



# SECOND QUARTER 2014

## SAN DIEGO

# RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

FLAT



Transactions

DOWN



Deliveries

FLAT



To view available properties or electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Joshua Brant**  
Market Research Analyst  
e-mail: [jbrant@voitco.com](mailto:jbrant@voitco.com)  
VOIT Real Estate Services

## HIGHLIGHTS

- **Tight Market** - The San Diego retail market continued to improve in the first half of 2014. Asking rental rates remain unchanged, and the market posted positive net absorption of over 250,000 square feet. Both vacancy and availability continued to 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 approximately 130,000 square feet delivered through the first half of 2014. Much of the current retail construction in San Diego is renovation work including the \$300 million transformation of Westfield Plaza Camino Real from an indoor mall into an open air mall. The 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 4.22%, down from the previous quarter's rate of 4.38% and the lowest vacancy rate seen in five years.
- **Availability** - Direct/sublease space being marketed was 5.56% at the end of the second quarter, a decrease from the prior quarter's rate of 5.60%. The shopping center segment of San Diego's retail market, which includes strip centers, neighborhood centers, and community centers posted the highest availability rate at 8.48%, while malls were the lowest with a 1.39% availability rate.
- **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, unchanged from the first quarter, and a two-cent increase from 2013's second quarter rate. 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 278,733 square feet of positive net absorption in the second quarter of the year, giving the San Diego retail market a total of 4 million square feet of positive net absorption since the beginning of 2010.
- **Transaction Activity** - The combined amount of retail property sold and leased in the second quarter was 1.2 million square feet, down from the prior quarter's total of 1.9 million square feet. This statistic can have some lag time in being reported, so look for second quarter figures to end up somewhat higher in the next report. Over half of the largest transactions of the quarter occurred in the North Central part of the county. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in San Diego County was 5.8% in May 2014, down from a revised 6.1% in April 2014 and below the year-ago estimate of 7.3%. This compares with an unadjusted unemployment rate of 7.1% for California and 6.1% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 29,300 payroll jobs from May 2013 to May 2014, including 6,200 in leisure and hospitality, 5,100 from construction, and 4,800 from professional and business services. The financial activities sector recorded the greatest number of job losses, down 1,000 year over year.
- **Overall** - The San Diego retail market continues to post 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

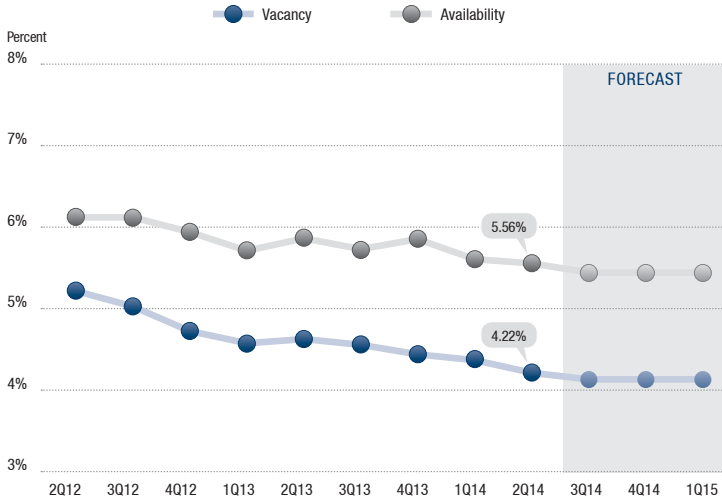
- **Construction** - We anticipate new retail deliveries slowing this year, after three straight year-over-year increases. Going forward, new retail product will come, not only from new shopping centers, but increasingly from mixed-use development in the market. Additionally, property renovations will be an avenue of adding high quality product with the continued demand and limited development pipeline.
- **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 3%–4% by 2015.
- **Vacancy** - We anticipate the vacancy rate to descend slowly in coming quarters, dipping 20 basis points to approximately 4% by 2015.

## OVERVIEW

	2Q14	1Q14	2Q13	% of Change vs. 2Q13
Vacancy Rate	4.22%	4.38%	4.62%	(8.66%)
Availability Rate	5.56%	5.60%	5.87%	(5.28%)
Average Asking Lease Rate	\$1.78	\$1.78	\$1.76	1.14%
Sale & Lease Transactions	1,218,258	1,893,282	1,802,970	(32.43%)
Gross Absorption	1,086,507	1,063,928	1,017,265	6.81%
Net Absorption	278,733	160,615	(23,913)	N/A

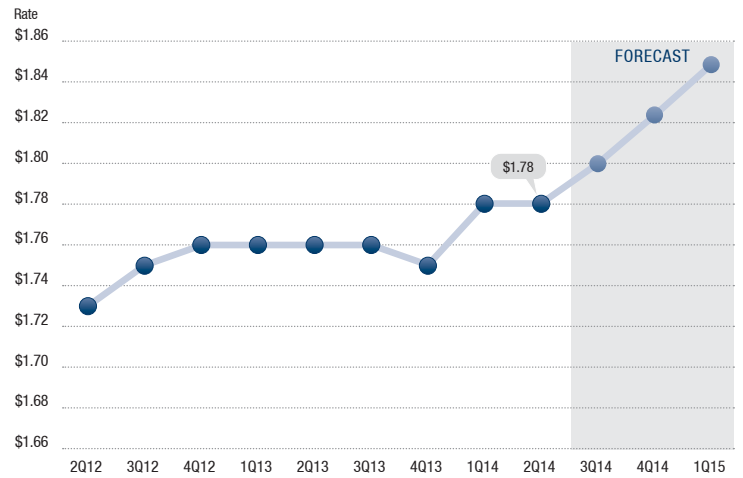
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



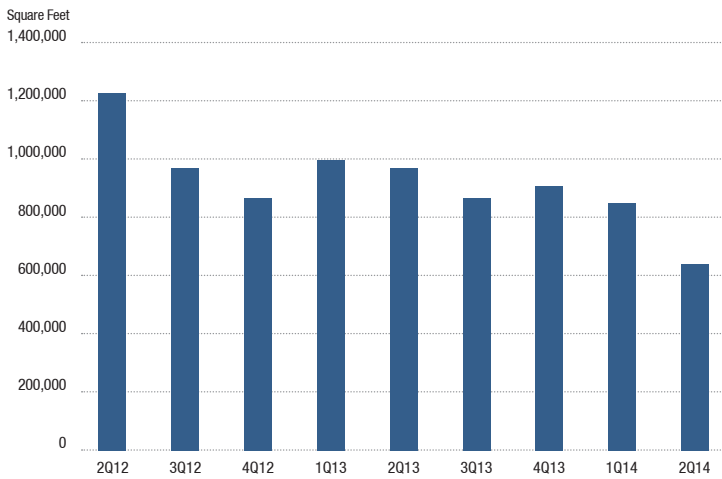
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



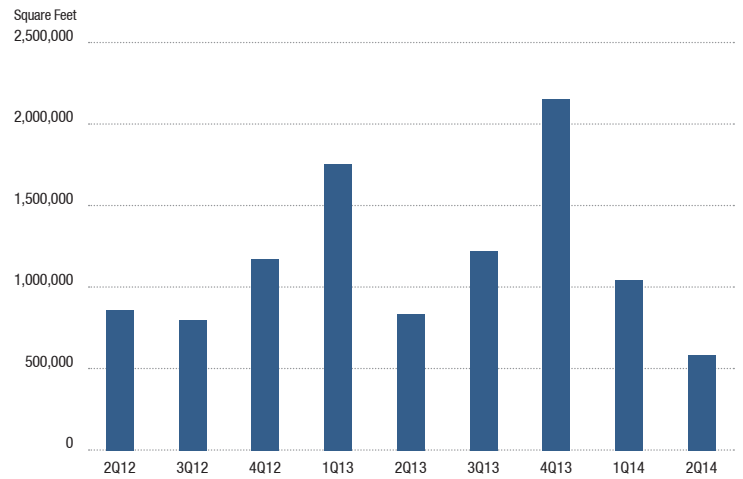
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



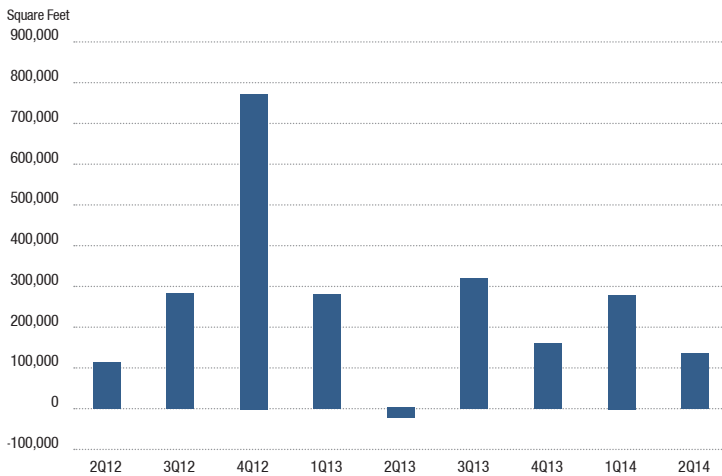
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

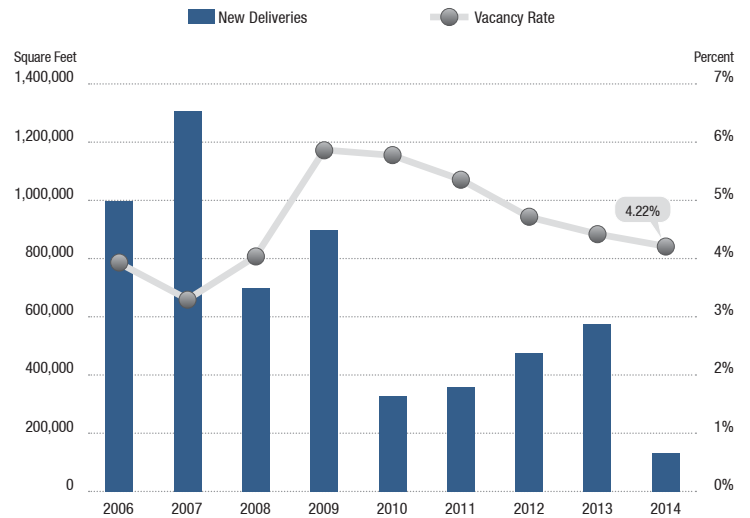


## NET ABSORPTION

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 2Q2014	Square Feet Available	Availability Rate 2Q2014	Average Asking Lease Rate	Net Absorption 2Q2014	Net Absorption 2014	Gross Absorption 2Q2014	Gross Absorption 2014
<b>Central</b>													
General Retail	3,663	19,787,967	32,093	572,994	631,232	3.19%	908,992	4.59%	\$2.34	1,174	37,428	163,595	337,603
Malls	41	4,532,033	0	0	56,712	1.25%	67,403	1.49%	\$0.00	(12,266)	(8,684)	1,928	7,438
Power Centers	89	3,232,274	0	0	58,240	1.80%	77,807	2.41%	\$0.00	4,715	13,435	12,500	31,290
Shopping Centers	714	11,287,740	40,588	22,345	692,957	6.14%	756,324	6.70%	\$1.88	(18,978)	(54,337)	99,589	192,804
Specialty Centers	7	313,886	0	0	18,094	5.76%	18,094	5.76%	\$0.00	8,728	9,462	10,739	11,473
<b>Central Total</b>	<b>4,514</b>	<b>39,153,900</b>	<b>72,681</b>	<b>595,339</b>	<b>1,457,235</b>	<b>3.72%</b>	<b>1,828,620</b>	<b>4.67%</b>	<b>\$2.07</b>	<b>(16,627)</b>	<b>(2,696)</b>	<b>288,351</b>	<b>580,608</b>
<b>East County</b>													
General Retail	1,429	7,255,985	2,940	38,455	93,379	1.29%	289,431	3.99%	\$1.20	72,272	73,996	111,290	137,375
Malls	14	2,543,631	0	0	6,879	0.27%	8,379	0.33%	\$0.00	0	0	0	0
Power Centers	61	1,760,742	0	4,800	47,881	2.72%	85,029	4.83%	\$2.40	20,956	23,593	22,545	27,545
Shopping Centers	544	8,338,506	11,700	18,352	560,483	6.72%	745,400	8.94%	\$1.56	36,687	97,396	82,134	189,403
Specialty Centers	3	75,112	0	0	7,508	10.00%	7,508	10.00%	\$0.00	0	0	0	0
<b>East County Total</b>	<b>2,051</b>	<b>19,973,976</b>	<b>14,640</b>	<b>61,607</b>	<b>716,130</b>	<b>3.59%</b>	<b>1,135,747</b>	<b>5.69%</b>	<b>\$1.51</b>	<b>129,915</b>	<b>194,985</b>	<b>215,969</b>	<b>354,323</b>
<b>I-15 Corridor</b>													
General Retail	169	1,600,521	0	312,568	9,841	0.61%	15,891	0.99%	\$2.80	(2,074)	(274)	5,646	7,446
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	0	0.00%	0	0.00%	\$0.00	40,000	40,000	40,000	40,000
Shopping Centers	273	4,060,609	0	31,097	187,497	4.62%	245,975	6.06%	\$2.40	23,892	19,720	42,072	68,836
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>464</b>	<b>6,220,315</b>	<b>0</b>	<b>348,665</b>	<b>197,338</b>	<b>3.17%</b>	<b>261,866</b>	<b>4.21%</b>	<b>\$2.55</b>	<b>61,818</b>	<b>59,446</b>	<b>87,718</b>	<b>116,282</b>
<b>North County</b>													
General Retail	1,678	11,232,597	10,500	360,189	345,954	3.08%	515,498	4.59%	\$1.24	12,100	30,875	58,849	145,733
Malls	22	3,026,494	0	0	0	0.00%	27,489	0.91%	\$0.00	0	0	0	0
Power Centers	103	3,073,454	0	44,500	140,766	4.58%	186,747	6.08%	\$2.55	1,390	(2,978)	1,390	5,235
Shopping Centers	918	15,043,682	98,000	419,899	1,535,205	10.20%	1,791,287	11.91%	\$1.59	4,552	50,543	206,186	390,114
Specialty Centers	5	367,815	0	0	0	0.00%	0	0.00%	\$0.00	0	1,210	1,065	2,275
<b>North County Total</b>	<b>2,726</b>	<b>32,744,042</b>	<b>108,500</b>	<b>824,588</b>	<b>2,021,925</b>	<b>6.17%</b>	<b>2,521,021</b>	<b>7.70%</b>	<b>\$1.52</b>	<b>18,042</b>	<b>79,650</b>	<b>267,490</b>	<b>543,357</b>
<b>North Central</b>													
General Retail	850	7,021,302	0	60,750	112,202	1.60%	115,731	1.65%	\$4.47	14,139	13,245	33,380	66,236
Malls	23	1,139,534	0	491,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Power Centers	64	2,087,645	0	108,835	32,743	1.57%	44,984	2.15%	\$0.00	1,921	(4,032)	2,063	8,466
Shopping Centers	408	6,590,069	135,913	169,136	306,700	4.65%	376,357	5.71%	\$1.93	3,176	44,785	72,865	163,946
Specialty Centers	10	275,379	0	0	71,542	25.98%	81,109	29.45%	\$1.50	3,400	14,266	3,400	23,483
<b>North Central Total</b>	<b>1,355</b>	<b>17,113,929</b>	<b>135,913</b>	<b>829,721</b>	<b>523,187</b>	<b>3.06%</b>	<b>618,181</b>	<b>3.61%</b>	<b>\$2.36</b>	<b>22,636</b>	<b>68,264</b>	<b>111,708</b>	<b>262,131</b>
<b>South Bay</b>													
General Retail	1,097	5,691,917	0	624,610	209,959	3.69%	329,205	5.78%	\$1.49	37,451	14,124	41,251	85,010
Malls	42	2,637,917	0	0	59,881	2.27%	80,195	3.04%	\$0.00	(2,896)	8,431	4,348	19,176
Power Centers	27	1,020,407	0	0	0	0.00%	12,548	1.23%	\$0.00	0	0	0	0
Shopping Centers	522	8,961,542	0	317,299	517,421	5.77%	744,012	8.30%	\$1.70	17,000	9,358	53,606	151,125
Specialty Centers	25	627,072	140,000	478,000	12,696	2.02%	4,696	0.75%	\$0.00	2,838	4,954	2,838	4,954
<b>South Bay Total</b>	<b>1,713</b>	<b>18,938,855</b>	<b>140,000</b>	<b>1,419,909</b>	<b>799,957</b>	<b>4.22%</b>	<b>1,170,656</b>	<b>6.18%</b>	<b>\$1.59</b>	<b>54,393</b>	<b>36,867</b>	<b>102,043</b>	<b>260,265</b>
<b>Outlying Areas</b>													
General Retail	478	1,899,813	5,300	30,618	39,711	2.09%	63,206	3.33%	\$1.43	5,329	5,609	7,981	18,875
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	96	1,313,791	0	30,000	49,904	3.80%	53,168	4.05%	\$1.50	3,227	(2,777)	5,247	14,594
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>586</b>	<b>3,614,494</b>	<b>5,300</b>	<b>60,618</b>	<b>100,615</b>	<b>2.78%</b>	<b>127,374</b>	<b>3.52%</b>	<b>\$1.77</b>	<b>8,556</b>	<b>2,832</b>	<b>13,228</b>	<b>33,469</b>
<b>San Diego Total</b>	<b>13,409</b>	<b>137,759,511</b>	<b>477,034</b>	<b>4,140,447</b>	<b>5,816,387</b>	<b>4.22%</b>	<b>7,663,465</b>	<b>5.56%</b>	<b>\$1.78</b>	<b>278,733</b>	<b>439,348</b>	<b>1,086,507</b>	<b>2,150,435</b>
General Retail	9,364	54,490,102	50,833	2,000,184	1,442,278	2.65%	2,237,954	4.11%	\$1.88	140,391	175,003	421,992	798,278
Malls	153	14,025,499	0	491,000	134,472	0.96%	194,466	1.39%	\$0.00	(15,162)	(253)	6,276	26,614
Power Centers	366	11,733,707	0	163,135	279,630	2.38%	407,115	3.47%	\$2.52	68,982	70,018	78,498	112,536
Shopping Centers	3,475	55,595,939	286,201	1,008,128	3,850,167	6.93%	4,712,523	8.48%	\$1.72	69,556	164,688	561,699	1,170,822
Specialty Centers	51	1,914,264	140,000	478,000	109,840	5.74%	111,407	5.82%	\$1.50	14,966	29,892	18,042	42,185
<b>San Diego Total</b>	<b>13,409</b>	<b>137,759,511</b>	<b>477,034</b>	<b>4,140,447</b>	<b>5,816,387</b>	<b>4.22%</b>	<b>7,663,465</b>	<b>5.56%</b>	<b>\$1.78</b>	<b>278,733</b>	<b>439,348</b>	<b>1,086,507</b>	<b>2,150,435</b>

Lease rates are on a triple-net basis.

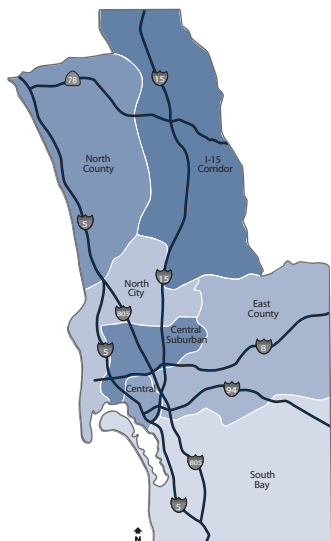
**MAJOR TRANSACTIONS**

**Sales Transactions**

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
9212-9292 Miramar Rd.	North Central	70,959	\$176.86	HP Investors, LLC Winslow Investments Limited	Peckham Properties, Inc.
400 La Terraza Blvd.	North County	38,121	\$301.67	Birtcher Anderson Properties	Tycoon Management
7600-7614 Fay Ave.	North Central	28,495	\$344.80	La Jolla Music Society	Louis A Crescenzo Trust
5495 La Jolla Blvd.	North Central	11,900	\$678.15	QWN, Ltd.	MacDonald Family Trust
627-645 H St.	South Bay	19,752	\$270.86	HDAZ, LLC	CLV Properties, LLC

**Lease Transactions**

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7611 Fay Ave.	North Central	23,720	May-14	Boffo Cinemas	Dallo Enterprises
1725-1731 Euclid Ave.	Central	20,000	May-14	Undisclosed	South East Plaza, LLC
4949 Santa Monica Ave.	Central	15,265	June-14	CVS	Megdal Family Trust
1010 S. Coast Highway 101	North Central	10,398	May-14	Electra Bicycle	(Sublease)
860 Los Vallecitos Blvd.	North County	10,060	April-14	Lumber Liquidators	Vallecitos Partners



**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**

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA  
714.978.7880

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Los Angeles, CA  
424.329.7500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
408.885.9110

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.

©2014 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.

Represented in 150 Markets  
Nationally & Internationally.



**Real People.  
Real Solutions.®**