

# SILICON VALLEY

Retail Q4 2021

**\$129,800**

Median HH Income

YoY Chg



12-Mo. Forecast



**0.5%**

Population Growth



**4.5%**

Unemployment Rate



## U.S. ECONOMIC INDICATORS Q4 2021

**5.4%**

GDP Growth

YoY Chg



12-Mo. Forecast



**11.3%**

Consumer Spending Growth



**17.9%**

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics  
Q4 2021 data are based on latest available data.  
Growth rates are year-over-year.

## ECONOMY: Unemployment Rate Continues to Decline

The economic fundamentals and the retail business in Silicon Valley showed continued improvement in the last quarter of 2021 despite some challenges, such as the supply chain shortage, inflation and rising of COVID-19 cases due to the Omicron variant in the last weeks of December. At the end of 2021, Silicon Valley recorded an employment rate of 4.5%, down from 6.2% one year ago. The median household income continued to be one of the highest in the country at \$129,800, while the population grew at 0.5% year-over-year (YOY).

## SUPPLY & DEMAND: Vacancy Remains the Lowest in the Bay Area

Increasing population, job growth, high incomes and strong consumer spending continued to strengthen the performance of retail sector in Silicon Valley. At the end of 2021, the vacancy rate of Silicon Valley's shopping centers remained the lowest in the Bay Area at 5.2%, with approximately 1.9 million square feet (msf) of vacant retail space. It was down 30 basis points (bps) from 5.5% last quarter and 10 bps from 5.3% one year ago. Santa Clara continued to record the lowest vacancy rate in the region at 3.9%, followed by Palo Alto/Mountain View/Los Altos at 4.9%. Meanwhile, the other submarkets had close to a 5.0% vacancy rate with Milpitas/North San Jose recorded the highest vacancy rate in the region at 5.5%.

The quarterly net absorption continued in the positive territory. With 101,900 square feet (sf) net absorption in the fourth quarter of 2021, the total annual absorption for 2021 reached 162,100 sf, surpassing the 2019 and 2020's net absorptions at -80,800 sf and 105,000 sf, respectively. San Jose/Campbell/Los Gatos contributed to the most absorption in the region at 43,500 sf, followed by Morgan Hill/Gilroy at 24,600 sf. Meanwhile, Palo Alto/Mountain View/Los Altos had a minimal negative absorption at -2,100 sf.

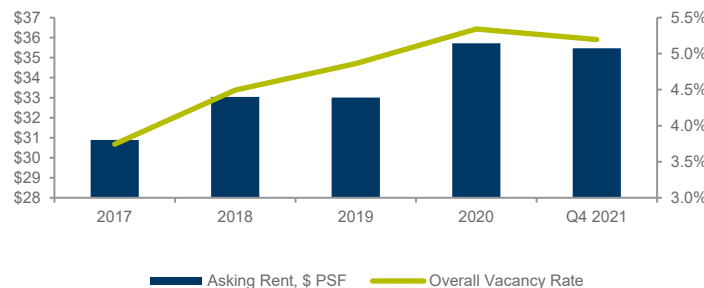
There was no new retail space completed in the fourth quarter of 2021 and the total retail inventory remained at 37.4 msf.

According to Real Capital Analytics, a total of 337,300 sf retail space in Silicon Valley traded hands during the fourth quarter, bringing the total annual transaction volume to almost 1.7 msf in 2021. Total investment sales in the fourth quarter were \$204.9 million, which brought the total sales volume to \$858.7 million, 49.9% higher than the total sales in 2020 of \$572.9 million.

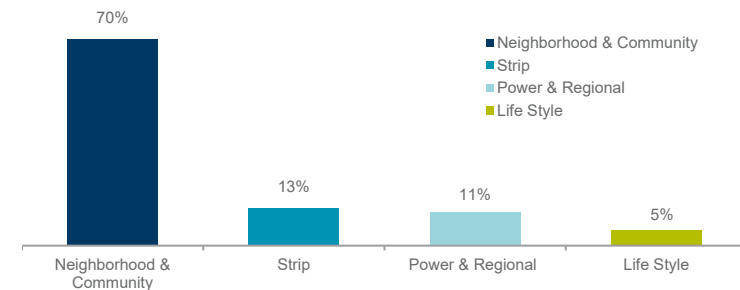
## PRICING: Average Asking Rents Slightly Decrease

The average asking rent in the region as of the end of 2021 was \$35.47 per square foot (psf) on an annual triple net basis, down a minimal 0.7% from last year's figure of \$35.72 psf. The rental rates ranged from \$25.83 psf for the Morgan Hill/Gilroy submarket to \$56.15 psf in the 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	18,508,980	14,058	979,155	5.4%	43,473	38,159	0	\$34.40
Sunnyvale/Cupertino	4,668,930	3,538	240,489	5.2%	15,082	-77,038	0	\$35.52
Santa Clara	2,548,710	0	99,524	3.9%	15,984	43,720	0	\$32.56
Palo Alto/Mountain View/Los Altos	2,559,107	10,695	113,839	4.9%	-2,063	-26,944	0	\$56.15
Milpitas/North San Jose	5,145,213	5,996	275,167	5.5%	4,915	193,763	1,250	\$33.88
Morgan Hill/Gilroy	3,935,995	0	199,568	5.1%	24,553	-9,598	0	\$25.83
<b>SILICON VALLEY TOTALS</b>	<b>37,366,935</b>	<b>34,287</b>	<b>1,907,742</b>	<b>5.2%</b>	<b>101,944</b>	<b>162,062</b>	<b>1,250</b>	<b>\$35.47</b>

\*Rental rates reflect NNN asking

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5281-5289 Prospect Road	San Jose	Costco	52,800	New Lease
20580-20680 Homestead Road	Cupertino	PGA Tour Superstore	31,400	New Lease
615 Coleman Avenue (San Jose Market Center)	San Jose	Sprout's Farmers Market	20,800	New Lease
15445 Los Gatos Boulevard	Los Gatos	Fencing Group	15,800	New Lease
2152 Monterey Highway	San Jose	WSS Shoes	13,250	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2116 El Camino Real	Mountain View	N/A / N/A	99,400	\$13.5M / \$136
21269 Stevens Creek Blvd (Oaks Shopping Center)	Cupertino	KT Urban / Verde Partners	71,700	\$71.4M / \$995
725 Ridder Park Drive (Brokaw Shops)	San Jose	Sand Hill Prop Co / 650 N King Road LLC	25,000	\$13.8M / \$552
1231 Comstock Street	Santa Clara	1985 Lasecke Living Trust / Prime Data Centers	24,000	\$9.5M / \$396
1711 Senter Road (Sierra Lumber & Fence)	San Jose	JBM Investment Company LLC / Lift Partners	21,100	\$9.1M / \$433

## KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1401-1477 Berryessa Road (Market Park San Jose)	San Jose	Safeway, CVS, Chase Bank, Carbon Health	101,000	Bumb & Associates

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