

# City of Capitola

## Capitola Mall - Retail & Hotel Market Overview



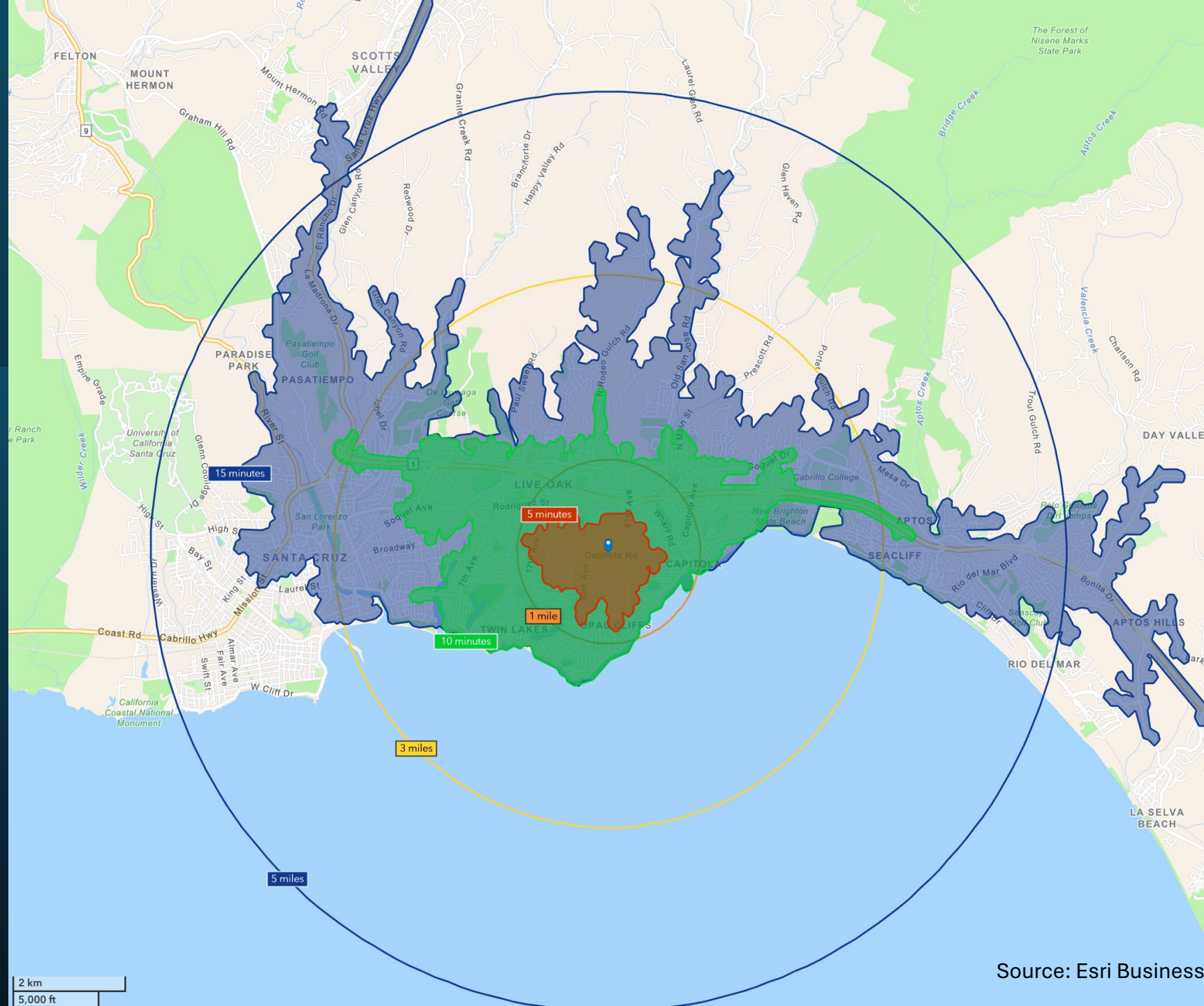
**KEYSER MARSTON**  
ASSOCIATES



January 2026



# Study Area – Site Radius and Drive-Time



# Population

## Population & Households 2025 - 2030

	2025	2030	% Change
<b>Capitola</b>			
Population	9,598	9,410	-1.96%
Households	4,574	4,548	-0.52%
<b>5-mile Radius</b>			
Population	120,724	120,273	-0.37%
Households	49,549	48,870	-0.77%
<b>Santa Cruz County</b>			
Population	262,934	260,654	-0.87%
Households	95,037	95,204	0.18%

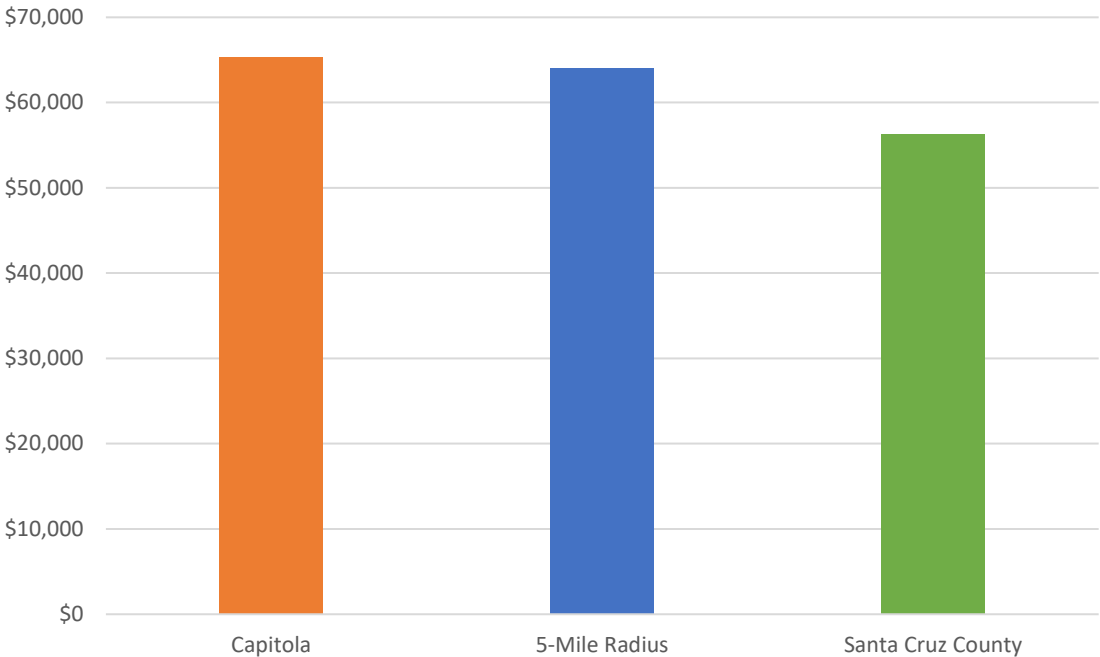
## Average Persons per Household

<b>Capitola</b>	2.11
<b>5-mile Radius</b>	2.37
<b>Santa Cruz County</b>	2.62

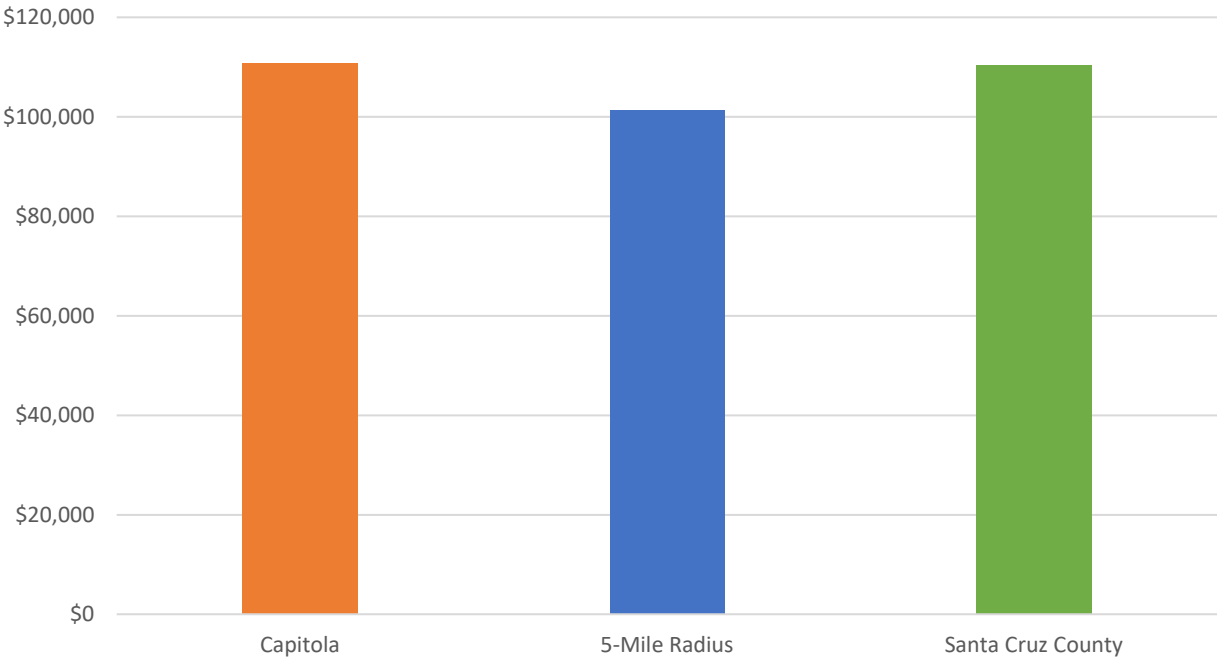


# Income

Per Capita Income



Median Household Income

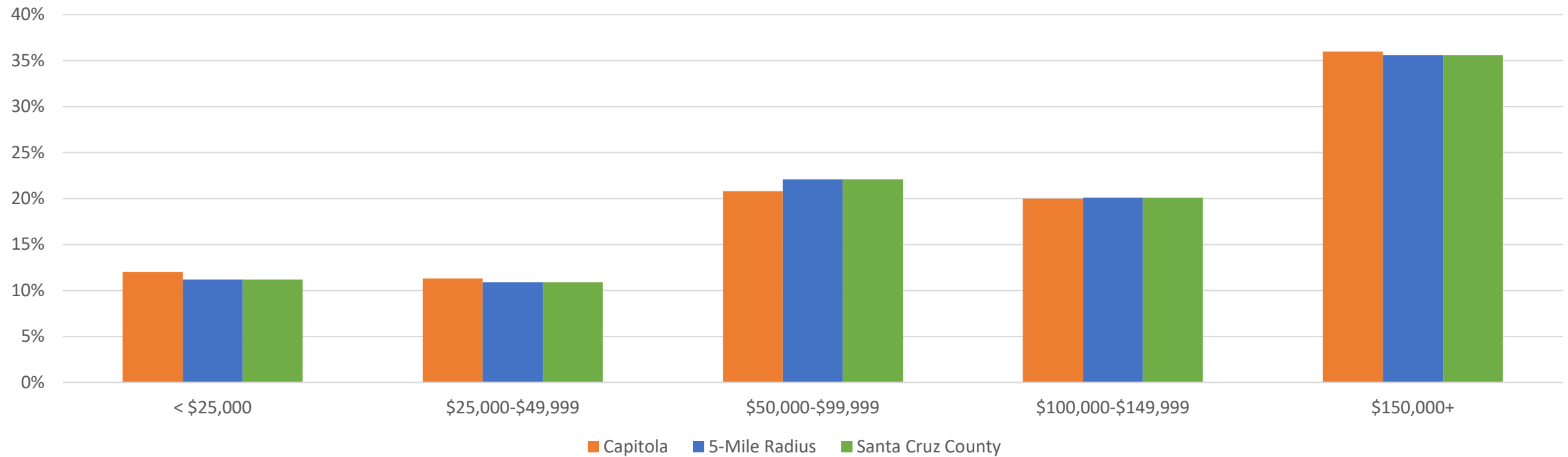


<i>Income (2025)</i>	Per Capita	Median Household
Capitola	\$65,271	\$110,864
5-mile Radius	\$64,064	\$101,409
Santa Cruz County	\$56,250	\$110,320



# Income Distribution

Income Distribution



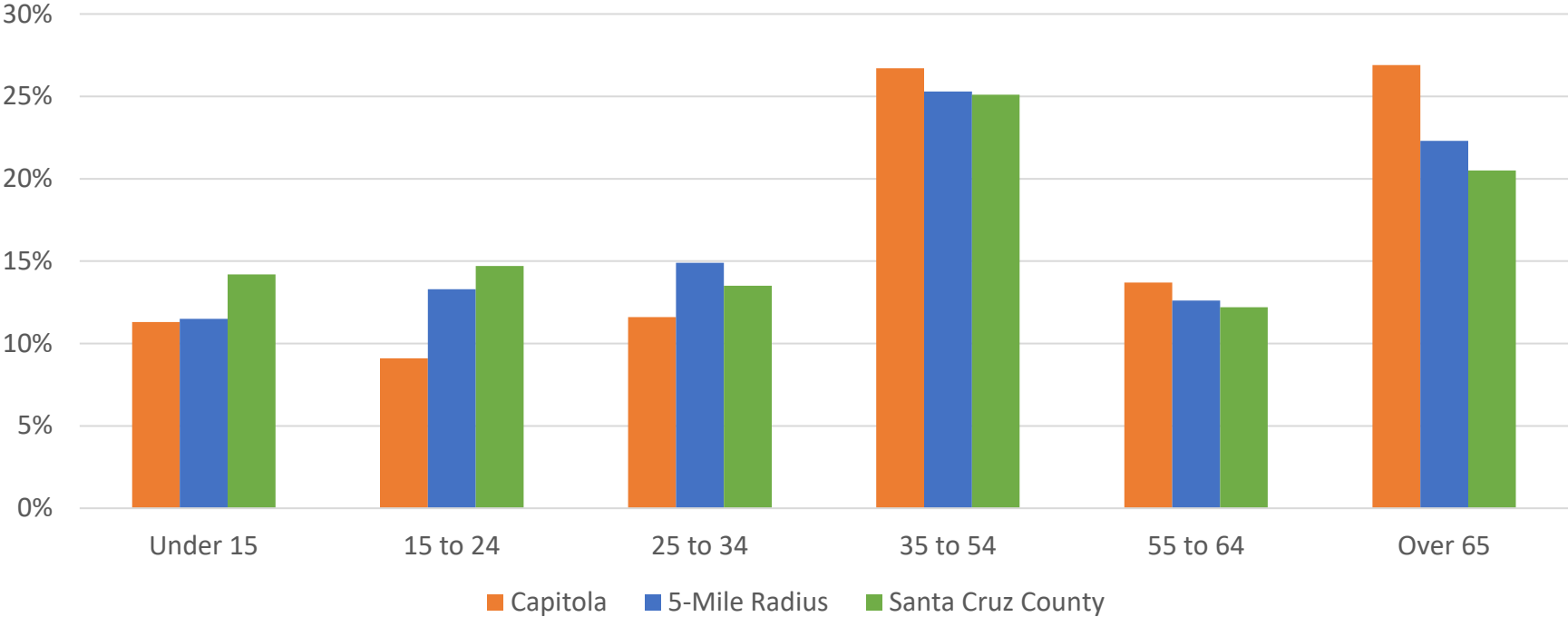
<i>Household Income Distribution</i>	< \$25k	\$25k-\$49k	\$50k-\$99k	\$100k-\$149k	\$150k+
Capitola	12%	11%	21%	20%	36%
5-mile Radius	10%	12%	27%	25%	26%
Santa Cruz County	11%	11%	22%	20%	36%



# Age Distribution

47.6

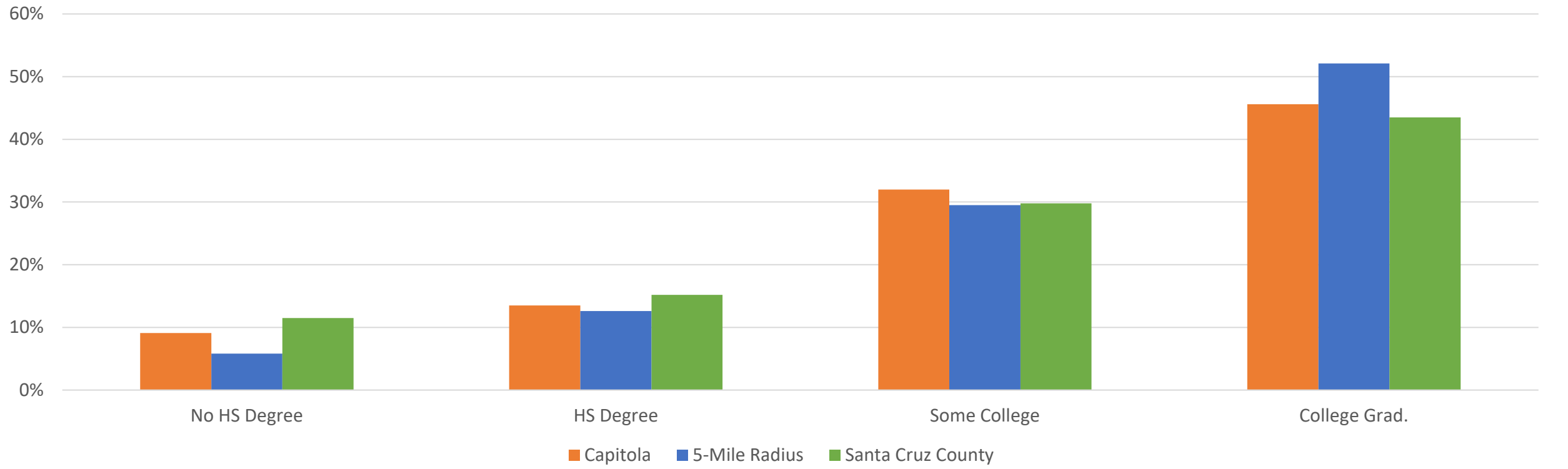
City  
Median Age



Age Distribution	Under 15	15 to 24	25 to 34	35 to 54	55 to 64	Over 65
Capitola	11%	9%	12%	27%	14%	27%
5-mile Radius	12%	13%	15%	25%	13%	22%
Santa Cruz County	14%	15%	14%	25%	12%	21%



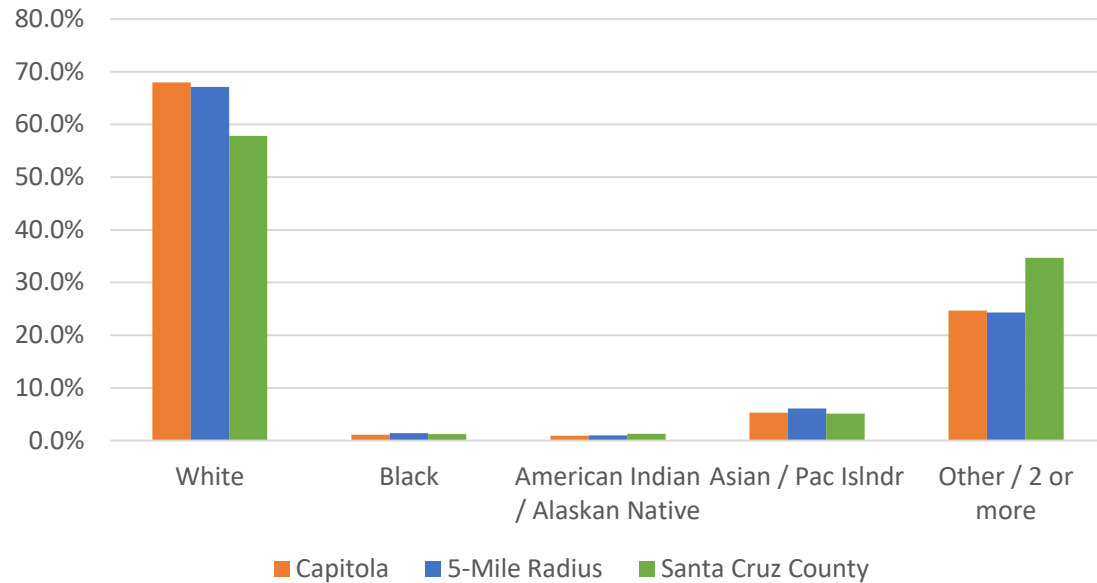
# Educational Attainment



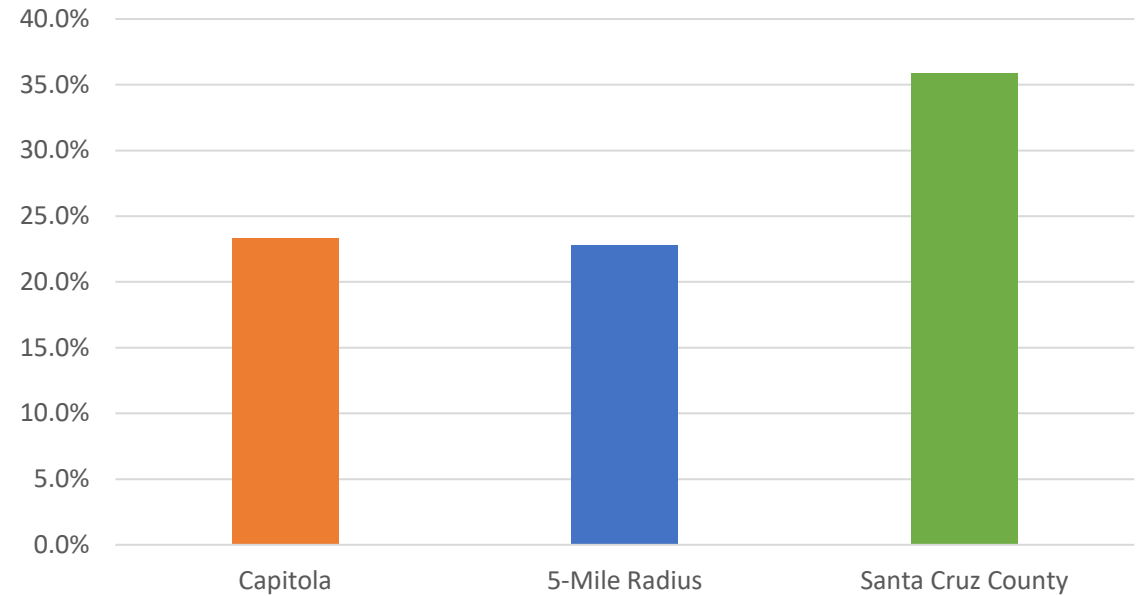
	No HS Degree	HS Degree	Some College	College Grad
Capitola	9%	14%	32%	46%
5-mile Radius	6%	13%	30%	52%
Santa Cruz County	12%	15%	30%	44%

# Race & Ethnicity

Race Classification



% Hispanic

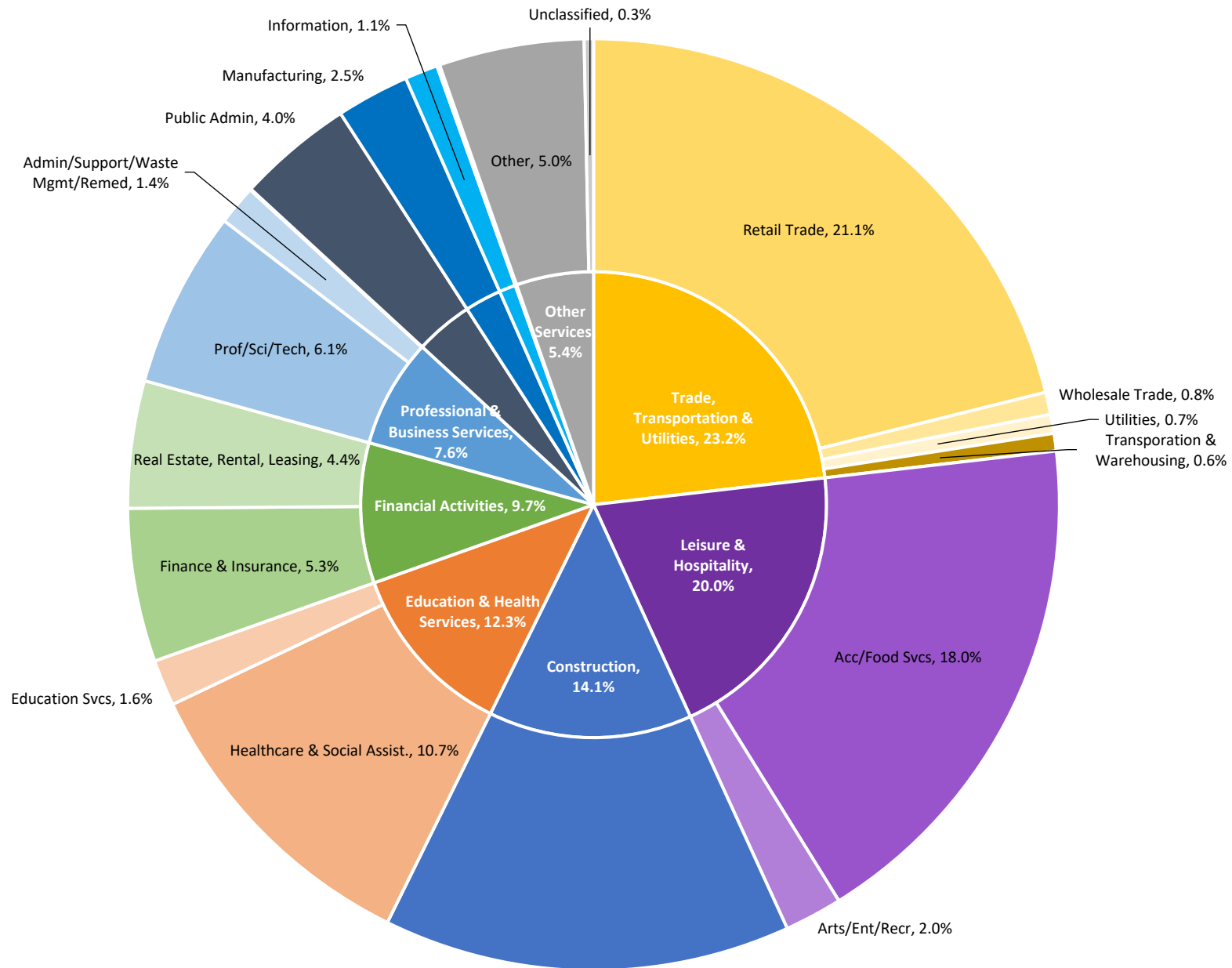


<i><b>Race &amp; Ethnicity</b></i>	<b>White</b>	<b>Black</b>	<b>AIAN</b>	<b>AAPI</b>	<b>Other / 2+</b>	<b>% Hispanic</b>
<b>Capitola</b>	68.0%	1.1%	0.9%	5.3%	24.7%	23.3%
<b>5-mile Radius</b>	67.1%	1.4%	1.0%	6.1%	24.3%	22.8%
<b>Santa Cruz County</b>	57.8%	1.2%	1.3%	5.1%	34.7%	35.9%

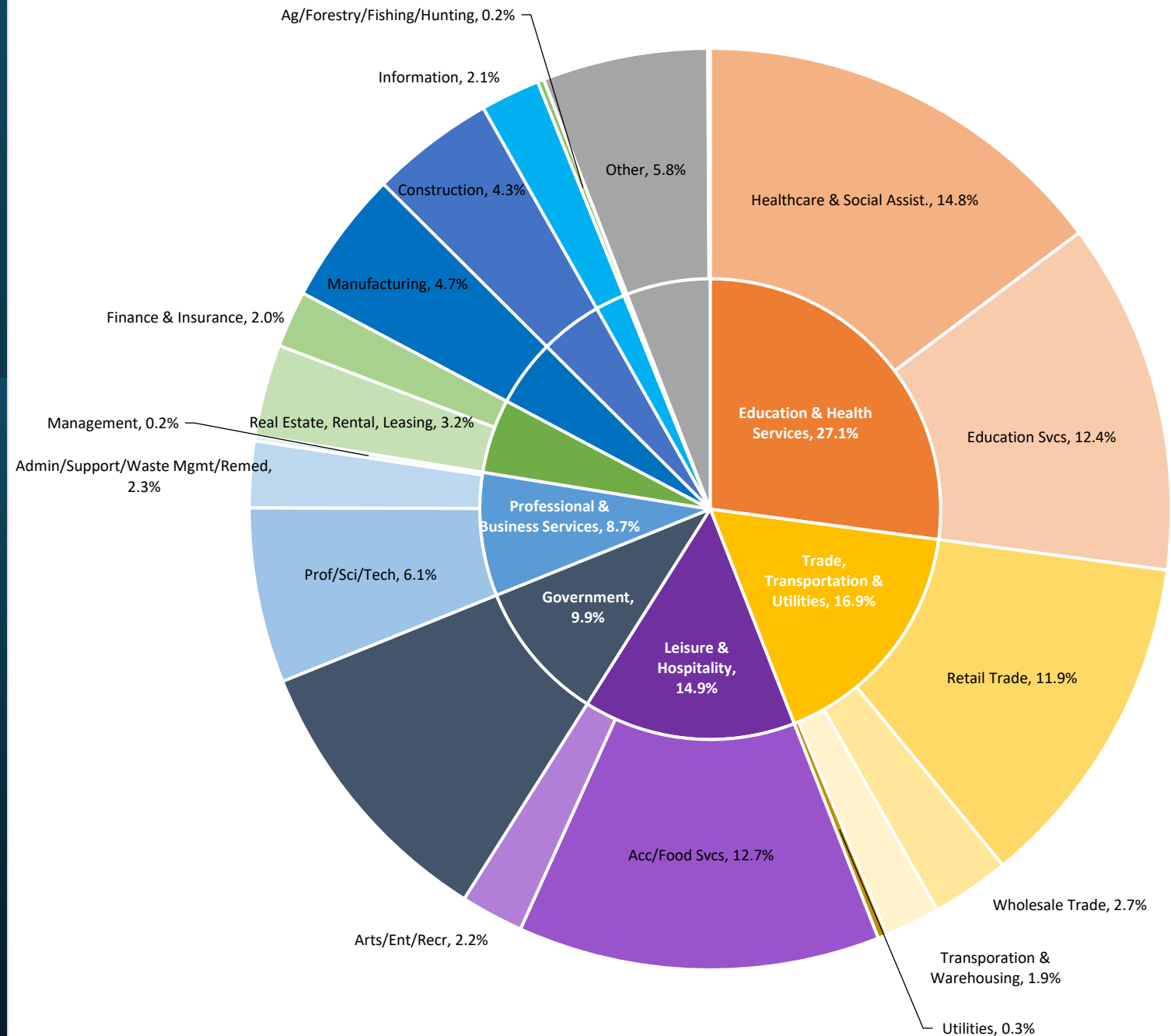




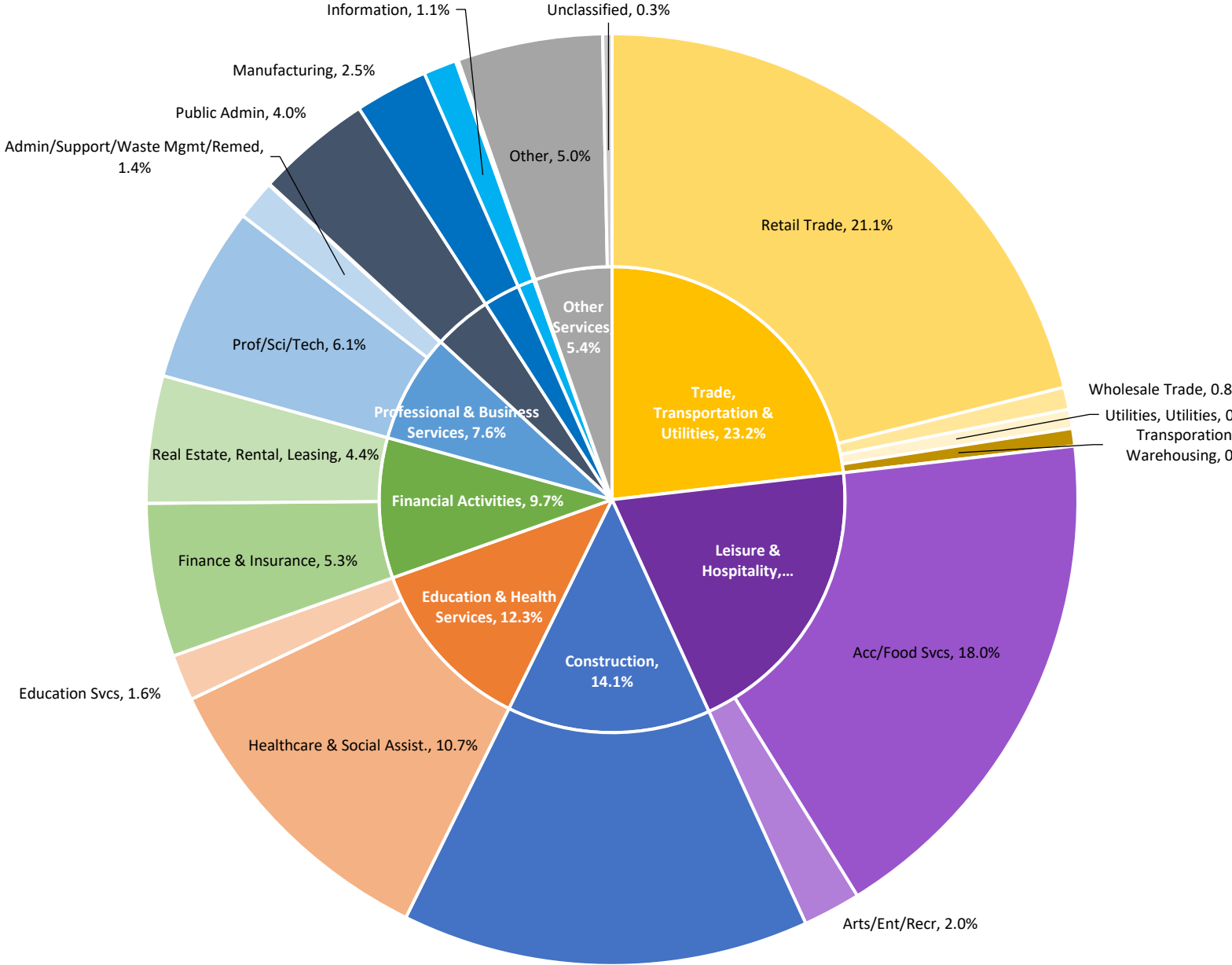
# Employment – City



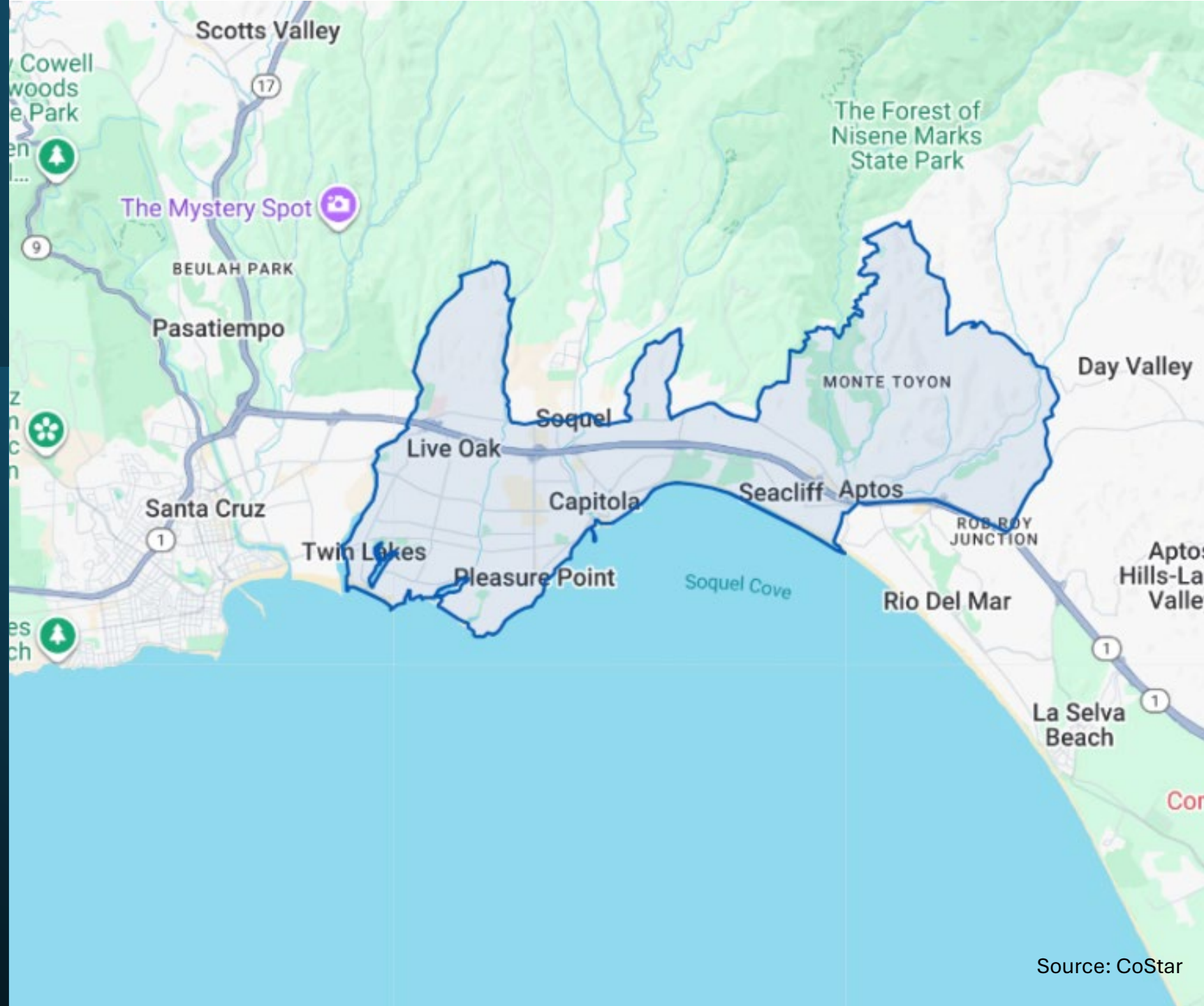
# Employment – 5-Mile Market Area



# Employment – County



# Study Area – CoStar Mid-County Retail Submarket



# Retail Market - Submarket

## Mid-County Submarket

<i>Product Type</i>	<b>Total Inventory (sf)</b>	<b>SF Vacant</b>	<b>Vacancy Rate</b>	<b>Net Absorption (sf)</b>	<b>SF Under Construction</b>	<b>Market Rent/mo</b>
<b>Malls</b>	679,068	143,962	21.2%	6,643	-	\$2.35
<b>Power Centers</b>	-	-	-	-	-	-
<b>Neighborhood Centers</b>	697,918	35,594	5.1%	9,757	-	\$2.52
<b>Strip Centers</b>	300,339	4,205	1.4%	(222)	-	\$2.56
<b>General Retail</b>	1,857,854	22,294	1.2%	(7,015)	-	\$2.74
<b>Other</b>	-	-	-	-	-	-
<b>Total</b>	<b>3,535,179</b>	<b>206,055</b>	<b>5.8%</b>	<b>9,163</b>	<b>-</b>	<b>\$2.61</b>





# Retail Market - County

## Santa Cruz County

<i>Product Type</i>	<b>Total Inventory (sf)</b>	<b>SF Vacant</b>	<b>Vacancy Rate</b>	<b>Net Absorption (sf)</b>	<b>SF Under Construction</b>	<b>Market Rent/mo</b>
<b>Malls</b>	679,068	143,962	21.2%	6,643	-	\$2.35
<b>Power Centers</b>	-	-	-	-	-	-
<b>Neighborhood Centers</b>	2,863,945	137,469	4.8%	45,604	4,770	\$2.31
<b>Strip Centers</b>	876,043	24,529	2.8%	(222)	-	\$2.32
<b>General Retail</b>	7,363,229	125,175	1.7%	1,021	-	\$2.22
<b>Other</b>	72,760	11,496	15.8%	-	-	\$2.38
<b>Total</b>	<b>11,855,045</b>	<b>442,632</b>	<b>3.7%</b>	<b>53,046</b>	<b>4,770</b>	<b>\$2.26</b>



# Retail Market Inventory

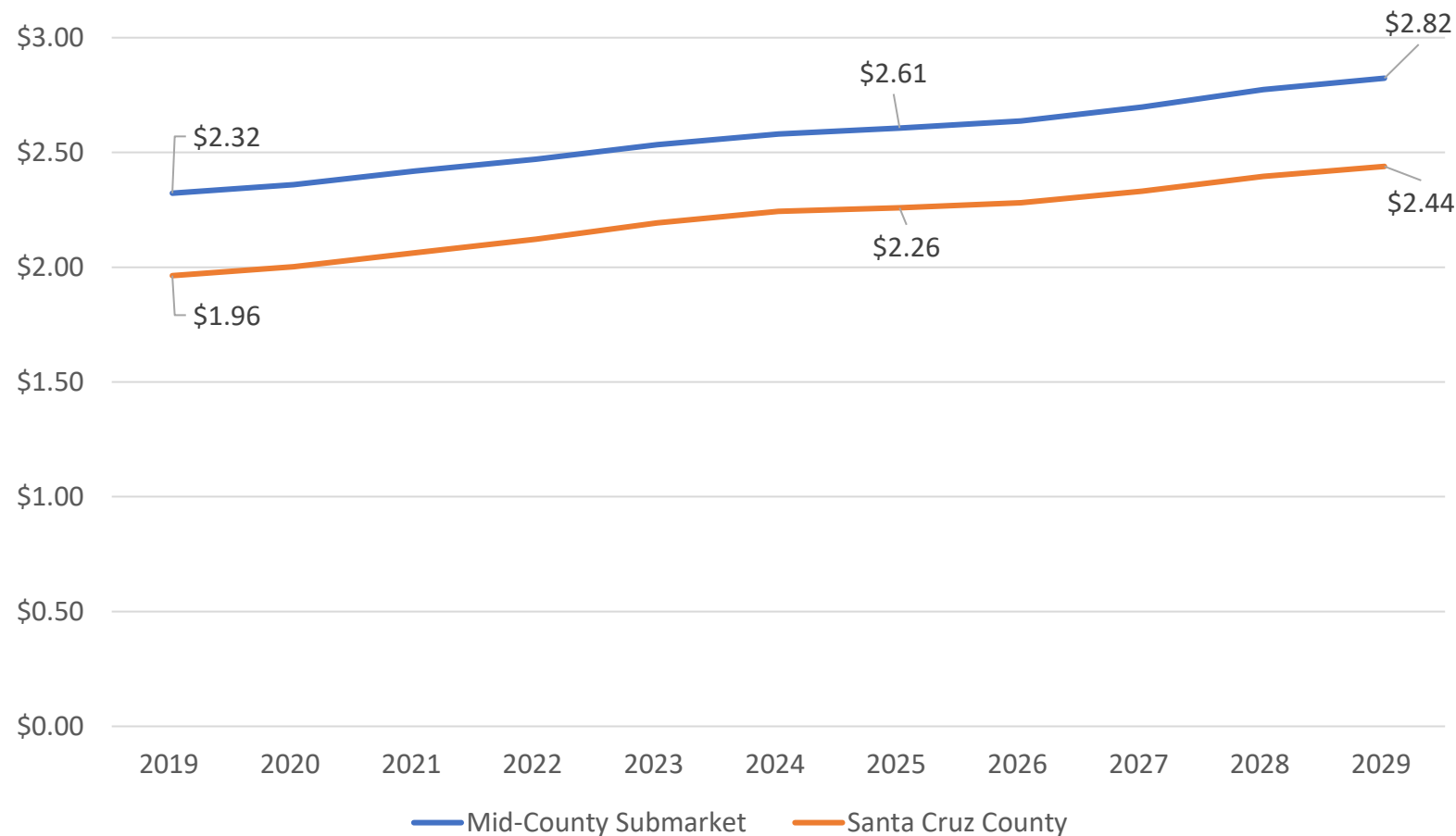
## Market Inventory (sf) 2025 YTD

	Capitola	Mid-County	Santa Cruz County
<b>Total Retail SF</b>	1,661,979	3,555,677	11,883,610
<b>Net SF Leased</b>	29,248	50,600	128,514
<b>Net SF Built</b>	-	14,060	29,532
<b>SF Under Construction</b>	-	-	-



# Rent Trends

## Market Asking Rent



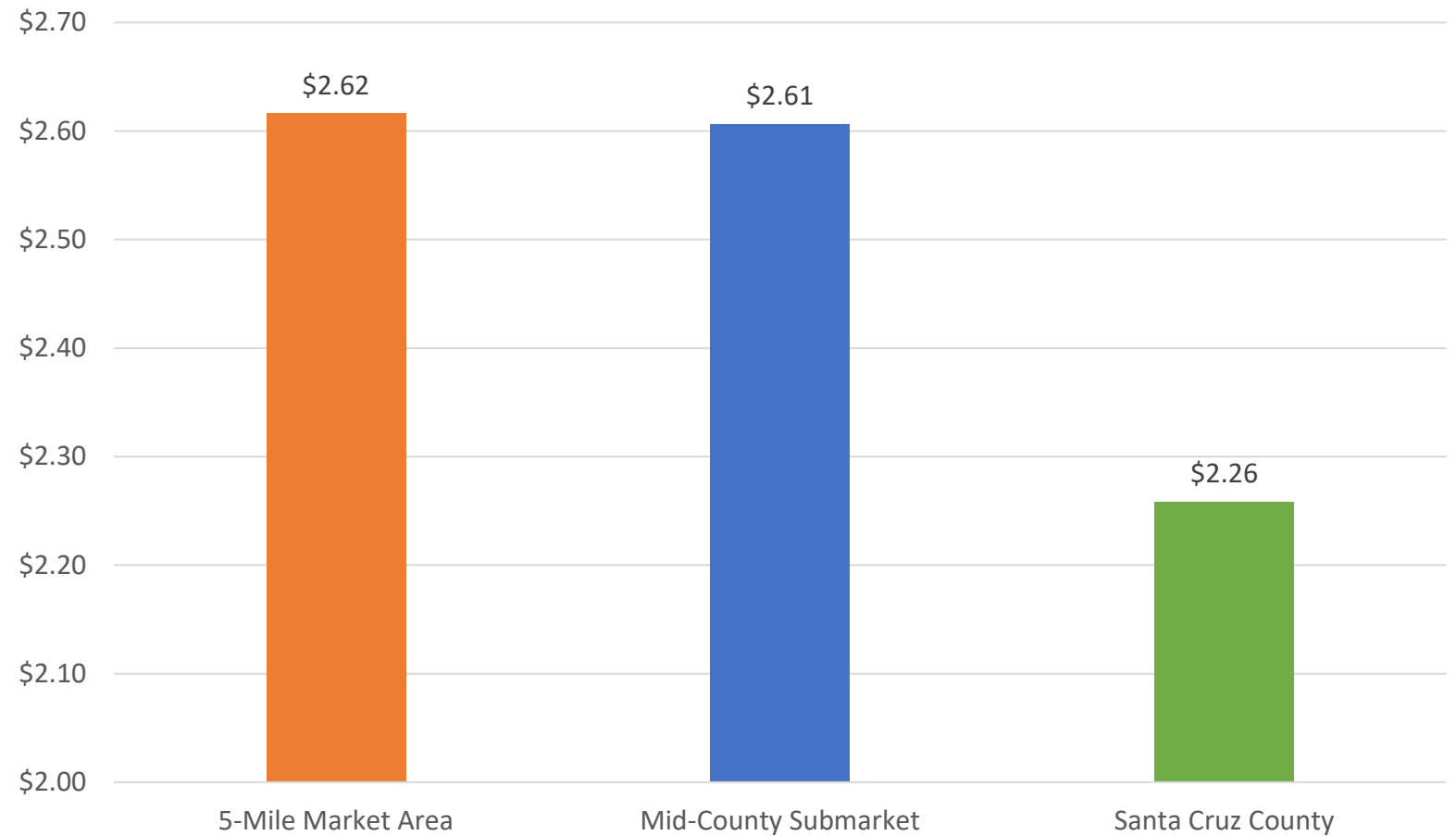
### Market Asking Rent /sf per Month

	2019	2025	2029
Mid-County Submarket	\$2.32	\$2.61	\$2.82
Santa Cruz County	\$1.96	\$2.26	\$2.44

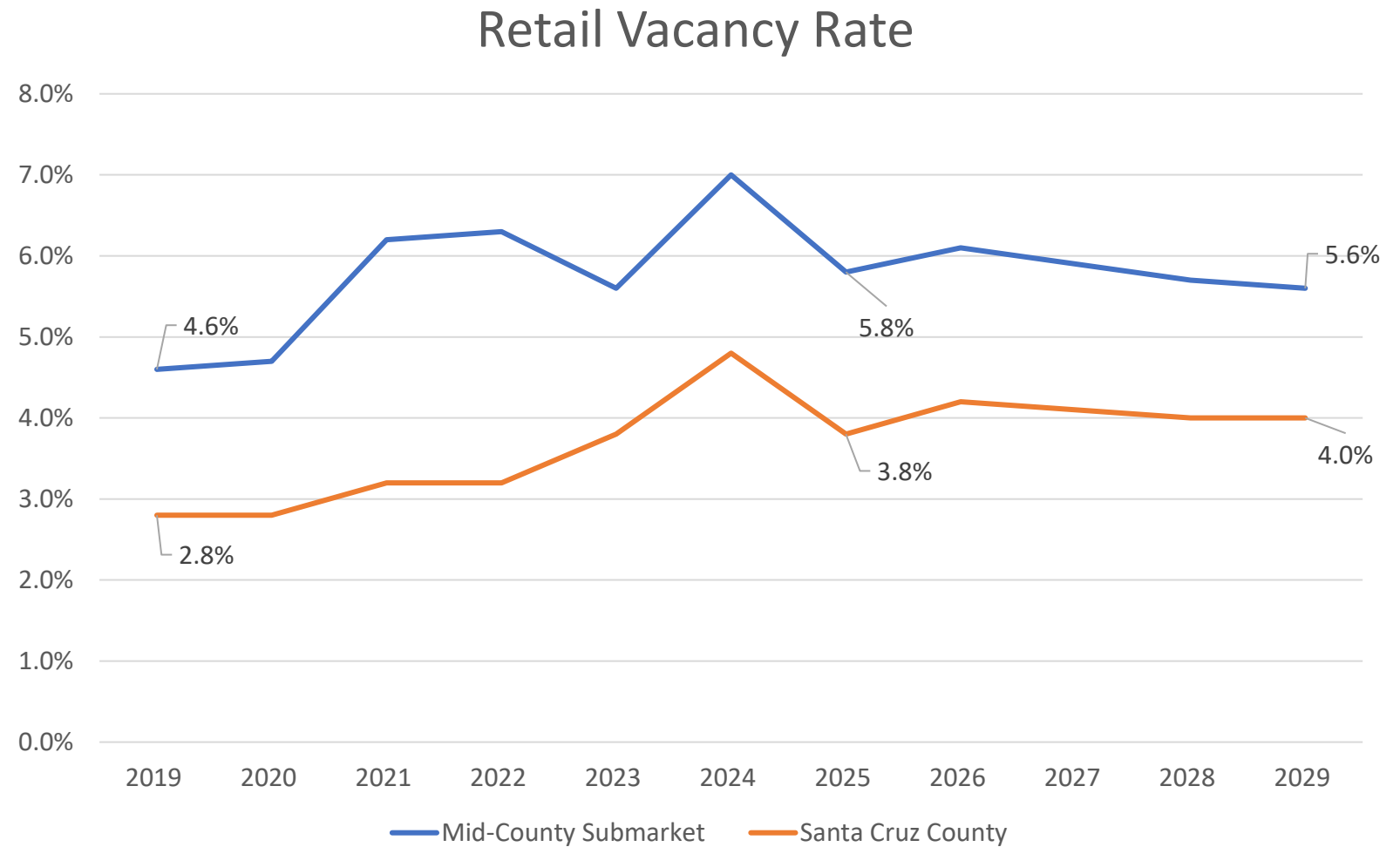


# Retail Rent Survey

## Retail Lease Rates



# Retail Vacancy Trends



Retail Vacancy Rate			
	2019	2025	2029
Mid-County Submarket	4.6%	5.8%	5.6%
Santa Cruz County	2.8%	3.8%	4.0%



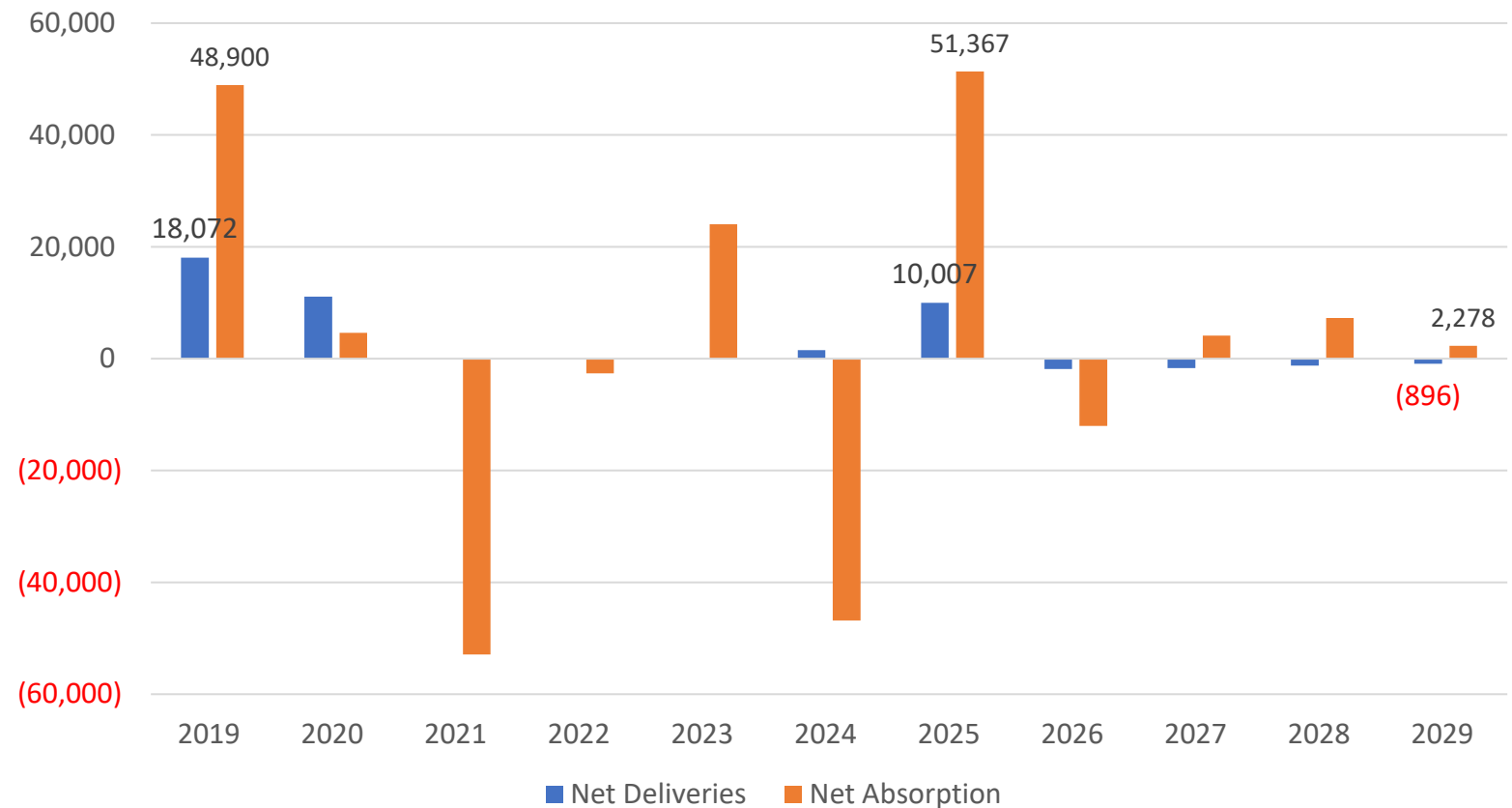


# Retail Delivery & Absorption:

## Mid-County Submarket



### Net SF Delivered & Absorbed



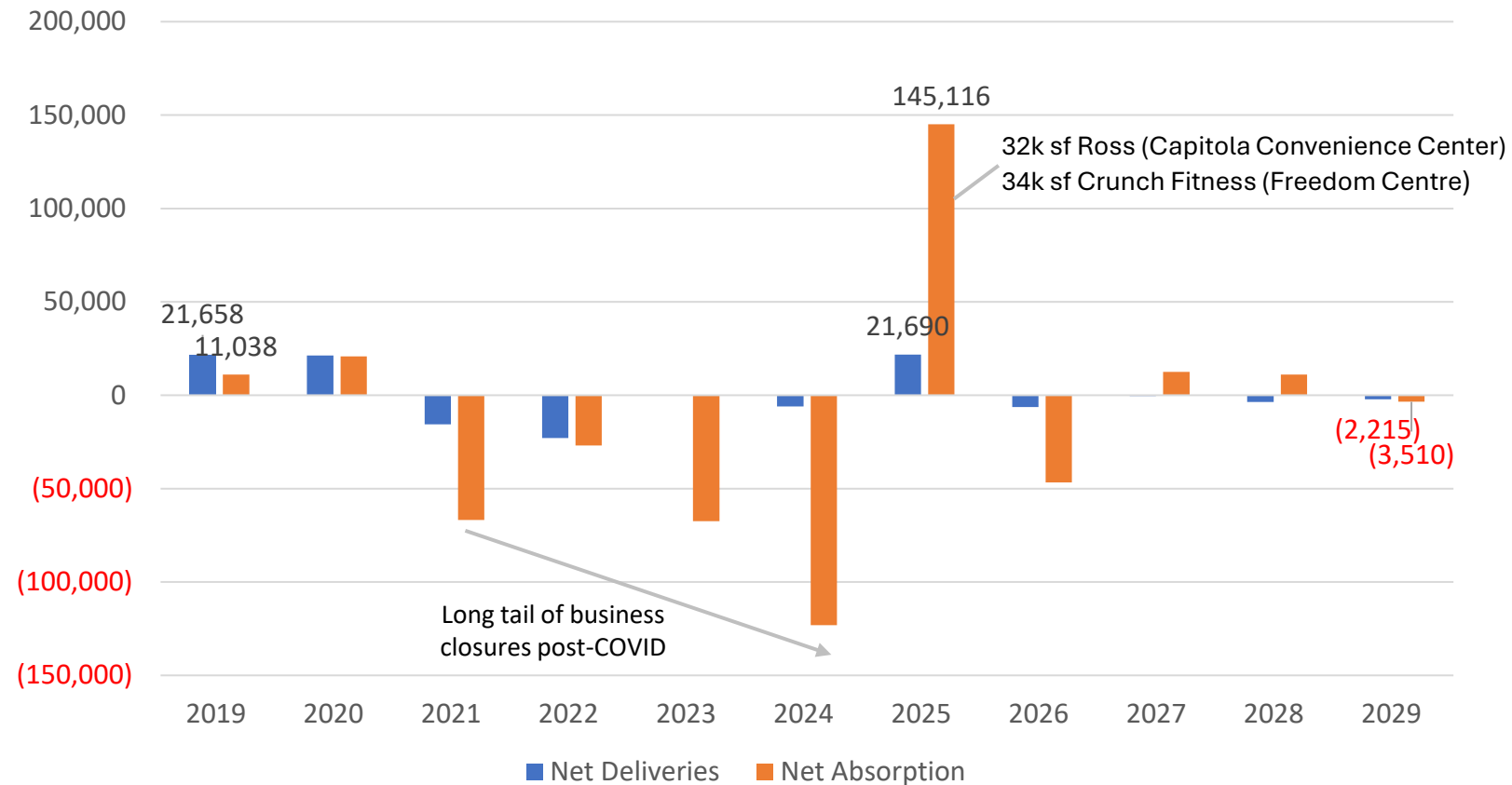
### Net Retail Delivery & Absorption

	Net Deliveries (SF Built)	Net Absorption (SF Leased)
2019	18,072	48,900
2025	10,007	51,367
2029	(896)	2,278

# Retail Delivery & Absorption:

## Santa Cruz County

### Net SF Delivered & Absorbed

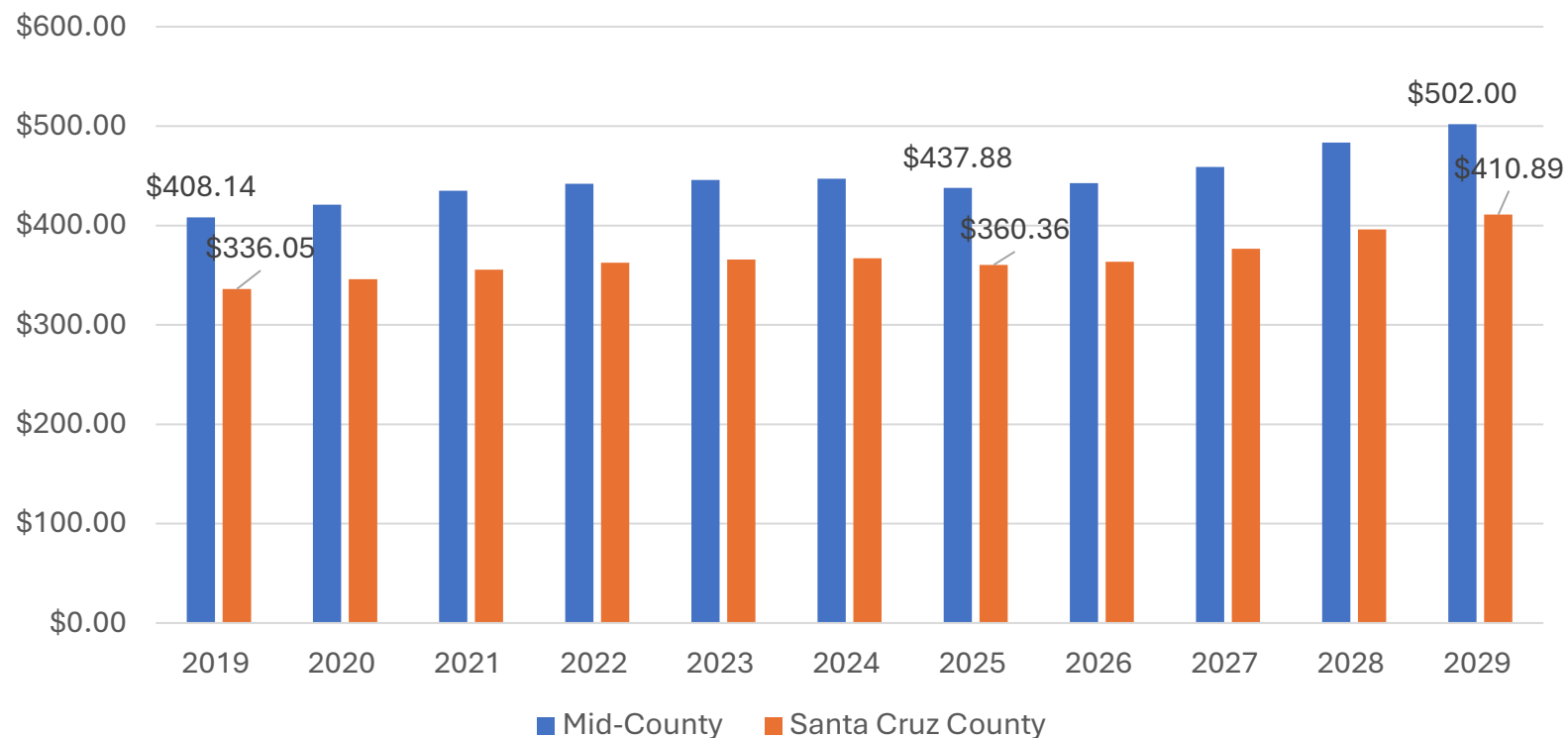


### Net Retail Delivery & Absorption

	Net Deliveries (SF Built)	Net Absorption (SF Leased)
2019	21,658	11,038
2025	21,690	145,116
2029	(2,215)	(3,510)

# Retail Property Sales

## Retail Property Sales Price /sf



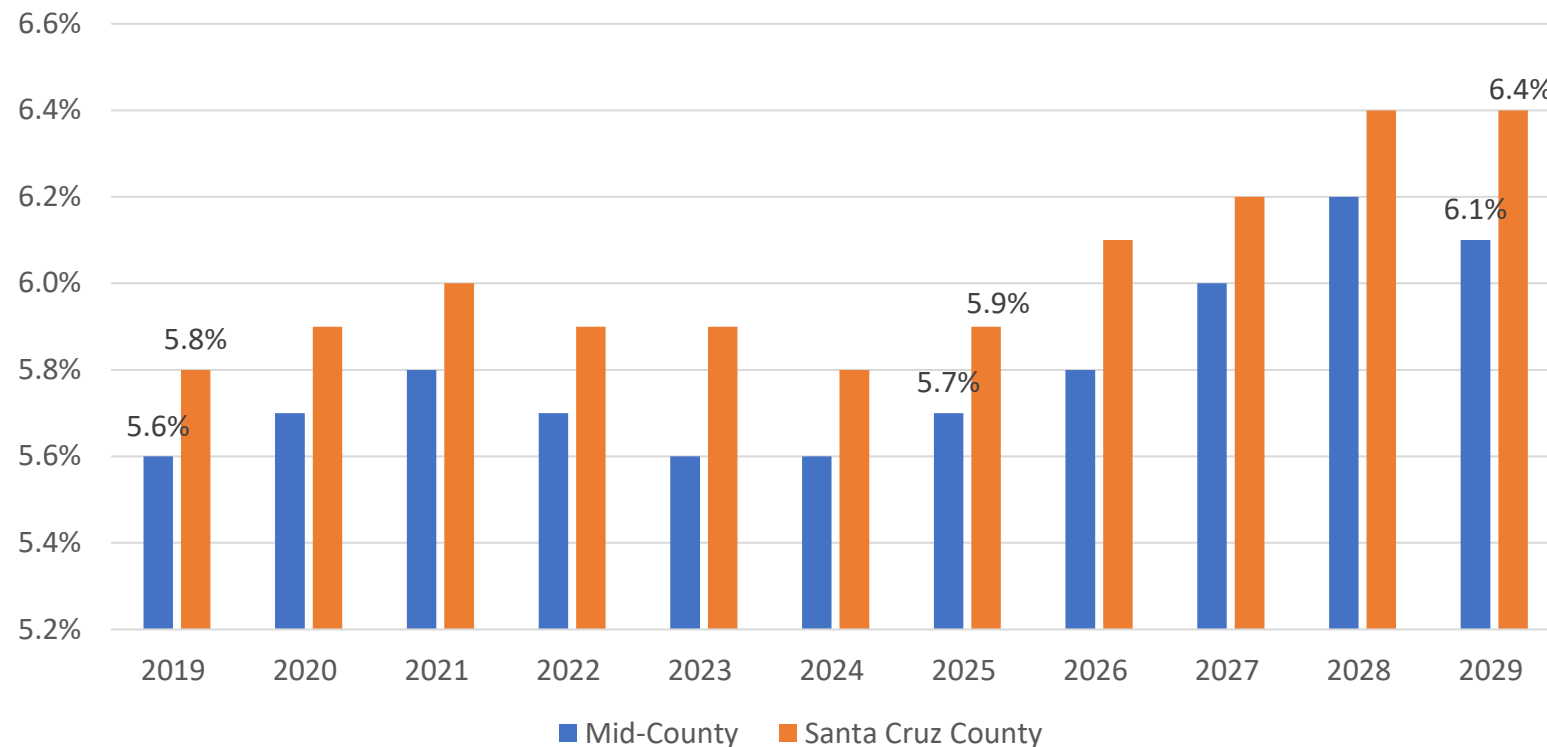
### Market Pricing Trends – Retail Property Sales Price (/sf)

	Mid-County Submarket	Santa Cruz County
<b>2019</b>	\$408.14	\$336.05
<b>2025</b>	\$437.88	\$360.36
<b>2029</b>	\$502.00	\$410.89



# Retail Property Sales

## Capitalization Rate



### Market Pricing Trends Capitalization Rate

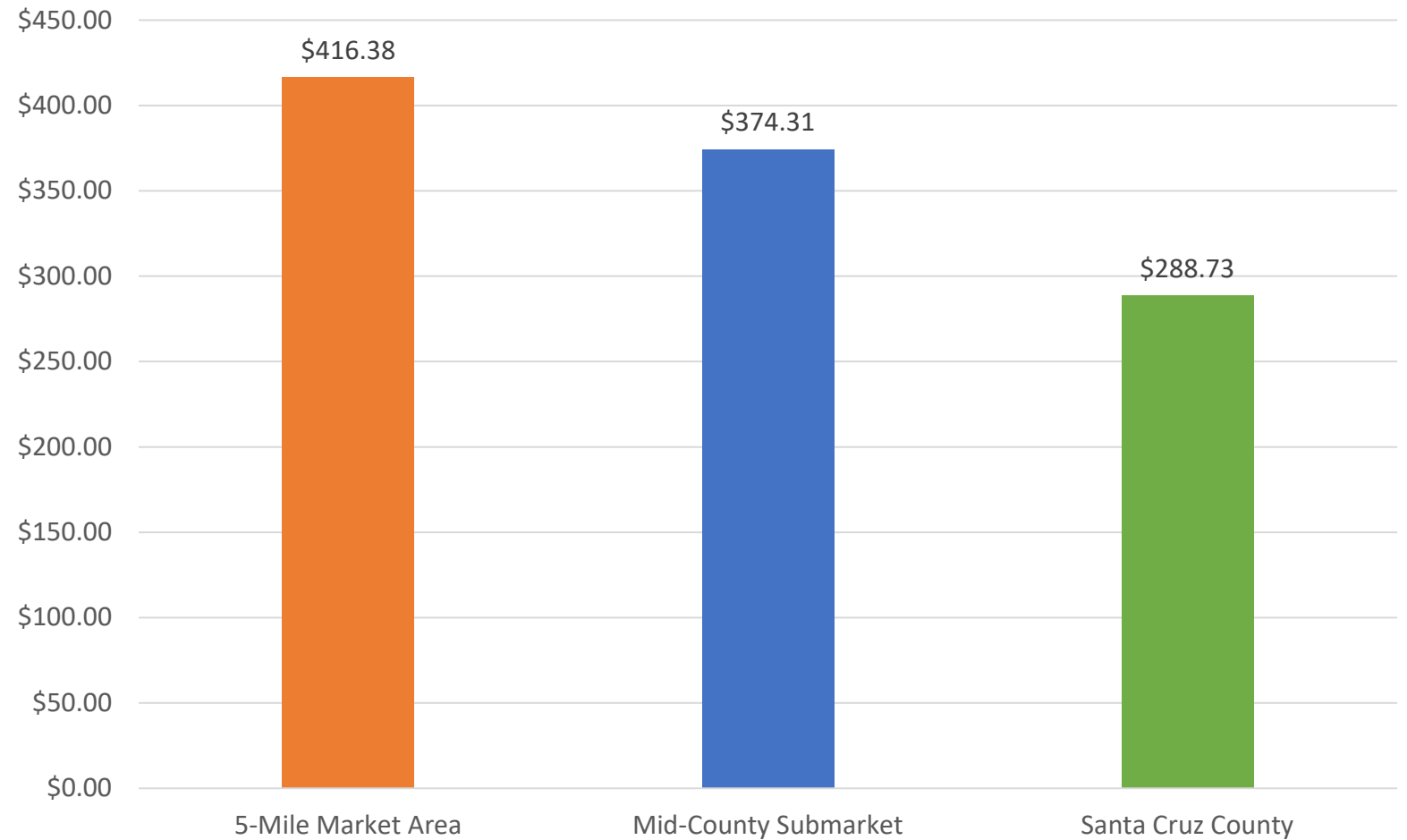
	Mid-County Submarket	Santa Cruz County
<b>2019</b>	5.6%	5.8%
<b>2025</b>	5.7%	5.9%
<b>2029</b>	6.1%	6.4%

Capitalization Rate is the anticipated annual return on investment on an investment property.



# Retail Property Sales Survey

Average Retail Property Sales Price /sf



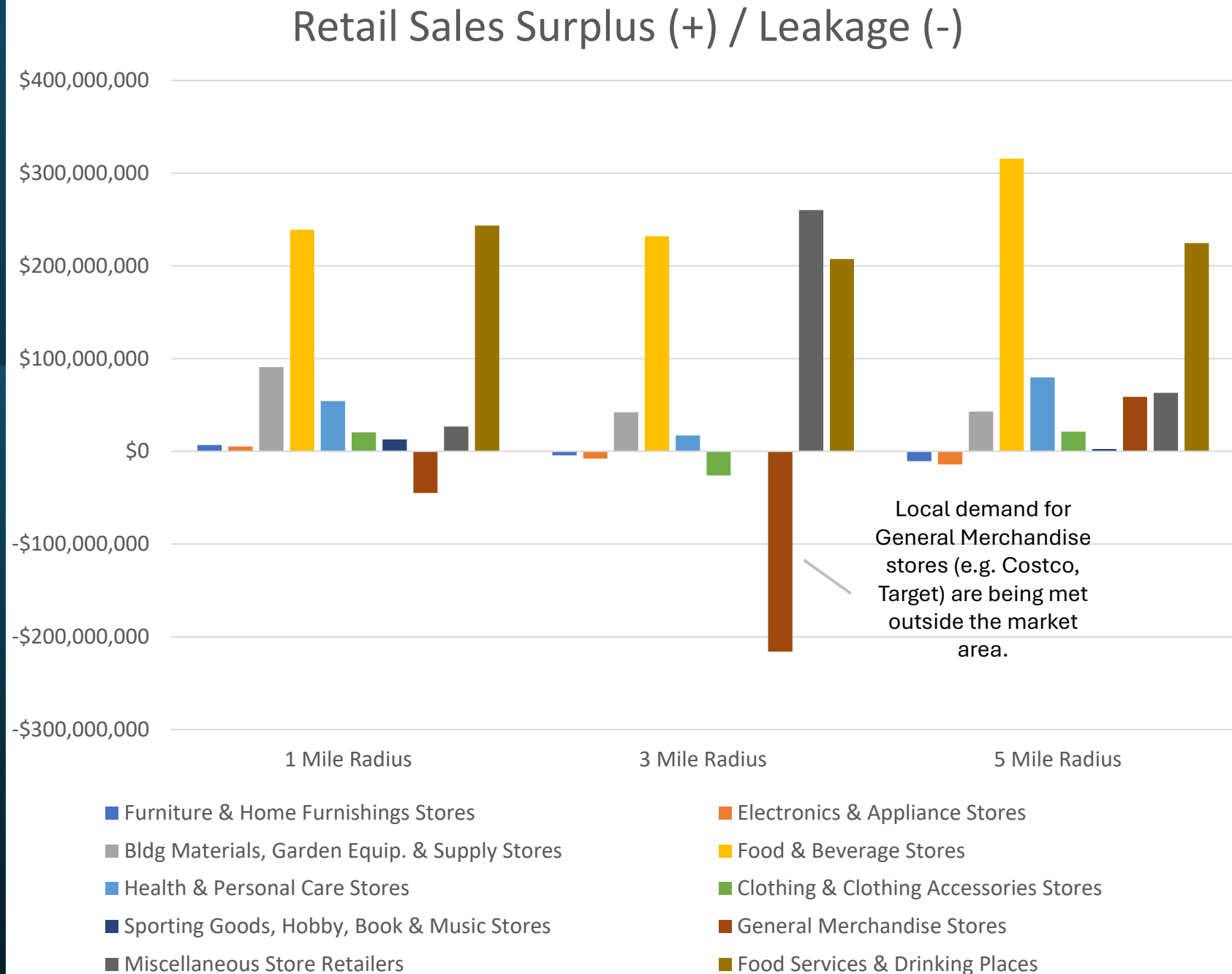


# Retail Surplus/ Leakage

- **Retail Surplus:** Retail sales in an area greater than the anticipated spending by area residents. **Customers are traveling into the area to purchase this good/service.**
- **Retail Leakage:** Retail sales in an area below than the anticipated spending by area residents. **Customers demand is not being met by existing establishments. Demand exists in the area for businesses providing this good/service.**

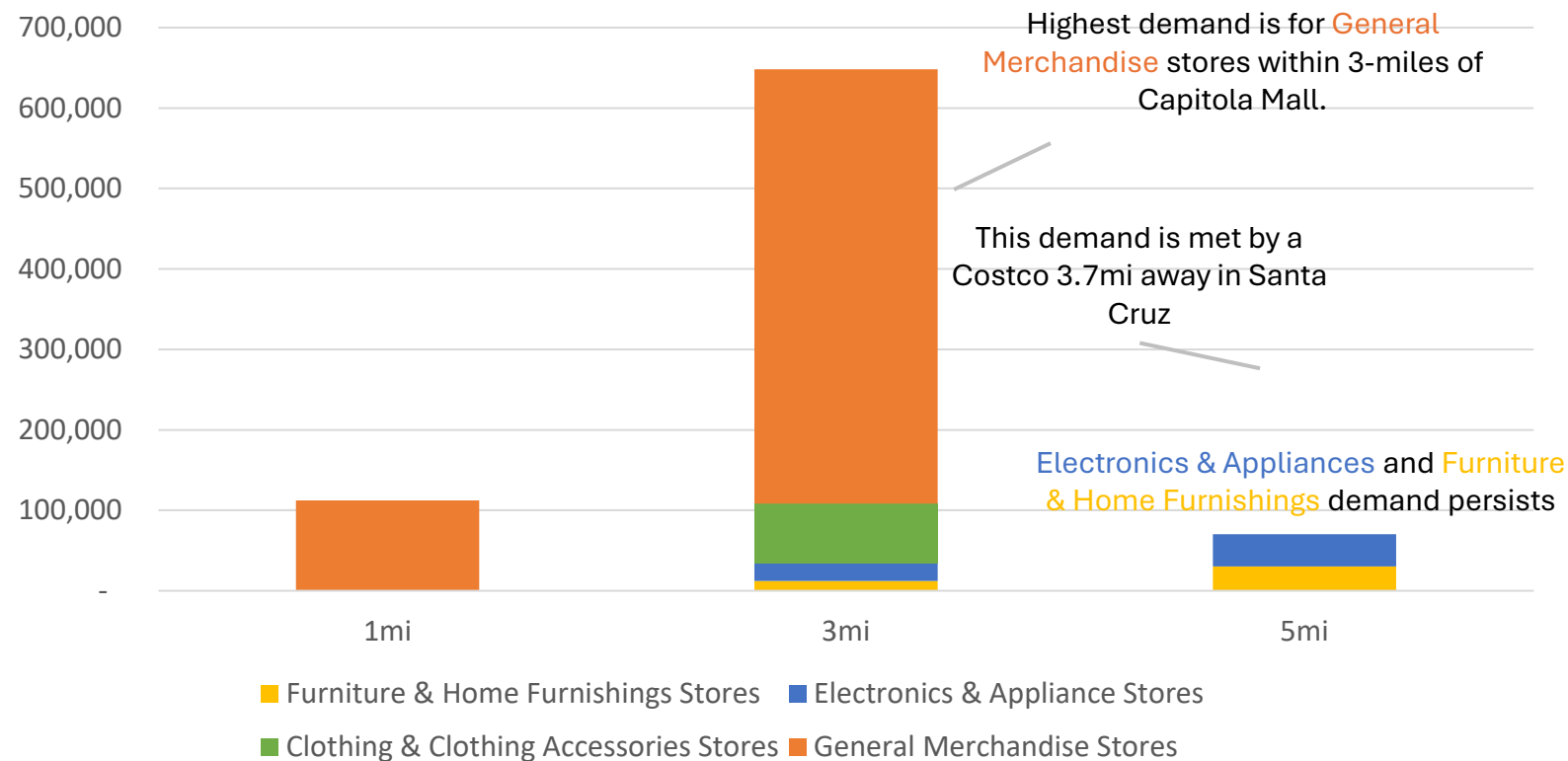


# Retail Surplus/ Leakage



# Retail Leakage – Space Demand

## Retail Space Demand (sf)



## Retail Space Demand (sf)

	1mi Radius	3mi Radius	5mi Radius
<b>Furniture &amp; Home Furnishing</b>	-	12,264	30,229
<b>Electronics &amp; Appliances</b>	-	22,179	39,995
<b>Clothing &amp; Accessories</b>	-	73,862	-
<b>General Merchandise</b>	112,468	539,762	-

Source: Claritas



# Broker Perspectives – Market Overview

- KMA reached out to over 20 brokers active in the local market area to gain insights into current and future commercial opportunities at the Mall.
- Retail demand is modest Countywide– vacancies are low, but so are rents
- Santa Cruz County is perceived to be a seasonal market, with greater summer sales.
- The Mall is well-situated for redevelopment. 41<sup>st</sup> Ave is a regional retail destination that draws visitors from across the County.
- Local brokers are skeptical of retail demand at the site.
- Brokers recommended mixed-use development with high residential density and some food service tailored to the site plan



# Broker Perspectives – Retail Product

- Market demand greatest for small space
- Unfortunately, small space is financially more challenging to develop
- Limited interest from national and regional tenants for large space.





# Broker Perspectives – Tenant Types

- Food service is a highly desirable retail use for the site.
- Development types demonstrating potential include:
  - Small cafes with outdoor seating
  - Indoor/outdoor food hall with live entertainment programming,
  - Quick-serve restaurant.



# Broker Perspectives - Challenges

- Mall area and County as a whole have low daytime populations, which can prove challenging.
- Smaller local tenants may not have strong credit.
- Limited national/credit/larger scale retail demand.



# Broker Perspectives – Development Patterns

- Hotel – Existing demand. Development would support retail. Likely mid/select service property type.
- Residential – The large number of proposed residential units will support retail at the site and across the region.
- Mixed-Use - Highest and best use for the site, with many brokers citing Santana Row as an example the site could replicate.



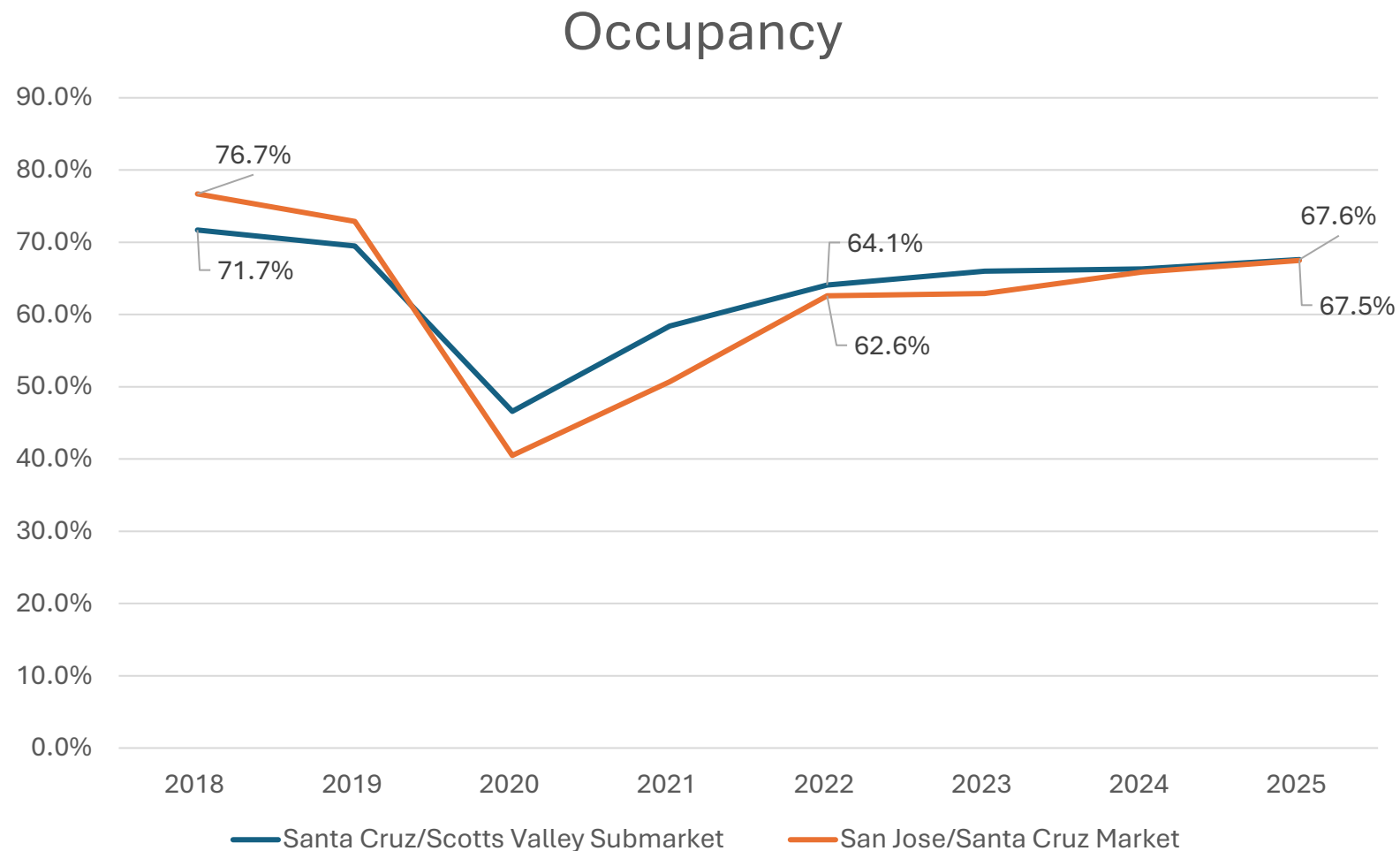
# Study Area – CoStar Santa Cruz / Scotts Valley Hospitality Submarket



# Study Area – CoStar San Jose / Santa Cruz Hospitality Market



# Hotel Performance – Occupancy

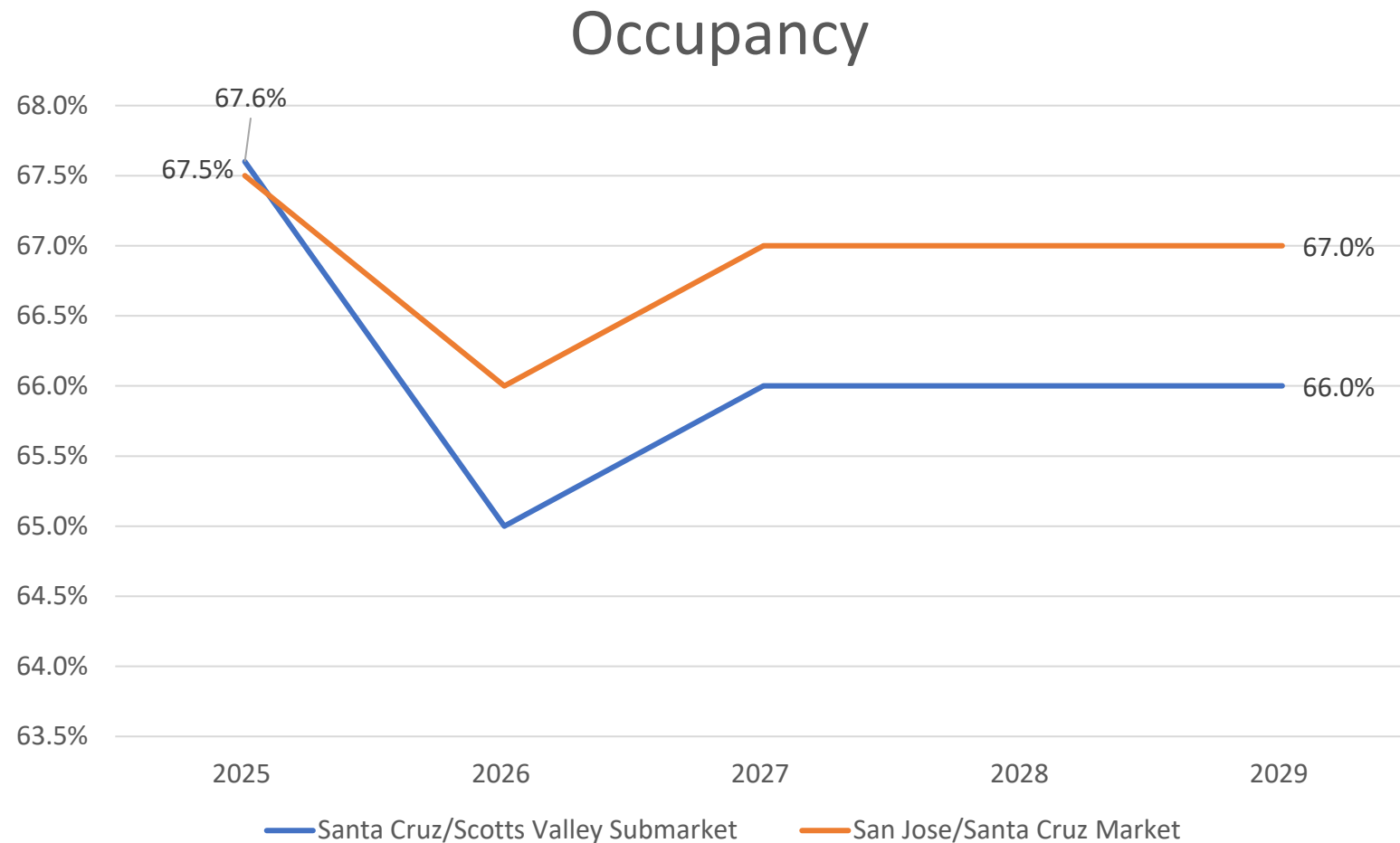


Occupancy			
	2018	2022	2025
Santa Cruz/Scotts Valley Submarket	71.7%	64.1%	67.6%
San Jose/Santa Cruz Market	76.7%	62.6%	67.5%





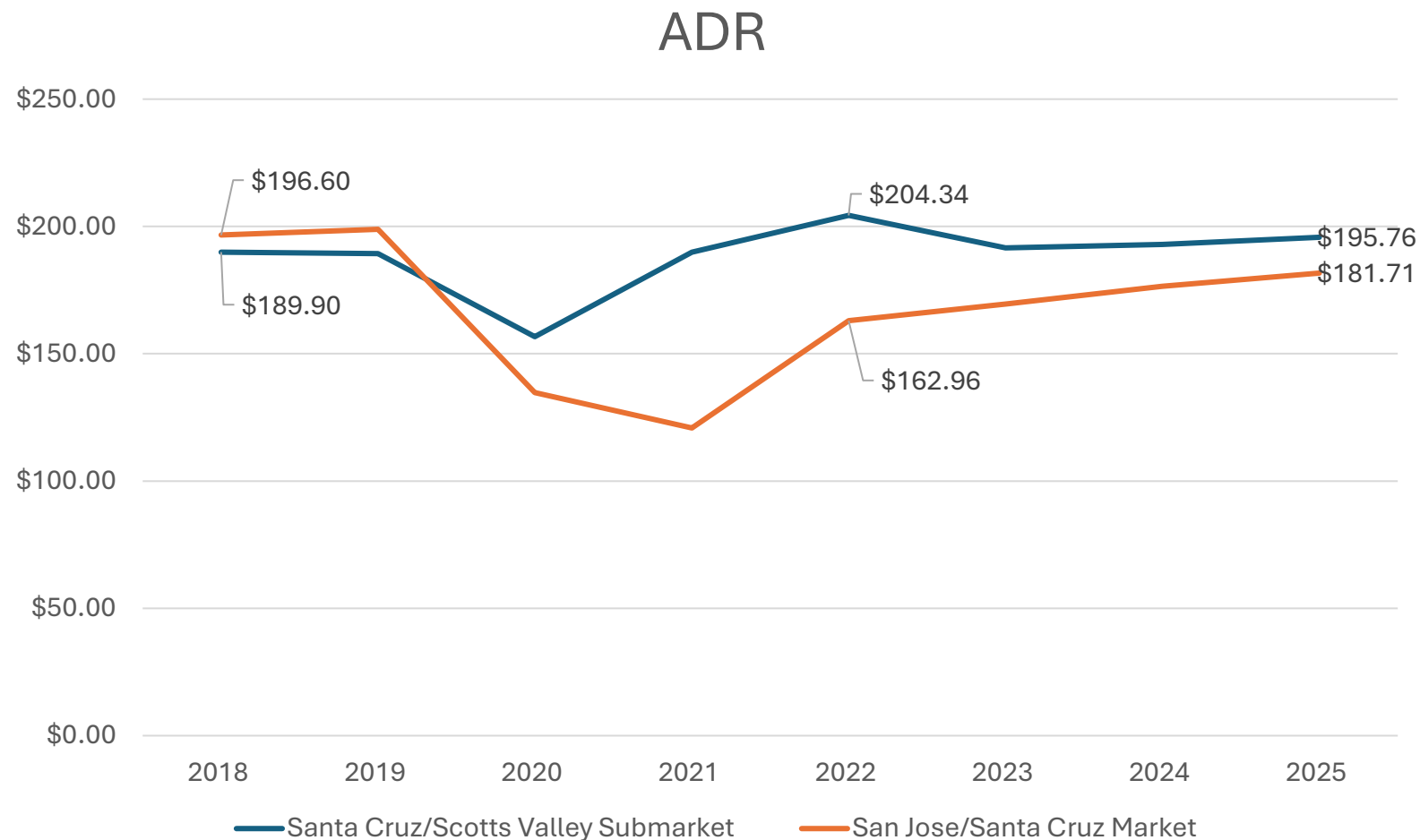
# Hotel Performance – Occupancy Projection



Occupancy		
	2025	2029
Santa Cruz/Scotts Valley Submarket	67.6%	67.0%
San Jose/Santa Cruz Market	67.5%	66.0%



# Hotel Performance – ADR



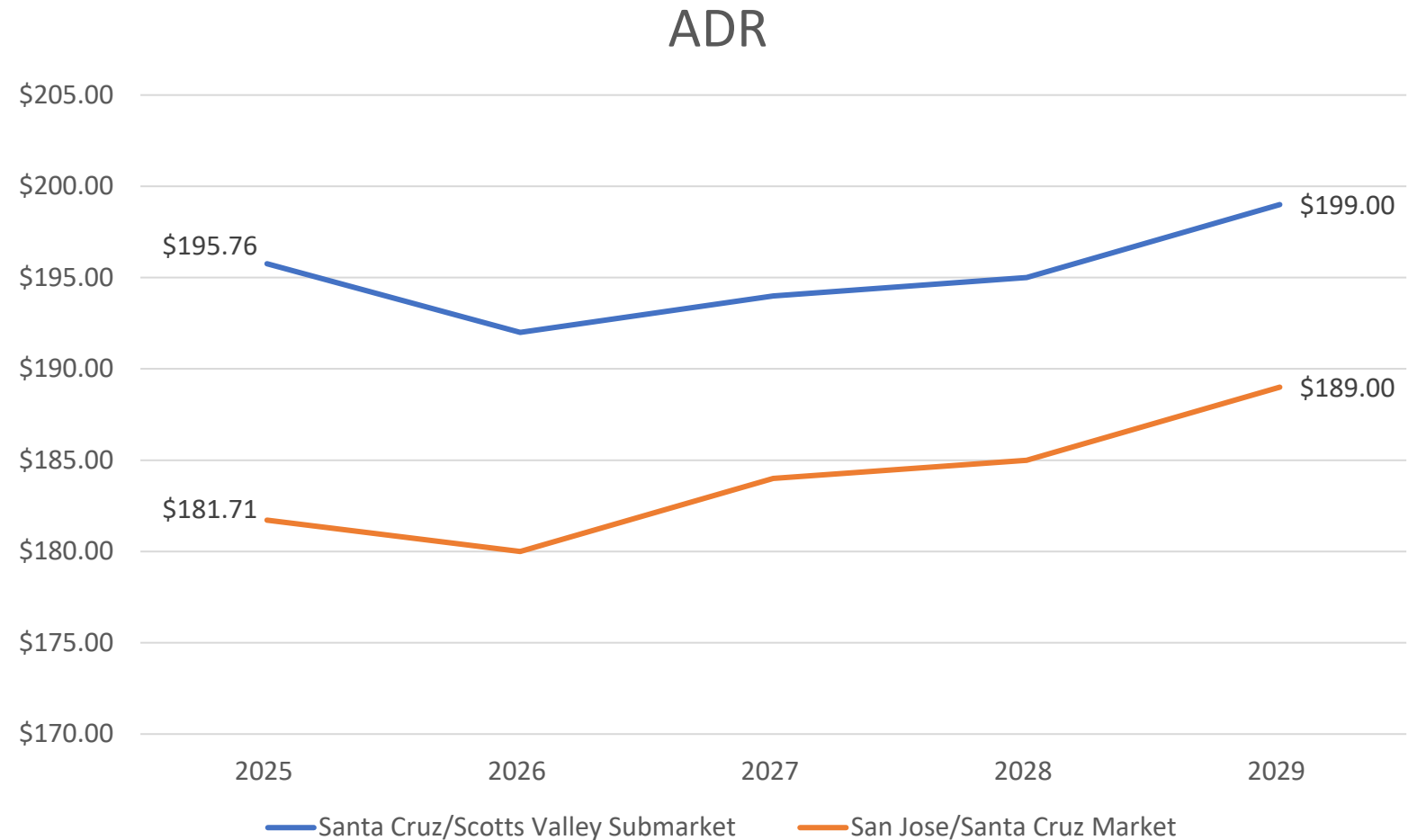
## Average Daily Rate (ADR)

	2018	2022	2025
<b>Santa Cruz/Scotts Valley Submarket</b>	\$189.90	\$204.34	\$195.76
<b>San Jose/Santa Cruz Market</b>	\$196.60	\$162.96	\$181.71

Average Daily Rate (ADR) is the average price guests pay per night for a hotel room.



# Hotel Performance – ADR Projection

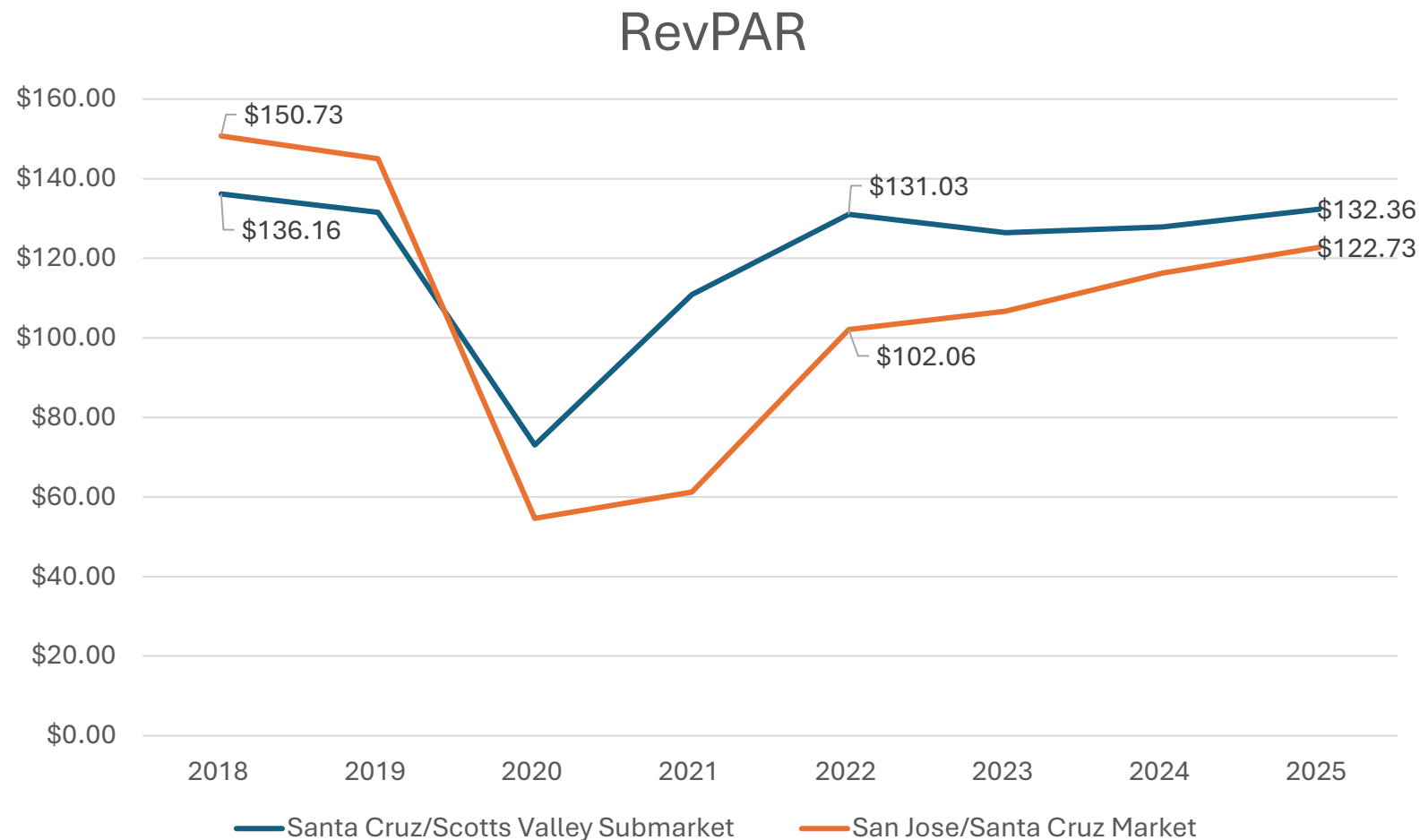


## Average Daily Rate (ADR)

	2025	2029
Santa Cruz/Scotts Valley Submarket	\$195.76	\$199.00
San Jose/Santa Cruz Market	\$181.71	\$189.00



# Hotel Performance – RevPAR



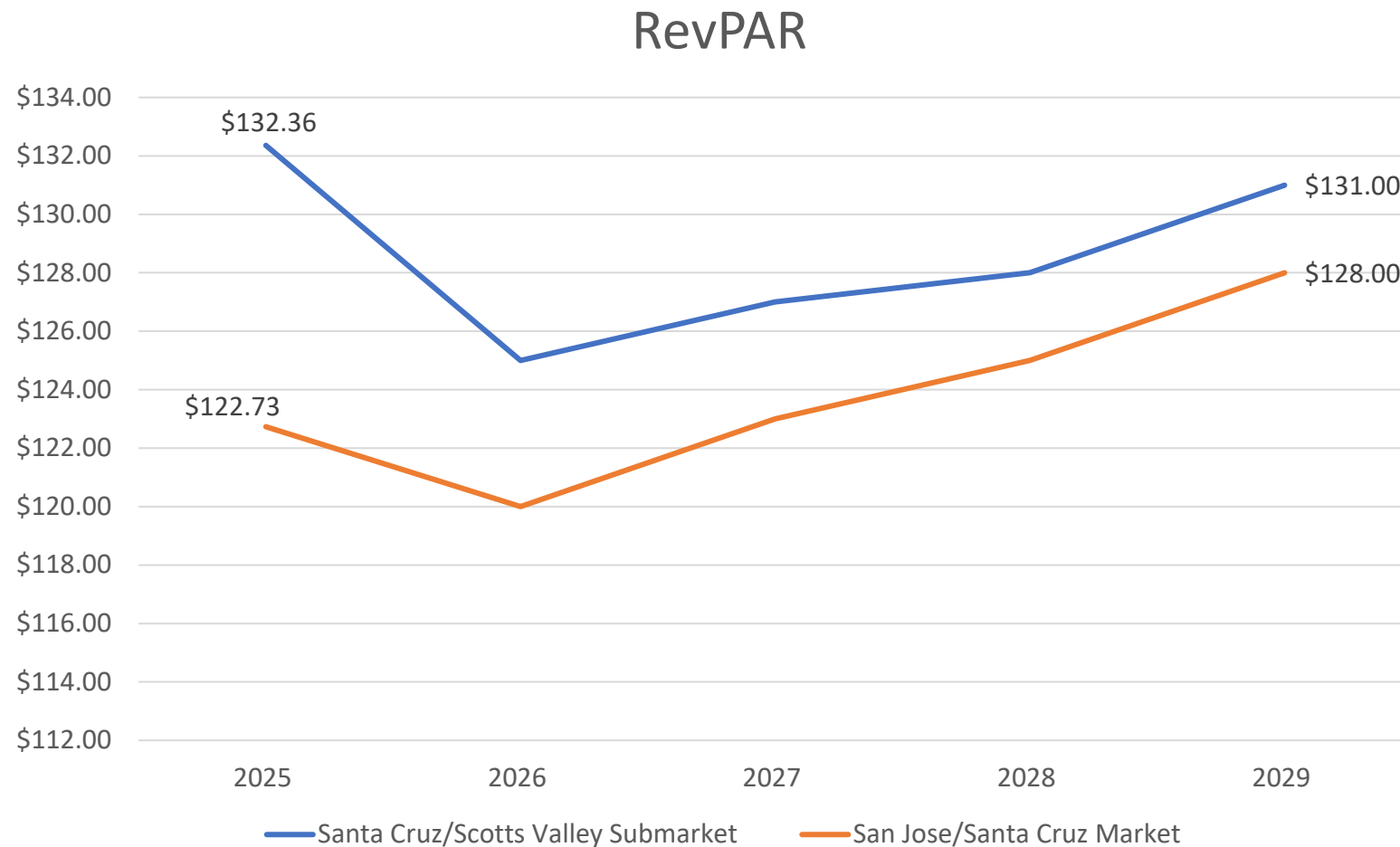
## Revenue Per Available Room (RevPAR)

	2018	2022	2025
<b>Santa Cruz/Scotts Valley Submarket</b>	\$136.16	\$131.03	\$132.36
<b>San Jose/Santa Cruz Market</b>	\$150.73	\$102.06	\$122.73

Revenue Per Available Room (RevPAR) is calculated as follows: Average Daily Rate \* Occupancy



# Hotel Performance – RevPAR Projection



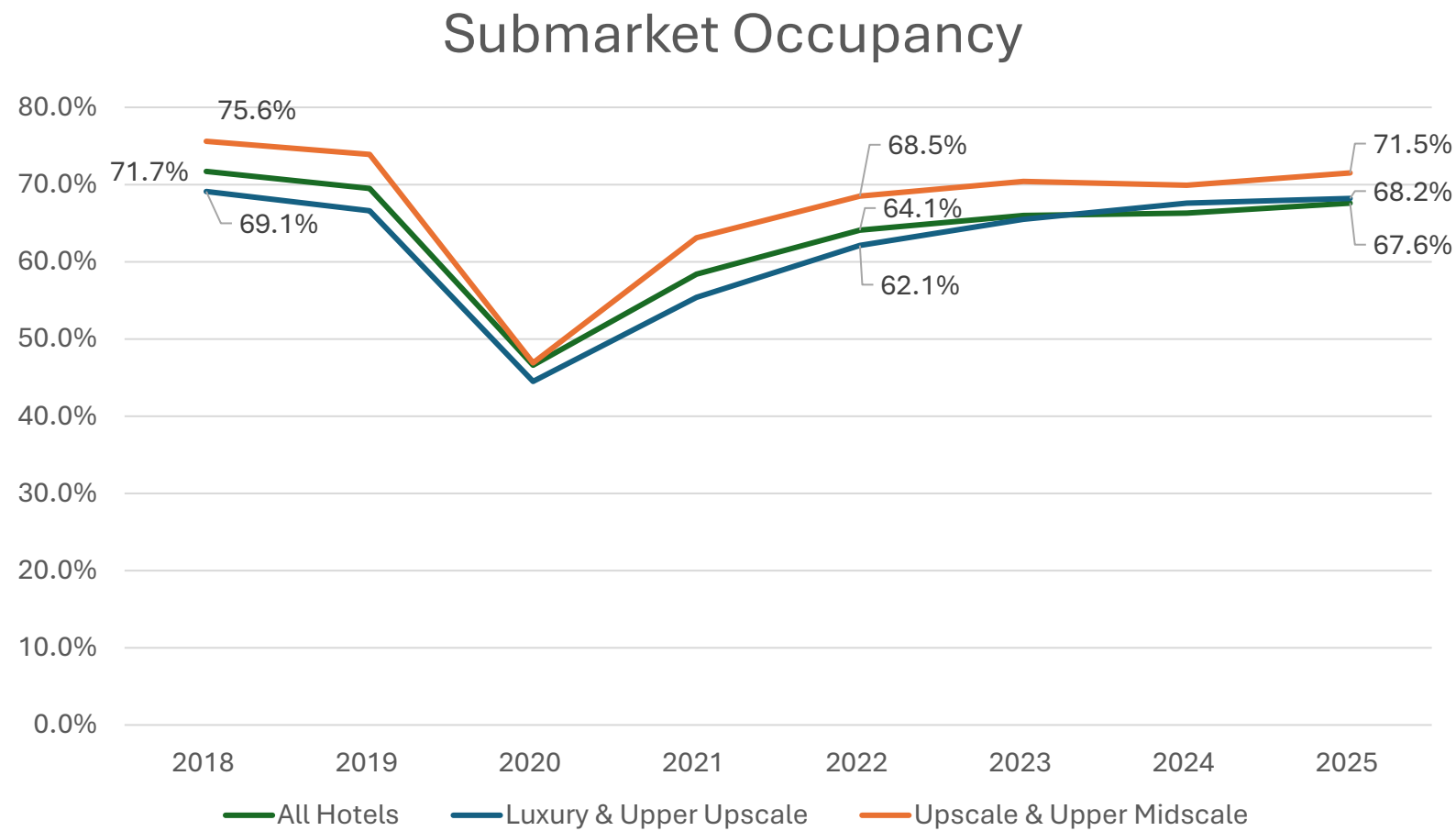
## Revenue Per Available Room (RevPAR)

	2025	2029
Santa Cruz/Scotts Valley Submarket	\$132.36	\$131.00
San Jose/Santa Cruz Market	\$122.73	\$128.00





# Hotel Performance – Submarket Occupancy



Santa Cruz / Scotts Valley Submarket Occupancy			
	2018	2022	2025
All Hotels	71.7%	64.1%	67.6%
Luxury & Upper Upscale Hotels	69.1%	62.1%	68.2%
Upscale & Upper Midscale Hotels	75.6%	68.5%	71.5%

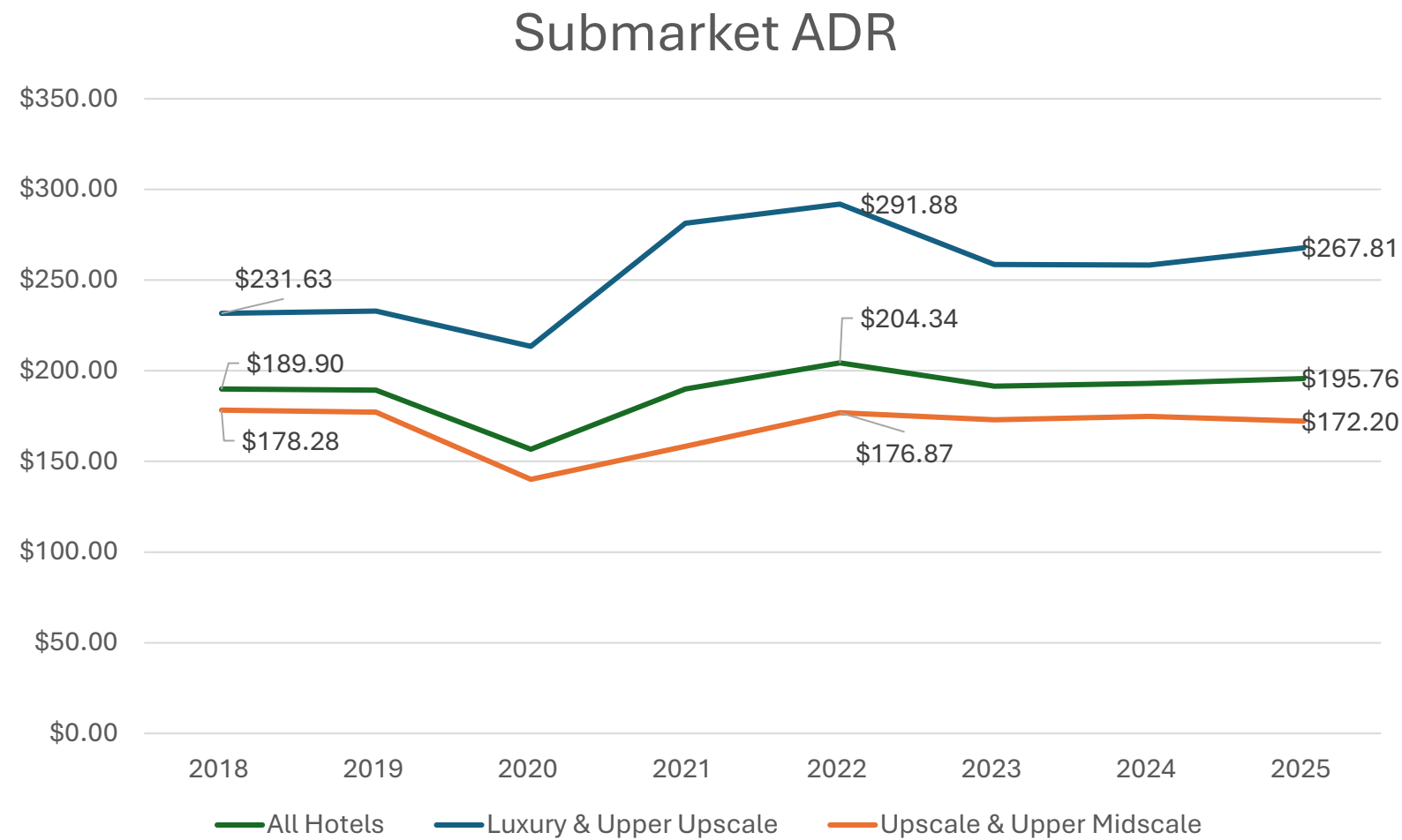
Luxury Hotels: Four Seasons, Ritz Carlton, St. Regis, Chaminade, La Bahia  
 Upscale: Marriott, Sheraton, Hilton

Upper Midscale: Courtyard by Marriott, Fairfield Inn & Suites, Hotel Paradox





# Hotel Performance – Submarket ADR

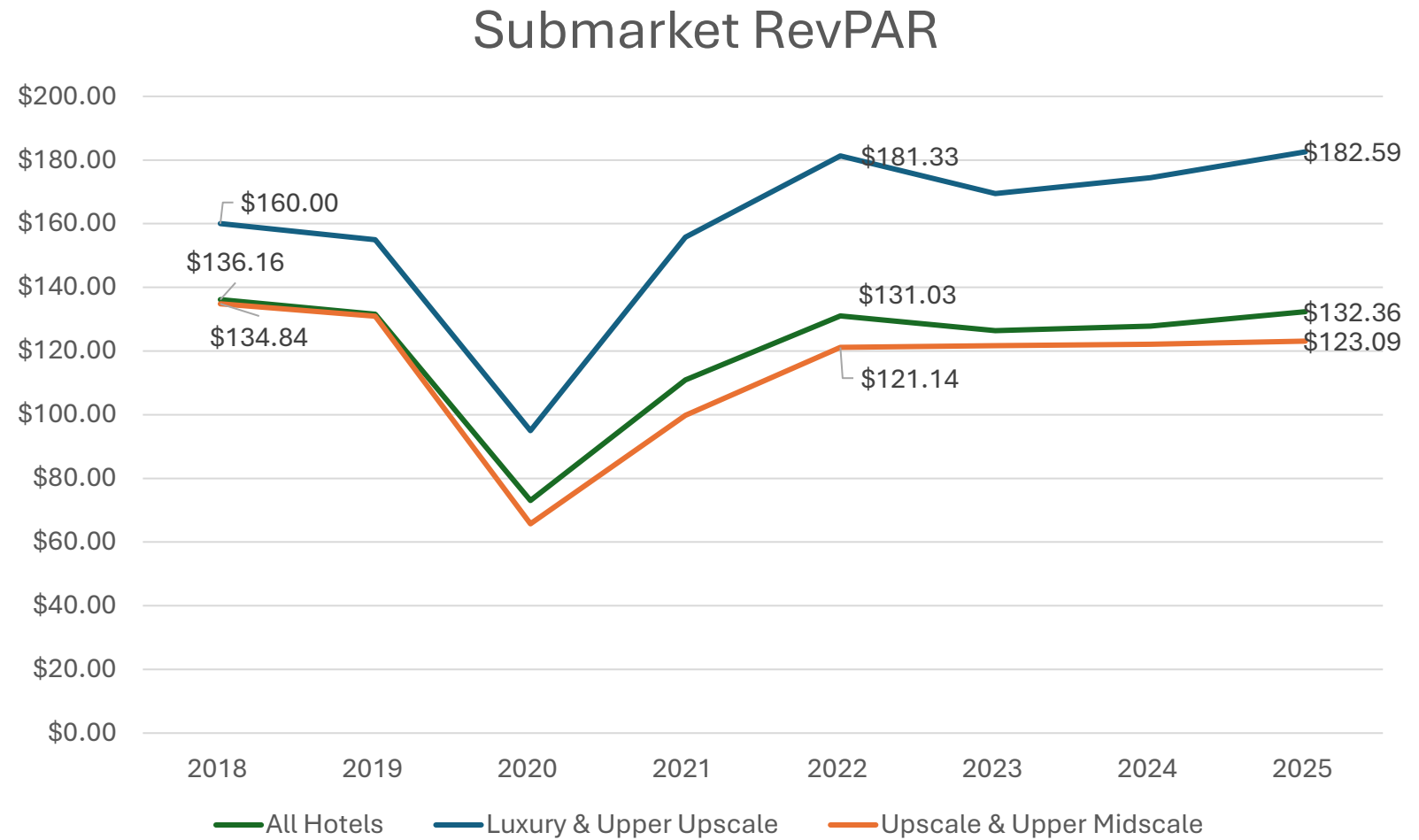


Santa Cruz / Scotts Valley Submarket ADR			
	2018	2022	2025
All Hotels	\$189.90	\$204.34	\$195.76
Luxury & Upper Upscale Hotels	\$231.63	\$291.88	\$267.81
Upscale & Upper Midscale Hotels	\$178.28	\$176.87	\$172.20





# Hotel Performance – Submarket RevPAR



## Santa Cruz / Scotts Valley Submarket RevPAR

	2018	2022	2025
All Hotels	\$136.16	\$131.03	\$132.36
Luxury & Upper Upscale Hotels	\$160.00	\$181.33	\$182.59
Upscale & Upper Midscale Hotels	\$134.84	\$121.14	\$123.09



# Event Space Trends

## Santa Cruz / Scotts Valley Submarket

	Rooms	Meeting Space (sf)	Meeting Space (sf) /Room
Minimum	54	990	12
Median	128	2,600	23
(Weighted) Average	122	4,027	30
Maximum	178	9,210	72

## National

	Metting Space per Guest Room	Typical Total for a 150-room Hotel
Upper Upscale	50 – 75+ sq. ft	7,500 – 11,000+ sq. ft
Upscale	20 – 40+ sq. ft.	3,000 – 6,000 sq. ft
Upper Midscale	5 – 15 sq. ft	750 – 2,250 sq. ft.



# Event Space Trends

- Meeting rooms are generally categorized by capacity, but physical footprint varies based on set-up (theater-style vs. boardroom)
- **Boardroom (8-12 people):** 250 – 400sf
  - *Upscale*: Usually have permanent boardroom tables and high-end AV.
  - *Upper Midscale*: Often a “flex” room with a standard table
- **Small Breakout (20-40 people):** 500 – 800sf
  - Common in both segments for team training or small workshops
- **Large Meeting Room/Junior Ballroom (100-150 people):** 1,500 – 2,500sf
  - Found frequently in *Upscale* hotels. These are often divisible by a “partition” wall



# Findings

- Population is projected to contract throughout the region.
- Capitola has high incomes, education levels and median age
- The largest employment sectors include Retail Trade, Accommodation & Food Service, and Construction.



# Findings

- Retail vacancy rates are healthy with modest rents in the market area.
- Rents projected to increase 8% over next five years, with vacancy rates remaining stable
- Limited retail market area development with *11,500 SF* of new commercial construction during past 5 years. The market area is projected to see a net loss of 5,700 SF of retail space by 2029.



# Findings

- Three-mile retail leakage is primarily General Merchandise (Costco, Marshalls, World Market, etc.).
- Five-mile shows no leakage, indicating greater market is in balance.
- Mall repositioning will likely benefit Target and additional general merchandise on site is challenging.



# Findings

- Food Service industry weathered pandemic well and continues to expand.
- Site residential will enhance demand for Food Service (i.e. restaurants) and Food & Beverage (i.e. grocery stores)
- Quantitative analysis and broker feedback indicates challenging retail environment.





# Findings

- Opportunities likely limited to smaller tenants, primarily food & beverage
- Modest amount of new retail demand for site reflecting current and future market conditions.
- Retail demand likely ranges from 25,000 – 35,000 SF. Only 11,500 SF was delivered over the past 5 years.
- Financial feasibility will be challenging due to modest rents, non-credit tenants and smaller spaces



# Findings

- Average occupancy of higher quality hotels (Upper Midscale+) in submarket approaches 70%
- Average ADR of higher quality hotels exceeds \$200 per night with a \$145 RevPAR
- Modest amount of meeting space in local hotels.



# Findings

- Without a brand or operator, hotel performance is difficult to project.
- Assuming a strong operator and brand, a hotel on Site could hypothetically exceed market average
- Hypothetical performance assuming a 10% - 20% premium over the market area average would suggest a RevPAR of \$165 to \$180 per key with 25 – 30 SF of meeting space per key
- Meeting space in hotels likely range from 25-30 SF per key, indicating up to 2,550 SF for an 85 room hotel and 3,900 SF for a 130 room hotel

