

RETAIL MARKET REPORT

FIRST QUARTER 2006

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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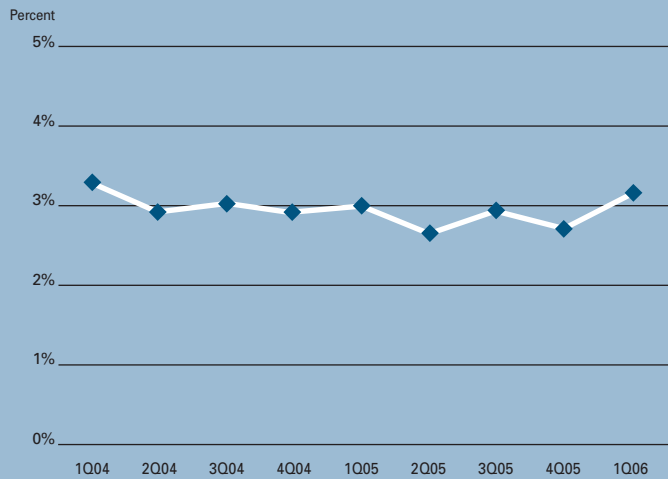
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2006 in San Diego County is 4.1%, which is a decrease of 0.1% since the fourth quarter of 2005 and down from the 4.7% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,800 new non-farm jobs in 2005, and they are forecasting 22,600 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 1,860,519 square feet of Retail construction underway, and total construction is higher than the 831,296 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is up. Currently there is 3,249,568 square feet of Retail space on the slate as being planned.
- ◆ The Retail vacancy rate is at a low 3.17%, which is up from the 2.89% rate we saw during the first quarter of 2005.
- ◆ The average asking Triple Net lease rate checked in at \$1.86 a square foot per month this quarter. This is higher than last quarter and 2.20% higher than what was reported in the first quarter of 2005. This also represents a new record high for lease rates in the Retail market of San Diego.
- ◆ The Retail absorption checked in at a negative number of 430,555 square feet for the first quarter of 2006, giving the San Diego Retail Market a total of 5 million square feet of positive absorption for the last 15 quarters.
- ◆ Rental rates are expected to continue to increase at moderate levels in the short run, and concessions will lessen as the economy in San Diego County continues to expand. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 5% to 7% in 2006.

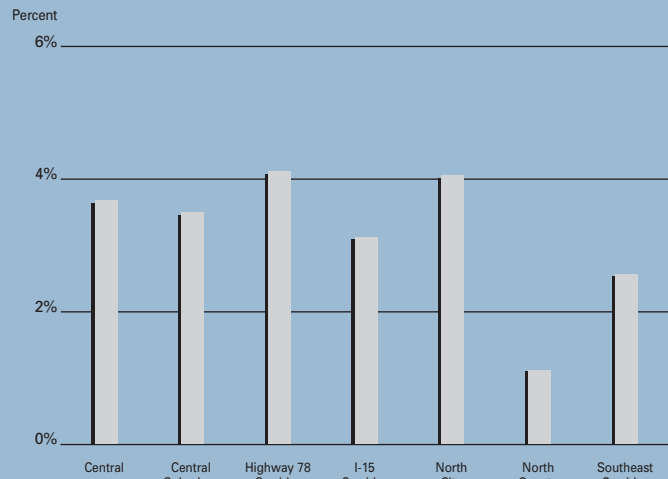
RETAIL MARKET STATISTICS

	1Q2006	4Q2005	1Q2005	% CHANGE VS. 1Q05
Under Construction	1,860,519	1,865,913	831,296	123.81%
Vacancy	3.17%	2.71%	2.89%	9.69%
Availability	3.72%	2.88%	3.24%	14.81%
Pricing - Triple Net Service	\$1.86	\$1.80	\$1.82	2.20%
Net Absorption	-430,555	313,125	37,560	N/A

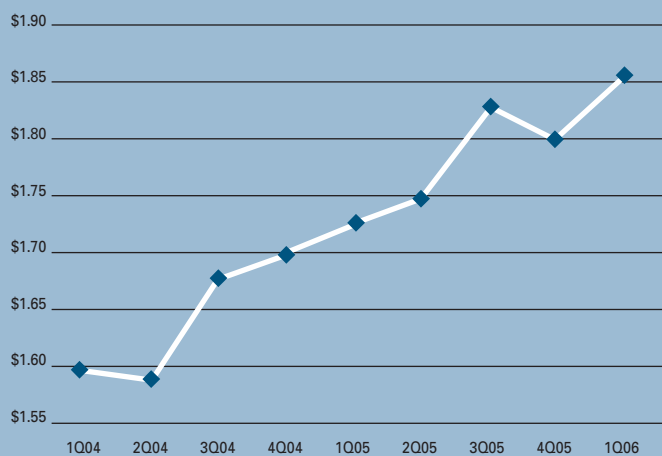
VACANCY RATE



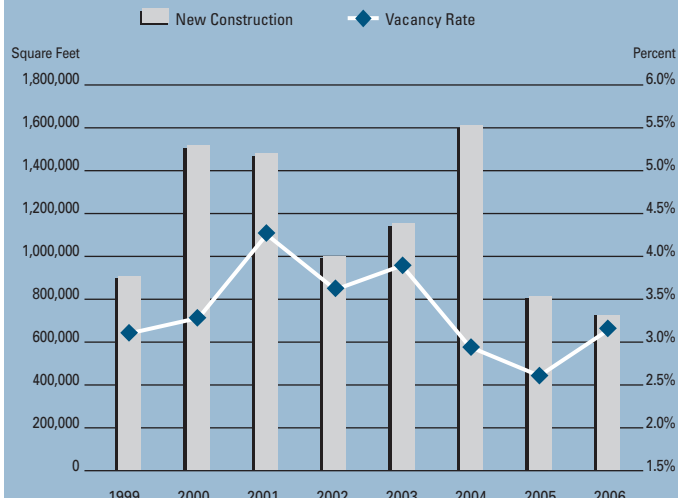
VACANCY RATE BY SUBMARKET



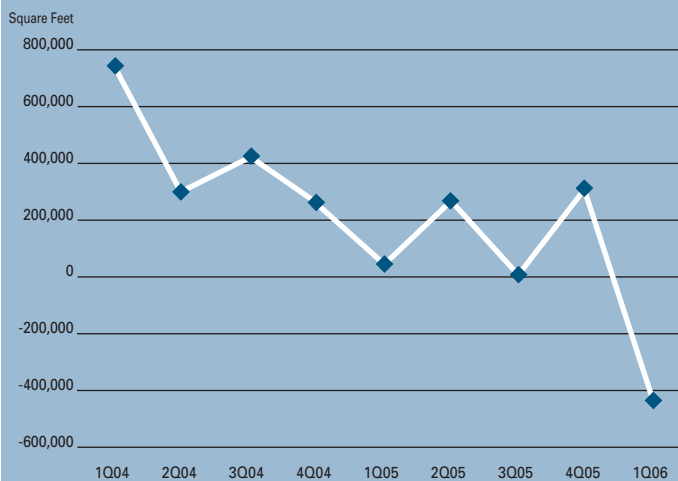
AVERAGE ASKING TRIPLE NET LEASE RATE



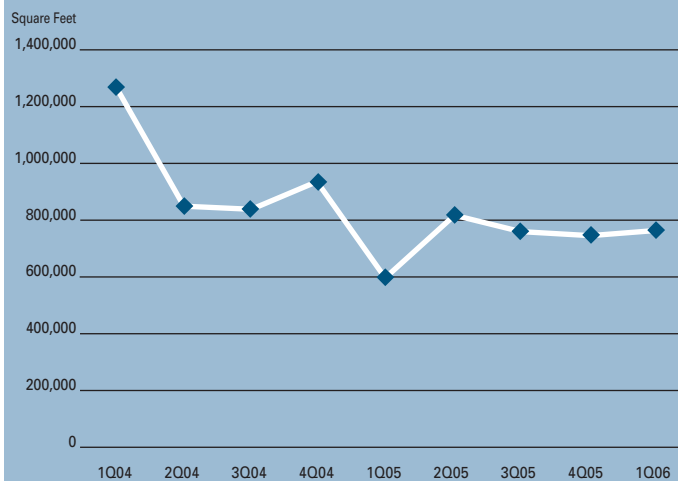
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



SAN DIEGO COUNTY

INVENTORY

VACANCY & ABSORPTION

	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2006	Total Availability 1Q2006	Average Asking Lease Rate	Net Absorption 1Q2006	Net Absorption 2005
Central										
Downtown	197	3,164,185	125,564	197,727	114,934	3.63%	148,856	\$2.51	(31,353)	85,106
Central Total	197	3,164,185	125,564	197,727	114,934	3.63%	148,856	\$2.51	(31,353)	85,106
Central Suburban										
City Heights/University	251	3,998,254	42,300	0	178,490	4.46%	308,404	\$1.49	(9,103)	15,116
Kearny Mesa	105	3,433,383	0	0	53,610	1.56%	56,524	\$1.73	2,058	72,284
Mission Gorge	97	3,662,213	0	0	124,265	3.39%	143,215	\$1.57	(83,331)	1,658
Mission Valley	44	5,550,822	0	0	29,289	0.53%	40,661	\$2.30	(12,925)	20,534
Old Town	18	217,122	0	0	8,677	4.00%	12,627	\$2.02	(8,677)	550
Point Loma	101	2,450,913	24,000	242,548	160,377	6.54%	142,507	\$1.90	(74,770)	(6,212)
Rose Canyon/Morena	165	4,005,264	0	188,676	213,031	5.32%	225,443	\$1.80	(79,097)	(23,122)
Uptown/Hillcrest	64	536,535	0	0	37,039	6.90%	37,039	\$3.17	8,824	(2,268)
Central Suburban Total	845	23,854,506	66,300	431,224	804,778	3.37%	966,420	\$1.69	(257,021)	78,540
Highway 78 Corridor										
Oceanside	135	5,576,729	23,817	845,955	265,558	4.76%	313,354	\$1.67	42,207	125,815
San Marcos/Vista	247	8,826,156	405,679	508,947	337,010	3.82%	375,638	\$1.88	33,134	171,277
Highway 78 Corridor Total	382	14,402,885	429,496	1,354,902	602,568	4.18%	688,992	\$1.83	75,341	297,092
I-15 Corridor										
Escondido	199	6,963,305	0	16,000	227,720	3.27%	247,196	\$1.70	(11,298)	(45,978)
Rancho Bernardo/Poway	102	4,823,080	265,609	38,000	164,490	3.41%	198,854	\$2.45	(27,831)	6,318
Scripps Ranch	17	522,869	0	0	1,575	0.30%	3,869	\$1.69	0	3,155
I-15 Corridor Total	318	12,309,254	265,609	54,000	393,785	3.20%	449,919	\$1.96	(39,129)	(36,505)
North City										
Del Mar Heights	6	575,712	0	22,987	4,524	0.79%	5,499	\$4.50	5,872	82,317
Governor Park	2	14,504	0	0	0	0.00%	0	\$5.42	0	0
La Jolla	87	837,438	0	0	43,306	5.17%	43,369	\$5.42	5,171	(10,851)
Miramar	55	2,664,841	0	0	166,674	6.25%	166,674	\$1.52	(85,742)	(34,722)
N University City - UTC Center	14	2,194,521	0	0	37,039	1.69%	37,039	\$1.98	(23,939)	3,600
Sorrento Mesa	7	232,807	0	12,000	13,749	5.91%	15,149	\$2.52	(6,312)	(466)
Torrey Pines/Sorrento Valley	3	23,589	0	0	2,548	10.80%	2,548	\$1.40	0	(2,548)
North City Total	174	6,543,412	0	34,987	267,840	4.09%	270,278	\$2.37	(104,950)	37,330
North County										
Carlsbad	40	2,916,239	0	231,200	46,668	1.60%	61,472	\$2.51	(3,305)	(9,413)
North Beach Cities	113	4,996,786	20,000	113,198	80,264	1.61%	90,810	\$2.99	62,911	9,378
North County Total	153	7,913,025	20,000	344,398	126,932	1.60%	152,282	\$2.78	59,606	(35)
South/Southeast Corridor										
East County	411	11,728,978	0	252,000	378,889	3.23%	469,153	\$1.42	(69,940)	170,387
South San Diego	422	15,825,273	953,550	580,330	344,489	2.18%	416,329	\$1.76	(63,109)	186,155
South/Southeast Total	833	27,554,251	953,550	832,330	723,378	2.63%	885,482	\$1.59	(133,049)	356,542
San Diego County Total	2,902	95,741,518	1,860,519	3,249,568	3,034,215	3.17%	3,562,229	\$1.86	-430,555	818,070

Lease rates are on a triple net basis.

RETAIL MARKET REPORT

FIRST QUARTER 2006

SUBMARKETS

CENTRAL

Downtown

CENTRAL SUBURBAN

City Heights/University
Kearny Mesa
Mission Gorge
Mission Valley
Old Town
Point Loma
Rose Canyon/Morena
Uptown/Hillcrest

HIGHWAY 78 CORRIDOR

Oceanside
San Marcos/Vista

I-15 CORRIDOR

Escondido
Rancho Bernardo/Poway
Scripps Ranch

NORTH CITY

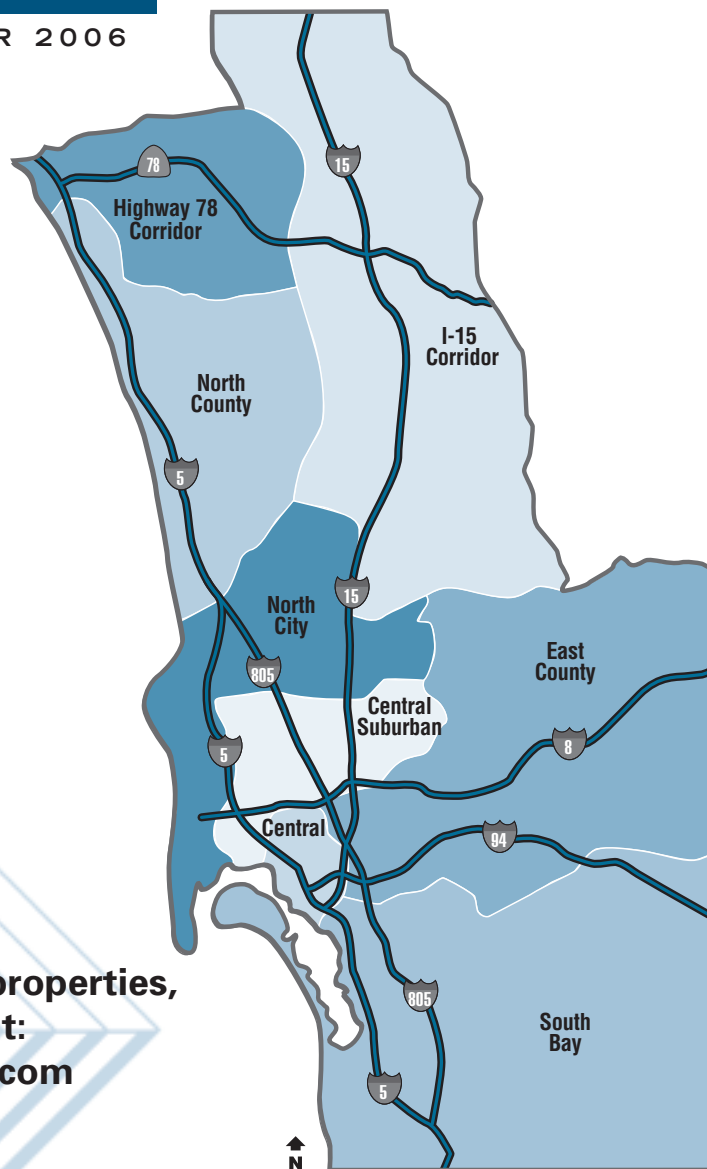
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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