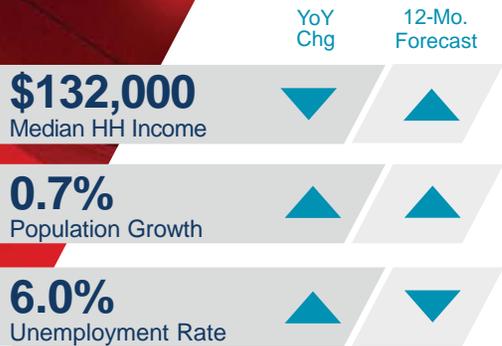


# SAN FRANCISCO

## Retail Q4 2020



### 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

The unemployment rate in San Francisco City was 6.0% in the fourth quarter of 2020, up 400 basis points (bps) from 2.0% one year ago. This figure, however, has generally trended downward since the beginning of the global pandemic of 12.2% in the second quarter of 2020 as more than half of the job lost in San Francisco have come back. Although the median income decreased slightly, San Francisco still holds one of the highest household incomes in the country. At the end of 2020, the median household income in the City was recorded at \$132,000, down 0.2% from \$132,300 one year ago. Meanwhile, total retail sales were up 5.6% YOY to an estimated \$35.1 billion in the fourth quarter of 2020.

### MARKET OVERVIEW

The retail market in San Francisco continued to be ravaged by the pandemic with lockdowns and a decrease in business activities triggering a record number of store closures. The overall retail vacancy rate in the City in the fourth quarter of 2020 was recorded at 4.1%, 20 basis points (bps) higher than last quarter's figure of 3.9% and up 70 bps from 3.4% a year ago. The quarterly net absorption was negative 83,300 square feet (sf), bringing the total annual net absorption to negative 397,200 sf in 2020, down by three times the figure of negative 134,100 sf recorded in 2019.

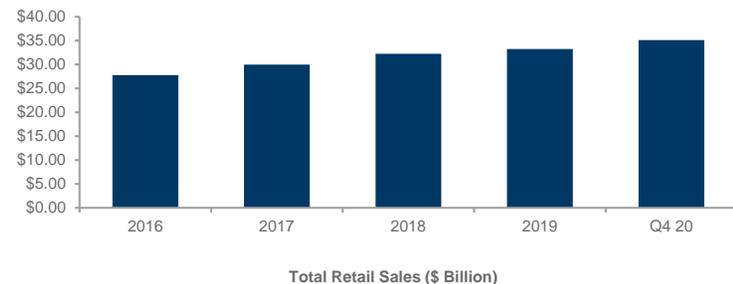
The lack of tourists and office workers has had a profound effect on the retail and restaurants, especially in the downtown Financial District and Union Square. As coronavirus cases surged, San Francisco began to implement California's regional stay at home order in December 2020, which shut down businesses like salons and indoor gyms, and limited restaurants to delivery and takeout service only. The lockdown is planned to be lifted on January 28, 2021, when outdoor dining, personal services, and indoor gyms will resume; and the capacity of grocery stores and retail will be expanded to 50% (up from 35% capacity) and 25% (up from 20% capacity), respectively. The reopening of more businesses and activities is expected to support the economic recovery and benefit the retail and restaurant sectors in the City.

COVID-19 has altered and accelerated many retail trends in 2020. Having an online presence has been increasingly important this year with E-Commerce expanding by leaps and bounds during the pandemic. With the restrictions for both indoor and outdoor dining, ghost kitchens and delivery service for restaurants have also had an advantage this year. This concept is not only applied for the fast casual, but also for upscale restaurants. Michelin-star Saison introduced a new concept called Saison Provision for the pick-up and delivery services for its luxury menu; and Chef Michael Mina debuted a new virtual kitchen concept for takeout and delivery in San Francisco as well.

### RENT / DIRECT VACANCY RATE – UNION SQUARE



### RETAIL SALES TREND



## UNION SQUARE / POST STREET

The retail vacancy in Union Square continued to hit a record high with the direct vacancy rate recorded at 12.7% at the fourth quarter of 2020, up 170 bps from 11.0% rate last quarter and 630 bps from 6.4% a year ago. Decline of foot traffic due to lack of tourism and daytime office workers amid the COVID-19 pandemic has brought more challenges to the retail and restaurant businesses in this shopping district. Consequently, there are reinforced plans to convert some upper floors of retail buildings in Union Square into office space.

Asking rents for retail space in Union Square continued its downward trend. The rental rate for premier ground floor retail in Union Square stood at \$500 per square foot per year (psf) at the end of 2020, down 20.0% from last year's rate. Meanwhile, the rental rate on Post Street was \$300 psf, down 25.0% from the figure a year ago. We anticipate rental rates to further decrease along with additional vacancies.

One new completion in Union Square in the fourth quarter of 2020 was a six story, 70,000-sf building at 300 Grant Avenue. It is a mixed-use development, consists of approximately 32,400 sf of retail space on the first three floors and office space on the upper levels. Arc'teryx opened on the ground floor of 300 Grant Avenue in December 2020. Additionally, Nespresso relocated from 90 Grant Avenue and opened their new store at 55 Stockton Street; and Brunello Cucinelli will be expanding at 100 Grant Avenue. Meanwhile, as part of its global strategic closure, H&M closed its West Coast flagship, a two-story, 44,000-sf store at 150 Powell Street in October 2020.

## INVESTMENT MARKET

There were no major retail sales transaction in the last quarter of 2020. According to Real Capital Analytics' data, only 24,900 sf of retail space traded hands in San Francisco during the fourth quarter of 2020, bringing the total annual transaction volume to 417,100 sf in 2020. The total investment sales in the fourth quarter were recorded at \$20.8 million, which brought the total investment sales in 2020 to \$321.0 million, down 68.6% from 2019.

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1089-1093 Market Street	Mid-Market	Bait Inc.	13,000	New Lease
251-253 Church Street	Upper Market	Sancha Sushi	3,000	New Lease
811-821 Sansome Street	Jackson Square	CBD	2,200	New Lease

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2700 Sloat Boulevard (Sloat Garden Center)	Parkside	Dave Straus Living Trust / Tom Hu	8,000	\$8.8M / \$1,069
939-945 Post Street	Van Ness	Rosenberg Family Fund / Christopher Joseph Harney & Christina Marino Harney Trust	6,700	\$3.7M / \$552
5600 Geary Boulevard	Outer Richmond	John Panos; Susan Panos / Russian Speaking Jewish Community	6,200	\$3.4M / \$552
2040 Chestnut Street (GAP)	Marina	Arnsbarger & W Arnsbarger Trust / Prado Group	4,000	\$5.2M / \$1,288

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
300 Grant Avenue	Union Square	Arc'teryx	32,400	A-Z300 Grant LLC

### 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](http://cushmanwakefield.com)

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.