Silicon Valley/ San Francisco Peninsula office market report

Q3 2025

AVISON YOUNG

Silicon Valley/San Francisco Peninsula office market trends

819K sf

Construction activity in the region has fallen to decade lows.

Construction activity in Silicon Valley and the San Francisco Peninsula has fallen to decade lows—a clear signal of developer caution in the face of elevated interest rates, high construction costs, and lingering demand uncertainty. While this pullback limits future supply risk, it also underscores how far market fundamentals have softened since the last development cycle. As leasing and investment activity begin to rebound, the lack of new deliveries may help accelerate absorption and support long-term stabilization.

27.5%

SF Peninsula sees a drop in availability for first time in a year.

After several quarters of rising availability, the San Francisco Peninsula may be turning a corner. Much of the recent oversupply stemmed from newly delivered life science projects that failed to lease and were subsequently repositioned as office, expanding the inventory. However, this influx has largely subsided. With new deliveries slowing to a trickle and tenant activity showing modest improvement, availability is now trending downward for the first time in a year. Together with continued strength in Silicon Valley, these core office markets are beginning to show early signs of stabilization.

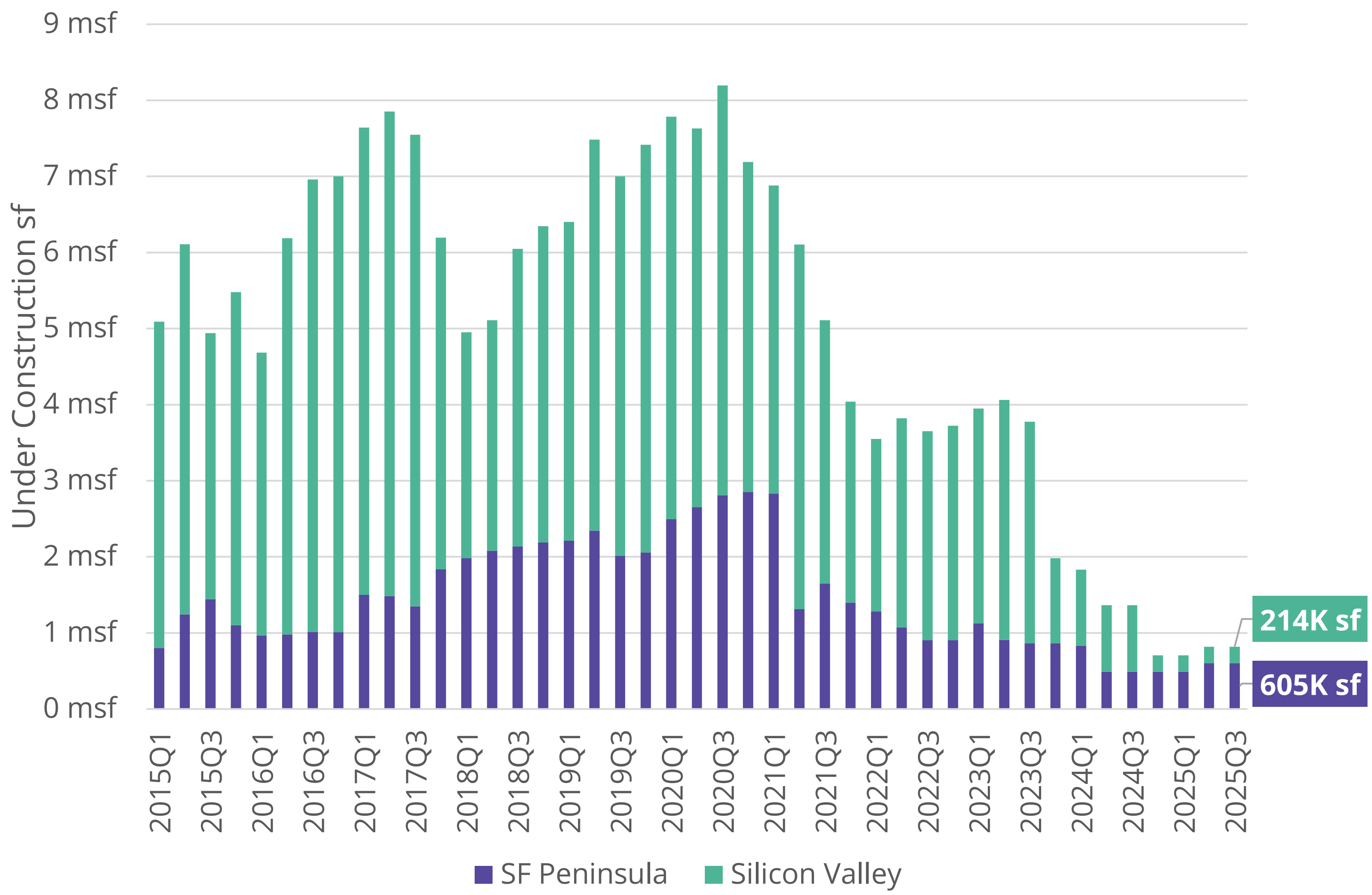
$1.4 B

Transaction volume begin to recover after an extended lull.

After a prolonged lull in office sales since 2023, transaction activity in the Bay Area has gained meaningful traction in 2025, with $1.4 billion in volume recorded year-to-date across Silicon Valley and the Peninsula. Much of the recent activity has been driven by discounted pricing and investor appetite for well-located assets with long-term upside. As interest rates are expected to decline, buyer confidence is improving, and more properties are likely to trade hands in the second half of the year.

Source: Avison Young Market Intelligence, CoStar

Construction

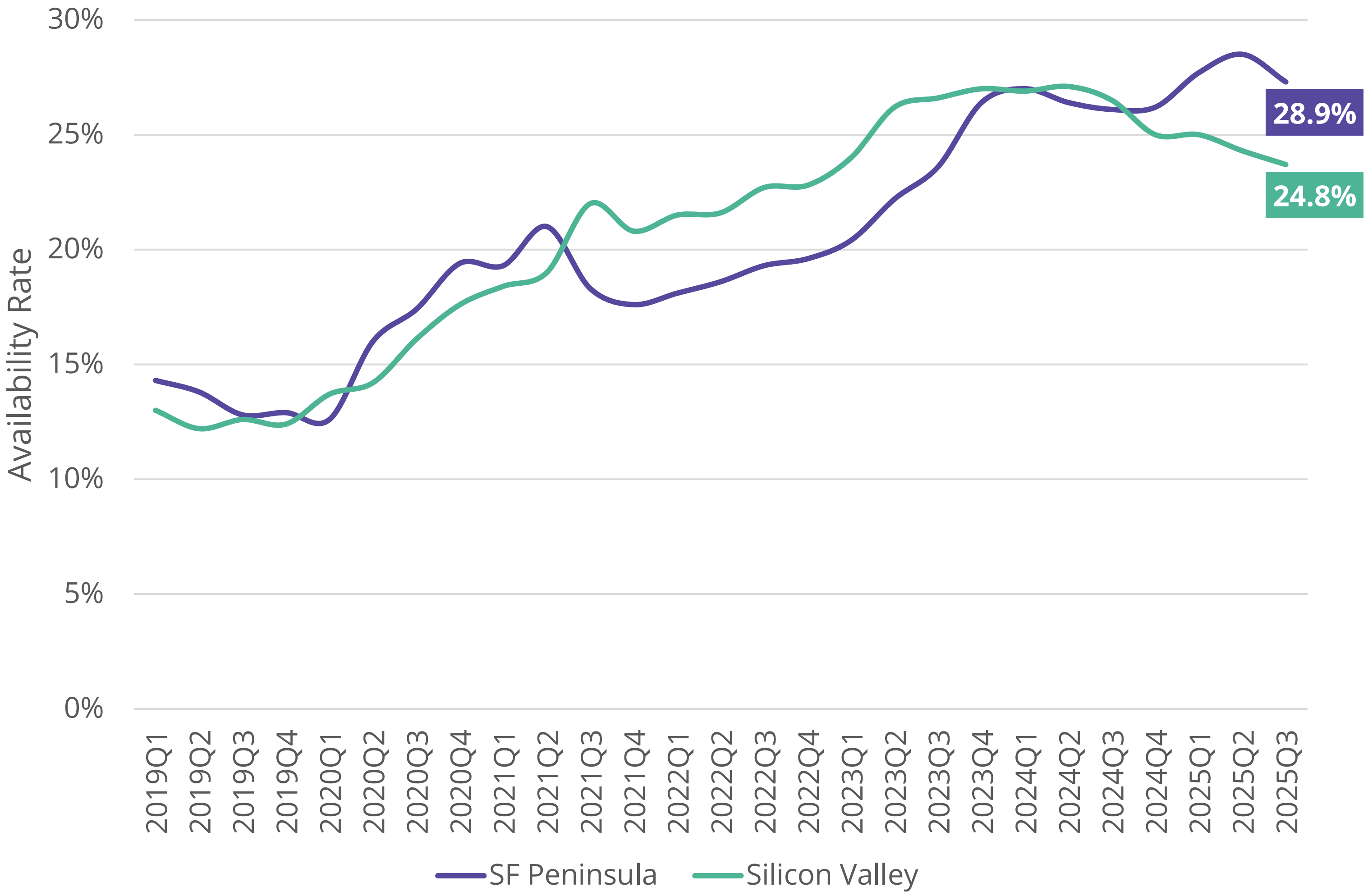


Construction activity across both the San Francisco Peninsula and Silicon Valley has fallen to decade lows, as elevated interest rates have sharply curtailed new development.

At the same time, a wave of newly delivered life science projects, many of which have since pivoted to office use, continues to add to the region's office market available supply. This lingering inventory further dampens the need for new construction, particularly as tenant demand remains selective and slow to recover.

Source: Avison Young Market Intelligence, CoStar

Availability Rates

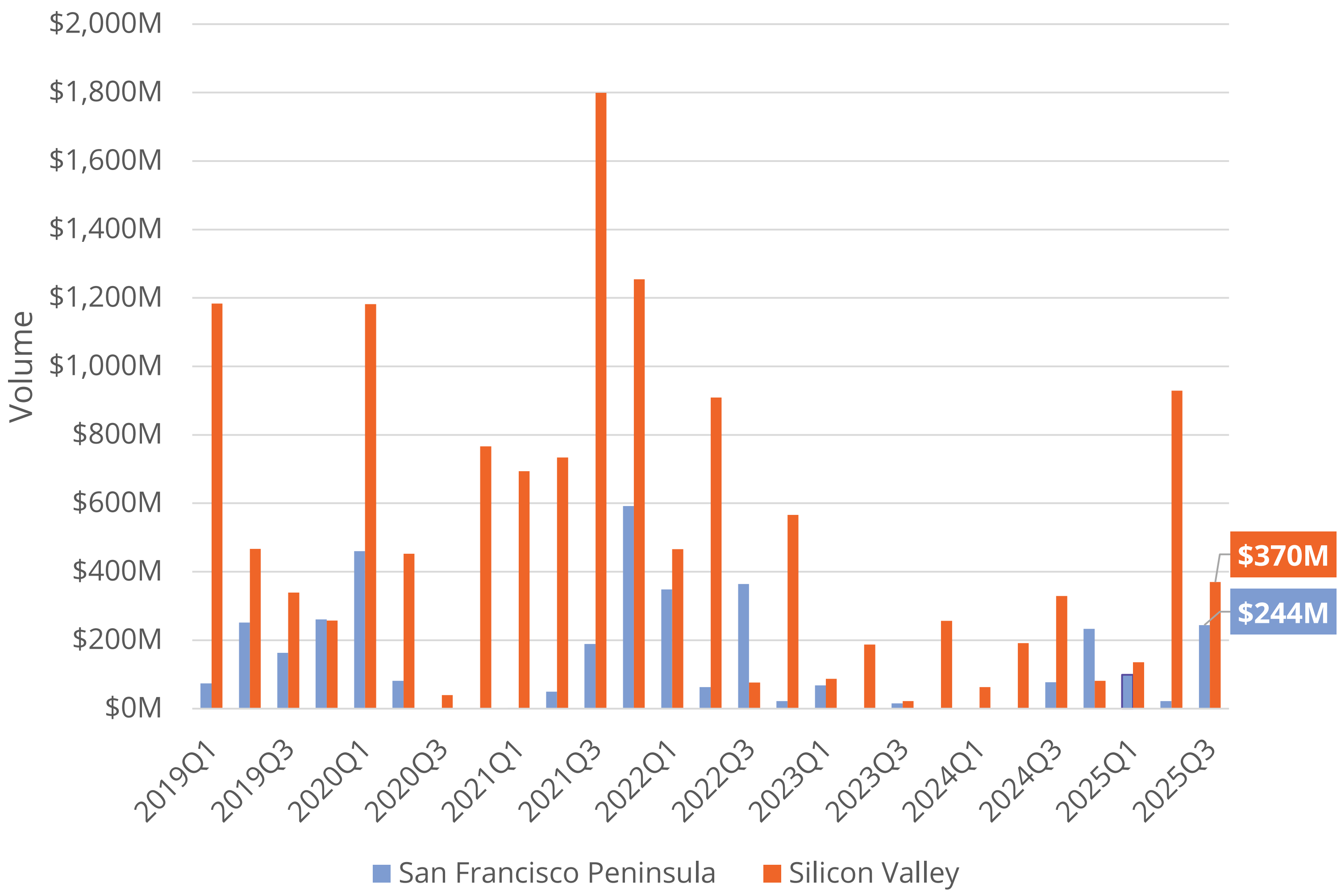


Availability declined quarter-over-quarter in both Silicon Valley and the San Francisco Peninsula, with the Peninsula seeing its first drop in over a year. This reversal was driven by a sharp slowdown in new space deliveries and a recent uptick in tech leasing.

Notable deals included full-building commitments by Databricks and Snap in Sunnyvale, signaling renewed momentum among select tech occupiers despite broader market caution.

Source: Avison Young Market Intelligence, CoStar

Sales Activity

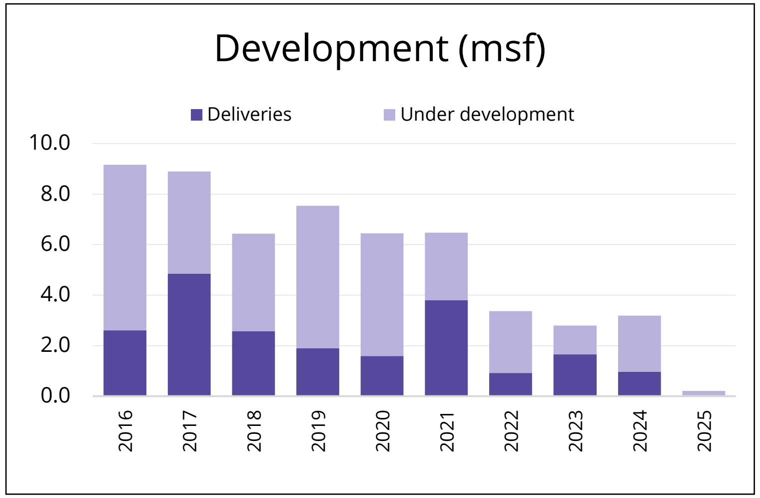


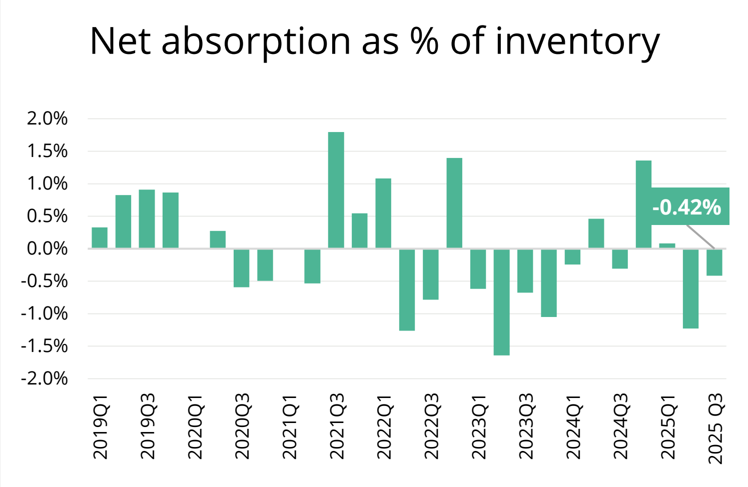
After a prolonged slowdown in sales activity since 2023, the Bay Area office market is showing signs of renewed investor interest, with year-to-date transaction volume reaching $1.4 billion across Silicon Valley and the Peninsula.

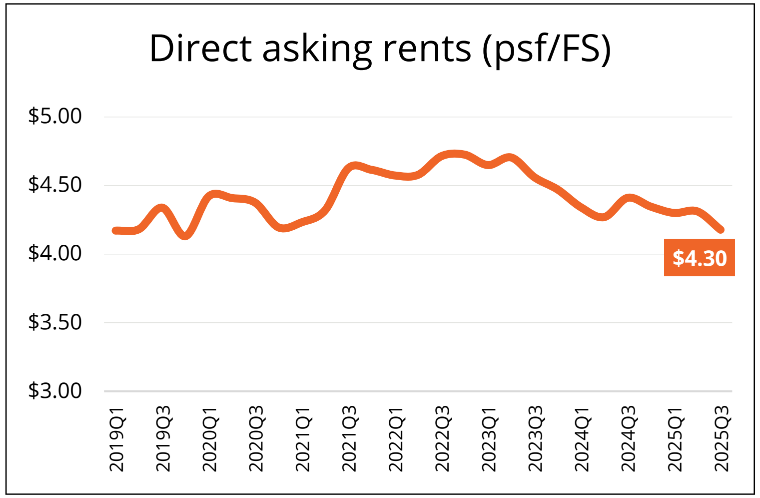
As interest rate cuts become more likely, capital markets are expected to regain further momentum, potentially unlocking additional deal flow in the second half of the year.

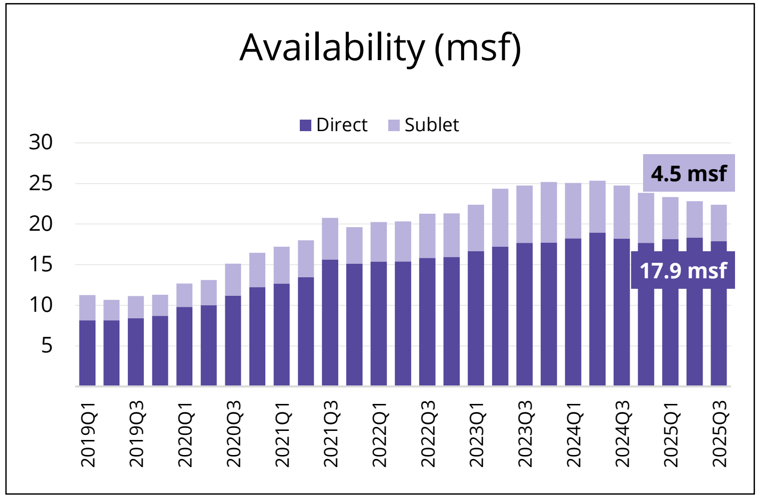
Source: Avison Young Market Intelligence, CoStar

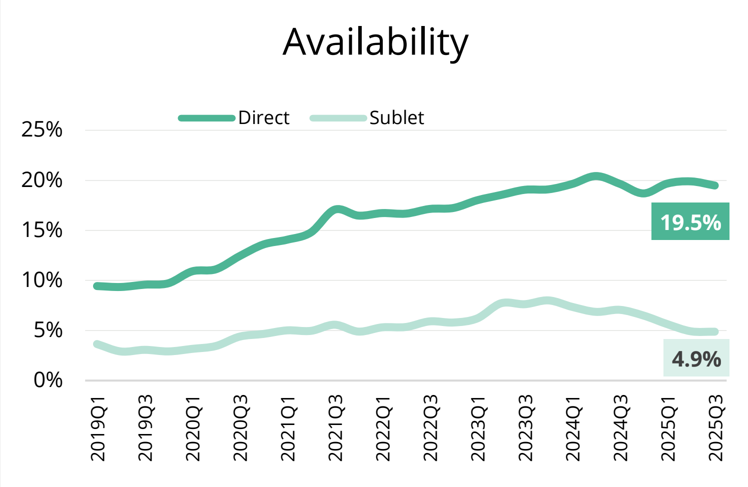
Silicon Valley office market indicators

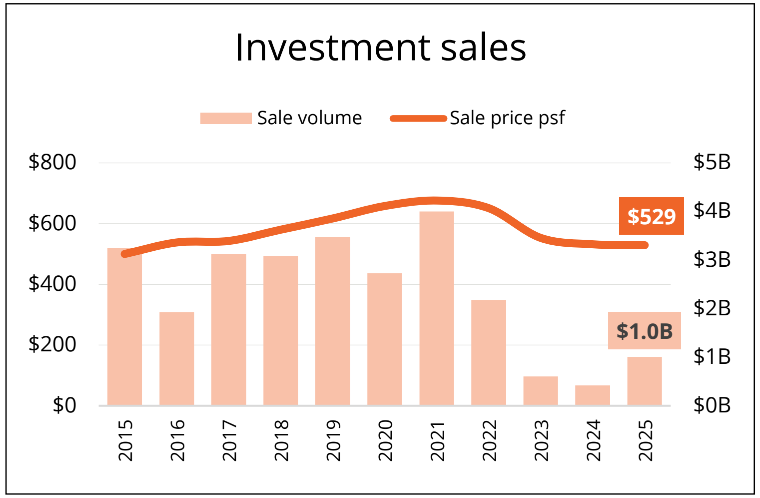






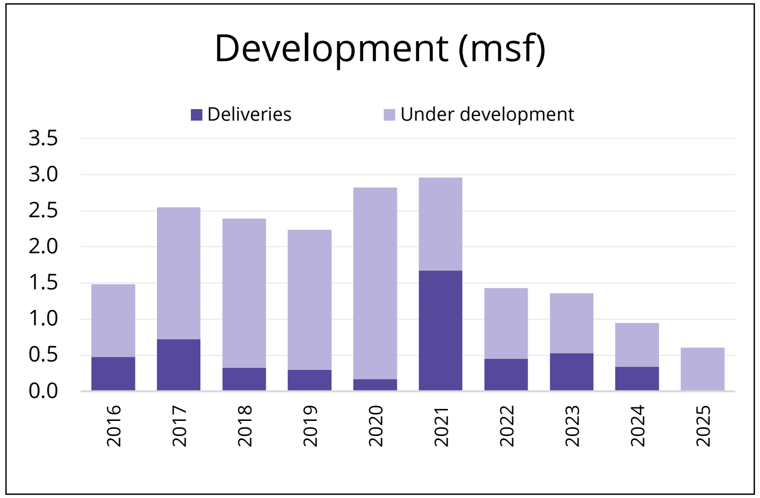


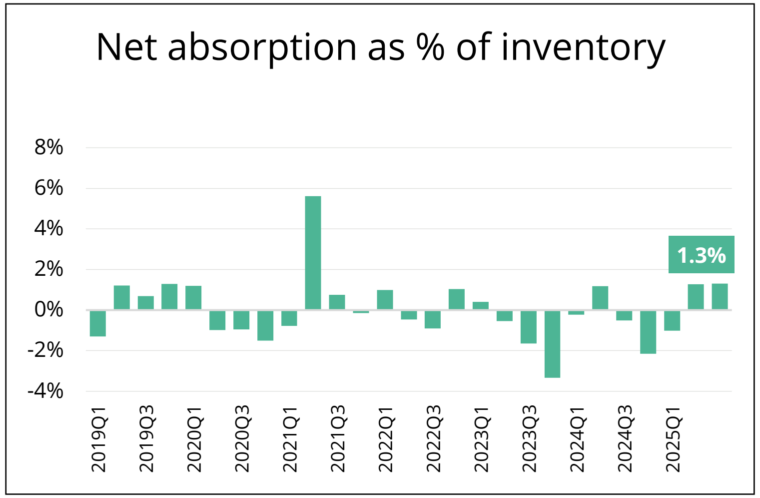


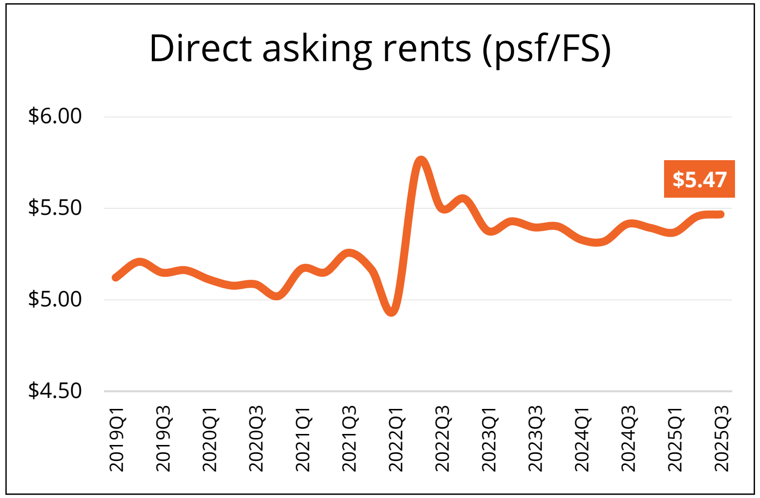


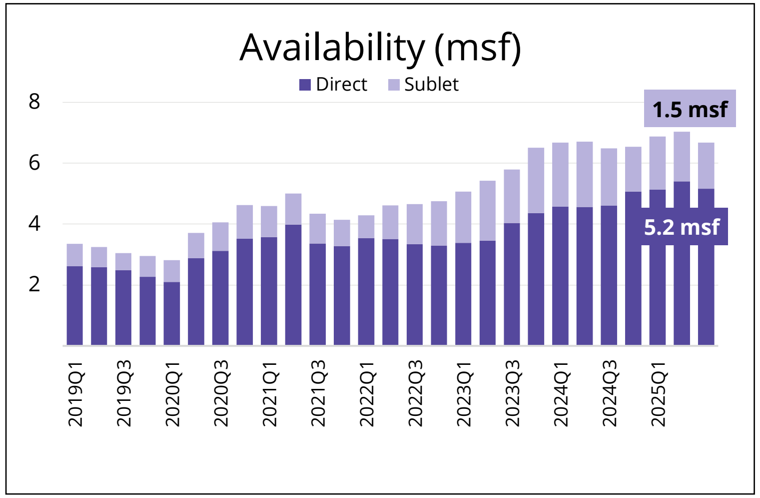
Source: Avison Young Market Intelligence, CoStar

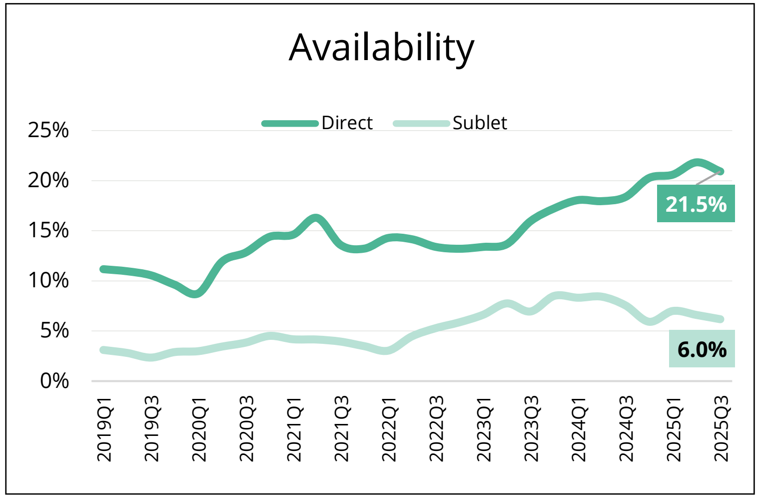
San Francisco Peninsula office market indicators

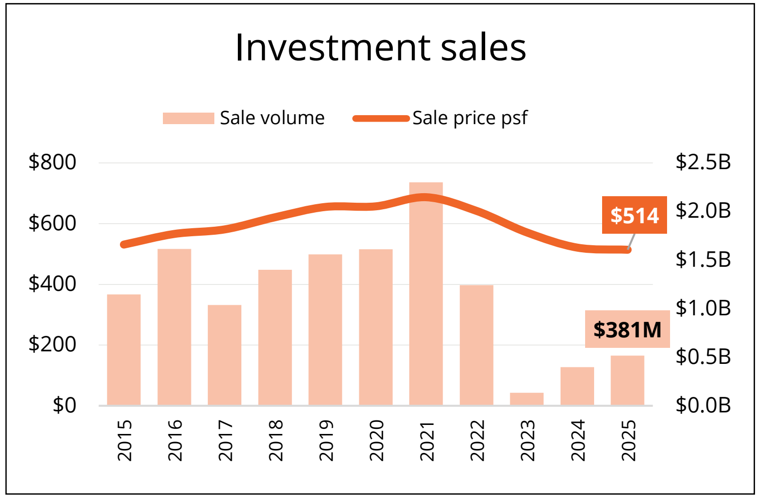












Source: Avison Young Market Intelligence, CoStar

Appendix

Silicon Valley office market stats

	Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
Campbell	2,114,425	0	0	33.6%	10.7%	44.4%	10,049	11,276	$ 4.75	$ 3.48	$ 3.88
Central San Jose	387,483	0	0	3.7%	0.0%	3.7%	2,529	15,203	$ 5.00	$ 2.97	$ 3.33
Cupertino	2,501,902	0	0	5.4%	0.1%	5.5%	25,139	41,531	$ 6.30	$ 4.07	$ 4.17
Gilroy	148,268	0	0	3.0%	0.0%	3.0%	-684	-684	-	$ 2.36	$ 2.36
Los Altos	579,920	0	0	8.9%	0.3%	9.2%	2,714	14,355	-	$ 4.60	$ 4.80
Los Gatos/Saratoga	1,350,932	0	0	18.2%	0.0%	18.2%	2,761	-72,061	-	$ 3.72	$ 3.73
Milpitas	3,867,518	0	0	12.9%	2.5%	15.4%	-9,585	-27,097	-	$ 2.18	$ 2.18
Morgan Hill	434,757	0	0	9.1%	0.0%	9.1%	0	-25,000	-	$ 1.90	$ 1.90
Mountain View	5,170,456	0	0	21.9%	24.3%	46.0%	-35,925	208,899	$ 4.36	$ 4.53	$ 4.36
Mountain View Downtown	1,387,276	0	0	38.7%	3.2%	41.9%	-51,574	-235,511	$ 8.20	$ 7.01	$ 7.28
Mountain View Shoreline	1,322,342	0	0	15.2%	0.0%	15.2%	0	-156,317	$ 5.44	-	$ 5.44
Palo Alto	2,465,237	0	38,523	33.2%	0.8%	34.0%	-32,373	-220,637	-	$ 5.31	$ 5.00
Palo Alto Downtown	1,635,396	0	0	8.3%	1.8%	10.1%	-19,155	64,115	$ 9.88	$ 9.32	$ 9.52

Source: Avison Young Market Intelligence, CoStar

Silicon Valley office market stats

	213,523Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
Palo Alto Stanford Research Park	5,335,320	0	0	16.6%	0.6%	17.2%	-168,333	-204,631	-	$ 6.06	$ 6.06
San Jose Downtown	12,527,178	0	0	27.1%	1.4%	28.5%	-142,126	-255,107	$ 4.26	$ 3.86	$ 3.97
San Jose IBP	388,713	0	0	7.2%	0.1%	7.3%	4,597	4,303	-	$ 1.85	$ 1.85
San Jose North	11,934,022	0	0	23.9%	5.9%	27.9%	-166,434	140,875	$ 3.76	$ 3.73	$ 3.73
San Jose West	3,187,769	0	0	13.8%	1.6%	15.4%	8,700	115,020	$ 4.82	$ 3.29	$ 3.54
Santa Clara Marriott	7,159,389	0	0	27.9%	5.8%	32.8%	60,904	-160,708	$ 3.96	$ 3.17	$ 3.72
Santa Clara North	646,567	0	0	3.8%	0.0%	3.8%	-6,925	-6,925	-	$ 2.59	$ 2.59
Santa Clara South	7,642,189	0	0	8.4%	3.9%	12.0%	-50,385	-29,591	$ 4.22	$ 2.86	$ 3.50
South San Jose	1,257,051	0	0	6.0%	6.6%	12.6%	-382	-31,963	-	$ 2.16	$ 2.15
Sunnyvale	4,160,787	0	175,000	30.1%	0.2%	30.3%	269,891	220,588	$ 7.02	$ 3.70	$ 5.99
Sunnyvale Moffett Triangle	8,679,215	0	0	13.7%	9.7%	19.8%	-144,315	-387,431	$ 4.18	$ 3.79	$ 4.11
Sunnyvale Peery Park	5,403,202	0	0	9.7%	3.6%	13.3%	58,979	-458,354	$ 4.68	$ 5.11	$ 5.05
Market Total	**91,687,314**	**0**	**213,523**	**19.5%**	**4.9%**	**23.7%**	**-400,207**	**-1.435,852**	**$4.58**	**$3.93**	**$4.18**

The statistics in this report are composed of non-owner occupied office buildings 10,000 sf and above in the submarkets listed above. Life sciences and medical offices are not included.

Source: Avison Young Market Intelligence, CoStar

San Francisco Peninsula office market stats

	Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
Brisbane/Daly City	725,832	0	0	21.4%	4.5%	25.9%	-4,750	-20,146	$3.50	$3.07	$3.00
Burlingame	2,992,343	0	0	12.4%	9.3%	21.8%	2,510	26,616	$3.75	$ 3.78	$ 3.73
East Palo Alto	721,086	0	0	48.8%	0.%	48.8%	29,051	3,136	-	-	-
Foster City	1,924,132	0	0	25.2%	11.3%	36.5%	-16,972	-215,742	$4.36	$ 4.14	$ 4.30
Menlo Park	3,834,217	0	0	16.3%	9.3%	25.7%	155,880	450,143	$4.54	$ 8.52	$ 7.89
Millbrae	216,321	0	0	1.7%	9.2%	10.9%	-17,385	-15,650	-	$4.08	$ 3.00
Redwood City	6,849,156	0	145,000	30.5%	3.1%	33.7%	-34,715	36,916	$5.73	$ 6.73	$ 6.10

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San Francisco Peninsula office market stats

	Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
San Bruno	407,706	0	0	10.2%	0.0%	10.2%	-1,555	-3,343	-	$ 4.65	$ 4.35
San Carlos	398,017	0	0	46.7%	35.8%	75.7%	14,746	-8,052	-	$ 3.73	$ 3.73
San Mateo - Downtown	566,174	0	0	14.2%	1.2%	15.4%	1,852	9,228	$7.99	$ 5.24	$ 6.25
San Mateo - East	911,516	0	0	2.4%	5.0%	7.4%	0	16,356	$5.75	-	$ 5.75
San Mateo - Hayward Park	1,712,164	0	0	26.7%	6.6%	33.3%	23,029	-82,317	$2.87	$ 3.69	$ 3.63
San Mateo - South of 92	2,961,169	0	0	16.3%	4.0%	20.3%	186,593	187,390	$5.25	$ 4.27	$ 4.59
San Mateo - West	441,413	0	0	24.5%	0.0%	24.5%	-15,102	-15,034	$6.40	$ 4.95	$ 5.31
South San Francisco	635,769	0	345,000	12.0%	1.2%	13.2%	2,030	-4,137	$3.95	$ 2.25	$3.53
Market Total	**25,297,127**	**0**	**605,000**	**21.5%**	**6.0%**	**27.5%**	**329,203**	**365,364**	**$5.29**	**$5.62**	**$5.42**

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Source: Avison Young Market Intelligence, CoStar

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and information visit **avisonyoung.com**

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