

# RETAIL MARKET REPORT

SECOND  
QUARTER  
2007

Compared to  
last quarter:

## VACANCY



UP

## ABSORPTION



UP

## LEASE RATES



UP

## CONSTRUCTION



UP

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International

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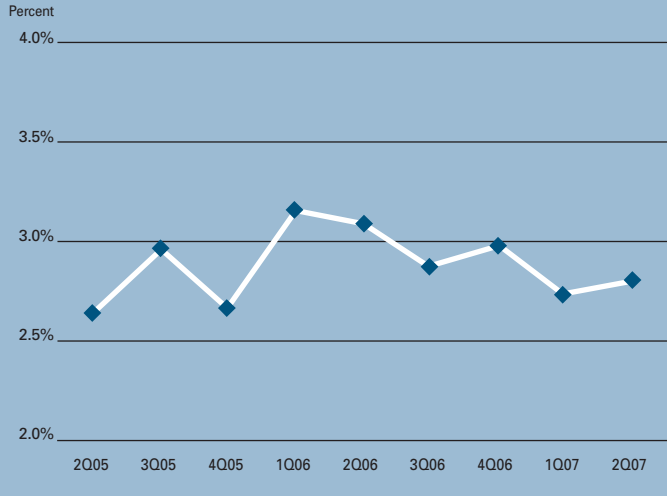
## MARKET HIGHLIGHTS

- ◆ The Retail vacancy rate is at a low 2.79%, which is down from the 3.09% rate we saw during the second quarter of 2006.
- ◆ The average asking Triple Net lease rate was \$2.05 a square foot per month this quarter. This is higher than last quarter and 1.49% higher than what was reported in the second quarter of 2006.
- ◆ Retail absorption checked in at a positive number of 89,408 square feet for the second quarter of 2007, giving the San Diego Retail Market a total of over 1.2 million square feet of positive absorption for the first half of 2007.
- ◆ Currently there is 915,999 square feet of Retail construction underway, and total construction is lower than the 2,671,577 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is down. Currently there is 3,724,022 square feet of Retail space on the slate as being planned compared to last year's figure of 4,427,137.
- ◆ Unemployment in the second quarter of 2007 in San Diego County is 4.2%, which is the same as it was when compared to the first quarter of 2007, and .05% higher than it was a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County will add 11,800 new non-farm jobs in 2007, and they are forecasting 19,500 new jobs in 2008. They are also forecasting a 3.5% gain in total personal income with inflation increasing by 2.5% for 2007.
- ◆ 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 2007.

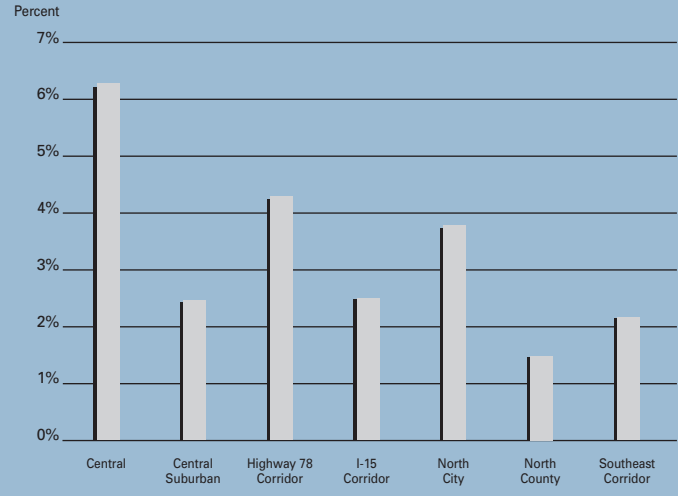
## RETAIL MARKET STATISTICS

|                              | 2Q2007  | 1Q2007    | 2Q2006    | % CHANGE VS. 2006 |
|------------------------------|---------|-----------|-----------|-------------------|
| Under Construction           | 915,999 | 787,208   | 2,671,577 | -65.71%           |
| Vacancy                      | 2.79%   | 2.72%     | 3.09%     | -9.71%            |
| Availability                 | 3.75%   | 3.35%     | 3.65%     | 2.74%             |
| Pricing - Triple Net Service | \$2.05  | \$1.98    | \$2.02    | 1.49%             |
| Net Absorption               | 89,408  | 1,178,758 | 103,219   | N/A               |

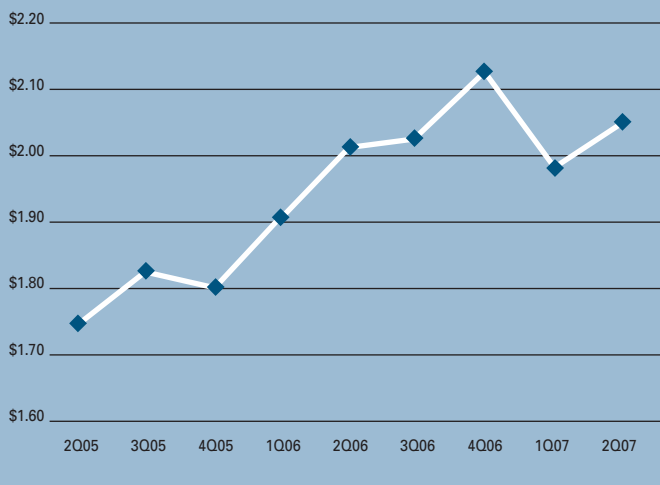
## VACANCY RATE



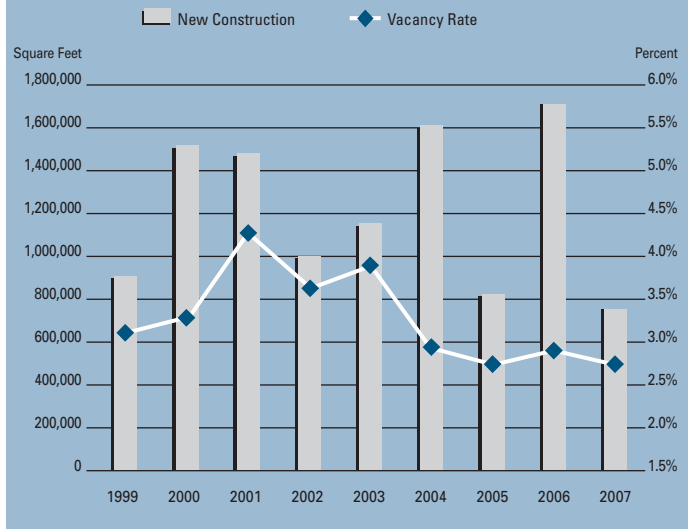
## VACANCY RATE BY SUBMARKET



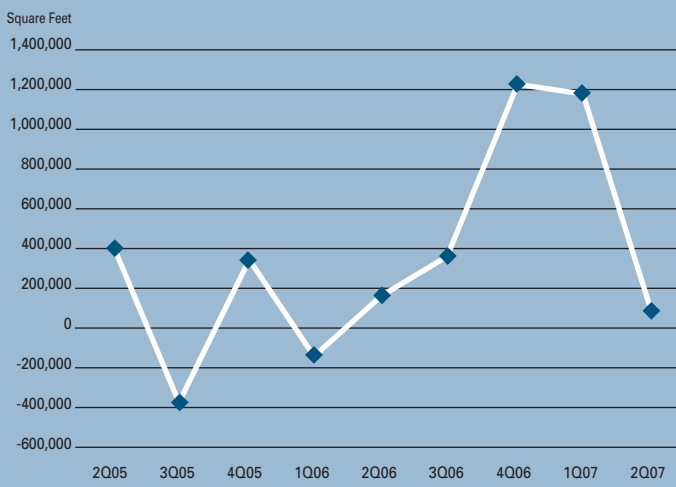
## AVERAGE ASKING TRIPLE NET LEASE RATE



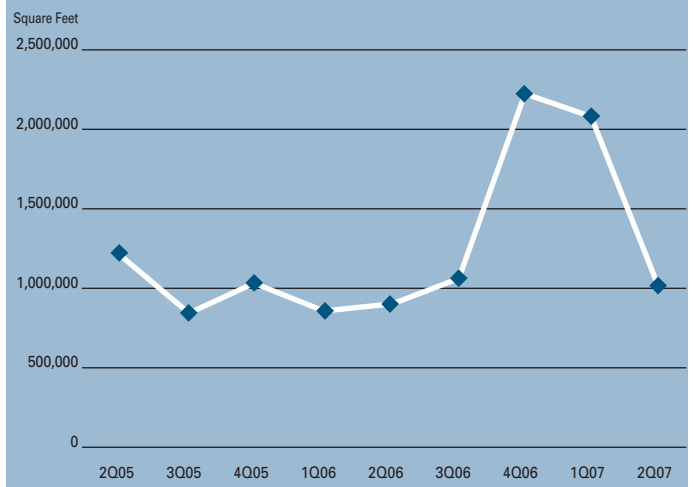
## ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



# SECOND QUARTER 2007

## 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 2Q2007 | Total Availability 2Q2007 | Average Asking Lease Rate | Net Absorption 2Q2007 | Net Absorption 2007 |
|----------------------------------|---------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|---------------------------|---------------------------|-----------------------|---------------------|
| <b>Central</b>                   |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| Downtown                         | 400                 | 4,632,762                | 94,296            | 741,049             | 295,485            | 6.38%               | 353,411                   | \$2.66                    | 17,795                | 35,738              |
| <b>Central Total</b>             | <b>400</b>          | <b>4,632,762</b>         | <b>94,296</b>     | <b>741,049</b>      | <b>295,485</b>     | <b>6.38%</b>        | <b>353,411</b>            | <b>\$2.66</b>             | <b>17,795</b>         | <b>35,738</b>       |
| <b>Central Suburban</b>          |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| City Heights/University          | 878                 | 6,418,391                | 12,360            | 30,405              | 142,713            | 2.22%               | 274,993                   | \$1.63                    | 16,773                | 148,010             |
| Kearny Mesa                      | 238                 | 4,976,738                | 0                 | 0                   | 59,267             | 1.19%               | 155,575                   | \$1.74                    | 68,369                | 69,357              |
| Mission Gorge                    | 167                 | 4,223,215                | 0                 | 0                   | 151,116            | 3.58%               | 224,905                   | \$2.05                    | (49,647)              | (48,213)            |
| Mission Valley                   | 87                  | 6,370,181                | 0                 | 0                   | 56,568             | 0.89%               | 96,408                    | \$2.01                    | (23,308)              | (23,337)            |
| Old Town                         | 91                  | 426,850                  | 0                 | 0                   | 9,473              | 2.22%               | 16,991                    | \$2.00                    | 2,127                 | 6,083               |
| Point Loma                       | 410                 | 3,781,555                | 31,700            | 27,243              | 164,866            | 4.36%               | 181,305                   | \$1.97                    | 41,250                | 171,113             |
| Rose Canyon/Morena               | 524                 | 5,641,051                | 4,800             | 93,489              | 159,479            | 2.83%               | 248,353                   | \$1.60                    | 22,102                | 80,578              |
| Uptown/Hillcrest                 | 173                 | 1,278,203                | 13,079            | 27,942              | 77,509             | 6.06%               | 80,585                    | \$2.60                    | (10,973)              | 10,773              |
| <b>Central Suburban Total</b>    | <b>2,568</b>        | <b>33,116,184</b>        | <b>61,939</b>     | <b>179,079</b>      | <b>820,991</b>     | <b>2.48%</b>        | <b>1,279,115</b>          | <b>\$1.82</b>             | <b>66,693</b>         | <b>414,364</b>      |
| <b>Highway 78 Corridor</b>       |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| Oceanside                        | 427                 | 5,870,716                | 18,707            | 878,621             | 296,480            | 5.05%               | 390,226                   | \$1.88                    | (15,786)              | (56,746)            |
| San Marcos/Vista                 | 634                 | 10,647,985               | 125,346           | 654,692             | 426,950            | 4.01%               | 500,834                   | \$1.97                    | (5,183)               | 95,504              |
| <b>Highway 78 Corridor Total</b> | <b>1,061</b>        | <b>16,518,701</b>        | <b>144,053</b>    | <b>1,533,313</b>    | <b>723,430</b>     | <b>4.38%</b>        | <b>891,060</b>            | <b>\$1.93</b>             | <b>(20,969)</b>       | <b>38,758</b>       |
| <b>I-15 Corridor</b>             |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| Escondido                        | 630                 | 8,913,522                | 9,600             | 119,706             | 272,264            | 3.05%               | 392,194                   | \$1.86                    | (28,937)              | 162,272             |
| Rancho Bernardo/Poway            | 272                 | 6,679,999                | 0                 | 38,000              | 137,264            | 2.05%               | 156,766                   | \$2.35                    | 23,097                | 280,122             |
| Scripps Ranch                    | 51                  | 974,221                  | 0                 | 6,400               | 9,954              | 1.02%               | 9,954                     | \$2.64                    | (3,494)               | (7,994)             |
| <b>I-15 Corridor Total</b>       | <b>953</b>          | <b>16,567,742</b>        | <b>9,600</b>      | <b>164,106</b>      | <b>419,482</b>     | <b>2.53%</b>        | <b>558,914</b>            | <b>\$2.05</b>             | <b>(9,334)</b>        | <b>434,400</b>      |
| <b>North City</b>                |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| Del Mar Heights                  | 29                  | 747,351                  | 0                 | 18,000              | 1,688              | 0.23%               | 3,888                     | \$0.00                    | 4,528                 | 2,432               |
| Governor Park                    | 4                   | 97,729                   | 0                 | 0                   | 2,720              | 2.78%               | 2,720                     | \$0.00                    | (1,600)               | (2,720)             |
| La Jolla                         | 213                 | 1,462,824                | 0                 | 0                   | 98,162             | 6.71%               | 105,240                   | \$4.59                    | (37,993)              | (21,310)            |
| Miramar                          | 128                 | 3,222,887                | 0                 | 0                   | 149,845            | 4.65%               | 180,432                   | \$1.94                    | (24,116)              | (33,473)            |
| N University City - UTC Center   | 25                  | 2,323,350                | 35,000            | 0                   | 41,563             | 1.79%               | 44,031                    | \$2.16                    | 802                   | (3,318)             |
| Sorrento Mesa                    | 26                  | 353,173                  | 12,000            | 0                   | 12,985             | 3.68%               | 14,952                    | \$3.50                    | 6,529                 | 9,144               |
| Torrey Pines/Sorrento Valley     | 4                   | 26,987                   | 0                 | 0                   | 795                | 2.95%               | 795                       | \$2.00                    | 2,548                 | 1,753               |
| <b>North City Total</b>          | <b>429</b>          | <b>8,234,301</b>         | <b>47,000</b>     | <b>18,000</b>       | <b>307,758</b>     | <b>3.74%</b>        | <b>352,058</b>            | <b>\$2.74</b>             | <b>(49,302)</b>       | <b>(47,492)</b>     |
| <b>North County</b>              |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| Carlsbad                         | 241                 | 5,080,358                | 4,000             | 334,342             | 101,823            | 2.00%               | 127,032                   | \$2.75                    | (732)                 | (28,885)            |
| North Beach Cities               | 547                 | 8,429,376                | 38,913            | 90,937              | 97,410             | 1.16%               | 152,766                   | \$2.85                    | 82,616                | 181,265             |
| <b>North County Total</b>        | <b>788</b>          | <b>13,509,734</b>        | <b>42,913</b>     | <b>425,279</b>      | <b>199,233</b>     | <b>1.47%</b>        | <b>279,798</b>            | <b>\$2.79</b>             | <b>81,884</b>         | <b>152,380</b>      |
| <b>South/Southeast Corridor</b>  |                     |                          |                   |                     |                    |                     |                           |                           |                       |                     |
| East County                      | 790                 | 13,829,443               | 177,896           | 259,322             | 438,194            | 3.17%               | 551,135                   | \$1.75                    | (25,027)              | 34,197              |
| South San Diego                  | 1,349               | 20,013,407               | 338,302           | 403,874             | 325,013            | 1.62%               | 479,813                   | \$2.07                    | 27,668                | 205,821             |
| <b>South/Southeast Total</b>     | <b>2,139</b>        | <b>33,842,850</b>        | <b>516,198</b>    | <b>663,196</b>      | <b>763,207</b>     | <b>2.26%</b>        | <b>1,030,948</b>          | <b>\$1.91</b>             | <b>2,641</b>          | <b>240,018</b>      |
| <b>San Diego County Total</b>    | <b>8,338</b>        | <b>126,422,274</b>       | <b>915,999</b>    | <b>3,724,022</b>    | <b>3,529,586</b>   | <b>2.79%</b>        | <b>4,745,304</b>          | <b>\$2.05</b>             | <b>89,408</b>         | <b>1,268,166</b>    |

Lease rates are on a triple net basis.

RETAIL MARKET  
**REPORT**

SECOND QUARTER 2007

**SUBMARKETS**

**CENTRAL**  
Downtown

**CENTRAL SUBURBAN**  
City Heights/University  
Kearny Mesa  
Mission Gorge  
Mission Valley  
Old Town  
Point Loma  
Rose Canyon/Morena  
Uptown/Hillcrest

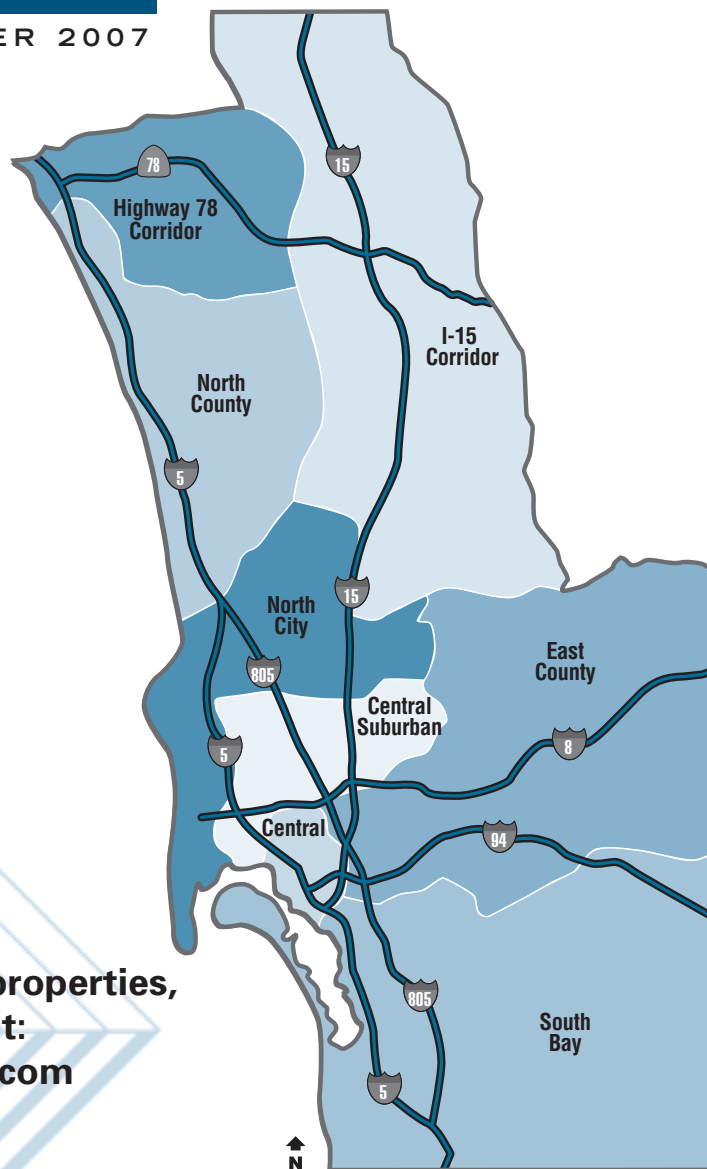
**HIGHWAY 78 CORRIDOR**  
Oceanside  
San Marcos/Vista

**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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