

RETAIL MARKET REPORT

FIRST QUARTER 2007

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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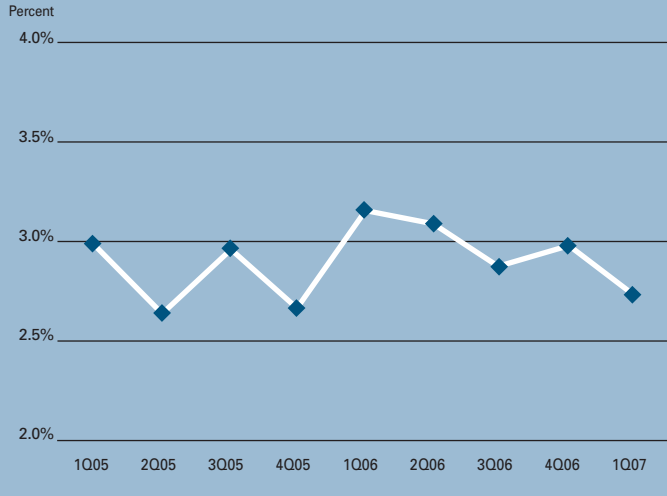
MARKET HIGHLIGHTS

- ◆ Unemployment in the first quarter of 2007 in San Diego County is 4.2%, which is 0.3% higher than it was when compared to the fourth quarter of 2006, and the same as it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ Currently there is 787,208 square feet of Retail construction underway, and total construction is lower than the 1,860,519 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is up. Currently there is 3,288,605 square feet of Retail space on the slate as being planned compared to last years figure of 3,249,568.
- ◆ The Retail vacancy rate is at a low 2.72%, which is down from the 3.17% rate we saw during the first quarter of 2006.
- ◆ The average asking Triple Net lease rate checked in at \$1.98 a square foot per month this quarter. This is lower than last quarter and 6.45% higher than what was reported in the first quarter of 2006.
- ◆ Retail absorption checked in at a positive number of 1,109,434 square feet for the first quarter of 2007, giving the San Diego Retail Market a total of over 2.7 million square feet of positive absorption for the last 5 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 2007.

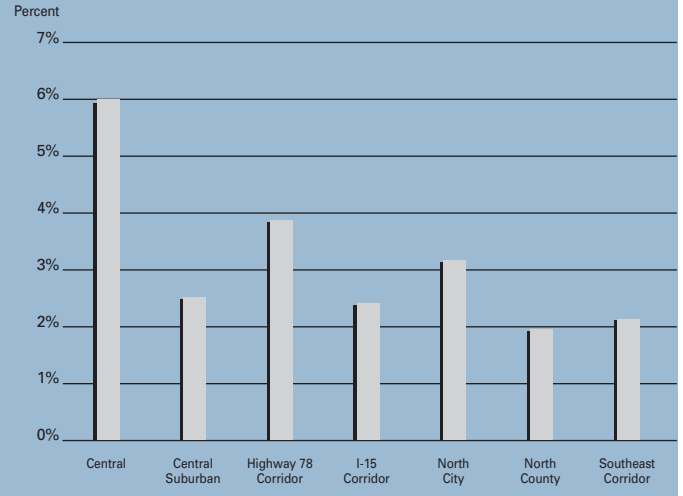
RETAIL MARKET STATISTICS

	1Q2007	4Q2006	1Q2006	% CHANGE VS. 1Q06
Under Construction	787,208	731,445	1,860,519	-57.69%
Vacancy	2.72%	2.98%	3.17%	-14.20%
Availability	3.35%	3.80%	3.72%	-9.95%
Pricing - Triple Net Service	\$1.98	\$2.13	\$1.86	6.45%
Net Absorption	1,109,434	1,233,975	-127,204	N/A

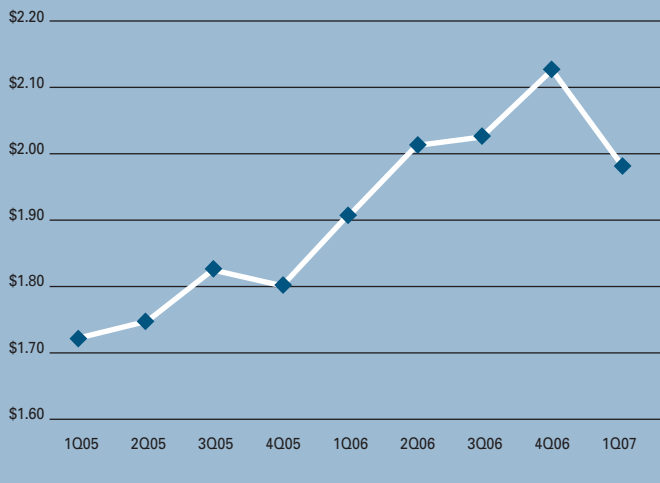
VACANCY RATE



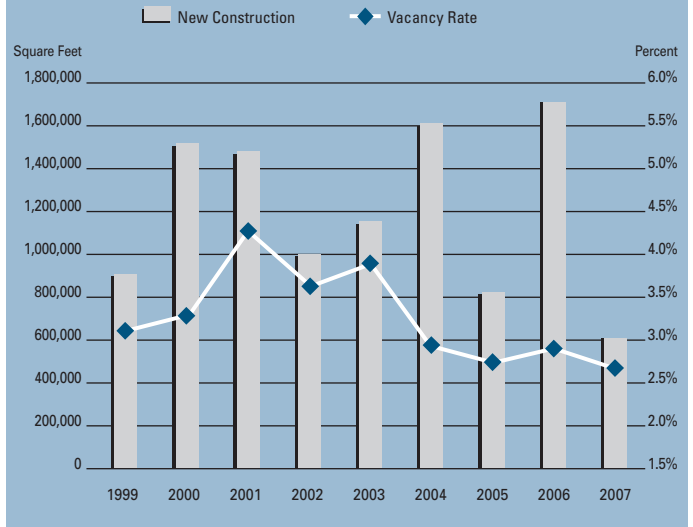
VACANCY RATE BY SUBMARKET



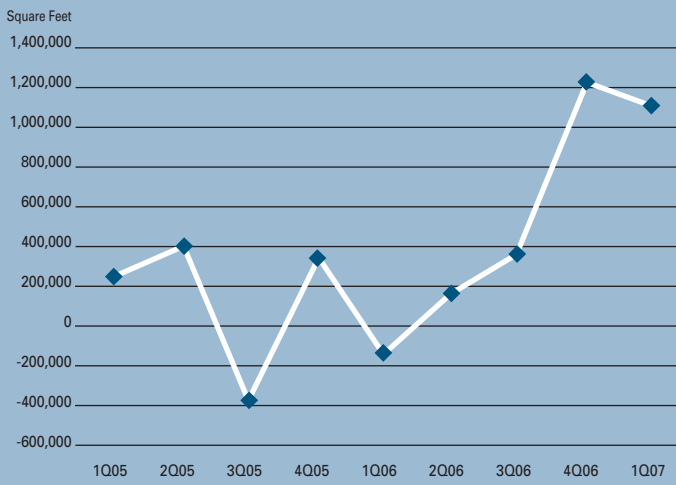
AVERAGE ASKING TRIPLE NET LEASE RATE



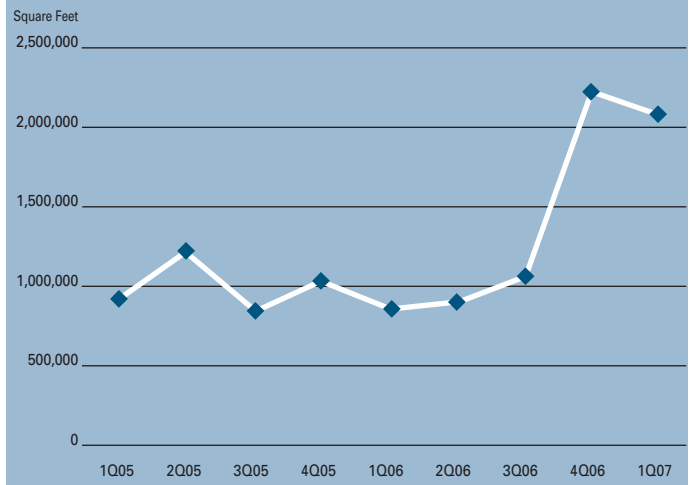
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FIRST QUARTER 2006

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 1Q2007	Total Availability 1Q2007	Average Asking Lease Rate	Net Absorption 1Q2007	Net Absorption 2006
Central										
Downtown	393	4,442,211	338,704	294,128	267,404	6.02%	289,314	\$2.61	16,495	(86,169)
Central Total	393	4,442,211	338,704	294,128	267,404	6.02%	289,314	\$2.61	16,495	(86,169)
Central Suburban										
City Heights/University	871	6,656,727	10,000	27,700	151,602	2.28%	277,440	\$1.63	130,637	(16,362)
Kearny Mesa	238	5,007,398	0	0	127,636	2.55%	102,716	\$1.71	2,188	(32,466)
Mission Gorge	169	4,249,048	0	71,530	101,469	2.39%	112,716	\$2.00	1,634	(53,269)
Mission Valley	85	6,195,179	0	0	32,760	0.53%	65,351	\$1.97	(29)	(4,861)
Old Town	91	426,850	0	0	11,600	2.72%	11,018	\$2.00	3,956	2,811
Point Loma	408	3,780,415	0	31,700	206,116	5.45%	199,052	\$1.85	130,109	61,609
Rose Canyon/Morena	472	5,463,290	0	163,000	163,823	3.00%	243,277	\$1.74	56,376	(7,027)
Uptown/Hillcrest	164	1,197,334	0	0	40,317	3.37%	66,979	\$2.03	21,346	24,391
Central Suburban Total	2,498	32,976,241	10,000	293,930	835,323	2.53%	1,078,549	\$1.77	346,217	(25,174)
Highway 78 Corridor										
Oceanside	412	6,068,017	36,000	844,955	253,694	4.18%	298,908	\$1.74	(45,260)	129,025
San Marcos/Vista	626	10,627,198	177,792	755,277	391,645	3.69%	397,948	\$1.74	105,587	433,478
Highway 78 Corridor Total	1,038	16,695,215	213,792	1,600,232	645,339	3.87%	696,856	\$1.74	60,327	562,503
I-15 Corridor										
Escondido	630	9,112,957	0	31,000	230,766	2.53%	337,068	\$1.84	199,109	72,940
Rancho Bernardo/Poway	156	5,834,704	0	38,000	141,527	2.43%	175,981	\$2.10	246,840	23,501
Scripps Ranch	31	843,378	0	0	6,460	0.77%	7,660	\$2.61	(4,500)	(385)
I-15 Corridor Total	817	15,791,039	0	69,000	378,753	2.40%	520,709	\$1.95	441,449	96,056
North City										
Del Mar Heights	20	641,725	28,382	18,000	6,216	0.97%	7,216	\$0.00	(2,096)	6,276
Governor Park	3	17,504	0	0	0	0.00%	0	\$0.00	0	0
La Jolla	213	1,477,170	0	0	60,169	4.07%	80,584	\$4.34	17,483	(2,775)
Miramar	100	3,073,425	0	0	125,729	4.09%	166,376	\$2.08	(9,857)	(26,021)
N University City - UTC Center	27	2,501,584	0	35,000	43,485	1.74%	43,388	\$2.17	(5,240)	(19,845)
Sorrento Mesa	13	302,319	12,000	0	19,514	6.45%	15,528	\$3.50	2,615	(13,192)
Torrey Pines/Sorrento Valley	4	26,987	0	0	3,343	12.39%	3,343	\$1.75	(795)	0
North City Total	380	8,040,714	40,382	53,000	258,456	3.21%	316,435	\$2.93	2,110	(55,557)
North County										
Carlsbad	234	5,139,619	0	334,342	98,591	1.92%	90,569	\$2.77	(25,653)	60,542
North Beach Cities	553	8,611,752	0	77,844	172,376	2.00%	219,495	\$2.68	45,430	(79,492)
North County Total	787	13,751,371	0	412,186	270,967	1.97%	310,064	\$2.73	19,777	(18,950)
South/Southeast Corridor										
East County	755	13,554,185	14,704	262,900	394,676	2.91%	494,742	\$1.61	50,240	(3,831)
South San Diego	1,029	18,666,818	169,626	303,229	314,424	1.68%	438,533	\$2.07	172,819	1,056,758
South/Southeast Total	1,784	32,221,003	184,330	566,129	709,100	2.20%	933,275	\$1.85	223,059	1,052,927
San Diego County Total	7,697	123,917,794	787,208	3,288,605	3,365,342	2.72%	4,145,202	\$1.98	1,109,434	1,525,636

Lease rates are on a triple net basis.

RETAIL MARKET
REPORT

FIRST QUARTER 2007

SUBMARKETS

CENTRAL
Downtown

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

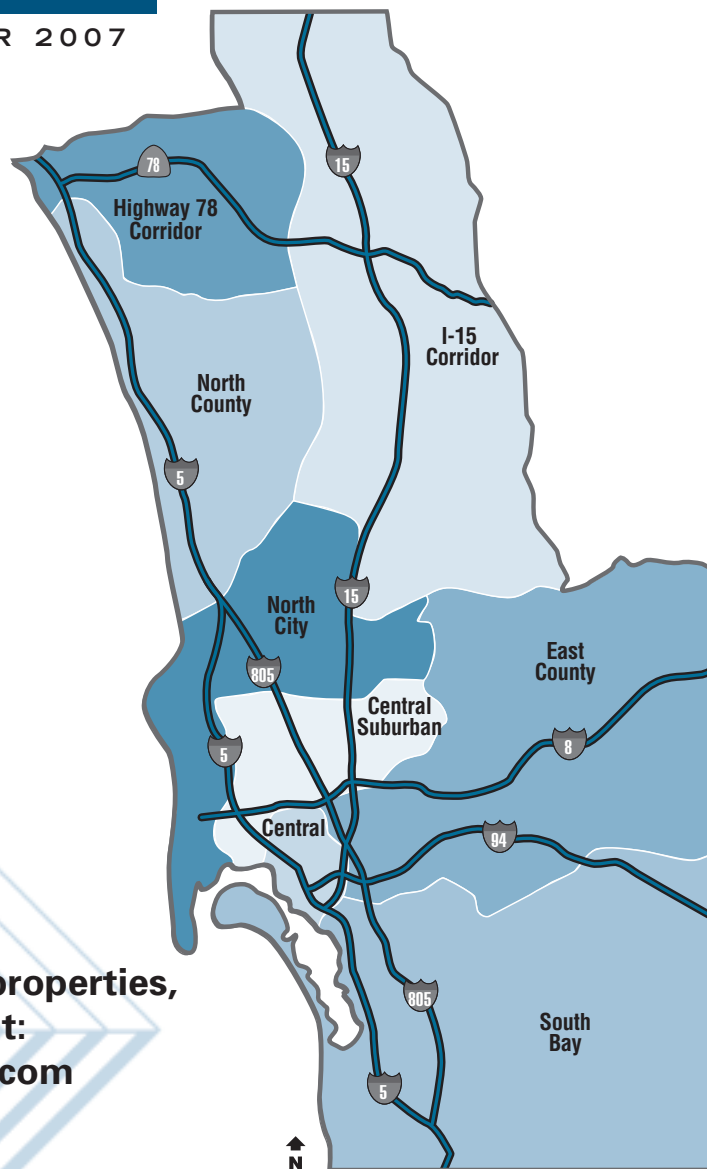
HIGHWAY 78 CORRIDOR
Oceanside
San Marcos/Vista

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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