



# Retail Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption



DOWN

Lease Rates



UP

Construction



UP

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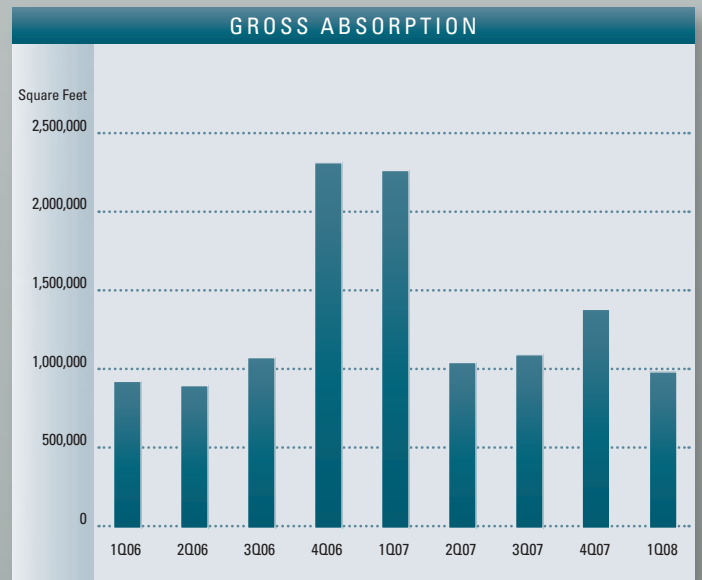
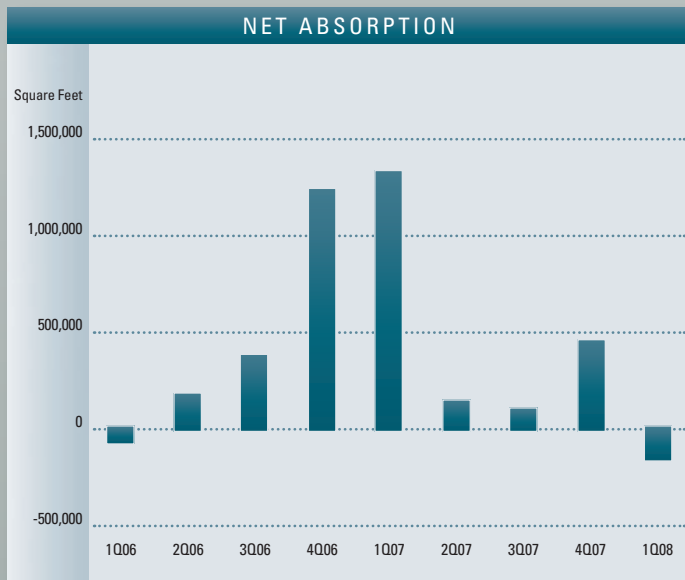
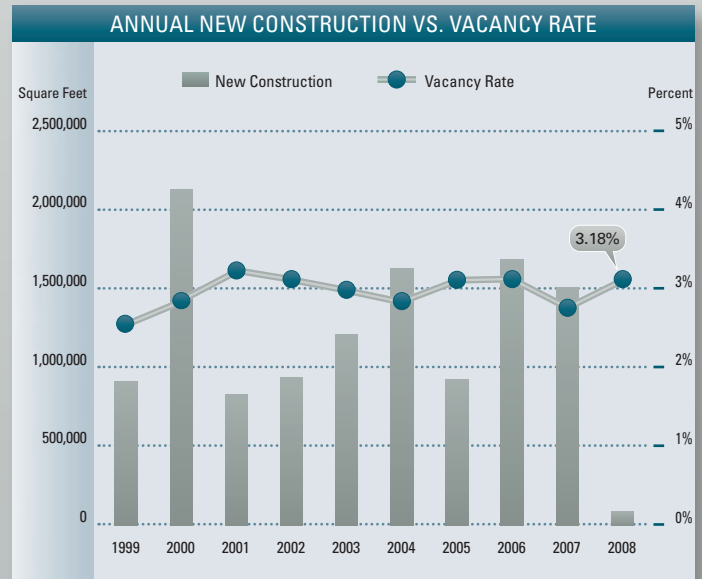
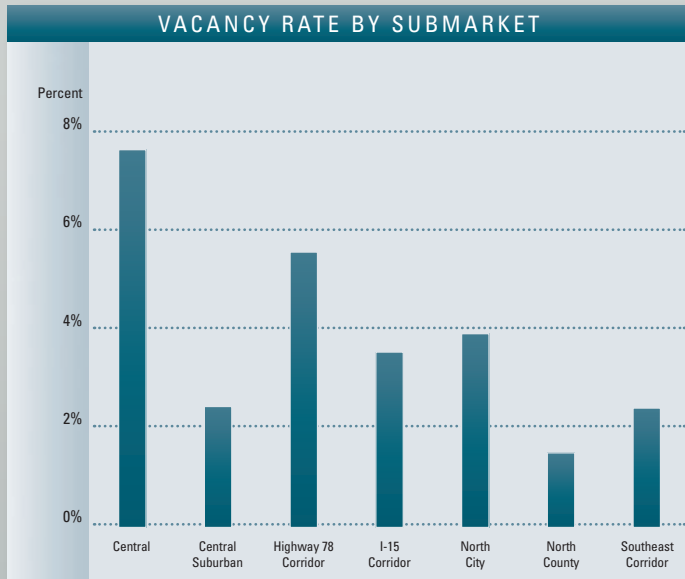
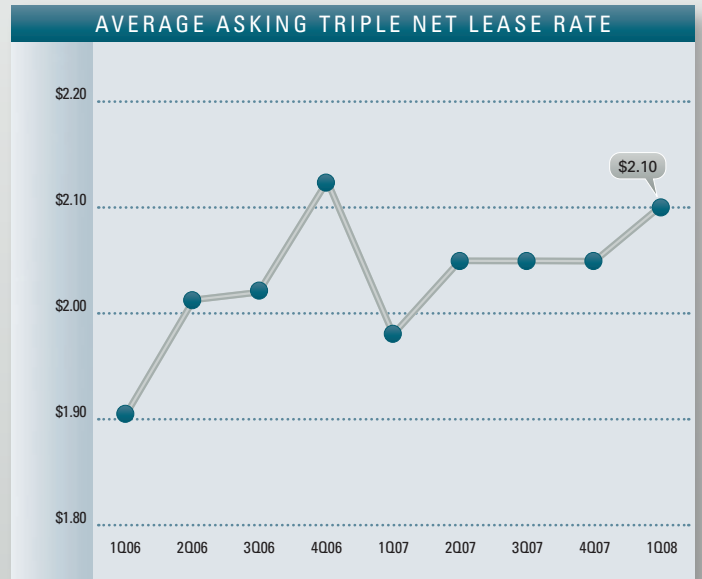
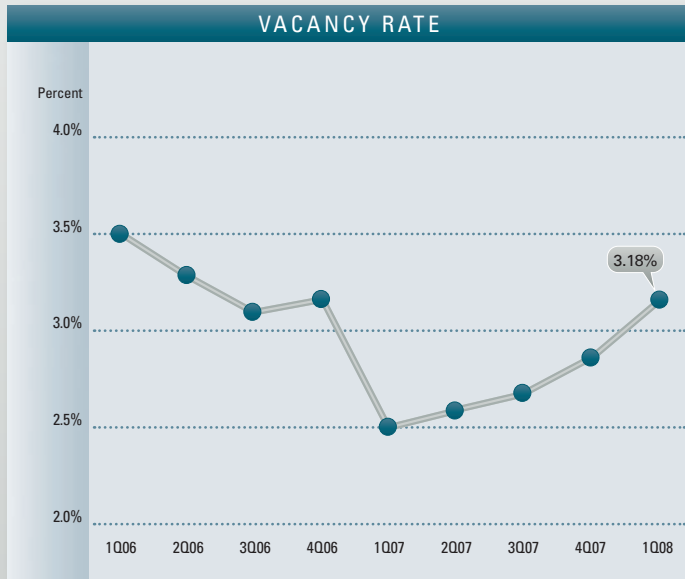
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## Retail Market Highlights

- ◆ The Retail vacancy rate is at a low 3.18%, which is up from the 2.72% rate we saw during the first quarter of 2007. One of the lowest vacancy rates in the county can be found in the North County and Central Suburban Corridor submarkets, coming in at 1.34% and 2.6% respectively. This lack of supply is creating constrained demand for Retail space in the San Diego County area and is putting upward pressure on lease rates.
  - ◆ The average asking Triple Net lease rate was \$2.10 per square foot per month this quarter. This is five cents higher last quarter and 6.06% higher than what was reported in the first quarter of 2007. The highest rates in the county can be found in the Downtown submarket, where the average asking Triple Net lease rate is \$3.21 per square foot.
  - ◆ Retail absorption checked in at a negative 152,056 square feet for the first quarter of 2008. Last year the San Diego Retail Market had a total of over 2 million square feet of positive absorption.
  - ◆ Currently there is 687,113 square feet of Retail construction underway, and total construction is lower than the 787,208 square feet that was under construction at this same time last year.
  - ◆ Planned Retail construction in San Diego County is down. Currently there is 2.2 million square feet of
- Retail space on the slate as being planned compared to last year's figure of 3.3 million square feet.
- ◆ According to the State of California Employment Development Department, San Diego County added 300 payroll jobs over the last twelve months. Between January 2008 and February 2008 San Diego County gained 3,500 jobs, mostly in the government, leisure and hospitality sectors.
  - ◆ According to Los Angeles County Economic Development Corporation, it is estimated that San Diego County will gain 12,700 non-farm jobs with a 4.1% increase in total personal income in 2008, and they are forecasting 19,800 new jobs for 2009.
  - ◆ The unemployment rate in San Diego County was 5.0% in February 2008, down from the revised 5.2% percent in January 2008, but above the year ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 6.1 percent for California and 5.2 percent for the nation during the same period.
  - ◆ 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 3% to 5% in 2008.

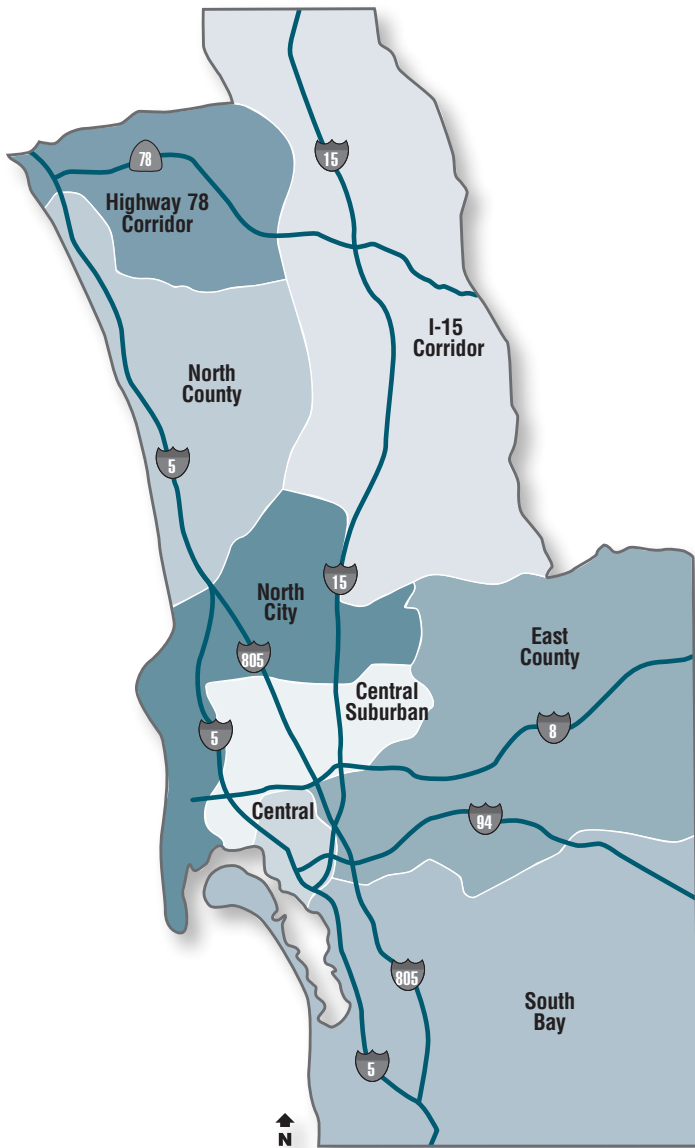
| RETAIL MARKET OVERVIEW       |          |           |           |                   |
|------------------------------|----------|-----------|-----------|-------------------|
|                              | 1Q2008   | 4Q2007    | 1Q2007    | % CHANGE VS. 1Q07 |
| Under Construction           | 687,113  | 589,244   | 787,208   | -12.72%           |
| Vacancy                      | 3.18%    | 2.87%     | 2.72%     | 16.91%            |
| Availability                 | 4.45%    | 4.05%     | 3.35%     | 32.84%            |
| Pricing - Triple Net Service | \$2.10   | \$2.05    | \$1.98    | 6.06%             |
| Activity                     | 992,660  | 1,405,689 | 2,275,160 | -56.37%           |
| Net Absorption               | -152,056 | 466,150   | 1,109,434 | N/A               |

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|                                 | INVENTORY           |                          |                   | VACANCY & LEASE RATES |                    |                     |                           |                           | ABSORPTION            |                     |                     |                     |
|---------------------------------|---------------------|--------------------------|-------------------|-----------------------|--------------------|---------------------|---------------------------|---------------------------|-----------------------|---------------------|---------------------|---------------------|
|                                 | Number Of Buildings | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned   | Square Feet Vacant | Vacancy Rate 1Q2008 | Total Availability 1Q2008 | Average Asking Lease Rate | Net Absorption 1Q2008 | Net Absorption 2007 | Net Absorption 2006 | Net Absorption 2005 |
| <b>Central</b>                  |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Downtown                        | 418                 | 5,006,339                | 44,382            | 296,057               | 368,235            | 7.36%               | 429,191                   | \$3.21                    | 1,567                 | 27,371              | (86,169)            | 85,106              |
| Central Total                   | 418                 | 5,006,339                | 44,382            | 296,057               | 368,235            | 7.36%               | 429,191                   | \$3.21                    | 1,567                 | 27,371              | (86,169)            | 85,106              |
| <b>Central Suburban</b>         |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| City Heights/University         | 1,097               | 7,387,899                | 8,666             | 33,935                | 246,773            | 3.34%               | 403,723                   | \$2.13                    | (52,409)              | 150,082             | (16,362)            | 15,116              |
| Kearny Mesa                     | 245                 | 4,931,901                | 0                 | 0                     | 93,074             | 1.89%               | 120,923                   | \$1.74                    | 4,885                 | 32,265              | (32,466)            | 72,284              |
| Mission Gorge                   | 204                 | 4,260,770                | 3,158             | 0                     | 90,461             | 2.12%               | 125,889                   | \$1.61                    | (165)                 | 17,085              | (53,269)            | 1,658               |
| Mission Valley                  | 91                  | 5,415,257                | 0                 | 0                     | 46,072             | 0.85%               | 74,339                    | \$2.20                    | 11,386                | (15,807)            | (4,861)             | 20,534              |
| Old Town                        | 94                  | 493,794                  | 0                 | 0                     | 15,460             | 3.13%               | 18,460                    | \$3.50                    | (2,368)               | 6,464               | 2,811               | 550                 |
| Point Loma                      | 420                 | 3,849,026                | 31,700            | 32,243                | 185,057            | 4.81%               | 193,169                   | \$2.43                    | (6,903)               | 234,056             | 61,609              | (6,212)             |
| Rose Canyon/Morena              | 556                 | 5,751,054                | 31,754            | 45,244                | 125,691            | 2.19%               | 169,461                   | \$2.47                    | (23,614)              | 137,938             | (7,027)             | (23,122)            |
| Uptown/Hillcrest                | 188                 | 1,494,636                | 5,366             | 33,757                | 71,195             | 4.76%               | 71,195                    | \$2.46                    | 6,071                 | 22,731              | 24,391              | (2,268)             |
| Central Suburban Total          | 2,895               | 33,584,337               | 80,644            | 145,179               | 873,783            | 2.60%               | 1,177,159                 | \$2.15                    | (63,117)              | 584,814             | (25,174)            | 78,540              |
| <b>Highway 78 Corridor</b>      |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Oceanside                       | 469                 | 5,638,489                | 10,388            | 172,557               | 361,743            | 6.42%               | 420,789                   | \$2.15                    | (45,569)              | (51,459)            | 129,025             | 125,815             |
| San Marcos/Vista                | 689                 | 10,511,606               | 78,543            | 844,118               | 494,322            | 4.70%               | 609,094                   | \$1.98                    | (55,628)              | 229,723             | 433,478             | 171,277             |
| Highway 78 Corridor Total       | 1,158               | 16,150,095               | 88,931            | 1,016,675             | 856,065            | 5.30%               | 1,029,883                 | \$2.07                    | (101,197)             | 178,264             | 562,503             | 297,092             |
| <b>I-15 Corridor</b>            |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Escondido                       | 674                 | 9,362,800                | 9,254             | 35,706                | 420,488            | 4.49%               | 639,328                   | \$1.70                    | (54,913)              | 66,006              | 72,940              | (45,978)            |
| Rancho Bernardo/ Poway          | 306                 | 6,480,288                | 7,000             | 5,368                 | 121,549            | 1.88%               | 168,615                   | \$2.58                    | (1,593)               | 260,831             | 23,501              | 6,318               |
| Scripps Ranch                   | 37                  | 673,045                  | 0                 | 6,400                 | 12,744             | 1.89%               | 16,604                    | \$2.51                    | (4,100)               | (6,684)             | (385)               | 3,155               |
| I-15 Corridor Total             | 1,017               | 16,516,133               | 16,254            | 47,474                | 554,781            | 3.36%               | 824,547                   | \$1.96                    | (60,606)              | 320,153             | 96,056              | (36,505)            |
| <b>North City</b>               |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Del Mar Heights                 | 37                  | 723,076                  | 0                 | 0                     | 5,414              | 0.75%               | 12,306                    | \$4.25                    | 1,450                 | (2,744)             | 6,276               | 82,317              |
| Governor Park                   | 4                   | 97,729                   | 0                 | 0                     | 800                | 0.82%               | 800                       | \$0.00                    | 800                   | (1,600)             | 0                   | 0                   |
| La Jolla                        | 213                 | 1,484,516                | 0                 | 0                     | 95,192             | 6.41%               | 104,254                   | \$3.64                    | (5,444)               | (22,140)            | (2,775)             | (10,851)            |
| Miramar                         | 159                 | 3,717,859                | 0                 | 0                     | 129,627            | 3.49%               | 373,002                   | \$1.60                    | 37,095                | (34,557)            | (26,021)            | (34,722)            |
| N University City - UTC Center  | 20                  | 283,731                  | 0                 | 0                     | 28,183             | 9.93%               | 14,697                    | \$0.00                    | (15,453)              | 21,300              | (13,192)            | (466)               |
| Sorrento Mesa                   | 4                   | 26,987                   | 0                 | 0                     | 795                | 2.95%               | 795                       | \$2.00                    | 0                     | 1,753               | 0                   | (2,548)             |
| Torrey Pines/Sorrento Valley    | 46                  | 2,298,436                | 0                 | 0                     | 67,396             | 2.93%               | 69,862                    | \$2.42                    | (18,474)              | 29,223              | (19,845)            | 3,600               |
| North City Total                | 483                 | 8,632,334                | 0                 | 0                     | 327,407            | 3.79%               | 575,716                   | \$2.26                    | (26)                  | (8,765)             | (55,557)            | 37,330              |
| <b>North County</b>             |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| Carlsbad                        | 296                 | 5,135,715                | 0                 | 134,342               | 77,734             | 1.51%               | 151,781                   | \$2.42                    | 2,012                 | (11,951)            | 60,542              | (9,413)             |
| North Beach Cities              | 568                 | 8,455,851                | 40,000            | 101,634               | 104,278            | 1.23%               | 189,734                   | \$2.61                    | (4,077)               | 222,087             | (79,492)            | 9,378               |
| North County Total              | 864                 | 13,591,566               | 40,000            | 235,976               | 182,012            | 1.34%               | 341,515                   | \$2.53                    | (2,065)               | 210,136             | (18,950)            | (35)                |
| <b>South/Southeast Corridor</b> |                     |                          |                   |                       |                    |                     |                           |                           |                       |                     |                     |                     |
| East County                     | 1,576               | 16,773,939               | 158,188           | 292,928               | 509,167            | 3.04%               | 710,609                   | \$1.63                    | (77,422)              | 294,285             | (3,831)             | 170,387             |
| South San Diego                 | 1,624               | 20,381,004               | 258,714           | 142,872               | 476,702            | 2.34%               | 722,579                   | \$1.93                    | 150,810               | 415,031             | 1,056,758           | 186,155             |
| South/Southeast Corridor Total  | 3,200               | 37,154,943               | 416,902           | 435,800               | 985,869            | 2.65%               | 1,433,188                 | \$1.77                    | 73,388                | 709,316             | 1,052,927           | 356,542             |
| <b>San Diego County Total</b>   | <b>10,035</b>       | <b>130,635,747</b>       | <b>687,113</b>    | <b>2,177,161</b>      | <b>4,148,152</b>   | <b>3.18%</b>        | <b>5,811,199</b>          | <b>\$2.10</b>             | <b>(152,056)</b>      | <b>2,021,289</b>    | <b>1,525,636</b>    | <b>818,070</b>      |

Lease rates are on a triple net basis.



**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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