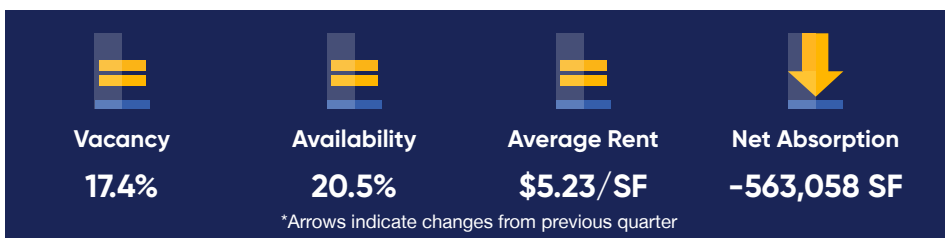


Occupier's Guide – Office

In Q3, the Silicon Valley office market showed signs of stabilization after several years of lackluster performance. Asking rates remained flat QoQ at \$5.23, marking the first time since 2020 that rates have not declined. Similarly, availability remained unchanged QoQ, decreasing just 0.1%. Over the past three quarters, vacancy has remained flat or decreased slightly. The bulk of new vacancy was driven by the Fremont/Newark submarket, adding 457K SF, contributing more than all the other submarkets combined. Q3 recorded the first quarter this year with negative net absorption, however, YTD net absorption has totaled 665K SF.

In a promising development, San Jose announced that starting in early 2025, it will offer new downtown office tenants or owner-occupiers two years of free parking and an exemption from city business taxes. Additionally, Amazon announced that starting in 2025, all corporate employees will return to the office, helping boost office utilization and foot traffic.



Direct Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$4.75	Downtown San Jose Class A 31.2%	▲ 3.0%
\$4.27	Downtown San Jose Class B 17.0%	▼ -2.1%
\$5.03	Santa Clara Class A 17.3%	▲ 2.6%
\$4.03	Santa Clara Class B 17.9%	▼ -1.3%
\$7.64	Mountain View Class A 20.7%	▼ -0.7%
\$6.90	Mountain View Class B 23.7%	▼ -0.6%

Recent Transactions

	Tenant	Size (SF)	Submarket	Type	Sector
1	Johnson & Johnson	229,626	Santa Clara	Renewal	Healthcare
2	Bytedance	194,594	North San Jose/Airport Area	Sublease	Technology
3	Johnson & Johnson	91,932	Santa Clara	Direct	Healthcare
4	Cisco	84,720	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	Sublease	Technology
5	Uber	39,314	Sunnyvale	Sublease	Technology
6	First Citizen's Bank	32,492	Santa Clara	Sublease	Finance
7	Couchbase	23,684	West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	Direct	Technology
8	SI-BONE, INC.	21,848	Santa Clara	Renewal	Healthcare

Occupier's Perspective

Amazon, the Bay Area's 5th largest employer, announced in September that all corporate employees will return to the office four to five days a week. With 2.5M SF of office space in the Valley, this RTO announcement is expected to be a leading example for office users to RTO policies.

Santa Clara remains attractive for large office users, accounting for 25.8% of deals completed in Q3, yet represented 62.1% of total square footage leased. In comparison, San Jose recorded 32.3% of completed deals but accounted for only 12.5% of total space leased. This data is reflective of the fact that much of the newer office product in the Valley was developed in Santa Clara over the past cycle.

RTO mandates are driving increased investor confidence in office assets. SC Properties Partner recently expressed optimism to GlobeSt, stating they acquired the San Mateo Gateway Center based on the belief that the office sector will rebound as the return to the office momentum continues to grow.

Market Trends

YTD, availability recorded a slight decrease of 0.1%, which now marks three consecutive quarters of stagnated growth in available space. This is a shift compared to the annual average increase of 2.5% since 2021.

The number of office deals increased by 46.6% QoQ, while leasing volume increased by 700K during the same period. Notably, ByteDance leased 194K SF at 1155 Coleman in San Jose while Yahoo, Johnson & Johnson, and Apple renewed over a combined 634K SF.

Q3 2024 is the first quarter in five years with no new construction deliveries. Since 2020, over 19M SF of office space has been added to Silicon Valley, putting upwards pressure on vacancy as leasing activity decreased during the same period.

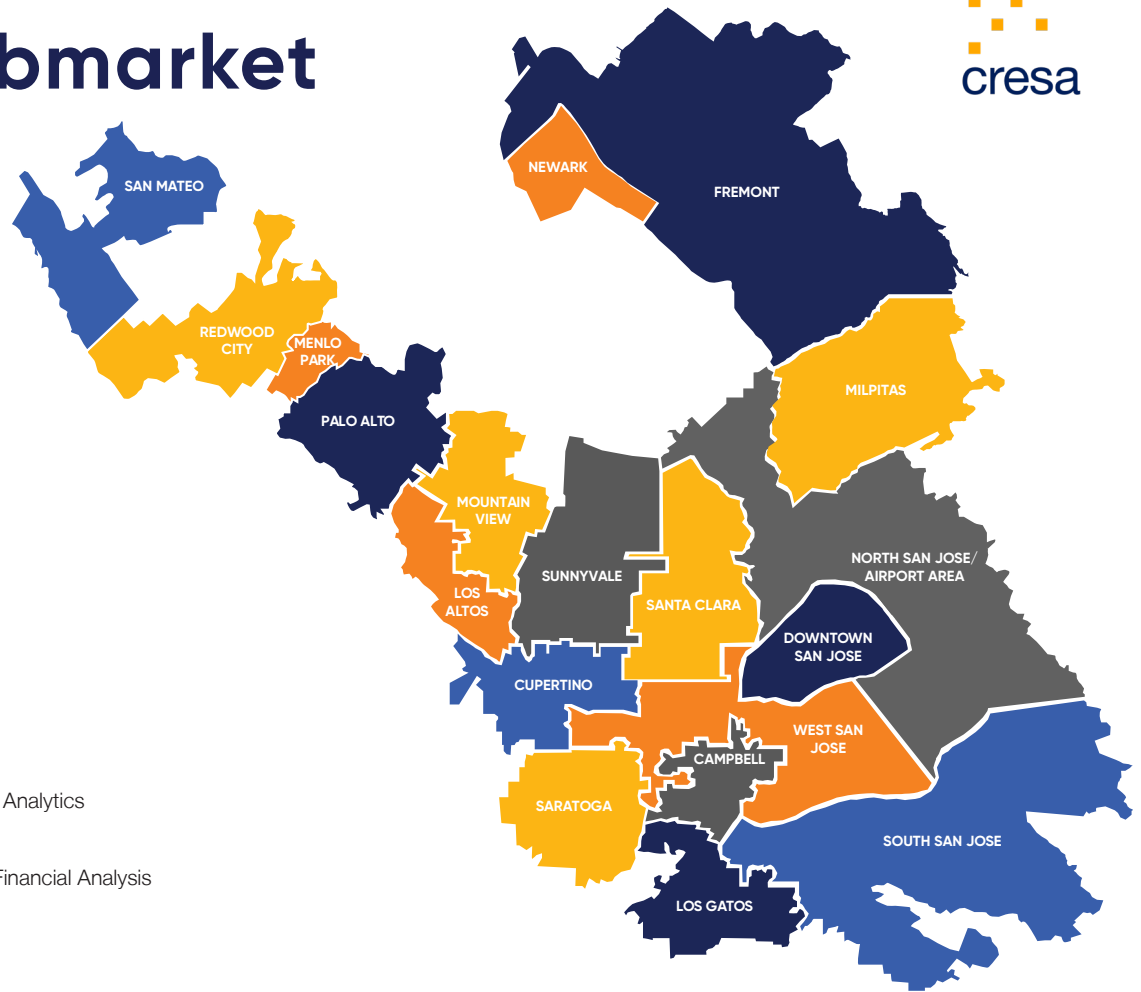
Office Submarket Statistics

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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	\$2.75	11.9%	12.0%	23.9%	23.4%	(288,812)
Milpitas	4,110,594	\$2.95	9.0%	2.5%	11.5%	12.1%	(115,132)
North San Jose/Airport Area	17,410,045	\$4.22	16.4%	2.8%	19.1%	20.5%	171,515
Downtown San Jose	13,065,302	\$4.62	23.2%	1.6%	24.8%	28.8%	(82,459)
South San Jose	2,523,985	\$2.55	4.4%	0.1%	4.5%	7.8%	(6,409)
West Valley (West San Jose, Campbell, Los Gatos, Saratoga)	8,780,829	\$4.44	13.5%	3.3%	16.7%	20.5%	100,595
Cupertino	4,748,119	\$4.84	3.1%	0.0%	3.1%	4.5%	(33,487)
Santa Clara	19,011,967	\$4.54	13.2%	4.4%	17.6%	22.8%	(204,202)
Sunnyvale	22,128,642	\$5.17	9.2%	4.6%	13.7%	16.4%	(25,377)
Mountain View/Los Altos	13,308,216	\$7.34	14.6%	7.8%	22.4%	28.8%	(43,205)
Palo Alto	9,967,052	\$8.30	10.2%	3.8%	14.0%	20.6%	(5,574)
Menlo Park	8,179,791	\$9.24	5.2%	13.7%	18.9%	21.6%	(24,965)
Redwood City	11,844,883	\$5.89	13.1%	2.6%	15.7%	17.4%	28,157
San Mateo	9,181,409	\$5.21	17.4%	2.0%	19.5%	18.9%	(33,703)
Total	148,906,570	\$5.23	13.0%	4.4%	17.4%	20.5%	(563,058)

*Arrows indicate changes from previous quarter.