



NEWMARK

Silicon Valley Office Market Overview

4Q25

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U.S. Market Observations



Economy

- The San Jose–Sunnyvale–Santa Clara MSA unemployment rate rose to 4.3% in November of 2025, up 10 basis points from the previous year.
- Total nonfarm payroll employment in the local market decreased 0.7% year-over-year, diverging from national growth of 0.5%.
- Despite ongoing shifts in the labor market, the San Jose-Santa Clara-Sunnyvale region saw expansion in the Education & Health sector, which grew 3.5% over the past year.



Leasing Market Fundamentals

- Year-to-date net absorption totaled 2.4M SF, the strongest performance since 2018, and represented the fifth consecutive quarter of positive net absorption.
- Active office-only tenant demand remains strong at 6.0M SF, up 62.2% from 3.7M SF the last quarter, driven primarily by technology firms.
- This quarter, average asking rents settled at \$4.99 per square foot full service, down 0.6% from the previous quarter and 0.2% from the same period last year. The modest downturn highlights continued pricing adjustments and steady rent moderation across the market.



Major Transactions

- Sunnyvale dominated the leasing activity of the quarter, capturing four of the top five transactions. Activity was driven almost exclusively by the technology sector. Apple signed the largest lease of the quarter, subleasing 194.6K SF, followed by Databricks, which leased 152.7K SF.
- While cumulative leasing volume remained slightly below the 16-year annual average, active tenant demand has reached pre-pandemic levels, signaling that market activity is beginning to stabilize and recover.



Outlook

- The Silicon Valley office market closed out the fourth quarter with continued patient optimism, building on the recovery momentum established throughout 2025. Vacancy declined for a third consecutive quarter, while moderate gross absorption of 1.8M SF and five consecutive quarters of positive net absorption point to a recovery that remains positive, though gradual.
- Looking forward to 2026, as macro-economic clouds clear and institutional momentum return to Silicon Valley, expect increased leasing activity to occur and competition to increase among premium office assets.

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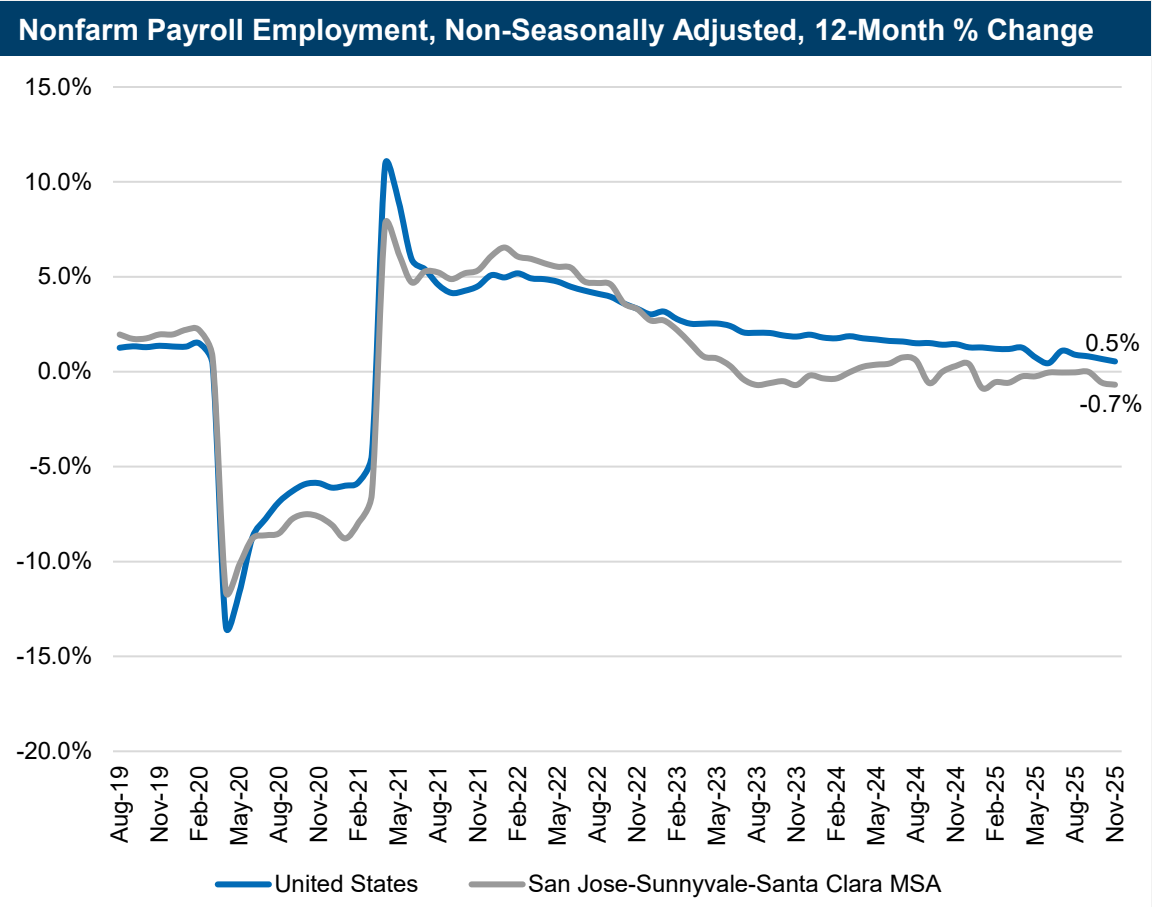
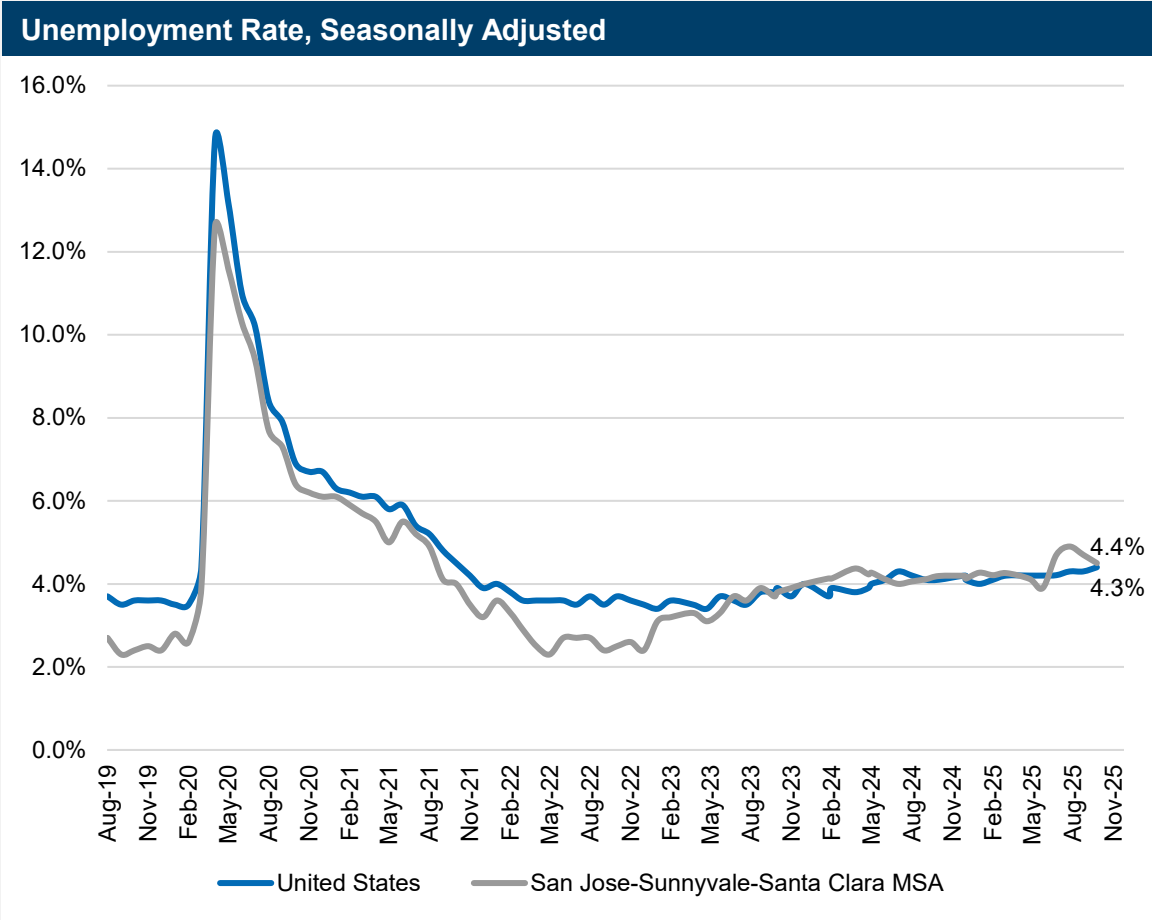
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Economy

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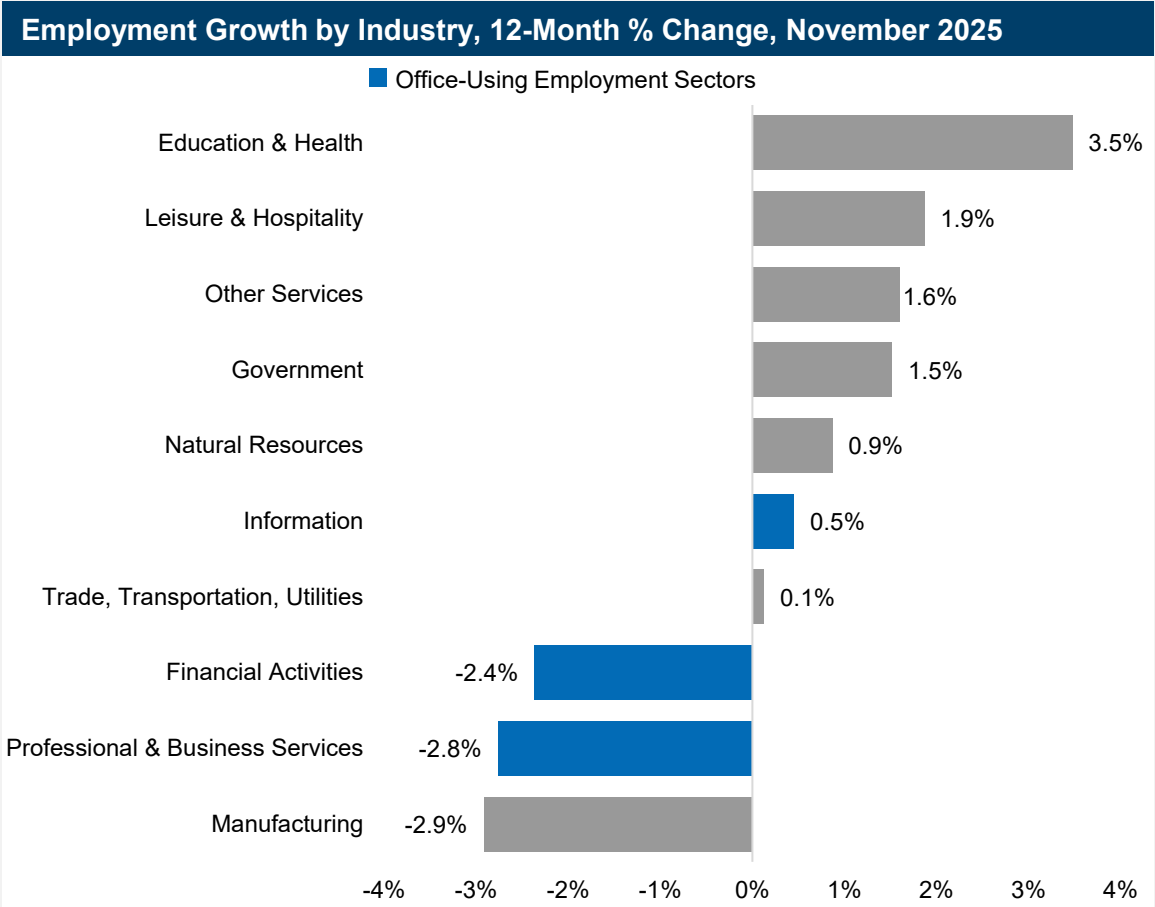
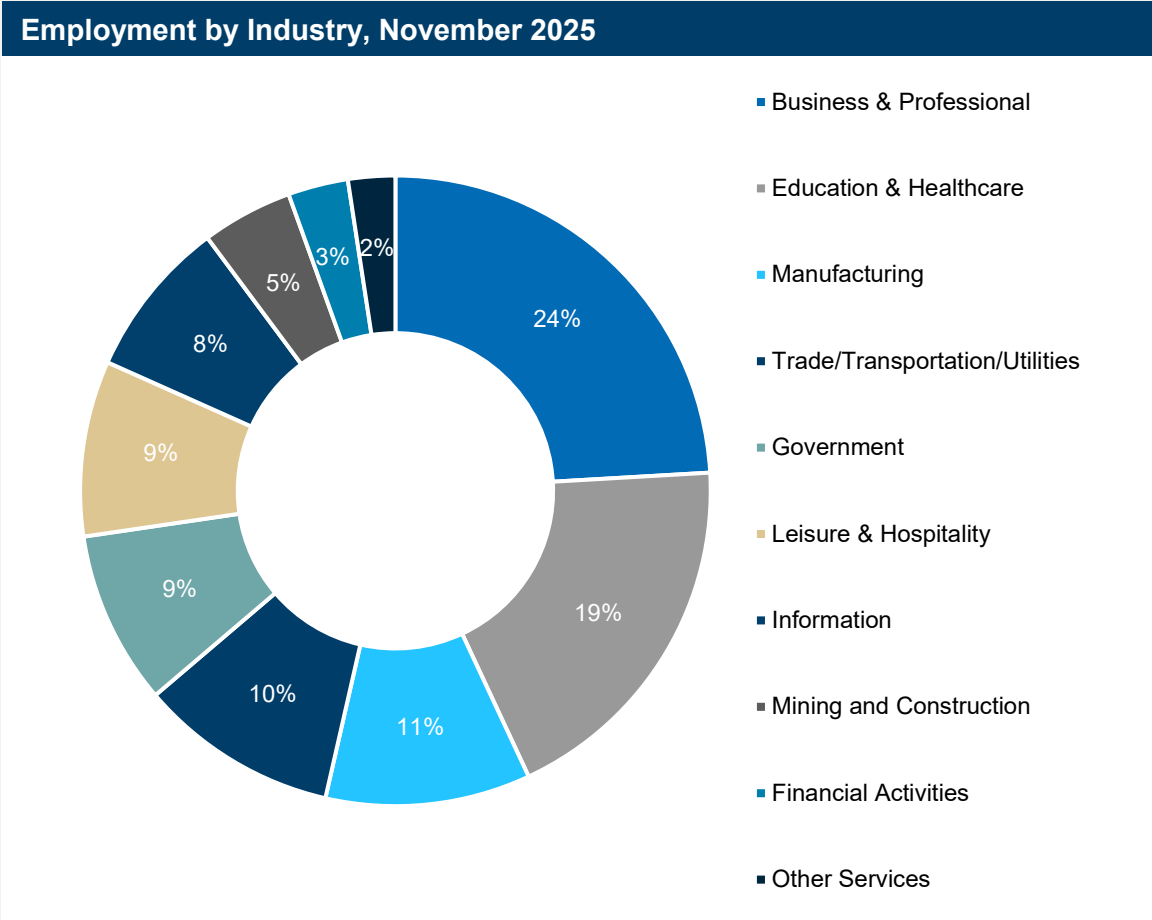
Silicon Valley Labor Market Mirrored National Unemployment Levels

The San Jose–Sunnyvale–Santa Clara MSA unemployment rate rose to 4.3% in November 2025, up 10 basis points from the previous year. Nationally, the unemployment rate followed a similar path, as it increased 20 basis points over the same period. In contrast, total nonfarm payroll employment in the local market decreased 0.7% year-over-year, diverging from national growth of 0.5%. The gap reflected ongoing adjustments within the tech sector, where restructuring and cautious rehiring have tempered job growth, yet demand in key industries hints at a rebound.



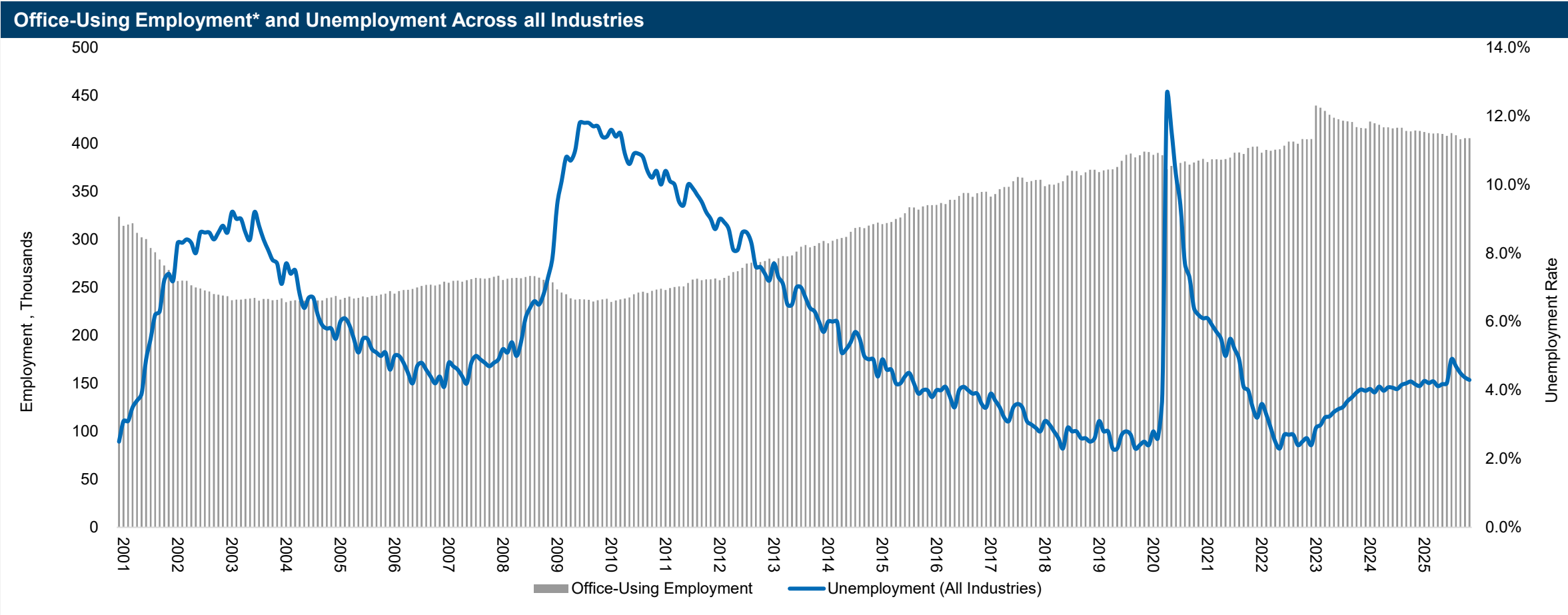
Education & Health Was The Market Growth Engine in 2025

Despite ongoing shifts in the labor market, the San Jose-Santa Clara-Sunnyvale region saw expansion in the Education & Health sector, which grew 3.5% over the past year. Additionally, other sectors that experienced significant growth were Leisure & Hospitality, Other Services, and Government. While traditional sectors like Manufacturing and Professional & Business Services experienced headwinds, the continued momentum in service industries suggests a diversifying economic base.



Labor Market Pressure Moderated by Year-End

Office-using employment continued to trend downward through the fourth quarter of 2025, extending the decline that began after its early 2025 peak. As of November 2025, total office using employment stood at 405.5K, while the overall unemployment rate edged down to 4.3%, just above the 4.2% recorded a year earlier. Although the sector remained under pressure from ongoing cost optimization and restructuring across the tech industry, improving macroeconomic conditions and steady hiring in emerging fields such as artificial intelligence and clean energy point to the potential for gradual stabilization in the months 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.



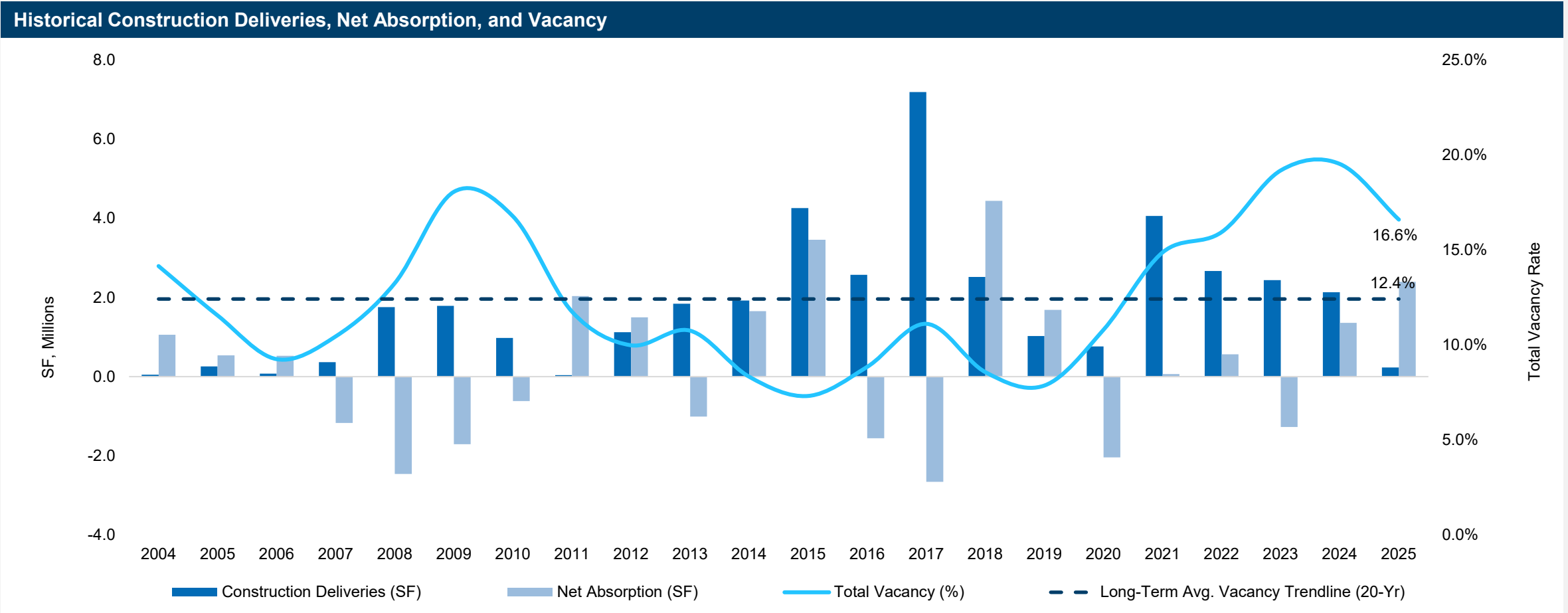
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Leasing Market Fundamentals

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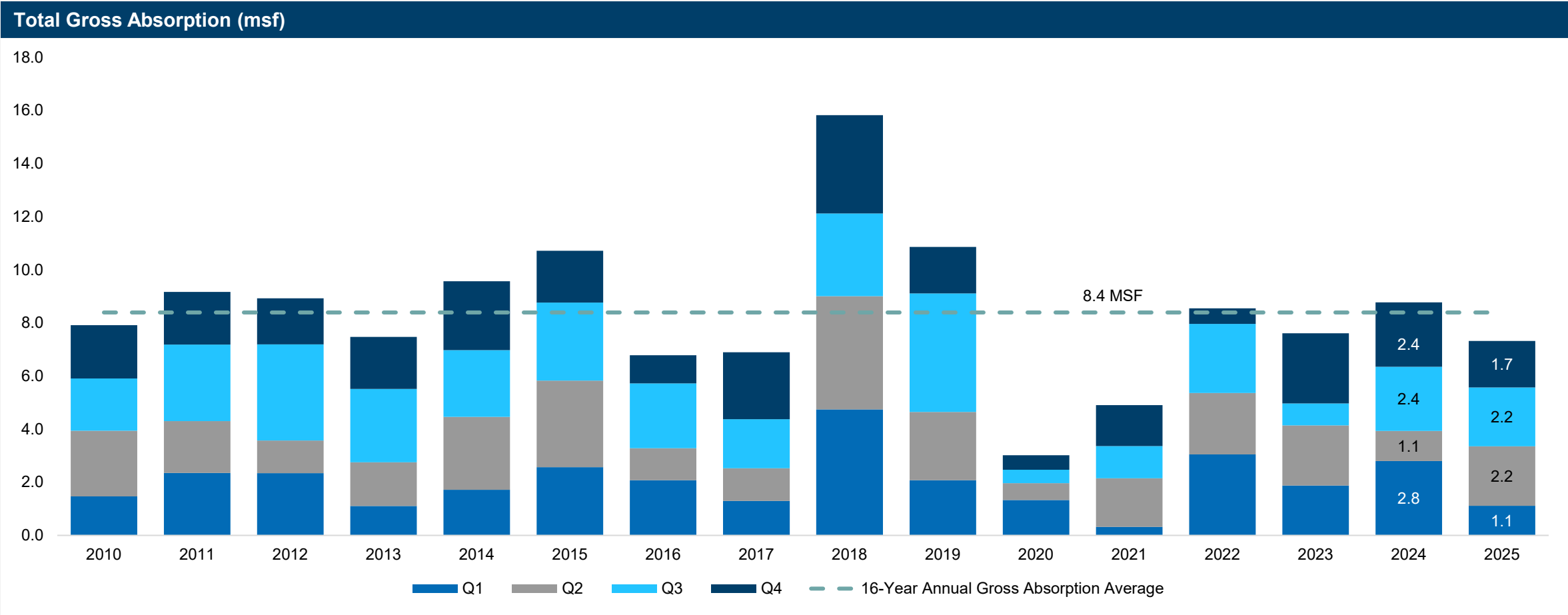
Office Market Continued to Trend Towards Stabilization

Momentum in the Silicon Valley office market continued to build in 2025. Year-to-date net absorption totaled 2.4M SF, the strongest performance since 2018, and represented the fifth consecutive quarter of positive net absorption. Vacancy edged lower by 20 basis points from the prior quarter to 16.6%, signaling increased leasing activity and further progress toward market stabilization. Although vacancy levels remained above historical averages, the persistence of positive absorption suggested a slow but improving return of occupier confidence.



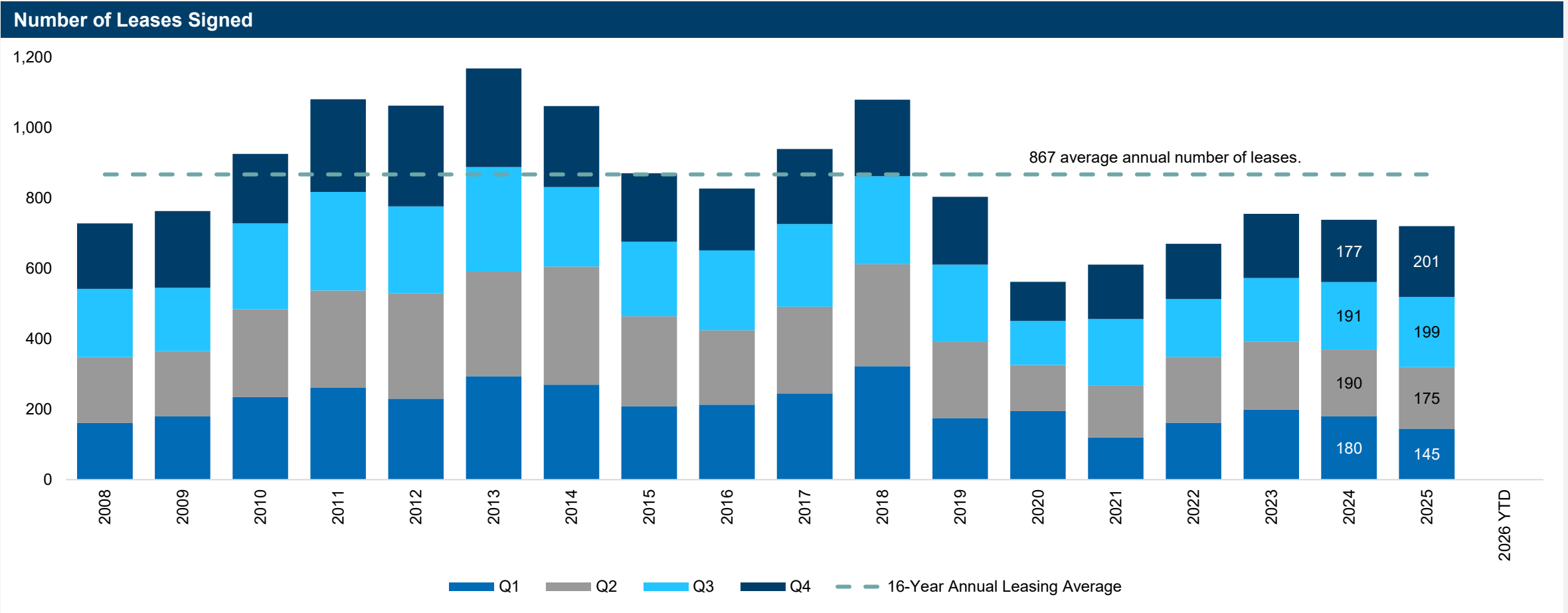
Resilient Tenant Demand Signaled Market Stabilization

Gross absorption totaled approximately 1.7M SF the fourth quarter of 2025, showing a decrease of 27.7% from the same period the previous year. While cumulative leasing volume remained slightly below the 16-year annual average, active tenant demand has reached pre-pandemic levels, signaling that market activity is beginning to stabilize and recover.



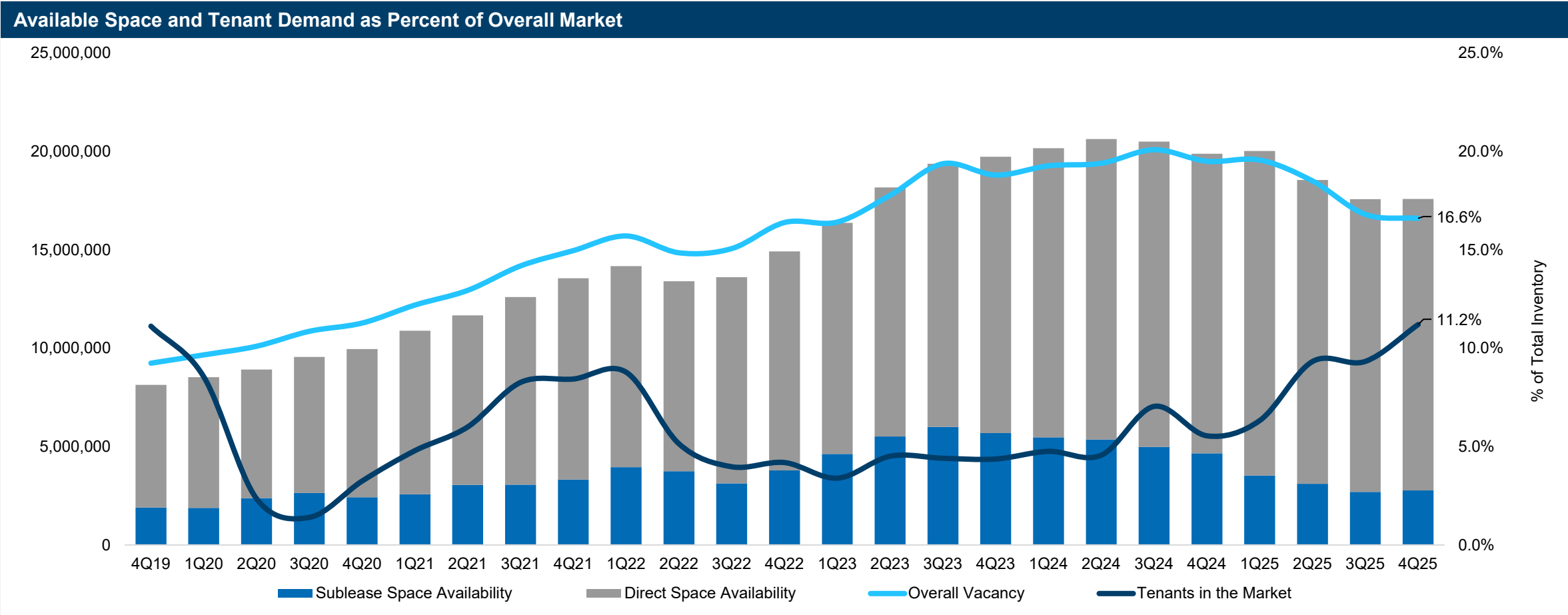
High-End Demand Sustained Silicon Valley Market to Close 2025

Total leases signed in 2025 were 17.0% below the 16-year annual average. Despite falling short in leasing volume, active office-only tenant demand remains strong at 6.0M SF, up 62.2% from 3.7M SF the last quarter, driven primarily by technology firms. This demand is heavily concentrated towards larger requirements, with 20 tenants currently seeking spaces over 100,000 square feet, reflecting a strong, persistent search for large block premium space.



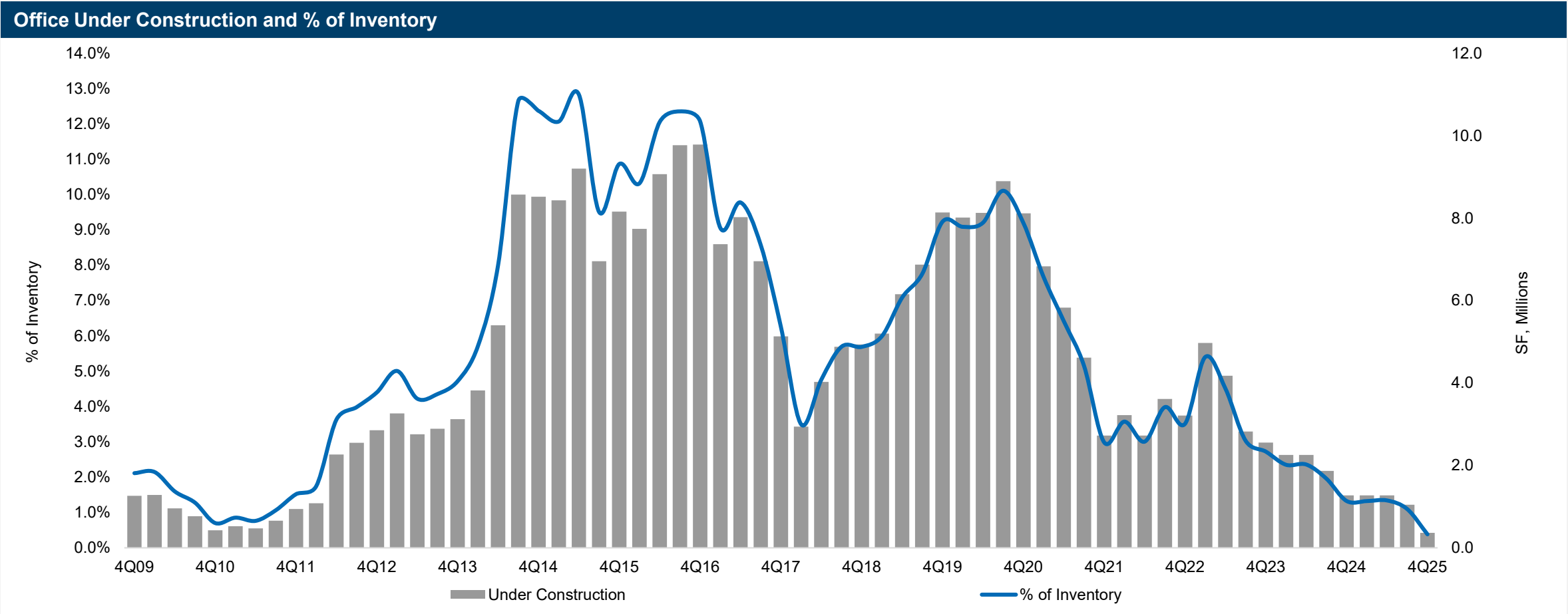
Vacancy Rates Fell as Market Showed Strong Q4 Recovery

The last quarter of 2025 demonstrated positive momentum, with early signs of market stabilization. Overall vacancy fell to 16.6%, a 20 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 declines of sublease inventory, which marked a -40.5% decrease from 4Q24. Positive leasing activity signaled renewed demand, with active tenants in the market now accounting for 11.2% of the total office inventory.



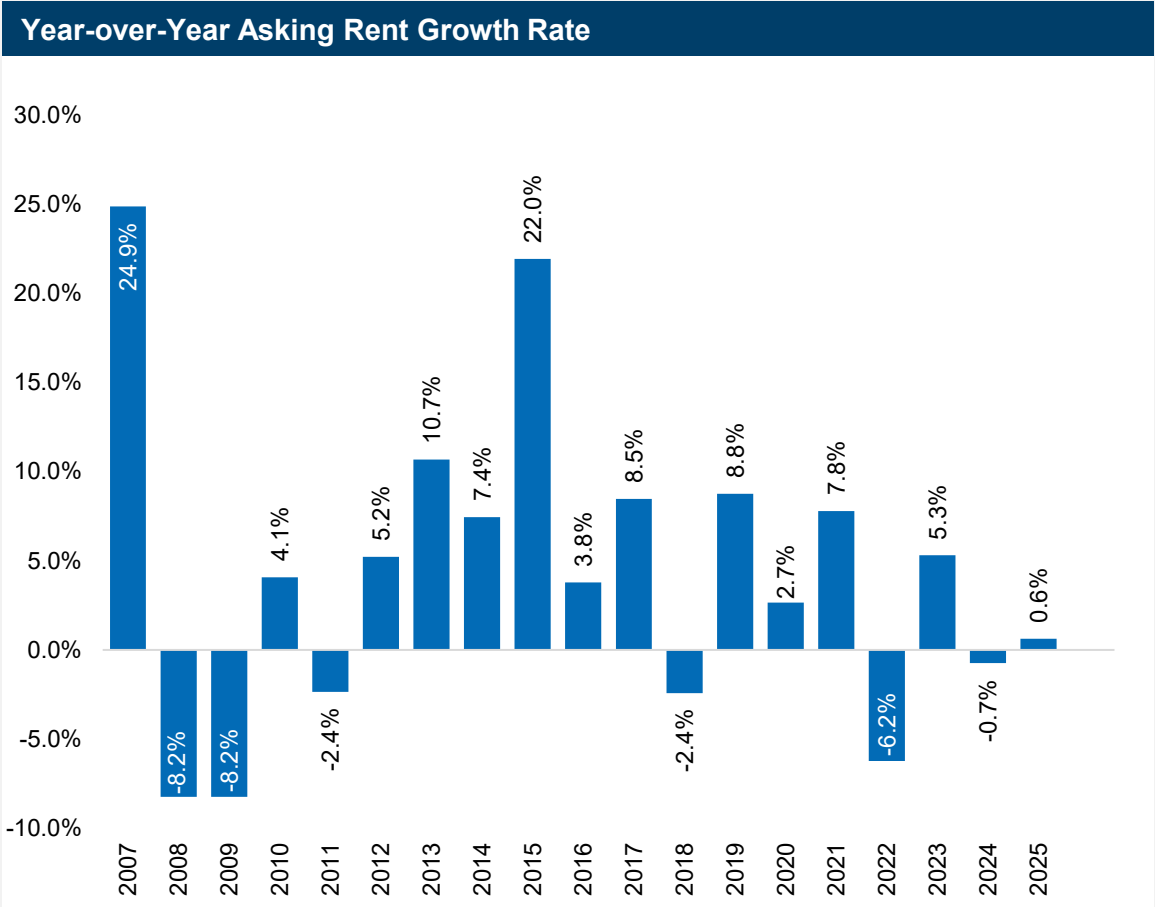
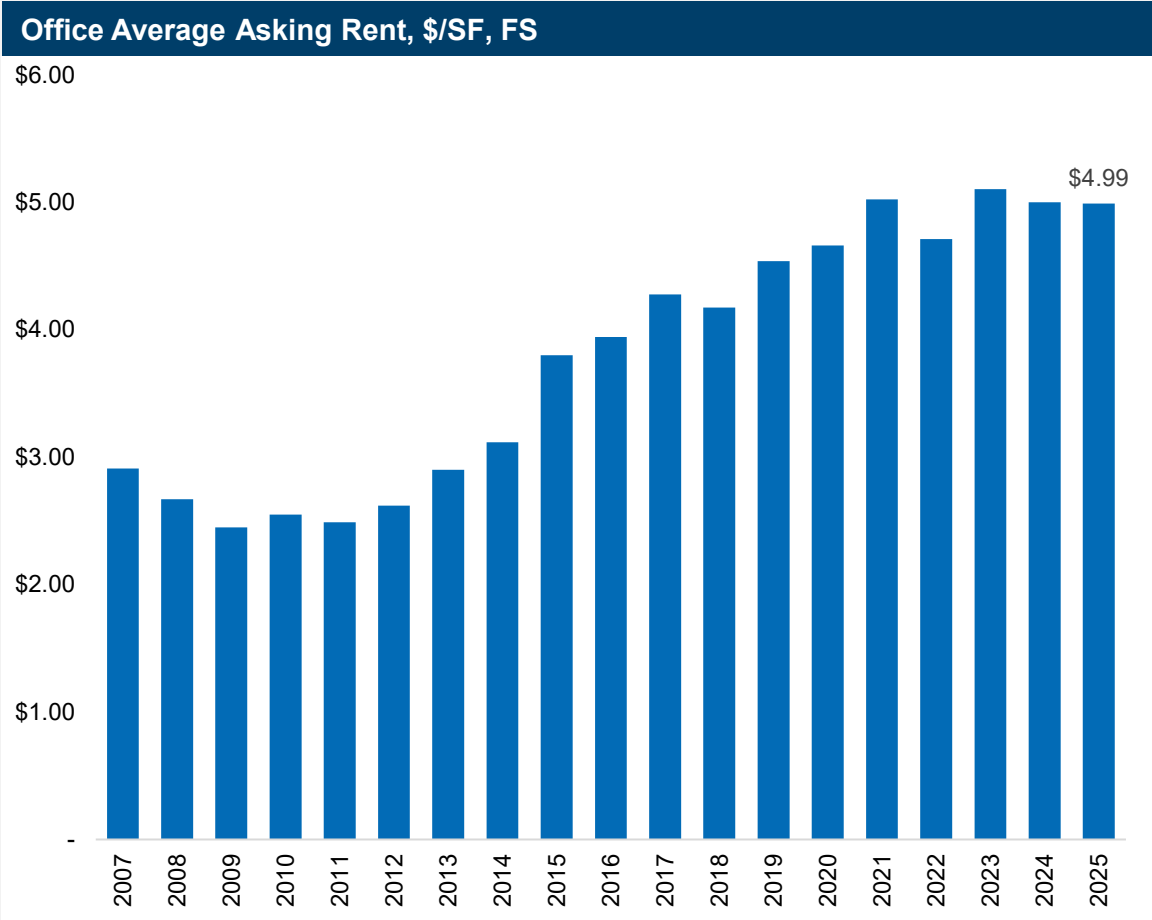
Deferred Projects Shaped Silicon Valley Construction Pipeline in 2025

The office construction pipeline experienced a strategic contraction during the fourth quarter of 2025 as several projects were deferred in response to current market conditions. Current development activity is primarily characterized by the Arista HQ Expansion at 5200 Patrick Henry Drive in Santa Clara, which is an owner-user development and expected to be delivered in late 2026.



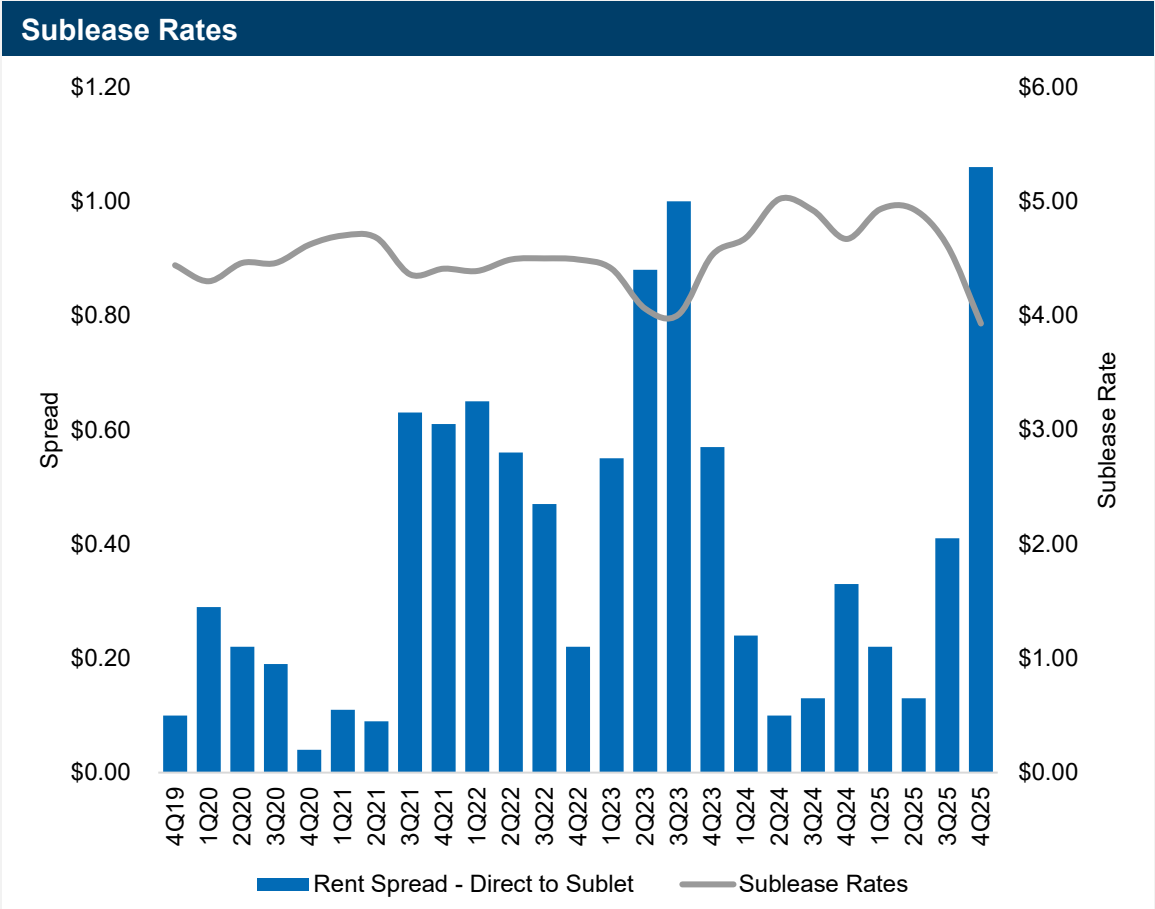
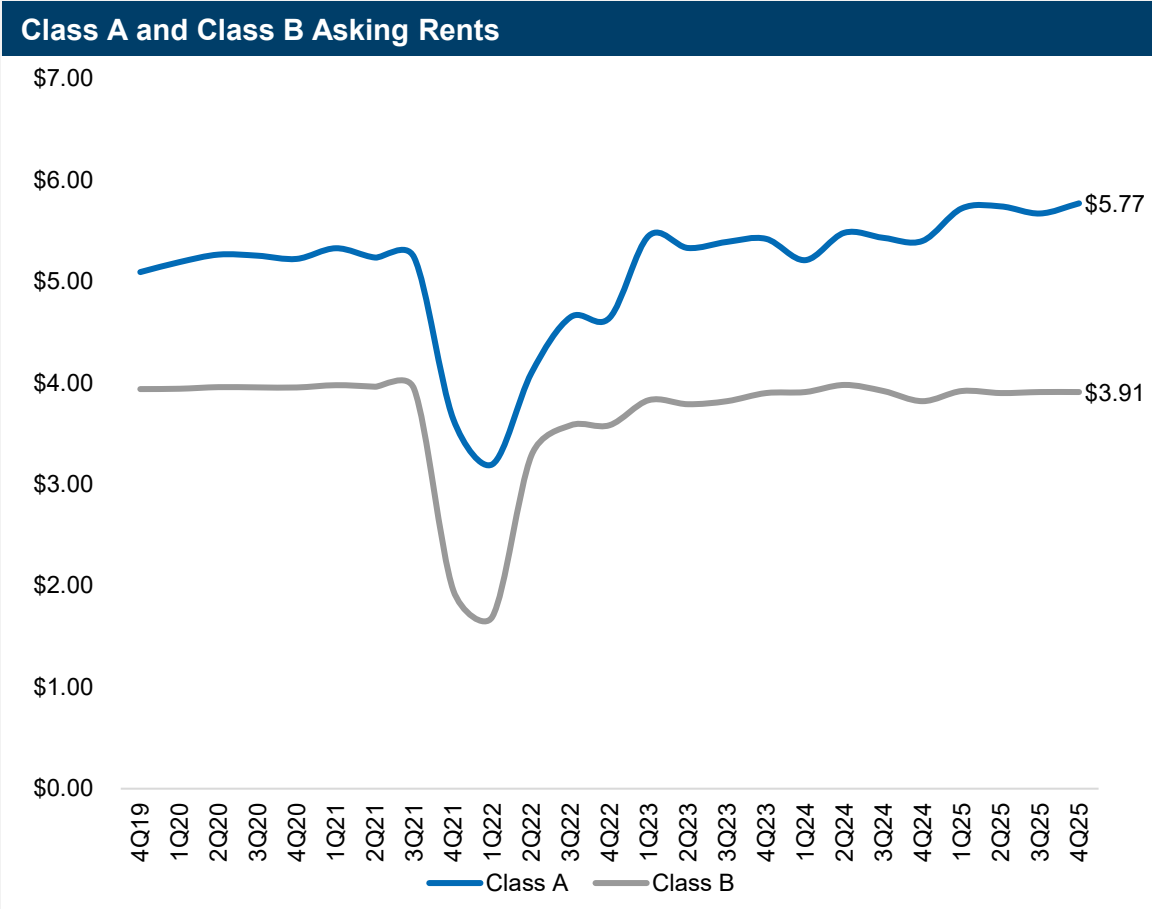
Asking Rents Remained Stable in Q4 2025

This quarter, average asking rents settled at \$4.99 per square foot full service, down 0.6% from the previous quarter and 0.2% from the same period last year. The modest downturn highlights continued pricing adjustments and steady rent moderation across the market.



Return-to-Office Mandates Pushed Class A Office Rates

The gap between Class A and Class B properties widened to \$1.86 per square foot at the end of 2025, a 5.7% increase from the previous quarter. This widening gap underscores a bifurcated market where tenants are willing to pay more for premium amenities to encourage office attendance, whereas Class B landlords face mounting pressure to compete. Simultaneously, sublease rates declined to \$3.93, marking a 15.8% year-over-year decrease.



Tech Sector Anchored Q4 Leasing Activity

Sunnyvale led the market by securing four of the five largest transactions. Activity was driven almost exclusively by the technology sector. Apple signed the largest lease of Q4, subleasing 194.6K SF, followed by Databricks, which leased 152.7K SF in Sunnyvale. Leasing activity among large tenants slowed this quarter, with transactions over 25K SF down 15.4% from last quarter and 31.3% year-over-year, recording a total of eleven leases.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Apple	Catalyst	Sunnyvale – Peery Park	Sublease	194,624
Apple sublet the entire Catalyst building at 684 W. Maude Ave in the Peery Park submarket of Sunnyvale.				
Databricks	Sunnyvale CityLine	Sunnyvale - Downtown	Direct Lease	152,705
Databricks signed a direct lease at 250 W Washington Ave in Downtown Sunnyvale.				
Apple	Pathline Park	Sunnyvale – Peery Park	Direct Lease	121,200
Apple signed on a direct basis the building at 625 N Mary Ave in the Peery Park submarket of Sunnyvale.				
CrowdStrike	Sunnyvale Cityline	Sunnyvale - Downtown	Direct Lease / Lease Renewal	115,127
CrowdStrike signed a direct lease at 250 W Washington Ave and renewed their existing lease at 150 Mathilda Place in Downtown Sunnyvale.				
PwC	Almaden Crossing	San Jose - Downtown	Lease Renewal	86,245
PwC renewed their lease in the Almaden Crossing building at 488 Almaden Blvd in Downtown San Jose.				

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Appendix

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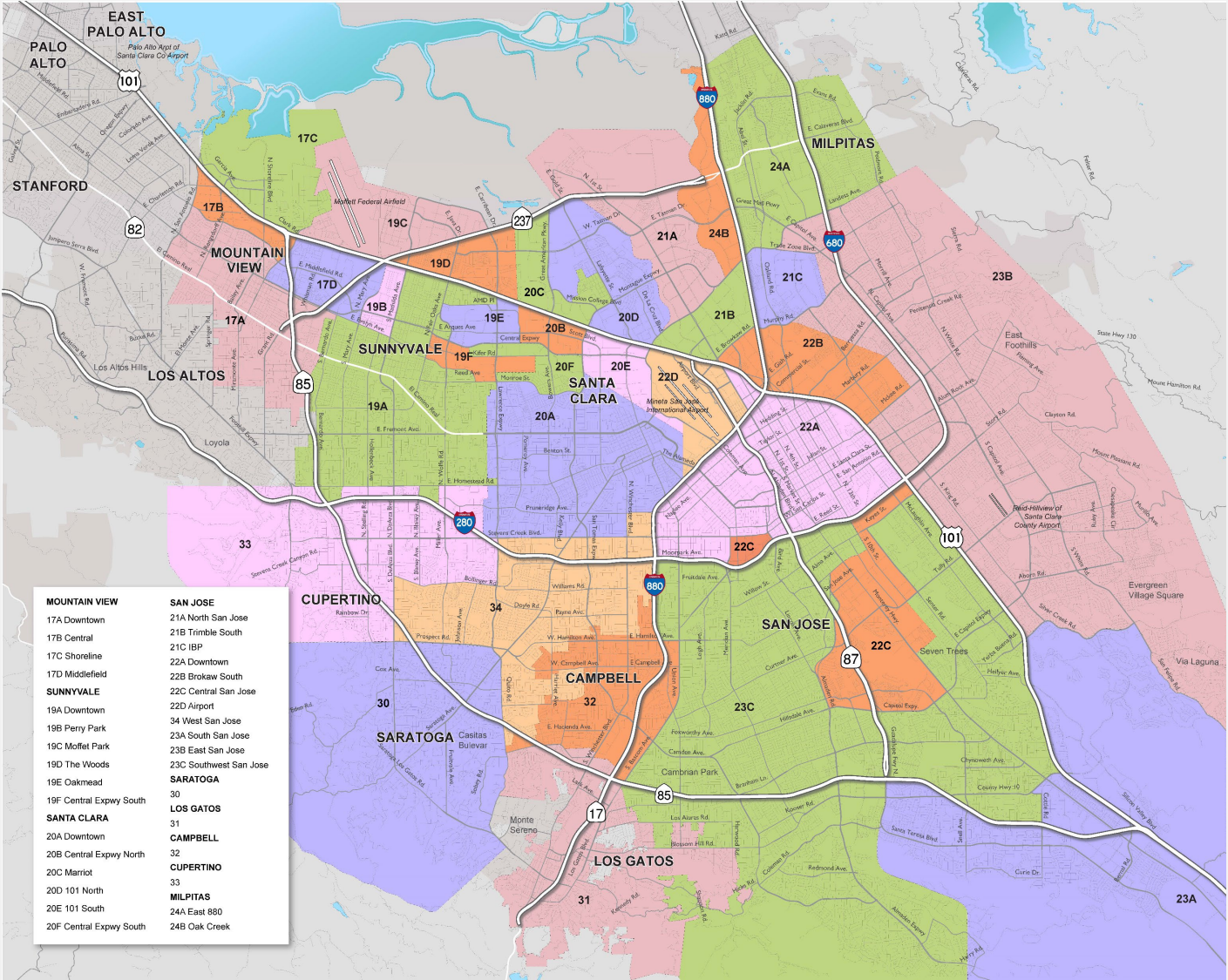
Access the Extended 4Q25 Silicon Valley Office Report

The extended version of this report includes:

- **Data on leasing trends**
 - Deal count and average lease size
 - Leasing by submarket
- **Further insight into tenant demand**
- **Availability and rent data by submarket**
- **Market statistics for the overall market and Class A**

To access, please reach out
to your Newmark contact.

Silicon Valley – Submarket Map



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