

	YoY Chg	12-Mo. Forecast
\$101,300 Median HH Income	▲	▲
-1.0% Population Growth	▼	▲
5.6% Unemployment Rate	▼	▼

U.S. ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
5.6% GDP Growth	▲	▲
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: Unemployment Rate Continues to Decline

The spread of the Delta variant adversely impacted the re-opening progress during the third quarter of 2021. Once again, an indoor mask mandate took effect in the San Francisco Bay Area, except in Solano County, regardless of the vaccination status. The unemployment rate in the North Bay (Marin, Napa, Sonoma and Solano counties), however, continued to decline to 5.6%, down from 9.4% last year. The unemployment rates in San Francisco and San Mateo counties were also down to 4.6% and 3.1%, respectively. The median household income climbed by 8.3% year-over-year (YOY) to \$101,300.

SUPPLY & DEMAND: All Counties Record Positive Absorption

The retail vacancy rate in the San Francisco / North Bay region continued to show a decline in the third quarter, the second time that has happened on a quarterly basis since the pandemic. The region recorded a vacancy rate of 6.2% in the third quarter, down 60 basis points (bps) from 6.8% last quarter and 10 bps from 6.3% one year ago. The current rate translates to approximately 2.5 million square feet (msf) of retail space availability in the region. Napa County continued to have the lowest vacancy rate at 2.0%, down from 2.2% last quarter; followed by Marin County at 3.7%, down from 3.8% last quarter. Meanwhile, the vacancy rates in Sonoma, San Mateo, Solano and San Francisco counties were 4.4%, 6.9%, 7.4% and 17.2%, respectively.

All counties in the region recorded positive quarterly net absorption this quarter. The total net absorption in the third quarter of 2021 was 266,900 square feet (sf). San Francisco County contributed the majority of that at 152,200 sf, followed by Solano and Sonoma counties at 65,900 sf and 30,900 sf, respectively. Meanwhile, the net absorption in Napa, Marin, and San Mateo counties ranged from 4,600 sf to 8,100 sf. The openings of Sports Basement (72,200 sf) and some restaurants in the newly renovated Stonestown Galleria contributed to the high positive net absorption in San Francisco.

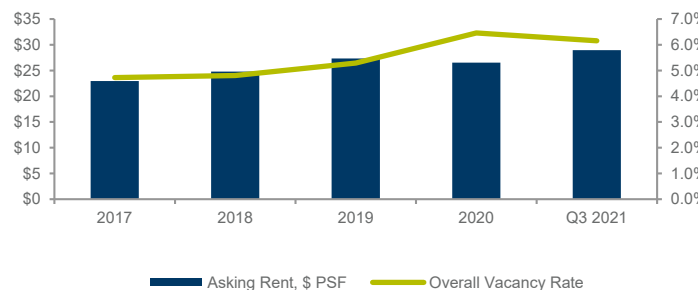
There was no new completion or under-construction retail project in the region and the retail inventory remained at 39.9 msf.

A couple of deals to note in the retail investment sphere: the sale of a 114,800-sf former Walmart building in Fairfield and the 90,800-sf Hamilton Marketplace in Novato for \$11.0 million and \$67.3 million, respectively. The Safeway-anchored Hamilton Marketplace was sold by Grosvenor Americas to DWS Group Americas (a Midwest retirement fund) for \$741 per square foot.

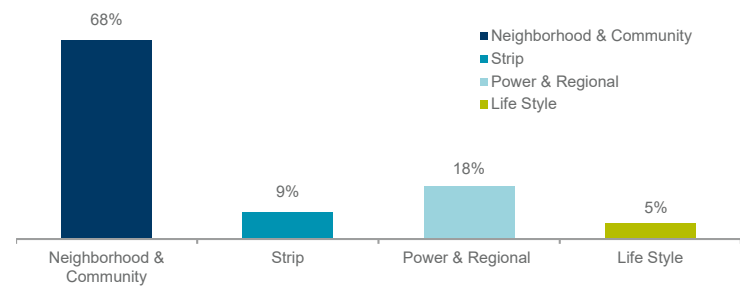
PRICING: Average Asking Rents Increases

Asking rents averaged \$28.94 per square foot (psf) on an annual triple net basis in the third quarter, up 8.3% from \$26.73 psf one year ago. The rental rates ranged from \$17.84 psf in Solano County to \$57.06 psf in San Francisco County.

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	5,906,309	1,948	219,124	3.7%	5,161	19,222	0	\$35.01
Napa County	2,657,260	0	54,042	2.0%	4,639	37,286	0	\$38.07
Sonoma County	10,670,003	20,381	448,779	4.4%	30,942	36,057	0	\$19.33
Solano County	7,841,174	20,728	562,057	7.4%	65,854	64,690	0	\$17.84
San Francisco County	2,355,344	16,875	387,593	17.2%	152,244	-41,087	0	\$57.06
San Mateo County	10,492,656	2,986	722,157	6.9%	8,094	-1,150	0	\$35.99
SF / NORTH BAY METRO TOTALS	39,922,746	62,918	2,393,752	6.2%	266,934	115,018	0	\$28.94

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4601 Redwood Drive (Walmart Plaza)	Sonoma County	K1 Racing Driven Raceway	40,000	New Lease
100 Shoreline Highway (Shoreline Office Center)	Marin County	Club Evexia	15,000	New Lease
3535 Geary Boulevard	San Francisco County	GoPuff	12,850	New Lease
2716 Santa Rosa Avenue	Sonoma County	LL Flooring	10,500	New Lease
2426 El Camino Real	San Mateo County	Cycle Gear	9,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
300 Chadbourne Road (former Walmart)	Solano County	Lefever Mattson / Trammell Crow Co	114,800	\$11.0M / \$96
5800 Nave Drive (Hamilton Marketplace)	Marin County	Grosvenor Americas / DWS Group Americas	90,800	\$67.3M / \$741
120 South Orchard Avenue	Solano County	Fong Tom Family Investments LP / Maya VMF LLC	39,500	\$4.6M / \$117
200 Travis Boulevard (Grocery Outlet)	Solano County	Pac Trust / Shadi Living Trust	36,000	\$6.7M / \$187
976 Market Street (Warfield Theatre)	San Francisco	A&C Ventures JV Argonaut Investments JV Craig P Duling / 980 Markte Street LLC	28,000	\$6.0M / \$214

KEY CONSTRUCTION COMPLETIONS YTD 2021

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

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

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 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com 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.