

SAN DIEGO

Retail Q2 2022



\$94,000

Median HH Income

YoY Chg



12-Mo. Forecast



0.4%

Population Growth



3.7%

Unemployment Rate



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

U.S. ECONOMIC INDICATORS Q2 2022

2.5%

GDP Growth

YoY Chg



12-Mo. Forecast



9.8%

Consumer Spending Growth



8.7%

Retail Sales Growth



Source: BEA, Census Bureau

ECONOMIC OVERVIEW

The total nonfarm employment in San Diego grew by 83,900 or +5.9% year-over-year (YOY) between May 2021 through May 2022, with the leisure and hospitality sector accounting for the most significant gains or 36,900 jobs added (+23.3% YOY). During the same time, the monthly unemployment rate decreased from 6.6% last year to 2.7% and is currently 100 basis points (bps) below the quarterly average of 3.7%.¹ All employment sectors are expected to grow at a combined rate of 5.4% (+77,340 jobs) in 2022, while office employment is forecasted to grow by 3.3% (+12,500 jobs) and high-tech employment by 0.2% (+4,880 jobs). The annual unemployment rate is forecasted to decrease from 6.6% in 2021 to 3.8% in 2022 and 3.1% in 2023. San Diego's economy of \$252.3 billion as measured by 2021 gross regional product is forecasted to grow 5.2% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.²

SUPPLY AND DEMAND

Retail vacancy, excluding sublease, decreased 60 bps quarter-over-quarter (QOQ) to 5.3% and is 120 bps lower than a year ago. The current vacancy is 40 bps above the 10-year quarterly average of 4.9% yet 130 bps below the peak rate of 6.6% recorded in Q1 2011. Occupancy increased by 463,256 square feet (sf) across all center types in Q2 2022. Regional centers absorbed the most space at 155,983 sf, followed by power centers at 103,310 sf, neighborhood centers at 85,983 sf, community centers at 84,444 sf and strip centers at 49,481. Lifestyle centers returned 15,945 sf. There are currently 11 projects totaling 369,973 sf under construction, the majority of which are in South County.

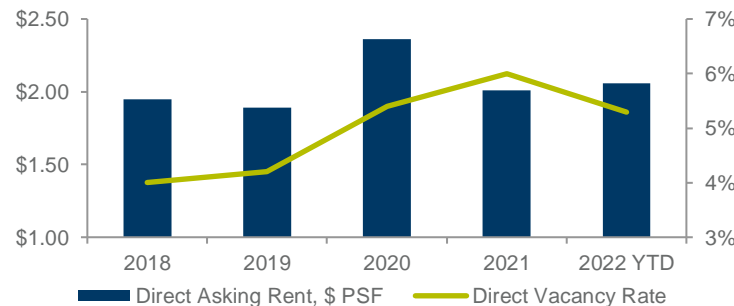
PRICING

Countywide direct asking rent across all classes increased slightly to \$2.06 per square foot (psf) on a monthly triple net basis, an increase of 2.0% QOQ and down 15.9% YOY. The average asking rent is currently \$0.12 above the 10-year quarterly average of \$1.94 psf. The YOY decrease is largely caused by the withdrawal of public asking rents at regional centers, affecting average asking rent calculations. Rents at lifestyle centers increased 13.5% to \$1.68 psf, while rents at strip centers increased 7.3% to \$2.35 psf QOQ.

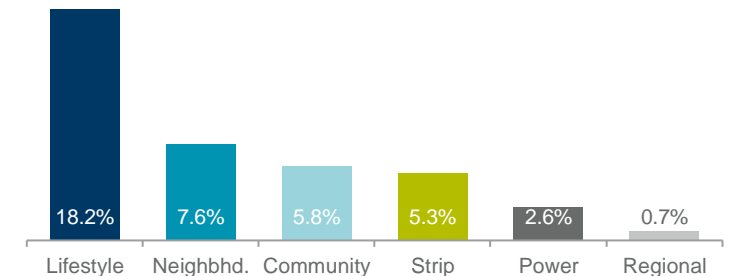
SALES ACTIVITY

The San Diego retail market recorded \$186 million in sales volume across 14 centers and 440,000 sf in Q2 2022 compared to \$455 million in Q1 2022 and \$387 million in Q2 2021. The average price was \$342 psf in Q2 2022 compared to \$296 in Q2 2021 (+15% YOY). In 2022 so far, private investors comprised 66% of buyers (vs. 69% in 2021) and 61% of sellers (vs. 74% 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	26,320,144	31,586	1,677,859	6.4%	202,592	235,272	42,700	\$2.01
Central County	21,808,584	57,201	1,012,749	4.6%	137,043	187,627	0	\$2.42
South County	20,630,458	13,590	1,007,476	4.9%	18,735	21,650	327,273	\$1.98
East County	12,050,186	13,282	582,780	4.8%	104,886	113,879	0	\$1.79
Community	19,775,048	23,357	962,532	4.9%	84,444	82,916	0	\$2.32
Lifestyle	3,240,289	23,905	185,945	5.7%	-15,945	-22,276	300,000	\$1.68
Neighborhood	24,016,007	49,474	1,433,345	6.0%	85,983	133,926	10,600	\$1.83
Power	11,801,952	9,904	420,856	3.6%	103,310	150,728	4,800	\$2.25
Regional	11,448,487	5,331	829,724	7.2%	155,983	159,012	0	-
Strip	10,527,589	3,688	448,462	4.3%	49,481	54,122	54,573	\$2.35
SAN DIEGO TOTALS	80,809,372	115,659	4,280,864	5.3%	463,256	558,428	369,973	\$2.06

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

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Creekside Marketplace	San Marcos	Total Wine & More	20,388	New
Castle Park Retail Center	Chula Vista	AutoZone	11,300	New
El Camino Promenade	Encinitas	5 Below	9,771	New
Navajo Shopping Center	La Mesa	Sola Salons	8,000	New
Plaza San Marcos	San Marcos	Club Tropics	7,518	Renewal

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
McGrath Center	Kearny Mesa	Clarion Partners & HP Investors / KPMC LLC	194,303	\$89.8M / \$462
San Diego Marketplace	Southeast San Diego	Hooman Dayani / K-Town Property LLC	70,721	\$12.0M / \$170
Midway Village	Point Loma/Sports Arena	Mohoff Family Trust / Ortho Properties	29,718	\$11.5M / \$387
7920 Hershel Ave.	UTC	PHP Management / SBR Family Trust	22,706	\$19.3M / \$850
559 N. Hale Ave.	Escondido	Carvana / STORE Capital Corporation	7,960	\$9.8M / \$1,226

Sources: ¹www.bls.gov ²Moody's Analytics economy.com 6/2022 ³Real Capital Analytics.

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