

RETAIL MARKET REPORT

SECOND QUARTER 2005

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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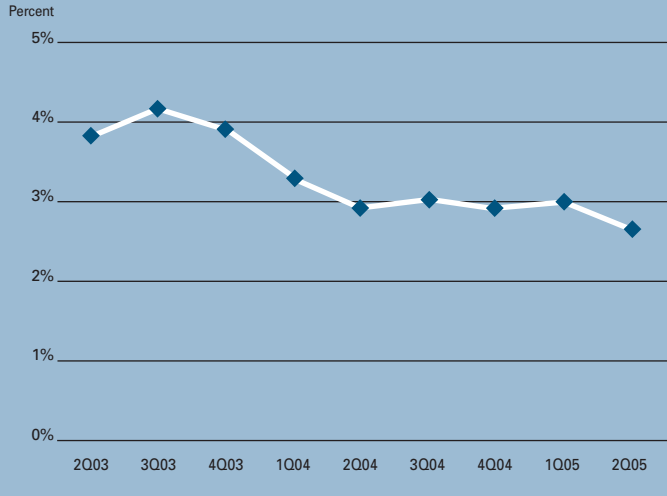
MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2005 in San Diego County is 3.8%, which is a decrease of 0.8% since the first quarter of 2005 and down from the 4.6% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 17,700 new non-farm jobs in 2004, and they are forecasting 23,500 new jobs in 2005. They are also forecasting a 6.5% increase in total personal income for 2005.
- ◆ Currently there is 571,175 square feet of Retail construction underway, and total construction is lower than the 951,460 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is up. Currently there is 1,875,119 square feet of Retail space on the slate as being planned.
- ◆ The Retail vacancy rate is at a low 2.65%, which is down from the 2.99% rate we saw during the first quarter of 2005.
- ◆ The average asking Triple Net lease rate checked in at \$1.75 a square foot per month this quarter. This is a new record high, two cents higher than last quarter and 10.06% higher than what was reported in the second quarter of 2004.
- ◆ The Retail absorption checked in at a positive 276,325 square feet for the second quarter of 2005, giving the San Diego Retail Market a total of 2,791,680 square feet of positive absorption for the last seven 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 7% to 10% in 2005.

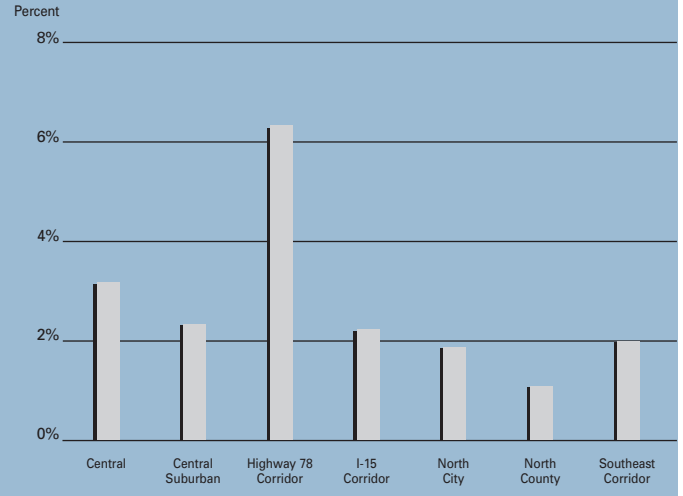
RETAIL MARKET STATISTICS

	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2004
Under Construction	571,175	748,311	951,460	-39.97%
Vacancy	2.65%	2.99%	2.91%	-8.93%
Availability	2.88%	3.30%	3.11%	-7.40%
Pricing - Triple Net Service	\$1.75	\$1.73	\$1.59	10.06%
Net Absorption	276,325	52,391	300,833	-8.15%

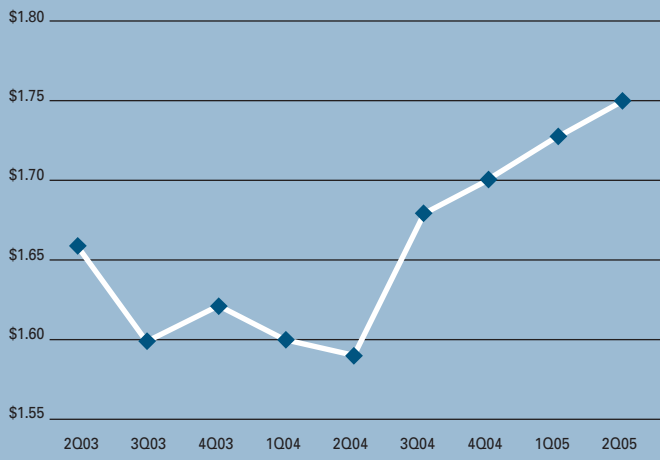
VACANCY RATE



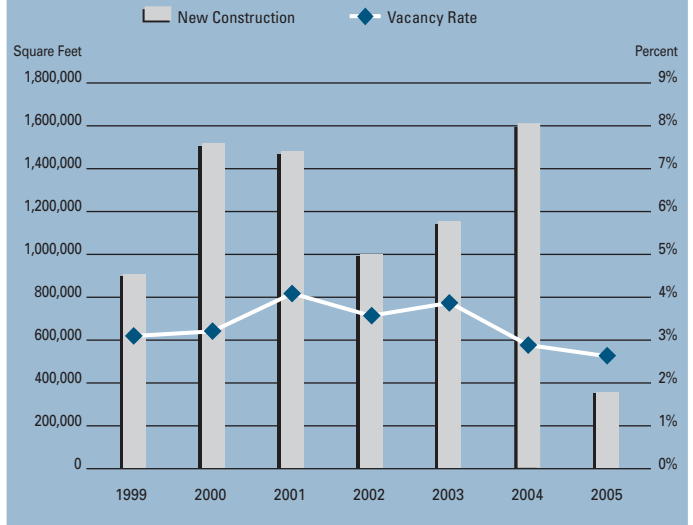
VACANCY RATE BY SUBMARKET



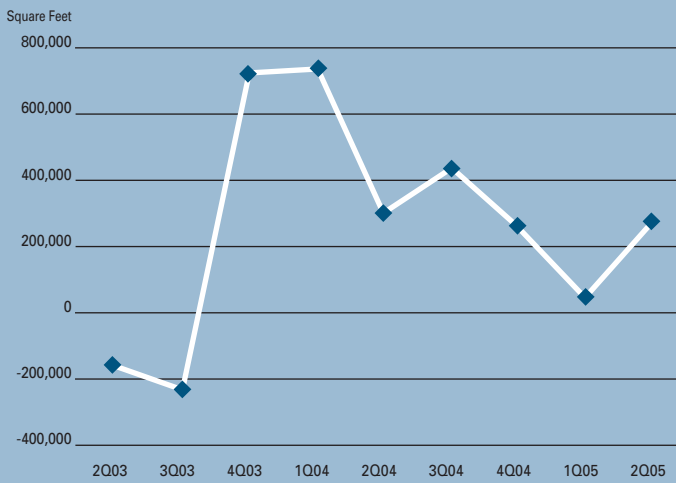
AVERAGE ASKING FULL SERVICE LEASE RATE



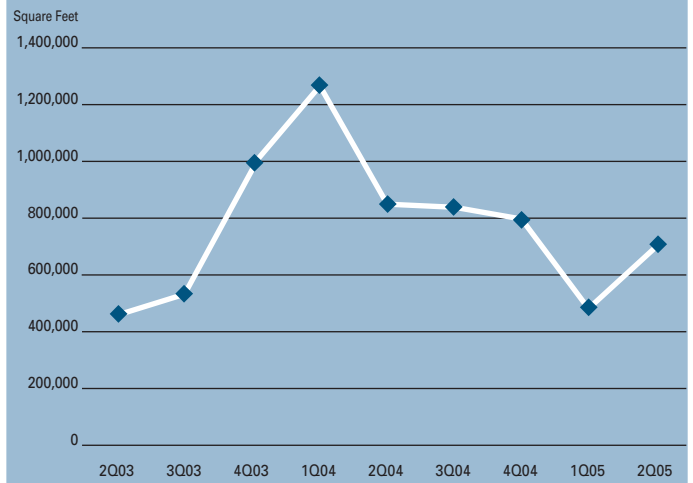
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



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 2Q2005	Total Availability 2Q2005	Average Asking Lease Rate	Net Absorption 2Q2005	Net Absorption 2005
Central										
Downtown	188	2,911,316	95,696	180,227	92,580	3.18%	93,619	\$3.14	38,721	51,380
Central Total	188	2,911,316	95,696	180,227	92,580	3.18%	93,619	\$2.44	38,721	51,380
Central Suburban										
City Heights/University	146	2,312,903	17,700	31,800	132,027	5.71%	138,027	\$1.33	4,050	(14,609)
Kearny Mesa	80	3,012,956	0	0	74,519	2.47%	74,519	\$1.93	14,883	26,948
Mission Gorge	74	3,008,381	0	0	19,878	0.66%	21,078	\$1.44	(7,236)	2,928
Mission Valley	32	5,039,505	0	0	25,727	0.51%	25,727	\$1.97	3,655	11,171
Old Town	14	124,734	0	8,000	550	0.44%	550	\$0.00	0	0
Point Loma	58	1,427,770	0	13,150	75,814	5.31%	86,142	\$1.91	17,223	(160)
Rose Canyon/Morena	132	3,681,479	2,270	135,676	111,191	3.02%	111,191	\$1.81	(13,846)	(6,149)
Uptown/Hillcrest	39	383,985	0	4,750	21,237	5.53%	21,237	\$2.69	(852)	2,522
Central Suburban Total	575	18,991,713	19,970	193,376	460,943	2.43%	478,471	\$1.76	17,877	22,651
Highway 78 Corridor										
Oceanside	80	3,457,882	27,017	170,264	323,387	9.35%	345,333	\$1.40	9,580	37,902
San Marcos/Vista	91	4,126,225	12,000	475,951	162,817	3.95%	190,727	\$1.34	81,962	137,616
Highway 78 Corridor Total	171	7,584,107	39,017	646,215	486,204	6.41%	536,060	\$1.37	91,542	175,518
I-15 Corridor										
Escondido	102	2,102,887	6,920	17,855	70,033	3.33%	70,033	\$1.29	13,248	24,568
Rancho Bernardo/Poway	86	4,739,930	9,887	0	81,110	1.71%	87,700	\$2.32	13,959	28,987
Scripps Ranch	5	138,253	0	6,400	11,060	8.00%	11,060	\$1.91	(10,385)	(11,060)
I-15 Corridor Total	193	6,981,070	16,807	24,255	162,203	2.32%	168,793	\$1.95	16,822	42,495
North City										
Del Mar Heights	2	332,330	0	0	3,841	1.16%	3,841	\$3.32	1,324	(641)
Governor Park	2	14,504	0	0	0	0.00%	0	\$0.00	0	0
La Jolla	72	677,220	0	0	16,578	2.45%	16,578	\$2.70	(427)	(487)
Miramar	45	2,223,343	16,000	0	59,803	2.69%	59,803	\$1.60	(3,227)	(13,520)
N University City - UTC Center	9	1,588,331	0	0	9,945	0.63%	9,945	\$2.32	2,687	3,305
Sorrento Mesa	3	173,582	0	12,000	5,985	3.45%	5,985	\$2.54	(2,000)	(914)
Torrey Pines/Sorrento Valley	3	23,589	0	0	0	0.00%	0	\$0.00	0	0
North City Total	136	5,032,899	16,000	12,000	96,152	1.91%	96,152	\$2.62	(1,643)	(12,257)
North County										
Carlsbad	29	2,852,597	0	210,000	34,990	1.23%	34,990	\$2.01	14,413	(2,250)
North Beach Cities	67	3,216,157	66,000	28,480	38,495	1.20%	38,495	\$2.72	69	19,604
North County Total	96	6,068,754	66,000	238,480	73,485	1.21%	73,485	\$2.44	14,482	17,354
South/Southeast Corridor										
East County	275	9,587,428	129,685	106,342	250,542	2.61%	264,894	\$1.28	91,099	60,656
South San Diego	300	10,590,429	188,000	474,224	170,709	1.61%	240,369	\$1.32	7,425	(29,081)
South/Southeast Total	575	20,177,857	317,685	580,566	421,251	2.09%	505,263	\$1.30	98,524	31,575
San Diego County Total	1,934	67,747,716	571,175	1,875,119	1,792,818	2.65%	1,951,843	\$1.75	276,325	328,716

Lease rates are on a triple net basis.

RETAIL MARKET REPORT

SECOND QUARTER 2005

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

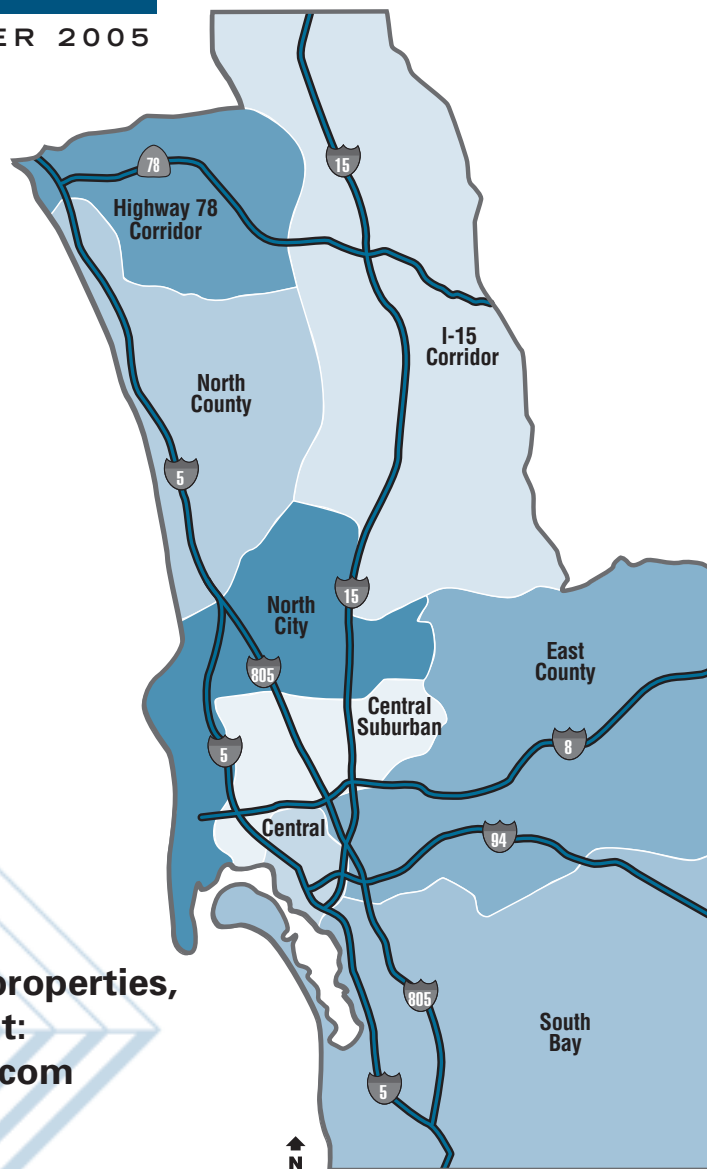
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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