

SILICON VALLEY

Retail Q2 2023



CUSHMAN & WAKEFIELD

\$150,400

Median HH Income

YoY
Chg12-Mo.
Forecast
0.6%

Population Growth


3.2%

Unemployment Rate



U.S. ECONOMIC INDICATORS Q2 2023

2.1%

GDP Growth

YoY
Chg12-Mo.
Forecast
4.0%

CPI Growth


7.9%
Consumer Spending
Growth
1.3%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics
Q2 2023 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: Median Household Income Remains High

The unemployment rate in Silicon Valley stood at 3.2% in the second quarter of 2023, up 70 basis points (bps) from 2.5% rate one year ago. Despite the rise in the unemployment rate, the median income in Silicon Valley is still the highest in the nation at an estimated \$150,400, up 2.4% year-over-year (YOY). Moreover, the population grew steadily at 0.6% YOY.

SUPPLY & DEMAND: Vacancy Rate Trends Down

Silicon Valley retail vacancy continued to decrease and was recorded at 5.1% in the second quarter of 2023, down 10 bps from last quarter's 5.2% and 50 bps from 5.6% one year ago. The vacancy rate has been trending down for the fifth consecutive quarter since the highest rate of 5.8% at the beginning of 2022. The strong customer base as well as the absence of new construction have kept the occupancy rate of shopping centers in Silicon Valley high.

Sunnyvale/Cupertino recorded the lowest vacancy rate at 3.3%, down from 3.9% last quarter and 4.1% one year ago; followed by Morgan Hill/Gilroy at 4.6%. The vacancy rates in other submarkets in Silicon Valley ranged from 5.0% in Santa Clara to 5.5% in San Jose/Campbell/Los Gatos.

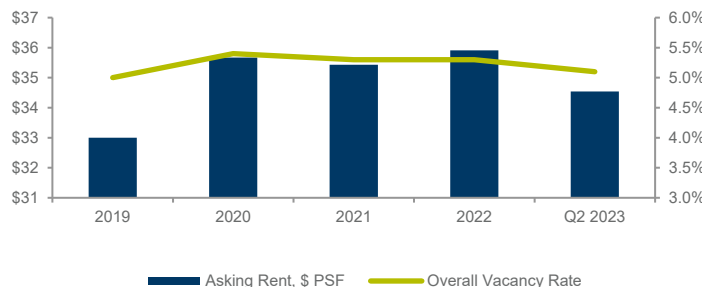
The total net absorption in Silicon Valley in the second quarter was 52,500 square feet (sf), with San Jose/Campbell/Los Gatos contributing the most occupancy gains at 59,000 sf, followed by Sunnyvale/Cupertino at 28,900 sf and Milpitas/North San Jose at 19,000 sf. Capitol Square, a community center in San Jose, secured new leases for Burlington (30,300 sf) and Sprouts Farmers Market (24,000 sf) in the second quarter. Meanwhile, Santa Clara and Morgan Hill/Gilroy recorded negative take-up at -42,300 sf and -19,200 sf, respectively.

According to Real Capital Analytics, a total of 277,800 sf of retail space from 11 properties traded hands with the total investment sales of approximately \$137.5 million. The largest transaction in the second quarter was the sale of Homestead Shopping Center in Cupertino from Sobrato Development to MetLife for \$92.5 million or \$456 per square foot (psf). The 202,700-sf strip mall is anchored by Safeway, among other tenants, such as Ross Dress for Less, Michaels, Ulta Beauty and Rite Aid.

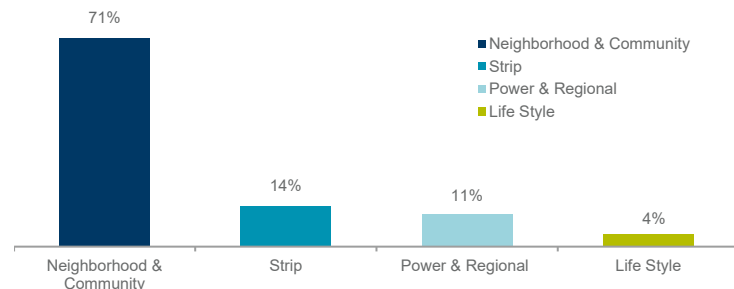
PRICING: Average Asking Rents Slipped

The average asking rent in the second quarter of 2023 was \$34.54 psf on an annual triple net basis, down 3.9% from \$35.94 psf one year ago. The rental rates ranged from \$28.38 psf for Morgan Hill/Gilroy submarket to \$46.11 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	18,476,312	63,018	961,274	5.5%	58,979	136,984	8,810	\$33.72
Sunnyvale/Cupertino	4,732,589	1,500	154,785	3.3%	28,851	1,762	0	\$36.67
Santa Clara	2,532,274	0	126,198	5.0%	-42,349	-34,258	0	\$31.73
Palo Alto/Mountain View/Los Altos	2,611,483	11,195	124,234	5.2%	7,256	3,095	0	\$46.11
Milpitas/North San Jose	5,120,140	1,350	275,515	5.4%	18,968	8,444	0	\$32.84
Morgan Hill/Gilroy	3,959,835	0	183,093	4.6%	-19,181	-50,023	0	\$28.38
SILICON VALLEY TOTALS	37,432,633	77,063	1,825,099	5.1%	52,524	66,004	8,810	\$34.54

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
375 North Capitol Avenue (Capitol Square)	San Jose	Burlington	30,300	New Lease
6725 Camino Arroyo (Gilroy Crossing)	Gilroy	Nordstrom Rack	25,000	New Lease
375 North Capitol Avenue (Capitol Square)	San Jose	Sprout Farmers Market	24,000	New Lease
816 West El Camino Real (Civic Square)	Sunnyvale	Hippo Swim School	13,000	New Lease
1075 Blossom Hill Road	San Jose	Sutter Health	11,800	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
20580 Homestead Road (Homestead Shopping Center)	Cupertino	Sobrato Development / MetLife	202,700	\$92.5M / \$456
1007 Blossom Hill Road	San Jose	JS V View at Blossom Hill LLC / JEMCOR Development Partner	12,100	\$10.6M / \$868
1052 Leigh Avenue	San Jose	Josanne Pierce Trust / Leigh Properties LLC	10,800	\$5.1M / \$474
3035-3045 McKee Road	San Jose	Survivors Miller Trust / Kamaljit Singh	9,600	\$2.5M / \$260
3001 El Camino Real	Palo Alto	Sobrato Development / Acacia Camino Investors	9,100	\$5.5M / \$604

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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