

	YoY Chg	12-Mo. Forecast
13.0% Vacancy Rate	▲	▲
-1.1MSF Net Absorption, SF	▼	▲
\$3.01 Asking Rent, PSF <i>Overall, Net Asking Rent</i>	▼	▼

Unemployment Rate Increases

Technology companies, whether Big Tech or startups, continue to right-size both their headcount and their footprint in Silicon Valley in the second quarter of 2024. For the San Jose MSA, the unemployment rate was up 90 basis points (bps) year-over-year (YOY) finishing at 4.2% in the second quarter. Despite the increase in unemployment, jobs grew by 4,700 YOY. Venture capital funding into Santa Clara County-based companies was \$2.9 billion (B) in 195 deals for the second quarter of 2024, down from \$4.7B in 231 deals in the first quarter. The largest deal was a \$250 million (M) early-stage round to computer chip maker Rivos of Santa Clara followed by a \$227M early-stage round to artificial intelligence company Augment of Palo Alto.

Vacancy Increases

For the sixth consecutive quarter, Silicon Valley's (the Valley) R&D vacancy rate increased, coming in at 13.0%. This is the highest figure recorded since the first quarter of 2014. The current vacancy rate translates to 21.2 million square feet (msf) of vacant space throughout the Valley, of which 26.8% (5.7 msf) is sublet space, a slight increase from 26.5% in the first quarter. For comparison, sublet space in the office sector currently comprises 33.0% of all available space. The biggest sublease space added in the second quarter was at 5521 Hellyer totaling 204,000 sf.

Asking Rents Drop

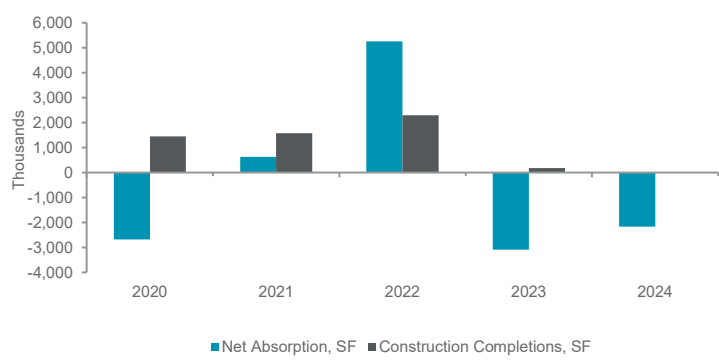
Overall asking rents finished the second quarter at \$3.01 per square foot (psf) on a triple net basis. This is a 5.9% decrease from one year ago, and the lowest asking rate since the second quarter of 2022. The southern peninsula cities of Palo Alto, Mountain View, and Menlo Park recorded the highest rents with second quarter numbers at \$5.25 psf, \$4.90 psf and \$3.83 psf, respectively.

ECONOMIC INDICATORS Q2 2024

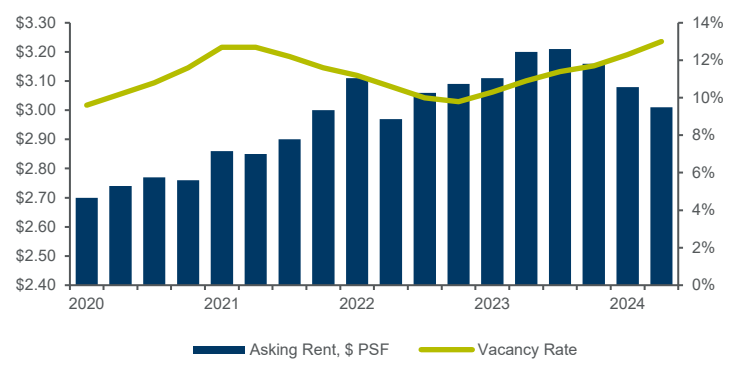
	YoY Chg	12-Mo. Forecast
1.16M San Jose MSA Employment	▲	▲
4.2% San Jose MSA Unemployment Rate	▲	▼
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics
2024Q2 data are based on latest available data

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Santa Clara Leads Leasing and Sale Activity

Total deals decreased slightly in the second quarter, recording 2.0 msf of gross absorption (the total amount of combined leasing and user-sale activity). There were 24 deals over 20,000 sf in the Valley, compared with 21 last quarter, and 11 of those were renewals. The city with the most gross absorption in the second quarter was Santa Clara, due to Sutter Bay Medical Foundation leasing just under 328,000 sf on Mission College Boulevard. Sales volume was strong this quarter, with five transactions over \$10 million. Santa Clara also had the most sale activity, driven by Nvidia’s purchase of eight buildings they were already occupying.

Net Occupancy Remains in the Red

Silicon Valley occupancy landed in the red for the sixth quarter in a row, coming in at a negative 1.1 msf in the second quarter. However, this figure remains largely unchanged from one year ago. The submarket with the lowest second quarter net absorption was Mountain View at negative 299,000 sf, due to both the lack of leasing activity and an increase in space recently vacated.

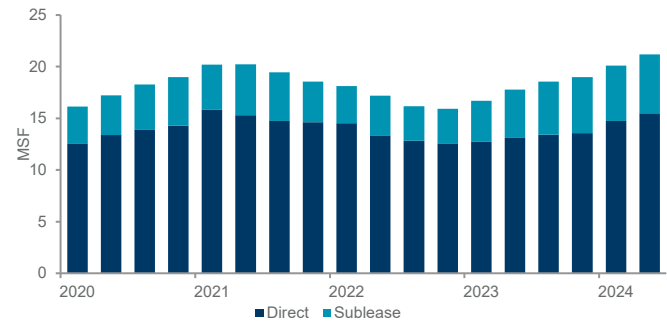
One Big Project

There is one large owner-user project under construction at 950 Kifer Road in Sunnyvale. Intuitive Surgical is expanding into a 1.2 msf campus, expecting completion at the end of the year. The trend towards build-to-suit projects in the R&D sector suggest that only established tenants, possibly with custom build-outs, are the ones that will be driving new R&D construction in the Valley.

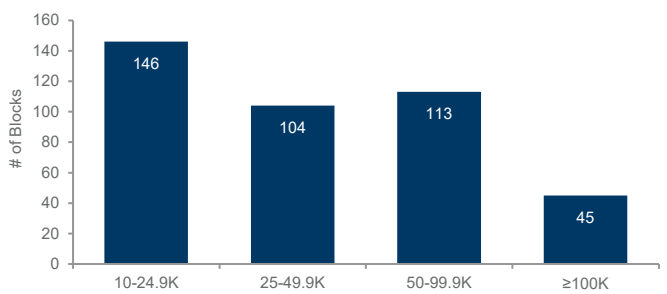
Outlook

- Tenant requirements increased 12.8% from 6.1 msf in the first quarter to 6.8 msf in the second quarter, showing interest remains healthy. Despite their mass layoffs over the past two years, technology companies represent 65.3% of those requirements and will always be prominent in the Valley.
- Tenants will continue to search for the best quality space to offer their employees. Commodity buildings will still see leasing activity, though deals will be smaller in scale.
- With vacancy rates rising each quarter, landlords will need to compete with their asking rents and offer concessions to attract tenants.

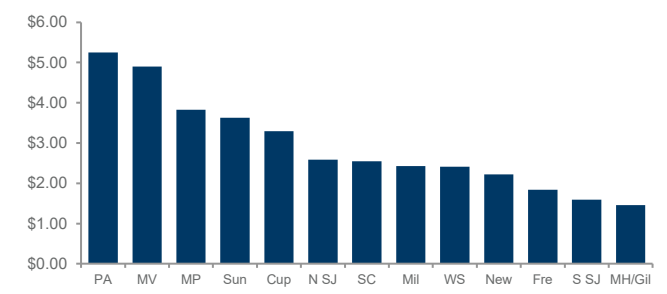
DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



BLOCKS OF CONTIGUOUS SPACE



ASKING RENT COMPARISON



MARKETBEAT

Silicon Valley

R&D Q2 2024



MARKET STATISTICS

SUBMARKET	INVENTORY	SUBLET VACANT (SF)	DIRECT VACANT (SF)	VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONST (SF)	OVERALL AVG ASKING RENT*
Menlo Park	2,512,410	65,839	64,536	5.2%	-15,105	-19,895	49,637	0	\$3.83
Palo Alto	8,764,423	633,634	437,701	12.2%	114,088	157,681	147,198	0	\$5.25
Mountain View	16,195,053	810,295	1,813,797	16.2%	-298,921	-227,540	228,117	0	\$4.90
Cupertino	5,723,435	0	35,850	0.6%	-18,000	-18,000	0	0	\$3.29
Westside	2,243,488	73,409	162,931	10.5%	5,143	-24,507	23,902	0	\$2.41
Sunnyvale	24,191,790	810,954	2,249,859	12.7%	-128,510	-877,822	709,751	1,211,000	\$3.63
Santa Clara	21,575,416	242,658	3,570,881	17.7%	-175,875	-331,863	1,731,098	0	\$2.55
North San Jose	35,206,514	1,547,960	3,442,736	14.2%	-131,604	-159,422	411,588	0	\$2.59
South San Jose	9,450,700	515,928	1,000,226	16.0%	-201,410	-288,375	141,992	0	\$1.59
Milpitas	12,160,295	299,543	1,312,174	13.3%	-51,316	-71,617	138,050	0	\$2.43
Fremont	18,811,274	623,715	732,009	7.2%	-140,457	-230,727	634,634	0	\$1.84
Newark	2,331,550	52,000	367,553	18.0%	-7,621	-29,729	72,080	0	\$2.22
Morgan Hill/Gilroy	3,631,516	5,018	307,133	8.6%	-20,126	-39,683	0	0	\$1.46
TOTALS	162,797,864	5,680,953	15,497,386	13.0%	-1,069,714	-2,161,499	4,288,047	1,211,000	\$3.01

*Rental rates reflect triple net asking

*Market indicators are not reflective of US MarketBeat tables

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	LANDLORD	SF	TYPE
2431-2465 Mission College Blvd	Santa Clara	Sutter Bay Medical Foundation	Sobrato	327,929	New Lease
3325 Scott Blvd	Santa Clara	Applied Materials	Clarion Partners	157,729	Renewal
1140-1154 E Arques Ave	Sunnyvale	Applied Materials	Christensen Holdings	128,154	Renewal
3960 N First St	North San Jose	Figure AI	EQT Exeter	98,674	New Lease
5480 Great America Pkwy	Santa Clara	Verb Surgical	Deutsche Bank AG	91,932	New Lease

KEY SALES TRANSACTIONS Q2 2024

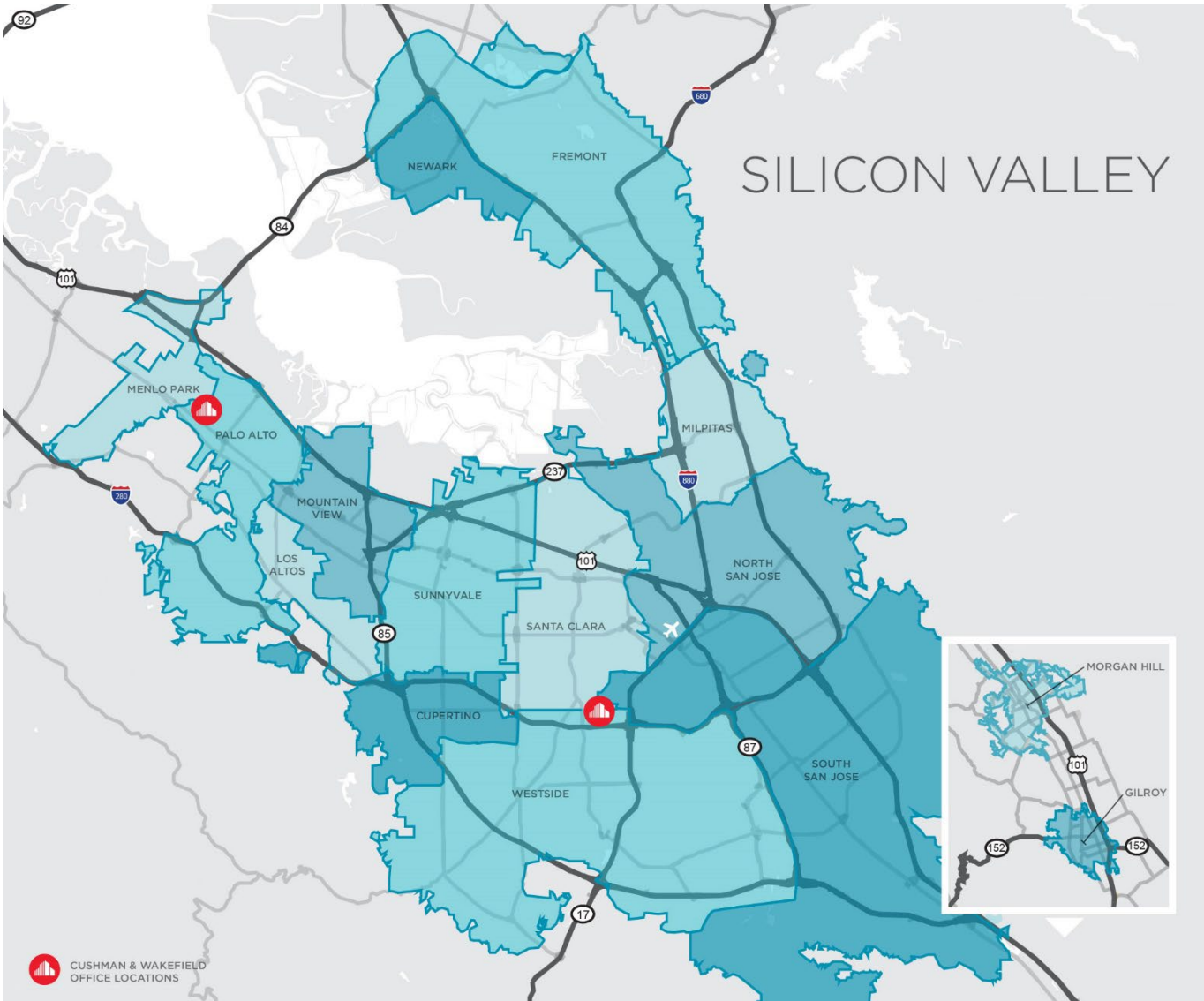
PROPERTY	SUBMARKET	BUYER	SELLER	SF	PRICE \$/PSF
Central Expy, Scott Blvd, & Walsh Ave	Santa Clara	Nvidia	Preylock Holdings	626,233	\$374.3.0M / \$598
Sunnyvale Park Place	Sunnyvale	Tidewater / Lennar	Hines	431,490	\$100.8M / \$234
Rincon Centre	North San Jose	Blue Owl	Machine Investment Group	90,871	\$35.5M / \$391
Oakmead Business Park	Santa Clara	Acer	American National Insurance	45,896	\$13.9M / \$302
1213 Elko Dr	Sunnyvale	DR Stephens	GSI Technologies	44,277	\$11.7M / \$263

Silicon Valley

R&D Q2 2024



R&D SUBMARKETS



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