

SILICON VALLEY

Retail Q1 2022

\$130,300

Median HH Income

YoY Chg



12-Mo. Forecast



0.6%

Population Growth



3.7%

Unemployment Rate



U.S. ECONOMIC INDICATORS Q1 2022

4.1%

GDP Growth

YoY Chg



12-Mo. Forecast



7.4%

CPI Growth



11.3%

Consumer Spending Growth



11.2%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics
Q1 2022 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: Unemployment Rate Continues to Decline

Most of the COVID-19 restrictions in Silicon Valley, including indoor mask requirement for vaccinated people and vaccine mandates for indoor businesses, have been lifted. The Silicon Valley employment market continued to record job growth with leisure and hospitality recorded the largest job gains, especially in the food services and drinking categories. The unemployment rate in Silicon Valley continued to decline and was recorded at 3.7% in the first quarter of 2022, down 200 basis points (bps) from 5.7% last year. The median household income was one of the highest in the country at \$130,300, up 2.1% year-over-year (YOY). Meanwhile, the population grew steadily by 0.5% YOY. Going forward, the supply chain issue and high inflation rate remain as challenges to the retail business.

SUPPLY & DEMAND: Vacancy Slightly Tick-Up in All Submarkets

The vacancy rate of shopping centers in Silicon Valley increased slightly with all submarkets experienced negative net take-up in the first quarter of 2022, mainly due to the closures of some big box retailers. It was recorded at 5.6%, up 40 bps from 5.2% last quarter and 30 bps from 5.3% one year ago. The vacancy rates ranged from 4.8% in Santa Clara to 5.8% in Milpitas/North San Jose. The total net absorption in the first quarter of 2022 was recorded in the red at -134,300 square feet (sf). San Jose/Campbell /Los Gatos contributed to the largest occupancy lost at -64,200 sf, followed by Santa Clara at -23,500 sf and Milpitas/North San Jose at -14,600 sf.

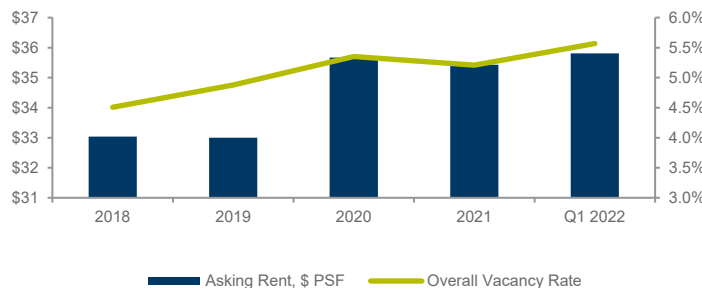
With no new and under-construction retail space added to the market, the total retail inventory in Silicon Valley remained at 37.3 million square feet (msf), leaving 2.1 msf of vacant retail space.

The largest retail investment transaction in Silicon Valley was the sale of Village Oak in South San Jose. It was part of the portfolio sale of eight retail projects that were sold by Donahue Scriber to EDENS, an East Coast real estate firm expanding to the West Coast. Another notable retail sale in the first quarter was Charleston Plaza at the border of Mountain View and Palo Alto that had been vacated by Bed Bath & Beyond, REI and Best Buy. Presidio Bay Venture bought the property for \$71.8 million and plans to convert the big-box retail buildings to life science, tech and biotech space.

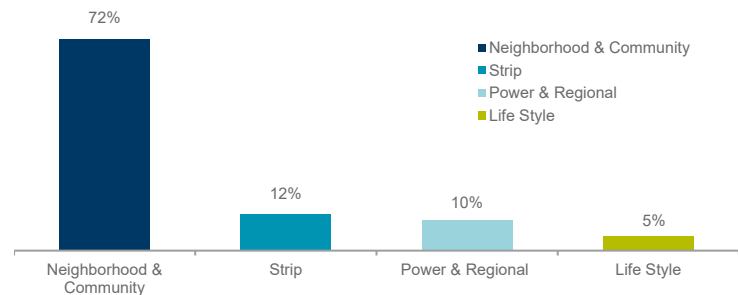
PRICING: Average Asking Rents Increase

Silicon Valley retail market recorded an average asking rents of \$35.81 per square foot (psf) on an annual triple net basis, ticking up slightly (0.8%) from last year's figure of \$35.52 psf. Palo Alto/Mountain View/Los Altos submarket continued to record the highest rental rate in the region at \$53.83 psf, while Sunnyvale/Cupertino recorded the highest rental rate growth of 10.9% YOY.

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	18,428,864	45,956	1,012,642	5.7%	-64,224	-64,224	0	\$34.30
Sunnyvale/Cupertino	4,668,930	6,293	251,300	5.5%	-13,566	-13,566	0	\$37.06
Santa Clara	2,538,430	0	123,056	4.8%	-23,532	-23,532	0	\$33.34
Palo Alto/Mountain View/Los Altos	2,585,857	10,695	120,117	5.1%	-7,812	-7,812	0	\$53.83
Milpitas/North San Jose	5,115,185	4,996	290,809	5.8%	-14,642	-14,642	1,250	\$33.27
Morgan Hill/Gilroy	3,946,401	0	210,066	5.3%	-10,498	-10,498	0	\$27.20
SILICON VALLEY TOTALS	37,283,667	67,940	2,007,990	5.6%	-134,274	-134,274	1,250	\$35.81

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1375 Blossom Hill Road (Princeton Plaza Mall)	San Jose	Vector Data	28,500	New Lease
624-640 Blossom Hill Road (Blossom Hill Pavilion)	Los Gatos	BevMo!	11,300	New Lease
919 S Winchester Boulevard (Lynhaven)	San Jose	Sola Salon Studios	8,000	New Lease
217 Alma Street	Palo Alto	Modern Animal	4,300	New Lease
429 California Avenue	Palo Alto	The Bike Connection	4,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5690 Cottle Road (Village Oaks)	San Jose	Donahue Schriber; First Washington Realty / EDENS	175,000	\$115.1M / \$658
2400-2450 Charleston Road (Charleston Plaza)	Mountain View	TIAA / Presidio Bay Ventures	132,700	\$71.8M / \$541
15710 Los Gatos Boulevard (El Gato Village)	Los Gatos	SJM Construction / Prado Group	58,500	\$36.0M / \$615
1250 Grant Road (Nob Hill Foods)	Mountain View	James Berg / Gateway Holdings LP; Pastoo LLC	58,400	\$28.0M / \$479
1504 Alum Rock Avenue	San Jose	Sherman N Tran Trust / Sherman Chiu; Jenny Ngo	24,000	\$6.6M / \$273

KEY CONSTRUCTION COMPLETIONS YTD 2022

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

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