

SAN FRANCISCO

Retail Q3 2021



CUSHMAN & WAKEFIELD

\$137,200

Median HH Income

YoY
Chg12-Mo.
Forecast

0.6%

Population Growth



4.6%

Unemployment Rate

U.S. ECONOMIC INDICATORS
Q3 2021

5.6%

GDP Growth

YoY
Chg12-Mo.
Forecast

11.0%

Consumer Spending
Growth

14.1%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics
Q3 2021 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY

The spread of Delta variant adversely impacted the re-opening progress during the third quarter of 2021. Once again, an indoor mask mandate took effect in San Francisco, regardless the vaccination status. Proof of vaccination is now also required at indoor business, like restaurants, bars, gyms and museums. Furthermore, many companies have pushed back plans to return to the office to the fourth quarter or early 2022.

Nevertheless, the unemployment rate in San Francisco continued to decline to 4.6%, down from 9.2% last year. The median household income was up by 2.5% year-over-year (YOY) to \$137,200 and remained the highest in the country. The population grew by 0.6% YOY. Meanwhile, the total retail sales were up significantly in the third quarter at 23.4% YOY to an estimate \$44.1 billion from \$35.8 billion one year ago.

MARKET OVERVIEW

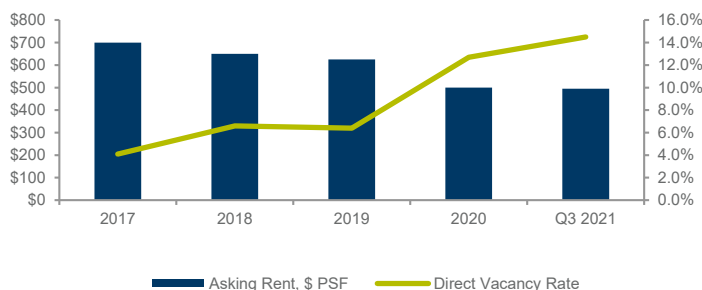
The retail vacancy rate in San Francisco was down for the first time after trending up in the last two years. The neighborhood shopping districts, which generally rely more on locals than tourists have been coming back to life. As of the close of the third quarter of 2021, the retail vacancy rate in San Francisco was 5.0%, down 20 basis points (bps) from 5.2% last quarter, but still 60 bps higher than last year's rate of 4.4%. There was no major retail completion in San Francisco in the third quarter and the retail inventory remained at 50.8 million square feet (msf).

The notable openings in the third quarter of 2021 were the 66,600-square foot (sf) CGV Cinemas in the former AMC Theater at 1000 Van Ness Avenue and Sports Basement (72,200 sf) in Stonestown Galleria. This is the third CJ-CGV's location in the U.S. (a company based in South Korea) and the second new cinema opening in San Francisco this year, following the opening of Regal Cinema in Stonestown Galleria last quarter. Other new openings during the third quarter were Herman Miller at 2108 Chestnut Street and restaurants, such as Estiatorio Ornos, a Michael Mina Restaurant, in the Financial District, Fiorella in the Sunset District, and the long-anticipated Gott's Roadside and Miller & Lux, the 7,000-sf waterfront steak house from Chef Tyler Florence, at Thrive City (Chase Center).

One of the largest transactions in the third quarter was the 12,850-sf lease at 3535 Geary Boulevard by goPuff, a delivery service which is opening brick-and-mortar stores. It took over the space that was vacated by Pier 1 and will be goPuff's first store in California.

Other closures include the 46,700-sf Nordstrom Rack at 555 Ninth Street at the end of the quarter.

RENT / DIRECT VACANCY RATE – UNION SQUARE



RETAIL SALES TREND





UNION SQUARE / POST STREET

The retail vacancy rate in Union Square continued to increase in the third quarter of 2021. The direct vacancy rate was recorded at 14.5%, up from 13.9% last quarter and a jump of 350 basis points (bps) from 11.0% one year ago. The foot traffic data from Placer.ai indicated that the customer visits to Union Square peaked and reached 1.0 million monthly visits in July but started to come down in August and further in September. The slowing down was mainly due to the Delta variant, which has delayed the reopening of offices and the return of international tourists and business travelers. The average monthly foot traffic to Union Square in the third quarter have improved to 50.3% of pre-pandemic level in the same period in 2019 and double the foot traffic last year. The number of international tourists on the other hand was still down by 83.1% pre-pandemic level in August 2021.

Despite all challenges, business confidence and leasing activities in this prestigious shopping district continued to rise. Chotto Matte, a Peruvian-Japanese restaurant originally founded in London, signed a lease at 100 Stockton Street. It will occupy a 17,000-sf rooftop space at the former Macy's Men's building and will open in 2022. Brilliant Earth, a San Francisco jewelry brand, relocated its retail showroom and headquarters to a 11,200-sf space at 300 Grant Avenue. There were a few new restaurants that opened in the third quarter, including Fredericks in the Clift Royal Sonesta Hotel at 495 Geary Street and Scott's Chowder House at 334 Grant Avenue.

Asking rents for premier ground floor retail space in Union Square remained stable at \$495 per square foot per year (psf), unchanged from last quarter, but down 10.0% from \$550 psf one year ago. The rental rate on Post Street also remained the same as last quarter's figure at \$295 psf, down 7.8% from \$320 psf a year ago.

INVESTMENT MARKET

The largest retail sales transactions in San Francisco in the third quarter was the 28,000-sf Warfield Theater for \$6.0 million. Other transactions in the third quarter of 2021 were mostly small retail buildings, with a total of 60,300 sf and the total investment sales of \$26.3 million. In addition, Villa Florence Hotel in Union Square was sold for \$87.5 million for 189 guestrooms and approximately 10,000 sf street retail by Pebblebrook Hotel Trust to an affiliate of AWH Partners, LLC and The Roxborough Group, LLC.

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
100 Stockton Street	Union Square	Chotto Matte	14,000	New Lease
3535 Geary Boulevard	Richmond District	GoPuff	12,850	New Lease
1700 Fillmore Street	Fillmore	Restaurant TBD	6,700	New Lease
301 8 th Street	SoMa	Design Plus Consignment	4,000	New Lease
1390 Market Street	Mid-Market	Carbon Health	3,500	New Lease

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
976 Market Street (Warfield Theatre)	Mid-Market	A&C Ventures JV Argonaut Investments JV Craig P Duling / 980 Market Street LLC	28,000	\$6.0M / \$214
1633-1637 Taraval Street	Sunset District	Ge M Lui / Malcolm P Lee	8,000	\$3.4M / \$424
32-34 Page Street	Hayes Valley	Lary F Cammisa & Vicky A Cammisa / Plgf Investments LLC	6,500	\$3.9M / \$602
2261-2265 Market Street	Upper Market	Richard A Sollitto Trust / Samer Danfoura	6,000	\$3.4M / \$569
2200 Clement Street (4 Star Theater)	Richmond District	Frank Lee / 4star4arts LLC	3,600	\$1.7M / \$453

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
3251 20 th Avenue (Stonestown Galleria) – Redevelopment	Lakeshore	Whole Foods, Sports Basement, Regal Cinemas	221,400	Brookfield Property REIT, Inc.

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