

# SILICON VALLEY

Retail Q1 2023



CUSHMAN &amp; WAKEFIELD

\$150,200

Median HH Income

YoY  
Chg12-Mo.  
Forecast

0.7%

Population Growth



2.7%

Unemployment Rate



## U.S. ECONOMIC INDICATORS Q1 2023

1.9%

GDP Growth

YoY  
Chg12-Mo.  
Forecast

5.7%

CPI Growth



9.4%

Consumer Spending  
Growth

5.3%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics  
Q1 2023 data are based on latest available data.  
Growth rates are year-over-year.

## ECONOMY: The Unemployment Rate Trends Up

The job growth in Silicon Valley has slowed as a result of the rise in layoffs at tech companies in the Bay Area. In the first quarter of 2023, the unemployment rate was recorded at 2.7%, up 50 basis points (bps) from 2.2% last quarter, although it was still lower than last year's figure at 3.6%. Nevertheless, the median household income in this region was still the highest in the country at an estimated \$150,200, up 4.7% year-over-year (YOY) and the population grew steadily at 0.7% YOY.

## SUPPLY & DEMAND: Vacancy Rate Remains Stable

In the first quarter of 2023, the shopping center vacancy rate in Silicon Valley was recorded at 5.2%, the same as last quarter's figure but down 60 bps from 5.8% last year. Santa Clara recorded the lowest vacancy rate at 3.3%, down from 3.6% last quarter and from 4.8% last year. Although San Jose/Campbell/Los Gatos still had the highest rate in the region at 5.9%, the retail vacancies have been trending down in this submarket from 6.3% last quarter and 6.0% a year ago. Meanwhile, the other submarkets recorded higher vacancy rates in the first quarter, such as Sunnyvale/Cupertino at 3.9% (up from 3.3% last quarter), Morgan Hill/Gilroy at 4.1% (up from 3.4% last quarter), Palo Alto/Mountain View/Los Altos at 5.5% (up from 5.3% last quarter) and Milpitas/North San Jose at 5.8% (up from 5.6% last quarter).

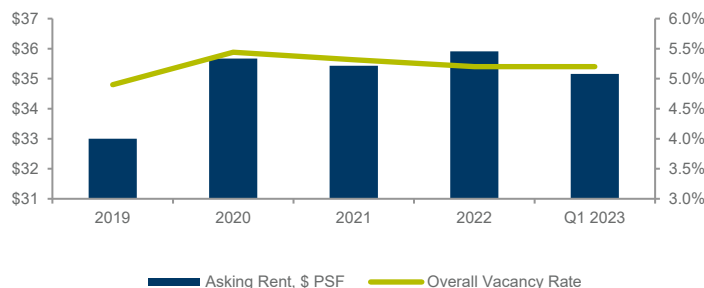
Consequently, the total net absorption in Silicon Valley in the first quarter was a mere 13,500 square feet (sf), with San Jose/Campbell/Los Gatos contributing the most occupancy gains at 78,000 sf, followed by Santa Clara at 8,100 sf. Other submarkets, however, recorded negative net take-up from -4,200 sf in Palo Alto/Mountain View/Los Altos to -30,800 in Morgan Hill/Gilroy.

It is worth mentioning that Silicon Valley recorded the most retail investment activity in the Bay Area this quarter. According to Real Capital Analytics, a total of 323,800 sf retail space from 13 properties traded hands during the first quarter with total investment sales of approximately \$106.4 million. The largest transaction was the sale of Mt. Pleasant Shopping Center in San Jose for \$21.3 million or \$242 per square foot (psf) from Cane Companies to Intelli LLC. The 87,700-sf neighborhood center is anchored by FoodMaxx (not part of the purchase) and CVS.

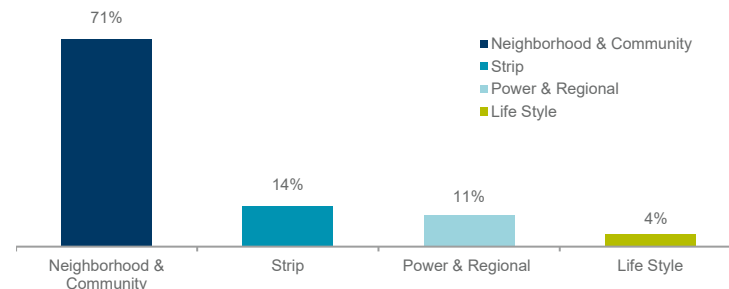
## PRICING: Average Asking Rents Slightly Down

The average asking rent in the first quarter of 2023 was \$35.16 psf on an annual triple net basis, down 1.8% from \$35.81 psf one year ago. The rental rates ranged from \$29.64 psf for Morgan Hill/Gilroy submarket to \$47.44 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	18,485,512	71,736	1,011,535	5.9%	78,005	78,005	8,810	\$33.45
Sunnyvale/Cupertino	4,779,864	1,500	183,636	3.9%	-27,089	-27,089	0	\$37.27
Santa Clara	2,544,591	0	83,849	3.3%	8,091	8,091	0	\$40.66
Palo Alto/Mountain View/Los Altos	2,611,483	11,195	131,490	5.5%	-4,161	-4,161	0	\$47.44
Milpitas/North San Jose	5,116,171	2,955	292,878	5.8%	-10,524	-10,524	0	\$33.08
Morgan Hill/Gilroy	3,959,835	0	163,912	4.1%	-30,842	-30,842	0	\$29.64
<b>SILICON VALLEY TOTALS</b>	<b>37,497,456</b>	<b>87,386</b>	<b>1,867,300</b>	<b>5.2%</b>	<b>13,480</b>	<b>13,480</b>	<b>8,810</b>	<b>\$35.16</b>

\*Rental rates reflect NNN asking

## KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
121 E El Camino Real (Hacienda Center)	Sunnyvale	N/A	28,400	New Lease
1285 Homestead Road	Santa Clara	Jalsa Catering & Events	12,900	New Lease
1007-1123 Cochrane Road (Cochrane Commons)	Morgan Hill	Five Below	11,800	New Lease
2889 Senter Road (Caribbees Center)	San Jose	Lee's Food Court	10,000	New Lease
1375 Blossom Hill Road (Princeton Plaza Mall)	San Jose	Indian Grocery Store	8,700	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3000 Story Road (Mt. Pleasant Shopping Center)	San Jose	Cane Companies / Intelli LLC	87,700	\$21.3M / \$242
21269 Stevens Creek Blvd (Oaks Shopping Center)	Cupertino	Varde Partners / Taylor Morrison	71,700	\$9.1M / \$126
1700 Alum Rock Avenue	San Jose	Leung Yee Enterprise Inc / 1751 Alum Rock LLC	28,500	\$10.2M / \$358
1685 Tully Road	San Jose	Longs Drug Stores CA LLC / Tuong v T Nguyen	26,500	\$10.2M / \$385
8021 Kern Avenue (Mira Loma Plaza)	Gilroy	Filice Family Trust / Shak Properties LLC	22,800	\$6.9M / \$303

## KEY CONSTRUCTION COMPLETIONS YTD 2023

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

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