

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
163,500 Median HH Income	▲	▲
0.6% Population Growth	▲	▲
3.4% Unemployment Rate	▬	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.4% GDP Growth	▼	▲
7.0% Consumer Spending Growth	▬	▲
1.7% Retail Sales Growth	▼	▲

Source: BLS, BOC, Moody's Analytics.
Q3 2024 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY

San Francisco's economy remained robust with the unemployment rate steady at 3.4% in the third quarter of 2024, unchanged from last year. The median household income continued to be among the highest in the nation, alongside San Jose, at \$163,500. Additionally, San Francisco's household income grew 5.6% year-over-year (YOY), the second highest growth in the U.S., only outpaced by Manhattan. Retail sales have also seen a positive trend, increasing by 6.1% YOY, highlighting the city's strong economic activity and resilience.

MARKET OVERVIEW

The San Francisco retail market's vacancy rate has been steadily rising and reached another record high at 7.9% in the third quarter of 2024, an increase of 20 basis points (bps) from 7.7% in the second quarter and 150 bps from 6.4% a year ago. With no new retail developments, the total retail inventory remained at 51.1 million square feet (msf), of which 4.0 msf was vacant by the end of the third quarter.

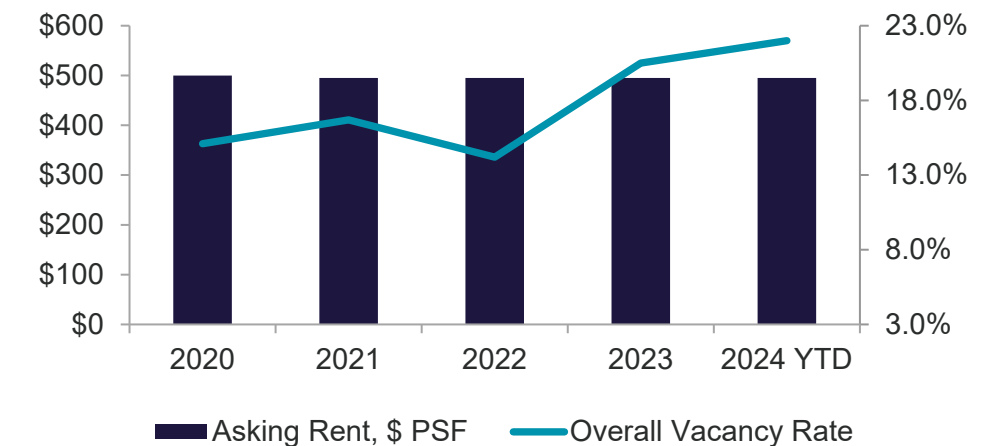
While the vacancy rate has remained elevated, San Francisco continued to attract new and exciting openings. Grocery stores continued to expand as Bi-Rite Market opened their third location at 2140 Polk Street, while Grocery Outlet leased a 31,000-square foot (sf) space in a former Safeway in the Northpoint Center in Fisherman's Wharf.

Demand for experiential spaces like fitness center and entertainment venues continued to increase with the openings of LuxFit in Mission Rock, Solidcore in the Castro and Holey Moley Golf in the Mission.

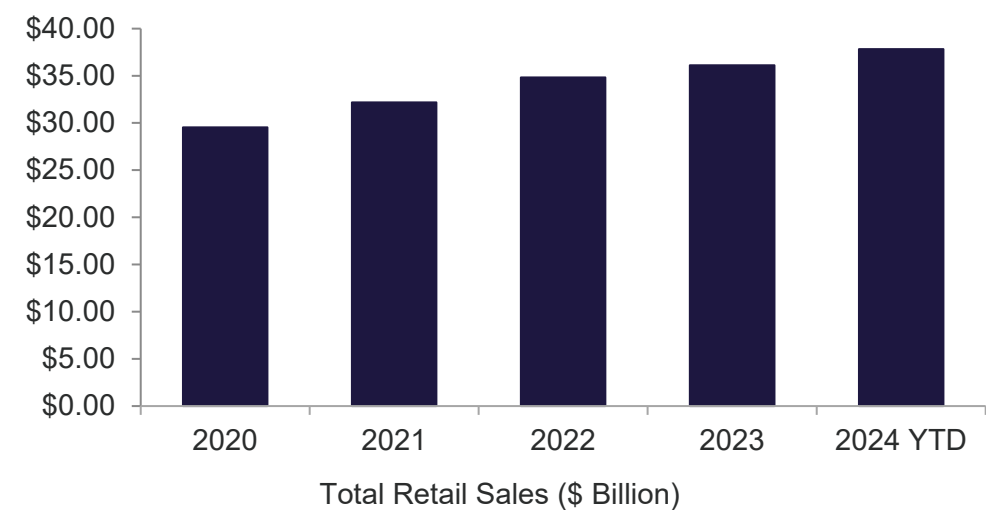
In the downtown area, several new bakeries, coffee shops and restaurants opened in the third quarter, including Boichik Bagels at 22 Battery Street, Delah Coffee at 450 Sansome Street, Mendocino Farms at 303 Second Street, Ebiko at 100 First Street and The Wild at 201 Spear Street.

Additionally, local restauraners signed a lease for a food hall market to be called The Mess Hall, adjacent to Presidio Tunnel Tops, an area in

VACANCY & ASKING RENT - UNION SQUARE



RETAIL SALES TREND



Source: BOC, Moody's Analytics

need of more food choices for residents and tourist alike. Back downtown at the Ferry Building, the Sorrel group will be developing a new restaurant concept. Both are expected to open their doors in 2025.

UNION SQUARE / POST STREET

In the third quarter of 2024, the Union Square’s retail vacancy rate was recorded at 22.0%, marking a rise of 30 bps from the second quarter’s figure of 21.7% and a 330-bps jump from 18.7% recorded a year ago. The direct vacancy rate also climbed to 19.7%, up 50 bps from the prior quarter’s rate of 19.2% and 400 bps higher than last year’s rate of 15.7%. Meanwhile, rental rates for premier ground floor retail remained steady, holding at \$495 per square foot per year (psf) in Union Square and \$300 psf on Post Street.

Several new stores opened in Union Square in the third quarter of 2024, including Rolex at 255 Post Street, MaxMara at 231 Post Street and St. John at 245 Post Street. Additionally, some new restaurants have contributed to the more vibrant food scene in the area, such as Le Parc Bistrobar in the Galleria Park Hotel at 185 Sutter Street, The Parthenon at 582 Sutter Street, Magnin Street Café & Bistro at 138 Cyril Magnin Street and Bombay Brasserie in the Taj Campton Place Hotel at 340 Stockton Street.

Data from Springboard/Union Square Alliance showed the average monthly visitors in Union Square increased by 5.4% quarter of quarter (QOQ) with a total of 1.1 million visitor per month in the third quarter of 2024. The total number of visitors year-to-date (YTD) in 2024 was 9.5 million, a decrease of 6.3% from 10.1 million visitors during the same period last year.

INVESTMENT MARKET

The San Francisco retail market saw slow activity in terms of sales transactions during the third quarter of 2024. Only four buildings changed hands, totaling 48,200 sf of retail space with the combined transaction volume of \$39.3 million. One notable transaction was the sale of the four-story single tenancy building at 225 Post Street from Burberry to a private investor. Burberry is planning to relocate to a new location later this year.

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2900 Alemany Boulevard	Outer Mission	Touchstone Climbing	34,200	New Lease
320 Bay Street (Northpoint Center)	Fisherman’s Wharf	Grocery Outlet	31,000	New Lease
301 Geary Street	Union Square	Shoe Palace	16,000	New Lease
Ferry Building	Embarcadero	Restaurant by Sorrel Group	8,200	New Lease
201 Halleck Street (Presidio Tunnel Top)	Presidio	The Mess Hall	6,200	New Lease

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2835-2841 Geary Boulevard	Lone Mountain	2835 Geary Building Partners / School of the Sacred Heart-San Francisco	21,000	\$12.5M / \$595
225 Post Street	Union Square	Burberry / Private Investor	18,700	Confidential
450 Hayes Street	Hayes Valley	Strategic Realty Trust / Private Investor	3,700	\$5.1M / \$1,366
240 Church Street	Duboce Triangle	Itay Bash / Coscinelle LLC	3,500	N/A

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N/A	N/A	N/A	N/A	N/A

Source: Costar, RCA

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