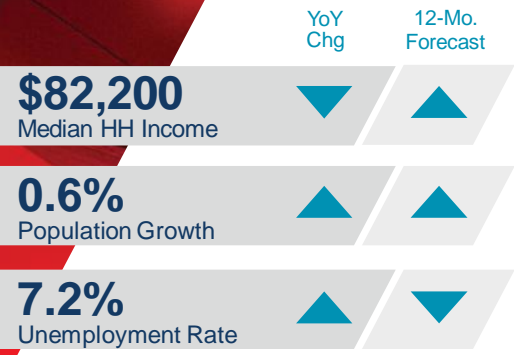


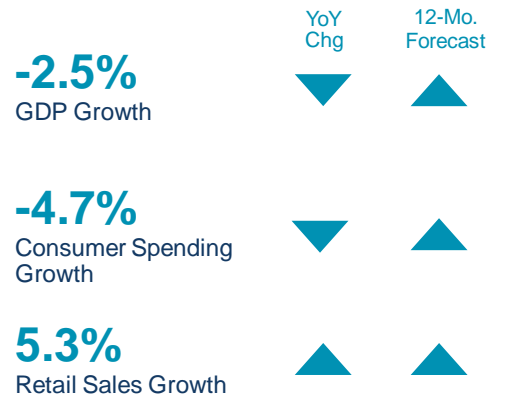
# SAN DIEGO

Retail Q4 2020



Source: US Census Bureau; BLS (Economic Indicators are representative of specific county or MSA.)

## U.S. ECONOMIC INDICATORS Q4 2020



Source: BEA, Census Bureau

## ECONOMIC OVERVIEW

The San Diego employment market has been significantly impacted by COVID-19 stay-at-home orders, resulting in a loss of 97,700 jobs or -6.4% year-over-year (YOY) through November 2020. Of the 97,700 jobs lost, 45,100 (-22.3% YOY) or 46.2% of losses were in the leisure and hospitality sector. Professional and business services sector added 7,300 jobs (+2.8% YOY). On the bright side, monthly job gains have been positive for the last four consecutive months. During the same time, the monthly unemployment rate increased from 2.9% last year to 6.6% and is currently 90 basis points (bps) above the 30-year monthly average of 5.7% and 40 bps below the Q4 2020 quarterly average of 7.2%.<sup>1</sup> All employment sectors are expected to grow at a combined rate of 1.3% in 2021 and 2.8% in 2022. San Diego's economy of \$241.2 billion as measured by gross regional product is forecasted to grow by 4.3% in 2021 and 5.5% in 2022, above its 10-year average of 2.7%.<sup>2</sup>

## SUPPLY AND DEMAND

Retail vacancy, excluding sublease, increased for the 5<sup>th</sup> consecutive quarter up 120 bps from a year ago to 5.6% in Q4 2020. Current vacancy is the highest recorded since Q3 2013 (5.8%) and is 110 bps below the peak rate of 6.7% recorded in Q4 2010. Occupancy decreased by 131,870 square feet (sf) across all center types in Q4 2020 and by 909,811 sf since the beginning of the year. In Q4 2020, Community centers returned the most space in (-51,918 sf), followed by strip centers (-43,345 sf) and lifestyle centers (-27,120 sf). There are currently 25 centers totaling 397,242 sf under construction, majority in Central County.

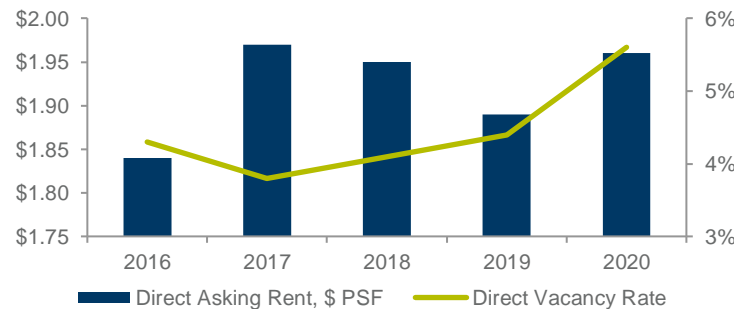
## PRICING

Countywide direct asking rent across all classes reached \$1.96 per square foot (psf) on a monthly triple net basis. This increased 1.0% from last quarter and 3.7% YOY. Overall direct average rent reached \$1.97 psf in Q4 2017, the highest since last recession in 2008 and is currently \$0.12 above the 10-year quarterly average of \$1.84. Rents at strip centers continued to drive growth in Q4 2020, increasing 12.3% YOY to \$2.01 psf. Conversely, average rent for power centers decreased the greatest (-10.6% YOY) to \$1.94 psf.

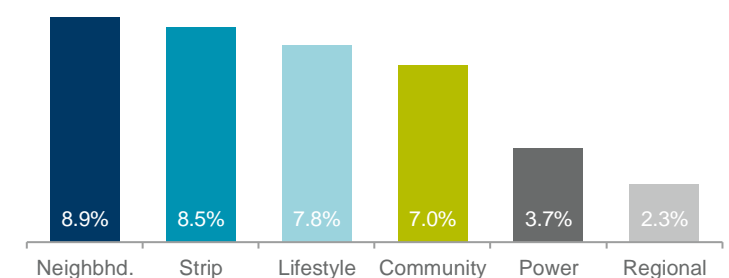
## SALES ACTIVITY

The San Diego retail market recorded \$468 million in sales volume across 66 centers and 1.4 million sf in 2020, a 58% decrease in volume compared to 2019. Average price was \$326 psf in Q4 2020 compared to \$324 in Q4 2019 (+1.5% YOY). Average cap rate was 5.8% in 2020 compared to 5.9% a year ago. The leading buyers of retail centers in 2020 were private investors (86% compared to 80% in 2019), followed by institutional (11% compared to 8% in 2019). Private sellers accounted for 70% of activity (vs. 56% in 2019).<sup>3</sup>

## 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	26,195,253	26,673	1,889,435	7.2%	-35,880	-480,920	71,212	\$1.88
Central County	21,747,375	25,155	1,043,071	4.8%	-28,802	-317,465	250,530	\$2.11
South County	20,240,419	12,500	1,004,140	5.0%	-79,070	-148,051	75,500	\$2.05
East County	12,130,415	14,962	585,623	4.8%	11,882	36,625	0	\$1.77
Community	19,812,778	16,714	1,239,143	6.3%	-51,918	-196,993	6,200	\$2.26
Lifestyle	3,224,994	0	223,879	6.9%	-27,120	-30,359	0	\$1.41
Neighborhood	24,047,196	45,491	1,647,584	6.9%	-14,768	-326,703	0	\$1.87
Power	11,865,433	4,365	401,437	3.4%	-16,262	-104,222	81,812	\$1.94
Regional	10,887,410	5,901	349,243	3.2%	21,543	-153,371	233,000	-
Strip	10,475,651	6,819	660,983	6.3%	-43,345	-98,163	76,230	\$2.01
<b>SAN DIEGO TOTALS</b>	<b>80,313,462</b>	<b>79,290</b>	<b>4,522,269</b>	<b>5.6%</b>	<b>-131,870</b>	<b>-909,811</b>	<b>397,242</b>	<b>\$1.96</b>

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

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
355 Fletcher Pkwy.	El Cajon	JCPenney	153,047	Renewal
680 Hacienda Dr.	Vista	LA Fitness	41,000	Renewal
Chula Vista Crossings	Chula Vista	Dollar Tree	10,803	New
Escondido Promenade	Escondido	Five Below	10,570	New

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Home Depot	San Ysidro / Imperial Beach	Fountainhead Development / David Beshay	100,000	Undisclosed
Old California Restaurant Row	San Marcos	Old California Partnership, LP / San Marcos Row, LLC	90,288	\$15.9M / \$176
Escondido Mission Center	Escondido	Hudson Family Trust / Performance Wealth Investments	30,650	\$4.5M / \$147
273. S Rancho Santa Fe Rd.	San Marcos	Susana Trosic / Eiad Haddad	25,684	\$4.1M / \$160

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