

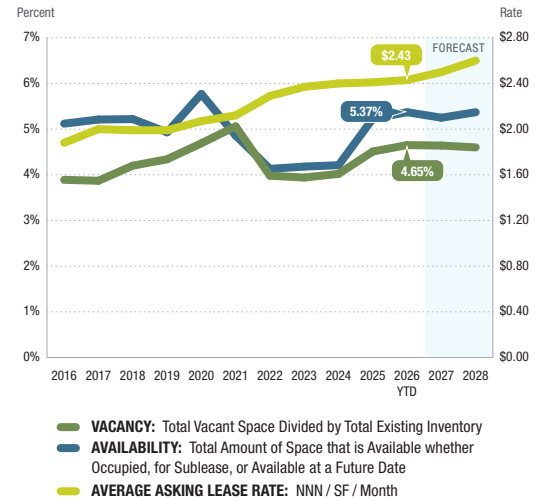
**OVERVIEW.** The San Diego retail real estate market started 2026 with a downtick in sales and leasing volume, coupled with an increase in vacancy and availability. New construction remains scarce.

**VACANCY & AVAILABILITY.** Direct/sublease space (unoccupied) finished Q1 2026 at 4.65%, roughly half a percentage point above the vacancy rate of Q1 2025. 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 5.37% at the end of Q1. This is an increase of 71 basis points compared to Q1 2025. 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.

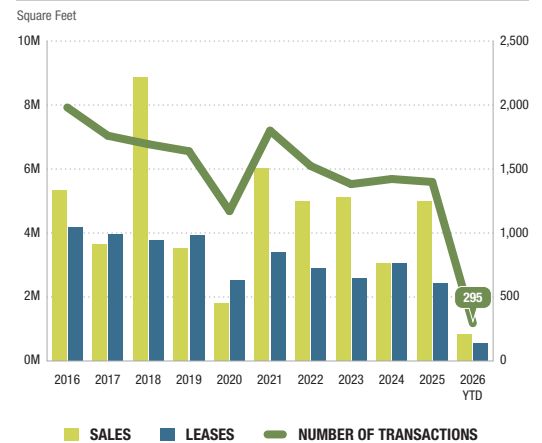
**LEASE RATES.** The average asking triple-net lease rate per month per square foot in San Diego County ended Q1 at \$2.43, a four-cent, or 1.7% increase compared to Q1 2025. The average asking lease rate has increased a total of 20% from the pre-pandemic level of six years ago. The 20% increase is a modest figure when considering that it falls short of total CPI inflation over the same time span. 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 1.37 MSF, a decrease of 500,000 SF versus Q1 2025's total of 1.87 MSF. The largest sales in Q1 reflected ongoing trends in the retail property market. One of the top sales of the quarter was a former Rite Aid in Ocean Beach which sold for redevelopment. 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 redeveloping. Another trend which has been showing up quarter after quarter is auto dealership properties trading hands. In Q1, four of the top five retail sales involved auto dealerships. While fast food and experiential retail continue to drive market demand for retail uses that are deemed to be more resistant to the threat of Ecommerce, automotive dealerships possess that same appeal. This demand combined with dealer group expansions and industry consolidation have led to a flurry of auto dealership site sales in recent years.

### VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



### TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



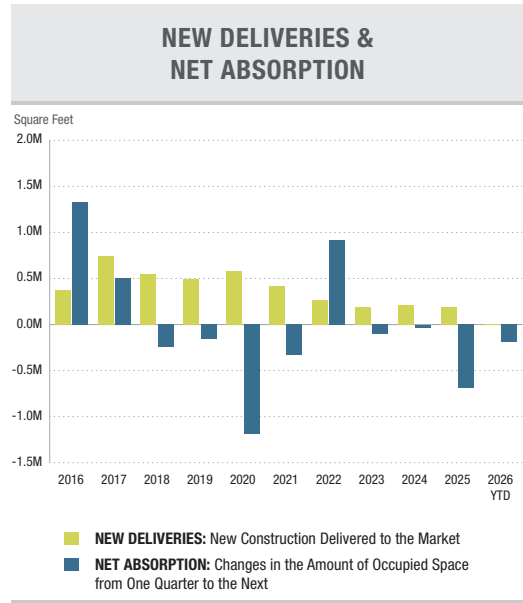
### Market Statistics

	Change Over Last Quarter	Q1 2026	Q4 2025	Q1 2025	% Change Over Last Year
Vacancy Rate	▲ UP	4.65%	4.51%	4.19%	10.99%
Availability Rate	▲ UP	5.37%	5.23%	4.66%	15.16%
Average Asking Lease Rate	▲ UP	\$2.43	\$2.41	\$2.39	1.67%
Sale & Lease Transactions	▼ DOWN	1,372,527	1,850,971	1,866,063	(26.45%)
Gross Absorption	▼ DOWN	667,558	809,921	689,674	(3.21%)
Net Absorption	▼ NEGATIVE	(187,877)	36,080	(331,938)	N/A

**ABSORPTION.** There were 187,877 SF of negative net absorption in Q1 2026. There has only been one calendar year with positive net absorption in the retail market since 2017. While the growth of Ecommerce no longer garners the headlines it once did, online sales continue to rise. U.S. online sales increased 4% in 2025 to \$1.22 trillion, an annual total that has tripled since 2015, and increased tenfold since 2005. Much of this growth has come at the expense of brick-and-mortar retail sales. Coresight Research projects 7,900 store closures in 2026. GameStop, Francesca’s, and Walgreens each plan on closing 350 or more sites in 2026. Store closures across the U.S. continue to outpace openings, which leads to a decrease in the total retail tenant footprint.

**CONSTRUCTION.** There were less than 10,000 SF of new construction deliveries in Q1 2026, following 191,980 SF in 2025. Over the four most recent calendar years the market has seen an average of 216,394 SF of annual deliveries, compared to the 509,924 SF annual average in the preceding four-year period. At the end of Q1, there were 319,925 SF of retail properties under construction, the largest of which was an 107,000-SF Home Depot in Mission Valley. 22 of the 27 properties under construction in Q1 were smaller than 10,000 SF, and the majority of those properties were build-to-suit fast food locations. 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 sustained low levels of construction

**EMPLOYMENT.** The unemployment rate in San Diego County was 4.7% in January 2026, above the year-ago estimate of 4.5%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.7% for the nation during the same period. Over the 12-month period between January 2025 and January 2026, San Diego County employment increased by 10,900 jobs, an increase of 0.7%. With delays in reporting from the California EDD, employment figures from February and March were unavailable at the time of publishing this report. For the nation as a whole, unemployment edged higher to 4.4% from the prior month’s revised 4.3% rate. The U.S. economy has seen an average of 68,000 jobs added per month in 2026, compared to 15,000 in 2025 and 186,000 in 2024.



### Forecast

A constrained development pipeline, coupled with the ongoing redevelopment of obsolete retail properties across San Diego, continues to support market stability by alleviating supply-side pressure. This dynamic has been a sustained, long-term trend and is not expected to shift meaningfully in the near term. However, the short-term outlook on the demand side remains less certain. Ongoing turmoil in the Persian Gulf is expected to contribute to inflationary pressures in the coming months, creating potential headwinds for many retail operators.

## Significant Transactions

Sales					
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
1205 Auto Park Way	Escondido	336,000	\$38,000,000	GSM Escondido, LLC	Luna Properties, LLC
5444 Paseo Del Norte	Carlsbad	30,216	\$24,000,000	Pierce Automotive Group	Stellar Properties, LLC
7410–7450 La Jolla Blvd. & 11455 Sorrento Valley Rd.	La Jolla/Sorrento Valley	35,560	\$20,200,000	Ferrari of San Diego	O’Gara Coach of Beverly Hills
4840 Niagara Ave.	Ocean Beach	20,155	\$12,600,000	Murfey Company, Inc.	R&L Properties
1502 Auto Park Way N.	Escondido	21,253	\$10,700,000	JOB Realty San Diego, LLC	LAM Trust/DLP Trust
Leases					
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
680 Hacienda Dr.	Vista	42,041	Mar-2026	Undisclosed	Alcer, LP
2045 Corte Del Nogal	Carlsbad	36,404	Feb-2026	Pickleball Republic	Atomic Investments
131–151 S. Las Posas Rd.	San Marcos	20,577	Feb-2026	Barnes & Noble	World Premier Investments
1555 Auto Park Way N.	Escondido	19,761	Mar-2026	Genesis of Escondido	O’Brien
12630 Poway Rd.	Poway	10,320	Jan-2026	SD Gymnastics	Sterling Organization

	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 2026	Square Feet Available	Availability Rate Q1 2026	Average Asking Lease Rate	Net Absorption Q1 2026	Net Absorption 2026	Gross Absorption Q1 2026	Gross Absorption 2026
<b>Central South</b>													
General Retail	3,640	19,391,728	151,910	371,448	796,767	4.11%	998,762	5.11%	\$2.84	(104,977)	(104,977)	123,156	123,156
Malls	65	3,547,960	0	0	44,818	1.26%	150,761	4.25%	-	(3,220)	(3,220)	2,707	2,707
Power Centers	89	3,203,764	0	6,975	61,201	1.91%	85,201	2.66%	-	(6,040)	(6,040)	3,092	3,092
Shopping Centers	697	10,759,052	0	0	540,553	5.02%	720,923	6.70%	\$2.34	26,663	26,663	63,851	63,851
Specialty Centers	6	240,606	0	0	16,857	7.01%	38,567	16.03%	-	(307)	(307)	0	0
<b>Central South Total</b>	<b>4,497</b>	<b>37,143,110</b>	<b>151,910</b>	<b>378,423</b>	<b>1,460,196</b>	<b>3.93%</b>	<b>1,994,214</b>	<b>5.35%</b>	<b>\$2.58</b>	<b>(87,881)</b>	<b>(87,881)</b>	<b>192,806</b>	<b>192,806</b>
<b>East County</b>													
General Retail	1,460	7,541,717	17,058	44,894	120,334	1.60%	189,125	2.50%	\$2.04	27,151	27,151	53,284	53,284
Malls	22	2,130,747	0	47,400	407,508	19.13%	418,400	19.64%	-	(2,565)	(2,565)	0	0
Power Centers	55	1,527,979	0	0	47,221	3.09%	48,378	3.17%	\$2.50	(2,629)	(2,629)	0	0
Shopping Centers	565	8,236,003	0	131,679	414,014	5.03%	511,630	6.21%	\$1.95	(4,459)	(4,459)	49,386	49,386
Specialty Centers	2	34,558	0	0	0	0.00%	0	0.00%	-	0	0	0	0
<b>East County Total</b>	<b>2,104</b>	<b>19,471,004</b>	<b>17,058</b>	<b>223,973</b>	<b>989,077</b>	<b>5.08%</b>	<b>1,167,533</b>	<b>5.99%</b>	<b>\$2.01</b>	<b>17,498</b>	<b>17,498</b>	<b>102,670</b>	<b>102,670</b>
<b>I-15 Corridor</b>													
General Retail	175	1,737,261	5,274	178,292	11,014	0.63%	25,418	1.46%	\$3.91	0	0	0	0
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%	-	0	0	0	0
Shopping Centers	288	4,218,626	0	0	164,457	3.90%	170,709	4.05%	\$3.22	(3,921)	(3,921)	25,188	25,188
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
<b>I-15 Corridor Total</b>	<b>487</b>	<b>6,530,727</b>	<b>5,274</b>	<b>178,292</b>	<b>175,471</b>	<b>2.69%</b>	<b>197,327</b>	<b>3.02%</b>	<b>\$3.48</b>	<b>(3,921)</b>	<b>(3,921)</b>	<b>25,188</b>	<b>25,188</b>
<b>North County</b>													
General Retail	1,700	12,023,792	18,161	85,974	637,440	5.30%	582,050	4.83%	\$2.20	21,104	21,104	129,707	129,707
Malls	26	2,724,538	0	0	466,463	17.12%	172,897	6.35%	\$1.69	0	0	0	0
Power Centers	105	3,094,108	0	4,000	199,725	6.46%	217,064	7.02%	\$3.00	(9,030)	(9,030)	26,656	26,656
Shopping Centers	976	14,786,770	6,497	253,002	660,811	4.47%	1,020,254	6.90%	\$2.08	(25,700)	(25,700)	65,070	65,070
Specialty Centers	5	368,640	0	0	2,550	0.69%	2,550	0.69%	-	4,743	4,743	4,743	4,743
<b>North County Total</b>	<b>2,812</b>	<b>32,997,848</b>	<b>24,658</b>	<b>342,976</b>	<b>1,966,989</b>	<b>5.96%</b>	<b>1,994,815</b>	<b>6.04%</b>	<b>\$2.13</b>	<b>(8,883)</b>	<b>(8,883)</b>	<b>226,176</b>	<b>226,176</b>
<b>Central North</b>													
General Retail	859	7,250,435	72,887	11,500	185,663	2.56%	220,982	3.02%	\$3.91	(37,035)	(37,035)	18,222	18,222
Malls	18	1,513,972	0	0	168,442	11.13%	117,573	7.77%	\$1.50	203	203	398	398
Power Centers	60	1,966,631	0	0	84,774	4.31%	170,225	8.66%	-	(40,526)	(40,526)	0	0
Shopping Centers	453	6,656,951	0	86,564	454,945	6.83%	539,696	8.11%	\$2.58	(8,212)	(8,212)	40,065	40,065
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Central North Total</b>	<b>1,390</b>	<b>17,387,989</b>	<b>72,887</b>	<b>98,064</b>	<b>893,824</b>	<b>5.14%</b>	<b>1,048,476</b>	<b>6.00%</b>	<b>\$2.61</b>	<b>(85,570)</b>	<b>(85,570)</b>	<b>58,685</b>	<b>58,685</b>
<b>South County</b>													
General Retail	1,141	5,956,967	48,138	119,804	125,075	2.10%	157,974	2.63%	\$2.44	(859)	(859)	20,252	20,252
Malls	44	2,412,591	0	0	115,248	4.78%	92,327	3.83%	-	(22,986)	(22,986)	0	0
Power Centers	32	1,027,842	0	3,000	0	0.00%	0	0.00%	-	0	0	0	0
Shopping Centers	543	9,194,865	0	93,200	457,414	4.97%	496,039	5.39%	\$2.68	4,725	4,725	41,781	41,781
Specialty Centers	27	758,530	0	0	0	0.00%	0	0.00%	-	0	0	0	0
<b>South County Total</b>	<b>1,787</b>	<b>19,350,795</b>	<b>48,138</b>	<b>216,004</b>	<b>697,737</b>	<b>3.61%</b>	<b>746,340</b>	<b>3.85%</b>	<b>\$2.64</b>	<b>(19,120)</b>	<b>(19,120)</b>	<b>62,033</b>	<b>62,033</b>
<b>San Diego Total</b>													
<b>San Diego Total</b>	<b>13,077</b>	<b>132,881,473</b>	<b>319,925</b>	<b>1,437,732</b>	<b>6,183,294</b>	<b>4.65%</b>	<b>7,148,705</b>	<b>5.37%</b>	<b>\$2.43</b>	<b>(187,877)</b>	<b>(187,877)</b>	<b>667,558</b>	<b>667,558</b>
General Retail	8,975	53,901,900	313,428	811,912	1,876,293	3.48%	2,174,311	4.01%	\$2.61	(94,616)	(94,616)	344,621	344,621
Malls	175	12,329,808	0	47,400	1,202,479	9.75%	951,958	7.72%	\$1.54	(28,568)	(28,568)	3,105	3,105
Power Centers	365	11,395,164	0	13,975	392,921	3.45%	522,068	4.58%	\$2.88	(58,225)	(58,225)	29,748	29,748
Shopping Centers	3,522	53,852,267	6,497	564,445	2,692,194	5.00%	3,459,251	6.42%	\$2.35	(10,904)	(10,904)	285,341	285,341
Specialty Centers	40	1,402,334	0	0	19,407	1.38%	41,117	2.93%	\$4.00	4,436	4,436	4,743	4,743
<b>San Diego Total</b>	<b>13,077</b>	<b>132,881,473</b>	<b>319,925</b>	<b>1,437,732</b>	<b>6,183,294</b>	<b>4.65%</b>	<b>7,148,705</b>	<b>5.37%</b>	<b>\$2.43</b>	<b>(187,877)</b>	<b>(187,877)</b>	<b>667,558</b>	<b>667,558</b>

Lease rates are on a triple-net basis.



## Unprecedented Times... Again

by **Spencer Kerrigan**

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When I last wrote the editorial for this quarterly report in Q1 2025, the Trump Administration had just announced sweeping tariffs, the effects of which had yet to be fully realized. This time around, we are about a month into a new conflict in the Middle East. With the benefit of hindsight regarding last year's global disruption, I will address some of the impacts we have seen from the tariffs and reserve judgment on 2026's precedent-breaking international upheaval until more information is available.

So, in Q1 2025, we were introduced to tariffs and had no idea how the economy would react. Broadly, the impact is not to be understated. Consumers have continued to experience high inflation and the cost of everyday goods has risen. With the recent spike in oil prices not only have transportation costs increased, but also the cost of manufacturing many goods has climbed due to the widespread use of petroleum-based inputs.

Further, tariffs have increased the cost of development. Rising prices for building materials, combined with the already high cost of land in San Diego, have brought development to a near standstill. Land prices have dropped and some listings have even been removed as the value has fallen due to the inability to pencil developments. Between the increased cost of material, relatively recent influx of new developments delivering county wide, and the continually high price of land, the margins on developers are squeezed to the point of pause. This is unfortunate because locally, much like many major markets, the top tier property will lease and sell, and the class B and C properties will languish. Previously considered bulldozer-bait, these lower-tier properties are now difficult and often nearly impossible to justify acquiring, entitling, and developing in today's environment. As a result, many remain partially or fully vacant, while the best properties continue to lease... if we can keep making them.

That said, San Diego continues to remain a top-tier real estate market. Our cap rates are low, our rents are high, and you know what they say about owning land—they're not making more of it! So, this is just another "unprecedented" time, as was the dot-com era, 9/11, the Great Recession, Covid, tariffs, and war. There will always be headwinds, but the caliber of San Diego real estate will be an inherent and perpetual tailwind.

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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