THIRD QUARTER 2025 MARKET REPORT

SAN DIEGO RETAIL

Voit REAL ESTATE SERVICES

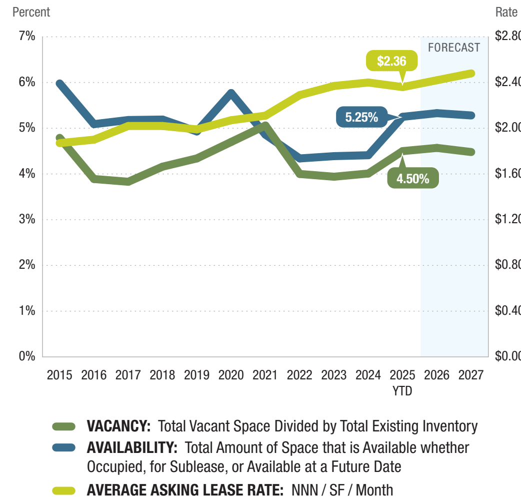
OVERVIEW. Overall supply and demand in the San Diego retail real estate market have been in balance for the past two years, albeit this balance has come from proportional reduction rather than growth. There has been a shift in 2025 resulting in the availability rate increasing by more than three quarters a percentage point. The pace of store closures remains elevated, and consumer confidence is down due to economic uncertainty. Sales activity had a good showing thus far in 2025, reflecting the optimistic long-term outlook for the supply-constrained San Diego retail real estate.

VACANCY & AVAILABILITY. Direct / sublease space (unoccupied) finished Q3 2025 at 4.5%, 36 basis points above the vacancy rate of Q3 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 5.25% at the end of Q3. This is an increase of 77 basis points compared with Q3 2024. The surge of store closures over the past year has moved the vacancy and availability rates 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. The total retail inventory for the county is slightly below the level of a decade ago, despite the millions of square feet of new retail buildings that were constructed during that time. 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.

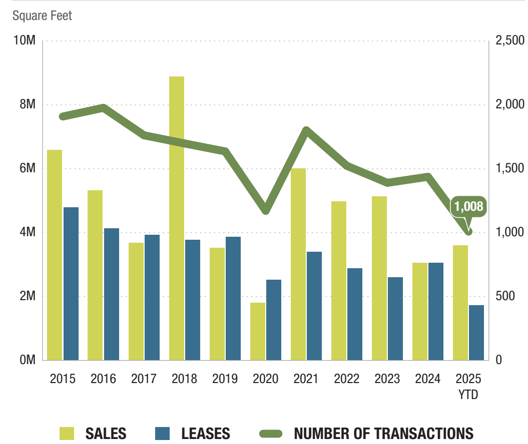
LEASE RATES. The average asking triple-net lease rate per month per square foot in San Diego County ended Q3 at $2.36, a two-cent, or 0.8%, decrease compared with Q3 2024. The average asking lease rate has increased a total of 17% from the pre-pandemic level of five years ago. The 17% increase is a modest figure when considering that it falls short of total CPI inflation over the same period. 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 Q3 was approximately 2 MSF, a 34% increase from Q3 2024's total of 1.5 MSF. 81 retail buildings sold for a total of $361 million in Q3. The quarterly sales volume has now exceeded $300 million for six consecutive quarters, compared to only two quarters over that mark in the preceding six quarters. The largest retail sales of Q3 once again included a retail property sold for redevelopment in Uptown. This reflects an ongoing trend of obsolete properties being redeveloped for higher and better uses. There were 240 lease transactions recorded in Q3 totaling 565,035 SF. This brings the tally for 2025 to 743 lease transactions totaling 1.7 MSF, an annualized pace of 2.3 MSF of lease activity compared to 3.1 MSF in 2024, and 2.6 MSF in

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter		Q3 2025	Q2 2025	Q3 2024	% Change Over Last Year
Vacancy Rate	▲	UP	4.50%	4.37%	4.14%	8.48%
Availability Rate	▲	UP	5.25%	5.01%	4.48%	17.05%
Average Asking Lease Rate	▼	DOWN	$2.36	$2.41	$2.38	(0.84%)
Sale & Lease Transactions	▲	UP	1,984,093	1,536,028	1,481,884	33.89%
Gross Absorption	▼	DOWN	793,461	821,679	626,246	26.70%
Net Absorption	▼	NEGATIVE	(159,387)	(202,502)	92,750	N/A

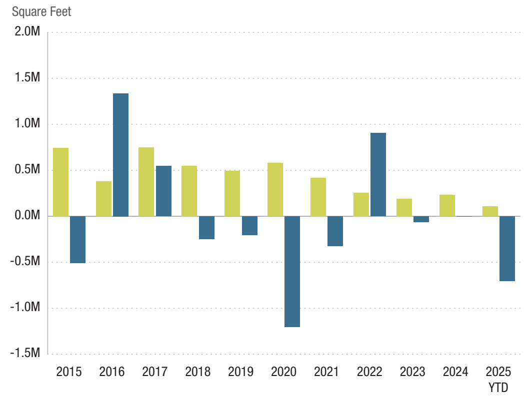
2023. Demand for the prime retail properties across the market remains hardy, while low-end properties have seen a decrease in demand leading to a net decrease in activity.

ABSORPTION. There were 159,387 SF of negative net absorption in Q3 2025, bringing the total for the first three quarters of the year to just over 700,000 SF of negative net absorption. There has only been one calendar year with positive net absorption in the retail market since 2017. Coresight Research anticipates 15,000 retail stores will shut down nationally in 2025, more than double the number of closures they registered for 2024. Store closures across the U.S. continue to outpace openings in 2025, which leads to a decrease in the total retail tenant footprint. Retailers closing stores run the gamut from Rite Aid, to Petco, to Starbucks.

CONSTRUCTION. There were 105,009 SF of new construction deliveries in the first three quarters of 2025, which represents an annualized pace of 140,000 SF. Over the four most recent calendar years the market has seen an average of 248,680 SF of annual deliveries, compared with the 561,301 SF annual average in the preceding four-year period. At the end of Q3, there were 688,429 SF of retail properties under construction. The stalled redevelopment at Horton Plaza in Downtown accounted for 300,000 SF of this total. The mixed-use redevelopment of Downtown San Diego's regional mall is now in limbo following foreclosure by the lender in September. Traditional ground-up shopping center development constitutes less of the construction pipeline than in the past. Beyond this redevelopment, the largest property under construction at the end of Q3 was a 107,000-square-foot Home Depot in Mission Valley. San Diego has perennially been a supply-constrained market for retail real estate, but it is clear that the market is currently in an era of consistently low levels of construction. The ongoing growth of Ecommerce has translated into an increase in warehouse development, and a decrease of new retail construction.

EMPLOYMENT. The unemployment rate in San Diego County was 5.0% in August 2025, down from a revised 5.2% in July 2025, and above the year-ago estimate of 4.9%. This compares with an unadjusted unemployment rate of 5.8% for California and 4.5% for the nation during the same period. Over the 12-month period between August 2024 and August 2025, San Diego County employment increased by 7,700 jobs, an increase of 0.5%. With the normal delay in reporting from the California EDD, employment figures from September were unavailable at the time of publishing this report. For the nation as a whole, 22,000 jobs were added in August, while the seasonally adjusted U.S. unemployment rate increased from 4.2% to 4.3%, the highest unemployment rate since October 2021.

NEW DELIVERIES & NET ABSORPTION



NEW DELIVERIES: New Construction Delivered to the Market

NET ABSORPTION: Changes in the Amount of Occupied Space from One Quarter to the Next

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 quarters, helping to keep vacancy levels from rising significantly. Leasing market fundamentals will remain under pressure heading into the end of 2025, as retailers and consumers navigate the ongoing trade war.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
2501-2561 El Camino Real	Carlsbad	880,855	$71,500,000	Sheerpoit Capital I Steelwave	Brookfield Properties
789 W Harbor Dr. (Ground Leasehold)	Downtown	73,823	$34,875,000	LBX Investments	TRC Retail
11465-11495 Carmel Mountain Rd.	Carmel Mountain Ranch	44,231	$21,350,000	Ares Management I Brixton Capital	Ben Tipp Testimentary-Gateway, LLC
2941-2965 5th Ave.	Uptown	12,838	$20,460,000	Ascentris, LLC	Palm Properties, LP
15727-15731 Bernardo Heights Pkwy.	Carmel Mountain Ranch	37,729	$16,026,000	Global Investment & Development	Blackstone

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1385 E. Main St.	El Cajon	25,911	Sep-2025	Undisclosed	East Main Property, LLC
212-222 N. El Camino Real	Encinitas	24,000	Jul-2025	Nordstrom Rack	Kimco Realty
449 College Blvd.	Oceanside	20,250	Jul-2025	Undisclosed	Frank Mission Marketplace, LLC
8805 Murray Dr.	La Mesa	19,837	Jul-2025	Undisclosed	Cush Enterprises
825 N Harbor Dr.	Downtown	17,851	Aug-2025	Undisclosed	IQHQ

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2025	Square Feet Available	Availability Rate Q3 2025	Average Asking Lease Rate	Net Absorption Q3 2025	Net Absorption 2025	Gross Absorption Q3 2025	Gross Absorption 2025
Central South													
General Retail	3,639	19,512,466	143,633	518,709	599,057	3.07%	791,703	4.03%	$2.88	87,092	16,741	176,481	434,116
Malls	64	3,362,909	300,000	0	50,217	1.49%	412,643	11.27%	-	(11,102)	(18,436)	2,069	7,941
Power Centers	89	3,213,771	0	6,975	32,924	1.02%	69,036	2.15%	-	(1,367)	(14,503)	4,906	7,921
Shopping Centers	706	10,940,300	0	0	577,038	5.27%	714,498	6.53%	$2.25	(64,468)	(71,450)	62,819	303,339
Specialty Centers	6	240,606	0	0	15,346	6.38%	37,056	15.40%	-	(772)	(3,011)	0	3,268
Central South Total	4,504	37,270,052	443,633	525,684	1,274,582	3.42%	2,024,936	5.37%	$2.58	9,383	(90,659)	246,275	756,585
East County													
General Retail	1,462	7,554,110	15,040	46,542	144,444	1.91%	175,973	2.32%	$1.89	15,175	(26,611)	32,242	87,275
Malls	22	2,114,627	0	38,100	404,943	19.15%	300,223	14.20%	-	0	6,500	0	6,500
Power Centers	55	1,517,979	0	0	23,414	1.54%	33,282	2.19%	-	15,375	6,811	16,575	22,034
Shopping Centers	563	8,164,509	0	234,973	475,129	5.82%	552,014	6.76%	$1.87	(42,169)	(85,075)	55,192	140,119
Specialty Centers	2	34,558	0	0	0	0.00%	0	0.00%	-	0	0	0	0
East County Total	2,104	19,385,783	15,040	319,615	1,047,930	5.41%	1,061,492	5.47%	$1.88	(11,619)	(98,375)	104,009	255,928
I-15 Corridor													
General Retail	172	1,706,568	18,802	178,292	21,898	1.28%	39,118	2.27%	$3.88	(3,840)	(7,898)	0	7,000
Malls	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
Power Centers	24	574,840	0	0	1,627	0.28%	1,200	0.21%	-	0	2,700	0	2,700
Shopping Centers	290	4,256,077	0	0	158,031	3.71%	208,901	4.91%	$3.10	(23,405)	(59,096)	16,888	56,040
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
I-15 Corridor Total	486	6,537,485	18,802	178,292	181,556	2.78%	249,219	3.80%	$3.40	(27,245)	(64,294)	16,888	65,740
North County													
General Retail	1,688	11,785,568	79,141	94,734	651,081	5.52%	625,208	5.27%	$2.22	(23,083)	(94,611)	59,206	196,410
Malls	26	2,724,537	0	0	451,803	16.58%	159,845	5.87%	$1.69	(27,075)	(27,075)	0	0
Power Centers	104	3,087,331	0	4,000	191,059	6.19%	242,930	7.87%	$3.00	(21,714)	(29,819)	58,751	91,745
Shopping Centers	978	14,790,573	0	319,652	682,794	4.62%	953,472	6.45%	$1.97	9,845	(19,656)	116,335	281,204
Specialty Centers	5	368,640	0	0	7,293	1.98%	4,133	1.12%	-	(2,698)	(7,293)	0	0
North County Total	2,801	32,756,649	79,141	418,386	1,984,030	6.06%	1,985,588	6.05%	$2.06	(64,725)	(178,454)	234,292	569,359
Central North													
General Retail	864	7,320,060	27,887	5,000	172,971	2.36%	225,747	3.07%	$3.82	(988)	10,647	35,634	146,444
Malls	16	1,494,106	0	0	110,684	7.41%	59,815	4.00%	$1.25	(2,740)	(8,921)	0	0
Power Centers	60	1,966,631	0	0	62,844	3.20%	127,355	6.48%	-	(17,140)	(9,998)	15,480	69,828
Shopping Centers	446	6,650,300	0	333,500	455,158	6.84%	565,033	8.50%	$2.63	(70,159)	(204,585)	46,552	117,856
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	0
Central North Total	1,386	17,431,097	27,887	338,500	801,657	4.60%	977,950	5.60%	$2.89	(91,027)	(212,857)	97,666	334,128
South County													
General Retail	1,135	5,833,803	103,926	130,846	124,312	2.13%	133,314	2.25%	$2.34	(10,140)	(5,190)	6,066	64,422
Malls	44	2,412,187	0	0	85,505	3.54%	64,180	2.66%	-	0	(64,180)	0	59,422
Power Centers	32	1,027,842	0	3,000	0	0.00%	0	0.00%	-	0	0	0	0
Shopping Centers	545	9,219,125	0	104,423	462,807	5.02%	501,041	5.43%	$2.27	35,986	11,964	88,265	187,418
Specialty Centers	27	758,530	0	0	0	0.00%	0	0.00%	$4.00	0	0	0	1,815
South County Total	1,783	19,251,487	103,926	238,269	672,624	3.49%	698,535	3.61%	$2.31	25,846	(57,406)	94,331	313,077
San Diego Total	**13,064**	**132,632,553**	**688,429**	**2,018,746**	**5,962,379**	**4.50%**	**6,997,720**	**5.25%**	**$2.36**	**(159,387)**	**(702,045)**	**793,461**	**2,294,817**
General Retail	8,960	53,712,575	388,429	974,123	1,713,763	3.19%	1,991,063	3.68%	$2.62	64,216	(106,922)	309,629	935,667
Malls	172	12,108,366	300,000	38,100	1,103,152	9.11%	996,706	8.03%	$1.51	(40,917)	(112,112)	2,069	73,863
Power Centers	364	11,388,394	0	13,975	311,868	2.74%	473,803	4.16%	$3.00	(24,846)	(44,809)	95,712	194,228
Shopping Centers	3,528	54,020,884	0	992,548	2,810,957	5.20%	3,494,959	6.47%	$2.19	(154,370)	(427,898)	386,051	1,085,976
Specialty Centers	40	1,402,334	0	0	22,639	1.61%	41,189	2.94%	$4.00	(3,470)	(10,304)	0	5,083
San Diego Total	**13,064**	**132,632,553**	**688,429**	**2,018,746**	**5,962,379**	**4.50%**	**6,997,720**	**5.25%**	**$2.36**	**(159,387)**	**(702,045)**	**793,461**	**2,294,817**

Lease rates are on a triple-net basis.

Beans, Birds, and Burgers: The Engines of QSR

by Tanner Ifrid
ASSOCIATE, SAN DIEGO
619.871.0633 · tifrid@voitco.com · Lic. #02234587

After nearly two years of turbulence, the commercial real estate industry is beginning to steady. The sharpest rate shocks appear to be behind us, with the 10-year Treasury settling near the low-4% range by late Q3 2025. That easing has narrowed the bid-ask spread and brought greater certainty to underwriting. While lenders remain selective, spreads have moderated and refinancing concerns look less daunting, giving investors reason to lean back in where fundamentals are strongest.

Retail remains a clear bright spot. Limited new development and steady consumer spending have created a healthier balance of supply and demand, particularly for necessity-driven formats. Within retail, quick-service restaurants (QSRs) stand out as among the most resilient and liquid single-tenant net lease assets in Southern California. These properties are internet-resistant, generate repeat traffic, and thrive in commuter-oriented markets.

Pad sites with drive-thru entitlements and capacity are especially prized. What was once a convenience has become a core operating model, with tenants using dual-lane formats to capture premium pricing. This shift has reshaped buyer underwriting: site design and lane count now weigh nearly as heavily as tenant credit.

Q3 2025 transactions underscored these dynamics. Dutch Bros ground leases cleared in the mid-4% range, with their El Cajon site ranking in the top 1% nationwide. With successful store openings and ambitious expansion plans, Dutch Bros is clearly drawing investor attention. Raising Cane's assets traded in the low-5% range, backed by aggressive rollout strategies, strong brand loyalty, and a focus on high-traffic corners. Burger operators like Jack in the Box are also adapting to stay competitive. Through its "Jack on Track" program, the San Diego-based chain is closing weaker stores, reinvesting in remodels and technology, and capitalizing on whitespace opportunities. Meanwhile, In-N-Out continues to command premiums across the region, driven by cult-like customer loyalty and the scarcity of entitled sites.

The pricing hierarchy remains consistent. Coffee leads the pack, with Dutch Bros setting the benchmark. Chicken chains are expanding rapidly, offering investors low-5% yields with strong growth attached. Burger brands, though seasoned, continue to deliver and evolve to stay relevant in today's competitive market.

The outlook is clear: stable rates and a shortage of entitled sites will keep QSR drive-thru assets in high demand across Southern California. Investors can continue to count on them as one of the market's most resilient and growth-oriented opportunities.

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

Please Contact Us for Further Information

Joshua Brant
Regional Director of Research
jbrant@voitco.com

Anaheim, CA 714.978.7880
Encinitas, 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