

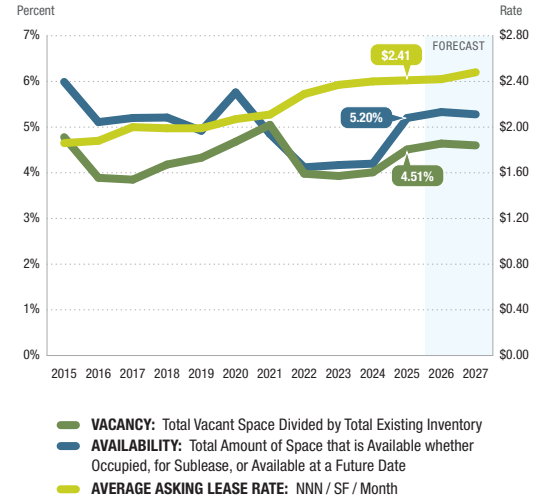
**OVERVIEW.** Overall supply and demand in the San Diego retail real estate market had been in balance over the past two years, although this balance had come from proportional reduction rather than growth. There was a shift in 2025 resulting in the availability rate increasing by a full percentage point. The pace of store closures remains elevated, and consumer confidence finished the year on a down note. Sales activity had a good showing in 2025, reflecting the optimistic long-term outlook for the supply-constrained San Diego market.

**VACANCY & AVAILABILITY.** Direct/sublease space (unoccupied) finished Q4 2025 at 4.51%, half a percentage point 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 5.2% at the end of Q4. This is an increase of 100 basis points compared to Q4 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.

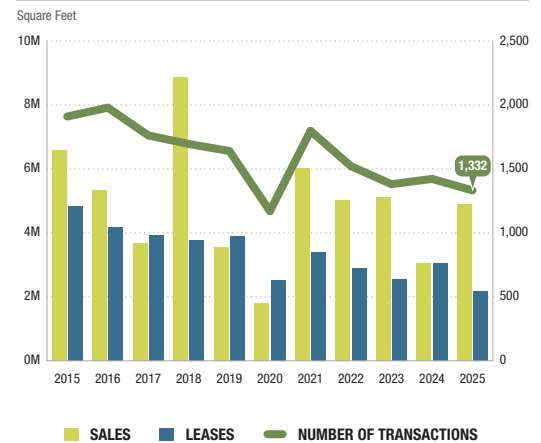
**LEASE RATES.** The average asking triple-net lease rate per month per square foot in San Diego County ended Q4 at \$2.41, a two-cent, or 0.8% increase compared to Q4 2024. The average asking lease rate has increased a total of 21% from the pre-pandemic level of six years ago. The 21% increase is a modest figure considering that it falls short of the total CPI inflation over the same time 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 Q4 was approximately 1.6 MSF, a 4% decrease from Q4 2024's total of 1.7 MSF. Ninety-four retail buildings sold for a total of \$497 million in Q4. The quarterly sales volume has now exceeded \$300 million for seven consecutive quarters, compared to only two quarters out of the preceding six hitting that mark. San Diego retail property sales were in line with historical norms in 2025. There remains an ongoing trend of obsolete properties being redeveloped for higher and better uses. In 2025 there were more than two dozen retail properties acquired with the intent of redevelopment. On the leasing side, there were 197 transactions recorded

### VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



### TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



### Market Statistics

|                           | Change Over Last Quarter | Q4 2025   | Q3 2025   | Q4 2024   | % Change Over Last Year |
|---------------------------|--------------------------|-----------|-----------|-----------|-------------------------|
| Vacancy Rate              | FLAT                     | 4.51%     | 4.47%     | 4.01%     | 12.41%                  |
| Availability Rate         | UP                       | 5.20%     | 5.13%     | 4.20%     | 23.88%                  |
| Average Asking Lease Rate | UP                       | \$2.41    | \$2.32    | \$2.39    | 0.84%                   |
| Sale & Lease Transactions | DOWN                     | 1,634,810 | 2,024,005 | 1,700,166 | (3.84%)                 |
| Gross Absorption          | FLAT                     | 808,261   | 826,050   | 760,188   | 6.32%                   |
| Net Absorption            | POSITIVE                 | 33,520    | (153,117) | 181,724   | N/A                     |

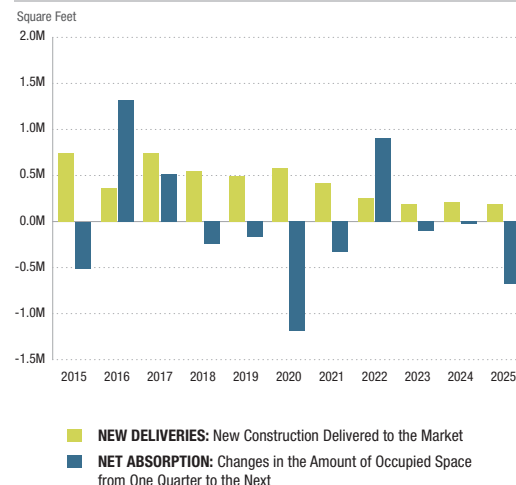
in Q4 totaling 407,144 SF. This brings the tally for 2025 to 964 lease transactions totaling 2.2 MSF, compared to 3.1 MSF in 2024, and 2.6 MSF in 2023. Demand for the prime retail properties across the market remains hardy, while low-end properties have seen a decrease in demand leading to a net decrease in activity.

**ABSORPTION.** There were 33,520 SF of negative net absorption in Q4 2025, bringing the total for the year to 677,032 SF of negative net absorption. There has only been one calendar year with positive net absorption in the retail market since 2017. Store closures across the U.S. continued to outpace openings in 2025, which leads to a decrease in the total retail-tenant footprint. Coresight Research reported that in 2025, 12% more retail stores were shuttered than in 2024. Retailers closing the most stores in 2025 consisted of: Rite Aid, Joann, Party City, Big Lots, Claire's, Walgreens, 7-Eleven, and Forever 21. Store openings in 2025 were led by Dollar General.

**CONSTRUCTION.** There were 188,433 SF of new construction deliveries in 2025. Over the four most recent calendar years the market has seen an average of 213,702 SF of annual deliveries, compared to the 509,022 SF annual average in the preceding four-year period. At the end of Q4, there were 292,165 SF of retail properties under construction, the largest of which was a 107,000 SF 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 continuing low levels of construction. The ongoing growth of Ecommerce has translated into an increase in warehouse development and a decrease in new retail construction.

**EMPLOYMENT.** The unemployment rate in San Diego County was 4.6% in November 2025, above the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 5.4% for California and 4.3% for the nation during the same period. Over the 12-month period between November 2024 and November 2025, San Diego County employment increased by 11,800 jobs, an increase of 0.7%. 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, unemployment ticked down to 4.4% from the prior month's revised 4.5% rate. 584,000 jobs were added across the U.S. in 2025, down from more than 2 million in 2024.

## 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. Heading into 2026, Coresight Research is tracking more planned store openings than scheduled store closures. This would be a welcome change and would bolster the leasing market fundamentals.

## Significant Transactions

### Sales

| Property Address                | Submarket      | Square Feet | Sale Price    | Buyer               | Seller                   |
|---------------------------------|----------------|-------------|---------------|---------------------|--------------------------|
| 4821 Clairemont Dr.             | Clairemont     | 509,157     | \$207,000,000 | DRA Advisors        | Merlone Geier Management |
| 1900–1998 Hacienda Dr.          | Vista          | 137,725     | \$30,500,000  | Milan Capital Group | Brixton Capital          |
| 5487–5597 Clairemont Mesa Blvd. | Clairemont     | 53,291      | \$23,000,000  | CEG Advisors        | PPI Real Estate          |
| 777 Camino Del Rio S.           | Mission Valley | 36,245      | \$19,000,000  | Carvana             | Sunroad Enterprises      |
| 961–965 Palomar Airport Rd.     | Carlsbad       | 15,317      | \$16,200,000  | Ayres Hotels        | MDC Realty Advisors      |

### Leases

| Property Address       | Submarket       | Square Feet | Transaction Date | Tenant                        | Owner                   |
|------------------------|-----------------|-------------|------------------|-------------------------------|-------------------------|
| 1085 E. Main St.       | El Cajon        | 25,500      | Nov-2025         | Undisclosed                   | DPI Retail              |
| 6145 Lake Murray Blvd. | La Mesa         | 23,256      | Oct-2025         | Undisclosed                   | Lake Murray Center, LLC |
| 332 N. Johnson Ave.    | El Cajon        | 15,877      | Nov-2025         | Auto Collision Group          | Gunter Family Trust     |
| 845 15th St.           | Downtown        | 15,000      | Oct-2025         | Undisclosed                   | Navarra Properties      |
| 16617 Dove Canyon Rd.  | Rancho Bernardo | 13,969      | Oct-2025         | 4S Ranch International Market | Buie Stoddard Group     |

|                        | 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 2025 | Square Feet Available | Availability Rate Q4 2025 | Average Asking Lease Rate | Net Absorption Q4 2025 | Net Absorption 2025 | Gross Absorption Q4 2025 | Gross Absorption 2025 |
| <b>Central South</b>   |                  |                          |                   |                     |                       |                      |                       |                           |                           |                        |                     |                          |                       |
| General Retail         | 3,637            | 19,590,699               | 146,105           | 518,709             | 697,787               | 3.56%                | 939,109               | 4.76%                     | \$2.94                    | (77,348)               | (77,985)            | 109,301                  | 550,935               |
| Malls                  | 65               | 3,547,860                | 0                 | 0                   | 41,598                | 1.17%                | 139,924               | 3.94%                     | -                         | 8,519                  | (9,817)             | 17,407                   | 25,348                |
| Power Centers          | 89               | 3,204,433                | 0                 | 6,975               | 55,161                | 1.72%                | 87,935                | 2.74%                     | -                         | (22,237)               | (36,740)            | 5,518                    | 13,439                |
| Shopping Centers       | 700              | 10,829,588               | 0                 | 0                   | 578,877               | 5.35%                | 741,713               | 6.85%                     | \$2.16                    | (17,819)               | (84,806)            | 63,983                   | 369,351               |
| Specialty Centers      | 6                | 240,606                  | 0                 | 0                   | 16,550                | 6.88%                | 38,260                | 15.90%                    | -                         | (1,204)                | (4,215)             | 0                        | 3,268                 |
| Central South Total    | 4,497            | 37,413,186               | 146,105           | 525,684             | 1,389,973             | 3.72%                | 1,946,941             | 5.18%                     | \$2.59                    | (110,089)              | (213,563)           | 196,209                  | 962,341               |
| <b>East County</b>     |                  |                          |                   |                     |                       |                      |                       |                           |                           |                        |                     |                          |                       |
| General Retail         | 1,463            | 7,553,790                | 11,252            | 40,542              | 145,194               | 1.92%                | 171,383               | 2.27%                     | \$2.10                    | 2,108                  | (24,503)            | 32,313                   | 119,588               |
| 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               | 1,527,979                | 0                 | 0                   | 44,592                | 2.92%                | 48,378                | 3.17%                     | \$2.50                    | (21,178)               | (14,367)            | 3,808                    | 25,842                |
| Shopping Centers       | 566              | 8,237,127                | 0                 | 237,946             | 409,555               | 4.97%                | 487,236               | 5.92%                     | \$1.91                    | 64,636                 | (18,571)            | 100,802                  | 242,789               |
| Specialty Centers      | 2                | 34,558                   | 0                 | 0                   | 0                     | 0.00%                | 0                     | 0.00%                     | -                         | 0                      | 0                   | 0                        | 0                     |
| East County Total      | 2,108            | 19,468,081               | 11,252            | 316,588             | 1,004,284             | 5.16%                | 1,007,220             | 5.17%                     | \$1.97                    | 45,566                 | (50,941)            | 136,923                  | 394,719               |
| <b>I-15 Corridor</b>   |                  |                          |                   |                     |                       |                      |                       |                           |                           |                        |                     |                          |                       |
| General Retail         | 175              | 1,752,751                | 18,802            | 178,292             | 11,014                | 0.63%                | 26,338                | 1.49%                     | \$3.92                    | 11,079                 | 4,026               | 14,071                   | 22,111                |
| Malls                  | 0                | 0                        | 0                 | 0                   | 0                     | 0.00%                | 0                     | 0.00%                     | -                         | 0                      | 0                   | 0                        | 0                     |
| Power Centers          | 24               | 574,840                  | 0                 | 0                   | 0                     | 0.00%                | 1,200                 | 0.21%                     | -                         | 1,627                  | 4,327               | 1,627                    | 4,327                 |
| Shopping Centers       | 287              | 4,227,564                | 0                 | 0                   | 160,536               | 3.80%                | 192,678               | 4.56%                     | \$3.17                    | (2,505)                | (62,641)            | 7,591                    | 62,591                |
| Specialty Centers      | 0                | 0                        | 0                 | 0                   | 0                     | 0.00%                | 0                     | 0.00%                     | -                         | 0                      | 0                   | 0                        | 0                     |
| I-15 Corridor Total    | 486              | 6,555,155                | 18,802            | 178,292             | 171,550               | 2.62%                | 220,216               | 3.35%                     | \$3.44                    | 10,201                 | (54,288)            | 23,289                   | 89,029                |
| <b>North County</b>    |                  |                          |                   |                     |                       |                      |                       |                           |                           |                        |                     |                          |                       |
| General Retail         | 1,694            | 11,969,909               | 15,401            | 93,734              | 653,984               | 5.46%                | 637,590               | 5.32%                     | \$2.14                    | (12,918)               | (121,159)           | 61,157                   | 236,418               |
| Malls                  | 26               | 2,724,538                | 0                 | 0                   | 466,463               | 17.12%               | 174,505               | 6.40%                     | \$1.69                    | (14,660)               | (41,735)            | 0                        | 0                     |
| Power Centers          | 105              | 3,094,108                | 0                 | 4,000               | 190,695               | 6.16%                | 230,141               | 7.44%                     | \$3.00                    | 7,141                  | (22,678)            | 40,729                   | 132,474               |
| Shopping Centers       | 978              | 14,799,826               | 0                 | 255,999             | 635,111               | 4.29%                | 980,625               | 6.63%                     | \$2.04                    | 47,396                 | 28,027              | 115,876                  | 396,417               |
| Specialty Centers      | 5                | 368,640                  | 0                 | 0                   | 7,293                 | 1.98%                | 2,920                 | 0.79%                     | -                         | 0                      | (7,293)             | 0                        | 0                     |
| North County Total     | 2,808            | 32,957,021               | 15,401            | 353,733             | 1,953,546             | 5.93%                | 2,025,781             | 6.14%                     | \$2.08                    | 26,959                 | (164,838)           | 217,762                  | 765,309               |
| <b>Central North</b>   |                  |                          |                   |                     |                       |                      |                       |                           |                           |                        |                     |                          |                       |
| General Retail         | 860              | 7,272,551                | 72,887            | 11,500              | 139,142               | 1.91%                | 192,841               | 2.63%                     | \$3.72                    | 32,009                 | 38,137              | 51,595                   | 200,725               |
| Malls                  | 18               | 1,513,972                | 0                 | 0                   | 168,645               | 11.14%               | 117,776               | 7.78%                     | \$1.25                    | (52,571)               | (60,543)            | 195                      | 1,339                 |
| Power Centers          | 60               | 1,966,631                | 0                 | 0                   | 44,248                | 2.25%                | 131,086               | 6.67%                     | -                         | 18,596                 | 8,598               | 18,606                   | 88,434                |
| Shopping Centers       | 451              | 6,693,424                | 0                 | 333,500             | 455,734               | 6.81%                | 567,165               | 8.47%                     | \$2.60                    | (11,359)               | (205,161)           | 40,706                   | 170,456               |
| Specialty Centers      | 0                | 0                        | 0                 | 0                   | 0                     | 0.00%                | 0                     | 0.00%                     | \$0.00                    | 0                      | 0                   | 0                        | 0                     |
| Central North Total    | 1,389            | 17,446,578               | 72,887            | 345,000             | 807,769               | 4.63%                | 1,008,868             | 5.76%                     | \$2.89                    | (13,325)               | (218,969)           | 111,102                  | 460,954               |
| <b>South County</b>    |                  |                          |                   |                     |                       |                      |                       |                           |                           |                        |                     |                          |                       |
| General Retail         | 1,137            | 5,930,198                | 27,718            | 122,054             | 123,016               | 2.07%                | 152,255               | 2.56%                     | \$2.36                    | 78,912                 | 83,636              | 96,146                   | 169,982               |
| Malls                  | 44               | 2,412,187                | 0                 | 0                   | 92,262                | 3.82%                | 72,937                | 3.02%                     | -                         | (6,757)                | (70,937)            | 0                        | 59,422                |
| Power Centers          | 32               | 1,027,842                | 0                 | 3,000               | 0                     | 0.00%                | 0                     | 0.00%                     | -                         | 0                      | 0                   | 0                        | 0                     |
| Shopping Centers       | 543              | 9,197,570                | 0                 | 93,200              | 459,139               | 4.99%                | 511,685               | 5.56%                     | \$2.63                    | 2,053                  | 12,868              | 26,830                   | 212,324               |
| 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            | 19,326,327               | 27,718            | 218,254             | 674,417               | 3.49%                | 736,877               | 3.81%                     | \$2.58                    | 74,208                 | 25,567              | 122,976                  | 443,543               |
| <b>San Diego Total</b> | <b>13,071</b>    | <b>133,166,348</b>       | <b>292,165</b>    | <b>1,937,551</b>    | <b>6,001,539</b>      | <b>4.51%</b>         | <b>6,945,903</b>      | <b>5.20%</b>              | <b>\$2.41</b>             | <b>33,520</b>          | <b>(677,032)</b>    | <b>808,261</b>           | <b>3,115,895</b>      |
| General Retail         | 8,966            | 54,069,898               | 292,165           | 964,831             | 1,770,137             | 3.27%                | 2,119,516             | 3.90%                     | \$2.64                    | 33,842                 | (97,848)            | 364,583                  | 1,299,759             |
| Malls                  | 175              | 12,313,184               | 0                 | 38,100              | 1,173,911             | 9.53%                | 805,365               | 6.54%                     | \$1.51                    | (65,469)               | (176,532)           | 17,602                   | 92,609                |
| Power Centers          | 365              | 11,395,833               | 0                 | 13,975              | 334,696               | 2.94%                | 498,740               | 4.38%                     | \$2.88                    | (16,051)               | (60,860)            | 70,288                   | 264,516               |
| Shopping Centers       | 3,525            | 53,985,099               | 0                 | 920,645             | 2,698,952             | 5.00%                | 3,481,102             | 6.45%                     | \$2.28                    | 82,402                 | (330,284)           | 355,788                  | 1,453,928             |
| Specialty Centers      | 40               | 1,402,334                | 0                 | 0                   | 23,843                | 1.70%                | 41,180                | 2.94%                     | \$4.00                    | (1,204)                | (11,508)            | 0                        | 5,083                 |
| <b>San Diego Total</b> | <b>13,071</b>    | <b>133,166,348</b>       | <b>292,165</b>    | <b>1,937,551</b>    | <b>6,001,539</b>      | <b>4.51%</b>         | <b>6,945,903</b>      | <b>5.20%</b>              | <b>\$2.41</b>             | <b>33,520</b>          | <b>(677,032)</b>    | <b>808,261</b>           | <b>3,115,895</b>      |

Lease rates are on a triple-net basis.



## Filtering the Noise in a Concentrated Retail Market

by **Max Stone**

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“Critical ignoring” has become a common term as we move into 2026, often used as a response to the constant stream of information competing for investors’ attention. In an environment saturated with headlines, forecasts, and real-time commentary, the concept is straightforward: filter aggressively, discard what is immaterial, and focus only on what influences long-term outcomes.

This mindset has become increasingly relevant in real estate. Over the past decade, I have watched decision-making shift away from analysis and towards emotional reaction. Conversations with private investors are often shaped less by fundamentals and more by short-term narratives — many of them amplified by digital media designed to provoke urgency rather than to enhance clarity. Processes that were once considered outliers are now frequently justified by isolated data points or fleeting headlines.

Critical ignoring is not about disengagement; it is about discipline. It requires the ability to distinguish signal from noise and to resist the impulse to react to every macro development, policy announcement, or market forecast. As the volume of information has grown, the cost of poor filtration has increased alongside it.

Q4 2025 in San Diego retail real estate illustrates this dynamic clearly. Transaction velocity remained muted, yet total dollar volume reached its highest level since Q2 of 2023. This was not a sign of renewed market momentum, but of capital concentration. Fewer deals traded, and those that did were highly selective and well capitalized. The most notable example was the November sale of a Carlsbad retail outparcel for \$16.2 million, equating to \$1,058 PSF at a 5.35% cap rate. The pricing was aggressive, not because the broader market demanded it, but because a specific buyer acted with conviction based on a need specific to that buyer.

At the same time, the debt environment continues to impose constraints. Despite approximately 75 basis points of rate cuts by the Federal Reserve over the year, borrowing costs have declined by only about 50 basis points. The result is a market settling into a new status quo—one where leverage is expensive, underwriting margins are thin, and cap rates have limited room to compress further.

This has produced a visible divide within the investor base. Some are deploying capital confidently, benefiting from patience and selectivity. Others are drawing on reserves to manage operating shortfalls. The difference is not access to information, it is the ability to ignore what does not matter.

As the market recalibrates, success will favor those who simplify complexity and remain anchored to fundamentals. In a period defined less by movement and more by restraint, critical ignoring may prove to be the most valuable skill an investor can possess.

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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