

MARKET FUNDAMENTALS

	YOY Chg	Outlook
\$184,800 Median HH Income	▲	▲
0.0% Population Growth	▼	▼
3.8% Unemployment Rate	▼	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.6% GDP Growth	▼	▲
1.5% Consumer Spending Growth	▼	▲
1.0% Retail Sales Growth	▼	▬

Source: BLS, BOC, Moody's Analytics
Q3 2026 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY: UNEMPLOYMENT RATE FALLS

Silicon Valley's retail market continued to benefit from one of the nation's strongest consumer bases. Though population growth has been relatively flat, median household income climbed 6.8% year-over-year (YOY) to \$184,800, the highest in the nation. The unemployment rate fell 60 basis points (bps) YOY to 3.8%, and nonfarm employment increased by 18,300 jobs. However, the tech sector continued to face headwinds, with office-related layoffs totaling more than 2,200 jobs in the third quarter.

SUPPLY & DEMAND: VACANCY RATE DECLINES

Silicon Valley retail fundamentals continued to tighten in the third quarter. The vacancy rate declined to 4.8%, down 10 bps from 4.9% in the prior quarter and 80 bps from 5.6% one year ago. With no new deliveries or space under construction, the market's retail inventory remained unchanged at 37.0 million square feet (msf).

Net absorption totaled 56,900 square feet (sf) in the third quarter, up from 11,500 sf in the second quarter. Year-to-date net absorption reached 211,700 sf, already surpassing the full-year total for every year since 2018.

San Jose/Campbell/Los Gatos led the market with 133,300 sf of positive absorption, lowering vacancy to 3.6% from 4.4%. Santa Clara recorded the region's lowest vacancy at 3.2%, with 25,900 sf absorbed, while Morgan Hill/Gilroy posted 27,300 sf of absorption, lowering vacancy to 7.4%. Milpitas/North San Jose remained essentially flat, with 1,500 sf of positive absorption and 7.1% vacancy.

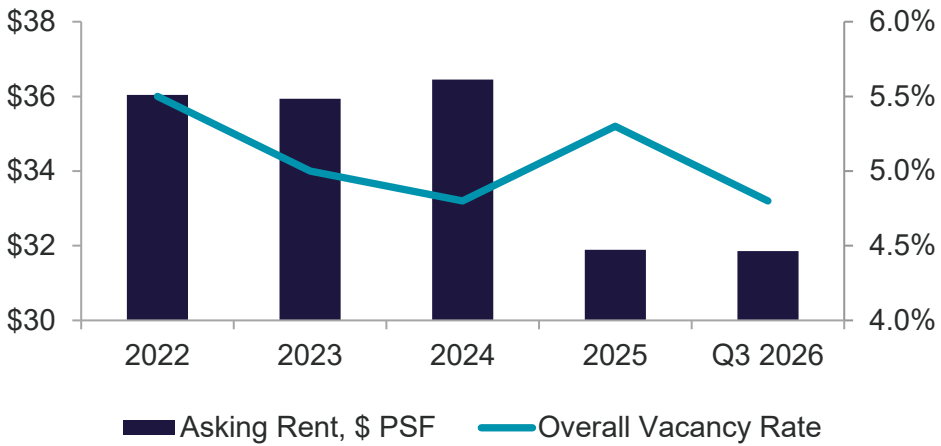
Conversely, Sunnyvale/Cupertino recorded 72,800 sf of negative absorption, pushing vacancy to 3.6% from 2.0%. Palo Alto/Mountain View/Los Altos posted 58,400 sf of negative absorption, with vacancy rising to a regional-high 7.7%.

The largest retail investment sale in the third quarter was Main Street Cupertino, a 127,000-sf center within a mixed-use development, which was acquired by The Roxborough Group for \$130 million.

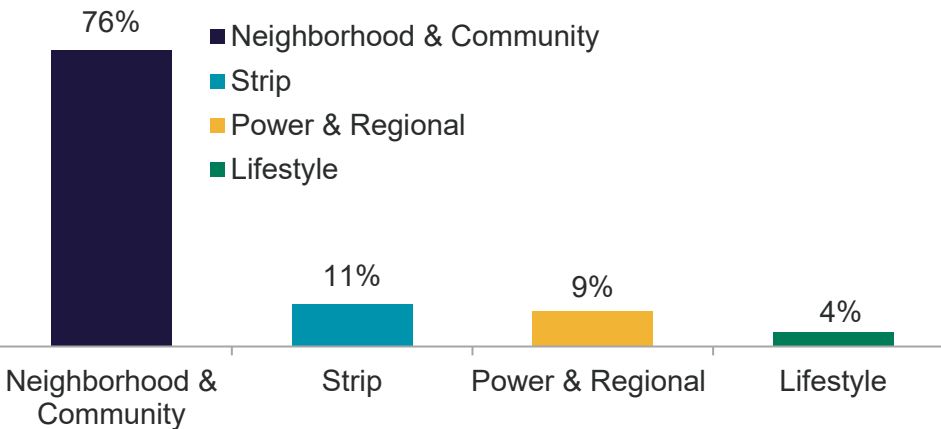
PRICING: AVERAGE RENTAL RATE INCREASES

The average asking rent rose 2.0% quarter-over-quarter to \$31.86 per square foot (psf) on an annual triple-net basis. Asking rents ranged from \$22.63 psf in Morgan Hill/Gilroy to \$47.63 psf in Santa Clara.

OVERALL VACANCY & ASKING RENT



AVAILABILITY BY PRODUCT TYPE



Source: Costar

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
San Jose (DT/South)/Campbell/Los Gatos	18,273,476	631,199	30,856	3.6%	133,308	216,598	0	\$32.50
Sunnyvale/Cupertino	4,642,572	158,180	7,518	3.6%	-72,768	-68,499	0	\$39.73
Santa Clara	2,446,320	78,853	0	3.2%	25,939	45,400	0	\$47.63
Palo Alto/Mountain View/Los Altos	2,462,786	190,818	0	7.7%	-58,422	-61,949	0	\$24.01
Milpitas/North San Jose	5,089,697	190,201	172,721	7.1%	1,539	82,085	0	\$45.41
Morgan Hill/Gilroy	4,070,376	302,185	0	7.4%	27,294	-1,964	0	\$22.63
SILICON VALLEY TOTALS	36,985,227	1,551,436	211,095	4.8%	56,890	211,671	0	\$31.86

*Rental rates reflect Triple Net asking \$PSF/Year

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
920 Blossom Hill Road (Hillview Plaza)	San Jose	Dick’s Sporting Goods	97,900	New Lease
5651 Cottle Road (Orchard Town and Country)	San Jose	Sprouts Farmers Market	37,500	New Lease
950 Renz Lane (Pacheco Pass Center)	Gilroy	PartyTeller	25,800	New Lease
3024 El Camino Real (Slavich Plaza)	Santa Clara	Kesar Bazar	18,100	New Lease
780 E El Camino Real	Sunnyvale	Star Mart	14,800	Sublease

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
19349 Stevens Creek Boulevard (Main Street Cupertino)	Cupertino	Sand Hill Prop Co JV ADIA / Roxborough Group	127,000	\$130M / \$1,024
6815 Camino Arroyo Drive (Gilroy Crossing)	Gilroy	Farallon Capital Partners / Transnational Investments	122,400	\$22.8M / \$186
6715 Camino Arroyo Drive (Nordstrom Rack and Ross at Gilroy Crossing)	Gilroy	Farallon Capital Partners / Transnational Investments	55,600	\$12.3M / \$220
15650 Los Gatos Boulevard (Whole Foods)	Los Gatos	Sand Hill Prop Co / Sunhill Corp	40,000	\$45.9M / \$1,146
5401 Camden Avenue (Avanti Shopping Center)	San Jose	Save Mart Supermarkets / Jason Ho	19,900	\$7.1M / \$355

Source: Costar, RCA

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