



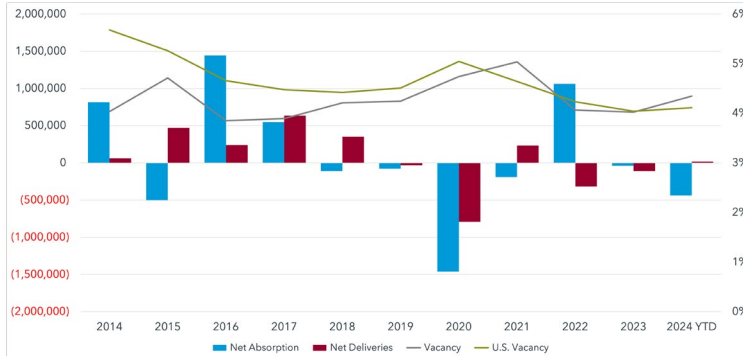
RETAIL MARKET OVERVIEW

ERIK FAUCETT, *Vice President*

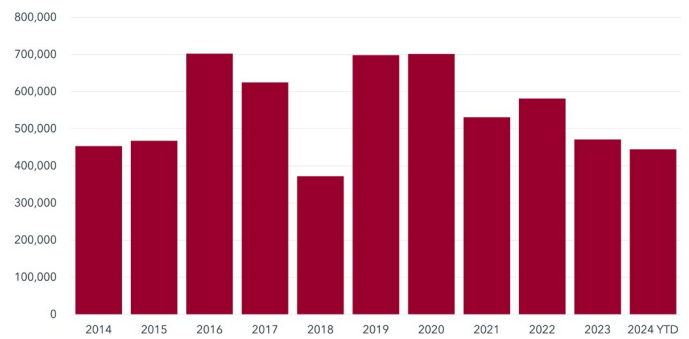
The retail market in San Diego continues to be amid one of its strongest position in years. The lack of retail development over the past several years has provided fewer brick-and-mortar options for tenants. A recent trend is seeing residential housing replace less competitive retail space. With the lack of retail space in the market, Landlords have significant leverage in tenant negotiations, often giving minimal concessions, such as one month of free rent for a five-year term. With the rise in inflation, Landlords are also looking for 4% annual escalations. Sales transactions have fallen by nearly 50% from 2021 levels with most of the activity being driven by freestanding retail. Cap rates remain steady in the 5% to 6.5% range.

| MARKET INDICATORS | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| ▼ 12 Mo. Net Absorption SF | (54,779) | (39,621) | (74,211) | (132,468) | 445,023 |
| ▲ Vacancy Rate | 4.4% | 4.0% | 4.1% | 4.4% | 4.4% |
| ▲ Avg NNN Asking Rate PSF | \$35.16 | \$34.92 | \$34.68 | \$34.44 | \$33.96 |
| ▼ SF Under Construction | 444,590 | 471,375 | 534,693 | 552,115 | 570,484 |
| ▲ Inventory SF | 140,432,242 | 140,408,380 | 140,341,183 | 140,570,418 | 140,559,533 |

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



| TOP SALE TRANSACTIONS BY SF | SIZE | SALE PRICE | BUYER / SELLER | TENANCY TYPE |
|------------------------------------|-----------|------------------------------|--------------------------------------|---------------|
| 850 E. Main Street El Cajon, CA | 75,000 SF | \$17,102,000 \$228.00 PSF | Family Health Centers Carol Sipan | Single-Tenant |
| 889 Arnele Avenue El Cajon, CA | 35,350 SF | \$12,500,000 \$353.00 PSF | Toyota of El Cajon Tipton Trust | Single-Tenant |
| 12740 Poway Road Poway, CA | 22,924 SF | \$14,000,000 \$610.00 PSF | Aaron Automotive Sherman Trust | Single-Tenant |

| TOP LEASE TRANSACTIONS BY SF | SIZE | LANDLORD | TENANT | TENANT INDUSTRY |
|---|-----------|----------------------|---------------------|------------------|
| 635 N. Broadway Escondido, CA | 44,047 SF | Shahrian Pourteymour | O'Reilly Auto Parts | Automotive Parts |
| 9680 Mission Gorge Road Santee, CA | 30,000 SF | Harris Laskey | Trader Joe's | Groceries |
| 3150 National City Boulevard National City, CA | 26,398 SF | Dalton Automotive | Dalton Automotive | Auto Dealer |

The information and details contained herein have been obtained from third-party sources believed to be reliable, however, Lee & Associates has not independently verified its accuracy. Lee & Associates makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to, the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information.

The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice. Third-party data sources: CoStar Group, Inc., The Economist, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Congressional Budget Office, European Central Bank, GlobeSt.com, CoStar Property, and Lee & Associates Proprietary Data. ©

© Copyright 2023 Lee & Associates all rights reserved. Third-party Image sources: sorbis/shutterstock.com, shutterstock.com, pixabay.com, istock.com