

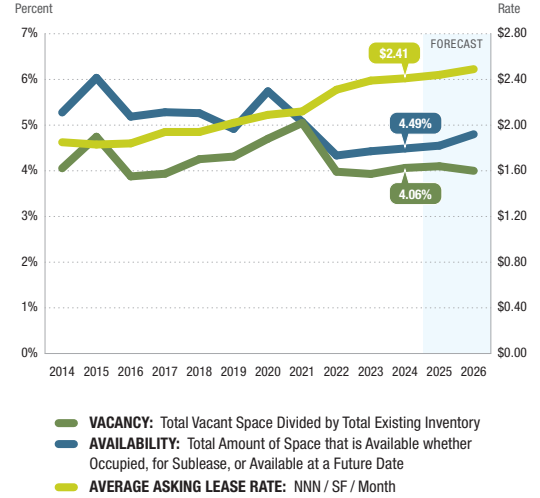
**OVERVIEW.** There was positive net absorption in Q4 coupled with a modest decrease in the market vacancy, along with an increase in the average asking rental rate. The focal points for the San Diego retail market remain the limited construction pipeline and the ongoing redevelopment of obsolete retail sites. Store closures spiked in 2024, providing a supply of available sites in lieu of new construction. Overall the San Diego market remains largely stable, with the vacancy rate at the end of 2024 falling in line with the levels seen in 2018 and 2019.

**VACANCY & AVAILABILITY.** Direct/sublease space (unoccupied) finished Q4 2024 at 4.06%, 13 basis points above the vacancy rate of Q4 2023. Vacancy measures the amount of space which is unoccupied regardless of whether it is being marketed for sale or lease. Availability measures the amount of space which is on the market, regardless of whether it is occupied. Direct/sublease space being marketed was 4.49% at the end of Q4. This is a 1.4% increase compared to Q4 2023. The gap between the vacancy rate and the availability rate was 43 basis points at the end of Q4. Over the past decade, the average gap between these two figures has been 95 basis points. Some of this change can be attributed to the anemic construction pipeline. Available properties under construction count towards the availability rate, but not the vacancy rate. The reported figure for available space underrepresents the “true” availability rate as many mall owners are not marketing all of their available space in the open market. Despite more than 4 MSF of new retail construction since the start of 2015, the total retail inventory for the county is the same now as it was then. San Diego real estate remains highly desirable, and obsolete retail sites continue to find higher and better uses. This culling of the retail property inventory has helped keep overall vacancy low.

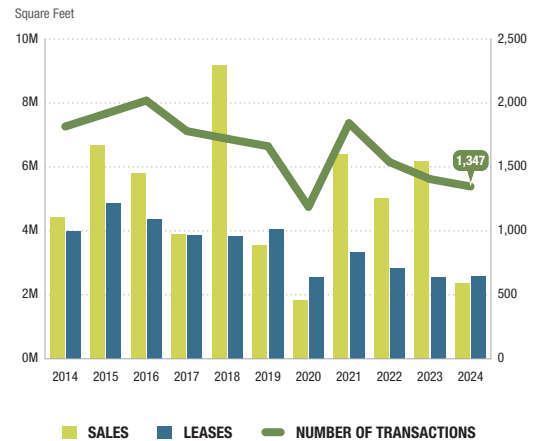
**LEASE RATES.** The average asking triple-net lease rate per month per square foot in San Diego County ended Q4 at \$2.41, which is an increase of 1.3% compared with Q4 2023’s rate of \$2.38. The average asking lease rate has increased a total of 19.3% from the pre-pandemic level. Typically, new construction acts as a catalyst for raising the average rental rate. In San Diego the construction pipeline has been below historical norms in recent years, but there has been an ongoing trend of redevelopment of functionally obsolete retail properties. This removes properties with the lowest rental rates from the market, pushing the average asking rate higher.

**TRANSACTION ACTIVITY.** The combined amount of retail property sold or leased during Q4 was approximately 0.8 MSF, a 44% decrease from Q4 2023’s total of 1.4 MSF. 62 retail buildings sold for a total of \$148 million in Q4, which is below the average over the past five years of \$332 million in sales per quarter. The largest sales of the quarter included a portfolio of small retail buildings in Little Italy which was acquired for redevelopment. Newport Beach-based buyer The Abraham Companies is planning a 153-unit residential project at the site. This has been a recurring theme, with redevelopment sales showing up among the most significant retail sales in San Diego County nearly every quarter.

### VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



### TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



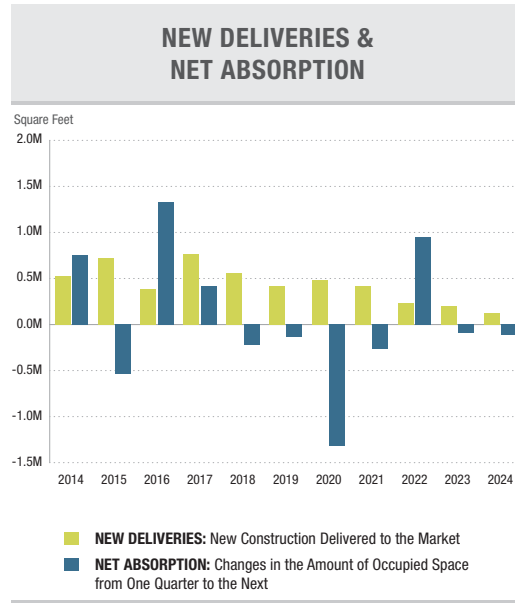
### Market Statistics

	Change Over Last Quarter	Q4 2024	Q3 2024	Q4 2023	% Change Over Last Year
Vacancy Rate	▼ DOWN	4.06%	4.20%	3.93%	3.36%
Availability Rate	▼ DOWN	4.49%	4.56%	4.43%	1.35%
Average Asking Lease Rate	▲ UP	\$2.41	\$2.39	\$2.38	1.26%
Sale & Lease Transactions	▼ DOWN	801,389	1,421,883	1,421,952	(43.64%)
Gross Absorption	▲ UP	791,457	638,825	861,210	(8.10%)
Net Absorption	▲ POSITIVE	197,082	99,547	178,741	N/A

**ABSORPTION.** There were 197,082 SF of positive net absorption in Q4 bringing the total net absorption in 2024 to negative 108,766, marking the second consecutive year of negative net absorption. Store closures across the U.S. outpaced openings in 2024, which led to a decrease in the total retail tenant footprint. Retailers closing stores run the gamut from Big Lots to Rite Aid to Macy's.

**CONSTRUCTION.** There were 120,421 SF of new construction deliveries in 2024. This level of construction marks the fourth consecutive year of reaching a new decade low. Over the four most recent calendar years the market has seen an average of 242,249 SF of annual deliveries, compared to the 559,874 SF annual average in the preceding four-year period. Traditional ground-up shopping center development constitutes less of the construction pipeline than in the past. One redevelopment accounts for the majority of the space under construction at the end of 2024, with 300,000 SF coming from the repositioning of Horton Plaza mall in Downtown San Diego. San Diego has perennially been a supply-constrained market for retail real estate. Amidst the ongoing competition from e-commerce, there remains little appetite by developers to ramp up any large-scale brick-and-mortar developments at this time. Additionally, new retail property development often follows new residential development, and in San Diego County there is relatively little residential development occurring.

**EMPLOYMENT.** The unemployment rate in San Diego County was 4.6% in November 2024, down from a revised 4.7% in October 2024, and above the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 5.3% for California and 4.0% for the nation during the same period. Over the 12-month period between November 2023 and November 2024, San Diego County employment increased by 8,900 jobs, an increase of 0.6%. With the normal delay in reporting from the California EDD, employment figures from December were unavailable at the time of publishing this report. For the nation as a whole, 256,000 jobs were added in December, for a total of 2.2 million jobs added in 2024.



## Forecast

The limited supply pipeline in San Diego keeps the market stable. We predict the overall retail property inventory will continue contracting somewhat in the coming years, helping to keep vacancy levels from rising significantly. Leasing volume was and is below historic norms, which will dampen net absorption for the coming quarters. The Federal Reserve is expected to maintain a cautious approach, potentially holding interest rates higher for longer to combat persistent inflation. This could restrain borrowing and investment activity in the coming quarters.

## Significant Transactions

### Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
437 S. Highway 101	Solana Beach	55,580	\$32,125,000	Capstone Advisors	GEM Realty Capital
1555 Camino De La Reina	Mission Valley	185,051	\$18,000,000	BLT Enterprises	Macy's
1844 India St.	Little Italy	13,075	\$17,900,000	The Abraham Companies	H.G. Daniels Co.
212 S. Cedros Ave.	Solana Beach	15,075	\$14,950,000	CJEJ, LLC	Brixton Capital
184 N. Coast Highway 101	Encinitas	2,556	\$10,500,000	RAF Pacifica Group	Gerald Sova Trust

### Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
609-661 Sweetwater Rd.	Spring Valley	24,609	Oct-2024	Burlington	Pacific View Companies
425 Santa Fe Dr.	Encinitas	20,100	Oct-2024	Worldwide Golf Shops	Excel
10765 Camino Ruiz	Mira Mesa	17,028	Oct-2024	Undisclosed	Mesa Centers
8694 Lake Murray Blvd.	La Mesa	16,123	Dec-2024	Dollar Tree	Regency Centers
3202 University Ave.	North Park	13,650	Oct-2024	Hope The Mission	(Sublease)

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2024	Square Feet Available	Availability Rate Q4 2024	Average Asking Lease Rate	Net Absorption Q4 2024	Net Absorption 2024	Gross Absorption Q4 2024	Gross Absorption 2024
<b>Central South</b>													
General Retail	3,716	21,534,112	33,009	598,909	705,082	3.27%	859,864	3.99%	\$2.84	14,441	9,977	144,659	559,351
Malls	65	3,751,576	300,000	0	31,781	0.85%	286,803	7.08%	-	(2,873)	(16,144)	3,773	8,276
Power Centers	90	3,366,564	0	3,000	178,421	5.30%	54,939	1.63%	-	4,039	17,899	4,039	28,770
Shopping Centers	721	11,129,329	0	0	507,371	4.56%	663,866	5.97%	\$2.31	(23,773)	(43,368)	54,995	274,910
Specialty Centers	6	240,606	0	0	12,335	5.13%	14,283	5.94%	-	11,744	2,540	11,744	41,074
<b>Central South Total</b>	<b>4,598</b>	<b>40,022,187</b>	<b>333,009</b>	<b>601,909</b>	<b>1,434,990</b>	<b>3.59%</b>	<b>1,879,755</b>	<b>4.66%</b>	<b>\$2.65</b>	<b>3,578</b>	<b>(29,096)</b>	<b>219,210</b>	<b>912,381</b>
<b>East County</b>													
General Retail	1,453	7,457,950	6,077	38,442	109,864	1.47%	121,818	1.63%	\$1.91	11,857	631	33,833	142,450
Malls	22	2,317,041	0	38,100	411,443	17.76%	295,831	12.77%	-	(6,941)	(166,941)	0	0
Power Centers	55	1,518,151	0	0	30,225	1.99%	34,506	2.27%	\$3.00	0	7,473	0	12,000
Shopping Centers	568	8,254,955	0	282,752	375,121	4.54%	449,054	5.44%	\$1.86	(30,493)	(34,950)	20,151	131,013
Specialty Centers	2	34,558	0	0	0	0.00%	0	0.00%	-	0	0	0	0
<b>East County Total</b>	<b>2,100</b>	<b>19,582,655</b>	<b>6,077</b>	<b>359,294</b>	<b>926,653</b>	<b>4.73%</b>	<b>901,209</b>	<b>4.60%</b>	<b>\$1.90</b>	<b>(25,577)</b>	<b>(193,787)</b>	<b>53,984</b>	<b>285,463</b>
<b>I-15 Corridor</b>													
General Retail	173	1,647,097	5,274	197,420	17,278	1.05%	24,517	1.48%	\$3.86	12,533	(7,426)	13,759	21,059
Malls	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
Power Centers	24	575,544	0	0	4,327	0.75%	6,085	1.06%	-	3,054	3,054	3,054	4,254
Shopping Centers	294	4,225,756	0	11,393	98,935	2.34%	160,348	3.79%	\$3.09	24,006	50,211	30,918	145,219
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
<b>I-15 Corridor Total</b>	<b>491</b>	<b>6,448,397</b>	<b>5,274</b>	<b>208,813</b>	<b>120,540</b>	<b>1.87%</b>	<b>190,950</b>	<b>2.96%</b>	<b>\$3.28</b>	<b>39,593</b>	<b>45,839</b>	<b>47,731</b>	<b>170,532</b>
<b>North County</b>													
General Retail	1,685	11,833,510	34,141	176,075	527,885	4.46%	495,857	4.18%	\$2.34	(21,982)	29,113	56,636	268,121
Malls	26	2,893,354	0	0	427,150	14.76%	132,770	4.59%	-	0	0	0	0
Power Centers	104	3,087,845	0	4,000	161,240	5.22%	221,985	7.19%	-	6,170	(38,290)	10,383	52,244
Shopping Centers	986	15,028,427	4,670	312,578	672,992	4.48%	907,916	6.04%	\$1.91	113,037	91,997	185,518	545,741
Specialty Centers	5	368,640	0	0	0	0.00%	0	0.00%	-	0	370	0	370
<b>North County Total</b>	<b>2,806</b>	<b>33,211,776</b>	<b>38,811</b>	<b>492,653</b>	<b>1,789,267</b>	<b>5.39%</b>	<b>1,758,528</b>	<b>5.29%</b>	<b>\$2.03</b>	<b>97,225</b>	<b>83,190</b>	<b>252,537</b>	<b>866,476</b>
<b>Central North</b>													
General Retail	863	7,086,063	31,666	5,000	184,564	2.60%	208,347	2.93%	\$3.56	27,891	(46,685)	71,305	184,138
Malls	19	1,711,365	0	0	101,763	5.95%	50,894	2.97%	\$1.65	0	(7,136)	0	0
Power Centers	67	2,205,378	0	0	52,846	2.40%	66,950	3.04%	-	3,710	9,809	3,710	27,677
Shopping Centers	452	6,590,439	0	333,500	323,865	4.91%	430,654	6.53%	\$3.20	12,401	(38,046)	59,532	217,785
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Central North Total</b>	<b>1,401</b>	<b>17,593,245</b>	<b>31,666</b>	<b>338,500</b>	<b>663,038</b>	<b>3.77%</b>	<b>756,845</b>	<b>4.29%</b>	<b>\$3.20</b>	<b>44,002</b>	<b>(82,058)</b>	<b>134,547</b>	<b>429,600</b>
<b>South County</b>													
General Retail	1,137	6,067,990	28,276	231,554	108,013	1.78%	139,263	2.28%	\$2.53	18,633	12,599	49,147	111,923
Malls	43	2,340,725	0	0	21,325	0.91%	0	0.00%	-	0	0	0	1,576
Power Centers	33	1,030,668	0	6,000	0	0.00%	0	0.00%	-	0	0	0	0
Shopping Centers	550	9,233,517	0	94,683	472,993	5.12%	511,254	5.54%	\$2.26	19,628	52,314	34,301	137,461
Specialty Centers	27	755,044	0	0	0	0.00%	0	0.00%	-	0	2,233	0	3,597
<b>South County Total</b>	<b>1,790</b>	<b>19,427,944</b>	<b>28,276</b>	<b>332,237</b>	<b>602,331</b>	<b>3.10%</b>	<b>650,517</b>	<b>3.34%</b>	<b>\$2.34</b>	<b>38,261</b>	<b>67,146</b>	<b>83,448</b>	<b>254,557</b>
<b>San Diego Total</b>													
<b>San Diego Total</b>	<b>13,186</b>	<b>136,286,204</b>	<b>443,113</b>	<b>2,333,406</b>	<b>5,536,819</b>	<b>4.06%</b>	<b>6,137,804</b>	<b>4.49%</b>	<b>\$2.41</b>	<b>197,082</b>	<b>(108,766)</b>	<b>791,457</b>	<b>2,919,009</b>
General Retail	9,027	55,626,722	138,443	1,247,400	1,652,686	2.97%	1,849,666	3.32%	\$2.72	63,373	(1,791)	369,339	1,287,042
Malls	175	13,014,061	300,000	38,100	993,462	7.63%	766,298	5.76%	\$1.65	(9,814)	(190,221)	3,773	9,852
Power Centers	373	11,784,150	0	13,000	427,059	3.62%	384,465	3.26%	\$3.00	16,973	(55)	21,186	124,945
Shopping Centers	3,571	54,462,423	4,670	1,034,906	2,451,277	4.50%	3,123,092	5.73%	\$2.19	114,806	78,158	385,415	1,452,129
Specialty Centers	40	1,398,848	0	0	12,335	0.88%	14,283	1.02%	\$1.60	11,744	5,143	11,744	45,041
<b>San Diego Total</b>	<b>13,186</b>	<b>136,286,204</b>	<b>443,113</b>	<b>2,333,406</b>	<b>5,536,819</b>	<b>4.06%</b>	<b>6,137,804</b>	<b>4.49%</b>	<b>\$2.41</b>	<b>197,082</b>	<b>(108,766)</b>	<b>791,457</b>	<b>2,919,009</b>

Lease rates are on a triple-net basis.



## Rising Demand Amid Shifting Dynamics

by **Max Stone**

VICE PRESIDENT / PARTNER, SAN DIEGO

858.458.3348 · mstone@voitco.com · Lic. #01944151

Despite a significant rise in the cost of debt over the past year — particularly in the last quarter — prices in both the leasing and sales markets have continued to climb steadily. San Diego remains a safe haven for investors seeking legacy assets in a market characterized by consistent appreciation. Geographic barriers and the region’s appealing climate continue to attract investors nationwide.

Over the past year, I assisted six investors in selling their San Diego properties. Interestingly, their motivations were not driven by the traditional “three D’s” of real estate: death, divorce, or debt. Instead, their decisions were influenced by California’s political climate. Concerns such as rising crime rates, the threat of higher taxes, and challenges posed by increasing minimum wage laws — which have hindered certain tenants’ ability to operate — were key factors. After selling their California portfolios, these investors have shown no interest in returning to the state and have relocated their personal residences elsewhere. While private wealth continues to leave California for other parts of the country, predominantly “red states,” private and institutional capital has stepped in to fill the void. This influx has caused demand to outpace supply, driving down cap rates and accelerating both sale and lease rates in San Diego at a faster pace than in San Francisco or Los Angeles. In reality, private and institutional investors without urgent personal reasons to sell are holding onto their San Diego assets, leading to a significant drop in total sales volume. Demand continues to far outstrip supply, and sellers who secured low-rate debt 3–4 years ago have little incentive to sell. Vacated big-box retail spaces have been swiftly repurposed and re-leased by gyms, dollar stores, and other tenants. Rite Aid has successfully restructured leases and settled debts through Chapter 11 bankruptcy. Meanwhile, small shop spaces remain highly sought after, particularly those under 1,800 square feet, as investors chase annual rent increases of 3% or more.

Two key trends are shaping the market. First, Blackstone’s \$4 billion acquisition of ROIC has significantly boosted the retail investment sales volume. Second, the bankruptcy and store closures of major retailers — such as Rite Aid, 99 Cents Only, Walgreens, and Big Lots — highlight shifts in the retail landscape. Looking ahead, big-box retail is likely to remain in flux, with low-budget retailers facing challenges from e-commerce competition and shifting consumer preferences. However, small shop spaces will continue to command premium lease rates due to limited supply. Sales volume may see a slight uptick if owners opt not to refinance five-year loan terms. With limited new retail development, existing retail assets are expected to appreciate further, and rental rates are likely to rise steadily.

### Please Contact Us for Further Information

**Joshua Brant**  
Regional Director of Research  
jbrant@voitco.com

Anaheim, CA  
714.978.7880

Carlsbad, CA  
760.472.5620

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Los Angeles, CA  
424.329.7500

San Diego, CA  
858.453.0505

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services’ use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

## Submarkets

### CENTRAL SOUTH

Central San Diego, Clairemont, Coronado, Downtown, Mission Gorge, Mid City/Southeast San Diego, Mission Valley, Pacific Beach/Morena, Point Loma/Sports Arena

### EAST COUNTY

El Cajon, La Mesa, Lemon Grove/Spring Valley, Santee/Lakeside

### I-15 CORRIDOR

Carmel Mountain Ranch, Poway, Rancho Bernardo, Rancho Penasquitos

### CENTRAL NORTH

Cardiff/Encinitas, Del Mar Heights, La Jolla/Torrey Pines, Miramar, UTC

### NORTH COUNTY

Carlsbad, Escondido, Oceanside, San Marcos, Vista

### SOUTH COUNTY

Chula Vista, Eastlake, Imperial Beach/South San Diego, National City