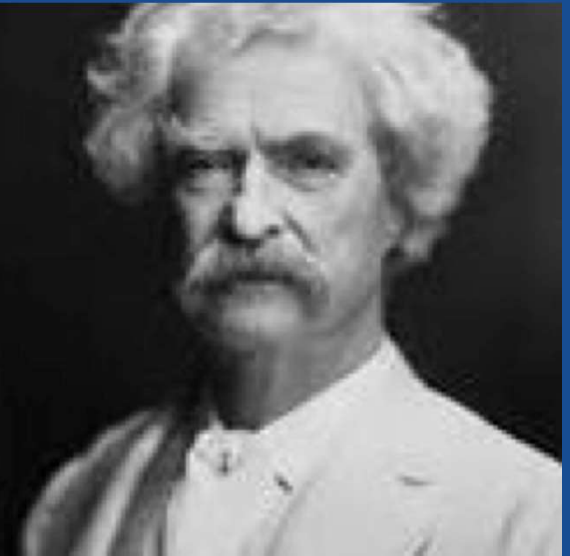


Today's False Narratives

- Separating the signal, from the noise

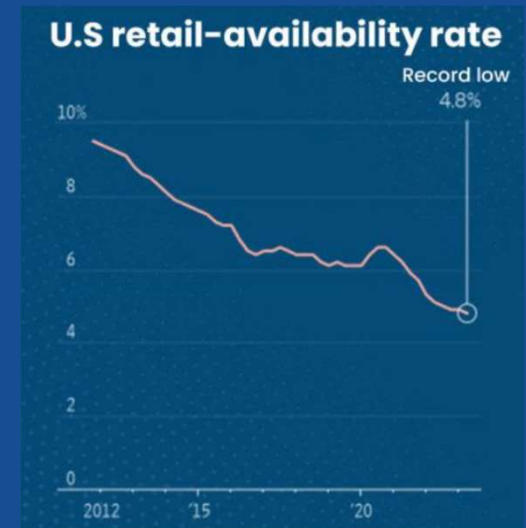
It ain't what you don't know
that gets you into trouble. It's
what you know for sure that
just ain't so.

Mark Twain



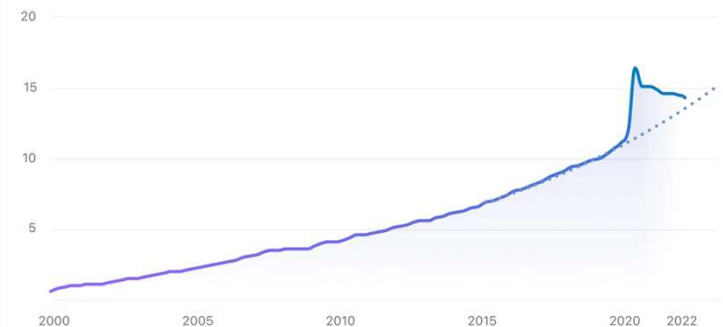
Separating Signal From Noise

- 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



US ecommerce adoption growth rate

% OF ADDRESSABLE RETAIL



Source: US Census Bureau

BUSINESS

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

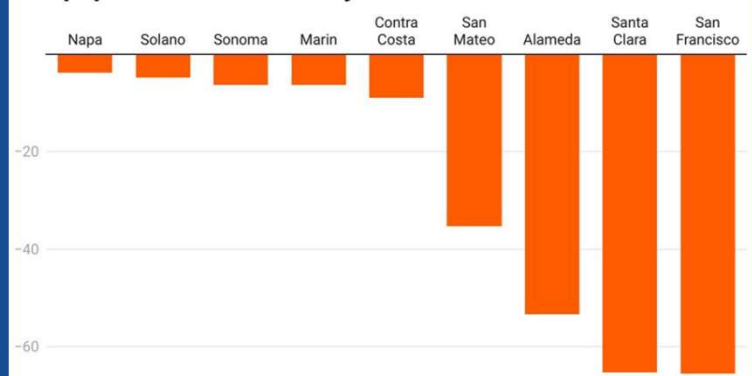


- Financial district
 - Drastic reduction in office-worker demand
 - Contraction in relevant retail categories
 - Similar to mono-dimensional CBD's everywhere
 - **Positives:** new restaurants, new choices, "Vacant to Vibrant", Transamerica/Jackson Sq

Causes of Elevated Vacancy

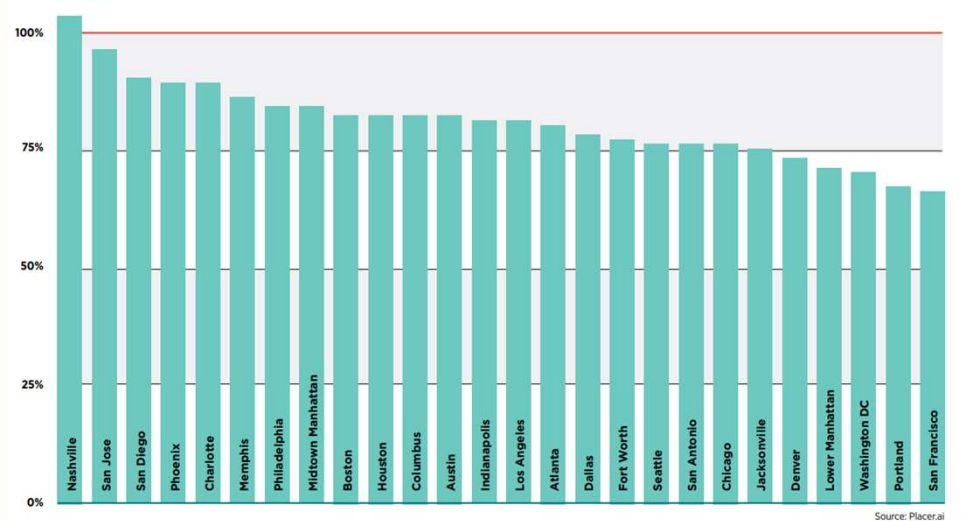
- Union Square
 - Theft/sidewalk conditions/negative perceptions
 - Role of the national press
 - Disappearance of the tourist
 - Particularly from China
 - Shrinking SF/Bay Area population
 - Staying closer to home

Net population losses in Bay Area counties from 2020-2022



(population difference between July 1, 2020, and July 1, 2022, in thousands)
Chart: Inside.com • Source: U.S. Census Bureau • Created with Datawrapper

FIGURE 22 VISITORS IN CORE DOWNTOWN IN Q2 2023 COMPARED TO Q2 2019



Source: Placer.ai

Causes of Elevated Vacancy

BUSINESS

Despite Soaring Retail Vacancies, Luxury Thrives in Downtown San Francisco

Written by Julie Zigoris

Published Aug. 27, 2023 • 7:00am



- 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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