

SAN DIEGO

Retail Q4 2021



	YoY Chg	12-Mo. Forecast
\$84,100 Median HH Income	▲	▲
0.4% Population Growth	▲	▲
6.0% Unemployment Rate	▼	▼

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

U.S. ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
5.4% GDP Growth	▲	▲
11.3% Consumer Spending Growth	▲	▲
17.9% Retail Sales Growth	▲	▲

Source: BEA, Census Bureau

ECONOMIC OVERVIEW

The San Diego employment market has recovered 193,400 (83%) of the 248,000 jobs lost during the beginning of the pandemic between March and April of 2020. Nonfarm employment grew by 64,900 or +4.6% year-over-year (YOY) between November 2020 through November 2021, with the leisure and hospitality sector accounting for 28,500 jobs added (+20.2% YOY). During the same time, the monthly unemployment rate decreased from 6.8% last year to 4.6% and is notably lower compared to the 15.9% high recorded in April of 2020. The current monthly rate is also 140 bps (basis points) lower compared to the Q4 2021 quarterly average of 6.0%.¹ All employment sectors are expected to grow at a combined rate of 4.5% in 2022, while office employment is forecasted to grow 2.3% and high-tech employment 2.7%. San Diego's economy of \$252.7 billion as measured by 2021 gross regional product is forecasted to grow 4.9% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.²

SUPPLY AND DEMAND

Retail vacancy, excluding sublease, decreased 20 bps quarter-over-quarter (QOQ) to 6.0% but remains 60 bps higher than a year ago. Current vacancy is 110 bps above the 10-year quarterly average of 4.9% yet 70 bps below the peak rate of 6.7% recorded in Q1 2011. Occupancy increased by 187,992 square feet (sf) across all center types in Q4 2021. Community centers absorbed the most space at 89,117 sf, followed by power centers (36,517 sf), strip centers (24,861 sf) and neighborhood centers (19,289 sf). Regional centers absorbed 10,220 sf, while lifestyle centers absorbed 7,988 sf. There are currently 16 projects totaling 385,004 sf under construction, majority of which are in South County.

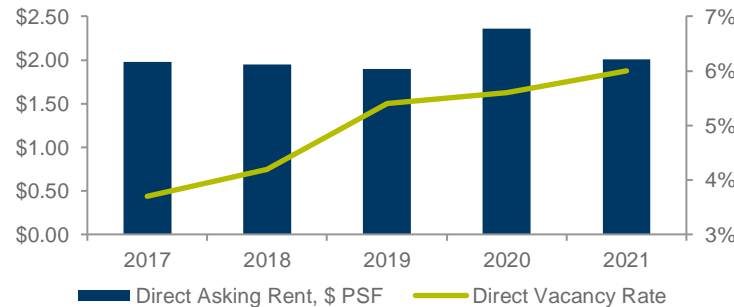
PRICING

Countywide direct asking rent across all classes dropped to \$2.01 per square foot (psf) on a monthly triple net basis, a decrease of 18.3% QOQ and down 14.8% YOY. Asking rents are currently \$0.09 above the 10-year quarterly average of \$1.92. The decrease is largely caused by the withdrawal of public asking rents at regional centers which averaged \$4.00 psf in Q4 2021. Rents at power centers increased 26.4% to \$2.25 psf QOQ, while rents at neighborhood centers decreased 4.8% to \$1.79 psf.

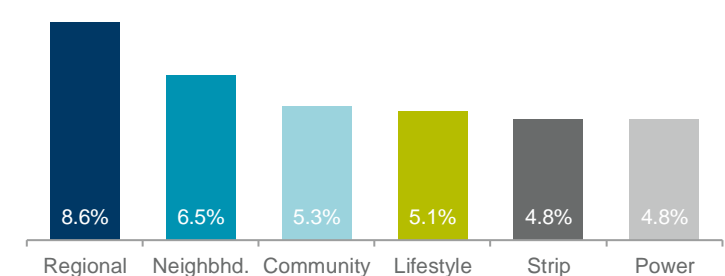
SALES ACTIVITY

The San Diego retail market recorded \$226 million in sales volume across 18 centers and 700,600 sf in Q4 2021 compared to \$401 million in Q3 2021 and \$131 million in Q4 2020. The average price was \$296 psf in Q4 2021 compared to \$329 in Q4 2020 (-10% YOY). Private investors comprised 64% of buyers (vs. 86% in 2020) and 68% of sellers (vs. 71% in 2020) in 2021.³

RENT / VACANCY RATE



TOTAL 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	26,365,902	37,557	1,907,096	7.2%	32,463	-34,346	47,850	\$1.98
Central County	21,958,377	32,399	1,196,237	5.4%	165,043	115,040	16,124	\$2.44
South County	20,650,835	10,842	1,027,781	5.0%	6,152	-70,992	321,030	\$1.93
East County	12,076,464	14,892	702,959	5.8%	-15,666	-147,226	0	\$1.72
Community	19,912,972	4,282	1,045,448	5.3%	89,117	179,795	0	\$2.35
Lifestyle	3,230,289	10,031	163,669	5.1%	7,988	19,210	0	\$1.41
Neighborhood	24,006,391	60,170	1,564,003	6.5%	19,289	36,127	19,850	\$1.79
Power	11,887,853	7,640	567,084	4.8%	36,517	-115,573	12,700	\$2.25
Regional	11,467,198	4,682	988,736	8.6%	10,220	-406,493	300,000	-
Strip	10,546,875	8,885	505,133	4.8%	24,861	149,410	52,454	\$2.21
SAN DIEGO TOTALS	81,051,578	95,690	4,834,073	6.0%	187,992	-137,524	385,004	\$2.01

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
La Costa Town Square	Carlsbad	24 Hour Fitness	40,022	New
Santee Trolley Square	Santee	Barnes & Noble	22,500	Renewal
Rancho San Marcos Village	San Marcos	Aldi	21,687	New
Exchange at Miramar Road	Miramar	Morsco Supply	15,116	Renewal
Park Valley Center	Mission Valley	Woodbridge	10,500	New

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Carlsbad Village Plaza	Carlsbad	Balboa Retail Partners / Tooley Investment Company	58,735	\$23.5M / \$400
1417-1433 University Ave.	Uptown	Katz Family Trust / IAC Management LLC	24,668	\$13.0M / \$527
Main Street Center	El Cajon	Main Street Trust / La Maestra Community Health Centers	22,504	\$6.5M / \$287
570 Grand Ave.	Carlsbad	Benchmark Pacific / The Caine Group	13,000	\$7.4M / \$566
Fletcher Marketplace	El Cajon	Brixton Capital / Gershman Properties	11,996	\$11.4M / \$950

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