



Colliers

Silicon Valley

Market Report

24Q2

Silicon Valley's office and R&D sector continue to see occupancy losses in the second quarter while market wide average asking rents remain stable. Industrial and warehouse new shell deliveries outpace tenant demand creating an uptick in availability rates.

Accelerating success.



Silicon Valley

Office

24Q2

Key Takeaways

- Availability registered at 20.0%, a 230 basis point increase from the same period last year with varied performance across submarkets.
- Net absorption totaled negative 1.4M SF due to continued tenant right-sizing.
- Market wide average asking rents totaled \$5.30 PSF Full Service, down 2.2% YOY



Availability Rises with Certain Submarkets Leading the Way

In the second quarter, Silicon Valley's office market saw notable shifts across several key metrics. Office availability increased to 20.0%, up 40 basis points from the previous quarter and 230 basis points year over year. Despite this, average asking rents held steady at \$5.30 per square foot Full Service. While net absorption remained negative due to continued tenant right-sizing, several notable leases took place in Santa Clara and San Jose. Venture capital funding for the Silicon Valley experienced a 25.4% increase in funding from the same period last year and simultaneously saw a 12.9% decrease in deal count, suggesting that securing funding has become increasingly difficult, but not impossible.

Market Indicators

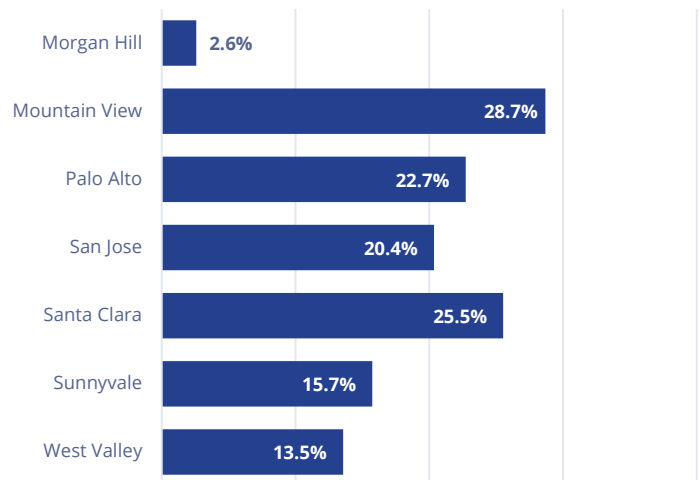


Historic Comparison

	23Q2	24Q1	24Q2
Total Inventory (in Thousands of SF)	121,482.1	123,065.7	123,290.3
New Supply (in Thousands of SF)	1,144.3	1,429.3	166.0
Net Absorption (in Thousands of SF)	-656.3	-1,312.8	-1,370.3
Overall Vacancy	14.6%	15.7%	16.5%
Under Construction (in Thousands of SF)	5,087.9	3,602.3	2,348.2
Overall Asking Lease Rates (FS)	\$5.42	\$5.35	\$5.30

Market Graph

Availability Rates Select Silicon Valley Cities



Mountain View led availability in select cities with a 28.7% rate, followed by Santa Clara which measured 25.5% in availability.

Source: Colliers

Recent Transactions



Renewal

3325 Scott Boulevard
Santa Clara | 155k SF



New Lease

3155 Olsen Drive
San Jose | 141k SF



Renewal

1140 Arques Avenue
Sunnyvale | 128k SF



Renewal

525 University Avenue
Palo Alto | 59k SF



Sale

2001-2890 Central
Expressway
Santa Clara | \$599 PSF

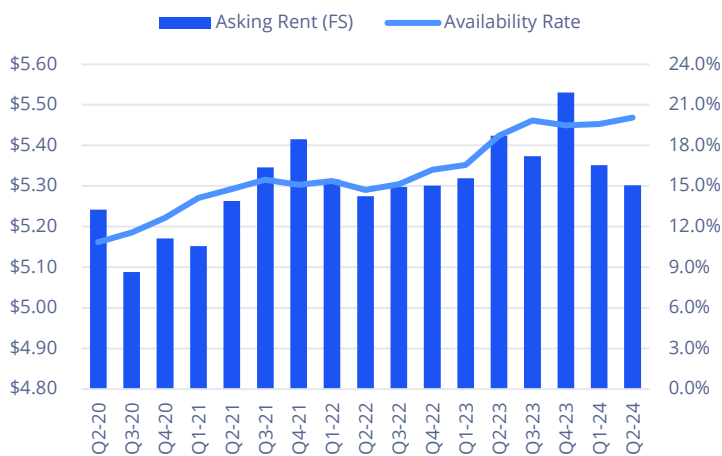


Sale

43800 Osgood Road
Fremont | \$248 PSF

Rents and Availability

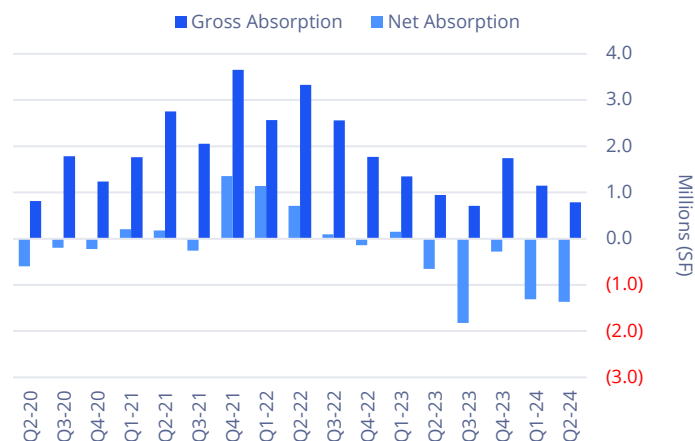
In the second quarter, office availability in the Silicon Valley rose to 20.0%, up 230 basis points year-over-year. Combined with diminished leasing activity, performance varied across submarkets, with the Campbell/Los Gatos submarket seeing a 320 basis point increase quarter-over-quarter due to the completion of 1700 Dell Avenue, which added roughly 166,000 square feet of Class A office space. Average asking rents continued to soften across the Silicon Valley, declining by 2.2% year over year to \$5.30 per square foot Full Service. Considering the elevated levels of availability, we can expect asking rents to continue to fall alongside effective deal rents.



Source: Colliers

Absorption

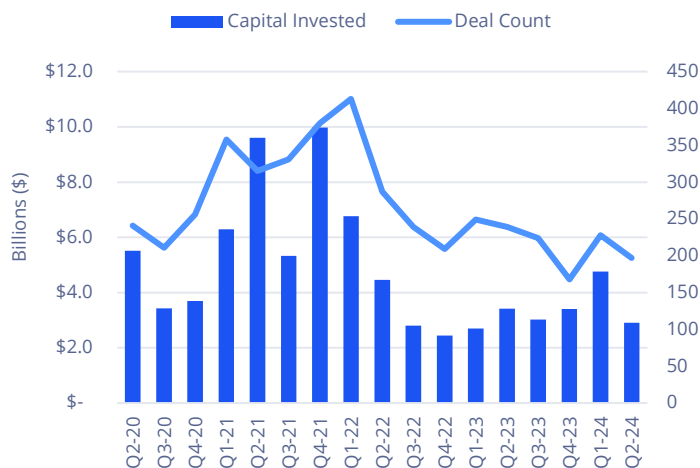
For the fifth quarter in a row, net absorption, or a measure of changes in occupancy, continued to trend negative in the second quarter of the year. The negative trend was largely a result of tenants downsizing, vacating from their current office space, or optimizing their space requirements. Meanwhile, gross absorption, which accounts for non-renewal leases and owner-user sales, reached 787,952 square feet, a notable decline from the previous quarter's 1.1 million square feet. Despite a decline in office demand, signs of life were still evident in Class A office sector; in Santa Clara, Applied Materials renewed their 155,000-square-foot office space at 3325 Scott Boulevard and in San Jose, PwC leased 141,000 square feet at Santana West, a never-occupied new development that completed in 2021.



Source: Colliers

VC Funding

Venture capital funding for Silicon Valley experienced a 25.4% increase in funding from the same period last year, totaling roughly \$7.7 billion in capital invested for the first two quarters of the year. Funding count, however, decreased by 12.9% year over year to 425 deals, suggesting that although the funds being disbursed are larger, securing funding has become increasingly difficult, but not impossible. Companies continue to push innovation in the region as high interest rates continue to disrupt the industry. Despite the decline seen in the number of companies being funded, companies like NVIDIA that continue to invest in the region will likely spur the growth of the venture capital invested in the local market and in turn, boost the amount of leasing opportunities for VC-backed companies.



Source: PitchBook

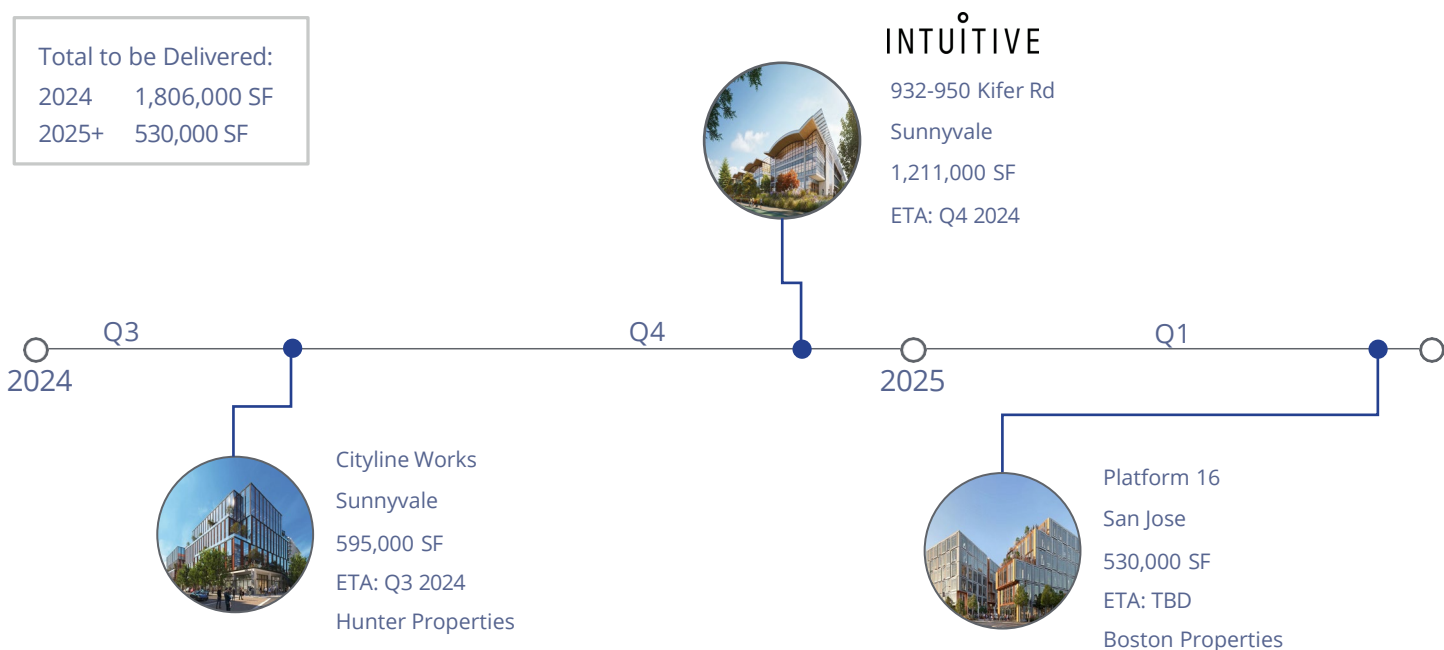
Top Leases

Tenant	Address	Size (SF)	Lease Type
Applied Materials, Inc	3325 Scott Boulevard, Santa Clara	154,841	Renewal
PwC	3155 Olsen Drive, San Jose	141,023	Direct
Applied Materials, Inc	1140 E Arques Avenue, Sunnyvale	128,154	Renewal
Skadden, Arps, Slate, Meagher & Flom LLP	525 University Avenue, Palo Alto	58,671	Renewal
Alternative Energy Systems Consulting, Inc.	2350 Mission College Boulevard, Santa Clara	20,133	Direct

Top Sales

Buyer	Address	Size (SF)	Price PSF
NVIDIA	2001-2890 Central Expressway, Santa Clara	624,863	\$599
Sterling Organization	43800 Osgood Road, Fremont	143,795	\$248
Acer America	3250 Olcott Street, Santa Clara	45,896	\$302
JEMCOR Development Partners	970 W Julian Street, San Jose	10,800	\$408
Sant Clara University	2851 Park Avenue, Santa Clara	8,000	\$550

Development Pipeline



Submarket / Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FS)
Campbell / Los Gatos											
A	2,094,941	25.4%	18.3%	43.7%	25.4%	17.7%	(33,261)	(54,592)	-	165,987	\$4.78
B	2,424,014	15.1%	1.0%	16.2%	14.9%	14.3%	(29,516)	(50,177)	-	-	\$3.79
C	299,625	7.9%	-	7.9%	7.7%	7.7%	-	5,369	-	-	\$3.11
Total	4,818,580	19.1%	8.5%	27.6%	19.0%	15.3%	(62,777)	(99,400)	-	165,987	\$4.29
Cupertino / Saratoga											
A	4,417,518	1.9%	0.1%	2.0%	2.0%	1.9%	(6,205)	(6,205)	-	-	\$5.23
B	2,899,950	8.3%	0.2%	8.5%	8.1%	7.1%	(29,449)	(69,751)	-	-	\$4.64
C	191,996	5.4%	-	5.4%	5.4%	5.4%	-	(2,231)	-	-	\$3.46
Total	7,509,464	4.5%	0.1%	4.6%	4.4%	4.0%	(35,654)	(78,187)	-	-	\$4.73
Fremont / Milpitas											
A	1,299,442	17.6%	-	17.6%	17.6%	16.7%	(12,723)	(17,786)	-	-	\$3.25
B	1,939,930	11.1%	0.0%	11.1%	11.1%	10.6%	1,453	(7,912)	-	-	\$2.51
C	569,178	0.3%	-	0.3%	0.3%	2.8%	2,628	2,628	-	-	-
Total	3,808,550	11.7%	0.0%	11.7%	11.7%	11.5%	(8,642)	(23,070)	-	-	\$2.87
Gilroy / Morgan Hill											
A	418,283	4.6%	-	4.6%	4.6%	1.2%	(14,388)	(16,600)	-	-	\$3.27
B	489,996	3.2%	-	3.2%	0.6%	-	-	-	-	-	\$2.92
C	271,045	3.1%	-	3.1%	2.3%	2.3%	-	-	-	-	-
Total	1,179,324	3.7%	-	3.7%	2.4%	0.9%	(14,388)	(16,600)	-	-	\$3.13
Los Altos											
A	357,331	13.1%	2.0%	15.1%	13.1%	11.4%	(6,270)	(21,668)	-	-	\$7.00
B	487,643	17.3%	0.8%	18.1%	17.8%	14.4%	(16,864)	(40,425)	-	-	\$5.33
C	376,886	8.3%	-	8.3%	8.3%	7.5%	(3,043)	(2,235)	-	-	\$7.35
Total	1,221,860	13.3%	0.9%	14.2%	13.5%	11.4%	(26,177)	(64,328)	-	-	\$6.19
Mountain View											
A	8,391,176	12.4%	13.9%	26.4%	17.8%	17.3%	(42,468)	(157,532)	12,050	-	\$8.02
B	1,554,966	42.5%	1.2%	43.7%	42.3%	40.9%	(48,473)	(511,636)	-	-	\$5.59
C	434,907	16.7%	2.8%	19.5%	17.2%	10.0%	(43,763)	(51,063)	-	-	\$3.79
Total	10,381,049	17.1%	11.6%	28.7%	21.4%	20.5%	(134,704)	(720,231)	12,050	-	\$6.96
Palo Alto											
A	7,236,506	17.0%	14.3%	31.3%	18.7%	17.4%	(130,725)	(176,669)	-	-	\$9.51
B	4,647,131	12.0%	2.7%	14.7%	13.9%	12.9%	(45,042)	(100,807)	-	-	\$7.89
C	1,962,873	7.4%	2.6%	10.0%	7.7%	7.1%	(11,872)	(15,605)	-	-	\$9.59
Total	13,846,510	14.0%	8.7%	22.7%	15.5%	14.4%	(187,639)	(293,081)	-	-	\$9.04
San Jose											
A	21,669,781	23.7%	4.5%	28.2%	25.2%	25.4%	(274,774)	(291,614)	530,000	72,235	\$4.80
B	14,031,033	10.8%	0.6%	11.4%	10.8%	10.5%	(65,156)	(110,999)	-	-	\$3.70
C	3,848,674	8.4%	0.3%	8.7%	8.1%	8.5%	10,455	5,868	-	-	\$3.00
Total	39,549,488	17.6%	2.7%	20.4%	18.5%	18.5%	(329,475)	(396,745)	530,000	72,235	\$4.52
Santa Clara											
A	12,426,239	17.7%	10.0%	27.8%	22.0%	20.7%	(197,620)	3,262	-	-	\$4.70
B	5,129,567	19.7%	1.5%	21.2%	16.6%	13.0%	(189,459)	(226,972)	-	-	\$3.65
C	362,771	9.7%	-	9.7%	9.7%	3.0%	(24,336)	(26,348)	-	-	\$2.55
Total	17,918,577	18.1%	7.4%	25.5%	20.2%	18.2%	(411,415)	(250,058)	-	-	\$4.39
Sunnyvale											
A	20,847,693	9.0%	6.7%	15.7%	13.3%	12.9%	(159,196)	(760,984)	1,806,162	1,357,078	\$5.57
B	1,789,787	19.2%	-	19.2%	19.2%	19.6%	2,190	26,706	-	-	\$4.35
C	419,377	1.6%	-	1.6%	1.6%	1.1%	(2,160)	(6,840)	-	-	\$2.85
Total	23,056,857	9.7%	6.1%	15.7%	13.5%	13.2%	(159,166)	(741,118)	1,806,162	1,357,078	\$5.39
Silicon Valley Totals											
A	79,158,910	15.7%	7.9%	23.5%	18.6%	17.9%	(877,630)	(1,500,388)	2,348,212	1,595,300	\$5.63
B	35,394,017	14.1%	1.0%	15.1%	13.9%	12.9%	(420,316)	(1,091,973)	-	-	\$4.50
C	8,737,332	7.5%	0.8%	8.4%	7.4%	7.0%	(72,091)	(90,457)	-	-	\$4.74
Total	123,290,259	14.7%	5.4%	20.0%	16.5%	15.7%	(1,370,037)	(2,682,818)	2,348,212	1,595,300	\$5.30
Silicon Valley Quarterly Comparison and Totals											
24Q2	123,290,259	14.7%	5.4%	20.0%	16.5%	15.7%	(1,370,037)	(2,682,818)	2,348,212	1,595,300	\$5.30
24Q1	123,065,700	14.1%	5.5%	19.6%	15.7%	14.0%	(1,312,781)	(1,312,781)	3,602,343	1,429,313	\$5.35
23Q4	121,699,058	13.4%	6.1%	19.5%	14.0%	15.0%	(280,776)	(2,611,640)	4,774,201	1,558,302	\$5.53

FOR MORE INFORMATION

Shane Minnis, LEED AP
Vice President
Silicon Valley
+1 408 282 3901
Shane.Minnis@colliers.com

Copyright © 2024 Colliers

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Silicon Valley

R&D

24Q2

Key Takeaways

- Net absorption continued to trend negative for the fifth consecutive quarter recorded 1.4M SF of occupancy losses.
- Availability rate rose to 11.6% in the second quarter, with Los Gatos and Mountain View recording the highest availability rates.
- Market wide average asking rents totaled \$3.04 PSF NNN, up 3.4% YOY.



Steady Rents and Investment Activity Indicate a Positive Outlook

Despite headwinds, the Silicon Valley R&D market showed resilience and signs of life in the second quarter of 2024. Gross absorption remained stable from the previous quarter at 998,544 square feet, with significant transactions in Santa Clara and San Jose contributing to occupancy gains. Although availability rates rose to 11.6%, with Mountain View recording one of the highest availability rates, asking rents held steady, with Palo Alto leading at \$5.76 per square foot NNN. The sublease market remained stable with a 2.8% availability rate. The Silicon Valley saw NVIDIA solidify their presence in the region with the purchase of 8 buildings totaling 625,000 square feet in an all-cash transaction. Overall, despite economic uncertainty, the market's stable rents and renewed investment activity indicate a positive outlook for future growth and development in Silicon Valley's R&D sector.

Market Indicators

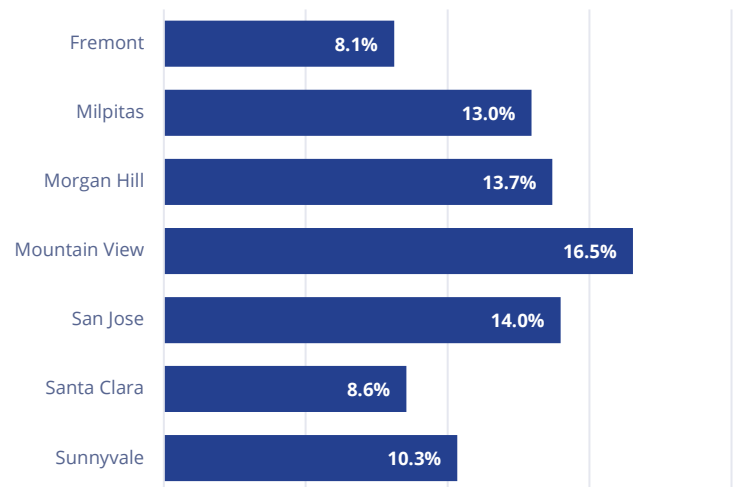


Historic Comparison

	23Q2	24Q1	24Q2
Total Inventory (in Thousands of SF)	136,059.7	135,885.8	135,798.2
New Supply (in Thousands of SF)	-	-	-
Net Absorption (in Thousands of SF)	621.0	-1,661.2	-1,374.1
Overall Vacancy	8.1%	8.9%	9.7%
Under Construction (in Thousands of SF)	-	-	-
Overall Asking Lease Rates (FS)	\$2.94	\$3.02	\$3.04

Market Graph

Availability Rates Select Silicon Valley Cities



Mountain View led availability in select cities with a 16.5% rate, followed by San Jose which measured 14.0% in availability.

Source: Colliers

Recent Transactions



New Lease
2421-2451 Mission College Boulevard
Santa Clara | 328k SF



New Lease
3960 N 1st Street
San Jose | 99k SF



New Lease
2800 Bayview Drive
Fremont | 60k SF



Renewal
920 De Guigne Drive
Sunnyvale | 58k SF



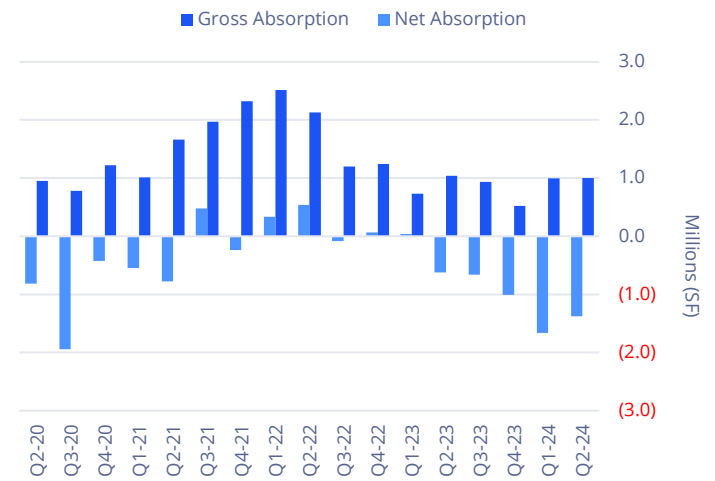
Sale
2001-2890 Central Expressway
Santa Clara | \$599 PSF



Sale
920-960 Stewart Drive
Sunnyvale | \$234 PSF

Absorption

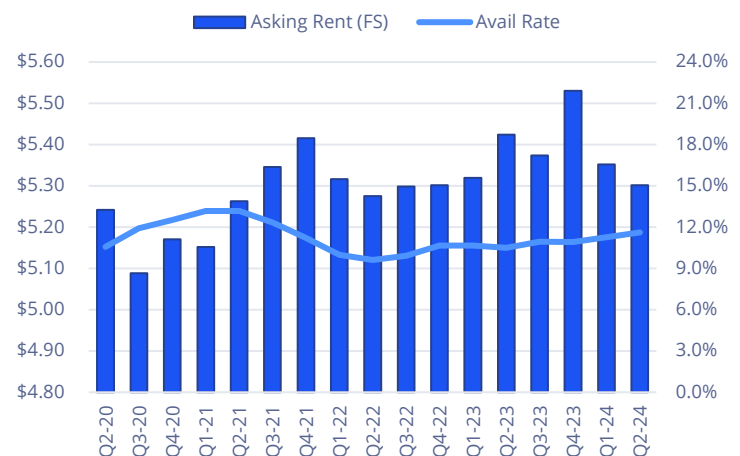
Net absorption continued to trend negative for the fifth consecutive quarter with Mountain View and Milpitas being the largest contributors to occupancy losses. While net absorption continued to trend downward, gross absorption reached 998,544 square feet, remaining stable from the previous quarter, and declining 3.8% year-over-year. While there was not a notable shift in demand, the Silicon Valley saw some noteworthy transactions in the second quarter with the top two transactions making up 42.7% of all gross activity in the second quarter. In Santa Clara, Sutter Bay Medical Foundation leased three buildings totaling 328,000 square feet at 2421-2451 Mission College Boulevard and in San Jose, Figure.ai leased 99,000 square feet at 3960 N 1st Street.



Source: Colliers

Availability

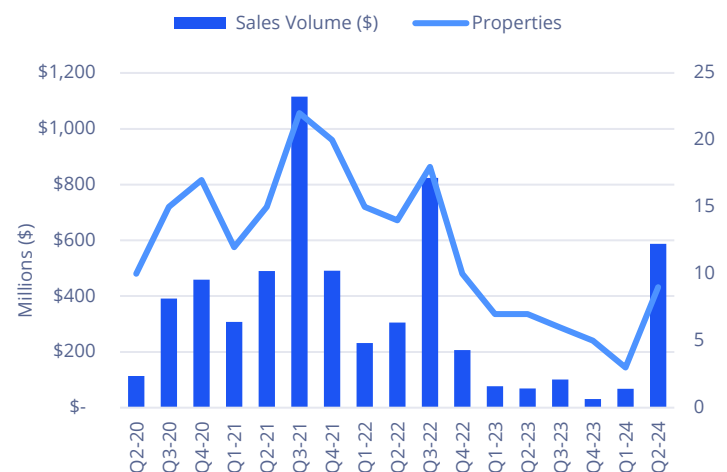
Silicon Valley availability rate rose to 11.6% in the second quarter, up 30 basis points from the previous quarter and 110 basis points year-over-year. Los Gatos and Mountain View recorded the highest availability rates at 32.2% and 16.2%, respectively. Despite the elevated levels of availability, asking rents held up remained stable, with Palo Alto and Mountain View recording the highest average asking rents at \$5.76 per square foot NNN and \$4.66 per square foot NNN, respectively. The Silicon Valley sublease market remained flat in the second quarter, maintaining a sublease availability rate of 2.8%, or 3.8 million square feet. The largest sublease to become available this quarter was Velodyne Lidar's 204,000-square-foot building at 5521 Hellyer Avenue in San Jose, however, the needle did not move due to a handful of sublease transactions in Mountain View and Fremont.



Source: Colliers

Sales

In Q2, the commercial real estate market witnessed significant sales activity, with the top five sales transactions totaling 1.8 million square feet reflecting continued confidence. The most notable deal was NVIDIA's acquisition of eight buildings spanning 625,000 square feet in an all-cash deal. This transaction set a new benchmark at \$599 per square foot, marking a substantial increase of \$214 per square foot from their purchase price in 2017. NVIDIA, an occupant since 1998, is considering redevelopment of these properties into advanced research and office facilities. In Sunnyvale, Tidewater Capital purchased 431,000 square feet at 920-960 Stewart Drive in an investment sale with a purchase price of \$234 per square foot. As investment sales continue to shape the landscape, these developments highlight a pivotal quarter in commercial real estate, driven by transformative transactions and strategic reinvestment efforts.



Source: MSCI

Top Leases

Tenant	Address	Size (SF)	Lease Type
Sutter Bay Medical Foundation	2421-2451 Mission College Boulevard, Santa Clara	327,929	Direct
Figure AI	3960 N 1 st Street, San Jose	98,674	Direct
Pebble Mobility, Inc.	2800 Bayview Drive, Fremont	59,736	Direct
Illumio, Inc.	920 De Guigne Drive, Sunnyvale	58,169	Renewal
Picarro	3105 Patrick Henry Drive, Santa Clara	55,944	Renewal

Top Sales

Buyer	Address	Size (SF)	Price PSF
NVIDIA	2001-2890 Central Expressway, Santa Clara	624,863	\$599
Tidewater Capital	920-960 Stewart Drive, Sunnyvale	431,095	\$234
DRA Advisors	41444-41786 Christy Street, Fremont	344,000	\$235
DRA Advisors	3301-3521 Leonard Court, Santa Clara	178,674	\$409
East West Bank	3100 N 1 st Street, San Jose	99,424	N/A



Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Campbell											
R&D	1,360,122	13.1%	-	13.1%	11.8%	9.6%	(29,650)	(41,458)	-	-	\$2.37
IND	934,404	0.6%	0.5%	1.2%	0.8%	3.1%	7,548	(1,996)	-	-	-
WSE	110,016	-	-	-	-	-	-	-	-	-	-
TOTAL	2,404,542	7.6%	0.2%	7.8%	7.0%	6.7%	(22,102)	(43,454)	-	-	\$2.37
Cupertino											
R&D	3,124,581	1.7%	-	1.7%	1.7%	1.7%	-	-	-	-	\$3.18
IND	-	-	-	-	-	-	-	-	-	-	-
WSE	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,124,581	1.7%	-	1.7%	1.7%	1.7%	-	-	-	-	\$3.18
Fremont											
R&D	21,073,024	4.6%	3.5%	8.1%	5.4%	4.7%	(263,802)	(367,648)	-	-	\$2.59
IND	10,217,158	4.7%	3.7%	8.4%	6.0%	5.6%	(104,519)	(281,422)	267,099	-	\$1.81
WSE	12,200,577	4.2%	-	4.2%	4.2%	4.3%	(86,892)	(348,134)	395,125	-	\$1.57
TOTAL	43,490,759	4.5%	2.6%	7.1%	5.2%	4.8%	(455,213)	(997,204)	662,224	-	\$2.12
Gilroy											
R&D	378,092	11.3%	3.6%	14.9%	11.3%	11.3%	-	(13,608)	-	-	\$1.25
IND	2,359,626	17.9%	-	17.9%	17.8%	0.8%	(26,880)	(30,880)	-	382,565	-
WSE	4,011,181	-	-	-	-	-	-	-	-	-	-
TOTAL	6,748,899	6.9%	0.2%	7.1%	6.8%	0.9%	(26,880)	(44,488)	-	382,565	\$1.25
Los Gatos											
R&D	330,346	10.0%	22.2%	32.2%	10.0%	10.0%	-	-	-	-	\$2.52
IND	60,936	-	-	-	-	-	-	-	-	-	-
WSE	16,000	-	-	-	-	-	-	-	-	-	-
TOTAL	407,282	8.1%	18.0%	26.2%	8.1%	8.1%	-	-	-	-	\$2.52
Milpitas											
R&D	13,438,233	10.6%	2.4%	13.0%	10.9%	8.6%	(326,507)	(460,319)	-	-	\$2.29
IND	2,782,175	2.5%	1.4%	3.9%	2.0%	2.1%	5,023	1,198	-	-	\$1.52
WSE	5,850,458	4.6%	-	4.6%	3.4%	2.0%	(116,638)	(116,638)	-	-	\$1.46
TOTAL	22,070,866	8.0%	1.6%	9.6%	7.8%	6.0%	(438,122)	(575,759)	-	-	\$2.10
Morgan Hill											
R&D	2,921,625	13.7%	-	13.7%	13.7%	13.7%	(120,000)	(120,610)	-	-	\$1.48
IND	3,494,410	25.1%	-	25.1%	24.8%	12.9%	21,962	6,090	-	501,305	\$1.39
WSE	1,199,652	0.9%	-	0.9%	-	0.3%	-	-	-	-	-
TOTAL	7,615,687	16.9%	-	16.9%	16.6%	11.1%	(98,038)	(114,520)	-	501,305	\$1.41
Mountain View											
R&D	11,916,937	11.4%	4.8%	16.2%	15.4%	11.9%	(438,181)	(932,861)	-	-	\$4.66
IND	1,530,688	5.0%	1.2%	6.2%	5.0%	5.4%	(10,745)	(21,503)	-	-	\$2.67
WSE	40,140	-	-	-	-	-	-	-	-	-	-
TOTAL	13,487,765	10.7%	4.4%	15.0%	14.2%	11.2%	(448,926)	(954,364)	-	-	\$4.58
Palo Alto											
R&D	5,864,433	9.9%	1.4%	11.3%	10.3%	8.8%	(121,392)	(114,538)	-	-	\$5.76
IND	1,145,407	6.2%	1.0%	7.2%	7.2%	7.2%	-	-	-	-	\$3.17
WSE	83,994	-	-	-	-	-	-	-	-	-	-
TOTAL	7,093,834	9.2%	1.3%	10.5%	9.7%	8.5%	(121,392)	(114,538)	-	-	\$5.49
San Jose											
R&D	39,214,261	9.6%	4.4%	14.0%	11.0%	10.8%	(159,381)	(745,921)	-	-	\$2.48
IND	24,338,082	2.5%	0.5%	3.0%	2.2%	1.8%	(91,452)	(110,171)	-	-	\$1.44
WSE	17,670,275	3.9%	1.9%	5.8%	3.7%	3.8%	(14,660)	(24,982)	765,458	-	\$1.23
TOTAL	81,222,618	6.2%	2.7%	8.9%	6.8%	6.6%	(265,493)	(881,074)	765,458	-	\$2.23
Santa Clara											
R&D	18,476,759	8.3%	0.2%	8.6%	8.0%	8.8%	212,869	72,768	-	-	\$2.41
IND	11,133,247	2.2%	0.4%	2.6%	2.6%	2.3%	(33,014)	(71,882)	-	-	\$1.99
WSE	3,444,725	2.7%	0.6%	3.3%	3.3%	3.3%	-	16,434	-	-	\$1.21
TOTAL	33,054,731	5.7%	0.3%	6.0%	5.7%	6.1%	179,855	17,320	-	-	\$2.31
Sunnyvale											
R&D	17,699,831	9.0%	1.4%	10.3%	9.1%	8.7%	(128,027)	(383,968)	-	-	\$3.66
IND	5,631,337	1.0%	-	1.0%	0.9%	1.2%	15,835	19,705	-	-	\$1.82
WSE	33,204,944	6.2%	0.3%	6.5%	5.8%	1.6%	-	-	-	-	\$2.49
TOTAL	56,536,112	6.5%	0.6%	7.2%	6.3%	6.6%	(112,192)	(364,263)	-	-	\$3.58
Silicon Valley Totals											
R&D	135,798,244	8.8%	2.8%	11.6%	9.7%	8.9%	(1,374,071)	(3,108,163)	-	-	\$3.04
IND	63,627,470	4.6%	1.0%	5.5%	4.7%	3.2%	(216,242)	(490,861)	267,099	883,870	\$1.63
WSE	77,831,962	4.7%	0.6%	5.3%	4.4%	3.1%	(218,190)	(473,320)	1,160,583	-	\$1.39
TOTAL	277,257,676	6.7%	1.8%	8.4%	7.0%	6.4%	(1,808,503)	(4,072,344)	1,427,682	883,870	\$2.67
Silicon Valley Quarterly Comparison and Totals											
24Q2	277,257,676	6.7%	1.8%	8.4%	7.0%	6.4%	(1,808,503)	(4,072,344)	1,427,682	883,870	\$2.67
24Q1	244,583,236	6.1%	2.0%	8.1%	6.4%	5.6%	(2,263,841)	(2,263,841)	2,311,552	-	\$2.71
23Q4	244,240,942	5.9%	1.7%	7.6%	5.6%	5.5%	(1,121,315)	(2,434,554)	1,921,309	447,036	\$2.74

FOR MORE INFORMATION

Shane Minnis, LEED AP
Vice President
Silicon Valley
+1 408 282 3901
Shane.Minnis@colliers.com

Copyright © 2024 Colliers

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Silicon Valley

Industrial
24Q2

Key Takeaways

- Net absorption continued to trend negative for both industrial and warehouse space, recording roughly 434,000 SF of occupancy losses.
- Combined manufacturing and warehouse average asking rents totaled \$1.53 PSF NNN, up 5.5% YOY.
- Two projects completed construction in Q2, with an additional 1.2M SF currently under construction and scheduled to deliver complete within the next four quarters.



New Shell Delivery Outpaces Tenant Demand

Silicon Valley's industrial market saw moderate leasing activity and largely stable asking rents in the second quarter, with the preponderance of tenants electing to renew in their existing spaces. Although the market saw roughly 680,000 square feet in gross absorption, roughly 434,000 square feet of occupancy loss was recorded in the second quarter, largely due to the Milpitas, Fremont, and San Jose submarkets. Two new projects, Trammell Crow's Cochrane Technology Center in Morgan Hill, and Rockpoint Group's McCarthy Business Park in Gilroy, totaled roughly 383,000 square feet of new product delivered to market with additional developments in the pipeline by the likes of Prologis, Hines, and others. While southern Santa Clara County has seen an uptick in vacancy due the new projects, the broader region is best characterized as reaching a place of equilibrium with absorption trailing slightly behind new deliveries.

Market Indicators

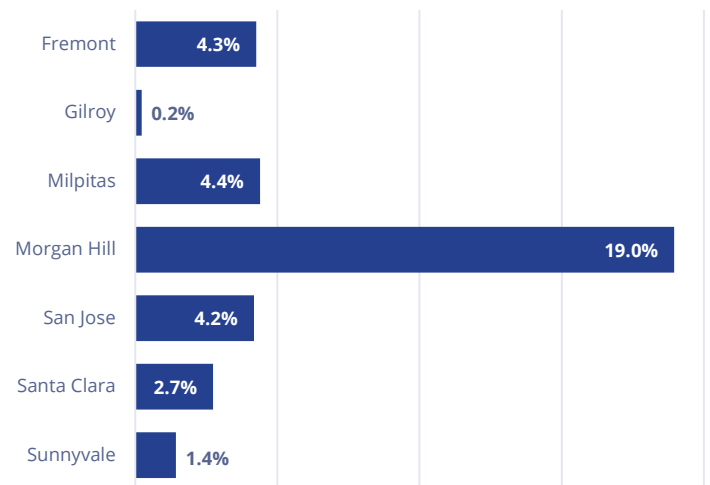


Historic Comparison

	23Q2	24Q1	24Q2
Total Inventory (in Thousands of SF)	111,156.1	108,697.4	109,645.0
New Supply (in Thousands of SF)	61.1	-	883.9
Net Absorption (in Thousands of SF)	102.7	-529.7	-434.4
Overall Vacancy (in Thousands of SF)	2.8%	3.2%	4.1%
Under Construction (in Thousands of SF)	2,241.6	2,311.6	1,427.7
Overall Asking Lease Rates (NNN)	\$1.45	\$1.52	\$1.53

Market Graph

Availability Rates Select Silicon Valley Cities



Morgan Hill led availability in select cities with a 19.0% rate, followed by Milpitas which measured 4.4% in availability.

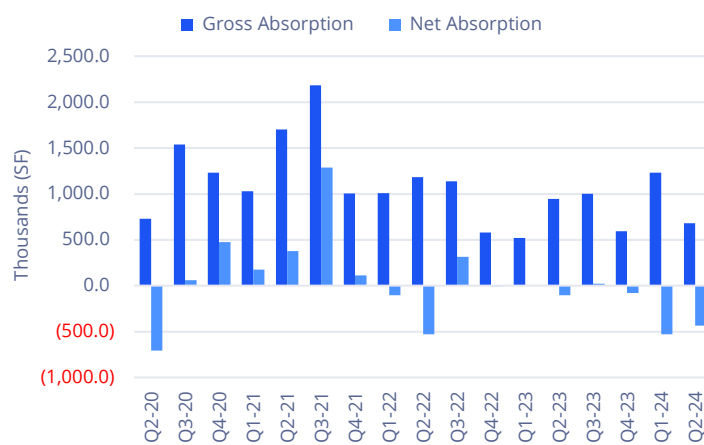
Source: Colliers

Recent Transactions



Absorption

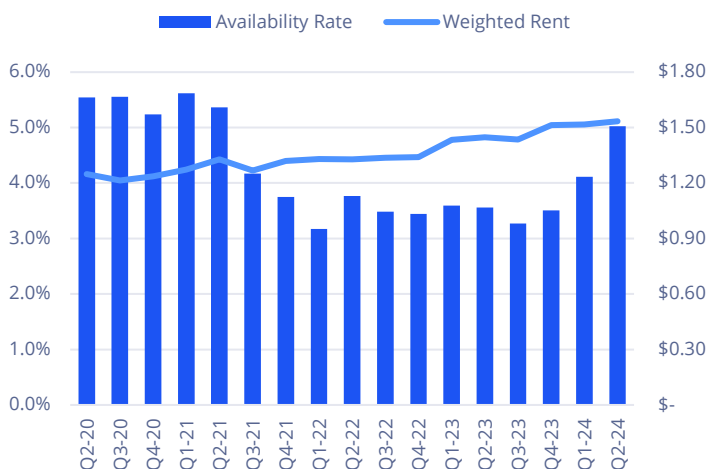
In the second quarter of 2024, net absorption continued to trend negative for both industrial and warehouse product. The negative trend can be attributed to users declining to renew as well as creating new vacancies. In Milpitas, Bottomley Refrigeration shuttered its 96,000-square-foot warehouse, and in Fremont, RK Logistics Group moved out of a 67,000-square-foot logistics facility. Activity between industrial and warehouse product varied during the second quarter; gross absorption, which accounts for non-renewal leases and owner-user sales, experienced a 52.8% increase and 73.1% decrease from the previous quarter for industrial and warehouse product, respectively. With new deliveries outpacing tenant demand, signs indicate that vacancy will continue to rise modestly throughout the year.



Source: Colliers

Rents and Availability

Industrial availability rose to 5.5%, up 140 basis points from the previous quarter and up 230 basis points year over year. The warehouse availability rate, however, remained stable at 4.3%, changing marginally from the previous quarter. Performance varied across the submarkets with Morgan Hill and Gilroy recording the two highest availability rates across both product types at 19.0% and 6.6% respectively, in part owing to new construction in both cities. In comparison, infill submarkets maintained a comparatively low availability rate across both product types, with Santa Clara showing 2.7% availability and San Jose increasing modestly to 4.2%. Market-wide average asking rents stood at \$1.63 per square foot NNN for industrial product, down 1.2% from the previous quarter, and \$1.39 per square foot NNN for warehouse product, up 2.2% from the previous quarter. Given the current market fundamentals, this stable rent trend is expected to continue through the end of the year.



Source: Colliers

Developments

Two industrial projects completed construction in the second quarter: McCarthy Business Park, adding two buildings totaling 383,000 square feet to Gilroy's industrial inventory and Cochrane Technology Center, which added five buildings totaling 501,000 square feet to Morgan Hill's industrial inventory. Both projects were delivered fully vacant, contributing to both Gilroy and Morgan Hill's elevated availability rates. There is currently an additional 1.2 million square feet of industrial and warehouse space under construction in the Silicon Valley, all of which is scheduled to complete construction within the next four quarters. While the most recent deliveries to market have occurred in south Santa Clara County, due to scarcity in infill markets, the delivery of new shell in the region's infill submarkets is anticipated to boost leasing velocity of new construction through the end of 2024.



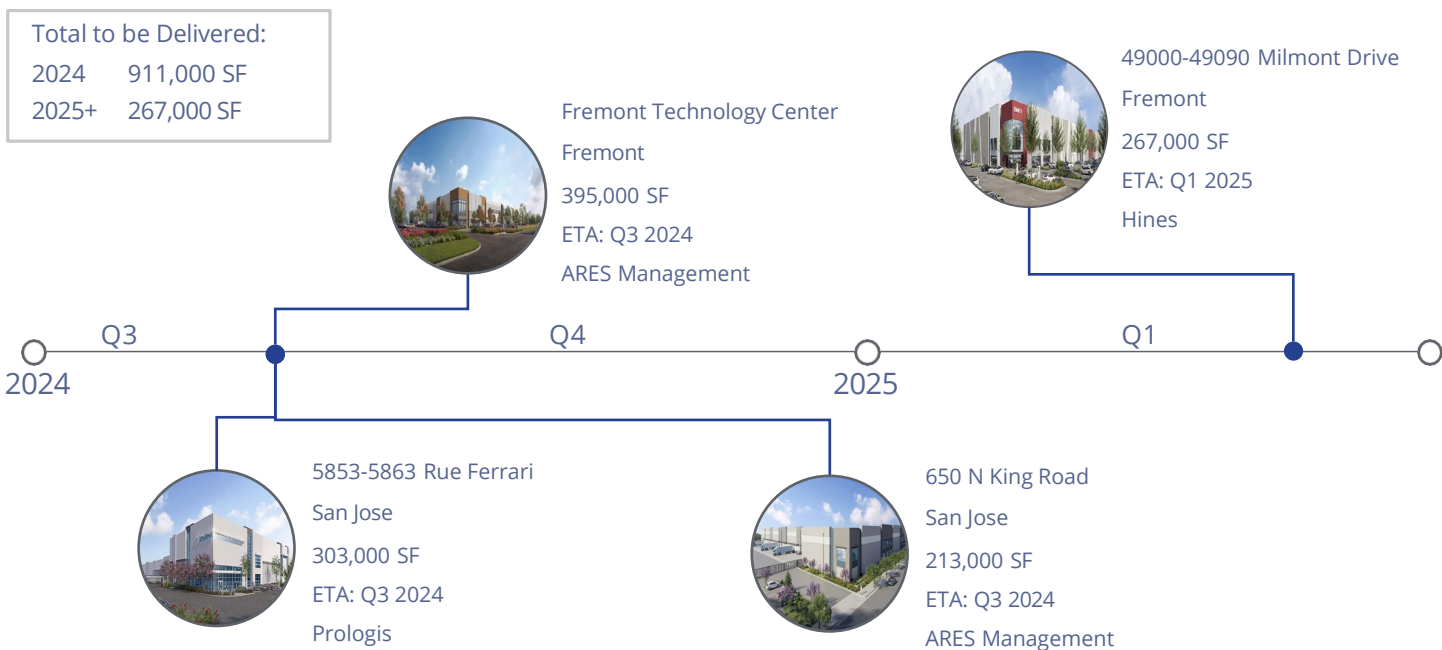
Top Leases

Tenant	Address	Size (SF)	Lease Type	Property Type
GXO Logistics	6120 Stewart Avenue, Fremont	114,948	Renewal	Warehouse
Cal Wine	930-950 McLaughlin Avenue, San Jose	92,303	Renewal	Warehouse
Wisk Aero, LLC	45897 Hotchkiss Street, Fremont	70,866	Renewal / Expansion	Industrial
Lord & Sons, Inc.	430 Trimble Road, San Jose	60,400	Renewal	Warehouse
SJC Transport, Inc.	1935 Lundy Avenue, San Jose	54,225	Direct	Warehouse

Top Sales

Buyer	Address	Size (SF)	Price PSF	Property Type
NVIDIA	2001-2890 Central Expressway, Santa Clara	624,863	\$599	Industrial
DRA Advisors	901-1151 Cadillac Court, Milpitas	301,600	\$249	Warehouse
DRA Advisors	591-1670 King Road, San Jose	213,634	\$267	Industrial
Donald L. Anderson	7015 Realm Drive, San Jose	9,918	\$252	Industrial
912 Rincon Circle LLC	910-912 Rincon Circle, San Jose	9,744	\$411	Industrial

Development Pipeline



Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Campbell											
R&D	1,360,122	13.1%	-	13.1%	11.8%	9.6%	(29,650)	(41,458)	-	-	\$2.37
IND	934,404	0.6%	0.5%	1.2%	0.8%	3.1%	7,548	(1,996)	-	-	-
WSE	110,016	-	-	-	-	-	-	-	-	-	-
TOTAL	2,404,542	7.6%	0.2%	7.8%	7.0%	6.7%	(22,102)	(43,454)	-	-	\$2.37
Cupertino											
R&D	3,124,581	1.7%	-	1.7%	1.7%	1.7%	-	-	-	-	\$3.18
IND	-	-	-	-	-	-	-	-	-	-	-
WSE	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,124,581	1.7%	-	1.7%	1.7%	1.7%	-	-	-	-	\$3.18
Fremont											
R&D	21,073,024	4.6%	3.5%	8.1%	5.4%	4.7%	(263,802)	(367,648)	-	-	\$2.59
IND	10,217,158	4.7%	3.7%	8.4%	6.0%	5.6%	(104,519)	(281,422)	267,099	-	\$1.81
WSE	12,200,577	4.2%	-	4.2%	4.2%	4.3%	(86,892)	(348,134)	395,125	-	\$1.57
TOTAL	43,490,759	4.5%	2.6%	7.1%	5.2%	4.8%	(455,213)	(997,204)	662,224	-	\$2.12
Gilroy											
R&D	378,092	11.3%	3.6%	14.9%	11.3%	11.3%	-	(13,608)	-	-	\$1.25
IND	2,359,626	17.9%	-	17.9%	17.8%	0.8%	(26,880)	(30,880)	-	382,565	-
WSE	4,011,181	-	-	-	-	-	-	-	-	-	-
TOTAL	6,748,899	6.9%	0.2%	7.1%	6.8%	0.9%	(26,880)	(44,488)	-	382,565	\$1.25
Los Gatos											
R&D	330,346	10.0%	22.2%	32.2%	10.0%	10.0%	-	-	-	-	\$2.52
IND	60,936	-	-	-	-	-	-	-	-	-	-
WSE	16,000	-	-	-	-	-	-	-	-	-	-
TOTAL	407,282	8.1%	18.0%	26.2%	8.1%	8.1%	-	-	-	-	\$2.52
Milpitas											
R&D	13,438,233	10.6%	2.4%	13.0%	10.9%	8.6%	(326,507)	(460,319)	-	-	\$2.29
IND	2,782,175	2.5%	1.4%	3.9%	2.0%	2.1%	5,023	1,198	-	-	\$1.52
WSE	5,850,458	4.6%	-	4.6%	3.4%	2.0%	(116,638)	(116,638)	-	-	\$1.46
TOTAL	22,070,866	8.0%	1.6%	9.6%	7.8%	6.0%	(438,122)	(575,759)	-	-	\$2.10
Morgan Hill											
R&D	2,921,625	13.7%	-	13.7%	13.7%	13.7%	(120,000)	(120,610)	-	-	\$1.48
IND	3,494,410	25.1%	-	25.1%	24.8%	12.9%	21,962	6,090	-	501,305	\$1.39
WSE	1,199,652	0.9%	-	0.9%	-	0.3%	-	-	-	-	-
TOTAL	7,615,687	16.9%	-	16.9%	16.6%	11.1%	(98,038)	(114,520)	-	501,305	\$1.41
Mountain View											
R&D	11,916,937	11.4%	4.8%	16.2%	15.4%	11.9%	(438,181)	(932,861)	-	-	\$4.66
IND	1,530,688	5.0%	1.2%	6.2%	5.0%	5.4%	(10,745)	(21,503)	-	-	\$2.67
WSE	40,140	-	-	-	-	-	-	-	-	-	-
TOTAL	13,487,765	10.7%	4.4%	15.0%	14.2%	11.2%	(448,926)	(954,364)	-	-	\$4.58
Palo Alto											
R&D	5,864,433	9.9%	1.4%	11.3%	10.3%	8.8%	(121,392)	(114,538)	-	-	\$5.76
IND	1,145,407	6.2%	1.0%	7.2%	7.2%	7.2%	-	-	-	-	\$3.17
WSE	83,994	-	-	-	-	-	-	-	-	-	-
TOTAL	7,093,834	9.2%	1.3%	10.5%	9.7%	8.5%	(121,392)	(114,538)	-	-	\$5.49
San Jose											
R&D	39,214,261	9.6%	4.4%	14.0%	11.0%	10.8%	(159,381)	(745,921)	-	-	\$2.48
IND	24,338,082	2.5%	0.5%	3.0%	2.2%	1.8%	(91,452)	(110,171)	-	-	\$1.44
WSE	17,670,275	3.9%	1.9%	5.8%	3.7%	3.8%	(14,660)	(24,982)	765,458	-	\$1.23
TOTAL	81,222,618	6.2%	2.7%	8.9%	6.8%	6.6%	(265,493)	(881,074)	765,458	-	\$2.23
Santa Clara											
R&D	18,476,759	8.3%	0.2%	8.6%	8.0%	8.8%	212,869	72,768	-	-	\$2.41
IND	11,133,247	2.2%	0.4%	2.6%	2.6%	2.3%	(33,014)	(71,882)	-	-	\$1.99
WSE	3,444,725	2.7%	0.6%	3.3%	3.3%	3.3%	-	16,434	-	-	\$1.21
TOTAL	33,054,731	5.7%	0.3%	6.0%	5.7%	6.1%	179,855	17,320	-	-	\$2.31
Sunnyvale											
R&D	17,699,831	9.0%	1.4%	10.3%	9.1%	8.7%	(128,027)	(383,968)	-	-	\$3.66
IND	5,631,337	1.0%	-	1.0%	0.9%	1.2%	15,835	19,705	-	-	\$1.82
WSE	33,204,944	6.2%	0.3%	6.5%	5.8%	1.6%	-	-	-	-	\$2.49
TOTAL	56,536,112	6.5%	0.6%	7.2%	6.3%	6.6%	(112,192)	(364,263)	-	-	\$3.58
Silicon Valley Totals											
R&D	135,798,244	8.8%	2.8%	11.6%	9.7%	8.9%	(1,374,071)	(3,108,163)	-	-	\$3.04
IND	63,627,470	4.6%	1.0%	5.5%	4.7%	3.2%	(216,242)	(490,861)	267,099	883,870	\$1.63
WSE	77,831,962	4.7%	0.6%	5.3%	4.4%	3.1%	(218,190)	(473,320)	1,160,583	-	\$1.39
TOTAL	277,257,676	6.7%	1.8%	8.4%	7.0%	6.4%	(1,808,503)	(4,072,344)	1,427,682	883,870	\$2.67
Silicon Valley Quarterly Comparison and Totals											
24Q2	277,257,676	6.7%	1.8%	8.4%	7.0%	6.4%	(1,808,503)	(4,072,344)	1,427,682	883,870	\$2.67
24Q1	244,583,236	6.1%	2.0%	8.1%	6.4%	5.6%	(2,263,841)	(2,263,841)	2,311,552	-	\$2.71
23Q4	244,240,942	5.9%	1.7%	7.6%	5.6%	5.5%	(1,121,315)	(2,434,554)	1,921,309	447,036	\$2.74

FOR MORE INFORMATION

Shane Minnis, LEED AP
Vice President
Silicon Valley
+1 408 282 3901
Shane.Minnis@colliers.com

Copyright © 2024 Colliers

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

At Colliers, we are **enterprising**



66
countries on 6 continents



\$4.3B
in annual revenue



\$98B
assets under management



46,000
sale and lease transactions



2B
square feet under management



19,000
professionals and staff

*Statistics are for year-end 2023 and in U.S. dollars.
Number of countries includes affiliates.*

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our 19,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 29 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of \$4.3 billion and \$98 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, X @Colliers or LinkedIn.

**READY TO GET A GREAT DEAL &
MAXIMIZE ROI ON YOUR NEXT LEASE?**

TAKE THE FIRST STEP...

**JOIN OUR FREE FIRST STEP 30-DAY
CHALLENGE**

> [**CLICK HERE NOW**](#) < OR Scan QR Code



Not Ready To Get Started Now...

It's OK.

We've had plenty of clients that needed
some time...

If that's you, then Get Free Tips, Insider
Insights & Updates on Silicon Valley CRE via
email through our MinnisCRE Newsletter.

> [**CLICK TO SUBSCRIBE**](#) < OR Scan QR Code



225 W Santa Clara Street
10th Floor, Suite 1000
San Jose, CA 95113
+1 408 282 3800
colliers.com/siliconvalley

