Q2 2017

Bay Area Regional Shopping Center Quarterly Report

Q2 Closes with Slight Overall Rise in Occupancy

John Cumbelich & Associates' quarterly survey of the Bay Area's flagship Power Center inventory reflects a slight overall rise in occupancy in Q2. The Bay Area Power Center marketplace began the second quarter of 2017 at a 97.04% occupancy level, the fourth lowest occupancy level recorded in three years. The top 25 Bay Area flagship power centers have maintained a robust occupancy level between 95.73 – 97.97% over that duration.

As Q2 came to an end, the Bay Area's top 25 Flagship Power Centers reported an overall occupancy rate of 97.09%. The North Bay experienced the largest decrease in occupancy, dropping from 98.87% to 98.00%. Although the North Bay experienced the largest decrease in occupancy, the submarket saw the absorption of the former Macy's Furniture space by Sports Basement and the grand opening of Nordstrom Rack at Novato's Vintage Oaks shopping center. Q2 also brought in the announcement of lease consummations with DSW and Ulta in Vallejo's Gateway Plaza. Centers such as Petaluma's East Washington Place, South Napa Marketplace, and Santa Rosa Marketplace ranked among the highest occupancy rates in the Bay Area. -Cont'd-

About the Report

The attached survey of flagship assets studies 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 information in this report is for information purposes only.*

Q2 2017 Summary

GO CONSIDER STOP

LOW VACANCY
Thirteen of the twenty-five flagship Bay Area Power Centers remain at less than 1% vacancy

STRONG FUNDAMENTALS
New retailers are coming to the North Bay as Sports Basement announced a lease consummation at Novato's Vintage Oaks and DSW and Ulta announced leased consummations at Vallejo's Gateway Plaza

LEVELING OFF
Although vacancy levels decreased in Q2, vacancy rates were the fourth highest in three years

The San Francisco Peninsula experienced a significant increase from 96.92 to 98.03% in Q2. South Bay occupancy rose to 96.03%, while the East Bay experienced a slight decrease from 96.33% to 96.27%. Overall occupancy shows a year over year increase from Q2 2016, rising from 96.92% to 97.09%. Q2 2016 marked the beginning of Sport Chalet and The Sports Authority closings.

The Sports Authority and Sport Chalet bankruptcy disruption attributed to occupancy rates dropping as low as 95.73% over the past year, before rebounding to today's 97.09%. The number of 100% occupied power centers remained even at eleven since Q1 2017, and the number of centers with vacancy rates less than 1% increased from twelve to thirteen.


Flagship assets included in the survey
Santa Rosa
North Bay
Inventory: 2,740,135 SF
Available: 54,667 SF
Occupancy Rate: 98.00%
Petaluma
Novato
Napa
Vacaville
Vallejo
Pittsburg
Pleasant Hill
Brentwood
East Bay
Inventory: 5,145,397 SF
Available: 192,177 SF
Occupancy Rate: 96.27%
Emeryville
Alameda
San Francisco
Daly City
Dublin
Union City
Fremont
San Mateo
San Francisco/ Peninsula
Inventory: 3,651,244 SF
Available: 71,897 SF
Occupancy Rate: 98.03%
Palo Alto
South Bay
Inventory: 1,660,758 SF
Available: 65,899 SF
Occupancy Rate: 96.03%
San Jose

Q2 2017 Results – Flagship Power Centers

North Bay

Inventory:	2,740,135 SF
Available:	54,667 SF
Occupancy Rate:	98.00%

San Francisco/Peninsula

Inventory:	3,651,244 SF
Available:	71,897 SF
Occupancy Rate:	98.03%

South Bay

Inventory:	1,660,758 SF
Available:	65,899 SF
Occupancy Rate:	96.03%

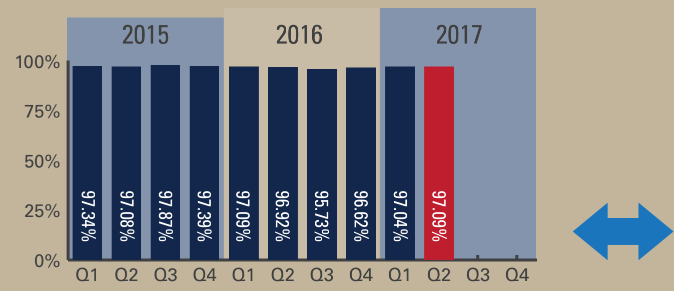
East Bay

Inventory:	5,145,397 SF
Available:	192,177 SF
Occupancy Rate:	96.27%

Bay Area Totals

Inventory:	**13,197,534 SF**
Available:	**384,640 SF**
Occupancy Rate:	**97.09%**

Overall Occupancy



Highest Occupancy

Power Center	SF	Vacancy %
Ravenswood 101	1,517,692	0.00%
Alameda South Shore	594,000	0.00%
Bridgepointe	550,331	0.00%
Santa Rosa Marketplace	541,693	0.00%
East Bay Bridge Center	453,500	0.00%
Pinole Vista Crossings	400,000	0.00%
San Jose Market Center	356,000	0.00%
South Napa Marketplace	349,530	0.00%
East Washington Place	341,411	0.00%

Highest Vacancy

Power Center	SF	SF Avail.	Vacancy %
Potrero Center	226,642	35,537	15.68%
Lone Tree Plaza	474,910	45,542	9.59%
Century Plaza	524,300	49,550	9.45%

Largest Vacant Spaces

Power Center	SF Avail.
Potrero Center	35,317
Century Plaza	31,300
Union Landing	28,000

Recent Transactions

El Pollo Loco
consummated a
one acre parcel,
20 year ground lease at

Delta Shores
Sacramento

The firm exclusively
represented the lessee
in the transaction.

Dunkin' Donuts
consummated a
2,100 SF,
10 year lease at

Deer Creek Village
Petaluma, CA

The firm exclusively
represented the lessee
in the transaction.

Spa Via
consummated a
2,432 SF,
10 year lease at

Downtown
Pleasant Hill

The firm exclusively
represented the lessor
in the transaction.

Big House Beans
consummated a
1,198 SF,
10 year lease at

Town Centre Plaza
Brentwood, CA

The firm exclusively
represented the lessee
in the transaction.

Featured Listing

Lafayette Mercantile
Lafayette, CA

Now Available - 1,540 SF Retail Space

Contact
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Featured Retailer

EAT DRINK MOVIES

40,500 SF
San Francisco Bay Area

Contact
John Cumbelich | Joe Kuvetakis

Download Brochure

ABOUT 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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Better Real Estate Data | John Cumbelich

In the commercial real estate business, like all complex and sophisticated fields, every market participant relies on market data to succeed. Good data allows principals such as landlords and tenants to frame lease terms, or buyers and sellers to establish a fair price.

Good data also enables service providers such as real estate and mortgage brokers, appraisers, lenders and contractors both to advise their clients with superior market knowledge, and to price their services competitively. Data on lease and sale comparables, absorption, occupancy & vacancy rates, inventories, development pipelines, development costs and asking prices are but a few of the tools that market participants use on a daily basis to ply their craft and compete effectively in the marketplace.

In short, it's fair to say that real estate data is an indispensable tool that the industry can't function without. Thus, questions about the where the data comes from, who produces it, and exactly what data is being recorded are existential questions for the present and future of the industry and the individual principals and firms that make a living in the field.

As a real estate services firm that records data, drafts and publishes quarterly reports and advises our clientele based on the result of our findings, we have had to ask ourselves fundamental questions about what data to track and report on. Essentially, we've had to ask ourselves, "what data really matters?"

Thirty years ago I worked for the largest real estate services firm in the world, and I started in the research department. Their philosophy was simple: separate all commercial real estate into categories (office building, shopping centers, warehouses, etc.) and then build a database that included every property in a given city or submarket.

Visiting every property was tedious work that frequently left me and my cohort of college aged researchers asking ourselves if anyone was really going to use this stuff. A real estate lesson that I learned as a green rookie was that when looking at a market in total, the majority of the inventory – in every asset type – was dated, underpriced, functionally obsolete, junk. The owners of yesteryear's shopping centers and office buildings held assets that today's expanding brands wouldn't think of using – whether due to deferred maintenance, lack of amenities, changing market dynamics, or fundamental shifts in the size and shapes of users. These latent flaws were best affirmed through asking rents that were at times 50% or more below market, or the final insult, that no broker would agree to take as a listing. Why, I asked myself, would we track assets that none of the users we hoped to represent, would ever lease or purchase?

Years later when our firm began to grow, I knew two things for certain. First, we needed to tell our current and future clientele that our firm had a big commitment to market data. We wanted to be able to underpin our advice against real time market data that we had built ourselves. Second, we wanted to track and report on the most valuable, relevant and usable data. Otherwise, our data would be window dressing at best, or misleading at worst.

As we set out to build our database, the lessons I first observed thirty years before weighed heavily on my opinions about the meaning of good real estate data. Rather than tracking everything and calling ourselves experts, we blew up the model and determined to only count the best in class assets. Better to be a little bit right I thought, than all the way wrong.

We developed a database that tracks what we call Northern California's Flagship regional shopping centers. As a firm that has been deeply engaged in this market for decades and that has relationships with dozens of Fortune 500 users, Institutional owners and municipalities throughout the region, we feel that we have a very strong and sober handle on what "best in class" means. By choosing the most sought after retail assets in every one of the Bay Area's nine counties, we provide a geographically balanced snapshot that reports on the market's ability to secure the most active, best in class brands. Since these brands are almost always looking in multiple markets, our tool provides a yardstick that scores this market against others.

Today, when we report on the Bay Area marketplace and posit that overall occupancy is, say, 98%, while our peers claim it is only 92%, I take a sigh of relief and feel at ease because I know we are right, because we paid close attention to what we were counting. We've elected to look at the market like the premier owners and users do. After spending some thirty years in the car driving virtually every Northern California submarket with our clients, we know exactly what they look for and what they can get approved for a new store opening. Indeed, over the years, we have trained scores of real estate managers along the way, paying forward the timeless lessons about competitive, best in class retail real estate, that the savviest of our mentors taught us a few decades before.

When we say that the vacancy rate is 2%, while our peers claim that it is 8%, what we are really saying is that the market that Federal Realty or Regency Centers or GAP or Trader Joe's or Dick's Sporting Goods cares about is 2% vacant. The owners and users that drive the market, that are the catalysts for 100% of all new development, those who build and occupy more space than everyone else, don't care about the C class real estate any more than they care about the F class real estate. We've created a database that speaks to the availability and pricing of the kind of real estate that these premier users can reasonably hope to get approved through their real estate committee process.

Our methods clearly vary from those of the macro economist, but our goals do as well. We are providing powerful and timely data to the owners, users, developers, investors and lenders that push the market forward every day. We want to make sure that they have at least one place to find information that they can really use.

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