, total YTD leasing activity has increased 9.5%.

### Market Trends

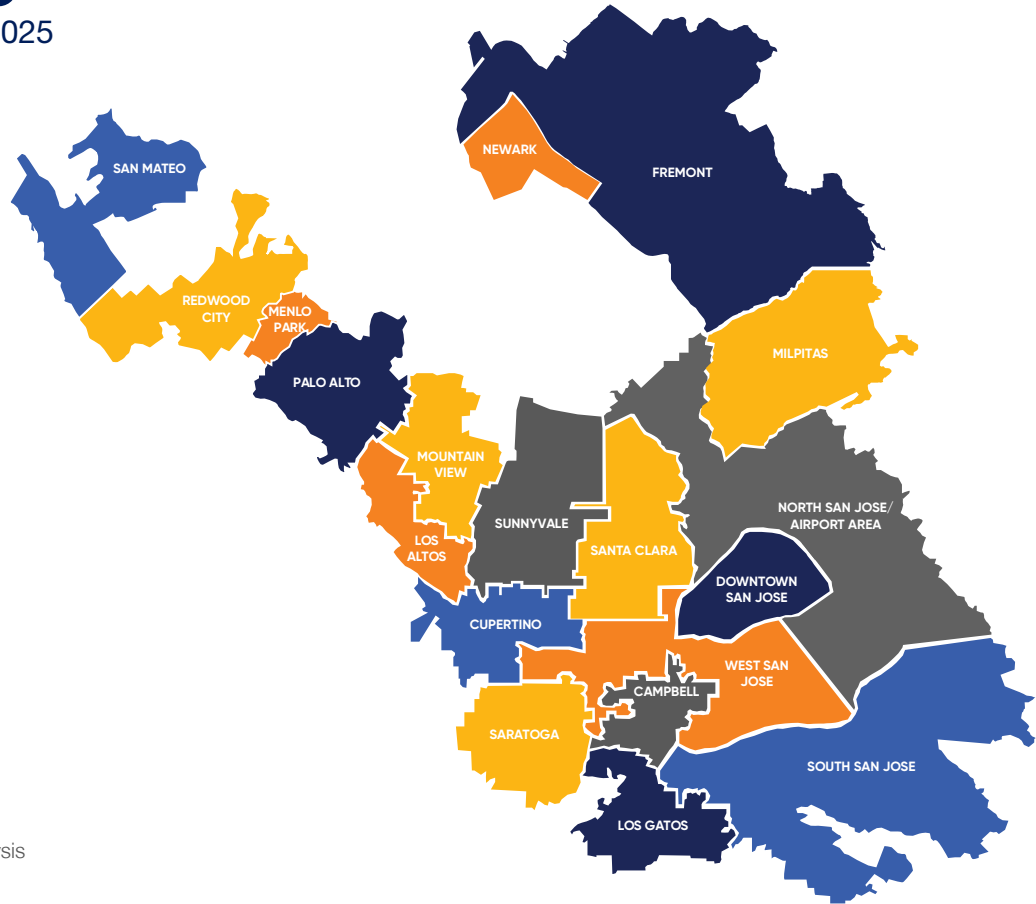
**Vacancy decreased for the second consecutive quarter.** While the trend is encouraging, the change was marginal declining 0.2%, during the period. Approximately 25.6M SF of office space remains vacant and available across Silicon Valley.

**Established Bay Area AI firms are securing historic levels of venture capital investment.** Since the start of the year, Bay Area based AI companies have secured approximately \$110B in VC funding. Major rounds include OpenAI (\$40B), Scale AI (\$14.3B), and Anthropic (\$13B).

**Average asking rents in Silicon Valley continued to decline,** while the Mid-Peninsula saw growth. Silicon Valley rents fell 2.6% QoQ to \$4.90 psf, whereas the Mid-Peninsula recorded a 1.5% increase to \$5.63 psf. On a year-over-year basis, both markets saw declines of 6.2% in Silicon Valley and 9.9% in the Mid-Peninsula.

# Silicon Valley

## Office Submarket Statistics | Q3 2025



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](https://cresa.com).

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	Submarket	Inventory	Direct Asking Rent (FS)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
Silicon Valley	Fremont/Newark	4,645,736	\$2.88 =	13.8%	13.0%	26.8% ↑	25.8%	34,932
	Milpitas	4,110,594	\$2.91 =	10.1%	3.7%	13.7% ↑	14.8%	45,780
	North San Jose/Airport Area	17,410,045	\$4.13 =	13.7%	4.0%	17.7% =	18.6%	(27,662)
	Downtown San Jose	13,065,302	\$4.48 =	24.8%	0.6%	25.4% =	27.0%	(146,585)
	South San Jose	2,523,985	\$2.63 =	5.4%	0.0%	5.4% =	8.7%	6,869
	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	8,780,829	\$4.01 =	12.6%	2.7%	15.3% =	17.9%	48,040
	Cupertino	4,748,119	\$4.33 =	2.3%	0.1%	2.4% =	3.1%	0
	Santa Clara	19,011,967	\$4.53 =	10.2%	2.8%	13.0% =	17.6%	106,354
	Sunnyvale	22,128,642	\$5.17 =	11.9%	3.0%	14.9% ↓	15.3%	440
	Mountain View/Los Altos	13,308,216	\$6.78 =	15.9%	6.4%	22.2% =	27.4%	(110,464)
	Palo Alto	9,967,052	\$7.86 =	15.4%	1.1%	16.5% ↑	17.6%	290,814
<b>Silicon Valley Total</b>	<b>119,700,487</b>	<b>\$4.90</b>	<b>13.6%</b>	<b>3.3%</b>	<b>16.9%</b>	<b>18.9%</b>	<b>248,518</b>	
Mid-Peninsula	Menlo Park	8,179,791	\$9.10 =	7.0%	4.9%	11.9% ↑	12.4%	87,232
	Redwood City	11,844,883	\$5.22 ↑	21.5%	3.2%	24.7% ↑	28.0%	(58,999)
	San Mateo	9,181,409	\$4.64 ↑	12.6%	4.3%	16.9% ↓	20.4%	(9,609)
	<b>Peninsula Total</b>	<b>29,206,083</b>	<b>\$5.63</b>	<b>14.6%</b>	<b>4.0%</b>	<b>18.7%</b>	<b>21.2%</b>	<b>18,624</b>
<b>Market Total</b>	<b>148,906,570</b>	<b>\$5.05</b>	<b>13.8%</b>	<b>3.4%</b>	<b>17.2%</b>	<b>19.4%</b>	<b>267,142</b>	

\*Arrows indicate changes from previous quarter.