MARKET SPOTLIGHT

Q4 OFFICE

Silicon Valley, CA

The San Jose leasing market has slowed due to rising interest rates affecting tech companies' valuations. Tenants are cutting costs, leading to reduced leased space. Vacancy is at 14.9%, availability rate at 18.4%, and sublease space at an all-time high of 7.5 million SF. Leasing volume is low, following a national trend of downsizing. Google, the largest occupier, has exited 2.7 million SF. Other companies, including Meta, Walmart, LinkedIn, Cloudera, and Veritas, have adjusted their spaces. Investment sales have slowed, with a 12-month volume of $791 million, well below the five-year average of $3.2 billion. Despite softening prices, some sales exceeded $1,000/SF. Owners acknowledge weak leasing conditions, narrowing the gap between buyer and seller expectations. Smaller sales have traded at lower prices, and distressed sales have emerged. The outlook anticipates further price decreases in the next year amid continued uncertainty about office utilization, high vacancy, and economic slowdown.

Local CRE:

VACANCY RATE	14.9%	▲
AVG. MARKET RENT (PSF)	$4.83	▼
TOTAL INVENTORY (SF)	145M	▲
12 MO NET ABSORPTION (SF)	-1M	▼
UNDER CONSTRUCTION (SF)	3.5M	▼
QTRLY SALES VOLUME	$341M	▲
MARKET CAP RATE	6.1%	▲

Local Economy:

UNEMPLOYMENT RATE	3.9%	▲
JOB GROWTH	1.1%	▼
POPULATION GROWTH	1.0%	▲

National CRE:

VACANCY RATE	13.7%	▲
AVG. MARKET RENT (PSF)	$2.94	▲
TOTAL INVENTORY (SF)	8.4B	▲
12 MONTH NET ABSORPTION (SF)	-64.5M	▼
UNDER CONSTRUCTION (SF)	105M	▼
QUARTERLY SALES VOLUME	$9.4B	▲
MARKET CAP RATE	8.3%	▲

National Economy:

UNEMPLOYMENT RATE	3.8%	▲
JOB GROWTH	1.8%	▼
POPULATION GROWTH	0.4%	▲

Sources: SVN Research, MSCI, CoStar Analytics

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