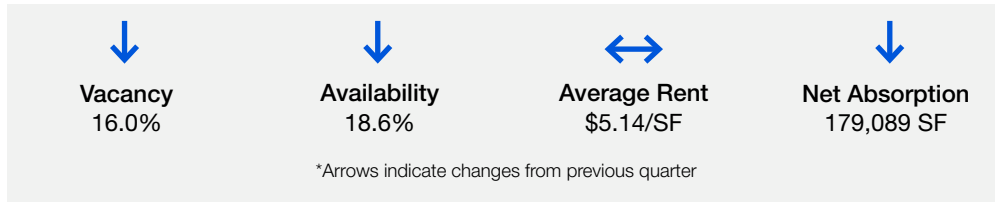


The Silicon Valley office market posted a strong start to the year. Vacancy declined for the fourth consecutive quarter, falling to 16.0%, down 1.1% quarter-over-quarter and (QoQ) 1.4% year-over-year (YoY). Availability also tightened, decreasing 1.3% from the prior quarter to 18.6%, its lowest level since Q2 2023. After rising for four straight quarters, average asking rents held flat at \$5.14 psf. Net absorption remained positive, totaling 179K SF for the quarter and marking five consecutive quarters of positive absorption.

The cautious optimism seen in 2025 has translated into several quarters of positive momentum, highlighted by a surge in leasing activity to start the year. AI and AI-related firms continue to be primary drivers of demand and leasing activity. For example, OpenAI leased over 440K SF in Mountain View. The AI ecosystem is supported by the concentration of AI talent in the Bay Area which is translating into increased office leasing as companies scale headcount and expand operations. Silicon Valley, along with neighboring San Francisco, remains well positioned to capture this growth, reinforcing its role as a leading hub for AI-driven office demand in the U.S.

Quarterly Snapshot



Submarket Movement

Direct Asking Rent (\$/SF)		Total Vacancy Rate	QOQ Change
\$4.62	Downtown San Jose Class A	32.6%	-0.7% ▼
\$4.01	Downtown San Jose Class B	18.0%	1.5% ▲
\$5.33	Santa Clara Class A	8.8%	0.1% ◀▶
\$3.59	Santa Clara Class B	15.7%	-2.2% ▼
\$7.31	Mountain View Class A	11.6%	-5.5% ▼
\$6.14	Mountain View Class B	20.3%	-4.3% ▼

Recent Transactions

Tenant	Size (SF)	Submarket	Lease Type	Sector
OpenAI	449,006	Mountain View/Los Altos	New Lease	Technology
Pure Storage	440,132	Santa Clara	New Lease	Technology
Undisclosed	270,614	Menlo Park	New Lease	Undisclosed
Infineon	220,872	North San Jose/Airport Area	New Lease	Semiconductor
Roblox	197,000	San Mateo	Pre-lease	Technology
Databricks	180,417	Sunnyvale	New Lease	Technology
Roblox	128,000	San Mateo	Pre-lease	Technology
Cooley Goodward LLP	120,000	Redwood City	New Lease	Legal Services

Occupier's Perspective

Companies expanding today are using office space as a tool to recruit and retain talent, not just house employees. Location, amenities, and workplace quality are increasingly tied to hiring outcomes, especially in competitive sectors like AI and tech.

Tenants should expect a highly divided market where amenity-rich and transit-oriented buildings significantly outperform older inventory. The majority of leasing activity is concentrated in these environments, meaning tenants targeting premium space will face more competition. Conversely, older buildings offer meaningful leverage but often require tradeoffs in employee experience and long-term workplace strategy.

With sublease inventory declining and large tenants pulling space back or reoccupying, the “wait for better deals” strategy is becoming riskier. Tenants entering the market today should be prepared to act quickly on the right opportunity, particularly for move-in ready or high-quality space. Delaying decisions could result in fewer viable options rather than better economics.

Market Trends

New leases made up 88.2% of deals this quarter, with renewals accounting for just 11.8%. This is a sharp shift from a year ago, when renewals represented 32.8% of activity, signaling a clear move away from the “kick the can” approach that has defined recent years.

Average asking rents remain bifurcated, with in-demand submarkets seeing rent growth—Santa Clara (+4.1%) and Sunnyvale (+16.2%)—while less active submarkets, including Downtown San Jose (-3.7%) and the West Valley (-6.8%), continue to experience declines.

The Silicon Valley saw a substantial increase in leasing activity to start the year increasing 52.0% over the 2024-2025 quarterly average of 2.2M SF. Mountain View and Santa Clara saw the bulk of leasing accounting for 29.7% of the region's total leasing activity.

Office Submarket Statistics | Q1 2026

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DEFINITIONS

Vacancy: Space that is physically unoccupied, including both direct and sublease space.

Availability: Space being marketed for lease, including vacant space and space offered for future occupancy, across both direct and sublease.

Average rent: Weighted average asking rent for direct space. Sublease rents are calculated separately using weighted-average sublease asking rents (page 1 only).

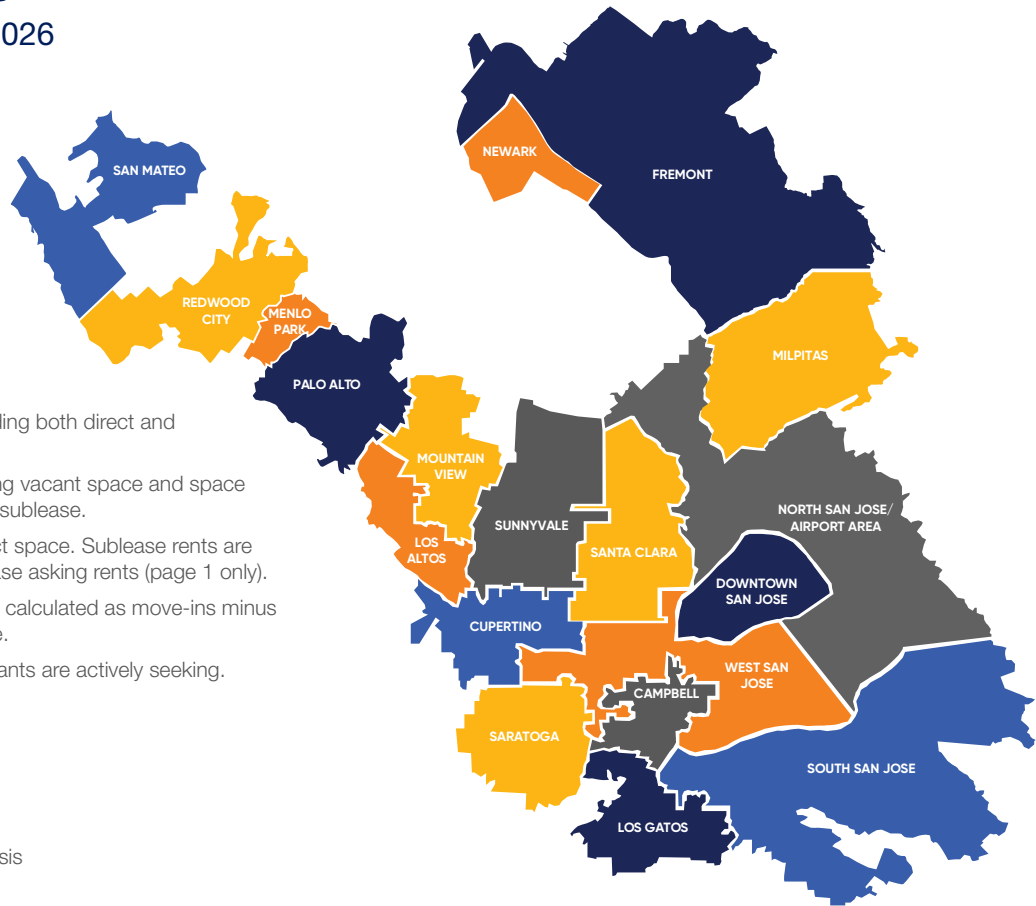
Net absorption: The net change in occupied space, calculated as move-ins minus move-outs, including both direct and sublease space.

Demand: Amount of space (square footage) that tenants are actively seeking.

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Submarket	Inventory	Direct Asking Rent (FS)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
Fremont/Newark	5,167,140	\$2.89 ↔	12.4%	11.7%	24.0% ↔	24.1%	20,413
Milpitas	3,946,456	\$2.86 ↔	15.4%	5.8%	21.2% ↑	22.0%	(88,431)
North San Jose/Airport Area	18,835,282	\$4.09 ↔	12.5%	3.4%	15.8% ↓	18.2%	40,121
Downtown San Jose	13,133,254	\$4.46 ↔	25.6%	0.6%	26.2% ↔	28.4%	(143,870)
South San Jose	3,023,849	\$2.68 ↔	4.3%	0.2%	4.5% ↔	7.7%	(17,006)
West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	8,619,462	\$4.01 ↔	12.3%	2.7%	15.0% ↔	17.9%	112,781
Cupertino	6,738,503	\$4.56 ↔	1.8%	0.0%	1.8% ↔	2.4%	(16,801)
Santa Clara	19,518,730	\$4.76 ↔	9.1%	2.4%	11.5% ↔	15.3%	60,861
Sunnyvale	22,692,382	\$5.64 ↓	10.4%	1.6%	12.0% ↓	13.2%	114,907
Mountain View/Los Altos	14,565,330	\$6.84 ↔	12.7%	3.6%	16.3% ↓	21.8%	24,449
Palo Alto	10,634,571	\$7.07 ↔	16.8%	2.2%	18.9% ↑	21.4%	(275,866)
Silicon Valley Total	126,874,959	\$5.01	12.6%	2.6%	15.3%	17.8%	(168,442)
Mid-Peninsula							
Menlo Park	7,735,756	\$8.89 ↔	8.4%	2.4%	10.8% ↔	13.0%	180,319
Redwood City	11,815,432	\$5.28 ↑	22.9%	1.6%	24.4% ↑	26.4%	111,452
San Mateo	8,886,610	\$4.69 ↑	14.7%	4.5%	19.2% ↑	23.5%	55,760
Peninsula Total	28,437,798	\$5.67	16.4%	2.7%	19.1%	21.9%	347,531
Market Total	155,312,757	\$5.14	13.3%	2.7%	16.0%	18.6%	179,089

*Arrows indicate changes from previous quarter.