



STRATEGIC  
ECONOMICS

# Economic and Financial Analysis Report

Santa Clara Station Area Specific Plan Steering Committee  
Meeting

November 21, 2024

# Presentation Overview

1. Report purpose and market area geographies
2. Demographic and business/employment growth trends and conditions
3. Real Estate market trends
4. Additional economic factors
5. Big picture Considerations

# **Report Purpose and Market Area Geographies**

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# Report Purpose: ground the Santa Clara Station Area Specific Plan in economic reality

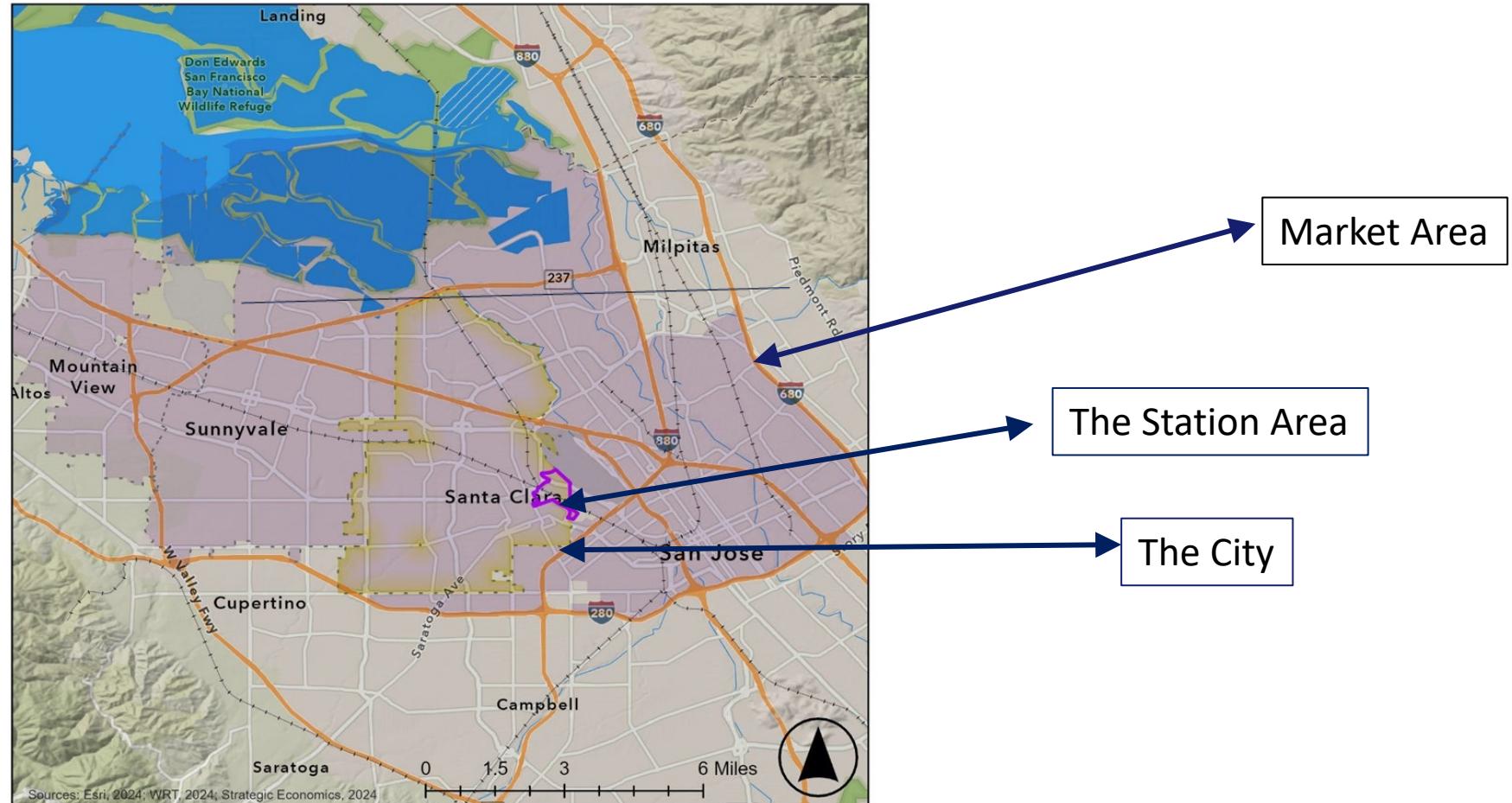
- Create understanding of past trends, current challenges, and future opportunities
- Identify benefits to the City
- Prepare to make Santa Clara a more inclusive community



Photo: Prometheus

# Three Geographies Studied to Capture Demand/Supply Dynamics

- Trends in past and future **demand**
- Competitive **supply** and performance



# The Station Area Five Subareas

**Subarea 1:** North of Coleman Avenue

**Subarea 2:** South of Coleman Avenue,  
West of Brokaw Road

**Subarea 3:** South of Coleman Avenue,  
East of Brokaw Road

**Subarea 4:** Between the Tracks and El  
Camino Real

**Subarea 5:** South of El Camino Real



Sources: WRT, 2024; Strategic Economics, 2024

# **Demographic and Business/Employment Growth**

# Significant Demographic Trends

## 1. The larger Market Area is experiencing:

- Strong population growth
- decreasing household sizes,
- increases in non-family households,
- rapid growth in households composed of young adults.

## 2. The Station Area has only added a small increment of new population but:

- The area's new household characteristics match those of households in the Market Area, showing potential to capture a larger share of the Market Area's future housing demand
- This type of household demand is well-matched to transit oriented communities

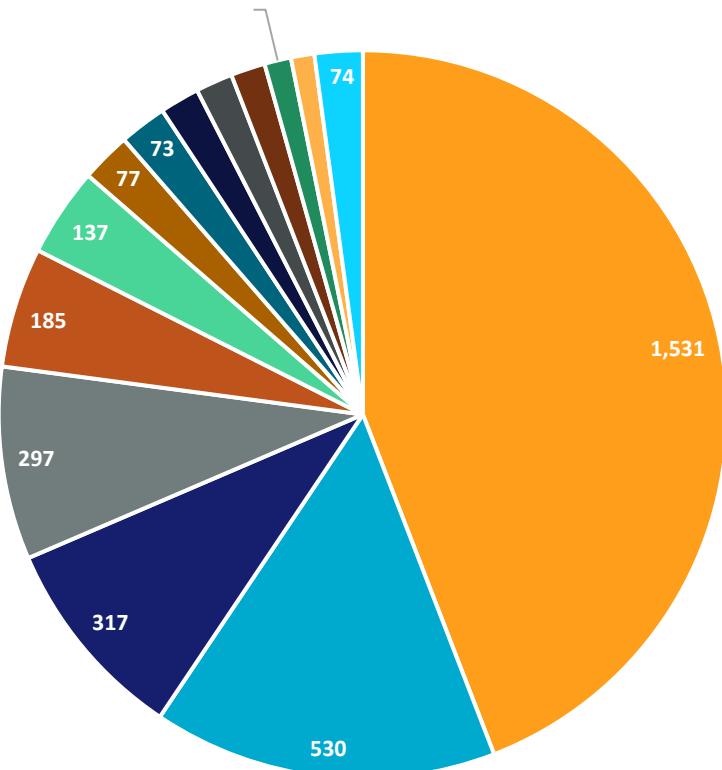
## 3. Despite growing demand for housing, households in the Station Area have lower incomes and pay a larger share of their income for housing than similar households in the Market Area suggesting that:

- Permanently affordable housing will be an important need in the Station Area



# Station Area Business and Employment

Station Area Employment by Industry



- Manufacturing
- Educational Services
- Retailer
- Professional, Scientific, and Technical Services
- Construction
- Services
- Accommodation and Food Services
- Finance and Insurance
- Health Care and Social Assistance
- Wholesaler
- Information
- Arts, Entertainment, and Recreation
- Transportation and Warehousing
- Other

# Small Businesses in the Station Area

**Number and Share of Businesses and Employees by Business Size in Santa Clara Station Area, 2024**

Business Size	Businesses		Employees	
	Number	Share	Number	Share
Greater than 100 Employees	5	3%	2,135	62%
51 to 100 Employees	3	2%	256	7%
50 Employees or Less	192	96%	1,078	31%
<b>Total</b>	<b>200</b>	<b>100%</b>	<b>3469</b>	<b>100%</b>

Sources: CoStar, 2024; Strategic Economics, 2024;



# Key Implications from Demographic and Industry Trends

## The Station Area

The Station Area is likely in the early phases of a transition away from its traditional role in the City as an employment area to a mixed-use district.

Population and household growth trends favor dense housing typically associated with TOD

Industries likely to drive future demand of office or R&D space in the Station Area include more likely to include the Professional Scientific and Technical Services sectors driving employment growth in the South Bay, and not as much in the Life Science sectors that fueled growth in San Mateo County

As the Station Area evolves, Santa Clara could lose space that is currently “incubating” small businesses

# Real Estate Market Trends

# Five Market Segments



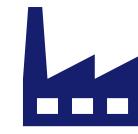
Multifamily  
housing



Retail



Office



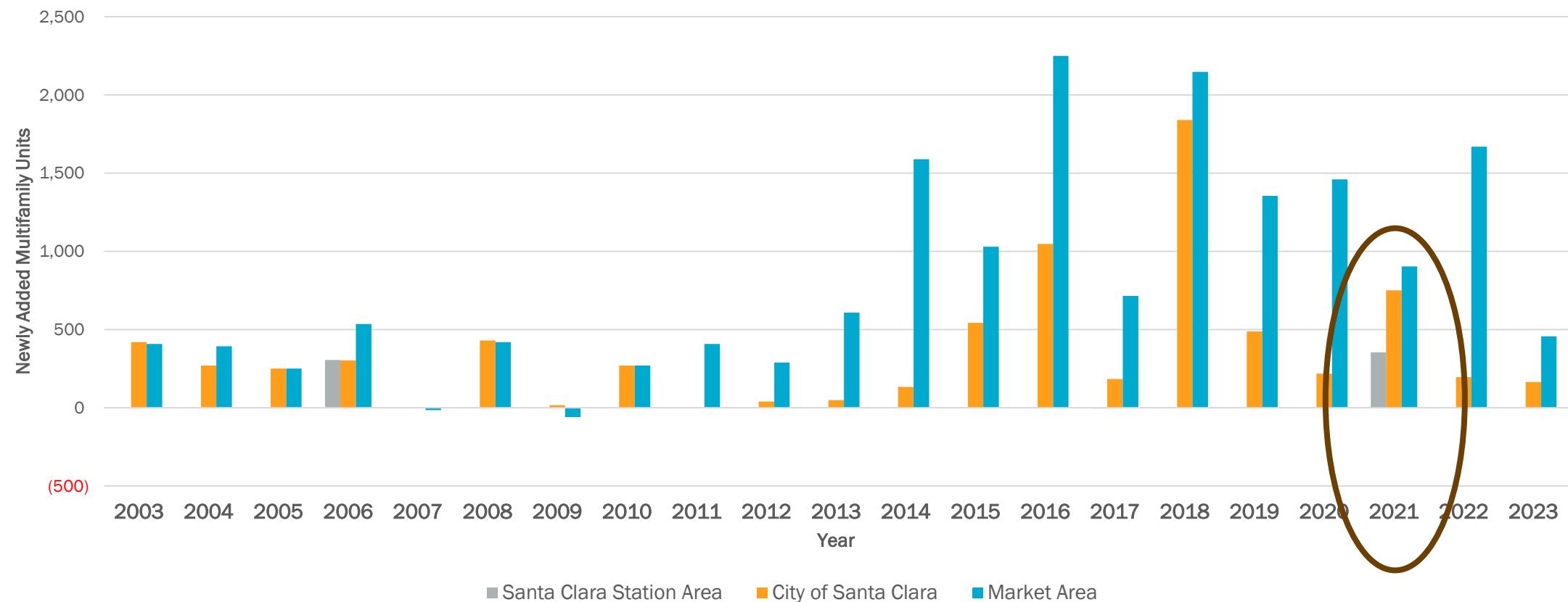
Industrial



Hotel

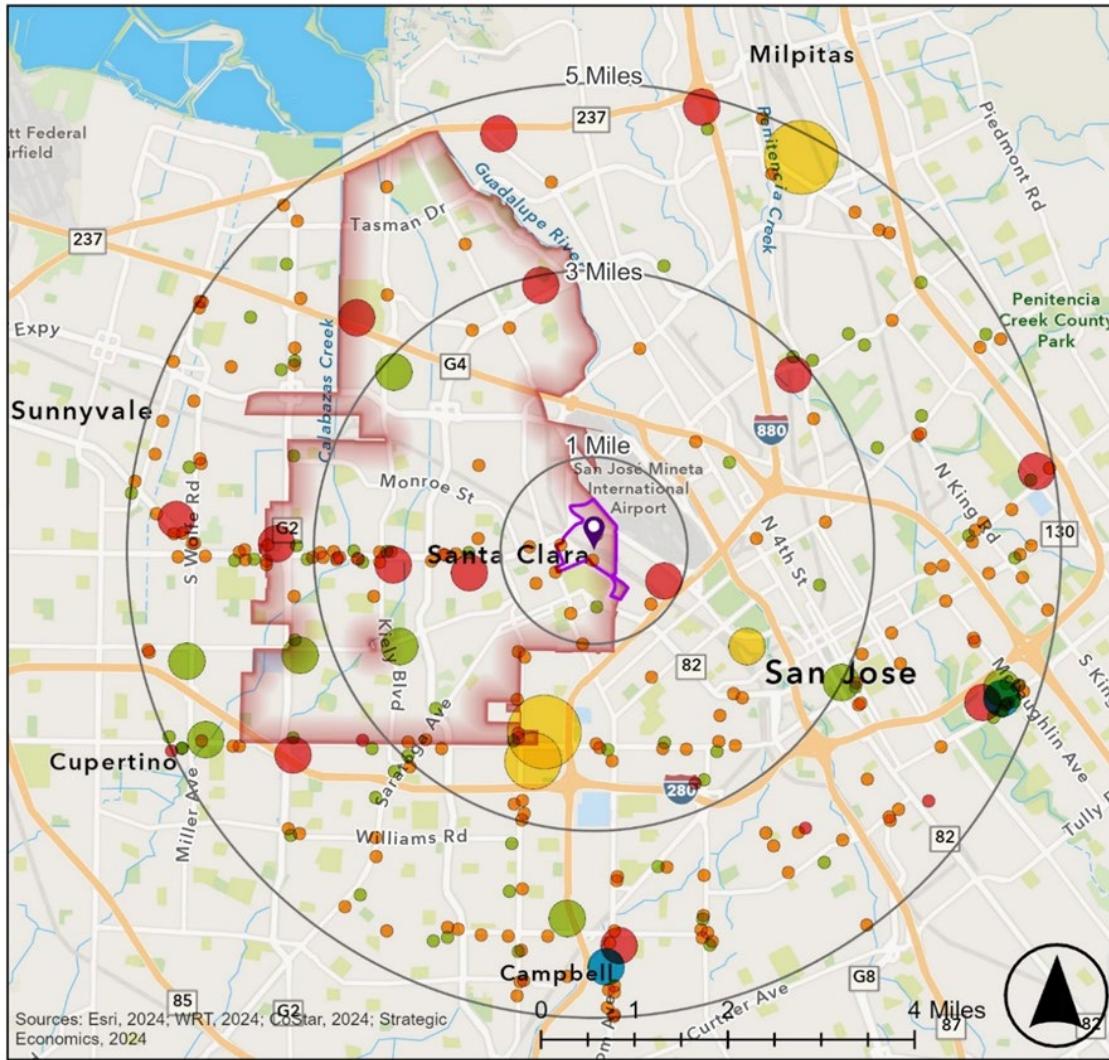
# Multifamily Housing Market

MULTIFAMILY UNITS BUILT IN THE STATION AREA, CITY OF SANTA CLARA AND MARKET AREA BY YEAR BUILT, 2003 TO 2023



## Station Area and Retail Trade Areas, 2024

# Retail Market



Santa Clara Station

Station Area

City of Santa Clara

Trade Area

Shopping Centers within 5 Mile Trade Area of Station

Center Type

Community Center

Lifestyle Center

Neighborhood Center

Strip Center

Regional Center

Center Square Feet

Less than 125,000

125,000 - 400,000

401,000 - 875,000

> 875,000

# Office Market

## OFFICE INVENTORY IN SQUARE FOOT, 2014 AND 2024 YTD

Inventory in Square Foot	2014	2024 YTD	Change from 2014 to 2024 YTD	
			Numerical Change	Percentage Change
Santa Clara Station Area	465,477	465,477	0	0%
City of Santa Clara	17,310,768	22,133,773	4,823,005	28%
Market Area	42,101,249	60,264,061	18,162,812	43%

Sources: CoStar, 2024; Strategic Economics, 2024;



# Industrial Market

## INDUSTRIAL INVENTORY IN SQUARE FOOT, 2014 AND 2024 YTD

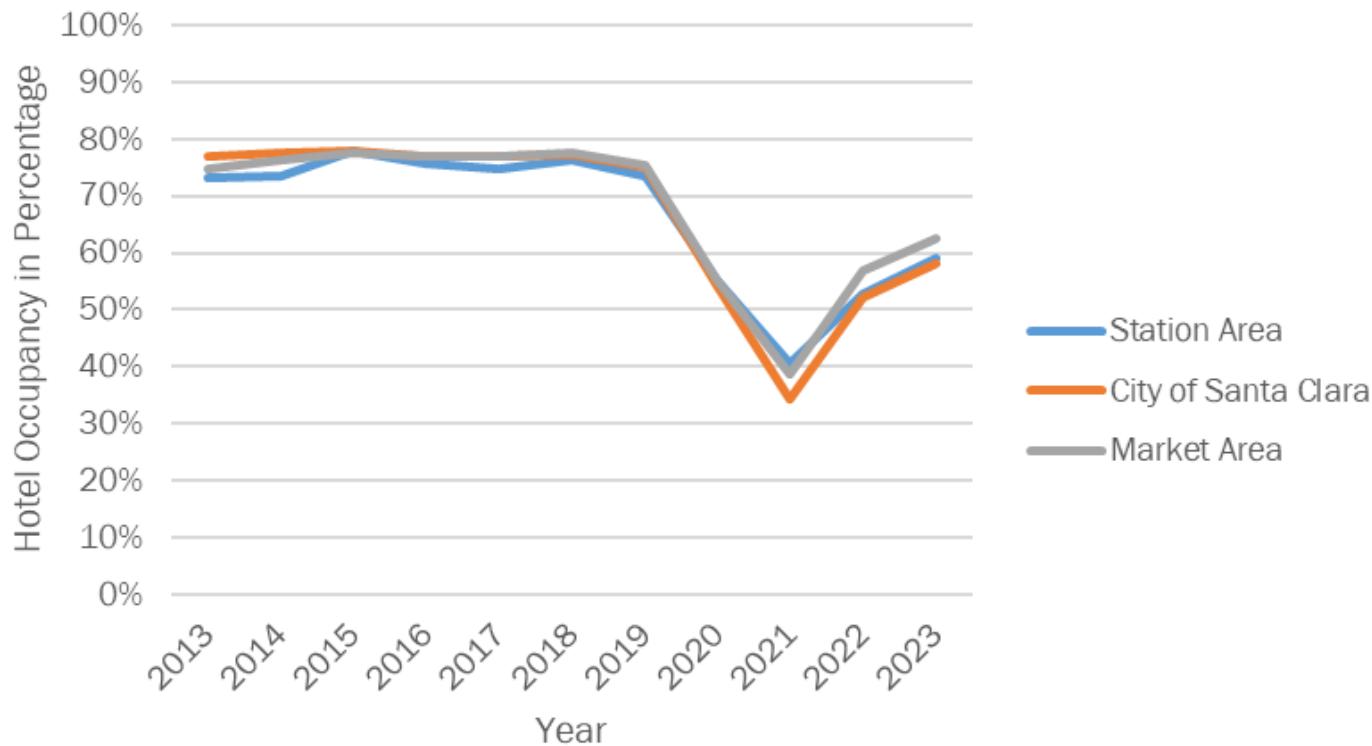
Inventory in Square Foot	2014	2024 YTD	Change from 2014 to 2024 YTD	
			Numerical Change	Percentage Change
Santa Clara Station Area	1,115,022	710,601	-404,421	-36%
City of Santa Clara	15,707,520	15,027,937	-679,583	-4%
Market Area	59,522,859	57,122,089	-2,400,770	-4%

Sources: CoStar, 2024; Strategic Economics, 2024;



# Hotel Market

HOTEL OCCUPANCY RATES, 2013 TO 2023



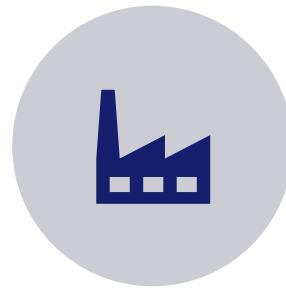
# Real Estate Opportunities



**Multifamily** housing is the strongest near to mid-term market segment



**Hotel** demand will likely level off after the three new projects get built until the office market comes back



**Office**, including R&D, demand will remain uncertain for the near-term and the long-term outlook will rely on absorption of the current pipeline, strong employment growth in the South Bay's strong tech sectors, and favorable capital markets.



**Retail** will modest a small role in the Station Area's transition

# **Additional Economic Factors**

# Additional Economic Factors



Retail sales  
taxes



Transient  
occupancy taxes



Affordable  
housing



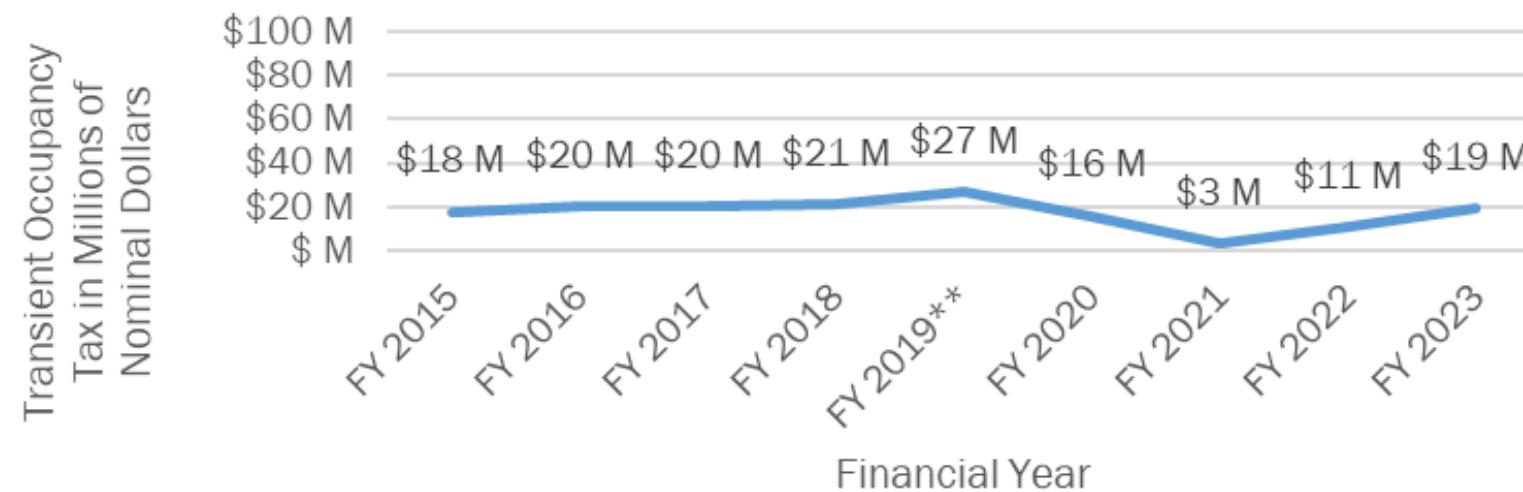
Small business  
support

# Retail Sales Tax Revenues

TOTAL SALES TAX, CITY OF SANTA CLARA, 2015 TO 2023



# Transient Occupancy Tax Trends



# Affordable Housing Issues in the Station Area

- Regional transit connectivity is an important asset for people seeking housing affordability
- The City has not prioritized the Station Area as a location for meeting its RNHA goals
- Future affordable units will be produced using either public sites, the City's Inclusionary Housing Policy, or using money from the Housing Impact Fee



# Small Business Support Policies

Most businesses in the station area are small



The City's small business programs include:

Lower business license taxes

Lower power rates

Worker cooperative initiative



None of the City's current programs align well with the PSTS businesses in the Station Area

# Big Picture Conclusions

# **Value of Sending Positive Market Signal**

**Three elements required to capture the Station Area's long-term potential**

Planning

Place making and design standards

Public investments in infrastructure and public spaces