



Silicon Valley office market report

Q4 2023

**AVISON
YOUNG**

Silicon Valley office market trends

-80.1%

Valley's VC funding well below 5-year quarter trend

Most great companies start as a passion project, a great idea in need of capital, employees, and the first real customer. Even as Silicon Valley remains front and center for the VC world, Q4 2023 trends remained flat in the winter months. Investment volume throughout 2023 is down more than -80.1% from the 5-year quarterly average. While some companies grow organically without outside investors, most companies need help and tech remains the darling in the Valley with other industries like fintech and life sciences seeing consistent investments.

-3.9M

Net absorption hits historical annual low

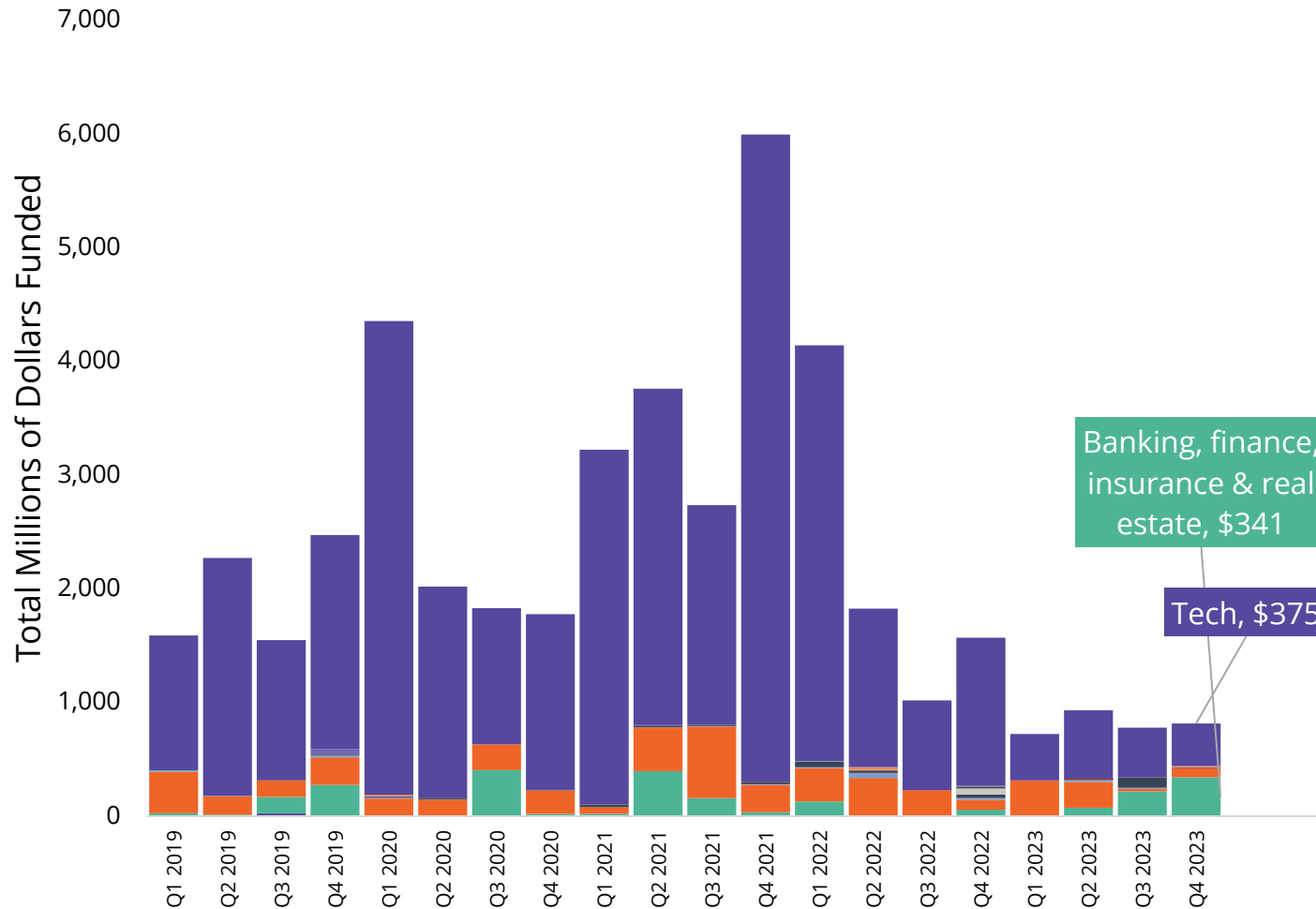
Diminished demand and consolidations throughout the Valley have driven net absorption to a historical low, reminiscent of the dot-com era. The negative figure is exacerbated by several vacancies in significant projects, notably the sizable space returned by Roku at the Coleman Highline building in Downtown San Jose. Furthermore, the foreclosure of Innovation Plaza this quarter, once fully occupied by chipmaker Broadcom Inc., also played a substantial role in the negative absorption trend.

6.7%

Remote tech job postings creep up year-end

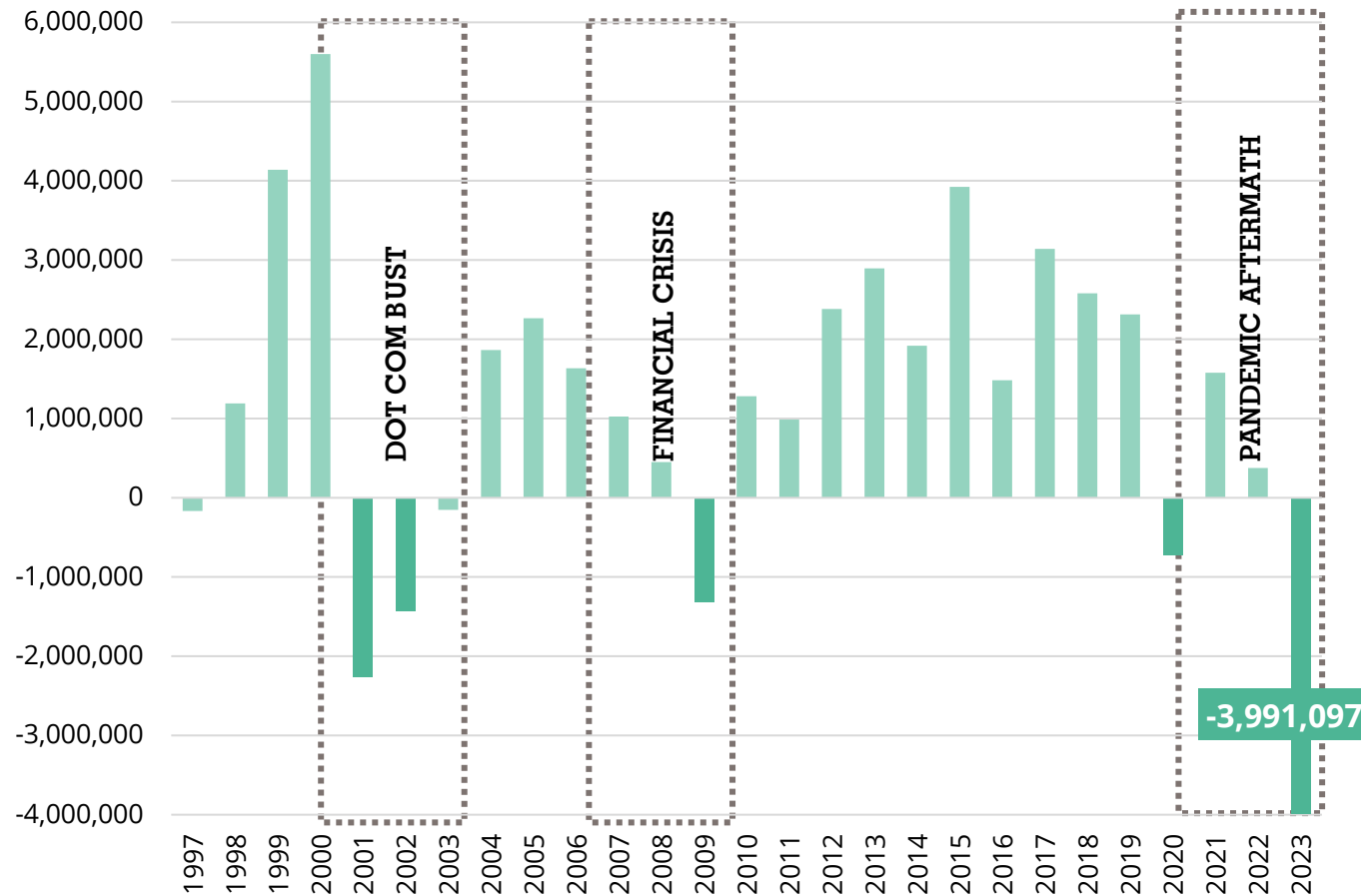
Despite a slowdown in VC investment and leasing activity towards the year-end, job postings in Silicon Valley continue to show resilience compared to last year's downturn. While remote job postings have increased to 12.9%, approximately half of these belong to the tech sector at 6.7%. The positive news is that overall job postings have remained robust, experiencing a 53% increase from the previous year, indicating that companies are still in expansion mode. This could potentially translate to a more optimistic outlook for absorption in the near future.

Silicon Valley venture capital funding slows



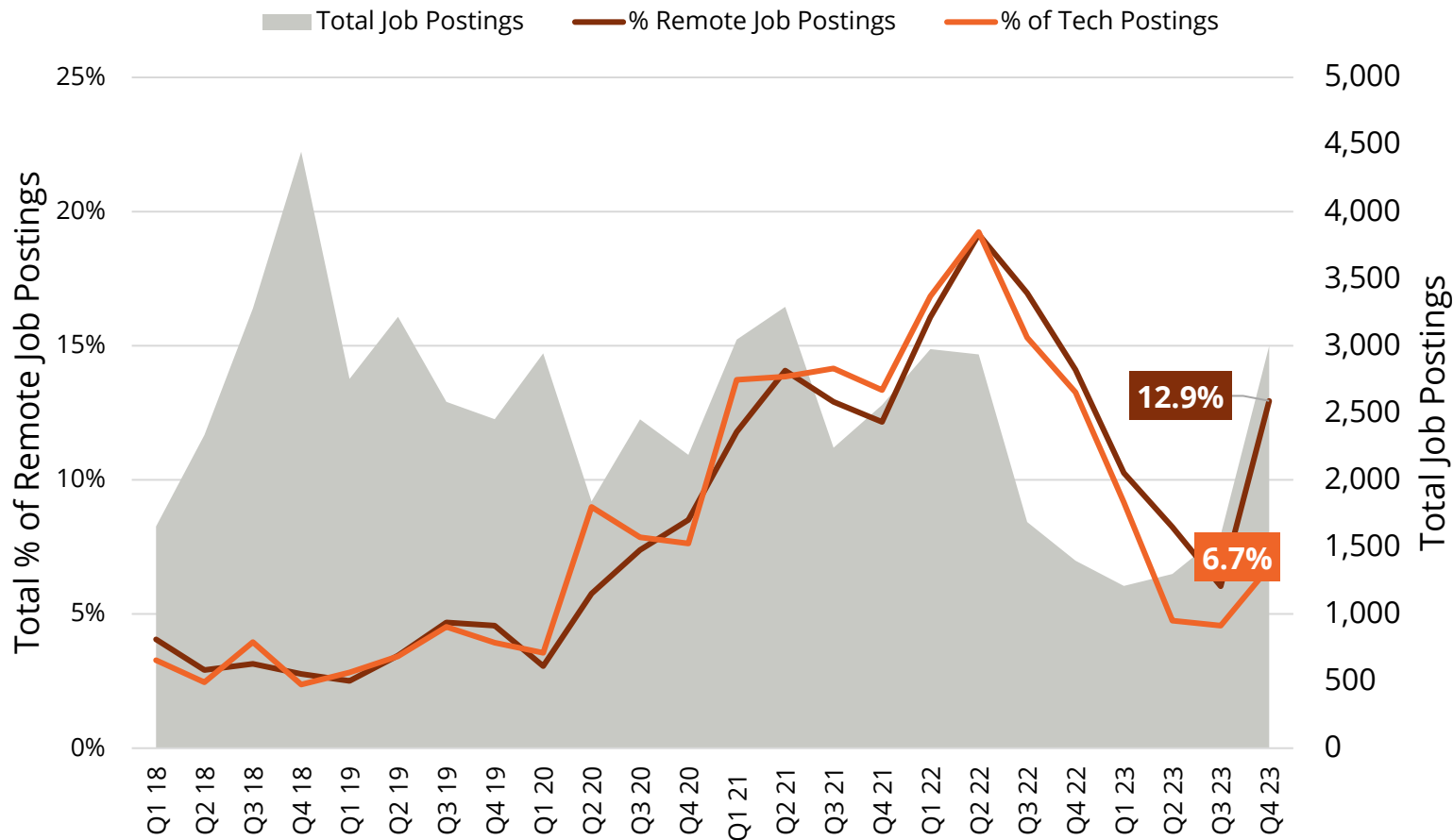
In Q4 2023, overall venture capital remained flat. 2023 figures are down approximately -80.1% from the 5-year quarterly average of \$1.8 million, indicating a substantial pullback.

Net absorption hits historical quarterly low



A deceleration in demand and consolidations across the Valley has resulted in net absorption reaching a historical low, reminiscent of the levels observed during the dot-com era.

Valley's remote job postings increase year-end

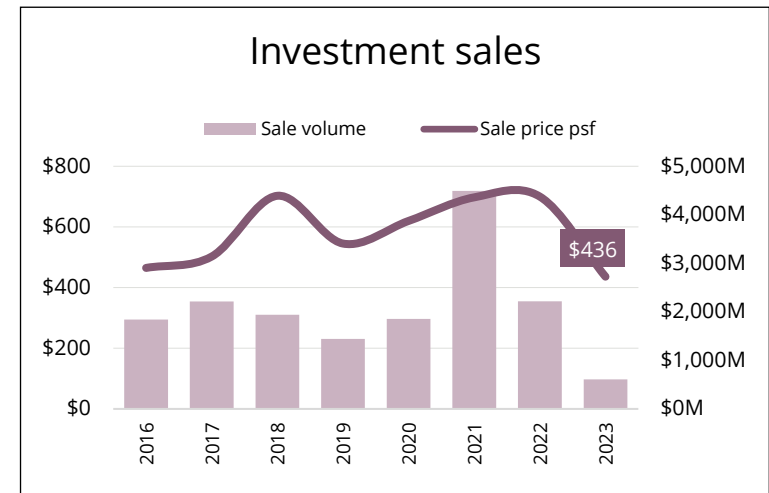
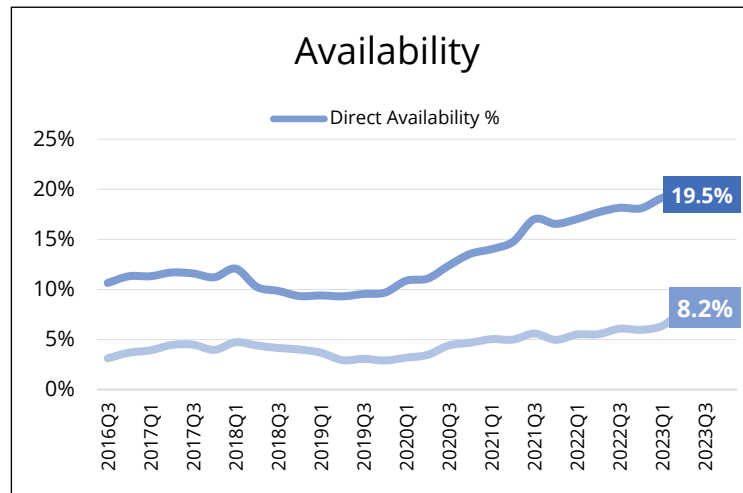
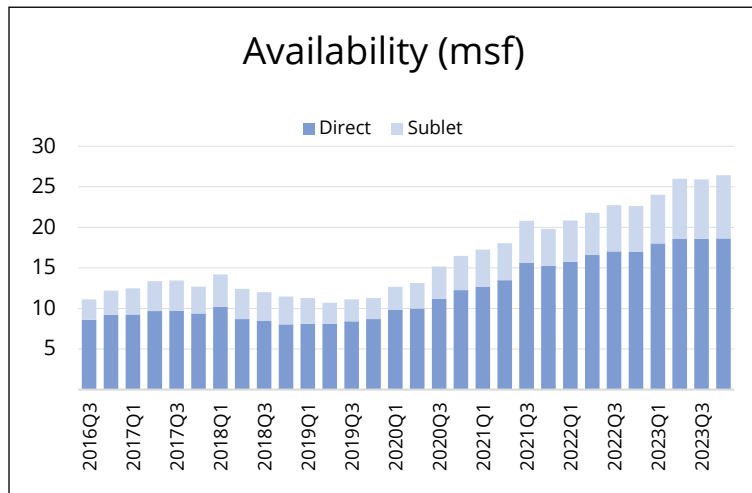
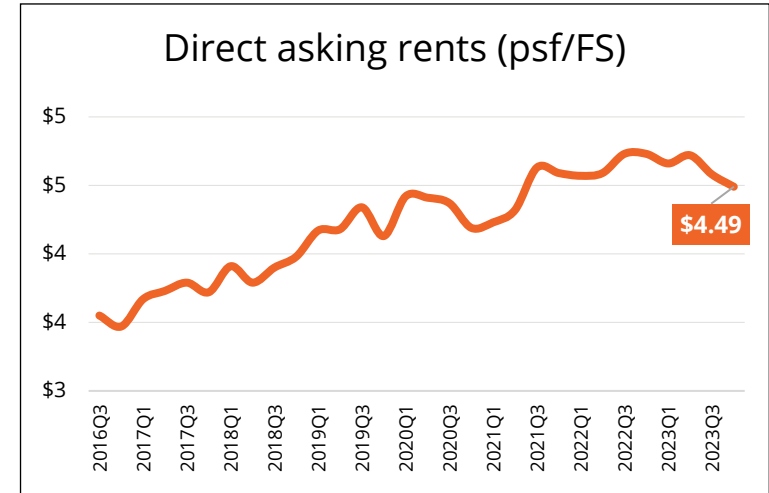
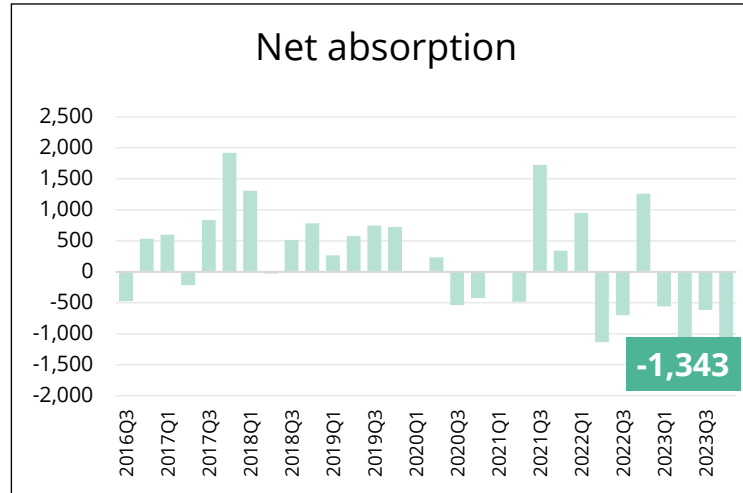
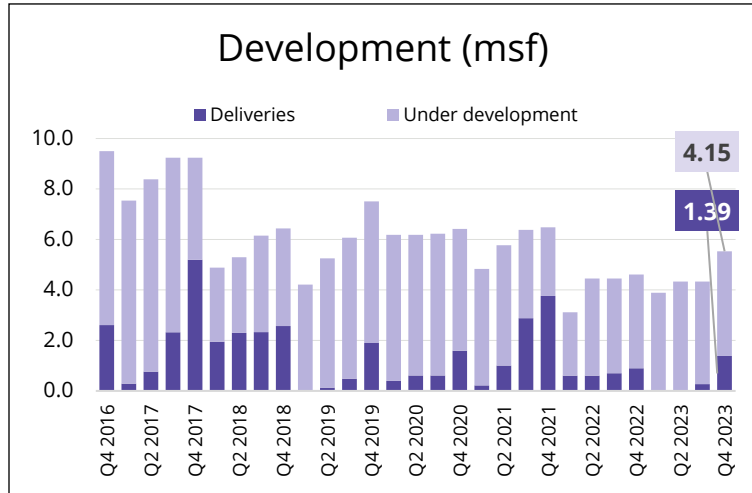


Despite the challenges of the previous year, overall job postings in the region continue to show an upward trend.

Appendix



Silicon Valley office market indicators



Silicon Valley office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Monthly direct asking rent psf FS
Campbell	1,946,722		161,870	34.3%	10.7%	45.0%	-44,665	\$ 3.91
Central San Jose	419,976			5.4%	0.0%	5.4%	12,689	\$ 2.37
Cupertino	2,501,902			6.5%	0.4%	6.8%	6,355	\$ 4.65
Gilroy	148,268			2.8%	0.0%	2.8%	-3,693	\$ 2.35
Los Altos	626,470			18.8%	1.1%	19.9%	16,250	\$ 5.02
Los Gatos/Saratoga	1,350,273			7.8%	11.9%	19.7%	-22,346	\$ 3.74
Milpitas	3,938,990			9.7%	0.7%	10.4%	19,294	\$ 2.56
Morgan Hill	434,757			0.6%	0.0%	0.6%	-2,614	\$ 1.55
Mountain View	5,306,601			22.4%	26.6%	49.0%	-1,334,952	\$ 5.39
Mountain View Downtown	1,368,950			24.1%	17.9%	40.8%	-66,225	\$ 7.35
Mountain View Shoreline	1,322,342			0.0%	0.0%	0.0%		
Palo Alto	2,463,938		420,640	17.5%	16.6%	34.1%	27,170	\$ 5.77
Palo Alto Downtown	1,631,321			13.7%	7.2%	20.8%	-105,029	\$ 8.94
Palo Alto Stanford Research Park	5,483,907			14.0%	9.6%	23.7%	-355,990	\$ 6.64

Silicon Valley office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Annual direct asking rent psf FS
San Jose Downtown	12,611,643	937,000	2,488,813	28.1%	4.5%	32.6%	-576,323	\$ 4.50
San Jose IBP	388,713			10.6%	0.9%	11.6%	-9,415	\$ 2.08
San Jose North	11,789,955			29.5%	5.1%	32.7%	-486,741	\$ 3.67
San Jose West	3,301,035			19.5%	4.6%	24.2%	-22,612	\$ 4.64
Santa Clara Marriott	7,164,332			34.2%	17.2%	51.4%	-11,274	\$ 3.78
Santa Clara North	668,467			56.7%	0.0%	56.7%	167,963	\$ 2.46
Santa Clara South	7,687,271	269,000	265,000	7.5%	4.7%	12.2%	212,475	\$ 3.93
South San Jose	1,257,051			4.0%	6.8%	10.8%	3,240	\$ 2.17
Sunnyvale	3,464,163	179,278	674,755	37.1%	4.2%	41.0%	-4,843	\$ 6.19
Sunnyvale Moffett Triangle	8,946,093			3.3%	9.2%	12.6%	-1,313,186	\$ 3.72
Sunnyvale Peery Park	5,400,889		134,795	6.8%	8.4%	15.3%	-96,625	\$ 5.67
Market total	91,624,029	1,385,278	4,145,873	20.3%	8.5%	28.6%	-3,991,097	\$ 4.29

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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