

SILICON VALLEY



Retail Q2 2022

\$155,900

Median HH Income

YoY Chg



12-Mo. Forecast



0.6%

Population Growth



2.8%

Unemployment Rate



U.S. ECONOMIC INDICATORS Q2 2022

2.5%

GDP Growth

YoY Chg



12-Mo. Forecast



7.9%

CPI Growth



9.8%

Consumer Spending Growth



8.7%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics
Q2 2022 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: Unemployment Rate Continues to Decline

In the second quarter of 2022, the unemployment rate in Silicon Valley was recorded at 2.8%, significantly down from 5.3% a year ago. Leisure and hospitality continued to lead the job growth over the last year (+20,400 jobs), especially in the food services and drinking categories. The median household income remained one of the highest in the country at \$155,900, an increase of 0.5% from \$155,100 one year ago. Meanwhile, the population grew steadily by 0.6% annually.

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

The retail vacancy rate in Silicon Valley continued to be the lowest in the Bay area at 5.6% in the second quarter of 2022. It was down 10 basis points (bps) from last quarter and last year's figures at 5.7%. Almost all submarkets, except San Jose/Campbell/Los Gatos, experienced positive net absorption during the quarter with a total of 32,400 square feet (sf). Sunnyvale/Cupertino recorded the highest take-up at 75,600 sf, which brought the vacancy rate down to 3.9% from 5.5% last quarter. Meanwhile, Santa Clara had a 55,600-sf net absorption and the vacancy rate was down to 2.6% in the second quarter of 2022, the lowest vacancy rate in Silicon Valley.

With no new and under-construction shopping center added to the market, the total retail inventory in Silicon Valley remained at 37.4 million square feet (msf), leaving 2.1 msf of vacant retail space. Additional new retail space in Silicon Valley will mostly come from ground floor retail in mixed-use developments.

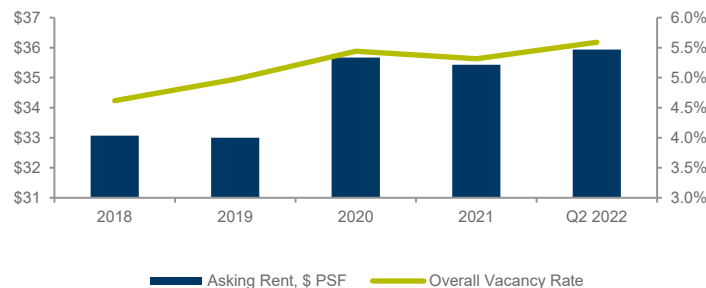
One notable opening in the second quarter was the 45,000-square foot (sf) food hall, Eatly, at Westfield Valley Fair. Additionally, Vallco Town Center in Cupertino got a new mixed-use development plan of housing, office and retail, and changed the name to "The Rise".

Two major retail investment transactions in Silicon Valley were the sale of The Plant in South San Jose and Gilroy Crossing in Gilroy. The Plant, a 512,500-sf open air shopping center anchored by Home Depot, Target and Best Buy, was sold for \$175 million – as part of the 81-national shopping center portfolio sale – by CIM Real Estate Finance Trust to The Necessity Retail REIT (RTL).

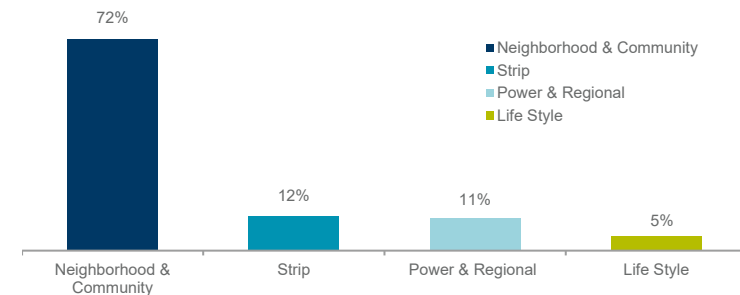
PRICING: Average Asking Rents Relatively Flat

The rental rate in Silicon Valley has been relatively stable. In the second quarter of 2022, the average asking rent was \$35.94 per square foot (psf) on an annual triple net basis, slightly up 2.8% from last year's figure of \$34.96 psf. The rental rates ranged from \$30.86 psf for Morgan Hill/Gilroy submarket to \$54.74 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	18,490,998	44,239	1,201,936	6.7%	-143,177	-207,401	2,656	\$34.14
Sunnyvale/Cupertino	4,665,074	5,310	176,686	3.9%	75,597	62,031	0	\$38.45
Santa Clara	2,521,768	0	66,628	2.6%	55,578	32,046	0	\$32.92
Palo Alto/Mountain View/Los Altos	2,609,794	10,695	109,381	4.6%	10,736	2,924	0	\$54.74
Milpitas/North San Jose	5,116,435	0	284,665	5.6%	12,390	-2,252	0	\$32.57
Morgan Hill/Gilroy	3,946,401	0	188,823	4.8%	21,243	10,745	0	\$30.86
SILICON VALLEY TOTALS	37,350,470	60,244	2,028,119	5.6%	32,367	-101,907	2,656	\$35.94

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1522 S Winchester Boulevard	San Jose	Kiddie Academy	19,700	New Lease
1329-1345 Blossom Hill Road (Blossom Hill Plaza)	San Jose	Asgard Fencers, Inc	14,200	New Lease
1646-1760 S Bascom Avenue (Hamilton Plaza)	Campbell	West Elm	14,100	New Lease
5205 Prospect Road (West Valley Shopping Center)	San Jose	Ace Hardware	12,200	New Lease
401-411 E Santa Clarea Street	San Jose	Contempo Furniture	8,500	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1 Curtner Avenue (The Plant San Jose)	San Jose	CIM Real Estate Finance Trust, Inc. / The Necessity Retail REIT	512,500	\$175.0M / \$341
6705 Camino Arroyo (Gilroy Crossing)	Gilroy	Blackstone AKA Excel Realty Trust / Farallon Capi Partners	325,400	\$57.0M / \$175
3065 McKee Road	San Jose	Alexander E & William H Rohnert / Juvenal Chavez	23,200	\$6.4M / \$274
510 Parrott Street	San Jose	Intelli LLC / Travis Brother LLC	17,000	\$6.5M / \$385
2080 El Camino Real	Palo Alto	Tracy L May Living Trust / Methuselah LLC	7,300	\$7.5M / \$1,027

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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