Today’s False Narratives

- Separating the signal, from the noise

It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.

Mark Twain
Separating Signal From Noise

- Starting points
  - (Overstated) role of e-commerce
  - Resilience of the consumer
  - Strength of the retail market
  - Isolated struggles of Downtown(s)
  - Causes vary by sub-district

The Pandemic Was Supposed to Push All Shopping Online. It Didn’t.
E-commerce retailers that rode a surge of online purchases in 2020 are now grappling with the fact that some customers have returned to stores.
Causes of Elevated Vacancy

- **Financial district**
  - Drastic reduction in office-worker demand
  - Contraction in relevant retail categories
  - Similar to mono-dimensional CBD’s everywhere
  - **Positives**: new restaurants, new choices, “Vacant to Vibrant”, Transamerica/Jackson Sq
Causes of Elevated Vacancy

- Union Square
  - Theft/sidewalk conditions/negative perceptions
    - Role of the national press
  - Disappearance of the tourist
    - Particularly from China
  - Shrinking SF/Bay Area population
    - Staying closer to home
Causes of Elevated Vacancy

- Union Square (continued)
  - Decline of the massive flagship store
    - Vacancy already rising pre-pandemic
  - Mismatch of inventory to expansion-minded brands
    - Retail’s “changing-of-the-guard”
  - Similar to other high-profile urban shopping precincts elsewhere
  - **Positives**: recovering fundamentals (first slide), re-committed luxury, value/rent reset
Causes of Elevated Vacancy

- Mid-Market
  - Drastic reduction in office-worker demand
  - Theft/sidewalk conditions/negative perceptions
  - Contraction in relevant retail categories
  - Elimination of autos on Market St
  - **Positives**: streetwear/skate, Market Street Arts, nightlife potential, residential growth
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