

# Silicon Valley

Powered by Savills Research & Data Services

## Office availability increases sharply as large tech firms accelerate giving back space

In Q2 2023, availability increased sharply in the Silicon Valley office market due to space givebacks from Meta and Roku, as well as Google putting over 1.4 million square feet (msf) on the market for sublease. As a result, the total availability rate increased 350 basis points (bps) from 23.1% reported last quarter to 26.6% in Q2 2023. Available sublease space has also continued to increase ending the quarter at a new historical high of 7.6 msf, up 55% from 4.9 msf reported a year ago. With the entire technology sector in a correction, office availability in Silicon Valley is at an all-time high and is expected to increase even further as return to office rates have lagged the rest of the country despite high-profile corporate announcements.

## Average office rents increase despite the slowdown in leasing

Leasing activity remained low at just under 668,000 square feet (sf), down 35% from 1.0 million square feet (msf) reported last quarter, as well as down 52% from 1.4 msf reported a year ago, respectively. Compared to the 5-year quarterly leasing average of 1.3 msf, office space demand has been down significantly as the technology sector continues to undergo a serious correction with mass layoffs and a slowdown in office leasing. Despite lower leasing activity, the overall average asking rental rate increased sharply to \$5.18 per square foot (psf) per month, up from \$4.99 psf reported last quarter as high-end Class A office space formerly occupied by Google and Meta were put on the market this quarter. With availability rates increasing and leasing activity down, tenant-favorable market conditions are expected to continue for the remainder of the year as landlords aggressively compete for occupancy.

## Office leasing to remain low as tech sector is in correction

The Silicon Valley office market continues to see record high availability levels despite a regional unemployment rate that is near a 50-year low. Due to slow return to office rates and an overdependence on the technology sector, the market is expected to remain slow through at least the end of 2023 with much of the leasing activity expected to be at the top end of the market as occupier flight to quality continues.

## Key Statistics

	Q2 2022	Q2 2023	Y-0-Y
Inventory	85.8 msf	89.1 msf	+3.3 msf
Availability Rate	20.9%	26.6%	+570 bps
Asking Rental Rate	\$4.71	\$5.18	+10.0%
Class A Asking Rental Rate	\$5.02	\$5.33	-6.1%
Quarterly Leasing Activity	1.4 msf	0.7 msf	-0.7 msf
Available Sublease Space	4.9 msf	7.6 msf	+2.7 msf

## Outlook

**01** Expect office leasing conditions to remain slow as long as the technology sector, which is the primary driver of space demand, remains in a correction

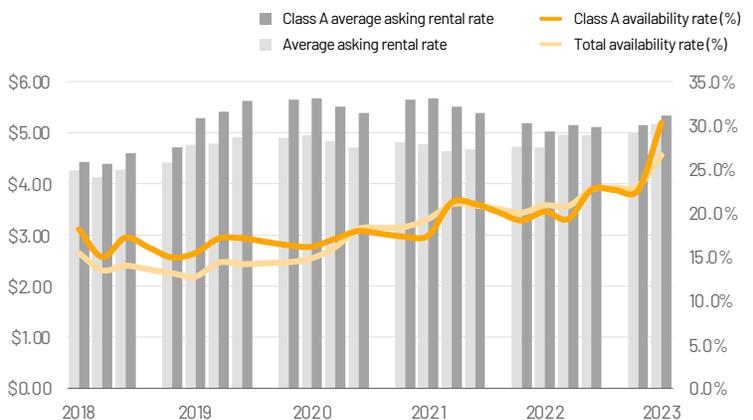
**02** Availability is forecasted to increase as large tech companies finally are terminating leases or putting their spaces on the market for sublease

**03** Occupier flight to quality will continue but expect more flight to capital as landlords who are stronger financially benefit amidst rising interest rates

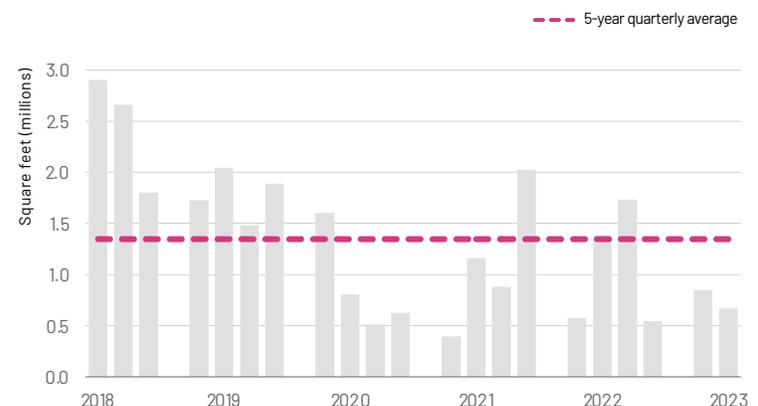
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

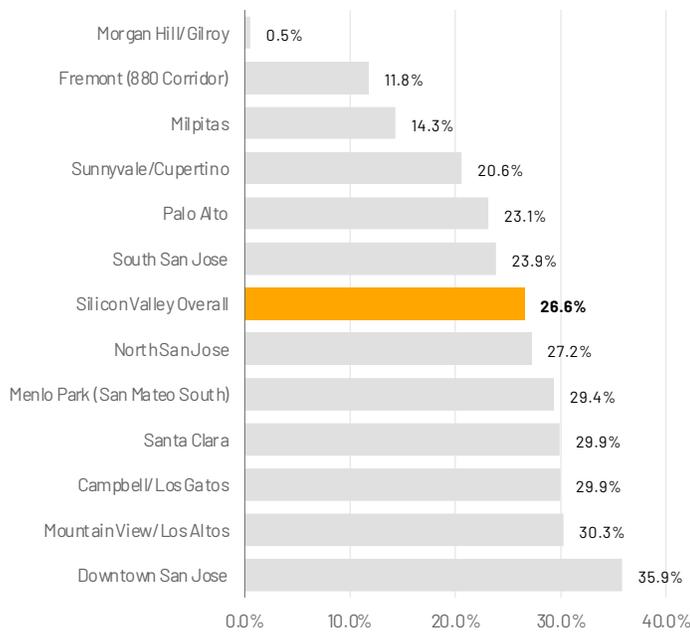
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Texas Instruments	TAMI	Santa Clara	4555 Great America Parkway	205,774	New Location
Coinbase	TAMI	Mountain View/Los Altos	391 San Antonio Road	39,834	New Location**
Morgan Stanley	Financial Services	Downtown San Jose	225 W Santa Clara Street	28,814	Renewal
Malwarebytes	TAMI	Santa Clara	3979 Freedom Circle	25,666	Renewal
Tests Assured	Professional Services	Downtown San Jose	2728 Orchard Parkway	23,530	New Location
Pacific Clinics	Healthcare	North San Jose	1302 N 4th Street	20,480	New Location
Fujitsu	TAMI	Santa Clara	4655 Great America Parkway	19,920	New Location
Envision AESC	Manufacturing	Santa Clara	2350 Mission College Boulevard	19,371	New Location**
PAC Cupertino	Professional Services	Sunnyvale/Cupertino	10080 N Wolfe Road	14,928	New Location
Arteris	TAMI	Campbell/Los Gatos	900 E Hamilton Avenue	11,785	New Location

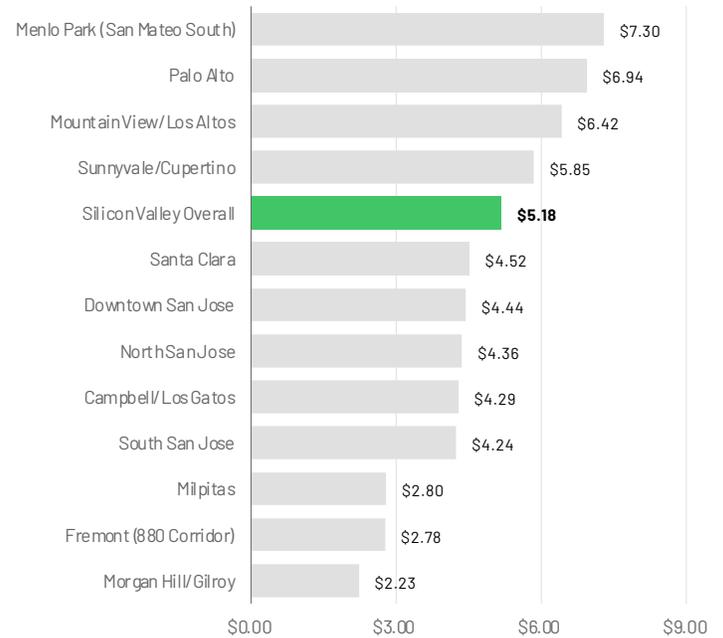
## Availability Rate Comparison (%)

SILICON VALLEY SUBMARKETS



## Rental Rate Comparison (\$/sf)

SILICON VALLEY SUBMARKETS



Note: Rents quoted are monthly

## Silicon Valley Q2 2023 - Office

For more information, please contact us:

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

**Savills Palo Alto**  
137 Forest Avenue  
Palo Alto, CA 94301  
+1 650 812 9800

**Michael Soto**  
Senior Director,  
Head of Office Research  
msoto@savills.us

**Erin Proto**  
Research Manager,  
Northern California,  
+1 415 617 9640  
eproto@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 © 2023 Savills

savills.us

