

3Q25

Silicon Valley Office Market Overview



NEWMARK

Market Observations

Economy

- In the third quarter of 2025, the San Jose–Sunnyvale–Santa Clara MSA unemployment rate increased to 4.4% in August 2025, up 30 basis points year-over-year. Nationally, the unemployment rate mirrored this trend, as it increased 10 basis points compared to the prior year.
- Notably, Financial Activities, a major sector of office-using employment and key driver of broader office demand, decreased by 3.4% year-over-year. While an uptick in office demand has been noted, it is yet to be seen if the recent increased demand will translate to broad-based growth in the office-using employment sector.
- The downward trend in office-using employment extended through Q3 2025, continuing the decline that began after its early 2023 peak. As of August 2025, total office-using employment stood at 407.2K, while the unemployment rate for all industries held at 4.3%. This contraction has been driven primarily by ongoing cost optimization and restructuring within the tech sector.

Major Transactions

- A considerable driver to the gross absorption of 2.2M SF was Netflix’s renewal at 101, 111, 121 & 131 Albright Way in Los Gatos. The streaming and entertainment service inked the largest transaction of the quarter, leasing four buildings of premier Class A office space.
- Total leases signed in Q3 2025 were 8.3% below the 16-year annual average for Q3. However, active office-only tenant demand remains strong, driven primarily by technology firms.
- Another contributor to this quarter’s gross absorption was the Databricks’ Direct Lease at 200 W Washington Avenue in Downtown Sunnyvale. This quarter’s top leases pointed to a shift in sentiment, as large occupiers began to re-engage with longer term leases.

Leasing Market Fundamentals

- The Silicon Valley office market showed signs of recovery in Q3 2025, recording more than 481K SF of positive net absorption, the fourth consecutive quarter of growth following 2024 Q4’s positive 1.1M SF.
- Overall vacancy was 16.8%, a 170-basis point decrease from the previous quarter. This positive leasing activity signals a strong demand, with active tenants in the market now accounting for 9.3% of the total office inventory.
- Asking rents decreased to \$5.02 per square foot full service in the third quarter of 2025, down \$0.03 year-over-year. Rent changes across Silicon Valley submarkets had varied in recent years, driven by reduced availability and market adjustments.

Outlook

- The Silicon Valley office market closed out the third quarter with cautious optimism, building on the recovery momentum seen throughout the second half of 2024. The decrease in vacancy rates, gross absorption of 2.2M SF, four consecutive quarters of positive net absorption, and strong tenant demand suggest the office market is continuing its recovery.
- Looking toward the end of 2025, the initial rebound of the Silicon Valley office market is expected to be fueled by a resurgence in private equity and institutional investment into local companies, driving hiring and renewed demand for office space.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

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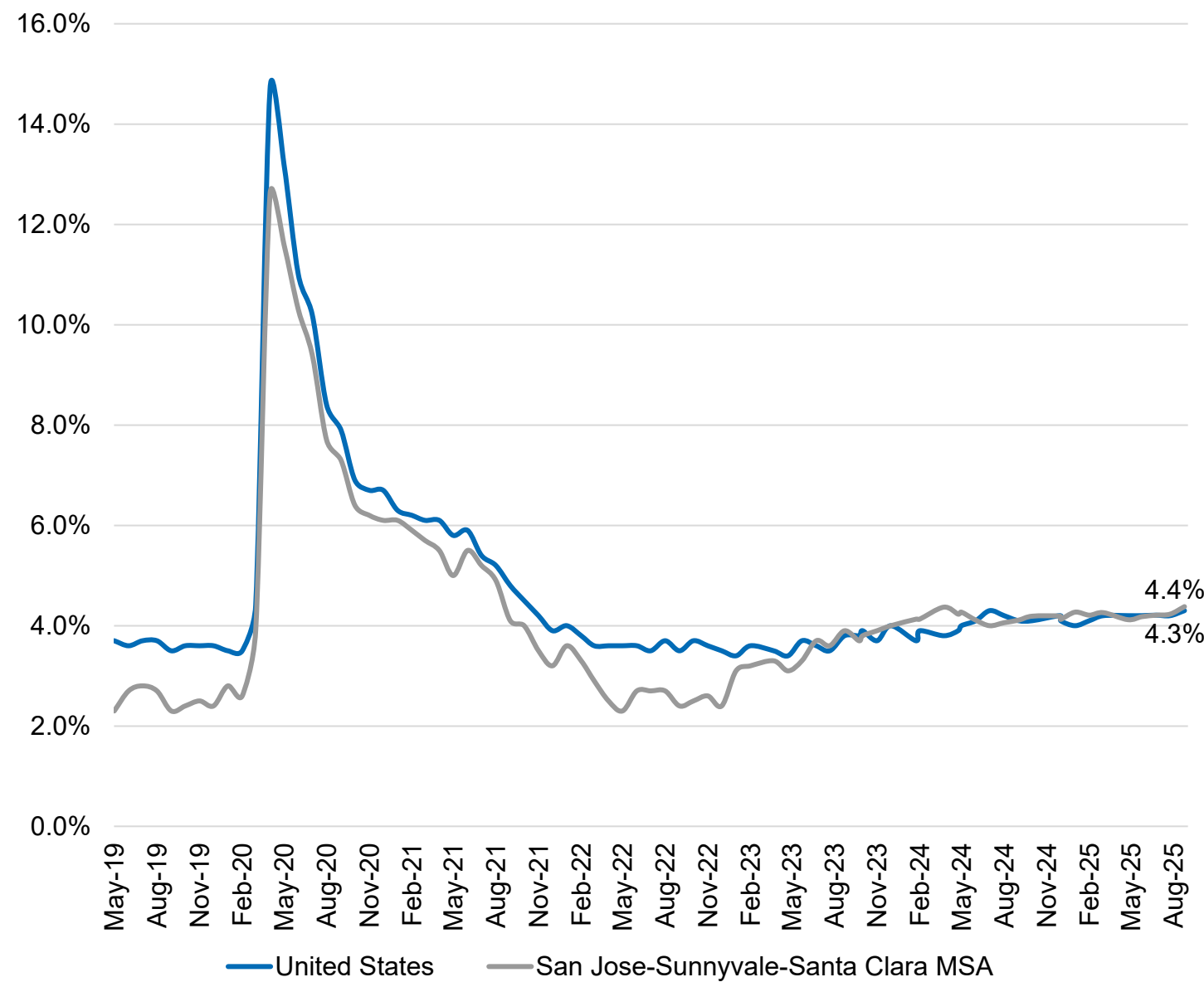
Economy



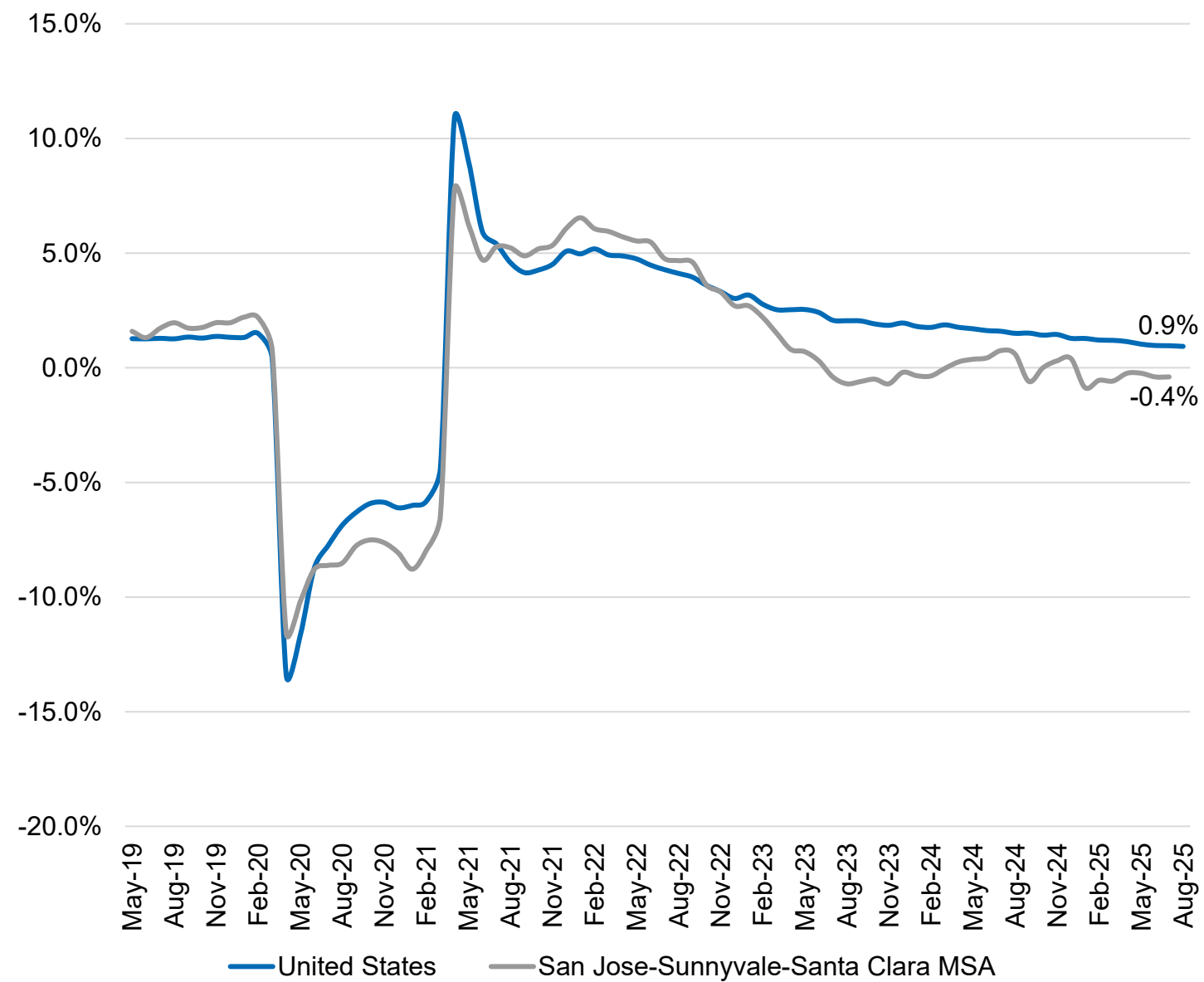
Silicon Valley Labor Market Mirrored National Unemployment Levels

The San Jose–Sunnyvale–Santa Clara MSA unemployment rate increased to 4.4% in August 2025, up 30 basis points year-over-year. Nationally, the unemployment rate mirrored this trend, as it increased 10 basis points. Although both the local and national labor markets show signs of moderation, employment and unemployment levels in the San Jose–Sunnyvale–Santa Clara region remain broadly aligned with national trends, suggesting a period of steady yet subdued labor market performance heading into late 2025.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

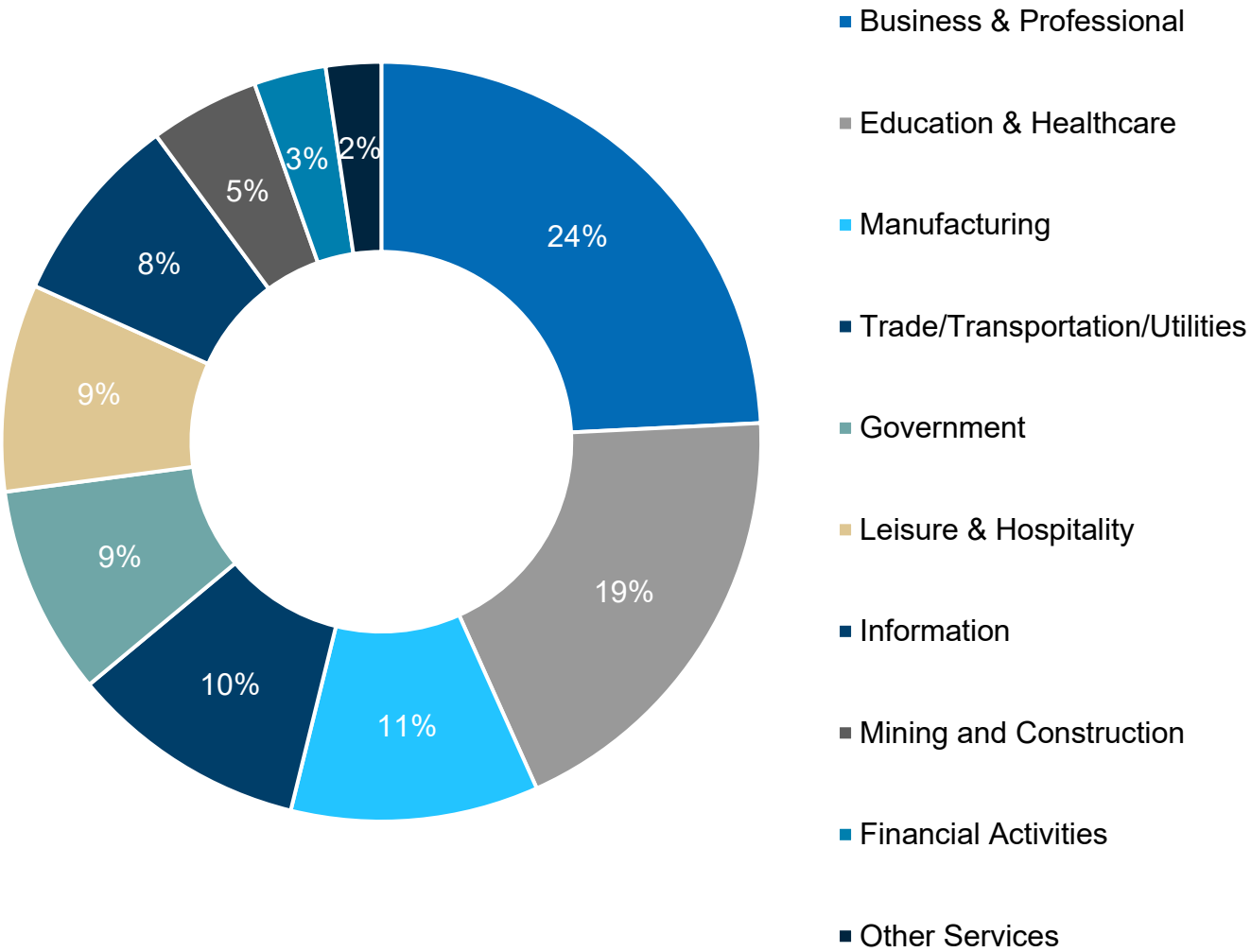


Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale
National data is as of June. May is the latest month available for metro employment stats

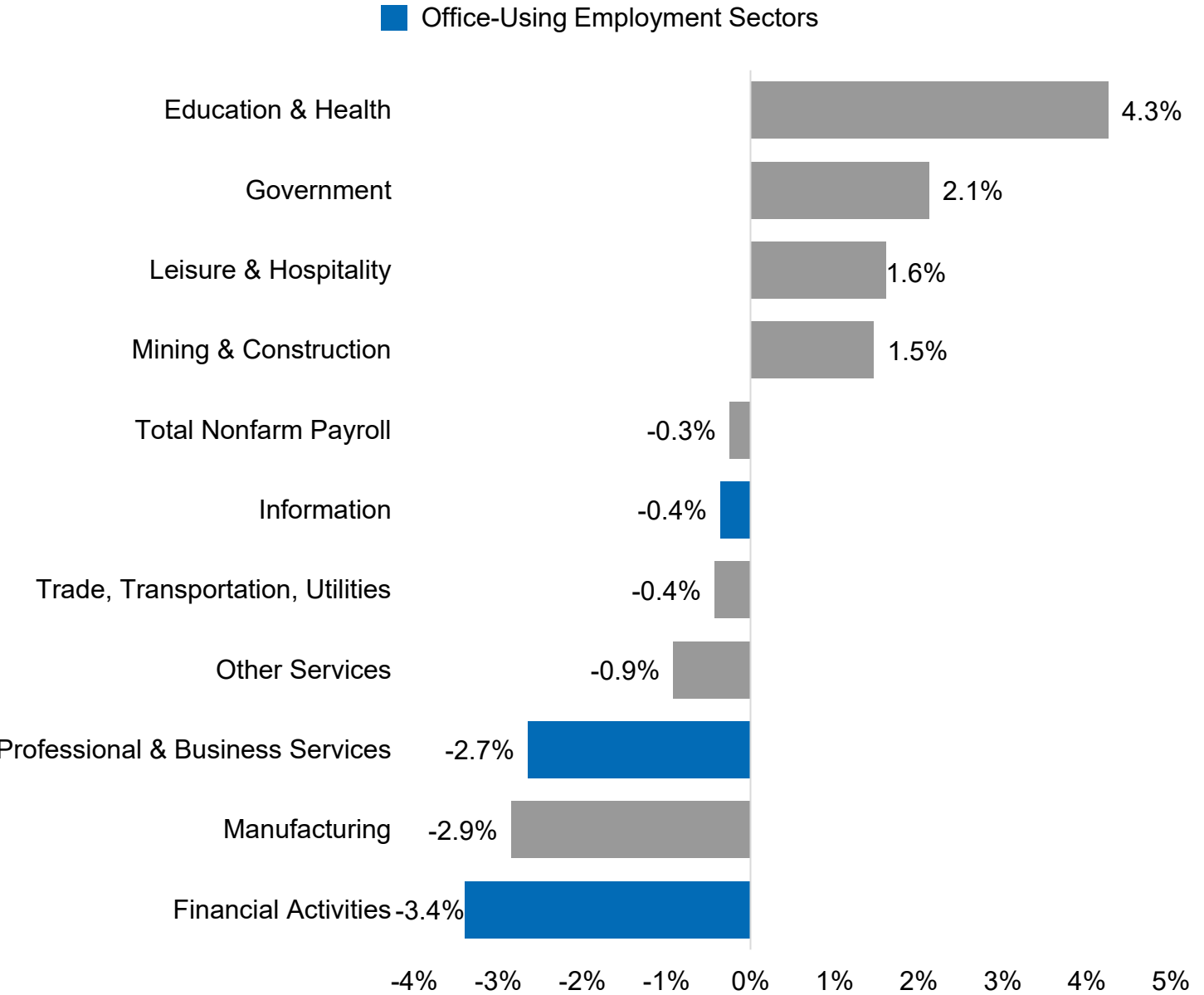
Office Using Employment Sectors Continued to Slide

Strong job growth in Education & Health and Government was not enough to offset significant declines across key office-using sectors. Financial Activities, a crucial driver of office demand, fell by 3.4% year-over-year, compounded by losses in the Professional & Business Services and Information sectors, which decreased by 2.7% and 0.4%, respectively. While office demand in the region showed signs of improvement, it remains unclear whether this will translate into sustained growth in office-using employment.

Employment by Industry, August 2025



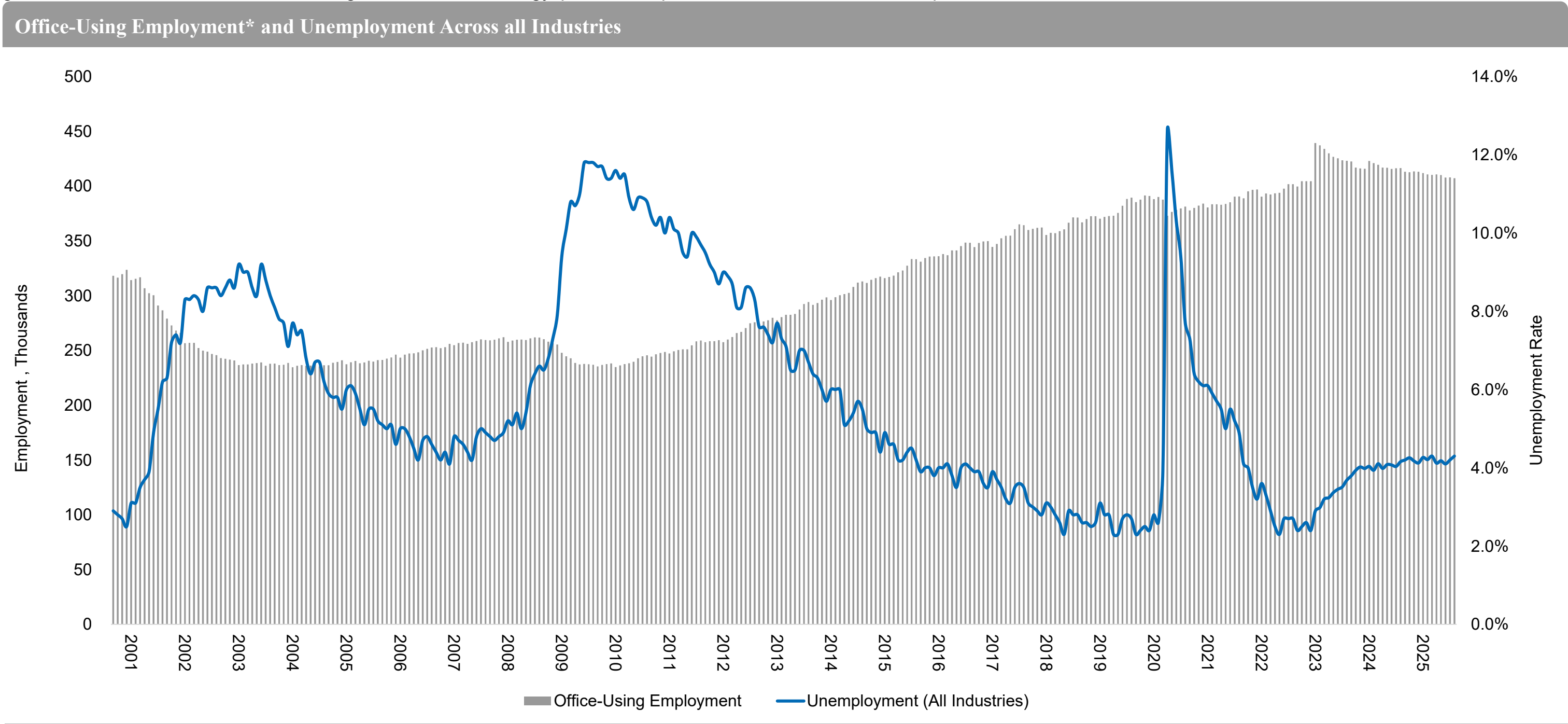
Employment Growth by Industry, 12-Month % Change, August 2025



Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale

Decline in Office-Using Employment Amid Tech Sector Adjustments

The downward trend in office-using employment extended through Q3 2025, continuing the decline that began after its early 2023 peak. As of August 2025, total office-using employment stood at 407.2K, while the unemployment rate for all industries held at 4.3%. This ongoing contraction has been driven primarily by cost optimization and restructuring within the tech sector. Nonetheless, there are early signs that the market may be nearing a turning point, as improving macroeconomic fundamentals and persistent hiring in high-growth industries, such as artificial intelligence and clean energy, point to the potential for stabilization in the quarters ahead.



Source: U.S. Bureau of Labor Statistics, San Jose-Santa Clara-Sunnyvale
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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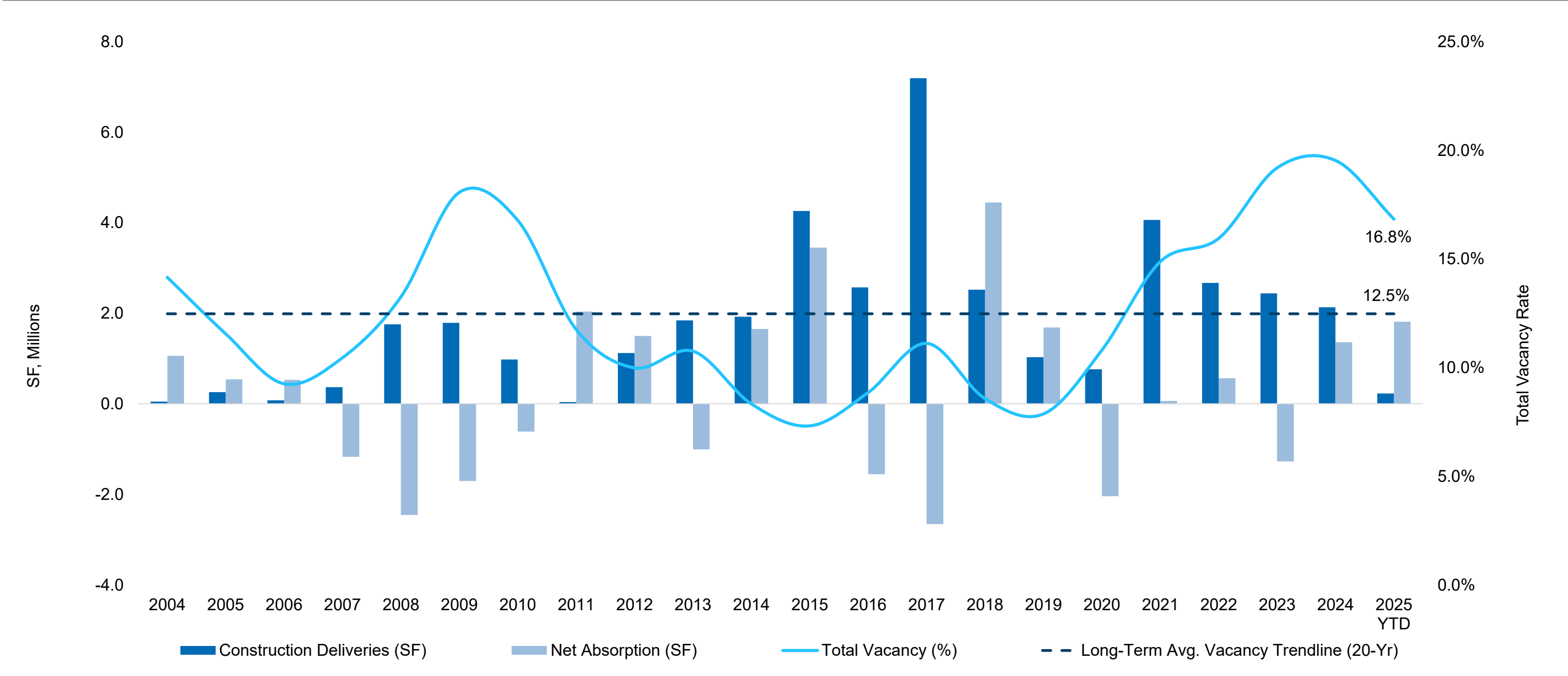
Leasing Market Fundamentals



Office Market Continued to Trend Towards Stabilization

The positive momentum in the Silicon Valley Office market accelerated in the third quarter of 2025. Year-to-date net absorption reached 1.8M SF, marking the fourth consecutive quarter of positive net absorption. Vacancy showed signs of improvement, falling 170 basis points from the previous quarter to 16.8%, indicating growing tenant activity and momentum toward market stabilization. While overall vacancy remains elevated relative to historical norms, sustained positive absorption suggests a gradual return of occupier confidence.

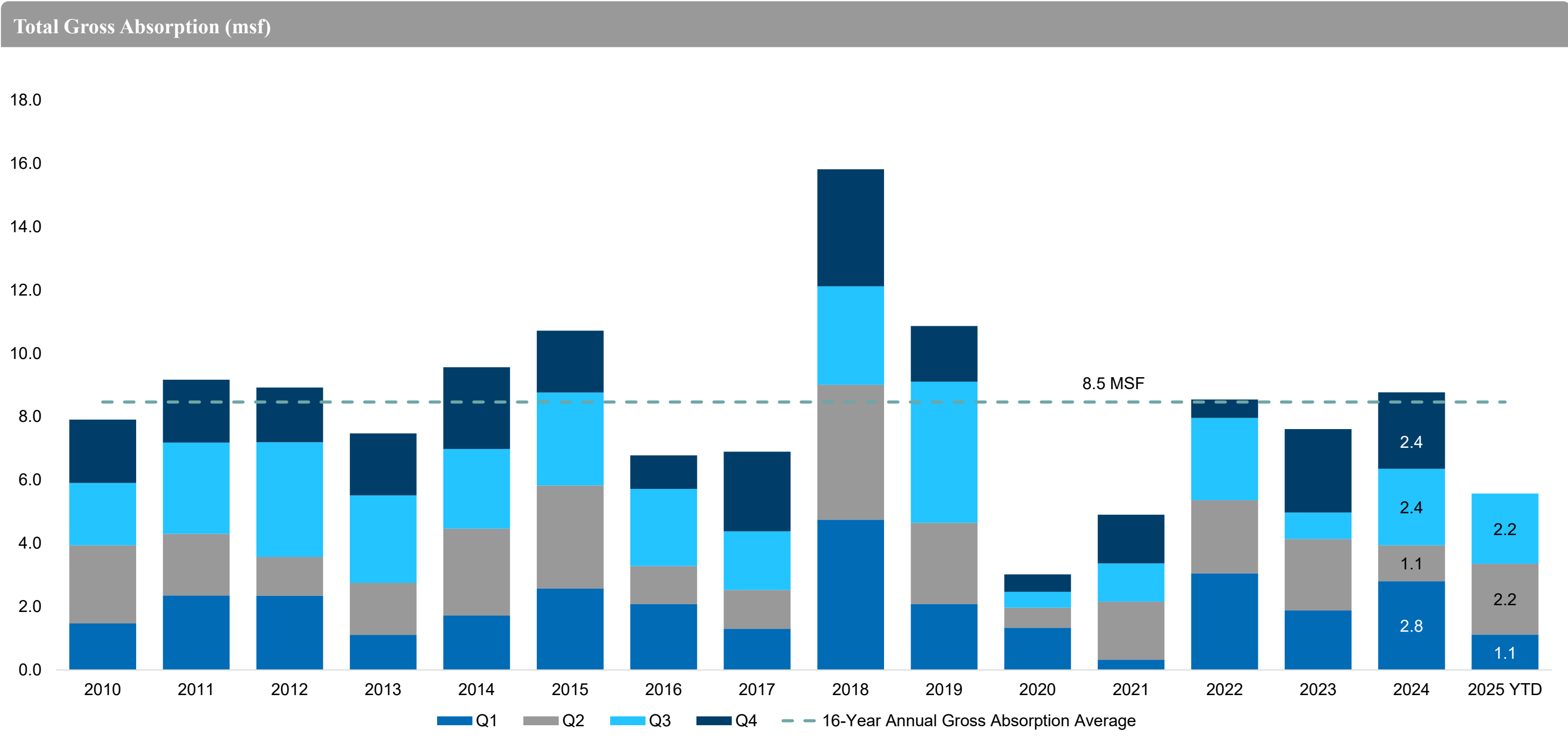
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research
*Absorption includes owner-user sales and owner-user constructed deliveries.

Third Quarter Showed Slight Signs of Market Recovery

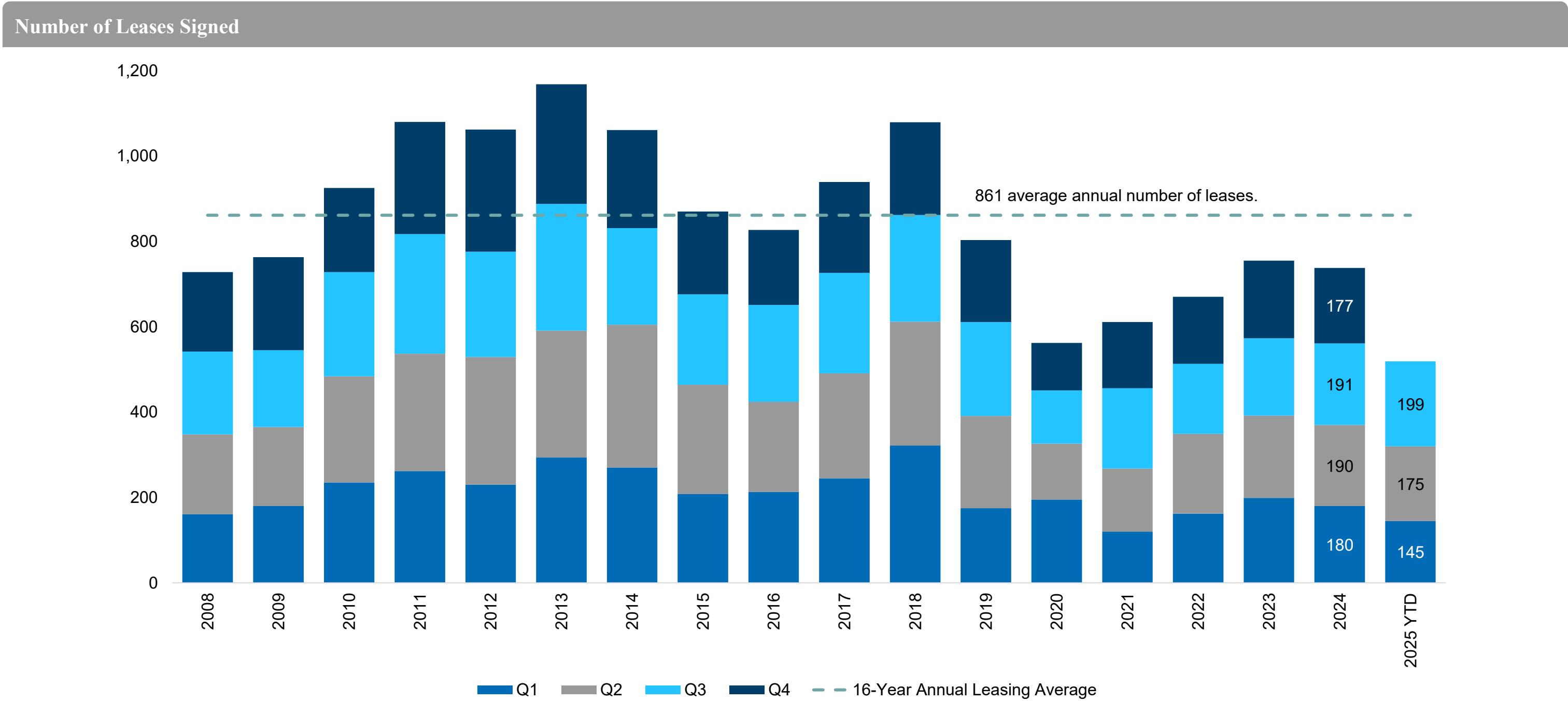
Gross absorption totaled approximately 2.2M SF the third quarter of 2025, showing a slight decrease of 8.3% from the same period the previous year. While cumulative leasing volume remained slightly below mid-2024 levels, there is evidence of renewed tenant engagement that signals early momentum in the broader recovery of Silicon Valley’s office market.



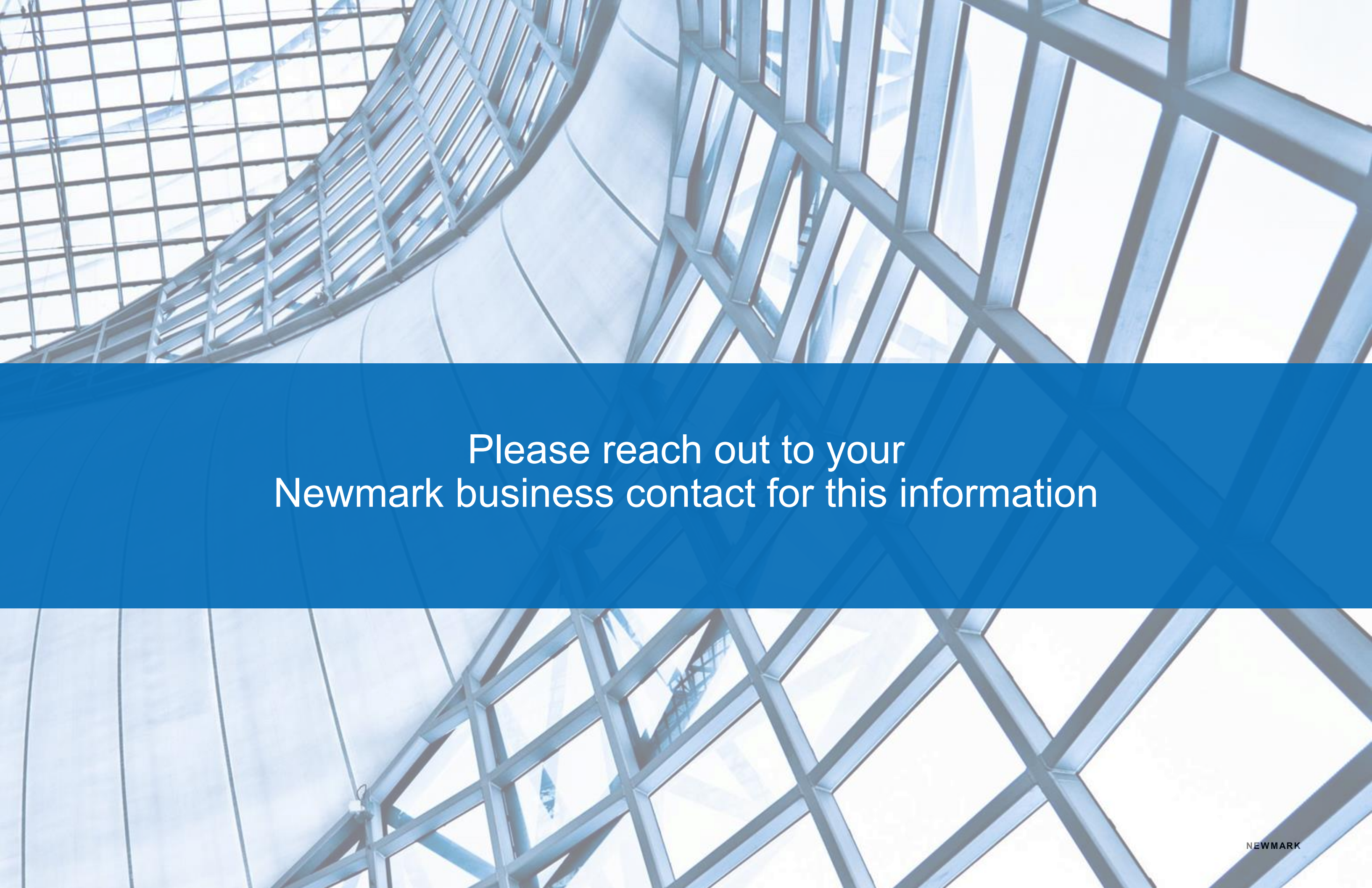
Source: Newmark Research
*Absorption includes owner-user sales and owner-user constructed deliveries.

High-End Demand Sustained Silicon Valley Market

Total leases signed in the third quarter of 2025 were 8.3% below the 16-year annual average for Q3. Despite falling short in leasing volume, active office-only tenant demand remains strong at 3.7M SF, driven primarily by technology firms. This demand is heavily concentrated towards larger requirements, with 13 tenants currently seeking spaces over 100,000 square feet, reflecting a strong, persistent search for premium space.



Source: Newmark Research

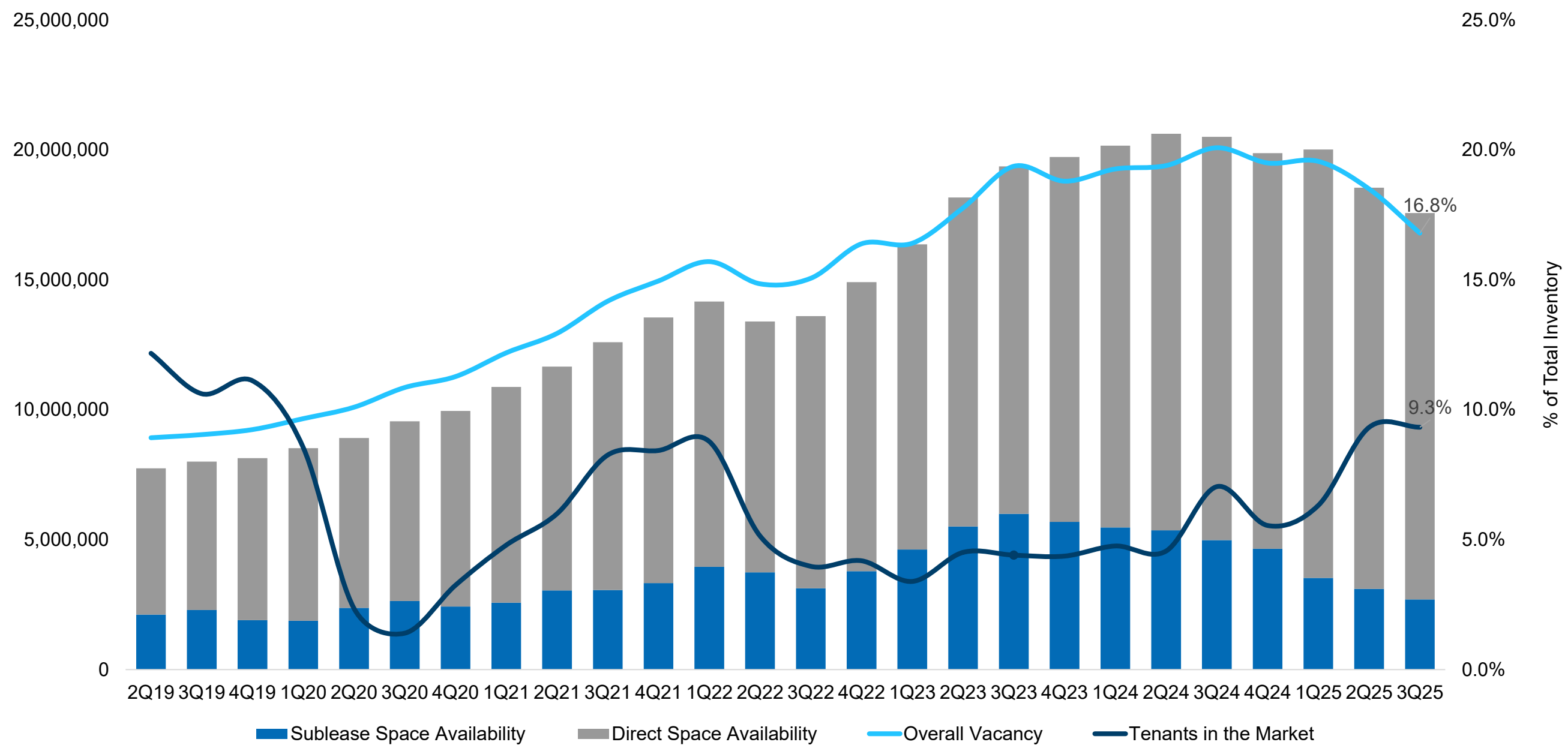


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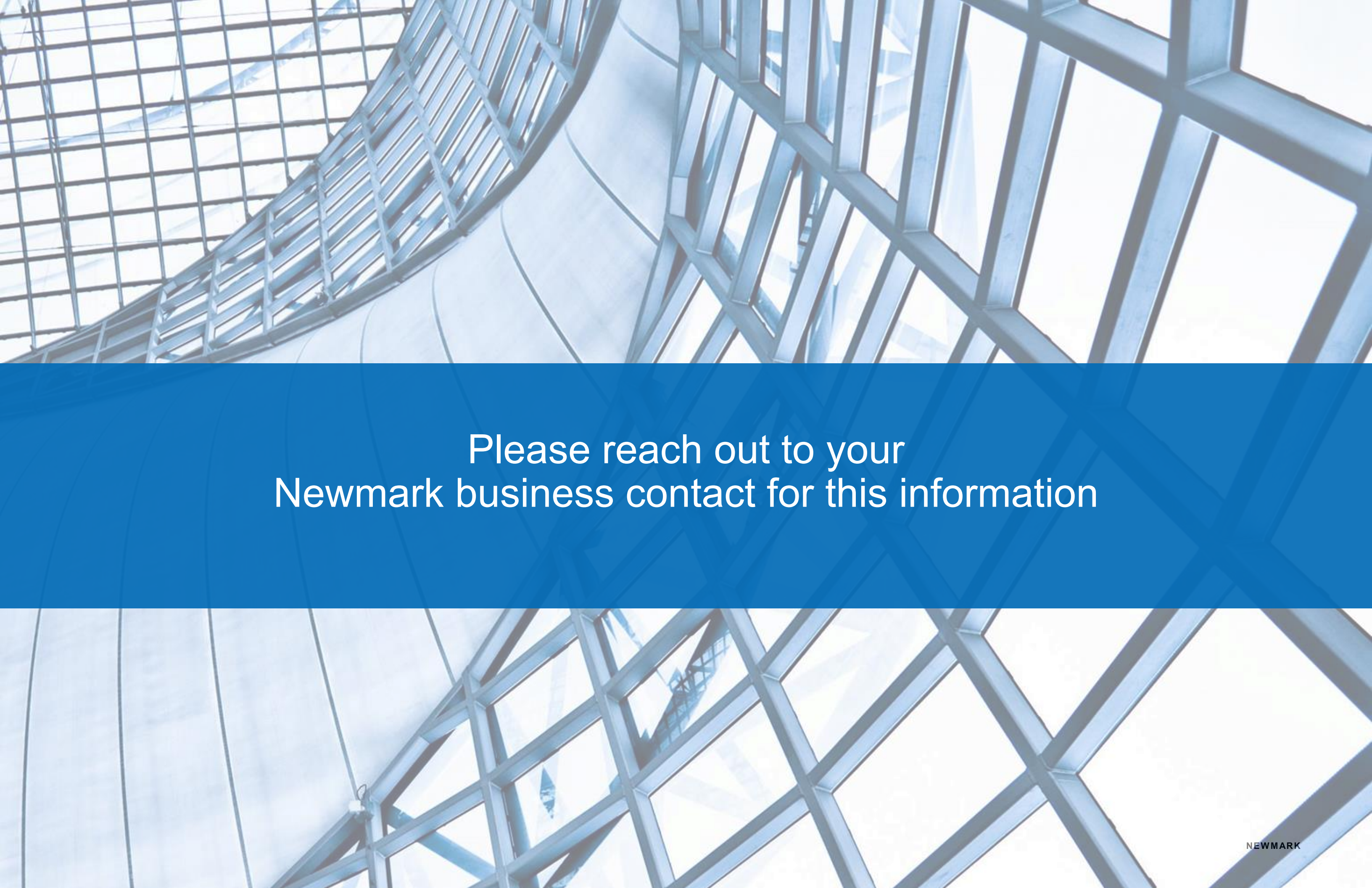
Vacancy Rates Fell as Market Showed Strong Q3 Recovery

The third quarter of 2025 demonstrated positive momentum, with early signs of market stabilization. Overall vacancy fell to 16.8%, a 170 basis points decrease from the previous quarter. This was driven by reductions in direct and sublease space availability. A key driver of this metric has been the rapid absorption of sublease inventory, which marked a 45.8% decrease from 3Q24. Positive leasing activity signaled renewed demand, with active tenants in the market now accounting for 9.3% of the total office inventory.

Available Space and Tenant Demand as Percent of Overall Market



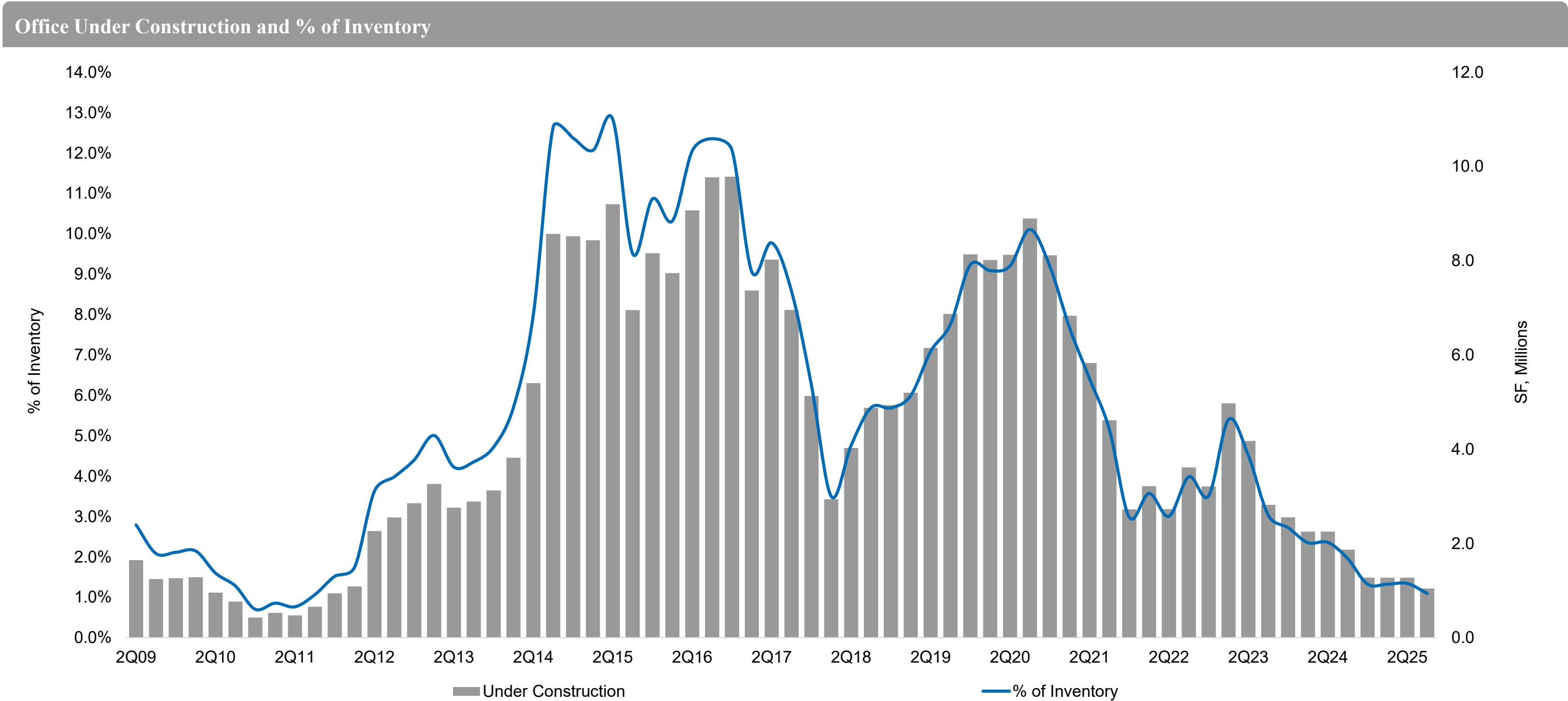
Source: Newmark Research



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One Building Was Delivered in 3Q25

The construction pipeline of the Silicon Valley Office market saw one building being delivered in the third quarter of the year, which was 1410 S Bascom Avenue. Compared to the third quarter of 2024, this represents a 44.1% year-over-year decrease of the construction pipeline. The continued lack of new construction reflects a broader slowdown in project launches primarily due to macro-economic headwinds, overall policies, and sustained elevated interest rates.

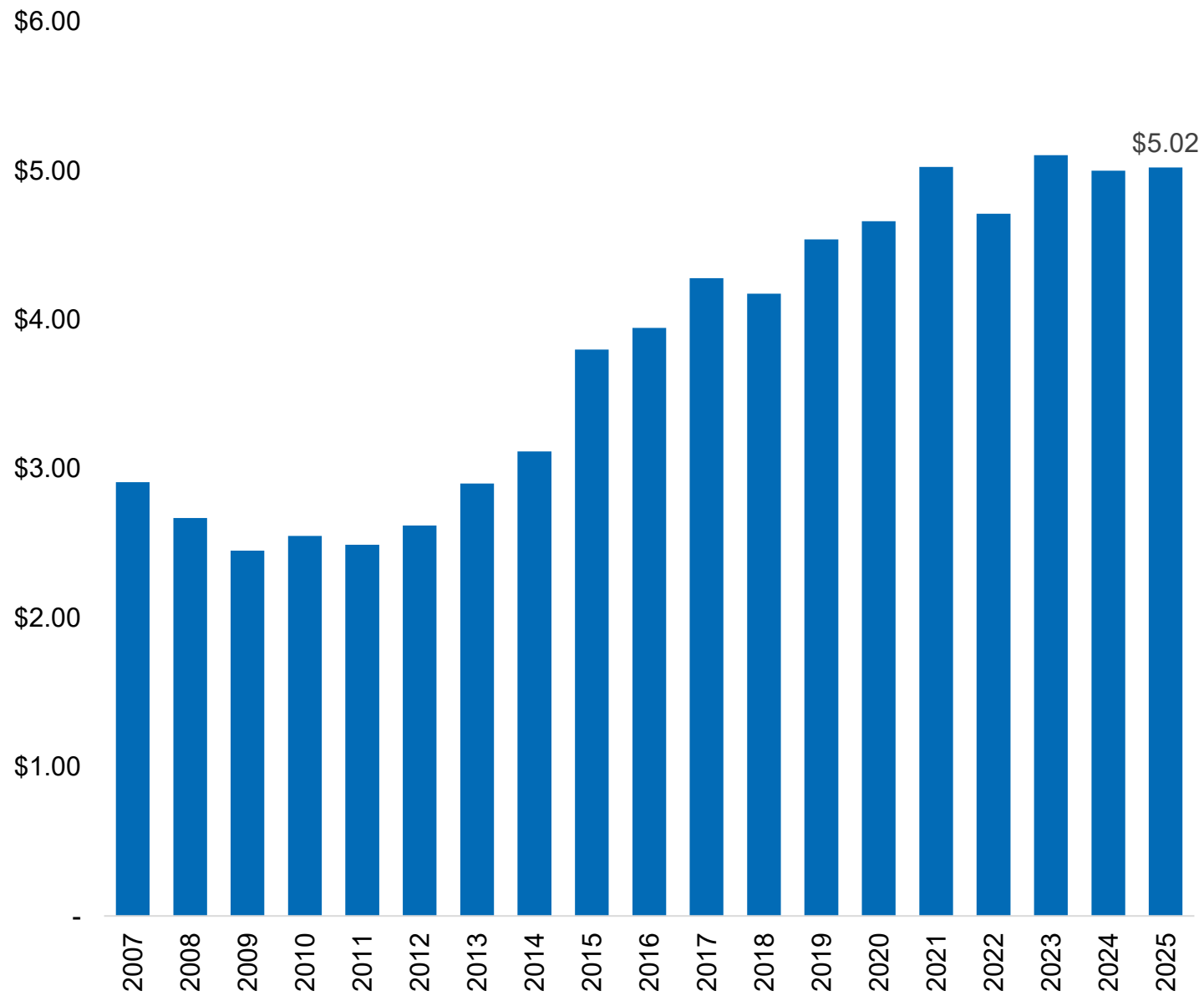


Source: Newmark Research, CoStar, San Jose-Santa Clara-Sunnyvale MSA

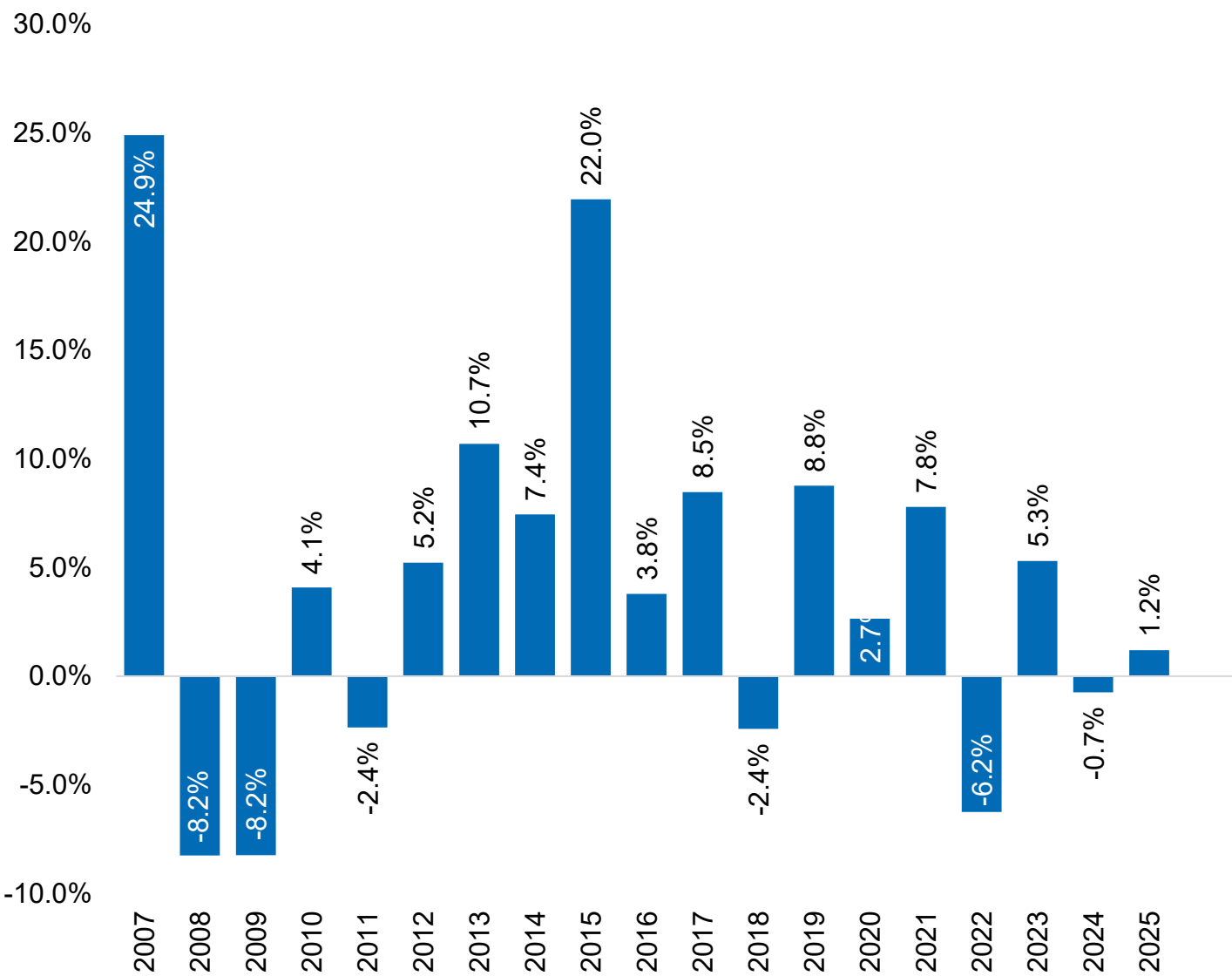
Asking Rates Increased Year-over-Year in the Third Quarter of 2025

This quarter, average asking rents settled at \$5.02 per square foot full service, a 0.4% decrease quarter-over-quarter but a 1.2% increase compared to last year. This modest year-over-year growth points to a stabilizing market, suggesting a return to more predictable and sustainable performance in the quarters ahead.

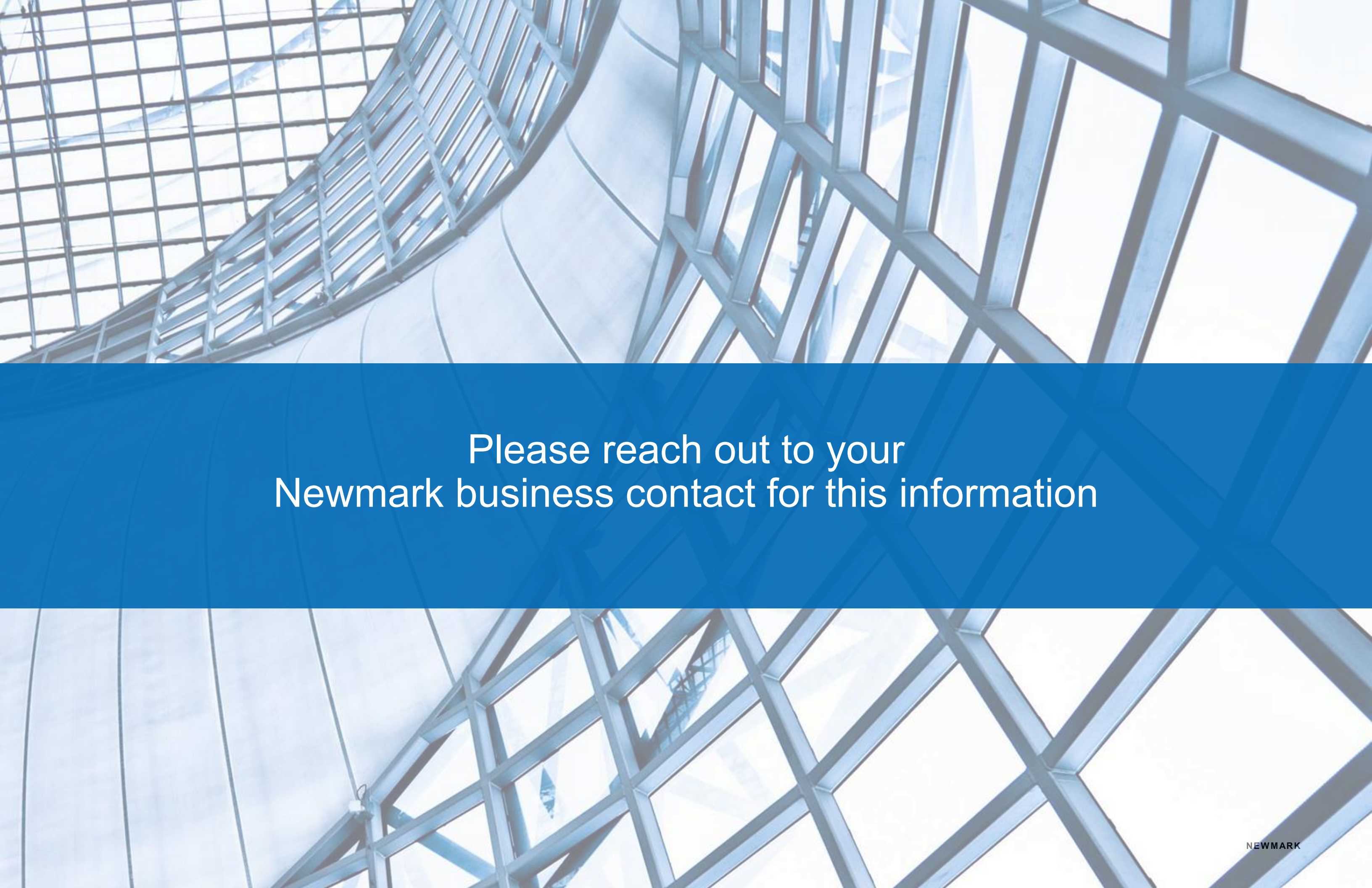
Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar



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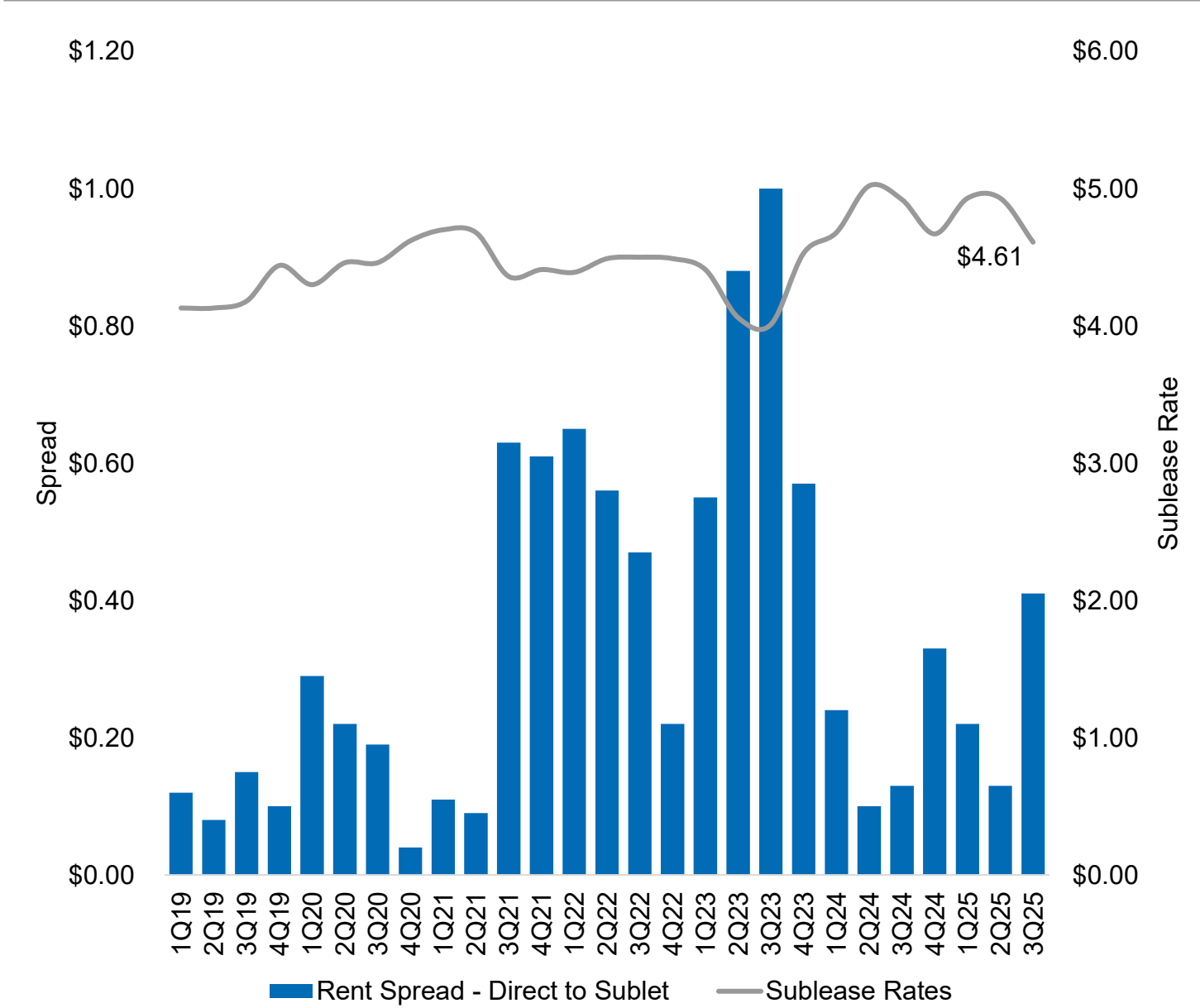
Sublease Rates Decreased in 3Q25

In the third quarter, the gap between Class A and Class B properties fell to \$1.76 per square foot, a 4.3% decrease from the previous quarter. While companies continued seeking premium buildings to attract employees back to the office, competition forced Class A landlords to become more aggressive, tightening the gap between Class A and B. Meanwhile, sublease rates declined to \$4.61, marking a 6.3% year-over-year decrease.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Netflix and Databricks Anchored Q3 Leasing Activity

The average transaction size increased by 16.8% in the third quarter, driven by major deals from Netflix and Databricks. Netflix renewed its 547.4K SF lease, while Databricks secured a new 305.4K SF direct lease. These significant transactions underscore the persistent demand from tech giants for premium office spaces in prime Silicon Valley locations.

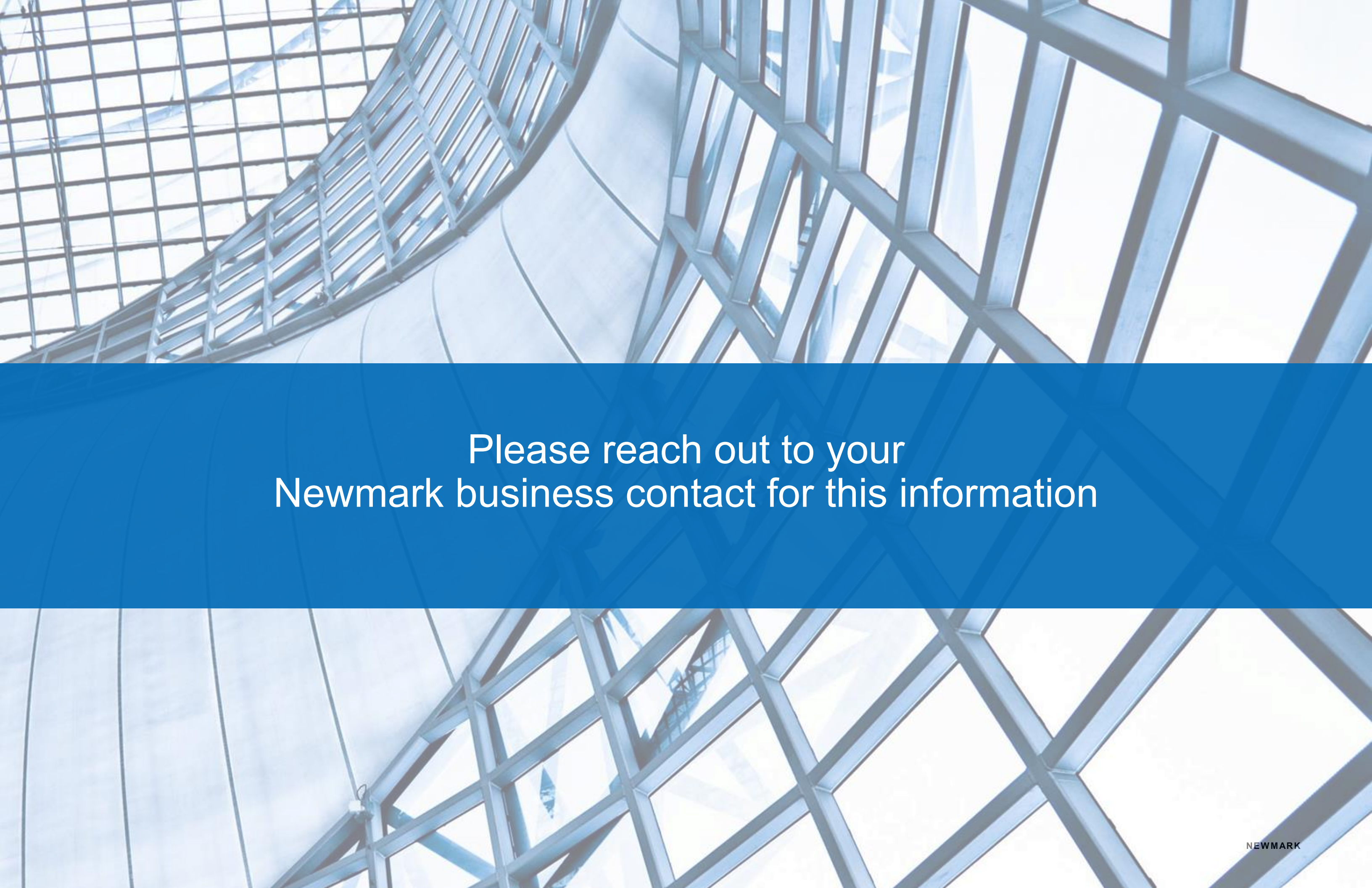
Notable 3Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Netflix	101-131 Albright Way	Los Gatos	Lease Renewal	547,398
Netflix renewed its leases at 101, 111, 121 and 131 Albright Way				
Databricks	200 W Washington Ave	Sunnyvale - Downtown	Direct Lease	305,429
Databricks signed a direct lease at 200 W Washington Ave in Downtown Sunnyvale				
Crowdstrike	250 W Washington Ave	Sunnyvale - Downtown	Direct Lease	90,686
Crowdstrike signed on a direct basis 100, 600 and 700 at 250 W Washington Ave in Sunnyvale				
Woven Planet	5302 Betsy Ross Dr	Santa Clara – Marriot Park	Direct Lease	85,000
Woven Planet, a subsidiary of Toyota, Inc., signed a lease at 5302 Betsy Ross in Santa Clara.				
Grail	250 S Mathilda Ave	Sunnyvale - Downtown	Direct Lease	75,556
Grail signed floors 1 through 3 in the Sunnyvale Cityline building at 250 S Mathilda Ave				

Source: Newmark Research
Large Transactions*: Transactions greater than 25,000 square feet.

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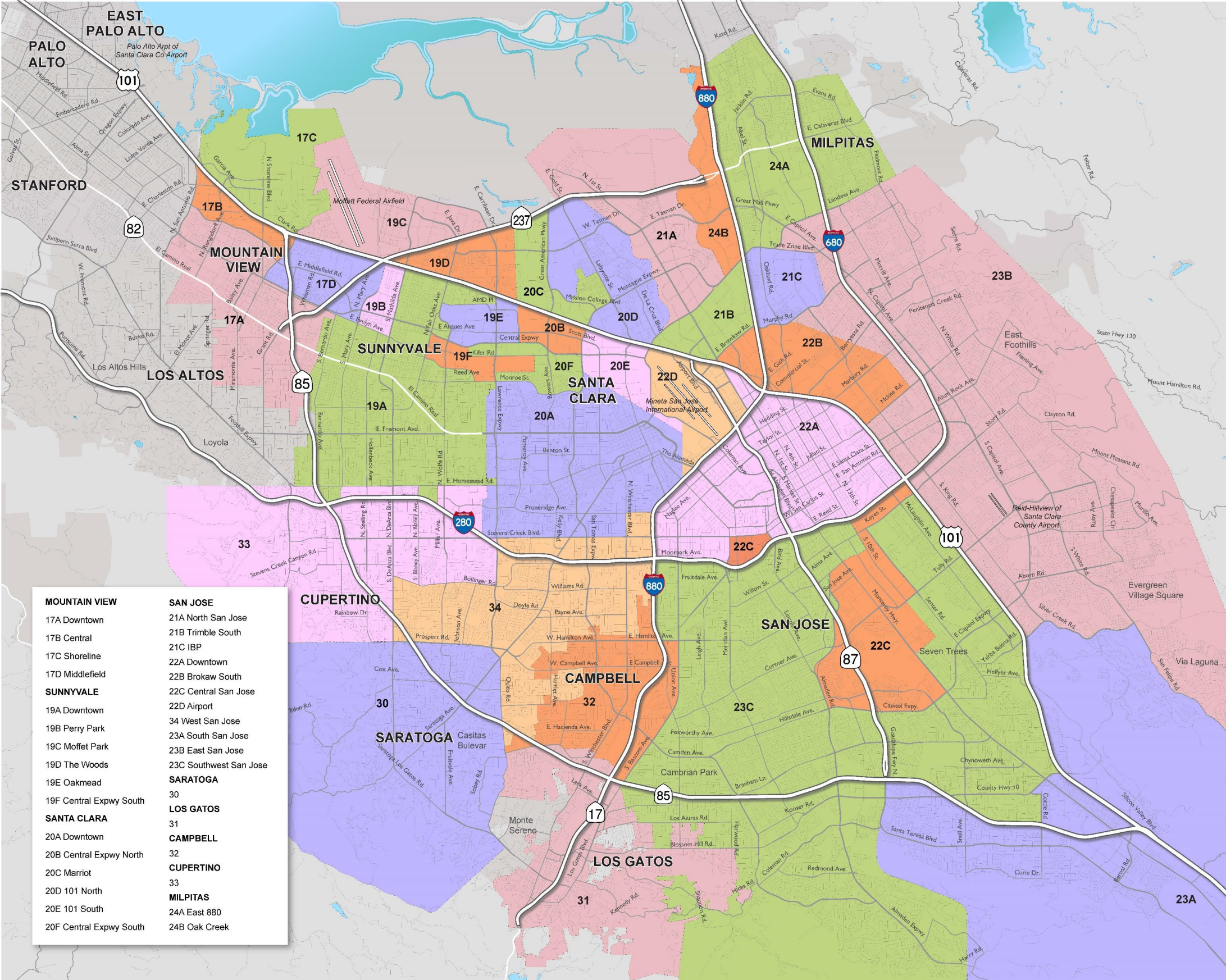
Appendix





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Silicon Valley - Submarket Map



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