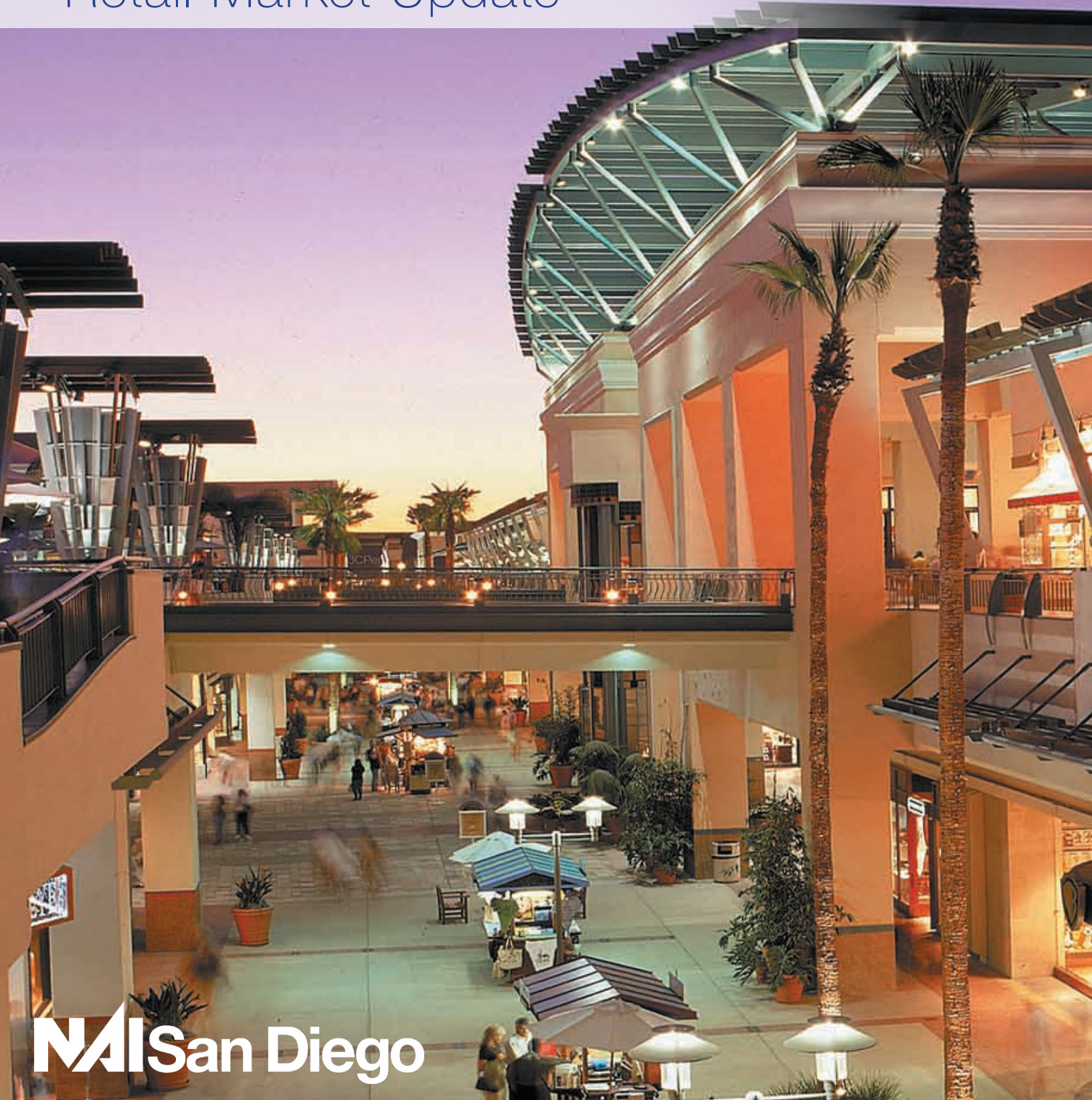


# 4Q'16

## Retail Market Update

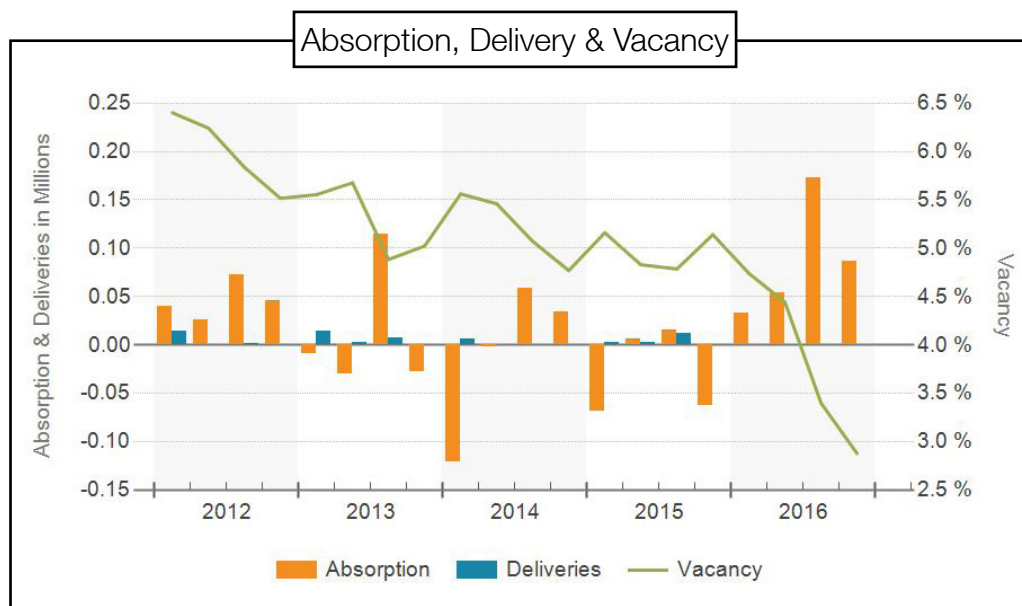
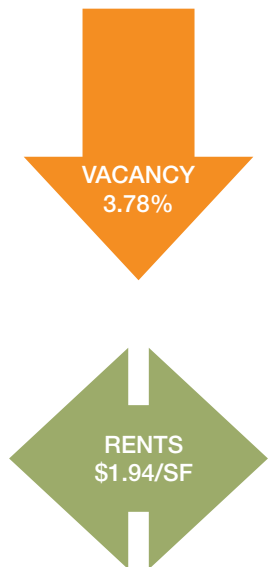
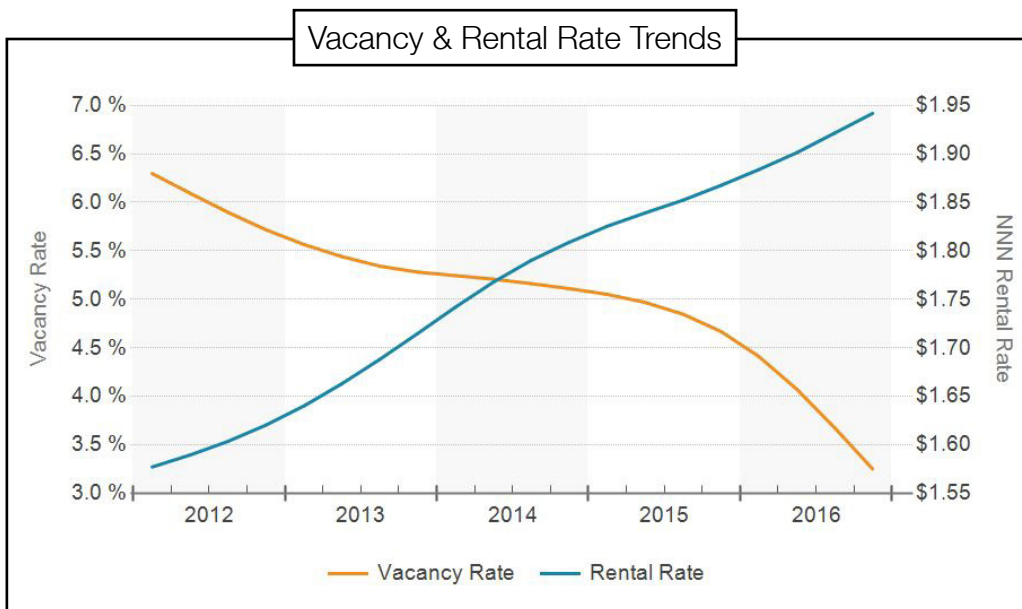


The San Diego retail market did not experience much change in market conditions in the fourth quarter 2016. The vacancy rate went from 4.1% in the third quarter to 3.78% in the fourth quarter. Net absorption was positive 480,826 square feet, while the year-to-date net absorption is at 1,842,667 square feet.

Quoted rental rates for the fourth quarter at \$1.94 per square foot per month. During the fourth quarter 2016, fifteen buildings totaling 93,250 square feet were completed and delivered in the San Diego Retail Market in addition to 655,708 square feet of retail space under construction.

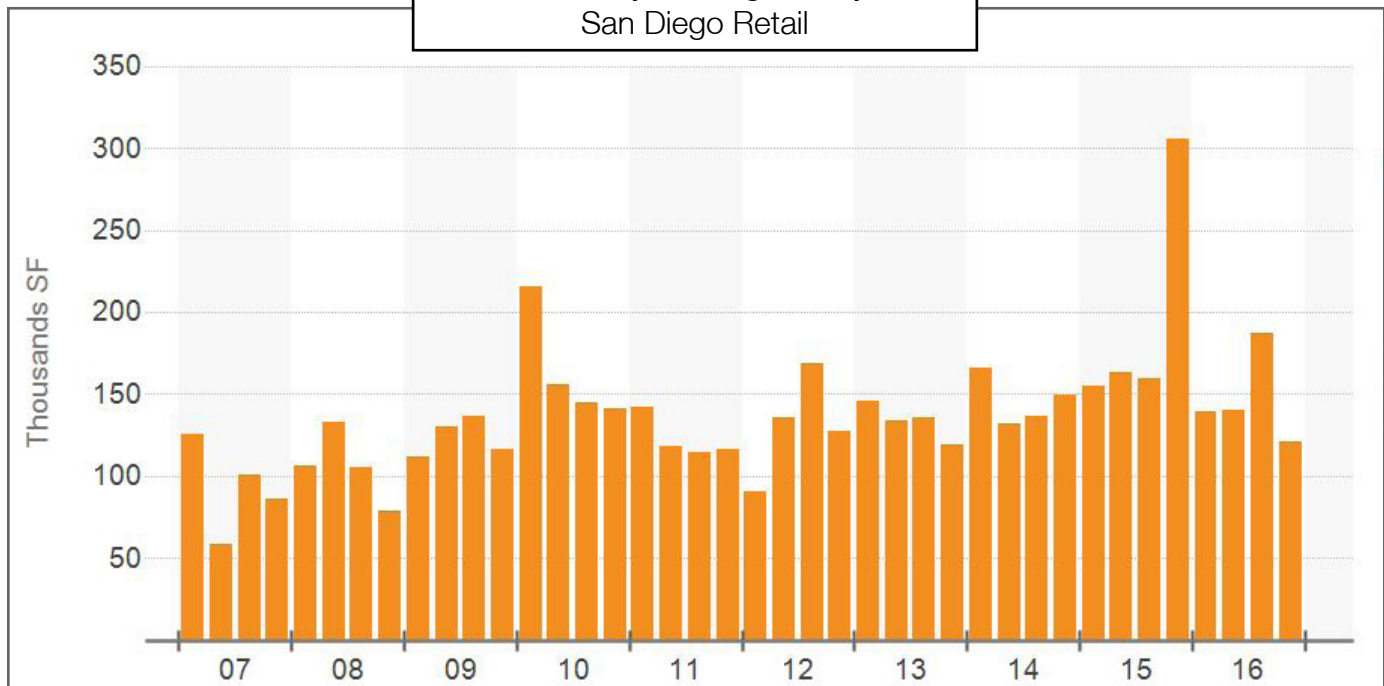
Cap rates have been lower in 2016, averaging 5.87% compared to fourth quarter 2015 when they were at an average of 6.58%.

According to the state of California's Employment Development Department and the United States Department of Labor's Bureau of Labor Statistics, San Diego County ended the third quarter with an unemployment rate of 4.2%, lower than the state's average unemployment rate of 5.0% and the national average of 4.9%.



Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rent
North County	28,577,775	1,431,643	12,667	1,444,310	5.05%	215,786	67,855	\$1.69
Golden Triangle	7,341,790	253,889	16,458	270,347	3.68%	137,907	456,560	\$3.60
Central San Diego	37,561,131	1,085,015	97,540	1,182,555	3.15%	113,069	38,678	\$2.07
I-15 Corridor	20,978,910	886,210	57,580	943,790	4.50%	288,107	25,488	\$2.09
East County	21,397,070	545,913	46,101	592,014	2.77%	587,952	7,500	\$1.57
South Bay	19,556,654	608,661	71,233	679,894	3.48%	499,846	59,627	\$1.74
<b>Total - San Diego County</b>	<b>135,034,567</b>	<b>5,067,749</b>	<b>409,691</b>	<b>5,477,440</b>	<b>4.06%</b>	<b>1,250,774</b>	<b>481,421</b>	<b>\$1.94</b>

Quarterly Leasing Activity  
San Diego Retail



**Methodology** The data used in the NAI San Diego Retail Update is based on retail buildings of all sizes, in all classes. We have divided San Diego County into six markets for retail properties: North County, Golden Triangle, Central San Diego, I-15 Corridor, South Bay and East County. Rental rates are based on quoted rents for available space on a monthly, per square foot, NNN basis. Average rents are weighted based on available square footage. The information contained in this report is sourced from NAI San Diego, CoStar, the California Employment Development Department and other sources deemed to be reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

Sources: NAI San Diego, CoStar, California Employment Development Department. The information in this report is from sources deemed to be reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
Cardiff/Encinitas Re.	5,575,938	109,526	4,800	114,326	2.10%	(38,936)	10,160	\$2.86
Carlsbad Ret	5,519,247	133,141	0	133,141	2.40%	103,643	4,000	\$2.98
Oceanside Ret	7,635,910	511,875	0	511,875	6.70%	43,659	35,974	\$1.77
San Marcos Ret	4,633,683	392,736	800	393,536	8.50%	(593)	6,028	\$1.02
Vista Ret	5,212,997	284,365	7,067	291,432	5.60%	108,013	11,693	\$1.39
<b>Subtotal - North County</b>	<b>28,577,775</b>	<b>1,431,643</b>	<b>12,667</b>	<b>1,444,310</b>	<b>5.05%</b>	<b>215,786</b>	<b>67,855</b>	<b>\$1.69</b>
Del Mar/S Bch/Rho SF.	3,045,140	92,894	13,776	106,670	3.50%	73,876	36,838	\$3.75
La Jolla/Torrey Pine.	2,454,785	112,374	2,682	115,056	4.70%	66,103	11,922	\$3.88
UTC Ret	1,841,865	48,621	0	48,621	2.60%	(2,072)	407,800	\$2.60
<b>Subtotal - Golden Triangle</b>	<b>7,341,790</b>	<b>253,889</b>	<b>16,458</b>	<b>270,347</b>	<b>3.68%</b>	<b>137,907</b>	<b>456,560</b>	<b>\$3.60</b>
Central San Diego Re.	4,952,282	116,572	29,523	146,095	3.00%	64,673	8,500	\$2.08
Clarmnt/KM/Tierrasnt.	7,119,699	218,717	48,700	267,417	3.80%	46,227	0	\$1.52
Downtown Ret	4,750,883	221,530	9,184	230,714	4.90%	(7,684)	0	\$2.70
Mid City/SE San Dieg.	7,217,090	202,954	0	202,954	2.80%	64,676	30,178	\$1.65
Mission Valley Ret	5,900,645	70,204	7,561	77,765	1.30%	(46,081)	0	\$2.71
Pacific Beach/Morena.	3,085,230	72,072	0	72,072	2.30%	18,474	0	\$2.37
Pt Loma/Sports Arena.	4,535,302	182,966	2,572	185,538	4.10%	(27,216)	0	\$2.12
<b>Subtotal - Central San Diego</b>	<b>37,561,131</b>	<b>1,085,015</b>	<b>97,540</b>	<b>1,182,555</b>	<b>3.15%</b>	<b>113,069</b>	<b>38,678</b>	<b>\$2.07</b>
Carmel Mountain Ranc.	2,271,517	119,328	0	119,328	5.30%	22,540	0	\$3.24
Escondido Ret	10,161,419	369,893	0	369,893	3.60%	119,165	22,288	\$1.58
Miramar/M Mesa/S Rnc.	4,339,468	234,487	0	234,487	5.40%	1,963	3,200	\$1.98
Poway Ret	2,803,967	122,182	0	122,182	4.40%	34,508	0	\$2.02
Rancho Bernardo Ret	683,836	33,704	0	33,704	4.90%	57,520	0	\$3.75
Rancho Peñasquitos R.	718,703	6,616	57,580	64,196	8.90%	52,411	0	\$2.54
<b>Subtotal - I-15 Corridor</b>	<b>20,978,910</b>	<b>886,210</b>	<b>57,580</b>	<b>943,790</b>	<b>4.50%</b>	<b>288,107</b>	<b>25,488</b>	<b>\$2.09</b>
El Cajon Ret	9,251,718	275,238	25,468	300,706	3.30%	207,079	3,000	\$1.55
La Mesa Ret	5,219,055	107,026	0	107,026	2.10%	252,170	4,500	\$1.74
Lakeside Ret	634,315	20,471	0	20,471	3.20%	40,180	0	\$1.71
Lemon Grv/Spring Vly.	2,564,033	51,241	8,561	59,802	2.30%	(2,579)	0	\$1.33
M Gorge/A Grdns/D Ce.	1,023,650	40,985	0	40,985	4.00%	3,609	0	\$1.69
Santee Ret	2,704,299	50,952	12,072	63,024	2.30%	87,493	0	\$1.47
<b>Subtotal - East County</b>	<b>21,397,070</b>	<b>545,913</b>	<b>46,101</b>	<b>592,014</b>	<b>2.77%</b>	<b>587,952</b>	<b>7,500</b>	<b>\$1.57</b>
Chula Vista Ret	9,068,329	268,490	28,349	296,839	3.30%	292,258	0	\$1.76
Coronado Ret	602,232	4,679	0	4,679	0.80%	29,161	0	\$2.75
Eastlake Ret	2,418,464	112,967	0	112,967	4.70%	50,486	0	\$2.72
Imperial Bch/South S.	4,011,060	98,026	8,500	106,526	2.70%	93,585	59,627	\$1.71
National City Ret	3,456,569	124,499	34,384	158,883	4.60%	34,356	0	\$1.48
<b>Subtotal - South Bay</b>	<b>19,556,654</b>	<b>608,661</b>	<b>71,233</b>	<b>679,894</b>	<b>3.48%</b>	<b>499,846</b>	<b>59,627</b>	<b>\$1.74</b>
<b>Total - San Diego County</b>	<b>135,413,330</b>	<b>4,811,331</b>	<b>301,579</b>	<b>5,112,910</b>	<b>3.78%</b>	<b>1,842,667</b>	<b>655,708</b>	<b>\$1.94</b>

Sources: NAI San Diego, CoStar, California Employment Development Department. The information in this report is from sources deemed to be reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

# 4Q'16

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