

FIGURES | BAY AREA RETAIL SHOPPING CENTERS | Q3 2024

Power and strip center leases boost retail activity

▼ 5.3%

Vacancy

▼ \$32.05

Average Asking Rate
PSF, NNN, Per Annum

▼ 297K

Square Feet
Under Construction

▲ 358K

Square Feet
Net Absorption

▼ 300K

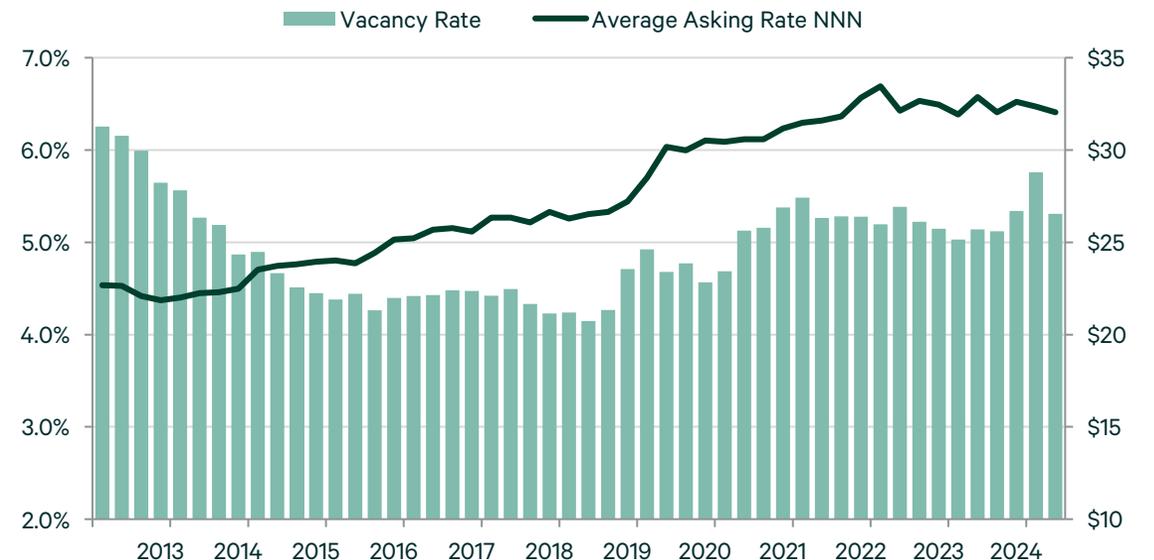
Retail Trade Employment
Bay Area

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The total labor force in the San Francisco Bay Area stood at 4.11 million with 4.10 million employed at the close of Q3 2024. The unemployment rate increased by 8 (bps) to 4.34% since Q2 2024. Retail trade employment declined by roughly 200 jobs in Q3 2024.
- The overall vacancy rate for retail shopping centers in the Bay Area ended Q3 2024 at 5.31%, a 15-bp decrease from the previous quarter.
- Net absorption for Bay Area retail shopping centers in Q3 2024 was positive 358,000 sq. ft.
- Construction deliveries for Q3 2024 totaled 18,000 sq. ft. while 297,000 sq. ft. of shopping centers remained under construction, most of which was concentrated in the East and South Bay.
- Elevated interest rates have slowed investment activity over the past couple of year. Total sales volume for Bay Area shopping centers in Q3 2024 was \$529 million, with the notable sale of the Whole Foods Anchored Shopping Center in Oakland selling for \$44.4MM.

FIGURE 1: Bay Area Vacancy & Average Asking Rate Trend



Source: CBRE Research, Costar, Q3 2024

MARKET OVERVIEW

The Bay Area shopping centers market continues its trajectory of steady recovery from the aftermath of the Covid-19 pandemic. The overall vacancy for Bay Area Retail has increased YOY from 5.1% in Q3 2023 to 5.3% in Q3 2024. New leases are unable to backfill the spaces and in turn the market is seeing an overall decrease in asking rent.

Activity varied by submarket in Q3 2024. The largest Bay Area submarket, the East Bay, closed Q3 2024 with a 6.3% vacancy rate and an average asking rate of \$30.14 per sq. ft. NNN, annually. Vacancy decreased slightly in Q3 2024, which was driven by positive 236,000 sq. ft. of net absorption. The next largest submarket, the South Bay, closed the quarter with a vacancy rate of 4.2%, a 50-bp decrease from the previous quarter. The average asking rate increased by \$0.38 to \$37.71 NNN. The West Bay ended the quarter with the highest vacancy rate in the region at 6.6%, while the South Bay had the lowest vacancy rate at 4.2%.

The Neighborhood/Community Center category represented 40.4% of the total gross leasable area among Bay Area shopping centers. This segment's vacancy rate ended the quarter at 5.7%, a 10-bp decrease from 5.8% reported in Q2 2024. The next largest category, Power/Regional Centers, ended the quarter with vacancy at 5.0%, a 30-bp decrease from the previous quarter. Specialty Centers (outlet and lifestyle) closed the quarter with vacancy at 4.8%, while Strip Centers maintained the lowest vacancy rate of any category at 3.9%.

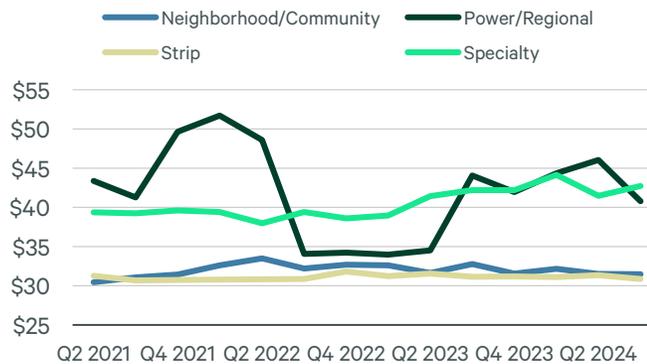
Construction deliveries in Q3 2024 totaled 18,000 sq. ft. At the end of the quarter, 297,000 sq. ft. of shopping centers were still under construction. Most of the construction activity were neighborhood and community centers located in the East Bay and South Bay.

FIGURE 2: Bay Area Market Statistics Q3 2024

Submarket	Total GLA Sq. Ft.	Total Availability	Total Vacancy	Average Asking NNN	Net Absorption Quarterly	Net Absorption YTD	Gross Leasing	Under Construction
North Bay	28,095,621	5.2%	4.3%	\$25.56	-96,480	-118,293	91,676	5,870
East Bay	53,074,833	7.8%	6.3%	\$30.14	235,813	-326,276	488,186	125,000
West Bay	12,380,326	8.7%	6.6%	\$35.10	14,533	-108,631	45,960	0
South Bay	38,491,484	5.5%	4.2%	\$37.71	204,512	114,834	387,974	166,058
Total Bay Area	132,042,264	6.6%	5.3%	\$32.05	358,378	-438,366	1,013,796	296,928
Strip	17,822,659	4.7%	3.9%	\$30.86	49,195	-56,724	186,872	5,870
Neighborhood/Community	84,616,899	6.8%	5.7%	\$31.45	144,738	-355,932	590,678	291,058
Power/Regional	22,958,006	8.0%	5.0%	\$40.78	100,985	-73,727	161,613	0
Specialty	6,644,700	5.4%	4.8%	\$42.73	63,460	48,017	74,633	0

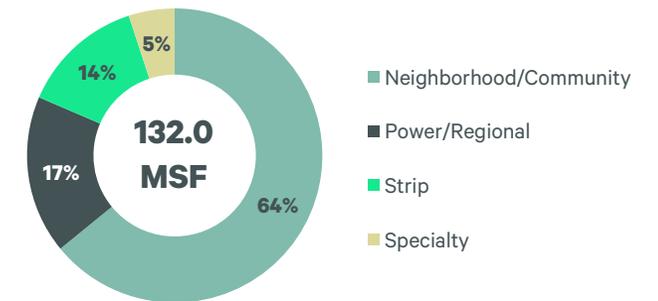
Source: CBRE Research, Costar, Q3 2024

FIGURE 3: Bay Area Shopping Center Rents by Category Trend (NNN/SF)



Source: CBRE Research, Costar, Q3 2024

FIGURE 4: Bay Area Shopping Center GLA by Category



Source: CBRE Research, Costar, Q3 2024

FIGURE 3: Notable Lease Transactions Q3 2024

Tenant	Submarket	Sq. Ft.	Type
Home Depot	East Bay	100,453	New Lease
Salon Republic	West Bay	53,578	New Lease
Touchstone Climbing	West Bay	34,200	New Lease
Planet Fitness	North Bay	18,187	New Lease
Claudio Franca Brazilian Jiu Jitsu	South Bay	18,000	New Lease

Source: CBRE Research, Q3 2024

FIGURE 4: Notable Sale Transactions Q3 2024

Center Name	Submarket	Sq. Ft.	Price
230 Bay Pl	East Bay	57,218	\$44.4MM
Pinole Vista Crossing	East Bay	81,296	\$22.96MM
The Plant	South Bay	80,073	\$20.32MM
Pinole Vista Crossing	East Bay	76,455	\$17.91MM
225 Post St	West Bay	18,738	\$17.4MM

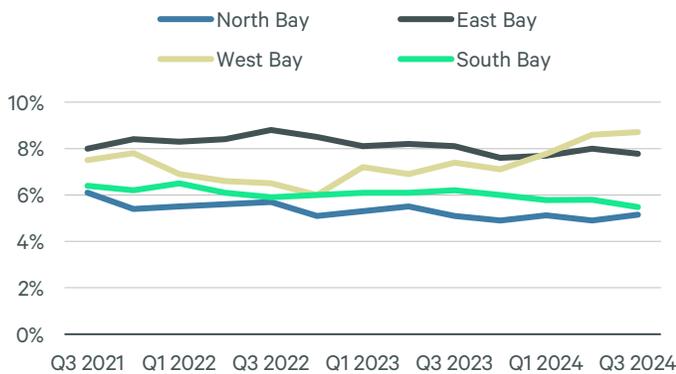
Source: CBRE Research, Q3 2024

FIGURE 5: Average Asking Rate by Submarket (NNN/SF)



Source: CBRE Research, Q3 2024

FIGURE 6: Availability Rate



Source: CBRE Research, Q3 2024

FIGURE 7: Construction Activity & Completions



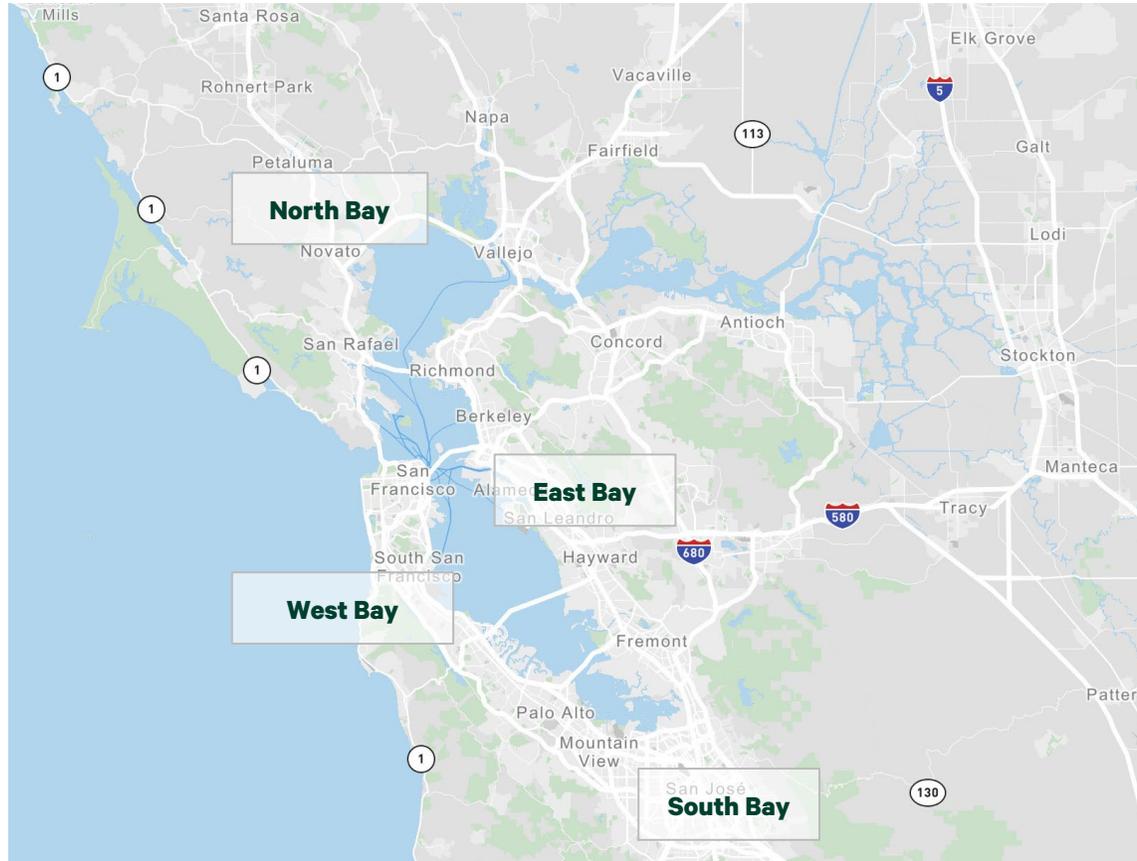
Source: CBRE Research, Q3 2024

FIGURE 8: Net Absorption & Leasing Activity



Source: CBRE Research, Q3 2024

Market Area Overview



Definitions

Methodology: Bay Area shopping centers include the nine-county region for retail shopping centers in community center, lifestyle center, neighborhood center, outlet center, power center, regional mall, Strip categories. Reporting geographies are as follows: North Bay includes Marin, Sonoma, Napa and Solano Counties; East Bay includes Alameda and Contra Costa Counties; West Bay includes San Francisco and San Mateo Counties; and South Bay includes Santa Clara County.

Definitions: GLA is gross leasable area or total leasable size of a shopping center. Average vacancy is total vacant available for lease space and rate or percent of GLA. Average availability is average availability of space on the market for lease. Average asking rate is the average direct rent on an annual, per square foot, NNN basis. New construction and deliveries are square feet under construction or delivered for occupancy over a specified period. Net absorption is the change in occupied square feet over a specified period. Leasing activity is total square feet leased over a specified period.

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