

City of Capitola a

Capitola
Mall -
Retail &
Hotel
Market
Overview

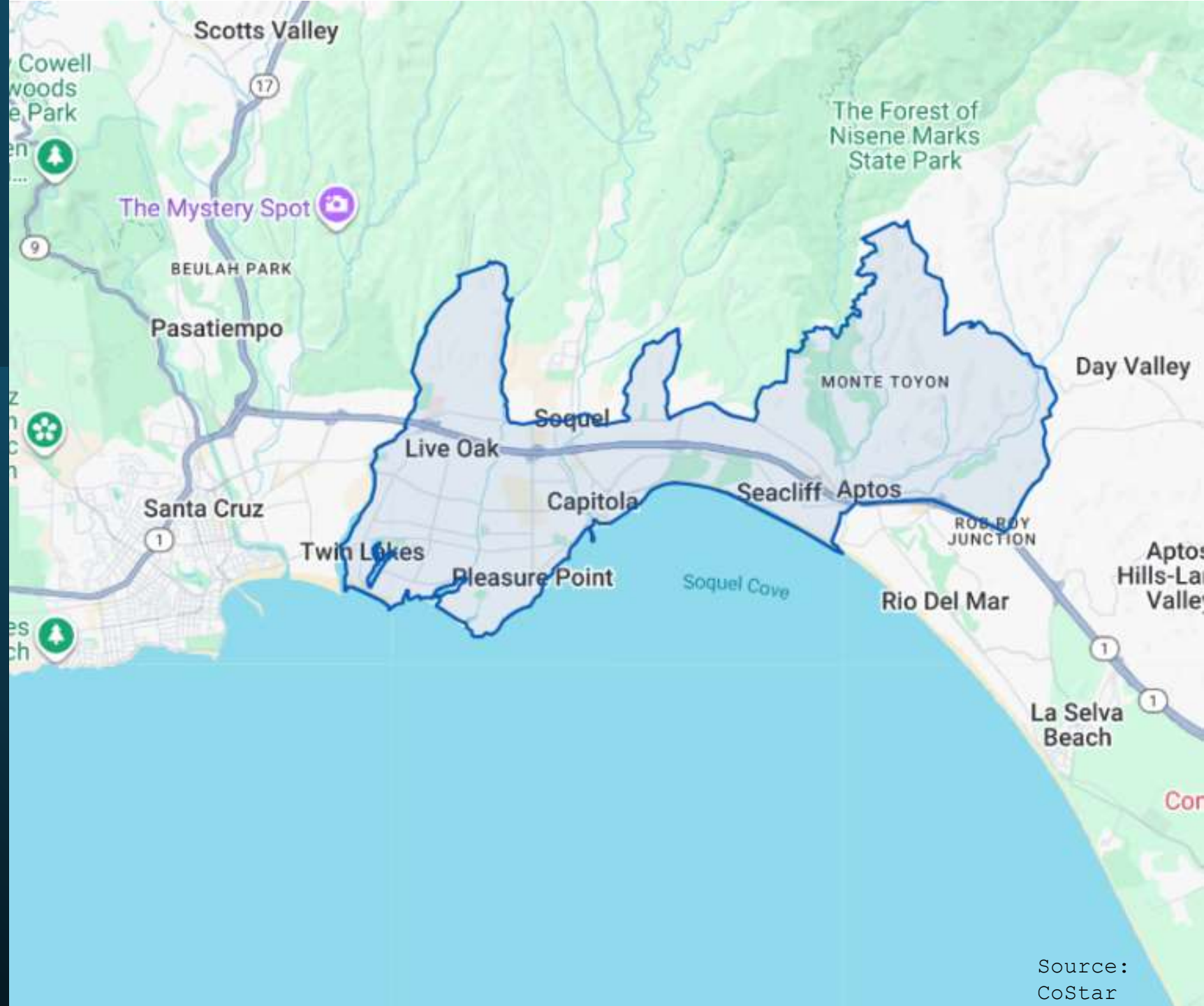


KEYSER MARSTON
ASSOCIATES

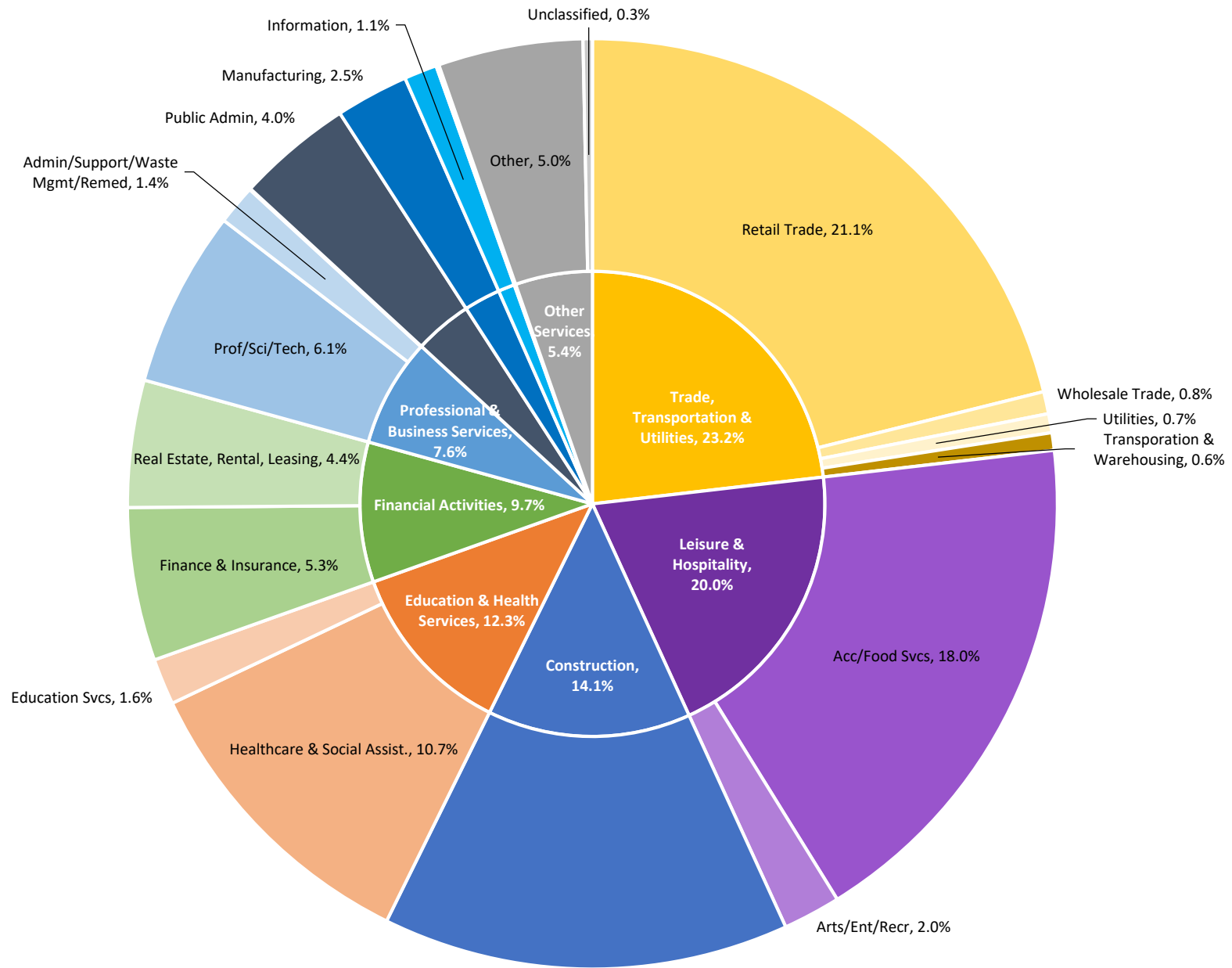


January 2026

Study Area – CoStar Mid-County Retail Submarket

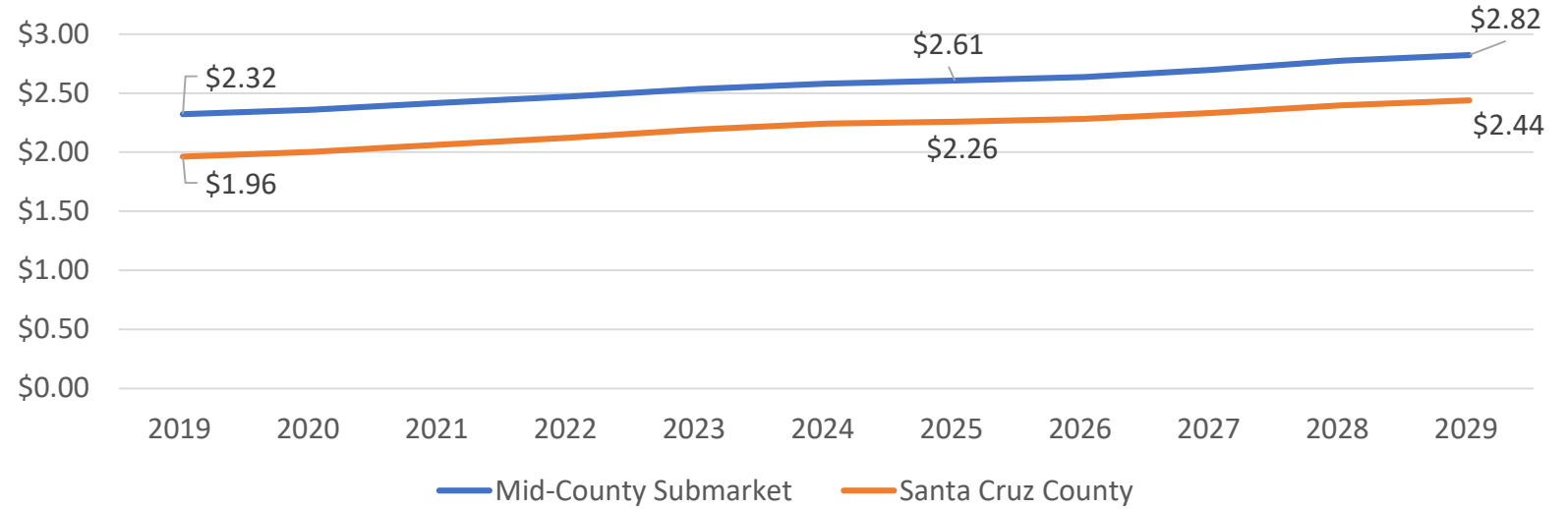


Employment – City

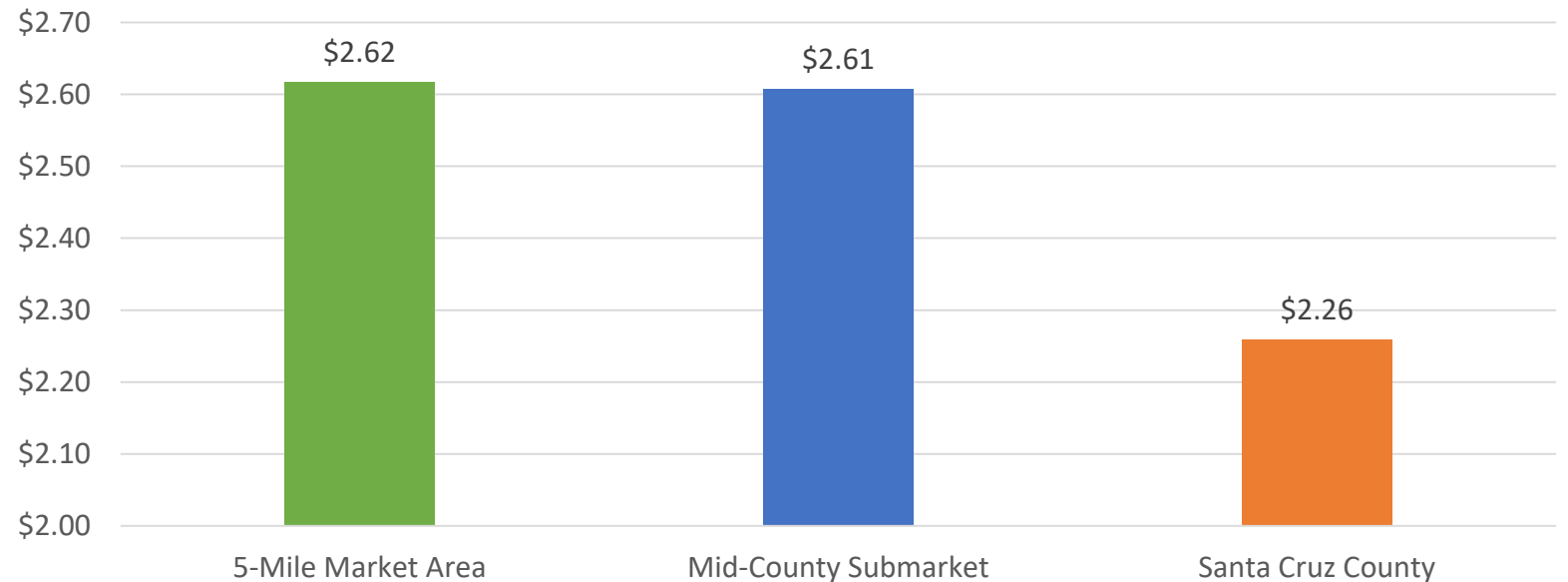


Rent Trends

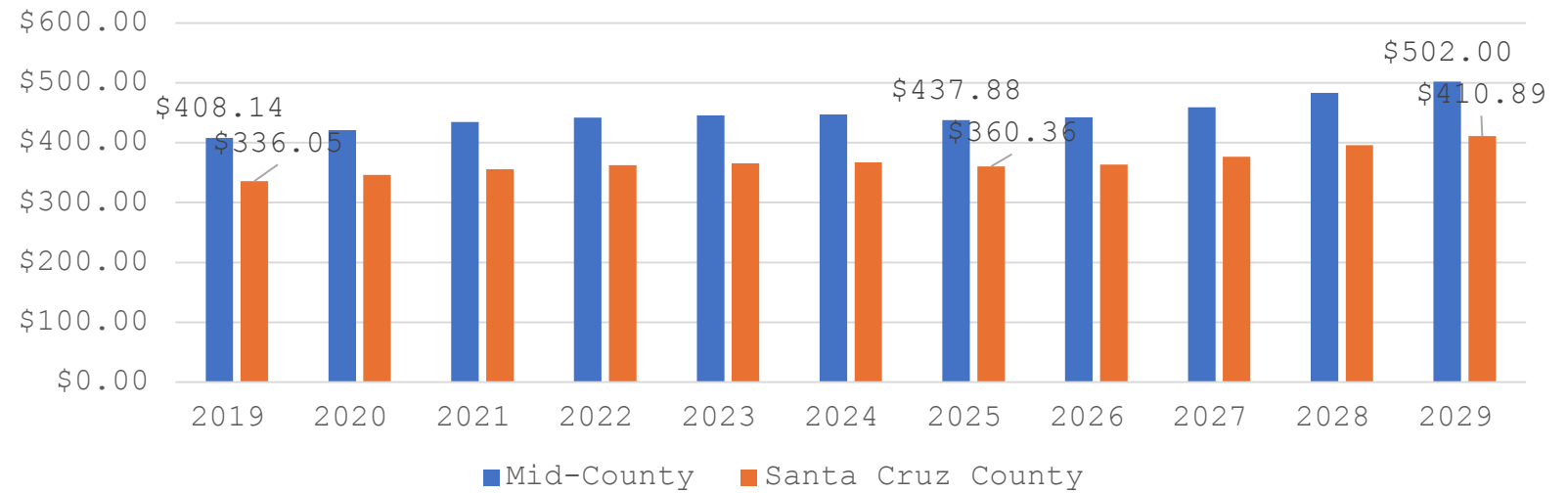
Market Asking Rent



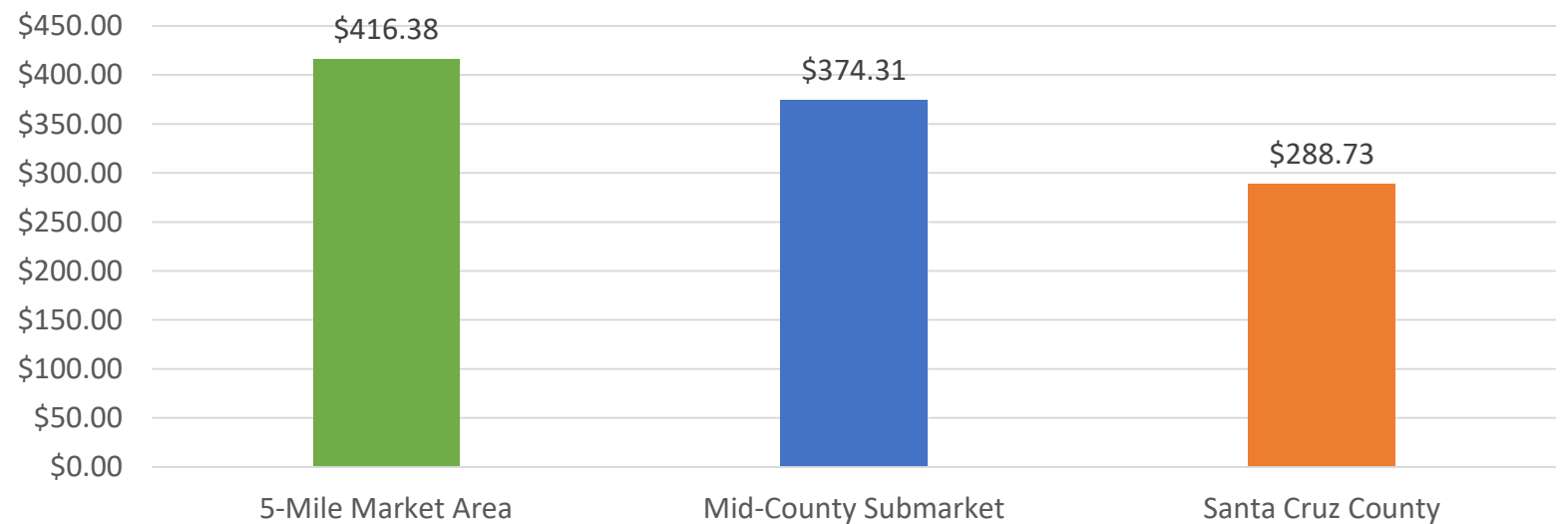
Retail Lease Rates



Retail Property Sales Price /sf



Average Retail Property Sales Price /sf

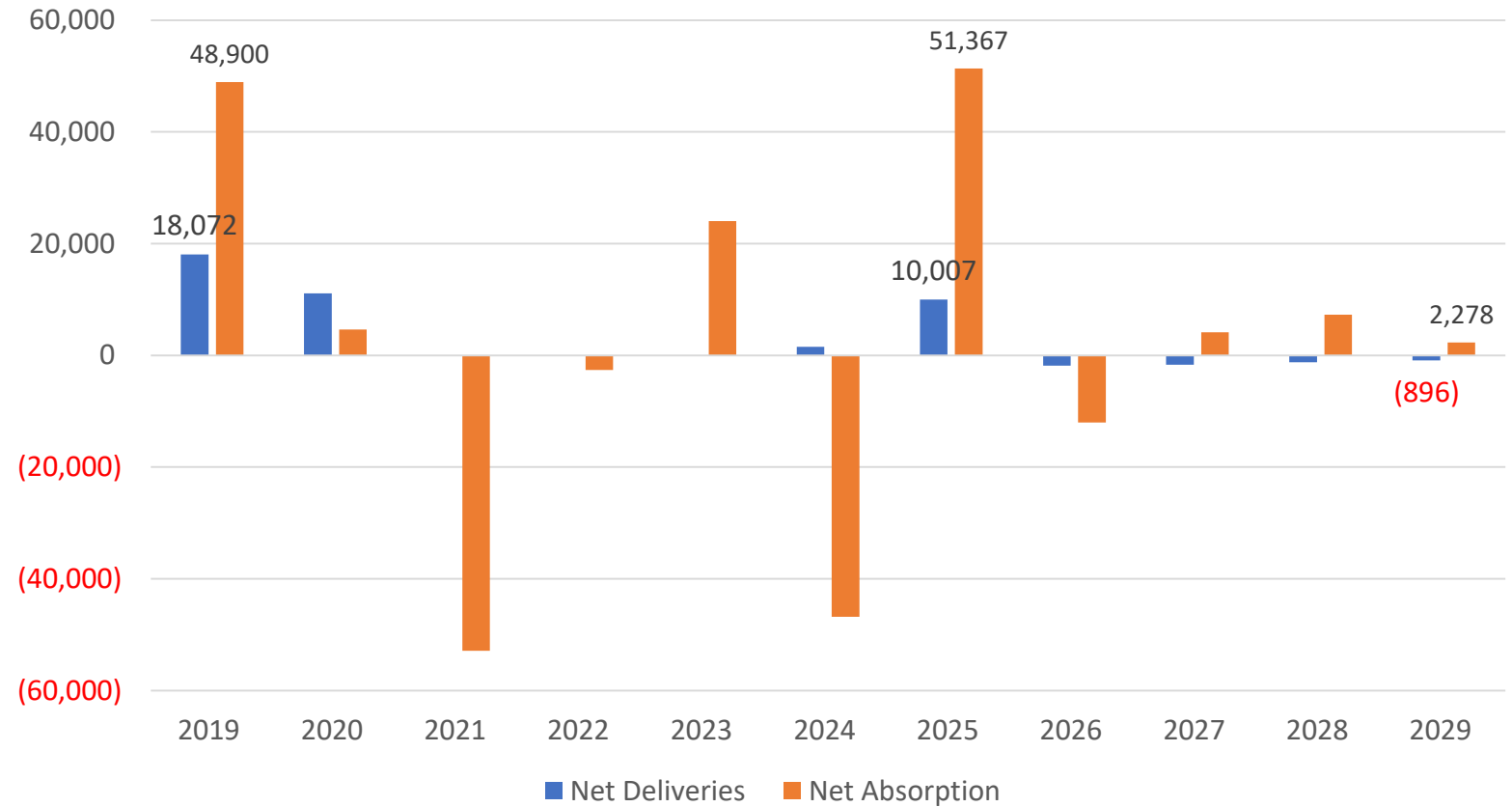


Retail Property Sales



Retail Delivery & Absorption:

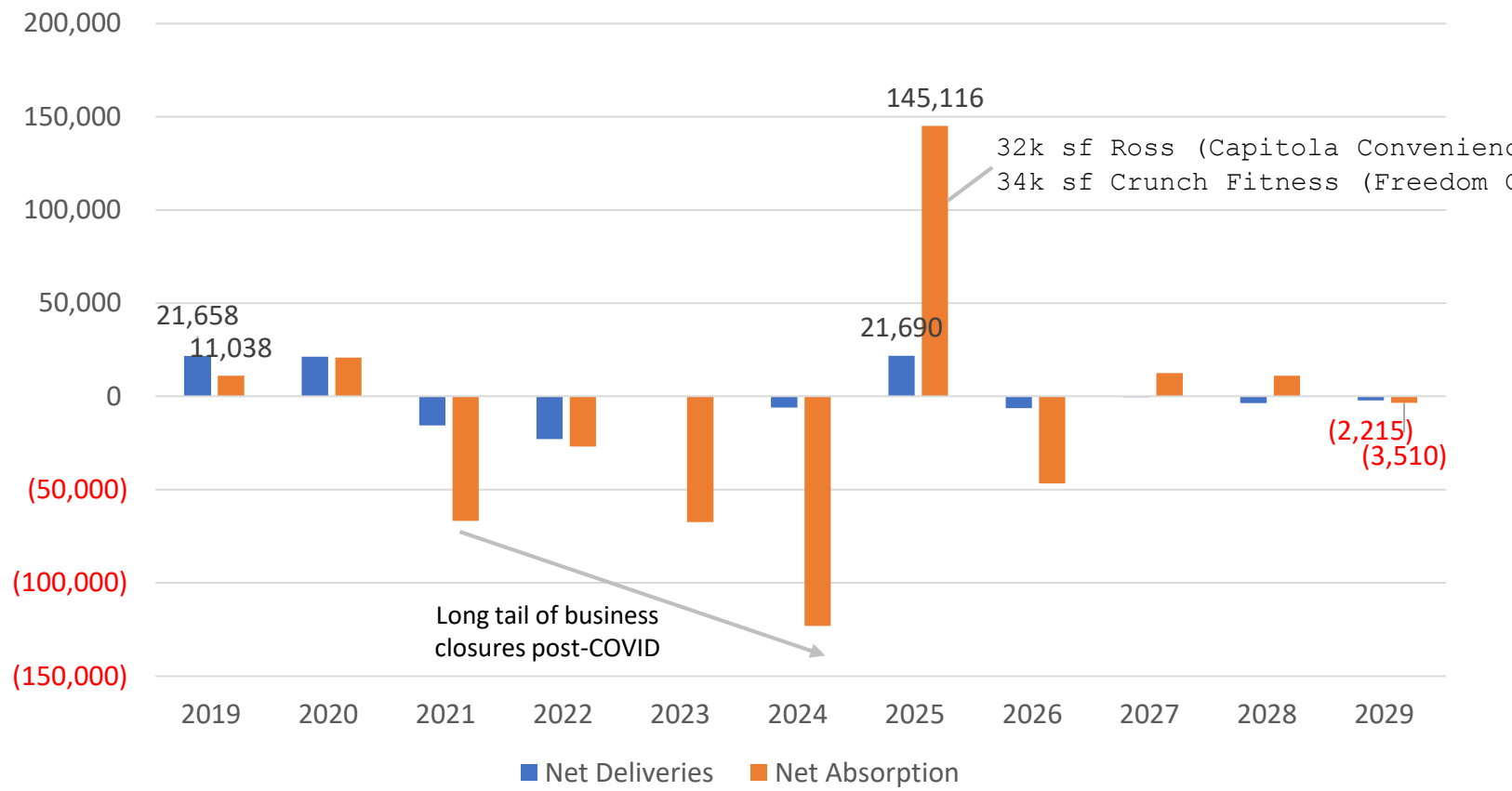
Net SF Delivered & Absorbed



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

Net SF Delivered & Absorbed



Retail Delivery & Absorption:

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)



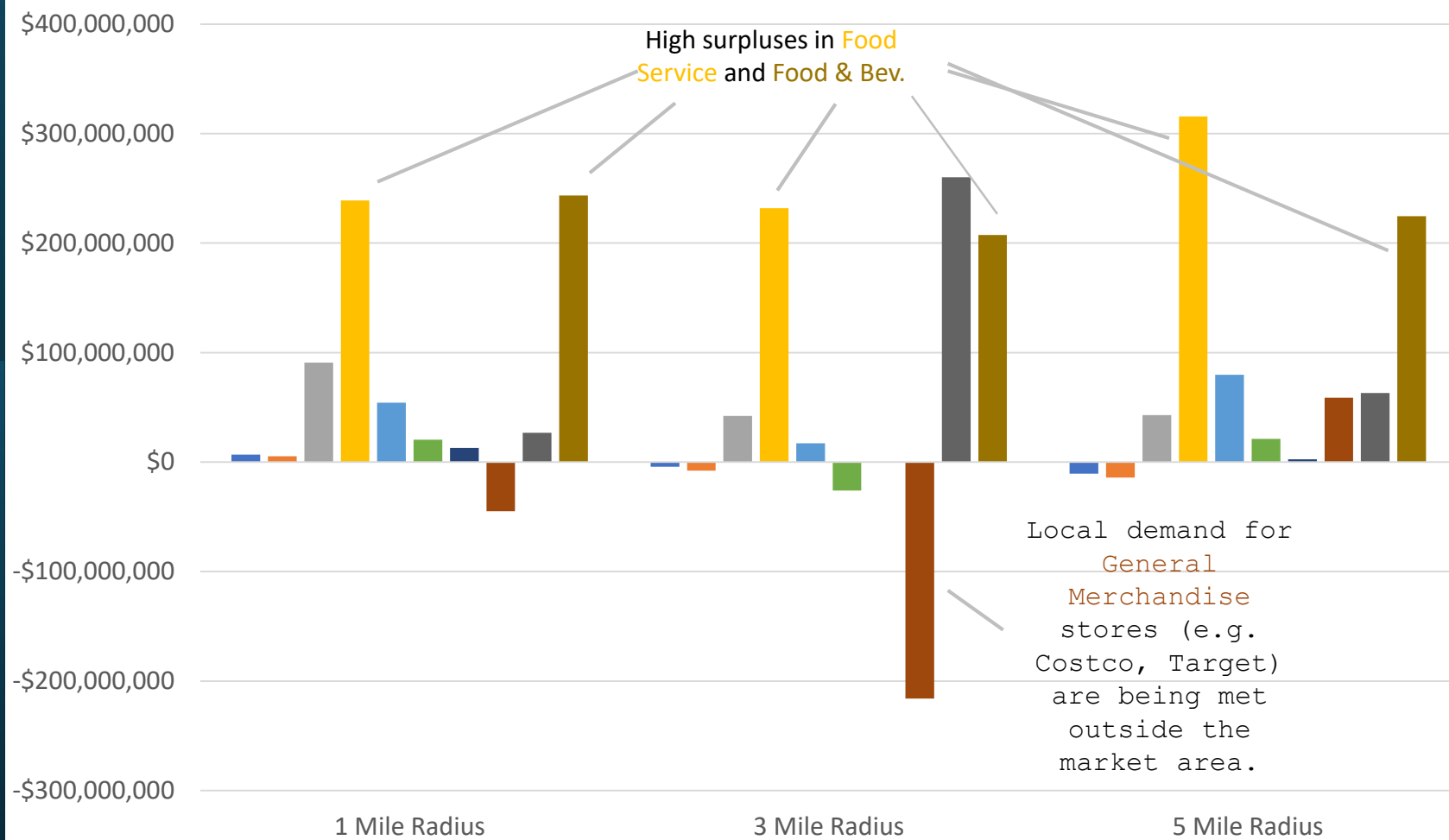
Retail Surplu s/Leak age

- **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

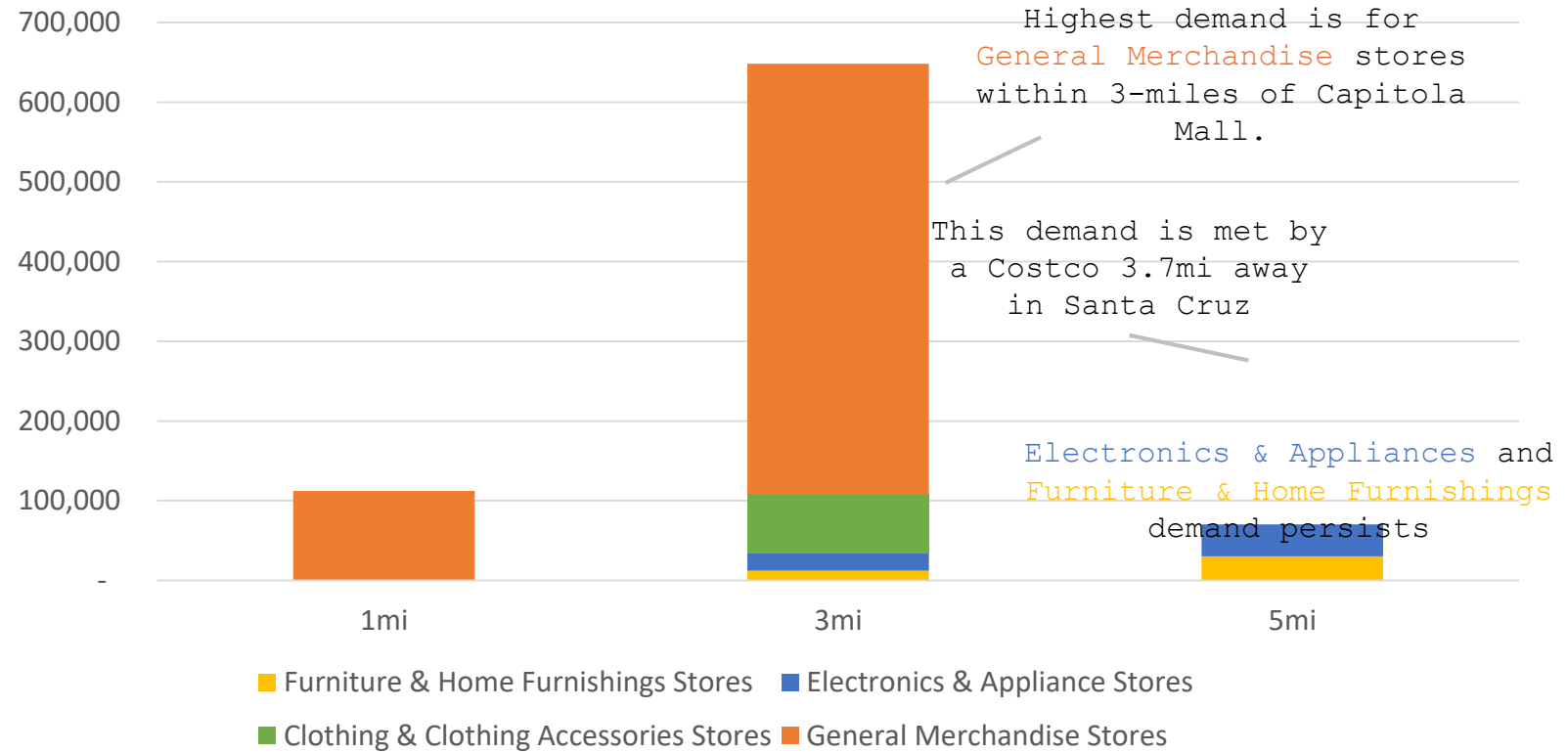
Retail Sales Surplus (+) / Leakage (-)



- Furniture & Home Furnishings Stores
- Bldg Materials, Garden Equip. & Supply Stores
- Health & Personal Care Stores
- Sporting Goods, Hobby, Book & Music Stores
- Miscellaneous Store Retailers
- Electronics & Appliance Stores
- Food & Beverage Stores
- Clothing & Clothing Accessories Stores
- General Merchandise Stores
- Food Services & Drinking Places

Retail Leakage – Space Demand

Potential Retail Space Demand (sf)



Potential Retail Space Demand (sf)			
	1mi Radius	3mi Radius	5mi Radius
Furniture & Home Furnishing	-	12,264	30,229
Electronics & Appliances	-	22,179	39,995
Clothing & Accessories	-	73,862	-
General Merchandise	112,468	539,762	-

Source:
Claritas



Broker Perspectives – Market Overview

- KMA reached out to over 20 real 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
- The Mall is well-situated for redevelopment. 41st 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



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



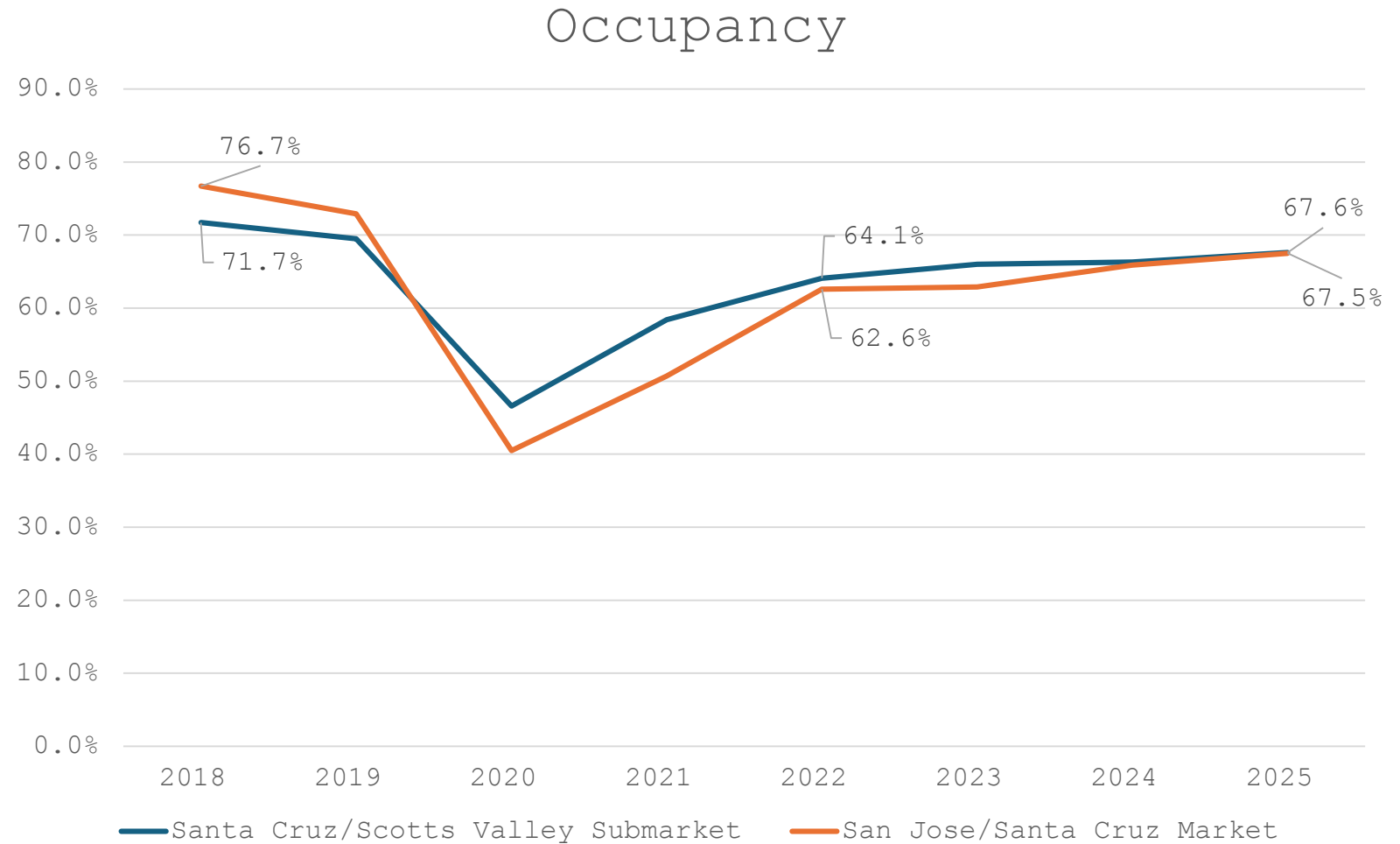
Study Area –
CoStar
Santa Cruz /
Scotts
Valley
Hospitality
Submarket



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



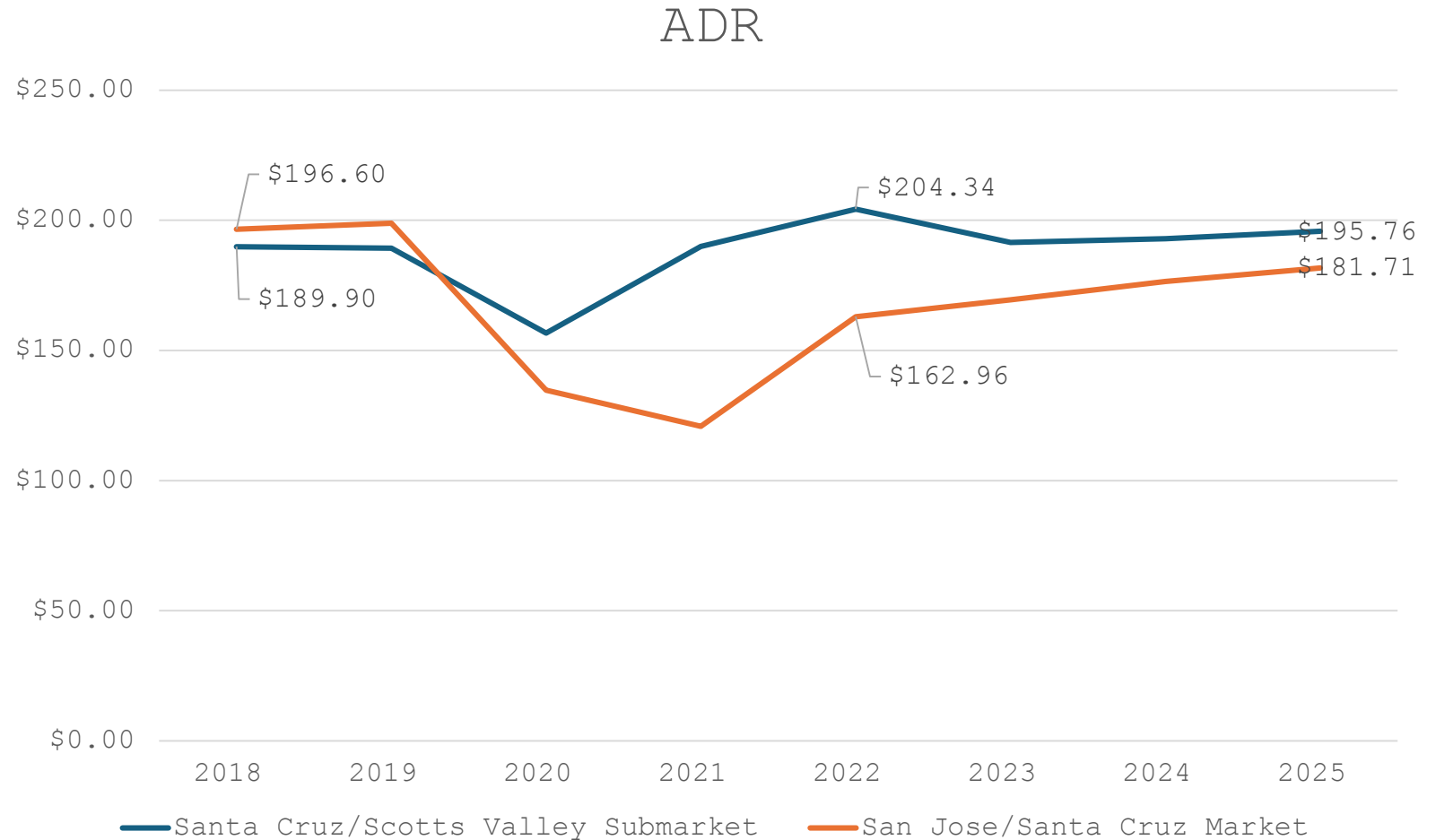
Hotel Performance – Occupancy



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 – ADR



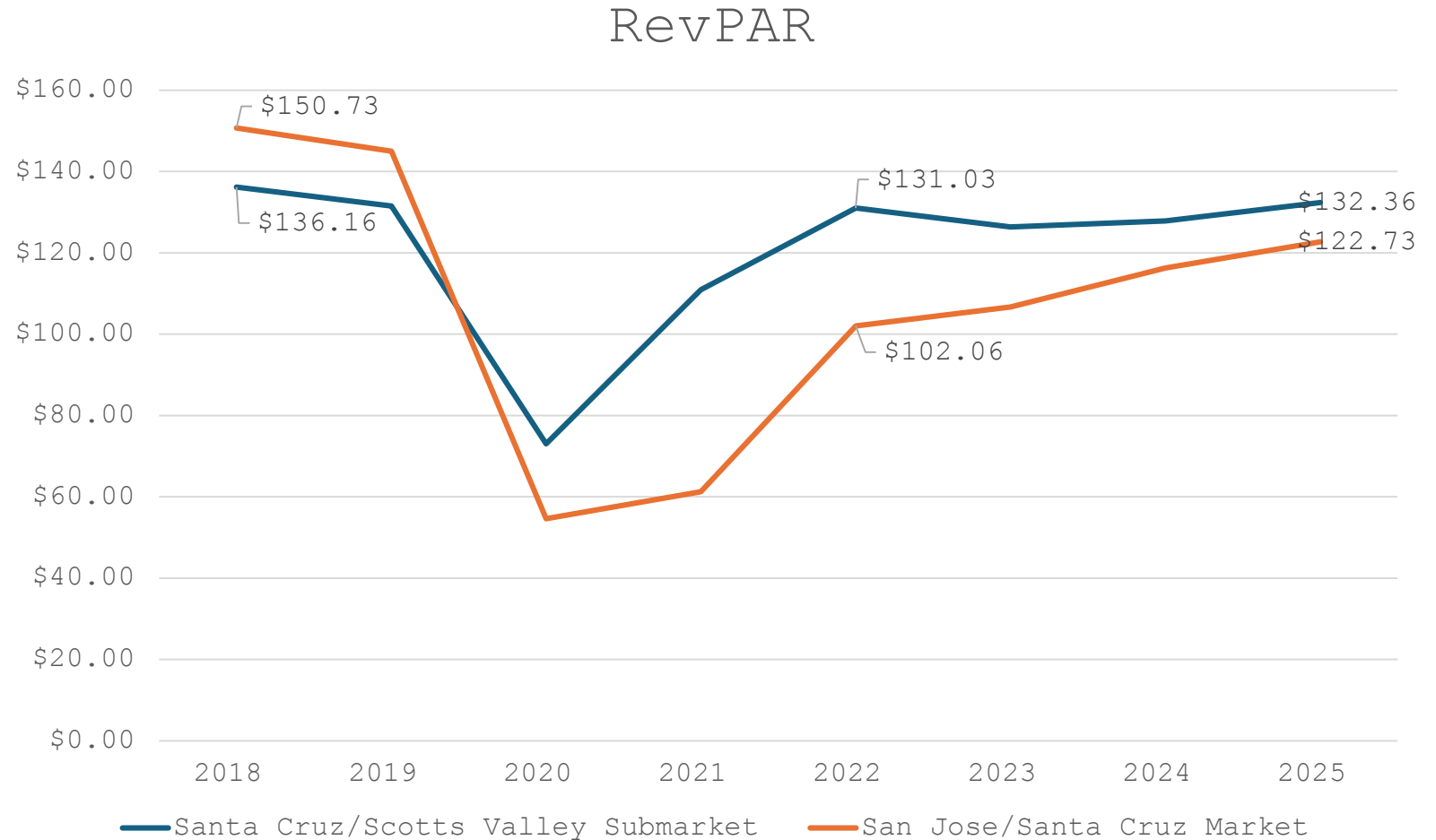
Average Daily Rate (ADR)

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

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



Hotel Performance – RevPAR



Revenue Per Available Room (RevPAR)

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

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



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

	Meeting 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



Commercial Findings

- Mall properties have strong redevelopment potential
- New residential and hotel uses would help overall Mall property retail environment
- New retail demand: 25,000 - 35,000 sq. ft.

Source: Hotel Online



Hotel Findings

- A hotel could exceed market average revenues with strong operator and brand
- Support for 30 sf of meeting space per room :
 - 85-room hotel: 2,550 sq. ft.
 - 130-room hotel: 3,900 sq. ft.

