

SILICON VALLEY

Retail Q2 2024

\$161,100
Median HH Income



0.2%
Population Growth



4.2%
Unemployment Rate



U.S. ECONOMIC INDICATORS Q2 2024

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: Unemployment Rate Rises

The unemployment rate in Silicon Valley was up 90 basis points (bps) year-over-year (YOY) finishing at 4.2% in the second quarter of 2024. Despite this increase, Silicon Valley's job market remains resilient with an additional 4,700 jobs created over the same period, led by the private education and health services as well as leisure and hospitality. Moreover, the region continued to boast the highest median household income in the country, tied with San Francisco, at an estimated \$161,100, reflecting a 3.7% rise from the previous year.

SUPPLY & DEMAND: Vacancy Rate Up

The vacancy rate in the Silicon Valley retail market ticked up to 5.5% in the second quarter of 2024, an increase of 20 bps from the first quarter and 40 bps from the previous year. Significant increases in vacancy rates were observed in the Morgan Hill/Gilroy and San Jose/ Campbell/Los Gatos submarkets, rising from 4.3% to 6.1% and from 6.1% to 6.3%, respectively. Meanwhile, Sunnyvale/Cupertino maintained the lowest vacancy rate in the region at 3.5%, followed by Santa Clara and Milpitas/North San Jose at 4.3% and 4.6%, respectively. Furthermore, the vacancy rate in Palo Alto/Mountain View/Los Altos was recorded at 5.2% at the end of the second quarter, down from 5.6% last quarter.

The retail market in Silicon Valley recorded a negative absorption at -63,600 square feet (sf) in the second quarter, with Morgan Hill/Gilroy experienced the most occupancy loss at -71,100 sf, followed by San Jose/Campbell/Los Gatos at -52,700 sf. Conversely, the other four submarkets recorded positive absorptions, with Milpitas/North San Jose recorded the most occupancy gain in the second quarter at 23,700 sf.

There is 37.5 million square feet (msf) of shopping center inventory in the region, with approximately 2.1 msf of vacant retail space in the second quarter of 2024. Additionally, approximately 182,000 sf of retail space is currently under construction, the majority of which will be occupied by the future Costco (166,100 sf) at Westgate West in San Jose.

During the second quarter of 2024, sales activity for retail property in Silicon Valley exhibited a subdued performance. Real Capital Analytics' data revealed that only 40,100 square feet (sf) of retail space across three retail properties changed ownership, with the total investment sales amounting to \$20.9 million or equivalent to \$520 psf.

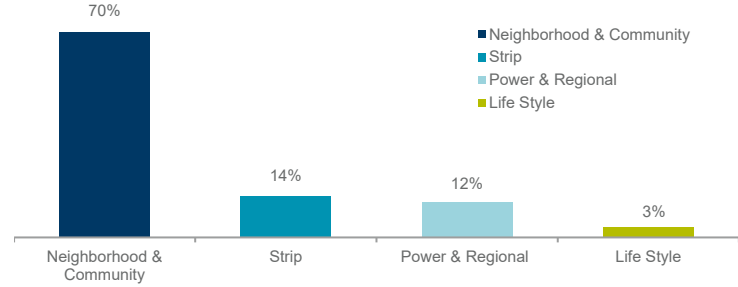
PRICING: Average Rental Rate Increases

The rental rate in the Silicon Valley retail market continued to increase, mainly due to constrained new construction. The average asking rent rose by 8.3% YOY to \$37.33 per square foot (psf) on an annual triple net basis in the second quarter of 2024.

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	18,456,331	107,732	1,063,744	6.3%	-52,660	-73,580	182,022	\$36.98
Sunnyvale/Cupertino	4,784,830	9,783	157,686	3.5%	17,080	12,814	0	\$43.09
Santa Clara	2,561,015	2,300	107,935	4.3%	9,109	32,051	0	\$37.62
Palo Alto/Mountain View/Los Altos	2,600,781	7,148	128,002	5.2%	10,308	10,931	0	\$45.18
Milpitas/North San Jose	5,124,271	674	233,593	4.6%	23,732	10,929	0	\$37.62
Morgan Hill/Gilroy	3,977,825	0	241,825	6.1%	-71,130	-73,943	0	\$26.08
SILICON VALLEY TOTALS	37,505,053	127,637	1,932,785	5.5%	-63,561	-80,798	182,022	\$37.33

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
925 Blossom Hill Road (Westfield Oakridge)	San Jose	UNIQLO	11,000	New Lease
901 Laurelwood Road	Santa Clara	Sherwin Williams	10,900	New Lease
7950 Arroyo Circle	Gilroy	Los Cuates Restaurant	7,500	New Lease
707 High Street	Palo Alto	All Star Hapkido Academy	6,100	New Lease
8610-8660 San Ysidro Avenue (San Ysidro Shopping Center)	Gilroy	Hacienda Café & Grill	6,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1915 W San Carlos Street (99 Cents Only)	San Jose	99 Cents Only / CHA CHA Ents LLC	16,000	\$5.0M / \$315
2605 Middlefield Road (Walgreens)	Palo Alto	George Osumi / Xiaoqian Shi JV Lin Xia	15,000	\$10.7M / \$712
1549 Landess Avenue (Landess Landing Shopping Center)	Milpitas	Shum Yee and Shui Tam Yee Revocable Trust / Gurman S Shoker; Muneet K Shoker	9,100	\$5.1M / \$565

KEY CONSTRUCTION COMPLETIONS YTD 2024

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

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