

Bay Area Regional Shopping Center Quarterly Report



Q1 ELEVATED VACANCY RATES REMAIN UNCHANGED

John Cumbelich & Associates Q1 2024 report on the Northern California Flagship Power Center inventory captures a market that was unable to claw back leasing gains, following Q4's drop in occupancy rates.

Overall vacancy in the region remained elevated, ticking slightly higher from 7.28% to 7.54% during Q1. None of the region's ten vacancies of 20,000 SF or larger were absorbed during the period. Since the onset of the COVID pandemic, occupancy rates in the region have only exceeded 94% in one period – 94.06% in Q1 of 2022. Conversely, between 2014 and 2020, occupancy in the region only fell below 94% in one period.

The primary factor hampering a leasing rebound among regional shopping centers in the post-COVID environment has been the dearth of expanding large format anchor tenants. Absent new or expanding retail anchors, the prospects for backfilling spaces such as the vacancies formerly occupied by Target, Orchard Supply Hardware and Toys/Babies R Us have dimmed considerably.

At the end of Q1, the regional marketplace finds itself creeping closer to 1,000,000 SF in total vacancy. This discouraging milestone has only occurred twice before, both times at the height of the COVID pandemic. Should the leasing market continue to flag, an argument in favor of retail pruning will grow more relevant. The removal of stubborn vacancies from the inventory of retail space may well serve owners and communities well, replacing chronic vacancies with alternate uses such as residential, life sciences, office, and live/work product types.

(Continued on next page)

About the Report

The attached survey of flagship assets studies the 25 dominant Power Centers located in each of the San Francisco Bay Area's nine counties. The survey covers 13.1 million square feet of best in class inventory.

The data in this report is for information purposes only.

Summary

Backfilling large format spaces such as OSH, Target, and Toys/Babies “R” Us, continue to challenge the market.



GO CONSIDER STOP

HIGHWAY 101 RULES

The North Bay and SFO Peninsula market remain strong

INAUSPICIOUS MILESTONE

The NorCal market is creeping closer to 1,000,000 SF in vacancy

TIME TO PRUNE?

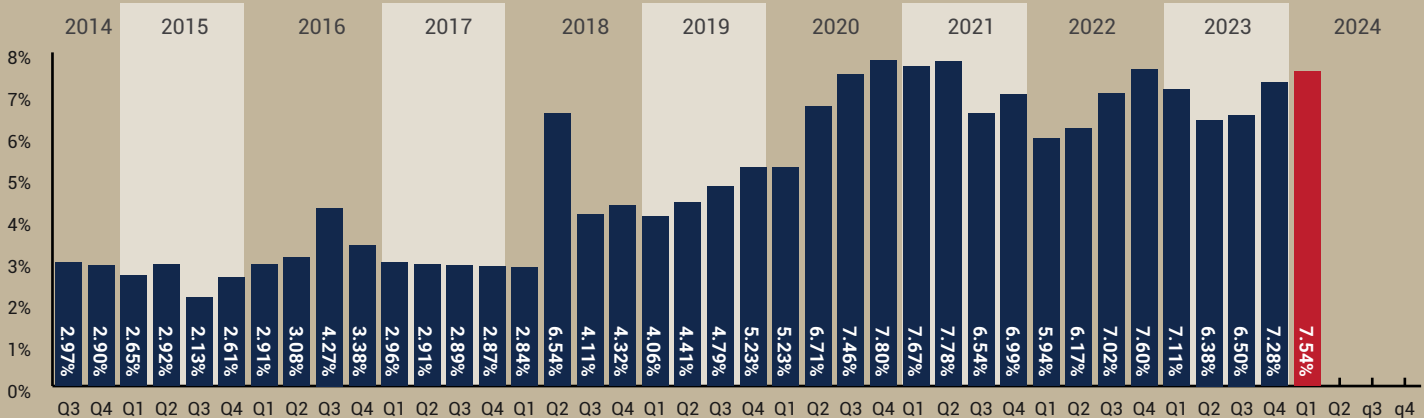
Chronic large format vacancies might be more successful if replaced with non-retail product

The notion that the regional retail market is stuck in a paradigm of over-supply appears more compelling when vacancies are studied by submarket. On the one hand, the high-barrier-to-entry North Bay submarket continues to outperform all other markets, ending the period at 97.23% occupancy. The limited North Bay inventory of 2.6M SF provides a narrow range of opportunities for expanding brands. By comparison, the East Bay submarket appears oversaturated, with a retail inventory of 5.5M SF, and more vacant space (545,353 SF) than all three other submarkets combined. The relative ease of new retail development in the past two decades along the I-580, I-680 and Highway 4 corridors has swamped the market with inventory, leaving it less resilient to changes wrought by online retailing, COVID, and other fundamental shifts.

Solutions for owners of chronic large format vacant boxes are limited. These include: conversion to non-retail product type; leasing to weak-credit or unproven brands that have historically been unable to compete for high quality space; demising large spaces into smaller, irregular configurations; or simply waiting for the good old days to come back when large and mid-sized boxes were in high demand – that could be a very long wait.

Yet despite the uncertainty, the glass remains half full in early 2024. The North Bay and SFO Peninsula retail leasing markets remain very strong, and the struggles of select East Bay and South Bay assets represent a challenging but finite problem.

Overall Historical Vacancy



The overall vacancy rate increased 0.26% in Q1 2024.

● Flagship assets included in the survey

North Bay

Inventory SF: 2,676,153
Available SF: 74,235
Occupancy Rate: 97.23%

East Bay

Inventory SF: 5,207,059
Available SF: 545,353
Occupancy Rate: 89.53%

San Francisco/ Peninsula

Inventory SF: 3,561,286
Available SF: 189,354
Occupancy Rate: 94.68%

South Bay

Inventory SF: 1,665,391
Available SF: 179,734
Occupancy Rate: 89.21%

Results – Flagship Power Centers

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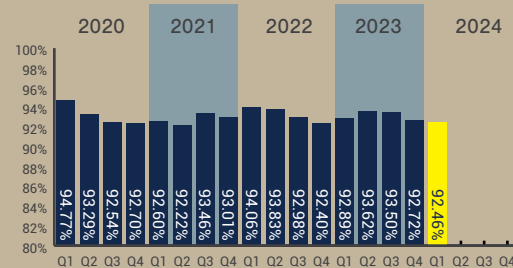
East Bay

Inventory SF: 5,207,059
 Available SF: 545,343
 Occupancy Rate: 89.53%

BAY AREA TOTALS

INVENTORY: 13,109,889 SF
 AVAILABLE: 988,676
 OCCUPANCY RATE: 92.46%

Overall Occupancy



Highest Occupancy

Power Center	Size (SF)	Occupied SF	Occupancy %
Bridgepointe	572,000	572,000	100.00%
South Napa Market Place	349,530	349,530	100.00%
Santa Rosa Marketplace	544,234	544,234	100.00%
Pinole Vista Crossings	400,000	400,000	100.00%
Vintage Oaks of Novato	620,228	615,228	99.19%
Village Oaks	313,071	309,985	99.01%

Highest Vacancy

Power Center	Size (SF)	Available (SF)	Vacancy %
Century Plaza	530,000	167,850	31.67%
Potreo Center	226,642	63,461	28.00%
Downtown Pleasant Hill	345,687	86,908	25.14%
The Plant	650,532	128,788	19.80%
Hacienda Crossings	470,000	80,127	17.05%
El Paseo de Saratoga	340,950	34,538	10.13%

Largest Vacant Spaces

Power Center	Size (SF)	Available (SF)
Century Plaza	530,000	101,850
The Plant	650,532	64,850
East Bay Bridge Center	485,000	45,000
Downtown Pleasant Hill	345,687	40,377
Protrero Center	226,642	38,370

Featured Listing

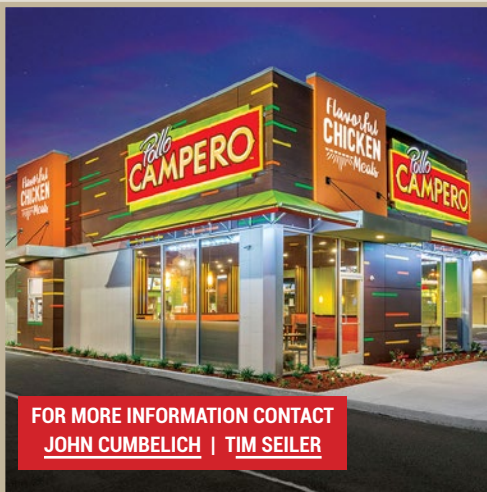
SYCAMORE CROSSING - HERCULES, CA
Retail + Dining Pad Opportunities
Including 2 Drive Thrus

Contact
[John Cumbelich](#)
[Tim Seilier](#)

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Featured Transaction



Pollo Campero consummated a
30,753 SF, 15 year
ground lease at

CERES CROSSINGS
CERES, CA

ONE PAD REMAINING
AT CERES CROSSINGS
[VIEW LEASING OPPORTUNITIES](#)

FOR MORE INFORMATION CONTACT
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Featured Listing

CORE RETAIL CENTER
INFILL PURCHASE OPPORTUNITY
Hobby Lobby / Guitar Center – Concord, CA

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THE FIRM

John Cumbelich & Associates is a San Francisco Bay Area firm that provides commercial real estate services to Fortune 500 retailers and select owners and developers of retail commercial properties. The firm's expertise is in developing store networks for retailers seeking to penetrate the Northern California marketplace, and the representation of premier power center and lifestyle developments.

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Notable Completed Transactions

 Crate & Barrel 19,725 SF Walnut Creek, CA	 Costco 152,000 SF Riverbank, CA	 Macerich 4,800 SF Walnut Creek, CA	 Dutch Bros Coffee 824 SF/ .52 Acres Merced, CA	 Raising Cane's 54,668 SF Land Parcel Ceres, CA
 Lucid Motors 16,985 SF Rockin, CA	 Sprouts Farmers Market 48,137 SF Lodi, CA	 Lululemon 13,249 SF Walnut Creek, CA	 Walgreens 17,506 SF Sedona, AZ	 Caliber Collision 19,400 SF Fresno, CA
 Burlington 42,216 SF Pleasant Hill, CA	 Smart & Final 32,350 SF San Jose, CA	 Good Year 1.3 Acre / 6,258 SF Rocklin, CA	 Model Bakery 4,367 SF Walnut Creek, CA	 El Pollo Loco 20,922 SF Hayward, CA
 Sprouts Farmers Market 32,620 SF Newark, CA	 Hobby Lobby 57,000 SF Concord, CA	 Public Storage 212,000 SF Ceres, CA	 Philz Coffee 2,162 SF Lafayette, CA	 Smart & Final 33,000 SF Stockton, CA
 La Plaza Market 23,200 SF San Jose, CA	 The Shade Store 1,468 SF Lafayette, CA	 Dick's Sporting Goods 35,000 SF Morgan Hill, CA	 Z Gallerie 7,028 SF Walnut Creek, CA	 Outdoor Supply Hardware 41,108 SF/3.18 Acres San Leandro, CA
 Lewis Retail Centers 12.85 Acre Site Hercules, CA	 Burger Lounge 1,713 SF Walnut Creek, CA	 Bluemercury 2,965 SF Lafayette, CA	 Gott's Roadside 5,500 SF Walnut Creek, CA	 Walgreens 15,000 SF San Jose, CA
 Walmart 50,331 SF San Ramon, CA	 Tiffany & Co. 6,785 SF Walnut Creek, CA	 Target 10.8 Acres San Jose, CA	 Regency Centers 34 Acres Petaluma, CA	 LOJA 350,000 SF Pleasant Hill, CA

Seize the Day

JOHN CUMBELICH | DECEMBER 15, 2023

Over decades in the CRE industry, our team has completed hundreds, or perhaps thousands, of multi-market site tours with grocers, fuel brands, restaurants, pharmacies, home improvement and fitness brands, coffee and burger and chicken concepts, and many, many other users of quality real estate. Over that time, my appreciation for the art of the real estate tour has grown ever deeper. I've learned that in order to have real value, the successful real estate site tour always needs to be two things: the journey has to be horizontal, from site to site or city to city; and also vertical, from one idea to the next.

That travel time with the client is a precious one-on-one window to discuss who their customer is, how they evaluate their real estate, how the brand is executing, growing and changing, what market pressures are helping or hindering their growth – capital markets, competitors, stock price, housing starts, unemployment data, etc. etc.

As the pro who is conducting the tour, you ask these questions, absorb the client's answers, and create advice that reconciles the client's needs to the marketplace where you are the expert. Your advice is the synthesis of the horizontal and vertical journeys. Sometimes, as the repartee unfolds in the car as we move from site to site, my questions receive a detailed and lengthy response. But other questions are met with a long silence and a thoughtful gaze out the window. The silence and mystery of the client's non-answer descend on me like a benediction. Have we struck gold? Have we discovered a new way to capture the customer or frame the real estate deal that they haven't previously considered? A good conversation about real estate sets the gears in the client's brain turning, sharpening the focus on how we will execute real estate in this particular market. Like a talented actor who can inhabit the role of his character, the best broker learns the mind of the client, and makes it his own.

Our day long discussion is filled with questions, observations, coffee breaks, answers and non-answers. By the end of a successful tour, we've exchanged a great deal of information. Sometimes, the tour feels like a tiny, double espresso version of a trip to the therapist. We both complete the journey with new perspectives, with many questions answered, and a sense of direction about our efforts, both individual and collective.

The successful real estate site tour is less, far less, about sites, rents and terms, and much more about creating a partnership, a bond of understanding, that will inform all of the subsequent energy that we put into positioning the brand to thrive.

Invariably, I return home from the site tour exhausted – mentally exhausted. Imagine if you can, driving 200 miles in a day and visiting eight or ten locations, while conducting a thorough, day-long investigation into your client's vision, needs, challenges and dreams. Simultaneously, you are navigating traffic, organizing lunch, dinner and coffee breaks, meeting with owners and brokers, answering questions from one or more clients sharing the journey, all sandwiched between a very early and a very late trip to the airport. I am wrung out, yet deeply satisfied when the journey is complete and the mission accomplished.

In some ways, ours is a young person's business. The site tours can be taxing to the extreme. And, guess what? There's no guarantee that any of the sites reviewed will result in signed leases or closed escrows. The prospect of a day spent fruitlessly can be daunting. Yet only with age and experience can we give the client everything that they need and deserve from a visit to our market. As a young man, I would simply jump in the car and drive. As an older man, I consider the journey carefully. Now, only when I am ready to go forth and conquer, like the ancient Romans who proclaimed "Carpe Diem!" do I embark. And we seize the day.



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