

SAN DIEGO

Retail Q2 2020

\$84,100

Median HH Income

YoY
Chg12-Mo.
Forecast**0.3%**

Population Growth

**15.3%**

Unemployment Rate



Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q2 2020

-9.9%

GDP Growth

YoY
Chg12-Mo.
Forecast**-11.0%**Consumer Spending
Growth**-10.3%**

Retail Sales Growth



Source: BEA, Census Bureau

ECONOMIC OVERVIEW: Unemployment Remains High as Outbreaks Reverse Reopening Plans

The San Diego employment market lost 195,800 jobs (-13.0%) year-over-year (YOY) through May 2020.¹ During the same time period, monthly unemployment rate increased from 2.8% to 15.0% a year ago and is currently 930 basis points (bps) above the 30-year average of 5.7% and 30 bps below the Q2 2020 quarterly average of 15.3%. All employment sectors are expected to shrink at a combined rate of -6.6% in 2020 and grow 0.4% in 2021. San Diego's economy of \$244.9 billion as measured by gross regional product is forecasted to shrink by 5.7% in 2020 and return to growth 1.7% in 2021, below its 10-year average of 3.2%.²

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

SUPPLY AND DEMAND: Effects of COVID-19 Continue to Hurt Retailers

Retail vacancy, excluding sublease, increased 30 bps from last quarter and 60 bps from a year ago to 5.0% in Q2 2020. Current vacancy is 160 bps below the peak rate of 6.6% recorded at the end of 2010 as a result of tenants absorbing nearly 4.5 million square feet (msf) across the county since then. Occupancy decreased by 176,200 square feet (sf) across all center types in Q2 2020 and by 389,600 sf since the beginning of the year. Neighborhood centers returned the most space (-93,500 sf), followed by community centers (-75,800 sf) and strip centers (-17,700 sf).

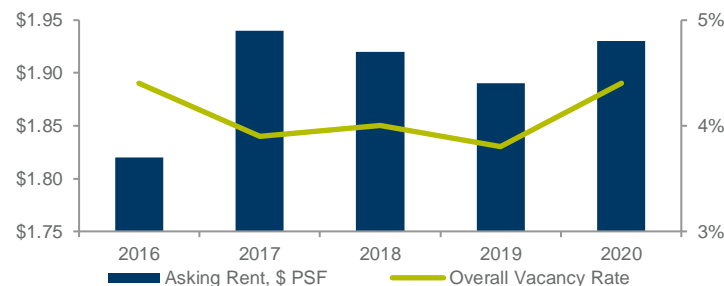
PRICING: Asking Rents Remain Stagnant

Countywide direct asking rent across all classes reached \$1.93 per square foot (psf) on a monthly triple net basis. This metric increased 1.0% over the last three months but increased 2.1% from where it stood a year ago. Rents at strip centers have driven this growth, rising 10.1% over the past twelve months to \$1.97 psf while average rent in community centers decreased 9.7% YOY.

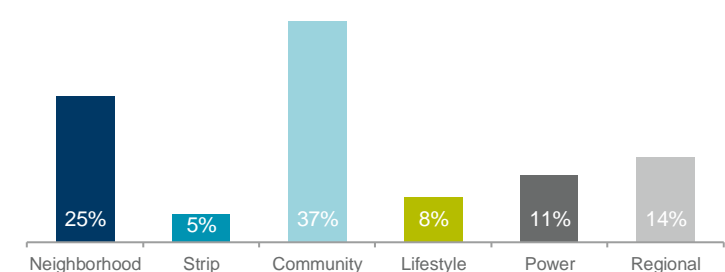
SALES ACTIVITY

The San Diego retail market recorded \$284.4 million in sales volume across 29 centers and 820,000 sf thus far in 2020, a 53% decrease in volume compared to the first half of 2019. Average price was \$350 psf in Q2 2020 compared to \$287 in Q2 2019 (+22% YOY). Average cap rate was 6.0% in Q2 2020 compared to 5.5% a year ago. The leading buyers of retail centers in the first half of 2020 were private investors (83% compared to 80% in 2019), followed by institutional (13% compared to 8% in 2019). Private sellers accounted for 57% of activity (vs. 56% in 2019).³

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	DIRECT AVERAGE ASKING RENT (All Center Types)
North County	27,706,604	31,924	1,718,729	6.2%	-86,102	-311,476	74,272	\$1.86
Central County	21,524,980	7,761	797,487	3.7%	-59,626	-96,295	198,530	\$2.17
South County	20,494,421	69,126	1,026,485	5.0%	-20,275	-47,168	6,500	\$2.01
East County	12,311,103	14,962	555,680	4.5%	-10,243	65,360	0	\$1.52
Community	20,079,537	17,702	1,024,191	5.1%	-75,755	19,451	9,700	\$2.23
Lifestyle	3,250,608	6,156	197,903	6.1%	-4,925	-4,383	0	\$1.40
Neighborhood	24,057,924	84,049	1,489,418	6.2%	-93,454	-189,751	0	\$1.84
Power	11,873,681	4,365	318,730	2.7%	859	-25,515	13,312	\$2.17
Regional	12,310,769	4,682	472,159	3.8%	14,770	-138,487	177,000	-
Strip	10,464,589	6,819	595,980	5.7%	-17,741	-50,894	79,290	\$1.97
SAN DIEGO TOTALS	82,037,108	123,773	4,098,381	5.0%	-176,246	-389,579	279,302	\$1.93

*Rental rates reflect triple net asking \$PSF/month. **Renewals included in leasing statistics.

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Del Mar Highlands Town Center	Del Mar / Solana Beach	Jimbo's	25,000	New
Rosecrans Plaza	Point Loma / Sports Arena	Chuck E. Cheese	13,023	Renewal**
Northgate Center	San Ysidro / Imperial Beach	Fresenius	11,800	New
Vista Marketplace	Vista	Catholic Charities	8,400	New

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Camino Encinitas Auto Plaza	Encinitas	Interstate Properties Group / HP Investors	47,609	\$14.2M / \$298
4145 30 th St.	Uptown	Fortress Investment Group / Brad Broffman	44,000	\$27.7M / \$630
Rancho del Oro – Town Center North	Oceanside	Angelo, Gordon & Co. / Gershman Properties	43,750	\$24.5M / \$560
655 14 th St.	Downtown	LLJ Ventures / Robert Victor Zakari Living Trust	42,973	\$22.2M / \$516
1400 E. Vista Way	Vista	Braille Institute of America / Alexandria Real Estate Equities, Inc.	26,616	\$11.3M / \$425

Sources: ¹www.bls.gov ² GDP as of 2019. (f) by Moody's Analytics economy.com 6/2020 ³ RCA

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