

MIRA MESA COMMUNITY PLAN UPDATE MARKET DEMAND ANALYSIS



KEYSER MARSTON ASSOCIATES.™

May 20, 2019

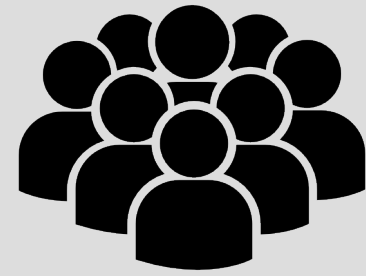
Prepared for: City of San Diego

DEMOGRAPHIC AND ECONOMIC TRENDS



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DEMOGRAPHIC OVERVIEW



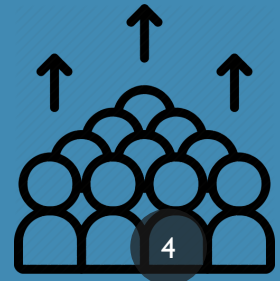
2019	Mira Mesa Community Plan Area (CPA)	City of San Diego	County of San Diego
Population	80,107	1,414,461	3,371,481
Households	26,549	523,755	1,180,609
Average Household Size	3.01	2.60	2.77
Median Age	37.96	36.1	36.5
Median Household Income	\$107,360	\$80,424	\$78,294

Refer to Table A-1

Population Growth Rate

Average Annual Growth Rate	Mira Mesa CPA	City of San Diego	County of San Diego
1980-2016	2.0%	1.3%	1.6%

POPULATION GROWTH TRENDS



Refer to Table A-2



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MARKET FACTORS EMPLOYMENT USES

	INDUSTRIAL		RESEARCH AND DEVELOPMENT		OFFICE	
<i>4th Quarter 2018</i>	Central Submarket	San Diego County	Central Submarket	San Diego County	North City Submarket	San Diego County
Rentable SF	40.5 M	144.2 M	26.7 M	48.6 M	25.9 M	103.6 M
Vacancy	2.60%	4.34%	7.61%	6.51%	9.75%	10.58%
Average Asking Lease Rate (/SF/Month)	\$1.21	\$1.00	\$2.39	\$1.58	\$2.80	\$2.78

M = Million

SF = Square Feet

Refer to Tables A-7, A-8, A-9



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HISTORIC MARKET FACTORS EMPLOYMENT USES

	2004	2018	2004-2018
	Occupied SF ⁽¹⁾	Occupied SF ⁽¹⁾	Average Annual Change in Occupied SF
Mira Mesa CPA ⁽²⁾	31.0 M	36.3 M	378,000 SF/Year
San Diego County	225.2 M	276.0 M	3.6 M SF/Year

(1) Includes Office, Industrial, and Research and Development Uses.

(2) Includes Miramar and Sorrento Submarkets as categorized by Voit Real Estate Services.

EMPLOYMENT TRENDS



Industry Sector	Average Annual Rate Increase, San Diego County	
	<u>2000-2010</u>	<u>2010-2017</u>
Retail Trade	-0.3%	1.9%
Professional and Business Services	0.2%	2.0%
Education and Health Services	3.2%	3.2%
Finance, Insurance, and Information	-1.5%	0.9%
Leisure and Hospitality	1.8%	3.5%
Transportation, Warehousing, and Wholesale	-0.2%	2.2%
Manufacturing	-2.3%	1.9%
Construction	-2.3%	5.3%
Natural Resources and Mining	2.9%	-4.0%
Other Services	0.9%	2.5%
Total Employment	0.2%	2.5%

Refer to Table A-3



KEY INDUSTRIES IN MIRA MESA

Manufacturing

Professional, Scientific &
Technical Services

Scientific Research and
Development Services





MARKET FACTORS: RETAIL USES



4 th Quarter 2018	Central North Submarket (1)	San Diego County
Rentable SF	17.4 M	140.3 M
Vacancy	5.43%	3.83%
Average Asking Lease Rate (/SF/Month)	\$2.84	\$2.03

(1) Includes Cardiff/Encinitas, Del Mar Heights, La Jolla/Torrey Pines, Miramar, and UTC.





ESTIMATED GROSS RETAIL SALES



	City of San Diego		County of San Diego	
Per Capita Income	\$39,033		\$36,291	
	<u>Per Capita</u>	<u>% of Per Capita Income</u>	<u>Per Capita</u>	<u>% of Per Capita Income</u>
General/Apparel/Furnishings/ Other	\$5,081	13.0%	\$5,285	14.6%
Convenience Goods	\$5,014	12.8%	\$4,201	11.6%
Heavy Commercial Goods	\$711	1.8%	\$822	2.3%
Total Gross Retail ⁽¹⁾	\$10,805	27.7%	\$10,308	28.4%

(1) Based on most recent data provided by the State of California Board of Equalization, calendar year 2016.

MARKET DEMAND ANALYSIS



MARKET DEMAND ANALYSIS: OBJECTIVE



Evaluate current and anticipated market trends



Assess the development potential for retail and employment uses within the Mira Mesa CPA





EMPLOYMENT DEMAND



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STEPS FOR PROJECTING EMPLOYMENT DEMAND

- 1) *Determine the number of employees by industry within the CPA*
- 2) *Apply low/high annual growth rates to each industry until Year 2050*
- 3) *Assume percentage of employees likely to use office, industrial, and research & development space*
- 4) *Apply a SF per employee factor to determine total employment demand from 2019 to 2050*



EMPLOYMENT DEMAND PROJECTION, 2019-2050

<i>Mira Mesa CPA</i>	Low	High
Existing Employees (2015)	83,053	
Average Annual Rate of Increase thru 2050	1.5%	1.9%
Number of New Office/Industrial/R&D Employees	31,000	44,000
Total Employment Demand, 2019-2050	9.70 M SF	13.70 M SF

Refer to Table B-1 and B-2



RETAIL DEMAND

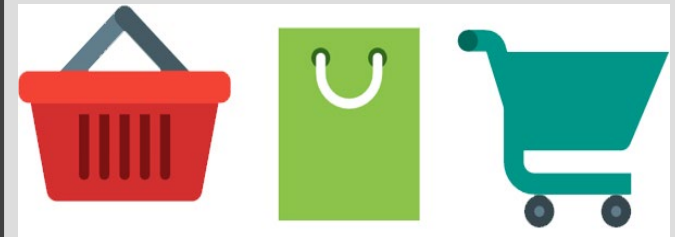


STEPS FOR PROJECTING RETAIL DEMAND

1. *Estimate potential recapture of existing retail sales export (where resident expenditures is higher than actual sales capture) within the retail trade area of the CPA*
2. *Estimate retail demand by new residents within the CPA*
3. *Estimate retail demand by new employees within the CPA*



RETAIL SALES EXPORT RECAPTURE POTENTIAL



<i>Mira Mesa CPA – 4.0-Mile Trade Ring</i>	2018 Estimated Sales Export	Potential Recapture of Retail Space (SF), 2019-2050	
		<u>Low</u>	<u>High</u>
General Merchandise Stores	(\$353.6) M	101,000	152,000
Food Services & Drinking Places	(\$42.7) M	9,000	19,000
Sporting Goods, Hobby, Musical Instrument Stores	(\$26.0) M	4,000	7,000
Clothing & Clothing Accessories Stores	(\$42.5) M	5,000	11,000
Miscellaneous Store Retailers	(\$8.1) M	1,000	2,000
Food & Beverage Stores	<u>(\$180.2) M</u>	<u>40,000</u>	<u>60,000</u>
Total	(\$653.2) M	160,000	251,000

Refer to Table B-6



RETAIL SPACE DEMAND BY NEW RESIDENTS, 2019-2050

<i>Mira Mesa CPA</i>	Low	High
Total Annual Aggregate Income ⁽¹⁾	\$826.5 M	\$1.7 B
Aggregate Income Spent on Retail Expenditures	25%	30%
Spending Captured in Mira Mesa	35%	40%
Estimated Sales per SF per Year	\$450/SF	\$450/SF
Estimated Retail Space Supported by New Households, 2019-2050	161,000 SF	453,000 SF

(1) Estimated based on historic population growth and household income required for purchasing a home. Does not take into account development capacity of available land inventory.

Refer to Table B-7 through B-10

RETAIL SPACE DEMAND FROM NEW EMPLOYEES, 2019-2050



<i>Mira Mesa CPA</i>	Low	High
Total New Employees	31,000 Employees	44,000 Employees
Estimated Employee Retail Expenditures Per Year	\$6,990	\$6,990
Total Annual Retail Expenditures by New Employees	\$217.9 M	\$309.2 M
Capture in Mira Mesa	40%	50%
Estimated Sales Per SF per Year	\$500/SF	\$500/SF
Total Retail Space Demand from New Employees, 2019-2050	174,000 SF	309,000 SF

Refer to Table B-11 and B-12

ESTIMATE OF RETAIL SPACE DEMAND, 2019-2050

<i>Mira Mesa CPA</i>	Low	High
Recapture of Retail Sales Export	160,000 SF	251,000 SF
Demand from New Residents	161,000 SF	453,000 SF
Demand from New Employees	174,000 SF	309,000 SF
Demand from Beyond Trade Ring	<u>50,000 SF</u>	<u>101,000 SF</u>
Total Estimated Retail Space Demand, 2019-2050	550,000 SF	1.11 M SF

TOTAL NON-RESIDENTIAL PROJECTED DEMAND, 2019-2050

<i>Mira Mesa CPA</i>	Low	High
Employment Use <i>SF Per Year</i>	9.70 M SF <i>313,000 SF/Year</i>	13.70 M SF <i>442,000 SF/Year</i>
Retail <i>SF Per Year</i>	550,000 SF <i>18,000 SF/Year</i>	1.11 M SF <i>36,000 SF/Year</i>

SURPLUS/(DEFICIT) OF REMAINING DEVELOPMENT CAPACITY, 2019-2050

	KMA Demand Projection, 2019-2050		Existing Plan at Build-Out ⁽¹⁾	Surplus/(Deficit)	
	Low	High	Remaining Development Capacity	Low	High
<i>Mira Mesa CPA</i>					
Employment Use	9.70 M SF	13.70 M SF	5.40 M SF	(4.30) M	(8.30) M
Retail	550,000 SF	1.11 M SF	424,000 SF	(126,000) SF	(686,000) SF

(1) Estimated by City based on SANDAG data for the existing adopted community plan and proposed developments.

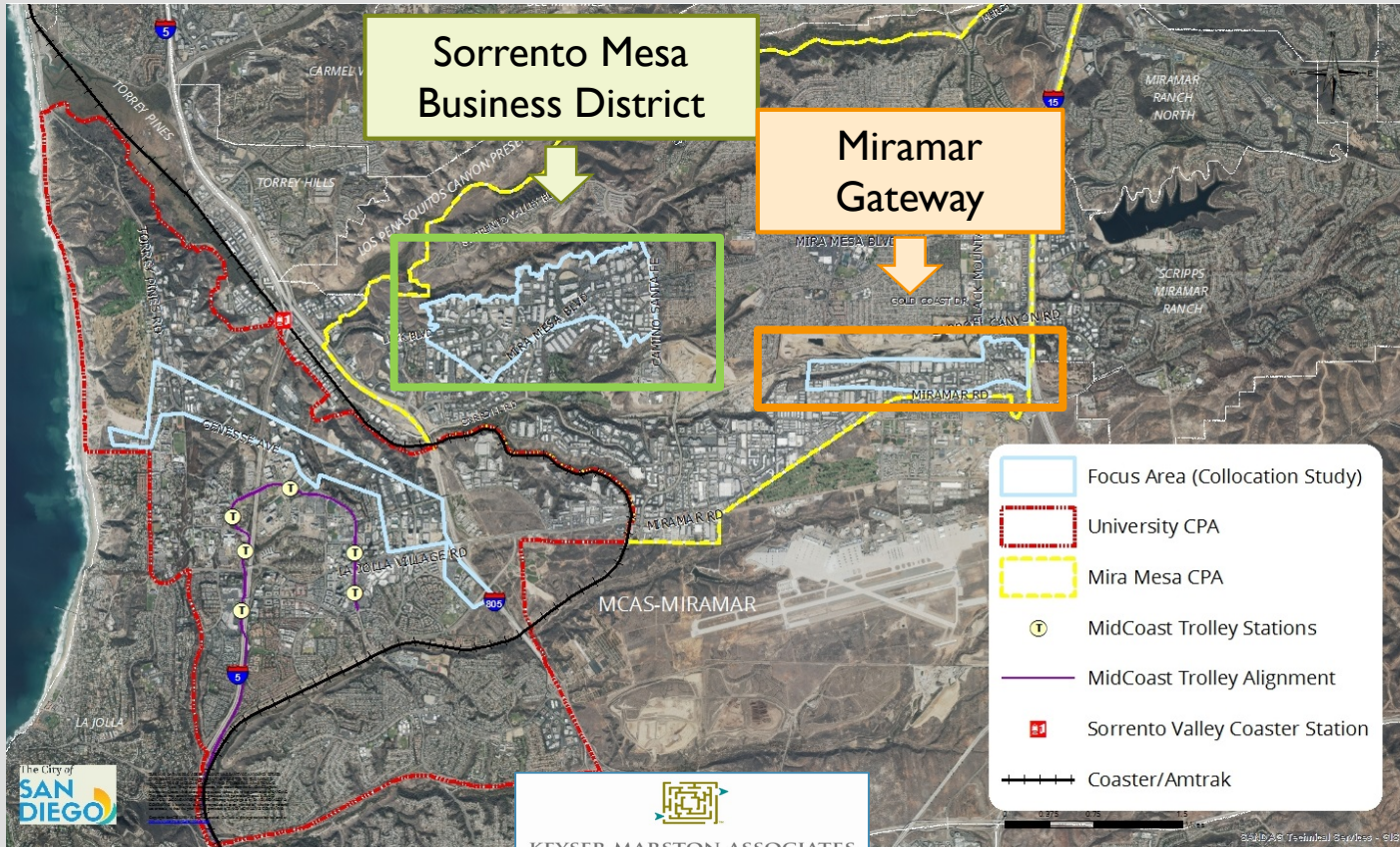
EVALUATION OF POTENTIAL COLLOCATION



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EVALUATION OF POTENTIAL COLLOCATION: OBJECTIVE

- Evaluate the market support for collocation between industrial and residential mixed-use development in (2) focus areas within the Mira Mesa CPA



COLLOCATION SWOT ANALYSIS

Strengths



- Mix of heavy and light industrial uses
- Proximity to freeway
- Existing high-quality employment
- Proximity to planned mixed-use development
- Existing Transit Priority Area (TPA)
- Adjacency to residential amenities
- Actively involved business community

Weaknesses



- Presence of heavy industrial uses
- Auto-oriented community with heavy traffic
- Existing superblock street grids and wide thoroughfares

Opportunities



- Provide employee housing in proximity to employers
- Encourage the use of planned transit infrastructure
- Attract younger employees who seek live/work/play environment
- Include key stakeholders in drafting of legal covenants, deed restrictions, etc. to reduce future land use conflicts

Threats



- Potential land use conflicts (e.g., noise, traffic, hazardous materials, pollution)
- Can be viewed as a threat to heavy industrial uses
- Potential loss of land supply for prime industrial uses



FACTORS FOR SUCCESSFUL COLLOCATION

	<i>Miramar Gateway</i>	<i>Sorrento Mesa Business District</i>
Less than 60% of the land area is designated as prime industrial	Yes	No
Existing presence of non-prime Industrial uses	Yes	Yes
Close proximity to existing or planned transit	Somewhat	Yes
Potential for small blocks to encourage walkability	Yes	Somewhat
Close proximity to good schools	Yes	Yes
Close proximity to open space	No	Yes
Close proximity to amenities/CPA retail core	Yes	Yes
Potential to capture employee housing demand	Somewhat	Yes



MARKET SUPPORT FOR MULTI-FAMILY AND/OR MIXED-USE IN COLLOCATION FOCUS AREAS

	Near-Term (0 to 5 years)	Mid-Term (5 to 10 years)	Long-Term (10+ years)
Miramar Gateway	Moderate	Moderate	Strong
Sorrento Mesa Business District	Moderate	Strong	Strong

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