

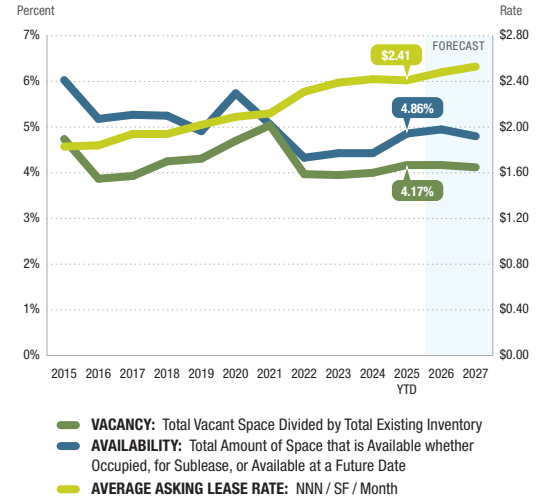
OVERVIEW. There was negative net absorption in Q1 coupled with a modest increase in the market vacancy, and the market average asking rental rate was unchanged. The theme for the San Diego retail market remains the limited new-construction pipeline and ongoing redevelopment of obsolete retail sites. The pace of store closures remains elevated. Overall, the San Diego market remains largely stable, with the vacancy rate at the start of 2025 falling in line with the levels seen in 2018 and 2019.

VACANCY & AVAILABILITY. Direct/sublease space (unoccupied) finished Q1 2025 at 4.17%, 17 basis points above the vacancy rate of Q4 2024. 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 4.86% at the end of Q1. This is a 4.3% increase compared to Q1 2024. The 2024 surge of store closures has moved the vacancy rate significantly higher. 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 5 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.

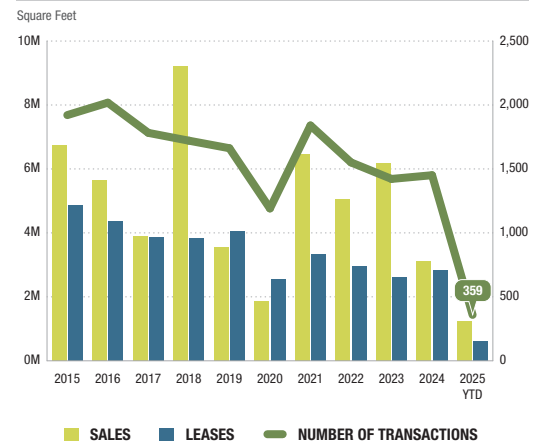
LEASE RATES. The average asking triple-net lease rate per month per square foot in San Diego County ended Q1 at \$2.41, unchanged from the prior quarter, but a decrease of 1.2% compared with Q1 2024’s rate of \$2.44. The average asking lease rate has increased a total of 18.1% from the pre-pandemic level of five years ago. 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 Q1 was approximately 1.8 MSF, a 54% increase from Q1 2024’s total of 1.2 MSF. 76 retail buildings sold for a total of \$193 million in Q1, which is below the average over the past three years of \$375 million in sales per quarter. The trend of retail properties acquired for redevelopment persisted in Q1 with four of the five largest sales of the quarter being bought for imminent or future redevelopment. The largest sale of the quarter was the Costa Verde Center, following Alexandria’s decision not to move forward with a biotech-focused project at the shuttered shopping center. The new buyer, Global Mutual, plans on developing a mixed-use property heavy on the residential component. This has been a recurring theme, with redevelopment sales showing up among significant retail real estate sales in San Diego County nearly every quarter.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

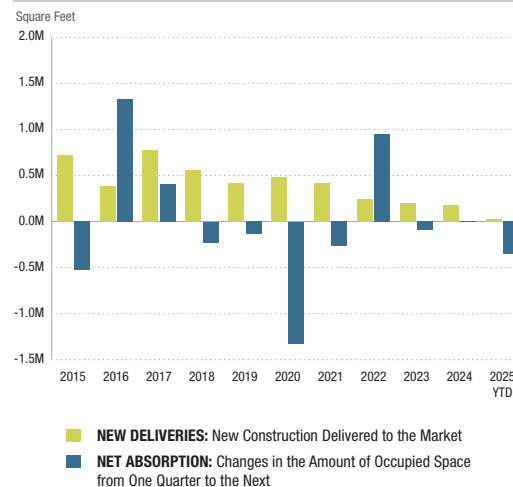
	Change Over Last Quarter	Q1 2025	Q4 2024	Q1 2024	% Change Over Last Year
Vacancy Rate	▲ UP	4.17%	4.00%	4.29%	(2.94%)
Availability Rate	▲ UP	4.86%	4.43%	4.66%	4.29%
Average Asking Lease Rate	▬ FLAT	\$2.41	\$2.41	\$2.44	(1.23%)
Sale & Lease Transactions	▲ UP	1,824,502	1,595,863	1,187,779	53.61%
Gross Absorption	▼ DOWN	715,366	823,295	778,726	(8.14%)
Net Absorption	▼ NEGATIVE	(356,079)	229,001	(465,048)	N/A

ABSORPTION. There were 356,079 SF of negative net absorption in Q1 2025. Both 2023 and 2024 saw greater than 400,000 SF of negative net absorption in the first quarter (following each year’s holiday season) but 2023 finished with less than 100,000 SF of negative net absorption, and 2024’s annual total had no meaningful negative net absorption. Coresight Research projects 15,000 retail stores will shut down in 2025, more than double the number of closures they registered for 2024. Store closures across the U.S. outpaced openings in 2024, which leads to a decrease in the total retail tenant footprint. Retailers closing stores run the gamut from Joann Fabrics, to Walgreens, to Forever 21.

CONSTRUCTION. There were 32,377 SF of new construction deliveries in Q1 2025, following 174,027 SF of completions in 2024. The 2024 new-construction total marked the fourth consecutive year of decline. Over the four most recent calendar years the market has seen an average of 258,518 SF of annual deliveries, compared to the 561,301 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 still accounts for the majority of the space under construction at the end of Q1, with 300,000 SF coming from the repositioning of Horton Plaza mall in Downtown San Diego. Beyond this redevelopment, the largest property under construction at the end of Q1 was an 85,000-square-foot Lifetime Fitness in Eastern Chula Vista. San Diego has perennially been a supply-constrained market for retail real estate. In light of 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 4.4% in February 2025, down from a revised 4.5% in January 2025, and above the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.5% for the nation during the same period. Over the 12-month period between February 2024 and February 2025, San Diego County employment increased by 9,900 jobs, an increase of 0.6%. With the normal delay in reporting from the California EDD, employment figures from March were unavailable at the time of publishing this report. For the nation as a whole, 228,000 jobs were added in March, while the seasonally adjusted U.S. unemployment rate increased from 4.1% to 4.2%.

NEW DELIVERIES & NET ABSORPTION



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. Q2 2025 will likely see some level of trepidation as retailers grapple with tariffs. Leasing and sales activity levels project to be constrained while tenants and landlords wait for clarity within the changing market landscape.

Significant Transactions

Sales					
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
8505 Costa Verde Blvd.	UTC	178,619	\$124,000,000	Global Mutual	Alexandria Real Estate Equities
8990–8998 Miramar Rd.	Miramar	170,467	\$30,575,000	Pacifica Companies	8990 Miramar Landing, LP
1033 B Ave.	Coronado	27,001	\$19,718,000	Chabad of Coronado	Rivendell Global Real Estate
3231 Oceanside Blvd.	Oceanside	3,967 (68 Acres)	\$18,000,000	Terracom Development	Moon Valley Nurseries
3304–3320 Mission Ave.	Oceanside	34,625	\$11,560,000	Family Health Centers of SD	ABH1, LLC
Leases					
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
390 E. H St.	Chula Vista	51,637	Mar 2025	Undisclosed	DWS
8657 Villa La Jolla Dr.	UTC	34,875	Feb 2025	PetSmart (Renewal)	Heitman
8790 Grossmont Blvd.	La Mesa	23,000	Jan 2025	TJ Maxx	Sunbelt Investment Holdings
2230 Otay Lakes Rd.	Chula Vista	20,173	Mar 2025	Total Wine	Rite Aid
1531 Mission Ave.	Oceanside	10,695	Mar 2025	Undisclosed	Stoff Trust

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2025	Square Feet Available	Availability Rate Q1 2025	Average Asking Lease Rate	Net Absorption Q1 2025	Net Absorption 2025	Gross Absorption Q1 2025	Gross Absorption 2025
Central South													
General Retail	3,720	21,796,953	11,209	663,709	724,330	3.32%	905,762	4.15%	\$2.88	(19,172)	(19,172)	149,703	149,703
Malls	65	3,751,576	300,000	0	35,909	0.96%	305,165	7.53%	-	(4,128)	(4,128)	5,872	5,872
Power Centers	89	3,206,564	0	6,000	27,406	0.85%	66,855	2.08%	-	(8,985)	(8,985)	3,015	3,015
Shopping Centers	715	11,091,345	0	0	526,429	4.75%	772,497	6.96%	\$2.30	(12,189)	(12,189)	73,493	73,493
Specialty Centers	6	240,606	0	0	12,649	5.26%	12,847	5.34%	-	(314)	(314)	914	914
Central South Total	4,595	40,087,044	311,209	669,709	1,326,723	3.31%	2,063,126	5.11%	\$2.66	(44,788)	(44,788)	232,997	232,997
East County													
General Retail	1,460	7,547,100	6,077	38,442	141,481	1.87%	178,287	2.36%	\$1.91	(31,047)	(31,047)	31,434	31,434
Malls	22	2,317,041	0	38,100	404,943	17.48%	300,223	12.96%	-	6,500	6,500	6,500	6,500
Power Centers	55	1,518,151	0	0	36,625	2.41%	36,346	2.39%	-	(6,400)	(6,400)	3,000	3,000
Shopping Centers	566	8,232,692	0	239,173	358,116	4.35%	432,855	5.26%	\$1.69	16,435	16,435	74,511	74,511
Specialty Centers	2	34,558	0	0	0	0.00%	0	0.00%	-	0	0	0	0
East County Total	2,105	19,649,542	6,077	315,715	941,165	4.79%	947,711	4.82%	\$1.77	(14,512)	(14,512)	115,445	115,445
I-15 Corridor													
General Retail	173	1,682,045	18,802	178,292	12,678	0.75%	31,167	1.83%	\$3.86	4,600	4,600	7,000	7,000
Malls	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
Power Centers	24	575,544	0	0	3,427	0.60%	3,427	0.60%	-	900	900	900	900
Shopping Centers	294	4,224,206	0	11,393	135,049	3.20%	203,080	4.81%	\$3.13	(36,114)	(36,114)	17,482	17,482
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
I-15 Corridor Total	491	6,481,795	18,802	189,685	151,154	2.33%	237,674	3.66%	\$3.29	(30,614)	(30,614)	25,382	25,382
North County													
General Retail	1,689	11,859,749	28,742	176,575	572,950	4.83%	545,358	4.59%	\$2.40	(39,028)	(39,028)	49,223	49,223
Malls	26	2,893,354	0	0	427,150	14.76%	150,544	5.20%	\$1.69	0	0	0	0
Power Centers	104	3,087,845	0	4,000	170,049	5.51%	265,115	8.59%	\$3.00	(8,809)	(8,809)	23,000	23,000
Shopping Centers	988	15,002,152	0	268,745	649,146	4.33%	903,605	6.02%	\$1.95	26,713	26,713	117,161	117,161
Specialty Centers	5	368,640	0	0	0	0.00%	0	0.00%	-	0	0	0	0
North County Total	2,812	33,211,740	28,742	449,320	1,819,295	5.48%	1,864,622	5.61%	\$2.09	(21,124)	(21,124)	189,384	189,384
Central North													
General Retail	868	7,196,914	24,479	5,000	184,430	2.56%	227,962	3.16%	\$3.66	3,373	3,373	45,969	45,969
Malls	19	1,712,028	0	0	110,347	6.45%	61,875	3.61%	\$1.65	(8,584)	(8,584)	0	0
Power Centers	67	2,205,378	0	0	96,753	4.39%	57,732	2.62%	-	(43,907)	(43,907)	3,299	3,299
Shopping Centers	449	6,553,965	0	333,500	344,722	5.26%	465,150	7.10%	\$3.09	(92,613)	(92,613)	33,704	33,704
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Central North Total	1,403	17,668,285	24,479	338,500	736,252	4.17%	812,719	4.59%	\$3.19	(141,731)	(141,731)	82,972	82,972
South County													
General Retail	1,141	5,875,218	113,026	215,846	117,625	2.00%	150,456	2.51%	\$2.76	(7,862)	(7,862)	26,254	26,254
Malls	44	2,408,296	0	0	80,747	3.35%	59,422	2.47%	-	(59,422)	(59,422)	0	0
Power Centers	33	1,030,668	0	3,000	0	0.00%	0	0.00%	-	0	0	0	0
Shopping Centers	549	9,242,142	0	90,523	511,364	5.53%	516,524	5.59%	\$2.26	(34,211)	(34,211)	42,932	42,932
Specialty Centers	27	755,044	0	0	1,815	0.24%	1,815	0.24%	\$4.00	(1,815)	(1,815)	0	0
South County Total	1,794	19,311,368	113,026	309,369	711,551	3.68%	728,217	3.75%	\$2.37	(103,310)	(103,310)	69,186	69,186
San Diego Total													
San Diego Total	13,200	136,409,774	502,335	2,272,298	5,686,140	4.17%	6,654,069	4.86%	\$2.41	(356,079)	(356,079)	715,366	715,366
General Retail	9,051	55,957,979	202,335	1,277,864	1,753,494	3.13%	2,038,992	3.63%	\$2.76	(89,136)	(89,136)	309,583	309,583
Malls	176	13,082,295	300,000	38,100	1,059,096	8.10%	877,229	6.56%	\$1.67	(65,634)	(65,634)	12,372	12,372
Power Centers	372	11,624,150	0	13,000	334,260	2.88%	429,475	3.69%	\$3.00	(67,201)	(67,201)	33,214	33,214
Shopping Centers	3,561	54,346,502	0	943,334	2,524,826	4.65%	3,293,711	6.06%	\$2.20	(131,979)	(131,979)	359,283	359,283
Specialty Centers	40	1,398,848	0	0	14,464	1.03%	14,662	1.05%	\$4.00	(2,129)	(2,129)	914	914
San Diego Total	13,200	136,409,774	502,335	2,272,298	5,686,140	4.17%	6,654,069	4.86%	\$2.41	(356,079)	(356,079)	715,366	715,366

Lease rates are on a triple-net basis.



A New Tariff In Town

by **Spencer Kerrigan**

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Following the announcement of the overarching tariffs that would be going into effect moving forward after April 2nd I had to scrap the original draft for this editorial. As of this writing, the overall tariff rate is approximated at 22.5%, but varies based on country and product. If we use 22.5% as a benchmark, one can assume that a large chunk of that will be passed on to the already suffering consumer. Coming out of the worst inflation of the last 30 years, the consumer is already getting less for more, but with tariffs coming, the erosion of the dollar is sure to continue. Considering 70% of GDP is made up of consumer spending, the looming pullback could precipitate a recession, but only time will tell. As we all had to wait and see what the final tariffs would look like, we will also have to see what their lasting impacts on the economy will be.

Part of my original narrative was the return of the 10-year treasury to historic norms. As of the last week of March, the 10-year treasury sat at about 4.2%, relatively consistent with the last six months (which was 4.4%), and consistent with the historical average of about 4.4% over the last 30 years. As of the first week of April, we have seen the 10-year dip into the 3.8% range, a peak-to trough-drop of 39 basis points in just a few days, with some bounce back to about 4.0%. Generally lower rates are good for commercial real estate and capital markets, but they also indicate a flight to safety in an unsure time. Much of my first draft was a theme of wait and see, which is the usual strategy during the first few months of a new administration. I'm still advocating a wait-and-see approach, but now it's with regard to the effect of tariffs that are increasing or decreasing from one week to the next. It's also going to take some time to see how this will affect the overall economy, as consumer spending is sure to suffer. Combined with the austerity efforts of the administration, overall GDP is likely to slow, and the threat of recession looms.

While San Diego is certainly not immune to macroeconomics, we are somewhat insulated by being such a vigorous commercial real estate market. San Diego is a highly desirable market that benefits from strong appreciation and low vacancy. Our retail vacancy rate has not been above 5% in the last 30 years, except for a brief stint during the peak of Covid. Capital has been patient for the last couple of years, with both investors and lenders being picky. So, while a recessionary economic environment is generally not ideal, it could open up some opportunities for capital that has been patiently waiting.

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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