# Silicon Valley office market shows signs of recovery amid leasing surge



In a notable shift in the Silicon Valley office market, a surge in leasing activity among major technology companies indicates a gradual recovery from the economic disruptions caused by the coronavirus pandemic. This upturn is highlighted in a recent report released by Savills, a commercial real estate firm, which analyses trends in office space allocation in the region.

The report notes that for the first time in almost two years, the South Bay office market appears to be realigning itself, with several big tech players such as Nvidia, Amazon, and Snowflake actively seeking new office spaces. The period from October to December 2024 marked a significant increase in transactions, with Savills reporting that leasing activity doubled from the comparative quarter in 2023.

"Leasing activity in 2024 showed notable improvement, suggesting the recovery in office space is strengthening and will likely remain steady moving forward," the report stated. Among the key transactions, Snowflake secured a substantial 773,000 square feet in Menlo Park, followed by Amazon with 217,800 square feet in Mountain View, and Astera Labs, which inked a deal for 154,200 square feet in north San Jose. Other notable leases included Robinhood at 128,700 square feet in Menlo Park and Nvidia with 101,600 square feet in the same area.

Despite the positive indicators for Silicon Valley overall, challenges persist in specific locations. Downtown San Jose continues to face significant vacancies, with a rate of 35.5% reported in the fourth quarter of 2024, marginally improved from 35.7% in the previous year. This situation is indicative of broader issues affecting the commercial real estate market, particularly in areas such as Mountain View-Los Altos, which saw a striking 40% vacancy rate.

Contrastingly, the San Francisco office market suffers even more, reporting a vacancy rate of 36.6%. In this context, the South Bay's rising rental activity stands out as a beacon of renewed confidence among tech firms. Savills further elaborated that the overall availability rate of office space in the South Bay decreased to 25.9% in late 2024 from 27.5% just one year prior. This figure includes both unoccupied spaces and those tenants wish to sublease.

Amazon's recent decision to postpone a key directive for employees to return to the office is telling. The company cited "insufficient space to accommodate its workforce" as a reason behind this delay, suggesting a potential increase in demand for office spaces in the near future. Should this trend continue, it could result in a compelling uplift in leasing activities.

Moreover, the boom surrounding artificial intelligence startups is poised to contribute further to the demand for office space. Savills reports, "A.I. startups will continue to attract venture capital funding and drive increased office space demand around the region." A notable example is Astera Labs’ decision to expand its office footprint as it relocates to north San Jose, signalling broader opportunities for tech firms looking to establish or grow their presence in the Silicon Valley area.

Overall, leasing activity in Silicon Valley reached 2.4 million square feet in the fourth quarter, highlighting a marked recovery compared to the 1.2 million square feet reported over the same period in 2023. Additionally, Savills indicated a significant reduction in sublease space, with a 25% decrease leading to 6.6 million square feet available in the South Bay by late 2024.

In summary, while the Silicon Valley office market grapples with lingering challenges, particularly in certain downtown areas, the influx of leasing activity and interest from key tech players point toward a promising trajectory for the future. Analysts remain vigilant, assessing how these emerging trends, particularly in sectors such as artificial intelligence, will shape the business landscape in the years to come.

Source: [Noah Wire Services](https://www.noahwire.com)

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