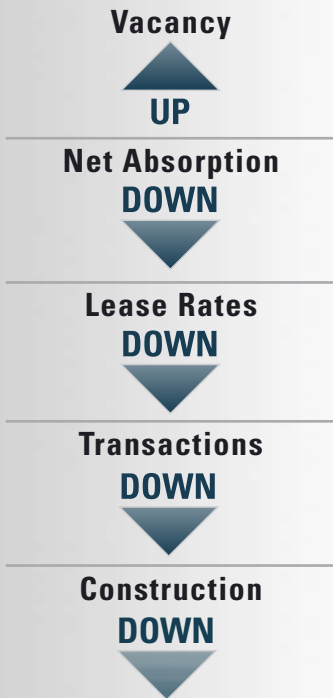




Retail Market Report

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Compared to last quarter:



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Retail Market Highlights

- ◆ The San Diego County Retail market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the retail market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The Retail vacancy rate is 4.40%, which is up from the 3.26% rate we saw during the first quarter of 2008. The lowest vacancy rates in the county can be found in the North County and Central Suburban Corridor submarkets, coming in at 3.74% and 2.95% respectively. This lack of supply is creating constrained demand for Retail space in the San Diego County area and is putting pressure on lease rates to remain at current levels.
- ◆ The average asking Triple Net lease rate was \$2.05 per square foot per month this quarter. This is the same as last quarter and five cents lower than what was reported in the first quarter of 2008. The highest rates in the county can be found in the Downtown submarket, where the average asking Triple Net lease rate is \$2.96 per square foot.
- ◆ The level of activity registered at 686,240 square feet for the first quarter of 2009. This is down from the 1.4 million square feet of activity when compared to the same quarter last year, but still below the 2008 average of 1.2 million square feet per quarter. This recent drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics. The recent lack of activity can be tied to

the credit crunch as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

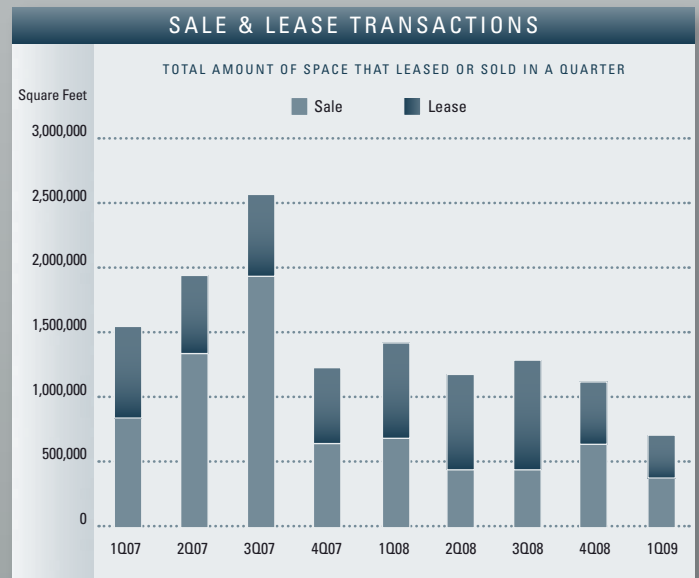
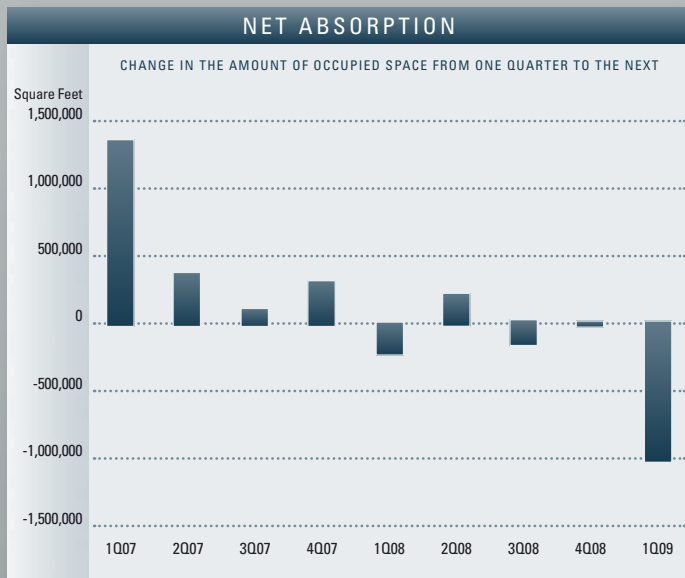
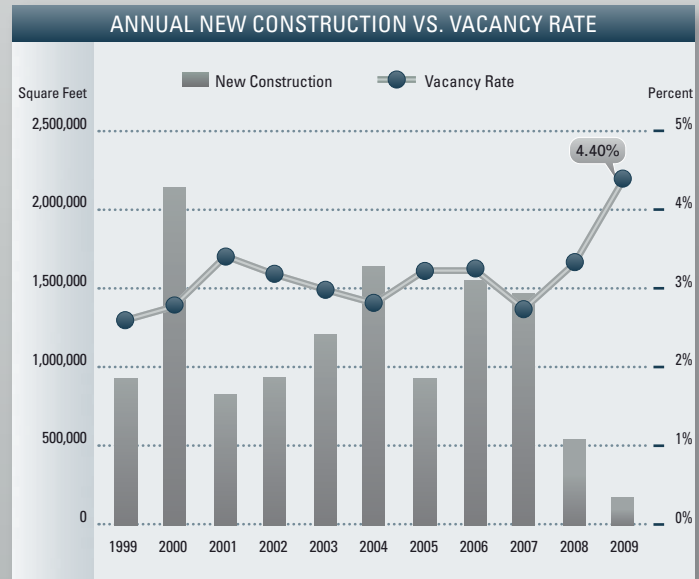
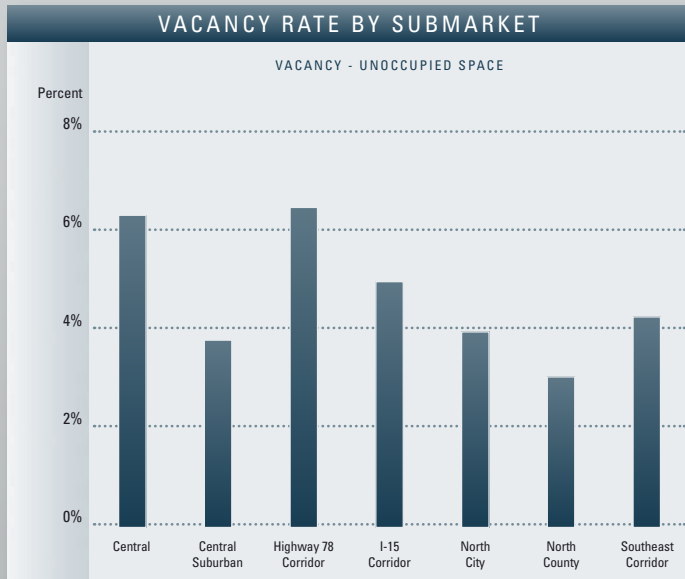
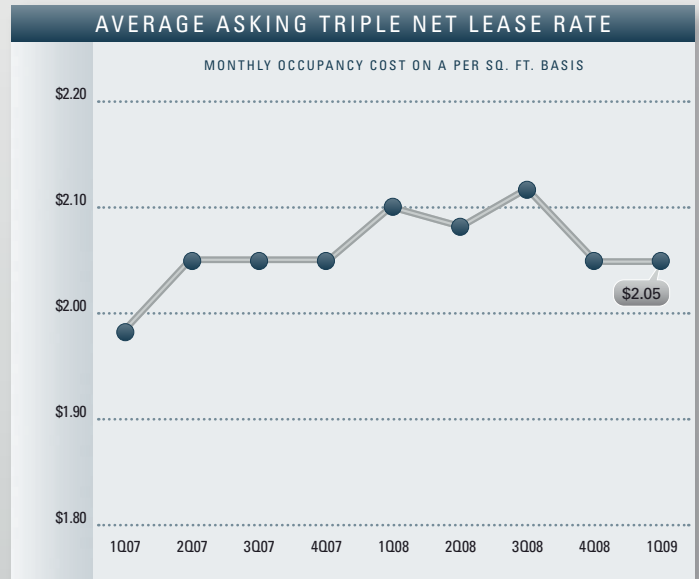
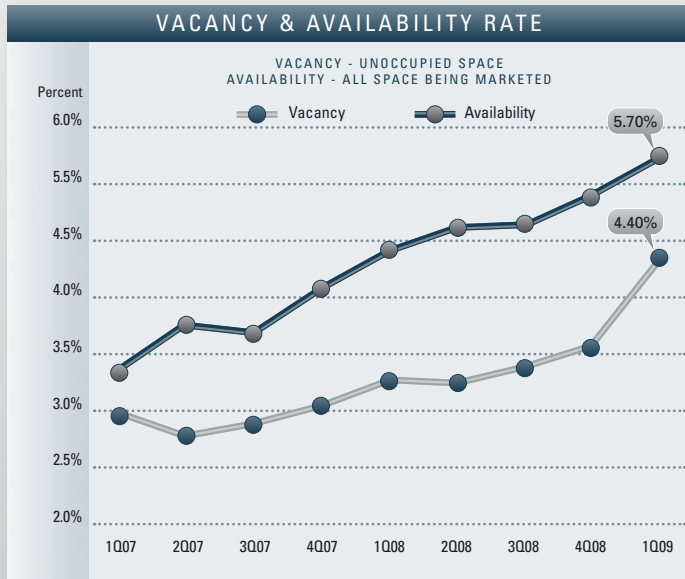
- ◆ Retail net absorption checked in at a negative 1,009,916 square feet for the first quarter of 2009. In 2008, the San Diego Retail Market had a total of 180,390 square feet of negative absorption.
- ◆ Currently there is 295,397 square feet of Retail construction underway, and total construction is lower than the 687,113 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is down. Currently there is 1.5 million square feet of Retail space on the slate as being planned compared to last year's figure of 2.2 million square feet.
- ◆ According to the State of California Employment Development Department, San Diego County lost 37,900 payroll jobs over the last twelve months. Between January 2009 and February 2009 San Diego County lost 2,700 jobs, mostly in the retail trade, transportation & utilities and construction sectors.
- ◆ The unemployment rate in San Diego County was 8.8% in February 2009. This is up from a revised 8.7% percent in January 2009, and above the year ago estimate of 5.0%. This compares with an unadjusted unemployment rate of 10.9 percent for California and 8.9 percent for the nation during the same period.
- ◆ Lease rates are expected to remain soft for the short run, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances.



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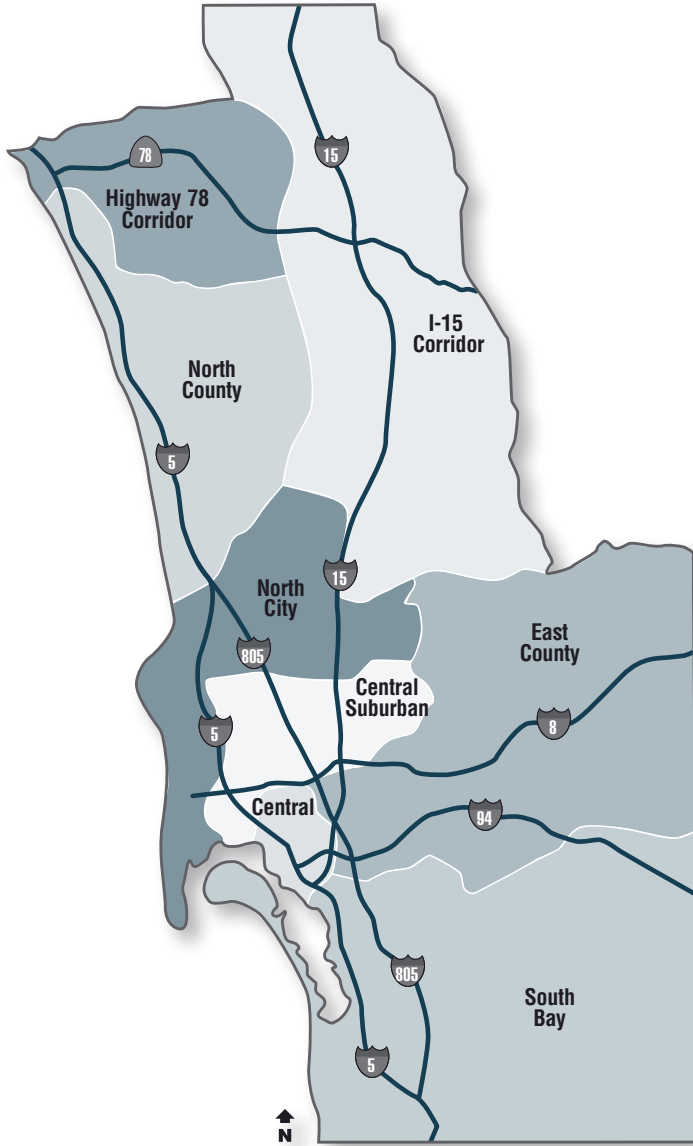
RETAIL MARKET OVERVIEW				
	1Q2009	4Q2008	1Q2008	% CHANGE VS.1Q08
Under Construction	295,397	341,867	687,113	-57.01%
Vacancy	4.40%	3.60%	3.26%	34.97%
Availability	5.70%	4.91%	4.45%	28.09%
Avg. Ask Lease Rate - TNS	\$2.05	\$2.05	\$2.10	-2.38%
Transactions	686,240	1,095,663	1,390,628	-50.65%
Gross Absorption	966,187	1,182,899	977,871	-1.19%
Net Absorption	-1,009,916	-10,496	-217,166	N/A

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	INVENTORY				VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2009	Total Availability 1Q2009	Average Asking Lease Rate	Net Absorption 1Q2009	Net Absorption 2008	Gross Absorption 1Q2009	Gross Absorption 2008
Central												
Downtown	457	6,046,744	47,196	139,169	379,386	6.27%	513,689	\$2.96	(72,449)	85,191	47,913	234,383
Central Total	457	6,046,744	47,196	139,169	379,386	6.27%	513,689	\$2.96	(72,449)	85,191	47,913	234,383
Central Suburban												
City Heights/University	1,325	8,068,123	40,858	12,266	358,732	4.45%	436,292	\$1.45	(61,576)	(49,047)	40,060	264,125
Kearny Mesa	268	5,041,049	5,905	0	150,822	2.99%	351,493	\$1.82	3,382	(52,645)	23,156	80,583
Mission Gorge	262	4,351,239	0	0	100,389	2.31%	134,652	\$1.70	(12,418)	12,083	17,895	87,050
Mission Valley	104	5,346,080	0	0	83,404	1.56%	102,906	\$2.03	(22,087)	(559)	11,563	46,037
Old Town	108	506,743	0	0	8,692	1.72%	11,273	\$2.48	(1,300)	6,900	4,500	22,800
Point Loma	428	3,822,736	0	42,755	328,600	8.60%	339,159	\$2.03	(118,092)	17,256	41,243	153,276
Rose Canyon/Morena	596	5,795,418	17,948	25,430	189,650	3.27%	250,896	\$2.60	(51,595)	32,336	17,984	115,018
Uptown/Hillcrest	252	1,773,608	0	18,300	75,961	4.28%	81,177	\$2.42	12,101	8,168	25,147	78,902
Central Suburban Total	3,343	34,704,996	64,711	98,751	1,296,250	3.74%	1,707,848	\$1.84	(251,585)	(25,508)	181,548	847,791
Highway 78 Corridor												
Oceanside	604	6,393,812	15,566	107,546	396,721	6.20%	528,689	\$1.92	16,512	(78,511)	72,627	196,747
San Marcos/Vista	909	11,259,769	35,000	263,347	731,762	6.50%	927,028	\$2.00	(181,679)	(30,878)	94,356	443,142
Highway 78 Corridor Total	1,513	17,653,581	50,566	370,893	1,128,483	6.39%	1,455,717	\$1.96	(165,167)	(109,389)	166,983	639,889
I-15 Corridor												
Escondido	700	9,389,909	9,254	33,100	554,438	5.90%	728,034	\$2.62	(65,758)	(105,175)	49,843	244,051
Rancho Bernardo/Poway	448	7,882,558	0	5,368	273,221	3.47%	362,927	\$2.46	(41,761)	(81,114)	71,016	179,129
Scripps Ranch	47	798,227	0	6,400	39,787	4.98%	39,787	\$2.47	(13,564)	(13,729)	6,908	5,494
I-15 Corridor Total	1,195	18,070,694	9,254	44,868	867,446	4.80%	1,130,748	\$2.55	(121,083)	(200,018)	127,767	428,674
North City												
Del Mar Heights	49	824,089	0	0	11,880	1.44%	13,080	\$3.50	(966)	(4,050)	0	26,249
Governor Park	9	183,912	0	0	800	0.43%	800	\$0.00	800	0	800	800
La Jolla	214	1,457,049	0	0	73,344	5.03%	85,127	\$3.79	(31,810)	52,291	0	104,168
Miramar	199	3,890,119	0	8,773	201,307	5.17%	311,959	\$1.57	(16,306)	(56,979)	16,704	136,131
Sorrento Mesa	33	675,118	0	0	11,864	1.76%	17,231	\$0.00	12,320	(11,454)	12,320	21,353
Torrey Pines/Sorrento Valley	4	26,987	0	0	795	2.95%	795	\$1.25	0	0	0	0
UTC Center	75	2,451,398	0	0	74,651	3.05%	83,335	\$2.42	2,520	(25,734)	37,462	57,980
North City Total	583	9,508,672	0	8,773	374,641	3.94%	512,327	\$2.29	(33,442)	(45,926)	67,286	346,681
North County												
Carlsbad	322	5,366,309	21,642	101,995	132,020	2.46%	165,634	\$2.11	70,919	(5,761)	120,897	122,963
North Beach Cities	640	9,245,605	39,168	90,401	298,481	3.23%	410,260	\$2.46	(96,641)	(55,555)	95,071	178,011
North County Total	962	14,611,914	60,810	192,396	430,501	2.95%	575,894	\$2.33	(25,722)	(61,316)	215,968	300,974
South/Southeast Corridor												
East County	1,784	17,525,330	20,015	72,866	816,896	4.66%	1,054,053	\$1.72	(162,665)	(157,604)	62,122	587,401
South San Diego	1,793	20,987,565	42,845	543,412	829,917	3.95%	979,486	\$1.86	(177,803)	56,855	96,600	657,006
South/Southeast Corridor Total	3,577	38,512,895	62,860	616,278	1,646,813	4.28%	2,033,539	\$1.80	(340,468)	(100,749)	158,722	1,244,407
San Diego County Total	11,630	139,109,496	295,397	1,471,128	6,123,520	4.40%	7,929,762	\$2.05	(1,009,916)	(457,715)	966,187	4,042,799

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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