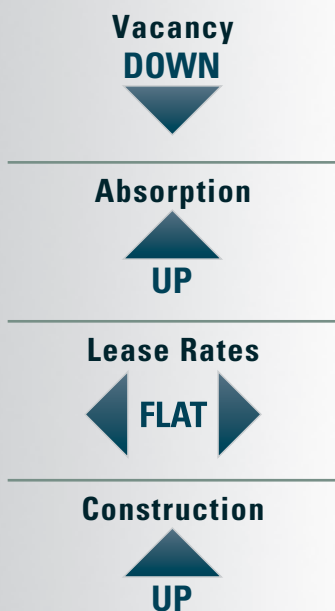




# Retail Market Report

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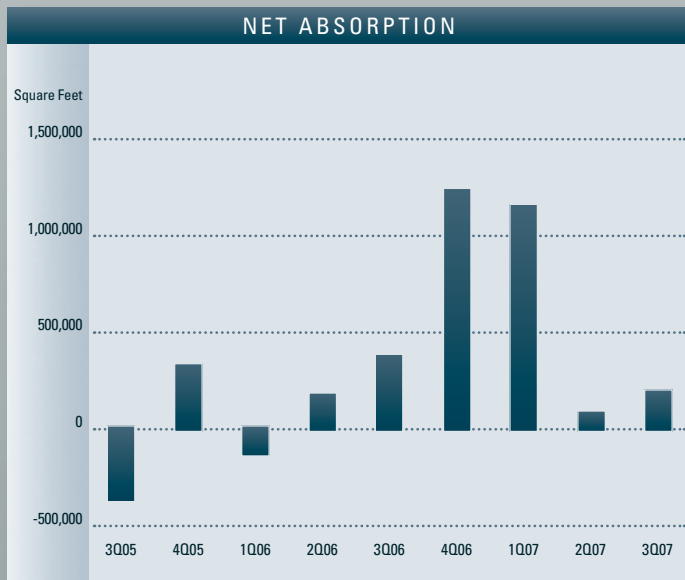
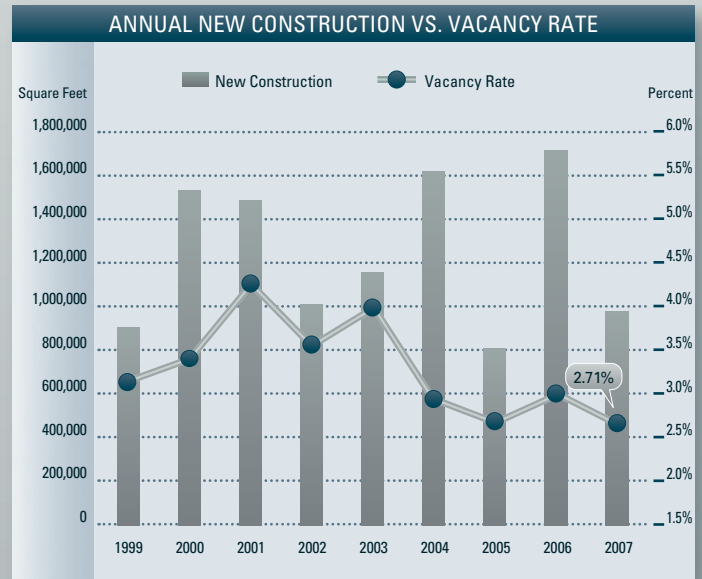
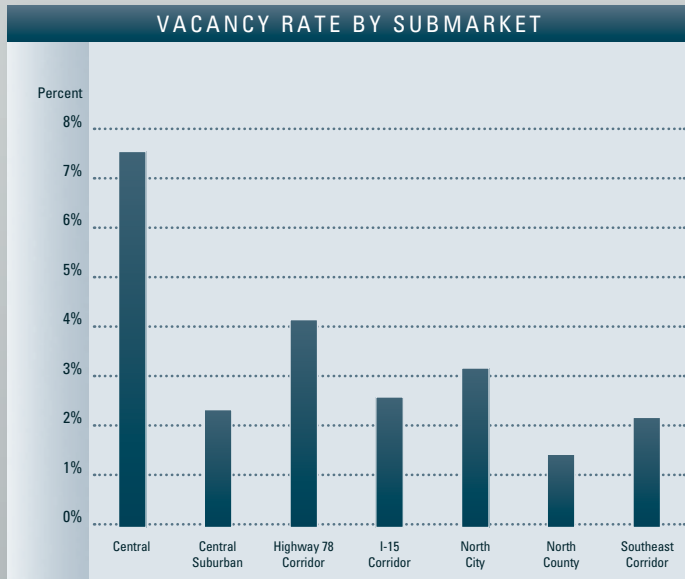
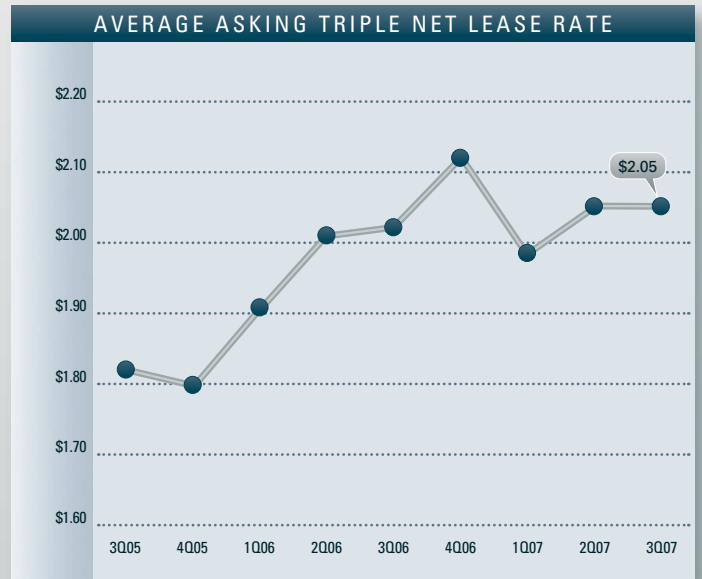
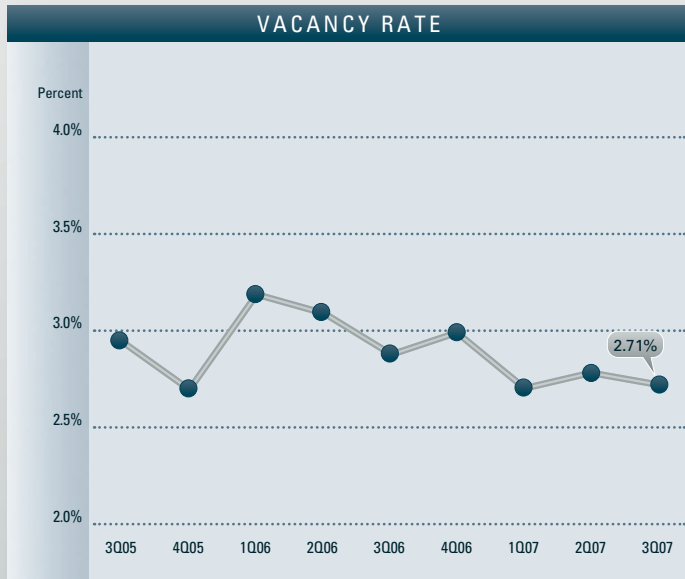
## Retail Market Highlights

- ◆ The Retail vacancy rate is at a low 2.71%, which is down from the 2.87% rate we saw during the third quarter of 2006. One of the lowest vacancy rates in the county can be found in the North County and South/Southeast Corridor submarkets, coming in at 1.4% and 2.21% 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 \$2.05 a square foot per month this quarter. This is the same as last quarter and 0.99% higher than what was reported in the third quarter of 2006. The highest rates in the county can be found in the North County submarket, where the average asking Triple Net lease rate is \$2.79 per square foot.
- ◆ Retail absorption checked in at a positive number of 203,823 square feet for the third quarter of 2007, giving the San Diego Retail Market a total of over 1.6 million square feet of positive absorption for the first three quarters of 2007.
- ◆ Currently there is 727,497 square feet of Retail construction underway, and total construction is lower than the 2,722,540 square feet that was under construction at this same time last year.
- ◆ Planned Retail construction in San Diego County is down. Currently there is 3,734,331 square feet of Retail space on the slate as being planned compared to last year's figure of 4,319,868.
- ◆ Unemployment in the third quarter of 2007 in San Diego County is 4.8%, which is 0.6% higher than it was when compared to the second quarter of 2007, and 0.7% higher than it was a year ago.
- ◆ According to the 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 OVERVIEW

	3Q2007	2Q2007	3Q2006	% CHANGE VS. 3Q06
Under Construction	727,497	915,999	2,722,540	-73.28%
Vacancy	2.71%	2.79%	2.87%	-5.57%
Availability	3.66%	3.75%	3.66%	0.00%
Pricing - Triple Net Service	\$2.05	\$2.05	\$2.03	0.99%
Net Absorption	203,823	89,408	224,421	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 3Q2007	Total Availability 3Q2007	Average Asking Lease Rate	Net Absorption 3Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
<b>Central</b>												
Downtown	409	4,714,054	86,767	722,663	352,920	7.49%	369,619	\$2.66	(20,475)	16,763	(86,169)	85,106
<b>Central Total</b>	<b>409</b>	<b>4,714,054</b>	<b>86,767</b>	<b>722,663</b>	<b>352,920</b>	<b>7.49%</b>	<b>369,619</b>	<b>\$2.66</b>	<b>(20,475)</b>	<b>16,763</b>	<b>(86,169)</b>	<b>85,106</b>
<b>Central Suburban</b>												
City Heights/University	910	6,563,396	14,681	30,405	144,085	2.20%	294,336	\$1.63	1,128	151,938	(16,362)	15,116
Kearny Mesa	240	4,951,201	0	0	63,635	1.29%	131,851	\$1.74	(4,368)	64,989	(32,466)	72,284
Mission Gorge	200	4,391,423	1,178	0	123,783	2.82%	196,700	\$2.05	5,533	(19,380)	(53,269)	1,658
Mission Valley	86	6,415,645	0	0	46,809	0.73%	87,016	\$2.01	9,759	(13,578)	(4,861)	20,534
Old Town	91	426,850	0	0	10,573	2.48%	13,591	\$2.00	(1,100)	4,983	2,811	550
Point Loma	413	3,848,151	31,700	27,243	183,487	4.77%	160,081	\$1.97	2,160	220,814	61,609	(6,212)
Rose Canyon/Morena	552	5,847,087	0	102,684	126,862	2.17%	145,680	\$1.60	11,975	117,995	(7,027)	(23,122)
Uptown/Hillcrest	181	1,445,963	5,366	27,942	87,138	6.03%	90,577	\$2.60	(1,414)	9,359	24,391	(2,268)
<b>Central Suburban Total</b>	<b>2,673</b>	<b>33,889,716</b>	<b>52,925</b>	<b>188,274</b>	<b>786,372</b>	<b>2.32%</b>	<b>1,119,832</b>	<b>\$1.82</b>	<b>23,673</b>	<b>537,120</b>	<b>(25,174)</b>	<b>78,540</b>
<b>Highway 78 Corridor</b>												
Oceanside	433	5,888,757	8,707	1,015,637	275,811	4.68%	354,622	\$1.88	25,304	(29,512)	129,025	125,815
San Marcos/Vista	641	10,767,499	104,427	576,386	416,352	3.87%	543,836	\$1.97	113,763	210,167	433,478	171,277
<b>Highway 78 Corridor Total</b>	<b>1,074</b>	<b>16,656,256</b>	<b>113,134</b>	<b>1,592,023</b>	<b>692,163</b>	<b>4.16%</b>	<b>898,458</b>	<b>\$1.93</b>	<b>139,067</b>	<b>180,655</b>	<b>562,503</b>	<b>297,092</b>
<b>I-15 Corridor</b>												
Escondido	636	8,960,580	8,800	110,906	316,821	3.54%	461,466	\$1.86	(29,417)	133,075	72,940	(45,978)
Rancho Bernardo/ Poway	285	6,710,421	0	38,000	108,656	1.62%	155,391	\$2.35	28,608	312,730	23,501	6,318
Scripps Ranch	49	832,031	0	6,400	6,434	0.77%	6,434	\$2.64	3,520	(4,474)	(385)	3,155
<b>I-15 Corridor Total</b>	<b>970</b>	<b>16,503,032</b>	<b>8,800</b>	<b>155,306</b>	<b>431,911</b>	<b>2.62%</b>	<b>623,291</b>	<b>\$2.05</b>	<b>2,711</b>	<b>441,331</b>	<b>96,056</b>	<b>(36,505)</b>
<b>North City</b>												
Del Mar Heights	29	747,351	0	24,000	5,804	0.78%	8,004	\$0.00	(4,116)	(1,684)	6,276	82,317
Governor Park	4	97,729	0	0	2,720	2.78%	2,720	\$0.00	0	(2,720)	0	0
La Jolla	212	1,446,426	0	0	85,740	5.93%	92,870	\$4.59	1,143	(22,489)	(2,775)	(10,851)
Miramar	143	3,778,523	0	0	133,333	3.53%	169,520	\$1.94	19,437	(5,255)	(26,021)	(34,722)
N University City - UTC Center	31	2,265,669	35,000	0	39,268	1.73%	43,188	\$2.16	2,295	(23)	(19,845)	3,600
Sorrento Mesa	27	365,173	0	0	12,190	3.34%	39,470	\$3.50	12,795	21,939	(13,192)	(466)
Torrey Pines/Sorrento Valley	4	26,987	0	0	795	2.95%	795	\$2.00	0	1,753	0	(2,548)
<b>North City Total</b>	<b>450</b>	<b>8,727,858</b>	<b>35,000</b>	<b>24,000</b>	<b>279,850</b>	<b>3.21%</b>	<b>356,567</b>	<b>\$2.74</b>	<b>31,554</b>	<b>(8,479)</b>	<b>(55,557)</b>	<b>37,330</b>
<b>North County</b>												
Carlsbad	266	5,110,278	0	334,342	92,900	1.82%	135,159	\$2.75	10,852	(15,962)	60,542	(9,413)
North Beach Cities	555	8,589,323	28,829	90,653	98,709	1.15%	170,826	\$2.85	8,785	192,350	(79,492)	9,378
<b>North County Total</b>	<b>821</b>	<b>13,699,601</b>	<b>28,829</b>	<b>424,995</b>	<b>191,609</b>	<b>1.40%</b>	<b>305,985</b>	<b>\$2.79</b>	<b>19,637</b>	<b>176,388</b>	<b>(18,950)</b>	<b>(35)</b>
<b>South/Southeast Corridor</b>												
East County	1,287	16,170,392	230,242	371,422	464,729	2.87%	587,260	\$1.75	29,679	84,608	(3,831)	170,387
South San Diego	1,380	20,241,491	171,800	255,648	341,333	1.69%	521,036	\$2.07	(22,023)	203,319	1,056,758	186,155
<b>South/Southeast Corridor Total</b>	<b>2,667</b>	<b>36,411,883</b>	<b>402,042</b>	<b>627,070</b>	<b>806,062</b>	<b>2.21%</b>	<b>1,108,296</b>	<b>\$1.91</b>	<b>7,656</b>	<b>287,927</b>	<b>1,052,927</b>	<b>356,542</b>
<b>San Diego County Total</b>	<b>9,064</b>	<b>130,602,400</b>	<b>727,497</b>	<b>3,734,331</b>	<b>3,540,887</b>	<b>2.71%</b>	<b>4,782,048</b>	<b>\$2.05</b>	<b>203,823</b>	<b>1,631,705</b>	<b>1,525,636</b>	<b>818,070</b>

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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