



Mid-Year 2010 San Diego Retail Market Review

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Here's a quick mid-year summary of San Diego's retail market, provided to us by regional real estate services firm Cassidy Turley BRE Commercial:

Absorption: In the first half of 2010, San Diego's retail market recorded 301k sf of positive absorption countywide, reversing the trend of negative absorption of 225.8k sf recorded in the second half of 2009 and negative absorption of 974.4k sf in the first half of 2009. In the first half of 2010, South County accounted for the majority of positive absorption, followed by North, East and Central Counties. Power, neighborhood, strip and free-standing centers recorded the most activity, absorbing a combined 315.1k sf countywide, while 14.1k sf were returned to community and regional centers countywide.

Vacancy Rates: The countywide direct vacancy rate of 5.3 percent recorded in the first half of 2010 decreased 60 basis points from the second half of 2009 and 30 basis points from a year ago.

Compared to year-end 2009, direct vacancy has decreased the most in South County (120 basis points) to 5.3 percent followed by North County (50 basis points) to 6.6 percent, East County (30 basis points) to 4.3 percent and Central County (10 basis points) to 4.1 percent.

Compared to a year ago, direct vacancy has decreased the most in East County (80 basis points) followed by North County (70 basis points) and South County (30 basis points). Direct vacancy rate has increased 30 basis points to 4.1 percent from a year ago in Central County.

The countywide sublease vacancy rate of 1.2 percent decreased 10 basis points from year-end 2009 and 30 basis points from a year ago.

San Diego's healthiest retail submarkets are slowly improving while submarkets with high vacancy rates are showing moderate signs of stabilizing. Among submarkets that are seeing the highest decrease in vacancy rate from a year ago are Carmel Mountain Ranch/Rancho Penasquitos, College, Santee, Encinitas, Mira Mesa/Miramar and San Marcos. San Marcos, Encinitas and Mira Mesa/Miramar are among some of the largest submarkets countywide. Among submarkets that are seeing the highest increase in vacancy rate from a year ago are Kearny Mesa, National City and South East San Diego.

Asking Rent: The countywide average asking rental rate for all center types was \$2.09 per square foot per month triple net (NNN) in the first half of 2010 compared to 2.14 in the second half of 2009 and \$2.21 a year ago. However, effective rents are expected to decrease further as landlords offer more concessions to keep their tenants.

Construction Activity: The limited construction activity should help San Diego's retail market deal with the recession. There is currently 87.9k sf under construction countywide – all of which is in South County's downtown submarket - representing 0.1 percent of the total countywide retail inventory of 60.7 msf. This consists of buildings of 50k sf and above with an exception of downtown and uptown submarkets which consists of buildings 10k sf and above.