

SILICON VALLEY

Retail Q4 2023



CUSHMAN & WAKEFIELD

\$156,700

Median HH Income

YoY
Chg12-Mo.
Forecast
0.6%

Population Growth


3.6%

Unemployment Rate



U.S. ECONOMIC INDICATORS Q4 2023

2.6%

GDP Growth

YoY
Chg12-Mo.
Forecast
3.3%

CPI Growth


6.7%
Consumer Spending
Growth
3.8%

Retail Sales Growth



Source: BLS, BOC, Moody's Analytics, Costar, RCA
Q4 2023 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: Median Household Income Continues to Lead the Nation

As a result of the rise in layoffs at tech companies, Silicon Valley experienced an increase in unemployment rate from 2.6% in 2022 to 3.6% at the close of 2023. Despite this uptick, the number of jobs still saw a year-over-year (YOY) increase of 11,800, mainly fueled by growth in private education and health services, leisure and hospitality, and food services and drinking places. In addition, the median income households in Silicon Valley remains the highest in the country at \$156,700, reflecting a 3.0% increase from the previous year. The population also showed a steady growth rate at 0.6%.

SUPPLY & DEMAND: Vacancy Rate Decreases

The Silicon Valley retail market closed the year with the vacancy rate of 5.3%, down 20 basis points (bps) from 5.5% rate last quarter though the same as last year's figure. Sunnyvale/Cupertino recorded the lowest vacancy rates at 3.8%, followed by Morgan Hill/Gilroy and Milpitas/North San Jose at 4.2% and 4.8%, respectively. Meanwhile, the vacancy rates in Palo Alto/Mountain View/Los Altos, San Jose/Campbell/Los Gatos and Santa Clara were over 5.0%, standing at 5.6%, 5.9%, and 6.1% respectively.

The total net absorption in Silicon Valley in the fourth quarter of 2023 was 89,100 square feet (sf). San Jose/Campbell/Los Gatos contributed the most occupancy gain at 52,700 sf, followed by Milpitas/North San Jose at 26,100 sf. Following negative take-up in the preceding quarters, Morgan Hill/Gilroy rebounded with positive absorption at 15,100 sf in the last quarter of 2023, while Sunnyvale/Cupertino had a modest net take-up at 1,800 sf. Conversely, Santa Clara and Palo Alto/Mountain View/Los Altos recorded occupancy loss at -5,000 sf and -1,600 sf, respectively. All of these brought the annual net absorption in Silicon Valley to -7,500 sf in 2023, an improvement of 86.6% from 2022's figure of -56,200 sf.

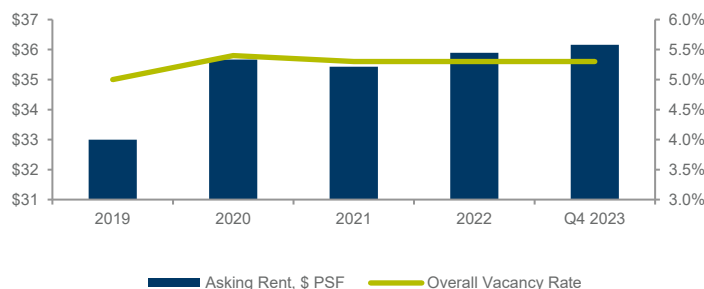
The total retail inventory in Silicon Valley remained at 37.5 million square feet (msf) at the end of 2023, leaving almost 2.0 msf of vacant retail space, which consisted of 1.9 msf (96.1%) of direct space and 77,900 sf (3.9%) of sublease space.

One notable investment deal was the sale of Monterey Plaza, a 183,200-sf community center in San Jose for \$33.0 million. Data from Real Capital Analytics showed a total of 216,100 sf of retail space in Silicon Valley changed ownership during the fourth quarter, contributing to the total annual transaction volume of 1.4 msf in 2023. The total investment sales in the fourth quarter were \$57.5 million, taking the annual sales volume to \$517.4 million in 2023, a 56.8% decline from the total sales of \$1.2 billion in 2022.

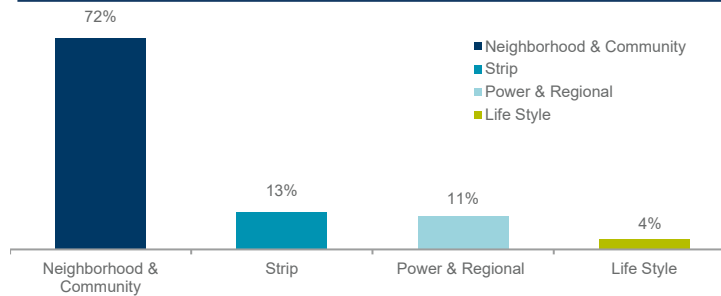
PRICING: Average Rental Rate Flat

At the end of 2023, the average asking rent was \$36.16 per square foot (psf) on an annual triple net basis, just a slight increase of 0.8% from 2022's figure of \$35.89 psf.

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	18,433,211	59,082	1,035,714	5.9%	52,690	75,290	184,967	\$34.38
Sunnyvale/Cupertino	4,789,145	9,283	171,000	3.8%	1,835	-22,236	0	\$35.77
Santa Clara	2,570,471	2,300	153,378	6.1%	-5,047	-63,738	0	\$38.62
Palo Alto/Mountain View/Los Altos	2,609,994	7,195	138,933	5.6%	-1,621	-7,604	0	\$45.08
Milpitas/North San Jose	5,130,311	0	245,196	4.8%	26,150	45,559	0	\$37.49
Morgan Hill/Gilroy	3,978,260	0	167,882	4.2%	15,115	-34,812	0	\$28.05
SILICON VALLEY TOTALS	37,511,392	77,860	1,912,103	5.3%	89,122	-7,541	184,967	\$36.16

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
634-672 Blossom Hill Road (Sunrise Plaza)	San Jose	ACE Hardware	25,200	New Lease
189 W Santa Clara Street	San Jose	San Jose Pub	5,500	New Lease
287 E Campbell Avenue	Campbell	Rush Fitness 2 Go LLC	5,200	New Lease
515 N 13 th Street	San Jose	King Mattress and Furniture	5,000	New Lease
12200 Saratoga Sunnyvale Road	Saratoga	AoPS Academy	4,700	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5568 Monterey Road (Monterey Plaza)	San Jose	Kimco JV Prudential RE Investors / Brixton Capital	183,200	\$33.0M / \$180
2668 Monterey Road	San Jose	Sunlight Realty LLC / KBS Partners	7,500	\$4.7M / \$623
6865 Camino Arroyo	Gilroy	Farallon Cap Management / Garcia-Mejia Living Trust	6,900	\$5.0M / \$728
110 S Santa Cruz Avenue	Los Gatos	Stepovich Family Trust / 110SantaCruzAve LLC	6,100	\$3.0M / \$491
127-129 Lytton Avenue	Palo Alto	Jack Dymond Cos / Minority Television Project Inc	4,650	\$4.0M / \$860

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.

©2024 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