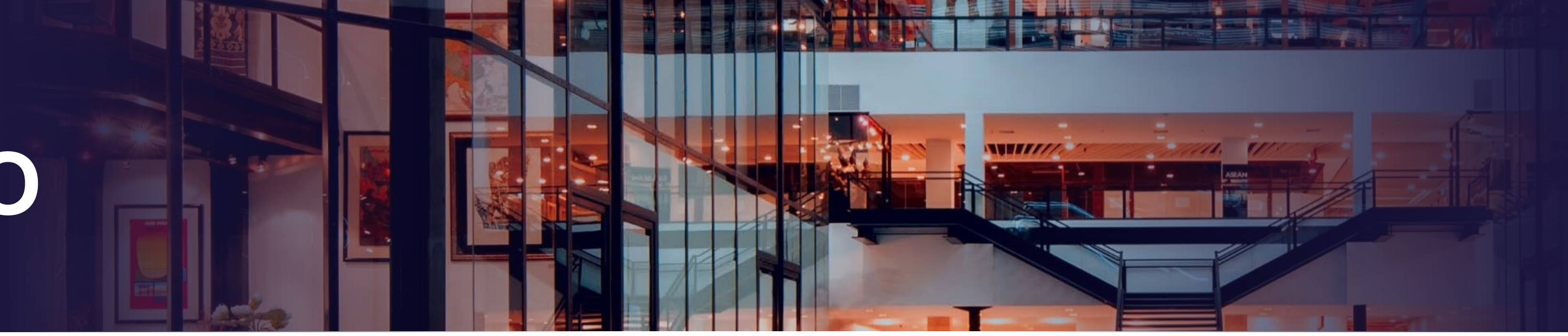
MARKETBEAT

SAN FRANCISCO

RETAIL Q2 2026



MARKET FUNDAMENTALS

	YOY Chg	Outlook
$163,600 Median HH Income	▲	▲
0.0% Population Growth	▼	▼
3.8% Unemployment Rate	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.2% GDP Growth	▲	▲
2.1% Consumer Spending Growth	▼	▲
1.5% Retail Sales Growth	▼	▲

Source: BLS, BOC, Moody's Analytics
Q2 2026 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY

San Francisco's economy continued to be supported by one of the nation's most affluent consumer bases. Median household income reached $163,600, the second highest in the country, representing a 4.2% year-over-year (YOY) increase. Population growth remained flat, while labor market conditions improved as the unemployment rate declined to 3.8% from 4.0% a year ago. Consumer spending also remained healthy, with total retail sales reaching $39.3 billion, up 4.9% YOY. Office leasing activity reached its highest level since 2019, while the apartment market posted the highest rent increase in the country, with artificial intelligence (AI) companies continuing to play a significant role in the city's economic and real estate recovery.

Tourism continued to be one of the key drivers of retail activity across San Francisco. According to the San Francisco Travel Association, the city welcomed 23.7 million visitors in 2025, generating $9.4 billion in visitor spending. Looking ahead, visitor volumes are projected to increase to 24.2 million in 2026, with spending expected to reach a record $9.9 billion, surpassing the pre-pandemic peak and providing additional support for retailers, restaurants and entertainment venues throughout the City.

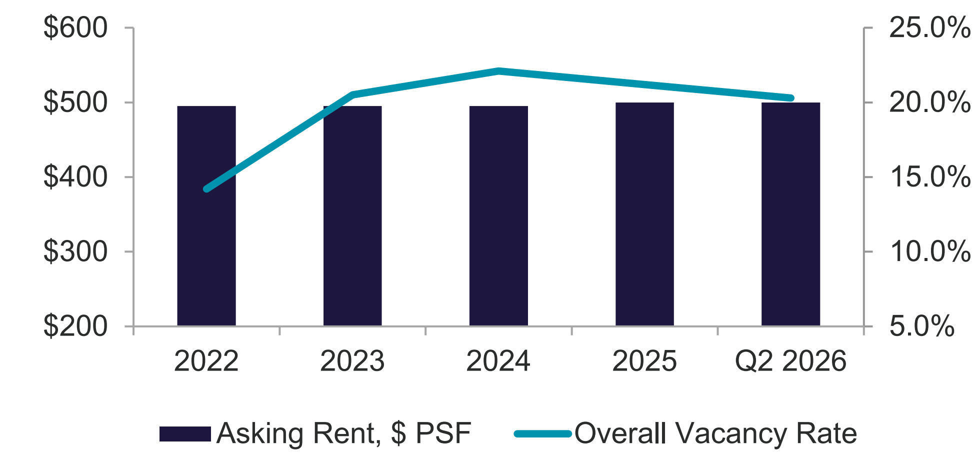
MARKET OVERVIEW

Supported by favorable economic conditions, San Francisco's retail market maintained momentum during the second quarter of 2026. Total inventory remained unchanged at 44.4 million square feet (msf), while the vacancy rate declined to 5.8%, down from 6.3% in the first quarter and 6.9% one year ago. Notably, this marks the first time the vacancy rate has fallen below 6.0% since the second quarter of 2023.

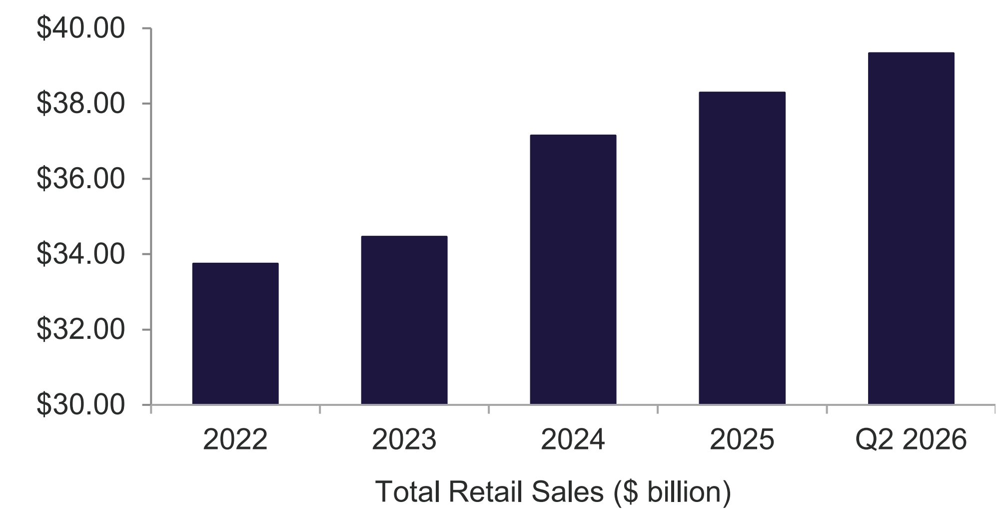
Demand accelerated during the quarter, with net absorption totaling 212,500 square feet (sf), more than doubling the 102,600 sf absorbed in the previous quarter and significantly exceeding the 75,600 sf recorded one year ago. The sustained positive absorption trend, coupled with limited new supply, continued to tighten market conditions and supports a positive outlook for occupancy levels through the remainder of 2026.

One of the quarter's unique openings was Andon Market in Cow Hollow, a curated lifestyle store operated as an AI-led retail concept. Developed by Andon Labs, the store uses an AI agent to oversee merchandising, pricing, and operational decisions, highlighting San Francisco's role as a testing ground for emerging retail technologies.

VACANCY RATE & ASKING RENT – UNION SQUARE



RETAIL SALES TREND



Source: BOC, Moody's Analytics, Costar

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UNION SQUARE / POST STREET

Union Square's retail market continued to stabilize during the second quarter of 2026. The overall vacancy rate edged up to 20.3% from 20.0% in the first quarter but remained below the 20.9% recorded a year earlier. The slight quarterly increase was primarily driven by the return of the former Saks Fifth Avenue space to the market following the retailer's Chapter 11 bankruptcy filing earlier in 2026. Despite this, leasing activity remained healthy, with year-to-date (YTD) net absorption totaling 42,900 sf. Asking rents for premier ground-floor retail space in Union Square remained unchanged at $500 per square foot per year (psf), while asking rents on Post Street increased 7.7% to $350 psf.

Union Square attracted yet more new retail and food-and-beverage (F&B) operators during the second quarter, contributing to increased activity and foot traffic throughout the district. Notable F&B additions included Origin Lab Coffee & Matcha at 211 Sutter Street and Painted Leopard, which opened its first permanent café inside The RealReal's flagship store at 235 Post Street, expanding the neighborhood's café offerings. New experiential concepts also entered the market, including Shotski's Alpine Lodge, an alpine-themed sports bar and entertainment venue at 239 Kearny Street, and the Zoox Rider Lounge at 301 Sutter Street. The fashion sector welcomed Japanese streetwear brand BAPE at 216 Stockton street and ZastaStudio at the Palace Hotel at 643 Market Street. In addition, VANDYTHEPINK opened a pop-up within World at 281 Geary Street.

Further underscoring Union Square's appeal to innovative brands, AI company Midjourney leased approximately 23,000 sf at 300 Grant Avenue for its first wellness spa and body-scanning center. The technology-driven wellness concept is expected to open by the end of 2027.

Pedestrian traffic continued to recover, with Springboard/Union Square Alliance data showing a total of 3.48 million visits during the second quarter or an average of 1.16 million visits per month. Foot traffic increased 5.8% from the first quarter and 4.0% from the same period a year earlier.

INVESTMENT MARKET

Investment activity was highlighted by the acquisition of Ghirardelli Square, a roughly 100,000-sf waterfront retail and dining destination by Embrace Real Estate from Jamestown. The transaction was estimated at approximately $73.0 million, making it one of San Francisco's largest retail investment sales of the year. Another notable transaction in the second quarter was the sale of the Gump Trust's 60.4% ownership interest in the fully leased retail property at 250 Post Street, anchored by Zara and Gump's.

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
300 Grant Avenue	Union Square	Midjourney	23,900	New Lease
1187 Franklin Street	Cathedral Hill	Tiny Giants Preschool	7,500	New Lease
1 Warriors Way (Thrive City at Chase Center)	Mission Bay	Maze	6,300	New Lease
563 Ruger Street	The Presidio	Fieldwork Brewing Company	5,700	New Lease
405 Taylor Street (Hotel Spero)	Tenderloin	Bar Esper	4,000	New Lease

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
900 North Point Road (Ghirardelli Square)	Fisherman's Wharf	Jamestown / Embrace Real Estate LLC	100,000	$73.0M / $730
838 Grant Avenue (China Trade Center)	Chinatown	JL Realty Partners / Chinatown Media and Arts Collaborative	62,400	$32.0M / $513
1301 Van Ness Avenue	Van Ness	The Roger M & Dolores J Wall 1992 Trust / Tidewater Capital	44,800	$9.1M / $203
250 Post Street	Union Square	Abraham L Gump Testamentary Trust JV Antoinette Subtrust JV Marilyn Subtrust / Stella-J Properties LP	38,500	N/A
300 3rd Street (Museum Parc)*	SoMa	Bridgeton Holdings / DPI Retail	34,800	$19.3M / $553

**Retail condo*

Source: Costar, RCA

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