



KEYSER MARSTON ASSOCIATES

## MEMORANDUM

**ADVISORS IN:**  
REAL ESTATE  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**BERKELEY**  
DEBBIE M. KERN  
DAVID DOEZEMA

**LOS ANGELES**  
KATHLEEN H. HEAD  
KEVIN E. ENGSTROM  
JULIE L. ROMNEY  
TIM BRETZ

**SAN DIEGO**  
PAUL C. MARRA  
LINNIE A. GAVINO

**EMERITUS**  
A. JERRY KEYSER  
TIMOTHY C. KELLY

**To:** Diego Velasco, AICP, Principal  
Citythinkers

**From:** KEYSER MARSTON ASSOCIATES, INC.

**Date:** August 7, 2025

**Subject:** City of Imperial Beach – 13<sup>th</sup> Street Corridor Improvement Plan  
Market Assessment

### I. INTRODUCTION

The City of Imperial Beach (City) is seeking to transform and revitalize the 13<sup>th</sup> Street corridor landscape, which extends from Cypress Avenue at the north and the Naval Outlying Landing Field (NOLF) to the south (Corridor). The Corridor can be characterized by older commercial strip centers, multi-family apartments, and aging infrastructure. The City has engaged Citythinkers to develop a plan that includes policies and design criteria to reduce vehicle miles traveled (VMT), increase housing opportunities, improve pedestrian access to public transit, and create a more vibrant Corridor. To support the 13<sup>th</sup> Street Corridor Improvement Plan (Plan), the City has requested that Keyser Marston Associates, Inc. (KMA) prepare a market assessment. The KMA market assessment focuses on residential, retail, and mixed-use development in the Corridor.

In completing this market assessment for the Corridor, KMA undertook the following principal work tasks:

- (a) Compiled relevant demographic factors and residential trends
- (b) Reviewed existing inventory and publicly available information on development projects in the pipeline
- (c) Identified key assets and constraints affecting development of residential and/or mixed-use product type (retail, restaurant, and/or services) in the City and Corridor
- (d) Prepared an assessment of market demand for residential and retail development in the Corridor

This report is organized as follows:

- Section II presents an executive summary of key findings from the market assessment.
- Section III provides an overview of the Corridor, current demographic factors, and Corridor amenities.
- Section IV presents an overview of residential market trends for for-sale (ownership) and rental housing.
- Section V presents market demand projections through 2035 for residential development within the Corridor.
- Section VI presents an overview of retail market trends.
- Section VII presents market demand projections through 2035 for retail development within the Corridor.
- Section VIII details limiting conditions pertaining to this Report.

**II. EXECUTIVE SUMMARY**

This section presents a summary of the key findings from the KMA market assessment. Table II-1 presents assets and constraints for new residential, retail, and/or mixed-use development in the City and Corridor.

<b>Table II-1: Summary of Assets and Constraints Affecting Residential, Retail, and Mixed-Use Development in the City and Corridor</b>	
<b>Assets</b>	<b>Constraints</b>
<ul style="list-style-type: none"> <li>• The South Bay<sup>1</sup> is considered the most affordable area of the County for ownership housing. For-sale housing in the City of Imperial Beach is among one of the highest median home priced markets when compared to other South Bay cities/communities.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a relatively limited supply of development sites in the Corridor, as the Corridor is largely built out.</li> <li>• Land assembly may be required to create appropriately sized and configured development sites. This may require cooperation from multiple property owners.</li> </ul>

<sup>1</sup> Defined as the cities of Imperial Beach, Chula Vista, and National City and the communities of Bonita, Nestor, Paradise Hills, and San Ysidro in the City of San Diego.

<b>Table II-1: Summary of Assets and Constraints Affecting Residential, Retail, and Mixed-Use Development in the City and Corridor</b>	
<b>Assets</b>	<b>Constraints</b>
<ul style="list-style-type: none"> <li>Imperial Beach is relatively affordable in terms of beach living when compared to other coastal cities/communities in the region.</li> <li>Rental apartment capitalization (cap) rates are low indicating strong investor demand and confidence in the multi-family market.</li> <li>Retail space in the City appears to be thriving as evidenced by high lease rates and low vacancy rates.</li> <li>The City has the potential to recapture retail sales leakage through development of neighborhood retail and eating/drinking establishments.</li> <li>The City is poised to attract and capture economic benefits from regional visitors of the Chula Vista Bayfront, which may include online marketing.</li> <li>Beach cleanup efforts to remove debris and contaminated runoff, enhance the quality of life of the City’s residents and visitors.</li> </ul>	<ul style="list-style-type: none"> <li>Existing older strip centers present challenges in site reconfiguration, and may require additional development costs related to demolition, retrofitting, and/or adaptive reuse.</li> <li>The rising cost of upgrading infrastructure and public facilities, including roads, water, sewer, and sidewalks, will add extraordinary financial burdens to new residential development in the Corridor. These upgrades are often required to support new development.</li> <li>The ongoing flow of raw sewage and wastewater from Tijuana Mexico, into the Tijuana River has contaminated the water off the Imperial Beach coast and is considered a public health hazard.</li> <li>Vacancy rates, defined as the percentage of available rental apartments that are unoccupied and available for rent, have been increasing over the past year.</li> <li>Apartment lease rates, defined as the rent charged on a per unit or per SF basis, remain stagnant or are slowly declining in select areas due to an oversaturated rental market.</li> <li>The Corridor lacks an identity and wayfinding signage that supports local business and attracts visitors to the area.</li> <li>Rising insurance premiums, high interest rates, and limited availability of labor may deter developers and investors.</li> <li>Demand for building materials is high, while supply is limited due to global shortages and disruptions. Newly imposed tariffs on building materials may also significantly increase construction costs.</li> </ul>

KMA projects that the City can support a diverse range of ownership and rental housing product types. There is an opportunity to concentrate medium density multi-family development, including for-sale townhomes and stacked flat (for-sale or rental) configurations in the Corridor. Table II-2 presents the KMA estimates of residential demand through 2035.

Table II-2: Summary of KMA Estimate of Residential Demand thru 2035		
	Low Estimate	High Estimate
City of Imperial Beach	451 Units or 45 Units/Year	755 Units or 76 Units/Year
13th Street Corridor	56 Units or 6 Units/Year	113 Units or 11 Units/Year

As shown in Table II-3, KMA believes that market demand for market-rate for-sale housing in the City and Corridor will be strong in the near- to long-term. However, high density (stacked flat) for-sale housing with structured parking may be challenging in the near- and mid-term. There is limited market and developer interest with stacked flat condominium developments in the South Bay, primarily due to concerns over potential construction defect litigation. Stacked flat typologies are particularly prone to more construction defect claims due to the increased complexity involved in their construction.

Table II-3: Market Demand for For-Sale Housing			
Residential Typologies	Near-Term (0 to 5 Years)	Mid-Term (5 to 10 Years)	Long-Term (10+ Years)
<b>Attached Townhomes with Attached Garages</b> 	Strong	Strong	Strong
<b>Stacked Flat with Podium Parking</b> 	Weak	Weak	Moderate

Table II-4 presents KMA’s estimate of market support for market-rate rental residential development in the City and Corridor. As shown, KMA anticipates market support for rental residential to be weak to strong in the near-term. Over the mid- to long-term, market support for garden apartments and stacked

flats over tuck under parking are projected to be strong; while market demand for stacked flat apartments with podium parking is projected to be moderate.

Table II-4: Market Demand for Rental Housing			
Residential Typologies	Near-Term (0 to 5 Years)	Mid-Term (5 to 10 Years)	Long-Term (10+ Years)
<b>Garden Apartments with Surface Parking and Attached Garages</b> 	<b>Strong</b>	<b>Strong</b>	<b>Strong</b>
<b>Stacked Flat with Surface and Tuck-Under Parking</b> 	<b>Moderate</b>	<b>Strong</b>	<b>Strong</b>
<b>Stacked Flat with Podium Parking</b> 	<b>Weak</b>	<b>Weak</b>	<b>Moderate</b>

KMA formulated low/high 10-year retail space demand projections for the City and Corridor. As shown in Table II-5, it is projected that the City can recapture between 64,000 square feet (SF) to 123,000 SF between 2025 and 2035. Of this amount, KMA estimates that the Corridor is projected to capture 15% or between 10,000 SF and 18,000 SF of the projected demand through 2035.

Table II-5: Summary of KMA Estimate of Retail Demand Supported by Recapture thru 2035		
	Low Estimate	High Estimate
City of Imperial Beach	64,000 SF or 6,400 SF/Year	123,000 SF or 12,300/SF Year
13 <sup>th</sup> Street Corridor	10,000 SF or 1,000 SF/Year	18,000 SF or 1,800 SF/Year

### III. OVERVIEW OF CORRIDOR

#### A. Description and Environs

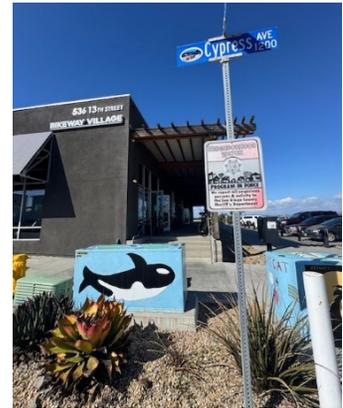
According to the U.S. Census Bureau, the City of Imperial Beach is approximately 4.2 square miles and contains 2,700 acres of land. The City is bordered by natural amenities including the Pacific Ocean as the western border, the San Diego Bay/Otay River as the northern border, the Tijuana River Estuary as the southern border, and the City of San Diego to the east. U.S. military forces are prominent in the area, with the Navy’s Naval Outlying Landing Field (NOLF) Imperial Beach located directly south of the Corridor within the City limits. Along the coast, north of the City boundary is also the Silver Strand Training Complex, a training facility for the U.S. Special Operations Forces.

The Corridor is approximately one mile from Interstate 5 (I-5), which provides connectivity to other areas of the region. State Route 75 (SR75)/Palm Avenue also travels east-west from the City of San Diego through the City before moving north to the City of Coronado. Exhibit III-1 presents a map of the Corridor boundary.

The Corridor runs in a north-south direction and is located along the eastern area of the City. The Corridor contains 219 acres of land, approximately 700 physical addresses, and is considered one (1) of the City’s three (3) commercial corridors. There are several neighborhood shopping centers that serve the daily needs of residents. Commercial uses include small-scale markets, personal and business services, automotive supplies/service, and casual/fast casual restaurants. The Corridor also contains an educational use, specifically an elementary school, which serves the surrounding residential areas.



Bikeway Village, located near the Bayshore Bikeway and west of 13th Street, represents a significant investment by the City in active mobility and placemaking within the Corridor. The project repurposed a former warehouse site into a community-oriented hub that promotes both recreational and commuter cycling. With amenities such as a café, bike shop, and rest areas, Bikeway Village enhances connectivity and encourages multi-modal travel along the Bayshore Bikeway. Accordingly, Bikeway Village strengthens connections between the City and the region.



According to parcel level data from San Diego Geographic Information Source (SanGIS)/San Diego Association of Governments (SANDAG) Regional GIS Data Warehouse, there are 1,447 residential units within the boundary of the Corridor. Residential development in the Corridor primarily consists of multi-family units, both for-sale (ownership housing) and rental housing. The SanGIS data identifies 96 single-family homes in the Corridor, or less than 7% of the Corridor’s total residential unit inventory. Under current zoning, residential densities range between 14 units to 43 units per acre. Many of the multi-family developments in the Corridor are comprised of two- and three-stories, in a garden-style walk up configuration, with either attached garages, tuck-under, and/or surface parking.

Central Elementary School is also located on 13<sup>th</sup> Street between Elder and Ebony Avenues. In May 2025, the South Bay Union Board of Directors voted to close the Central Elementary School after the end of the 2025-26 school year. The decision was a result of declining enrollment and deferred maintenance. It is currently unknown as to how the 5.9-acre school property will be redeveloped in the future.



### *B. Demographic Overview*

This section provides a comparative evaluation of demographic factors for the Corridor relative to the City and County of San Diego (County) as a whole. A demographic overview is presented in Table III-1. According to Esri Business Analyst Online, there is a population of 3,246 residents within 1,140 households in the Corridor. Households in the Corridor are larger in size (2.85 persons per household) when compared to the City and County. The median age in the Corridor is lower than that of the City and County, indicating that households may be comprised of young families with children or multigenerational living.

<b>Table III-1: Demographic Overview, 2024</b>			
	<b>13<sup>th</sup> Street Corridor</b>	<b>City of Imperial Beach</b>	<b>County of San Diego</b>
Population	3,246	25,480	3,299,130
Households	1,140	9,295	1,176,566
Average Household Size	2.85	2.74	2.71
Median Age	33.2	35.9	37.9
Source: Esri Business Analyst Online, 2024 estimates.			

*C. Income*

Table III-2 compares the median household and per capita incomes of the Corridor as compared to the City and County. As shown below, household and per capita income within the Corridor are lower than City, and County. With respect to median household income, the Corridor is 38% lower than the County.

<b>Table III-2: Income Comparison, 2024</b>			
	<b>13<sup>th</sup> Street Corridor</b>	<b>City of Imperial Beach</b>	<b>County of San Diego</b>
Median Household Income	\$64,741	\$77,945	\$104,597
Average Household Income	\$79,955	\$99,563	\$143,328
Per Capita Income	\$26,804	\$36,323	\$51,493
Source: Esri Business Analyst Online, 2024 estimates.			

*D. Housing Occupancy*

As shown in Table III-3, the Corridor contains a higher share of renter-occupied units than the City and County. Renter-occupied units in the Corridor account for 77% of the total occupied units in the Corridor. The share of renter-occupied units declines to approximately 63% at the Citywide level and further declines to approximately 44% Countywide. Conversely, the share of owner-occupied units in the Corridor is lower than the City and County. However, the Corridor has a lower share of vacant units than the City and County, demonstrating high demand for rental housing in the Corridor.

<b>Table III-3: Occupancy Status, 2024</b>			
	<b>13<sup>th</sup> Street Corridor</b>	<b>City of Imperial Beach</b>	<b>County of San Diego</b>
<u>Percent of Occupied Units</u>			
Owner-Occupied	19.1%	29.8%	50.4%
Renter-Occupied	<u>77.2%</u>	<u>62.8%</u>	<u>43.5%</u>
Total Occupied Units	96.3%	92.7%	93.9%
Percent of Vacant Units	3.7%	7.3%	6.1%
Source: Esri Business Analyst Online, 2024 estimates.			

*E. Public Transit and Corridor Amenities*

The City consists of approximately four (4) square miles; therefore, access to retail shops, pharmacies, services, schools, parks, and other municipal services are easily accessible and considered to be within close proximity of the Corridor.

The City contains two (2) grocery stores -- Grocery Outlet at 881 Palm Avenue and La Posta Market at 1260 Imperial Beach Blvd. Residents may also travel outside of the City limits to shop for groceries at neighboring Vons or Walmart in the City of San Diego -- both stores are located less than one-mile from the Corridor. Medical facilities appear to be limited in the City. KMA only identified one (1) urgent care facility within a half mile from the corner of 13<sup>th</sup> Street and Palm Avenue, east of the Corridor in the San Diego City limits. Residents in the City also have access to San Ysidro Health, which provides Women, Infants, and Children (WIC) services.

With respect to public transit, the Corridor is served by San Diego Metropolitan Transit System (MTS) Rapid 227 and Route 901 bus service, which provide direct connections to the Iris Avenue and Otay Mesa Transit Centers. The Iris Avenue Transit Center is a connector station for the San Diego Trolley’s UC San Diego (UCSD) Blue Line. The UCSD Blue Line is one of five MTS Trolley lines in the system and provides rider connection for a total of 26.3 miles. The UCSD Blue Line extends from the University City neighborhood (UTC Transit Center) to San Ysidro (San Ysidro Transit Center) near the U.S.-Mexico border. The Palm Avenue Transit Center, in the City of San Diego, is approximately 1.5 miles from the intersection of 13<sup>th</sup> Street and Palm Avenue. The Palm Avenue Transit Center is located north of the San Ysidro Transit Center and is also served by the UCSD Blue Line.

The presence of these public transit and neighborhood amenities, or lack thereof, can be factors influencing demand for new residential development. Furthermore, a neighborhood with good amenities can attract businesses and create a more economically viable area.

**IV. RESIDENTIAL MARKET OVERVIEW**

*A. Residential Zoned Land Sales Values*

Utilizing CoStar Group, Inc. (CoStar), an industry leader in commercial real estate information, KMA conducted a survey of residential land sales from 2021 through March 2025 within a 5-mile radius of the Corridor. This radius encompasses several South Bay communities, including Imperial Beach, San Ysidro, and Chula Vista. KMA did not identify any residential land sales in the City during this time period. It is conceivable that since the City is largely built out, land sales are scarce. As shown in Table IV-1, land values within the surveyed area yield a median value of \$58 per SF and an average of \$50 per SF of land. The KMA survey identified a total of seven (7) land sales, of which five (5) sales were located in the City of Chula Vista. These sales are located in western Chula Vista and generated a median sales price of \$64 per SF land. Residential sales activity in Chula Vista represents the upper end of land values when compared to other South Bay communities. While new development has been primarily concentrated in eastern Chula Vista over the past four decades, western Chula Vista is experiencing a significant interest from the development community, as evidenced by an increase in the number of new residential building permits being issued by the City. The activities occurring along the Chula Vista Bayfront, specifically the new 1,600-room luxury Gaylord Pacific Resort and Convention Center, are proving to attract new residential development.

There was one (1) residential land sale within approximately 0.60 miles from the Corridor at 920 Saturn Boulevard in the City of San Diego. While it is unknown how many units will be built on the property, it is KMA’s understanding that the property received approval for an increase in density under the Otay Mesa Nestor Community Plan. The amendment increased the development capacity of the property from seven (7) units to a range of 39 to 59 units. A concentration of multi-family land sales in the surveyed areas indicates strong demand for higher density multi-family product types in the South Bay.

<b>Table IV-1: Survey of Residential Land Sales, 2021 to March 2025 <sup>(1)</sup></b>				
<b>Number of Land Sales</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Median</b>	<b>Average</b>
7 Sales	\$9/SF Land	\$70/SF Land	\$58/SF Land	\$50/SF Land
(1) Source: CoStar Group, Inc. Reflects land sales with less than 5 acres within a 5-mile radius from the mid-point of the Corridor.				

**B. Rental Market Factors**

KMA surveyed market-rate apartment building sales within the City from 2022 through March 2025. As shown in Table IV-2, apartment buildings sold at a median price of \$325,000 per unit and an average price of \$327,600 per unit. There were a total of 17 apartment building sales that ranged between \$229,000 and \$463,000 per unit. Based on the KMA survey, apartment buildings in the City have an average year built of 1974 and contain an average of 14 residential units. During this time period, capitalization rates (cap rate) in the City averaged 4.0%, which generally indicates strong investor demand and confidence in the multi-family market. Cap rates are used as a common metric in real estate to estimate the potential return on investment of a residential property. When cap rates are high, an investor will yield a higher return on investment but take on more risk. Conversely, when cap rates are low, investors may yield a lower return but take on less risk.



<b>Table IV-2: Survey of Apartment Building Sales, 2022 to March 2025 <sup>(1)</sup></b>				
<b>Number of Apartment Building Sales</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Median</b>	<b>Average</b>
17 Sales	\$229,100/Unit	\$462,500/Unit	\$325,000/Unit	\$327,600/Unit

(1) Source: CoStar Group, Inc. Reflects apartment building sales within the City of Imperial Beach.



KMA also conducted a survey of existing market-rate apartment buildings in the City. According to CoStar, there is currently an inventory of 265 apartment buildings with 3,204 units in the City. Apartment rents over the past year have been stagnant and are beginning to slowly decline due to an oversaturated rental market. A healthy vacancy rate in the apartment industry averages 5.0%. During 2015 to 2022, the City experienced vacancy rates below 5.0%, indicating a strong demand for rental housing. However, in recent years vacancy rates have begun to increase slightly, with current vacancy rates as of first quarter 2025 at 5.4%. Table IV-3 presents the apartment building<sup>2</sup> trends in the City since 2015.

<sup>2</sup> Survey reflects apartment buildings with more than 5 units in the City of Imperial Beach. Therefore, units in duplex, triplex, and fourplex structures are excluded from the survey.

Table IV-3: Apartment Building Trends, Citywide <sup>(1)</sup>							
Year	Building Inventory	Total Units	Average Unit Size (SF)	Effective Rent Per Unit <sup>(2)</sup>	Effective Rent Per SF <sup>(2)</sup>	% Change from Prior Year	Vacancy Percent
2025 YTD <sup>(3)</sup>	265	3,204	785	\$1,857	\$2.43	1.2%	5.4%
2024	264	3,198	782	\$1,854	\$2.43	2.0%	5.4%
2023	264	3,198	782	\$1,818	\$2.38	4.0%	5.2%
2022	264	3,198	782	\$1,748	\$2.29	1.9%	3.9%
2021	263	3,190	782	\$1,716	\$2.25	7.8%	2.8%
2020	263	3,190	782	\$1,591	\$2.08	4.0%	3.9%
2019	263	3,190	782	\$1,531	\$1.99	3.7%	5.0%
2018	263	3,190	782	\$1,476	\$1.92	2.6%	4.5%
2017	263	3,190	782	\$1,439	\$1.87	2.8%	4.7%
2016	263	3,190	782	\$1,399	\$1.82	5.2%	4.4%
2015	263	3,190	782	\$1,330	\$1.73	7.0%	3.9%

(1) Source: CoStar Group, Inc. Reflects apartment buildings with more than 5 units in the City of Imperial Beach.  
 (2) Reflects effective rent defined as the actual rental rate achieved by the landlord after deducting the value of concessions from the base rental rates that are paid or given to the tenant.  
 (3) As of April 2025.

The most recent (2025) multi-family rental development constructed in the City is located at 801 Seacoast Drive (Seacoast Project). The Seacoast Project contains six (6) units, 2,900 SF of retail space, and has been marketed as coastal luxury living. The two-story Seacoast Project was developed using Type V (wood frame) construction at 18 units per acre. The rental units average 1,758 SF in size and, according to CoStar, have a current asking lease rate of \$5,259 per month, or \$3.00 per SF of living area.

C. For-Sale (Ownership) Market Factors

KMA analyzed for-sale housing trends for sales of single-family homes and townhomes/condominiums in the South Bay. As shown in Table IV-4, the median sales price for single-family units in 2024 ranged from \$725,000 to \$1,300,000. In 2024, the City of Imperial Beach yielded the 5<sup>th</sup> highest median home sales price when compared to the other surveyed South Bay zip codes. The zip codes generating higher single-family home prices are located in eastern Chula Vista and Bonita, an upscale community in unincorporated San Diego County.

Table IV-4: Single-Family Home Sales by Zip Code – South Bay, 2024 <sup>(1)</sup>		
Type	Year to Date <sup>(2)</sup>	
	Median Sales Price	Closed Sales
Chula Vista NE (91914)	\$1,300,000	98
Bonita (91902)	\$1,245,750	98

<b>Table IV-4: Single-Family Home Sales by Zip Code – South Bay, 2024 <sup>(1)</sup></b>		
<b>Type</b>	<b>Year to Date <sup>(2)</sup></b>	
	<b>Median Sales Price</b>	<b>Closed Sales</b>
Chula Vista SE (91915)	\$970,500	121
Chula Vista Eastlake (91913)	\$970,000	215
<b>Imperial Beach (91932)</b>	<b>\$895,000</b>	<b>103</b>
Chula Vista N (91910)	\$880,000	186
Chula Vista S (91911)	\$815,000	206
Nestor, Otay Mesa (92154)	\$797,000	224
San Ysidro (92173)	\$792,500	22
Paradise Hills (92139)	\$765,000	105
National City (91950)	\$725,000	83
(1) Source: Greater San Diego Association of Realtors.		
(2) Reflects January 2024 through December 2024 time period.		

Table IV-5 presents the median sales price for townhome/condominium units. In 2024, the median sales prices for South Bay zip codes ranged from \$405,000 in San Ysidro to \$757,500 in the City of Imperial Beach. The City ranks as the highest median sales price for townhome/condominium units when compared to other South Bay zip codes.

<b>Table IV-5: Townhome/Condominium Sales by Zip Code – South Bay, 2024 <sup>(1)</sup></b>		
<b>Type</b>	<b>Year to Date <sup>(2)</sup></b>	
	<b>Median Sales Price</b>	<b>Closed Sales</b>
<b>Imperial Beach (91932)</b>	<b>\$757,500</b>	<b>64</b>
Chula Vista SE (91915)	\$700,000	152
Chula Vista NE (91914)	\$672,500	38
Chula Vista Eastlake (91913)	\$666,500	188
Nestor, Otay Mesa (92154)	\$625,000	159
Paradise Hills (92139)	\$590,000	71
Chula Vista N (91910)	\$568,000	111
Chula Vista S (91911)	\$550,000	97
Bonita (91902)	\$530,000	36
National City (91950)	\$520,000	33
San Ysidro (92173)	\$405,000	29
(1) Source: Greater San Diego Association of Realtors.		
(2) Reflects January 2024 through December 2024 time period.		

In recent years, luxury townhomes have been newly constructed or significantly rehabilitated (existing structures) throughout the City, particularly close to the ocean. According to active listings on realtor.com, these luxury townhomes have asking sales prices ranging between \$1.2 and \$1.7 million. KMA discussions with real estate professionals have indicated that the City attracts prospective buyers due to the coastal/beach atmosphere and the affordability of “beach living”.



**D. Building Permit Activity**

The City provided data on Citywide building permit activity from 2020 to the present. During this time, the City received a total of 152 building (residential and non-residential) permit applications. Two (2) applications were for non-residential purposes including a new 1,856-SF Del Taco restaurant and an 83-room Home 2 Suites by Hilton hotel. Table IV-6 presents a summary of the application status for the building permits submitted to the City. As shown, these applications proposed to add 223 units to the City’s housing inventory. KMA’s finds that of the 93 units with approved status, 64 of those units (or 69%) were for accessory dwelling units (ADUs) or junior ADUs (JADUs), either as new construction or garage conversions.

<b>Table IV-6: Building Permit Applications by Status, 2020 to Present <sup>(1)</sup></b>		
<b>Application Status</b>	<b>Units</b>	<b>% of Total</b>
Approved (issued since January 2020)	93	42%
In Review	54	24%
Plan Review Complete (status pending)	33	15%
Submitted <sup>(2)</sup>	10	4%
<b>Total</b>	<b>223</b>	<b>100%</b>
(1) Source: City of Imperial Beach, April 2025. Excludes building permit applications with an “on hold” status.		
(2) Reflects applications submitted in March and April 2025.		

Table IV-7 presents an overview of building permit applications by residential product type. Fifty-seven percent (57%) of all building permit applications submitted to the City were to construct ADUs or JADUs. Multi-family units accounted for 24% of the building permit applications, followed by single-family homes (15%), and townhomes/duplexes (4%).

Table IV-7: Building Permit Applications, 2020 to Present <sup>(1)</sup>		
Residential Product Type	Units	% of Total
ADU/JADU	126	57%
Multi-Family Units <sup>(2)</sup>	54	24%
Single-Family Homes	33	15%
Townhomes/Duplexes	10	4%
<b>Total</b>	<b>223</b>	<b>100%</b>
<p>(1) Source: City of Imperial Beach, April 2025. Excludes building permit applications with an “on hold” status.</p> <p>(2) For purposes of this survey, KMA defines multi-family units as having more than 2 units in a structure.</p>		

E. Proposed Projects

There are several residential and/or mixed use developments that are planned but not yet constructed throughout the City. Many of these proposed developments are replacing older existing single-family homes. As shown in Table IV-8, these planned developments will add 151 units to the City’s housing inventory. Sixty-two (62) units, or 41% of total units, are designated as affordable. The high percentage of affordable units is driven by the 100% affordable housing development proposed by Wakeland Housing Development Corporation at 455 Palm Avenue. The development will include 50 units affordable to seniors age 55+, with a preference for veterans and seniors who are formerly homeless or at-risk of being homeless. The development will incorporate a 13,000-SF neighborhood center that will provide support services to the senior residents. KMA notes that all of the proposed projects with 10 or more units include affordable units as a component of the development.

Table IV-8: Proposed Residential or Mixed-Use Projects <sup>(1)</sup>					
Location	Residential Units		Commercial Space	Residential Density	Project Status
	Total	Affordable			
236 Palm Avenue	14 units	2 units (14% of Total)	2,212 SF	49.2 units/acre	Building permit approved; pending issuance
645 Florence Street	10 units	1 unit (10% of Total)	842 SF	58.0 units/acre	Entitled; currently in building plan check
981-983 Calla Avenue	12 units	2 units (17% of Total)	777 SF	74.3 units/acre	Entitled; pending issuance of building permit

<b>Table IV-8: Proposed Residential or Mixed-Use Projects<sup>(1)</sup></b>					
<b>Location</b>	<b>Residential Units</b>		<b>Commercial Space</b>	<b>Residential Density</b>	<b>Project Status</b>
	<b>Total</b>	<b>Affordable</b>			
455 Palm Avenue	50 units	50 units (100% of Total)	13,000 SF <sup>(2)</sup>	53.2 units/acre	Entitled; pending issuance of building permit
745 13 <sup>th</sup> Street	4 units <sup>(3)</sup>	0 units	0 SF	24.9 units/acre	Entitled; currently in building plan check
1368 Holly Drive	46 units <sup>(4)</sup>	6 units (13% of Total)	0 SF	58.1 units/acre	Entitled; currently in building plan check
1335 Imperial Beach Boulevard	11 units	1 unit (9% of Total)	0 SF	78.6 units/acre	In discretionary review with City Planning
209 Palm Avenue	3 units <sup>(5)</sup>	0 units	TBD	37.3 units/acre	In discretionary review with City Planning
<b>Total/Average</b>	<b>151 units</b>	<b>62 units</b>	<b>16,831 SF</b>	<b>54.7 units/acre</b>	---

(1) Source: City of Imperial Beach, as of April 2025.  
 (2) Developer is proposing a neighborhood center that will provide services to the residents of the affordable senior housing development.  
 (3) All units are proposed as townhomes with attached garages.  
 (4) Ten (10) of the units are proposed as ADUs.  
 (5) Includes one (1) ADU.

There are two (2) proposed residential developments in the Corridor, as follows:

- 745 13<sup>th</sup> Street – demolition of an existing single-family structure for construction of four (4) 3-story townhomes, each with an attached two-car garage
- 1335 Imperial Beach Boulevard – demolition of an existing multi-family structure for construction of 11 units, one (1) of which will be designated as affordable

**V. DEMAND FOR RESIDENTIAL DEVELOPMENT**

According to the SANDAG Series 14 Regional Growth Forecast and Baseline Subregional Allocation, the City contains approximately 10,500 housing units. KMA relied upon the SANDAG regional growth projections through 2050 to estimate residential demand. It is estimated that there are currently 1,447 housing units in the Corridor, or approximately 14% of the City’s housing unit inventory. As shown in Table V-1, SANDAG estimates that the City will increase nominally at a 0.24% average annual growth rate from 2025 through 2035. The County is projected to increase at an annual growth rate of 0.91% over the same time period.

<b>Table V-1: Housing Units by Geography, 2025-2050 <sup>(1)</sup></b>					
	<b>2025</b>	<b>2035</b>	<b>2050</b>	<b>Average Annual Change 2025-2035</b>	<b>Average Annual Change 2035-2050</b>
City of Imperial Beach	10,506	10,765	11,027	0.24%	0.16%
County of San Diego <i>City as % of County</i>	1,288,207 <i>0.82%</i>	1,409,853 <i>0.76%</i>	1,471,286 <i>0.75%</i>	0.91%	0.28%
13 <sup>th</sup> Street Corridor <sup>(2)</sup> <i>Corridor as % of City</i>	1,477 <i>13.77%</i>	---	---	---	---

(1) Source: SANDAG Series 14 Regional Growth Forecast and Baseline Subregional Allocation.  
 (2) Source: SanGIS/SANDAG Regional GIS Data Warehouse, 2023 data.

Table V-2 provides an overview of the potential growth in the County’s housing units. As shown, the County is expected to add 121,646 housing units from 2025 through 2035.

<b>Table V-2: Projected Housing Inventory, County of San Diego <sup>(1)</sup></b>	
Estimate of Housing Units in 2025	1,288,207 Units
Projected Average Annual Growth Rate, 2025-2035	0.91%
Estimated Housing Units Through 2035	1,409,853 Units
County Potential Growth in Housing Units, 2025-2035	121,646 Units

(1) Source: SANDAG Series 14 Regional Growth Forecast and Baseline Subregional Allocation.

KMA prepared independent estimates of residential demand for the City based on an assumed capture of projected Countywide housing growth through 2035. Using low/high capture assumptions of 0.50% to 0.75%, KMA projects residential demand for 608 to 912 units within the City through 2035. KMA then subtracted the current estimate of residential units from the City’s list of residential projects in planning (Table IV-8). After the adjustment, KMA projects residential demand for 451 to 755 units in the City through 2035.

KMA also prepared low/high capture assumptions for the Corridor. It is estimated that the Corridor contains a share of 13.8% of the City’s housing inventory. KMA assumed that the Corridor can capture a similar level of residential units and applied low/high capture rates of 12.5% and 15.0%. Based on these assumptions, KMA estimates that the Corridor can capture between 56 and 113 units. The KMA projections are summarized in Table V-3.

Table V-3: Estimate of Residential Demand, City and 13 <sup>th</sup> Street Corridor		
	Low Estimate	High Estimate
County Potential Growth in Housing Units, 2025-2035	121,646 Units <sup>(1)</sup>	
<u>City of Imperial Beach</u>		
City Capture of County Potential Growth	0.50%	0.75%
City Potential Growth, 2025-2035	608 Units	912 Units
(Less) Residential Projects in Planning	<u>(157 Units)</u>	<u>(157 Units)</u>
Adjusted City Potential Growth, 2025-2035	451 Units	755 Units
Estimated Annual Growth per Year	45 Units/Year	76 Units/Year
<u>13<sup>th</sup> Street Corridor</u>		
City Potential Growth, 2025-2035	451 Units	755 Units
Corridor Capture of City Potential Growth	12.5%	15.0%
Corridor Potential Growth, 2025-2035	56 Units	113 Units
Estimated Annual Growth per Year	6 Units/Year	11 Units/Year
(1) Source: SANDAG Series 14 Regional Growth Forecast and Baseline Subregional Allocation.		

KMA identified potential market-rate residential development typologies that would be likely to occur within the City and Corridor within the near- to long-term. These typologies reflect our experience with comparable projects in the South Bay and similar communities elsewhere in the County. Based on a review of the factors impacting residential development, potential residential development typologies, and current market conditions, KMA projected market support for each of the residential development typologies. This market demand is evaluated in the near term (0 to 5 years), mid-term (5 to 10 years), and long-term (10 or more years). In addition, the following metrics were used as part of this evaluation: “strong,” meaning highly likely to occur; “moderate,” meaning likely to occur; and “weak,” meaning unlikely to occur. The factors that KMA relied on in determining “strong,” “moderate,” and “weak” market demand for the near-, mid-, and long-term include evaluations of demographic trends; availability of neighborhood amenities, public facilities and infrastructure, and transit services; residential market factors, such as land and building values and rents; and the amount and type of recent and proposed development activity. Increases/decreases in market demand can be anticipated as changes occur with respect to one or more of these factors.

As shown in Table V-4, KMA believes that market demand for for-sale housing will be strong in the near- to long-term. However, high density (stacked flat) for-sale housing with structured parking may be challenging in the near- and mid-term. KMA anticipates market support for rental residential be weak to strong in the near-term. Over the mid- to long-term, market support for garden apartments and stacked flats over tuck under parking are projected to be strong; while market demand for stacked flat apartments with podium parking is projected to be moderate.

<b>Table V-4: Market Demand for Residential Typologies <sup>(1)</sup></b>			
	<b>Near-Term (0 to 5 Years)</b>	<b>Mid-Term (5 to 10 Years)</b>	<b>Long-Term (10+ Years)</b>
<b>FOR-SALE HOUSING</b>			
<b>A</b> Attached Townhomes with Attached Garages	<b>Strong</b>	<b>Strong</b>	<b>Strong</b>
<b>B</b> Stacked Flat with Podium Parking	<b>Weak</b>	<b>Weak</b>	<b>Moderate</b>
<b>RENTAL HOUSING</b>			
<b>C</b> Garden Apartments with Surface Parking and Attached Garages	<b>Strong</b>	<b>Strong</b>	<b>Strong</b>
<b>D</b> Stacked Flat with Surface and Tuck-Under Parking	<b>Moderate</b>	<b>Strong</b>	<b>Strong</b>
<b>E</b> Stacked Flat with Podium Parking	<b>Weak</b>	<b>Weak</b>	<b>Moderate</b>
<p>(1) Market demand rankings are based on an analysis of market factors, including demographic trends, availability of neighborhood amenities, public infrastructure and transit access, and broader real estate trends. Demand is categorized as follows:</p> <ul style="list-style-type: none"> <li>• Strong – highly likely to occur</li> <li>• Moderate – likely to occur</li> <li>• Weak – unlikely to occur</li> </ul>			

Under a separate report, KMA will analyze the financial feasibility of the potential residential development prototypes for the Corridor. The analyses will include estimates for development costs, value upon completion, targeted developer return, and/or potential funding sources. The outcome of the financial pro forma analyses will illustrate the feasibility, in terms of residual land value or financing gap, of each development prototype. Residual land value is defined as the maximum land value supported by a proposed development. It is calculated by estimating the total project value upon completion and subtracting the estimated total development costs, inclusive of an industry standard target developer return, required to develop the project. The KMA financial feasibility report will measure residual land values for each development prototype against recent comparable land sales to draw conclusions about financial feasibility.

**VI. RETAIL MARKET OVERVIEW**

*A. Commercial Zoned Land Sales Values*

KMA conducted a survey of commercial land sales from 2021 through March 2025 within a 5-mile radius of the Corridor. KMA did not identify any commercial land sales in the City during this time period. As shown in Table VI-1, land values within the surveyed area yield a median value of \$21 per SF land and an average of \$33 per SF land. The KMA survey identified a total of six (6) land sales – three (3) sales located in the City of Chula Vista and three (3) in San Ysidro. Entitled or previously developed commercial properties generated the highest sales on a per-SF basis, ranging between \$30 and \$99 per SF land. The remaining three (3) commercial land sales averaged \$12 per SF land.

Table VI-1: Survey of Commercial Land Sales, 2021 to March 2025 <sup>(1)</sup>				
Number of Land Sales	Minimum	Maximum	Median	Average
6 Sales	\$11/SF Land	\$99/SF Land	\$21/SF Land	\$33/SF Land

(2) Source: CoStar Group, Inc. Reflects land sales with less than 5 acres within a 5-mile radius from the mid-point of the Corridor.

*B. Retail Market Factors*



According to CoStar, there is approximately 592,000 SF of retail space in the City. Over the past decade, average lease rates have inconsistently fluctuated. As shown in Table VI-2, the average lease rate in the City since 2024 exceeds \$3.00 per SF. Small scale retail spaces tend to lease at higher rates on a per-SF basis than larger retail spaces. Vacancy rates are exceptionally low, indicating a healthy retail market. For comparison purposes, vacancy rates ranging between 5% and 7% indicate a balanced market, allowing for manageable tenant turnover and market stability. Vacancy rates below 5% suggest strong demand for retail space. Vacancy rates in the City only exceeded 5% during the COVID-19 pandemic, which tremendously affected retail space across the nation. However, the City recovered in 2022 and has remained at or below 2.5%, further supporting high demand for retail space in the City.

Table VI-2: Retail Space Trends, Citywide <sup>(1)</sup>			
Year	Inventory SF	Average Lease Rate Per SF NNN <sup>(2)</sup>	Vacancy Rate
2025 YTD <sup>(3)</sup>	591,766	\$3.01	2.5%
2024	591,766	\$3.50	2.4%

Table VI-2: Retail Space Trends, Citywide <sup>(1)</sup>			
Year	Inventory SF	Average Lease Rate Per SF NNN <sup>(2)</sup>	Vacancy Rate
2023	578,677	\$1.72	0.9%
2022	578,677	\$1.69	2.3%
2021	574,377	\$1.51	6.1%
2020	574,377	\$1.37	5.7%
2019	574,377	\$1.39	4.5%
2018	574,377	\$1.79	2.5%
2017	574,377	\$2.07	3.5%
2016	515,443	\$1.62	1.7%
2015	515,443	\$1.48	5.6%

(1) Source: CoStar Group, Inc.  
 (2) Reflects triple net (NNN) lease rates, which generally includes real estate taxes, building insurance, maintenance, rent, and utilities.  
 (3) As of April 2025.

KMA surveyed sales of retail buildings within the City from 2022 through March 2025. As shown in Table VI-3, retail buildings sold at a median price of \$594 per SF and an average price of \$687 per SF. Since 2022, only four (4) retail buildings have been sold in the City. The highest retail building sale occurred in 2022 for a 4,300-SF new construction building at 740 Palm Avenue. The buyer is an owner/user of the building.

Table VI-3: Survey of Retail Building Sales, 2022 to March 2025 <sup>(1)</sup>				
Number of Retail Building Sales	Minimum	Maximum	Median	Average
4 Sales	\$396/SF	\$1,163/SF	\$594/SF	\$687/SF

(1) Source: CoStar Group, Inc. Reflects retail building sales within the City of Imperial Beach.

According to CoStar, there is a total of 223,800 SF of retail space within 17 shopping centers in the City. A neighborhood center is generally defined as containing an anchor tenant<sup>3</sup> and retail tenants that serve the daily needs of local residents. Strip centers do not contain anchor tenants, are typically smaller in size, and are laid out in a linear fashion with small retail shops. Five (5) centers are located directly on 13<sup>th</sup> Street. As shown in in bold and italics in Table VI-4, these centers are all categorized as strip



<sup>3</sup> An anchor tenant is defined as a major store or chain that serves as the primary draw from customers to a shopping center or retail complex. These retailers tend to be grocery stores, department stores, and/or big-box retailers.

centers and contain 62,600 SF of retail space. Shopping centers in the Corridor represents 28% of the City’s shopping center retail space.

<b>Table VI-4: Shopping Centers in the City <sup>(1)</sup></b>						
<b>Center Name</b>	<b>Center Type</b>	<b>Center Address</b>	<b>Acres</b>	<b>Estimated Retail SF</b>	<b>Floor Area Ratio (FAR)</b>	<b>Year Built</b>
Breakwater Town Center	Neighborhood Center	801 Palm Ave	1.89	15,900	0.19	2017
<b>N/A</b>	<b>Strip Center</b>	<b>1051 13th St</b>	<b>0.32</b>	<b>4,400</b>	<b>0.32</b>	<b>1992</b>
Palm Plaza	Strip Center	1006 Palm Ave	0.29	5,000	0.40	1985
<b>N/A</b>	<b>Strip Center</b>	<b>1070 13th St</b>	<b>0.46</b>	<b>7,000</b>	<b>0.35</b>	<b>1979</b>
<b>Imperial Beach Plaza</b>	<b>Strip Center</b>	<b>700-760 13th St</b>	<b>2.86</b>	<b>35,600</b>	<b>0.29</b>	<b>1976</b>
Silver Strand Plaza	Neighborhood Center	600 Palm Ave	0.78	45,200	1.33	1970
Marina Village	Strip Center	1256-1268 Imperial Beach Blvd	0.54	11,000	0.47	1969
N/A	Strip Center	187-191 Palm Ave	0.23	4,600	0.46	1960
Imperial Shopping Center	Strip Center	633 9th St	0.44	8,800	0.46	1959
<b>N/A</b>	<b>Strip Center</b>	<b>1155 13th St</b>	<b>0.43</b>	<b>10,000</b>	<b>0.53</b>	<b>1959</b>
Imperial Beach Promenade	Neighborhood Center	802-894 Palm Ave	5.00	51,900	0.24	1950
N/A	Strip Center	639 7th St	0.34	4,100	0.28	N/A
<b>N/A</b>	<b>Strip Center</b>	<b>1167-1185 13th St</b>	<b>0.30</b>	<b>5,600</b>	<b>0.43</b>	<b>N/A</b>
N/A	Strip Center	710 CA-75	0.34	2,000	0.14	N/A
N/A	Strip Center	720 CA-75	0.32	4,900	0.35	N/A
N/A	Strip Center	1293 Imperial Beach Blvd	0.21	4,700	0.51	N/A
N/A	Strip Center	1060 Palm Ave	0.40	3,100	0.18	N/A
<b>Total/Average</b>			<b>15.14</b>	<b>223,800</b>	<b>0.34</b>	<b>1974</b>

(1) Source: CoStar Group, Inc. Reflects retail building sales within the City of Imperial Beach.

C. Recently Completed Projects

Three (3) traditional retail projects have been completed since 2023. Table VI-5 presents a summary of these developments.

<b>Table VI-5: Recently Completed Retail Projects <sup>(1)</sup></b>				
<b>Location</b>	<b>Project Description</b>	<b>Retail SF</b>	<b>Parking</b>	
			<b>Spaces</b>	<b>Ratio</b>
951 Seacoast	Two-story commercial building with an outdoor roof deck proposed to house visitor-serving retail uses	6,706 SF	0 spaces	0 spaces/1,000 SF
1333 Palm Avenue	Del Taco w/drive thru and 254-SF outdoor patio seating/dining area	1,856 SF	19 spaces	10 spaces/1,000 SF
900 Palm Avenue	Raising Cane’s w/drive thru and 776-SF outdoor patio seating/dining area	1,918 SF	16 spaces	8 spaces/1,000 SF
<b>Total Retail SF</b>		<b>10,480 SF</b>		

(1) Source: City of Imperial Beach, as of April 2025.

There is also a proposed 100-room hotel resort at 1046 Seacoast that will include approximately 2,000 SF of ground floor retail space. The proposed project is not yet entitled.

**VII. DEMAND FOR RETAIL DEVELOPMENT**

KMA evaluated current gross retail sales by subcategory for the City of Imperial Beach and County of San Diego. This information is expressed as total sales, per capita (resident) sales, and percent of per capita income for each jurisdiction. Table VII-1 illustrates a comparison of retail sales activity in Imperial Beach relative to San Diego County. As shown in the table, the County exhibits higher overall sales activity on a per capita basis in comparison with the City.

<b>Table VII-1: Retail Sales Per Capita, City of Imperial Beach vs. County of San Diego, 2024 <sup>(1)</sup></b>				
<b>Retail Category <sup>(2)</sup></b>	<b>City of Imperial Beach</b>		<b>County of San Diego</b>	
	<b>Per Capita</b>	<b>% of Per Capita Income</b>	<b>Per Capita</b>	<b>% of Per Capita Income</b>
Shopper Goods (GAFO)	\$1,374	3.8%	\$9,023	17.5%
Convenience Goods	\$3,925	10.8%	\$5,809	11.3%
Building Material and Garden Equipment and Supplies Dealers	\$0	0.0%	\$1,161	2.3%
<b>Total, Above Categories</b>	<b>\$5,298</b>	<b>14.6%</b>	<b>\$15,993</b>	<b>31.1%</b>

(1) Based on data from the California DOF, Esri, and California Department of Tax and Fee Administration.  
 (2) Figures represent estimated gross sales (adjusted from taxable).

According to the HdL Companies Winter 2025 newsletter highlighting the City’s sales tax, the majority of sales tax is generated by restaurants and hotels, followed by fuel and service stations, County and State Pools<sup>4</sup>, Food and Drugs, and General Consumer Goods. The lowest sales tax business groups in the City are auto and transportation, business and industry, and building and construction. In November 2020, residents in the City voted on a 1% sales tax increase (Measure I – the Clean and Safe Neighborhoods measure). Measure I raised the local sales tax from 7.75% to 8.75%. The increase in sales tax is aimed at stabilizing the City’s budget and ensuring that the City can provide essential services such as public safety (police and fire), crime prevention, public improvements and maintenance, and recreational facilities and programs. Measure I serves as one of the major revenue sources to the City’s General Fund. Measure I sales tax was estimated to total just over \$3 million in FY 2024<sup>5</sup>. As of June 30, 2024<sup>6</sup>, sales tax (\$8.4 million) was the City’s largest revenue source to the General Fund, followed by property taxes (\$7.6 million), franchise taxes (\$2.8 million), and transient occupancy taxes (\$1.8 million). Therefore, retail businesses in the City and Corridor serve as a critical component to generate revenue to the City.

KMA prepared a retail sales import/export analysis for the City of Imperial Beach that compares actual sales vs. retail expenditure potential. The KMA import/export analysis used a regional norm for allocation of household income to retail expenditures. Based on a review of City and County retail spending potential (percent of actual retail sales (in 2024) vs. the total retail expenditure potential), it is estimated that residents in the City expend approximately 46% of their household income on retail goods. Therefore, KMA allocated 46% of household income toward retail expenditures on Shopper Goods (GAFO), Convenience Goods, and Building Material and Garden Equipment and Supplies Dealers.. As shown in Table VII-2, KMA estimated total potential retail sales of \$296 million annually for the City.

<sup>4</sup> Reflects allocation of the mandatory local sales and use tax component within the statewide base rate of 7.25%, of which a portion gets distributed to the City.

<sup>5</sup> Source: City of Imperial Beach FY 2024-25 Biennial Budget. Reflects the Adopted Budget for FY 2024.

<sup>6</sup> Source: City of Imperial Beach Financial Statement for Fiscal Year Ended June 30, 2024.

KMA then compared this expenditure potential to actual retail sales of an estimated \$135 million in 2024. The difference between actual retail sales and total expenditures can either indicate an import or export (or leakage) of retail categories. The analysis yielded estimates of retail sales export of \$161.1 million for all subcategories, indicating that residents need to travel outside of the City for a majority of retail goods. This presents an opportunity for the City to recapture retail sales.

<b>Table VII-2: City of Imperial Beach Retail Sales Export, 2024</b>			
<b>Retail Category <sup>(1)</sup></b>	<b>Total Potential Expenditures</b>	<b>Actual Retail Sales</b>	<b>Retail Sales Import/(Export)</b>
Shopper Goods (GAFO)	\$166,600,000	\$35,000,000	(\$131,600,000)
Convenience Goods	\$106,400,000	\$100,000,000	(\$6,400,000)
Building Material and Garden Equipment and Supplies Dealers	\$23,100,000	\$0	(\$23,100,000)
<b>Total, Above Categories</b>	<b>\$296,100,000</b>	<b>\$135,000,000</b>	<b>(\$161,100,000)</b>

(1) Figures represent estimated gross sales (adjusted from taxable).

Based on this gross retail sales leakage, KMA calculated potential low and high recapture of retail sales – and the resulting demand for retail space. As shown in Table VII-3, KMA estimates that the City can recapture between 81,000 SF and 141,000 SF of total retail leakage.

<b>Table VII-3: Estimated Recapture of Retail Space in the City</b>			
<b>Total Leakage</b>	<b>\$161,100,000</b>		
	<b>Recapture Rate</b>	<b>Estimated Gross Sales/SF/Year</b>	<b>Potential Recapture of Retail SF</b>
Low Estimate	25%	\$500	81,000 SF
High Estimate	35%	\$400	141,000 SF

KMA then formulated a low/high 10-year retail space demand projection for the City taking into consideration demand from beyond the City as well as adjustments for accelerated on-line shopping. KMA also subtracted the City’s retail projects in planning (16,000 SF). As shown in Table VII-4, it is projected that the City can recapture between 64,000 SF (6,400 SF per year) to 123,000 SF (12,300 SF per year), through 2035.

<b>Table VII-4: Additional Retail Space Supported by Recapture, 2025-2035</b>		
	<b>Low Estimate</b>	<b>High Estimate</b>
Estimated Recapture of Retail Sales Leakage from Existing Residents	81,000 SF	141,000 SF
Add: Demand from Beyond City as % of Locally Supported Demand @ 10%	8,000 SF	14,000 SF
Subtotal – Estimated Retail Space Demand	89,000 SF	155,000 SF
(Less) Adjustment for Accelerated On-line Shopping @ 10%	(9,000) SF	(16,000) SF
(Less) Retail Projects in Planning <sup>(1)</sup>	(16,000) SF	(16,000) SF
<b>Estimated Total Retail Demand, Citywide</b>	<b>64,000 SF</b>	<b>123,000 SF</b>
<b>Average Annual</b>	<b>6,400 SF/Year</b>	<b>12,300/SF Year</b>
<small>(1) Excludes the 13,000-SF neighborhood community center associated with the affordable senior development at 455 Palm Avenue.</small>		

Based on this projected additional retail space supported by recapture, KMA estimated the potential capture of retail space for the Corridor during this same period. As shown in Table VII-5, the Corridor is projected to capture between 10,000 SF (1,000 SF per year) and 18,000 SF (1,800 SF per year) of retail space.

<b>Table VII-5: Corridor Capture of Citywide Retail Demand, 2025-2035</b>		
	<b>Low Estimate</b>	<b>High Estimate</b>
Estimated Total Retail Demand, Citywide	64,000 SF	123,000 SF
Average Annual	6,400 SF/Year	12,300/SF Year
<b>Estimated Corridor Capture of Citywide Retail Demand @ 15%</b>	<b>10,000 SF</b>	<b>18,000 SF</b>
<b>Average Annual</b>	<b>1,000 SF/Year</b>	<b>1,800 SF/Year</b>

This magnitude of growth can be an indicator of the type of retail that can be absorbed during this period. This may include smaller, community-oriented businesses that cater to the needs of both residents and visitors. Specific retail types include boutique shops, cafes, specialty stores, and service-oriented businesses. These businesses align with the Corridor's evolving character, which aims to offer a mix of local and unique offerings. Additionally, with the continued improvements in the Corridor, there may be a growing demand for convenience stores, small-scale grocery outlets, and recreational retailers that support increasing population and tourism. The projected retail capture may present an opportunity to provide more localized, personalized shopping experiences, enhancing the vibrancy of the Corridor while preserving its role as a community-focused destination.

In general, the retail market has become saturated, particularly in the fashion, electronics, and beauty retail categories. Traditional retailers have been challenged by e-commerce and are shifting to smaller

building footprints with more access to online purchases. As competition grows, retailers with brick and mortar spaces have been forced to either file bankruptcy or downsize the number of stores, as evidenced by the closing of Bed Bath & Beyond, Best Buy, CVS, Footlocker, Macy's, Party City, and Rite-Aid, among others.

Retail space is also being repurposed for experiential retail, generally defined as creating a memorable, immersive in-store experience. Pop-ups and limited-time concepts have also become increasingly popular. These exclusive, time-sensitive experiences temporarily occupy existing vacant retail space. These interim uses can engage the community, increase visitor foot-traffic, and boost economic activity.

### **VIII. LIMITING CONDITIONS**

1. KMA has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Although KMA believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties.
2. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured. No guarantee is made as to the possible effect on development of current or future Federal, State, or local legislation including environmental or ecological matters.
3. The analysis, opinions, recommendations, and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity. If an unforeseen change occurs in the local or national economy, the analysis and conclusions contained herein may no longer be valid.
5. Any estimates of development costs, project income, and/or value in this evaluation are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be predictions of the future for the specific project. No warranty or representation is made that any of these estimates or projections will actually materialize.

6. It has been assumed that the value of the property will not be impacted by the presence of any soils, toxic, or hazardous conditions that require remediation to allow development. Additionally, it is assumed that perceived toxic conditions (if any) on surrounding properties will not affect the value of the property.
7. KMA is not advising or recommending any action be taken by the City with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues).
8. KMA is not acting as a Municipal Advisor to the City and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the County pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.
9. The City shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own Municipal Advisors, that it deems appropriate before acting on the information and material.