

RETAIL MARKET REPORT

THIRD QUARTER 2006

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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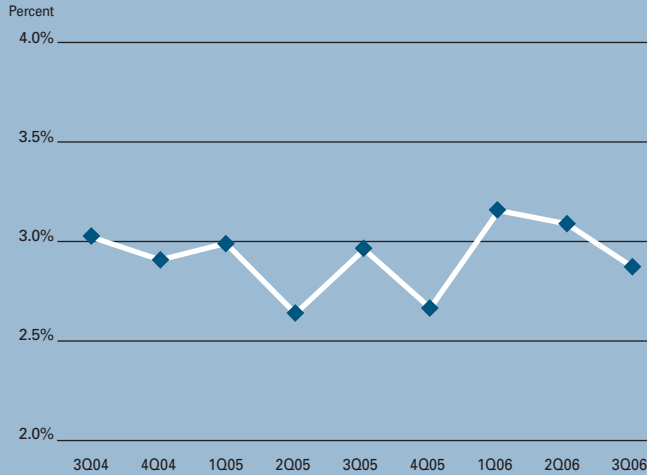
MARKET HIGHLIGHTS

- ◆ Unemployment in the third quarter of 2006 in San Diego County is 4.1%, which is an increase of 0.4% since the second quarter of 2006 and the same as what we saw a year ago.
- ◆ According to Los Angeles County Economic Development Corporation it is estimated that San Diego County added 21,500 new non-farm jobs in 2005, and they are forecasting 21,900 new jobs in 2006 as well as 19,500 in 2007. They are also forecasting a 6.0% increase in total personal income for 2006.
- ◆ Currently there is 2,722,540 square feet of Retail construction underway, and total construction is higher than the 1,654,976 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is down. Currently there is 4,319,868 square feet of Retail space on the slate as being planned compared to last quarters figure of 4,427,137.
- ◆ The Retail vacancy rate is at a low 2.87%, which is down from the 2.96% rate we saw during the third quarter of 2005.
- ◆ The average asking Triple Net lease rate checked in at \$2.03 a square foot per month this quarter. This is higher than last quarter and 10.93% higher than what was reported in the third quarter of 2005. This also represents a new record high for lease rates in the Retail market of San Diego.
- ◆ Retail absorption checked in at a positive number of 224,421 square feet for the third quarter of 2006, giving the San Diego Retail Market a total of 5.8 million square feet of positive absorption for the last 17 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.

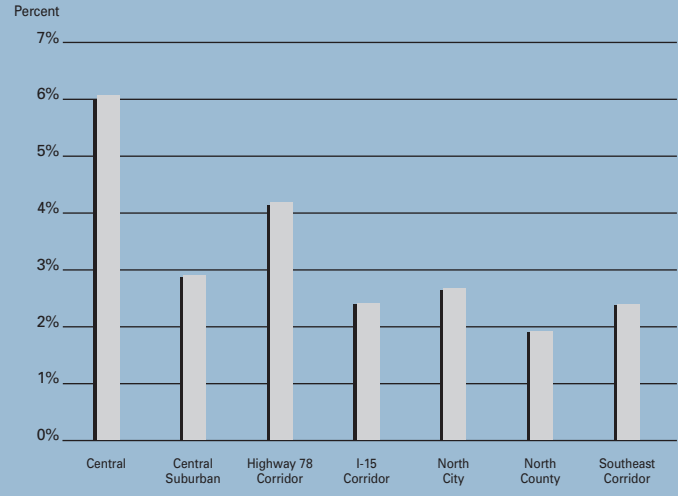
RETAIL MARKET STATISTICS

	3Q2006	2Q2006	3Q2005	% CHANGE VS. 3Q05
Under Construction	2,722,540	2,671,577	1,654,976	64.51%
Vacancy	2.87%	3.09%	2.96%	-3.04%
Availability	3.66%	3.65%	3.51%	4.27%
Pricing - Triple Net Service	\$2.03	\$2.02	\$1.83	10.93%
Net Absorption	224,421	103,219	9,565	N/A

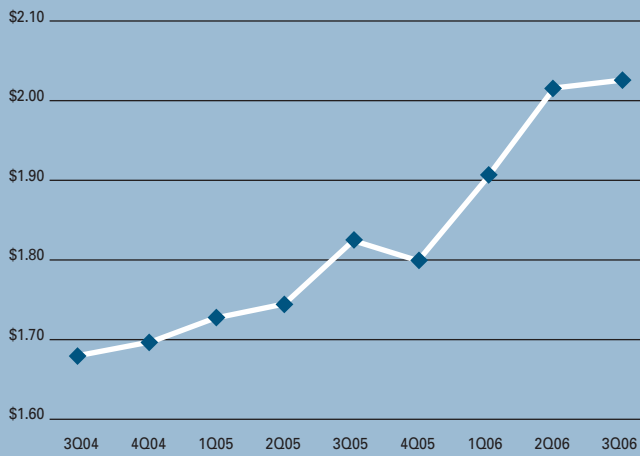
VACANCY RATE



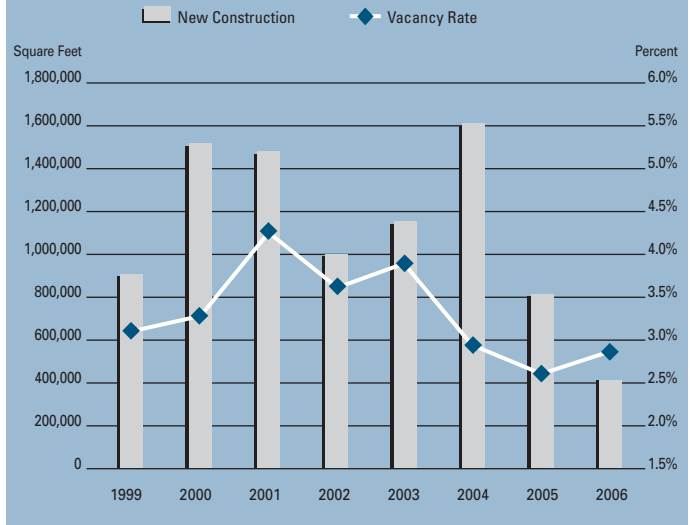
VACANCY RATE BY SUBMARKET



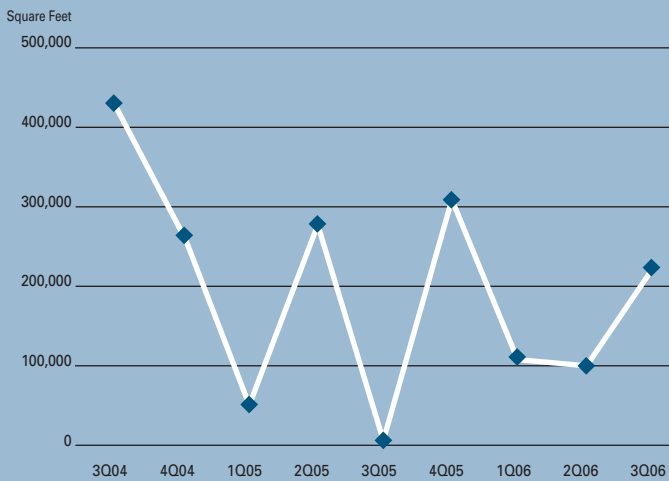
AVERAGE ASKING TRIPLE NET LEASE RATE



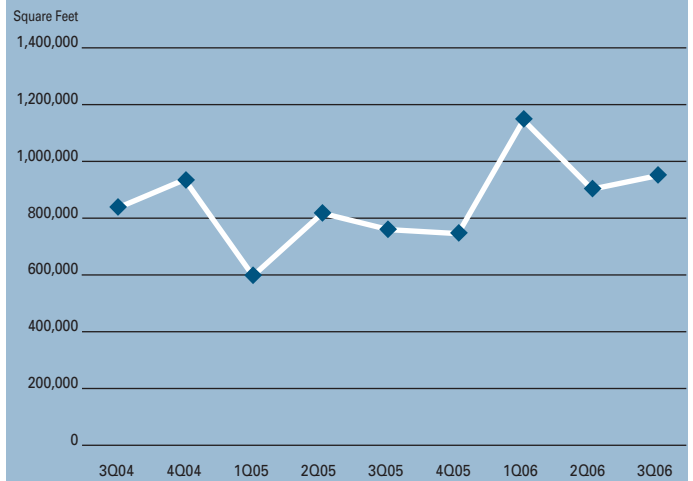
ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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 3Q2006	Total Availability 3Q2006	Average Asking Lease Rate	Net Absorption 3Q2006	Net Absorption 2006
Central										
Downtown	229	3,293,339	411,715	189,396	201,925	6.13%	211,935	\$2.76	(5,472)	(82,479)
Central Total	229	3,293,339	411,715	189,396	201,925	6.13%	211,935	\$2.76	(5,472)	(82,479)
Central Suburban										
City Heights/University	300	4,071,590	23,698	281,374	138,036	3.39%	278,579	\$1.54	10,621	59,130
Kearny Mesa	130	3,779,259	0	25,676	83,278	2.20%	93,948	\$1.87	(44,583)	(27,610)
Mission Gorge	131	4,041,175	0	0	109,041	2.70%	169,010	\$2.17	41,257	(62,907)
Mission Valley	61	5,753,329	0	0	26,560	0.46%	23,284	\$3.01	25,058	(6,590)
Old Town	20	204,914	10,950	0	5,484	2.68%	9,434	\$0.00	(303)	(667)
Point Loma	140	2,448,789	560	160,676	126,464	5.16%	167,572	\$2.47	20,950	22,956
Rose Canyon/Morena	212	4,261,902	4,800	163,000	183,986	4.32%	257,732	\$1.94	32,315	(11,387)
Uptown/Hillcrest	83	741,245	8,164	4,388	55,211	7.45%	61,878	\$2.11	12,461	14,443
Central Suburban Total	1,077	25,302,203	48,172	635,114	728,060	2.88%	1,061,437	\$1.98	97,776	(12,632)
Highway 78 Corridor										
Oceanside	159	4,975,698	7,000	927,720	235,859	4.74%	282,093	\$1.73	35,570	91,619
San Marcos/Vista	291	8,297,585	499,899	640,833	337,137	4.06%	379,701	\$1.74	4,418	47,566
Highway 78 Corridor Total	450	13,273,283	506,899	1,568,553	572,996	4.32%	661,794	\$1.74	39,988	139,185
I-15 Corridor										
Escondido	247	6,804,355	187,473	31,000	154,755	2.27%	222,770	\$1.58	37,478	82,869
Rancho Bernardo/Poway	123	5,035,303	274,639	38,000	144,785	2.88%	169,792	\$2.35	(3,586)	2,831
Scripps Ranch	27	666,547	6,400	0	1,960	0.29%	7,539	\$2.48	(385)	(385)
I-15 Corridor Total	397	12,506,205	468,512	69,000	301,500	2.41%	400,101	\$1.94	33,507	85,315
North City										
Del Mar Heights	22	761,721	0	0	23,724	3.11%	26,890	\$3.39	(19,200)	(13,328)
Governor Park	3	17,504	0	0	0	0.00%	0	\$0.00	0	0
La Jolla	107	974,947	0	0	55,899	5.73%	68,788	\$4.52	1,784	(6,222)
Miramar	79	3,384,662	0	0	79,240	2.34%	129,647	\$1.98	(228)	9,111
N University City - UTC Center	22	2,197,498	0	0	18,500	0.84%	18,500	\$2.32	18,039	(100)
Sorrento Mesa	8	241,077	0	12,000	20,300	8.42%	22,267	\$3.50	(10,923)	(12,863)
Torrey Pines/Sorrento Valley	3	23,589	0	0	2,548	10.80%	2,548	\$1.40	0	0
North City Total	244	7,600,998	0	12,000	200,211	2.63%	268,640	\$2.96	(10,528)	(23,402)
North County										
Carlsbad	66	3,878,022	0	200,642	65,683	1.69%	89,922	\$3.09	10,095	123,365
North Beach Cities	135	4,695,529	20,349	12,960	97,887	2.08%	102,528	\$2.94	(22,832)	(36,800)
North County Total	201	8,573,551	20,349	213,602	163,570	1.91%	192,450	\$3.03	(12,737)	86,565
South/Southeast Corridor										
East County	509	12,077,837	0	256,105	392,068	3.25%	452,099	\$1.47	(1,958)	(61,989)
South San Diego	526	15,758,982	1,266,893	1,376,098	258,561	1.64%	351,906	\$1.95	83,845	96,163
South/Southeast Total	1,035	27,836,819	1,266,893	1,632,203	650,629	2.34%	804,005	\$1.69	81,887	34,174
San Diego County Total	3,633	98,386,398	2,722,540	4,319,868	2,818,891	2.87%	3,600,362	\$2.03	224,421	226,726

Lease rates are on a triple net basis.

RETAIL MARKET REPORT

THIRD 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

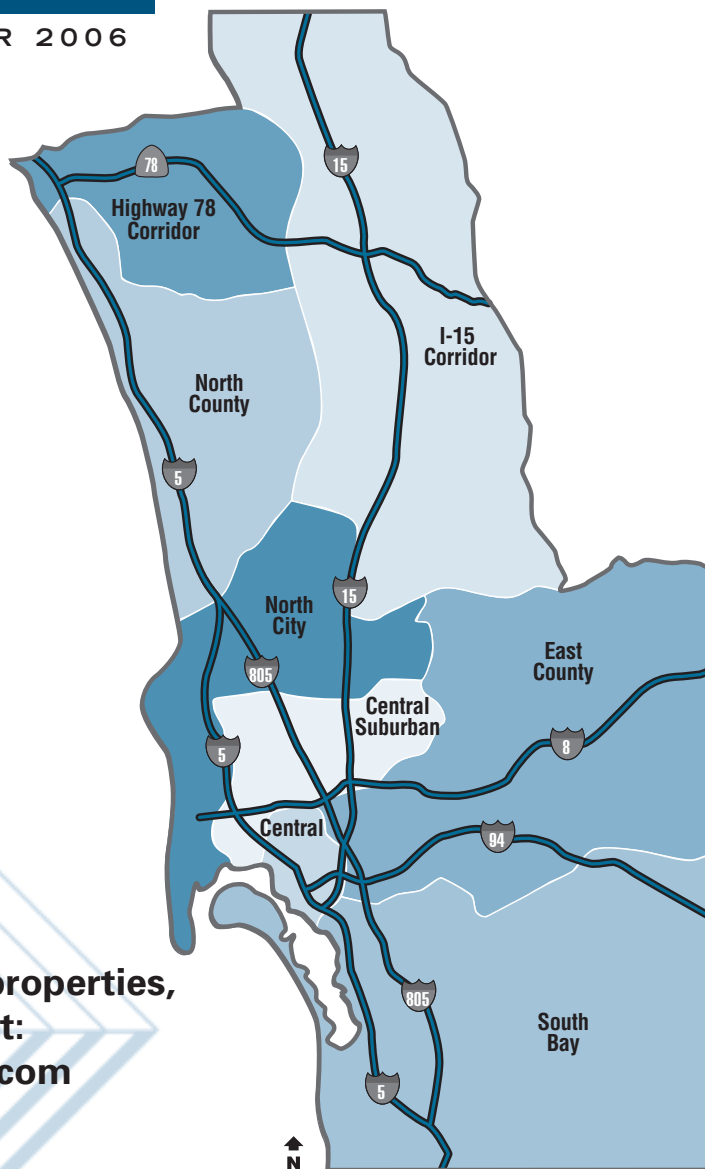
Del Mar Heights
Governor Park
La Jolla
Miramar
N University City - UTC Center
Sorrento Mesa
Torrey Pines/Sorrento Valley

NORTH COUNTY

Carlsbad
North Beach Cities

SOUTH/SOUTHEAST CORRIDOR

East County
South San Diego



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