



## Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

DOWN

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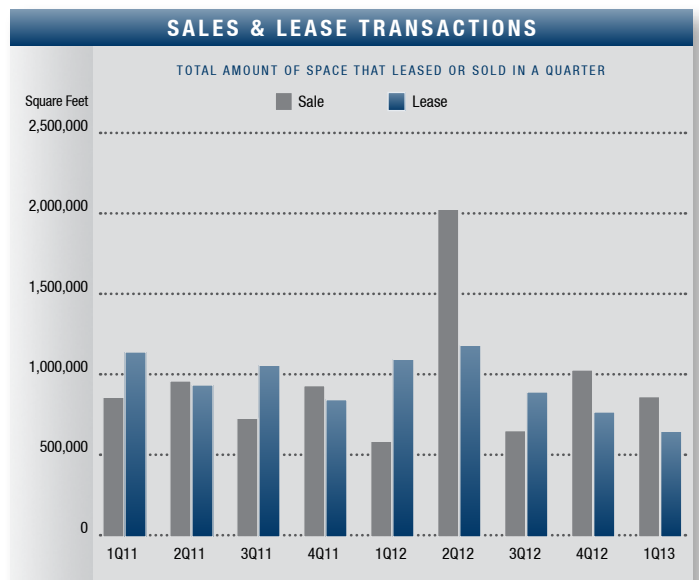
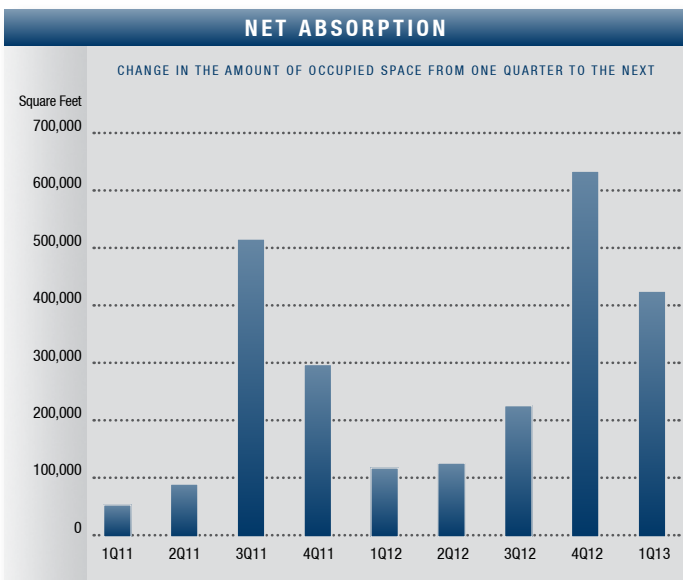
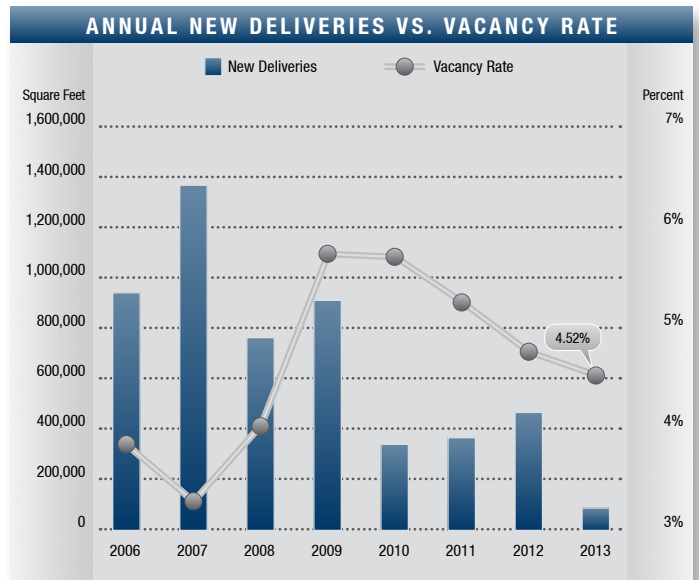
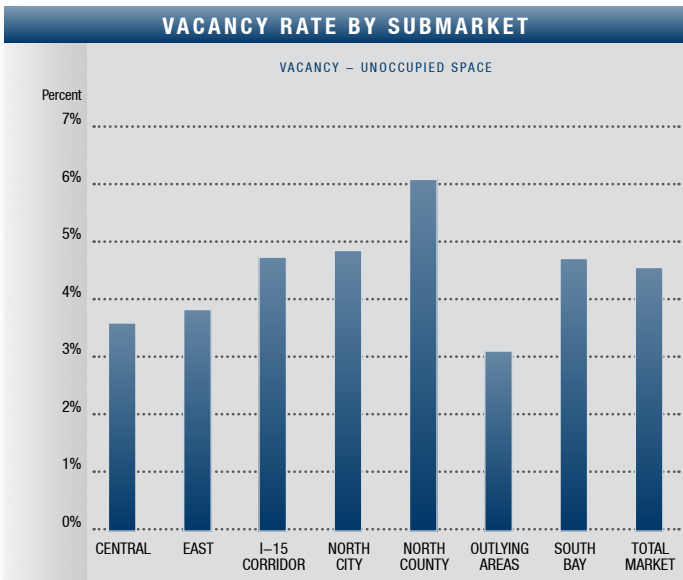
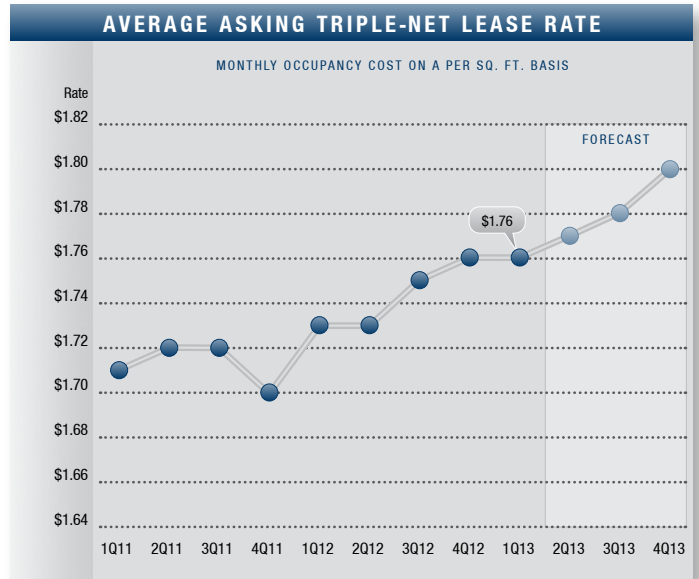
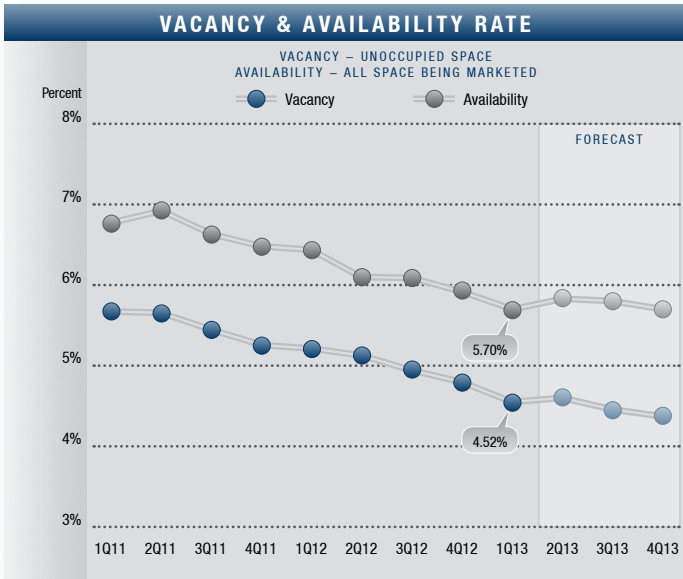
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### Market Highlights

- Steady Advance** - The San Diego retail market's first quarter numbers continued the trend of improving fundamentals — vacancy, availability, and net absorption all moved in a positive direction. While the San Diego retail market is in recovery, further improvement hinges on the continued employment gains.
- Construction** - There was 209,742 square feet of retail construction underway at the close of the quarter. The retail construction pipeline has remained steady, although dropping from the volume seen five years ago.
- Vacancy** - Direct/sublease space (unoccupied) finished the first quarter at 4.52%, a decrease from the previous quarter's rate of 4.77% and the lowest vacancy rate in four years.
- Availability** - Direct/sublease space being marketed was 5.70% at the end of the first quarter, a decrease from the previous quarter's rate of 5.95%. Malls had the lowest availability rate of any segment of the retail market, at 1.83%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in San Diego County was \$1.76 at the end of the first quarter, unchanged from the fourth quarter but an increase from 2012's first quarter rate of \$1.73. With vacancy continuing to fall, rates should continue to stabilize. We are forecasting that lease rates will rise the coming quarters.
- Absorption** - The San Diego retail market posted 420,000 square feet of positive net absorption in the first quarter, marking the ninth consecutive quarter of positive net absorption and continuing the trend of net positive absorption over the last three years.
- Transaction Activity** - The combined amount of retail property sold and leased in the first quarter was 1.5 million square feet. This was a decrease from fourth quarter's total of 1.8 million square feet. 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 8.0% in February 2013, down from a revised 8.6% in January 2013 and below the year-ago estimate of 9.4%. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. According to the State of California Employment Development Department, San Diego County gained 31,400 payroll jobs from February 2012 to February 2013 — including 10,900 in professional and business services and 6,000 from leisure and hospitality. None of the local employment sectors reported any net year-over-year job losses.
- Overall** - We are seeing a decrease in the amount of available space being added per quarter. Positive absorption continues, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market is stabilizing. We foresee a continued increase in investment activity in the coming quarters as lenders dispose of distressed assets. Lease rates are expected to increase in the coming quarters. Thus far in the recovery, quality properties have been able to begin moving rental rates in a positive direction again, but demand remains soft for marginal product. As job creation continues and consumer confidence stabilizes, the retail market will continue to recover.

### RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	4.52%	4.77%	5.22%	(13.41%)
Availability Rate	5.70%	5.95%	6.40%	(10.94%)
Average Asking Lease Rate	\$1.76	\$1.76	\$1.73	1.73%
Sale & Lease Transactions	1,498,038	1,776,022	1,688,150	(11.26%)
Gross Absorption	1,203,622	1,391,714	983,697	22.36%
Net Absorption	420,000	633,429	117,737	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 1Q201	Square Feet Available	Availability Rate 1Q201	Average Asking Lease Rate	Net Absorption 1Q201	Net Absorption 2012	Gross Absorption 1Q201	Gross Absorption 2012
<b>Central</b>													
General Retail	3,729	21,463,643	1,800	595,705	749,699	3.49%	996,784	4.64%	\$2.04	8,546	97,203	139,609	604,488
Mall Market	20	4,276,289	0	0	606	0.01%	13,306	0.31%	\$0.00	0	(606)	0	0
Power Center	88	3,216,464	0	5,600	63,597	1.98%	70,712	2.20%	\$0.00	10,248	28,144	15,600	82,385
Shopping Center	700	11,182,075	0	129,142	597,976	5.35%	693,692	6.20%	\$1.99	127,115	208,245	206,093	522,430
Specialty Center	8	345,552	0	0	11,821	3.42%	23,476	6.79%	\$2.14	(607)	1,246	7,561	2,501
<b>Central Total</b>	<b>4,545</b>	<b>40,484,023</b>	<b>1,800</b>	<b>730,447</b>	<b>1,423,699</b>	<b>3.52%</b>	<b>1,797,970</b>	<b>4.44%</b>	<b>\$2.06</b>	<b>145,302</b>	<b>334,232</b>	<b>368,863</b>	<b>1,211,804</b>
<b>East County</b>													
General Retail	1,456	7,502,756	0	37,000	134,376	1.79%	275,251	3.67%	\$1.37	34,155	99,554	45,456	223,578
Mall Market	34	2,892,867	0	10,800	60,239	2.08%	75,821	2.62%	\$2.09	5,861	25,931	5,861	75,846
Power Center	36	1,097,440	0	0	5,157	0.47%	23,260	2.12%	\$3.00	1,300	17,239	1,300	23,838
Shopping Center	540	8,198,067	0	43,186	549,336	6.70%	694,526	8.47%	\$1.50	38,530	186,101	110,813	439,839
Specialty Center	2	82,792	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>East County Total</b>	<b>2,068</b>	<b>19,773,922</b>	<b>0</b>	<b>90,986</b>	<b>749,108</b>	<b>3.79%</b>	<b>1,068,858</b>	<b>5.41%</b>	<b>\$1.46</b>	<b>79,846</b>	<b>328,825</b>	<b>163,430</b>	<b>763,101</b>
<b>I-15 Corridor</b>													
General Retail	176	1,716,206	0	15,368	8,592	0.50%	12,842	0.75%	\$1.98	900	18,929	6,100	21,845
Mall Market	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Power Center	22	546,253	0	0	41,950	7.68%	76,511	14.01%	\$0.00	6,333	41,356	6,333	41,356
Shopping Center	269	4,060,418	0	31,097	249,154	6.14%	286,394	7.05%	\$2.18	23,121	3,964	59,473	206,917
Specialty Center	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>I-15 Corridor Total</b>	<b>467</b>	<b>6,322,877</b>	<b>0</b>	<b>46,465</b>	<b>299,696</b>	<b>4.74%</b>	<b>375,747</b>	<b>5.94%</b>	<b>\$2.11</b>	<b>30,354</b>	<b>64,249</b>	<b>71,906</b>	<b>270,118</b>
<b>North County</b>													
General Retail	1,696	11,139,391	17,559	436,982	396,699	3.56%	588,613	5.28%	\$1.13	46,636	(20,998)	79,180	185,442
Mall Market	74	4,060,710	0	32,000	112,540	2.77%	75,730	1.86%	\$2.58	1,256	4,681	1,256	23,392
Power Center	42	1,561,894	0	8,000	76,181	4.88%	91,229	5.84%	\$2.56	(4,032)	120,738	2,155	124,763
Shopping Center	892	15,249,395	185,502	591,791	1,375,434	9.02%	1,767,291	11.59%	\$1.61	(29,128)	195,003	84,971	623,558
Specialty Center	5	367,815	0	0	1,210	0.33%	1,210	0.33%	\$0.00	0	1,065	0	1,065
<b>North County Total</b>	<b>2,709</b>	<b>32,379,205</b>	<b>203,061</b>	<b>1,068,773</b>	<b>1,962,064</b>	<b>6.06%</b>	<b>2,524,073</b>	<b>7.80%</b>	<b>\$1.56</b>	<b>14,732</b>	<b>300,489</b>	<b>167,562</b>	<b>958,220</b>
<b>North City</b>													
General Retail	861	6,920,327	0	67,408	215,282	3.11%	224,074	3.24%	\$3.31	(91)	(20,836)	30,845	157,661
Mall Market	41	2,054,238	0	491,000	37,510	1.83%	48,588	2.37%	\$1.50	0	184,397	0	197,378
Power Center	46	1,170,856	0	0	11,006	0.94%	9,934	0.85%	\$0.00	(539)	(4,744)	7,715	47,008
Shopping Center	403	6,585,700	0	169,136	444,070	6.74%	462,771	7.03%	\$1.77	43,012	(17,242)	114,505	219,094
Specialty Center	9	232,667	0	0	107,350	46.14%	79,257	34.06%	\$1.25	0	(50,735)	43,514	4,085
<b>North City Total</b>	<b>1,360</b>	<b>16,963,788</b>	<b>0</b>	<b>727,544</b>	<b>815,218</b>	<b>4.81%</b>	<b>824,624</b>	<b>4.86%</b>	<b>\$2.09</b>	<b>42,382</b>	<b>90,840</b>	<b>196,579</b>	<b>625,226</b>
<b>South Bay</b>													
General Retail	1,106	5,986,974	0	318,208	295,000	4.93%	359,413	6.00%	\$1.65	(18,604)	21,471	23,087	162,590
Mall Market	42	2,646,242	0	0	50,924	1.92%	69,499	2.63%	\$0.00	(8,419)	15,085	2,723	162,590
Power Center	26	983,318	0	0	1,996	0.20%	14,544	1.48%	\$1.75	0	0	0	0
Shopping Center	491	8,718,786	4,881	573,020	544,207	6.24%	683,162	7.84%	\$1.62	110,382	151,047	175,634	395,951
Specialty Center	25	625,914	0	478,000	5,300	0.85%	7,921	1.27%	\$1.80	1,499	(3,184)	1,499	22,335
<b>South Bay Total</b>	<b>1,690</b>	<b>18,961,234</b>	<b>4,881</b>	<b>1,369,228</b>	<b>897,427</b>	<b>4.73%</b>	<b>1,134,539</b>	<b>5.98%</b>	<b>\$1.68</b>	<b>84,858</b>	<b>184,419</b>	<b>202,943</b>	<b>743,466</b>
<b>Outlying Areas</b>													
General Retail	462	1,800,585	0	27,200	50,896	2.83%	68,422	3.80%	\$1.34	17,051	(16,290)	24,594	24,306
Mall Market	16	161,000	0	0	11,000	6.83%	11,000	6.83%	\$0.00	0	0	0	0
Power Center	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Shopping Center	97	1,354,219	0	30,000	48,135	3.55%	81,030	5.98%	\$1.71	5,475	4,673	7,745	29,979
Specialty Center	1	255,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Outlying Areas Total</b>	<b>576</b>	<b>3,570,804</b>	<b>0</b>	<b>57,200</b>	<b>110,031</b>	<b>3.08%</b>	<b>160,452</b>	<b>4.49%</b>	<b>\$1.56</b>	<b>22,526</b>	<b>(11,617)</b>	<b>32,339</b>	<b>54,285</b>
<b>San Diego Total</b>	<b>13,415</b>	<b>138,455,853</b>	<b>209,742</b>	<b>4,090,643</b>	<b>6,257,243</b>	<b>4.52%</b>	<b>7,886,263</b>	<b>5.70%</b>	<b>\$1.76</b>	<b>420,000</b>	<b>1,291,437</b>	<b>1,203,622</b>	<b>4,626,220</b>
General Retail	9,486	56,529,882	19,359	1,497,871	1,850,544	3.27%	2,525,399	4.47%	\$1.77	88,593	179,033	348,871	1,379,910
Mall Market	227	16,091,346	0	533,800	272,819	1.70%	293,944	1.83%	\$2.17	(1,302)	229,488	9,840	459,206
Power Center	260	8,576,225	0	13,600	199,887	2.33%	286,190	3.34%	\$2.53	13,310	202,733	33,103	319,350
Shopping Center	3,392	55,348,660	190,383	1,567,372	3,808,312	6.88%	4,668,866	8.44%	\$1.71	318,507	731,791	759,234	2,437,768
Specialty Center	50	1,909,740	0	478,000	125,681	6.58%	111,864	5.86%	\$1.92	892	(51,608)	52,574	29,986
<b>San Diego Total</b>	<b>13,415</b>	<b>138,455,853</b>	<b>209,742</b>	<b>4,090,643</b>	<b>6,257,243</b>	<b>4.52%</b>	<b>7,886,263</b>	<b>5.70%</b>	<b>\$1.76</b>	<b>420,000</b>	<b>1,291,437</b>	<b>1,203,622</b>	<b>4,626,220</b>

Lease rates are on a triple-net basis.

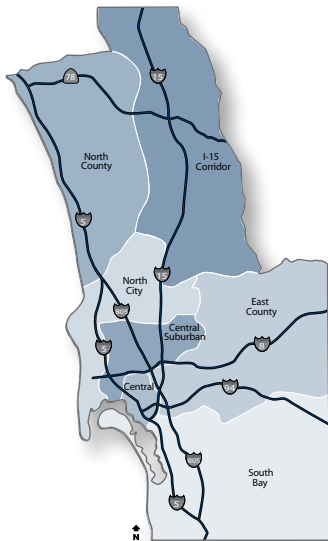
RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
9800-9938 Mission Gorge Rd. (50% interest)	East County	311,498	\$314.61	Kimco Realty	Vestar Development Company
90 N. Coast Highway 101	North City	38,387	\$382.94	Viewpoint Equities, Inc.	Trident Pacific Real Estate Group
15727-15731 Bernardo Heights Pkwy.	I-15 Corridor	37,729	\$329.98	Retail Opportunity Investments Corporation	Marketplace Properties
7438-7464 Girard Ave.	North City	33,074	\$256.99	Charles Zohoury	Union Bank
1000-1020 Tierra Del Rey	Chula Vista	38,984	\$207.78	JBM Properties, Inc.	Tierra Corners, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7620 Balboa Ave.	Central	31,779	Mar-13	C3 Church San Diego	(Sublease)
4611 Mercury St.	Central	29,158	Feb-13	First Korean Market	Mercury Street Annex, LLC
471 College Blvd.	North County	18,172	Mar-13	PetSmart	NewMark Merrill Companies
9520 Black Mountain Rd.	North City	13,280	Feb-13	Mount It	Kalthia Group Hotels
160 N. 2nd St. – Renewal	East County	10,000	Jan-13	Party City	Sunbelt Investment Holdings, Inc.



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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