

# SAN FRANCISCO

## Retail Q3 2023

**\$146,900**

Median HH Income

YoY Chg



12-Mo. Forecast



**0.7%**

Population Growth



**3.0%**

Unemployment Rate



### U.S. ECONOMIC INDICATORS Q3 2023

**2.4%**

GDP Growth

YoY Chg



12-Mo. Forecast



**3.4%**

CPI Growth



**7.4%**

Consumer Spending Growth



**2.7%**

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics  
Q3 2023 data are based on latest available data.  
Growth rates are year-over-year.

### ECONOMY

The unemployment in San Francisco was up 80 basis points (bps) year-over-year (YOY) and recorded at 3.0% in the third quarter of 2023. Nonetheless, San Francisco's median household income recorded the highest annual growth in the country at 9.5% and stood at \$146,900, remaining the second highest household income in the nation after San Jose. Total retail sales were also up 6.5% YOY to an estimated \$37.6 billion.

The movement of office occupancy in San Francisco has been minimal at the average of 42.0% in the third quarter. According to Kastle Access Control Systems data, at the end of September 2023 the office occupancy stood at 43.5%, down from 46.5% in June, but up from 20.8% at the beginning of the year. Tourists are returning and some big conferences did take place over the past view months pushing the average hotel occupancy higher, closing the third quarter at 70.8% from 66.1% last quarter.

### MARKET OVERVIEW

With the closures of some major retailers during the summer, the overall citywide retail vacancy jumped to 6.6% at the third quarter of 2023, up 60 bps from last quarter's figure of 6.0% and 120 bps from 5.4% rate last year. Of the roughly 51.2 million square feet (msf) retail space inventory in the City, approximately 3.4 msf of space was available at the end of the third quarter.

A couple of major closures in the third quarter included the 45,500-square foot (sf) Nordstrom Rack at 901 Market Street and the 312,000-sf Nordstrom at San Francisco Centre. These closures combined have left approximately 360,000 sf of vacant retail space.

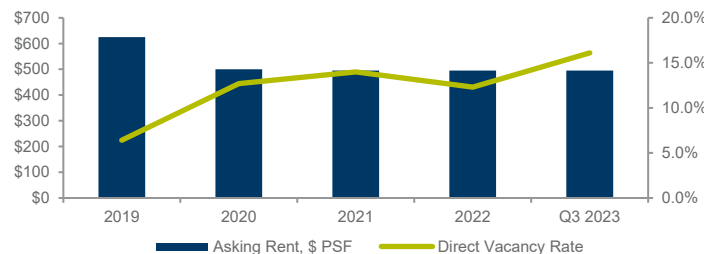
On a positive note, despite the current challenging environment, the City continues to attract tech talent, thanks most recently to becoming the capital of the AI (artificial intelligence) revolution. Part of its appeal to tech and non-tech talent alike is its dense urban environment that is walkable, bikeable and connected via a vast array of mass transit.

In response to this opportunity, IKEA rolled out a three-story 52,000-sf urban concept store at 945 Market Street in the Mid-Market submarket, offering city living solutions for San Franciscans. Additionally, Daiso opened its 100<sup>th</sup> store in the US and 2<sup>nd</sup> STREET opened its second San Francisco's location in Stonestown Galleria. As the need for meeting places outside the home has increased, coffee shops continue to expand in the City. We saw the openings of Coffee Bodega in South Financial District, SPRO Coffee in Civic Center, Bluestone Lane in Marina and Haraz Coffee on Franklin Street. In addition, some new restaurant openings included Yokai at 545 Mission Street, Holbrook House at 1 Sansome Street and The Fermentation Lab in Japantown.

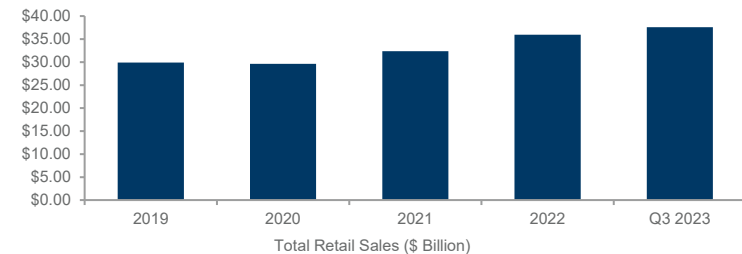
### UNION SQUARE / POST STREET

At the end of the third quarter of 2023, the overall vacancy rate in Union Square rose to 18.7%, up 250 bps from 16.2% last quarter.

#### RENT / DIRECT VACANCY RATE – UNION SQUARE



#### RETAIL SALES TREND



Meanwhile, the direct vacancy rate stood at 15.7%, up 190 bps from 13.8% rate in the second quarter. Some closures in the third quarter of 2023 included Alexander McQueen at 58 Geary Street, Lumas Gallery at 239 Grant Avenue, Old Navy at 801 Market Street and the AT&T flagship at 1 Powell Street. Despite the increase in vacancy rate, the rental rate for premier ground floor retail held at \$495 per square foot per year (psf) in Union Square and \$295 psf on Post Street.

Notwithstanding, thanks to more flexible lease terms and incentives from landlords, leasing activity in Union Square started to increase with bars, restaurant and luxury brands expanding. Luxury watch brands were doing deals in the last few quarters and fashion brands have also been taking up spaces. Moreover, major restaurant groups have been involved in various transactions. Chef Tyler Florence has partnered with the city of San Francisco to revitalize two cafe spaces in Union Square Plaza at 255 Stockton Street and 350 Powell Street with both planned to become Miller & Lux Provisions. Meanwhile, Corzetti, an Italian restaurant from Adriano's Paganini's Back of the House group, opened at the ground floor of Hotel G at 398 Geary Street; and PLS on Post opened at Hotel Zeppelin at 545 Post Street.

Also in the third quarter, Cuyana reopened its store at 291 Geary Street; and Levi's renewed its 22,000-sf store lease at 815 Market Street despite the closures of Nordstrom and Old Navy in the same block. Additionally, an LA-based hot yoga studio, Hot 8 Yoga, opened a 5,900-sf studio at 248 Sutter Street.

With numerous events during the summer, the average monthly visitor count to Union Square was up 7.1% from last quarter's figure and stood at 1.2 million in the third quarter of 2023. According to Springboard/Union Square Alliance, the total number of visitors for the year to date was 10.1 million, 10.6% higher than the same period last year.

## INVESTMENT MARKET

A major retail sales transaction in the third quarter of 2023 was the sale of Anchorage Square Mall, a 322,000-sf mixed-use property in Fisherman's Wharf. The development features 63,000-sf of retail space, as well as 128-room Courtyard by Marriott hotel, 28,000-sf of office space and a 685-space parking garage. BH Properties bought the property from ADIA (Abu Dhabi Investment Authority) for \$65 million or \$202 psf.

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1830 Ocean Avenue	Southern City	N/A	17,300	New Lease
311 3 <sup>rd</sup> Street (SOMA Square)	SoMa	Restaurant by Proof Positive Partners	6,500	New Lease
501 Pacific Avenue	Jackson Square	Scott Richards Contemporary Art	5,000	New Lease
545 Post Street (Hotel Zeppelin)	Union Square	PLS on Post	4,300	New Lease
110 Geary Street	Union Square	Confidential	4,200	New Lease

## KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
500 Beach Street (Anchorage Square Mall)	Fisherman's Wharf	ADIA / BH Properties	322,000	\$65.0M / \$202
1923-1925 Fillmore Street	Fillmore	Robert C Sanchez / Matthew Ebrahimoon	15,400	\$3.3M / \$215
297 West Portal Avenue	West Portal	Fox Family Trust / 297-299 West Portal Ave LLC	5,000	\$2.9M / \$572

## KEY CONSTRUCTION COMPLETIONS YTD 2023

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

## SOANY GUNAWAN

Senior Research Analyst

+1 415 658 3665 /soany.gunawan@cushwake.com

## A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)