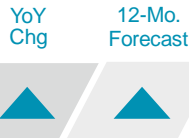


SAN DIEGO

Retail Q4 2022



\$97,600
Median HH Income



0.2%
Population Growth



3.2%
Unemployment Rate



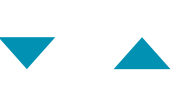
Source: US Census Bureau; BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q4 2022

0.4%
GDP Growth



8.5%
Consumer Spending Growth



8.4%
Retail Sales Growth



Source: BEA, Census Bureau

ECONOMIC OVERVIEW

The total nonfarm employment in San Diego grew by 48,400 or +3.2% year-over-year (YOY) between November 2021 through November 2022, with the leisure and hospitality sector accounting for the most significant gains or 19,900 jobs added (+10.9% YOY), followed by professional and business services adding 12,700 jobs (+4.6% YOY). During the same time, the monthly unemployment rate decreased from 4.5% last year to 3.3% and is currently 10 basis points (bps) above the quarterly average of 3.2%.¹

All employment sectors are expected to grow at a combined rate of 0.8% (+12,340 jobs) in 2023, while office employment is forecasted to contract by 1.5% (-5,610 jobs) and return to growth of 0.2% in 2024 (+670 jobs). The annual unemployment rate is forecasted to decrease from 3.6% in 2022 and 3.5% in 2023. San Diego's economy of \$260.0 billion as measured by 2022 gross regional product is forecasted to grow 1.2% in 2023.²

SUPPLY AND DEMAND

Retail overall vacancy, including sublease, decreased 10 bps quarter-over-quarter (QOQ) to 4.9% and is 120 bps lower than a year ago. The current vacancy is 20 bps below the 10-year quarterly average of 5.1% and 220 bps below the peak rate of 7.1% recorded in Q1 2011. Occupancy increased by 86,146 square feet (sf) across all center types in Q4 2022. Community centers absorbed the most space at 84,026 sf, followed by lifestyle centers at 34,309 sf. On annual basis, occupancy increased by over one million sf for the first time since 2016. There are currently eight projects totaling 339,350 sf under construction, the majority of which are in South County.

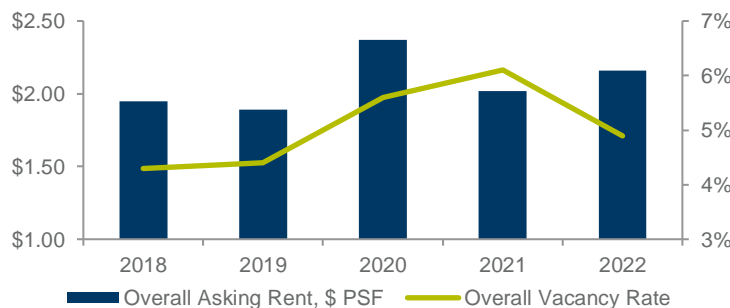
PRICING

Countywide overall asking rent across all classes increased to \$2.16 per square foot (psf) on a monthly triple net basis, an increase of 2.9% QOQ and up 6.9% YOY. The average asking rent is currently \$0.20 above the 10-year quarterly average of \$1.96 psf. Rents at lifestyle centers increased 13.5% to \$1.60 psf, while rents at strip centers increased 10.7% to \$2.48 psf YOY.

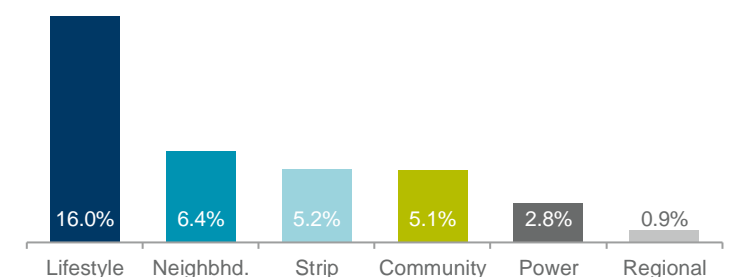
SALES ACTIVITY

The San Diego retail market recorded just \$98.7 million in sales volume across 14 centers and 203,380 sf in Q4 2022 compared to \$312.7 million in Q3 2022 (-68% QOQ) and \$258.9 million in Q4 2021 (-62% YOY). The average price was \$447 psf in Q4 2022 compared to \$297 in Q4 2021 (+51% YOY). In 2022, private investors comprised 70% of buyers (vs. 64% in 2021) and 80% of sellers (vs. 69% in 2021).³

RENT / VACANCY RATE



TOTAL AVAILABILITY BY PRODUCT TYPE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION	NET (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (All Center Types)
North County	26,436,486	14,357	1,451,877	5.5%	6,029	493,293		39,350	\$2.16
Central County	21,870,136	37,499	935,875	4.5%	53,779	259,221		0	\$2.72
South County	20,650,172	12,701	938,254	4.6%	57,121	102,813		300,000	\$2.02
East County	11,936,801	13,282	551,810	4.7%	-30,783	146,459		0	\$1.83
Community	19,560,555	25,472	778,180	4.1%	84,026	246,078		0	\$2.42
Lifestyle	3,240,289	23,905	136,790	5.0%	34,309	13,005		300,000	\$1.60
Neighborhood	24,137,641	11,270	1,259,964	5.3%	-8,898	361,365		2,750	\$1.87
Power	11,778,503	6,515	410,565	3.5%	-10,959	166,944		5,000	\$2.25
Regional	11,448,487	6,432	847,981	7.5%	0	139,005		0	-
Strip	10,728,120	4,245	444,336	4.2%	-12,332	75,389		31,600	\$2.48
SAN DIEGO TOTALS	80,893,595	77,839	3,877,816	4.9%	86,146	1,001,786		339,350	\$2.16

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Tri-City Crossroads	Oceanside	Modern Airsoft	15,000	New
Seaport Village	Downtown	Cork & Batter	7,989	New
Creekside Marketplace	San Marcos	Steakhouse & Saloon	6,842	New
Westbluff Plaza	Carlsbad	Alejandra's Restaurant	5,604	New
Daley Square	Kearny Mesa	Brute Force Games	4,786	New

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
635 N. Broadway	Escondido	Stater Bros. / Escocoo LLC	44,047	\$6.8M / \$153
2770-2840 Via de la Valle	Del Mar	P&G Company / Kleege Enterprises	29,779	\$19.5M / \$655
3727-3247 Convoy St.	Kearny Mesa	Strategic Assets Group / Vital 1031 LLC	24,995	\$6.6M / \$263
Mission Square Center	Mission Valley	Sidney Properties / Universal Standard Housing	23,760	\$13.1M / \$551
3005 Midway	Sports Arena	Walgreens / Dominion International	15,033	\$11.7M / \$776

Sources: ¹www.bls.gov²Moody's Analytics economy.com 12/2022 ³Real Capital Analytics.

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