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## Report: Retail space back to being scarce



Photo courtesy of Urban Property Group

The Bunker House at 322 N. Cleveland St. in Oceanside has been leased with help from Urban Property Group.

### By Thor Kamban Biberman

Some of San Diego's prominent retail brokers say the region's retail and restaurant businesses have recovered from COVID's impacts so well that it's hard to find suitable spaces in shopping centers these days.

Urban Property Group (UPG), a real estate services firm specializing in urban and coastal commercial property, said downtown San Diego and North Coastal neighborhoods, such as Carlsbad Village, saw strong metrics for restaurant and retail leases this year.

"Throughout this year, we noted a consistent flow of small-scale development and repositioning deals," UPG principal Joe Brady said in a statement. "The interest in investment, development, and leasing for downtown and coastal San Diego remained healthy as we wrap up the year, and we continue to expect demand into the New Year."

Looking ahead to 2024, UPG anticipates a shortage of space to lease, and the brokerage expects the slow pace of large projects and developments coming to market to continue well into the new year, if not beyond.

Bill Thaxton, a Flocke & Avoyer senior vice president, also said the local retail market has rebounded nicely.

"I think the market has come back from COVID," he said.

Thaxton added that the market has become tight once more, and it is particularly difficult for restaurant owners to find suitable spaces given their specialized needs.

When asked if the higher rents that have been seen lately present a problem for retailers, Thaxton downplayed the long-range significance.

Thaxton said operating costs, like wages, HVAC, and insurance, have gone up, and they were passed onto tenants, but he emphasized that he wouldn't categorize those increases as a "spike."

Business, meanwhile, isn't coming from a single source.

"Tourism continues to be a major factor in San Diego commercial real estate, keeping restaurants and retail leasing consistent," UPG principal David Maxwell said.

As for those neighborhood centers that rely on area residents for their business, those also seemed to have returned. Some big box retail stores, like a former Rite-Aid space in Rancho Penasquitos that has been dark for nearly two years, have been slow to refill.

Thaxton said while retailers like gyms and pet supply companies could take such empty big box spaces, the highest and best use might be to redevelop those sites as multifamily projects as has happened in Mission Valley and in University Towne Centre.

With the ongoing push for housing by state officials, thousands of units may be built in commercial areas, further limiting where restaurants and other retail may be built. Under new state statutes, the units may be constructed without a vote of a planning commission or a city council.

Both UPG and Flocke & Avoyer have helped shape many San Diego markets by attracting and locating a diverse range of restaurant and retail businesses.

"We are fortunate to have fostered amazing relationships with terrific clients over the years, as evidenced by our many deals completed and our close connection with stakeholders within the community," UPG principal Serena Patterson said in a statement. "We look forward to making more strides in 2024."

UPG also anticipates expanding its office in the new year.

"The team recently hired expert Julissa Baxter, who brings eight years of experience practicing commercial real estate in the Texas market prior to making her way to California," said Bill Shrader, founder of UPG. "With her extensive knowledge in retail leasing and investment sales, and her commitment to client satisfaction, Julissa is well equipped in providing value to Urban Property Group and her newfound market."

Urban Property Group continues to market many properties around San Diego County, including Portico, a storefront lease opportunity at India Street and West Ash Street in Little Italy; and a multifamily-zoned property for sale at 2727 C Street, which is within a transit priority zone and requires no parking.

Also on C Street, Urban Property Group has marketed a ground floor retail/office space that is adjacent to the US Grant Hotel and a trolley line with its 17 million annual riders.

So far this year, UPG has executed 38 leases in San Diego totaling more than \$31 million in consideration and 12 sales totaling in excess of \$44 million. The most recent sale was in the Gaslamp at 951-955 5th Ave. for about \$4.88 million.

Flocke & Avoyer has completed \$5.5 billion and more than 5,500 total sale and lease transactions since its inception in 1985.