



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

DOWN

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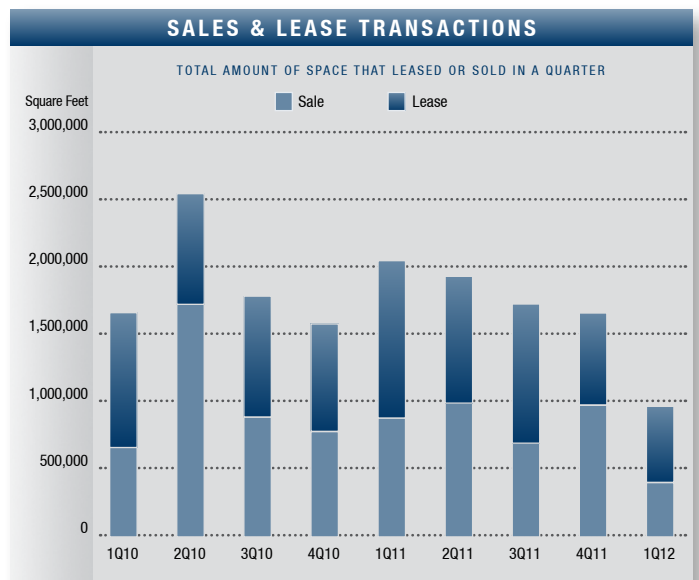
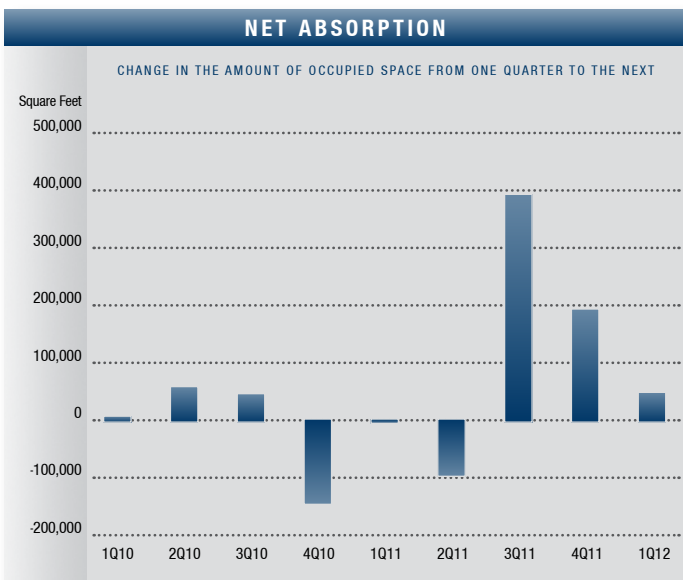
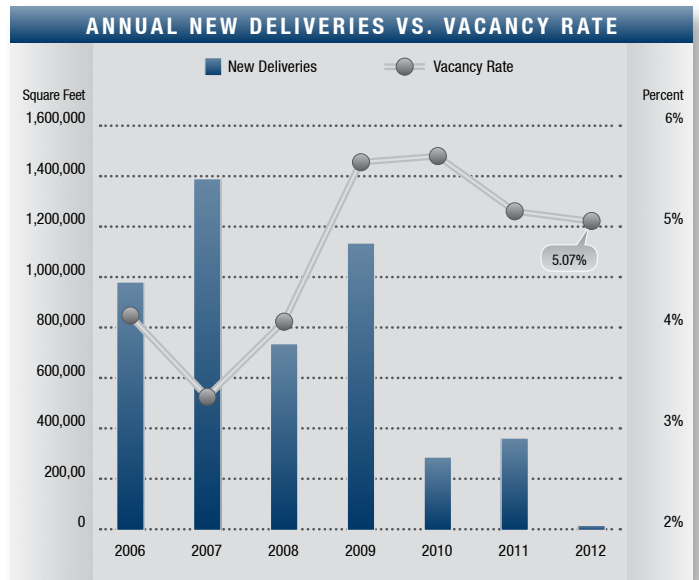
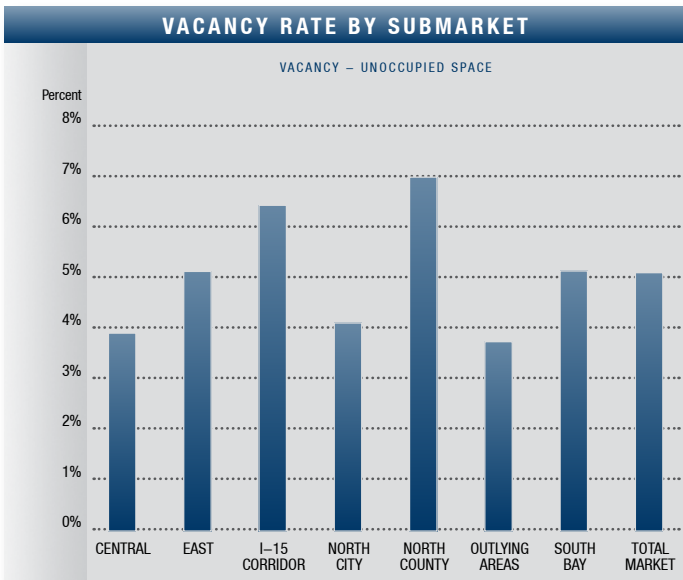
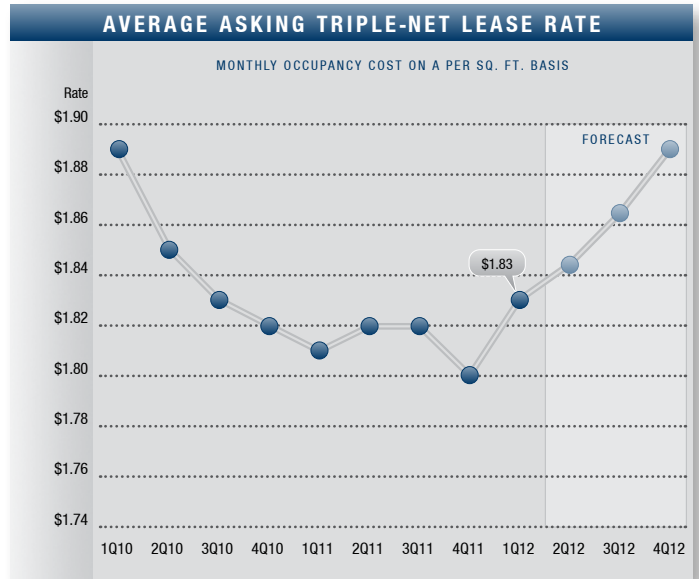
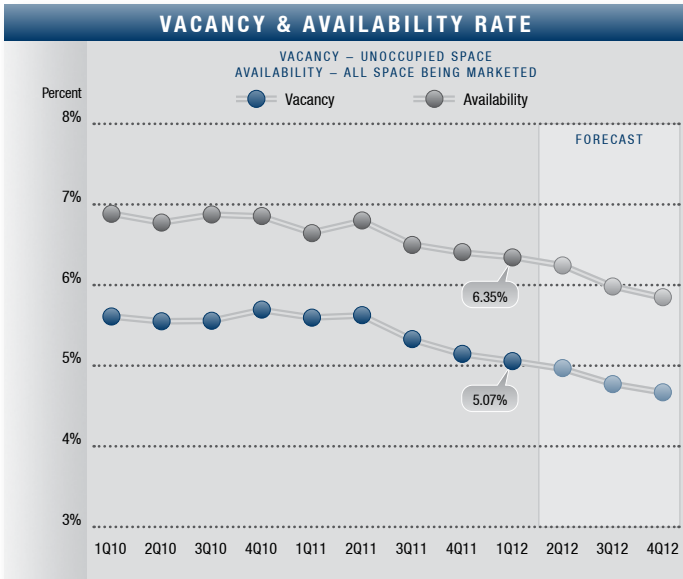


Market Highlights

- Retail is Sunny in San Diego** - First quarter's numbers continued the trends of improving fundamentals — vacancy, availability, and net absorption, asking rates all posted positive figures. The San Diego retail market is in recovery, yet the continued improvement hinges on the continued employment gains.
- Construction** - There is 386,863 square feet of retail construction underway at the close of the first quarter. The retail construction pipeline has remained steady, although slowing from the volume seen five years ago.
- Vacancy** - Direct/sublease space (unoccupied) finished the third quarter at 5.07%, a decrease from the fourth quarter's rate of 5.15%. This was the lowest vacancy rate in three years.
- Availability** - Direct/sublease space being marketed was 6.35% at the end of the first quarter, a decrease from the fourth quarter's rate of 6.4%. Malls had the lowest vacancy rate of any segment of the retail market at 2.37%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in San Diego County was \$1.83 at the end of the first quarter, a increase from the previous quarter's average asking rate of \$1.80. With vacancy continuing to fall, rates should stabilize. We are forecasting that lease rates will rise in 2012, ending the year at \$1.85.
- Absorption** - The San Diego retail market posted 45,446 square feet of positive net absorption in the first quarter, the third straight quarter of positive net absorption.
- Transaction Activity** - Leasing activity checked in at 556,368 square feet in the first quarter, a decrease from the fourth quarter figure of 683,312 square feet. Sales activity also showed a decrease, posting 390,904 square feet of activity compared to the 963,957 square feet we saw in the fourth quarter. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in the San Diego County was 9.3% in February 2012, unchanged from a revised 9.3% in January 2012 and below the year-ago estimate of 10.2%. This compares with an unadjusted unemployment rate of 11.4% for California and 8.7% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 9,000 payroll jobs from February 2011 to February 2012 — 6,200 in professional and business services and 1,600 in professional, scientific, and technical services. Government posted the greatest year-over-year decline — a loss of 2,200 jobs.
- Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as an overall increase in investment sales activity. Positive absorption continues, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market has begun to stabilize. We foresee a continued increase in investment activity in the coming quarters as lenders dispose of distressed assets. Lease rates are expected to firm up in the early part of 2012 with the possibility of increasing in the second half of 2012. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.

RETAIL MARKET OVERVIEW

	1Q12	4Q11	1Q11	% of Change vs. 1Q2011
Total Vacancy Rate	5.07%	5.15%	5.60%	(9.46%)
Availability Rate	6.35%	6.40%	6.66%	(4.65%)
Average Asking Lease Rate	\$1.83	\$1.80	\$1.81	1.10%
Sale & Lease Transactions	947,272	1,647,269	2,077,179	(54.40%)
Gross Absorption	895,564	1,026,487	967,342	(7.42%)
Net Absorption	45,446	188,621	(1,263)	N/A



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2012	Square Feet Available	Availability Rate 1Q2012	Average Asking Lease Rate	Net Absorption 1Q2012	Net Absorption 2012	Gross Absorption 1Q2012	Gross Absorption 2012
Central County													
Central San Diego	1,021	4,740,481	6,000	31,000	149,898	3.16%	174,314	3.68%	\$2.18	(16,576)	(16,576)	41,191	41,191
Clairemont	472	7,110,292	0	0	334,024	4.70%	452,944	6.37%	\$1.77	12,210	12,210	64,635	64,635
Coronado	87	620,509	0	9,700	28,238	4.55%	30,737	4.95%	\$2.47	2,363	2,363	2,363	2,363
Downtown	506	6,384,626	85,830	101,053	301,263	4.72%	483,607	7.57%	\$2.59	8,618	8,618	51,004	51,004
Mission Gorge	88	1,026,914	0	0	33,929	3.30%	40,597	3.95%	\$1.46	4,369	4,369	5,569	5,569
Mid City/South East San Diego	1,220	7,264,537	0	12,700	286,676	3.95%	371,982	5.12%	\$1.40	19,547	19,547	59,157	59,157
Mission Valley	104	5,641,014	0	0	65,882	1.17%	71,524	1.27%	\$3.05	9,267	9,267	11,576	11,576
Pacific Beach/Morena	459	3,096,423	0	59,970	125,247	4.04%	139,648	4.51%	\$2.75	15,389	15,389	26,373	26,373
Point Loma/Sports Arena	501	4,353,865	0	48,648	224,464	5.16%	270,737	6.22%	\$2.06	(12,273)	(12,273)	13,059	13,059
Central County Total	4,458	40,238,661	91,830	263,071	1,549,621	3.85%	2,036,090	5.06%	\$2.04	42,914	42,914	274,927	274,927
East County													
El Cajon	846	8,693,425	28,816	11,690	473,381	5.45%	579,176	6.66%	\$1.29	15,033	15,033	43,793	43,793
La Mesa	502	5,253,173	0	13,665	257,777	4.91%	240,611	4.58%	\$1.18	7,012	7,012	24,621	24,621
Lemon Grove/Spring Valley	383	2,666,419	0	13,800	112,122	4.20%	152,305	5.71%	\$1.28	3,305	3,305	12,536	12,536
Santee/Lakeside	338	3,380,955	0	49,516	171,319	5.07%	207,432	6.14%	\$1.95	16,767	16,767	47,546	47,546
East County Total	2,069	19,993,972	28,816	88,671	1,014,599	5.07%	1,179,524	5.90%	\$1.40	42,117	42,117	128,496	128,496
I-15 Corridor													
Carmel Mountain Ranch	140	2,252,203	0	0	195,798	8.69%	252,356	11.20%	\$2.22	(21,603)	(21,603)	5,234	5,234
Poway	217	2,870,085	0	29,326	160,657	5.60%	224,799	7.83%	\$2.10	(9,000)	(9,000)	6,036	6,036
Rancho Bernardo	34	536,577	0	0	37,311	6.95%	43,011	8.02%	\$2.36	(5,736)	(5,736)	2,137	2,137
Rancho Penasquitos	66	799,854	0	0	21,935	2.74%	40,627	5.08%	\$0.00	3,359	3,359	7,441	7,441
I-15 Corridor Total	457	6,458,719	0	29,326	415,701	6.44%	560,793	8.68%	\$2.17	(32,980)	(32,980)	20,848	20,848
North City													
Cardiff/Encinitas	433	5,944,640	3,590	6,000	184,930	3.11%	202,091	3.40%	\$2.50	6,588	6,588	43,785	43,785
Del Mar Heights	294	2,861,919	0	0	76,107	2.66%	89,251	3.12%	\$2.90	15,937	15,937	43,299	43,299
La Jolla/Torrey Pines	282	2,376,187	0	0	130,205	5.48%	145,496	6.12%	\$3.32	(8,739)	(8,739)	17,392	17,392
Miramar	284	4,375,931	0	501,000	282,331	6.45%	360,544	8.24%	\$1.65	(8,120)	(8,120)	27,363	27,363
UTC Center	61	1,710,486	100,000	0	21,770	1.27%	30,520	1.78%	\$2.83	(6,355)	(6,355)	875	875
North City Total	1,354	17,269,163	103,590	507,000	695,343	4.03%	827,902	4.79%	\$2.28	(689)	(689)	132,714	132,714
North County													
Carlsbad	342	5,250,413	0	484,859	283,756	5.40%	361,233	6.88%	\$2.14	4,237	4,237	14,093	14,093
Escondido	845	10,036,277	0	66,895	681,399	6.79%	852,555	8.49%	\$1.57	(7,089)	(7,089)	57,666	57,666
Oceanside	681	7,809,909	0	118,475	576,199	7.38%	742,587	9.51%	\$1.61	6,526	6,526	63,607	63,607
San Marcos	296	4,445,095	0	195,918	354,595	7.98%	414,098	9.32%	\$1.90	14,296	14,296	45,708	45,708
Vista	546	5,195,490	0	88,761	390,910	7.52%	439,857	8.47%	\$1.65	(11,385)	(11,385)	25,051	25,051
North County Total	2,710	32,737,184	0	954,908	2,286,859	6.99%	2,810,330	8.58%	\$1.70	6,585	6,585	206,125	206,125
Outlying Areas													
Outlying SD County North	490	2,719,498	0	38,800	108,704	4.00%	111,721	4.11%	\$1.63	(9,269)	(9,269)	10,591	10,591
Outlying SD County South	64	810,542	0	0	21,445	2.65%	43,130	5.32%	\$1.71	1,750	1,750	3,150	3,150
Outlying Areas Total	554	3,530,040	0	38,800	130,149	3.69%	154,851	4.39%	\$1.64	(7,519)	(7,519)	13,741	13,741
South Bay													
Chula Vista	711	9,147,467	3,856	118,708	366,084	4.00%	527,524	5.77%	\$1.88	16,863	16,863	78,405	78,405
Eastlake	95	2,438,255	0	154,352	152,251	6.24%	231,297	9.49%	\$1.72	(4,722)	(4,722)	12,479	12,479
Imperial Beach/South San Diego	450	4,132,516	97,500	670,359	257,474	6.23%	249,619	6.04%	\$2.00	(19,023)	(19,023)	14,235	14,235
National City	400	3,416,965	0	45,507	199,848	5.85%	274,683	8.04%	\$1.39	1,900	1,900	13,594	13,594
South Bay Total	1,656	19,135,203	101,356	988,926	975,657	5.10%	1,283,123	6.71%	\$1.78	(4,982)	(4,982)	118,713	118,713
San Diego County Total	13,258	139,362,942	325,592	2,870,702	7,067,929	5.07%	8,852,613	6.35%	\$1.83	45,446	45,446	895,564	895,564
Malls	147	14,334,287	100,000	8,400	269,896	1.88%	340,006	2.37%	\$2.21	37,355	37,355	58,996	58,996
Power Centers	287	9,499,746	0	16,800	433,712	4.57%	488,292	5.14%	\$2.24	46,179	46,179	173,665	173,665
Community Centers	765	19,722,080	97,500	156,401	1,186,064	6.01%	1,449,678	7.35%	\$2.26	(32,459)	(32,459)	74,362	74,362
Neighborhood Centers	1,332	24,655,782	85,830	747,367	2,213,425	8.98%	2,633,388	10.68%	\$1.88	(71,269)	(71,269)	205,342	205,342
Strip Centers	1,170	10,841,263	3,590	158,786	948,803	8.75%	1,071,956	9.89%	\$1.61	(14,030)	(14,030)	119,450	119,450
Specialty Centers	96	3,085,920	0	491,000	90,857	2.94%	181,199	5.87%	\$2.85	(2,717)	(2,717)	0	0
General Retail	9,461	57,223,864	38,672	1,291,948	1,925,172	3.36%	2,688,094	4.70%	\$2.85	82,387	82,387	263,749	263,749
San Diego County Total	13,258	139,362,942	325,592	2,870,702	7,067,929	5.07%	8,852,613	6.35%	\$1.83	45,446	45,446	895,564	895,564

Lease rates are on a triple-net basis.

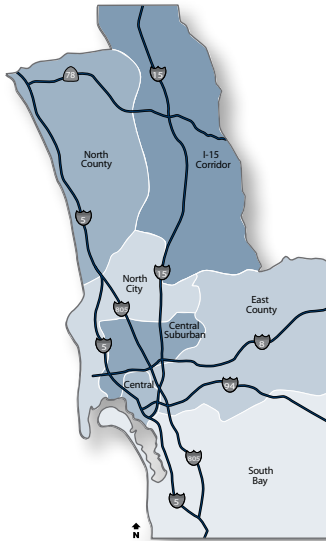
RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
7710-7770 El Camino Real	Carlsbad	121,429	\$193.53	Excel Trust, Inc.	BlackRock, Inc.
4428-4444 Convoy St.	Kearny Mesa	54,780	\$173.42	Harkham Family Enterprises, LP	American Commercial Equities, LLC
10512 Mission Gorge Rd.	Santee	14,758	\$589.51	Santee CI, LLC	Interra-Vision Dev. Partners
206-222 Park Blvd.	Downtown	21,565	\$315.33	Paragon Management Company	The Carlyle Group
2211-2227 30th St.	Central San Diego	12,750	\$352.94	Hamon Properties, LLC	Shapery Enterprises
1500-1580 3rd Ave.	Chula Vista	6,153	\$731.35	Terry Enterprises, LLC	University of Minnesota Foundation

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7655 Clairemont Mesa Blvd.	Kearny Mesa	94,500	Jan-12	Zion Market	McGrath Development, Inc.
159 Fletcher Pkwy.	El Cajon	25,016	Feb-12	N/A	Westfield Group
804 Jackman St.	El Cajon	22,819	Mar-12	The Rock Church	Wild West Holdings, LP
1121 E. Washington St.	Escondido	15,625	Feb-12	N/A	Pacific Property Solutions, LLC
3812 Grim Ave.	Central San Diego	11,700	Feb-12	Hess Brewing	Groth North Park Partners, LP
9154 Mira Mesa Blvd.	Miramar	10,150	Feb-12	Namaste	Kimco Realty Corporation



SUBMARKETS

CENTRAL COUNTY

Central San Diego, Clairemont, Coronado, Downtown, Mission Gorge, Mid City/South East San Diego, Mission Valley, Pacific Beach/Morena, Point Loma/Sports Arena

EAST COUNTY

El Cajon, La Mesa, Lemon Grove/Spring Valley, Santee/Lakeside

I-15 CORRIDOR

Carmel Mountain Ranch, Poway, Rancho Bernardo, Rancho Penasquitos

NORTH CITY

Cardiff/Encinitas, Del Mar Heights, La Jolla/Torrey Pines, Miramar, UTC Center

NORTH COUNTY

Carlsbad, Escondido, Oceanside, San Marcos, Vista

OUTLYING AREAS

Outlying SD County North, Outlying SD County South

SOUTH BAY

Chula Vista, Eastlake, Imperial Beach/South San Diego, National City

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