

Coronavirus economy: Weakness appears in Silicon Valley office market

Colliers market snapshot shows rising office vacancies and increased subleases as tenants exit spaces

SAN JOSE — Silicon Valley office vacancies have begun to increase since the advent of coronavirus-linked business shutdowns as tenants exit spaces or offer subleases for sites they rent, a Colliers International snapshot of the local market shows.

Since March 2020, the month when state and local government agencies began to impose business shutdowns, 99 sublease spaces have come on the market in Silicon Valley, according to the assessment of the Silicon Valley market by Colliers, a commercial real estate firm.

“Silicon Valley, compared to markets such as San Francisco is holding steady,” said Shane Minnis, a vice president in the Colliers San Jose office. “Both the sublease space and directly available office are steadily increasing.”

At the start of August, total office vacancies in Silicon Valley were at 11.1 percent, up slightly from 10.9 percent on July 1, and up from 9.9 percent reported on March 1, which was just before the business shutdowns began.

Similarly, research and development spaces were at an 11.1 percent vacancy rate in early August, up from 10.6 percent on July 1, and up from 9.5 percent on March 1 in Silicon Valley, according to the snapshot, which was prepared by Colliers senior research manager Lena Tutko.

An estimated 8.74 million square feet of Silicon Valley office space was vacant and available directly

from property owners on Aug. 1, up from 8.7 million on July 1, and 8.11 million on March 1, Colliers reported. That’s a 7.8 percent increase in the amount of office space that’s empty and available for rent.

About 3.04 million square feet of office space was available through sublease from tenants in Silicon Valley as of August 1. That was an increase from 2.82 million in sublease space on July 1 and 2.36 million on March 1.

The August sublease numbers for Silicon Valley office space represent a hefty 28.8 percent increase in the amount of sublease space that’s become available in the wake of the coronavirus-related shutdowns.

Of the 99 sublease office spaces that have appeared on the market since March, 47 are 5,000 square feet or less in size. Five are 50,000 square feet or more in size, Colliers determined.

Overall, however, Silicon Valley is expected to weather the economic storms that the coronavirus has unleashed, primarily due to the area’s sturdy job market and the region’s status as the world’s leading tech hub.

“Silicon Valley is still a strong market,” Minnis said. “The tech and innovation sectors, along with medical devices and those types of industries, are still steady and still strong even in today’s environment.”

Region	July 2019	June 2020	July 2020	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	2.8%	10.8%	9.4%	- 1.4	+ 6.6
San Francisco MD	2.4%	11.8%	10.2%	- 1.6	+ 7.8
California	4.4%	15.1%	13.7%	- 1.4	+ 9.3
United States	4.0%	11.2%	10.5%	- 0.7	+ 6.5

Sector — July 2020	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,054,300	1,059,600	2,113,900	+ 0.6%	- 9.3%
Construction	50,500	40,700	91,200	- 0.5%	- 7.8%
Manufacturing	166,100	36,200	202,300	+ 0.8%	- 4.9%
Retail Trade	74,400	71,000	145,400	+ 3.9%	- 9.9%
Information	93,300	92,500	185,800	- 0.5%	- 8.9%
Professional & Business Services	238,100	286,500	524,600	+ 0.9%	- 2.9%
Educational Services	42,500	28,100	70,600	- 3.0%	- 3.9%
Health Care & Social Assistance	123,500	109,400	232,900	+ 1.8%	- 3.7%
Leisure & Hospitality	74,500	91,600	166,100	+ 2.7%	- 35.6%
Government	85,600	117,500	203,100	- 5.0%	- 7.0%

Note: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
 San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

Jurisdiction	Labor Force			Unemployment			Unemployment Rate		
	July 2019	July 2020	Change	July 2019	July 2020	Change	July 2019	July 2020	Change
• San Mateo County	463,700	445,000	- 4.0%	10,600	41,100	+ 287.7%	2.3%	9.2%	+ 6.9
• Santa Clara County	1,061,100	1,036,600	- 2.3%	29,300	96,500	+ 229.4%	2.8%	9.3%	+ 6.5
Cupertino	30,000	28,400	- 5.3%	800	1,800	+ 125.0%	2.7%	6.4%	+ 3.7
Los Altos	15,000	14,000	- 6.7%	400	700	+ 75.0%	2.7%	5.2%	+ 2.5
Milpitas	43,500	43,000	- 1.1%	1,300	4,600	+ 253.8%	2.9%	10.6%	+ 7.7
Mountain View	53,300	50,200	- 5.8%	1,100	2,600	+ 136.4%	2.0%	5.2%	+ 3.2
Palo Alto	36,100	33,900	- 6.1%	800	1,700	+ 112.5%	2.2%	5.0%	+ 2.8
Santa Clara	72,300	69,800	- 3.5%	1,800	5,500	+ 205.6%	2.5%	7.9%	+ 5.4
Sunnyvale	88,600	84,600	- 4.5%	2,000	5,700	+ 185.0%	2.3%	6.8%	+ 4.5
NOVA Region	802,500	768,900	- 4.2%	18,800	63,700	+ 238.8%	2.3%	8.3%	+ 5.9

Note: NOVA Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

July 2020 Layoff Events	WARN SUMMARY									
Company	Location	# Affected	Events YTD [†] :	27						
<i>Due to the effects of the Coronavirus shelter-in-place, layoff events for the month of July 2020 continued to be extraordinarily high and cannot be displayed here in their entirety.</i>			Individuals Affected YTD:	2,946						
			Individuals Previous YTD [‡] :	573						
<table border="1" style="width: 100%;"> <tr> <td>July 2020 / NOVA Region</td> <td>Layoff events:</td> <td>27</td> </tr> <tr> <td></td> <td>Individuals affected:</td> <td>2,946</td> </tr> </table>			July 2020 / NOVA Region	Layoff events:	27		Individuals affected:	2,946	<p>* WARN: Worker Adjustment and Retraining Notification (notice of mass layoff or closure) [†] YTD: Year to Date (Program year: July 1–Present) [‡] Previous YTD: (Same date range as YTD, one year prior)</p>	
July 2020 / NOVA Region	Layoff events:	27								
	Individuals affected:	2,946								

Note: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: California EDD, CalJOBS: WARN Database