

# FIRST QUARTER 2014 SAN DIEGO RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

*Compared to the Previous Quarter:*

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

DOWN



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## HIGHLIGHTS

- **Stable Market** - The San Diego retail had a nice start to 2014. Asking rental rates increased by three cents a square foot, and the market posted positive net absorption of over 100,000 square feet. Both vacancy and availability continued to gradually trend downward, displaying decreases from both the previous quarter and the prior year. While the San Diego retail market appears to be in recovery, further improvement hinges on continued employment gains.
- **Construction** - New retail construction deliveries rose for three consecutive years after bottoming out in 2010; however that trends looks to end this year with only 65,000 square feet delivered and 370,000 square feet of retail product under construction at the end of the first quarter of 2014. This low level of construction should alleviate upward pressure on vacancy and downward pressure on lease rates.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.36%, down from the previous quarter's rate of 4.41% and the lowest vacancy rate seen in five years.
- **Availability** - Direct/sublease space being marketed was 5.55% at the end of the first quarter, a decrease from the prior quarter's rate of 5.81%. The North Central area of San Diego County had the lowest availability rate of all submarkets, at 3.68%.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in San Diego County was \$1.78 at the end of the quarter, a three-cent increase from the prior quarter. The highest average asking rates in the market were in the I-15 Corridor, at \$2.55 per square foot per month.
- **Absorption** - The San Diego retail market posted 134,695 square feet of positive net absorption in the first quarter of the year, giving the San Diego retail market a total of over 4 million square feet of positive net absorption over five and a half quarters.
- **Transaction Activity** - The combined amount of retail property sold and leased in the first quarter was 1.5 million square feet, down from prior quarter's total of 3.0 million square feet. This statistic can have some lag time in being reported, so look for first quarter figures to end up somewhat higher in the next report. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in the San Diego County was 7.0% in February 2014, unchanged from a revised 7.0% in January 2014 and below the year-ago estimate of 8.1%. This compares with an unadjusted unemployment rate of 8.5% for California and 7.0% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 27,200 payroll jobs from February 2013 and February 2014 — including 6,700 in professional and business services, 4,800 from leisure and hospitality, and 4,300 from construction. The financial activities sector recorded the greatest number of job losses, down 500 year over year.
- **Overall** - The San Diego retail market continues to post very relatively low vacancy rates, with current rates below 4.5%. Positive absorption trends endure, and overall the market has stabilized. Thus far in the recovery, quality properties have been able to keep overall asking rental rates stable, but demand remains soft for marginal product. As job creation continues and consumer confidence stabilizes, the retail market will continue to improve.

## FORECAST

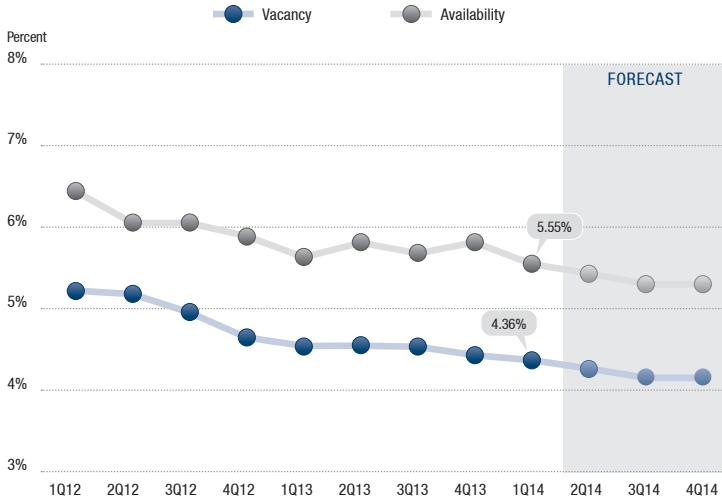
- **Construction** - We anticipate new retail deliveries slowing this year, after three straight year-over-year increases. Going forward, new retail product will come, not only from new shopping centers, but increasingly from mixed-use development in the market.
- **Employment** - We anticipate job growth of around 1.9%, or 24,600 jobs, in San Diego County over the year. Look for sectors like construction, administrative & support, and transportation & utilities to lead the way for employment gains in 2014.
- **Lease Rates** - Expect average asking rates to increase by another 2%–3% percent by 2015.
- **Vacancy** - We anticipate the vacancy rate continuing to descend in coming quarters, dipping 20 basis points to approximately 4.15% by 2015.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	4.36%	4.41%	4.53%	(3.75%)
Availability Rate	5.55%	5.81%	5.65%	(1.77%)
Average Asking Lease Rate	\$1.78	\$1.75	\$1.76	1.14%
Sale & Lease Transactions	1,474,114	3,036,916	2,729,413	(45.99%)
Gross Absorption	1,059,165	1,065,065	1,020,332	3.81%
Net Absorption	134,695	300,149	266,802	N/A

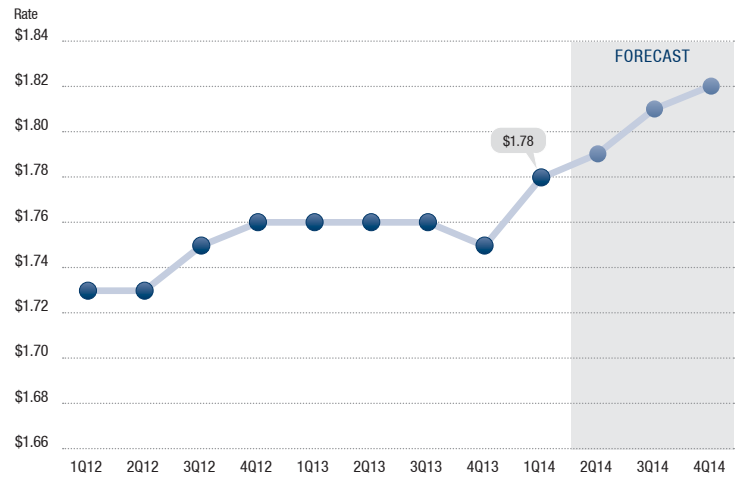
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



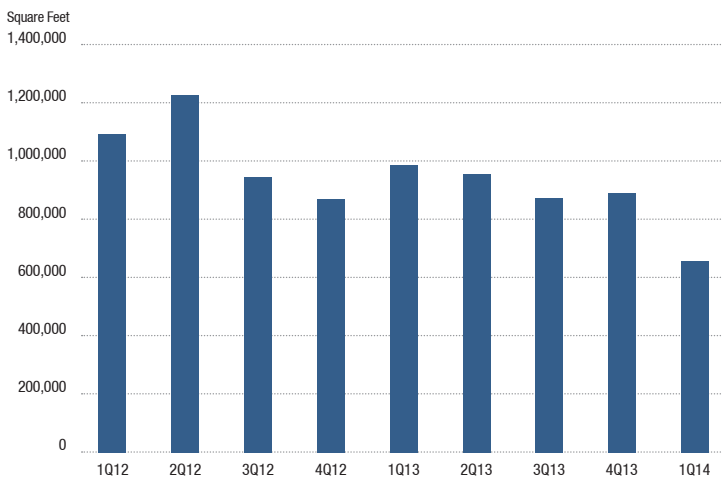
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



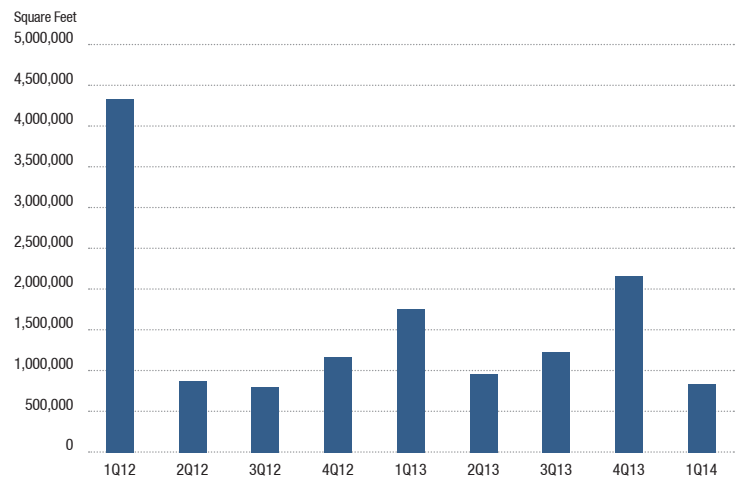
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



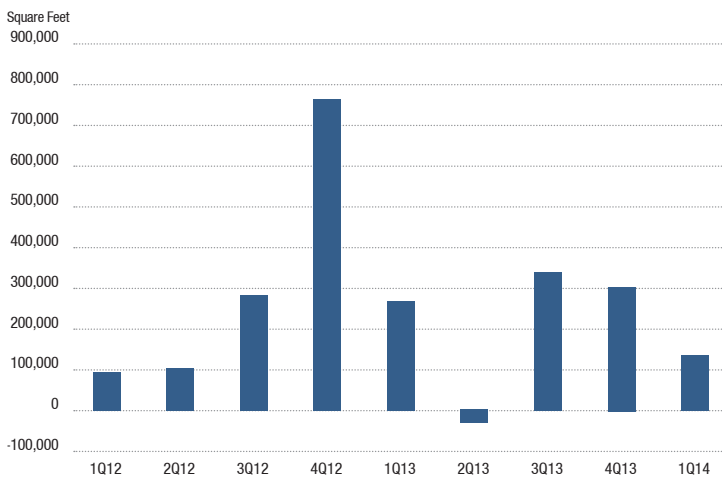
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

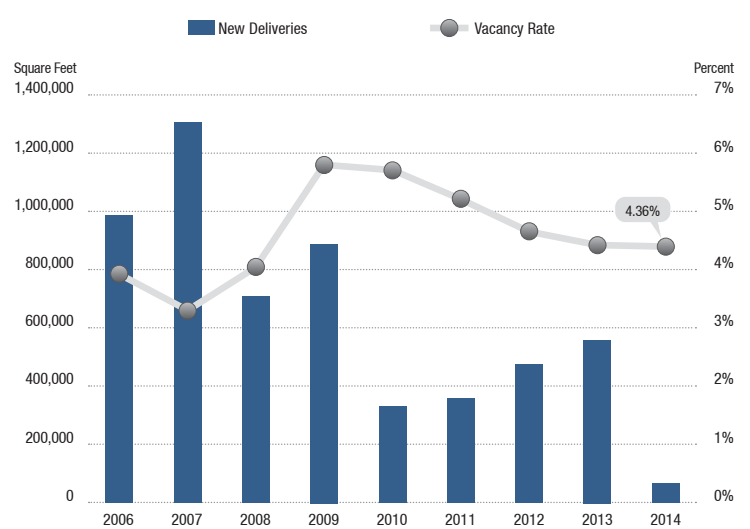


## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## ANNUAL NEW DELIVERIES VS. VACANCY RATE



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Square Feet Available	Availability Rate 1Q2014	Average Asking Lease Rate	Net Absorption 1Q2014	Net Absorption 2013	Gross Absorption 1Q2014	Gross Absorption 2013
<b>Central</b>													
General Retail	3,671	19,944,212	30,929	582,429	614,660	3.08%	910,976	4.57%	\$2.36	40,114	140,941	178,524	739,518
Malls	20	4,276,289	0	0	906	0.02%	4,906	0.11%	\$0.00	(300)	0	0	0
Power Centers	89	3,231,725	0	0	62,955	1.95%	40,283	1.25%	\$0.00	8,720	7,770	18,790	30,019
Shopping Centers	710	11,246,748	30,000	29,933	668,394	5.94%	774,800	6.89%	\$1.92	(29,934)	113,874	100,640	488,299
Specialty Centers	7	313,886	0	0	26,822	8.55%	28,833	9.19%	\$0.00	734	88,584	734	92,270
<b>Central Total</b>	<b>4,497</b>	<b>39,012,860</b>	<b>60,929</b>	<b>612,362</b>	<b>1,373,737</b>	<b>3.52%</b>	<b>1,759,798</b>	<b>4.51%</b>	<b>\$2.07</b>	<b>19,334</b>	<b>351,169</b>	<b>298,688</b>	<b>1,350,106</b>
<b>East County</b>													
General Retail	1,424	7,178,990	40,000	28,555	125,651	1.75%	320,788	4.47%	\$1.16	(5,776)	61,675	25,585	181,385
Malls	14	2,543,631	0	0	6,879	0.27%	8,379	0.33%	\$0.00	0	8,923	0	15,696
Power Centers	61	1,760,632	0	4,800	68,837	3.91%	90,962	5.17%	\$2.40	2,637	(24,459)	5,000	1,300
Shopping Centers	546	8,346,584	11,700	33,142	595,236	7.13%	738,753	8.85%	\$1.70	62,643	(20,192)	107,269	238,638
Specialty Centers	3	75,112	0	0	7,508	10.00%	7,508	10.00%	\$0.00	0	(6,908)	0	0
<b>East County Total</b>	<b>2,048</b>	<b>19,904,949</b>	<b>51,700</b>	<b>66,497</b>	<b>804,111</b>	<b>4.04%</b>	<b>1,166,390</b>	<b>5.86%</b>	<b>\$1.51</b>	<b>59,504</b>	<b>19,039</b>	<b>137,854</b>	<b>437,019</b>
<b>I-15 Corridor</b>													
General Retail	170	1,572,938	0	312,568	7,767	0.49%	12,017	0.76%	\$2.80	1,800	1,050	1,800	11,233
Malls	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Power Centers	22	559,185	0	5,000	40,000	7.15%	0	0.00%	\$0.00	0	8,283	0	8,283
Shopping Centers	274	4,091,300	0	31,097	222,976	5.45%	282,632	6.91%	\$2.55	4,693	46,931	34,820	176,922
Specialty Centers	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>I-15 Corridor Total</b>	<b>466</b>	<b>6,223,423</b>	<b>0</b>	<b>348,665</b>	<b>270,743</b>	<b>4.35%</b>	<b>294,649</b>	<b>4.73%</b>	<b>\$2.55</b>	<b>6,493</b>	<b>56,264</b>	<b>36,620</b>	<b>196,438</b>
<b>North County</b>													
General Retail	1,663	11,217,797	15,415	348,487	337,907	3.01%	480,566	4.28%	\$1.19	8,415	155,629	82,284	357,272
Malls	20	2,736,622	0	0	0	0.00%	11,675	0.43%	\$0.00	0	81,353	0	88,878
Power Centers	103	3,079,885	0	44,500	142,156	4.62%	178,782	5.80%	\$2.54	(4,368)	7,801	3,845	36,867
Shopping Centers	905	14,948,702	98,000	447,899	1,546,131	10.34%	1,767,075	11.82%	\$1.58	32,417	(57,499)	178,228	612,665
Specialty Centers	5	367,815	0	0	0	0.00%	0	0.00%	\$0.00	1,210	0	1,210	1,210
<b>North County Total</b>	<b>2,696</b>	<b>32,350,821</b>	<b>113,415</b>	<b>840,886</b>	<b>2,026,194</b>	<b>6.26%</b>	<b>2,438,098</b>	<b>7.54%</b>	<b>\$1.52</b>	<b>37,674</b>	<b>187,284</b>	<b>265,567</b>	<b>1,096,892</b>
<b>North Central</b>													
General Retail	848	7,023,828	4,704	51,342	124,676	1.78%	151,059	2.15%	\$4.16	(6,633)	71,627	30,156	204,613
Malls	23	1,139,534	0	491,000	0	0.00%	0	0.00%	\$0.00	0	3,478	0	28,239
Power Centers	64	2,087,645	0	0	34,664	1.66%	39,160	1.88%	\$0.00	(5,953)	(2,400)	6,403	21,742
Shopping Centers	410	6,645,093	0	169,136	309,876	4.66%	356,734	5.37%	\$1.87	41,609	136,597	90,181	350,648
Specialty Centers	10	275,379	0	0	74,942	27.21%	84,509	30.69%	\$1.50	10,866	28,203	20,083	47,618
<b>North Central Total</b>	<b>1,355</b>	<b>17,171,479</b>	<b>4,704</b>	<b>711,478</b>	<b>544,158</b>	<b>3.17%</b>	<b>631,462</b>	<b>3.68%</b>	<b>\$2.36</b>	<b>39,889</b>	<b>237,505</b>	<b>146,823</b>	<b>652,860</b>
<b>South Bay</b>													
General Retail	1,098	5,734,775	0	621,210	246,910	4.31%	348,684	6.08%	\$1.40	(24,827)	48,397	42,259	135,129
Malls	42	2,637,917	0	0	56,985	2.16%	75,699	2.87%	\$0.00	11,327	(25,807)	14,828	26,839
Power Centers	25	994,326	0	0	0	0.00%	12,548	1.26%	\$0.00	0	1,996	0	1,996
Shopping Centers	517	9,063,515	0	327,624	535,370	5.91%	734,837	8.11%	\$1.70	(8,591)	61,637	96,669	325,581
Specialty Centers	25	627,072	140,000	478,000	15,534	2.48%	15,534	2.48%	\$0.00	2,116	(10,851)	2,116	6,482
<b>South Bay Total</b>	<b>1,707</b>	<b>19,057,605</b>	<b>140,000</b>	<b>1,426,834</b>	<b>854,799</b>	<b>4.49%</b>	<b>1,187,302</b>	<b>6.23%</b>	<b>\$1.59</b>	<b>(19,975)</b>	<b>25,485</b>	<b>155,872</b>	<b>496,027</b>
<b>Outlying Areas</b>													
General Retail	470	1,863,683	0	27,200	45,040	2.42%	70,991	3.81%	\$1.43	(1,220)	26,027	9,394	49,823
Malls	11	145,890	0	0	11,000	7.54%	11,000	7.54%	\$0.00	0	0	0	0
Power Centers	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Shopping Centers	95	1,311,467	0	30,000	53,131	4.05%	57,195	4.36%	\$1.50	(7,004)	7,483	8,347	38,253
Specialty Centers	1	255,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Outlying Areas Total</b>	<b>577</b>	<b>3,576,040</b>	<b>0</b>	<b>57,200</b>	<b>109,171</b>	<b>3.05%</b>	<b>139,186</b>	<b>3.89%</b>	<b>\$1.77</b>	<b>(8,224)</b>	<b>33,510</b>	<b>17,741</b>	<b>88,076</b>
<b>San Diego Total</b>	<b>13,346</b>	<b>137,297,177</b>	<b>370,748</b>	<b>4,063,922</b>	<b>5,982,913</b>	<b>4.36%</b>	<b>7,616,885</b>	<b>5.55%</b>	<b>\$1.78</b>	<b>134,695</b>	<b>960,143</b>	<b>1,059,165</b>	<b>4,317,418</b>
General Retail	9,344	54,536,223	91,048	1,971,791	1,502,611	2.76%	2,295,081	4.21%	\$1.80	11,873	505,346	370,002	1,678,973
Malls	130	13,479,883	0	491,000	75,770	0.56%	111,659	0.83%	\$0.00	11,027	67,947	14,828	159,652
Power Centers	364	11,713,398	0	54,300	348,612	2.98%	361,735	3.09%	\$2.52	1,036	(1,009)	34,038	100,207
Shopping Centers	3,457	55,653,409	139,700	1,068,831	3,931,114	7.06%	4,712,026	8.47%	\$1.75	95,833	288,831	616,154	2,231,006
Specialty Centers	51	1,914,264	140,000	478,000	124,806	6.52%	136,384	7.12%	\$1.50	14,926	99,028	24,143	147,580
<b>San Diego Total</b>	<b>13,346</b>	<b>137,297,177</b>	<b>370,748</b>	<b>4,063,922</b>	<b>5,982,913</b>	<b>4.36%</b>	<b>7,616,885</b>	<b>5.55%</b>	<b>\$1.78</b>	<b>134,695</b>	<b>960,143</b>	<b>1,059,165</b>	<b>4,317,418</b>

Lease rates are on a triple-net basis.

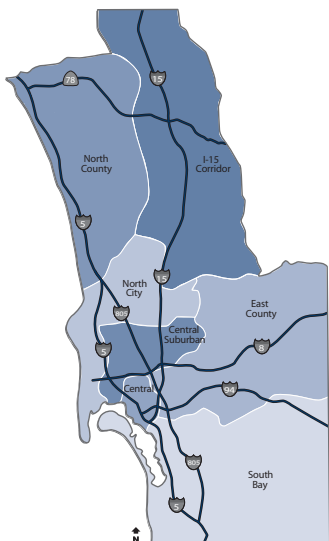
**MAJOR TRANSACTIONS**

**Sales Transactions**

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
13409-13595 Poway Rd.	I-15 Corridor	128,852	\$341.28	ROIC	American Realty Advisors
1527 Mission Ave.	North County	107,600	\$117.10	Doerken Properties, Inc.	R.B. "Buzz" Woolley
2007-2041 Mission Ave.	North County	124,006	\$90.72	Tecolote San Clemente, LLC	Toluca Properties
1625-1665 E. Valley Pkwy.	North County	70,898	\$148.45	Pioneer Industries, Inc.	Pacific Development Partners, LLC
450 W. Vista Way	North County	36,491	\$287.74	The Automotive Group	City of Vista

**Lease Transactions**

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
10150 Scripps Gateway Ct.	North Central	40,000	Feb-14	Whole Foods	Scripps-Highland Partners, LLC
11940 Carmel Mountain Rd.	I-15 Corridor	40,000	Jan-14	Undisclosed	American Assets Trust
1845 W. Vista Way	North County	23,172	Mar-14	Smart & Final	Chou Family Trust
3270 Greyling Dr.	Central	11,646	Feb-14	Crunch Fitness	Omninet Capital
3893 54th Ave.	Central	10,600	Jan-14	Blue Diamond Development	Sears Roebuck & Company



**SUBMARKETS**

**CENTRAL**

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

**NORTH CENTRAL**

Cardiff / Encinitas, Del Mar Heights, La Jolla / Torrey Pines, Miramar, UTC

**NORTH COUNTY**

Carlsbad, Escondido, Oceanside, San Marcos, Vista

**OUTLYING AREAS**

Outlying SD County North, Outlying SD County South

**SOUTH BAY**

Chula Vista, Eastlake, Imperial Beach / South San Diego, National City

**Please Contact Us for Further Information**

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Inland Empire, CA 909.545.8000	Newport Beach, CA 949.644.8648	Sacramento, CA 916.772.8648	

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.

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