SD Q2 26

SECOND QUARTER 2026 MARKET REPORT

SAN DIEGO RETAIL

Voit REAL ESTATE SERVICES

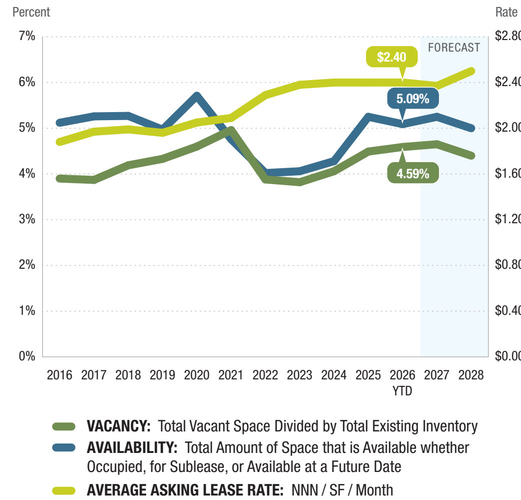
OVERVIEW. The San Diego retail real estate market finished Q2 with a minimal decrease in vacancy and a modest amount of positive net absorption, but the year-to-date totals of these figures have moved in slightly the opposite direction.

VACANCY & AVAILABILITY. Direct / sublease space (unoccupied) finished Q2 2026 at 4.59%, 5 basis points below the previous quarter, but an increase of 17 basis points compared with the vacancy rate of Q2 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 5.09% at the end of Q2. This is an increase of roughly a quarter percentage point compared with Q2 2025. The reported figure for available space underrepresents the "true" availability rate as many mall owners are not marketing all of their available space on the open market. The total retail inventory for the county is slightly below the level of a decade ago, notwithstanding 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.

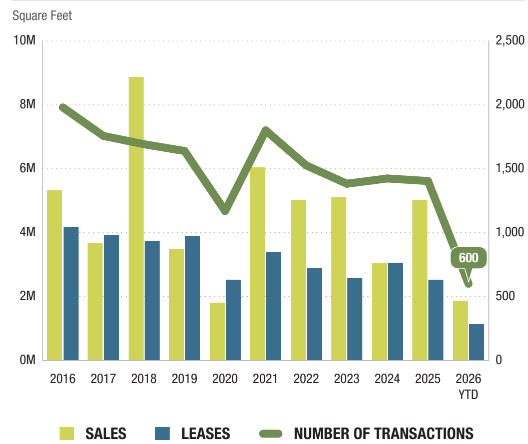
LEASE RATES. The average asking triple-net lease rate per month per square foot in San Diego County ended Q2 at $2.40, a three-cent, or 1.27% increase compared to Q2 2025. The average asking lease rate has increased a total of 20% from the pre-pandemic level of six years ago. This increase is actually modest when considering that it falls short of the 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 Q2 was approximately 1.5M SF, a decrease of 12.9% versus Q2 2025's total of 1.7M SF. The largest lease reported in Q2 was Bass Pro Shops first location in the county at Grossmont Center in La Mesa. Bass Pro Shops offer more than your typical big box retailers, with an immersive in-store experience including aquariums, taxidermy, and antiques. This reflects a major shift in the composition of retail occupiers in recent years towards a focus on an experiential retail strategy. As traditional soft goods retailers have reduced their physical footprints, landlords have increasingly targeted tenants that offer experiences, services, dining, entertainment, and interactive shopping environments that are difficult to replicate online. This evolution in tenant mix has helped many shopping centers remain relevant by creating destinations that encourage longer visits, repeat customers, and cross-shopping among neighboring retailers.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

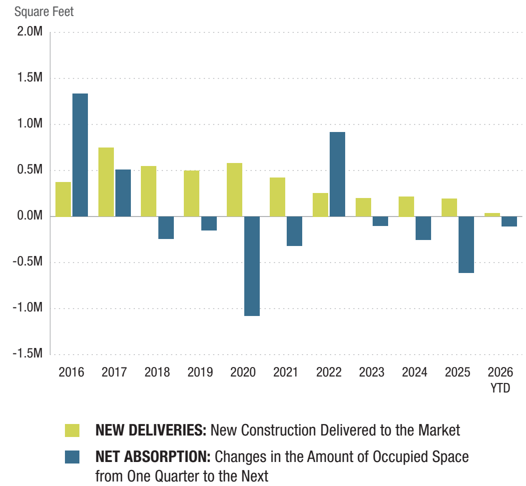
	Change Over Last Quarter	Q2 2026	Q1 2026	Q2 2025	% Change Over Last Year
Vacancy Rate	DOWN	4.59%	4.64%	4.42%	3.72%
Availability Rate	DOWN	5.09%	5.39%	4.85%	4.79%
Average Asking Lease Rate	DOWN	$2.40	$2.42	$2.37	1.27%
Sale & Lease Transactions	DOWN	1,491,581	1,504,430	1,712,786	(12.91%)
Gross Absorption	UP	805,511	664,465	789,855	1.98%
Net Absorption	POSITIVE	93,856	(199,589)	(251,443)	N/A

ABSORPTION. There were 93,856 SF of positive net absorption in Q2 2026, but the total for the first two quarters remains in the negative. There has been only 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 40,000 SF of new construction deliveries in the first half of 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 Q2, there were 275,527 SF of retail properties under construction, the largest of which was an 107,000-SF Home Depot in Mission Valley. 14 of the 19 properties under construction in Q2 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, and it is clear that the market is currently in an era of sustained 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 3.9% in May 2026, down from a revised 4.1% in April 2026 and below the year-ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 4.7% for California and 4.1% for the nation during the same period. Over the 12-month period between May 2025 and May 2026, San Diego County employment increased by 13,400 jobs, an increase of 0.7%. With delays in reporting from the California EDD, employment figures from June were unavailable at the time of publishing this report. For the nation as a whole, the U.S. economy added 57,000 jobs in June, less than half the Dow Jones consensus forecast.

NEW DELIVERIES & NET ABSORPTION



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
7710–7770 El Camino Real	Carlsbad	122,167	$91,300,000	11North Partners	Asana Partners
10643–10775 Westview Pkwy.	Mira Mesa	249,060	$84,800,000	CenterCal Properties	Stockbridge Capital Group, LLC
12312–12378 Poway Rd.	Poway	101,063	$43,100,000	Litwin Management	Fortress Investment Group
103–181 Fletcher Pkwy.	El Cajon	122,484	$31,500,000	Tabani Group	Starwood Capital Group
810–890 W. Valley Pkwy.	Escondido	89,252	$28,000,000	Brixton Capital	Mountain Pacific Properties

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5500 Grossmont Center Dr.	La Mesa	148,000	Jun-2026	Bass Pro Shops	Federal Realty Investment Trust
725 N. Escondido Blvd.	Escondido	45,000	Jun-2026	AutoZone	Schrock Holdings, LLC
680 Hacienda Dr.	Vista	42,041	Apr-2026	Undisclosed	(Sublease)
11965 Bernardo Plaza Dr.	Rancho Bernardo	15,430	Apr-2026	San Diego Gymnastics	Weikel Rancho Bernardom LP
601 E. San Ysidro Blvd.	San Ysidro	13,618	May-2026	AMVETS	SYEL, LLC

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	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2026	Square Feet Available	Availability Rate Q2 2026	Average Asking Lease Rate	Net Absorption Q2 2026	Net Absorption 2026	Gross Absorption Q2 2026	Gross Absorption 2026
Central South													
General Retail	3,636	19,323,505	152,985	363,948	668,859	3.46%	910,671	4.68%	$2.77	116,123	8,096	197,250	317,809
Malls	65	3,548,365	0	0	226,816	6.39%	151,498	4.27%	-	3,000	(220)	8,453	11,160
Power Centers	89	3,203,764	0	6,975	25,256	0.79%	49,256	1.54%	-	9,382	3,342	9,382	12,474
Shopping Centers	697	10,762,991	0	0	508,122	4.72%	662,494	6.16%	$2.24	32,431	59,094	126,302	190,153
Specialty Centers	6	240,606	0	0	8,231	3.42%	2,820	1.17%	-	8,626	8,319	19,191	19,191
Central South Total	4,493	37,079,231	152,985	370,923	1,437,284	3.88%	1,776,739	4.77%	$2.57	169,562	78,631	360,578	550,787
East County													
General Retail	1,473	7,667,848	7,500	45,100	130,881	1.71%	169,143	2.20%	$2.07	734	27,789	44,128	97,316
Malls	22	2,119,159	0	47,400	413,537	19.51%	422,583	19.94%	-	(6,029)	(8,594)	0	0
Power Centers	55	1,527,979	0	0	41,140	2.69%	42,297	2.77%	$2.50	6,081	3,452	6,081	6,081
Shopping Centers	558	8,050,768	0	131,679	393,728	4.89%	489,216	6.08%	$1.94	17,285	12,826	55,077	104,463
Specialty Centers	2	34,558	0	0	0	0.00%	0	0.00%	-	0	0	0	0
East County Total	2,110	19,400,312	7,500	224,179	979,286	5.05%	1,123,239	5.79%	$1.99	18,071	35,473	105,286	207,860
I-15 Corridor													
General Retail	177	1,749,843	0	178,292	17,481	1.00%	27,390	1.57%	$3.89	(1,193)	(1,193)	1,152	1,152
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	287	4,212,135	0	0	199,037	4.73%	190,506	4.52%	$3.34	(34,580)	(38,501)	24,310	49,498
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	-	0	0	0	0
I-15 Corridor Total	488	6,536,818	0	178,292	216,518	3.31%	219,096	3.35%	$3.50	(35,773)	(39,694)	25,462	50,650
North County													
General Retail	1,708	12,112,596	3,000	88,734	629,548	5.20%	550,681	4.55%	$2.16	15,672	29,367	75,370	204,677
Malls	26	2,732,043	0	0	305,010	11.16%	17,782	0.65%	-	1,608	1,608	1,608	1,608
Power Centers	105	3,094,108	0	4,000	174,820	5.65%	213,250	6.89%	$3.00	24,905	15,875	26,667	53,323
Shopping Centers	974	14,787,776	2	197,054	729,346	4.93%	1,046,089	7.07%	$2.09	(63,417)	(90,274)	74,080	139,150
Specialty Centers	5	368,640	0	0	2,550	0.69%	2,550	0.69%	-	0	4,743	0	4,743
North County Total	2,818	33,095,163	3,002	289,788	1,841,274	5.56%	1,830,352	5.53%	$2.13	(21,232)	(38,681)	177,725	403,501
Central North													
General Retail	858	7,239,181	83,887	40,568	186,046	2.57%	249,031	3.40%	$3.65	(383)	(37,418)	18,394	36,616
Malls	18	1,513,972	0	0	181,850	12.01%	130,981	8.65%	$1.62	(13,408)	(13,205)	0	398
Power Centers	59	1,954,756	0	0	90,831	4.65%	178,917	9.15%	-	(6,057)	(46,583)	3,503	3,503
Shopping Centers	455	6,665,405	0	86,564	421,950	6.33%	491,234	7.37%	$2.53	32,785	24,573	70,241	110,306
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	0
Central North Total	1,390	17,373,314	83,887	127,132	880,677	5.07%	1,050,163	6.02%	$2.54	12,937	(72,633)	92,138	150,823
South County													
General Retail	1,143	5,945,698	28,153	86,292	127,312	2.14%	154,895	2.59%	$2.65	(10,107)	(10,966)	13,659	33,911
Malls	44	2,412,591	0	0	132,878	5.51%	113,553	4.71%	-	(17,630)	(40,616)	3,596	3,596
Power Centers	32	1,028,640	0	3,000	0	0.00%	0	0.00%	-	0	0	0	0
Shopping Centers	541	9,202,783	0	77,200	479,386	5.21%	503,475	5.47%	$2.66	(21,972)	(17,247)	27,067	68,848
Specialty Centers	27	758,530	0	0	0	0.00%	0	0.00%	-	0	0	0	0
South County Total	1,787	19,348,242	28,153	166,492	739,576	3.82%	771,923	3.98%	$2.65	(49,709)	(68,829)	44,322	106,355
San Diego Total	**13,086**	**132,833,080**	**275,527**	**1,356,806**	**6,094,615**	**4.59%**	**6,771,512**	**5.09%**	**$2.40**	**93,856**	**(105,733)**	**805,511**	**1,469,976**
General Retail	8,995	54,038,671	275,525	802,934	1,760,127	3.26%	2,061,811	3.80%	$2.56	120,846	15,675	349,953	691,481
Malls	175	12,326,130	0	47,400	1,260,091	10.22%	836,397	6.79%	$1.54	(32,459)	(61,027)	13,657	16,762
Power Centers	364	11,384,087	0	13,975	332,047	2.92%	484,920	4.26%	$2.88	34,311	(23,914)	45,633	75,381
Shopping Centers	3,512	53,681,858	2	492,497	2,731,569	5.09%	3,383,014	6.30%	$2.31	(37,468)	(49,529)	377,077	662,418
Specialty Centers	40	1,402,334	0	0	10,781	0.77%	5,370	0.38%	$4.00	8,626	13,062	19,191	23,934
San Diego Total	**13,086**	**132,833,080**	**275,527**	**1,356,806**	**6,094,615**	**4.59%**	**6,771,512**	**5.09%**	**$2.40**	**93,856**	**(105,733)**	**805,511**	**1,469,976**

Lease rates are on a triple-net basis.

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Which Side of the K

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Ask five people how the economy is doing and you'll get five different answers. One extreme is thriving, cocktail in hand, planning the next trip. The other is doing arithmetic at the pump, wondering how far the tank will stretch. Economists call this the K-shaped economy — shorthand for an untidy reality in which income groups no longer rise and fall together but peel off in opposite directions, like the two strokes of the letter itself.

The macroeconomic backdrop remains stubbornly unresolved. The second quarter ended with the Iran conflict still rattling energy markets — crude briefly broke $100 a barrel before settling back down. Inflation, meanwhile, has proven more persistent than the Fed would like, prompting new Chairman Kevin Warsh to hold rates steady for a fourth consecutive meeting in June. The debate has shifted from when rates might fall to whether they might rise again. Bond markets took the news in stride, nudging modestly higher as investors priced in the marginal risk. Treasury yields — the quiet arbiter of commercial mortgage rates — have barely stirred.

On Main Street, the divergence is less abstract. Lower- and middle-income households are contending with inflation north of 3 percent, wage growth that refuses to keep pace, and energy costs that ripple well beyond the gas station. Higher earners, by contrast, are enjoying equity returns in the 10 to 20 percent range. The consequence is a reallocation of capital towards wealthier communities, with coastal, high-income submarkets becoming the preferred destination for investors in search of higher returns.

San Diego's retail sales this quarter make the case empirically. The Beacon La Costa, sitting in well-heeled Carlsbad, changed hands for $91.3 million, or $747 per square foot. Poway Marketplace, in another affluent submarket, fetched $43.1 million, or $426 per square foot. Mira Mesa Market, solidly middle-income, closed at $84.8 million, or $340 per square foot. And the Shops at Parkway Plaza in El Cajon sold for $31.5 million — just $257 per square foot, nearly a threefold discount to La Costa for broadly comparable product.

Tenant quality is compounding the effect. The retail market has absorbed a steady stream of national casualties over the past two years — Rite Aid, Joann, Party City, Big Lots, Claire's — nearly all concentrated in the value and discount tiers, with Coresight forecasting some 7,900 further closures nationally in 2026. Centers built around a similar tenant mix carry genuine re-leasing risk. Centers in wealthier trade areas, insulated from discretionary belt-tightening, are being underwritten as the safer bet — and priced accordingly.

None of this changes San Diego's underlying fundamentals: the region remains persistently undersupplied, and this scarcity is the floor beneath the market. But in the near term, buyers are underwriting more than a rent roll. They're underwriting on "which side of the K" their trade area sits — and San Diego, with median household income running some $40,000 above the national figure, has reason to like its odds.

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

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