

MARKET SPOTLIGHT

Q4 RETAIL

Silicon Valley, CA

The San Jose retail market faces opposing forces. Silicon Valley's economic growth boosts wages, yet population decline, non-store retail growth, and economic factors hinder traditional retail spending. San Jose's brick-and-mortar expansion is minimal, maintaining low vacancy. Major malls, like Westfield Valley Fair, undergo expansions. New construction focuses on mixed-use urban villages, with some delayed projects due to weak economics. Retail rents, historically growing 2-3% annually, are now flat or slightly negative. Year-over-year rent growth is -1.9%, below the five-year average of 2.0%. Limited supply and demand growth suggest stability, with flat vacancy and potential rent growth as the economy improves. High inflation and interest rates impact retailer confidence, but leasing activity remains relatively robust. Independent retailers dominate recent leasing deals, with larger transactions involving grocery stores and discounters. Positive population growth may drive demand-side growth in the coming quarters.

Local CRE:

Local Economy:

National CRE:

National Economy:

VACANCY RATE	4.5%	▲
AVG. MARKET RENT (PSF)	\$3.30	▼
TOTAL INVENTORY (SF)	80.8M	▲
12 MO NET ABSORPTION (SF)	30.1K	▼
UNDER CONSTRUCTION (SF)	364K	▲
QTRLY SALES VOLUME	\$116M	▲
MARKET CAP RATE	5.2%	▲

UNEMPLOYMENT RATE	3.9%	▲
JOB GROWTH	1.1%	▼
POPULATION GROWTH	1.0%	▲

VACANCY RATE	6.8%	▲
AVG. MARKET RENT (PSF)	\$2.07	▲
TOTAL INVENTORY (SF)	12B	▲
12 MONTH NET ABSORPTION (SF)	46.2M	▼
UNDER CONSTRUCTION (SF)	51.8M	▼
QUARTERLY SALES VOLUME	\$13.5B	▲
MARKET CAP RATE	6.8%	▲

UNEMPLOYMENT RATE	3.8%	▲
JOB GROWTH	1.8%	▼
POPULATION GROWTH	0.4%	▲