

SILICON VALLEY

Retail Q3 2022



\$158,900

Median HH Income

YoY Chg



12-Mo. Forecast



0.6%

Population Growth



2.3%

Unemployment Rate



U.S. ECONOMIC INDICATORS Q3 2022

1.5%

GDP Growth

YoY Chg



12-Mo. Forecast



8.3%

CPI Growth



7.9%

Consumer Spending Growth



8.9%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics
Q3 2022 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: Unemployment Rate Records the Lowest Rate

The unemployment rate in Silicon Valley continued to decline and was recorded at 2.3% in the third quarter of 2022, 220 basis points (bps) below last year's figure of 4.5% and slightly below the pre-pandemic rate of 2.5% at the end of 2019. This metropolitan area remained one of the wealthiest regions in the country with the median household income reaching \$158,900, an increase of 3.3% from \$153,800 a year ago. Meanwhile, the population grew by 0.6% annually. These high record income and employment figures provide a strong customer base for retail and restaurant businesses in the region.

SUPPLY & DEMAND: Vacancy Rate Decreases

The shopping center market in Silicon Valley ended the third quarter of 2022 with an overall vacancy rate of 5.3%, down 30 bps from both last quarter and last year's figures at 5.6%. Almost all submarkets closed the third quarter with lower vacancy rates, except Santa Clara and Palo Alto/Mountain View/Los Altos. Although it was higher than last quarter's figure of 2.6%, Santa Clara continued to record the lowest vacancy rate in the region at 3.5%, followed by Sunnyvale/Cupertino and Morgan Hill/Gilroy at 3.6% and 3.7%, respectively.

The total net absorption in Silicon Valley in the third quarter of 2022 was 96,800 square feet (sf), with San Jose/Campbell/Los Gatos contributed the most occupancy gain at 59,600 sf, followed by Morgan Hill/Gilroy at 41,000 sf. Meanwhile the net absorptions in Santa Clara and Palo Alto/Mountain View/Los Altos were in red at -20,400 sf and -20,300 sf, respectively.

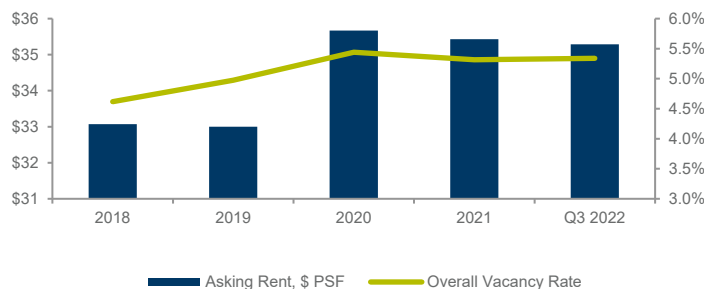
The total retail inventory in Silicon Valley remained at 37.3 million square feet (msf) at the end of the third quarter, leaving 2.1 msf of vacant retail space, which consist of 1.9 msf (96.1%) direct retail space and 77,700 sf (3.9%) sublease space. With limited new retail developments, the vacancy rate is expected to remain low with most of the vacant space within the Class B and C segments.

One notable retail sales transaction was the former Sears building in Eastridge Shopping Mall at 2180 Eastridge Loop in San Jose. The 260,100-sf retail space was sold by Seritage Growth Properties to Intelli, LLC, for \$24.8 million or \$95 per square foot (psf). The new owner plans to open a huge indoor Vietnamese market and food hall with a direct connection to the Eastridge Mall.

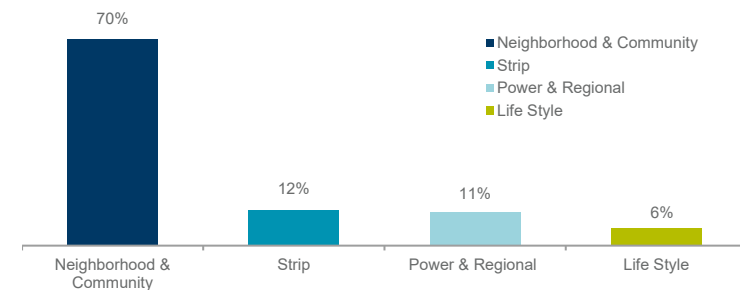
PRICING: Average Asking Rents Relatively Flat

The average asking rent in the third quarter of 2022 was \$35.29 psf on an annual triple net basis, slightly up 0.9% from last year's figure of \$34.96 psf. The rental rates ranged from \$30.20 psf for Morgan Hill/Gilroy submarket to \$52.71 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	18,490,871	59,247	1,126,357	6.4%	59,620	-146,830	11,466	\$33.92
Sunnyvale/Cupertino	4,593,334	5,310	159,395	3.6%	17,291	7,582	0	\$37.12
Santa Clara	2,521,665	0	87,027	3.5%	-20,399	11,647	0	\$30.98
Palo Alto/Mountain View/Los Altos	2,610,557	13,095	127,304	5.4%	-20,323	-17,399	0	\$52.71
Milpitas/North San Jose	5,116,435	0	265,082	5.2%	19,583	17,331	0	\$32.39
Morgan Hill/Gilroy	3,946,401	0	147,774	3.7%	41,049	51,794	0	\$30.20
SILICON VALLEY TOTALS	37,279,263	77,652	1,912,939	5.3%	96,821	-75,875	11,466	\$35.29

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1641 North Capitol Avenue	San Jose	Dai Thanh Supermarket	31,600	New Lease
1646-1760 South Bascom Avenue (Hamilton Plaza)	Campbell	West Elm	14,100	New Lease
815-905 1 st Street (Gilroy Plaza)	Gilroy	Autozone	10,700	New Lease
185 University Avenue	Palo Alto	Hanoi Bistro	5,000	New Lease
290 South California Avenue	Palo Alto	Gamelandia	3,600	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2180 Eastridge Loop (Sears at Eastridge Mall)	San Jose	Seritage Growth Properties / Intelli, LLC	260,100	\$24.8M / \$95
18760 COX Ave (Quito Village Center)	Saratoga	Sand Hill Property Co. / PulteGroup, Inc.	80,500	\$54.8M / \$680
1410 South Bascom Avenue	San Jose	Bay West Group / Pacific Medical Building	30,000	\$26.2M / \$873
384 University Avenue	Palo Alto	Rapp Development / Big Property Ventures	14,250	\$17.2M / \$1,209
1007 Blossom Hill Road	San Jose	Waterdragon 289, LLC / Jemcor Development Partners, LLC	12,150	\$10.6M / \$868

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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