

Bay Area Regional Shopping Center Quarterly Report



Q4 TROUBLED ASSET TIPS LEASING GAINS DOWNWARD

John Cumbelich & Associates Q4 2023 report on the Northern California Flagship Power Center inventory captures a market that gave back recent leasing gains of the past four quarters during Q4.

Overall occupancy in the region dropped from 93.50% to 92.72% during Q4, representing an increase of 102,000 SF in net new vacancy across a marketplace of over 13,000,000 SF. The losses were felt almost exclusively in the East Bay submarket, which represented approximately 90% of the newly vacant retail space. Meanwhile, the North Bay, South Bay and Peninsula submarkets were virtually unchanged during Q4.

The recently vacated Target store at Century Plaza in Pittsburg created a significant 101,850 SF hole in the East Bay submarket. This large void adds to two other significant vacancies of 20,000 SF and 46,000 SF in the same project that is now facing challenging headwinds. This 530,000 SF asset clocked in at the end of Q4 with 31.67% of all space vacant.

(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

The recently vacated Target store at Century Plaza in Pittsburg created a significant 101,850 SF hole in the East Bay submarket.



GO CONSIDER STOP

MARKET HOLDS GAINS...SORT OF

Only a single 100,000 SF vacancy affected the region's occupancy levels, which otherwise held firm.

FUNDAMENTALS MAY BE IMPROVING

Strong employment levels, wage growth and tapering interest rates should poise the market for leasing gains

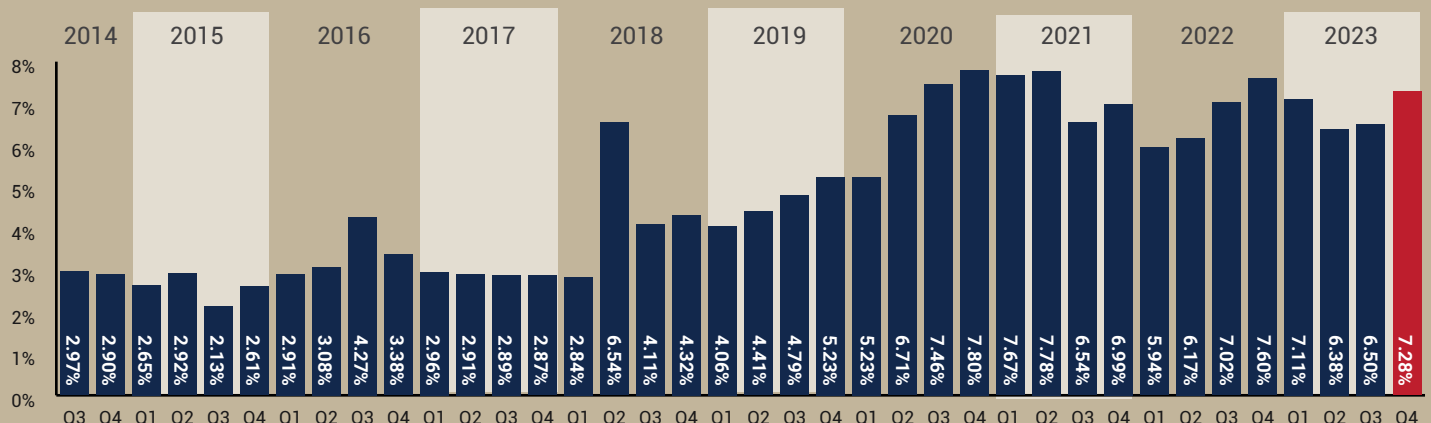
SELECT BIG BOXES CHALLENGING TO BACKFILL

The Plant, Century Plaza, Potrero Center and Downtown Pleasant Hill can't find replacements for their biggest holes

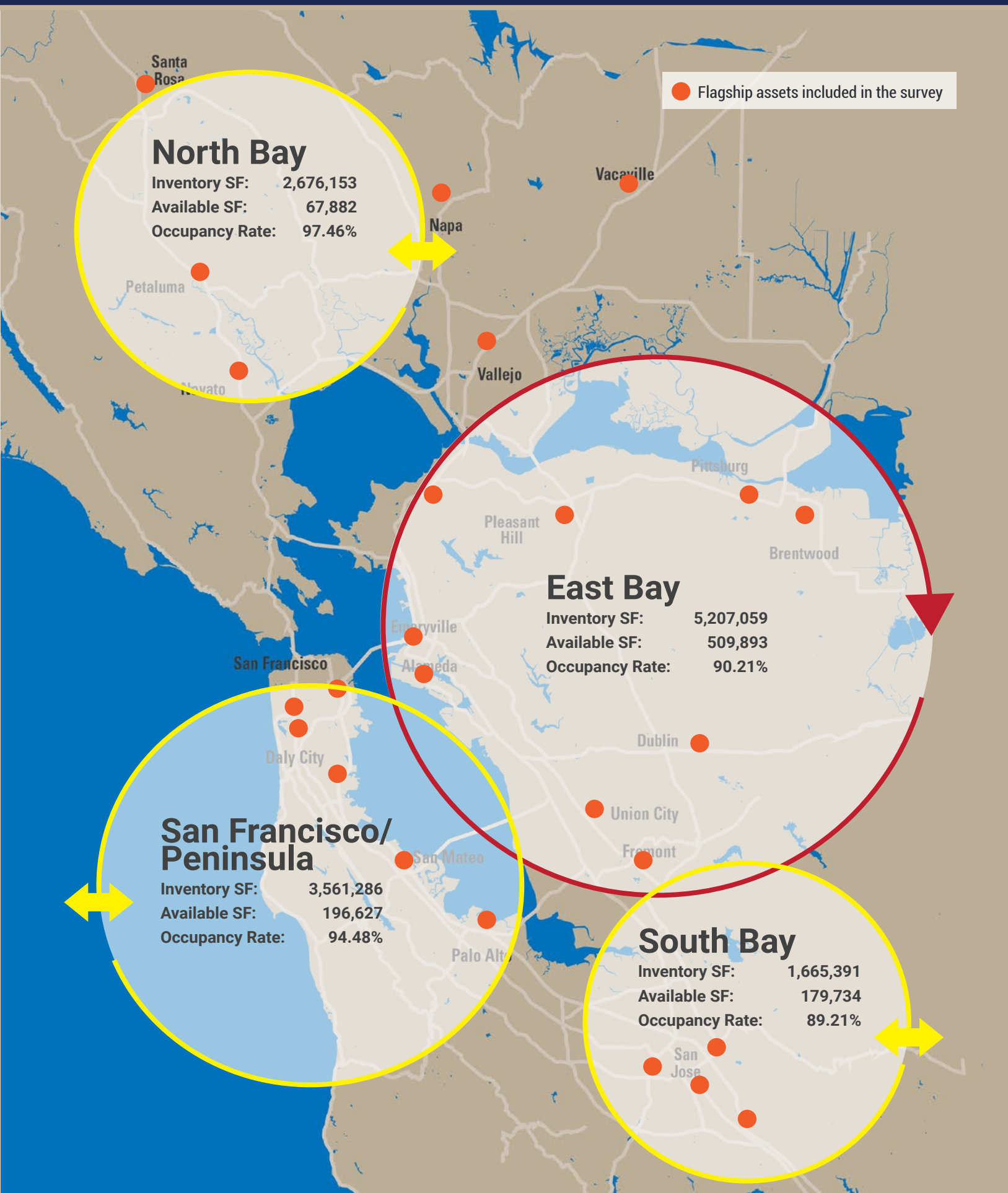
Notably, if the Target closure at Century Plaza is excluded from the regional analysis, the entire Bay Area market was essentially flat, suggesting that the marketplace has stabilized, holding prior leasing gains, and that this new vacancy is an isolated event, not a cause for regional concern. Clearly, there are a relatively small handful of struggling assets where the vast bulk of retail vacancy is concentrated. The assets with the five largest vacancy totals tally 513,693 SF, or 54%, of the entire 954,126 SF of vacant space in the region. The remaining 20 flagship assets in the region boast a collective 95.72% occupancy level.

While assets like **Century Plaza**, **Downtown Pleasant Hill** and **The Plant (San Jose)** face the largest current vacancies, four other assets completed Q4 at a perfect 100% occupancy level – these include: **Bridgepointe (San Mateo)**, **South Napa Marketplace**, **Santa Rosa Marketplace**, and **Pinole Vista Crossings**.

Overall Historical Vacancy



The overall vacancy rate increased 0.78% in Q4 2023.



Results – Flagship Power Centers

North Bay

Inventory SF: 2,676,153

Available SF: 67,882

Occupancy Rate: 97.46% 

San Francisco/Peninsula

Inventory SF: 3,561,286

Available SF: 196,627

Occupancy Rate: 94.48% 

South Bay

Inventory SF: 1,665,391

Available SF: 179,734

Occupancy Rate: 89.21% 

East Bay

Inventory SF: 5,207,059

Available SF: 509,893

Occupancy Rate: 90.21% 

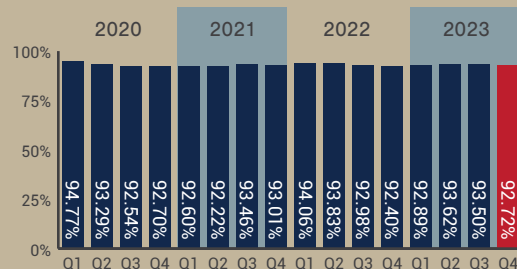
BAY AREA TOTALS

INVENTORY: 13,109,889 SF

AVAILABLE: 954,136 SF

OCCUPANCY RATE: 92.72% 

Overall Occupancy



Highest Occupancy

Power Center	Size (SF)	Occupancy %
Lone Tree Plaza	428,750	91.83%
San Jose Market Center	333,869	90.43%
Ravenswood 101	340,950	89.87%
East Washington Place	596,372	89.71%
Vintage Oaks of Novato	227,829	88.65%
Village Oaks	470,000	87.06%

Highest Vacancy

Power Center	Size (SF)	Available (SF)	Vacancy %
Century Plaza	530,000	167,850	31.67%
Potrero 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	60,809	12.94%
280 Metro Center	227,829	25,868	11.35%

Largest Vacant Spaces

Power Center	Size (SF)	Available (SF)
Century Plaza	530,000	101,850
The Plant	650,532	64,850
Downtown Pleasant Hill	345,687	40,377
Potrero Center	226,642	38,370
Gateway Plaza	428,750	35,011

Featured Listing



Featured Listing



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ONCE IN A GENERATION RESTAURANT OPPORTUNITY

An unsurpassed location
on San Francisco Bay.
The historic flagship and home of
global restaurant icon, Trader Vic's.

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Featured Transaction



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.

John Cumbelich

Chief Executive Officer
john@cumbelich.com
CA DRE ID 01006249

Tim Seiler

Partner
tim@cumbelich.com
CA DRE ID 01076263

Joe Kuvetakis

Partner
joe@cumbelich.com
CA DRE ID 01854159

Catherine Macken

Associate Broker
catherine@cumbelich.com
CA DRE ID 02136323




































JohnCumbelich & Associates

PARTNER **XTEAM**
RETAIL ADVISORS

1330 North Broadway, Suite 200A
Walnut Creek, CA 94596
Telephone 925.935.5400

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Notable Completed Transactions

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

Seize the Day

JOHN CUMBELICH | DECEMBER 15, 2023

Each era in retail real estate has its own cohort of catalytic anchor tenants and users around which new projects revolve. I'm old enough. 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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