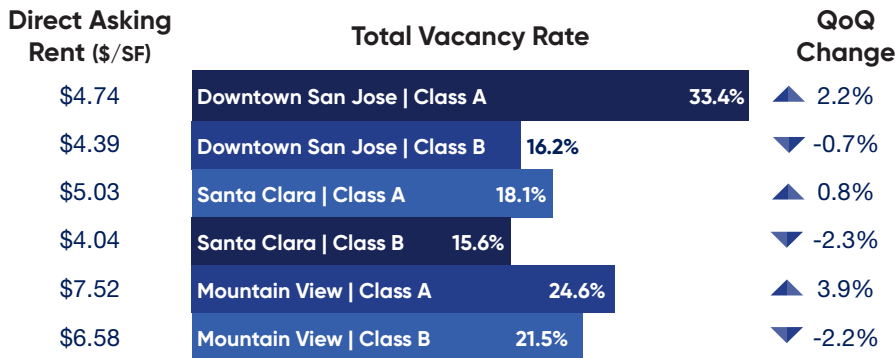
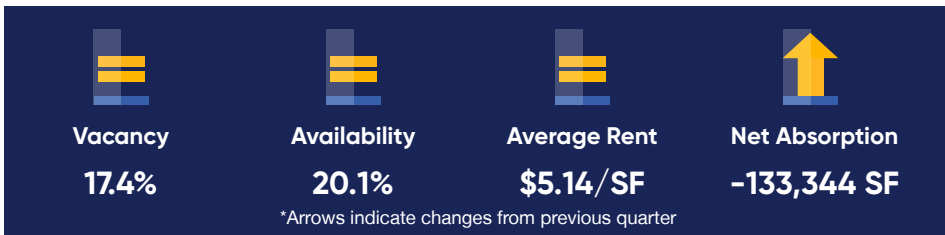


# Occupier's Guide - Office

After years of challenges, the Silicon Valley office market demonstrated significant progress in 2024, signaling a potential turning point. YTD net absorption reached 532K SF, a notable improvement from 2023's negative 4.5M SF, though still below 2022's 2.5M SF of positive net absorption. Vacancy rates improved for the first time since Q1 2022, dipping 0.1% to 17.3%, QoQ. However, YoY vacancy increased by 0.6%, driven largely by the Sunnyvale submarket, which accounted for 40.0% of newly added vacant square footage. Availability also declined by 0.4% in Q4, primarily due to a drop in sublease availability, bringing total availability to 20.1%, a 1.2% drop since Q4 2023. Asking rates remained flat QoQ, with a slight decline of \$0.09 to \$5.14, which shows ongoing caution in a market still finding its balance.

Despite positive indicators, there is still plenty of work to be done before a full recovery. Firms are increasingly mandating employees to return to the office, contributing to an uptick in leasing activity. However, challenges such as elevated vacancy rates and the ongoing effort to attract and retain tenants persist.



## Recent Transactions

	Tenant	Size (SF)	Submarket	Type	Sector
1	Snowflake	772,976	Menlo Park	Sublease	Technology
2	Amazon	217,754	Mountain View/Los Altos	Sublease	Technology
3	Amazon	181,562	Santa Clara	Renewal	Technology
4	Robinhood	128,000	Menlo Park	Renewal	Financial Technology
5	SAP	85,420	Palo Alto	Direct	Technology
6	GoerTek Electronics	72,271	Santa Clara	Expansion	Technology
7	Ericsson	53,548	Santa Clara	Renewal	Technology
8	Industrious Inc.	41,755	Palo Alto	Direct	Commercial Real Estate

## Occupier's Perspective

**Firms now prioritize long-term workplace design over short-term temporary solutions**, seen since the onset of the pandemic. Tenant preferences are shifting toward amenity-rich, walkable, and desirable spaces that attract employees back to the office and enhance the workplace experience.

**In 2024, major commitments signaled renewed confidence in Silicon Valley's office market.** Snowflake secured a 773K SF sublease from Meta, while Google, ByteDance (194K SF), Applied Materials (290K SF), Sutter Bay Medical (327K SF), and Amazon (217K SF) signed new leases. Apple, Johnson & Johnson, and Amazon also renewed leases over 100K SF each.

**Industry leaders like Amazon, JPMorgan Chase, and Salesforce announced RTO mandates throughout the year, emphasizing their commitment to revitalizing office attendance.** More organizations are expected to follow suit in 2025 to boost workplace engagement and productivity. This will result in an uptick in leasing activity and competition among the highest quality spaces.

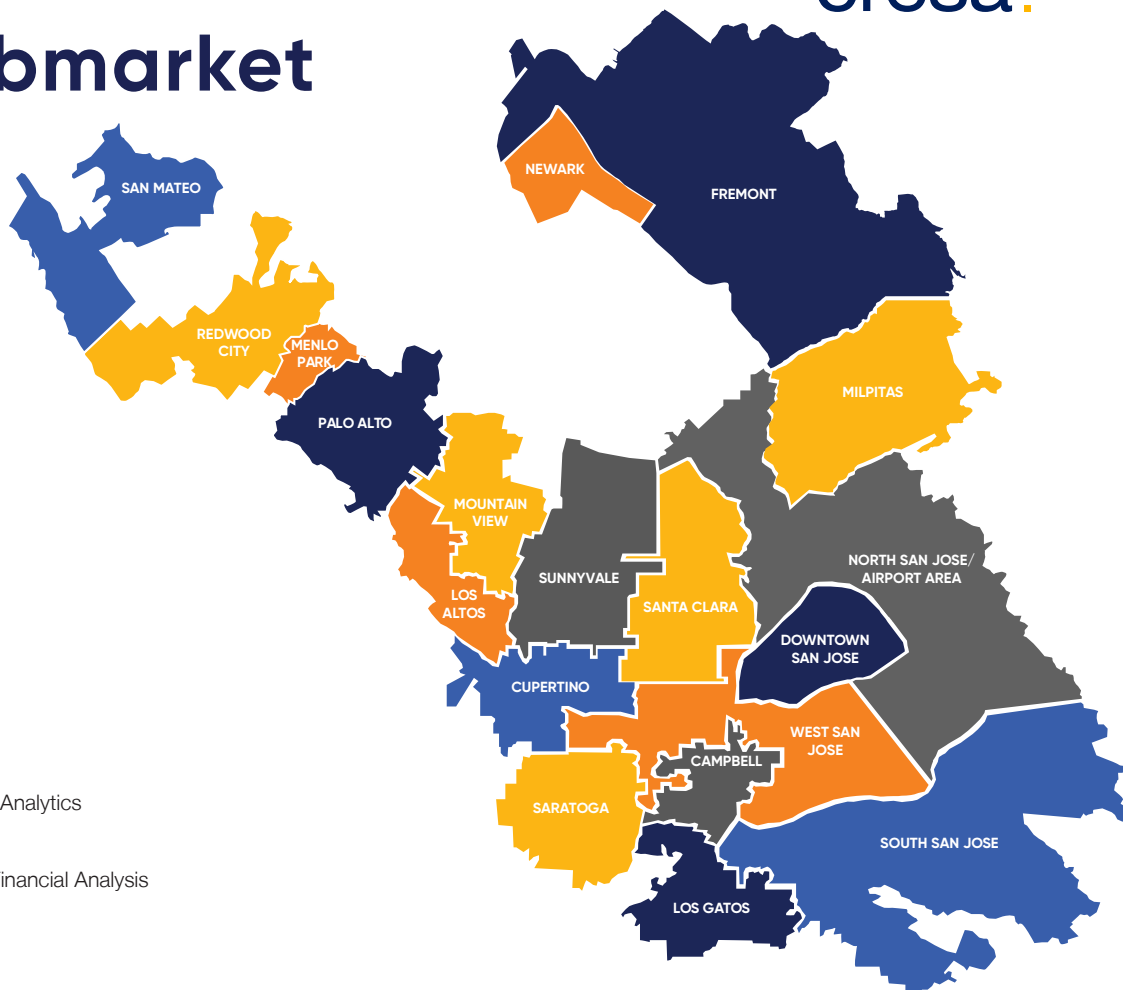
## Market Trends

**Leasing activity saw a 17.4% increase in 2024.** Notably, sublease leasing activity in Q4 2024 surged by 36.5%, driven largely by Snowflake's notable lease of 773K SF of sublease space from Meta.

**Small deals experienced an average increase of 25%.** Transactions in the 10K-20K SF and 20K-30K SF size ranges were particularly attractive to tenants. Interestingly, deals exceeding 100K SF showed only marginal changes compared to the previous year.

**Building deliveries recorded historic lows in 2024.** Since the pandemic, over 16M SF of newly delivered office space has been added to the market, much without pre-leasing, compounding high vacancy rates. In 2024, just 1.3M SF was delivered, a 71.5% drop from 2023.

# Office Submarket Statistics



Cresa is the world's only global commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. Our purpose is to think beyond space, strengthening those we serve and enhancing the quality of life for our clients. Delivered across every industry, with over 1000 employees in more than 80 offices globally, Cresa partners with occupiers everywhere. For more information, please visit [cresa.com](https://cresa.com).

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Submarket	Inventory	Direct Asking Rent (FS)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
Fremont/Newark	4,645,736	\$2.87	11.5%	12.0%	23.5%	23.6%	(3,323)
Milpitas	4,110,594	\$2.92	10.0%	2.3%	12.4%	13.0%	(43,084)
North San Jose/Airport Area	17,410,045	\$4.19	15.7%	2.8%	18.5%	23.0%	100,869
Downtown San Jose	13,065,302	\$4.64	23.3%	2.1%	25.4%	28.1%	(83,163)
South San Jose	2,523,985	\$2.52	3.9%	0.0%	3.9%	7.4%	4,462
West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	8,780,829	\$4.37	12.8%	3.2%	16.1%	19.0%	26,832
Cupertino	4,748,119	\$4.62	3.1%	0.2%	3.3%	4.2%	(10,451)
Santa Clara	19,011,967	\$4.56	12.6%	4.3%	16.9%	22.0%	(60,102)
Sunnyvale	22,128,642	\$5.02	11.2%	4.2%	15.3%	14.1%	160,243
Mountain View/Los Altos	13,308,216	\$7.12	14.3%	8.6%	22.9%	27.6%	(11,276)
Palo Alto	9,967,052	\$8.00	11.1%	3.6%	14.7%	18.3%	70,022
Menlo Park	8,179,791	\$8.87	5.5%	4.8%	10.3%	11.4%	164,915
Redwood City	11,844,883	\$5.71	19.2%	2.6%	21.8%	25.1%	(460,538)
San Mateo	9,181,409	\$5.18	15.1%	2.5%	17.6%	20.4%	11,250
<b>Total</b>	<b>148,906,570</b>	<b>\$5.14</b>	<b>13.5%</b>	<b>3.9%</b>	<b>17.4%</b>	<b>20.1%</b>	<b>(133,344)</b>

\*Arrows indicate changes from previous quarter.