



San Francisco

- Market posted positive net absorption of 113,246 s.f. in Q2, bringing YTD total to 231,756 s.f., with overall vacancy decreasing from 7.1% to 6.9% - a significant turnaround from negative trends in 2023-2024; Waterfront/North Beach (78,610 s.f.), Union Square (50,160 s.f.), and Van Ness/Chinatown (47,026 s.f.) submarkets led the recovery.
- Food and beverage tenants driving leasing momentum with several significant transactions including Community Arts Stabilization (100,000 s.f. at Northern Waterfront Piers), Apple Cinemas (92,724 s.f. at 1000 Van Ness Ave), and Zara (46,657 s.f. at 400 Post Street in Union Square).
- Minimal current development (17,000 s.f. in West of Van Ness); recent Showplace Square completion (125,000 s.f. in Q1) showing strong absorption.

San Francisco's retail market shows encouraging signs of stabilization in Q2 2025, following several challenging years. The market recorded positive net absorption of 113,246 s.f. in Q2, continuing the momentum from Q1 and bringing the year-to-date absorption to 231,756 s.f.. This marks a significant turnaround from the negative absorption patterns observed in 2023 and 2024.

The overall vacancy rate declined to 6.9% in Q2 from 7.1% in Q1, reflecting improved market fundamentals. This recovery is geographically uneven, with certain submarkets demonstrating particularly strong performance. The Waterfront/North Beach submarket led with exceptional absorption of 78,610 s.f. in Q2, followed by Union Square with 50,160 s.f. and Van Ness/Chinatown with 47,026 s.f.. These three submarkets are driving much of the market's positive momentum.

Leasing activity has increased compared to previous years, with food and beverage tenants emerging as one of the most active sectors. Notable leases include Community Arts Stabilization's 100,000 s.f.

lease at Northern Waterfront Piers, Apple Cinemas 92,724 s.f. commitment at 1000 Van Ness Ave, and Zara's 46,657 s.f. lease at 400 Post Street in Union Square.

Construction activity remains limited with only 17,000 s.f. currently under construction, all in the West of Van Ness submarket. The most significant recent completion was in Showplace Square, which added 125,000 s.f. to inventory in Q1 2025 and has already achieved strong absorption of the new space.

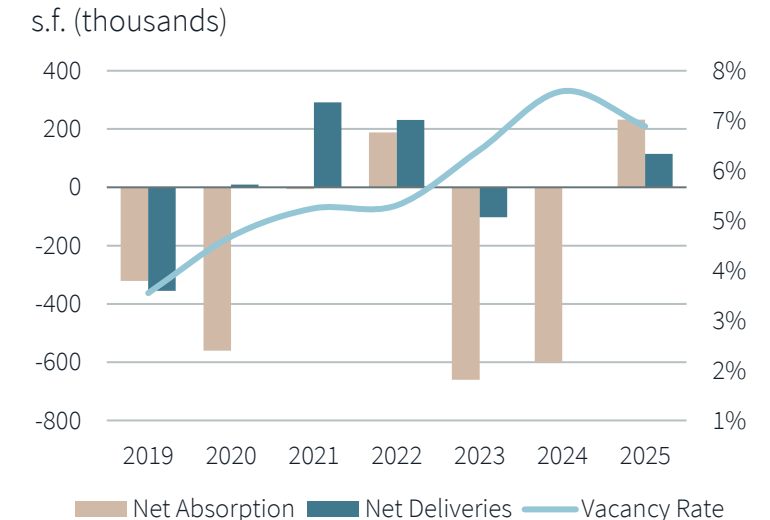
Outlook

San Francisco retail shows steady recovery with positive leasing momentum expected through 2025, driving vacancy rates down. Downtown areas are beginning to revitalize thanks to government initiatives, though suburban centers continue to outperform. Current modest rent growth (0.29% YoY) is projected to accelerate in 2026 as market fundamentals strengthen further.

Fundamentals	
YTD net absorption	231,756 s.f.
YTD net deliveries	115,255 s.f.
Vacancy rate	6.9%
Rent	\$47.01 p.s.f.
Rent growth Y-o-Y	0.3%
Stage in rental cycle	Rents peaking

Note: physical indicators are for the overall market, which covers the geographical area of San Francisco County.

Historical supply and demand trends





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