



Retail Market Report

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Compared to last quarter:



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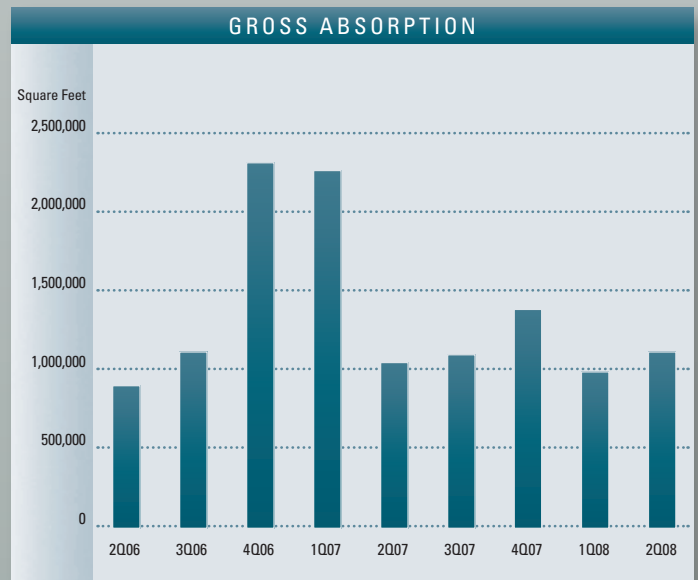
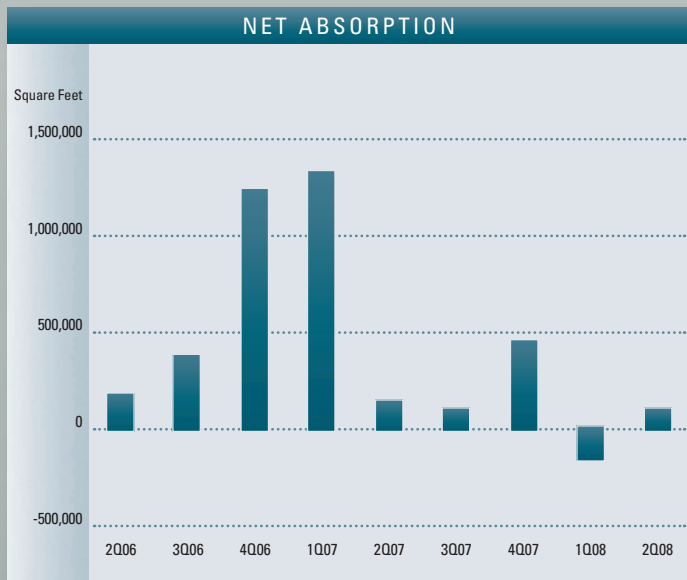
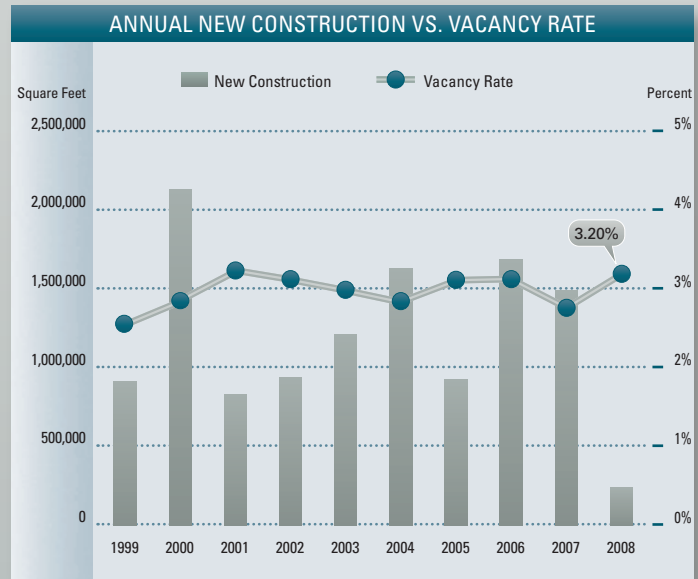
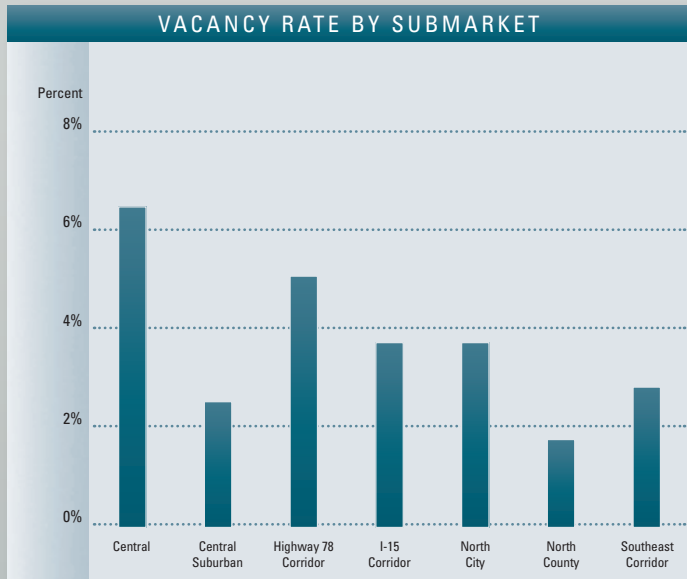
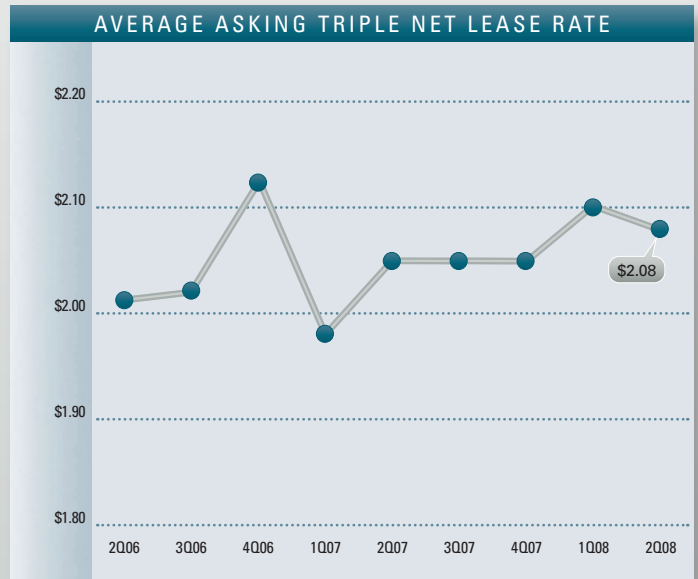
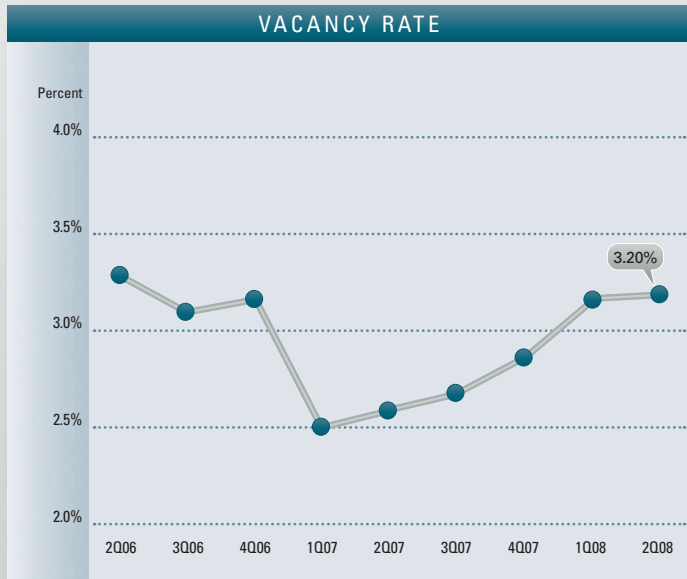
Retail Market Highlights

- ◆ The Retail vacancy rate is at a low 3.2%, which is up from the 2.79% rate we saw during the second quarter of 2007. One of the lowest vacancy rates in the county can be found in the North County and Central Suburban Corridor submarkets, coming in at 1.58% and 2.57% respectively. This lack of supply is creating constrained demand for Retail space in the San Diego County area and is putting upward pressure on lease rates.
 - ◆ The average asking Triple Net lease rate was \$2.08 per square foot per month this quarter. This is two cents lower than last quarter and 1.46% higher than what was reported in the second quarter of 2007. The highest rates in the county can be found in the Downtown submarket, where the average asking Triple Net lease rate is \$3.03 per square foot.
 - ◆ Retail absorption checked in at a positive 15,558 square feet for the second quarter of 2008. Last year the San Diego Retail Market had a total of over 2 million square feet of positive absorption.
 - ◆ Currently there is 833,924 square feet of Retail construction underway, and total construction is lower than the 915,999 square feet that was under construction at this same time last year.
 - ◆ Planned Retail construction in San Diego County is down. Currently there is 2.4 million square feet of
- Retail space on the slate as being planned compared to last year's figure of 3.3 million square feet.
- ◆ According to the State of California Employment Development Department, San Diego County added 3,200 payroll jobs over the last twelve months. Between April 2008 and May 2008 San Diego County gained 3,100 jobs, mostly in the leisure & hospitality and government sectors.
 - ◆ According to Los Angeles County Economic Development Corporation, it is estimated that San Diego County will gain 12,700 nonfarm jobs with a 4.1% increase in total personal income in 2008, and they are forecasting 19,800 new jobs for 2009.
 - ◆ The unemployment rate in San Diego County was 5.5% in May 2008, up from the revised 5.1% percent in April 2008, but above the year ago estimate of 4.1%. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.2 percent for the nation during the same period.
 - ◆ 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 1% to 3% in 2008.

RETAIL MARKET OVERVIEW

	2Q2008	1Q2008	2Q2007	% CHANGE VS. 2Q07
Under Construction	833,924	687,113	915,999	-8.96%
Vacancy	3.20%	3.18%	2.79%	14.70%
Availability	4.56%	4.45%	3.75%	21.60%
Pricing - Triple Net Service	\$2.08	\$2.10	\$2.05	1.46%
Activity	1,104,933	973,820	1,109,275	-0.39%
Net Absorption	107,909	-187,620	139,313	N/A

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	INVENTORY			VACANCY & LEASE RATES					ABSORPTION			
	Number Of Buildings	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2008	Total Availability 2Q2008	Average Asking Lease Rate	Net Absorption 2Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
Central												
Downtown	411	5,035,561	36,382	238,966	323,608	6.43%	427,015	\$3.03	23,767	31,918	27,371	(86,169)
Central Total	411	5,035,561	36,382	238,966	323,608	6.43%	427,015	\$3.03	23,767	31,918	27,371	(86,169)
Central Suburban												
City Heights/University	1,256	7,875,854	16,587	53,691	261,533	3.32%	459,314	\$1.95	(4,859)	(56,904)	150,082	(16,362)
Kearny Mesa	248	4,958,881	0	6,650	109,512	2.21%	147,513	\$1.72	(10,938)	(11,053)	32,265	(32,466)
Mission Gorge	208	4,267,554	0	0	78,585	1.84%	116,288	\$1.79	15,034	14,869	17,085	(53,269)
Mission Valley	97	5,397,001	0	0	47,377	0.88%	75,524	\$1.95	(1,305)	10,081	(15,807)	(4,861)
Old Town	105	499,934	20,685	0	10,410	2.08%	14,910	\$2.49	8,950	3,382	6,464	2,811
Point Loma	421	3,789,874	21,700	38,360	185,336	4.89%	203,442	\$2.23	3,677	924	234,056	61,609
Rose Canyon/Morena	559	5,761,459	30,043	64,785	122,314	2.12%	160,190	\$1.97	(623)	23,263	137,938	(7,027)
Uptown/Hillcrest	244	1,780,208	21,672	15,338	66,744	3.75%	75,896	\$2.31	3,632	9,003	22,731	24,391
Central Suburban Total	3,138	34,330,765	110,687	178,824	881,811	2.57%	1,253,077	\$1.97	13,568	(6,435)	584,814	(25,174)
Highway 78 Corridor												
Oceanside	490	5,763,668	19,744	230,185	415,482	7.21%	502,902	\$2.12	(45,167)	(92,908)	(51,459)	129,025
San Marcos/Vista	805	11,491,296	55,166	859,366	478,688	4.17%	699,646	\$2.00	67,295	3,330	229,723	433,478
Highway 78 Corridor Total	1,295	17,254,964	74,910	1,089,551	894,170	5.18%	1,202,548	\$2.06	22,128	(89,578)	178,264	562,503
I-15 Corridor												
Escondido	678	9,310,275	25,798	35,706	428,857	4.61%	643,057	\$1.67	(6,149)	(60,062)	66,006	72,940
Rancho Bernardo/ Poway	313	6,236,277	88,228	5,368	126,199	2.02%	226,523	\$2.70	(7,055)	(9,753)	260,831	23,501
Scripps Ranch	37	764,495	0	6,400	23,415	3.06%	23,355	\$2.65	(6,821)	(10,921)	(6,684)	(385)
I-15 Corridor Total	1,028	16,311,047	114,026	47,474	578,471	3.55%	892,935	\$2.01	(20,025)	(80,736)	320,153	96,056
North City												
Del Mar Heights	34	746,360	0	0	6,910	0.93%	17,170	\$0.00	(1,496)	(46)	(2,744)	6,276
Governor Park	4	97,729	0	0	800	0.82%	800	\$0.00	0	800	(1,600)	0
La Jolla	215	1,506,063	0	0	55,751	3.70%	51,642	\$3.57	41,241	35,697	(22,140)	(2,775)
Miramar	163	3,665,019	0	0	143,533	3.92%	281,078	\$1.79	(11,726)	(23,811)	(34,557)	(26,021)
N University City - UTC Center	21	285,731	0	0	21,826	7.64%	27,793	\$0.00	(9,096)	(9,096)	21,300	(13,192)
Sorrento Mesa	4	26,987	0	0	795	2.95%	795	\$1.75	0	0	1,753	0
Torrey Pines/Sorrento Valley	63	2,214,309	0	0	68,615	3.10%	72,085	\$3.25	(2,151)	(18,678)	29,223	(19,845)
North City Total	504	8,542,198	0	0	298,230	3.49%	451,363	\$2.23	16,772	(15,134)	(8,765)	(55,557)
North County												
Carlsbad	301	5,357,474	0	134,342	104,207	1.95%	154,385	\$2.40	(25,771)	(22,061)	(11,951)	60,542
North Beach Cities	568	8,164,500	0	55,790	108,782	1.33%	187,545	\$3.27	(4,504)	(8,581)	222,087	(79,492)
North County Total	869	13,521,974	0	190,132	212,989	1.58%	341,930	\$2.88	(30,275)	(30,642)	210,136	(18,950)
South/Southeast Corridor												
East County	1,569	16,622,866	76,725	104,576	513,903	3.09%	697,837	\$1.70	31,182	(50,608)	294,285	(3,831)
South San Diego	1,659	20,419,968	421,194	508,577	525,217	2.57%	748,125	\$1.96	(41,559)	104,267	415,031	1,056,758
South/Southeast Corridor Total	3,228	37,042,834	497,919	613,153	1,039,120	2.81%	1,445,962	\$1.83	(10,377)	53,659	709,316	1,052,927
San Diego County Total	10,473	132,039,343	833,924	2,358,100	4,228,399	3.20%	6,014,830	\$2.08	15,558	-136,948	2,021,289	1,525,636

Lease rates are on a triple net basis.



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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