

Silicon Valley

Powered by Savills Research & Data Services

Office leasing activity decreases yet again as demand remains largely expiration-driven

In Q1 2024, the total availability rate in the Silicon Valley office market increased 10 basis points (bps) from 27.5% reported at year-end 2023 to 27.6%. This remains historically high as large technology companies have put space on the market for sublease and the region has seen a slow return to office which is well below the national average. With office-using employment growth now revised by the Bureau of Labor Statistics to be negative last year, it is no surprise that leasing activity has decreased to begin the year.

Quarterly leasing activity drops to just 0.7 million square feet

After seeing leasing activity spike in Q4 2023 to 1.2 million square feet (msf) largely due to the massive Walmart sublease in Sunnyvale, leasing activity decreased to just 0.7 msf in Q1 2024. With the exception of ByteDance expanding within the market by subleasing a 162,557-square-foot building from Roku in North San Jose, office space demand remains low and largely expiration-driven. As a result, leasing activity in Q1 2024 remains well below the 5-year quarterly average of 1.1 msf and is expected to remain low as the technology sector remains in a correction. In addition, available sublease remains historically high at 8.1 msf, up 47% from 5.5 msf reported a year ago as large technology companies have made whole buildings available for sublease over the past year.

Asking rental rates remain high amidst strong downward pressure

Due to higher priced Class A direct and sublease office space being added to the market, the overall average asking rental rate ticked up from \$5.11 per square foot (psf) per month reported last quarter to \$5.12 psf in Q1 2024. The Class A average rental rate of \$5.16 psf was barely higher as landlords have held their face rents in return for offering large concession packages such as rental abatement and large tenant improvement allowances. However, expect continued downward pressure on average asking and effective rental rates as the market remains highly tenant-favorable amidst lower leasing activity projected again this year.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	88.8 msf	89.7 msf	+0.9 msf
Availability Rate	23.1%	27.6%	+450 bps
Asking Rental Rate	\$4.99	\$5.12	+2.6%
Class A Asking Rental Rate	\$5.15	\$5.16	+0.2%
Quarterly Leasing Activity	1.0 msf	0.7 msf	-0.3 msf
Available Sublease Space	5.5 msf	8.1 msf	+2.6 msf

Note: Rents quoted are monthly

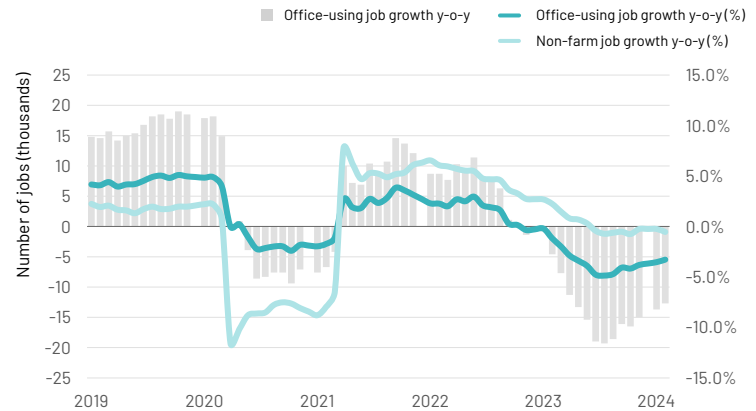
Outlook

01 Expect leasing activity to remain low and largely expiration-driven again this year as most occupiers focus on controlling costs with large tech companies right-sizing their real estate

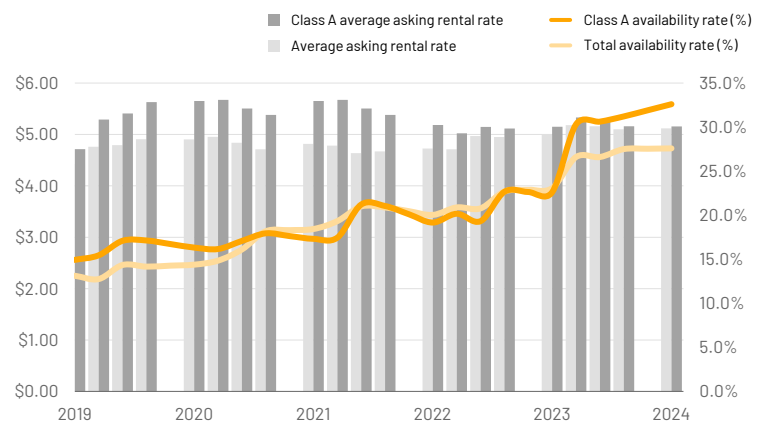
02 Availability rates are forecasted to increase as sublease space remains high and larger speculative office projects are delivered to the market without any pre-leasing activity

03 More distressed office buildings are projected to trade this year with private investors and owner-users prepared to scoop up assets at a sharp discount to replacement cost

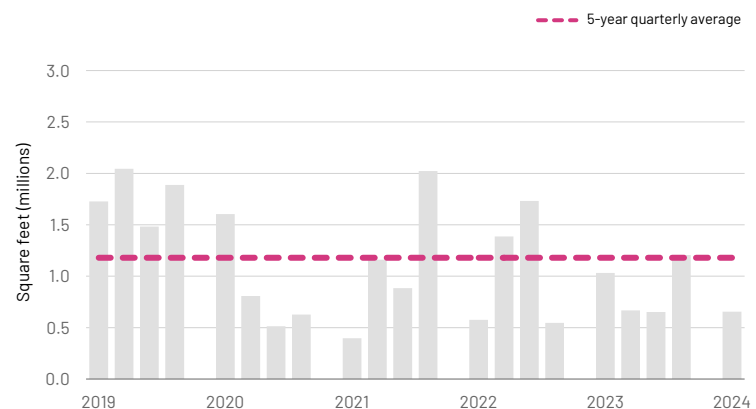
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

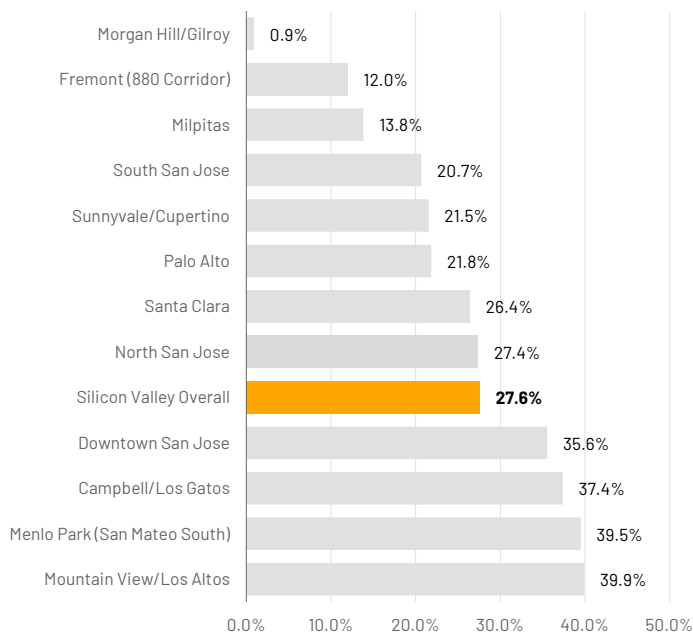
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
ByteDance	TAMI	North San Jose	1143 Coleman Avenue	162,557	New Location**
Broadcom	TAMI	Palo Alto	3380 Coyote Hill Road	85,420	New Location
San Francisco 49ers	Personal Services and Recreation	Santa Clara	4655 Great America Parkway	52,677	Relocation
Alphawave IP Group	TAMI	North San Jose	1730 N 1st Street	28,924	Relocation
California Miramar University	Education	Downtown San Jose	505 S Market Street	20,623	New Location
Aryaka	TAMI	Santa Clara	3945 Freedom Circle	14,578	Relocation**
Sensiba LLP	Business, Professional and Consulting Services	North San Jose	181 Metro Drive	13,216	Renewal
Eero	TAMI	Campbell/Los Gatos	16780 Lark Avenue	12,152	New Location
CSI Electrical Contractors	Architecture, Engineering and Construction	North San Jose	2570 N 1 st Street	11,494	Relocation
Bowman and Brooke LLP	Legal Services	North San Jose	1741 Technology Drive	10,496	Renewal

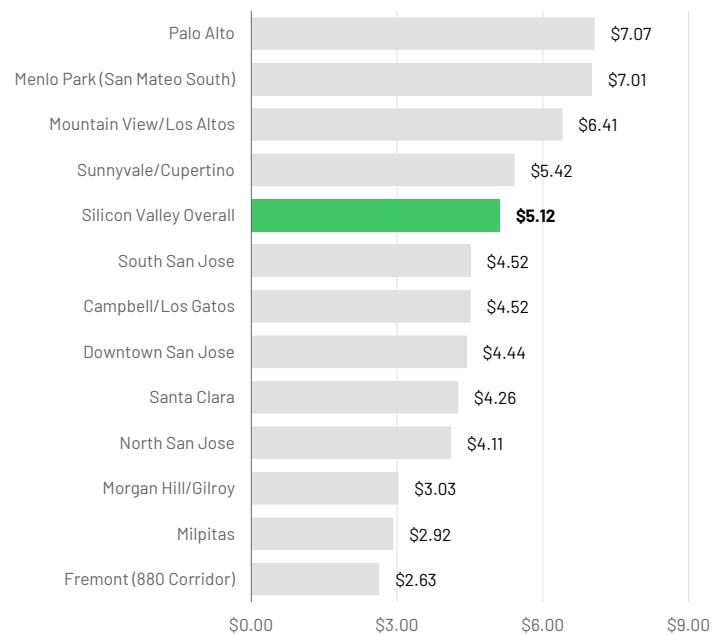
Availability Rate Comparison (%)

SILICON VALLEY SUBMARKETS



Rental Rate Comparison (\$/sf)

SILICON VALLEY SUBMARKETS



Silicon Valley Q1 2024 - Office

Note: Rents quoted are monthly

For more information, please contact us:

Savills San Jose
550 S Winchester Blvd,
Suite 600,
San Jose, CA 95128
+1 408 554 8855

savills.us

Michael Soto
Vice President,
Research West
msoto@savills.us

Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

Copyright © 2024 Savills

