

# INVESTMENT FORECAST

Retail  
San Diego

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2026

## Central Neighborhoods Serve as a Stabilizing Force Amid Another Round of Store Closures

**Demand apparent in prime corridors.** After posting four straight years of positive net absorption, San Diego's retail sector recorded net relinquishment in 2025. This year, the market will face another wave of store closings, with Amazon Fresh, Best Buy, Macy's, and Saks Off 5th among the notable shutterings. Shopping centers with move-outs may be best positioned to backfill spaces, as multi-tenant vacancy is below the long-term mean. Single-tenant availability, meanwhile, is at a nearly five-year high, in contrast to scant quick-service and supermarket vacancy. While near-term hurdles await, areas of standout performance will be visible. Central San Diego, which includes downtown, Mission Valley, and popular beach communities, ranks as the least-vacant submarket in California, with more than 30 million square feet of space. With supply pressure minimal here, the submarket's extended stretch of high-2 to low-4 percent vacancy should continue, preventing a notable shift in metro fundamentals.

**Northern properties account for growing share of trades.** San Diego is a top target among private and institutional investors focused on secondary markets, with only Denver, Phoenix, and Tampa noting more transactions last year. In 2026, buyer demand will span property types and price tranches. Limited fast-food and supermarket vacancy will attract net-leased buyers to single-tenant assets, with pricing for the aforementioned listings rarely below \$1,000 per square foot. Meanwhile, community and neighborhood centers available as part of larger portfolios may appeal to institutional investors with extensive backfilling experience. While Central San Diego will remain the epicenter of sales activity, recently encouraging absorption in Oceanside and San Marcos may draw investors to North County listings.

## 2026 MARKET FORECAST

+0.4%



**Employment:** San Diego records moderate job growth in 2026, creating 6,000 roles. Healthcare-related hiring should continue to drive overall employment growth.

220,000  
sq. ft.



**Construction:** For a fifth straight year, the metro's retail inventory expands by less than 0.3 percent. Still, the square footage delivered in 2026 represents a five-year high.

+40 bps



**Vacancy:** Local vacancy rises moderately to 5.4 percent, despite supply and demand becoming closer aligned. Vacancy in several of San Diego's largest areas, however, will hover around 4 percent.

-0.4%

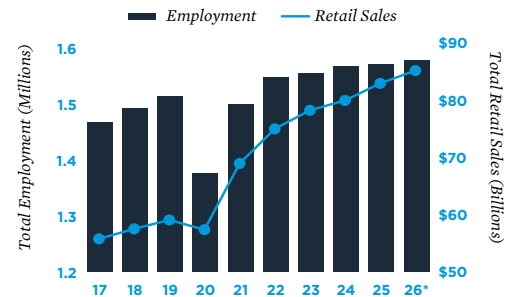


**Rent:** Negative absorption impacts asking rent, with a nominal decline projected for 2026. At \$28.99 per square foot, the average marketed rate is nearly \$6 per square foot below Orange County.

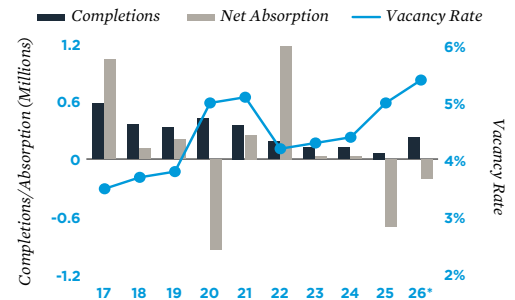
### INVESTMENT:

*Chula Vista-Imperial Beach noted historic apartment demand last year, with more than 1,000 units absorbed. A larger renter base bodes well for local retail, drawing more investors to South Bay listings.*

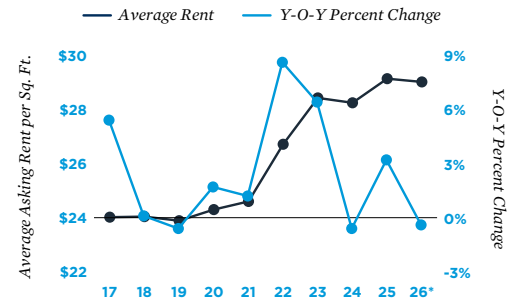
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.