



Silicon Valley/ San Francisco Peninsula office market report

Q3 2024

**AVISON
YOUNG**

Silicon Valley/San Francisco Peninsula office market trends

\$560M

Investment sales activity in Silicon Valley has rebounded.

Investment sales activity has returned to the Silicon Valley office market, with quarterly volumes reaching levels not seen since late 2022. Sales valuations have also stabilized in 2024 following a sharp decline between 2022 and 2023. The most notable transaction was Microsoft's \$330 million purchase of their Mountain View tech campus from developer Mission West. This deal could potentially signal the start of more transactions in the region, especially as the Fed continues to soften interest rates, creating a more favorable investment environment.

+3.0%

Silicon Valley and Peninsula rents see first increase in quarters.

Silicon Valley offices have seen an average 3% increase quarter-over-quarter in asking rents, while the Peninsula experienced a more modest 1% rise. Though not yet indicative of a broader trend, asking rents in both regions have stabilized in recent quarters. The easing of downward pressure on rents, coupled with flattening net absorption, suggests a potential resurgence in office demand.

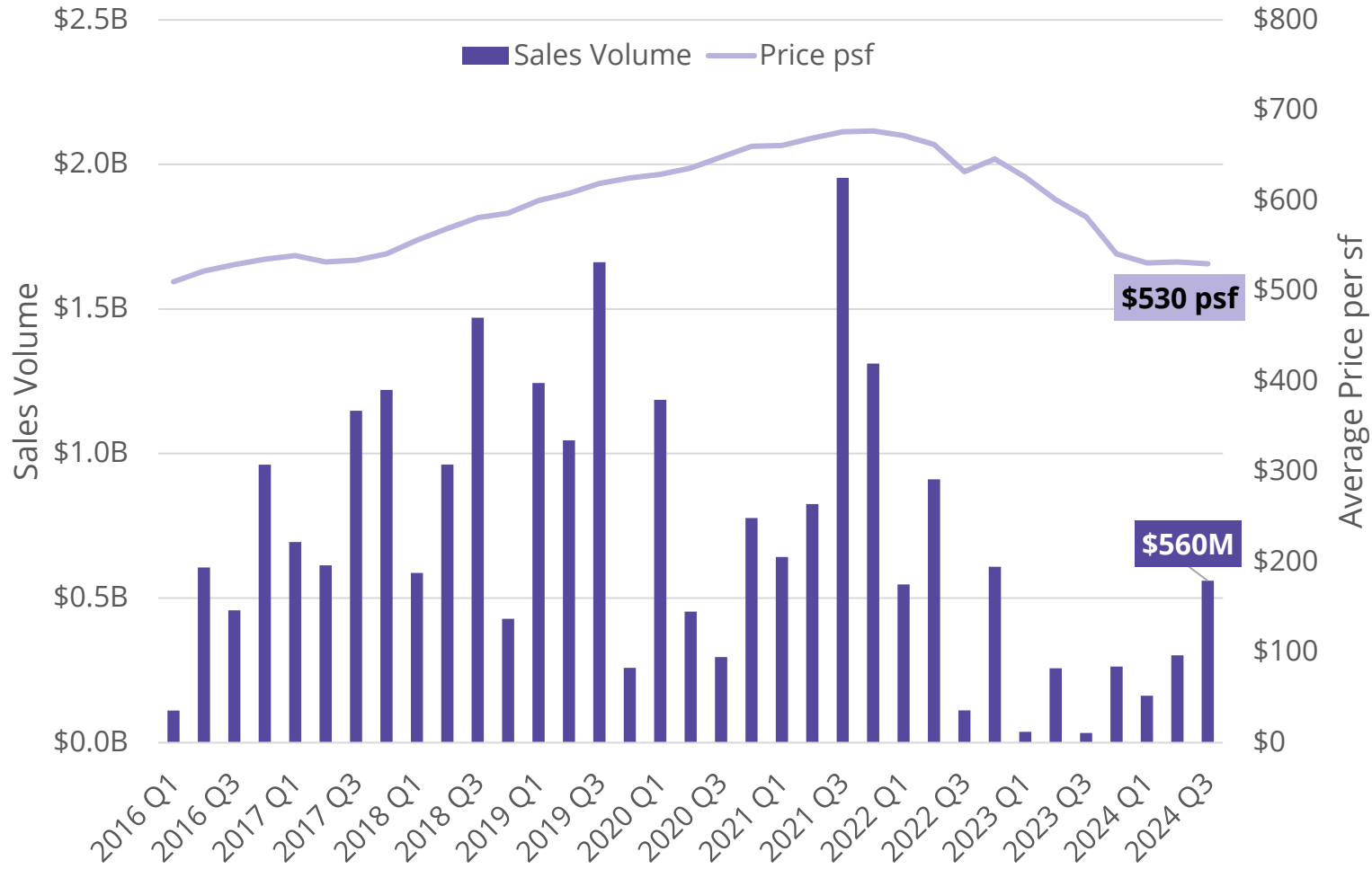
56.2%

Silicon Valley leads the Bay Area in office visitation recovery.

Avison Young's Busyness Index shows that Silicon Valley leads the Bay Area in office visitation recovery, with August 2024 seeing 56.2% of 2019's levels. In comparison, the broader Bay Area reports 53.7%, while the San Francisco Peninsula trails at 44.3%. A potential explanation to this disparity may be due to workers' increased sensitivity to commuting post-pandemic, with Silicon Valley's suburban location offering a more convenient commute compared to the Peninsula.

Investment Sales

Silicon Valley



Investment sales activity in Silicon Valley rebounded in Q3 2024, reaching \$560 million—the highest quarterly volume since late 2022. Following the sharp valuation declines in 2022-2023, 2024 appears to have brought much-needed stabilization to the market.

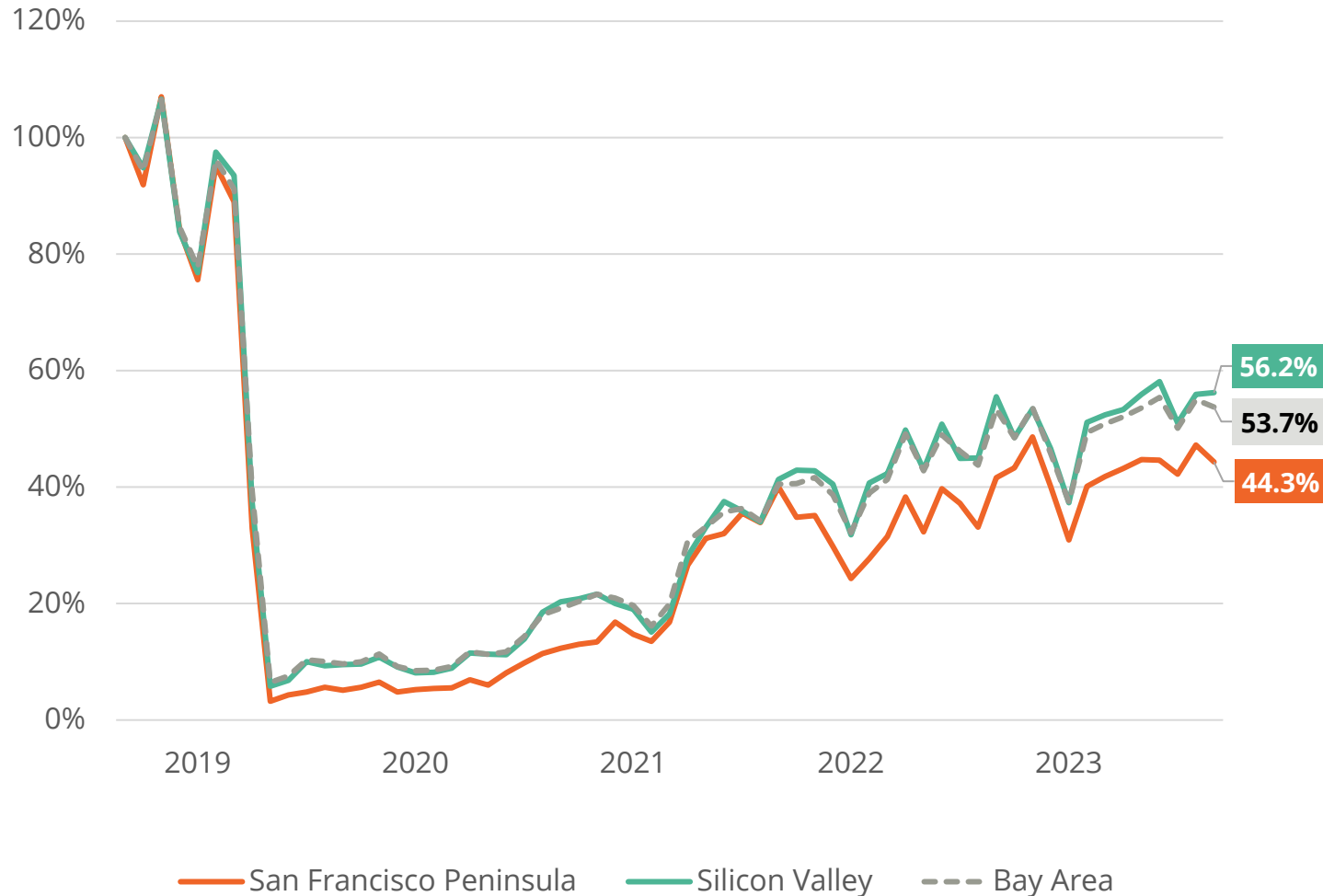
Asking rents



Silicon Valley sees a 3% quarter-over-quarter increase in asking rents while the Peninsula sees a more modest 1% increase. The declines in asking rents appear to have largely stabilized.

Return-to-office trends

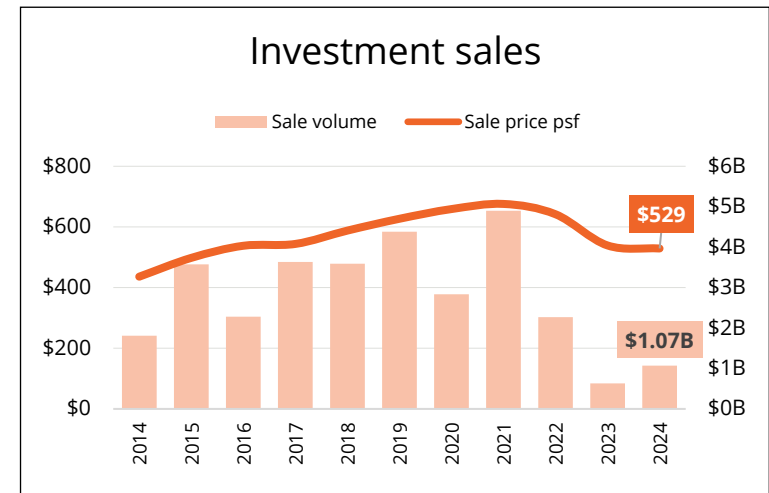
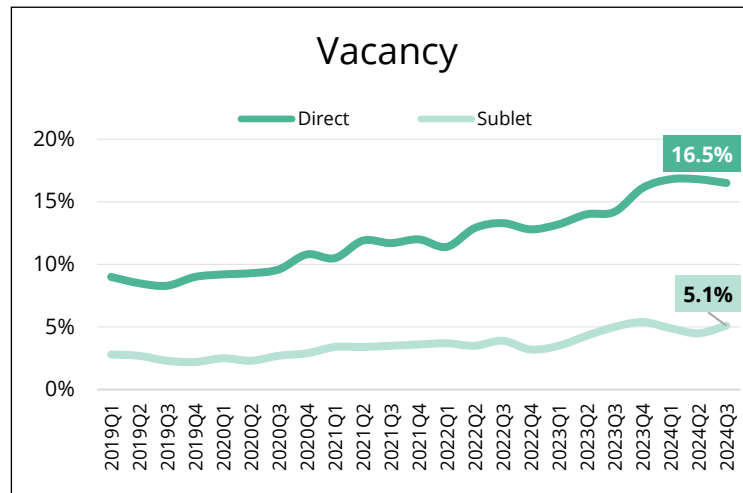
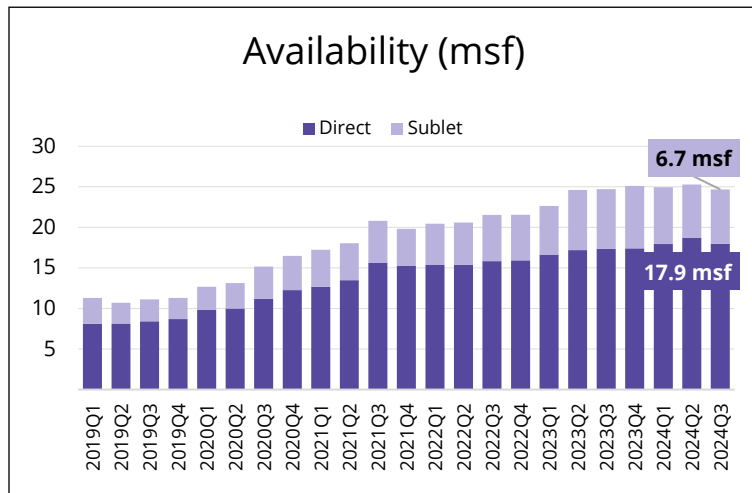
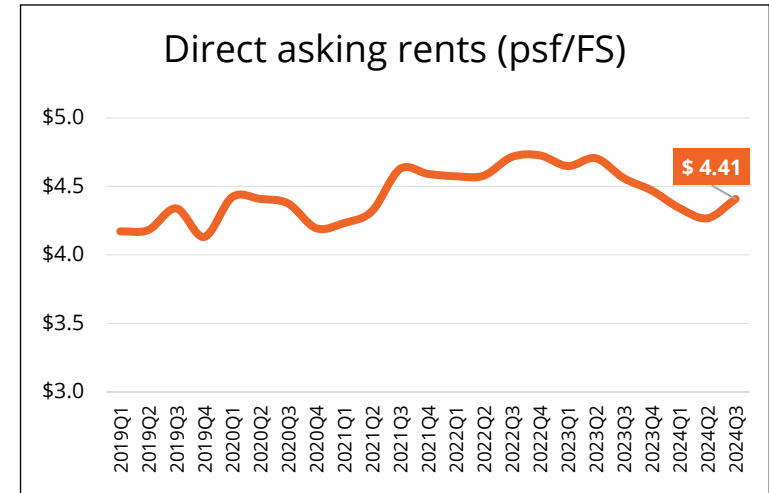
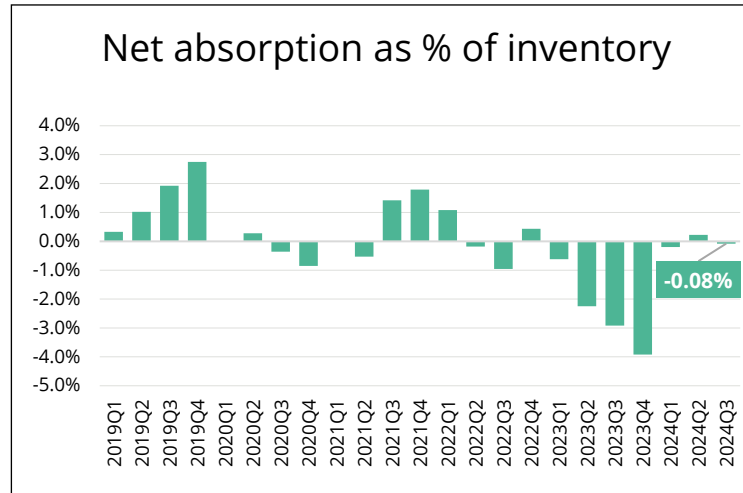
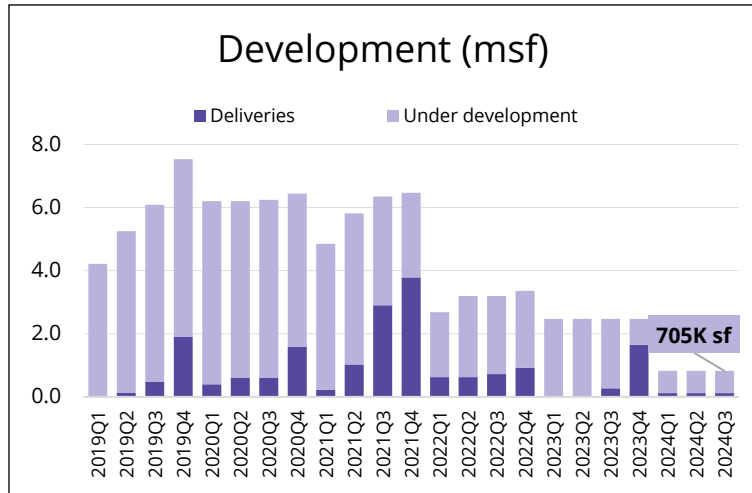
Office Utilization, August 2019 (baseline) to August 2024



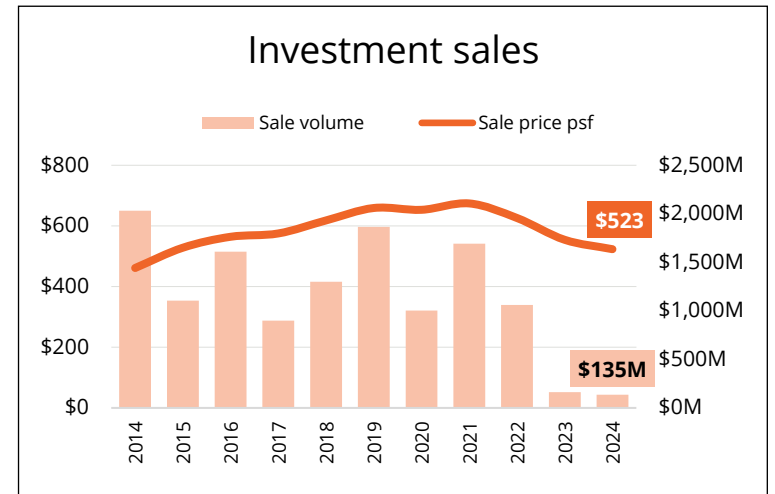
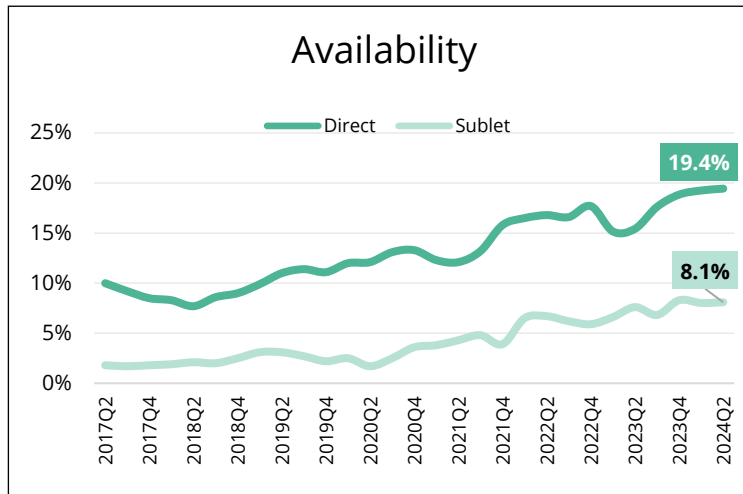
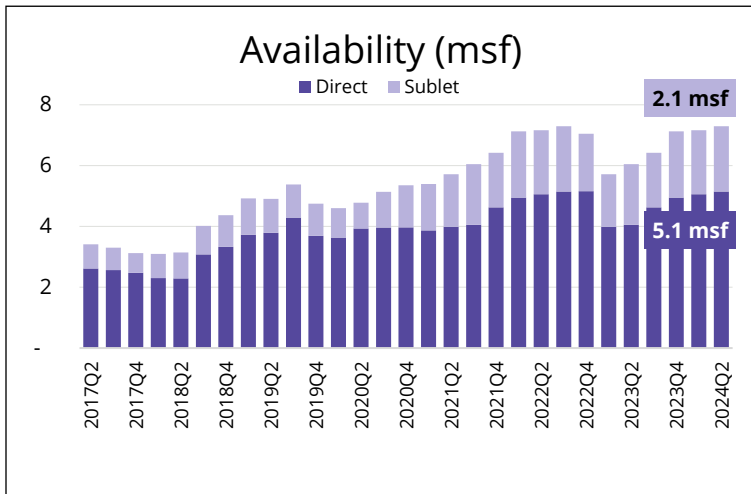
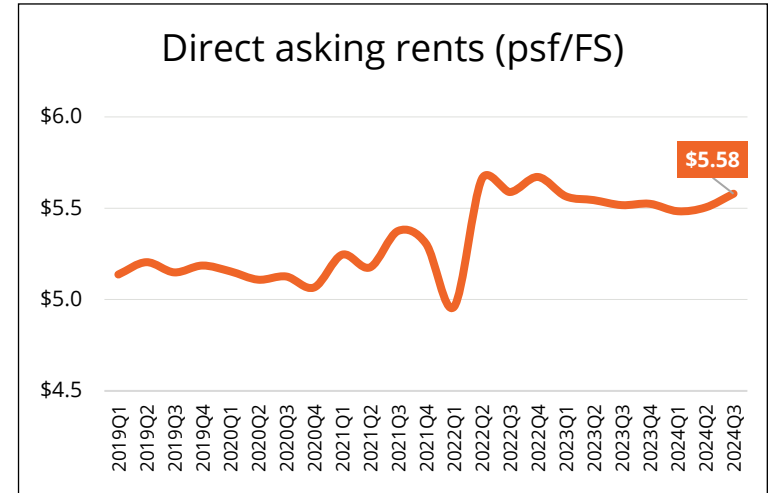
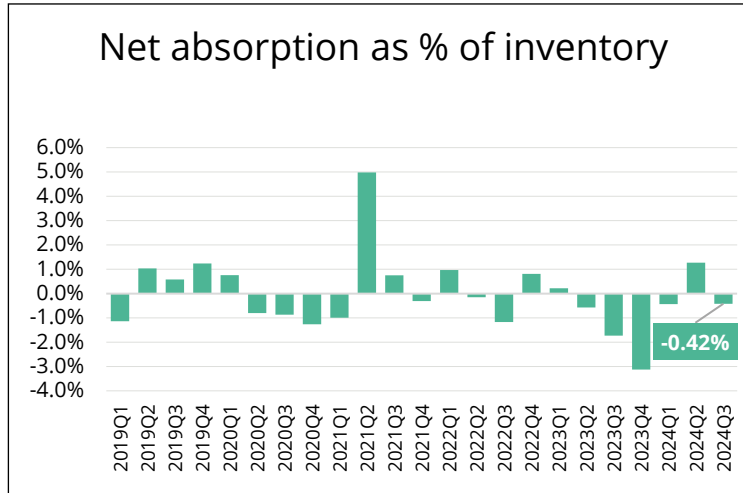
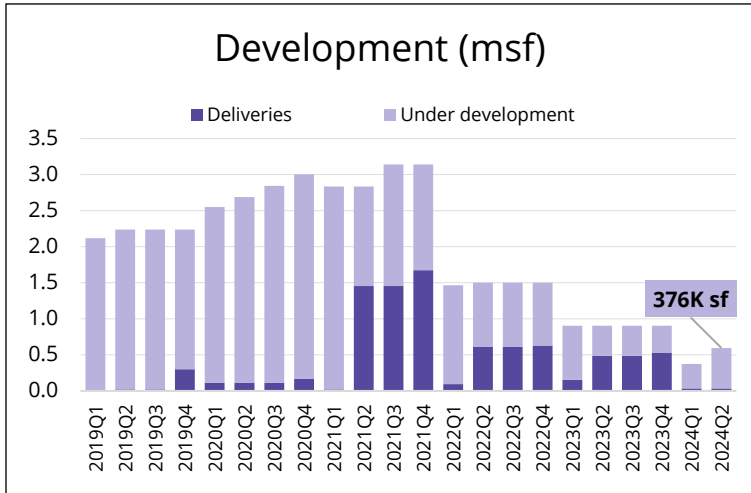
Avison Young's Busyness Index leverages mobility data from cellular devices to provide an accurate snapshot of office utilization recovery.

Silicon Valley's office visitation has shown a slight edge over the broader Bay Area, while the San Francisco Peninsula lags behind. Despite this, both markets continue to see a gradual and steady increase in office visitation, signaling a slow but positive trend in recovery.

Silicon Valley office market indicators



San Francisco Peninsula office market indicators



Appendix



Silicon Valley office market stats

	Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
Campbell	1,948,438	0	161,870	35.4%	9.3%	44.7%	-5,221	10,170	\$ 4.74	\$3.54	\$ 3.91
Central San Jose	387,483	0	0	6.8%	0.0%	6.8%	-2,576	-7,851	-	\$2.78	\$ 2.82
Cupertino	2,501,902	0	0	7.4%	0.7%	8.1%	-12,881	-28,879	\$ 5.32	\$4.36	\$ 4.51
Gilroy	148,268	0	0	2.8%	0.0%	2.8%	0	0	-	\$2.36	\$ 2.36
Los Altos	605,920	0	0	16.9%	0.5%	17.4%	-577	1,360	-	\$4.71	\$ 4.70
Los Gatos/Saratoga	1,350,273	0	0	6.7%	12.4%	19.2%	28,922	-6,477	-	\$3.80	\$ 3.82
Milpitas	3,938,990	0	0	9.5%	3.4%	12.9%	-153,040	-154,248	-	\$2.32	\$ 2.32
Morgan Hill	434,757	0	0	2.2%	0.0%	2.2%	9,689	-7,074	-	\$2.06	\$ 2.06
Mountain View	5,299,303	0	0	25.0%	25.2%	49.5%	-17,439	-106,678	\$ 4.78	\$4.73	\$ 4.67
Mountain View Downtown	1,380,810	0	0	33.0%	9.9%	42.9%	-12,571	29,919	\$ 8.57	\$7.07	\$ 7.73
Mountain View Shoreline	1,322,342	0	0	15.2%	0.0%	15.2%	-44,210	-44,210	\$ 5.44	-	\$ 5.44
Palo Alto	2,465,237	0	30,000	20.5%	14.7%	35.2%	-4,113	70,141	-	\$5.43	\$ 5.14
Palo Alto Downtown	1,635,396	0	0	13.0%	5.0%	18.0%	-18,066	9,288	\$ 10.57	\$9.23	\$ 9.45

Silicon Valley office market stats

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	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
Palo Alto Stanford Research Park	5,410,043	0	0	13.8%	8.0%	21.8%	-34,811	112,536	-	\$6.30	\$ 6.30
San Jose Downtown	12,743,792	115,395	0	26.4%	1.9%	28.2%	-97,378	137,326	\$ 5.16	\$4.05	\$ 4.70
San Jose IBP	388,713	0	0	13.8%	0.9%	14.7%	-1,094	-5,447	-	\$1.94	\$ 1.94
San Jose North	11,960,015	0	0	28.0%	5.2%	31.4%	193,742	-108,066	\$ 3.76	\$3.74	\$ 3.75
San Jose West	3,187,769	0	0	20.3%	1.6%	21.9%	107,436	-55,102	\$ 4.69	\$3.32	\$ 4.07
Santa Clara Marriott	7,159,359	0	0	31.0%	14.4%	45.4%	46,417	193,132	\$ 3.87	\$3.34	\$ 3.61
Santa Clara North	646,567	0	0	2.9%	0.0%	2.9%	5,029	189,845	-	\$2.57	\$ 2.57
Santa Clara South	7,952,271	0	0	7.5%	5.0%	11.5%	-96,173	42,898	\$ 4.16	\$2.95	\$ 3.52
South San Jose	1,257,051	0	0	3.9%	7.1%	11.0%	-6,612	-1,717	-	\$2.00	\$ 1.98
Sunnyvale	3,466,906	0	513,254	32.5%	2.2%	34.7%	55,001	-2,146	\$ 6.98	\$4.15	\$ 6.27
Sunnyvale Moffett Triangle	8,945,531	0	0	11.2%	9.5%	20.7%	21,615	-179,062	\$ 3.93	\$3.42	\$ 3.87
Sunnyvale Peery Park	5,400,889	0	0	6.9%	8.8%	15.7%	-242,400	-167,007	\$ 5.64	\$5.10	\$ 5.38
Market Total	91,938,025	115,395	705,124	19.4%	7.2%	26.3%	-281,311	-77,349	\$4.79	\$4.10	\$4.41

San Francisco Peninsula office market stats

	Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
Belmont	154,345	0	0	0.0%	0.0%	0.0%	0	0	-	-	-
Brisbane	643,901	0	0	17.9%	6.2%	24.1%	26,183	-116,270	-	-	-
Burlingame	2,992,343	185,000	0	12.7%	0.6%	13.2%	-134,779	50,316	-	\$4.11	\$4.11
Daly City	278,929	0	0	8.2%	0.0%	8.2%	0	-7,762	-	\$2.94	\$2.94
East Palo Alto	721,086	0	0	49.2%	0.0%	49.2%	-7,857	-7,857	\$7.79	\$7.79	\$7.79
Foster City	1,924,132	0	0	11.0%	6.7%	17.7%	-19,789	42,215	\$4.36	\$4.31	\$4.31
Menlo Park	3,524,941	0	0	14.4%	26.3%	40.6%	-49,230	-73,928	\$9.71	\$7.55	\$7.55
Millbrae	216,321	0	0	3.7%	0.0%	3.7%	1,100	157,694	-	\$3.00	\$3.00
Redwood City	7,007,419	0	376,050	26.3%	5.3%	31.6%	-28,450	-98,813	\$5.90	\$6.04	\$6.04

San Francisco Peninsula office market stats

	Inventory			Availability			Net absorption (sf)		Direct Asking Rent (FS psf/mo)		
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct	Sublet	Total	QTD	YTD	Class A	Class B	Total
San Bruno	407,706	0	0	9.5%	0.0%	9.5%	6,830	-14,573	-	\$4.46	\$4.46
San Carlos	398,017	0	0	43.6%	34.0%	71.1%	0	-6,446	\$5.87	\$5.64	\$5.64
San Mateo - Downtown	566,174	33,266	0	14.8%	0.8%	15.6%	26,495	17,385	-	\$5.66	\$5.66
San Mateo - East	973,545	0	0	3.6%	6.5%	10.1%	64,810	54,880	\$5.75	\$5.75	\$5.75
San Mateo - Hayward Park	1,814,164	0	0	25.5%	2.0%	27.5%	6,450	-40,594	\$4.10	\$4.03	\$4.03
San Mateo - South of 92	3,148,165	0	0	21.6%	4.1%	25.7%	-4,155	119,656	\$5.79	\$4.82	\$4.82
San Mateo - West	320,093	0	0	19.7%	5.4%	25.2%	5,512	32,117	\$5.87	\$5.26	\$5.26
South San Francisco - East of 101	467,365	0	0	15.9%	0.0%	15.9%	0	751	\$3.95	\$3.95	\$3.95
South San Francisco - West of 101	168,404	0	0	2.5%	0.0%	2.5%	0	3,024	-	\$2.41	\$2.41
Market Total	25,727,050	218,266	376,050	19.8%	7.2%	26.9%	-106,880	111,795	\$5.75	\$5.46	\$5.58

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

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