



**Valbridge**  
PROPERTY ADVISORS



## **QUARTERLY MARKET UPDATE**

### **NORTHERN CALIFORNIA Q4 2022**

This newsletter is designed to be an easily digestible tool for you to get a quick picture of the Northern California commercial real estate markets in the last quarter. Some figures are interpolated and estimated due to variances between the information sources.

**VALBRIDGE PROPERTY ADVISORS | NORTHERN CALIFORNIA**  
1530 The Alameda, Suite 100  
San Jose, CA 95126  
Phone: 408.279.1520

[www.valbridge.com](http://www.valbridge.com)



# Commercial Markets

## RETAIL (ALL)

| Retail Snapshot |                |                     |                                  |              |                          |                 |                            |
|-----------------|----------------|---------------------|----------------------------------|--------------|--------------------------|-----------------|----------------------------|
| Market          | Inventory (SF) | Market Rent (SF/Mo) | Market Rent Growth Rate (12 Mo.) | Vacancy Rate | Market Sale Price per SF | Market Cap Rate | 12 Mo. Net Absorption (SF) |
| Silicon Valley  | 80,000,000     | \$3.39              | 3.3%                             | 4.5%         | \$526                    | 5.0%            | -154,000                   |
| Peninsula       | 31,600,000     | \$3.01              | -3.6%                            | 4.9%         | \$549                    | 4.4%            | 161,000                    |
| San Francisco   | 51,200,000     | \$3.68              | -3.7%                            | 6.0%         | \$632                    | 4.6%            | -68,000                    |
| East Bay        | 125,000,000    | \$2.74              | 2.0%                             | 5.4%         | \$356                    | 5.2%            | -268,000                   |
| Sacramento      | 111,000,000    | \$1.91              | 2.3%                             | 5.8%         | \$247                    | 6.2%            | 243,000                    |

Source: CoStar Group and Valbridge Property Advisors

## OFFICE (CLASS A & B)

| Office Snapshot |                |                     |                                  |              |                          |                 |                            |
|-----------------|----------------|---------------------|----------------------------------|--------------|--------------------------|-----------------|----------------------------|
| Market          | Inventory (SF) | Market Rent (SF/Mo) | Market Rent Growth Rate (12 Mo.) | Vacancy Rate | Market Sale Price per SF | Market Cap Rate | 12 Mo. Net Absorption (SF) |
| Silicon Valley  | 120,000,000    | \$5.34              | -2.6%                            | 13.2%        | \$745                    | 5.0%            | 2,200,000                  |
| Peninsula       | 50,700,000     | \$5.54              | -0.4%                            | 11.2%        | \$749                    | 4.6%            | 512,000                    |
| San Francisco   | 115,000,000    | \$5.10              | -0.9%                            | 20.8%        | \$814                    | 4.7%            | -5,400,000                 |
| East Bay        | 89,900,000     | \$3.39              | 0.4%                             | 15.6%        | \$361                    | 5.8%            | -2,100,000                 |
| Sacramento      | 79,400,000     | \$2.41              | 1.8%                             | 12.1%        | \$239                    | 7.3%            | -215,000                   |

Source: CoStar Group and Valbridge Property Advisors

## INDUSTRIAL (ALL)

| Industrial Snapshot |                |                     |                                  |              |                          |                 |                            |
|---------------------|----------------|---------------------|----------------------------------|--------------|--------------------------|-----------------|----------------------------|
| Market              | Inventory (SF) | Market Rent (SF/Mo) | Market Rent Growth Rate (12 Mo.) | Vacancy Rate | Market Sale Price per SF | Market Cap Rate | 12 Mo. Net Absorption (SF) |
| Silicon Valley      | 119,000,000    | \$2.21              | 7.8%                             | 5.7%         | \$437                    | 4.8%            | -226,000                   |
| Peninsula           | 40,300,000     | \$1.72              | 8.3%                             | 4.1%         | \$413                    | 4.6%            | 192,000                    |
| San Francisco       | 26,800,000     | \$2.00              | 8.2%                             | 5.4%         | \$492                    | 4.2%            | -314,000                   |
| East Bay            | 216,000,000    | \$1.26              | 7.9%                             | 4.0%         | \$294                    | 4.4%            | 1,600,000                  |
| Sacramento          | 167,000,000    | \$0.84              | 6.1%                             | 4.9%         | \$156                    | 6.0%            | 2,100,000                  |

Source: CoStar Group and Valbridge Property Advisors



## MULTI-FAMILY (ALL)

| Multi-Family Snapshot |                   |                    |                                  |              |                            |                 |                                 |
|-----------------------|-------------------|--------------------|----------------------------------|--------------|----------------------------|-----------------|---------------------------------|
| Market                | Inventory (Units) | Market Rent (Unit) | Market Rent Growth Rate (12 Mo.) | Vacancy Rate | Market Sale Price per Unit | Market Cap Rate | 12 Mo. Net Absorption (# Units) |
| Silicon Valley        | 215,643           | \$2,684            | 4.7%                             | 5.0%         | \$568,000                  | 3.5%            | 2,794                           |
| Peninsula             | 76,443            | \$2,756            | 2.1%                             | 5.5%         | \$610,000                  | 3.5%            | 872                             |
| San Francisco         | 158,718           | \$2,856            | 0.4%                             | 7.0%         | \$676,000                  | 3.5%            | 1,775                           |
| East Bay              | 262,068           | \$2,200            | 1.5%                             | 6.9%         | \$419,000                  | 4.1%            | 1,192                           |
| Sacramento            | 195,937           | \$1,632            | 1.5%                             | 6.0%         | \$255,000                  | 4.3%            | -1,344                          |

Source: CoStar Group and Valbridge Property Advisors

## UNEMPLOYMENT & LENDING RATES

| Unemployment               | Dec '22 | Nov '22 | Dec '21 |
|----------------------------|---------|---------|---------|
| San Jose MSA               | 2.1%    | 2.4%    | 2.9%    |
| San Francisco MSA *        | 2.0%    | 2.3%    | 2.9%    |
| Oakland MSA **             | 2.8%    | 3.3%    | 3.9%    |
| Sacramento MSA ***         | 3.3%    | 3.7%    | 4.3%    |
| California (Statewide)     | 3.7%    | 4.0%    | 4.8%    |
| United States (Nationwide) | 3.3%    | 3.6%    | 3.9%    |

| Rates            | Dec '22 | Nov '22 | Dec '21 |
|------------------|---------|---------|---------|
| 15-Year Fixed    | 5.68%   | 6.29%   | 2.33%   |
| 30-Year Fixed    | 6.42%   | 6.58%   | 3.11%   |
| 10-Year Treasury | 3.88%   | 3.68%   | 3.387%  |

\* San Francisco MSA includes San Francisco and San Mateo Counties

\*\* Oakland MSA includes Alameda and Contra Costa Counties

\*\*\* Sacramento MSA includes El Dorado, Placer, Sacramento, and Yolo Counties

## CAP RATES – NATIONAL

According to the Real Estate Research Corporation (RERC) “Real Estate Report” and the PwC “Real Estate Investor Survey,” these are the respective Cap Rates nationally.

| National Rates Property | Low   | High   | Average | 12 Month Change (Basis Points) |
|-------------------------|-------|--------|---------|--------------------------------|
| Apartment               | 3.25% | 8.00%  | 4.89%   | +47                            |
| Warehouse               | 2.00% | 6.25%  | 4.43%   | +12                            |
| CBD Office              | 4.25% | 7.50%  | 5.75%   | -5                             |
| Suburban Office         | 4.25% | 7.75%  | 6.00%   | -19                            |
| Regional Mall           | 5.00% | 12.50% | 7.33%   | +10                            |
| Power Center            | 5.25% | 7.50%  | 6.43%   | -20                            |
| Strip Center            | 5.00% | 10.00% | 7.33%   | +16                            |



Valbridge Property Advisors is North America's largest independent provider of commercial real estate appraisal and advisory services. Our 80+ offices nationwide are each led by professionals with the MAI designation. Valbridge Property advisors provides its clients with national coverage and local expertise.

Valbridge Property Advisors | Northern California has provided professional appraisal services to the region since 1976. Collectively, our team has appraised over \$300 billion in real estate. Our team holds offices in San Jose, San Ramon, and Sacramento. Valbridge Property Advisors appraises all commercial asset classes, including special purpose and fractional interests. We also provide specialty services such as litigation support, tax appeal, market studies, feasibility studies, and eminent domain appraisals.

**COMPREHENSIVE VALUATION  
AND ADVISORY SERVICES**

- Office Buildings
- Industrial Buildings
- Retail Buildings
- Apartments, Multi-Family, Senior Living Buildings
- Hotel, Lodging, Hospitality, Recreational Buildings
- Special Purpose Buildings
- Land Properties
- Open Space/Conservation Easements

**SPECIALTY SERVICES**

- Business and Partnership Valuation and Advisory Services
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- Real Estate Market and Feasibility Analysis, including Rent Demand Studies
- Site Analysis and Selection
- Property and Lease Comparables, including Lease Review
- Due Diligence
- REO and Foreclosure
- Valuation of Property for Financial Reporting, including Good Impairment, Impairment or Disposal of Long-Lived Assets, Fair Value and Leasehold Valuation
- Valuation for Insurance, Estate Planning and Trusteeship, including Fractional Interest Valuation for Gifting and IRS Purposes