# MARKET SPOTLIGHT

## Q3 2025 OFFICE

## San Jose Market

San Jose's office market is showing early signs of recovery as 2025 comes to a close. Leasing activity reached its highest level since 2022, and after three years of rent declines, average asking rates rose 2.3% as landlords continued offering generous concessions. Vacancy remains elevated at 15.5%, though new AI-driven demand and limited construction are helping to stabilize conditions. On the investment side, owner-occupiers led acquisition activity, taking advantage of lower pricing while institutional investors stayed cautious. Office sales totaled $2.2 billion over the past year, the strongest level since 2021, driven largely by tech buyers such as Apple and NVIDIA, each investing more than $300 million. Distressed and value-add sales became more common, with properties trading well below previous peaks. Together, rising leasing and renewed investment activity signal that confidence is slowly returning to San Jose's office sector.

### Local CRE:

| | |
|---|---|
| VACANCY RATE | 15.5% |
| AVG. MARKET RENT (PSF) | $4.73 |
| TOTAL INVENTORY (SF) | 147M |
| 12 MONTH NET ABSORPTION (SF) | 535K |
| UNDER CONSTRUCTION (SF) | 1.8M |
| 12 MONTH SALES VOLUME | $2.2B |
| MARKET CAP RATE | 6.9% |

### Local Economy:

| | |
|---|---|
| UNEMPLOYMENT RATE | 4.2% |
| JOB GROWTH | 0.3% |
| POPULATION GROWTH | 0.84% |

### National CRE:

| | |
|---|---|
| VACANCY RATE | 14.1% |
| AVG. MARKET RENT (PSF) | $3.02 |
| TOTAL INVENTORY (SF) | 8.5B |
| 12 MONTH NET ABSORPTION (SF) | -6.1M |
| UNDER CONSTRUCTION (SF) | 56.4M |
| 12 MONTH SALES VOLUME | $56.7B |
| MARKET CAP RATE | 9.0% |

### National Economy:

| | |
|---|---|
| UNEMPLOYMENT RATE | 4.3% |
| JOB GROWTH | 0.9% |
| POPULATION GROWTH | 0.5% |

*Sources: SVN Research, Moody's CRE, CoStar Analytics*

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