

MARKET SPOTLIGHT

Q3 2025 RETAIL

San Jose Market

As 2025 draws to a close, San Jose's retail sector reflects a mix of resilience and restraint. Strong regional economic momentum, fueled by Silicon Valley's tech-driven income growth, has supported the highest leasing activity in eight years, led by grocery stores, entertainment venues, auto-related users, and fitness centers. However, elevated interest rates, tech layoffs, and shifting consumer behavior have caused retailer bankruptcies and downsizing, keeping net absorption slightly negative at -170,000 SF. Development remains limited, with most new projects tied to mixed-use urban villages that face delays due to high financing costs and weaker office demand. Rents have grown 4.2% year-over-year—above the national average—but vacancy has held steady amid offsetting move-ins and closures. Overall, San Jose's mature retail market appears stable, with near-term rent and vacancy trends likely to hinge on continued local economic strength.

Local CRE:

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|------------------------------|---------------|
| VACANCY RATE | 4.5% |
| AVG. MARKET RENT (PSF) | \$3.57 |
| TOTAL INVENTORY (SF) | 79M |
| 12 MONTH NET ABSORPTION (SF) | -166K |
| UNDER CONSTRUCTION (SF) | 253K |
| 12 MONTH SALES VOLUME | \$503M |
| MARKET CAP RATE | 5.6% |

Local Economy:

| | |
|-------------------|--------------|
| UNEMPLOYMENT RATE | 4.2% |
| JOB GROWTH | 0.3% |
| POPULATION GROWTH | 0.84% |

National CRE:

| | |
|------------------------------|----------------|
| VACANCY RATE | 4.3% |
| AVG. MARKET RENT (PSF) | \$2.15 |
| TOTAL INVENTORY (SF) | 11.9B |
| 12 MONTH NET ABSORPTION (SF) | -5.7M |
| UNDER CONSTRUCTION (SF) | 52.6M |
| 12 MONTH SALES VOLUME | \$67.9B |
| MARKET CAP RATE | 7.2% |

National Economy:

| | |
|-------------------|-------------|
| UNEMPLOYMENT RATE | 3.8% |
| JOB GROWTH | 0.9% |
| POPULATION GROWTH | 0.5% |