MARKETBEAT

SAN FRANCISCO

RETAIL Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
$142,200 Median HH Income	▲	▲
0.3% Population Growth	▼	▲
3.8% Unemployment Rate	–	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.7% GDP Growth	▼	▲
1.6% Consumer Spending Growth	▼	▲
-0.4% Retail Sales Growth	▼	–

Source: BLS, BOC, Moody's Analytics
Q3 2025 data are based on latest available data.
Growth rates are year-over-year.

ECONOMY

San Francisco's economy has been accelerating in 2025. Ongoing investment in San Francisco's tech sector, especially in artificial intelligence (AI), continued to boost growth and contributed to stronger retail demand. Apartment rents are trending up and office occupancy has improved as more employees returned to the city.

Statistically speaking, unemployment held steady at 3.8% year-over-year (YOY), the median household income climbed 3.6% YOY to $142,200, one of the highest in the country, and the population grew 0.3% annually. Furthermore, retail sales increased by 4.3% YOY, supported by strong consumer base and sustained spending activity.

In September 2025, San Francisco Mayor Daniel Lurie launched the "Heart of the City" executive directive to accelerate the revitalization of downtown. The program has secured over $40 million in private sector commitments. These efforts are designed to foster a vibrant, 24-hour downtown environment, bolstering both economic activity and consumer confidence.

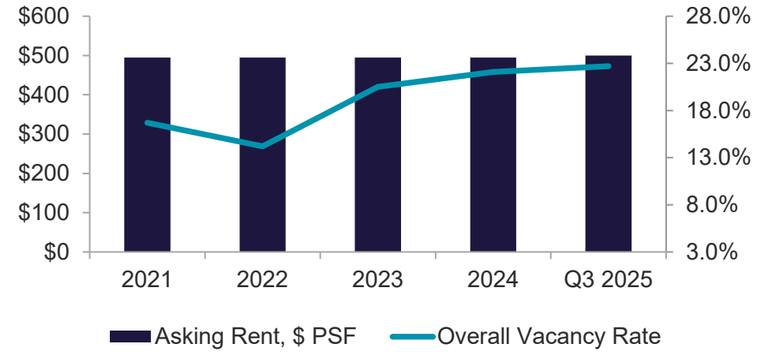
MARKET OVERVIEW

San Francisco's retail market vacancy rate rose slightly to 7.1% in the third quarter of 2025, up from 6.9% in the previous quarter, though still lower than the record of 7.5% set a year ago. This modest increase occurred despite strong leasing activity and new store openings across both downtown and neighborhood corridors. The rise in vacancy was primarily due to the return of large space to the market following recent closures, which temporarily offset the positive impact of new openings.

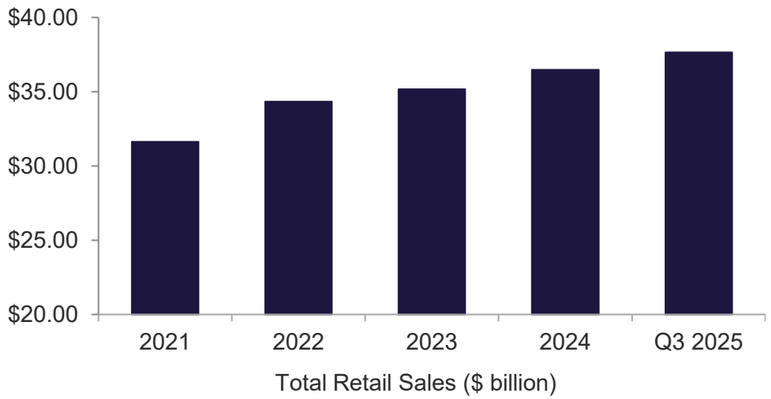
Several notable store openings included Ross Dress for Less, which debuted its second location at 901 Market Street, and Apple Cinemas, which opened at 1000 Van Ness Avenue. DSW Shoes also returned to the city with a new store at Stonestown Galleria.

The City's food and beverage scene saw an influx of exciting new openings in the third quarter. Crustacean, The Happy Crane, Cheminé, La Cigale and Sohn all launched new locations, offering a mix of upscale and casual dining options. The Ferry Building also welcomed several notable additions, including Nash Bakes, Red Bay Coffee, Parachute Bakery and the soon-to-open Arquet (both from the owners of Sorrel); while the new Mission Rock development welcomed Sweetgreen and Via Aurelia (from the owners of Che Fico).

VACANCY RATE & ASKING RENT – UNION SQUARE



RETAIL SALES TREND



Source: BOC, Moody's Analytics, Costar

UNION SQUARE / POST STREET

In the third quarter of 2025, Union Square's retail market showed signs of resurgence, with the overall vacancy rate declining to 22.7% from 23.0% in the previous quarter. This was the first quarterly decrease since 2022. Direct vacancy also fell to 20.6% from 20.9% last quarter. The quarter saw notable new store openings, including flagship and pop-up concepts, while leasing activity remained strong as both national and international retailers continued to active tour the market. Investment activity was also robust, with several key properties changing hands during the quarter. Rental rates for premier ground-floor retail reached $500 per square foot per year (psf) in Union Square, reflecting a 1.0% increase YOY, while Post Street climbed to $325 psf, marking an 8.3% annual gain.

Retail activity in Union Square remained strong in the third quarter of 2025 with several exciting new additions. Pop Mart debuted its second San Francisco location at 200 Powell Street, bringing its popular collectible toy concept to the area, and John Varvatos returned to Union Square and opened a new store at 58 Geary Street. As part of the Vacant to Vibrant program, Dandelion Chocolate opened at 167 Powell Street, while Drybar Union Square reopened its door at 123 Kearny Street. Some other anticipated openings are Bourbon Steak and The Eight Rule in the historic The Westin St. Francis Hotel, Bang & Olufsen at 146 Geary Street and Moscot's second San Francisco store at 75 Geary Street.

Union Square continued to see steady growth in foot traffic in 2025. According to Springboard/Union Square Alliance, the average monthly visitors in the third quarter reached 1,162,600, marking a 3.0% increase compared with the same period last year. Year-to-date (YTD), total visitor numbers climbed to 10,058,900, up 3.5% from 2024.

INVESTMENT MARKET

According to Real Capital Analytics, eight retail properties totaling approximately 95,600 sf changed hands in the third quarter of 2025, with total investment volume reaching $58.6 million or about $626 psf. Additionally, several mixed-use properties with significant ground-floor retail space in Union Square also traded during the quarter, including 46-52 Geary Street, 800 Market Street, 251 Post Street and 110 Powell Street (Hotel Union Square).

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1501-1595 Sloat Boulevard (Lakeshore Plaza)	Lakeshore	Planet Fitness	11,800	New Lease
3741 Buchanan Street	Marina	Alpha School	8,100	New Lease
2611-2633 Ocean Avenue	Lakeside	Century 21	7,800	New Lease
1 Post Street	Financial District	Poesia Café	5,400	New Lease
45 Kearny Street	Union Square	Just For Fun	3,400	New Lease

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
800 Market Street	Union Square	800 Market Street, LLC / Fountainhead Dev't	49,000*	$17.2M / $351
251 Post Street	Union Square	Grosvenor / Private Investor	33,600*	$30.5M / $907
1601 Haight Street	Haight-Ashbury	JP Morgan / Chelsea Pacific Investments	17,200	$8.6M / $500
1754 Noriega Street (fmr Walgreens)	Sunset District	Contra Costa Development Inc / North East Medical Services	12,500	$4.9M / $394
501 Brannan Street (fmr Bank of America)	SoMa	Bank of America / Ursine Partners LLC	8,500	$3.5M / $413

**Mixed-use*

KEY CONSTRUCTION COMPLETIONS Q3 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N/A	N/A	N/A	N/A	N/A

Source: Costar, RCA

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