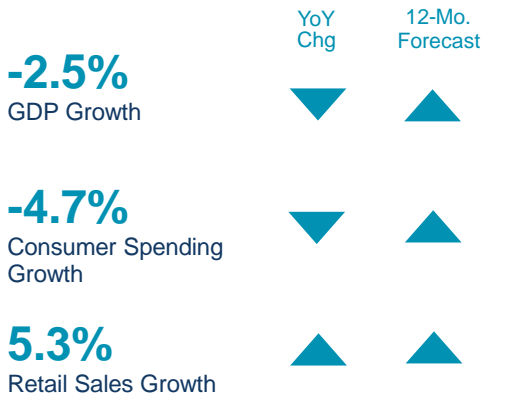


U.S. ECONOMIC INDICATORS Q4 2020



Source: BLS, BOC, Moody's Analytics
2020Q4 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: Unemployment Rate Gradually Decreases

At the end of 2020, the unemployment rate in the North Bay (Marin, Napa, Sonoma and Solano counties) was recorded at 6.5%, up 370 basis points (bps) from 2.8% a year ago. This figure, however, has been decreasing since its highest level (16.1%) at the beginning of the global pandemic in the second quarter of 2020. Meanwhile, the unemployment rates in San Francisco and San Mateo counties in the fourth quarter were 6.0% and 8.3%, respectively. The median household income in the region was up 1.6% year-over-year (YOY) to \$97,000, while population grew 0.3% YOY.

SUPPLY & DEMAND: Highest Vacancy Rate Since 2011

The San Francisco / North Bay Metro retail market ended the 2020 with the highest vacancy rate since 2011 at 6.4%. This was 10 basis points (bps) higher from 6.3% in the third quarter and up 120 bps from 5.2% one year ago. Napa County continued to have the lowest vacancy rate in the region at 2.8%, followed by Marin County at 4.1%, Sonoma County at 4.7% and San Mateo County at 7.0%. Meanwhile, Solano and San Francisco counties recorded high vacancy rates of 8.1% and 15.7%, respectively.

Almost all counties in the region, except Sonoma County, experienced negative quarterly absorption. The total net absorption in the fourth quarter was negative 72,100 square feet (sf), bringing the 2020 total to negative 450,600 sf. This reflects the largest giveback of retail space since 2009. Bankruptcies and strategic store closures were the major factors to the increase of vacancy rate and drop of absorption. Leasing activities have slowed across all retail categories, especially in the apparel and small business categories, such as restaurants, bars, health clubs and beauty salons. In December 2020, all counties in the region began to implement California's regional stay at home order, which shuts down business like salons and indoor gyms, and limits restaurants to delivery and takeout service only.

With no new retail space added to the market in the fourth quarter, the retail inventory in the region was stable at 40.1 million square feet (msf). Additionally, there is 267,100 sf of retail space under construction at the end of 2020.

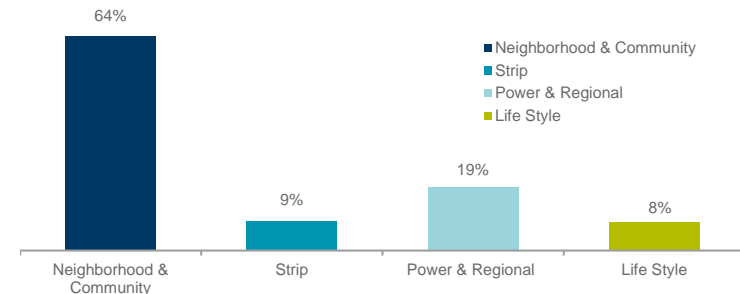
PRICING: Asking Rents Down

As of the fourth quarter of 2020, the average asking rent in the region was recorded at \$26.18 per square foot (psf) on an annual triple net basis, down 3.3% from \$27.07 psf one year ago. The rental rates range from \$17.74 psf in Solano County to \$39.68 psf in San Mateo County. Given the current economic backdrop, we expect rents to continue to decline along with an increase in vacancies, at least for the short term.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Marin County	5,783,626	47,722	191,572	4.1%	-3,706	23,435	0	\$31.82
Napa County	2,693,081	0	74,342	2.8%	-13,398	2,336	0	\$36.90
Sonoma County	10,717,998	45,484	462,299	4.7%	43,542	12,230	3,500	\$19.01
Solano County	8,044,407	20,728	627,543	8.1%	-17,948	-65,548	0	\$17.74
San Francisco County	2,442,719	3,998	378,741	15.7%	-27,272	-86,259	263,640	\$21.67
San Mateo County	10,429,514	7,635	723,358	7.0%	-53,344	-336,761	0	\$39.68
SF / NORTH BAY METRO TOTALS	40,111,345	125,567	2,457,855	6.4%	-72,126	-450,567	267,140	\$26.18

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
117-153 Plaza Drive (Gateway Plaza)	Vallejo	Goodwill	9,000	New Lease
117-153 Plaza Drive (Gateway Plaza)	Vallejo	Hibbett Sports	4,800	New Lease
713 Silverado Trail	Napa	Napa Tire & Wheels	4,500	New Lease
179 Elmira Road (Elmira Retail Center)	Vacaville	Empire Novelties & Smoke Shop	3,900	Renewal*
20093-20089 Broadway	Sonoma	Bear Flag Engineering	3,200	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1322 El Camino Real (Lucky)	San Bruno	Save Mart Supermarkets / Oak Street RE Capital	56,300	\$31.0M / \$551
150 Bicentennial Way (Lucky)	Santa Rosa	Save Mart Supermarkets / Oak Street RE Capital	55,000	N/A
1312-1390 Trancas Street (Northwood Shopping Center)	Napa	Standiford Partners / Save Mart Supermarkets	52,000	\$15.3M / \$295
1133 Old County Road	San Carlos	Save Mart Supermarkets / Oak Street RE Capital	43,700	\$20.1M / \$460
777 East Monte Vista Avenue (Lucky)	Vacaville	Save Mart Supermarkets / Oak Street RE Capital	42,600	\$10.0M / \$234

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1750 Redwood Highway (RH Gallery at The Village at Corte Madera)	Corte Madera	RH Marin	40,000	The Macerich Company & CalPERS

SOANY GUNAWAN

Senior Research Analyst

+1 415 658 3665 / soany.gunawan@cushwake.com

ROBERT SAMMONS

Senior Director

+1 415 773 3514 / robert.sammons@cushwake.com

cushmanwakefield.com

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