

# RETAIL MARKET REPORT

SECOND QUARTER 2006

Compared to last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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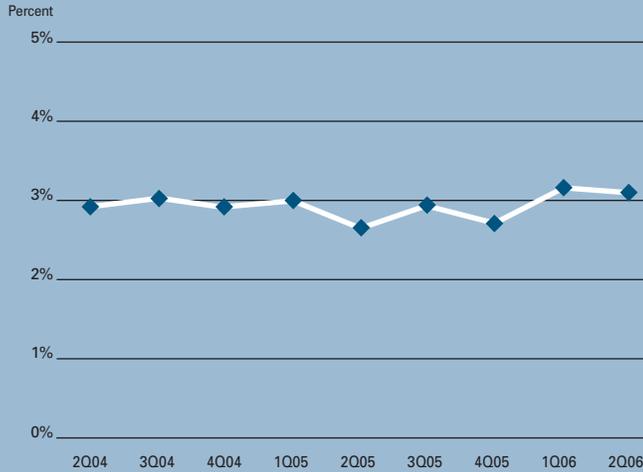
## MARKET HIGHLIGHTS

- ◆ Unemployment in the second quarter of 2006 in San Diego County is 3.7%, which is a decrease of 0.4% since the first quarter of 2006 and down from the 4.1% we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 23,400 new non-farm jobs in 2005, and they are forecasting 35,000 new jobs in 2006. They are also forecasting a 6.2% increase in total personal income for 2006.
- ◆ Currently there is 2,671,577 square feet of Retail construction underway, and total construction is higher than the 571,175 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is up. Currently there is 4,427,137 square feet of Retail space on the slate as being planned compared to last quarters figure of 3,249,568.
- ◆ The Retail vacancy rate is at a low 3.09%, which is up from the 2.65% rate we saw during the second quarter of 2005.
- ◆ The average asking Triple Net lease rate checked in at \$2.02 a square foot per month this quarter. This is higher than last quarter and 11.60% higher than what was reported in the second quarter of 2005. This also represents a new record high for lease rates in the Retail market of San Diego.
- ◆ The Retail absorption checked in at a positive number of 103,219 square feet for the second quarter of 2006, giving the San Diego Retail Market a total of 5.6 million square feet of positive absorption for the last 16 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 5% to 7% in 2006.

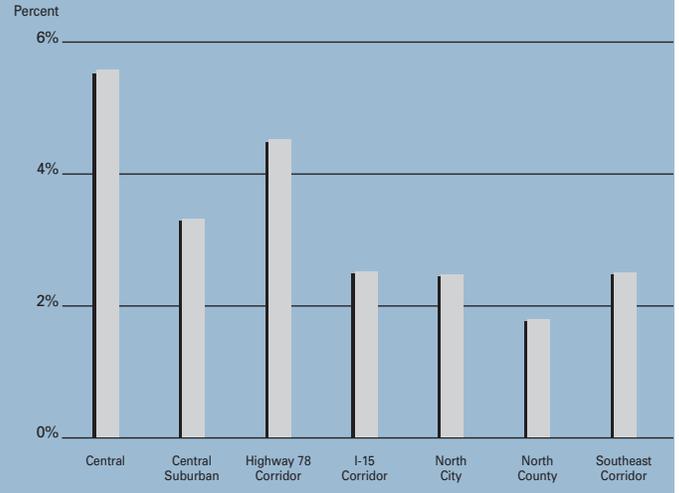
## RETAIL MARKET STATISTICS

	2Q2006	1Q2006	2Q2005	% CHANGE VS. 2005
Under Construction	2,671,577	1,860,519	571,175	367.73%
Vacancy	3.09%	3.17%	2.65%	16.60%
Availability	3.65%	3.72%	2.88%	26.74%
Pricing - Triple Net Service	\$2.02	\$1.91	\$1.81	11.60%
Net Absorption	103,219	116,344	276,325	N/A

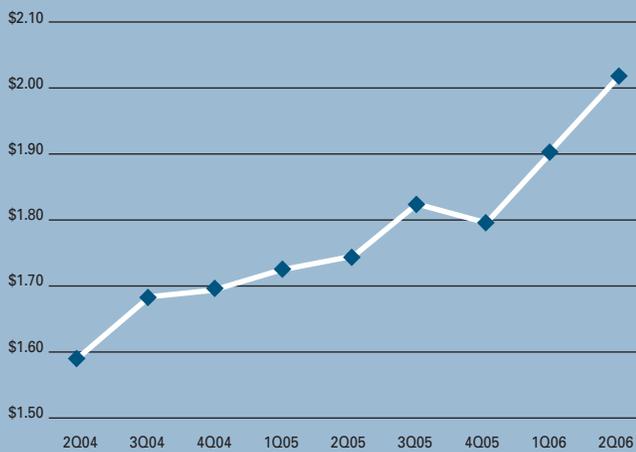
## VACANCY RATE



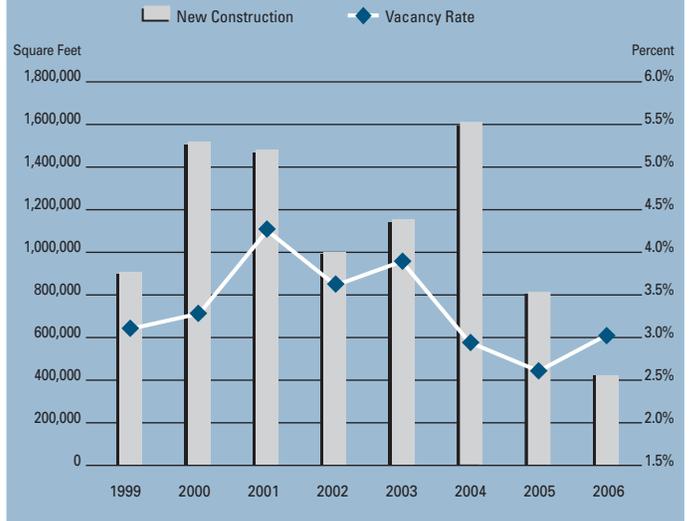
## VACANCY RATE BY SUBMARKET



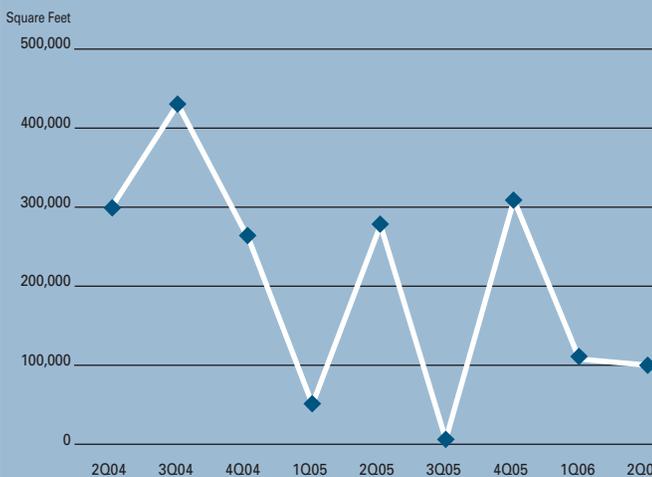
## AVERAGE ASKING TRIPLE NET LEASE RATE



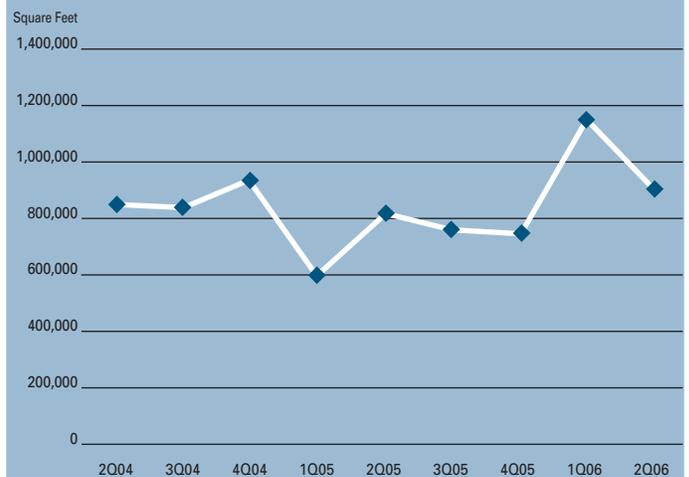
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## 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 2Q2006	Total Availability 2Q2006	Average Asking Lease Rate	Net Absorption 2Q2006	Net Absorption 2006
<b>Central</b>										
Downtown	210	3,107,802	428,965	181,370	171,161	5.51%	171,561	\$2.46	(50,029)	(67,138)
<b>Central Total</b>	<b>210</b>	<b>3,107,802</b>	<b>428,965</b>	<b>181,370</b>	<b>171,161</b>	<b>5.51%</b>	<b>171,561</b>	<b>\$2.46</b>	<b>(50,029)</b>	<b>(67,138)</b>
<b>Central Suburban</b>										
City Heights/University	279	4,061,409	44,660	281,374	136,007	3.35%	239,216	\$1.52	30,278	39,997
Kearny Mesa	129	3,796,363	0	0	38,695	1.02%	66,032	\$1.91	14,915	16,973
Mission Gorge	127	4,016,487	0	0	150,298	3.74%	191,298	\$2.20	(21,833)	(105,164)
Mission Valley	57	5,434,713	0	0	51,618	0.95%	51,618	\$2.55	(22,329)	(34,148)
Old Town	21	224,852	0	5,135	13,208	5.87%	17,158	\$1.97	(3,600)	(11,991)
Point Loma	136	2,433,185	560	152,976	150,414	6.18%	185,670	\$2.76	(32,118)	(49,429)
Rose Canyon/Morena	199	4,196,669	13,800	188,676	207,674	4.95%	233,986	\$1.74	7,146	(52,081)
Uptown/Hillcrest	73	640,114	12,914	10,203	51,028	7.97%	56,269	\$2.50	2,370	11,003
<b>Central Suburban Total</b>	<b>1,021</b>	<b>24,803,792</b>	<b>71,934</b>	<b>638,364</b>	<b>798,942</b>	<b>3.22%</b>	<b>1,041,247</b>	<b>\$1.96</b>	<b>(25,171)</b>	<b>(184,840)</b>
<b>Highway 78 Corridor</b>										
Oceanside	153	4,926,248	0	864,843	272,163	5.52%	292,756	\$1.48	1,864	47,265
San Marcos/Vista	285	8,243,220	432,499	652,046	341,555	4.14%	372,293	\$1.79	(5,012)	41,547
<b>Highway 78 Corridor Total</b>	<b>438</b>	<b>13,169,468</b>	<b>432,499</b>	<b>1,516,889</b>	<b>613,718</b>	<b>4.66%</b>	<b>665,049</b>	<b>\$1.73</b>	<b>(3,148)</b>	<b>88,812</b>
<b>I-15 Corridor</b>										
Escondido	239	7,237,323	178,712	17,855	203,208	2.81%	264,690	\$1.80	24,512	21,116
Rancho Bernardo/Poway	123	4,973,631	274,639	38,000	141,199	2.84%	158,285	\$2.38	23,291	4,957
Scripps Ranch	26	877,549	6,400	0	1,575	0.18%	3,869	\$1.69	0	0
<b>I-15 Corridor Total</b>	<b>388</b>	<b>13,088,503</b>	<b>459,751</b>	<b>55,855</b>	<b>345,982</b>	<b>2.64%</b>	<b>426,844</b>	<b>\$2.00</b>	<b>47,803</b>	<b>26,073</b>
<b>North City</b>										
Del Mar Heights	14	583,241	0	22,987	4,524	0.78%	12,558	\$4.00	0	5,872
Governor Park	3	17,504	0	0	0	0.00%	0	\$0.00	0	0
La Jolla	102	904,919	0	0	58,667	6.48%	67,084	\$4.48	(15,361)	(8,990)
Miramar	75	3,347,673	0	0	79,012	2.36%	104,713	\$1.75	94,562	9,339
N University City - UTC Center	22	2,197,498	0	0	36,539	1.66%	36,539	\$1.44	500	(23,439)
Sorrento Mesa	8	241,077	0	12,000	9,377	3.89%	11,344	\$3.50	4,372	(1,940)
Torrey Pines/Sorrento Valley	3	23,589	0	0	2,548	10.80%	2,548	\$1.40	0	0
<b>North City Total</b>	<b>227</b>	<b>7,315,501</b>	<b>0</b>	<b>34,987</b>	<b>190,667</b>	<b>2.61%</b>	<b>234,786</b>	<b>\$2.79</b>	<b>84,073</b>	<b>(19,158)</b>
<b>North County</b>										
Carlsbad	63	3,634,016	0	200,642	71,761	1.97%	93,245	\$3.15	14,907	384,602
North Beach Cities	132	4,651,777	20,000	121,678	75,772	1.63%	91,699	\$3.01	2,792	51,500
<b>North County Total</b>	<b>195</b>	<b>8,285,793</b>	<b>20,000</b>	<b>322,320</b>	<b>147,533</b>	<b>1.78%</b>	<b>184,944</b>	<b>\$3.09</b>	<b>17,699</b>	<b>436,102</b>
<b>South/Southeast Corridor</b>										
East County	499	11,743,926	0	196,505	395,110	3.36%	478,806	\$1.42	(1,821)	(70,131)
South San Diego	504	15,429,034	1,258,428	1,480,847	330,906	2.14%	330,906	\$1.86	33,813	9,843
<b>South/Southeast Total</b>	<b>1,003</b>	<b>27,172,960</b>	<b>1,258,428</b>	<b>1,677,352</b>	<b>726,016</b>	<b>2.67%</b>	<b>809,712</b>	<b>\$1.65</b>	<b>31,992</b>	<b>(60,288)</b>
<b>San Diego County Total</b>	<b>3,482</b>	<b>96,943,819</b>	<b>2,671,577</b>	<b>4,427,137</b>	<b>2,994,019</b>	<b>3.09%</b>	<b>3,534,143</b>	<b>\$2.02</b>	<b>103,219</b>	<b>219,563</b>

Lease rates are on a triple net basis.

# RETAIL MARKET REPORT

SECOND QUARTER 2006

## 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

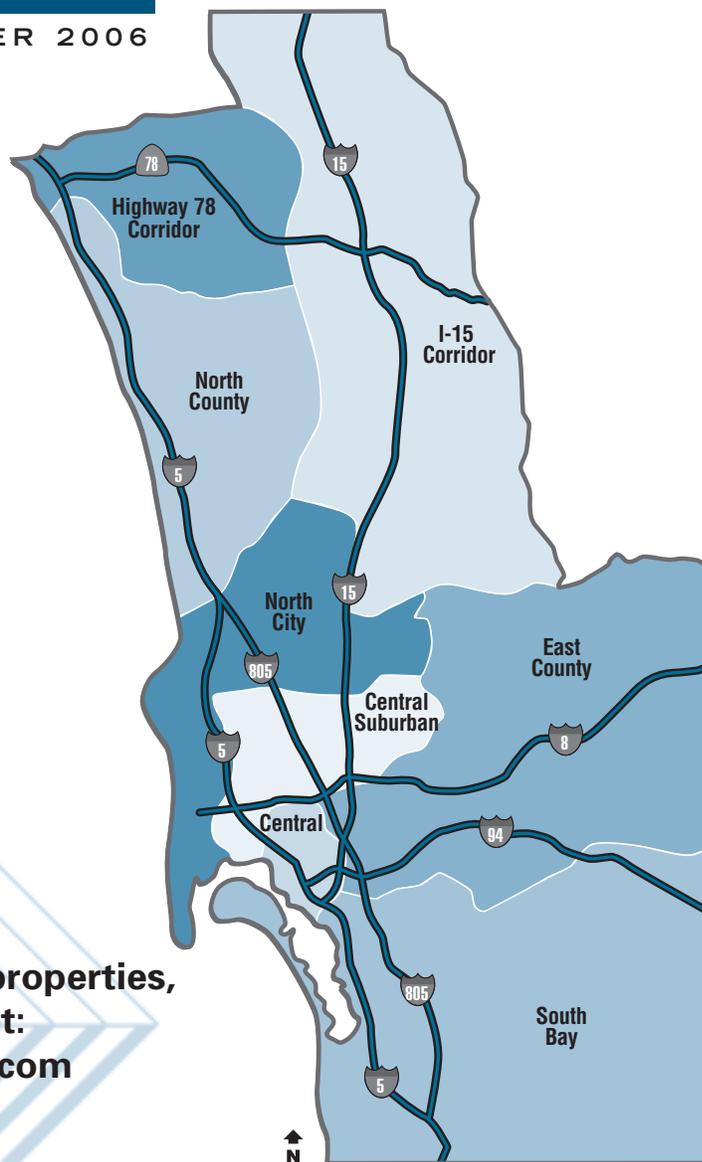
Del Mar Heights  
Governor Park  
La Jolla  
Miramar  
N University City - UTC Center  
Sorrento Mesa  
Torrey Pines/Sorrento Valley

### NORTH COUNTY

Carlsbad  
North Beach Cities

### SOUTH/SOUTHEAST CORRIDOR

East County  
South San Diego



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For Further Information:

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