

Population Growth, Mixed-Use Development Keep San Diego Retail Humming

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The San Diego retail market began 2019 on a relatively strong note. Considering the malaise of low absorption, high vacancies and retail closures occurring in some other parts of the country, San Diego remains a bright spot, just as it was in mid-2018.



*Courtesy of Scott Murphy/Park 12
Park 12-The Collection*

“The moderate level of occupancy loss in 2018, all stemming from the last six months of 2018, came on the heels of six consecutive calendar years of steady occupancy gains in which the market absorbed more than 1.8M SF,” Cushman & Wakefield San Diego Research Director Jolanta Campion said.

According to Cushman & Wakefield data, San Diego County retail vacancy increased 50 basis points from midyear 2018 and 40 basis points from a year ago to 4.5% at the end of 2018. Current vacancy is well below the peak rate of 7.2% experienced nine years ago at the end of the last recession.

Overall, San Diego retail will have another relatively good year, supported by job growth, Cushman & Wakefield predicts. Job totals in all employment sectors are expected to grow at a combined rate of 1.3% in 2019, and San Diego’s economy of about \$231.8B — its gross regional product — will grow an additional 3.1% in 2019, above its 10-year average of 2.7%.

Currently, over 500K SF of retail is under construction countywide, including centers like One Paseo in Del Mar, Millenia Town Center in Chula Vista and the Square at Bressi Ranch in Carlsbad.

“Drivers of construction include demand for mixed-use retail experiences, urban development and redevelopment, as well as the expansion of trophy projects and outparcel/pad development in existing shopping centers,” Cushman & Wakefield Managing Director Phil Lyons said.



*Courtesy of Jerry Brand
Greystar Senior Managing Director of West Coast Development Jerry Brand*

Retail space that is part of a healthy mix of other uses is critical for attracting sought-after retailers, Greystar Senior Managing Director of West Coast Development Jerry Brand said.

Currently Greystar is developing Park 12-The Collection in San Diego’s East Village. The project is a cluster of four residential buildings totaling 718 units and anchored by a semicircular public plaza ringed with retail and restaurant space. The first tenant to open there this spring will be one that recently inked a lease, the matcha café Holy Matcha.

“Park 12-The Collection is positioned to attract retailers with its location in what will ultimately be the hub of San Diego’s East Village,” Brand said.

“In addition to our apartments, which are leasing ahead of initial projections, there are a number of other residential communities within walking distance of Park 12 that don’t have nearly the retail square footage we do, leaving a void for neighboring residents that our retail tenants will fill,” Brand said.

Coastal communities are another strong spot for San Diego retail, Colliers International San Diego Region Senior Associate Joe Brady said.

“As the trend of revitalizing San Diego’s beach communities continues, retail properties are highly attractive investments there because of their locations near beaches and thoroughfares,” Brady said.

Recently Brady and colleague Amy McNamara represented the buyer and the seller in a \$3.7M trade of a multi-tenant retail building at 457 Carlsbad Village Drive in Carlsbad, which is within walking distance of the water.

Mixed-use development is a factor in retail success along the coast as well, according to Brady.

“With the focus on delivering more housing and mixed-use developments, San Diego’s coastal neighborhoods have seen, and will continue to see, an increased amount of investment activity and rising retail rents,” Brady said.