



# Bay Area retail market report

Q4 2024

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# Bay Area retail market trends

There is a new sense of optimism with pro business politicians like San Francisco Mayor Daniel Lurie and other business friendly supervisors now in office. On top of this the fourth quarter of 2024 saw renewed leasing activity and the first full quarter of new retail absorption since 2023. The San Francisco Emporium is still the largest uncertainty in the SF market with the recent announcement of Bloomingdale's closure of their 339,000 sq ft store bringing the mall's vacancy to over 50% in 2025. The mall is currently scheduled for a foreclosure auction on February 20, 2025.

## 3.9 msf

### Total San Francisco retail availability including Union Square and surrounding areas

Retail hubs across the Bay Area experienced positive net absorption in Q4 2024 except for Union Square, San Mateo, and downtown Oakland. Retailers have continued to show a clear preference towards San Francisco's residential neighborhoods as well as the Bay Area's suburban markets. However, only Burlingame, downtown Palo Alto and downtown San Jose experienced positive net absorption over the entirety of 2024.

## +0.6%

### Leasing remains largely flat due to mounting construction costs and inflation

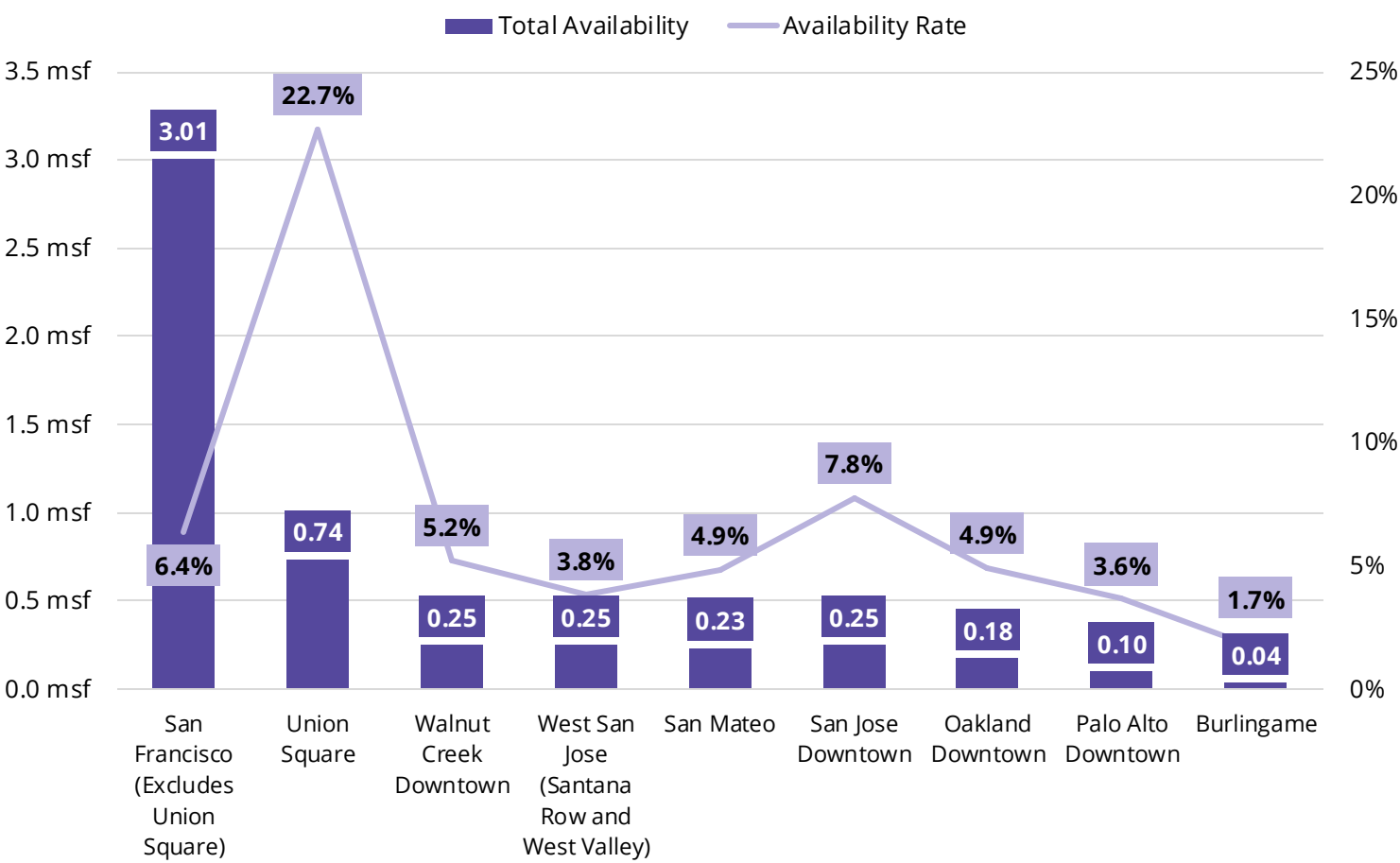
Construction costs have increased 2.3% year-over-year and continue to be an inhibitor for new tenants hoping to enter the market. Leasing activity remained steady quarter-over-quarter but is down 9.3% compared to the post-COVID leasing average. Overall leasing will likely face challenges for the foreseeable future until inflationary pressure and rising construction costs ease.

## +1.2%

### Total retail employment rises slightly in 2024 compared to 2023

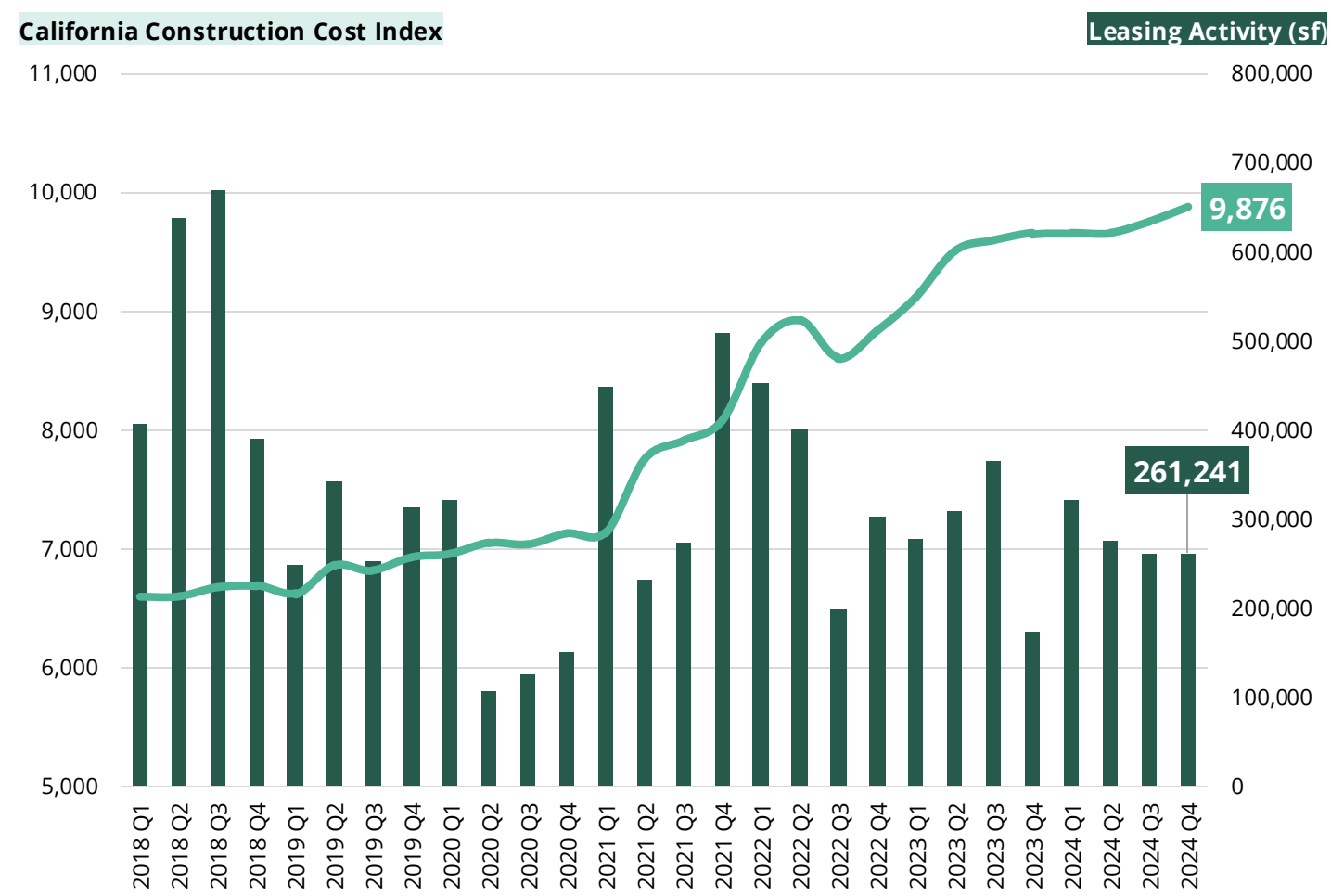
Overall retail employment in 2024 was up 1.2% compared to the overall totals of 2023, but down 0.2% quarter-over-quarter. Employment is expected to continue to grow if the economic pressures on inflation ease in 2025 but largely depends on new business formation.

# Total availability by retail hub



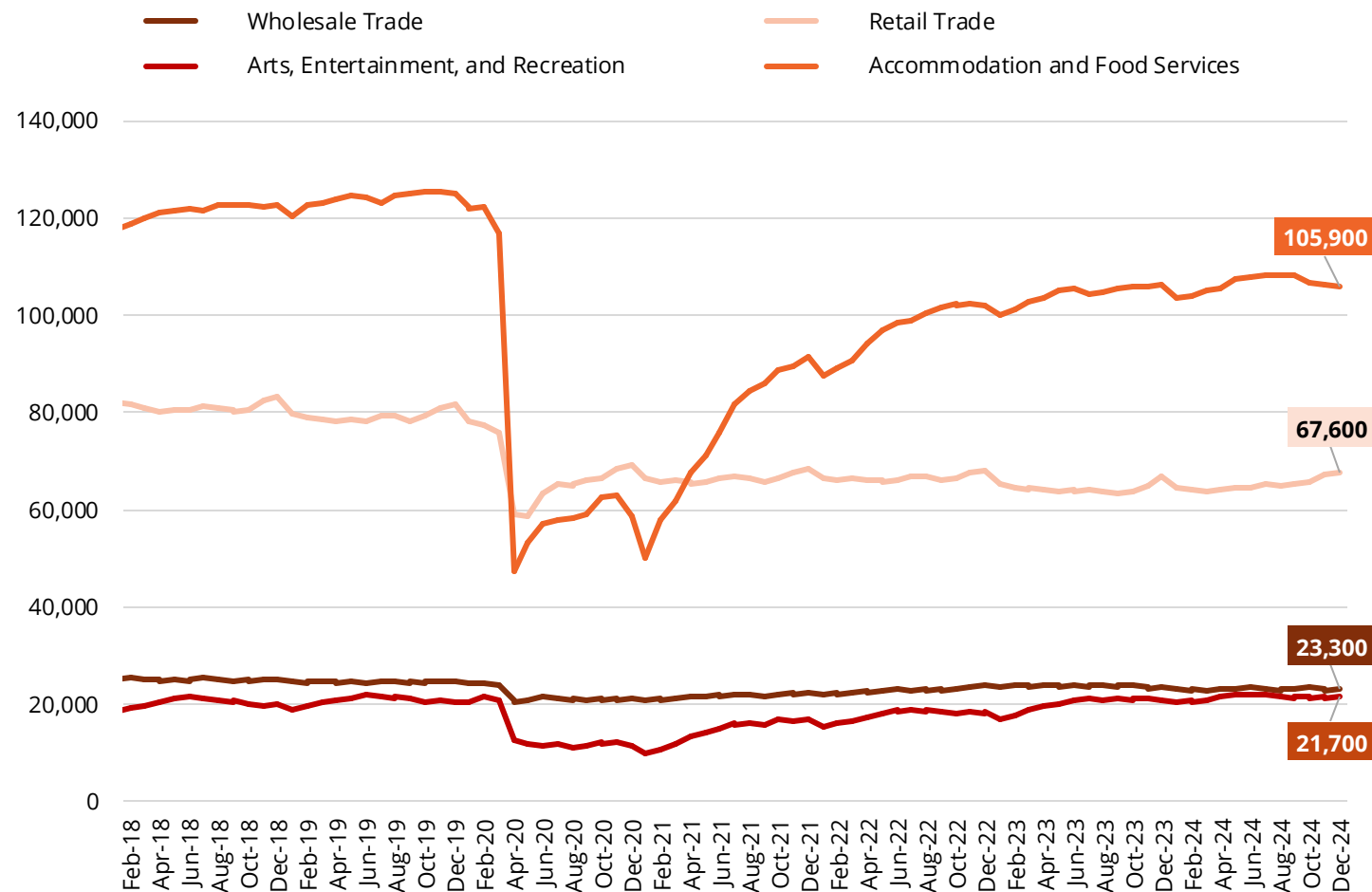
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# Construction costs vs leasing activity



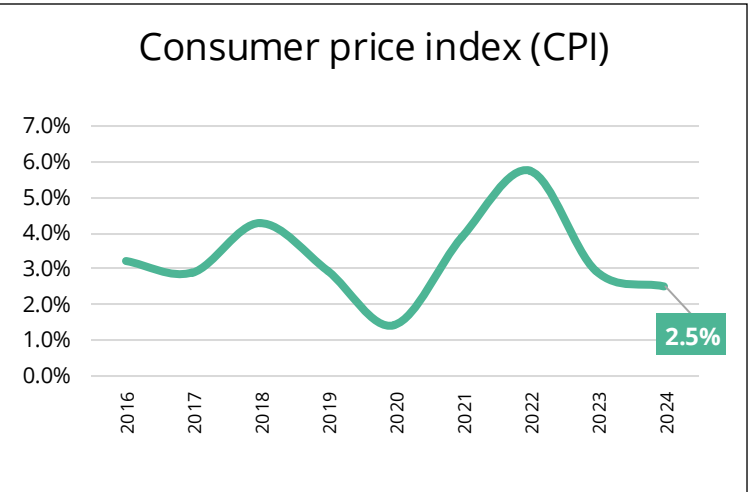
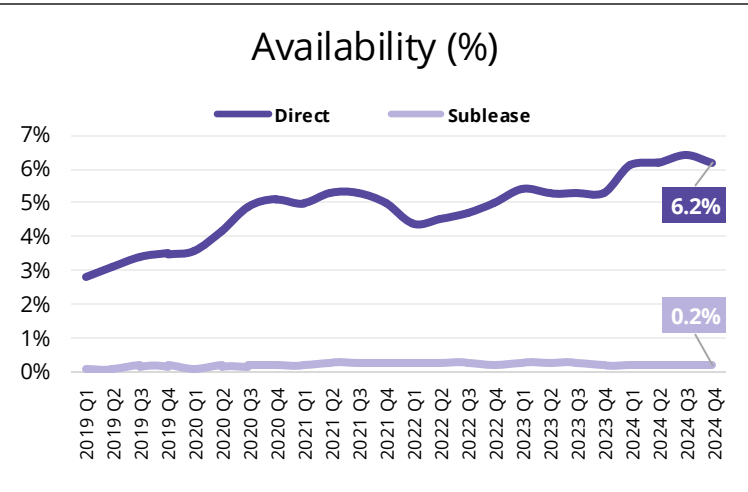
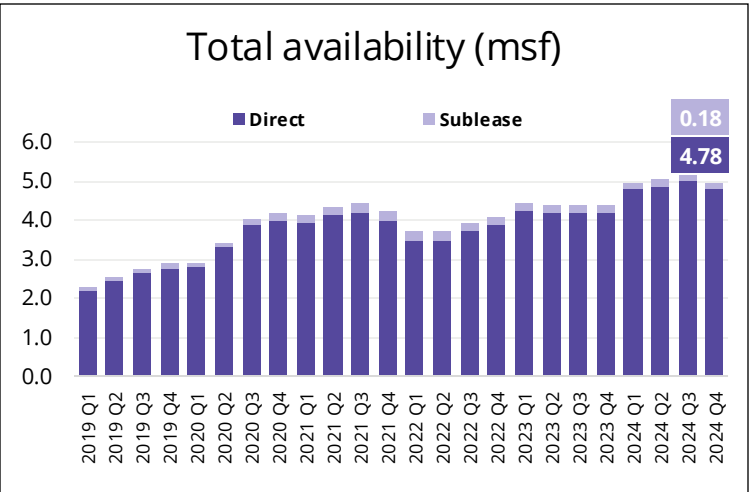
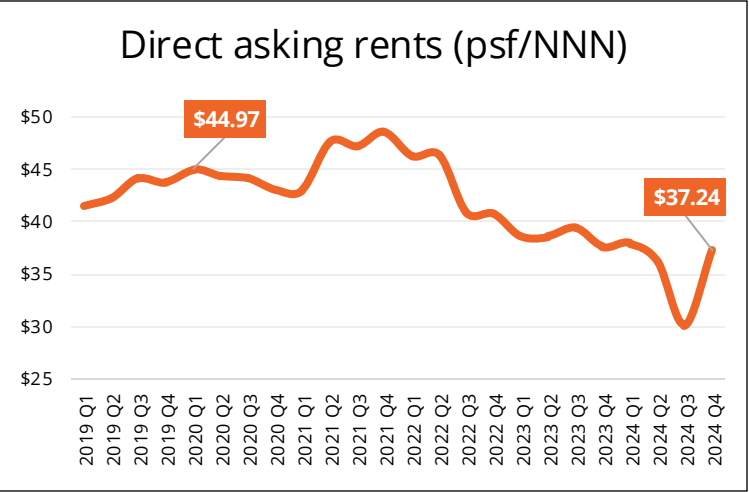
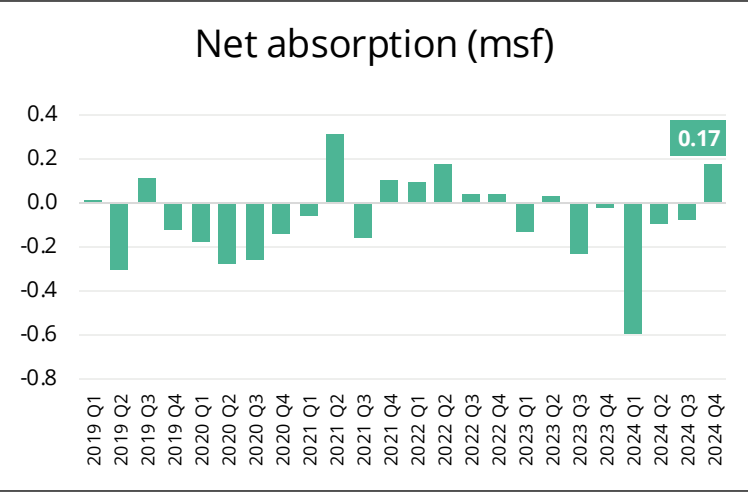
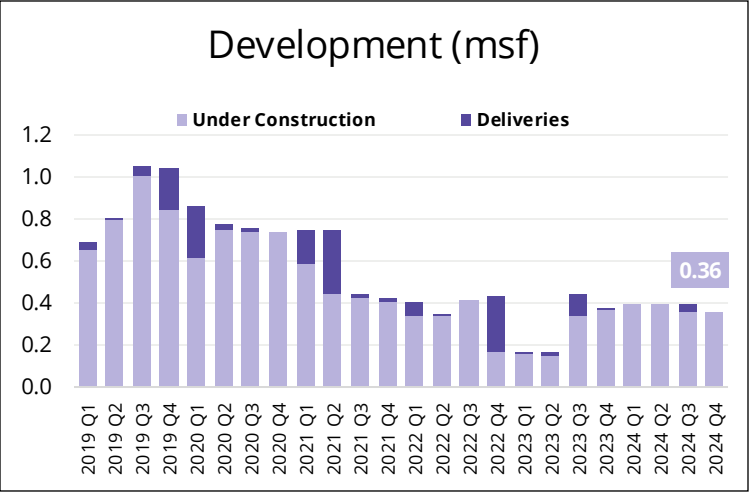
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# Employment by sector



Overall retail employment in 2024 was up 1.2% compared to the overall totals of 2023, but down 0.2% quarter-over-quarter. Employment is expected to continue to grow if the economic pressures on inflation ease in 2025 but largely depends on new business formation.

# Bay Area retail market indicators

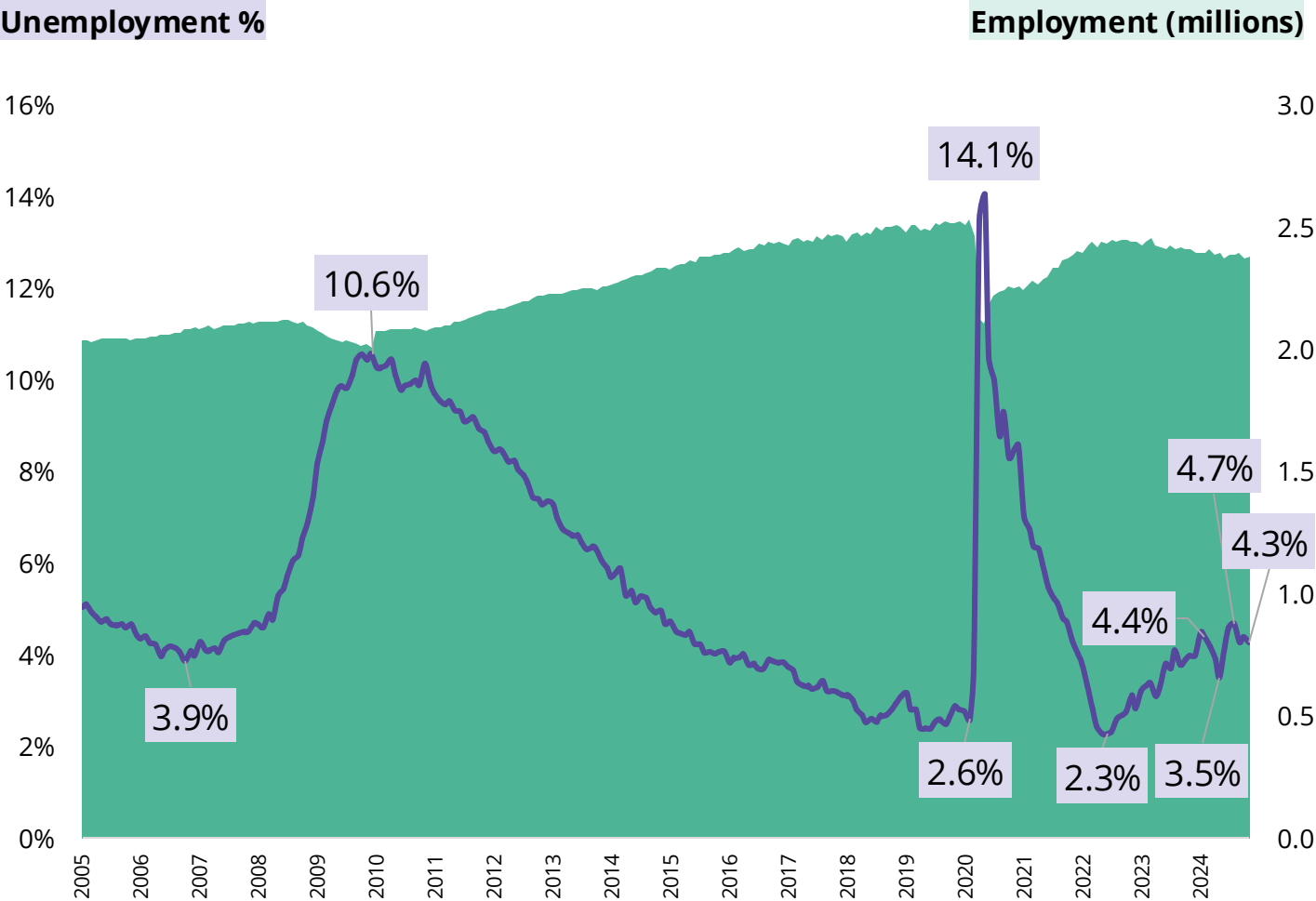


# Bay Area retail market stats

	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (QTD)	Net absorption sf (YTD)
Union Square	3,246,601	0	22.4%	0.3%	22.7%	(8,196)	(58,710)
San Francisco (Excludes Union Square)	47,067,559	155,735	6.1%	0.3%	6.4%	63,453	(602,801)
Burlingame	2,331,382	0	1.3%	0.4%	1.7%	32,921	20,862
San Mateo	4,842,691	0	4.8%	0.1%	4.9%	(6,243)	(14,971)
Palo Alto Downtown	2,857,259	28,741	3.4%	0.2%	3.6%	13,634	80,225
West San Jose (Santana Row and West Valley)	6,496,994	176,343	3.6%	0.2%	3.8%	32,410	(4,595)
San Jose Downtown	3,220,521	0	7.3%	0.5%	7.8%	47,425	30,274
Oakland Downtown	3,583,243	0	4.8%	0.1%	4.9%	(6,084)	(26,984)
Walnut Creek Downtown	4,854,857	0	5.2%	0.0%	5.2%	5,065	(22,052)
<b>Market total</b>	<b>78,501,107</b>	<b>350,534</b>	<b>6.2%</b>	<b>0.2%</b>	<b>6.4%</b>	<b>174,385</b>	<b>(598,752)</b>



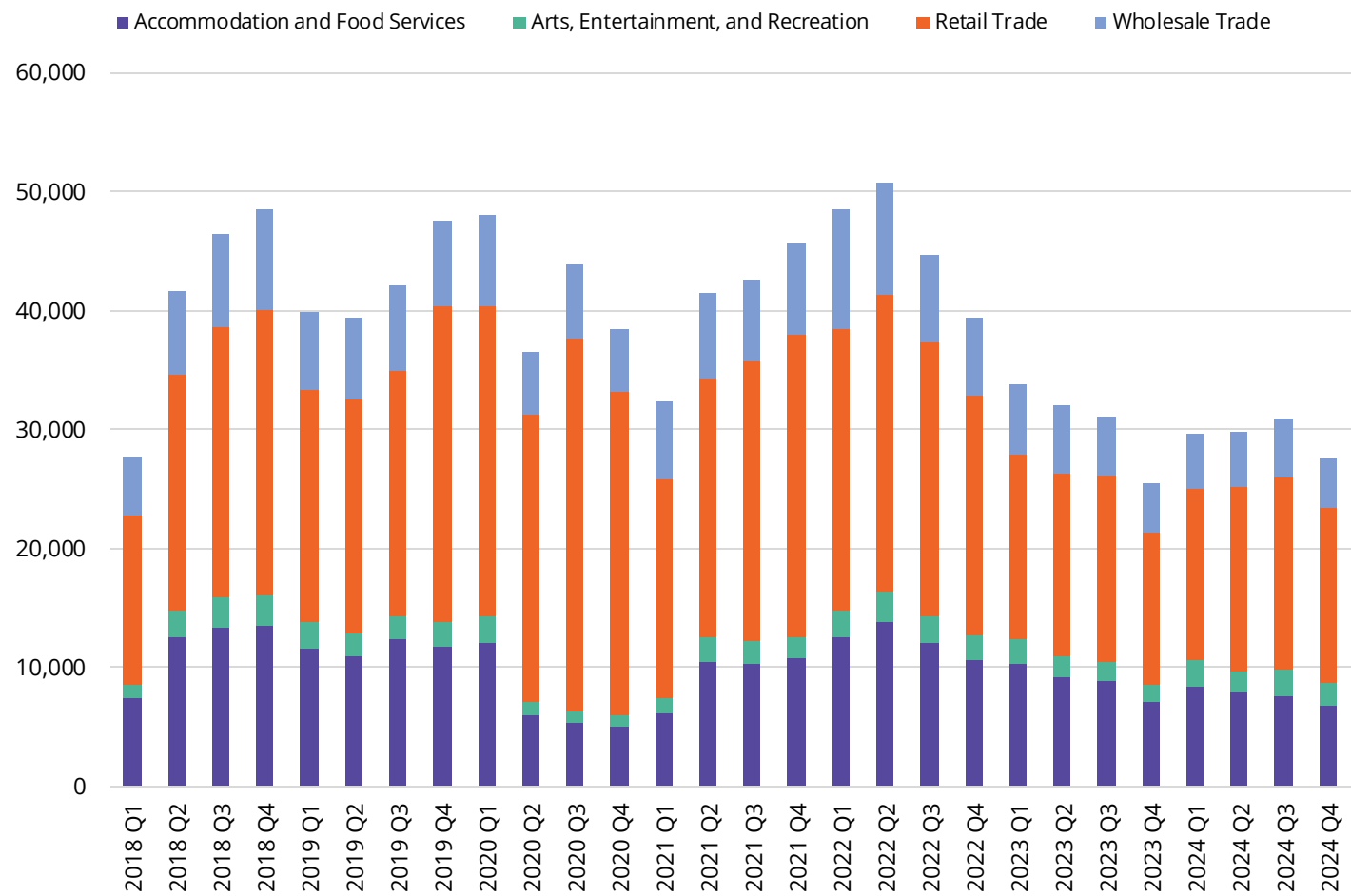
# Employment and unemployment rate



San Francisco's unemployment rate decreased from 4.7% in Q3 2024 to 4.3% in Q4 2024, while employment dipped slightly by 0.3% over the same period.



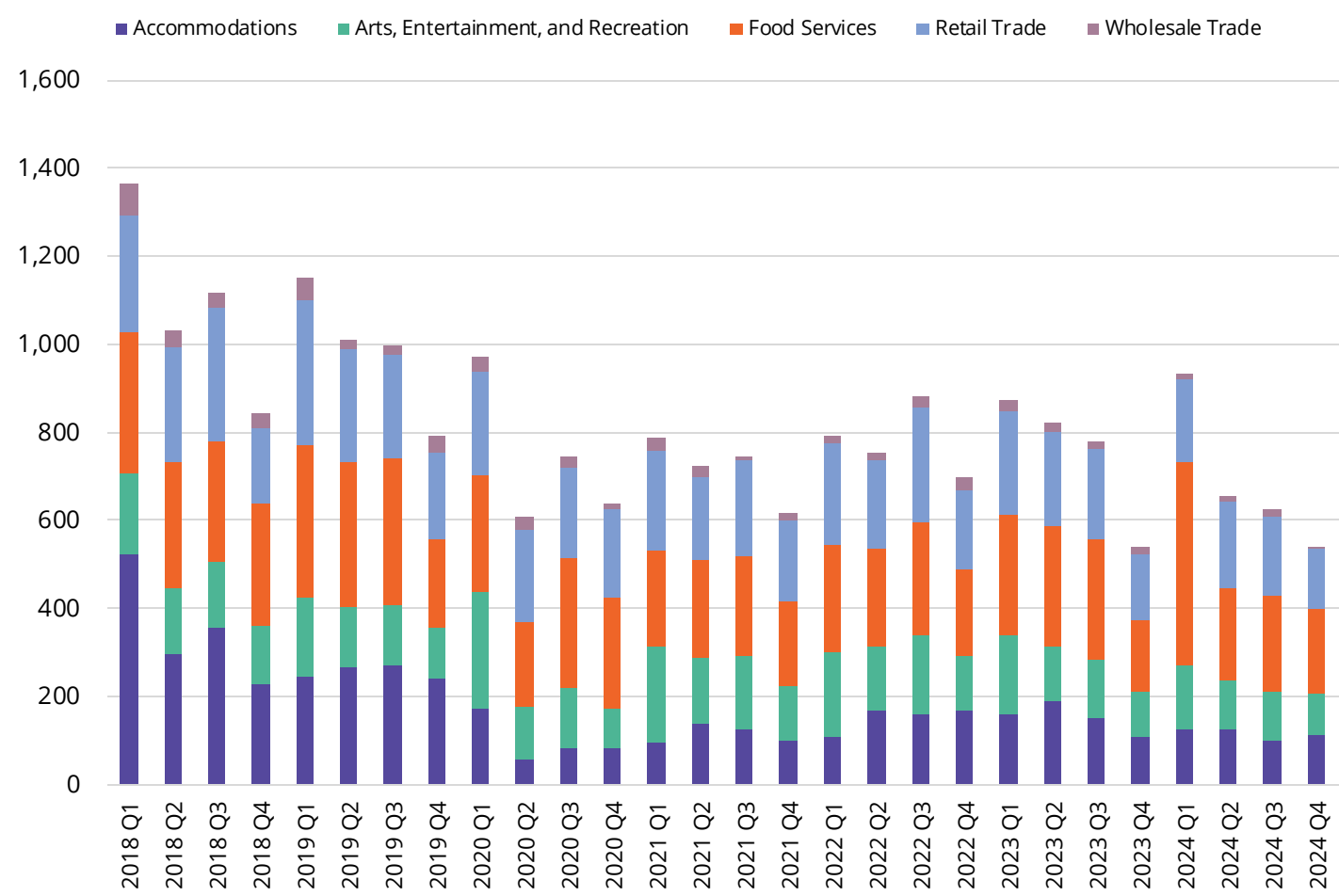
# Bay Area Retail job postings



Overall retail job postings fell 10.6% from the previous quarter but grew 8.4% year-over-year. All sectors experienced significant downturns at the end of the year with businesses across the board pushing for significant cost-saving measures.

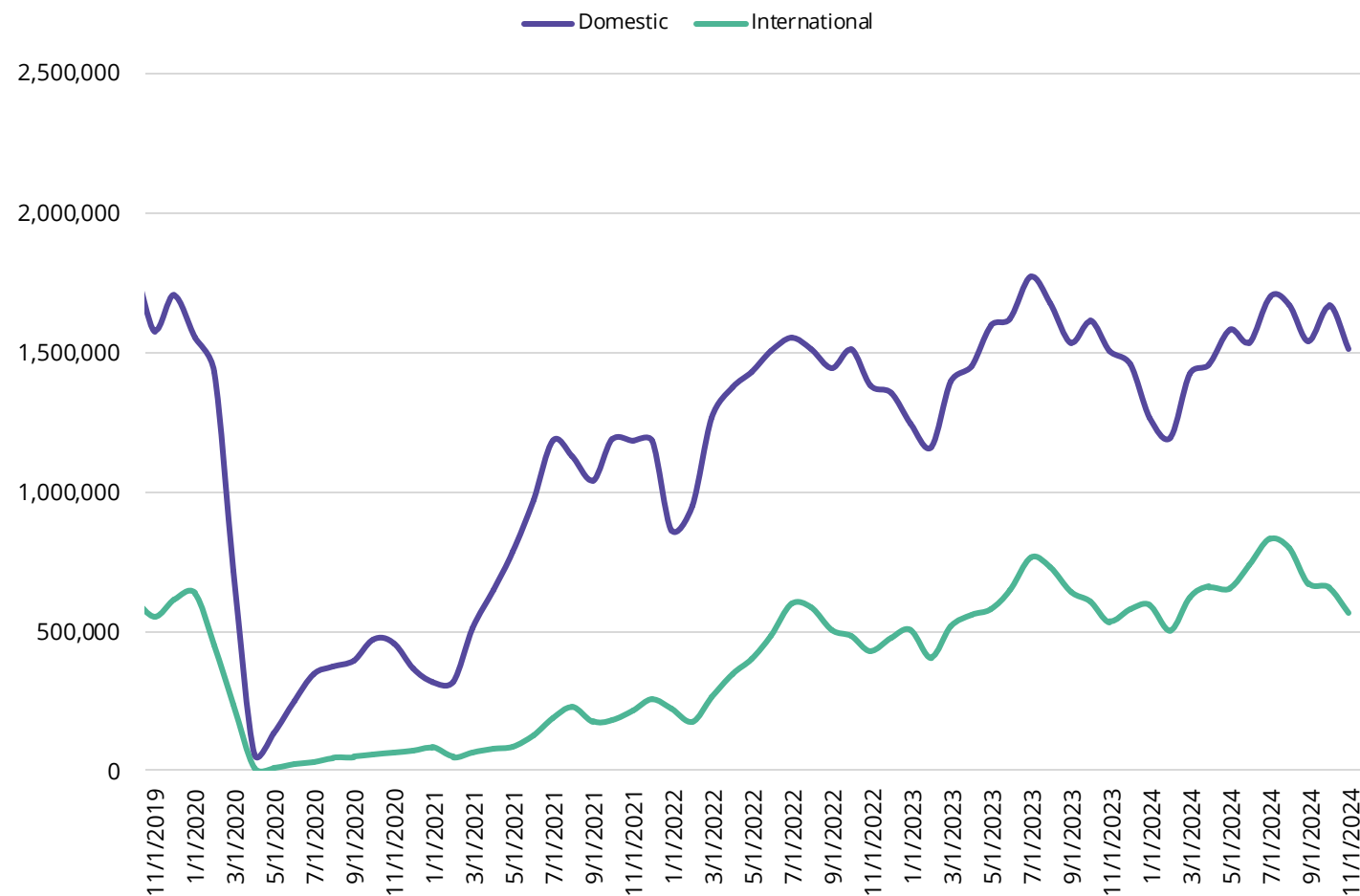
Note: San Francisco, Alameda, Contra Costa, Santa Clara and San Mateo Counties  
Source: LightCast, AVANT by Avison Young

# San Francisco newly registered businesses



New retail business formation has slowed significantly since the post-COVID high of Q1 2024, with the total number of new businesses decreasing 13.6% quarter-over-quarter. With continued inflationary pressure and increasing construction costs, new business formation is expected to be slow for the foreseeable future.

# SFO incoming passengers



SFO's total deplanements are down 8.6% quarter-over-quarter, with a 20.5% decrease in international arrivals and a 3.0% decrease in domestic. Arrivals from Asia, Central America, and Europe all saw decreases of 13.7%, 20.7% and 30.0%, respectively.

Note: Total passengers flying into SFO, no transfers  
Source: SFO

# Retail insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Retail rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Capital markets

- **Investment volume:** retail sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and  
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