

**\$155,500**

Median HH Income

YoY
Chg12-Mo.
Forecast**0.6%**

Population Growth

**3.5%**

Unemployment Rate

**U.S. ECONOMIC INDICATORS
Q3 2023**YoY
Chg12-Mo.
Forecast**2.4%**

GDP Growth

**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: Median Household Income Remains Tops in the Nation

The year-over-year (YOY) unemployment rate in Silicon Valley increased by 100 basis points (bps), reaching 3.5% in the third quarter of 2023. Despite this uptick, there was still an increase of 23,000 jobs YOY. Moreover, even with the increase in the unemployment rate, Silicon Valley maintains the highest median income in the country, estimated at \$155,500, marking a 2.4% YOY increase. Furthermore, the population exhibited a consistent growth rate of 0.6%.

SUPPLY & DEMAND: Vacancy Rate Increases

The retail market in Silicon Valley experienced an increase in its vacancy rate, ending a trend of sustained declines over the past few quarters. In the third quarter of 2023, the vacancy rate was recorded at 5.5%, up from the 5.1% rate last quarter and the 5.3% rate one year ago. Most of the submarkets in Silicon Valley saw an uptick in vacancy rates, except for Milpitas/North San Jose and Morgan Hill/Gilroy.

While the vacancy rate increased in Sunnyvale/Cupertino, this submarket still maintained the lowest vacancy rate in Silicon Valley at 3.8%. This was an uptick from 3.3% in the previous quarter and from 3.5% one year ago. Morgan Hill/Gilroy followed with a vacancy rate of 4.6%, which remained unchanged from the previous quarter, but was up from 3.7% one year ago. Meanwhile, Milpitas/North San Jose was the only submarket that recorded a decrease in the vacancy rate, from 5.4% last quarter to 5.3% in the third quarter.

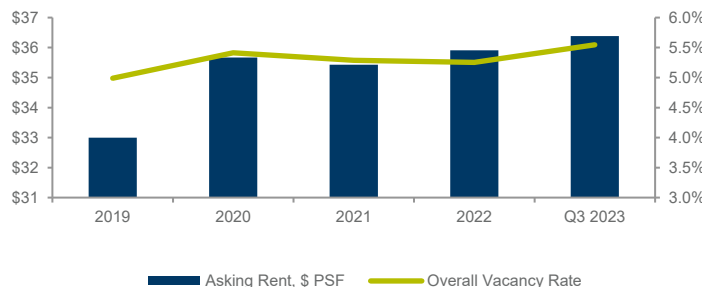
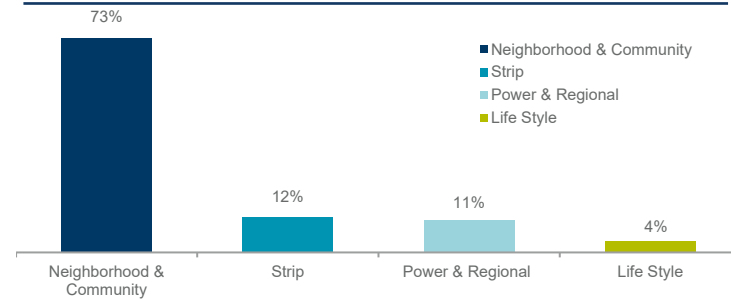
The overall net absorption in Silicon Valley for the third quarter of 2023 was -175,700 square feet (sf). San Jose/ Campbell/Los Gatos accounted for the most significant reduction in occupancy with a loss of -121,900 sf, followed by Sunnyvale/Cupertino and Santa Clara at -25,800 sf and -24,400 sf, respectively. Conversely, Milpitas/North San Jose reported absorption in the black at +5,500 sf.

One under construction project was the 166,100-sf Costco store in Westgate West, San Jose, which will be completed in 2025.

Data from Real Capital Analytics showed only four small retail properties traded hands in Silicon Valley in the third quarter, comprising a combined retail space of 42,000 sf. The total investment sales were approximately \$14.5 million.

PRICING: Average Asking Rises

Despite the increase in vacancy rate, the average asking rent was up 3.1% from last year and stood at \$36.38 per square foot (psf) on an annual triple net basis. The rental rates ranged from \$28.53 psf for Morgan Hill/Gilroy submarket to \$47.72 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	18,464,155	67,438	1,080,048	6.2%	-121,929	22,600	166,058	\$34.53
Sunnyvale/Cupertino	4,732,818	25,574	156,544	3.8%	-25,833	-24,071	0	\$36.68
Santa Clara	2,570,471	2,300	148,331	5.9%	-24,433	-58,691	0	\$37.78
Palo Alto/Mountain View/Los Altos	2,611,483	7,195	137,312	5.5%	-9,078	-5,983	0	\$47.72
Milpitas/North San Jose	5,124,865	0	271,346	5.3%	5,519	13,963	0	\$37.66
Morgan Hill/Gilroy	3,976,170	0	182,997	4.6%	96	-49,927	0	\$28.53
SILICON VALLEY TOTALS	37,479,962	102,507	1,976,578	5.5%	-175,658	-102,109	166,058	\$36.38

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
5201 Steven Creek Boulevard (Steven Creek Plaza)	Santa Clara	Micro Center	40,000	New Lease
1350 S Park Victoria (Park Town Plaza)	Milpitas	APNA Bazaar	27,700	New Lease
1375 Blossom Hill Road (Princeton Plaza)	San Jose	Cosmotek Beauty College	8,200	New Lease
15700 Monterey Street (Sutter Hill Plaza)	Morgan Hill	Pawsitively Playful	5,100	New Lease
956 The Alameda	San Jose	Community Bank of the Bay	4,800	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1902 S Bascom Avenue (Pet Food Express)	Campbell	Dennis J Collins and David F & Lynn J Jesus Family Trust / Sotir Living Trust	14,700	\$3.8M / \$259
455 Barrett Avenue	Morgan Hill	Hadley Forno Properties, LLC / Cito LLC (Assignee)	12,800	\$2.7M / \$210
911 Benton Street (Walgreens)	Santa Clara	Wells Fargo / MPI 111 Washington LLC; AEM Washington Benton LLC	8,800	\$5.0M / \$570
901 E Fremont Street (Bank of America)	Los Altos	Bank of America / Worldco	5,700	\$3.0M / \$523

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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