



Draft Report  
Grantville Redevelopment Project Subarea A  
Market Overview

Prepared for  
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Submitted by  
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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

## I. Executive Summary

The following is an executive summary of key issues and findings from ERA's market study for the Grantville Redevelopment Project Subarea A (Subarea A). Analysis supporting these conclusions is presented in Sections II – VI of this report.

In the context of long-term planning, short-term market cycles (e.g. the current recession) have less relevance given a buildout horizon stretching to 2030 and beyond. Although the current recession is unprecedented in recent times, unless there is a structural change to the fundamental economics of the San Diego region, the growth patterns are likely to remain in tact during the post recovery period. The conclusions discussed throughout this report are based on long-term data projections and an understanding of market dynamics affecting the region.

### Introduction

Housing growth has not kept pace with population growth in San Diego County over the last 20 years. The San Diego Association of Governments projects San Diego County will significantly increase its population in the next 20 years with this trend anticipated to continue. Housing supply in the region has not matched demand because of existing land scarcity and regulatory and fiscal policies in California.

The San Diego Association of Governments estimates that more than two-thirds of land in the San Diego County is off limits to development. This land is either publicly owned or undevelopable because of habitat protection. Some of the remaining land is impractical or impossible to build on because of topographical limitations such as hills and valleys indigenous to the region. Currently, estimates suggest that less than five percent of the remaining land in the City of San Diego is developable.

The fiscalization of land use in California has also helped restrict supply of residential land in San Diego County. Against the backdrop of Proposition 13, jurisdictions have become more dependent on sales tax revenues from retail enterprises and less on property taxes from residential land uses. This has led cities across California to prefer commercial over residential development.

Because of these issues, the San Diego faces twin conundrums of not having produced enough housing – a trend expected to continue – and a long-term shortage of residential land. To further compound measures, the region has experienced incredibly strong job growth. In fact, the region has only experienced job losses in four of the last 30 years, three of which were in the early 1990s when the aerospace industry lost thousands of jobs. However, it is expected that the County will

experience significant jobs losses this year due to current economic conditions. The historic strength in the regional economy has continued to exert upward pressure on home prices in comparison to other areas in the state and nation.

2005 marked the end of the housing bubble and the beginning of the national mortgage crisis, which was indirectly related to the run-up of housing prices through the late 1990s and early 2000s. Between 2000 and 2005, the median price of a home in San Diego County doubled. The National Association of Home Builders estimated at the peak of the market only 5.1 percent of households living in San Diego County could afford to purchase a home based on the median sales price and traditional lending standards.

Since the peak in 2005, the housing prices have retreated approximately 40 percent. However, because of the combination of land scarcity and strong economic fundamentals, many believe the effects of this situation will prove only temporary and will ultimately have a negligible effect on the County's long-term challenge of demand for housing outstripping supply. Furthermore, it is assumed that as the existing foreclosure market is absorbed in the region, the supply of homes will shrink rather rapidly because there has been limited development over the last couple years. As a result, the region is positioned to exit the housing crisis faster than other areas throughout California and the rest of the nation.

Yet, the historic high cost of housing has impacted the region in two significant ways. First, it affected San Diego's competitiveness for business investment and jobs. Anecdotal evidence suggests that many of the County's firms cannot find enough local workers with the education and training needed to fill their positions as a result of the high cost of living. Second, the high cost of housing has placed strains on the transportation infrastructure. Due to the lack of affordable housing, residents have consistently moved farther away from the region's job centers in search of affordable housing. Based on projections, the fastest population growth will actually be in the County's vast unincorporated areas, which are underserved or not served by mass transit options. As a result, there will be a continued strain on the roads, freeways, infrastructure, and environment, which subsequently affects the quality of life for all residents in San Diego.

In cities within the region, the most effective method to address these issues is to encourage higher density development aligned to smart growth principals. This development strategy can be achieved through visioning and consensus-building exercises targeting new growth in mixed-use centers with housing, retail, jobs, schools, and civic uses integrated into communities with easy access to transit provides opportunities to increase a community's density with less impact on the existing infrastructure (consistent with the City of Villages development strategy).



To accommodate the anticipated growth in the City and County, future development will require alternative transportation options to assist with the needed mode shift in transportation to offset long term traffic issues. With traffic usually ranking at or near the top of San Diegans concerns, areas near transit are well positioned to accommodate future development by orienting themselves to the existing public transportation infrastructure.

Subarea A consists of approximately 117 acres of industrial land and each of the existing proposed land use plans (by property owners) includes a significant shift to residential land uses in the future. The cooling of the housing market gives decision makers the chance to discuss the issue of industrial land conversion in a less charged atmosphere. With the possibility of industrial land use conversion, it is important to consider the level of market support for a variety of land uses to create successful synergies in a mixed use program.

An understanding that market demand drives development is important because the conversion of industrial to a different land use alone may not lead to the anticipated level of development. Land value is a function of demand and land economics, which should be aligned with the appropriate level of entitlements to reach optimal value. Understanding the existing and anticipated real estate fundamentals will assist in aligning appropriate market demand to the desired level of development in Subarea A.

ERA believes that there are three key assets within Subarea A. First, the redevelopment project area's is located in central San Diego with excellent freeway access. Second, the subarea also has access to transit, which is an additional premium that can be leveraged for future development. Finally, Subarea A is adjacent to the San Diego River. The river is an important amenity, especially when considering that high density development is usually located in urban environments that are challenged by the lack of passive and active open space.

In the future, local jurisdictions will have to continue to make difficult decisions on how to best utilize the limited land they have available, as well as examine existing areas for infill and redevelopment opportunities. This smart growth approach, if successfully implemented, would address many of the key issues affecting the region.

## **Office Development**

The potentials for new office development in Subarea A will be based on its ability to establish itself as an extension of the Mission Valley office market, rather than compete directly with the downtown office market area in the long-term. The area also has the potential to leverage its existing transit service and freeway connectivity with the region. ERA expects the pace of office development in

Subarea A to range from a low of 234,000 square feet to a high of 367,000 square feet of total construction by 2030.

The area may seek to position itself as a distinct office district focusing on “shared office space.” Also known as business center or executive suites, this emerging office product type appears to best positioned to capitalize on future job growth by focusing on entrepreneurs or those individuals that seek to work in an off-site location, yet still be connected to their business with some limited support services. This type of office product would also be more competitive as office markets are likely to consolidate in downtown and other specific areas in the County in the future. ERA believes that medical office space may represent another potential target based on the presence of Kaiser Permanente. ERA anticipates a significant amount of office space will be delivered within a mixed use format.

## **Industrial Development**

In the next 20 years the composition of new employment is anticipated to change in the County and there will be decreased demand for traditional industrial space based on the projected number of new industrial using jobs. This will adversely affect demand for traditional industrial uses, many of which are currently located in the area. The general character of industrial users in Subarea A is a wide mix of users, many of which include commercial and service uses, with many traditional industrial businesses within the trade, transportation, and utility industries. One issue will be the potential relocation of many of the existing industrial businesses as many provide unique services that require low rents and a central location within the City.

Perhaps the biggest challenge with developing industrial land in the local market is availability of land in the North County and South County market areas. The South County area tends to attract manufacturers and warehouse businesses looking for cheaper building and land costs (along with proximity to the border) and the North County area tends to attract businesses looking to locate within the proximity of the biotech center in the region.

ERA estimates the demand for industrial uses within a range of approximately 68,000 to 230,000 square feet of industrial space by 2030.

## **Retail Development**

Mission Valley area has one of the largest concentrations of retail in the City of San Diego. With approximately 10 percent of all occupied space in the City, the area has most of the major community and power center anchor tenants and two regional serving malls. Subarea A’s capture of future retail

in a non-neighborhood shopping center configuration will be challenged by existing and future planned development in the area.

Based on projected growth within defined market sheds, ERA estimates that there is demand for approximately 164,000 square feet of new retail by 2030. This estimate does not take into account the additional demand created by potential new residential units or employment developed in the area. The inclusion of new units and the capture of existing and future employee spending will be calculated based on the preferred development master plan scenarios and desired retail typology.

ERA believes the estimated level of retail demand would likely be best served by a hybrid development, establishing a major node of retail activity in Subarea A. The development may be designed to highlight some of the key features of a lifestyle shopping center (e.g. walkability), while the tenants will most likely be drawn from more traditional neighborhood and community / power center shopping centers. An example of a comparable type of development could be the “Uptown District” in the Hillcrest neighborhood in the City of San Diego. The project includes approximately 145,000 square feet of retail and commercial space in a mixed-use configuration with 300 dwelling units at a density of 52 units an acre. New retail development should be neighborhood serving and thus oriented to the new household units and increased capture of Allied Garden residents.

## **Market Rate Housing**

The greatest demand pressure for future real estate development in Subarea A is from housing. Future housing potentials will largely be successful based on the quality of residential development, better connectivity to the existing Trolley station, and improvements to the San Diego River. Buyers and renters seeking a central location, near existing activity cluster in Mission Valley, close to transit, with potential premiums associated with passive and active open space (San Diego River, Golf Course, and hillside views) will find new housing in Subarea A attractive. Much like Mission Valley future residential developments in Subarea A can position themselves as a downtown living alternative.

ERA’s 20 year (2010 to 2030) forecast for market rate housing demand in Subarea A ranges from a low of 1,800 units to a high of 4,300 units. The majority of these units would be in a multi-family configuration, appropriate for townhome/condominium or apartment dwelling units. ERA envisions a limited number of single-family units that could create premium values for development in near proximity to the San Diego River.

Future demand likely breaks down to 5 percent single-family, 60 to 65 percent townhouses or condominiums, and 30 to 35 percent rental apartments. Demand for high levels of multi-family

housing supports many of the current socioeconomic trends projected for the region. This includes an appeal to the “empty nester” and “young professionals” (without children) market segments. A variety of housing options would also appeal to traditional families as a more affordable living option.

While there are numerous potential locations for housing in the area, ERA believes that future housing should have a strong relation to the Trolley Station and San Diego River. The existing lack of connectivity to both assets within Subarea A will need to be addressed to encourage future residential development in the area. This will require a number of infrastructure improvements aimed to strengthen connectivity in the area.

This housing demand analysis does not include additional demand from capture of future SDSU growth. The 2007 Master Plan outlines a need for an addition 11,919 student related housing units by 2025. Based on their preliminary analysis, approximately 600 to 1,000 units are targeted in or near Subarea A. The area is an attractive site location because of its proximity to the Trolley and its potential to align with existing and anticipated student housing preferences.

**Figure 1: Summary of Land Use Demand (2008 – 2030)**

|                                     | 2008 - 2010 |     |      | 2010 - 2020 |        |        | 2020 - 2030 |         |         | Total 2008 - 2030 |         |         |
|-------------------------------------|-------------|-----|------|-------------|--------|--------|-------------|---------|---------|-------------------|---------|---------|
|                                     | Low         | Mid | High | Low         | Mid    | High   | Low         | Mid     | High    | Low               | Mid     | High    |
| <b>Office Demand</b><br>(SF)        |             |     |      | 32,000      | 41,200 | 50,300 | 201,500     | 258,900 | 316,500 | 233,500           | 300,100 | 366,800 |
| <b>Industrial Demand</b><br>(SF)    |             |     |      | 20,700      | 45,100 | 69,500 | 47,400      | 103,000 | 158,200 | 68,100            | 148,100 | 227,700 |
| <b>Retail Demand<sup>1</sup></b>    |             |     |      |             |        |        |             |         |         |                   |         |         |
| Neighborhood (SF)                   | 4,000       |     |      | 8,000       |        |        | 5,000       |         |         | 17,000            |         |         |
| Community / Power (SF)              | 10,000      |     |      | 34,000      |        |        | 23,000      |         |         | 67,000            |         |         |
| Regional (SF)                       | 11,000      |     |      | 38,000      |        |        | 31,000      |         |         | 80,000            |         |         |
| Total (SF)                          | 25,000      |     |      | 80,000      |        |        | 59,000      |         |         | 164,000           |         |         |
| <b>Housing Demand (Market Rate)</b> |             |     |      |             |        |        |             |         |         |                   |         |         |
| Single-Family (Units)               |             |     |      | 40          | 70     | 90     | 50          | 80      | 110     | 90                | 150     | 200     |
| Multi-Family (Units)                |             |     |      | 810         | 1,340  | 1,890  | 930         | 1,550   | 2,200   | 1,740             | 2,890   | 4,090   |
| Total Number of Units               |             |     |      | 850         | 1,410  | 1,980  | 980         | 1,630   | 2,310   | 1,830             | 3,040   | 4,290   |
| <b>SDSU Housing Demand</b>          |             |     |      | 300         | 400    | 500    | 300         | 400     | 500     | 600               | 800     | 1,000   |

<sup>1</sup> Retail demand will increase based on proposed number of new dwelling units.

Source: SANDAG; CoStar; Economics Research Associates

## II. Introduction

The following section provides a general overview of key issues affecting potential future land uses within the Grantville Redevelopment Project Subarea A (Subarea A).

### Residential Development Challenges

San Diego County (County) currently has a population that exceeds 3.1 million. It has seen rapid growth over the last two decades and projections call for the County's population to increase to 4.0 million by 2030. As of last year, the City of San Diego (City) was home to approximately 42.5 percent of the population and over 55 percent of the employment base. Since 1990, the population in the City has represented 36 percent of past growth and is projected to represent approximately 40 percent of future growth to 2030. As a result, there are several critical issues related to accommodating the anticipated future growth, as well as the existing housing demands, in the City and the County.

Due to land scarcity (unique to the County), regulatory and fiscal policies (statewide), housing growth has not kept up pace with population growth in the County. For example, while the County's population has increased by more than 27 percent since 1990, the number of housing units has grown by just over 20 percent during the same period. With continued demand for residential land, the trend is anticipated to continue well into the future.

Currently, San Diego Association of Governments (SANDAG) estimates that more than two-thirds of land in the County is off limits to development. This land is publicly owned – military bases, state parks, and national forests – or undevelopable because of habitat protection. Some of the remaining land is impractical or impossible to build on because of topographical limitations such as hills and valleys indigenous to the region. As a result, in 2005 84.5 percent of all residents lived in the County's 18 cities<sup>1</sup>, an area equal to only 16.2 percent of the County's physical expanse.

Besides the existing land scarcity, there are a number of state regulations that exert upward pressure on home prices in the region. They include CEQA, Water Pollution Control Act, Endangered Species Act, Subdivision Map Act, and the California Coastal Act. The result of these and subsequent measures make the County (as well as the rest of California) one of the most regulated areas in the country. The extra time needed for approvals and entitlements push the cost of the development higher than in other states with fewer regulations.

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<sup>1</sup> 2008 Housing San Diego Report (SD Regional Economic Development Corporation).

Finally, the fiscalization of land use in California has also helped restrict supply of residential land in the County. The passage of Proposition 13 in 1978 drastically cut property taxes collected by the State, which in turn reduced revenues distributed to local jurisdictions. Later measures also impeded the ability of local governments to collect additional tax revenue. Subsequent actions by the State redirect billions of property taxes away from the cities, keeping dollars in the State's coffers.

Against this fiscal backdrop, over time jurisdictions have become more and more dependent on sales tax revenues from retail enterprises and less on property taxes from residential land uses. In essence, there is a general impression that housing has lost the ability to pay for the public services and facilities needed to support new residents in a community. This has led cities across California to prefer commercial over residential development as cities compete for retail sales generators.

Because of these issues, the County faces twin conundrums of not having produced enough housing – a trend expected to continue – and also a long-term shortage of residential land. To further compound measures, the County has experienced incredibly strong job growth. In fact, the County has only experienced job losses in four of the last 30 years, three of which were in the early 1990s when the aerospace industry lost thousands of jobs. It is expected that the County will lose a significant number of jobs due to current economic conditions. However, the existing housing unbalance along with projected strong employment will continue to exert upward pressure on housing demand in the region in the future.

## **Historic Housing Costs and the Mortgage Crisis**

The County's annual median price for all types of housing peaked in 2005. The National Association of Home Builders estimated during the that time only 5.1 percent of households living in the County could afford to purchase a home based on the median sales price, using a standard formula of 10 percent down and no more than 28 percent of household income used for housing costs.

2005 also marked the end of the housing bubble and the beginning of the national mortgage crisis, which was indirectly related to the run-up of housing prices through the late 1990s and early 2000s. Adjustable-rate mortgages, non-traditional home loans that flooded the mortgage market during the housing boom made it easier for prospective buyers to qualify to purchase a home. As a result, in the five year period between 2000 and 2005, the median home price more than doubled in the County.

If there is silver lining to the mortgage crisis, it is that the overdue correction has brought the price of housing down, making owning a home more attainable for some people. Since the peak in 2005, the housing prices have retreated approximately 40 percent. Stricter lending standards should also curtail demand somewhat, limiting upward pressure on prices locally. However, because of the

issues touched on before, some believe the effects of this situation will prove only temporary and will ultimately have a negligible effect on the County's long-term challenge of demand for housing outstripping supply.

The historically high cost of housing clearly impacts the region in two significant ways. First, it affects the County's competitiveness for business investment and jobs. Anecdotal evidence suggests that many of the County's firms cannot find enough local workers with the education and training needed to fill their positions. When local workers, even the relatively well-paid employees of the region's high-tech clusters, cannot afford to own their homes, it puts an additional strain on a businesses' ability to attract and retain a qualified workforce, and thus compete in the global marketplace. This is especially true when the County is compared to other high-tech hot spots, because housing affordability is not nearly as bad in competitive regions such as Austin (TX) and Raleigh (NC).<sup>2</sup>

Second, the high cost of housing has placed strains on the transportation infrastructure. Due to the lack of affordable housing, residents have consistently moved farther away from the region's job centers in search of affordable housing. Based on the SANDAG projections, the fastest population growth will actually be in the County's vast unincorporated areas, which are underserved or not served by mass transit options. As a result, there will be a continued strain on the roads, freeways, infrastructure, and environment, which subsequently affects the quality of life for all residents in the County.

## **Smart Growth Issues**

Large cities, such as San Diego, cannot realistically expect to revise all their land use regulations to encourage smart growth development initiatives, whereas a small community can conceivably change its entire regulatory scheme at once. A large city would likely address one discrete district, corridor, or a particular site at a time. In cities, both large and small, the most effective method for change may be to set a general smart growth development strategy through some form of visioning and consensus-building exercises, but then to work slowly through enacting the necessary regulatory changes needed to allow the private sector to respond to market demand for smart growth development.

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<sup>2</sup> Michael Schuerman, director of research at the San Diego Regional Economic Development Corporation, said the housing market correction has been a boon for industries that are trying to recruit employees from out of town, because home prices are becoming more competitive with other competitive high-tech and biotech areas.



To this end, San Diego's City of Villages (COV) development strategy emerged in 2000. The COV strategy, adopted by the City in its general plan update, focuses on infill and redevelopment of aging commercial centers. Furthermore, by targeting new growth in mixed-use centers with housing, retail, jobs, schools, and civic uses integrated into communities with easy access to transit provides opportunities to increase a community's density with less impact on the existing infrastructure (specifically traffic).

In the future, local jurisdictions will have to continue to make difficult decisions on how to best utilize the raw land they have available, as well as examine existing areas for infill development opportunities. This smart growth approach, if successfully implemented, would address many of the key issues affecting the region.

### **Industrial Land Conversion**

Subarea A consists of approximately 117 acres of industrial land. Currently, each of the proposed land use plans includes a significant shift to residential land uses. The cooling of the housing market gives decision makers the chance to discuss the issue of industrial land conversion in a less charged atmosphere. What makes the subject challenging in many areas, such as Subarea A, is that not all industrial land is equal. A further complication is that people incorrectly assume industrial property is unnecessary in today's economy.

According to the City's Economic Prosperity Element, as of 2006, only one-fourth of all designated industrial land was vacant in the City. More than two-thirds of the total vacant industrial land in the City is located in the community of Otay Mesa. The majority of the remaining vacant industrial land within the City is located within the other subregional employment areas (defined as Kearny Mesa, Midway-Pacific Highway, Mission Valley/Morena/Grantville, and University/Sorrento Mesa). Regionally, the City has concluded there is an adequate supply of employment generating land long-term, but there is a shortage of available land within the City close to housing, transportation, public transit, and other infrastructure.

An understanding that market demand drives development is important because the conversion of industrial to a different land use alone may not lead to the anticipated level of development. Land value is a function of demand and land economics, which should be aligned with the appropriate level of entitlements to reach optimal value. Understanding the existing and anticipated real estate fundamentals will assist in aligning appropriate market demand to the desired level of development in Subarea A.

## Report Overview

CPCI has retained ERA to prepare the economic analyses required to develop an effective master plan for Subarea A. ERA's role in this process includes the preparation of a market analysis, which is this document. The market analysis, which describes the real estate market forces affecting the redevelopment area, will be used to inform CPCI, the Grantville Community Stakeholders, and ICF Jones and Stokes to formulate three planning alternatives for the future of this area. Once these plan alternatives have been agreed to, ERA will evaluate them from several perspectives, including impact on the regional economy (economic impact), impact on the City's fiscal position (fiscal impact), impact on the socioeconomic outlook for the local community (socioeconomic impact analysis) and impact on the Grantville Public Facilities Financing Plan (public facilities financing plan).

In this report, ERA analyzed the real estate market demand for office, industrial, retail, and housing in Subarea A. Section III provides a brief overview of Subarea A's current land use characteristics as well as its connectivity to the region. Section IV explores the existing baseline and projected future socioeconomic conditions in the region, while the economic forces driving real estate are reviewed in Section IV. Section V summarizes the overall real estate market outlook for the redevelopment area and quantifies a realistic range of development potential.

In the context of long-term planning, short-term market cycles (e.g. the current recession) have little relevance given a buildout horizon stretching to 2030 and beyond. It is possible that the market may go through another one or more recessionary cycles during this period. The conclusions discussed throughout this report are based on long-term data projections and an understanding of market dynamics affecting the region.

### III. Redevelopment Subarea A Overview

The following section presents a brief overview of Subarea A in relation to other geographical areas referred to within this report. It also summarizes existing land uses and its proximity to the San Diego River and the San Diego Trolley. ERA believes the area's proximity to open space and transit are important assets that can be leveraged when evaluating long-term land use planning.

#### Regional Context

The Grantville Redevelopment Project Area is located in eastern San Diego and includes approximately 1,000 acres of land within portions of the City's Navajo, College, and Tierrasanta Community Planning Areas. The project area also includes portions of the San Diego River and is located in close proximity to Mission Valley, Mission Trails Park, Qualcomm Stadium, and San Diego State University (SDSU) (see Figure 2).

The Grantville Redevelopment Project Area is comprised of three non-contiguous sub-areas, briefly summarized by the City as follows:

- **Subarea A:** Comprised of the commercial, industrial and retail uses north of I-8 and along both sides of Fairmont Avenue and Mission Gorge Road up to Zion Avenue.
- **Subarea B:** Contains the office, industrial and mining operations and along Mission Gorge Road from Zion Avenue to Margerum Avenue.
- **Subarea C:** A shopping center, retail uses and community facilities at and adjacent to the intersection of Zion Avenue and Waring Road

The focus of this market study is Subarea A. All market analysis will isolate this subarea for the purposes of ERA's study.

**Figure 2: Grantville Redevelopment Area (Subarea A) Regional Context**



Source: SANDAG; ArcGIS; Economics Research Associate

### Existing Land Use and Location

As shown in Figure 3, the majority of parcels in Subarea A are designated for Commercial or Industrial uses. The area contains about 228 acres of commercial or industrial space and represents approximately a third of the total land area in the Redevelopment Subarea. Major business located within the area includes a Home Depot, Kaiser Permanente, Toyota dealership, and numerous other auto related businesses along Mission Gorge, fast food and strip retail offerings. The area has a variety of Class B and C office products and moderate industrial space, generally oriented to warehouse and distribution (light industrial). There is also a wide mix of other businesses that include commercial and industrial service uses within the industrial land.

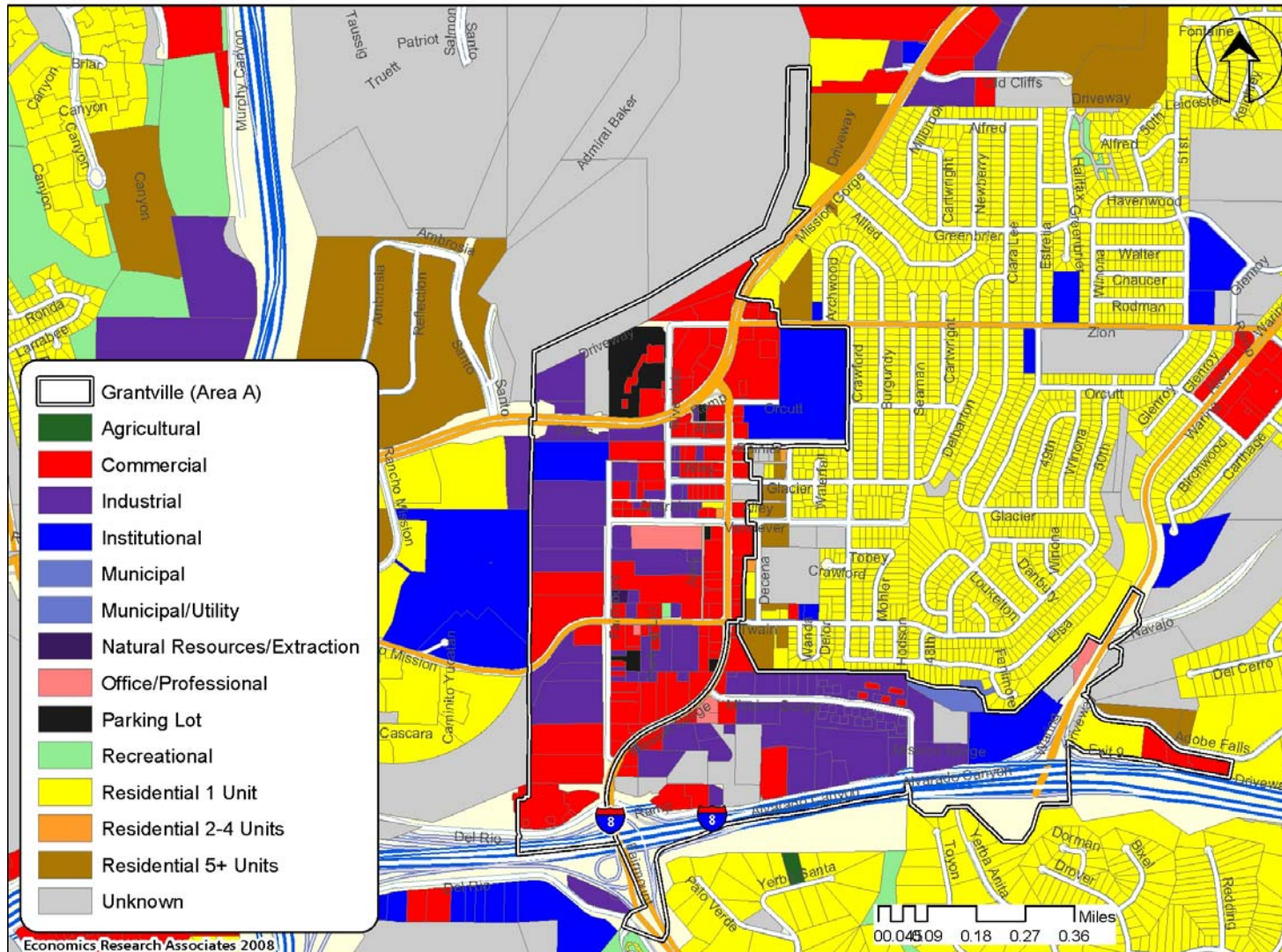
**Figure 3: Grantville Redevelopment Area (Subarea A) Land Use Summary**

| Land Use Type                | Number of<br>Parcels | Size              |              | % of Total    |
|------------------------------|----------------------|-------------------|--------------|---------------|
|                              |                      | SF                | Acres        |               |
| Commercial                   | 123                  | 4,842,707         | 111.2        | 33.4%         |
| Industrial                   | 71                   | 5,102,523         | 117.1        | 35.1%         |
| Institutional                | 3                    | 1,495,373         | 34.3         | 10.3%         |
| Municipal/Utility            | 1                    | 151,562           | 3.5          | 1.0%          |
| Natural Resources/Extraction | 1                    | 20,048            | 0.5          | 0.1%          |
| Office/Professional          | 14                   | 1,063,854         | 24.4         | 7.3%          |
| Parking Lot                  | 2                    | 403,191           | 9.3          | 2.8%          |
| Recreational                 | 1                    | 12,789            | 0.3          | 0.1%          |
| Residential 1 Unit           | 3                    | 268,606           | 6.2          | 1.9%          |
| Residential 2-4 Units        | 2                    | 11,239            | 0.3          | 0.1%          |
| Unknown                      | 7                    | 1,145,976         | 26.3         | 7.9%          |
| <b>Total</b>                 | <b>228</b>           | <b>14,517,869</b> | <b>333.3</b> | <b>100.0%</b> |

Source: SANDAG; ArcGIS; Economics Research Associates

As shown in Figure 4, the San Diego River essentially forms the western and northern boundary of the subarea. ERA believes that the river and adjacent protected space is a key asset to Subarea A. This is especially true when considering residential land uses where high density development are consistently challenged by the fact that they do not offer enough amenities to overcome the stigmas attached to high density housing. Subarea A also has the benefit of being centrally located in the region and within close proximity to I-15 (north/south) and I-8 (east/west) giving the area good regional connectivity. The subarea also has access to transit, discussed in detail in the next section, which is an additional premium.

Figure 4: Map of Current Land Uses in Grantville Redevelopment Area (Subarea A)



Source: SANDAG; ESRI; Economics Research Associates

## Proximity to Trolley

The San Diego Trolley is a subsidiary of the Metropolitan Transit System, created in 1980 to provide public transit service between downtown San Diego and the U.S./Mexico Border. Operations expanded to include the East Line in 1986 which extends from downtown San Diego to the City of Santee. The third line of the trolley was built in 2005 and runs from Old Town San Diego to the City of Santee. The third line, otherwise known as the Green Line, has a stop in the Grantville Redevelopment Project Area.

The trolley lines served about 130,000 passengers in 2007, with an annual growth rate of about 3 percent since 2003. The addition of the Green Line added an additional 20,000 passengers to the trolley line per year.

The Green Line, alone, served about 26,000 passengers in 2007. As shown in Figure 6, the most popular stops on the Green Line are the SDSU Trolley Station, the Fashion Valley Trolley Station, and the Grossmont Center Station. Most passengers board the trolley at the Old Town Transit center and the SDSU Trolley Station. The Grantville Trolley Station is the adjacent stop to the SDSU Trolley Station and has only about 1,000 passengers boarding or de-boarding the trolley at that location. Parking at the station accommodates approximately 250 cars.

**Figure 5: San Diego Trolley Annual Ridership Data**

|                         | 2003           | 2004           | 2005           | 2006           | 2007           | Annual Growth Rate |
|-------------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| Green Line <sup>1</sup> |                |                |                |                |                |                    |
| Inbound                 | -              | -              | -              | 10,913         | 13,275         | 22%                |
| Outbound                | -              | -              | -              | 11,060         | 12,746         | 15%                |
| <b>Total</b>            | -              | -              | -              | <b>21,973</b>  | <b>26,021</b>  | <b>18%</b>         |
| Blue Line               |                |                |                |                |                |                    |
| Inbound                 | 41,459         | 40,838         | 41,985         | 38,138         | 38,707         | -1%                |
| Outbound                | 38,678         | 36,049         | 38,515         | 33,279         | 35,397         | -2%                |
| <b>Total</b>            | <b>80,137</b>  | <b>76,887</b>  | <b>80,500</b>  | <b>71,417</b>  | <b>74,104</b>  | <b>-2%</b>         |
| Orange Line             |                |                |                |                |                |                    |
| Inbound                 | 17,923         | 16,567         | 16,463         | 15,070         | 15,246         | -3%                |
| Outbound                | 17,879         | 17,877         | 17,094         | 15,783         | 15,882         | -2%                |
| <b>Total</b>            | <b>35,802</b>  | <b>34,444</b>  | <b>33,557</b>  | <b>30,853</b>  | <b>31,128</b>  | <b>-3%</b>         |
| All Trolley Lines       |                |                |                |                |                |                    |
| <b>Total</b>            | <b>115,939</b> | <b>111,331</b> | <b>114,057</b> | <b>124,243</b> | <b>131,253</b> | <b>3%</b>          |

Notes:

1/ The Green Line did not become operational until July 2005.

Source: SANDAG; Economics Research Associates

With traffic issues usually ranking at or near the top of San Diegans concerns, Subarea A is well positioned to plan for future development that orients itself to the existing public transportation infrastructure. To accommodate the anticipated growth in the City and County, future development

will require alternative transportation options to assist with the needed mode shift in transportation to offset long term traffic issues.

**Figure 6: San Diego Trolley Green Line Ridership Data (Detailed)**

|                                   | 2007          |               |              | 2006          |               |              |
|-----------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|
|                                   | On            | Off           | On Board     | On            | Off           | On Board     |
| <b>Inbound</b>                    |               |               |              |               |               |              |
| Santee Transit Center             | 1,258         | 0             | 0            | 1,110         | 0             | 0            |
| Gillespie Field Trolley (Weld)    | 150           | 110           | 1,258        | 108           | 79            | 1,110        |
| Arnele Trolley Station            | 304           | 158           | 1,298        | 169           | 81            | 1,139        |
| El Cajon Transit Center           | 1,140         | 373           | 1,444        | 963           | 340           | 1,227        |
| Amaya Drive Trolley Station       | 421           | 160           | 2,212        | 238           | 63            | 1,850        |
| Grossmont Center Station          | 1,403         | 318           | 2,473        | 1,048         | 304           | 2,025        |
| 70th St Trolley Station           | 381           | 232           | 3,558        | 299           | 151           | 2,769        |
| Alvarado Trolley Station          | 484           | 130           | 3,707        | 346           | 98            | 2,917        |
| SDSU Trolley Station              | 2,651         | 1,664         | 4,062        | 2,226         | 1,237         | 3,165        |
| <b>Grantville Trolley Station</b> | <b>609</b>    | <b>568</b>    | <b>5,049</b> | <b>484</b>    | <b>411</b>    | <b>4,154</b> |
| Mission San Diego Station         | 317           | 218           | 5,090        | 267           | 181           | 4,227        |
| Qualcomm Trolley Station          | 162           | 192           | 5,190        | 114           | 118           | 4,313        |
| Fenton Parkway                    | 402           | 378           | 5,160        | 349           | 194           | 4,309        |
| Rio Vista Trolley Station         | 399           | 353           | 5,184        | 359           | 299           | 4,464        |
| Mission Valley Trolley Station    | 771           | 713           | 5,230        | 645           | 541           | 4,524        |
| Hazard Center Trolley Station     | 553           | 344           | 5,289        | 533           | 291           | 4,628        |
| Fashion Valley Trolley Station    | 1,490         | 1,513         | 5,498        | 1,371         | 1,250         | 4,870        |
| Morena Trolley Station            | 380           | 396           | 5,475        | 284           | 262           | 4,991        |
| Old Town Transit Center           | 0             | 5,459         | 5,459        | 0             | 5,013         | 5,013        |
| <b>Total</b>                      | <b>13,275</b> | <b>13,279</b> |              | <b>10,913</b> | <b>10,913</b> |              |
| <b>Outbound</b>                   |               |               |              |               |               |              |
| Old Town Transit Center           | 5,666         | 0             | 0            | 5,297         | 0             | 0            |
| Morena Trolley Station            | 349           | 373           | 5,666        | 289           | 326           | 5,297        |
| Fashion Valley Trolley Station    | 1,366         | 1,498         | 5,642        | 1,200         | 1,591         | 5,260        |
| Hazard Center Trolley Station     | 337           | 532           | 5,510        | 260           | 461           | 4,869        |
| Mission Valley Trolley Station    | 583           | 770           | 5,315        | 497           | 683           | 4,668        |
| Rio Vista Trolley Station         | 276           | 359           | 5,128        | 318           | 353           | 4,482        |
| Fenton Parkway                    | 309           | 469           | 5,045        | 182           | 427           | 4,447        |
| Qualcomm Trolley Station          | 180           | 159           | 4,885        | 160           | 143           | 4,202        |
| Mission San Diego Station         | 247           | 266           | 4,906        | 187           | 280           | 4,219        |
| <b>Grantville Trolley Station</b> | <b>513</b>    | <b>574</b>    | <b>4,887</b> | <b>397</b>    | <b>436</b>    | <b>4,126</b> |
| SDSU Trolley Station              | 1,322         | 2,460         | 4,826        | 1,018         | 2,034         | 4,087        |
| Alvarado Trolley Station          | 147           | 353           | 3,688        | 120           | 317           | 3,071        |
| 70th St Trolley Station           | 255           | 319           | 3,482        | 163           | 277           | 2,874        |
| Grossmont Center Station          | 328           | 1,316         | 3,418        | 310           | 1,021         | 2,760        |
| Amaya Drive Trolley Station       | 208           | 446           | 2,430        | 72            | 271           | 2,049        |
| El Cajon Transit Center           | 363           | 1,267         | 2,192        | 393           | 933           | 1,850        |
| Arnele Trolley Station            | 133           | 318           | 1,288        | 81            | 228           | 1,310        |
| Gillespie Field Trolley (Weld)    | 164           | 163           | 1,103        | 116           | 112           | 1,163        |
| Santee Transit Center             | 0             | 1,104         | 1,104        | 0             | 1,167         | 1,167        |
| <b>Total</b>                      | <b>12,746</b> | <b>12,746</b> |              | <b>11,060</b> | <b>11,060</b> |              |

Notes:

1/ The Green Line did not become operational until July 2005.

Source: SANDAG; Economics Research Associates



## IV. Socioeconomic Analysis

The future market demand for different land uses in Subarea A will be influenced by regional economic forces and market trends in the surrounding neighborhoods. In this section, ERA analyzes the historic and projected socioeconomic trends for the County, City, and the Community Plan Areas (Mission Valley and Navajo) that are the most representative of land use potentials in the redevelopment subarea. The following base analysis lays the foundation for the potential land use plan alternatives that will be formulated in the Charrette process.

### Demographic Trends for the Region and Community Plan Areas

#### Population Trends

From 1990 to 2008, the County gained nearly 650,000 people. Over one-third of this increase, or about 226,000, occurred in the City. The US Census Bureau estimates that the City's population was approximately 1.34 million in 2008, accounting for almost 42.5 percent of the County's total population (see Figure 7). SANDAG anticipates that growth in the City will continue to account for a large percentage of the overall regional growth. The County is projected to reach 4.0 million by 2030 with the City population reaching 1.7 million by that year. In total, 291,000 new residents will be added between 2010 and 2030 in the City, constituting approximately 40 percent of the regional growth (please see Figure 8).

**Figure 7: San Diego Area Population Growth**

| Region                  | 2000             | 2004             | 2008             | 2000 - 2008    |                |
|-------------------------|------------------|------------------|------------------|----------------|----------------|
|                         |                  |                  |                  | Abs. Growth    | Rate of Growth |
| City of San Diego       | 1,223,400        | 1,295,147        | 1,336,865        | 113,465        | 1.1%           |
| National City           | 54,260           | 56,018           | 61,194           | 6,934          | 1.5%           |
| Lemon Grove             | 24,918           | 25,590           | 25,611           | 693            | 0.3%           |
| La Mesa                 | 54,749           | 56,007           | 56,666           | 1,917          | 0.4%           |
| Santee                  | 52,975           | 54,084           | 56,068           | 3,093          | 0.7%           |
| El Cajon                | 94,869           | 97,670           | 97,934           | 3,065          | 0.4%           |
| <b>San Diego County</b> | <b>2,813,833</b> | <b>3,013,014</b> | <b>3,146,274</b> | <b>332,441</b> | <b>1.4%</b>    |

Source: Bureau of Census; SANDAG; Economics Research Associates

**Figure 8: Regional Projected Population Trends**

| Region                  | 2010             | 2020             | 2030             | 2010 - 2020    |                | 2020 - 2030    |                | 2010 - 2030    |                |
|-------------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                         |                  |                  |                  | Abs. Increase  | Rate of Growth | Abs. Increase  | Rate of Growth | Abs. Increase  | Rate of Growth |
| City of San Diego       | 1,365,130        | 1,514,336        | 1,656,257        | 149,206        | 1.0%           | 141,921        | 0.9%           | 291,127        | 1.0%           |
| National City           | 59,905           | 69,104           | 74,241           | 9,199          | 1.4%           | 5,137          | 0.7%           | 14,336         | 1.1%           |
| Lemon Grove             | 27,163           | 28,859           | 31,175           | 1,696          | 0.6%           | 2,316          | 0.8%           | 4,012          | 0.7%           |
| La Mesa                 | 59,920           | 60,686           | 64,522           | 766            | 0.1%           | 3,836          | 0.6%           | 4,602          | 0.4%           |
| Santee                  | 62,031           | 66,668           | 72,115           | 4,637          | 0.7%           | 5,447          | 0.8%           | 10,084         | 0.8%           |
| El Cajon                | 100,919          | 105,214          | 112,008          | 4,295          | 0.4%           | 6,794          | 0.6%           | 11,089         | 0.5%           |
| <b>San Diego County</b> | <b>3,245,279</b> | <b>3,635,855</b> | <b>3,984,753</b> | <b>390,576</b> | <b>1.1%</b>    | <b>348,898</b> | <b>0.9%</b>    | <b>739,474</b> | <b>1.0%</b>    |

Source: San Diego Association of Governments; Economics Research Associates

The Mission Valley Community Plan Area has its southern boundary along a long portion of the San Diego River. Between 2000 and 2008, Mission Valley added approximately 6,000 residents (see Figure 9). In contrast, the Navajo Community Plan Area has increased in population size between 2000 and 2008 by over 2,600 residents. Currently, Subarea A does not have any residents. As illustrated in Figure 10, SANDAG expects the area surrounding Subarea A (Mission Valley and Navajo Community Plan Areas) to grow, adding nearly 16,000 residents between 2010 and 2030. Mission Valley is expected to continue its rapid growth with an addition of about 13,000 (or 81 percent of the two Community Plan Areas growth) new residents between 2010 and 2030.

**Figure 9: City of San Diego Historic Population Growth, by Community Plan Area**

| Region                    | 2000      | 2004      | 2008      | 2000-2008   |                |
|---------------------------|-----------|-----------|-----------|-------------|----------------|
|                           |           |           |           | Abs. Growth | Rate of Growth |
| City Community Plan Areas |           |           |           |             |                |
| Mission Valley            | 12,017    | 15,530    | 18,058    | 6,041       | 5.2%           |
| Navajo                    | 47,335    | 49,259    | 49,965    | 2,630       | 0.7%           |
| City of San Diego         | 1,223,400 | 1,295,147 | 1,336,865 | 113,465     | 1.1%           |
| North City Region         | 658,877   | 717,115   | 745,955   | 87,078      | 1.6%           |
| San Diego County          | 2,813,833 | 3,013,014 | 3,146,274 | 332,441     | 1.4%           |

Note: Figures shown for "City Community Plan Areas" is the sum of the two Community Plan Areas shown.  
Source: SANDAG; Economics Research Associates

**Figure 10: City of San Diego Projected Population Trends, by Community Plan Areas**

| Region                   | 2010             | 2020             | 2030             | 2010 - 2020    |                | 2020 - 2030    |                |
|--------------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|
|                          |                  |                  |                  | Abs. Growth    | Rate of Growth | Abs. Growth    | Rate of Growth |
| City Community Plan Area |                  |                  |                  |                |                |                |                |
| Mission Valley           | 18,493           | 25,075           | 31,122           | 6,582          | 3.1%           | 6,047          | 2.2%           |
| Navajo                   | 49,992           | 50,968           | 53,340           | 976            | 0.2%           | 2,372          | 0.5%           |
| City of San Diego        | 1,365,130        | 1,514,336        | 1,656,257        | 149,206        | 1.0%           | 141,921        | 0.9%           |
| North City Region        | 751,787          | 805,679          | 872,326          | 53,892         | 0.7%           | 66,647         | 0.8%           |
| <b>San Diego County</b>  | <b>3,245,279</b> | <b>3,635,855</b> | <b>3,984,753</b> | <b>390,576</b> | <b>1.1%</b>    | <b>348,898</b> | <b>0.9%</b>    |

Note: Figures shown for "City Community Plan Areas" is the sum of the two Community Plan Areas shown.  
 Source: SANDAG; Economics Research Associates

### Ethnicity

The County is an ethnically diverse community, with about half of the residents of a non-white ethnic background in 2008. However, the North City Region, the larger Metropolitan Statistical Area that contains the Grantville Redevelopment Project Area, is predominantly non-white (nearly 70 percent). As illustrated in Figure 11, the Mission Valley and Navajo Community Plan Areas are predominantly white, ranging from about 70 to 90 percent of their populations identifying themselves as non-Hispanic Whites. SANDAG projects that by 2030 these patterns will remain consistent.

**Figure 11: City of San Diego Historic Population Growth, by Ethnicity & Community Plan Area**

| Region                              | 2000      | 2004      | 2008      | 2000 - 2008 |                |
|-------------------------------------|-----------|-----------|-----------|-------------|----------------|
|                                     |           |           |           | Abs. Growth | Rate of Growth |
| <u>City of San Diego</u>            |           |           |           |             |                |
| Total White Population              | 603,892   | 608,455   | 605,935   | 2,043       | 0.0%           |
| Total Black Population              | 92,830    | 92,691    | 94,587    | 1,757       | 0.2%           |
| Total Hispanic Population           | 310,752   | 343,741   | 370,680   | 59,928      | 2.2%           |
| Total American Indian Population    | 4,267     | 4,331     | 4,567     | 300         | 0.9%           |
| Total Asian Population              | 164,895   | 193,365   | 203,402   | 38,507      | 2.7%           |
| Total Native Hawaiian Population    | 5,311     | 5,488     | 5,057     | -254        | -0.6%          |
| <i>Percent Non-White Population</i> | 51%       | 53%       | 55%       | 4%          |                |
| <u>San Diego County</u>             |           |           |           |             |                |
| Total White Population              | 1,548,833 | 1,573,052 | 1,580,685 | 31,852      | 0.3%           |
| Total Black Population              | 154,487   | 159,790   | 166,284   | 11,797      | 0.9%           |
| Total Hispanic Population           | 750,965   | 855,575   | 940,153   | 189,188     | 2.8%           |
| Total American Indian Population    | 15,253    | 15,561    | 16,254    | 1,001       | 0.8%           |
| Total Asian Population              | 245,297   | 295,158   | 316,894   | 71,597      | 3.3%           |
| Total Native Hawaiian Population    | 12,164    | 12,778    | 11,763    | -401        | -0.4%          |
| <i>Percent Non-White Population</i> | 45%       | 48%       | 50%       | 5%          |                |
| <u>North City Region</u>            |           |           |           |             |                |
| Total White Population              | 446,237   | 463,382   | 467,884   | 21,647      | 0.6%           |
| Total Black Population              | 19,525    | 21,363    | 22,294    | 2,769       | 1.7%           |
| Total Hispanic Population           | 69,150    | 80,569    | 89,510    | 20,360      | 3.3%           |
| Total American Indian Population    | 2,040     | 2,179     | 2,431     | 391         | 2.2%           |
| Total Asian Population              | 96,628    | 120,059   | 130,696   | 34,068      | 3.8%           |
| Total Native Hawaiian Population    | 2,248     | 2,430     | 2,358     | 110         | 0.6%           |
| <i>Percent Non-White Population</i> | 32%       | 35%       | 37%       | 5%          |                |
| <u>Mission Valley Planning Area</u> |           |           |           |             |                |
| Total White Population              | 8,242     | 10,050    | 11,301    | 3,059       | 4.0%           |
| Total Black Population              | 632       | 861       | 984       | 352         | 5.7%           |
| Total Hispanic Population           | 1,633     | 2,332     | 2,885     | 1,252       | 7.4%           |
| Total American Indian Population    | 49        | 55        | 72        | 23          | 4.9%           |
| Total Asian Population              | 934       | 1,525     | 1,921     | 987         | 9.4%           |
| Total Native Hawaiian Population    | 36        | 45        | 56        | 20          | 5.7%           |
| <i>Percent Non-White Population</i> | 31%       | 35%       | 37%       | 6%          |                |
| <u>Navajo Planning Area</u>         |           |           |           |             |                |
| Total White Population              | 38,227    | 38,340    | 37,871    | -356        | -0.1%          |
| Total Black Population              | 1,217     | 1,386     | 1,495     | 278         | 2.6%           |
| Total Hispanic Population           | 4,282     | 5,056     | 5,625     | 1,343       | 3.5%           |
| Total American Indian Population    | 170       | 167       | 179       | 9           | 0.6%           |
| Total Asian Population              | 1,950     | 2,515     | 2,721     | 771         | 4.3%           |
| Total Native Hawaiian Population    | 104       | 129       | 151       | 47          | 4.8%           |
| <i>Percent Non-White Population</i> | 19%       | 22%       | 24%       | 5%          |                |

Source: SANDAG; Economics Research Associates

**Figure 12: City of San Diego Projected Population Trends, by Ethnicity & Community Plan Area**

| Region                              | 2010      | 2020      | 2030      | 2010 - 2030 |                | 2010 - 2030 |                |
|-------------------------------------|-----------|-----------|-----------|-------------|----------------|-------------|----------------|
|                                     |           |           |           | Abs. Growth | Rate of Growth | Abs. Growth | Rate of Growth |
| <b>City of San Diego</b>            |           |           |           |             |                |             |                |
| Total White Population              | 570,066   | 544,289   | 605,935   | 35,869      | 0.8%           | 35,869      | 0.8%           |
| Total Black Population              | 88,719    | 88,564    | 94,587    | 5,868       | 0.8%           | 5,868       | 0.8%           |
| Total Hispanic Population           | 410,025   | 520,211   | 370,680   | -39,345     | -1.3%          | -39,345     | -1.3%          |
| Total American Indian Population    | 5,626     | 7,314     | 4,567     | -1,059      | -2.6%          | -1,059      | -2.6%          |
| Total Asian Population              | 219,178   | 257,693   | 203,402   | -15,776     | -0.9%          | -15,776     | -0.9%          |
| Total Native Hawaiian Population    | 17,145    | 22,167    | 5,057     | -12,088     | -14.2%         | -12,088     | -14.2%         |
| <i>Percent Non-White Population</i> | 58%       | 64%       | 63%       | 0           |                | 5%          |                |
| <b>San Diego County</b>             |           |           |           |             |                |             |                |
| Total White Population              | 1,548,833 | 1,573,052 | 1,580,685 | 31,852      | 0.3%           | 31,852      | 0.3%           |
| Total Black Population              | 154,487   | 159,790   | 166,284   | 11,797      | 0.9%           | 11,797      | 0.9%           |
| Total Hispanic Population           | 750,965   | 855,575   | 940,153   | 189,188     | 2.8%           | 189,188     | 2.8%           |
| Total American Indian Population    | 15,253    | 15,561    | 16,254    | 1,001       | 0.8%           | 1,001       | 0.8%           |
| Total Asian Population              | 245,297   | 295,158   | 316,894   | 71,597      | 3.3%           | 71,597      | 3.3%           |
| Total Native Hawaiian Population    | 12,164    | 12,778    | 11,763    | -401        | -0.4%          | -401        | -0.4%          |
| <i>Percent Non-White Population</i> | 45%       | 48%       | 50%       | 0           |                | 5%          |                |
| <b>North City Region</b>            |           |           |           |             |                |             |                |
| Total White Population              | 441,594   | 434,889   | 436,123   | -5,471      | -0.2%          | -5,471      | -0.2%          |
| Total Black Population              | 23,904    | 27,195    | 31,686    | 7,782       | 3.6%           | 7,782       | 3.6%           |
| Total Hispanic Population           | 98,847    | 112,858   | 130,037   | 31,190      | 3.5%           | 31,190      | 3.5%           |
| Total American Indian Population    | 3,620     | 5,238     | 6,190     | 2,570       | 6.9%           | 2,570       | 6.9%           |
| Total Asian Population              | 140,907   | 166,202   | 190,072   | 49,165      | 3.8%           | 49,165      | 3.8%           |
| Total Native Hawaiian Population    | 9,982     | 13,899    | 15,598    | 5,616       | 5.7%           | 5,616       | 5.7%           |
| <i>Percent Non-White Population</i> | 33%       | 39%       | 42%       | 0           |                | 9%          |                |
| <b>Mission Valley Planning Area</b> |           |           |           |             |                |             |                |
| Total White Population              | 8,242     | 10,050    | 11,301    | 3,059       | 4.0%           | 3,059       | 4.0%           |
| Total Black Population              | 632       | 861       | 984       | 352         | 5.7%           | 352         | 5.7%           |
| Total Hispanic Population           | 1,633     | 2,332     | 2,885     | 1,252       | 7.4%           | 1,252       | 7.4%           |
| Total American Indian Population    | 49        | 55        | 72        | 23          | 4.9%           | 23          | 4.9%           |
| Total Asian Population              | 934       | 1,525     | 1,921     | 987         | 9.4%           | 987         | 9.4%           |
| Total Native Hawaiian Population    | 36        | 45        | 56        | 20          | 5.7%           | 20          | 5.7%           |
| <i>Percent Non-White Population</i> | 31%       | 35%       | 37%       | 0           |                | 6%          |                |
| <b>Navajo Planning Area</b>         |           |           |           |             |                |             |                |
| Total White Population              | 38,227    | 38,340    | 37,871    | -356        | -0.1%          | -356        | -0.1%          |
| Total Black Population              | 1,217     | 1,386     | 1,495     | 278         | 2.6%           | 278         | 2.6%           |
| Total Hispanic Population           | 4,282     | 5,056     | 5,625     | 1,343       | 3.5%           | 1,343       | 3.5%           |
| Total American Indian Population    | 170       | 167       | 179       | 9           | 0.6%           | 9           | 0.6%           |
| Total Asian Population              | 1,950     | 2,515     | 2,721     | 771         | 4.3%           | 771         | 4.3%           |
| Total Native Hawaiian Population    | 104       | 129       | 151       | 47          | 4.8%           | 47          | 4.8%           |
| <i>Percent Non-White Population</i> | 19%       | 22%       | 24%       | 0           |                | 5%          |                |

Source: SANDAG; Economics Research Associates

## Age

The Community Plan Areas that surround Subarea A varies in age against the citywide average. The Mission Valley has a younger population than the Navajo Community Plan Area. However, it is projected to become older by 2030, reaching a median age of about 43 years old. The City is expected to keep its median age under 40 years of age, showing a much slower aging trend. The Navajo Community Plan area currently has a median age of 38 years and is expected to increase to 43 years by 2030 (see Figure 13).

**Figure 13: City of San Diego Median Age Trends, by Community Plan Area**

| <b>Region</b>            | <b>2000</b> | <b>2004</b> | <b>2008</b> | <b>2010</b> | <b>2020</b> | <b>2030</b> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| City Community Plan Area |             |             |             |             |             |             |
| Mission Valley           | 33.1        | 35.0        | 38.1        | 36.2        | 39.6        | 43.2        |
| Navajo                   | 42.9        | 44.2        | 46.0        | 47.3        | 51.8        | 55.0        |
| City of San Diego        | 32.6        | 33.4        | 35.1        | 34.2        | 35.8        | 38.0        |
| North City Region        | 35.3        | 36.1        | 37.9        | 37.0        | 38.6        | 40.1        |
| <b>San Diego County</b>  | <b>33.2</b> | <b>33.7</b> | <b>34.8</b> | <b>34.8</b> | <b>36.8</b> | <b>39.0</b> |

Source: SANDAG; Economics Research Associates

### Household Size and Income

The Mission Valley Community Plan Area has a lower average household size than Navajo and the rest of the City, with about 1.74 people per household in 2008. As shown in Figure 15, this is expected to change by 2030, as the average household size increases to 2.87 people per household. This, coupled with increasing median age in the area, could be due to growth in new families entering the area. The Navajo Community Plan area has a lower average household size than the rest of the region (North City Region), City, or County, at about 2.44 people per household in 2008. Unlike Mission Valley, the average household size in the Navajo Community Plan Area is not expected to greatly fluctuate by 2030.

Currently, the Navajo Community Plan Area has a higher average household income than other parts of the region, at about \$81,000. It is over \$15,000 greater than the average household income in the neighboring Mission Valley Community Plan, while comparable to the average household income of the greater North City Region. Mission Valley Community Plan has a comparable average household income to the City and the larger County area. These trends are expected to be maintained in the future. SANDAG projects that that the average household income in the Navajo Community Plan Area will reach nearly \$97,000, about over 25 percent greater than its neighbor, Mission Valley.

Figure 14 summarizes household trends by community plan areas.

**Figure 14: City of San Diego Historic Household Trends, by Community Plan Area**

| Region                      | 2000     | 2008      | 2000 - 2008   |                |
|-----------------------------|----------|-----------|---------------|----------------|
|                             |          |           | Abs. Increase | Rate of Growth |
| <u>City of San Diego</u>    |          |           |               |                |
| Total Households            | 450,691  | 487,775   | 37,084        | 1.0%           |
| Average Household Size      | 2.61     | 2.65      | 0.04          |                |
| Median Household Income     | \$59,574 | \$64,249  | \$4,675       |                |
| Income per Household Member | \$22,825 | \$24,245  | \$1,420       |                |
| <u>North City Region</u>    |          |           |               |                |
| Total Households            | 256,507  | 285,009   | 28,502        | 1.3%           |
| Average Household Size      | 2.50     | 2.56      | 0.06          |                |
| Median Household Income     | \$77,904 | \$82,917  | \$5,013       |                |
| Income per Household Member | \$31,162 | \$32,389  | \$1,228       |                |
| <u>San Diego County</u>     |          |           |               |                |
| Total Households            | 994,677  | 1,089,451 | 94,774        | 1.1%           |
| Average Household Size      | 2.73     | 2.79      | 0.06          |                |
| Median Household Income     | \$61,448 | \$67,350  | \$5,902       |                |
| Income per Household Member | \$22,509 | \$24,140  | \$1,631       |                |
| <u>Mission Valley</u>       |          |           |               |                |
| Total Households            | 6,920    | 10,230    | 3,310         | 5.0%           |
| Average Household Size      | 1.71     | 1.74      | 0.03          |                |
| Median Household Income     | \$56,635 | \$65,400  | \$8,766       |                |
| Income per Household Member | \$33,120 | \$37,586  | \$4,467       |                |
| <u>Navajo</u>               |          |           |               |                |
| Total Households            | 19,914   | 20,369    | 455           | 0.3%           |
| Average Household Size      | 2.37     | 2.44      | 0.07          |                |
| Median Household Income     | \$76,083 | \$80,956  | \$4,874       |                |
| Income per Household Member | \$32,102 | \$33,179  | \$1,076       |                |

Note: Median incomes shown in 2008 dollars (adjusted for inflation from 1999 dollars)  
 There appears to be some inconsistency with SANDAG data for Mission Valley. The average household size is well below the level predicted in 2010.

Source: SANDAG; Economics Research Associates

SANDAG forecasts that most of the community plan areas adjacent to the San Diego River, with the exception of Mission Valley, will not add many new households by 2030. Navajo is expected to add about 150 new households. Mission Valley, on the other hand, is expected to add over 6,000 new households by 2030, representing a 2.4 percent increase annually since 2010.

Figure 15 summarizes the projected household trends by community plan area.

**Figure 15: City of San Diego Projected Household Trends, by Community Plan Area**

| Region                      | 2010      | 2020      | 2030      | 2010 - 2020   |                | 2020 - 2030   |                | 2010 - 2030   |                |
|-----------------------------|-----------|-----------|-----------|---------------|----------------|---------------|----------------|---------------|----------------|
|                             |           |           |           | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth |
| <b>City of San Diego</b>    |           |           |           |               |                |               |                |               |                |
| Total Households            | 496,747   | 546,835   | 585,161   | 50,088        | 1.0%           | 38,326        | 0.7%           | 88,414        | 0.8%           |
| Average Household Size      | 2.62      | 2.65      | 2.70      | 0.03          | 0.1%           | 0.05          | 0.2%           | 0.08          | 0.2%           |
| Median Household Income     | \$67,652  | \$72,215  | \$77,090  | \$4,563       | 0.7%           | \$4,875       | 0.7%           | \$9,438       | 0.7%           |
| Income per Household Member | \$25,821  | \$27,251  | \$28,552  | \$1,430       | 0.5%           | \$1,301       | 0.5%           | \$2,730       | 0.5%           |
| <b>North City Region</b>    |           |           |           |               |                |               |                |               |                |
| Total Households            | 284,939   | 304,126   | 315,314   | 19,187        | 0.7%           | 11,188        | 0.4%           | 30,375        | 0.5%           |
| Average Household Size      | 2.55      | 2.56      | 2.67      | 0.01          | 0.0%           | 0.11          | 0.4%           | 0.12          | 0.2%           |
| Median Household Income     | \$88,784  | \$96,745  | \$105,071 | \$7,961       | 0.9%           | \$8,327       | 0.8%           | \$16,288      | 0.8%           |
| Income per Household Member | \$34,817  | \$37,791  | \$39,353  | \$2,974       | 0.8%           | \$1,562       | 0.4%           | \$4,535       | 0.6%           |
| <b>San Diego County</b>     |           |           |           |               |                |               |                |               |                |
| Total Households            | 1,125,611 | 1,247,522 | 1,331,782 | 121,911       | 1.0%           | 84,260        | 0.7%           | 206,171       | 0.8%           |
| Average Household Size      | 2.76      | 2.80      | 2.87      | 0.04          | 0.1%           | 0.07          | 0.2%           | 0.11          | 0.2%           |
| Median Household Income     | \$70,490  | \$75,813  | \$81,377  | \$5,324       | 0.7%           | \$5,564       | 0.7%           | \$10,888      | 0.7%           |
| Income per Household Member | \$25,540  | \$27,076  | \$28,354  | \$1,536       | 0.6%           | \$1,278       | 0.5%           | \$2,815       | 0.5%           |
| <b>Mission Valley</b>       |           |           |           |               |                |               |                |               |                |
| Total Households            | 10,325    | 15,081    | 16,523    | 4,756         | 3.9%           | 1,442         | 0.9%           | 6,198         | 2.4%           |
| Average Household Size      | 2.41      | 2.46      | 1.85      | 0.05          | 0.2%           | -0.61         | -2.8%          | -0.56         | -1.3%          |
| Median Household Income     | \$67,048  | \$71,607  | \$76,374  | \$4,559       | 0.7%           | \$4,767       | 0.6%           | \$9,326       | 0.7%           |
| Income per Household Member | \$27,821  | \$29,108  | \$41,283  | \$1,288       | 0.5%           | \$12,175      | 3.6%           | \$13,463      | 2.0%           |
| <b>Navajo</b>               |           |           |           |               |                |               |                |               |                |
| Total Households            | 20,535    | 20,463    | 20,689    | -72           | 0.0%           | 226           | 0.1%           | 154           | 0.0%           |
| Average Household Size      | 2.41      | 2.46      | 2.53      | 0.05          | 0.2%           | 0.07          | 0.3%           | 0.12          | 0.2%           |
| Median Household Income     | \$84,839  | \$90,662  | \$96,732  | \$5,823       | 0.7%           | \$6,070       | 0.7%           | \$11,892      | 0.7%           |
| Income per Household Member | \$35,203  | \$36,854  | \$38,234  | \$1,651       | 0.5%           | \$1,379       | 0.4%           | \$3,031       | 0.4%           |

Note: Median incomes shown in 2008 dollars (adjusted for inflation from 1999 dollars)

Source: SANDAG; Economics Research Associates

## Housing Stock and Composition

As noted in the introduction, the number of housing units delivered in the County and City has not kept up with population growth over the last 20 years. In the areas of analysis Mission Valley experienced heavy development and increased its housing inventory by 42 percent in the eight year time period. In absolute terms, however, Mission Valley only represented approximately 3.2 percent of the new housing constructed between 2000 and 2008.

The distribution of single-family and multi-family homes in the County is large skewed towards single-family construction. In 2008, the County had 60 percent of its housing stock classified as single-family while 36 percent was classified as a multi-family unit. The City is more balanced, with approximately 55 percent of its homes classified as single-family units and 44 percent categorized as multi-family units. In the Navajo Community Plan Area the overwhelming majority of housing units are comprised of single-family homes (see Figure 16).



**Figure 16: City of San Diego Historic Housing Units, by Community Plan Area**

| Region                   | 2000      | 2008      | 2000 - 2008   |                |
|--------------------------|-----------|-----------|---------------|----------------|
|                          |           |           | Abs. Increase | Rate of Growth |
| <u>City of San Diego</u> |           |           |               |                |
| Total Housing Units      | 469,989   | 508,450   | 38,461        | 1.0%           |
| Single Family (%)        |           | 54.6%     |               |                |
| Multi Family (%)         |           | 44.3%     |               |                |
| Mobile Home (Other) (%)  |           | 1.1%      |               |                |
| <u>North City Region</u> |           |           |               |                |
| Total Housing Units      | 256,507   | 296,788   | 40,281        | 1.8%           |
| Single Family            |           | 59.8%     |               |                |
| Multi Family             |           | 39.3%     |               |                |
| Mobile Home (Other)      |           | 0.9%      |               |                |
| <u>San Diego County</u>  |           |           |               |                |
| Total Housing Units      | 1,040,149 | 1,140,349 | 100,200       | 1.2%           |
| Single Family            |           | 60.0%     |               |                |
| Multi Family             |           | 36.2%     |               |                |
| Mobile Home (Other)      |           | 3.8%      |               |                |
| <u>Mission Valley /1</u> |           |           |               |                |
| Total Housing Units      | 7,606     | 10,792    | 3,186         | 4.5%           |
| Single Family            |           | 0%        |               |                |
| Multi Family             |           | 100%      |               |                |
| Mobile Home (Other)      |           | 0%        |               |                |
| <u>Navajo</u>            |           |           |               |                |
| Total Housing Units      | 20,256    | 20,576    | 320           | 0.2%           |
| Single Family            |           | 78%       |               |                |
| Multi Family             |           | 21%       |               |                |
| Mobile Home (Other)      |           | 2%        |               |                |

Note: Mission Valley data listed under 2008 from 2006 (2008 not available) and appears to be inconsistent with projected data for housing type allocation.

Source: SANDAG; Economics Research Associates

To accommodate the growth anticipated by SANDAG, the County and City is expected to build up rather than out. This is evidenced by examining projected trends in housing composition presented in Figure 17. In each instance, there is a significant decrease in the projected growth rate of single-family units compared to multi-family units. As previously noted, the combination of land scarcity and population growth will promote the development of more dense housing developments in the future.

The projected increase in multi-family housing also supports many of the socioeconomic trends previous presented. For example, as in Mission Valley where the largest multi family construction has occurred and is anticipated to occur, there a significantly lower average household size compared to the City (approximately 1.85 versus 2.7) as well as an older median age (from 43 versus 36) within the Community Planning Area. This is consistent with multi-family development’s appeal to the “empty nester” and “young professionals” (without children) market segments.

**Figure 17: City of San Diego Projected Housing Units, by Community Plan Area**

| Region                   | 2010      |         | 2020      |         | 2030      |         | 2010 - 2020   |                | 2020 - 2030   |                | 2010 - 2030   |                |
|--------------------------|-----------|---------|-----------|---------|-----------|---------|---------------|----------------|---------------|----------------|---------------|----------------|
|                          | Numeric   | Percent | Numeric   | Percent | Numeric   | Percent | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth |
| <b>City of San Diego</b> |           |         |           |         |           |         |               |                |               |                |               |                |
| Total Housing Units      | 518,063   | 100%    | 574,254   | 100%    | 610,049   | 100%    | 56,191        | 1.0%           | 35,795        | 0.6%           | 91,986        | 0.8%           |
| Single Family            | 290,608   | 56.1%   | 298,710   | 52.0%   | 297,759   | 48.8%   | 8,102         | 0.3%           | -951          | 0.0%           | 7,151         | 0.1%           |
| Multi Family             | 221,902   | 42.8%   | 269,673   | 47.0%   | 306,655   | 50.3%   | 47,771        | 2.0%           | 36,982        | 1.3%           | 84,753        | 1.6%           |
| Mobile Home (Other)      | 5,553     | 1.1%    | 5,871     | 1.0%    | 5,635     | 0.9%    | 318           | 0.6%           | -236          | -0.4%          | 82            | 0.1%           |
| <b>North City Region</b> |           |         |           |         |           |         |               |                |               |                |               |                |
| Total Housing Units      | 298,181   | 100%    | 319,207   | 100%    | 328,220   | 100%    | 21,026        | 0.7%           | 9,013         | 0.3%           | 30,039        | 0.5%           |
| Single Family            | 205,068   | 68.8%   | 213,110   | 66.8%   | 214,434   | 65.3%   | 8,042         | 0.4%           | 1,324         | 0.1%           | 9,366         | 0.2%           |
| Multi Family             | 90,509    | 30.4%   | 103,548   | 32.4%   | 111,477   | 34.0%   | 13,039        | 1.4%           | 7,929         | 0.7%           | 20,968        | 1.0%           |
| Mobile Home (Other)      | 2,604     | 0.9%    | 2,549     | 0.8%    | 2,309     | 0.7%    | -55           | -0.2%          | -240          | -1.0%          | -295          | -0.6%          |
| <b>San Diego County</b>  |           |         |           |         |           |         |               |                |               |                |               |                |
| Total Housing Units      | 1,174,180 | 100%    | 1,309,340 | 100%    | 1,383,803 | 100%    | 135,160       | 1.1%           | 74,463        | 0.6%           | 209,623       | 0.8%           |
| Single Family            | 708,868   | 60.4%   | 753,594   | 57.6%   | 777,534   | 56.2%   | 44,726        | 0.6%           | 23,940        | 0.3%           | 68,666        | 0.5%           |
| Multi Family             | 419,519   | 35.7%   | 510,000   | 39.0%   | 560,570   | 40.5%   | 90,481        | 2.0%           | 50,570        | 0.9%           | 141,051       | 1.5%           |
| Mobile Home (Other)      | 45,793    | 3.9%    | 45,746    | 3.5%    | 45,699    | 3.3%    | -47           | 0.0%           | -47           | 0.0%           | -94           | 0.0%           |
| <b>Mission Valley</b>    |           |         |           |         |           |         |               |                |               |                |               |                |
| Total Housing Units      | 11,307    | 100%    | 16,242    | 100%    | 17,918    | 100%    | 4,935         | 3.7%           | 1,676         | 1.0%           | 6,611         | 2.3%           |
| Single Family            | 5,072     | 44.9%   | 5,072     | 31.2%   | 5,072     | 28.3%   | 0             | 0.0%           | 0             | 0.0%           | 0             | 0.0%           |
| Multi Family             | 6,235     | 55.1%   | 11,170    | 68.8%   | 12,846    | 71.7%   | 4,935         | 6.0%           | 1,676         | 1.4%           | 6,611         | 3.7%           |
| Mobile Home (Other)      | 0         | 0.0%    | 0         | 0.0%    | 0         | 0.0%    | 0             | 0.0%           | 0             | 0.0%           | 0             | 0.0%           |
| <b>Navajo</b>            |           |         |           |         |           |         |               |                |               |                |               |                |
| Total Housing Units      | 21,129    | 100%    | 21,295    | 100%    | 21,307    | 100%    | 166           | 0.1%           | 12            | 0.0%           | 178           | 0.0%           |
| Single Family            | 17,761    | 84.1%   | 17,866    | 83.9%   | 17,866    | 83.9%   | 105           | 0.1%           | 0             | 0.0%           | 105           | 0.0%           |
| Multi Family             | 2,991     | 14.2%   | 2,991     | 14.0%   | 2,991     | 14.0%   | 0             | 0.0%           | 0             | 0.0%           | 0             | 0.0%           |
| Mobile Home (Other)      | 377       | 1.8%    | 438       | 2.1%    | 450       | 2.1%    | 61            | 1.5%           | 12            | 0.3%           | 73            | 0.9%           |

Source: SANDAG; Economics Research Associates

## SDSU Master Plan

ERA examined the SDSU 2007 Master Plan to determine how the proposed expansion may affect housing demand within Subarea A. All data presented herein is based on information published in the 2007 Master Plan.

The school commissioned a student housing demand study in 2004, which is in the process of being updated, to assess existing and likely future demand of housing types, styles, and localities favored by SDSU students. The study concluded that SDSU students are sensitive to price and they primarily look to live in proximity to school or along major automobile transportation routes that provide convenient access to and from campus.

The SDSU Office of Facilities Planning and Construction projects by 2025 the university will increase its student base by 11,385, which will require hiring an additional 691 faculty and 591 support staff. The study also determined that while the faculty and staff traditionally have lived in and around the SDSU campus, they are more dispersed than the student population. For example, approximately eight percent of the faculty and seven percent of the staff live within the area immediately surrounding SDSU in comparison to 16 percent of student population (not including those living on campus).

The 2007 Master Plan specifically quantifies estimated demand for student related housing units. As shown in Figure 18, by 2025 there is projected demand for an additional 11,919 units. Figure 19 presents a map that identifies candidate locations that could absorb the projected growth. Subarea A

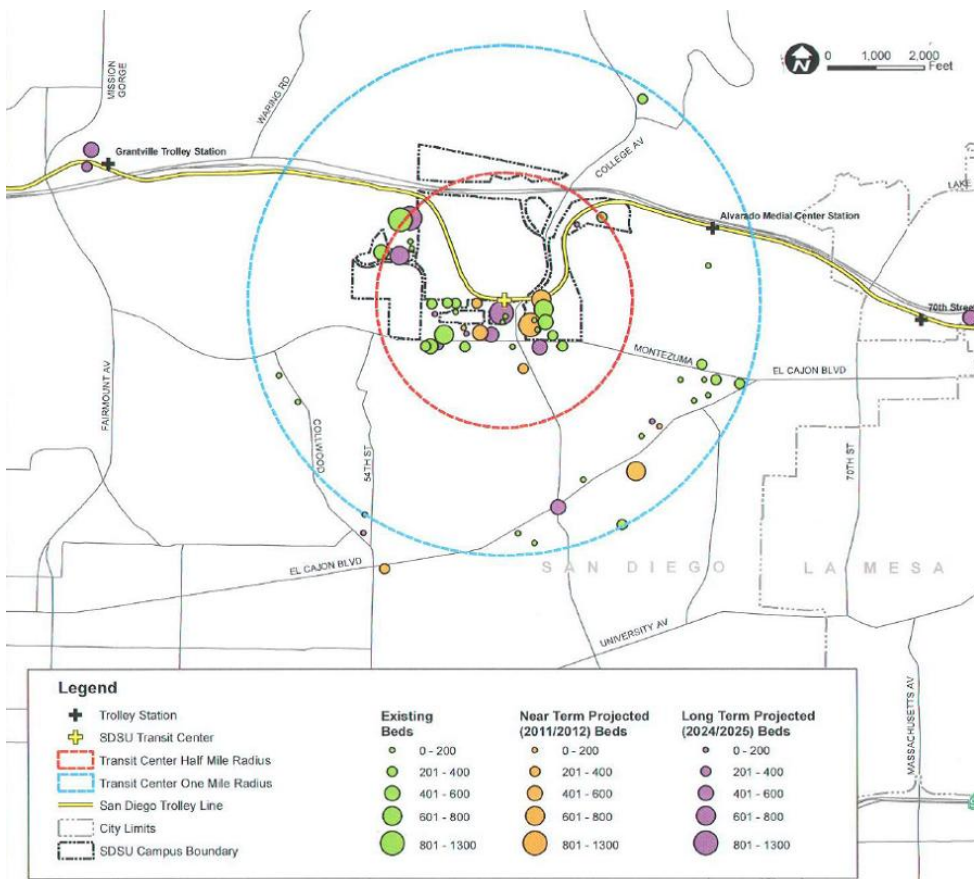
will be a potential site location because of its proximity to the Trolley and its potential to align with existing and anticipated student housing preferences.

**Figure 18: Existing and Projected SDSU Student Housing Units**

|                                 | 2007- 2008    | 2010 - 2011   | 2024 - 2025   | Abs. Increase |
|---------------------------------|---------------|---------------|---------------|---------------|
| On Campus                       | 3,222         | 5,198         | 6,198         | 2,976         |
| Off Campus                      |               |               |               |               |
| SDSU Managed                    | 1,720         | 1,935         | 3,585         | 1,865         |
| Private (0.0 - 0.5 Miles)       | 3,707         | 4,681         | 6,907         | 3,200         |
| Private (0.5 - 1.0 Miles)       | 1,983         | 3,111         | 3,961         | 1,978         |
| Trolley Adjacent (SDSU/Private) | 0             | 0             | 1,900         | 1,900         |
| <b>Total</b>                    | <b>10,632</b> | <b>14,925</b> | <b>22,551</b> | <b>11,919</b> |

Source: SDSU

**Figure 19: Map of Existing and Projected SDSU Student Housing Units**



Source: SDSU

## Regional Economy and Employment Trends

Over the past eight years, the San Diego regional economy added nearly 109,000 jobs, an increase of about 10 percent. According to the California Employment Development Department (EDD), the County currently has over 1.3 million jobs. As shown in Figure 20, the greatest growth since 2000 was in the services sector, with nearly 80,000 new jobs generated in the fields of information technology, professional and business services, education and health services, leisure and hospitality services, and other services. Many of these industries fall under the County's regional clusters.

In theory, these “traded clusters” are complementary, competing, and interdependent industries that drive wealth creation in a region through the export of goods and services. In addition to exporting, companies in the traded clusters exhibit two other distinct characteristics: strong business transaction relationships and close geographic proximity. In traded clusters, transactions between cluster firms are stronger than their transactions with the rest of the economy. Also, by locating within close proximity to each other, businesses are able to acquire information, communicate, and share business inputs in such a way as to add to a collective and competitive advantage that might not be achieved otherwise. In essence, the concentration of businesses within a set geography helps create a synergy between cluster firms.

Traded clusters are thought to be conducive for new business creation for two main reasons. First, because traded cluster firms require goods and services from local businesses in order to meet the demand for their exports, they act as a driver of the local economy. Second, as they mature in their business cycle, cluster firms create demand for new types of products and services, some of which are not supplied by existing firms. As a result, business clusters can generate demand for the creation of new firms in the local economy. In the San Diego region, 16 industries have been identified by SANDAG as key industries that help drive the economy and fall within the traded cluster definition.

In contrast to these growth industries, the manufacturing sector lost the greatest volume of jobs, with nearly 21,000 less jobs in 2008 than in 2000. The construction sector expanded rapidly, peaked in 2006 and is currently on the decline due to the onset of the national housing slowdown. The regional economy continues to transition into a service and knowledge based economy with the government and manufacturing sectors declining in relative importance.

In 2000, the 777,600 employees in the City accounted for over 55 percent of County's total jobs. Over the 2010 to 2030 period, SANDAG projects that the County will add approximately 340,000 jobs and 130,000 (or 38 percent) of those will be located in the City (Figure 21). It should be noted that unlike long-term population forecasting, which is more reliable because there is a deterministic

element to the process (e.g., forecasters can predict with a high level of certainty how many people may be born or will die during the next 20-years), long-term employment projections are more unreliable because of the uncertainty involved in accurately predicting future economic trends. Most long-term economic forecasts simply assume that near-term growth rates will continue at a set rate into the future. However, widespread changes in technology, politics, and foreign markets, for example, may have a profound impact on the local, state and national economy. ERA has utilized data from SANDAG to estimate future in-place<sup>3</sup> trends in the County.

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<sup>3</sup> As opposed to Census data that presents employment by place of residence.

**Figure 20: San Diego County Employment Growth, by Industry**

| Employment Category                     | 1990    | 1995    | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | 2008      | 1990 - 2008   |                | 2000 - 2008   |                |
|---|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|----------------|---------------|----------------|
|   |         |         |           |           |           |           |           |           |           |           |           | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth |
| Total, All Industries                   | 977,400 | 989,300 | 1,205,200 | 1,229,800 | 1,241,700 | 1,251,300 | 1,271,500 | 1,292,800 | 1,312,500 | 1,319,000 | 1,313,900 | 336,500       | 1.7%           | 108,700       | 1.1%           |
| Annual Change                           |         | 23,500  | 41,200    | 24,600    | 11,900    | 9,600     | 20,200    | 21,300    | 19,700    | 6,500     | -5,100    |               |                |               |                |
| Annual Percentage Change                |         | 2.4%    | 3.5%      | 2.0%      | 1.0%      | 0.8%      | 1.6%      | 1.7%      | 1.5%      | 0.5%      | -0.4%     |               |                |               |                |
| Total Farm                              | 10,800  | 10,800  | 11,400    | 11,400    | 11,000    | 11,200    | 11,100    | 10,700    | 10,900    | 10,800    | 10,900    | 100           | 0.1%           | -500          | -0.6%          |
| Total Nonfarm                           | 966,600 | 978,500 | 1,193,800 | 1,218,400 | 1,230,700 | 1,240,100 | 1,260,300 | 1,282,100 | 1,301,600 | 1,308,200 | 1,303,000 | 336,400       | 1.7%           | 109,200       | 1.1%           |
| Natural Resources & Mining              | 600     | 300     | 300       | 300       | 300       | 300       | 400       | 400       | 500       | 400       | 400       | -200          | -2.2%          | 100           | 3.7%           |
| Construction                            | 60,200  | 44,500  | 69,700    | 75,100    | 76,400    | 80,200    | 87,700    | 90,800    | 92,700    | 87,200    | 80,200    | 20,000        | 1.6%           | 10,500        | 1.8%           |
| Manufacturing                           | 123,500 | 106,800 | 122,600   | 119,000   | 112,300   | 105,300   | 104,300   | 104,500   | 103,900   | 102,100   | 101,700   | -21,800       | -1.1%          | -20,900       | -2.3%          |
| Transportation, Warehousing & Utilities | 24,100  | 26,900  | 29,800    | 32,000    | 29,300    | 27,300    | 28,400    | 28,400    | 28,700    | 28,800    | 29,100    | 5,000         | 1.1%           | -700          | -0.3%          |
| Wholesale Trade                         | 32,200  | 33,400  | 39,100    | 41,500    | 41,300    | 41,600    | 41,900    | 43,600    | 45,100    | 45,500    | 45,900    | 13,700        | 2.0%           | 6,800         | 2.0%           |
| Retail Trade                            | 115,200 | 115,500 | 133,800   | 135,600   | 138,000   | 140,800   | 144,900   | 147,400   | 148,300   | 148,700   | 145,600   | 30,400        | 1.3%           | 11,800        | 1.1%           |
| Financial Activities                    | 65,300  | 57,300  | 71,200    | 72,000    | 75,000    | 79,900    | 81,900    | 83,200    | 83,700    | 80,400    | 76,000    | 10,700        | 0.8%           | 4,800         | 0.8%           |
| All Services                            |         |         |           |           |           |           |           |           |           |           |           |               |                |               |                |
| Information                             | 21,700  | 26,100  | 39,200    | 38,800    | 37,700    | 36,900    | 36,600    | 37,400    | 37,300    | 38,000    | 38,400    | 16,700        | 3.2%           | -800          | -0.3%          |
| Professional & Business Services        | 124,100 | 135,200 | 195,200   | 198,200   | 201,700   | 201,200   | 204,500   | 210,400   | 213,600   | 216,500   | 217,600   | 93,500        | 3.2%           | 22,400        | 1.4%           |
| Educational & Health Services           | 84,100  | 97,500  | 115,300   | 116,000   | 119,700   | 121,800   | 121,700   | 122,500   | 125,100   | 128,800   | 131,400   | 47,300        | 2.5%           | 16,100        | 1.6%           |
| Leisure & Hospitality                   | 104,300 | 113,300 | 129,000   | 131,400   | 133,800   | 140,700   | 145,700   | 149,600   | 156,500   | 160,900   | 164,400   | 60,100        | 2.6%           | 35,400        | 3.1%           |
| Other Services                          | 33,800  | 35,600  | 42,200    | 44,900    | 45,600    | 46,800    | 47,900    | 48,800    | 48,400    | 48,800    | 49,000    | 15,200        | 2.1%           | 6,800         | 1.9%           |
| Government                              | 177,400 | 186,100 | 206,600   | 213,800   | 219,700   | 217,300   | 214,300   | 215,100   | 217,900   | 222,100   | 223,400   | 46,000        | 1.3%           | 16,800        | 1.0%           |

Note: All Services includes the Information, Professional and Business Services, Educational & Health Services, Leisure & Hospitality, and Other Services categories.

Source: State of California Department of Employment Development; Economics Research Associates

**Figure 21: San Diego County Historic & Projected Employment Trends, by City, 2000 - 2030**

| Region            | 2000      | 2004      | 2010      | 2020      | 2030      | 2010 - 2020   |                | 2020 - 2030   |                | 2010 - 2030   |                |
|-------------------|-----------|-----------|-----------|-----------|-----------|---------------|----------------|---------------|----------------|---------------|----------------|
|                   |           |           |           |           |           | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth |
| San Diego County  | 1,384,676 | 1,449,349 | 1,573,742 | 1,741,033 | 1,913,682 | 167,291       | 1.0%           | 172,649       | 0.9%           | 339,940       | 1.0%           |
| North City Region | 527,304   | 559,233   | 602,181   | 652,116   | 678,975   | 49,935        | 0.8%           | 26,859        | 0.4%           | 76,794        | 0.6%           |
| City of San Diego | 777,600   | 812,028   | 880,326   | 956,165   | 1,010,157 | 75,839        | 0.8%           | 53,992        | 0.6%           | 129,831       | 0.7%           |
| National City     | 24,763    | 27,755    | 28,214    | 28,956    | 30,418    | 742           | 0.3%           | 1,462         | 0.5%           | 2,204         | 0.4%           |
| Lemon Grove       | 8,582     | 7,735     | 7,994     | 8,520     | 8,966     | 526           | 0.6%           | 446           | 0.5%           | 972           | 0.6%           |
| La Mesa           | 25,424    | 31,633    | 32,097    | 32,952    | 34,444    | 855           | 0.3%           | 1,492         | 0.4%           | 2,347         | 0.4%           |
| Santee            | 16,088    | 16,074    | 17,599    | 19,361    | 22,851    | 1,762         | 1.0%           | 3,490         | 1.7%           | 5,252         | 1.3%           |
| El Cajon          | 41,341    | 46,139    | 47,710    | 50,150    | 52,713    | 2,440         | 0.5%           | 2,563         | 0.5%           | 5,003         | 0.5%           |

Note: Includes both Civilian and Military Employment

Source: SANDAG; Economics Research Associates

### Employment Trends, by Community Plan Area

In 2000, the Mission Valley Community Plan Area had over 52,000 jobs (6.7 percent of the City’s employment), compared to 19,000 in Navajo (2.5 percent of City’s total). SANDAG projects the City to increase employment by over 230,000 jobs by 2030. The community plan areas mentioned above are expected to maintain their respective shares of the City’s employment. The Mission Valley Community Plan Area is projected to see the greatest growth in employment, making up about 8.5 percent of the City’s total employment by 2030.

**Figure 22: City of San Diego Historic & Projected Employment Trends, by Community Plan Area**

| Region                              | 2000    | 2004    | 2010    | 2020    | 2030      | 2010 - 2020   |                | 2020 - 2030   |                | 2010 - 2030   |                |
|-------------------------------------|---------|---------|---------|---------|-----------|---------------|----------------|---------------|----------------|---------------|----------------|
|                                     |         |         |         |         |           | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth | Abs. Increase | Rate of Growth |
| <u>Community Plan Area</u>          |         |         |         |         |           |               |                |               |                |               |                |
| Mission Valley                      | 52,449  | 53,281  | 58,978  | 64,902  | 66,472    | 5,924         | 1.0%           | 1,570         | 0.2%           | 7,494         | 0.6%           |
| Navajo                              | 19,204  | 21,733  | 22,059  | 23,166  | 26,442    | 1,107         | 0.5%           | 3,276         | 1.3%           | 4,383         | 0.9%           |
| City of San Diego                   | 777,600 | 812,028 | 880,326 | 956,165 | 1,010,157 | 75,839        | 0.8%           | 53,992        | 0.6%           | 129,831       | 0.7%           |
| <u>Percent of City of San Diego</u> |         |         |         |         |           |               |                |               |                |               |                |
| Mission Valley                      | 6.7%    | 6.9%    | 7.6%    | 8.3%    | 8.5%      | 0.8%          |                | 0.2%          |                | 1.0%          |                |
| Navajo                              | 2.5%    | 2.8%    | 2.8%    | 3.0%    | 3.4%      | 0.1%          |                | 0.4%          |                | 0.6%          |                |

Note: Includes both Civilian and Military employment  
 Source: SANDAG; Economics Research Associates

### Employment with Subarea A

Using a secondary data source, infoUSA, ERA utilized the subarea’s boundaries to determine a contemporary estimate of the number of firms and employees by sector. As presented in Figure 23, infoUSA estimates that there are 773 firms in the subarea with just under 7,900 employees. This estimate is likely less than the actual number of firms and employees in Subarea A because of undercounting that routinely occurs. However, it does provide us a better understanding of the existing business composition within the boundaries of Subarea A.

**Figure 23: 2008 Employment in Subarea A**

| Industry  | NAICS | Firms      |                  | Jobs         |                  | Average Jobs per Firm |
|---|-------|------------|------------------|--------------|------------------|-----------------------|
|   |       | Number     | Percent of Total | Number       | Percent of Total |                       |
| Agriculture, Forestry, Fishing and Hunting            | 11    | 0          | 0%               | 0            | 0%               | 0                     |
| Mining  | 21    | 0          | 0%               | 0            | 0%               | 0                     |
| Utilities   | 22    | 0          | 0%               | 0            | 0%               | 0                     |
| Construction  | 23    | 59         | 8%               | 579          | 7%               | 10                    |
| Manufacturing   | 31-33 | 49         | 6%               | 388          | 5%               | 8                     |
| Wholesale Trade                                       | 42    | 50         | 6%               | 356          | 5%               | 7                     |
| Retail Trade  | 44-45 | 115        | 15%              | 1,304        | 17%              | 11                    |
| Transportation and Warehousing                        | 48-49 | 11         | 1%               | 159          | 2%               | 14                    |
| Information   | 51    | 17         | 2%               | 50           | 1%               | 3                     |
| Finance and Insurance                                 | 52    | 50         | 6%               | 173          | 2%               | 3                     |
| Real Estate and Rental and Leasing                    | 53    | 23         | 3%               | 201          | 3%               | 9                     |
| Professional, Scientific, and Technical Services      | 54    | 69         | 9%               | 348          | 4%               | 5                     |
| Management of Companies and Enterprises               | 55    | 0          | 0%               | 0            | 0%               | 0                     |
| Administrative and Support and Waste Management and R | 56    | 43         | 6%               | 1,141        | 14%              | 27                    |
| Educational Services                                  | 61    | 14         | 2%               | 120          | 2%               | 9                     |
| Health Care and Social Assistance                     | 62    | 57         | 7%               | 1,139        | 14%              | 20                    |
| Arts, Entertainment, and Recreation                   | 71    | 10         | 1%               | 56           | 1%               | 6                     |
| Accommodation and Food Services                       | 72    | 61         | 8%               | 903          | 11%              | 15                    |
| Other Services (except Public Administration)         | 81    | 136        | 18%              | 714          | 9%               | 5                     |
| Public Administration                                 | 92    | 3          | 0%               | 249          | 3%               | 83                    |
| Unclassified  | 99    | 6          | 1%               | 6            | 0%               | 1                     |
| <b>Total</b>  |       | <b>773</b> | <b>100%</b>      | <b>7,886</b> | <b>100%</b>      | <b>10</b>             |

Source: infoUSA; Economics Research Associates

Using the North American Industry Classification System (NAICS) two-digit industry classifications, retail and other services represented the largest number of firms in Subarea A (together representing approximately a third of all firms). In terms of employment, the retail trade, administration and support and waste management and remediation services, health care and social assistance, and accommodation and food services have the highest number of employees (together representing 57 percent of the total employment). With the exception of public administration, the data illustrates that there is a diverse group of industries with a relatively low number of average employees. This suggests there are a number of small businesses that typically are oriented to a local or specialized market area.

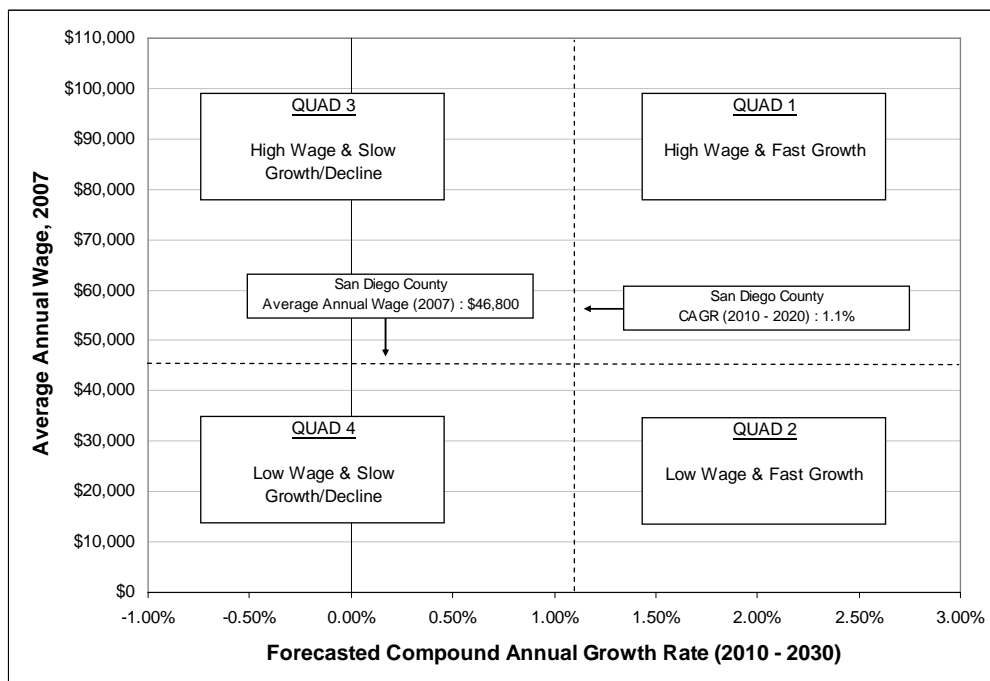
### Industry Sector Analysis

In order to better understand the future composition of jobs in the County, ERA examined the long term employment projections published by SANDAG. The projections estimate employment growth by industry in the County from 2010 to 2030. The data was taken and analyzed adding a couple additional layers of information. First, ERA separated those industries that are projected to grow at a rate faster or slower than the forecast. Second, the 2007 average income levels of the respective



industries were analyzed and separated based on whether the average annual income level was above or below the countywide average. Based on this process, the following quadrant analysis was established to examine each industry based on four sets of criteria. As presented in Figure 24, Quadrant 1 represents those industries that are projected to grow at a rate faster than the County and also have wage levels above the County average. Quadrant 2 represents lower paid jobs with high growth. Quadrant 3 represents high wage industries with slow growth rates and Quadrant 4 represents low wage and slow growth industries.

**Figure 24: Quadrant Analysis Overview**

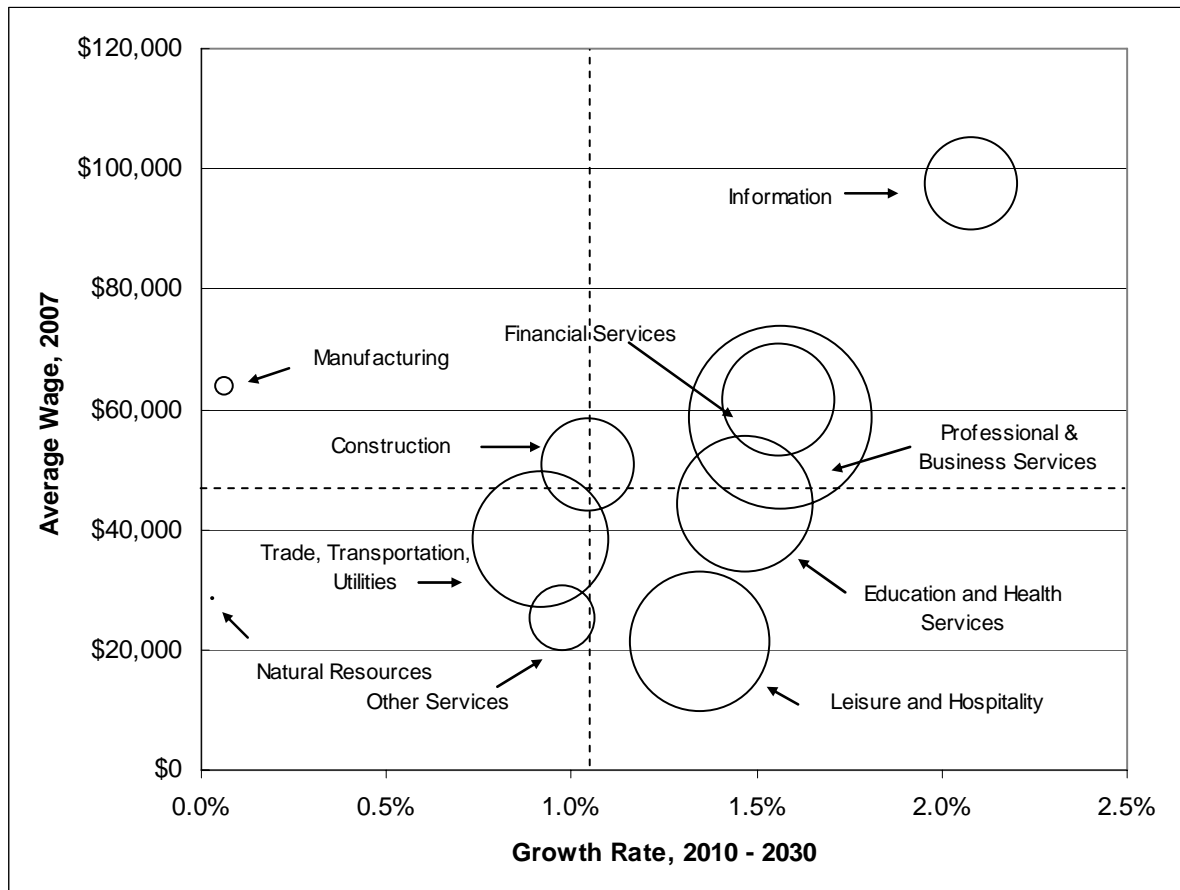


Source: SANDAG; EDD; Economics Research Associates

Based on this analysis presented in Figure 25, professional and business services, information, and financial services are the most likely high value employment targets in the long term (Quadrant 1). These industries are considered high value due their growth potential and income qualifications. In contrast, the lowest value industries in the region include other services, natural resources, and trade, transportation, and utilities, all in the fourth quadrant. These industries are considered low value due to the existing employee incomes and potential growth being lower than the County. The manufacturing and construction industries all fall within the third quadrant. As such, these industries would be considered “old economy” with higher than average incomes, but projected growth levels below the overall County level. While these industries are of value due to their average annual wage,

they could potentially experience employment contraction in the long-term. Similar mixed results occur when analyzing firms in Quadrant 2. While these industries are expected to grow, they are likely to produce lower wages for workers (education and health services and leisure and hospitality).

**Figure 25: Quadrant Analysis for San Diego County**

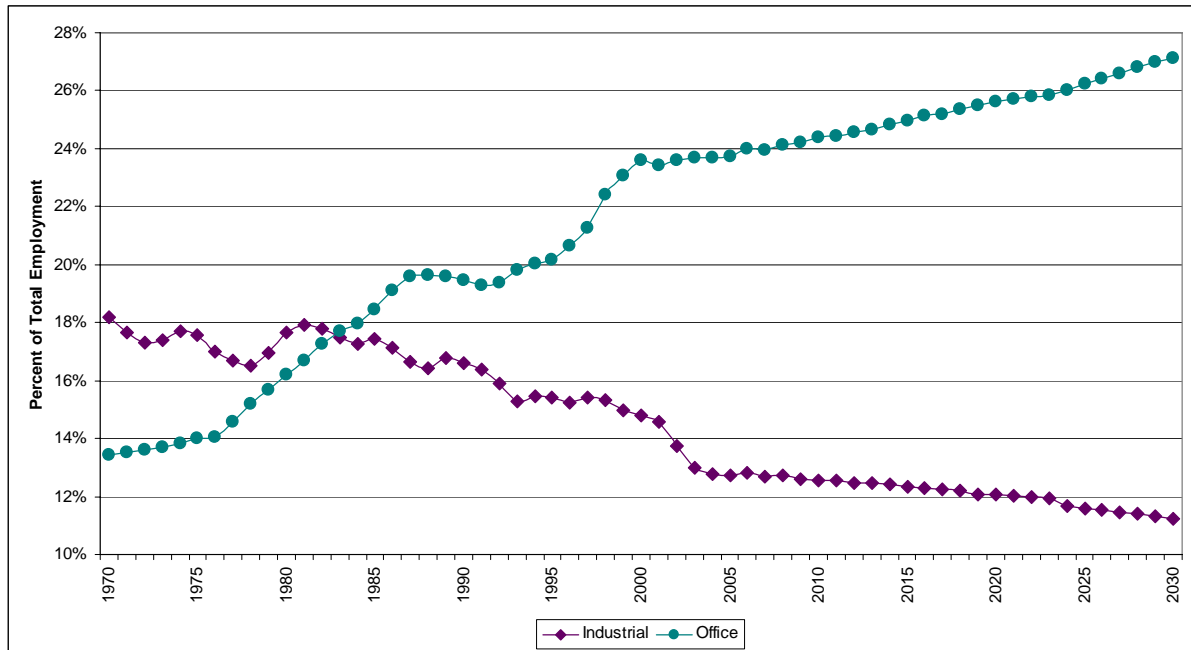


Source: SANDAG; EDD; Economics Research Associates

The type of new job potential in Subarea A and their land use requirements will be of importance when conducting long-term planning. The composition of jobs and their effect on future commercial real estate demand will be a result of each industries need for industries' demand for either office, industrial or flex industrial space. In general, industries within the information, professional and business services, and financial service sectors make up the majority of businesses that lease office space. Commercial industrial space users tend to include businesses within the manufacturing, construction, trade, transportation, and utilities sectors. Flex users are harder to generalize but tend to come for industries more closely aligned with higher intensity office uses. Examining historic and predicted growth trends by these general categories illustrates the projected increased demand for

office space and the declining demand for industrial space. In total, SANDAG predicts that approximately 28 percent of all jobs will be in industries that require office space while only 12 percent of new jobs will be in industries that require traditional industrial space (see Figure 26).<sup>4</sup>

**Figure 26: Historic and Projected Office and Industrial Employment Growth**



Source: SANDAG; Economics Research Associates

ERA also examined the existing shares of the firms and employment within Subarea A in relation to the County within the framework of the quadrant analysis. Almost a quarter of the subarea’s industry is located in Quadrant 1 (high wage and fast growth). Quadrant 2 has the lowest representation, with a relatively small share of high paying jobs but susceptible to contraction. There is a significant share of employment and firms in Quadrant 3. This is positive due to the fact the number of jobs are projected to increase at a rate faster than the County. Yet, while these industries are projected to grow they consist of relatively low paying jobs that could create long term sustainability issues. The remaining and largest share of jobs is located in the low wage slow growth Quadrant 4. This may create future problems as these types of jobs become increasingly less sustainable in the future.

Section V explores these issues in terms of historic real estate trends in detail.

<sup>4</sup> Actual percent of new office jobs is much higher than 28 percent and much lower than 12 percent.

**Figure 27: Subarea A Quadrant Analysis**

|                                      | Percent of Firms | Percent of Employment |
|--------------------------------------|------------------|-----------------------|
| <b>Quad 1</b>                        |                  |                       |
| Information                          | 2%               | 1%                    |
| Financial Activities                 | 6%               | 2%                    |
| Professional and Business Services   | <u>17%</u>       | <u>21%</u>            |
|                                      | 26%              | 24%                   |
| <b>Quad 2</b>                        |                  |                       |
| Construction                         | 8%               | 7%                    |
| Manufacturing                        | <u>6%</u>        | <u>5%</u>             |
|                                      | 14%              | 12%                   |
| <b>Quad 3</b>                        |                  |                       |
| Education and Health Services        | 9%               | 16%                   |
| Leisure and Hospitality              | <u>9%</u>        | <u>12%</u>            |
|                                      | 18%              | 28%                   |
| <b>Quad 4</b>                        |                  |                       |
| Natural Resources and Mining         | 0%               | 0%                    |
| Trade, Transportation, and Utilities | 23%              | 23%                   |
| Other Services                       | <u>19%</u>       | <u>12%</u>            |
|                                      | 42%              | 35%                   |

Source: SANDAG; Economics Research Associates

## V. Real Estate Market Overview

### Office Market Trends

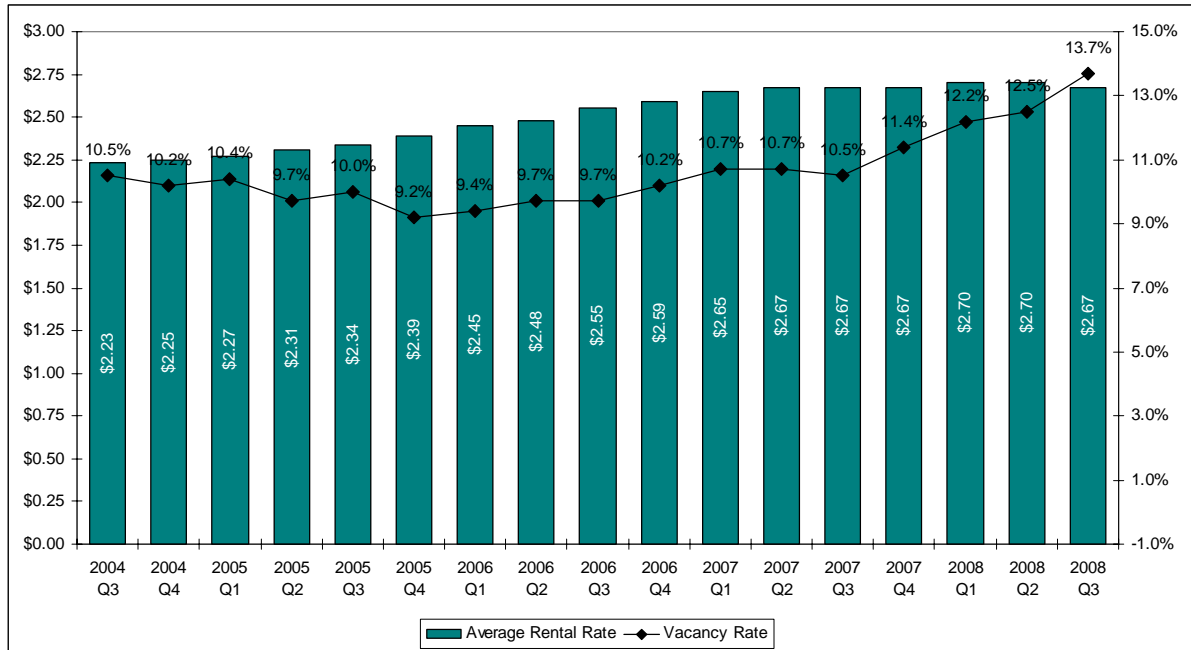
Market potentials for office-related development in Subarea A will be a function of the particular attributes of the site and immediately surrounding land uses, the characteristics and economy of the surrounding community, and of the regional office market. Although the regional market is comprised of many submarkets, each with a distinct tenant profile, office space has a high level of substitutability, such that the potentials in any given submarket are largely determined by the overall strength of the Southern California and County office market. Thus, development activity, absorption<sup>5</sup>, vacancy rates, and change in rental rates follow similar patterns in all of the Southern California counties.

Until recently, strong job growth in San Diego has helped drive demand for office product within the region. While the average monthly average full-service asking rent increased steadily from 2004 to 2006, over the last seven quarters there has been relatively little growth in overall asking rental rates. In previous years, as vacancy rates have declined there has been upward pressure on rents. However, average asking rental rates have held steady even with the dramatic increase in vacancies over the last year (see Figure 28).

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<sup>5</sup> Absorption refers to the change in physically occupied space during a given time period. Net absorption can be positive or negative. For example, when a tenant moves into a new location (positive absorption) and vacates its former space (negative absorption) the net change is measured.

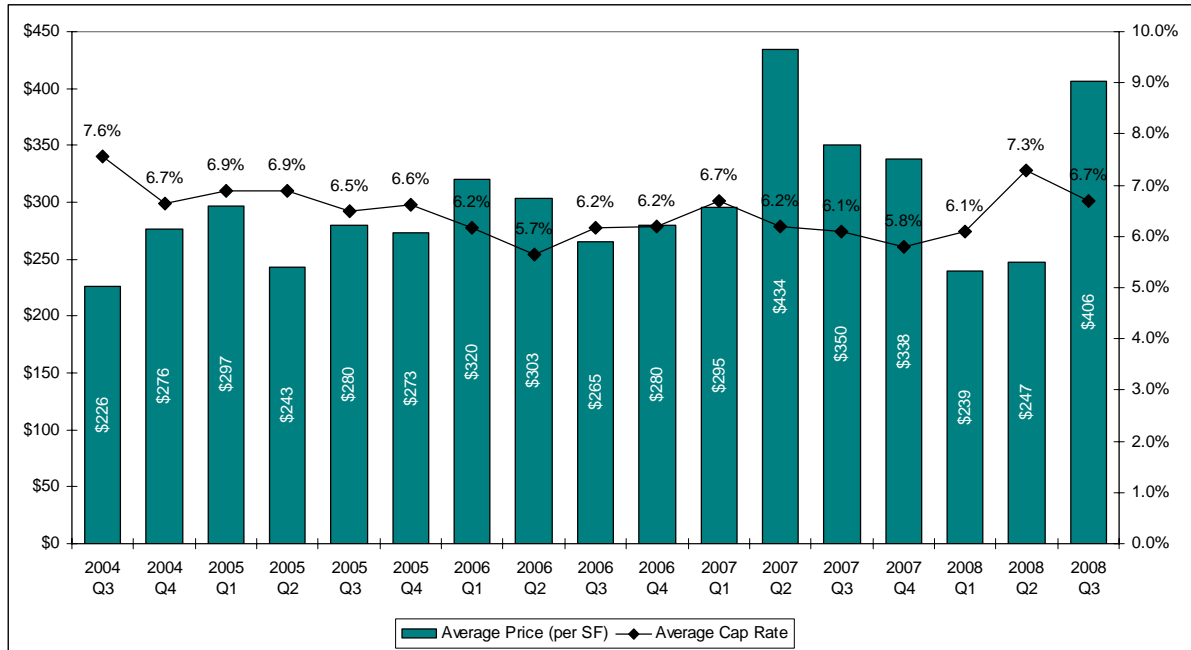
**Figure 28: San Diego County Contemporary Office Trends**



Source: CoStar; Economics Research Associates

Although office rents over the last 10 years have not kept pace with the rate of increase in construction costs and land costs, this has been largely offset by the steady decline in capitalization rates (required investment yields also known as cap rates). As capitalization rates decline, office development becomes more feasible. This has been the continuation of a long-term trend extending over the past two decades. In 2002, for example, typical capitalization rates for office buildings were in excess of 8 percent. However, over the last five years the capitalization rates (building net operating income divided by selling price) have generally ranged from around 6 percent to 7 percent (Figure 29). During the last year, cap rates have raised reflecting employment weakness and instability in the current recessionary environment. Figure 29, along with others presented in future sections of the report, helps establish the contemporary market conditions, as well as illustrate the relative value of each of the different commercial land uses under consideration in Subarea A.

**Figure 29: San Diego County Market Sales Price and Capitalization Rates for Office Properties**



Source: CoStar; Economics Research Associates

The following sections examine each of the office submarkets in terms of historic inventory, occupancy, net absorption, vacancy rates and average asking rental rates by year since 1999.

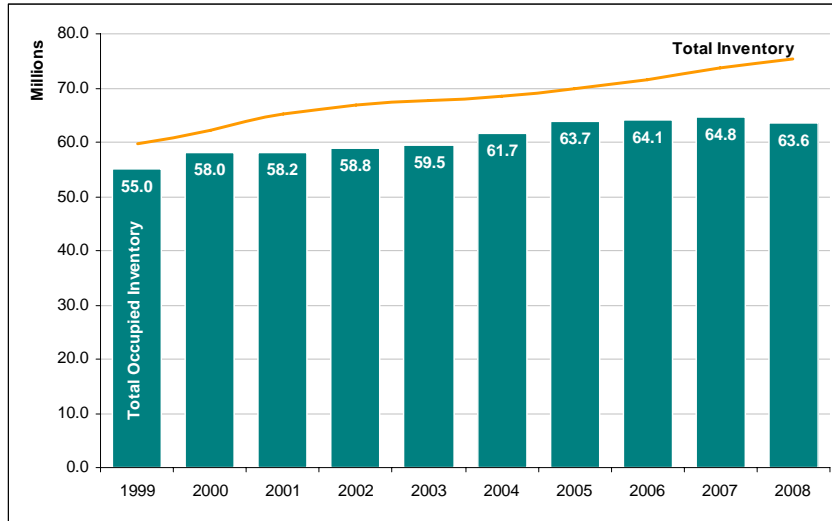
**City of San Diego Office Market**

After a few years of slow office space growth following the 2001 recession, the City recently experienced a jump in total occupied inventory in 2005 and experienced moderate growth since (see Figure 30). As presented in

Figure 31, the total occupied office inventory in the City averaged around 58.8 million square feet between 2001 and 2003. However, from 2004 to 2007 the City absorbed over 5.4 million square feet of office space, and the total occupied inventory reached 63.6 million by 2007. In 2008, the City experienced a decrease of total occupied inventory (63.6 million square feet). Over the past nine years, citywide office absorption has averaged approximately 1.1 million square feet per year.

With this demand growth, average rental rates have grown from \$21.75 per square foot per year in 1999 to \$31.63 per square foot per year by 2008. Average rental rates slightly declined from 2007, about \$32.25 per square foot, to 2008.

**Figure 30: City of San Diego Occupied Office Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 31: City of San Diego Office Market Summary, 1999-2008**

|      | Total Occupied  |            | Vacancy Rate | Rental Rate |             |
|------|-----------------|------------|--------------|-------------|-------------|
|      | Total Inventory | Inventory  |              |             |             |
| 1999 | 59,708,902      | 55,023,136 | 1,044,901    | 7.8%        | \$21.75 /fs |
| 2000 | 62,120,232      | 58,003,044 | 2,979,908    | 6.6%        | \$24.22 /fs |
| 2001 | 65,083,494      | 58,217,761 | 214,717      | 10.5%       | \$26.18 /fs |
| 2002 | 66,848,469      | 58,793,897 | 576,136      | 12.0%       | \$26.53 /fs |
| 2003 | 67,573,649      | 59,511,562 | 717,697      | 11.9%       | \$25.87 /fs |
| 2004 | 68,460,544      | 61,709,389 | 2,197,827    | 9.9%        | \$26.98 /fs |
| 2005 | 69,775,727      | 63,707,186 | 1,997,797    | 8.7%        | \$28.71 /fs |
| 2006 | 71,529,654      | 64,087,285 | 508,149      | 10.4%       | \$30.74 /fs |
| 2007 | 73,665,861      | 64,763,165 | 675,879      | 12.1%       | \$32.25 /fs |
| 2008 | 75,459,857      | 63,585,496 | -1,177,669   | 15.7%       | \$31.63 /fs |

**Avg. Annual Absorption** **1,081,705**

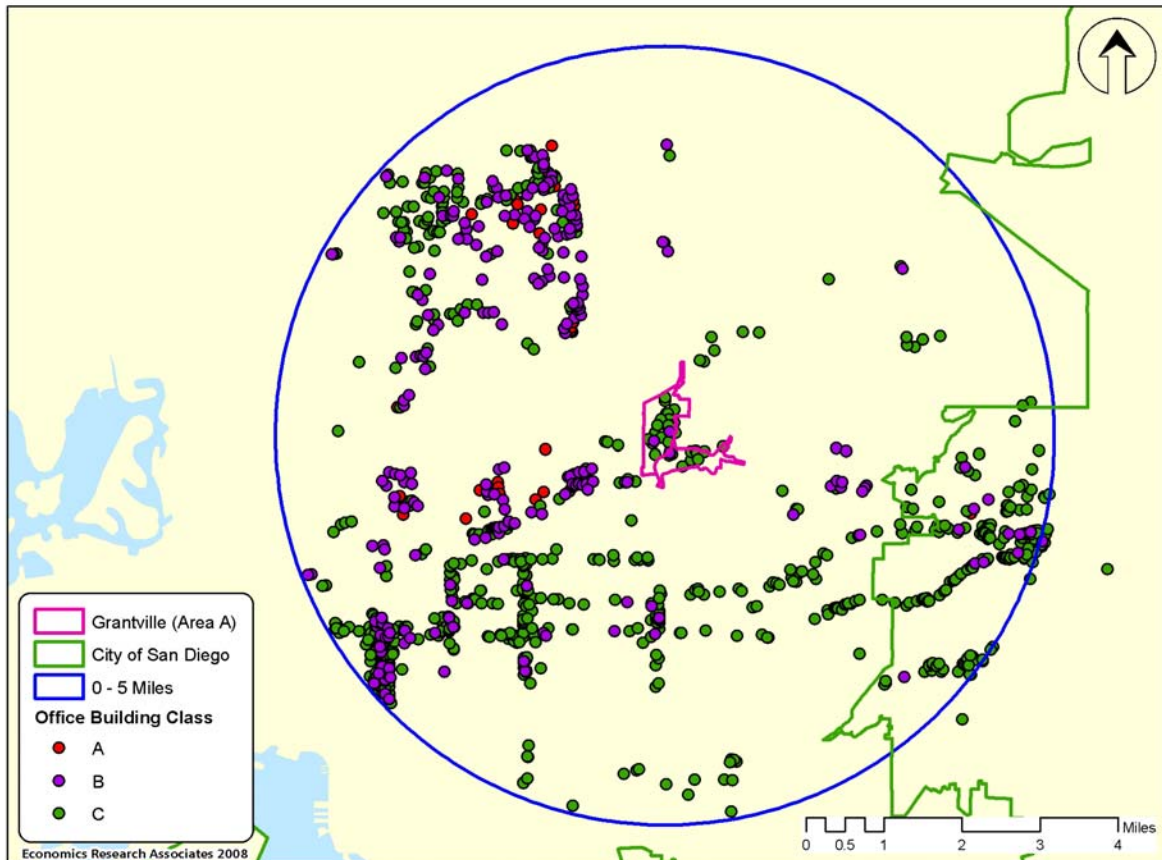
Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

The location of existing office space within the local market is provided for illustrative purposes to reflect current clustering of existing development. As presented below in Figure 32, the immediately surrounding area is primarily occupied with Class B and C office product. There is a limited number of Class A space located to the West in Mission Valley. Subarea A reflects the local area with



primarily Class C and limited Class B office space. The specific attributes of each area of analysis is presented in more detail below.

**Figure 32: Map of Local Office Market Area**



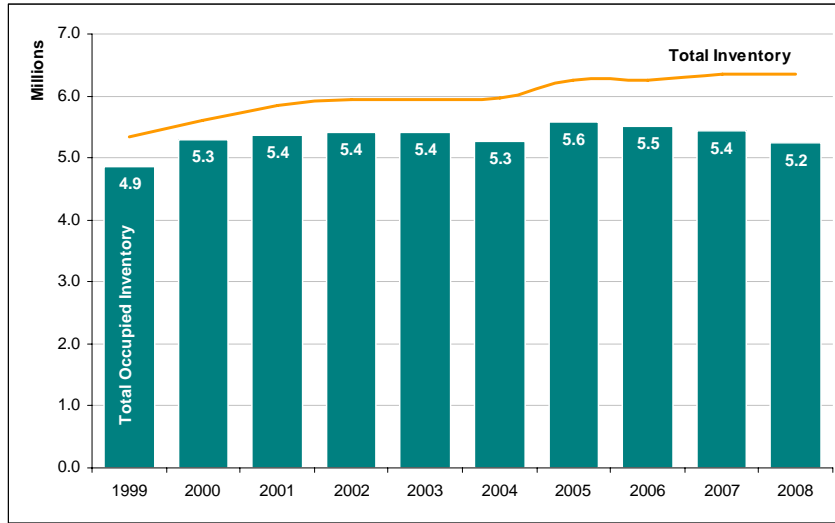
Source: CoStar; Economics Research Associates

## Community Plan Area Office Space

### *Mission Valley Community Plan Area Office Space*

The Mission Valley Community Plan Area currently has about 6.3 million square feet of office space. As shown in Figure 33, the amount of occupied office space has been declining since 2005, after having experienced a sudden increase in 2004. The community plan area experienced an increase in available office space during this same period (2005-2008), and it has not been fully absorbed. Vacancy rates have held between 9 to 12 percent during the seven year period of 1999 to 2006, but have sharply increased in 2008, reaching about 14 percent. Average rental rates have steadily increased since 1999. In 1999, average rental rates were about \$20 per square foot; in 2008, the average rental rate was about \$29.50 per square foot.

**Figure 33: Mission Valley Community Plan Area Occupied Office Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 34: Mission Valley Community Plan Area Office Market Summary, 1999-2008**

|      | Total Occupied  |           |                |              |             |
|------|-----------------|-----------|----------------|--------------|-------------|
|      | Total Inventory | Inventory | Net Absorption | Vacancy Rate | Rental Rate |
| 1999 | 5,349,879       | 4,868,312 | -100,182       | 9.0%         | \$20.39 /fs |
| 2000 | 5,614,879       | 5,284,796 | 416,484        | 5.9%         | \$25.67 /fs |
| 2001 | 5,838,823       | 5,364,549 | 79,753         | 8.1%         | \$26.26 /fs |
| 2002 | 5,944,544       | 5,423,066 | 58,517         | 8.8%         | \$26.90 /fs |
| 2003 | 5,944,544       | 5,420,898 | -2,168         | 8.8%         | \$27.00 /fs |
| 2004 | 5,973,555       | 5,272,283 | -148,615       | 11.7%        | \$27.77 /fs |
| 2005 | 6,256,908       | 5,569,563 | 297,280        | 11.0%        | \$28.16 /fs |
| 2006 | 6,256,908       | 5,515,207 | -54,356        | 11.9%        | \$28.21 /fs |
| 2007 | 6,345,703       | 5,448,074 | -67,133        | 14.1%        | \$31.13 /fs |
| 2008 | 6,345,703       | 5,245,758 | -202,316       | 17.3%        | \$29.48 /fs |

**Avg. Annual Absorption** **30,807**

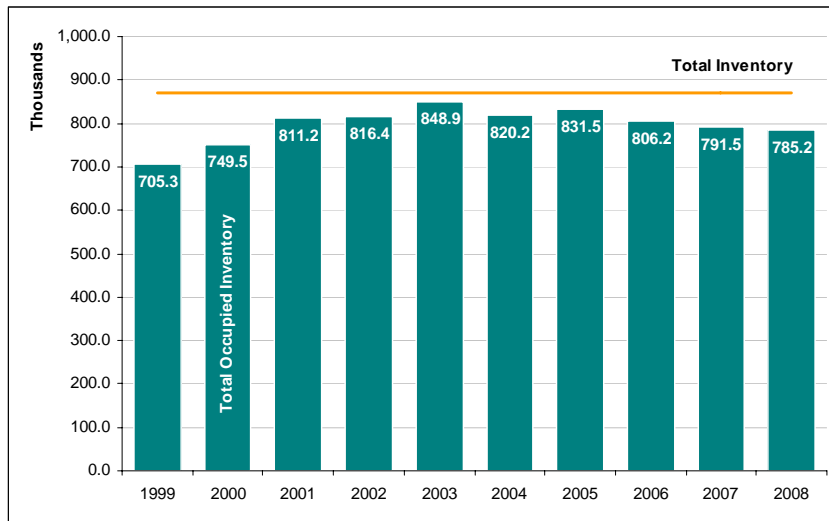
Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Navajo Community Plan Area Office Space**

The Navajo Community Plan Area currently has about 870,000 square feet of office. As shown in Figure 35, the area has not built any new office space since 1999. The amount of occupied office space peaked in 2003, with total occupied office space reaching about 849,000 square feet. Since 2003, the amount of occupied office space has been steadily decreasing, reaching the present amount, about 785,000 square feet. Average rental rates have steadily increased since 1999. In

1999, average rental rates were about \$16 per square foot; in 2008, the average rental rate was about \$17.50 per square foot. After averaging about \$18 per square foot from 2003 to 2005, the average rental rate suddenly dropped to about \$16.20 per square foot.

**Figure 35: Navajo Community Plan Area Occupied Office Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 36: Navajo Community Plan Area Office Space Market, 1999-2008**

|                               | Total Inventory | Total Occupied Inventory | Net Absorption | Vacancy Rate | Rental Rate |
|-------------------------------|-----------------|--------------------------|----------------|--------------|-------------|
| 1999                          | 871,155         | 705,325                  | -12,963        | 19.0%        | \$15.99 /fs |
| 2000                          | 871,155         | 749,458                  | 44,133         | 14.0%        | \$17.16 /fs |
| 2001                          | 871,155         | 811,207                  | 61,749         | 6.9%         | \$15.95 /fs |
| 2002                          | 871,155         | 816,367                  | 5,160          | 6.3%         | \$17.22 /fs |
| 2003                          | 871,155         | 848,935                  | 32,568         | 2.6%         | \$18.26 /fs |
| 2004                          | 871,155         | 820,241                  | -28,694        | 5.8%         | \$17.75 /fs |
| 2005                          | 871,155         | 831,525                  | 11,284         | 4.5%         | \$18.68 /fs |
| 2006                          | 871,155         | 806,173                  | -25,352        | 7.5%         | \$17.11 /fs |
| 2007                          | 871,155         | 791,520                  | -14,653        | 9.1%         | \$16.19 /fs |
| 2008                          | 871,155         | 785,209                  | -6,311         | 9.9%         | \$17.52 /fs |
| <b>Avg. Annual Absorption</b> |                 |                          | <b>7,436</b>   |              |             |

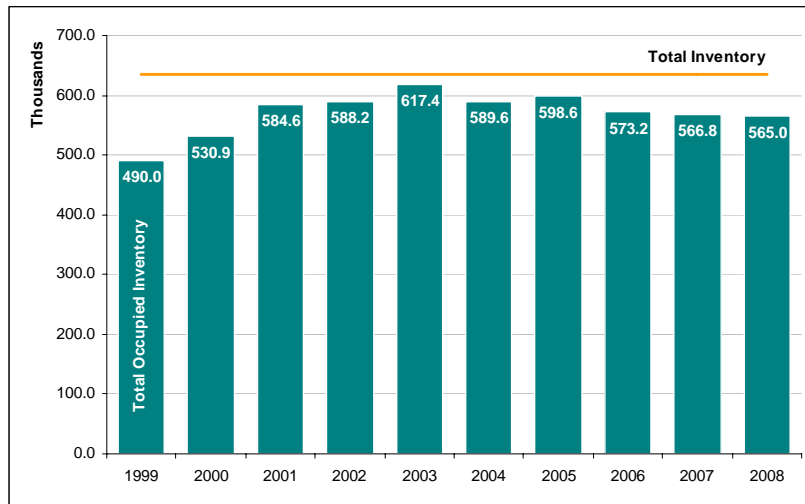
Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Grantville Redevelopment Plan Area (Subarea A) Office Space**

Subarea A currently has about 635,000 square feet of office space. As shown in Figure 37, the area has not built any new office space since 1999. The amount of occupied office space reached its peak in 2003, with about 620,000 square feet of occupied space. Since 2003, the amount of occupied

office space has decreased, reaching about 565,000 square feet in 2008. Average rental rates have remained under \$20 per square foot, reaching its peak of \$18.73 per square foot in 2005 before decreasing to about \$17.26 per square foot in 2008 (see Figure 38).

**Figure 37: Grantville Redevelopment Plan Area (Subarea A) Occupied Office Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 38: Grantville Redevelopment Plan Area (Subarea A) Office Space Market, 1999-2008**

|                               | Total Occupied  |           | Vacancy Rate | Rental Rate |             |
|-------------------------------|-----------------|-----------|--------------|-------------|-------------|
|                               | Total Inventory | Inventory |              |             |             |
| 1999                          | 634,807         | 489,952   | -14,463      | 22.8%       | \$15.73 /fs |
| 2000                          | 634,807         | 530,860   | 40,908       | 16.4%       | \$17.16 /fs |
| 2001                          | 634,807         | 584,598   | 53,738       | 7.9%        | \$15.39 /fs |
| 2002                          | 634,807         | 588,233   | 3,635        | 7.3%        | \$16.99 /fs |
| 2003                          | 634,807         | 617,437   | 29,204       | 2.7%        | \$18.15 /fs |
| 2004                          | 634,807         | 589,598   | -27,839      | 7.1%        | \$17.71 /fs |
| 2005                          | 634,807         | 598,577   | 8,979        | 5.7%        | \$18.73 /fs |
| 2006                          | 634,807         | 573,225   | -25,352      | 9.7%        | \$17.03 /fs |
| 2007                          | 634,807         | 566,822   | -6,403       | 10.7%       | \$15.68 /fs |
| 2008                          | 634,807         | 565,013   | -1,809       | 11.0%       | \$17.26 /fs |
| <b>Avg. Annual Absorption</b> |                 |           | <b>6,733</b> |             |             |

Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

## Industrial & Flex Space Market Trends

Industrial space in the County includes a wide variety of product types including large-scale warehousing, high-tech manufacturing facilities, flex office-oriented space with minimal storage or assembly areas, and true heavy industry and manufacturing uses.

For purposes of this analysis, ERA analyzed the regional industrial market based on four major sub-County market areas: North County, North City, Central County, and South County.<sup>6</sup> The markets are a compilation of several CoStar industrial submarkets and were chosen as the major competitive areas of industrial space in the region relative to Subarea A.

Historically speaking, industrial product has been consistently one of the most stable commercial real estate product types in the County. The Central County has little developable industrial land and the effects of this limited supply are rippling throughout the industrial market: vacancies have decreased in central locations, new construction and deliveries are being pushed to the South and North County areas, and land prices and lease rates are increasing throughout the market.

Over the last five years, absorption of industrial space in the submarkets analyzed has remained healthy with a total of 12.6 million square feet of industrial and flex space delivered and 10.4 million square feet of industrial space absorbed. Across the region, vacancy rates have remained stable, while lease rents, in real terms, have increased.

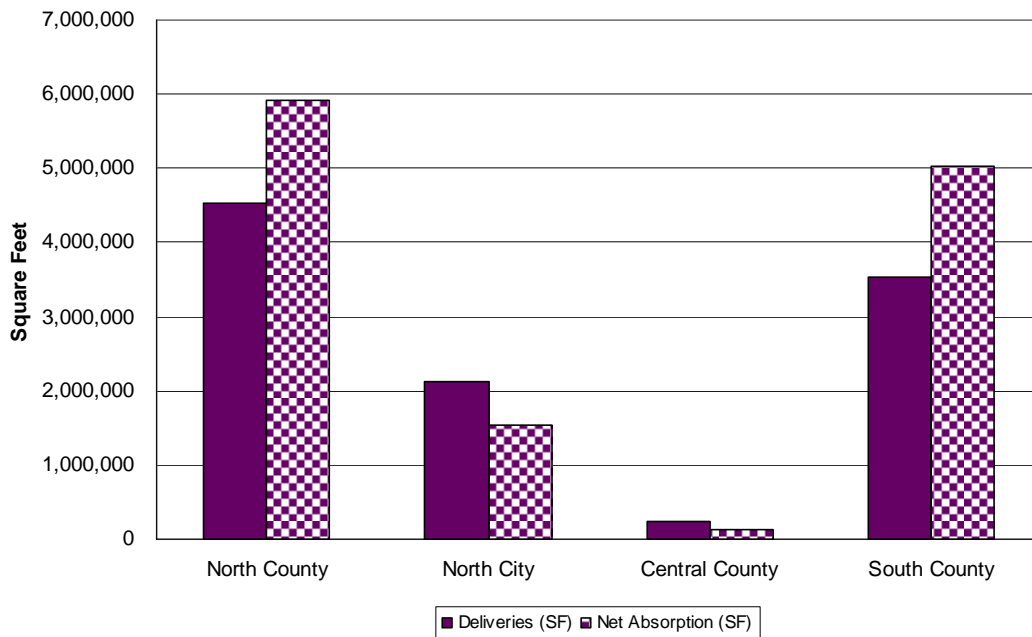
The North City and Central County submarkets are the region's premier industrial markets. The North City area, which includes industrial submarkets areas such as the La Jolla, UTC, Miramar, and Sorrento Valley, and the Central County area, which includes Kearny Mesa, together has 84.8 million square feet of industrial space. The two areas currently make up approximately 48 percent of the County's industrial inventory, but are almost fully built out. With low vacancy rates, in the range of 3 to 4 percent, few opportunities exist for either leasing or new development in Central County or North City market areas.

As a result, over 87 percent of the industrial and flex space delivered to the market in the last five years has been in the North County and South County areas. 5.9 million square feet has been delivered in North County, or 47 percent of the region, and 5.0 million has been delivered in the South County area, about 40 percent of the region.

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<sup>6</sup> East County is a separate market area, but was not reviewed for purposes of this analysis.

**Figure 39: San Diego County Submarket Overview (Deliveries and Net Absorption from 3Q 2003 – 3Q 2008)**



Source: CoStar; Economics Research Associates

While North County and South County both have a substantial amount of industrial acreage available for development, differentiation between the two industrial markets can be seen in the type of industrial space absorbed. South County has attracted manufacturers and warehouse businesses looking for cheaper building and land costs. North County has included a number of the ownership designed industrial buildings and has attracted businesses looking to locate within the proximity of the biotech center in the North City submarkets. For example, South County captured 48 percent of new industrial warehouse deliveries in comparison to North County’s 44 percent. However, North County captured 54 percent of new flex space deliveries and South County only captured 13 percent of new flex development.

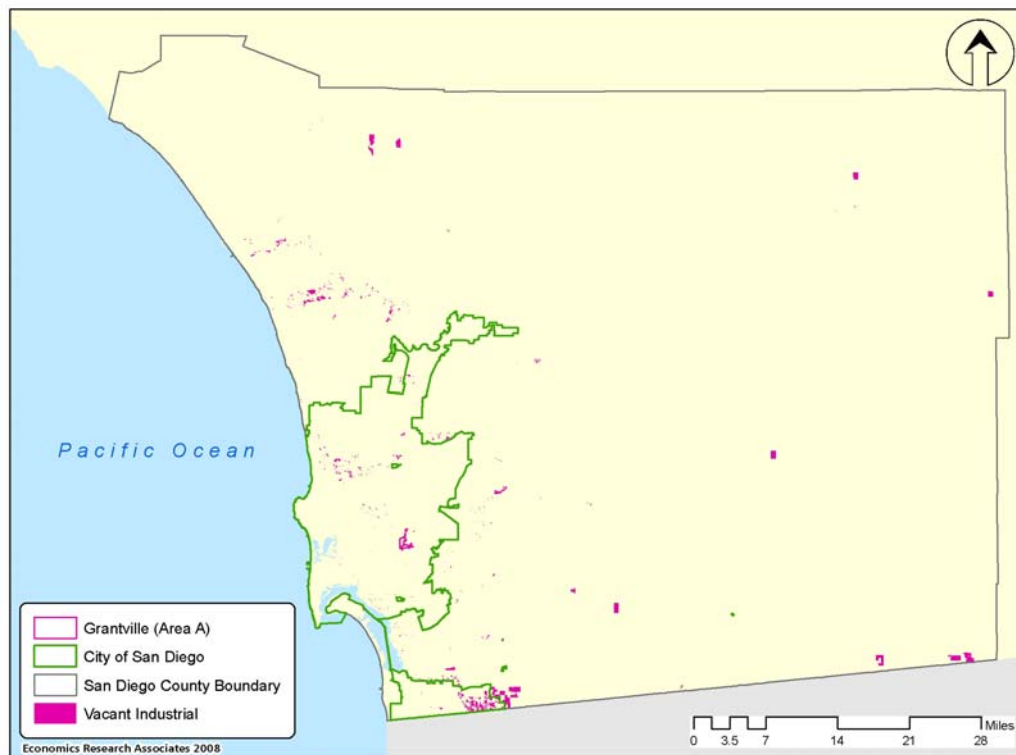
Growth in North County and South County is expected to continue, given the limited land available for development in the mid-county areas. Derived from general plan information from each city in the County, SANDAG forecasts that in 2004 there was 8,600 acres of developable vacant land for industrial use in the San Diego area. North City and Central County together have only 12 percent of available developable land in the San Diego region. Meanwhile, the South County area includes almost 40 percent of the developable land, approximately 3,300 acres, and North County includes just over 25 percent of developable industrial land in the San Diego market, 2,270 acres.

Future demand for industrial product in the South County will also be influenced by the areas proximate to Mexico and the continued evolution of Tijuana’s maquiladora sector. For example, the introduction of China in 2002 to the World Trade Organization greatly affected Tijuana’s economy, decreasing investments to the region and actually causing some firms to depart. Increased international competition is compelling the maquiladora sector to restructure operations away from simple, labor-intensive assembly, and move towards the manufacture of higher value-added and larger products. Additionally, Tijuana’s geographic competitive advantage positions it for increased production in markets and industries where “just-in-time” delivery of products is crucial. Tijuana also competes well in the manufacture of products that are bulkier and more difficult or time consuming to transport. While these changes are not likely to affect demand within Subarea A, any fundamental change within the sector could affect the profile of demand for industrial space in South County and thus the region.

A map of the existing vacant industrial land is presented below in Figure 40.

**Figure 40: Map of Vacant Industrial Land in San Diego County**

Vacant Industrial Land Inventory - San Diego County

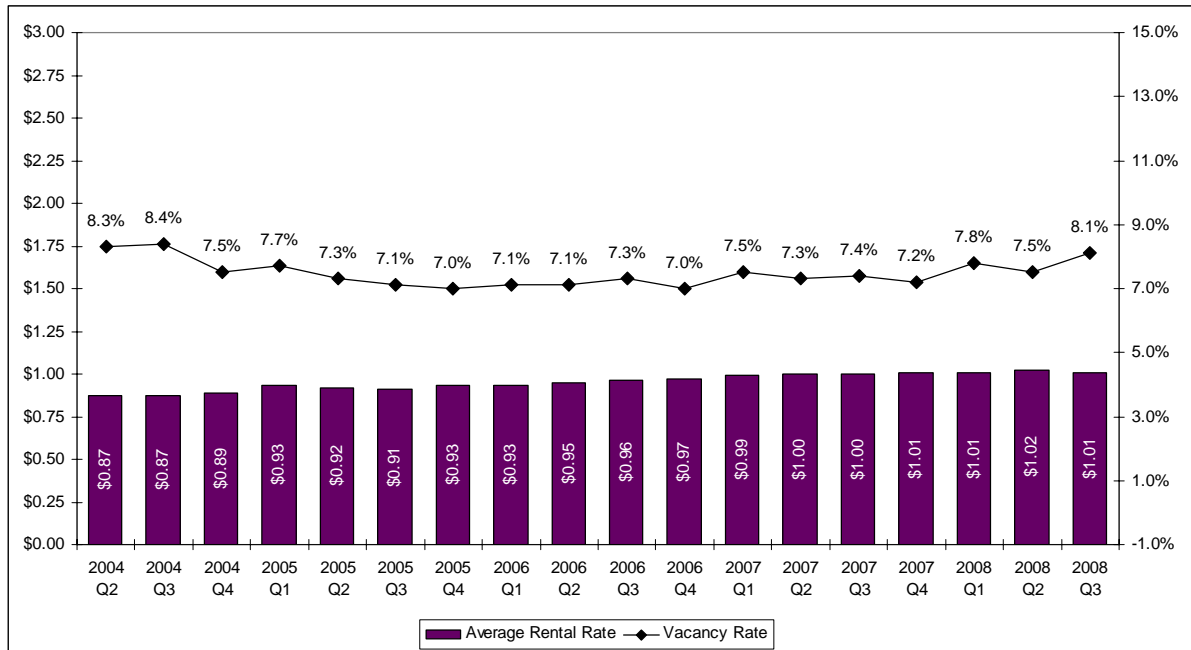


Source: CoStar; Economics Research Associates

Examining the County during the last four years in detail by quarter, there has been steady but continued small increases in the average asking rental rates for industrial properties in the region. In general, the industrial market has been resilient to trends in the national economy and the slow down in the real estate market. As a result, the County routinely ranks at the top of the national industrial market as traditional warehouse/distribution and flex industrial space have asking rates ranked near the top in the nation.

Industrial rents, for all types of properties, have increased steadily over the last four years, moving from \$0.87 per square foot to just over \$1.00. During the same time, vacancy has fallen slightly throughout the County (see Figure 41). Due to the strength in the commercial industrial market, the cap rates have fallen over the same period, from 7.1 percent to 6.5 percent, decreasing by 60 basis points. Strength within the market is also evidenced by an increase in the average sales price per square foot from just under \$100 to \$160, an increase of 60 percent since mid 2004 (see Figure 42).

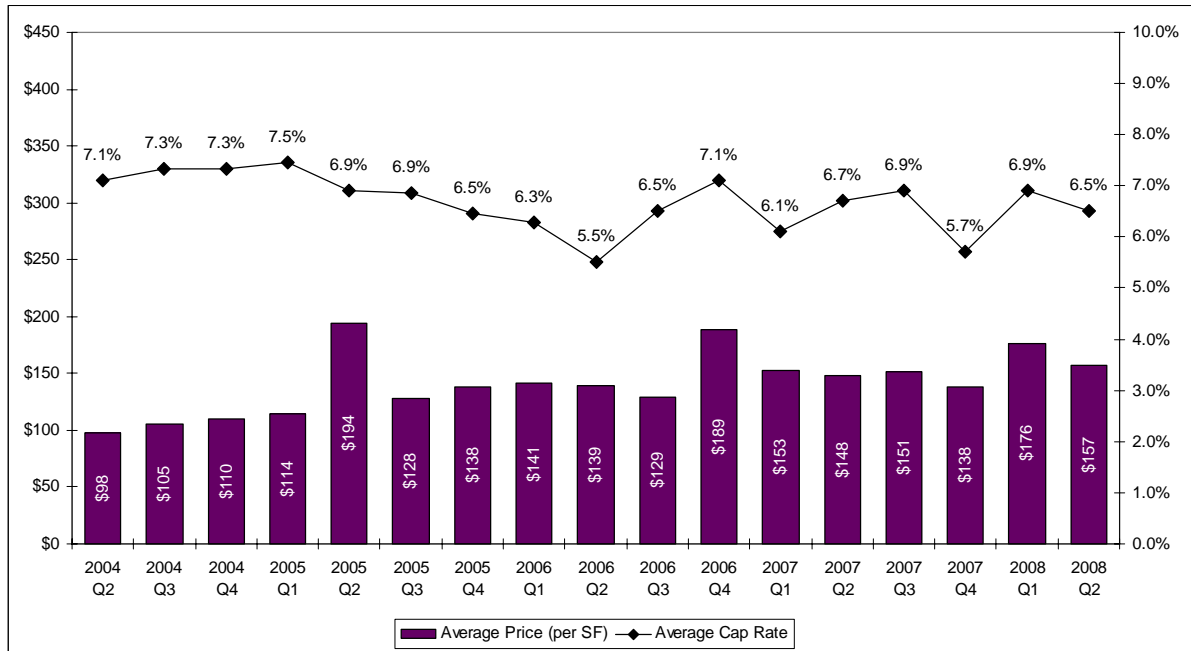
**Figure 41: San Diego County Contemporary Industrial Trends**



Source: CoStar; Economics Research Associates



**Figure 42: San Diego County Market Sales Price and Capitalization Rates for Industrial Properties**



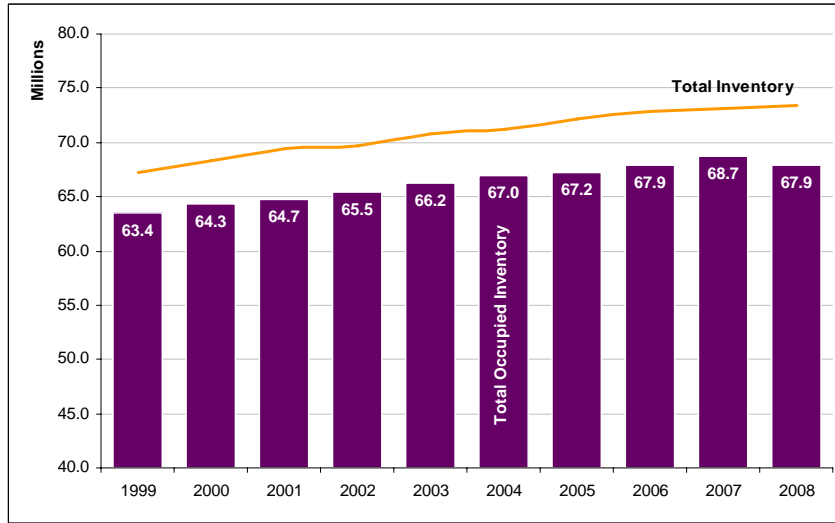
Source: CoStar; Economics Research Associates

The following sections examine each of the industrial submarkets in terms of historic inventory, occupancy, net absorption, vacancy rates and average asking rental rates by year since 1999 for both traditional and flex industrial space.

**City of San Diego Industrial & Flex Space Market**

Over the last nine years, the amounts of occupied industrial space in the City increased by about 4.5 million square feet. Industrial space in the City saw continuing increases between 1999 and 2007, but has declined slightly in 2008 (see Figure 43). The stability in the City’s industrial market was marked by vacancy rates that never went above 7.5 percent, and rental rates which grew from \$7.26 per square foot in 1999 to \$8.87 per square foot in 2008 (see Figure 43).

**Figure 43: City of San Diego Occupied Industrial Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 44: City of San Diego Industrial Space Market Summary, 1999-2008**

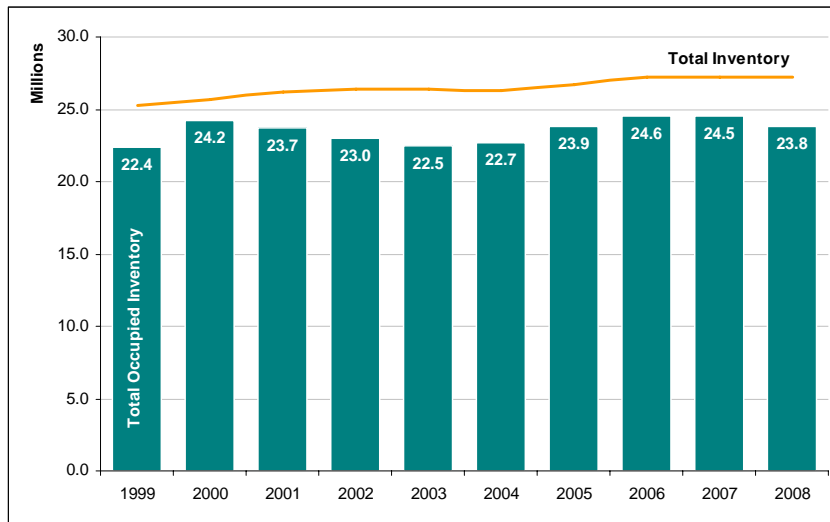
|                               | Total Occupied  |                          | Vacancy Rate   | Rental Rate |             |
|-------------------------------|-----------------|--------------------------|----------------|-------------|-------------|
|                               | Total Inventory | Inventory Net Absorption |                |             |             |
| 1999                          | 67,184,900      | 63,437,380               | 187,967        | 5.6%        | \$7.26 /nnn |
| 2000                          | 68,333,899      | 64,290,921               | 853,541        | 5.9%        | \$7.93 /nnn |
| 2001                          | 69,348,090      | 64,746,486               | 455,565        | 6.6%        | \$7.77 /nnn |
| 2002                          | 69,720,435      | 65,480,137               | 733,651        | 6.1%        | \$7.46 /nnn |
| 2003                          | 70,828,030      | 66,231,720               | 751,583        | 6.5%        | \$7.35 /nnn |
| 2004                          | 71,176,724      | 66,959,640               | 727,920        | 5.9%        | \$7.89 /nnn |
| 2005                          | 72,206,974      | 67,178,085               | 218,445        | 7.0%        | \$8.31 /nnn |
| 2006                          | 72,844,788      | 67,927,365               | 743,561        | 6.8%        | \$8.52 /nnn |
| 2007                          | 73,121,602      | 68,736,145               | 808,780        | 6.0%        | \$8.87 /nnn |
| 2008                          | 73,370,741      | 67,949,169               | -786,976       | 7.4%        | \$8.86 /nnn |
| <b>Avg. Annual Absorption</b> |                 |                          | <b>521,560</b> |             |             |

Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

Flex space is a type of industrial space designed for flexibility. It typically includes industrial, service commercial or distribution space with at least half of the rentable area of the building used as office space. The amount of occupied flex space in San Diego increased from 22.4 million square feet in 1999 to 23.8 million square feet by 2008 (see Figure 45). As shown in

Figure 46, the average annual absorption over this period was 230,700 square feet, but the actual year to year absorption was extremely uneven. The vacancy rates for this type of real estate product were much higher than for industrial space, reaching 90 nearly 15 percent in 2003. However, because flex space buildings typically attract office users, rental rates are higher than regular light industrial buildings. As of 2008, the average rental rates for flex space exceeded \$18 per square foot, or more than double that of industrial space.

**Figure 45: City of San Diego Occupied Flex Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

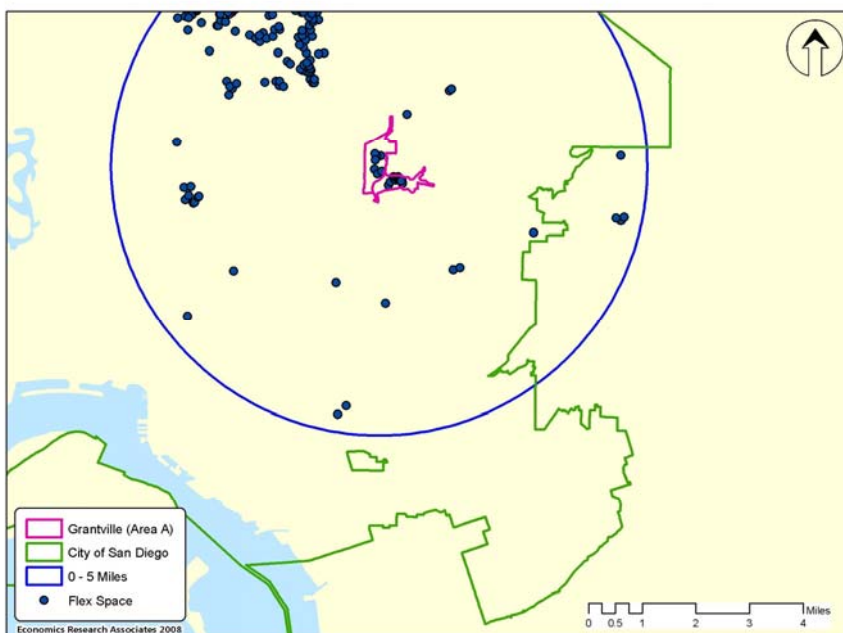
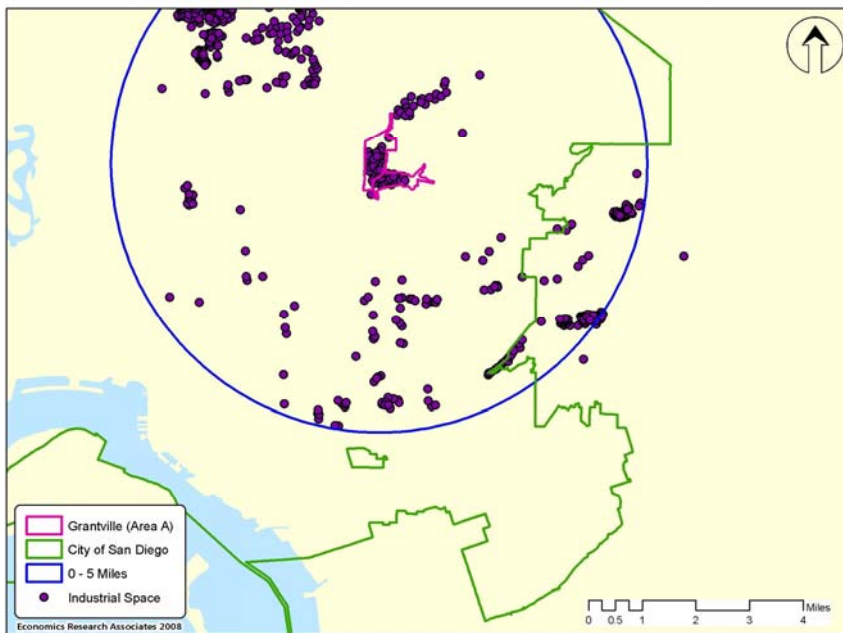
**Figure 46: City of San Diego Flex Space Market Summary, 1999-2008**

|                               | Total Occupied  |            | Net Absorption | Vacancy Rate | Rental Rate  |
|-------------------------------|-----------------|------------|----------------|--------------|--------------|
|                               | Total Inventory | Inventory  |                |              |              |
| 1999                          | 25,288,435      | 22,376,920 | 613,959        | 11.5%        | \$11.44 /nnn |
| 2000                          | 25,699,007      | 24,245,152 | 1,868,232      | 5.7%         | \$13.45 /nnn |
| 2001                          | 26,190,056      | 23,667,483 | -577,669       | 9.6%         | \$18.13 /nnn |
| 2002                          | 26,360,815      | 23,002,246 | -665,237       | 12.7%        | \$15.27 /nnn |
| 2003                          | 26,351,815      | 22,458,698 | -542,548       | 14.8%        | \$14.53 /nnn |
| 2004                          | 26,320,568      | 22,692,963 | 233,265        | 13.8%        | \$16.09 /nnn |
| 2005                          | 26,748,870      | 23,860,978 | 1,168,015      | 10.8%        | \$16.71 /nnn |
| 2006                          | 27,187,966      | 24,551,393 | 690,415        | 9.7%         | \$17.56 /nnn |
| 2007                          | 27,168,387      | 24,494,823 | -56,570        | 9.8%         | \$18.44 /nnn |
| 2008                          | 27,264,469      | 23,839,266 | -655,557       | 12.6%        | \$18.31 /nnn |
| <b>Avg. Annual Absorption</b> |                 |            | <b>230,701</b> |              |              |

Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

The location of existing industrial space within the local market is provided for illustrative purposes to reflect current clustering of existing development. The specific attributes of each area of analysis is presented in more detail below.

**Figure 47: Map of Local Industrial Market Area (Industrial and Flex)**



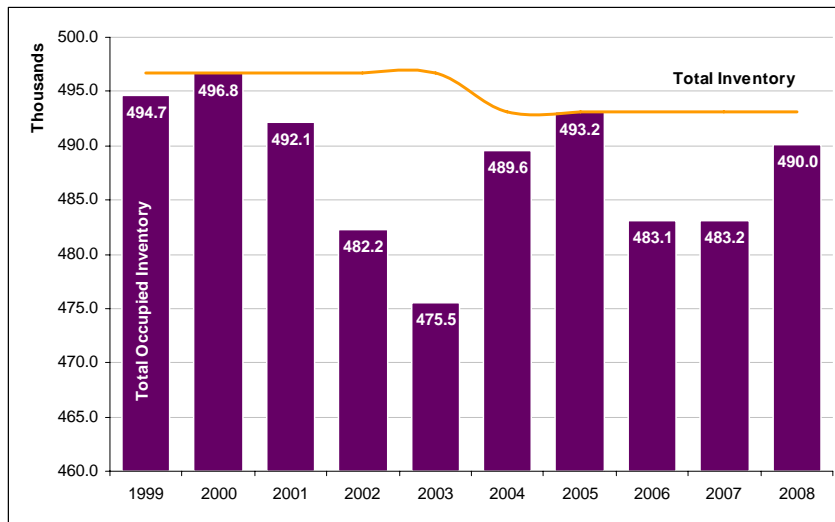
Source: CoStar; Economics Research Associates

## Industrial & Flex Space in Community Plan Areas

### Mission Valley Community Plan Area

The amount of industrial square footage in the Mission Valley Community Plan area has been shrinking since 2003. This may be due to the demolition and conversion of existing industrial buildings. Between 1999 and 2008, the occupied industrial inventory in Mission Valley dropped from less than 495,000 million square feet to about 490,000 square feet (Figure 48). As shown in Figure 49, average rental rates have nearly doubled since 1999, reaching about \$15.60 per square foot in 2008.

**Figure 48: Mission Valley Community Plan Area Occupied Industrial Space**



Note: Fourth quarter data shown for each given year.

Source: CoStar; Economics Research Associates

**Figure 49: Mission Valley Community Plan Area Industrial Space Market Summary, 1999-2008**

|                               | Total Occupied  |           |                |              | Rental Rate  |
|-------------------------------|-----------------|-----------|----------------|--------------|--------------|
|                               | Total Inventory | Inventory | Net Absorption | Vacancy Rate |              |
| 1999                          | 496,757         | 494,704   | 21,210         | 0.4%         | \$8.82 /nnn  |
| 2000                          | 496,757         | 496,757   | 2,053          | 0.0%         | \$14.40 /nnn |
| 2001                          | 496,757         | 492,111   | -4,646         | 0.9%         | \$15.60 /nnn |
| 2002                          | 496,757         | 482,201   | -9,910         | 2.9%         | \$10.78 /nnn |
| 2003                          | 496,757         | 475,547   | -6,654         | 4.3%         | -            |
| 2004                          | 493,157         | 489,561   | 14,014         | 0.7%         | \$14.40 /nnn |
| 2005                          | 493,157         | 493,157   | 3,596          | 0.0%         | \$14.40 /nnn |
| 2006                          | 493,157         | 483,147   | -10,010        | 2.0%         | \$17.11 /nnn |
| 2007                          | 493,157         | 483,157   | 10             | 2.0%         | -            |
| 2008                          | 493,157         | 490,036   | 6,879          | 0.6%         | \$15.60 /nnn |
| <b>Avg. Annual Absorption</b> |                 |           | <b>1,838</b>   |              |              |

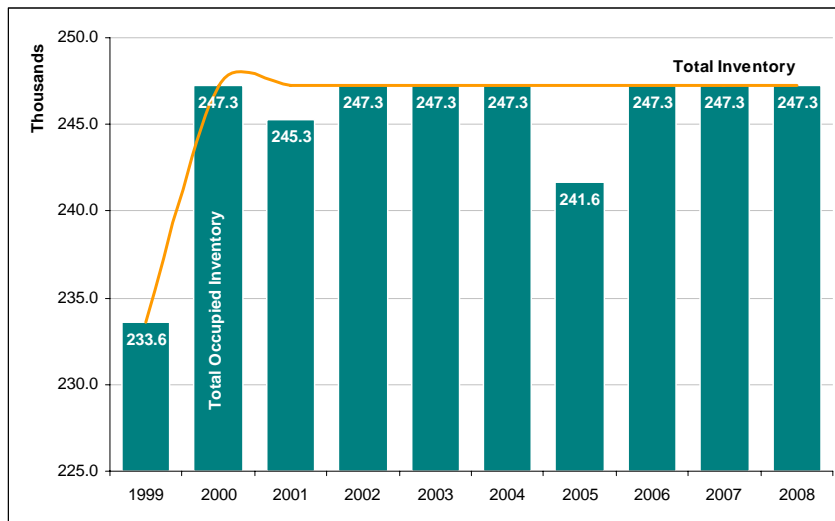
Note: Fourth quarter data shown for each given year.

Source: CoStar; Economics Research Associates

The flex space inventory experienced an increase between 1999 and 2000, with the addition of about 14,000 square feet. The area has been able to maintain full occupancy of its available flex space since 2000, with a decrease in occupied flex space in 2001 and 2005. As summarized in

Figure 51, average rental rates have remained under \$20 per square foot. Currently, rental rates average about \$15.70 per square foot, a decrease of about \$3 per square foot since its peak in 2005.

**Figure 50: Mission Valley Community Plan Area Occupied Flex Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 51: Mission Valley Community Plan Area Flex Space Market Summary, 1999-2008**

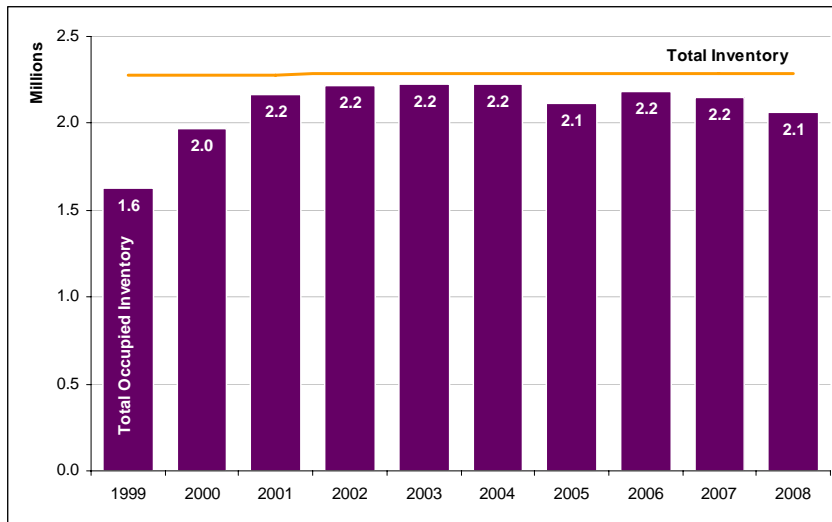
|                               | Total Occupied  |              | Vacancy Rate | Rental Rate  |
|-------------------------------|-----------------|--------------|--------------|--------------|
|                               | Total Inventory | Inventory    |              |              |
| 1999                          | 233,606         | 233,606      | 0            | \$12.72 /nnn |
| 2000                          | 247,258         | 247,258      | 13,652       | \$13.20 /nnn |
| 2001                          | 247,258         | 245,300      | -1,958       | \$17.40 /nnn |
| 2002                          | 247,258         | 247,258      | 1,958        | \$15.09 /nnn |
| 2003                          | 247,258         | 247,258      | 0            | -            |
| 2004                          | 247,258         | 247,258      | 0            | -            |
| 2005                          | 247,258         | 241,625      | -5,633       | \$18.78 /nnn |
| 2006                          | 247,258         | 247,258      | 5,633        | \$18.55 /nnn |
| 2007                          | 247,258         | 247,258      | 0            | \$16.41 /nnn |
| 2008                          | 247,258         | 247,258      | 0            | \$15.71 /nnn |
| <b>Avg. Annual Absorption</b> |                 | <b>1,517</b> |              |              |

Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Navajo Community Plan Area**

The amount of industrial square footage in the Navajo Community Plan area has remained steady since 1999, at about 2.3 million square foot. As shown in Figure 52, occupied industrial space has remained at about 2.1 to 2.2 million square feet since 2001. Average rental rates have stayed under \$10 per square foot, with the exception of 2007, when it rose to nearly \$11 per square foot (see Figure 52).

**Figure 52: Navajo Community Plan Area Occupied Industrial Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 53: Navajo Community Plan Area Industrial Space Market, 1999-2008**

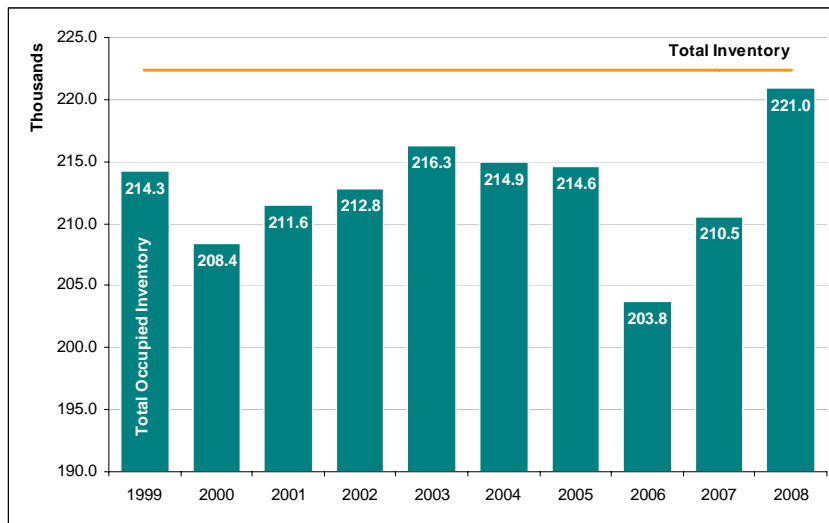
|                               | Total Inventory | Total Occupied Inventory | Net Absorption | Vacancy Rate | Rental Rate  |
|-------------------------------|-----------------|--------------------------|----------------|--------------|--------------|
| 1999                          | 2,279,551       | 1,624,884                | 46,188         | 28.7%        | \$7.30 /nnn  |
| 2000                          | 2,279,551       | 1,971,498                | 346,614        | 13.5%        | \$7.34 /nnn  |
| 2001                          | 2,279,551       | 2,164,382                | 192,884        | 5.1%         | \$7.81 /nnn  |
| 2002                          | 2,286,231       | 2,216,203                | 51,821         | 3.1%         | \$7.69 /nnn  |
| 2003                          | 2,286,231       | 2,226,007                | 9,804          | 2.6%         | \$7.93 /nnn  |
| 2004                          | 2,286,231       | 2,222,403                | -3,604         | 2.8%         | \$8.17 /nnn  |
| 2005                          | 2,286,231       | 2,115,320                | -107,083       | 7.5%         | \$9.07 /nnn  |
| 2006                          | 2,286,231       | 2,183,951                | 68,631         | 4.5%         | \$9.67 /nnn  |
| 2007                          | 2,286,231       | 2,152,437                | -31,514        | 5.9%         | \$10.85 /nnn |
| 2008                          | 2,286,231       | 2,059,669                | -92,768        | 9.9%         | \$10.09 /nnn |
| <b>Avg. Annual Absorption</b> |                 |                          | <b>53,441</b>  |              |              |

Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

The Navajo Community Plan Area also has had over 222,000 square feet of available flex space since 1999. 2008 marked its highest occupancy rate, with about 221,000 square feet of occupied space (see Figure 54). As shown in

Figure 55, vacancy rates have fluctuated greatly, reaching a high of 8.4 percent in 2006 and dipping as low as 0.6 percent in 2008. Average rental rates have moderately increased since 1999, from about \$10.20 per square foot to about \$13.50 per square foot in 2008.

**Figure 54: Navajo Community Plan Area Occupied Flex Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 55: Navajo Community Plan Area Flex Space Market Summary, 1999-2008**

|      | Total Inventory | Total Occupied Inventory | Net Absorption | Vacancy Rate | Rental Rate  |
|------|-----------------|--------------------------|----------------|--------------|--------------|
| 1999 | 222,397         | 214,262                  | -7,255         | 3.7%         | \$10.20 /nnn |
| 2000 | 222,397         | 208,421                  | -5,841         | 6.3%         | \$12.00 /nnn |
| 2001 | 222,397         | 211,560                  | 3,139          | 4.9%         | \$12.11 /nnn |
| 2002 | 222,397         | 212,822                  | 1,262          | 4.3%         | \$12.27 /nnn |
| 2003 | 222,397         | 216,331                  | 3,509          | 2.7%         | -            |
| 2004 | 222,397         | 214,909                  | -1,422         | 3.4%         | \$12.67 /nnn |
| 2005 | 222,397         | 214,574                  | -335           | 3.5%         | \$14.61 /nnn |
| 2006 | 222,397         | 203,772                  | -10,802        | 8.4%         | \$14.60 /nnn |
| 2007 | 222,397         | 210,487                  | 6,715          | 5.4%         | \$14.47 /nnn |
| 2008 | 222,397         | 220,957                  | 10,470         | 0.6%         | \$13.49 /nnn |

**Avg. Annual Absorption**

**-62**

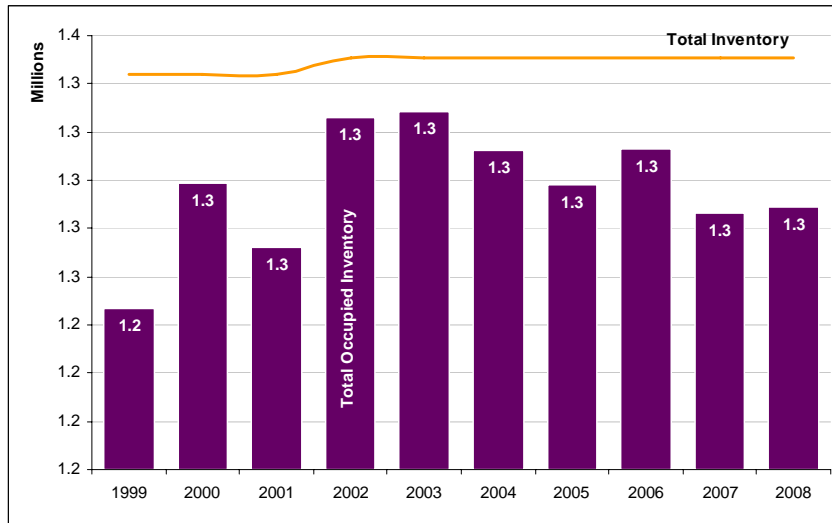
Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates



### Grantville Redevelopment Area (Subarea A) Industrial and Flex Space Market

The amount of total available industrial space has remained steady at 1.35 million square feet since 2002. An additional 7,000 square feet was added to the market between 2000 and 2001. As shown in Figure 56, occupied industrial space has decreased since 2003, when it reached its peak at about 1.33 million square feet. In 2008, about 1.29 million square feet of industrial space was occupied. Average rental rates have not greatly fluctuated since 1999, increasing about \$2 per square foot. In 2008, the average rental rate remained under \$13 per square foot (see Figure 57).

**Figure 56: Grantville Redevelopment Area (Subarea A) Occupied Industrial Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 57: Grantville Redevelopment Area (Subarea A) Industrial Space Market Summary, 1999-2008**

|      | Total Occupied  |           | Vacancy Rate | Rental Rate |              |
|------|-----------------|-----------|--------------|-------------|--------------|
|      | Total Inventory | Inventory |              |             |              |
| 1999 | 1,343,875       | 1,246,969 | -50,112      | 7.2%        | \$10.43 /nnn |
| 2000 | 1,343,875       | 1,298,518 | 51,549       | 3.4%        | \$10.79 /nnn |
| 2001 | 1,343,875       | 1,272,360 | -26,158      | 5.3%        | \$9.83 /nnn  |
| 2002 | 1,350,555       | 1,326,254 | 53,894       | 1.8%        | \$9.60 /nnn  |
| 2003 | 1,350,555       | 1,328,421 | 2,167        | 1.6%        | \$11.73 /nnn |
| 2004 | 1,350,555       | 1,312,431 | -15,990      | 2.8%        | \$13.20 /nnn |
| 2005 | 1,350,555       | 1,298,117 | -14,314      | 3.9%        | \$12.57 /nnn |
| 2006 | 1,350,555       | 1,313,043 | 14,926       | 2.8%        | \$14.00 /nnn |
| 2007 | 1,350,555       | 1,286,471 | -26,572      | 4.7%        | \$13.82 /nnn |
| 2008 | 1,350,555       | 1,289,022 | 2,551        | 4.6%        | \$12.49 /nnn |

**Avg. Annual Absorption -895**

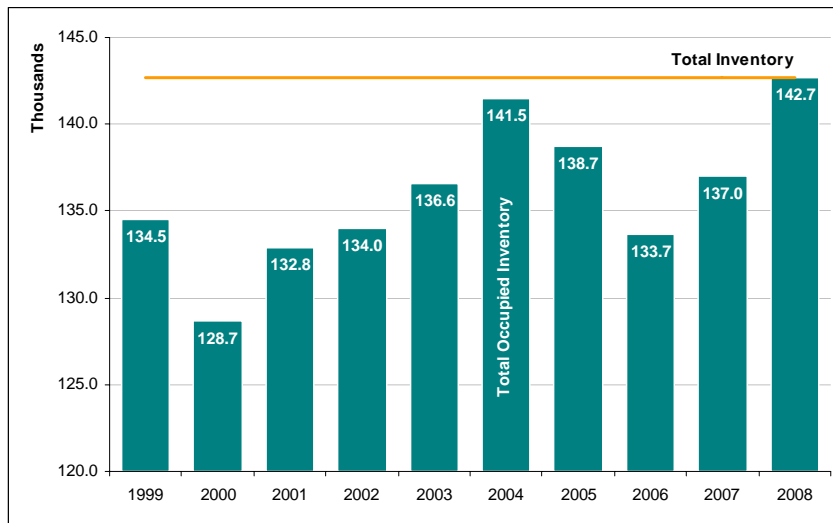
Note: Fourth quarter data shown for each given year.

Source: CoStar; Economics Research Associates

Similar to the industrial space available in the Subarea A, the flex space inventory has remained at about 143,000 square feet since 1999. Occupancy of the flex space has greatly fluctuated during this period, reaching a low of about 129,000 square feet in 2000, before becoming fully occupied in 2008 (see Figure 58). As summarized in

Figure 51, average rental rates have remained under \$15 per square foot. Currently, rental rates average about \$13.20 per square foot, an increase of about \$3 per square foot since 1999.

**Figure 58: Grantville Redevelopment Area (Subarea A) Occupied Flex Space**



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

**Figure 59: Grantville Redevelopment Area (Subarea A) Flex Space Market Summary, 1999-2008**

|                               | Total Inventory | Total Occupied Inventory | Net Absorption | Vacancy Rate | Rental Rate  |
|-------------------------------|-----------------|--------------------------|----------------|--------------|--------------|
| 1999                          | 142,683         | 134,548                  | -8,135         | 5.7%         | \$10.20 /nnn |
| 2000                          | 142,683         | 128,707                  | -5,841         | 9.8%         | \$12.00 /nnn |
| 2001                          | 142,683         | 132,846                  | 4,139          | 6.9%         | \$12.07 /nnn |
| 2002                          | 142,683         | 133,988                  | 1,142          | 6.1%         | \$12.60 /nnn |
| 2003                          | 142,683         | 136,617                  | 2,629          | 4.3%         | -            |
| 2004                          | 142,683         | 141,483                  | 4,866          | 0.8%         | \$12.00 /nnn |
| 2005                          | 142,683         | 138,747                  | -2,736         | 2.8%         | \$14.61 /nnn |
| 2006                          | 142,683         | 133,689                  | -5,058         | 6.3%         | \$14.74 /nnn |
| 2007                          | 142,683         | 137,049                  | 3,360          | 3.9%         | \$14.88 /nnn |
| 2008                          | 142,683         | 142,683                  | 5,634          | 0.0%         | \$13.18 /nnn |
| <b>Avg. Annual Absorption</b> |                 |                          | <b>0</b>       |              |              |

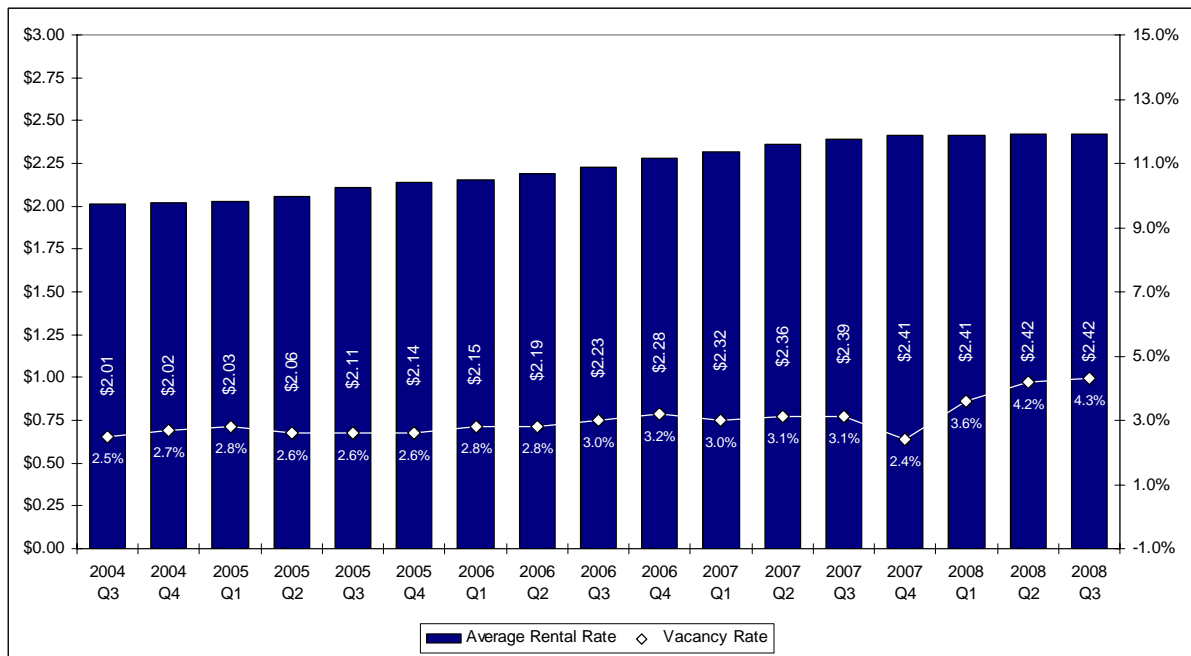
Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

## Retail Market Trends

Retail markets are more subject to obsolescence and more locally based than either office or industrial markets. Current economic conditions have forced many national store closures, including notable retailers like Mervin's, Linen 'N Things, and Circuit City. The higher income households in the County are expected to counter the effects of the loss of lower end retailers. As a result, the County is consistently ranked among the top retail markets in the nation. However, there are many areas within the County that are expected to be hurt by the turmoil surrounding foreclosures and existing economic circumstances.

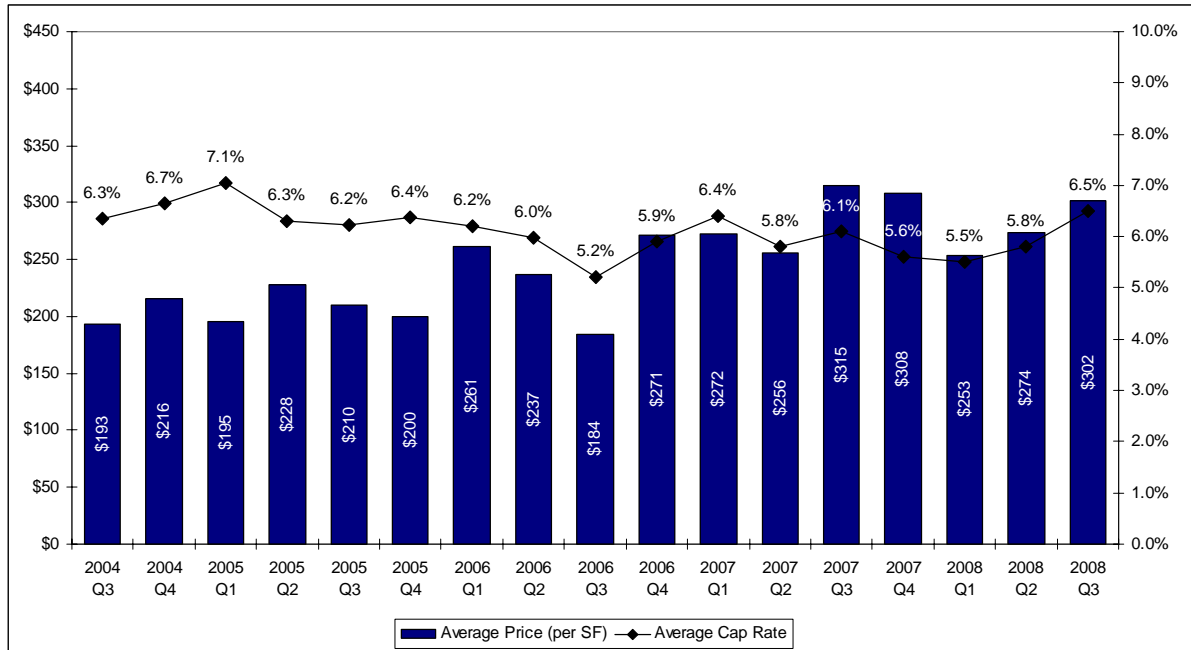
Countywide, much like the office market, there has not been a sizable decrease in average asking rents, but vacancies have consistently risen since year end 2007 (see Figure 60). Since the third quarter of 2007, the average sales price for retail properties has increased significantly from \$193 per square foot to \$302 per square foot. After experiencing relatively steady decrease in cap rates, cap rates have risen 120 bases points over the last year.

**Figure 60: San Diego County Contemporary Retail Trends**



Source: CoStar; Economics Research Associates

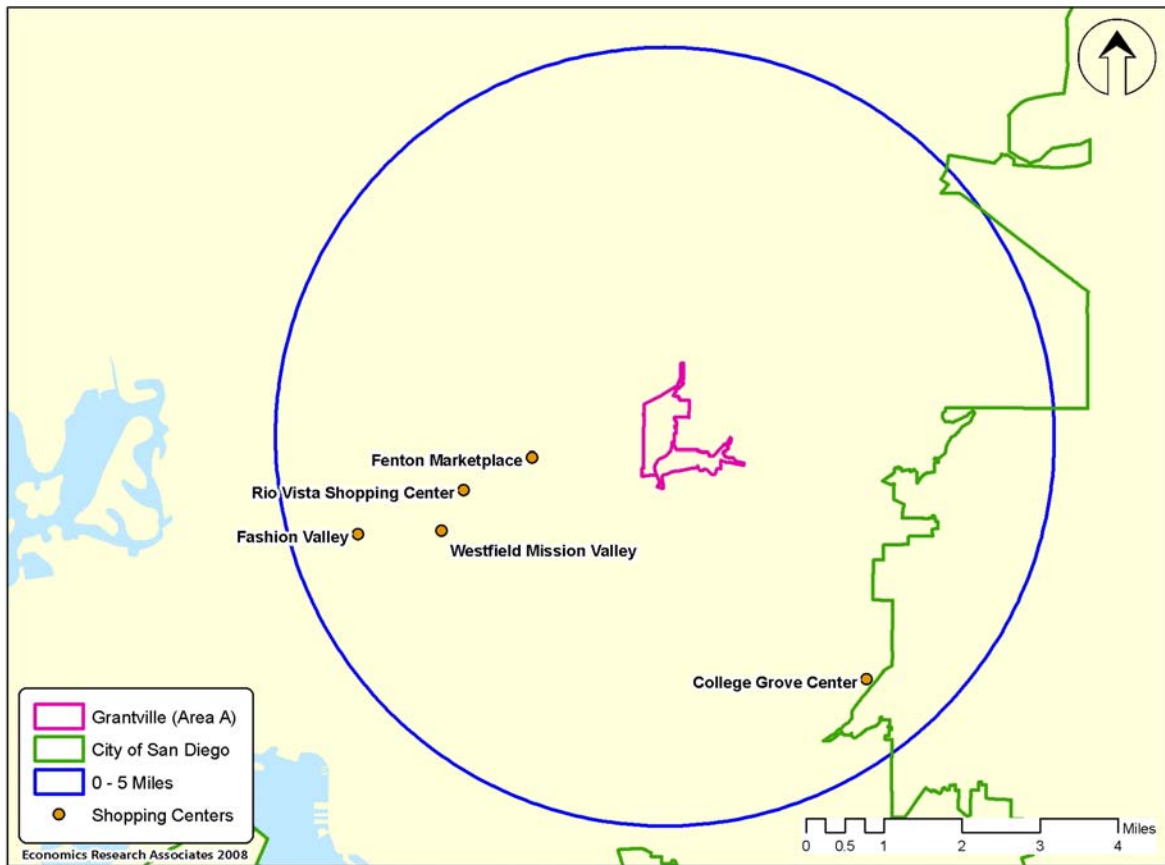
**Figure 61: San Diego County Market Sales Price and Capitalization Rates for Retail Properties**



Source: CoStar; Economics Research Associates

The location of existing major shopping centers within the local market is provided for illustrative purposes to reflect current clustering of existing development. It should also be noted that different retail products have different market sheds. The specific attributes of each area of analysis is presented in more detail below.

**Figure 62: Map of Local Retail Market Area (Shopping Centers) in Market Area**



Source: CoStar; Economics Research Associates

Strength in the retail market is based on job growth and disposable income. As presented in the next section, the County and City had dramatically increases its taxable sales during the ten year period between 1996 and 2006, which subsequently drove demand for commercial retail product in the region.

## Taxable Retail Sales Trends

Over the last decade, total taxable retail sales in the County have increased by almost 90 percent from \$7.9 billion in 1996 to almost \$14.9 billion in 2007. The growth of the suburban communities over time has caused the City's City of San Diego's share of countywide taxable sales to decline. As shown in the City's share of countywide taxable retail sales has slipped from 46 percent in 1996 to 43 percent in 2006 (the annual report of taxable sales data for 2007 has not yet been released). The City's emergence as a national and global tourist and convention destination, leading to sharp gains in restaurant sales, has offset the suburbanization of population and the resulting dispersion of neighborhood serving retail. It is therefore not surprising that the City's restaurant sector generated the largest gain in taxable retail sales, gaining some \$1.8 billion in sales over eleven years ago.

**Figure 63: City of San Diego Taxable Sales Trends**

| (in thousands of dollars)      | 1996              | 1997              | 1998              | 1999              | 2000              | 2001              | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              | Rate of Growth |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| Apparel Stores                 | 451,984           | 485,551           | 530,734           | 542,041           | 588,012           | 616,146           | 681,338           | 732,526           | 785,563           | 865,833           | 924,301           | 1,289,452         | 10.0%          |
| Gen. Merchandise & Drug        | 1,304,649         | 1,354,698         | 1,436,535         | 1,597,102         | 1,794,468         | 1,861,711         | 1,926,369         | 2,040,450         | 2,142,892         | 2,170,831         | 2,236,087         | 3,337,694         | 8.9%           |
| Food Stores                    | 521,014           | 554,625           | 582,183           | 622,909           | 662,346           | 673,384           | 690,819           | 696,398           | 741,899           | 801,351           | 843,800           | 1,186,838         | 7.8%           |
| Eating & Drinking Places       | 1,307,079         | 1,380,894         | 1,496,032         | 1,603,968         | 1,772,507         | 1,851,340         | 1,931,214         | 2,066,425         | 2,197,430         | 2,311,013         | 2,466,681         | 3,145,526         | 8.3%           |
| Furnishing & Appliances        | 492,104           | 444,930           | 469,158           | 546,746           | 619,383           | 684,858           | 664,607           | 690,345           | 728,841           | 747,339           | 706,043           | 858,858           | 5.2%           |
| Bldg Materials & Farm Eqmt     | 469,293           | 603,365           | 716,231           | 809,022           | 944,386           | 1,093,716         | 1,160,915         | 1,248,903         | 1,440,726         | 1,396,894         | 1,427,987         | 1,466,539         | 10.9%          |
| Auto dealers & Supplies        | 1,089,331         | 1,189,462         | 1,331,411         | 1,519,137         | 1,745,186         | 1,868,692         | 2,033,999         | 2,138,480         | 2,213,662         | 2,228,510         | 2,132,207         | 3,189,945         | 10.3%          |
| Service Stations               | 672,559           | 673,078           | 614,156           | 742,143           | 977,675           | 966,913           | 959,059           | 1,085,386         | 1,232,354         | 1,398,512         | 1,567,032         | 2,191,401         | 11.3%          |
| Other Retail Stores            | 1,555,020         | 1,686,807         | 1,790,441         | 1,948,871         | 2,173,098         | 2,114,389         | 2,085,876         | 2,232,817         | 2,375,353         | 2,465,882         | 2,527,653         | 3,117,134         | 6.5%           |
| <b>Total City of San Diego</b> | <b>7,863,033</b>  | <b>8,373,410</b>  | <b>8,966,881</b>  | <b>9,931,939</b>  | <b>11,277,061</b> | <b>11,731,149</b> | <b>12,134,196</b> | <b>12,931,730</b> | <b>13,858,720</b> | <b>14,386,165</b> | <b>14,831,791</b> | <b>14,871,838</b> | <b>6.0%</b>    |
| Annual Growth                  | -                 | 6.5%              | 7.1%              | 10.8%             | 13.5%             | 4.0%              | 3.4%              | 6.6%              | 7.2%              | 3.8%              | 3.1%              | 0.3%              |                |
| <b>Total San Diego County</b>  | <b>17,141,385</b> | <b>18,402,311</b> | <b>19,936,526</b> | <b>22,235,683</b> | <b>24,953,089</b> | <b>26,263,338</b> | <b>27,421,599</b> | <b>29,520,551</b> | <b>32,345,460</b> | <b>33,784,795</b> | <b>34,619,067</b> |                   |                |
| Share of County                | 45.9%             | 45.5%             | 45.0%             | 44.7%             | 45.2%             | 44.7%             | 44.3%             | 43.8%             | 42.8%             | 42.6%             | 42.8%             |                   |                |

Note: Taxable retail store sales does not include business to business sales of retail stores or sales of home businesses.

Figures for 2007 were estimated based on quarterly reports provided by the California Board of Equalization. The annual report for 2007 has not yet been released.

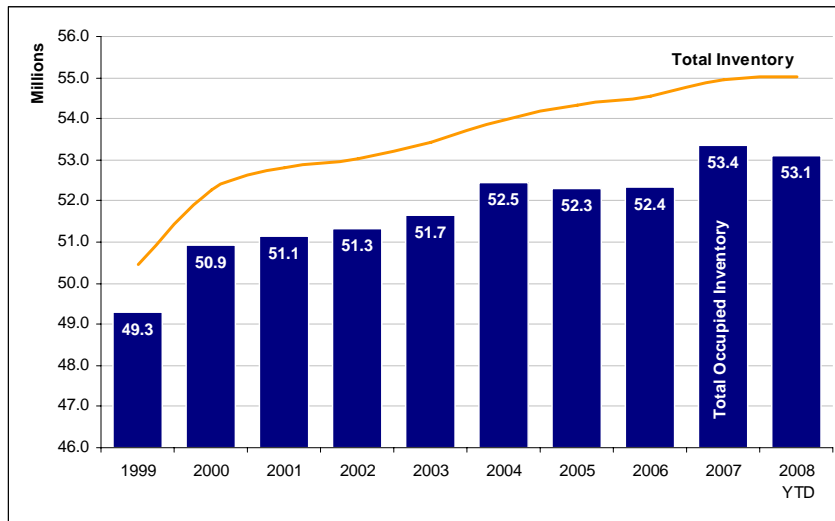
Source: California Board of Equalization; Economics Research Associates

The following sections examine each of the retail submarkets in terms of historic inventory, occupancy, net absorption, vacancy rates and average asking rental rates by year since 1999 for commercial retail space.

### City of San Diego Retail Market

Between 1999 and 2008, the total occupied retail inventory in the City grew from 50.4 million square feet to just over 55.0 million square feet. During these nine years, the average citywide retail space absorption was less than 400,000 square feet per year. However, as shown in Figure 65, the year to year absorption varied wildly. Since 1999, the average citywide retail occupancy rates have not dropped below 96 percent (see Figure 64). Meanwhile, over the same period, average rental rates more than doubled from \$11.60 per square foot in 1999 to \$27 in 2008.

**Figure 64: City of San Diego Occupied Retail Space**



Note: Fourth quarter data shown for each given year.  
 Source: CoStar; Economics Research Associates

**Figure 65: City of San Diego Retail Space Market, 1999-2008**

|                               | Total Occupied  |            |                |              |              |
|-------------------------------|-----------------|------------|----------------|--------------|--------------|
|                               | Total Inventory | Inventory  | Net Absorption | Vacancy Rate | Rental Rate  |
| 1999                          | 50,445,465      | 49,292,455 | -236,570       | 2.3%         | \$11.58 /nnn |
| 2000                          | 52,285,982      | 50,924,786 | 1,632,331      | 2.6%         | \$13.17 /nnn |
| 2001                          | 52,826,780      | 51,132,029 | 207,243        | 3.2%         | \$15.67 /nnn |
| 2002                          | 53,021,692      | 51,321,384 | 189,355        | 3.2%         | \$23.38 /nnn |
| 2003                          | 53,414,307      | 51,665,178 | 343,794        | 3.3%         | \$21.13 /nnn |
| 2004                          | 53,961,156      | 52,453,684 | 788,506        | 2.8%         | \$25.72 /nnn |
| 2005                          | 54,322,025      | 52,296,543 | -157,141       | 3.7%         | \$24.23 /nnn |
| 2006                          | 54,532,686      | 52,354,096 | 57,553         | 4.0%         | \$26.43 /nnn |
| 2007                          | 54,961,598      | 53,353,488 | 999,392        | 2.9%         | \$26.69 /nnn |
| 2008 YTD                      | 55,025,369      | 53,093,901 | -259,587       | 3.5%         | \$26.99 /nnn |
| <b>Avg. Annual Absorption</b> |                 |            | <b>396,097</b> |              |              |

Note: Fourth quarter data shown for each given year.  
 Source: CoStar; Economics Research Associates

## Community Plan Area Retail Markets

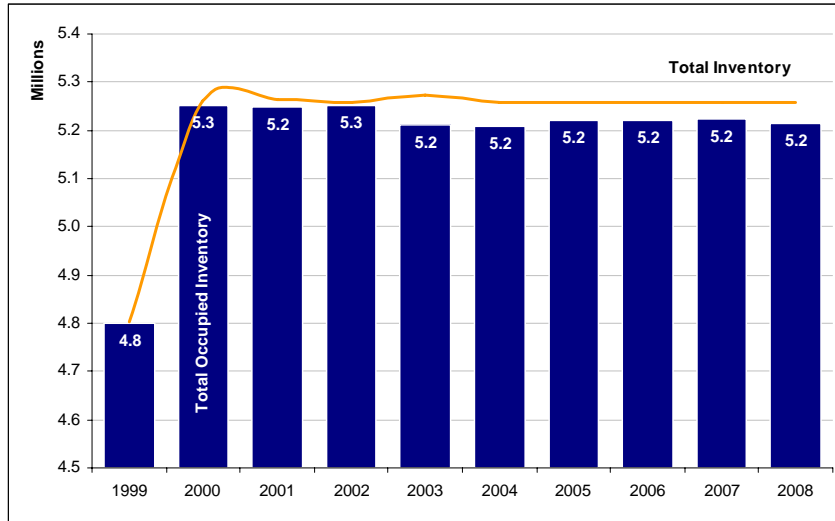
### *Mission Valley Community Plan Area Retail Market*

Mission Valley is one of the largest retail destinations in the City. The current occupied space in the area represents just less than 10 percent of all occupied retail space in the City. Major retail malls, such as Westfield’s Mission Valley and Fashion Valley Mall collectively represent approximately 3 million square feet of retail space. Other smaller, but significant, community shopping centers include Rio Vista Shopping Center, Hazard Center Mall, and Friars-Mission Shopping Center. There is also the recently completed Fenton Market Place, which represents the largest infusion of retail space to the area in the last nine years. The Fenton Market Place is somewhat representative of the retail character in Mission Valley. The development, home to three “big box” retailers is designed within the context of an urban village. The development encourages consumers to spend time outside vis-à-vis its pedestrian friendly design and connectivity to a Library. Discussed in more detail later in this report, Westfield Mission Valley Mall has proposed a 500,000 square feet expansion as well as new office space and residential units to help create a mixed-use village atmosphere and enhance its connectivity to the Trolley.

As shown in Figure 66, occupancy of the retail space has not fluctuated greatly since 2000, averaging about 5.2 million square feet of occupied retail space. The average rental rate has nearly doubled since 2003, which had an average rental rate of \$25.09 per square foot, compared to \$44.80 per square foot in 2008 (see Figure 67).



**Figure 66: Mission Valley Community Plan Area Occupied Retail Space**



Note: Fourth quarter data shown for each given year.  
 Source: CoStar; Economics Research Associates

**Figure 67: Mission Valley Community Plan Area Retail Space Market Summary, 1999-2008**

|                               | Total Occupied  |           |                |              |              |
|-------------------------------|-----------------|-----------|----------------|--------------|--------------|
|                               | Total Inventory | Inventory | Net Absorption | Vacancy Rate | Rental Rate  |
| 1999                          | 4,802,028       | 4,800,007 | -2,021         | 0.0%         | -            |
| 2000                          | 5,260,480       | 5,250,421 | 450,414        | 0.2%         | -            |
| 2001                          | 5,262,480       | 5,248,626 | -1,795         | 0.3%         | -            |
| 2002                          | 5,257,262       | 5,252,577 | 3,951          | 0.1%         | -            |
| 2003                          | 5,274,312       | 5,210,707 | -41,870        | 1.2%         | \$25.09 /nnn |
| 2004                          | 5,256,610       | 5,208,712 | -1,995         | 0.9%         | \$28.21 /nnn |
| 2005                          | 5,256,610       | 5,220,840 | 12,128         | 0.7%         | \$18.69 /nnn |
| 2006                          | 5,256,610       | 5,221,285 | 445            | 0.7%         | \$24.56 /nnn |
| 2007                          | 5,256,610       | 5,225,135 | 3,850          | 0.6%         | \$33.67 /nnn |
| 2008                          | 5,256,610       | 5,215,569 | -9,566         | 0.8%         | \$44.79 /nnn |
| <b>Avg. Annual Absorption</b> |                 |           | <b>45,949</b>  |              |              |

Note: Fourth quarter data shown for each given year.  
 Source: CoStar; Economics Research Associates

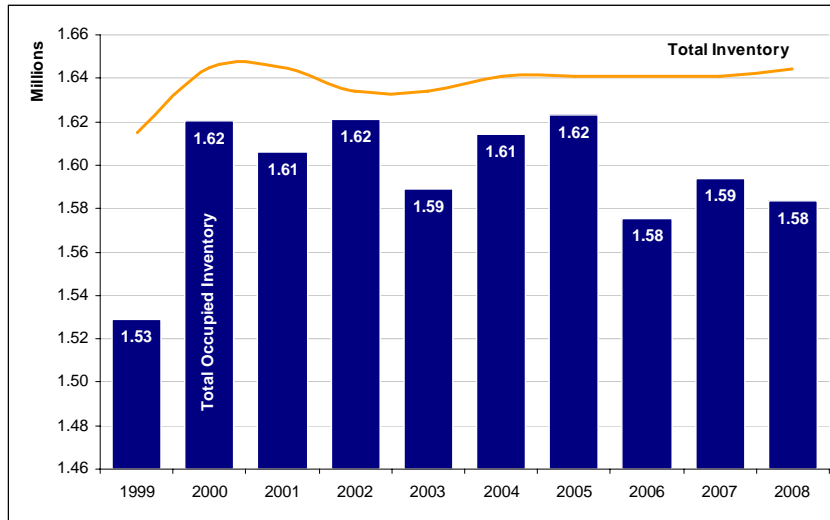
**Navajo Community Plan Area Retail Market**

The amount of retail space available in the Navajo Community Plan Area has fluctuated over the last nine years; most notably with an addition of about 30,000 square feet of retail space between 1999 and 2000 and a loss of about 11,000 square feet between 2001 and 2002 (see Figure 68). Currently, the area has over 1.6 million square feet of retail space, with a vacancy rate of about 3.7 percent (see

Figure 69). The amount of occupied retail space has declined since 2005, with about 1.58 million square feet of currently occupied retail space. As shown in

Figure 69, the average rental rate has only modestly increased by about \$2 per square foot since 2003. It dropped to about \$16.90 per square foot in 2006.

Figure 68: Navajo Community Plan Area Occupied Retail Space



Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

Figure 69: Navajo Community Plan Area Retail Market Space Summary, 1999-2008

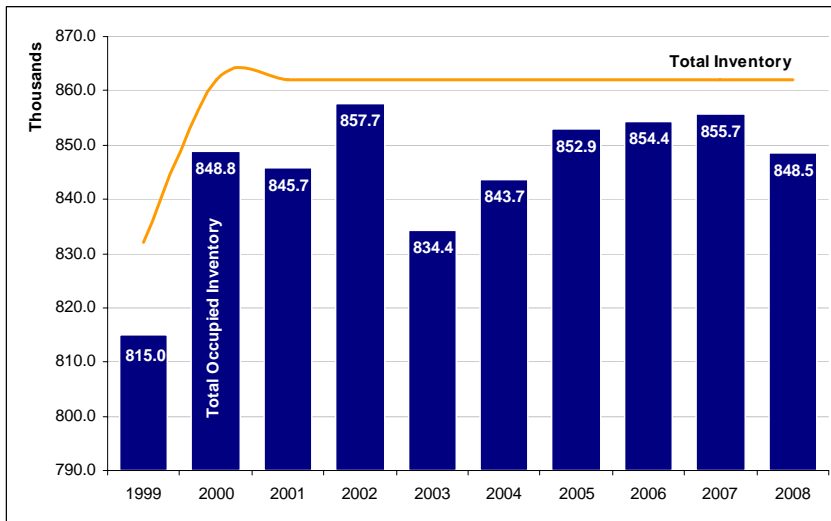
|                               | Total Inventory | Total Occupied Inventory | Net Absorption | Vacancy Rate | Rental Rate  |
|-------------------------------|-----------------|--------------------------|----------------|--------------|--------------|
| 1999                          | 1,614,960       | 1,528,609                | -37,663        | 5.3%         | -            |
| 2000                          | 1,645,001       | 1,620,732                | 92,123         | 1.5%         | -            |
| 2001                          | 1,645,001       | 1,606,356                | -14,376        | 2.3%         | -            |
| 2002                          | 1,634,121       | 1,621,414                | 15,058         | 0.8%         | -            |
| 2003                          | 1,634,121       | 1,588,771                | -32,643        | 2.8%         | \$20.11 /nnn |
| 2004                          | 1,640,816       | 1,614,100                | 25,329         | 1.6%         | \$21.17 /nnn |
| 2005                          | 1,640,816       | 1,622,945                | 8,845          | 1.1%         | \$19.59 /nnn |
| 2006                          | 1,640,816       | 1,575,532                | -47,413        | 4.0%         | \$16.87 /nnn |
| 2007                          | 1,640,816       | 1,593,921                | 18,389         | 2.9%         | \$17.42 /nnn |
| 2008                          | 1,643,974       | 1,583,211                | -10,710        | 3.7%         | \$22.54 /nnn |
| <b>Avg. Annual Absorption</b> |                 |                          | <b>1,882</b>   |              |              |

Note: Fourth quarter data shown for each given year.  
Source: CoStar; Economics Research Associates

### Grantville Redevelopment Plan Area Retail Space Market

The amount of retail space in Subarea A of the Grantville Redevelopment Plan Area has not increased since 2001, when about 30,000 square feet was added to the available market. As shown in Figure 70, occupancy of retail space reached its peak in 2002, with about 858,000 square feet of occupied space. However, in 2003, the amount of occupied retail space decreased to about 840,000 square feet. It has steadily increased over the years, but has not reached full occupancy. In 2008, the vacancy rate was about 1.6 percent (see Figure 71). Average rental rates have greatly increased since 2003, reaching its peak of \$27.50 per square foot in 2008. This is about a 40 percent increase in average rental rates since 2003.

**Figure 70: Grantville Redevelopment Plan Area (Subarea A) Occupied Retail Space**



Note: Fourth quarter data shown for each given year.  
 Source: CoStar; Economics Research Associates

**Figure 71: Grantville Redevelopment Plan Area (Subarea A) Retail Space Market Summary, 1999-2008**

|                               | Total Inventory | Total Occupied Inventory | Net Absorption | Vacancy Rate | Rental Rate  |
|-------------------------------|-----------------|--------------------------|----------------|--------------|--------------|
| 1999                          | 831,963         | 814,977                  | -5,415         | 2.0%         | -            |
| 2000                          | 862,004         | 848,831                  | 33,854         | 1.5%         | -            |
| 2001                          | 862,004         | 845,674                  | -3,157         | 1.9%         | -            |
| 2002                          | 862,004         | 857,732                  | 12,058         | 0.5%         | -            |
| 2003                          | 862,004         | 834,395                  | -23,337        | 3.2%         | \$19.20 /nnn |
| 2004                          | 862,004         | 843,674                  | 9,279          | 2.1%         | \$21.29 /nnn |
| 2005                          | 862,004         | 852,933                  | 9,259          | 1.1%         | \$20.97 /nnn |
| 2006                          | 862,004         | 854,414                  | 1,481          | 0.9%         | \$23.79 /nnn |
| 2007                          | 862,004         | 855,667                  | 1,253          | 0.7%         | \$20.97 /nnn |
| 2008                          | 862,004         | 848,547                  | -7,120         | 1.6%         | \$27.51 /nnn |
| <b>Avg. Annual Absorption</b> |                 |                          | <b>3,128</b>   |              |              |

Note: Fourth quarter data shown for each given year.

Source: CoStar; Economics Research Associates

## Residential Market Trends

Demand for residential products is going to be a byproduct of employment and population growth throughout the County. The following sections examine the regional market conditions for rental and for sale residential properties as well as more localized information pertaining to residential potential in Subarea A.

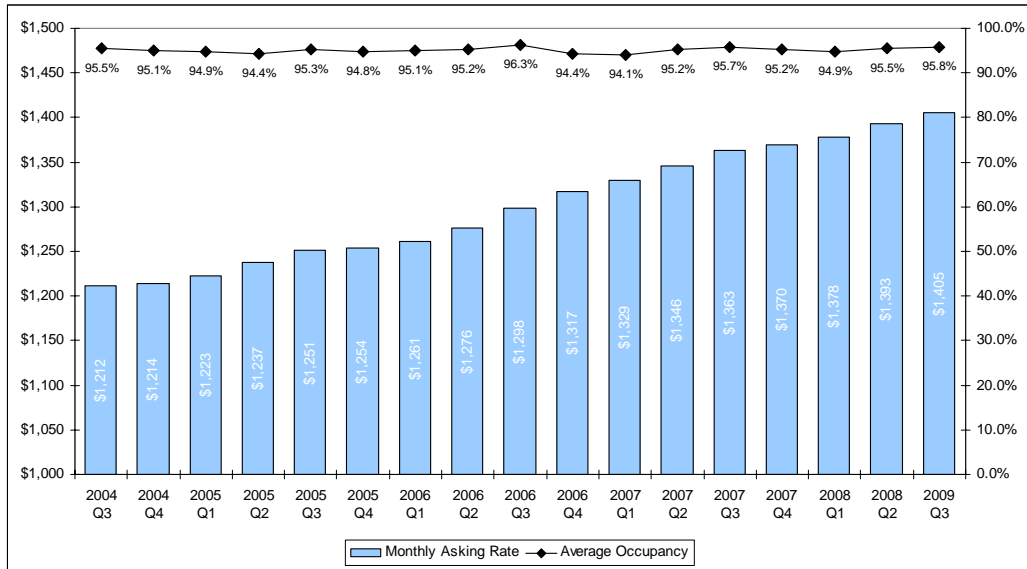
### For Rent Residential Market

Due to an increased demand for rental properties in the region, the average asking rent per unit has increased from \$1,200 to \$1,400, or just less than 17 percent in the last four years. The sector has been perceived as strong during the economic downturn as many people have left owned homes for rental properties, as well as those individuals who are waiting for the housing market to stabilize before they enter the market. Since year end 2004, occupancy has hovered around 95 to 96 percent (see Figure 72).

Since dropping in the second quarter of 2006, the median sales price per unit has remained around \$125,000. Cap rates have shown steady, but small, increases year-over-year increasing one percent since year end 2004 (see Figure 73). Rising cap rates complied with the continued high costs associated with mid-rise and high-rise multi-family construction and banks providing loans for more

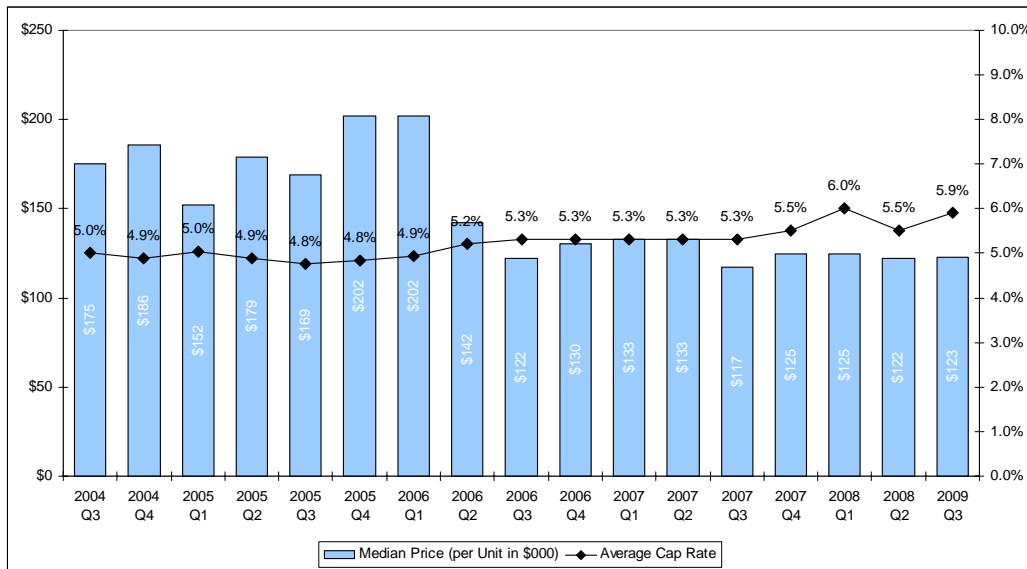
than 60 percent of the project's construction cost<sup>7</sup> has made multi-family housing development difficult to pencil out over the last year.

**Figure 72: San Diego County Contemporary Multi Family (Apartment) Trends**



Source: Real Facts; Economics Research Associates

**Figure 73: San Diego County Market Sales Price and Capitalization Rates for Multi Family (Apartment) Properties**



Source: CoStar; Economics Research Associates

<sup>7</sup> As estimated by the San Diego Regional Economic Development Corporation.

### **Clairemont/Linda Vista Mission Area**

According to Reis, a third party provider of impartial commercial real estate performance information and analysis, the Clairemont/Linda Vista Mission submarket of San Diego currently has about 120 apartment buildings (about 21,600 units)<sup>8</sup>. The Clairemont/Linda Vista Mission submarket is bounded by the I-5 freeway to the east, State Highway 52 to the north, State Highway 125 to the east, and I-8 to the south. It includes the Mission Valley and Navajo Community Plan Areas and the Grantville Redevelopment Plan Area. The apartment buildings in the Clairemont/Linda Vista Mission area compose about 6 percent of the larger San Diego metro area.

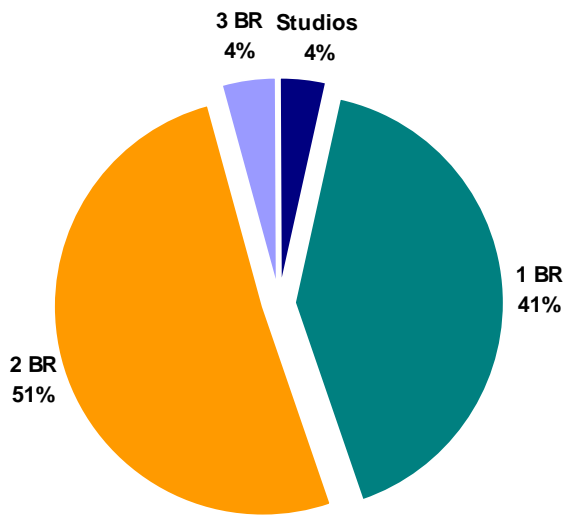
The majority of apartment units (51 percent) are 2 bedroom units, with an additional 41 percent of units having 1 bedroom. Rents in apartment buildings built after 1999 command a greater average rent of \$1,900 compared to \$1,266 (buildings built before 1970). The average rent in the area is about \$1,500.

The asking rent per square foot remained under \$2.00 per square foot, regardless of the type of the apartment unit (number of bedrooms). Asking rents per square foot are higher than the San Diego metro area, with the exception of studio apartments. Studio apartments also achieve the highest asking rent per square foot at about \$1.90 per square foot. After peaking in 1995 to 1996, asking rental rate growth has declined since 1999. Growth has reached an historic low of about 0.9 percent in 2008 YTD. Vacancy rates are highest in buildings built after 1999, at about 4.4 percent. The average vacancy rate in the submarket is about 2.8 percent. This is likely due to the higher asking rent of newer buildings. These and other rental market data is presented in Figure 74 - Figure 81. A list of select comparable rental properties is included in Figure 82.

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<sup>8</sup> REIS only tracks large apartment complexes usually over 50 units in size.

**Figure 74: Submarket Unit Mix**



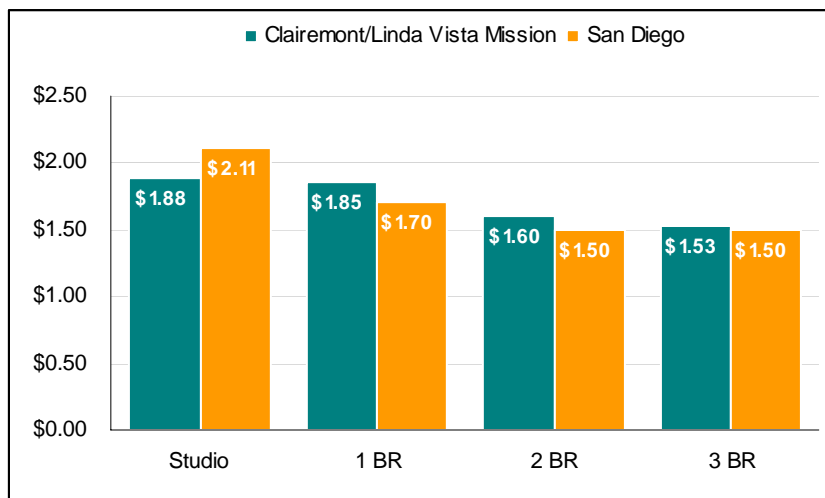
Source: REIS; Economics Research Associates

**Figure 75: Asking Rent by Age**

| Year Built  | Rent           |
|-------------|----------------|
| Before 1970 | \$1,266        |
| 1970 - 1979 | \$1,205        |
| 1980 - 1989 | \$1,584        |
| 1990 - 1999 | \$1,878        |
| After 1999  | \$1,900        |
| <b>All</b>  | <b>\$1,457</b> |

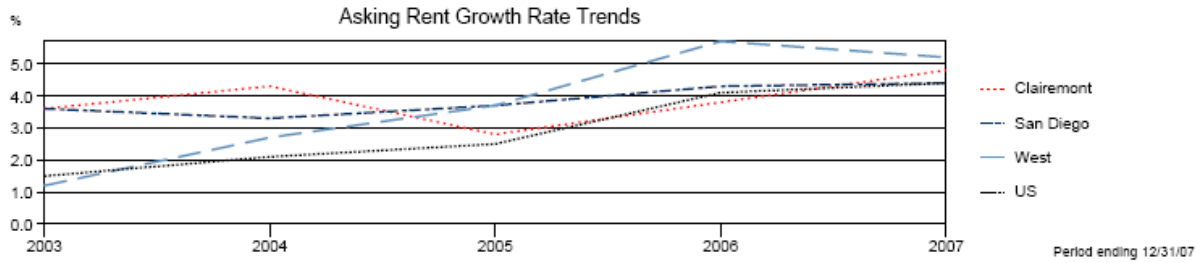
Source: REIS; Economics Research Associates

**Figure 76: Asking Rent per Square Foot**

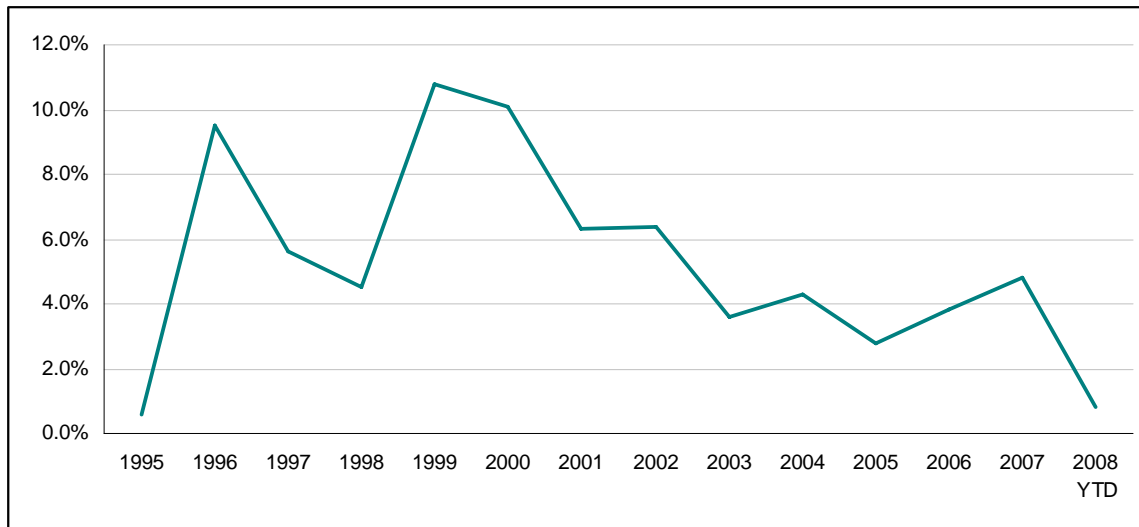


Source: REIS; Economics Research Associates

**Figure 77: Asking Rent Growth Rate Trends**



**Figure 78: Historic Asking Rent Growth Trends, Clairemont/Linda Vista Mission Submarket**



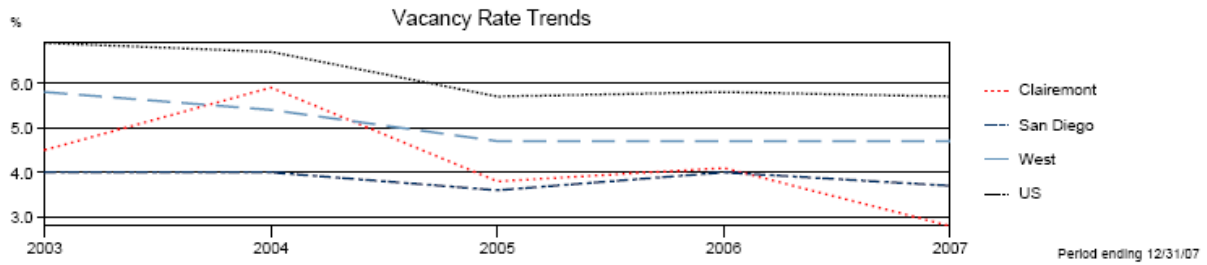
**Figure 79: Vacancy Rate by Age**

| Year Built  | Vacancy %   |
|-------------|-------------|
| Before 1970 | 2.2%        |
| 1970 - 1979 | 2.2%        |
| 1980 - 1989 | 3.0%        |
| 1990 - 1999 | 2.4%        |
| After 1999  | 4.4%        |
| <b>All</b>  | <b>2.8%</b> |

Source: REIS; Economics Research Associates

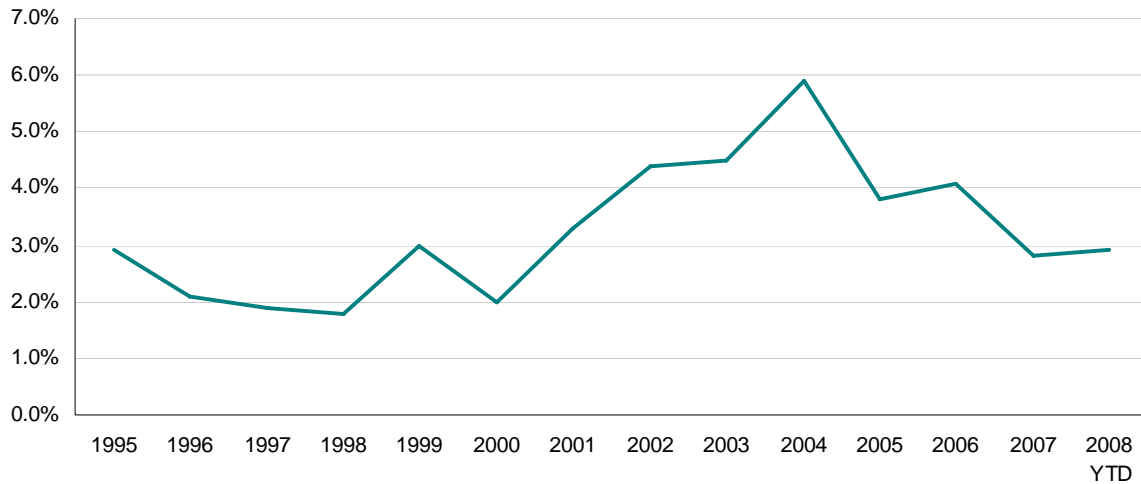


**Figure 80: Vacancy Rate Trends**



Source: REIS; Economics Research Associates

**Figure 81: Historic Vacancy Rate Trends, Clairemont/Linda Vista Mission Submarket**



Source: REIS; Economics Research Associates

**Figure 82: List of Comparable For Rent Properties in Mission Valley**

| Name                         | Address                     | City          | Zip Code | Price Range     |
|------------------------------|-----------------------------|---------------|----------|-----------------|
| Montanosa                    | 11012 Camino Playa Carmel   | San Diego, CA | 92124    | \$1205 - \$1850 |
| Padre Gardens Mission Valley | 10343 San Diego Mission Rd. | San Diego, CA | 92108    | \$1130 - \$1610 |
| Portofino Apartment Homes    | 2500 Northside Dr.          | San Diego, CA | 92108    | \$1625 - \$2875 |
| Avion at Spectrum            | 8811 Spectrum Center Blvd.  | San Diego, CA | 92108    | \$1565 - \$2115 |
| Avalon at Mission Ridge      | 2745 Meadowlark Drive       | San Diego, CA | 92123    | \$1095 - \$2035 |
| The Stratton                 | 3884 & 1/2 Caminito Aguilar | San Diego, CA | 92111    | \$1051 - \$1723 |
| The Promenade Rio Vista      | 2185 Station Village Way    | San Diego, CA | 92108    | \$1291 - \$2097 |
| La Mirage                    | 6554 Ambrosia Drive         | San Diego, CA | 92124    | \$1235 - \$2465 |
| Tierrasanta Ridge            | 5410 Repecho Dr             | San Diego, CA | 92124    | \$1275 - \$1770 |
| Archstone Mission Valley     | 2288 Fenton Pkwy.           | San Diego, CA | 92108    | \$1405 - \$2455 |
| River Front                  | 750 Camino De La Reina Ave. | San Diego, CA | 92108    | \$1715 - \$1855 |
| River Run Village            | 2265 River Run Dr.          | San Diego, CA | 92108    | \$1275 - \$1710 |
| Avalon Fashion Valley        | 7084 Friars Road            | San Diego, CA | 92108    | \$1805 - \$3090 |
| Bluffs II Apartments         | 6540 Friars Road            | San Diego, CA | 92108    | \$1024 - \$1550 |
| The Missions At Rio Vista    | 2242 Gill Village Way       | San Diego, CA | 92108    | \$1495 - \$2700 |
| Archstone Presidio View      | 1440 Hotel Circle North     | San Diego, CA | 92108    | \$1395 - \$2555 |
| Club River Run               | 10041 Rio San Diego Dr.     | San Diego, CA | 92108    | \$1340 - \$1780 |
| El Dorado Hills              | 3828 Pendiente Ct.          | San Diego, CA | 92124    | \$1255 - \$1770 |

Source: Individual Properties; Economics Research Associates

## For Sale Residential Market

### New Homes

Construction permit data, provided by the Construction Industry Research Board, is useful to determine the inventory of future residential units. Permits refer to developments that have been approved for construction and are likely to enter the market within the near future.

New home permits have dramatically decreased in the County since the housing boom of the late 1990s and early 2000s, with less than 4,500 permits approved by September 2008, about a quarter of the number of permits approved in 1999 (see Figure 83). Since 1999, the emphasis on building has shifted from single-family units to multi-family units in the County. In 1999, about 75 percent of housing unit permits was dedicated to single-family units, whereas in 2007, only about 47 percent of permits were for single-family units. The County has also decreased its share of total permits for the Southern California area, which includes Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara Counties. At the peak of the housing boom in the County, permits in San Diego composed about 23.4 percent of all permits granted in the Southern California area. In 2008, this decreased to less than 12 percent.

In line with the decrease in new home construction, new home sales have also slowed since the mid-2000s. As shown in Figure 84, between 1998 and 2005, new home sales had an annual growth rate of about 9 percent, with nearly 16,000 new homes sold in the County. As such, the County captured an average of 20 percent of new home sales in the Southern California area during this period. Since 2005, however, new home sales have decreased, with only about 8,500 new homes sold in 2007 and less than 3,000 in 2008 YTD<sup>9</sup>. Although new home sales prices have been declining since 2006 in the larger Southern California area, reaching about \$400,000 in 2008 YTD, new home sales prices in the County have stayed around \$470,000 in 2008 YTD. The County, did however, see a decline in 2007, with new home sales prices averaging about \$430,000.

As of September 2008, over 3,000 new homes remained unsold in the County, about 27 percent of the share of unsold new homes in the Southern California region. No new homes in the City remained unsold during this same period (see Figure 86).

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<sup>9</sup> Year-to-date (YTD) is based on the data availability for the Real Estate Research Council of Southern California.

**Figure 83: Housing Unit Permits, by Housing Type**

|                                  | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008 YTD | Annual Growth Rate |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|--------------------|
| <b>Single-Family Units</b>       |         |         |         |         |         |         |         |         |         |         |          |                    |
| San Diego County                 | 9,160   | 9,993   | 9,167   | 9,312   | 9,749   | 9,455   | 9,555   | 7,904   | 4,753   | 3,503   | 1,952    | -10.1%             |
| Southern California <sup>1</sup> | 43,382  | 49,052  | 47,599  | 50,894  | 57,359  | 64,776  | 71,853  | 72,453  | 54,078  | 30,410  | 22,693   | -3.9%              |
| California                       | 94,298  | 101,711 | 105,595 | 106,902 | 123,865 | 138,762 | 151,417 | 155,322 | 108,021 | 68,409  | 27,160   | -3.5%              |
| <b>Multi-Family Units</b>        |         |         |         |         |         |         |         |         |         |         |          |                    |
| San Diego County                 | 3,013   | 6,434   | 6,760   | 6,326   | 5,989   | 8,859   | 7,751   | 7,354   | 6,024   | 3,942   | 2,502    | 3.0%               |
| Southern California <sup>1</sup> | 13,398  | 21,114  | 24,651  | 23,743  | 27,282  | 32,415  | 38,526  | 31,952  | 33,859  | 27,497  | 14,690   | 8.3%               |
| California                       | 31,409  | 38,426  | 42,945  | 41,855  | 43,896  | 56,920  | 61,543  | 53,650  | 56,259  | 44,625  | 24,218   | 4.0%               |
| <b>Total Housing Units</b>       |         |         |         |         |         |         |         |         |         |         |          |                    |
| San Diego County                 | 12,173  | 16,427  | 15,927  | 15,638  | 15,738  | 18,314  | 17,306  | 15,258  | 10,777  | 7,445   | 4,454    | -5.3%              |
| Southern California <sup>1</sup> | 56,780  | 70,166  | 72,250  | 74,637  | 84,641  | 97,191  | 110,379 | 104,405 | 87,937  | 57,907  | 37,383   | 0.2%               |
| California                       | 125,707 | 140,137 | 148,540 | 148,757 | 167,761 | 195,682 | 212,960 | 208,972 | 164,280 | 113,034 | 51,378   | -1.2%              |
| Share of Southern CA Permits     | 21.4%   | 23.4%   | 22.0%   | 21.0%   | 18.6%   | 18.8%   | 15.7%   | 14.6%   | 12.3%   | 12.9%   | 11.9%    | -5.5%              |
| Share of Total CA Permits        | 9.7%    | 11.7%   | 10.7%   | 10.5%   | 9.4%    | 9.4%    | 8.1%    | 7.3%    | 6.6%    | 6.6%    | 8.7%     | -4.2%              |

**Notes:**

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.

New homes include attached and detached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

**Figure 84: New Homes Sales Trends, by Region**

|                                  | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008 YTD |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| San Diego County                 | 8,747  | 9,331  | 9,259  | 9,570  | 10,591 | 12,131 | 14,812 | 15,902 | 11,659 | 8,478  | 2,924    |
| Southern California <sup>1</sup> | 37,858 | 40,431 | 42,007 | 44,948 | 51,219 | 59,510 | 66,507 | 76,033 | 67,308 | 44,993 | 18,579   |
| Share of Southern CA Sales       | 23.1%  | 23.1%  | 22.0%  | 21.3%  | 20.7%  | 20.4%  | 22.3%  | 20.9%  | 17.3%  | 18.8%  | 15.7%    |

**Notes:**

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.

New homes include attached and unattached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

**Figure 85: New Home Sales Prices, by Region**

| <b>New Home Sales Prices</b>     |           |           |           |           |           |           |           |           |           |           |           |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                  | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | 2008 YTD  |
| San Diego County                 | \$260,244 | \$277,497 | \$318,539 | \$360,937 | \$404,927 | \$459,706 | \$486,774 | \$471,064 | \$440,798 | \$431,607 | \$474,639 |
| Southern California <sup>1</sup> | \$233,980 | \$259,083 | \$291,925 | \$309,846 | \$335,467 | \$374,664 | \$422,075 | \$453,844 | \$467,274 | \$457,190 | \$402,162 |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara. New homes include attached and unattached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

**Figure 86: Unsold New Housing, by County & Area**

|                                  | Detached   |              |              | Attached     |              |              | Total        |              |              |
|----------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                  | Complete   | Under        | Total Unsold | Complete     | Under        | Total Unsold | Complete     | Under        | Total Unsold |
|                                  |            | Construction |              |              | Construction |              |              | Construction |              |
| San Diego County                 |            |              |              |              |              |              |              |              |              |
| Interstate 56 Corridor           | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Interstate 78 Corridor           | 64         | 134          | 198          | 126          | 49           | 175          | 190          | 183          | 373          |
| Interstate 15 Corridor           | 17         | 84           | 101          | 4            | 15           | 19           | 21           | 99           | 120          |
| North County Coastal             | 48         | 98           | 146          | 43           | 11           | 54           | 91           | 109          | 200          |
| San Diego Central                | 3          | 1            | 4            | 927          | 908          | 1,835        | 930          | 909          | 1,839        |
| Eastern San Diego                | 46         | 56           | 102          | 133          | 17           | 150          | 179          | 73           | 252          |
| <b>San Diego City</b>            | <b>0</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| South County                     | 95         | 50           | 145          | 148          | 38           | 186          | 243          | 88           | 331          |
| <b>Total</b>                     | <b>273</b> | <b>423</b>   | <b>696</b>   | <b>1,381</b> | <b>1,038</b> | <b>2,419</b> | <b>1,654</b> | <b>1,461</b> | <b>3,115</b> |
| Southern California <sup>1</sup> | 1,947      | 2,775        | 4,722        | 3,642        | 3,117        | 6,759        | 5,589        | 5,892        | 11,481       |
| Area Share of San Diego County   | 0.0%       | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| County Share of Southern CA      | 14.0%      | 15.2%        | 14.7%        | 37.9%        | 33.3%        | 35.8%        | 29.6%        | 24.8%        | 27.1%        |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara. New homes include attached and unattached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

## Existing Homes

Similar to new home sales trends, existing home sales began to decline in the mid-2000s. Existing home sales, including houses and condos, reached its peak in 2004, growing at an annual rate of 2.3 percent between 1998 and 2004 in the County. Since 2004, existing home sales have declined at an annual rate of 20 percent, with less than 28,000 existing homes sold in 2007 as compared to over 54,000 in 2004. The County has been losing its share of the existing home sales market in California since 1998, with less than 8 percent of homes sold in California being sold in the County, as compared to over 9 percent in 1998. The County, however, maintained its share of sales of existing homes in Southern California, at about 16.6 percent in 2007 (see Figure 87).

Average home prices in the County experienced tremendous growth since 1998, with average home prices increasing from \$175,000 in 1998 to a high of \$512,000 in 2006. Average existing home prices dropped slightly in 2007 to about \$496,000 and have continued to decrease into 2008, averaging about \$380,000 YTD. Average home prices in the County remain at similar levels to prices in Southern California and California (see Figure 89).

**Figure 87: Existing Homes Sales, by County**

|                                  | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008 YTD |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Existing House Sales             |         |         |         |         |         |         |         |         |         |         |          |
| San Diego County                 | 32,972  | 34,990  | 32,310  | 29,496  | 31,023  | 34,259  | 36,959  | 32,537  | 24,380  | 19,630  | 13,043   |
| Southern California <sup>1</sup> | 222,370 | 234,494 | 220,450 | 213,730 | 238,651 | 261,786 | 273,346 | 263,642 | 203,353 | 132,368 | 98,078   |
| Existing Condo Sales             |         |         |         |         |         |         |         |         |         |         |          |
| San Diego County                 | 14,205  | 15,950  | 15,419  | 13,428  | 14,728  | 16,112  | 17,074  | 14,220  | 9,316   | 8,353   | 7,014    |
| Southern California <sup>1</sup> | 58,788  | 67,617  | 68,297  | 64,495  | 70,485  | 73,950  | 75,301  | 71,303  | 49,040  | 36,581  | 25,358   |
| Total Home Sales                 |         |         |         |         |         |         |         |         |         |         |          |
| San Diego County                 | 47,177  | 50,940  | 47,729  | 42,924  | 45,751  | 50,371  | 54,033  | 46,757  | 33,696  | 27,983  | 20,057   |
| Southern California <sup>1</sup> | 281,158 | 302,111 | 288,747 | 278,225 | 309,136 | 335,736 | 348,647 | 334,945 | 252,393 | 168,949 | 123,436  |
| California                       | 505,411 | 537,826 | 535,472 | 503,990 | 572,550 | 601,770 | 624,740 | 624,960 | 477,300 | 353,300 |          |
| County Share of Southern CA      | 16.8%   | 16.9%   | 16.5%   | 15.4%   | 14.8%   | 15.0%   | 15.5%   | 14.0%   | 13.4%   | 16.6%   | 16.2%    |
| County Share of California       | 9.3%    | 9.5%    | 8.9%    | 8.5%    | 8.0%    | 8.4%    | 8.6%    | 7.5%    | 7.1%    | 7.9%    |          |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.  
 New homes include attached and unattached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

**Figure 88: Existing Average Home Prices, by County**

|                                  | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | 2008 YTD  | Annual Growth Rate |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|
| Existing House Prices            |           |           |           |           |           |           |           |           |           |           |           |                    |
| San Diego County                 | \$190,258 | \$209,452 | \$239,722 | \$272,245 | \$323,571 | \$386,619 | \$485,719 | \$549,401 | \$558,810 | \$549,991 | \$436,889 | 12.5%              |
| Southern California <sup>1</sup> | \$173,048 | \$185,097 | \$204,072 | \$228,253 | \$266,976 | \$320,487 | \$399,279 | \$477,029 | \$513,820 | \$530,500 | \$389,819 | 13.3%              |
| Existing Condo Prices            |           |           |           |           |           |           |           |           |           |           |           |                    |
| San Diego County                 | \$141,310 | \$146,007 | \$162,123 | \$188,908 | \$236,550 | \$283,986 | \$355,446 | \$395,161 | \$390,672 | \$370,190 | \$273,111 | 11.3%              |
| Southern California <sup>1</sup> | \$136,254 | \$144,741 | \$158,956 | \$177,721 | \$213,847 | \$261,322 | \$331,080 | \$388,965 | \$407,238 | \$403,671 | \$324,960 | 12.8%              |
| Average Existing Home Prices     |           |           |           |           |           |           |           |           |           |           |           |                    |
| San Diego County                 | \$175,520 | \$189,586 | \$214,653 | \$246,175 | \$295,558 | \$353,790 | \$444,553 | \$502,493 | \$512,325 | \$496,320 | \$380,229 | 12.2%              |
| Southern California <sup>1</sup> | \$165,253 | \$176,100 | \$193,365 | \$216,635 | \$254,646 | \$307,203 | \$384,695 | \$458,304 | \$493,284 | \$503,311 | \$376,309 | 13.2%              |
| California                       | \$200,100 | \$217,510 | \$241,350 | \$262,350 | \$316,130 | \$372,720 | \$450,770 | \$522,670 | \$556,430 | \$558,100 | \$381,936 | 12.1%              |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.  
 New homes include attached and unattached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

**Figure 89: Sample Average Home Prices, by Region**

|                                  | Oct 2004    | Apr 2005    | Oct 2005    | Apr 2006    | Oct 2006    | Apr 2007    | Oct 2007    | Apr 2008    | Oct 2008    |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| San Diego County                 | \$605,316   | \$632,140   | \$679,772   | \$673,702   | \$666,018   | \$639,947   | \$616,404   | \$560,579   | \$518,263   |
| City Beaches                     | \$1,000,000 | \$1,032,500 | \$1,179,833 | \$1,207,500 | \$1,242,667 | \$1,179,500 | \$1,145,167 | \$1,093,000 | \$1,067,167 |
| City Central                     | \$519,182   | \$546,727   | \$577,273   | \$554,455   | \$546,455   | \$513,909   | \$507,364   | \$449,818   | \$404,364   |
| South Bay                        | \$403,000   | \$44,967    | \$489,333   | \$501,833   | \$496,500   | \$472,000   | \$436,500   | \$374,000   | \$313,167   |
| East County                      | \$562,167   | \$584,417   | \$629,500   | \$620,000   | \$602,250   | \$578,917   | \$560,000   | \$499,500   | \$447,583   |
| North City & County              | \$619,455   | \$641,591   | \$674,000   | \$663,909   | \$649,545   | \$634,909   | \$606,545   | \$554,955   | \$521,500   |
| Southern California <sup>1</sup> | \$550,674   | \$583,310   | \$646,285   | \$665,943   | \$664,248   | \$648,620   | \$622,294   | \$560,260   | \$510,045   |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.

New homes include attached and unattached housing units.

Source: Real Estate Research Council of Southern California; Economics Research Associates

## Foreclosures

Notices of Defaults are the first step in the foreclosure process. It is the notification given to a borrower stating payments have not been made and the lender may choose to proceed with the foreclosure process. The number of recorded notices of default has been growing throughout Southern California, reaching over 205,000 notices in 2008 YTD, over double of what was recorded in 1998. In the County, by 2008 YTD (September 2008), the number of notices of default is nearly triple of what it was in 1997. As shown in Figure 90, the County's share of notices of default has also increased since 1997. Between 1997 and 2002, the County's share within Southern California remained between 8 and 10 percent. Since 2003, it has steadily increased from 10.6 percent in 2003 to about 13.6 percent in 2008 YTD.

Figure 91 shows foreclosure trends in the County and the Southern California area. It is based on the number of trustees deeds recorded by the Southern California County Recorders. After reaching a low of about 570 foreclosed homes in 2003, it has reached over 15,700 homes in 2008 YTD. The foreclosed homes in the County make up about 13 percent of homes in Southern California.

## Housing Supply

As of year end 2008, Market Pointe Realty estimates the housing supply<sup>10</sup> in the County was down to 6.7 months. This is approximately half the amount (12.2 months) on the market during year end 2007. In most markets, a six to seven month supply is considered normal. However, the County's residential supply is usually much lower. For example, between 1991 and 2004 it is estimated that the average supply of housing was only 1.9 months.

The decrease in foreclosure filings, down nearly 50 percent from its peak in mid-2008, has played a large role in this reduced supply. It is assumed that as the foreclosure market is absorbed, the supply of homes will shrink rather rapidly due to the fact that there has been limited development over the last couple years. One potential area of concern is Alt-A loans (between a sub-prime and prime loan) which are set to reset sometime in 2009 and 2010. Experts suggest this could affect up to a million homes. However, with fewer unoccupied homes and a highly desirable location, the County is positioned to exit the housing crisis faster than other areas throughout the state and nation.

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<sup>10</sup> To determine the monthly housing supply one divides the number of homes listed for sale by the number of homes sold.



**Figure 90: Notices of Default, by County**

|                                  | 1997    | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007    | 2008 YTD |
|----------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|----------|
| San Diego County                 | 10,085  | 7,766  | 5,962  | 5,472  | 5,726  | 5,986  | 5,167  | 4,260  | 5,080  | 10,294 | 22,194  | 27,990   |
| Southern California <sup>1</sup> | 123,915 | 98,031 | 74,171 | 65,863 | 65,786 | 60,501 | 48,943 | 39,109 | 40,830 | 71,476 | 158,578 | 205,261  |
| County Share of Southern CA      | 8.1%    | 7.9%   | 8.0%   | 8.3%   | 8.7%   | 9.9%   | 10.6%  | 10.9%  | 12.4%  | 14.4%  | 14.0%   | 13.6%    |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.  
Source: Real Estate Research Council of Southern California; Economics Research Associates

**Figure 91: Foreclosure Trends, by County**

|                                  | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003  | 2004  | 2005  | 2006  | 2007   | 2008 YTD |
|----------------------------------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|--------|----------|
| San Diego County                 | 5,136  | 3,345  | 1,989  | 1,380  | 826    | 908    | 566   | 553   | 559   | 2,065 | 8,416  | 15,740   |
| Southern California <sup>1</sup> | 70,513 | 55,097 | 37,979 | 27,161 | 19,425 | 14,895 | 7,326 | 3,937 | 2,981 | 8,956 | 50,874 | 119,226  |
| County Share of Southern CA      | 7.3%   | 6.1%   | 5.2%   | 5.1%   | 4.3%   | 6.1%   | 7.7%  | 14.0% | 18.8% | 23.1% | 16.5%  | 13.2%    |

Notes:

1/ Southern California region includes the following counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara.  
Source: Real Estate Research Council of Southern California; Economics Research Associates

## **Planned and Proposed Projects**

The following list provided by ICF Jones & Stokes is a brief summary of major projects planned or proposed in the market area that will likely affect demand for development within Subarea A.

### **Atlas Specific Plan (Approved 1988)**

The project is located north and south of Interstate 8 in Mission Valley among seven (7) non-contiguous sites totaling about 86 acres. The proposal included a mix of hotel and office space. The majority of the project is built out, and portions of the project are located within the San Diego River Park Master Plan.

### **Levi-Cushman Specific Plan (Approved 1987)**

The project is a 200-acre mixed use development of residential, retail, hotel and office just north of Interstate 8 in Mission Valley. The majority of the project is built out, and portions of the project are located within the San Diego River Park Master Plan.

### **First San Diego River Improvement Project (FSDRIP) Specific Plan (Approved 1999)**

The project consists of approximately 261 acres generally bound by Friars Road to the north, SR-163 to the west, Qualcomm Way to the east and Interstate 8 to the south. The project consists of the following development proposals: Mission Valley West/MBM Development, Hazard Center, Park in the Valley, and Rio Vista West, which propose residential, commercial-office, commercial-retail, and visitor-oriented commercial uses. The majority of the project is built out, and portions of the project are located within the San Diego River Park Master Plan. Two high-rise buildings of 21 and 22 stories are currently proposed within the Hazard Center development (2008). This would require an amendment to the original Specific Plan.

### **Mission City Specific Plan (Approved Circa 1998)**

The project consists of approximately 194 acres of primarily residential development and some commercial/office. The project generally is located along Friars road, between I-8, I-805, and I-15 in Mission Valley. The majority of the project is built out, and portions of the project are located within the San Diego River Park Master Plan.

### **Quarry Falls (Approved 2008)**

This proposed project is just north of Friars and west of I-805. A small, non-contiguous portion of the project is within the San Diego River Park Master Plan. The project is estimated to cost \$1.3 billion to develop and includes up to 4,780 homes and 9,000 square feet of office and retail space and will take 12 to 15 years to reach build out. More information, including a site plan, can be found here:

<http://www.quarryfalls.com/page/content/concept/>.

**The Paseo (Proposed)**

This project is located near SDSU, bounded by College Avenue to the east, Campanile Drive to the west, and Montezuma to the south, was included in the cumulative projects analysis for the Centerpointe Project (described below). The mixed-use proposal includes 470 apartments, 111,000 square feet of campus-serving office space, a multi-plex movie theater, 153,500 square feet of retail, 60,000 square feet of restaurant, and 4,500 square feet reserved for religious organizations on campus.

**SDSU Master Plan (Proposed)**

The proposal involves implementation of the 2005 SDSU Campus Master Plan to increase the student population from 25,000 to 35,000 students.

**Mission Valley Mall Expansion (Proposed)**

The proposal includes 500,000 square feet of retail space on two levels, as well as 50,000 square feet of new office space and 250 condominium units.

**Centerpointe at Grantville (Approved 2007)**

This project is located in Grantville, bordered by Twain Avenue to the south, Vandever Avenue to the north, Mission Gorge Road to the east, and Fairmount Avenue to the west. The project entitles an 11.4-acre site for 588 condos, 20,428 square feet of retail, 5,000 square feet of restaurant, and 109,800 square feet of office.

**Archstone Mission Gorge (Proposed)**

This is a highly controversial project that would replace about 120 mobile home residents with 444 apartments on 10.2 acres.

**Subarea B of the Grantville Redevelopment Area (Proposed)**

The proposed "Riverpark at Mission Gorge" project by Superior Ready Mix within Subarea B of the Grantville Redevelopment Area is master planned by Rick Engineering. It is about 375 acres (90% of subarea B) and includes about 2,100 multifamily units, retail outlets, office buildings and light industrial space. Almost 60 percent of the property is proposed to be open space. Two small landowners, Bradley and Garver, are within Subarea B.

**Additional Projects:**

- Alvarado Canyon Road Realignment (City and Caltrans, Moffat and Nichol)
- Unnamed project; proposed by Shawnee LLC and CG7600LP; 23 acres; 900 to 1,100 multifamily housing units with access to the San Diego River.

- Brian Caster, who owns property near the Grantville Trolley Station in Subarea A, has indicated that he will have plans ready for his property soon. Will most likely involve high residential density.

## VI. Long Term Land Use Demand

Based upon the long-term growth forecasts and land use demand and supply considerations, ERA has forecasted land use demand from 2008 to 2030 in Subarea A. The forecast focuses on the demand and market feasibility of the following land uses:

1. Industrial;
2. Office Commercial;
3. Retail Commercial; and
4. Residential.

Specific data informing these estimates are provided in Sections IV and V of this report.

### Office Development

Based on SANDAG projections of total employment growth in the County, ERA estimated office using employment growth from 2008 to 2030. As noted in Section IV, the composition of new employment is anticipated to change in the County and there will be increased demand for office space. Using the industry standard of 250 square feet of gross office space per employee and an occupancy rate of 94 percent in a stable market<sup>11</sup>, ERA estimates that there will be demand for approximately 40 million square feet of office space from 2008 to 2030 (see Figure 92).

Office absorption in the Mission Valley and Navajo Community Plan Areas averaged 38,000 square feet per year for the past ten years. During the same time, the total inventory has increased adding approximately one million square feet of new office space in Mission Valley. ERA anticipates that the recent downturn in the office market will effectively stop new development in the short-term. As noted below, ERA has utilized the area's exiting "fair share" deliveries in relation to the County office market to establish the low capture scenario. The mid and high scenarios are based on ERA's understanding that office markets in close proximity to downtown will be increasing important in the future. In total, ERA estimates that the Community Plan Areas' could capture between 1.6 and 2.6 million square feet of office demand in the next two decades.

The potentials for new office development in Subarea A will be based on its ability to establish itself as an extension of the Mission Valley office market, rather than compete directly with the downtown office market in the long term. The area also has the potential to leverage its existing transit service and excellent freeway connectivity with the region. ERA expects the pace of office development in Subarea A to range from a low of 234,000 square feet to a high of 367,000 square feet of total construction by 2030. As noted, as the area becomes more desirable for office development its ability

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<sup>11</sup> The "stable market occupancy level" is the level of occupancy where demand for new development becomes feasible.

to capture potential demand from the Mission Valley market area will increase in the future. Some of this office space will be developed in renovated warehouse and industrial buildings but most will be new tear down construction.

The area may also seek to position itself as a distinct office district focusing on “shared office space.” Also known as business center or executive suites, this emerging office product type appears to best positioned to capitalize on future job growth by focusing on entrepreneurs or those individuals that seek to work in an off-site location, yet still be connected to their business with some limited support services.

**Figure 92: Office Demand Estimate (2008 – 2030)**

|  | 2008 - 2010      | 2010 - 2020 | 2020 - 2030 | 2008 - 2030 |
|--|------------------|-------------|-------------|-------------|
| Change in San Diego County Employment (Jobs)           | 36,011           | 184,315     | 172,650     | 392,976     |
| Percent of New Office Using Jobs                       | 35%              | 35%         | 42%         | 38%         |
| Incremental New Office Using Growth                    | 12,784           | 65,084      | 72,113      | 149,980     |
| <b>Office Demand Growth</b>                            |                  |             |             |             |
| Office Demand Growth                                   |                  |             |             |             |
| @ 250 gross sf per new employee                        | 3,195,900        | 16,271,000  | 18,028,000  | 37,494,900  |
| Occupancy in Equilibrium (%)                           | 94%              | 94%         | 94%         | 94%         |
| New Employment-Generated Demand (sf)                   | 3,399,900        | 17,309,600  | 19,178,700  | 39,888,200  |
| Existing Vacancy in Market                             | 14,500,000       |             |             |             |
| Office Space Under Construction                        | <u>2,400,000</u> |             |             |             |
| Total  | 16,900,000       |             |             |             |
| New Office Space Demand                                | (13,500,100)     | 3,809,500   | 19,178,700  | 22,988,200  |
| <b>Capture Rate for Mission Valley/Navajo</b>          |                  |             |             |             |
| Low <sup>1</sup>                                       |                  | 7.0%        | 7.0%        | 7.0%        |
| Mid <sup>2</sup>                                       |                  | 9.0%        | 9.0%        | 9.0%        |
| High <sup>2</sup>                                      |                  | 11.0%       | 11.0%       | 11.0%       |
| <b>Office Demand for Mission Valley/Navajo</b>         |                  |             |             |             |
| Low  |                  | 267,000     | 1,343,000   | 1,610,000   |
| Mid  |                  | 343,000     | 1,726,000   | 2,069,000   |
| High   |                  | 419,000     | 2,110,000   | 2,529,000   |
| <b>Projected Office Demand in Grantville Subarea A</b> |                  |             |             |             |
| Capture Rate <sup>2,3</sup>                            | 9%               | 12%         | 15%         | 15%         |
| <b>Total Office Demand</b>                             |                  |             |             |             |
| Low  |                  | 32,000      | 201,500     | 233,500     |
| Mid  |                  | 41,200      | 258,900     | 300,100     |
| High   |                  | 50,300      | 316,500     | 366,800     |
| <b>Average Total Office Demand Per Year</b>            |                  |             |             |             |
| Low  |                  | 3,200       | 20,150      | 10,614      |
| Mid  |                  | 4,120       | 25,890      | 13,641      |
| High   |                  | 5,030       | 31,650      | 16,673      |

Source: SANDAG; CoStar; Economics Research Associates

## Industrial Development

Based on SANDAG projections of total employment growth in the County, ERA estimated industrial using employment growth from 2008 to 2030. As noted in Section IV, the composition of new employment is anticipated to change in the County and there will be decreased demand for traditional industrial space. Using the industry standard of 1,000 square feet of gross industrial space per employee and an occupancy rate of 94 percent in a stable market, ERA estimates that there will be demand for approximately 8.7 million square feet of office space from 2008 to 2030.

Mission Valley has little industrial space with approximately 740,000 total square feet, of which, a third is considered flex space. Over the last ten years there has been no development with low vacancy rates in the Mission Valley area. In contrast, the Navajo area has over 2.3 million square feet of industrial space with fewer than 10 percent considered flex space. Historic vacancy and rental rates in Navajo are inline with the City and County averages. During the same time, there has been limited development of new industrial space. Subarea A represents approximately half of all industrial space in the Community Plan areas.

The general character of industrial users in Subarea A is a wide mix of users, many of which include commercial and service uses. However, the majority of businesses are traditional industrial users that are unlike to grow based on industry employment projections in the future. Unlike the Mission Valley area, Subarea A and the Navajo area in general has not developed substantial flex product. There may be some potential to develop higher intensity industrial space within close proximity to the Kaiser Permanente campus. However, development potential is likely limited and would be difficult to justify economically.

Perhaps the biggest challenge with developing industrial land in the local market is availability of land in the North County and South County market areas. As noted in Section IV, the differentiation between the two industrial markets are clear, with the South County area attracting manufacturers and warehouse businesses looking for cheaper building and land costs and North County area attracting businesses looking to locate within the proximity of the biotech center in the North City submarkets.

The demand for industrial uses, as presented in Figure 93, takes into account existing vacancies in the market and the areas historic "fair share" of industrial deliveries in the County. Using various demand scenarios, there is demand for approximately 68,000 to 230,000 square feet of industrial space.

**Figure 93: Industrial Demand Estimate (2008 – 2030)**

|  | 2008 - 2010    | 2010 - 2020 | 2020 - 2030 | 2008 - 2030 |
|--|----------------|-------------|-------------|-------------|
| Change in San Diego County Employment (Jobs)               | 36,011         | 184,315     | 172,650     | 392,976     |
| Percent of New Industrial Using Jobs                       | 5%             | 8%          | 3%          | 6%          |
| Incremental New Industrial Using Jobs Growth               | 1,905          | 15,343      | 5,681       | 22,929      |
| <b>Industrial Demand Growth</b>                            |                |             |             |             |
| Industrial Demand Growth                                   |                |             |             |             |
| @ 1,000 gross sf per new employee                          | 1,905,000      | 15,343,000  | 5,681,000   | 22,929,000  |
| Occupancy in Equilibrium (%)                               | 94%            | 94%         | 94%         | 94%         |
| New Employment-Generated Demand (sf)                       | 2,026,600      | 16,322,300  | 6,043,600   | 24,392,500  |
| Existing Vacancy in Market                                 | 15,600,000     |             |             |             |
| Industrial Space Under Constructon                         | <u>100,000</u> |             |             |             |
| Total  | 15,700,000     |             |             |             |
| New Industrial Space Demand                                | (13,673,400)   | 2,648,900   | 6,043,600   | 8,692,500   |
| <b>Capture Rate for Mission Valley/Navajo</b>              |                |             |             |             |
| Low <sup>1</sup>   |                | 1.7%        | 1.7%        | 1.7%        |
| Mid <sup>2</sup>   |                | 3.7%        | 3.7%        | 3.7%        |
| High <sup>2</sup>  |                | 5.7%        | 5.7%        | 5.7%        |
| <b>Industrial Demand for Mission Valley/Navajo</b>         |                |             |             |             |
| Low  |                | 45,000      | 103,000     | 148,000     |
| Mid  |                | 98,000      | 224,000     | 322,000     |
| High   |                | 151,000     | 344,000     | 495,000     |
| <b>Projected Industrial Demand in Grantville Subarea A</b> |                |             |             |             |
| Capture Rate <sup>3</sup>                                  | 46%            | 46%         | 46%         | 46%         |
| <b>Total Industrial Demand</b>                             |                |             |             |             |
| Low  |                | 20,700      | 47,400      | 68,100      |
| Mid  |                | 45,100      | 103,000     | 148,100     |
| High   |                | 69,500      | 158,200     | 227,700     |
| <b>Average Total Industrial Demand Per Year</b>            |                |             |             |             |
| Low  |                | 2,070       | 4,740       | 3,095       |
| Mid  |                | 4,510       | 10,300      | 6,732       |
| High   |                | 6,950       | 15,820      | 10,350      |

<sup>1</sup> Based on existing and historic capture of industrial space in the Mission Valley and Navajo

<sup>2</sup> ERA Estimate

<sup>3</sup> Grantville Subarea A share of Mission Valley/Navajo CPA (2008 -2010)

Source: SANDAG; CoStar; Economics Research Associates



## Retail Development

ERA developed a retail market segmentation model to estimate the retail support that can be captured at Subarea A, by retail center type—neighborhood center, community / power center, and super-regional/ lifestyle center.

The model derives the markets for each retail center type, the potential annual consumer expenditure on product categories relevant to those offered in each shopping center type, and then estimates the potential capture of the market expenditure in the area and to Subarea A. The trade areas for the retail shopping center types are summarized as follows (presented in radius miles):

|                             |                |                   |                       |
|-----------------------------|----------------|-------------------|-----------------------|
| Neighborhood:               | Primary: 0 – 2 | Secondary: 2 – 5  | Tertiary: 5 - County  |
| Community /Power:           | Primary: 0 – 2 | Secondary: 2 – 5  | Tertiary: 5 - County  |
| Super Regional / Lifestyle: | Primary: 0 – 5 | Secondary: 5 – 10 | Tertiary: 10 - County |

In conjunction with this model, ERA surveyed the existing and planned and proposed retail supply. Project site capture rates and area capture rates are informed by existing and planned retail supply, which is presented in summary format below in Figure 94 and in the previous section of this report.

**Figure 94: Existing Supply of Retail by Shopping Center Type**

|                       | 0 - 2 Mile Market Area |                  |                       | 2 - 5 Mile Market Area |                   |                       | 5 Mile - County Market Area |                   |                       | Total           |                   |                       |
|-----------------------|------------------------|------------------|-----------------------|------------------------|-------------------|-----------------------|-----------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|
|                       | # of Properties        | Total RBA        | Total Available Space | # of Properties        | Total RBA         | Total Available Space | # of Properties             | Total RBA         | Total Available Space | # of Properties | Total RBA         | Total Available Space |
| Strip Center          | 14                     | 329,846          | 6,063                 | 174                    | 2,432,996         | 128,407               | 665                         | 10,696,028        | 821,107               | 853             | 13,458,870        | 955,577               |
| Community Center      | 0                      | 0                | 0                     | 10                     | 1,581,138         | 112,709               | 84                          | 16,718,430        | 1,131,539             | 94              | 18,299,568        | 1,244,248             |
| Neighborhood Center   | 4                      | 295,241          | 10,243                | 44                     | 3,053,144         | 167,398               | 280                         | 21,885,975        | 1,842,097             | 328             | 25,234,360        | 2,019,738             |
| Outlet Center         | 0                      | 0                | 0                     | 0                      | 0                 | 0                     | 3                           | 1,068,229         | 32,192                | 3               | 1,068,229         | 32,192                |
| Power Center          | 2                      | 911,097          | 3,060                 | 3                      | 1,051,970         | 18,152                | 17                          | 7,668,595         | 198,433               | 22              | 9,631,662         | 219,645               |
| Lifestyle Center      | 0                      | 0                | 0                     | 0                      | 0                 | 0                     | 4                           | 1,209,398         | 22,198                | 4               | 1,209,398         | 22,198                |
| Theme/Festival Center | 0                      | 0                | 0                     | 2                      | 150,694           | 22,033                | 7                           | 548,795           | 79,821                | 9               | 699,489           | 101,854               |
| Regional Center       | 0                      | 0                | 0                     | 0                      | 0                 | 0                     | 0                           | 0                 | 0                     | 0               | 0                 | 0                     |
| Super Regional Center | 0                      | 0                | 0                     | 2                      | 3,070,914         | 0                     | 8                           | 8,544,177         | 145,099               | 10              | 11,615,091        | 145,099               |
| <b>Total</b>          | <b>20</b>              | <b>1,536,184</b> | <b>19,366</b>         | <b>235</b>             | <b>11,340,856</b> | <b>448,699</b>        | <b>1,068</b>                | <b>68,339,627</b> | <b>4,272,486</b>      | <b>1,323</b>    | <b>81,216,667</b> | <b>4,740,551</b>      |

Source: SANDAG; CoStar; Economics Research Associates

As noted in Section V, the Mission Valley area has one of the largest concentrations of retail in the City. With approximately 10 percent of all occupied space in the City, the area has almost all the major community and power center anchor tenants, with two regional serving malls. Subarea A’s capture of future retail in a non-neighborhood configuration will be challenged by existing and future planned development in the area. However, based on SANDAG projections along with existing household incomes, the potential retail demand is presented in Figure 95 and Figure 96.

The potential growth in the market is adjusted to illustrate the relative demand, in supportable square feet, of the various retail products based on a sales per square foot performance level by retail center

type. In total, ERA estimates that there is demand for approximately 164,000 square feet of new retail by 2030. This estimate does not take into account the additional demand created by potential new residential units or employment developed in the area. The inclusion of new units and the capture of existing and future employee spending will be calculated based on the preferred development master plan scenarios and desired retail typology.

ERA believes the estimated level of retail demand would likely be best served by a hybrid development, establishing a major node of retail activity in Subarea A. The development may be designed to highlight some of the key features of a lifestyle shopping center (e.g. walkability), while the tenants will most likely be drawn from more traditional neighborhood and community / power center shopping centers. An example of a comparable type of development could be the “Uptown District” in the Hillcrest neighborhood in the City. The project includes approximately 145,000 square feet of retail and commercial space in a mixed-use configuration with 300 dwelling units at a density of 52 units an acre.

**Figure 95: Retail Demand Estimate by Shopping Center Type (2008 – 2030)**

| <b>Summary of Market Support</b>                                     | <b>2008</b>    | <b>2010</b>    | <b>2020</b>    | <b>2030</b>    |
|--|----------------|----------------|----------------|----------------|
| <b><u>Neighborhood Shopping Center</u></b>                           |                |                |                |                |
| Primary Resident Market (0-2 miles)                                  | 23,084         | 24,100         | 24,838         | 25,289         |
| Secondary Resident Market (2-5 miles)                                | 14,801         | 15,034         | 16,544         | 17,489         |
| Tertiary Resident Market (5 miles - County)                          | <u>6,518</u>   | <u>6,756</u>   | <u>7,514</u>   | <u>8,047</u>   |
| Cumulative Market Support (000)                                      | <b>44,402</b>  | <b>45,889</b>  | <b>48,895</b>  | <b>50,825</b>  |
| Incremental New Supportable Square Feet (Rounded)                    | -              | <b>4,000</b>   | <b>8,000</b>   | <b>5,000</b>   |
| <b><u>Community and Power Shopping Center</u></b>                    |                |                |                |                |
| Primary Resident Market (0-2 miles)                                  | 27,339         | 28,543         | 29,416         | 29,951         |
| Secondary Resident Market (2-5 miles)                                | 65,626         | 66,660         | 73,355         | 77,546         |
| Tertiary Resident Market (5 miles - County)                          | <u>38,533</u>  | <u>39,938</u>  | <u>44,419</u>  | <u>47,572</u>  |
| Cumulative Market Support (000)                                      | <b>131,498</b> | <b>135,141</b> | <b>147,190</b> | <b>155,070</b> |
| Incremental New Supportable Square Feet (Rounded)                    | -              | <b>10,000</b>  | <b>34,000</b>  | <b>23,000</b>  |
| <b><u>Super Regional, Outlet &amp; Lifestyle Shopping Center</u></b> |                |                |                |                |
| Primary Resident Market (0-5 miles)                                  | 69,085         | 70,417         | 76,861         | 80,892         |
| Secondary Resident Market (5-10 miles)                               | 97,993         | 100,568        | 108,103        | 115,566        |
| Tertiary Resident Market (10 miles - County)                         | <u>1,235</u>   | <u>1,300</u>   | <u>1,518</u>   | <u>1,630</u>   |
| Cumulative Market Support (000)                                      | <b>168,314</b> | <b>172,285</b> | <b>186,482</b> | <b>198,088</b> |
| Incremental New Supportable Square Feet (Rounded)                    | -              | <b>11,000</b>  | <b>38,000</b>  | <b>31,000</b>  |
| <b>Total Demand (All Retail in Incremental Square Feet)</b>          | <b>-</b>       | <b>25,000</b>  | <b>80,000</b>  | <b>59,000</b>  |

Source: SANDAG; CoStar; Economics Research Associates

As presented below, the strongest demand segments and most likely tenants for future development would fall within the general merchandise, food stores, and eating and drinking retail categories.

**Figure 96: Retail Demand Estimate by Shopping Center Type and Spending Category (2008 – 2030)**

|   | 2008           | 2010           | 2020           | 2030           |
|---|----------------|----------------|----------------|----------------|
| <b><u>Neighborhood Shopping Center</u></b>                |                |                |                |                |
| Apparel & Shoe Stores                                     | 2,425          | 2,506          | 2,670          | 2,776          |
| General Merchandise Stores                                | 4,111          | 4,249          | 4,527          | 4,706          |
| Sporting Goods Stores                                     | 163            | 169            | 180            | 187            |
| Office, school, and store supplies                        | 1,070          | 1,105          | 1,178          | 1,224          |
| Other Specialty Stores                                    | 2,027          | 2,095          | 2,232          | 2,320          |
| Drug Stores   | 2,778          | 2,872          | 3,060          | 3,180          |
| Food Stores   | 12,677         | 13,102         | 13,960         | 14,511         |
| Liquor Stores   | 1,017          | 1,051          | 1,119          | 1,164          |
| Eating & Drinking Places                                  | 9,505          | 9,823          | 10,466         | 10,879         |
| Household Furnishing & Appl.                              | 565            | 583            | 622            | 646            |
| Building Materials  | 1,062          | 1,097          | 1,170          | 1,217          |
| New & Used Motor Vehicles                                 | -              | -              | -              | -              |
| Auto Supplies & Parts                                     | 581            | 600            | 640            | 665            |
| All Other Retail Groups                                   | <u>6,422</u>   | <u>6,637</u>   | <u>7,071</u>   | <u>7,350</u>   |
| Cumulative Household Spending (000)                       | <b>44,402</b>  | <b>45,889</b>  | <b>48,895</b>  | <b>50,825</b>  |
| <b><u>Community / Power Center</u></b>                    |                |                |                |                |
| Apparel & Shoe Stores                                     | 16,183         | 16,631         | 18,114         | 19,084         |
| General Merchandise Stores                                | 28,809         | 29,607         | 32,247         | 33,973         |
| Sporting Goods Stores                                     | 2,942          | 3,023          | 3,293          | 3,469          |
| Office, school, and store supplies                        | 10,707         | 11,003         | 11,984         | 12,626         |
| Other Specialty Stores                                    | 8,116          | 8,341          | 9,085          | 9,571          |
| Drug Stores   | 1,987          | 2,042          | 2,224          | 2,343          |
| Food Stores   | 4,759          | 4,891          | 5,327          | 5,612          |
| Liquor Stores   | 370            | 380            | 414            | 436            |
| Eating & Drinking Places                                  | 19,029         | 19,556         | 21,300         | 22,440         |
| Household Furnishing & Appl.                              | 9,042          | 9,293          | 10,121         | 10,663         |
| Building Materials  | 22,021         | 22,631         | 24,648         | 25,968         |
| New & Used Motor Vehicles                                 | -              | -              | -              | -              |
| Auto Supplies & Parts                                     | 2,713          | 2,788          | 3,037          | 3,200          |
| All Other Retail Groups                                   | <u>4,821</u>   | <u>4,955</u>   | <u>5,397</u>   | <u>5,685</u>   |
| Cumulative Household Spending (000)                       | <b>131,498</b> | <b>135,141</b> | <b>147,190</b> | <b>155,070</b> |
| <b><u>Super Regional, Outlet, or Lifestyle Center</u></b> |                |                |                |                |
| Apparel & Shoe Stores                                     | 18,500         | 18,936         | 20,497         | 21,772         |
| General Merchandise Stores                                | 86,254         | 88,289         | 95,564         | 101,512        |
| Sporting Goods Stores                                     | 3,114          | 3,187          | 3,450          | 3,664          |
| Office, school, and store supplies                        | 4,080          | 4,176          | 4,520          | 4,802          |
| Other Specialty Stores                                    | 7,732          | 7,914          | 8,566          | 9,099          |
| Drug Stores   | -              | -              | -              | -              |
| Food Stores   | 3,022          | 3,094          | 3,348          | 3,557          |
| Liquor Stores   | -              | -              | -              | -              |
| Eating & Drinking Places                                  | 29,004         | 29,688         | 32,134         | 34,134         |
| Household Furnishing & Appl.                              | 8,614          | 8,817          | 9,543          | 10,137         |
| Building Materials  | 4,195          | 4,294          | 4,648          | 4,938          |
| New & Used Motor Vehicles                                 | -              | -              | -              | -              |
| Auto Supplies & Parts                                     | 738            | 756            | 818            | 869            |
| All Other Retail Groups                                   | <u>3,062</u>   | <u>3,134</u>   | <u>3,392</u>   | <u>3,603</u>   |
| Cumulative Household Spending (000)                       | <b>168,314</b> | <b>172,285</b> | <b>186,482</b> | <b>198,088</b> |
| <b>Total Cumulative Household Spending (000)</b>          | <b>344,214</b> | <b>353,315</b> | <b>382,567</b> | <b>403,982</b> |

Source: SANDAG; CoStar; Economics Research Associates

## Market Rate Housing

The greatest demand pressure for future real estate development in Subarea A is from housing. Future housing potentials will largely be successful based on the quality of residential development, improvements to the San Diego River, and better connectivity to the existing Trolley station. SANDAG projects that the number of households in the City will increase by over 50,000 from 2010 to 2020, and nearly 40,000 from 2020 to 2030. However, ERA has adjusted these forecasts to reflect the recent downturn in the housing markets. Assuming that SANDAG's 2030 estimate is correct, ERA believes that 10 percent of the growth projected to be absorbed between 2010 and 2020 will be pushed into the period between 2020 and 2030. Consequently, we estimate that the Mission Valley and Navajo Community Plan areas will capture between 7 to 15 percent of citywide housing demand. During the same period, Subarea A could capture between 25 and 30 percent of the sub-citywide housing demand.

Future housing potentials will largely be successful based on the quality of residential development, better connectivity to the existing Trolley station, and improvements to the San Diego River. Buyers and renters seeking a central location, near existing activity cluster in Mission Valley, close to transit, with potential premiums associated with passive and active open space (San Diego River, Golf Course, and hillside views) will find new housing in Subarea A attractive. Much like Mission Valley future residential developments in Subarea A can position themselves as a downtown living alternative.

ERA's 20 year (2010 to 2030) forecast for market rate housing demand in Subarea A ranges from a low of 1,800 units to a high of 3,800 units. The majority of these units would be in a multi-family configuration, appropriate for townhome/condominium or apartment dwelling units. ERA envisions a limited number of single-family units that could create premium values for development in near proximity to the San Diego River. Future demand likely breaks down to 5 percent single-family, 60 to 65 percent townhouses or condominiums, and 30 to 35 percent rental apartments. While there are numerous potential locations for housing in the area, ERA believes that future housing should relate to the San Diego River and Trolley Station. The existing lack of connectivity to both assets within Subarea A will need to be addressed to encourage future residential development. This housing demand analysis does not include additional demand from capture of future SDSU growth.

**Figure 97: Market Rate Housing Demand Estimate (2010 – 2030)**

| Region  | 2010 - 2020  | 2020 - 2030  | 2010 - 2030  |
|---|--------------|--------------|--------------|
| <b>City of San Diego</b>  |              |              |              |
| Incremental Household Growth <sup>1</sup> (000s)                            | 46.7         | 45.2         | 91.9         |
| <b>Mission Valley and Navajo Capture of Citywide Households</b>             |              |              |              |
| Low Capture Rate <sup>2</sup>   | 7%           | 7%           | 7%           |
| Mid Capture Rate <sup>3</sup>   | 12%          | 12%          | 12%          |
| High Capture Rate <sup>3</sup>  | 17%          | 17%          | 17%          |
| <b>Projected Mission Valley and Navajo Demand in Units</b>                  |              |              |              |
| Low (000s)  | 3.4          | 3.3          | 6.7          |
| Mid (000s)  | 5.6          | 5.4          | 11.0         |
| High (000s)   | 7.9          | 7.7          | 15.6         |
| <b>Average Projected Mission Valley and Navajo Demand in Units Per Year</b> |              |              |              |
| Low   | 340          | 330          | 670          |
| Mid   | 560          | 540          | 1,100        |
| High  | 790          | 770          | 1,560        |
| <b>Projected Grantville Subarea A Demand in Units</b>                       |              |              |              |
| Capture Rate <sup>3</sup>   | 25%          | 30%          | 27%          |
| Total Demand in Units (000s)  |              |              |              |
| Low   | 0.9          | 1.0          | 1.8          |
| Mid   | 1.4          | 1.6          | 3.0          |
| High  | 2.0          | 2.3          | 4.3          |
| Distribution of New Construction <sup>3</sup>                               |              |              |              |
| Single-Family   | 5%           | 5%           | 5%           |
| Multi-Family  | 95%          | 95%          | 95%          |
| Low   |              |              |              |
| Single-Family   | 40           | 50           | 90           |
| Multi-Family  | <u>810</u>   | <u>930</u>   | <u>1,740</u> |
| Total   | 850          | 980          | 1,830        |
| Mid   |              |              |              |
| Single-Family   | 70           | 80           | 150          |
| Multi-Family  | <u>1,340</u> | <u>1,550</u> | <u>2,890</u> |
| Total   | 1,410        | 1,630        | 3,040        |
| High  |              |              |              |
| Single-Family   | 90           | 110          | 200          |
| Multi-Family  | <u>1,890</u> | <u>2,200</u> | <u>4,090</u> |
| Total   | 1,980        | 2,310        | 4,290        |
| SDSU  |              |              |              |
| Low   | 300          | 300          | 600          |
| Mid   | 400          | 400          | 800          |
| High  | 500          | 500          | 1,000        |
| Average Annual Demand in Units Per Year (with SDSU)                         |              |              |              |
| Low   | 115          | 128          | 122          |
| Mid   | 181          | 203          | 192          |
| High  | 248          | 281          | 265          |

<sup>1</sup> Based on SANDAG projections of household growth in the City of San Diego. Does not include mobile home (other)

<sup>2</sup> Based on SANDAG projections of household growth in Mission Valley and Navajo CPA (2010 - 2030). Does not include mobile home (other) dwelling units.

<sup>3</sup> ERA Estimate

Source: SANDAG; CoStar; Economics Research Associates