

SAN FRANCISCO



Retail Q2 2024

	YoY Chg	12-Mo. Forecast
\$161,100 Median HH Income	▲	▲
0.4% Population Growth	▼	▲
3.8% Unemployment Rate	▲	▼

U.S. ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
2.9% GDP Growth	▲	▲
3.4% CPI Growth	▼	▲
6.9% Consumer Spending Growth	▼	▲
3.1% Retail Sales Growth	▲	▲

Source: BLS, BOC, Moody's Analytics, Costar, RCA
Q2 2024 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY

The median household income in San Francisco continued to grow rapidly, increasing by an estimated 6.9% year-over-year (YOY), reaching \$161,100 by the end of the second quarter of 2024. This makes it the highest median income in the country, along with San Jose. However, as technology companies continued to adjust their headcounts, the unemployment rate rose by 90 basis points (bps) YOY finishing at 3.8% in the second quarter. While office jobs have decreased by 2.5% from their pre-pandemic peak, the leisure and hospitality sector has driven San Francisco's job growth. Despite the increase in the unemployment rate, San Francisco still maintained the second lowest figure in the State of California, following San Mateo County. Retail sales also continued to increase, climbing an estimated 5.7% YOY to \$37.1 billion in the second quarter.

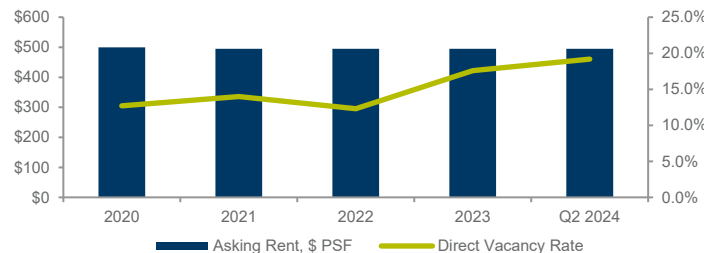
MARKET OVERVIEW

The vacancy rate of the San Francisco retail market continued to increase and was recorded at 7.7% at the second quarter of 2024, up 20 basis points (bps) from 7.5% in the first quarter and 210 bps from 5.6% one year ago. There have been no new retail completions in the last six quarters with the retail inventory in the City holding at 50.9 million square feet (msf), with 3.9 msf vacant by the end of the second quarter.

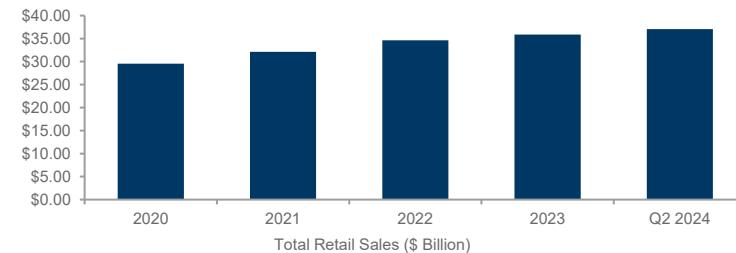
Despite the increase in the retail vacancy rate, there were a lot of exciting new openings in the City in the second quarter. INGKA launched its first food hall in the world: Saluhall, a 23,000-square foot (sf) project connected to the IKEA store, at 945 Market Street in Mid-Market. Trader Joe's opened its seventh store in San Francisco at 555 Fulton Street. The long-awaited 16,700-sf store is located on the ground floor of a condominium building in Hayes Valley. Furthermore, Container Store relocated its street-front store at 26 4th Street to 22,400-sf of the former Nordstrom Rack space in a neighborhood center at 555 9th Street in SoMa.

There was a flurry of activity with new cafés and restaurants openings in Downtown San Francisco, including Osha Thai at 250 Montgomery Street, Avotoasty at 101 California Street, Paper Son Coffee at 303 Second Street, Café Atlas at 200 Pine Street, and Lunette in the Ferry Building. One of the efforts to revitalize downtown has been the Vacant to Vibrant program by the City of San Francisco. The first cohort have extended their leases beyond the initial 3-month term and the second cohort were announced and opened in the second quarter in the East Cut, including Aurora Centro, Hungry Crumbs, Juma Venture, Steep Creamery & Tea, KoolFi Creamery, Paper Son Coffee, Saint Flora, Public Glass Gallery and 7x7 Social Club.

RENT / DIRECT VACANCY RATE – UNION SQUARE



RETAIL SALES TREND



UNION SQUARE / POST STREET

The overall vacancy rate in Union Square reached a new peak of 21.7% in the second quarter of 2024, up 110 bps from the previous quarter's rate of 20.6% and a significant 550 bps increase from last year's rate of 16.2%. The direct vacancy rate also rose to 19.2%, an 80-bps increase from the previous quarter's rate of 18.4% and a notable 540 bps rise from the 13.8% rate recorded one year ago. Despite the increase in vacancy rate, the rental rate for premier ground floor retail held steadily at \$495 per square foot per year (psf) in Union Square and \$300 psf on Post Street.

Luxury watch stores have been securing spaces and opening in Union Square. One notable new opening in the second quarter was Breitling on the northeast corner of the square at 299 Post Street. This followed the opening of A. Lange & Söhne in March. A couple of other luxury watch stores (Rolex and Patek Philippe) are expected to open at the same block on Post Street later this year. Additionally, after 25 years at 377 Geary Street, Christopher Clark Fine Art relocated to 272 Post Street. Leasing activities were also active with Bulgari signed a 9,000-sf lease at 200 Grant Avenue (relocating from 200 Stockton Street) and St. John took a 1,500-sf space at 245 Post Street (relocating from 767 Market Street).

According to Springboard/Union Square Alliance, the average monthly visitor count in the second quarter of 2024 reached 1.1 million, a 12.0% increase from 956,200 in the first quarter. Over the past 12 months, Union Square saw a total of 13.0 million visitors, marking a 2.6% rise from the 12.6 million visitors during the same period last year.

INVESTMENT MARKET

The largest transaction in the second quarter was the acquisition of the 98,400-sf retail space in Oceanview Village Shopping Center by its tenant, H Mart, for \$37.1 million. Notably, Greenoaks Capital's founder is strategically acquiring multiple retail buildings along Fillmore Street in San Francisco's upscale Pacific Heights neighborhood. In the second quarter, there were 17,800 sf of retail space across three retail properties on Fillmore Street (2201 Fillmore, 2207 Fillmore and 2208-2216 Fillmore) sold for a total of \$19.6 million or equivalent to \$1,100 psf.

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
565 South Van Ness Avenue	Mission District	Sherwin Williams	13,500	New Lease
1180 Mason Street	Marina	Pet Food Express	11,800	New Lease
3931 Alemany Boulevard	Ingleside Heights	7 Leaves Café	11,200	New Lease
200 Grant Avenue	Union Square	Bulgari	9,000	New Lease
1167 Sutter Street	Lower Nob Hill	San Francisco LLC	7,000	New Lease

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3995 Alemany Blvd (OceanView Village)	Ingleside Heights	Broe RE Group JV Citivest / H Mart	98,400	\$37.1M / \$377
2145 Market Street	Duboce Triangle	Richard & Janet Lyons / Pacific Castle Props	29,400	\$9.4M / \$318
532-536 Sutter Street	Union Square	Greenhood Investment Company / Wilshire Quinn Capital	17,200	\$6.8M / \$395
600-602 20 th Street	Dogpatch	Ronaldo Cianciarulo JV Sherman C Little & Delaine K Little Revocable Trust / Stephen Curry	9,200	\$8.5M / \$924
2001 Fillmore Street	Pacific Heights	Sari Z Heyman / White Birches LLC	6,900	\$5.5M / \$794

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