

SAN DIEGO

Retail Q1 2021



	YoY Chg	12-Mo. Forecast
\$86,000 Median HH Income	▲	▼
0.6% Population Growth	▲	▲
7.8% Unemployment Rate	▲	▼

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

U.S. ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
0.2% GDP Growth	▼	▲
-1.6% Consumer Spending Growth	▼	▲
11.8% Retail Sales Growth	▲	▲

Source: BEA, Census Bureau

ECONOMIC OVERVIEW

The San Diego employment market has recovered nearly half (47%) of the 248,000 jobs lost during the beginning of pandemic between March and April of 2020. Nonfarm employment fell by 131,700 or -8.7% year-over-year (YOY) through February 2021, with the leisure and hospitality sector accounting for 66,100 jobs lost. During the same time, the monthly unemployment rate increased from 3.2% last year to 7.2%. The current rate is 870 basis points (bps) lower compared to the 15.9% high recorded in April of 2020, and 60 bps below the Q1 2021 quarterly average of 7.8%.¹ All employment sectors are expected to grow at a combined rate of 2.1% in 2021 and 3.8% in 2022. San Diego's economy of \$250.6 billion as measured by gross regional product is forecasted to return to growth of 4.8% in 2021 and 6.4% in 2022, above its 10-year average of 2.6%.²

SUPPLY AND DEMAND

Retail vacancy, excluding sublease, increased for the 6th consecutive quarter to 6.4% in Q1 2021, up 80 bps from last quarter and up 180 bps from a year ago. Current vacancy is the highest recorded since Q3 2013 (5.8%) and is 30 bps below the peak rate of 6.7% recorded in Q4 2010. Occupancy decreased by 417,293 square feet (sf) across all center types combined in Q1 2021. Power centers returned the most space in (-209,464 sf), followed by regional centers (-154,197 sf) and neighborhood centers (-46,397 sf). There are currently 22 projects totaling 466,200 sf under construction, the majority of which are located in South County.

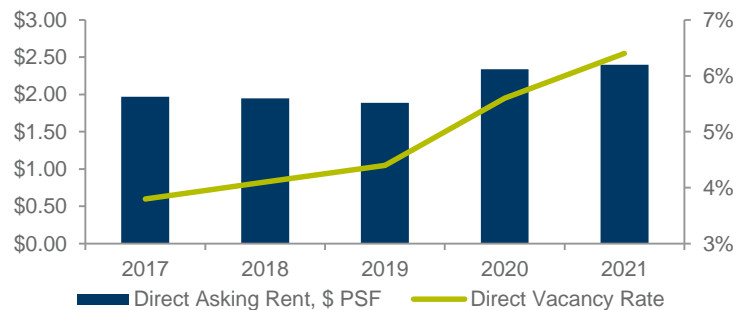
PRICING

Countywide direct average asking rent across all classes reached \$2.40 per square foot (psf) on a monthly triple net basis, a 2.6% increase from last quarter and 26.3% increase YOY. The current rent is the highest since the last recession in 2008 and is currently \$0.54 above the 10-year quarterly average of \$1.88 psf. Asking rents at regional centers have driven rent growth posting \$4.00 asking rents countywide. Rents at strip centers continued to rise in Q1 2021, increasing 9.8% YOY from \$1.84 psf to \$2.02 psf. Conversely, average rent for power centers decreased the greatest (-30.9% YOY) from \$2.17 psf to \$1.50 psf.

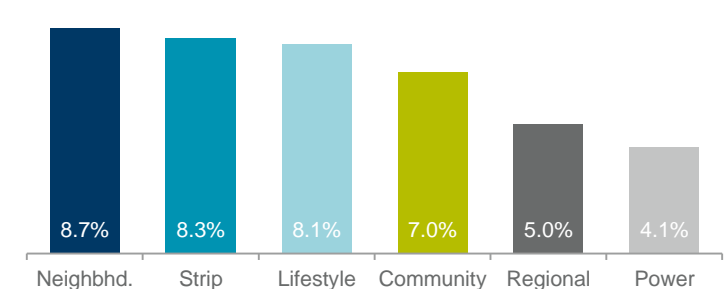
SALES ACTIVITY

The San Diego retail market recorded \$137 million in sales volume across 12 centers and 344,609 sf in Q1 2021, a 5.1% increase in volume compared to last quarter and a 25% decrease in volume compared to Q1 2020. Average price was \$383 psf in Q1 2021 compared to \$321 in Q1 2020 (+19.1% YOY). The leading buyers of retail properties in Q1 2021 were private investors (100% vs. 56% in 2020). Private sellers accounted for 85% of activity (vs. 46% in 2020), followed by institutional at 14% (vs. 15% in 2020).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	26,032,726	29,839	2,078,477	8.0%	-189,042	-189,042	71,212	\$1.99
Central County	21,954,714	25,636	1,374,137	6.3%	-91,549	-91,549	19,488	\$2.13
South County	20,279,931	22,531	985,540	4.9%	23,401	23,401	375,500	\$2.93
East County	12,130,415	14,962	745,726	6.1%	-160,103	-160,103	0	\$1.70
Community	19,810,498	19,114	1,284,553	6.5%	-45,410	-45,410	6,200	\$2.31
Lifestyle	3,260,499	10,031	196,823	6.0%	27,056	27,056	0	\$1.43
Neighborhood	23,984,075	47,191	1,692,944	7.1%	-46,397	-46,397	12,000	\$1.96
Power	11,711,158	4,365	612,177	5.2%	-209,464	-209,464	81,812	\$1.50
Regional	11,104,107	4,682	736,440	6.6%	-154,197	-154,197	300,000	\$4.00
Strip	10,527,449	7,585	660,943	6.3%	11,119	11,119	66,188	\$2.02
SAN DIEGO TOTALS	80,397,786	92,968	5,183,880	6.4%	-417,293	-417,293	466,200	\$2.40

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
621-701 S. Rancho Santa Fe Rd.	San Marcos	Planet Fitness	24,100	New
1220 E. Plaza Blvd.	National City	DaVita	19,103	New
5448 Mission Center Rd.	Mission Valley	Super Sta Car Wash	15,404	New
7680 Girard Ave.	La Jolla	Balanced Fitness	12,337	New
7012-7220 Broadway	La Mesa	BioLife Plasma Services	12,000	New

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Zion Market	Kearny Mesa	McGrath Development / Hammer Ventures	128,134	\$66.5M / \$519
Carriage Center	Poway	Gildred Family Properties / CalSTRS	56,061	\$15.7M / \$279
La Plaza	La Jolla	Playpenn, Inc. / Regent Properties	30,333	\$11.0M / \$363
1450 N. Santa Fe Ave.	Vista	DTR Vista / Thi Enterprises	19,780	\$7.7M / \$387
Walgreens	Escondido	Corporate Partners Capital Group / Flegel Trust	15,120	\$10.7M / \$708

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