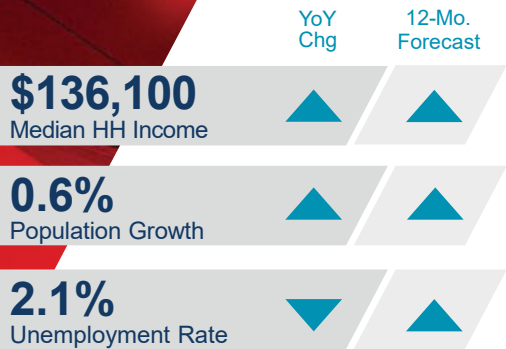
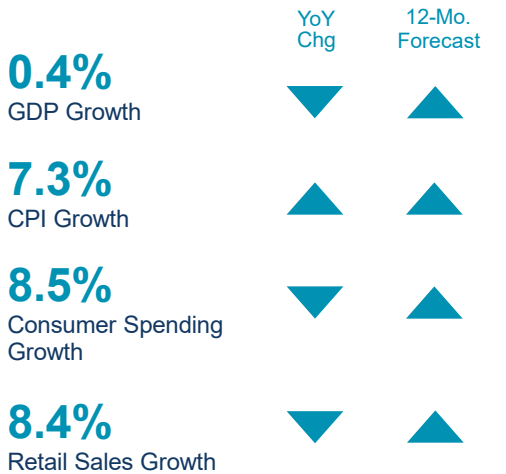


SAN FRANCISCO

Retail Q4 2022



U.S. ECONOMIC INDICATORS Q4 2022



Source: BLS, BOC, Moody's Analytics
Q4 2022 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY

Although the job growth was slower in the fourth quarter, San Francisco still maintained a low unemployment rate of 2.1% at the end of 2022, down 170 basis points (bps) from 2021's figure of 3.8%. Professional and business services as well as leisure and hospitality contributed to most of the job growth in the City in 2022. However, the recent announced layoffs, particularly in the tech industry, is likely to reverse job growth in early 2023. The median household income was recorded at \$136,100, an increase of 9.8% from \$123,900 a year ago and the population grew at 0.6% annually. The total retail sales in the fourth quarter of 2022 were estimated at \$35.9 billion; nevertheless, the growth of retail sales has been slower at 6.5% than 2021's figure at 13.8%.

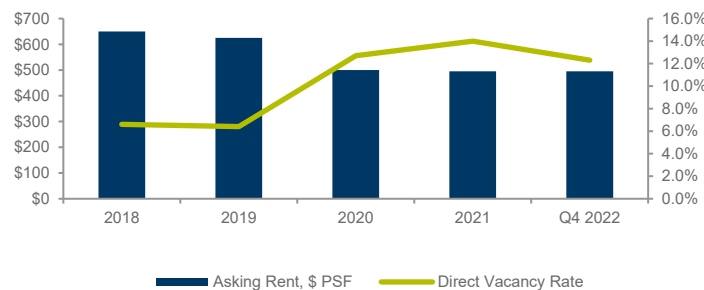
According to Kastle Access Control System Data, the office occupancy in San Francisco in mid-December, before the Christmas and year-end holiday, was recorded at 42.5%, up from 14.7% at the beginning of the year and from 39.7% last quarter. The offices in San Francisco reached the highest occupancy in mid-November, a week before Thanksgiving, at 43.1%. The citywide hotel performance was slowdown in the last quarter of 2022, mainly due to the absence of large conferences. The average hotel occupancy in the fourth quarter was 60.3%, down from 72.1% rate last quarter but up from 50.1% a year ago.

MARKET OVERVIEW

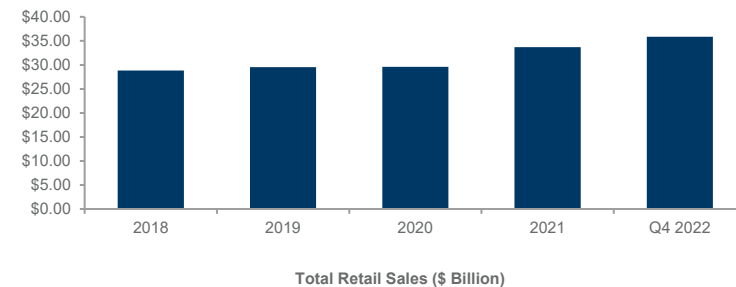
San Francisco's retail vacancy rate increased to 5.9% in the fourth quarter of 2022, up 50 basis points (bps) from 5.4% rates both last quarter and a year ago. At the end of 2022, the total retail inventory in San Francisco stood at 51.2 million square feet (msf), with approximately 3.0 msf of vacant retail space. Net absorption in the last quarter of 2022 was recorded at -46,300 sf, bringing the total annual absorption in 2022 to -40,100 sf, down 27.8% from 2021's figure of -55,500 sf.

Despite the increase of vacancy rate, openings of new stores and restaurants were still observed in the popular neighborhood commercial districts in San Francisco. In the Upper Fillmore district, Sezane opened at 2028 Fillmore Street, MOSCOT at 2109 Fillmore, Diptyque at 2122 Fillmore Street and Little Words Project at 2208 Fillmore Street. Some new F&B outposts in San Francisco's downtown include Bar Sprezzatura (an Italian restaurant from Michael Mina's TableOne Hospitality) in One Maritime Plaza at 300 Clay Street, Village Tea House (a dim sum restaurant) at 62 Second Street and Suragan (a Korean fine-dining restaurant) at 250 Hyde Street. Two of San Francisco's well-known coffee shops also added new locations: the Coffee Movement at 1737 Balboa Street and Andytown Coffee at 800 Great Highway. Non-alcoholic bar and bottle shops are increasingly more popular in the City, with the addition of Boison at 333 Hayes Street.

RENT / DIRECT VACANCY RATE – UNION SQUARE



RETAIL SALES TREND



UNION SQUARE / POST STREET

At the end of 2022, the direct vacancy rate in Union Square was recorded at 12.3%, down from 13.8% rate in the third quarter and 14.0% rate a year ago. The rental rate for premier ground floor retail has remained flat since 2021 at \$495 per square foot per year (psf) in Union Square and \$295 psf on Post Street.

The largest retail lease transaction in Union Square during the fourth quarter was Convene, a hospitality company which provides premium meeting and event spaces, taking over approximately 65,400-sf space on the fourth and fifth floors of the newly redeveloped 100 Stockton Street. Additionally, Kerns Jeweler signed leases at 255-259 Post Street for Rolex and Patek Philippe stores and Starbucks re-leased its old space that it vacated in 2019 at 201 Powell Street. Some new openings in Union Square during the fourth quarter were “Friends” and Samsung Galaxy Experience pop-ups at 150 Powell Street and 111 Powell Street, respectively; Lumas Gallery’s flagship West Coast outpost at 239 Grant Avenue and Lost Cat Bar & Bites at 587 Post Street. Lastly, Toys “R” Us opened an 8,000-sf shop on the second floor of Macy’s Union Square.

The data from Springboard/Union Square Alliance showed the average monthly visitors to Union Square in the fourth quarter of 2022 was 939,300, a 7.4% decrease from last quarter’s figure of 1.0 million, but a 23.8% increase from last year’s figures of 758,400 visitors per month.

INVESTMENT MARKET

Two of the largest retail sales transactions in the last quarter of 2022 were part of the portfolio sale of Chase Bank-leased properties in California by MetLife Investment Management to JP Morgan Chase Bank. According to Real Capital Analytics’ data, only 56,000 sf of retail space from four retail properties traded hands in San Francisco during the fourth quarter of 2022, bringing the total annual transaction volume to 510,100 sf in 2022. The total investment sales in the fourth quarter were recorded at \$20.4 million, which brought the total investment sales in 2022 to \$362.6 million, slightly below 2021’s figure of \$371.5 million (-2.4% YOY).

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
100 Stockton Street	Union Square	Convene	65,400	New Lease
1081 Post Street	Van Ness	N/A	9,100	New Lease
255-259 Post Street	Union Square	Kern’s Jeweler	6,800	New Lease
98 Turk Street	Tenderloin	Bar & Lounge	4,800	New Lease

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2750 Van Ness Avenue (Chase Bank)*	Van Ness	MetLife / JP Morgan Chase Bank NA	24,800	\$5.6M / \$227
98 West Portal Avenue (Chase Bank)*	West Portal	MetLife / JP Morgan Chase Bank NA	12,700	\$7.2M / \$568
5420 Geary Boulevard	Outer Richmond	Samuel & Gertrude Alterman Testamentary Trusts / Woods Family Investment, LP	10,500	\$2.5M / \$238
1122 Folsom Street	SoMa	F Doree 1994 & 2012 P Friedman Trusts / Choe MIN Y	8,000	\$5.0M / \$624

*Part of Portfolio Sale

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
100 Stockton Street	Union Square	Convene, Chotto Matte	100,500*	PPF/Blatteis 120 Stockton Street

*Retail space in a 250,000-sf mixed-use development

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