

SILICON VALLEY

Retail Q1 2021



CUSHMAN & WAKEFIELD

\$131,200

Median HH Income

YoY
Chg12-Mo.
Forecast
0.7%

Population Growth


5.6%

Unemployment Rate



U.S. ECONOMIC INDICATORS Q1 2021

0.2%

GDP Growth

YoY
Chg12-Mo.
Forecast
-1.6%
Consumer Spending
Growth
11.8%

Retail Sales Growth



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

In the first quarter of 2021, the unemployment rate in Silicon Valley was 5.6%, up 290 basis points (bps) from 2.7% one year ago. The rate, however, has improved from the highest figure in the second quarter of 11.8% when the effects of the global pandemic initially occurred. With the vaccine rollout, the economy has started to show some improvements in early 2021. The median household income in Silicon Valley remained one of the highest in the country at \$131,200, increased slightly (+0.5%) from \$130,600 one year ago. Moreover, the population grew 0.7% year-over-year (YOY).

SUPPLY & DEMAND: Vacancy Rate Remains Stable

The retail vacancy rate in Silicon Valley was relatively stable and continued to be the lowest in the Bay Area. In the first quarter of 2021, the overall vacancy rate stood at 5.2%, down 10 bps from 5.3% last quarter but up 20 bps from 5.0% one year ago. Palo Alto/Mountain View/Los Altos had the lowest vacancy rate in the region at 4.0%, followed by Milpitas/North San Jose at 4.8% and Sunnyvale/Cupertino at 4.9%. The other submarkets recorded more than 5.0% vacancy, with San Jose/Campbell/Los Gatos having the highest figure in the region at 5.7%. Total net absorption in the Silicon Valley shopping center market was 11,600 square feet (sf) in the first quarter of 2021.

Santa Clara County was in the State's purple tier early in the year, which meant tougher restrictions for retail capacity and indoor dining. The restrictions were lifted gradually as the county moved into the red, and eventually the orange tier in March 2021.

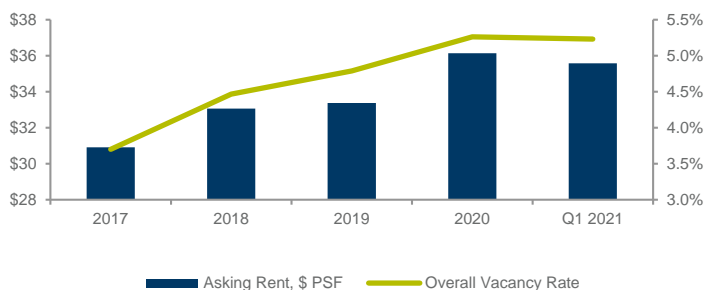
The retail inventory was stable at 37.4 million square feet (msf) as there was no new retail completion in the first quarter. Additionally, there is 106,100 sf of retail space under construction. The largest of these projects is Market Park San Jose, a 101,000-sf neighborhood center on Berryessa Road in North San Jose, which will be anchored by Safeway, CVS and Chase Bank.

There was no large retail center sale in the first quarter. According to Real Capital Analytics' data, a total of 152,200 sf of retail space in Silicon Valley traded hands with the investment sales of \$169.0 million, including \$144.1 million in a mixed portfolio sale.

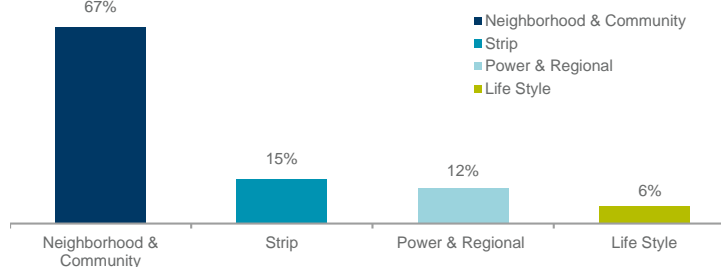
PRICING: Asking Rents Relatively Flat

The rental rate in Silicon Valley has been relatively stable. In the first quarter of 2021, the average asking rent was \$35.58 per square foot (psf) on an annual triple net basis, slightly up 2.1% from last year's figure of \$34.84 psf. The rental rates range from \$29.16 psf for MorganHill/Gilroy submarket to \$55.71 psf in Palo Alto/Mountain View/Los Altos submarket.

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)*
San Jose (DT/South)/Campbell/Los Gatos	18,489,621	37,156	1,008,429	5.7%	-45,678	-45,678	0	\$33.19
Sunnyvale/Cupertino	4,881,812	1,500	237,087	4.9%	-69,858	-69,858	0	\$33.42
Santa Clara	2,530,590	0	128,627	5.1%	14,617	14,617	0	\$36.11
Palo Alto/Mountain View/Los Altos	2,490,004	7,888	91,104	4.0%	-1,402	-1,402	0	\$55.71
Milpitas/North San Jose	5,075,377	1,000	242,943	4.8%	126,596	126,596	106,136	\$39.22
Morgan Hill/Gilroy	3,966,923	24,600	178,073	5.1%	-12,703	-12,703	0	\$29.16
SILICON VALLEY TOTALS	37,434,327	72,144	1,886,263	5.2%	11,572	11,572	106,136	\$35.58

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
130 East El Camino Real	Sunnyvale	N/A	37,200	New Lease
669-719 East Calaveras Boulevard	Milpitas	India Supermarket	12,000	New Lease
1289 East El Camino Real	Sunnyvale	California Stools, Bars and Dinnettes	9,000	New Lease
50 University Avenue	Los Gatos	Telefèric Barcelona	5,400	New Lease
1525-1527 Alum Rock Avenue	San Jose	Mariscos	5,300	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2575 California Street	Mountain View	Merlone Geier Partners / Brookfield Property Partners	70,900	\$121.8M / \$1,718
7185 Camino Arroyo	Gilroy	JH Real Estate Partners / Falcon Properties	28,400	\$6.3M / \$220
6171-6199 Santa Teresa Boulevard (Morgan County Square)	San Jose	JNM Commercial / 4Faceb Investment LLC	24,800	N/A
409 San Antonio Road (Retail Leasehold)	Mountain View	Merlone Geier Partners / Brookfield Property Partners	13,000	\$22.3M / \$1,718
1433 The Alameda (former Towne 3 Cinemas)	San Jose	International Movie Theaters / Azad Seyidov	9,800	\$2.3M / \$235

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N/A	N/A	N/A	N/A	N/A

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